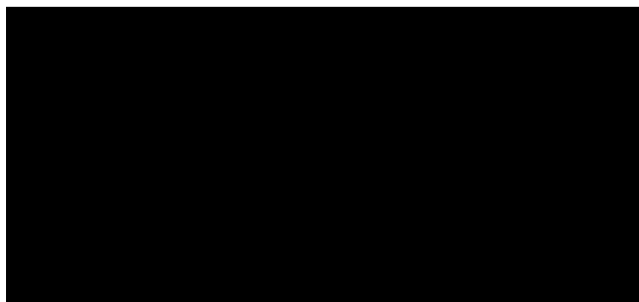


22 March 2017



REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your request dated **14 March 2017** made pursuant to the Official Information Act 1982 ("**OIA**").

Your Request

You have requested information relating to:

- whether it is true that the New Zealand Superannuation Fund since its inception only trivially outperformed the New Zealand share market as Michael Reddell claimed in a recent blog?

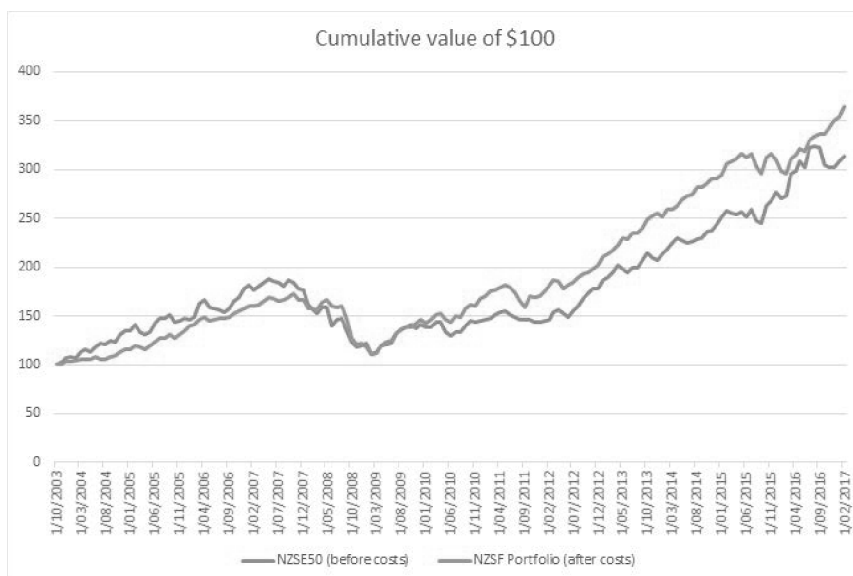
Your request was made in the context of your view that “people might better understand the value offered by the New Zealand Superannuation Fund if they could compare it to the performance of their KiwiSaver”.

Our Response

The NZX50 is not a valid benchmark against which to compare the performance of the New Zealand Superannuation Fund (“the Fund”). This is because:

- the Fund is globally diversified, in line with its legislative requirement to be invested in a prudent and commercial manner;
- the Fund has a Reference Portfolio which is comprised of 80% growth assets, 20% fixed income – a globally diversified portfolio. The NZX50 is by definition 100% growth assets (shares); and
- it would not be practical for the Fund to be invested wholly in the NZX50. In addition to the considerations noted above, the Fund is currently worth around NZ\$35 billion – just under half the capitalisation of the NZX50.

In the interests of transparency and accurate public debate, we confirm that Mr Reddell’s claims are not true. Since its inception in 2003, the New Zealand Superannuation Fund (after costs) has exceeded the NZX50 index by around 1.2% p.a. or an estimated \$7 billion. This is not a trivial amount. The following chart illustrates the same:



Performance vs. Kiwisaver Funds

In regards to your point about relating the performance of the NZ Super Fund to that of Kiwisaver funds, the below table compares Eriksen & Associates' analysis of the performance of Kiwisaver Growth funds for the year ended 31 December 2016 with our estimate of the Fund's after tax returns for comparable periods. Eriksen & Associates' Master Trust Surveys, an extract from which is also reproduced below, are publicly available at: <http://www.eriksensglobal.com/resources/master-trust-survey/>.

	1-year	2-year	3-year	4-year	5-year
Growth funds (as per Eriksen analysis)	7.1%	6.5%	7.3%	8.6%	9.3%
NZSF (returns are unaudited, after costs and estimated based on an average effective tax rate)	10.0%	7.4%	8.4%	11.1%	11.7%

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
			%				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Aggressive	240.6	6.9	4.7	6.2	7.9	8.9
AMP	ANZ Growth	2.7					
AMP	ASB Growth	0.7					
AMP	Growth	185.3	6.3	4.4	5.8	7.2	8.0
AMP	Nikko AM Growth	2.8					
Aon	Growth	11.5	4.2	5.2	7.2	9.0	10.7
ASB	Growth	292.2	7.3	7.7	8.3	10.1	10.3
Fisher Funds	LifeSaver Growth	61.9	5.8	6.0	7.5	8.8	9.5
Mercer	Growth	108.2	7.3	6.9	7.8	8.8	9.0
Mercer	High Growth	19.0	7.8	7.6	8.6	10.2	10.4
SuperLife	Aim80	20.7	6.4	6.8	7.1	6.8	8.1
SuperLife	SuperLife80	10.5	8.0	7.8	7.7		
SuperLife	SuperLife100	335.5	7.7	7.7	7.8		
All Growth Funds		1,291.7	7.1	6.5	7.3	8.6	9.3

We note that investment returns are a function of risk and that we do not have any insights in to the risk profiles of the funds listed above – some may be taking more and some less risk than the Fund. Similarly, given the differences in scale and liquidity, comparisons between the Fund and Kiwisaver funds are inherently problematic. We also choose to focus on Fund returns before New Zealand tax, as we consider tax to be a return to the Crown. For these reasons we do not pursue the comparisons publicly to any great extent and provide them here in the interest of completeness.

We have provided this information previously in response to 2015 questions on this matter from the Commerce Select Committee: see <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%20Commerce%20Select%20Committee%20Written%20Questions%20128-135.pdf>


For further information on the New Zealand Super Fund's benchmarks and appropriate peer comparators (CEM benchmarking) please see:

- <https://www.nzsuperfund.co.nz/performance/investment>
- <https://www.nzsuperfund.co.nz/performance/cost>

General

We have not withheld any information, but if you are dissatisfied with our response you may contact the Office of the Ombudsman at <http://www.ombudsman.parliament.nz/>.

Yours sincerely



David Iverson
Head of Asset Allocation