

# Diversified Income Fund

## Portfolio Investment Entity

### Monthly Fact Sheet as at 30 September 2024



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Anthony Ip**  
Co-Portfolio Manager

September was another positive month for the Fund, returning 1.2%. With only one (slightly) negative month since October last year, the Fund has returned a strong 13.5% over one year, clearly well above its benchmark return objective of the Reserve Bank of NZ (RBNZ) Official Cash Rate plus 2.5%. Bonds and shares continued to contribute to returns, as a growing number of key central banks have signalled a commitment to support economic growth with lower interest rates as inflation falls.

The Fund's bonds benefited again from another fall in market interest rates. Corporate bonds (the Fund's predominant bond exposure) also managed further outperformance versus government bonds, given central bank actions are likely to protect company earnings. This lifted bond prices to complement the return from what remain historically attractive (coupon) rates of interest, albeit we acknowledge now lower than earlier in the year. These lower market interest rates reflect market pricing of rate cuts, which are now arguably too large. Nevertheless, in September we left the Fund's interest rate exposure close to unchanged, as it provides some portfolio diversification benefit. If economic growth was to slow more than expected (which would be bad for shares), interest rates could fall even more. We did, however, buy some put options on US government bonds which will cushion the Fund from bond market downside, should interest rates rise.

The performance of the Fund's shares was disparate over the month. At a high level, there were net positive contributions from Australian and global shares, while NZ shares were net close to flat. The latter disguises the fact that NZ infrastructure investment company Infratil's 11.0% gain (on data centre expectations) was significantly offset by a further 10.7% slide in Spark NZ's share price (on earnings concerns). While the Fund's share exposure is closer to the upper end of historic allocation ranges, it remains focused to defensive and income-oriented shares which we believe retain some valuation support, and should be falling interest rate beneficiaries. Infrastructure is one such sector, e.g. Spanish airport operator Aena (+8.2%) and US electricity utility Ameren (+6.8%). Real estate is another notable sector and Australia's Goodman Group was up 10.7% (also benefiting from data centre development).

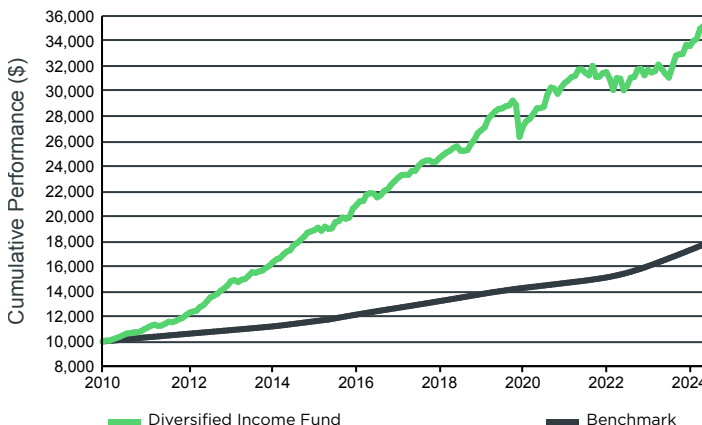
Irrespective of recent gains in bonds and shares, we reiterate a reasonable medium-term Fund return outlook. It has become clear that central banks' focus is now firmly on the growth outlook, with inflation risks hopefully diminishing. This should support both corporate bond and share returns. The use of what remain reasonably priced broad market index options should help us manage downside market risk through known risks, notably the upcoming US election.

To view Milford's September 2024 Market and Economic Review please see [milfordasset.com/insights](https://milfordasset.com/insights).

For previous fund reports see [milfordasset.com/fund-reports](https://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<sup>1</sup>** 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

<b>Minimum recommended investment timeframe</b>	4 years +
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,766.4 M
<b>Yield<sup>2</sup></b>	4.87%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	1.31 years
<b>Buy-sell Spread</b>	None - swing pricing applies (See PDS for details)
<b>Inception Date</b>	1 April 2010
<b>Current Distribution</b>	1.7 cents per unit (Quarterly)
<b>Benchmark</b>	OCR + 2.5% p.a.
<b>Base Fund Fee<sup>3</sup></b>	0.65%
<b>Performance Fee</b>	10% of the Fund's returns above the Benchmark <sup>1</sup> , subject to the high watermark.
<b>Total Fund Fees<sup>4</sup></b>	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 30 September 2024

## Investment Performance after fees as at 30 September 2024<sup>5</sup>

Unit Price: \$1.9567

	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)	1.16%	4.22%	13.46%	3.90%	4.49%	9.15%
After Tax 10.50%	1.06%	3.88%	12.40%	3.52%	4.08%	8.51%
After Tax 17.50%	0.99%	3.66%	11.70%	3.27%	3.81%	8.09%
After Tax 28.00%	0.89%	3.33%	10.66%	2.88%	3.40%	7.47%
Benchmark	0.61%	1.93%	7.98%	6.37%	4.98%	4.08%

## Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.20%
Infratil	2.07%
Telstra	1.74%
Spark	1.28%
Precinct	1.00%
SBA Comms.	0.97%
Aena SME	0.96%
Bank of Ireland Group	0.95%
Goodman	0.91%
Region RE	0.90%

## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	6.12%	5%
New Zealand Fixed Interest	10.50%	10%
International Fixed Interest	44.23%	45.0%
New Zealand Equities	6.78%	5%
Australian Equities	13.86%	11%
International Equities	11.57%	5.5%
Listed Property	6.70%	18.5%
Other	0.24%	0.0%

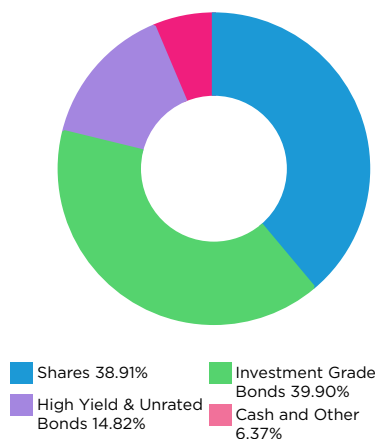
# The actual cash held by the Fund is 7.81%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

## Top Fixed Interest Holdings

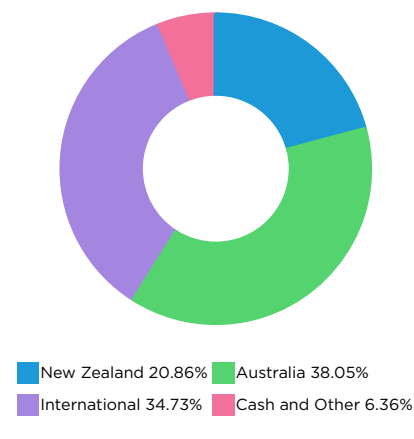
Holdings	% of Fund
NZGBI 2% 2025	1.47%
ANZ 4.95% 2029	1.37%
Origin Energy 5.35% 2031	1.26%
Scentre Group 5.125% 2080	1.11%
Westpac 5.754% 2034	1.08%
British Telecommunications 5.125% 2054	0.85%
BNP Paribas 5.75% 2032	0.76%
Kinder Morgan 5.1% 2029	0.76%
BNPP Float 2034	0.76%
Westpac 5.1% 2029	0.76%

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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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