MONTHLY REPORT

Te Whakahou - Kohitātea

Revitalise - January 2022

TAHITO

TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

31-Jan-22	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	Inception (p.a.)
Fund	-8.7%	-6.5%	-4.1%	-8.7%	2.7%	5.7%	7.6%
Benchmark	-6.8%	-5.7%	-3.3%	-6.8%	1.9%	4.2%	5.7%
Alpha	-1.9%	-0.8%	-0.9%	-1.9%	0.8%	1.5%	1.9%

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

Unfortunately, it has been a tough start to the year for share markets. The strong run since the COVID-19 lows of March 2020 has finally capitulated to a correction. Investors are worried about high inflation and the prospect of rising interest rates, and the impact rising rates might have on the valuations of stocks (particularly high-growth technology stocks). Also of concern has been Co-vid-related logistics problems and the geopolitical tensions surrounding Ukraine. However, volatility in share markets should be expected - it's the price paid to earn premium returns over lower-risk assets like bonds over the long-term.

In January, our Te Tai o Rehua Fund paid a price for focusing on companies with strong environmental and social credentials. The fund has little exposure to the mining and fossil fuel energy sectors that do significant damage to the environment, and conversely we have a relatively high exposure to the more sustainable tech companies. Our high growth tech stocks Xero, Technology One and Next DC were not immune in January, while mining and energy stocks performed well.

The key drivers for our underperformance relative to benchmark during January were:

- A lack of exposure to the booming mining sector (the low exposure to this sector is based upon our sustainability values).
- The market-wide sell off was most notable in high growth tech stocks due to potential valuation worries. Our key holdings in this space, being Next DC, TechnologyOne and Xero, returned -17%, -19% and -20% in AUD terms respectively.
- The Health sector (which we also favour) performed particularly poorly as well, with Sonic Healthcare at -18% and Fisher & Paykel Healthcare down by -15%.

Temuera Hall
Portfolio Manager

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$5 Trillion in Fossil Fuel Subsidies (2010-2021)

Putting an end to fossil fuels is not that easy. With energy consumption vital for life and business, governments often look to fossil fuel subsidies to make energy as affordable as possible. These subsidies artificially reduce the price of fossil fuels and generally take two forms.

Continued on next page.

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$5 Trillion in Fossil Fuel Subsidies (2010-2021) - Continued

Production subsidies occur when governments provide tax cuts or direct payments that reduce the cost of producing coal, oil, or gas. Consumption subsidies cut fuel prices for the end-user through price controls and other such measures. Each year, governments around the world pour nearly half a trillion dollars into fossil fuel subsidies. This chart breaks down a decade of fossil fuel consumption subsidies by energy source using data from the International Energy Agency (IEA).

https://www.visualcapitalist.com/visualizing-global-per-capita-co2-emissions/

Temuera Hall - Portfolio Manager

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