

Monthly Fund Fact Sheet December 2024



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)	1.5730 31 December 2024
Monthly Return	+2.38% After fees, before tax. December 2024.
Return to date	+15.78% per annum After fees, before taxes. Since fund inception, 5 November 2021.
Fund Size	\$435.4 million* <i>* Includes fund flows effective 31 December.</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 declined in December. Developed country equity markets (as represented by the MSCI World index) returned -1.88% (including gross dividends) in local currency terms. However, a decline in the New Zealand dollar meant that returns from global equities were strong for NZ-based investors: the MSCI World index returned +2.87% (gross) in NZ dollar terms.

Lower-risk equities underperformed the broader equity market in December. The fund's benchmark (which includes a lower-risk component) returned +1.59% in NZ dollar terms.

Share market returns were strongest in the Consumer Discretionary, Information Technology, and Communication Services sectors, and weakest in Materials, Real Estate, and Energy. Despite further strength in the US dollar, NZ dollar returns from Europe and Asia/Pacific equities were stronger than for North American equities.

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 +2.38% in December (after fees, but before taxes), outperforming the benchmark index, which returned +1.59%. The following factors affected relative performance in December:

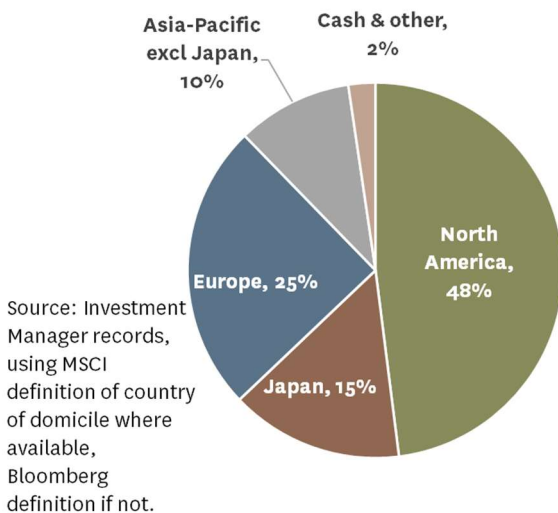
- The fund benefited from strong returns from Verisign (returned +16.7%, contributing +0.16% to relative performance), Alphabet (+18.4%, contributing +0.14% to relative performance), and Wise (+25.7%, contributing +0.10% to relative performance).
- Fund holdings that detracted from relative performance included KB Financial Group (-13.8%, detracting -0.18% from relative performance), Verizon (-4.8%, detracting -0.17% from relative performance), and CVS Health (-20.8%, detracting -0.10% from relative performance).
- The fund also “missed out” by not owning Tesla, which rose +23.5%, contributing 0.16% to the return of the benchmark, but nothing to the return of the fund. We believe that Tesla is ridiculously over-valued, so do not own it in the fund.
- The fund theoretically benefited from how it was allocated between countries, as the fund is tilted out of the US in favour of Japan, and the Japanese share market outperformed the US share market during the month. However, the actual performance of the fund's US holdings was slightly better than the fund's Japanese holdings.
- The fund's South Korean holdings performed poorly due to weakness in the currency & equity markets caused by the (now former) President's bizarre decision to briefly declare martial law.
- The fund enjoyed strong returns from a number of Hong Kong listed holdings.
- A small amount of currency hedging detracted -0.11% from performance during the month, due to weakness in the New Zealand dollar.
- Fees deducted -0.05% from the fund's return in December.

Portfolio Composition

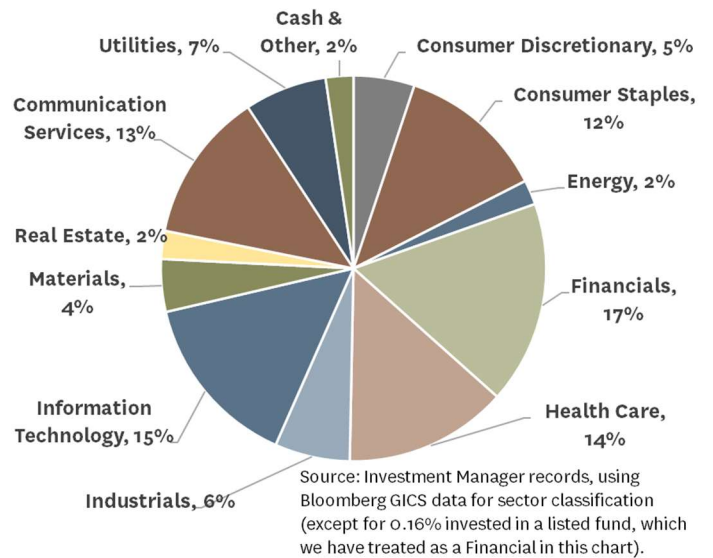
The table below shows the fund's top 10 equity investments at the end of December.

Company	Percentage of fund	Company's weight in benchmark index
Microsoft Corp	3.70%	2.51%
Verizon Communications	3.00%	0.45%
Apple Inc	2.62%	2.99%
Alphabet (includes 2 classes of security)	2.35%	1.59%
National Grid	1.45%	0.04%
Everest Group	1.34%	0.01%
VeriSign	1.31%	0.21%
Suntory Beverage & Food	1.24%	0.03%
AT&T	1.15%	0.38%
Check Point Software Technologies	1.12%	0.09%

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



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



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

Fund Returns

	December 2024	One year to December 2024	Since Inception (5 Nov 2021 to 31 December 2024) annualised return
Return after fees but before taxes	+2.38%	+25.72%	+15.78%
Benchmark Return*	+1.59%	+29.73%	+13.28%

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

Comparing the Fund to its Benchmark and to the MSCI World index

In the table below, we compare Te Ahumairangi Global Equity to both its benchmark and to the MSCI World index (using Bloomberg data to calculate each characteristic).

Characteristic	Te Ahumairangi Global Equity Fund	Fund Benchmark (see page 2 for details)	MSCI World Index
Number of Companies	173	1,382	1,382
Percentage weight in top-10 holdings	19.3%	15.6%	27.2%
Price / Earnings Ratio	14.6	24.2	25.7
Price / Cashflow Ratio	8.8	15.4	19.2
Dividend yield	3.33%	2.28%	1.96%
Return on Equity	9.9%	12.8%	14.1%
Weighted average market capitalisation of companies held in the fund / index	NZ\$683 bn	NZ\$882 bn	NZ\$1,452 bn
Beta (to each company's home equity market)	0.81	0.91	1.06
North American weighting (using Bloomberg country classifications)	47.4%	71.6%	75.7%

As can be seen from this table, the fund is (on average) investing in companies that trade on cheaper valuation multiples and are less sensitive to market conditions (i.e. lower beta) than the averages for the benchmark and the MSCI World index. However, the companies that the fund is invested in have been achieving lower returns on equity than the average company in the benchmark or the MSCI World. The fund has significantly less exposure to North America than either index, and has less exposure to “mega capitalisation” companies.

Important Notice and Disclaimer

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