

NZARA

New Zealand Absolute Return Association

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PRESS RELEASE

Absolute return funds will have a place in KiwiSaver portfolios.

As the KiwiSaver infrastructure matures the range of offerings available to KiwiSaver investors will grow, and will eventually include absolute return and alternative investment products such as hedge funds.

“A 2004 report presented to the New Zealand Superannuation Fund by Eriksen and Associates recommended an increase in the benchmark weighting to alternative assets,” said The New Zealand Absolute Return Association Inc Chairman Anthony Limbrick.

“Since then the fund has diversified into alternative investments including an allocation to hedge fund products.”

The association believes that as the KiwiSaver investor becomes more sophisticated, as has happened with Australian investors under their compulsory superannuation framework, KiwiSaver portfolios will come to resemble scaled-down versions of the New Zealand Superannuation Fund.

“It is a misconception, especially with regards to the hedge fund industry, that absolute return offerings are leveraged, and therefore highly volatile,” continued Anthony Limbrick.

Some specific products are designed to give high returns with accompanying high volatility. However, the absolute return industry is highly diverse with a wide range of return and leverage profiles to choose from.

“An allocation to absolute return products has the potential to both reduce portfolio volatility and enhance returns and we believe local investors will come to understand that premise.” says Mr Limbrick.

He says as the absolute return industry has evolved and become accepted by institutional investors, it has become more “institutionalized”, and with that comes the expectation of higher standards with regards to risk management and regulatory compliance.

NZARA sees its role as encouraging industry “best practice” as well as educating New Zealand investors as to the benefits, and risks, of investing in absolute return investment products. In addition the association is working to improve the regulatory environment for absolute return investment managers and promotes the New Zealand industry offshore.

NZARA is the organization representing the absolute return investment and hedge fund industry in New Zealand and has been in existence since July 2005.

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