

TITLE:

# Monthly Performance and Portfolio Report – December 2018

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EVENT | PRESENTATION:

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# Overview

- The Fund returned -4.84% in December 2018, bringing the one year return to -2.18%. Over the FY the Fund has added \$672 million relative to the passive Reference Portfolio. As at 31 December 2018 the Fund was worth \$37.42 billion.

	As at 31 December 2018 (unaudited)
Fund size	\$37.42 billion
Value of NZ investments	\$5.8 billion or 16.2% of investments*
Return since inception (30 September 2003)	9.65% p.a.
Last 15 years	9.68% p.a.
Last 10 years	12.84% p.a.
Last 5 years	9.98% p.a.
Last 12 months	-2.18%
December 2018	-4.84%

Because of its weighting to growth assets, the Fund can experience large short-term movements. As a long-term investor we have a greater-than-average ability to withstand this volatility. Shifts in value from month to month must be seen in the context of the Fund's long-term purpose and performance.

Fund returns are unaudited and calculated before NZ tax and after costs. We consider tax paid as a return to the Crown.

\* The value given for NZ investments excludes cash and foreign exchange hedging instruments.

# Performance summary

- The Fund measures its performance in two ways:
  - relative to the NZ 90 day Treasury Bill return; and
  - relative to a passive [Reference Portfolio](#) benchmark.

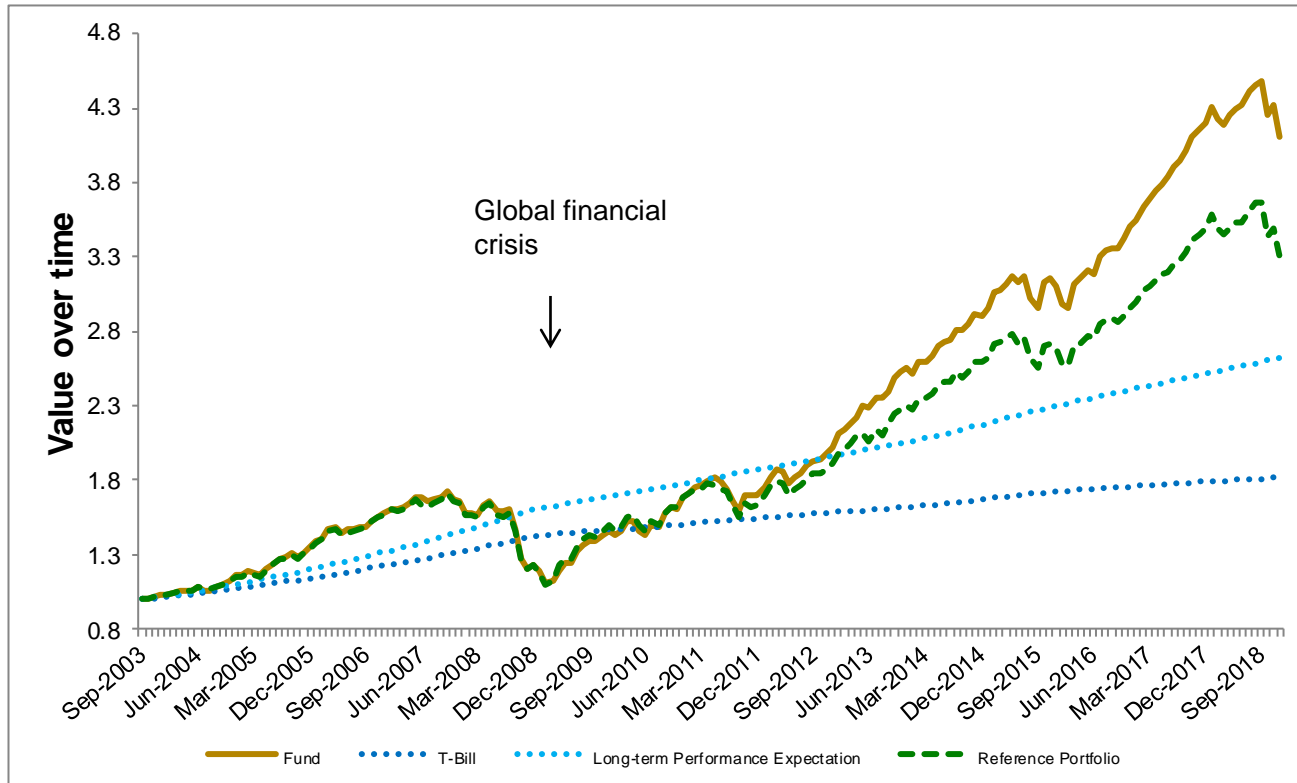
Performance as at 31 December 2018	December 2018	Last 12 months	Last 5 years p.a.	Last 10 years p.a.	Last 15 years p.a.	Since inception p.a.
Actual Returns	-4.84%	-2.18%	9.98%	12.84%	9.68%	9.65%
Reference Portfolio Return	-5.37%	-5.29%	7.42%	10.38%	8.09%	8.09%
Treasury Bill return	0.15%	1.67%	2.35%	2.51%	3.98%	3.98%
Long-term performance expectation*	0.37%	4.37%	4.99%	5.08%	6.51%	6.49%

\*Given the investment risk of the Fund, over the long-term (rolling 20 year periods) we expect to exceed the New Zealand Treasury Bill return by at least 2.7% p.a. (prior to 1 July 2015, 2.5% p.a.)

- For further information:
  - [Full list of monthly Fund returns](#)
  - [Previous monthly reports](#)

# Performance since inception

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



Since inception the Guardians have added \$21.0 billion to the Fund, compared to the [Treasury Bill return](#).

Over the same period, as illustrated by the gap between the brown and green lines, the Guardians' active investment strategies have added an estimated \$7.7 billion in value to the Fund, compared to the passive [Reference Portfolio](#) benchmark.

# Performance since inception

- The Fund's long-term performance expectation is that it will beat the Treasury Bill return by at least 2.7% (over rolling 20 year periods). Since inception, the Fund has exceeded the Treasury Bill return by 5.67% p.a.

Performance as at 31 December 2018	Since inception (30 September 2003)
Actual Fund return	9.65% p.a.
NZ Treasury Bill return	3.98% p.a.
Net Return (actual Fund return minus NZ Treasury Bill return)	5.67% p.a.
Estimated \$ earned relative to NZ Treasury Bills	\$21.015 billion
Reference Portfolio return	8.09% p.a.
Value added by active investment (actual Fund return minus Reference Portfolio return)	1.56% p.a.
Estimated \$ earned relative to Reference Portfolio	\$ 7.736 billion

# Fund size breakdown

	December 2018	Last 12 months	Last 3 years	Last 5 years	Last 10 years	Since inception
Contributions received	\$0.08 billion	\$0.93 billion	\$1 billion	\$1 billion	\$2.37 billion	\$15.88 billion
Returns (after fees and foreign tax, and before NZ tax)	\$(1.98) billion	\$(1.26) billion	\$8.9 billion	\$14.08 billion	\$28.15 billion	\$27.98 billion
NZ tax (paid) / received*	\$0 billion	\$(0.14) billion	\$(1.90) billion	\$(2.82) billion	\$(5.07) billion	\$(6.39) billion
Other movements**	\$0 billion	\$(0.01) billion	\$(0.05) billion	\$(0.02) billion	\$(0.07) billion	\$(0.05) billion
Closing Fund balance as at 31 December 2018	<b>\$37.42 billion</b>					

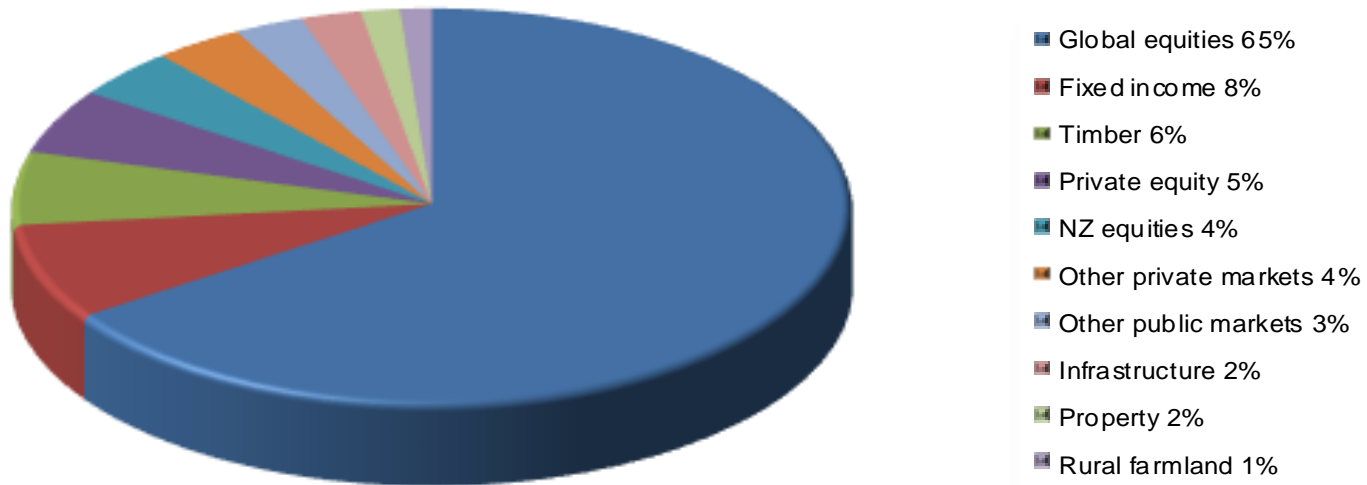
\* Tax 'received' covers any instances of refunds for overpayment of tax

\*\* Other movements relate to transactions other than tax paid or received e.g. tax expense, movements in reserves.

# 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 [www.nzsuperfund.co.nz/how-we-invest](http://www.nzsuperfund.co.nz/how-we-invest).

## Asset class exposures as at 31/12/18





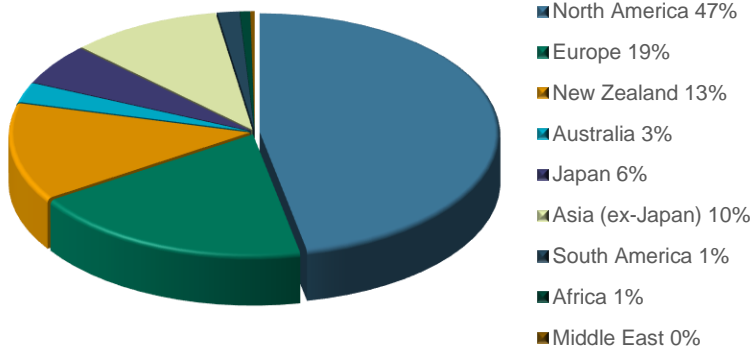
# Where we invest

- These graphs illustrate the Fund’s investments by geographic region.

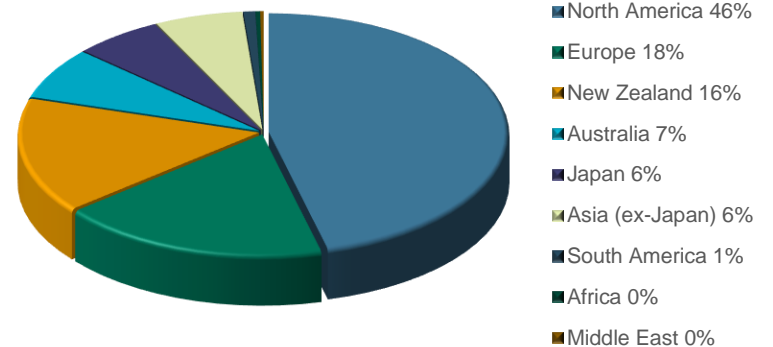
The left-hand analysis breaks down the Fund as a whole by economic **exposure**, again, excluding hedging instruments, as well as cash; collateral held to back derivative positions; and market neutral investments (e.g. arbitrage trades or hedge funds).

The right-hand analysis breaks down ‘investments’, as categorised in the statutory accounts, by their **value**, excluding foreign exchange hedging instruments such as FX contracts and cross currency swaps, plus investments in rural and forest land.

**Investments by economic exposure as at 31/12/2018**



**Investments by value as at 31/12/2018**



# Largest equity holdings as at 31/12/2018

NZ listed equities	Value \$NZm	% of Fund	International listed equities	Value \$NZm	% of Fund
<b>Metlifecare</b>	228.3	0.6%	<b>Microsoft</b>	318.0	0.8%
<b>Fisher &amp; Paykel Healthcare</b>	171.0	0.5%	<b>Apple</b>	316.6	0.8%
<b>Spark New Zealand</b>	141.8	0.4%	<b>Alphabet</b>	277.6	0.7%
<b>Auckland International Airport</b>	140.6	0.4%	<b>Amazon.com</b>	252.0	0.7%
<b>Meridian Energy</b>	106.4	0.3%	<b>Johnson &amp; Johnson</b>	215.1	0.6%
<b>a2 Milk Co</b>	104.1	0.3%	<b>Pfizer</b>	161.4	0.4%
<b>Contact Energy</b>	94.5	0.3%	<b>Verizon Communications</b>	146.4	0.4%
<b>Fletcher Building</b>	69.0	0.2%	<b>Procter &amp; Gamble</b>	143.6	0.4%
<b>Mercury NZ</b>	63.4	0.2%	<b>JPMorgan Chase</b>	134.9	0.4%
<b>Summerset Group Holdings Ltd</b>	61.3	0.2%	<b>Facebook</b>	128.5	0.3%

\* A full list of the Fund's equity holdings is published annually: see [www.nzsuperfund.co.nz/publications/annual-equity-listings](http://www.nzsuperfund.co.nz/publications/annual-equity-listings).

# Substantial Security Holdings

- A Substantial Security Holder (SSH) is a person with a relevant interest in 5% or more of the total voting securities of a public issuer. This table sets out the companies in which the Fund or related entities were Substantial Security Holders as at 30 November 2018.

Date last SSH filing made	Security name	Percentage holding at date of filing	Exchange
5-Apr-18	New Zealand King Salmon	6.5	New Zealand
3-Nov-14	Metlifecare	19.9	New Zealand