

FOUNDATION SERIES HEDGED US 500 FUND



Fund Fact Sheet at 31 December 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) | \$17.6 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 | \$1.1924 |

Investment Mix



Commentary

The Foundation Series Hedged US 500 Fund slightly outperformed its benchmark in December, returning -2.38% after fees and before tax.

The final quarter of 2024 saw the S&P 500 index continue its march higher, returning +2.1% over the quarter to finish the 2024 year +23.3% higher (all in USD terms with dividends reinvested), having nullified the weakness in the NZD/USD exchange rate that would've boosted returns.

US shares made gains in Q4 to round out a strong year for the S&P 500, fuelled by Donald Trump's victory in the presidential election and the 'red sweep' which saw the Republicans also capture Congress. Shares were buoyed by expectations that Trump's policy agenda will lift growth, lower taxes and cut regulation.

Meanwhile, the Federal Reserve lowered interest rates in back-to-back meetings in November and December. The final meeting of the year also saw market volatility however as markets the Fed scaled back the number of cuts in 2025 due to persistently sticky inflation. The Fed's ominous stance came off the back of the core personal consumption expenditure (PCE) – the Fed's preferred measure of inflation – increasing by 2.8% year-on-year in November. This is despite the US economy remaining robust, notching an annualised GDP growth of 3.1% in Q3. Labour market data released in the quarter saw some distortion due to strike action and hurricanes, with non-farm payrolls rising by just 36k in October but was followed by a 227k gain in November.

Over the third quarter, just 5 of the 11 sectors finished higher, led by the Consumer Discretionary (+14.1%), Communication Services (+8.6%), Financials (+6.7%) and Information Technology (+4.7%) sectors which all saw solid gains. On the other end of the spectrum, the major laggards were the Materials (-12.8%), Health Care (-10.7%) and Real Estate (-8.8%) sectors as the more interest rate sensitive sectors saw volatility over the prospect of interest rates remaining elevated in 2025.

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) | -2.38% | 2.30% | 7.50% | – | 22.38% |
| Fund (after fees and 28% PIR) | -2.50% | 3.17% | 7.40% | – | 21.53% |
| Benchmark (no deductions) | -2.65% | 2.45% | 8.17% | – | 23.30% |

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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