

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 June 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

The Fund returned 0.3% in June, to be up 5.0% over one year. Higher market interest rates were a headwind for bonds. Prices generally fell but returns were cushioned by earning now historically attractive interest rates, outperformance of corporate bonds (the predominant bond exposure), and having restricted interest rate exposure. Broad share markets were strong in June, but under the surface performance was more variable across industry sectors.

Incoming data continues to suggest inflation has peaked, but economies are proving more resilient than expected to tighter monetary policy. The range of outcomes therefore remains broad, albeit the probability of a manageable slowdown has increased as the chances of a deeper recession have waned.

Given this backdrop, we continued to favour adding to corporate bonds over shares while being wary of adding too much interest rate exposure. Bond yields on an outright and relative to equities basis, remain historically attractive. During the month we therefore added bonds from Irish banks Permanent TSB and Bank of Ireland, British Telecom, global materials company Holcim, QBE Insurance, and NASDAQ.

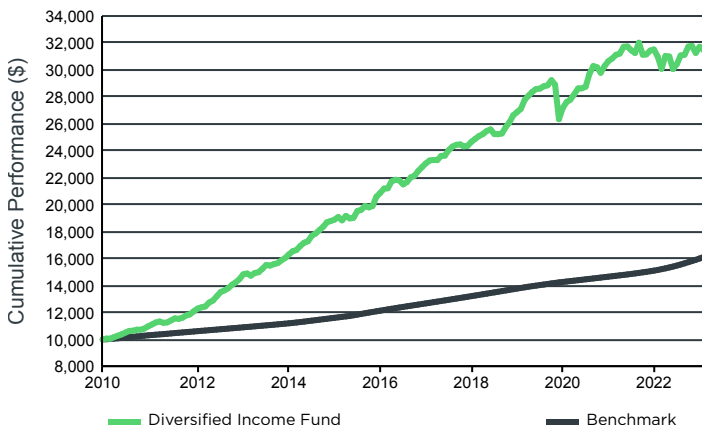
The Fund's share exposure remains below its long run neutral. In June, strength was focused in New Zealand and global shares, with Australia more muted. NZ property, e.g. Stride (+4.6%) and utilities, e.g. Contact Energy (+3.1%) posted strong contributions. We also added to Infratil via its capital raise to acquire One NZ, which has subsequently performed well. The Fund's global shares were the main contributor. The best performers were away from more traditional income shares, e.g. US hospital operator HCA Healthcare (+15.1%) and Mastercard (+7.7%). There were, however, some notable detractors in the month such as biotech CSL (-9.5%) on disappointing guidance, and UK bank NatWest (-7.2%) on fears for the UK economy. We continue to employ down-side protection strategies, such as owning broad share market put options to guard against a market risk of sell-off.

The global rate hiking cycle may not be finished but is arguably closer to its end. Bond yields should provide a reasonable return cushion even if more hikes are needed. Broad share market valuations may not be cheap, but for some income shares a confirmation of peak interest rates should provide support. We remain defensively positioned in terms of share exposure, wary of adding more shares until we get comfort on the earnings and rates outlook, or if and when valuations adjust lower to reflect these risks. The medium-term return outlook continues to appear appealing, but patience is key as the risk remains for further near-term volatility.

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

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)	\$2,734.2 M
Yield²	6.10%
Average Credit Rating	BBB+
Duration	1.49 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 30 June 2023

Investment Performance after fees as at 30 June 2023⁵

Unit Price: \$1.8171

	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)	0.33%	1.05%	5.00%	4.36%	4.71%	9.07%
After Tax 10.50%	0.32%	1.01%	4.67%	4.17%	4.41%	8.46%
After Tax 17.50%	0.31%	0.98%	4.45%	4.05%	4.20%	8.06%
After Tax 28.00%	0.30%	0.94%	4.13%	3.86%	3.89%	7.47%
Benchmark	0.63%	1.90%	6.55%	4.20%	4.03%	3.71%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.24%
Ameren	2.03%
Spark	1.83%
APA	1.66%
Goodman	1.41%
Getlink	1.32%
Infratil	1.23%
Elevance Health	0.95%
Shell	0.93%
HCA Holdings	0.92%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	15.79%	5%
New Zealand Fixed Interest	12.81%	10%
International Fixed Interest	42.61%	45.0%
New Zealand Equities	6.76%	6.5%
Australian Equities	4.62%	10%
International Equities	10.07%	5%
Listed Property	7.24%	18.5%
Other	0.10%	0.0%

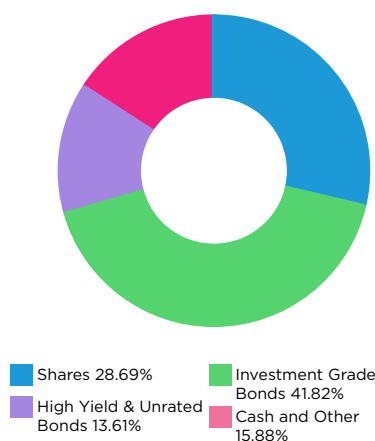
The actual cash held by the Fund is 2.51%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

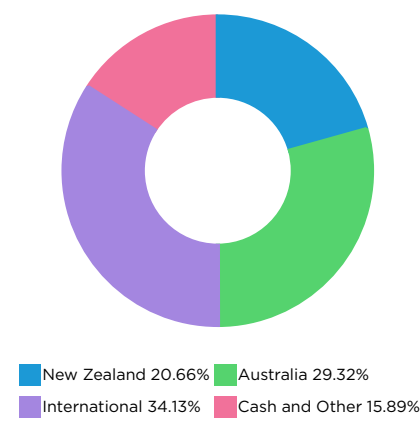
Holdings	% of Fund
NZGBI 2% 2025	4.77%
Westpac 6.934% 2038	1.18%
CBA 5% 2028	1.12%
Scentre Group 5.125% 2080	1.10%
Telstra 4.9% 2028	1.00%
Holcim 0.5% 2030	0.97%
British Telecommunications	0.89%
NZGBI 2% 2035	0.88%
NBS 5.35% 2028	0.82%
Voyage Float 2029	0.77%

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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