

Milford Diversified Income Fund (AU)

March 2024



Portfolio Managers



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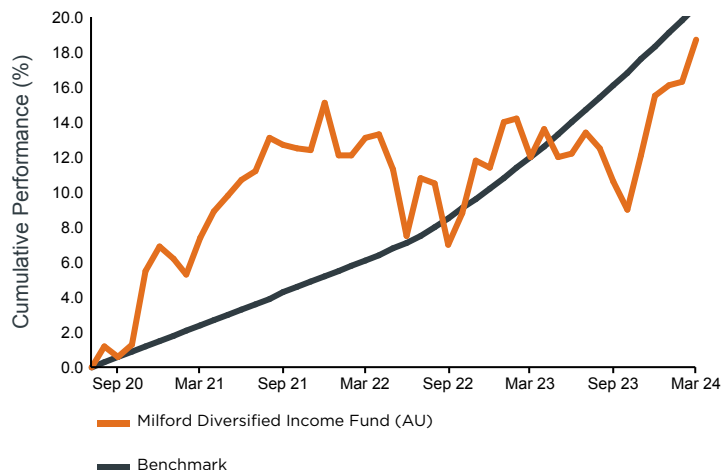
Positive contributions from fixed income, combined with a strong month for shares, saw the Fund return 2.0% in March. Expectations for the timing and extent of central bank rate cuts continue to moderate. Shares have shrugged this off on improving economic growth (i.e. company profits) prospects, while fixed income remains supported by the peak rates narrative.

Fixed income returns benefited in March from slightly lower market interest rates which supported bond prices. Returns also benefited from another month of outperformance of corporate bonds (the Fund's predominant fixed income exposure) relative to government bonds, a broad trend prevailing for a year now. We will look to reduce exposure to corporate bonds where valuations versus government bonds are becoming expensive. There will, however, always be opportunities and we plan to allocate more to Australian corporate bonds given better valuation support, especially via new bond issuance.

The majority of shares delivered positive returns in March. Australian property shares continue to stand out, especially Goodman Group (+13.1%) on its data centre development pipeline's ability to benefit from artificial intelligence demand. Global banks enjoyed a strong month, as attractive valuations drew buyers given a more benign economic backdrop. Bank of Ireland (+17.3%) and UK bank NatWest (+16.4%) were notable contributors to Fund returns. NZ electricity company Contact Energy (+7.2%) was helped by a progress report on its new geothermal plant, while Australian electricity company Origin Energy (+6.9%) continues to benefit on expectations of increased shareholder returns, and its share in energy software firm Octopus.

Bond yields remain historically attractive and provide a considerable cushion against the bond price risk associated with most conceivable moves higher in market interest rates. The improving economic outlook means we remain moderately constructive on the parts of the share market which have better valuation support, albeit this cohort is shrinking. 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 and restrict interest rate exposure below long run historic levels.

Investment Performance to March 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 Mar	\$1.007
Fund Size*	\$15.3 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 March 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)	2.03%	7.26%	5.95%	3.37%	-	4.78%
Benchmark	0.64%	3.83%	7.65%	5.59%	-	5.24%
Excess Return	1.39%	3.43%	-1.70%	-2.22%	-	-0.46%

Top Equity Holdings

Holdings	% of Fund
Telstra	1.88%
Precinct	1.77%
Contact Energy	1.30%
Infratil	1.15%
Goodman	1.09%
Metcash	1.03%
Bank of Ireland Group	0.98%
Ameren	0.88%
HCA Holdings	0.86%
Region RE	0.80%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	26.84%	35%	0-70%
Australian Fixed Interest	30.63%	20%	0-70%
Australian Equities	18.84%	20%	0-50%
International Equities	7.50%	5%	0-40%
Listed Property	4.44%	15%	0-30%
Cash and Other ⁴	11.75%	5%	0-60%

Top Fixed Interest Holdings

Holdings	% of Fund
CBA 5% 2028	2.03%
NBS 5.35% 2028	2.00%
Scentre Group 5.125% 2080	1.86%
Warnermedia 3.755% 2027	1.64%
AT&T 2.875% Perpetual	1.60%
Downer Group 3.7% 2026	1.56%
Asciano 5.25% 2025	1.48%
Westpac 7.199% 2038	1.47%
Contact 6.398% 2030	1.42%
NatWest 7.416% 2033	1.37%

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.