ASPIRING
ASSET MANAGEMENT LTD

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

All returns are in NZ$	Returns				Return volatility
	31 March 2020	3 months	12 months	Since inception pa[i]	Since inception pa[i]
Aspiring Fund	**-13.13%**	**-15.39%**	**-4.11%**	**9.74%**	**9.14%**
New Zealand Equities[ii]	-13.00%	-14.75%	-0.49%	7.87%	11.70%
Australian Equities[iii]	-21.48%	-24.62%	-15.77%	4.21%	16.45%
World Equities[iv]	-9.19%	-10.26%	2.64%	5.60%	12.79%

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

Unit Price **$3.4894**

Asset Allocation (approximately):

New Zealand Equities	31.0%
Australian Equities	11.1%
International Equities	32.3%
Bonds	2.3%
Total Cash	23.4%
Short Equities	-0.9%

Net Asset Value of the Fund (approximately): **$378.0m**

The fund's main direct currency exposures at month end were - NZD 48%, AUD 18%, USD 27%

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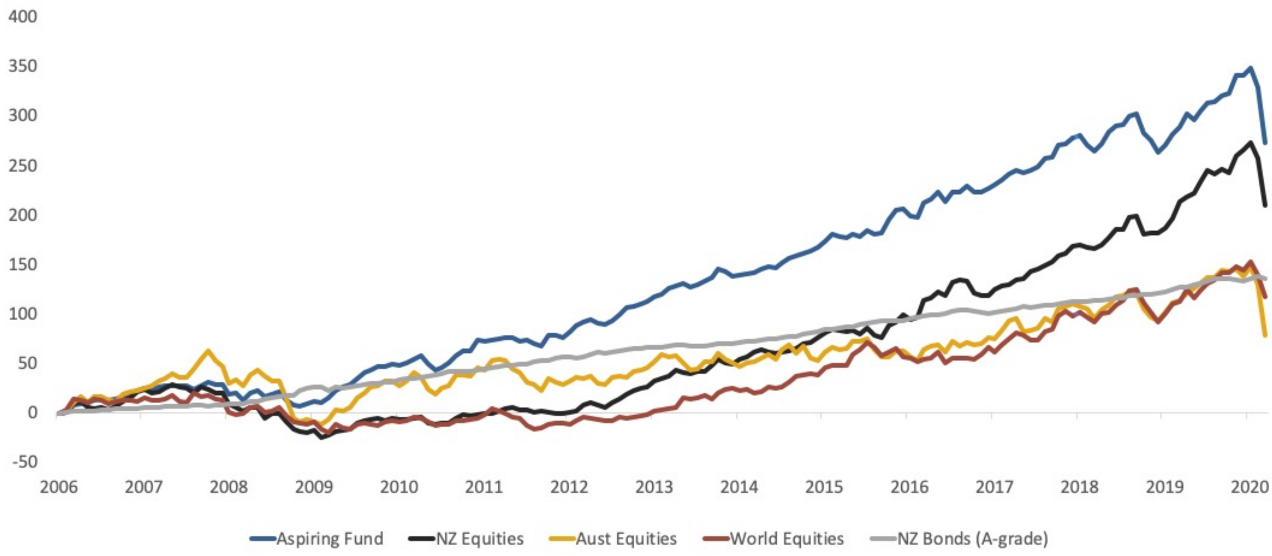
Performance



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.

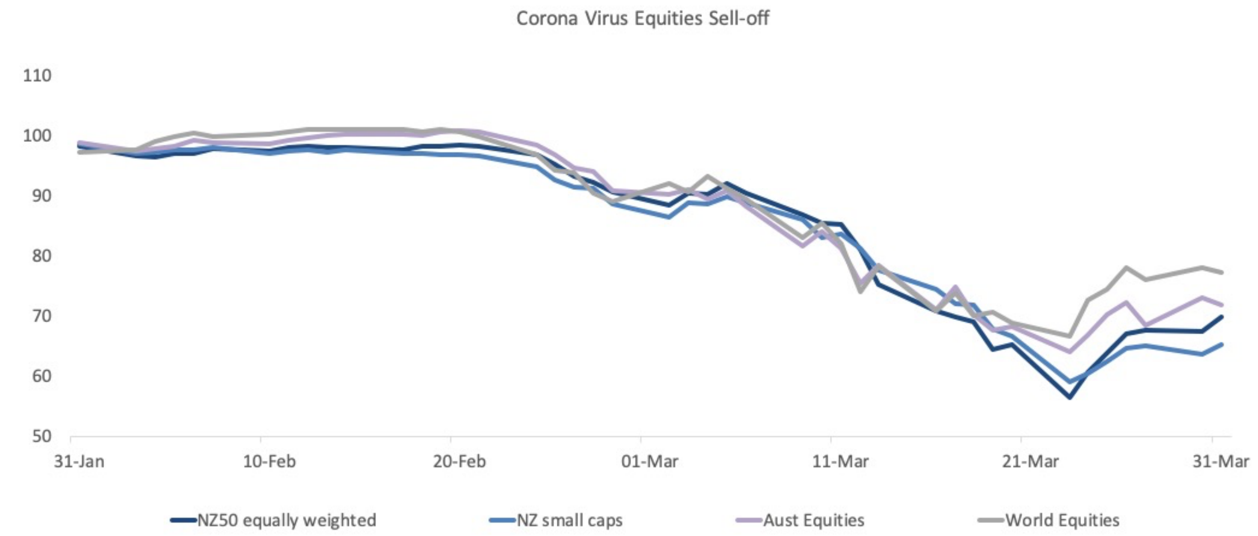
The Fund was down -13.1% in March. Global markets crashed, as the spread of Covid-19 virus and the collapse in customer demand caused by Government containment strategies shattered investor confidence.

From highs only back in mid-February, equity markets recorded the fastest equities bear market (the time to fall 20%) in history. To put the gravity of the sell-off in historical context, the US Dow Jones Index suffered its worst 1st quarter return in its 135-year history.

Despite a rally in the last week, Australian equities fell 21% in March, the US -12.4%, UK -13.4% and Europe -16.2% (local currency). Asian markets fared better. It is worth highlighting the out-performance of China, with the positive signs of virus containment and recovery in business activity, China H-shares (which includes Fund holdings Alibaba, and Tencent) were down only 7.7%.

Locally, the -13% return for the NZ50 Index was once again heavily influenced by two large companies, Fisher & Paykel Healthcare (+17.8%) and a2 Milk (+5.5%) which together now account for a staggering 30% Index weight. In our view, the NZ50 provides unappealing diversification with the top-5 companies in the Index having a combined 48% index weight. While we really like The a2 Milk Company, we would never consider it having a 10% weight in the Fund.

A better gauge on the health of NZ equities is the average share return of the 50 companies which makeup the Index. This was down 21.9% in March. And it is worth noting on this basis, how the performance of NZ large companies (and also the performance of the NZ Small Cap Index) closely tracked offshore equities.



At March lows the average NZ large (NZ50) company was down 43.6% from highs, and the NZX Small Cap Index (comprising all NZ companies not in the NZ50 Index) was down 41%.

While this return differential is not material, we are happy with our decision to reduce the Fund's exposure to New Zealand Small caps and re-allocate to Global Equities. The liquidity benefits of our offshore positions provide significant benefits in times of market volatility, where new opportunities can quickly emerge. We have flexibility to switch into new positions, and or, get out of situations we are no longer comfortable with. Getting stuck in cray-pots is something we want to avoid.

Although not immediately visible in the front end of the selloff, what became more apparent late in the month, was the emergence of quality differentiation in markets. Following the rebound in the last week of the month (the biggest weekly gain for US Equities since the 1930s), sectors such as technology stood out as outperformers.

A number of our core holdings are defensive in nature, or ungeared global tech platforms with secular growth. We estimate over 65% of our equity holdings are less than 20% geared (debt to company value). We have 0% equity exposure to Banks, 0% to airlines, 1.65% in tourism and ~8.5% in small caps. A summary of our Equities portfolio composition by industry exposure (including some of our larger holdings) is shown in the table below, alongside that of the MSCI World Index.

Industry	Aspiring Equities	MSCI World	Fund Positions Include
Utilities	16.9%	3.6%	Tilt, Infratil, Contact
Retailing	11.2%	5.1%	Amazon, Alibaba
Food, Beverage & Tobacco	11.0%	4.9%	a2 Milk, Sanford, Treasury Wines
Media & Entertainment	10.3%	6.0%	Google, Tencent, Facebook
Software & Services	7.4%	10.4%	Mastercard, Visa, Microsoft
Pharmaceuticals, Biotechnology	6.8%	9.0%	Grifols, Sanofi
Materials & Energy	6.8%	7.5%	Freeport McMorRan, Origin
Telecommunication	6.6%	2.8%	Spark, Chorus
Transportation	4.5%	2.2%	Mainfreight, Atlas Arteria
Commercial & Professional Services	3.8%	1.4%	Cleanaway, Bingo
Consumer Services	3.2%	1.5%	Starbucks, Sky City
Consumer Durables	2.8%	2.1%	Persimmon, Taylor Wimpey
Health Care	2.5%	5.2%	EBOS
Diversified Financials & Insurance	2.2%	7.5%	NZX
Real Estate	1.2%	3.1%	Stride
Capital Goods	1.1%	6.9%	Skellerup
Food & Staples Retailing	0.9%	1.7%	-
Technology Hardware & Equipment	0.7%	5.4%	-
Banks	0.0%	6.3%	n/a
Semiconductors	0.0%	3.5%	n/a
Household Products	0.0%	2.4%	n/a
Automobiles	0.0%	1.7%	n/a

We are of the view that core Fund holdings, Alibaba and Amazon, will emerge from the current crisis in good shape. Social distancing and home lockdowns will bring forward new customer adoption of online shopping (E-Commerce). On March 16th, Amazon announced it would be adding 100,000 jobs amid soaring demand for its services. In just over two weeks the company has filled 80,000 spots. While traditional retail businesses are cutting back costs, Amazon has added $2 per hour to worker wages in North America and Europe, adding $350m to its employee bill.

Amazon shares bucked the trend and were up 3.5% in March. The list of other large Fund holdings that delivered a positive contribution was a short one. a2 Milk (+5.5%) continues to surprise us with its ongoing investor support, buoyed by ongoing evidence of Chinese consumer demand. Chorus (+3.4%) originally bought as a deep value play in the low $5s, is now trading near our price target of $7 as a highly sought-after defensive with strong demand for online services. We also made strong gains from a new position in Microsoft.

The Fund's notable detractors were Freeport McMoRan (-32.2%), Infratil (-23.9%) and Cleanaway (-25.3%).

Freeport McMoRan is the Fund's most macro leveraged position and makes up 1.5% of Fund value. Freeport is the world's second largest copper miner with supportive secular demand trends with Electric Vehicle/battery up-take. There are very few listed Copper investment plays available across the globe. The commodity is under owned by many of the large diversified resource companies. We are not going to be shaken out of Freeport – it is a long-term investment for the Fund.

Infratil went from cheap to cheaper during March, with the marked valuation of its investments under pressure and the discount between its value and share price expanding. We have a favourable view on the majority of Infratil's assets, and it is worth highlighting the share price of Next DC (a very close comparable to Infratil's Canberra Data Centres) was up strongly (+13%) in March adding to strong gains (+18%) in January and February. In what is increasingly emerging as a 'buyers-market' for long-term investors, it was comforting to see Infratil announce a 20m share buy-back program of its own stock (buying started at $4.87 and continued down to $3.08).

Waste Management company Cleanaway's main exposure to the virus impact is a slowdown in Australian business activity, including small to medium business exposure, which Macquarie estimate to be 5-10% of revenue. With the uncertain outlook, the company suspended its earnings guidance. However, on a call with investors, Management said they expect the company to remain cashflow positive even under their most extreme scenarios. We view this as an incredibly unique position for the company to be in, and without the impost of higher debt (that many companies are facing), this bodes well for a share price recovery when Corona virus impacts pass.

Evidence of indiscriminate, "just get me out" panic selling is a positive signal for us. This behaviour was most apparent on the 23rd of March when New Zealand's Level-4 lockdown was announced by the NZ Government, with the market falling 7.6% on the day.

Risk premiums across the board are now more attractively priced, and in some cases the level of pessimism factored into valuations is putting stocks that were previously valued well above our comfort zone, on our investment radar.

Auckland Airport (AIA) is a good example. From a $9.21 share price high in January, the stock fell 46% to $4.99 at the end of March, with the company valuation dropping by $5.1 billion, as the market reacted to news of Government closure of international travel, and domestic travel impacted by NZ isolation measures. To put this fall into perspective, we estimate that every month the company has zero airport revenue, it burns around $50m in cash (only 4 cents per share). In simple dollar terms, the company's share price decline is equivalent to ~8.5 years of zero airport revenue. That's an interesting assumption to work off for what we view as a global blue-chip infrastructure stock.

Another example of a company whose share price has been particularly impacted, is Kathmandu (KMD). KMD acquired surf brand Ripcurl for $370m late last year, funded by issuing new shares at $2.55 and a significant amount of debt. This debt burden and cash losses from recent store closures has forced the company to raise $220m of equity at a deeply discounted price of $0.50 per share (86% below February's share price high of $3.64). After assuming a level of cash burn outside the bounds of KMD management forecasts, we estimate the issue price assumes a structural decline in earnings of over 30%.

Auckland Airport and Kathmandu are just two examples of investment opportunities that have emerged for the Fund in the market sell-off. Importantly, we believe ongoing price volatility and equity issuance will likely continue, and this will generate new investment options for the Fund over the coming months. At the time of writing, Auckland Airport has launched a $1b equity raise.

We are working on a base-case that corona virus news-flow is likely to unsettle markets in the near term. While the current level of economic uncertainty pales in comparison to worse-case scenario fears in the midst of the Global Financial Crisis – the immediate demand shock of this crisis is the worst seen for many economies since war-time.

We acknowledge a lot will ride on the effectiveness of containment strategies. A short-lived downturn would see an incredibly strong snap-back in markets. However, it is quite possible, that not much less than an economy-wide Government buyout of the economic damage may be required to ensure a healthy economic recovery.

It is worth remembering this crisis, was not the fault of any company or employee or investor. Strict containment controls are ultimately required with a health-system that is inadequately resourced and funded to cope with extreme shocks. Governments around the world clearly 'get it', and it is encouraging to see signs of a 'do what it takes' attitude to policy response. It is noteworthy that the NZ share-market turned following Jacinda Arden's comments that no one will lose their home because of the corona virus.

We expect Government support to evolve with the crisis and the functioning of credit, and its market participants, will be a vital part of any Government recovery plan. To steal a phrase from investment bank Jefferies, 'there are no shortages of targets, and we need more Bazookas'. We think more Bazookas are coming.

In the interim – we expect high share market volatility to continue. The alarming contagion of the virus in the US is of particular concern. As the epicentre of global investor sentiment, progress reports in the US will be particularly important for market direction.

At a more granular level, company share price volatility will persist as investors continually evaluate valuation erosion by estimating cash burn and liquidity against the more uncertain variable of duration (how many months will this go on for?). With this in mind, it is important to take guidance from experts. Michael Baker, the only epidemiologist on the NZ Government's Covid-19 ministry advisory committee, says for NZ, "there is actually a light at the end of this tunnel, and it is not a particularly long tunnel."

We do not believe we are at the point to go all in on equities. For now, cash is king, in an environment where good companies are facing near-term liquidity issues and looking to raise equity. The Fund is well positioned with an elevated cash balance and very good levels of liquidity in our Equities portfolio. We are pleased to report we are seeing more opportunities today than in the last 10 years.

We would like to extend best wishes to our co-investors in these challenging times, particularly those with friends, and family of frontline healthcare workers.

Please do not hesitate to contact us if you require more information.

MANAGEMENT COMPANY UPDATE

Stephen Montgomery, one of Aspiring's founders, will retire from the business next month. Stephen has been a Non-Executive Director for the last twelve months and signalled when he moved to a Non-Executive role he would like to retire sometime this financial year. Stephen has made an immense contribution to the business from its establishment in 2006, and he will be missed by the team here at Aspiring. He will continue to be a substantial investor in the Fund. We wish Stephen and his golf game all the best, even though the game is currently theoretical rather than practical.

With the addition of Peter Wright to the business last year we have a full complement of investment professionals and Peter has recently increased his holding in the Fund and the Manager.

Top 10 Holdings

Amazon	4.3%
Google	3.9%
Alibaba	3.5%
Tilt Renewables	3.4%
Contact	3.2%
a2 Milk	3.0%
Infratil	2.9%
Spark	2.9%
Grifols	2.7%
Cleanaway	2.3%

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