2023 Mindful Money Awards

Best Ethical Retail Investment

# **TAHITO Te Tai o Rehua Fund**

## Performance (Returns net of fees)

31-May-24	Month	3 Mths	6 Mths	YTD	1 Year	2 Years	3 Years
Fund	-2.2%	<b>-2.2</b> %	3.2%	-1.8%	2.1%	2.1%	1.3%
Benchmark	-1.0%	0.8%	7.1%	1.1%	5.5%	3.9%	2.8%
Alpha	-1.2%	-3.0%	-4.0%	-2.9%	-3.4%	-1.8%	-1.5%

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

### **Our Performance**

Both the NZ and Australian markets declined again in May. The S&P/NZX 50 Portfolio Index was down -1.5% and the S&P/ASX 200 was down -0.6% (in NZD terms). Our Te Tai o Rehua (TTOR) Fund had another tough month returning -2.2%, -1.2% behind the benchmark return of -1.0%, yet when compared to similar NZ-based sustainability funds the TTOR fund remains competitive.

The New Zealand share market felt the weight of the weak economy. Rising unemployment, inflation uncertainty, and high mortgage rates impacted investor sentiment. Additionally, declining economic output per capita and the effects of higher interest rates on housing construction played a significant role. Spark warned of lower earnings because of belt tightening by consumers, business and government. In particular Spark said trading conditions have worsened for its IT services unit.

In Australia, the Reserve Bank of Australia (RBA) adopted a cautious approach to interest rate hikes despite persistent inflation. Concerns about slowing economic growth, particularly China's slowdown, led to the anticipation of a rate cut as early as August 2024. Since the ASX 200 typically rises with falling interest rates, a cut in hikes could potentially boost the market later in the year. Additionally, potential policy support for China's infrastructure and property sectors could benefit Australian commodity prices. However, a different concern emerged from within Australia's own business landscape. Intense competition within the lending industry negatively impacted profits for a major bank (NAB).

This trend, potentially present in other sectors as well, could weigh on overall market sentiment.

The majority of global share markets delivered positive returns in May: S&P 500 (5.0%), Nasdaq 100 (6.4%), Japan Nikkei 225 (0.2%), Euro Stoxx 50 (2.1%), UK FTSE 100 (2.1%) and Hong Kong Hang Seng (2.5%). The Chinese CSI 300 was an exception (-0.5%).

A number of factors continue to influence global markets:

- » Cautious optimism: Long-term economic prospects remained bright, despite ongoing political tensions around the world.
- Geopolitical headwinds: Conflicts and upcoming elections in various countries, including the US, added to market volatility.
- » Inflation watch: Global inflation was expected to stay around 4.8%, with some countries like the US seeing upward revisions while others like China saw some relief.
- » Fixed income appeal: Bond markets were a bright spot, attracting investors due to good yields, slowing growth, and expectations of inflation decreasing further.

The key movers in our Fund were:

- Meridian Energy +13%, in response to New Zealand Aluminium Smelters (NZAS) signing a long-term electricity supply for Tiwai Point. The Smelter uses about 13% of NZ's electricity.
- Continued on next page.



Temuera Hall Portfolio Manager

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- Xero +11% which reported strong financial results for FY24 and has achieved the 'Rule of 40' balancing revenue growth and profitability, a significant milestone.
- Summerset Group -14%, dragged down by general market sentiment and interest rate pressures.
- KMD Brands -21%, impacted by a soft trading environment and a warmer autumn.

Good News sustainability stories:

- » Join the CHAMP Movement! A new initiative is making waves in the climate world following last year's UN climate talks in Dubai (COP28). It's called CHAMP, and it's looking for more countries to become a champion for climate action and policy. CHAMP stands for the Coalition for High Ambition Multilevel Partnerships. The key here is "multilevel" – bringing together national and local governments to work together on climate solutions.
- World Food Prize Honours Scientists Behind Global Seed Vault: Two scientists who spearheaded the creation of a massive seed bank designed to safeguard the world's food crops have been named the 2024 World Food Prize laureates. This global initiative, often referred to as the "Doomsday Vault," located on the Norwegian island of Spitsbergen, aims to secure agricultural diversity for future generations.
- » Battery Costs Plummet 90%, Boosting Renewables: A new report by the International Energy Agency (IEA) reveals a game-changer for clean energy: battery costs have plunged by a staggering 90% in just 15 years. This marks one of the fastest cost declines ever witnessed in clean energy technologies. The news offers significant hope that batteries can become the key to achieving global renewable energy goals.
- » Beekeeping the Future Colorado Takes a Stand: Around the world, bees pollinate almost 90% of wild plants, yet these vital pollinators face threats worldwide. In a significant step, Colorado has declared bees "animals", allowing them to benefit from existing wildlife protection programs. This move safeguards bee populations, critical for maintaining healthy ecosystems.

## Climate Tipping Points: Big Changes, Big Trouble

The Climate Tipping Points report is like a fire alarm for climate change. It warns that if Earth's temperature rises more than 1.5 degrees Celsius (a little over 2 degrees Fahrenheit), we might hit "tipping points." These are points of no return where the climate changes dramatically and permanently. This news isn't new!

Imagine a giant ice cube melting slowly. Now imagine a point where it suddenly breaks apart, causing a huge rush of water. That's kind of what a tipping point is for the climate. We're worried that if it gets too hot, things like giant ice sheets will melt much faster than expected, causing sea levels to rise more and releasing even more heat-trapping gas.

This report says we can't just hope these tipping points won't happen. We need to take much stronger action now to cut down on how much we're warming the planet. That means reducing emissions (the things that heat us up) much faster than we are now. The executive summary will provide a good understanding of tipping points.

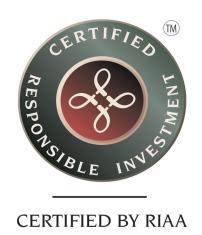
### Climate Tipping Points - Full Report

Temuera Hall - Portfolio Manager

## Responsible Investment Association Australasia certification

The TAHITO Te Tai o Rehua Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol signifies that an investment product or service has implemented an investment style and process that takes into account environmental, social, governance or ethical considerations. See www.responsiblereturns. com.au for details.<sup>1</sup>

<sup>1</sup> The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.



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