

# Quantitative Screening

## Foreign Ownership – Steady As She Goes

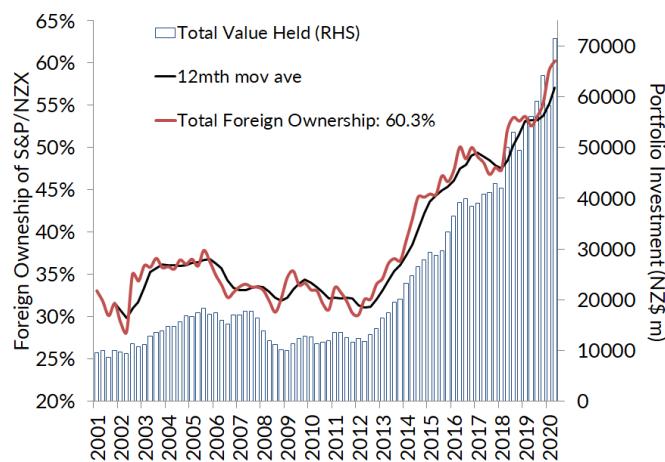
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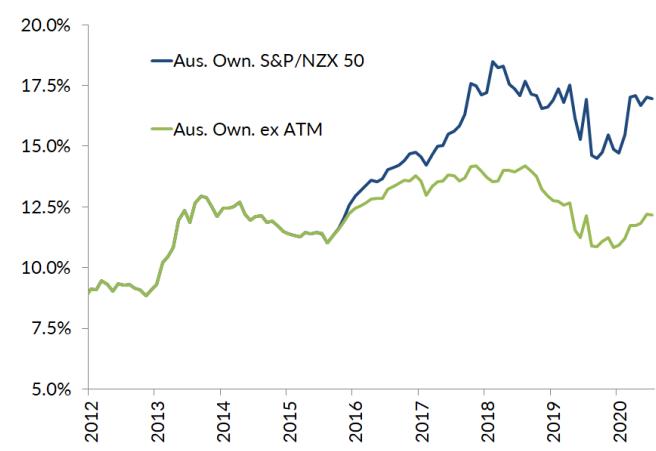
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Foreign ownership of the New Zealand equity market (by free float) has continued its upward trend as at the June 2020 quarter, rising to 60.3%, by our estimates. The upwards movement can be attributed largely to international investors (excluding those from Australia), with Australian ownership flat for the June quarter at 17.0%. Signals for the current quarter are mixed, with a lower level of substantial shareholder activity compared to last quarter, but rebounding flows into the US-listed iShares MSCI NZ ETF.

**Figure 1. Foreign ownership: June 2020 quarter**


Source: Forsyth Barr analysis, Refinitiv, Stats NZ. Foreign ownership calculated as Portfolio Investment Equities divided by free-float market cap of the S&P/NZX 50.

**Figure 2. Australian ownership S&P/NZX 50 to July 2020**


Source: Forsyth Barr analysis, ASX, NZX. Calculated as a % of free-float shares outstanding.

### SPH notices muted while passive flows rebound

The September 2020 quarter to date has seen a lower level of SPH notices from international investors. Despite this there has been some sizeable selling in Fisher and Paykel Healthcare (FPH) and EBOS (EBO). Large inflows came from UBS into Metlifecare (MET) and UniSuper (an Australian superannuation fund) into Chorus (CNU).

Passive flows, as indicated by the US-listed iShares MSCI NZ ETF, were negative over February and March 2020; sentiment appears to be recovering, with net inflows since April 2020.

### International benchmark index changes

Arvida (ARV) is to be added to the FTSE Global Small Cap Index, while The Warehouse Group (WHS) and Ike GPS (IKE) are to be added to the FTSE Global Micro Cap Index, with Investore (IPL) deleted. All changes are effective market close Friday, 18 September.

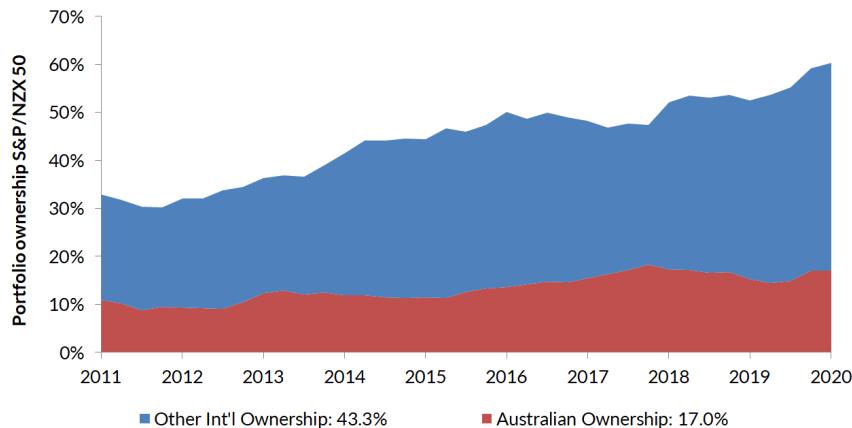
A bit closer to home, FPH is to be added to the S&P/ASX 50 index (although we note this is not a widely followed index), while Auckland International Airport (AIA) is added to the S&P/ASX 200 index. Furthermore, CNU is now considered to be a 'domestic' domiciled company for the S&P/ASX indices, a reflection that the stock trades more on the ASX than the NZX. As a result it will be upweighted in the S&P/ASX 200. All changes are also effective market close Friday, September 18.

## Investor movement

### Australians steady as other internationals increase slightly

Foreign ownership changes in the June 2020 quarter saw a small increase in foreign holdings (excluding Australia), contributing +1.2%, while Australian ownership was flat for the quarter. The June quarter saw the smallest change in total foreign ownership since September 2019, and for the first time since December 2012 we have recorded essentially no change in Australian ownership.

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

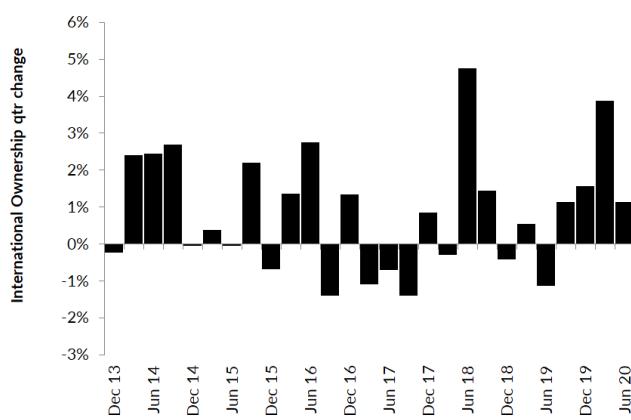


**Figure 4. Qtr ownership movement by Aus and other foreign**

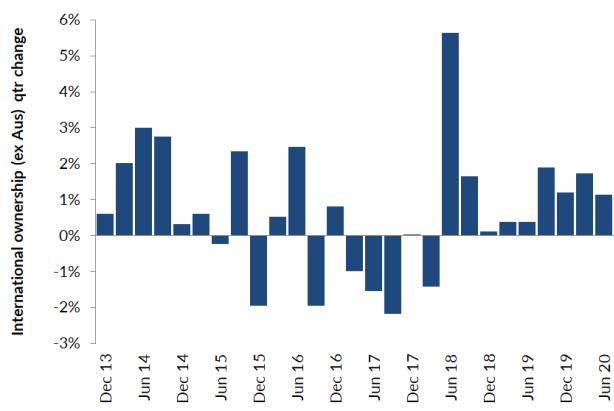
|                        | Other foreign | Aust.        | Total foreign |
|------------------------|---------------|--------------|---------------|
| Sep 2019               | 39.2%         | 14.5%        | 53.7%         |
| Dec 2019               | 40.4%         | 14.9%        | 55.3%         |
| Mar 2020               | 42.1%         | 17.0%        | 59.1%         |
| Jun 2020               | 43.3%         | 17.0%        | 60.3%         |
| <b>Change Jun Qtrr</b> | <b>+1.2%</b>  | <b>-0.0%</b> | <b>+1.2%</b>  |

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

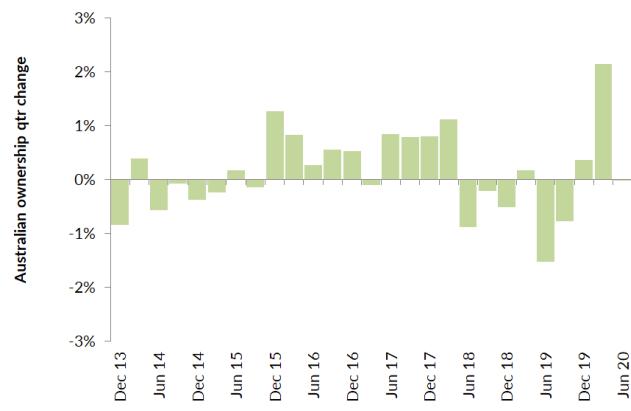
**Figure 5. Quarterly change in foreign ownership**



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



**Figure 7. Quarterly change in Australian ownership**



## Signals for this quarter

In Figure 8 we provide changes in Substantial Product Holder (SPH) notices of companies in the S&P/NZX 50 benchmark by international investors for the September 2020 quarter to date.

The September quarter has seen net outflows from Substantial Product Holders, with the largest outflow (by value) due to The Capital Group Companies selling down in FPH, followed by the Fidelity Management & Research sell-down in EBO. The largest inflows were due to UniSuper (an Australian superannuation fund) beginning to have a substantial holding in CNU, and UBS accumulating in MET.

**Figure 8. International SPH notice movements – September 2020 quarter to date**

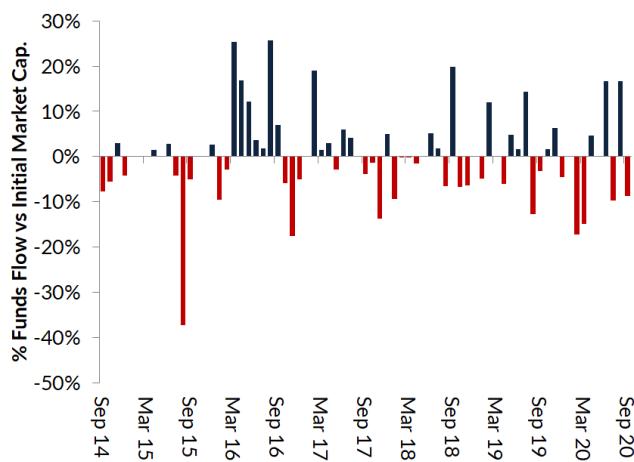
| Code                                    | Shareholder Name                | Before | After | Change | Value (NZ\$ m) |
|---|---------------------------------|--------|-------|--------|----------------|
| CEN                                     | BlackRock Investment Management | 5.4%   | 6.4%  | +1.0%  | +46.2          |
| CNU                                     | UniSuper Limited                | *5.0%  | 6.5%  | >+1.5% | >+70.3         |
| EBO                                     | Fidelity Management & Research  | 9.1%   | 6.2%  | -2.9%  | (102.7)        |
| FBU                                     | Perpetual                       | 8.9%   | 10.0% | +1.1%  | +30.4          |
| FPH                                     | The Capital Group Companies     | 6.4%   | 4.8%  | -1.6%  | (328.3)        |
| MET                                     | UBS                             | 7.3%   | 14.4% | +7.1%  | +89.3          |
| PPH                                     | Kabouter Management, LLC        | 6.4%   | 5.3%  | -1.0%  | (22.2)         |
| SKC                                     | Commonwealth Bank of Australia  | 8.2%   | 7.1%  | -1.1%  | (19.2)         |
|   | Investor Mutual                 | 7.1%   | 8.2%  | +1.0%  | +19.4          |
|   | Lazard                          | 7.3%   | 4.8%  | -2.5%  | (45.5)         |
|   | Sumitomo Mitsui Trust Holdings  | 8.9%   | 10.4% | +1.5%  | +29.0          |
| SKT                                     | Mitsubishi UFJ Financial Group  | 5.7%   | 4.1%  | -1.6%  | (4.1)          |
|   | Kiltearn Partners               | 8.0%   | 7.0%  | -1.0%  | (2.7)          |
| <b>International Investor Net Flows</b> |                                 |        |       |        | <b>(354.9)</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 continue to rebound following COVID-19 panic

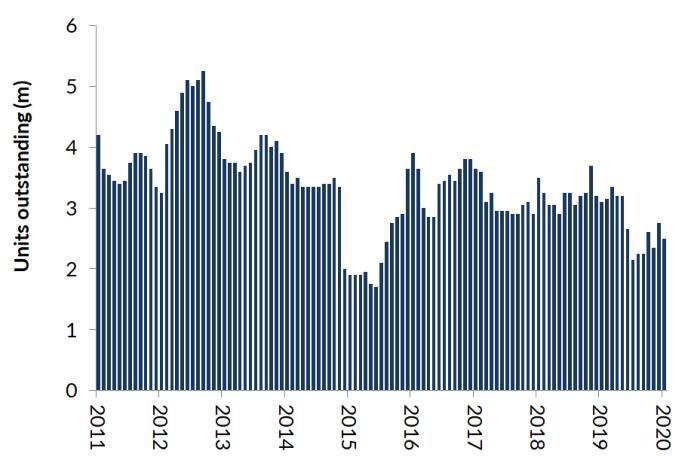
We use investment flows in the US-listed MSCI NZ ETF as a proxy of US passive investor interest in the New Zealand equity market. Unsurprisingly, with the worldwide COVID-19 sell-off, the ETF saw significant net outflows and a dip in units on issue in February/March, reflecting an increase in redemption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

**Figure 9. iShares MSCI NZ ETF fund flows**



Source: Forsyth Barr analysis, Bloomberg

**Figure 10. iShares MSCI NZ ETF trend in units on issue**



Source: Forsyth Barr analysis, Bloomberg

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