

# Diversified Income Fund

## Portfolio Investment Entity

### Monthly Fact Sheet as at 30 November 2024



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Anthony Ip**  
Co-Portfolio Manager

The Fund enjoyed a strong November and returned 1.3% (now 12.5% over one year). Shares contributed to the bulk of this month's performance. Returns from fixed income were more muted, driven predominantly by what remains historically attractive bond income. There was market volatility during the month post the US election. Certain share markets (notably the US) were buoyed by the Trump victory, but others saw mixed reactions (due to tariff impacts etc). The bond market initially took the result very negatively, as market interest rates spiked on fears Trump policies would be inflationary. Thankfully by month end calmer conditions returned, on confidence Trump's economic policy agenda may prove more conformist. Indeed, by month end, market interest rates in the key economies to which the Fund is exposed were actually lower.

The largest falls were in the Eurozone which pleasingly is a market exposure we had increased. After a strong run, November saw slightly more mixed relative performance of corporate bonds versus government bonds. Corporate bonds remain the bulk of the fixed interest exposure, but we continue to trim more expensive holdings so as to redeploy into better value new issue opportunities. In November the latter included CBA subordinated and Iberdrola (European utility) senior AU dollar bonds at yields of -6.0%. Ongoing high government bond supply and the inflation risks associated with a potential economic reacceleration, mean there is still some uncertainty as to the direction of medium and longer term market interest rates. To cushion Fund returns from this risk, the Fund retains a reduced interest rate exposure relative to its long run history, and holds US government bond put options (which benefit if market interest rates rise).

Broad global and Australasian share market indices were higher again in November. The Fund's global share exposure remains above long term historic levels and drove most of the month's share return. Examples included Bank of America (+13.6%) on deregulation and earnings expectations, British Telecom (+15.2%) on increased investor confidence in its cashflow, and US LNG exporter Cheniere Energy (+17.3%) on expectations for the gas price and increased export volumes. Australasian shares were also positive contributors. The Fund's largest holding remains Contact Energy (+4.8%) where we like the runway of earnings growth opportunities. We still like NZ income shares, as we believe rate cuts will continue. We did participate in Channel Infrastructure's small equity raising. We are a little more cautious on Australian shares given their valuations versus their earnings growth outlook.

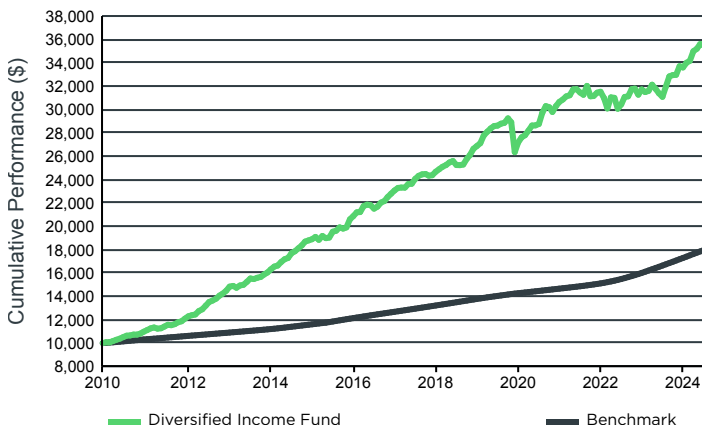
Looking ahead, higher market rates underpin an ongoing attractive medium-term return outlook for the Fund, with bonds providing a material income cushion against most conceivable bond and share market weakness. The outlook for the Fund's shares is reasonable, given a focus on quality companies with reasonable earnings, even though many valuations are elevated. Where appropriate we continue to utilise reasonably priced broad share market and bond options to manage market risk.

To view Milford's November 2024 Market and Economic Review please see [milfordasset.com/insights](https://milfordasset.com/insights).

For previous fund reports see [milfordasset.com/fund-reports](https://milfordasset.com/fund-reports).

## 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>	To provide income and capital growth over the minimum recommended investment timeframe
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities

<b>Minimum recommended investment timeframe</b>	4 years +
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,838.1 M
<b>Yield<sup>2</sup></b>	4.47%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	0.54 years
<b>Buy-sell Spread</b>	None - swing pricing applies (See PDS for details)
<b>Inception Date</b>	1 April 2010
<b>Current Distribution</b>	1.7 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>	0.85% (includes an est. performance fee)

	Lower risk								Higher risk
<b>Risk Indicator</b>	1	2	3	4	5	6	7		
	Potentially lower returns				Potentially higher returns				



## Diversified Income Fund as at 30 November 2024

### Investment Performance after fees as at 30 November 2024<sup>5</sup>

Unit Price: \$1.9584

	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)	1.33%	2.15%	12.53%	4.78%	4.55%	9.11%
After Tax 10.50%	1.29%	2.04%	11.66%	4.35%	4.15%	8.48%
After Tax 17.50%	1.26%	1.97%	11.09%	4.07%	3.89%	8.07%
After Tax 28.00%	1.22%	1.86%	10.24%	3.65%	3.50%	7.45%
Benchmark	0.57%	1.81%	7.87%	6.62%	5.11%	4.11%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.37%
Telstra	1.74%
Infratil	1.73%
Spark	1.53%
Microsoft	1.29%
Bank of America	1.21%
Natwest	1.06%
Aena SME	0.99%
Precinct	0.93%
SBA Comms.	0.92%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	6.63%	5%
New Zealand Fixed Interest	10.03%	10%
International Fixed Interest	44.26%	45.0%
New Zealand Equities	6.45%	5%
Australian Equities	8.41%	11%
International Equities	17.19%	5.5%
Listed Property	6.65%	18.5%
Other	0.38%	0.0%

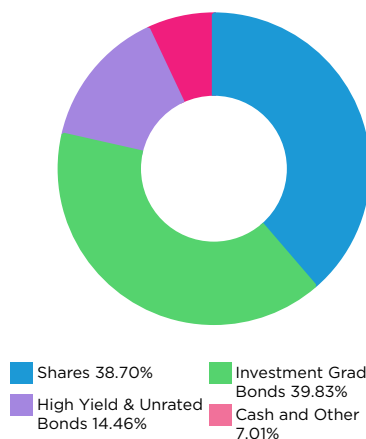
# The actual cash held by the Fund is 6.31%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

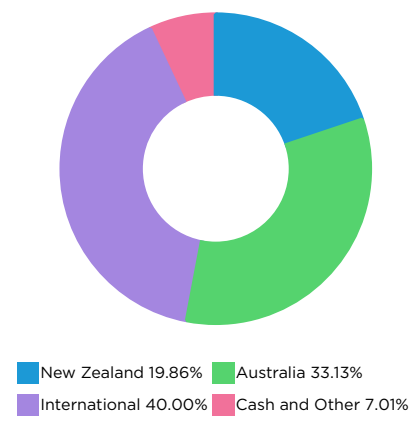
Holdings	% of Fund
NZGBI 2% 2025	1.44%
ANZ 4.95% 2029	1.35%
Origin Energy 5.35% 2031	1.18%
Scentre Group 5.125% 2080	1.18%
EnBW International Finance 6.048% 2034	1.09%
Westpac 5.754% 2034	1.07%
British Telecommunications 5.125% 2054	0.84%
ANZ Float 2027	0.81%
CBA 6.152% 2039	0.80%
Kinder Morgan 5.1% 2029	0.80%

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

### Fund Portfolio Mix



### Region Exposure



1. After the Base Fund Fee but before tax and before the performance fee. 2. The yield to maturity is not an indicator of future return, but reflects the current yield to maturity of the fund's underlying holdings (before tax and after the base fund fee). 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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