

MARCH 2024

Net return for
March 2024

4.66%

After fees, pre-tax

Net return for FY2024

67.65%

After fees, pre-tax, March y/e

Net return for FY2024
for the MSCI ACWI

28.88%

March y/e

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

\$27,991

At 0% PIR tax

Net Returns As At 31 March 2024	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	4.7%	65.4%	67.6%	25.1%		
Lighthouse Funds' investment strategy	4.7%	65.4%	67.6%	25.1%	22.9%	20.4%
MSCI ACWI net in NZD	5.1%	20.7%	28.9%	15.2%	13.9%	12.9%

COMMENTARY FOR THIS MONTH

The Fund was up 4.7% in March. That brings the FY2024 financial year to a close with an overall net return of 67.6%.

March was the first month since October when the Fund under-performed its benchmark. Commodity prices have been rising steadily through March (largely due to gold and oil prices). The ACWI benchmark includes commodity-related stocks while the Fund currently doesn't, and this was the main driver of the small performance gap. That said, we prefer to focus on absolute returns rather than relative performance against a benchmark and we'd be happy to get 4.7% every month.

Three years ago, in FY2021, we achieved a net return of 64.8% and we wrote that it reflected an unusual set of circumstances (the post-Covid rally), that 64% pa was the highest return we'd ever expect to achieve, and we cautioned investors to please not expect that level of return again. Yet here we are in FY2024 with an even slightly higher result. At which point we are going to repeat the caution that this is the highest return we'd ever expect to achieve, and please do not expect this level of return to be a regular occurrence.

We did suspect this financial year might deliver a healthy return, coming as it does after two poor years and spanning the period when inflation is reverting to its target range and interest rate cuts are close to hand. But we've also benefited from a rapid rise in AI-related stocks. We didn't set out to tilt towards AI-related stocks (in fact our investment process

doesn't consider industry sectors at all) but this is an example of how our quant-based stock selection algorithms can fairly quickly pick up on growth trends.

We would prefer that investors not be distracted by this year's strong return but instead focus on our 5-year and longer average returns. The "since inception" return of 20.4% pa spans eight years across both good and bad periods in equity markets. That should make it a good guide of the underlying performance of our investment strategy. But that eight year timeframe is also a good guide to the sort of patient investment horizon an investor should have in order to calmly ride the inevitable short-term ups and downs.

Looking forward, after a strong run like the last six months has been, equity markets are likely due a pull-back or correction. History shows equity markets have a 10%-ish pullback at least once a year. Those are emotionally painful, but they're the price investors pay for equities' superior long-term returns.

But while a consolidation wouldn't be a surprise the broader trends that have driven the last 12 months remain intact. Corporate earnings (profits) are at all-time highs, and forecast to increase further. Interest rates have peaked and cuts are due in the second half of 2024. Employment is at 50-year highs, and more people in work means more consumer spending. There is a broad swathe of good economic news underpinning current share prices.

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 14% pa over the last 5 years, so the Fund targets long-run net returns of at least 16% 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

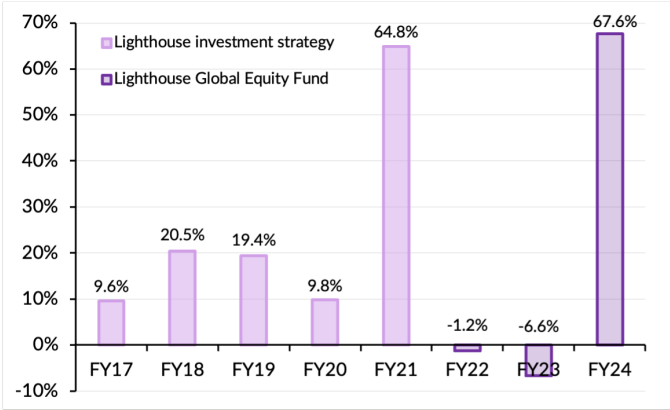
Holding	% of Fund NAV
Cash	24.6%
Super Micro Computer	11.7%
Meta	9.6%
Builders FirstSource	8.7%
Arista Networks	8.6%
NVIDIA	8.0%
Invesco QQQ Trust ETF	6.4%
Zscaler	6.3%
AMD	5.5%
ASML	5.4%

IMPORTANT NOTICE

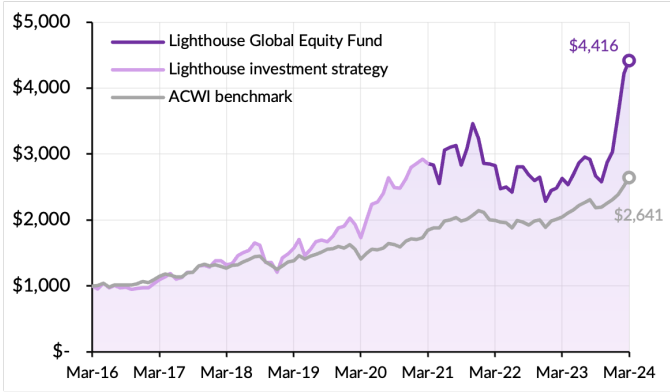
This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable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



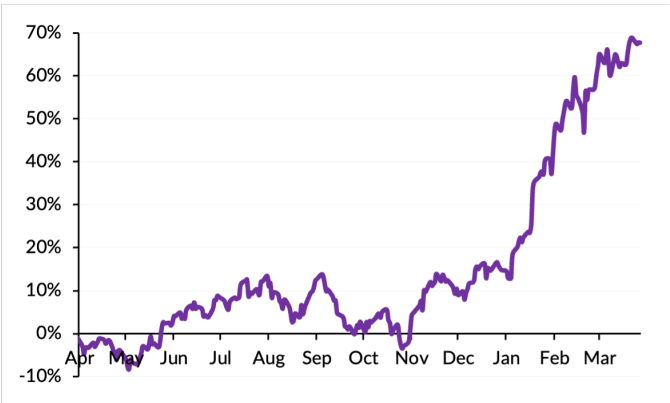
RISK

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.

LOOKING BACK OVER THE FY2024 FINANCIAL YEAR

A YEAR OF RECOVERY



The simplest way to describe the FY2024 financial year is that it was a year of recovery from a market crash in 2022. Within that what you saw was a contest between a bearish narrative and a bullish narrative, with the bulls ultimately prevailing.

The recovery really started in the first quarter of 2023, before this financial year started. The Fund was up 15% in that first quarter.

But that initial recovery then stalled in April and May, particularly after the failure of three US banks left financial markets jumpy and pessimistic. At that point the bearish narrative had become ascendant again.

Through June and July the economic and financial data began to show a clearer picture that inflation was indeed cooling, economic growth was strong, and corporate profits were robust. The bears' worst fears hadn't come to pass and the bulls seemed to be gaining the upper hand.

But there was still a market correction that ran from August through to late-October. We couldn't clearly articulate to you what drove that, but it's not unusual for corrections to have no apparent trigger – it's as much about the "vibe" as it is about events. On average there's more than one correction every year (the rate is about 5 every 4 years) and many of them are a little puzzling. But they're a market reality.

The final capitulation in that correction was at the very end of October, and since then the market appears to have firmly put 2022 behind it and re-asserted the bullish story. It's hard to be precise as to how much that's due to improving economic fundamentals and how much it's due to a bit of euphoria (the "vibe" again), but then every market period is a mix of fundamentals and sentiment.

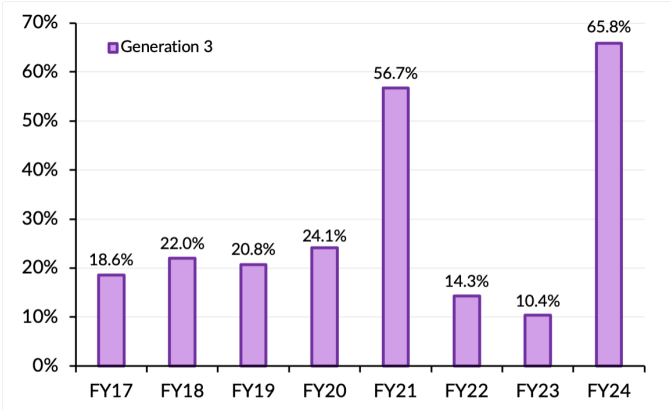
Overall, we view the last twelve months as largely being a time where the market has moved away from having inflation as its primary concern, has re-focused on corporate profits, found that those are strong (even in the face of higher interest rates) and has got its confidence back.

A FOUNDATION FOR THE FUTURE

We were disappointed with the Fund's losses in FY2022 and FY2023. We're realistic that there will be periods where investments lose value, and we intentionally optimise for 5-year, rather than 1-year, returns. But a loss is still a loss and it motivated us to make some improvements.

Fortunately, we had already been working on improvements to our quant algorithms. Ironically, we had been waiting to see how these improvements performed in a bear market before introducing them.

The good news is that these improvements, that we refer to as "Generation 3", performed very well through the market downturn in 2022. We calculate Generation 3's historical performance as being:



Given this higher and more consistent performance it was a simple decision to introduce this Generation 3 approach for FY2024.

The chart above shows simulated returns, from our testing tools. Note that this simulation predicts a 65.8% net return for FY2024, but you can see from the first page of this factsheet that the actual return was 67.7%. Our consistent experience is that our simulated returns are about 1-2% pa lower than the actual real-life returns, and this is another example of that. That's not surprising – the simulation uses conservative assumptions for trading spreads and costs.

So, going forward, we expect our returns should be higher and more consistent than they would have been using the (now superseded) "Generation 2" investment approach that drove the FY2017-FY2023 actual returns shown in the chart on the previous page.