

### **Orient Capital reveals super, index & sovereign funds' ASX investment trends**

- Super funds' internalisation doubles direct investment in ASX200 in five years
- Growth in North American ASX investment driven by big three index funds
- Norway and Japan offset substantial decline in Chinese sovereign investment

**22 November 2019:** Orient Capital, the investor relations division of Link Group, has today released new data outlining the major trends shaping ownership in the Australian equities market, with significant implications for boards, executives and investor relations officers (IROs).

Orient Capital's 2019 *Ownership Trends in Australia* draws upon unique data collated through its work serving 80 per cent of ASX 300 companies. It reveals how Australian super funds, and international pension, sovereign wealth, and index funds have invested in Australian equities and taken an increasing interest in ESG performance over the last five years.

### **Super funds internalise mandates, ESG expertise**

The report reveals Australian super funds have more than doubled their direct investment in the ASX 200 over the last five years, from less than \$24 billion in 2014 to more than \$54 billion, as their total assets under management have grown and funds increasingly internalised their investment mandates. This included an 8 per cent increase in the year ending July 2019, from \$50.4 billion to \$54.6 billion.

Orient Capital ANZ General Manager, Justin Ellis, said the trend towards internalisation is changing how ASX listed companies and super funds engage with each other.

"The most significant trend in the data is the shift towards super funds managing their own investment strategies in-house, reflecting the investment that funds have made in building their own internal capabilities, and their desire to have greater control and visibility over how their capital is deployed," he said.

"UniSuper exemplifies this approach, having increased their overall investment in the ASX 200 in each of the last five years, and over that time also internalising the management of more than three-quarters of that investment.

"The flow-on effect is that super funds have become a substantially more important and active presence on the registries of ASX 200 companies, and in turn are now at the forefront of pushing for transparent and best practice ESG performance. The feedback we have received is that most companies have recognised this trend and are improving how they communicate with funds, but that there remains room for improvement – particularly outside of the ASX 20."

## **US index funds and Norges offset Chinese sovereign and pension fund exodus**

Australian investors accounted for approximately 70 per cent of issued capital in the ASX 200 in July 2019, with institutional and retail investors accounting for 42 and 28 per cent respectively.

North America represented the second largest source of ownership in the ASX 200 at 14.5 per cent, a 21 per cent increase from 2014 (12%). Almost all of these gains have come through US-based index funds, which now account for more than 60 per cent of US investment in the ASX 200, and of which more than 90 per cent is managed by three firms – Vanguard, BlackRock and State Street Global Advisors.

“There is a misconception among some boards and executives that the passive investment approach of index investors translates to a passive approach to ESG. In our experience this is certainly not the case,” Mr Ellis said.

“Boards and IROs must ensure they have visibility over which index funds are on their register, what their policy is on corporates approaching them, and attempt to gauge their voting intentions early – particularly when a transaction is involved. ESG performance should also be at the top of the list of topics they intend to communicate when they do engage.”

Elsewhere, Norway’s Norges Bank and the Government Pension Investment Fund of Japan (GPIF), the two largest sovereign wealth funds in the world, have greatly increased their direct investment in the ASX 200 over the last five years. Norges and GPIF have increased their investments in the ASX 200 by 71 and 73 per cent over the last five years to \$20.7 billion and \$11.4 billion respectively.

Conversely, ASX 200 ownership by China’s sovereign wealth and pension funds has decreased considerably over the last five years, from \$25.8 billion in 2014 to \$11.1 billion in 2019, with a fall of almost \$2 billion in the last 12 months alone.

“The rapid decline in Chinese sovereign wealth and pension fund investment in the ASX 200 is significant, however it may suggest a strategic shift towards other asset classes locally, rather than a purposeful withdrawal of capital from the market entirely,” Mr Ellis said.

“In either case, the growth in investment from other overseas sovereign wealth and pension funds has made up the shortfall. Norges’ announcement earlier this year that it would divest and cease investment in major oil, gas and coal development companies could however have severe implications for the Australian market, given its increased presence in the ASX 200.”

“This development further emphasises the importance of clear, concise and purposeful engagements with sovereign investors, particularly around ESG matters.”

The full *Ownership Trends in Australia* 2019 Update is available [here](#).



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**Media Contact**

Jonathan Costello, GRACosway, +61 424 096 770, [jcostello@gracosway.com.au](mailto:jcostello@gracosway.com.au)

**About Orient Capital**

Orient Capital, the investor relations division of Link Group, is a global leader in share ownership analytics, market intelligence, investor communication and shareholder management technology.

Orient Capital is the largest analyser of share registers globally and the dominant provider of equity ownership analytics to listed companies in multiple markets. In addition, Orient Capital's unique web-based, capital markets' management platform, is the desktop investor relations solution of choice for approximately 2,000 listed companies in the UK, Europe, Australasia, Asia and Africa.

For more information, please visit: [www.orientcap.com](http://www.orientcap.com).

**About Link Group (ASX: LNK)**

Link Administration Holdings (Link Group) administers financial ownership data and drives user engagement through technology. Underpinned by our investment in technology, people and processes, we deliver comprehensive data and information solutions for companies, large asset owners and trustees across the globe. We are a market-leading provider of technology-enabled administration solutions, continually developing our offerings to expand with our clients' needs.

Our core business, which consists of retirement & superannuation solutions and securities registration, is complemented by our expertise in digital solutions and data analytics. Our clients represent all industries and include some of Australia's largest superannuation funds and the world's largest corporations.

For more information, please visit: [www.linkgroup.com](http://www.linkgroup.com)