

# Milford Diversified Income Fund (AU)

October 2021

## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

Inflation is dominating income assets, proving to be less transient than central banks had hoped. Some central banks have reacted, or are mooted to, by beginning the removal of emergency monetary policy settings. Others may prove to be slower (e.g. the US and Australia) but that has not stopped expectations building, pushing market interest rates higher and bond prices lower. The Fund had hedges in place to cushion the negative impact of rising rates but bonds still detracted from returns.

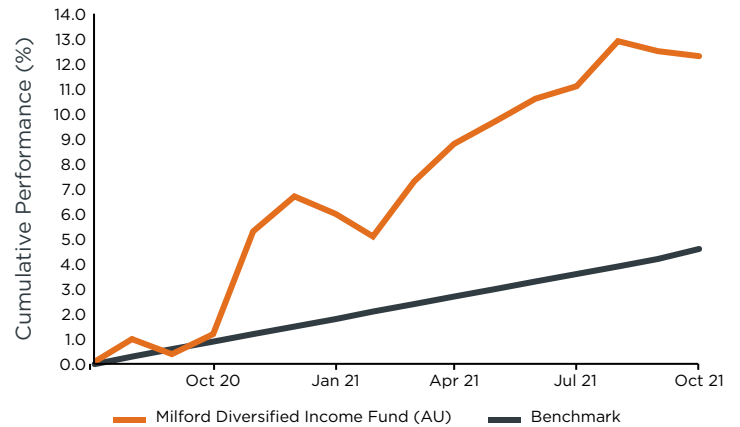
Rising market interest rates were also a headwind for many Australasian shares, especially income-oriented shares. This weakness was somewhat offset by strong performance across many of the Fund's global shares. Notable performers included US rail Norfolk Southern (+22.5%) which benefits from the US reopening, US health insurer Anthem Inc (+16.7%) after strong results, and global logistics property company Prologis (+15.6%) on high demand and strong rents. Unfortunately, these gains were insufficient to prevent a negative 0.2% Fund return in October.

Looking ahead, waning monetary policy support is likely to see further periods of elevated volatility but has led some market interest rates to levels where it made sense to allocate more to corporate bonds. We will keep interest rate exposure lower than we have historically but note we may be getting closer to the final destination for longer dated interest rates in this cycle.

For shares, company reporting suggests inflation and logistics headwinds remain navigable, even if earnings growth may moderate from recent highs.

In conclusion therefore, we still believe the medium-term economic and market outlook remains constructive for Fund returns. Indeed, increased volatility should provide a fertile backdrop for us to buy bonds and shares that will beat the broader market over time.

## Investment Performance to October 2021\*



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

## Key Fund Facts

<b>Objective</b>	Provide a regular income as well as providing moderate capital growth, while seeking to preserve capital over rolling two-year periods.
<b>Description</b>	A diversified portfolio that primarily invests in fixed interest and equity income generating securities.
<b>Benchmark</b>	RBA Cash Rate + 3.5% p.a.
<b>APIR</b>	ETL1908AU
<b>mFund Code</b>	MFA03
<b>Redemption Price as at 31 Oct</b>	\$1.053
<b>NAV as at 31 Oct</b>	\$14.5 Million
<b>Inception Date</b>	August 2020
<b>Minimum Investment</b>	\$20,000
<b>Recommended Investment Timeframe</b>	3 years +
<b>Buy-sell Spread</b>	+/-0.15%
<b>Entry/Exit Fee</b>	Nil
<b>Running Yield</b>	2.79%
<b>Management Fee*</b>	0.70%
<b>Capped Expense Recovery*</b>	0.05%
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency**</b>	Monthly

\*Fees are stated exclusive of GST.

\*\*Current monthly estimated distribution 0.18 cents per unit.

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### Investment Performance to October 2021\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	-0.20%	3.25%	11.02%	-	-	9.89%
Benchmark	0.30%	1.79%	3.60%	-	-	3.66%
Over/Underperformance	-0.50%	1.46%	7.42%	-	-	6.23%

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	1.78%
Contact Energy	1.72%
Goodman	1.71%
Telstra	1.67%
Charter Hall Retail	1.41%
NAB	1.40%
Sydney Airport	1.34%
Shopping Centres AU	1.12%
Charter Hall	1.10%
Spark	0.95%

### Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	29.47%	35%	0-70%
Australian Fixed Interest	23.72%	20%	0-70%
Australian Equities	12.74%	20%	0-50%
Listed Property	11.90%	15%	0-30%
International Equities	14.50%	5%	0-40%
Cash and Other #	7.67%	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	1.93%
Downer Group 3.7% 2026	1.68%
CBA Float 2030	1.39%
HSBC Float 2024	1.37%
Wesfarmers 1.941% 2028	1.31%
Bank of Queensland Float 2026	1.22%
Mirvac Group 3.625% 2027	1.22%
NatWest 5.125% Perpetual	1.20%
Qantas 3.15% 2028	1.18%
JPMorgan 5% 2024	1.09%

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.au>. 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.