



TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

31-Aug-22	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	Inception (p.a.)
Fund	-1.2%	0.2%	1.4%	-6.2%	-5.0%	9.3%	7.0%
Benchmark	1.6%	1.0%	1.7%	-3.7%	-3.2%	8.7%	5.7%
Alpha	-2.8%	-0.8%	-0.3%	-2.5%	-1.8%	0.6%	1.3%

Benchmark: 50% S&P / NZX50 Portfolio Index Gross with Imputation and 50% S&P / ASX200 Accumulation Index in New Zealand dollars.

August was a tough month for our Fund. The benchmark was up +1.6% while our Fund posted a -1.2% return, underperforming by -2.8%. While the NZX50 (+0.9%) and ASX200 (+1.4% in AUD terms) posted positive returns for the month, both the S&P 500 Index and the MSCI World Index were down -4.1%.

Over the past 12 months, the New Zealand share market has fallen 12.2%. This fall reflects the rise in interest rates and the situation that 12 months ago, the New Zealand market was trading on very expensive valuations. Today, valuations are more reasonable. Interestingly, in their outlook statements, companies were on average positive about the future. This is despite the weak business confidence. However, analysts have taken a more cautious approach and have generally revised down their 2023 forecasts.

The positive performance of the Australian share market reflected the strong performance from resource companies like BHP and Woodside, while technology and growth companies performed poorly over the month as long-term interest rates rose. Growth shares are more sensitive to interest rate rises as their profits can be many years into the future.

The combination of not holding the strongly performing resource companies and A2 Milk, and the poor performance of the technology and growth companies, led to the underperformance of our Te Tai o Rehua Fund during August.

The key movers in our Fund during August were:

- Brambles was up 8.1%, beating analysts' revenue and earnings per share estimates.
- Sim Metals added 4.8%, rising with the general increase in Resource stocks. The Sims business is primarily recycled metals, and of note for investors has recently sold recycling firm Metal Management Aerospace Inc.
- Reliance Worldwide was down -11.4%. The company reported 17% higher sales for the period but its profit slipped 3%.
- My Food Bag fell -11.4%, after warning that its profit will fall this year as an economic slowdown prompts customers to reduce their spending.



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Tutū ana a Rangi rauā ko Papa - Environmental Disruption

The McKinsey & Company Global Economics Intelligence executive summary August 2022 highlights both geo-political and significant disruptive environmental events occurring around the globe:

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- Russia has severely curtailed its gas supplies to Europe.
- The climate crisis has made itself felt in Europe, as it has in China, with severe summer heat waves and droughts. In both regions, the disrupted environment has curtailed hydropower and manufacturing. Agricultural production in the Yangtze River basin, home to 450 million people, is also threatened, and Sichuan Province, the largest producer of hydropower in China, cut output by 50% in August.
- Pakistan is experiencing a national emergency as heavy monsoon rains destroyed hundreds of thousands of homes and millions of acres of crops.
- The UN reports that 50 million people in Ethiopia, Kenya, and Somalia suffer from “acute food insecurity,” as the region endures its longest drought in 40 years. The damage wrought by the extreme conditions has been the greatest in the places least able to respond; no region, however, is escaping the effects of the general environmental disruption.

Read the full summary here: <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/global-economics-intelligence-executive-summary-august-2022>

Temuera Hall - Portfolio Manager

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