



TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

31-May-22	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	Inception (p.a.)
Fund	-3.3%	1.2%	-2.4%	-6.4%	-0.2%	13.6%	7.6%
Benchmark	-3.6%	0.7%	-1.1%	-4.7%	0.8%	12.8%	5.8%
Alpha	0.3%	0.5%	-1.3%	-1.7%	-1.1%	0.8%	1.8%

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

Both the Australian and Aotearoa (NZ) markets had a tough time in May, down -2.0% and -5.1% respectively. Our index (50% S&P/NZX 50 Portfolio and 50% S&P/ASX 200 Accumulation Index) was down -3.6% and the Fund did modestly better than the index, declining -3.3%.

One small consolation is that when compared to a basket of 25 Aotearoa-based Australasian equities funds, our Fund is in the top quartile for the year to date.

Inflation impacted by the Russian invasion and China Covid-19 restrictions remains a key market theme, with the European Union recording annual inflation of 8.1% in May, its highest level since statistics started in 1997.

The key movers during May:

- My Food Bag was up 11% after reassuring investors by delivering earnings in-line with their IPO forecast.

- Technology One rose 8% after posting record profits. The CEO highlighted the benefit of a resilient business model in tough times.
- Funeral services provider InvoCare was down -8% driven by bearish broker reports following their AGM update, with fears that rising labour costs are offsetting improving trading conditions.
- Heartland Bank fell -6%, spooked by fears that interest rate rises will cause a recession, and also as a consequence of the purchase of StockCo, Australia's largest specialist livestock finance provider.



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World Economic Forum - Chief Economists Outlook, May 2022 quotes “the perfect storm”

The May 2022 Chief Economists Outlook acknowledges we are in a time of extremely high uncertainty due to geopolitical developments, the trajectory of the global economy and the next steps for economic policy. Instead of entering the expected post-COVID recovery phase, economies are now experiencing additional shocks, from the war in Ukraine and associated geopolitical repercussions along with new outbreaks of COVID-19 lockdowns in major industrial centres.

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The report lists six expectations for the future of the global economy:

- Higher inflation alongside lower real wages globally
- Food insecurity in developing economies
- More localization, diversification and politicisation of supply chains
- Greater rollback of globalisation in goods, labour and technology than services
- Sanctions effective in dampening the economic outlook for Russia
- Continued dominance of the US dollar as a global reserve currency

Additionally, the report cites that it is an incredibly complex environment for policy makers around the globe to navigate, specifying there are tough trade-offs to make. They are: 1. Balancing the risks of inflation and contraction, 2. Balancing the risks of food, fuel and inequality crisis with higher debt and the risk of default, 3. Balancing the risks of continued fossil fuel use against the shift to green energy, and 4. Balancing national priorities with long-term, global goals.

https://www3.weforum.org/docs/WEF_Chief_Economists_Outlook_May_2022.pdf

Temuera Hall - Portfolio Manager

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