



Methodist Trust Association

20 October 2023

Dear Depositor

DISTRIBUTION RATES

The Methodist Trust Association (MTA) is pleased to advise the distribution rates for its Income and Growth & Income Funds for the quarter ended 30 September 2023.

The Income Distribution Rates are:

	Sep 2023	Jun 2023	Mar 2023	Dec 2022	12 Month Average Return
Income Fund	4.35%	4.26%	4.00%	3.85%	4.12%
Growth & Income Fund	2.40%	2.84%	2.10%	2.87%	2.55%

Income distributions for the quarter totalled **\$2,770,787**

PAYMENT OF DISTRIBUTIONS

Income distributions by direct credit will be made into depositors' accounts on Wednesday 25 October 2023.

INVESTING IN THE MTA FUNDS

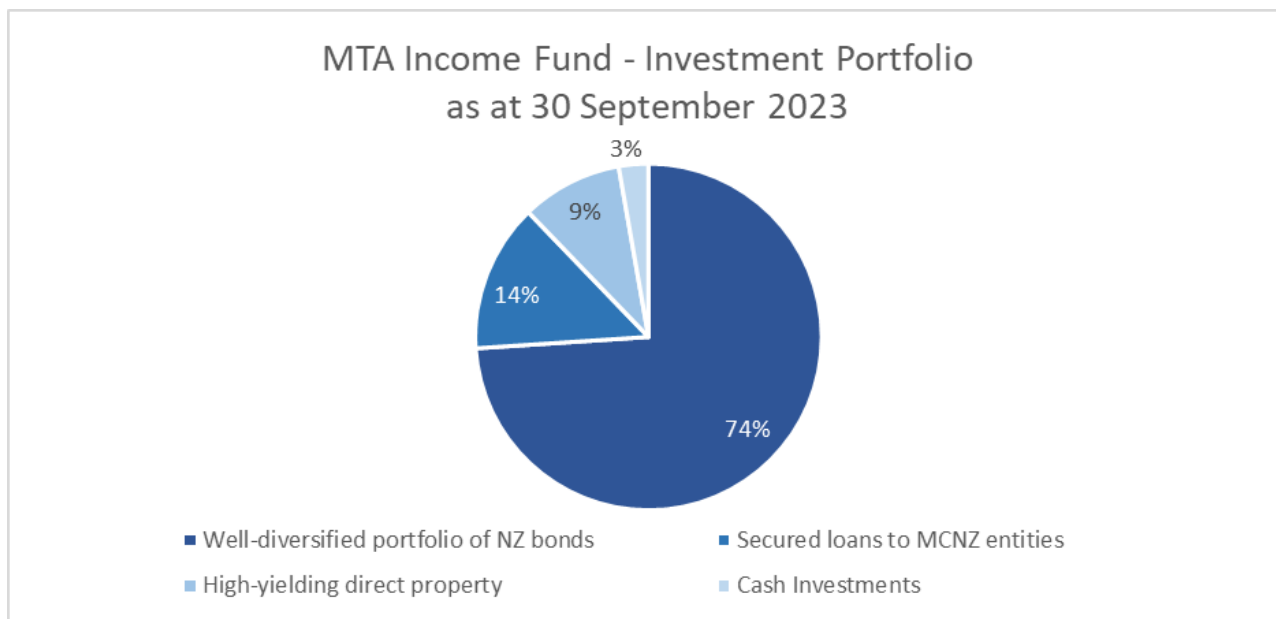
An investment with MTA is an investment into one of MTA's two diversified investment funds. Both investment funds are managed in accordance with the Church's Responsible Investment Policy.

Income Fund

The Income Fund's objective is to provide income returns that are superior to those available in the general market, while maintaining low risk levels, as well as sufficient liquidity to allow you access to your funds at any time, with no penalty.

In total the NZ bond portfolio currently has exposures with 27 different entities such as NZ local government, airports, electricity generators, transmission companies, large corporates, State Owned Enterprises and leading Australasian banks, providing a high level of diversification.

The Income Fund's investment portfolio asset allocation is shown below.



Growth & Income Fund

The Growth & Income Fund's objective is to provide superior longer-term returns, with greater focus on long-term capital growth and less focus on short-term income. To achieve superior long-term returns this fund takes on higher risk. There is risk of capital loss, particularly over shorter periods (less than 3 years).

For either fund, new or additional deposits are welcome from any Church group, responsible in whole or in part to the Conference of the Methodist Church of New Zealand. Deposits cannot be accepted from any other group or from any individual.

For the Growth & Income Fund only, the following withdrawal policy applies:

When a depositor wishes to withdraw their total Growth & Income Fund deposit during the financial year, 10% of that deposit will be retained until after the financial year end at 30 June. This will ensure that the depositor participates in the capital allocation at the end of the year, whether it is a capital accretion or a capital decrease. After the capital distribution has been done at year-end, those depositors can close their deposit and receive the balance of their account.

INCOME FUND

The Income Fund's annualised income distribution rate for the September quarter is 4.35%.

In determining its investment mix, MTA is aware that returns on your Income Fund investments must not only enable the Church to continue its operations in the short-term, but also allow the Church to enhance its resources in the longer term.

We therefore need to strike a balance between high short-term returns and locking in slightly lower but very attractive long-term rates, that will provide very attractive distributions in the years ahead. It would not be in the best interests of the Church or depositors for MTA to sacrifice higher long-term income returns, to maximise short-term income today, especially as short-term interest rates will most likely start falling within the next six to 12 months. We are taking steps now to ensure we can also do this in future years by buying high quality, long-dated bonds, locking in attractive rates for over ten years in many cases.

Your investment in MTA also enables us to provide loans for a variety of mission-related projects throughout the Connexion, when sufficient funds and liquidity permit.

MTA’s responsible investment criteria also ensure that your investments are compliant with Church policies and values, resulting in MTA meeting both your financial and ethical requirements for investments. Responsible investment isn’t something we just talk about, it’s what we do.

For the June 2024 financial year, we are pleased to raise our forecast the distribution rate from 4.10% to approximately 4.35%, with forecast returns of 4.35% for each of the next three quarters.

Unlike bank term deposits, the **MTA Income Fund deposits are not locked in for any term, they can be withdrawn at any time, with no penalty.** This can be very important should your circumstances change, resulting in an urgent need to access some of your money.

You may have queries regarding returns, investment strategy and the best investment vehicle (MTA’s Income Fund or the Growth and Income Fund) for you – please don’t hesitate to contact Executive Officer Stephen Walker for further information about MTA, what we do, and how we do it.

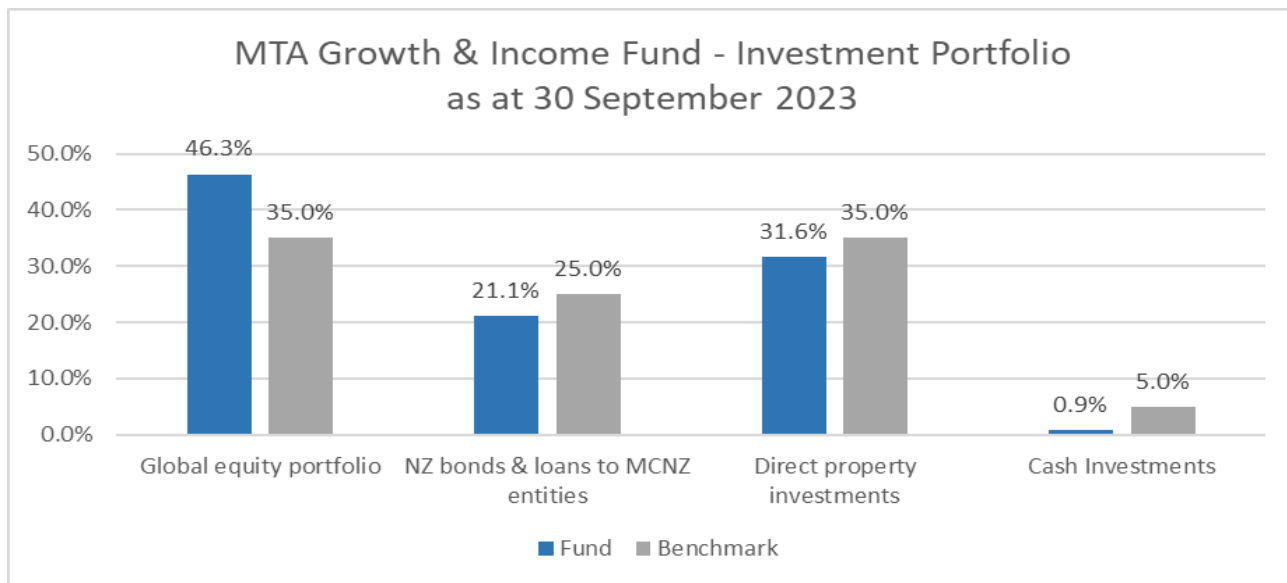
GROWTH & INCOME FUND

The annualised income distribution rate for the Growth & Income Fund is 2.40% for the quarter.

The lower distribution rates for the Growth and Income Fund reflect the different objectives for this fund, which is primarily focused on long-term capital growth. Consequently, a large portion of the portfolio is invested in international share markets, where income yields are much lower than most other asset classes.

Over the longer term this approach is expected to produce higher total returns through capital growth but result in a lower income component within the total return.

The Growth & Income Fund’s investment portfolio is well diversified, with the fund asset allocation as shown below.



The Fund’s equity portfolio continues to favour resilient, high quality growth businesses, positioned to benefit from longer-term structural changes.

The Fund's largest equity holdings on 30 September 2023 and their respective September quarter returns are listed below.

Top 10 Equity Holdings

Name	Industry	Weight*	Quarter Performance
NICE	Software & Services	9.6%	-15.9%
Husqvarna	Capital Goods	8.1%	-13.3%
General Motors	Automobiles & Components	7.4%	-12.4%
Skyline Champion	Consumer Durables & Apparel	7.1%	-0.7%
MongoDB Inc	Software & Services	6.0%	-14.1%
New York Times	Media & Entertainment	6.0%	7.1%
Palo Alto Networks	Software & Services	5.7%	-6.3%
ZipRecruiter Inc	Media & Entertainment	5.5%	-31.1%
Tomra Systems	Capital Goods	5.4%	-27.1%
Comvita	Household & Personal Products	5.1%	11.7%

* Weight relates to the weighting in the listed equity portfolio, which was 44.6 % of the Fund on 30 September 2023

MARKETS

Share markets had a weak quarter, with continued uncertainty on the economic outlook. The MSCI World Total Return Index returned -4.31% for the quarter.

Major markets were mostly weaker during the quarter, with the US S&P 500 Index (-3.3%), New Zealand (-5.2%) and Australia (-0.8%), with the Resources Index falling 0.2%, but the Industrials index down 1.0%. Europe (-2.1%). Bucking the trend were UK (+2.2%) and Japan (+2.5%).

Secondary markets were also weaker, with the emerging markets index down -2.9% and Asia ex Japan down -2.1%.

Given the uncertain outlook we continue to favour resilient, high quality growth businesses and remain positive on the outlook for our portfolio companies.

Resource price moves during the quarter:

- Oil prices, based on West Texas Intermediate crude were up 28.6% in the quarter.
- Coking coal was up 39.3%.
- Metal prices were mixed, with the steel Price Index up 0.4%, zinc (+11.0%), nickel (-8.9%), Iron ore (+6.6%), aluminium (+9.1%) and copper (-0.5%).
- Precious metals were also mixed, gold (-3.7%), silver (-2.6%), platinum (+0.2%) and palladium (+1.4%).
- Agriculture commodities were weaker: Corn (-3.6%), Wheat (-19.1%), and Soybeans (-5.1%).

Over the September quarter bond yields increased in all major markets. In the New Zealand market the yield on 5-year Government bonds rose by 0.69% to finish the quarter at 5.28%, while the 10-year bond yield rose by 0.68% to finish the quarter at 5.30%. The US 10-year bond yield rose by 0.73% to

4.57%, while the 30-year bond yield rose 0.84% to 4.70%. In Europe the 10-year bond yield rose by 0.45% to 2.84%.

In currency markets, the NZ dollar was mixed, dropping 2.1% against the USD, but gaining 0.8% against the Euro, 2.1% against the UK Pound, 0.2% against the Swiss Franc and 1.3% against the Australian dollar.

The main Central banks were less active during the quarter:

- During the quarter the US Federal Reserve raised rates by 0.25% in July, but paused in September, to now be at 5.25-5.50%.
- The United Kingdom raised rates by 0.25% in August to be at 5.25%.
- Canada raised rates in July by 0.25% to be at to 5.00%.
- Australia left rates unchanged at 4.10%.
- New Zealand left rates unchanged at 5.50%.
- The European Central Bank raised rates by 0.25% in both July and September to now be at 4.50%.

RESPONSIBLE INVESTMENT

Our goal is to produce risk-adjusted returns that align with the values and principles of the Methodist Church, as well as our investors' return objectives.

We now access most of the information we use to implement the Church's Responsible Investment Policy from Institutional Shareholder Services Inc (ISS).

The Responsible Investment Policy is implemented by using values/ethical negative screens, and through the integration of Norm-Based research and ESG factors into our investment analysis and investment decision making process.

Values/Ethical Negative Screens

The Methodist Church of New Zealand excludes companies that derive >5% of their revenue from products and services listed below, that are not aligned to the social principles of the Methodist Church.

Ethical Screening

- Alcoholic beverages
- Adult Entertainment
- Civilian Firearms
- Conventional Weapons and munitions
- Gambling
- Privately operated correctional facilities
- Nuclear bases
- Tobacco

Controversial Weapons Screening

- Cluster munitions,
- Anti-personnel Mines,
- Depleted Uranium,
- Nuclear Weapons (all),
- Chemical Weapons,
- Biological Weapons,
- Incendiary Weapons
- White Phosphorus Weapons

Energy & Extractives

- Exposure to Fossil Fuel Activities - Coal, Oil and Gas

Norm-Based Research Integration

Norm-Based Research includes assessing investments against minimum standards of business practice based on national or international standards and norms such as the International Labour Organisation conventions, the OECD Guidelines for Multinational Enterprises, the UN Global Compact or the UN Guiding Principles on Business and Human Rights.

ISS research assists MTA by flagging any exposure, as well as providing detailed information on any issues. This enables MTA to make robust decisions regarding companies' adherence to global norms on anti - corruption, human rights, environmental protection and labour standards.

We use Norm-Based Research to assess supply chain risks (e.g. child/forced labour) and to identify and understand any companies with military equipment involvement.

ESG Integration

We include Environmental, Social and Governance risks and opportunities into our investment analysis and investment decisions.

ESG risks and opportunities are assessed across a company's value chain.

Norm-Based Research covers:

- Anti-Corruption
- Environmental Protection
- Human Rights (including supply chain exposures)
- Labour Rights/Standards (including supply chain exposures)
- Military Equipment Involvement.

ESG Assessments:

- Upstream risks related to a company's supply chain and natural resource usage.
- Operational risks related to a company's production and operational processes.
- Downstream impacts, positive and negative, from products and services sold.

ISS flags only one of our holdings, UBS Group, for a failure to pay its fair share of taxes in France between 2004 and 2012. UBS has taken measures to address this failure.

At 30 September the fund had no exposure to any other companies of continuing concern related to the above issues. In addition, no companies were flagged as having issues in their supply chains.

Global Warming Alignment

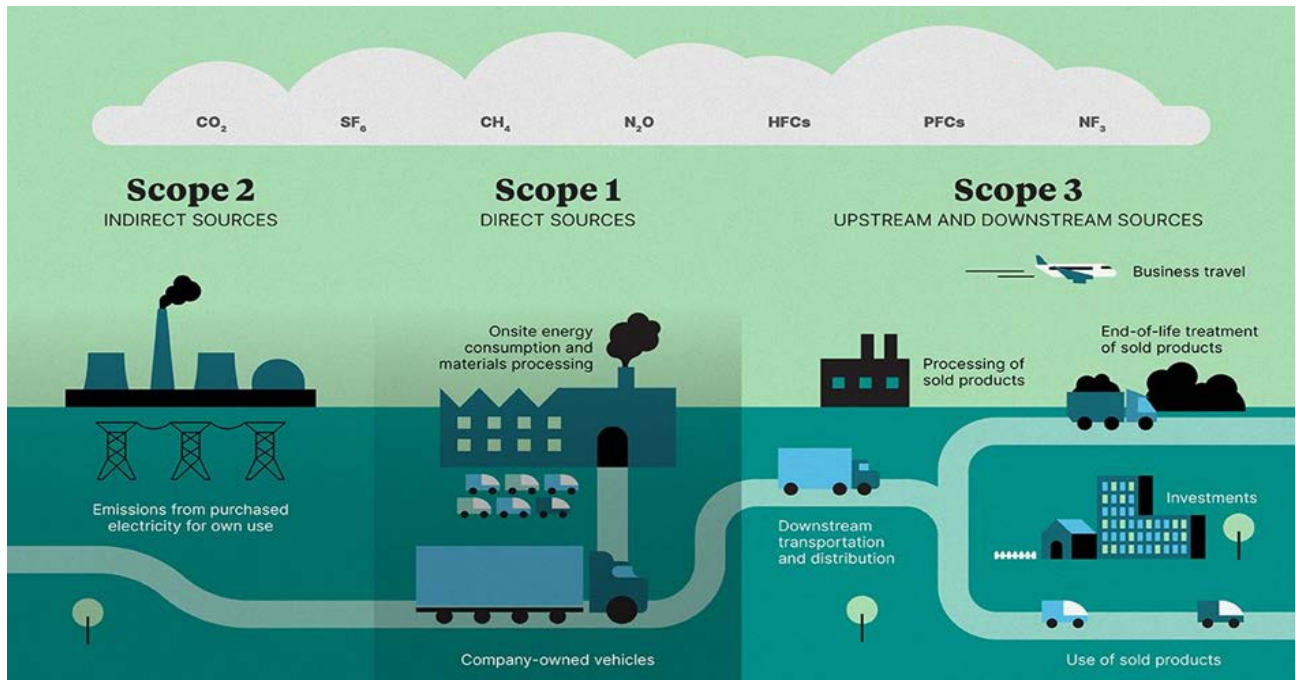
We are committed to transitioning to net-zero greenhouse gas emissions by 2050. This is needed to limit the increase in the global temperature to below 1.5°C. Current science indicates that global warming beyond 1.5°C has potentially catastrophic impacts on the natural world and human society.

ISS data shows that on September 30, the portfolio was aligned with a potential temperature increase of 1.5° C by 2050, whereas the MSCI has a potential temperature increase of 2.7°C.

Climate Impact Assessment

The equity portfolio greenhouse gas emission exposure at 30 September 2023 was at 30.0% of the benchmark's level for scope 1 & 2 emissions (see diagram below for definitions). This is significantly better than the benchmark level.

Overview of Greenhouse Gas scopes and emissions



Positive impact investments

Most of our investments have a positive impact on the economy, climate or the environment.

- TOMRA is instrumental in driving improved collection and recycling rates, particularly for plastic and aluminium packaging, enabling circularity of feedstock for reuse back into the same product quality, while also enabling significant energy savings compared to using virgin raw materials.
- NICE, MongoDB, Palo Alto Networks, Shopify and Zuora, all significantly improve operational efficiency for their customers.
- General Motors and Husqvarna are transitioning their products to battery powered, designed for a circular economy. This is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible.
- Rocket Lab enables deployments of satellites which economically monitor the planet at levels of coverage, detail and frequency previously impossible to achieve. This includes vital environmental data, which enable us to assess the state of the atmosphere, including the ozone layer, monitor air quality and measure pollution, track changes in the polar ice caps, monitor soil moisture on a global scale, protect the integrity of forests and ecosystems and verify the effectiveness of clean-up and remediation initiatives. This information helps us understand how Earth's atmosphere is changing, how climate change is leading to floods, droughts, wildfires, melting polar ice caps and rising sea levels. Future initiatives currently being working on include early identification of forest fires, which will enable firefighters to address fires earlier, when they're smaller and easier to extinguish.

RENEWAL OF DEPOSITS

In the absence of instructions to the contrary, maturing deposits are rolled over for new terms equivalent to those expiring. Income not withdrawn is credited to capital but remains available for withdrawal upon request by the depositor.

FEEDBACK

The Board of the MTA is keen to improve its communications with our stakeholders.

Please use the email address MTAFeedback@methodist.org.nz to ask any questions. We would also welcome your feedback on our communications and any suggestions for topics you would like us to address in future.

Regards



Stephen Walker
Executive Officer

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