

TITLE:

Monthly Performance and Portfolio Report – January 2014

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EVENT | PRESENTATION:

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Overview

The Fund returned -1.27% in January 2014. As at 31 January 2014 the Fund was worth \$24.87 billion.

	As at 31 January 2014 (unaudited)
Fund size	\$24.87 billion
Value of NZ investments	\$3.7 billion or 18.56% of investments*
Return since inception (30 September 2003)	9.35% p.a.
Last 5 years	16.24% p.a.
Last 3 years	13.87% p.a.
Last 12 months	19.33%
January 2014	-1.27%

Because of its weighting to growth assets, the Fund can experience large short-term movements. As a long-term investor we have a greater-than-average ability to withstand this volatility. Shifts in value from month to month must be seen in the context of the Fund's long-term purpose and performance.

Fund returns are unaudited and calculated before NZ tax and after costs. We consider tax paid as a return to the Crown.

* The value given for NZ investments excludes cash and foreign exchange hedging instruments.

Performance summary

- The Fund measures its performance in two ways:
 - relative to the NZ 90 day Treasury Bill rate; and
 - relative to a passive [Reference Portfolio](#) benchmark.

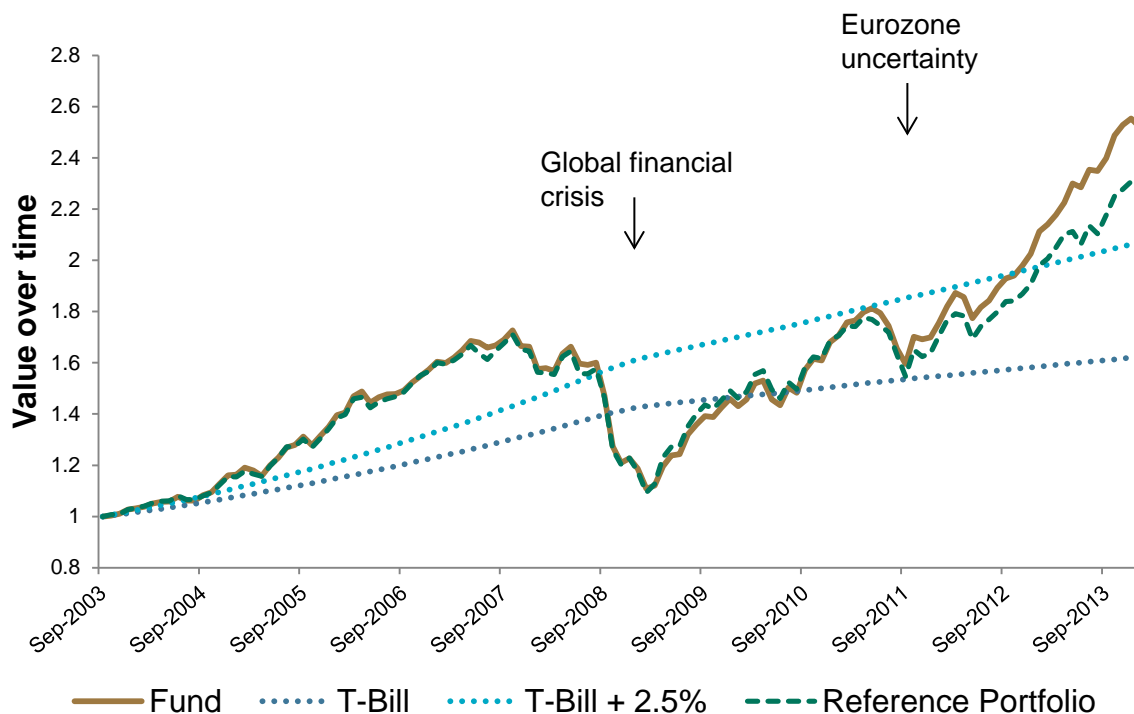
Given the investment risk of the Fund, over the long-term (rolling 20 year periods) we expect to exceed the New Zealand Treasury Bill rate by at least 2.5% p.a.

Performance as at 31 January 2014	January 2014	Last 12 months	Last 3 years p.a.	Last 5 years p.a.	Since inception p.a.
Actual Returns	-1.27%	19.33%	13.87%	16.24%	9.35%
Reference Portfolio Return	-1.61%	14.62%	9.97%	14.06%	8.25%
Treasury Bill rate	0.20%	2.38%	2.48%	2.61%	4.79%
Treasury Bill rate + 2.5%	0.41%	4.88%	4.98%	5.11%	7.29%

- For further information:
 - [Full list of monthly Fund returns since inception](#)
 - [Previous monthly reports](#)

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.

Performance since inception

The Fund's long-term performance expectation is that it will beat the Treasury Bill rate by at least 2.5% (over rolling 20 year periods). Since inception, the Fund has exceeded the Treasury Bill rate by 4.55%.

Performance as at 31 January 2014	Since inception (30 September 2003)
Actual Fund return	9.35% p.a.
NZ Treasury Bill return	4.79% p.a.
Net Return (actual Fund return minus NZ Treasury Bill return)	4.55% p.a.
Estimated \$ earned relative to NZ Treasury Bills	\$8.047 billion
Reference Portfolio return	8.25% p.a.
Value added by active investment (actual Fund return minus Reference Portfolio return)	1.10% p.a.
Estimated \$ earned relative to Reference Portfolio	\$2.502 billion

Fund size breakdown

	January 2014	Last 12 months	Last 3 years	Last 5 years	Since inception
Contributions received	\$0 billion	\$0 billion	\$0 billion	\$1.20 billion	\$14.88 billion
Returns (after fees and foreign tax, and before NZ tax)	\$(0.34) billion	\$4.13 billion	\$8.40 billion	\$14.16 billion	\$13.56 billion
NZ tax (paid) / received*	\$0.00 billion	\$(1.07) billion	\$(2.00) billion	\$(2.24) billion	\$(3.57) billion
Other movements**	\$0.00 billion	\$0.01 billion	\$0.00 billion	\$(0.08) billion	\$(0.00) billion
Closing Fund balance as at 31 January 2014	\$24.87 billion				

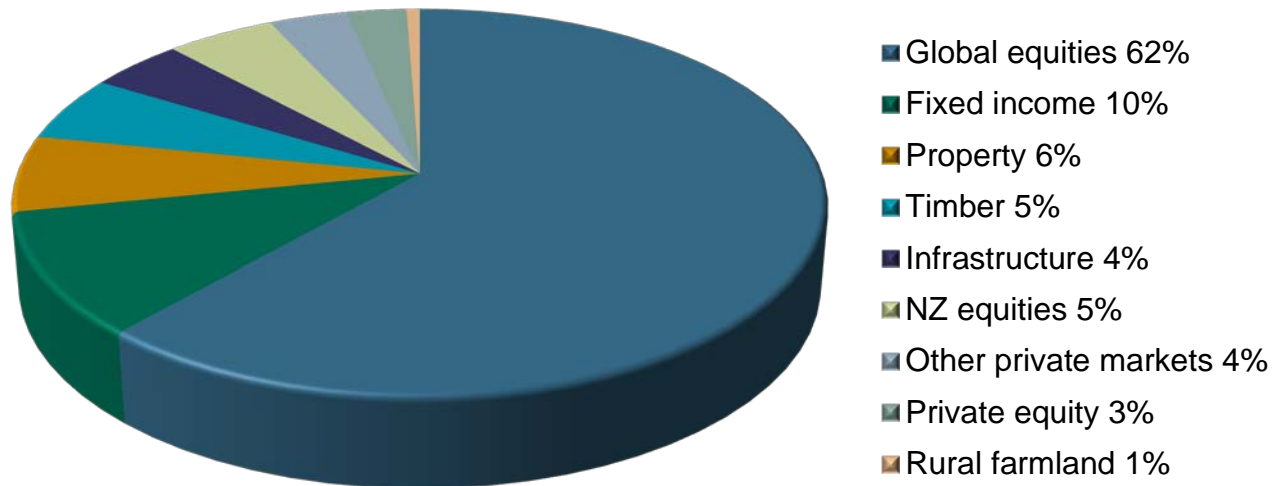
* Tax 'received' covers any instances of refunds for overpayment of tax

** Other movements relate to transactions other than tax paid or received e.g. tax expense, movements in reserves.

Asset class exposures

This graph shows the Fund's economic exposures as a % of Fund value (prior to the impact of any strategic tilting positions). For further information on how the Fund's capital is allocated and our strategic tilting activities see [How we Invest](#).

Asset class exposures as at 31/01/14



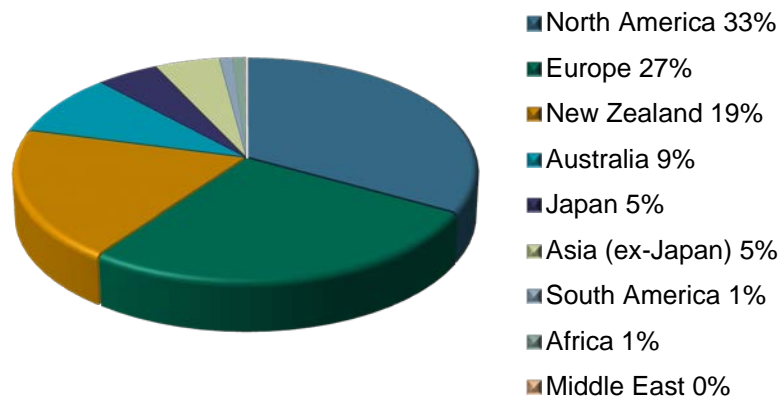
Where we invest

These graphs illustrate the Fund's investments by geographic region.

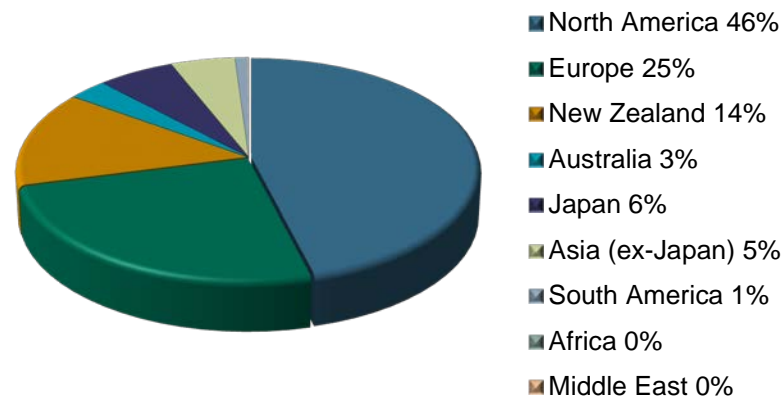
The left-hand analysis breaks down 'investments', as categorised in the statutory accounts, by their **value**, excluding foreign exchange hedging instruments such as FX contracts and cross currency swaps, plus investments in rural and forest land.

The right-hand analysis breaks down the Fund as a whole by economic **exposure**, again, excluding hedging instruments, as well as cash; collateral held to back derivative positions; and market neutral investments (e.g. arbitrage trades or hedge funds).

**Investments by value as at
31/01/14**



**Investments by economic
exposure as at 31/01/14**



Largest equity holdings as at 31/01/2014*

NZ listed equities	Value \$NZm	% of Fund	International listed equities	Value \$NZm	% of Fund
Z Energy	292.0	1.2%	Zurich Airport	82.3	0.3%
Metlifecare	172.7	0.7%	Apple	73.7	0.3%
Fletcher Building	163.3	0.7%	Exxon Mobil	70.9	0.3%
Telecom	106.1	0.4%	Simon Property Group	55.0	0.2%
Auckland Airport	88.3	0.4%	Copenhagen Airport	52.3	0.2%
Fisher & Paykel	69.1	0.3%	Google	51.8	0.2%
Contact Energy	54.4	0.2%	AT & T	50.8	0.2%
Ryman Healthcare	47.1	0.2%	Microsoft	48.3	0.2%
Xero	45.4	0.2%	Nestle	44.2	0.2%
SKYCITY Entertainment	43.9	0.2%	Johnson & Johnson	42.3	0.2%

* A full list of the Fund's equity holdings is published annually: [see the 2013 list](#).

Substantial Security Holdings

A Substantial Security Holder (SSH) is a person with a relevant interest in 5% or more of the total voting securities of a public issuer. This table sets out the companies in which the Fund or related entities were Substantial Security Holders as at 31 January 2014.

Date last SSH filing made	Security name	Percentage holding at date of filing	Exchange
25-Oct-2013	Metlifecare	19.90	New Zealand
2-Oct-2013	Tower	6.96	New Zealand
20-Sep-2013	A2 Corporation	5.01	New Zealand
27-Aug-2013	Skellerup Holdings	6.24	New Zealand
21-Aug-2013	Z Energy	20.00	New Zealand

Other news

- [FST Media interview](#) with Greg McHugh, Head of IT at the NZ Super Fund, February 2014
- Andrew Colman: [To Save or Save Not: Intergenerational Neutrality and the Expansion of New Zealand Superannuation](#), February 2014
 - This working paper, published by the NZ Treasury, analyses the consequences of expanding New Zealand Superannuation on a save-as-you-go basis through the New Zealand Superannuation Fund rather than on a pay-as-you-go basis. These funding mechanisms differ in terms of their effects on different cohorts, long run tax rates, capital accumulation, and risk.
 - The paper argues that an automatic pay-as-you-go funded expansion of New Zealand Superannuation is unattractive on many grounds, even if pay-as-you-go funding remains for much of the programme. It concludes that in addition to reducing long run tax rates, the use of save-as-you-go funding through the New Zealand Superannuation Fund provides households with a means of reducing income risk over the course of their lives.