



Pathfinder KiwiSaver Plan

Statement of Investment Policy and Objectives

Investing shapes the world we
live in, let's *shape a better one.*

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Asset Management Ltd

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The current SIPO is available on the schemes register at www.business.govt.nz/disclose

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Signatory of:





1. Introduction

Purpose

This statement of investment policy and objectives (**SIPO**) sets out the investment philosophy, objectives and strategies for the Pathfinder KiwiSaver Plan. This includes the following funds (each a **Fund**) managed by Pathfinder Asset Management Limited (**us, we, our, Pathfinder** or **Manager**):

- Pathfinder KiwiSaver Growth Fund
- Pathfinder KiwiSaver Balanced Fund
- Pathfinder KiwiSaver Conservative Fund

Background

The Scheme is a registered unit trust governed by a master trust deed dated 29 May 2019 and amended from time to time. Each Fund is established under a separate establishment deed. For each Fund these are referred to as the **trust documents**. Information on each Fund is available in the product disclosure statement and document containing other material information (the **offer documents**). The trust documents and the offer documents are available on the disclose register at www.business.govt.nz/disclose. The Scheme's name was changed from the CareSaver KiwiSaver Scheme to the Pathfinder KiwiSaver Plan in March 2021. The Fund names were also changed from CareSaver Growth Fund to Pathfinder KiwiSaver Growth Fund, CareSaver Balanced Fund to Pathfinder KiwiSaver Balanced Fund and CareSaver Conservative Fund to Pathfinder KiwiSaver Conservative Fund.

Our investment philosophy

Our investment philosophy is built on two foundations:

- Our ethical beliefs are core to our investment process; and
- Our investment process must be research based and robust (as well as ethical).

The Pathfinder KiwiSaver Plan is an ethical and research-based investment managed by Pathfinder.

Ethical investment beliefs:

Please refer to section 4 (Ethical Investing) and our Ethical Investment Policy for details on how we address values, and Environmental, Social and Governance considerations in the way we invest. You can find a copy of our Ethical Investment Policy on our website at www.pathfinder.kiwi or the [Disclose Register](#).

Investment beliefs:

Our key investment beliefs include:

- **'High level' decisions are critical:** Active asset allocation decisions by asset class, industry sector, investment theme and geography are a significant driver of investment returns.
- **Integrating ESG:** Integrating environmental, social and governance analysis into decision making provides a deeper assessment of corporate risk and value-creation potential.
- **Research is critical:** High quality research drives better investment decisions.
- **Invest for the long-term:** We believe a long-term investment approach produces better outcomes for our investors (and our planet) than a short-term approach.



2. Manager's responsibilities

Pathfinder's obligations as Manager of the Funds include:

- Investing assets in accordance with this SIPO, offer documents and trust documents;
- Reporting to investors and Public Trust (the Supervisor) on each Fund; and
- Monitoring compliance with this SIPO.

The Manager will maintain an Ethics and Investment committee (***the Ethics and Investment Committee***) to oversee the management of the Funds.

3. Investment objective and benchmark

Investment objective:

The objective of each Fund is set out in the table below:

| Fund | Investment Objective |
|--|--|
| Pathfinder KiwiSaver Growth Fund | Ethical investing to achieve medium to high returns with a higher risk exposure. |
| Pathfinder KiwiSaver Balanced Fund | Ethical investing to achieve medium returns with a medium risk exposure. |
| Pathfinder KiwiSaver Conservative Fund | Ethical investing to achieve modest returns with a lower risk exposure. |

Fund benchmark: A benchmark is an index (or composite of indexes) reflecting the market a fund is investing in and assists with measuring performance. Each Fund's performance will be measured against an appropriate benchmark selected by the Manager (which may be changed from time to time). The current Fund Benchmarks are set out in the table below:

| Fund | Current Benchmark |
|--|---|
| Pathfinder KiwiSaver Growth Fund | Morningstar® Target Allocation IndexTM: Growth Multisector for New Zealand ^{1,2} https://indexes.morningstar.com/indexes/details/morningstar-new-zealand-growth-target-allocation-FS0000GW9J |
| Pathfinder KiwiSaver Balanced Fund | Morningstar® Target Allocation IndexTM: Balanced Multisector for New Zealand ^{1,2} https://indexes.morningstar.com/indexes/details/morningstar-new-zealand-balanced-target-allocation-FS0000GW9H |
| Pathfinder KiwiSaver Conservative Fund | Morningstar® Target Allocation IndexTM: Conservative Multisector for New Zealand ^{1,2} https://indexes.morningstar.com/indexes/details/morningstar-new-zealand-conservative-target-allocation-FS0000GW9I |



Note 1: Funds in the Pathfinder KiwiSaver Plan are not sponsored, endorsed, sold or promoted by Morningstar Research Limited or any of its affiliates (all such entities, collectively "Morningstar Entities"). The Morningstar Entities make no representation or warranty, express or implied, to the owners of the Morningstar indexes or any member of the public regarding the advisability of investing in the relevant markets generally or in the above listed Morningstar Indexes to track general market performance.

Note 2: Benchmark for each Fund changed on 1 December 2021. The previous index for each Fund was a composite of:

For the **Conservative Fund**: 20% Bloomberg NZ Bank Bill Index, 60% Bloomberg Barclays Global Aggregate Total Return Index Unhedged (gross of interest and tax; 100% hedged to NZD) and 20% Morningstar Developed Markets Net Index (net of dividends and tax; 50% hedged to NZD).

For the **Balanced Fund**: 10% Bloomberg NZ Bank Bill Index, 30% Bloomberg Barclays Global Aggregate Total Return Index Unhedged (gross of interest and tax; 100% hedged to NZD) and 60% Morningstar Developed Markets Net Return Index (net of tax and dividends, and 50% hedged to NZD).

For the **Growth Fund**: 5% Bloomberg NZ Bank Bill Index, 15% Bloomberg Barclays Global Aggregate Total Return Index Unhedged (gross of interest and tax, 100% hedged to NZD) and 80% Morningstar Developed Markets Net Return Index (net of tax and dividends; 50% hedged to NZD).

Monitoring: Fund performance is reported monthly at www.pathfinder.kiwi and at regular Ethics and Investment Committee meetings. Each Fund is also reviewed at least annually by Pathfinder using the metrics below. The preferred data period is 3 years, although we may instead use a different period including data since inception of a Fund:

| Fund | Performance Monitoring |
|--|--|
| Pathfinder KiwiSaver Growth Fund | <ul style="list-style-type: none"> returns after fees and before tax vs the Fund Benchmark volatility vs the Fund Benchmark returns after fees and before tax vs the mean or median of a sample of KiwiSaver growth funds |
| Pathfinder KiwiSaver Balanced Fund | <ul style="list-style-type: none"> returns after fees and before tax vs the Fund Benchmark volatility vs the Fund Benchmark returns after fees and before tax vs the mean or median of a sample of KiwiSaver balanced funds |
| Pathfinder KiwiSaver Conservative Fund | <ul style="list-style-type: none"> returns after fees and before tax vs the Fund Benchmark volatility vs the Fund Benchmark returns after fees and before tax vs the mean or median of a sample of KiwiSaver conservative funds |

Our investment team check the following aspects, and regular checks are signed off by our Compliance team:

- Ethical investing
- Target asset allocation
- Permitted asset allocation
- Permitted currency hedging



4. Ethical investing

Ethical investing is the practice of using an ethical framework, based on principles, as a primary filter for how to select investments. We do this as part of our mission, which is to generate individual wealth and collective well-being by investing ethically.

Different terms are used to describe investing based on more than just financial factors. Our preference is the term 'ethical' which makes it clear that values are taken into account. We recognise that values are not absolute, and vary person to person and community to community. The term 'ethical' overlaps with other terms like 'responsible', 'sustainable' and 'socially responsible'.

Application: Our ethical investing framework applies to each of our KiwiSaver funds and to all investments* (whether equities, fixed income or private assets).

Avoiding harm: We want to avoid investing in industries or activities that create significant harm or that transgress our three filters of respecting people, planet and animals. These can be (1) based on regulatory settings such as New Zealand law or international conventions and/or (2) relate to industries or activities that we believe do more social or environmental harm than good. Our Ethical Investment Policy includes:

- **Exclusions detail:** Definitions of the activity, application, industry classification and revenue threshold applicable to each exclusion.
- **Exclusions register:** Detail of the register recording investments that breach any part of the Ethical Investment Policy and continue to be held.
- **Companies of concern:** Detail of the register recording material concerns raised for any company invested in, and reasons why it is determined the company does not breach the policy.

Positive screening: Positive screening is set out in our Ethical Investment Policy and has several levels:

- **ESG:** Because there's sound evidence that companies who address environmental, social and governance (**ESG**) issues perform better and are more resilient than companies who don't, we consider a company's ESG score as part of our investment process.
- **Positive investment themes:** We tilt our portfolio towards companies whose operations align with our themes and that meet our financial investment criteria. Our themes are – renewable energy, energy efficiency, water, community housing and individual positive investments.
- **Commitments:** We support the United Nations Sustainable Development Goals which act as a blueprint to help achieve a better and more sustainable future for all. We are a signatory to the UN Principles of Responsible Investment (**UNPRI**). Our commitments under the UNPRI are set out in the Ethical Investment Policy.

* excluding the Alvarium Sustainable Income Fund and its investments.



Good stewardship: Stewardship obligations are set out in our Ethical Investment Policy and include:

- **Climate change:** We support the transition to a low-carbon world as this will help to mitigate the effects of climate change (which we see as possibly the single greatest threat to the future of our society and ecosystems). We strive to select investments with lower-than-benchmark (iShares MSCI ACWI EFT) emissions to drive down the overall emission profile of our investing.
- **Active ownership:** This involves voting as a shareholder, engaging with companies and advocating to actively encourage ethical investment.
- **Oversight:** Our Ethics and Investment Committee and ESG Analyst monitor ongoing adherence to our policy.

Monitoring and divestment: To ensure our investments meet the criteria set out in the Ethical Investment Policy, our ESG Analyst monitors our companies for compliance with the policy at least quarterly. In the interim, they continually review data on reported ESG metrics, news alerts and qualitative research (such as industry surveys & interacting with the companies directly).

Transparency: Our Ethical Investment Policy sets out where our investment holdings will be disclosed and our annual reporting on sustainability metrics.





5. Asset allocation

Asset classes are the different investment groups we use for managing the Funds. These are currently:

| Asset Class | Examples of Investment Exposures |
|------------------------------|--|
| Cash and Cash Equivalents | Bank deposits including term deposits. |
| NZ Fixed Interest | Bonds issued in New Zealand (which includes 'green bonds'). 90% of the target allocation to New Zealand and International Fixed Interest will have a minimum credit rating or internally assessed credit rating of BBB-. |
| International Fixed Interest | Bonds issued outside of New Zealand (which includes international 'green bonds'). 90% of the target allocation to New Zealand and International Fixed Interest will have a minimum credit rating or internally assessed credit rating of BBB-. |
| Australasian Equities | Shares listed on a stock exchange in New Zealand or Australia (such as the NZX or ASX). Listed property shares are not included in this class. |
| International Equities | Shares listed on a stock exchange outside New Zealand and Australia. Listed property shares are not included in this class. |
| Listed Property | Property shares listed on a stock exchange. |
| Other Assets | These are investments that are unlikely to be stock exchange listed and includes securities for which there is no tradable market. These can include investments known as 'impact investments', 'venture capital', 'private loans' and 'private equity'. This category also includes unlisted property, such as direct ownership in property or ownership of property companies that are not listed on a stock exchange. |

The Ethics and Investment Committee may add to or change these asset classes. When we refer to 'shares' within any asset class we also mean preference shares and other equivalent products. Any of these exposures may be obtained by investing in another fund.



The **Target Asset Allocation** is our preferred long-term average expected investment allocation to each asset class and is set out below:

| Asset Class | Target Asset Allocation | | |
|------------------------------|-------------------------|---------------|-------------------|
| | Growth Fund | Balanced Fund | Conservative Fund |
| Cash & Cash Equivalents | 7.7% | 9.6% | 24.0% |
| New Zealand Fixed Interest | 8.8% | 15.0% | 23.6% |
| International Fixed Interest | 11.7% | 22.5% | 37.7% |
| Australasian Equities | 20.6% | 13.6% | 3.4% |
| International Equities | 41.5% | 31.0% | 6.3% |
| Listed Property | 4.7% | 3.3% | 0.0% |
| Other Assets | 5.0% | 5.0% | 5.0% |
| Total | 100.0% | 100.0% | 100.0% |
| Growth assets | 71.8% | 52.9% | 14.7% |
| Income assets | 28.2% | 47.1% | 85.3% |

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. The value of growth assets will likely fluctuate more than income assets over the medium to long term.

Tactical asset allocation: We may vary the actual asset allocation away from the target asset allocation, to take advantage of short to medium term market conditions. Tactical asset allocation will be overseen by the Ethics and Investment Committee.



Permitted Ranges are the limits each Fund operates inside (any move outside this range is expected to be remedied within 5 business days of the Manager becoming aware):

| Asset Class | Permitted Range | | |
|------------------------------|-----------------|---------------|-------------------|
| | Growth Fund | Balanced Fund | Conservative Fund |
| Cash & Cash Equivalents | 0% - 100% | 0% - 100% | 0% - 100% |
| New Zealand Fixed Interest | 0% - 70% | 0% - 70% | 0% - 80% |
| International Fixed Interest | 0% - 70% | 0% - 70% | 0% - 80% |
| Australasian Equities | 0% - 90% | 0% - 70% | 0% - 25% |
| International Equities | 0% - 90% | 0% - 70% | 0% - 25% |
| Listed Property | 0% - 20% | 0% - 20% | 0% - 20% |
| Other Assets | 0% - 12% | 0% - 12% | 0% - 12% |

Changes: The Manager may change the Target Asset Allocation, and Permitted Range at any time.

Rebalancing: Actual asset class allocations will frequently differ from the Target Asset Allocation but are to remain inside the Permitted Ranges. The Manager may at any time rebalance a Fund's holding(s) closer to the Target Asset Allocation but is not required to do so.



6. Currency hedging

The use of currency hedging is to reduce or alter the potential impact on a Fund from changes in the value of the New Zealand dollar. Below are benchmark hedging positions and permitted ranges for hedging in each Fund:

| Fund | Benchmark Hedge Position | Permitted Range |
|---|---|-----------------|
| Pathfinder KiwiSaver Funds (Growth, Balanced, Conservative) | 100% of non-NZD Fixed Interest exposure 0% of other non-NZD exposure | -10% to +110% |

Hedging: The benchmark hedge position reflects a “neutral view” or “base position”. For each Fund the Manager may at any time deviate from the benchmark hedge position (and may deviate significantly).

Permitted range: These are the limits each Fund operates inside (any move outside this range is expected to be remedied within 5 business days of the date the Manager becomes aware of the breach of the limit). The permitted range is very wide to accommodate the fact that the Manager seeks to add value through the level of currency hedging. The range also allows for temporary over-hedging scenarios which may occur due to short term currency and equity price moves.

Currency proxies: While a Fund may have exposure to several foreign currencies, it is not necessary to hedge all currencies. It may be convenient for the USD to be used as a proxy for some or all other currencies.

7. Liquidity

The majority of a Fund’s investments are expected to be highly liquid under normal market conditions. This means a significant cash reserve is unlikely to be required. It is possible a Fund could have ‘Other Assets’ that cannot be sold quickly or easily. Each of these assets is only expected to be a relatively small percentage of the investments of any Fund.

8. Derivatives

Derivative contracts may be used by a Fund to manage market risk exposure to equities, foreign currencies, interest rates and to other market investment risks. Derivatives can be futures, options or other instruments in any currency, whether listed on an exchange or ‘over-the-counter’ which means entered into directly with another party.



9. Borrowing

None of the Funds will borrow money to buy investments. There are very limited circumstances where borrowing may be used as a liquidity tool, for example (a) to pay Fund expenses or (b) where the Fund has cash deposits higher than the amount being borrowed. A Fund may from time to time use an overdraft, rather than borrowing, for temporary liquidity.

10. Valuation Policy

For listed securities, daily closing prices from domestic and international markets are used for valuation purposes.

The Funds may hold private assets such as unlisted shares and private credit. These assets are unlisted and so will not be valued at a traded stock exchange price. Instead these will be valued at least quarterly by us dependent on market conditions. You can find more information from our Private Asset Valuation a copy of which is available on the [Disclose Register](#)

11. Supervision and Custody

Supervisor: The Supervisor of the Scheme is Public Trust (PT). PT is responsible for the supervision of the Scheme and the performance of Pathfinder's duties as manager of the Scheme. PT is independent of Pathfinder and is regulated by the Financial Markets Authority.

Custody: All assets of a Fund must be held by the Supervisor or an independent third party sub-custodian appointed by the Supervisor (which may not include the Manager). No Fund assets are to be held in the name of the Manager.

12. Review

SIPO review frequency: This SIPO is to be reviewed by the Manager at least once each calendar year. It may be reviewed and changed at any time without prior notice to investors. .

SIPO approval: The review process (and on-going changes) will include review and approval by the Ethics and Investment Committee or the Pathfinder board and in consultation with the Supervisor in respect of any changes. Prior notice of material changes to the SIPO will be given to investors and will be noted in our annual report. Revisions to the SIPO will come into effect on the effective date shown on the front cover.

Other policies: Pathfinder has internal policies that are applicable to the management of the Funds. These include our Ethical Investment Policy, Trade Allocation Policy and Compliance Manual. Each of these policies will be reviewed at least once every two years, or more frequently if required by changes in market conditions, laws or other circumstances. Each review will be signed off by Pathfinder's Chief Executive and may also be reviewed by the Board and/or Board Committees.