

Milford Diversified Income Fund (AU)

December 2021

Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Portfolio Manager

The Fund enjoyed a strong end to the year, gaining 2.5% in December, more than recovering recent weakness.

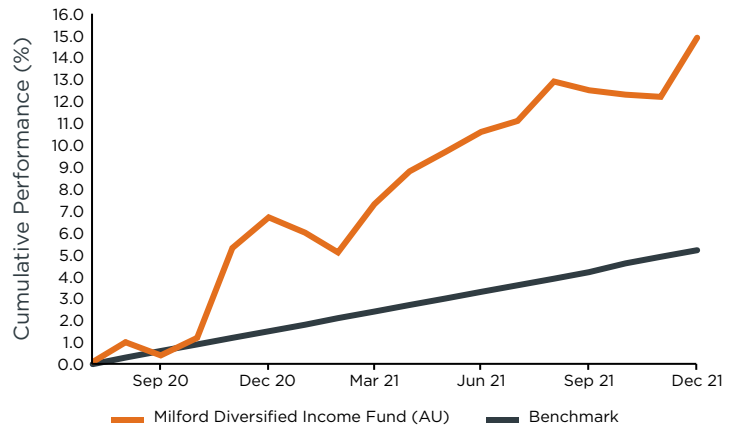
Markets remained choppy in early December, but confidence did grow that they could navigate the Omicron Covid wave and the likely ongoing removal of central bank emergency policy settings. This helped underpin the so called “Santa Rally” which benefitted the Fund’s shares (to which exposure was increased over the month) and to a lesser extent its corporate bonds (where fixed income exposure is focused).

Both income-oriented and cyclical shareholdings saw strong gains, but it was another call out month for property shares; Australian property fund manager Goodman Group (the Fund’s largest property exposure) was up another 7.9% (+41.9% over 1-year). Global infrastructure (especially roads and airports) and cyclical (e.g. banks) shares also enjoyed a strong month, recovering from previous Omicron weakness.

Corporate bonds outperformed mixed performance in government bonds. Subordinated bonds of investment grade companies and high yield rated bonds both generally outperformed higher rated bonds.

Looking forward, our base case remains for positive Fund returns in 2022, albeit more moderate and more volatile. Market interest rates are likely to rise as central banks tighten policy to combat high inflation but should remain historically low. This headwind will be more pronounced for government bonds, but may also limit upside for corporate bonds, so we continue to limit interest rate exposure. The Fund’s share exposure may be close to long run neutral, as the earnings outlook remains positive, but with interest rates rising it remains prudent to complement the Fund’s traditional income-oriented shares with cyclical and reopening beneficiary shares.

Investment Performance to December 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 31 Dec	\$1.0742
NAV as at 31 Dec	\$15.1 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	2.68%
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 December 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	2.46%	3.96%	7.72%	-	-	10.48%
Benchmark	0.30%	1.79%	3.59%	-	-	3.65%
Over/Underperformance	2.16%	2.17%	4.13%	-	-	6.83%

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	1.76%
Goodman	1.58%
Telstra	1.42%
NAB	1.38%
Contact Energy	1.33%
Charter Hall Retail	1.22%
Shopping Centres AU	1.14%
Mirvac	1.12%
Charter Hall	1.04%
Charter Hall Long WALE	0.92%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	28.12%	35.0%	0-70%
Australian Fixed Interest	23.11%	20.0%	0-70%
Australian Equities	11.93%	20.0%	0-50%
Listed Property	12.09%	15.0%	0-30%
International Equities	14.82%	5.0%	0-40%
Cash and Other #	9.93%	5.0%	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	1.94%
Downer Group 3.7% 2026	1.64%
CBA Float 2030	1.33%
HSBC Float 2024	1.31%
Wesfarmers 1.941% 2028	1.27%
Mirvac Group 3.625% 2027	1.22%
Bank of Queensland Float 2026	1.17%
NatWest 5.125% Perpetual	1.17%
Qantas 3.15% 2028	1.14%
JPMorgan 5% 2024	1.08%

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.