Methodist Trust Association

16 April 2025

Dear Depositor

MTA 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 31 March 2025.

The Income Distribution Rates are:

	Mar 2025	Dec 2024	Sep 2024	Jun 2024	12 Month Average Return
Income Fund	4.53%	4.59%	4.53%	4.37%	4.51%
Growth & Income Fund	2.70%	3.38%	2.52%	2.60%	2.80%

Income distributions for the quarter totalled **$2,807,900**

PAYMENT OF DISTRIBUTIONS

Income distributions will be made into depositors' accounts on Thursday 17th April 2025 by direct credit.

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 over time are superior to those available in the general market for similar investments. The fund also maintains sufficient liquidity (cash) to allow you access to your funds at any time, with no penalty.

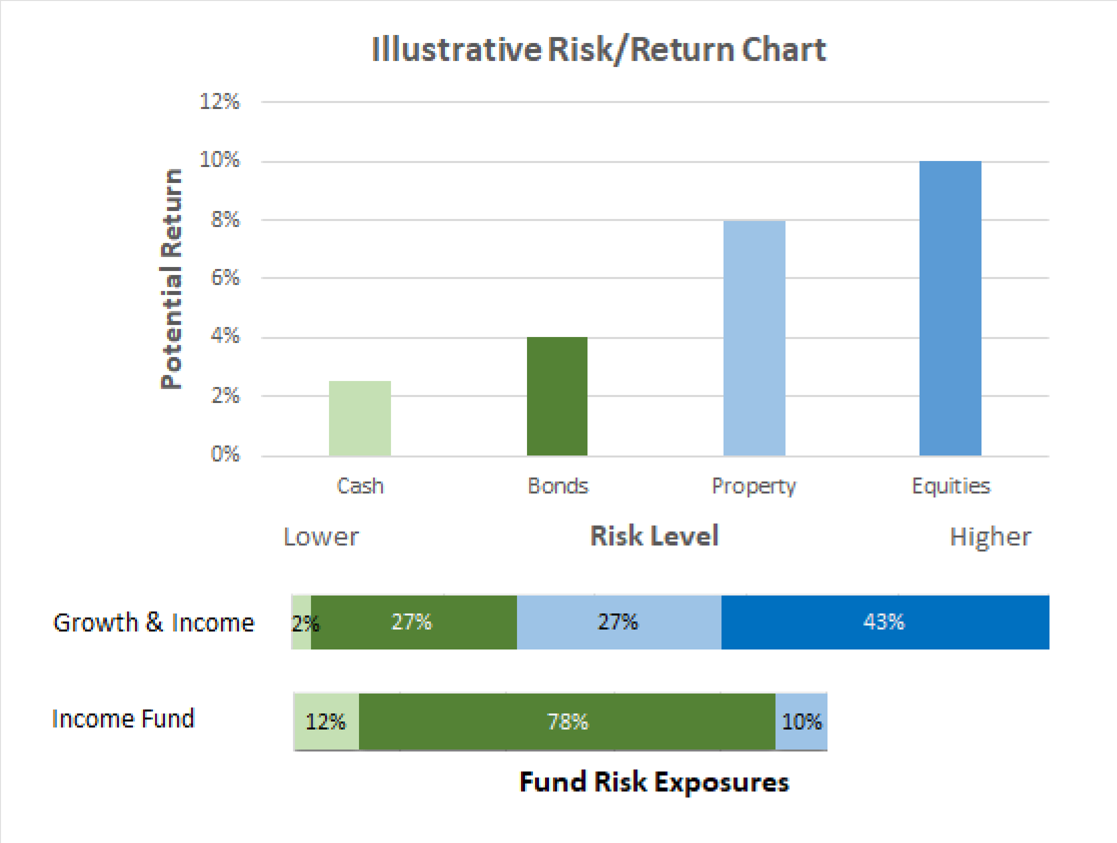
Growth & Income Fund

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. There is risk of capital loss, particularly over shorter periods (less than 3 years).

Over the 10-year period to 30 June 2024 the Growth & Income Fund produced a total return of 7.1% p.a. Within that 10-year period there were two negative years – 2022 and 2024.

MTA Funds Risk and Returns

With the following illustrative risk/return chart, we show each fund's allocations to lower-risk (shown in green); and higher risk (shown in blue) asset classes. There is a clear trade-off between long-term returns and risk taken.



The Income Fund invests in mainly lower-risk (green) asset classes, which will result in lower investment returns, but with high predictability of returns.

The Growth & Income Fund invests across the risk spectrum, with its highest weightings in the (blue) higher-risk assets. This will result in higher returns over the longer term, but with that comes greater short-term volatility of returns from year to year.

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 investing is entrenched in our research and investment decision-making processes.

If you are unsure which fund you should invest in, please contact MTA's Executive Officer Stephen Walker to discuss your circumstances and objectives.

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:

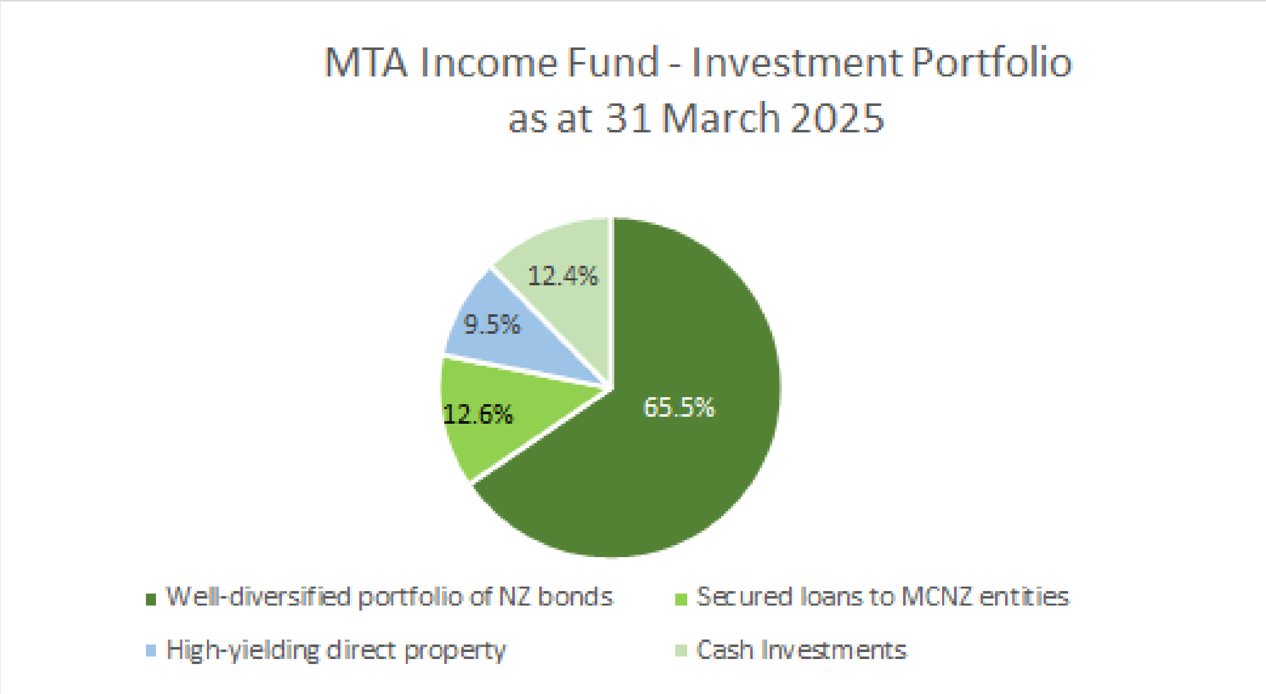
When a depositor wishes to withdraw their total Growth & Income Fund deposit during the financial year, 10% of that deposit will be retained until after the financial year end at 30 June.

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 March quarter is 4.53%, which exceeds the forecast return for the quarter made in December.

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



We are pleased to again raise our forecast distribution rate for the June 2025 financial year, from 4.50% to 4.55%. This forecast incorporates the continuing negative impact from reductions in interest rates we have already seen and those we expect to see over the balance of the 2025 financial year. This return is far superior to bank term deposit rates.

We are also pleased to be able to raise our forecast return for the June quarter to 4.60%.

During the year we have taken numerous opportunities to increase returns from the bond portfolio, locking in attractive returns which enable us to raise the distribution rate for future periods. This has enabled us to significantly exceed our initial guidance for the financial year of 4.20%, which reflected the portfolio's composition at that time.

For the June 2026 financial year, we forecast a distribution rate of 4.50%. This forecast continues to incorporate a negative impact from further expected reductions in short-term interest rates through the year. Pleasingly, this forecast return is once again far superior to available bank term deposit rates.

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.

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.

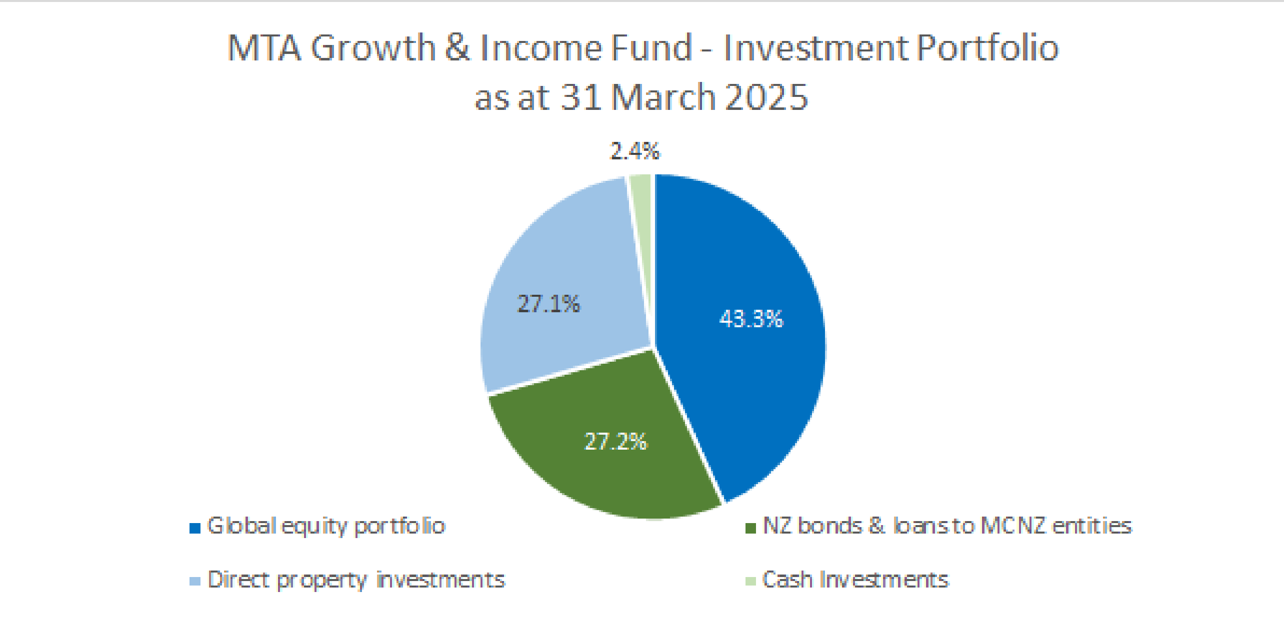
GROWTH & INCOME FUND

The annualised income distribution rate for the Growth & Income Fund is 2.70% for the March quarter.

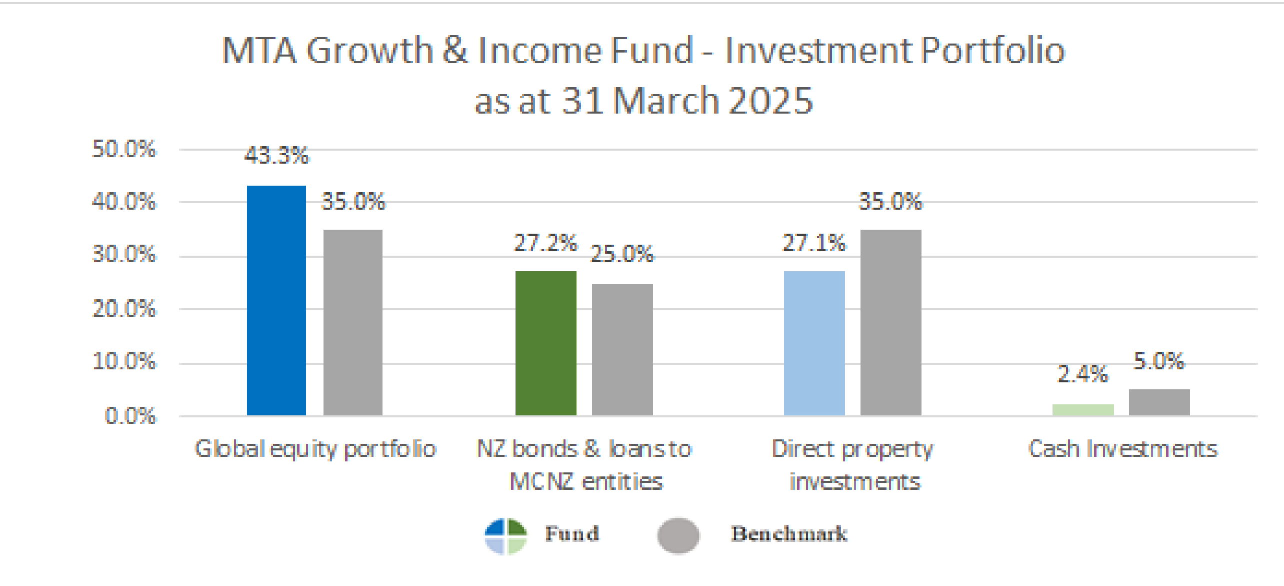
The lower distribution rates for the Growth and Income Fund, relative to the Income Fund, reflect the different objectives for this fund, which is primarily focused on long-term capital growth. Consequently, a large portion of the portfolio is invested in international share markets, where income yields 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 those total returns.

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



The Growth & Income Fund's investment portfolio is currently overweight equities (shares) compared to the fund's benchmark, slightly overweight on Bonds, and underweight in both property and cash, as shown below.



Note: The benchmark weights are the neutral position. Each asset class is managed within a range around (over and under) its benchmark weight, with the position taken reflecting our relative risk-adjusted return expectations for each asset class.

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

The Fund's largest equity holdings on 31 March 2025 and their respective March quarter returns are listed below.

Top 10 Equity Holdings

Name	Industry	Weight*	Quarter Performance
NICE	Software & Services	7.8%	-10.6%
General Motors	Automobiles & Components	7.7%	-12.8%
Tomra Systems	Capital Goods	6.5%	8.5%
Rocket Lab USA	Capital Goods	6.2%	-30.8%
MongoDB Inc	Software & Services	5.5%	-25.8%
Husqvarna	Capital Goods	5.0%	-10.9%
Sabre	Consumer Services	4.7%	-24.2%
Porsche AG Group	Automobiles & Components	4.5%	-19.1%
Temenos	Software & Services	4.1%	7.4%
Owens Corning	Capital Goods	3.7%	-16.7%

*Weight relates to the weighting in the listed equity portfolio, which was 41.7 % of the Fund on 31 March 2025

The equity portfolio's return for the March quarter was -13.1%. Weakness in share markets reflected the negative impact of the Trump Administration's economic policies, that have resulted in weakening business and consumer demand due to the heightened levels of uncertainty. The financial year to date return for the equity portfolio was +8.8% at 31 March.

WORLD MARKETS

Global share markets had a negative quarter, with high dispersion of returns. The MSCI World Total Return Index returned -1.8% for the quarter.

Major markets returns were mixed over the quarter. In USA the S&P 500 Index (-4.3%) underperformed, as did the Nasdaq (-10.3%) as uncertainty grew, leading to falling business and consumer spending. The UK (+6.1%) and European markets (+5.9%) both gained. The Japanese Nikkei Index fell (-9.9%), New Zealand fell (-6.4%) and Australia fell (-2.8%), with the Resources sector up (+0.7%), but with weakness in the Industrials sector (-3.7%).

Over the March quarter bond yields fell in USA but rose in all other major markets. In New Zealand the yield on 5-year Government bonds rose by 0.25% to finish the quarter at 4.01%, while the 10-year bond yield rose by 0.08% to finish the quarter at 4.49%. The US 10-year bond yield fell by 0.36% to 4.21%, while the 30-year bond yield fell 0.21% to 4.57%. In Europe the 10-year bond yield rose by 0.37% to 2.74%.

In currency markets, the US dollar weakened, resulting in the NZ dollar gaining +1.5% against the USD. The NZ dollar also gained +0.5% against a weaker Australian dollar. The NZ dollar was weaker against most other major currencies, falling -2.8% against the Euro, -1.1% against the Swiss Franc and -1.6% against the UK Pound.

Most Central banks continued to cut their interest rates during the quarter:

- The US Federal Reserve has paused rates at 4.25-4.50%.
- The United Kingdom cut its rates in February by 0.25% to 4.50%.
- Canada cut its rates by 0.25% in both January and March to now be 2.75%.
- Australia cut rates in February (first time since November 2023) by 0.25% to now be at 4.10%.
- New Zealand cut its rates by 0.50% in February to 3.75%.
- The European Central Bank cut its rates by 0.25% in both January and March to now be at 2.50%.
- Switzerland cut its rates in March by 0.25% to now be 0.25%.
- Denmark cut its rates by 0.25% in both January and March to 2.25%.
- Sweden cut its rates by 0.25% in January to now be 2.25%.
- Japan raised its rate by 0.25% in January to now be at 0.50%, its highest level since 2008.

Resource price moves during the quarter:

- Oil prices were slightly stronger, with WTI crude up (+1.4%) for the quarter.
- Coking coal prices fell 13.4%.
- Metal prices were mixed, zinc (-4.2%), nickel (+3.8%), Iron ore (+0.1%), aluminium (-0.7%), copper (+10.7%), and steel was weaker, with the steel Price Index down (-2.8%).
- Precious metals were all stronger, gold (+19.0%), silver (+17.9%), palladium (+8.6%) and platinum (+9.9%).
- Agriculture commodities were weaker: Corn (-1.8%), Wheat (-4.5%) and Soybeans (-0.7%).

US TARIFF ANNOUNCEMENTS

On 2 April the Trump administration announced the details of their so-called “reciprocal tariffs”, which were anything but reciprocal. These bore no relation to the actual tariffs other countries applied to US imports.

The tariffs were predominately a uniform 10% tariff on almost all imports from all countries, except Russia. These tariffs are designed to address the US traded goods trade deficit and are effectively a market access fee. USA has a trade surplus on services, but they ignored that. The additional tariff, over the 10% level, implicitly punishes those countries where there are high traded goods deficits.

Many countries do charge tariffs on US goods. Some also have policies, such as government incentives and other requirements, that unfairly help their trade position. The US also charged tariffs on some imported goods prior to the April announcement.

There are good reasons for USA to want to encourage fairer trade. There are also good reasons why USA would like to become less reliant on imports for critical materials and components, from a national security and national resilience perspective.

There is also a misguided belief that USA needs to return to its historic position of a manufacturing powerhouse. Even if that was correct, it would take decades to build and equip the plants. Most Americans don't want that type of work, immigration has been tightened, and the current unemployment level is low. So where would the workers come from?

This "tariff" policy is not economically justifiable. It's simplistic, driven by misguided beliefs, poor economics, and shows no understanding of the complex global supply chains supporting US businesses.

Subsequent to the 2 April announcement, there have been almost daily changes, exemptions, new duties, etc. Businesses need a level of certainly to mitigate, adapt and develop plans when policies change. There is currently only uncertainty.

The reaction in financial markets has been negative. Most people expected the signalled "reciprocal" tariffs to actually be reciprocal, and therefore much lower.

To focus just on the economic impact of these tariffs, the US will have lower growth, higher inflation, higher short-term unemployment, lower productivity and probably lower interest rates. The negative impact will disproportionately impact lower income people and smaller businesses.

For the rest of the world lower growth and interest rates are likely. There is also likely to be some aversion to buying US products from consumers and businesses in the rest of the world.

The Trump administration will remain under considerable pressure from US consumers and businesses to moderate their position. The US consumer does not like inflationary pain.

We expect the initial negotiations with most countries to result in them removing tariffs and other trade barriers, with the US agreeing to only charge them the uniform 10% tariffs in return, which is the current "temporary" level.

For the Trump administration to remove the uniform 10% tariff (market access fee), would seem to require the Administration to change some of their misguided beliefs. The world can cope with the 10% tariff in the meantime, if there is policy certainty.

What is the impact on the portfolio

We are constantly reviewing our portfolio to assess the impact of each day's new announcements.

Our portfolio's composition favours high-quality growth businesses that are resilient and have excellent management. Our current assessment is that the negative "operational impact" of these tariff policies and associated announcements is modest. For most of our portfolio companies the biggest impact is because of the constant changes and uncertainty, which is delaying decisions and execution of some current strategies. The next biggest impact comes from the expected slowdown in economic growth.

For the small number of companies with direct tariff exposure, we think it is manageable and expect management to mitigate much of the impact within a reasonable period of time.

We are not reducing our US listed exposures. Most large US listed companies are global businesses, with well diversified operations and excellent management teams. The US market also has larger exposures to the most attractive sectors and industries, like recuring-revenue software companies and biotechnology. From an investment analysis perspective, US companies also have excellent company profit reporting and disclosure standards, which make analysis much more efficient.

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 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.

Divestment Decision

At the February 2025 MTA Board meeting, a decision was taken by the Board to instruct our Executive Officer to exit our holding in Rocket Lab, in an appropriate, orderly and timely manner.

The Board acknowledged this decision may have financial consequences on this year's returns but believed this decision was aligned with our obligations to comply with our Responsible Investing practices.

It was noted that the holding in Rocket Lab was not in breach of our specific policies and procedures, but the Board's view was that, at this time, they were not comfortable with the alignment of the company with some of the Methodist ideologies.

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 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

At 31 March the fund had no exposure to any companies with >5% of revenues involved in any prohibited activities related to our ethical screens, controversial weapons or energy and extractives.

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.

Norm-Based Research covers:

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

ISS currently flags three of our holdings, Porsche, UBS Group and Microsoft, with amber warnings for past failures.

For Microsoft, as previously reported, the flag is characterised as labour rights. Microsoft Corporation has an AMBER signal since March 2023 relating to its recently acquired subsidiary Activision Blizzard, Inc.

For UBS Group, as previously reported, the flag was characterised as human rights, being failure to pay fair share of taxes in France.

For Porsche AG, as previously reported, the AMBER signal relates to illegal engine software that resulted in non-compliant diesel emissions in 2015, when it was part of the Volkswagen Group.

An amber warning is less serious than a red warning. This is usually due to the issue being either less serious or historic and remediated, as is the case with UBS. It does not preclude us from owning these investments.

We use all warnings or flagged potential breaches of our values, as a signal to fully investigate the issue, to determine whether we are comfortable with the current situation. If not, any holding will be exited in a timely manner.

In each of the cases above, the issues raised are not current issues and did not happen under the current senior management teams.

At 31 March, the Funds had no exposure to any companies of continuing concern related to the above listed issues. In addition, no companies were flagged as having issues in their supply chains.

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.

ESG Assessments include:

- 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.

The portfolio ESG assessment will give a more complete picture in time, as more companies are assessed, and disclosures improve. Currently, reliable data is available for larger companies, especially in North America and Europe.

Where data is available most of our holdings are rated highly by MSCI and mostly rate much higher than their industry peers.

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 less than 1.5°C. Current science indicates that global warming beyond 1.5°C has potentially catastrophic impacts on the natural world and human society.

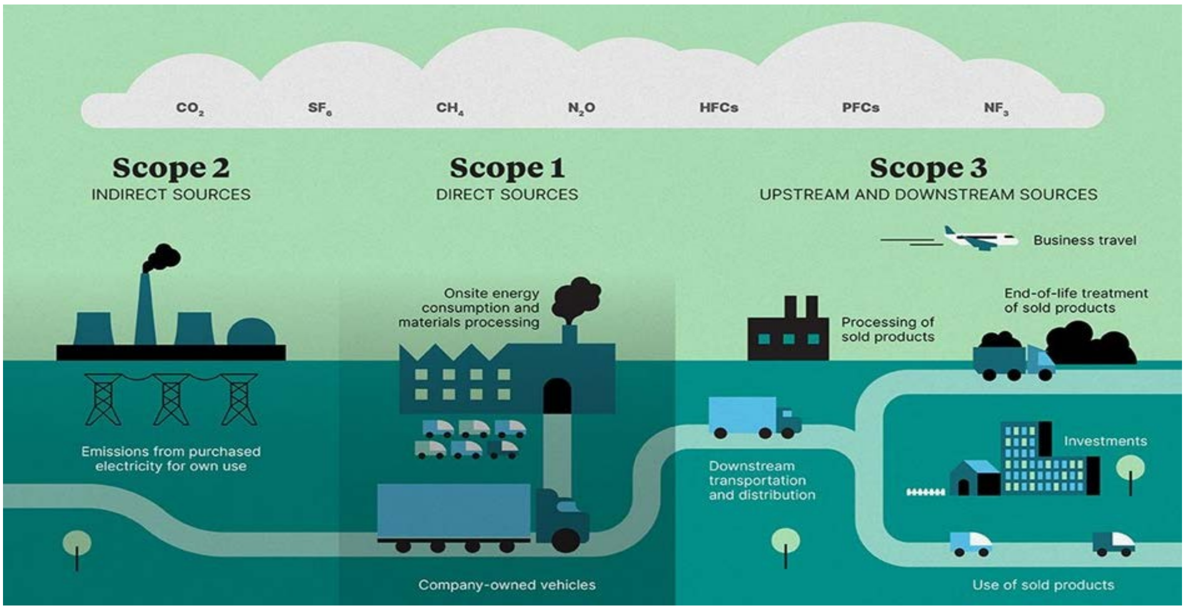
ISS data shows that our portfolio continues to be aligned with a potential temperature increase of 1.5°C by 2050, whereas the MSCI World Index has a potential temperature increase of 2.7°C.

Climate Impact Assessment

The equity portfolio's annual greenhouse gas exposure on 31 March 2025 was at 1,002.69 tonnes for scope 1 & 2 emissions and 19,465.94 tonnes for Scope 1,2 &3 emissions.

The portfolio was at 49.6% of the MSCI benchmark's level for scope 1 & 2 emissions (see diagram below for definitions) and at 75.3% for scope 1,2 &3 emissions. The relatively higher level for scope 3 emissions relates to emissions from use of products, primarily from General Motors and Husqvarna, who are both leaders in transitioning their products to zero-emission battery power.

Overview of Greenhouse Gas scopes and emissions



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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