



Annual Report for the Financial Year Ended 30 June 2008

David May
Chairman

Adrian Orr
Chief Executive Officer

29 September 2008

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Outline of presentation

- What we do
- Highlights 2007/08
- Performance
- Credit crisis in perspective
- Looking forward

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What we do

- A buffer fund to assist in meeting the future rising cost of New Zealand Superannuation
- We invest Crown capital contributions in growth assets with a 20+ year horizon
- Our mandate:
 - Best-practice portfolio management,
 - Maximise return without undue risk, and
 - Avoid prejudice to New Zealand's reputation as a responsible member of the world community



What we do

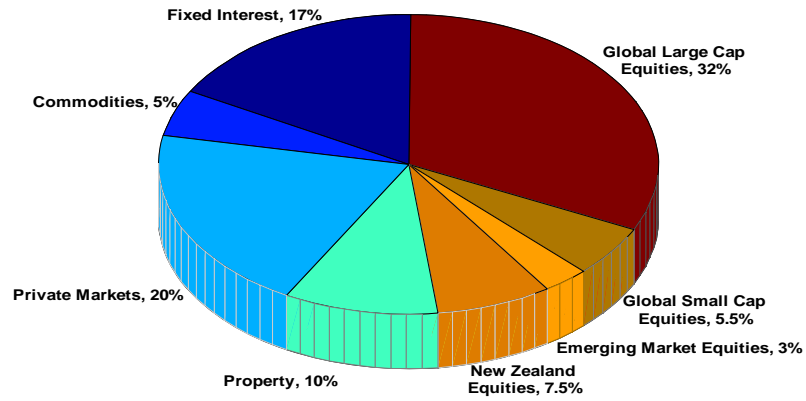
- a) Long-term focus – deliberate exposure to growth investments
- b) Select investment managers
- c) Invest in private markets – timber, infrastructure, property, private equity
- d) Substantially hedge our currency risk

We compare our performance against both the risk-free rate (90-day Treasury bill) and a 'passive equivalent' portfolio over 5-year periods



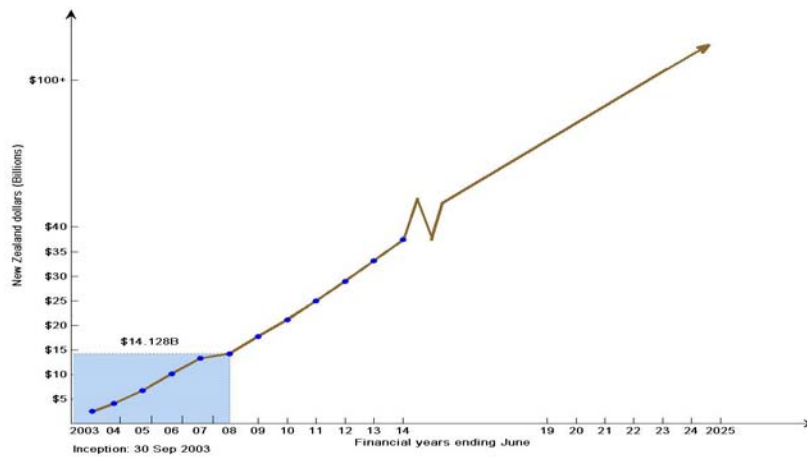
How we invest

- Our Strategic Asset Allocation



Source: New Zealand Superannuation Fund

Continued growth in Fund



Source: The Treasury

Highlights 2007/08: Fit for growth

- Strengthened organisation
 - People and capacities
 - Policies and procedures
 - Systems and Custodian
- Continued investment and review
 - Investment managers
 - Investments and diversification
- Leadership in responsible investment
- Developing a long-term competitive advantage and cost-efficiencies



Our performance

- Long-term focus
 - 5 year average 'on target'
- Deliberate growth exposure – volatility anticipated
- 2007/08 tough year for growth assets due to environment
- Despite no direct exposure to:
 - New Zealand finance companies
 - High global leverage
 - Sub-prime market collapse



Our performance

	Fund Return*	Treasury-bill**	Excess Return***
2003/04	7.7%	3.9%	3.8%
2004/05	14.1%	6.3%	7.8%
2005/06	19.2%	6.8%	12.4%
2006/07	14.6%	7.2%	7.4%
2007/08	-4.9%	8.0%	-12.9%
Five year average	10.3%	6.7%	3.6%

* Fund return is net of all costs before NZ tax

** T-bill is 90-day Treasury bill yield

*** Excess return is fund return – T-bill

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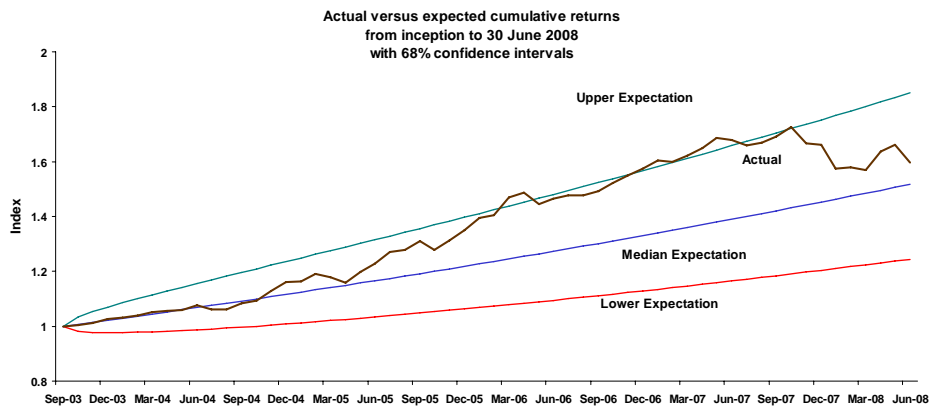
Our performance

Performance	September 2003- June 2008	FY2006/07	FY2007/08
Fund assets		\$13,128.1M	\$14,128.4M
Annualised rate of return (%)	10.34%	14.58%	(4.92%)
Annualised return in excess of risk-free (90-day Treasury bill rate)	3.49%	7.26%	(12.89%)
Annualised value-add relative to passive portfolio%	0.55% (approx \$300m)	1.51%	(0.19%)
Return on investment net of costs and before tax	\$3,297.5M	\$1,618.7M	(\$716.5M)

Our performance

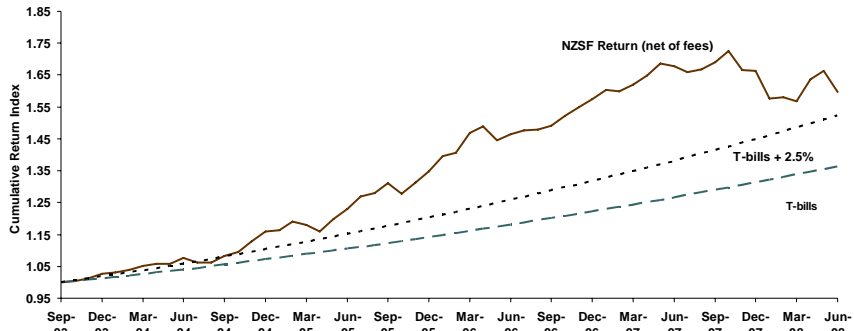
	% Fund	FY2007/08 Return*	Since inception (Sept 2003-June 2008)
Equities			
- New Zealand	6.8%	-23.4%	11.3%
- Global Large Cap	36.8%	-14.1%	10.8%
- Small Cap	6.0%	-19.9%	13.4%
- Emerging Markets	3.3%	7.6%	29.5%
Property	9.2%	-11.3%	10.1%
Commodities	5.3%	83.1%	17.3%
Private Markets	13.2%	-6.1%	10.7%
Fixed Interest	19.4%	10.7%	6.4%

How we performed



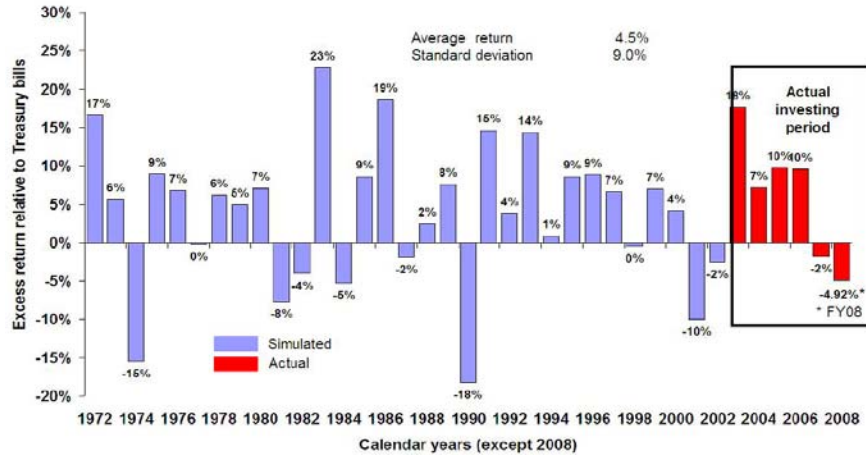
How we performed

Cumulative Fund Return Compared to T-bills and T-bills + 2.5%
from inception to 30 June 2008



How we performed (simulated and actual)

Simulated Fund historical returns

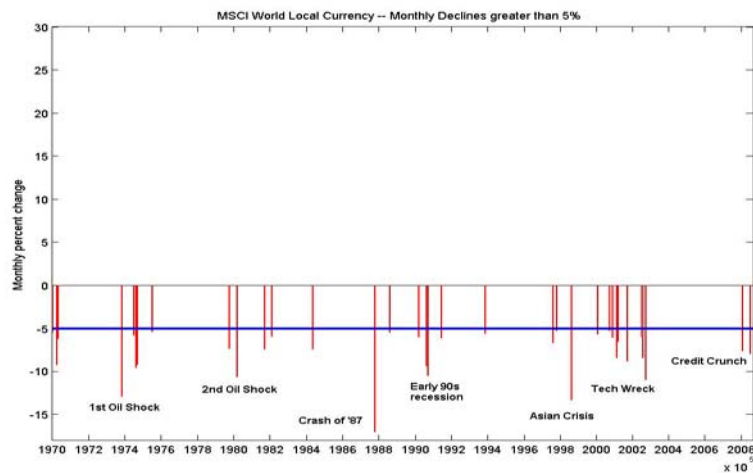


Most recent performance

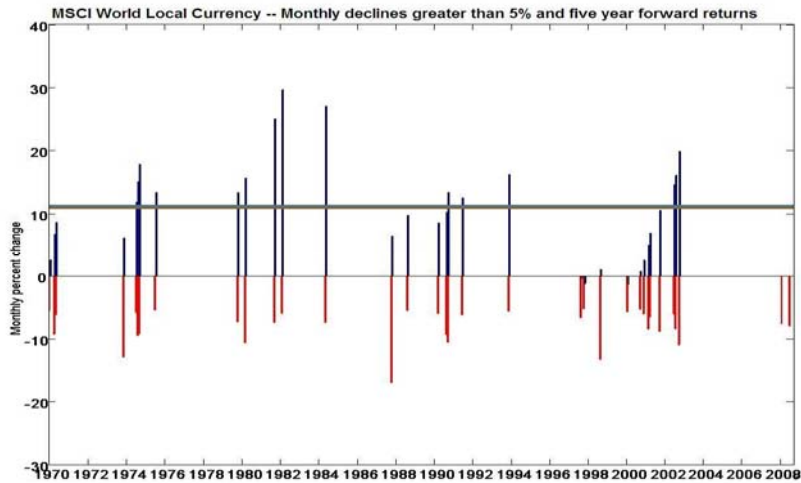
- Performance for July was -0.24% and for August 0.48%
- Year to date to end-August 0.23%
- September remains highly volatile

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The Credit Crunch in perspective

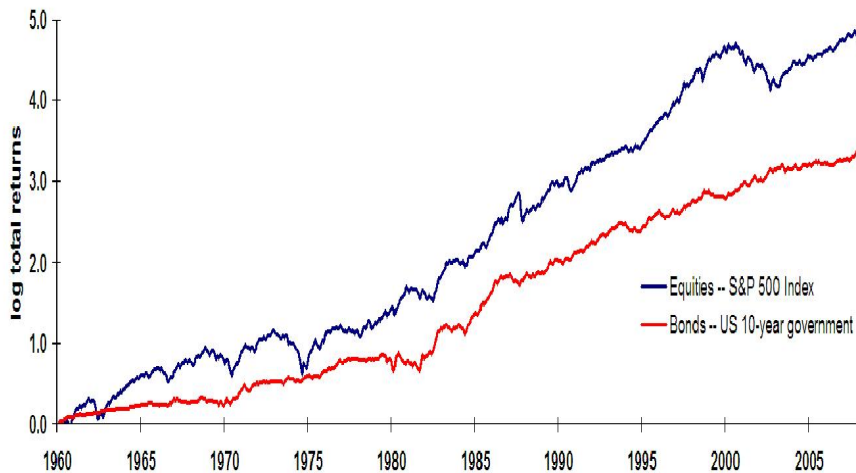


The Credit Crunch in perspective

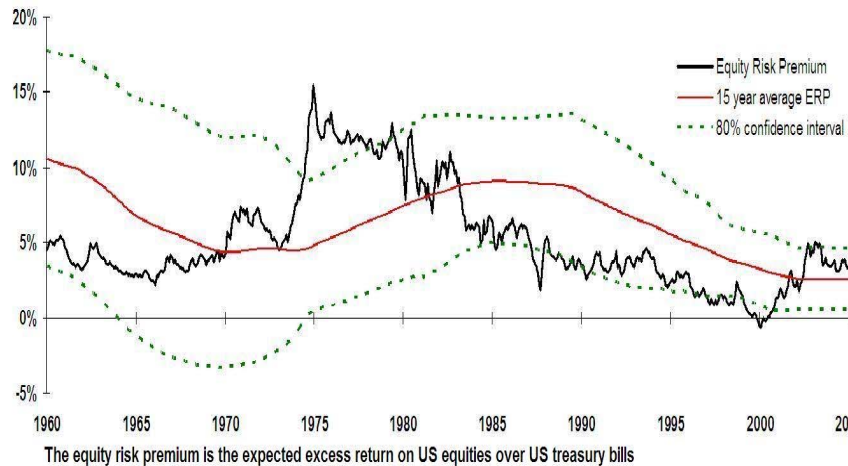


Opportunities for a long-term investor

US Equities v Bonds



Opportunities for a long-term investor



Responsible investment progress

- Invest without prejudice to New Zealand's reputation in the global community
- Our investment belief and best-practice portfolio management
- Progress on
 - UN PRI engagement
 - Voting and monitoring
 - Working with CFIs and wider UNPRI initiatives
 - Divestment issues

Looking forward

- Poor year after four good years
 - Within expected range volatility
 - Five year performance on target
- Well placed
 - Organisation
 - Team
 - Activities/research
- Opportunities good
 - Liquidity premium
 - Equity premium
- Confident in future for the Fund

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Additional Financial Information

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Financial Return above Risk-Free Rate*

	Risk-Free Rate	Fund Return	Total Earnings	Return above RFR
2003/04 <small>(30/09/03 – 30/06/04)</small>	5.3%	10.4%	\$239 million	\$117 million
2004/05	6.3%	14.1%	\$726 million	\$401 million
2005/06	6.8%	19.2%	\$1,429 million	\$931 million
2006/07	7.2%	14.6%	\$1,619 million	\$804 million
2007/08	7.7%	-4.9%	-\$716 million	-\$1,841 million
Since Inception	6.7%	10.3%	\$3,297 million	\$421 million

*Return figures are after costs and foreign tax paid.
Risk-free rate of return is measured as the yield on 90-day New Zealand Treasury Bills.
Prior year figures differ from those published due to the conversion to International Financial Reporting Standards in the current year.

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Asset Allocation: Current and Future Strategy

Asset Class	Actual As at 30 June 2008	Target Longer-term SAA*
New Zealand Equities	6.8%	7.5%
Global Large Cap Equities	36.8%	32%
Global Small Cap Equities	6.0%	5.5%
Emerging Markets Equities	3.3%	3%
Property (Global and New Zealand)	9.2%	10%
Private Markets**	13.2%	20%
Commodities	5.3%	5%
Fixed Interest	19.4%	17%

*SAA = Strategic Asset Allocation

**Private Markets typically include those assets that are either not traded on public exchanges or that are large, lumpy transactions requiring extensive due diligence. Examples include: timber, infrastructure, and private equity.

