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

All returns are in NZ$	Returns				Return volatility
	31 October 19	3 months	12 months	Since inception pa[i]	Since inception pa[i]
Aspiring Fund	**0.73%**	**2.56%**	**10.42%**	**11.06%**	**8.29%**
New Zealand Equities[ii]	-1.26%	-0.64%	23.26%	8.88%	11.15%
Australian Equities[iii]	-0.49%	2.35%	18.17%	6.66%	15.38%
World Equities[iv]	0.27%	5.49%	14.38%	6.57%	12.58%

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

Unit Price **$3.96**

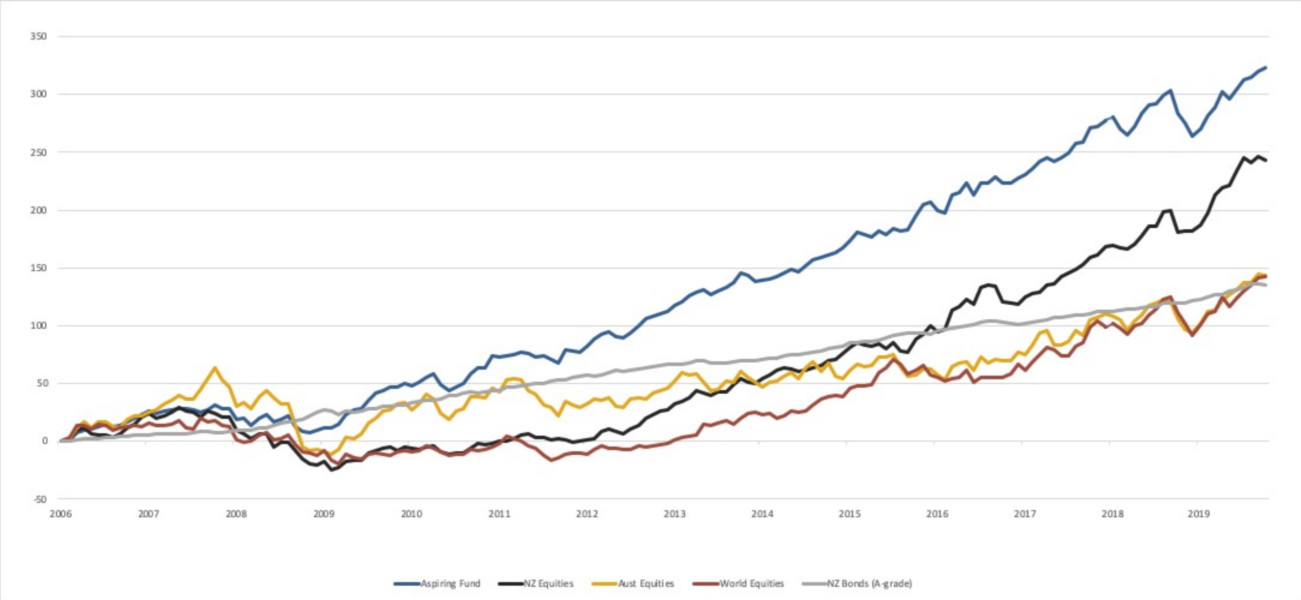
Asset Allocation (approximately):

New Zealand Equities	38.0%
Australian Equities	15.5%
International Equities	27.6%
Bonds	3.5%
Total Cash	15.4%
Short Equities	-0.1%

Net Asset Value of the Fund (approximately): **$436.4m**

The fund's main direct currency exposures at month end were - NZD 49%, AUD 23%, USD 22%

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 benefitted from the international diversification of the portfolio and stock selection in November, posting a 0.73% return despite negative returns from both the Australian and New Zealand markets.

Pleasingly, the performance was broad based with all of our portfolios outside of NZ carding strong returns, despite the strengthening NZ$ having a negative impact on our offshore positions. The weak performance of Australasian markets (NZ market down -1.26% and the Australian market -0.49% in NZ$) was in stark contrast to a very strong showing from offshore with the MSCI World and US S&P500 indices both up over 2% in US$, powered on by news that China and the US are closing in on a 'phase 1' trade deal.

October was a particularly busy month for quarterly company results from our international holdings. Overall earnings compared to twelve months ago were expected to decline by approximately 3% (S&P500) but 75% of results were better than forecast. This improvement in next year's earnings expectations helps explain the strength in major US indices which are all approaching or are at all-time highs.

Consumer discretionary and technology were both sectors that stood out during October. Two of our larger positions Alphabet (Google) and Amazon were initially sold off on earnings misses, but the realisation that both were spending for growth, and to widen the competitive moat in Amazon's case, saw the stocks rally as investors accepted smaller profits now for larger ones later on. The card processing companies Visa, MasterCard and PayPal all had excellent results and we think their dominant positions in the move to digital money make them some of the highest quality businesses in the portfolio.

Apple announced a better than expected result earning $3.03 per share for the quarter versus consensus expectations of $2.84. This helped validate the stock's 11% move in the month. Interestingly, during the month the announcement in Michigan of a large Apple recall saw the stock sell off intraday. The stock rebounded when it was recognised it was Canadian fruit, not a computer, that was being recalled. This is an example of how day to day and minute to minute prices are being driven by machines and the majority of turnover in global exchanges is a game of pass the parcel measured in milliseconds.

The stocks we own in the UK performed well as some clarity started to emerge from the Brexit mess. Valuations in the UK are extremely low and with a weak Pound we see value in this market, although it may take a Tory majority to see the market re-rate significantly.

We are very comfortable that the combination of growth and value that we have in the international portfolio will add value to unit holders, not only in absolute terms but in diversification terms with exposure to sectors not available in our home markets of New Zealand and Australia. As we have increased our exposure to this part of the portfolio from month to month, there may be an increase in currency-induced short term unit price volatility. While we would like to avoid this we do not believe a focus on the very short term is in either our or our unit holders' best interests.

While not material to the Fund, the fire of the Sky City Convention Centre understandably gained a large share of non-rugby media attention in October. Sky City and Fletcher Building have indicated extensive insurance cover, and on this basis the property damage is likely to be largely neutral for Sky City and a positive for Fletchers (more work to complete at fair construction margins) and the Auckland economy.

Of material relevance, Rio Tinto surprised with news its Tiwai Aluminium smelter was under review, including possible sale or closure. This saw the Gentailer sector lose $4 billion in market value, which we estimate implies a permanent $200m fall in annual earnings (whereby Tiwai receives a lower electricity price to stay open). We view both closure and this level of earnings impact as unlikely outcomes, and accordingly have bought back into a sector we recently sold down at higher levels.

Sky TV had an extremely eventful news month. First up Spark and TVNZ announced they had won NZ Cricket Domestic Rights for 6 years from 2020. However, this was surpassed by Sky retaining rights for; NZ Rugby, major ICC international cricket events and NZ Netball. Added news broke that Mediaworks could close its unprofitable free-to-air business (TV3). If this was to happen, Sky-owned Prime TV should be a key beneficiary.

The unique feature of the Rugby renewal was NZ Rugby taking a 5% equity stake in Sky as part of the deal. Interestingly, we believe it would be highly accretive for both NZ Rugby and current Sky TV shareholders, for NZ Rugby to forego its rights revenue for a 50% stake in Sky TV (and instead receive 50% of dividends and capital gains of a higher earnings base and more defendable business). Despite what we viewed as on balance positive news, Sky TV was down 20% and cost the fund 0.20%.

Further good news emerged for wind farm owner Tilt Renewables over the month, with a strong result and more importantly, the news that 50% of Macarthur wind farm had sold in a deal worth A$880m, raising speculation that Tilt could receive a strong price for their similarly aged Snowtown 2 (ST2) wind farm. We have been expecting ST2 to realise a price of approximately A$700-800m however broker commentary now attributes more confidence in a $800m+ price tag. Each $100m received in excess of this value is worth 23 cents per share. Combined with our position in Infratil, Tilt (up 1% in Oct) is effectively the biggest position in the Fund at ~4.5%. We expect a conclusion to this sale by year end.

The Australian portfolio had a particularly strong month (+3.6%), led by agribusiness Webster's 56% move after it received a takeover offer from a Canadian Pension Fund. We have been a patient holder of this stock, which has suffered from a lack of liquidity and broker coverage. The premium highlights just how much of a discrepancy/opportunity can exist between what the market and a more patient long-term holder are willing to pay. Post the announcement we have exited our position.

Top 10 holding Cleanaway had a turbulent month after it downgraded earnings at its AGM. The stock had risen strongly going into the AGM, so its 5.4% downward move for the month hides the rather dramatic market reaction post the announcement. In typical ‘shoot first’ fashion, at one stage the Australian market had smashed the price down over 20%. We managed to add to our holding around these levels, before the stock rebounded to finish the AGM day down 13%. We spoke to management post the AGM and remain confident in the quality of the business and its long-term outlook.

Given the downward pressure exerted on some of our larger Australasian positions including the likes of Cleanaway, a2 Milk and Contact Energy, we start November with many of these names now offering what we see as reasonable value in fully priced markets.

Top 10 Holdings

Spark	4.1%
TILT Renewables	3.8%
Infratil	3.3%
Contact	3.2%
a2 Milk	2.9%
Amazon	2.5%
Google	2.3%
Cleanaway	2.2%
Alibaba	2.2%
Chorus	1.7%

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