

# Celebrating 20 Years of the S&P/NZX 50 Index and the Growth of Index-Based Investing in New Zealand

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March 3, 2023, marks 20 years since the [S&P/NZX 50](#) Index was launched. The milestone is a timely reminder to reflect on the considerable evolution of New Zealand's capital market, which is echoed in the index's composition today.

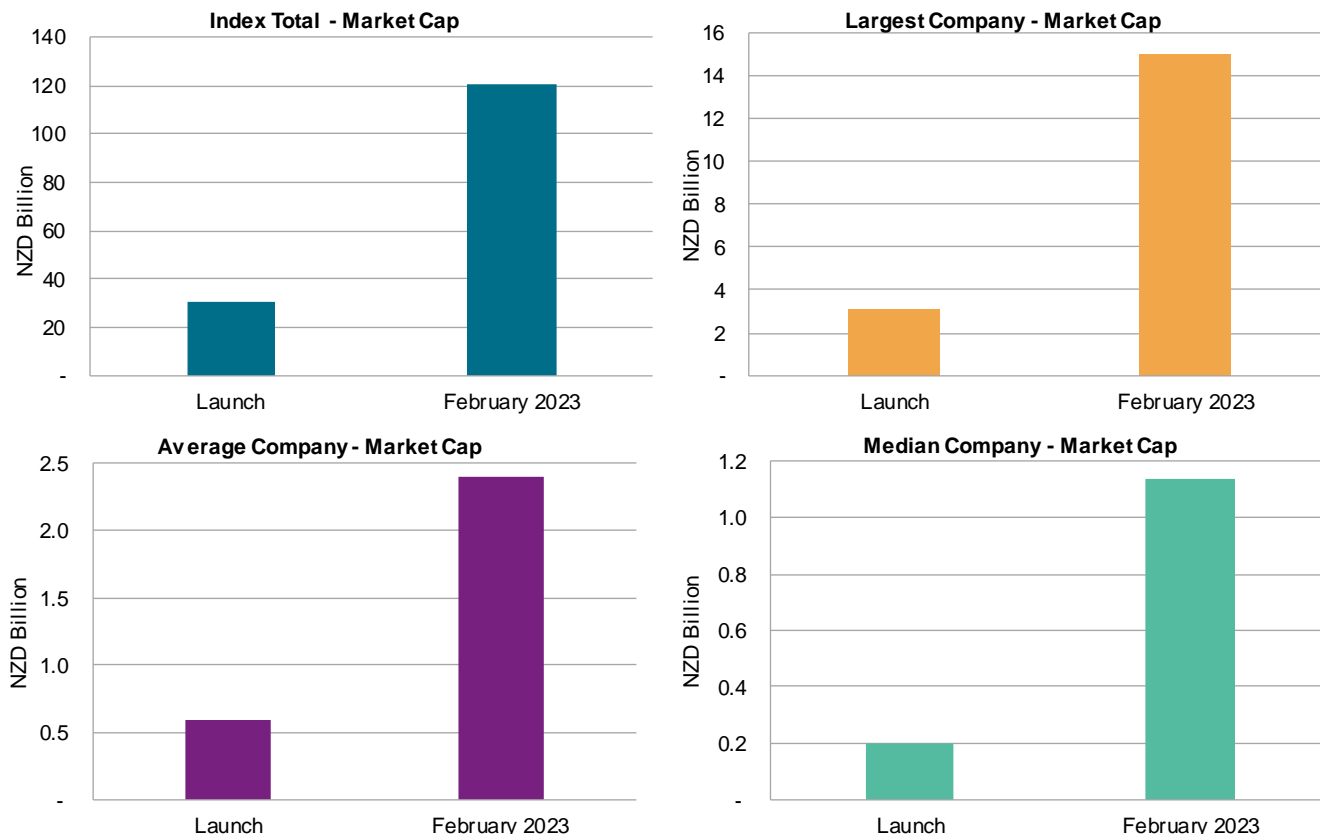
Before we do that, let's briefly review what has changed in New Zealand during this period. The population has grown by nearly 30%—from under four million to over five million. The minimum wage has more than doubled from NZD 8 to over NZD 20 per hour. In politics, the Kiwis have seen five Prime Ministers and seven elections. In sports, New Zealand athletes have won 25 gold medals in 10 summer and winter Olympic games. The All Blacks have had 10 captains, while the Ranfurly Shield has changed hands 28 times.

## The Headline Index Has Reflected New Zealand's Capital Market Growth

Twenty years ago, the S&P/NZX 50 Index (previously the NZSE 50) replaced the NZSE 40 as New Zealand's headline stock market index. The index is widely used by market participants and plays a pivotal role in guiding investors on liquidity, quality and performance of the market.

Since March 3, 2003, the index has increased by nearly NZD 90 billion in total market capitalization, while the largest company, as well as the average and median market capitalization have all grown approximately four to five times in size. This has resulted in a total return of well over 500%, or an annualized return of almost 10% per year. The [S&P/NZX 50 Portfolio Index](#), which caps the largest constituent at 5%, has performed even better over the two decades.

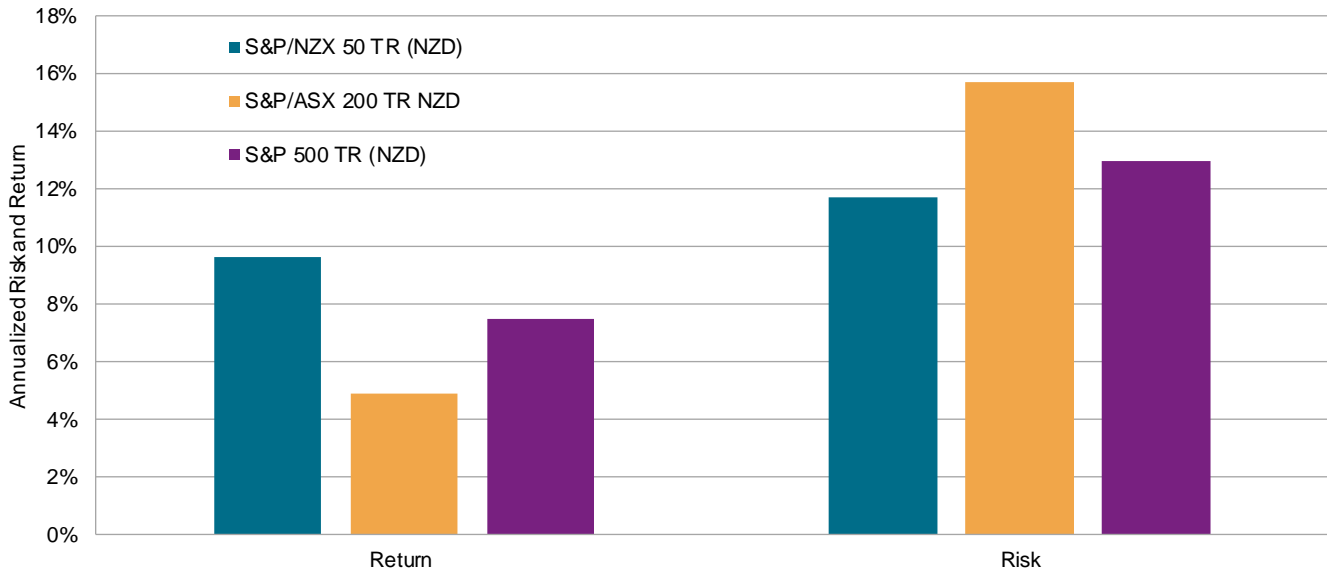
**Exhibit 1: S&P/NZX 50 Index Company Size Characteristics – Then and Now**



Source: S&P Dow Jones Indices LLC. Data from March 3, 2003, through Feb. 28, 2023. Index performance is based on total return in NZD. Charts are provided for illustrative purposes.

New Zealanders may be accustomed to beating Australia in rugby, but is often second in terms of capital market dominance. While stock market performance has been closely matched in local currency terms, the S&P/NZX 50 Index has outperformed the S&P/ASX 200 (before fees and taxes in New Zealand dollar terms) since inception and has exhibited better risk-adjusted performance, offering lower volatility despite having only a quarter of the constituents. The same has been true when compared with U.S. equities—with the S&P/NZX 50 Index offering better return at lower risk than the S&P 500® (before taxes in New Zealand dollar terms; see Exhibit 2).

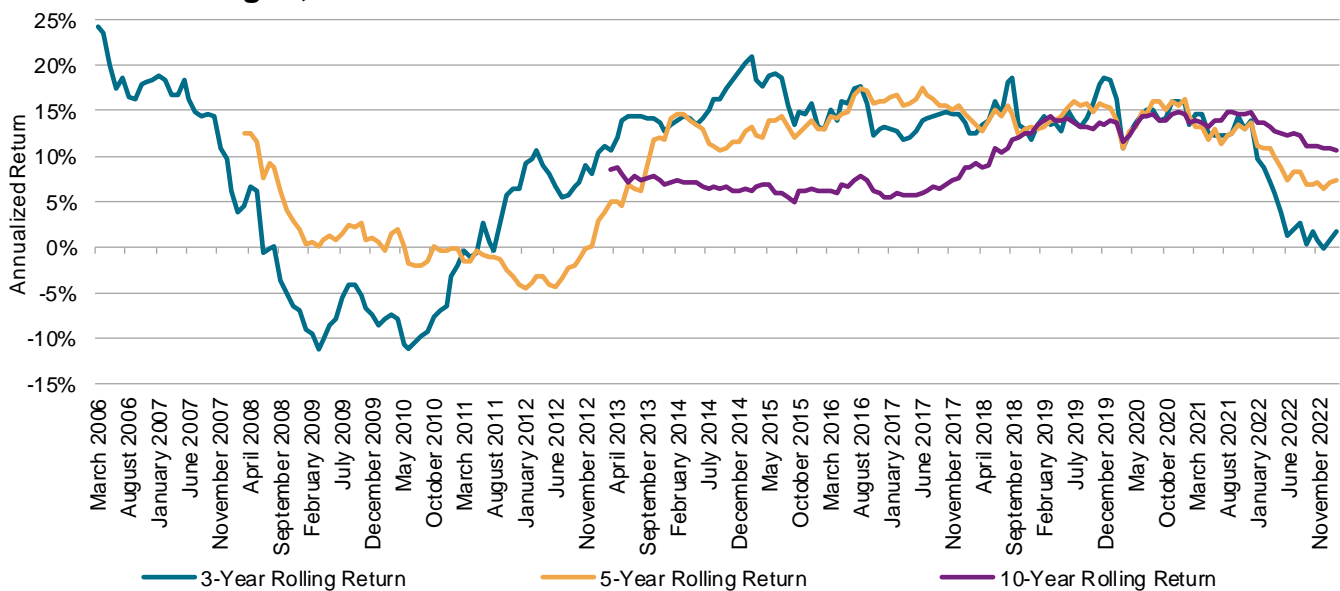
### Exhibit 2: Annualized Risk and Return



Source: S&P Dow Jones Indices LLC. Data from March 3, 2003, through Feb. 28, 2023. Index performance is based on total return in NZD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The last 20 years have brought on some challenging market environments, including a global financial crisis and the COVID-19 pandemic. However, the S&P/NZX 50 Index has remained resilient. When looking at monthly returns over three- and five-year holding periods, the S&P/NZX 50 Index delivered positive performance in over 80% of the periods observed and in 100% of the 10-year periods.

### Exhibit 3: Rolling 3-, 5- and 10-Year Annualized Returns of S&P/NZX 50 Index

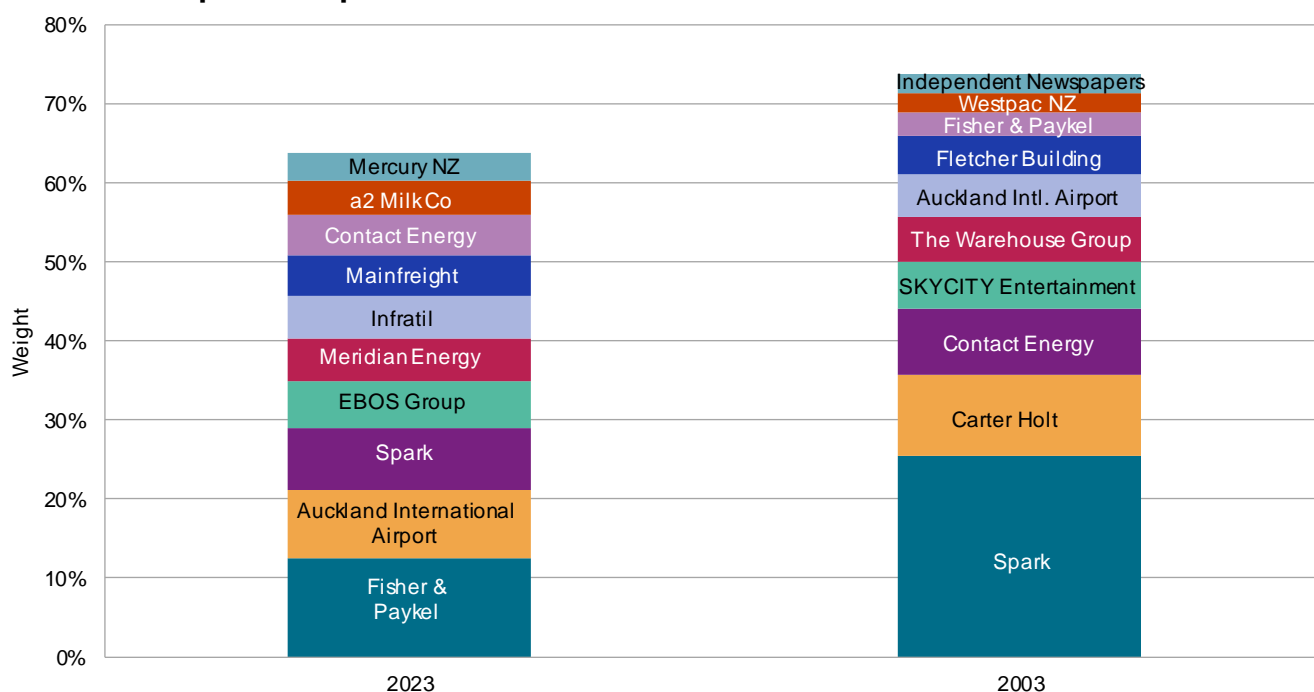


Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# The Largest New Zealand-Listed Companies Have Shifted to Health Care

The makeup of the market-cap-weighted S&P/NZX 50 Index has also changed considerably. It has become more diversified—with the top 10 companies today amounting to a weight of approximately 63.8%, dropping more than 10% compared to 20 years ago—when Spark alone claimed a 25% weight. Today, there is more room for companies outside the top 10 to have a meaningful impact on index performance.

**Exhibit 4: Top 10 Companies in the S&P/NZX 50 Index – Then and Now**



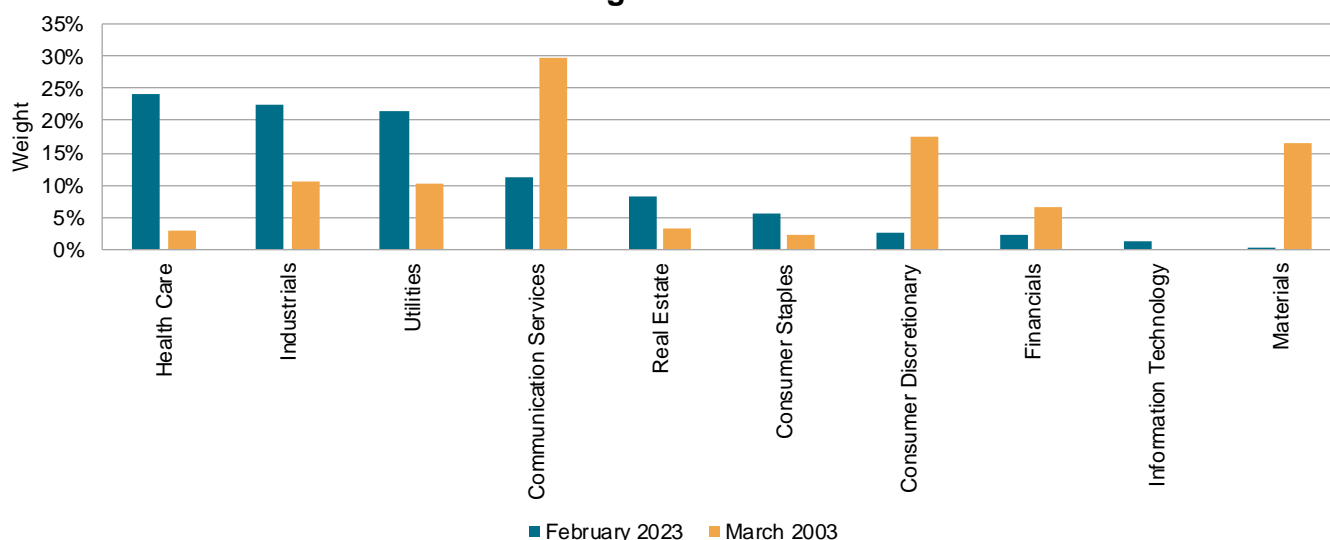
Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2023. Chart is provided for illustrative purposes.

More than half of today’s top 10 companies were not in the top 10 at launch. The types of companies in the broader index have also substantially changed over the past two decades. When applying the current Global Industry Classification Standards (GICS®) to the index in March 2003 and comparing with today’s sector breakdown, there are some stark differences.

For example, Health Care and Industrials companies currently make up the two largest sectors of the S&P/NZX 50 Index, at approximately 24% and 22%, respectively. EBOS Group, Ryman Healthcare Group and Summerset Group have all seen impressive share price growth since listing on the NZX and, along with Fisher & Paykel Healthcare, help make the sector the largest in the S&P/NZX 50 Index, compared with its 3% weight in March 2003.

Conversely, the weight of the Communication Services sector in the S&P/NZX 50 Index has shrunk by more than 18% since launch. Both Spark and Sky Network Television’s weight in the index have decreased by more than 50% over the past two decades, while other companies have grown at a faster rate. Spark also allocated a portion of its share float offshore. Consumer Discretionary companies have also reduced their importance in the index—well-known Kiwi retailers such as Michael Hill, the Warehouse, Briscoes and Restaurant Brands (owner of New Zealand franchises for Pizza Hut and KFC) are either no longer eligible for inclusion in the index or have been reduced in weight. Meanwhile, the privatization of Carter Holt Harvey and delisting of Tenon Limited has reduced the weight of the Materials sector.

**Exhibit 5: S&P/NZX 50 Index Sector Weights – Then and Now**



Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2023. Chart is provided for illustrative purposes and reflects hypothetical historical index composition. Global Industry Classification Standards (GICS) weights are current for Feb. 3, 2023, and hypothetical for March 3, 2003. Please see the Performance Disclosure linked at the end of this post for more information on the inherent limitations associated with back-tested performance.

## S&P/NZX 50 Index Underpins the Growth of Index-Based Investment Products

Twenty years ago, investors may still have filled out forms or called their broker to invest in shares and mutual funds. However, with the proliferation of exchange-traded funds (ETFs), investors can now access a diversified selection of companies with a few clicks of a mouse or taps on a screen.

Since the first New Zealand equity ETF was launched in 1996, the number of ETFs or listed investment trusts that domestic investors can access via the New Zealand Exchange (NZX) has grown to almost 50 across all asset classes.

ETFs typically use an objective market index as a starting point to track or benchmark their performance. Presently, the S&P/NZX 50 Index and S&P/NZX 50 Portfolio Index are both used as the basis for an ETF listed on the NZX. These are the two largest New Zealand equity ETFs on the market, with a combined value of over NZD 1.2 billion. Furthermore, over 75% of the approximately NZD 2.50 billion<sup>1</sup> invested in passive New Zealand equity funds track the S&P/NZX 50 Index or the S&P/NZX 50 Portfolio Index, with the remaining portion of passive funds using other S&P/NZX Indices, such as the [S&P/NZX 10 Index](#) and [S&P/NZX 20 Index](#).

Combining passive and active funds, asset owners in New Zealand have an estimated NZD 113.1 billion<sup>2</sup> invested in domestic and foreign-listed equities. The vast majority of domestically invested assets use the S&P/NZX 50 Index or an S&P/NZX alternate as their underlying benchmark.

## The Evolution of S&P/NZX Index Series Has Helped Define New Zealand's Investment Infrastructure

The S&P/NZX Indices underpin both active and passive investment strategies developed by fund managers, asset owners and Superannuation/KiwiSaver schemes. The indices enable ETF providers to develop index-based products that offer a low cost, diversified strategy that tracks New Zealand-listed companies via a transparent and objective index methodology.

In the past two decades, the S&P/NZX Index Series has expanded well beyond the S&P/NZX 50 Index and S&P/NZX 50 Portfolio Index to offer a suite of indices covering a number of market segments, sectors and strategies, including fixed income and imputation credit indices. More recently, the small-cap oriented S&P/NZX Emerging Opportunities Index, as well as carbon efficient and ESG tilted indices have been added to the S&P/NZX Index offerings. Please see the Appendix for a list of all S&P/NZX Indices.

Today, the S&P/NZX Index Series represents the most widely used benchmarks for New Zealand investment funds, thus serving an integral role in New Zealand's investment infrastructure.<sup>3</sup>

<sup>1</sup> Morningstar Direct Fund Size data (Retail) for passive New Zealand equity investment funds as of Dec. 31, 2022.

<sup>2</sup> Reserve Bank of New Zealand Managed Funds Survey, Q3, 2022. Listed Equities includes New Zealand and foreign equity securities. In Morningstar (Retail) survey of 379 funds over 75% of NZ Equity funds and ETFs use S&P/NZX 50 Index.

<sup>3</sup> For more information see <https://www.spglobal.com/spdji/en/documents/additional-material/brochure-the-sp-nzx-indices.pdf>.

# Appendix

## Exhibit 6: S&P/NZX Equity Indices

Index Name	Launch Date
S&P/NZX All Index	Jan. 2, 1987
S&P/NZX 10 Index	Dec. 31, 1989
S&P/NZX SmallCap Index	April 28, -1993
S&P/NZX MidCap Index	April 7, 1997
S&P/NZX 50 Portfolio Index	March 3, 2003
S&P/NZX 50 Index	March 3, 2003
S&P/NZX Primary Sector Investable Equity Index	Oct. 16, 2009
S&P/NZX Primary Sector Equity Index	Oct. 16, 2009
S&P/NZX 20 Index	April 23, 2012
S&P/NZX 50 High Dividend Index	March 25, 2015
S&P/NZX Morrison Index	March 26, 2015
S&P/NZX All Materials (Sector)	June 22, 2015
S&P/NZX All Information Technology (Sector)	June 22, 2015
S&P/NZX All Consumer Staples (Sector)	June 22, 2015
S&P/NZX All Health Care (Sector)	Jun 22, 2015
S&P/NZX All Industrials (Sector)	June 22, 2015
S&P/NZX All Utilities (Sector)	June 22, 2015
S&P/NZX All Financials (Sector)	June 22, 2015
S&P/NZX All Energy (Sector)	June 22, 2015
S&P/NZX All Consumer Discretionary (Sector)	June 22, 2015
S&P/NZX All Communication Services (Sector)	June 22, 2015
S&P/NZX Real Estate Select Index	Oct. 12, 2015
S&P/NZX All Real Estate (Sector)	Sept. 19, 2016
S&P/NZX 50 New Zealand Revenue Exposure Index (NZD)	May 7, 2015
S&P/NZX 50 Foreign Revenue Exposure Index (NZD)	May 7, 2015
S&P/NZX 50 Foreign Revenue Exposure Index (USD)	May 7, 2015
S&P/NZX 50 Portfolio Ex-REIT Index (NZD)	May 23, 2019
S&P/NZX 50 Ex-REIT Index (NZD)	May 23, 2019
S&P/NZX All Ex-REIT Index (NZD)	May 23, 2019
S&P/NZX Emerging Opportunities Index (NZD)	June 22, 2019
S&P/NZX 50 Portfolio Carbon Efficient Index (NZD)	May 3, 2021
S&P/NZX 50 Carbon Efficient Index (NZD)	May 3, 2021
S&P/NZX 50 Portfolio ESG Tilted Index (NZD)	July 12, 2021
S&P/NZX 50 ESG Tilted 15/40 Capped Index (NZD)	Jan. 30, 2023

Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2023. Table is provided for illustrative purposes.

## Performance Disclosure/Back-Tested Data

All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

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