Enabling KiwiSaver investment in private assets

Submission on discussion document:
Enabling KiwiSaver investment in private assets

Your name and organisation

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Date	14 February 2025
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Responses to discussion document questions

Please enter your responses in the space provided below each question.

Liquidity management tools – questions for KiwiSaver providers or other industry	
1	For KiwiSaver managers: Please describe your current practice around investing in private assets, including levels of exposure you have to these types of assets, how you invest in these assets, and your management of liquidity risk.
2	Do you think that the current legislative framework for KiwiSaver effectively allows for the use of liquidity risk management tools that may impact transfer or withdrawal times (e.g. suspending redemptions or side-pocketing)?
3	For KiwiSaver managers: If you cannot use these tools, can you please explain the reasons for this and the impacts in terms of: a. your ability to increase investment in private assets b. risks associated with your current allocation of private assets.
4	Please provide any other comments on the availability of liquidity management tools.
5	Do you support the proposed approach? Why/why not?
6	If redemption gates were allowed, would you consider developing new products more focussed on private assets?
7	Will you face implementation costs if this change is made? If yes how much will they be and will they be one-off or ongoing?
8	Do you have any comments on the detailed design considerations noted above?
9	Please provide any further comments on this issue of liquidity management tools.
Liquidity management tools—questions for the public	
10	Do you support more investment by KiwiSaver funds into private assets? Why / why not?

	We support more investment by KiwiSaver funds in private assets. For private equity and venture capital assets, we recommend that KiwiSaver funds are encouraged to allocate initial commitments to professional private capital fund managers. Investing in private companies is different to the listed market familiar to most KiwiSaver funds. Private equity and venture capital investing has risk that is mitigated by established practices or programme parameters deployed by the world's best pension funds. Well-executed private market asset allocations can be expected to provide superior average net returns.
11	Do you support the use of liquidity management tools like 'side pockets', if they may have an impact on the availability of your KiwiSaver funds? Please explain.
12	Please provide any further comments on the proposed approach.
Private asset categories – questions for KiwiSaver providers or other industry	
13	Do you consider that the current asset classes in the Financial Markets Conduct Regulations 2014 are problematic as they relate to private assets? If yes, please explain.
	The absence of appropriate private asset categories in disclosure provisions of the FMC Regulations may impact conduct of fund managers.
14	How do think the categories should be described?
	Private equity and venture capital funds should be a separate category within private assets.
15	Please provide any other comments on the lack of private asset categories.
16	Which option do you think is best and why?
17	Will you face implementation costs if this change is made, if yes how much will they be and will they be one-off or ongoing?
18	Please provide any further comments on this issue of including private assets in asset categories.
Private asset categories—question for the public	

19	Do you think it would be useful to have better visibility over how much KiwiSaver funds are investing into private assets?
	Yes, transparency of portfolio allocations is important to scheme participants. We agree that disclosures shape the conduct of fund managers and the availability of information to scheme participants and investors.
Valuation requirements – questions for KiwiSaver providers or other industry	
20	For KiwiSaver managers: Do your governing document(s) include a valuation methodology which is challenging to apply to valuing private asset? If you do, can you please explain the impact in terms of: a. the extent to which your governing documents require amendments to allow for the inclusion and pricings of private assets within your funds. b. whether you have tried to amend the valuation provisions in the past or not, and why. Include examples of where the supervisor has or has not approved a valuation methodology.
21	Please provide any other comments on the valuation methodologies in governing documents.
22	Do you agree that this is an issue that needs addressing?
23	Do you have views on how it should be addressed?
24	Will you face implementation costs if this change is made, if yes how much will they be and will they be one-off or ongoing?
25	Please provide any further comments on this issue of valuation requirements.
Total Expense Ratio—questions for KiwiSaver providers or other industry	
26	Do you currently outsource fund management for private assets?
27	Do you see any issues with the current TER calculation and if so, what are they?
28	Does the current TER calculation impact your decision to invest in private assets, or to utilise third-party fund management?

29	Are there any other issues you would like to draw attention to on the TER?
Total Expense Ratio—questions for the public	
30	Do you look at KiwiSaver scheme fees when deciding which KiwiSaver scheme to put your money with?
31	What do you think should be included in any figure that is called "KiwiSaver scheme fees"?
32	Please share any thoughts you have around the TER (total expense ratio) and its function to inform the public of the expenses involved in KiwiSaver management.
Final comments—question for KiwiSaver providers or other industry	
33	Please provide any further comment on barriers to KiwiSaver investment in private assets that you see (including any comments in relation to issues identified in paragraph 18b-f).
	The MBIE research indicates that KiwiSaver fund managers find FMC regulation unclear at times. If a more prescriptive approach will provide clarity, it is worth consideration.
Final comments—question for all respondents	
34	Please use this question to provide any further information you would like that has not been covered in the other questions.
	The execution of a private equity and venture capital allocation by KiwiSaver funds will need resources and skillsets that are specialised. KiwiSaver funds unfamiliar with private equity and venture capital will need to build expertise and experience. A red flag would be raised if the easing of rules provides an incentive for KiwiSaver funds to invest directly in operating companies. Risks are mitigated if Limited Partners (KiwiSaver funds) allocate to third-party professional private capital fund managers who invest in operating companies. Investing in operating companies is not a passive practice. Direct investment is encumbered with active governance and executive responsibility. When operating companies experience challenges, shareholders need expert resources and immediate readiness. Institutional investors, like KiwiSaver funds, may find direct investing in operating companies does not adequately align with their resources and readiness capability.