



Monthly Market Review September 2023

Ethical investing update

Shareholder voting, corporate engagement, advocating within the finance industry and reporting on these activities are important responsibilities. This is “stewardship” - the responsible management of capital to create long-term value now and in the future. Exactly a year ago the local investment industry collaborated to create a [Stewardship Code in Aotearoa](#) setting a framework for these responsible investment obligations.

Pathfinder is one of 18 signatory fund managers encompassing \$100 billion of investments. The Code raises the possibility of collaboration among signatories to magnify their individual impact – in the same way the NZ Super Fund brought joint action around the [“Christchurch Call”](#) to influence social media companies.

Each fund manager will be measuring and reporting on its stewardship activities and aiming to continually improve. At Pathfinder we’re proud of the good progress we have made for investors in our KiwiSaver and managed funds, especially in relation to critical environmental, social, and corporate governance issues. This progress was recognised by RIAA last week, naming us as a [Responsible Investment Leader](#) for the third year in a row.



John Berry
CEO & Resident Wayfinder

Market Commentary

Stock markets continued to decline last month amid concerns about monetary policy remaining at restrictive levels for longer, capping off the worst month in 2023 after what had been a strong first half of the year, particularly for the big names in the US stock market. All our funds were in negative territory over September, but more or less in line with their respective market benchmarks.

The US S&P 500 index fell more than 5% in September underperforming other markets. While the S&P 500 index is still up for the year, the gains are entirely from a handful (7-8) of mega cap technology stocks, and after stripping these returns out, the market is flat on average for the year. We would note that our Pathfinder Global Responsibility Fund uses an equal weighting methodology so should outperform in the event of a larger retracement in the mega cap names such as Apple, which is a significant underweight position for the fund. The New Zealand market (NZX 50 index) lost 2.2% in September, and across the Tasman the Australian market (ASX 200 index) was down 3.5%.

[Continues on next page](#)

Fund Performance at a Glance (after fees, before tax)

	1 month	6 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception p.a.	Start Date
Ethical Growth Fund	-3.9%	-0.2%	7.2%	-2.6%			3.4%	Sep-20
Global Responsibility Fund	-4.8%	2.5%	16.5%	1.7%	9.2%	7.6%	8.3%	Oct-17
Global Water Fund	-5.8%	-0.6%	11.2%	-2.3%	7.5%	7.0%	8.2%	Jun-10
Ethical Trans-Tasman Fund	-3.1%	-1.5%	2.7%	-7.2%	1.1%		6.8%	Sep-19
Global Property Fund	-5.2%	0.7%	0.3%	-9.9%	0.2%	-2.6%	0.4%	Jul-15
Green Bond Fund	-1.4%	-1.7%					n/a	Jan-23
KiwiSaver Growth Fund	-3.9%	0.1%	7.2%	-2.0%	5.7%		8.1%	Jul-19
KiwiSaver Balanced Fund	-3.1%	0.4%	6.3%	-1.0%	4.5%		5.4%	Jul-19
KiwiSaver Conservative Fund	-1.2%	0.6%	3.1%	-0.2%	2.0%		2.9%	Jul-19

Benchmark comparison for each Fund is available on our website and in the fund performance section below.



Market Commentary *continued.*

While global bond yields have traded lower in recent days, aided by signs of easing inflation in the Eurozone and the US, fixed income markets ended the month with large losses as US interest rates are at the highest levels since 2007, with the US 10-year government bond yield trading as high as 4.8%. This rate is considered the closest thing to a global “risk-free” asset which many investors use as a reference price to value assets, and as such, asset prices have come under pressure.

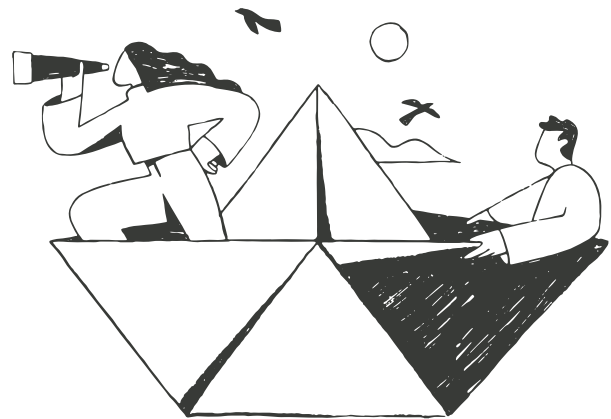
Why is the market shifting interest rate expectations to be “higher for longer”? In short, the Fed are reluctant to call an end to the tightening cycle given stronger than expected underlying economic growth and lower unemployment might slow the decline in inflation and force their hand to hike further still. Market pricing through to December is implying around a 30% chance of another US interest rate hike. Elsewhere, the European Central Bank elected to raise its interest rate target, in contrast with the Fed and Bank of England that both stood pat, but the ECB did signal it was likely finished with rate hikes.

Closer to home, the NZ economy grew 0.9% in the second quarter, lifting the country out of recession. Migration is propping up growth on a headline basis, and on a per capita basis, GDP rose a more meagre 0.2% over the quarter. Net migration figures are surging, with the latest release showing net migration totalled a massive 110,200 over the year to August, even as we saw a loss of NZ citizens totalling 42,600 in the last year – close to the record high of 44,400 in Feb 2012 when we were in the peak of the Aussie ‘brain drain’. In any case, the market brushed off the data as GDP is seen as a “backwards looking” indicator, and looking ahead a key risk we are watching for the NZ economy is drought, given the incoming El Nino weather patterns.

Over the weekend, there was a change in Government, and we believe that investments exposed to residential property are some of the potential direct beneficiaries of National’s pre-election

promises. Locally we hold a large exposure to retirement villages and have investments in social housing initiatives, with both linked to the housing market.

The bottom line right now is we think it pays to remain defensively positioned in terms of both holding cash & having less exposure to economically sensitive sectors. We will need to see further company revenue and/or earnings growth, or interest rates to begin falling, before we see the next move higher in markets, in our view.



Investment Team

From left to right:

- Kate Brownsey** ESG Analyst,
- Mike Kenealy** Portfolio Manager,
- Shyam Prasad-Jones** Investment Analyst,
- Holly Armstrong** Investment Analyst,
- Paul Brownsey** Chief Investment Officer,
- Hamesh Sharma** Portfolio Manager,
- Will Little** Senior Analyst.



Fund Performance at a glance: September 2023

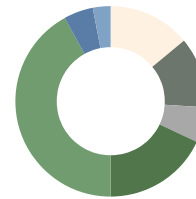
Ethical Growth Fund

Investment Strategy & Objective

Ethical investing to achieve medium to high returns with a higher risk focus.

An ethical portfolio with a higher exposure to growth assets and a lower exposure to income assets. Investments are spread across multiple asset types, geographies, companies and sectors to provide diversification. The investment strategy includes management of foreign currency exposure to New Zealand dollars. When we refer to growth assets, we mean investments like shares and when we refer to income assets we mean investments that generate income in the form of interest payments like bonds and bank deposits.

Asset Allocation



- Cash: 13.8%
- NZ Fixed Interest: 11.5%
- International Fixed Interest: 6.4%
- Australasian Equities: 18.6%
- International Equities: 41.6%
- Listed Property: 5.4%
- Other*: 2.6%
- Total: 100.0**

* Other assets include unlisted property & private equity.

Fund Performance* (after fees, before tax)

	1 month	3 months	6 months	1 year	Inception p.a.	Start Date
Fund Return	-3.9%	-3.7%	-0.2%	7.2%	3.4%	Sep 2020
Benchmark Return†	-3.5%	-2.0%	1.8%	7.0%	4.9%	

* Performance as of 30 September 2023. Trading started: August 2020.
 † Benchmark: Morningstar Target Allocation Index: Growth Multisector for New Zealand Index return used from Oct 2021. Previous market index return is a composite of 5% Bloomberg NZ Bank Bill Index, 20% Bloomberg Barclays Global Aggregate Total Return Index, 20% S&P/NZX50 Gross Index, 20% S&P/ASX200 Gross Return index and 35% Morningstar Developed Markets Net Return Index was used for the period since Fund inception to 30 Sep 2021.

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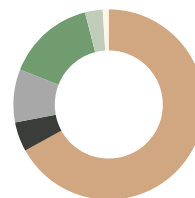
Global Responsibility Fund

Investment Strategy & Objective

Ethical investing in international equities and listed property to achieve above average long term, risk adjusted returns.

The Fund invests in international equities and listed property. It achieves this by investing in Pathfinder's Wholesale Responsible Investment Fund.

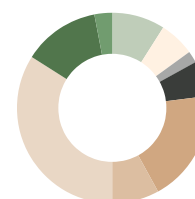
Equity Split



- North America: 68.6%
- Australasia: 4.5%
- Japan: 9.0%
- Europe ex UK: 15.3%
- United Kingdom: 2.3%
- Asia ex Japan: 0.4%
- Total: 100.0**

Fund Performance* (after fees, before tax)

	1 month	6 months	1 year	3 years p.a.	Inception p.a.	Start Date
Fund Return	-4.8%	2.5%	16.5%	9.2%	9.3%	Oct 2017
Benchmark Return†	-4.7%	5.0%	18.0%	9.6%	9.2%	



- Communication Services: 9.0%
- Consumer Cyclical: 6.1%
- Consumer Defensive: 1.5%
- Healthcare: 6.2%
- Industrials: 20.5%
- Real Estate: 8.0%
- Technology: 32.8%
- Financial Services: 12.6%
- Utilities: 3.3%
- Total: 100.0**

% Cash in Fund: 9.9%

* Performance as of 30 September 2023. Trading started: October 2017.

† Benchmark: Morningstar Developed Markets Index.

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Global Water Fund

Investment Strategy & Objective

Ethical investing in global water companies to achieve above average long-term, risk adjusted returns.

The Fund invests in listed water companies. Water companies cover a wide range of activities, including water utilities, filtration, monitoring technology and the manufacture of pumps, pipes and irrigation equipment.

Fund Performance* (after fees, before tax)

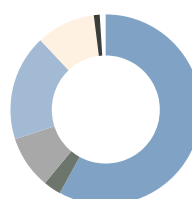
	1 month	6 months	1 year	3 years p.a.	10 years p.a.	Start Date
Fund Return	-5.8%	-0.6%	11.2%	7.5%	8.5%	Jun 2010
Benchmark Return†	-6.7%	-0.8%	15.9%	5.4%	8.3%	

* Performance as of 30 September 2023. Trading started: April 2010.

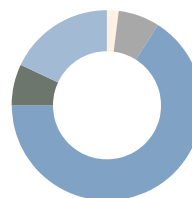
† Benchmark: NASDAQ OMX Global Water Index

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Equity Split



- North America: 57.9%
- Australasia: 2.8%
- Japan: 9.3%
- Europe ex UK: 18.2%
- United Kingdom: 10.9%
- Latin America: 1.0%
- Total: 100.0**



- Basic Materials: 1.5%
- Healthcare: 71%
- Industrials: 67.5%
- Technology: 8.2%
- Utilities: 15.8%
- Total: 100.0**

% Cash in Fund: 9.9%

Ethical Trans-Tasman Fund

Investment Strategy & Objective

Ethical investing in Australian and New Zealand equities, listed property companies and other assets to achieve above average long-term risk adjusted returns.

The Fund invests in Australian and New Zealand equities, listed property companies and other assets. The Fund may achieve this by investing in Pathfinder's Wholesale Ethical Trans-Tasman Fund which invests in our top individual equity ideas and targets a portfolio of 10 to 40 holdings.

Fund Performance* (after fees, before tax)

	1 month	6 months	1 year	3 years p.a.	Inception p.a.	Start Date
Fund Return	-3.1%	-1.5%	2.7%	1.1%	6.8%	Sep 2019
Benchmark Return†	-2.8%	-2.3%	6.2%	4.7%	3.2%	

* Performance as of 30 September 2023. Trading started: October 2019.

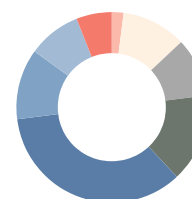
† Benchmark: 50/50 composite of NZX 50 and ASX 200 index.

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Equity Split



- New Zealand: 45.5%
- Australia: 54.5%
- Total: 100.0**



- Basic Materials: 2.1%
- Communication Services: 13.0%
- Consumer Defensive: 8.7%
- Financial Services: 14.9%
- Healthcare: 33.2%
- Industrials: 12.8%
- Information Technology: 9.2%
- Utilities: 6.2%
- Total: 100.0**

% Cash in Fund: 8.5%



Global Property Fund

Investment Strategy & Objective

Ethical investing in global property holdings to achieve above average long term risk adjusted returns.

The Fund invests in listed property entities. These are expected to predominantly own industrial, office and retail property but can include other activities (such as trading and development) and other types of real estate assets (such as residential property, medical facilities, and storage units).

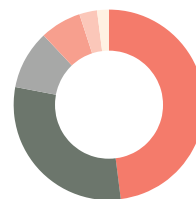
Fund Performance* (after fees, before tax)

	1 month	6 months	1 year	3 years	Inception p.a.	Start Date
Fund Return	-5.2%	0.7%	0.3%	0.2%	0.4%	Jul 2015
Benchmark Return†	-6.3%	-4.6%	0.2%	1.5%	1.2%	

* Performance as of 30 September 2023. Trading started: July 2015.
 † Benchmark: FTSE EPRA/NAREIT Global Real Estate Index

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Equity Split



- North America: 47.9%
- Australasia: 30.4%
- Europe dev: 10.1%
- Japan: 6.9%
- United Kingdom: 2.8%
- Asia dev: 1.9%
- Total: 100.0**

% Cash in Fund: 3.5%

Green Bond Fund

Investment Strategy & Objective

Looking to make a meaningful impact on climate change with your investments? Pathfinder's Green Bond Fund invests in bonds that allocate money to green purposes. These could include clean transportation, clean water access, increasing resilience to extreme weather events and renewable energy supply networks.

The make-up of our Green Bond Fund:

Pathfinder has partnered with Affirmative Investment Management to invest in fixed interest securities that have been classified as Green Bonds. Green Bonds fund projects targeting climate and environmental solutions. The aim of this fund is to invest 100% in Green Bonds, but if there aren't enough Green Bonds available to achieve the targeted returns and risk profile, Affirmative will invest (up to 20%) in bonds issued by companies that meet their environmental and social criteria. We view this as a mix of predominantly green bonds with some supporting environmental bonds.

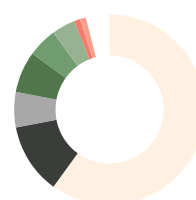
Fund Performance* (after fees, before tax)

	1 month	3 months	1 year	3 years p.a.	Since Inception	Start Date
Fund Return	-1.4%	-1.7%	-	-	-1.7%	Jan 2023
Benchmark Return†	-1.7%	-1.8%	1.7%	-3.9%	-1.4%	

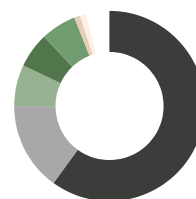
* Performance as of 30 September 2023. Trading started: Jan 2023.
 † Benchmark: Bloomberg Global Aggregate Index Hedged to NZD

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Fixed Income Split



- Europe dev: 60.5%
- North America: 12.4%
- Asia emrg: 5.5%
- Japan: 7.0%
- Asia dev: 4.7%
- United Kingdom: 4.3%
- Latin America: 0.3%
- Australasia: 0.5%
- Total: 95.4**



- Financials: 59.0%
- Government Activity: 15.7%
- Utilities: 7.1%
- Industrials: 6.3%
- Real Estate: 5.9%
- Mortgage Backed Security: 1.0%
- Technology: 0.5%
- Total: 95.4**

% Cash in Fund: 4.6%



KiwiSaver Plan

What is Pathfinder KiwiSaver?

The Pathfinder KiwiSaver Plan (Pathfinder KiwiSaver) is an ethical investment. This means that we consider environmental, social and governance matters when investing. We do this to be consistent with our mission to grow individual wealth and collective well-being and because we believe companies that are more ethical make better long-term investments.

Pathfinder KiwiSaver has three Funds which are managed by us. The Funds pool the money of investors within each Fund and invest in assets (such as shares, bonds, and bank deposits) on behalf of those investors. Each Fund actively invests in and manages a different combination of assets, which varies the level of risk and potential return of each Fund. This means you can select a Fund into which your contributions will be placed to suit your risk profile and investment goals.

Fund Performance* (after fees, before tax)

	1 month	6 months	1 year	3 years p.a.	Inception p.a.	Start Date
Conservative	-1.2%	0.6%	3.1%	2.0%	2.9%	Jul 2019
Morningstar Conservative Index †	-1.6%	-1.0%	2.1%	-0.3%	1.2%	
Balanced	-3.1%	0.4%	6.3%	4.5%	5.4%	Jul 2019
Morningstar Balanced Index †	-2.9%	0.8%	5.3%	4.5%	5.1%	
Growth	-3.9%	0.1%	7.2%	5.7%	8.1%	Jul 2019
Morningstar Growth Index †	-3.5%	1.8%	7.0%	7.1%	7.2%	

* Performance as of 30 September 2023. Trading started: July 2019.

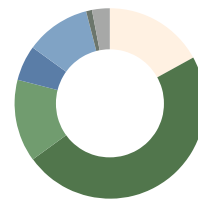
† The Morningstar Indices are used to calculate market index returns for performance period after 1 December 2021. Earlier market index returns are calculated retrospectively using the composite indices described in our

[SIPO](#) fund before Dec 2021. You can find details of the change [here](#).



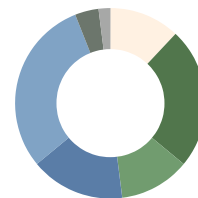
Asset Allocation

KIWISAVER CONSERVATIVE FUND



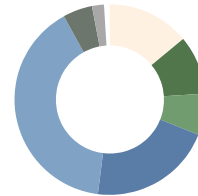
- Cash: 17.0%
- NZ Fixed Interest: 48.2%
- International Fixed Interest: 13.9%
- Australasian Equity: 6.0%
- International Equity: 11.1%
- Listed Property: 1.3%
- Other*: 2.5%
- Total: 100.0**

KIWISAVER BALANCED FUND



- Cash: 12.2%
- NZ Fixed Interest: 23.8%
- International Fixed Interest: 11.8%
- Australasian Equity: 15.8%
- International Equity: 30.2%
- Listed Property: 3.7%
- Other*: 2.5%
- Total: 100.0**

KIWISAVER GROWTH FUND



- Cash: 13.9%
- NZ Fixed Interest: 9.8%
- International Fixed Interest: 7.2%
- Australasian Equity: 21.7%
- International Equity: 39.8%
- Listed Property: 5.2%
- Other*: 2.4%
- Total: 100.0**

* Other assets include investments in private assets such as unlisted equities and unlisted property.

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Join the future of investment.

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