

# FOUNDATION SERIES HEDGED US 500 FUND



## Fund Fact Sheet at 30 June 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)	\$7.1 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	\$1.1108

### Investment Mix



### Commentary

The Foundation Series Hedged US 500 Fund slightly outperformed its benchmark in June, returning 3.93% after fees and before tax.

June saw the S&P 500 Index notch seven new all-time highs en route to finishing the month +3.6% higher, +4.3% over the quarter and +15.3% in the first half of 2024 (all in USD terms with dividends). The index was driven by strong company earnings growth from a handful of mega-cap technology leaders. This included many of the familiar names within the 'Magnificent Seven', such as Apple (+10.7%), Tesla (+12%), Amazon (+10.4%), Meta (+9%) and of course NVIDIA (+13.6%), which over June had surpassed US\$3 trillion in market cap (briefly becoming the most valuable company in the world) and has been responsible for nearly one-third of the S&P 500's rise in the first half of the year.

This concentration of leadership amongst a handful of elite names is a cause for concern for some market watchers. While economic resilience drove a broader rally in Q1, particularly in cyclical sectors such as banking and energy, this has since reversed over the most recent rally as these same sectors went deep into the red, reflecting the impact of higher-for-longer interest rates sentiment. Instead, just six big tech stocks (NVIDIA, Amazon, Microsoft, Meta, Alphabet and Apple) which make up one quarter of the index, accounted for over 60% of the S&P 500's first half gains. The clear haves and have-nots in the corporate sector are obvious when looking at an equal-weighted S&P 500, which actually fell -3.1% in Q2.

Over June, just 40% of the S&P 500's constituents gained and only 5 of the 11 sectors finished the month higher. This was led by Information Technology (up +9.3% for the month and +13.6% over the quarter) and Communication Services (up +4.7% for the month and +9.1% over the quarter) – the key sectors associated with the 'Magnificent Seven'. On the other side of the ledger, Utilities performed the worse (down -5.8%) followed by Materials (down -3.3%) as the sectors continued to digest the impact of the Fed delaying its easing cycle, with markets now expecting far fewer rate cuts than it did to start the year.

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)	3.93%	4.59%	–	–	11.13%
Fund (after fees and 28% PIR)	2.93%	3.71%	–	–	10.33%
Benchmark (no deductions)	3.67%	4.08%	–	–	10.96%

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

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