

Milford Diversified Income Fund (AU)

December 2024



Portfolio Managers



Paul Morris
Portfolio Manager



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December was a challenging month for many of the bond and equity markets into which the Fund is exposed as the traditional Santa market rally failed to materialise. Cautious positioning and the ongoing historically attractive income from the Fund's assets helped limit losses in the month to -0.6%. Over one year the Fund has returned 7.5%.

The month saw a material move higher in global market interest rates, especially longer dated rates.

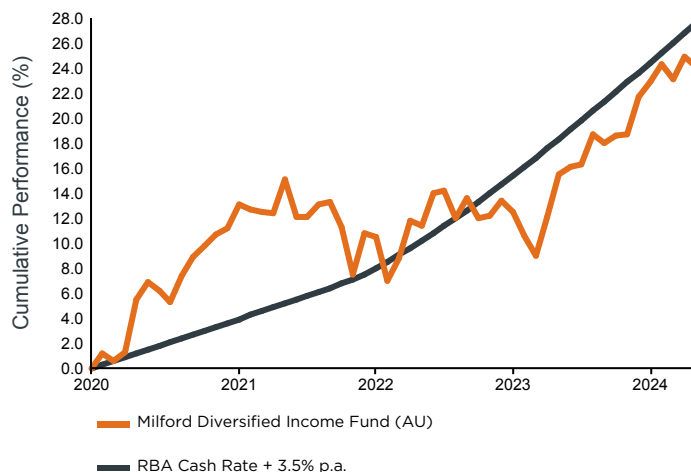
Expectations for the path of global central bank policy rates have been revised higher in large part due to the resilience of the US economy. This weighed on fixed income market returns as global government bond prices fell, but Fund returns were cushioned by a number of factors including (i) exposure remains primarily to corporate bonds where price falls were less, (ii) aggregate interest rate exposure remains low, (iii) Australasian bonds where Fund interest rate exposure is more focused outperformed, (iv) income from bond holdings is historically attractive. Per recent months we will remain very selective when adding new bonds.

Facing generally weak global and Australian share markets (ignoring a small number of large technology companies), the Fund's shares detracted from returns in December. Most holdings were down on the month. The move higher in market interest rates was a broad share market headwind but especially so for the Fund's typical income-oriented shares (albeit this exposure remains lower than historically). Weakness was pronounced in property shares and in global infrastructure and utilities. That said, there were some bright spots with New Zealand shares contributing positively with Contact Energy up 5.6% and Channel Infrastructure up 5.1%.

Looking ahead, higher market interest rates continue to underpin an attractive medium-term return outlook for the Fund. They provide an income cushion against most conceivable bond and share market weakness. The outlook for the Fund's shares is reasonable, given a focus on quality companies with reasonable earnings. Valuations remain broadly elevated, but pockets of better value are appearing given recent weakness in some sectors. To manage market risk, we continue to utilise reasonably priced broad share market and bond options.

Cumulative Performance (after fees and expenses)

31 December 2024



Performance since inception and assumes reinvestment of distributions. Past performance is not a reliable indicator of future performance.

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 Dec	\$1.0307
Fund Size*	\$15.8 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	4.59%
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

Milford Diversified Income Fund (AU) as at 31 December 2024

Investment Performance to 31 December 2024

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Diversified Income Fund (AU)	-0.61%	-0.15%	7.49%	2.54%	-	5.02%
RBA Cash Rate + 3.5% p.a.	0.64%	1.92%	7.87%	6.66%	-	5.68%
Excess Return	-1.25%	-2.07%	-0.38%	-4.12%	-	-0.66%

Past performance is not a reliable indicator of future performance. Returns greater than one year are annualised.

Top Equity Holdings

Holdings	% of Fund
Infratil	2.07%
Telstra	2.03%
Precinct	1.64%
Contact Energy	1.41%
Arena	1.14%
Goodman	1.11%
Ameren	1.08%
Natwest	1.07%
SBA Comms.	1.00%
Coca-Cola Europacific Partners	1.00%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Fixed Interest	41.66%	20%	0-70%
International Fixed Interest	19.44%	35%	0-70%
Australian Equities	20.44%	20%	10-50%
International Equities	7.17%	5%	0-40%
Listed Property	7.29%	15%	0-30%
Cash and Other ¹	4.01%	5%	0-60%

Top Fixed Interest Holdings

Holdings	% of Fund
ANZ Float Perpetual	2.35%
Scentre Group 5.125% 2080	2.04%
CBA 5% 2028	1.99%
NBS 5.35% 2028	1.97%
Warnermedia 3.755% 2027	1.71%
Scentre Group 5.875% 2054	1.63%
AT&T 2.875% Perpetual	1.58%
Downer Group 3.7% 2026	1.51%
Westpac 7.199% 2038	1.43%
Asciano 5.25% 2025	1.41%

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. 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.