



Ethical investing update

Many people think that if you invest ethically you will suffer in terms of financial returns. We're very focused on proving, through our track record, that you can invest ethically without compromising your investment returns. For example, Morningstar data shows our KiwiSaver funds are each ahead of their benchmark and also ahead of the KiwiSaver average return since we started in July 2019.

One New Zealand listed company that hit the headlines this month was casino operator Sky City. It's share price plunged after the news that its casino license may be suspended temporarily. Casino operators are fraught with investment risk, particularly around the consequences of any breach of 'host hospitality' regulations or anti-money laundering rules. If we look to Australia, casino operators there like Star and Crown have both faced high profile and expensive investigations.

Not investing in Sky City has been an ethical decision. We don't invest in casinos globally because of the related social harm. In the case of Sky City, this ethical choice, has aligned with good investing. Sky City's share price not only plunged this month after the news its license may have a short suspension, it's share price has also been underwhelming over several years. Five years ago, its share price was \$4, it is now trading at \$2.

This is a case where not investing in casinos as an ethical choice has also made good financial sense. In this newsletter you'll learn more about our investment outcomes, and our future view on markets and market direction.



John Berry
CEO & Resident Wayfinder

Market Commentary

Markets fell in August, although there was a recovery late in the month which saw stocks bounce off their lows. At the same time a weaker NZ dollar buffered losses in our Funds which have an exposure to overseas assets. The New Zealand market (NZX 50 index) continues to lag this year, losing 4.1% in August. Across the Tasman the Australian market (ASX 200 index) was down 1.4% and the US market (S&P 500 index) fell 1.6%.

As we touched on last month, we are not surprised to see some selling pressure after such strong performance in parts of the market. However, there have also been a couple of recent developments which are hurting investor confidence: 1) angst around a China slowdown, and 2) the prospect of higher interest rates for longer.

Economic data out of China has been bleak to say the least. Youth unemployment, for example, hit 23% before the Chinese authorities decided to not disclose the number at its latest data release.

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	-1.0%	5.5%	5.9%	-1.2%	-	-	4.9%	Aug 2020
Global Responsibility Fund	-0.9%	9.7%	15.0%	2.8%	10.7%	8.8%	9.3%	Oct 2017
Global Water Fund	-1.3%	6.1%	12.7%	-2.0%	10.0%	8.4%	8.8%	Jun 2010
Ethical Trans-Tasman Fund	-1.6%	-0.1%	0.9%	-5.2%	2.1%	-	7.8%	Sep 2019
Global Property Fund	-1.7%	0.7%	-4.7%	-9.0%	1.2%	-1.9%	1.0%	Jul 2015
Green Bond Fund	0.0%	1.8%	-	-	-	-	-	Jan 2023
KiwiSaver Growth Fund	-1.0%	5.7%	6.5%	-0.6%	7.0%	-	9.3%	Jul 2019
KiwiSaver Balanced Fund	-0.6%	5.0%	5.7%	0.1%	5.5%	-	6.4%	Jul 2019
KiwiSaver Conservative Fund	-0.1%	2.7%	3.0%	0.2%	2.4%	-	3.3%	Jul 2019

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



Market Commentary *continued.*

China is navigating a challenging economy-wide shift away from a property building phase towards a more buy-local focus. The Chinese real estate sector looks likely to experience further volatility as the much-needed debt reduction weighs on confidence, leading to weak demand and tight lending. Further, geopolitics between the China & US continue, with Apple the latest company caught in the crossfire. China's government has banned use of Apple products within its State-Owned Enterprises. China accounts for about 20% of Apples revenue and Apple shares took a hit on the news. Our global funds are underweight Apple relative to the market index weight, therefore currently benefiting from this pull back.

We have been talking about the current strength in the US economy, and the key indicator of unemployment remains at 3.8%, which reflects a currently healthy economy. That said, we will be watching the labour market and loan defaults carefully for signs of stress, noting that defaults have already started to rise. The flip-side to strong economic data, is that it does imply that interest rates will need to be higher for longer, which generally is a headwind for share markets.

Closer to home, NZ corporate reporting season was relatively weak, and the local market index continues to under-perform. We maintain a slightly more positive view for the Australian economy verses New Zealand. Therefore, our Trans-Tasman portfolio is tilted towards Australia over NZ, and NZ companies with non-NZ economy exposure.

All eyes are going to be on the NZ election next month and in our view, the sector most exposed to an election outcome next month is property. The National party is currently ahead in the polls, which if they win, would send a stimulatory signal for the property market. Both major parties have pleasingly showed some spending constraint which makes the Reserve Banks job of managing inflation slightly easier.

We have not owned listed real estate exposures in NZ for some time as a key underweight call in the Trans-Tasman Fund, which has paid off to date. To gain property exposure, we own datacentre operator Next DC in Australia as well as Canberra Data Centres via Infratil. We increased our exposure in retirement village operators such as Ryman given our view the RBNZ is done hiking and strong migration numbers. We are seeing green shoots in the housing market, with monthly house price data rising from the recent trough.

We have now dipped the toe into the listed commercial real estate sector through a Precinct convertible note. A convertible note is a debt investment, or 'bond', that allows for the initial investment plus any accrued interest to be converted into an equity investment, or 'share', at the maturity date. We see Precinct as a top-quality central city office property manager in NZ, with strategically located real estate and a focus on sustainability. We believe the timing is opportune given a potential change in government, the resurgence of interest in property, and the degree of pessimism currently priced into the market.



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: August 2023

Ethical Growth Fund

Investment Strategy & Objective

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

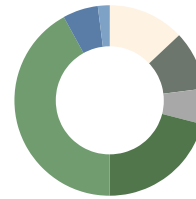
An ethical portfolio with a higher exposure to growth assets and a lower exposure to income assets. Investments are spread across multiple asset types, geographies, companies and sectors to provide diversification. The investment strategy includes management of foreign currency exposure to New Zealand 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.

Fund Performance* (after fees, before tax)

	1 month	3 months	6 months	1 year	Inception p.a.	Start Date
Fund Return	-1.0%	1.4%	5.5%	5.9%	4.9%	Aug 2020
Benchmark Return†	0.0%	3.4%	6.4%	7.5%	6.3%	

[Explore More](#)

Asset Allocation



- Cash: 12.1%
 - NZ Fixed Interest: 9.2%
 - International Fixed Interest: 6.0%
 - Australasian Equities: 20.0%
 - International Equities: 44.6%
 - Listed Property: 5.9%
 - Other*: 2.2%
- Total: 100.0**

* Other assets include unlisted property & private equity.

* Performance as of 31 August 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.

Global Responsibility Fund

Investment Strategy & Objective

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

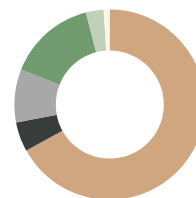
The Fund invests in international equities and listed property. It achieves this by investing in Pathfinder's Wholesale Responsible Investment Fund.

Fund Performance* (after fees, before tax)

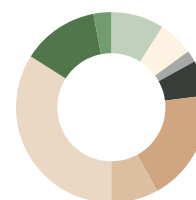
	1 month	6 months	1 year	3 years p.a.	Inception p.a.	Start Date
Fund Return	-0.9%	9.7%	15.0%	10.7%	9.3%	Oct 2017
Benchmark Return†	-0.3%	12.4%	16.9%	10.5%	10.2%	

[Explore More](#)

Equity Split



- North America: 68.7%
 - Australasia: 4.5%
 - Japan: 8.8%
 - Europe ex UK: 15.4%
 - United Kingdom: 2.2%
 - Asia ex Japan: 0.4%
- Total: 100.0**



- Communication Services: 8.9%
 - Consumer Cyclical: 6.1%
 - Consumer Defensive: 1.4%
 - Healthcare: 5.9%
 - Industrials: 20.4%
 - Real Estate: 8.3%
 - Technology: 33.3%
 - Financial Services: 12.3%
 - Utilities: 3.4%
- Total: 100.0**

% Cash in Fund: 9.9%

* Performance as of 31 August 2023. Trading started: October 2017.

† Benchmark: Morningstar Developed Markets Index.



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)

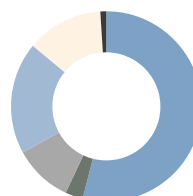
	1 month	6 months	1 year	3 years p.a.	10 years p.a.	Start Date
Fund Return	-1.3%	6.1%	12.7%	10.0%	9.7%	Jun 2010
Benchmark Return†	0.1%	7.4%	17.5%	8.3%	9.3%	

* Performance as of 31 August 2023. Trading started: June 2010.

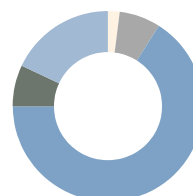
† Benchmark: NASDAQ OMX Global Water Index

[Explore More](#)

Equity Split



- North America: 58.3%
- Australasia: 2.5%
- Japan: 9.2%
- Europe ex UK: 18.0%
- United Kingdom: 11.1%
- Latin America: 0.9%
- Total: 100.0**



- Basic Materials: 1.3%
- Healthcare: 6.9%
- Industrials: 67.8%
- 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	-1.6%	-0.1%	0.9%	2.1%	7.8%	Oct 2019
Benchmark Return†	-2.3%	0.0%	3.8%	4.7%	4.0%	

* Performance as of 31 August 2023. Trading started: October 2019.

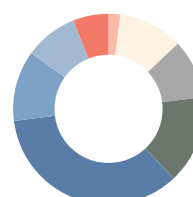
† Benchmark: 50/50 composite of NZX 50 and ASX 200 index.

[Explore More](#)

Equity Split



- New Zealand: 46.5%
- Australia: 53.5%
- Total: 100.0**



- Basic Materials: 1.9%
- Communication Services: 10.5%
- Consumer Defensive: 9.6%
- Financial Services: 14.8%
- Healthcare: 35.2%
- Industrials: 12.5%
- Information Technology: 9.4%
- Utilities: 6.1%
- 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)

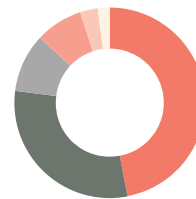
	1 month	6 months	1 year	3 years	Inception p.a.	Start Date
Fund Return	-1.7%	0.7%	-4.7%	1.2%	1.0%	Jul 2015
Benchmark Return†	-2.3%	-1.7%	-4.3%	2.9%	2.1%	

* Performance as of 31 August 2023. Trading started: July 2015.

† Benchmark: FTSE EPRA/NAREIT Global Real Estate Index

[Explore More](#)

Equity Split



- North America: 47.7%
- Australasia: 30.2%
- Europe dev: 9.7%
- Japan: 7.8%
- United Kingdom: 2.8%
- Asia dev: 1.8%
- 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)

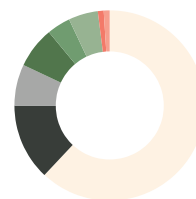
	1 month	3 months	1 year	3 years p.a.	Since Inception	Start Date
Fund Return	0.0%	1.8%	-	-	-0.4%	Jan 2023
Benchmark Return†	-0.2%	2.1%	-0.2%	-3.3%	0.3%	

* Performance as of 31 August 2023. Trading started: Jan 2023.

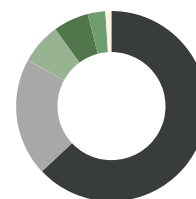
† Benchmark: Bloomberg Global Aggregate Index Hedged to NZD

[Explore More](#)

Fixed Income Split



- Europe dev: 62.2%
- North America: 12.8%
- Asia emrg: 7.5%
- Japan: 7.0%
- Asia dev: 3.9%
- United Kingdom: 4.5%
- Latin America: 1.4%
- Australasia: 0.7%
- Total: 100.0**



- Financials: 63.2%
- Government Activity: 20.3%
- Utilities: 6.7%
- Industrials: 5.9%
- Real Estate: 3.4%
- Consumer Cyclical: 0.5%
- Total: 100.0**

% Cash in Fund: 5.2%



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	-0.1%	2.7%	3.0%	2.4%	3.3%	Jul 2019
Morningstar Conservative Index †	-0.2%	2.3%	1.4%	0.2%	1.6%	
Balanced	-0.6%	5.0%	5.7%	5.5%	6.4%	Jul 2019
Morningstar Balanced Index †	0.0%	5.2%	5.4%	5.1%	6.0%	
Growth	-1.0%	5.7%	6.5%	7.0%	9.3%	Jul 2019
Morningstar Growth Index †	0.0%	6.4%	7.5%	7.8%	8.3%	

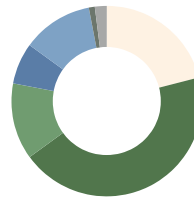
* Performance as of 31 August 2023. Trading started: July 2019.

† 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](#).



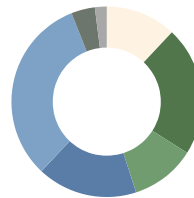
Asset Allocation

KIWISAVER CONSERVATIVE FUND



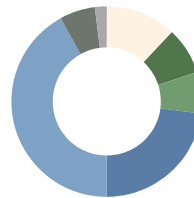
- Cash: 21.1%
- NZ Fixed Interest: 44.4%
- International Fixed Interest: 12.5%
- Australasian Equity: 6.8%
- International Equity: 11.8%
- Listed Property: 1.4%
- Other*: 2.0%
- Total: 100.0**

KIWISAVER BALANCED FUND



- Cash: 11.7%
- NZ Fixed Interest: 21.5%
- International Fixed Interest: 11.4%
- Australasian Equity: 17.0%
- International Equity: 32.3%
- Listed Property: 4.1%
- Other*: 2.0%
- Total: 100.0**

KIWISAVER GROWTH FUND



- Cash: 11.8%
- NZ Fixed Interest: 7.9%
- International Fixed Interest: 7.0%
- Australasian Equity: 23.2%
- International Equity: 42.4%
- Listed Property: 5.7%
- Other*: 2.0%
- Total: 100.0**

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

[Explore More](#)

Join the future of investment.

0800 ETHICAL (384 4225)
 info@pathfinder.kiwi
 pathfinder.kiwi

Level 37, PwC Tower,
 15 Customs St West,
 Auckland, 1010

