

TITLE:

# Monthly Performance and Portfolio Report – October 2014

AUTHOR:

Guardians of New Zealand Superannuation

EVENT | PRESENTATION:

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# Overview

- The Fund returned 1.47% in October 2014. As at 31 October 2014 the Fund was worth \$27.11 billion.

	As at 31 October 2014 (unaudited)
Fund size	\$27.11 billion
Value of NZ investments	\$3.8 billion or 15.09% of investments*
Return since inception (30 September 2003)	9.92% p.a.
Last 5 years	15.50% p.a.
Last 3 years	18.81% p.a.
Last 12 months	14.78%
October 2014	1.47%

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.

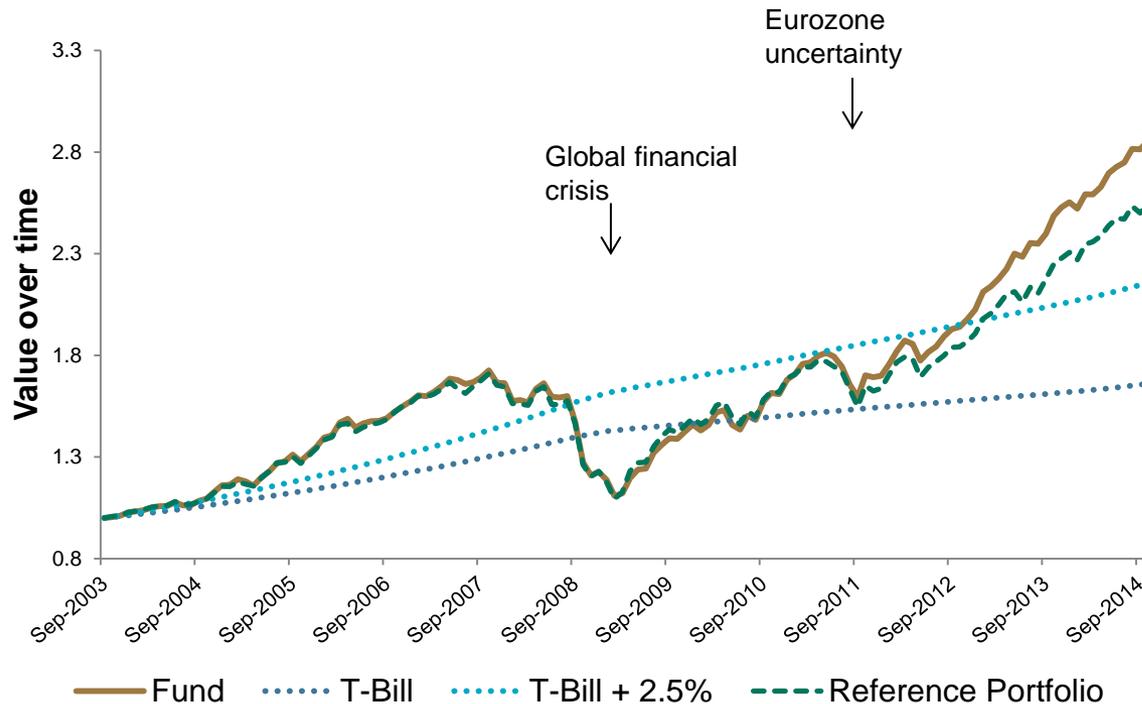
Given the investment risk of the Fund, over the long-term (rolling 20 year periods) we expect to exceed the New Zealand Treasury Bill return by at least 2.5% p.a.

Performance as at 31 October 2014	October 2014	Last 12 months	Last 3 years p.a.	Last 5 years p.a.	Since inception p.a.
Actual Returns	1.47%	14.78%	18.81%	15.50%	9.92%
Reference Portfolio Return	1.78%	12.65%	15.36%	12.27%	8.75%
Treasury Bill return	0.29%	2.91%	2.56%	2.63%	4.68%
Treasury Bill return + 2.5%	0.49%	5.41%	5.06%	5.13%	7.18%

- For further information:
  - [Full list of monthly Fund returns since inception](#)
  - [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 \$10.9 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 \$3.2 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 2.5% (over rolling 20 year periods). Since inception, the Fund has exceeded the Treasury Bill return by 5.24%.

Performance as at 31 October 2014	Since inception (30 September 2003)
Actual Fund return	9.92%
NZ Treasury Bill return	4.68% p.a.
Net Return (actual Fund return minus NZ Treasury Bill return)	5.24% p.a.
Estimated \$ earned relative to NZ Treasury Bills	\$10.949 billion
Reference Portfolio return	8.75% p.a.
Value added by active investment (actual Fund return minus Reference Portfolio return)	1.17% p.a.
Estimated \$ earned relative to Reference Portfolio	\$3.188 billion

# Fund size breakdown

	October 2014	Last 12 months	Last 3 years	Last 5 years	Since inception
Contributions received	\$0 billion	\$0 billion	\$0 billion	\$0 billion	\$14.88 billion
Returns (after fees and foreign tax, and before NZ tax)	\$0.38 billion	\$3.35 billion	\$11.47 billion	\$14.88 billion	\$16.57 billion
NZ tax (paid) / received*	\$0 billion	\$(1.07) billion	\$(2.20) billion	\$(3.01) billion	\$(4.36) billion
Other movements**	\$0.00 billion	\$0.04 billion	\$0.04 billion	\$0.05 billion	\$0.02 billion
Closing Fund balance as at 31 October 2014	<b>\$27.11 billion</b>				

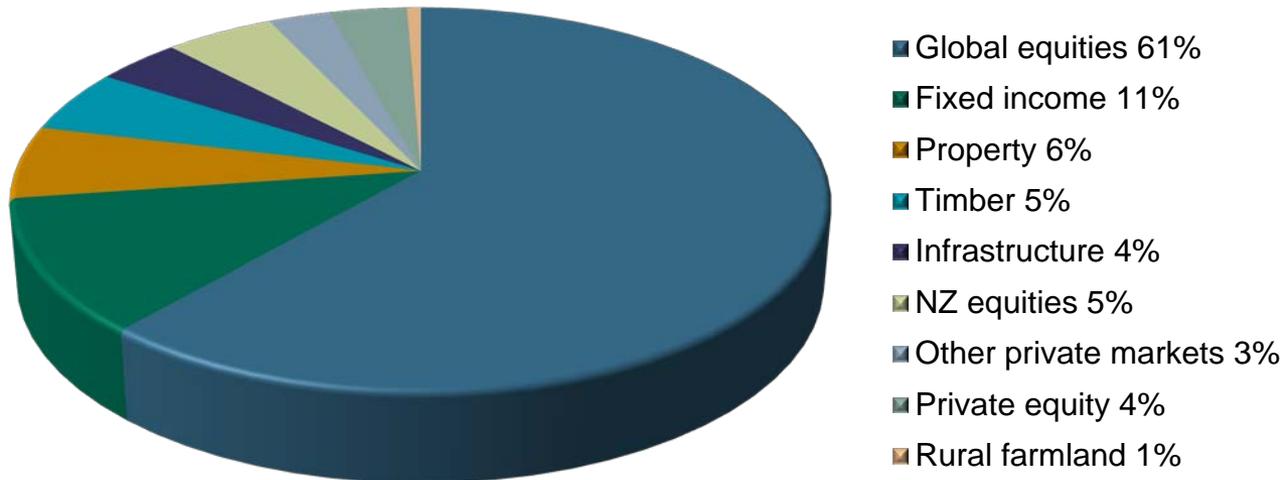
\* Tax 'received' covers any instances of refunds for overpayment of tax

\*\* 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 % 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 31/10/14



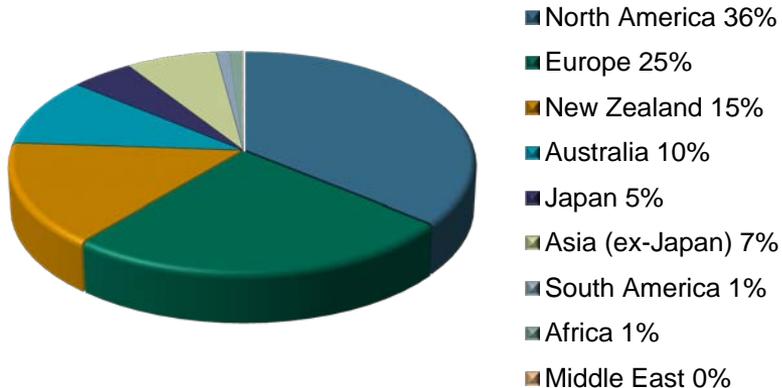
# Where we invest

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

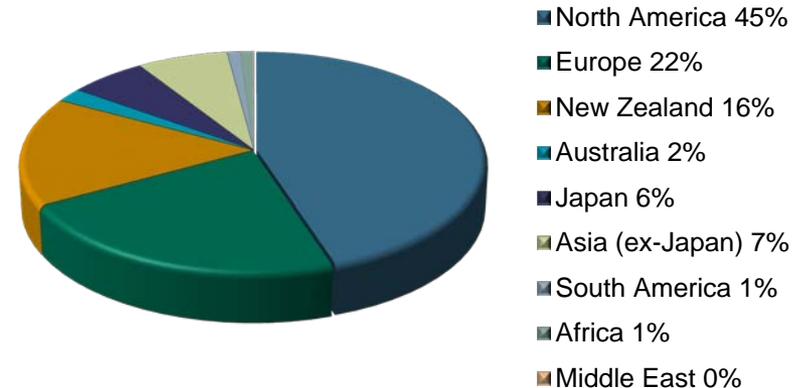
The left-hand analysis breaks down 'investments', as categorised in the statutory accounts, by their **value**, excluding foreign exchange hedging instruments such as FX contracts and cross currency swaps, plus investments in rural and forest land.

The right-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).

**Investments by value as at  
31/10/14**



**Investments by economic  
exposure as at 31/10/14**



# Largest equity holdings as at 31/10/2014\*

<b>NZ listed equities</b>	<b>Value \$NZm</b>	<b>% of Fund</b>	<b>International listed equities</b>	<b>Value \$NZm</b>	<b>% of Fund</b>
<b>Z Energy</b>	329.6	1.2%	<b>Apple</b>	133.4	0.5%
<b>Metlifecare</b>	181.7	0.7%	<b>Zurich Airport</b>	92.5	0.3%
<b>Fletcher Building</b>	142.4	0.5%	<b>Exxon Mobil</b>	83.9	0.3%
<b>Spark</b>	102.1	0.4%	<b>Microsoft</b>	75.3	0.3%
<b>Fisher &amp; Paykel Healthcare</b>	96.6	0.4%	<b>Simon Property Group</b>	70.6	0.3%
<b>Auckland</b>	80.4	0.3%	<b>Johnson &amp; Johnson</b>	65.3	0.2%
<b>Meridian Energy</b>	78.3	0.3%	<b>Verizon Communications</b>	60.7	0.2%
<b>Contact Energy</b>	58.6	0.2%	<b>Procter &amp; Gamble</b>	55.5	0.2%
<b>Ryman Healthcare</b>	54.3	0.2%	<b>Nestle</b>	54.9	0.2%
<b>Mighty River Power</b>	50.4	0.2%	<b>Wells Fargo &amp; Co</b>	54.4	0.2%

\* A full list of the Fund's equity holdings is published annually: see <https://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 31 October 2014.

Date last SSH filing made	Security name	Percentage holding at date of filing	Exchange
28-Feb-2014	Z Energy	20.00	New Zealand
25-Oct-2013	Metlifecare	19.90	New Zealand
29-Jul-2014	Scales Corporation. Note: our effective stake is 7.67%, comprising 6.25% held directly and 1.42% via Direct Capital IV Fund. (The filing includes other relevant interests held by Direct Capital).	18.05	New Zealand
3-Nov-2014	Skellerup Holdings	8.16	New Zealand
29-Aug-2014	Summerset Group Holdings	7.09	New Zealand
3-Nov-2014	Metro Performance Glass	6.99	New Zealand
3-Nov-2014	A2 Milk Co	6.26	New Zealand
7-Feb-2014	Tower	5.90	New Zealand
3-Nov-2014	Restaurant Brands	5.80	New Zealand
3-Nov-2014	Steel & Tube Holdings	5.77	New Zealand

# News

- [Independent Review of Guardians and Fund released](#)
- NZ Herald interview with CIO Matt Whineray – [“Long view boosts super fund”](#)