



NZSUPERFUND

*Te Kaitiaki Tāhua Penihana
Kaumatua o Aotearoa*

TITLE:

Long Term Investing in a Low Return World

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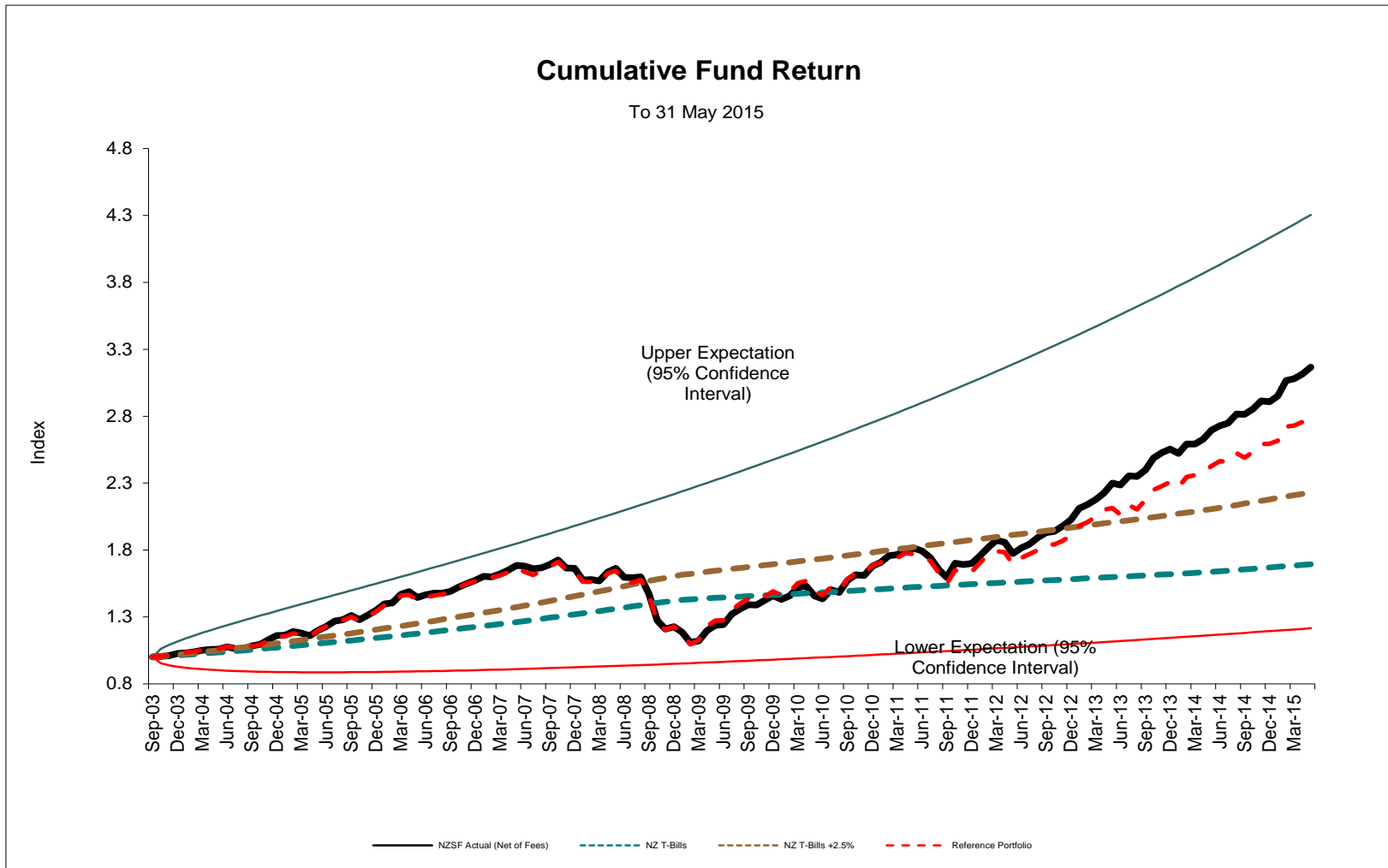
EVENT | PRESENTATION:

NZSA National Conference, 12 September 2015

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Our Performance: Since Inception



Investment Approach: Endowments

Long
Horizon

Certainty of
Liquidity

Operational
Independence

Location &
Crown Owner

- We can ride-out short term volatility
- Genuine contrarian investor
- We can invest in private market and illiquid assets
- We pay lower tax in some jurisdictions (sovereign status)
- Favourably regarded as a potential co-investor and business partner

Investment Approach: Importance vs. Interest



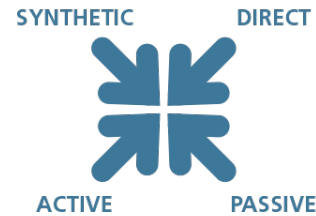
Investment Approach: What vs. How



Reference
Portfolio



Opportunities

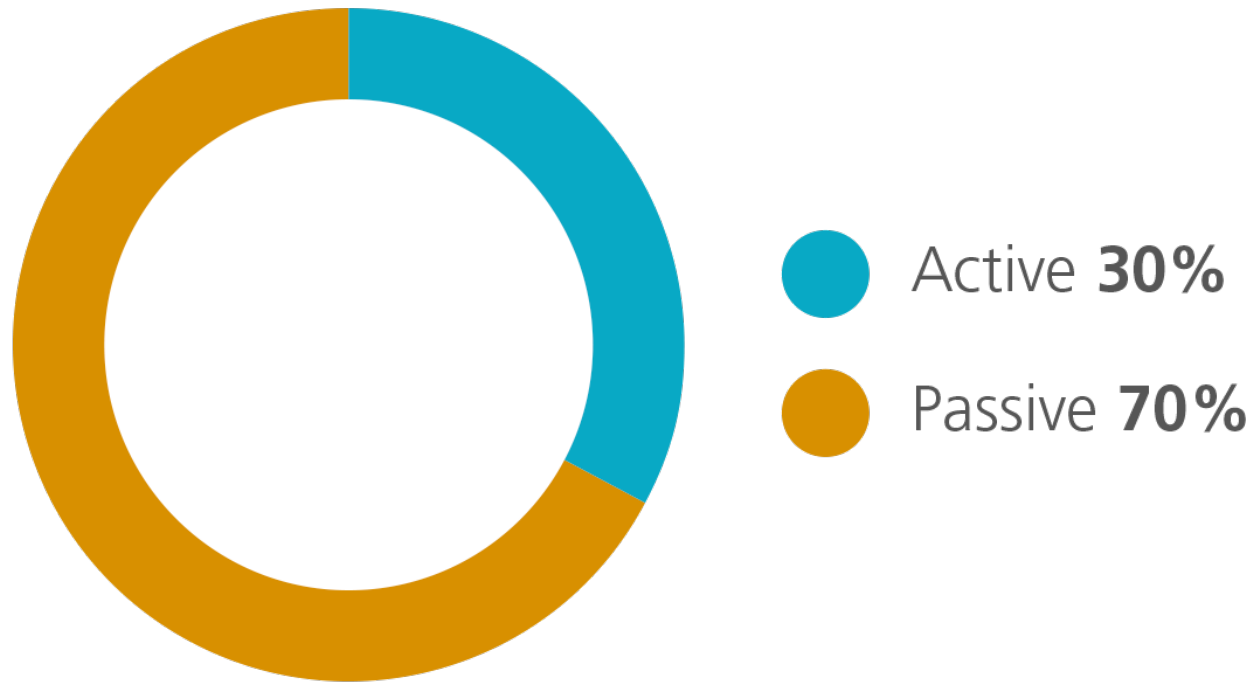


Access points



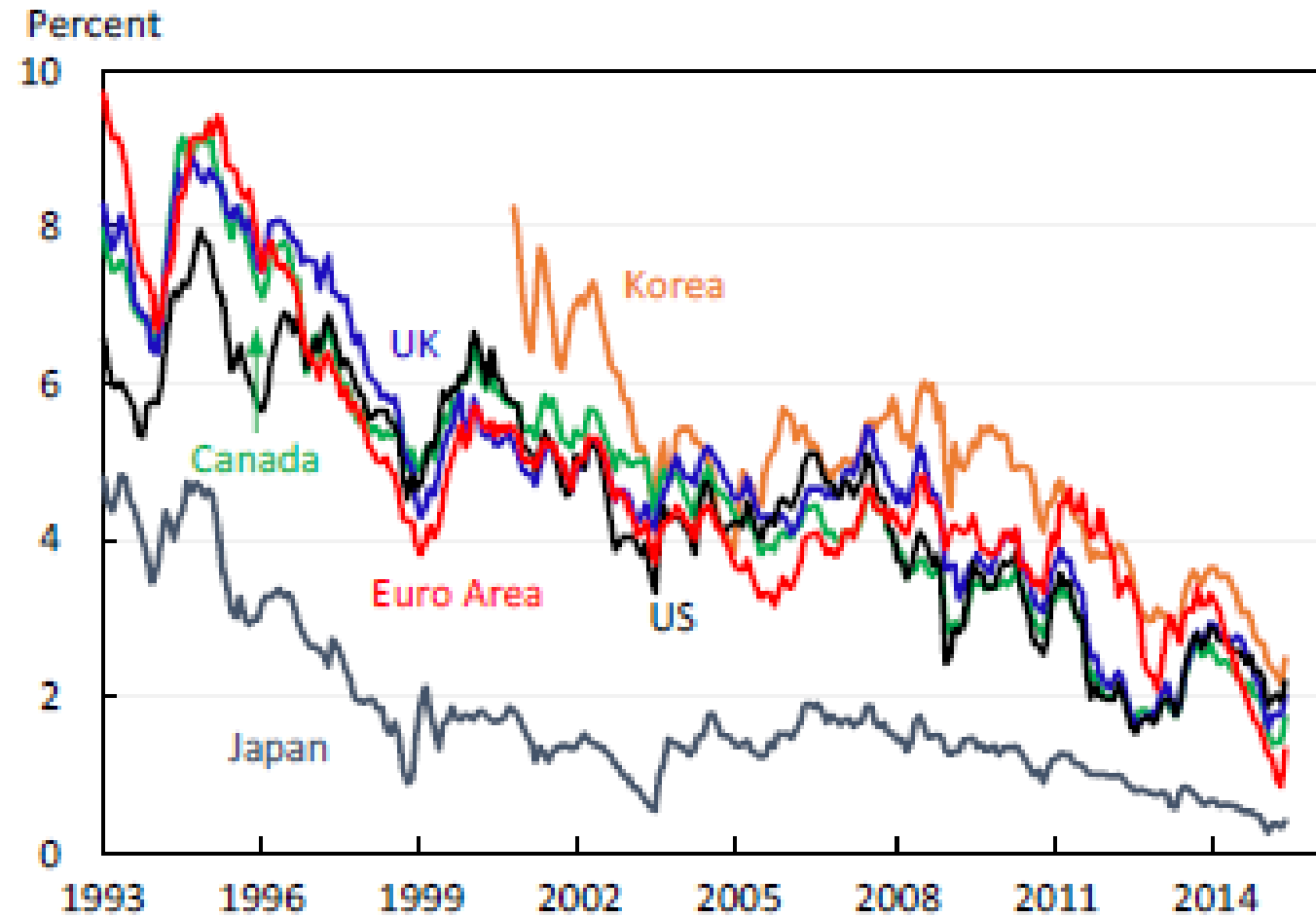
Actual
Portfolio

Investment Approach: Costs Matter



Market Environment: Lower for Longer

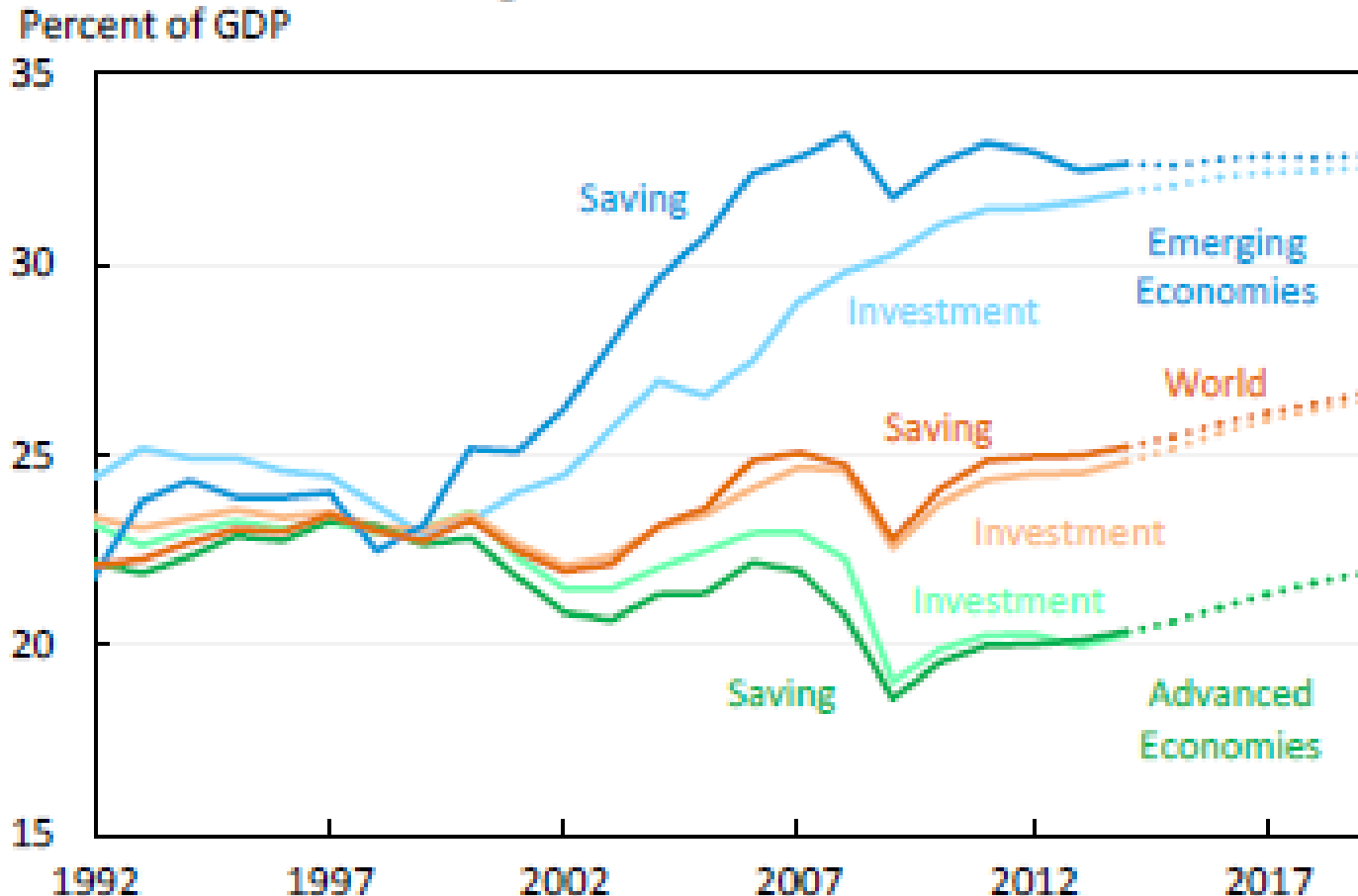
Nominal 10-Year Yields



Source: National Sources

Market Environment: Lower for Longer

Global Saving and Investment, 1992–2019



Note: Dotted lines indicate forecasts.
Source: International Monetary Fund.

Market Environment: Behaviour

Hard mandate limits, fixed claims & slow-moving expectations almost guarantee distortionary behaviour.

- Lower for longer means both growth and rates stay low. What about volatility?
- Risk taking behaviour in lower for longer world.
 - Moving up the risk spectrum to achieve an absolute return can be self-defeating.
- Flight to quality (asset classes, sectors, markets & regions).
 - How much should you pay for a good thing?

Conclusion

- We are firm believers in passive investment and highly disciplined about active investment
 - We work hard to exploit our endowments
 - Separate opportunities from access points
 - Allocate capital to the opportunities we are most confident in
 - Use long-term investment themes to inform decisions
 - Prefer direct, flexible access
 - Integrate ESG throughout the investment process
- We have out-performed the market and exceeded our passive Reference Portfolio benchmark by \$3.8 billion since inception – and exceeded the government’s cost of debt by more than \$13 billion