

TITLE:

# Update and Challenges Ahead

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EVENT | PRESENTATION:

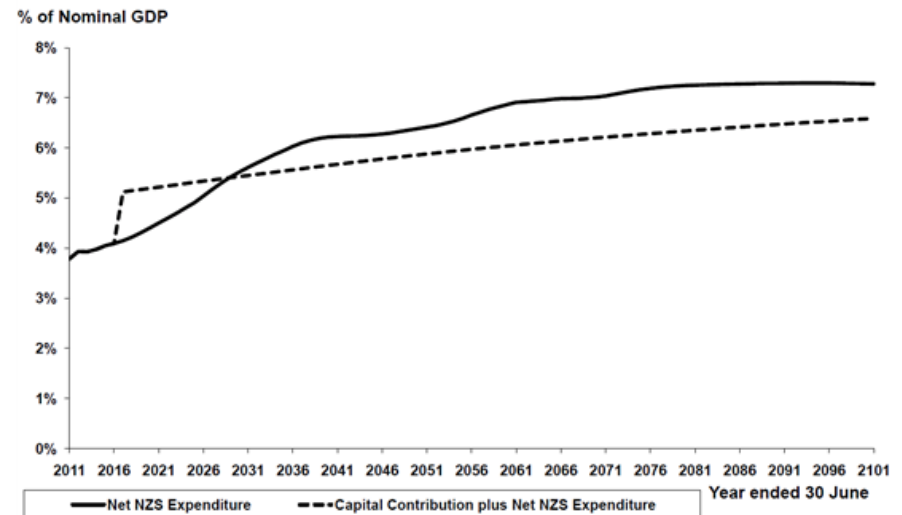
ANZ Speaker Series, 2 May 2013

# What we do and how

## New Zealand Superannuation Fund - Overview

- Long-term savings vehicle to partially meet the rising future cost of New Zealand Superannuation
- First withdrawals scheduled 2029/30 based on Treasury forecasts
- Commenced investing Sept 2003
- Enabling legislation - *New Zealand Superannuation and Retirement Income Act 2001*
- Double-arms'-length autonomous Crown entity

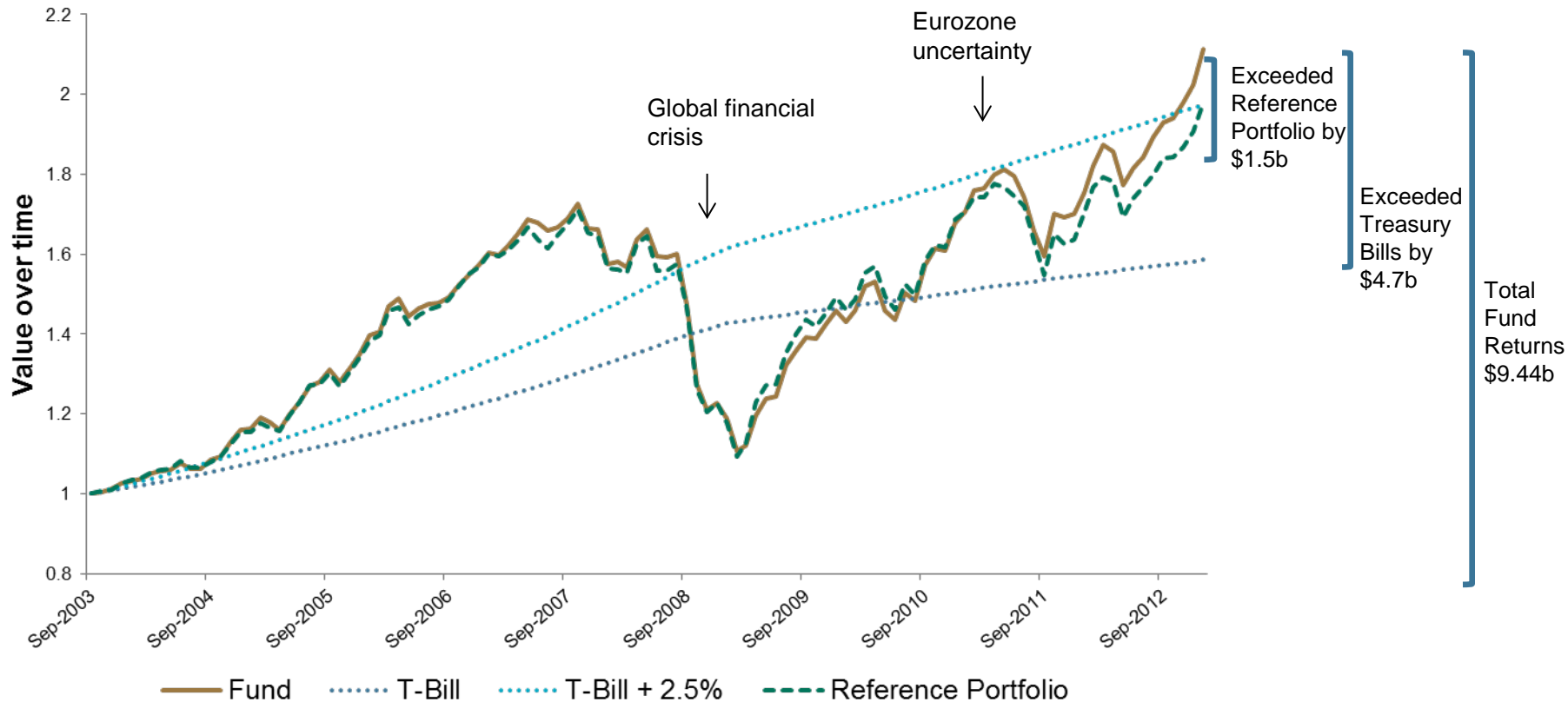
## Save Now – Support Future



NZ Treasury Graph

# How we have performed

This graph shows what has happened to the first dollar invested in the Fund over time.



## Our Investment Framework

Focus on opportunities where there is the strongest link between our endowments and beliefs, and the underlying investment



Access opportunities as directly as possible



Developing and maintaining internal investment opportunity identification and implementation skills



Developing investment themes and opportunities around which our access search efforts can be coordinated



Accessing external managers to 'partner' with us in segregated or co-investment activity

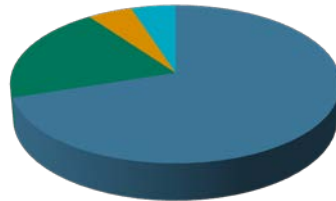
# Opportunity prioritisation and scaling

- Our confidence in expected risk-adjusted returns and the value added by the investment over and above the Reference Portfolio will be highest when:
  - There is consistency between our endowments and beliefs and the investment
  - We can clearly articulate factors that drive investment risk and return and we have considered a range of potential outcomes, including downside risks
  - The opportunity does not require a high level of skill ('pure' alpha) as the main driver of expected returns
  - We have the ability to execute and manage the investment risks ourselves.
- Scaling of the opportunity is driven by a risk allocation process that considers the expected impact on the performance of the portfolio (e.g. its Sharpe ratio), relevant constraints (e.g. liquidity, counter-party risk limits and single asset risk limits), as well as relevant organisational demands (tax, legal, etc) and operational complexity.

# How we do it

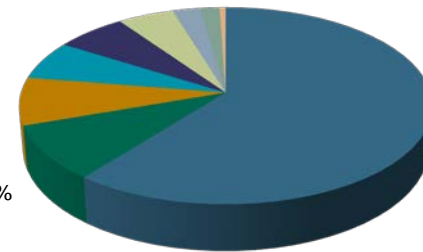
Reference Portfolio

- Global equities 70%
- Fixed interest 20%
- Global listed property 5%
- NZ equities 5%



Actual Portfolio as at 31/01/13

- Global equities 61%
- Fixed income 9%
- Infrastructure 8%
- Timber 6%
- Property 6%
- NZ equities 5%
- Other private markets 2%
- Private equity 2%
- Rural farmland 1%



Reference  
Portfolio



Value Adding  
Activities



Actual Portfolio

Dynamic  
asset  
allocation

Investment Strategies  
(e.g. PE, timber,  
infrastructure, rural, NZ  
direct)

Treasury Management  
(i.e. liquidity  
management, FX,  
passive market  
exposure)

# Outlook and Challenges Ahead

- Being allowed to stay the course
  - Challenge of a long term investor
- Co-investing with global best
- Ongoing, and forever, unknown economic surprises
  - Rapid capital movements
  - Changing global demands
  - Demographics