

# Foreign Ownership

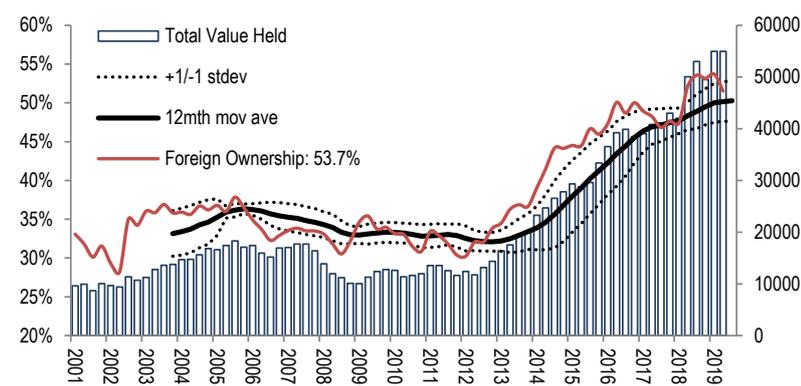
## Taking the Top Off

Foreign ownership fell -219bp to 51.5% of the New Zealand Equity market over the June 2019 quarter. The majority of this can be attributed to profit taking by Australian investors, however, other Internationals were also sellers. Signals for the current quarter are mixed with substantial shareholder notices for foreign investors muted, while ETF flows are mixed with monthly outflows and inflows largely balanced over the quarter to date.

### Foreign Ownership falls in June 2019 quarter

On our estimates, as at the end of the June 2019 quarter, foreign investors now own approximately 51.5% of the New Zealand equity market. This has fallen -219bp from 53.7% at the end of the March 2019 quarter. Australian outflows made up the majority of the decline, with selling also occurring from other international investors.

Figure 1. Foreign ownership declines in the June 2019 quarter



Source: Forsyth Barr analysis, Statistics NZ

### Australian vs International

Australian investors appeared to be pairing positions across the market more broadly, as opposed to focussed selling in the a2 Milk Company as has been seen previously. In contrast, other international investors appeared to have increased positions in ATM, whilst similarly also selling the rest of the broader market.

### International Index Effects

The June 2019 quarter included the MSCI May Semi-annual review and while no stocks were added or removed, the addition of China A-shares led to a down weight to New Zealand within the world index. This likely would've contributed to some of the outflow observed, albeit mainly focussed within large cap NZ equities. The September quarter will include a similar FTSE Global indices rebalance, however, given the significantly lower aggregate amount of funds tracking the FTSE indices, the effect of this will likely be negligible.

### Signals for the September 2019 quarter

Substantial shareholder notices show a modest outflow by Australian investors offset by inflows from other international investors. Overall net flows are minor in the scheme of things, with activity limited to a small segment of the market.

Taking the US listed MSCI NZ ETF as a proxy, signs of US investor interest in NZ equities appears mixed. With oscillating monthly in and out flows largely offsetting one another, and units on issue in the ETF essentially unchanged.

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# Investor Movement

## Australians dominate

Foreign ownership changes in the June 2019 quarter have largely been dominated by Australian investment outflows, which is a contrast to the dominance in previous quarters by other international investors.

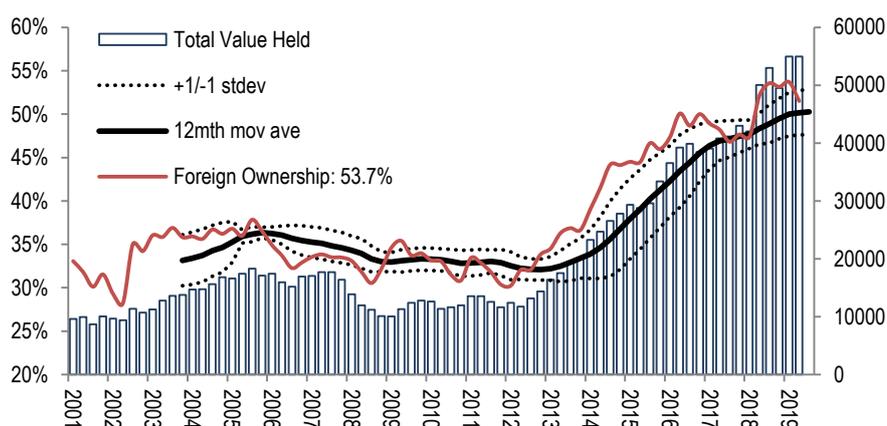
Also of interest was the smaller effect profit taking in ATM had on Australian ownership changes relative to prior quarters. With Australian investors appearing to be pairing positions in New Zealand across the board, rather than in just the most common Australian holdings. In contrast, other international investors appeared to be expanding positions in ATM, whilst similarly selling New Zealand equities on aggregate.

**Figure 2. Quarterly ownership movement by Australian and Int'l components**

	Int'l.		Aust.		Total	
	Actual	Excl. ATM	Actual	Excl. ATM	Actual	Excl. ATM
Sep 2018	36.4%	38.8%	17.1%	14.0%	53.6%	52.8%
Dec 2018	36.5%	39.1%	16.6%	13.0%	53.1%	52.0%
Mar 2019	36.9%	40.0%	16.8%	12.6%	53.7%	52.6%
Jun 2019	36.2%	39.2%	15.3%	11.2%	51.5%	50.4%
Aug 2019	-	-	14.6%	10.9%	-	-
<b>Change June Qtr.</b>	<b>-0.67%</b>	<b>-0.80%</b>	<b>-1.52%</b>	<b>-1.36%</b>	<b>-2.19%</b>	<b>-2.16%</b>

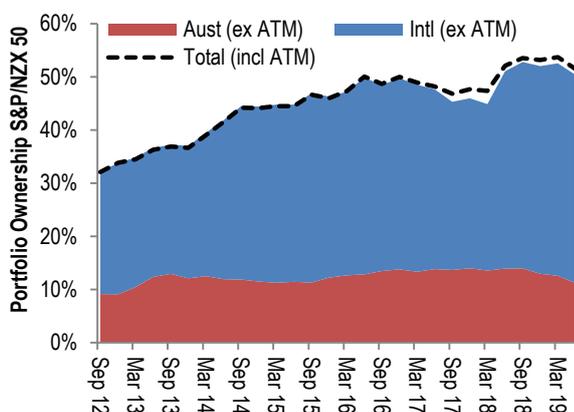
Source: Forsyth Barr analysis, Statistics NZ, ASX

**Figure 3. Foreign portfolio ownership of New Zealand equities**



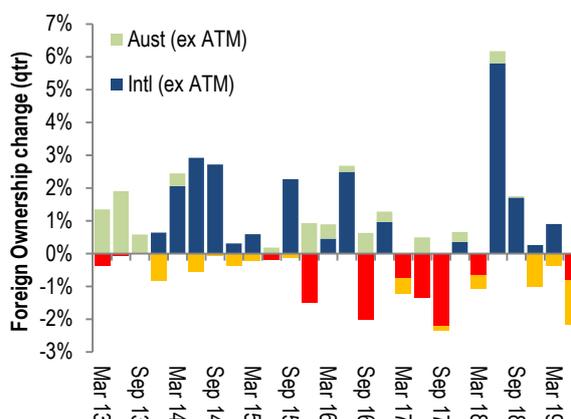
Source: Forsyth Barr analysis, Statistics NZ

**Figure 4. Foreign ownership by investor group (adjusted for ATM)**



Source: Forsyth Barr analysis, Statistics NZ, ASX

**Figure 5. Foreign ownership quarterly change ex ATM**



Source: Forsyth Barr analysis, Statistics NZ, ASX

### Shareholder notices muted

Substantial shareholder notices for the September 2019 quarter to date indicate a lower level of foreign investor activity comparative to the June 2019 quarter. With marginal outflows from Australian investors offset by inflows from international investors.

However, breaking down flows, the majority of the international investor movement stemmed from The Capital Group expanding their position in Fisher & Paykel Healthcare (FPH). Outside of this, both Australian and other international investors adjusted positions on the margin, with activity limited to a small segment of the market.

**Figure 6. International substantial shareholder notices for September quarter to date**

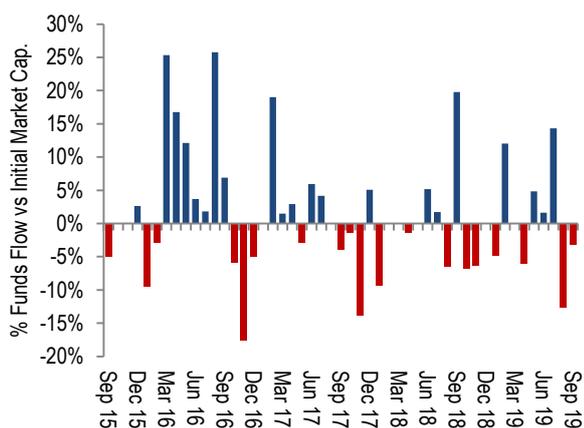
Code	Shareholder Name	Before	After	Change	Value (\$NZDm)
CNU	Commonwealth Bank of Australia	5.0%	4.4%	-0.6%	-14.1
FBU	Ellerston Capital Limited	5.1%	4.8%	-0.3%	-13.3
FPH	The Capital Group Companies	5.1%	6.4%	+1.3%	+126.4
PPH	Morgan Stanley	5.9%	5.0%	-0.9%	-8.5
SKC	Sumitomo Mitsui Trust Holdings	8.3%	10.0%	+1.7%	+46.0
SKT	Allan Gray Group	7.1%	4.5%	-2.6%	-12.1
	Harris & Associates LP	6.1%	5.1%	-1.0%	-4.7
	Jupiter Asset Management	8.3%	9.9%	+1.6%	+7.6
	Kiltearn Partners	12.4%	10.4%	-2.0%	-9.5
	RugbyPass Investors, LLC	5.0%	6.1%	+1.1%	+4.9
THL	HB Holdings	16.9%	18.3%	+1.4%	+8.3
VHP	Northwest	24.1%	25.0%	+0.9%	+10.4
	<b>Australian Investors</b>				<b>-31.9</b>
	<b>International Investors</b>				<b>+173.4</b>

Source: Forsyth Barr analysis, NZX

### Passive flows

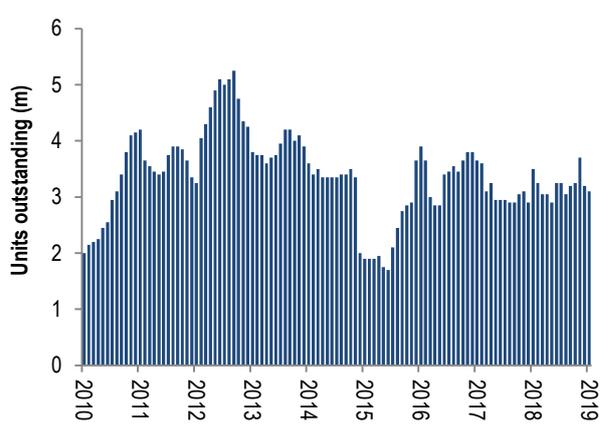
Using investment flows in the US listed MSCI NZ ETF as a proxy of US investor interest in New Zealand equities, September 2019 sentiments appear to be mixed. With inflows and outflows appearing equally balanced, and units on issue subsequently largely unchanged.

**Figure 7. iShares MSCI NZ ETF funds flow**



Source: Forsyth Barr analysis, Refinitiv

**Figure 8. iShares MSCI NZ ETF trend in units on issue**



Source: Forsyth Barr analysis, Refinitiv

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