# Monthly Fund Fact Sheet
# February 2025

Te Ahumairangi
GLOBAL EQUITY SPECIALISTS

## About the Fund

The Te Ahumairangi Global Equity Fund is a portfolio of investments in 150-180 listed companies around the world. The fund invests primarily in companies that are based in developed economies, in North America, Asia, and Europe.

We aim to invest mainly in companies where we believe we have good visibility about how the company will generate sufficient cashflows to deliver good long-run returns to shareholders. We favour investing in lower-risk companies that produce stable profits, are not too sensitive to the economic cycle, and whose share prices are not excessively volatile or overly sensitive to investor sentiment. We believe this means that our fund is likely to withstand market downturns better than the average global equity fund.

| | |
|---|---|
| **Unit Price (NZD)** | **1.6594**<br>28 February 2025 |
| **Monthly Return** | **+2.46%**<br>After fees, before tax.<br>January 2025. |
| **Return since inception** | **+16.85%** per annum<br>After fees, before taxes.<br>Since fund inception, 5 November 2021. |
| **Fund Size** | **$463.8 million***<br>* *Includes fund flows effective 28 February.* |
| **Fund Type** | **Portfolio Investment Entity** |
| **Minimum Investment** | **$100,000 direct<br>or $250 through InvestNow** |
| **Investment Manager** | **Te Ahumairangi Investment Management Ltd** |
| **Issuer and Fund Manager** | **FundRock NZ Ltd** |
| **Supervisor** | **Public Trust** |
| **Custodian** | **BNP Paribas** |
| **Registry** | **Apex Investment Administration (NZ) Ltd** |
| **Management Fees** | **0.60% per annum plus GST<br>(approx 0.62% including GST)** |
| **Performance Fees** | **None** |

## Global Equities as an Investment

Over 95% of the fund will typically be invested in global equities. Although we aim to build a portfolio that is less sensitive to market conditions than the average global equity fund, investors should appreciate that our fund is nonetheless likely to fall in value if global equity markets decline. It could also fall in value if the New Zealand dollar rises. Global equities may not therefore be a suitable investment for people who expect that they may need to sell their investment portfolio within the next few years.

For long-term investors, it will often make sense to hold global equities as part of a diversified portfolio that also includes fixed interest investments and possibly other investments such as New Zealand equities. Global equities provide a level of diversification that is difficult to achieve from New Zealand equities alone.

A relatively high allocation to global equities will generally be more appropriate for investors who expect to continue saving money and contributing to their investment portfolio for the next few years. Higher allocations to global equities would also be more appropriate for investors who are psychologically prepared for the possibility of incurring investment losses in any given year.

Lower allocations to equities would generally be appropriate for investors who would find it psychologically difficult to deal with investment losses in any year or expect to be relying on their investment portfolio to fund their living expenses over the next few years.

Investors who are unsure about what place global equities should have in their investment portfolios should consult a financial advisor.

**Risk Indicator:**

Lower risk/ potentially lower returns — Higher risk/ potentially higher returns

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

For more information on the risks associated with this fund, please see the Product Disclosure Statement (PDS).

**Please see the Important Notice and Disclaimer at the bottom of page 4.**

## Performance Update

Global equity markets fell slightly in February. Developed country equity markets (as represented by the MSCI World index) returned -0.93% (including gross dividends) in local currency terms. However, weakness in the NZ dollar meant that returns were positive for NZ-based investors: the MSCI World index returned +0.20% (gross) in NZ dollar terms.

Lower-risk equities outperformed the broader equity market in February. The fund's benchmark (which includes a lower-risk component) returned +1.91% in NZ dollar terms.

Share market returns were strongest in the Real Estate, Consumer Staples, and Energy sectors, and weakest in the Consumer Discretionary, Communication Services, and Information Technology sectors. Returns were strongest in Europe and weaker in North America and Asia/Pacific.

| Benchmark Index |
| --- |
| **We compare the fund's performance to a composite benchmark index calculated by MSCI. The benchmark is a 50:50 combination of the MSCI World Index and the MSCI World Minimum Volatility (NZD) Index. The composition of the MSCI World Minimum Volatility (NZD) Index is calculated by MSCI to minimise volatility for NZ-dollar-based investors (subject to various constraints).**<br><br>**When benchmarking the fund's performance, we compare it to the gross return version of the benchmark, which makes no deduction for withholding taxes. This differs from the common practice of many other NZ-based funds, which compare their funds' pre-tax returns to the net return versions of their benchmark indices. This presents a lower hurdle for those funds' investment managers, as the net return indices assume high levels of withholding tax on dividend income.**<br><br>**Te Ahumairangi Investment Management considers the practice of these other funds to be misleading, as it does not provide investors with a like-for-like comparison for their funds' returns.** |

The fund returned +2.46% in February (after fees, but before taxes), outperforming the benchmark index, which returned +1.91%. The following factors affected relative performance in February:

- The biggest positive contributor to the fund's relative performance was the fact that it doesn't own Tesla, which fell -26.9% during the month. This reduced the performance of the benchmark by -0.23% but had no impact on the fund's return.
- The fund benefited from strong performances from: Verizon Communications (returned +10.4%, contributing +0.23% to relative performance); Lloyd's Banking Group (returned +19.7%, contributing +0.15% to relative performance); AT&T (returned +16.5%, contributing +0.10% to relative performance); and Verisign (returned +11.6%, contributing +0.10% to relative performance).
- The fund also benefited from holding a lower-than-benchmark weight in Amazon.com. Amazon fell -9.9% during the month, which contributed +0.12% to relative performance (by hurting the benchmark more than it hurt the fund!).
- The fund's return was adversely affected by poor returns from KB Financial Group (returned -13.6%, detracting -0.18% from relative performance); DaVita (fell -15.3%, detracting -0.11%); Alphabet (fell -15.8%, detracting -0.11%); and Skechers (fell -18.3%, detracting -0.11%).
- Not owning T-Mobile USA (which returned +17.2% for the month) detracted -0.12% from relative performance (as it boosted the benchmark but not the fund).
- The fund's allocation between countries had a mildly negative impact on performance.
- The fund's allocation between sectors was a significant positive contributor to performance.
- Fees deducted -0.05% from the fund's return in February.

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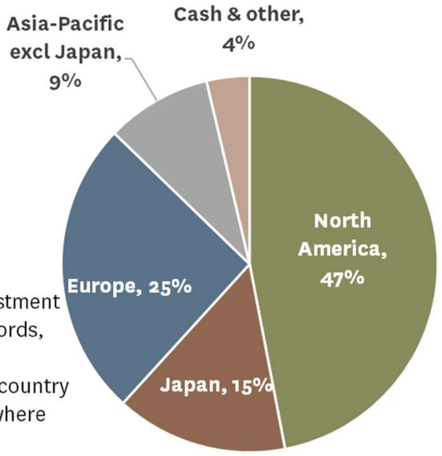
## Portfolio Composition

The table below shows the fund's top 10 equity investments at the end of February.

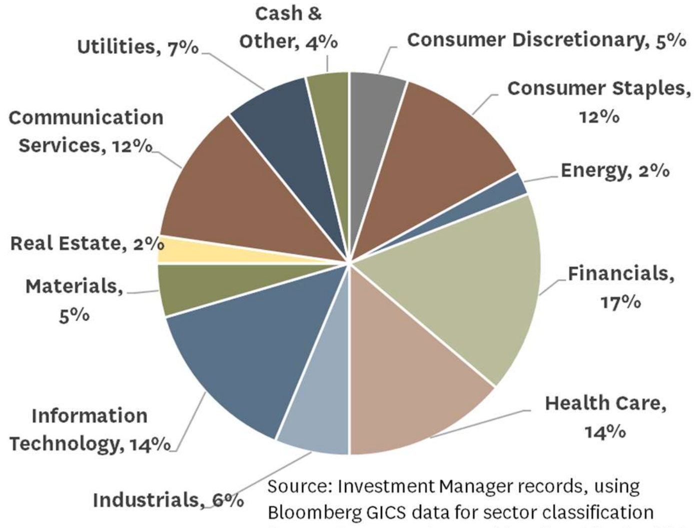
| Company | Percentage of fund | *Company's weight in benchmark index* |
|---|---|---|
| Microsoft Corp | 3.50% | *2.24%* |
| Verizon Communications | 3.11% | *0.47%* |
| Apple | 2.38% | *2.73%* |
| Alphabet (includes 2 classes of security) | 1.95% | *1.35%* |
| National Grid | 1.51% | *0.04%* |
| Everest Group | 1.33% | *0.01%* |
| VeriSign | 1.26% | *0.24%* |
| Suntory Beverage & Food | 1.22% | *0.03%* |
| Roche Holding (includes 2 classes of security) | 1.17% | *0.35%* |
| AT&T | 1.16% | *0.44%* |

The pie chart below shows how the fund is allocated between geographical regions:




Source: Investment Manager records, using MSCI definition of country of domicile where available, Bloomberg definition if not.

The pie chart below shows how the fund is allocated between industrial sectors:




Source: Investment Manager records, using Bloomberg GICS data for sector classification (except for 0.22% invested in a listed fund, which we have treated as a Financial in this chart).

For a copy of our product disclosure statement, visit our website teahumairangi.co.nz

## Fund Returns

| | February 2025 | One year to February 2025 | Since Inception (5 Nov 2021 to 28 February 2025) annualised return |
|---|---|---|---|
| Return after fees but before taxes | +2.46% | +25.31% | +16.85% |
| Benchmark Return* | +1.91% | +26.31% | +14.18% |

* See page 2 for a description of the benchmark index.

## Fund Spotlight: Shimamura Co

0.71% of the fund is invested in Shimamura Co.

Shimamura is a Japanese apparel & soft goods retailer. Since its share market listing 35 years ago it has grown 15-fold, and now operates 2,200 stores in Japan and 43 in Taiwan. Shimamura's growth has slowed in recent years, although it continues to incrementally gain market share.

Shimamura places a lot of emphasis on running a low-cost operation, and keeps SG&A (Selling, General, and Administration) costs at less than 26% of sales, which is remarkably low in comparison to most other apparel retailers. Low operating costs mean that Shimamura is able to achieve healthy profits despite very competitive pricing. While many apparel retailers sell their clothes for about 2 ½ times cost, Shimamura sells its clothes for about 1 ½ times cost. Although Shimamura carries 40,000 items in each of its Shimamura-branded stores, it only records 49 days of inventory on its balance sheet.

About 75% of Shimamura's revenues come from its Shimamura apparel chain, which sells low-cost everyday clothing, underwear, bedding, fashion accessories, and shoes. It sells clothing for women, men, and children, but primarily targets women in their 20s to 60s. It operates from suburban and even semi-rural stores (often in buildings that it owns itself) and has had little presence in inner-city shopping areas or enclosed malls. However, it is starting to expand into urban areas, often through low-risk pop-up stores.

Shimamura's other chains include Avail (targeting younger more fashion-orientated customers) and Birthday (providing clothing and other items for babies and children) as well as 4 smaller chains/operations focussed on gifting, Taiwan, shoes, and e-commerce.

While the market values Shimamura at JPY 634 billion, the company holds JPY 276 billion of cash and short-term securities and JPY 30 billion of other investment securities, so we are effectively paying just JPY 328 billion for Shimamura's retail operations, which are generating operating profits of JPY 56 billion per annum.

Shimamura has been resisting pressure from activist shareholders to pay out its surplus cash. We consider that Shimamura's arguments for retaining this cash are weak, and we expect that good sense will ultimately prevail.