

# Pathfinder

Invest Ethically

## Pathfinder Managed Investment Scheme

### Other Material Information

**Dated:** December 2022  
**Issued by:** Pathfinder Asset Management Limited

This document contains additional information about the Pathfinder Managed Investment Scheme (Scheme) to help you make your investment decision. Accordingly, it should be read alongside the Product Disclosure Statement (PDS), the Statement of Investment Policy and Objectives (SIPO), the Ethical Investment Policy and the other documents uploaded on the Scheme's offer register on the Disclose website (<https://disclose-register.companiesoffice.govt.nz/>).

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# 1. General information

**Purpose of this document:** This Other Material Information document (**Document**) contains material information for the Pathfinder Managed Investment Scheme (**Scheme**) that is not contained in the Product Disclosure Statement (**PDS**). It should be read together with the PDS, the SIPO, the Ethical Investment Policy and the other documents uploaded on the Schemes offer register on the Disclose website ([www.business.govt.nz/disclose/](http://www.business.govt.nz/disclose/)). This Document relates to the offer of units in each of the following funds (Funds):

Fund	Establishment Date
Pathfinder Global Water Fund	20 April 2010
Pathfinder Global Property Fund	30 June 2015
Pathfinder Global Responsibility Fund	24 August 2017
Pathfinder Ethical Trans-Tasman Fund	18 September 2019
Pathfinder Ethical Growth Fund	17 August 2020
Pathfinder Green Bond Fund	25 August 2022

**Viewing the PDS:** The PDS and other information about the Scheme and each Fund can be found on the Disclose website ([www.business.govt.nz/disclose/](http://www.business.govt.nz/disclose/)).

**Some terms we use:** In this Document where the words “*us*”, “*we*”, “*our*” or “*Pathfinder*” are used they refer to Pathfinder Asset Management Limited (the manager of the Scheme). Where the words “*you*”, “*your*” or “*investor*” are used they refer to you as an investor in a Fund. Capitalised terms in this Document have the meaning given to them in the PDS.

**Investing through a custodial service:** The PDS and this Document are prepared for investors who invest directly in Fund units. It is also possible to invest indirectly in a Fund through a custodial service. You may be directed to do this by your financial adviser. A custodial service (also known as a “wrap platform”) aggregates holdings of units for investors. If you invest through a custodial service then it is the custodial service (and not you) that we recognise as the investor. The custodial service may specify its own minimum investment amount.

**SIPO:** We manage the Funds under the Statement of Investment Policy and Objectives (**SIPO**).

**No performance guarantees:** Neither Pathfinder (as Manager) or Public Trust (as Supervisor) guarantees performance of the Funds or any return from an investment in the Funds.

## 2. Who is involved?

Pathfinder is a boutique fund manager based in Auckland established in 2009. Pathfinder is licensed under the Financial Markets Conduct Act 2013 as a manager of this Scheme and the Pathfinder KiwiSaver Plan. Information about our board of directors can be found on our website at [www.pathfinder.kiwi](http://www.pathfinder.kiwi) and on [www.companies-register.companiesoffice.govt.nz/](http://www.companies-register.companiesoffice.govt.nz/).

Pathfinder’s Investment Committee has five members. The details of each member are below (they are not current directors of Pathfinder):

### Kent Fraser

Role at Pathfinder	Independent member and Chairman of the Investment Committee (since 2015)
Experience	Kent has over 20 years’ experience in financial and corporate services, risk management and capital markets. His finance sector experience includes roles at HSBC Bank (in Shanghai, Seoul and Auckland) as Treasurer, Head of Risk and Head of Interest Rate and Credit Trading. He has also been Assistant Treasurer at Fonterra (2003-2004), Acting Treasurer at Transpower (2011), provided consulting services for PwC (2008-2013) and corporate finance, risk management and governance consulting (2014-2017). He was also Treasurer of Heartland Bank (2017-2019).
Current appointments	Kent is currently Project Manager - Treasury & Securitisation, ANZ/UDC.
Qualifications	Kent has a BPA from Auckland University.
Disclosures, including conflicts of interest	None

## Paul Brownsey, Auckland

Role at Pathfinder	Chief Investment Officer, Member of the Investment Committee
Experience	Paul has over 20 years' experience in financial markets with extensive structuring, financial modelling and product expertise. Prior to Pathfinder he worked for the Reserve Bank of New Zealand, Salomon Brothers/Citibank (in Singapore, London and Sydney) and with Deutsche Bank (in Auckland). Paul's experience includes trading, selling and structuring various instruments including Government Bonds, Futures, Corporate Securities, Index Swaps, Asset Backed Securities and Structured Products. He was a member of Deutsche Bank's NZ Management Committee from 2003 to 2008, before co-founding Pathfinder in 2009.
Current appointments	None
Qualifications	Paul has a BSc from Canterbury University majoring in Operations Research.
Disclosures, including conflicts of interest	Disclosures for Paul: co-founded Pathfinder and continues to be a significant shareholder. Paul invests in Pathfinder's funds.

## John Berry, Auckland

Role at Pathfinder	Chief Executive Officer, Member of the Investment Committee
Experience	John is committed to making ethical investment accessible to all New Zealand investors. Prior to co-founding Pathfinder John was a lawyer before working in capital markets. He has worked in Auckland, London and Sydney.
Current appointments	Trustee of the Men's Health Trust New Zealand
Qualifications	John has a BCom/LLB(Hons) from Auckland University
Disclosures, including conflicts of interest	Disclosures for John: co-founded Pathfinder and continues to be a significant shareholder. John invests in Pathfinder's funds.

## Nish Vyas, Auckland

Role at Pathfinder	Member of the Investment Committee
Experience	Nish has over 16 years of experience as a financial adviser and dealing with high net worth clients in New Zealand. He worked for BNZ and Westpac Private Banking advising high net-worth clients and their families in managing their wealth management. Nish is a Financial Adviser and Certified Financial Planner.
Current appointments	Nish is a financial adviser for Alvarium Wealth (NZ) and Pathfinder. Nish works as Private Wealth Director at Alvarium Wealth (NZ) Ltd.
Qualifications	Nish holds a post-graduate qualification in Financial Planning from University of Waikato
Disclosures, including conflicts of interest	None

## James Caughey, Auckland

Role at Pathfinder	Member of the Investment Committee
Experience	James has over 10 years' investment management experience. He is responsible for strategic asset allocation, manager research and fund construction.
Current appointments:	James is Investment Strategist at Alvarium Wealth (NZ) Ltd. He is also a member of the Global Macro Research Committee at Alvarium Investments.
Qualifications	James graduated from the University of Auckland with a BCom Finance and BA Classics and Ancient History (1st class honours)
Disclosures, including conflicts of interest	None

### 3. Market indices

We use market indices for the purposes of reporting Fund returns in our fund updates. As at the date of this OMI, market indices are also used to calculate the risk indicator for the Ethical Growth Fund, the Green Bond Fund and the Ethical Trans-Tasman Fund.

The market indices used in relation to the Funds are widely recognised in financial markets and are administered independently from us. You can find more information about the market indices from our website: <https://pathfinder.kiwi/> and our SIPO.

Fund	Market index	For more information on the market index
Global Water Fund	NASDAQ OMX Global Water Index	<a href="http://www.indexes.nasdaqomx.com/">www.indexes.nasdaqomx.com/</a>
Global Property Fund	FTSE EPRA Nareit Global Real Estate Index	<a href="http://www.ftserussell.com/products/indices/epra-nareit">www.ftserussell.com/products/indices/epra-nareit</a>
Global Responsibility Fund	Morningstar Developed Markets Index	<a href="http://www.indexes.morningstar.com/our-indexes/equity/F00000T5WY">www.indexes.morningstar.com/our-indexes/equity/F00000T5WY</a>
Ethical Trans-Tasman Fund	A 50/50 composite of the NZX50 index/ ASX200 index	<a href="http://www.nzx.com/markets/indices">www.nzx.com/markets/indices</a> <a href="http://www.asx.com.au/asx/statistics/indexInfo.do">www.asx.com.au/asx/statistics/indexInfo.do</a>
Ethical Growth Fund	Morningstar Target Allocation Index: Growth Multisector for New Zealand	<a href="https://indexes.morningstar.com/our-indexes/multi-asset/F0000174LJ">https://indexes.morningstar.com/our-indexes/multi-asset/F0000174LJ</a>
Green Bond Fund	Bloomberg Global Aggregate Index	<a href="http://www.bloomberg.com/quote/LEGATRUU:IND">www.bloomberg.com/quote/LEGATRUU:IND</a> Bloomberg identifier: IT00035NZ

### 4. Material contracts, policies and documents

Below are material documents in relation to the Scheme and the Funds:

Document	Parties	Purpose
Trust Deed	Pathfinder, Public Trust	Governs the establishment and operation of the Scheme.
Establishment Deeds	Pathfinder, Public Trust	Each Fund under the Scheme is constituted under a separate establishment deed.
SIPO	n.a	This defines the investment objective and strategy for each Fund, including restrictions on investments.
Investment Management Agreement	Pathfinder; Affirmative Investment Management Partners Limited ("Affirmative")	Appoints Affirmative as investment manager to manage assets held by the Green Bond Fund.
Service Agreement	Pathfinder, MMC Limited	Appoints MMC Limited as administration manager to perform services for the Scheme such as registry, fund accounting, fund valuations, reconciliations and unit pricing.

We are able to make changes to documents in relation to the Scheme and each Fund. We set out below some of the important areas where we can make changes. This is not an exclusive list, but is intended to point out some key terms that can be changed:

<b>Change</b>	<b>Notice we will give you</b>	<b>Restrictions on changes</b>
<b>Fees:</b> introduce new fees or increase existing fees, remove fees.	Two months	There are maximum limits on some fees.
<b>Amounts:</b> minimum investment, minimum withdrawal, minimum balance, buy/ sell spreads	Notice not required	We can change these at any time.
<b>SIPO terms:</b> such as investment objectives, asset allocation, permitted investments and Fund benchmark	Notice not required	Consultation required with the Supervisor. Prior notice of material changes will be given to you and noted in our annual report.
<b>Trust deed and Establishment Deeds:</b> changes to terms	Notice may not be required (although some changes require a special resolution of investors)	Consultation required with the Supervisor. Changes will be noted in our annual report.

Pathfinder also has a number of internal policy documents that govern its operations. The key policies are as follows:

<b>Policy</b>	<b>Purpose</b>
Ethical Investment Policy	This describes how our ethical values are embedded in the way we invest.
Compliance Manual	This provides our framework for identifying, monitoring, managing and reporting on risks. Areas covered include: <ul style="list-style-type: none"> <li>- Pathfinder governance</li> <li>- Internal controls</li> <li>- Conflicts of interest</li> <li>- Related party transactions</li> <li>- Insurance</li> <li>- Business continuity</li> <li>- Scheme administration (unit registry, valuation, pricing)</li> <li>- Error reporting and compensation</li> </ul>
Insider Trading Policy	This sets out when a Pathfinder Director or employee must seek pre-clearance for an investment they intend to make personally.
Private Asset Valuation Policy	This explains how we will value assets that are not listed on a stock exchange.
Trade Allocation Policy	This determines how any purchase or sale of securities is fairly allocated across multiple funds or portfolios.

Please contact Pathfinder (email: [info@pathfinder.kiwi](mailto:info@pathfinder.kiwi)) if you would like more information about the material contracts, policies and other documents.

## 5. What are the risks of investing?

All investments involve some level of risk. This may mean (1) you do not get all your money back and/or (2) you do not get your money back at the time you want it. Before making investment decisions, you should consult a financial adviser. The following section supplements section 4 of the PDS “What are the risks?” which sets out the material risks to your investment in the Scheme. In addition, the following risks may affect the value of your investment in the Scheme

You should only invest in a Fund if you understand and are willing to undertake the risks involved. Carefully consider each of the risks set out in the PDS and below. The following, and the risks set out in the PDS, is not a complete list of risks that may impact your investment in the Scheme; it does cover those that are more likely to arise.

### Risks for all Funds

- **Loss of key personnel:** Pathfinder is a boutique fund manager. There is a risk that the loss of key Pathfinder personnel could adversely affect its performance (and therefore the Funds’ performance).
- **Operating risk:** There is a risk of technological or other operational failure impacting on the Funds. There is also the risk that our internal processes or systems are not adequate or that they fail.
- **Outsourcing risk:** MMC Limited (MMC) has been appointed as administration manager for the Funds, which includes providing registry and fund accounting services. We have made this appointment to access the specialist skills of MMC. However, this does mean we are reliant on MMC continuing to perform its functions (it could impact the Funds if it fails to do so).
- **Investment manager risk:** We make decisions that impact on how each Fund is allocated between the relevant investment sectors. We also make decisions that impact on allocations between individual investments. The effectiveness of our investment process and decisions made will affect each Fund’s returns.
- **Hedging market risk:** Strategies may be used to hedge market risk (such as the use of cash holdings or derivatives). The risks include that the protection may not be in place when markets fall and by holding higher levels of cash a Fund may not fully participate if the market rises.
- **Regulatory risk:** This relates to changes in legislation or regulation (or interpretation or application of these) in New Zealand or a country where the Funds invest. Any such change could have an adverse effect on the Funds, your investment and/or your after-tax returns.
- **Variation of returns:** Investing on a socially responsible basis may mean returns or volatility are different to market returns and volatility. For example, our Funds do not invest in coal or oil companies.
- **Suspension or deferral of redemptions:** In normal circumstances an investment in a Fund can be redeemed. However, it is possible that redemptions may be deferred or suspended. This could happen, for example, if a Fund was unable to sell the underlying assets it holds or, if as a result of unusual events, markets were not open for trading. Should this occur, it would mean you may not be able to redeem your units when you want to.

## 6. Conflict of interest

This section sets out information about any conflicts of interests that could reasonably be expected to materially influence the investment decisions in our role as manager of the Scheme.

Conflicts of interest occur when our interests, as managers of the Scheme, may be inconsistent or very different to the interests of the investors in the Scheme. It is important that conflicts are identified and managed whether the conflicts are real or perceived.

Conflicts of interest will arise from time to time. Examples of circumstances in which conflicts may arise include:

- Investments are made into funds or financial products of a related party (for example in financial products managed or arranged by Pathfinder, Alvarium or associated companies). For managing of this conflict, see below in relation to related party transactions.
- Investments that are bought, sold or held by Pathfinder’s KiwiSaver Plan may also be bought, sold or held by a Fund in the Scheme. This conflict is managed by Pathfinder’s Trade Allocation Policy.
- Pathfinder and Alvarium (our parent company) staff may want to buy, sell or hold a security personally that is also held or considered by a Fund. This conflict is managed by Pathfinder’s Insider Trading Policy.
- Investments are made into companies where a director is also a person associated with the shareholders of Pathfinder. For managing of this conflict see below in relation to related party transactions.

## Duty to Investors:

Our focus for managing conflicts of interest is our duty to act in the best interests of our investors. Our Compliance Manual recognises that to achieve this our focus is on creating processes, controls and a culture where:

- client interests are at the heart of the business
- staff understand (and care about) good outcomes for investors
- investors are treated equally and fairly and any conflicts of interest are disclosed to them

## Related party transactions

We manage this conflict by ensuring that all transactions giving rise to a related party benefit comply with requirements of the Financial Markets Conduct Act 2013 and Pathfinder's Compliance Manual. This procedure requires us to certify that the transaction, or series of transactions, is permitted by the Financial Market Conduct Act 2013 or to obtain the Supervisor's consent to the transaction or transactions. We must also notify the Supervisor of the transaction or transactions. These related party transactions include:

- The Global Responsibility Fund invests solely in the wholesale Responsible Investment Fund managed by us.
- The Pathfinder Ethical Trans-Tasman Fund may invest solely in the Wholesale Ethical Trans-Tasman Fund, a wholesale fund managed by us.
- The Pathfinder Ethical Growth Fund may invest in the Alvarium Private Credit Fund (PCF), the Wholesale Ethical Trans-Tasman Fund, the Pathfinder Responsible Investment Fund and the Green Bond Fund. The PCF is a wholesale fund managed by Alvarium Wealth (NZ) Limited (Alvarium Wealth) which invests in senior loans organised or arranged by Alvarium Wealth's affiliates. Alvarium Wealth and its affiliates are related to Pathfinder through common directors and common shareholdings. The loans in which the PCF invests may also be to borrowers who are related to Alvarium Wealth or Pathfinder. However, the Ethical Growth Fund's investments in the PCF are on the same or better terms as the PCF's other unrelated party investors, and Alvarium Wealth rebates a portion of its management fees to the Ethical Growth Fund. Further, all of the loans made by PCF are on arm's length terms.

## 7. Taxation

**Background:** Your returns from a Fund will be affected by taxation. The following is a general overview of the taxation treatment that applies. It is based on current NZ tax legislation (which may change). The impact of taxation will vary depending upon your individual circumstances. Pathfinder (as manager) and Public Trust (as supervisor) do not take any responsibility for your taxation liabilities. You are encouraged to seek professional financial and tax advice on the implications for you from investing in a Fund.

**Terms used:** In this section the terms "PIE" and "PIR" are used extensively. These are defined below:

Term	Meaning
PIE	Each Fund is a unit trust investment vehicle that has a special designation for tax purposes called a "portfolio investment entity" (or "PIE"). This term is defined in the Income Tax Act 2007.
PIE tax	PIE tax is tax on income allocated to you as an investor in a PIE fund. This will be determined by reference to the PIR you nominate and is generally paid by the Fund (and not by you).
PIR or Prescribed Investor Rate	This is the tax rate an investor in a PIE may (or must) elect under the Income Tax Act 2007. Your nominated PIR is used by a PIE to calculate the tax liability on income allocated to you.

**PIE status:** The taxation rules applying to each Fund assume the Fund is a PIE. Should a Fund cease to be a PIE, the taxation rules applying to it may change.

**Allocation of income:** Each Fund allocates all taxable income (or losses) between investors based on the number of units held by them. We calculate tax payable on income allocated to you at your nominated PIR. See "Tax-paying investors", "Notified Foreign Investors" and "Zero-rated investors" sections below.

**Notification of tax number and PIR:** You must provide us with your NZ IRD number (or foreign tax number, if non-resident) when you join a Fund. If you do not provide this information within the time period allowed, we are not able to accept your investment. You must also provide your PIR on joining (and when these details change). If you do not notify a PIR, then income allocated to you by the Fund will be taxed at the 28% default rate.



**Explanation of PIRs:** The PIR rules are as follows:

- **10.5% and 17.5%:** NZ resident individual investors have the following PIRs dependent on their taxable and net PIE income (i.e. PIE income less PIE losses) in one of the two previous income years:

<b>Taxable income</b>	<b>Taxable + Net PIE income</b>	<b>Prescribed Investor Rate</b>
\$0 – \$14,000	\$0 – \$48,000	10.5%
\$0 – \$48,000	\$0 – \$70,000	17.5%

The 17.5% rate can also be elected by a NZ resident trust (that is not a charitable trust), while the 10.5% rate is available to non-charitable New Zealand testamentary trusts only.

- **28%:** This rate applies for all other NZ individual investors, all non-resident investors (other than NFIs), and NZ resident trusts which have elected to be taxed at this rate.
- **0%:** (“zero-rated”): This rate applies to NZ resident companies, registered charities, PIEs, and NZ resident trusts (including superannuation funds) that have not elected a 10.5%, 17.5% or 28% rate. It also applies to nominees and wrap providers that are proxies for PIE investors (as defined in the Income Tax Act 2007).

**Notified Foreign Investors (NFIs):** The Global Water Fund is registered as Foreign Investment Zero-Rate PIEs and the Global Responsibility Fund, Green Bond Fund, Ethical Trans-Tasman Fund and Ethical Growth Fund are registered as a Foreign Investment Variable-Rate PIE (collectively referred to as “Foreign Investment PIEs”). Special PIR rules apply for certain non-resident investors in Foreign Investment PIEs. A non-resident investor in a Foreign Investment PIE can elect to be treated as a NFI if they provide (in addition to their normal investor details): (a) their date of birth (individuals only); (b) the address in their country of tax residence (and country code); and (c) their foreign tax number (and NZ IRD number, if available) or a statutory declaration that they are not able to provide their foreign tax number. A NFI in a Foreign Investment Zero-Rate PIE has a 0% PIR automatically applied to all allocated income. A NFI in a Foreign Investment Variable-Rate PIE has a 0% PIR automatically applied to allocated income from non-NZ investments (while different PIRs will be automatically applied depending on the type of NZ investment). Non-resident investors that are not NFIs will have a 28% PIR applied.

## Tax-paying investors

**Background:** Investors with a nominated PIR greater than 0% are referred to as “tax-paying investors”. Tax will be deducted by cancelling units (or deducted from distributions, if any) equal to the value of the tax liability on PIE income allocated to them. A Fund’s tax liability on PIE income allocated to its tax-paying investors will be deducted at the earliest of the following times:

- at the end of the income year (following 31 March); or
- upon any full or partial withdrawal or transfer.

**Tax refunds:** A refund of tax will be provided to a Fund to compensate for any PIE tax losses or excess NZ tax credits relating to tax-paying investors. This is then allocated to such investors by issuing additional units in the Fund.

**Final tax:** If you nominate your correct PIR then the tax paid by a Fund on income allocated to you as a tax-paying investor will be a final tax. This means there is no obligation for you to file a tax return in respect of an investment in the Fund.

**Advising the correct PIR:** Tax-paying investors must advise us if their PIR (or tax residence or NFI status) changes and nominate their new correct tax rate (if applicable). Failure to advise, or providing a lower rate than that applicable, will mean you are personally liable to pay any tax shortfall as part of the income tax year-end process. We cannot change your nominated PIR in respect of PIE tax that has already been calculated and deducted by a Fund. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

**Cancellation of units:** If you are a tax-paying investor and the value of your units is not regarded as likely to be sufficient to fund the PIE tax liability on income allocated to you, the units will be redeemed to fund that liability.

**PIE tax on transfers:** If you transfer your units prior to 1 April in any year you will bear the cost of PIE tax on income allocated to those units. This will be calculated from the beginning of the income year to the date of transfer by you.

## Zero-rated investors

**Background:** Investors with a PIR of 0% are referred to as “zero-rated investors”. If this applies you must return the allocated PIE income/(loss) and tax credits (if any) and pay tax yourself (except if you are a NFI in a Foreign Investment PIE). You may have a tax liability in respect of the PIE income allocated to you, regardless of whether the Fund makes any distributions to you.

**Tax credits and losses:** Because a Fund does not pay tax on the income allocated to zero-rated investors it will not cancel your units or otherwise adjust your holdings for PIE tax. As a zero-rated investor you will be entitled to claim your share of tax credits or PIE tax losses directly. You may also claim as a credit any PIE tax paid by the Fund on income allocated to you, including at the 28% default rate. This does not apply to a NFI in a Foreign Investment PIE.

## New residents and transitional residents

Special rules apply for investors (who are individuals) that are new NZ tax resident or who meet the definition of a transitional resident (in the Income Tax Act 2007). Please seek professional advice if these definitions apply to you.

## Joint investors

Joint investors will need to provide the applicable PIR and NZ IRD number (or foreign equivalent) for each investor. PIE income will be allocated to each joint investor with tax calculated at their nominated PIR. If a joint investor does not provide their PIR, tax will be deducted at the 28% default rate.

## Other important taxation information

**Tax certificate:** We will provide you with an annual tax certificate. The certificate includes the PIE income allocated to you and the amount of tax paid at your nominated PIR.

**Gains and distributions:** Redemption gains and distributions (if any) from a Fund will generally not be taxable to you.

**Holding restrictions:** PIEs have restrictions on the percentage of units you and any of your associated parties can hold (generally no more than 20% of a Fund). We may redeem or cancel units held by investors exceeding the permitted threshold to ensure a Fund’s PIE status is maintained. If units are cancelled subscription moneys will be refunded to you (less any amount that we and the supervisor (*Public Trust*) deem appropriate).

*The impact of taxation will vary depending upon your individual circumstances. You are strongly encouraged to seek professional financial and tax advice.*