LIGHTHOUSE GLOBAL EQUITY FUND

AUGUST 2024

Net return for August 2024	Net return for FY2025 to date	Net return for FY2025 to date for the MSCI ACWI	If you'd invested $10,000 five years ago it'd be worth
-2.73%	-7.99%	2.47%	$23,982
After fees, pre-tax	After fees, pre-tax, March y/e	March y/e	At 0% PIR tax

Net Returns As At 31 August 2024	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	-2.7%	-3.7%	39.4%	20.4%		
Lighthouse Funds' investment strategy	-2.7%	-3.7%	39.4%	20.4%	19.1%	18.1%
MSCI ACWI net in NZD	-2.7%	7.7%	17.5%	17.4%	12.3%	12.6%

COMMENTARY FOR THIS MONTH

August was a complicated month. The tape will show the Fund lost 2.7% in August. Looking deeper, the Fund was up in USD terms but the NZD strengthened by 5.3% across the month. We don't hedge currency – it's not cost-effective to do that over multi-year timeframes – and so the net result was a fall in NZD terms.

August had three noteworthy things.

Firstly, that move in the currency. Exchange rates are mainly driven by the differing interest rate paths in the two countries. But New Zealand and the United States are in much the same position – central bank cash rates are almost identical (5.25% pa vs 5.33% pa), and both central banks are embarking on a programme of regular rate cuts. It's hard to see a differential that would move the exchange rate far. So then we look at the respective economic growth figures. The US economy is growing at about 3% pa while New Zealand is flirting with recession. So you might expect the NZD to be weakening versus the USD, not rapidly strengthening. Odd.

Secondly, July and August is showing a pitched battle between the bulls and the bears and that's put Wall Street into one of its occasional crazy periods. The US Federal Reserve is trying to slow the US economy in order to kill off inflation, but without slowing it so quickly that it falls into recession. This is the "soft landing". But as you slow the economy down you end up with some economic indicators deteriorating. Unemployment rises a little, manufacturing activity falls a little, and so on. Realistically that's what the Federal Reserve is trying to achieve. But the bears interpret that economic deterioration as signalling an imminent recession, rather than managed slowing. To be fair, it is still yet possible for the Fed to be too heavy-handed and to squash the economy into recession, so the bears can say "Just wait, this isn't over".

But meanwhile the broad thrust of US economic data is strongly positive. GDP is growing and being re-assessed further upwards, unemployment is at historically low levels, consumer spending remains healthy, corporate profits are strong and growing, and the Fed is about to start a programme of interest rate cuts. We don't see the case for recession at the moment, but we could see the bulls and bears arguing over the economy for several months yet.

Thirdly, the largest stock in the market, Nvidia, has become a meme stock. Most of its trading volume is driven by retail investors who are trading on "vibes" rather than numbers. Nvidia had a good profit result, yet its shares fell heavily. Analysis of that trading showed retail investors were significant net sellers (ie more selling than buying), while at the same time equity analysts were raising their price targets. The numbers are at odds with the vibe. Just right now the vibe is winning, but if the numbers stay where they are – and all indications are that they will – then the vibe can't prevail for long.

KEY INFORMATION

FUND FEATURES

The Lighthouse Global Equity Fund is a portfolio of very large market capitalisation "blue chip" stocks, listed on the major United States exchanges, that have growth characteristics. The Fund intentionally seeks companies with high liquidity, very conservative levels of debt, and strong histories of revenue and profit growth. This is a high conviction portfolio of 15 to 20 positions.

The Fund's objective is to deliver long-run net returns that are at least 2% pa higher than those of the MSCI All Country World Index. That index has averaged 13% pa over the last 5 years, so the Fund targets long-run net returns of at least 15% pa.

FUND FACTS

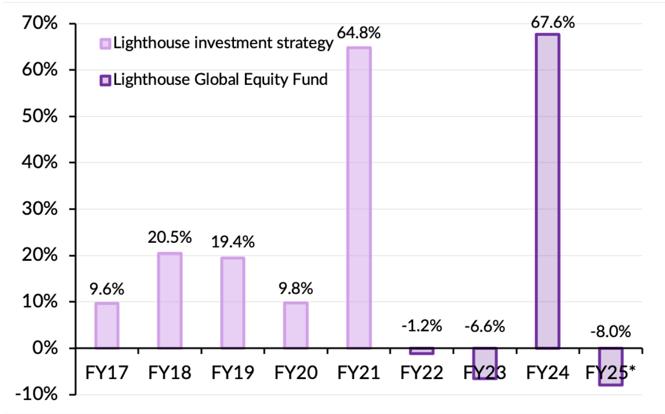
Fund name	Lighthouse Global Equity Fund
Fund type	PIE unit trust
Benchmark	MSCI ACWI, net, in NZD
Management fee	1% pa + GST (approx. 1.05% pa)
Performance fee	30% of returns in excess of the MSCI ACWI + 2% pa (we expect this hurdle to average 14-15% pa over time), with a perpetual high tide mark
Buy/sell spread	0.10%/0.10%
Manager	FundRock NZ
Investment manager	Lighthouse Funds
Supervisor	Public Trust
Custodian	Adminis
Auditor	KPMG

TOP 10 HOLDINGS

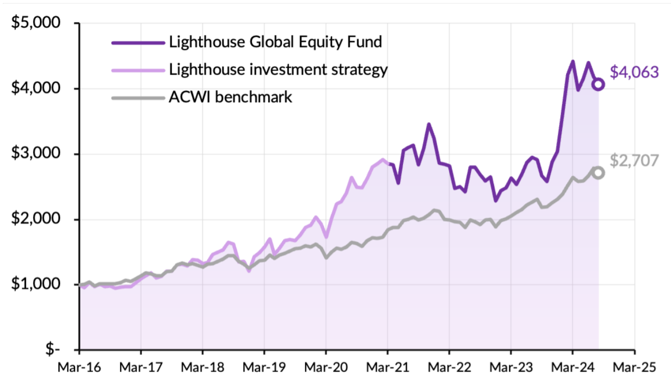
Holding	% of Fund NAV
AppLovin	12.2%
Royal Caribbean Cruises	11.8%
Nvidia	11.4%
Deckers Outdoors	11.3%
Arista Networks	11.2%
iShares 20+ Year Treasury Bond ETF	7.2%
Monolithic Power Systems	6.8%
Sea	6.8%
Alnylam Pharmaceuticals	6.3%
NetFlix	6.2%

PERFORMANCE

Returns by financial year (March year ends)



Cumulative returns



RISK

1	2	3	4	5	6	7

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the Fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

IMPORTANT NOTICE

This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable but we can't guarantee that is the case. The returns information shows the net returns for this retail unit trust, since it began operations in March 2021, and also the net returns from the investment strategy Lighthouse Funds' uses in both this retail unit trust and in a wholesale fund that has been operating since March 2016. The returns for the wholesale fund have been provided by Lighthouse Funds from the audited financial statements for that fund. Past performance does not guarantee future returns. The information in this factsheet is not intended to be financial advice for the purposes of the Financial Market Conduct Act 2013, as amended by the Financial Services Legislation Amendment Act 2019. For more details please refer to the Product Disclosure Statement (PDS) and the latest quarterly fund update. You can find these documents at https://lighthousefunds.nz/library or contact us at enquiries@lighthousefunds.nz

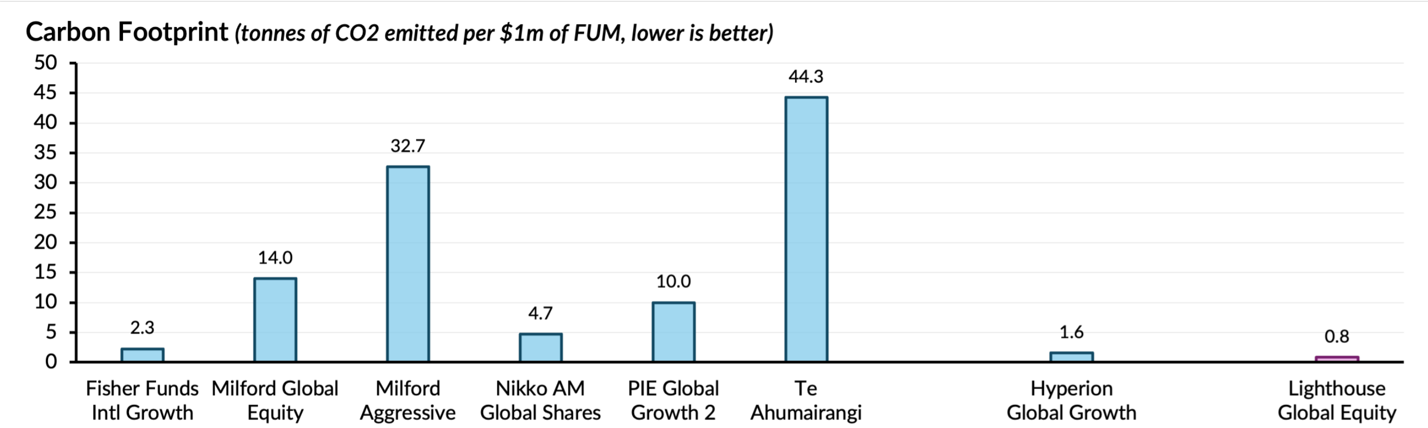
IT'S NOT EASY BEING GREEN

We put a lot of focus into investing responsibly. While we don't brand our funds as green funds or ESG funds we do have strict commitments to responsible investing.

Nearly all funds make the same type of claims. Fund managers want to do the right thing, and they also want to appeal to an investor base that values being clean and responsible. To date though all that marketing – including ours – has been what we jokingly term "random assertions of superiority". Nice words, said with good intentions, but with no objective measures.

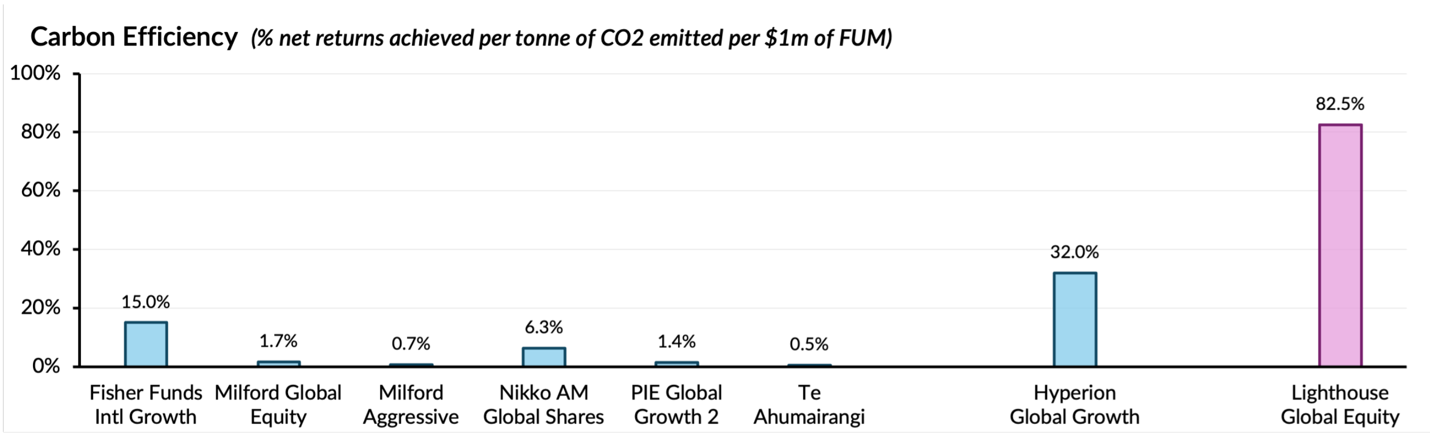
But now some funds are having to file their first Climate Related Disclosures. You can see these for yourself at https://www.companiesoffice.govt.nz/all-registers/climate-related-disclosures/ It's not all funds, at least not yet, but it's enough that we can now start to do some comparisons and benchmarking based on actual reported metrics.

Being the first ever round of this reporting there's some inconsistencies between how funds have interpreted the regulations, and how comprehensive their data is. Our take is that the best and most reliable metric we can use to compare funds is the "carbon footprint". That's the Scope 1 and Scope 2[1] CO_2 emissions the fund is responsible for, per $1 million of funds under management (FUM). Basically, how clean are the fund's investments? When you direct $1 million of FUM into investments (shares) then how much CO_2 do those companies generate? Here's the publicly reported carbon footprints of the global equity funds who had to make disclosures for the twelve months to 31 March 2024:



This fund, the Lighthouse Global Equity Fund, had the lowest carbon footprint of the global equity funds that had to report. We've long suspected the fund's portfolio was clean, but it's good to see that confirmed with hard numbers.

But an investment fund's primary responsibility is to deliver strong returns for its investors. It is important to be green, but arguably not if that means investors miss their financial objectives. So we've looked at what we've termed "carbon efficiency". That's the net returns each fund has achieved, divided by their carbon footprint. Basically, how much financial return can you squeeze from every tonne of CO_2 your fund is responsible for? Using the publicly reported numbers for the twelve months to 31 March 2024 that shows:



This fund, the Lighthouse Global Equity Fund, delivered more investment returns for each unit of CO_2 than did the other comparable funds. We'll work hard to maintain that advantage in the coming years and we'll report back again this time next year, when the next round of disclosures are available.

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[1] Scope 1 emissions are the direct emissions from the fund manager itself. In this context Scope 2 emissions are the direct emissions from the companies the fund is invested in. There's also Scope 3 emissions, which are the emissions from other companies that are up and down the value chain from the companies the fund is invested in, but as yet it's hard to get reliable and consistent data on those Scope 3 emissions and so they're not included in these carbon footprint calculations.