

Milford Diversified Income Fund (AU)

January 2024



Portfolio Managers



Paul Morris
Portfolio Manager



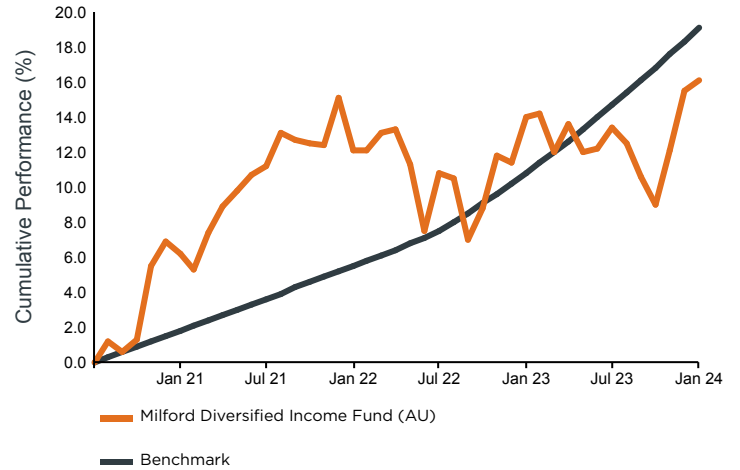
Dan Simmonds
Co-Portfolio Manager

The Fund delivered a reasonable return of 0.6% in January. Bond and share performance was muted relative to the strength seen at the end of last year, with this month's return predominately driven by the Fund's historically attractive yield (i.e. income). We believe this should continue to provide a solid foundation for returns going forward.

The contribution from bonds was moderately positive. The predominant exposure to corporate bonds continues to outperform government bonds, cushioning a little weakness in the latter. We continued to add selectively to corporate bonds in January through attractively priced new issues, notably in Australia given better valuation support. Performance was more mixed across shares. Positive contributors included US hospital operator HCA Healthcare (+12.6%) and local infrastructure company Infratil (+5.3%). There was, however, weakness in sectors such as infrastructure and energy (a portfolio inflation hedge). We added to shares where we believe valuations and return outlooks are attractive, e.g. US electricity utilities such as Duke Energy.

The preference remains for corporate bonds over shares. Bond yields to maturity remain historically attractive, including versus shares, providing a buffer against the price risk associated with most conceivable moves higher in market interest rates. That said, valuations across both broad bond and share markets have become more expensive, reflecting expectations for a soft economic landing, where inflation falls and growth remains resilient. Recent data supports this thesis, albeit Australasian inflation is proving a bit more stubborn. Crucially, so does the change in focus of many key global central banks to avoiding a growth slowdown, so long as inflation continues to fall. This is good for Fund returns and the opposite of the headwind faced for much of the past two years where they were trying to slow growth to reduce inflation. But risks remain. Considering the Fund's absolute return target, we continue to own downside share market protection via broad market index options. Interest rate exposure remains less than historically; sufficient to benefit from larger rate cuts in a slowdown, but not too much if rate cuts are smaller and later than market expectations. Prevailing cash rates are historically attractive. Nevertheless, it is obvious they come with clear reinvestment risk from rate cuts. Therefore, we believe corporate bonds combined with an appropriately diversified portfolio of (primarily) income-oriented shares should offer a better medium-term return outlook.

Investment Performance to January 2024¹



Key Fund Facts

Objective	Provide a regular income as well as providing moderate capital growth, while seeking to preserve capital over rolling two-year periods.
Description	A diversified portfolio that primarily invests in fixed interest and equity income generating securities.
Benchmark	RBA Cash Rate + 3.5% p.a.
APIR	ETL1908AU
mFund Code	MFA03
Redemption Price as at 31 Jan	\$0.989
Fund Size*	\$15 Million
Inception Date	August 2020
Minimum Investment	\$1,000
Recommended Investment Timeframe	4 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Yield to Maturity	4.81%
Management Fee	0.76%
Fund Pricing	Daily
Distribution Frequency	Monthly (0.18 cents per unit)

*The Fund Size represents the total assets of the fund

Investment Performance to January 2024²

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.) ³
Milford Diversified Income Fund (AU)	0.56%	2.35%	1.87%	3.03%	-	4.37%
Benchmark	0.64%	3.82%	7.48%	5.36%	-	5.12%
Over/Underperformance	-0.08%	-1.47%	-5.61%	-2.33%	-	-0.75%

Top Equity Holdings

Holdings	% of Fund
Telstra	2.00%
Goodman	1.61%
Contact Energy	1.25%
Infratil	1.20%
AGL Energy	0.97%
Bank of Ireland Group	0.89%
Ameren	0.83%
HCA Holdings	0.79%
Region RE	0.77%
APA	0.75%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	28.28%	35%	0-70%
Australian Fixed Interest	35.75%	20%	0-70%
Australian Equities	17.97%	20%	10-50%
International Equities	7.42%	5%	0-40%
Listed Property	3.19%	15%	0-30%
Cash and Other ⁴	7.39%	5%	0-60%

Top Fixed Interest Holdings

Holdings	% of Fund
Westpac 7.199% 2038	2.20%
NBS 5.35% 2028	2.07%
CBA 5% 2028	2.05%
Scentre Group 5.125% 2080	1.89%
Warnermedia 3.755% 2027	1.68%
AT&T 2.875% Perpetual	1.60%
Downer Group 3.7% 2026	1.57%
Asciano 5.25% 2025	1.49%
Contact 6.398% 2030	1.43%
Barclays 8.407% 2032	1.40%

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

Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report. There have been no changes to the key service providers or individuals playing a key role in investment since the last monthly report.

1. Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions. 2. Past performance is not a reliable indicator of future performance. Returns greater than one year are annualised. 3. Inception date of the Fund is 03 August 2020. 4. Cash and Other reported above is adjusted to reflect the Fund's notional positions.

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Milford Diversified Income Fund (AU)'s Target Market Determination is available at <https://milfordasset.com.au/documents-and-forms>. The Target Market Determination is a document describing who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.