

# Diversified Income Fund

## Portfolio Investment Entity

### Monthly Fact Sheet as at 31 August 2025



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Anthony Ip**  
Co-Portfolio Manager

Supported by positive contributions from bonds and shares, August was another strong month for the Fund, returning 0.9%. Broad share markets were higher, with many indices posting new all-time highs. Bond returns were supported by generally flat to lower market interest rates, and ongoing historically attractive income.

NZ and the US were standout bond market performers in August. NZ was, and remains, our preferred bond market. Longer-dated NZ bonds are attractive versus cash rates. The Fund benefited from lower NZ market interest rates in August after the Reserve Bank of New Zealand cut its cash rate by 0.25 percentage points while indicating more cuts than previously expected could follow. We are more wary of offshore interest rate exposure to protect against bond price falls (higher interest rates = lower prices), but a focus on shorter-dated bonds meant we still captured some benefit from a drop in short-end US market interest rates.

We continue selling expensive global corporate bonds (especially where the yield over government bonds is low), adding selectively better value Australasian corporate and government/government-related bonds, including a new ANZ Group Australian dollar subordinated bond at a NZ dollar equivalent yield of ~5.5%.

The Fund's NZ shareholdings had a strong month on decent earnings and given our orientation towards shares that benefit from lower interest rates. Callouts included fuel import terminal Channel Infrastructure (+12.3%) and Heartland Bank (+14.5%).

The Fund's Australian shares also did well, including gas infrastructure company APA Group (+5.0%) post a solid result. Global share performance was mixed. There were strong contributions from the likes of Bank of America (+7.3%) on steeper yield curves and Spanish airport operator Aena (+4.9%) on passenger growth. These were somewhat offset by several of our recent UK and European winners handing back some gains, e.g. German utility company E.ON (-4.1%).

The medium-term return outlook remains constructive. Historically attractive interest rates, steeper yield curves (market interest rates are generally higher than cash rates), and reasonable medium-term company earnings outlooks all provide support.

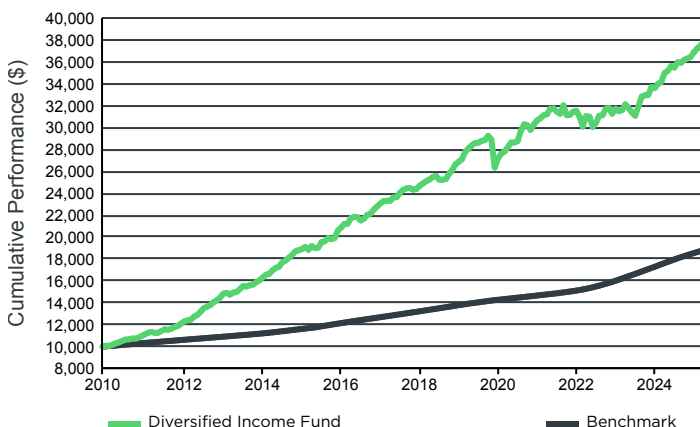
Elevated valuations of share markets and corporate bonds (versus government bonds) mean prudence, active management, and the use of bond and share market options remain appropriate.

To view Milford's August 2025 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>	\$3,190.2 M
<b>Yield<sup>2</sup></b>	3.32%
<b>Average Credit Rating</b>	A-
<b>Duration</b>	2.15 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>	1.55 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 31 August 2025

### Investment Performance after fees as at 31 August 2025<sup>5</sup>

Unit Price: \$2.0274

	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)	0.93%	2.49%	8.39%	7.17%	5.91%	9.07%
After Tax 10.50%	0.89%	2.38%	7.95%	6.60%	5.53%	8.45%
After Tax 17.50%	0.87%	2.31%	7.66%	6.22%	5.28%	8.04%
After Tax 28.00%	0.83%	2.20%	7.23%	5.65%	4.90%	7.43%
Benchmark	0.47%	1.41%	6.48%	7.18%	5.58%	4.21%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	1.58%
Aena SME	1.29%
Goodman	1.05%
NatWest Group	1.01%
Region RE	0.98%
National Grid	0.95%
Precinct	0.93%
SSE	0.91%
Bank of America	0.89%
Infratil	0.85%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.16%	5%
New Zealand Fixed Interest	19.88%	10%
International Fixed Interest	37.24%	45.0%
New Zealand Equities	4.95%	5%
Australian Equities	13.02%	11%
International Equities	14.15%	5.5%
Listed Property	6.60%	18.5%
Other	0.00%	0.0%

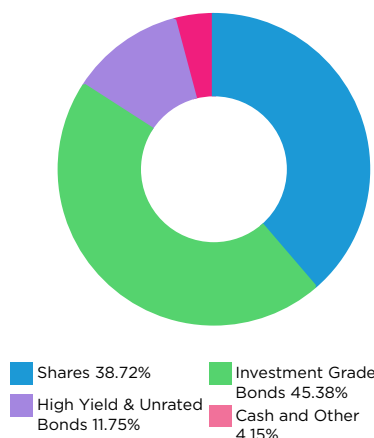
# The actual cash held by the Fund is 4.62%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

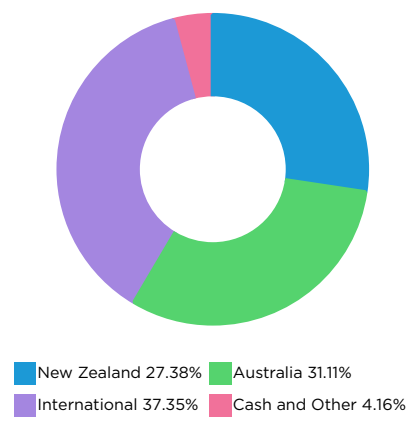
Holdings	% of Fund
NZ Govt. 3.5% 2033	2.26%
NZLGFA 3.5% 2033	1.58%
NZLGFA 2.25% 2031	1.41%
ASB Bank 4.1% 2030	1.40%
NZ Govt. 4.5% 2035	1.23%
Rabobank NZ Float 2028	1.20%
Origin Energy 5.35% 2031	1.06%
EnBW International Finance 6.048% 2034	1.02%
Commerzbank Aktiengesellschaft 4.125% 2037	1.00%
Westpac 5.754% 2034	0.97%

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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