

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2024



Portfolio Managers



Paul Morris
Portfolio Manager



Anthony Ip
Co-Portfolio Manager

Fuelled by expectations for central bank rate cuts, bond and share markets enjoyed a strong month in July, which underpinned a Fund return of 2.4%. It has now returned 8.9% over one year, well above its benchmark return objective of the Reserve Bank of NZ (RBNZ) Official Cash Rate plus 2.5%.

The Fund's bonds benefited from another fall in market interest rates, which lifted prices and complemented the return from earning historically attractive (coupon) rates of interest. The fall was notably pronounced in NZ, as the RBNZ appeared to acknowledge that rate cuts may be needed later this year. On confidence in central bank rate cuts, we had increased the Fund's interest rate exposure via longer-dated bonds. This move may now be overextended, so we have paused to wait for more economic evidence or better/higher market interest rates.

It was an impressively strong month for Australasian and global shares, which also benefited from lower interest rates. In anticipation of central bank rate cuts we had increased Fund exposure to shares which may benefit from lower rates, but which had reasonable valuations. This was deemed a better risk return outlook than longer-dated bonds, and paid off in July. Traditional income shares gained, such as utilities like National Grid in the UK (+11.7%), telecoms such as Telstra in Australia (+8.8%), and property such as Precinct in NZ (+8.5%) and US telco tower landlord SBAC (+11.8%). A myriad of less traditional income holdings also benefited on a better earnings outlook if rates are cut; e.g. UK bank NatWest (+18.1%) and global building materials company CRH Plc (+14.3%).

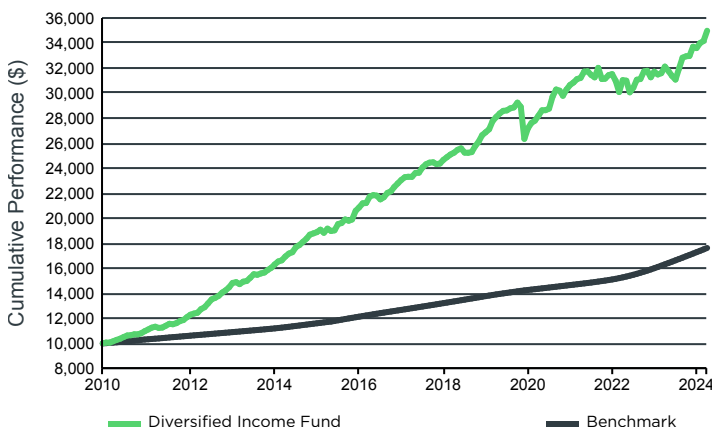
Irrespective of recent strong gains, we reiterate a reasonable medium-term Fund return outlook. Moderating inflation, slower growth but no material recession, should support both bond and share returns. We wait for opportunities to add to bond/interest rate exposure. We will also add shares of companies where earnings are low risk and visible into the future. Cheap broad market index options will continue to help manage downside market risk.

To view Milford's July 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)	\$2,732.6 M
Yield²	5.29%
Average Credit Rating	BBB
Duration	1.37 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 July 2024

Investment Performance after fees as at 31 July 2024⁵

Unit Price: \$1.9409

	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)	2.40%	4.14%	8.92%	3.88%	4.49%	9.13%
After Tax 10.50%	2.32%	3.91%	8.11%	3.56%	4.11%	8.50%
After Tax 17.50%	2.28%	3.76%	7.58%	3.34%	3.86%	8.09%
After Tax 28.00%	2.20%	3.53%	6.78%	3.03%	3.48%	7.48%
Benchmark	0.66%	1.96%	8.02%	6.09%	4.84%	4.03%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.27%
Infratil	1.92%
Spark	1.90%
Telstra	1.85%
Bank of Ireland Group	1.07%
Shell	1.02%
Ameren	1.01%
SBA Comms.	0.99%
Getlink	0.92%
Aena SME	0.91%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	17.43%	5%
New Zealand Fixed Interest	10.42%	10%
International Fixed Interest	42.45%	45.0%
New Zealand Equities	7.11%	5%
Australian Equities	8.51%	11%
International Equities	9.15%	5.5%
Listed Property	4.93%	18.5%
Other	0.00%	0.0%

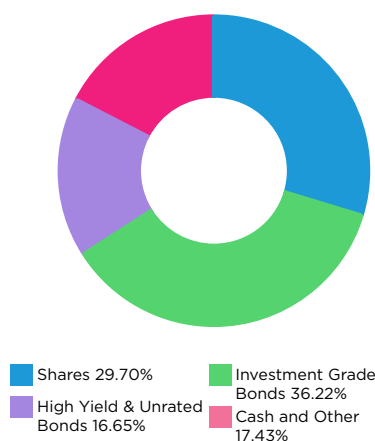
The actual cash held by the Fund is 10.93%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

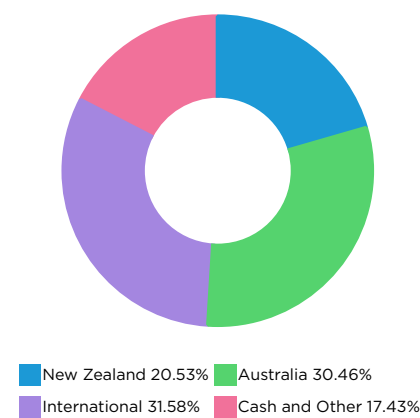
Holdings	% of Fund
NZGBI 2% 2025	2.67%
ANZ 4.95% 2029	1.48%
Scentre Group 5.125% 2080	1.22%
Westpac 5.754% 2034	1.15%
British Telecommunications 8.375% 2083	1.01%
British Telecommunications 5.125% 2054	0.90%
Suncorp 4.75% 2029	0.84%
Kinder Morgan 5.1% 2029	0.83%
BNP Paribas 5.75% 2032	0.81%
HSBC 6.211% 2034	0.79%

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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