

# Quantitative Screening

## Foreign Ownership – Bunkering Down in NZ

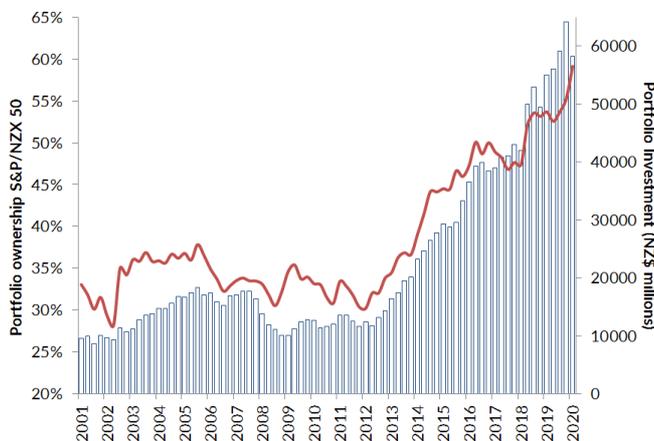
**LIAM DONNELLY**

 liam.donnelly@forsythbarr.co.nz  
 +64 4 495 8194

**MATTHEW LEACH**

 matthew.leach@forsythbarr.co.nz  
 +64 4 495 1324

Foreign ownership of the New Zealand equity market has continued its upward trend as at the March 2020 quarter, largely unhindered by the COVID-19 market plunge, rising to a record high 59%, by our estimates. The upwards movement can be attributed to both Australian and other international investors. Australian ownership of several key New Zealand stocks has increased substantially in 2020 (to 31 May 2020), particularly in Air New Zealand (AIR), Kathmandu (KMD) and Auckland International Airport (AIA), while The a2 Milk Company (ATM) has seen profit taking over the same period.

**Figure 1. Foreign ownership rose during the March 2020 quarter**


Source: Forsyth Barr analysis, Refinitiv, Stats NZ

**Figure 2. Australian ownership S&P/NZX 50 (% of free float)**


Source: Forsyth Barr analysis, ASX, NZX

### Australian ownership on the rise YTD

Australian ownership of the NZ market has made a come-back in early 2020, rising to 17.1% at the end of April, the highest level since April 2019, and with a current level of 16.7%. Excluding the impact of ATM, Australian ownership has still increased year-to-date to 11.8% (from 10.4% in December 2019), this distortion is a symptom of ATM's continuing popularity amongst Australian investors (currently at 50% Australian ownership).

### SPH notices heightened and passive flows recovering

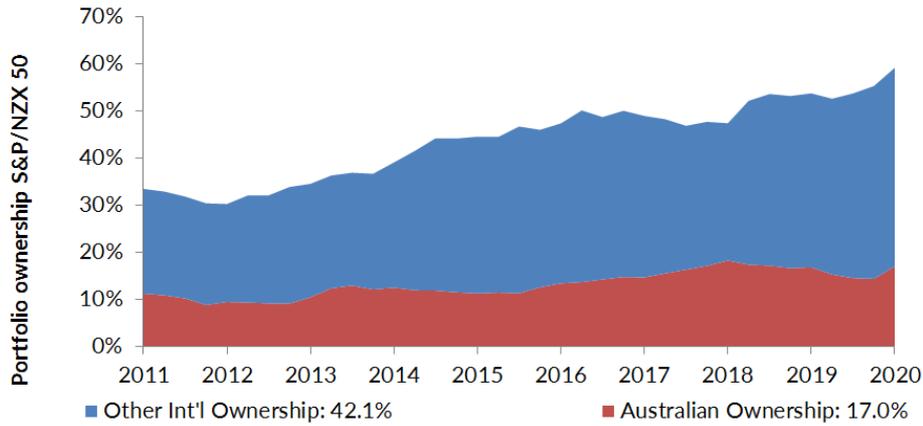
Both the March 2020 quarter and the June 2020 quarter to date have seen a heightened level of SPH notices by international investors, with ATM profit taking in both quarters. Passive flows indicate that NZ was not immune to the COVID-19 market sell-off with substantial net outflows over February and March 2020. Sentiment appears to be recovering, however, with net inflows since April 2020.

## Investor movement

### Australians and other internationals surge

Foreign ownership changes in the March 2020 quarter saw substantial increases in both Australian and other international holdings, contributing +2.7% and +1.2% respectively. While total international ownership saw a large increase (+3.9%) over the quarter this is not unprecedented as we saw an increase of +4.8% back in the June quarter of 2018.

Figure 3. Foreign ownership of the S&P/NZX 50 (% of free float)



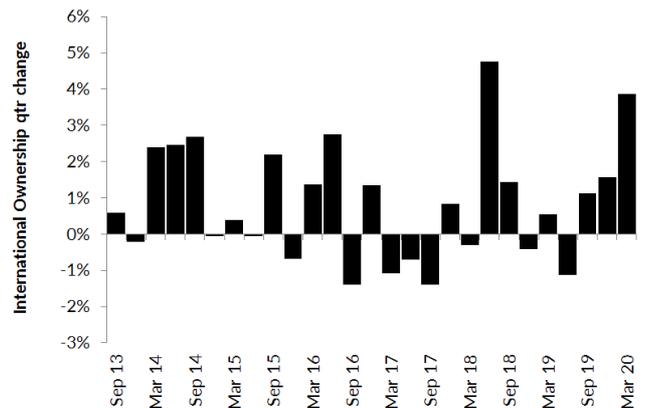
Source: Forsyth Barr analysis, Stats NZ, ASX, Refinitiv

Figure 4. Qtr ownership movement by Aus and other int'l

|                       | Other Int'l. | Aust.        | Total Int'l  |
|-----------------------|--------------|--------------|--------------|
| Jun 2019              | 37.3%        | 15.3%        | 52.6%        |
| Sep 2019              | 39.2%        | 14.5%        | 53.7%        |
| Dec 2019              | 40.9%        | 14.4%        | 55.3%        |
| Mar 2020              | 42.1%        | 17.0%        | 59.1%        |
| <b>Change Mar Qtr</b> | <b>+1.2%</b> | <b>+2.7%</b> | <b>+3.9%</b> |

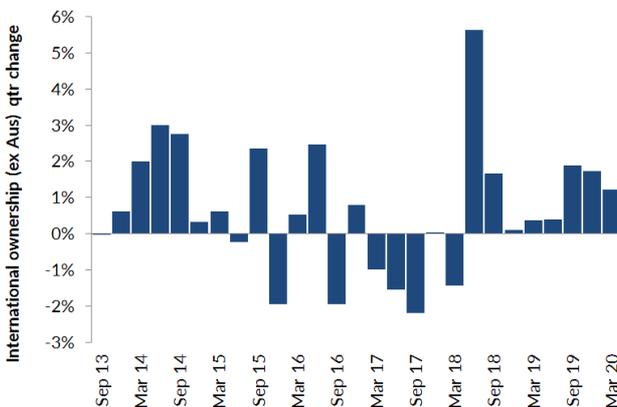
Source: Forsyth Barr analysis, ASX, NZX, Stats NZ, Refinitiv

Figure 5. Quarterly change in international ownership



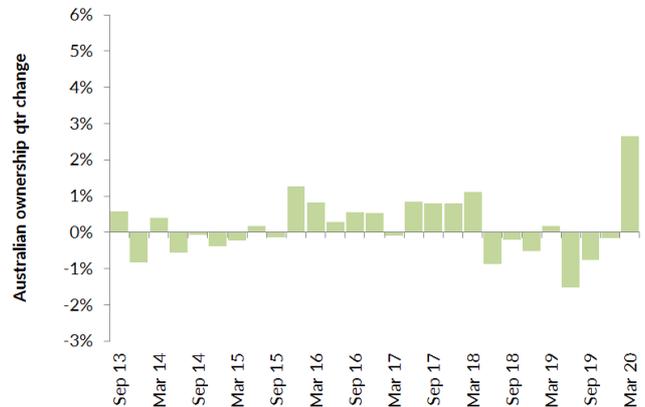
Source: Forsyth Barr analysis, ASX, NZX, Refinitiv, Stats NZ

Figure 6. Quarterly change in international (ex-Aus) ownership



Source: Forsyth Barr analysis, ASX, NZX, Stats NZ, Refinitiv

Figure 7. Quarterly change in Australian ownership



Source: Forsyth Barr analysis, ASX, NZX, Refinitiv

## Australian ownership activity

We present the changes in Australian ownership of New Zealand companies (by free float) with an ASX listing. Figures 8, 9, and 10 contain the five largest increases and five largest decreases in Australian ownership over one month, three months and for the year-to-date.

The period of the three months to May 31, 2020, contains most of the COVID-19 market decline (the 'high' of the NZ market was 21 Feb and the 'low' was 23 March by our analysis), and the subsequent market recovery. In this period there was prominent Australian buying in AIR (+1,168bp), KMD (+803bp), VGL, and AIA, and there was particularly strong selling in SKT, where Australian ownership decreased by -1,303bp. The 2020 year-to-date has also seen some selling in ATM, with a decrease of -302bp.

**Figure 8. Changes in Aus ownership – May 2020**

| Increases | % free float | Change | Decreases | % free float | Change |
|-----------|--------------|--------|-----------|--------------|--------|
| KMD       | 52.2%        | +630bp | SKT       | 4.0%         | -930bp |
| AIR       | 22.6%        | +353bp | SML       | 23.9%        | -555bp |
| PPH       | 18.5%        | +345bp | ATM       | 50.4%        | -113bp |
| VGL       | 20.0%        | +186bp | FPH       | 20.8%        | -75bp  |
| FBU       | 39.4%        | +107bp | FSF       | 6.5%         | -34bp  |

Source: Forsyth Barr analysis, ASX

**Figure 9. Changes in Aus ownership – 3 months to May 2020**

| Increases | % free float | Change   | Decreases | % free float | Change   |
|-----------|--------------|----------|-----------|--------------|----------|
| AIR       | 22.6%        | +1,168bp | SKT       | 4.0%         | -1,303bp |
| KMD       | 52.2%        | +803bp   | SML       | 23.9%        | -473bp   |
| VGL       | 20.0%        | +631bp   | SKC       | 42.7%        | -190bp   |
| AIA       | 14.5%        | +626bp   | FPH       | 20.8%        | -182bp   |
| EBO       | 8.5%         | +197bp   | FSF       | 6.5%         | -146bp   |

Source: Forsyth Barr analysis, ASX

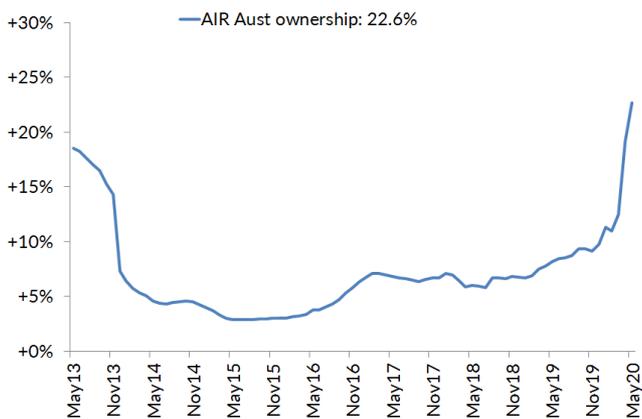
**Figure 10. Changes in Aus ownership – 2020 YTD**

| Increases | % free float | Change   | Decreases | % free float | Change   |
|-----------|--------------|----------|-----------|--------------|----------|
| AIR       | 22.6%        | +1,292bp | SKT       | 4.0%         | -1,281bp |
| GTK       | 31.6%        | +1,019bp | SML       | 23.9%        | -730bp   |
| KMD       | 52.2%        | +957bp   | ATM       | 50.4%        | -302bp   |
| AIA       | 14.5%        | +660bp   | FSF       | 6.5%         | -211bp   |
| VGL       | 20.0%        | +649bp   | FBU       | 39.4%        | -211bp   |

Source: Forsyth Barr analysis, ASX

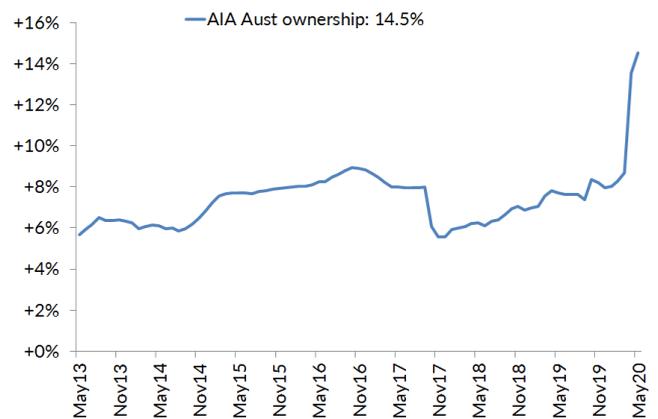
Below we present the breakdown by company of trends in Australian ownership. Prior to October 2017 this data was presented as a rolling 6 month average; from October 2017 onwards the data is a month-end figure.

**Figure 11. Australian free float ownership AIR**



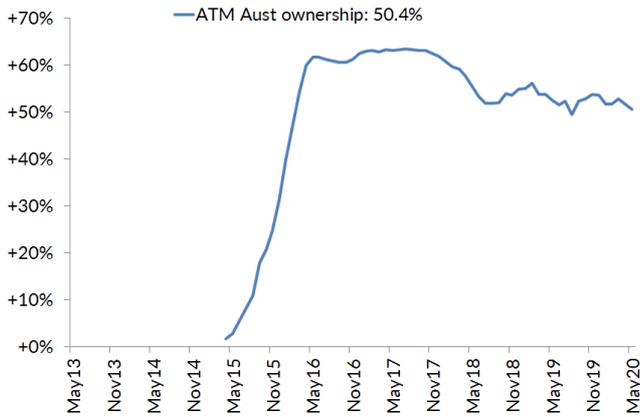
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 12. Australian free float ownership AIA**



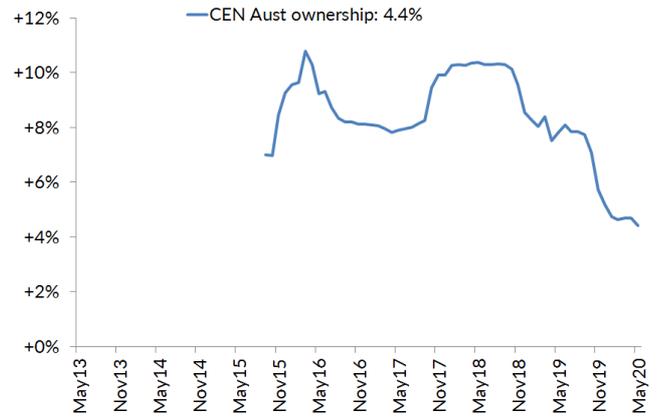
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 13. Australian free float ownership ATM**



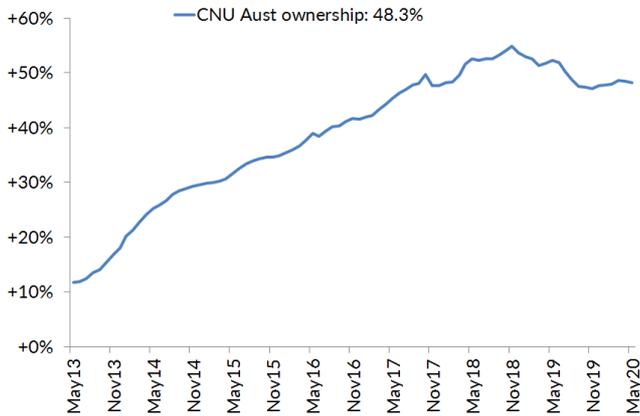
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 14. Australian free float ownership CEN**



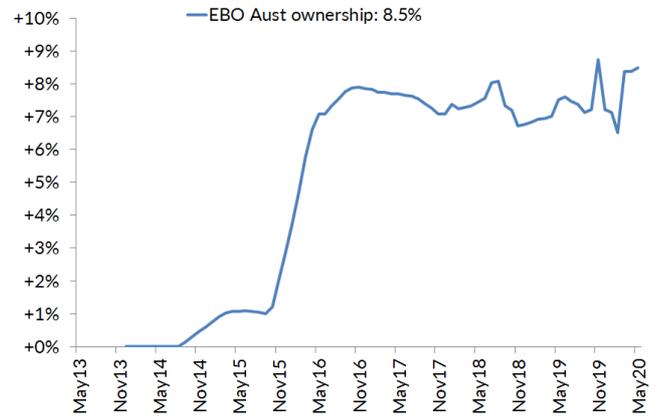
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 15. Australian free float ownership CNU**



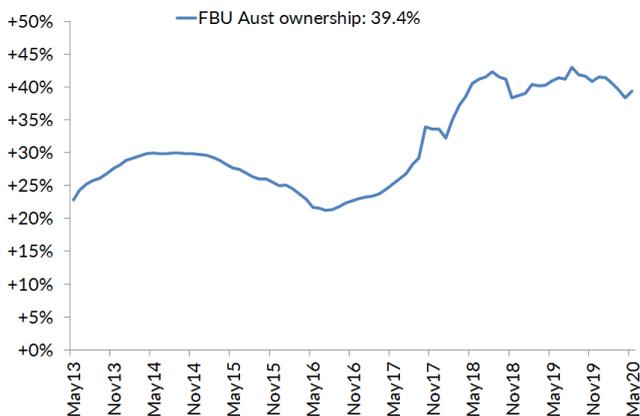
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 16. Australian free float ownership EBO**



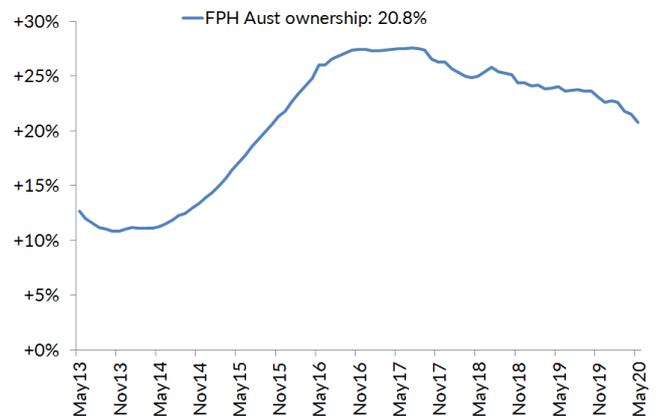
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 17. Australian free float ownership FBU**



Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 18. Australian free float ownership FPH**



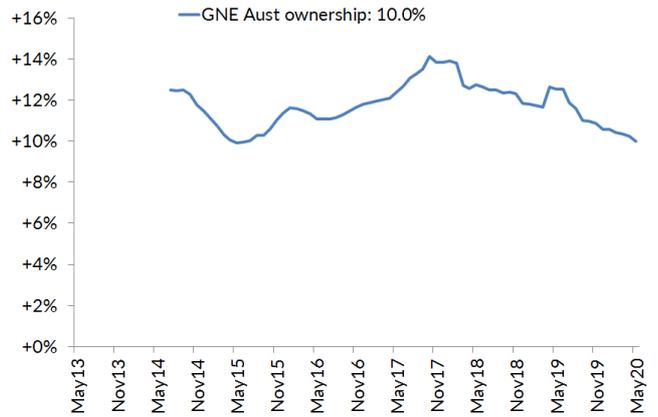
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 19. Australian free float ownership FSF**



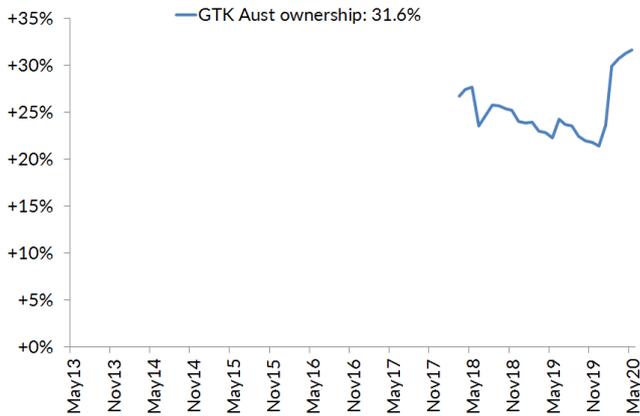
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 20. Australian free float ownership GNE**



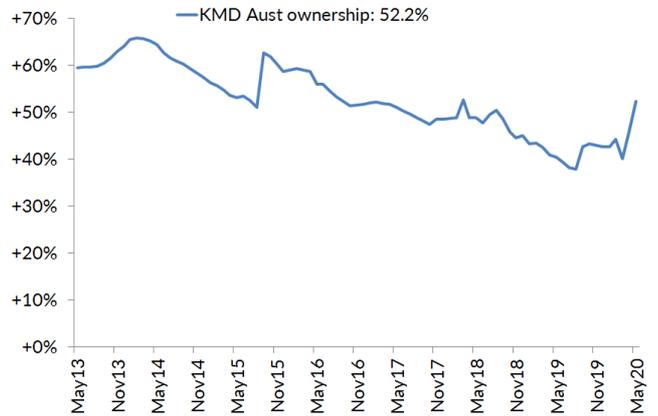
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 21. Australian free float ownership GTK**



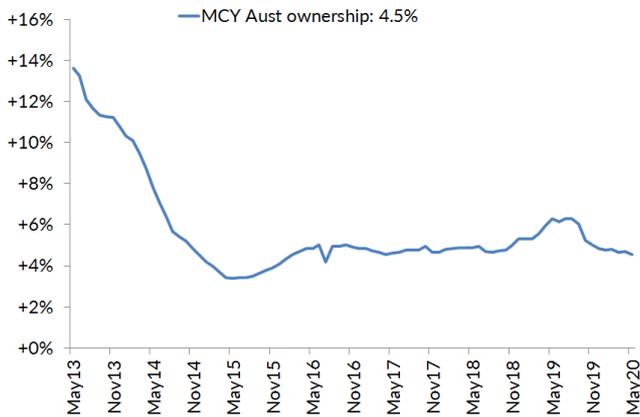
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 22. Australian free float ownership KMD**



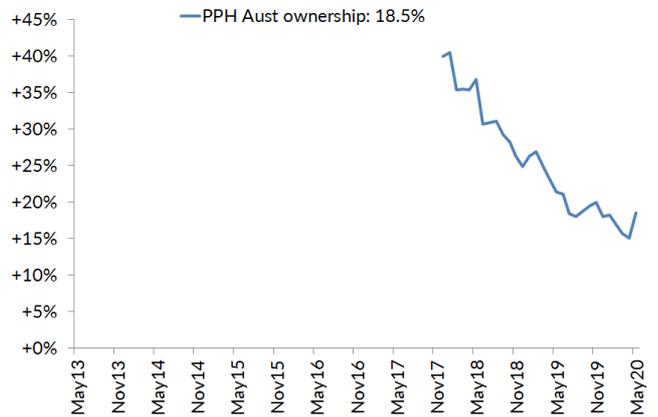
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 23. Australian free float ownership MCY**



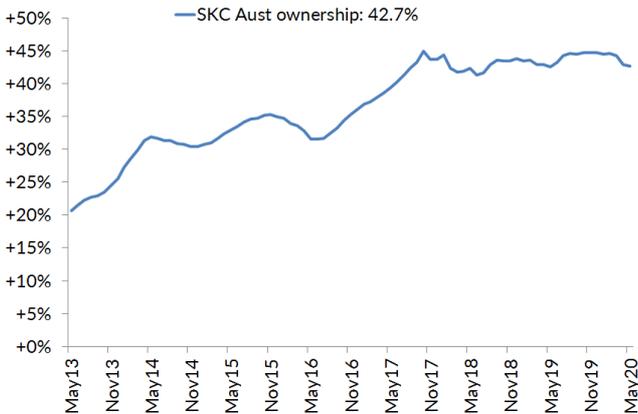
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 24. Australian free float ownership PPH**



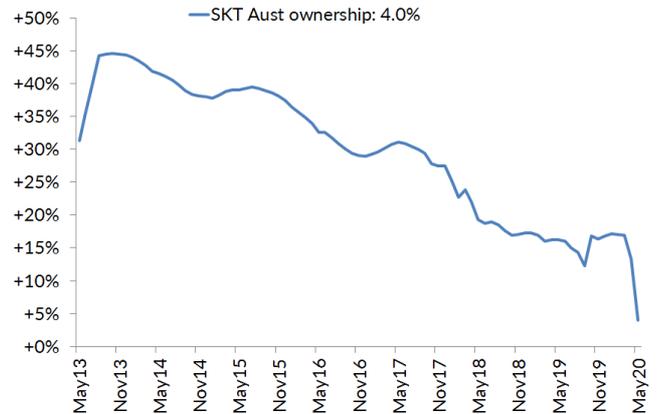
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 25. Australian free float ownership SKC**



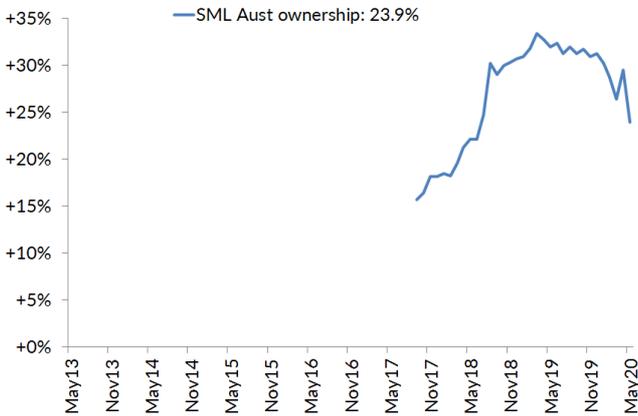
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 26. Australian free float ownership SKT**



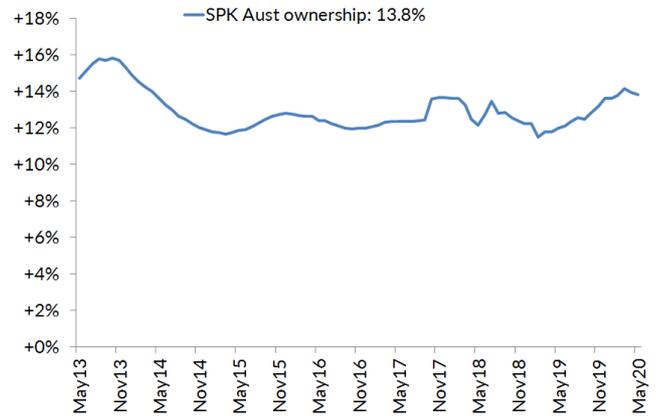
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 27. Australian free float ownership SML**



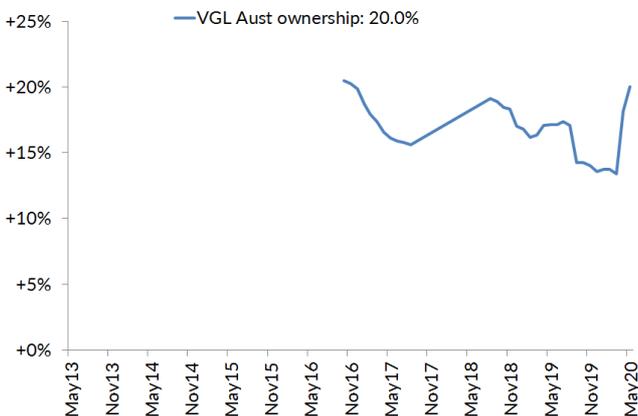
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 28. Australian free float ownership SPK**



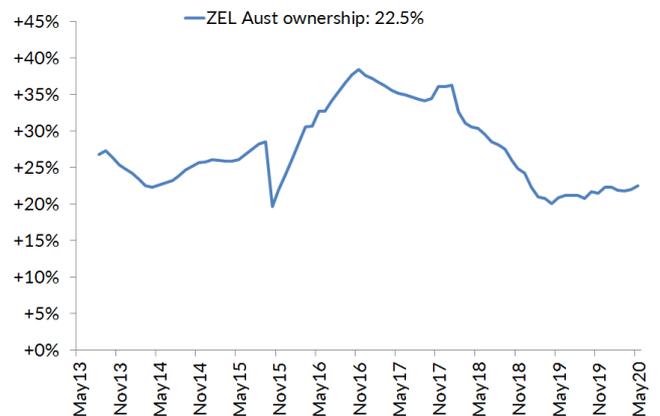
Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 29. Australian free float ownership VGL**



Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

**Figure 30. Australian free float ownership ZEL**



Source: Forsyth Barr analysis, ASX, NZX. Prior to Oct 2017 the data reported is a monthly 6-month rolling average. Subsequent data is as at the end of the respective month.

## International Substantial Product Holder notices

In Figures 31 and 32, we provide changes in Substantial Product Holder (SPH) notices of companies in the S&P/NZX 50 benchmark by international investors for the March 2020 quarter and the June 2020 quarter to date.

Both periods saw a flurry of international investor activity and had net outflows. Selling in ATM was the largest single flow in both periods. The March quarter saw several changes to international ownership of MET which largely reversed direction in the June quarter. SKT also saw a collection of SPH notices around its capital raise in late May/early June.

**Figure 31. International SPH notice movements – March 2020 quarter**

| Code                                    | Shareholder Name   | Before | After | Change | Value (NZ\$m)  |
|---|--|--------|-------|--------|----------------|
| ATM                                     | Mitsubishi UFJ Financial Group                                       | 10.2%  | 7.5%  | -2.7%  | (319.8)        |
|   | Morgan Stanley   | 5.5%   | 4.9%  | -0.6%  | (83.4)         |
|   | UBS  | 5.0%   | 6.6%  | +1.6%  | +169.8         |
| CEN                                     | BlackRock Investment Management                                      | 5.0%   | 5.0%  | -0.0%  | +0.8           |
|   | The Vanguard Group   | 5.0%   | 5.0%  | +0.0%  | (0.0)          |
| CNU                                     | L1 Capital Partners Pty  | 14.8%  | 12.2% | -2.6%  | (70.1)         |
|   | Mitsubishi UFJ Financial Group                                       | 5.1%   | 7.2%  | +2.1%  | +13.0          |
|   | Morgan Stanley   | 5.0%   | 4.3%  | -0.7%  | (17.9)         |
| FBU                                     | BlackRock Investment Management                                      | 5.0%   | 5.0%  | -0.0%  | (9.0)          |
|   | Perpetual  | 11.2%  | 8.9%  | -2.3%  | (84.0)         |
|   | Schroder Investment Management Group                                 | 7.4%   | 8.3%  | +0.9%  | +39.7          |
| FRE                                     | Mawer Investment Mgmt  | 5.0%   | 5.0%  | -0.1%  | (1.1)          |
| GTK                                     | Swann Hill   | 5.0%   | 9.7%  | +4.7%  | +12.1          |
| MET                                     | JPMorgan Chase & Co. and its affiliates                              | 5.0%   | 6.7%  | +1.7%  | +12.2          |
|   | Maso Capital Partners Limited  | 5.0%   | 5.4%  | +0.4%  | +6.5           |
|   | Millennium Capital Management and Integrated Core Strategies Pte Ltd | 5.0%   | 6.9%  | +1.9%  | +27.9          |
|   | Mitsubishi UFJ Financial Group                                       | 5.0%   | 4.5%  | -0.5%  | (8.6)          |
|   | Morgan Stanley   | 5.0%   | 4.4%  | -0.6%  | (10.5)         |
|   | The Vanguard Group   | 5.0%   | 5.1%  | +0.1%  | +1.4           |
| SKC                                     | UBS  | 5.0%   | 14.0% | +9.0%  | +112.6         |
|   | BlackRock Investment Management                                      | 6.1%   | 7.1%  | +1.0%  | +27.3          |
|   | Commonwealth Bank of Australia                                       | 7.0%   | 8.2%  | +1.1%  | +26.9          |
|   | Investor Mutual  | 8.4%   | 7.1%  | -1.3%  | (31.1)         |
| SKT                                     | Black Crane Asia Pacific Opportunities Fund                          | 5.0%   | 5.1%  | +0.1%  | +0.1           |
|   | UBS  | 5.0%   | 5.7%  | +0.7%  | +0.8           |
| ZEL                                     | Investor Mutual  | 5.1%   | 4.4%  | -0.7%  | (12.8)         |
| <b>International Investor Net Flows</b> |  |        |       |        | <b>(197.4)</b> |

Source: Forsyth Barr analysis, NZX, Refinitiv. Where a beginning holding was not available, an assumption of 4.99% beginning holding has been used for calculations.

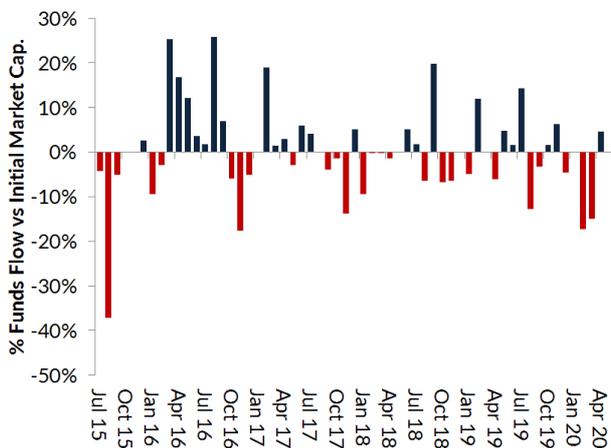
**Figure 32. International SPH notice movements – June 2020 quarter to date**

| Code                                    | Shareholder Name   | Before | After | Change | Value (NZ\$ m) |
|---|--|--------|-------|--------|----------------|
| ATM                                     | Mitsubishi UFJ Financial Group                                       | 7.5%   | 6.4%  | -1.1%  | (154.7)        |
| CEN                                     | BlackRock Investment Management                                      | 5.0%   | 5.4%  | +0.4%  | +18.3          |
| CNU                                     | L1 Capital Partners Pty  | 12.2%  | 11.0% | -1.2%  | (37.9)         |
|   | Mitsubishi UFJ Financial Group                                       | 7.2%   | 5.6%  | -1.6%  | (46.6)         |
| EBO                                     | FMR  | 10.1%  | 9.1%  | -1.0%  | (37.7)         |
| FBU                                     | BlackRock Investment Management                                      | 5.0%   | 5.0%  | -0.0%  | (0.6)          |
|   | Allan Gray Group   | 5.0%   | 5.1%  | +0.1%  | +1.8           |
| GTK                                     | Hg Pooled Management Ltd   | 11.4%  | 11.3% | -0.0%  | (0.0)          |
| KMD                                     | Mitsubishi UFJ Financial Group                                       | 5.0%   | 2.0%  | -3.0%  | (14.5)         |
|   | Norges Bank  | 5.0%   | 4.3%  | -0.7%  | (4.2)          |
|   | TA Universal   | 12.0%  | 10.2% | -1.8%  | (9.4)          |
| MET                                     | JPMorgan Chase & Co. and its affiliates                              | 5.4%   | 4.2%  | -1.2%  | (9.6)          |
|   | Millennium Capital Management and Integrated Core Strategies Pte Ltd | 6.9%   | 4.2%  | -2.7%  | (25.0)         |
|   | The Vanguard Group   | 5.1%   | 5.0%  | -0.1%  | (1.1)          |
|   | UBS  | 14.0%  | 7.3%  | -6.7%  | (58.9)         |
| NZX                                     | Highclere International Investors                                    | 6.0%   | 5.0%  | -1.0%  | (3.7)          |
| SKC                                     | Lazard   | 8.5%   | 7.3%  | -1.2%  | (20.1)         |
|   | Sumitomo Mitsui Trust Holdings                                       | 10.0%  | 8.9%  | -1.2%  | (19.9)         |
| SKT                                     | Black Crane Asia Pacific Opportunities Fund                          | 5.1%   | 6.2%  | +1.1%  | +2.8           |
|   | Mitsubishi UFJ Financial Group                                       | 5.0%   | 5.7%  | +0.7%  | +1.9           |
|   | Morgan Stanley   | 5.0%   | 6.0%  | +1.0%  | +2.8           |
|   | Perpetual  | 5.0%   | 4.8%  | -0.3%  | (1.3)          |
|   | UBS  | 5.7%   | 7.1%  | +1.4%  | +4.2           |
|   | Jupiter Asset Management   | 9.9%   | 10.8% | +0.9%  | +3.7           |
|   | Kiltearn Partners  | 8.9%   | 8.0%  | -0.9%  | (1.1)          |
|   | RugbyPass Investors, LLC   | 6.1%   | 1.7%  | -4.3%  | (11.1)         |
| SML                                     | FIL Investment Management  | 5.0%   | 5.4%  | +0.4%  | +4.9           |
| ZEL                                     | Lazard   | 6.7%   | 4.9%  | -1.8%  | (24.6)         |
| <b>International Investor Net Flows</b> |  |        |       |        | <b>(441.7)</b> |

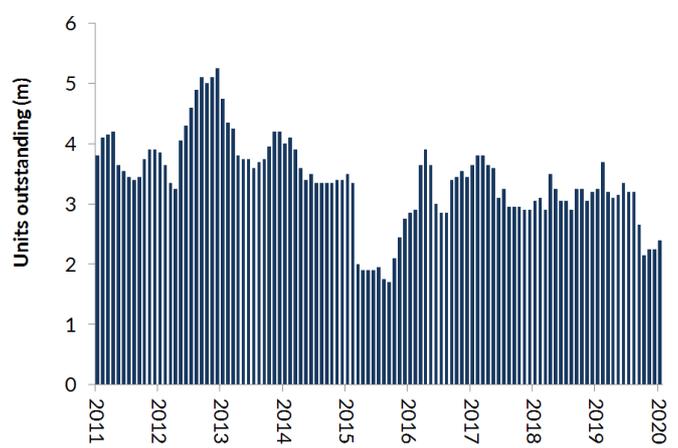
Source: Forsyth Barr analysis, NZX, Refinitiv. Where a beginning holding was not available, an assumption of 4.99% beginning holding has been used for calculations.

### Passive Flows

We use investment flows in the US-listed MSCI NZ ETF as a proxy of US passive investor interest in the New Zealand equity market. Unsurprisingly, with the worldwide COVID-19 sell-off, the ETF saw significant net outflows and a dip in units on issue in February/March, reflecting an increase in redemption activity. The outflows over February/March were the largest since 2015 for the fund. Since April, sentiment appears to be slowly recovering with net inflows and a small uptick in units on issue.

**Figure 33. iShares MSCI NZ ETF fund flows**


Source: Forsyth Barr analysis, Bloomberg

**Figure 34. iShares MSCI NZ ETF trend in units on issue**


Source: Forsyth Barr analysis, Bloomberg

**Not personalised financial advice:** The recommendations and opinions in this publication do not take into account your personal financial situation or investment goals. The financial products referred to in this publication may not be suitable for you. If you wish to receive personalised financial advice, please contact your Forsyth Barr Investment Advisor. The value of financial products may go up and down and investors may not get back the full (or any) amount invested. Past performance is not necessarily indicative of future performance. Disclosure statements for Forsyth Barr Investment Advisors are available on request and free of charge.

**Disclosure:** Forsyth Barr Limited and its related companies (and their respective directors, officers, agents and employees) ("**Forsyth Barr**") may have long or short positions or otherwise have interests in the financial products referred to in this publication, and may be directors or officers of, and/or provide (or be intending to provide) investment banking or other services to, the issuer of those financial products (and may receive fees for so acting). Forsyth Barr is not a registered bank within the meaning of the Reserve Bank of New Zealand Act 1989. Forsyth Barr may buy or sell financial products as principal or agent, and in doing so may undertake transactions that are not consistent with any recommendations contained in this publication. Forsyth Barr confirms no inducement has been accepted from the researched entity, whether pecuniary or otherwise, in connection with making any recommendation contained in this publication.

**Analyst Disclosure Statement:** In preparing this publication the analyst(s) may or may not have a threshold interest in the financial products referred to in this publication. For these purposes a threshold interest is defined as being a holder of more than \$50,000 in value or 1% of the financial products on issue, whichever is the lesser. In preparing this publication, non-financial assistance (for example, access to staff or information) may have been provided by the entity being researched.

**Disclaimer:** This publication has been prepared in good faith based on information obtained from sources believed to be reliable and accurate. However, that information has not been independently verified or investigated by Forsyth Barr. Forsyth Barr does not make any representation or warranty (express or implied) that the information in this publication is accurate or complete, and, to the maximum extent permitted by law, excludes and disclaims any liability (including in negligence) for any loss which may be incurred by any person acting or relying upon any information, analysis, opinion or recommendation in this publication. Forsyth Barr does not undertake to keep current this publication; any opinions or recommendations may change without notice. Any analyses or valuations will typically be based on numerous assumptions; different assumptions may yield materially different results. Nothing in this publication should be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from doing so, or to engage in any other transaction. Other Forsyth Barr business units may hold views different from those in this publication; any such views will generally not be brought to your attention. This publication is not intended to be distributed or made available to any person in any jurisdiction where doing so would constitute a breach of any applicable laws or regulations or would subject Forsyth Barr to any registration or licensing requirement within such jurisdiction.

**Terms of use:** Copyright Forsyth Barr Limited. You may not redistribute, copy, revise, amend, create a derivative work from, extract data from, or otherwise commercially exploit this publication in any way. By accessing this publication via an electronic platform, you agree that the platform provider may provide Forsyth Barr with information on your readership of the publications available through that platform.