

MARCH 2025

Net return for
March 2025

-12.28%

After fees, pre-tax

Net return for FY2025

7.05%

After fees, pre-tax, March y/e

Net return for FY2025
for the MSCI ACWI

13.17%

March y/e

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

\$27,292

At 0% PIR tax

Net Returns As At 31 March 2025	1 month	6 months	1 year	2 years (pa)	5 years (pa)	Inception (pa)
Lighthouse Global Equity Fund	-12.3%	10.3%	7.0%	34.0%		
Lighthouse Funds' investment strategy	-12.3%	10.3%	7.0%	34.0%	22.2%	18.8%
MSCI ACWI net in NZD	-5.0%	9.8%	13.2%	20.8%	16.2%	12.9%

COMMENTARY FOR THIS MONTH

The Fund was down 12.3% in March, as we all spent another month on the hamster wheel of erratic US trade policy.

Wall Street is prone to panic attacks and tantrums. When they happen Wall Street always over-reacts, with indiscriminate selling and a lack of calm considered thinking. This time is no different.

The recent tariff announcements and other policy actions have triggered one of those panic attacks. US consumer confidence is at a 12-year low. US GDP growth is slowing (although, odd but true, there's reason to think that may be largely due to a quirk in how gold imports feed into the GDP equation).

It's not just the actual announcements. We're all now having to consider a White House that is proving to be unpredictable, chaotic and inexplicable. That then has a chilling effect on employment and consumer spending, and hence on corporate revenues, profits, investment and share prices.

But the recent sharemarket falls are being driven more by this sentiment than by reality. Yes, tariffs are wrong-headed and they're not where you'd start if your goal is to turbocharge the US economy. But the actual tariffs to be collected and the number of federal employees fired are small relative to the US economy and federal budget. So the direct economic impact of these new policies is forecast to be moderate – in the order of a 1-2% hit to GDP and a 1% boost to inflation. This is not a Covid or GFC level shock to the economy.

And the first market reactions are out of balance. Companies like Nvidia and Shopify have seen their share prices fall more than 20% from mid-February highs but it's arguable neither will be heavily affected by tariffs. But Wall Street's first reaction is to sell the recent winners and then figure out the actual winners and losers later on. This time is no different.

Meanwhile European stocks are up (they've gone from terrible to bad but that's still an upward movement) even though Europe's economy tilts away from services and more towards exporting manufactured goods than does the American economy, and so is likely more vulnerable in a global trade war.

But as Ben Graham famously said "in the short run the stock market is a voting machine and in the long run it is a weighing machine". In the short run markets are driven by sentiment and right now that is strongly negative. In the long run it's about earnings growth and at this stage it seems the growth stories for the companies the Fund is invested in remain intact. The next quarterly earnings season, running through April and May, will be a key test of the current share prices.

Corrections are frightening in the moment, particularly for new investors who may think stocks only go up. The emotional challenge is that this is the best time to invest. Corrections leave stocks deeply over-sold and with valuations this low it's a good time to put new money to work – although perhaps right now all the new money in America has been spent buying eggs.

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 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 13% pa over the last 5 years, so the Fund targets long-run net returns of at least 15% 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 14-15% 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

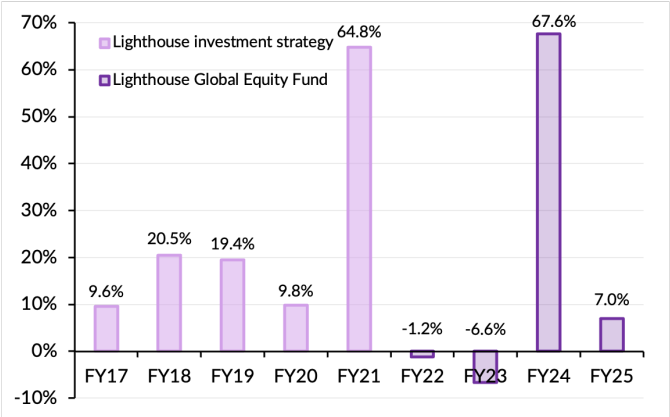
Holding	% of Fund NAV
Cash	21.9%
Netflix	11.4%
NVidia	11.0%
FiServ	9.2%
Sea	9.1%
iShares 20+ Year Treasury Bond ETF	9.0%
AppLovin	8.4%
Teva Pharmaceutical	7.8%
Shopify	6.5%
Deckers Outdoor	5.9%

IMPORTANT NOTICE

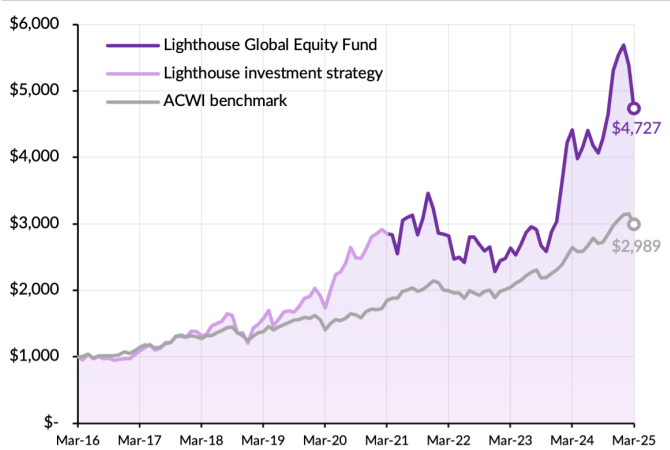
This factsheet is produced by Lighthouse Funds LP (Lighthouse) and provides key information about the Lighthouse Global Equity Fund. It tells you how the fund has performed and it will help you to compare it with other investments. It is based on information that we believe to be accurate and reliable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



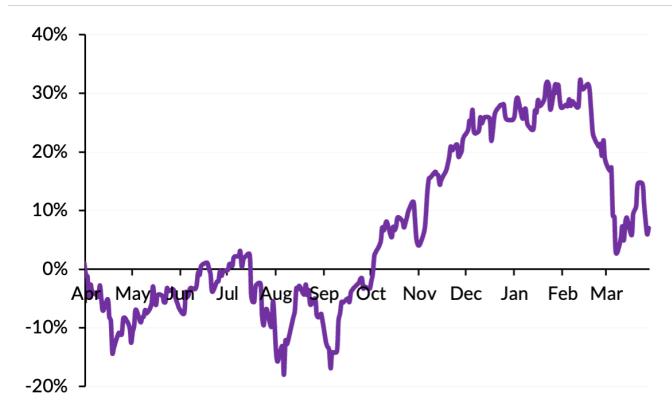
RISK

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 FY2025 FINANCIAL YEAR

A LAST MINUTE RUG PULL



This chart showing the percentage returns through the course of FY2025 isn't perhaps the truest picture, because it doesn't show how the Fund came into FY2025 after gaining 45% in the first three months of 2024. That was nice but it was such a rapid climb that things then consolidated for several months as companies' underlying profits caught up with, and grew into, the fast increase in share prices.

Our goal is to find companies that are steadily growing their profits at 20% pa or so. But we know that, in the short-term at least, share prices will run ahead or lag behind that rate. The best analogy we've heard is this one:

"... the market is like an excitable dog being walked through Central Park on a very long leash, darting randomly in every direction. At any one moment, there is no predicting which way the pooch will lurch. But in the long run you know he's heading northeast at an average speed of three miles per hour. What is astonishing is that almost all the market players, big and small, seem to have their eye on the dog and not on the owner."

In this analogy share prices (and fund unit prices) are the excitable dog, while corporate profits are the dog's owner.

At the start of April the companies the Fund was invested in were over-bought and due a pause, but by September they were arguably over-sold and the long-run climb recommenced. By mid-February the Fund was sitting at about 30% return and our rough take is that wasn't unreasonable given the financial performance of the underlying companies.

But then Trump spooked markets, first with cuts to the Federal workforce and then with bellicose rhetoric on tariffs. If tariffs were a good idea then Wall Street would be going up, but right now a tariff headline a day keeps the bulls away. So the Fund took a hit in the last six weeks of the financial year that left the full year return at just 7%.

Ultimately FY2025 was the fifth messy year in a row as economies and markets try to re-establish their balance after the Covid upheavals. It'd be nice to get back to the steadier economic and financial performance we saw pre-Covid. Surely we're due a calmer and more average year?

TRYING TO UNDERSTAND THE LOGIC OF TARIFFS

It's a new experience watching an incoming American President appear to deliberately sabotage the US economy in his first weeks in office. The Biden economy was in pretty good shape and trending in the right direction, so America didn't need shock therapy. But Trump, and many Republicans, feel the need to urgently re-align America with the rest of the world.

We see three key aspects to tariffs – the objective, the feasibility and the execution.

There is a rational objective. Although globalisation has brought cheaper goods and boosted corporate profits the decline in blue-collar employment has ravaged many communities. That's not unique to the USA – New Zealand, Australia, the UK and Europe face the same issues. Politicians have never had a good answer for how to take care of the displaced workers or to redress the resulting inequality.

And there's a strategic dimension too. It's a proper and key responsibility of every government to ensure domestic capacity doesn't shrivel to the point where they couldn't prevail in a war. In the US they're concerned they can no longer stand alone in important areas such as steelmaking, shipbuilding and silicon chips.

So the goal is to beef up domestic manufacturing, create more blue-collar jobs and promote America's strategic independence. That seems a valid objective and it has broad support across the political spectrum (see Biden's CHIPS Act and his veto of the US Steel merger).

But is it feasible? Maybe, if given long enough, and with enough carrots and sticks. Biden used subsidies and tax relief as carrots for key targeted industries, Trump has jumped straight to hitting everything with the stick. Either way US taxpayers are ultimately the ones who will bear the direct cost. But it will take at least 10, if not 20, years. You cannot build the factories and shipyards and so on overnight. It's debatable whether the political will can last that long.

The real problem though seems to be with the execution.

Trump by nature is mercurial and chaotic. And he can't separate the long-term strategic objective from his own obsessions with America First, his mistrust of America's traditional allies, his hatred of taxes and so on.

It's likely that an America that was prepared to work in concert with key traditional allies, such as the Anglo countries and Europe, to promote true fair trade and to incentivise domestic production would have a greater chance of success than an America that alienates those same allies and forces the rest of the world to coordinate against America. But that's not Trump's style. Trump isn't "engagement", he's "smash and grab". He's not a builder, he's a shoplifter (see Panama, Greenland, Gaza etc). There's no "win win", just Mafia-type zero sum games.

Perhaps a statesman, like a JFK, could inspire people with a vision of a generational rebuilding of strategic industries and industrial communities. That'd probably be a good thing. But statesmen of that calibre are rare.