

CHAIR'S STATEMENT
TE TAUĀKĪ A TE KAIHAUTŪ

Staying the course through times of change

Te mārō o te haere i ngā huringa o te wā



CATHERINE SAVAGE
CHAIR

He tau whakawhiti te tau pūtea o te 2017/18 ki Ngā Kaitiaki nā te kopoutanga o tētahi Tumu Whakarae hou, nā te tīmatanga anō o ngā takoha a te Kāwanatanga me te kokenga tonutanga ki ā mātou whāinga whakahekenga waro. Ka whakakotahi te rōpū o Ngā Kaitiaki i a rātou anō kia mau tonu ai te kairangi i te roanga o te tau hurihuri, ka mutu, ka nui te putanga o ngā hua o te Tahua, i te wā tonu e arohia ana e te ao nā te tini o āna mahi.

TE ĀHUA O TE TAHUA

Ko te 12.43% te whakamōmonatanga ake o te Tahua (e 4 piriona tāra ki Aotearoa) i te tau 2017/18, e matomato tonu ai te tupu o ngā hua haumi, me te aha, i te paunga o te tau, ka eke tērā ki te 39.37 piriona tāra ki Aotearoa.

Ko te tapeke o ngā hua o te Tahua, otirā, ko te 0.70 piriona tāra ki Aotearoa, arā, ko te 2.02% te tuhene atu i te Huinga Haumitanga Tūāpapa. Kei tua noa atu tēnei i te pae tawhiti i manakohia ai e mātou, i te 1% o te tuhene atu i te Huinga Haumitanga Tūāpapa i ia tau i te rerenga o ngā huinga tau e 20. I ngā tau 14 mai i te tīmatanga o tā te Tahua haumitanga i te tau 2003, ko te 10.37% te nui o ngā hua kua puta i ia tau. E 7.59 piriona tāra tēnei pikitanga ake i te paeraro o te Huinga Haumitanga Tūāpapa e torohū ana.

I pai te whai hua o te paeraro o te Huinga Haumitanga Tūāpapa tonu i te roanga o te tau, ko te 10.42% te nui o ngā hua i puta, he mea ārahi nā te pakari tonu o ngā papa tauhokohoko tūtanga o te ao. I ahu mai te āpitianga o te uara i puta i te Tahua, i tua atu i ngā hua o te Huinga Haumitanga Tūāpapa, i te pakari

The 2017/18 financial year has been one of transition for the Guardians, with the appointment of a new Chief Executive, the restart of Government contributions and further progress towards our carbon reduction targets. The Guardians team pulled together to maintain excellence through a year of change and the Fund continued to produce strong returns, while achieving global recognition for many of its activities.

FUND PERFORMANCE

The Fund grew by 12.43% (or NZD4.0b) in the 2017/18 year, continuing its run of strong returns, and ended the year at NZD39.37b.

The Fund's total return exceeded the Reference Portfolio by NZD0.70b or 2.02%. This remains well ahead of our long-run expectation that the Fund will exceed the Reference Portfolio by 1% p.a. over rolling 20-year periods. In the 14 years since the Fund started investing in 2003, it has achieved returns of 10.37% p.a. This is NZD7.59b more than the passive Reference Portfolio benchmark.

The Reference Portfolio benchmark itself performed well during the year, generating a 10.42% return, driven by the steady performance of global equity markets. The additional value produced by the Fund over the Reference Portfolio return came from the continued strong performance of our strategic tilting strategy, timber investments and our internally managed credit mandates. More detail on where we added value to the Fund can be found on page 40.

tonutanga o te whai hua o tā mātou rautaki whakatūhaha, o ngā haumitanga mahi rākau me ngā whakahaere ā-moni tāwera e whakahaerehia ana i roto. Kei te whārangī 40 ētahi atu taipitopito mō ngā wāhi i āpitihia ai he uara ki te Tahua.

Nō te tīmatanga o tana haumitanga, e 23.08 piriona tāra ki Aotearoa te tāpiritanga a Ngā Kaitiaki ki te Tahua, e whakatauritea ana ki tērā atu o ana paeraro, arā, ki te hua ā-pānga rawa o te Kāwanatanga.

Nō tōna tīmatanga, ko te 15.38 piriona tāra ki Aotearoa tā te Kāwanatanga i tāpae ai i te wā e utua ana hoki e te Tahua ki te Kāwanatanga te tāke o te 6.42 piriona tāra ki Aotearoa. Nā konei, e 42% o tā te Kāwanatanga i tāpae ai ki te Tahua kua whakahokia i te utu tāke kau noa iho.

TE TUMU WHAKARAE

I a Hakihea, i te tau 2017, ka rihaina tō mātou Tumu Whakarae, a Adrian Orr, kia tū kē ai ia i te tūranga o te Kāwana o Te Pūtea Matua, i mana ai i a Poutū-te-rangi, i te tau 2018.

Tū ai a Adrian ki te ihu o te waka o Ngā Kaitiaki i ngā tau 11. I wehe ia i te whakahaere me te ngākau pai, ka mahue mai ko tētahi rōpū pakari me tētahi ōhāki whakatutuki hei wenerautanga. Ko Adrian tētahi rangatira e whakaaro nuitia ana, ā, i te roanga o tana tūranga, nāna i whakapakari ake ngā āheinga me te ahurea o Ngā Kaitiaki. E mihi ana te Poari ki a Adrian i tana ārahitanga. Ahakoa, i tēnei whakawhitinga o Ngā Kaitiaki, me tikoki ai pea te waka o ngā mahi, ka haere tonu ngā mahi a te whakahaere, ā, ka pai tana tū i te wā o te whakawhitinga. He whakaaturanga tēnei i te hōhonu o te puna pūmanawa i te Rōpū Kaiārahi, otirā, i te katoa o te whakahaere.

He mea kimi e te Poari tētahi Tumu Whakarae i te ao whānui, ā, i whai āwhina i tētahi umanga e mātanga ana ki te kimi tumu whakarae. He kairangi ngā kaitono nō te ao whānui i kitea, engari ko te huia tūrae o ngā kaitono ko te Āpiha Matua ā-Haumi, ko Matt Whineray. Ka koa ō mātou ngākau ki te kopou i a Matt hei Tumu Whakarae i tīmata mai rā i a Hōngongoi, i te tau 2018.

Ka hono a Matt ki Ngā Kaitiaki i te tau 2008 hei Kaiwhakahaere Matua, i te Papa tauhokohoko Tūmataiti, ā, ka huri ia hei Āpiha Matua ā-Haumi i te tau 2014. I taua tūranga, i raro i ana haepapatanga, nāna tonu, mā ngā kaiwhakahaere haumi hoki, i waihangatia ai he huinga haumitanga, i whai haumi ai i ngā papa tauhokohoko e hoko hea ana, me ērā kāore e hoko hea ana. Ko ia tētahi o ngā take matua i angitu ai Ngā Kaitiaki i te tekau tau kua hipa ake nei, ā, e mōhiotia ana ia i te ao whānui hei kaiārahi i te haumitanga ā-whakahaere.

E mihi ana te Poari ki ngā kaimahi katoa o Ngā Kaitiaki i tā rātou tōngakingaki i tēnei wā o te whakawhitinga, otirā, ki ērā i whai wāhi ki te tukanga o te whai kaimahi, ki ērā hoki i whakakapi i ngā tūranga mō tētahi wā, i whai kawenga āpiti rānei.

NGĀ TAKOHA A TE KĀWANATANGA

I paingia e te Poari te tīmatanga anō o ngā takoha a te Kāwanatanga ki te Tahua i a Hakihea, i te tau 2017, i muri i te tārewatanga i ngā tau e waru. Mā reira e kaha ake ai te whakapono o ngā reanga o muri ki te kaha o Aotearoa ki te tuku pūtea ki ngā utu penihana whānui.

He pūtake whakahirahira tonu tō te Tahua: i te taumata o ngā unuhanga e matapaetia ana, ka kapi i a ia te 12.7% o te nama more o te penihana ā-motu. Ko te tāke e whakapaetia ana ka utua e te Tahua ka piki atu anō ki te 8.5% o te utu ā-tau o te penihana.

Since it started investing, the Guardians has added NZD23.08b to the Fund, compared with its other benchmark, which is the Treasury bill return.

Since inception, the Government has contributed NZD15.38b while the Fund has also paid the government NZD6.42b in tax. In effect, 42% of what the Government has contributed to the Fund has been returned in tax payments alone.

CHIEF EXECUTIVE OFFICER

In December 2017, our CEO, Adrian Orr, resigned to take up the position of Governor of the Reserve Bank of New Zealand, with effect from March 2018.

Adrian was at the helm of the Guardians for 11 years. He left the organisation in good heart, with a strong team and an enviable track record. Adrian is a highly regarded leader, and over the course of his tenure, he built up the capabilities and culture of the Guardians. The Board thanks Adrian for his leadership. While this changing of the guard could have had a destabilising effect on performance, the organisation continued to function as usual and to perform well during the transition. This demonstrates the depth of talent in the Leadership Team and in the organisation as a whole.

The Board conducted a global search for a new CEO, with the assistance of a specialist executive search firm. There were a number of excellent international candidates, but the most outstanding candidate was Chief Investment Officer Matt Whineray. We were delighted to be able to appoint Matt as CEO starting from July 2018.

Matt joined the Guardians in 2008 as General Manager, Private Markets, and became Chief Investment Officer in 2014. In this role, he was responsible for the Guardians' portfolio construction and investment activity in listed and unlisted markets, both directly and through investment managers. He has been instrumental in the Guardians' successes over the past decade and is recognised globally as a leader in institutional investment.

The Board would like to thank all of the staff at the Guardians for their commitment during this transition, particularly those who were involved in the recruitment process and those who took on acting positions or additional responsibilities.

GOVERNMENT CONTRIBUTIONS

The resumption of Government contributions to the Fund in December 2017, after an eight-year suspension, was welcomed by the Board. The move provides future generations with greater certainty over New Zealand's ability to fund universal superannuation payments.

The Fund has an important purpose: at the projected peak of withdrawals, it will be covering 12.7% of the country's net superannuation bill. The projected tax paid by the Fund will equate to a further 8.5% of the annual superannuation cost.

BOARD CHANGES

Philippa Dunphy, who first joined the Board in 2012, resigned during the year. I would like to sincerely thank Philippa for her service to the Guardians and Fund during that period, especially for her contribution as Chair of the Audit Committee. Great thanks are also due to Lindsay Wright, Board Deputy Chair and recently Chair of the Audit Committee, and Dr Craig Ansley, two long-standing Board members whose terms will end in the coming year.

CHAIR'S STATEMENT TE TAUĀKĪ A TE KAIHAUTŪ

NGĀ PANONITANGA Ā-POARI

I te tau nei, ka rihaina a Philippa Dunphy, i hono tuatahi mai rā ki te Poari i te tau 2012. E tuku ana au i ngā mihi nui ki a Philippa i ana mahi mā Ngā Kaitiaki me te Tahua i te wā i a ia, otirā, mō tana tū hei Kaihautū i te Komiti Tātari. Me mihi nui hoki a Lindsay Wright, te Kaihautū Tuarua o te Poari, ā, inā noa nei, te Kaihautū hoki o te Komiti Tātari, a Dr Craig Ansley anō hoki, tētahi tokorua kua roa e noho ana i te Poari ka pau nei te wā ki a rāua hei te tau e tū mai nei.

E koa ana hoki mātou i te kounga o ngā mema ka hono mai ki te Poari inamata nei: ka hono mai a Simon Botherway ki te Poari i a Here-turi-kōkā, i te tau 2018, ā, ko ona hoa ko tētahi pūkenga whare wānanga, ko Henk Berkman, ka tīmata hei a Whiringa-ā-nuku o te tau 2018, ko tētahi kaiwhakahaere ngaio, ko Catherine Drayton, ka tīmata hei a Whiringa-ā-rangi o te tau 2018. Ko Simon tētahi e tino mōhiotia ana e ngā papa tauhokohoko pūnga rawa ki Aotearoa, ā, i te whakatōpūtanga, inā kē te whānui o ngā wheako mō te mana hautū o ō mātou mema hou o te Poari, ka mutu, e hōhonu ana tō rātou mārāma ki ngā take ōhanga me ngā take pūtea. E āritarita ana ō mātou ngākau ki te mahi i ō rātou taha.

NGĀ WHĀINGA MATUA A TE POARI

Ko ngā whāinga matua a te Poari hei te tau e tū mai nei, ko te aroturuki ki te kokenga o ngā ara mahi, tae atu ki ngā mahi e pā ana ki te āhua o te whāinga pae tawhiti a te Tahua, ki te hangarau, ki te rautaki o te raraunga me te pārongo, ki te panonitanga o te āhuarangi, ki te pāhekoheko hoki me ō mātou kaiwhai pānga matua. Me mātua whai hoki mātou kia tōtōpū te whakataunga o ngā mema hou o te Poari, kia whai hua, ki tōna taumata teitei katoa, i ngā pūkenga me ngā tohungatanga o ngā mema katoa o te Poari, kia mātua whai kiko hoki ngā mahi a te Poari. Ka tautoko mātou i te Tumu Whakarae i tana whakawhitinga mai ki te tūranga hou.

HE KŌRERO WHAKAKAPI

Nō te taenga ki te marama o Mahuru, i te tau 2018, ka eke ki te 15 tau mai i te tīmatanga o tā te Tahua haumi, e 2.4 piriona tāra ki Aotearoa te takoha tuatahi a te Kāwanatanga. Kua 10.37% te tau toharite o ngā hua kua puta i ia tau (i muri i ngā utu, i mua i te tāke o Aotearoa), ā, kei mua noa atu tenei i te utu o te nama a te Kāwanatanga me te paeraro torohū e whāia ana e mātou, otirā, kua tino whakaheke te taumata o te utu a ngā kaiutu tāke o muri i te penihana nā te putanga me te whai hua o te Tahua. I te tīmatanga anō o tā te Kāwanatanga takoha i te tau 2017, i te pakari hoki o ngā hua mai i ngā haumitanga, kua tupu te Tahua ki te 39.37 piriona tāra ki Aotearoa. I tōna taumata hei te tau 2017, e whakapaetia ana ka kapi i ngā unuhanga haupū rawa a te Kāwanatanga i te Tahua, i ngā utu tāke hoki, te 21.2% o te tapeke o te utu more o te penihana ki Aotearoa.

E hōhonu ana te rongō a te Poari me ngā kaiwhakahaere o Ngā Kaitiaki i te haepapatanga o te whakahaere i tētahi puna haupū rawa pēnei i tēnei. E houtupu ana te hīkaka me te hīamo o te rōpū nā te pūtake o te Tahua me te kaha ki te whai wāhi ki te oranga o ngā reanga o muri o ngā tāngata o Aotearoa. I a mātou o te Poari, e rere ana ngā mihi ki ngā kaimahi i tō rātou pukumahi me te tōngakingaki i te roanga o te tau.

We are also delighted with the calibre of our incoming Board members: Simon Botherway, who will join the Board in August 2018, along with university academic Henk Berkman and professional director Catherine Drayton, who will start in October and November 2018 respectively. Simon in particular is well known to the capital markets in New Zealand, and between them, our new Board members have extensive governance experience, as well as a deep understanding of economic and financial matters. We look forward to working with them all.

BOARD PRIORITIES

The Board's priorities in the year ahead are to monitor progress on work streams including work on the Fund's long-term target state, technology, data and information strategy, climate change, and engagement with our key stakeholders. We will also ensure that the new Board members receive a thorough induction, to make the most of the skills and expertise of all members of the Board and to ensure that the Board is working effectively. We will support the CEO through his transition into the new role.

CONCLUDING REMARKS

September 2018 marked 15 years since the Fund began investing with an initial contribution of NZD2.4b from the Government. Returns since then have averaged 10.37% per year (after costs, before NZ tax), significantly ahead of both the Government's cost of debt and our passive benchmark, meaning the burden on future taxpayers of the cost of superannuation has been materially reduced as a result of the existence and performance of the Fund. With the resumption of Government contributions in 2017 and those strong investment returns, the Fund has grown to NZD39.37b. At its peak in 2017, the Government's capital withdrawals from the Fund, as well as tax payments, are expected to cover 21.2% of the total net cost of New Zealand superannuation.

The responsibility of managing such a significant pool of capital is felt deeply by the Board and management of the Guardians. The team is genuinely motivated and excited by the Fund's purpose and the ability to make a contribution to the well-being of future generations of New Zealanders. On behalf of the Board, I thank the staff for their hard work and commitment during the year.