Monthly Fund Fact Sheet
February 2023

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)	**1.1177** 28 February 2023, using 28 February valuations
Monthly Return	**+1.66%** After fees, before tax. February 2023
Return to date	**+9.05%** per annum Since fund inception, 5 November 2021
Fund Size	**$80.2 million*** 28 February 2023 * *Includes fund flows effective 28 Feb*
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	**Implemented Investment Solutions Ltd**
Supervisor	**Public Trust**
Custodian	**BNP Paribas**
Registry	**Apex Investment Administration (NZ) Ltd**
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

Global Equity markets declined in February. Developed country equity markets (as represented by the MSCI World index) fell -1.53% (adjusted for gross dividends) in local currency terms. After adjusting for currency movements, the MSCI World index rose +1.84% (gross) in NZ dollar terms.

Indices of lower-risk equities underperformed the broader global equity market. The fund's benchmark index returned +0.95% in New Zealand dollar terms in February.

Share market returns from the Information Technology, Industrials, Financials, Consumer Staples, and Consumer Discretionary sectors were stronger than other sectors in February, while Materials, Real Estate, Energy, and Utilities lagged the rest of the market. NZ dollar returns from the Asia-Pacific region lagged the rest of the world, whereas European equity markets outperformed.

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 +1.66% in February (after fees, but before taxes). This was an out-performance in comparison to the benchmark index, which returned +0.95%. Key factors which affected relative performance were:

- The fund benefitted from generally good across-the-board relative performance from the stocks we had invested in, outperforming the benchmark in most sectors (particularly Energy, Utilities, Consumer Discretionary, and Financials).
- The fund also outperformed in each geographic region, with relative performance in Japan being particularly strong.
- The fund's allocation to Korea had an adverse impact on performance during the month, as Korea performed worse than other markets.
- The individual holdings that contributed the most to the fund's relative outperformance were: WW Grainger (+18.6%); Stellantis (+17.3%); Everest Re (+14.5%); Danske Bank (+17.1%); and TBS Holdings (+17.7%). Each of these holdings contributed over 0.1% to the fund's relative performance. The biggest detractor was KB Financial, which declined -10.9%, detracting -0.14% from the fund's relative performance.
- Partial currency hedging detracted -0.13% from the fund's relative performance, and fees cost 0.05% during February.

Since inception (5 November 2021), the fund has returned +9.05% per annum, outperforming its benchmark index by +7.44% per annum.

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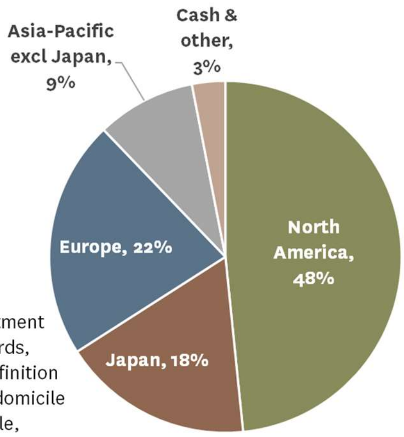
Portfolio Composition

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

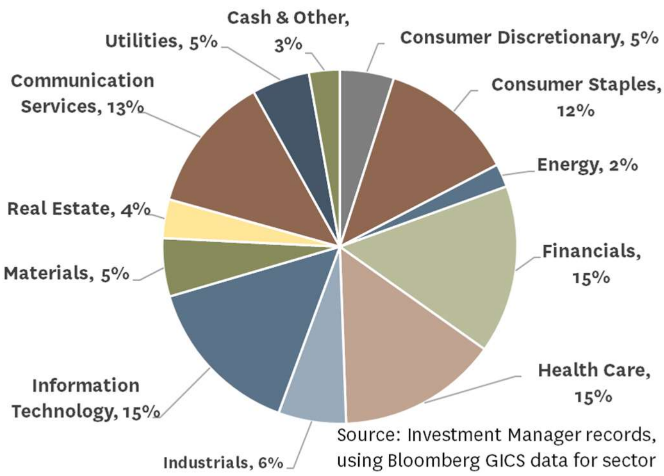
Company	Percentage of fund
Microsoft Corp	3.09%
Verizon Communications	2.78%
Apple	2.22%
Alphabet (includes 2 classes of security)	1.96%
Sumitomo Mitsui Financial Group	1.58%
KDDI Corp	1.44%
WW Grainger	1.31%
Check Point Software Technologies	1.11%
National Grid	1.10%
Citigroup	1.08%

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

	February 2023	One year to February 2023	Since Inception (5 Nov 2021 to 28 February 2023) annualised return
Return after fees but before taxes	+1.66%	+6.84%	+9.05%
Benchmark Return*	+0.95%	+2.85%	+1.61%

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

Portfolio spotlight: Citigroup

1.04% of the fund is invested in Citigroup.

Citigroup as the only US bank that the fund held at the end of February. It is the third largest US bank on most financial metrics, but the fourth most valuable by market capitalisation.

Citigroup has a troubled history, having been caught out during the Global Financial Crisis by exposure to poorly performing mortgages, and was bailed out by the US government in 2008. More recently, in 2021, US regulators demanded that Citigroup improve its processes and practices for handling data.

However, we believe that Citigroup's overall risk profile has improved significantly since the GFC. As highlighted by the recent collapse of Silicon Valley Bank, a key issue affecting US banks is that they hold many long-term securities and loans on their balance sheet that are recorded at historical cost, which does not reflect the extent to which these assets have diminished in value due to rises in interest rates over the past 3 years. Citigroup has a significantly lower unrealised loss on these loans and long-term securities than the other large US banks. Citi also has a slightly lower proportion of non-performing loans than the 3 other large US banks.

Perhaps reflecting its historical issues, Citigroup's shares trade at significantly lower multiples of earnings and asset backing than other large US banks. We believe this discount is unjustified.