



30 October 2018

REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your 9 October 2018 request to the Guardians of New Zealand Superannuation (“**Guardians**”), the manager of the New Zealand Superannuation Fund (“**NZ Super Fund**”, “**Fund**”), made pursuant to the Official Information Act 1982 (“**OIA**”).

Your Request

In your email of 9 October you asked: *whether, at any stage since its establishment, the NZ Superannuation Fund considered investing in a) South Canterbury Finance (SCF), b) any SCF assets, or c) any entities related to SCF or the late Allan Hubbard.*

You requested that we forward you *any relevant documents, memos, reports, minutes of discussions etc and the details of any investments made.*

In a telephone discussion with our Head of Communications on 15 October 2018, you clarified your request and indicated that you would be happy to receive an explanatory letter providing an overview of the above, and did not require us to supply any documents at this stage. We also understood from this conversation that your main interest was the South Canterbury Finance insolvency process. You particularly asked that we note any investment partners we were engaged with in our discussions with South Canterbury Finance.

Our Response

We have identified two investments that were considered by the Guardians. An investment in Scales Corporation proceeded and a prospective investment in Dairy Holdings Limited did not. Further details can be found below. Our internal enquiries (which have extended to contacting former staff members) have not identified any further investment opportunities in connection with South Canterbury Finance.

Scales Corporation

In July 2011 the Fund indirectly purchased approximately one third of Scales Corporation through an Investment Mandate with Direct Capital IV LP. The purchase was made through a competitive process run by Goldman Sachs. South Canterbury Finance, then in receivership, owned a 79.7% share in Scales Corporation which was, at the time, a private, unlisted company. The Fund's investment, totalling \$26.5 million, was in two forms:

- 6% via investment firm Direct Capital's IV Fund, in which we have been invested since 2009; and
- A further 26% direct stake in the form of a 'co-investment' alongside Direct Capital IV Fund. The Accident Compensation Corporation also co-invested alongside the Fund and Direct Capital. This 26% stake in Scales Corporation was managed on our behalf by Direct Capital.

Scales Corporation completed an initial public offering (IPO) in 2014. Together with Direct Capital IV and other co-investors, the Fund sold 72% of its original stake at this point. In 2016 we (via Direct Capital) sold the Fund's residual 7.67% stake to China Resources.

For completeness, Scales later re-entered the Fund's portfolio through an investment by one of our external NZ active listed equity managers. As at 30 June 2018 the Fund held 1,240,853 shares in Scales with a market value of \$5.76m (excluding dividend accrual).

For further information on Scales Corporation please see: <https://scalescorporation.co.nz/>

Dairy Holdings Limited

Dairy Holdings was NZ's largest dairy farmer and supplier to Fonterra. The company was formed in 2000/2001 following the purchase of a large number of the irrigated properties from the two corporate dairy farming operations, Tasman Agriculture Ltd and Dairy Brands Ltd. It consisted of 14,201 effective hectares of managed and sharemilked dairy farms as well as 2,111 hectares of grazing land.

The Fund had an opportunity to acquire the 33.6% stake in Dairy Holdings owned by South Canterbury Finance as part of a "carve-out" deal with Duncan Saville's investment company Permanent Investments Limited. Our internal documents contain references to the possibility of partnering with Ngāi Tahu. Ultimately the investment did not proceed as not all the shareholders were prepared to sell.

We subsequently participated in a competitive process run by First NZ Capital, in which we made an offer for the entire Dairy Holdings farm portfolio. This offer was also not accepted.

General

You may be interested to note that:

- on 28 November 2016 we responded to an OIA request in respect of Pyne Gould Corporation and entities/people associated with Allan Hubbard.
- on 14 October 2013 we responded to an OIA request in respect of communications between the Guardians and a number of people in connection with Scales Corporation and associated South Canterbury Finance/Hubbard assets.

Our responses to both these requests are available at: <https://www.nzsuperfund.nz/publications-disclosures/oia>

Please note that we may choose to publish our response to your request on our website at <https://www.nzsuperfund.nz/publications-disclosures/oia>

Yours sincerely,



Matt Whineray
Chief Executive Officer