

FOUNDATION SERIES US 500 FUND



Fund Fact Sheet at 30 September 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.
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 NZD Index
Inception	7 November 2022
Fund Type	PIE
Fund Size (NAV)	\$88.7 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	\$1.4534

Investment Mix



Commentary

The Foundation Series US 500 Fund slightly outperformed its benchmark in September, returning 0.49% after fees and before tax.

The September quarter saw the S&P 500 index continue its long march higher, returning +5.9% over the quarter and a year-to-date return of +22.1% (all in USD terms with dividends reinvested). Although the quarter saw strong gains, it was also marked by significant volatility. Changing expectations for the path of US interest rates largely shaped the narrative over the quarter. While Q3 started with the Federal Reserve holding interest rates at 23-year highs once again in July, it was followed shortly after by a jobs report that was well under consensus expectation, and the unemployment rate rising to 4.3%. Combined with a surprise interest rate hike by the Bank of Japan, this led to panic sweeping markets and the S&P dropping -10% in early August, as investors feared the Fed may have damaged the economy by leaving it too late to cut interest rates.

However, with the help of some resilient corporate earnings, which settled some nerves, as well as a dovish speech by Fed chair Jerome Powell at the Jackson Hole central bank symposium, by quarter end investors were rejoicing as the Fed's long awaited easing cycle had finally arrived with a 50 bps cut etched in the books in September. The bigger move added to investor optimism that the US economy can indeed thread the needle and achieve a 'soft landing', whereby the flames of inflation are tamed without triggering an economic downturn.

Over the third quarter, 10 of the 11 sectors finished higher, led by the Utilities (+18.5%), Real Estate (+16.3%), Industrials (+11.1%) and Financials (+10.2%) sectors which all saw double digit gains. On the other end of the spectrum, while Energy (-3.1%) was the sole laggard over the quarter, the Information Technology (+1.4%) and Communications (+1.4%) sectors didn't fare much better. This reflected a few of the names heavily associated with the Artificial Intelligence (AI) theme, notably those within the 'Magnificent Seven', experience sizable drops over the quarter. This volatility was fuelled by doubts over whether the avalanche of investments being made into AI infrastructure and technologies will actually lead to the outsized returns implied by the sky-high P/E ratios that some of these companies exhibit.

The Fund's strategy is to provide 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	Incept (p.a.)
Fund (after fees before tax)	0.49%	0.99%	3.96%	28.73%	21.80%
Fund (after fees and 28% PIR)	0.37%	0.62%	3.23%	26.93%	20.01%
Benchmark (no deductions)	0.39%	1.40%	3.69%	28.69%	21.75%

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

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