



TAHITO Te Tai o Rehua Fund

Ka poroporoaki mātou ki a Kingi Tuheitia. E te Ariki-nui haere atu ki te Putahui Nui o Rehua.

Ka mihi ki te Ariki-nui hou, kua whakawahia hei kuini Māori mo Aotearoa. Kuini Ngā Wai Hono i te Po.

We farewell Kingi Tuheitia. May he ascend to the highest of the heavens to the place where Rehua resides.

We welcome the new exalted leader, anointed to the position of Māori queen, Te Ariki-nui Ngā Wai Hono i te Po.

Performance (Returns net of fees)

31-Aug-24	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	3 Years	Inception (p.a.)
Fund	1.9%	8.1%	5.7%	6.2%	7.9%	6.0%	2.2%	6.6%
Benchmark	-0.4%	5.7%	6.5%	6.9%	9.9%	6.2%	3.0%	5.9%
Alpha	2.4%	2.4%	-0.8%	-0.7%	-2.0%	-0.2%	-0.8%	0.7%

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

Our Performance

Te Tai o Rehua (TTor) Fund provided a strong outperformance in August. The fund returned 1.9% for the month, which was 2.4% above the benchmark of -0.4%. The S&P/NZX 50 Portfolio Index returned 0.1%, while the Australian S&P/ASX 200 was down -0.9% (in NZD terms).

In August, corporate earnings announcements were a key focus in the local market. The earnings season was mixed. Companies with more cyclical exposure, such as Fletcher Building, Tourism Holdings, Air New Zealand, and Vulcan Steel, reported weaker results and indicated a challenging trading environment for the rest of the year and into 2025. Conversely, Fisher & Paykel Healthcare, Tower, and KMD Brands (Kathmandu) exceeded expectations with their trading updates.

New Zealand's share market rose by 0.4% over the month, supported by lower interest rates, but mixed corporate earnings results created headwinds. In Australia, equities gained 0.5% in August, despite a 4.3% decline in earnings over the past year, which was worse than expected. Investors remain hopeful for lower interest rates later in the year.

The reduction in interest rates is seen as a positive for the New Zealand share market, with further cuts expected from the RBNZ. This provides a tailwind to the local share market and property stocks. Short-term rates like term deposits are expected to fall sharply, and longer-term rates are also forecasted to decline.

The key movers in our Fund were:

- Brambles Ltd +15.5%. The company released a positive earnings report exceeding market expectations.
- Wisetech Global +23.3%. The company announced three new product launches supporting medium term growth. They made good progress on their margin recovery targets, announcing they expect to achieve >50% EBITDA margins a year earlier than initially expected.
- Meridian -2.5%. While the company results were in line with expectations, Meridian are experiencing a dry year thus having to acquire more expensive electricity hedges to manage their hydro inflow deficit and meet supply needs. Continued on next page...



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There was a general downturn in the energy sector, influenced by fluctuating energy prices and regulatory uncertainties.

- Spark NZ -16.9%, The full-year earnings report missed market expectations. While their core mobile segment performed well, their government/enterprise segment didn't meet investors' expectations. The Company missed their guidance despite having already cut their previous guidance earlier in the year.

Major global share markets provided positive returns in August (local currencies) with the exception of Japan and China: MSCI World ex emerging markets (1.9%), S&P 500 (2.4%), Nasdaq 100 (1.2%), Japan Nikkei 225 (-1.1%), Euro Stoxx 50 (1.8%), UK FTSE 100 (0.9%), Hong Kong Hang Seng (3.9%) and the Chinese CSI 300 (-3.3%).

The US second quarter earnings season concluded with earnings up 11.6% year-on-year, surpassing the anticipated 7.8% growth. Notably, 79% of companies exceeded earnings expectations. A significant takeaway is the broadening of corporate earnings beyond large US technology companies, with non-technology sectors experiencing their first year-on-year earnings growth since late 2022, indicating a healthier market development.

However, earnings results from large technology companies generally fell short of high expectations. For instance, Nvidia reported impressive sales and profit growth, yet its share price dropped over 6% due to unmet elevated expectations. Despite this, Nvidia remains the world's second-largest listed company by market capitalisation, having returned over 140% this year. Global share markets are up 23.0% over the last twelve months.

Good News sustainability stories:

- » Protecting Endangered Plants: Graeme Atkins, a former Department of Conservation ranger, is leading efforts to protect the ngutukaka (kakabeak) plant on the North Island's East Coast. With only about 100 plants left in the wild, his community organisation, Tairawhiti Ngutukaka, is dedicated to growing these plants from seeds and safeguarding them from pests.
- » Solar Power Surge: Australia continues to lead the world in solar power adoption, with nearly one in three households having solar panels. This remarkable success story is driving discussions about the future of energy storage and the potential for more affordable household batteries.
- » Sea Lions Helping Researchers: In southern Australia, sea lions are assisting researchers in collecting video data about underwater habitats. This collaboration has led to the discovery of six new benthic habitats covering 5,000 square kilometres, showcasing innovative ways to study and protect marine ecosystems.
- » Positive Environmental Policies: Australia's largest lender, the Commonwealth Bank of Australia, announced it will stop financing fossil fuel companies that do not comply with the Paris Agreement's climate goals by the end of 2024. This move is part of a broader trend towards more sustainable financial practices.

Te Panga ki Te Taiao Kaore i te Utu - Unpriced Environmental Cost

The research by S&P Global Sustainable¹, with input from Capitals Coalition, highlights the significant environmental costs caused by publicly listed companies, which are often not accounted for.

Key findings include:

- Unpriced Environmental Costs: In 2021, companies in the S&P Global Broad Market Index (BMI) were responsible for \$3.71 trillion in unpriced environmental costs, which is over 4% of global GDP.
- Net Income Impact: Over 26% of these companies had unpriced environmental costs exceeding their net income.
- Major Contributors: Greenhouse gas emissions (63.6%), air pollution (26.2%), and land use (4.7%) were the primary sources of these costs, with fossil fuel-based electricity generation being the largest contributor.
- Sector-Specific Impact: Companies in crop cultivation and livestock sectors heavily depend on ecosystem services and generate 57% of land use-related environmental costs.
- Human and Social Capital: Some companies are making commitments to protect human rights, though these often do not cover the entire supply chain.

The report examines these costs through various lenses, including environmental key performance indicators, sector groups, and geographic regions.

[Unpriced Environmental Costs: The Top Externalities of the Global Market | S&P Global](#)

Temuera Hall - Portfolio Manager

Responsible Investment Association Australasia certification

The TAHITO Te Tai o Rehua Fund has been certified and classified by the Responsible Investment Association Australasia according to the operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au and [RIAA's Financial Services Guide](#) for details.¹

¹ The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and needs and also consider the terms of any product disclosure document before making an investment decision. Certification are current for 24 months and subject to change at any time.

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