

FEBRUARY 2024

Net return for
February 2024

16.81%

After fees, pre-tax

Net return for FY2024
to date

60.18%

After fees, pre-tax, March y/e

Net return for FY2024
to date for the MSCI ACWI

22.68%

March y/e

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

\$28,301

At 0% PIR tax

Net Returns As At 29 February 2024	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	16.8%	44.7%	70.0%	21.8%		
Lighthouse Funds' investment strategy	16.8%	44.7%	70.0%	21.8%	23.1%	19.9%
MSCI ACWI net in NZD	5.4%	9.1%	25.2%	12.0%	13.0%	12.4%

COMMENTARY FOR THIS MONTH

The Fund was up 16.8% in February. That continued a strong run of gains since the most recent lows at the end of October.

Looking at the fund overall, rather than individual stocks, what's happening at the moment seems like a "reversion to the mean". Nearly all investments are "mean reverting", which is to say that periods of lower returns tend to be balanced out by periods of higher returns, but the long-term returns are quite stable.

Every investment strategy has an inherent long-run rate of return. When we say that a broad equity index, like the S&P500, returns about 12% pa in effect what we're saying is "The inherent long-run rate of return of an investment strategy that simply picks the 500 largest stocks on the US markets is about 12% pa".

So the investment strategy that underpins this Fund has its own inherent long-run rate of return. To highlight this for this month we've included an extra measure in the cumulative returns chart on the next page. The smooth curved dashed line shows a constant 17.75% pa return. Why 17.75% pa? Because at that rate of return the over-performance and under-performance of the Fund's actual returns nets out to zero. In simple terms, the area where the actual returns are above that curved dashed line balances out the area where the actual returns are below that curved dashed line. To us that's a good pointer to the inherent rate of return of any given investment strategy, and for this Fund it's about 17.75% pa.

What that cumulative returns chart also shows is that we're coming out of a two year stretch where the actual returns have lagged, or under-performed, that inherent rate of return. We see the strong climb in the last four months as the Fund returning to its inherent long-run rate of return. You can't predict exactly when, or how quickly, that mean reversion will take place, but it is safe to say that it will eventually happen. In this case it's happened over the last four months.

You'll also see that the Fund has now moved ahead of that long-run rate of return. But that doesn't mean a fall is imminent. The chart also shows that you can spend multiple years ahead or behind the long-run rate before the mean re-exerts itself.

So do we use this mean reversion in our investment decisions? No. We look for stocks that have certain fundamental finance markers, and this is not one of them. But it is an observable effect, it's on full display at the moment, and we thought it would be both interesting and educational to talk about it.

To us, a key takeaway here is that investors should carefully consider what the inherent long-run rate of return is for a given fund or asset class, and then be patient through the inevitable short-term turbulence. 5 and 10-year returns are a simple rough indicator of the long-run return, but you also need about that same length of commitment to be sure of reaping the benefit of that investment choice.

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 15 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

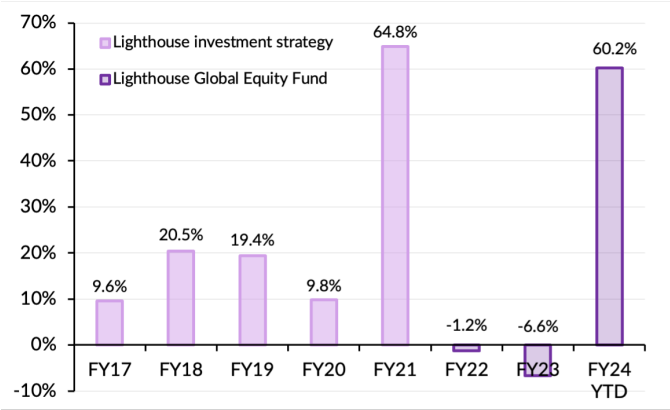
Holding	% of Fund NAV
Super Micro Computer	13.2%
Meta	10.4%
Arista Networks	8.8%
Builders FirstSource	8.7%
ZScalar	8.3%
NVIDIA	7.5%
Invesco QQQ Trust ETF	7.0%
AMD	6.3%
Applied Materials	5.9%
ASML	5.7%

Important Notice

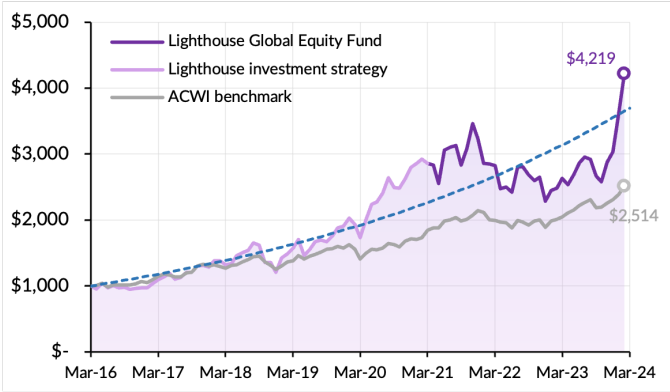
This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable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