

SEPTEMBER 2023

Net return for
September 2023

-8.42%

After fees, pre-tax

Net return for FY2024
to date

1.36%

After fees, pre-tax, March y/e

Net return for FY2024
to date for the MSCI ACWI

6.80%

March y/e

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

\$16,468

At 0% PIR tax

Net Returns As At 30 September 2023	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	-8.4%	1.4%	-0.6%	-2.9%		
Lighthouse Funds' investment strategy	-8.4%	1.4%	-0.6%	-2.9%	10.5%	14.0%
MSCI ACWI net in NZD	-5.0%	6.8%	13.7%	4.9%	8.6%	11.0%

COMMENTARY FOR THIS MONTH

August and September tend to be seasonally difficult, and so it's been in 2023. The Fund was down 8.4% in September.

A share price is a number from today multiplied by a story about tomorrow. At the moment there's a bearish story and a bullish story both vying for supremacy, and share prices are being pulled up and down as the two different narratives rise and fall in prominence.

The bearish narrative was firmly in ascendance in September after the Federal Reserve released updated long-range economic forecasts. These pointed to US interest rates staying at their current high levels all the way through 2024 and into 2025. This led to interest rates on US Government bonds rising strongly in September, which in turn pushed share prices down.

Meanwhile the bullish narrative is based on recent data and the short-range forecasts. The data says inflation continues its steady glidepath back to the 2% pa target rate. Annualising the last four months of the Fed's preferred inflation measure (the Core PCE) says inflation is running at 2.4% pa. Annualising the last six months says inflation is 3% pa. It's hard to justify a lot of further tightening with inflation at those low levels. The key short-range forecasts are that corporate earnings for the July-to-September quarter are expected to be 3% higher than for the same quarter in 2022, with profits in the October-to-December quarter expected to be more than 12% higher than for the last quarter of 2022.

The distance between the two narratives is mainly due to interpretations of economic growth. Everyone expects the US to have strong economic growth for the next few years. The bulls see that strong GDP growth flowing into higher consumer spending and corporate profits. The Federal Reserve sees that strong GDP growth requiring them to keep interest rates higher for longer to stop inflation re-igniting. So the bulls vs bears tussle largely comes down to which side of the GDP growth coin you think dominates.

We will always consider strong economic growth to be good for stocks, not bad. If GDP growth is indeed at the expected 3-4% pa level, and Q4 corporate profits do indeed come in 12% higher than in 2022, then it's hard to see the bear narrative holding sway, even if the yield on the US 10-year stays above 4% pa. And we put more weight on recent data and short-term forecasts than on long-term forecasts. It's hard enough to accurately forecast the next three months. Respectfully, any forecast of economic conditions for late-2024 and 2025 is almost certain to be wrong, and that's likely even more so with an (intentionally pessimistic) central bank forecast.

So we favour the bull narrative. Nonetheless in September equity markets were firmly in the hands of the bears – share prices dropped on higher interest rates but with no credit for the GDP growth that's inspired those higher rates. But those markets do look oversold, and history says the Q4 is seasonally strong for stocks.

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

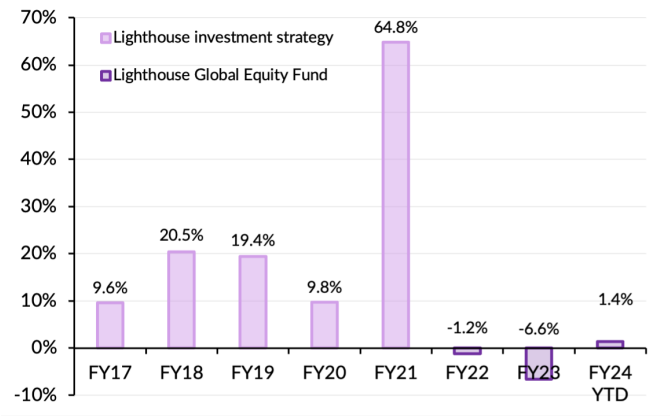
Holding	% of Fund
Cash	47.3%
Invesco QQQ Trust	9.5%
Copart	8.5%
Builders FirstSource	8.3%
Chipotle Mexican Grill	7.8%
Netflix	7.7%
KLA Corporation	6.7%
Enphase	4.2%

Important Notice

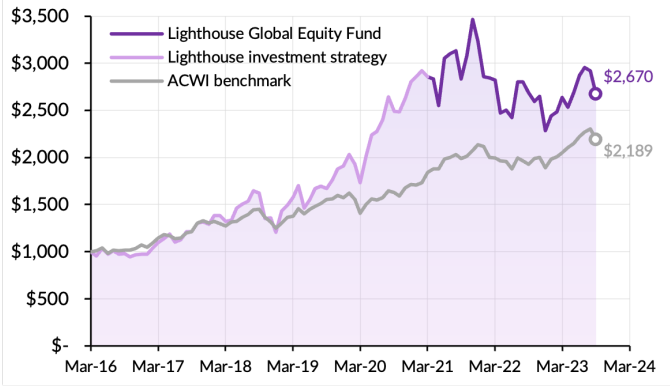
This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable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