

Investment and Property Subcommittee
Wednesday 30 March 2022 at 1.00pm

AGENDA

Investment and Property Subcommittee Agenda

Meeting to be held remotely
on Wednesday 30 March 2022, 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

Ex-Officio Penny Smart	Councillor Justin Blaikie	Councillor Colin Kitchen
Councillor Jack Craw	Councillor Terry Archer	Independent Consultant Jonathan Eriksen
Independent Audit & Risk Advisor Danny Tuato'o	Independent Advisor Stuart Henderson	

KARAKIA / WHAKATAU

RĪMITI (ITEM)

Page

1.0 NGĀ MAHI WHAKAPAI/HOUSEKEEPING

2.0 NGĀ WHAKAPAHĀ/APOLOGIES

3.0 NGĀ WHAKAPUAKANGA/DECLARATIONS OF CONFLICTS OF INTEREST

4.0 NGĀ WHAKAAE MINITI (CONFIRMATION OF MINUTES)

- | | | |
|-----|--|---|
| 4.1 | Confirmation of Minutes - 24 November 2021 | 3 |
|-----|--|---|

5.0 REPORTS

- | | | |
|-----|--|----|
| 5.1 | Performance of Councils Externally Managed Funds to 28 February 2022 | 7 |
| 5.2 | Responsible Investment Report December 2021 | 40 |
| 5.3 | Mount Tiger Forest Report | 52 |

6.0 KAUPAPA Ā ROTO (BUSINESS WITH THE PUBLIC EXCLUDED) 59

- | | |
|-----|---|
| 6.1 | Confirmation of Confidential Minutes - 24 November 2021 |
| 6.2 | Northland Private Equity Fund Update |
| 6.3 | Summary of Kensington Crossing Redevelopment Project |
| 6.4 | Update on Council's Current Property Redevelopments |
| 6.5 | Current Property Negotiations |
| 6.6 | Council's Water Street Offices |

TITLE: Confirmation of Minutes - 24 November 2021


From: Judith Graham, Corporate Services P/A

**Authorised by
Group Manager/s:** Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on

Ngā mahi tūtohutia / Recommendation

That the minutes of the Investment and Property Subcommittee meeting held on 24 November 2021 be confirmed as a true and correct record.

Attachments/Ngā tapirihanga

Attachment 1: Investment and Property Subcommittee minutes 24 November 2021 [↓](#) 

Investment and Property Subcommittee
24 November 2021

Investment and Property Subcommittee Minutes

Meeting held in the Council Chamber
36 Water Street, Whangārei
on Wednesday 24 November 2021, commencing at 1.00pm

Tuhinga/Present:

Chairperson, NRC Councillor, Rick Stolwerk
Ex-Officio Penny Smart *via audio link*
Councillor Justin Blaikie *via audio link*
Councillor Colin Kitchen *via audio link*
Councillor Jack Craw *via audio link*
Councillor Terry Archer *via audio link*
Independent Consultant Jonathan Eriksen *via audio link*
Independent Audit & Risk Advisor Danny Tuato'o *via audio link*
Independent Advisor Stuart Henderson *via audio link*

I Tae Mai/In Attendance:

Full Meeting

Pou Taumatua - GM Corporate Services
Tumuaki – Chief Executive Officer
Personal Assistant Corporate Services
Finance Manager

Part Meeting

Accounting Assistant – Treasury & Projects Officer
Strategic Projects and Facilities Manager
Property Officer
Property Officer

The Chair declared the meeting open at 1.00pm.

Ngā Mahi Whakapai/Housekeeping (Item 1.0)

Ngā whakapahā/Apologies (Item 2.0)

There were no apologies.

Nga whakapuakanga/Declarations of Conflicts of Interest (Item 3.0)

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

Investment and Property Subcommittee
24 November 2021

Confirmation of Minutes - Investment and Property Subcommittee 29 September 2021 (Item 4.1)

Report from Judith Graham, Corporate Services P/A

Moved (Craw/Smart)

That the minutes of the Investment and Property Subcommittee meeting held on 29 September 2021 be confirmed as a true and correct record.

Carried

Receipt of Investment and Property Subcommittee Action Sheet (Item 5.1)

Report from Judith Graham, Corporate Services P/A

Moved (Stolwerk/Smart)

That the action sheet be received.

Carried

Changes to Property Management Plan and Investment Policy (Item 6.1)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Stolwerk/Smart)

1. That the report 'Changes to Property Management Plan and Investment Policy' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 28 October 2021, be received.

Carried

2. That the subcommittee endorse the changes to the Property Management Plan and Investment Policy as described in this report and recommend to Council the adoption of the changes.

Councillor Craw opposed the changes, Councillor Kitchen and Archer wanted more time to consider. Subcommittee agreed to put it on hold and discuss it further at the next Investment and Property Subcommittee meeting dated 30 March 2022

Secretarial Note: 1.20pm Strategic Projects and Facilities Manager and the two Property Officers joined the meeting.

Kaupapa ā Roto/Business with Public Excluded (Item 7.0)

Moved (Stolwerk/Craw)

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:

Investment and Property Subcommittee
24 November 2021

Item No.	Item Issue	Reasons/Grounds
7.1	Confirmation of Confidential Minutes - Investment and Property Subcommittee meeting 29 September 2021	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
7.2	Introduction of Pencarrow VI Fund into the Long-Term Fund Investment Fund	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).
7.3	Investment strategy for the proceeds from the sale of the Kensington Development	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).
7.4	Update on Council's Current Property Redevelopments	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).
7.5	Sale of an Industrial Area Property	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).

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

Carried

Whakamutunga (Conclusion)

The meeting concluded at 2.32pm.

TITLE: Performance of Councils Externally Managed Funds to 28 February 2022

From: Simon Crabb, Finance Manager

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 18
Group Manager/s: March 2022

Whakarāpopototanga / Executive summary

In the month of February 2022, councils Externally Managed Fund Portfolio incurred losses of (\$565k). For the 8 months to the end of February, the portfolio has now recorded an overall loss of (\$118k).

A summary of the returns and target objectives for the 8 months ending 28 February for councils 2 managed funds is presented below, with the supporting detail and fund performance for longer periods contained in the attached EriksensGlobal Report (Attachment 1).

8 Months Ending 28 February 2022	Long Term	Short Term
	Fund (LTF)	Fund (STF)
Fund Return %	1.0%	-0.7%
Fund Objective %	5.0%	2.4%
Fund Over / (Under) Performance	-4.0%	-3.1%

Jonathan Eriksen from EriksensGlobal will be joining in via Zoom to answer any questions.

All monthly, quarterly and year to date (YTD) return percentages in this report and its attachment are **not** annualised.

Ngā mahi tūtohutia / Recommendation

That the report 'Performance of Councils Externally Managed Funds to 28 February 2022' by Simon Crabb, Finance Manager and dated 17 March 2022, be received.

Background/Tuhinga

Long Term Investment Fund (LTF)

At 28 February 2022, the LTF has an overall market value of \$62.8m, comprising of funds attributable to:

- Economic Development of \$17.4m,
- Property Reinvestment of \$28.6m, and
- Regional Project Development of \$14.6m.
- Rates collected for Debt repayment and Depreciation \$2.2m

The LTF has performed as follows:

LTF	1 month		Quarter		YTD						1 year			5 year	
	Return	Objective	Return	Objective	Return	Objective	Budget	Return \$	Budget \$	Var \$	Return	Objective	Budget	Return	Objective
	-0.7%	0.6%	0.7%	1.8%	1.0%	5.0%	4.1%	\$115K	\$2.4M	(\$2.3M)	8.2%	7.6%	\$3.7M	8.4%	7.0%

Short Term Investment Fund (STF)

At 28 February 2022, the STF has an overall market value of \$19.4m, comprising funds attributable to:


- Working capital requirements of \$9.4m
- Property Reinvestment of \$8.9m.
- Investment and Growth reserve requirements of \$1.1m

The STF has performed as follows:

STF	1 month		Quarter		YTD						1 year			5 year	
	Return	Objective	Return	Objective	Return	Objective	Budget	Return \$	Budget \$	Var \$	Return	Objective	Budget	Return	Objective
	-0.4%	0.3%	-1.1%	0.9%	-0.7%	2.4%	2.5%	(\$233K)	\$329K	(\$562K)	2.9%	3.5%	\$495K	6.6%	4.3%

Non-compliance with the Statement of Investment Policy and Objectives (SIPO) At 28 February 2022, the Short-Term Investment Fund allocation to the QuayStreet Income fund was 30.6% which is slightly above its upper limit of 30%. This over exposure is being progressively reduced as cashflow requirements are managed from the Short-Term Fund. Furthermore, QuayStreet is a low-risk product that is favoured to preserve capital in volatile markets.

Attachments/Ngā tapirihanga

Attachment 1: EriksensGlobal - NRC Externally Managed Investment Funds Monthly Report 28 February 2022 [↓](#) 

ERIKSENSGLOBAL

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL EXTERNALLY MANAGED INVESTMENT FUNDS

MONTHLY REPORT 28 FEBRUARY 2022

16 MARCH 2022

STRICTLY PRIVATE & CONFIDENTIAL

Please note the information contained in this document is of a highly commercially sensitive and confidential nature. It is not to be made public and is only for the use of the Executive and Directors/Trustees of client organisations of EriksensGlobal. This report is subject to Intellectual Property rights by EriksensGlobal. It is not to be released to any other third parties in any format (including electronically or verbally), without the express written permission of EriksensGlobal. The information in this report has been gathered from a variety of sources that we believe to be reliable. Whilst using all reasonable care to obtain this information, we do not accept any responsibility or liability for errors or omissions.

ERIKSENSGLOBAL.com

Auckland

2 Burns Avenue Takapuna
PO Box 33-1318 Takapuna 0740
p: +64 9 486 3144
auckland@eriksensglobal.com

Wellington

Level 9, 111 The Terrace
PO Box 10-105 Wellington 6143
p: +64 4 470 6144
wellington@eriksensglobal.com

Northland Regional Council
Monthly Report 28 February 2022

CONTENTS

Introduction.....	4
Long Term Fund.....	6
Short Term Fund.....	12
Standard Deviation of Returns	17
Market Performance and Commentary – February 2021	18
Appendix 1: Benchmarks.....	18
Appendix 2: NRC Total Funds Under Management.....	28

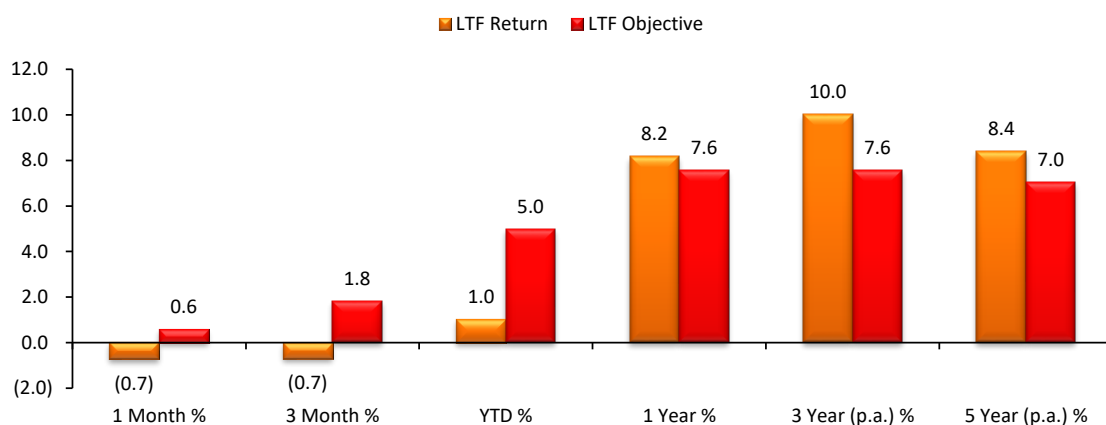
Northland Regional Council
Monthly Report 28 February 2022

EXECUTIVE SUMMARY

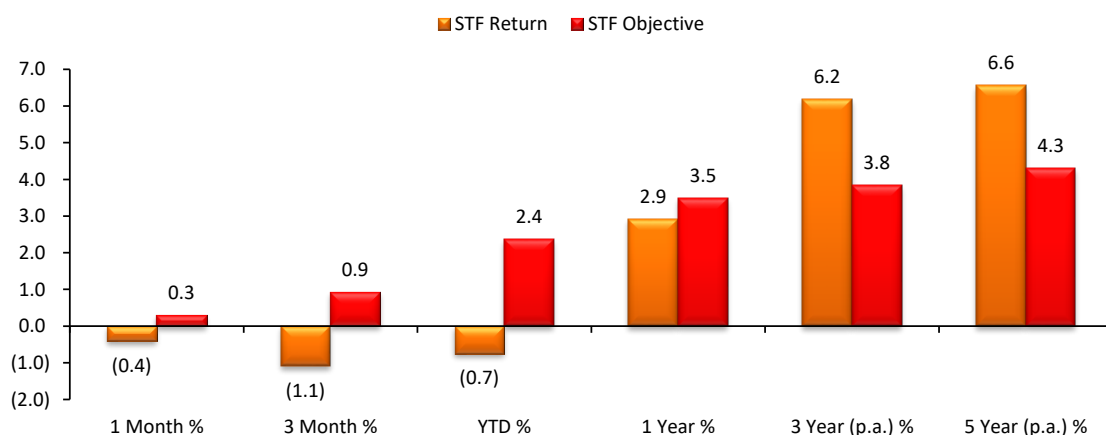
PERFORMANCE

The LTF outperformed over longer periods but underperformed over the one month, three month and YTD periods. The STF underperformed over the one month, three month, YTD and the one year periods but outperformed over the three and the five year periods. The STF performed 5.3% below the LTF for the year.

	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
LTF	(0.7)	(0.7)	1.0	8.2	10.0	8.4
Objective	0.6	1.8	5.0	7.6	7.6	7.0
Over / Underperformance	(1.3)	(2.5)	(4.0)	0.6	2.4	1.4



	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
STF	(0.4)	(1.1)	(0.7)	2.9	6.2	6.6
Objective	0.3	0.9	2.4	3.5	3.8	4.3
Over / Underperformance	(0.7)	(2.0)	(3.1)	(0.6)	2.4	2.3



Northland Regional Council
Monthly Report 28 February 2022

PORTFOLIO HIGHLIGHTS

All funds with exposure to listed markets except Milford Diversified Income had negative returns due to the volatility of financial markets.

The highest performing fund over the month was MLC II returning 4.1%.

We have updated our methodology for the CPI return calculations which has been reflected across all fund performances.

For the Fund, along with any underlying fund which uses CPI as an objective, the change is shown in an example scenario below:

3% Annual CPI
4% Objective Return
3 Month Calculation

Previous calculation was $(1.03^{0.25})^{-1} + 0.04/4$

New calculation is $(1.07^{0.25})^{-1}$

This change in methodology makes very little difference to the objective return and only affects periods of less than one year (i.e. 1 month, 3 month and year-to-date).

RECOMMENDATIONS/ACTIONS

No recommendation at this point.

ECONOMIC COMMENTS

Geopolitical risks are high both in Europe and Asia.

Equity markets are under pressure.

Energy resource prices push inflation higher.

Supply chain disruptions easing was reversed.

Northland Regional Council
Monthly Report 28 February 2022

INTRODUCTION

This is the monthly investment report to the Northland Regional Council by EriksensGlobal and is based on the Statement of Investment Policy and Objectives approved and signed on 15 December 2021.

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 **31 December 2021 was 3.1% per annum**. The Fund objective for shorter time periods are based on the annualised rolling three-year CPI.

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 eight months.

Northland Regional Council
Monthly Report 28 February 2022

LONG TERM FUND

PERFORMANCE SUMMARY

Asset	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Diversified Growth						
Aspiring	(0.9)	(0.7)	(0.1)	10.8	13.1	10.4
Benchmark	0.6	1.7	4.7	7.1	7.1	6.5
Over / Underperformance	(1.5)	(2.4)	(4.8)	3.7	6.0	3.9
Castle Point 5 Oceans	(0.3)	0.2	1.3	5.7	7.0	6.5
Benchmark	0.3	0.9	2.4	3.5	3.7	4.1
Over / Underperformance	(0.6)	(0.7)	(1.1)	2.2	3.3	2.4
Milford Active Growth	(1.0)	(0.5)	1.7	11.1	13.2	11.6
Benchmark	0.8	2.4	6.6	10.0	10.0	10.0
Over / Underperformance	(1.8)	(2.9)	(4.9)	1.1	3.2	1.6
Mint Diversified Growth	(2.3)	(6.7)	(3.0)	8.0		
Benchmark	0.6	1.8	5.0	7.6		
Over / Underperformance	(2.9)	(8.5)	(8.0)	0.4		
Schroders Real Return	(1.1)	1.3	0.2	4.2	6.0	4.8
Benchmark	0.5	1.5	4.1	6.3	6.3	6.3
Over / Underperformance	(1.6)	(0.2)	(3.9)	(2.1)	(0.3)	(1.5)
Global Equity						
Harbour T. Rowe Price Global Equity	(6.1)	(13.0)	(11.5)	(0.3)	15.6	
Benchmark	(5.5)	(3.4)	1.0	15.8	13.7	
Over / Underperformance	(0.6)	(9.6)	(12.5)	(16.1)	1.9	
Nanuk New World	(4.0)	(2.7)	3.7	20.1		
Benchmark	(6.0)	(10.0)	3.9	15.0		
Over / Underperformance	2.0	7.3	(0.2)	5.1		
Private Equity						
Castlerock	0.0	2.6				
Benchmark	0.6	1.9				
Over / Underperformance	(0.6)	0.7				
Continuity Capital No.2	0.2	8.9	20.3	44.5		
Benchmark	1.2	3.6	9.8	15.0		
Over / Underperformance	(1.0)	5.3	10.5	29.5		
Continuity Capital No.4	0.5	4.5	6.0	22.6	13.0	
Benchmark	1.2	3.6	9.8	15.0	15.0	
Over / Underperformance	(0.7)	0.9	(3.8)	7.6	(2.0)	
Continuity Capital No.5	2.5	6.9	16.6	27.1		
Benchmark	1.2	3.6	9.8	15.0		
Over / Underperformance	1.3	3.3	6.8	12.1		
Continuity Capital No.6	(0.4)	(0.9)	(4.8)			
Benchmark	1.2	3.6	9.8			
Over / Underperformance	(1.6)	(4.5)	(14.6)			
CPEC 9	(0.0)					
Benchmark	1.2					
Over / Underperformance	(1.2)					
Direct Capital VI	0.0	9.2	16.7	35.7		
Benchmark	0.6	1.9	5.3	8.0		
Over / Underperformance	(0.6)	7.3	11.4	27.7		

Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

Northland Regional Council
Monthly Report 28 February 2022

Asset	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Federation Alternative	(0.0)	3.6	1.8	6.7		
Benchmark	1.2	3.8	10.4	16.0		
Over / Underperformance	(1.2)	(0.2)	(8.6)	(9.3)		
Milford PE III	(0.8)	(3.9)				
Benchmark	0.6	1.9				
Over / Underperformance	(1.4)	(5.8)				
MLC PE II	4.1	8.2	22.7	41.8	22.3	
Benchmark	1.2	3.6	9.8	15.0	15.0	
Over / Underperformance	2.9	4.6	12.9	26.8	7.3	
MLC PE III	1.9	2.8	43.0			
Benchmark	1.2	3.6	9.8			
Over / Underperformance	0.7	(0.8)	33.2			
Oriens Fund 2	0.0	(3.9)	(13.3)			
Benchmark	0.6	1.9	5.3			
Over / Underperformance	(0.6)	(5.8)	(18.6)			
PCP III	0.0	(2.4)	(0.8)	(5.6)	13.4	
Benchmark	0.6	1.9	5.3	8.0	8.0	
Over / Underperformance	(0.6)	(4.3)	(6.1)	(13.6)	5.4	
PCP IV	0.0	0.0	(12.8)			
Benchmark	0.6	1.9	5.3			
Over / Underperformance	(0.6)	(1.9)	(18.1)			
Diversified Income						
BlackRock FIGO	(1.4)	0.6	(3.0)	(1.5)	3.6	2.7
Benchmark	0.3	1.0	2.7	4.0	4.5	5.1
Over / Underperformance	(1.7)	(0.4)	(5.7)	(5.5)	(0.9)	(2.4)
Fermat ILS Yield	(0.0)	3.1	3.1			
Benchmark	0.4	1.1	3.0			
Over / Underperformance	(0.4)	2.0	0.1			
Harbour Income	(0.2)	(0.9)	0.2	4.0	6.7	6.1
Benchmark	0.4	1.1	2.7	4.0	4.2	4.6
Over / Underperformance	(0.6)	(2.0)	(2.5)	0.0	2.5	1.5
Milford Diversified Income	0.1	(0.0)	0.3	4.8	5.9	6.5
Benchmark	0.3	0.8	2.0	3.0	3.2	3.6
Over / Underperformance	(0.2)	(0.8)	(1.7)	1.8	2.7	2.9
Mint Diversified Income	(1.1)	(2.6)	(3.3)	0.9	3.6	4.2
Benchmark	0.5	1.5	4.0	6.1	6.1	5.5
Over / Underperformance	(1.6)	(4.1)	(7.3)	(5.2)	(2.5)	(1.3)
Cash						
Self Managed	0.1					
Benchmark	0.1					
Value Added	0.0					
Total Fund	(0.7)	(0.7)	1.0	8.2	10.0	8.4
Fund Objective	0.6	1.8	5.0	7.6	7.6	7.0
Over / Underperformance	(1.3)	(2.5)	(4.0)	0.6	2.4	1.4

Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

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.

Northland Regional Council
Monthly Report 28 February 2022

Asset	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Continuity Capital PE Fund No.2	0.2	8.9	20.3	44.5	31.2	23.4
Benchmark	1.2	3.6	9.8	15.0	15.0	15.0
Value Added	(1.0)	5.3	10.5	29.5	16.2	8.4

Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

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.

Asset	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
AUD/NZD	0.0	(2.6)	0.2	(0.7)	(0.9)	(0.2)
Schroders Real Return (NZD)	(1.1)	1.3	0.2	4.2	6.0	4.8
Benchmark	0.5	1.5	4.1	6.3	6.3	6.3
Over / Underperformance	(1.6)	(0.2)	(3.9)	(2.1)	(0.3)	(1.5)
Schroders Real Return (AUD)	(1.0)	(1.0)	(0.4)	2.6	4.3	4.1
Benchmark	0.5	1.5	4.1	6.3	6.3	6.3
Over / Underperformance	(1.5)	(2.5)	(4.5)	(3.7)	(2.0)	(2.2)
MLC PE II (NZD)	4.1	8.2	22.7	41.8	22.3	
Benchmark	1.2	3.6	9.8	15.0	15.0	
Over / Underperformance	2.9	4.6	12.9	26.8	7.3	
MLC PE II (AUD)	4.1	5.4	22.9	40.7	21.3	
Benchmark	1.2	3.6	9.8	15.0	15.0	
Over / Underperformance	2.9	1.8	13.1	25.7	6.3	
MLC PE III (NZD)	1.9	2.8	43.0			
Benchmark	1.2	3.6	9.8			
Over / Underperformance	0.7	(0.8)	33.2			
MLC PE III (AUD)	2.0	0.1	43.8			
Benchmark	1.2	3.6	9.8			
Over / Underperformance	0.8	(3.5)	34.0			
BlackRock FIGO (NZD)	(1.4)	0.6	(3.0)	(1.5)	3.6	2.7
Benchmark	0.3	1.0	2.7	4.0	4.5	5.1
Over / Underperformance	(1.7)	(0.4)	(5.7)	(5.5)	(0.9)	(2.4)
BlackRock FIGO (AUD)	(1.3)	(2.0)	(2.8)	(2.2)	2.6	2.6
Benchmark	0.3	1.0	2.7	4.0	4.5	5.1
Over / Underperformance	(1.6)	(3.0)	(5.5)	(6.2)	(1.9)	(2.5)
Continuity Capital No.5 (NZD)	2.5	6.9	16.6	27.1		
Benchmark	1.2	3.6	9.8	15.0		
Over / Underperformance	1.3	3.3	6.8	12.1		
Continuity Capital No.5 (AUD)	2.5	4.0	16.5	25.9		
Benchmark	1.2	3.6	9.8	15.0		
Over / Underperformance	1.3	0.4	6.7	10.9		

Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

Northland Regional Council
Monthly Report 28 February 2022

Asset	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Nanuk New World (NZD)	(4.0)	(2.7)	3.7	20.1		
Benchmark	(6.0)	(10.0)	3.9	15.0		
Over / Underperformance	2.0	7.3	(0.2)	5.1		
Nanuk New World (AUD)	(4.0)	(5.2)	3.9	19.2		
Benchmark	(6.0)	(10.0)	3.9	15.0		
Over / Underperformance	2.0	4.8	0.0	4.2		
Federation Alternative (NZD)	(0.0)	3.6	1.8	6.7		
Benchmark	1.2	3.8	10.4	16.0		
Over / Underperformance	(1.2)	(0.2)	(8.6)	(9.3)		
Federation Alternative (AUD)	0.0	1.0	2.0	6.0		
Benchmark	1.2	3.8	10.4	16.0		
Over / Underperformance	(1.2)	(2.8)	(8.4)	(10.0)		
Fermat ILS Yield (NZD)	(0.0)	3.1	3.1			
Benchmark	0.4	1.1	3.0			
Over / Underperformance	(0.4)	2.0	0.1			
Fermat ILS Yield (AUD)	0.0	0.4	0.0			
Benchmark	0.4	1.1	3.0			
Over / Underperformance	(0.4)	(0.7)	(3.0)			
CPEC 9 (NZD)	(0.0)					
Benchmark	1.2					
Over / Underperformance	(1.2)					
CPEC 9 (AUD)	0.0					
Benchmark	1.2					

Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

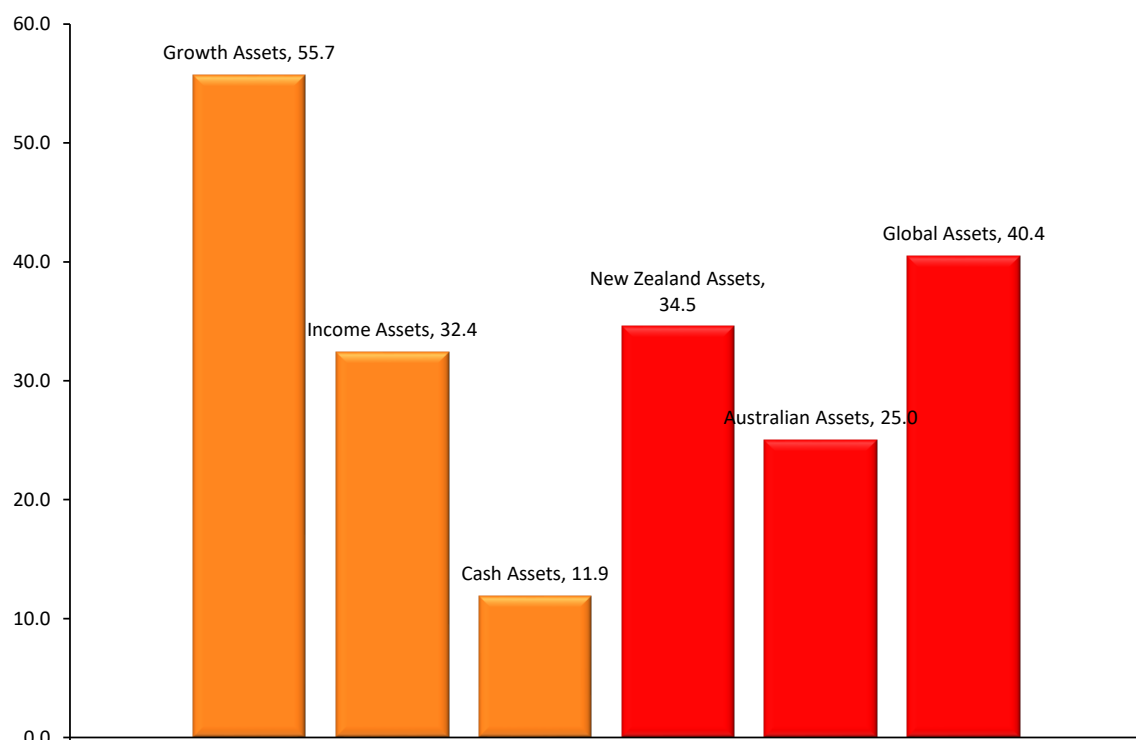
Northland Regional Council
Monthly Report 28 February 2022

LTF OVERALL FUND ASSET ALLOCATION

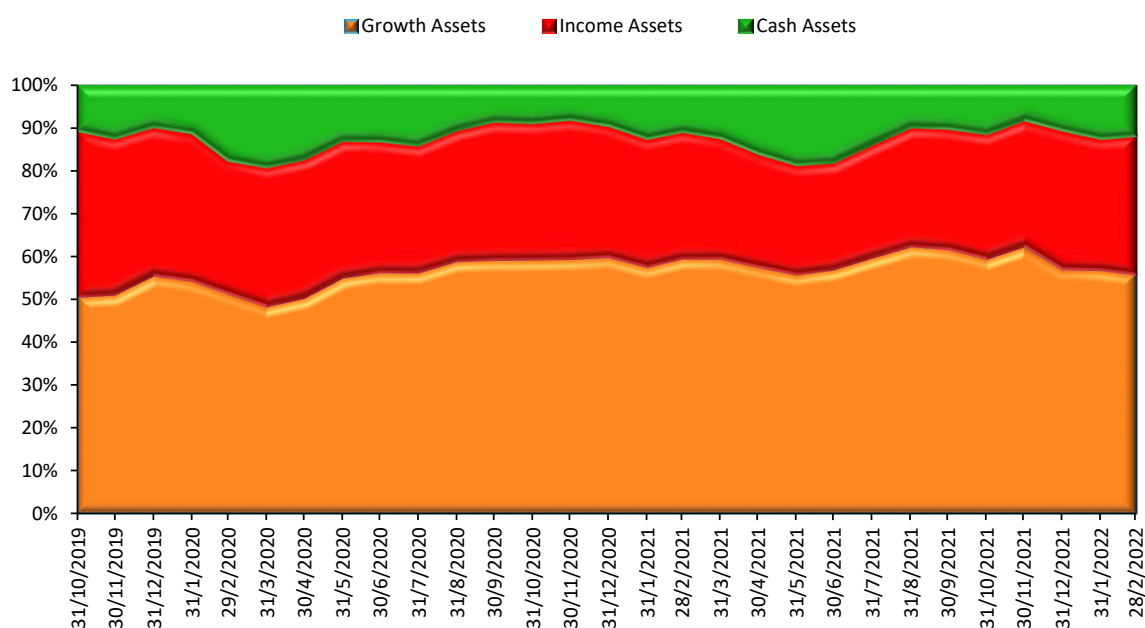
Asset	Market Value		Target	Target Range	Status
	\$	%	%	%	
Growth Assets	37,298,624	59.4	67	50 - 85	✓
Diversified Growth	24,126,979	38.4	35	25 - 70	✓
Aspiring	4,219,668	6.7	8	5 - 15	✓
Castle Point 5 Oceans	8,623,346	13.7	15	10 - 20	✓
Milford Active Growth	4,028,523	6.4	5	0 - 10	✓
Mint Diversified Growth	2,473,352	3.9	5	0 - 10	✓
Schroders Real Return	4,782,090	7.6	2	0 - 10	✓
Global Equity	4,271,075	6.8	7	5 - 20	✓
Harbour T. Rowe Price Global Equity	3,264,024	5.2	5	0 - 10	✓
Nanuk New World Fund	1,007,050	1.6	2	0 - 5	✓
Private Equity	8,900,570	14.2	25	0 - 35	✓
Castlerock	1,000,000	1.6	2	0 - 5	✓
Continuity Capital PE Fund No.2 LP	1,235,673	2.0	3	0 - 5	✓
Continuity Capital PE Fund No.4 LP	681,658	1.1	1	0 - 3	✓
Continuity Capital PE Fund No.5 LP	1,376,493	2.2	2	0 - 5	✓
Continuity Capital PE Fund No.6 LP	285,411	0.5	2	0 - 5	✓
CPEC 9	80,419	0.1	1	0 - 3	✓
Direct Capital VI	466,590	0.7	2	0 - 5	✓
Federation Alternative	963,244	1.5	2	0 - 5	✓
Milford PE III	126,100	0.2	2	0 - 5	✓
MLC PE II	1,079,120	1.7	2	0 - 5	✓
MLC PE III	194,079	0.3	1	0 - 3	✓
Oriens Fund 2	126,535	0.2	1	0 - 3	✓
Pencarrow VI	-	-	2	0 - 5	✓
PCP III	826,519	1.3	1	0 - 3	✓
PCP IV	458,729	0.7	1	0 - 3	✓
Income Assets	25,536,931	40.6	33	15 - 50	✓
Diversified Income	23,538,653	37.5	33	15 - 45	✓
BlackRock FIGO	611,715	1.0	2	0 - 10	✓
Fermat ILS Yield	662,508	1.1	2	0 - 10	✓
Harbour Income	8,349,079	13.3	9	0 - 15	✓
Milford Diversified Income	6,799,282	10.8	10	0 - 15	✓
Mint Diversified Income	7,116,070	11.3	10	0 - 15	✓
Cash	1,998,278	3.2	0	0 - 5	✓
Self-Managed	1,998,278	3.2	0	0 - 5	✓
Total Assets	62,835,555	100.0			

Northland Regional Council
Monthly Report 28 February 2022

LTF UNDERLYING FUND ASSET ALLOCATION



UNDERLYING ASSET ALLOCATION



Northland Regional Council
Monthly Report 28 February 2022

SHORT TERM FUND

PERFORMANCE SUMMARY

Asset	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Diversified Growth						
Castle Point 5 Oceans	(0.3)	0.1	1.4	5.8	6.5	
Benchmark	0.3	0.9	2.4	3.5	3.7	
Value Added	(0.6)	(0.8)	(1.0)	2.3	2.8	
Milford Active Growth						
Milford Active Growth	(1.0)	(0.9)	1.1	10.4		
Benchmark	0.8	2.4	6.6	10.0		
Over / Underperformance	(1.8)	(3.3)	(5.5)	0.4		
Mint Diversified Growth						
Mint Diversified Growth	(2.3)	(7.1)	(3.3)	7.6		
Benchmark	0.6	1.8	5.0	7.6		
Value Added	(2.9)	(8.9)	(8.3)	0.0		
Diversified Income						
Harbour Income	(0.2)	(1.3)	(0.5)	3.2	5.7	
Benchmark	0.4	1.1	2.7	4.0	4.2	
Value Added	(0.6)	(2.4)	(3.2)	(0.8)	1.5	
Milford Diversified Income						
Milford Diversified Income	0.1	(0.4)	(0.3)	4.3	5.5	6.2
Benchmark	0.3	0.8	2.0	3.0	3.2	3.6
Over / Underperformance	(0.2)	(1.2)	(2.3)	1.3	2.3	2.6
Mint Diversified Income						
Mint Diversified Income	(1.1)	(2.6)	(3.4)	0.3	3.7	4.1
Benchmark	0.5	1.5	4.0	6.1	6.1	5.5
Value Added	(1.6)	(4.1)	(7.4)	(5.8)	(2.4)	(1.4)
QuayStreet Income						
QuayStreet Income	(0.4)	(0.6)	(0.7)	0.6	3.8	4.3
Benchmark	0.2	0.7	1.7	2.5	2.7	3.1
Value Added	(0.6)	(1.3)	(2.4)	(1.9)	1.1	1.2
Cash						
Self Managed	0.0					
Benchmark	0.1					
Value Added	(0.1)					
Total Fund						
Total Fund	(0.4)	(1.1)	(0.7)	2.9	6.2	6.6
Fund Objective	0.3	0.9	2.4	3.5	3.8	4.3
Value Added	(0.7)	(2.0)	(3.1)	(0.6)	2.4	2.3

Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

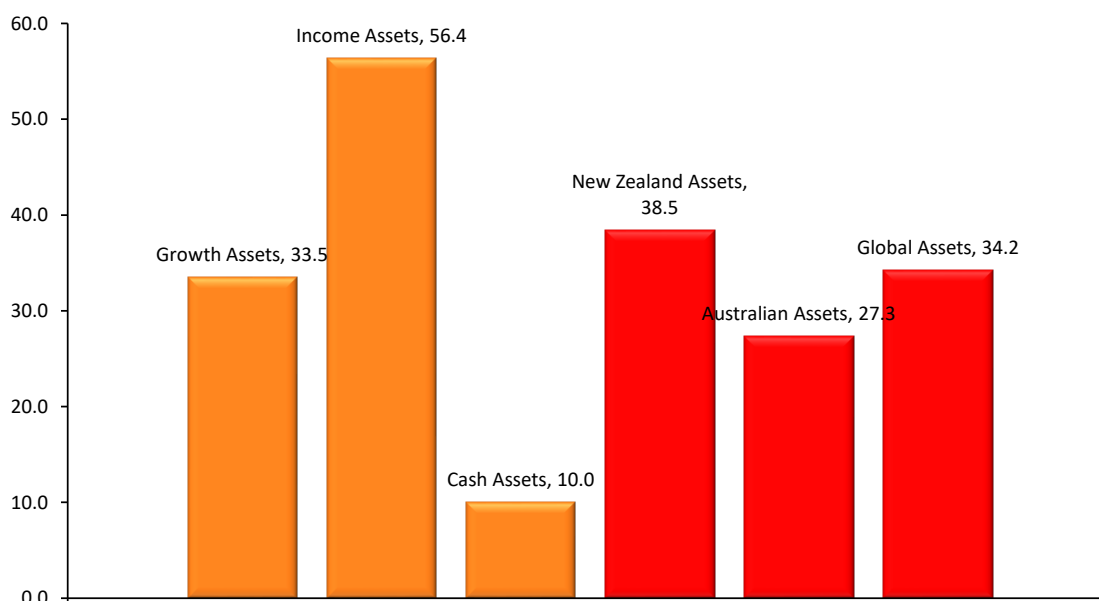
Northland Regional Council
Monthly Report 28 February 2022

STF OVERALL FUND ASSET ALLOCATION

Asset	Market Value		Target %	Target Ranges %	Status
	\$	%			
Growth Assets	5,084,060	26.2	20	0 - 40	✓
Diversified Growth	5,084,060	26.2	20	0 - 40	✓
Castle Point 5 Oceans	2,893,623	14.9	10	0 - 20	✓
Milford Active Growth	1,707,937	8.8	5	0 - 20	✓
Mint Diversified Growth	482,500	2.5	5	0 - 20	✓
Income Assets	14,331,563	73.8	80	60 - 100	✓
Diversified Income	14,331,563	73.8	80	60 - 100	✓
Harbour Income	2,491,137	12.8	20	0 - 30	✓
Milford Diversified Income	4,165,713	21.5	20	0 - 30	✓
Mint Diversified Income	1,734,293	8.9	20	0 - 30	✓
QuayStreet Income*	5,940,420	30.6	20	0 - 30	✗
Cash	0	0.0	0	0 - 20	✓
Self-Managed	0	0.0	0	0 - 20	✓
Total Assets	19,415,623	100.0			

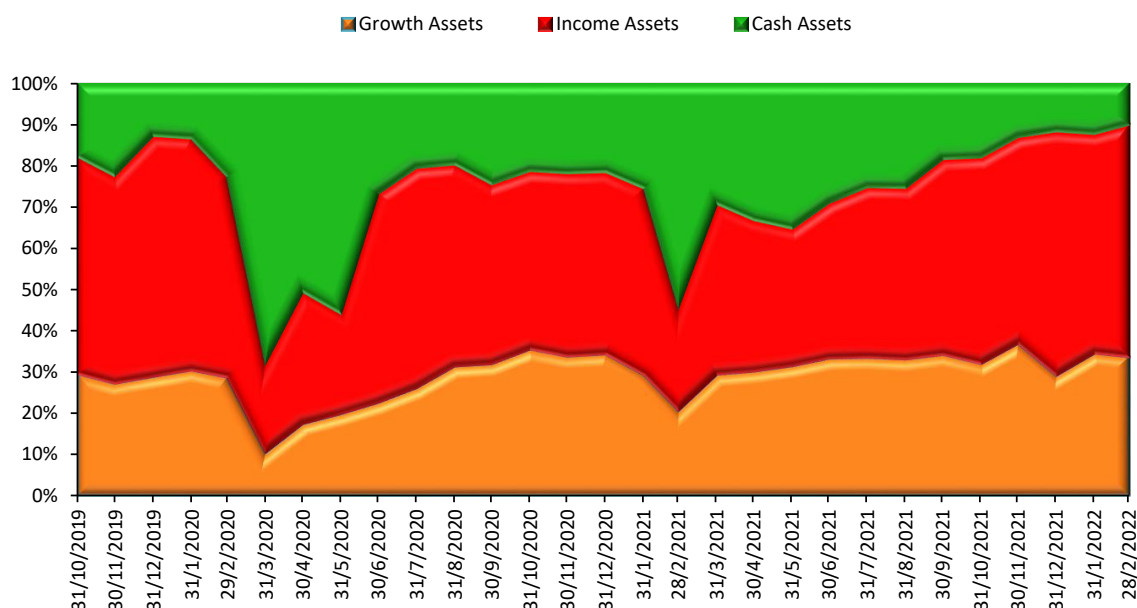
* QuayStreet Income is above its upper range due to an urgently required investment into the STF just before the end of the year. The decision was made to invest the entire investment in this low volatility product to preserve capital due to uncertainty in the markets over the holiday period. This position was vindicated when global share markets turned risk off in January. The exposure is being progressively reduced to meet cash flow requirements.

STF UNDERLYING FUND ASSET ALLOCATION



Northland Regional Council
Monthly Report 28 February 2022

UNDERLYING ASSET ALLOCATIONS



The spike in February 2021 in cash assets is due to the inclusion, then exclusion, of the KMR Grant funds.

PERFORMANCE COMMENTARY

The **Aspiring Fund** fell 0.9% in February. The fund's equities portfolios performed positively but the unhedged currency position drove returns into the negatives. The NZ portfolio performed well with key contributors being Infratil (up 5.0%) and Sky City (up 8.4%). Precinct Properties, a key holding in Aspiring's NZ portfolio announced the establishment of an investment entity with Singaporean Sovereign Wealth Fund, GIC. Aspiring views this as a transformational value creator for shareholders. The Australian portfolio was down 0.7% in AUD with the main detractor being Step One (down 38%) and the main contributor being Treasury Wine (up 10%). The International portfolio was up 0.7% in USD terms with the largest contributor being Freeport McMoRan (up 26%) and the largest detractor being auto and power semiconductor maker Infineon (down 15%).

The **Castle Point 5 Oceans Fund** was down 0.3% in February. The global equity strategies of Acadian and Schroders fell 3.5% and 5.5% (unhedged in AUD) respectively. Currency hedging lifted returns by 0.6%. The Ranger Fund fell by 0.7% but the Trans-Tasman Fund was up 1.3%. The T. Rowe Price Bond Fund was up 0.7% in AUD and Daintree fell 0.5%. The direct mortgage loans contributed positively, and the New Zealand Emissions Units were up 5.9%. The Kohinoor Core tail risk strategy was down 0.1% in USD.

The **Harbour T. Rowe Price Global Equity Fund** returned -6.1% for the month underperforming its benchmark by 0.6%. Detractors from performance included German drug discovery and development company Evotec (down 25%), German headquartered multi-national e-commerce company Zalando (down 15%) and infrastructure company KKR (down 15%). T. Rowe Price's underweight position to Apple added

Northland Regional Council
Monthly Report 28 February 2022

value over the month as did medical networking services company Doximity and South Korean e-commerce company Coupang.

The **Milford Active Growth Fund** fell 1.0% in February. Global shares fell 2.7% over the month whereas New Zealand and Australian shares had a positive month boosted by returns from companies with energy and commodity exposure. The fund outperformed market returns due to strategies to help cushion market falls in global shares. Key contributors over the month were Genworth Mortgage Insurance Australia (up 24%), Meridian Energy (up 15%), Contact Energy (up 4%) and oil and gas companies Santos (up 4%) and EOG Resources (up 3%). Milford has increased its cash holding (21% as at 28 February 2022) and reduced its holdings in shares. It sees rising volatility as an opportunity to acquire companies at more attractive valuations.

The **Mint Diversified Growth Fund** fell 2.3% in February. All asset classes contributed negatively to fund returns over the month. The best performer within global equities was Nutrien that was impacted positively by the Russia/Ukraine situation having an effect on the fertilizer market. Detractors included PayPal and software developer FIS through competition concerns. Within Australasian equities Meridian, Contact and Spark were the best performers and Precinct was the best performer in the property sector. Mint added Fletcher Building and Walt Disney to the portfolio during the month and exited positions in James Hardie, Quest Diagnostics and TELUS.

The **Nanuk New World Fund** was down 4.0% in AUD in February, outperforming traditional global equities indices, such as the MSCI All Country World Net Total Return Index, by 1.5% and outperforming the FTSE Environmental Opportunities All Share Total Return Index by 2.1%. The Fund's return was driven by the widespread declines in global equities during the month and the concurrent strengthening of the Australian dollar. The Fund's outperformance was attributable to stockspecific returns, mostly related to earnings announcements during the month. The Fund's overweight exposure to sectors such as technology services and producer manufacturing and underweight exposure to energy presented a modest headwind during the month, but this was more than overcome by stock specific contributions.

The **Schroder Real Return Fund** in AUD returned -1.0% for the month. The AUD was flat against the NZD so exchange rate movements had no impact on the return. The largest contributor was Australian equities adding 0.5% to returns and the allocation to commodities added a further 0.1%. Detractors included foreign currency exposure and global equities. The portfolio's exposure to Asian credit and emerging market sovereign debt also detracted from returns. Schroders reduced its equity exposure by 5% bringing the total exposure to 25%, increased the portfolio's duration by 0.75 years and maintained foreign currency exposure at 13%.

The **Harbour Income Fund** was down 0.2% over February. The fund suffered from weakness across fixed interest and some parts of the equity market over the month. The Reserve Bank of New Zealand was more hawkish than expected and the Russian invasion of Ukraine caused equity markets to fall towards the end of the month. Harbour reduced the equity exposure in the fund by reducing holdings in the Harbour Australasian Focus Fund and switching to the Harbour Long/Short Fund. Harbour is reviewing energy producers from an ESG perspective as these may be more acceptable given the Ukraine situation.

The **Milford Diversified Income Fund** returned 0.1% in February. Given developments in Ukraine, Milford retained a cautious stance with less bonds and shares and more cash. Performance across shares in the fund

Northland Regional Council
Monthly Report 28 February 2022

was mixed with some sectors adjusting to less supportive policy outlooks and potentially lower growth. However, there were positive contributors notably Australasian utilities (e.g. Meridian Energy up 15%), banks (e.g. Westpac up 12%) and commodity exposures (e.g. US gas exporter Cheniere up 19%). Milford remains wary of further share market weakness but is identifying companies that may generate attractive medium-term returns.

The **Mint Diversified Income Fund** returned -1.1% for the month. Australasian equities contributed positively but other asset classes detracted returns with global equities being the most significant. American Express was the main contributor to global equity returns whereas detractors included PayPal and software developer FIS through competition concerns. Meridian was the best domestic equity performer and Precinct was the best performing property company. Mint increased the duration of the bond portfolio after the recent sell-off in NZ bonds.

Continuity Capital Fund No. 2 made a distribution of 4.8023 cents per unit in February. This amounted to a payment of \$96,046. The Fund up 0.2% over the month. **Continuity Capital Fund No. 4** was up 0.5% over February due to upward revaluations of some of the underlying companies. There were no capital calls nor distributions over the month. **Continuity Capital Fund No. 5** was up 2.5% over February due to upward revaluations of some of the underlying companies. There were no capital calls nor distributions over the month. **Continuity Capital Fund No. 6** was down 0.4% over February due to downward revaluations of some of the underlying companies. There were no capital calls nor distributions over the month.

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	4.9	6.7
STF	3.7	4.0
NZ Multi-Sector Balanced	5.3	5.2
NZ Multi-Sector Moderate	4.3	5.0
S&P/NZX 50	12.6	14.4

Over the one-year period the LTF had a higher standard deviation than the Moderate benchmark and a lower standard deviation than NZX 50 and the Balanced benchmark. The STF had a lower than the NZX 50, Moderate benchmark and Balanced benchmark.

Over the three-year period the LTF had a higher standard deviation than the Balanced and Moderate benchmarks and a lower standard deviation than the NZX 50. The STF had a lower standard deviation than the NZX 50, the Balanced benchmark and the Moderate benchmark.

Northland Regional Council
Monthly Report 28 February 2022

MARKET PERFORMANCE AND COMMENTARY – FEBRUARY 2022

MARKET PERFORMANCE

Index	Index Level/Price	1 Month %	3 Month %	1 Year %
Global Equities				
MSCI World Price Index (NZD)	4405.91	-5.3	-3.3	17.5
MSCI Emerging Markets	712.31	-2.4	-2.7	-8.8
S&P 500 (US)	4373.94	-3.1	-4.2	14.8
Nikkei 225 (Japan)	26526.82	-1.8	-4.7	-8.4
FTSE 100 (UK)	7458.25	-0.1	5.6	15.0
DAX (Germany)	14461.02	-6.5	-4.2	4.9
CAC 40 (France)	6658.83	-4.9	-0.9	16.8
Trans-Tasman Equities				
S&P/NZX 50	11977.77	0.7	-5.8	-2.0
S&P/ASX 300	81830.23	2.1	-2.0	10.2
Bonds				
S&P/NZX NZ Govt Stock	1779.52	-0.9	-1.4	-4.0
S&P/NZX A Grade Corporate	5631.06	-0.7	-0.9	-3.5
Barclays Global Agg (Hedged to NZD)	413.81	-1.2	-3.2	-2.0
FTSE WGBI (Hedged to NZD)	3573.77	-1.1	-3.4	-1.8
Oil				
West Texas Intermediate Crude	95.72	8.6	44.6	55.6
Brent Crude	100.83	10.9	44.6	56.5
NZD Foreign Exchange				
AUD	0.9326	0.0	-2.6	-0.7
EUR	0.6025	2.8	-0.1	0.6
GBP	0.5044	3.0	-1.7	-3.0
JPY	77.9447	3.0	1.1	0.6
CNY	4.2703	1.9	-1.3	-9.4
USD	0.6767	3.0	-0.3	-6.9

Source: Nikko, indices are in the local currency of the asset unless otherwise indicated.

Executive summary:

- Geopolitical risks are high
- Equity markets are under pressure
- Oil prices have climbed beyond \$100 per barrel
- New Zealand dollar appreciated

ECONOMIC COMMENTARY

GLOBAL SNAPSHOT

The relatively positive start of the month with equity markets bouncing back after the January sell-off was clouded by Russia's "special military operation" in Ukraine. Geopolitics took a front seat, and economic factors shifted to the background. Inflation has continued to rise, and price pressures are broadening. The Fed has shifted its focus from stimulating economic recovery to managing prices. A flattening yield curve has heightened fears of recession.

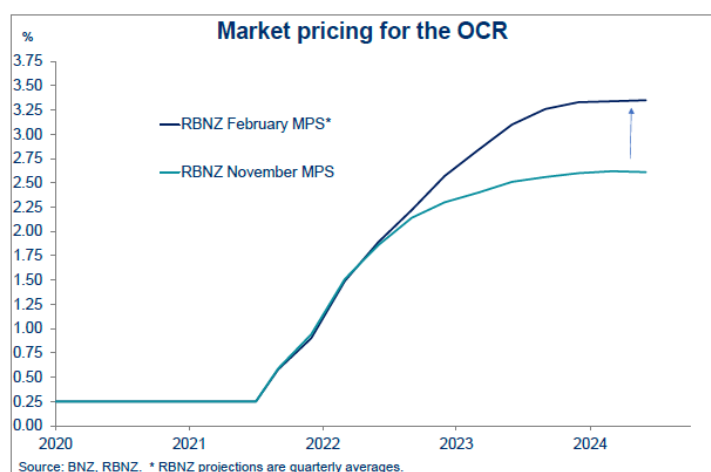
Supply chain pressures were easing, but it is too early to assess the implication of the effect of sanctions on Russia.

Global growth remains above trend, and various economies are lifting COVID-19 restrictions. China has started adding more stimulus. Financial conditions are still loose, and market expectations are for Fed policy rates to peak only at around 2%. We remember the "Volcker shock" that occurred when the Fed hiked rates to 20% to subdue inflation in the 1980s, and don't expect a repeat of that policy experiment either.

LOCAL SNAPSHOT

The RBNZ raised the OCR by 25bps, to 1%, at its last quarterly publishing of the Monetary Policy Statement in February, as widely expected by economists and financial markets. However, the statement's tone was more hawkish than many experts had anticipated (Figure 1). Inflation is well above the 2% midpoint of the RBNZ's target range and is expected to remain at this level for several years. The labour market is extremely tight, with the unemployment rate at 3.2%, the lowest unemployment rate since the Household Labour Force Survey began in 1986. The RBNZ is concerned about the risk that above-target inflation could become entrenched in wage and price expectations, making inflation harder to control and subdue in the long term.

Figure 1



Northland Regional Council
Monthly Report 28 February 2022

In response to high vaccination rates and mounting public pressure, New Zealand has now lifted the restrictions for vaccinated travellers from Australia. While this comes as a relief to many individuals, we wonder if it will help the hospitality and tourism sectors, considering more and more businesses are temporarily closing their doors due to self-isolation rules at Red under the COVID-19 Protection Framework.

WORLD FINANCIAL MARKETS

Equities

US stocks were mostly lower on the last day of February, ending a big two-day winning streak for the markets. The major indexes fell more than 3% over the month, their second straight month of losses.

As one example of market volatility, Tesla added USD100 billion to its market capitalisation in one day (24 February) but declined roughly 5.5% over the week as a whole.

The consumer discretionary sector generally underperformed within the S&P 500 as the turmoil in Europe depressed travel-related equities. Conversely, resilience in internet giants Alphabet (the parent company of Google) and Meta Platforms (the parent company of Facebook) supported the market value of communications companies, and healthcare shares were also strong.

European indexes fell between -1% and -4% as Russia's invasion of Ukraine fuelled fears of higher inflation and an economic slowdown. In the UK, the FTSE 100 was flat, and the FTSE 250 slipped -2.1%.

Australian equities staged a rebound in February following January's losses as the S&P/ASX 200 rallied 2%. New Zealand's S&P/NZX 50 also advanced, adding 1%, with the largest companies rising the most - the S&P/NZX 10 alone climbed 2%. The gains on either side of the Tasman Sea offered a contrast to equities in the rest of the world, which largely declined in search for safety after the Russian invasion of Ukraine.

Fixed Interest

The last Friday of February saw a rally that pushed the US 10-year Treasury yield slightly higher for the week, ending at 1.96%, up to three basis points from 1.93%.

Core eurozone bond yields fell after Russia's invasion of Ukraine drove a flight to safety but rose on the last Friday.

US investment-grade corporate bonds traded lower at the end of the month alongside headlines regarding the Russia-Ukraine conflict. Relatively light overnight activity from Asia, coupled with active primary issuance in the face of the weakened macroeconomic tone, contributed to the weakness. Despite the issuers' elevated new issue premiums, demand for the new deals was relatively subdued.

The high yield bond market also struggled under the risk-off sentiment, but buyers who were looking to source high-quality BB-rated paper took advantage of the weakness. Due to the recent modest new issuance, elevated cash balances also contributed to the strong demand for higher-quality bonds. Similarly, the bank loan market traded lower amid the Russia-Ukraine conflict's uncertainty, while some opportunistic

Northland Regional Council
Monthly Report 28 February 2022

buyers stepped in at lower levels. Primary market activity continued to be light, with only a few new deals announced through the month.

Australian bonds continued to sell off, with yields rising across the yield curve. The broad-based S&P/ASX Fixed Interest declined 1.3%, while our broad indices for investment grade and sovereign bonds across the Tasman Sea also finished the month down by 1.1% and 1.2%, respectively. The performance of inflation-linked bonds was mixed, as they declined by 0.8% in Australia but gained 0.4% in New Zealand.

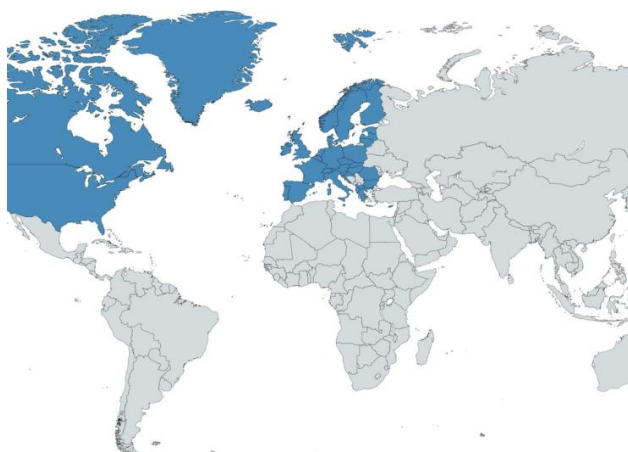
GEOPOLITICS

From our resident (Kazakh and Russian speaking) international relations expert Janibek Issagulov

Unfortunately, one of the geopolitical risks we discussed last month was realised in February. Russia started its so-called “special military operation” in Ukraine on 24 February straight after its Defender of the Fatherland Day (23 February is a public holiday in Russia). This step surprised the opposition in Russia despite ongoing military mobilisation and warnings from intelligence services.

The start of the war has resulted in Russia’s isolation from financial markets in the US and Europe and blockage from access to European technologies and markets, mainly semiconductors and other high tech. Several banks have banned Russia from the SWIFT financial system except for Sberbank and Gazprombank, which use it for transactions necessary for gas and oil supply. Another measure to pressure Russia is the closure of airspace for Russian aeroplanes by 33 countries in Europe and America (Figure 2).

Figure 2



Source: www.businessinsider.com

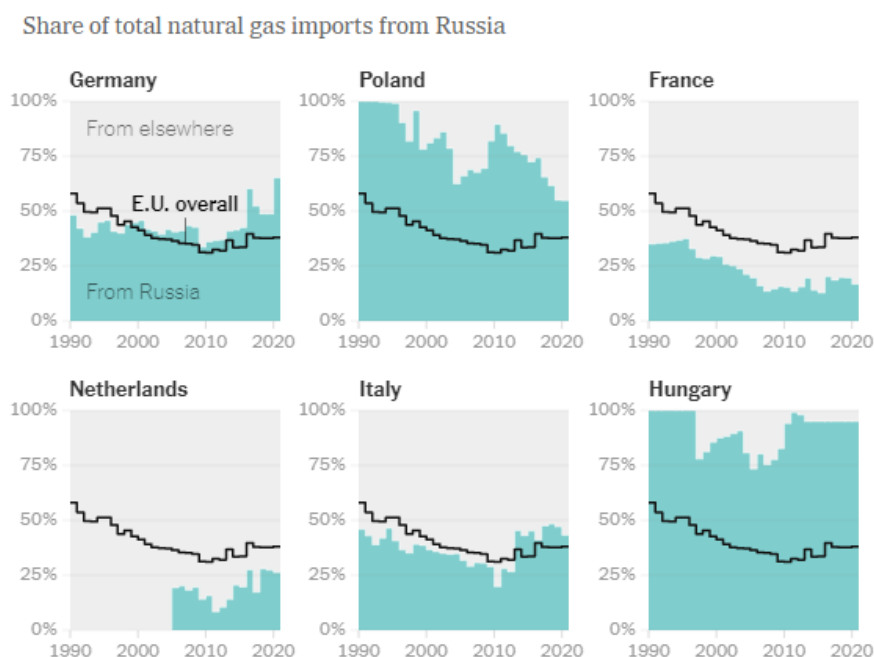
The military actions are still ongoing, bringing civilian and military casualties. Significant battles are going on, both on Ukrainian soil and in the global media. The West seems to be winning the war of public opinion, gaining more countries into the coalition. But both sides use the same photos and video materials, and blame the other side for bombing civilians. Meanwhile, food and drinking water supplies are dwindling in Ukraine due to the ongoing fighting, and Russia still has another wave of troops and armaments to come.

The western world has refused to fight on the Ukrainian side against Russia and stop the bloodshed, either by enforcing a no-fly zone or by providing troops, which proves our earlier statement of the weakness of political will in Europe and the US. While the Russia-Ukraine war has attracted all the world's attention, Asia might become the next conflict point on the map.

GLOBAL SUPPLY CHAIN – WHO IS A WINNER?

The conflict in Ukraine led oil prices to surge as high as \$105 a barrel. Oil futures cooled back down after the US said it would work with other major countries to coordinate the strategic release of petroleum reserves. Newly announced economic sanctions have not yet targeted Russian oil, and in fact, shipments of crude oil from Russia reached their highest level since June. Between an extended conflict in Ukraine and the turbulent energy transition, oil and gas price volatility will likely continue at record levels for the foreseeable future. The most brutal hit will be on the EU and mainly Germany as a primary importer of Russian gas (approximately 40% of imports are from Russia, see Figure 3). Germany made a statement that it would move away from Russian oil to American, but it is unclear if the volumes will be enough and what price they will have to pay.

Figure 3



Source: Eurostat

If oil stays above \$100 this year, it could increase energy costs in US households by \$750 annually for 2022, based on last year's energy consumption records. OPEC+'s reluctance to lower prices may also signal a desire to squeeze profit out of oil production before the commodity becomes obsolete. The global use of oil for

Northland Regional Council
Monthly Report 28 February 2022

energy has declined consistently since 1989. Even as renewable investments grow, they are 3x short of the level needed to meet expected energy demand by 2030, so oil and gas will remain an essential part of the energy mix.

High oil prices will likely persist as the crisis unfolds. If the conflict in Eastern Europe hampers Russia's supply lines, oil could even hit \$130 or higher. Conversely, the potential release and production of 103 million new barrels from Iran could deflate prices once again. With so many variables, only one thing is sure — wild swings in the price of oil will remain a staple of this decade's energy transition.

Disruptions in other resources will also be affected, such as aluminium, copper, and nickel. These are critical materials for the automotive industry and 'green energy' transitions. Supply and prices of soft commodities, such as wheat, soy and corn, also stand to fluctuate significantly in response to sanctions and conflict. According to the US Department of Agriculture, Russia and Ukraine together account for a third of the world's wheat exports, a fifth of its corn trade, and almost eighty per cent of global sunflower oil production.

The war has led to a ban on all commercial vessels in the inland sea of Azov, which connects to the Black Sea, and the closure of Ukrainian ports. Some 90 per cent of Ukrainian grain exports are transported by sea, and the disruption is expected to wreak havoc on food supply flows, said analysts.

Since the start of the 2022 corn prices have already risen 15 per cent, while wheat prices have risen by more than a fifth to almost GFC levels (Figure 4).

Figure 4



IS THE AGE OF GLOBALISATION DEAD?

The idea of globalisation was the central theme on a different platform from local as a part of election campaigns to global as World Economic Forum in 20th century. However, practice has shown that the bigger organisation is usually less efficient. After WWII, there were a lot of trade and military conflicts that the UN failed to handle, and this tendency was intensified after the collapse of the USSR. The major ones are:

- The Yugoslavian crisis
- The NATO missions in Iraq
- Libya and Syria

Northland Regional Council
Monthly Report 28 February 2022

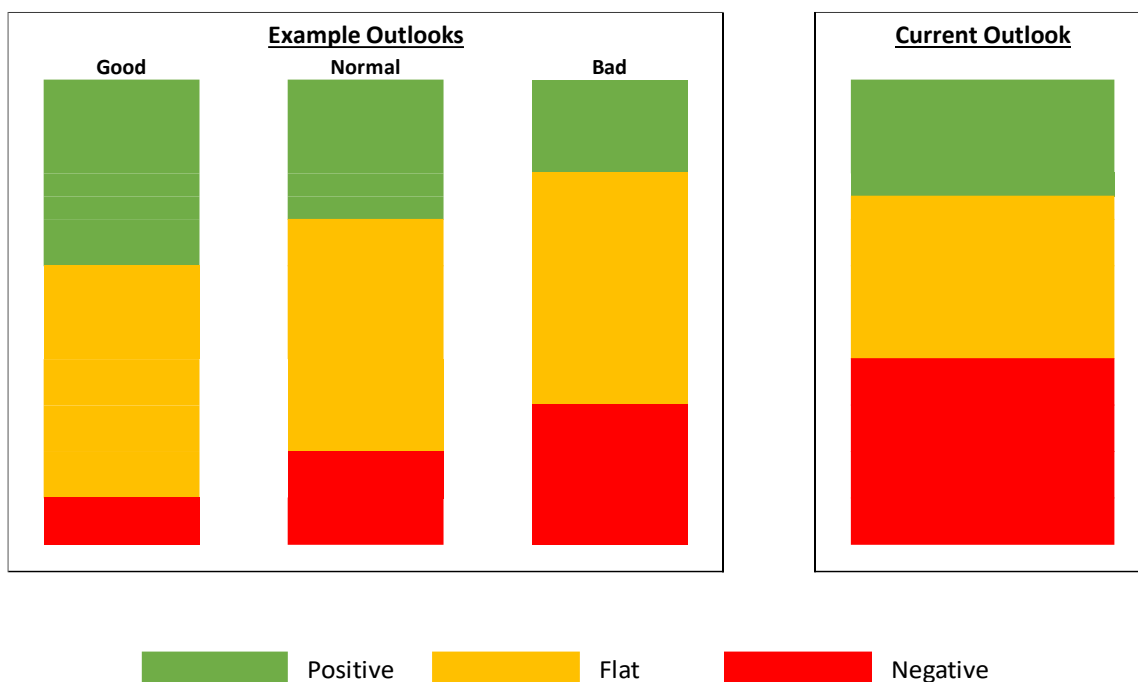
- The intervention of Russia in Georgia
- War in the Nagorno-Karabakh region

A fair question would be, what is the role of the UN and its General Assembly and Security Council if the conflicts are resolved in favour of the strongest nations and not its own mandate?

In the economic sector, trade conflicts turned into long-lasting wars that affected conflicting parties and the rest of the world - sanctions against the companies and industry sectors. Still live examples of trade wars are between the US and China with disruptions to IT and telecom industries, and the China-Australia trade wars that involved coal, iron ore and , soberingly, wine exports.

The spread of COVID only increased the velocity of centrifugal forces within global international originations. We have witnessed rising regionalization in recent years, the creation of smaller 'clubs' that represent the national interests of a few countries, and increasing numbers of bilateral trade agreements. We believe this trend will continue in the near future since it is easier to find the consensus between two than 193. But should World War III break out, there will only be two (or three) sides to take, and with this in mind smaller nations are continuing to choose trading partners, and potential allies, carefully.

MARKET OUTLOOK



The current market is less likely to have a good return (green) as an average return (amber) over the next two to three years. It is more likely to have a bad return (red).

Northland Regional Council
Monthly Report 28 February 2022

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	Australian CPI (trimmed mean) + 5% p.a.
Global Equity	
Harbour T. Rowe Price Global Equity	MSCI All Country World Index
Nanuk New World Fund	FTSE Russell Environmental Opportunities Index
Private Equity	
Castlerock	8% p.a.
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.
Continuity Capital PE Fund No.6 LP	15% p.a.
CPEC 9	15% p.a.
Direct Capital VI	12% p.a.
Federation	16% p.a.
Milford PE III	8% p.a.
MLC PE II	15% p.a.
MLC PE III	15% p.a.
Oriens Fund 2	8% p.a.
Pencarrow VI	8% p.a.
PCP III	8% p.a.
PCP IV	8% p.a.
Income Assets	
Diversified Income	
BlackRock FIGO	Bloomberg AusBond Bank Bill Index + 4% - 6% p.a.*
Fermat ILS Yield	Bloomberg AusBond Bank Bill Index + 4.5%
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.

*We have used 4% as a benchmark

Northland Regional Council
Monthly Report 28 February 2022

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 28 February 2022

APPENDIX 2: NRC TOTAL FUNDS UNDER MANAGEMENT

FUNDS UNDER MANAGEMENT: BREAKDOWN

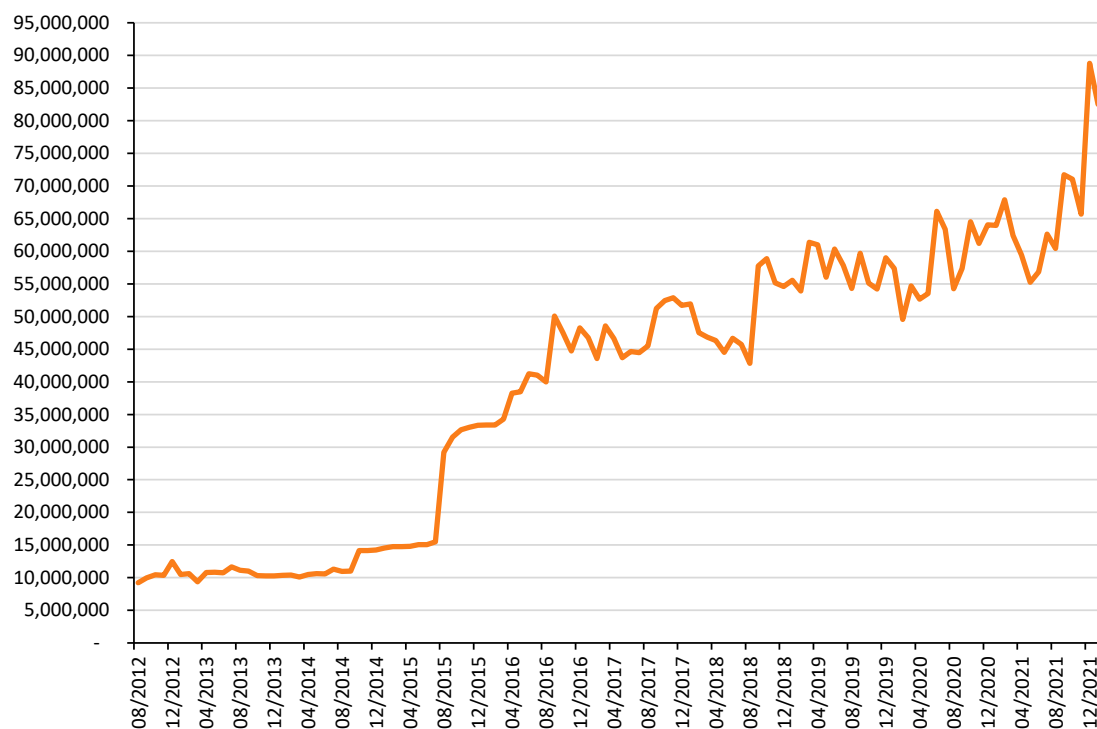
Manager	Fund	LTF	STF	NRC Total FUM \$	NRC Manager % of Total FUM
Aspiring	Aspiring	4,219,668		4,219,668	5.1
BlackRock	FIGO	611,715		611,715	0.7
Castle Point	5 Oceans	8,623,346	2,893,623	11,516,969	14.0
Castlerock	Long-Term PE Partnership	1,000,000		1,000,000	1.2
Continuity Capital	No.2	1,235,673		1,235,673	4.4
	No.4	681,658		681,658	
	No.5	1,376,493		1,376,493	
	No.6	285,411		285,411	
CPE Capital	Fund 9	80,419		80,419	0.1
Direct Capital	DC VI	466,590		466,590	0.6
Federation	Alternative	963,244		963,244	1.2
Fermat	ILS Yield	662,508		662,508	0.8
Harbour	Income	8,349,079	2,491,137	10,840,217	17.1
	T. Rowe Price Global Equity	3,264,024		3,264,024	
Milford	Active Growth	4,028,523	1,707,937	5,736,460	20.5
	Diversified Income	6,799,282	4,165,713	10,964,995	
	PE III	126,100		126,100	
Mint	Diversified Income	7,116,070	1,734,293	8,850,363	14.4
	Diversified Growth	2,473,352	482,500	2,955,852	
MLC	PE Co-investment Fund II	1,079,120		1,079,120	1.5
	PE Co-investment Fund III	194,079		194,079	
Nanuk	New World	1,007,050		1,007,050	1.2
Oriens Capital	Fund 2	126,535		126,535	0.2
Pioneer Capital	PCP III	826,519		826,519	1.6
	PCP IV	458,729		458,729	
QuayStreet	Income		5,940,420	5,940,420	7.2
Schroders	Real Return	4,782,090		4,782,090	5.8
Self-managed Cash	N/A	1,998,278	0	1,998,278	2.4
NRC Total FUM		62,835,555	19,415,623	82,251,178	100

Note: all values are in NZD

*The exposure to Milford is marginally greater than 20%. We expect it to reduce below 20% as a result of the gains from revaluations of private equity, distributions and Australian based products as the NZD weakens against AUD.

Northland Regional Council
Monthly Report 28 February 2022

FUNDS UNDER MANAGEMENT: ROLLING MONTHLY TIME SERIES



FUNDS DENOMINATED IN AUD

Funds Denominated in AUD		NRC Total AUD	NRC Total NZD
BlackRock	FIGO	570,492	611,715
Continuity Capital	Fund No.5	1,283,734	1,376,493
CPE Capital	Fund 9	75,000	80,419
Federation	Alternative	898,333	963,244
Fermat	ILS Yield	617,862	662,508
MLC	PE Co-investment Fund III	1,006,400	1,079,120
	PE Co-investment Fund II	181,000	194,079
Nanuk	New World	939,187	1,007,050
Schroders	Real Return	4,459,834	4,782,090
NRC Total AUD		10,031,843	10,756,718

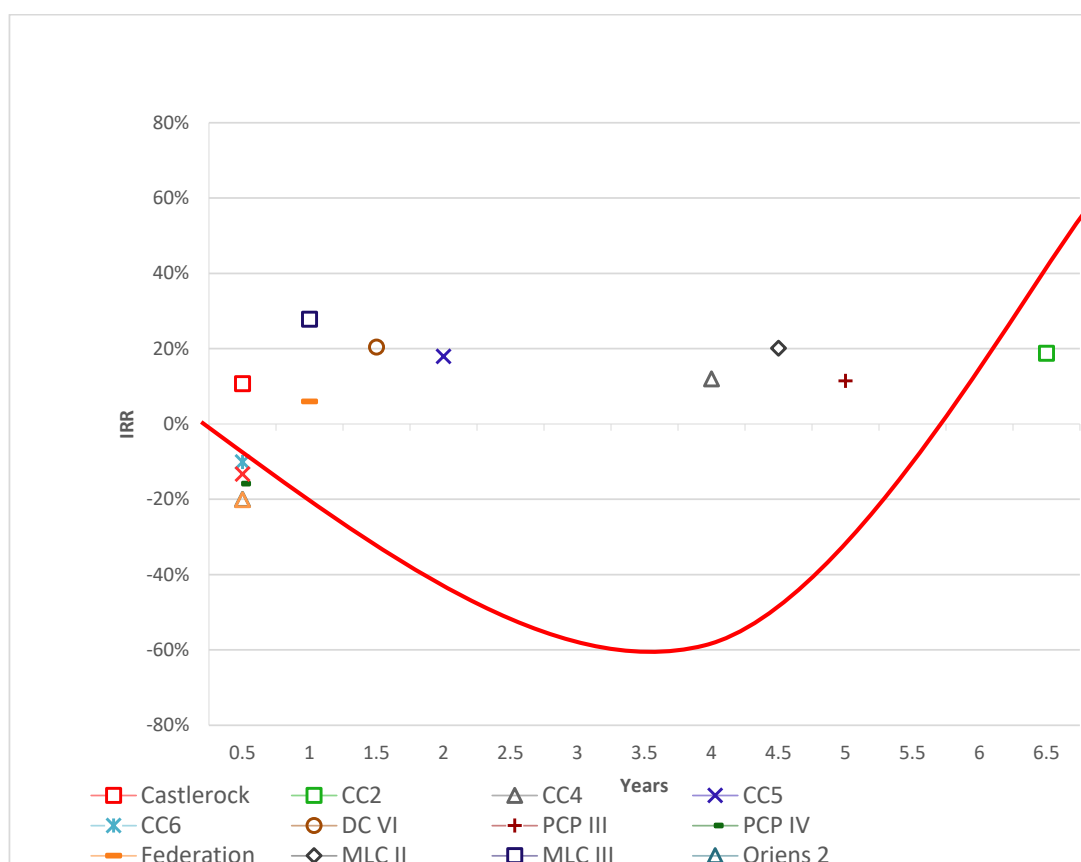
Note: 20% of LTF \$62,836,555 is equal to \$12,567,311, so there is a \$1.8 million buffer.

Northland Regional Council
Monthly Report 28 February 2022

PRIVATE EQUITY – COMMITTED CAPITAL (CALLED VS UNCALLED)

Private Equity Fund	Committed Capital \$	Called \$	Uncalled \$	Distributed Capital \$	Expected Calls \$	Expected Distributions \$
Castlerock	1,000,000	1,000,000	-	25,636		100k
CC2	2,000,000	1,900,000	100,000	1,982,093	50k	300k
CC4	1,000,000	725,000	275,000	265,701	150k	100k
CC5 (AUD)	3,218,346	1,609,173	1,609,173	279,240	600k	150k
CC6	2,000,000	300,000	1,700,000	-	600k	-
CPEC 9 (AUD)	536,391	80,459	455,932	-	150k	-
DC VI	2,000,000	371,784	1,628,216	21,860	400k	-
Federation (AUD)	901,137	901,137	-	-	-	-
Milford PE III	1,000,000	135,000	865,000	-	300k	-
MLC II (AUD)	1,072,782	902,746	170,036	436,300	50k	250k
MLC III (AUD)	536,391	166,281	370,110	-	150k	-
Oriens Fund 2	1,000,000	140,000	860,000	-	300k	-
Pencarrow VI	2,000,000	-	2,000,000	-	500k	-
PCP III	1,000,000	810,893	189,107	107,149	100k	-
PCP IV	1,000,000	479,858	520,142	-	250k	-
TOTAL	19,265,048	9,522,331	10,742,716	3,092,343		

PRIVATE EQUITY PERFORMANCE AS AT 28 FEBRUARY 2021



Northland Regional Council
Monthly Report 28 February 2022

NRC TOTAL UNDERLYING FUND ALLOCATIONS



TITLE: **Responsible Investment Report December 2021**

From: Judith Graham, Corporate Services P/A

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 03
Group Manager/s: March 2022

Executive summary/Whakarāpopototanga

Responsible investing, also known as ethical investing or sustainable investing, is a holistic approach to investing, where social, environmental, corporate governance (ESG) and ethical factors are considered alongside financial performance when making an investment decision.

Councils Statement of Investment Policy and Objectives (SIPO) is the key document that sets out council's responsible investment expectations in regards to its externally managed fund portfolio. Specifically, transitioning away from any investments listed below over a five-year time horizon:

- Fossil fuels (exploration, extraction and processing)
- Alcohol
- Tobacco
- Gambling
- Military weapons
- Civilian firearms
- Nuclear power
- Adult entertainment

The EriksensGlobal responsible investment report as at 31 December 2021 is **attached**. This report presents councils exposure to restricted investments, as well as its investments in companies that support environmental sustainability.

Recommendation(s)

1. That the report 'Responsible Investment Report December 2021' by Judith Graham, Corporate Services P/A and dated 03 March 2022 be received.

Attachments/Ngā tapirihanga

Attachment 1: Responsible Investment Report December 2021 [↓](#) 

ERIKSENSGLOBAL

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL EXTERNALLY MANAGED INVESTMENT FUNDS

RESPONSIBLE INVESTMENT REPORT 31 DECEMBER 2021

3 MARCH 2022

STRICTLY PRIVATE & CONFIDENTIAL

Please note the information contained in this document is of a highly commercially sensitive and confidential nature. It is not to be made public and is only for the use of the Executive and Directors/Trustees of client organisations of EriksensGlobal. This report is subject to Intellectual Property rights by EriksensGlobal. It is not to be released to any other third parties in any format (including electronically or verbally), without the express written permission of EriksensGlobal. The information in this report has been gathered from a variety of sources that we believe to be reliable. Whilst using all reasonable care to obtain this information, we do not accept any responsibility or liability for errors or omissions.

ERIKSENSGLOBAL.com

Auckland

2 Burns Avenue Takapuna
PO Box 33-1318 Takapuna 0740
p: +64 9 486 3144
auckland@eriksensglobal.com

Wellington

Level 9, 111 The Terrace
PO Box 10-105 Wellington 6143
p: +64 4 470 6144
wellington@eriksensglobal.com

Northland Regional Council
Responsible Investment Report 31 December 2021

INTRODUCTION

The Eriksens Responsible Investment Survey is conducted bi-annually in June and December. All managers to which our clients are invested with are surveyed on their individual fund's exposure to various economic, social, and governance sub industries as per the MSCI Global Industry Classification Standard (GICS). In 1999, the GICS was developed by MSCI in collaboration with S&P Dow Jones Indices to provide an efficient, detailed and flexible tool for use in the investment process. It is designed to respond to the global financial community's need for a global, accurate, complete and widely accepted approach to defining industries and classifying securities by industry.

With the Responsible Investment Survey we aim to provide our clients as to how their money is invested and how it aligns with our individual clients social and environmental views. In releasing this report, we hope to promote the importance of responsible investing in New Zealand. Behaviour follows capital, if we shift the criteria for capital then we shift the behaviour for investments.

We will always advise our clients on differentiating investment practices and products that deliver a healthy and sustainable society, environment and economy. Eriksens is aware of the benefits of responsible investments and we are confident that RI products and services support their needs and expectations.

RESULTS

The Short-Term Fund (STF) have high renewable energy holdings of 3.1%. Extraction and processing of fossil fuels also makes up more than 1.0% of both the LTF and the STF. Distribution of fossil fuels makes up more than 1.0% of both the STF.

The total portfolio has the largest holdings in renewable energy at a 3.01%. The total portfolio has a considerably higher extraction and processing of fossil fuels due to large holdings in the Milford Diversified Income Fund. Milford Diversified Income Fund holds 2.25% in the extraction and processing of fossil fuels due to investments in BP, Karoon Gas Australia, Santos, EOG Resources, Ampol and Paladin Energy.

Northland Regional Council
Responsible Investment Report 31 December 2021

LEGISLATION

	Key Regulations	Description	Status
European Union	Non-Financial Reporting Directive (NFRD)	Required corporate disclosure on key ESG issues. Applies to EU listed companies and financial firms with more than 500 employees.	Issued into law (2018)
	Shareholder Rights Directive II (SRD II)	Applies to companies, investment managers, proxy advisors etc. Investment managers now have a duty to disclose their approach to shareholder engagement and approach to ESG integration.	Issued into law (2019)
	EU Benchmarks Regulation	Standardise methodology for environmental/climate based benchmarks and ESG disclosures.	Issued into law (2021)
	EU Green Bond Standards	Standardisation of Green bonds in order to improve comparability and transparency.	In progress
	EU Sustainable Finance Taxonomy	EU Taxonomy classification system, driven by the EU Commission, is the first global attempt to classify economic activities as sustainable or not. Very significant for ESG investing, implementation by the end of 2021.	In progress
Australia	ESG Reporting Guide for Australian Companies (AU FSC)	This Guidance is supported and promoted by ASX and aims to help companies produce sustainability data that is useful to investors.	Issued into law (2011)
	Australian Principles of internal Governance and Asset	Encourages higher standards of internal governance and stewardship practices; provide better information for clients and other stakeholders. Non-prescriptive disclosure for best practice, utilising a 'comply or explain' rationale.	Issued into law (2017)
	Modern Slavery Act	The proposed reporting requirement will require large corporations and other entities operating in Australia to publish annual statements outlining their actions to address modern slavery in their operations and supply chains.	Issued into law (2018)
New Zealand	NZX Corporate Governance Code	This Code aims to 'promote good corporate governance, recognising that boards are in place to protect the interests of shareholders and to provide long-term value'. NZX companies must disclose on a 'comply or explain' basis.	Issued into law (2017)
	Climate Change Response Zero Carbon Amendment Act	This Act provides a framework by which New Zealand can develop and implement clear and stable climate change policies.	Issued into law (2019)
	Hard Cap on Emissions Allowances	This regulation has been introduced into the NZ Emissions Trading System. The ETS provisional budget is set at 354m tonnes of CO ₂ -e between 2021-2025. 160m of this budget will be capped over the same period, of which 43m worth of carbon credits will be allocated to heavy emitters to avoid 'carbon leakage'.	Issued into law (2020)
	Proposal for mandatory TCFD reporting	This proposal plans to require reporting consistent with the taskforce on Climate-related Financial Disclosures (TCFD) recommendations for public companies and large insurers, banks and asset managers. A reporting would take place from 2023 on a 'comply or explain' basis.	Issued into law (2021)

Northland Regional Council
Responsible Investment Report 31 December 2021

INDIVIDUAL MANAGER ESG HOLDINGS

LTF	Renewable Energy	Sustainable Forestry	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Prostitution or Pornography	Tobacco
Aspiring	1.89	1.30	2.00	-	-	1.30	4.04	-	-
Castle Point 5 Oceans	0.06	-	0.70	-	0.02	1.36	0.15	-	-
Harbour T. Rowe Price Global Equity	2.00	-	0.62	0.56	-	-	0.13	-	-
Milford Active Growth	0.56	-	0.96	-	0.03	2.87	0.92	-	-
Mint Diversified Growth	4.21	-	3.40	-	-	-	-	-	-
Nanuk New World	7.22	0.95	-	-	-	-	-	-	-
Schroder Real Return	0.09	-	0.16	0.12	0.22	2.84	0.43	-	-
Castlerock	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.2	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.4	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.6	-	-	-	-	-	-	-	-	-
Direct Capital VI	-	-	-	-	-	-	-	-	-
Federation Alternative	-	-	-	-	-	-	-	-	-
Milford PE III	-	-	-	-	-	-	-	-	-
MLC PE II	-	-	-	-	-	-	-	-	-
MLC PE III	-	-	-	-	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-	-	-	-	-
PCP III	-	-	-	-	-	-	-	-	-
PCP IV	-	-	-	-	-	-	-	-	-
BlackRock FIGO	-	-	-	-	-	-	-	-	-
Fermat ILS Yield	13.40	-	0.09	0.17	0.14	2.34	0.54	-	0.30
Harbour Income	-	-	-	-	-	-	-	-	-
Milford Diversified Income	0.90	-	0.08	0.02	-	0.34	0.16	-	-
Mint Diversified Income	0.82	-	0.07	-	0.67	2.25	0.03	-	-

Northland Regional Council
Responsible Investment Report 31 December 2021

STF	Renewable Energy	Sustainable Forestry	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Prostitution or Pornography	Tobacco
Castle Point 5 Oceans	0.06	-	0.70	-	0.02	1.36	0.15	-	-
Milford Active Growth	0.56	-	0.96	-	0.03	2.87	0.92	-	-
Mint Diversified Growth	4.21	-	3.40	-	-	-	-	-	-
Harbour Income	0.90	-	0.08	0.02	-	0.34	0.16	-	-
Milford Diversified Income	0.82	-	0.07	-	0.67	2.25	0.03	-	-
Mint Diversified Income	18.07	-	0.49	-	-	-	-	-	-
QuayStreet Income	3.35	-	-	-	6.30	1.51	2.01	-	-

Northland Regional Council
Responsible Investment Report 31 December 2021

PRO RATA ESG HOLDINGS

LTF	Renewable Energy	Sustainable Forestry	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Prostitution or Pornography	Tobacco
Aspiring	0.13	0.09	0.13	-	-	0.09	0.27	-	-
Castle Point 5 Oceans	0.01	-	0.10	-	0.00	0.19	0.02	-	-
Harbour T. Rowe Price Global Equity	0.11	-	0.04	0.03	-	-	0.01	-	-
Milford Active Growth	0.04	-	0.06	-	0.00	0.19	0.06	-	-
Mint Diversified Growth	0.18	-	0.14	-	-	-	-	-	-
Nanuk New World	0.12	0.02	-	-	-	-	-	-	-
Schroder Real Return	0.01	-	0.01	0.01	0.02	0.20	0.03	-	-
Castlerock	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.2	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.4	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.6	-	-	-	-	-	-	-	-	-
CPEC 9	-	-	-	-	-	-	-	-	-
Direct Capital VI	-	-	-	-	-	-	-	-	-
Federation Alternative	-	-	-	-	-	-	-	-	-
Milford PE III	-	-	-	-	-	-	-	-	-
MLC PE II	-	-	-	-	-	-	-	-	-
MLC PE III	-	-	-	-	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-	-	-	-	-
PCP III	0.01	-	0.00	0.00	-	0.00	0.00	-	-
PCP IV	0.01	-	0.00	-	0.00	0.02	0.00	-	-
BlackRock FIGO*	0.17	-	0.00	-	-	-	-	-	-
Fermat ILS Yield	0.03	0.00	0.01	0.00	0.00	0.01	0.00	-	0.00
Harbour Income	-	-	-	-	-	-	-	-	-
Milford Diversified Income	0.10	-	0.01	-	0.08	0.27	0.00	-	-
Mint Diversified Income	0.01	-	0.08	-	0.00	0.15	0.02	-	-
Total Fund*	0.92	0.10	0.58	0.04	0.11	1.11	0.42	-	0.00

Northland Regional Council
Responsible Investment Report 31 December 2021

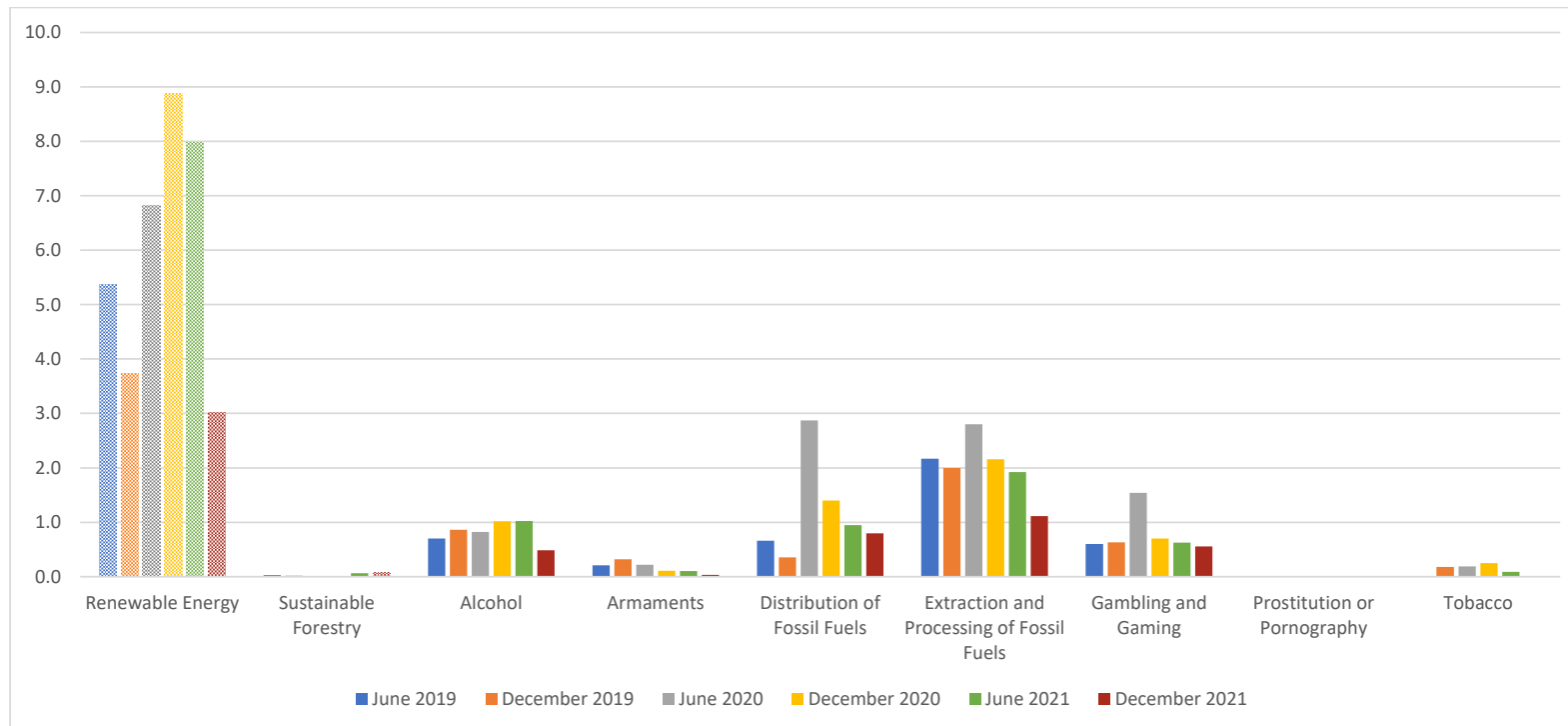
STF	Renewable Energy	Sustainable Forestry	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Prostitution or Pornography	Tobacco
Castle Point 5 Oceans	0.01	-	0.09	-	0.00	0.17	0.02	-	-
Milford Active Growth	0.04	-	0.07	-	0.00	0.21	0.07	-	-
Mint Diversified Growth	0.09	-	0.08	-	-	-	-	-	-
Harbour Income	0.10	-	0.01	0.00	-	0.04	0.02	-	-
Milford Diversified Income	0.15	-	0.01	-	0.12	0.40	0.01	-	-
Mint Diversified Income	1.36	-	0.04	-	-	-	-	-	-
QuayStreet Income	1.35	-	-	-	2.54	0.61	0.81	-	-
Total Fund	3.10	-	0.29	0.00	2.67	1.43	0.92	-	-

Northland Regional Council
Responsible Investment Report 31 December 2021

NRC	Renewable Energy	Sustainable Forestry	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Prostitution or Pornography	Tobacco
Aspiring Fund	0.09	0.06	0.10	-	-	0.06	0.20	-	-
BlackRock FIGO	0.09	-	0.00	0.00	0.00	0.02	0.00	-	0.00
Castle Point 5 Oceans Fund	0.01	-	0.09	-	0.00	0.18	0.02	-	-
Fermat ILS Yield	-	-	-	-	-	-	-	-	-
Harbour Income Fund	0.12	-	0.01	0.00	-	0.05	0.02	-	-
T Rowe Price Global Equity Fund	0.08	-	0.03	0.02	-	-	0.01	-	-
Milford Active Growth Fund	0.04	-	0.06	-	0.00	0.19	0.06	-	-
Milford Diversified Income Fund	0.11	-	0.01	-	0.09	0.31	0.00	-	-
Mint Diversified Growth Fund	0.16	-	0.13	-	-	-	-	-	-
Mint Diversified Income Fund	1.85	-	0.05	-	-	-	-	-	-
Nanuk New World Fund	0.09	0.01	-	-	-	-	-	-	-
Schroders Real Return +5% Fund	0.00	-	0.01	0.01	0.01	0.15	0.02	-	-
Quay Street Income	0.37	-	-	-	0.69	0.16	0.22	-	-
Castlerock	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.2 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.4 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.5 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.6 LP	-	-	-	-	-	-	-	-	-
CPEC 9	-	-	-	-	-	-	-	-	-
Direct Capital VI	-	-	-	-	-	-	-	-	-
Federation Alternative Fund	-	-	-	-	-	-	-	-	-
Milford PE III	-	-	-	-	-	-	-	-	-
MLC PE II	-	-	-	-	-	-	-	-	-
MLC PE III	-	-	-	-	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-	-	-	-	-
PCP III	-	-	-	-	-	-	-	-	-
PCP IV	-	-	-	-	-	-	-	-	-
Total Fund	3.01	0.08	0.49	0.03	0.80	1.12	0.56	-	0.00

Northland Regional Council
Responsible Investment Report 31 December 2021

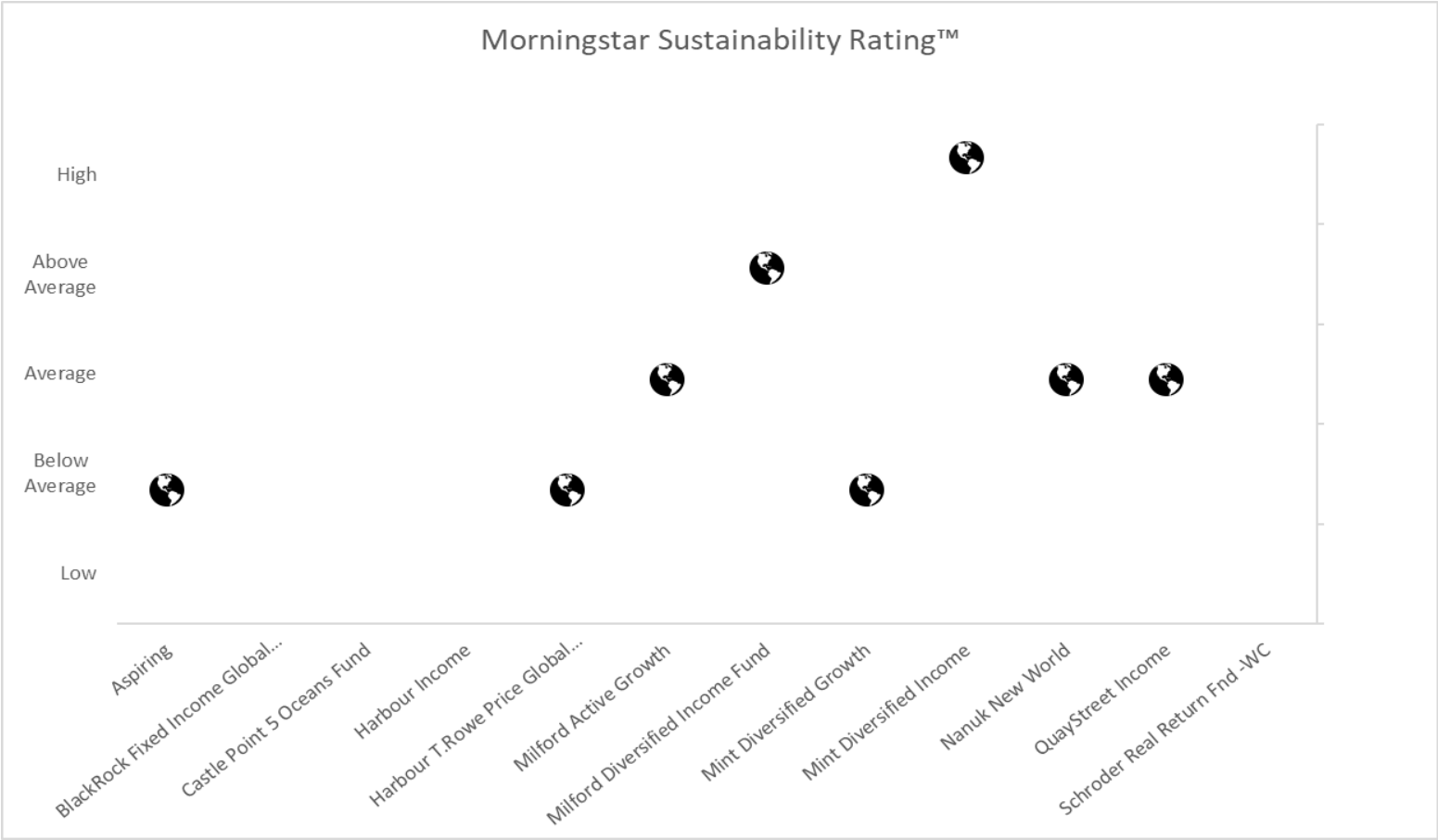
INVESTMENT PORTFOLIO TRENDS



Decreasing holdings are observed in: Alcohol; Armaments; Distribution of Fossil Fuels; Extraction and Processing of Fossil Fuels; Gambling and Gaming; Tobacco.

Renewable Energy is the largest holding, with the level having decreased from that in previous periods. Sustainable Forestry is increasing.

MORNINGSTAR SUSTAINABILITY RATING



GLOSSARY

All terminology used in this report are in accordance with the Global Industry Classification Standard (GICS) definitions.

In 1999, MSCI and S&P Dow Jones Indices developed the Global Industry Classification Standard (GICS), seeking to offer an efficient investment tool to capture the breadth, depth and evolution of industry sectors.

GICS is a common global classification standard used by thousands of market participants across all major groups involved in the investment process: asset managers, brokers (institutional and retail), custodians, consultants, research teams and stock exchanges

Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity.

Alcohol – holdings in producers of beer and malt liquors, and distillers, vintners and producers of alcoholic beverages

Armaments – holdings in manufacturers of civil or military aerospace and defence equipment, parts or products. Includes defence electronics and space equipment.

Distribution of fossil fuels – holdings in companies engaged in the storage and/or transportation of oil, gas and/or refined products. Includes diversified midstream natural gas companies, oil and refined product pipelines, coal slurry pipelines and oil & gas shipping companies.

Extraction and processing of fossil fuels – holdings in a) integrated oil companies engaged in the exploration & production of oil and gas, as well as at least one other significant activity in either refining, marketing and transportation, or chemicals; b) companies engaged in the exploration and production of oil and gas not classified elsewhere; c) companies engaged in the refining and marketing of oil, gas and/or refined products; d) companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy.

Gambling and gaming – holdings in operators of casinos and gaming facilities. Includes companies providing lottery and betting services.

Prostitution or pornography – no apparent GICS code. Holdings in companies providing adult entertainment.

Renewable energy – holdings in companies that engage in the generation and distribution of electricity using renewable sources, including, but not limited to, companies that produce electricity using biomass, geothermal energy, solar energy, hydropower, and wind power.

Sustainable forestry – no apparent GICS code. Holdings in companies focused in sustainable forest management.

Tobacco – holdings in companies manufacturing cigarettes and other tobacco products.

TITLE: Mount Tiger Forest Report

From: Nicole Inger, Property Officer

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 17
Group Manager/s: March 2022

Executive summary/Whakarāpopototanga

The purpose of this agenda item is to present an update on Councils Mount Tiger Forest by way of the attached report from George Dods of Northland Forest Managers Limited, Councils Forestry Consultant. Mr Dods will be present at the meeting to answer any questions.

This item also presents interim findings on the Biodiversity Values of the Mount Tiger Forest undertaken by the NRC Biodiversity team to March 2022 detailed in an attached report. Stephanie Tong, Biodiversity Advisor and Lisa Forester, Biodiversity Manager will be present to answer any questions.

Recommendation(s)

1. That the report 'Mount Tiger Forest Report' by Nicole Inger, Property Officer and dated 16 March 2022, be received.

Background/Tuhinga

As per the Forestry Management Plan, council's consultant, Northland Forest Managers Ltd, is to report back to Council every six months. Key points to note are as follows:

- In this period no adverse Health and Safety (H&S) matters have arisen.
- H&S induction for the Biodiversity Survey team has been completed prior to Survey start up.
- No forest harvesting or silviculture was undertaken in the second half of 2021.
- Trees and small slips, along with large rock placements at the Drews Main Road gate, were completed in December 2021 at a cost of \$1925.00.

An ongoing biodiversity survey of Mount Taika Forest currently underway. The report is attached for Councillors information.

Attachments/Ngā tapirihanga

Attachment 1: NFM Report Mt Tiger Forest July-Dec 2021 [↓](#) 

Attachment 2: Biodiversity Values of the NRC managed land at Mt Tiger Plantation Forestry Block
Interim findings March 2022 [↓](#) 



NORTHLAND REGIONAL COUNCIL – Forestry Report

Mount Tiger Forest – For Period July 1st – December 31st 2021

1 Background

- This report is for the period July to December 2021, and provides a brief update on activities that have occurred in the forest over this time.
- Northland Forest Managers Ltd (NFM) took over direct management of the forest after Ian Jenkins had to “retire” due to personal health reasons.
- The NFM contact person for this forest is George Dods, contact phone number (021) 986 074, and email George.dods@nfml.co.nz
- All figures in this report are pre GST.

2 Health & Safety

- During the period of time that NFM have managed the forest, no operational H&S incidents have arisen.
- A storm event late October saw several trees blown across the main access road, (Drews Main Rd) and several small slips partially block the road also.
- For this reporting period there have been no H&S incidents, no lost time injuries or other issues of significance.

3 Forest Harvesting

- There has been no forest harvesting undertaken during this reporting period.
- I note from Ians last report that there is a small area scheduled for 2023.

4 Forest Establishment/Silviculture

- No establishment or silviculture work was undertaken during this reporting period.
- No silviculture works expected until at earliest, 2024.

5 Forest Maintenance

- As mentioned previously, trees and small slips blocked access along Drews Main Rd late in October. These were all cleared early in December for a total cost of \$1925.00.
- The above costs included the supply and delivery of large rocks to place either side of the security gate on Drews Main Rd to prevent motorcycle access into the forest.

6 Upcoming Work

- No scheduled work upcoming.
- NFM to make contact with 2 neighbours and view boundary fence damage with possible repairs and costs coming up.



George Dods
Forestry Manager
Northland Forest Managers (1995) Ltd
09/03/2022



Windblown tree blocking access Drews main Rd November 2021



Tree removed and slip material cleared Dec 2021



Large rocks placed at gateway into forest to prevent motorbike access.

Biodiversity Values of the NRC managed land at Mt Tiger Plantation Forestry Block – Interim Findings

The correct name given by mana whenua for Mt Tiger is Tāika. Results from the Tāika biodiversity survey have shown that values are high and warrant protection from pest threats in the NRC managed land. The forestry block contains several native forest enclaves totalling 160ha and is contiguous with large areas of natural habitat which enhances its values. Some of these adjacent natural areas are being cared for by Kiwi Coast. The Tāika survey is largely complete and a biodiversity report containing the full results, recommendations and priorities for biodiversity management will be completed by the end of May. The survey proved a good opportunity for other teams and hapū to participate, collaborate and share knowledge.

Freshwater:

Five areas had high biodiversity values with Macroinvertebrate Community Index (MCI) scores that indicated unpolluted waterways, while the remaining two are considered to have slight-moderate nutrient enrichment. The presence of sensitive stoneflies, caddisflies and kēwai (freshwater crayfish) in both streams is noteworthy. All but one tributary displayed good populations of fish (banded kōkopu & redfin bully), although ectoparasites were seen on many individuals. The longfin eel (ranked Nationally Declining) and the shortfin eel were present, however the very small number of tuna (eels) detected is concerning. This may be due to recruitment being impacted by barriers to fish passage and other obstacles downstream. Six culverts were surveyed for potential barriers to fish passage using the NIWA Fish Passage Assessment Tool (FPAT) and were assessed as ranging from low to very high risk. Simple installation of mussel-spat rope may assist fish passage for four out of the six structures that were high or very high risk. Some pine setbacks along the streams are narrow which will impact on stream health post-harvest and warrants management.

Fauna:

Surveys were conducted for lizards, birds and bats. Targeted spotlight searches in the northern and southern areas of NRC's Tāika forest confirmed the presence of both the 'At-Risk' Elegant gecko and the Pacific gecko. All geckos were confined to habitats likely to contain fewer numbers of introduced predators such as rats. Tracking tunnels detected the presence of the introduced rainbow skink. Surveys detected a diversity of birds with uncommon, threatened and regionally significant species recorded. This included two pairs of North Island brown kiwi, the Threatened (Nationally Vulnerable) long-tailed cuckoo, the regionally significant tomtit, and the 'At Risk' - recovering North Island kaka. Common forest species were present, including low numbers of culturally significant kukupa (NZ pigeon). Acoustic recorders detected the presence of the Nationally Critically long-tailed bat in both the northern and southern sections of the block, a new known location for long tailed bats in our region, which is a very significant find for the area. More research is required to determine if the bats are residing in plantation forest areas and what interventions are needed to protect them. Although no rigorous survey was conducted for pest animal populations, significant pig sign, possum browse, and rats were observed throughout the area. No recent goat sign was observed though goats were heard on a nearby property.



Peripatus, velvet worm or ngaokeoke, which were found under rotting logs in Tāika, are rare living fossils considered to be a missing link between worms and insects

Vegetation - Indigenous vegetation, including kauri, and pest plants:

Manaaki Whenua Landcare Research provided a plan (free of charge) for the most efficient method of surveying the indigenous enclaves in Tāika. This involved doing plots at five random predetermined off-track locations in the five areas. So far three areas are near completion. Weeds and native plant species have also been recorded along the roads and tracks. The block is floristically diverse with over 200 native species recorded so far, including threatened species and regionally significant species such as the small fern Hooker's spleenwort, which is very rare in Northland. There are a number of weeds of concern along the roadsides and in the native forest that are still at low enough levels to remove before they become an issue e.g. Himalayan fairy grass, buddleia, bartlettina, queen of the night and loquat. Weeds such as ginger, pampas and gorse will proliferate after the next pine harvest. A full weed assessment and recommendations will be provided with the final report.

All mature kauri seen during the biodiversity survey appeared healthy.

Other:

Although the forest is closed to the public it is obvious that people are accessing the area. There is a well-used network of walking and biking tracks and the team observed people walking unleashed dogs, which is a risk to kiwi and transport of soil borne diseases such as those that affect kauri.

Where to next:

A final biodiversity report with recommendations will be provided in May 2022. Assessment of the potential presence and spread of Kauri disease by the Kauri Protection team is planned for autumn. An assessment of the raupō swamp using the national Wetland Condition Index (WCI) monitoring regime will also be conducted. Manaaki Whenua Landcare Research will analyse plots, produce a vegetation map and make recommendations about protecting key plant values e.g. establishing one or two permanent plots which will report on long term trends and outcomes.

TITLE: Business with the Public Excluded

Whakarāpopototanga / 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.

Ngā mahi tūtohutia / 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
6.1	Confirmation of Confidential Minutes - 24 November 2021	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
6.2	Northland Private Equity Fund Update	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).
6.3	Summary of Kensington Crossing Redevelopment Project	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 enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).
6.4	Update on Council's Current Property Redevelopments	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).
6.5	Current Property Negotiations	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), 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).
6.6	Council's Water Street Offices	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 enable council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(i).

3. That the Independent Financial Advisors 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.