

Milford Diversified Income Fund (AU)

September 2024



Portfolio Managers



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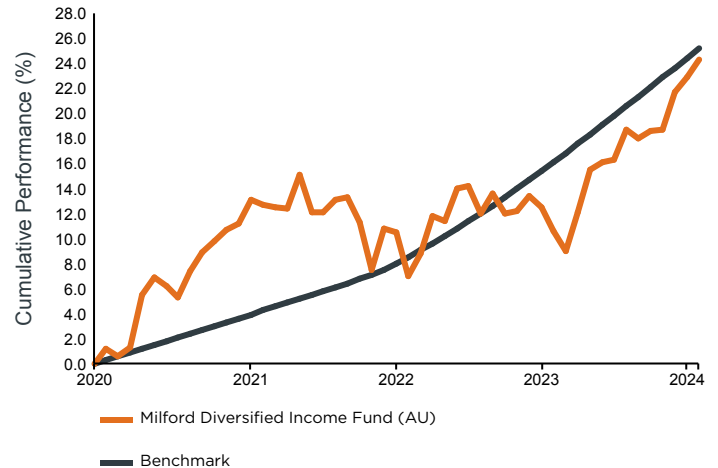
September was another positive month for the Fund, returning 1.1%. The Fund has returned a strong 12.4% over one year. Bonds and shares continued to contribute to returns as a growing number of key central banks have signalled a commitment to support economic growth with lower interest rates as inflation falls.

The Fund's bonds benefited again from another fall in market interest rates, albeit Australian rate falls lagged other key Fund markets. Corporate bonds (the Fund's predominant bond exposure) also generally managed further outperformance versus government bonds. This lifted bond prices to complement the return from what remain historically attractive (coupon) rates of interest, albeit 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.

At a high level there were net positive contributions from the Fund's Australian, NZ and global shares. Returns were, however, somewhat disparate. Within the NZ share exposure, infrastructure investment company Infratil's 11.0% gain (on data centre expectations) was somewhat offset by a 4.7% fall in NZ property manager Precinct Property. 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.

Investment Performance to September 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 30 Sep	\$1.0376
Fund Size*	\$16.1 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	4.50%
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 September 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)	1.13%	4.75%	12.36%	3.32%	-	5.37%
Benchmark	0.62%	3.86%	7.84%	6.30%	-	5.55%
Excess Return	0.51%	0.89%	4.52%	-2.98%	-	-0.18%

Top Equity Holdings

Holdings	% of Fund
Infratil	1.99%
Telstra	1.93%
Precinct	1.74%
Contact Energy	1.21%
Arena	1.18%
Goodman	1.13%
SBA Comms.	1.09%
Bank of Ireland Group	0.95%
Ameren	0.93%
Region RE	0.91%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	18.45%	35%	0-70%
Australian Fixed Interest	40.82%	20%	0-70%
Australian Equities	22.38%	20%	10-50%
International Equities	7.93%	5%	0-40%
Listed Property	7.71%	15%	0-30%
Cash and Other ⁴	2.70%	5%	0-60%

Top Fixed Interest Holdings

Holdings	% of Fund
ANZ Float Perpetual	2.25%
CBA 5% 2028	1.94%
NBS 5.35% 2028	1.91%
Scentre Group 5.125% 2080	1.78%
Scentre Group 5.875% 2054	1.59%
Downer Group 3.7% 2026	1.50%
Warnermedia 3.755% 2027	1.49%
AT&T 2.875% Perpetual	1.48%
Westpac 7.199% 2038	1.41%
Asciano 5.25% 2025	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.