

**PERFORMANCE AND PORTFOLIO UPDATE
TO 31 May 2011**

1. Headline results

Returns to 31 May 2011

Please note that **Returns** are after fees but before NZ tax paid. We regard NZ tax paid as a return to the Crown.

Fund Size therefore reflects the since inception combination of:

Contributions + Returns – NZ tax paid

The two tables on this page show:

- the Fund's headline returns for the month, FYTD and since inception; and
- we have expressed in \$ how the size of the Fund has changed since inception and what has contributed to that change (in this table we also show current month and FYTD data).

FUND SIZE AT 31 May 2011	\$19.22bn		
Return (annualised since inception)	Month 0.85%	2010/11 FYTD 26.34%	Since Inception 8.06%
Main factors influencing monthly return	Positive contribution from private market investments.		

FUND SIZE SINCE INCEPTION COMPRISED AS FOLLOWS

OPENING FUND BALANCE	\$0		
	Month	2011 FYTD	Since Inception
Contributions received		\$0bn	\$14.88bn
Plus Returns after fees	\$0.16bn	\$4.11bn	\$6.29bn
Less Tax (Paid) / Received ¹	(\$0.08bn)	(\$0.51bn)	(\$1.94bn)
Other movements ²		(\$0.01bn)	(\$0.01bn)
CLOSING FUND BALANCE AT 31 MAY 2011	\$19.22bn		

¹ Tax 'received' covers any instances of refunds for overpayment of tax.

² Movements relate to transactions other than tax paid or returns e.g. tax expense, movements in reserves.

2. Monthly Fund returns³

The following table outlines the monthly Fund returns since inception (30 September 2003).

<i>Month to</i>	<i>Absolute Return (after fees but before tax)</i>	<i>Excess Relative to Treasury Bills</i>	<i>Size of Fund (NZD millions)</i>
2003/4 YEAR	7.69%	3.76%	\$3,985.4
2004/5 YEAR	14.13%	7.71%	\$6,613.5
2005/6 YEAR	19.20%	12.30%	\$10,108.7
2006/7 YEAR	14.58%	7.26%	\$13,149.5
2007/8 YEAR	(4.92%)	(12.89%)	\$14,128.4
2008/9 YEAR	(22.14%)	(27.63%)	\$13,352.6
2009/10 YEAR	15.45%	12.85%	\$15,625.2
July 2010	4.76%	4.55%	\$16,443.5
August 2010	(1.37%)	(1.61%)	\$16,212.5
September 2010	6.11%	5.85%	\$17,209.3
October 2010	2.66%	2.41%	\$17,664.2
November 2010	(0.38%)	(0.62%)	\$17,429.0
December 2010	4.42%	4.17%	\$18,209.4
January 2011	1.61%	1.35%	\$18,466.4
February 2011	3.00%	2.73%	\$18,995.9
March 2011	0.41%	0.16%	\$18,822.2
April 2011	1.82%	1.61%	\$19,148.3
May 2011	0.85%	0.63%	\$19,224.4
FYTD 2011	26.34%	23.65%	\$19,224.4
<i>Since inception (30 September 2003) on an annualised basis</i>	8.06%	2.43%	\$19,224.4

³ Note that we use a time-weighted approach to measure returns. This method is appropriate for measuring our performance as it eliminates distortion of the returns caused by inflows and outflows of cash which are beyond our control – i.e. contributions and, later, withdrawals by the Government. The benchmarks against which we measure our performance are built on the same basis.

However this does mean it can be difficult to reconcile time-weighted return figures with the changes in the size of the Fund since inception. This is because under time-weighting the % performance of the Fund in the later stages of its life cycle – when it has more money under management – has more of an impact than % performance in the earlier part of the Fund's life when it had less money under management.

3. Asset Allocation

This table shows the Fund's total economic exposure, in NZD, to each asset class as at month end. The table's role is to help interested parties to understand the potential sources of influence on movements in the size of the Fund. For instance, as a growth-oriented Fund there is a significant exposure to equities. Any degree of volatility in equities markets will therefore likely have a material impact on the Fund. Conversely, even large fluctuations in private equity valuations will have a lesser impact. We note that as a long-term Fund, *short-term fluctuations of any size or impact are of very limited relevance*.

But while the table should assist understanding of likely influences on the Fund, it **cannot** be used as an analysis of what actually happened in the preceding month (which is summarised on page one). That is because, as overall exposures to asset classes, each category includes direct exposures and indirect exposures (e.g. via derivatives) to that asset class. Each of these different types of exposure has a different impact on Fund returns.

The Fund's total economic exposure to asset classes at 31 May 2011 was as follows:

Mandates	NZD Value as at 31 May 2011	Percentage of Fund Value
New Zealand Equity	\$ 1,018.6	5.3%
Private Equity	\$ 229.0	1.2%
International Fixed Income	\$ 2,158.0	11.2%
New Zealand Fixed Income	\$ 24.4	0.1%
Global Listed Property	\$ 818.1	4.3%
New Zealand Property	\$ 242.7	1.3%
Infrastructure	\$ 1,835.0	9.5%
Global Equities	\$ 11,579.2	60.2%
Timber	\$ 1,245.7	6.5%
Other Private Markets	\$ 483.6	2.5%
Cash, Collateral and FX hedges		
<p>Note that while there is often volatility in this line, it has little significance to Fund performance. That is because the movements in this line are predominantly short-term 'noise' caused by one, some or all of:</p> <ul style="list-style-type: none"> • increases or decreases in our cash holdings (usually as a consequence of other investment activity) • profits or losses on foreign exchange contracts used for currency hedging • increases or decreases in derivative contracts. 		
	(\$ 409.9)	-2.1%
Total	\$ 19,224.4	100.0%

At the end of May 2011, the Fund foreign currency exposure was approximately 63.5% hedged back to NZD.

NB: From 1 July 2007 the New Zealand Superannuation Fund has applied New Zealand International Financial Reporting Standards (NZ IFRS), under which listed securities are valued based on the end of day bid price on the relevant exchange. In line with common market practice, performance continues to be reported based on last sale price.

4. International and New Zealand Top 10 Holdings by Market Value

The Fund's 10 largest holdings in New Zealand and International listed equities* at 31 May 2011 were as follows:

	Value as at 31 May 2011 (NZD m)	Percentage of Fund Value
<u>New Zealand</u>		
Auckland International Airport	305.2	1.6%
Fletcher Building	147.9	0.8%
Telecom Corp of New Zealand	112.7	0.6%
NZ Refining Company**	106.1	0.6%
Contact Energy	102.6	0.5%
Sky City Entertainment	60.5	0.3%
Sky Network Television	44.2	0.2%
Infratil Ltd	36.8	0.2%
Fisher & Paykel Healthcare	35.3	0.2%
Ryman Healthcare	28.2	0.1%
<u>International</u>		
Transurban Group	292.0	1.5%
ConnectEast Group	226.6	1.2%
Flughafen Zuerich (Zurich Airport)	204.3	1.1%
Norfolk Southern Corp	79.3	0.4%
Union Pac	77.8	0.4%
Frankfurt Airport Services	52.3	0.3%
Copenhagen Airport	32.2	0.2%
Simon Property Group	32.1	0.2%
Vienna International Airport	30.6	0.2%
Sun Hung Kai Properties	27.4	0.1%

*From 31 January 2010 we have changed the way we report these securities. Prior to that date the monthly reports contained the top 10 holdings aggregated only from our domestic and international equity mandates. The Fund holds equity securities in other mandates too, particularly Infrastructure, and the new format takes those securities into account. Where securities are held on more than one exchange or different security classes are held, holdings may not be consolidated. A full list of all the Funds equity holdings is updated annually. The 2010 list can be found at <http://www.nzsuperfund.co.nz/files/Full%20Equity%20List%20at%2030%20June%202010.pdf>

**This represents our holdings in NZR comprising direct holdings and our 50% shareholding in Aotea Energy Holdings Limited – the ultimate holding company of Aotea Energy Limited.

5. Substantial Holdings

The following table shows those securities in which the Fund was a Substantial Security Holder (SSH) at 31 May 2011. The table shows the date the last SSH filing was made and the percentage holding as at the time of that filing.

File Date	Security Name	Percentage	Exchange
13-May-11	Skellerup Holdings	5.03	NZ
13-Oct-06	Flughafen Zurich	5.05	Switzerland
29-Oct-10	ConnectEast Group	9.21	Australia
28-Jan-10	Auckland International Airport	10.11	NZ
26-Mar-10	NZ Refining Company	17.34	NZ