

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 June 2019



## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Jonathan Windust**  
Co-Portfolio Manager

The Fund had a very strong month returning 2.4%, and 10.7% over the past year. Returns were positive across the key asset classes in which the Fund invests, especially in shares.

Income oriented shares such as property and utility companies were particularly strong (NZ property stocks +6.8%, Australia +4.2%). Increased demand for these types of shares, and for the steady income from fixed interest bonds (especially corporate bonds), is primarily being driven by lower official interest rates across the globe. As we highlighted last month, in the short term this boosts returns for the Fund. However, the ongoing push lower in yields does create a headwind for future returns.

Within our share portfolio, highlights this month included Mercury (+20.8%), Goodman Group (+13.3%) and Sydney Airport (+11.1%). The latter benefited from improved passenger growth for May, a positive surprise versus cautious market expectations. On the negative side, a2 Milk fell 7.2%. In trading activity, the Fund was active across various asset classes this month especially in the Australian property sector where there were a number of new equity offerings. We used these to add to our exposure in GPT Group and initiated a position in office/industrial landlord Growthpoint.

In terms of strategy, the Fund has been positioned in recent months to benefit from lower interest rates - both through its exposure to property, infrastructure and utility shares (together 27% of the Fund, a 2-year high), and through the interest rate exposure of our bond portfolio (also at a 2-year high). We are now reducing the Fund's exposure to lower interest rates. This is mainly via our bond portfolio and reflects our view that while official interest rates will be reduced further (both in New Zealand, Australia and the US), this is now well priced in fixed income markets. Our overall strategic view remains 'moderately cautious'.

To view Milford's July 2019 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

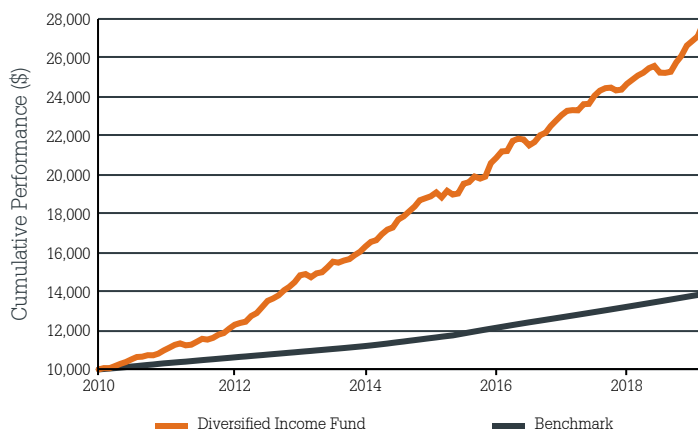
## External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 17-04-2019

## Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date, and assumes reinvestment of distribution.

## Key Fund Facts

<b>Objective<sup>1</sup></b>	Income and capital growth over a minimum of three years
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,314.0 M
<b>Yield<sup>2</sup></b>	3.87%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	0.98 years
<b>Buy-sell Spread</b>	None
<b>Inception Date</b>	1 April 2010
<b>Current Distribution</b>	1.6 cents per unit (Quarterly)
<b>Benchmark</b>	OCR + 2.5% p.a.
<b>Base Fund Fee<sup>3</sup></b>	0.65%
<b>Performance Fee</b>	10% of the Fund's returns above the Benchmark <sup>1</sup> , subject to the high watermark.
<b>Total Fund Fees<sup>4</sup></b>	1.04% (includes an est. performance fee)
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between; align-items: center;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="display: flex; justify-content: center; align-items: center; margin: 5px 0;"> <span>1</span> <span>2</span> <span style="color: orange;">3</span> <span>4</span> <span>5</span> <span>6</span> <span>7</span> </div> <div style="display: flex; justify-content: space-between; align-items: center;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

Investment Performance after fees as at 30 June 2019<sup>5</sup>

Unit Price: \$1.7838

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Diversified Income Fund (Gross Of Tax)	2.42%	4.25%	10.65%	9.38%	10.79%	11.67%
After Tax 10.50%	2.34%	4.10%	10.13%	8.73%	10.10%	10.90%
After Tax 17.50%	2.29%	4.01%	9.78%	8.30%	9.64%	10.39%
After Tax 28.00%	2.22%	3.86%	9.27%	7.65%	8.96%	9.65%
Benchmark	0.32%	1.01%	4.21%	4.27%	4.25%	3.60%

## Top Equity Holdings

Holdings	% of Fund's NAV
Contact Energy	2.47%
Spark New Zealand	1.94%
Meridian Energy	1.74%
Argosy Property	1.43%
Kiwi Property Group	1.41%
Mirvac Group	1.35%
Charter Hall Long Wale REIT	1.29%
Goodman Group	1.16%
Charter Hall Education Trust	1.14%
Precinct Properties NZ	1.05%

## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	6.05%	5.00%
New Zealand Fixed Interest	15.72%	15.00%
International Fixed Interest	43.28%	40.00%
New Zealand Equities	10.67%	13.00%
Australian Equities	5.32%	12.00%
International Equities	0.00%	0%
Listed Property	18.18%	15.00%
Other	0.78%	0%

## Top Fixed Interest Holdings

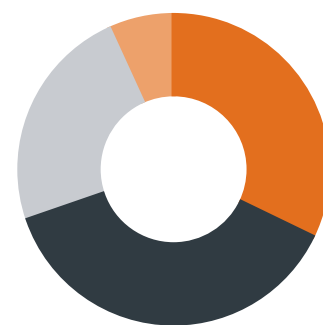
Holdings	% of Fund's NAV
ASB Bank 5.25% 2026	1.66%
OBE 6.75% 2044	1.61%
Westpac 4.695% 2026	1.37%
Mirvac Group 3.625% 2027	1.12%
JPMorgan 5.15% 2023	1.05%
JPMorgan 1.09% 2027	1.05%
Aventus Capital Float 2025	1.05%
Rabobank 4.625% 2025	1.02%
ASB Bank Float 2022	1.02%
HSBC 6% Perpetual	0.95%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

## Fund Portfolio Mix



## Country Exposure



1. After the base fund fee but before tax and before the performance fee. 2. Yield to maturity (before tax and fees) for underlying investments in the Fund. 3. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 4. The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. 5. Includes the reinvestment of distributions. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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