Pathfinder
Monthly Newsletter –February 2022

Review of Fund Performance and Current Events

Certified B Corporation

Market Commentary

February was another tough month for markets globally, as geopolitics took centre stage while central banks remained firm in reinforcing expectations for interest rates to move higher this year. The US market (S&P 500 index) Lost -3.1%, with technology stocks remaining under the most pressure which saw the Nasdaq Technology index fall -3.4%. Closer to home, the New Zealand market (NZX 50 index) and Australian markets (ASX 200 index) bucked the trend, up +0.7% and +1.1% respectively.

Year to date returns for our Funds are down, but we are not out of line with benchmark returns over a 6-month period. Recent underperformance can be explained by factors such as our high technology sector weighting, with the Nasdaq down almost -20% at one point in early-March. At the time of writing, we have seen stocks rebound over the last week, and while there is still time left to run in the month, investors are staring at the possibility of the worst quarterly global equity market performance since 2008.

Central Banks globally (except China) are either indicating they will hike interest rates near-term or are in the process of tightening monetary policy. Inflation is surging, and the lingering effects of COVID, supply chain bottlenecks, and now a surge in commodity prices is adding fuel to the fire. The US Federal Reserve has increased interest rates for the first time since 2018, as was widely expected by the market. Fed Chair Jerome Powell has stated he sees a 0.25% hike at every meeting this year, or seven hikes in total, adding that the Fed will hike by more than 0.25% at each meeting if necessary to contain runaway price gains.

As we touched on last month, the move higher in interest rates has seen a significant re-pricing of investment assets lower, with losses experienced in bond & equity markets.

Geopolitics remain centre stage, with the Russia/Ukraine situation creating general market uncertainty, albeit direct impacts are relatively localized, with certain sectors and regions more at risk.

The outcome of the conflict is notoriously hard to predict, but a number of our research sources comment that the situation will likely not have a short resolution.

Russia is a big oil producer, and sanctions against Russia have seen the oil price surge - most of our readers are probably feeling a pinch at the petrol pump! As ESG focussed investors we do not invest in oil stocks and being light on commodity exposures has also seen our Fund performance lag in 2022 as Russia/Ukraine geopolitics intensify. However, over the medium term we are happy to not invest in what we see as a dying fossil fuel industry. In fact, renewable energy stocks have seen large inflows from investors over recent weeks as they have come back into favour with investors as providers of alternative energy sources.

We have zero Russia exposure, which has been a positive from a return but also ethical standpoint. The "G" in ESG stands for governance, which is clearly an issue in Russia. We also see governance issues in China, and have avoided China as a region, a strategy which has paid off well. China related equities have been extremely volatile of late following geopolitics, slowing economic growth, regulatory uncertainty, and as heavy restrictions are enforced as China remains committed to a zero-COVID policy.

In terms of overall fund position, we remain about 10% invested in cash, which protects us from downside (as cash holds its value during a market sell-off), but also provides us with capacity to buy back in to markets when we see opportunities.

While several macro issues/headwinds are clearly at play, on balance we also hold the view that significant negativity is being priced into the market, and a large valuation re-rating lower has already occurred in several segments of the market. March has been much better for the funds in terms of performance, and most of our funds are in positive territory month to date. There has been no clear catalyst for the rebound, potentially signalling that the markets had reached over sold levels.

Fund Performance (after fees, before tax)

28-Feb-22	1 Month	6 Months	1 Year	2 Years p.a	3 Years p.a	5 Years p.a	10 Years p.a	Since Inception p.a	Start Date
Ethical Growth Fund	-2.6%	-5.1%	3.6%					**8.0%**	Sep-20
Global Responsibility Fund	-3.4%	-3.9%	10.7%	14.6%	13.8%			**10.2%**	Oct-17
Global Water Fund	-5.0%	-10.4%	10.2%	9.9%	12.0%	10.1%	10.8%	**9.3%**	Jun-10
Ethical Trans-Tasman Fund	-1.8%	-10.3%	-2.4%	13.4%				**12.9%**	Sep-19
Global Property Fund	-2.6%	-3.4%	14.0%	-0.3%	1.7%	3.7%		**3.7%**	Jul-15
Responsible Investment Fund*	-3.4%	-3.7%	11.9%	14.1%	15.5%			**11.5%**	May-17
KiwiSaver Growth	-2.7%	-4.3%	8.2%	14.2%				**13.7%**	Jul-19
KiwiSaver Balanced	-1.9%	-3.1%	5.9%	9.9%				**8.8%**	Jul-19
KiwiSaver Conservative	-0.8%	-1.5%	2.6%	4.5%				**4.4%**	Jul-19

**This is a wholesale offer that is not available for retail investors.*

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KiwiSaver Funds

All of our KiwiSaver Funds were lower for a second month in February but remain in positive territory on a 12-month basis.

Regionally, we remain tilted very much towards developed markets, a strategy which has paid off. As touched on above, we are wary of the multiple issues facing Chinese stocks, with a fresh round of lockdowns the most recent "cherry on top", and do not have exposure to Russia. We remain weighted towards the US, which has outperformed Europe (we are underweight) given the geopolitical situation.

Performance	1 month	6 months	1 year	2-year p.a.	Inception p.a.
Growth	-2.7%	-4.3%	8.2%	14.2%	13.7%
Benchmark	-1.5%	-3.1%	7.0%	6.9%	6.5%
Balanced	-1.9%	-3.1%	5.9%	9.9%	8.8%
Benchmark	-1.4%	-3.1%	4.5%	4.6%	4.8%
Conservative	-0.8%	-1.5%	2.6%	4.5%	4.4%
Benchmark	-0.9%	-2.9%	-0.6%	-0.2%	1.0%

Global Responsibility Fund

The Fund lost -3.4% in February, slightly worse than the market benchmark. We remain positive on technology stocks, especially our large cap US tech stocks such as Microsoft & Alphabet, which are now trading on undemanding valuation multiples, even though they are relatively immune to Russia/Ukraine developments which has caused broad based selling across the board.

CLICK HERE for the latest Factsheet including a description of the benchmark.

Performance	1 month	6 months	1 year	3 Year p.a.	Inception p.a.
Fund Return	-3.4%	-3.9%	10.7%	13.8%	10.2%
Benchmark Return	-3.1%	-3.3%	13.2%	14.1%	11.7%

Global Water Fund

The Fund lost -5% in February, slightly behind than the benchmark as global water stocks have experienced a severe drawdown in early 2022. Over the last 6-months the Fund has outperformed the benchmark by ~2% largely due to the building of a substantial cash position in recent months.

CLICK HERE for the latest Factsheet including a description of the benchmark.

Performance	1 month	6 months	1 year	3 Year p.a.	Inception p.a.
Fund Return	-5.0%	-10.4%	10.2%	12.0%	9.3%
Benchmark Return	-4.7%	-9.2%	12.5%	13.6%	9.9%

Ethical Trans-Tasman Fund

The Fund lost -1.8% in February, underperforming the benchmark. The Australian mining and energy sectors had a strong month, and the Fund does not have exposure to these sectors. We have added to consumer staples stocks such as Woolworths to provide an inflation hedge as these companies should be able to pass on higher costs to consumers.

CLICK HERE for the latest Factsheet including a description of the benchmark.

Performance	1 month	6 months	1 year	2 Year p.a.	Inception p.a.
Fund Return	-1.8%	-10.3%	-2.4%	13.4%	12.9%
Benchmark Return	1.4%	-6.0%	4.2%	6.3%	4.9%

Global Property Fund

The Fund retraced -2.6% in February, slightly better than the benchmark. Property stocks are facing headwinds as real estate continues to be impacted by COVID lowering occupancy/traffic, and a number of macro variables including rising geopolitical tensions, interest rates & inflation. These trends are affecting where and how we live, work, shop, and play. We see value opportunities, particularly in our specialized REITs such as data centres.

CLICK HERE for the latest Factsheet including a description of the benchmark.

Performance	1 month	6 months	1 year	5 Year p.a.	Inception p.a.
Fund Return	-2.6%	-3.4%	14.0%	3.7%	3.7%
Benchmark Return	-2.9%	-3.6%	14.8%	5.7%	5.0%

Ethical Growth Fund

The Fund lost -2.6% in January, behind the benchmark return. Sector-wise, we remain diversified, subject to ESG exclusions, and firm in our bias towards our medium-term investment themes such as renewable energy, data centres, water treatment. Our positions in solar and wind power stocks have rebounded and come back into favour with investors since the Russia/Ukraine invasion as alternative energy sources become more interesting to investors.

CLICK HERE for the latest Factsheet including a description of the benchmark.

Performance	1 month	6 months	1 year	3 Year p.a.	Since Inception
Fund Return	-2.6%	-5.1%	3.6%	--	8.0%
Benchmark Return	-1.5%	-3.1%	7.0%	--	11.9%