



11 July 2018

[REDACTED]

Dear [REDACTED]

## REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your request to the Guardians of New Zealand Superannuation (“Guardians”) dated 27 June 2018 made pursuant to the Official Information Act 1982 (“OIA”).

### Your Request

You have requested the following information:

*What internal processes are employed when evaluating and presenting investment opportunities within the NZ Super Fund?”*

### Our Response

The below five steps summarise the Guardians’ high level search, evaluation and monitoring process in respect of NZ Super Fund “Fund” investments:

1. An investment opportunity is identified based on a ‘whole-of-portfolio’ view
2. The opportunity is prioritised
3. Research is undertaken & approval to allocate risk is sought
4. The opportunity is implemented
5. Ongoing investment management & monitoring.

To explain, most investment opportunities are considered first at a meeting of the New Opportunity and Assessment Group, or NOAH.

The NOAH is the NZ Super Fund’s ‘research clearing house’, a group designed to help identify, assess and prioritise new investment opportunities for the rest of the team. It is an investment analysis resource for the Fund, with a focus on the investment analytics (trade-off between risk and return). The NOAH is made up of nine of the Fund’s Senior Investment Strategists across all of the Fund’s access points<sup>1</sup>, as well as the Asset Allocation team.

The scope of the NOAH is not limited to new opportunities; narrower ideas within existing opportunities and broader themes cutting across multiple opportunities are also considered.

### Publicly Available Information

The Guardians makes extensive information about its investment and operational practices publicly available at [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz). The key document is the Statement of Investment Policies, Standards and Procedures (SIPSP). See

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<sup>1</sup> The actual investment the Fund makes to gain exposure to a desired risk (e.g. buying a listed equity) or, in the world of active investing, the access point is the way we get exposure to the desired active return stream. Access points are our way of exploiting opportunities, themes and manager skill. The access point can be passive, active, synthetic or funded, directly (internally) or externally managed.

<https://www.nzsuperfund.nz/publications/policies> for further details of the SIPSP, including links to our Responsible Investment Framework and a suite of policies relating to the investment of the Fund and the Guardians' operational practices that underpin the SIPSP. Policies of particular relevance to your specific question include:

- *Investment Risk Allocation Policy*, which broadly covers the classes of investments that we invest in, the value-adding strategies we use, and the investment constraints that we apply.
- *Externally Managed Investments Policy*, which covers how we invest with external investment managers.
- *Portfolio Completion and Internally Managed Securities Policy*, which covers how we ensure the Fund meets our desired risk allocations and the related management of internal investment mandates.
- *Strategic Tilting Policy*, which covers the value-adding strategy we use to adjust the Fund's risk exposures in response to changes in expected returns.
- *Direct Investment Policy*, which covers direct investments we make in investments not covered by the Portfolio Completion and Internally Managed Securities Policy.
- *Risk Management Policy*, which covers how we manage operational risks for the Guardians.
- *Derivatives Policy*, which covers how we and our managers use derivatives in our management of the Fund.

Other relevant information on our external website includes:

- How we Invest, including Risk Allocation Process; Risk Budgets and Investment Managers
- Target Operating Model
- "How We Invest" White Paper – Managing Investment Risk and Liquidity
- "How We Invest" White Paper – Investment Manager Selection and Monitoring
- The Annual Reports for the Guardians and Fund; in particular we suggest you refer to pages 28-29 of the 2016/17 Annual Report.

## General

Your request was very broadly worded, but we have endeavoured to provide the material information. We have also made extensive information about our investment processes available on [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz), including as linked above.

If you still have any queries, please contact my colleague Isabelle Brunton on [ibrunton@nzsuperfund.co.nz](mailto:ibrunton@nzsuperfund.co.nz) to discuss. You also have the option of making a complaint to the Office of the Ombudsman at <http://www.ombudsman.parliament.nz/>. Please note that we may choose to publish our response to your request on [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz).

Yours sincerely



Will Goodwin  
Acting Chief Investment Officer