

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 March 2024



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

Positive contributions from fixed income, combined with a strong month for shares, saw the Fund return 2.2% in March. Expectations for the timing and extent of central bank rate cuts continue to moderate. Shares have shrugged this off on improving economic growth (i.e. company profits) prospects, while fixed income remains supported by the peak rates narrative.

Fixed income returns benefited in March from slightly lower market interest rates which supported bond prices. Returns also benefited from another month of outperformance of corporate bonds (the Fund's predominant fixed income exposure) relative to government bonds, a broad trend prevailing for a year now. We continue to reduce exposure to global corporate bonds where valuations versus government bonds are becoming expensive. There are, however, always opportunities. Last month we added a TK Elevator loan (global elevator company) at a NZ equivalent yield in excess of 8%. We continue to allocate to Australian corporate bonds given better valuation support. That included a HSBC Bank subordinated bond at a NZ dollar equivalent yield of over 7%.

The majority of shares delivered positive returns in March. Contact Energy (+7.2%), the Fund's largest share exposure, was helped by a progress report on its new geothermal plant. Australian property shares continue to stand out, especially Goodman Group (+13.1%) on its data centre development pipeline's ability to benefit from artificial intelligence demand. Global banks enjoyed a strong month as attractive valuations drew buyers, given a more benign economic backdrop. Bank of Ireland (+17.3%) and UK bank NatWest (+16.4%) were notable contributors to Fund returns. The Fund's energy inflation hedge benefited from higher oil prices; Santos (+9.5%) and Shell (+6.8%). There was a small group of laggards, with the largest return detractor being Spark NZ (-2.4%), however, we believe an ongoing holding is supported by its attractive dividend yield.

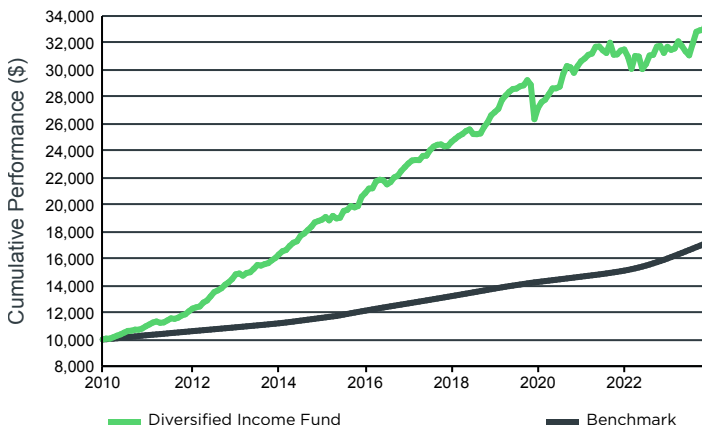
Bond yields remain historically attractive and provide a considerable cushion against the bond price risk associated with most conceivable moves higher in market interest rates. The improving economic outlook means we remain moderately constructive on the parts of the share market which have better valuation support, albeit this cohort is shrinking. Together that should provide a reasonable Fund return outlook, further underpinned by the probability that central bank policy rates have peaked. While getting inflation to official targets may meet with some bumps along the way, our base view is that it should remain sufficiently under control to allow policy makers to react with stimulus should growth slow. All that said, we know there are risks around this view and therefore, considering the Fund's absolute return target, we continue to own downside share market protection via broad market index options and restrict interest rate exposure below long run historic levels.

To view Milford's March 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)	\$2,720.5 M
Yield²	5.78%
Average Credit Rating	BBB+
Duration	0.88 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 March 2024

Investment Performance after fees as at 31 March 2024⁵

Unit Price: \$1.8878

	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)	2.24%	2.67%	7.82%	3.63%	4.82%	9.06%
After Tax 10.50%	2.16%	2.51%	7.11%	3.37%	4.45%	8.44%
After Tax 17.50%	2.11%	2.41%	6.64%	3.20%	4.21%	8.03%
After Tax 28.00%	2.03%	2.25%	5.94%	2.94%	3.84%	7.42%
Benchmark	0.66%	1.94%	7.97%	5.50%	4.58%	3.94%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.37%
Spark	1.82%
Telstra	1.48%
Infratil	1.12%
Goodman	1.10%
Bank of Ireland Group	0.98%
Getlink	0.95%
Shell	0.94%
HCA Holdings	0.84%
Precinct	0.83%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	7.97%	5%
New Zealand Fixed Interest	13.67%	10%
International Fixed Interest	45.10%	45.0%
New Zealand Equities	6.57%	5%
Australian Equities	6.66%	11%
International Equities	15.38%	5.5%
Listed Property	4.65%	18.5%
Other	0.00%	0.0%

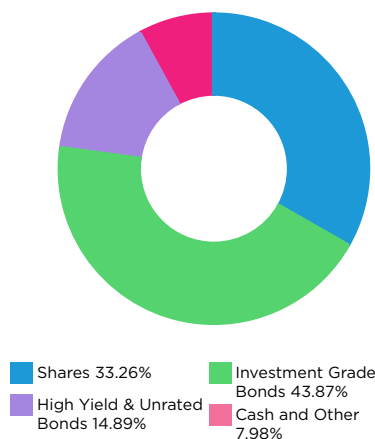
The actual cash held by the Fund is 6.91%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

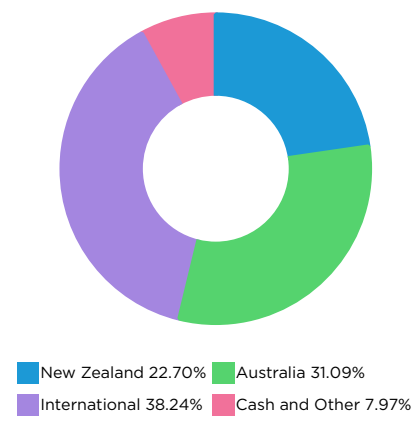
Holdings	% of Fund
NZGBI 2% 2025	5.89%
ANZ 4.95% 2029	1.58%
Westpac 5.754% 2034	1.22%
Scentre Group 5.125% 2080	1.19%
British Telecommunications 8.375% 2083	0.99%
British Telecommunications 5.125% 2054	0.89%
BNP Paribas 5.75% 2032	0.84%
Virgin Money 4.625% 2028	0.83%
Bank of Ireland 5% 2031	0.83%
HSBA 6.211% 21/03/2034	0.82%

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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