



**NZSUPERFUND**

*Te Kaitiaki Tāhua Penihana  
Kaumatua o Aotearoa*

TITLE:

# Managing Community Money: Challenges and Opportunities

[www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz)

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EVENT | PRESENTATION:

Presentation to Seed 2016 – April 2016

# Today's presentation

- NZ Super Fund's approach to investing public money
- Market update

## Our Mission

- Maximise the Fund's return over the long term, without undue risk, so as to reduce future New Zealanders' tax burden

## Our Mandate

- We must invest the Fund on a prudent, commercial basis, and in a manner consistent with:
  - best practice portfolio management;
  - maximising return without undue risk to the Fund as a whole; and
  - avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

**Clarity of mission and mandate is key**

# Defining our endowments

Long  
Horizon

Certainty of  
Liquidity

Operational  
Independence

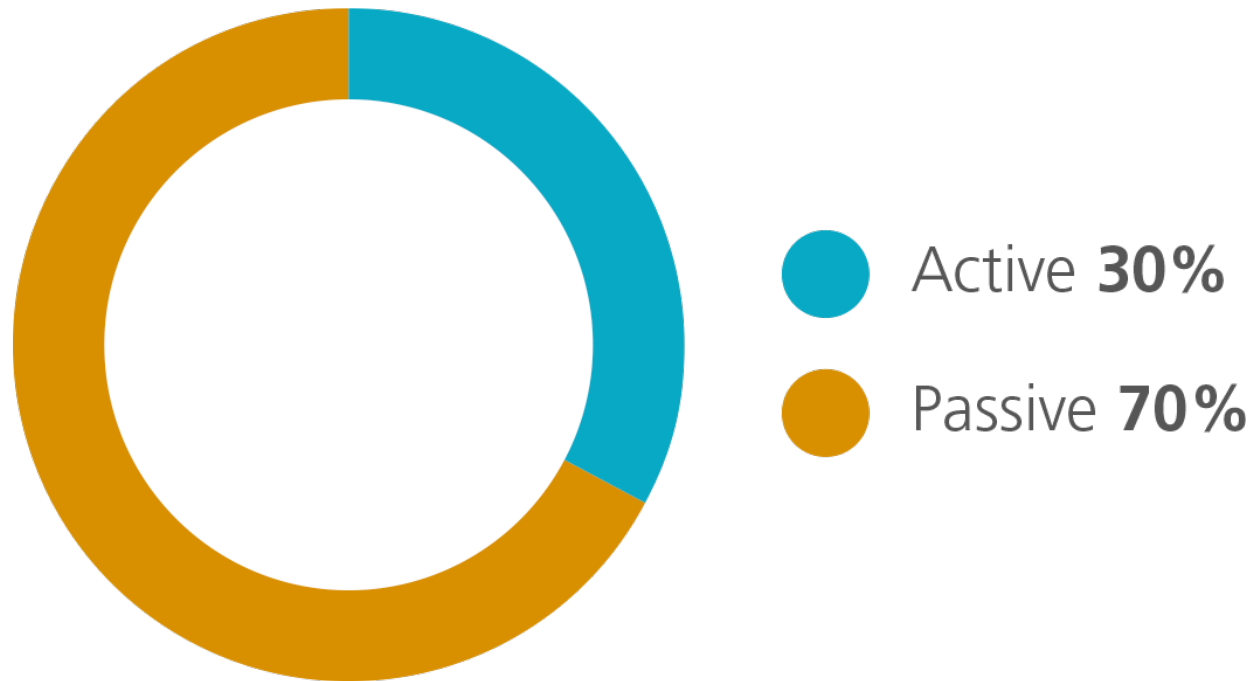
Location &  
Crown Owner

- 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

# Decisions: Importance vs Interest



# Get broad market exposures cheaply



# How do I choose?



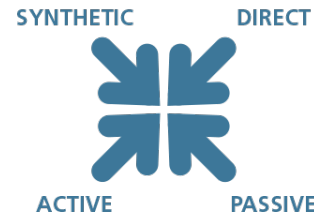
# Separate opportunity from access point



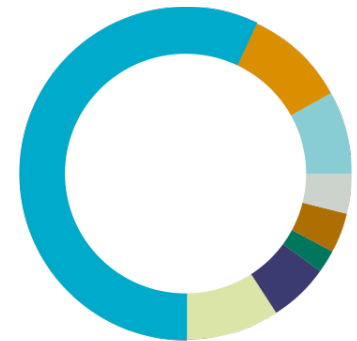
Reference  
Portfolio



Opportunities



Access points



Actual  
Portfolio





See + Articulate  
Drivers

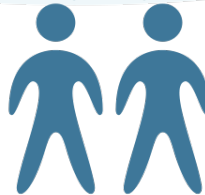


Not Hot

# HIGHEST CONFIDENCE



Opportunity



Beliefs

Endowments

# Using Investment Themes



Resource  
Sustainability



Emerging Markets  
Segmentation



Evolving Demand  
Patterns

# Integrate Responsible Investment

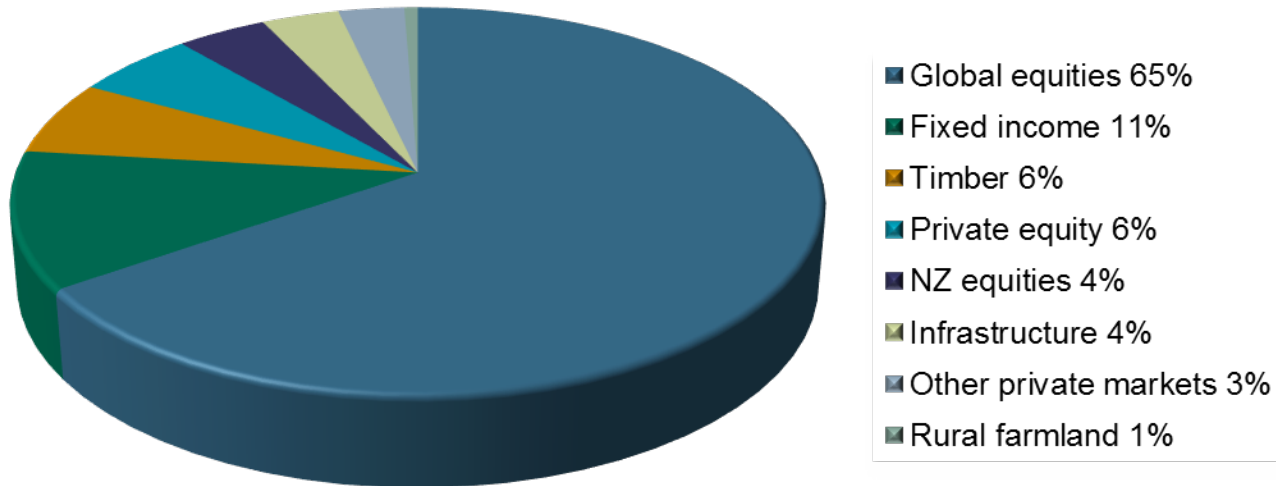
“Responsible investors must have concern for environmental, social and governance factors because they are **material to long-term returns.**”



# Asset class exposures

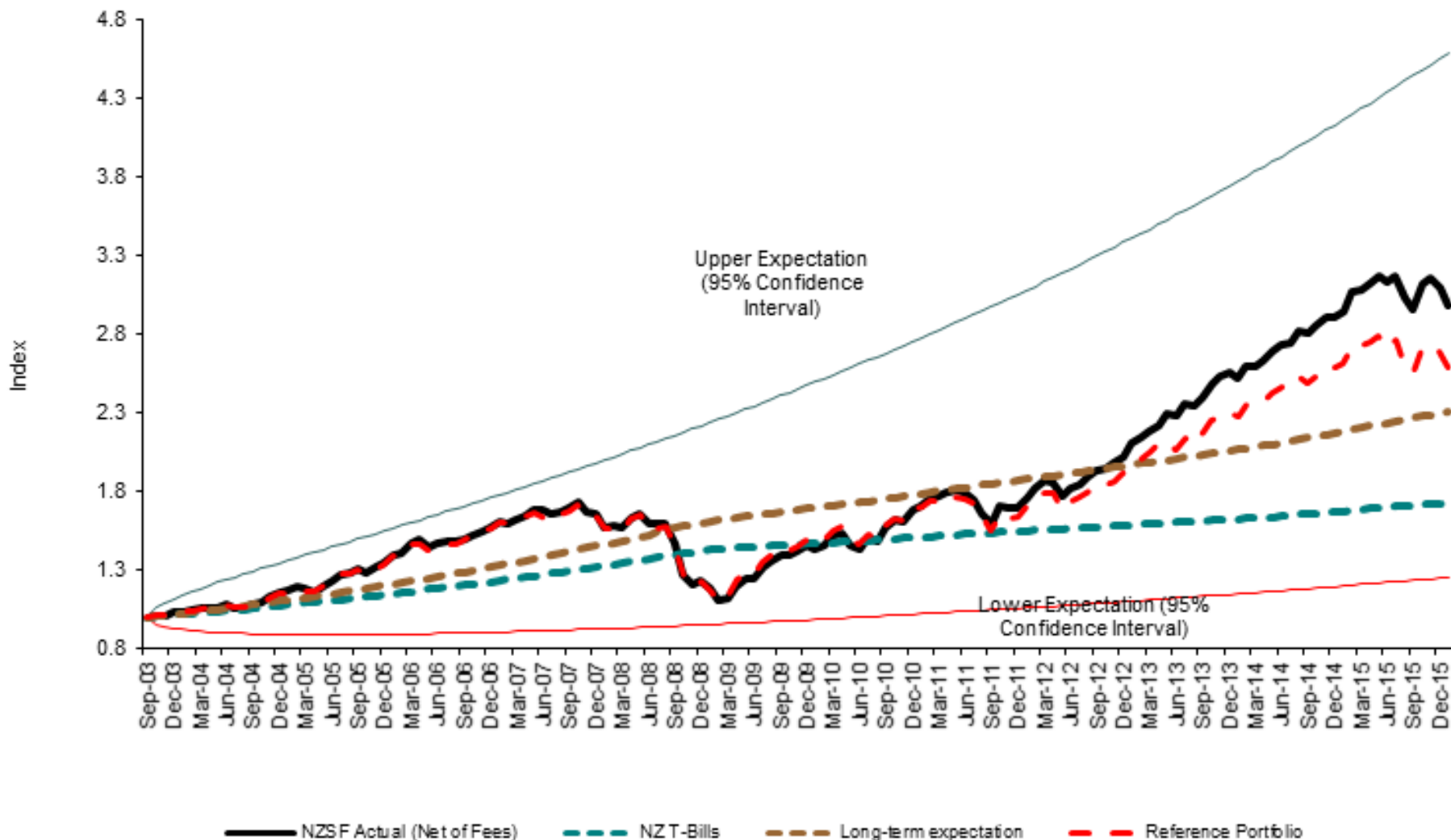
- This graph shows the Fund's economic exposures as a percentage of Fund value (prior to the impact of any strategic tilting positions). For further information on how the Fund's capital is allocated and our strategic tilting activities see <https://www.nzsuperfund.co.nz/how-we-invest>.

## Asset class exposures as at 29/02/16



## Cumulative Fund Return

To 31 January 2016



# Transparency

- Context:
  - taxpayer money
  - independent investment decision-making powers
- Transparency is critical to building and maintaining trust
- We are committed to being as transparent as commercially possible
  - Comprehensive but clear, accessible website
  - Comprehensive disclosure in Annual Report (also supports our company engagements on disclosure)
  - Open, constructive relationships with news media
  - Official Information Act – presumption to disclose
- No surprises

# Market Views – Medium Term Themes

- **A one-cylinder engine** - the US is the only cylinder firing
- **Macro policy tools are struggling**
- **Low interest rates**, which will stay low for much longer than in a normal cyclical recovery.
- **Challenging times for emerging markets**, due to falls in commodity prices and a rising base for debt denominated in USD
- **A new wave of disruption**
- Regulatory change has created a **reduction of liquidity** in both commercial and investment banking

# Key points

- Long-term investor able to look through market cycles
- 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 \$4 billion since inception – and exceeded the government’s cost of debt by more than \$11 billion