



Asset & Wealth Management Market Intelligence Digest

New Zealand



Asset & Wealth Management
Market Research Centre
Asia Pacific

Summary table of contents

Executive summary

- 1.1 New Zealand strength snapshots
- 1.2 Macroeconomic overview

Market landscape

- 2.1 Fund types classifications
- 2.2 Managed fund assets - Overview
- 2.3 Managed fund assets - Asset breakdown
- 2.4 Managed fund assets - KiwiSaver
- 2.5 Managed fund assets - Retail unit trusts
- 2.6 Managed fund assets - Other superannuation
- 2.7 Managed fund assets - Cash management trusts
- 2.8 Managed fund assets - Life insurance
- 2.9 Managed fund assets - Wholesale trusts
- 2.10 Wholesale funds from non-managed funds and individually managed portfolios
- 2.11 Retail funds - Top asset managers by assets
- 2.12 Retail fund flows - Overview
- 2.13 Retail fund flows - KiwiSaver
- 2.14 Retail fund flows - Unit trusts
- 2.15 Retail fund flows - Superannuation
- 2.16 Retail fund flows - Insurance bonds
- 2.17 Retail fund flows - Top funds by fund types
- 2.18 Alternatives - Overview
- 2.19 Alternatives - Private equities

Retail investors

- 3.1 Investor profile - Overview
- 3.2 Household wealth
- 3.3 HNW and UHNW population
- 3.4 Public investor research

Institutional investors

- 4.1 Institutional investors - Overview
- 4.2 Superannuation - Overview
- 4.3 Superannuation - KiwiSaver
- 4.4 Superannuation - New Zealand Superannuation Fund
- 4.5 Accident Compensation Corporation

Market entry for foreign asset managers

- 5.1 Overview
- 5.2 Financial Service Providers (FSP structure)
- 5.3 Onshore presence

Distribution

- 6.1 Distribution channels
- 6.2 Banks
- 6.3 KiwiSaver
- 6.4 Robo-advisory
- 6.5 Asia Region Funds Passport (ARFP)

Competitive analysis

- 7.1 Asset managers by total fund assets
- 7.2 Mutual funds - Comparison by assets
- 7.3 Mutual funds - Comparison by flows
- 7.4 Case studies of selected managers

Regulations

- 8.1 Regulatory bodies
- 8.2 Regulatory framework and key legislative texts
- 8.3 Foreign fund distribution
- 8.4 Taxes
- 8.5 Recent regulatory developments

Costs

- 9.1 Office costs
- 9.2 Salaries comparison

Key takeaways

1



Managed funds heavy on overseas investments

- In 2017, consolidated assets of the industry stood at \$84.0 billion, with managed funds – life insurance, KiwiSaver, other registered superannuation, retail unit trusts, and cash management trusts – making up 75.6% of AuM.
- Managed funds allocated most heavily to overseas assets at 40.5% – a 2.0 percentage point increase in allocation since 2014.

2



Institutional investors are key

- The KiwiSaver, ACC, NZSF, and Reserve Bank of New Zealand are the country's largest institutions, with combined AuM of over \$100 billion between them.
- Tapping into New Zealand's institutional space will be crucial for fund managers as a vital source of funds.

3



KiwiSaver continues to dominate

- Making up 34.0% of unconsolidated assets, the KiwiSaver continues to be the preferred choice of investment in New Zealand.
- Having seen a growth of 47.8% in assets between 2014 and 2017, the scheme is expected to continue increasing in size both in terms of AuM and membership.

4



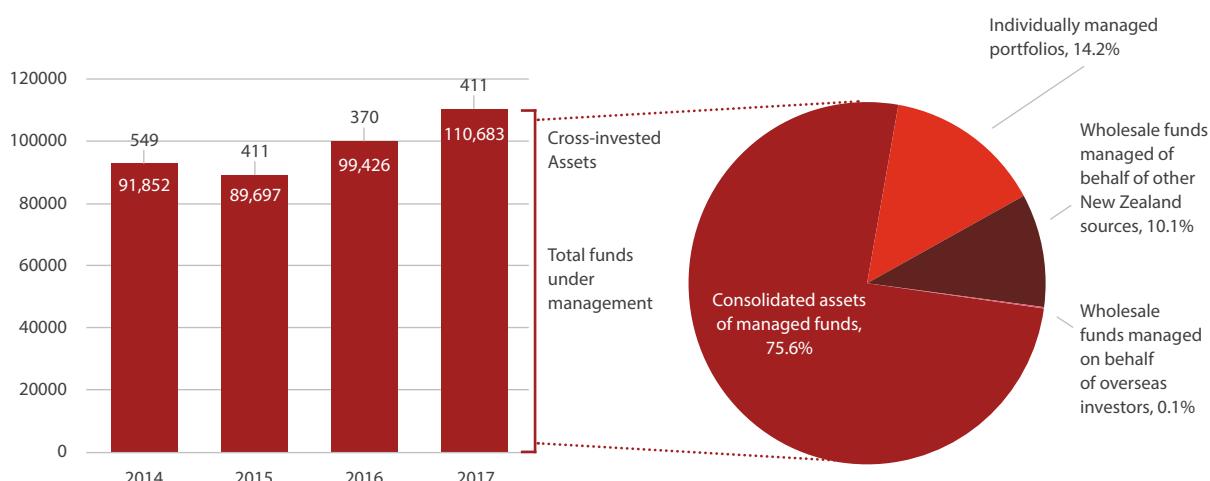
Alternative investments in its infancy

- New Zealand's alternative industry totalled \$2.1 billion in September 2016, with private equity and venture capital making up \$1.3 billion, or 62.4% of the alternative space.
- Meanwhile, infrastructure and natural resources investments stood at \$449 and \$236 million, respectively.

Market landscape

Before 2004, numerous asset managers and other capital market players in New Zealand were not licensed or supervised. However, since the International Monetary Fund's (IMF) Financial Sector Assessment Program (FSAP) on the country in 2004, the regulatory framework of New Zealand's capital market has undergone a major overhaul. Through this regulatory reform, a licensing regime was established for managers of Managed Investment Schemes (MIS) in the country while its Financial Markets Authority (FMA) became the conduct regulator for capital market managers in New Zealand. Today, retail MIS in New Zealand are also regulated and subjected to governance, eligibility, and disclosure requirements.

AuM of managed assets in New Zealand (USD mn), 2014 - 2017



Managed assets in New Zealand continue to climb in recent years

- As of end 2017, the total managed assets in New Zealand reached \$110.7 billion. Similar to Australia, assets in New Zealand are often consolidated or cross-invested across institutions – for example, investments in life insurance could be cross-invested in public unit trusts.
- When consolidated, assets in 2017 amounted to \$84.0 billion. The 3-year CAGR of the consolidated assets ending in 2017 was 2.1%.
- Consolidated assets of managed funds made up the largest proportion of total funds under management with 75.6% market share. This segment includes life insurance, KiwiSaver, other registered superannuation, retail unit trusts, and cash management trusts.

Institutional investors

1 Pension fund

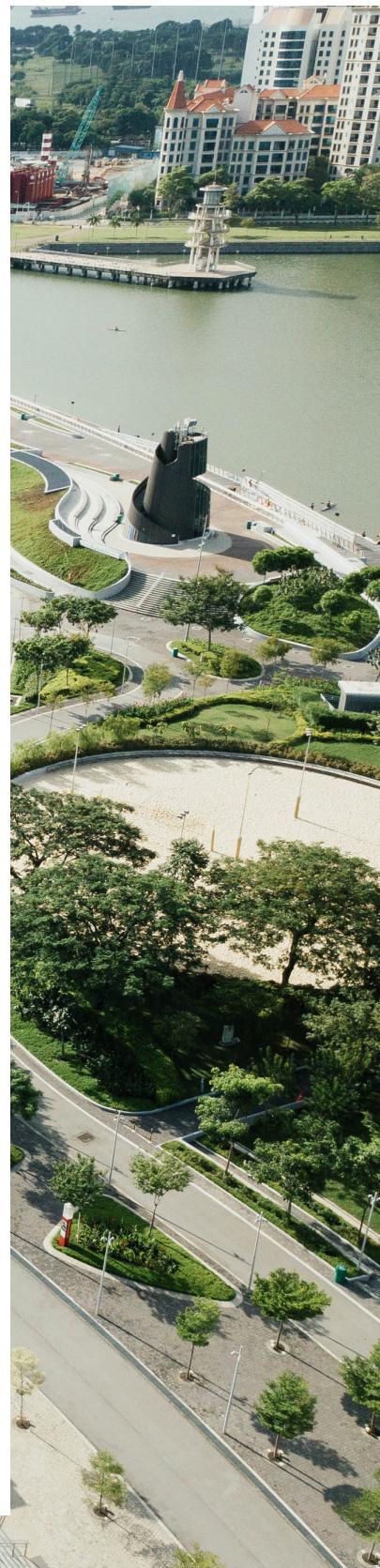
- New Zealand's pension market has made significant developments over the years, most notably with the introduction of the KiwiSaver (a Pillar II direct contribution scheme) in 2007 which has seen a high uptake ever since its inception.
- The NZS (a Pillar I non-contributory state pension) continues to remain as a fundamental part of the country's pension system.

2 Insurance companies

- The Accident Compensation Corporation (ACC) manages all matters pertaining to New Zealand's no-fault accidental injury scheme. Under this comprehensive scheme, the cost of rehabilitation, treatment or compensation when a resident, citizen, or temporary visitor sustains an injury is covered.
- To fund and pay for the cost of these injuries, the ACC oversees one of the largest investment funds globally, with a total of \$27.2 billion of funds under management in 2017.

3 Sovereign wealth funds

- Although the New Zealand Superannuation Fund (NZ Super Fund) is considered a sovereign wealth fund, its main function is to support New Zealand's public pension system.
- The primary goal of the NZ Super Fund is to provide social protection for New Zealanders by making non-contributory flat-rate pension payments to all eligible residents at the age of 65. The NZS is financed mainly from general tax revenues.



Distribution trends

New KiwiSaver members are allocated to providers with default schemes on a regular basis. Although attaining default status has its financial perks, such a status comes with certain conditions as well, one of which is maintaining financial literacy responsibility. This includes addressing the level of financial literacy of its members and engaging them to make an active fund choice.

Overview of KiwiSaver default scheme providers, 2016 – 2017

Rank	2016			2017		
	Default members	Active choice (%)	Active choice (no.)	Default members	Active choice (%)	Active choice (no.)
Bank A	79,497	6.1%	4,868	75,927	4.8%	3,651
Bank B	133,526	8.2%	11,007	118,529	1.9%	2,286
Bank C	94,870	1.5%	1,441	92,520	1.5%	1,394
Bank D	73,703	3.8%	2,781	71,498	4.8%	3,462
Bank E	91,802	5.5%	5,033	85,571	3.0%	2,553
Bank F	12,548	2.8%	355	17,939	2.5%	449
Bank G	10,229	21.6%	2,205	14,278	9.0%	1,282
Bank H	11,954	4.0%	478	17,655	3.5%	624
Bank I	11,891	3.7%	440	17,762	6.8%	1,201

Four out of nine default providers saw a decline in total members

- Compared to 2016, four out of nine default providers saw a decrease in membership.
- The decline was attributed to three factors: timeline, inappropriate strategies, and other priorities. Pertaining to timeline, providers felt that it was too soon to tell if their efforts were successful. Active choice results also declined due to unsuccessful or inappropriate efforts. Other work also affected their active choice results such as the Financial Markets Conduct Act transition.

Asia Pacific Market Intelligence Digest

Our structured, research-based analysis sheds light on the multiple factors affecting your asset & wealth management business.

Each market intelligence digest report provides you with insight on:

- The state of the asset & wealth management industry
- The key trends shaping the future of the industry
- Products that are in demand
- Your competitors
- Various types of investors and their asset allocations
- Fund selectors and the asset classes that interest them
- The distribution channels and how they are evolving
- High level regulatory information to get you started or access the market place
- Prevailing market strategies

(These are non-standardised reports that will be customised to your business needs by focusing on any specific aspect of the market place to suit your market-entry need.)



PwC's Asia Pacific Asset & Wealth Management team tracks the APAC Asset & Wealth management landscape. Our market intelligence digests are refreshed frequently and updated with the latest in the regulatory & market developments. Current markets include:



Asian Investment Fund Centre

The Asian Investment Fund Centre, headquartered in Singapore, is part of PwC's network of Asset & Wealth Management industry specialists in Asia Pacific that delivers to its client a one-stop-shop cross border service offering.



Operational & Investment due diligence on asset managers



Distribution strategy



Market entry



Jurisdiction analysis



Fund structuring



Market publications



Asian Fund Passport readiness



Investment fund fees analysis



ESG/SRI for investment funds



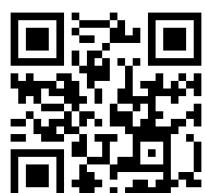
Country reports



Fund distribution & registration



Market Intelligence and Newsflash



Armin Choksey

Partner, Asian Investment Fund Centre and
Asia Pacific Market Research Centre Leader
PwC Singapore

T: + 65 6236 4648

armin.p.choksey@sg.pwc.com

www.pwc.com/sg



© 2018 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as an agent of PwCIL or any other member firm.