

Investment and Property Subcommittee
Wednesday 26 February 2020 at 1.00pm

AGENDA

Investment and Property Subcommittee Agenda

Meeting to be held in the Council Chamber
36 Water Street, Whangārei
on Wednesday 26 February 2020, commencing at 1.00pm

Recommendations contained in the agenda are NOT decisions of the meeting. Please refer to minutes for resolutions.

MEMBERSHIP OF THE INVESTMENT AND PROPERTY SUBCOMMITTEE

Chairperson, NRC Councillor Rick Stolwerk

Councillor Justin Blaikie

Councillor John Bain

Councillor Colin Kitchen

Ex-Officio Penny Smart

Independent Financial Advisor

Geoff Copstick

Item	Page
1.0 APOLOGIES	
2.0 DECLARATIONS OF CONFLICTS OF INTEREST	
3.0 CONFIRMATION OF MINUTES	
3.1 Confirmation of Minutes - 16 December 2019	3
4.0 REPORTS	
4.1 Performance of Councils Externally Managed Funds to 31 January 2020	6
4.2 Mount Tiger Forest Quarter Two Report (October - December 2019)	24
5.0 BUSINESS WITH THE PUBLIC EXCLUDED	28
5.1 Confirmation of Confidential Minutes - 16 December 2019	
5.2 Value of Consolidated Whangarei CBD Properties	

TITLE: Confirmation of Minutes - 16 December 2019


ID: A1286905

From: Dave Tams, Group Manager, Corporate Excellence

Recommendation

That the minutes of the Investment & Property Subcommittee meeting held on 16 December 2019 be confirmed as a true and correct record.

Attachments/Ngā tapirihanga

Attachment 1: Investment & Property Subcommittee minutes 16 December 2019 [↓](#) 

Authorised by Group Manager

Name: Dave Tams

Title: Group Manager, Corporate Excellence

Date: 24 February 2020

Extraordinary Investment and Property Subcommittee Minutes

Meeting held in the Whale Bay Rm 3rd floor
36 Water Street, Whangārei
on Monday 16 December 2019, commencing at 1.00pm

Present:

Chairperson, NRC Councillor Rick Stolwerk
Councillor Justin Blaikie – Phoned in
Councillor John Bain
Ex-Officio Penny Smart
Independent Financial Advisor Geoff Copstick

In Attendance:

Full Meeting

Councillor Jack Craw
Chief Executive
Group Manager Corporate Excellence
Strategic Projects Manager
Property Officer
Personal Assistance to Group Manager Corporate Excellence

Part Meeting

Ian Jenkins – Jenksmax Consulting Limited

The Chair declared the meeting open at 1.05pm.

Apologies/Whakapahā (Item 1.0)

Moved (Bain / Smart)

That the apologies from Councillor Colin Kitchen for non-attendance be received.

Carried

Declarations of Conflicts of Interest (Nga whakapuakanga) (Item 2.0)

It was advised that members should make declarations item-by-item as the meeting progressed.

Secretarial Note: Item 4.1 was addressed following Item 4.2.

1. Whangarei District Council's Civic Centre (Item 3.1)

ID: A1267030

Report from Phil Heatley, Strategic Projects Manager

Moved (Bain / Smart)

That the report 'Whangarei District Council's Civic Centre ' by Phil Heatley, Strategic Projects Manager and dated 6 December 2019, be received.

Carried

Strategic Projects Manager to reply back to Whangarei District Council (WDC) to advise Northland Regional Council has a property strategy in place that does not include relocating in Whangarei. Interested in what WDC is proposing to NRC and will consider it.

Moved (Bain / Smart)

1.30pm Moved into Business with Public Excluded (Item 4.0)

Recommendations

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
4.1	Request to Purchase Whangarei CBD Properties	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h) and the withholding of which is necessary to enable council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(i).
4.2	Draft Forest Management Plan 2020-2024	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(b)(ii) and the withholding of which is necessary to prevent the disclosure or use of official information for improper gain or improper advantage s7(2)(j).

3. That the Independent Financial Advisor be permitted to stay during business with the public excluded.

Carried

Moved (Bain / Smart)

The meeting concluded at 3.02.pm.

Carried

TITLE: Performance of Councils Externally Managed Funds to 31 January 2020

ID: A1288563

From: Simon Crabb, Finance Manager

Executive summary/Whakarāpopototanga

At this stage of the year the total actual gains generated from our Managed Fund portfolio is \$3.3M. The corresponding budget for the full year is \$2.9M.

The gains generated from the Managed fund portfolio are utilised to fund:

- council's general operations (this year's general funding contribution is budgeted at \$2.1M)
- related investment advisor fees,
- investment into the Opex Reserve (a source of funds to cover any unanticipated loss in councils funding arising from adverse economic conditions)
- reinvestment (recapitalisation) back to the capital value of a fund.
- other projects.

A summary of the returns and target objectives for the 7 months ending 31 January 2020 for councils 2 managed funds is presented below, with the supporting detail and fund performance for longer periods contained in Attachment 1. All monthly, quarterly and year to date (YTD) return percentages in this report and its attachment are **not** annualised.

7 Months Ending 31 January 2020	Long Term Fund (LTF)	Short Term Fund (STF)
Fund Return %	6.2%	4.9%
Fund Objective %	3.8%	2.6%
Fund Over / (Under) Performance	2.4%	2.3%

Recommendation

That the report 'Performance of Councils Externally Managed Funds to 31 January 2020' by Simon Crabb, Finance Manager and dated 20 February 2020, be received.

Background/Tuhinga

Long Term Investment Fund (LTF)

At 31 January 2020, the LTF has an overall market value of \$46.3M, comprising of funds attributable to: Infrastructure Investment of \$22.1M; Property Reinvestment of \$8.2M; and Community Investment of \$16M.

The LTF has performed as follows:

LTF	1 month		Quarter		YTD						1 year		Since inception	
	Return	Objective	Return	Objective	Return	Objective	Budget	Return \$	Budget \$	Var \$	Return	Objective	Return	Objective
	1.5%	0.5%	2.6%	1.6%	6.2%	3.8%	3.0%	\$2.95M	\$1.31M	\$1.64M	13.0%	6.4%	7.1%	5.8%

Short Term Investment Fund (STF)

At 31 January 2020, the STF has an overall market value of \$11.1M, comprising of funds attributable to Working capital requirements of \$4.6M and Property Reinvestment of \$6.5M.

The STF has performed as follows:

STF	1 month		Quarter		YTD						1 year		Since inception	
	Return	Objective	Return	Objective	Return	Objective	Budget	Return \$	Budget \$	Var \$	Return	Objective	Return	Objective
	1.2%	0.4%	2.0%	1.1%	4.9%	2.6%	2.6%	\$323k	\$179k	\$144k	11.7%	4.6%	8.1%	5.3%

The values reported in the year to date "Return \$" columns above include the actual returns earned in the month of January 2020 (\$887K) as opposed to an estimated gain accrual (\$281K) used in January's Financial Report presented to council on 18 February 2020).

Attachments/Ngā tapirihanga

Attachment 1: EriksensGlobal Monthly Report 31 January 2020 [↓](#) 

Authorised by Group Manager

Name: Dave Tams
Title: Group Manager, Corporate Excellence
Date: 21 February 2020

ERIKSENSGLOBAL

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL EXTERNALLY MANAGED INVESTMENT FUNDS

MONTHLY REPORT 31 JANUARY 2020

19 FEBRUARY 2020

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Northland Regional Council
Monthly Report 31 January 2020

CONTENTS

Executive Summary	3
Introduction.....	4
Long Term Fund	5
Short Term Fund.....	8
Standard Deviation of Returns	10
Market Performance and Economic Commentary.....	11
Appendix 1: Benchmarks.....	14
Appendix 2: NRC Total Funds Under Management.....	15

Northland Regional Council
Monthly Report 31 January 2020

EXECUTIVE SUMMARY

NRC Fund	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	Inception (p.a.) %
LTF	1.5	2.6	6.2	13.0	8.3	7.1
Objective	0.5	1.6	3.8	6.4	6.3	5.8
Over / Underperformance	1.0	1.0	2.4	6.6	2.0	1.3
STF	1.2	2.0	4.9	11.7	8.6	8.1
Objective	0.4	1.1	2.6	4.6	4.9	5.3
Over / Underperformance	0.8	0.9	2.3	7.1	3.7	2.8

- The LTF and STF outperformed their objectives over all periods analysed.
- Returns over the month were driven by New Zealand and Australian equities. Australian equities recovered after the effects of bushfires in December. Bond markets supported returns in January as yields decreased over the month. Global equities were volatile following events in Iran and the spread of Coronavirus. As a result of this market environment, the multi-asset growth and income funds performed well. Despite volatile global equity markets, T. Rowe Price was the key driver of returns for the month. A stronger NZD against the AUD detracted from performance over the month for the unhedged exposure.
- The transition to consolidate the PRF and STIF was actioned in November to form the new Short Term Fund. The transition to consolidate the CIF and IIF was also actioned to form the new Long Term Fund. The remaining transactions to make before the asset allocation is in line with the final SIPO adopted 18 February are as follows:
 - The new private equity investments in Continuity Capital PE Fund No.5 (LTF) and Direct Capital VI.
 - The new investment in the Mint Diversified Growth Fund (STF).

Northland Regional Council
Monthly Report 31 January 2020

INTRODUCTION

This is the monthly investment report to the Northland Regional Council by EriksensGlobal and is based on the following Statement of Investment Policy and Objectives for each separate Fund:

- Long Term Fund – 18 February 2020
- Short Term Fund – 18 February 2020

Investment Objective (Net of Fees)
Long Term Fund
NZ CPI (rolling over three years) plus 4.5% per annum
Short Term Fund
90-day Bank Bill Index plus 3% per annum

The NZ CPI (rolling over three years) as at **December 2019 was 1.8% per annum**. The Fund objectives for shorter time periods have been amended to reflect the actual CPI change for that period (where possible).

All performance figures are time-weighted returns shown **net** of fees, **gross** of tax and include currency gains and losses associated with conversion back to NZD. Past performance is not necessarily a guarantee of future performance and care should be exercised not to make decisions based on past performance only.

The returns have been calculated from monthly data provided by each asset manager. There may therefore be a discrepancy if the amounts invested in a particular asset have changed during the month.

Each Fund is invested in a multi-manager structure, with the managed products holding their own individual mandate (see Appendix 1).

Underlying Fund allocations are categorised as follows:

- Growth assets: global shares, Australasian shares, property and Australasian private equity
- Income assets: global bonds, Australasian bonds and other debt instruments
- Cash assets: cash or short duration bonds

The financial year-end for the Fund is 30 June, thus year-to-date returns are for **seven** months.

Northland Regional Council
Monthly Report 31 January 2020

LONG TERM FUND

PERFORMANCE SUMMARY

Performance Summary	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Growth Assets						
Aspiring	1.7	6.3	11.2	21.5	10.7	
Benchmark	0.5	1.5	3.5	5.9	5.8	
Over / Underperformance	1.2	4.8	7.7	15.6	4.9	
Castle Point 5 Oceans	-1.0	-0.1	2.4	5.8	5.6	
Benchmark	0.3	1.0	2.4	4.3		
Over / Underperformance	-1.3	-1.1	0.0	1.5		
Milford Active Growth	1.7	4.9	8.4	19.2	12.4	10.9
Benchmark	0.8	2.4	5.7	10.0	10.0	10.0
Over / Underperformance	0.9	2.5	2.7	9.2	2.4	0.9
Mint Div. Growth	1.1					
Benchmark	0.5					
Over / Underperformance	0.6					
Schroders RRF	0.5	-1.9	2.1	6.4	4.7	3.5
Benchmark	0.6	1.7	4.0	6.6	6.7	6.3
Over / Underperformance	-0.1	-3.6	-1.9	-0.2	-2.0	-2.8
T. Rowe Price	6.6	7.3	13.3	27.5		
Benchmark	-0.8	4.6	7.3	14.5		
Over / Underperformance	7.4	2.7	6.0	13.0		
Continuity Capital No.2	3.0	2.1	10.3			
Benchmark	1.2	3.6	8.5			
Over / Underperformance	1.8	-1.5	1.8			
Continuity Capital No.4	-0.6	1.8	2.5	3.8		
Benchmark	1.2	3.6	8.5	15.0		
Over / Underperformance	-1.8	-1.8	-6.0	-11.2		
MLC PE II	2.8	-0.6	7.3	10.0		
Benchmark	1.2	3.6	8.5	15.0		
Over / Underperformance	1.6	-4.2	-1.2	-5.0		
PCP III	0.0	8.5	17.3	26.9		
Benchmark	0.6	1.9	4.6	8.0		
Over / Underperformance	-0.6	6.6	12.7	18.9		
Income Assets						
BlackRock FIGO	-0.1	-2.0	1.5	4.5	3.7	
Benchmark	0.4	1.2	2.9	5.4	5.7	
Over / Underperformance	-0.5	-3.2	-1.4	-0.9	-2.0	
Harbour Income	1.6	2.3	6.3	13.1	7.8	6.5
Benchmark	0.4	1.1	2.6	4.8	4.8	4.4
Over / Underperformance	1.2	1.2	3.7	8.3	3.0	2.1
Milford Div. Income	1.3	2.2	5.2	13.2	9.4	9.4
Benchmark	0.3	0.9	2.1	3.8	4.1	4.3
Over / Underperformance	1.0	1.3	3.1	9.4	5.3	5.1
Mint Div. Income	1.3	1.8	3.6	8.9	6.4	5.7
Benchmark	0.4	1.2	2.9	4.9	4.8	4.4
Over / Underperformance	0.9	0.6	0.7	4.0	1.6	1.3
Total Fund	1.5	2.6	6.2	13.0	8.3	7.1
Fund Objective	0.5	1.6	3.8	6.4	6.3	5.8
Over / Underperformance	1.0	1.0	2.4	6.6	2.0	1.3

Northland Regional Council
Monthly Report 31 January 2020

CONTINUITY CAPITAL PE FUND NO.2 (HISTORICAL RETURN)

The table below shows the returns of Continuity Capital No.2, including the period before it was transferred from the old PRF to the CIF.

	1 Month %	3 Month %	YTD %	1 Year %	3 Year % p.a.
Continuity Capital PE Fund No.2	3.0	2.1	10.3	14.1	13.7
Benchmark	1.2	3.6	8.5	15.0	15.0
Value Added	1.8	-1.5	1.8	-0.9	-1.3

AUSTRALIAN DOLLAR-DENOMINATED FUND RETURNS

The following table shows the movements of the AUD/NZD cross rate which affect the unhedged Schroders, MLC and BlackRock returns. A negative change in the cross rate is beneficial to the unhedged NZD return, while a positive change is detrimental to the unhedged NZD return.

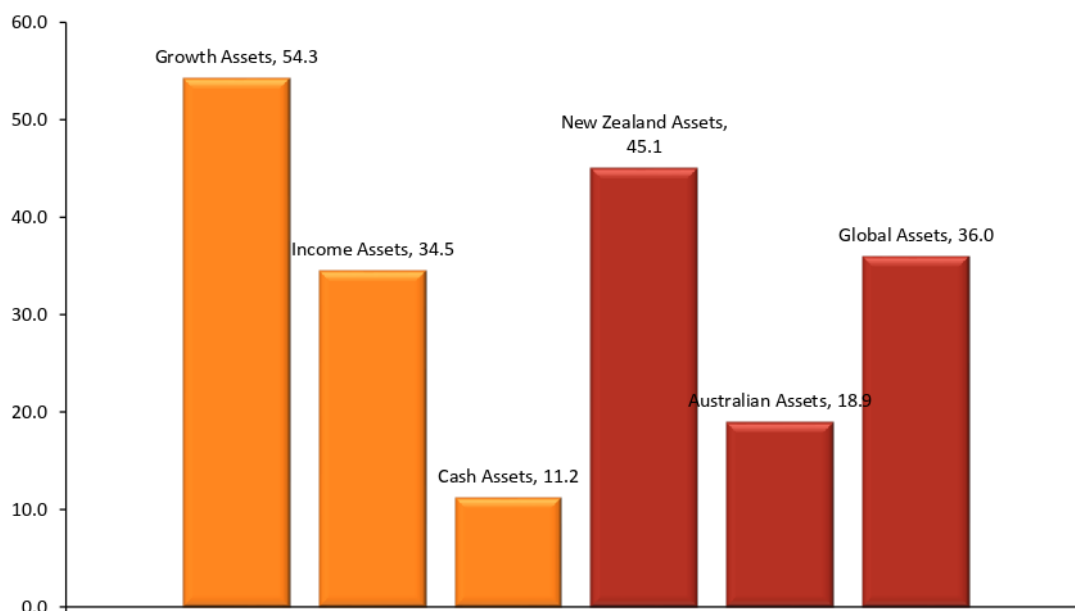
	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
AUD/NZD	0.7	3.9	1.0	1.6	0.0	0.7
Schroders RRF + 5% (NZD)	0.5	-1.9	2.1	6.4	4.7	3.5
Benchmark	0.6	1.7	4.0	6.6	6.7	6.3
Over / Underperformance	-0.1	-3.6	-1.9	-0.2	-2.0	-2.8
Schroders RRF + 5% (AUD)	1.3	1.7	3.0	7.9	4.6	4.2
Benchmark	0.6	1.7	4.0	6.6	6.7	6.3
Over / Underperformance	0.7	0.0	-1.0	1.3	-2.1	-2.1
MLC PE II (NZD)	2.8	-0.6	7.3	10.0		
Benchmark	1.2	3.6	8.5	15.0		
Over / Underperformance	1.6	-4.2	-1.2	-5.0		
MLC PE II (AUD)	3.6	3.2	8.3	11.8		
Benchmark	1.2	3.6	8.5	15.0		
Over / Underperformance	2.4	-0.4	-0.2	-3.2		
BlackRock FIGO (NZD)	-0.1	-2.0	1.5	4.5	3.7	
Benchmark	0.4	1.2	2.9	5.4	5.7	
Over / Underperformance	-0.5	-3.2	-1.4	-0.9	-2.0	
BlackRock FIGO (AUD)	0.6	1.8	2.6	6.2	3.7	
Benchmark	0.4	1.2	2.9	5.4	5.7	
Over / Underperformance	0.2	0.6	-0.3	0.8	-2.0	

Northland Regional Council
Monthly Report 31 January 2020

LTF OVERALL FUND ASSET ALLOCATION

Overall Fund Asset Allocation	Market Value		Target %	Target Range %	Status
	\$	%			
Growth Assets	28,318,642	61.2	67	50 - 85	✓
Diversified Growth	25,156,888	54.4	47	30 - 70	✓
Aspiring	6,599,458	14.3	7	5 - 15	✓
Castle Point 5 Oceans	5,291,869	11.4	10	5 - 15	✓
Milford Active Growth	3,993,717	8.6	10	5 - 15	✓
Mint Diversified Growth	1,810,872	3.9	5	0 - 10	✓
Schroders Real Return Fund + 5%	3,629,584	7.8	5	0 - 10	✓
T. Rowe Price Global Equity Growth	3,831,388	8.3	10	0 - 15	✓
Private Equity	3,161,755	6.8	20	0 - 35	✓
Continuity Capital PE Fund No.2 LP	1,263,676	2.7	4	0 - 8	✓
Continuity Capital PE Fund No.4 LP	446,323	1.0	4	0 - 8	✓
Continuity Capital PE Fund No.5 LP	0	0.0	4	0 - 8	✓
MLC PE II	859,014	1.9	4	0 - 8	✓
PCP III	592,741	1.3	4	0 - 8	✓
Income Assets	17,967,681	38.8	33	15 - 50	✓
Diversified Income	17,967,681	38.8	33	15 - 50	✓
BlackRock FIGO	1,155,116	2.5	3	0 - 10	✓
Harbour Income	4,837,308	10.5	10	0 - 15	✓
Milford Diversified Income	5,907,052	12.8	10	0 - 15	✓
Mint Diversified Income	6,068,205	13.1	10	0 - 15	✓
Cash	0	0.0	0	0 - 5	✓
Self-Managed	0	0.0	0	0 - 5	✓
Total Assets	46,286,323	100.0			

LTF UNDERLYING FUND ASSET ALLOCATION



Northland Regional Council
Monthly Report 31 January 2020

SHORT TERM FUND

PERFORMANCE SUMMARY

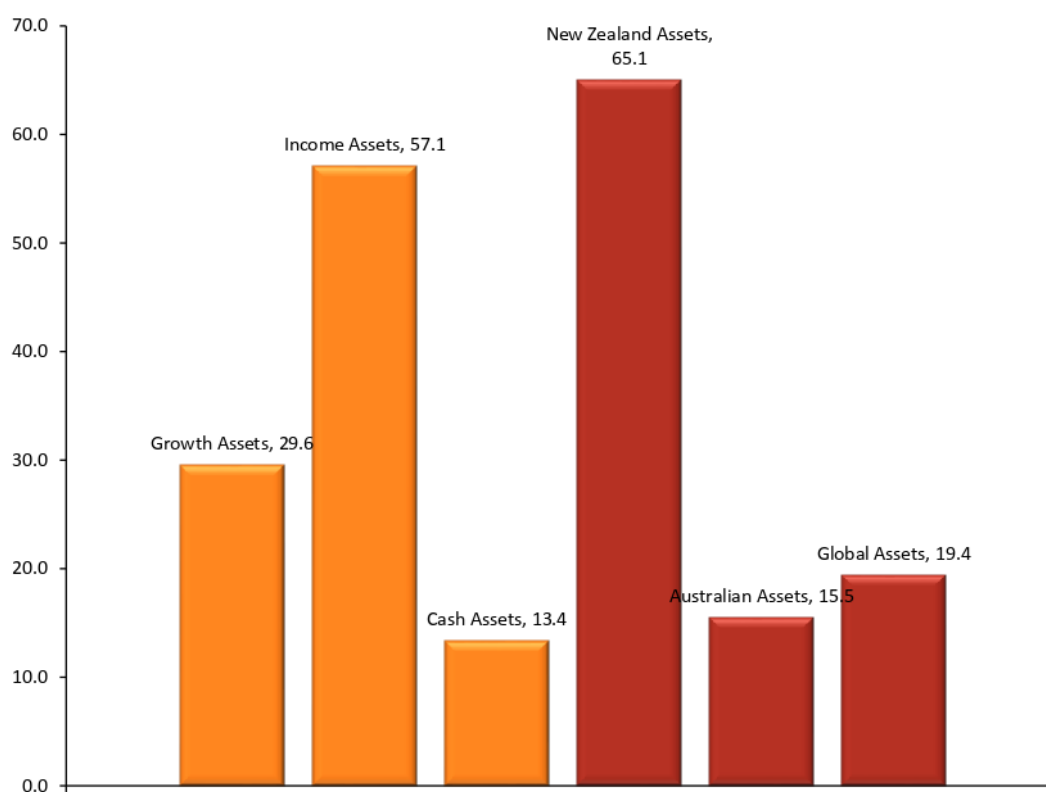
Performance Summary	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Growth Assets						
Castle Point 5 Oceans	-1.0	-0.1	1.3	4.7		
Benchmark	0.3	1.0	2.4	4.3		
Value Added	-1.3	-1.1	-1.1	0.4		
Milford Active Growth	1.7	4.7				
Benchmark	0.8	2.4				
Over / Underperformance	0.9	2.3				
Mint Diversified Growth						
Benchmark						
Value Added						
Income Assets						
Harbour Income	1.8	2.4	3.4	9.0		
Benchmark	0.4	1.1	2.6	4.8		
Value Added	1.4	1.3	0.8	4.2		
Milford Diversified Income	1.3	2.0	5.0	13.0	9.3	9.3
Benchmark	0.3	0.9	2.1	3.8	4.1	4.3
Over / Underperformance	1.0	1.1	2.9	9.2	5.2	5.0
Mint Diversified Income	1.3	1.6	3.4	8.7	6.3	5.6
Benchmark	0.4	1.2	2.9	4.9	4.8	4.7
Value Added	0.9	0.4	0.5	3.8	1.5	0.9
QuayStreet Income	1.4	1.9	4.2	9.4	6.3	
Benchmark	0.2	0.7	1.8	3.3	3.6	
Value Added	1.2	1.2	2.4	6.1	2.7	
Total Fund	1.2	2.0	4.9	11.7	8.6	8.1
Fund Objective	0.4	1.1	2.6	4.6	4.9	5.3
Value Added	0.8	0.9	2.3	7.1	3.7	2.8

Northland Regional Council
Monthly Report 31 January 2020

STF OVERALL FUND ASSET ALLOCATION

Overall Fund Asset Allocation	Market Value		Target	Target Ranges	Status
	\$	%	%	%	
Growth Assets	2,071,447	18.7	20	0 - 40	✓
Diversified Growth	2,071,447	18.7	20	0 - 40	✓
Castle Point 5 Oceans	1,023,401	9.2	10	0 - 20	✓
Milford Active Growth	1,048,046	9.5	5	0 - 20	✓
Mint Diversified Growth	0	0.0	5	0 - 20	✓
Income Assets	8,997,771	81.3	80	60 - 100	✓
Diversified Income	8,997,771	81.3	80	60 - 100	✓
Harbour Income	2,684,306	24.3	20	0 - 30	✓
Milford Diversified Income	1,414,002	12.8	20	0 - 30	✓
Mint Diversified Income	2,727,241	24.6	20	0 - 30	✓
QuayStreet Income	2,172,222	19.6	20	0 - 30	✓
Cash	0	0.0	0	0 - 5	✓
Self-Managed	0	0.0	0	0 - 5	✓
Total Assets	11,069,219	100.0			

STF UNDERLYING FUND ASSET ALLOCATION



STANDARD DEVIATION OF RETURNS

At the request of the Investment Sub-Committee we have included the table below showing the standard deviation of returns for each NRC Fund. We have also included two Morningstar Category Benchmarks and the NZX50 Index to provide some context.

The Morningstar category benchmarks are defined as below:

- The Multisector Balanced Category consists of funds that invest in a number of sectors and have 41% to 60% of their assets in growth sectors. These are typically defined as equity and property asset classes.
- The Multisector Moderate Category consists of funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors. These are typically defined as equity and property asset classes.

Standard deviation is a measure of variation around an average return. For example, if a fund returned 10% per annum on average over the past three years with a standard deviation of 3%, this means the annual return could have been between 7% and 13%. The higher the standard deviation, the wider the range in returns.

The investment industry has traditionally used standard deviation as one measure of risk. However, risk is complex and has many different sides to it so cannot be condensed into one measure. The use of standard deviation as a measure of risk can give a false impression of confidence, or a false impression of fear. The statistic does not tell us whether the variation in returns is more on the upside, or more on the downside. Neither does it tell us how frequent large falls may occur. We note that the figures below are based on past returns and are not a reliable indicator of the distribution of future returns. The figures are annualised and have been calculated using monthly returns.

Standard Deviation of Returns	1 Year %	3 Year (p.a.) %
LTF	2.1	3.2
STF	2.1	3.1
NZ Multi-Sector Balanced	5.3	5.2
NZ Multi-Sector Moderate	3.1	3.2
S&P/NZX 50	7.3	7.4

Over the one-year period each NRC Fund had a lower standard deviation than the NZX 50, Balanced benchmark and Moderate benchmark.

Over the three-year period each NRC Fund had a lower standard deviation than the NZX 50 and Balanced benchmark. The STF was slightly lower than the Moderate benchmark whereas the LTF had the same standard deviation.

Northland Regional Council
Monthly Report 31 January 2020

MARKET PERFORMANCE AND ECONOMIC COMMENTARY

MARKET PERFORMANCE

Financial market behaviour over the past year is summarised in the table below:

Index	1 Month %	3 Months %	1 Year %
Global Equities			
MSCI Emerging Markets	-3.3	2.9	6.5
S&P 500 (US)	-0.2	6.2	19.3
Nikkei 225 (Japan)	-1.9	1.2	11.7
FTSE 100 (UK)	-3.4	0.5	4.6
DAX (Germany)	-2.0	0.9	16.2
CAC 40 (France)	-2.9	1.3	16.3
Trans-Tasman Equities			
S&P/NZX 50	2.0	8.6	30.4
S&P/ASX 300	4.9	6.0	25.0
Bonds			
S&P/NZX NZ Government Stock	2.0	0.1	6.4
S&P/NZX A Grade Corporate Bonds	1.1	0.3	5.8
Barclays Global Aggregate Bonds (Hedged to NZD)	1.8	1.4	8.4
FTSE World Government Bonds (Hedged to NZD)	2.3	1.2	8.5
Oil			
West Texas Intermediate Crude Oil	-15.6	-4.8	-4.1
Brent Crude Oil	-15.2	-5.4	-7.5
NZD Foreign Exchange			
AUD	0.7	3.9	1.6
EUR	-2.8	1.6	-3.4
GBP	-3.6	-0.9	-6.9
JPY	-4.3	1.2	-7.1
CNY	-3.6	0.3	-2.6
USD	-4.1	0.9	-6.7

Source: Nikko Asset Management

We make the following key observations:

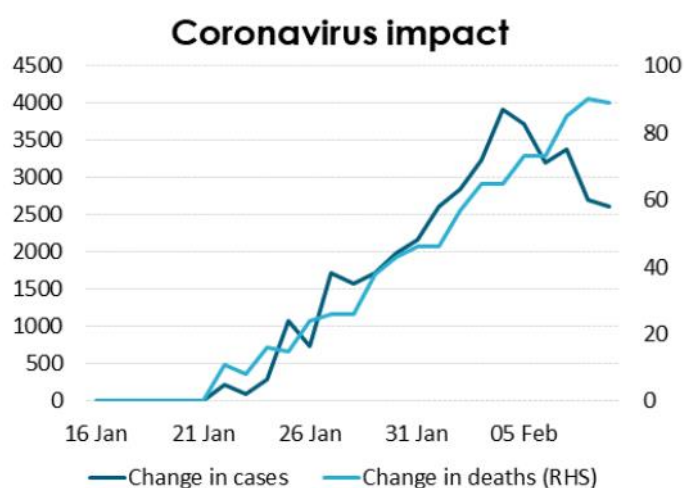
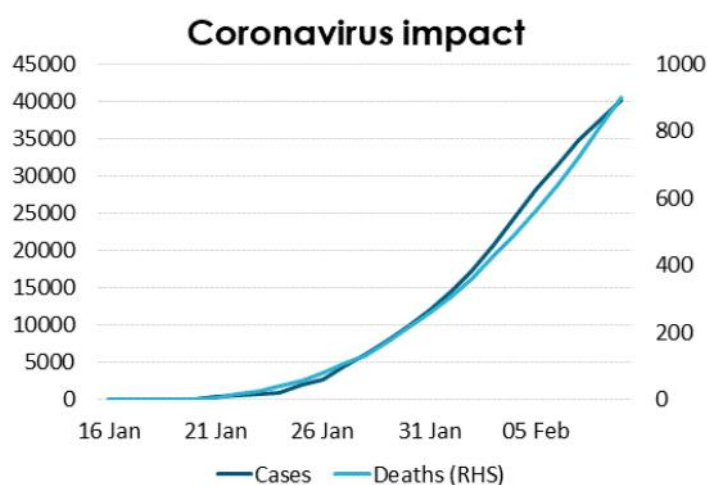
- Global equity markets were volatile through January due to the US assassination of an Iranian General and the Novel Coronavirus later in the month
- Bond market returns were positive for the month as some investors became more defensive and pushed prices
- The NZD fell against all currencies analysed except the AUD amidst a risk-off period in January

ECONOMIC COMMENTARY

Late last year global longer-term interest rates fell again on fears of slowing global growth. This boosted stock markets to fresh record highs.

The Coronavirus is affecting a range of countries and industries, not just China. This has slowed growth further and created uncertainty in investors' minds.

At this stage it is too early to predict how far it will spread. Already it is more serious than SARS in terms of the number of deaths and speed of infection. On the plus side the spread of the disease has been better managed. It is possible that the virus breaks out of China but so far the Chinese authorities and health professionals are doing an excellent job even though the human cost of suffering is high (see following graphs)

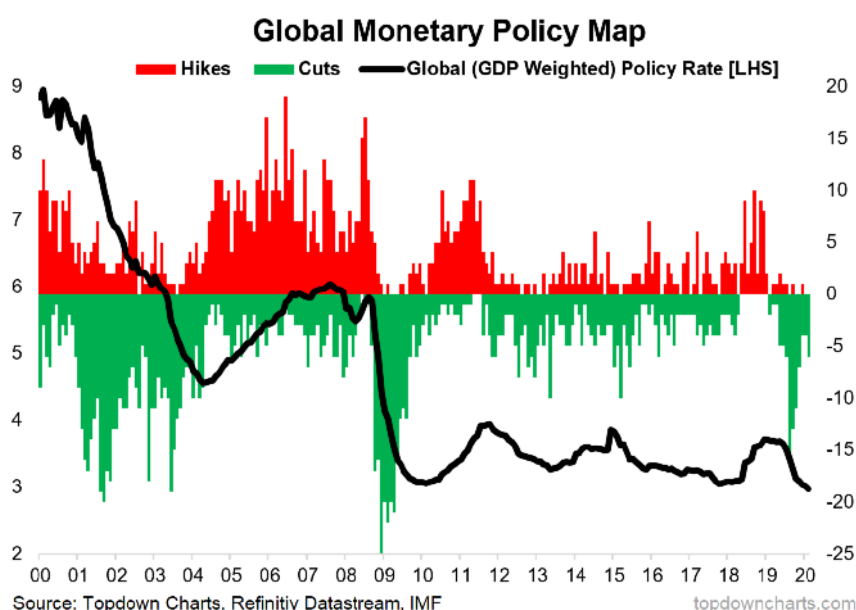


Source: Harbour Asset Management

Northland Regional Council
Monthly Report 31 January 2020

The Chinese stock market has dropped approximately 10%, global travel and tourism is reduced. Chinese manufacturing and imports have both slowed considerably. Australia and New Zealand are also affected. Australia because the Chinese demand for iron ore and coal has stopped. Educational tourism of Chinese students to universities has also ceased. New Zealand's tourism and timber exports in particular have slowed considerably.

Ironically the Coronavirus will be helpful to markets because the slower growth means lower inflation and increases the likelihood of Central Banks keeping interest rates at current levels or even easing further. The following graph shows the shift to easier monetary policy through 2019 i.e. more green bars below the horizontal axis.



We therefore expect markets to remain reasonably stable at least for the first half of the year. Volatility will however increase going forward. We now expect a significant correction in 2021 although it may obviously occur at any time within the next three to five years.

Northland Regional Council
Monthly Report 31 January 2020

APPENDIX 1: BENCHMARKS

LONG TERM FUND

Asset	Benchmark
Growth Assets	
Diversified Growth	
Aspiring	NZ CPI + 4% p.a.
Castle Point 5 Oceans	NZ OCR + 3% p.a.
Milford Active Growth	10% p.a.
Mint Diversified Growth	NZ CPI + 4.5% p.a.
Schroders Real Return Fund + 5%	Australian CPI (trimmed mean) + 5% p.a.
T. Rowe Price Global Equity Growth	MSCI All Country World Index
Private Equity	
Continuity Capital PE Fund No.2 LP	15% p.a.
Continuity Capital PE Fund No.4 LP	15% p.a.
Continuity Capital PE Fund No.5 LP	15% p.a.
MLC PE II	15% p.a.
PCP III	8% p.a.
Income Assets	
Diversified Income	
BlackRock FIGO	Bloomberg AusBond Bank Bill Index + 4% - 6% p.a. (we use 4%)
Harbour Income	NZ OCR + 3.5% p.a.
Milford Diversified Income	NZ OCR + 2.5% p.a.
Mint Diversified Income	NZ CPI + 3% p.a.
Total Assets	NZ CPI + 4.5% p.a.

SHORT TERM FUND

Asset	Benchmark
Growth Assets	
Diversified Growth	
Castle Point 5 Oceans	NZ OCR + 3% p.a.
Milford Active Growth	10% p.a.
Mint Diversified Growth	NZ CPI + 4.5% p.a.
Income Assets	
Diversified Income	
Harbour Income	NZ OCR + 3.5% p.a.
Milford Diversified Income	NZ OCR + 2.5% p.a.
Mint Diversified Income	NZ CPI + 3% p.a.
QuayStreet Income	NZ OCR + 2% p.a.
Total Assets	90-day Bank Bill Index plus 3% p.a.

Northland Regional Council
Monthly Report 31 January 2020

APPENDIX 2: NRC TOTAL FUNDS UNDER MANAGEMENT

Manager	Fund	LTF	STF	NRC Total FUM \$	NRC Manager % of Total FUM
Aspiring	Aspiring	6,599,458		6,599,458	11.5
BlackRock	FIGO	1,155,116		1,155,116	2.0
Castle Point	5 Oceans	5,291,869	1,023,401	6,315,270	11.0
Continuity Capital	No.2	1,263,676		1,263,676	
	No.4	446,323		446,323	3.0
	No.5	0		0	
Harbour	Income	4,837,308	2,684,306	7,521,614	13.1
Milford	Active Growth	3,993,717	1,048,046	5,041,764	21.6
	Diversified Income	5,907,052	1,414,002	7,321,054	
Mint	Diversified Income	6,068,205	2,727,241	8,795,446	18.5
	Diversified Growth	1,810,872	0	1,810,872	
MLC	PE Co-investment Fund II	859,014		859,014	1.5
Pioneer Capital	PCP III	592,741		592,741	1.0
QuayStreet	Income		2,172,222	2,172,222	3.8
Schroders	Real Return + 5%	3,629,584		3,629,584	6.3
Self-managed Cash	N/A	0	0	0	0.0
T. Rowe Price	Global Growth Equity	3,831,388		3,831,388	6.7
NRC Total FUM		46,286,323	11,069,219	57,355,542	100

Note: all values are in NZD

FUNDS DENOMINATED IN AUD

Funds Denominated in AUD	LTF	NRC Total AUD
BlackRock FIGO	1,116,639	1,116,639
MLC PE Co-investment Fund II	830,400	830,400
Schroders Real Return + 5%	3,508,679	3,508,679
NRC Total AUD	5,455,718	5,455,718

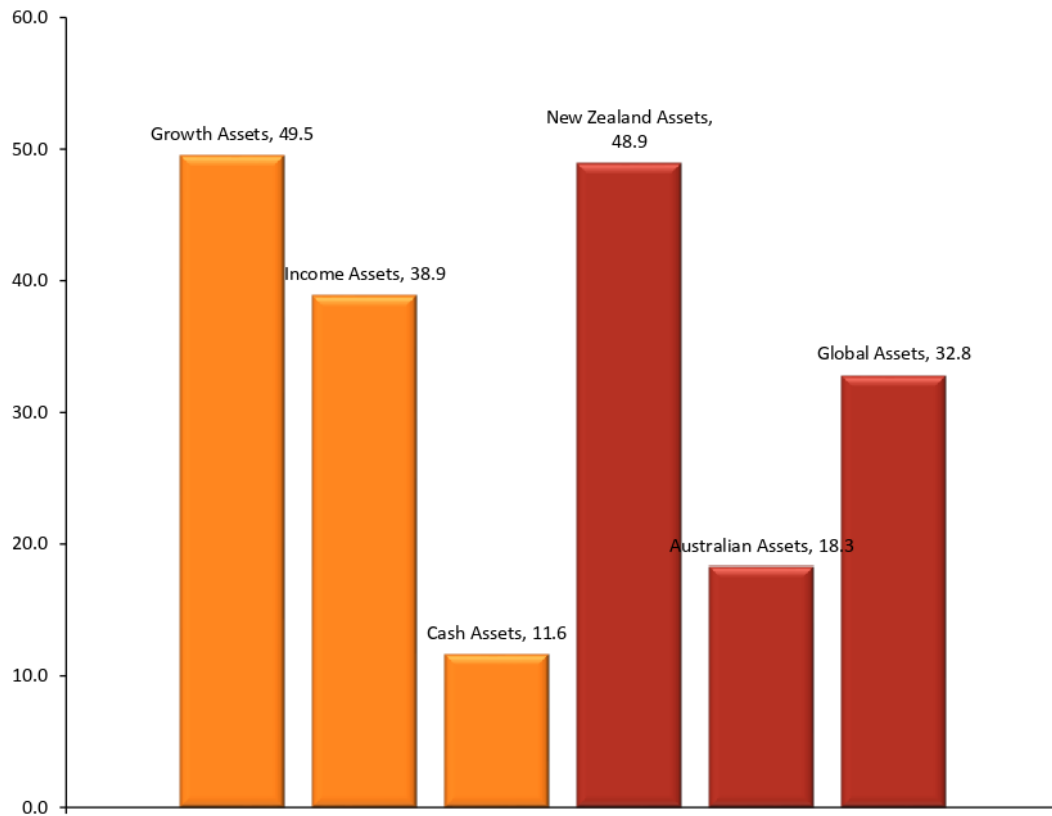
PRIVATE EQUITY – COMMITTED CAPITAL (CALLED VS UNCALLED)

Private Equity Fund	NRC Fund	Committed Capital \$	Called \$	Uncalled \$
Continuity Capital No.2 (NZD)	LTF	2,000,000	1,600,000	400,000
Continuity Capital No.4 (NZD)	LTF	1,000,000	450,000	550,000
MLC PE II (AUD)	LTF	1,000,000	710,000	290,000
Pioneer Capital III (NZD)	LTF	1,000,000	549,680*	450,320

*Includes call notice 15 due 27 February

Northland Regional Council
Monthly Report 31 January 2020

NRC TOTAL UNDERLYING FUND ALLOCATIONS



TITLE: Mount Tiger Forest Quarter Two Report (October - December 2019)

ID: A1284587

From: Alicia Jurisich, Property Officer

Executive summary/Whakarāpopototanga

The purpose of this report is to present an update on Council's Mount Tiger Forest by way of the attached report from Ian Jenkins of Jenksmax Consulting Limited, Council's Forestry Consultant. Mr Jenkins will be present at the meeting to answer any questions.

Recommendation

That the report 'Mount Tiger Forest Quarter Two Report (October - December 2019)' by Alicia Jurisich, Property Officer and dated 10 February 2020, be received.

Background/Tuhinga

As per the Forestry Management Plan, council's consultant, Jenksmax Consulting Limited, is to report back to Council every quarter providing an update of the Mount Tiger Forest. The significant matters reported in Quarter Two are as follows:

- No Health and Safety issues have arisen.
- Silvicultural work commenced and a suitable contractor successfully sourced for Mt Tigers "small one-off job".
- Initiatives continue to be undertaken with NRC's Biosecurity Team to control wild pigs which has resulted in a lower number of hunters illegally trespassing.
- The 2020-2024 Forest Management Plan ("FMP") was prepared and a draft presented to the Subcommittee in December 2019. At the date of this meeting, the final FMP should be approved by Council at the 18 February 2020 Council Meeting.

Attachments/Ngā tapirihanga

Attachment 1: Mount Tiger Forest Quarter Two 2019-20 Report [!\[\]\(d8ab143e904bfa3467271eec5af75a9b_img.jpg\) !\[\]\(567bfd12bbf6d2452d8ec3264a002612_img.jpg\)](#)

Authorised by Group Manager

Name: Phil Heatley

Title: Strategic Projects Manager

Date: 11 February 2020

NORTHLAND REGIONAL COUNCIL - FORESTRY REPORT Q2 2019/20 YEAR



NRC - MOUNT TIGER FOREST

BRIEF REPORT ON FORESTRY STATUS - For October-December 2019

1 Background

- This report is for the period October to December 2019.
- Mt Tiger forest continues to be managed in accordance with the Forest Management Plan 2015-2019 and this quarter sees the continuation of the 2019/20 Work Programme and Budget, ending 30 June 2020.
- This report therefore provides a brief update of activities and relevant comments for this quarter - being Q2 of the 2019-20 financial year (FY 30 June 2020).

2 Health and Safety

- In this quarter no Health and Safety (H&S) matters have arisen.
- Jenks has continued to take an active role to ensure all visitors and contractors in Mt Tiger forest in the Q2 period were operating in line with H&S legislation, rules, guidelines and forest industry best practise and that NRC's responsibilities as a forest owner/PCBU are being met.
- There is no forest harvesting currently underway in Mt Tiger, hence H&S risks are greatly reduced.
- NFML commenced the thin to waste contract in December, and NRC has copies of the H&S induction for the contractor (Silvicom), Hazard ID and Worksafe notification. Jenks had daily txt in/txt out with Silvicom.
- No other forest H&S matters this month.
- Jenks will continue to take an H&S overview role with the forest management and activities to ensure NRC's PCBU responsibilities are being met.

3 Forest Harvesting

- The last harvest at Mt Tiger was the harvest of the 1991 area which was successfully undertaken between January and April - last financial year.
- The next harvest scheduled is the very small 1995 area of some 3.9 ha - not until 2023 or thereabouts.
- Mid-rotation inventory is programmed and budgeted for the 2003 area for Q4 (June 2020), some 79.3 ha.

2 Forest Development Programme

- The NRC Mt Tiger silvicultural work and forest development activity planned for the 2019/20 budget year is minimal.
- This is because of the age class distribution of the forest and that all tending works are mostly up-to-date.
- The 2019/20 works commenced in Q2 with the main silvicultural work being the thin to waste of the 2010 stand of 25.8 ha.
- Northland Forest Managers 1995 Limited (NFML), the NRC's contracted Forest Manager, undertook pre-assessment and sourced a suitable contractor.

NORTHLAND REGIONAL COUNCIL - FORESTRY REPORT Q2 2019/20 YEAR



- The budget was based upon a contract thin to waste rate of \$800/ha. The best rate obtained from a reputable contractor was \$950/ha, which was pushed down and agreed to at \$925/ha. Hence 16% above budget - a reflection of the shortage of good contractors and labour costs, and that this is a small one-off job.
- Silvicom started the work on 12 December 2019 and worked until 20 December, with the block to be completed in January 2020. They are doing a good job thus far, and have agreed to Jenk's contract area of 25.8 ha after some difference in opinion.
- This financial year will also see the pre-plant preparation for the replanting of the 1991 area harvested earlier in 2019.
- This will involve the tree stock deposit, site preparation which will include the pre-plant spraying in February-March 2020.
- Actual planting will not be undertaken until winter 2020, therefore in the 2020/2021 financial year.
- NFML have been advised and are scheduling this work into their 2020 planting programme.
- The forest re-establishment and forest operations activities in the budget total some \$41K and represents 34% of the total 2019/20 Mt Tiger forest budget.
- Otherwise most of the 2019/20 programme will be related to ongoing maintenance and protection activities while the forest continues to grow and add value.
- Forest maintenance and protection for the 2019/20 is budgeted at \$28K (23% total budget) and mostly pertains to activities such as road maintenance, weed control, fencing, forest health, etc. A large part of this budget is contingency to cover for any remedial works required as a result of storm events, such as clearing slips on the forest roads, etc.
- The 2019/20 budget also includes some \$12.5K for NRC input and promotion of the KiwiLink CPCA project, for pest weed control, predator and possum control and kiwi development activities.

3 Other activities undertaken

- Apart from the thinning - there has not been a lot of forest activity undertaken in the Q2 quarter.
- Over Q2, regular forest checks (3) have been undertaken for checking after storms, maintenance, trespass, operational planning and general forest inspections.
- The initiatives being undertaken in conjunction with NRC Biosecurity to control wild pig numbers in the forest and concurrently try to curb illegal hunting are progressing well.
- Q2 has seen the recommencement of animal control operations at Mt Tiger via bait stations.
- Much of Q2 work was spent on the Mt Tiger Forest Management Plan which has been updated and the Draft 2020-2024 FMP was presented, discussed and subsequently approved by the Investment and Property Subcommittee in December, and will now go to full Council for final approval.
- General administration, liaise NRC re environmental and animal control, deal with neighbour issues, other tasks and reporting and meetings as required.

NORTHLAND REGIONAL COUNCIL - FORESTRY REPORT Q2 2019/20 YEAR



4 Upcoming Work

- Ongoing field checks for forest maintenance over summer, after storms (ha!), trespass, etc. Monitor fire risk.
- Co-ordinate independent Forest Health Survey in January by SPS Biosecurity.
- Continue work with NRC Biosecurity re pig control initiative/CPCA/trespass issues and animal control for the forest area as a whole, including indigenous areas within the forest land area.
- Implementing the 2019/20 forest programme and budget, with the completion of the thin to waste contract in January.
- Neighbour boundary fencing discussions with Ian Franks and sorting a plan.

Jenks
(Ian Jenkins)
Jenksmax Consulting Limited
10th January 2020

TITLE: Business with the Public Excluded

Executive Summary

The purpose of this report is to recommend that the public be excluded from the proceedings of this meeting to consider the confidential matters detailed below for the reasons given.

Recommendations

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
5.1	Confirmation of Confidential Minutes - 16 December 2019	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(c)(ii).
5.2	Value of Consolidated Whangarei CBD Properties	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).

3. That the Independent Financial Advisor be permitted to stay during business with the public excluded.
-

Considerations

1. Options

Not applicable. This is an administrative procedure.

2. Significance and Engagement

This is a procedural matter required by law. Hence when assessed against council policy is deemed to be of low significance.

3. Policy and Legislative Compliance

The report complies with the provisions to exclude the public from the whole or any part of the proceedings of any meeting as detailed in sections 47 and 48 of the Local Government Official Information Act 1987.

4. Other Considerations

Being a purely administrative matter; Community Views, Māori Impact Statement, Financial Implications, and Implementation Issues are not applicable.