

Aurora Capital KiwiSaver Scheme

September Roadshow Presentation to



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Agenda

1. About Aurora Capital
2. Economic and market update
3. Fund performance and asset allocation
4. How our investments are driving positive change
5. Aurora's alignment with Mindful Money

Good for you,
good for others
and good for
the planet

1. About Aurora Capital

About the Aurora KiwiSaver Scheme

Oct 2021

Launch date

\$329m*

Funds under
Management

12,500

Active
members

6

Investment
options
including
RetirementPlus

* As at 17 Sept 2024

Why the Aurora KiwiSaver Scheme?



We're focused on **generating competitive long-term returns**



Unique access to \$5 trillion Australian market / Fund managers



We are dedicated to **sustainable investing**, making sure our members' investments make a positive difference to both their future and the environment



We believe that **managing environmental risk effectively** leads to not only a healthier planet, but also better returns in the future



We're big on **communication and education**, keeping you and your clients in the loop



We are **young and New Zealand's fastest growing KiwiSaver provider**. This means we're agile and responsive, always ready to help with any client questions and will adapt to ensure the best outcomes for you and your clients



2. Economic and market update

The NZ economy - is really struggling

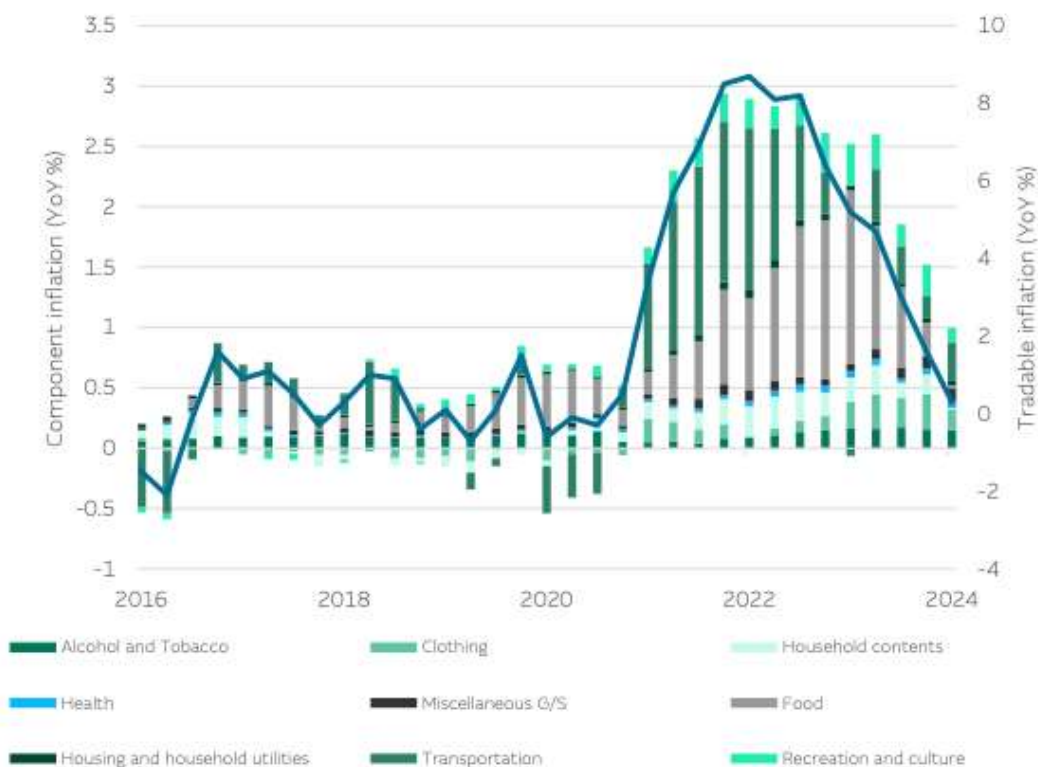


The NZ economy – inflation is easing

NZ Economic Outlook

Inflation is cooling steadily back to the 1-3% target range, but Non-tradeable components remain sticky as Tradeable components do the heavy lifting.

Tradable inflation has cooled rapidly



While Non-tradeables are taking a bit longer to retreat



The NZ economy – at the bottom?

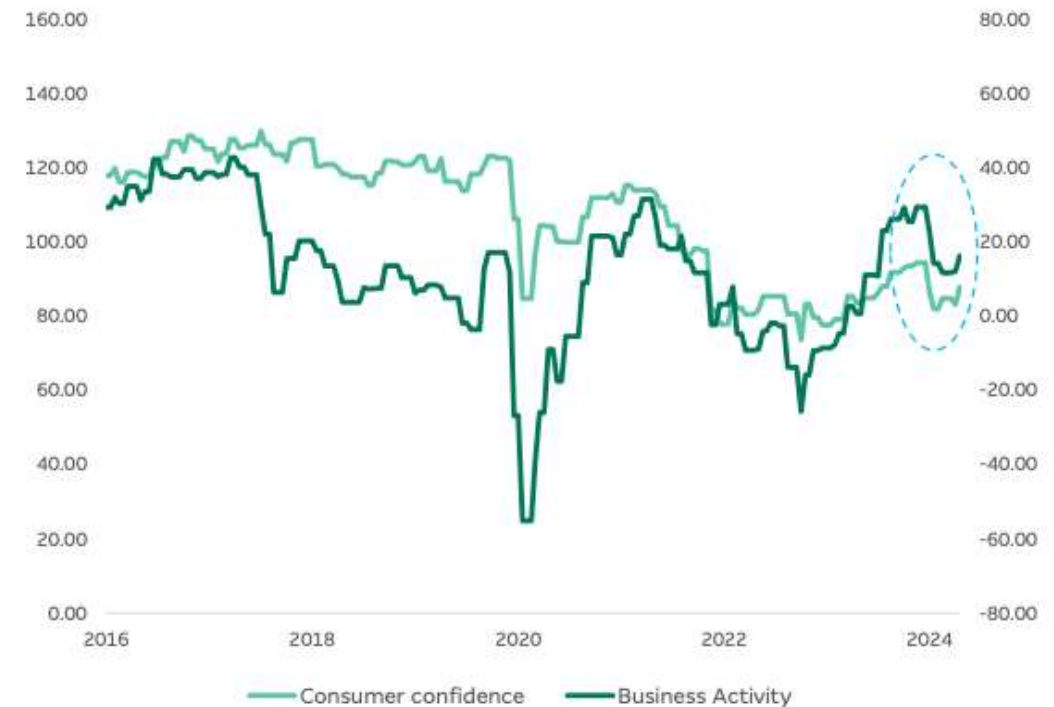
NZ Economic Outlook

The New Zealand economic data continued to soften in July, although following RBNZ's pivot in the July MPS there were small signs of optimism.

Economic data remains weak



Flicker of a glimmer of hope in ANZ's surveys

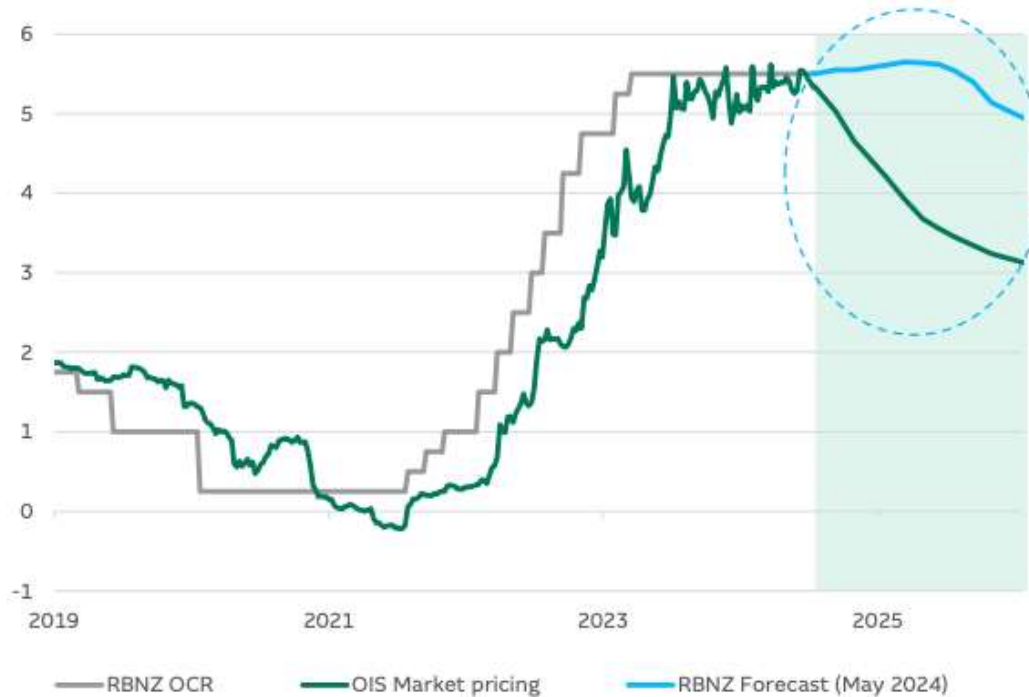


The NZ economy – market pricing rapid rate cuts

Market pricing well below the RBNZ

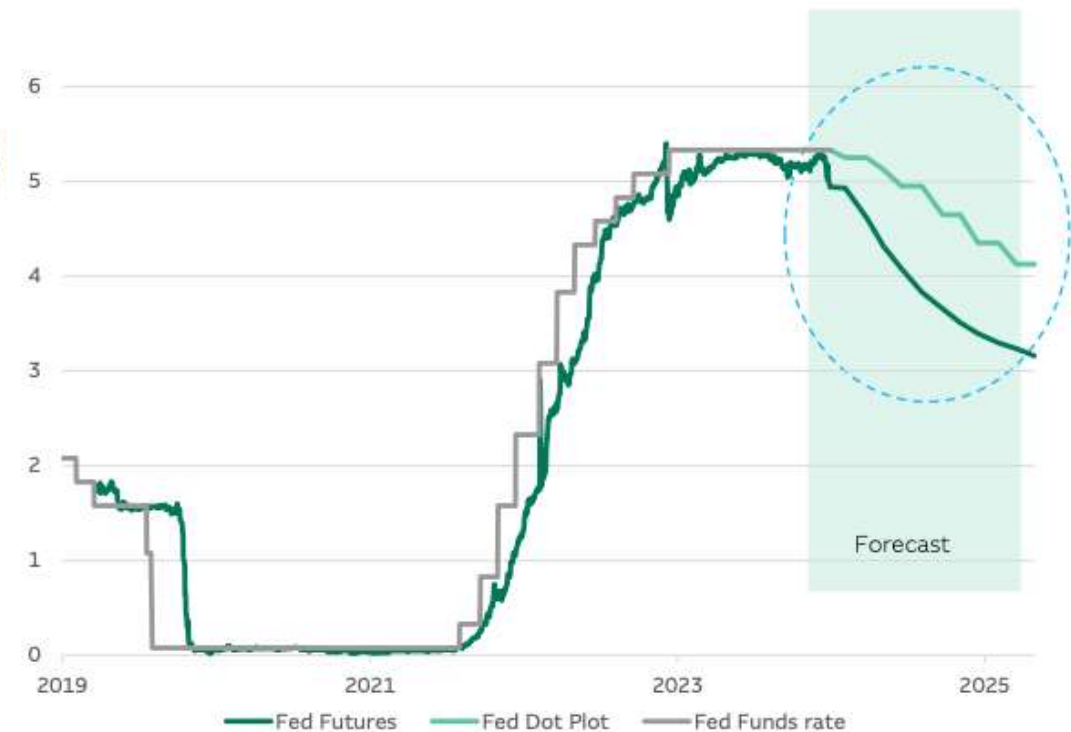
Typically, market prices tend to overestimate the pace and timing of rate cuts and underestimate the magnitude of rate hikes.

NZ Market vs OCR forecast



Source: RBNZ, US Federal Reserve, Bloomberg

US Fed forecast vs Fed Futures



What are daily and weekly indicators telling us about the US economy?

Daily data:

Restaurant bookings: Strong

TSA air travel data: Strong

Daily debit card data: Strong

Weekly data:

Atlanta Fed GDPNow: 2.1%

Fed's weekly GDP index: 2.4%

Retail sales: Strong

Jobless claims: Sideways

Hotel occupancy rate, daily rate, and RevPAR: Strong

Bank lending to firms and consumers: Growing

Bankruptcy filings: Trending lower

Credit and debit card data: Solid

Global jet fuel demand: Strong

Broadway show attendance: Strong

Box office weekly grosses: Strong

S&P 500 forward profit margins: Near record highs

Business formation: Rebounding

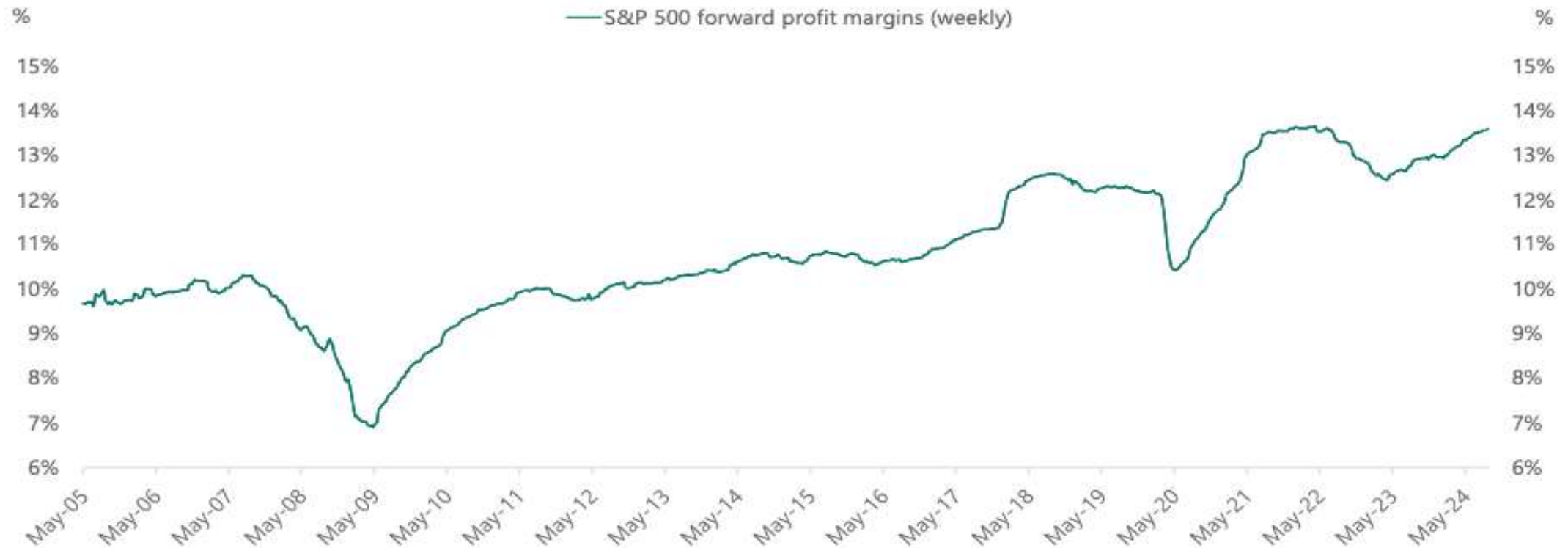
ASA temp worker staffing index: Sideways

Note: Data as of Saturday, September 7, 2024. Source: Apollo Chief Economist

And companies are still making decent profit

APOLLO

S&P 500 weekly forward profit margins near record high levels

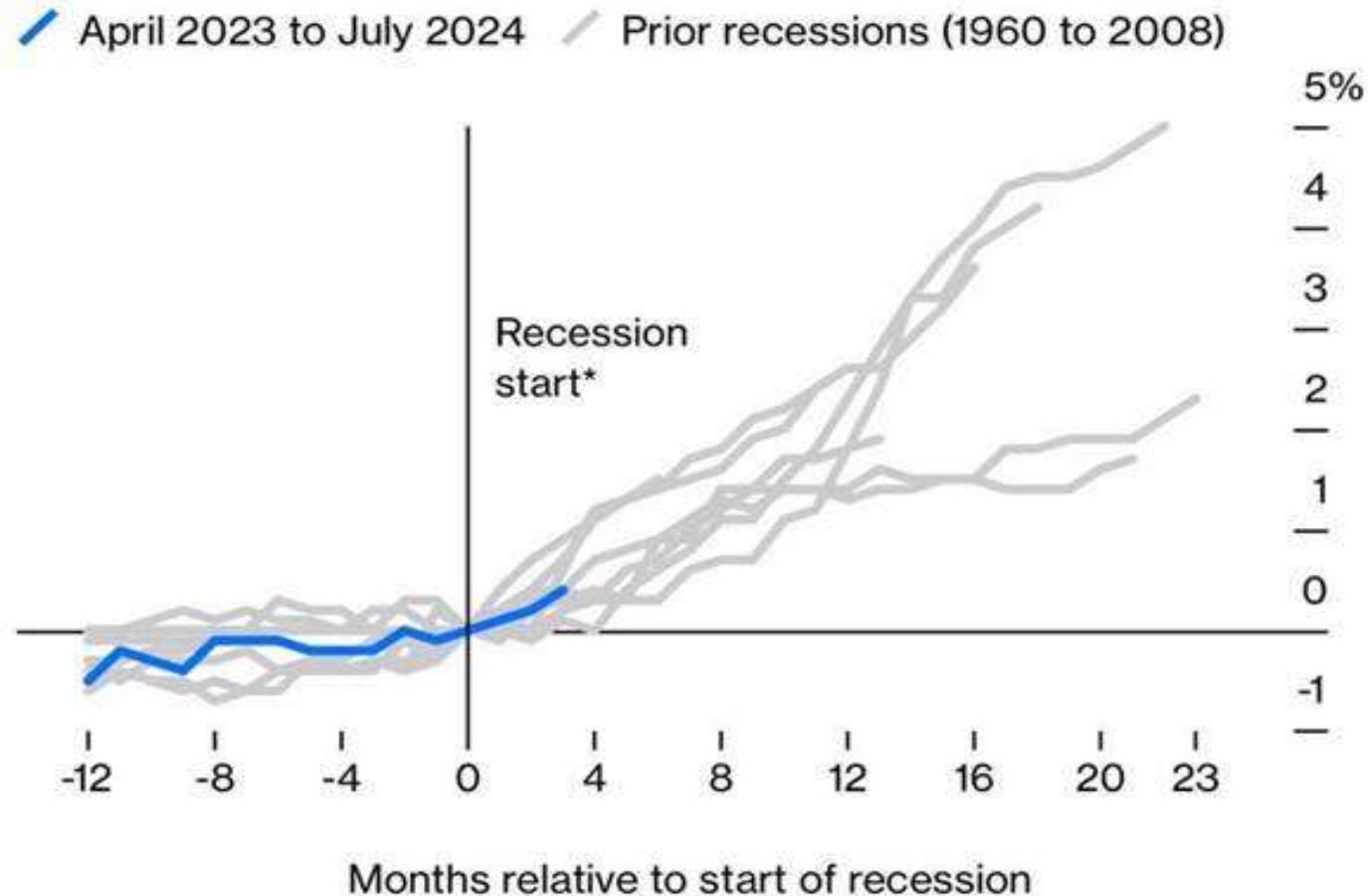


Source: Bloomberg, Apollo Chief Economist. Note: The 12 months forward profit margins are calculated by using the weighted average of 1FY (current year estimate) and 2FY (next year estimate) to smooth out fiscal year transitions.

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Rising unemployment – is this time different?

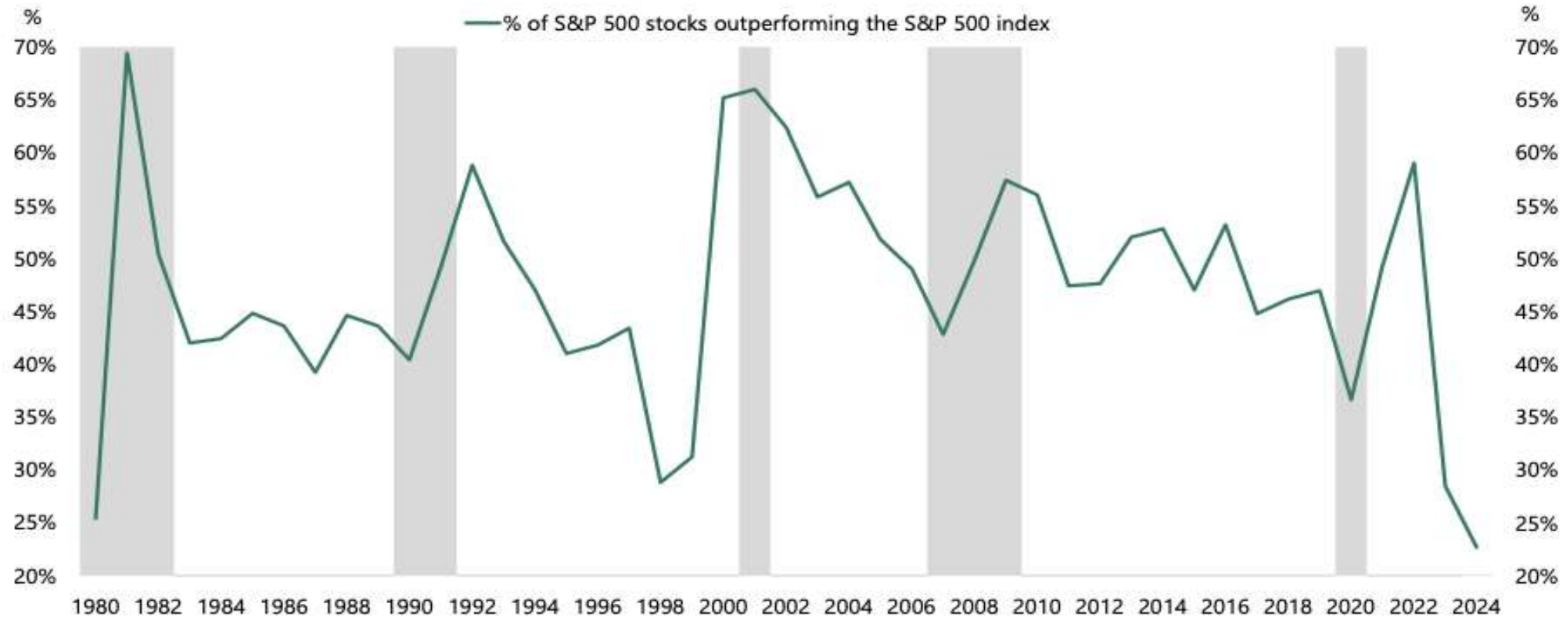
The increase in the unemployment rate tends to be smaller at the start of a recession, but it gets large quickly



The US remains a very concentrated market

APOLLO

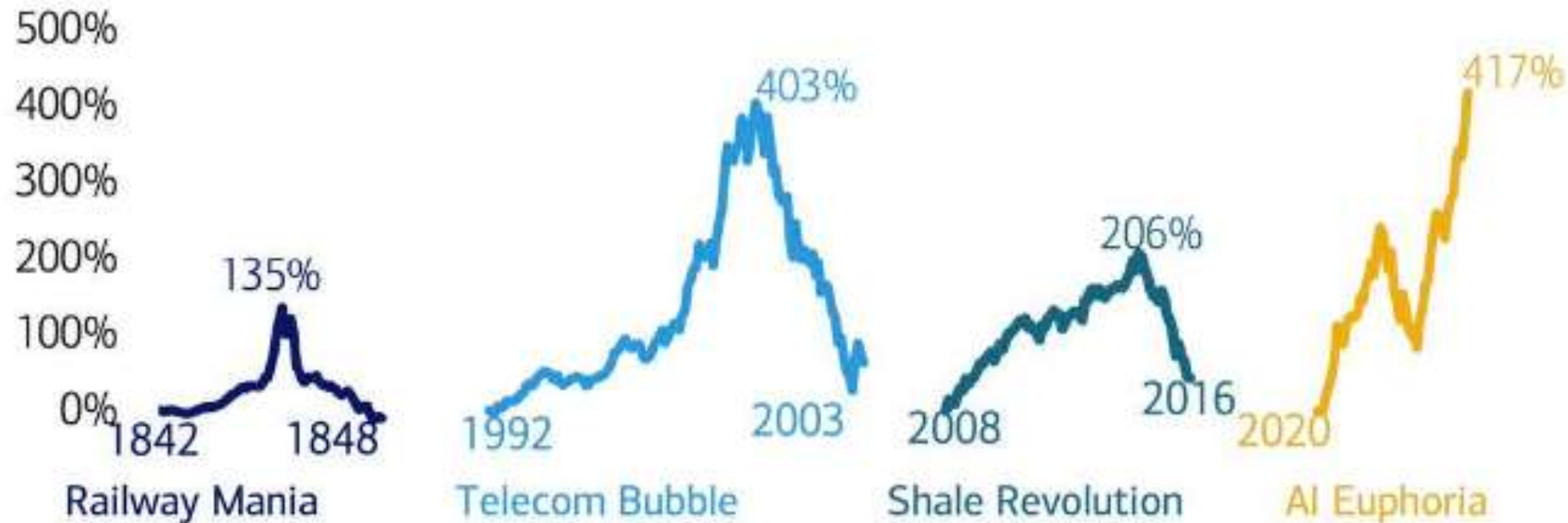
Record-low percentage of stocks outperforming the S&P 500 index



Source: Bloomberg, Apollo Chief Economist. Note: Annual data is from January 1 to December 31 for each year. The 2024 data is as of July 2, 2024 (year-to-date).

Exhibit 1: New tech, big investments, booming productivity...and bursting stock bubbles

First movers are often not the big winners from new technology



Source: BofA Research Investment Committee, Global Financial Data, Bloomberg, Odlyzko (2010); Note: Railways = UK top 100 transports and British Railway Share Prices, Telecom = Nasdaq; Shale Revolution = AMZ Index; AI = Mag 7

BoFA GLOBAL RESEARCH

Future returns are always driven by current valuations

Global equity returns by valuation bucket



The rotation has started – but will it continue?

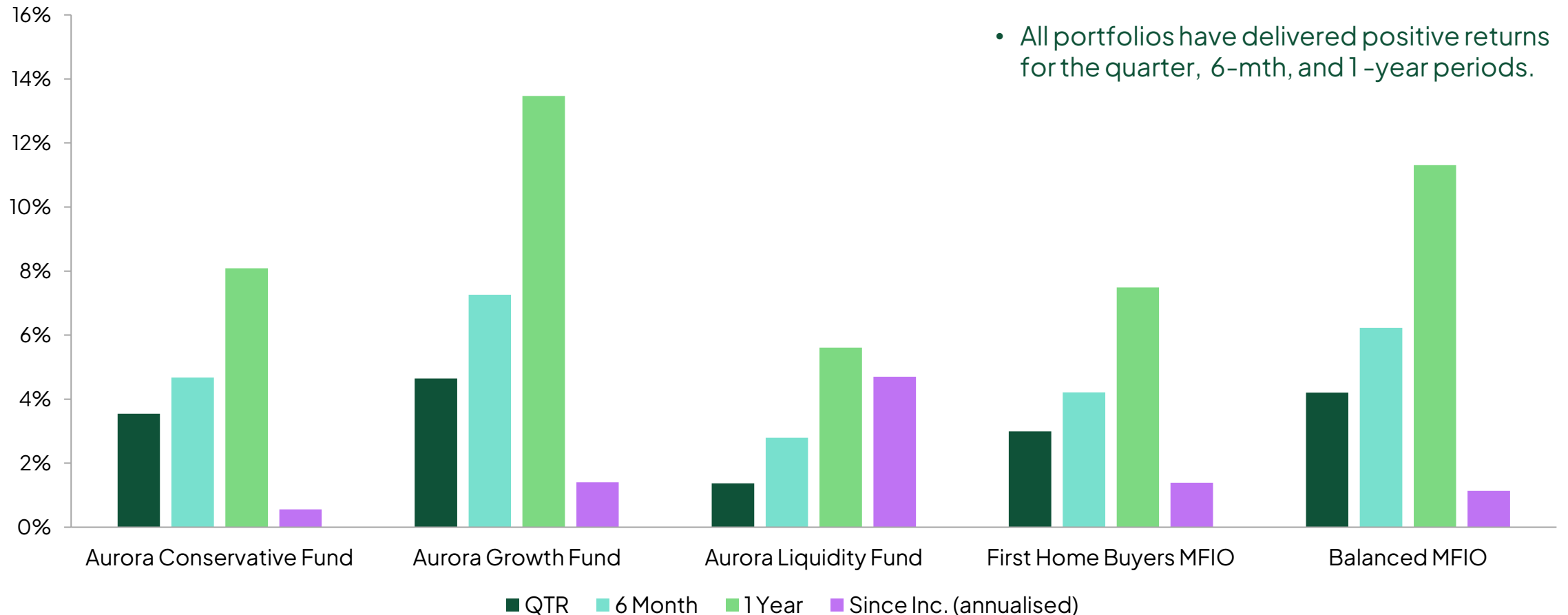
Index performance



Source: FactSet

3. Fund performance and asset allocation

Fund performance to 30 Aug 2024



Returns after fees before tax. Since inception date: 1/10/2021.

Our equity managers' performance to 30 Aug 2024



Manager	3 Month %	6 Month %	1 Year %	3 Years % p.a.
Mint Australasian Equity	2.9%	7.0%	11.2%	-0.4%
Kernel NZ 50 ESG Tilted	3.3%	3.9%	6.7%	0.1%
<i>Blend (67% Mint/33% Kernel)</i>	<i>3.0%</i>	<i>6.0%</i>	<i>9.7%</i>	<i>-0.2%</i>
NZX50	4.9%	6.0%	7.7%	-2.0%
Dimensional Global Sustainability	5.1%	7.9%	18.8%	-
Stewart Worldwide Leaders	6.9%	8.9%	16.7%	-
<i>Blend (60% Dimensional/40% Stewart)</i>	<i>5.8%</i>	<i>8.3%</i>	<i>18.0%</i>	-
MSCI ACWI	4.6%	7.7%	17.5%	10%
First Sentier Listed Infrastructure	4.9%	12.7%	14.5%	1.7%
FTSE Dev. Core Infra (NZD Hedged)	7.0%	13.3%	16.8%	-
PCG Private Debt	2.4%	5.5%	12.1%	-
OCR + 4%	2.4%	4.8%	9.9%	-

Returns after fees before tax

Our bond managers' performance to 30 Aug 2024

Manager	3 Month %	6 Month %	1 Year %	3 Years % p.a.
Macquarie NZ Fixed Interest	4.4%	5.2%	9.0%	-0.1%
Bloomberg NZ Bond Composite	4.3%	5.2%	9.0%	0.1%
Affirmative Global Impact Bonds	3.7%	3.4%	5.6%	-3.1%
Barclays Global Agg. (NZD Hedged)	4.0%	4.1%	7.1%	-1.3%
Macquarie Cash Fund	1.4%	2.9%	5.8%	3.9%
Bloomberg NZ Bond Bank Bill	1.4%	2.9%	5.8%	3.9%

Returns after fees before tax

Conservative Fund Asset Allocation @ 09/09/2024

	SAA	Current AA	Peer Group*	+/-
Cash	15.0%	18.6%	18.8%	-0.2%
NZ Fixed Interest	30.0%	31.5%	27.7%	+3.8%
Global Fixed Interest	30.0%	28.6%	31.9%	-3.3%
Defensive Assets	75.0%	78.6%	78.4%	+0.2%
NZ/Aus Equities	8.0%	5.5%	5.6%	-0.1%
Global Equities	12.0%	10.1%	13.4%	-3.3%
Property/Infrastructure	5.0%	3.3%	1.7%	+1.6%
Alternatives	-	2.6%	0.9%	+1.7%
Growth Assets	25.0%	21.4%	21.6%	-0.2%

Relative to peers we are overweight NZ FI, Infra and Alts, and underweight Global FI and Global Equities

*Peer Group as at June (MJW)

Growth Fund Asset Allocation @ 09/09/2024

	SAA	Current AA	Peer Group*	+/-
Cash	3.0%	5.0%	4.4%	+0.6%
NZ Fixed Interest	6.0%	8.0%	8.0%	-
Global Fixed Interest	11.0%	9.0%	9.6%	-0.6%
Defensive Assets	20.0%	22.1%	22.0%	+0.1%
NZ/Aus Equities	20.0%	20.5%	21.4%	-0.9%
Global Equities	52.0%	46.3%	51.1%	-4.8%
Property/Infrastructure	8.0%	8.4%	3.9%	+4.5%
Alternatives	-	2.7%	1.5%	+1.2%
Growth Assets	80.0%	77.9%	77.9%	-

Relative to peers we are overweight Infra and Alts, and underweight Global Equities

*Peer Group as at June (MJW)



4. How our investments are driving positive change

The demand for ethical investing in NZ is growing

MORE AND MORE KIWIS ARE INSISTING THEIR INVESTMENTS SHAPE THE WORLD FOR THE BETTER

77%

Now expect their investments to be managed ethically and responsibly.

89%

Don't want their money supporting environmental damage.

74%

Would consider investing in schemes that support companies creating positive benefits for the climate, society and the environment.

60%

Expect their financial adviser to be knowledgeable about ethical and responsible investment options.



Positive views about responsible investment are more strongly held by Gen Z and Millennials.

ETHICAL VS SUSTAINABLE INVESTING – WHAT’S THE DIFFERENCE?



Ethical investing (Socially Responsible Investing – SRI)

Value-driven. Selecting investments based on personal values or beliefs. Avoiding companies or industries involved in activities that go against those values, e.g. animal testing, weapons or fossil fuels.



Sustainable investing (Environmental, Social, and Governance (ESG) investing)

Impact-driven. Takes a broader approach and seeks to invest in companies that are doing good. Integrates sustainability considerations into investment decisions to achieve financial returns alongside positive environmental and social outcomes.

THERE CAN BE A CLASH OF THESE TWO PRINCIPLES

WHAT WE DO

- Exclude companies that do more harm than good.
- Focus on driving positive change in relation to the climate and environment.
- Our portfolios are low-carbon. We measure them based on their carbon emissions and contribution to the UN Sustainable Development Goals.
- We believe exclusions alone won't drive down global carbon emissions. Companies need capital to fund the replacement of carbon emitting processes.



We invest in
change

CLIMATE AND SUSTAINABILITY MEASURES OF PERFORMANCE

Carbon in the Portfolio



1. Portfolio Temperature Alignment

(Temperature scenario that a portfolio is currently in line with, based on its current carbon footprint)



2. Portfolio Carbon Intensity

(Tonnes of carbon dioxide equivalent emitted per \$1 million of assets under management)

Contribution to the United Nations SDGs



- 17 global goals established by the UN in 2015
- Aimed to address a range of global issues, e.g. poverty, clean water, climate action, inequality
- We measure how much of the portfolio is aligned to these goals



WHAT THIS MEANS



Temperature Alignment Metric

- Calculated on carbon emissions and carbon budgets of three globally acknowledged climate scenarios:
 - 1.5°C (Paris Agreement), 2.0°C (Upper limit), and 4.0°C (Failure).
- The lower the temperature alignment, the more aligned the portfolio is to a future low-carbon world.

Carbon Intensity Metric

- Measures Scope 1, 2 and 3 emissions.
- The higher the carbon intensity the greater the exposure to carbon-related risks e.g. regulatory, financial and reputational.

Aurora Growth Fund Example

	Portfolio Temperature Alignment	Portfolio Carbon Intensity
	 Based on portfolio carbon footprint	 Tonnes per \$1m of portfolio value
Portfolio	3.2 °C	440
Market Index*	3.6 °C	572

*MSCI All Country World Index

Measuring the UN's Sustainable Development Goals



Aurora Growth Fund Example

	SDG 7 Affordable & clean energy	SDG 9 Industry, innovation, & infrastructure	SDG 11 Sustainable cities & communities	SDG 13 Climate action	ALL Sustainable development goals
Contribution to Sales (%)					
Portfolio	6.3%	5.2%	14.7%	3.8%	69.2%
Market Index*	3.4%	4.9%	10.4%	2.5%	58.8%

5. Aurora's alignment with Mindful Money



Who are Mindful Money?



- A charity aiming to make money a force for good through responsible investment.
- Conducts annual consumer surveys to research issues of concerns to Kiwi investors.
- Uses survey findings to determine companies of concern and twice a year analyses KiwiSaver and investment fund portfolios to identify who is investing in these companies.
- Uses data house Sustainalytics for their screening research.

ISSUES OF CONCERNS



Human Rights Violations



Animal Cruelty



Weapons



Fossil fuels



Environmental Harm



Social Harm

Where we align with Mindful Money

EXCLUSIONS



Coal



Controversial Weapons*



Nuclear Weapons



Child Labour



Tobacco
(>10% revenue threshold for retail and distribution)

EXCLUSIONS ABOVE A REVENUE THRESHOLD



Palm Oil
(>20% for Aurora; >10% for Mindful Money)



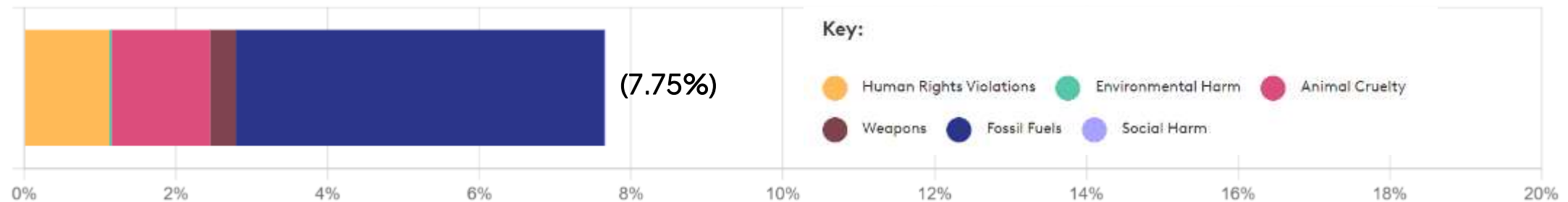
Gambling
(>10% of revenue from the ownership or operation of gambling facilities, or from the support or services to the gambling industry)



Adult Entertainment
(>10% revenue threshold)

* We exclude companies that are involved in the manufacturing of controversial weapons defined as: Cluster munitions or anti-personnel mines or their key components, chemical and biological weapons, or depleted uranium ammunition and armour.

Aurora Growth Fund Example



Why does Aurora have exposure to fossil fuels when we are a climate-focused KiwiSaver Provider?

Fossil Fuels (4.86%)

- We exclude all fossil fuel companies who extract and sell coal and those with evidence of reserves still in the ground (these are resources that could be converted into energy and carbon released).
- We do invest in fossil fuel companies that are transitioning to renewable energy.
- Mindful Money do not differentiate and will feature all companies that have >5% revenue from fossil fuels.

- We accept we can't be all things to all people – that's why our focus is to invest for a more sustainable climate and environment.
- We believe exclusions alone won't work.
- It's crucial to provide capital to companies that are actively transitioning to a sustainable future and are taking steps to reduce their carbon emissions.
- Companies that are changing and adapting their business model to help reduce global emissions play an important role in reducing the risk of a climate catastrophe.

Change is a journey, and we believe we're
taking steps in the right direction



Thank you!
Question time

