



NAVIGATOR

H O B S O N
W E A L T H

Returns at a glance to 29 February 2024

Hobson Wealth	1 month	3 months	1 Year	3 Years*	Since Inc.*
Conservative	-0.1%	2.9%	6.2%	0.1%	1.1%
Moderate	0.5%	4.1%	8.4%	0.7%	1.9%
Balanced	1.0%	4.9%	10.0%	1.2%	2.5%
Growth	1.5%	5.9%	11.8%	1.7%	3.1%
High Growth	2.5%	7.6%	15.7%	2.8%	4.0%

*Annualised

These performance numbers are calculated by Hobson Wealth based on a blend of the performance of the underlying Hobson Wealth Investment Funds as applicable to each of the model portfolio allocations. The performance data is an estimation only. Final data will be available on your 3Skye portal when confirmed. Returns are net of fees and gross of tax. The performance information for each of the underlying Hobson Wealth Investment Funds can be obtained from the Quarterly Fund Updates for the Funds, which are available on www.fundrock.com and www.business.govt.nz/disclose.

Performance Overview – February 2024

February was another strong month for global markets, with a number of major indices including the S&P 500 (US), Euro Stoxx 600 (Europe) and Nikkei 225 (Japan) rising to record levels during the month. **The NZX 50 slid** as the latest reporting season set new (unwanted) records, though it hopefully marked the bottom of the downgrade cycle. Interesting to note was the apparent broadening in regional and sectoral returns, in spite of ‘growth’ stocks continuing their dominance. ‘Magnificent Seven’ performance has been increasingly fragmented: Nvidia’s +64% surge year-to-date is in stark contrast to Tesla, giving up -23%. US earnings season exceeded expectations, with a Q4 earnings growth rate of +4%, resulting in a modest annual figure of +0.9%. In contrast, **fixed interest continued its struggle year-to-date**. Government bond yields ticked upwards as many central banks, including the Fed and RBNZ, reiterated that they are in no great hurry to commence rate cutting cycles.

The International Growth Fund continued leading the way, outperforming the MSCI World benchmark in February as global markets significantly outperformed our domestic markets driven by earnings season (particularly in the US) beating expectations. In sharp contrast, a downbeat NZ reporting season meant **the NZ Equity Fund struggled to keep up** with its international counterpart and marginally underperformed the NZX 50 benchmark. **The Fixed Interest Fund strayed slightly behind its benchmark** as volatile markets continued to bounce around considerably on any central bank whispers hitting news wires.

In the Hobson Wealth Navigator series, we try and build portfolios that are durable and buy shares in companies that behave well with each other i.e. portfolio diversification. We prefer to be style agnostic, we have a range of companies which behave in different manners during different market conditions, and in many cases are uncorrelated. Shares in companies that you won’t lose sleep owning, confident in the enduring attractiveness of the business model.

Hobson Wealth

Auckland
Lvl 4, 37 Galway St
Britomart, Auckland
Ph: +64 9 363 8700

Wellington
Lvl 12, Deloitte Building
20 Customhouse Quay
Wellington
Ph +64 4 462 4999

Tauranga
Lvl 2, Suite 6
The Vault
53 Spring Street
Tauranga
Ph: +64 7 926 2010

Christchurch
Lvl 3, 151 Cambridge Tce
Christchurch
Ph: +64 3 353 9080

Funds Review

Hobson Wealth NZ Equity Fund

It was a challenging month for the NZ exchange, as reporting season revealed the downgrade cycle continuing at pace. Earnings per share (EPS) expectations for FY24 were cut by over -9% and EPS is now expected to be down -3%; marking FY24 as equal worst with 2009. One of Warren Buffett's famous quotes is to be fearful when others are greedy, and greedy when others are fearful. Today the New Zealand market appears fearful — certainly the cyclical space. Despite all the gloomy headline numbers, we argue that we are at the beginning of the end of the downturn. While a generally challenging month for the NZ market, the portfolio in relative terms finished only just behind benchmark. a2 Milk (+20%) provided a significant bright spot with a strong 1H24 result, infant formula revenue continued to surprise to the upside, alongside second largest holding Meridian (+8%) delivering a record result.

Top Performers: a2 Milk, Meridian, Fisher & Paykel Healthcare

Bottom Performers: Ryman, Restaurant Brands, Oceania

Hobson Wealth International Growth Fund

The International Growth Fund outperformed its benchmark in again in February. Outperformance was pleasantly broad based with the significant majority of holdings enjoying positive returns in the month. Amazon (+14%) and Linde (+11%) each returned double-digits. The tech behemoth delivered a strong fourth-quarter earnings report, beating estimates on the top and bottom lines, as profit margins ramped up in the quarter. While the industrial gas giant under-promised and over-delivered – again, demonstrating its ability to grow throughout the economic cycle. One of last year's market leaders (and 'Magnificent Seven' member) Apple endured a dip in value as the company's revenue forecast was revised down, largely due to weaker iPhone sales out of its key China market.

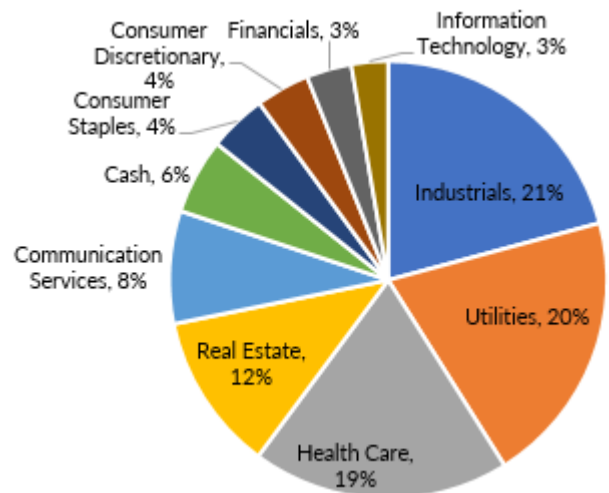
Top Performers: Amazon, Linde, ASML

Bottom Performers: Deere, MSCI, Apple

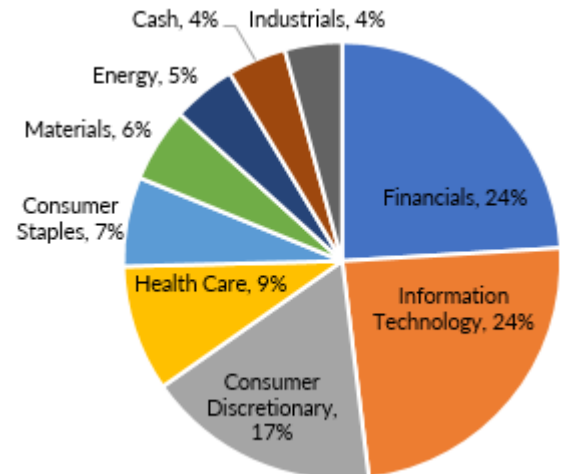
Hobson Wealth Fixed Interest Fund

The volatile start to the year continued through February in rates markets. Domestically, investors were justifiably wary when one of the major banks' economists forecasted the RBNZ was in fact not done yet with hiking the OCR. However, both bond and share market investors took a collective sigh of relief when the RBNZ left rates on hold once again, as was expected by the broad consensus. As a collective, global money markets moderated 2024 rate cut expectations, with the anticipated number of cuts more than halving in a number of markets since the start of the year. Three cuts are priced in for the Federal Reserve, Swiss National Bank and Bank of England, and four for the European Central Bank. The market is pricing in the RBNZ to make two rate cuts by year-end. Returns for the Fixed Interest Fund ended the month very modestly behind its benchmark.

Fund Breakdown by Sector (at 29 February 2024)



Fund Breakdown by Sector (at 29 February 2024)



Top Five Securities by Fund

Hobson Wealth NZ Equity Fund	Hobson Wealth International Growth Fund	Hobson Wealth NZ Fixed Interest Fund
Infratil Meridian Contact Goodman Fisher & Paykel Healthcare	Microsoft Danaher Amazon Berkshire Hathaway Apple	NZ Local Govt Funding Agency Kiwibank SkyCity Mercury Westpac

Hobson Wealth Target Asset Allocations

Hobson Wealth	Conservative	Moderate	Balanced	Growth	High Growth
NZ Equity Fund	14%	22%	29%	35%	33%
International Growth Fund	11%	22%	30%	39%	56%
NZ Fixed Interest Fund	75%	56%	41%	26%	11%

Note: These are target asset allocations **only** and based on the respective Navigator client risk profile.

Key Fund Facts

Hobson Wealth	Distributions	Estimated Annual Fund Charge (incl GST)
NZ Equity Fund	June, Dec	1.30%
International Growth Fund	Does not distribute	1.30%
NZ Fixed Interest Fund	March, June, Sept, Dec	1.30%

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