



Responsible Investment Benchmark Report 2017 New Zealand

ABOUT THE REPORT

The Responsible Investment Benchmark Report is the most comprehensive review of the responsible investment sector in New Zealand.

Published annually by the Responsible Investment Association Australasia (RIAA), the Benchmark Report 2017 details industry data on the size, growth and performance of the New Zealand responsible investment market over the 12 months to 31 December 2016.

RESPONSIBLE INVESTMENT ON THE RISE

This year's report highlights that a responsible approach to investing – one that systematically considers environmental, social and governance (ESG) and/or ethical factors across the entire portfolio – is now the expected minimum standard of good investment practice in New Zealand.

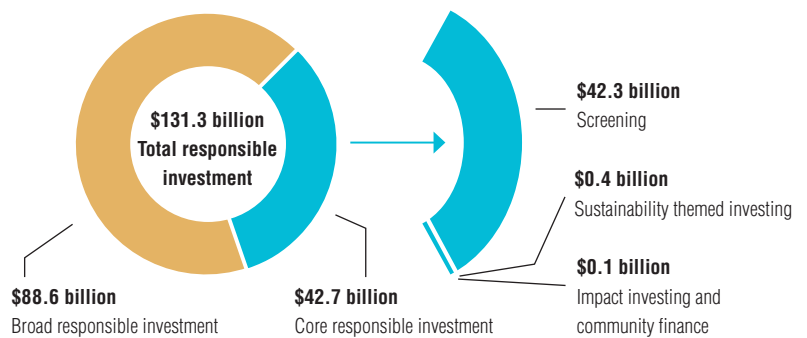
A combination of consumer, legal, media and political pressure in late 2016 around KiwiSaver funds demonstrated emphatically that New Zealanders are not willing to build their retirement savings at any cost, and are willing to move their investments to be aligned with their values.

As a result the New Zealand market has seen a staggering shift towards responsible investing in 2016, with the total responsible investment market reaching a high of \$131.3 billion AUM, up 67% from the previous year.

This is underpinned by a 2,650% increase in negatively screened funds, largely made up of KiwiSaver funds putting in place negative screens across tobacco and controversial weapons.

The wider investment industry has followed suit, with negative screening across various issues becoming an expected norm of the New Zealand investment market.

Total responsible investment in NZ by approach



Responsible investment AUM – totals by year

Responsible investment approach	2016 Responsible investment AUM (\$bn)	2015 Responsible investment AUM (\$bn)	Change
Screening (including negative, positive, best in class and norms-based screening)	42.3	1.3	3,219%
Sustainability themed investing	0.4	0.3	34%
Impact investing and community finance	0.1	–	–
Core responsible investment total	42.7	1.6	2,649%
Broad responsible investment total	88.6	77.1	15%
TOTAL RESPONSIBLE INVESTMENT	131.3	78.66	67%

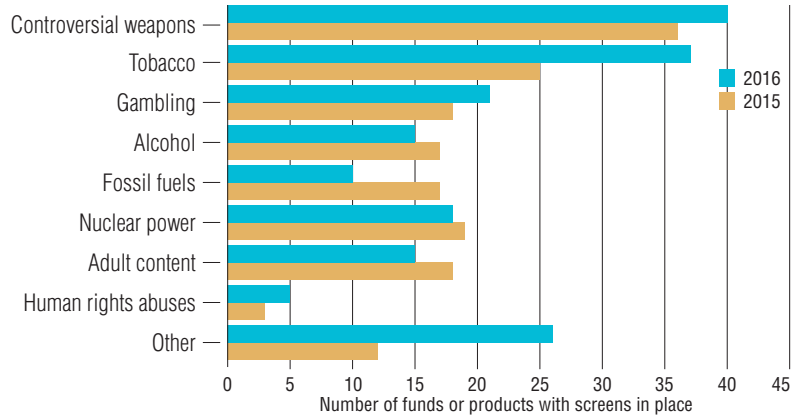
CORE VERSUS BROAD RESPONSIBLE INVESTING

RIAA distinguishes between Core and Broad responsible investment, to better analyse the responsible investment industry and the degree to which responsible investment strategies are integrated into products and services.

Broad responsible funds – those primarily undertaking an environmental, social and governance (ESG) integration approach – continue to form the majority of the total responsible investment AUM, with institutional asset managers and asset owners that manage \$88.6 billion AUM, an increase of 15% from 2016.

Core responsible investment funds grew significantly during 2016, increasing by 2,650% to \$42.7 billion. The majority of this Core responsible investment (\$42.3 billion AUM) is made up of negatively screened funds. However, the report also highlights some investments flowing to sustainability-themed and impact investments. Core responsible investments in New Zealand have moved from 2.5% of total professionally managed assets (TAUM) in 2015 to now representing 61% of the TAUM.

**Frequency of issues
been screened**



STRONG PERFORMANCE

The companion Australian Responsible Investment Benchmark Report 2017 includes an assessment of the performance of Core responsible investment funds compared with their benchmark index and the average of equivalent mainstream funds.

The results show that responsible investment funds are largely outperforming their average mainstream counterparts year on year, as the market for responsible investment grows.

- **Australian shares:** Core responsible investment Australian share funds outperformed large-cap Australian share funds and the benchmark in the three, five and 10 year time horizons.

- **International shares:** Core responsible investment international share funds outperformed the average mainstream international share fund in the three and 10 year time horizons, but slightly underperformed over the one and five year terms.

- **Balanced funds:** Core responsible multi-sector growth funds (balanced funds) outperformed their equivalent mainstream multi-sector growth fund average for all periods except one year.

This analysis is as yet not able to be undertaken for New Zealand funds due to the sample size of funds surveyed for this report being too limited and too diverse in terms of the products' investment style, asset class and geographic focus.

Performance of Core responsible investments against mainstream funds (from 2017 Australian Benchmark Report)

Australian share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 20-39 funds sampled depending on time period)	7.0%	7.0%	13.0%	6.3%
Large-cap Australian share fund average	8.8%	5.4%	10.8%	3.8%
S&P/ASX300 accumulation index	11.8%	6.6%	11.6%	4.4%

International share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 6-23 funds sampled depending on time period)	4.3%	10.3%	14.2%	4.3%
Large-cap international share fund average	5.6%	9.6%	16.8%	3.8%
MSCI World ex Australia Index	7.9%	11.5%	18.6%	4.7%

Multi-sector growth funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 6-9 funds sampled depending on time period)	3.3%	8.0%	12.3%	4.8%
Multi-sector growth fund average	6.3%	5.9%	9.7%	3.7%

THANKS TO THE SPONSORS OF THIS YEAR'S REPORT



This report was prepared by RIAA based on survey data gathered and collated by KPMG



DOWNLOAD FULL REPORT
www.responsibleinvestment.org/resources/benchmark-report

ABOUT RIAA

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible, ethical and impact investors across Australia and New Zealand. RIAA is a growing active network of over 180 members managing more than \$1 trillion in assets, including super funds, fund managers, KiwiSaver providers, consultants, researchers, brokers, impact investors, property managers, community banks, community trusts and financial advisers.

RIAA's goal is to see more capital being invested more responsibly. RIAA works to shift more capital into sustainable assets and enterprises and shape responsible financial markets to underpin strong investment returns and a healthier economy, society and environment.

