

Monthly Fund Fact Sheet October 2023



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)	1.2302 31 October 2023
Monthly Return	+1.83% After fees, before tax. October 2023.
Return to date	+11.27% per annum After fees, before taxes. Since fund inception, 5 November 2021.
Fund Size	\$219.1 million* <i>* Includes fund flows effective 31 Oct.</i>
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:



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 were weak in October. Developed country equity markets (as represented by the MSCI World index) returned -2.60% (including gross dividends) in local currency terms. However, weakness in the New Zealand dollar offset the share market weakness for NZ-based investors: the MSCI World index returned +0.33% (gross) in NZ dollar terms.

Lower-risk equities performed better than the broader equity market in October. The fund's benchmark (which includes a lower-risk component) returned +1.03%.

Share market returns were strongest in the Utilities and Information Technology sectors, and weakest in the Consumer Discretionary and Energy sectors. Geographically, NZ dollar returns were strongest in North America and weakest in the Asia-Pacific region.

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 +1.83% in October (after fees, but before taxes), outperforming the benchmark index, which returned +1.03%. Key factors which affected relative performance in October were:

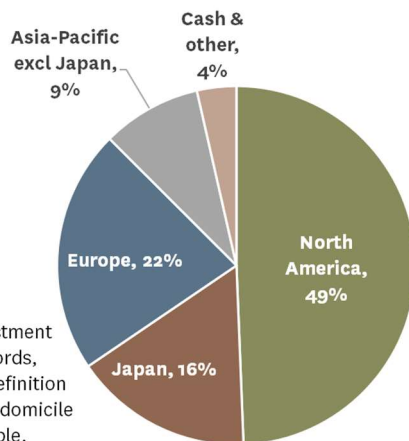
- The fund's investment in Verizon performed well over the month, returning +14.4% in New Zealand dollar terms, and contributing +0.31% towards the fund's relative performance. Verizon is the fund's second largest holding, and the largest overweight position in comparison to the benchmark index.
- The fund also enjoyed strong returns and contributions to relative performance from its holdings in WH Group (returned +17.5%), WW Grainger (+9.0%), and Microsoft (+10.6%).
- The fund's relative performance was adversely affected by a -15.6% decline in DaVita, which provides dialysis to people with late stage chronic kidney disease, due to market fears that GLP1 drugs will lead to a reduction in the number of people requiring dialysis.
- The *relative* performance of the fund benefitted from the fact that we do not hold any shares in Tesla. Tesla declined -17.1% during the month, which had no effect on the fund but reduced the return of the benchmark index by -0.12%.
- The fund achieved better-than-benchmark performance in 8 out of 11 industrial sectors. Relative performance was particularly strong in the Information Technology, Communication Services, and Consumer Discretionary sectors.
- Holding a small amount of foreign currency cash contributed +0.04% to the fund's relative performance, but this was more than offset by a modest level of currency hedging, which detracted -0.12% from the fund's performance.
- Fees deducted -0.057% from the fund's return.

Portfolio Composition

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

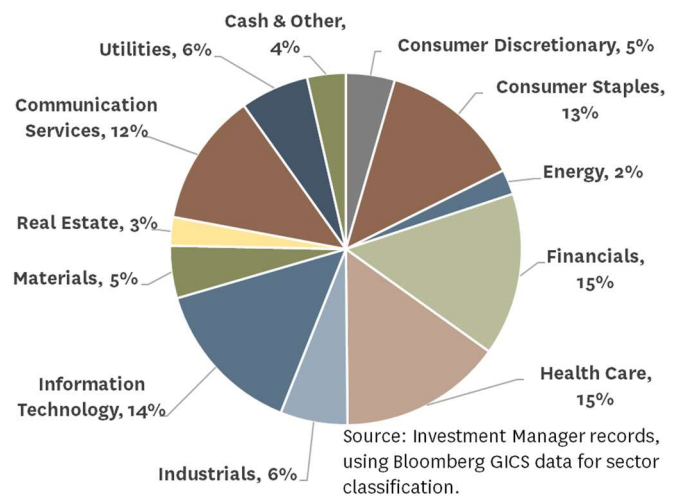
Company	Percentage of fund	Company's weight in benchmark index
Microsoft Corp	3.44%	2.54%
Verizon Communications	3.14%	0.72%
Apple	2.33%	2.73%
Alphabet (includes 2 classes of security)	2.07%	1.32%
KDDI Corp	1.43%	0.29%
WW Grainger	1.20%	0.03%
National Grid	1.18%	0.04%
Merck & Co	1.16%	0.87%
Check Point Software Technologies	1.16%	0.01%
Citigroup	1.16%	0.07%

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

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

Fund Returns

	October 2023	One year to October 2023	Since Inception (5 Nov 2021 to 31 October 2023) annualised return
Return after fees but before taxes	+1.83%	+15.19%	+11.27%
Benchmark Return*	+1.03%	+7.13%	+5.23%

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

Portfolio Spotlight: NEXT plc

NEXT

0.67% of the portfolio is invested in NEXT plc.

NEXT is a UK-based fashion retailer, which over the past decade has transitioned from mainly selling through physical stores to now generating over 60% of sales and an even greater proportion of profits from its online stores. The NEXT brand sells products across all major fashion categories, including women’s apparel, women’s accessories, women’s shoes, men’s fashion, and children’s fashion. It also sells homeware.

NEXT also has a rapidly growing “Total Platform” business, whereby it manages the full online offering for other fashion businesses (including running the website, warehousing, finance, delivery, returns, etc), in exchange for a percentage of revenues. In many cases, NEXT has also taken a shareholding in the businesses (or the UK operations of the global businesses) that use its Total Platform offering.

About 85% of NEXT’s sales are from the UK, with the remainder offshore. It has dedicated websites for many key offshore markets. NEXT also has a profitable finance business, providing finance for fashion purchases.

NEXT’s reporting to shareholders consistently demonstrates a very clear-eyed evaluation on what it is doing well, what it needs to improve, and on the challenges and opportunities that the business is facing. NEXT has been quick to highlight emerging challenges, but has repeatedly managed to navigate its way around them relatively unscathed (a trait that seems rare for online retailers).

Important Notice and Disclaimer

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