

Milford Diversified Income Fund (AU)

February 2021



Portfolio Managers



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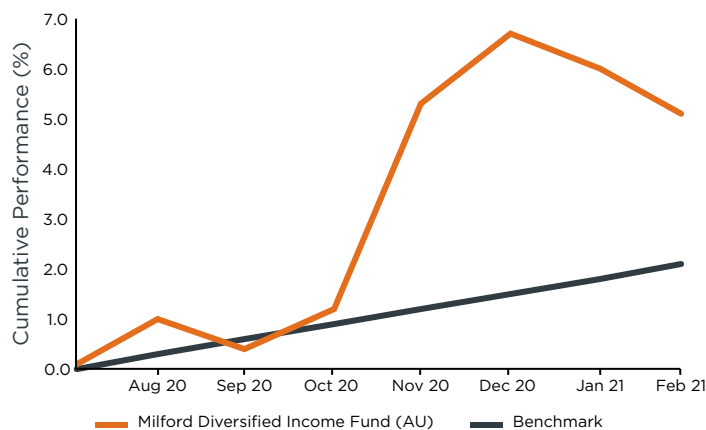
The Fund fell 0.9% in February and is up by 5.3% since inception last August. Increases in market interest rates over the month drove negative bond returns; -1.6% for the broader global bond market, with sharper declines in typically lower-risk government bonds (-3.6% and -4.8% in NZ and Australian government bonds, for example). Share market returns were solid globally (+2.7%), but generally weaker in higher dividend paying companies, reflected in weak performance for the NZ share market (-6.9%).

Fortunately, the Fund has in recent months been positioning for a move higher in interest rates, using strategies such as selling bond futures (in the US, Australia, and Europe), reducing exposure to certain income shares, and adding a small amount of cyclical shares (such as resource companies). These strategies helped cushion the impact of February's moves. Within our share portfolio, we saw large declines from Contact (-16.3%) and Meridian (-20.3%), as the NZ electricity sector fell back further from the lofty heights reached in early January. Having reduced positions last month, the Fund was buying back into both companies over February.

We saw strong gains from BHP (+12.8%), Santos (+12.5%), and Aena (owner of European airports, +10.7%), while the Fund also participated in Bank of Queensland's capital raising, which has performed well (+13.6%). Holdings were reduced earlier in the month in Wesfarmers, Coles and Woolworths (amongst others) after strong performance had stretched valuations.

In terms of strategy, we remain optimistic about prospects for economic growth this year as both fiscal and monetary policy support, and vaccines, should drive a rebound in activity globally. Alongside generally fair valuations for our holdings this suggests a reasonably positive outlook for shares. In fixed income, while bond valuations have improved, we remain mindful of the risk of further weakness and volatility as interest rates potentially move higher. That said, once the process of rising interest rates is over, returns for the Fund (and other income-oriented assets) will benefit from higher yields.

Investment Performance to February 2021*



* 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 28 Feb	\$1.0402
NAV as at 28 Feb	\$12.5 Million
Inception Date	August 2020
Minimum Investment	\$20,000
Recommended Investment Timeframe	3 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Distribution Frequency*	Monthly
Running Yield	1.2%
Management Fee**	0.70%
Capped Expense Recovery**	0.05%
Fund Pricing	Daily

* Current monthly estimated distribution 0.18 cents per unit
** Fees are stated exclusive of GST.

Investment Performance to February 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception**
Milford Diversified Income Fund (AU)	-0.85%	4.06%	-	-	-	5.27%
Benchmark	0.27%	1.79%	-	-	-	2.11%
Over/Underperformance	-1.12%	2.27%	-	-	-	3.16%

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 3 August 2020.

Top Equity Holdings

Holdings	% of Fund
Telstra	1.96%
Transurban	1.81%
Woolworths	1.75%
Goodman	1.67%
Contact Energy	1.57%
Aena SME	1.41%
Coles	1.38%
Spark	1.37%
Getlink	1.32%
Charter Hall Social Infra.	1.27%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	30.24%	35%	0-70%
Australian Fixed Interest	21.38%	20%	0-70%
Australian Equities	16.48%	20%	10-50%
Listed Property	9.85%	15%	0-30%
International Equities	13.90%	5%	0-40%
Cash and Other #	8.15%	5%	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	2.18%
Westpac Float 2029	1.64%
CBA Float 2030	1.63%
HSBC Float 2024	1.60%
JPMorgan 1.09% 2027	1.32%
Mirvac Group 3.625% 2027	1.31%
Vicinity 1.125% 2029	1.29%
NAB Float Perpetual	1.07%
AusNet Float 2080	1.01%
Coles 2.2% 2026	0.99%

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 PDS was issued.

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