



## REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH APRIL 2019

<i>All returns are in NZ\$</i>	Returns			Return volatility	
	30 Apr 19	3 months	12 months	Since inception pa <sup>i</sup>	Since inception pa <sup>i</sup>
<b>Aspiring Fund</b>	<b>3.36%</b>	<b>8.61%</b>	<b>8.04%</b>	<b>11.08%</b>	<b>8.41%</b>
New Zealand Equities <sup>ii</sup>	1.72%	11.45%	18.60%	8.61%	11.28%
Australian Equities <sup>iii</sup>	3.90%	9.94%	8.59%	6.18%	15.63%
World Equities <sup>iv</sup>	5.89%	12.39%	12.50%	6.25%	12.70%

<sup>i</sup> February 2006, <sup>ii</sup> NZX50 Gross, <sup>iii</sup> ASX All Ordinaries Accumulated, <sup>iv</sup> MSCI World Equities Total Return

**Unit Price** **\$3.76**

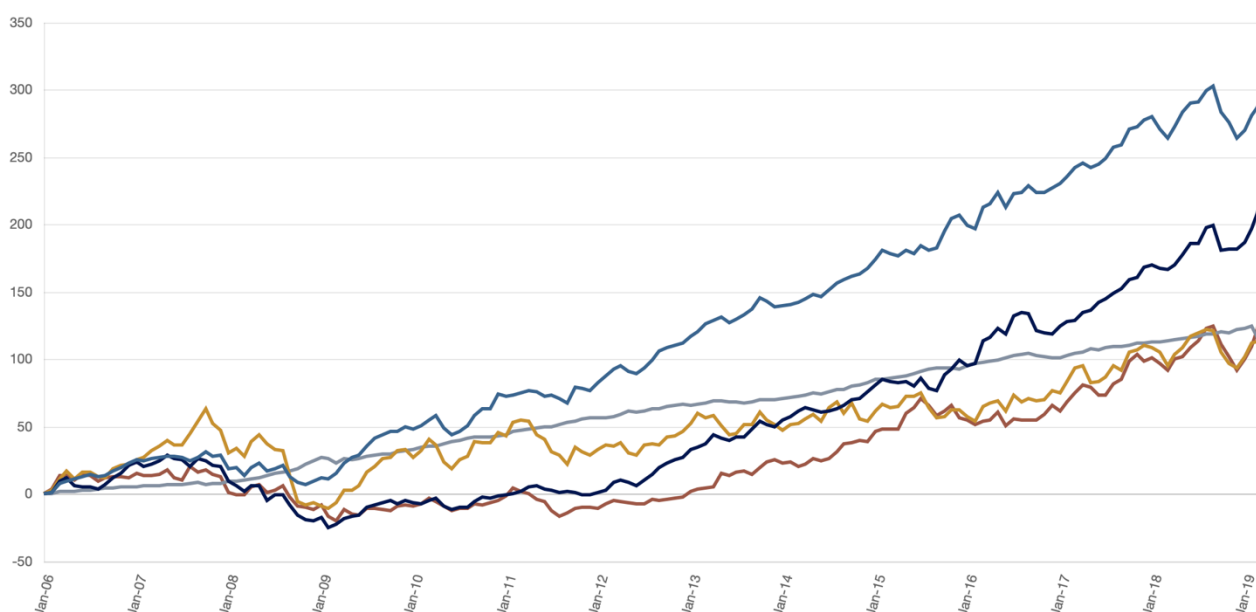
**ASSET ALLOCATION (approximately):**

New Zealand Equities	37.7%
Australian Equities	17.9%
International Equities	21.0%
Bonds	4.5%
Total Cash	19.0%
Short Equities	-0.9%

**Net Asset Value of the Fund (approximately):** **\$419.8m**

*The fund's main direct currency exposures at month end were - NZD 60%, AUD 19%, USD 17%*

## PERFORMANCE



*Aspiring Fund returns include all charges but are before tax expense, and exclude New Zealand tax credits. The returns of market indices shown above include capital returns and cash distributions, but reflect no deductions for trading and transaction costs, applicable tax, and other expenses. All return data is shown in NZD.*

The Fund returned 3.36% in April. This result was attributable to all aspects of our diversification contributing positively, whereas this diversification has been a mixed blessing in recent months.

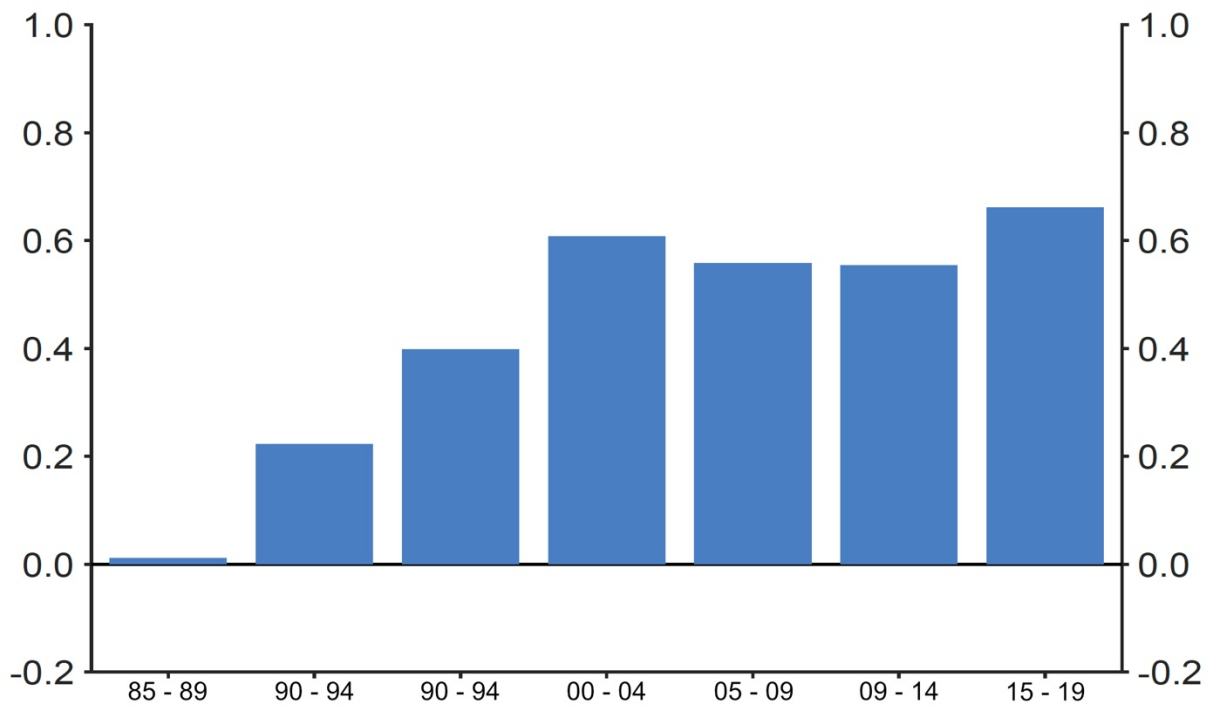
The month started strongly for global equity markets on the back of decent US and Chinese data. US jobless claims fell to their lowest level in 50 years and, post-month end, the US Federal Reserve reinforced their positive growth outlook by retaining a modest hiking bias, despite Donald Trump's sideline exhortations for lower rates and an end to balance sheet reduction.

The market has been confused by Fed Chairman Powell's performance so far. After initially appearing to be truly independent, his capitulation to the market turmoil late last year was widely interpreted as the reinstatement of the infamous Fed 'put', designed to protect asset prices, but his most recent performance suggests there are grounds for cautious optimism that his Fed might not be as subservient to Wall Street and political pressure as those of his predecessors.

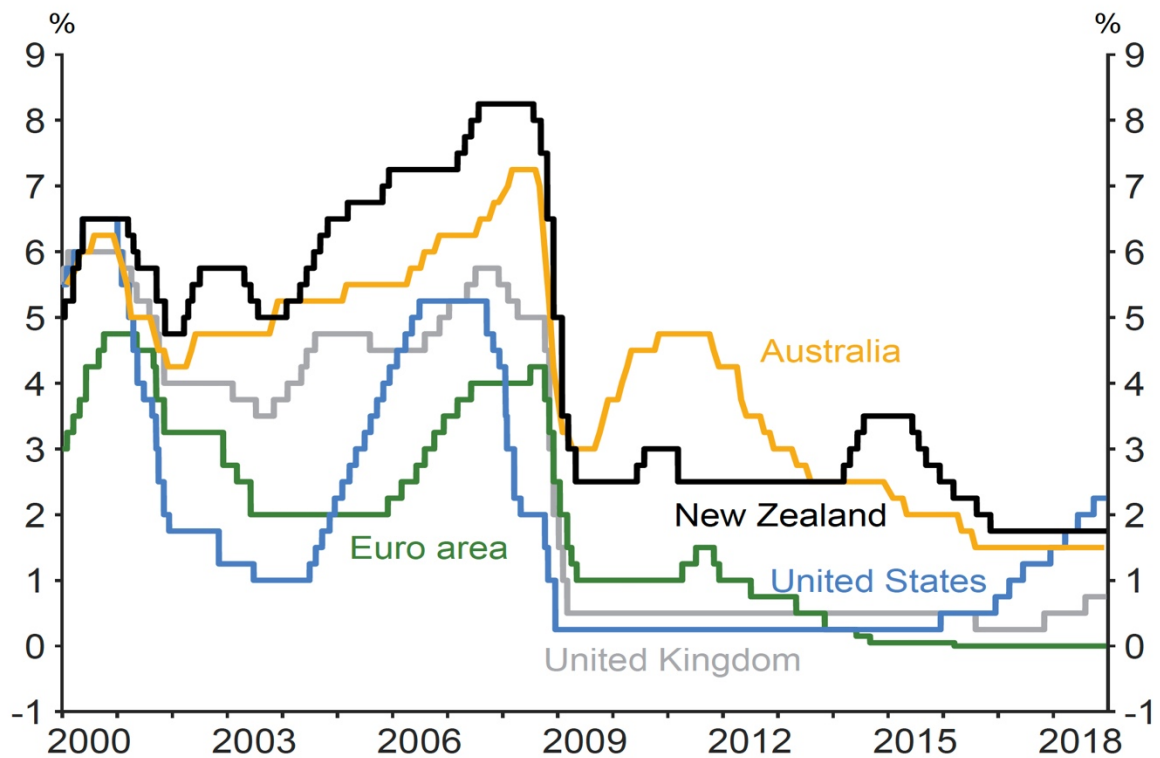
A recent research report by our own Reserve Bank has a couple of graphs which demonstrate how influential Federal Reserve policy is for the rest of the world.

On the next page the first graph shows the correlation coefficient between long bond rates in New Zealand and the US, and the second shows the track of policy rates (the rates set by the various central banks) over the past 20 years. We believe these graphs demonstrate how constrained the policy choices open to the RBNZ are while the Fed and the ECB pursue their ultra-low interest rate policies. The TINA problem we have alluded to too often in recent months is not just a local phenomenon.

**Daily co-movement between 10-year  
NZ and US government bond yields**  
(correlation co-efficient)



**Policy Rates**



While it is difficult to be sure what is really happening in China, recent macro data is trending positively. Notably, Apple's CEO Tim Cook commented on their result call that their China business has seen renewed momentum and flagged positive impacts of stimulus including a reduction in sales tax. Equity markets have responded in kind with defensive sectors taking a breather while growth powered on, an outcome which was reflected in our own portfolio.

We have been surprised by the persistent resilience of the NZ\$ over recent months but our unhedged exposures to the US\$ and Aussie \$ finally delivered, with currency contributing slightly more than 0.5% to the Fund's performance. The immediate catalyst for the NZ\$'s weakness was a soft CPI print mid-month but it had been softened up a bit by the Governor's shift to an easing bias in late March.

The market is now pricing in a cut to the Official Cash Rate in August and potentially as soon as May. While the inflation trend is worth watching and the economy has softened, we are mindful of getting carried away given we have full employment, inflation within the Reserve Bank's target range, record low interest rates and non-tradeables inflation at 5 year highs. When we reduced our international portfolio by about 3% late in the month we took advantage of the NZD trading sub 66 US cents to convert the proceeds back to NZ\$'s.

The New Zealand market recorded another positive month with the NZ50 Index up 1.72%, but this statistic gives a misleading impression as a2 Milk contributed 1.8% to the Index performance - i.e ex a2 the market actually fell slightly over the month. We were somewhat bemused by the 17% rally in the month on the back of some very strong infant formula export data which the market treated as a proxy for a2 demand in China. We took profits on a small number of shares but the company's execution has been flawless and it remains our biggest position at 3.6% - well below its 11.8% index weight.

Negative contributions came from Spark (-3%), with the retirement of well-respected CEO Simon Moutter weighing on the stock. Moutter has done an excellent job over the past 7 years in reducing costs and retaining share in a competitive industry. Spark may also have suffered from teething problems in its sport streaming services - something which would be a PR disaster if they recurred during the Rugby World Cup.

Other key negative contributions came from the gentailers, which ran out of steam after a very strong run, with Contact, Meridian, Mercury and Genesis all down between 2.5-5%.

Our Aussie portfolio had a great month, with Aveo Group (+8%) and Aristocrat (+6.4%) our best contributors. Aveo surged as the rumour mill kicked back into gear regarding a potential sale. We continue to hold our breath on this one. The Aristocrat story is a popular one among investors with its strong growth profile, cashflow generation and a solid balance sheet. The company reported positive performance data from its gaming portfolio during the month.

We have been taking profits on our resource names after a strong run for the sector, which weakened through April, down 2.5%. We are keeping watch as we now view many of these names as coming back into the buying zone.

Our international portfolio had a particularly strong month, faring well through reporting season. Amazon (+8%) and Disney (+23%) were our key contributors. Amazon put out a strong result with record earnings driven by its high profit generating cloud computing division. Disney announced

pricing for its yet to be released streaming service which significantly undercuts Netflix, and its recent Avengers film smashed box office records in taking in an estimated US\$1.2b worldwide on its weekend debut. We have since sold out of our position as the discount to value which we bought has largely disappeared.

The biggest miss in the reporting season came from Google which fell nearly 8% after reporting disappointing revenue numbers. Despite this, it was still up over 1% for the month - an indication of how strong the tech sector has been.

We de-risked the portfolio toward the end of the month by selling some of our emerging market exposures after a very strong run (China up +20% in 2019). We spent some money in Europe on stocks we believe offer deep value but, by definition, patience is required with these contrarian investments and we have had no immediate rewards. We continue to see better opportunities further abroad than Australasia and will look to deploy some of our cash balance into these over time.

### Top 10 Holdings

A2 Milk	3.6%
Spark	3.4%
Tilt Renewables	3.3%
Contact	2.4%
Google	2.1%
Amazon	2.1%
Aveo Group	1.6%
Precinct Convertible Notes	1.5%
Sanford	1.5%
Z Energy	1.4%

If you have any questions or feedback in relation to the newsletter, please email the team.

Disclaimer : The information contained in this newsletter reflects the views and opinions of the issuer of the Aspiring Fund, Aspiring Asset Management Limited. The content of this newsletter is not intended as a substitute for specific professional advice on investments, financial planning or any other matter, and does not take into account any particular investor's objectives, financial situation or needs. Investors should seek the advice of an authorised financial adviser before making any investment decisions. Although the information provided in the newsletter is, to the best of our knowledge and belief correct, Aspiring Asset Management, its directors, employees and related parties accept no liability or responsibility for any loss, damage, claim or expense suffered or incurred by any party as a result of reliance on the information provided and opinions expressed in this newsletter, except as required by law. Please also note that past performance is not necessarily an indication of future returns.

For further information please read/request a copy of the Product Disclosure Statement for the Aspiring Fund (available at [www.aaml.co.nz](http://www.aaml.co.nz)) or contact Aspiring Asset Management.