# Monthly Fund Fact Sheet
## May 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)** | **1.0642**<br>1 June 2022, uses 31 May valuations |
| **Monthly Return** | **+1.05%**<br>After fees, May 2022 |
| **Fund Size** | **$24.0 million***<br>31 May 2022<br>* *Inclusive of inflows on 31 May* |
| **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** |

## 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

After declining sharply in the first half of the month, global equity markets recovered to finish little changed by the end of May. Developed country equity markets returned -0.16% in local currency terms. With little change in the New Zealand dollar, the MSCI World index returned -0.14% in NZ dollar terms.

Indices of lower-risk equities performed worse than the broader global equity market. The fund's benchmark index declined -0.50% in New Zealand dollar terms in May.

Energy was the best performing sector for the month (due to higher oil & gas prices), whereas Consumer Discretionary and Consumer Staples were the worst performing sectors. Measured in NZ dollars, the performance of each major geographical region was broadly similar.

**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 +1.05% in May (after fees), outperforming the benchmark index, which declined by -0.50%. Key factors explaining this outperformance were:

- The fund achieved better-than-benchmark returns in 10 out of 11 industrial sectors. Relative performance was particularly strong in the Consumer Discretionary and Real Estate sectors.
- How the fund was allocated between industrial sectors also helped performance.
- The fund's holdings in the United States performed better than the overall US market. The fund also enjoyed strong performance in France and South Korea.
- Good returns from the fund's holdings of Verizon and TotalEnergies were the biggest individual contributors to the portfolio's outperformance.
- Generally, the fund benefitted from a market environment that saw cheap stocks outperforming their more expensive peers.

Offsetting these positive influences, the fund's Japanese holdings under-performed the benchmark in May, and the fund's holding in DaVita performed poorly over the month. We discuss DaVita at the end of this fact sheet.

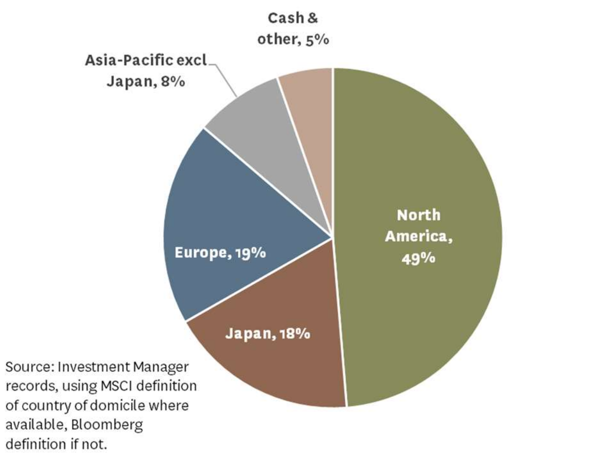
**Please see the Important Notice and Disclaimer at the bottom of page 4.**

## Portfolio Composition

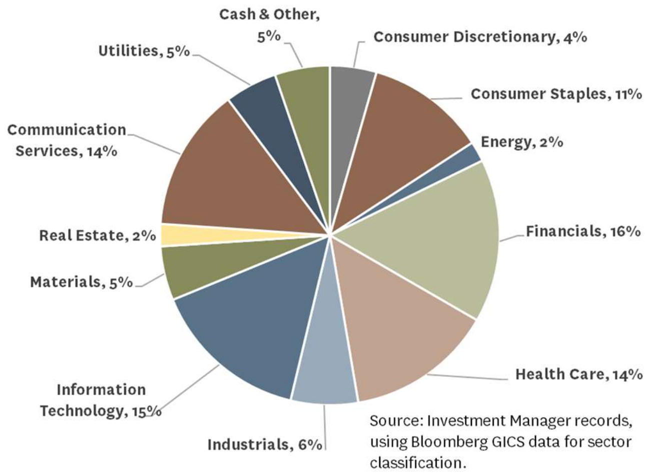
The table below shows the fund's top 10 equity investments at the end of May. For comparison, the table also shows how each company is represented in the fund's benchmark index.

| Company | Percentage of fund | {Percentage of benchmark index} |
|---|---|---|
| Microsoft Corp | 3.12% | 2.07% |
| Verizon Communications Inc | 2.98% | 0.99% |
| Apple Inc | 2.23% | 2.42% |
| Alphabet Inc (includes 2 classes of shares) | 2.05% | 1.44% |
| Sumitomo Mitsui Financial Group | 1.83% | 0.04% |
| KDDI Corp | 1.63% | 0.26% |
| Roche Holding AG (includes 2 classes of shares) | 1.29% | 0.86% |
| KB Financial Group Inc | 1.09% | 0.00% |
| Meta Platforms Inc | 1.06% | 0.44% |
| Sanofi | 1.05% | 0.17% |

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




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




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

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## Fund Returns

| | May 2022 | Since Inception (5 Nov 2021 to 31 May 2022) |
|---|---|---|
| Return after fees but before taxes | **+1.05%** | **+6.59%** |
| Benchmark Return* | **-0.50%** | **-0.29%** |

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

## Portfolio spotlight: DaVita

0.81% of the fund is invested in DaVita.

DaVita provides dialysis to patients with chronic kidney disease. The prevalence of chronic kidney disease has been rising over time, due to aging populations and higher rates of obesity. However, the number of people with chronic kidney disease has declined recently, due to higher morbidity during the covid-19 pandemic (as sufferers of chronic kidney disease were particularly vulnerable to covid-19). The number of dialysis patients is likely to increase again over the next few years, as there are always lots of new patients requiring dialysis each year. We anticipate that the number of Americans requiring dialysis in 2032 will be about 25% higher than it is today.

Almost all of DaVita's operating profits come from the United States, where dialysis is funded from private healthcare insurance or government programmes like Medicaid. Funding per patient tends to rise over time, reflecting (but slightly lagging) increases in the costs of providing dialysis services. For the March quarter, DaVita reported a significant rise in labour costs, due in part to a tight US labour market. We expect dialysis funding will ultimately adjust for higher labour costs.

DaVita is inexpensive and it does not require a lot of capital to accommodate growth. Even though we conservatively assume that DaVita will lose some market share over time and that margins will never recover to pre-Covid levels, we can still see long-run returns of over 10% per annum from investing in DaVita's shares.