

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

The new year brought strength in bond and share markets. This supported a Fund return of 2.0% in January (2.0% over one year). Cautious positioning through much of 2022 helped cushion returns from the reset lower in market valuations. Valuations are now fairer and the medium term return outlook more reasonable, however volatility could persist. Over recent months we have been adding corporate bonds given (i) attractive outright valuations and (ii) attractive risk-return outlooks versus shares. The Fund had retained a below long run neutral share exposure and still holds more cash than would be normal, where the return is now more reasonable.

Bonds rallied in January on lower market interest rates. Evidence is building that inflation is falling back towards levels acceptable for key global central banks. The Fund's bond exposure is focused in corporate bonds which continued recent outperformance relative to government bonds, including notable performance from subordinated bonds of high-quality banks and corporates. That helped the Fund's return to keep up in an improved risk backdrop without materially increasing the exposure to shares. Additions this month included subordinated bonds from UK Lloyds Bank and Bank of Ireland at NZ dollar equivalent yields of approximately 9% and 7.8% respectively.

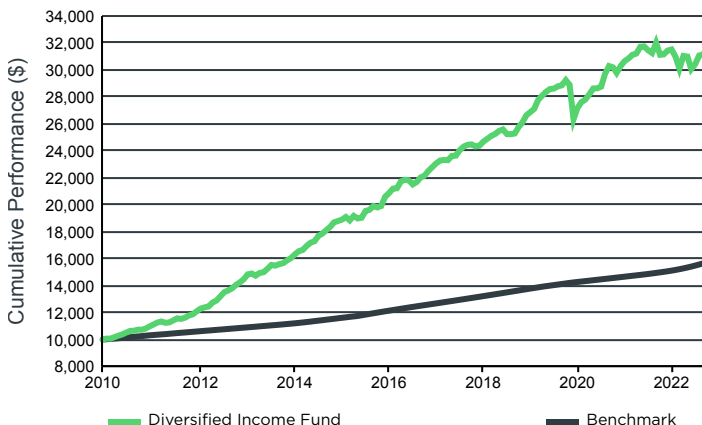
Over the month, the strength in shares was broad based. Income-oriented sectors such as property and infrastructure benefitted from lower interest rates (e.g. Australian property companies Goodman Group and Charter Hall Group approximately +15.0%). Australasian shares were helped by China reopening (e.g. Bluescope steel +13.8%). The Fund's less traditional global cyclical holdings also rallied on hopes of a global economic "soft landing" (e.g. UK bank NatWest +16.1%). The Fund's share exposure remains below its long run neutral, but we did add a little over the month, predominately in more defensive sectors such as infrastructure, including Australian pipelines company APA Group.

Looking forward, we have growing confidence market interest rates are close to fair value. Nevertheless, short term they may continue to experience volatility until that conclusion can be substantiated by economic data and central bank actions. This ultimately rests on inflation continuing to fall. We have moderately increased the Fund's exposure to interest rates but will add further if our view firms or if market interest rates return to levels prevailing in December. Corporate bonds still continue to offer a better return outlook versus government bonds, but relative upside from here is now more moderate. We remain wary of adding further to shares until we get more comfort on the earnings outlook, or valuations adjust further to reflect the earnings risk associated with slower economic growth.

To view Milford's February 2023 Market and Economic Review please see milfordasset.com/investor-centre.

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)	\$2,825.3 M
Yield²	6.08%
Average Credit Rating	BBB
Duration	0.93 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			Higher risk			
Risk Indicator	1	2	3	4	5	6	7
	Potentially lower returns				Potentially higher returns		

Diversified Income Fund as at 31 January 2023

Investment Performance after fees as at 31 January 2023⁵

Unit Price: \$1.856

	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)	1.95%	4.25%	1.95%	2.76%	5.33%	9.41%
After Tax 10.50%	1.85%	3.93%	1.74%	2.51%	4.99%	8.78%
After Tax 17.50%	1.78%	3.72%	1.61%	2.33%	4.77%	8.36%
After Tax 28.00%	1.67%	3.40%	1.41%	2.08%	4.43%	7.74%
Benchmark	0.56%	1.62%	5.04%	3.58%	3.76%	3.59%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.13%
Telstra	1.79%
Goodman	1.61%
Origin Energy	1.60%
Getlink	1.54%
Ameren	1.43%
Spark	1.29%
Cheniere Energy	1.18%
Transurban	1.18%
Santos	1.00%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	16.35%	5%
New Zealand Fixed Interest	10.42%	10%
International Fixed Interest	41.98%	45.0%
New Zealand Equities	4.59%	6.5%
Australian Equities	8.32%	10%
International Equities	10.24%	5%
Listed Property	7.78%	18.5%
Other	0.32%	0.0%

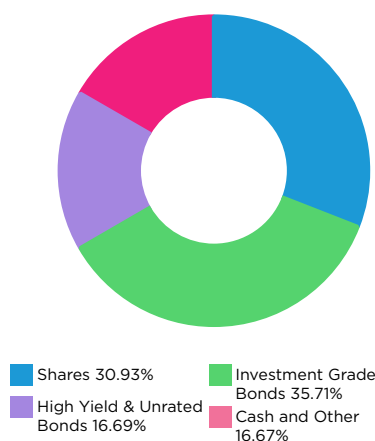
The actual cash held by the Fund is 3.29%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

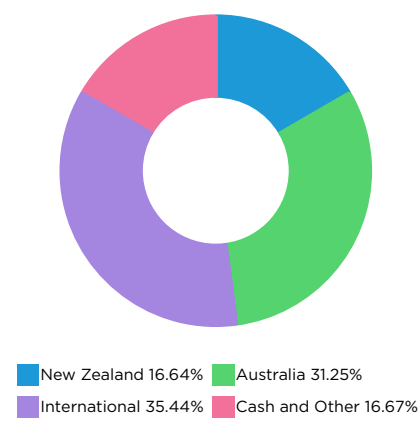
Holdings	% of Fund
NZGBI 2% 2025	3.23%
CBA 5 2028	1.19%
Scentre Group 5.125% 2080	1.06%
NBN Co 4.75% 2026	1.00%
Deutsche Bank 4% 2032	0.89%
NZGBI 2% 2035	0.87%
CBA Float 2031	0.83%
NatWest 5.125% Perpetual	0.77%
Westpac 6.19% 2032	0.75%
GAIF 2.584% 2027	0.73%

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. Yield to maturity (before tax and fees) for underlying investments in the Fund. 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.

Disclaimer: The Milford Fund Fact Sheet has been prepared by Milford Funds Limited. It is based on information believed to be accurate and reliable although no guarantee can be given that this is the case. No reproduction of any material either in part or in full is permitted without prior permission. For more information about the Fund, please refer to the Production Disclosure Statement or the latest Quarterly Fund Update.