

TITLE:

Introduction to the NZ Super Fund and how we invest

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EVENT | PRESENTATION:

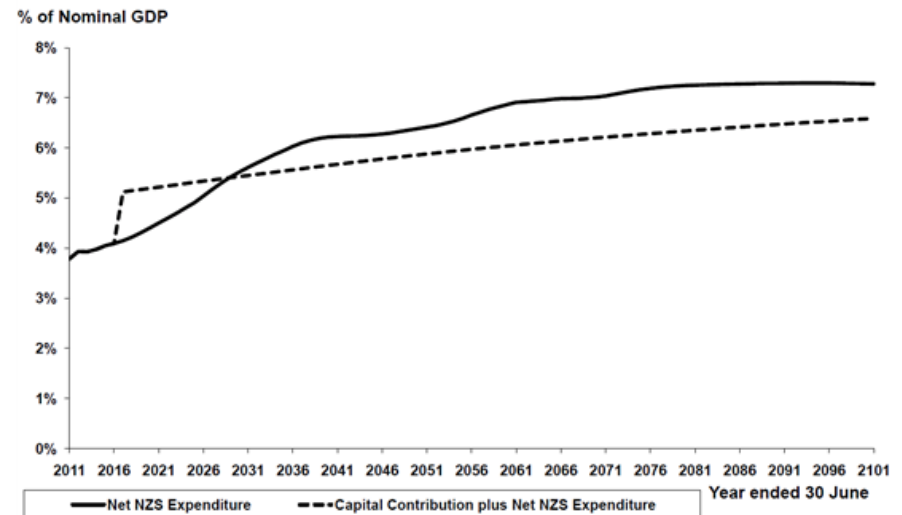
NZTE New Zealand Capital Markets Event, Hong Kong, 25 March 2014

What we do and how

New Zealand Superannuation Fund - Overview

- Long-term savings vehicle to partially meet the rising future cost of New Zealand Superannuation
- First withdrawals scheduled 2029/30 based on Treasury forecasts
- Commenced investing Sept 2003
- Enabling legislation - *New Zealand Superannuation and Retirement Income Act 2001*
- Double-arms'-length autonomous Crown entity

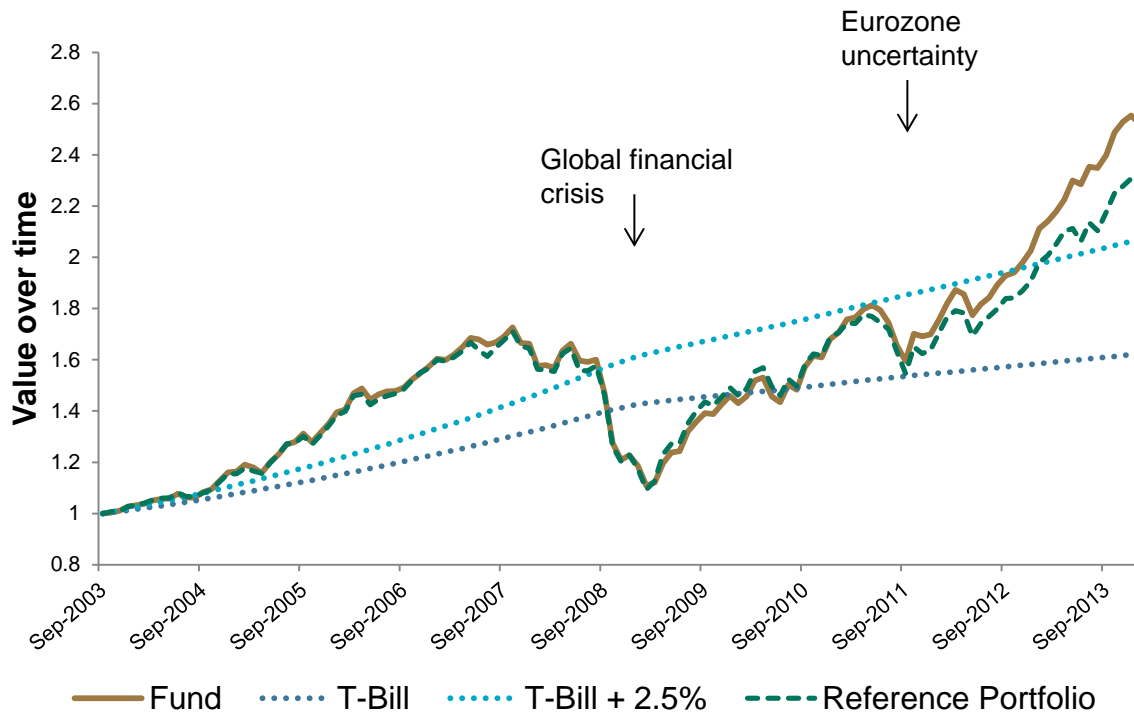
Save Now – Support Future



NZ Treasury Graph

Performance since inception

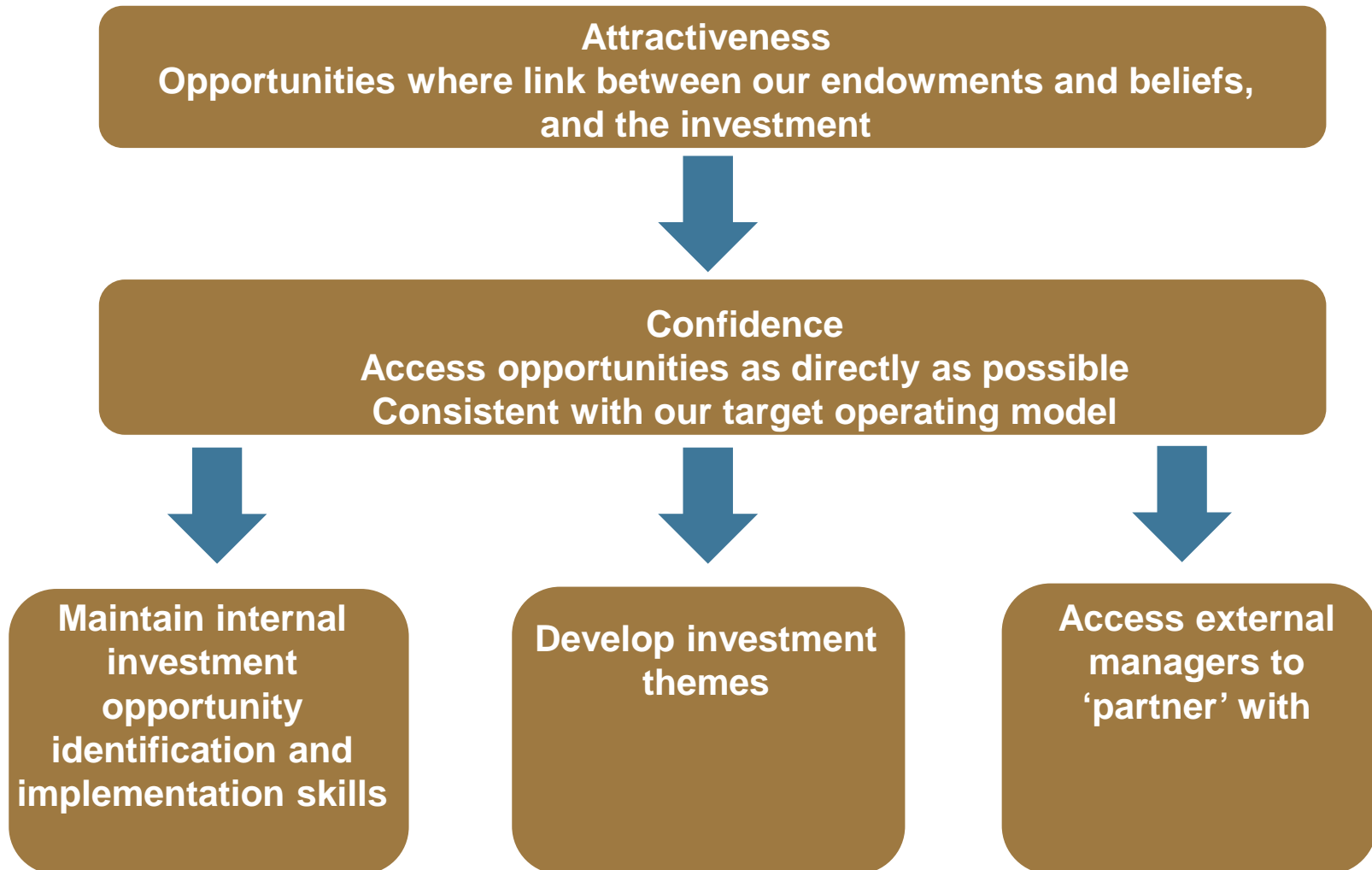
This graph shows what has happened to the first dollar invested in the Fund over time.



Since inception the Guardians have added \$8.0 billion to the Fund, compared to the Treasury Bill rate.

Over the same period, as illustrated by the gap between the brown and green lines, the Guardians' active investment strategies have added an estimated \$2.5 billion in value to the Fund, compared to the passive [Reference Portfolio](#) benchmark.

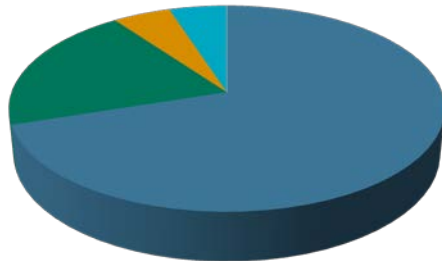
Our Investment Framework: Being Opportunistic



How we do it

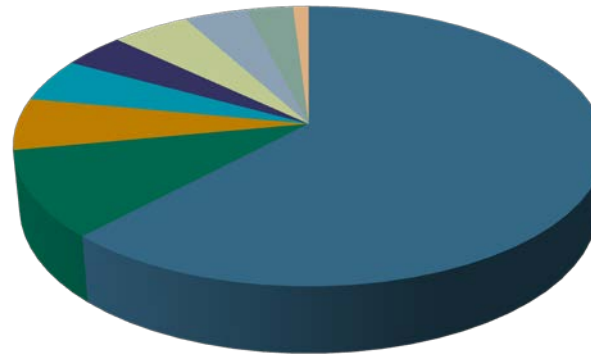
Reference Portfolio

- Global equities 70%
- Fixed interest 20%
- Global listed property 5%
- NZ equities 5%



Actual Portfolio
End-Jan 2014

- Global Equities 62%
- Fixed income 10%
- Infrastructure 6%
- Timber 5%
- Property 4%
- NZ equities 5%
- Other private markets 4%
- Private equity 3%
- Rural farmland 1%



Reference
Portfolio



Value Adding
Activities



Actual Portfolio

Dynamic
asset
allocation

Investment
Opportunities (e.g.
timber, infrastructure,
rural, NZ direct)

Treasury Management
(i.e. liquidity
management, FX,
passive market
exposure)

Investing in New Zealand

- NZ economy strong - 4.2% growth forecast for 2014 (Westpac)
 - Growth underpinned by strong dairy prices, Christchurch rebuild, strong population growth and low interest rates
- Multi-cultural society, emerging Maori economy
- Chinese population increased 16% between 2006 and 2013, to 171,000 people
- Total population (2013):
 - 4.2 million including 1.4 million in largest city, Auckland
- NZ private company market large compared to:
 - NZX
 - domestic capital available to it

Our approach

- NZ\$3.7 billion (18.6%) invested in NZ
 - 5% of portfolio allocated to NZ listed equities
 - 4% in NZ timber (Kaingaroa Timberlands)
 - 1.3% in transport energy company Z Energy
- Focusing on four other NZ investment opportunities:
 - Direct investment in medium to large-scale companies (20%-50% stakes of NZ\$100 million+)
 - Provision of expansion capital to small-medium sized enterprises (currently access through external managers)
 - Small-medium sized social infrastructure
 - Rural land
- All investments made on a purely commercial basis
- NZ investments need to generate an additional return (compared to more diversified global investments) in order to compensate for geographic concentration and illiquidity risks

Our NZ asset & investment managers

- Our NZ investments are managed by a mix of in-house professionals and external managers
 - Stakes in Datacom and Metlifecare managed in-house
 - Scales co-investment managed via external manager (Direct Capital)
- NZ listed equities managed by a mix of in-house professionals and external managers

Expansion Capital	Listed equities	Property	Rural	Timber	Infrastructure
Direct Capital	AMP Capital Investors	AMP Capital Investors	FarmRight	Hancock Natural Resource Group	Morrison & Co
Pencarrow Private Equity	Devon Funds Management	Willis Bond		Global Forest Partners	
Pioneer Capital	Milford Asset Management			GMO Renewable Resources	
Waterman Capital				Timberlands	

Attributes of private equity investment in NZ

- New Zealand is primarily a private company market
- Private equity sector has a 20 year track record
- NZ managers are competitive in relation to off-shore PE risk/returns
- Many investee companies have exposure to New Zealand and Australia

Outlook and Challenges Ahead

- Being allowed to stay the course
 - Challenge of a long term investor
- Co-investing with global best
 - In New Zealand and internationally
- On-going, and forever, unknown economic surprises
 - Rapid capital movements
 - Changing global demands
 - Demographics