

# Milford Diversified Income Fund (AU)

## March 2022

### Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

Irrespective of pronounced weakness in bond markets, the Fund delivered a reasonable return of 0.9% in March, supported by gains across its shares.

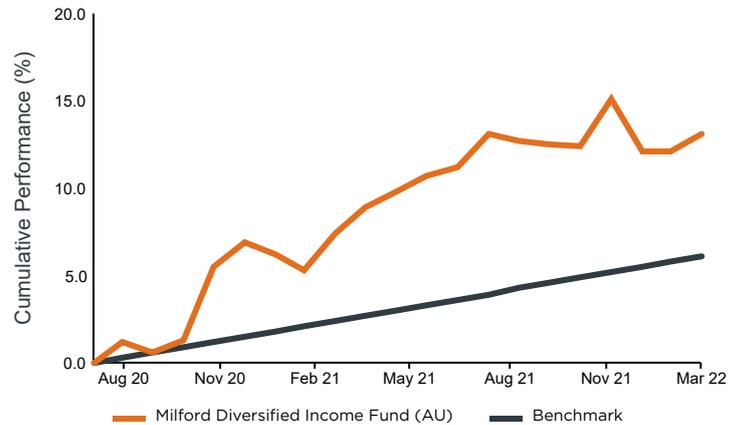
It has been one of the worst quarters and months on record for bonds. Market interest rates rose on hawkish central bank reactions to increasing and more persistent global inflationary pressures, amplified by the impacts of the Ukraine war. The negative impact on the Fund was cushioned by having limited interest rate exposure and more recently by outperformance of many corporate bonds (its predominant bond exposure) over government bonds. Shares were more resilient for the Fund, notably global infrastructure (e.g. European airport and road operator Atlantia +15.2%) and Australian shares, especially energy and commodities (Origin Energy +11.8%) and banks (NAB +11.8%).

During the month we added selectively to bonds that had reached valuations less likely to be negatively impacted by rising interest rates. This included Deutsche Bank subordinated bonds in Euros. We view prevailing higher market interest rates as closer to long run fair value, but acknowledge risks remain skewed for further moves higher. Thus we remain very selective in buying bonds and wary of increasing exposure to market interest rates in all but the cheapest markets.

We have been surprised by the share market's strength and remain concerned it has not fully adjusted to (i) higher market interest rates, (ii) less monetary and fiscal support, and (iii) higher economic uncertainty including higher inflation. We therefore remain wary of further share market weakness. We are opportunistically adding to shares where valuations are attractive (e.g. this month property company Goodman Group), but are limiting broad share market exposure below long run neutral. To protect from higher market interest rates and ongoing elevated inflation we still retain more cyclical and "value" oriented shares (such as banks, energy and resources), to complement the Fund's traditional income-oriented shares (which can suffer on higher market interest rates).

Looking ahead, near term Fund returns may remain somewhat volatile but over the medium term the Fund is well placed to deliver moderate returns in line with its objective, underpinned by higher and closer to fair value market interest rates.

### Investment Performance to March 2022\*



\* 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 Mar</b>	\$1.0499
<b>NAV as at 31 Mar</b>	\$15.4 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>	2.8%
<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.

## Investment Performance to March 2022\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	0.87%	0.36%	5.29%	-	-	7.70%
Benchmark	0.30%	1.78%	3.60%	-	-	3.64%
Over/Underperformance	0.57%	-1.42%	1.69%	-	-	4.06%

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	1.74%
Charter Hall Retail	1.48%
Telstra	1.43%
NAB	1.33%
Charter Hall Long WALE	1.31%
Contact Energy	1.29%
Goodman	1.18%
Shopping Centres AU	1.13%
Woolworths	1.08%
Irongate	1.00%

## Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	28.71%	35.0%	0-70%
Australian Fixed Interest	21.70%	20.0%	0-70%
Australian Equities	13.69%	20.0%	0-50%
Listed Property	11.80%	15.0%	0-30%
International Equities	6.39%	5.0%	0-40%
Cash and Other #	17.71%	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
Magallanes 3.755% 2027	2.09%
Scentre Group 5.125% 2080	1.67%
Downer Group 3.7% 2026	1.55%
CBA Float 2030	1.29%
HSBC Float 2024	1.28%
Wesfarmers 1.941% 2028	1.13%
Bank of Queensland Float 2026	1.13%
Mirvac Group 3.625% 2027	1.08%
Qantas 3.15% 2028	1.02%
NatWest 5.125% Perpetual	1.01%

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.