

# Milford Diversified Income Fund (AU)

## February 2024



### Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

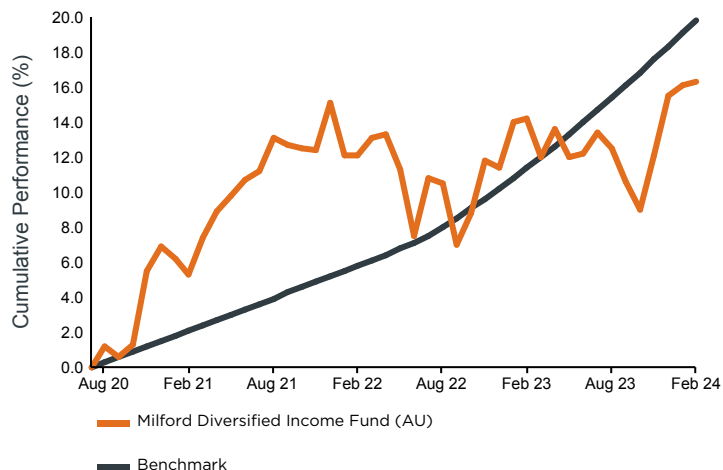
Fund performance was more muted in February with a return of 0.2%. Returns from fixed income and share allocations were challenging, but the ongoing historically attractive fund yield (i.e. income) provided an offset. As we have previously communicated, we believe this yield should provide a solid foundation for returns going forward.

Fixed income struggled in the month. Bond prices faced the headwind of higher market interest rates, as rate cut expectations were dialled back from the euphoria we saw in December. This negative interest rate impact was mitigated somewhat by having reduced the Fund's interest rate exposure. Returns also benefited from further outperformance of corporate bonds (the predominant fixed income exposure) relative to government bonds (where prices fell more). We continue to limit interest rate exposure, wary that market interest rates may continue to adjust higher to reflect later and/or smaller central bank rate cuts if inflation remains stubborn (as we saw in recent US data). We are also reducing exposure to global corporate bonds where valuations versus government bonds are becoming expensive. Instead, we continue to allocate to Australian corporate bonds as there remains better valuation support, e.g. new subordinated bonds from Macquarie Bank and senior bonds from Telstra.

Performance was mixed across the Fund's shares. Australian property shares were the standout contributor. Within this, the strongest was industrial property manager Goodman Group (+16.8%) post strong results which illustrated its data centre development pipeline. Australian infrastructure company APA Group (-7.5%) was a notable detractor from returns due to increased risk its pipelines may be impacted by increased regulation. Oil and gas company Santos (-6.4%) was also a detractor, post Woodside pulling out of a possible merger. Looking ahead medium term, we believe at current valuations both holdings offer attractive return outlooks.

Bond yields remain historically attractive. As illustrated already this year, they provide a considerable cushion against the price risk associated with most conceivable moves higher in market interest rates. A reasonable economic outlook also makes us moderately constructive on those parts of the share market which have better valuation support. Together that should provide a reasonable Fund return outlook, further underpinned by the probability that central bank policy rates have peaked. While getting inflation to official targets may meet with some bumps along the way, our base view is that it should remain sufficiently under control to allow policy makers to react with stimulus should growth slow. All that said, we know there are risks around this view and therefore considering the Fund's absolute return target we continue to own downside share market protection via broad market index options.

### Investment Performance to February 2024<sup>1</sup>



### Key Fund Facts

<b>Objective</b>	Provide a regular income as well as providing moderate capital growth, while seeking to preserve capital over rolling two-year periods.
<b>Description</b>	A diversified portfolio that primarily invests in fixed interest and equity income generating securities.
<b>Benchmark</b>	RBA Cash Rate + 3.5% p.a.
<b>APIR</b>	ETL1908AU
<b>mFund Code</b>	MFA03
<b>Redemption Price as at 29 Feb</b>	\$0.9888
<b>Fund Size*</b>	\$15 Million
<b>Inception Date</b>	August 2020
<b>Minimum Investment</b>	\$1,000
<b>Recommended Investment Timeframe</b>	4 years +
<b>Buy-sell Spread</b>	+/-0.15%
<b>Entry/Exit Fee</b>	Nil
<b>Yield to Maturity</b>	4.73%
<b>Management Fee</b>	0.76%
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency</b>	Monthly (0.18 cents per unit)

\*The Fund Size represents the total assets of the fund

## Investment Performance to February 2024<sup>2</sup>

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.) <sup>3</sup>
Milford Diversified Income Fund (AU)	0.16%	3.36%	1.84%	3.37%	-	4.31%
Benchmark	0.60%	3.79%	7.58%	5.47%	-	5.18%
Excess Return	-0.44%	-0.43%	-5.74%	-2.10%	-	-0.87%

## Top Equity Holdings

Holdings	% of Fund
Telstra	1.89%
Precinct	1.76%
Goodman	1.60%
Metcash	1.49%
Contact Energy	1.26%
Infratil	1.13%
AGL Energy	0.96%
Ameren	0.86%
Bank of Ireland Group	0.85%
HCA Holdings	0.82%

## Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	27.20%	35%	0-70%
Australian Fixed Interest	31.54%	20%	0-70%
Australian Equities	19.33%	20%	0-50%
International Equities	7.39%	5%	0-40%
Listed Property	4.89%	15%	0-30%
Cash and Other <sup>4</sup>	9.65%	5%	0-60%

## Top Fixed Interest Holdings

Holdings	% of Fund
NBS 5.35% 2028	2.07%
CBA 5% 2028	2.05%
Scentre Group 5.125% 2080	1.94%
Warnermedia 3.755% 2027	1.69%
AT&T 2.875% Perpetual	1.62%
Downer Group 3.7% 2026	1.57%
Asciano 5.25% 2025	1.49%
Westpac 7.199% 2038	1.47%
Contact 6.398% 2030	1.43%
Bank of Ireland 7.594% 2032	1.36%

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.