

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2024



Portfolio Managers



Paul Morris
Portfolio Manager



Anthony Ip
Co-Portfolio Manager

Bonds and shares contributed positively to a Fund return of 0.6% in August. The Fund is now up 10.8% over one year, well above its benchmark return objective of the Reserve Bank of NZ Official Cash Rate plus 2.5% p.a.

August was somewhat of a rollercoaster month for markets, but by its end markets had regained confidence, as several key central banks outlined they stand ready to support economic growth with lower interest rates as inflation falls.

The Fund's bonds benefited again from lower market interest rates. This lifted prices and complemented the return from what remain historically attractive (coupon) rates of interest. With increased confidence of central bank rate cuts, we incrementally increased interest rate exposure closer to (but still below) long run historic levels. The extent of rate cuts implied by key bond markets is now arguably large. Nevertheless, retaining the slightly increased interest rate exposure provides portfolio diversification. If economic growth was to slow more than expected (which would be bad for shares), interest rates would fall even more.

The Fund's shares contributed positively in aggregate over the month. This was predominantly due to global defensive and income-oriented shares. European telco tower company Cellnex (+8.5%) and European consumer staples company Coca-Cola Europacific Partners (+9.1%) were standouts, as lower interest rates and defensive earnings attracted buyers. The Fund's NZ shares contributed positively overall with lower interest rate beneficiaries such as Precinct Properties (+10.7%) and Channel Infrastructure (+14.2%) posting good earnings. That offset disappointing performance post weak earnings from Spark (-16.9%), and a generally soft month for the Fund's Australian shares after a mixed bag of earnings. Fund exposure to shares has increased, but in large part due to the use of share market index options, which offer a lower risk way to capture upside given broad market valuations are now more elevated.

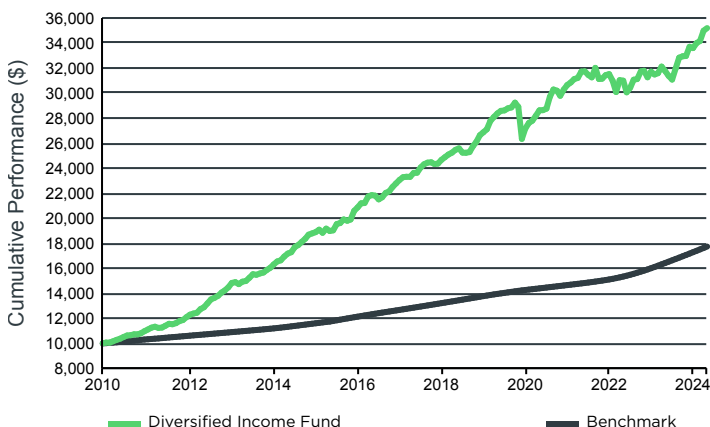
Irrespective of recent strong gains in bonds and shares, we reiterate a reasonable medium-term Fund return outlook. Moderating inflation, slower growth, but no material recession, should support both corporate bond and share returns. Ongoing cheap broad market index options will continue to help manage downside market risk.

To view Milford's August 2024 Market and Economic Review please see milfordasset.com/insights.

For previous fund reports see 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

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)	\$2,751.9 M
Yield²	4.81%
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	1.7 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

Higher risk

Risk Indicator 1 2 3 4 5 6 7

Potentially lower returns

Potentially higher returns

Diversified Income Fund as at 31 August 2024

Investment Performance after fees as at 31 August 2024⁵

Unit Price: \$1.935

	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)	0.61%	3.53%	10.80%	3.53%	4.40%	9.12%
After Tax 10.50%	0.46%	3.25%	9.79%	3.17%	4.00%	8.48%
After Tax 17.50%	0.36%	3.06%	9.13%	2.93%	3.73%	8.06%
After Tax 28.00%	0.22%	2.78%	8.13%	2.58%	3.33%	7.45%
Benchmark	0.64%	1.95%	8.01%	6.24%	4.91%	4.05%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.20%
Infratil	1.90%
Telstra	1.77%
Spark	1.53%
Bank of Ireland Group	1.00%
SBA Comms.	0.94%
Aena SME	0.91%
Shell	0.90%
Region RE	0.87%
Precinct	0.87%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	6.03%	5%
New Zealand Fixed Interest	9.82%	10%
International Fixed Interest	42.36%	45.0%
New Zealand Equities	6.72%	5%
Australian Equities	11.52%	11%
International Equities	14.96%	5.5%
Listed Property	6.21%	18.5%
Other	2.38%	0.0%

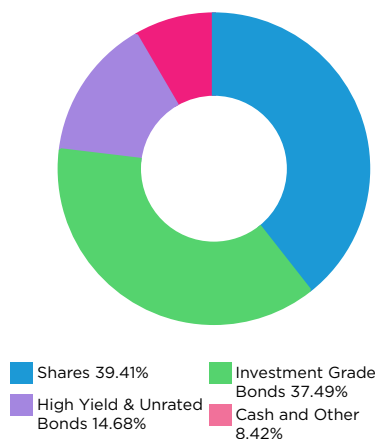
The actual cash held by the Fund is 7.83%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

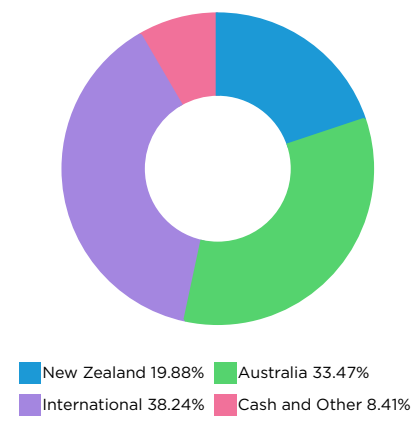
Holdings	% of Fund
NZGBI 2% 2025	1.47%
ANZ 4.95% 2029	1.37%
Scentre Group 5.125% 2080	1.15%
Westpac 5.754% 2034	1.11%
British Telecommunications 5.125% 2054	0.86%
Kinder Morgan 5.1% 2029	0.77%
BNP Paribas 5.75% 2032	0.76%
BNPP Float 2034	0.76%
Westpac 5.1% 2029	0.74%
Contact 6.398% 2030	0.73%

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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