

FOUNDATION SERIES HEDGED US 500 FUND



Fund Fact Sheet at 29 February 2024

Fund Information	
Description	Single-sector fund targeting high-range long-run returns by investing in an underlying Exchange-Traded Fund ('ETF') that invests in shares of the largest companies listed on stock markets in the United States. The fund aims to have all foreign currency exposure hedged to the New Zealand dollar.
Objective	To perform broadly in line with the return of the Fund's investment benchmark on a before fees and tax basis.
Benchmark	Morningstar US Target Market Exposure TR Hedged NZD Index
Inception	5 February 2024
Fund Type	PIE
Fund Size (NAV)	\$1.5 million
Annual Fund Charges (Estimated, % of NAV)	0.03%
Performance Fee	Nil
Buy/Sell Spread	Nil
Entry/Exit Fee	0.50%/0.50%
Unit Price	\$1.0283

Investment Mix



Commentary

The Foundation Series Hedged US 500 Fund slightly underperformed its benchmark in February, returning 2.83% after fees and before tax.

February saw the S&P 500 Index finish +5.2% higher in USD terms, establishing new record highs and crossing the psychologically significant 5,000 index threshold for the first time, having risen in 16 of the last 18 months to the end of February – something not seen in over 50 years. The gains were driven by stronger than expected economic growth in the US, with 353,000 jobs added in January as well as inflation slowing down to 3.1%, which saw expectations for interest rate cuts pushed out.

Strong corporate earnings also bolstered the US share market, with around three-quarters of S&P 500 companies having beaten analysts' earnings forecasts and earnings growth hitting nearly 8% year-on-year in Q4 2023. In particular, S&P 500 constituents' sales figures came in strong, up over 3.0% quarter-on-quarter, with the final figures expected to report a record year in 2023, with \$15.6 trillion USD in sales. Overall for 2024, earnings estimates call for a robust increase of 12.6%, with a forward Price to Earnings ratio of 21.2.

In terms of the index's biggest drivers, the focus again was on members of the 'Magnificent Seven', which reported a 59% profit surge over the quarter. Excluding these firms, the rest of the index posted a -2% decline in profits. However, this most recent rally has seen gains from a broader group of names and a bit more fragmentation within the 'Magnificent Seven' members, with NVIDIA gaining 28.6% for the month (and 59.8% in the two months of 2024 alone) – representing 20% of the S&P 500's February total return, while Tesla is down around -20% so far in 2024.

Over the month, all 11 sectors gained, compared to just 5 in January and 8 overall in 2023. Consumer discretionary led the way, returning +8.6% in February, although up just +4.7% over 2024 and down -7.8% from the start of 2022. The Industrials, Materials and Information Technology sectors also saw strong months, each returning over +6% in February. On the other end of the spectrum, Utilities paced the laggards, up just +0.5% over the month, taking its year-to-date performance to -2.6% while still being down -13.8% since the beginning of 2022.

The Fund's strategy is to provide NZ dollar-hedged exposure to a diversified portfolio of US equities, targeting high-range long-run returns by reweighting back to the Fund's benchmark/target investment mix within a cost-effective and tax appropriate investment structure.

Performance	1 Mth	3 Mths	6 Mths	1 Year	Inception
Fund (after fees before tax)	2.83%	–	–	–	2.83%
Fund (after fees and 28% PIR)	2.57%	–	–	–	2.57%
Benchmark (no deductions)	2.96%	–	–	–	2.96%

Investors should also refer to the Quarterly Fund Update, which is available at fundrock.com/fundrock-new-zealand and business.govt.nz/disclose.

Anthony Edmonds – 021 499 466

anthonyedmonds@investnow.co.nz

Jason Choy – 021 0221 7661

jasonchoy@investnow.co.nz

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