



# TAHITO Te Tai o Rehua Fund

He Whakatauāki: *Ma te mana o te kupu te whakautu (The answer lies in the power of the word)*

Te Tai o Rehua (TTOR) Fund underperformed our market benchmark in October, dragged down by the underperformance of Spark NZ (Telco – tech), Reliance Worldwide Corp (Water & Plumbing products) and Wisetech Global (Logistics software for international freight). Offsetting this to some extent was not holding mining stocks such as BHP and Fortescue and consumer goods stocks A2 Milk and Woolworths (all have poor environmental and climate change measures that fall below our T Score measure).

## Performance (Returns net of fees)

	31-Oct-24	Month	3 Mths	6 Mths	YTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception (p.a.)
Fund		-0.4%	1.8%	5.7%	6.1%	17.7%	9.0%	2.6%	6.5%	6.4%
Benchmark		0.7%	2.2%	7.5%	9.7%	21.0%	8.8%	4.1%	6.4%	6.3%
Alpha		-1.1%	-0.4%	-1.8%	-3.6%	-3.2%	0.2%	-1.5%	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.

## Our Performance

The Fund returned -0.4% for the month, -1.1% below the benchmark of 0.7%. The S&P/NZX 50 Portfolio Index returned 1.8%, while the Australian S&P/ASX 200 was down -0.2% (in NZD terms).

In October, New Zealand’s share market outperformed global markets due to positive sentiment from interest rate cuts by the RBNZ and specific company announcements. Several local companies provided trading updates, with Spark downgrading earnings and lowering dividend forecasts to balance dividends and future growth investments, potentially selling non-core assets. Mixed results were seen among cyclical companies, with Freightways receiving positive feedback and Vulcan Steel facing challenges due to the domestic construction industry’s headwinds. Conversely, Australian equities fell by -1.3% (AUD), influenced by offshore events and disappointing local inflation data, which dampened hopes for pre-Christmas interest rate cuts by the Reserve Bank of Australia. Despite moderating inflation, it remains too high for rate cuts. Financial companies outperformed, while resource companies lagged.

The key movers in our Fund were:

- CBA +5% as the banking sector found favour with investors again, pushing CBA back to an all-time high.

- Summerset Group +4% on positive investor sentiment around the NZ housing market with the RBNZ swiftly cutting interest rates.
- Reliance Worldwide -11% with the company’s investor day not providing enough new information to sustain the previous strong share price rise.
- Wisetech Global -22% as CEO/founder Richard White and the board came under pressure following allegations of inappropriate behaviour. After reviewing this new information we decided to sell the Fund’s holding in the company, as the actions do not align with TAHITO values.

Major global share markets were down in October (local currencies) with the exception of Japan: MSCI World ex emerging markets (-0.9%), S&P 500 (-0.9%), Nasdaq 100 (-0.8%), Japan Nikkei 225 (3.1%), Euro Stoxx 50 (-3.3%), UK FTSE 100 (-1.4%), Hong Kong Hang Seng (-3.8%) and the Chinese CSI 300 (-3.0%).

Stronger-than-expected US economic data led to a rise in longer-term interest rates in October. Despite the positive implications for corporate earnings, the US corporate earnings season brought mixed results, adding to market uncertainty ahead of the US presidential election.

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By the end of October, 70% of S&P 500 companies had reported earnings with 75.5% surpassing analysts' forecasts, slightly below the historical average. Year-on-year earnings growth for the September quarter was 7.0%, down from 11.6% in the June quarter. Mega cap tech companies showed mixed results, with Microsoft and Meta Platforms beating forecasts but raising concerns over AI spending. Alphabet and Amazon exceeded expectations, while Tesla's shares surged 22% post-announcement. Other notable performers included McDonald's, JP Morgan, Wells Fargo and Visa, while Caterpillar disappointed due to a global construction slowdown. Encouragingly, a broader range of companies are now outperforming, coinciding with the Federal Reserve's interest rate reductions and improved profit growth beyond the "Magnificent Seven."

For a more comprehensive financial market review, please see the Monthly View from our sister company JMI Wealth.

[Monthly View November 2024 | JMI Wealth](#)

## Good News sustainability stories:

- » The UK government will ban the sale of single-use disposable vapes from June 1, 2025, to protect children's health and prevent environmental damage. This decision addresses concerns about the difficulty of recycling disposable vapes, which often end up in landfills and cause environmental harm due to leaking batteries. The ban also aims to reduce youth vaping, which has significantly increased, particularly among young adults who have never smoked. Similar restrictions on disposable vapes have already been implemented in countries like New Zealand, Australia, South Korea, India, and Brazil.
- » The Upper Mississippi River National Wildlife and Fish Refuge, spanning 261 river miles from Wabasha, Minnesota to Rock Island, Illinois, celebrates its 100th anniversary. Established in 1924 after a successful grassroots campaign led by the Izaak Walton League of America, the refuge protects over 240,000 acres of floodplain. Initially, the U.S. Department of Agriculture planned to drain these wetlands, but the League's efforts, including a nationwide letter-writing campaign, halted the project. Today, the refuge is home to 518 species, including 306 bird species and 119 fish species, and serves as a crucial migration corridor for millions of birds annually. Conservationists continue to work on preserving the habitat's rich biodiversity for future generations.
- » Six European countries—Austria, Denmark, France, Germany, Norway and the UK—have pledged a total of €130 million to the Global Biodiversity Framework Fund (GBFF) at the UN biodiversity summit, COP16, in Colombia. This fund, established as part of the Kunming-Montreal Agreement, aims to support conservation and restoration projects worldwide. The GBFF has already approved projects in Brazil, Fiji, Gabon and Mexico, with a goal to protect 30% of the planet by 2030. Germany has urged other nations to contribute more, emphasizing the need for additional funding to preserve ecosystems and species. Despite the new pledges, environmental groups stress that much more financial support is needed to address the global biodiversity crisis.

## Te Māketē whakaaro mo te Huringa Huarere | What the Market thinks about Climate Change

Investors worldwide concur that the risks of severe weather events are escalating and that current global actions are inadequate to prevent the most expensive impacts of climate change. This conclusion comes from a study by the MSCI Sustainability Institute, which aims to gauge market participants' views on our climate future.

- **Global Temperature Rise:** Investors expect global temperatures to rise by 2.8°C above preindustrial levels this century, with 38% predicting a rise of 3°C or more.
- **Emissions and Oil Consumption:** Opinions are split on emissions peaking within the next decade, while 30% believe oil consumption will peak in the next 10 years.
- **Regional Climate Commitments:** Europe, Japan and Canada are seen as likely to meet their climate commitments by 2050, whereas the U.S., China, and India are not.
- **Physical Climate Risks:** A majority of respondents agree that climate-related physical risks are escalating and causing economic fallout sooner than anticipated.
- **Investment Impact:** Climate change has significantly influenced asset allocation for over one-third of respondents, with many expecting high uncertainty in future climate scenarios.

[Investors envision a 2.8C future, with greater risk of severe weather](#)

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.responsibleinvestments.com.au](http://www.responsibleinvestments.com.au) and [RIAA's Financial Services Guide](#) for details.<sup>1</sup>

<sup>1</sup> 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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