



**NZSUPERFUND**

*Te Kaitiaki Tāhua Penihana  
Kaumatua o Aotearoa*

TITLE:

# **Investments in listed companies - an Institutional Investor's view**

AUTHOR:

**Brian Bourdôt**

MANAGER, NZ EQUITIES

EVENT | PRESENTATION:

NZX Listed Issuer Forum, 12 October 2015

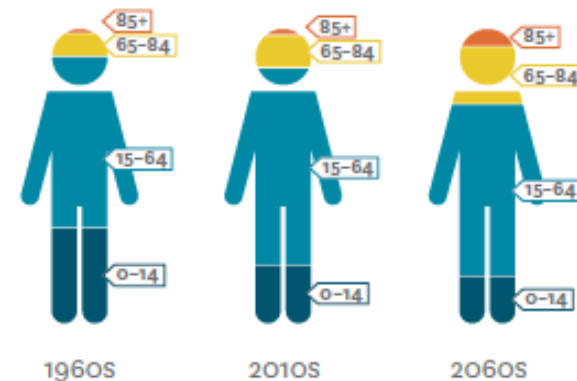
# What are we for?

The New Zealand Superannuation Fund enables the Government to save now in order to help pay for the future cost of providing universal superannuation

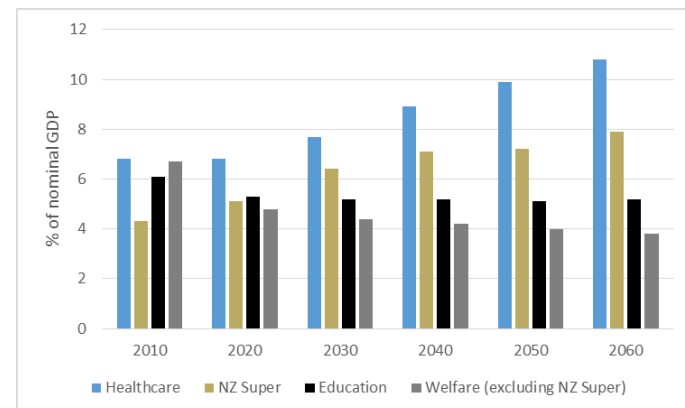
We must manage and administer the Fund in a manner consistent with:

- Best practice portfolio management
- Maximising return without undue risk to the Fund as a whole
- Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

**New Zealand's changing population structure, 1960s-2060s**



**Projections for government expenses**



Source (both): *Affording Our Future*, New Zealand Treasury, July 2013

# How are we different from most investors?

We have four “endowments” or competitive advantages which help guide our decisions

## Long Fund Horizon

- Ability to invest in illiquid assets
- Can ride out short-term volatility

## Certain liquidity profile

- Public funding formula means certainty over cash flow

## Operational independence

- Fund investments are made on a purely commercial basis

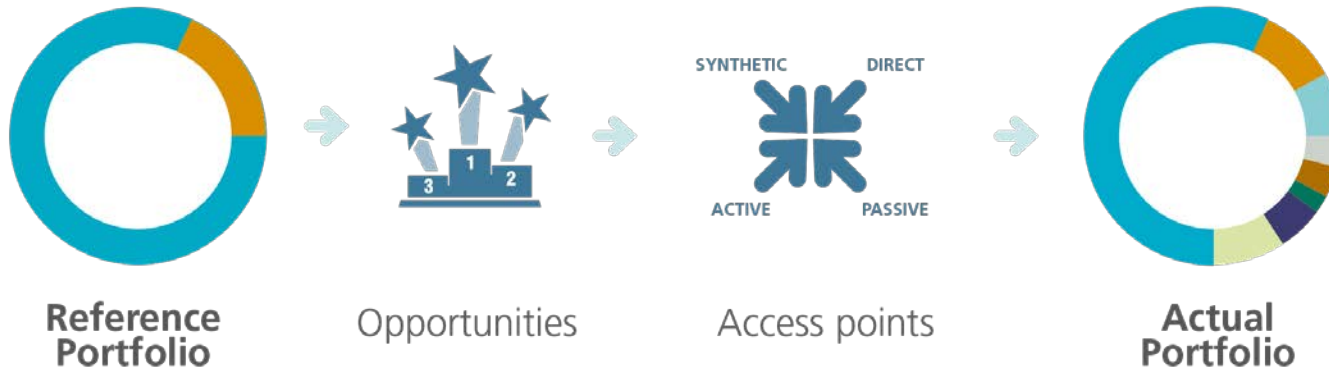
## Sovereign status

- Lower tax in some jurisdictions
- Often regarded favourably as a co-investor

# We look for opportunities with the highest confidence



# We distinguish between opportunities and access points



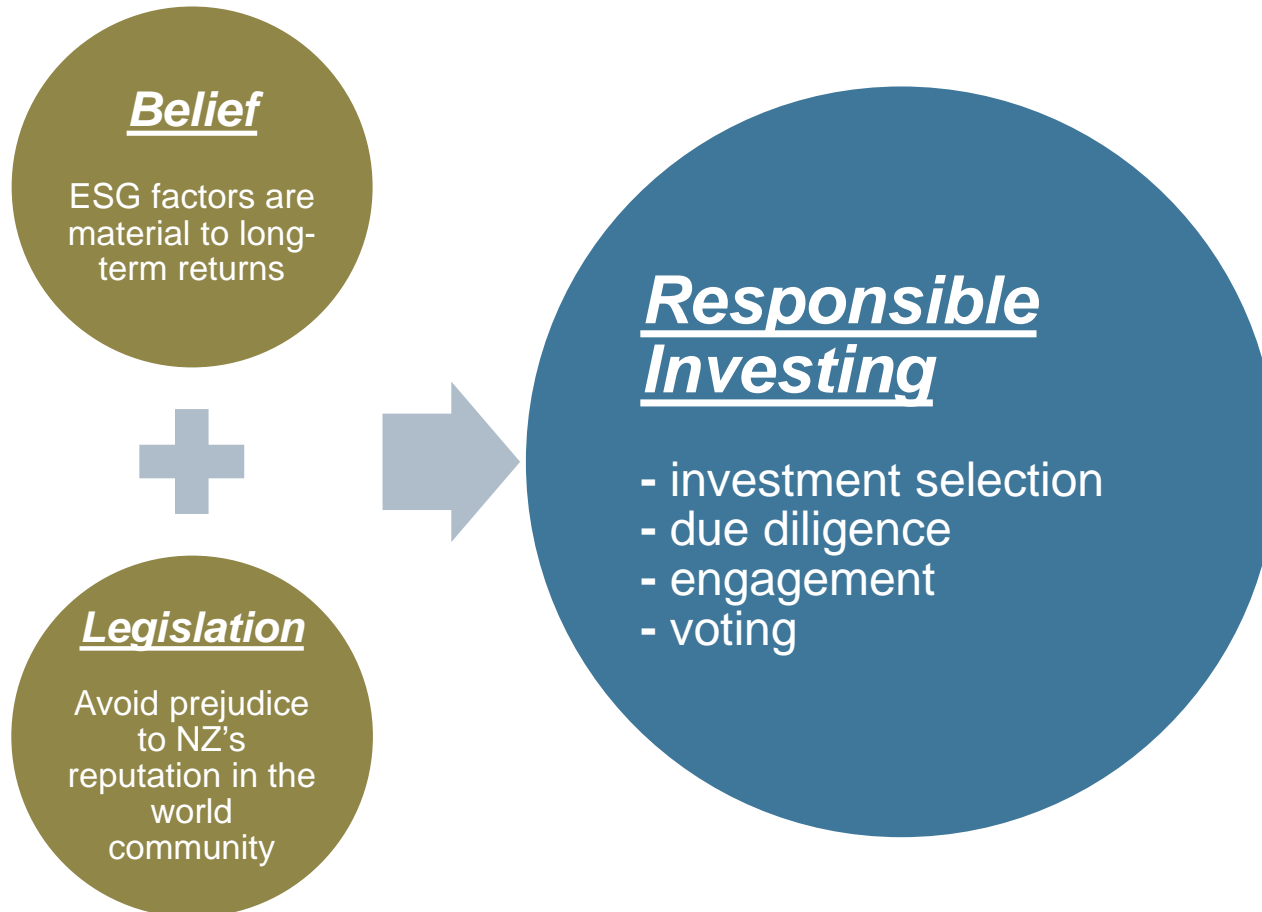
- New Zealand Equities comprises 5% of our Reference Portfolio...
- ...but 7% of our actual portfolio because some holdings are parts of different opportunities (e.g. Metlifecare, Z Energy)
- Access points vary
  - Direct investments in listed companies
  - Internally-managed Active NZ equities
  - Externally-managed Active NZ equities
  - Passive NZ equities

# What do we do: Internal Active NZ Equities

- Internal team created in 2013 to manage part of the listed active NZ equities allocation
- Strategy designed to capitalise on our endowments and to integrate our ESG beliefs
  - Focus on identifying companies with attractively priced sustainable cash flows
  - Prepared to look different from the market, both in composition and short-run returns
  - Targeting relatively concentrated portfolio with low turnover
  - Aim to engage companies
    - focussed on medium- to long-term earnings path...
    - ...and risks around that
  - We have a policy of voting our shares

# ESG beliefs: Responsible Investment

We have a longstanding commitment to Responsible Investment



# New Zealand Corporate Governance Forum

The New Zealand Corporate Governance Forum is committed to promoting good corporate governance in NZ companies for the long-term health of the capital market.

The Forum's aim is to promote global best practice in governance within NZ listed companies by:

- Developing and promoting Principles and Codes of good practice
- Lifting the quality of governance in the NZ market
- Engaging with public policy makers and regulators to promote and improve policy, rules and guidelines
- Identifying focus issues for engagement with policy makers and companies
- Producing case studies – good and poor practice examples



# Forum Guidelines (not regulations/ laws)

The Forum's Guidelines build on FMA's Guidelines. Extensions reflect what we consider to be more in-line with international best practice

## Board quality

- Focus on Board composition
- Skills, diversity, independence

## Reporting & disclosure

- Better disclosure of strategy, risks and conflicts
- Fair & accurate communication of performance

## Executive remuneration

- Structure and disclosure
- Alignment with short- and long-term strategic goals

## Guidelines

- Participate actively in regulatory reviews

# Q&A