

Milford Diversified Income Fund (AU)

June 2022

Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

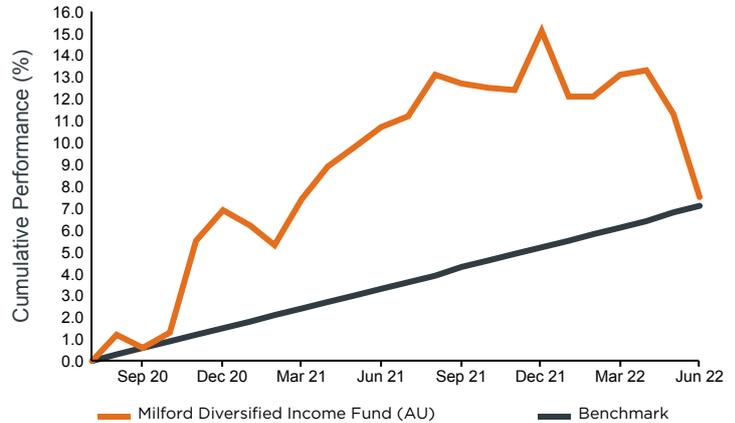
Elevated volatility persisted into June as markets grapple with the risk of slowing economic growth in a backdrop of high inflation and tightening monetary policy. Bond markets were weaker as market interest rates rose, albeit rates closed considerably below mid-month highs. Corporate bonds, the Fund's predominant bond exposure, underperformed government bonds on concern of a deteriorating earnings outlook. This outlook also weighed on shares, which were already weak due to higher interest rates. Weakness was notable in traditional income shares (including Australian and global property, global infrastructure). The Fund was cautiously positioned, with significantly more cash than normal, but these headwinds translated to a negative return of 3.4% in June.

Going into July Fund positioning remains cautious. Share exposure is significantly lower than its long run neutral. We previously noted share market valuations may have adjusted to higher interest rates but could fall further to acknowledge ongoing higher economic and earnings uncertainty. Until we get better clarity on this outlook, potentially through upcoming company reporting, the bar for adding more shares is high. That said, we remain open to the fact that opportunities at a company level will appear.

Over the past couple of months, we have selectively added to corporate bonds we believe offer a risk/return more attractive than shares; many with low double digit implied returns to maturity. We stress this selectivity however given (i) market interest rates may be approaching long run fair value, but risks remain skewed for higher rates if inflation is more persistent and (ii) if recession risks increase then corporate bonds could further underperform government bonds. To help mitigate the risk we focus on shorter-dated bonds where the impact of higher market interest rates is lower. Examples this month included Waypoint REIT bonds in Australian Dollars.

Looking ahead, higher market interest rates and reduced corporate bond and share valuations should benefit medium term returns. The caveat is that near term volatility is likely to remain elevated. Ongoing cautious positioning therefore remains appropriate, remaining patient for more confidence in the outlook before adding more risk.

Investment Performance to June 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 30 Jun	\$0.9932
NAV as at 30 Jun	\$14.8 Million
Inception Date	August 2020
Minimum Investment	\$20,000
Recommended Investment Timeframe	4 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Running Yield	3.44%
Management Fee	0.76%
Fund Pricing	Daily
Distribution Frequency*	Monthly

*Current monthly estimated distribution 0.18 cents per unit.

Investment Performance to June 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	-3.40%	-6.58%	-2.88%	-	-	3.88%
Benchmark	0.34%	1.84%	3.67%	-	-	3.67%
Over/Underperformance	-3.74%	-8.42%	-6.55%	-	-	0.21%

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
Goodman	1.42%
Telstra	1.21%
Contact Energy	1.18%
NAB	1.17%
Transurban	1.07%
Getlink	1.06%
Cheniere Energy	1.04%
Irongate	1.03%
Santos	0.99%
Origin Energy	0.92%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	28.69%	35.0%	0-70%
Australian Fixed Interest	26.83%	20.0%	0-70%
Australian Equities	11.41%	20.0%	0-50%
Listed Property	8.69%	15.0%	0-30%
International Equities	2.01%	5.0%	0-40%
Cash and Other #	22.37%	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	2.24%
Deutsche Bank 4% 2032	1.87%
Scentre Group 5.125% 2080	1.63%
Downer Group 3.7% 2026	1.52%
HSBC Float 2024	1.33%
CBA Float 2030	1.32%
CBA Float 2032	1.30%
NextEra Energy	1.24%
Mirvac Group 3.625% 2027	1.19%
Bank of Queensland Float 2026	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.

Disclaimer: Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the responsible Entity for the Milford Diversified Income Fund (AU). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This Monthly Fact Sheet has been prepared by Milford Australia Pty Ltd. as the Investment Manager, to provide you with general information only. In preparing this Monthly Fact Sheet, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Milford Australia Pty Ltd., Equity Trustees nor any of their related parties, employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance is not a reliable indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

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.