Pathfinder

Monthly Newsletter – March 2021

Review of Fund Performance and Current Events

Certified B Corporation

Market Commentary

It was a strong end to the financial year for markets which are currently digesting higher bond yields and how corporate earnings will now likely be relied upon to drive the next leg of market growth.

12-month return figures need to be taken with a grain of salt as we are cycling of March COVID lows, although we have been on a very bullish run with the S&P 500 index trading at all-time highs at the time of writing.

We remain cautiously optimistic. Several indicators suggest that we are in frothy territory - such as measures of retail euphoria and the rise of high-risk investments such as cryptocurrency and SPAC's (special purpose acquisition companies).

That being said, financial conditions remain easy with interest rates at record lows and economic growth looks set to surge as the global economy emerges from COVID. Equity investors are loving the combination of reopening economies courtesy of vaccine distribution, pent up consumer demand, lower-for-longer central bank policy rates and loose 'war time' sized fiscal policy. This has seen record-breaking inflows into equity funds globally over the March quarter, reversing all the outflows that occurred over the last 1 to 2 years.

However, looking ahead growth may not be evenly spread. Globally, we are starting to see a significant divergence in near term growth prospects between regions such as the US and Europe. This can be related back to the relative control of COVID and effectiveness of vaccines, with the US & UK leading the way in terms of major global regions. Australasia is also clearly well ahead of the COVID curve, and the recent Trans-Tasman bubble will help the battered tourism sectors. The views above are influencing our regional allocations globally, particularly with the US being our largest country allocation, and our overweight stance towards Australasian markets. We are actively looking at new investment opportunities in the UK.

The last week has been choppy for equities, with negative news-flow centred around the Biden administration further fleshing out the possibility of corporate tax hikes for next year.

The tax plans have real legs, with Treasury Secretary Yellen even calling for a global accord on minimum corporate tax rates. Biden has proposed capital gains tax hikes to 39.6% for those earning over $1m. However, the larger market impact will likely come from plans to raise the corporate tax up from 21% to 28% - undoing half of Trump's corporate tax cuts which reduced rate down from 35% to 21%. We have been surprised at how well the market has digested take hike news in the US so far, which could be setting up to create a significant drag on corporate earnings from 2022.

We are currently part way through US corporate earnings season. Given valuations are full, and interest rates have bottomed out, we think any further gains for stocks will need to be driven the old-fashioned way - by company earnings growth.

The earnings season so far has been solid – with the Banks recovering particularly well. However, some technology darlings such as Tesla have slipped on their announcements. Netflix shares slumped after the streaming giant reported subscriber growth which missed market expectations, suggesting things are starting to tail off for all the 'stay at home' stocks. We are seeing similar trends in Australia, with Kogan disappointing as online retail competition becomes increasingly competitive.

The big question for technology stocks this earnings season will be whether they can meet the high bar expected by investors. This makes quarterly reports from US technology heavy weights such as Microsoft, Alphabet, Apple and Facebook as important as ever and so far they have been a mixed bag.

Overall, there seems to be an element of "is this as good as it gets" mindset around markets, as we approach the point of maximum improvement from the conditions of a year ago, both in market and economic fundamental terms.
The possibility of a reality check in the 3rd or 4th quarter of the year as things settle down is very real, but for now we remain close to fully invested.

Fund Performance (after fees, before tax)

To 31 March 2021	1 Month	6 Months	1 Year	3 Years Annualised	5 Years Annualised	10 Years Annualised	Since Inception Annualised	Start Date
Ethical Growth Fund	2.7%	9.1%						Sep-20
Global Responsibility Fund	3.6%	16.3%	34.5%	12.3%			**11.0%**	Oct-17
Global Water Fund	4.6%	16.6%	31.8%	12.3%	10.5%	9.0%	**9.6%**	Jun-10
Ethical Trans-Tasman Fund	2.0%	11.2%	46.9%				**25.2%**	Sep-19
Global Property Fund	5.5%	14.4%	15.1%	3.1%	2.6%		**2.9%**	Jul-15
Responsible Investment Fund	4.9%	15.0%	30.6%	15.3%			**12.5%**	May-17
KiwiSaver Growth	3.2%	13.6%	34.7%				**18.6%**	Jul-19
KiwiSaver Balanced	2.0%	9.7%	21.0%				**11.4%**	Jul-19
KiwiSaver Conservative	0.7%	3.3%	6.5%				**5.7%**	Jul-19

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KiwiSaver Funds (formerly CareSaver)

All 3 of our KiwiSaver Funds were in positive territory over March and ended the financial year with stellar returns.

One of our guiding principles is to be a purpose-based organisation, and our KiwiSaver supports 17 Kiwi charity partners. Charities in New Zealand are under increasing pressure and we want to support their great work with long-term, sustainable and passive income. 20% of the management fee our KiwiSaver members pay, goes to their chosen charity partner, and we are very proud that for the most recent March 2021 financial year we donated 6 figures to our Charity partners!

Performance	1 month	6 months	1 year	3 years	Inception p.a.
Growth	3.2%	13.6%	34.7%	--	18.6%
Balanced	2.0%	9.7%	21.0%	--	11.4%
Conservative	0.7%	3.3%	6.5%	--	5.7%

Global Responsibility Fund

The fund is underweight emerging markets by design, and these economies are unfortunately feeling the impact of new waves of COVID. Japan was our strongest region by performance over the month. In terms of sectors, the "rotation to value" continued with our financials and industrial exposures leading gains, while technology and communications holdings lagged.

CLICK HERE for the latest Factsheet

Performance	1 month	6 months	1 year	3 years	Inception p.a.
Fund Return	3.6%	16.3%	34.5%	12.3%	11.0%
Benchmark Return	5.1%	17.4%	43.5%	13.2%	14.8%

Global Water Fund

The Global Water Fund had strong month, returning 4.6% in March. The Industrial sector continues to benefit from fiscal packages announced globally - The White House announced a headline spend of US$2.2 trillion, 20% of this allocated to bridges, highways, roads, airports, ports, and repairing power grids & water systems. Given the nature of the Fund and its overweight to industrials, the long-term outlook remains favourable.

CLICK HERE for latest Factsheet.

Performance	1 month	6 months	1 year	3 years	Inception p.a.
Fund Return	4.6%	16.6%	31.8%	12.3%	9.6%
Benchmark Return	6.9%	11.2%	37.1%	14.7%	10.7%

Ethical Trans-Tasman Fund

The fund was up 2.0% in March. A major recent change to the portfolio has been the addition of Contact Energy and removal Argosy Property Fund, as we are lowering our real estate exposure given the backdrop of rising interest rates. The gentailer sector has been distorted in recent months by large investment flows from the IShares Clean Energy Index. Now that the index re-weight has occurred, Contact is our top sector pick as we see it trading on undemanding valuation multiples, paying a healthy dividend yield, and likely heading into an earnings upgrade cycle on supportive wholesale electricity prices.

CLICK HERE for the latest Factsheet.

Performance	1 month	6 months	1 year	3 years	Inception p.a.
Fund Return	2.0%	11.2%	46.9%	--	25.2%
Benchmark Return	2.8%	12.0%	33.0%	--	8.7%

Global Property Fund

The fund had a strong March, up +5.5% and ahead of market benchmark. Our Japanese positions led returns, while from a sector point of view diversified and residential real estate holdings rallied the hardest. One of the biggest drags on the fund for the month was Aussie datacentre business Next DC, although we remain confident in the medium-term outlook for datacentres and see weakness as a chance to "buy the dip".

CLICK HERE for latest Factsheet.

Performance	1 month	6 months	1 year	3 years	Inception p.a.
Fund Return	5.5%	14.4%	15.1%	3.1%	2.9%
Benchmark Return	4.0%	18.8%	30.5%	6.4%	6.3%

Ethical Growth Fund

The fund was up +2.7% in March, in line with benchmark. Regionally, our European and UK holdings performed the best in March, and we are looking to add to our UK exposure. From a stock specific viewpoint, 2 of our New Zealand stock holdings had a very strong March – Pushpay and NZ Windfarms which both jumped +21%.

CLICK HERE for latest Factsheet

Performance	1 month	6 months	1 year	3 years	Inception
Fund Return	2.7%	9.1%	--	--	11.0%
Benchmark Return	2.8%	10.5%	--	--	--