

Milford Diversified Income Fund (AU)

May 2021



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Portfolio Manager

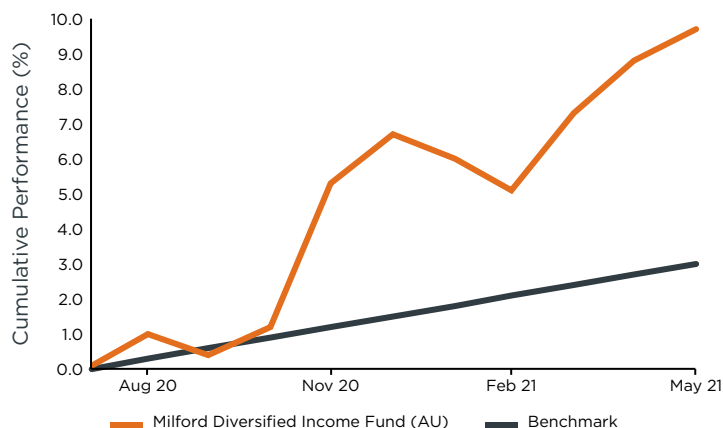
Performance was somewhat mixed across the Fund's holdings in May but nonetheless resulted in a return of 0.8% over the month. Global and Australian investment grade rated (lower risk) bonds generally delivered positive returns but there was some weakness across the Fund's lower rated bonds, especially in its exposure to US bank preference shares and subordinated bonds of European companies.

While there was varied performance across share markets, overall the Fund's holdings contributed positively. This included notable contributions from Telstra Corp (the Fund's largest holding; +3.8%), CNH Industrial (European agricultural equipment; +15.6%), Woolworths (post the announcement of the Endeavour drinks split; +5.9%) and Australian bank shares. The Fund's small allocation to Australian gold miners Northern Star (+11.3%) and Evolution (+16.8%) also performed strongly. These provide the Fund some inflation protection. We also took profit on some of the holding we had recently built in CSL Ltd (Australian human plasma company; +7.0%) after strong price gains as the company benefits from the US reopening through improved plasma collections.

Transactions in the bond portfolio included buying a new issue from Ericsson (telecommunications equipment) which is placed to benefit from global 5G rollouts. We also took profit on AT&T preference shares after the company announced debt reduction plans post the sale of its media business.

Looking forward, we remain reasonably optimistic for Fund returns even with a base case anticipating a gradual (but potentially more limited in the near term) move higher in market interest rates weighing on bond returns. Ongoing supportive central bank and government policy combined with reopening economies provides a supportive backdrop for shares, even with higher valuations. We retained strategies to help reduce the negative impact on the Fund from the potential headwind of higher interest rates (specifically, having sold interest rate futures).

Investment Performance to May 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 31 May	\$1.0797
NAV as at 31 May	\$12.9 Million
Inception Date	August 2020
Minimum Investment	\$20,000
Recommended Investment Timeframe	3 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Running Yield	2.81%
Management Fee*	0.70%
Capped Expense Recovery*	0.05%
Fund Pricing	Daily
Distribution Frequency**	Monthly

* Fees are stated exclusive of GST.

** Current monthly estimated distribution 0.18 cents per unit

Investment Performance to May 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception**
Milford Diversified Income Fund (AU)	0.83%	4.12%	-	-	-	9.83%
Benchmark	0.30%	1.77%	-	-	-	3.02%
Over/Underperformance	0.53%	2.35%	-	-	-	6.81%

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
Telstra	2.95%
NAB	2.14%
Contact Energy	1.89%
Goodman	1.72%
Woolworths	1.59%
Transurban	1.58%
Spark	1.43%
Aena SME	1.24%
Atlas Arteria	1.23%
Ferrovial	1.17%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	29.89%	35%	0-70%
Australian Fixed Interest	20.72%	20%	0-70%
Australian Equities	17.30%	20%	0-50%
Listed Property	8.97%	15%	0-30%
International Equities	12.48%	5%	0-40%
Cash and Other #	10.64%	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	2.12%
Westpac Float 2029	1.58%
CBA Float 2030	1.58%
HSBC Float 2024	1.55%
JPMorgan 1.09% 2027	1.27%
Vicinity 1.125% 2029	1.26%
Mirvac Group 3.625% 2027	1.26%
Ericsson 1% 2029	1.22%
Morgan Stanley 0.406% 2027	1.21%
NAB Float Perpetual	1.04%

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. David Lewis has stepped down and from 1 April 2021 Paul Morris has assumed the Portfolio Manager role. There have been no changes to the key service providers since the PDS was issued.