

MAY 2023

Net return for
May 2023

5.94%

After fees, pre-tax

Net return for FY2024
to date

1.90%

After fees, pre-tax, March y/e

Net return for FY2024
to date for the MSCI ACWI

4.75%

March y/e

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

\$18,333

At 0% PIR tax

Net Returns As At 31 May 2023	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	5.9%	1.2%	7.3%	2.6%	12.9%	14.8%
MSCI ACWI net in NZD	1.9%	7.2%	9.5%	6.9%	10.2%	11.3%

COMMENTARY FOR THIS MONTH

May saw the Fund rise by 5.9%, which was both pleasantly surprising and a little disappointing.

Pleasantly surprising because through May equity markets seemed to have a bad case of the glums. Coming into May markets were worried about the corporate earnings for the Jan-Mar quarter. Those came in better than expected. Then markets were worried about the Federal Reserve. Chairman Powell implied he may be at a pause. Then markets were worried about recession. The US jobs report shot the lights out to the upside. Then markets were worried about high inflation. It came in lower than expected. Then markets were worried about the US debt ceiling. Politicians kicked the can down the road till the last minute but did raise the US federal debt limit.

Sometimes markets are characterised by (often unfounded) euphoria. At other times by deep-seated depression. May just felt like the continual griping and delaying you get when you ask a teenager to do a domestic chore.

So it was surprising to see the end result being such a solid up month. To be fair the news all month was consistently positive. Earnings were better than the market expected, workers are being hired at a fast pace, consumers are still spending, inflation is easing, political stress is present but not paralysing. But there's still little optimism, let alone jubilation.

Disappointing because equity markets still jumped on any hint

of negativity. Internally this fund is structured into four parts. Three of those four were up strongly in May, but the fourth was down nearly 9%. We'd struggle to sensibly articulate why. A simple example: Of the companies the Fund is invested in only one failed to beat the market's earnings expectations. United Rentals, is a construction equipment rental business akin to Porter Hire here in New Zealand. Their Q1 2023 earnings were 38% higher than those for Q1 2022. But the market expected 39% growth, not 38% ... so United Rentals share price is down 11% in the last month. It's not that United Rentals is priced at frothy levels – it has a P/E of just 9x. Or that they're about to crash – they've grown earnings at 30% pa for the last three years and affirmed guidance for 25% growth for the rest of 2023. To us, a company priced at 9x that's growing earnings at 38% pa and forecasting 25% growth for the full year is a star. That its share price fell 11% from quite gentle valuation metrics is a measure of the market's mood right now.

But overall we're optimistic about the rest of 2023. We think inflation is receding, interest rates have peaked, the global economy is holding up, corporate earnings will rebound later this year and central banks will begin to cut interest rates before the end of 2023. This Fund is up 17% in 2023 so far and we suspect the global economy will have more tailwinds than headwinds in the coming months. While markets have had a pretty rough couple of years the long-run outlook for stocks remains positive.

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

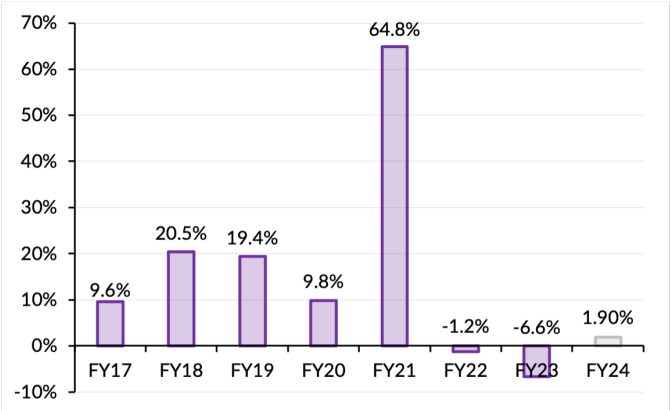
Fund name	Lighthouse Global Equity Fund
Fund type	PIE unit trust
Benchmark	MSCI ACWI, net, in NZD
Management fee	1% pa + GST (approx. 1.05% pa)
Performance fee	30% of returns in excess of the MSCI ACWI + 2% pa (we expect this hurdle to average 13-14% pa over time), with a perpetual high tide mark
Buy/sell spread	0.10%/0.10%
Manager	Implemented Investment Solutions
Investment manager	Lighthouse Funds
Supervisor	Public Trust
Custodian	Adminis
Auditor	KPMG

TOP 10 HOLDINGS

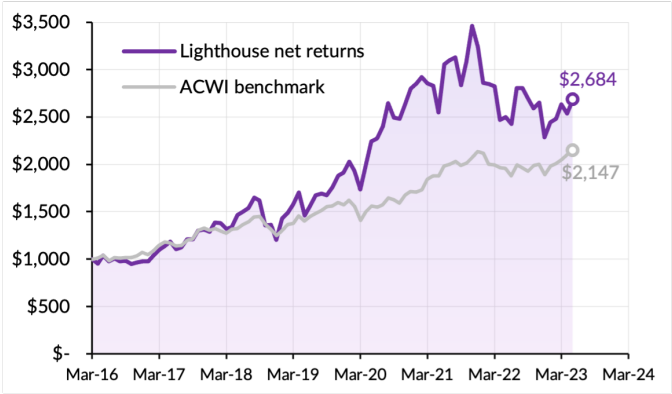
Holding	% of Fund
Vertex Pharmaceuticals	9.8%
Invesco QQQ Trust	9.1%
United Rentals	8.6%
Ulta Beauty	7.8%
Lam Research	7.7%
AMD	7.7%
Fortinet	7.4%
The Trade Desk	7.3%
KLA Corporation	6.6%
Apple	6.2%

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.

Important Notice

This factsheet 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 net returns information uses a blend of this fund, across its full history, and returns from a wholesale fund Lighthouse Funds manages that uses the same strategy and 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. 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