10 YEARS OF WORKING FOR THE FUTURE OF NEW ZEALANDERS...

NZSUPERFUND
Te Kaitiaki Tāhua Penihana Kaumatua ō Aotearoa


PASS IT ON

THE FIRST DECADE OF MANY

THE GUARDIANS' MISSION IS TO MAXIMISE THE FUND'S RETURNS OVER THE LONG TERM, WITHOUT UNDUE RISK, SO AS TO REDUCE FUTURE NEW ZEALANDERS' TAX BURDEN.

We are delighted to present this summary report on the performance of the New Zealand Superannuation Fund over its first 10 years.

Establishing a global investment fund from scratch, in a small country remote from the world's major financial centres, has been an immense task.

From the outset the Board of the Guardians, which manages the Fund, has been insistent that only the absolute best would do for New Zealand. So we have focused on global best practice, and worked hard to understand what our leading international peers are doing and how.

We were blessed with legislation that is held up around the world as a model of good governance. The separation between the New Zealand Government and the Guardians and Fund means that the Guardians can make independent, long-horizon, commercial investment decisions.

We have made a commitment to being as transparent as possible about the Guardians' activities and the Fund's performance. A key part of this commitment is how we measure our performance. To do this, we have two very simple, clear benchmarks.

Firstly, we compare the Fund's performance to the 90-day Treasury Bill return, a measure of the Government's cost of debt. We expect to beat the Treasury Bill return by at least 2.5% over rolling 20-year periods.

We also measure the success of our active, value-adding investment strategies by comparing the Fund's performance to a passive, notional Reference Portfolio.

On both counts the Fund is comfortably ahead of its benchmarks.

While this 10-year milestone is an important checkpoint, it is in fact a short period for measuring the success of the Fund. The Fund will not peak until the 2080s and will continue for many decades after that. While we have got off to a good start, the Fund's performance must be judged with this long-term timeframe in mind.

These first 10 years have been an exciting time, from the initial 'build' phase of the Guardians and Fund, through to today's 'operate' phase – with an experienced staff and a fully-fledged, diversified global investment portfolio.

The Fund has created significant wealth for New Zealand and all New Zealanders have a stake in its success. If you would like to learn more about what we do and how, please refer to the following summary report, and the wealth of information available on www.nzsuperfund.co.nz.

Gavin Walker Chairman

Adrian Orr Chief Executive Officer

10 THINGS TO REMEMBER ABOUT THE NZ SUPER FUND

#1 The Fund is a Government savings vehicle to help pre-fund part of the future cost of New Zealand Superannuation.

#2 The Fund is managed by an independent Crown entity, the Guardians of New Zealand Superannuation, on a commercial basis.

#3 The Guardians must manage and administer the Fund 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.

#4 The Government is not scheduled to make withdrawals from the Fund until 2029/30 – some 17 years from now – and the Fund will not peak in size until the 2080s.

#5 The Guardians take advantage of this long-term horizon, certain cash flow and limited need for liquidity to invest the Fund in growth assets such as listed company equities in New Zealand and globally.

#6 The Fund's long-term horizon also allows the Guardians to invest in illiquid assets – for example, forests, infrastructure and private (unlisted) companies. Because these assets can be difficult to sell quickly, they are not suitable for all investors, but are expected to deliver a premium return over time.

#7 In the short term, growth assets can be volatile, moving up and down in value. The Fund's performance should always be seen in a long-term context.

#8 The Fund's sovereign tax status gives it an advantage: it pays lower tax in some foreign jurisdictions than private investors do. Sovereign status can also be regarded favourably by business partners and potential co-investors.

#9 Since inception the Fund has paid $3.3 billion tax to the New Zealand Government of the day. The Guardians include New Zealand tax paid in measurements of the Fund's performance because we consider it a return to the Crown.

#10 The Guardians believe responsible investment will add value to the Fund over the long term: companies which manage environmental and social issues well, and which have strong governance, should perform better and create more value over time.

THE FIRST 10 YEARS

2002

- Board appointed
- David May appointed Chair
- Office established
- Tim Mitchell – first Guardians appointment

2003

- Paul Costello appointed CEO
- Initial Strategic Asset Allocation determined
- Commenced investing in September 2003 with $2.4 billion cash
- First external investment mandates awarded
- Stewart Brooks appointed GM Finance

2004

- First independent review of the Guardians tabled in Parliament
- Further external investment mandates awarded

2005

- First review of Strategic Asset Allocation completed
- First commitment to New Zealand private equity announced
- First New Zealand unlisted property mandate awarded
- First purchase of New Zealand timber assets
- First US timber purchase announced

2006

- Guardians signs United Nations Principles of Responsible Investment
- Minority interest acquired in Kaingaroa Forest

2007

- Adrian Orr appointed CEO
- Fund divests from tobacco stocks
- Mark Fennell appointed GM Operations (GM Portfolio Completion since 2012)

2008

- Guardians joins Investor Group on Climate Change
- Companies manufacturing cluster munitions and nuclear explosive devices excluded
- Global financial crisis
- Neil Williams (Chief Investment Advisor) and Matt Whineray (GM Investments) appointed

"WE HAVE SPENT THE LAST 10 YEARS BOTH BUILDING AND OPERATING THE FUND SIMULTANEOUSLY - IT'S LIKE BOLTING LARGER WINGS ONTO A PLANE WHILE IT IS IN THE AIR."

ADRIAN ORR, CHIEF EXECUTIVE

2009

- Reference Portfolio approach introduced
- In-house Portfolio Completion (Treasury) function established
- Strategic Tilting strategy launched
- First life settlements investment
- Capital contributions suspended
- Ministerial Directive on New Zealand investment received

2010

- First catastrophe bond investment
- 50 per cent acquisition of Shell New Zealand's downstream assets (now Z Energy)

2011

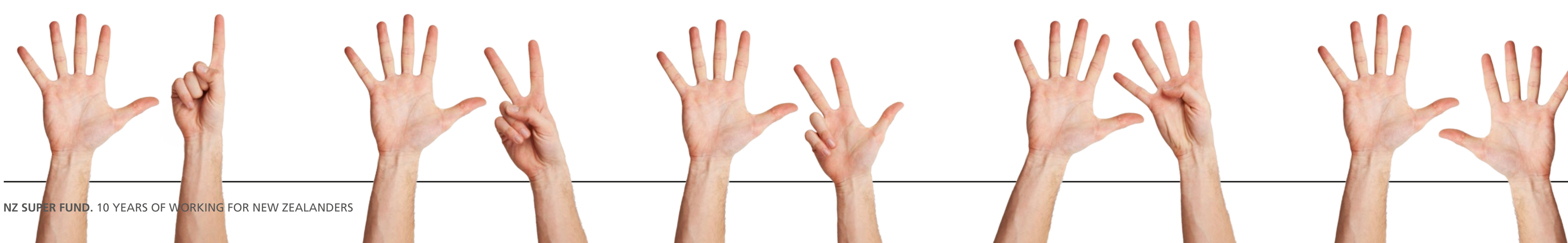
- First New Zealand farm purchase under Rural Land Strategy
- Runner up, aiCIO Awards, world's most innovative sovereign wealth fund
- Eurozone uncertainty

2012

- Gavin Walker appointed Chair
- Fund purchases minority stake in Datacom
- Fund becomes largest shareholder in Kaingaroa
- Winner, aiCIO Awards, world's most innovative sovereign wealth fund
- Winner, Executive Team of the Year, New Zealand CIO Awards
- Winner, INFINZ 'Excellence in Treasury' Award
- Winner, NZICA Public Sector Annual Report of the year
- David Sara appointed GM Operations

2013

- Successful partial float of Z Energy
- Winner, Best First-Time Entrant, Australasian Reporting Awards
- Adrian Orr elected Deputy Chair of the International Forum of Sovereign Wealth Funds
- In-house New Zealand active equities team established
- Mika Austin appointed GM Human Resources
- Michael Gleissner appointed GM Corporate Strategy
- Sarah Owen (General Counsel) appointed to Leadership Team



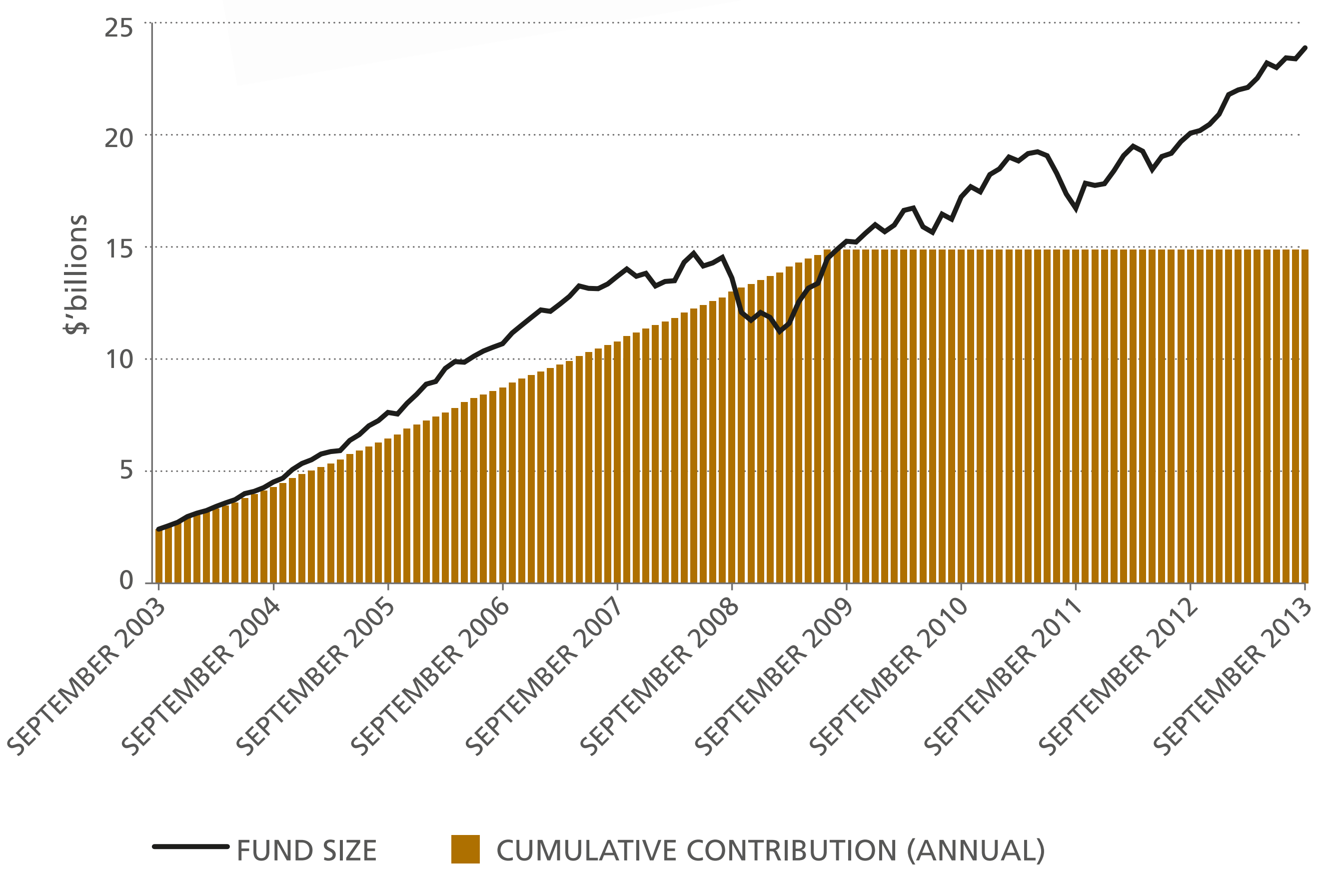
10 YEARS OF PERFORMANCE

HOW WE'VE PERFORMED

As at 30 September 2013	Fund size: NZ$23.93 billion before tax			
Returns	1 year	3 years	5 years	10 years
Actual Fund Return	24.33%	15.08% p.a.	10.25% p.a.	9.13% p.a.
Value added by Guardians (compared to Reference Portfolio)	6.02% ($1,173m)	3.91% p.a. ($2,464m)	2.01% p.a. ($1,828m)	1.06% p.a. ($2,220m)
Net Return (returns over and above the Treasury Bill return – the Government's cost of debt)	21.95% ($4,290m)	12.55% p.a. ($7,277m)	7.38% p.a. ($7,394m)	4.26% p.a. ($6,961m)

All figures are unaudited and are before tax, after costs.

HOW WE'VE GROWN



10 YEARS OF PERFORMANCE

FUND RETURN SINCE INCEPTION
9.13% P.A.
(AFTER COSTS, BEFORE TAX)

NET RETURN SINCE INCEPTION
$6.96B
(ABOVE COST OF DEBT)

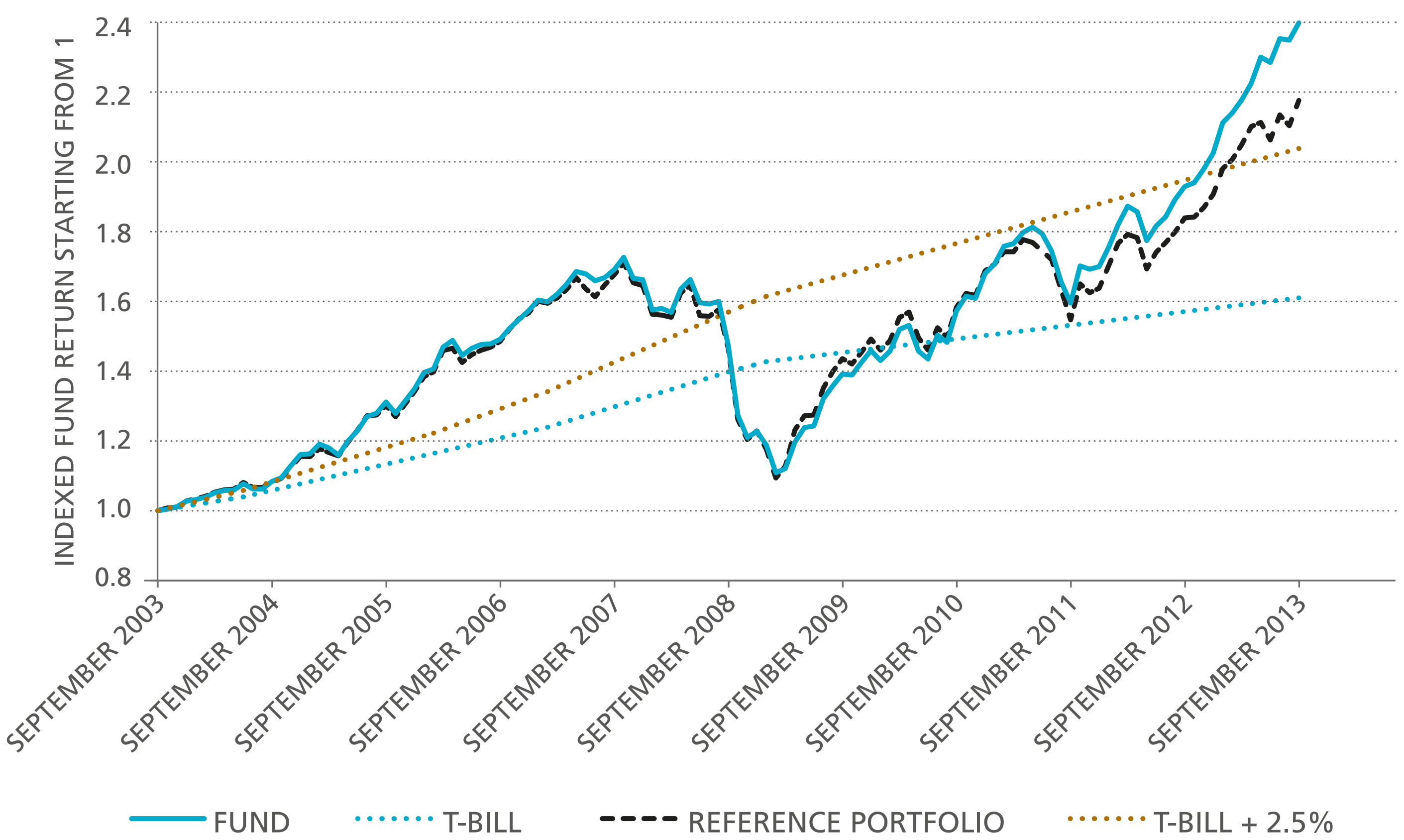
VALUE ADD SINCE INCEPTION
$2.22B

FUND SIZE
NZ$23.93B

ANNUAL FUND PERFORMANCE

YEAR TO 30 SEPTEMBER	FUND RETURN	COST OF DEBT (TREASURY BILLS)	EXCESS RETURN RELATIVE TO TREASURY BILLS	REFERENCE PORTFOLIO RETURN	VALUE ADDED RELATIVE TO REFERENCE PORTFOLIO
2004	8.37%	5.48%	2.89%	8.03%	0.34%
2005	21.00%	6.55%	14.45%	20.49%	0.50%
2006	13.72%	7.06%	6.66%	14.11%	-0.39%
2007	13.39%	7.57%	5.83%	12.85%	0.54%
2008	-12.93%	7.99%	-20.92%	-12.64%	-0.29%
2009	-5.47%	4.10%	-9.57%	-1.96%	-3.51%
2010	13.03%	2.62%	10.40%	10.28%	2.74%
2011	1.41%	2.85%	-1.43%	-2.30%	3.71%
2012	20.94%	2.39%	18.54%	18.90%	2.04%
2013	24.33%	2.37%	21.95%	18.31%	6.02%
Since inception	**9.13% p.a.**	**4.87% p.a.**	**4.26% p.a.**	**8.08% p.a.**	**1.06% p.a.**

OUR PERFORMANCE OVER TIME

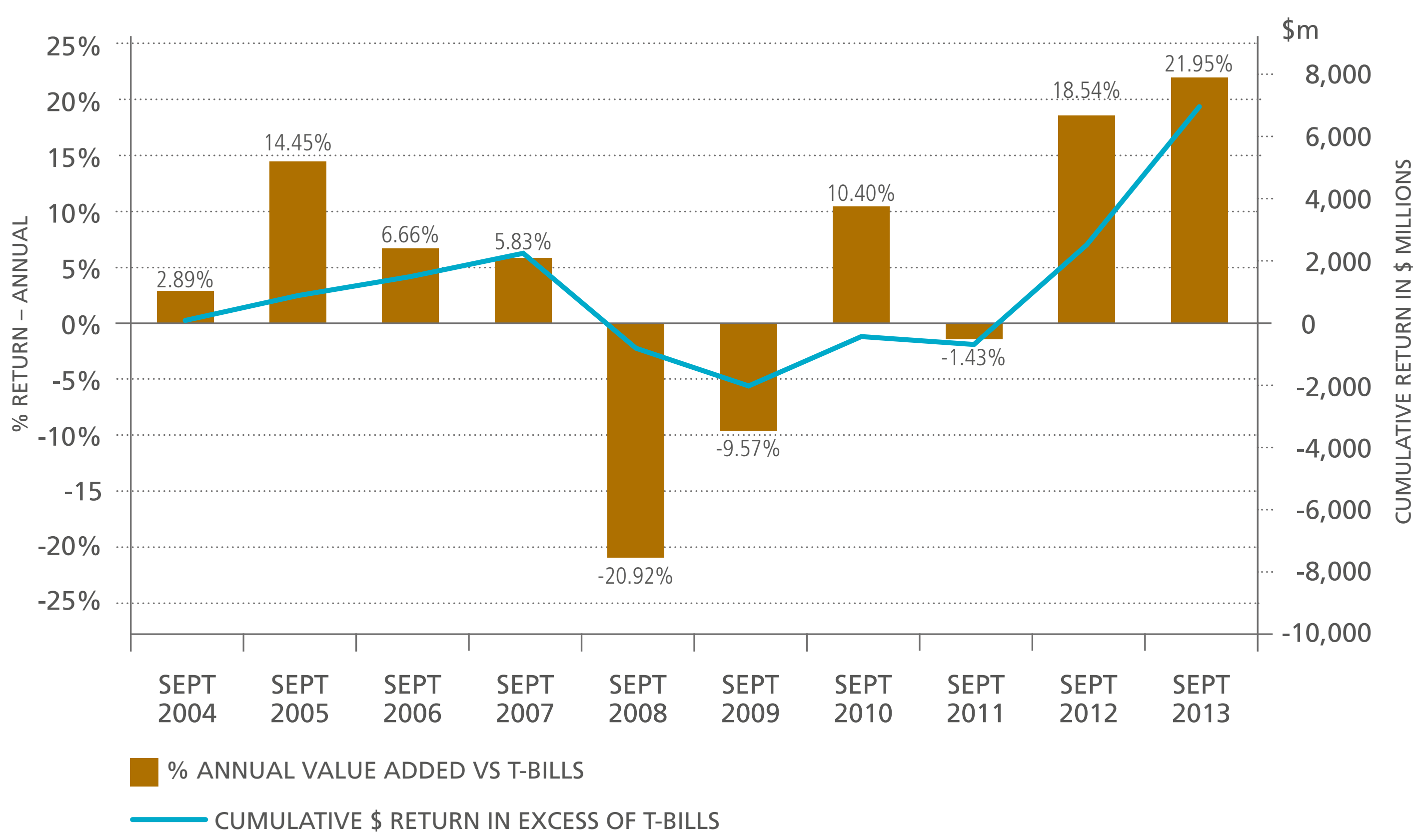


This graph shows the Fund's cumulative return over its first decade, relative to its key benchmarks. The impact of the Global Financial Crisis, and the subsequent recovery in Fund returns, can be seen in the 2009-2013 period.

10 YEARS OF PERFORMANCE

TREASURY BILL BENCHMARK

PERFORMANCE RELATIVE TO TREASURY BILLS



This graph compares the Fund's performance to the cost of debt, as measured by 90-day Treasury Bills. We expect to return at least the Treasury Bill return + 2.5% over any 20 year moving average.

Over its first 10 years the Fund beat the Treasury Bill return by 4.26% p.a. or $6.9 billion.

See our 2013 Annual Report for further explanation of the Treasury Bill performance expectation.

10 YEARS
OF PERFORMANCE

REFERENCE PORTFOLIO BENCHMARK

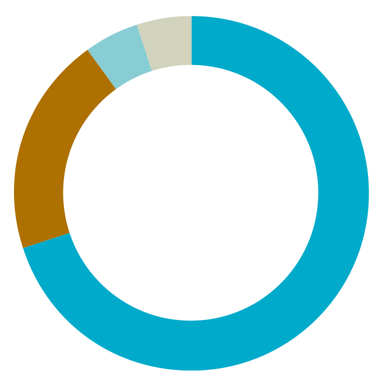
We benchmark the performance of our active investment strategies against a passive Reference Portfolio. Our aim, as an active investor, is to add more value to the Fund than the Reference Portfolio would do, using strategies based on the Fund's natural advantages as a long-term, sovereign investor with low liquidity requirements.

Over its first 10 years the Fund beat the Reference Portfolio benchmark by 1.06% p.a. or $2.2 billion.

See our 2013 Annual Report for a detailed explanation of the Reference Portfolio benchmark.

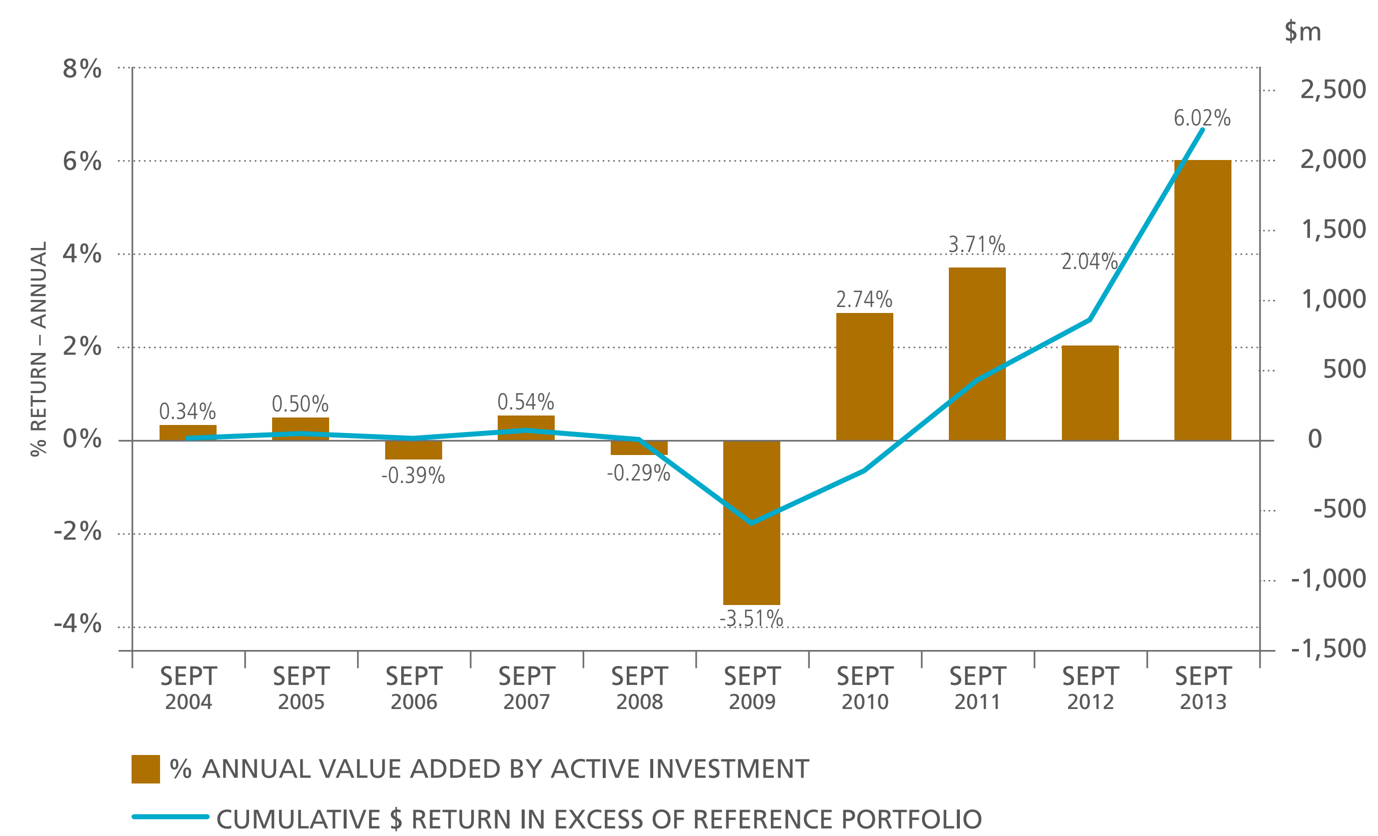
* Strategic Tilting is our strategy of making occasional shifts towards or away from asset classes when we think that the market has substantially over-reacted (up or down) compared with our assessment of relative value.

REFERENCE PORTFOLIO



ACTUAL PORTFOLIO (PRE-TILT)* AS AT 30 JUNE 2013

PERFORMANCE RELATIVE TO REFERENCE PORTFOLIO – VALUE ADD



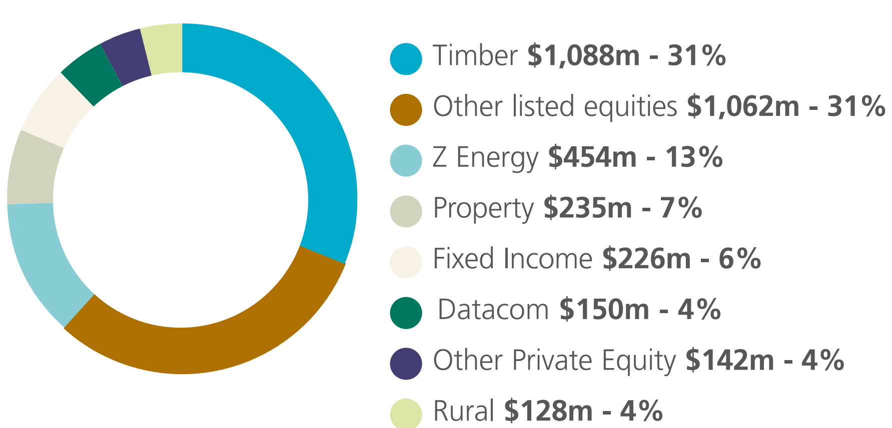
10 YEARS ON
INVESTING IN NEW ZEALAND

The Guardians are required to, while always investing in a prudent and commercial manner, identify and consider opportunities to increase the allocation to New Zealand assets in the Fund.

As at 30 September 2013 the value of the Fund's New Zealand investment portfolio was NZ$3.5 billion, with significant holdings in Kaingaroa Forest, listed transport energy company Z Energy, technology services company Datacom and rural farmland.

The Fund also invests, via external investment managers, in New Zealand commercial property and in a wide range of small and medium-sized New Zealand businesses. See our 2013 Annual Report for further information.

OUR NZ INVESTMENT PORTFOLIO



10 YEARS ON
INVESTING GLOBALLY

The Fund is highly diversified across different geographies, asset classes and types of investments.

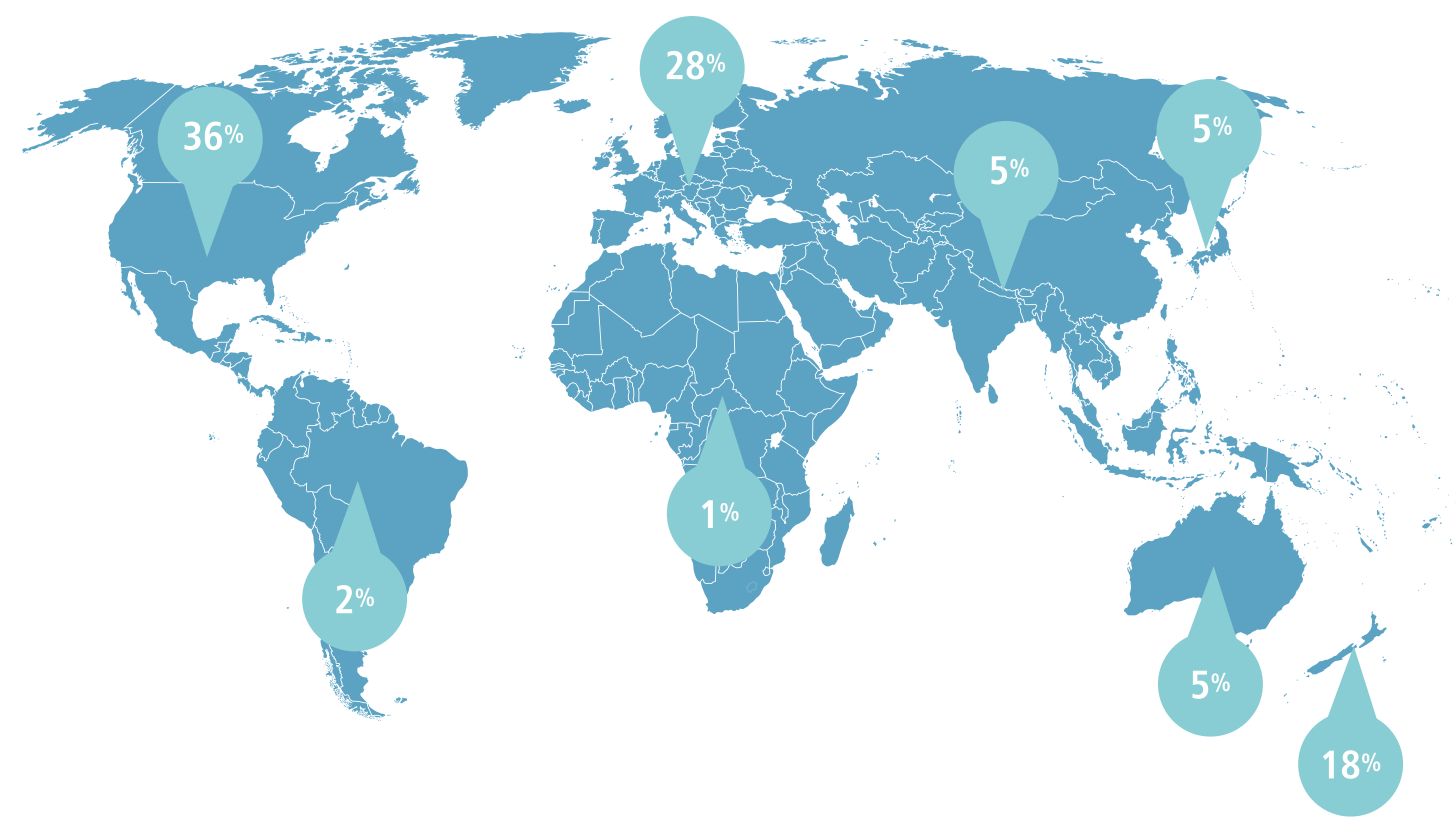
Around two-thirds of the Fund is invested passively, in line with global sharemarket indices. (Globally, by far the majority of sharemarket investing is undertaken this way.) We only undertake active investment when we have a high level of confidence that it will, over the long term, be better than investing passively – by either improving the Fund's returns, reducing risk (e.g. through diversification) or both.

As well as our investments in global equities, the Fund's international investments include:

- natural catastrophe reinsurance;
- life settlements;
- timber in Australia, the US, Asia, Africa and South America;
- real estate in China and South-East Asia; India; the UK, Sweden, Finland and other parts of Europe; and in the US;
- infrastructure in Australia and China;
- European and US distressed credit; and
- private equity globally.

For more information including a full list of our external investment managers see our 2013 Annual Report.

WHERE WE INVEST



RESPONSIBLE INVESTMENT

The Guardians has a long-standing commitment to Responsible Investment. We believe that improving environmental, social and governance (ESG) factors can improve the long-term financial performance of a company. Our mandate also requires us to avoid prejudice to New Zealand's reputation in the world community.

The Guardians is a founding signatory of the United Nations Principles for Responsible Investment (UNPRI). The UNPRI is the internationally accepted benchmark for how institutional investors should manage ESG issues, and our responsible investment work programme is closely aligned to its principles and priorities.

Signatory of:

PRI Principles for Responsible Investment

The Fund has achieved top quartile results in past UNPRI assessments of how signatories are applying its principles.

ESG considerations are integrated across the Fund's investment activities. For example, ESG factors are considered when we identify investment opportunities, assess investment risk, undertake due diligence and make decisions as an asset owner and shareholder. We work closely with our investment managers to ensure the votes they make on our behalf promote best-practice corporate governance both in New Zealand and overseas.

The United Nations Global Compact is the key benchmark against which we monitor corporate behaviour. The Compact covers four key areas: human rights; labour; environment and anti-corruption.

ENGAGEMENT

We have made a strong commitment to engagement: using our influence as a shareholder to encourage companies to manage and report on their ESG risks.

As a result of engagement programmes by the Guardians and other investors around the world, companies are increasingly aware that investors are analysing their ESG performance and expecting them to address ESG issues head on.

EXCLUSION

Exclusion is when we instruct our managers not to invest in a company's securities, and sell any holdings in our portfolio.

Our exclusion decisions are based on a clear process and principles that are set out in our Responsible Investment Framework, available on www.nzsuperfund.co.nz. We place a strong weighting on international and New Zealand law, and policy positions of the NZ Government.

We exclude companies that are directly involved:

- in the manufacture of cluster munitions;
- in the manufacture or testing of nuclear explosive devices;
- in the manufacture of anti-personnel mines;
- in the manufacture of tobacco; and
- in the processing of whale meat.

We also may decide to exclude companies for severe breaches of our responsible investments standards. Exclusion for breach of standards is a last resort, as it is less likely to promote change than engagement.

For more information on our approach to responsible investment see www.nzsuperfund.co.nz, in particular our Responsible Investment Framework and the Responsible Investment Report in our 2013 Annual Report.

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