



NZSUPERFUND

*Te Kaitiaki Tāhua Penihana
Kaumatua o Aotearoa*

TITLE:

NZ Super Fund – purpose and investment approach

AUTHOR:

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EVENT | PRESENTATION:

Presentation to IRD – February 2016

Where we fit in

RETIREMENT INCOME

New Zealand
Superannuation
(NZS)

Fund partially
pre-funds

**NOTE: CONTRIBUTIONS
SUSPENDED 2009**

Mandatory
private savings
accounts



**DOESN'T EXIST IN
NEW ZEALAND**

Voluntary
private savings
accounts

Kiwisaver
and other

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.

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

Defining our endowments

Long
Horizon

Certainty of
Liquidity

Operational
Independence

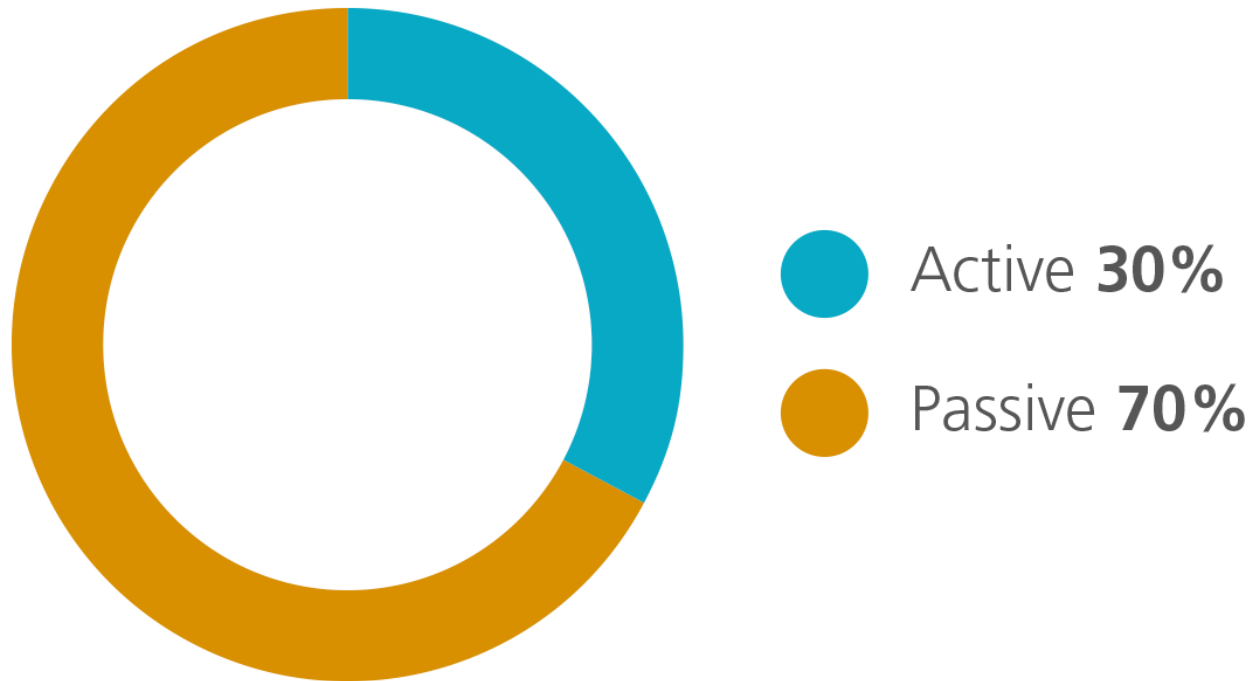
Location &
Crown Owner

- 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?



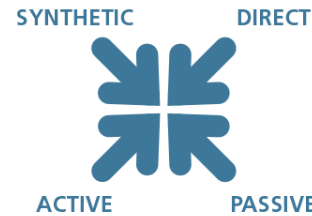
Separate opportunity from access point



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.**”



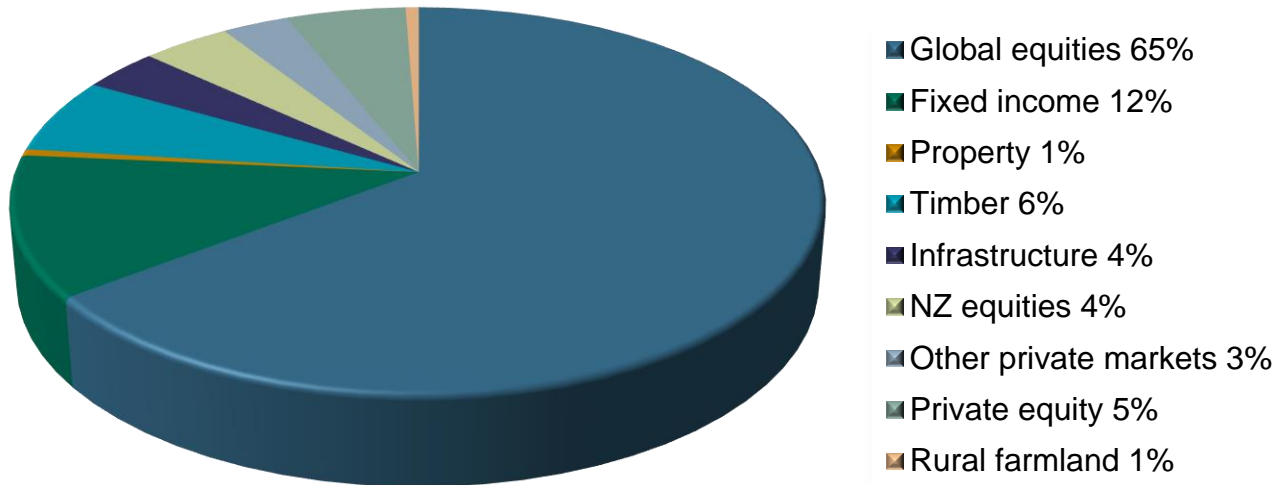
ESG in action: NZ Corporate Governance Forum

- Members – institutional investors with significant \$\$\$ in NZ listed companies
- Purpose – to promote global best practice governance in NZ listed companies
- Current focus areas:
 - promoting high quality boards; focus on board composition including skills, diversity and independence;
 - reporting and disclosure; better disclosure on strategy, risks and conflicts and through fair and accurate communication of financial performance;
 - structure and disclosure of executive remuneration (to align with the company's short and long-term strategic objectives)
 - guidelines and rules issued by regulatory bodies.
- NZCGF Issued Guidelines for listed companies and investors in listed companies in 2015
 - Guidelines extend the FMA's Governance Principles in areas of particular interest
 - www.nzcgf.org.nz

Asset class exposures

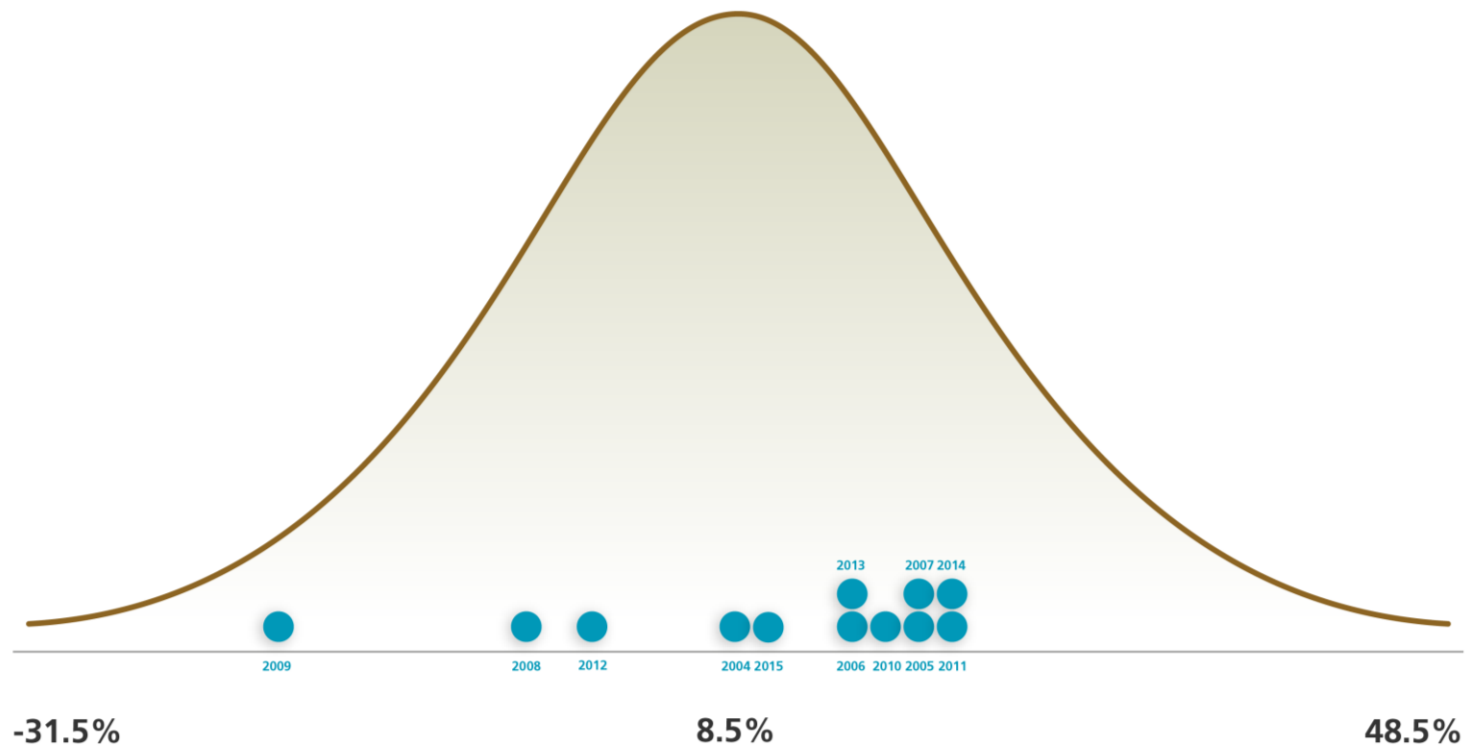
- This graph shows the Fund's economic exposures as a percentage of Fund value (prior to the impact of any strategic tilting positions). For further information on how the Fund's capital is allocated and our strategic tilting activities see <https://www.nzsuperfund.co.nz/how-we-invest>.

Asset class exposures as at 31/01/16



Our experience to date

Expected and actual reference portfolio returns

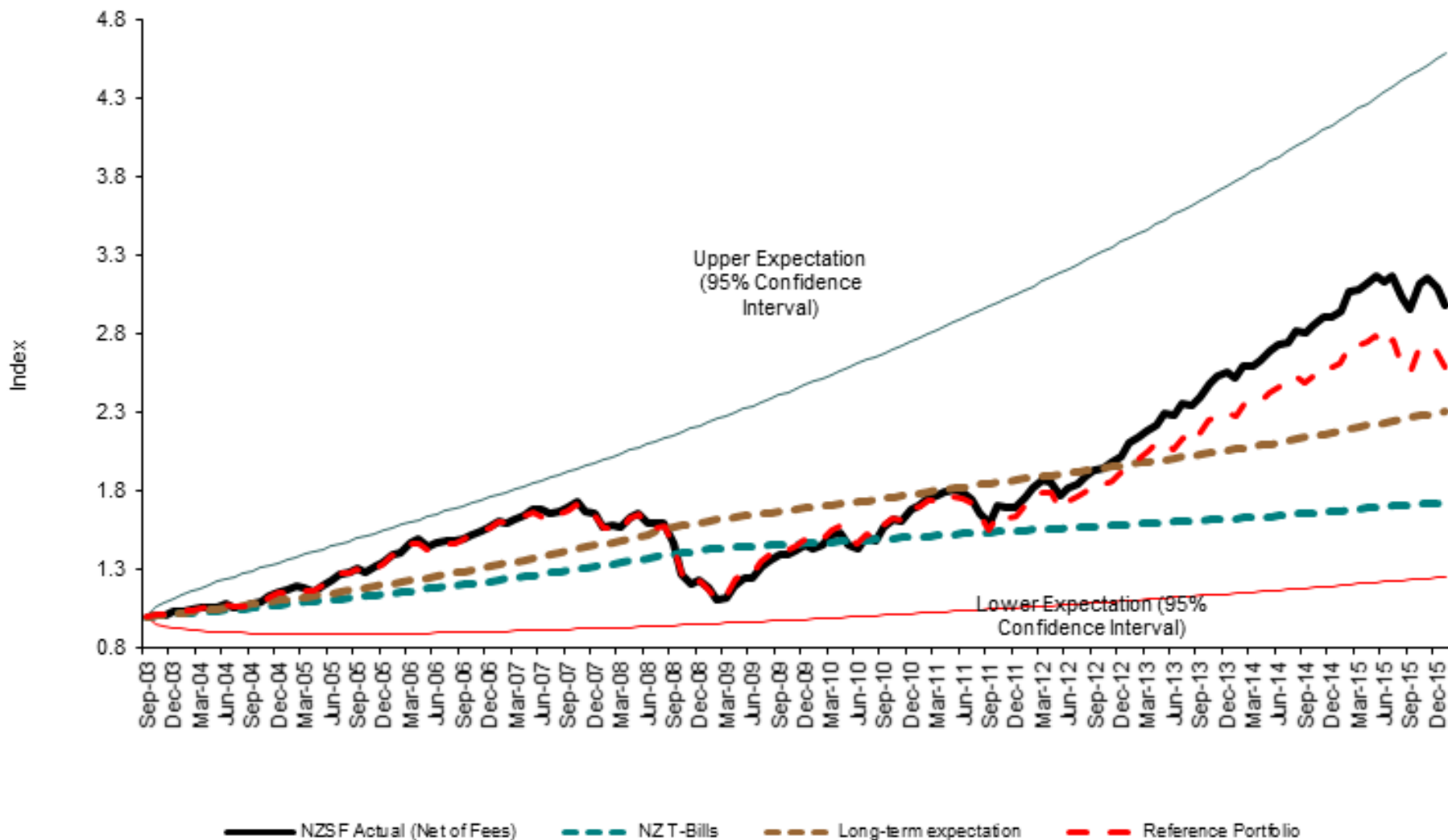


● Historic Reference Portfolio Returns

— Expected Reference Portfolio Returns

Cumulative Fund Return

To 31 January 2016



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