



TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

31-Oct-22	Month	3 Mths	6 Mths	YTD	1 Year	2 Years	3 Years	Inception (p.a.)
Fund	-0.3%	-6.6%	-8.4%	-11.3%	-9.2%	5.5%	4.9%	4.7%
Benchmark	2.3%	-0.7%	-4.7%	-5.9%	-4.8%	7.4%	4.8%	4.6%
Alpha	-2.6%	-5.9%	-3.7%	-5.5%	-4.4%	-2.0%	0.1%	0.1%

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

October was another tough month for our Fund. The benchmark was up 2.3% while our Fund posted a -0.3% return, underperforming by -2.6%. For the month, the NZX50 (+2.5%) and ASX200 in NZD (+2.2%) posted positive returns. The S&P 500 Index was up 4.7% and the MSCI World Index (excluding emerging markets) was up 3.9% (both in NZD terms).

Our underperformance for the month was as a result of our decisions not to hold the resource companies BHP and Fortescue, or the food products company A2 Milk. In all cases we have concerns about the environmental impact of their operations, which is why we won't invest in these companies.

Over the past 12 months, the New Zealand share market has fallen -12.7%. Inflation and higher interest rates still remain the key issues for the major economies, yet most equity markets were positive in October and reported higher returns.

In periods of weak market returns, increased market volatility can be expected. This year we have seen share markets fall sharply in April and June only to recover in July, and then to fall again in August and September and now bounce up in October. In five out of the last ten months, monthly moves in the United States S&P 500 have been more than 5% up or down. In the previous ten years, this would occur on average only twice a year (and this included during the pandemic).

During heightened volatility the best strategy is to remain invested and focus on long term returns. Market timing (exit and re-entry) has

been historically proven to be very difficult to get right. Looking forward, heightened volatility in financial markets is expected to continue. Interest rates have now risen to levels last seen ten years ago. Higher interest rates are driving higher mortgage rates, impacting on consumer spending as mortgage holders are then often required to cut spending.

The key movers in our Fund during October were:

- CBA: up 15.4% on a sector rebound and optimism on medium to long term opportunities in Australia.
- Technology-One: up 13.7% with a healthy return on capital employed, and higher revenue and earnings estimates for 2023.
- Summerset: -10.2%, driven down on concerns of an increasing debt to equity ratio with higher interest rates.
- Medibank: the -19.0% fall in share price was due mainly to an announced data breach and ransomware threat.



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COP 27 – UNFCCC: Conference of Parties of the United Nations Framework Convention on Climate Change

COP 27 is now on at Sharm El-Sheikh in Egypt. A report released ahead of talks on climate change finance at the COP27 summit said that developing countries need to work with investors, rich countries and development banks to secure \$1 trillion a year in external financing for climate action by the end of the decade and to match that with their own funds. The funding is required to cut emissions, boost resilience, deal with damage from climate change and restore nature and land.

Secretary-General Antonio Guterres, responding to the recently released World Meteorological Provisional State of the Global Climate 2022 report, said the past eight years were on track to be the warmest on record. Mr Guterres called the State of the Global Climate Report 2022 a “chronicle of climate chaos”. In it, scientists estimate that global temperatures have now risen by 1.15C since pre-industrial times. The report also warned of other wide-ranging impacts of climate change, including the acceleration of sea level rise, record glacier mass losses and record-breaking heatwaves. Mr Guterres said that in light of these findings, COP27 must be the place for urgent and credible climate action. You can find the report here: https://library.wmo.int/doc_num.php?explnum_id=11359

You may also be interested in ‘The Climate Action Tracker’. It is an independent scientific analysis that tracks government climate action and measures it against the globally agreed Paris Agreement aim of “holding warming well below 2°C, and pursuing efforts to limit warming to 1.5°C.” A collaboration of two organisations, Climate Analytics and New Climate Institute, the CAT has been providing this independent analysis to policymakers since 2009. <https://climateactiontracker.org/>

Our Te Tai o Rehua fund has low carbon emissions and zero fossil fuel exposure.

Temuera Hall - Portfolio Manager

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