

Milford Diversified Income Fund (AU)

September 2021

Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Portfolio Manager

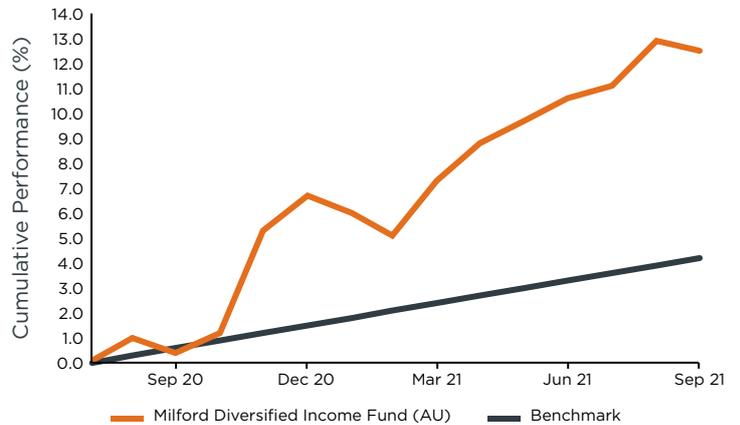
The market volatility we had been wary of duly arrived in September which resulted in a negative return for the Fund of -0.3% over the month. Bonds were weaker as market interest rates rose while shares were generally weaker.

Market interest rates rose reflecting key global central bank signals that the removal of emergency monetary policy settings may be approaching, albeit the Reserve Bank of Australia is likely to be later. This weighed on income-oriented shares and shares of high growth companies (which have benefitted from lower rates) but there is also wariness that some company earnings may be negatively impacted by supply shortages and higher input costs. Some Australian shares were also impacted by the increasingly evident China slowdown.

The Fund's lower interest rate exposure (which we retain) and below long-run neutral exposure to bonds cushioned returns from rising interest rates. The lower allocation to income-oriented shares also helped, as the fund's reopening winners (e.g. Spanish airports Aena up 10.4%) and cyclical shares (e.g. Australian energy company Santos up 18.5%) outperformed. Importantly, we reduced share exposure during the month which further limited losses.

Looking forward, the medium-term economic and market outlook remains constructive but the reopening from Delta is proving complicated which (i) increases near-term company earnings risks and (ii) means labour and logistics issues keep inflation risks elevated. Moreover, markets need to navigate likely waning monetary policy support, just as fiscal support also falls away. This is a tricky backdrop to traverse and so for now we keep this more moderately conservative setting, specifically with less shares but more bonds and cash than in recent months. However, we will look for weakness in markets to add selectively to bonds and shares of those companies we believe will deliver attractive medium-term returns.

Investment Performance to September 2021*



* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

Key Fund Facts

Objective	Provide a regular income as well as providing moderate capital growth, while seeking to preserve capital over rolling two-year periods.
Description	A diversified portfolio that primarily invests in fixed interest and equity income generating securities.
Benchmark	RBA Cash Rate + 3.5% p.a.
APIR	ETL1908AU
mFund Code	MFA03
Redemption Price as at 30 Sep	\$1.0569
NAV as at 30 Sep	\$13.6 Million
Inception Date	August 2020
Minimum Investment	\$20,000
Recommended Investment Timeframe	3 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Running Yield	2.87%
Management Fee*	0.70%
Capped Expense Recovery*	0.05%
Fund Pricing	Daily
Distribution Frequency**	Monthly

*Fees are stated exclusive of GST.

**Current monthly estimated distribution 0.18 cents per unit.

Investment Performance to September 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	-0.35%	4.91%	12.04%	-	-	10.84%
Benchmark	0.29%	1.79%	3.61%	-	-	3.65%
Over/Underperformance	-0.64%	3.12%	8.43%	-	-	7.19%

Past performance is not a reliable indicator of future performance.

* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

** Inception date of the Fund is 03 August 2020.

Top Equity Holdings

Holdings	% of Fund
Transurban	2.00%
Telstra	1.84%
Goodman	1.81%
Contact Energy	1.61%
Charter Hall Retail	1.47%
NAB	1.44%
Charter Hall	1.16%
Shopping Centres AU	1.16%
Sydney Airport	1.08%
Spark	1.07%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	30.48%	35%	0-70%
Australian Fixed Interest	24.65%	20%	0-70%
Australian Equities	12.12%	20%	0-50%
Listed Property	11.36%	15%	0-30%
International Equities	12.29%	5%	0-40%
Cash and Other #	9.10%	5%	0-60%

Cash and Other reported above is adjusted to reflect the Fund's notional positions.

Top Fixed Interest Holdings

Holdings	% of Fund
Scentre Group 5.125% 2080	2.17%
Downer Group 3.7% 2026	1.89%
CBA Float 2030	1.48%
HSBC Float 2024	1.46%
Wesfarmers 1.941% 2028	1.45%
Mirvac Group 3.625% 2027	1.36%
JPMorgan 1.09% 2027	1.21%
Vicinity 1.125% 2029	1.21%
Ericsson 1% 2029	1.17%
Morgan Stanley 0.406% 2027	1.17%

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

Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report.

There have been no changes to the key service providers or individuals playing a key role in investment since the last monthly report.

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Milford Diversified Income Fund (AU)'s Target Market Determination is available at <https://milfordasset.com.au/forms-documents>. The Target Market Determination is a document describing who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.