REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH DECEMBER 2020

All returns are in NZ$		Returns			Return volatility
	31 Dec 2020	3 months	12 months	Since inception pa[i]	Since inception pa[i]
Aspiring Fund	**5.06%**	**11.38%**	**12.40%**	**11.33%**	**9.34%**
New Zealand Equities[ii]	2.53%	11.44%	13.92%	9.57%	11.73%
Australian Equities[iii]	4.02%	13.10%	6.60%	6.44%	16.65%
World Equities[iv]	1.75%	4.62%	8.48%	6.66%	12.79%

[I] February 2006, [ii]NZX50 Gross, [iii] ASX All Ordinaries Accumulated, [iv] MSCI World Equities Total Return

Unit Price **$4.64**

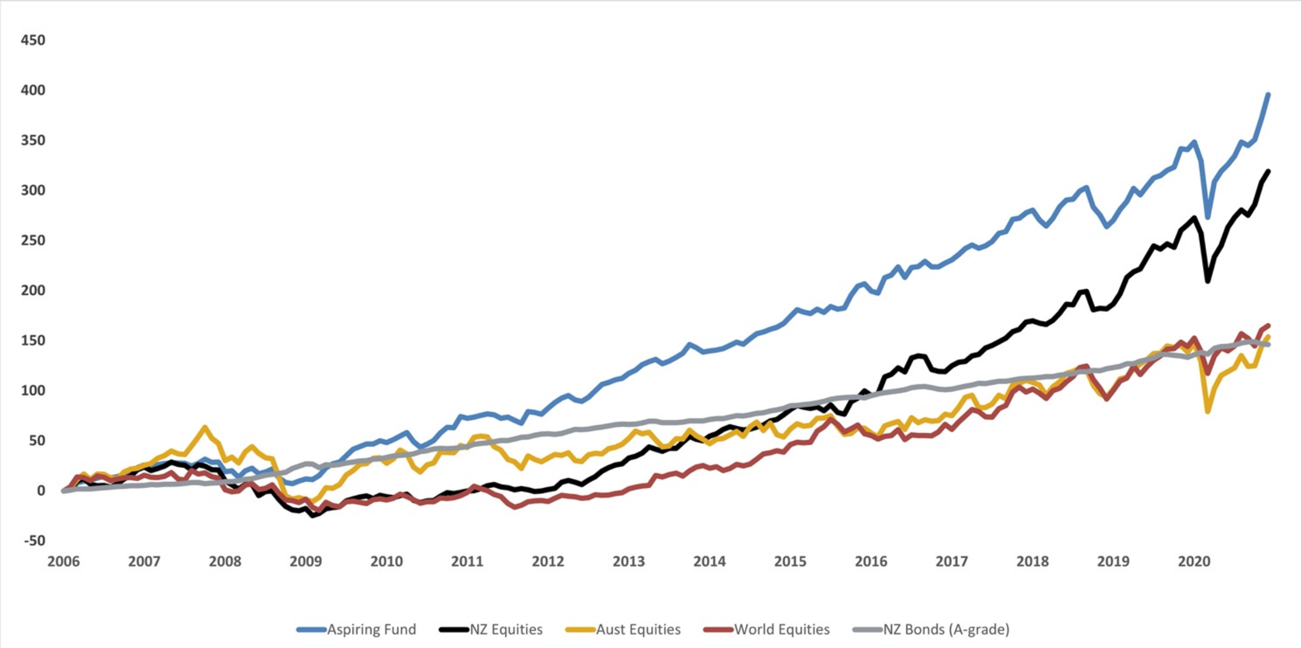
Asset Allocation (approximately):

New Zealand Equities	42.4%
Australian Equities	16.7%
International Equities	29.6%
Bonds	2.7%
Total Cash	8.6%
Short Equities	-3.5%

Net Asset Value of the Fund (approximately): **$455.5m**

The fund's main direct currency exposures at month end were - NZD 53%, AUD 17%, USD 23%

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 Aspiring Fund returned 5.06% in December.

It was pleasing to follow-up a strong November performance (+4.7%) and end the year on a high.

Whilst 2020 was a year to forget, the Fund's diversification achieved significantly less return downside relative to broader markets in the February and March COVID market crash, and delivered double digit returns over the year. Another highlight for the Fund in 2020 was the performance of the NZ portfolio which had its second consecutive year of +30% returns.

In December, the NZ Equities Portfolio was up over 10%, with the majority of top positions having strong gains. EBOS +15%, Contact Energy +14%, Mainfreight +11%, and Spark +3%, were all up despite an absence of new corporate information.

Infratil (+23%) and Tilt Renewables (+61%) were the two key drivers of Fund performance following significant news events.

On December 8, Australia's largest superannuation and pension fund, AustralianSuper, announced they had submitted a proposal to acquire Infratil for NZ$7.43. Consideration comprised $5.79 in cash, and Trustpower shares held by Infratil – effectively a takeover for Infratil's investments excluding Trustpower. The proposed offer represented a 28% premium to the December 4 share price of $5.80, and moreover a 39% premium against the price on an ex-Trustpower basis.

One day prior (December 7), Infratil announced the commencement of a strategic review (sales process) of its shareholding in Tilt after receiving a number of recent enquiries regarding the investment. Infratil then responded to AustralianSuper's public release on December 9, saying that they received the offer on 27 November, and rejected it on the basis that it materially undervalued the company's high quality and unique portfolio of assets on a control basis. In particular, Infratil noted the absence of a takeover premium for its controlling Trustpower stake, and material undervaluation of the renewable energy and digital infrastructure platforms.

We see merit in an open and full takeover process whereby an independent valuation process would likely provide useful new valuation information to the market. Infratil shares, on our (and management and broker) estimates, have long traded at a frustrating discount. We estimate an average valuation discount of ~15% over the last 20 years. On this basis, to sustain a share price at the offer level implies an underlying valuation of ~$8.75. The onus is now on the Infratil Board to achieve this level of valuation recognition/realisation. An Infratil investor day has been set for 16 February. As strong supporters, we are eagerly looking forward to the update.

After absorbing all of this information, Tilt as a key valuation bridge, rallied hard over the remainder of the month, with the shares finishing up 61% to $6.37. Tilt's equity value is now 3-times Infratil's attempted takeover offer in late 2018. We view the Tilt process as a key test case of how Infratil's investment positions can be realised by selling to owners with lower cost of capital and longer investment horizons. Ultimately this is where we see Infratil's largest investment, Canberra Data Centres (CDC), going.

We were surprised to see Infratil flagging the effective non-control premium for its Trustpower stake as a deficiency of AustralianSuper's offer. Since late 2019, the Fund has successfully increased leverage to the Infratil assets we particularly like (Tilt, CDC, Vodafone NZ) by having a direct short position in Trustpower. In December we closed out the short as we now view strategic change as more likely. Trustpower's relative appeal to our favoured Gentailer, Contact Energy, has also significantly improved following Contact's material recent re-rating.

An increasing and material number of Contact and Meridian Energy shares are held by newly created offshore Green exchange-traded funds (ETFs). We have witnessed quite extraordinary forced buying of these stocks as the ETFs maintain their programmed portfolio weights on material inflows of new investor money (boosted by the Biden Presidency victory and his green agenda).

With green investment a likely ongoing structural theme, and the absence of investment options globally, green ETF buying could have a sustained impact on the NZ equities market. A wide range of outcomes are possible as Thematic ETFs have no return criteria. By design they don't care what the share price is, instead assume market efficiency (sellers will emerge) will take care of the valuation. This assumption gets tested when the size of buying is large relative to the liquidity and scale of the target companies. In Meridian's case, Green ETFs own close to 10% of shares that are available for trade (that is excluding the Government's stake) on the NZ stock exchange.

As an index unaware Fund, we will be comfortable having no position in both Contact and Meridian (and instead owning Trustpower, Genesis, and Mercury) if the ETF machines go seriously mad.

a2 (-18%) was the only notable (over -0.25%) negative contributor to Fund Performance. Management cut earnings guidance for a second time and hosted a pretty terrible analyst call which left more questions than answers. COVID has had a material impact on a2's key Daigou sales channel with rising freight rates effectively closing out profitability. We see the current a2 share price as fairly valued on the basis of a 20x Price/Earnings ratio on 50 cents per share earnings potential. While the level and timing of Daigou recovery is uncertain, freight rates are likely to normalise medium term, and we wouldn't rule out corporate interest in a2 given its brand and product strength.

Our Australian portfolio was up 2.45% in local currency, above the broader market's 1.75% return. The only notable contributor to Fund performance was Fortescue (+28.5%), as the iron ore price lifted 21.5%. Fortescue capped off a remarkable 2020 calendar year where the share price rose 119%.

On the same theme, Freeport McMoRan (+11.2%) was again the outperformer in the international portfolio as the copper price continued to creep upward.

While the light at the end of the pandemic tunnel is now visible and the prospects for the global economy look brighter for 2021, we have become more cautious on the outlook for equity markets as valuations have become increasingly stretched and there are clear signs of over exuberance in some segments of the market. Accordingly, we have recently increased our cash weighting by taking profits in a number of our growth/tech exposures. We are mindful that an unexpected rise in inflationary expectations and longer term interest rates will increase the cost of capital, likely reversing the strong multiple expansion seen across stocks that were the big out performers as rates fell. We remain comfortable with our value/cyclical exposures and believe the recent rotation into these stocks has further to run.

Top 10 Holdings

Infratil	4.2%
EBOS	3.9%
Tilt Renewables	3.8%
Freeport McMoRan	3.2%
Mainfreight	3.1%
Spark	2.9%
Contact	2.8%
Telstra	2.8%
Cleanaway	2.6%
Amazon	2.5%

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