Thursday, June 11, 2026

CAPITAL MARKETS & INVESTMENT

Analysis, trends and interviews

Thriving beyond turbulence

NZ's biggest taxpayer? It's the Super Fund

Market players upbeat despite fuel crisis

Defying gloom: Capital floods into tech

Greatest wealth transfer in our history

Inside the secrecy-cloaked M&A deal

Nicola Willis' third Budget

Experts weigh in

Finance Minister Nicola Willis at Marsden Point in March.
Photo: Dean Purcell

A haven amid the storm clouds

New Zealand is forging a reputation as a "future haven" — smart trade architecture; disciplined crisis management around fuel and supply chains; stable Governments and just far enough away from international conflict to be seen as a safe environment for investors.

New Zealand firms, investors and financial institutions are "staring through" the current international volatility sparked by the Iran fuels crisis as they stake out a more confident future.

That's obvious in interviews and thought-leadership articles in the 2026 *New Zealand Herald*'s Capital Markets and Investment report.

Precinct Properties' George Crawford identifies international storm clouds have a silver lining when it comes to investment in the firm's capital partnerships, particularly in Auckland. Auckland Business Chamber CEO Simon Bridges (on this page) points to how the international appetite for the new golden visas is sparking investors from across the globe to pony up billions of dollars to invest into New Zealand.

It's not well-known but New Zealand is also in the midst of the greatest wealth transfer in its history — much more could be done. And there is much more to do to accelerate KiwiSaver as the economic engine it should be to provide for Kiwi retirements, as Fraser Whineray lays out in his KiwiSaver 2.0 campaign.

Jamie Gray takes a look at what the US bull run means for New Zealand investors alongside a report from Graham Skellern, which shows Kiwi blue chips are holding steady.

With Kiwi unicorns like Rocket Lab, Halter and Crimson Education attracting international interest — the time was opportune for Andrea Fox to take a good look at the capital flowing into Kiwi innovation. Compellingly, entrepreneurs who have generated single-digit millions are now investing in the next generation of entrepreneurs — not simply renovating or retiring. It is a positive story as more and more of our early stage companies go global.

We report on how Cabinet Minister Todd McClay has set bold ambitions for Invest New Zealand. Inaugural CEO Robert Wall talks to Tim McCready in his first interview since returning home after a two decade stretch offshore in global markets.

The crisis has impacted.

Liam Dann explores if Reserve Bank Governor Anna Breman can steady the RBNZ through the oil shock — as interest rates are forecast to increase.

There is a sense that Nicola Willis has taken a measured approach in her third Budget putting aside further funds to ensure more "timely, temporary and targeted" support is available if the crisis endures.

But there are tensions: Political analyst Richard Harman identifies how politicians — including Willis — keep dodging NZ's capital problem, choosing to look after the public purse first instead of changing the tax settings for KiwiSaver as advocated by the OECD which would increase the investment pool at a faster clip.

Economist Cameron Bagrie applauds the end of the "sugar hits" and election year lolly scrambles, which have characterised prior Budgets and Craig H. Stobo identifies how government borrowing is crowding out private sector borrowing.

Enjoy the reading.

Fran O'Sullivan

Capital Markets & Investment

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Distance could be our strength

Simon Bridges sees hope in migrant investors and tech growth

There is a lot to be gloomy about right now, economically speaking. But when I think about New Zealand, medium- to long-term, I feel increasingly optimistic.

The reason is simple. The world's troubles aren't going away. We aren't getting back to the idyllic 1950s, 1990s, or early 2000s (if they ever were as perfect as we nostalgically remember them) any time soon. It's rough and tough out there geopolitically. Realpolitik rules.

So, ask yourself a question. Where else in the world would you rather be in, say, 2030? Surely the answer is New Zealand.

We are still first-world, safe, and governed by clear rules and democratic processes. And our biggest disadvantage over the past couple of hundred years is now a massive strategic advantage. We are as remote as it gets geographically and, for the most part, irrelevant to all that realpolitik happening literally everywhere else.

This is why there is more than a little something in the work Erica Stanford, Nicola Willis and Christopher Luxon announced at the Auckland Business Chamber at the start of 2025 around golden visas and high-net-worths coming in. The policy wasn't perfect, though the timing couldn't have been better. We are a first-class, difficult-to-beat, safe haven in globally troubled times.

Without a lot of effort from the Government (though they did set up a new agency, Invest NZ) hundreds from North America, Asia and Europe want in and are and will collectively continue to invest billions into our nation.

Actually, the initial funds aren't even the point. It's the expertise, connection, and funding that come over time that will be transformative. Think of the big dollars high-net-worth internationals have already put into the best golf courses in the world (Ric Kayne), into our biggest start-ups like Xero (the likes of — yes he's controversial — Peter Thiel), and into our Auckland Art Gallery, changing it from an earnest and ho-hum collection to one that's world-class (the late Julian Robertson). These are just off the top of my head and were investments made well after these people initially came to reside in our country.

The Auckland Tech Council I chair was formed because it was clear to me and others in business that the quickest and most effective way to deal with Auckland's economic issues — struggling SMEs, low productivity, lack of growth and relative decline in living standards — is to build on the strong niches of technology excellence we already have and to try and grow more of it.

> We are still first-world, safe, and governed by clear rules and democratic processes. And our biggest disadvantage over the past couple of hundred years is now a massive strategic advantage.
>
> Simon Bridges

In short, having more Kamis, Vends, Tracksuits, and F&P Healthcares would solve so many of our problems. For example, right now we have elevated unemployment in Auckland, particularly among youth, and Halter needs around 25 new staff a week. Let's do what we need to get more Halters. It will mean more higher-paying jobs.

In addition, technology — and AI — is an incredibly important part of growing our SMEs into stronger, more sustainable businesses, whether they go on to be world-class or not. The increased productivity, innovation and growth from getting SMEs higher up this technology curve is so obvious it's near flabbergasting we haven't done more on this to date.

The Auckland Business Chamber is proud to work with the likes of AWS, MBIE and 2Degrees to turbo-charge SMEs and their tech trajectory.

Remember that a disproportionate number of our new high-net-worth migrants are tech types from the Silicon Valley and the likes of Singapore. If we can connect their capital and, even more importantly, their experience, expertise and virtual Filofaxes to our dozens of nascent technology businesses, by the law of percentages, some will grow to unicorn status and change the world and therefore Auckland and New Zealand as well.

I'm told Rocket Lab has created over 150 millionaire employees. Don't be jealous — think what this means for the ecosystems around them and the new successful businesses that start off the back of this.

If I have one concern, it's this.

In my Chamber role I meet a high-net-worth foreigner about every week. They are invigorating, given their experience, and they're generally more excited about our little nation than we are. That said, what I hear from them is a strong desire to connect and add value here. This looks like joining the board of one of the start-ups I've mentioned for the satisfaction of helping it transform.

It looks like getting on a local charity's committee to meet people and contribute to the local community.

Making this happen isn't as easy as it seems. We New Zealanders can be a bit insular and complacent. If the connections aren't made, I worry that we will look back in a handful of years' time and wonder why these people with so much to offer didn't stick around.

The Chamber is ready to play its part. We are exploring how we can ensure those coming in under the Active Investor Plus scheme can meet and network with like-minded Kiwi business leaders in areas of mutual interest.

Getting the capital and experience in-country is exciting and leaves me full of hope. However, it's only half the battle. We need to ensure our newcomers' time here allows them to connect and put down meaningful roots. If you get a Chamber invite, choose to come over Netflix. If you want to help, even better.

This can be our time.

● *Simon Bridges is CEO of the Auckland Business Chamber. Auckland Business Chamber is a sponsor of the Herald's Capital Markets and Investment report.*

Super Fund overtakes ANZ as NZ's biggest taxpayer

How the Super Fund turned from retirement buffer to Budget backstop

Capital Markets
Fran O'Sullivan

The Super Fund is now New Zealand's largest taxpayer, paying far more in tax than the Crown stumps up each year to help build the country's retirement nest egg.

The fund's latest full-year income tax return shows it paid $1.7 billion in the 12 months to June 30, 2025. Already, the fund has paid provisional tax of $0.96b in the year to date. This compares with the $994 million ANZ New Zealand paid in the year to September 30, 2025.

There's more to come. Treasury figures show the fund is projected to pay $100b in domestic tax between now and when withdrawals from the fund are projected to commence in 2054, according to the Super Fund's Head of Tax, John Payne.

Designed as a buffer for tomorrow's retirees, the fund is increasingly helping to underwrite today's government budgets. It is now at a point of maturity where the tax it is paying significantly exceeds the Government's contributions to the fund, and is an important part of the picture when talking about the value it provides to New Zealand.

NZ tax paid for the NZ Super Fund — As at 30 April 2026

	Last 12 months	Last 5 years p.a.	Last 10 years p.a.	Last 20 years p.a.	Since inception p.a.
NZ Super Fund return	17.19%	8.86%	11.04%	9.40%	10.17%
Change in net asset value	$11.19b	$33.74b	$61.03b	$81.19b	$91.05b
NZ income tax paid or received	($2.52b)	($6.12b)	($9.17b)	($13.21b)	($13.66b)
Government contributions	$0.15b	$7.82b	$12.55b	$19.64b	$27.43b

Source: NZX. Herald Network graphic

Another side to the equation

Nicola Willis' May 28 Budget also staked out an increasingly steep curve for the Government's contributions to the fund. But even though annual projections reach $1.049b in 2030, they are still way below the fund's forecast income tax payments.

Under Budget forecasts, the first withdrawals from the fund have been delayed to 2054. That means the first small withdrawal of $32m in 2028 won't take place.

The upshot is current taxpayers will have to continue to foot the full bill for today's NZ Superannuation payments for another 25 years. And while the Boomer generation bubble will largely have passed through, Generation X and their successors would be advised to build up their KiwiSaver accounts in the meantime.

Clearly, the fund would grow far faster and be able to provide a buffer for future super payments earlier if it were not taxed. But Treasury likes the taxable model for flexibility. The contributions and withdrawals profile will continue to change — for example, if the fund exceeds return expectations, the required Government contributions will be lower than currently projected. Changes to the generosity of the current NZ Super (aka National Super) policy, population demographics, and GDP would all influence the model.

Nifty earner

Latest figures show the fund's net asset value was $94b at May 31, 2026 (on an unaudited basis). This is an increase of $3b over the $91b recorded at April 30, 2026.

The increase was primarily driven by world stock markets with the S&P 500, for instance, up 5.1% for May 2026. The fund's value is on track to double every decade or so.

John Payne

The Government — aka "the Crown" — has the flexibility to spend domestic tax paid by the fund on whatever it wants — that is its prerogative and was always the intent. But withdrawals must be used for superannuation. As mentioned previously, those withdrawals won't now take place until 2054.

Treasury models the fund's returns at roughly 7%-7.5% and, assuming about 24% of that is paid in tax into the consolidated fund, the result is a structure that gives Cabinet ministers maximum flexibility, effectively helping to pay today's pensions even before any formal drawdowns begin, but it does raise questions over the erosion of the very nest egg that is meant to protect future generations.

Nation-building

The NZ Super Fund is already seeding the next wave of green infrastructure.

Alongside Copenhagen Infrastructure Partners — the Danish specialist aggressively transforming the North Sea into a global green energy hub — it is backing a proposed offshore wind project off the South Taranaki Bight that could deliver around 11% of New Zealand's current electricity demand.

In March 2022, the fund established the Taranaki Offshore Partnership. With a capital cost in the order of $5b-$6b, the scheme would materially ease dry-year risk and reduce reliance on fossil back-up at Huntly, however, it has become hostage to slow-moving legislation and a tangle of seabed and Māori interests rather than any shortage of capital.

Sound familiar?

In fact, it is reminiscent of the political paralysis that scuppered the fund's earlier proposal for an Auckland light rail project that never got off the ground.

Well before the current offshore wind push, the NZ Super Fund had tried to import the Quebec model of pension fund-led infrastructure to Auckland.

The Guardians of the Super Fund formed a joint venture with CDPQ Infra, called NZ Infra, to bid on light rail development in Auckland.

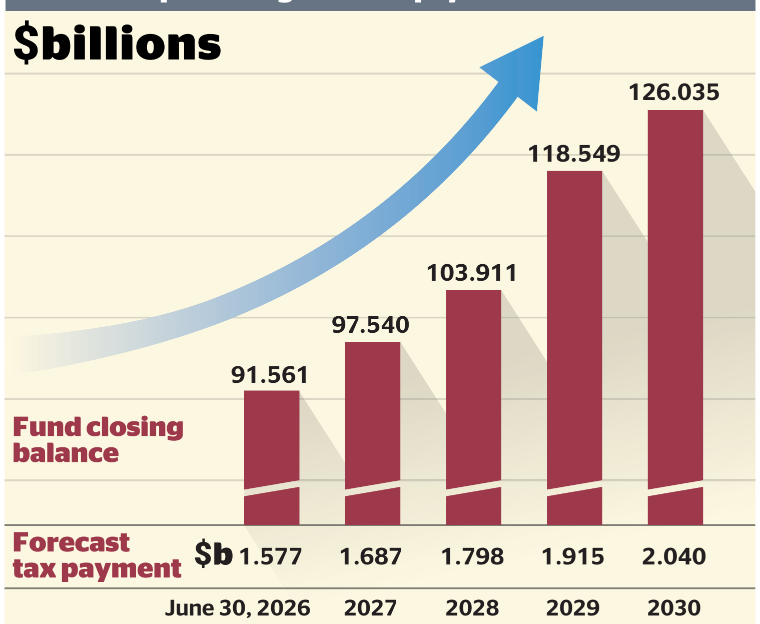
La Caisse de depot et placement du Quebec (CDPQ) has a mandate to support economic development and pension fund-led infrastructure.

Under former CEO Adrian Orr and his successor, Matt Whineray, the fund proposed the partnership would finance, build and operate light rail on a long-term concession, much as La Caisse does in Montreal.

The concept — effectively letting a sovereign fund and its Quebec cousin take on project risk in exchange for decades of steady returns — never made it past Cabinet.

A pattern has emerged: the Super Fund is ready to co-invest billions alongside some of the world's most sophisticated infrastructure players, but Wellington's political and regulatory caution keeps turning potential strategic assets into stranded opportunities.

How the Super Fund grows and pays tax



Source: NZSF contribution rate model. Business Economic and Fiscal Update, 2026. Herald Network graphic

The Super Fund is ready to co-invest billions alongside some of the world's most sophisticated infrastructure players, but Wellington's political and regulatory caution keeps turning potential strategic assets into stranded opportunities.

How the 40-year model works

Treasury models NZ Super Fund contributions, withdrawals and tax payments over a 40-year time frame, refreshed every six months.

As the fund's Payne explained to the *Herald*, two of the key inputs into the model are NZ Superannuation expenditure and GDP. Estimates of what NZ Super will cost are driven by projections of population demographics, CPI and average ordinary time wage growth. Long-term GDP projections are also influenced by population projections.

"The size of the fund over time is also a key input into the model and the resulting contribution/withdrawal track," said Payne.

"The key drivers of this are the starting point level — in effect, past performance and contributions — and the fund's expected before-tax annual rate of return, recently revised down to 7.2%.

"They work backwards so that, on paper, the fund is exhausted at year 40 — but because the exercise is rerun every Budget, the fund effectively continues for decades, peaking then declining as a percentage of GDP, but continuing in perpetuity."

Taxing stuff

Treasury estimates tax paid at 24%. "This is the domestic tax we pay on our returns," adds Payne. "If the fund has a strong year, it will pay more tax — if it records a negative return, it may not pay any tax. The model takes a long-term view and we feel the 24% is a reasonable proxy."

The corporate tax rate is 28%, with non-equity investments generally taxed at this rate. The fund pays tax on New Zealand and listed Australian dividends it receives, less a credit for any imputation credits or foreign tax withheld. Capital gains are excluded (and no deduction when markets fall).

For all other equity investments, it pays tax under the FIF regime using the FDR method: on a deemed 5% return on global listed equity value, taxed, while actual dividends received and capital gains are excluded (and no deductions made when markets fall).

● The second part of Fran O'Sullivan's NZ Super Fund report will run in Saturday's *Weekend Herald*.

Investment in sustainability

Sustainability is key to long-term returns and resilience, says the Super Fund's **Will Goodwin**

Investment in renewables and electrification continues apace.

Sustainability is not a 'nice to have', nor is it a cyclical overlay. It is fundamental to risk, return, and resilience over decades, making it a core component of any long-term investment strategy.
Will Goodwin

In periods of market stress or shifting sentiment, the ongoing relevance of long-held investment principles is often questioned. Over the last two to three years, rising interest rates, geopolitical tensions, rapid advances in technology and spikes in oil prices have led some investors to question their beliefs.

When it comes to sustainable investment, however – contrary to some perceptions – leading global investors, like us, are staying the course.

In 2025 we worked alongside investment experts WTW to commission a survey of leading global asset owners – sovereign wealth funds and public pension funds.

This study showed that investors were shifting from environmental, social and governance (ESG) compliance-type activities to strategic, systems-level thinking to support sustainable investment outcomes. In particular, with the global investing opportunity set facing long-term financial challenges from systemic risks, leading investors are increasingly incorporating climate and sustainability scenarios into their portfolios.

The NZ Super Fund exists to serve future generations. This long horizon shapes how we think about investment risk. Climate change, resource constraints, social stability, governance quality are not abstract concepts: they are variables that shape long-term financial outcomes.

Sustainability is not a "nice to have", nor is it a cyclical overlay. It is fundamental to risk, return, and resilience over decades, making it a core component of any long-term investment strategy.

It can be tempting to think that the rules of investing have changed and that this time is different. It can be hard to discern the signal amid the noise.

But if anything, a volatile investing environment reinforces a simple truth: long-term sustainable investing is about understanding and anticipating changing structural forces, not reacting to them.

For investors like us, that does not mean predicting exactly how these dynamics will play out. It means developing and implementing an investment strategy that ensures the NZ Super Fund is capable of delivering across a range of possible futures and is best positioned to benefit over the long term.

Sustainability, in this context, is not separate from investing.

It is at the heart of investing.

Climate Change: A Systemic Investment Issue

Climate change is the most visible – and financially material – expression of sustainability risk.

In response to political pressures and short-term performance concerns, some investors, particularly in the United States, are

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Chris Hipkins


Winston Peters

Financing the future — are more funds the answer?

Future funds become election battlegrounds for economic ambition, writes **Fran O'Sullivan**

At this 2024 party convention, New Zealand First leader Winston Peters spruiked a "future fund". Labour's Chris Hipkins followed suit but Mayor Wayne Brown is the only one (so far) to have actually sold shares in commercial assets to form a Future Fund for his city — Auckland.

Typically, Brown took a commercial approach, opting to sell the council's residual stake in Auckland Airport, reckoning the return on the professionally managed fund would outstrip the former dividend flow.

Neither Peters nor Hipkins were in a position to follow suit. The former because it was not part of NZ First's 2023 coalition arrangements; the latter because Labour is not in government. Both regard selling shares in state-owned assets as politically toxic.

While details are frustratingly scarce, their respective funds will feature in the upcoming election campaign — and such initiatives will likely be on the agenda for post-election talks.

Both Peters and Hipkins cite Singapore's Temasek as a role model when it comes to spurring economic growth. The S$434 billion global investment company holds the Singapore Government's commercial assets — among others — on an arm's-length basis. A similar model here would see all the Government's holdings in SOEs and publicly listed companies transferred to a new government-owned fund, which would manage the portfolio.

Capital would be recycled — if assets were divested and reinvested in new companies. That's not going to happen.

Peters earlier told me a lot of time was spent working with Treasury to try to get Labour involved in a similar initiative during a previous government.

> NZ First is promoting a $100 billion fund focused on investing in New Zealand infrastructure. It would also be ring-fenced from political meddling and billed as a silver bullet for infrastructure funding.

"It works. I'm seeing a whole lot of countries that are thinking that way."

NZ First is instead promoting a $100 billion fund focused on investing in New Zealand infrastructure. It would also be ring-fenced from political meddling and billed as a silver bullet for infrastructure funding.

The devil is in the detail — and NZ First's Future Fund is light on them. Purists will be aghast at the notion of offering tax incentives to attract infrastructure investment, though it tallies with the philosophy behind the party's proposal for a special Economic Zone at Marsden Point to "provide relief" from planning regulations and the Resource Management Act.

Tax and investment incentives and reduced company taxes would also be considered for the zone, as part of a wider strategy to produce more goods and services for export.

The potential benefits from a $100b fund are significant. But with the establishment of National Infrastructure Funding and Financing to connect private capital with New Zealand's public infrastructure projects, the opportunity may have passed.

Where Peters is mining votes is with the party's proposal to buy back the Bank of New Zealand (BNZ) from its Australian parent, National Australia Bank (NAB), and merge it with Kiwibank. The goal is to create a major, state-owned "National Bank of New Zealand" to increase market competition and keep banking profits onshore.

Peters estimates the purchase price to be in the range of $7.5b-$15b, while market experts suggest it could cost upwards of $20b. The proposed funding stack would involve issuing domestic sovereign banking bonds, long-dated Crown debt, and utilising investment vehicles like the Future Fund and ACC. His coalition partners have panned the proposal.

Labour's proposal

Labour's New Zealand Future Fund also draws inspiration from Singapore. Aimed at boosting domestic investment, the party's flagship economic policy proposes keeping Crown assets in public ownership and leveraging their dividends to fund national infrastructure and innovative Kiwi businesses.

Hipkins says tax can't be the Government's only source of income: "It's time instead to build new ways of generating national wealth.

"The Future Fund will keep opportunities in New Zealand by investing in our people, our ideas and our industries, so the next Trade Me, Xero or Rocket Lab can thrive and grow with the wealth they create staying here."

The fund would be seeded with an initial $200m in taxpayer capital and existing state-owned commercial assets (such as energy gentailers or state-owned enterprises). There is, as yet, no transparency on which assets will go into the fund.

The Government holds 51% stakes in three of New Zealand's four listed power companies — Genesis Energy, Meridian Energy and Mercury Energy. It also holds 51% of Air New Zealand and owns outright NZ Post, Kordia, KiwiBank, Pamu (Landcorp), Airways Corporation, Quotable Value NZ and Transpower. These companies paid $688m in dividends to the Government last year.

The NZ Super Fund would run the fund. The single shareholder would be the Minister of Finance (similar to the Singapore model). But unlike the Singapore model where its fund can freely buy and sell assets, Labour's policy includes a legal firewall preventing the initial "seed" assets from being privatised or sold to private investors.

Critics, including economists from the New Zealand Initiative, argue that the fund forces bureaucrats to "pick winners" rather than allowing private capital to allocate resources efficiently. Others note that diverting dividends from Crown assets reduces revenue for much-needed services.

The fund will, however, use the assets as collateral to borrow against, with the goal of expanding the fund's investment capacity to as much as $20b over time.

Infrastructure NZ has welcomed the proposal, saying it would secure Aotearoa's future and would be a positive step towards long-term infrastructure planning.

> Infrastructure NZ has welcomed Labour's proposal, saying it would secure Aotearoa's future and would be a positive step towards long-term infrastructure planning.

"Labour's proposed New Zealand Future Fund could also depoliticise key aspects of the funding process — a long overdue move," said Infrastructure NZ CEO Nick Leggett.

"New Zealand's infrastructure deficit is well-known and understood. "However, solving it will take political courage, bold long-term thinking and the willingness to seek additional investment. A future fund as Labour has proposed has the potential to bring scale, certainty and domestic capital into the system to fund much-needed infrastructure."

Successive Labour governments established ACC (Kirk Government); KiwiSaver and the NZ Super Fund were launched by the Clark Government. The last Labour Government also created the Elevate NZ Venture Fund, with $300 million seed capital.

An investment in sustainability

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being quieter about ESG and sustainable investment. The reality, however, is that investment in renewables and electrification continues apace.

Long-term investing requires a long-term view.

We have seen many market cycles where investors abandon long-standing themes based on short-term signals. The lesson is consistent: long-term value is created by staying strong and anchored to fundamentals.

We explicitly recognise climate change as a major source of future uncertainty, requiring an adaptive approach to managing systemic risks and capitalising on new opportunities. The NZ Super Fund's investment strategy is designed to navigate and to benefit from what will be a multi-decade transition to a lower-carbon global economy.

Around the world, long-duration capital is increasingly being deployed into energy transition initiatives, digital assets, and decarbonisation-linked opportunities. Back in New Zealand, we are leveraging our global experience in renewable energy development to explore the feasibility of a large offshore wind farm off the coast of Taranaki, in partnership with global renewables experts Copenhagen Infrastructure Partners.

At the proposed 1GW size, this wind farm would generate nearly 10% of New Zealand's current installed energy base. It also has the potential to reduce New Zealand's current reliance on hydro lakes to provide baseload power, allowing them to have more battery type characteristics and in turn reduce the country's dependence on thermal fuels to meet peak demand for electricity.

Projects such as this have the potential to deliver attractive long-term financial returns, economic benefits to New Zealand and strong sustainability outcomes.

While markets will always fluctuate, and market mechanics will always evolve, success for a long-term investor will continue to be based on remaining grounded in enduring principles, not on reacting to every passing shift in sentiment.

It is about managing risk across decades, not reporting cycles. It is about capturing long-term investment opportunities created by structural change, not being distracted by short-term narratives. And for the NZ Super Fund, it is about delivering resilient, long-term returns for all New Zealanders, both the present generation and those to come.

● *Will Goodwin is Co-Chief Investment Officer, NZ Super Fund*

From saving to owning — KiwiSaver's second act

Anniversary sparks call for long-term, cross-party retirement policy, writes **Fraser Whineray**

Next year KiwiSaver turns 20. We will also be close to 50 years on from a less happy milestone: the removal of a then-world-leading superannuation scheme. These anniversaries should not pass as ceremonial dates; they are an invitation for leadership.

For half a century we have argued about retirement in bursts of ideology, fiscal pressure and political fright. We have built, removed, tweaked and warned. Yet the core problem keeps returning: how does a small country with an ageing population, puddle-shallow capital markets and too much wealth in housing create broad-based, durable and productive ownership?

KiwiSaver is the best platform we have to answer most of it. It is not perfect. But it exists — accounts, providers, regulation, employer integration, incredible Inland Revenue plumbing, member familiarity and nearly two decades of habit. KiwiSaver is a platform for the growth we need to not be shackled to the political third rail of NZ Super eligibility.

KiwiSaver 2.0 builds on those foundations, keeps it simple and offers a clear destination. KiwiSaver 2.0's shaping comes from engagement with more than 30 diverse organisations, with the objective of threading a politically ambidextrous needle. If a retirement policy cannot survive six elections, it is not really policy but a temporary arrangement, with a repeal date waiting to be triggered.

That is why reform needs super-majority legitimacy. Not 51%, nor a Budget surprise. Not a trophy for any one party, which at most will get 35%. It must be broad enough that National sees ownership and enterprise, Labour sees fairness and universality, NZ First sees national resilience, Act sees individual capital, the Greens see intergenerational justice, and Te Pāti Māori see whānau balance sheets

For half a century we have argued about retirement in bursts of ideology, fiscal pressure and political fright. We have built, removed, tweaked and warned.

Fraser Whineray

that compound.

Many in the financial services sector, including capital markets, will have thought about KiwiSaver as part of retirement solutions. And many of those have considered silver-bullet answers in a comfortable office next to a Bloomberg screen. Retirement policy is littered with perfect solutions that cannot survive contact with politics.

In long-term savings, political durability is not a nice-to-have. It is pretty much the only consideration.

So if you do have that utopian answer and it doesn't get 70% public support, spend an afternoon screaming into a southerly in the Catlins. It would be an equally productive endeavour.

KiwiSaver 2.0 will not automatically deepen domestic capital markets. It grows personally held savings that (correctly) can be invested where the member wants them to be invested. And before anyone demands a proportion of mandatory domestic asset allocation to solve that issue, re-read the previous paragraph.

To grow Kiwi ownership of productive assets, we need the capital-markets intermediary to fire, which is quite a change in direction. For too long, the most effective capital market has matched households to mortgages, not household savings to productive enterprise.

Household net worth is well north of $2 trillion, and property dominates it. KiwiSaver, at roughly $145 billion, is substantial but still small beside housing. The NZX Main Board market capitalisation is about $180 billion. The managed funds industry is larger but much of it goes offshore, chasing diversity, liquidity and return, despite Foreign Investment Fund taxes. Bank deposits remain enormous, given their poor real returns.

That is not a criticism of savers. There is real history driving the fear, plus thin financial literacy. My own stock-picking is so woeful, I leave it to fund managers. At least I don't have to blame myself for the wrong timing and/or choices. I pay them a fee and offer them the gift of hindsight.

More recently, the nation's investment confidence has been strengthened by the world-leading Super Fund, which has been showing Kiwis how to stare diversified volatility in the eye. Time in the market, not timing the market. Conviction on portfolio strategy when the panic sets in.

The domestic capital market can hope for an equivalent slice of a larger KiwiSaver pool, or do something much better for the country. To help Kiwis own more of it, without local or central government as the intermediary.

For example, where are the four toll roads — consented, built, operating and packaged into a clean vehicle with independent governance, disclosure and a daily price — so KiwiSavers can own a small piece, and the Government can recycle the capital into developing the next four? InfraKiwi points strongly at this opportunity, but we need far more infrastructure vehicles, regional growth assets and listed structures that make ownership attractive to New Zealanders through professional KiwiSaver managers.

KiwiSaver 2.0 lengthens fund manager switching periods, removing a barrier — or excuse — to holding (potentially) less-liquid domestic assets.

Kiwis do want to own Kiwi businesses and assets that are professionally run. The question is whether our capital markets professionals will meet that instinct with worthy structure and opportunity. There have been plenty of good reports and studies on the capital markets.

However, the broader electorate isn't motivated by financial-speak. Perhaps the key recommendations from those reports need diverse engagement to get a plain-language "why" into voter conversations?

At 20 years, KiwiSaver's second act should be much more ambitious than Kiwis saving more. It should be the beginning of widespread Kiwi ownership. To do that, the capital markets community needs to broaden its friend group and reignite its ambition.

● *Fraser Whineray is a company director.*

Cost of living sees KiwiSaver withdrawals surge

Hardship is forcing more young workers to tap into their savings early

Capital Markets
Bill Bennett

KiwiSaver hardship withdrawals are climbing fast as thousands of New Zealand households face mounting financial pressure. Higher living costs and unemployment have pushed more people to seek early access to their retirement savings.

John Horner, director of markets, investors and reporting at the Financial Markets Authority, says the number of withdrawal applications increased by 50% last year. The total value of withdrawals was up 68% on the previous year. "There's certainly an increase, but provided those are legitimate withdrawals, then that's the system working as it's designed."

He says the challenge is ensuring people in genuine distress can access their money quickly while protecting the integrity of a scheme designed to fund retirement.

Although the increase in hardship withdrawals is significant, only a small proportion of members access their funds early. About 1.7% of KiwiSaver members made hardship withdrawals in the year to April. The total amount withdrawn represents a fraction of overall KiwiSaver assets.

The impact on the overall funds being saved remains limited. Hardship withdrawals are not yet large enough to threaten KiwiSaver's wider

If you're not in stable employment, then having money to put food on the table now is more important than something that sits in an account for you at age 65.

Dr Michelle Reyers

role as a long-term savings vehicle. However, for the individuals making those early withdrawals, the consequences can be substantial.

Hardship withdrawal is a feature of KiwiSaver. The scheme was designed so that people can access funds when they are in dire financial circumstances. Scheme members can also withdraw savings for a first-home purchase.

Dr Michelle Reyers, policy lead at the Office of the Retirement Commissioner, says the bigger question is not whether KiwiSaver is working as intended, it is, but what rising hardship withdrawals reveal about wider financial pressures across New Zealand society.

There is a clear tension between retirement savings and immediate need. Reyers says of the withdrawals: "It's money that's not there to compound over time. That will clearly have an impact.

"The way the legislation is written, the way that it is enacted, is that hardship withdrawals have to be a last resort for these individuals. They can't just access their money for any reason, there has to be an actual financial need attached."

Some people are clearly sacrificing future retirement wealth, but there's a recognition that financial survival today can outweigh financial security decades from now.

Reyers says officials don't know all the specific characteristics of the people accessing their savings or the reasons why they make withdrawals.

That's in part because when people make hardship withdrawals, the requests go through their fund provider's statutory supervisors. "They hold more of the richness of the data. The Public Trust is doing some work to understand more about what hardship withdrawals look like.

"The other angle is that some people who apply for a hardship withdrawal don't necessarily get approval. There are checks and balances."

"Inland Revenue data tells us that about 70% of those who make hardship withdrawals are on incomes that are lower than the median," says Reyers. "We know it's predominantly people in the 25-34 age bracket; about half of all hardship withdrawals come from that group."

"While people in that group can lose out on decades of compound interest by making withdrawals, they at least have time to rebuild their savings before retirement."

Hardship withdrawals are one option for KiwiSaver members facing financial difficulties, but Reyers says there is another option. Because KiwiSaver is essentially a workplace-based scheme, people in paid employment who face hardship can go on a savings suspension, and temporarily stop making contributions.

"When we look at the numbers for suspensions over the years, we see that these have reduced over time. At the moment, there are about 80,000 people who are on a savings suspension. That's less than 5% of the salary and wage earners who are KiwiSaver members."

Reyers says the figures suggest many hardship withdrawals may come from people outside stable salary and wage employment, including the self-employed and those in more irregular forms of work, including the gig economy. "If you're not in stable employment, then having money to put food on the table now is more important than something that sits in an account for you at age 65."

The FMA's Horner says what the FMA is most concerned about is that those who are entitled to an early withdrawal can get it and can get it quickly. "You've got someone in financial distress, so chances are they're in distress generally, because they're in a difficult part of their life. So, you don't want to introduce friction. But where it's inappropriate — and particularly where there are frauds and scams involved — you want to create as much friction as possible to the point it comes to a grinding halt. That's the balance you need to strike."

One trend on social media is videos that coach people on how to withdraw KiwiSaver funds in circumstances that don't necessarily meet either the first home purchase or the hardship criteria.

"I am aware of advisory firms out there supporting people in times of hardship who would be able to provide advice on whether or not they can access their KiwiSaver, and my message to them is that's perfectly legitimate, but where it's illegitimate, that's where we would be concerned."

The FMA is investigating fraudulent withdrawal applications. Horner says he can't talk about these investigations because they are active — "whether we've seen the tip of the iceberg or not is something we continue to be concerned about.

"It's actually informing our regulatory priorities for the 12 months starting June. We've got a particular focus on fraud and scams in that first-home withdrawal space, rather than the hardship withdrawal space."

Hardship withdrawals raise another question. If members are taking money from KiwiSaver during periods of economic uncertainty, they need confidence he value attached to their investment accurately reflects the underlying assets in the fund. The issue becomes more important as KiwiSaver funds increase their exposure to unlisted assets such as infrastructure, private equity and commercial property where market prices are not always immediately visible.

Horner says: "When you buy into a fund, you want to be confident you're buying in at the right unit price. If providers are not valuing their assets accurately, then the chances are somebody's buying in too cheap or too expensive, and the seller is on the opposite side. That's inequitable treatment between investors."

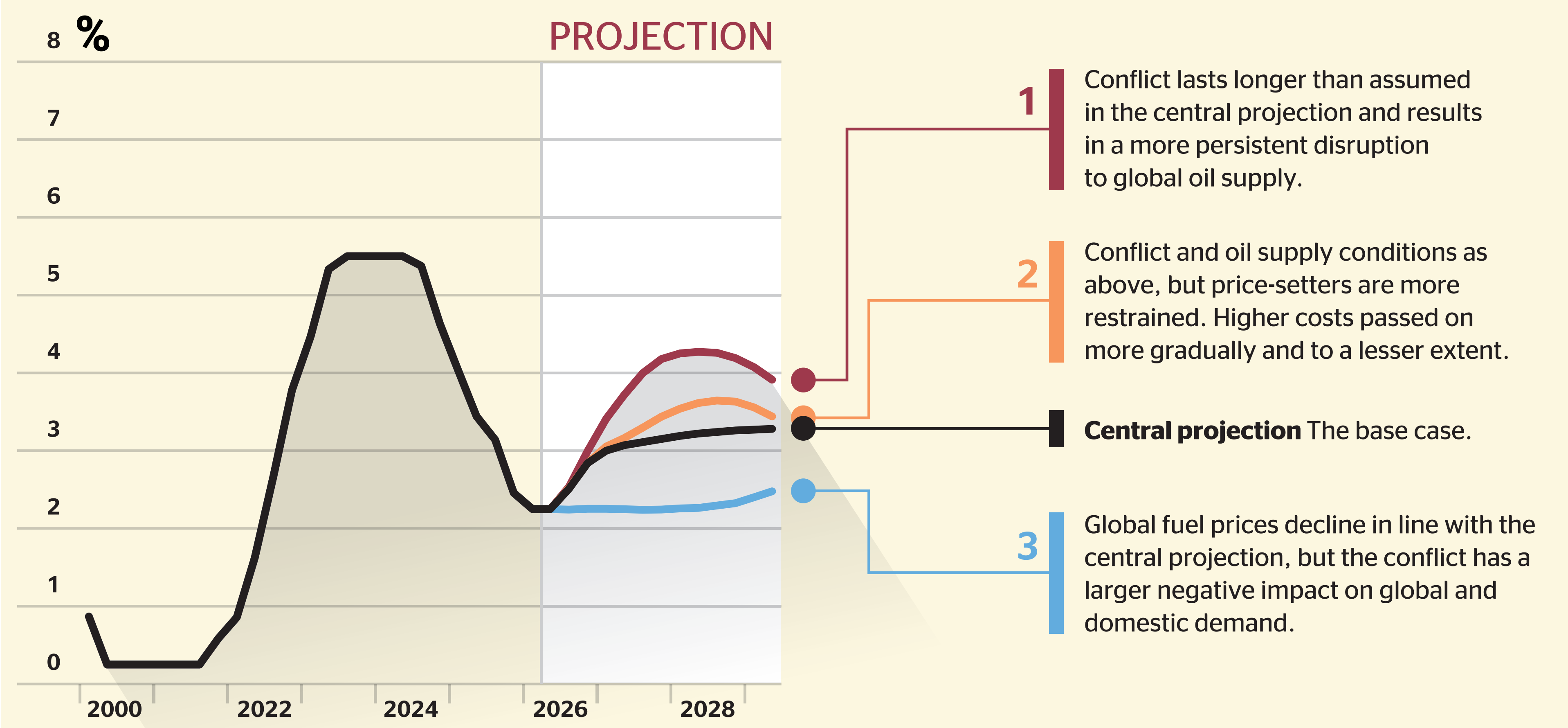
He says private assets can be difficult. "The beauty of being listed on a public market is you've got that pricing just inherently built in."

When private assets are a small proportion of an overall fund, the impact of any incorrect valuation is likely to be small for an individual investor. However, across the wider fund, misvalued commercial property or tech startup investments add up.

Unlike listed securities, private assets don't have a market price. Some degree of valuation imprecision is inherent. Horner says the FMA's interest is in ensuring fund managers handle that complexity rigorously and that when they get it wrong, the impact remains manageable.

Can a 'cool Swede' steady RBNZ through the oil shock?

Official cash rate



Source: RBNZ estimates. Herald Network graphic

Dr Anna Breman has ushered in an era of increased transparency

Capital Markets
Liam Dann

Who'd be a central banker? The Reserve Bank, along with central banks worldwide, faces a near-impossible task this year.

It must assess and act on inflation risks tied to a Middle East stalemate, which remains entirely unpredictable.

How long will the Strait of Hormuz remain closed? If an agreement is reached, how long will oil markets take to recover? To what extent will high oil prices flow through to inflation in other parts of the economy?

And will the oil shock slow growth so much that inflation remains muted? Or do we face the unpalatable prospect of stagflation – high inflation and low growth – as we did after the 1970s oil shock?

Financial markets ebb and flow every day on often contradictory statements from Donald Trump, his officials and Iranian leaders. Traders can shift their positions within minutes. Central bankers don't have that luxury.

Against that backdrop, it comes as some relief that last year's internal turmoil at the RBNZ appears to be behind it.

A year ago, the Reserve Bank's primary mission – targeting inflation – was overshadowed by internal turmoil and the fallout from the departure of Governor Adrian Orr.

As if Orr's dramatic resignation in March wasn't destabilising enough, the fallout from the handling of his departure lingered for months.

Long-time chair Neil Quigley resigned in August and, by the end of September, a new governor was appointed.

Swedish central banker Dr Anna Breman has ushered in an era of increased transparency for the Reserve Bank. Since her arrival in December, we have seen the voting split of the monetary policy committee members published.

Then, in the latest monetary policy statement (MPS), we have had full disclosure of how members voted – including names.

We've even seen a relaxation of the expectations for public speaking by external committee members.

It's telling that this increased openness comes at a time when the committee is evenly split on the path for interest rates.

A three-three divide on whether to lift or hold the OCR required Breman to apply her deciding vote. If there was any conflict around this decision, it is heartening to see that it was entirely focused on the Reserve Bank's core job.

Breman has thus far been cool, calm, and concise in her public appearances. There is no suggestion that the divided committee reflects anything more than the finely balanced nature of the situation.

The Governor seems unrattled by media questions designed to imply a deeper division.

With regard to her deciding a vote to keep the OCR on hold, she was asked: "What made you so certain that it was the right move?"

It must have been tempting to respond with a glib remark or dismiss the question. But Breman took it at face value. "We all recognise that we have an uncertain global environment currently," she said. "But I looked at the upside risk to inflation and our main forecast. I also looked at growth and I made an assessment on how I see these two forces."

If there was any sarcasm in the response, it was buried deeply. It indicated a degree of patience with the media that we haven't seen at Reserve Bank press conferences for some time.

It would be stereotyping to talk of a "cool Swede". I think we can thank tennis player Bjorn Borg, nicknamed the Iceman, for the cliché. But the stability that Breman projects – even in the face of a potentially contentious split decision by the Committee – is highly valuable at a time when the Reserve Bank faces such a challenging set of circumstances.

For all that, the division in the Monetary Policy Committee appears to mirror a classic economic tension between hawks (those more concerned about inflation) and doves (those more concerned about maintaining growth).

The divide is also evident in the outlook of some of New Zealand's major bank economists.

Westpac's Kelly Eckhold has stated his personal view that the OCR should have been lifted in May, despite the Westpac team forecasting the first rise would come in July.

Meanwhile, at KiwiBank, chief economist Jarrod Kerr has been forthright in his view that the rate should remain unmoved for the foreseeable future – arguing that the hit to economic demand will be sufficient to dampen medium-term inflation.

But ultimately, it will be the unenviable task of the Monetary Policy Committee to judge how likely the oil price, inflationary spike is to pass through and become embedded in the core of the economy.

They have a recent precedent for a supply-side shock – the post-Covid commodity spike sparked by the Ukraine war and Suez canal blockage in 2022. That was expected by many to be transitory, but ultimately required much higher interest rates to bring inflation down.

Every crisis is slightly different, though. The 2022 crisis was badly timed in that it coincided with the low interest rate settings many central banks still had in place to address Covid disruption. In New Zealand, fiscal policy was also still expansionary.

This time around, New Zealand faces the inflation shock with an economy that is barely growing (in fact, it may be contracting this quarter). Unlike 2022, unemployment is relatively high, and there will be less inflationary pressure coming from wages. The Government is also attempting to reduce spending.

The Reserve Bank has produced four scenarios to help manage and assess its options.

Its base case, or central projection, is built on assumptions from the current futures market pricing for oil and implies three OCR hikes by February 2027 and a peak in this cycle at 3.25%.

That's still not far off a neutral rate – a reminder that the Reserve Bank has room to move in the coming months.

Of three alternative scenarios, two would see rates climb higher, and one would see them stay lower.

In the first, oil prices stayed higher for longer, and firms and workers passed on higher costs into prices and wages. In that scenario, the OCR would potentially need to rise above 4%.

The second scenario also assumes that oil prices stayed higher for longer, but that firms and workers absorbed more of the cost and passed on fewer increases. That might require a marginally higher rate – an implied peak of 3.5%.

The third scenario assumed the same oil prices as the central projection, but that global demand weakened more than expected. That would limit firms' and workers' ability to pass on cost increases, and inflation could fall below the target midpoint, Breman said.

In that scenario, monetary policy might need to be accommodative for longer. In other words, rates could stay on hold.

We should be careful what we wish for, of course. That scenario implies that the local economic downturn will also be protracted, limiting inflation.

The situation is fluid and will require the Reserve Bank to stay agile and alert to the changing strategy.

With the insight that new transparency rules give us, the inner workings of the committee will ensure plenty of drama remains for Reserve Bank watchers.

This year, though, we can take heart that it will be focused in the right place – policy making, not politics.

Swedish central banker Dr Anna Breman, pictured here on Ryan Bridge Now, has ushered in an era of increased transparency for the Reserve Bank.

Why politicians keep dodging NZ's capital problem

OECD warns shallow capital markets are holding back our growth

Capital Markets
Richard Harman

Slowly and still hesitantly, the whole issue of our capital markets and where capital might come from is moving to the centre of our political debate.

Politicians are not leading that movement, but rather forces outside politics are applying more urgency to the situation.

The most recent has been the OECD report on the New Zealand economy, which, after two decades of drawing attention to New Zealand's shallow capital markets, devoted an entire section to how they might be strengthened.

Last year, Treasury secretary Iain Rennie, in a landmark speech, highlighted the decline in the growth of the capital per worker ratio as a key contributor to New Zealand's low productivity performance.

At the same time, Transport Minister Chris Bishop's "Roads of National Significance" programme could require as much as an additional $56 billion over the next 20 years.

The political challenge is that the easy solutions to strengthen our capital markets all have entrenched political opposition from different parties across the political spectrum.

The most obvious place to start seeking solutions would be the sharemarket.

Currently, the NZX has a value of about 35% of GDP. The Australian ASX has a value of around 115%.

Simply, our market needs more companies.

A quick way to start enlarging the market would be if the Government were to privatise some of its state-owned enterprises and crown-owned companies.

Kordia, TVNZ and Pamu would seem obvious candidates.

The OECD has long singled-out the comparatively small size of the stock market as a major factor in New Zealand's low productivity statistics and therefore slow growth.

In 2011, it observed that the shallowness may be related in part to the prevalence of small businesses that lack the scale to attract foreign capital, making bank debt or private equity the most cost-effective financing option.

"Firms that grow beyond a certain size are often acquired by foreign corporations that then choose to publicly list offshore," it said.

In this year's report, the language was more urgent.

"New Zealand's capital markets remain shallow by international standards, constraining long-term investment, innovation and productivity growth," it said.

"Public equity markets have seen no major domestic IPOs since 2021, and many high-growth firms rely on offshore investors or expensive bank lending.

"Limited domestic risk capital, modest private pension balances and a narrow investor base restrict the flow of patient capital needed for firms to scale. "Expanding long-term domestic savings is essential."

"There is no review of taxation by the current Government under way," says Finance Minister Nicola Willis. Photo / Mark Mitchell

Some highly successful New Zealand companies choose to list offshore. Some, like Xero, are listed solely offshore, while the medical technology company, Volpara, was listed on the ASX and was then acquired by a South Korean company.

Rennie addressed this in a speech to the New Zealand Economic Forum at the University of Waikato last year.

"New Zealand's low capital intensity is a key driver of our poor productivity performance," he said. "New Zealand has much lower levels of capital per worker than OECD peers we compare ourselves to.

"Increasing this ratio would mean workers can use more, and better, technology and tools to do their jobs, which will increase productivity."

Rennie will now be aware that officials and MPs who have looked into some of the recent closures in the forestry industry have been surprised at how little investment in plant and equipment has taken place in recent years.

Rennie told the Forum that while investment had been on an upward trajectory since 2007, it had not kept pace with the expanding workforce.

"A cause of this is likely to include New Zealand's high cost of capital, which is in part due to relatively high tax rates on businesses, including on inbound investment, and high interest rates," he said.

"Our taxation of investment is also uneven, which distorts investment choices. Such economic settings can discourage the acquisition of productivity-enhancing assets like machinery and equipment."

But Rennie is up against a political brick wall when it comes to taxation reform.

That was evident in May in the reaction to the OECD report on the New Zealand economy, which devoted a substantial section to taxation reforms that could strengthen capital markets.

The OECD said New Zealand's taxation of capital income and savings was complex and uneven, with housing taxed lightly relative to financial assets and especially pensions, and corporate income tax among the highest in the OECD.

"These settings distort household

> The OECD said New Zealand's taxation of capital income and savings was complex and uneven, with housing taxed lightly relative to financial assets and especially pensions, and corporate income tax among the highest in the OECD.

and firm investment decisions and suppress the accumulation of private pensions and other long-term financial savings, which is a critical issue not only for capital market development but also for retirement income adequacy," it said.

"Addressing these distortions should be a central focus of a deep and wide review of the taxation of savings and capital income, shifting the tax burden away from contributions and annual returns and toward withdrawals.

"Such reforms would expand the pool of patient domestic capital available for equity markets and strengthen New Zealanders' ability to build adequate retirement savings over time."

Luiz de Mello, the director of the OECD's Country Studies branch, proposed a number of Stock Exchange reforms, including new funds and easier listing requirements for smaller firms.

The country also needed higher long-term savings and broader retail participation in equity markets.

Having set up this outline, de Mello then ran straight into our Minister of Finance, who had been sitting alongside him as he set out a series of proposals that she was quick to reject.

First, he proposed that the Government gradually reduce the taxation on KiwiSaver contributions and instead tax the income delivered by the accounts on retirement.

He said this would bring taxation closer to international norms, significantly raise long-term household wealth, and deepen domestic capital markets.

Willis was having none of it.

"What the report proposes is quite a radical tax reform in the sense that it's saying to completely change the way that you tax retirement savings. And doing that in a way that wouldn't create a large number of people who are worse off but would create a big fiscal impost, i.e. a big reduction in revenue for the Government," she said.

"It's well-advertised and very clear in this report that we are now in a period of fiscal consolidation, and we're trying to get the books back in balance.

"So radical tax reforms that require a deficit in the government books are not something that we're actively exploring right now."

But the OECD went further on tax.

"New Zealand's taxation of capital income and savings is complex and uneven, with housing taxed lightly relative to financial assets and especially pensions, and corporate income tax among the highest in the OECD," the report said.

"These settings distort household and firm investment decisions and suppress the accumulation of private pensions and other long-term financial savings, which is a critical issue not only for capital-market development but also for retirement-income adequacy.

"Addressing these distortions should be a central focus of a deep and wide review of the taxation of savings and capital income, shifting the tax burden away from contributions and annual returns and toward withdrawals."

Willis immediately rejected both the idea of a review and a capital gains tax and blamed the Labour Government for people investing in housing.

"There is no review of taxation by the current Government under way," she said.

In the absence of any new policy from National, two political parties, Labour and New Zealand First, would address the lack of capital through state-funded investment funds.

New Zealand First would simply borrow $1 billion, while Labour is proposing to package all the SOEs and other Crown investments into a sort of Singapore-style Crown holding company. But they would not agree to the sale of any entity inside the holding company.

There is thus a huge gap in capital markets policy, which indicates a failure to address how more private savings are generated and how they are incentivised to stay in New Zealand.

Sooner rather than later, our politicians will have to address this.

● *Richard Harman is a senior political journalist and publisher of the Politik newsletter*

The problem Nicola Willis ignored

Budget 2026 failed to tackle NZ's productivity crisis, writes **Barbara Edmonds**

Two weeks ago Nicola Willis delivered her latest Budget. As Labour's finance and economy spokesperson, I was looking for answers to some simple questions: does this Budget help with the cost of living? Does it protect vital services? Does it create jobs?

On every count, it failed.

But I was looking for something else too, something more fundamental. I wanted to know the Government's plan to address New Zealand's productivity problem.

Let's start with the fact that New Zealand has a productivity problem. It is not new and it is not a secret. Unfortunately, Budget 2026 did absolutely nothing to address it.

Our workers are among the hardest-working in the OECD, but our economic output is not. For decades, the IMF, the OECD, the Reserve Bank, and our own Productivity Commission told the same story and pointed to the same root causes.

Capital flowing into property instead of productive enterprise. Low research and development investment compared with other developed countries. Weak competition policy. Skills training that is not aligned with the jobs and economy of the future. And geographic distance from major markets that compounds all of it.

These are solvable problems. But they require sustained political will and serious structural policy. Double down on the wrong incentives, and you make the problem worse.

Doubling down on the wrong choices is exactly what this Government has done.

Nearly $3 billion in tax relief is going towards property speculators instead of towards productive enterprises. The Productivity Commission, the one agency specifically tasked with understanding and recommending policies for our long-run economic challenges, was shut down. And the only R&D changes in this Budget were revenue savers like the scrapping of Ara Ake — an energy research centre set up to help New Zealand transition from oil and gas.

> Seriously addressing New Zealand's productivity gap requires doing the opposite of what this Budget did. It requires shifting capital away from speculation and toward productive investment. It requires backing innovation, research, and companies that create real, exportable value.

The results speak for themselves. When National came to office in 2023, growth was forecast to reach 3.3% by 2026. It is now forecast at 1.2%. Unemployment was forecast at 4.8%. It is now forecast at 5.5%. Inflation was forecast to be back at 2.1%. It is now forecast at 4%.

The Government will point to its revenue projections as evidence things are turning around. But those projections are partially driven by fiscal drag and a higher GST take. In other words, the Government is collecting more money because things are more expensive, not because New Zealanders are producing more.

The Government wants to blame global instability. The economic pressures from the conflict in the Middle East are real. But our economy was heading in the wrong direction long before that. These are the consequences of choices made here, at home.

Electricity prices have risen more than 20% in the last two years. Business liquidations are at a 15-year high. And now, this Government wants to cut 9000 public service jobs.

More than half of all public service jobs are outside Wellington. These are people who process superannuation payments, handle benefit applications, keep our borders safe, and support children in schools. When those jobs go, it is not just families that feel it. It is local economies, too.

Cuts do not grow an economy. They shrink it.

Seriously addressing New Zealand's productivity gap requires doing the opposite of what this Budget did. It requires shifting capital away from speculation and toward productive investment. It requires backing innovation, research, and companies that create real, exportable value. It requires a skills system fit for an economy being reshaped by technology. And it requires public services strong enough to support the businesses and households that depend on them.

Labour has set out exactly that kind of agenda. Our Future Fund will back innovative New Zealand businesses and keep the value, the jobs, the intellectual property, the export revenues, here at home. Our capital gains tax will finally shift the incentive structure that has pointed capital in the wrong direction for too long.

For too long the economic incentives to put money into housing has driven investment decisions. But by targeting our capital gains tax on unproductive assets, we will see more people investing in the productive economy.

These are not quick fixes. But they are the kind of durable, structural choices that serious economies make when they are serious about growth. New Zealand has the talent and the potential. What we have lacked, under this Government, is a plan.

This was National's last Budget before the election. It was their final opportunity to show they had a credible plan to lift New Zealand's productivity.

They failed.

● *Barbara Edmonds is Labour's Finance Spokesperson*

International stormclouds have a silver lining for NZ

Precinct Properties sees investors turning to NZ amid global turmoil, writes **Andrea Fox**

Flow-on impacts from the Iran-United States war are slowing down transactions, but there are silver linings for New Zealand, says George Crawford, deputy chief executive of listed developer Precinct Properties.

He says the investment landscape has become harder, with downstream impacts — particularly on interest rates — causing volatility and uncertainty for overseas investors.

But in this sort of environment, there are things making New Zealand attractive, he says.

"We're a long way from conflict. New Zealand is a food producer and something of a safe haven. From offshore, those are quite attractive sorts of insulating factors."

Crawford believes many investors are now looking to New Zealand as a place to generate returns.

"They're probably looking at Australia and New Zealand as one basket. And New Zealand has got some quite attractive relative characteristics at the moment. Our premium office markets are in much better shape," he says. "We've got higher levels of occupancy, we haven't been as impacted by working from home as Sydney or Melbourne.

"We have very low levels of vacancy and good office stock. The other area we've been attracting capital into is student accommodation for Auckland. We've got 70,000 students here, with growth in international student numbers and a shortage of available student beds.

"Then we've got government settings that are really encouraging growth in that international education market. In Australia, there's quite a pushback there over international students with caps on visa numbers, so our government settings are seen as quite attractive."

Adding to New Zealand's appeal, interest rates are now materially lower than Australia, which helps with generating higher returns on equity, Crawford says.

"Our tax settings for real estate are also a lot more favourable.

"We don't have stamp duty, which comes straight off the initial investment if you're investing into Australia. We don't have foreign owner land taxes or capital gains tax. So when you factor in those things, lower interest rates and a better tax structure, we can actually show investors a better return for a similar investment in Auckland versus what they might look to make in Sydney or Melbourne.

"We're still managing to attract capital and we're just keeping on telling the good story about the growth opportunities in Auckland and Wellington and the opportunities we're able to show in our pipeline."

Capital partnerships

Capital partnerships are a pillar of Precinct's growth strategy to enable the delivery of large-scale, complex urban projects while attracting long-term domestic and offshore investment into New Zealand cities.

As at December 31 2025, Precinct, as owner, developer and manager of city centre real estate in Auckland and Wellington, had capital partnerships totalling $1.9 billion on a pro forma, committed completion value basis, compared with a directly owned portfolio of around $3.3b.

The partnership assets are managed by Precinct rather than directly owned in line with its growth model.

Precinct typically retains a meaningful co-investment.

Highlights of its capital partnerships, which span commercial office, living sectors and value-add investment strategies, include commercial partnerships totalling around $1.1b.

These include a long weighted average lease term partnership with global institutional investor GIC, which expanded in half-year 2026 with the acquisition of ASB North Wharf. Precinct has a 24.9% interest in the partnership portfolio, the value of which has increased to $900m, mostly Auckland-based.

On the value-add side of the business, joint ventures include the Te Toangaroa precinct, a 30ha waterfront project, in partnership with Ngāti Whātua Ōrākei and PAG private equity.

Living sector partnerships include New Zealand's largest student accommodation facility, 22 Stanley Street for the University of Auckland, with Singapore's Keppel Corporation. Precinct retains a 20% interest and will manage the development to completion and when operational.

Go back five or so years and Precinct had no capital partners, Crawford says. "We were just investing our own capital in developments and the assets we run.

Having capital partnerships means we can do more with the capital we have and we're not constrained by the amount we can raise off our own shareholders.

"If you think about Precinct's strategy of city centre investment and our commitment to improving our city centres, it's quite a capital-intensive strategy. What we've developed over the last 10 years has probably been $2.7b of assets like Commercial Bay, the Wynyard Quarter and some of the assets around Parliament in Wellington — that takes a lot of capital.

"Our shareholder base is predominantly New Zealand-based. Our capital partners have been largely offshore. That's because their style of capital investment is to own assets directly but in doing that, they look for local expertise and someone with boots on the ground."

Crawford says Precinct wants to do more with its existing partners, "a good sign of success", but it also wants to attract new ones. "Some of that will be offshore, but we think that KiwiSaver and the increased pools of capital that are available in New Zealand could be a really strong source of capital partner growth in the future.

"If you look at the Australian superannuation model they've had in place for 30 years or so, those industry superannuation funds are really significant direct owners of real estate assets. They undertake development activities.

"KiwiSaver has currently got a very small percentage of direct assets, but that will grow and we are in a good position to be able to attract some of that capital to invest alongside us in some of our opportunities," he says.

Precinct is optimistic about the future of capital investment partnerships. "From a standing start about four years ago, we've got through to $1.9b in partnerships," Crawford says.

"We see the potential for that to grow to $4b-$5b over the next three, four, five years.

"The pace of that will depend on markets and opportunities but we feel like we've got good momentum. We think it's really aligned with our strategy of improving the city centres but we can deliver strong returns for our partners while also delivering really good returns for Precinct shareholders. Through using less of our own capital, we can generate a higher return on the capital that we do deploy."

Precinct has established its credibility as a capital partner, says Crawford.

"So now when we go and talk to groups about potentially investing with us, whether that's in New Zealand or overseas, we don't have to explain so much.

"We're genuinely excited about the growth opportunities from here.

"I think volatility has just become a reality. When you get shocks like the Iran-US conflict, you think back to last year and we had the tariff shock. People are almost getting more used to it as a backdrop and are becoming more able to digest it."

As for the investment climate at home, Crawford notes that while there is still interest rate volatility, rates are not at the level of 12-18 months ago.

"As far as the outlook goes, there is uncertainty, but we're optimistic that with good investment settings in New Zealand and cities we strongly believe are going to continue to be economic engines, there are good direct investment opportunities."

● *Precinct Properties is a sponsor of the Herald's Capital Markets and Investment report.*

Volatility has just become a reality. When you get shocks like the Iran-US conflict, you think back to last year and we had the tariff shock. People are almost getting more used to it as a backdrop and are becoming more able to digest it.

George Crawford

Reform to unlock growth

Forsyth Barr's new CEO Carl Blanchard is upbeat on the outlook for NZ debt and equity issuance, writes **Andrea Fox**

Equity and debt capital markets in New Zealand are working well and we can expect to see a lot more issuance in debt markets over the course of a year, says Carl Blanchard, managing director of new Forsyth Barr business, Forsyth Barr Capital Markets.

A 30-year veteran adviser of the corporate finance and capital markets sectors, Blanchard took up the role early this year after a restructure of the 90-year-old firm, which brought together its investment banking, institutional broking and equity research capabilities into a dedicated capital markets platform. The wealth management business operates separately.

"I'm pretty optimistic about our capital markets. We've seen some really good transactions over the past year that have allowed businesses to develop and, in some cases, recapitalise," says Blanchard.

"For companies that are listed, capital markets have a great ability to solve for an outcome. Whether you're after growth capital or you're after capital for restructuring the balance sheet, you can get it. That's not the same for privately owned businesses and others.

"Capital markets have great, great resiliency."

Coming in from PwC where he was a partner, Blanchard says he had missed the "cut and thrust" of the broking industry. Before PwC, he led the Accident Compensation Corporation's direct investment team, and spent 16 years at Jarden in senior roles. He's a former chair of the New Zealand Takeovers Panel and former member of its Australian counterpart. Blanchard started his career at the New Zealand Treasury.

He says Forsyth Barr was a "natural" business to join in his return to the broking industry. The firm's former chairman, the late Sir Eion Edgar, was held "in incredibly high regard" and his "family culture and personal style" permeates the Forsyth Barr business, says Blanchard.

"It's clocked up 90 years of business and there's lots more to achieve."

On the health of our capital markets, Blanchard points to mining companies listed on offshore stock exchanges that are coming to list in the New Zealand market as a result of the Government's pro-mining position and that "will invariably raise capital in time".

"It goes to show the capital markets have a life and they are there to help companies develop and expand.

"On the other side, the debt capital markets are super-competitive for companies. We've seen issuance recently where pricing has been very favourable compared to international alternatives. So we would expect to see a lot more issued in debt capital markets over the course of a year. I would say both the equity and debt capital markets in New Zealand are working."

Nevertheless, there's a strong case for capital markets reform, he says.

Capital markets reform

"We, as a country, have increasing benefit — or action — in global markets and we have to take the opportunity to realise that benefit. That requires a whole lot of things that both the Government and the industry can do — but we are in an attractive time zone relative to the US and Europe, we have an English law and English language heritage, low levels of corruption and distance from conflict.

> When you see some of the things that are happening in Australia that are making it less competitive internationally, it should turbocharge the Government to act on regulatory settings here to attract financial players to this market.
>
> Carl Blanchard

"So we have to get into a position — and this should be a cross-party thing — where we are attracting financial market players to this economy to set up business. That has all sorts of benefits for the economy.

"When you see some of the things that are happening in Australia at the moment that are making it less competitive internationally, I think it should turbocharge the Government to act on regulatory settings here to attract financial players to this market."

Blanchard says the Government capital market reforms announced in late 2024 are "not enough".

"If you're a listed entity, for example, and you don't have listed debt, you should just be able to use a term sheet to issue that debt. At the moment, you need a full product disclosure statement to issue that debt."

Tax changes that would not be material to government accounts but would help companies trying to do IPOs would be helpful, "because we don't have enough of those".

And product disclosure statements could be simplified.

"It's about really simplifying the regime to make it relatively more attractive to use capital markets."

Who needs to lead these reforms?

"I would say it should be a combination of the Government and industry. You do need a government willing to do that. This Government has been more willing to than other more recent governments to at least progress some things. But ultimately, this is about productivity and a lower overall cost of capital in an economy, because the financial markets, or financial system, are the driver of that."

The industry itself has been promoting ideas for reform but more needs to be done, he says. This will require work by a combination of the Financial Markets Authority, the NZX and the Government.

"If you think of the NZX listing rules, for example, what is the optimal set of listing rules?

"Do you need everything we've got?

"Companies listed on the NZX do need to abide with the rules of the exchange. Those rules in part dictate what companies need to do on a daily basis and, if those rules seem to be too onerous, that will lead people to say, 'Well, I don't want to list, I'll talk to private equity.'

"Everything's a competition here. So how do you bring the playing field back to be a bit more even?"

The provision of financial information in a listing prospectus can cost several million dollars.

"If you were to relax the rules a little and provide information investors actually need rather than what is set in the regulation — that could save a chunk of money.

"Continuous disclosure is an issue. I understand why we have it, so everyone is trading on the most up-to-date information but it takes some time for company compliance.

"Therefore the question is what is material, and where you get to at the moment is the lowest common denominator on material."

Infrastructure investment

Blanchard also has strong views on fixing New Zealand's infrastructure issues.

"First up, there's no shortage of capital. Capital is not the problem, it's the ability of people to deploy it."

As he notes, there are two types of infrastructure: private infrastructure such as airports and electricity companies; and public infrastructure like roads and schools.

"Broadly, we don't have a problem with investment in private infrastructure because users pay for a service, the companies have balance sheets and they get on with investment.

"The investment problem with public infrastructure is that there aren't those funding streams in place so people aren't paying for a service. There aren't balance sheets in place so investment relies on the decisions of politicians. We need to flip the public infrastructure investment to be more like private infrastructure."

Blanchard says he isn't calling for privatisation of infrastructure as a solution. "The Government can still own it, though I think privatisation would help."

He notes Auckland has water meters. Residents pay for the water they use.

"This allows Watercare to invest in the network — we need much more of that.

"There's no reason that can't happen with school property, so that the Ministry of Education pays a property entity owned by the Crown for the schools they use, same with hospitals, the justice sector, and NZTA.

"All of that stuff can be commercial and run through user charges, which allows balance sheets to be created and investment to occur.

"I think there are moves in that direction, we just have to move faster because at the moment there's a lot of deferred maintenance in the portfolio and deferred maintenance gets more costly over time."

As for his thoughts on Forsyth Barr's trajectory post-restructure, Blanchard says the wealth management business, "continues to develop strongly and will continue to do well".

He says, "Where we need to get to on my side of the business is to improve the way we interact with our clients and those are the changes we are making at the moment. We've got a great team and great client relationships but there's always more you can do.

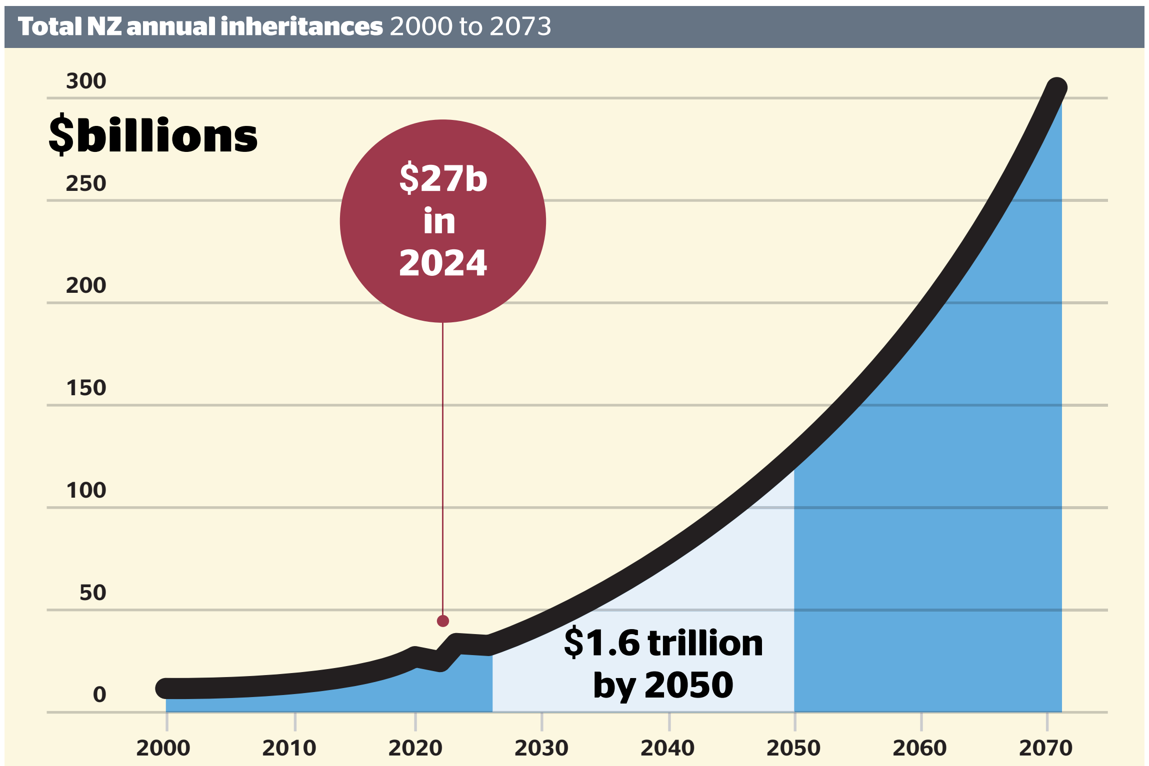
"We need to develop the relationship with Barrenjoey Capital Partners, our Australian partner, and bring the expertise along to our client engagements. We're very interested and focused on that."

● *Forsyth Barr is a sponsor of the Herald's Capital Markets and Investment report*


3

Where New Zealand's great wealth transfer is really going

For philanthropy to flourish, it needs active government support and policy settings, writes **John Morrow**



Source: The Bequest Report, JBWere NZ Philanthropic Services. Herald Network graphic

John Morrow is Head of Philanthropic Services & Family Advisory at JBWere New Zealand

For more than a decade we have talked about Aotearoa New Zealand's great wealth transfer as though it were imminent.

The reality, as our data now confirms, is that the largest movement of private wealth in our country's history is under way, though on a longer timeline than most assumed, and it is being shaped by forces that change what reaches families, charities and capital markets along the way.

What is clear is that for philanthropy to flourish, that transfer also needs active government support and policy settings that encourage giving, build confidence and make long-term generosity easier to sustain.

To put it in context, the "Great Wealth Transfer" is the most significant wealth event to occur not just in our lifetimes but in our history as a nation. Annual inheritances in New Zealand were around $27 billion in 2024 and, on present trends, the cumulative transfer will reach roughly $1.6 trillion by 2050. Charitable bequests alone will grow from about $320 million today to more than $1b within 20 years, and that is modelled on a world where there are no behavioural changes at all. It is simply a function of who is dying, and the wealth they hold.

JBWere is actively working with the sector to ensure the settings are appropriate to scale this opportunity to greater value.

What continues to shift is the when. People with capital generally live longer. International research indicates that a 60-year-old in the top decile of wealth can expect to live around 13.5 years longer than one in the bottom decile. In the United States, half of all charitable bequest dollars now come from people dying at 89 or older. Wills are revised more often than they used to be. Only about 55% of New Zealanders even have one, and many who do revisit and amend their plans in their 70s and 80s as their circumstances and views change. So, it's important to remember that the transfer is not a single event. It is a long, staggered handover that will play out across our economy for the rest of this century.

Also of interest is the who.

JBWere research shows a less-discussed feature of this transfer: women are increasingly shaping how wealth is passed on. They tend to outlive men and are often the surviving spouse, managing estate decisions for years. In Australia, women are expected to influence more than 65% of intergenerational wealth transfers. If New Zealand wants more giving in wills, this matters. The practical question is whether advisers, charities and policymakers are doing enough to engage the people most likely to decide what legacy capital is ultimately for.

Family first, by a wide margin

The central question is where this money is ultimately going. In New Zealand, around 95% of estate value among couples initially flows to the surviving partner. On final distribution, most goes to their children. Other family and friends receive roughly 10% and charity receives about 1.3%.

That is not a criticism of Kiwi generosity. Some 60% of New Zealanders give financially each year. But only 6% of those who hold a will include a charitable gift in it. The United Kingdom sits at almost 14%. This is where normalising the conversation about giving in wills becomes so important.

Who wins, who loses in the sector

Bequests are the most resilient form of giving through economic cycles, and they deliver the highest return on fundraising investment of any channel, roughly $25 raised for every dollar spent on Australian benchmarking. That makes them the single most important fundraising opportunity of the next two decades.

That risk is now becoming clearer in JBWere's latest research by Dr William McInerney. It points to a more concentrated giving base, with a smaller cohort of major donors carrying a larger share of total philanthropy, while middle giving comes under pressure.

Household cash flow remains tight, donor participation has fallen, and the broad base that once underpinned regular annual giving is thinning. At the same time, the sector's aggregate surplus has effectively disappeared, even as costs rise and demand stays high. The result is a more fragile funding environment: fewer donors in the middle, more reliance on concentrated capital at the top, and less financial resilience across the organisations expected to meet growing social need.

The risk for the sector, and by extension for the social infrastructure that depends on it, is a hollowing out of mid-tier organisations that cannot fund the patient, long-cycle work that bequest fundraising requires. That is a settings question that boards, trustees and policymakers should be paying close attention to.

Source: The Bequest Report, JBWere NZ Philanthropic Services. Herald Network graphic

The settings matter

Philanthropy does not grow by goodwill alone. It needs policy settings that reward giving, build confidence and help long-term capital form. The Government's latest Budget 2026 decision to cap the donation tax credit at $100,000 a year points in the other direction. JBWere's preliminary guidance warns the change is likely to reshape donor behaviour, slow endowment growth and reduce the pool of philanthropic capital available over time.

The risk is not just fewer large gifts in a single year, it is a weaker environment for long-term giving at the very point New Zealand needs stronger private capital to support communities, charities and social infrastructure.

For our markets, an interesting shift is happening within the portfolios of those making the transfers. We are now seeing that in many instances, the older generation that built much of its wealth in residential and commercial property no longer want to be landlords. They want liquidity, diversification and, increasingly, they want professional management of assets they intend to pass on.

The result is a meaningful, sustained rebalancing out of direct property and into listed equities, managed funds and KiwiSaver. It is one of the quieter tailwinds behind our domestic capital markets, and it is likely to strengthen through the next decade.

For wholesale clients, the same logic is driving genuine interest in private markets and private credit. Investors who have spent their working lives illiquid and concentrated are not looking to replicate that experience in retirement, but they are comfortable with measured exposure to unlisted assets where the underlying yields and time horizons match their needs. A deeper, better-organised private market in New Zealand would not only serve infrastructure and growth companies; it would meet a real demand from the families now doing the transferring.

The next generation: values, or life stage?

The general view is that inheritors will invest more responsibly than their parents, with sharper environmental and social goals. The evidence is more nuanced. Kantar's Better Futures 2026 study shows commitment to environmental sustainability rising steeply with age in this country: 28% of Gen Z, 33% of Millennials, 49% of Gen X, and 63% of Boomers. Younger generations express strong views but act on them less often, constrained by the cost of living, housing and the practicalities of early adulthood.

There is a clear generational lean among future inheritors towards responsible and impact investing. That is a constructive signal for the market. It challenges fund managers and advisers to explain their role, their value, and any return or liquidity trade-offs with precision, so families can get comfortable with the journey well before wealth changes hands.

Giving while living

The final shift is cultural. Wealthy New Zealanders are increasingly blending earning and giving across their lives, rather than saving philanthropy for the end. They want to see impact, learn alongside the causes they back, build deeper relationships within the community, and often involve children and grandchildren in those decisions. Structured giving through family foundations and other dedicated vehicles is growing, allowing families to be more strategic and multigenerational in their philanthropy.

This will not change the dominance of family inheritance but it will lift the visibility and quality of philanthropy in this country, and it will shape a generation of inheritors who arrive at their own wealth transfer better prepared – and better advised – than the one before them.

Some believe the great wealth transfer is already spoken for, yet a different path remains open to us.

If charitable bequests of inheritances moved from 1.3% to just 3% over the next 20 years, annual giving from wills could rise to around $2.5b, close to an eightfold increase on current levels.

The next quarter century will test our collective intent, as families make decisions, charities build readiness, and capital markets respond to those signals. Those choices will shape how much of this capital contributes to a more prosperous and fairer New Zealand.

● *JBWere New Zealand is a sponsor of the Herald's Capital Markets and Investment report.*

Investment pitch must pay off

NZ cannot afford to sit back and wait for deals to come, says Trade and Investment Minister Todd McClay

Fran O'Sullivan

Trade and Investment Minister Todd McClay is adamant the Government's new investment attraction agency must be judged not on activity, but on deals that "would not have happened otherwise".

He says the global backdrop is paradoxical: geopolitical risk is rising across Asia and the United States, yet interest in New Zealand as a destination for capital is increasing.

"Firstly, we are a good place to invest. Secondly, there is so much uncertainty around the world. So we're seeing an uptick of inquiry and interest or visits from parts of Asia and the Middle East towards New Zealand."

Invest New Zealand is now fully formed: legislation is through Parliament, a permanent board chaired by investment banker Rob Morrison is in place, CEO Robert Wall has been in the role for three months, and around 30-40 staff have transitioned from NZTE.

McClay stresses the board and senior appointees are investment professionals first, public servants second: "We have people who are experts at this in their own professional life and they have had not so much to do with government, which actually is a good thing, as they're out talking to investors in the world in their own language."

> Even if we are the best country in the world, if it takes 10 years to get a consent, 10 years to build, that investment dollar is going somewhere else.
>
> Todd McClay

Rather than building a sprawling bureaucracy, the Government has held back on budget and headcount. McClay is wary of an agency that spends "two or three years" hiring hundreds instead of closing deals.

Invest New Zealand's core mandate is clear: focus on larger, transformational projects, not marginal deals that would occur anyway.

The agency is targeting investments in the $100 million to $1 billion range, with scope to drop to around $20m if a project can scale quickly.

Energy, data centres, and the UAE connection

McClay considers the most immediate opportunities lie in renewable energy and associated infrastructure. He points to growing interest from sovereign wealth funds in the Middle East, including the UAE, which has set global targets for new energy generation.

He is unapologetic about courting investment that pairs energy generation with data centres and AI infrastructure: "New Zealand needs more energy," he explains. "In many places around the world, they see the two together, so they will invest in the energy generation infrastructure, which gives the certainty — one for the country and two for the data centres."

Asked if there is a political risk that new generation will be built to power foreign-owned data centres while households and industry face continued high electricity prices, McClay pushes back. He argues that additional generation expands supply for the entire grid, and that dedicated "AI-only" power is not realistic in New Zealand's integrated system.

Picking winners

Already, the Active Investor Plus (AIP) visa has resulted in substantial capital flowing into funds rather than direct stakes. McClay is open to this, particularly in infrastructure, social housing, and the start-up sector, but he draws a firm line against the Government picking winners.

"If we have a list of companies that are pre-approved, it almost guarantees an endorsement," he says. "It's not the Government's job to go out and endorse private sector investment into a private sector company."

Invest New Zealand will not run its own funds. Instead, it will connect and catalyse where it can, while leaving due diligence and allocation decisions to professional managers.

Chasing the Singapore and Ireland benchmark

McClay readily concedes New Zealand underperforms on foreign direct investment. Cabinet has asked Invest New Zealand to study Singapore and Ireland — both notable FDI magnets — and adapt what is relevant to a small, open economy outside the EU.

No formal FDI target has yet been set, but McClay signals he wants New Zealand to at least match the OECD average over time.

That ambition, he argues, cannot sit with a single agency. It will require planning and consenting reform, particularly for renewable energy, to shorten painfully long project timelines: "Even if we are the best country in the world, if it takes 10 years to get a consent, 10 years to build, that investment dollar is going somewhere else."

In the first one to two years, McClay's test is simple: closed deals that clearly would not have occurred without Invest New Zealand's intervention, and measurable job creation in priority sectors.

Beyond that, success will be judged by higher FDI inflows, better quality capital, and a more sophisticated conversation between investors and government on regulatory barriers and investment settings.

McClay's philosophy can be summed up as pro-FDI but cautious about state activism: open the door, sharpen the pitch, and scale the pipeline — but stop short of the Government validating specific companies.

In a more fragmented and volatile world, McClay's view is that New Zealand cannot afford to sit back: "If it's good for New Zealand and good for New Zealanders, we should say yes to it. We will help it come here."

Global investor to NZ's investment cheerleader

Capital Markets
Tim McCready

Robert Wall has returned home to lead Invest New Zealand. Three months in as the inaugural chief executive, he tells **Tim McCready** what the agency is focused on.

Our focus is on working with international investors to find ways in which to improve and invest in the future productivity and growth in New Zealand businesses.

Robert Wall

For more than two decades, Robert Wall was at investment firms that Invest New Zealand has been designed to attract. Now he is running it.

Wall took up the position in February, returning home to Auckland after a career including roles in Toronto and London that involved extensive work across global markets.

Three months in, he is candid about how New Zealand looks to a returning Kiwi.

"After 22 years away, the country has changed enormously – and I would say manifestly for the better," he says. "I've been really impressed with the quality of what I've come back to be a part of."

Wall's journey into investment management began in civil engineering. He studied at the University of Canterbury and spent the first years of his career delivering roads, airports and other major projects.

"What I enjoyed about engineering was the ability to interact with multidisciplinary teams and to see my effort result in a building or a structure or something that we could look back on," he says. "But I realised that was just a small piece of the puzzle. I thought, wouldn't it be great to be involved in that whole lifecycle? Who had the idea? How did they get the money to build it?"

That curiosity took him into private infrastructure investing. Wall was a founding member of the infrastructure investments team at the Canada Pension Plan Investment Board, then a partner at United States-headquartered Federated Hermes.

He joined Lazard Asset Management in 2021 as head of sustainable private infrastructure and was most recently managing director and co-head of the firm's quantitative and alternative investment management committee. He ran investment strategies for sovereign wealth funds, pension giants and insurance companies – the same pools of capital he is now tasked with attracting into New Zealand.

A two-way mandate

Wall is clear about Invest New Zealand's mandate. "We are the single coordinating entity for engaging with international capital on behalf of New Zealand," he says. "Our focus is on working with international investors to find ways in which to improve and invest in the future productivity and growth in New Zealand businesses."

That involves two-way engagement. The agency spends a lot of time with international capital providers, to understand where they want to invest, and where they are running into constraints.

"We are in a unique position in that we can take what the world is telling us, work with the Government to change constraints or create incentives for that capital to flow.

"We need to listen to where the large pools of capital want to invest. We have high-quality businesses that have very attractive characteristics for investors in today's world. We should use that position, this opportunity, go out and communicate that."

When asked what international investors find difficult about doing business in New Zealand, Wall is candid that he is too early in the role to be definitive. But an opportunity he sees for further investment into New Zealand is that of scale.

"We have lots of high-quality businesses that are small in a global context. We want to be able to use capital and expertise that's internationally available to unlock that growth potential."

New Zealand's distance to the investors Invest New Zealand is trying to attract does not concern him.

"Distance is less of an issue when you're working in easy-to-move knowledge, telecommunications and people skills – rather than commodities," Wall says. "The challenge as an international investor is in finding countries you can really trust and work with for the long term."

Stable politics, attractive demographics and rule of law, he says, will always outweigh distance.

Priority sector focus

Wall is explicit that the agency cannot succeed without long-term clarity of focus. "Not every dollar of capital has the same impact on an economy," he says. "A dollar of capital invested in a company or sector that has high productivity or high growth potential will allow us to address the economic challenges in the future."

That has shaped a set of five priority sectors for the agency: private infrastructure; renewable energy; data centres and AI infrastructure; advanced manufacturing and processing facilities; and technologies including agritech, creativetech, medtech, fintech and spacetech.

Each meets Wall's test of high productivity or growth potential. It is a deliberately narrow list, designed to give the agency focus rather than sectoral breadth.

Lessons from offshore

Cabinet has asked Invest New Zealand to study the Singapore Economic Development Board and IDA Ireland – both small-economy agencies with foreign direct investment track records New Zealand has yet to match. That work is ongoing.

"New Zealand has historically had a lower amount of international investment than other small economies," Wall says.

"We should look at comparable countries and how they've succeeded." He cites Singapore, Denmark, Sweden and, to a degree, Greece and Italy.

Wall acknowledges the limits of direct replication but says there are opportunities for New Zealand to learn from other countries.

"New Zealand has an incredible diaspora. We are part of the Indo-Pacific.

"While we may not have the same scale of incentives, we can look to replicate some tools that similar-sized countries have used successfully."

Attracting human and financial capital

The Active Investor Plus (AIP) visa is intended to attract investors who take an active role in helping companies access global knowledge networks, capital and markets. It is designed to generate higher business productivity and job growth.

Settings were refreshed in April last year, introducing two investment categories: Growth (higher-risk investments with a minimum $5 million investment over three years) and Balanced (mixed investments with a minimum of $10m over five years).

Uptake has been substantial.

As of May, Immigration New Zealand had received 730 applications under the new settings, representing a potential total minimum investment of $4.26 billion.

Resident visas have been approved and granted to 288 applicants, with $1.69b of capital committed into the New Zealand economy.

For Wall, the visa is doing what it was designed to do – bringing into New Zealand both capital and the people behind it.

"The Active Investor Plus is an important part of what we do where it connects the human capital and financial capital that individuals can bring," he says.

"We have a really interesting group of people who have elected to commit their capital and time and want to be a part of New Zealand."

The majority of AIP capital has so far flowed through Invest New Zealand-approved managed funds and bonds.

"Investments into managed funds are an active contributor to the New Zealand economy and growth," Wall says.

"They may run through a managed fund, but they're still invested in New Zealand businesses."

The United States is the single largest source of applicants, with Greater China making up the largest regional bloc.

"In a world with rising geopolitical and geoeconomic uncertainty, New Zealand continues to be an attractive destination for international capital and individuals," Wall says.

A long-term project

Wall has spent his career watching capital move around the world, and says that in his experience, New Zealand does not have a hard job introducing itself.

"We should never underestimate the warmth with which people consider New Zealand – either because of their own personal experience or our position on the world stage," he says.

"If I look back over the past 20 years, the impact of New Zealand's position geopolitically has always been present."

For Invest New Zealand, that recognition of the country is the starting point. The job is to convert it into specific projects.

"Our role of matching investment capital with investment opportunity is not one done on a marketing basis. It's done on a project-specific basis," Wall says.

"We're not an organisation that presents New Zealand at a high level, but one where we go and understand what the international investor is looking for."

Invest New Zealand was established last July, with a board chaired by Rob Morrison confirmed late last year. Wall arrived in February. Visible results – by his own admission – are months and years away.

The challenge ahead is substantial. At the announcement of the Invest New Zealand board last December, Trade and Investment Minister Todd McClay was blunt about the gap.

New Zealand's stock of foreign direct investment, he said, sat at 37% of GDP against an OECD average of 53%, placing the country 27th of 38 OECD economies on stock and 31st on inflows.

"Chronically low levels of overseas investment have starved this country of capital for infrastructure and business," McClay said. "Quite simply, we need more capital."

Closing that gap is the challenge Wall and his team have been handed.

"We have to view this as a long-term project," Wall says.

"I'm confident we are already seeing the benefit for New Zealand. I see that in some of the projects we're working on and the impact we're having with international investors.

"But there is a lot more to do.

"We're still in the early innings of this game."

Who's on the Invest NZ board?

- **Rob Morrison:** chair, an investment banker and corporate leader with a distinguished international career in finance, governance, and sustainability.
- **Carmel Fisher:** deputy chair, a seasoned investment professional with more than 30 years' experience in New Zealand's investment industry.
- **David Tapsell:** a respected legal and governance professional with a career spanning law, Māori economic development, and corporate leadership.
- **Richard Hedley:** an experienced private markets investor and non-executive director with over 25 years' experience in global investment markets.
- **Mary MacLeod:** a seasoned financial services executive with over two decades of international experience in investment banking and corporate strategy.
- **Ross George:** a private equity leader with more than three decades' experience supporting New Zealand businesses and institutional investors.

Is this the right time to be making transactions?

Foreign buyers eye New Zealand assets amid stronger M&A outlook, says investment banker **Silvana Schenone**

Quality assets in defensive and high-growth sectors command strong attention — healthcare, energy transition, digital infrastructure, consumer staples. Strong brands and technology businesses with proven international growth stories are all attracting strong interest.
Silvana Schenone

There is a particular kind of exhaustion that sets in when every week brings a new variable to model. The past couple of years have tested the patience of even the most experienced boards and management teams: a rate cycle of historic speed and depth, a global trade order being rewritten in real time, and deal markets that alternate between tentative optimism and outright hesitation. Now, as we move through 2026, something is shifting. It is not that the environment has become simpler, it hasn't. But the challenges are becoming clearer, and with that clarity comes opportunity.

What we are hearing from clients, across sectors and across deal sizes, is a consistent set of questions. How do we think about strategic moves when the geopolitical ground keeps shifting? Is the mergers and acquisitions window open, and for how long? Where do we stand on rates? And how do we navigate the growing weight of regulatory and ESG obligations without losing sight of the fundamentals? These are the questions that determine whether a transaction is completed, whether a capital raise finds its moment, and whether a board commits to a platform acquisition or waits another quarter.

So is this the right moment to transact? The answer, frustratingly but honestly, is that it depends on what you are trying to achieve, who you are dealing with, and how you are thinking about the next 12 months.

What we can say with some confidence is that the New Zealand M&A market is not struggling. After a difficult 2024 and a hesitant first half of 2025, deal flow accelerated through the back half of last year and has carried momentum into 2026. The structural conditions that suppressed activity — elevated rates, wide valuation gaps, a general reluctance to take risk — have shifted. Capital is moving. Buyers are active and some are becoming impatient.

New Zealand, viewed from offshore, is looking increasingly attractive.

It is likely that the next 12 months will be shaped by some forces operating simultaneously: a deal market that is open but selective; a November election that introduces meaningful policy uncertainty; and a global geopolitical dynamic that continues to define how capital flows into and around our market.

The deal market: momentum with discipline

The current M&A environment is best described as constructively cautious. There is genuine appetite, but it is concentrated and disciplined.

The headline numbers are encouraging. Deal volumes improved about 15% in 2025 compared with 2024. Trade buyers drove the majority of that activity.

Quality assets in defensive and high-growth sectors command strong attention — health care, energy transition, digital infrastructure, consumer staples. Strong brands and technology businesses with proven international growth stories are all attracting strong interest.

New Zealand is on the international acquisition radar in a serious way. For parties sitting on capital, the current environment is not one for hesitation. Assets that offer genuine quality are being competed for.

The sale of Fonterra's consumer division to global giant Lactalis for $4.2 billion, the sale of a 75% stake in Spark's data-centre business to Pacific Equity Partners and the sale of Tāmaki Health to TPG (all deals that Jarden advised on) are clear examples of transactions within sought-after sectors.

Where deals are proving harder is equally clear: businesses with cyclical earnings profiles, concentrated customer bases, or exposure to sectors where the economic recovery has been uneven are facing buyer scrutiny that is sharper than sellers are accustomed to.

What to expect, and what to watch for

The next 12 months will not be linear.

● **Interest rates:** New Zealand has come through one of the most dramatic monetary policy cycles in its modern history. The Official Cash Rate peaked at 5.50% and was then cut aggressively through 2024 and 2025 — 325 basis points in total — landing at 2.25% by November 2025, where the Reserve Bank has kept it since. Funding costs have come down.

But businesses that have been waiting for rates to fall before refinancing, recapitalising or making strategic moves should not assume there is unlimited time. Those who plan significant debt-funded transactions must stress-test structures against a rate path that could be higher in two years than it is today.

● **Geopolitical risk:** For much of the past decade, geopolitical risk was something that featured in the risk register but rarely changed a decision. That is no longer true - geopolitical risk has now moved from a macro concern to a line item in deal models and capital expenditure planning.

● **Foreign interest:** Inbound foreign interest may make a difference. The weaker NZ dollar makes local assets comparatively affordable for offshore buyers with hard currency. The streamlining of the Overseas Investment Act consent process and other reforms targeting foreign investment have expanded the pool of offshore capital that can flow into New Zealand assets.

● **The election: a known unknown with real consequences**
The election on November 7 is one of the largest variables in the 12-month outlook. Historically we have seen a softening of deal activity in the 8-12 weeks immediately before polling day and we expect that pattern to compress the effective deal window in the second half of 2026.

More profoundly, the policy differences between the two potential government coalitions are material for capital markets, and the election outcome will have direct consequences for M&A activity. There are very different propositions as to the preferred foreign investment framework, privatisation or asset recycling by the Government, tax settings and infrastructure public/private collaboration, to name a few.

The practical implication for clients is not to paralysis-test every decision against election scenarios, but to be clear about which transactions are election-sensitive and which are not. Most transactions should proceed regardless of who governs, albeit with potentially different considerations. The deals that are genuinely election-contingent — large infrastructure PPPs, Crown-adjacent asset sales, transactions that require specific regulatory settings — need to be assessed with more granularity.

The Options Framework: how to think about acting now

Pulling this together into practical guidance: the next 12 months present a window that is genuinely open, but it will not be uniformly open for everyone, and it will not remain static. The environment we operate in rewards preparation, flexibility and decisive execution when conditions align. It does not reward waiting for certainty; certainty is not on offer.

For sellers, the conditions are as supportive as they have been in several years. Sellers who are ready should be running processes and, if they are two years from ready, they should be using this period to build the story — the earnings quality, the growth potential, the structural strengths — that will command a premium when they do come to market.

For buyers, the discipline of the past two years has created real opportunity. Assets that would have been competed away at peak multiples at the beginning of the decade, are now available at more rational prices. The parties that are prepared to be flexible on structure — including mechanisms to properly allocate risk — will complete acquisitions that more rigid competitors will miss.

For boards and management teams navigating the broader strategic question — grow, acquire, divest or hold — the best advice is that the environment rewards conviction and preparation. The clients who are doing this well have a clear view of what their business is worth, what it would be worth to a buyer, and what it would cost to build versus buy the capabilities they need. They are in active conversation with advisers. They are running the scenarios. And they are ready to move when the moment presents itself, rather than spending that moment trying to get organised.

The next 12 months will test New Zealand capital markets — through an election, through continued global uncertainty, through a rate environment that could yet surprise. But the fundamentals that make this market attractive have not changed: quality assets, strong institutions and a legal and regulatory framework that international capital trusts.

The question is not whether there is opportunity. There is. The question is who is best positioned to act on it.

● *Silvana Schenone is managing director and co-head investment banking at Jarden*

Contact Energy CEO Mike Fuge and team accepting the award of M&A Transaction of the Year at the 2026 Infinz awards for the company's $2.6 billion acquisition of Manawa Energy – one of the country's largest and most complex scrip-based deals. Left to right: Shelley Hollingsworth, Neil Millar, Sam Turner, Connor Anderson, Tim Boyce, Bodica Macdonald, Mike Fuge, Jan Bibby, Dorian Devers, Matt Forbes, Kirsten Clayton, John Clark, Brett Woods, Jason Zhu, Will Thomson, Jennifer Hewitt, Saralaya Frost, Emily Ross, Max Montgomery, Tejan Vallabh and Rachel Kirby.

Contact's Manawa masterstroke

Andrea Fox looks inside the $2.6b acquisition and how it stayed secret

Some would say the biggest achievement of Contact Energy's $2.6 billion acquisition of Manawa Energy wasn't that it created the country's second largest renewable energy generator, or that it overcame an initial Commerce Commission "no", or that it proved its case with share price performance after.

They'd say it was a minor miracle that despite being "resourced to win" as Contact Energy chief executive Mike Fuge puts it, and its more than two-year run-up, the plan didn't leak.

Fuge says on the day the scheme of arrangement between the parties was announced to the market, September 11, 2024, there were up to 300 people in the transaction's ecosystem – "and it wasn't leaked in any form or fashion.

"It would have been so easy for someone to inadvertently gossip, yet no one did. That said, there was a strong will to get the deal done. That meant there was also a strong will to make sure it didn't distract from both businesses delivering on their core business and delivering results to shareholders in the interim."

Perhaps what has been called the market "sophistication" of all the main players helped.

What the deal was about

Listed Infratil owned 51% of listed generator Manawa and the Tect Community Trust (formerly the Tauranga Energy Consumer Trust), held a nearly 27% stake. The remaining shares were held by institutional investors, asset managers and the public.

And while the deal was the largest public scrip-based peer-to-peer transaction in New Zealand history, it wasn't the biggest Fuge had handled.

He led the $3.1 billion sale of Pacific Hydro by IFM Investor Australian Infrastructure Fund in 2016 to China's State Power Investment Corporation.

Under the transaction, completed in July last year, Manawa shareholders received $1.12 in cash plus 0.5830 new Contact shares per share held, a total implied valuation of $6.37 per share. This represented a premium of around 47% to Manawa's share price at the close before the scheme announcement. Infratil last month sold 5% of its own new shares in Contact to fund future growth. It received $9.25 per share for the sale, generating gross proceeds of around $495 million. It has retained a 9% shareholding in Contact.

Loose lips avoided

The risk of loose lips was also avoided when Contact needed $900m bridging finance to complete the transaction. The gentailer has relationships with multiple banks but approached just one financier, UBS, for the temporary loan. As an insider said, "The more people who know about these things or that you are considering them, the more likely you will get a leak."

Strategic foresight

Contact started looking seriously at Manawa, the country's largest independent electricity generator, in 2022. But the entity, in its previous NZX-listed form, Trustpower, had been on its radar much longer.

Manawa evolved in May 2022 after Trustpower's retail energy and telecommunications business was acquired by Mercury, the country's biggest energy generator, for $441 million.

Trustpower's remaining electricity generation business was rebranded as Manawa.

That sale to Mercury opened two doors. Analysis of the potential energy generation synergies with Manawa showed greater promise than earlier scrutiny. Forward price contracts entered into with the 2022 customer sale didn't fully reflect their value when electricity prices moved up in 2023 and 2024.

> It's not a done deal when you announce it. It's not a done deal when you complete it. It's a done deal when shareholders see the value.
>
> Mike Fuge

And with Manawa's retail business gone, potential competition law issues were substantially lessened.

There would be no retail customer consolidation.

Getting down to it

Fuge says a small group was put to work in late 2022 to look at the possible value of a deal.

"Number one with any deal is that you're very clear there is real value accretion potential for shareholders. Then you make sure that in every step in the process you are relentless in pursuing that value."

After opportunities and risks are identified, comes the modelling, he says.

But that's not all about the findings on a spreadsheet.

"As you do the transaction, it's important you bring it to life. So every promise made was relentlessly tracked through to delivery. Whether it was cost savings or portfolio benefits, there was a lot of effort put into making sure we understood those well. And those were tracked through, and continue to be tracked through, to completion.

"It's not a done deal when you announce it. It's not a done deal when you complete it. It's a done deal when shareholders see the value."

Jumping through regulatory hurdles

As Contact management and advisors continued to work up a compelling proposal to put to Contact's board of directors, heavy economic and legal analysis was also under way to ensure the case would stack up for Commerce Commission approval.

Getting the proposal over the line with shareholders was all-important, but so too was the upcoming scrutiny by the competition watchdog.

With the regulator in mind, a decision was made to negotiate to enter a scheme of arrangement with the target, rather than launch a takeover, say insiders.

A scheme entails taking a proposal to shareholders for a vote.

A takeover offer entails approaching shareholders directly and asking to buy their shares.

The Takeovers Code has a prescribed timetable. The would-be acquirer essentially has 120 days from the first notice to complete the deal.

Contact was concerned the Commission would not make a decision within that time.

Says Fuge: "A lot of resources were being committed and it could have been a challenge to get it through the Commission – as their draft decision proved."

The scheme was announced to the market on September 11, 2024. The commission approved the deal in May last year.

"We believed it was the right thing to do for shareholders, the right thing to do for the market, and the right thing to do for the country," he says.

"It allowed an iconic set of assets to remain in majority New Zealand ownership.

"In a good commercial deal, it's important you're very clear-eyed that this is the price at which it'll work, and this is the price at which it won't; and here is the value and how it's going to be shared and how it'll accrue to shareholders.

"And we were very clear-eyed about that. The structure of the deal at the end allowed shareholders to pass judgment. The result can be seen with our share price going up."

Communication is key

Fuge believes the quality of communication with shareholders, not just commercial logic, sealed the deal.

"We did work very hard to explain it to shareholders, starting from the way it was announced. We continue to refine those messages.

"Shareholders are intelligent, capable people, so you feed them good-quality information.

"You don't try to hide risks. You're transparent. We were delighted with the outcome, but that level of disclosure was key."

While doing due diligence and getting the numbers right and how they will be delivered is important in such a transaction, so is "taking care of the soft aspects", says Fuge.

"I've been on the other side of a transaction like that. This is when people feel very vulnerable, so making sure you're taking care of people and that you're communicating clearly when you're pointing people to the future is important."

"You need people with good intelligence who are representing their shareholders and who behave with integrity and goodwill."

Fuge says the benefits of the acquisition showed in Contact's half-year results and will be evident in full-year 2026 results.

"We're very happy with the way the benefits are tracking."

Tech defies gloom as capital

Tech capital markets and entrepreneurs are shrugging off the economic doldrums

Capital Markets
Andrea Fox

Rocket Lab's Sir Peter Beck generated a lot of wealth and, as a result, has been investing in companies.

Ben Taylor-Bryant

Greg Shanahan

Need an antidote for the dismal soup of news 2026 is serving up? Talk to someone in the tech sector. Better still, someone funding it.

Like Robbie Paul, chief executive of leading venture capital firm Icehouse Ventures, which has invested $823m in 392 Kiwi-founded companies: "The market is extremely vibrant and it's very healthy. The depth of the capital market is just unrecognisable compared to what it was a decade ago or even five years ago."

Or Connor Archbold, co-founder and chief executive of brand tracking start-up Tracksuit, blazing a trail across 25 offshore markets: "It's an amazing time to start a business in New Zealand.

"With the number of breakout success stories now, investors are raising larger funds and investors and founders have earned the right to lift their ambitions."

Or Greg Shanahan, managing director of the Technology Investment Network (TIN): "The market's dynamic, it's rapidly growing and supporting a rapidly growing tech sector. Early-stage investment levels are at record highs."

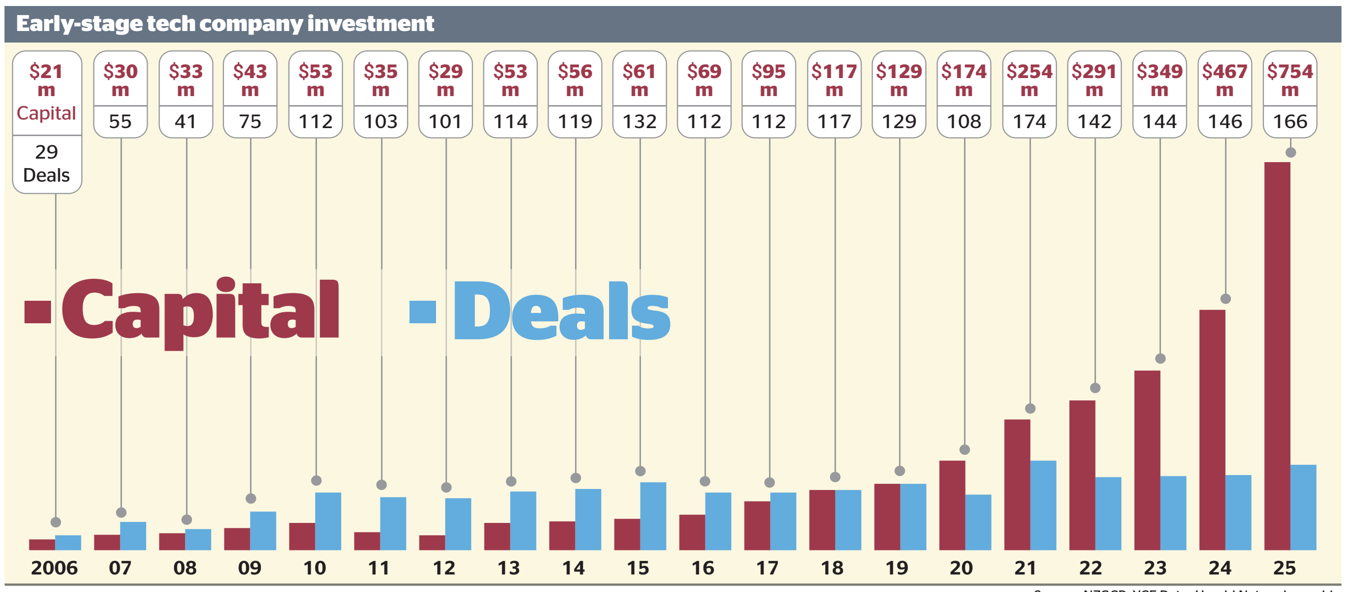
Or Ben Taylor-Bryant of nuclear fusion startup OpenStar: "The private markets are hot right now."

Tech capital markets and the entrepreneurs they support are shrugging off the economic doldrums and geopolitical uncertainties that beset others. Paul again: "Entrepreneurship is very persistent throughout all times. It actually thrives in uncertainty and it thrives when big problems need to be solved. So the market of entrepreneurs, if you will, is only going to grow in our current context."

Shanahan says: "Chaos and uncertainty are opportunities to displace incumbents."

Not quite so gung-ho but still describing the market as "buzzing" and getting larger and deeper is Enterprise Angels chief executive Nina Le Lievre. She says the economy has resulted in lower investments by some angels in the membership-based network, and more concentrating on their own businesses for now. "Rhetoric from the United States" has dampened the appetite of large offshore venture capital funds' support for clean tech, which has had a trickle-down effect, she says.

floods into Kiwi innovation



Source: NZGCP, YCF Data. Herald Network graphic


Nina Le Lievre


Tim Wixon


Anna Guenther


Mark Lister

TIN's Shanahan says the amount of money available for funding tech "continues to rise uninterrupted by broader economic conditions".

"You're seeing the size of investments increase and you're seeing an upward pressure on valuations," he says. "Historically, there's been a gap between the valuations you might get in New Zealand versus the United States, where there's more capital. But we're seeing early-stage valuations going higher and people prepared to put their money into higher-risk ventures.

"As people see that others are making money there's an increasing amount of FOMO, particularly once a company demonstrates they're starting to make money."

While capital markets in New Zealand bemoan the lack of initial public offerings (IPOs) – where a company offers shares to the public for the first time – and would love to see more of the Xeros and Rocket Labs, it's a global issue, say observers.

But the US is set to end the drought with SpaceX, OpenAI and Anthropic expected to launch IPOs, which would put them among the largest public market debuts in history, potentially dominating the 2026 stock market.

Listings in Australia are said to be gaining momentum and at home, Auckland-based fintech BlackBull Markets is preparing for an IPO and a potential dual listing on the NZX and ASX.

Meanwhile, models of funding growth are changing, says Shanahan.

Equity crowdfunding is creating broader access for early-stage funding and debt funding, non-dilutive revenue-based funding on forward revenue contracts is reducing reliance on venture capital funding.

Shanahan points to the BNZ as being particularly active on debt-funding tech and showing "massive growth".

Bank funding tech

Head of BNZ Technology Industries, Tim Wixon, who started the division, says it's actually taken 11 years to grow a portfolio that started with a single software company and which now finances more than 1700 tech companies.

Wixon won't say how much the bank's overall investment is, but implies it makes BNZ one of the largest funders in the country.

"We only do debt, we don't do equity per se. Debt has been an education path for the market, for equity investors, founders and executive teams and boards of technology companies," he says.

"It's called non-dilutive capital, which is what debt is, because the bank lends to a company in return for interest and fees, but doesn't take ownership.

"If you take on equity investment that is in return for shares generally, so you dilute your ownership."

Traditionally, banks and tech companies "were a bit like oil and water", he says.

"Banks have found it really difficult to fund technology companies. They tend to have assets you can't see, feel and touch. Banks have been more used to bricks and mortar, physical and tangible things."

Companies tend to be global rather than domestic, and their scalability from New Zealand is also very global, Wixon says. Also, the standards of financial statements and presentation that banks rely on were developed a long time before the internet age, so putting tech companies into traditional banking frameworks has been tricky.

The bank launched a revenue-based financing service in 2021, which allowed for pre-profit funding. The bank funds against an annual recurring revenue line rather than a profit line. Because it received a very positive response, the bank launched another portfolio, called Project Scale-up. This is intended to fund 15 to 20 of the highest growth, highest potential tech companies in New Zealand.

"Literally the portfolio philosophy is to adapt our rules with that capital to the company rather than shoehorn those companies into traditional bank metrics . . . it's been really successful," Wixon says.

He attributes the growth of the bank's tech portfolio mainly to the growth and success of companies themselves. "Exemplar companies with lots of talent and capital that's come back into the next generations.

"In some cases you're on rounds three and four – and that's the exciting part, looking forward.

"There's nothing that beats sales with a good gross margin. That's the best form of funding."

Crowdfunding is growing again after Covid, says PledgeMe chief executive Anna Guenther. "We actually see more physical product companies through than tech companies. Last year 75% of the funding that came through us went to physical product companies and founders, which might be a statement on tech companies raising money."

Craigs Investment Partners investment director Mark Lister says there's no shortage of capital for the tech sector.

"Private capital, KiwiSaver capital, individual investors, private equity and venture capital firms, angel groups – there are so many interested investors these days.

"Ten to 20 years ago, people were very focused on low-risk, dividend-paying, high income investments, stability. Today investors are very much willing to embrace international businesses, growth businesses, technology businesses."

He attributes the change to younger investors. "Gone are the days when people saved up to buy a couple of rental properties. The investor appetite has really changed. With KiwiSaver so big now and with a growing private equity landscape and more venture capital funds, there is no shortage of investment capital looking for exciting investments."

KiwiSaver kicker

Icehouse's Paul says one of the contributors to making the market "so deep and vibrant" today is KiwiSaver. The retirement savings scheme to date has around $143 billion in total funds under management.

continued pagexx


The OpenStar team inside the 5.2m vacuum chamber.

CASE STUDY: OPENSTAR

Fuel for groundbreaking energy

Replicating the power of the sun with fusion energy technology that most people thought was still 20 years away needs a special kind of capital backer.

Ben Taylor-Bryant, OpenStar Technologies' vice-president investor relations, says yes, capital is available to the Kiwi pre-revenue clean energy startup but "appropriate" capital is another thing.

"Fusion sits in a specific category: high technical complexity and transformational potential. The investors who genuinely understand that profile and have the conviction to back it are a smaller, more deliberate group."

Founder and physicist Dr Ratu Mataira is on the road overseas now for a Series A raise. The New Zealand Government has invested $35m to advance fusion energy research and Taylor-Bryant says OpenStar has raised around US$30m ($50m) in total since Mataira started a quest to be a solution leader to global energy demand.

That's funded a world-class team of 70, a bespoke experimental facility in Wellington and the company's February world-first – confining a plasma around a levitated, high-temperature, superconducting magnet, demonstrating the core technology underpinning its commercial pathway.

Its third machine will be built by 2030 and will generate OpenStar's first commercial revenue, with a full power plant due in the mid-2030s.

That pathway will require multiple rounds of institutional funding over the next five to eight years, says Taylor-Bryant. The size of funding calls will grow as the machines grow.

The US is the primary focus right now but OpenStar is also active in Australia, the UK, Europe, Asia and the Middle East. "Fusion is a global conversation – the investors who understand the opportunity tend to be concentrated in markets with deep technology investment cultures or strong energy resilience mandates," he says.

Most of OpenStar's capital needs will have to come from offshore. "Not because New Zealand lacks sophisticated investors, but because the cheque sizes required at Series A and beyond are large relative to the domestic market," Taylor-Bryant says.

"Ultimately, we're building a global business and that requires global partners."

Tech defies gloom as capital floods into Kiwi innovation

continued from

(Australia's equivalent has A$4.5 trillion but had a 20-plus years head start.)

While some market players are calling on KiwiSaver fund managers to hurry up and invest in private equity, particularly venture capital, Paul's firm has $100 million from KiwiSaver specialists.

In May, it revealed a $40m first close for its Growth Fund 111, with fund manager Generate KiwiSaver showing up large in the mix of early investors. The final close is set for the end of this year, with a target to raise $150m to invest in 20 to 30 early stage companies — those beyond the seed stage and into Series A to D raises — over the next 10 years.

Generate already had $50m in other Icehouse funds. With the compounding daily growth of KiwiSaver and its fund managers from contributions, the percentage they can allocate to private markets and high-growth, illiquid assets will also grow, Paul says. "It's a one-way train and it's going to make a hugely positive impact on the local ecosystem."

As it stands, a managed KiwiSaver fund with a billion dollars or two can only deploy a very small percentage in unlisted, high-growth private equity venture capital. But as they grow, they start to have those resources and infrastructure to do so, Paul says.

"The way I explain it is, Generate KiwiSaver put $20m into our second growth fund in 2023. If I go back to them in five more years, based on their growth and based on predictable allocation increases, I should ask them for $400m."

The second reason for the huge change and vibrancy in the tech capital market is the rise and rise of angels and "super angels", Paul says. Fifteen to 20 years ago, there were less than a handful of wealthy angels — think Sir Stephen Tindall — funding start-ups.

"Now there are hundreds of entrepreneurs and businesspeople who have built some wealth and are ploughing it back into the start-up world. Everybody knows that Sir Peter Beck generated a lot of wealth and, as a result, has been investing in companies.

"What people don't know is that there are dozens and dozens of entrepreneurs who've generated single-digit millions and their first inclination with that capital is not to renovate or retire but to invest in the next generation of entrepreneurs."

Paul is hopeful Icehouse will achieve its latest growth fund target of $150m and says KiwiSaver will play an important part in that.

"But so will the rest of the ecosystem, including individual high-net worth investors, community trusts, foundations, and so on. "I think it points to a direction of travel. Like, $150m is great but really we should be deploying a billion dollars a year into Kiwi technology companies.

"That's not a sensational number. That's just saying out of every capital raise done by a Kiwi tech entrepreneur, what percentage is Icehouse or even a New Zealand venture capitalist? The answer is single or low-double digits. We should be aiming for much more of the capital that the greatest Kiwi companies need to be coming from Icehouse Ventures and other New Zealand-backed venture capital firms."

Paul explains: "In 2021, we raised $110m. We invested that in 32 companies including Halter, Crimson Education, Dawn Aerospace and Tracksuit and so on. Now the question is, between 2021 and 2025, how much did those companies raise in aggregate? The answer is $1.25b. So we were 10%."

Icehouse, said to be the country's most active venture capital firm, participating in nearly half investment start-ups, has recently been investing in more New Zealand start-ups and scale-ups based overseas, including Substack, Nuro and Wayve. It says most venture capital investors would struggle to access these firms but "New Zealand has the greatest alumni network in the world".

> There are dozens and dozens of entrepreneurs who've generated single-digit millions and their first inclination with that capital is not to renovate or retire but to invest in the next generation of entrepreneurs.
>
> Robbie Paul

Another reason for market buoyancy is that Kiwi entrepreneurs are breeding new entrepreneurs, says Phoebe Harrop Meadows of Australia-based Blackbird Ventures, which has invested $455m in 43 New Zealand companies, including some founded overseas by Kiwis.

One example is agritech superstar Halter, founded by Craig Piggott, who worked for Rocket Lab.

Icehouse has put $105m into Halter over funding rounds, starting with $500,000 seeding capital. Harrop Meadows says the New Zealand tech ecosystem is gathering speed as more companies are founded and scale-up to success.

"They spin out new founders who have their own ideas and want to go on that same journey. So the number of companies getting international funding is growing basically as a result of the strength of growth in our start-up ecosystem.

"More people are starting companies. Until about 2018 or 2019 in New Zealand, it was quite difficult to get venture funding locally. There weren't many options and it wasn't particularly competitive in the sense of the offers you got, the valuations or the terms weren't particularly appealing. The shifts in capital availability and the market standards have meant more people are pursuing the founder path.

"There's more qualified talent because more people have the chance to work in other tech companies or get exposure to the idea of starting a tech company."

Harrop Meadows says it's never been more possible to start a global-reach tech company because of the technology now available. "Customers are more willing to buy from you no matter where you are in the world."

Going offshore for capital is almost a requirement if a founder's ambition is to build a public company. And it's not just about bigger money. Global investors provide connections, networks and brand recognition opportunities.

Harrop Meadows says the challenge for New Zealand's tech capital markets is not having a strong investor base among institutions, unlike Australia's. "So it's not institutional investors stepping in, it is probable that many of the gains from amazing companies like Halter will go overseas because most of the investment into them is from overseas investors."

Carl Blanchard, Forsyth Barr managing director capital markets, says the rules say institutional investors and brokers recommending a stock need supporting research. For smaller companies like tech firms, that's hard to secure, he says.

"And when it's direct broker engagement, they tend to pick more liquid opportunities. So there are a number of hurdles.

"People have talked about mandating smaller size stocks as part of a portfolio. That's not a path I'd want to head down. But perhaps there are some interventions that could happen. Certainly I think the stock exchange could make it easier for smaller entities to be able to list through the listing rules."

CASE STUDY: TRACKSUIT

Making the leap to a global entity

Now in 25 markets with offices in Auckland, Sydney, New York and London, this five-year-old brand-tracking technology company "bootstrapped" its first two years, funding itself from customer revenue.

Co-founder and chief executive Connor Archbold says this was so "we were able to focus and spend all our time really obsessing over what our customers wanted. Actually, we sold the concept of Tracksuit before any product existed, in order to fund hiring the team to build it. It took us 30 days to build what they call the MVP, the minimum viable product. We were very focused on creating something that was needed enough by someone to pay for it from day one."

Connor Archbold

Tracksuit says it democratises access to brand tracking — translating brand metrics into business insights that help marketers prove — and justify — the return on investment of brand-building. Today its 200 staff track 15,000-plus brands for more than 1000 customers. Its growth was 102% year-on-year as at the end of first quarter 2026, and annual recurring revenue reached US$30m ($50m) in under five years. It's yet to be profitable.

Two years after its 2021 founding, Tracksuit raised $7.5m seed funding, led by Blackbird Ventures, enabling the company to hire enough staff to launch in Australia.

"We had Icehouse Ventures participate in that and it was really important to bring New Zealand investors in early, because we're really motivated by creating outsize returns in New Zealand for early investors and to help the ecosystem," says Archbold, who had offshore start-up experience.

Some global angel investors participated. Further capital raising rounds followed as Tracksuit's staff team and revenue grew. These were led by Silicon Valley venture capitalists but early Kiwi investors also participated.

"Once you get to a certain size and to make the leap from being a New Zealand and Australian company to one with customers and partners globally, it's really helpful to have global investors who've been there and done that on the path to hyperscale," Archbold says. "Their experience, their networks, they can help you hire people globally . . . they've invested in hundreds of businesses that have done that path before.

"The ecosystem in New Zealand is in amazing shape and the investors are phenomenal. If it were just a question of money, I don't think you'd have to go overseas."

Funds manager issues warning to check exposure

Passive investing has been a success story, but right now in the cycle the broad index is not as diversified as you'd think and can elevate risk, reports **Graham Skellern**

● Eight of the top 10 stocks in the S&P 500 Index are exposed to artificial intelligence (AI) as chipmakers, hyperscale cloud providers (data centres) or AI-platform owners. They are Nvidia, Apple, Microsoft, Amazon, Alphabet Group (owner of Google and YouTube), Broadcom, Meta Platforms (Facebook, WhatsApp, Instagram) and Tesla.
● The other top 10 stocks are Berkshire Hathaway, and Micron Technology or Eli Lilly or Walmart depending on day-to-day trading and share price fluctuations.

A high, almost uncomfortable, concentration of stocks in the United States market should cause investors to review and reflect on their portfolios, says a leading New Zealand fund manager.

Ashley Gardyne, chief investment officer with Fisher Funds, says passive investing through index and exchange-traded funds has been simple and effective — cheap fees, diversification and let the market do the work.

"Over most of the past 15 years that strategy has been hard to beat. For most investors, most of the time, it remains a sensible starting point," says Gardyne.

"But every few decades, the very thing the index is supposed to deliver — diversification — quietly disappears. The S&P 500 in 2026 is one of those moments and it's worth paying attention to."

He says most New Zealand KiwiSaver members and global investors get their international exposure through cap-weighted indices — where individual stocks are weighted proportionally to their total market value.

The top 10 stocks in the S&P 500 now account for around 40% of the index's capitalisation. Gardyne says that is double their share in 1990 and the highest level of concentration since the early 1970s.

Eight of the top 10 stocks in the index are exposed to artificial intelligence (AI) as chipmakers, hyperscale cloud providers (data centres) or AI-platform owners. They are Nvidia, Apple, Microsoft, Amazon, Alphabet Group (owner of Google and YouTube), Broadcom, Meta Platforms (Facebook, WhatsApp, Instagram) and Tesla. The other top 10 stocks are Berkshire Hathaway, and Micron Technology or Eli Lilly or Walmart depending on day-to-day trading and share price fluctuations.

Chipmaker Nvidia, the largest company in the world on market capitalisation with a valuation of more than US$5.2 trillion, makes up nearly 8% of the S&P 500 Index (at the time of writing).

Gardyne says "a single stock representing close to one-12th of the entire US market is something we haven't seen since IBM in the 1970s — and we know how that ended."

Over the past 12 months, the S&P 500 has risen 23% and in year-to-date nearly 8%. In the eight weeks to the end of May alone, the S&P 500 had risen 17.5%.

Gardyne says about 80% of the index's gain this year has been driven by AI-linked stocks.

"Semiconductors and semiconductor equipment stocks — just one industry group — have generated around 50% of the index's year-to-date return, from only 15% of its weight.

"Only about one in five stocks in the S&P 500 has outperformed the index this year. That is an extraordinarily narrow market. Most stocks are not, in fact, going up."

Gardyne says the US stock concentration story is also elsewhere. The South Korean KOSPI has risen more than 80% this year, with two memory chip companies Samsung and SK Hynix making up 42% of the entire index.

Taiwan Semiconductor Manufacturing Co now represents more than 14% of the MSCI Emerging Markets Index — the largest single-stock weight the index has carried in 30 years.

Gardyne says the MSCI World Index which most New Zealand investors hold through their KiwiSaver fund's global allocation, has Nvidia as its largest position.

"Wherever you look, the same handful of stocks, the same (AI) theme and the same supply chain keep appearing. Investors buying a low-cost global index fund believing they are getting safe, broad exposure across thousands of businesses are, in reality, taking a very large and specific bet," he says.

"They are betting on AI infrastructure spending continuing to accelerate, on a small group of customers — principally four US hyperscalers and a handful of AI labs — and on a supply chain that runs through Taiwan and Korea.

"But it is an active bet sitting inside a passive product, and most investors do not know they are making it."

Gardyne says now is a good time for investors to check what is in their portfolios, and how much of the top 10 is in the hands of technology beneficiaries and whether they are happy with that.

"Active managers don't think the market is providing sensible diversification, and it's important for an investor to go in with eyes wide open."

None of this is a call to abandon exchange traded funds or index investing, he says. The benefits — costs, simplicity, broad market exposure — remain real and trying to time these cycles precisely is a fool's errand.

But there are some sensible things to think about:

● Understand what you actually own. The label on the fund matters less than the underlying holdings. A global fund in 2026 may be a much narrower bet than its name suggests.

● Consider whether the equal-weighted version of the major indices, which give every stock the same weight rather than rewarding the biggest, might form part of a diversified portfolio.

● Think more broadly about geographic and sector diversification — emerging markets such as Asia, and healthcare, financial, industrial and quality value companies have all been left behind by the AI trade and may offer better risk-adjusted opportunities.

Gardyne says historically, after periods of high concentration, equal weighted indices have outperformed their cap-weighted equivalents.

Research by Goldman Sachs, looking back over a century of US market data, shows that periods of extreme concentration have consistently been followed by below-average forward returns.

Gardyne says Goldman Sachs' work currently implies a real return for the S&P 500 of close to zero over the next decade — not because the underlying businesses are bad but because concentration this extreme tends to revert back to their historical average levels.

The dotcom peak in 2000, the Nifty Fifty in the early 1970s and the financials concentration of 2007 all unwound the same way, he says. The cap-weighted index spent years underperforming the equal-weighted equivalent as the stock leadership broadened.

In the 2020 Covid sell-off, stocks with higher exchange-traded fund ownership experienced greater volatility on the way down.

"That risk has not really been tested at the current level of concentration but the structure is now there for it to play out," says Gardyne.

"The part I find most uncomfortable is what is happening underneath the headline numbers. A growing share of recent gains have come from the more commoditised parts of the semiconductor market — particularly memory chips made by Micron, Samsung and SK Hynix.

"Memory has historically been one of the most cyclical industries in the world. Prices rise, every producer ramps up capacity and within 18 months supply catches up and prices fall 50-80%.

"Right now, we have record-high prices and record-high capital spending on new semiconductor fabrication facilities that come online from 2027. The pattern is not new."

Gardyne says on the demand side, hyperscaler (Google, Amazon, Microsoft, Meta) capital expenditure on AI and data centres is genuinely enormous — US$600-$700 billion this year alone and US$4 trillion over five years.

"That is real, contracted spend and over the long run it will likely prove worthwhile. But it is being underwritten by a small number of AI model providers and the financing arrangements have become increasingly interlinked.

"Chipmakers investing in their own customers, customers committing to buying chips with money raised from bond markets, and equipment vendors taking equity in fabs.

"If any one part of this slows — a bottleneck in power supply, a cash flow problem at one of the AI model providers, a single hyperscaler trimming spend — the impact can ripple quickly through the whole chain."

Model providers OpenAI and Anthropic, which developed the AI assistant Claude, are planning to list with mega initial public offerings.

"Their valuations will be trillions of dollars and they add another large portion to the index," says Gardyne. "The result is even more concentration in the AI thematic — the tech stocks may account for 45% of the S&P 500."

He says history offers a useful warning. At the peak of Japan's asset bubble in 1989, Japanese equities made up close to 45% of the MSCI World Index.

A global index investor was, without realising it, almost half-invested in a single overvalued market. The Nikkei Index fell more than 80% over the following decade and took 31 years to reclaim its 1989 high.

Gardyne says today Japan has around 5% of the MSCI World Index; the United States has around 70%.

"The lesson from Japan was not that Japan was a bad market — it was that buying more of the most expensive stock, at the moment of peak enthusiasm simply because it is the biggest weight in the index, has historically been a poor strategy.

"Now is the time to be really selective," he says. "If you look at an average US company, excluding the AI businesses, earnings are still growing, something like 8% a year — now that's a pretty decent return."

Investors buying a low-cost global index fund believing they are getting safe, broad exposure across thousands of businesses are, in reality, taking a very large and specific bet.
Ashley Gardyne

● *Fisher Funds is a sponsor of the Herald's Capital Markets and Investment report.*

Riding the new credit wave

In just a short time, Aotea Asset Management has become a leading player in providing corporates and medium-sized firms an alternative to bank lending, writes **Graham Skellern**

The founders of Aotea Asset Management, from left: Raynor McMahon, Will Carnachan, Nick Whitwell and Craig McManaway.

Over the past five years, private credit has gained momentum in New Zealand and become a mainstream financial product, Will Carnachan says proudly.

"This can only be a good thing for capital markets as private credit provides an alternative to bank lending and helps businesses and the economy grow," said Carnachan, executive director at Aotea Asset Management.

Five years ago, Carnachan and his business partners Nick Whitwell, Craig McManaway and Raynor McMahon — all colleagues in the leverage and acquisition finance team at BNZ in the mid-2000s — took the big step of entering the fledgling private credit sector.

Private credit and corporate lending had blossomed overseas but it had hardly got cracking in New Zealand. Carnachan, who had worked for an Australian private credit manager, setting up an Auckland office, and his three partners changed all that.

Aotea Asset Management, established in March 2021, was one of the first locally owned and operated private credit managers — and it soon got ACC onboard as a cornerstone investor.

"When we started Aotea we spent the first 12 months promoting the asset class and educating the market about the benefit of private credit for potential borrowers and investors," says Carnachan.

"Around 2023 other domestic and offshore funds emerged and the sector has grown significantly. We are committed to the business for the long term, and we are keen to see continued growth in private credit."

In just five years, Aotea has grown its funds under management to $700 million, money that is ready to be lent to upper mid-market, corporate and infrastructure businesses for capital expenditure, expansion, acquisitions and brownfield redevelopment.

"Every private credit manager has a different focus, but we like that part of the market because businesses have well-established earnings and are cash flow positive," says Carnachan.

Aotea operates three funds: the ACC fund with $250m, corporate loan fund $410m and the recently launched infrastructure loan fund, currently holding $40m. The latter two have NZ Guardian Trust as the trustee.

A total of $350m has been invested since inception to 184 borrowers, normally ranging from $20m-$40m, and some loans have been repaid.

The ACC fund has returned an average of more than 8% a year, net of fees and fund costs, over the past five years.

The corporate loan fund over the last four years has returned an average net of just over 9% to institutional and wholesale investors that includes a KiwiSaver scheme, community trust and large family investment groups. The investors receive regular quarterly payments.

About half of Aotea's funds have come from domestic investors and the other half through the Active Investor Plus (AIP) scheme. The AIP scheme, in which visa holders must invest at least $5m under the growth category and $10m under balanced, has been a success story.

> We are seeing growth in maintenance capital expenditure and brownfield redevelopments outside of the pure play projects such as new roads. We all left cushy jobs at banks and, early on, there were times when we probably questioned the wisdom of that decision. But joining up with the guys was a no-brainer.
>
> Will Carnachan

"We've been surprised at the interest and demand in the scheme," says Carnachan. "Aotea has certainly been a beneficiary, attracting $350m in 14 months.

"Our offering aligns with the objectives of many migrant investors — they are focused on capital protection and wanting the ability to potentially start withdrawing/redeeming their capital once the AIP scheme lock-up period has elapsed — three years after investing in the growth option or five years in the balanced.

"Due to the significant demand for our product, we have actually paused taking AIP money for the corporate loan fund to focus on deployment.

"However, the infrastructure loan fund remains open for investment."

Carnachan says the AIP investors range from wealthy family groups to founders who have started, grown and exited their businesses offshore. They bring great ideas and plenty of IP. They see New Zealand is well positioned with technology, strong rule of law, significant renewable energy generation, and a high level of trust between the public and private sectors — "something we take for granted here but has been eroded in the places they come from."

Carnachan estimates 40-45% of the AIP investors are from the United States, followed by Continental Europe and in particular Germany, the Netherlands and France. The Asian market has grown significantly in the last six months, with investors from Vietnam, Thailand, Singapore, Taiwan and Hong Kong and mainland China.

By early May, Immigration New Zealand had received 688 applications, 115 in the balanced category and 573 in the higher-risk growth category, representing a total minimum investment of $4.015 billion.

A total of 263 applications had been approved with a committed investment of $1.56 billion into the economy.

Carnachan says a common theme among the immigrant investors was that they had been to New Zealand either as tourists or on business trips and they fell in love with the place and wanted to put down roots here.

"For some of the Americans, it is politically driven and they are keen to spend extended periods here. For others, it is a Plan B, depending on what happens in the Northern Hemisphere over the next five to 10 years.

"What they have told us is that the private credit returns we generate here are better than what they get in the US for the equivalent risk. We have fewer layers of leverage and our risk profile is lower. They genuinely see New Zealand as an attractive investment destination."

While the AIP scheme has been successful in attracting capital, deploying it responsibly in a difficult market — macro-economic headwinds, geopolitical uncertainty — has been slower than desired.

Aotea is focused on downside protection, and Carnachan has concerns about the potential reputational risk to New Zealand if money is pushed into poor deals. But he's confident that the private credit sector is part of the solution to fund the country's capital and infrastructure deficit over the long term.

He is well aware of the long lead times between starting and finishing major infrastructure projects in New Zealand, and delays affecting new funding. But he says there are plenty of opportunities in other areas.

"We are seeing growth in maintenance, capital expenditure and brownfield redevelopments outside of the pure play projects such as new roads.

"These larger borrowers have to source capital from offshore regional and global banks and we offer a domestic alternative," he says. "Asset management and reinvestment play a very important role — these assets have a finite life and we want to make sure they are being rejuvenated to get the best bang for buck from them."

The infrastructure fund is about to make its first investment of $20m-$40m in a multi-lender arrangement with a private healthcare group which is upgrading and expanding its facilities.

Aotea lends both solely and alongside other lenders such as banks and other funds. Its pricing varies according to the borrower's creditworthiness and the specific circumstances of the transaction.

Aotea sometimes charges higher rates than banks to accurately reflect the risk when it is the sole lender. But other times it matches bank margins when co-lending, with the goal of achieving or exceeding its target risk-adjusted returns.

Carnachan says banks are very keen to continue balance sheet lending and "the opportunity for us is to make sure we can find a place to be relevant in the market.

"We are very clear on our risk and underwriting standard and don't want to push too far up the risk curve. We want to provide consistent and reliable capital and to be a responsive and commercial funding partner.

"Some borrowers carry some baggage. They've had a long relationship with banks but their recent trading has been impacted by the economic cycle and this can create some friction," he says.

"We come along with a fresh, objective view and structure a loan that provides adequate downside protection but gives the borrowers flexibility and headroom to trade through the cycle and continue to grow."

Aotea's corporate loan fund targets a return of at least 4%, net of fees and fund costs, over the cash rate.

It has consistently outperformed this benchmark, with average returns of 9% a year since inception.

Carnachan and his business partners have a combined 95 years' experience in corporate lending, leveraged and project financing, debt restructuring and risk management across the New Zealand, Australia, Asia and the UK markets.

"We are proud of what Aotea has achieved in a pretty challenging environment. It's been a massive journey. We began as a start-up, grew to a team of 10 and now looking to take on another investment analyst and investor relations manager.

"We've had to navigate the Covid pandemic, runaway inflation, high interest rates, recession, tariff challenges and two major conflicts — Middle East and Ukraine. It's election year, which also impacts corporate activity," says Carnachan.

"We all left cushy jobs at banks and, early on, there were times when we probably questioned the wisdom of that decision. But joining up with the guys was a no-brainer. I knew they were good operators. We are confident that the business is well set up and strongly positioned to capitalise on future opportunities.

"As a domestically owned, operated and focused private credit fund manager, Aotea is committed to developing and supporting New Zealand's alternative funding market over the long term.

"It's quite an empowering feeling driving your own destiny. We are proud Kiwis and we want to contribute to the economy and be part of the growth story for New Zealand."

● *Aotea Asset Management is a sponsor of the Herald's Capital Markets and Investment report.*

Harnessing the full potential of iwi

Investment shift offers long-term boost to Māori and national economy, writes **June McCabe**

In Waitangi this year, there was a conversation with influential leaders about how to support economic growth in Te Tai Tokerau. The absence of a significant Treaty settlement in the North was highlighted and compared with the prevailing 27-year history of iwi settlements in other regions. In this context iwi influence is evident in terms of capital, governance, credibility and, importantly, community impact along with the wellbeing of people.

The Kīngitanga's call to action from Te Arikinui Kuini Ngā Wai hono i te pō resonated far beyond marae walls. The Ōhanga ki te Ao investment fund was announced. A level of kotahitanga — unity of purpose among iwi asset managers — not recently seen is now visible and growing.

Six months ago, I wrote that accelerating the Māori economy should be treated as a core New Zealand economic strategy through to 2040, because Māori success and New Zealand success are increasingly part of the same story. I argued that no other sector or group in this country has the potential to match iwi and Māori future contribution to national prosperity, but to deliver this potential, New Zealand needed an adjustment in thinking and action.

At the inaugural Te Oranga ki te Ao Economic Summit, we watched iwi leaders, international capital, and government officials sit in the same room and talk about the same things: pipelines, equity tranches, deal structures and long-dated assets.

The question now is whether the system around them is designed to make that participation efficient, equitable, and scalable — and on that, we still have significant work to do.

That transition is now moving from aspiration into deal-making. Iwi and Māori collective asset managers are no longer emerging participants seeking inclusion at the margins of New Zealand's infrastructure market. They are managing diversified, conservatively geared portfolios under strong intergenerational governance structures.

The opportunity is now large enough to matter at national scale. Te Waihanga forecasts infrastructure investment of around $21 billion in 2026, up from $11b in 2023, with a pipeline of opportunity in the range of $200-$300b. Ngao Tu, Ngao Pae 2.0 projections suggest that iwi investment in infrastructure will reach $0.5b — $1b per annum soon, building toward a 15-year infrastructure investment pathway of around $10b if capital is properly aggregated and aligned with the national pipeline.

This is not marginal participation. It is meaningful domestic capital looking for a practical path into assets that New Zealand needs anyway. In new energy and water in particular, iwi and mana whenua are not just stakeholders. They are kaitiaki partners with skin in the game — permanently.

The partnership has practical value. Where iwi and mana whenua are engaged early and well, projects can benefit from stronger social licence, smoother consenting, more durable local relationships, better workforce pathways and stronger performance over the life of the asset.

June McCabe

June McCabe is leading the establishment of Rauawa — a Māori-led charitable financial intermediary to address structural barriers to Māori access to capital. McCabe, who is affiliated with Te Rarawa, has a lengthy track record in banking and the capital markets. The National Iwi Chairs Forum economic Pou Tahua established Rauawa to support the achievement of the 15-year (2040) growth forecast to grow the Māori economy from $35,000 in 2025 to $70,000 by 2040 on a per capita basis.

Rauawa research argues this is real economic value, not symbolic value, because it reduces risk and improves long-run outcomes. Yet the current system does not consistently recognise or price that contribution.

Too often, Māori participation sits outside the commercial model: acknowledged, but not properly built into procurement, financing or ownership structures. The result is that value is created through partnership, but not reliably converted into equity, governance or a long-term stake.

At a high level, this is the role of a hybrid concession function: helping bridge the gap between early partnership, capital participation and long-term asset ownership. The point is to create a practical, probity-safe pathway through which partnership value and aggregated capital can be translated into structured ownership outcomes.

Rauawa is well-positioned for that role. Its value would lie in aggregating participation, reducing transaction friction, and opening clearer pathways to ownership, while preserving iwi autonomy and mana whenua relationships. There is ample international precedent upon which to build.

There is a wider national interest here. When iwi and Māori collective capital can participate in long-dated, revenue-generating infrastructure assets, the benefits flow in several directions.

The Crown benefits from lower whole-of-life infrastructure costs. Structured, contractual iwi partnership reduces consenting risk, political risk, and the probability of late-stage design changes.

It strengthens Treaty alignment and reduces downstream dispute risk over concession periods that can run 25-30 years. Private investors benefit from more stable, lower-risk assets. Iwi participation — properly structured and contractually defined — creates a more durable, better-performing asset over its full life.

And for iwi, the benefit is what matters most: intergenerational, revenue-generating asset ownership. Not fees for consultation. Not one-off advisory roles.

Equity. Governance. The long-run economics of assets that compound over generations and fund the scholarships, the housing, the health initiatives, and the cultural investments that sustain our people.

None of this is radical. In December, I wrote that the adjustment in thinking and actions under way were "not radical or complex but are bloody hard".

That remains true. The system shifts required are evolutionary, not revolutionary. They build on existing investment logic, respect probity and competition, and draw on international precedent.

Every dollar of iwi equity invested in national infrastructure is a dollar that stays in New Zealand, compounds over generations, reduces the reliance on overseas capital that takes its returns offshore and builds a future for our mokopuna. Making space for that capital is not a concession. It is a strategic choice.

Private credit is reshaping the lending landscape

Finbase secures $150m Challenger mandate as NZ private credit matures, writes **Pernell Callaghan**

Developers are among the borrowers served by private credit.

New Zealand's private credit sector has crossed a threshold.

What was once a boutique or niche industry operating in the margins of the traditional banking system has matured into a growing, institutionally credible asset class. The continually improving regulatory environment, growth of those seeking credible alternative asset classes and lending options, increased capital flows, and the high calibre of investors indicate this is a sector that is coming of age.

Private credit in New Zealand has historically been considered boutique. That framing is no longer quite reflective of how specialist financial service providers have been growing while running in parallel with the traditional banking model.

Recent reporting on RNZ News characterises private capital as "resilient in the face of uncertainty", with the NZ Private Capital Monitor finding that while 2025's $2.5 billion in combined investments and divestments across private equity and venture capital transactions was a drop on the previous year, there was an increase in the size and number of mid-market investment activity and a record level of venture capital investment, up 85% and 17% respectively.

The shift towards private credit is structural and stems from tighter bank credit settings, regulatory capital requirements, and sustained demand from borrowers who fall outside traditional bank appetite (such as longer-term mortgages with a typical 30-year term). This has created a gap in the market that specialist platforms are filling with increasing sophistication.

The borrowers served by private credit are not marginal — they are self-employed business owners, property investors needing short-term bridging finance, and developers requiring certainty of execution.

Traditional bank services are not designed for them.

The interest rate gap between finance companies and banks has narrowed from 1.4% to just 0.5% in under a year, according to the Reserve Bank of New Zealand's May 2026 *Financial Stability Report* — a data point that signals sector maturity and growing investor confidence.

Sophisticated investors are not moving capital away from banks; they are diversifying alongside them. Private credit is increasingly understood as a complementary allocation, which broadens its appeal well beyond the traditional non-bank investor base.

In Finbase's case, we generally look at investment sizes from $2 million to $20m.

Offshore and institutional capital is now conducting serious due diligence on New Zealand private credit platforms.

The questions being asked — about governance, underwriting discipline, portfolio oversight, and funding structures — are the same questions asked of institutional-grade platforms anywhere in the world, and New Zealand operators are passing that test.

> Sophisticated investors are not moving capital away from banks; they are diversifying alongside them. Private credit is increasingly understood as a complementary allocation, which broadens its appeal well beyond the traditional non-bank investor base.

Pernell Callaghan

Pernell Callaghan is a co-founder and managing director of Finbase, leading the company's strategic direction, institutional partnerships, and growth initiatives with a focus on delivering consistent performance across the portfolio. He founded and is a director of Arizto, a national tech-enabled real estate firm employing more than 350 staff.

Finbase is a New Zealand private credit platform specialising in first-ranking residential and commercial mortgage lending. The business originates short and long-term structured lending solutions funded by private and institutional capital. Finbase is 100% New Zealand-owned and operated.

One highly current example is that of the ASX-listed investment manager Challenger, which has allocated a NZ$150m wholesale funding mandate to Finbase.

This will fund first-ranking residential mortgages originated by Finbase to a pre-agreed credit and lending policy. Finbase acts as originator and servicer; Challenger is the institutional capital provider, and the capital sits behind the mortgage assets. This mandate reflects the transparency of private credit platforms and their ability to satisfy the demands of global investment supervisors in the face of rigorous assessment.

The KPMG Specialist Lenders Insights Report (March 2026) shows that the sector is no longer niche and now represents $22b in loan obligations, with 81% of lenders growing volumes. The report also identified strong profitability outcomes, with 75% of respondents experiencing an increase in net profit after tax compared to the prior year, and increases in non-interest income (53% of respondents reported growth of more than 10%) and improvements in net interest margins, which went up for 79% of those surveyed.

What has made this possible is the infrastructure investment that leading platforms have made over the past several years, in credit governance, compliance frameworks and reporting capability. That is the unglamorous but necessary work and expertise that unlocks institutional confidence.

For wholesale investors, this means more choice, better-structured products, and access to a lending market that has historically been hard to access at scale with genuine transparency. For borrowers, particularly property developers and investors who need certainty of execution, it means a more reliable and capable lending environment outside the banks.

The next 12 to 18 months will likely see further consolidation of capital toward platforms that can demonstrate institutional-grade credentials. Those who have done the work will grow. Those who have not will find it increasingly difficult to attract the capital they need.

New Zealand is not unique in this trajectory. Australia, the UK, and parts of Europe have seen the same institutionalisation of private credit over the past decade. Finbase is following a well-worn path, which should give investors confidence.

● *Disclaimer: The views and opinions expressed in this article are those of the author and are based on publicly available information.*
Finbase is a sponsor of the Herald's Capital Markets and Investment report.

Unlocking our potential

Lowering the cost of capital could free up New Zealand's productivity, writes **Graham Law**

On May 7 the OECD released its latest report on New Zealand, noting recommendations that would improve structural weaknesses in our economy.

The OECD's prior report, in 2024, focused on New Zealand's lack of productivity growth as a core structural issue hindering all New Zealanders from becoming wealthier and improving our standard of living. It recommended solutions centred on competition policy, regulatory reform and education improvements – areas the Coalition Government is focused on.

The 2026 report continues to emphasise productivity growth as a central issue but the OECD has this time helpfully framed it more operationally, outlining exactly where our country's focus needs to be: the energy system, health system, macro-settings, and deepening our capital markets.

The core OECD view is that New Zealand's cost of capital is too high and too constrained, and this is holding back company growth, productivity and investment. In other words, it costs too much for business to get money to grow, meaning good Kiwi businesses can't afford to expand as quickly as they should. It also costs too much for infrastructure to be built – especially for energy – and regulation needs to be right-sized.

New Zealand businesses consistently face a higher cost of capital than those in Australia and many larger OECD economies, reflecting our smaller, less liquid markets and greater reliance on offshore funding. Even modest differences matter – a 1-2 percentage point gap in funding costs can determine whether a project goes ahead, is delayed, or shifts offshore. Capital will always flow to where it is most efficient.

As the operator of New Zealand's public markets, NZX's view is that New Zealand's cost of capital is fundamentally shaped by its small scale and global competition for funds – meaning improving market depth, liquidity and policy settings are critical to making capital cheaper and more easily accessible for Kiwi businesses.

Capital formation, or access to money, is essential to how New Zealand builds the economic engine that will deliver future growth in employment and household incomes. The cost of capital in New Zealand determines how powerful that engine can be.

The OECD report makes plain the need for co-ordinated action between the Government, regulators, financial institutions and market participants to strengthen New Zealand's capital markets.

It is clear no single entity or lever can solve the problem. That was emphasised in the recommendations of the Growing Capital Markets 2029 report jointly commissioned by NZX and the FMA back in 2019.

NZX has delivered on the recommendations assigned to us from that report and we remain on track with a significant plan to grow New Zealand's capital markets. NZX isn't just a stock exchange – we provide critical national financial infrastructure.

Strengthening capital markets requires a sustained collaboration across the ecosystem. NZX is focused on working with all participants to deliver a broader product range and new markets to support greater trading activity (NZX Dark and S&P/NZX 20 Futures), adjusting market settings to better meet the needs of issuers and investors, and ongoing modernisation of our market technology platforms to remain aligned with global best practice.

International IPO tax incentives — where NZ sits

	Type of incentive	Direct IPO cost relief?
Ireland	Tax deduction (up to €1m)	Yes
Malaysia	Tax deduction (up to RM1.5m)	Yes
UK	Stamp duty exemption + investor incentives	Indirect
Singpore	Proposed tax rebates + grants	Partial
India	General deductibility rules	Limited
New Zealand	None	No

Source: NZX. Herald Network graphic

Capital is highly mobile and internationally competitive and New Zealand is not setting the price of capital – it is taking a global price.
Graham Law

We continue to constructively engage with the Government on capital market reforms (including achieving changes to prospective financial information, climate-related disclosures and a class exemption for green, social and sustainability-linked bonds). We acknowledge the progress to date and the positive policy development efforts of the new Commerce Minister, Cameron Brewer. Experience in international jurisdictions shows that well-targeted policy settings are not optional; they are a prerequisite for capital market sustainability and growth.

This year NZX is working on specific initiatives mentioned in the OECD report, including dual-class shares and a tiered compliance settings review. The report also mentions tax relief for IPOs, something NZX continues to advocate for with the Government, among a wider tax package designed to remove distortions, support capital markets and promote economic growth.

Lowering the cost of capital will require action across several fronts: more competitive tax settings, a more proportionate regulatory framework, deeper and more liquid markets, and greater policy certainty over time.

Budget 2026 delivered a range of tax changes, however these did not address the cost of listing or local capital formation. Tax reform proposals to specifically boost capital markets activity and lower the cost of capital have yet to be included in the Government's agenda. NZX will persevere in its efforts to ensure New Zealand companies can effectively access competitive capital to promote growth and employment.

Budget 2026 made it simpler for Kiwis to invest offshore, doubling the Foreign Investment Fund threshold to $100,000 – a welcome step toward reducing complexity. But without equivalent incentives to encourage investment in our own capital markets, we risk making it easier for money to leave than to stay.

Public markets matter for productivity. Deeper capital markets mean a lower cost of capital. Capital is highly mobile and internationally competitive and New Zealand is not setting the price of capital – it is taking a global price. Tax, regulatory settings, and incentives all materially affect capital flows. When other countries actively reduce the cost of listing and investment while New Zealand stands still, we are not holding our position – we're falling behind.

Ireland and Malaysia have recently implemented tax credits for the costs of an IPO, Singapore is focused on reducing IPO costs, the UK has stamp duty relief on newly listed shares; and India has IPO tax deductions in place. These are but a few examples of tax settings in multiple jurisdictions designed to lower friction in capital formation. You get the picture.

Two years ago in these pages, then NZX Chief Executive Mark Peterson posed the question facing New Zealand: "How are we going to pay for that?" Two years on, the funding challenges our country faces have become even greater.

New Zealand's biggest long-term challenges are capital heavy: transport; health; water and energy infrastructure; housing supply and development; climate mitigation and adaptation; and digital and data infrastructure. Budget 2026's $5.7 billion net capital investment programme underscores the scale of the challenge. However, government and local authority balance sheets, or bank lending alone cannot fund an infrastructure pipeline estimated at more than $200 billion over the coming decades. Public markets must play a larger role.

Ultimately, a higher cost of capital doesn't make these investments disappear; it simply makes them more expensive. That cost is borne by Kiwi households through higher prices, slower infrastructure delivery, and fewer opportunities for businesses to grow and create jobs.

As the OECD report notes, credible and right-sized policy and regulation, well-functioning and liquid capital markets, and long-term investment vehicles – such as KiwiSaver – will all improve affordability and help fund the challenges we face.

Public markets provide the opportunity to help address this. They help reach the broadest range of investors – including New Zealanders, who have long demonstrated a strong commitment to supporting local capital formation – while efficiently pricing capital in a well-regulated and transparent environment. In doing so, this eases the pressure on the Government's balance sheet and helps fund the infrastructure required to help improve our country's productivity.

We spend a lot of time talking about productivity in New Zealand, but we don't always confront the real issue. It's not just about how hard people work or how clever our businesses are. It's about the environment we create – and whether it gives people the confidence to invest, take risks and think long-term. Too often, it doesn't.

The reality is that productivity is shaped as much in Parliament as it is in boardrooms. When key economic settings change direction every few years, the signal to investors is uncertainty. And uncertainty has a cost. It means projects get delayed, capital goes elsewhere, and businesses stick to the safe option instead of backing growth. New Zealand can't afford to remain in a defensive crouch, sucking its thumb.

What's striking is that, in other areas, New Zealand already understands the importance of consistency. Trade policy is a good example. For decades, there has been a broad level of agreement across political parties about the direction of travel. That's helped give New Zealand credibility offshore and certainty at home. Foreign policy, too, benefits from that kind of steady hand.

But when it comes to the economic settings that really drive productivity – tax, savings, capital markets, infrastructure – we tend to fall back into short-term thinking. Policies are introduced, unwound, and reworked depending on who happens to be in government. None of this is dramatic on its own, but over time it adds up. It makes New Zealand a less predictable place to invest than it should be.

This isn't to suggest economic policy should be taken out of politics. Far from it. Questions about fairness, redistribution and the role of government should be debated – that's part of a healthy democracy. But there is a case for stepping back and asking whether we can agree on some of the basics. Stable, predictable frameworks that support investment and growth shouldn't really be controversial. They're the foundation on which everything else is built.

If we're serious about lifting productivity, we need to start thinking beyond the next election cycle. The countries that do this well aren't constantly resetting the rules, they compete on how effectively they deliver within them.

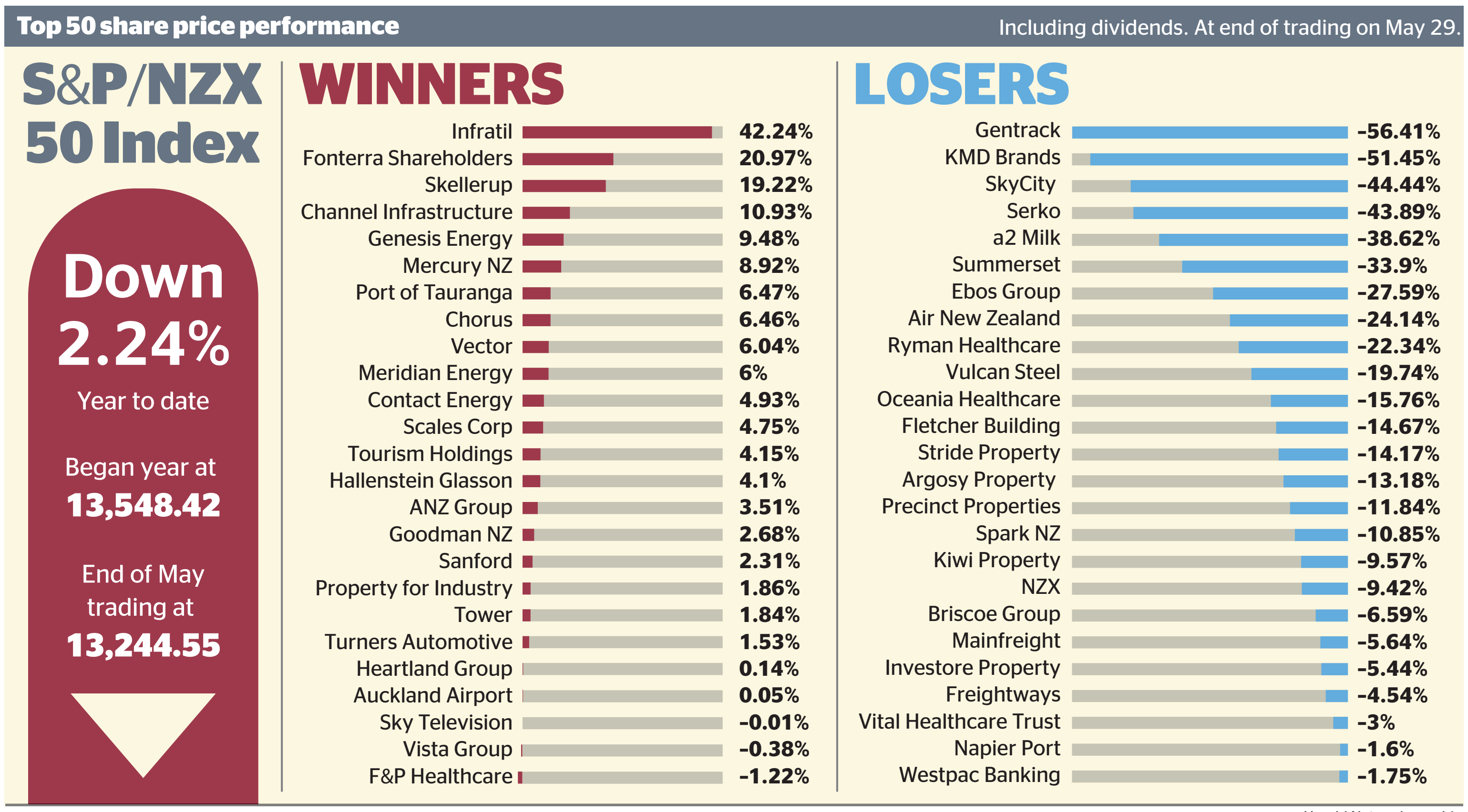
In the end, productivity isn't going to be fixed by any single budget. But lowering the cost of capital is one of the most important enablers we have for jobs and growth. It will come, slowly but steadily, from creating an environment where people have the confidence to commit for the long term – and where New Zealand is seen as a competitive place to invest.

● *Graham Law, Acting Chief Executive at NZX. NZX is a sponsor of the Herald's Capital Markets and Investment report*

Blue chips hold steady as investors find more hope

Graham Skellern reviews the latest company reporting season and performances, and discovers the outlook is not as gloomy as you might expect

Capital Markets
Graham Skellern



Herald Network graphic

The leading stocks on the New Zealand sharemarket have, by and large, weathered the storm of the Middle East conflict and fuel price shock.

Toughened and wiser from earlier crises — the Covid pandemic and US tariffs — the blue-chip companies closely reviewed their operations and markets and saved costs where needed.

The result: in the May reporting season there was more hope than despair.

Shane Solly, portfolio manager with Harbour Asset Management, says leading into the results season, the market showed signs of "anxious expectation. The common caution was around the geopolitical situation and input costs.

"The elevated fuel price and shipping and supply chain disruption — people were mindful of what impact the conflict would have on costs and confidence."

As it turned out, says Solly, the results generally were better than expected. The rate of slowdown in activity or risk around outlooks could have been worse.

"I would say the company outlooks were cautiously constructive. The investors responded with a relief rally."

The blue chip companies showed an underlying quality of earnings and strong balance sheets and debt control.

"Our market doesn't have the Aussie miners or the US technology stocks," says Solly. "But our leading companies keep chugging along and producing solid results through a challenging economic period."

Mark Lister, investment director with Craigs Investment Partners, says there were certainly some bright spots in the reporting season. Fisher & Paykel Healthcare, Mainfreight and Fonterra all provided strong updates.

"Like other blue chips, they are well-run, high-quality businesses that you can have confidence in. They have strong balance sheets, an impressive track record and a management team of high integrity and trust. It's important to have calm heads and leaders willing to take a long-term view.

"The reporting season went better than people were expecting. In a time like this, with an unexpected shock that very few saw coming, meeting market expectations and company guidance is a win," says Lister.

"You will always get businesses that are less exposed than others, and some companies are doing it tougher. They are cautious and subdued, facing a cloudy outlook.

"Some would argue that the full force of what we are seeing — inflation, costs, pricing pressures and supply chain disruption — are still to come. We don't know how things will play out."

Lister was recently speaking to investors in Hamilton and was told from the floor: "We are not seeing the challenges you are talking about. We are doing all right."

He says, "I'm happy to be told I'm wrong. There are pockets of strength out there, for sure, and many good businesses are getting on with it. But it's a mixed bag.

"Waikato is one of those regions with its agriculture and diversified economy that is in better shape than, say, Auckland and Wellington.

> There was a time when you met farmers and they had little to say about Fonterra. Not now. Fonterra is providing impressive results.
>
> Mark Lister

"The export-driven companies are presently in a stronger position than the domestic-focused businesses," he said.

Solly says, "If you dig below the surface, there are improving underlying results from the retirement village/aged care and property stocks — they have implemented self-help to their business operations. And the port companies are steady-as-she-goes."

Market heavyweights, global medical devices supplier Fisher & Paykel Healthcare and global transport and logistics company Mainfreight, lifted investors' spirits when they produced solid annual results and outlooks. The results were better than investors feared.

Fisher & Paykel Healthcare, the largest local stock on market capitalisation, increased revenue 14% to $2.31 billion, even in the face of US tariffs, and net profit 24% to $468.5 million, with a forecast of achieving $2.45b-$2.57b and $500m-$550m, respectively in the 2027 financial year.

Better still for investors, Fisher & Paykel increased its annual dividend 22% to 52c a share after paying a final dividend of 33c a share.

Mainfreight's share price had slipped to $53.50 among the investor anxiety leading up to its result release. But never fear, it increased revenue by 2% to $5.38b, though net profit was down 8.5% to $251m for the 12 months ending March.

However, encouragingly, Mainfreight told the market that improved trading conditions and stronger-than-expected sales growth in the second half of the financial year continued in April and May, despite the disruption and uncertainty caused by the Middle East conflict and elevated fuel prices.

Mainfreight, a barometer of economic wellbeing, said "supply chain freight solutions continue to be a strong focus in our customer relationships as we offer an increasing range of services. During the year we have increased trading across all three divisions for our top 500 customers to 41%, from 39% the year prior.

"Maintaining an emphasis on underlying business improvements is a high priority as fuel volatility adds to economic growth uncertainty and inflationary pressure."

Broker Forsyth Barr said after a tough few years of profit normalisation following the Covid congestion-driven freight rate super cycle, Mainfreight has now passed an inflection point, with greater profit growth certainty within its near-to medium term outlook.

Forsyth Barr revised Mainfreight's full-year 2027 profit before tax estimate to $404m — almost double the full-year 2020 number of $206m — and set a target share price of $79.

After Mainfreight released its latest result, its share price shot to $65, its highest level in nearly five months. But the star of the show was utilities investor Infratil, which has an exposure to the rampant data centres and artificial intelligence.

Infratil's share price surged from $10.65 to $16 within three weeks in May after making a series of updates: its associates CDC completed Australasia's largest-ever data centre contract (a 30-year, 555MW deal with a US customer), and Longroad Energy is supplying a Meta data centre, with further opportunities emerging.

Infratil sold 5% of its 14% shareholding in Contact Energy for a windfall of $495m, and reported an 11% increase in proportionate operating earnings to $989m, mainly driven by investments in Australia-based CDC and US renewable energy business Longroad Energy as demand for AI infrastructure accelerates.

That's good reason for Infratil to forecast strong growth, with full-year 2027 earnings guidance of $1.3b-$1.4b, up 21%. Capital expenditure would increase from $2.7b to $3.8b-$4.4b, and Infratil has a war chest of $1b for further investment opportunities.

At the end of May, Infratil was well ahead in the NZX top 50 share price performances, having risen 42.24% for the year to date.

Fonterra Shareholders' Fund gained 20.97%, ever-steady Skellerup Holdings 19.22% and Channel Infrastructure 10.93% in the same period — the only ones with double-digit increases among the top 50 stocks.

Dairy giant Fonterra is playing a vital role in improving the farmers' standard of living and the health of the New Zealand economy, especially rural communities.

Fonterra made a special payment totalling $3.2b to its more than 8000 farmer/shareholders following the $4.22b sale of the Mainland Group to Lactalis, and it has forecast another opening high milk payment for the 2026/27 season of $9.75 per kilogram of milk solids.

In its third-quarter update, Fonterra reported operating profit of $1.8b, up $102m and underlying earnings per share of 57c, up from 53c compared with the previous corresponding period. Full-year earnings were lifted to 60-70c a share from 50-65c.

New Fonterra chief executive Richard Allen says milk production is up considerably this season and, despite disruption in global supply chains, "our sales book is well contracted and our shipping volumes are strong, with the highest third quarter shipment volumes in a decade."

Lister says Fonterra is providing impressive company results, earnings guidance and milk price forecasts.

"Looking back 10-20 years, Fonterra was underperforming, with poor governance and questionable strategic objectives.

"Miles Hurrell [previous chief executive] did a great job turning around Fonterra, which has become an important piece in the agricultural backbone of New Zealand and rural communities.

"There was a time when you met farmers and they had little to say about Fonterra. But not now," Lister says.

Sitting in the top 11 of the NZX performers are five energy stocks — Genesis, Mercury, Vector, Meridian and Contact. The hydro lakes are full for increased generation and their balance sheets are strong enough to invest in further renewable energy.

They are steady, well-managed businesses that strongly contribute to the defensive nature of the New Zealand sharemarket.

While conservative in producing consistent and solid financial results, the energy companies are not averse to sticking their heads out, politically.

Meridian, having the grunt as NZX's second-largest local company on market capitalisation ahead of Infratil, challenged the Government over its planned LNG import terminal.

It is not needed to manage dry-year electricity risks, said Meridian. Existing measures, including the Huntly Power Station reserve and demand-response agreements with users such as Tiwai Point aluminium smelter, provided sufficient security of supply for at least the next decade.

Lister places Turners Automotive and apple and protein exporter Scales Corp in the blue chip camp. "They are great businesses and run well," he said.

"Turners is clear on the long term and is one of the few companies that offers multi-year targets — it's brave to put them out there for all to see. And they are meeting them. Turners had a great result and was well flagged by the company in advance."

Turners delivered a 9% increase in revenue to $451.2m for the 12 months ending March and a record net profit before tax (NPBT) of $63.2m, up 16% on the previous year. All three

Closing New Zealand's capital gap

Wayne Gentle looks at what happens when success becomes the challenge for NZ companies

New Zealand doesn't have a shortage of good companies. It has a shortage of sufficiently deep capital pathways to support them as they scale.

In 2025, there were three new listings on the NZX — Uvre, Manuka and Locate — compared with 92 on the ASX. The issue is not simply the amount of capital in the system, but whether it remains deep enough as companies move from early success to sustained scale.

That is where the real challenge sits. New Zealand is reasonably good at creating businesses, but not as good at sustaining them through the critical middle stages — where companies move from early traction to national and global scale.

Technology features prominently in this conversation not because it is special, but because it is perhaps the clearest stress-test of the system. These businesses often require multiple rounds of capital, longer time horizons and investors willing to support them through uncertainty — making any gaps in the system more visible over time.

We often discuss innovation in terms of talent. In reality, it is just as often a question of capital structure. New Zealand has developed a growing ecosystem of angel investors, venture capital firms and private backers willing to support promising ideas in their early stages. At the other end of the spectrum, public markets provide a pathway to broader ownership and liquidity.

Deep and liquid public markets also allow capital to be recycled more efficiently into the next generation of growth companies.

> As companies grow, their capital requirements change. Funding rounds become larger. Expansion plans become more ambitious.
>
> Wayne Gentle

The difficulty often emerges in between — as companies grow, their capital requirements change. Funding rounds become larger. Expansion plans become more ambitious. Investors need to be able to commit capital for longer periods, often while accepting greater uncertainty around timing and outcomes.

This is where the challenge becomes more complex: finding enough capital at scale, at the right valuation, and for long enough.

New Zealand has developed many of the building blocks needed to support the early part of that journey, but fewer for businesses operating at scale. Once valuations move from the tens of millions into the hundreds of millions of dollars, the relevant investor universe changes materially. The conversation shifts from early-stage backers to larger institutions, private wealth networks and offshore capital markets with significantly greater depth.

As capital — and often ownership — moves offshore, it is not because local investors disappear, but because larger markets can offer deeper pools of capital, stronger sector expertise, greater competition for assets and, in some cases, higher valuations.

You can see it play out in practice. Rocket Lab ultimately found its long-term public market home in the United States. Halter has raised substantial offshore capital as it scales internationally. Xero spent years accessing Australian capital markets and investors as it grew into a global software company.

In each case, the question was not simply whether capital was available, but where the deepest and most competitive sources of capital could be found. None of this is unusual: every successful economy draws on international capital. What matters is not whether overseas investors participate, but whether domestic capital markets remain a credible option as companies mature and funding requirements increase.

An economy tends to reflect the preferences of its capital. Systems dominated by short-duration, highly liquid capital will tend to produce different outcomes from those supported by deeper pools of patient capital able to stay invested through multiple stages of growth.

The scale and maturity of a savings system can influence those preferences. New Zealand's KiwiSaver system now exceeds $130 billion in assets and is growing rapidly. Australia's superannuation system manages more than A$4 trillion. Scale matters.

Larger pools of capital are often better able to tolerate illiquidity within part of their portfolios while still meeting the overall liquidity needs of investors. Over time, that can expand the range of investment opportunities available to them. KiwiSaver funds are already beginning to play a larger role in this part of the market and, as the system continues to mature, have the potential to become an increasingly important source of long-term growth capital.

This conversation is not unique to New Zealand. Similar debates have emerged in Australia around Atlassian and the UK around Wise, highlighting the tension between domestic capital markets and larger offshore alternatives. But offshore capital is not the problem in itself. International investment, partnerships and acquisitions have often helped New Zealand companies grow faster than the domestic market alone could support.

The point is not that companies access capital from overseas, but that the local system often lacks sufficient depth to remain competitive when those decisions are made. The challenge is to maintain credible pathways for companies as they move from early success to sustained scale.

Addressing this gap will require more than simply encouraging entrepreneurship. It will require deeper domestic pools of long-term capital, stronger pathways between private funding and public markets, and institutional investors willing to support companies through more stages of growth.

The goal is not to prevent companies from accessing offshore capital, but to ensure New Zealand remains a credible place to fund, scale and retain more of its successful businesses. That means building a system that is not only good at starting companies, but capable of backing them through the most difficult and capital-intensive stages of growth.

Because over time, what an economy is able to build and keep is shaped not just by the quality of its ideas, but by the depth of capital available to carry them further.

● *Wayne Gentle is Chief Investment Officer and Executive Director, Milford Asset Management*

Blue chips steady as investors find hope

continued from B26

divisions — auto retail, finance and insurance — had profit growth, with a record fourth quarter for the business.

Turners brought forward the NPBT target of $65m a year earlier into the 2027 financial year. It is the third successive multi-year target Turners has met and is heading for its new goal of $100m by full-year 2031.

Scales Corp confirmed market guidance of $50m-$55m net profit for the year ending December.

Managing director Andy Borland says, "Trading across the group has been positive for the first five months of the year, with financial performance across all divisions at expected levels, despite the impact of the Iran war."

Stocks such as Ebos Group, Spark, a2 Milk, Fletcher Building and Gentrack have (temporarily, let's hope) lost their blue-chip status as they work hard to get back to their former glories.

Companies in this volatile market environment are punished with earnings downgrades. In late April, Ebos lowered its full-year operating earnings forecast to $610m-$620m, from $615m-$635m, and talked about "elevated fuel prices and broader energy cost pressures" impacting the business.

Ebos, one of Australasia's biggest suppliers of medical, pharmaceutical and animal care products, has been on a slippery slide since losing the Chemist Warehouse distribution contract and its share price (at the beginning of June) was trading at an eight-year low.

Solly says Ebos was facing a more challenging growth environment and the market was concerned about increased competition, waiting to see evidence of its cost recoveries.

Analysts have downgraded Spark because of concerns over its earnings momentum in a competitive and challenging economic environment. Spark did provide an improved first-half net profit of $73m on an adjusted basis but it fell short of analysts' consensus of $96m for the six months ending December.

When Spark's share price hit $1.875 on June 3, it was its lowest level in 15 years.

Infant formula supplier a2 Milk was going swimmingly when its share price hit $11.84 in early March. Suddenly, back-to-back announcements knocked its progress. A2 recalled three batches of its Platinum infant formula in the US due to the presence of cereulide. Main rivals Nestle and Danone had experienced the same issue in other markets.

Before then, a2 Milk told the market it was experiencing in-market product availability, with shortfalls of China-label formula at Chinese distributors and retailers, compounded by low inventory levels because of Synlait's manufacturing challenges and increased red tape for Customs clearance and product releases in China. A2 lowered its full-year revenue growth guidance and its share price slipped to $6.59 (on June 3) — a fall of more than 38% year-to-date.

> Our leading companies keep chugging along and producing solid results through a challenging economic period.
>
> Shane Solly

Fletcher Building, the once mighty tōtara of the construction sector, is resetting its business to lower debt and streamline operations. It has sold its construction division to Paris-based Vinci for $334m, and is exiting its Fijian construction interests as part of a wider asset programme including selling Fletcher Reinforcing and property in Auckland and Australia.

Fletcher Building, a cyclical stock sensitive to the swings of the New Zealand and Australian economies, wants to focus on being a building materials and distribution business.

Utilities software provider Gentrack ended up the worst performer in the top 50 — its share price falling 56.41% to below $4 at the end of May — following a soft half-year result and earnings downgrade.

Gentrack, whose share price peaked at $14.24 in December 2024, reported a 1.6% decrease in revenue to $110.14m and 28.86% fall in net profit to $5.11m because of delays to new project revenue. Chief executive Gary Miles told the market its deals pipeline remains intact, and prospective deals flagged to investors in November had been delayed rather than lost to competitors.

Gentrack said it is concentrating on product development and international growth for the longer term rather than short-term gain, but the market keeps waiting for the new project announcements.

Retirement village and property stocks — hampered by the slowdown in the housing market — are fighting hard to regain their blue-chip status.

Solly says the retirement/aged care sector is quietly regrouping, showing that "if you change your focus and run your business harder, then you can get returns. A lot of self-help is required."

Ryman Healthcare, Summerset Group and Oceania Healthcare were all in the bottom 11 of share performance in the top 50.

Ryman's strategic reset resulted in a 94% increase in full-year operating earnings to $88m and the first positive free cash flow in a decade of $188m. Forsyth Barr said the reset gave Ryman greater flexibility to grow when market conditions improve, after scaling back development activity and focusing on returns from existing assets.

Oceania Healthcare also made a step-change and reported a 20% rise in full-year operating earnings to $97.7m, record sales settlements and reduced net debt through divesting assets.

Property stocks such as Argosy, Goodman NZ, Investore, Stride and Property for Industry — though generally in the bottom rung of share price performance — reported steady annual results and met their dividend guidance. But a more corporatised Goodman NZ and Property for Industry were stand-outs, with gains of 2.68% and 1.86% in their share price to the end of May.

Goodman more than doubled its annual profit to $248m on a $111.2m gain in property values and share of earnings from associates. Its total properties under management are valued at $4.9b and Goodman has forecast an increased dividend of 7.17c, up 5%, for the 2027 financial year.

Property for Industry also upgraded its full-year cash dividend to about 9.5c a share, an increase of 10.5%. Summing up the latest reporting season and share price performance, Solly says: "It's the underlying quality of the earnings that powers the returns."

What the US bull market means for Kiwi investors

The rally driven by AI stocks raises bubble concerns for fund managers

Capital Markets
Jamie Gray

Wall Street's colossal bull run has captured the attention of capital markets worldwide. United States stocks have continued to rally, flying in the face of the naysayers who have written it off as a bubble.

But the eye-watering numbers keep on coming from the US, particularly in the artificial intelligence (AI) space.

"The AI boom will flourish as long as confidence runs high," Goldman Sachs chief executive David Solomon said recently in an interview hosted by the Economic Club of New York. "There's plenty of liquidity in the system if the world continues to remain as optimistic."

Solomon was asked about the sheer size and number of AI mega deals coming to the equity markets for capital. "We are definitely in a moment where there's more greed than there is fear," he was reported as saying.

Early this month, Anthropic filed for an initial public offering set to value the company at more than US$1 trillion ($1.69t).

Salt Funds managing director Matt Goodson said the advance in the US had been "incredibly narrow".

The S&P 500 index was up by more than 10% in the year ending May. However, Philadelphia Semiconductor Index, an index comprising 30 of the largest semiconductor-exposed stocks in the US, was up 94% in the same period.

"It's an incredibly narrow advance and I think it mirrors what's going on in the US economy," Goodson said.

"It's a K-shaped economy on steroids where you have record all-time low levels of consumer confidence coupled with a surging sharemarket.

"If you're an asset owner in the US market, you're doing exceptionally well.

"If you're Joe Blow working at your job in West Virginia, you're not doing so well — and that's mirrored in the results across all the various sectors and companies in the US market."

The data centre, semiconductor-exposed stocks are flying, while many other companies are doing it tougher. At the same time, one of the reasons they are struggling is that US inflation is not yet under control.

Those inflation concerns have been priced in by the bond market, which has seen US 30-year Treasuries hit 5% — revisiting levels not seen since 2007.

Accompanying the data centre-AI story has been a commodities boom, led by gold.

"Gold is just coming off its highs but it's spawned a vast number of billion-dollar-plus companies in Australia that have a little gold mine.

"Iron ore has held but copper and lithium have performed incredibly strongly — and that's partly on this whole 'new' economy thematic," Goodson said.

Mining giants BHP and Rio Tinto, which once relied on iron ore for the bulk of their earnings, have seen contributions from copper skyrocket.

> It's a K-shaped economy on steroids where you have record all-time low levels of consumer confidence coupled with a surging sharemarket.
>
> Matt Goodson

"There's no shortage of copper projects to come on around the world, but that's going to take time.

"And for now, the copper price is extremely strong, so that's been a key distinction within the Australian market versus the New Zealand market," Goodson said.

"From a local fund manager's point of view, your degree of data centre exposure and your degree of resource stock exposure has had a lot to do with how you've done so far this year."

The Iran war could not have come at a worse time for the New Zealand economy and the market.

"Things were starting to pick up and the market was starting to process that to some degree, but Iran's clearly brought that to a screaming halt," Goodson said.

"I think a key question for New Zealand in particular is whether we see a return to those conditions when the Iran situation is resolved, or whether the recovery is more gradual because any resolution is likely to be much fuzzier.

"My view is oil inventories are heavily depleted and refilling them is going to add several billion barrels a day to demand, even when the Strait of Hormuz reopens.

"While we may see oil and petrol prices come down from their current highs, it's unlikely that prices would return to pre-Iran war levels soon."

Given the sheer scale of the US bull market, local fund managers could be forgiven for feeling overwhelmed.

The often-quoted US Buffett Indicator — named after investment guru Warren Buffett, is flashing warning signs.

It sits at roughly 237% — indicating the stock market's total capitalisation is more than double the size of annual US GDP.

In other words, the US sharemarket has never been bigger, whereas New Zealand's is small relative to the size of the local economy.

According to Reserve Bank data, about $87 billion in KiwiSaver assets are tied up in overseas investments, compared with $55.9 billion domestically.

Given America's dominance on world markets and index funds, fund managers estimate about a third of KiwiSaver is exposed to the US.

As the US market continues onward and upward, there's plenty to keep fund managers awake at night.

Right now it's Iran and how much longer the AI theme runs and whether it's a bubble or not.

"As a New Zealand benchmarked investor, it doesn't keep me awake so much because it's not such a big impact here, but in terms of global markets, I think that would be Iran and the longevity and the AI boom," Goodson said.

"It's not taking a mega bear or a mega bull situation, but we are trying to hold a very balanced view that this could run for some time."

Leighton Roberts, co-founder and co-CEO at investment platform Sharesies, said there is heightened local interest in the markets.

"There is definitely a lot of energy, for want of a better term, back in markets broadly and for a long time US markets have dominated flow, which is to be expected given the size of the market and the size of the businesses over there.

"Certainly a lot of that just goes into your index funds like your US500 and some of the other ETFs over there like the [Vanguard's] Total World Fund are very popular."

From a company point of view, the big names — companies like Nvidia, and the other "Magnificent 7" stocks — dominate.

Roberts says the hype in the US can end up flowing through to larger trading numbers in the other markets such as Australian and New Zealand markets. The talk around Elon Musk's SpaceX IPO is creating interest in its competitors, such as New Zealand-founded Rocket Lab, which is heavily favoured by Sharesies investors, rather than the likes of Nvidia and Tesla.

Roberts said about 36% of customers on the platform had a direct exposure to US equities.

He noted the current takeover offer for Tourism Holdings by BGH Capital (BGH) and the family interests of Luke and Karl Trouchet and said there was a risk of local companies becoming smaller parts of larger offshore businesses.

"Part of that risk has been driven by the return and the growth that you can get out of these large global enterprises compared with what you might be able to get from a much smaller company. So yes, that is absolutely a concern."

Roberts noted some diversification away from the US as investors sought to lessen risk, but they were nevertheless inclined to hold in the face of sudden market downturns.

"Even if it is a bubble, I think most people do appreciate now that holding can be the best option.

"If you look at the massive crashes that we had sort of 2008, and then again during Covid — even if you'd bought at the peak before those big drops — if you fast-forward 10-15 years, you've still done very well.

"So, I think people reasonably have high-risk appetites for that, and we don't see a lot of switching and selling when these crashes happen."

While the US market looms large in the investor mindset, there still remains a home bias, Roberts said.

"Our New Zealand customers do trade a lot more NZX stocks than they do the Australian ones, even though the market there is clearly much larger. Then there is the capital pool that KiwiSaver has to offer — as that money continues to need to find a home, I think that will be of benefit to the overall capital system in New Zealand."

Roberts said if you look at what happens in Australia, super funds own a huge amount of the ASX companies but they are also large investors in PPPs and infrastructure.

"That's an interesting opportunity for us, where not everything has to be funded off the Government balance sheet," Roberts said.

Craigs Investment Partners investment director Mark Lister said fund managers had to direct capital to where it could be best put to work.

"So as much as we're patriotic, it's very easy for us to just allocate more funds to the US or Japan or Europe or wherever the opportunities are.

"We're somewhat agnostic, because you have to be. You've just got to do the right thing by your clients."

Lister said the local market was dominated by "safe and steady" businesses — infrastructure, real estate, utilities and healthcare.

"We're not as high-octane as some of those other markets out there, which isn't a bad thing."

The risks of biases and hallucinations

GenAI financial advice needs fit-for-purpose regulation, writes **Tim Williams**

If New Zealanders are to get the full benefit of generative AI-powered financial advice while maintaining access to the key protections of the law, the Government needs to prioritise the introduction of a specific fit-for-purpose new regulatory regime for GenAI chatbots.

While the current legal framework covers recommendations or opinions on financial products or investment plans coming from digital and robo-advice facilities, the law has not kept pace with the rapid advancements in GenAI. In particular, the law does not currently provide a balance between the benefits of free and accessible financial advice and the risks of biases and hallucinations. The rise of large language models means New Zealanders can directly access financial advice from offshore GenAI chatbots, seemingly without the usual protections of New Zealand law being enforced.

This places the Financial Markets Authority (FMA) in a quandary. New Zealanders are increasingly accessing financial advice from offshore GenAI chatbots, which are not meeting local requirements for disclosure, qualifications, client interest priority, advice standards, and suitability and understanding assessments, to which local financial advice providers are subject. These obligations are designed to help clients make informed decisions. Consequently, clients may make unsuitable investment decisions by following non-compliant financial advice from offshore GenAI chatbots.

The FMA has indicated publicly that offshore GenAI chatbots responses fit within an exemption for providing "information only". In many cases, that may be true. Alternatively, offshore GenAI chatbots could be exempt because they are passing-on advice from other people. They also often post disclaimers that no advice is being given or state terms requiring the user not to seek financial advice contrary to local laws, but these steps are unlikely to be fully effective.

> Clients may make unsuitable investment decisions by following non-compliant financial advice from offshore GenAI chatbots.

If an offshore GenAI chatbot provides its own recommendation or opinion relating to a specific financial product or an investment planning service in its responses, New Zealand financial advice laws will apply, and it appears that offshore GenAI chatbots are not seeking to comply with those laws when they do apply.

It is often said that an unenforced law is worse than no law at all, because an unenforced law allows non-compliers a comparative advantage over those who comply, exacerbating lawless behaviours. New Zealand's financial advice laws are designed to protect retail clients, but to do so imposes significant compliance costs for financial advisers that, in some cases, offshore GenAI chatbots are avoiding to the potential detriment of their users. On the other hand, the FMA has identified a significant "advice gap" arising from demographic influences, a lack of providers serving certain areas – such as retirement decumulation, and factors making it uneconomic for financial advisers to take on lower-value clients – that may drive people to unregulated sources, including offshore GenAI chatbots and social media.

The FMA's uncertainty on how to treat offshore GenAI chatbots sits against an international backdrop of increasing litigation, involving claims that GenAI chatbots have provided regulated services without the necessary licences or approvals.

Pennsylvania, for example, has launched proceedings against Character.AI, stating that its chatbot impersonated medical professionals and claimed to be able to practice medicine.

Japanese insurance giant Nippon Life has also recently commenced litigation against OpenAI in the state of Illinois, claiming that ChatGPT provided unauthorised legal advice to a former policyholder.

The FMA has now signalled that it will commence a thematic review of the use of GenAI in the financial advice industry.

This may lead to new regulation. If so, the Government should be innovative and bold when developing new policy.

There is a major opportunity to provide much-needed affordable financial advice to the community by developing a safe and controlled regulatory framework for GenAI advice.

A new framework could exempt offshore GenAI chatbots from licensing if:

- They meet appropriate disclosure requirements, so consumers understand the scope, risks, and limitations of GenAI advice;
- Address some ethical challenges and risks, such as mitigating AI bias (to ensure some providers are not inappropriately recommended over others, particularly as a result of sponsorship, or social media or web-usage influencing behaviours)
- Ensure that client data is safeguarded.

While such a framework would not eliminate risks from hallucination errors or biases, it could mitigate them, while still delivering superior outcomes to the status quo, in which many consumers go to unregulated sources or refrain from seeking advice due to cost or perceived complexity.

In the meantime, firms using GenAI in their advice process should continue to exercise care to comply with their duties under the law, including the Code of Professional Conduct for Financial Advice Services, and offshore GenAI chatbots should take steps to comply with New Zealand financial advice laws.

- *Tim Williams is a partner in law firm Chapman Tripp.*

Houston, do we have a debt capital markets problem?

Government borrowing is crowding out New Zealand private sector borrowing, residual cash deficit forecasts are dependent on the election outcome, and our core Crown net debt levels face compounding risks, writes **Craig H. Stobo**

● *Craig H. Stobo is the former chairman of the Financial Markets Authority. The opinions expressed here are his own opinions, are not AI-generated, and do not reflect the views of any entities that he currently co-directs or advises.*

> The large improvement in the residual cash deficits in the out years assumes that a government elected in November 2026 will support the current Government's forecast cashflow outcomes. That, of course, is not assured.

From a New Zealand debt capital markets perspective, the 2026 Budget was somewhat reassuring – but only in the short term.

At a headline level, the budgeted Government debt issuance programme of $35 billion in FY 2025/26 and $34b in 2026/27 remains the same as outlined in the Half Year Economic and Fiscal Update in December 2025. And the debt programme out to 2030 forecasts only a modest uptick in issuance of $6b.

Nevertheless, net core Crown debt has risen from only $57.5b in FY 2017/18 to $182b in 2024/25, and is expected to rise to $191b (2025/26) and to $246b (2029/30).

As a percentage of GDP it rises from 19.9% in 2017/18 to 41.9% (2024/25), 42.4% (2025/26) to a forecast peak of 46% in 2028/29.

The short-term reassurance was evidenced in both the foreign exchange and bond markets, which all rallied slightly as expectations had been for a larger bond programme.

It may now mean that our valuable AAA (local currency) or equivalent rated status from the credit rating agencies Standard & Poor's, Moody's and Fitch remains intact, and the negative watch outlook from the latter two agencies does not evolve from a trajectory into a downgrade that would affect all other New Zealand bond issuers.

However, the messages from the latter two agencies are very similar: debt-serving costs are straining the fiscal outlook and recent economic shocks are adding to the debt burden, yet to be resolved.

While investor coverage ratios for recent auctions of New Zealand Government nominal bonds remain solid (despite our 10-year government bonds providing only incremental yields over 10-year United States government bonds), public debt issuance may be "crowding out" New Zealand corporate dollar debt issuance.

By that, I mean that the much larger NZ dollar government bond issuance programme is impacting on supply and/or demand in the NZ dollar corporate bond market. By corporate, I mean all other NZ dollar issuers, including local authorities, banks, corporates, foreign supranationals and agencies.

In my view, it clearly has an impact on market dynamics.

Market dynamics

According to BNZ Research, corporate New Zealand dollar issuance in 2022 totalled $19.7b. By 2025, this had declined to $9.8b. So far in 2026, NZ dollar corporate issuance has totalled $7.8b.

Some rated New Zealand corporate issuers have also been taking advantage of both the absence of foreign currency bond issuance by the New Zealand Government and favourable cross-currency swap market pricing to issue bonds in foreign currencies hedged back to NZ dollars. This provides access to different global investors who like NZ credit risk but don't want NZ dollar exposure. This development in our capital markets accelerated in 2025.

Both the above capital market dynamics have had consequences for the NZX-listed debt market – NZDX – an important source of fixed income for retail investors.

The NZDX total par value has not increased over the period discussed. According to NZX data, the total par value of the 147 debt instruments listed in December 2023 was $48b. In May this year, the total par value was $49b with 136 debt instruments. This is despite the 0% Approved Issuer Levy advantages that an NZDX market listing offers.

So much for a history of crowding out.

Government cashflows

When discussing the future beyond the immediate Budget period, I prefer to focus not on the nuances of Obegal but on the Government's cashflow needs and, in particular, the residual cash deficit budget and forecasts tabled in the Budget documents, as these underpin the Government's debt funding programme.

As the New Zealand Treasury states, the residual cash deficit over the forecast period of $62.5b is almost exactly matched by net core Crown debt rising by $63.9b.

The residual cash position of the New Zealand Government was a cash deficit of $6b in 2024/25, is budgeted to be $9b in 2025/26, rising to a peak cash deficit of $24.2b in 2026/27 before declining to a $4.5b deficit in 2029/30.

The cash deficits are driven, among other things, by new operating allowances of up to $2.4b each financial year over the forecast period; and new capital expenditure of $17.7b over the forecast period.

The large improvement in the residual cash deficits in the out years assumes that a government elected in November 2026 will support the current Government's forecast cashflow outcomes.

That, of course, is not assured.

In financial market terms, we discount future cashflows reflecting the time value of money. In the case of government finances, we need to assess political will to manage cashflows such that our forecast net core Crown debt burden and the interest costs on our current debt burden do not deteriorate further, undermining our expenditure choices.

Foreign exchange and bond markets will almost certainly anticipate any further deterioration in our public debt, noting that Treasury has already advised its preference to bring net core Crown debt back under 40% of GDP in the forecast period and to between 20% and 40% thereafter.

The investment compounding "Rule of 72" (see explanation above) can also apply to the compounding of debt that, left unaddressed, can spiral out of control.

Assuming an average cost of borrowing of 4%, our net core Crown debt will double from $191b this financial year to $383b within approximately 18 years. That excludes adding to the principal amount to fund new operating allowances or new capital expenditures.

It also means that unless we grow nominal GDP by 4%, our net core Crown debt-to-GDP metrics will deteriorate much further.

We already know from the Treasury forecasts that our interest costs on net core Crown debt will rise to $10.2b in 2026/27, and rise an additional $1.2b annually thereafter.

All of the above could be justified if our net core Crown borrowings supported an increase in our net worth. They don't. The Crown's net worth is forecast to decline from 42% of GDP in 2025 to circa 35% at the end of the period (18 years).

Houston, do you agree that we have a problem?

The 'Rule of 72'

The "Rule of 72" is a useful metric usually used by investors to estimate the time it takes to double the value of an investment, assuming a rate of interest. Any two factors of 72 can be used to estimate both the interest rate and the approximate time required to double an initial investment. For example, an interest rate of 7.2% means that an initial investment value will double in approximately 10 years. This is the power of compounding.

At the epicentre of any economy is the ability to take and manage risk; NZ has not been good at it. The finger needs pointed at capital productivity across central and local government but also the private sector.
Cameron Bagrie

The end of the sugar hit

NZ faces a tougher economic diet of less sweeteners and more fiscal restraint, writes **Cameron Bagrie**

Eat your spinach and broccoli. You might not like it, but it's good for you.

There will be less sugar on offer in pending years. Fiscal deficits need trimming, unless we are prepared to ping the next generation with higher taxes, and inflation needs taming with a supply shock hitting the pricing system. Cue contractionary fiscal and monetary policy, from stimulatory policy stances at present.

The economy will need other drivers.

Eat your vegetables. It's all subject to populism politics of course but I'll take the economic angle. Eventually markets call time on policy prescriptions, as Liz Truss, former UK Prime Minister found out when UK bond yields spiked and the pound sunk; she was gone.

Recent publications by the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) have highlighted that fiscal vulnerabilities are elevated in many major economies.

Inflation is rising, and few countries achieved full price stability post Covid (think core inflation of 2%). With a 1970s-style cost shock hitting the pricing system, central banks are on alert, either raising or set to raise rates.

Brace for tough love

Such have been the messages in the Budget and the Reserve Bank of New Zealand (RBNZ) in the past two weeks. Tighter Budgets are ahead and higher interest rates. The Government and RBNZ are promising to take care of their basics; fiscal sustainability and price stability (and financial stability).

Those messages needed to be delivered. However, their delivery alone does not change the fundamentals of where New Zealand is going.

They are supporting actors/ actresses.

Yes, we are the two-bit player at the Trump international roulette table, but when it comes to driving growth, let's be realistic about what budgets and interest rate decisions can and can't, or should and shouldn't do.

Deflate the expectations — introducing the zero line

The finger invariably gets pointed at the Government and RBNZ. Spend, or stimulate.

Maybe the best that policymakers can do is to take us to the zero line. Don't make it impossibly hard or screw things up. Expansionary fiscal policy is fine, but not year after year. Monetary policy waded too far into the money printing pool testing their social licence.

The real heavy lifting in economic performance invariably comes from the private sector and goes beyond cyclical support mechanisms. They have their own money on the table and are not dealing with taxpayer money or OPM (other people's money).

The economic incentives for taking and managing risk are divergent when it's your money and not the taxpayers.

The RBNZ, in its desire to tame inflation, does not really have a demand problem, they have a knee-capped, supply side capacity of the economy problem driven by low productivity growth.

Monetary policy can't fix that. Government policy has many levers that are being pulled but is not a complete saviour.

At the epicentre of any economy is the ability to take and manage risk; NZ has not been good at it. The finger needs pointed at capital productivity across central and local government but also the private sector.

Budget reality

Budgets amuse me. This was my 28th as an economist. Four of them were from the Treasury side.

The expectations build. Who gets what? We see a raft of pre-Budget announcements. There are trade-offs between fiscal credibility, infrastructure, and core government services, and occasionally calls for tax relief.

Budgets have followed the pattern of Easter and Christmas; becoming more of a sales and marketing story rather than a substance one.

The real stuff of government is what happens in the rest of the year. This government has been pushing through a huge legislative programme. This is microeconomics in operation, not macro-economics and fiscal or monetary policy.

If you want a hint of the role microeconomics plays, just look at the performance of firms operating in the same sector but offering different performance; dairy companies, retailers, ports, a major construction firm listed on the NZX.

That is microeconomics. There are winners and those with poor microeconomics who invariably blame the Government or economy.

Yes, government spending (projected this year to be $155 billion is a huge number, against a $455b economy), but remember one number is the spend, the other is the value add.

After delivering two somewhat political appeasing Budgets (expansionary), which has resulted in zero improvement in the fiscal position, the 2026 Budget finally delivered what should have been done in 2024. Fiscal restraint.

The problem though is that it's still heavily contingent on promise-me-nomics. The spinach and broccoli diet starts in the 2027/28 year. Expenses as a share of GDP are projected to decline by 2.3 percentage points from 2027/28 to 2029/30.

All about the communication

Kudos to the Government and RBNZ for their communication in recent months.

The Finance Minister in particular, has stepped up; the 2026 Budget should have been delivered in 2024 but better late than never — and calling out one of their coalition partners on their stance on NZ Super is called leadership.

New Zealanders, in my view, have been looking for the big calls. Auckland Mayor Wayne Brown's popularity in part comes down to just telling it like it is. The new Police Commissioner Richard Chambers is the same.

We now have greater clarity over the RBNZ. The vote was 3 for hiking the OCR and 3 for no change, with the Governor deciding no change. More transparency and clarity. Bank capital and a raft of other changes are going on.

These are not gamechangers. They are tweaks. However, they take us progressively towards that zero line.

The Great Moderation

When I look at the current stance of monetary policy (generally stimulatory around the world), and fiscal policy (the same, running deficits), against a backdrop of inflation and rising sovereign debt levels, the general direction of travel is clear. Higher interest rates and inevitable fiscal consolidation. Less sugar, more broccoli.

This is part of a tectonic shift though.

We have become accustomed to monetary and fiscal policy having the economy's back through the Great Moderation (broadly 1993-2020). Low inflation, lower interest rates and volatility, and at face value partly due to better management of economies by policymakers.

Bazooka economics reined. Central bank and fiscal policy were more active.

The severity of downturns was diluted — for some good reasons such as employment scaring — via fiscal and monetary largesse. Assisted by low inflation and little concerns over debt levels.

We now have inflation and rising concerns over debt, hence pressure on monetary and fiscal policy to pivot. The latter will not prove easy given demographic and defence spending pressures.

The bottom line

I read a lot of research detailing why global (and New Zealand) productivity growth has waned, which is the engine room of wealth creation for any economy.

Little mention is made of the need for capital destruction to drive capital reallocation and efficiency. Downturns have their pluses. The problem is we have built a system that specifically tried for decades to minimise downturns and tough times.

Maybe more broccoli and spinach and less sugar is what is needed to help drive productivity growth.

We just received the menu in the past few weeks via the Budget and RBNZ.

In 12 months' time, the broccoli will be on the table with monetary and fiscal policy likely in the early stages of restrictive stances.

Will we eat it or will the politics of it all become too hard and regimes change? We have shifted inflation goalposts before and been promised fiscal consolidation for many years.

● *Cameron Bagrie is principal economist at Bagrie Economics, a premier boutique research firm.*

'Embrace disruption', Gerry urges

Fran O'Sullivan

Alison Gerry has challenged directors and finance professionals to embrace disruption and not allow "trepidation" over global shocks and technological disruption to paralyse decision-making.

Gerry's challenge came as she was honoured with a Distinguished Fellowship at the recent New Zealand Institute of Finance Professions (Infinz) awards in Auckland.

Receiving the industry's top honour, Gerry — a highly regarded company director who chairs infrastructure investor Infratil and serves on the boards of Air New Zealand, ANZ Bank NZ, and Sharesies Australia — used her remarks to draw a sharp parallel between today's turbulence and the turmoil of the Covid era.

She recalled being on the Infinz Awards stage in May 2020, when she received a fellowship: "The world had just locked down. Supply chains were fracturing. And we wondered what the world would look like when it was all over.

"Six years on, we're facing into another wave of uncertainty. Conflict in the Gulf has sent energy prices surging. And threading through everything is AI — not something on the horizon, but already changing how industries work, what skills matter, and what we thought we understood.

"Two big disruptions at once. It's natural to feel some trepidation. But in our roles we can't let trepidation lead to paralysis. And right now, the oil market is showing us exactly why."

Gerry pointed to the turmoil in global oil markets as a live example of the pressures now bearing down on firms and policymakers. "What is happening in energy markets right now is a masterclass in complexity. The relationships between physical and forward markets, between crude prices, refinery margins and jet fuel prices have been thrown into disarray by the Gulf conflict.

"Supply routes that held for decades have shifted. Traders, treasurers and — believe me — board members are having to reason in real time as to what is the best path through this uncertainty."

She credited the finance industry with having built some extraordinary frameworks — for pricing risk, allocating capital, making sense of complex markets. "But occasionally — sometimes gradually, sometimes suddenly — the world moves on from the assumptions those frameworks were built on. And that's exactly the moment where curiosity matters most. Not in defending the model, but in being willing to say: something has changed here, and I need to think about this differently.

"Holding a framework lightly enough to question it isn't a lack of rigour. It actually is rigour. It's what separates real expertise from going through the motions."


Alison Gerry was awarded an INFINZ fellowship by deputy chair Will Goodwin at the recent awards.

Gerry said the people she had admired most over her 35 years in financial markets — and around the board tables of Kiwibank, the NZX, Sharesies, ANZ and Air New Zealand — haven't been the ones with all the answers. "They've been the ones who treated uncertainty as a signal that there was something new to understand. Who asked better questions rather than defending old ways of doing things.

"Sharesies is a great example of this — when they decided there was a better way of providing access to investing, they built something that now has more than a million customers."

Gerry observes that curiosity when she meets members of the Infinz Young Women in Finance group. "The women who stand out are not the ones with the most confidence — they are the ones with the best questions. That is what we are trying to grow — a generation of women and men in finance who are curious, confident, and unafraid of complexity."

Her comments came after Infinz deputy chairman Will Goodwin described Gerry as a "very respected senior company director and industry leader whose influence spans capital markets, infrastructure and digital finance".

As well as her current roles, she has previously served as founding chairperson of online investment platform Sharesies and as a director of NZX, Spark, Vero, Kiwibank and TVNZ.

Beyond governance, Gerry was also recognised for her contribution to advancing women in business. She is a co-founder of the women's leadership network "On Being Bold", which runs an annual conference and offers programmes aimed at building confidence and supporting the progression of mid-career women. She is also a regular speaker for International Women's Day and a former judge of the Financial Services Awards.

Her executive career began with roles at Macquarie Bank and HSBC, and she later became Group Treasurer at Lion in Sydney. She also contributed as a Visiting Fellow teaching in the Masters of Applied Finance programme at Macquarie University for 12 years.

Building the next generation

Jim McElwain

For years, New Zealand's financial ecosystem has wrestled with the same challenge: how to attract younger talent into the sector and, just as importantly, how to keep them there.

The issue is hardly unique to finance. Across professional services, businesses are competing with technology firms, overseas markets and changing expectations around flexibility, purpose and workplace culture. But increasingly, the local financial services sector is taking a more structured approach to building the next generation of leaders.

At the centre of much of that work is Infinz, the industry body representing New Zealand's financial and capital markets professionals. While traditionally known for networking, training and industry advocacy, the organisation has expanded its focus toward long-term talent development.

That effort now spans everything from secondary school scholarships through to support for emerging executives and professionals returning to work after parental leave.

One of the strongest examples is Infinz's partnership with First Foundation, a New Zealand charity supporting academically talented young people from lower-income communities into university study and professional careers.

First Foundation's wrap-around model combines tertiary scholarships with mentoring, paid work placements and long-term pastoral support. The organisation currently supports around 110 students annually through its four-year scholarship programme, with partner organisations helping fund students throughout their studies.


Above Rayana Agalava, the 2026 Infinz First Foundation Scholar, with Amanda Gilchrest and Kirk Sargent from First Foundation.

For Infinz, the partnership reflects a growing recognition that widening access to finance careers starts well before graduation. At the 2026 Infinz Awards earlier last month, the industry raised enough funds to support two First Foundation students through the duration of their university education. Infinz and its partnering organisations currently support 20 scholars.

The initiative sits alongside several programmes designed to support younger professionals once they enter the industry.

The Young Finance Professionals network, launched in 2013, focuses on members under 30 and aims to connect younger staff with senior industry figures and practical career development opportunities.

Young Women in Finance, established in 2015 and later formally partnered with Infinz, was created to strengthen visibility, mentoring and leadership pathways for younger women entering the sector.

The Emerging Leaders Group has targeted professionals moving from subject matter to broader operational and commercial leadership roles. Our leadership and development offering supports their leadership journey such as courses on Strategy and Value Creation and our Next Directors programme.

Each of these stage-of-career cohorts has a dedicated event programme and, at any one time, more than 40 mentoring pairs are in operation, connecting future leaders with senior professionals.

The organisation has also broadened its thinking around retention, particularly for women balancing career and parenting responsibilities. Its recently introduced parental leave return-to-work initiative offers complimentary memberships and access to events for professionals on parental leave or transitioning back into the workforce.

These initiatives reflect a broader conversation taking place globally across financial services, namely that career progression often stalls during parenting years, particularly for women, contributing to long-term leadership gaps.

Industry partnerships have become another important piece of the puzzle.

Support from organisations such as the New Zealand Super Fund, ANZ and Cameron Partners has helped fund conference scholarships and delegate attendance for younger members, including Sir John Anderson and Rob Cameron scholars, allowing students and early-career professionals access to senior industry discussions and networks that might otherwise remain out of reach.

There are also collaborations extending beyond the finance sector itself. AUT's "Shadow a Leader" initiative gives students exposure to senior executives and governance environments early in their studies, helping bridge the gap between tertiary education and professional life. More than 200 secondary and university students are participating this year.

Collectively, the programmes point to a shift in mindset within the industry. The challenge is no longer simply recruiting graduates into finance. It is building pathways that allow people from a wider range of backgrounds to enter the profession, remain there and ultimately move into leadership.

These initiatives are designed to drive our mission to empower a more prosperous, inclusive and sustainable New Zealand by improving the capability and effectiveness of the financial sector ecosystem and its members within it.

● *Jim McElwain is Executive Director of Institute of Finance Professionals NZ Inc (Infinz). Infinz is a sponsor of the Herald's Capital Markets and Investment report.*

Facing the risks of global turmoil

Geopolitics should be top-of-mind, says Shareholders Association CEO

Grant Bradley

Shareholders' Association chief executive Oliver Mander warns that New Zealand investors face unprecedented exposure to geopolitical events, continued fallout from the Middle East conflict and market volatility.

"I think the geopolitical theme should be at the forefront of investors' minds.

"And it's not about saying 'don't invest'. It's about how you can make yourself resilient to those risks and the investment decisions that you're making?"

The association's membership is increasingly growing beyond DIY investors to those in managed funds and from the ranks of the country's 3.4 million KiwiSaver members.

Reserve Bank figures show that 61% of $142 billion in KiwiSaver assets was invested overseas late last year, compared to 57% of $107b three years ago.

"New Zealanders are much more internationally diversified than they ever have been before," says Mander. "We've seen some degree of capital flight out of the country. That's not necessarily a bad thing, because that means we've seen that shift away from property and into more productive equity style investment."

The flow offshore needed to be balanced with the requirement for New Zealand companies to have capital, he says. "Ideally, in a perfect world, we would have an option of investing in a company overseas that had a global footprint, or a company in New Zealand that had a global footprint."

For the health of the economy, investors should pick the New Zealand company every time.

This would allow more Kiwi companies to grow on the world stage – what Mander calls "mini multinationals".

"We're too small as a country to have the BPs and Microsofts of this world, but we do have a few really good ones like Fisher & Paykel Healthcare and Infratil that do compete on a global stage for their opportunities and for their capital."

Mander, who has headed the New Zealand Shareholders' Association for nearly six years, is puzzled at why more KiwiSaver members don't realise they are sharemarket investors.

"The majority still don't realise that they are investors and that's something that we're really conscious of."

There is continued discussion about the KiwiSaver scheme's policy settings, but there is still not enough investor awareness of where fund managers were directing investments, despite information being available. "I still think there's more work to be done. Investors should be interested – at least at a passing level – in what their money is doing and where it's going."

While a lot of money was going overseas, he says, the investment climate in this country was helped by settings and a regulatory environment here that measured up well compared to some other jurisdictions.

Shareholders' Association chief executive Oliver Mander. Photo / Michael Craig

Investor protection

A recent report into technology failings affecting the ASX exposed wider concerns.

"That went way beyond a review into a failed technology project. They talked about governance and about prioritising short-term commercial interests over long-term market integrity."

The landmark independent inquiry by the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia found that the ASX prioritised short-term shareholder returns over investment in technology, resulting in systemic under-investment.

For New Zealand's relatively small capital markets, integrity is very important, Mander says.

"We're a small country at the bottom of the world, we need to attract the right pools of capital from both domestic investors and international investors. If we don't have that ability for investors to trust in our markets, we won't get a skerrick of it."

Striking the right balance between investor protection and making it easy for companies to access capital is a continued challenge.

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Deepfakes drive sophisticated scams

AI may improve financial advice, but the flipside is concerning, writes **Bill Bennett**

Investment scammers are using artificial intelligence and deepfakes to defraud New Zealanders at a pace Clare Bolingford says has been "reasonably exponential".

Bolingford, who is executive director of licensing and conduct supervision at the Financial Markets Authority (FMA), says impersonation scams, pump-and-dump schemes and fraudulent trading platforms are now sophisticated enough to deceive almost anyone — and the problem is getting worse.

Pump-and-dump scams work by artificially inflating the value of a share through co-ordinated promotion. Once enough investors have bought in, the scammers sell and the price collapses.

Impersonation scams are the main current threat. Bolingford says, "A lot of people have been caught out by impersonation scams because they look convincing."

Often a trusted public figure is used to endorse the investment. These scams are damaging in money terms but there's also a psychological toll: victims are ashamed and slow to report.

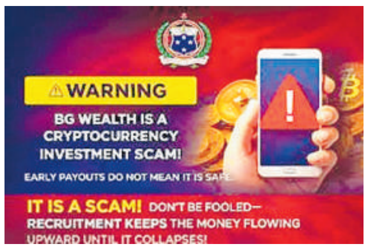
A different kind of scam uses fraudulent trading platforms.

"Often, rather than impersonating a media personality or a politician that people know well, it'll actually be somebody that comes across as being well-versed in financial markets and credible in terms of investment opportunities." That model has been used to target specific communities.

Typically, the scammers persuade people within a community to bring in others. One scam targeted the Tongan community. Scammers recruited trusted community members to vouch for the platform and bring in whānau. Bolingford says the FMA worked directly with the Reserve Bank of Tonga to disrupt this.

The scam, which operates under names including BG Wealth and DSJ EX and has been linked to 813 websites, works by drawing victims into investment groups on WhatsApp, Viber and other platforms. A figure posing as a professor promises returns of 100% and encourages recruits to bring in friends and family.

Victims are directed to open cryptocurrency accounts and transfer funds into a fake trading app, which contains malware.



> It's important for people to flag to us where they see scams, because we can't catch everything. As soon as we're aware that something's gone up, if it's a scam, we'll attempt to get it taken down.
>
> Clare Bolingford

The platform feels authentic at first. Early recruits can make small withdrawals, which builds trust.

When they try to withdraw their full funds, they are instructed to pay a fee to release the money.

But even those who pay do not get their money back. When recruitment slows, all users are locked out and the scammers disappear.

Getting the message out to a targeted community involves a number of channels. The FMA will put warnings on its website then use social media to spread awareness.

"We also talk to partners in the communities to try and get the message out through trusted sources," says Bolingford. "Additionally we use the financial services community — we encourage banks to use our warnings, so that where they see people might be getting caught up in a scam, they can give information."

Another way the FMA disrupts scams is by working directly with platforms. "In the past year we've formed a number of trusted partnerships with platforms that are proving to be successful in getting those kinds of scams and adverts taken down from all sorts of media.

"While we're continuing to build these partnerships to continue disruptions, it's important for people to flag to us where they see scams, because we can't catch everything.

"As soon as we're aware that something's gone up, if it's a scam, we'll attempt to get it taken down."

Artificial intelligence

Artificial intelligence is both a threat and an opportunity.

While the FMA is exploring how AI could improve financial advice, criminals are using the same technology to scale their operations.

"There's an opportunity to use AI to close the gap where people need more advice and good information, but we want to see that done in a responsible way.

"From the investors' perspective, they need to know what they're getting, whether the advice is from AI," says Bolingford.

The flip side of AI is concerning.

Deepfakes make impersonation scams more convincing. Faster processing allows scammers to push targets into quick decisions before they stop to think.

"The more technology enables faster processing and trying to push people into quick decisions, the more criminals will use technology to get money from people."

In April, the FMA joined an international initiative involving 16 regulators for a week of action against unlawful financial influencers or "finfluencers". It's a sector where the line between information, promotion and advice is often deliberately blurred.

Bolingford says the work is focused on raising public awareness of the risks involved when working with influencers while helping influencers understand their legal obligations.

The cross-border collaboration with regulators in places such as the UK, Australia, Singapore and Hong Kong reflects the international nature of financial influencers who may be talking to audiences in a particular jurisdiction, but often reach other audiences. Bolingford says most of the scams targeting New Zealanders originate overseas.

One pattern she has noticed is that scams appearing in Ireland tend to arrive in New Zealand next. The two countries share structural similarities. They both have a similar population size, both are close neighbours to a much larger English-speaking nation.

The FMA maintains a close working relationship with the Central Bank of Ireland. That pipeline means New Zealand can sometimes see threats coming and act before they take hold.

Bolingford says the best defence for ordinary investors remains a degree of healthy scepticism. Does the return sound too good to be true? Does the person promoting the product seem to have another agenda? Stopping to ask basic questions before committing money remains the most reliable protection.

Kiwis lost $265m in 2025

Kiwis lost a gross total of $265 million to fraud in 2025 with fraudsters and scammers using innovative methods to prey on vulnerable people.

The first Reported Fraud Monitor report by Payments NZ shows how fraud has occurred and includes information on the different types of scams hitting Kiwis most.

Ministry of Business, Innovation and Employment spokesperson Ian Caplin said the $265m figure really hits home how much damage scams can cause to everyday New Zealanders.

The Reported Fraud Monitor report for New Zealand provides a comprehensive overview from 12 banks of gross reported fraud that happened over the past 12 months.

"Payments NZ used an updated methodology to provide a clearer and more consistent picture of reported fraud. As a result, the figures are not directly comparable with previous years.

"Of the $265m defrauded, about $126m of reported scams involved authorised payments, where individuals were tricked into approving the transaction themselves," says Caplin. "The remaining $139m came from unauthorised transactions, where scammers accessed accounts without the account holder's knowledge.

"The biggest amounts defrauded came from products and services scams, which accounted for around $76m of the total $265m. Relationship and trust scams made up about $31m, and compromised credentials scams accounted for $84m.

"Together, these three types of scams make up nearly three-quarters of the total amount defrauded, with the rest spread across a range of other scam types.

"These figures show scams are not only widespread but also increasingly deceptive. It's critical people stay alert and take steps to protect themselves and their finances," Caplin says.

"Taking a moment to check could be the difference between keeping your money safe and losing it to a scam. Scammers rely on people acting quickly without thinking. They work without morals and only have to get lucky once to score."

Investors face the risks of global turmoil

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"New Zealand does have a very good investor protection base, not every country does."

The association doesn't "necessarily love" what it sees in some other countries, however.

"For example, in the US, it is really common for the founder of a company to be the CEO and to be the chair. There's always been different investment expectations in the US and that's the beauty of a market.

"Some investors value different things and it's really hard to argue with the returns that the US market has managed to achieve."

While there's been a dearth of main board listings on the NZX in recent years, there have been some secondary listings and the sharemarket operator has said it sees other positive signs this year.

Mander says the shortage of home-grown private companies making the step up to public listing was disappointing. Regulatory settings need to be finely tuned to encourage this. "We want those companies to grow and develop in a way that means they're not fettered by regulation or overly burdened by regulation.

"We're also seeing those companies not progressing to public markets, whereas perhaps 20, 30 years ago, they might have."

Private companies were funded by private equity, bank debt (mainly from Australia) and a small pool of wealthy wholesale investors. That wasn't healthy for the broader investment community and for the country.

"Long term, that's part of the issue for us because you are increasingly getting social and demographic polarisation between different groups of investors and wider society," Mander says.

There are other incentives to go public. "You can still raise capital a lot more easily and quickly in a public market than you can in a private world.

"And that is absolutely critical. We saw the benefit of that through the Covid period, where companies were able to restructure and recapitalise and actually apply growth capital as well."

Any further hollowing out of New Zealand's financial infrastructure would be a signal of failure for the country. "It's the financial plumbing that builds the bridge between local pools of capital and investors and companies who are looking to grow on the world stage and improve New Zealand's productivity."

The full effect of the oil price shock is still to be felt, says Oliver Mander. Photo / AFP

> The geopolitical theme should be at the forefront of investors' minds. It's not about saying 'don't invest'. It's about how you can make yourself resilient to those risks and the investment decisions that you're making?
>
> Oliver Mander

Geopolitical impact

Mander says New Zealand investors are affected not only by international sharemarket volatility but by geopolitics, which also affects the country's economy. "When the world catches a cold, so do we."

The full effect of the oil price shock following the outbreak of war in the Middle East was still to be felt and came at the "worst time" for the country, which was just emerging from the economic doldrums. "That hasn't been great for our domestically focused companies and that's part of that sort of geopolitical theme."

And although economic recovery would come, that could have a sting in the tail for investors with funds overseas. "You've seen some really good international returns because our currency has been weak. Those currency benefits investors have received will unwind and act as a headwind to their returns."

Mander says despite uncertainty, investors still have an appetite for opportunities stemming from other big trends such as decarbonisation.

Capital raises by Contact Energy and Genesis had been popular.

This had turned what had traditionally been seen as yield-producing companies into more growth opportunities.

He says New Zealand's retail pools of capital are strong, as was growth in institutional capital, driven by funds, which Mander points out still enjoy substantial PIE regime tax advantages, compared to DIY investors.

Corporate behaviour

The Shareholders' Association has worked closely with regulators to improve disclosure around executive remuneration. Controversy over executive pay hasn't blown up recently as New Zealand has adopted international practices to make reporting clearer and more transparent.

Being upfront about pay avoids "the noise" that can surround it, says Mander.

The association's main focus is fairness. "We're about to produce a big report on this. The main thing we're trying to see here is fair remuneration. If you've got a company that is not performing well and still paying out really significant long-term incentives, then that does raise some questions around both incentive design and the quantum of those incentives."

Mander says there's a reasonably deep pool of director talent, including in private companies.

"There's no doubt that the expectations and the requirements that you have as a director are increasing, although there are some things that have been removed in changes to the climate-related disclosure regime."

Investors need to know directors are their "agents" in a company.

"We want to see them balance their ability to take risks to create growth, with the need for assurance that they're doing a good job on behalf of investors. Do they all have the ability and the capabilities to do that? Probably not.

"There is always a need for ongoing training and development.

"A director who was really good a few years ago may not be quite so good in the context of a changed world."

The association maps directors' relationships. Directors on some boards don't have links to others, which he says prevents the sharing of ideas and relationships, while others have a small group of directors who serve on many boards.

"Somewhere in the middle will lie the truth, to make sure you get that right."

Mander says investor attendance at annual shareholder meetings has been falling for decades, which is understandable given many are in funds and are not direct investors and the events can be hard to get to.

But he urges any investor who qualifies and is able to, to attend a meeting. "Meetings are still really important, because it's your one chance a year to get in front of those directors and eyeball them to ask questions."