

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

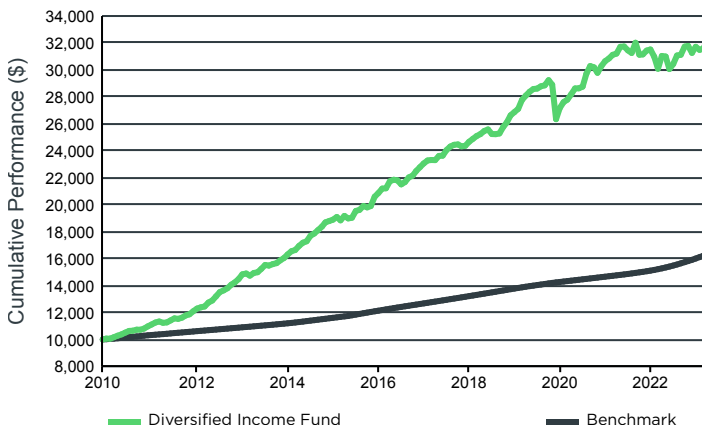
The Fund enjoyed a strong month. Positive contributions from both bonds and shares helped deliver a return of 1.7%. The Fund's fixed income exposure to predominately corporate bonds continued recent outperformance, over what were more muted government bond returns. Indeed, such was the strength of this performance that (as hoped) it made up for having less exposure to the (riskier) strength seen across broad share markets. That said, the majority of the Fund's shares also posted positive returns. Incoming data continues to suggest inflation has peaked and that economies are proving more resilient than expected to tighter monetary policy. The lagged impact of the latter is, however, starting to progressively impact, albeit to varying degrees and in an unsynchronised fashion across the economies to which the Fund has exposure. This will require Fund positioning to remain nimble and reactive to the evolving incoming information.

There was broad strength across the Fund's bonds. This was most notable in bank bond exposures which continued to recover from the March US mini banking crisis weakness. UK exposures were also strong on weaker than expected inflation which helped market interest rates fall and volatility to moderate. July was a good month across the broad share markets into which we retain exposure. Australasian property was a notable contributor as it made a significant recovery from some of the previous weakness, e.g. Charter Hall (+6.7%). While pleasing, this exposure remains lower than long-run history given the challenges still facing the sector. The Fund's largest share exposure remains to Contact Energy which posted a strong month (+2.6%). Global share gains included in utilities such as US electricity utility Ameren (+4.9%), infrastructure such as LNG exporter Cheniere Energy (+6.2%), and banks such as Bank of Ireland (+9.8%).

Per recent updates, the risk of stubborn residual inflation means the global rate hiking cycle may not be finished, but it is likely closer to its end. Historically attractive bond yields should therefore provide a very reasonable return cushion against any further rate hikes. This supports a favourable Fund return outlook. Broad share market valuations are increasingly expensive, but we acknowledge that for some sectors earnings growth provides an offset. A confirmation of peak interest rates would provide further support. Therefore, although we remain defensively positioned in terms of aggregate share exposure, we have added some exposure to companies where share prices do not reflect their better earnings outlook. The mix of shares remains diversified with traditional (interest rate sensitive) income shares complemented by cyclical companies (e.g. banks and energy) and defensive companies with clear visibility on sustainable earnings growth (e.g. consumer staples and healthcare). We continue to employ down-side protection strategies, such as owning broad share market options (historically cheap) to guard against a market risk-off sell-off.

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)	\$2,767.9 M
Yield²	6.00%
Average Credit Rating	BBB+
Duration	1.55 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	4			Higher risk		
Risk Indicator	1	2	3	4	5	6	7
	Potentially lower returns				Potentially higher returns		

To view Milford's July 2023 Market and Economic Review please see milfordasset.com/insights.



Diversified Income Fund as at 31 July 2023

Investment Performance after fees as at 31 July 2023⁵

Unit Price: \$1.8475

	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)	1.68%	1.27%	3.49%	4.45%	4.94%	9.14%
After Tax 10.50%	1.58%	1.16%	3.14%	4.25%	4.62%	8.53%
After Tax 17.50%	1.52%	1.08%	2.90%	4.12%	4.41%	8.13%
After Tax 28.00%	1.42%	0.96%	2.55%	3.92%	4.09%	7.53%
Benchmark	0.66%	1.94%	6.82%	4.35%	4.09%	3.74%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.27%
Spark	1.91%
APA	1.70%
Goodman	1.42%
Getlink	1.29%
Infratil	1.15%
Telstra	1.00%
Elevance Health	0.97%
Shell	0.93%
Bank of Ireland Group	0.91%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	10.95%	5%
New Zealand Fixed Interest	13.81%	10%
International Fixed Interest	40.80%	45.0%
New Zealand Equities	6.36%	6.5%
Australian Equities	5.30%	10%
International Equities	14.07%	5%
Listed Property	8.02%	18.5%
Other	0.69%	0.0%

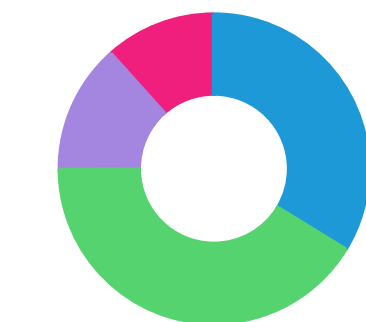
The actual cash held by the Fund is 3.66%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	4.71%
Scentre Group 5.125% 2080	1.08%
Telstra 4.9% 2028	1.00%
Holcim 0.5% 2030	0.96%
British Telecommunications	0.90%
NZGBI 2% 2035	0.88%
GAIF 2.584% 2027	0.87%
NBS 5.35% 2028	0.83%
Westpac 6.934% 2038	0.80%
Voyage Float 2029	0.76%

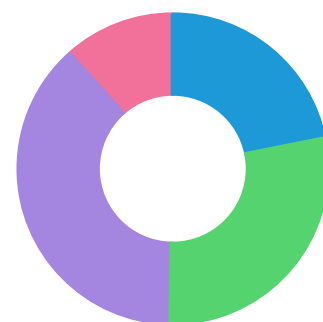
Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Fund Portfolio Mix



Shares 33.75%
High Yield & Unrated Bonds 13.48%
Investment Grade Bonds 41.13%
Cash and Other 11.64%

Region Exposure



New Zealand 21.85%
International 38.12%
Australia 28.39%
Cash and Other 11.64%

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.

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.