

Pathfinder

KiwiSaver Plan

Statement of Investment Policy and Objectives

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Contents

Introduction	3
Investment Philosophy	3
Manager Responsibilities	4
Investment Objectives	4
Fund Benchmarks	5
Fund Monitoring	5
Asset Allocation	6
Currency Hedging	7
Liquidity	8
Custody	8
Derivatives	8
Borrowing	8
Review	8



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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.

2. 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).

Ethical investment beliefs:

We believe investing ethically can include:

- 1) *UN Sustainable Development Goals:* We aspire for our investment decisions to contribute to the UN Sustainable Development Goals.
- 2) *Investing ethically:* We expect companies with high environmental, social and governance (**ESG**) metrics to perform better than low scoring companies. We also believe high ESG companies are better for our planet and its people. For these reasons, we will actively seek out high ESG companies to invest in. We will also exclude companies engaged in industries or activities we believe to be harmful. This includes companies focused on gambling, tobacco, cluster munitions, fossil fuels, factory farming and several other categories (please see www.path.co.nz and our Ethical Investment Policy for more information on exclusions).
- 3) *Climate change awareness:* We believe companies with a lower carbon intensity will make better long-term investments. We believe they will benefit our planet and its people in a warming world.
- 4) *Aware, Fair, Care:* We avoid investing in companies whose business practices are inconsistent with the dignity of individuals (for example, how they treat staff, customers and suppliers). We respect the welfare of animals.
- 5) *Engagement and shareholder voting:* We believe we should vote as a shareholder to encourage positive change.

For more detail see our Ethical Investment Policy which can be viewed at www.path.co.nz.

Investment beliefs:

Our key investment beliefs include:

1. *'High level' decisions are critical:* Active allocation decisions by asset class, industry sector, investment theme and geography are a significant driver of investment returns.
2. *Integrating ESG:* Integrating environmental, social and governance (**ESG**) analysis into decision making provides a deeper assessment of corporate risk and value-creation potential.
3. *Research is critical:* High quality research drives better investment decisions.
4. *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.

3. Manager responsibilities

The obligations of Pathfinder 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
- monitoring compliance with this SIPO

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

4. Investment objective

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

Pathfinder KiwiSaver Plan	Description	Investment objective
Growth Fund	An ethical portfolio with a higher exposure to growth assets and a lower exposure to income assets. This Fund's value is likely to fluctuate more than the Balanced Fund or Conservative Fund.	Ethical investing to achieve medium to high returns with a higher risk exposure.
Balanced Fund	An ethical portfolio with a balance between growth assets and income assets. This Fund's value is likely to fluctuate more than the Conservative Fund but less than the Growth Fund.	Ethical investing to achieve medium returns with a medium risk exposure.
Conservative Fund	An ethical portfolio with a higher exposure to income assets and a lower exposure to growth assets. This Fund's value is unlikely to fluctuate as much as the Balanced Fund or Growth Fund.	Ethical investing to achieve modest returns with a lower risk exposure.

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.

5. Fund benchmarks

A benchmark is an index (or composite of indexes) reflects the market a fund is investing in. Each Fund's performance will be measured against a benchmark selected by the Manager (which may be changed from time to time).

The current Fund Benchmarks are:

PATHFINDER KIWISAVER PLAN	Current benchmark (composite indexes)
GROWTH FUND	5% Bloomberg NZBank Bill Index 15% Bloomberg Barclays Global Aggregate Total Return Index 80% Morningstar Developed Markets Net Return Index (50% hedged to NZD)
BALANCED FUND	10% Bloomberg NZBank Bill Index 30% Bloomberg Barclays Global Aggregate Total Return Index 60% Morningstar Developed Markets Net Return Index (50% hedged to NZD)
CONSERVATIVE FUND	20% Bloomberg NZBank Bill Index 60% Bloomberg Barclays Global Aggregate Total Return Index 20% Morningstar Developed Markets Net Return Index (50% hedged to NZD)

6. Fund monitoring

Fund performance is reported monthly at www.path.co.nz. 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 the Fund:

PATHFINDER KIWISAVER PLAN	PERFORMANCE MONITORING
GROWTH FUND	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
BALANCED FUND	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
CONSERVATIVE FUND	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

Pathfinder monitors compliance with our SIPO. Our investment team checks the following aspects on daily basis, and a weekly check is signed by our Senior Compliance Officer:

- target asset allocator
- permitted asset allocation
- permitted currency hedging

7. 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.
New Zealand Fixed Interest	Bonds issued in New Zealand (which includes 'green bonds'). Loans made in New Zealand.
International Fixed Interest	Bonds issued outside of New Zealand which includes international 'green bonds'. Loans made outside New Zealand.
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 direct investments that are unlikely to be stock exchange listed. These can include investments known as 'impact investments', 'venture capital', 'private equity' and also carbon credits. 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 Pathfinder Investment Committee may add or change these asset classes. When we refer to 'shares' within any asset class we also mean preference shares and other financial products. Any of these exposures may be obtained by investing in another fund, although our preference is to hold assets directly.

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	5%	10%	20%
New Zealand Fixed Interest	5%	10%	30%
International Fixed Interest	10%	20%	30%
Australasian Equities	20%	15%	5%
International Equities	50%	35%	10%
Listed Property	5%	5%	2%
Other Assets	5%	5%	3%
Total	100%	100%	100%

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 Pathfinder Investment Committee.

Permitted Ranges are 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% - 70%	0% - 70%	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% - 20%	0% - 20%	0% - 20%

Changes: The Manager may change the Target Allocation at any time.

Rebalancing: Actual asset class allocations will frequently differ from the Target 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 Allocation but is not required to do so.

8. 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:

Pathfinder KiwiSaver Plan	Benchmark hedge position	Permitted Range
Growth Fund	50% of non-NZD equity exposure	-10% to +110%
Balanced Fund		-10% to +110%
Conservative Fund	100% of non-NZD Fixed Interest exposure	

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 may seek 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 prices 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.

9. 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. A Fund can have 'Other Assets' that cannot be sold quickly or easily. These types of assets are expected to only ever be a relatively small percentage of the investments of a Fund.

10. 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.

12. Borrowing

None of the Funds will borrow money to buy investments. There are limited circumstances permitted under the trust documents which allow borrowing 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.

13. 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 private debt. We expect the Funds to have such holdings. If these assets are unlisted they will not be valued at a traded stock exchange price. Instead, these will be valued quarterly by us. You can find more information from our [Private Asset Valuation Policy](#).

14. 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 the 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.

15. 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 Pathfinder Investment Committee or the Pathfinder board and consultation with the Supervisor. 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 each calendar year, 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.