

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2024



Portfolio Managers



Paul Morris
Portfolio Manager



Anthony Ip
Co-Portfolio Manager

The Fund fell 0.4% in October, which is only the second negative month within the past year's return (14.2%). The month was notable for pronounced weakness across bonds, as market interest rates rose to reflect a reassessment of how deep key central bank interest rate cuts may need to be, to support what may prove to be more resilient economies. The weakness was amplified by the resurfacing of concerns as to the sustainability of many developed economies' debt situations, especially in the UK post its budget, and in the US going into the election given likely ongoing debt-funded budget deficits.

The headwind to returns from weaker bonds was limited by two factors; (i) we had added "put" options on US government bonds, which increase in value when bond prices fall, and (ii) corporate bonds (our bond exposure focus) outperformed government bonds again. As the latter's outperformance has continued, we have looked to trim more expensive holdings to avail of better value opportunities. Our preference remains for Australian corporate bonds where the income from bonds is attractive, helped by lower expectations for Australian rate cuts (so higher market interest rates) and generally less expensive credit spreads (the extra interest from corporate bonds over government bonds). The Australian corporate bond market continues to attract global issues, helping diversification, e.g. last month we added bonds from German regulated electricity utility EnBW with an NZD hedged interest rate of -6.0%.

Broad global share market indices were slightly weaker in October, with performance disparate across countries and also between sectors. For the Fund, an increased allocation to NZ shares was a benefit, with Contact Energy and Infratil Limited (the two largest holdings) up 5.1% and 2.9% respectively. We still like NZ income shares, as we believe rate cuts will be forthcoming. Australian shares were weaker, and although we hold significantly less than historically, this was a drag on Fund returns. Performance across global shares was in aggregate negative. Valuations of many income-oriented shares were hit by the move higher in market interest rates, while UK exposures were softer on nervousness around the budget. There was some good news though, with our main energy exposures US LNG exporter Cheniere Energy and Shell Limited up 6.4% and 6.3% respectively, post strong earnings reports.

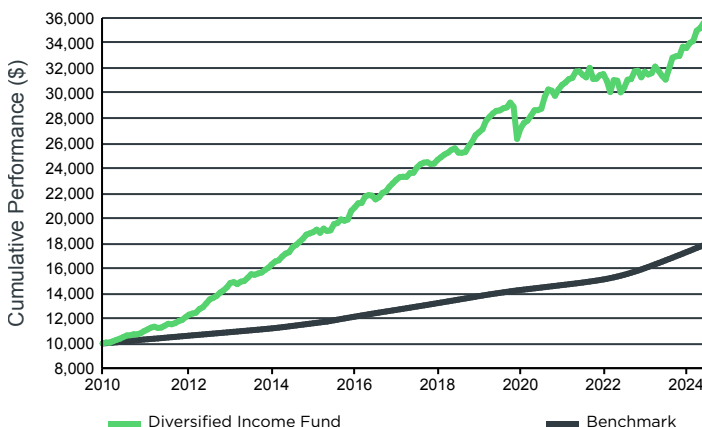
By having reduced interest rate exposure into this recent move higher in market interest rates, the Fund is well placed to lock in what should be attractive entry points for both income shares and bonds. We plan to progressively do so once through the US election, which remains a key market risk. Ultimately these higher market rates underpin an ongoing attractive medium term return outlook for the Fund, with a material income cushion against most conceivable bond and share market weaknesses. Where appropriate, we continue to utilise reasonably priced broad share market and bond options to manage downside market risk.

To view Milford's October 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)	\$2,775.9 M
Yield²	4.70%
Average Credit Rating	BBB
Duration	0.59 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)

Risk Indicator	1	2	3	4	5	6	7
	Potentially lower returns				Potentially higher returns		

Diversified Income Fund as at 31 October 2024

Investment Performance after fees as at 31 October 2024⁵

Unit Price: \$1.9498

	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)	-0.35%	1.42%	14.16%	4.10%	4.39%	9.07%
After Tax 10.50%	-0.31%	1.20%	13.12%	3.71%	4.00%	8.44%
After Tax 17.50%	-0.29%	1.06%	12.43%	3.44%	3.74%	8.02%
After Tax 28.00%	-0.25%	0.85%	11.41%	3.05%	3.34%	7.41%
Benchmark	0.61%	1.88%	7.93%	6.50%	5.05%	4.09%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.30%
Infratil	1.91%
Telstra	1.72%
Spark	1.54%
Microsoft	1.25%
APA	1.04%
Aena SME	1.02%
Precinct	0.99%
Natwest	0.99%
SBA Comms.	0.95%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	11.70%	5%
New Zealand Fixed Interest	10.41%	10%
International Fixed Interest	42.77%	45.0%
New Zealand Equities	6.79%	5%
Australian Equities	10.96%	11%
International Equities	10.80%	5.5%
Listed Property	6.57%	18.5%
Other	0.00%	0.0%

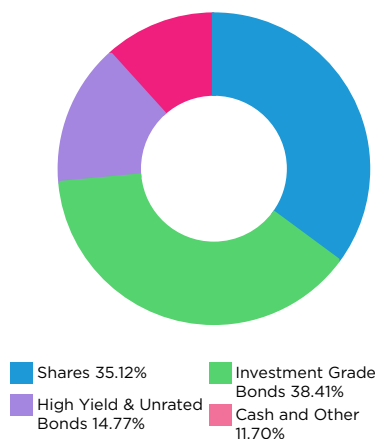
The actual cash held by the Fund is 8.38%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

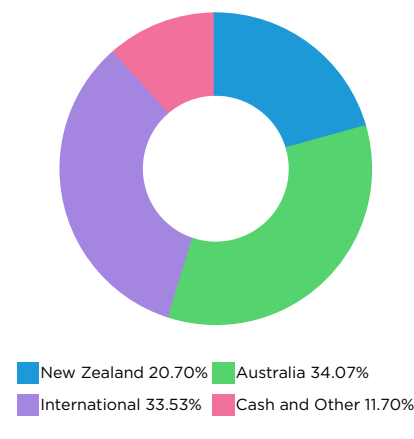
Holdings	% of Fund
NZGBI 2% 2025	1.46%
ANZ 4.95% 2029	1.36%
Origin Energy 5.35% 2031	1.24%
Scentre Group 5.125% 2080	1.19%
EnBW International Finance 6.048% 2034	1.11%
Westpac 5.754% 2034	1.08%
British Telecommunications 5.125% 2054	0.87%
Kinder Morgan 5.1% 2029	0.80%
Contact 6.398% 2030	0.73%
Suncorp 4.75% 2029	0.69%

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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