

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

August was a bumpy month for both bond and share markets resulting in the Fund handing back some recent strength, falling 1.1%. Supported by their now attractive yield/income, the contribution from the Fund's bonds was close to flat, with weakness predominately attributable to mixed performance from shares.

Global and Australasian bond prices swung around during the month, with increasing performance divergence across countries. This reflects factors including less synchronised economic cycles, variance in monetary policy lags, and different government deficit funding needs. Bonds also faced the headwind from the Japanese central bank lifting the target at which it controls its government bond yields. The latter has provided some anchoring effect on global long-dated bond yields which may now wane. The Fund's Australian bonds performed the best, as one of the few markets with yields generally lower. The Fund remains predominately exposed to corporate bonds which have been broadly outperforming government bonds, helped by their higher yield providing an extra cushion against rises in market interest rates. We believe corporate bond market valuations are close to fair but have left room to add on possible weakness, cognisant that choppy markets may continue until we get confidence as to whether we have reached peak interest rates.

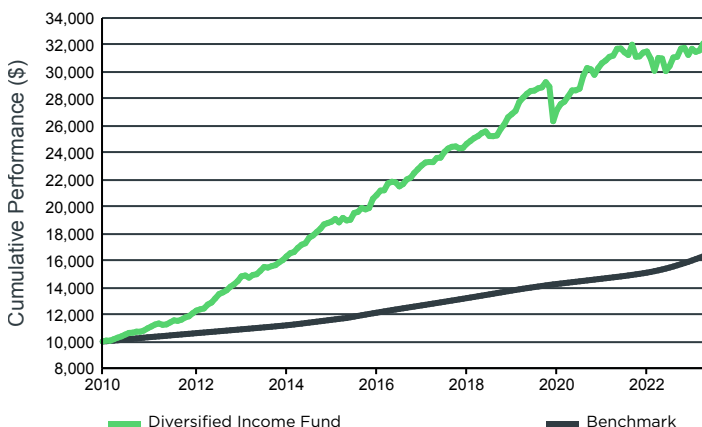
Broad share markets were weaker in August, retracing some of the strength posted in recent months, as valuations had arguably become a little stretched. A generally underwhelming Australasian reporting season saw many of our shares under some pressure. This included NZ property which was also negatively impacted by likely taxation changes post-election, e.g. Precinct Properties down 8.6%. Australian infrastructure company APA Group was weaker on fears of a capital raise which was confirmed late in the month, into which we participated. There were some positive exceptions. Some of the Fund's energy exposures, held to provide inflation protection, have benefited from higher global oil and gas prices. US LNG exporter Cheniere Energy was up 1.1% and global oil company Shell, which has significant gas and renewable exposures, was up 3.0%. Closer to home, Contact Energy, the Fund's biggest holding, was also up 0.7% as its results illustrate it is executing on its renewable energy growth pipeline. The standout was Goodman Group (Australian property) which was up 13.7% as it outlined how it can benefit from data centre demand due to AI.

The global rate hiking cycle may not be finished but it is likely closer to its end. Historically, attractive bond yields should provide a very reasonable return cushion against any further rate hikes, and indeed the risk that longer dated bond yields rise. Broad share market valuations may still look expensive but there are pockets of value. We remain defensively positioned in terms of aggregate share exposure, but will add some exposure to companies where share prices do not reflect their earnings outlook. This should all underpin our medium-term favourable Fund return outlook, but we reiterate that like the previous month, there may be two steps forward and one step back along the way.

To view Milford's August 2023 Market and Economic Review please see milfordasset.com/insights.

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

Objective¹	To provide income and capital growth over the minimum recommended investment timeframe
Description	Diversified fund that primarily invests in fixed interest and equity income-generating securities

Minimum recommended investment timeframe	4 years +
Target Allocation	60% Income Assets / 40% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$2,738.0 M
Yield²	6.25%
Average Credit Rating	BBB+
Duration	1.41 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.45 cents per unit (Quarterly)
Benchmark	OCR + 2.5% p.a.
Base Fund Fee³	0.65%
Performance Fee	10% of the Fund's returns above the Benchmark ¹ , subject to the high watermark.
Total Fund Fees⁴	0.85% (includes an est. performance fee)

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

Diversified Income Fund as at 31 August 2023

Investment Performance after fees as at 31 August 2023⁵

Unit Price: \$1.8124

	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)	-1.10%	0.88%	2.49%	3.53%	4.52%	8.99%
After Tax 10.50%	-1.08%	0.80%	2.20%	3.37%	4.21%	8.39%
After Tax 17.50%	-1.06%	0.75%	2.00%	3.26%	4.01%	7.99%
After Tax 28.00%	-1.04%	0.66%	1.71%	3.09%	3.70%	7.40%
Benchmark	0.66%	1.96%	7.06%	4.49%	4.15%	3.77%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.31%
APA	2.02%
Spark	1.99%
Goodman	1.64%
Getlink	1.36%
Infratil	1.18%
Telstra	1.15%
HCA Holdings	1.00%
Shell	0.99%
Cheniere Energy	0.96%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	15.53%	5%
New Zealand Fixed Interest	14.62%	10%
International Fixed Interest	40.42%	45.0%
New Zealand Equities	6.40%	6.5%
Australian Equities	5.24%	10%
International Equities	10.02%	5%
Listed Property	7.77%	18.5%
Other	0.00%	0.0%

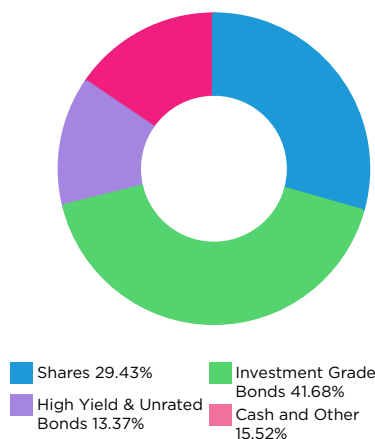
The actual cash held by the Fund is 3.20%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

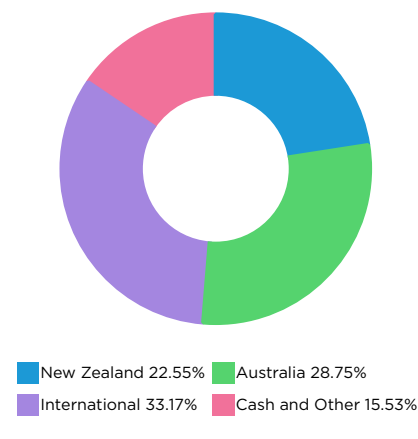
Holdings	% of Fund
NZGBI 2% 2025	4.77%
Scentre Group 5.125% 2080	1.14%
Telstra 4.9% 2028	1.02%
Holcim 0.5% 2030	1.00%
CBA 4.9% 2028	0.98%
British Telecommunications	0.94%
GAIF 2.584% 2027	0.89%
NZGBI 2% 2035	0.88%
Virgin Money 4.625% 2028	0.81%
BIRG 5% 04/07/2031	0.79%

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 for more information about the data published within this document.

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