



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

<i>All returns are in NZ\$</i>	Returns			Return volatility	
	31 Mar 19	3 months	12 months	Since inception pa <sup>i</sup>	Since inception pa <sup>i</sup>
<b>Aspiring Fund</b>	<b>2.07%</b>	<b>6.93%</b>	<b>6.75%</b>	<b>10.87%</b>	<b>8.40%</b>
New Zealand Equities <sup>ii</sup>	5.58%	11.73%	18.34%	8.53%	11.31%
Australian Equities <sup>iii</sup>	0.47%	10.18%	8.98%	5.91%	15.65%
World Equities <sup>iv</sup>	1.24%	10.59%	10.02%	5.83%	12.65%

<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** **\$3.64**

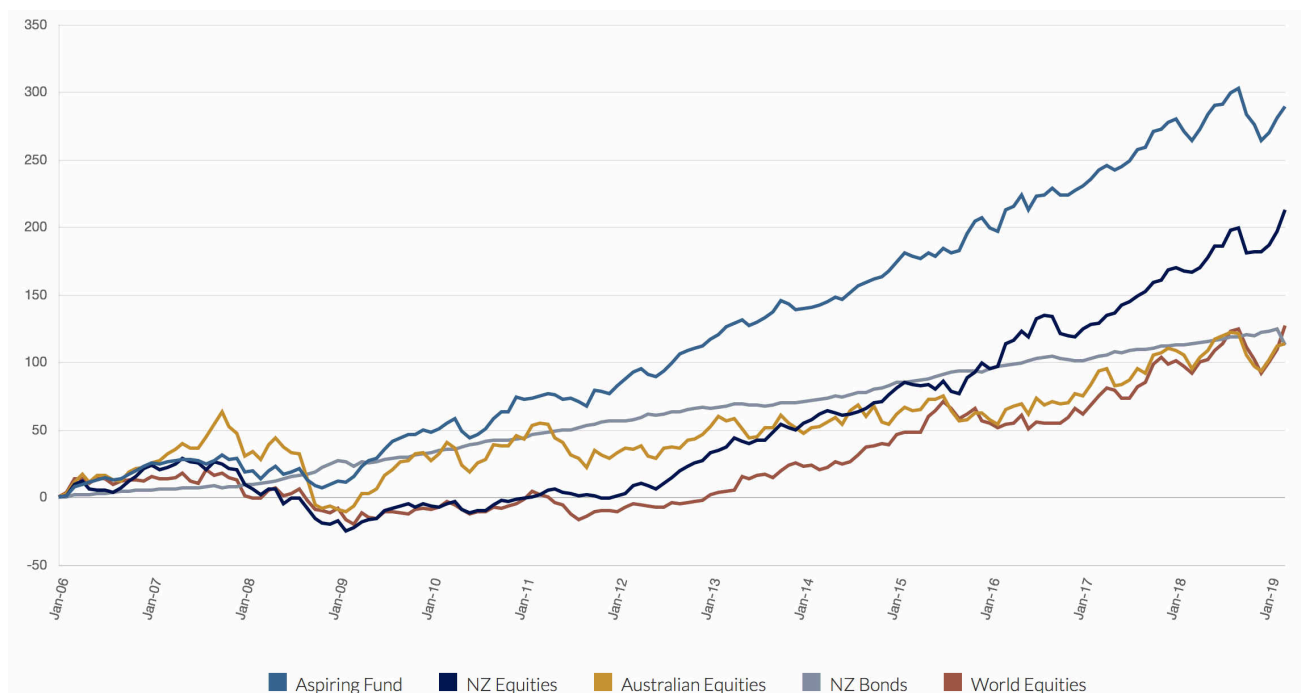
**ASSET ALLOCATION (approximately):**

New Zealand Equities	38.7%
Australian Equities	17.4%
International Equities	22.0%
Bonds	4.9%
Total Cash	17.0%
Short Equities	-1.0%

**Net Asset Value of the Fund (approximately):** **\$409.8m**

*The fund's main direct currency exposures at month end were - NZD 59%, AUD 19%, USD 19%*

## PERFORMANCE



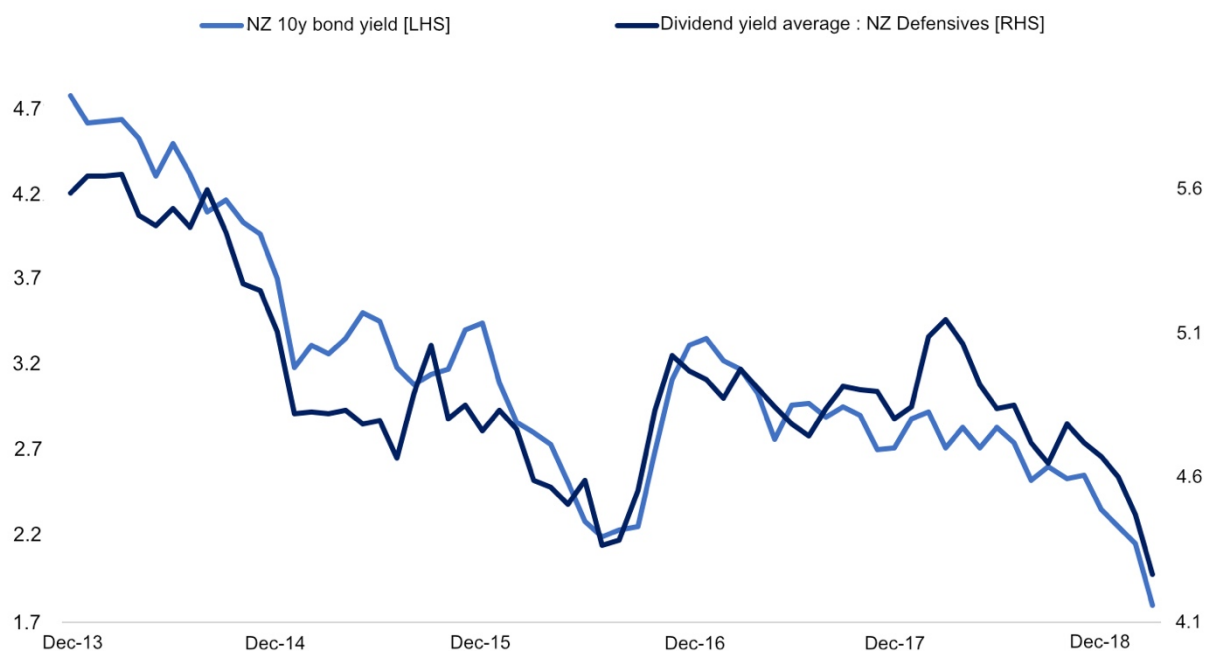
*Aspiring Fund returns include all charges but are before tax expense, and exclude New Zealand tax credits. The returns of market indices shown above include capital returns and cash distributions, but reflect no deductions for trading and transaction costs, applicable tax, and other expenses. All return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

The Fund returned 2.07% in another decent month for equity markets.

Tumbling interest rates and an increasingly accommodative stance from global central banks saw the 2019 global equity market rally continue. US Federal Reserve officials indicated that there would be no rate hikes this year, only one in 2020, and none in 2021. Likewise, the NZ Reserve Bank struck a dovish tone as it said the more likely direction of the official cash rate (OCR) is down.

While short-term rates garnered most of the media's attention, what caught our eye in New Zealand was the big move in the NZ 10-year bond yield, which fell from 2.2% to a low of 1.74% in March. Astonishingly, this level is below the current OCR (1.75%), and below the mid-point of the RBNZ's inflation target (2%). With the support of zero real long yields, New Zealand defensive yield stocks melted up, and the NZ market was the standout of major global indices (+5.6%). This saw the average NZ price / earnings ratio (PE) exceed 18x for the first time on our records.

As the following chart shows, the dividend yields of NZ defensive stocks (Gentailers, Property, Utilities and Auckland Airport) continue to be very responsive to changes in the yield of the NZ 10-year bond. Now pricing in zero real long bond yields - large parts of the NZ equities market are increasingly becoming uncomfortable bond investments in disguise. What was a search for high yield, has melted-up to a seeming acceptance of low returns. This strengthens our view of the merit of wider global diversification for the Fund.



Unsurprisingly, our NZ portfolio benefitted from its gentailer holdings (Contact +13%, Meridian +16% and Mercury +8%), alongside Spark (+6.4%) and Tilt Renewables (Tilt) +6% as the key contributors.

We have gradually built our position in Tilt with it now being our 2nd largest holding. Deutsche Bank upgraded their valuation during the month largely on a value uplift for its NZ wind options. Their new valuation is ~30% higher than the failed Infratil bid late last year. We are very comfortable investing alongside 65% shareholder Infratil (and their manager Morrison and Co). In our view the combination of operating wind farms and a large portfolio of development sites make Tilt a very unique investment, with both sets of assets likely to be highly sought after by long-duration investors.

Our Aussie portfolio had a down month without having any standout winners or losers. After the stellar performance in February this was to be expected as some of the stocks that had run hard cooled their heels in March.

Embattled Aveo Group (-7%) fell on no specific news, as we still await the outcome of their efforts to sell the business. This is expected some time in April. Waste company Bingo fell 8% after bouncing hard in February. Despite an exposure to the slowing residential construction industry, we remain attracted to the company's long term strategy of waste recycling plant development.

Fortescue Mining provided us with a good win during the month, up 17%. Troubles with safety at some of the mines of major Brazilian iron ore producer Vale caused a spike in prices, and Fortescue, as a pure Australian producer, benefitted from this. The price has continued to run into April and we have moved to lighten this position. Another meaningful contributor was Collins Foods (+12.6%) which we exited after it ended the month 20% above our entry price.

Our international portfolio had a very strong month on the wider equity market rally, with Amazon our best contributor up 8.6% on no particular news. Graphic Processing Unit inventor Nvidia had a

strong month (+16.4%) after the market responded positively to its US\$7b acquisition of data centre chip and hardware maker Mellanox. The transaction brings together two of the leading players in the data centre market in a deal which Nvidia described as immediately earnings accretive.

Pleasingly, at the time of writing, the recent release of stronger than anticipated Chinese manufacturing data has seen continued support for our Asian investments.

Currency was a headwind to the performance of our Australian and International portfolios but has since moved back in our favour as the NZ\$ has started April on the back foot.

### **New appointment and offering documents update:**

We are very pleased to announce Peter Wright has joined the team at Aspiring Asset Management Ltd as a Director, Shareholder and Investor in the Fund. Peter returned to New Zealand in 2015 after 18 years with Morgan Stanley in London and Singapore, where he was co-head of International Equities actively managing US\$30 billion for Institutional clients. We are very fortunate to have Peter onboard as he not only lowers the average age of the investment team but also increases the average intellect.

We have updated our Product Disclosure Statement (PDS) and Statement of Investment Policy and Objectives (SIPO) to reflect Peter joining. Previous versions stated the Fund predominantly invested in Australasian equities but as you would be aware we now have a meaningful part of the Fund (around 20%) invested in international equities so our documents now reflect this move.

The updated documents are available on [disclose-register.companiesoffice.govt.nz/disclose](https://disclose-register.companiesoffice.govt.nz/disclose). We continue to expect the majority of our assets will be invested in our home markets due to the value we derive from imputation credits and the current tax regime on Australasian equities, but global equities do give us access to disruptive business models that don't exist in scale in Australasia, and values which in some cases are considerably cheaper than those in our home markets.

### **Top 10 Holdings**

A2 Milk	3.5%
Tilt Renewables	3.4%
Spark	3.3%
Contact	2.6%
Amazon	2.5%
Precinct Convertible Notes	2.3%
China MSCI ETF	2.2%
Google	2.1%
Mercury	1.7%
Macquarie Group	1.6%

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

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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.