

Performance to 31 May 2024

Relative to Benchmark[^]

Fund Performance

Performance – Rolling periods	Total returns (NZD %)	1 month	3 months	SI cum*
Portfolio (Gross)		0.70	2.41	16.28
Benchmark [^]		0.61	2.90	15.53
Excess (Gross)		+0.09	-0.49	+0.75

Fund Performance - Hedged

Performance – Rolling periods	Total returns (NZD %)	1 month	3 months	SI cum*
Portfolio (Gross)		4.28	3.66	16.33
Benchmark [^]		4.05	4.22	15.78
Excess (Gross)		+0.23	-0.56	+0.55

Past performance is not a reliable indicator of future performance. The difference between the portfolio and benchmark returns may not equal stated excess returns due to rounding. *Since inception from 30 November 2023. [^]Benchmark is MSCI World ex tobacco NR NZD.

Portfolio characteristics as at 31 May 2024

	Portfolio	Benchmark
Active share	38.5%	N/A
Number of stocks	437	1,459
Carbon intensity (CO2 t/M\$ sales)	57.3	99.0
Beta* (ex-ante)	1.00	N/A
Tracking error* (ex-ante, p.a.)	1.18%	N/A
Portfolio size	NZ\$284m	N/A

Source: Schroders. *Based on Aladdin's risk system. [^]Benchmark is MSCI World ex tobacco NR NZD.

Market and portfolio commentary

Market review After pausing for breath in April, Global equities moved higher again in May, thanks to ongoing investor optimism about the economic outlook. Developed market stocks delivered a return of 4.5% over the month, whilst emerging markets lagged finishing only modestly in the black.

US shares in particular were supported by strong corporate earnings despite evidence that inflation remains sticky, which appears to rule out early rate cuts. Equities were led by the information technology, utilities, and communication services sectors. Notably, more than half of May's S&P 500's gains could be attributed to four mega cap tech stocks (Nvidia +26%, Apple +13%, Microsoft +6.8% and Alphabet +6%). Energy was the main laggard due to weaker oil prices.

Eurozone stocks also advanced with real estate and utilities among the top gainers. These sectors drew support as investors looked ahead to the European Central Bank (ECB) meeting in June where a rate cut is widely anticipated. Energy and consumer discretionary were the weakest sectors. Meanwhile UK equities rose over the period with the FTSE 100 reaching all-time highs. Financials and industrials led the way, with small and mid-sized equities outperforming large caps. Elsewhere, Japanese equities rebounded as the financial sector outperformed, driven by the rise in long-term interest rates in Japan. However, weakness in local large-cap technology stocks offset some of these positives.

Emerging market equities rose in US dollar terms (thanks to dollar weakness) although they still lagged developed market peers. Softer US macroeconomic data helped ease concerns about the timing of US interest rate hikes, while better performance from China also supported EM returns. Lower energy prices weighed on some of the Middle Eastern markets.

Asian markets notched up modest gains in May with Taiwan, Singapore, and Malaysia the best-performing markets, while Indonesia, Philippines and South Korea rounded out the laggards. The tech heavy Taiwanese market was supported by ongoing enthusiasm for artificial intelligence (AI)

Market and portfolio commentary (continued)

Market review (continued) developments. Chinese equities also rose amid optimism on the authorities' support for the housing sector and President Xi's reform rhetoric drove returns, whilst India was only just ahead of the index. National elections, which began mid-April, are due to finish in early June with the incumbent President Narendra Modi expected to win a third term in office. Meanwhile, the 7.1% decline in the price of Brent crude oil impacted the likes of UAE, Qatar and Saudi Arabia, all of which underperformed broader EM peers. Brazil ended the month in negative territory following flooding in the southern state of Rio Grande do Sul.

Portfolio commentary The strategy finished modestly ahead of its reference index over the month & is comfortably ahead over the calendar year to date. Whilst the underperformance of some value areas and gains posted by lower quality stocks was a drag, this was offset by our diversified positioning elsewhere.

Contributing over the month was stock selection within health care which was strong. Exposure to higher quality names alongside an underweight to poorly performing health equipment aided returns. Elsewhere, positioning in technology was again positive as a diversified exposure to semiconductors supported returns as the sector again enjoyed strong gains over the month. Meanwhile, avoiding lower quality stocks in the consumer discretionary sector across autos and hotels & leisure was a further boost to relative performance.

Partially offsetting this, positioning in utilities and materials modestly detracted. Our longstanding underweights to utilities due to their poor quality characteristics was the key detractor over the month as the sector was buoyed by the expectation that the power consumption increase necessary for artificial intelligence applications will boost earnings. Within materials our exposure to chemicals was also a drag over the month on relative returns.

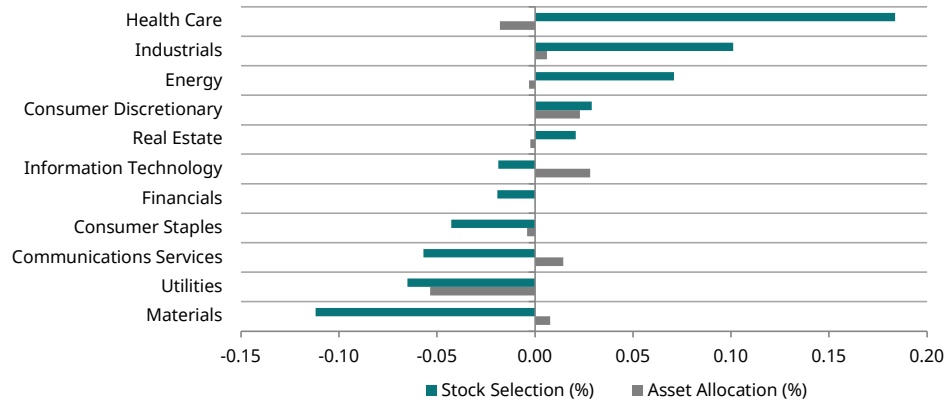
At a high level, the strategy remains well diversified across stock, geography and sector with a continued focus on companies with solid fundamentals that are not overpriced in line with our underlying investment philosophy. Given the multiple inputs employed within our process, the strategy continues to be exposed to a range of themes and with a broad allocation across our distinct measures of Value & Quality.

At the end of the month, some of the largest overweight's in the strategy were within health care and financials, driven by higher than index exposure to pharmaceuticals and insurers respectively. We continue to favour securities exhibiting high quality characteristics and at favourable valuations while maintaining diversification across the portfolio. The strategy continues to be underweight real estate and utilities which we view as highly leveraged and unappealing in valuation terms. From a regional perspective, the strategy is overweight the US & emerging markets. Elsewhere, we are underweight Continental Europe and the UK.

Attribution against MSCI World ex tobacco NR NZD

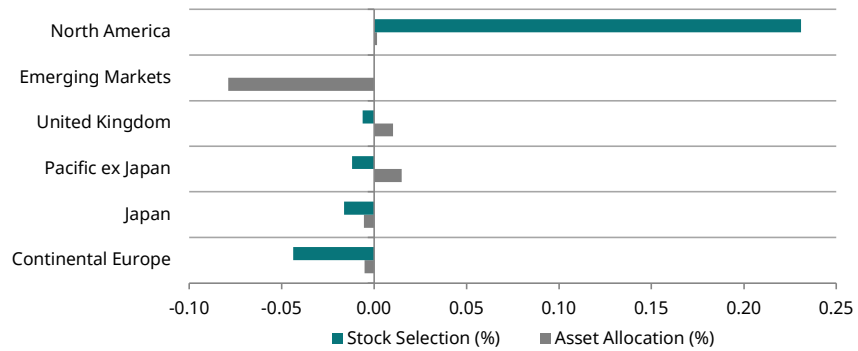
Sector

May 2024



Region

May 2024



The attribution analysis shown above is intended to provide an indicative summary of the contributions to relative performance. The information is generated using Aladdin, a multi-currency performance analytical system. The total estimated sector and region performance attribution is reconciled with and adjusted to the reported official relative return.

Portfolio weights versus MSCI World ex tobacco NR NZD

Sector	Portfolio (%)	Index (%)	Active Weights
As at	13.5	11.9	Health Care 1.6
31 May 2024	9.2	8.0	Communication Services 1.2
	16.2	15.4	Financials 0.8
	25.0	24.7	Information Technology 0.4
	6.2	5.9	Consumer Staples 0.3
	10.7	10.5	Industrials 0.1
	4.5	4.5	Energy 0.0
	3.5	4.1	Materials -0.6
	9.5	10.1	Consumer Discretionary -0.6
	0.6	2.1	Real Estate -1.4
	0.9	2.7	Utilities -1.8
	0.0	0.0	Cash 0.0

Region	Portfolio (%)	Index (%)	Active Weights
As at	1.5	0.0	Emerging Markets 1.5
31 May 2024	75.1	74.0	North America 1.1
	6.0	5.9	Japan 0.2
	13.3	13.6	Continental Europe -0.4
	2.8	3.7	United Kingdom -0.9
	1.2	2.8	Pacific ex Japan -1.6
	0.0	0.0	Cash 0.0

	Portfolio (%)	Index (%)	Active Weights
As at	28.9	27.2	Super Mega (>US\$500bn) 1.7
31 May 2024	45.0	44.8	Mega (US\$50bn - US\$500bn) 0.2
	18.3	24.7	Large (US\$10bn - US\$50bn) -6.4
	7.0	3.0	Mid (US\$2.5bn - US\$10bn) 4.0
	0.6	0.0	Small (≤US\$2.5bn) 0.6

The difference between the portfolio and benchmark weights may not equal stated active weights due to rounding.

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