

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 29 February 2024



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

Fund performance was more muted in February with a return of 0.1%. Returns from fixed income and share allocations were moderately negative, but the ongoing historically attractive fund yield (i.e. income) provided an offset. As we have previously communicated, we believe this yield should provide a solid foundation for returns going forward.

The contribution from fixed income faced the headwind of higher market interest rates, as rate cut expectations were dialled back from the euphoria we saw in December. This negative interest rate impact was mitigated somewhat by having reduced the Fund's interest rate exposure. Returns also benefited from further outperformance of corporate bonds (the predominant fixed income exposure) relative to government bonds (where prices fell more). We continue to limit interest rate exposure, wary that market interest rates may continue to adjust higher to reflect later and/or smaller central bank rate cuts if inflation remains stubborn (as we saw in recent US data). We have also reduced exposure to global corporate bonds where valuations versus government bonds are becoming expensive. Instead, we continue to allocate to Australian corporate bonds as there remains better valuation support, e.g. a subordinated bond from Macquarie Bank at a NZ dollar-equivalent yield of over 7%.

Performance was mixed across the Fund's shares. Broadly speaking, NZ shares underperformed Australian and global shares. Australian property shares were the standout contributor. Within this, the strongest was industrial property manager Goodman Group (+16.8%), post strong results which illustrated its data centre development pipeline. The two Australasian telecommunication giants, Australia's Telstra (-2.2%) and NZ's Spark (-4.6%), were two of the largest performance detractors post somewhat underwhelming results. Nevertheless, looking ahead medium term, we believe both offer attractive return outlooks.

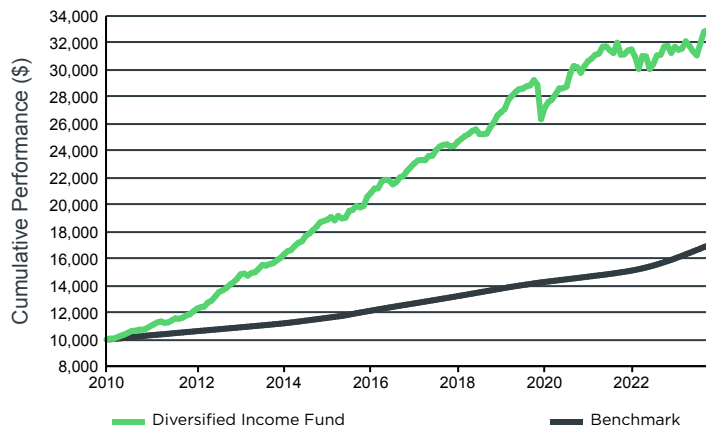
Bond yields remain historically attractive. As illustrated already this year, they provide a considerable cushion against the price risk associated with most conceivable moves higher in market interest rates. A reasonable economic outlook also makes us moderately constructive on those parts of the share market which have better valuation support. Together, that should provide a reasonable Fund return outlook, further underpinned by the probability that central bank policy rates have peaked. While getting inflation to official targets may meet with some bumps along the way, our base view is that it should remain sufficiently under control to allow policy makers to react with stimulus should growth slow. All that said, we know there are risks around this view and therefore considering the Fund's absolute return target, we continue to own downside share market protection via broad market index options.

To view Milford's February 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)	\$2,671.4 M
Yield²	6.04%
Average Credit Rating	BBB+
Duration	0.99 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 29 February 2024

Investment Performance after fees as at 29 February 2024⁵

Unit Price: \$1.8471

	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)	0.07%	3.18%	3.72%	3.44%	4.78%	8.95%
After Tax 10.50%	0.04%	2.95%	3.20%	3.20%	4.42%	8.33%
After Tax 17.50%	0.02%	2.80%	2.86%	3.05%	4.17%	7.92%
After Tax 28.00%	-0.01%	2.57%	2.35%	2.81%	3.81%	7.31%
Benchmark	0.61%	1.94%	7.91%	5.35%	4.52%	3.92%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.26%
Spark	1.89%
Goodman	1.59%
Telstra	1.47%
Infratil	1.08%
Getlink	1.01%
AGL Energy	0.89%
Shell	0.89%
Bank of Ireland Group	0.84%
Aena SME	0.83%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	10.34%	5%
New Zealand Fixed Interest	14.18%	10%
International Fixed Interest	45.21%	45.0%
New Zealand Equities	6.49%	5%
Australian Equities	7.35%	11%
International Equities	11.27%	5.5%
Listed Property	5.16%	18.5%
Other	0.00%	0.0%

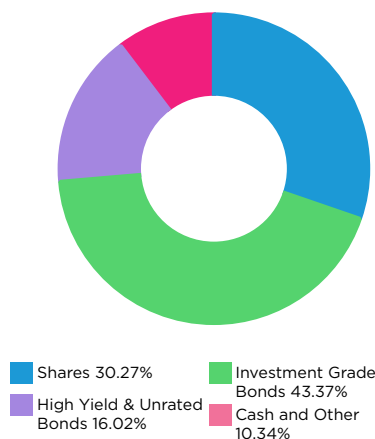
The actual cash held by the Fund is 5.59%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

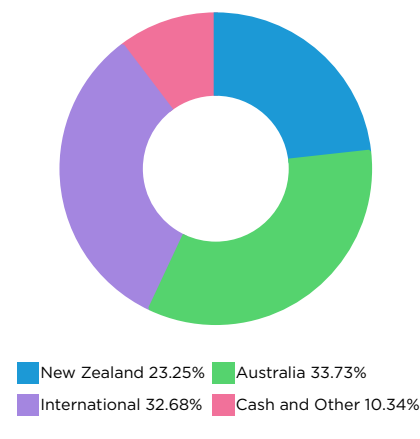
Holdings	% of Fund
NZGBI 2% 2025	6.00%
ANZ 4.95% 2029	1.56%
Westpac 5% 2029	1.35%
Scentre Group 5.125% 2080	1.21%
British Telecommunications	0.97%
Kraft Heinz 3.5% 2029	0.91%
CBA 4.9% 2028	0.89%
BNP Paribas 5.75% 2032	0.82%
Bank of Ireland 5% 2031	0.82%
Virgin Money 4.625% 2028	0.81%

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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