

September
2020

MONTHLY REVIEW

Review of Fund Performance and Current Events

Certified



Corporation



US Politics are in focus as we head into the November election.

To 30 Sep 2020	1 Month	6 Month	1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)	Inception Date
Ethical Growth Fund	1.6 %	<i>(note this is a partial month return)</i>					1.6 %	16-Sep-20
Benchmark	-0.9 %	<i>(note this is a partial month return)</i>					-0.9 %	
Global Responsibility Fund	-0.6 %	15.6 %	8.2 %				7.3 %	2-Oct-17
Benchmark	-2.2 %	22.3 %	6.9 %				8.8 %	
Global Water Fund	1.0 %	13.1 %	-0.2 %	6.7 %	8.0 %	8.5 %	8.4 %	30-Jun-10
Benchmark	1.3 %	23.3 %	12.2 %	12.3 %	11.0 %	8.9 %	9.6 %	
Ethical Trans Tasman Fund	-0.3 %	32.2 %	25.9 %				25.9 %	30-Sep-19
Benchmark	-3.1 %	18.7 %	-3.0 %				-2.9 %	
Global Property Fund	-2.3 %	0.6 %	-24.2 %	-1.9 %	1.0 %		0.5 %	22-Jul-15
Benchmark	-2.5 %	9.9 %	-18.5 %	0.3 %	2.9 %		2.8 %	
Responsible Investment Fund	0.2 %	13.6 %	9.6 %	10.8 %			9.9 %	4-May-17
Benchmark	-1.1 %	15.7 %	3.9 %	10.2 %			9.8 %	
CareSaver Growth	-0.2 %	18.6 %	14.1 %				14.4 %	31-Jul-19
Benchmark	-1.8 %	18.6 %	6.7 %				7.7 %	
CareSaver Balanced	-0.2 %	10.3 %	8.4 %				7.8 %	31-Jul-19
Benchmark	-1.4 %	15.0 %	6.4 %				7.1 %	
CareSaver Conservative	0.1 %	3.1 %	5.8 %				5.3 %	31-Jul-19
Benchmark	-0.6 %	8.0 %	5.5 %				5.7 %	
World Equity Fund	-1.8 %	11.3 %	-1.1 %	5.4 %	5.8 %		8.0 %	14-Nov-11
Benchmark	-2.0 %	22.4 %	6.9 %	8.3 %	9.8 %		10.5 %	

All fund returns are after fees, and at 0% PIR

Disclaimer: Pathfinder is a fund manager and does not give financial advice. Before making any decision to invest you should (a) consult your financial adviser and (b) read the Product Disclosure Statement. This report is for information purposes only. Opinions constitute Pathfinder's judgment at the time of writing and are subject to change. All returns calculated after fees before tax using the unit price. Disclosure of interest: All of our staff invest in Pathfinder's funds on the same terms as you.

The Global Water Fund, Global Responsibility Fund and CareSaver Funds have been designated a Certified Responsible Investment by the RIAA (Responsible Investment Association Australasia). See www.responsibleinvestment.org for more details

*The Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that the Pathfinder Global Water and Global Responsibility Fund Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and the Pathfinder Global Water Fund's and the Pathfinder Global Responsibility Fund's methodology, performance and stock holdings can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA.

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

*Volatility is on a rolling 3 year basis, for funds with less than 3-years of history the calculation is from inception. All returns are shown after



MARKET UPDATE

"We acknowledge asset prices will rise, and house prices are the key one".

Yuong Ha, Chief Economist at the Reserve Bank of New Zealand when discussing monetary policy.

MARKET COMMENTARY

Before moving onto our usual market commentary, we thought we would make a few comments on the NZ election result over the weekend in terms of market implications.

The centre-left Labour government will be unencumbered by coalition partners to implement its policy platform. While policy has been light in detail, priorities will be NZ\$40bn infrastructure investment, funding for apprenticeships, trades and enterprise training, and a commitment to a 100% renewable energy platform - something we touched on in our prior monthly newsletter. We are supporters of Labour's 100% clean energy generation target by 2030. Overall, we see little stock market impact from this result which was largely expected.

With the local election behind us, all eyes look to be focused on the upcoming US Presidential election. Markets don't like uncertainty, and there were concerns that a closely contested election would mean that there could be months of uncertainty on the table.

Without speculating on the election, the market is now pricing in a large pre-election rally as a blue wave becomes increasingly likely and priced into markets. The market remains unperturbed by the lack of government fiscal support (although the financial headlines are conflicted around the potential for an imminent \$1.8 trillion stimulus package), seemingly taking the view that a clean sweep by the Democrats will see a large fiscal stimulus package early next year anyway, which will more than offset any concern that higher taxes might play on earnings.

At the same time, US corporate earnings season is being watched closely, and it has been a mixed bag from the bank profit results so far.

While we could once again see earnings upside surprises, the major difference is that current positioning is more neutral than it was 3 months ago when investors were very underweight equities. Hence, there is perhaps less market upside from earnings strength.

From a big picture point of view, there is plenty to worry about with a second wave of COVID-19 and impact of lockdowns (particularly in Europe), US election uncertainty, and extended valuations.

However, given continued central bank and government policy around the globe we are still comfortable "buying the dips" in stocks - particularly as an active manager we can selectively choose the stocks and sectors in which we see solid medium term prospects.

In both Australia and NZ, central banks - being the RBA and RBNZ have made very dovish and supportive comments in recent weeks. The RBA has indicated that it may implement further significant policy easing next month. At the same time, RBNZ officials continue to reiterate that it is better to do too much than too little, thus hinting that we can expect negative interest rates next year. With near zero interest rates and cheap money, asset prices are being inflated and the housing property market is booming by all anecdotes and data points.

While the market largely seems to be brushing off COVID-19 news-flow right now, vaccine headlines continue to ebb and flow. Pfizer has most recently said it could seek emergency-use authorization for its vaccine in the US by late November if the shot is shown to be effective.

Overall, we remain constructive on markets and close to fully invested across the funds, with up to 10% held in cash, depending on the fund.

UNIT PRICES 30 September

**Pathfinder Global
Responsibility Fund**
\$1.2198

Pathfinder Global Water Fund
\$2.2271

**Pathfinder Global Property
Fund**
\$1.0004

**Pathfinder Ethical
Trans-Tasman Fund**
\$1.2556

OUR PEOPLE

John Berry	Chief Executive Officer
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Lizzy Sun	Senior Compliance Officer
Kate Brownsey	ESG Analyst
Simon Leach	Business Development
Jeanette Kassa	Client Services
Amanda Morrall	Head of Client Engagement

THE FOCUS | Here's what we have learnt about investing in 2020

2020 has been extraordinary for investing. Share prices always fluctuate but the speed of change this year has been remarkable. We have seen three distinct stages so far. Read John's article by [CLICKING HERE](#).

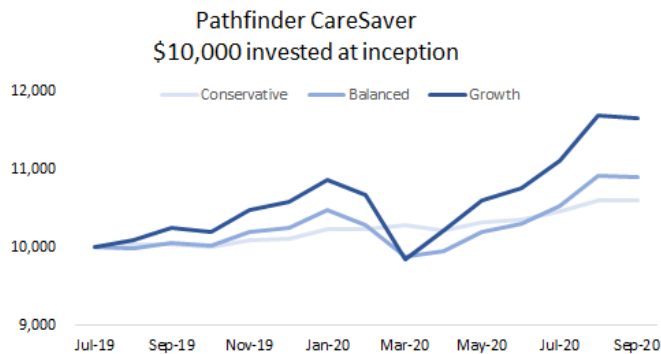


Phone : 0800 ETHICAL (384 422)

PORTFOLIO UPDATES

CARESAVER KIWISAVER

CareSaver was launched on July 31 2019, and we aspire for it to be New Zealand's most ethical KiwiSaver scheme. We believe a carefully constructed portfolio using ethical considerations will provide superior long term performance. Check out CareSaver at www.caresaver.co.nz



FUND COMMENTARY

Our CareSaver funds were more or less flat in September; **-0.2%**, **-0.2%**, and **+0.1%** for Growth, Balanced and Conservative respectively.

How is climate change impacting your investment?

Do you think climate change is real? You don't need to answer yes or no because as an investor, climate change is already impacting you. Governments and business leaders see climate change as a multi-decade issue and they have started preparing. This affects current and future investment returns. Read John's full article by [CLICKING HERE](#).

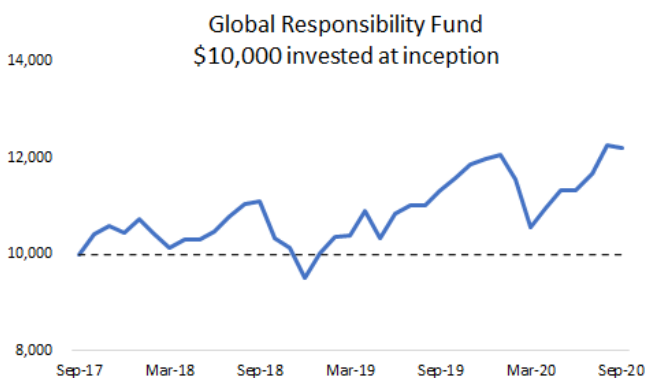
Conservative
1 year to Sep 30
+5.8%

Balanced
1 year to Sep 30
+8.4%

Growth
1 year to Sep 30
+14.1%

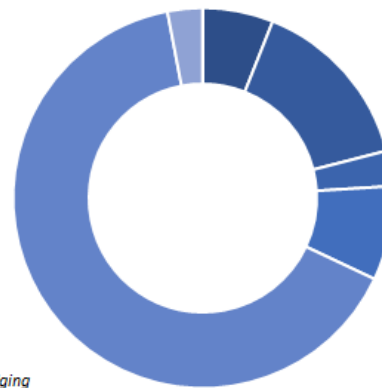
GLOBAL RESPONSIBILITY FUND

The socially responsible Global Responsibility Fund is designed to provide diversified equity exposure to developed markets. There are 4 tiers to the responsible investment process: (1) exclusion of corporate activities like tobacco and gambling (2) elimination of high controversy companies (3) investment focus on high environmental, social and governance ratings, and (4) we vote to encourage better ESG practices.



The Fund was a touch lower in September **-0.6%**, but still ahead of the market index. The US is the largest country exposure in the Fund and we are moving into quarterly earnings season. Although the bottom-up analyst consensus now sees S&P 500 earnings growth rising from **-32.6%** year on year (which was the worst since 2008-09) to **-18.6%**, the improvement is almost exclusively being driven by much lower loan loss provisions from banks and a recovering energy sector. Outside of this, earnings growth is only slated to improve from **-15%** to **-13%** so there could be scope for a stronger than expected earnings season.

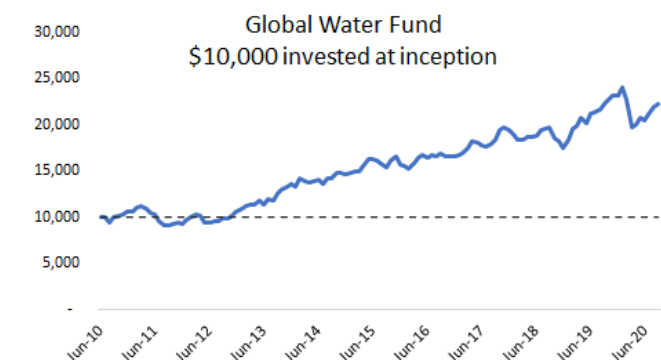
- Cash* | 6%
- Europe ex UK | 15%
- Asia Pacific ex Japan | 3%
- Japan | 8%
- North America | 65%
- UK | 3%
- Emerging Markets | 0%
- Futures/Options | 0%



*Cash includes foreign currency hedging

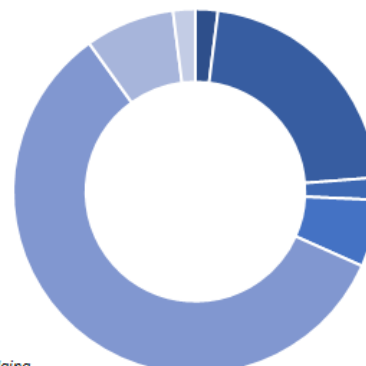
GLOBAL WATER FUND

The Global Water Fund is designed to provide socially responsible investment in the water industry. This includes listed water utility, industrial, tech and materials companies.



The Fund was higher in September **+1.0%** as water related shares outperformed. The New Zealand dollar fell against the US dollar over the month following the "risk off" move lower in markets. This was a welcome relief following months of NZ dollar strength and we remain approximately 50% hedged on offshore currency exposures across the funds.

- Cash* | 2%
- Europe ex UK | 22%
- Asia Pacific ex Japan | 2%
- Japan | 6%
- North America | 59%
- UK | 8%
- Emerging Markets | 2%
- Futures/Options | 0%

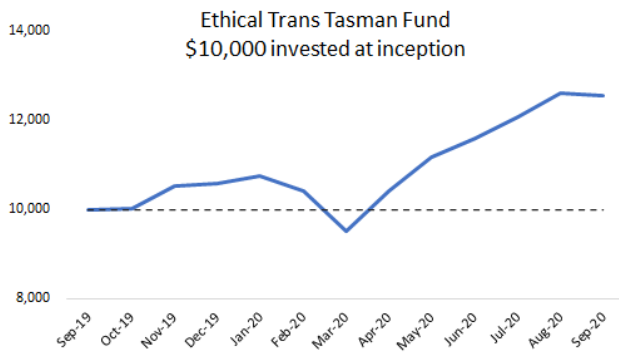


*Cash includes foreign currency hedging

PORTFOLIO UPDATES

ETHICAL TRANS-TASMAN FUND

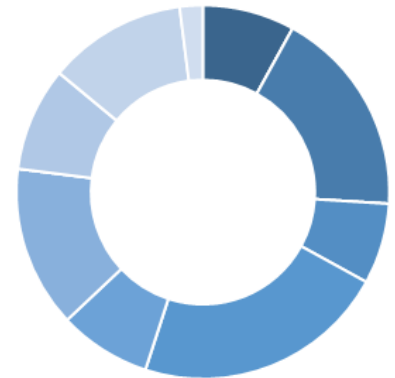
The Fund is a high conviction portfolio of up to 30 stocks, reflecting top stock ideas across Australia and New Zealand. A mix of top down (macro-economic) and bottom up (company specific) analysis to create a high conviction portfolio which we believe will provide superior medium term risk adjusted returns. We exclude companies that do unreasonable harm to our planet and the society that inhabits it. We exclude companies overly reliant on fossil fuels, gambling, tobacco, weapons and factory farming.



The Fund was down -0.3% in September, which was less than the broader market sell-off. The Fund has returned +25.9% over 12-months since inception and outperformed its benchmark by +28.8%

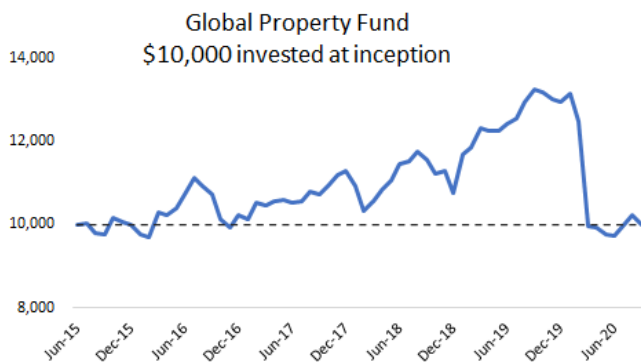
Gains over month were made by retirement village holdings Summerset and Oceania Healthcare (OCA) which were up 4% & 7% respectively. Both villages released encouraging trading updates recently, and valuations and sentiment are being supported by what is no doubt a hot property market. We are pleased with the move higher in OCA as the market appears to now share our view that OCA presented relative value in the sector and holds an attractive pipeline of developments.

- Communications | 8%
- Consumer Disc | 0%
- Consumer Staples | 18%
- Energy | 0%
- Financials | 7%
- Health Care | 22%
- Industrials | 8%
- Info Tech | 14%
- Materials | 0%
- Real Estate | 9%
- Utilities | 12%
- Cash | 2%



GLOBAL PROPERTY FUND

The Global Property Fund is designed to provide socially responsible investment in global listed property stocks. It has a significant allocation to NZ listed property, recognising the preference of NZ investors to overweight the local market.

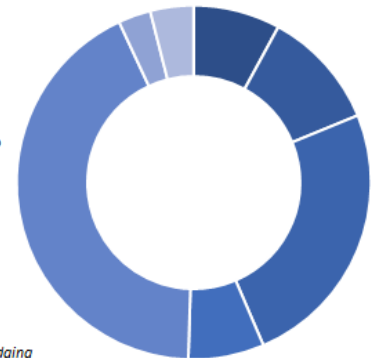


The Fund lost ground in August -2.3% but has bounced back in October.

Property is one of the sectors which has lagged through COVID-19 but could also benefit and rally on vaccine news-flow. Interestingly, housing and property markets in Australasia and more broadly in major markets such as the US remain remarkably strong, underpinned by surging investor demand in a low interest rate environment.

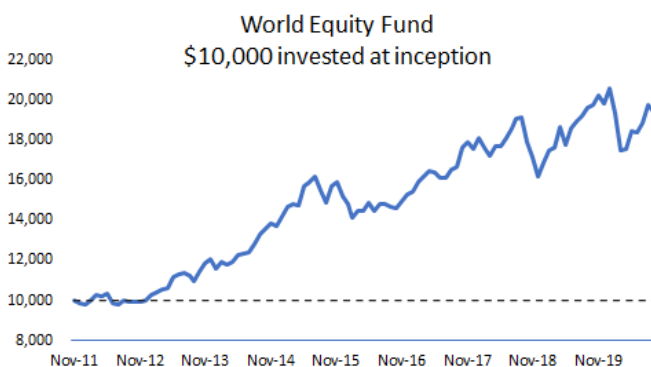
- Cash* | 8%
- Europe ex UK | 11%
- Asia Pacific ex Japan | 25%
- Japan | 7%
- North America | 43%
- UK | 3%
- Emerging Markets | 4%
- Futures/Options | 0%

*Cash includes foreign currency hedging



WORLD EQUITY FUND

The World Equity Fund is designed to provide diversified socially responsible exposure to global equities (across both developed and emerging markets). The fund invests in ETFs to access global equity sectors and regions.



The Fund was lower in September -1.8%, marginally ahead of the benchmark return. We remain positive on technology as our largest sector exposure, with tech stocks back near all-time highs after a mini sell-off in early September. A risk we are watching is regulation - with the US House Judiciary Committee releasing a report on its antitrust investigation into Alphabet, Amazon, Apple and Facebook, calling for tougher rules to encourage fair competition with these platforms.

- Cash* | 0%
- Europe ex UK | 16%
- Asia Pacific ex Japan | 0%
- Japan | 6%
- North America | 76%
- UK | 2%
- Emerging Markets | 0%
- Futures/Options | 0%

*Cash includes foreign currency hedging

