

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2025



Portfolio Managers



Paul Morris
Portfolio Manager



Anthony Ip
Co-Portfolio Manager

The Fund returned 0.9% in May, supported by broad equity market strength on moderating tariff risks and expectations for a stimulatory US budget. The improved growth backdrop, combined with risk of bigger US budget deficits saw government bond prices generally lower. The Fund's exposure to corporate bonds provided some cushion as they outperformed government bonds by eking out a small positive return.

We used this weakness in government bonds to pick up some attractive bond yields. This included adding more high-quality NZ dollar bonds in 5-10 year maturities, given their extra yield versus cash rates is one of the most attractive globally. An example was -8 year NZ Local Government Funding Agency Bonds at -4.9%. Over recent quarters we have been selling more expensive Australasian and global corporate bonds, especially those with lower credit ratings. We have been deploying back opportunistically however, such as in May buying a new Barclays Bank (UK bank) subordinated bond at a NZD equivalent yield of -7.3%. We also extended the US Treasury bond put options (which increase in value as yields rise) to provide ongoing portfolio protection.

There were strong return contributions from many of the Fund's NZ and global shares especially, e.g. Germany's Commerzbank (+17.4%) and NZ's fuel import terminal Channel Infrastructure (+12.1%) and real estate company Precinct Properties (+9.0%). With bond yields higher, income-oriented sectors such as property and utilities gave back some of their recent strength, e.g. European cell tower Cellnex (-5.4%). Cautious Fund positioning (moderately less shares than long run neutral) meant we didn't capture as much of the equity rally relative to if we had higher conviction in the risk reward outlook. The Fund's objective of Reserve Bank of New Zealand Official Cash Rate plus 2.5% means we generally don't chase markets if conviction is only moderate.

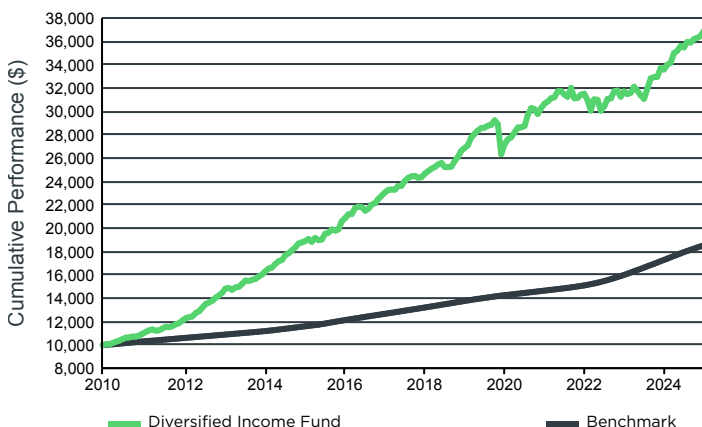
Looking ahead, geopolitics may drive month to month volatility. This should provide opportunities for active management, while historically attractive bond yields should underpin an attractive medium-term return profile.

To view Milford's May 2025 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)	\$2,913.5 M
Yield²	3.87%
Average Credit Rating	BBB+
Duration	1.98 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.55 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 May 2025

Investment Performance after fees as at 31 May 2025⁵

Unit Price: \$1.994

	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)	0.93%	2.55%	9.48%	6.31%	6.15%	9.05%
After Tax 10.50%	0.92%	2.43%	8.86%	5.77%	5.75%	8.43%
After Tax 17.50%	0.92%	2.35%	8.45%	5.41%	5.48%	8.01%
After Tax 28.00%	0.91%	2.22%	7.84%	4.88%	5.08%	7.41%
Benchmark	0.49%	1.50%	7.04%	7.10%	5.43%	4.19%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	1.68%
Bank of America	1.29%
E.ON	1.08%
Aena SME	1.07%
National Grid	1.02%
NatWest Group	1.00%
Region RE	1.00%
Spark	0.96%
Precinct	0.92%
SSE	0.91%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	14.85%	5%
New Zealand Fixed Interest	14.70%	10%
International Fixed Interest	39.56%	45.0%
New Zealand Equities	5.44%	5%
Australian Equities	8.57%	11%
International Equities	10.13%	5.5%
Listed Property	6.62%	18.5%
Other	0.13%	0.0%

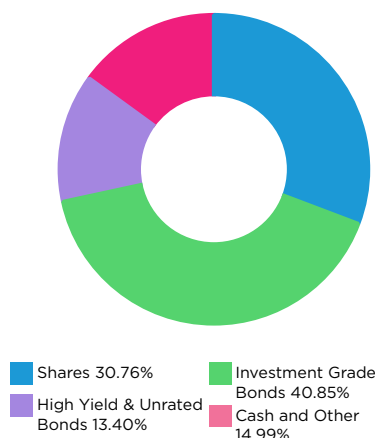
The actual cash held by the Fund is 8.71%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

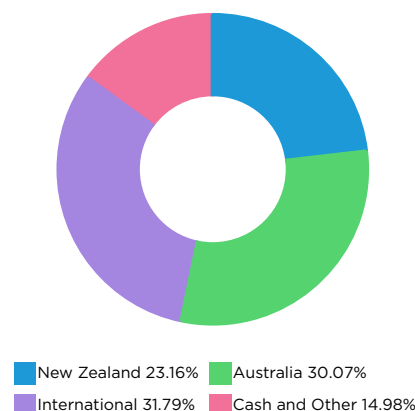
Holdings	% of Fund
NZ Govt. 3.5% 2033	2.33%
NZ Govt. 4.5% 2035	1.28%
NZLGFA 2.25% 2031	1.27%
Origin Energy 5.35% 2031	1.11%
Scentre Group 5.125% 2080	1.10%
EnBW International Finance 6.048% 2034	1.00%
Westpac 5.754% 2034	0.99%
Lloyds Banking Group 5.189% 2031	0.99%
NAB Float 2028	0.98%
NZLGFA 3.5% 2033	0.78%

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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