



REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH NOVEMBER 2019

All returns are in NZ\$

	Returns			Return volatility	
	30 November 19	3 months	12 months	Since inception pa ⁱ	Since inception pa ⁱ
Aspiring Fund	4.38%	6.51%	17.63%	11.34%	8.32%
New Zealand Equities ⁱⁱ	4.90%	5.20%	28.25%	9.20%	11.17%
Australian Equities ⁱⁱⁱ	1.10%	3.45%	24.78%	6.70%	15.33%
World Equities ^{iv}	2.69%	5.68%	22.17%	6.73%	12.55%

ⁱ February 2006, ⁱⁱ NZX50 Gross, ⁱⁱⁱ ASX All Ordinaries Accumulated, ^{iv} MSCI World Equities Total Return

Unit Price

\$4.1317

Asset Allocation (approximately):

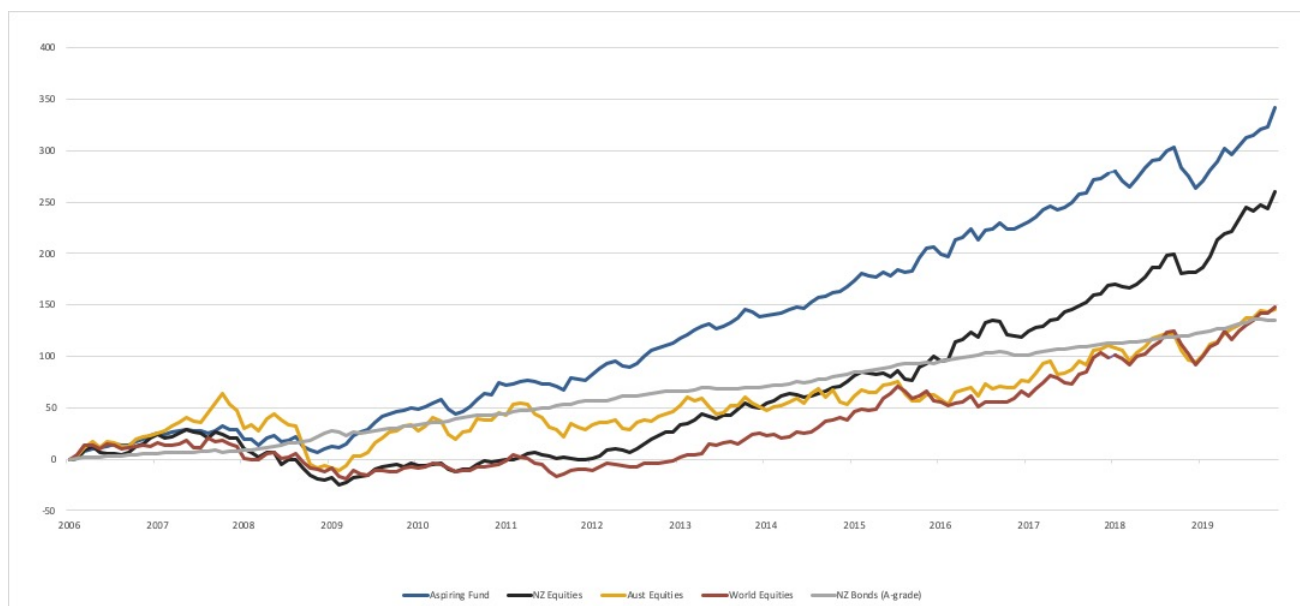
New Zealand Equities	37.0%
Australian Equities	15.0%
International Equities	29.5%
Bonds	3.0%
Total Cash	15.4%
Short Equities	-0.9%

Net Asset Value of the Fund (approximately):

\$451.8m

The fund's main direct currency exposures at month end were - NZD 48%, AUD 20%, USD 25%

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 recorded a strong 4.38% return in November. Most pleasingly return contribution was broad-based, with a number of our key holdings across different industries and geographies having a good month.

Offshore markets rallied with the US market up over 3.6% and the MSCI World index up 2.8%. The US / China trade negotiations appeared to progress in November, as the flow of antagonistic trade tweets from Trump reversed course. This is perhaps unsurprising given the impeachment noise around him and a US election looming in 2020. Added to this, strong Tory polling in the UK supporting an end to the Brexit mess and continuing goldilocks economic conditions in developed economies ensured the TINA effect (there is no alternative to equities) remains alive and well.

The NZ50 benchmark index bounced after a soft few months with a return of +4.9%. However, despite the headline, the index return was not indicative of broad strength in New Zealand equities.

Excluding three large cap growth stocks (a2 Milk, Fisher & Paykel and Ryman Healthcare) that together account for almost a quarter of total index weight, the NZ50 would have only returned 1.1%, and the average stock return would have been up just 0.2%!

Inside the numbers we continue to see negative underlying earnings momentum for NZ companies. Year to-date, we estimate forward earnings forecasts have been lowered by 6%. This is a key statistic against a record high +20x average price to earnings multiple for NZ Equities. Unless you believe valuations can make and hold new records, future returns will be more reflective of earnings growth in a low inflation/low growth new world.

Despite the ballast of the Fund's 15% allocation in cash and bonds and adverse currency movements (most notably the 2% appreciation of the NZD-AUD) which impacted performance by 0.4%, the Fund return was buoyed by strong performance across all our equities portfolios.

Our NZ equities portfolio was up by over 6%. Key winners included; a2 Milk (+19.4%), Tilt Renewables (+14%), Metlifecare (+21%) and Chorus (+11%).

a2 Milk calmed fears after recent pressure post its August annual result with a strong 1st half update and reconfirming 28% forward margins for the second half. a2 also featured prominently at Fund holding, Alibaba's November 11 Singles Day sale. Singles Day is the world's largest retail event and in a very good illustration of its brand strength in its key market, a2 Milk was the 8th most popular imported brand on Alibaba's ecommerce platform.

Tilt Renewables continued its upward momentum in anticipation of it achieving a strong price for the sale of its Snowtown 2 wind farm in Australia. At the time of writing, Tilt has just announced the sale of the asset for a very strong enterprise value of A\$1.1b. As the Fund's top-holding, we are very happy with the announcement.

Small/mid cap corporate activity again provided a pleasant surprise gain for the Fund. Metlifecare reported that it had received a conditional offer for the company which the board considered to be below their expectation of value. The shares rallied 14% on the news and are now trading 15% below its Net Tangible Assets – a level we believe continues to attribute limited success to future development potential.

After doubling our holding in Chorus at \$5, we were pleased to see the long-awaited draft regulatory determination for Chorus' Fibre Network well received by the market. Shares rose by ~70 cents to \$5.90, a re-rating we view as a fair response to a number of key methodology changes. However, we continue to see the regulatory regime as complicated, and still very onerous (particularly the assertion the Fibre network valuation will rise with inflation, detached from the reality of wireless-network price benchmarking). Early broker analyst modelling estimates a \$7 share price today if the Fibre assets were priced at its regulated asset base (RAB) alongside a residual value estimate for a depleting Copper Network. Absent conviction on the detail, a +5% gross dividend yield with this level of asset backing support, should see Chorus well supported in our view.

We made few material changes to our NZ position during the month with EBOS the standout exception. After exiting a long-held favourite in September, a discounted \$300m sell-down from the Zuellig Group, gave us the opportunity to reinstate EBOS as a top-10 Fund holding.

Our Australian portfolio was the star performer, with core holdings and our tail of small cap positions doing well. Waste management company Cleanaway (+14.9%), and industry peer Bingo (+20%) led the charge. Cleanaway rebounded to what we view as a more appropriate valuation, while Bingo's premium multiple was further fuelled by a mild upgrade and confidence from the CEO increasing his stake in the company from 15% to just under 20%.

EML Payments was up 19.7% after it announced a transformational M&A deal. Sports analytics company Catapult lived up to its name with an eye watering 56% move. The move appeared a bit of an over-reaction to the positive announcements of the appointment of a CEO and CFO, and the renewal of its Rugby Australia contract.

Key contributors in the International Portfolio were Alibaba (+13%), Fevertree (+17.6%) Freeport McMoRan (+15.9%), and Persimmon (+12.3%).

Alibaba broke its Singles Day record with US\$38 billion in sales, and the share price ended the month near highs after successfully absorbing its US\$11bln Hong Kong IPO (which was the 3rd largest technology IPO in history, ranking after its own 2014 US Listing and Facebook's IPO).

Global premium tonic leader, Fevertree downgraded guidance on a slightly weaker UK market, as was expected. However, the stock re-rated as management reiterated strong future growth prospects in the US and European markets.

Copper play Freeport McMoran, a typical bellwether of short-term sentiment, rose in apparent response to the conciliatory tones coming out of the US / China trade spat. We view Freeport as a long-term holding, with supportive secular demand trends and under-ownership of the sought-after metal from a number of diversified resource companies.

UK Homebuilder Persimmon lifted on the growing expectation that the Conservative party will retain power at the UK election on 12 December, and thereby closing in on an end to the Brexit uncertainty. We have 7.2% exposure to UK domestic stocks which we believe will benefit from this outcome.

We were pleased our diversified Fund strategy delivered in November. In the short-term, volatility will undoubtedly continue, especially as Trump influences geo-political sentiment. Over the longer term, we continue to be comfortable positioning the Fund with less bond yield sensitivity (less NZ equities) and lower valuation multiples (World Equities at 16.5x currently, are only a touch above their historical average) off a wider earnings base offshore.

Top 10 Holdings

Tilt Renewables	4.2%
Spark	3.5%
Amazon	3.1%
Contact	3.0%
a2 Milk	3.0%
Alibaba	2.8%
Infratil	2.7%
Cleanaway	2.4%
EBOS	2.3%
Google	2.2%

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) or contact Aspiring Asset Management.