

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 November 2022



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

Supported by broad-based strength across both bonds and shares, the Fund returned 2.1% in November. While we retained the cautious positioning held for much of the year, specifically less shares and more cash than historically, over the month we incrementally added to shares. The catalyst was indications that several key global central banks (NZ being one exception) may not increase cash rates to as high as previously feared due to signs of moderation in inflation. This remains far from a certainty however, and near-term market volatility may persist as the breadth of outcomes for inflation, economic growth, cash rates, and earnings remains wide. Therefore, we will continue with our cautious stance until the picture becomes clearer.

Relative to its lower share exposure, the Fund entered the month with an allocation to bonds more in line with its long-run history, albeit still with less exposure to market interest rates than would be the norm. This allowed the Fund to participate in a strong month for bonds, especially global corporate bonds. They benefitted from (i) lower market interest rates but also (ii) a reduction in the extra yield required by the market for credit risk as market wariness of recession risk diminished, notably in Europe. During the month we also participated actively in what was a busier month for new issues, including adding subordinated bonds from European banks such as Commerzbank, Bank of Ireland, and Natwest Group, at NZ dollar equivalent yields of between 8% and 9%.

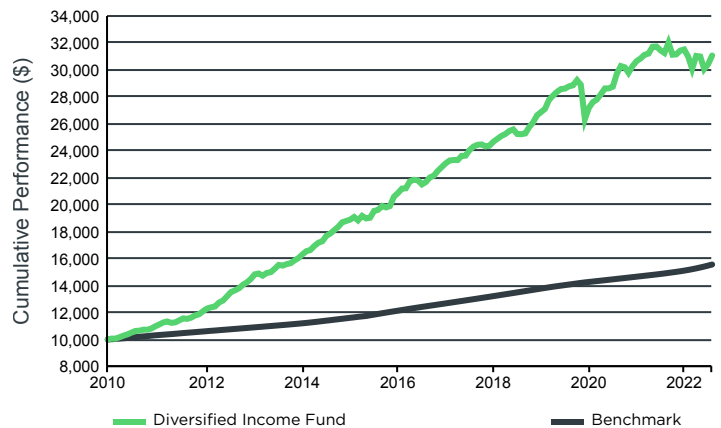
For the second month in a row, the Fund's shares contributed positively. Of its traditional larger sector exposures, infrastructure and property (e.g. Goodman Group +12.5%) posted strong contributions, albeit NZ listed property companies remain weak. We added to our global infrastructure exposure via US electricity utility Ameren Corp which was up over 7.0% since bought. Many of the Fund's less income-oriented shares also had a good month, for example, offshore bank holdings were stronger including UK banks Virgin Money (+25.6%) and Natwest Group (+11.5%). Nevertheless, the standout performer was Origin Energy which was up 41.1% thanks to a takeover offer.

Looking ahead, we continue to remain alert for signals that foundations are in place for a sustained recovery in risk appetite. The improvement in market risk sentiment, building evidence global inflation may be falling, and hopes for a soft economic landing are positives, but we remain wary that it is too early for central banks to declare victory. Moreover, the negative economic impact of tighter monetary policy remains unclear and thus looking ahead the path for company earnings could be challenging. We continue to repeat recent messaging that the outlook for medium-term returns has improved, but with the caveat that near-term volatility is likely to remain elevated. Active management and our ongoing cautious positioning should enable us to best navigate these risks.

To view Milford's December 2022 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)	\$2,790.2 M
Yield²	6.44%
Average Credit Rating	BBB
Duration	0.87 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.1 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	Lower risk Higher risk 1 2 3 4 5 6 7 Potentially lower returns Potentially higher returns

Diversified Income Fund as at 30 November 2022

Investment Performance after fees as at 30 November 2022⁵

Unit Price: \$1.8175

	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)	2.08%	0.24%	-0.60%	2.58%	5.02%	9.36%
After Tax 10.50%	1.98%	0.20%	-0.56%	2.37%	4.70%	8.74%
After Tax 17.50%	1.91%	0.17%	-0.53%	2.22%	4.49%	8.32%
After Tax 28.00%	1.81%	0.12%	-0.49%	2.01%	4.17%	7.72%
Benchmark	0.50%	1.43%	4.45%	3.40%	3.68%	3.55%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.09%
Origin Energy	1.68%
Telstra	1.61%
Getlink	1.58%
Goodman	1.54%
Ameren	1.42%
Transurban	1.23%
Spark	1.19%
Elevance Health	1.05%
Santos	1.04%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	15.17%	5%
New Zealand Fixed Interest	10.57%	10%
International Fixed Interest	41.27%	45.0%
New Zealand Equities	4.53%	6.5%
Australian Equities	6.50%	10%
International Equities	11.75%	5%
Listed Property	7.91%	18.5%
Other	2.30%	0.0%

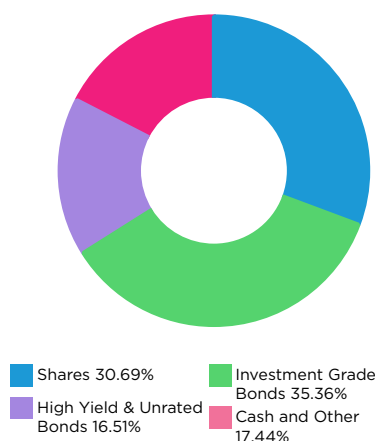
The actual cash held by the Fund is 2.30%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

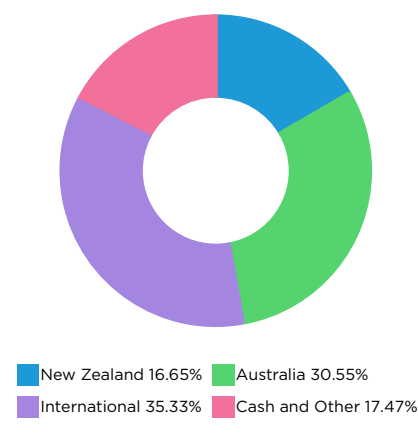
Holdings	% of Fund
NZGBI 2% 2025	3.22%
Scentre Group 5.125% 2080	1.02%
CBA 6.86 2032	1.01%
NBN Co 4.75% 2026	0.98%
Deutsche Bank 4% 2032	0.87%
NZGB 2.5% 2035	0.86%
CBA Float 2031	0.83%
Westpac 6.19% 2032	0.80%
Voyage Float 2029	0.75%
NatWest 5.125% Perpetual	0.74%

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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