



NZSUPERFUND

*Te Kaitiaki Tahua Penihana
Kaumātua o Aotearoa*

TITLE:

Guardians of New Zealand Superannuation

2024/25 Review

AUTHORS:

John Williamson (Chair), Jo Townsend (CEO), Brad Dunstan (co-Chief Investment Officer)

EVENT | PRESENTATION:

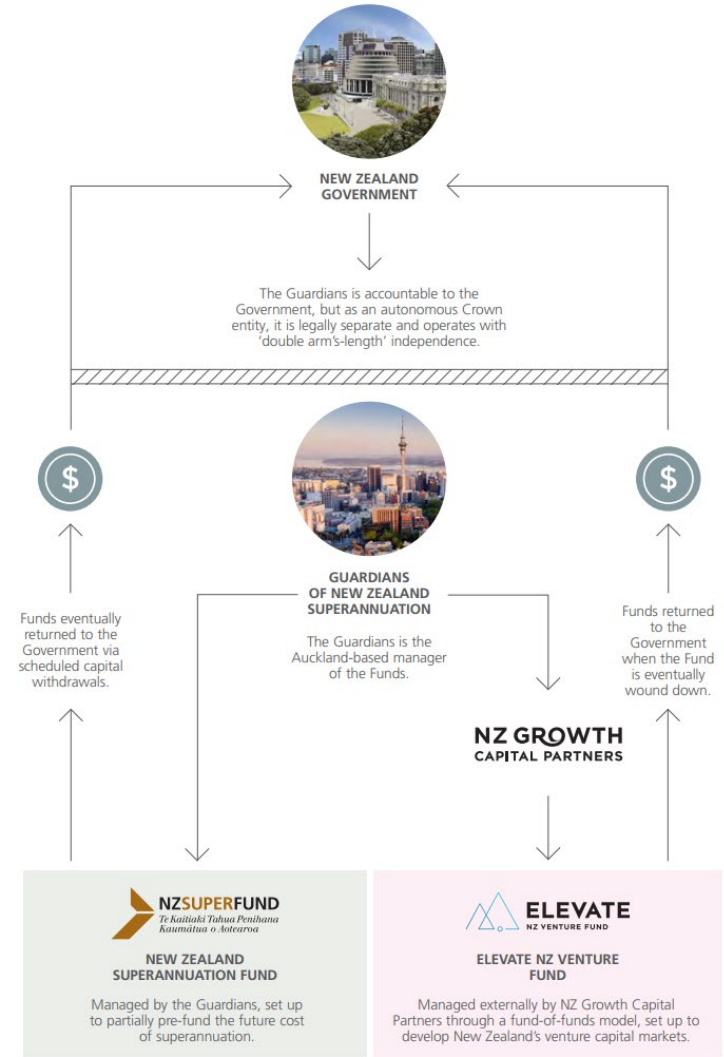
Finance & Expenditure Select Committee, 17 December 2025

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The Guardians' Mandates

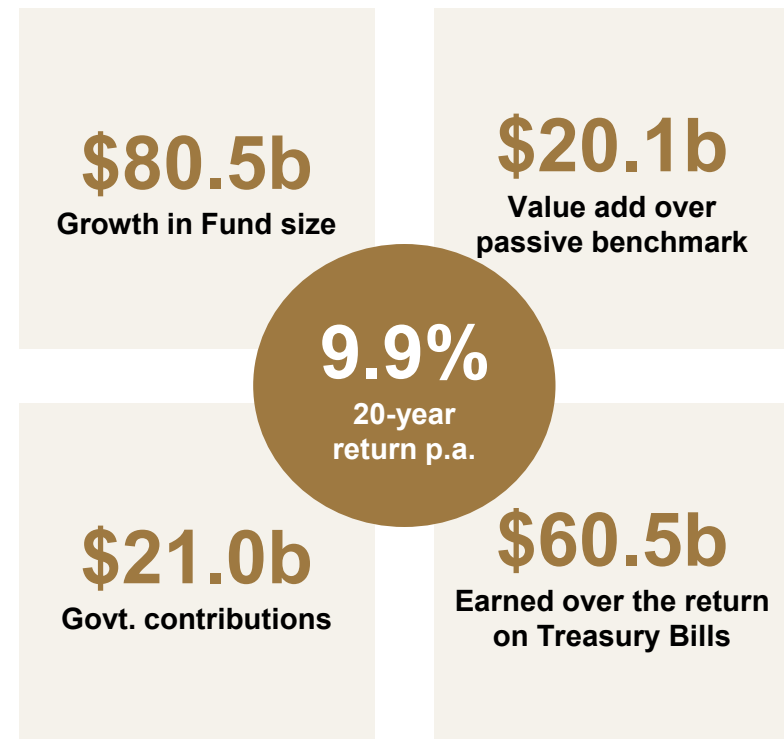
- **NZ Super Fund Mandate** (the NZ Superannuation and Retirement Income Act 2001):
 - The Guardians must invest the NZ Super Fund on a prudent, commercial basis and must manage it in a manner consistent with:
 - Best-practice portfolio management;
 - Maximising return without undue risk to the Fund as a whole; and
 - Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.
 - **Elevate NZ Venture Fund Mandate** (the Venture Capital Fund Act 2019):
 - The Guardians must invest the venture capital fund in New Zealand's venture capital markets using best-practice investment management that is appropriate for institutional investment in those markets. It must manage and administer the fund in a manner consistent with:
 - The policy statement; and
 - Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.



Overview of the NZ Super Fund

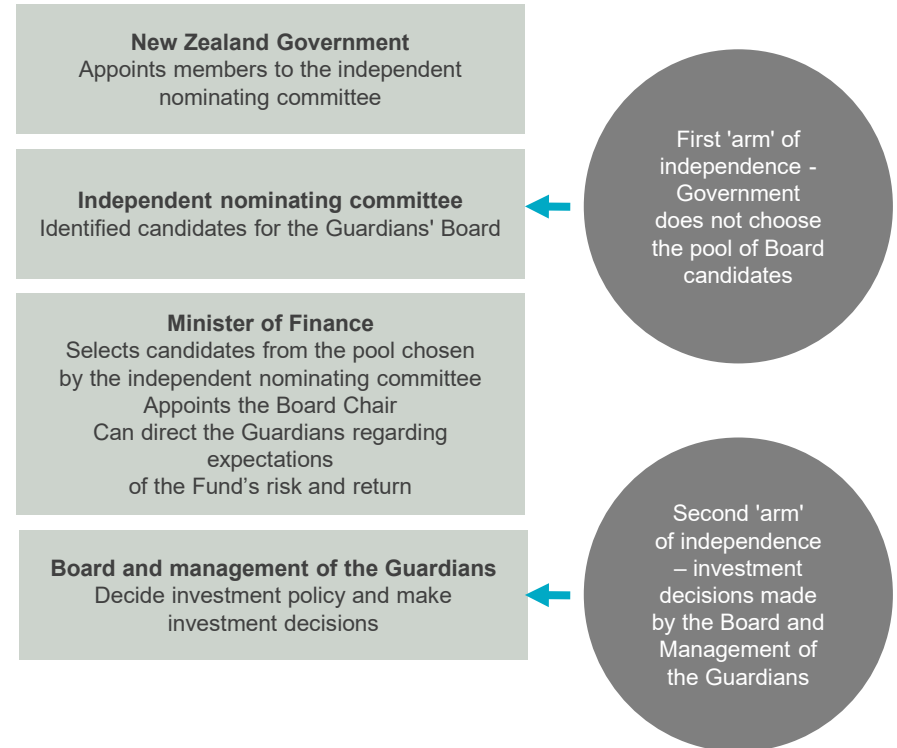
- New Zealand's Sovereign Wealth Fund
- Established in 2001 to help the Government meet the future cost of universal superannuation as New Zealand's population ages
- The Fund has a single purpose. Withdrawals may only be used for the purpose of paying NZ superannuation
- Secondary objectives for the Fund (such as improving social outcomes or the performance of the domestic economy) are not within scope
- The Fund began investing in 2003

NZ SUPER FUND 20-YEAR PERFORMANCE TO 30 SEPT 2025



Legislative framework

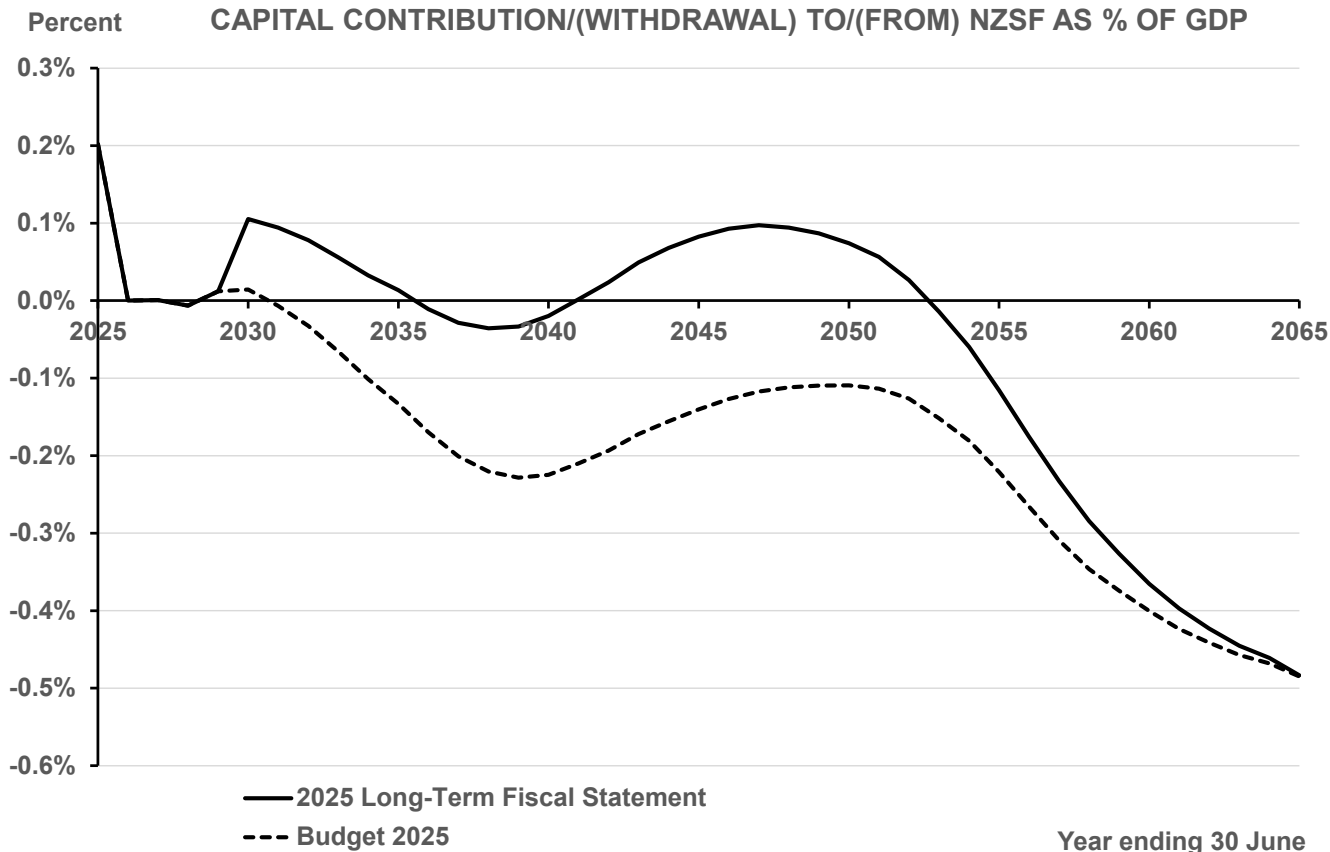
- The Fund and the Guardians of New Zealand Superannuation (**Guardians**), the manager of the Fund, were established by the New Zealand Superannuation and Retirement Income Act 2001 (**NZS Act**)
- The Guardians is an autonomous Crown entity, legally separate from the Crown and designed to operate independently from the Government
- The Fund is not a legal entity – it is a pool of ring-fenced assets on the Crown balance sheet
- The NZS Act includes a process for political parties to commit to the Act's provisions relating to the Fund and the Guardians. If the Government of the day proposes to amend those provisions, it must consult with other political parties that have committed to those provisions before it does so



The Contributions Model

- The NZS Act 2001 sets out the formula for calculating contributions and withdrawals
- Key inputs:
 - expected nominal GDP and net (of tax) cost of superannuation over next 40 years
 - size and projected returns of the NZ Super Fund
- Contributions and withdrawals are calculated by Treasury and updated in May via the Budget Economic and Fiscal Update (BEFU) and in December via the Half-Year Economic and Fiscal Update (HYEFU).
- Model outcomes can change significantly between updates due to changes to Fund size, expected Fund returns, GDP and the estimated cost of NZ Superannuation (which is influenced by population forecasts).
- New demographic forecasts in the **Long-Term Fiscal Statement** resulted in changes:
 - increased longevity and falling birthrates mean the demographic challenge is growing
 - the government will need to contribute more than previously projected
 - The NZSF contributions model will be updated in December 2025 at the HYEFU – this will likely be closer to the Long-Term Fiscal Statement track than to BEFU 2025

Changes to NZSF contribution requirements as a result of new demographic forecasts



Estimated Government contributions are shown above the horizontal 0% line; withdrawals are shown below.

By 2065 the Fund (through withdrawals and domestic tax) will be covering around 20% of the total cost of NZ Super

Contributions Model – the next 10 years

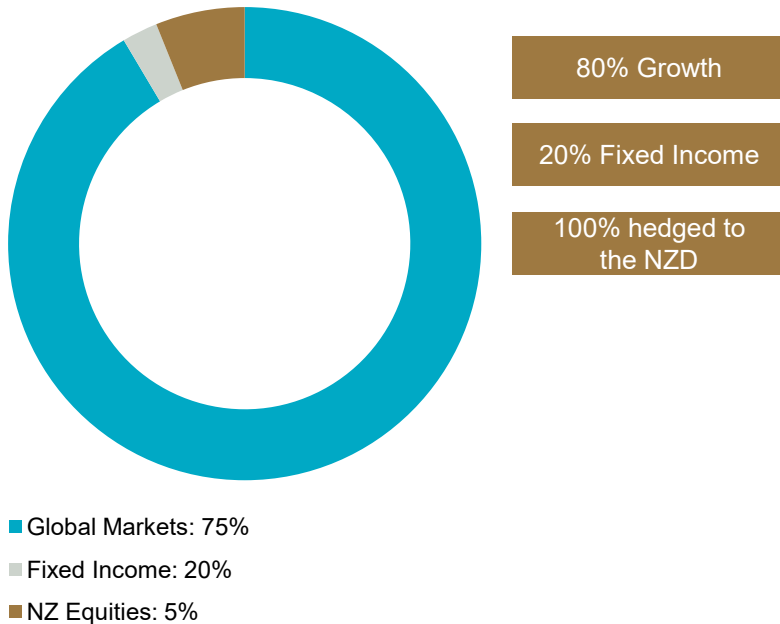
- On a net basis (i.e. including tax paid) the Fund now is paying more to the Government each year than it is receiving
- Over the 10 years from 1 July 2026, Treasury estimates:
 - the Government will contribute a total of \$2.2 billion to the Fund.
 - the Fund will pay \$21.6 billion in domestic tax.
 - the Fund will grow to be worth more than \$150 billion.
- The Fund's strong investment performance has reduced the amount of required Government contributions
- A major market shock could see the Fund size decrease and increase the need for Government contributions, as could a reduction in estimated forward returns

Our Endowments (competitive advantages)

- **Long investment horizon** - we have the ability to invest in illiquid assets and to ride out short-term market movements
- **Operational independence** - Fund investments are made on a purely commercial basis
- **Sovereign status** - this allows us to pay lower tax in some jurisdictions and is often favourably regarded by business partners
- **Governance structure** - The Guardians is designed to operate at arms' length from government
- In combination, these advantages, which stem from the way the Fund has been set up, optimise our ability to generate superior investment returns for the Fund

How we Invest: the Reference Portfolio

A passive, notional 'Reference Portfolio' benchmarks the performance of the Fund's Actual Portfolio and the value we are adding to the Fund through active investment strategies.



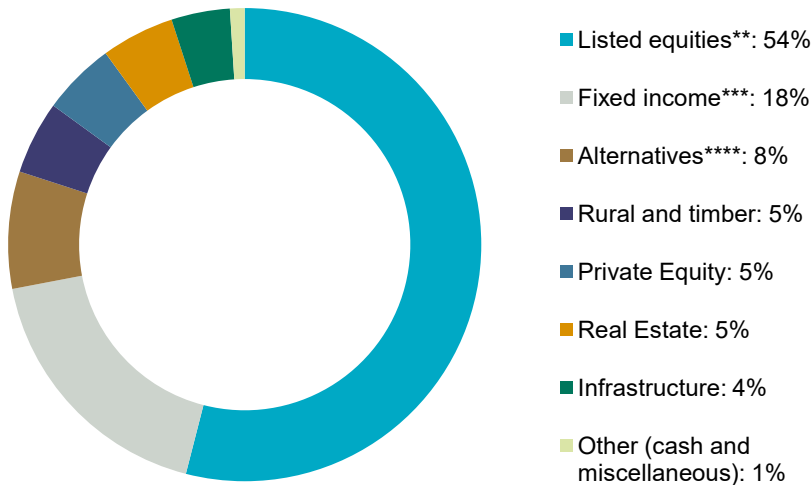
A review of the Reference Portfolio composition is currently underway

- We expect we will continue to use the same asset classes (global equities and global fixed income)
- The review may lead to a change in our estimate of the Fund's long-term equilibrium returns, which is one of the inputs into the legislated model used to determine Government contributions to and withdrawals from the Fund

Portfolio Construction

Passive Investments + Active Investments = Actual Portfolio

NZ SUPER FUND ASSET ALLOCATION AS AT 30 JUNE 2025*



Examples of active investments

- Vast majority of our NZ investments: listed equities, growth capital, timber, rural land, property investments and private companies
- Strategic Tilting (dynamic asset allocation programme)
- Private Credit
- Overseas investments in Longroad Energy, Euroclear
- Investments via international fund managers in infrastructure, climate innovation/energy transition, data centres, property, timber

* Excludes the impact of any strategic tilts.

** 3% Emerging Markets, 4% New Zealand, 47% Developed Markets.

*** 3% corporate debt securities, 5% other, 10% Treasury.

**** Includes hedge funds and other liquid alternatives exposures.

Investment Performance (provisional and unaudited as at 30 Sept 2025)

	Since inception	Last 20 years	Last 10 years	Last 5 years	Last year	Quarter to 30 Sept 2025
Actual Fund Returns (before tax, after costs)	10.23%	9.85%	11.24%	11.60%	11.83%	5.37%
Reference Portfolio Return	8.84%	8.37%	9.76%	9.51%	11.08%	6.19%
Value-Added (Actual Return – Reference Portfolio Return)	1.38%	1.48%	1.48%	2.09%	0.75%	-0.82%
Estimated \$ earned relative to Reference Portfolio	\$20,381m	\$20,124m	\$10,299m	\$7,525m	\$599m	(\$693m)
Government contributions	\$27,433m	\$20,993m	\$12,551m	\$9,061m	\$659m	\$0m
NZ income tax (paid)/ recovered	(\$12,696m)	(\$12,446m)	(\$8,306m)	(\$5,385m)	(\$1,603m)	(\$1,550m)
Net Government contributions	\$14,737m	\$8,547m	\$4,245m	\$3,676m	(\$944m)	(\$1,550m)
NZ Treasury Bill (T-Bill) Return	3.55%	3.32%	2.36%	3.13%	4.01%	0.83%
Net Return (Actual Return – T-Bill Return)	6.68%	6.53%	8.88%	8.46%	7.82%	4.54%
Estimated \$ earned relative to T- Bills	\$62,197m	\$60,488m	\$47,581m	\$28,408m	\$6,223m	\$3,813m
\$ change in net asset position	\$88,062m	\$80,457m	\$59,959m	\$40,598m	\$8,573m	\$3,010m

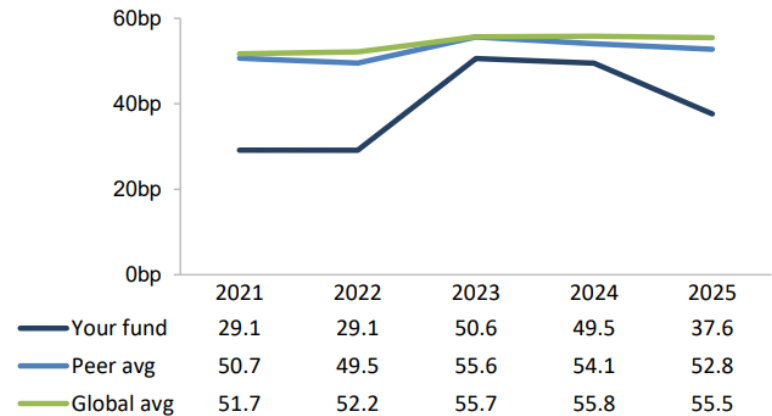
Returns for periods longer than one year are annualised.
 Excludes provisions for New Zealand tax.

Cost Performance

CEM Benchmarking assessed the Fund’s performance against 237 global funds with total AUM of \$17.7 trillion

- CEM’s cost benchmarks are based on median costs for peer funds, adjusted for fund size and asset mix. CEM’s report for the five years to 30 June 2025 calculated our benchmark cost at 47.4bps against our actual cost of 37.6bps
- Over the past five years, the Fund’s costs have consistently been less than both the average for our peer funds and the global fund average

Trend in total investment cost
(excluding transaction costs and private asset performance fees)



Trend analysis is based on 196 Global funds and 18 peer funds with 5 or more consecutive years of data.

2024 Statutory Review Outcomes

Recent review found the Guardians is operating at global best practice levels.

- Independent Review commissioned by the Minister of Finance (required by legislation)
- Undertaken by Willis Towers Watson, international investment consultancy
- Terms of Reference included:
 - reviewing the appropriateness of, and compliance with, the policies, standards and procedures of the New Zealand Superannuation Fund
 - an evaluation of the investment performance of the Fund overall, with a focus on operational and investment processes
- Overall assessment
 - Business model: AA Excellent
 - Governance model: AA Excellent
 - People model: AA Excellent
 - Investment model: AAA Exceptional
 - Systems model: A Very good
- Now working through Willis Towers Watson’s recommendations including determining how we will mature our sustainable investment model

Investing in New Zealand

- We have increased the amount of capital deployed in New Zealand at a greater rate than the growth of the New Zealand economy
- As the Fund grows, finding suitable investments of a scale that will make a material difference to the Fund's performance is becoming more challenging.
- We continue to seek investment opportunities in New Zealand that meet our investment criteria; focus areas include infrastructure, real estate and large scale, opportunistic private market investments
 - Through the Taranaki Offshore Partnership we are undertaking feasibility studies on a \$5 billion offshore wind farm in partnership with Copenhagen Infrastructure Partners
- It is important to note that over time we will sell as well as buy New Zealand assets, in order to maximise overall Fund returns.



Sustainable Investment

We incorporate sustainability considerations into investment decision-making and support the development of a sustainable financial system

- We incorporate environmental, social and governance factors into investment decisions, with the intention of advancing sustainability whilst fulfilling our financial purpose.
- We consider the impact of environmental, social and governance factors on our investments
- We consider the impact of our investments on society and the environment
- We work with others to overcome barriers to a sustainable financial system
- e.g. One Planet Sovereign Wealth Fund initiative - established to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools
- We have explicitly integrated Sustainable Investment into our organisational purpose statement: “Sustainable investment driving strong returns for all New Zealanders”

Climate Change Investment Strategy

We view climate change as a systemic risk to markets – and a major opportunity for long-term investors.

RI EXCLUSIONS AND CARBON REDUCTIONS HAVE NOT MATERIALLY AFFECTED INVESTMENT RETURNS

- We have achieved our 2025 carbon reduction targets
- New 2030 targets have been set based on a globally accepted methodology
- We integrate climate change into investment assessments and reviews
- We engage with companies and vote in line with our climate change strategies
- We invest in climate solutions to support the transition to a low-carbon, climate-resilient economy

Elevate NZ Venture Fund



We oversee NZ Growth Capital's management of the Elevate Fund

- Elevate exists to support the development of NZ's early-stage growth companies and venture capital ecosystem
- Fund of funds model – Elevate invests in private venture capital funds – matching capital from private sector investors
- NZGCP has made significant progress
 - Elevate has invested or committed into 11 underlying funds
 - There were a number of realisations during the year including Tradify, Quantifi Photonics and Yabble
- With the additional government contribution of \$100m in Budget 2025, Elevate has approximately \$150m to invest

