# Submission template

## 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** | 14/01/2025 |
| **Organisation (if applicable)** | Pie Funds Management Limited |
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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 | |
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| **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. |
| | Pie Funds Management Limited ("**Pie Funds**"), currently has limited (less than 2%) exposure to private assets (and they are managed by third-parties). Our liquidity risk is governed by our internal Liquidity Risk Management Framework. However, due to the size of the holdings, there is limited liquidity risk to the funds. |
| **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)? |
| | The current ability for members to transfer their KiwiSaver with ten days' notice makes it more difficult to invest in longer-duration projects like infrastructure and private assets, although it is still possible. Suspending redemptions or imposing a lock-up period may enable this investment to occur more effectively. |
| **3** | For KiwiSaver managers: If you cannot use these tools, can you please explain the reasons for this and the impacts in terms of:<br>a. your ability to increase investment in private assets<br>b. risks associated with your current allocation of private assets. |
| | N/A |
| **4** | Please provide any other comments on the availability of liquidity management tools. |
| | N/A |
| **5** | Do you support the proposed approach? Why/why not? |
| | Yes, Pie Funds supports the proposed approach. |
| **6** | If redemption gates were allowed, would you consider developing new products more focussed on private assets? |
| | Pie may consider larger exposures than current in these asset types if redemption gates were allowed. It would be unlikely a specific private asset product would be launched. Customer outcomes would however primarily drive our investing decisions in the first instance. |
| **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? |
| | Costs incurred would mostly be internal time, however there may be some external legal or Technology costs incurred to complete any required changes to management items |
| **8** | Do you have any comments on the detailed design considerations noted above? |

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| 9 | N/A |
| | Please provide any further comments on this issue of liquidity management tools. |
| | N/A |

| **Private asset categories – questions for KiwiSaver providers or other industry** | |
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| **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. |
| | No. Noting the small proportion invested in private assets it feels appropriate to include in "Other Assets". Further transparency can be added by providers, where appropriate. |
| **14** | How do think the categories should be described? |
| | Given the small proportion of funds invested in private assets, "Other assets" is likely to be the most appropriate option. |
| **15** | Please provide any other comments on the lack of private asset categories. |
| | The lack of category for private assets means investors may not know what specifically their money is being invested into, however this can easily be addressed through footnote or additional commentary by providers. |
| **16** | Which option do you think is best and why? |
| | None. As described in questions 13-15 above, "Other assets" is the most appropriate category given the proportion of funds currently invested in private assets. |
| **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? |
| | Yes, one off costs would be incurred and a change to asset classes impacts disclosure, the website and other customer-facing collateral. The cost will largely be internal time. If changes were necessary there should be no time pressure to implement, noting that it should not be the primary driver for a document change. |
| **18** | Please provide any further comments on this issue of including private assets in asset categories. |
| | N/A |

| **Valuation requirements – questions for KiwiSaver providers or other industry** | |
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| **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:<br>a. the extent to which your governing documents require amendments to allow for the inclusion and pricings of private assets within your funds.<br>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. |

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| | Our Governing Document contains valuation provisions that enable the accurate valuation of private assets and will not need updating. |
| **21** | Please provide any other comments on the valuation methodologies in governing documents. |
| | N/A |
| **22** | Do you agree that this is an issue that needs addressing? |
| | Possibly. |
| **23** | Do you have views on how it should be addressed? |
| | No |
| **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? |
| | We will not have to amend our Governing Document. |
| **25** | Please provide any further comments on this issue of valuation requirements. |
| | N/A |
| **Total Expense Ratio—questions for KiwiSaver providers or other industry** | |
| **26** | Do you currently outsource fund management for private assets? |
| | Yes. We outsource fund management for private assets to third parties. |
| **27** | Do you see any issues with the current TER calculation and if so, what are they? |
| | No |
| **28** | Does the current TER calculation impact your decision to invest in private assets, or to utilise third-party fund management? |
| | Total cost to the customer including cost of utilising 3rd party fund is accurately captured in the current total expense ratio calculation. Pie supports the current state methodology and disclosing fee costs of underlying vehicles, where that cost is incurred by the customer, would not impact Pie's decision to invest in private assets, or use of third party funds. |
| **29** | Are there any other issues you would like to draw attention to on the TER? |
| | No |
| **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). |
| | N/A |
| **Final comments—question for all respondents** | |

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| **34** | Please use this question to provide any further information you would like that has not been covered in the other questions. |
| | N/A |