Global Equities Fund

Investor Factsheet for the quarter ended 30 September 2024

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since June 2022*
Gross Fund Return**	3.97%	26.10%	4.62%	7.86%	5.17%	18.29%
MSCI ACWI Net TR Index (50% Hedged)***	3.60%	27.67%	10.58%	12.62%	8.67%	18.94%
Out/under performance	**0.37%**	**-1.56%**	**-5.96%**	**-4.76%**	**-3.49%**	**-0.66%**
Tracking error	n/a	4.00%	5.06%	5.20%	6.23%	3.94%
Information ratio	n/a	-0.39	-1.18	-0.92	-0.56	-0.17
Sharpe ratio	n/a	2.30	0.05	0.42	0.18	1.21

Key Fund Facts as at 30 September 2024

Fund Name	Global Equities Fund	**Risk Indicator**	1 2 3 4 **5** 6 7
Inception Date	26/06/2008	**Market Index**	MSCI ACWI Net TR Index (50% hedged)
Fund Value (NZD)	$172,756,558	**Unit Price**	$1.8575

ATTRIBUTION (ROLLING 4QS TO 30 SEPTEMBER 2024)

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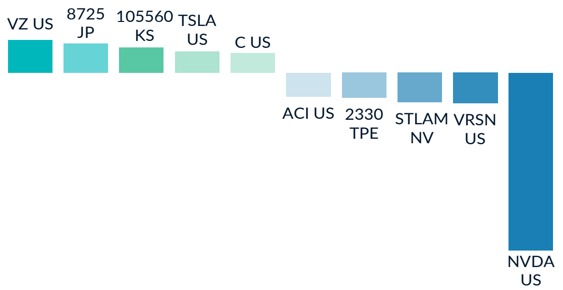
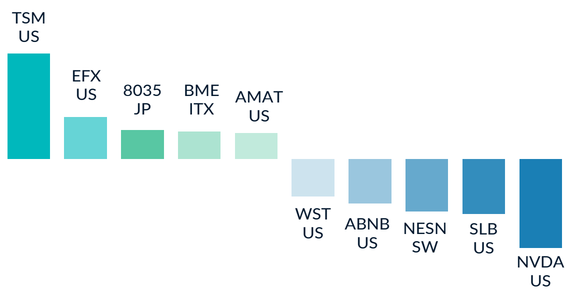
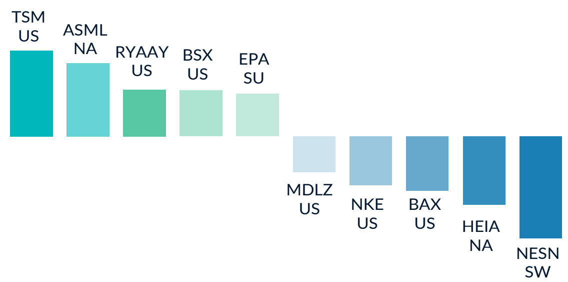


INTERMEDE INVESTMENT PARTNERS



WMR GLOBAL EQUITIES MODEL PORTFOLIO



The fund in its macro context

For the September quarter central banks worldwide continued to lower interest rates as inflationary pressures decreased and concerns about employment and economic growth intensified. The most notable shifts came from the US and China, as they looked to support future growth with rapid changes to monetary policies.

The U.S. Federal Reserve has started its rate-cutting cycle, confident that inflation is on the decline. The S&P500 index reached all-time highs following the Fed's dovish move. The debate now revolves around the speed and size of further rate cuts. Despite the minor uptick in U.S. economic growth, consumer spending is expected to slow due to low savings rates.

China surprised investors with a stronger-than-expected monetary stimulus packages from its central bank and fuelled a rally in the domestic equity market following years of anaemic growth. The sharp upward rally recovered nearly 18-months of underperformance and helped boost other emerging markets and global sector returns.

Portfolio attribution

For the quarter to 30 September, the Global Equities Fund delivered a gross return of 3.97%, outperforming the funds' market index return of 3.60%.

For the four quarters to 30 September the Fund delivered a gross return of 26.10%, versus the funds' market index return of 27.67%.

* Annualised for periods greater than 1 year

** 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.

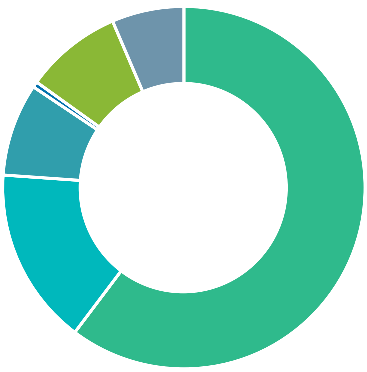
***For periods prior to April 2018, the market index/benchmark return used is an unhedged variant of the MSCI ACWI Net Total Return Index in New Zealand dollars.

TOP 10 FUND HOLDINGS AT QUARTER END*

Security	Weight
Microsoft Corp.	3.9%
Alphabet Inc.	3.8%
Amazon.com Inc.	3.1%
Nestle SA	2.5%
Salesforce Inc.	2.1%
Uber Technologies Inc	1.8%
Visa Inc. Class A	1.7%
Apple Inc.	1.7%
Heineken Holdings NV	1.5%
Siemens AG	1.3%
Major holdings as % of total portfolio	**23.4%**

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

SECURITIES BY GEOGRAPHY (PRIMARY LISTING)



SECURITIES BY INDUSTRY CLASSIFICATION (GICS)

We saw volatility spike over the quarter, supporting our view that global equity markets are expensive in aggregate. If this were not the case, a delay in rate cuts by central banks or modest economic data disappointments would not lead to share price capitulation and investors' shift to value stocks.

Our minimum volatility manager performed well throughout the quarter, taking advantage of periods of market uncertainty. Minimum volatility tends to have a strong overlap with value stocks. We expect to see continued selling in growth names and sector rotation into value.

The biggest positive contributor for our low volatility manager was Verizon. Verizon is their largest conviction overweight relative to the benchmark and the stock rallied over 30% in the past 12 months. KB Financial Group was another key contributor to performance after it reported higher profits and indications of improved corporate governance principles.

The market's focus on a small group of the mega-cap stocks over the past year has caused Verisign's share price to trade below its fair value, in our manager's opinion. Verisign's strength lies in its dominant position in the market and its strong brand reputation as the exclusive registry for .com and .net domains. The company boasts impressive operating margins of over 60% and generates significant free cash flows.

Our London-based Growth at a Reasonable Price (GARP) manager provided positive performance for the quarter with its overweight position in Hong Kong-listed AIA Group being a standout. AIA benefitted from China's stimulus package announced in September with easier home purchase rules boosting investor sentiment for Asia's leading insurance group. Airbnb's shares detracted from performance. Its share price dropped sharply in August after the company reported soft 2Q24 results and provided disappointing guidance for 3Q24.

The manager had held Nvidia until recently but completely exited the stock during the quarter, although the manager remains invested in other mega-cap technology stocks Microsoft, Alphabet and Amazon.

The Wealth Research Portfolio performed well with its allocation to defensive growth stocks but underperformed due to its minimal exposure to both Hong Kong and China equities. The key contributors to performance were ASML and Taiwan Semiconductor, continuing the run AI-related stocks have seen in the last 12 months. Nestle and Heineken continued to disappoint as share prices reacted to weaker-than-expected margins.

Portfolio conviction

We continue to see global equities as moderately expensive in aggregate. Our base case remains that Central Banks worldwide will act quickly on rate cuts and easing policy if a recession were to take hold in their respective economies. In our view, there is little "fat" in global equity markets' valuations to absorb even the slightest surprise in macro trends.

The portfolio remains diversified with a slight over-allocation to "Value" relative to "Growth" as we expect slowing global growth and risks to company profits.

Our managers do not follow a top-down investing approach, where they first analyse macroeconomic trends and then select stocks. Instead, they focus on fundamental valuation and use a bottom-up stock selection method. They start by analysing the top-line fundamentals, such as revenue and earnings to understand how they are impacted by macro trends. They also consider how management allocates capital.

Our minimum volatility manager is optimistic about Verizon Communications. As a leading provider of mobile telephony services in the US, their share price had decreased due to the decline in revenue from copper line phones and toll call services. Revenues are transitioning to data connectivity and mobile services, allowing modest growth to return. KB Financials is another top pick. Last year, the company's shares traded at just 4 times actual earnings due to investors' lack of trust in Korean financial regulation. The company is well-capitalized, has good credit metrics with low relative non-performing loans. It has experienced healthy profit growth over the past few years, generating good returns for shareholders.

Our GARP manager remains optimistic about Airbnb. Even though there has been a slowdown in travel, Airbnb is still growing at a much higher rate than sector peers. The company's 2025 FCF yield is 7%, and it is expected that the top-line growth will recover to over 10% in the future. The manager also sees value in Taiwan Semiconductor (TSM). The strong demand for TSM's leading-edge products continues to signal upward revisions to forward estimates. Shares have also benefitted from positive chip sales this year, expected to exceed 10% on a year-over-year growth basis.

The Wealth Management Portfolio continues to target the growing gains in AI trends and earnings recovery for consumer stocks. They retain their active tilt to large cap tech stocks Amazon, Alphabet, Microsoft, Salesforce and ASML.

When we combine the manager's holdings into one single portfolio, it has an under-allocation to the US and emerging markets and overweights Japan and Europe based on their attractive valuation.

Conclusion

The portfolio remains well diversified, with an increased tactical tilt to the minimum volatility manager and an underweight position in the highest-priced momentum stocks – the best example being our relatively low exposure to mega-cap US tech companies.

The biggest risk in the near-term outlook is the delivery of earnings in the key US market. Robust growth is expected, and any shortfalls could see the market pause for breath after two years of strong performance.

Our three managers continue to find attractive opportunities across most regions and sectors. We keep in touch with our global managers and make sure they stay true to their philosophy and investment process.

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

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