

JANUARY 2023

Net return for  
January 2023

**7.07%**

After fees, pre-tax

Net return for FY2023  
to date

**-13.35%**

After fees, pre-tax, March y/e

Net return for FY2023  
to date for the MSCI ACWI

**-0.5%**

March y/e

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

**\$17,647**

At 0% PIR

| Net Returns As At 31 January 2023 | 1 month | 6 months | 1 year | 2 years (pa) | 5 years (pa) | Inception (pa) |
|-----------------------------------|---------|----------|--------|--------------|--------------|----------------|
| Lighthouse Global Equity Fund     | 7.1%    | -12.8%   | -14.5% | -7.5%        | 12.0%        | 14.0%          |
| MSCI ACWI net in NZD              | 4.9%    | -0.6%    | -6.5%  | 7.8%         | 8.4%         | 10.5%          |

## COMMENTARY FOR THIS MONTH

January was a better month, with a gain of just over 7% through the month.

Equity markets are in a transition at the moment. For more than a year they've been dominated by fears of inflation, which were then further heightened by Russia's invasion of Ukraine. Basically, this inflation leads to interest rate rises, which in turn are a significant drag on Wall Street valuations.

Then, over the last six months or so, there's also been the fear of an economic recession in 2023, due to the impact of these same interest rate rises on the Main Street economy.

The ideal scenario is that measured interest rate rises gently squeeze inflation back to its target levels, without triggering a recession. Where the Main Street economy is robust enough to survive the pressure of a year or so of higher interest rates without falling backwards. This is the "soft landing".

Where equity markets are shifting now is in their reaction to news. Through 2022 good economic news led to negative market reactions. Basically because good economic news points to higher inflation, which points to higher interest rates, which in turn pushes down share prices. So "good news is bad news".

But bad economic news suggests a 2023 recession is more likely than the soft landing we'd all prefer. So "bad news is bad news". Good news is bad news and bad news is bad news.

That's a lot of December's story right there (that, and tax selling).

Now, in January 2023, inflation seems to be coming under control, and market interest rates are dropping. US inflation in the second half of 2022 ran at a rate of 2-3% pa. So markets are beginning to move away from the "good news is bad news" inflation thinking, and are more willing to consider that good news might actually be good news after all. That change of mood drove a lot of January's gains.

But these markets are still captive to the Federal Reserve. So now at the end of January bad news is bad news (naturally), a little bit of good news is good news (a little bit of good news likely won't stir the Fed to raise rates higher for longer), but a lot of good news is still bad news (because then the Fed will worry about an over-heated economy and raise rates again). That's January's story right there, and likely February's story too.

We're probably going to be stuck in this schizophrenic market state for another few months, until the paths of inflation and economic growth becoming clearer. But if global inflation stays at the levels seen in the last six months and the Main Street economy softens but doesn't break – which is a reasonable scenario from here – then we will likely look back at Q4 of 2022 as the bottom of this market cycle.

# 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

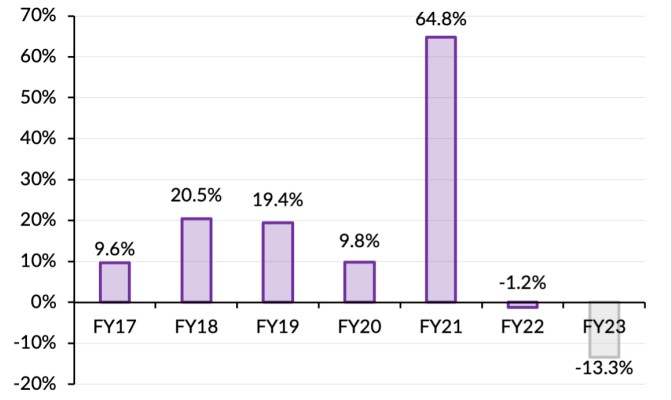
|                    |                                                                                                                                           |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 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

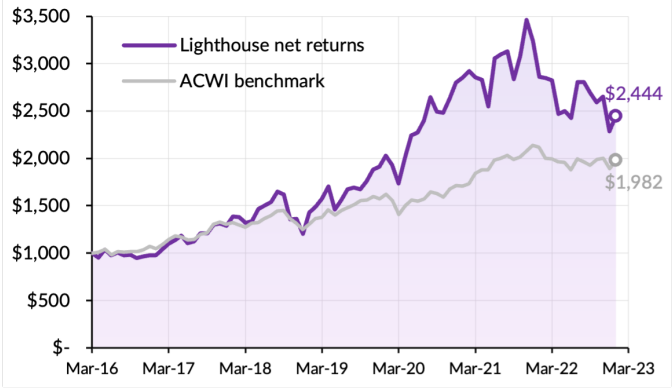
| Holding                | % of Fund |
|------------------------|-----------|
| United Rentals         | 11.1%     |
| Ulta Beauty            | 10.0%     |
| Vertex Pharmaceuticals | 10.0%     |
| Moderna                | 8.7%      |
| Enphase Energy         | 7.9%      |
| Lam Research           | 6.6%      |
| Fortinet               | 6.0%      |
| KLA Corporation        | 5.9%      |
| Mastercard             | 5.9%      |
| Gartner                | 5.6%      |

## PERFORMANCE

Returns by financial year (March year ends)



Cumulative returns



## RISK

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

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](mailto:enquiries@lighthousefunds.nz)