

Milford Diversified Income Fund (AU)

July 2022

Portfolio Managers



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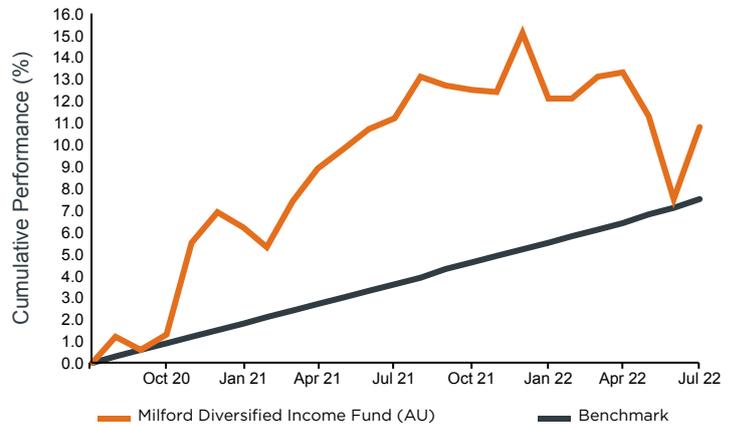
July was a strong month for bonds and shares, with the Fund returning 3.0%. Global economic growth appears to be slowing and forward-looking inflation measures have fallen. This reduced market expectations for the extent to which central bank policy cash rates may need to increase to tame inflation, thus increasing hopes central banks can engineer a soft economic landing and support corporate earnings. The result was lower market interest rates and higher bond prices. It also increased risk appetite, underpinning a strong month for corporate bonds' (the Fund's predominant bond exposure) outperformance over government bonds and a substantial extension of the broad share market recovery from the June lows. That included notable gains for some of the Fund's larger holdings; e.g. in a strong month for Australian property, which benefitted from lower rates, Goodman Property was up 16.0%, and within global infrastructure the Channel Tunnel operator Getlink was up 16.0%.

July's return was pleasing but Fund positioning remains cautious. We added back some share exposure during the month, but aggregate share exposure remains significantly lower than its long run neutral. Share market valuations have adjusted to the recent fall in market interest rates, but could resume their sell-off if interest rates start to rise again and/or if the earnings outlook deteriorates. We think these remain material risks, especially if inflation remains stubborn and central banks have to hike rates into more restrictive territory, which would negatively impact growth and earnings.

These risks could also negatively impact corporate bonds. Therefore, while our exposure is closer to long run neutral we have trimmed it into the market strength. That said, we continue to selectively add to bonds we believe offer attractive risk, such as a new National Australia Bank subordinated bond callable after 5yrs at a NZ Dollar equivalent yield of approximately 6.8%. To help mitigate the interest rate risk we will still focus on shorter-dated bonds where the impact of higher market interest rates is lower.

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

Investment Performance to July 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 Jul	\$0.9926
NAV as at 31 Jul	\$15 Million
Inception Date	August 2020
Minimum Investment	\$1,000
Recommended Investment Timeframe	4 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Running Yield	3.21%
Management Fee	0.76%
Fund Pricing	Daily
Distribution Frequency*	Monthly

*Current monthly estimated distribution 0.18 cents per unit.

Investment Performance to July 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	3.00%	-1.19%	-0.43%	-	-	5.26%
Benchmark	0.40%	1.94%	3.77%	-	-	3.72%
Over/Underperformance	2.60%	-3.13%	-4.20%	-	-	1.54%

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	1.61%
Transurban	1.29%
Contact Energy	1.20%
Telstra	1.20%
NAB	1.03%
Getlink	1.02%
Charter Hall Retail	0.98%
Santos	0.95%
Shopping Centres AU	0.94%
Origin Energy	0.93%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	28.55%	35.0%	0-70%
Australian Fixed Interest	27.27%	20.0%	0-70%
Australian Equities	12.80%	20.0%	0-50%
Listed Property	7.49%	15.0%	0-30%
International Equities	3.05%	5.0%	0-40%
Cash and Other #	20.84%	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
Magallanes 3.755% 2027	2.23%
Deutsche Bank 4% 2032	1.85%
Scentre Group 5.125% 2080	1.64%
Downer Group 3.7% 2026	1.52%
HSBC Float 2024	1.31%
CBA Float 2030	1.29%
CBA Float 2032	1.27%
Mirvac Group 3.625% 2027	1.17%
Bank of Queensland Float 2026	1.15%
Macquarie 4.08% 2029	1.14%

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.