

AUGUST 2023

Net return for
August 2023

-1.29%

After fees, pre-tax

Net return for FY2024
to date

10.68%

After fees, pre-tax, March y/e

Net return for FY2024
to date for the MSCI ACWI

12.41%

March y/e

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

\$17,681

At 0% PIR tax

Net Returns As At 31 August 2023	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	-1.3%	17.5%	4.0%	-3.5%		
Lighthouse Funds' investment strategy	-1.3%	17.5%	4.0%	-3.5%	12.1%	15.5%
MSCI ACWI net in NZD	1.6%	14.8%	17.3%	6.4%	9.8%	11.9%

COMMENTARY FOR THIS MONTH

August was a slightly down month, with a fall of 1.3% through the month.

Equity markets have a slight seasonality – enough seasonality that you can see a bit of a pattern, but not so strong that you'd confidently trade against it. It's partly driven by market-factors (such as the timing of earnings seasons and the release of certain key statistics), but it's also linked to non-market factors (such as the tax calendar and vacations).

In that seasonality August and September regularly turn out to be weak months where markets often sag a little. If you take the average of all years then you see an interim peak in late-July, then a softening through to mid-September.

These are the months when most northern hemisphere investors are on vacation, so trading volumes are lower, and thinner markets are more vulnerable to negative surprises. Investors who are on holiday also have an inclination to sell stocks and hold a bit more cash. And over the holidays trading desks are staffed by more junior personnel, who are more cautious about risking their careers on bold bets.

But, as well as those regular annual drivers, each year also brings its own individual concerns. This year interest rates on US Government debt have strengthened markedly since late-May. The single most important input into stock market valuations is the interest rate on US Government 10-year

bonds. At the start of May that rate was 3.3% pa. By the end of August it was 4.1% pa, which was its highest level in about 10 years. The rise in that interest rate is putting downward pressure on stock prices at the moment contributed to the market stalling.

This is also the time when corporate earnings, measured over the last twelve months from mid-2022 to mid-2023, are forecast to be at their weakest, before beginning to climb from here through 2024. Markets are forward looking, so they tend to reflect the future more than right now, but they still wobble at times like this recent earnings season when the trough earnings are formally announced.

But there's two sides to these coins. Within that weak seasonality the last quarter of the calendar year tends to be strong. Corporate earnings are forecast to climb steadily from this recent low – and the absolute level of earnings is still strong. The market will always find something to worry about, but there could also be good tailwinds in the coming months.

Overall, we continue to see a steady recovery from the lows equity markets reached in December. The market basically fell as far in 2022 as it did in the 2008 Global Financial Crisis, so the recovery is likely to take at least a year, and it will have these occasional soft moments such as August. But we remain optimistic for the coming months.

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	FundRock NZ
Investment manager	Lighthouse Funds
Supervisor	Public Trust
Custodian	Adminis
Auditor	KPMG

TOP 10 HOLDINGS

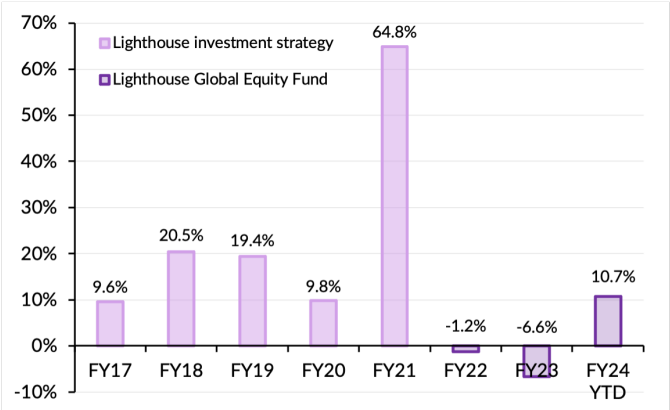
Holding	% of Fund
Invesco QQQ Trust	9.2%
Builders FirstSource	8.9%
Lam Research	8.4%
Copart	8.2%
Netflix	8.2%
Chipotle Mexican Grill	7.6%
The Trade Desk	7.4%
RH	7.3%
Splunk	7.2%
KLA Corporation	6.8%

Important Notice

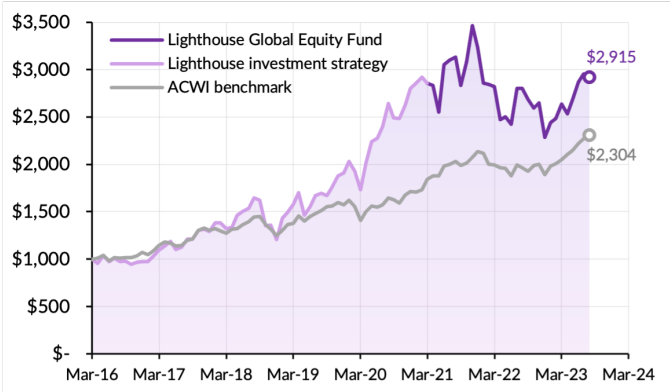
This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable 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

PERFORMANCE

Returns by financial year (March year ends)



Cumulative returns



RISK

1	2	3	4	5	6	7
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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.