

Milford Diversified Income Fund (AU)

January 2022

Portfolio Managers



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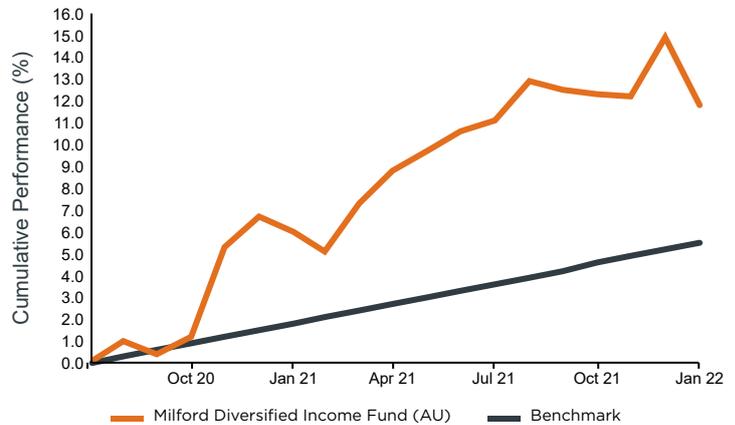
Bonds and shares were both weaker in January resulting in a negative Fund return of -2.6%. Bond prices fell on higher market interest rates, which combined with some moderation in company earnings growth expectations (from elevated levels), also precipitated a repricing lower of many share markets. The Fund retained a lower exposure to bonds, a reduced share exposure, and more cash, but it was insufficient to prevent a reversal of December's strong Fund gain.

We have held off adding back to the bond exposure through this weakness as valuations may still need to adjust further to waning central bank support. Ultimately however a higher interest rate backdrop should benefit future fund returns, even if for now we think patience is appropriate.

To a large extent this approach also holds for the Fund's shares. Thus far we have navigated the higher interest rate environment by complementing traditional income-oriented shares (which can suffer on higher market interest rates) with cyclical and reopening beneficiary shares. This helped in January with for example the Fund's energy related exposures stronger (e.g. Santos +13.2% and Cheniere +10.3%), banks benefitting from higher interest rates (e.g. Virgin Money +8.2%) and some reopening beneficiaries, such as Mastercard (+7.7%), higher. However, given the adjustment lower in valuations across many of the Fund's more traditional income shares, we are now looking for opportunities to move to less cyclical exposures.

Looking ahead, we think the Fund is well placed to deliver moderate returns over its recommended investment timeframe. Near term these may be lower and more volatile than in recent years, as markets continue the transition to a higher level of market interest rates, but the latter is well progressed. For now we will retain a lower than long term neutral exposure to interest rates, and a higher cash balance at the expense of less corporate bonds and shares. As discussed, we will look to invest some of this cash selectively should valuations at the individual bond and share level provide attractive medium-term returns.

Investment Performance to January 2022*



* 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 Jan	\$1.0443
NAV as at 31 Jan	\$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	2.76%
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 January 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	-2.62%	0.78%	5.58%	-	-	7.93%
Benchmark	0.30%	1.80%	3.60%	-	-	3.64%
Over/Underperformance	-2.92%	-1.02%	1.98%	-	-	4.29%

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	1.59%
Charter Hall Retail	1.41%
Goodman	1.38%
Telstra	1.33%
NAB	1.30%
Contact Energy	1.28%
Charter Hall Long WALE	1.20%
Shopping Centres AU	1.11%
Charter Hall	1.02%
Mirvac	1.01%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	28.88%	35.0%	0-70%
Australian Fixed Interest	22.85%	20.0%	0-70%
Australian Equities	10.58%	20.0%	0-50%
Listed Property	12.07%	15.0%	0-30%
International Equities	10.78%	5.0%	0-40%
Cash and Other #	14.84%	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	1.96%
Downer Group 3.7% 2026	1.65%
CBA Float 2030	1.33%
HSBC Float 2024	1.32%
Wesfarmers 1.941% 2028	1.25%
Mirvac Group 3.625% 2027	1.24%
Bank of Queensland Float 2026	1.17%
NatWest 5.125% Perpetual	1.17%
Qantas 3.15% 2028	1.13%
JPMorgan 5% 2024	1.11%

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.