



Ethical investing update

At Pathfinder we work hard to advance ethical investing because we genuinely believe what we are doing is needed and makes a big difference. We don't do this for awards, but of course they are welcome recognition for the mahi and passion of our team and the investors who support us. It was with immense pride and gratitude that we were recognised by winning several categories in the recent [Mindful Money](#) awards:

- Best Ethical KiwiSaver Provider
- Best New Ethical Fund (for our Green Bond Fund)
- Best Media Reporting (for our regular articles on ethical investing published by Stuff Business)
- 'Highly Commended' in the Best Retail Ethical Investment Provider category

This recognition is for our team who constantly lead and innovate to do better. It's also recognition of the importance of ethical investing and for everyone wanting to generate both individual wealth and collective well-being.

We're very open about using ethical principles when weighing up the benefits and risks of a potential investment. The fact that an ethical approach to investing can lead to great returns is evidence that considering more than only money can indeed pay off. Be sure to check out our [Ethical Investment Policy](#) alongside our [performance numbers!](#)



John Berry
CEO & Resident Wayfinder

Market Commentary

Equity markets continued rallying through June, with the US market (S&P 500) adding +4.1% over the month as mega cap stocks pushed higher. The Nasdaq US Technology Index recorded a +31.7% gain in the first half of the year, its biggest increase over that period in 40 years. Conversely shares have consolidated in early July, but this didn't stop Apple surging to become a 3 trillion dollar business as it introduced the Apple Vision Pro, its augmented reality headset. Fun fact - if Apple's AirPods business was separated out of Apple to be a standalone entity, it is estimated that it would be the 12th largest business on the US market!

Closer to home, returns were more mixed as the New Zealand market (NZX 50 index) experienced a +0.9% move. Pathfinder Funds mostly kept pace with market moves in June, pleasing to see after our strong month of outperformance in May.

At the same time as equities have been rallying, bond markets continue to sell-off as off as interest rates trend higher.

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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	11%	9.9%	10.2%	-0.2%	-	-	5.1%	Sep 2020
Global Responsibility Fund	3.6%	15.0%	19.6%	3.9%	13.3%	9.7%	9.3%	Oct 2017
Global Water Fund	3.4%	11.5%	17.1%	1.0%	12.4%	9.2%	8.8%	Jun 2010
Ethical Trans-Tasman Fund	-0.4%	4.0%	6.5%	-3.5%	5.1%	-	8.3%	Sep 2019
Global Property Fund	3.7%	2.4%	-6.5%	-8.8%	2.0%	-1.9%	0.7%	Jul 2015
Green Bond Fund	-0.6%	-	-	-	-	-	-	Jan 2023
KiwiSaver Growth Fund	1.5%	10.1%	11.0%	1.4%	10.0%	-	9.7%	Jul 2019
KiwiSaver Balanced Fund	1.0%	8.0%	8.5%	1.5%	7.5%	-	6.5%	Jul 2019
KiwiSaver Conservative Fund	0.4%	3.7%	4.0%	1.0%	3.1%	-	3.3%	Jul 2019



Market Commentary

Despite this, we see bonds as attractive investments right now given income yields are much higher than they have been in many years, and we think interest rates are at close to peak.

Stronger than expected US economic data has been driving US Fed interest rates sharply higher. Underpinning Fed Chair Powell's hawkish rhetoric the market is pricing in more chances than not of two more Fed interest rate hikes this year. The flipside is that the US looks like it could avoid a recession - US 1st quarter GDP (economic growth) was revised higher to 2% year on year, in contrast to other economies facing a recession like NZ and the UK. The latest monthly US jobs report also showed weaker-than-expected growth but still strong wage growth (of 4.4% year on year), pointing to labour market conditions remaining tight.

In terms of other central bank decisions, the Bank of England surprised the market with a larger than expected 0.5% hike in its policy rate to 5.0%. This came in the context of much stronger than expected labour market and inflation data, raising the spectre of a vicious wage-price spiral in the UK. European Central Bank president Lagarde also presented a more hawkish stance declaring officials won't be able to confirm end of hike cycle any time soon, expressing less concerns about weaker growth. In contrast, the Reserve Bank of Australia continues to flip-flop, leaving rates unchanged at 4.1% as Aussie May inflation data was much weaker than the market expected.

At the time of writing, we are heading into US quarterly earnings season, an important period where investors can assess the profitability of listed companies. While the market consensus has been predicting earnings to drop significantly as the economy slows, this has not happened yet. Deutsche Bank are of the view that given growth drivers have been going sideways and the US dollar has been weak, there is scope for this earnings season to positively surprise the market once again as was the case when it came to the 1st quarter of 2023.

The team attended an upbeat [Lodestone](#) investor update. Lodestone is NZ's pioneering solar company and one of the unlisted holdings in our KiwiSaver Funds. Lodestone noted they have faced supply chain issues, and getting contractors has been particularly challenging when you are first company to do it. The flipside is that Lodestone has been able to recently buy sites from distressed developers. Management now feels ready for the next phase and expect to reach full electricity production from their first solar farm in October this year. Lodestone have an impressive opportunity pipeline and we are proud supporters of the company as they track towards their plan of being NZ's first grid scale solar power provider.

On a related note, the NZ carbon price has been in free-fall due to a lack of confidence in the future of the Emissions Trading Scheme (ETS). Driving the uncertainty in June was the second failed carbon unit auction and the NZ Government releasing a discussion paper with four options for the ETS. We believe the Government needs to reinstall confidence in the market as quickly as possible otherwise companies looking at decarbonisation projects will start to think twice, delaying emission reductions.



Investment Team



Paul Brownsey
Chief Investment Officer



Hamesh Sharma
Portfolio Manager



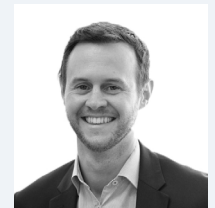
Kate Brownsey
ESG Analyst



Holly Armstrong
Investment Analyst



Mike Kenealy
Portfolio Manager



Will Little
Senior Analyst



Fund Performance at a glance: June 2023

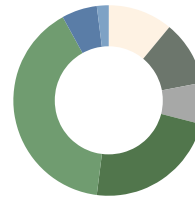
Ethical Growth Fund

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: 11.5%
 - NZ Fixed Interest: 10.6%
 - International Fixed Interest: 7.0%
 - Australasian Equities: 22.7%
 - International Equities: 40.2%
 - Listed Property: 5.8%
 - Other*: 2.2%
- 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	1.1%	3.6%	9.9%	10.2%	5.1%	Sep 2020
Benchmark Return†	1.9%	3.9%	9.1%	9.9%	6.1%	

* Performance as of 30 June 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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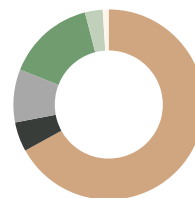
Global Responsibility Fund

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.

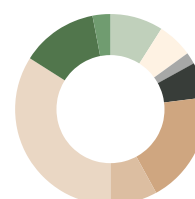
Equity Split



- North America: 68.1%
 - Australasia: 4.8%
 - Japan: 9.4%
 - Europe ex UK: 15.0%
 - United Kingdom: 2.4%
 - Asia ex Japan: 0.5%
- 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	3.6%	15.0%	19.6%	13.3%	9.3%	Oct 2017
Benchmark Return†	4.9%	16.2%	19.0%	12.8%	10.1%	



- Communication Services: 9.4%
 - Consumer Cyclical: 6.0%
 - Consumer Defensive: 1.5%
 - Healthcare: 5.3%
 - Industrials: 20.3%
 - Real Estate: 7.9%
 - Technology: 33.5%
 - Financial Services: 12.8%
 - Utilities: 3.3%
- Total: 100.0**

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

† Benchmark: Morningstar Developed Markets Index

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% Cash in Fund: 10.0%



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)

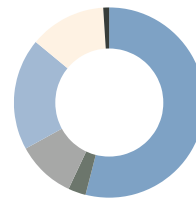
	1 month	6 months	1 year	3 years p.a.	10 years p.a.	Start Date
Fund Return	3.4%	11.5%	17.1%	12.4%	10.0%	Jun 2010
Benchmark Return†	4.4%	10.8%	18.1%	10.1%	9.7%	

* Performance as of 30 June 2023. Trading started: June 2010.

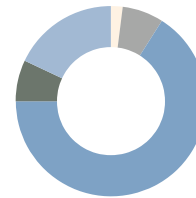
† Benchmark: NASDAQ OMX Global Water Index

[Explore More](#)

Equity Split



- North America: 57.5%
- Australasia: 2.8%
- Japan: 9.2%
- Europe ex UK: 18.1%
- United Kingdom: 11.5%
- Asia ex Japan: 0.0%
- Latin America: 0.9%
- Total: 100.0**



- Basic Materials: 1.6%
- Healthcare: 6.3%
- Industrials: 67.4%
- Technology: 8.1%
- Utilities: 16.5%
- Total: 100.0**

% Cash in Fund: 10.0%

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	-0.4%	4.0%	6.5%	5.1%	8.3%	Sep 2019
Benchmark Return†	1.5%	4.6%	11.8%	6.4%	4.3%	

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

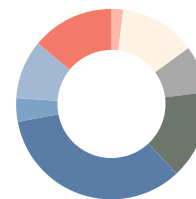
† Benchmark: 50/50 composite of NZX 50 and ASX 200 index.

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Equity Split



- New Zealand: 44.8%
- Australia: 55.3%
- Total: 100.0**



- Basic Materials: 2.3%
- Communication Services: 13.0%
- Consumer Defensive: 8.8%
- Financial Services: 15.0%
- Healthcare: 31.4%
- Industrials: 4.1%
- Information Technology: 10.1%
- Utilities: 15.3%
- Total: 100.0**

% Cash in Fund: 12.2%



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)

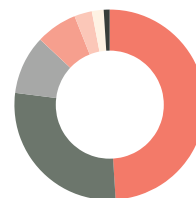
	1 month	6 months	1 year	3 years	Inception p.a.	Start Date
Fund Return	3.7%	2.4%	-6.5%	2.0%	0.7%	Jul 2015
Benchmark Return†	2.4%	1.9%	-4.1%	3.9%	2.0%	

* Performance as of 30 June 2023. Trading started: July 2015.

† Benchmark: FTSE EPRA/NAREIT Global Real Estate Index

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Equity Split



- North America: 48.4%
- Australasia: 29.9%
- Europe dev: 8.9%
- Japan: 7.3%
- United Kingdom: 2.6%
- Asia dev: 2.0%
- Asia emrg: 1.0%
- Total: 100.0**

% Cash in Fund: 3.6%

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)

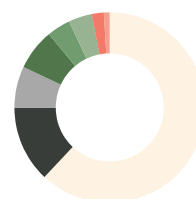
	1 month	3 months	1 year	3 years p.a.	Since Inception	Start Date
Fund Return	-0.6%	-0.5%	-	-	-0.6%	Jan 2023
Benchmark Return†	0.0%	0.1%	-0.3%	-3.1%	0.4%	

* Performance as of 30 June 2023. Trading started: Jan 2023.

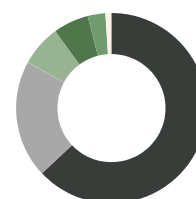
† Benchmark: Bloomberg Global Aggregate Index Hedged to NZD

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Fixed Income Split



- Europe dev: 62.0%
- North America: 13.3%
- Asia emrg: 7.4%
- Japan: 7.1%
- Asia dev: 3.9%
- United Kingdom: 4.4%
- Latin America: 1.4%
- Australasia: 0.5%
- Total: 100.0**



- Financials: 63.5%
- Government Activity: 19.8%
- Utilities: 7.2%
- Industrials: 5.8%
- Real Estate: 3.3%
- Consumer Cyclical: 0.5%
- Total: 100.0**

% Cash in Fund: 3.7%



KiwiSaver Plan

What is Pathfinder KiwiSaver?

The Pathfinder KiwiSaver Plan (Pathfinder KiwiSaver) is an ethical investment. This means, for example, 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	0.4%	3.7%	4.0%	3.1%	3.3%	Jul 2019
Morningstar Conservative Index †	-0.1%	3.2%	1.7%	0.8%	1.7%	
Balanced	1.0%	8.0%	8.5%	7.5%	6.5%	Jul 2019
Morningstar Balanced Index †	1.2%	7.2%	7.0%	6.6%	6.0%	
Growth	1.5%	10.1%	11.0%	10.0%	9.7%	Jul 2019
Morningstar Growth Index †	1.9%	9.1%	9.9%	9.7%	8.3%	

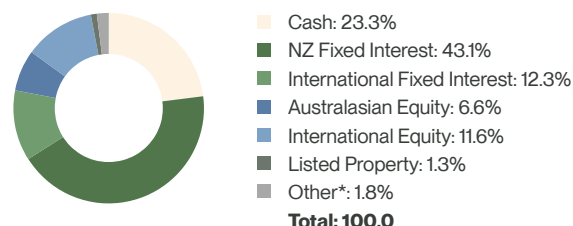
* Performance as of 30 June 2023. Trading started: July 2019.

† 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](#).

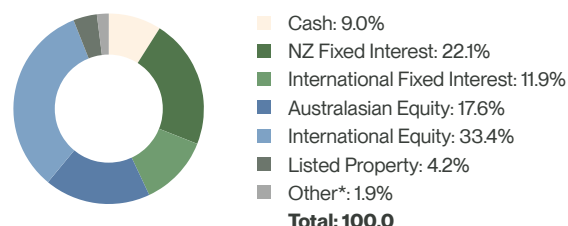


Asset Allocation

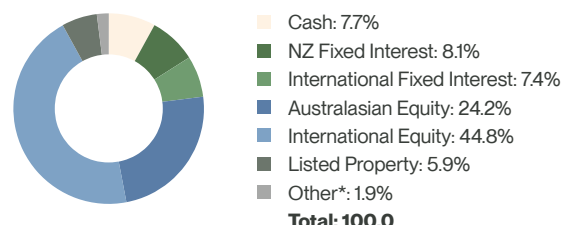
KIWISAVER CONSERVATIVE FUND



KIWISAVER BALANCED FUND



KIWISAVER GROWTH FUND



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

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Join the future of investment.

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

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

