Monthly Fund Fact Sheet
June 2022

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)	**1.0381** 1 July 2022, uses 30 June valuations*
Monthly Return	**-2.53%** After fees, June 2022
Fund Size	**$57.7 million*** 30 June 2022 * *Inclusive of cashflows on 30 June*
Fund Type	**Portfolio Investment Entity**
Start date	**5 November 2021**
Minimum Investment	**$100,000 direct, or $250 through InvestNow.**
Investment Manager	**Te Ahumairangi Investment Management Ltd**
Issuer and Fund Manager	**Implemented Investment Solutions Ltd**
Supervisor	**Public Trust**
Custodian	**BNP Paribas**
Registry	**MMC**
Management Fees	**0.60% per annum plus GST (approx 0.64% including GST)**
Performance Fees	**None**

* Technically this unit price uses 30 June valuations for foreign exchange and all equity markets apart from Australia but uses 1 July share prices for the less than 1% of the portfolio that is invested in Australian equities.

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 in June. Developed country equity markets returned -7.74% (included gross dividends) in local currency terms. This was partly offset by weakness in the NZ dollar, such that the MSCI World index returned -4.33% in NZ dollar terms.

Indices of lower-risk equities performed better than the broader global equity market. The fund's benchmark index declined -2.63% in New Zealand dollar terms in June.

Defensive sectors (particularly Consumer Staples and Healthcare) performed best in June, whereas the worst performing sectors were Energy, Materials, and Information Technology sectors. NZ dollar returns were generally stronger from the United States and Japan than they were from other major markets. The Australian and Korean equity markets performed particularly poorly.

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 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.

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 -2.53% in June (after fees). This negative return was slightly better than the performance of the benchmark index, which returned -2.63%. Key factors contributing to outperformance were:

- The fund held an average cash weighting of 5% during the month, which insulated the fund from the effect of falling share prices.
- The fund benefitted from how it was allocated between industrial sectors, generally benefitting from a skew towards defensive sectors.
- The fund achieved significantly better-than-market performance in Japan.
- The portfolio's largest overweight position, Verizon Communications, performed significantly better than the broader market in June.
- Generally, the fund benefitted from a market environment that saw lower risk stocks outperforming stocks that are volatile or sensitive to market conditions.

Offsetting these positive influences, the portfolio underperformed the benchmark in the Consumer Staples and Health Care sectors, and suffered from having an underweight exposure to the United States and an overweight exposure to Korea. Specifically, investments in HCA Healthcare and KB Financial Group performed poorly during the month. We discuss KB Financial at the end of this update.

The fund received significant fund inflows during the month, and the reported return is calculated after deducting the transaction costs of investing these inflows. This understates the return to existing unit holders, as we ensure that new investors pay a "buy spread" that reflects the transaction costs associated with investing new monies. For this reason, the unit price rose by more than the reported return (even after deducting the cost of foreign withholding taxes).

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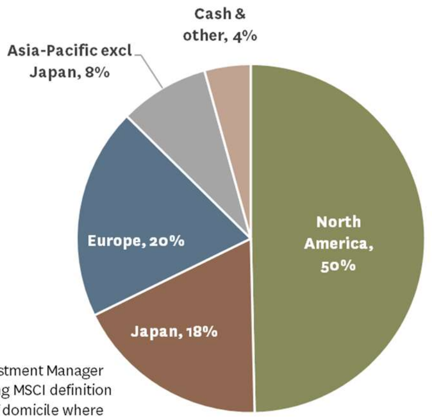
Portfolio Composition

The table below shows the fund's top 10 equity investments at the end of June. For comparison, the table also shows how each company is represented in the fund's benchmark index.

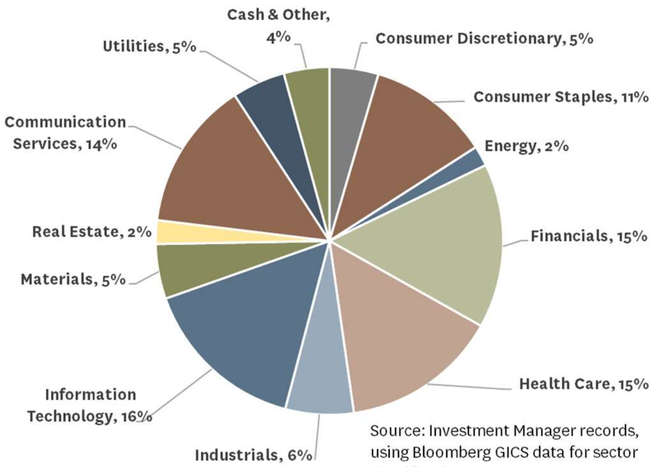
Company	Percentage of fund	{Percentage of benchmark index}
Microsoft Corp	3.20%	2.14%
Verizon Communications Inc	3.03%	0.93%
Apple	2.26%	2.58%
Alphabet (includes 2 classes of security)	2.01%	1.60%
Sumitomo Mitsui Financial Group	1.73%	0.04%
KDDI Corp	1.60%	0.23%
Roche Holding (includes 2 classes of security)	1.37%	0.94%
Meta Platforms	1.10%	0.46%
KB Financial Group	1.07%	0.00%
Sanofi	1.05%	0.15%

The pie chart below shows how the fund is allocated between different 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 different 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

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Fund Returns

	June 2022	Since Inception (5 Nov 2021 to 30 June 2022)
Return after fees but before taxes	**-2.53%**	**+3.90%**
Benchmark Return*	**-2.63%**	**-2.92%**

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

Portfolio spotlight: KB Financial Group

1.07% of the fund is invested in KB Financial.

KB Financial Group is the holding company of Kookmin Bank, the largest bank in South Korea, but also has subsidiaries providing other financial services such as insurance and funds management.

KB Financial is well-capitalised and has good credit metrics (relatively few non-performing loans). It has enjoyed healthy profit growth over the last few years and is now achieving an acceptable return on shareholders' equity. However, it has only been paying out a relatively small proportion of profits as dividends, seemingly reflecting a risk-averse stance by the Korean banking regulator.

Although KB Financial is operating in a regulatory environment that is relatively tough on banks and its earnings could suffer if South Korea went into recession, we believe these concerns are more than built into KB Financial's share price. KB Financial's shares trade on a multiple of just 3.9 times estimated current year earnings, implying that investors could anticipate a return of over 25% per annum if both the earnings that KB pays as dividends and the earnings that it retains to improve its financial strength were fully valued by investors. For now, investor distrust of Korean financial regulation means that the market is assigning very little value to the earnings that KB Financial is obliged to retain, but we would expect that in the long run Korean regulators will need to allow banks better incentives to continue providing financial services in Korea.