

OCTOBER 2023

Net return for
October 2023

-3.27%

After fees, pre-tax

Net return for FY2024
to date

-1.95%

After fees, pre-tax, March y/e

Net return for FY2024
to date for the MSCI ACWI

7.01%

March y/e

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

\$19,091

At 0% PIR tax

Net Returns As At 31 October 2023	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	-3.3%	1.9%	-0.4%	-8.5%		
Lighthouse Funds' investment strategy	-3.3%	1.9%	-0.4%	-8.5%	13.8%	13.3%
MSCI ACWI net in NZD	0.2%	4.1%	10.4%	4.3%	10.0%	10.9%

COMMENTARY FOR THIS MONTH

The Fund was down 3.3% in October, as a market correction ran its course.

A correction is where an index falls at least 10% from its previous high. We expect at least one correction each year – the Nasdaq has had about 70 in the last 50 years. They're unsettling and stressful, but short-term falls like this are the price of admission for equity investing's higher long-run returns.

In this most recent example equity markets peaked in late-July before dropping to a low in late-October, and then there's been a strong recovery in the first few days of November. A "2-3 month slide then a strong recovery" is typical of corrections.

What's also typical is that it can be hard to land on an economic or financial rationale for the correction's fall. They tend to be driven more by emotions (fear) and the prevailing "vibe" in financial markets. Contrast that with major market crashes (dot-com, GFC, 2022 inflation crash) where it's easy to identify a specific overheated bubble that triggers the crash.

In this most recent correction the notional cause has been the bond market, particularly in US Government debt. Interest rates (yield) spiked, and so bond values crashed (in recent months bonds have had a crash deeper than equities had in the GFC). You can point to markets taking fright over the US budget deficit, US political instability and conflicts in the Middle East

and Ukraine. Fair, but then there'll always be something to worry about, and none of those issues seem so significant as to cause this deep a swoon.

Meanwhile nearly all the US economic data is consistently positive. GDP is growing at 4.9% pa, the Federal Reserve's preferred inflation measure is at 3.7% pa and if you annualise the last quarter is already in their 1-3% target band, jobs growth is at historical highs and unemployment at historic lows, consumer spending is strong, house sales are (remarkably) high, and household net worth has never been higher. In line with all that corporate profits are better than expected and are forecast to grow by more than 10% over the next 12 months.

What this recent correction reminds us of is the market falls in late-2018. Back then it was the market having a "taper tantrum" as the Federal Reserve ended its quantitative easing programme, against a backdrop of US-China tensions. Markets fell through October to December 2018, but then shrugged off their fear and anger, recognised the underlying strength in the economy, and rose strongly through 2019. Like then this 2023 correction seems to draw from the bond market panicking about Federal Reserve actions, in an uncertain geopolitical climate, while the economy is otherwise healthy. We're optimistic that, as happened in 2018, the panic will pass and the underlying economic performance will support stock prices going forward.

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

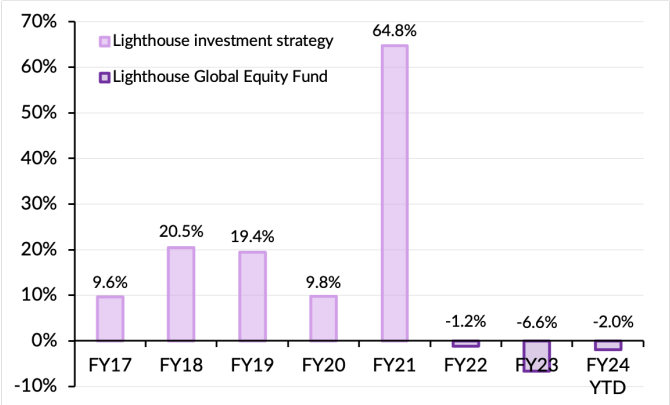
Holding	% of Fund
Invesco Diversified Commodity ETF	10.3%
Copart	9.2%
Netflix	9.0%
Chipotle Mexican Grill	8.8%
Meta	8.3%
ASML	8.2%
Apple	7.8%
Nvidia	7.7%
Builders FirstSource	7.7%
Applied Materials	7.6%

Important Notice

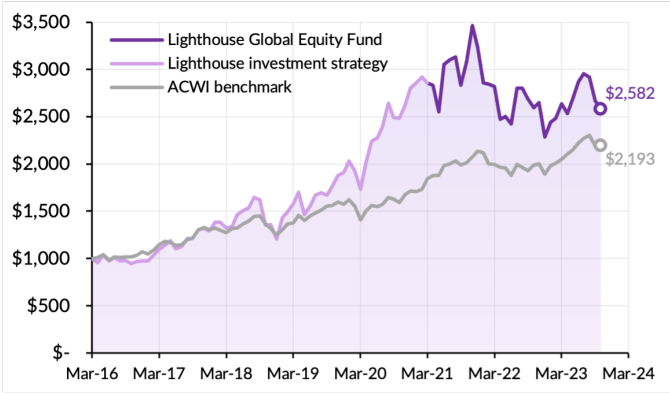
This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable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