Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2023

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Portfolio Managers

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The bond and share rally that commenced in late October continued through December driving a Fund return of 2.8%. Lower interest rates have been the catalyst as hope for lower rates has morphed into high expectations, especially as the US central bank indicated possible rate cuts in 2024 should inflation continue to fall. This benefited bonds, but also shares and outperformance of corporate over government bonds given increased hopes for a soft landing. Essentially, it now appears less likely central banks will need to cause a recession (and thus lower company earnings) to bring inflation to target.

Bond performance was strong across the board as investors chased prices higher to lock in yields before interest rates fell. The positive risk backdrop helped corporate bonds (the Fund's predominant fixed interest exposure) continue outperformance over government bonds, including notable performance from bank and corporate subordinated bonds. The outperformance was more muted in Australasian corporate bonds but this should provide a better valuation starting point to underpin future returns. There were positive contributions from most of the Fund's shares. Even post strength in November, property was a standout given its earnings and valuation sensitivity to interest rates, e.g. retail landlords such as Investore Property (+18.8%) and Charter Hall Retail REIT (+16.6%). We remain cautious of too much property, especially at these valuations, given challenges in office, cyclical risks in industrial and retail, funding costs, and higher share price volatility. Other rate sensitive shares such as infrastructure also benefited, e.g. Auckland Airport (+11.1%). Pleasingly last month's underperformer, Santos (Australian energy company), recovered (+10.0%) on a possible merger with peer Woodside Energy. Of note we added NZ Channel Infrastructure (fuel infrastructure) on a shareholder sell down given its attractive yield.

The evolution of inflation and thus central banks' ability to avoid a recession will be key for both bonds and shares. Near term, we fear the bond market may have become overbought, pricing too many rate cuts and pushing longer dated bond yields too low relative to shorter dated bonds. We have trimmed corporate bond exposure and reduced exposure to interest rates. We will add these back on a pull-back in valuations through either a reset higher in central bank rate expectations and/or cheaper new bond issues in January (a busy issuance month). That said, the yields to maturity available from corporate bonds remain historically attractive, including versus shares, providing a buffer against the price risk associated with most conceivable moves higher in market interest rates. This underpins our ongoing preference for bonds over shares. We anticipate a period of consolidation in shares. Valuations are higher and confidence in earnings have improved, but risks remain around both. Considering the Fund's absolute return target, we added downside share protection via broad market index options.

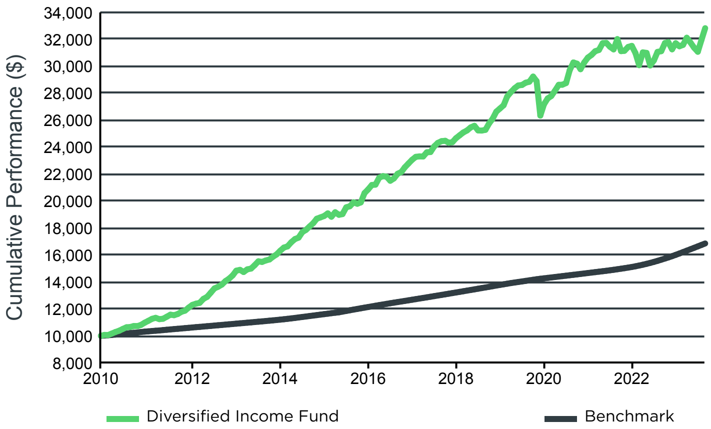
Prevailing cash rates are historically attractive. Nevertheless, given the ever-increasing reinvestment risk we believe corporate bonds combined with an appropriately diversified portfolio of (primarily) income-oriented shares should offer a better medium term return outlook.

To view Milford's December 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

Objective [1]	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)	$2,654.5 M
Yield [2]	5.70%
Average Credit Rating	BBB+
Duration	1.06 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 Fee [3]	0.65%
Performance Fee	10% of the Fund's returns above the Benchmark [1], subject to the high watermark.
Total Fund Fees [4]	0.85% (includes an est. performance fee)
Risk Indicator	Lower risk / Higher risk: 1 2 3 **4** 5 6 7 — Potentially lower returns / Potentially higher returns

Diversified Income Fund as at 31 December 2023

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Investment Performance after fees as at 31 December 2023 [5]

Unit Price: $1.8569

	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)	2.75%	4.62%	5.49%	2.73%	5.36%	9.03%
After Tax 10.50%	2.60%	4.29%	4.93%	2.50%	4.98%	8.41%
After Tax 17.50%	2.50%	4.06%	4.56%	2.34%	4.72%	7.99%
After Tax 28.00%	2.35%	3.73%	4.01%	2.11%	4.33%	7.39%
Benchmark	0.66%	1.96%	7.70%	5.07%	4.40%	3.87%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.26%
Spark	2.05%
Goodman	2.01%
Telstra	1.55%
Infratil	1.10%
Getlink	1.10%
AGL Energy	1.01%
Shell	0.91%
HCA Holdings	0.86%
Region RE	0.77%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	4.98%
Westpac 7.199% 2038	1.30%
Scentre Group 5.125% 2080	1.13%
Telstra 4.9% 2028	0.98%
British Telecommunications	0.94%
CBA 4.9% 2028	0.93%
BNP Paribas 5.75% 2032	0.83%
BIRG 5% 04/07/2031	0.81%
Virgin Money 4.625% 2028	0.79%
Contact 6.398% 2030	0.77%

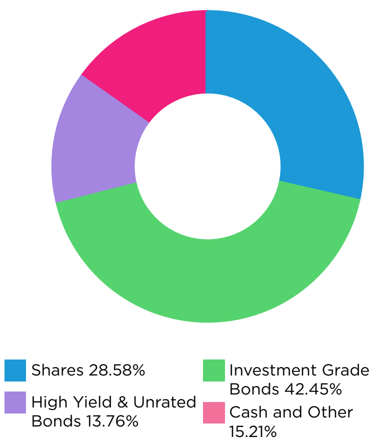
Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Current Asset Allocation

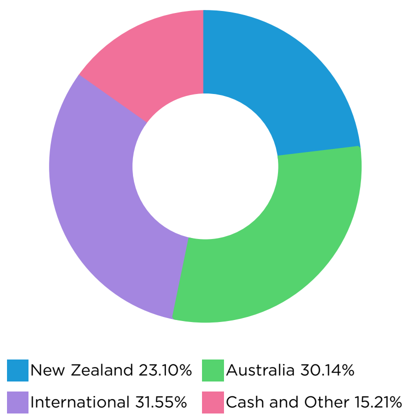
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	14.80%	5%
New Zealand Fixed Interest	13.59%	10%
International Fixed Interest	42.62%	45.0%
New Zealand Equities	7.15%	5%
Australian Equities	5.65%	11%
International Equities	9.87%	5.5%
Listed Property	5.91%	18.5%
Other	0.41%	0.0%

The actual cash held by the Fund is 7.35%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

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.