



TAHITO Te Tai o Rehua Fund

Performance (Returns net of fees)

	30-Nov-23	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	3 Years
Fund		5.6%	-3.2%	-1.0%	5.7%	4.3%	-0.7%	3.6%
Benchmark		4.1%	-2.9%	-1.5%	1.8%	-0.6%	-0.2%	3.1%
Alpha		1.6%	-0.3%	0.5%	3.9%	4.9%	-0.5%	0.5%

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

Our Performance

Investor optimism saw a big rebound in markets this month. Our Te Tai o Rehua Fund produced a strong 5.6% return, 1.6% above our benchmark. The S&P/NZX 50 Portfolio Index was up a healthy 5.4% and the S&P/ASX 200 was up 3.5% (in NZD terms).

The RBA lifted its key interest rate 25 basis points to 4.35% earlier in November, after stronger than expected growth in the economy meant inflation was likely to fall at a slower pace than previously forecast. The RBA warned that inflation is "increasingly homegrown" and that interest rates are likely to remain elevated for a while even if they don't rise further.

The RBNZ held the Official Cash Rate (OCR) unchanged at 5.5% in November, noting that interest rates are restricting spending, but inflation remains too high. Demand growth has eased, but by less than anticipated over the first half of 2023 in part due to strong population growth. The RBNZ noted that if inflationary pressures were to be stronger than anticipated, the OCR would likely need to increase further.

Inflation and interest rates, the two key market catalysts that have been moving stock prices over the past two years, remained front and centre in November. The US Consumer Price Index gained 3.7% year-over-year in October, down from peak 2022 inflation levels of 9.1% but still well above the Federal Reserve's 2% long-term target. U.S. economic growth has been resilient, and the S&P 500 remains up 13.8% for the year as investors anticipate the Fed could begin to cut interest rates as soon as the first half of 2024.

The majority of the large share markets showed strong returns in November: S&P 500 (+9.1%), the Nasdaq 100 (+10.8%) and the Euro Stoxx 50 (+8.0%). The UK FTSE 100 wasn't as strong (+2.3%), and the Chinese CSI 300 was the exception, falling (-2.1%).

The key movers in our Fund during November were:

- Meridian Energy +8%, having submitted measures to MBIE for the transition to an expanded and highly renewable electricity system.
- Testing and certification company ALS +16%, delivered a resilient H1 FY24 financial result with underlying NPAT above the top-end of their guidance range.
- Summerset Group -4%, impacted by a depressed property market and the review initiated by Te Tūāpapa Kura Kāinga / Ministry of Housing and Urban Development.
- KMD Brands -7%, with management comments at their AGM indicating consumer demand remains subdued.

Good news sustainability stories from November 2023:

- First solar canal in the US: The first solar-covered canal in America is set to be completed within a couple of years. Arizona is getting the pioneering renewable project after a historic agreement between leaders of the Gila River Indian Community and the US Army Corps of Engineers earlier this month. The panels will supply clean energy while also helping to reduce water evaporation



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experiencing drought conditions.

- €1.4 billion deal to help protect Doñana wetlands from drought: Authorities in Spain signed an agreement in early December to invest €1.4 billion in areas around the Doñana national park, in a bid to stop the park from drying up. Ecological Transition Minister Teresa Ribera said the plan was aimed at encouraging farmers to stop cultivating crops that rely heavily on water from underground aquifers that have been overexploited in recent years, damaging one of Europe's largest wetlands.
- Infrared cameras enable this factory to sort more plastic than anywhere else in the world: A new Swedish factory can recycle more plastic packaging than any other site in the world, according to the non-profit behind it. The 'Site Zero' plant in the city of Motala is being billed as the biggest of its kind, capable of sorting up to 20,000 tonnes of plastic packaging a year. It's not simply size but cutting-edge technology that makes this feat possible. Infrared red cameras are used to separate the tide of waste arriving at the factory gates into 12 different types of plastic.
- Green corridors saving one of Brazil's most endangered species from deforestation: Dozens of young people have planted a green corridor in Rio de Janeiro's rural interior that will be a future safe passageway for the region's most emblematic and endangered species, the golden lion tamarin. The tree seedlings will eventually connect two patches of forest together. It is the latest in a series of incremental forest growth initiatives driven by environmentalists, providing an ever-larger habitat for the monkey.

To Tātou Kāwanatanga Hou – Our New Government

The fledgling politician and now Prime Minister Christopher Luxon coalesced with ACT and NZ First to form a government under MMP. The main policy reforms baked in the coalition agreements are broad: resource management; water services; workplace relations; Treaty of Waitangi principles; prison sentences; and the Reserve Bank's inflation-fighting mandate. The list of changes has left sectors of our community reeling, in particular the reversal of nation building frameworks in regard to Treaty Principles and Māori – Crown partnerships, alongside the apparent lack of attention to climate change and bio-diversity revitalisation.

In contrast, while the ink is drying on the new government scripts, our representatives at the COP28, the United Nations' climate summit currently taking place in Dubai, have signed an international agreement saying agriculture and food production must urgently adapt to respond to climate change. A declaration has been signed by 134 of the 197 countries in attendance. Titled "COP28 UAE declaration on sustainable agriculture, resilient food systems and climate action", it acknowledges both the threat the world's food systems are under, and the role food production methods must play in reducing emissions. <https://www.rnz.co.nz/news/national/503758/new-zealand-signs-up-to-cop28-declaration-on-food-production-sustainable-agriculture-adaptations>

Furthermore, our little 'Clean Green' nation again won the unflattering and potentially economically dangerous, first 'Fossil of the Day' award of this COP, for the National-led government's campaign promising to revoke the previous government's ban on offshore oil exploration beyond Taranaki's coastal waters. The NZ government was making "a U-turn on the way to a liveable future," said the Climate Action Network, which made the award. CAN involves some 1,100 NGOs in more than 120 countries.

NZ is a food basket economy with dairy, meat, horticulture and seafood making up the bulk of our exports. These are sectors where environmental sustainability and climate change credibility is increasingly important.

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.¹

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