



TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

28-Feb-22	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	Inception (p.a.)
Fund	1.3%	-3.5%	-6.3%	-7.5%	7.7%	9.3%	7.9%
Benchmark	1.5%	-1.8%	-4.8%	-5.4%	5.4%	8.6%	6.2%
Alpha	-0.2%	-1.8%	-1.5%	-2.2%	2.3%	0.8%	1.7%

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

Irrespective of the reasons, the geopolitical views and the versions of history, lifting the gun and pulling the trigger in today's age as a means to resolve a disagreement is barbaric. There is NO justification for resorting to violence and destruction. There is no universal principle that supports 'killing, damaging and demoralising thy neighbour'. Human nature is the problem as it has been throughout history and displayed again in the disparate views attempting to justify or defend the Russian hostilities against Ukraine. Power, greed and fear are the three human traits generally behind all atrocities and inequity. While we deeply sympathise with the human impact, the physical waste, emissions from explosions, toxic smoke and fires and all the pollution as a result of this (and all human atrocities) are ultimately borne by Papatuanuku and Ranginui (our sustenance and the source of life's essence).

After the sharp market correction in January, February fared a lot better with both the NZX50 and ASX200 providing positive returns. Our Te Tai o Rehua Fund was outperforming its benchmark until the outbreak of war in Ukraine in late February, which led to a steep rise in oil and energy stocks. We ended the month with a positive 1.5% return, slightly behind the benchmark by -0.2%.

Two key matters weighed on markets in February. The first was ongoing global inflationary pressures and how the central bank tightening of interest rates will roll out. The second was market volatility due to the uncertainty about Putin's intentions

for what has become a full-scale invasion. New Zealand and Australian companies have minimal direct economic exposure to the conflict, although significant indirect exposures do exist.

Russia is New Zealand's 27th largest export partner and in the year to June 2021 exports totalled \$293 million. Russia is the world's third largest oil producer behind the United States and Saudi Arabia. In January 2022, Russia's total oil production was 11.3 million barrels per day. Russia is a big producer of urea and potash, important ingredients for fertilizers used in the production of crops. Russia is also the world's largest exporter of wheat, with Ukraine the fourth biggest, and Ukraine is the world's third largest exporter of corn. Together the two countries export 29% of the world's wheat and 20% of its corn. As a consequence, we are expecting an impact at the petrol pump and on food prices.

Key stock movements in February were:

- Sims Metals +28%, Meridian +15% and Computer Share +13%
- My Food Bag -12%, Reliance Worldwide -11% and Xero -17%.



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Earnings Season Results

The latest earnings season has wound down to a conclusion on both sides of the Tasman. We are now two years into the pandemic, and while Covid remains in our midst, the end appears to be in sight. That said, while economies are opening up (to varying degrees), the corporate sector continues to face multiple side-effects of the economic medicine administered since March 2020, and the pandemic itself. With so many unknowns, investors have looked to the results season for further insight into how various elements of the corporate sector are tracking. [Click here](#) for the thoughts of our sister company JMI Wealth on the reporting season.

Climate Change 2022: Impacts, Adaption and Vulnerability

The IPCC (Intergovernmental Panel on Climate Change) recently released their sixth assessment report. The link below will take you to the Australasian factsheet. In summary, the projected global warming under current global emissions reduction policies would leave many of the region's human and natural systems at very high risk and beyond adaptation limits (assessed with a statistically very high confidence level). Delays in implementing adaptation and emission reductions will impede climate resilient development, resulting in more costly climate impacts and a greater scale of adjustments. Reducing the risks would require significant and rapid emission reductions to keep global warming to 1.5-2.0°C, as well as robust and timely adaptation.

https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_FactSheet_Australasia.pdf

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