



**It's January and the start of a new year. Whether you are back at work or enjoying a summer break, we wish you all a very Happy New Year for 2022.**

The global economy and financial markets ended the year as they began, all over the place as the world grappled with a new wave of COVID-19. In December, speculation about interest rate hikes grew on the back of rising inflation. US Federal Reserve chair, Jerome Powell said the Fed would not lift rates until it finished scaling back/tapering bond purchases in March. Fed officials expect three increases in the federal funds rate this year from the current 0-0.25% target to around 1.0%. In Australia, Reserve Bank governor Philip Lowe said he would not consider further scaling back bond purchases until the bank's next meeting in February. He insists the cash rate will remain on hold at 0.1% until 2023, but the market anticipates a rate rise later this year.

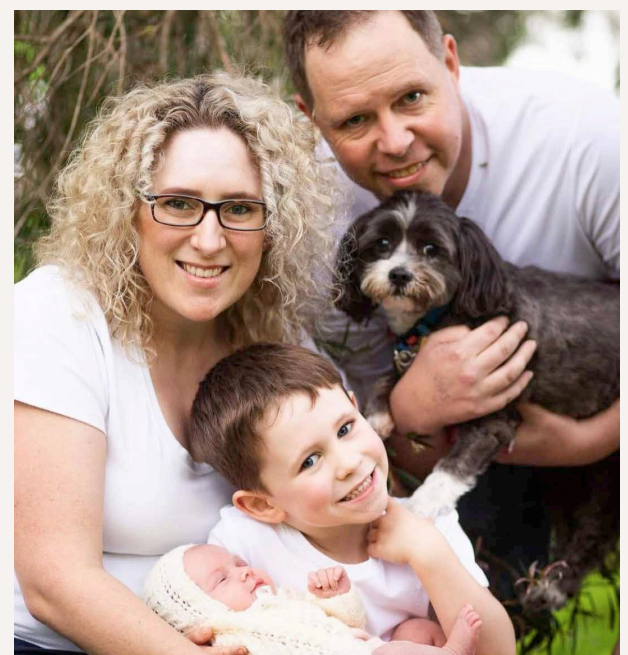
Australia's economic growth fell 3.9% in the year to September, as household spending fell during extended lockdowns. As lockdowns ended and businesses began hiring, the unemployment rate fell from 5.2% to 4.6% in November. The ANZ-Roy Morgan consumer sentiment index hit a six-week high of 108.4 in the lead up to Christmas. One cause for optimism may have been rising house prices, which were up 1% in December and 22% over the year.

Consumers also enjoyed some relief at the petrol bowser ahead of Christmas, but global oil prices remain volatile as markets weigh up reduced travel and falling demand for fuel due to Omicron and uncertain supply from OPEC producers. The Aussie dollar finished 2021 at US72.5c, a big drop from where it started at US77c.

## Jenna's new baby

Stonehouse practice manager Jenna Wilson, husband Eric and little Jasper welcome Ember Syke into their family on the 22nd of October. Already taking after her mum, Ember arrived on her due date, right on time.

Jasper is so in love with his little sister, and the whole family enjoyed an extra special Christmas, Embers first.



# Ethical Investment Series

Meet the manager:  **NANUK**  
ASSET MANAGEMENT  
Investing Sustainably, Managing Responsibly



*Oliver Watson*  
Financial Adviser,  
Stonehouse



*Tom King*  
Chief Investment Office,  
Nanuk Asset Management



In this instalment the newest member of our advice team, **Oliver Watson**, interviews **Tom King** of Nanuk Asset Management.

Prior to becoming Nanuk's Chief Investment Officer (CIO), one of Tom's earlier 'claims to fame' was representing Australia at the Olympics in sailing, achieving a gold medal and being awarded a Medal of the Order of Australia for his services to sport.

**OW:** *Can we start off by asking how long you have been in the industry and your role?*

**TK:** I have been in the industry for 20 years now. I am a director, Chief Investment Office (CIO) and a portfolio manager at Nanuk. I am one of five portfolio managers running a concentrated global portfolio and contributing to the Nanuk New World Fund, but as CIO I am also responsible for managing and coordinating the investment team and the overall management of the Fund.

**OW:** *Where do you think ethical investing will be in five years' time?*

**TK:** No doubt more widely embraced than it is today. Investors are becoming far more sophisticated in their expectations of those managing their investments, and increasingly recognising that businesses involved in unsustainable or unethical activities are likely to see their profitability threatened.

**OW:** *Can you tell us how the fund in a broad sense aims for ethical investment outcomes?*

**TK:** As a firm, we focus exclusively on investing in companies whose products and services are contributing to improving global environmental sustainability and resource efficiency. We believe these are attractive areas from an investment perspective, likely to benefit as the transition towards greater sustainability accelerates in coming years. We also believe that understanding this trend and investing in these areas is an important endeavour that can contribute positively towards achieving sustainability outcomes.

In relation to the ethical aspects of the fund, because of our exclusive focus on areas related to sustainability we naturally don't invest in areas of environmental or ethical concern. This is formalised in an exclusions framework that also precludes investment in companies seriously violating norms for ethical behaviour and responsible business practices. We also favour companies that are well governed and managed in the interests of minority shareholders such as ourselves.

**OW:** *What are the main themes and screens employed in the fund to achieve this?*

**TK:** We use both positive and negative screens to refine the focus of our investment activity to a self-selected investment universe that is both sustainable and ethical in nature.

The positive screen is for involvement in industries contributing to improving global environmental sustainability and resource efficiency, such as clean energy, energy efficiency, industrial efficiency, waste management and recycling, advanced and sustainable materials, and water.

We also use negative screens to ensure that none of these companies are materially involved in environmentally unsustainable activities (such as fossil fuels), unethical activities or involved in violations of norms for responsible business practices.

**OW:** *Can you give us an interesting example of an investment in the fund and how it meets that criteria?*

**TK:** An interesting investment is TomTom – best known for its personal navigation devices that have been superseded by smart phones. Tom Tom's core business is mapping, and it is one of only a couple of businesses with detailed global mapping databases updated in real time. Its mapping services are used by many of the automotive manufacturers to provide in car navigation and by enterprises such as Apple, Microsoft, and Uber. Navigation services are important to both electric vehicles and autonomous driving technology - both areas of focus falling within the fund's positive sustainability screening. Our interest in the company relates to its potential to



grow as electric vehicle adoption increases in coming years.

**OW:** *What's a recent example of one of the fund's best investment ideas?*

**TK:** Interestingly we have had fantastic fund performance so far this year but without any single standout stocks. Over the last year the top performer has been the Fund's investment in Lenzing. Lenzing is a leading manufacturing of viscose staple fibre, a textile product made from wood fibre. It has developed a leading position in high end sustainable textiles now used by fashion groups such as Zara and H&M - products such as Tencel and Lyocell. This is still a relatively small part of their overall business but is highly profitable and growing.

**OW:** *What sort of return did it achieve for the fund?*

**TK:** Over the last year it is up 156%.

**OW:** *With Covid we have been thrown a lot of curve balls, what do you think may be the next big theme for markets to grapple with?*

**TK:** I wish I could know in advance, but it is the nature of markets that we are unlikely to know what it is until during the event. There are many obvious challenges and uncertainties for the global economy and markets - but there always are. In the absence of impossible to predict 'black swan' events most of these challenges are well understood and effectively priced by

markets in a way that it is not likely to be a good bet for us to position for specific outcomes. Certainly, climate change is one of the big issues and the significance of the economic implications over the next decade are likely still underestimated.

**OW:** *What would be the best or worst investment advice you have ever heard?*

**TK:** I have always thought Warren Buffet's best advice is that "the goal of each investor should be to create a portfolio that will deliver him the highest possible look-through earnings a decade or so from now". It is a beautifully simple encapsulation of the often-overcomplicated task of investing.

**OW:** *If you had a chance to go back in time and visit an 18-year-old version of yourself - what wise words of wisdom would you impart?*

**TK:** Start investing now!

**OW:** *And the most important question of all - what's your favourite sporting team?*

**TK:** North Melbourne - but I'd rather forget that this year. Right now, it is Matthew Belcher and Will Ryan, Gold Medallists in the Men's 470 Class at the Tokyo Olympics. Incredible sportsmen and wonderful gracious young men. Their medal brings Australia's record in the event to 4 gold and 1 silver medal in the past 6 Olympics - starting with mine in 2000 - an extraordinary record that is not widely recognised.

## 5 tips to buy in 2022



Michael Chiel  
Partner

As we kick off the new year, we find many clients have plans to buy a new home or investment property. Here are 5 quick tips to help prepare to buy:

**1. Budgeting** - understanding your budget is very important. We recommend understanding what your surplus income (net income minus expenses) is, in order to know what you can buy - what the banks advise is your borrowing capacity, and what you are comfortable to pay in repayments, may be two very different things. Understanding how much surplus income you have after your current expenses, plus the proposed home loan will also assist with selected a suitable structure and loan amount

**2. Pre-approval** - while many properties are sold with a finance clause (depending on the state), it's still important to have a pre-approval before making offers - this will assist in giving you confidence to know the bank will lend the amount you actually require, as well as saving a lot of time. Some lenders are assessing new applications in 1-2 days however there are lenders who are taking 20+ business days. Having a pre-approval may be the difference between securing the property or missing out.

**3. Timing** - understand when you are looking to buy, and then work backwards. Depending on the lender, a pre-approval is valid for 3-6 months, and this may influence when you start the ball rolling. Keeping in mind it can take some time also from submission to approval, or even simply collecting supporting documents may take some time. This timing may influence when you give notice to your landlord or sell an existing property. Understanding your timeline may also provide an opportunity to increase your deposit also.

**4. Work out the cost of the property you are aiming for** - the price properties are listed for, and what they sell for, are typically two completely different prices. While the properties are no longer available, we recommend reviewing the sold section of property listing websites

**5. Get help!** - There is a huge amount of information out there and how it best applies to you can be very difficult to understand. Using a mortgage broker can help run through all of the above items as well as provide guidance through the entire process.

If you do have any questions or interested in learning more, please feel free to reach out to one of our mortgage brokers.

# Stonehouse successes for 2021 and hopes for 2022



**Andrew – Founding Director**

I am grateful for family and the completion of our home build just prior to Christmas and looking forward to a better life/work balance in 2022.



**Taylor – Advice**

I'm glad that I was able to begin my professional year and I'm looking forward to seeing through it's completion this year.



**Luke – Service**

Glad I finished my degree, looking forward to using it.



**Nick – Director**

I'm looking forward to returning to a closer semblance of normality this year, so that I can assist our clients with fulfilling their aspirations which may have been put on hold due to the pandemic. This will involve activities such as seeing family, travelling the world, or simply attending a live sporting or musical event.



**Michael S – Advice & Paraplanning**

I'm glad that we managed to add some great new staff members to the business, which will allow us to take things to the next level.

I am looking forward to interstate holidays becoming more of a reality as the year progresses.



**Catherine – Service/Implementation**

I am glad to finally be in a job that I love. This year I look forward to consolidating in my role by helping our Team become increasingly proficient and efficient in providing superior service to our clients and advisers. I'm also excited to only have 1 set of school fees!



**Claire – Service**

I am happy with the goals achieved both professionally and personally in 2021. I look forward to a big year in 2022, striving to achieve big things.



**Dakota – Service**

I'm glad that I was able to achieve getting a job with Stonehouse last year and I'm most looking forward to hopefully graduating at the end of this year.



**Libby – Paraplanning/Implementation**

Glad I started my graduate diploma of financial planning and looking forward to completing it later this year.



**Phoebe – Paraplanning**

Last year I am proud to have completed my Graduate Diploma in Financial Planning and am looking forward to undertaking my Professional Year with Stonehouse in 2022.



**Michelle – Advice**

In 2021 I was able to coach a netball team at a representative level and was glad we were able to achieve this amidst the lock-downs and rescheduling of the carnival. It provided an opportunity for self-development and the ability for me to spend time outside of work on a sport I am passionate about.

In 2022, I am looking forward to new opportunities and working with my existing and new clients.



**Bel – Implementation**

Last Year I was glad for the great team that I work with everyday... their support and friendship both professionally and personally I am very grateful for. I achieved learning new technology, assisting our clients to achieve their goals and ensuring a great outcome for clients with their Claims (IP & TPD).

Personally, I welcomed a third Granddaughter and it is wonderful to see my family thriving and enjoying life.

