

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2022



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

October was another rollercoaster for markets, however, supported by a late month recovery in many shares and corporate bonds, the Fund delivered a return of 1.3% in the month. Near term volatility may persist but given the adjustment in bond and share market valuations, the medium-term Fund return outlook has improved.

The Fund's bond exposure remains focused in corporate bonds where we believe the medium-term return outlook is attractive. We added several attractively priced bonds over the month, including an unsubordinated 5yr Barclays Bank bond at a NZ Dollar equivalent yield to maturity of over 7.0%. All that said, over the month there was mixed performance from the Fund's bond holdings. Australasian corporate bonds delivered a small, positive return but underperformed government bonds. On the other hand, global corporate bonds recovered some of the recent weakness, delivering a moderate positive return which outperformed weakness in global government bonds.

There were positive contributions from the majority of the Fund's shares, albeit with some weakness across its NZ listed property companies. Australian and global property stocks posted a strong bounce back from recent weakness as valuations had perhaps overshot to the downside. Shopping Centres Australia was up 15.7% as the market thinks a potentially less hawkish Reserve Bank of Australia may support valuations. The biggest contribution came from global companies where strong third quarter reporting lifted prices. That included US healthcare exposures with insurer Elevance up 20.4% and hospital operator HCA up 18.3%. Global infrastructure holdings also enjoyed a strong month, including Spanish airport operator Aena (+11.5%) after reporting increased travel activity.

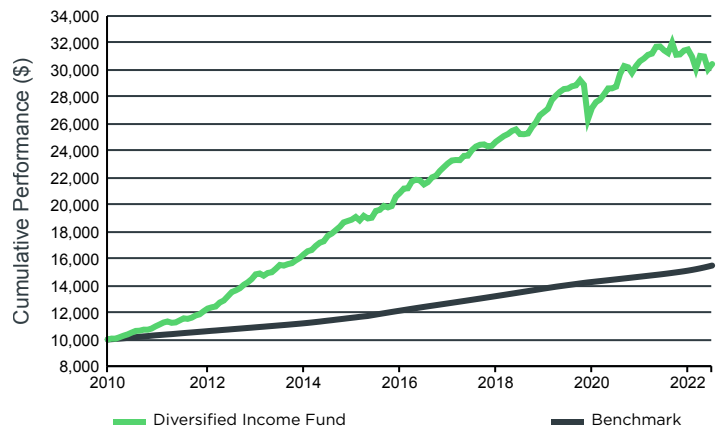
Irrespective of the improvement in market risk sentiment, and the resilience in many earnings, we remain wary that central banks have yet to defeat inflation and may want to slow the growth outlook further. Therefore, while we have made small additions to both bond and share exposures, we retain cautious positioning; high levels of cash, a share exposure significantly lower than long run neutral, and limited exposure to higher market interest rates.

We remain alert for signals the foundations are in place for a sustained recovery in risk appetite. This will require clarity on the extent of central bank inflation-fighting tightening needed, and its impact. For now, we repeat our recent messaging that the outlook for medium term returns has improved but the caveat remains 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 November 2022 Market and Economic Review please see milfordasset.com/fact-sheet.

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)	\$2,747.3 M
Yield²	5.83%
Average Credit Rating	BBB
Duration	1.17 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)

	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 October 2022

Investment Performance after fees as at 31 October 2022⁵

Unit Price: \$1.7916

	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)	1.25%	-1.93%	-3.22%	2.08%	4.82%	9.25%
After Tax 10.50%	1.27%	-1.91%	-3.05%	1.88%	4.51%	8.63%
After Tax 17.50%	1.29%	-1.90%	-2.94%	1.75%	4.31%	8.22%
After Tax 28.00%	1.31%	-1.88%	-2.77%	1.55%	4.01%	7.62%
Benchmark	0.49%	1.37%	4.19%	3.33%	3.65%	3.54%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.14%
Getlink	1.59%
Goodman	1.42%
Computershare	1.22%
Telstra	1.20%
Transurban	1.15%
Elevance Health	1.14%
Cheniere Energy	1.08%
Santos	1.08%
Charter Hall Retail	1.01%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	20.90%	5%
New Zealand Fixed Interest	11.20%	10%
International Fixed Interest	42.50%	45.0%
New Zealand Equities	4.70%	6.5%
Australian Equities	3.65%	10%
International Equities	7.68%	5%
Listed Property	8.51%	18.5%
Other	0.86%	0.0%

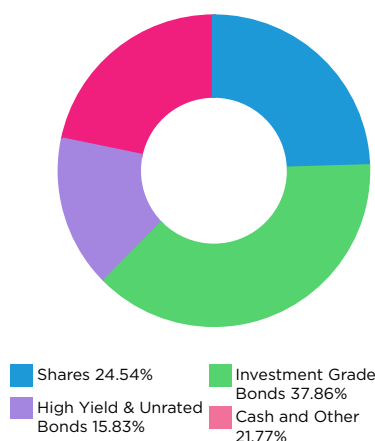
The actual cash held by the Fund is 3.60%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

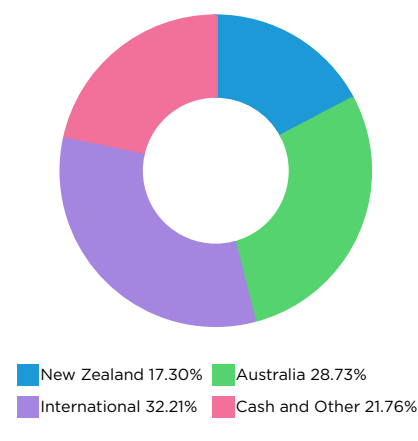
Holdings	% of Fund
NZGBI 2% 2025	3.26%
CBA 6.86 2032	1.07%
Scentre Group 5.125% 2080	1.04%
NBN Co 4.75% 2026	1.02%
Deutsche Bank 4% 2032	0.87%
CBA Float 2031	0.86%
NZGB 2.5% 2035	0.86%
Voyage Float 2029	0.83%
Westpac 6.19% 2032	0.82%
GAIF 2.584% 2027	0.75%

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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