Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 November 2023

MILFORD
INVESTED IN YOU

Portfolio Managers

Paul Morris
Portfolio Manager

Dan Simmonds
Co-Portfolio Manager

Investor patience was rewarded in November with a Fund return of 2.8%. After facing the headwind of rising market interest rates since mid-year, bonds and shares rallied on lower market interest rates. The rally in bonds was more pronounced in longer-dated bonds which had suffered most in recent months. Global inflation continues to fall, and communication from many central banks suggests we are now at peak policy rates, albeit Australasian central banks are notable exceptions thus far. Shares and corporate bonds also benefited from hopes that falling inflation will mean a shorter period of restrictive central bank policy, increasing the possibility of a so called soft economic landing.

There were positive contributions from most of the Fund's shares. Property was generally a standout, given earnings and valuation sensitivity to interest rates. Examples of the outsized moves from depressed valuations included Australian managers Stockland (+16.7%) and Mirvac (+13.2%). Property remains an important allocation for the Fund, but wary of post-Covid secular challenges in office, cyclical risks in industrial and retail, increased funding costs, and higher share price volatility, the exposure remains lower than may have been the case historically. Another traditional rate beneficiary is infrastructure where the Fund saw outsized gains including from Spanish airport operator Aena (+15.5%) and UK electricity utility SSE PLC (12.2%). The small number of negative performers were mostly focused in energy, which we own in part to provide a medium-term inflation hedge, e.g. Santos (-9.9%).

Falling market interest rates lifted bond prices. The Fund's bond exposure remains focused in corporate bonds which had the added benefit of outperformance over government bonds in the positive risk environment. Performance was unanimously positive but was strongest in subordinated bonds of banks, where weighted average returns in the month were over 4%. We did reduce some of the Fund's interest rate exposure during the month as market interest rates fell, and we have positioned exposure predominately to shorter-dated bonds which should be lower risk, given a tighter relationship to central bank policy rates which have potentially peaked.

We continue to contest that the returns (yields) to maturity available from corporate bonds are historically attractive in their own right, but also versus shares. We believe yields provide a generous buffer against the price risk associated with most conceivable moves higher in market interest rates. This underpins our preference for bonds over shares. Although many income-oriented shares are not expensive, per the comments above on property, we remain wary of earnings and valuation risks into what remains a broad range of economic outcomes in 2024.

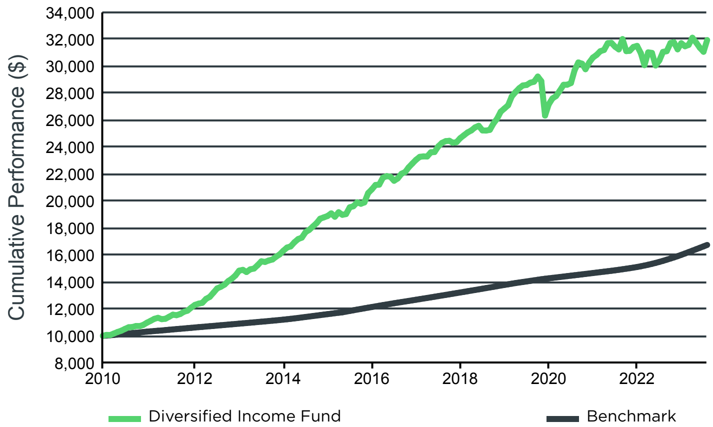
Prevailing cash rates are historically attractive. Nevertheless, given their inherent reinvestment risk we believe corporate bonds, combined with an appropriately diversified portfolio of (primarily) income-oriented shares, offer a better medium-term return outlook.

To view Milford's November 2023 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

Objective [1]	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)	$2,586.9 M
Yield [2]	6.09%
Average Credit Rating	BBB+
Duration	1.13 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.70 cents per unit (Quarterly)
Benchmark	OCR + 2.5% p.a.
Base Fund Fee [3]	0.65%
Performance Fee	10% of the Fund's returns above the Benchmark [1], subject to the high watermark.
Total Fund Fees [4]	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 2023

MILFORD

Investment Performance after fees as at 30 November 2023[5]

Unit Price: $1.8072

	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)	2.80%	0.58%	2.84%	2.46%	4.84%	8.87%
After Tax 10.50%	2.61%	0.33%	2.33%	2.27%	4.48%	8.26%
After Tax 17.50%	2.49%	0.17%	2.00%	2.15%	4.24%	7.85%
After Tax 28.00%	2.30%	-0.08%	1.50%	1.96%	3.89%	7.25%
Benchmark	0.63%	1.94%	7.59%	4.93%	4.34%	3.84%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.26%
Spark	2.11%
Goodman	1.85%
Telstra	1.53%
Getlink	1.17%
Infratil	1.10%
AGL Energy	1.02%
Shell	0.94%
Cheniere Energy	0.87%
HCA Holdings	0.84%

Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	5.06%
Westpac 7.199% 2038	1.25%
Scentre Group 5.125% 2080	1.16%
Telstra 4.9% 2028	1.03%
British Telecommunications	1.00%
CBA 4.9% 2028	0.93%
JPMorgan 4.457% 2031	0.91%
BNP Paribas 5.75% 2032	0.82%
BIRG 5% 04/07/2031	0.82%
Virgin Money 4.625% 2028	0.80%

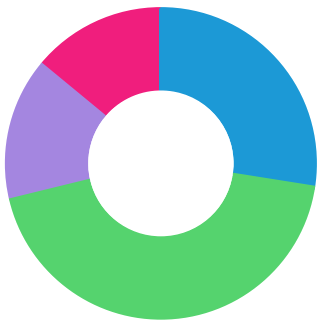
Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	11.97%	5%
New Zealand Fixed Interest	13.63%	10%
International Fixed Interest	44.84%	45.0%
New Zealand Equities	6.73%	6.5%
Australian Equities	5.35%	10%
International Equities	9.00%	5%
Listed Property	6.42%	18.5%
Other	2.06%	0.0%

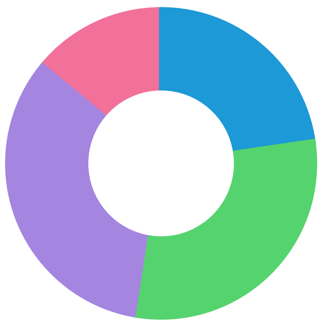
The actual cash held by the Fund is 2.82%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Fund Portfolio Mix



Shares 27.50%
Investment Grade Bonds 43.68%
High Yield & Unrated Bonds 14.78%
Cash and Other 14.04%

Region Exposure



New Zealand 22.68%
Australia 29.74%
International 33.55%
Cash and Other 14.03%

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.