

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2021



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

The Fund returned 0.3% in July. Performance was mixed across holdings as markets navigate a bumpy reopening and a likely transition towards less fiscal and monetary stimulus. Market interest rates have surprised by falling further. The resulting higher bond prices contributed positively to returns but the Fund's benefit was diminished by (i) its reduced exposure to interest rates (as we feared rates would rise) and (ii) mild underperformance of some lower rated corporate bonds.

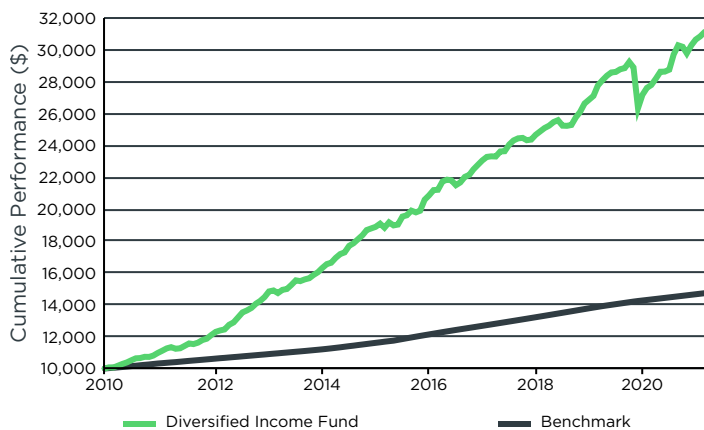
It was difficult to call out a clear trend across the Fund's shares. Company earnings have generally been strong although valuations are no longer cheap, however lower interest rates have helped. The Delta variant has been a headwind, notably for some Australian shares given lockdowns. Nevertheless, Australian property companies Goodman Group (+6.9%) and Charter Hall (+5.0%) were impressive exceptions. Other strong performers included US hospital HCA (+20.1%) after a strong result, Mainfreight (+7.4%) which gave a strong trading update, and the Fund's global water utilities (benefitting from lower interest rates). The Fund had a small allocation to Sydney Airport which gained 34.9% after a takeover bid.

Looking forward, ongoing growth, historically low interest rates and excess cash liquidity support a reasonable outlook for returns, albeit short term volatility may increase. We continue to remain wary of bonds, retaining lower interest rate exposure given the risk of higher interest rates. We retain a higher allocation to shares than the long-term neutral. While we anticipate higher interest rates, our base case sees a lower eventual peak to this interest cycle which should support shares.

To view Milford's August 2021 Market and Economic Review please see milfordasset.com/fact-sheet.

Cumulative Fund Performance

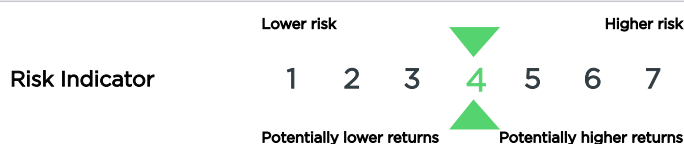
(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date, and assumes reinvestment of distribution.

Key Fund Facts

Objective¹	To provide income and capital growth over the minimum recommended investment timeframe
Description	Diversified fund that primarily invests in fixed interest and equity income-generating securities
Minimum recommended investment timeframe	4 years
Target Allocation	60% Income Assets / 40% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$2,787.6 M
Yield²	2.60%
Average Credit Rating	BBB
Duration	0.28 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.1 cents per unit (Quarterly)
Benchmark	OCR + 2.5% p.a.
Base Fund Fee³	0.65%
Performance Fee	10% of the Fund's returns above the Benchmark ¹ , subject to the high watermark.
Total Fund Fees⁴	0.90% (includes an est. performance fee)



External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 07-07-2020

Diversified Income Fund as at 31 July 2021

Investment Performance after fees as at 31 July 2021⁵

Unit Price: \$1.8969

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Diversified Income Fund (Gross Of Tax)	0.30%	1.85%	10.71%	7.33%	7.51%	10.56%
After Tax 10.50%	0.29%	1.83%	10.29%	6.85%	6.94%	9.85%
After Tax 17.50%	0.29%	1.83%	10.00%	6.53%	6.56%	9.38%
After Tax 28.00%	0.28%	1.81%	9.57%	6.06%	6.00%	8.69%
Benchmark	0.23%	0.69%	2.75%	3.39%	3.75%	3.49%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.32%
Telstra	1.85%
Spark	1.67%
Meridian	1.67%
Goodman	1.34%
NAB	1.25%
Transurban	1.18%
Westpac	0.99%
Atlas Arteria	0.95%
Getlink	0.86%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	8.31%	5%
New Zealand Fixed Interest	7.54%	10%
International Fixed Interest	42.82%	45.00%
New Zealand Equities	10.42%	7%
Australian Equities	11.51%	10%
International Equities	9.49%	5%
Listed Property	9.76%	19%
Other	0.15%	0%

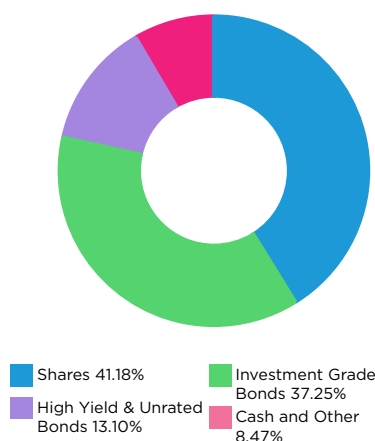
The actual cash held by the Fund is 5.16%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

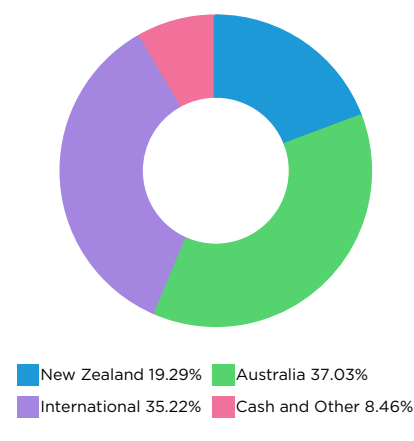
Holdings	% of Fund
Scentre Group 5.125% 2080	1.63%
Martin Marietta 3.2% 2051	0.87%
Mirvac Group 3.625% 2027	0.79%
T-Mobile 3.375% 2029	0.79%
Wesfarmers 1.941% 2028	0.76%
ASB Bank 5.25% 2026	0.73%
Aventus Float 2025	0.69%
HCA 5.875% 2026	0.65%
Westpac 4.695% 2026	0.63%
AusNet Float 2080	0.59%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Fund Portfolio Mix



Region Exposure



1. After the base fund fee but before tax and before the performance fee. 2. Yield to maturity (before tax and fees) for underlying investments in the Fund. 3. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 4. The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. 5. Includes the reinvestment of distributions. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at milfordasset.com/fact-sheet for more information about the data published within this document.

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