

TITLE:

# Monthly Performance and Portfolio Report – August 2018

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EVENT | PRESENTATION:

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# Overview

- The Fund returned 1.07% in August 2018, bringing the one year return to 13.09%. Over the FY to August the Fund has detracted -\$199 million relative to the passive Reference Portfolio. As at 31 August 2018 the Fund was worth \$40.72 billion.

|   | As at 31 August 2018<br>(unaudited)    |
|---|--|
| Fund size                                     | \$40.72 billion                        |
| Value of NZ investments                       | \$6.1 billion or 15.0% of investments* |
| Return since inception<br>(30 September 2003) | 10.47% p.a.                            |
| Last 10 years                                 | 10.79% p.a.                            |
| Last 5 years                                  | 13.66% p.a.                            |
| Last 3 years                                  | 13.73% p.a.                            |
| Last 12 months                                | 13.09%                                 |
| August 2018                                   | 1.07%                                  |

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 return; and
  - relative to a passive [Reference Portfolio](#) benchmark.

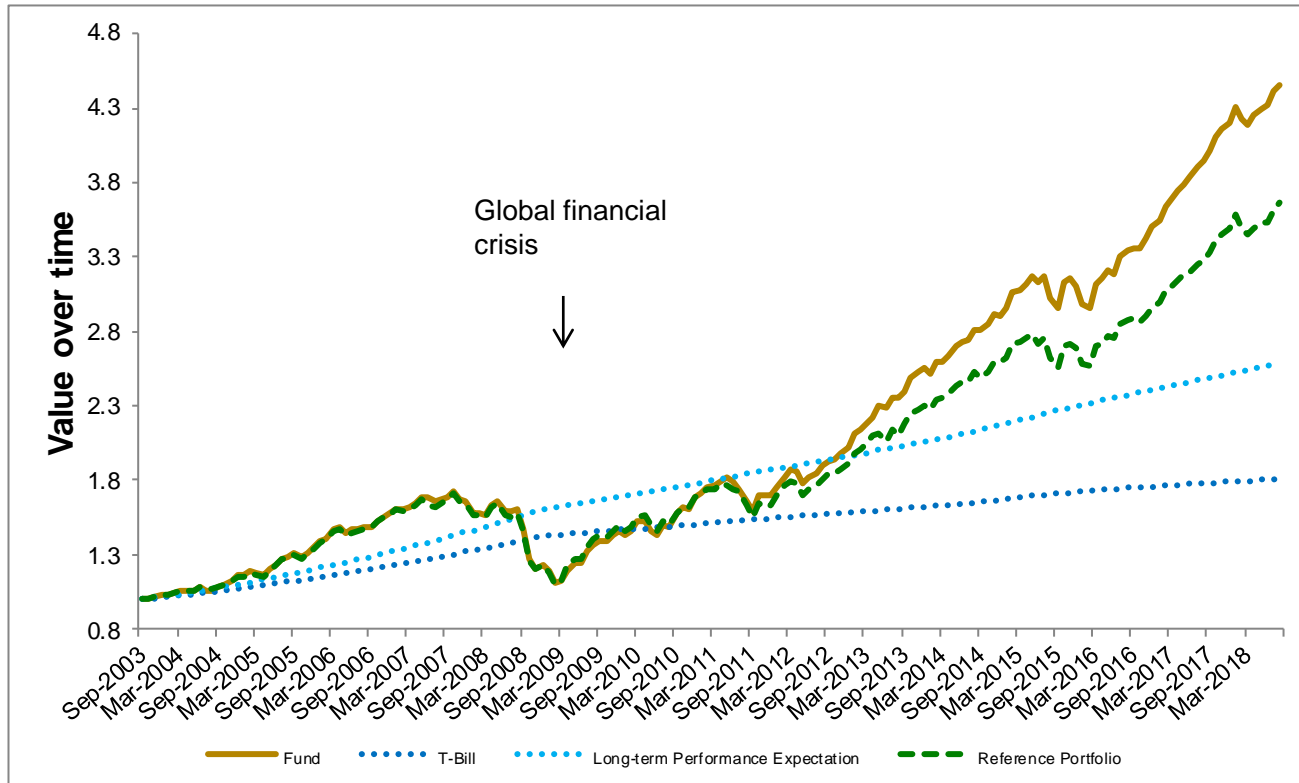
| Performance as at 31 August 2018   | August 2018 | Last 12 months | Last 3 years p.a. | Last 5 years p.a. | Last 10 years p.a. | Since inception p.a. |
|------------------------------------|-------------|----------------|-------------------|-------------------|--------------------|----------------------|
| Actual Returns                     | 1.07%       | 13.09%         | 13.73%            | 13.66%            | 10.79%             | 10.47%               |
| Reference Portfolio Return         | 1.52%       | 11.95%         | 11.85%            | 11.73%            | 8.79%              | 9.04%                |
| Treasury Bill return               | 0.14%       | 1.71%          | 1.95%             | 2.40%             | 2.69%              | 4.03%                |
| Long-term performance expectation* | 0.36%       | 4.41%          | 4.65%             | 5.03%             | 5.25%              | 6.54%                |

\*Given the investment risk of the Fund, over the long-term (rolling 20 year periods) we expect to exceed the New Zealand Treasury Bill return by at least 2.7% p.a. (prior to 1 July 2015, 2.5% p.a.)

- For further information:
  - [Full list of monthly Fund returns](#)
  - [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 \$24.2 billion to the Fund, compared to the [Treasury Bill return](#).

Over the same period, as illustrated by the gap between the brown and green lines, the Guardians' active investment strategies have added an estimated \$7.7 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 return by at least 2.7% (over rolling 20 year periods). Since inception, the Fund has exceeded the Treasury Bill return by 6.44% p.a.

| Performance as at 31 August 2018   | Since inception (30 September 2003) |
|--|-------------------------------------|
| Actual Fund return   | 10.47% p.a.                         |
| NZ Treasury Bill return  | 4.03% p.a.                          |
| Net Return (actual Fund return minus NZ Treasury Bill return)                          | 6.44% p.a.                          |
| Estimated \$ earned relative to NZ Treasury Bills                                      | \$24.226 billion                    |
| Reference Portfolio return   | 9.04% p.a.                          |
| Value added by active investment (actual Fund return minus Reference Portfolio return) | 1.44% p.a.                          |
| Estimated \$ earned relative to Reference Portfolio                                    | \$ 7.666 billion                    |

# Fund size breakdown

|   | August 2018            | Last 12 months   | Last 3 years     | Last 5 years     | Last 10 years    | Since inception  |
|---|------------------------|------------------|------------------|------------------|------------------|------------------|
| Contributions received                                  | \$0.08 billion         | \$0.67 billion   | \$0.67 billion   | \$0.67 billion   | \$2.81 billion   | \$15.55 billion  |
| Returns (after fees and foreign tax, and before NZ tax) | \$0.39 billion         | \$4.72 billion   | \$13.36 billion  | \$19.87 billion  | \$28.32 billion  | \$31.64 billion  |
| NZ tax (paid) / received*                               | \$0 billion            | \$(0.37) billion | \$(2.03) billion | \$(3.13) billion | \$(4.90) billion | \$(6.42) billion |
| Other movements**                                       | \$0.01 billion         | \$(0.01) billion | \$(0.06) billion | \$(0.04) billion | \$(0.01) billion | \$(0.05) billion |
| Closing Fund balance as at 31 August 2018               | <b>\$40.72 billion</b> |                  |                  |                  |                  |                  |

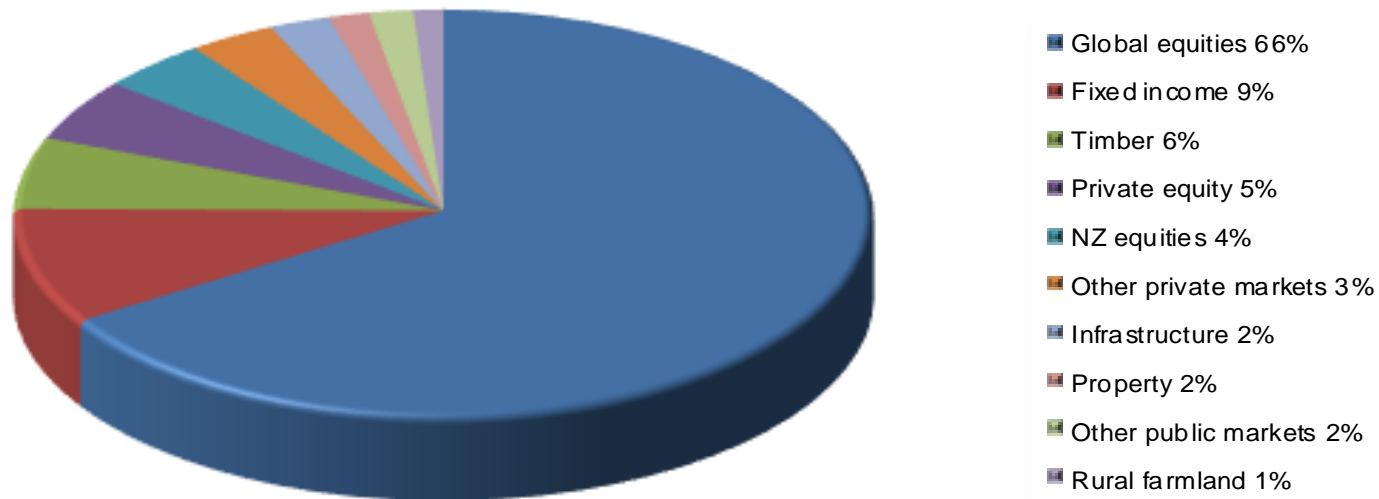
\* Tax 'received' covers any instances of refunds for overpayment of tax

\*\* 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 percentage 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 [www.nzsuperfund.co.nz/how-we-invest](http://www.nzsuperfund.co.nz/how-we-invest).

## Asset class exposures as at 31/08/18





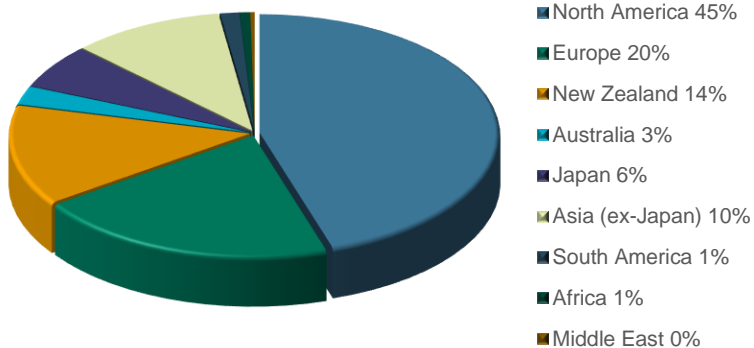
# Where we invest

- These graphs illustrate the Fund’s investments by geographic region.

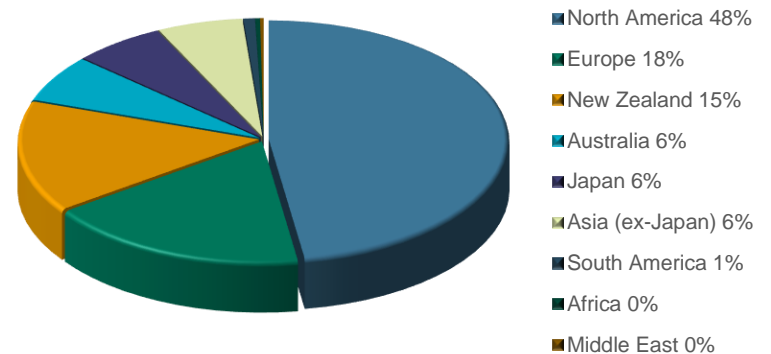
The left-hand analysis breaks down the Fund as a whole by economic **exposure**, again, excluding hedging instruments, as well as cash; collateral held to back derivative positions; and market neutral investments (e.g. arbitrage trades or hedge funds).

The right-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.

**Investments by economic exposure as at 31/08/2018**



**Investments by value as at 31/08/2018**



# Largest equity holdings as at 31/08/2018

| NZ listed equities                    | Value \$NZm | % of Fund | International listed equities | Value \$NZm | % of Fund |
|---------------------------------------|-------------|-----------|-------------------------------|-------------|-----------|
| <b>Metlifecare</b>                    | 267.7       | 0.7%      | <b>Apple</b>                  | 492.2       | 1.2%      |
| <b>Fisher &amp; Paykel Healthcare</b> | 220.6       | 0.5%      | <b>Microsoft</b>              | 374.0       | 0.9%      |
| <b>Auckland International Airport</b> | 145.6       | 0.4%      | <b>Amazon.com</b>             | 365.2       | 0.9%      |
| <b>Spark New Zealand</b>              | 138.9       | 0.3%      | <b>Alphabet</b>               | 345.9       | 0.9%      |
| <b>a2 Milk</b>                        | 109.9       | 0.3%      | <b>Johnson &amp; Johnson</b>  | 238.7       | 0.6%      |
| <b>Meridian Energy</b>                | 107.9       | 0.3%      | <b>Facebook</b>               | 185.0       | 0.5%      |
| <b>Contact Energy</b>                 | 91.5        | 0.2%      | <b>JPMorgan Chase</b>         | 168.2       | 0.4%      |
| <b>Fletcher Building</b>              | 82.8        | 0.2%      | <b>Pfizer</b>                 | 162.3       | 0.4%      |
| <b>Ryman Healthcare</b>               | 78.7        | 0.2%      | <b>Wells Fargo</b>            | 154.4       | 0.4%      |
| <b>Summerset Group Holdings</b>       | 75.4        | 0.2%      | <b>Verizon Communications</b> | 143.2       | 0.4%      |

\* A full list of the Fund's equity holdings is published annually: see [www.nzsuperfund.co.nz/publications/annual-equity-listings](http://www.nzsuperfund.co.nz/publications/annual-equity-listings).

# 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 August 2018.

| Date last SSH filing made | Security name           | Percentage holding at date of filing | Exchange    |
|---------------------------|-------------------------|--------------------------------------|-------------|
| 5-Apr-18                  | New Zealand King Salmon | 6.5                                  | New Zealand |
| 3-Oct-17                  | Metro Performance Glass | 7.3                                  | New Zealand |
| 3-Nov-14                  | Metlifecare             | 19.9                                 | New Zealand |