Monthly Fund Fact Sheet
October 2024

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)	**1.4936** 31 October 2024
Monthly Return	**+2.58%** After fees, before tax. October 2024.
Return to date	**+14.71%** per annum After fees, before taxes. Since fund inception, 5 November 2021.
Fund Size	**$419.2 million*** * *Includes fund flows effective 31 October.*
Fund Type	**Portfolio Investment Entity**
Minimum Investment	**$100,000 direct 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 (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 eased back in October. Developed country equity markets (as represented by the MSCI World index) returned -0.90% (including gross dividends) in local currency terms. However, a drop in the New Zealand dollar meant that the value of global equity markets rose for NZ-based investors: the MSCI World index returned +4.81% (gross) in NZ dollar terms.

Lower-risk equities underperformed the broader equity market in October. The fund's benchmark (which includes a lower-risk component) returned +4.55% in NZ dollar terms.

Share market returns were strongest in the Energy, Communication Services, and Financials sectors, and weakest in Materials, Consumer Staples, Real Estate, and Health Care. Due to currency movements, NZ dollar returns were significantly stronger from North America than from Europe 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). **When benchmarking the fund's performance, we compare it to the <u>gross</u> 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 <u>net</u> 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.** **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 +2.58% in October (after fees, but before taxes), significantly underperforming the benchmark index, which returned +4.55%. The following factors affected relative performance in October:

- The fund's relatively low weighting in North America (an average of 48% during the month compared to a benchmark weight of 71%) adversely affected performance, as the strength of the US dollar meant that North American equities significantly outperformed equities from other regions (when measured in NZ dollar terms).
- The market environment was difficult for Te Ahumairangi's investment style, with highly-valued growth stocks generally out-performing, while "value" stocks generally underperformed.
- The fact that the fund does not own Nvidia (which is now the world's most highly-valued company), which returned +16.9% for the month, contributing +0.38% to the NZD return of the benchmark index, and detracting -0.27% from the fund's relative performance.
- The fund's performance was adversely affected by a -14% return from Samsung C&T shares, which detracted -0.20% from relative performance. Samsung C&T reported mildly disappointing results from its own operations, but 80% of the value of Samsung C&T is in the shares it owns in other listed companies (particularly Samsung Biologics and Samsung Electronics), and the total value of these shares rose slightly during the month.
- The fund was also hurt by a -23% drop in Tokyo Steel's share price, after the company revised down guidance for current year profits. We believe this was an over-reaction, as Tokyo Steel holds cash at bank representing over 60% of its market capitalisation.
- Fees deducted -0.05% from the fund's return in October.

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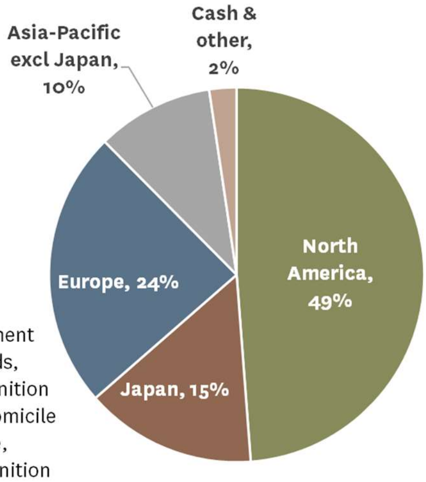
Portfolio Composition

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

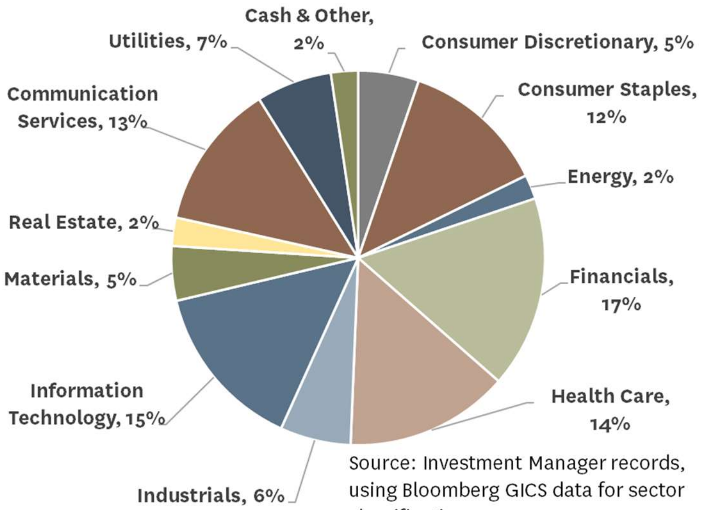
Company	Percentage of fund	*Company's weight in benchmark index*
Microsoft Corp	3.69%	*2.43%*
Verizon Communications	3.01%	*0.44%*
Apple Inc	2.40%	*2.51%*
Alphabet (includes 2 classes of security)	2.32%	*1.48%*
National Grid	1.39%	*0.04%*
Suntory Beverage & Food	1.24%	*0.03%*
Everest Group	1.19%	*0.04%*
AT&T	1.18%	*0.30%*
Citigroup	1.17%	*0.09%*
VeriSign	1.14%	*0.12%*

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.

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

Fund Returns

	October 2024	One year to October 2024	Since Inception (5 Nov 2021 to 31 October 2024) annualised return
Return after fees but before taxes	+2.58%	+21.88%	+14.71%
Benchmark Return*	+4.55%	+26.31%	+11.87%

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

Portfolio Spotlight: Central Japan Railway

1.01% of the fund is invested in Central Japan Railway.

Central Japan Railway (a.k.a. "JR Central") owns and operates the *Shinkansen* bullet train service between Tokyo and Osaka, as well as various other regional passenger and commuter rail services. It also owns investment properties and operates shops and hotels in and around its train stations.

The Shinkansen rail service represents the bulk of JR Central's revenues and profits. It connects Japan's three largest metropolitan areas, with a combined population of 65 million people. Last year there were 158 million inter-city trips on JR Central's Shinkansen service. Daily departures are 372 trains per day (up to 17 per hour during peak periods) and the travel time on the fastest service between Tokyo and Osaka is just 2 hours and 21 minutes. Even though the Shinkansen carries more than 5 times as many people between Tokyo and Osaka than travel in aircraft, its aggregate CO_2 emissions represent less than half of the total emissions generated by aircraft travelling between the two cities.

Travel on the Shinkansen has gradually increased over time, but dropped during the covid pandemic, and has only recently recovered to pre-covid levels. A regulator must approve any increases in full-price train fares.

The market values Central Japan Railway at just 7.5 times earnings, which is unusually low for a company with such a reliable earnings stream. A key reason for this is that JR Central is currently diverting most of its profits into building a super-fast magnetic levitation rail service from Tokyo to Nagoya, which will ultimately be extended to Osaka. While this will be a great service for passengers (with a travel time between Tokyo and Osaka that will only be slightly over an hour), we do not expect that this investment will initially provide a great return for shareholders, and would prefer that the company was not undertaking this project. However, we believe that JR Central's low share market valuation is sufficient to compensate shareholders for the poor return that it will likely earn on building this new rail line, and therefore expect a good long-run return from continuing to hold this investment.