



# TAHITO Te Tai o Rehua Fund

## Performance (Returns net of fees)

28-Feb-23	Month	3 Mths	6 Mths	YTD	1 Year	2 Years	3 Years
Fund	-0.7%	3.4%	0.0%	4.8%	1.4%	4.5%	6.6%
Benchmark	-1.9%	1.6%	1.9%	4.1%	3.7%	4.5%	6.9%
Alpha	1.2%	1.8%	-1.9%	0.7%	-2.2%	0.0%	-0.3%

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

Both the ASX and NZX were down for the month, yet our Te Tai o Rehua Fund had a strong return against its benchmark. Our fund returned -0.7%, 1.2% above the -1.9% performance of the benchmark in February. The S&P ASX 200 declined -2.6% (in NZD terms) and the S&P NZX 50 Portfolio index fell -1.1%.

Economic data continues to come in stronger than expected, driving up interest rates and subduing the share markets. The Reserve Bank of New Zealand lifted the cash rate by 0.50% in February, and the likelihood of the US Federal Reserve lifting rates by 0.25% in March is now high. If rates do remain elevated, "lofty" valuation metrics may be a thing of the past as future earnings are worth less in today's dollars. It is becoming more difficult for companies to secure ultra-cheap financing, and any company with debt will have higher interest expenses.

The key movers in our Fund during February were:

- Medibank +14%, recording a \$233M annual profit despite losing 13,000 policy holders after the recent cyber-attack.
- Brambles +7%. BXB lifted its full-year profit forecast after stating they are able to pass inflationary costs on to customers, which pushes up pallet prices.
- Scales down -19%, as the company and market assess the impact of the cyclone and floods upon their orchards and other assets in the Hawkes Bay region.
- Commonwealth Bank (CBA) -6%. Although CBA announced a half year after tax profit of \$5.15B, the market is expecting margins to tighten going forward.

Climate doom and eco-anxiety is high, particularly after the significant climate event of Cyclone Gabrielle and the likelihood of extreme weather events becoming more common. Here's some good news stories to provide some balance:

- Seaweed based plastic: Plastic litters our oceans, and only six percent of all the plastic ever produced has been recycled. The founders of London-based start-up Notpla believe they have an answer with their solution coming from the sea. They are developing a plastic alternative which is made from seaweed and plants. It's totally natural, completely biodegradable and can be used to make a range of packaging from bubbles to hold liquid to linings for food containers.
- Coral spawning: Corals grown in Australia's first offshore coral nursery have spawned for the first time after being planted on the Great Barrier Reef four years ago. They were grown as part of a project by the Reef Restoration Foundation to help rebuild degraded parts of the reef on Fitzroy Island in North Queensland.
- Renewable energy tipping point: According to the International Energy Agency's Electricity Market Report 2023, 90 percent of new electricity demand between now and 2025 will be covered by clean energy sources; wind, solar, and nuclear energy. This growth in output means that renewables will become the world's largest electricity source within three years - providing 35 percent of the world's electricity and overtaking coal.
- Methane inhibitor: Baby kangaroo poo could be a surprising ally in the fight against



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- methane-spewing cows. Scientists at Washington State University are putting the roo poo to the test by adding a microbial culture made from baby kangaroo faeces together with a known methane inhibitor to a cow stomach simulator. The result is the production of produced acetic acid instead of methane. Unlike the methane, acetic acid isn't emitted as flatulence and actually benefits cows by aiding muscle growth. So it could be a win-win.

## Closing the Gender Gap

Aotearoa - New Zealand ranks fourth on the Global Gender Gap Index with a score of 0.841, sitting behind Iceland, Finland and Norway. The Global Gender Gap Index benchmarks 146 countries, measuring gender parity across four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment). It is the longest-standing index which tracks progress towards closing these gaps over time since its inception in 2006.

At the current rate of progress, it will take 132 years to reach full parity. This represents a slight four-year improvement compared to the 2021 estimate (136 years to parity). The Global Gender Gap in 2022 is 68.1% closed. Progress towards closing the gender gap has stalled in most countries. Only 30 of the 145 economies covered in both 2021-2022 editions progressed in closing the gender gap by at least one percentage point; 57 countries have made marginal progress, having closed their gender gaps by less than one percentage point. Twelve countries have reversed their gender gaps by more than one percentage point, while 46 countries saw a marginal decline – by less than one percentage point. Read more about the Global Gender Gap here;

<https://www.weforum.org/reports/global-gender-gap-report-2022/>

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](http://www.responsiblereturns.com.au) for details.<sup>1</sup>

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