

# Global Equities Fund

## Investor Factsheet for the quarter ended 31 March 2024

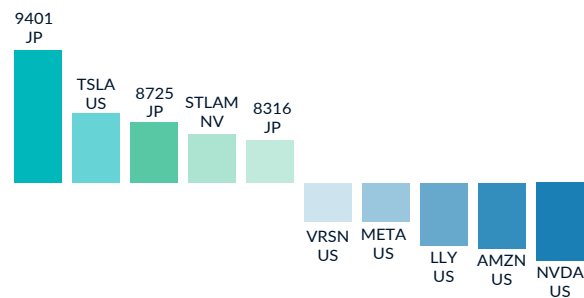
	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since June 2022*
Gross Fund Return**	11.13%	27.07%	3.58%	8.83%	5.02%	20.71%
MSCI ACWI Net TR Index (50% Hedged)***	12.05%	27.22%	11.06%	13.15%	8.55%	20.92%
<b>Out/under performance</b>	<b>-0.92%</b>	<b>-0.15%</b>	<b>-7.49%</b>	<b>-4.32%</b>	<b>-3.54%</b>	<b>-0.21%</b>
Tracking error	n/a	3.78%	5.00%	5.39%	6.30%	4.11%
Information ratio	n/a	-0.04	-1.50	-0.80	-0.56	-0.05
Sharpe ratio	n/a	2.15	0.04	0.50	0.18	1.73

### Key Fund Facts as at 31 March 2024

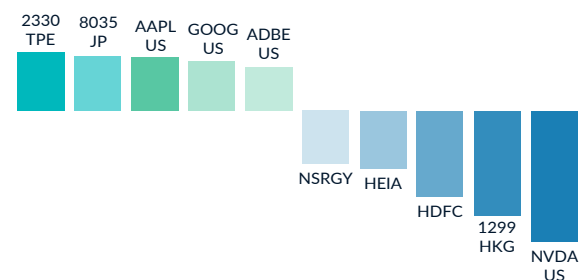
Fund Name	Global Equities Fund	Risk Indicator	<span>1</span> <span>2</span> <span>3</span> <span>4</span> <span style="background-color: #0070C0; color: white;">5</span> <span>6</span> <span>7</span>
Inception Date	26/06/2008	Market Index	MSCI ACWI Net TR Index (50% hedged)
Fund Value (NZD)	\$147,053,243	Unit Price	\$1.7846
		Annual Fund Charge (ex-GST)	1.35%

### ATTRIBUTION (ROLLING 4QS TO 31 MARCH 2024)

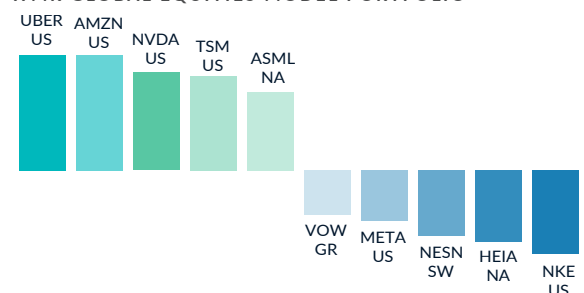
#### TE AHUMAIRANGI



#### INTERMEDE INVESTMENT PARTNERS



#### WMR GLOBAL EQUITIES MODEL PORTFOLIO



### The fund in its macro context

March was a strong quarter for the Global equity markets. The widely followed MSCI ACWI (All Country World Index) was up 8.20% in US Dollar terms. US equities, which account for the largest allocation in the ACWI, led gains on still strong employment figures, with companies reporting solid profit margins for the December quarter. US monthly core inflation surprised to the upside for the third month in a row. This saw US bond markets price in fewer rate cuts by the Fed during the rest of the year.

European and British central banks left interest rates unchanged. Inflation is still falling in their economies, and they are not as strong as the US, leading to markets pricing in earlier rate cuts across the Eurozone. Japanese equities had the highest return of the major markets, led by robust earnings growth.

Early in the first quarter of 2024, US growth stocks were leading global markets higher, the highly vaunted 'Magnificent 7'. But by the end of the quarter many regional markets, and pleasingly a broader range of stocks, were contributing to performance and diluting the concentrated trading around US mega-cap tech stocks.

### Portfolio attribution

For the quarter to 31 March the Global Equities Fund delivered a gross return of 11.13% relative to the funds' market index return of 12.05%.

On a rolling four quarters basis to 31 March, the Global Equities Fund delivered a gross return of 27.07%, in line with the fund's market index return of 27.22%.

\* Annualised

\*\* Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. Market index returns do not have any deductions for fund charges, trading expenses or tax.

\*\*\*For periods prior to April 2018, the market index/benchmark return used is an unhedged variant of the MSCI ACWI Net Total Return Index in New Zealand dollars.

Octagon instituted a multi-manager investment strategy in June 2022, splitting the fund across three managers and styles, with Octagon selecting the managers, tilting between them, and running an active currency hedging strategy.

Intermede Investment Partners run a concentrated portfolio focused on companies with above average earnings growth that are already generating attractive profits and strong returns on their asset bases.

The Forsyth Barr Wealth Research team also focuses on quality growth, with a tilt to major industry themes like healthcare, financial sector innovation and data growth, as recent examples. This portfolio continues to have a long-standing position in Nvidia.

Te Ahumairangi runs a little over 40% of our global equity portfolio. With a focus on earnings certainty and delivery, they have a strong overlap with value factors and are unlikely to own the most highly priced sectors of the global market. They have been favourably disposed to the Japanese market and its recent record run for a considerable time.

Keeping up with market returns over the past year, with limited exposure to the 'Magnificent 7' is a notable achievement. None of our managers own Tesla and they are under-weight, in aggregate, the Magnificent 7.

### Portfolio position and conviction

We view the US equity market as being expensive. Share prices keep outpacing earnings growth and higher interest rates continue to make US equities look expensive relative to bonds. Economic growth has undoubtedly held up better than we expected, but this is more than reflected in current share prices.

Other global markets are more reasonably priced yet have weaker current economic growth. We expect the European Union and UK to cut rates before the US, which should help to revive their economies. Inventory supply chains appear to have rebalanced, which would also support margins and revenue growth for the cyclical and value sectors of the market.

We continue to retain our slight over-allocation (versus long run target) to Te Ahumairangi, our low volatility manager, as the valuation indicators we use indicate better returns are available in that subsector of the market, relative to the more growth focused subsectors.

We view the New Zealand Dollar as undervalued, particular against the US Dollar. The weak economic growth in New Zealand currently could see the realisation of this value play out over an extended period.

### Conclusion

The global portfolio is designed to ensure we remain well diversified across investment styles and global equity markets. Octagon uses its models and judgement to allocate between the managers and undertake currency hedging, asking the three portfolio managers to stick to their own investment styles, where they have developed specialist skills.

#### TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Microsoft Corp.	3.7%
Amazon.com Inc.	2.9%
Nestle SA	2.2%
Alphabet Inc. Class A	2.2%
Visa Inc. Class A	1.8%
The Procter & Gamble Co.	1.7%
The Walt Disney Company	1.6%
Apple Inc.	1.5%
NVIDIA Corp.	1.5%
Alphabet Inc. Class A	1.4%
<b>Major holdings as % of total portfolio</b>	<b>20.6%</b>

Provided on a look-thru basis into the underlying investment manager portfolios

### Investment Philosophy and Thesis

Octagon is an active investment manager. Our investment philosophy focuses on developing a repeatable process that systematically looks for short-to-medium term inefficiencies in market pricing of securities with a solid economic basis and a good management team to deliver long term, measurable alpha.

The most common and persistent market inefficiencies we find are:

- excessive focus on near term earnings
- market dislocations and liquidity events
- temporary governance failures
- irrational investor behaviour

In the global equities space, we hire external managers who have proven track records, robust processes and exploit specific investment styles, whilst maintaining diversification in and between the funds.

### Portfolio Manager



**Christine Smith-Han**  
Strategy Analyst