

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 March 2023



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

The Fund handed back some recent gains in March, falling 1.6%. The month was dominated by headlines befalling regional US banks and Credit Suisse. In reaction, markets went from pricing an even higher peak in central bank policy rates to pricing rate cuts in many countries by the second half of 2023. It also caused a reversal of much of the outperformance of bank bonds versus government bonds seen since late last year. This was an unfortunate combination of events for the Fund. First, wary of rising interest rates, the Fund retained a lower interest rate exposure. This previously cushioned capital but now meant it missed much of the benefit. Second, while some of the Fund's better performing bank bonds (especially subordinated bonds) had been sold, the remaining exposure weighed on performance.

While we did further trim some bank bonds, the Fund retains an exposure including so called AT1 bonds, as it has for many years. We believe they offer attractive returns, especially versus many income shares. We remain comfortable with the company solvency and liquidity of the holdings. Non-bank corporate bonds also underperformed government bonds in this backdrop but we added bonds from the likes of Telstra, Contact Energy, and Vodafone.

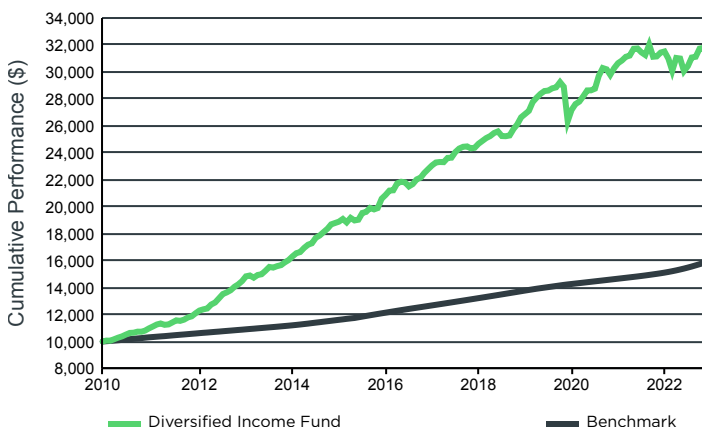
The Fund's shares also contributed slightly negatively in aggregate over the month. Typical income shares such as telcos and utilities performed strongly on falling market interest rates, e.g. Spark NZ (+5.1%) and US electricity company Ameren (+5.2%). However, many infrastructure holdings which would typically also benefit were weaker, e.g. Channel Tunnel owner Getlink (-4.6%). Property shares were also generally weaker on concern valuations and earnings expectations may still be too elevated. Elsewhere, less traditional income shares posted mixed performance; defensives such as Woolworths Group (+4.5%) were strong but the small bank and energy exposures were weaker.

The medium-term return outlook looks appealing, but frustratingly our expectation for near-term volatility in both bonds and shares has been more persistent. We added some interest rate exposure in March but wait for economic data to guide whether current rate cut expectations are warranted. Hence this exposure remains below long run neutral. We remain defensively positioned in terms of share exposure, wary of adding more shares until we get more comfort on the earnings outlook, or if valuations adjust lower to reflect the earnings risk associated with slower economic growth. We still think corporate bonds offer a better risk-adjusted return outlook versus government bonds and shares, with prevailing yields providing a cushion against all but extremely higher yields.

To view Milford's March 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)	\$2,754.0 M
Yield²	6.29%
Average Credit Rating	BBB+
Duration	1.27 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)
Risk Indicator	<div style="display: flex; justify-content: space-between; align-items: center;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div>



Diversified Income Fund as at 31 March 2023

Investment Performance after fees as at 31 March 2023⁵

Unit Price: \$1.8132

	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)	-1.64%	0.44%	-0.56%	5.88%	5.11%	9.16%
After Tax 10.50%	-1.56%	0.42%	-0.72%	5.61%	4.80%	8.55%
After Tax 17.50%	-1.50%	0.41%	-0.83%	5.44%	4.60%	8.14%
After Tax 28.00%	-1.42%	0.39%	-1.00%	5.18%	4.30%	7.54%
Benchmark	0.60%	1.67%	5.63%	3.78%	3.85%	3.64%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.12%
Ameren	2.04%
Telstra	1.76%
APA	1.70%
Spark	1.63%
Goodman	1.53%
Getlink	1.49%
Cheniere Energy	1.30%
Transurban	1.23%
Elevance Health	0.94%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	20.78%	5%
New Zealand Fixed Interest	10.91%	10%
International Fixed Interest	38.45%	45.0%
New Zealand Equities	4.96%	6.5%
Australian Equities	7.05%	10%
International Equities	10.52%	5%
Listed Property	7.31%	18.5%
Other	0.02%	0.0%

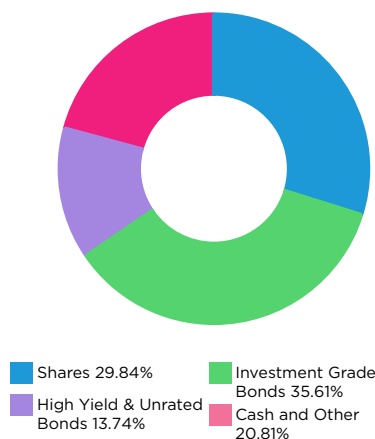
The actual cash held by the Fund is 6.89%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

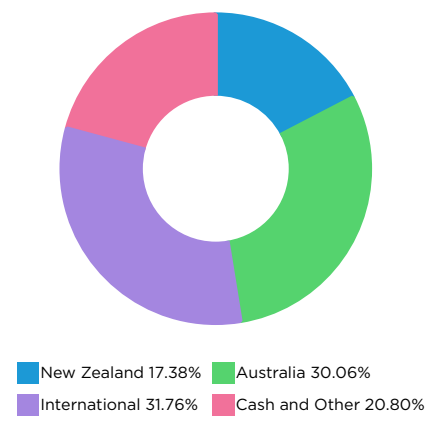
Holdings	% of Fund
NZGBI 2% 2025	3.37%
CBA 5% 2028	1.11%
Scentre Group 5.125% 2080	1.06%
TESAG 4.9% 2028	0.98%
NZGBI 2% 2035	0.89%
CBA Float 2031	0.82%
Holcim 0.5% 2030	0.79%
Voyage Float 2029	0.76%
BNP Paribas 5.75% 2032	0.75%
GAIF 2.584% 2027	0.75%

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.

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