



Ethical investing update

At the Responsible Investment Association Conference last week, Chief Executive of the NZ Super Fund, Matt Whineray, reminded us that “economics and politics are human constructs.” It was a helpful reminder that we can easily forget that companies and economies are structured by humans – there are no laws of nature determining how they must be built. I thought this was particularly relevant to Pathfinder for two reasons.

Firstly, when we create or lead a company, we can mindfully choose for that company to have a purpose greater than simply generating short-term shareholder profits. [B Corp](#) companies, like Pathfinder, believe that the business of business is NOT to do more and more business. The interests of stakeholders beyond shareholders really do matter.

Secondly, when it comes to investing, no company is perfect. But why would you not seek to find companies that are trying to create a positive impact? It is critical for our savings to have healthy profits, but why not also make a positive contribution on top of financial return?

The context of this discussion was brought home for me last week after I was asked to give two lectures at the University of Otago. Young people will be left carrying the can to find solutions to environmental challenges. Thankfully, their questioning around the role of business showed them to be resourceful, thoughtful, and hopeful. We can't park the problems we've created and leave it for the next generation to solve, we need to be part of the solution ourselves.



John Berry
CEO & Resident Wayfinder

Market Commentary

Stock markets added to 2023 gains over July, with the US market (S&P 500 index) up +3.1%. The New Zealand market (NZX 50 index) continues to lag this year, adding +1.2%, while across the Tasman the Australian market (ASX 200 index) gained +2.9%. It was pleasing to see that all our Pathfinder Funds were in positive territory for the month.

These trends have reversed in August to date, as investors have started to take profit, particularly across some of the growth software & non-profitable technology stocks. That said, some profit taking is to be expected after such a strong rally in parts of the market, and there are some real drivers behind the recent rally in stock markets.

Firstly, in our last newsletter we highlighted that we thought the market may be too pessimistic when it came to corporate earnings, and in fact US company results have beaten market expectations for the second quarter of 2023.

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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	1.2%	5.5%	4.6%	0.5%	-	-	5.4%	Sep 2020
Global Responsibility Fund	2.1%	10.0%	12.5%	4.2%	13.0%	9.5%	9.6%	Oct 2017
Global Water Fund	2.3%	7.5%	8.9%	-0.4%	11.6%	8.9%	8.9%	Jun 2010
Ethical Trans-Tasman Fund	1.2%	-0.5%	1.7%	-1.9%	4.2%	-	8.5%	Sep 2019
Global Property Fund	4.6%	-0.6%	-7.5%	-7.3%	2.5%	-1.1%	1.3%	Jul 2015
Green Bond Fund	0.3%	0.1%	-	-	-	-	-	Jan 2023
KiwiSaver Growth Fund	1.2%	5.8%	5.1%	1.6%	9.3%	-	9.8%	Jul 2019
KiwiSaver Balanced Fund	1.0%	4.5%	4.2%	1.8%	7.1%	-	6.6%	Jul 2019
KiwiSaver Conservative Fund	0.5%	2.2%	2.3%	1.1%	2.9%	-	3.3%	Jul 2019

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



Market Commentary *continued.*

With 90% of results in, overall earnings were -3.8% at an annualised rate, however excluding energy stocks they are showing growth of +2.5%. Markets are now forecasting +7% growth for the 3rd quarter of 2023, and low double digits into early 2024. In terms of some of our core investment themes, our global datacentre stocks such as Equinix and Digital Reality announced very strong results when it came to solid revenue growth for infrastructure assets. Our solar stocks have had mixed performance of late, but we still believe in the investment case behind the solar energy theme. Shorter term, it looks as if commercial markets are outperforming retail generally, supporting FirstSolar who primarily has commercial customers, while the retail focussed Solaredge/Enphase is hurting their share price performance as their customers may be feeling more pressure in a higher interest rate environment for example.

Secondly, we are seeing the acronym RINO in financial news being used – “recession in name only”, as an increase in pessimistic market commentary is not matching the data from the economy which is proving more resilient than expected. US economic growth for the 2nd quarter remained robust at +2.4%, while Europe is showing flat economic growth. There are a few outliers in a more difficult spot such as the UK and New Zealand economies. The flipside is that investors have been buying stocks this year, with sentiment no longer pessimistic, but euphoric, which goes some way to explain the profit taking in recent weeks.

Thirdly, US inflation continues to fall, supporting the case that interest rates have peaked. The headline year-on-year US CPI (inflation) number is now 3%, broadly in line with market expectations. The naysayers were quick to highlight the stickier “core” inflation number is still elevated at 4.8% year on year, noting headline inflation has been benefiting mostly from weaker energy prices. The counter argument highlighted the future expected disinflation from shelter and used car prices is still to come.

In terms of major central bank moves, the US Federal Reserve and European Central Bank both raised rates by 0.25% but both look very close to being finished with hikes. That didn't stop the US 10-year bond yield trading above 4% as ratings agency Fitch downgraded the US to AA+ from AAA in the first cut by a major rating firm in over 10 years. There were several key drivers behind Fitch's decision, including a projected US recession. We are somewhat surprised by the reaction, with ratings agencies historically seen as quite slow-moving organisations in terms of changing forecasts, and as such are not concerned by this. More importantly, after a strong equity rally year to date we likely will see more investment into bonds with higher rates. This could exacerbate profit-taking across equity markets, and we will look to selectively buy equities with our excess cash across the funds if shares continue to drift lower.



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 Investment Analyst.



Fund Performance at a glance: July 2023

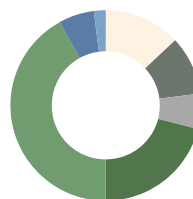
Ethical Growth Fund

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: 12.8%
 - NZ Fixed Interest: 9.5%
 - International Fixed Interest: 6.1%
 - Australasian Equities: 20.9%
 - International Equities: 42.9%
 - Listed Property: 5.7%
 - Other*: 2.1%
- 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	1.2%	4.7%	5.5%	4.6%	5.4%	Sep 2020
Benchmark Return†	1.5%	3.7%	6.2%	6.3%	6.5%	

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

† 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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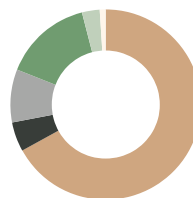
Global Responsibility Fund

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.

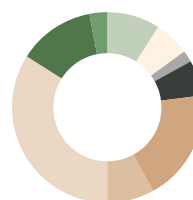
Equity Split



- North America: 68.3%
 - Australasia: 4.5%
 - Japan: 8.9%
 - Europe ex UK: 15.6%
 - United Kingdom: 2.2%
 - 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	2.1%	10.0%	12.5%	13.0%	9.6%	Oct 2017
Benchmark Return†	2.7%	12.4%	13.7%	12.7%	10.4%	



- Communication Services: 8.6%
 - Consumer Cyclical: 6.0%
 - Consumer Defensive: 1.4%
 - Healthcare: 5.8%
 - Industrials: 20.1%
 - Real Estate: 7.9%
 - Technology: 33.6%
 - Financial Services: 13.1%
 - Utilities: 3.5%
- Total: 100.0**

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

† Benchmark: Morningstar Developed Markets Index.

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% Cash in Fund: 8.6%



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)

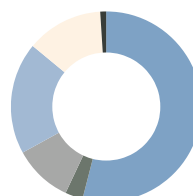
	1 month	6 months	1 year	3 years p.a.	10 years p.a.	Start Date
Fund Return	2.3%	7.5%	8.9%	11.6%	9.8%	Jun 2010
Benchmark Return†	2.6%	6.8%	10.5%	9.2%	9.6%	

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

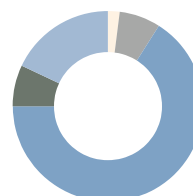
† Benchmark: NASDAQ OMX Global Water Index

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Equity Split



- North America: 57.4%
- Australasia: 3.0%
- Japan: 9.1%
- Europe ex UK: 18.1%
- United Kingdom: 11.5%
- Latin America: 0.9%
- Total: 100.0**



- Basic Materials: 1.4%
- Healthcare: 6.4%
- Industrials: 67.5%
- Technology: 8.3%
- Utilities: 16.3%
- Total: 100.0**

% Cash in Fund: 10.6%

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	1.2%	-0.5%	1.7%	4.2%	8.5%	Sep 2019
Benchmark Return†	1.9%	0.8%	7.6%	6.5%	4.7%	

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

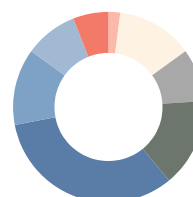
† Benchmark: 50/50 composite of NZX 50 and ASX 200 index.

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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: 10.2%



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).

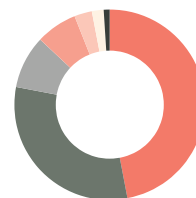
Fund Performance* (after fees, before tax)

	1 month	6 months	1 year	3 years	Inception p.a.	Start Date
Fund Return	4.6%	-0.6%	-7.5%	2.5%	1.3%	Jul 2015
Benchmark Return†	3.4%	-2.9%	-8.0%	4.4%	2.4%	

* Performance as of 31 July 2023. Trading started: July 2015.
 † Benchmark: FTSE EPRA/NAREIT Global Real Estate Index

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Equity Split



- North America: 46.9%
- Australasia: 30.9%
- Europe dev: 9.4%
- Japan: 7.2%
- United Kingdom: 2.8%
- Asia dev: 1.9%
- Asia emrg: 0.8%
- Total: 100.0**
- % Cash in Fund: 5.8%

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.

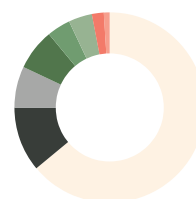
Fund Performance* (after fees, before tax)

	1 month	3 months	1 year	3 years p.a.	Since Inception	Start Date
Fund Return	0.3%	0.1%	-	-	-0.3%	Jan 2023
Benchmark Return†	0.1%	0.6%	-2.7%	-3.4%	0.4%	

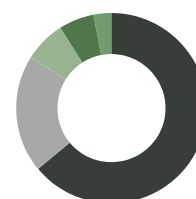
* Performance as of 31 July 2023. Trading started: Jan 2023.
 † Benchmark: Bloomberg Global Aggregate Index Hedged to NZD

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Fixed Income Split



- Europe dev: 64.4%
- North America: 11.1%
- Asia emrg: 7.4%
- Japan: 7.1%
- Asia dev: 3.8%
- United Kingdom: 4.5%
- Latin America: 1.4%
- Australasia: 0.5%
- Total: 100.0**



- Financials: 63.9%
- Government Activity: 19.7%
- Utilities: 7.3%
- Industrials: 5.8%
- Real Estate: 3.4%
- Total: 100.0**
- % Cash in Fund: 6.0%



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	0.5%	2.2%	2.3%	2.9%	3.3%	Jul 2019
Morningstar Conservative Index †	0.3%	1.3%	-0.5%	0.5%	1.7%	
Balanced	1.0%	4.5%	4.2%	7.1%	6.6%	Jul 2019
Morningstar Balanced Index †	1.1%	4.7%	3.8%	6.2%	6.1%	
Growth	1.2%	5.8%	5.1%	9.3%	9.8%	Jul 2019
Morningstar Growth Index †	1.5%	6.2%	6.3%	9.4%	8.5%	

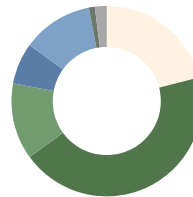
* Performance as of 31 July 2023. Trading started: July 2019.

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



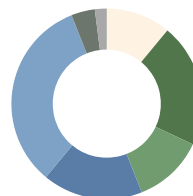
Asset Allocation

KIWISAVER CONSERVATIVE FUND



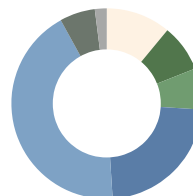
- Cash: 20.8%
- NZ Fixed Interest: 44.2%
- International Fixed Interest: 12.5%
- Australasian Equity: 6.9%
- International Equity: 12.3%
- Listed Property: 1.4%
- Other*: 2.0%
- Total: 100.0**

KIWISAVER BALANCED FUND



- Cash: 10.5%
- NZ Fixed Interest: 21.5%
- International Fixed Interest: 11.5%
- Australasian Equity: 17.5%
- International Equity: 33.0%
- Listed Property: 4.1%
- Other*: 2.1%
- Total: 100.0**

KIWISAVER GROWTH FUND



- Cash: 10.6%
- NZ Fixed Interest: 7.7%
- International Fixed Interest: 7.0%
- Australasian Equity: 23.6%
- International Equity: 43.4%
- Listed Property: 5.7%
- Other*: 2.0%
- Total: 100.0**

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

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Join the future of investment.

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