

FEBRUARY 2023

Net return for
February 2023

1.54%

After fees, pre-tax

Net return for FY2023
to date

-12.01%

After fees, pre-tax, March y/e

Net return for FY2023
to date for the MSCI ACWI

0.81%

March y/e

If you'd invested \$10,000
five years ago it'd be worth

\$17,979

At 0% PIR tax

Net Returns As At 28 February 2023	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	1.5%	-11.4%	-12.8%	-7.8%	12.4%	14.0%
MSCI ACWI net in NZD	1.4%	2.2%	0.2%	7.7%	9.1%	10.6%

COMMENTARY FOR THIS MONTH

February was a gain of 1.5%, which was mainly attributable to a weakening New Zealand dollar.

At the moment nearly all equity markets around the world are being driven by two forces – inflation and the risk of recession. Last month's factsheet described how, just now, bad news is bad for markets, good news is good, but great news is still bad. February had both bad news and great news.

The great news was a blockbuster US jobs report, and strong retail sales numbers. The bad news was hotter than expected inflation in January in both the US and Europe. So, basically, an economy that's so good that it's bad.

But there's nuance to consider. The economic numbers include seasonal adjustments that are based on normal weather patterns. But the northern hemisphere had an uncommonly warm January, following storms in December, and so this year's patterns weren't "normal". In 2023 the seasonal adjustments may be sending misleading signals.

And inflation is still falling, just not as quickly as expected. The two largest contributors to (US) January inflation were housing and fuel. Housing costs are the biggest single input in the inflation calculation, but there's a lag of 9-12 months in how they flow through to the official inflation measure. US house prices did rise from mid-2021 to mid-2022 but have then fallen the last six months – a similar path to here in New Zealand –

yet the CPI calculation is still recording housing as climbing strongly. It'll be April/May before that lag plays itself out. And fuel was flat/down in February.

So the questions are to what degree the apparent strength in the economy is real, and to what degree might that strength interrupt the current downward trend in inflation? January was hotter than expected, but one month's data isn't enough to confirm or disprove a trend. We'll have to wait and see.

Equity markets didn't tumble on these developments. The two key things that drive share prices are earnings (profits) and interest rates – so equity markets appear to be betting that both the economy and profits are robust enough to withstand higher interest rates. That's not a crazy assumption. The effect of interest rate rises on share prices reduces as interest rates get higher (a rise from 0.25% to 1% has more effect than a rise from 4.25% to 5% does). And in the past equity markets still performed strongly when interest rates were at current levels or higher.

At its simplest, share prices roughly reflect the market's view of earnings 6-12 months in the future. But markets don't have a clear view of whether late-2023 will bring a recession or the "soft landing" we'd all like, so it's a little directionless. We think share prices today reflect an expectation of a mild recession, but reality may bring more upside than that expectation.

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 strong 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 approximately 18 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 11% pa over the last 5 years, so the Fund targets long-run net returns of at least 13% pa.

FUND FACTS

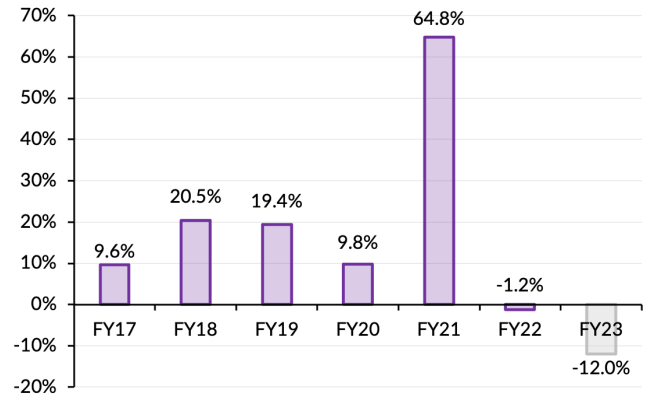
Fund name	Lighthouse Global Equity Fund
Fund type	PIE unit trust
Benchmark	MSCI ACWI, net, in NZD
Management fee	1% pa + GST (approx. 1.05% pa)
Performance fee	30% of returns in excess of the MSCI ACWI + 2% pa (we expect this hurdle to average 13-14% pa over time), with a perpetual high tide mark
Buy/sell spread	0.10%/0.10%
Manager	Implemented Investment Solutions
Investment manager	Lighthouse Funds
Supervisor	Public Trust
Custodian	Adminis
Auditor	KPMG

TOP 10 HOLDINGS

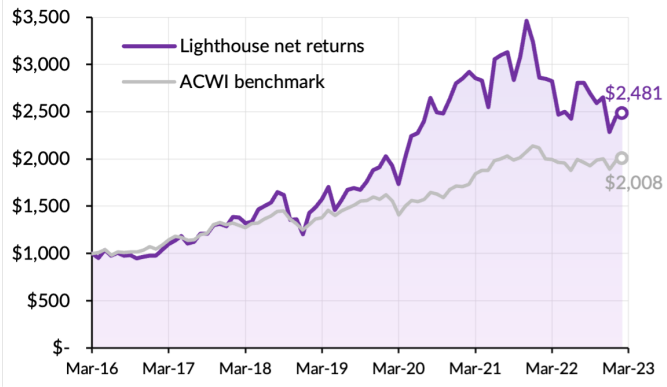
Holding	% of Fund
United Rentals	12.1%
Ulta Beauty	10.5%
Vertex Pharmaceuticals	9.3%
Enphase Energy	7.7%
Moderna	7.1%
Fortinet	7.0%
Lam Research	6.6%
The Trade Desk	5.9%
KLA Corporation	5.9%
Mastercard	5.8%

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 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 net returns information uses a blend of this fund, across its full history, and returns from a wholesale fund Lighthouse Funds manages that uses the same strategy and 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. 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