

August
2020

MONTHLY REVIEW

Review of Fund Performance and Current Events

Certified



Corporation



Meridian Windfarm - Labour is promising to bring forward its goal of 100% renewable electricity generation to 2030.

Fund Performance as at 31 August 2020	1 Month	6 Month	1 Year	3 Year p.a.	5 Year p.a.	10 Year p.a.	Since Inception	Inception Date	Volatility
Global Responsibility Fund	5.2%	6.4%	12.1%				7.8%	Oct 2017	12.4%
Morningstar Developed Markets Index NR (50% Hedged)	5.8%	10.1%	11.9%				9.8%		14.7%
Global Water Fund	3.0%	-2.7%	1.6%	7.2%	7.2%	9.1%	8.4%	Jun 2010	13.9%
NASDAQ OMX Global Water Index (50% Hedged)	2.6%	6.8%	12.5%	12.6%	9.7%	9.6%	9.5%		14.5%
Global Property Fund	2.4%	-17.7%	-20.6%	-1.3%			1.0%	Jul 2015	15.4%
FTSE/NAREIT Developed TR Index (75% Hedged)	2.2%	-11.8%	-14.2%	1.0%			2.7%		16.9%
Ethical Trans Tasman Fund	4.6%	21.2%					26.4%	Sep 2019	
NZX/ASX50	2.4%	1.3%					0.2%		
Responsible Investment Fund (Wholesale only)	5.1%	5.9%	13.0%	11.3%			10.1%	May 2017	11.7%
Morningstar Developed Markets NR Index (NZD)	5.0%	5.4%	7.9%	11.4%			10.2%		13.3%
CareSaver Growth Fund	5.3%	9.8%	16.0%				15.7%	Jul 2019	
Benchmark	4.6%	8.9%	10.6%				11.2%		
CareSaver Balanced Fund	3.8%	6.2%	9.3%				8.5%	Jul 2019	
Benchmark	3.4%	7.6%	9.2%				9.9%		
CareSaver Conservative Fund	1.4%	3.7%	5.7%				5.6%	Jul 2019	
Benchmark	1.1%	4.7%	6.1%				7.0%		

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

¹The 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 fees and at 0% PIR.

MARKET UPDATE

“Oh I think, I think in some cases, it’s possible before... We have great companies, great, these are the greatest companies in the world”.

Donald Trump on whether a covid-19 vaccine would be ready in the US before Nov. 3, Election Day.

MARKET COMMENTARY

Before moving onto market commentary, a couple of green energy headlines caught our eye in recent weeks.

In New Zealand, Labour is promising to bring forward its goal of 100% renewable electricity generation by 5 years to 2030 and support the development of pumped hydro schemes. Key will be the cost of making the goal achievable and we note that the market is already heading in a renewable direction under normal private investment signals.

Globally, Google has also said it aims to run on carbon-free energy by 2030

Alphabet’s Google aims to power its data centres and offices 24-7 using solely carbon-free electricity by 2030, building on its previous goal of matching its energy use with 100% renewable energy.

Given the large amount of power used, it is an ambitious target which would involve bridging the gap with batteries to store solar power overnight, emerging sources such as geothermal reservoirs and better management of power needs.

Renewable energy is a key investment theme across our funds and the above news highlights the consumer driven tailwinds behind the sector.

In terms of the broader global macro-economic picture, there has been a pullback in stock markets after 6-weeks of gains, led by a reversal in technology stocks. There have been several explanations for the sell-off, but we think this needs to put into context of what has been a tremendous run and seems to be more of a healthy retracement so far.

While August was a record month for equities, the rally since March has been very narrow and concentrated in a small number of stocks – for example, in New Zealand 60% of NZX50 index stocks are still negative year to date.

Closer to home, corporate reporting season across Australia and New Zealand was not as bad as expected, and we still see an environment ripe for stock-picking and active management.

Economic data has also tended to be stronger than feared, with, for example, the US ISM manufacturing survey at its highest level since 2018.

At the same time, markets remain supported by Government fiscal and monetary stimulus, and the US Federal Reserve has indicated support is here to stay, likely for years, by stating that they will allow periods where inflation overshoots target, in order to support employment and the economy.

Another aspect supporting markets in August is that economies are generally staying open around the world. Victoria and Auckland lockdowns are an exception rather than the norm.

In any case, we are heading into an important period for vaccine news flow expected in the 4th quarter. With massive amounts of resources invested towards finding a vaccine there seem to be about 7 in late stage trials. Markets will likely react positively and negatively as vaccine news is released. Most recently, Pfizer’s CEO said it is “likely” the US will deploy a Covid-19 vaccine to the public before year-end.

At the same time there are still plenty of short term risk events that could unsettle markets over the coming months, including the US election and associated political turmoil, the rising risk of a no-deal Brexit and a possible slowdown in US growth amidst the fiscal stimulus stalemate.

Despite shorter term risks we remain positive on equity markets medium term given policy, liquidity, and funds flow remains supportive of markets.

UNIT PRICES as at 31 August

**Pathfinder Global
Responsibility Fund**
\$1.2273

Pathfinder Global Water Fund
\$2.2044

**Pathfinder Global Property
Fund**
\$1.0245

**Pathfinder Ethical
Trans-Tasman Fund**
\$1.2612

OUR PEOPLE

John Berry	Chief Executive Officer
Paul Brownsey	Chief Investment Officer
Hamesh Sharma	Portfolio Manager
Bob McCutcheon	Strategy, Compliance
Lizzy Sun	Senior Compliance Officer
Kate Brownsey	Environmental Science Analyst
Simon Leach	Business Development
Jeanette Kassa	Client Services
Amanda Morrall	Head of Client Engagement

THE FOCUS | It’s crazy that people want to invest in negative interest rates

Investors want somewhere relatively safe that delivers good returns. Right now that’s hard. John Berry discusses a world with negative interest rates, read his Stuff article by [CLICKING HERE](#).

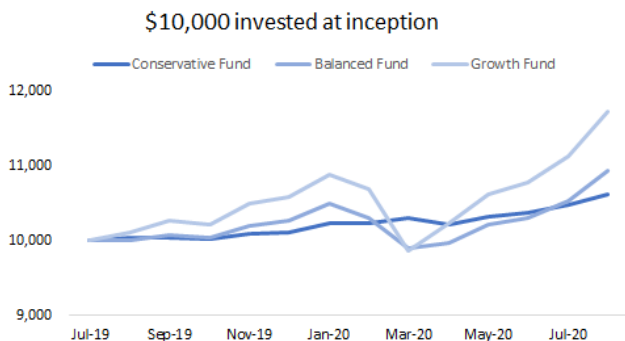


Phone : 0800 ETHICAL (384 422)

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 all higher in what was a very strong month of August; +5.3%, +3.8% , and +1.4% for Growth, Balanced and Conservative respectively.

People invest in KiwiSaver to maximise returns and provide for their golden years. Investing ethically shouldn't hinder that, and it doesn't.

John Berry argues why environmental, social and governance (ESG) investing makes good sense for investors and good sense for our planet. ESG investing stands on solid foundations, underpinned by two quite distinct drivers – 'value' (risk/return) and 'values' (ethics). [READ THE ARTICLE BY CLICKING HERE.](#)

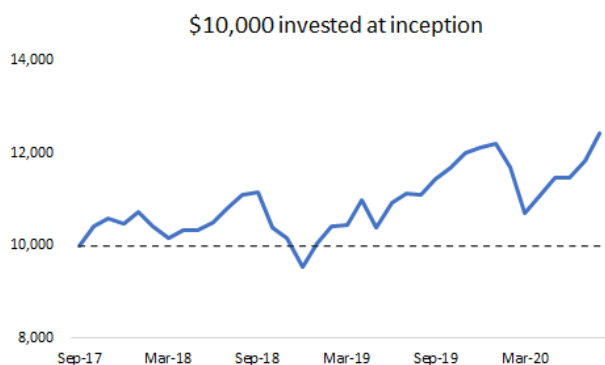
Conservative
1 year to Aug 31
+5.7%

Balanced
1 year to Aug 31
+9.3%

Growth
1 year to Aug 31
+16.0%

GLOBAL RESPONSIBILITY FUND

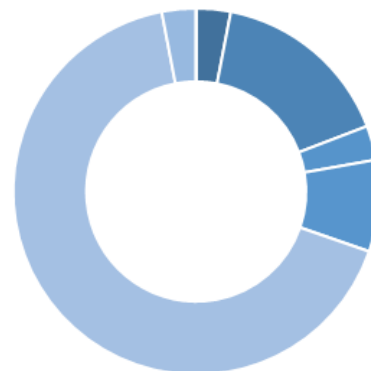
The socially responsible Global Responsibility Fund is designed to provide diversified equity exposure to developed markets. There are 4 tiers to the responsible investment process: (1) exclusion of corporate activities like tobacco and gambling (2) elimination of high controversy companies (3) investment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



The Fund rallied +5.2% in August, with consumer discretionary exposures leading gains for the month as investors became more positive around the state of the global economy and consumer spend. Automobile stocks rallied in double digits - Tesla, Daimler, and Toyota.

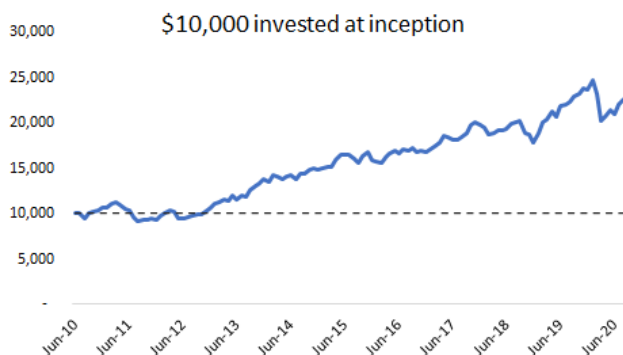
Sector tilts remain important, with almost 30% of the US S&P 500 index stocks still in a bear market (i.e down -20% or more) with a huge dispersion between winners such as technology & losers like energy stocks. We remain overweight technology stocks which performed well again in August, but do acknowledge this is becoming a crowded trade.

- Cash* | 3%
- Europe ex UK | 16%
- Asia Pacific ex Japan | 3%
- Japan | 8%
- North America | 66%
- UK | 3%
- Emerging Markets | 0%
- Futures/Options | 0%



GLOBAL WATER FUND

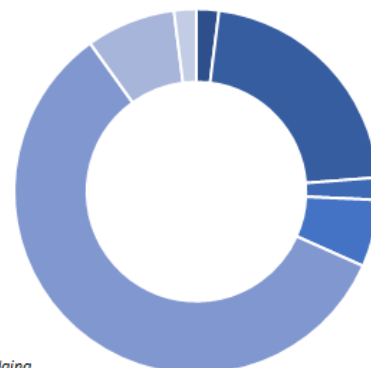
The Global Water Fund is designed to provide socially responsible investment in the water industry. This includes listed water utility, industrial, tech and materials companies.



The Fund gained +2.9% in August, as industrial stocks had a strong month. By region, our Japan exposures rallied significantly over August.

Our only Aussie stock, small-cap water filtration business De.mem was up over 30% in August and we see the stock as an exciting prospect.

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

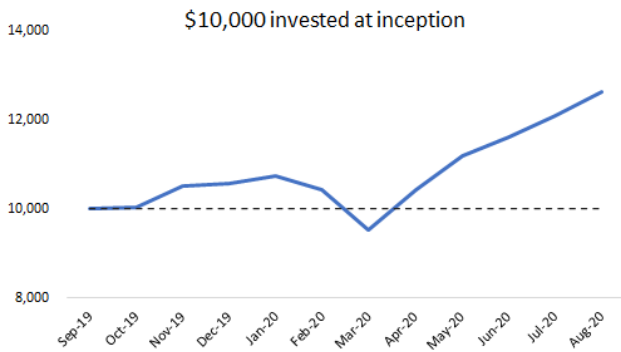


*Cash includes foreign currency hedging

PORTFOLIO UPDATES

ETHICAL TRANS-TASMAN FUND

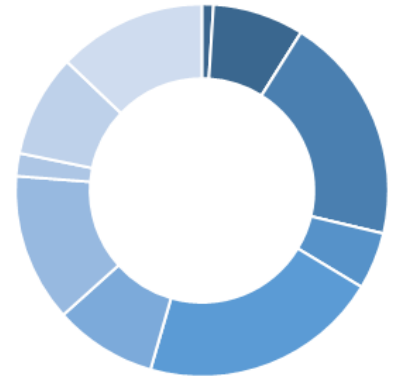
The Fund is a high conviction portfolio of up to 30 stocks, reflecting top stock ideas across Australia and New Zealand. A mix of top down (macro-economic) and bottom up (company specific) analysis to create a high conviction portfolio which we believe will provide superior medium term risk adjusted 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 gained +4.5% in August, once again ahead of the market benchmark index which was up +2.4%. The Fund has returned +26.4% over the 11 months since inception and outperformed its benchmark by +26.1%.

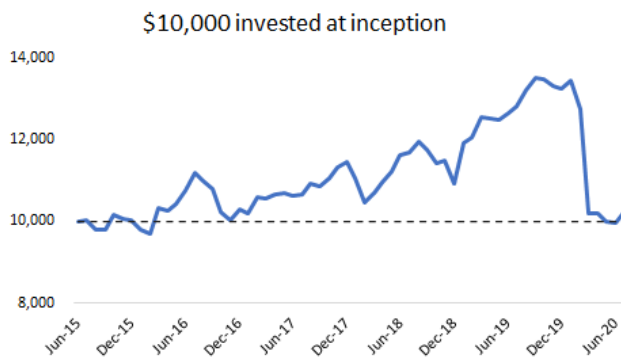
Key contributors to performance over the month included Cleanaway Waste Management (+23%), Sydney Airport (+12%) and Costa Group which jumped at month end (+15%). A2 Milk (-10%) was a large drag on the portfolio in August. We have been becoming incrementally more positive on Real Estate, and closed our under-weight towards the sector by buying Kiwi Property Group (KPG).

- Cash | 1%
- Communications | 8%
- Consumer Disc | 0%
- Consumer Staples | 20%
- Energy | 0%
- Financials | 5%
- Health Care | 21%
- Industrials | 9%
- Info Tech | 13%
- Materials | 2%
- Real Estate | 9%
- Utilities | 13%



GLOBAL PROPERTY FUND

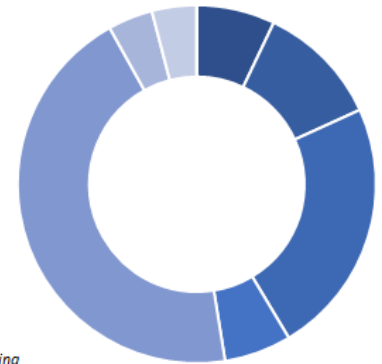
The Global Property Fund is designed to provide socially responsible investment in global listed property stocks. It has a significant allocation to NZ listed property, recognising the preference of NZ investors to overweight the local market.



The Fund was up +2.4% in August, and as touched on above we are becoming more confident around the risk/reward equation and outlook for property stocks. Over the month we continued to up-weight our Australasian exposure through attractively valued diverse property names such as Argosy in New Zealand and Mirvac in Australia, with Australasia just over 21% of the total holdings by region.

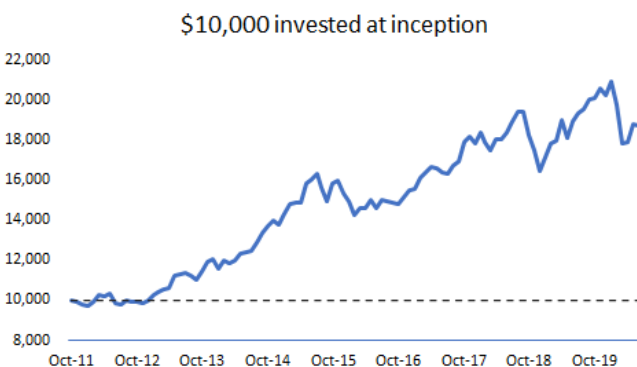
- Cash* | 7%
- Europe ex UK | 11%
- Asia Pacific ex Japan | 23%
- Japan | 6%
- North America | 44%
- UK | 4%
- Emerging Markets | 4%
- Futures/Options | 0%

*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 rallied +4.7% in August, tracking global markets higher. We remain underweight the UK from a macro-economic perspective as a final agreement on a trade deal between the UK and the EU is proving difficult, and the risk of a 'hard Brexit' – where the UK simply resorts to World Trade Organisation provisions in its trade relationship with the EU have increased

- Cash* | 11%
- Europe ex UK | 14%
- Asia Pacific ex Japan | 0%
- Japan | 5%
- North America | 67%
- UK | 2%
- Emerging Markets | 0%
- Futures/Options | 0%

*Cash includes foreign currency hedging

