

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2024



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

The Fund delivered a reasonable return of 0.3% in January. Bond and share performance was muted relative to the strength seen at the end of last year, with January's return predominately driven by the Fund's historically attractive yield (i.e. income). We believe this should continue to provide a solid foundation for returns going forward.

The contribution from bonds was moderately positive. The predominant exposure to corporate bonds continues to outperform government bonds, cushioning a little weakness in the latter. We continued to add selectively to corporate bonds in January through attractively priced new issues, notably in Australia given better valuation support. Performance was more mixed across shares. Positive contributors included US hospital operator HCA Healthcare (+12.6%) and local infrastructure company Infratil (+5.3%). There was, however, weakness in sectors such as infrastructure and energy (a portfolio inflation hedge). We added to shares where we believe valuations and return outlooks are attractive, e.g. US electricity utilities such as Duke Energy.

The preference remains for corporate bonds over shares. Bond yields to maturity remain historically attractive, including versus shares, providing a buffer against the price risk associated with most conceivable moves higher in market interest rates. That said, valuations across both broad bond and share markets have become more expensive, reflecting expectations for a soft economic landing, where inflation falls and growth remains resilient. Recent data supports this thesis, albeit Australasian inflation is proving a bit more stubborn. Crucially, so does the change in focus of many key global central banks to avoiding a growth slowdown, so long as inflation continues to fall. This is good for Fund returns and the opposite of the headwind faced for much of the past two years, where they were trying to slow growth to reduce inflation. But risks remain. Considering the Fund's absolute return target we continue to own downside share market protection via broad market index options. Interest rate exposure remains less than historically; sufficient to benefit from larger rate cuts in a slowdown, but not too much if rate cuts are smaller and later than market expectations.

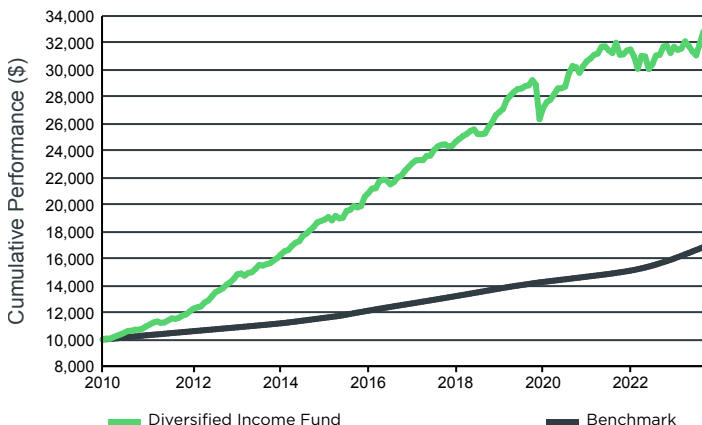
Prevailing cash rates are historically attractive. Nevertheless, it is obvious they come with clear reinvestment risk from rate cuts. Therefore, we believe corporate bonds combined with an appropriately diversified portfolio of (primarily) income-oriented shares should offer a better medium-term return outlook.

To view Milford's January 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)	\$2,675.5 M
Yield²	6.00%
Average Credit Rating	BBB+
Duration	1.2 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 January 2024

Investment Performance after fees as at 31 January 2024⁵

Unit Price: \$1.8632

	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)	0.34%	6.00%	3.82%	2.95%	5.03%	9.00%
After Tax 10.50%	0.30%	5.60%	3.34%	2.72%	4.66%	8.38%
After Tax 17.50%	0.27%	5.33%	3.01%	2.56%	4.41%	7.96%
After Tax 28.00%	0.23%	4.94%	2.53%	2.32%	4.04%	7.36%
Benchmark	0.66%	1.96%	7.80%	5.22%	4.46%	3.89%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.26%
Spark	2.09%
Telstra	1.56%
Goodman	1.55%
Infratil	1.15%
Getlink	1.02%
AGL Energy	0.91%
Bank of Ireland Group	0.89%
Shell	0.88%
Aena SME	0.77%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	7.70%	5%
New Zealand Fixed Interest	14.08%	10%
International Fixed Interest	46.41%	45.0%
New Zealand Equities	6.95%	5%
Australian Equities	6.81%	11%
International Equities	13.11%	5.5%
Listed Property	4.94%	18.5%
Other	0.00%	0.0%

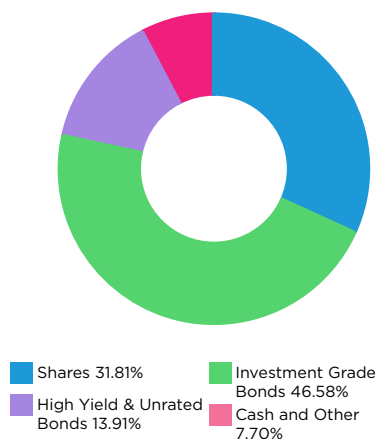
The actual cash held by the Fund is 4.44%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

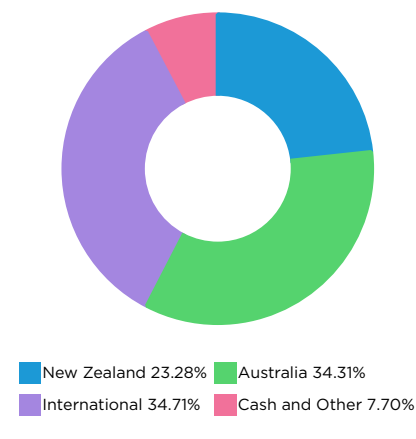
Holdings	% of Fund
NZGBI 2% 2025	5.96%
ANZ 4.95% 2029	1.57%
ANZ 5.888% 2034	1.45%
Westpac 5% 2029	1.40%
Westpac 7.199% 2038	1.21%
Scentre Group 5.125% 2080	1.19%
Telstra 4.9% 2028	0.98%
British Telecommunications	0.98%
CBA 4.9% 2028	0.92%
BNP Paribas 5.75% 2032	0.83%

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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