

FOUNDATION SERIES HEDGED TOTAL WORLD FUND



Fund Fact Sheet at 30 September 2024

Fund Information	
Description	Single-sector fund targeting high long-run returns by investing in an underlying Exchange-Traded Fund ('ETF') that invests in shares of companies listed on international stock markets. 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 Global All Cap Target Market Exposure NR Hedged NZD Index
Inception	5 February 2024
Fund Type	PIE
Fund Size (NAV)	\$17.4 million
Annual Fund Charges (Estimated, % of NAV)	0.07%
Performance Fee	Nil
Buy/Sell Spread	Nil
Entry/Exit Fee	0.50%/0.50%
Unit Price	\$1.1446

Investment Mix



Commentary

The Foundation Series Hedged Total World Fund underperformed its benchmark in September, returning 1.79% after fees and before tax.

Global share markets saw good gains over the third quarter of 2024, despite several bouts of market volatility over the period. This was best evidenced in early August, when a combination of weaker US economic data, a surprise interest rate hike from the Bank of Japan and thin liquidity over the summer saw markets panic and the VIX spike. However, the beginning of the rate cutting cycle for many major central banks, along with a less hawkish tone from Japanese policymakers and new stimulus in China helped support a strong rally in stocks to finish the quarter.

US shares continued its momentum in 2024, as changing expectations for the path of interest rates shaped the quarter. Early Q3 was marked by volatility with the Federal Reserve first leaving rates at 23-year highs in July, followed by a weak non-farm payrolls report and unemployment rising to 4.3%. This ignited fears that the Fed may have left the interest rate cuts too late and damaged the economy. However, by quarter end, resilient corporate earnings and the Fed's 50 bps interest rate cut in September saw investors rejoice, with the S&P 500 returning +5.9% in Q3.

Over in other developed markets, Eurozone shares made gains over the quarter, as the prospect of lower interest rates saw investors reassess some previously unloved parts of the market. With inflation easing to below 2% in September, Q3 saw the European Central Bank cut rates by 25 bps. Meanwhile, UK shares would also rise following a landslide Labour victory that fuelled hopes for a sustained recovery in the UK economy, with inflation also easing to the 2% range. This saw the Bank of Japan also kick-start their easing cycle too, cutting rates by 25 bps in August.

Asian and Emerging markets saw an eventful quarter. Q3 brought historically high volatility in Japan, amid a sharp correction in early August as the yen carry trade unwound and saw the yen strengthen sharply against the US dollar. Meanwhile, Asia ex-Japan was the top performing region, returning +10.6% over the quarter after Chinese policymakers announced a raft of new stimulus measures, ranging from rate cuts to fiscal support. Overall, this would see the MSCI All Country World Index (100% hedged to the New Zealand dollar) return +4.8% over the third quarter.

The Fund's strategy is to provide NZ dollar-hedged exposure to a diversified portfolio of international 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)	1.79%	4.44%	7.56%	–	14.65%
Fund (after fees and 28% PIR)	1.68%	4.08%	6.92%	–	14.07%
Benchmark (no deductions)	1.87%	5.06%	8.28%	–	14.78%

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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