



TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

31-Jul-23	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	3 Years	Inception (p.a.)
Fund	2.0%	3.2%	5.1%	11.0%	4.5%	2.1%	9.9%	6.8%
Benchmark	2.1%	2.9%	1.1%	7.3%	6.6%	2.4%	8.8%	5.6%
Alpha	-0.1%	0.3%	4.0%	3.7%	-2.1%	-0.3%	1.1%	1.2%

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

Our Te Tai o Rehua Fund produced a good return, advancing by 2.0% which was on par with the benchmark at 2.1%. Both the ASX and NZX markets had a good month, with the S&P/NZX 50 Portfolio Index up 1.6% and the S&P/ASX 200 Index up 2.5% (in NZD terms).

The main market influences were:

- Rising inflation expectations in NZ, which increased to 2.83% in Q3 2023, according to the RBNZ survey, putting pressure on the central bank to tighten its monetary policy.
- Divergence between the market and the economists' views on the chances of an RBA rate hike in August 2023. Money markets were betting on a pause, while some major banks were expecting the RBA to lift rates to a 12-year high, creating uncertainty and volatility for investors.
- Weaker economic growth projections for both countries in 2023, as the impact of previous rate hikes and global geopolitical tensions continued to weigh on household consumption and corporate earnings.
- Sector rotation among investors, who shifted their preferences from high-growth and high-risk stocks to more defensive and value-oriented stocks. This includes companies in the technology, real estate, industrials, and communications sectors, which showed attractive valuations after falling prices in 2022.

All major market indices were positive. The MSCI ACWI (including emerging markets) was up 3.2%, the US NASDAQ 100 rose 3.8%, and the Hong Kong Hang Seng was up 7.2%.

The key movers in our Fund during July were:

- Australian Ethical Investment +23%, which reported 48% growth in funds under management for FY2023, indicating a strong demand for ethical investing products.
- Summerset +7%, on a positive market outlook for the retirement village sector and a growth strategy that included expanding its presence in both New Zealand and Australia.
- Sims -4%, affected by a decline in metal prices globally (led by the slowdown in the Chinese economy) and an increase in operational costs from higher energy prices, labour shortages, and environmental compliance requirements.
- KMD Brands -9% after a negative reaction to the FY23 update, in which the company reported a record \$1.1 billion in sales, but also warned of a slower start to the winter trading period and more challenging conditions in the fourth quarter.

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TAHITO



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Good news sustainability stories from July 2023:

- A new kind of membrane that separates chemicals within wastewater so effectively that they can be reused was developed by engineers from Nanyang Technological University in Singapore. The membrane, inspired by the adhesive properties of mussels, can selectively filter out organic solvents from water with high efficiency and stability. The researchers believe that their invention can boost sustainability and add value to industrial wastewater treatment, especially in sectors such as pharmaceuticals, petrochemicals, and textiles.
- A scheme to increase the uptake of public transport in Germany has been hailed as a “huge success”. The €49 a month ‘Deutschland ticket’ has led to a 25 per cent rise in passengers on national railway company Deutsche Bahn’s regional services, according to DB Regio CEO.
- The Scottish government has given the green light to expand a hydro storage plant in the west of the country. Renewable power developer Drax wants to build a new £500 million development in their existing Cruachan facility. Authorities have approved the plans, which will also help Scotland in its bid to reach net-zero targets.
- An Indian railway network is installing over 1,000 hectares worth of solar energy. The Central Railway, one of 18 rail ‘zones’ in the country, has committed to developing one megawatt (MW) of solar units at 81 spots throughout its network. It’s part of a growing trend of railways using their large land portfolios to go greener and help meet national renewable energy goals.

Me pehea ka whangai i te taupori o te ao? - How do we feed the world’s population?

According to UN estimates, one third of all human-caused greenhouse gas emissions (GHGs) come from the global food system. Food production uses 70% of the world’s freshwater. Separately the World Food Programme estimates that nearly a third of the food we grow is lost or wasted each year. The Global Report on Food Crises 2023 notes that 258 million people faced high levels of food insecurity in 2022.

While these numbers are particularly worrying, there are number of positives providing hope. We are already growing enough food to feed the world, so by reducing waste there should be enough food to meet the 2050 population demand. Regenerative farming is rolling out across the world. Read more here:

<https://www.euronews.com/green/2023/07/29/what-is-the-future-of-food-six-ways-we-can-reduce-the-greenhouse-gas-emissions-from-what-w>

Temuera Hall - Portfolio Manager

Responsible Investment Association Australasia certification

The TAHITO Te Tai o Rehua Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service has implemented an investment style and process that takes into account environmental, social, governance or ethical considerations. See www.responsiblereturns.com.au for details.¹

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