

**Investment and Property Subcommittee**  
**Wednesday 22 February 2023 at 1pm**

# **AGENDA**

## Investment and Property Subcommittee Agenda

Meeting to be held in the Council Chamber  
36 Water Street, Whangārei  
on Wednesday 22 February 2023, commencing at 1pm

**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 Jack Crow

Councillor John Blackwell

Councillor Geoff Crawford

Councillor Peter-Lucas Jones

Independent Consultant Jonathan Eriksen  
Independent Advisor Stuart Henderson

### KARAKIA / WHAKATAU

#### RĪMITI (ITEM)

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#### 1.0 NGĀ MAHI WHAKAPAI/HOUSEKEEPING

#### 2.0 NGĀ WHAKAPAHĀ/APOLOGIES

#### 3.0 NGĀ WHAKAPUAKANGA/DECLARATIONS OF CONFLICTS OF INTEREST

#### 4.0 REPORTS

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#### 5.0 KAUPAPA Ā ROTO / BUSINESS WITH THE PUBLIC EXCLUDED

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| 5.1 | For Noting Only: Confidential Investment and Property Sub-committee meeting minutes      |  |
| 5.2 | Update on Council's Current Redevelopments and Other Property Matters                    |  |
| 5.3 | Proposal for Property Redevelopment  |  |
| 5.4 | Future Management of Tāika Forest  |  |
| 5.5 | Introduction of Greenmount Capital Co-Investment Fund into the Long-Term Investment Fund |  |

Investment and Property Subcommittee  
29 June 2022

## Investment and Property Subcommittee Minutes

Meeting held in the Council Chamber  
36 Water Street, Whangārei  
on Wednesday 29 June 2022, commencing at 1.00pm

### **Tuhinga/Present:**

Chairperson, NRC Councillor, Rick Stolwerk  
Ex-Officio Penny Smart  
Councillor Colin Kitchen  
Councillor Jack Crow  
Councillor Terry Archer  
Independent Consultant Jonathan Eriksen  
Independent Advisor Stuart Henderson

### **I Tae Mai/In Attendance:**

**Full Meeting**  
Pou Taumatua - GM Corporate Services  
Tumuaki – Chief Executive Officer  
Pou Tiaki Taiao – GM Environmental Services  
Strategic Projects and Facilities Manager  
Financial Accountant  
Accounting Assistant  
EriksensGlobal – Janibek Issagulov  
Administration Support

The Chair declared the meeting open at 1.00pm with a Karakia by Councillor Stolwerk

### **Ngā Mahi Whakapai/Housekeeping (Item 1.0)**

### **Ngā whakapahā/Apologies (Item 2.0)**

#### **Moved (Rick Stolwerk /Terry Archer)**

That the apologies from Councillor Justine Blaikie for non-attendance be received.

**Carried**

### **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.

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### **Confirmation of Minutes - 30 March 2022 (Item 4.1)**

**Report from Judith Graham, Corporate Services P/A**

**Moved (Rick Stolwerk/Jack Crow)**

That the minutes of the Investment and Property Subcommittee meeting held on 30 March 2022 be confirmed as a true and correct record.

**Carried**

### **Receipt of Action Sheet (Item 5.1)**

**Report from Judith Graham, Corporate Services P/A**

*Secretarial Note:* Item 5.1 Apologies it was not on the Agenda. GM Corporate Services addressed this.

### **Performance of Councils Externally Managed Funds to 31 May 2022 (Item 6.1)**

**Report from Vincent McColl, Financial Accountant**

**Moved Rick Stolwerk/Colin Kitchen**

That the report 'Performance of Councils Externally Managed Funds to 31 May 2022 ' by Vincent McColl, Financial Accountant and dated 20 June 2022, be received.

**Carried**

*Secretarial Note: The breach of SIPO limits for both the STF and the LTF were noted to be for reasonable financial reasons given market volatility and there are plans in place to get the specific investments back within the SIPO limits*

### **Northland Regional Council Environmental, Social, and Governance Targets (Item 6.2)**

**Report from Judith Graham, Corporate Services P/A**

**Moved: Rick Stolwerk/Jack Crow**

EriksenGobel report was discussed . There was consensus we are on track with our environmental, social, and governance targets.

**Moved**

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

**Moved (Rick Stolwerk /Jack Crow)**

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

Investment and Property Subcommittee  
29 June 2022

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
7.1	Confirmation of Confidential Minutes - 30 March 2022	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	Investment and withdrawal between fund managers	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	Update on Council's Current Redevelopments and Other Property Matters	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).

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

**Carried**

### **Whakamutunga (Conclusion)**

The meeting concluded at 2.42pm led by a Karakia by Councillor Stolwerk

**TITLE: Performance of Councils Externally Managed Funds to 31 December 2022**

**From:** Simon Crabb, Finance Manager

**Authorised by Group Manager/s:** Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 07 February 2023

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**Whakarāpopototanga / Executive summary**

For the 6 months to the end of December 2022, councils externally managed fund portfolio has generated gains of \$1.15m compared to the corresponding budget of \$2.2m.

A summary of the returns and target objectives for the 6 months ending 31 December 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).

<b>6 Months Ending 31 December 2022</b>	<b>Long Term Fund (LTF)</b>	<b>Short Term Fund (STF)</b>
Fund Return %	1.2%	3.9%
Fund Objective %	4.4%	3.1%
<b>Fund Over / (Under) Performance</b>	<b>-3.2%</b>	<b>0.8%</b>

Jonathan Eriksen from EriksensGlobal will be joining in via Zoom to provide a financial market update and answer any questions.

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

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**Ngā mahi tūtohutia / Recommendation**

That the report 'Performance of Councils Externally Managed Funds to 31 December 2022' by Simon Crabb, Finance Manager and dated 3 February 2023, be received.

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**Background/Tuhinga**

At 31 December 2022, the LTF has an overall market value of \$61.9m, comprising of funds attributable to:

- Economic Development of \$17.0m,
- Property Reinvestment of \$26.8m,
- Regional Project Development of \$14.3m.
- Rates collected for Debt repayment and Depreciation \$3.8m

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
	-1.2%	0.7%	0.2%	2.2%	1.2%	4.4%	3.0%	\$0.7M	\$1.9M	(\$1.1M)	-4.3%	9.0%	\$3.8M	6.4%	7.9%

### Short Term Investment Fund (STF)

At 31 December 2022, the STF has an overall market value of \$7.6m, comprising funds attributable to:

- Working capital requirements of \$6.1m
- Property Reinvestment of \$1.4m.
- Investment and Growth reserve requirements of \$82k

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
	-0.6%	0.6%	2.4%	1.7%	3.9%	3.1%	2.1%	\$409K	\$340K	\$68K	-2.8%	5.2%	\$671K	4.7%	4.4%

**Non-compliance with the Statement of Investment Policy and Objectives (SIPO)** At 31 December 2022, the Long-Term Investment Fund allocation to the Global Equities was 4.3% which is slightly below its lower limit of 5%. This under allocation is due to reducing exposure to currently volatile global equities to help de-risk the portfolio. This discrepancy from SIPO will be remedied when global equities markets are expected to grow again.

### Attachments/Ngā tapirihanga

Attachment 1: EriksensGlobal Report December 2022 [↓](#) 

# ERIKSENSGLOBAL

Actuaries & Investment Strategists

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## NORTHLAND REGIONAL COUNCIL

### EXTERNALLY MANAGED

### INVESTMENT FUNDS

QUARTERLY REPORT 31 DECEMBER 2022

19 JANUARY 2023

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Quarterly Report 31 December 2022

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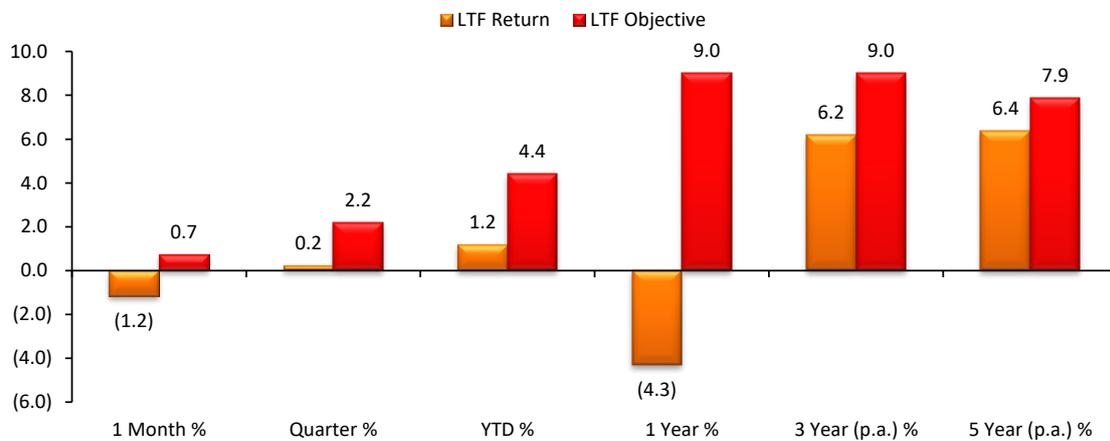
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EXECUTIVE SUMMARY

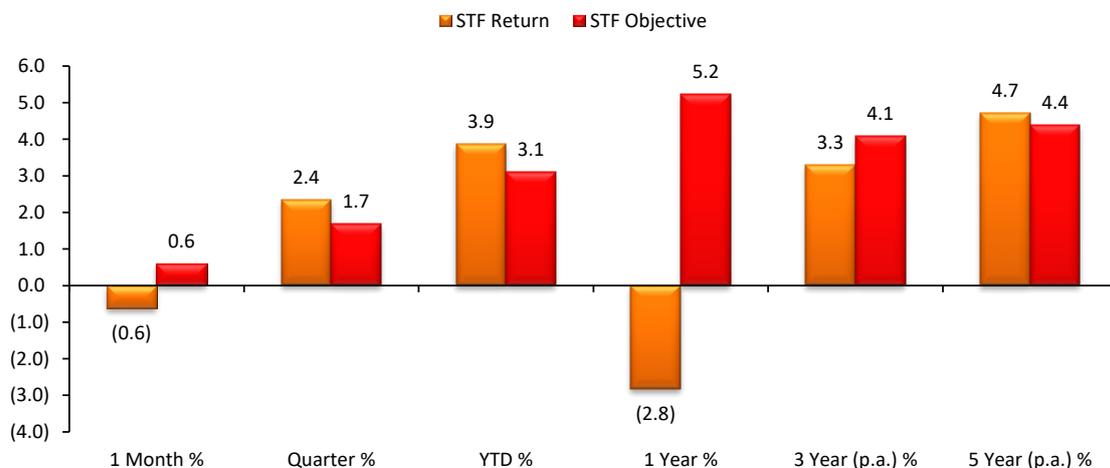
PERFORMANCE

The LTF underperformed against its real objective over the five-year period, while the STF outperformed. The STF was 1.5% above the LTF for the year.

	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>LTF</b>	<b>(1.2)</b>	<b>0.2</b>	<b>1.2</b>	<b>(4.3)</b>	<b>6.2</b>	<b>6.4</b>
Objective	0.7	2.2	4.4	9.0	9.0	7.9
Over / Underperformance	(1.9)	(2.0)	(3.2)	(13.3)	(2.8)	(1.5)



	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>STF</b>	<b>(0.6)</b>	<b>2.4</b>	<b>3.9</b>	<b>(2.8)</b>	<b>3.3</b>	<b>4.7</b>
Objective	0.6	1.7	3.1	5.2	4.1	4.4
Over / Underperformance	(1.2)	0.7	0.8	(8.0)	(0.8)	0.3



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### PORTFOLIO HIGHLIGHTS

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December was a risk-off month with falling equity markets and rising interest rates. Equity markets around the world produced negative returns and the NZD appreciation against currencies such as the US dollar and Australian dollar amplified these negative returns for unhedged investors. Over the quarter foreign currency was also a significant detractor with the NZ Dollar appreciating some 11.8% against the USD and 6.0% against the Australian Dollar, taking the shine off otherwise strong positive returns in local currency terms. The kiwi share and bond markets finished in positive territory over the quarter.

### RECOMMENDATIONS/ACTIONS

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The LTF global equity asset class is below its range due to the continuing volatility of financial markets. We do not recommend any rebalancing at this stage.

We recommend investing \$0.5 committed capital into the GreenMount Capital Co-Investment Fund.

### 2023 MARKET OUTLOOK

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Markets will remain volatile. Stock markets should fall, but in a saw-tooth pattern as retail and passive investors cause increased buying pressure and relief rallies. The correlation between bonds and equities will remain negative. Bonds provide positive nominal returns and diversification. At some point the yield curve will stop inverting and steepen to its normal shape.

Labour market participation is high so inflation in service industries will be sticky. We expect inflation has peaked but Central Banks will continue to tighten. Recessions likely in Europe, Japan, New Zealand, South Korea, UK and US amongst others as a result.

In New Zealand we expect the OCR to peak below 6% which implies that mortgage interest rates could exceed 9%. House prices to fall modestly in response. Housing construction should slow.

De-globalisation and the war in Ukraine will continue. Social unrest is high in protest at the wide gap between rich and poor. Covid will continue to affect health systems and economies, but more lockdowns are unlikely. China will continue to intimidate Taiwan, but unlikely to invade this year.

Natural disasters and climate change will disrupt the environment and markets. Price of oil \$70-90 per barrel but with risk to upside temporary spikes.

## INTRODUCTION

This is the quarterly investment report to the Northland Regional Council by EriksensGlobal and is based on the Statement of Investment Policy and Objectives dated 22 February 2022.

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

The NZ CPI (rolling over three years) as at **September 2022 was 4.5% 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 **6** months.

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LONG TERM FUND

PERFORMANCE SUMMARY

Asset	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Diversified Growth</b>						
<b>Aspiring</b>	<b>(3.0)</b>	<b>1.9</b>	<b>3.4</b>	<b>(8.0)</b>	<b>6.0</b>	<b>6.9</b>
Benchmark	0.7	2.1	4.2	8.5	8.5	7.4
Over / Underperformance	(3.7)	(0.2)	(0.8)	(16.5)	(2.5)	(0.5)
<b>Castle Point 5 Oceans</b>	<b>(0.9)</b>	<b>2.0</b>	<b>1.3</b>	<b>(3.4)</b>	<b>4.5</b>	<b>4.5</b>
Benchmark	0.6	1.7	3.2	5.4	4.0	4.2
Over / Underperformance	(1.5)	0.3	(1.9)	(8.8)	0.5	0.3
<b>Milford Active Growth</b>	<b>(1.3)</b>	<b>4.6</b>	<b>4.9</b>	<b>(8.4)</b>	<b>6.2</b>	<b>7.9</b>
Benchmark	0.8	2.4	4.9	10.0	10.0	10.0
Over / Underperformance	(2.1)	2.2	0.0	(18.4)	(3.8)	(2.1)
<b>Mint Diversified Growth</b>	<b>(3.7)</b>	<b>3.1</b>	<b>2.8</b>	<b>(17.3)</b>	<b>5.3</b>	
Benchmark	0.7	2.2	4.4	9.0		
Over / Underperformance	(4.4)	0.9	(1.6)	(26.3)		
<b>Schroders Real Return</b>	<b>(1.1)</b>	<b>(3.3)</b>	<b>(1.1)</b>	<b>(4.3)</b>	<b>3.2</b>	<b>2.4</b>
Benchmark	0.6	1.8	3.7	7.6	7.6	7.0
Over / Underperformance	(1.7)	(5.1)	(4.8)	(11.9)	(4.4)	(4.6)
<b>Global Equity</b>						
<b>Harbour T. Rowe Price Global Equity</b>	<b>(7.0)</b>	<b>(5.7)</b>	<b>(0.7)</b>	<b>(24.9)</b>	<b>5.0</b>	
Benchmark	(5.7)	(1.8)	0.5	(11.6)	6.3	
Over / Underperformance	(1.3)	(3.9)	(1.2)	(13.3)	(1.3)	
<b>Nanuk New World</b>	<b>(5.5)</b>	<b>(1.1)</b>	<b>(2.4)</b>	<b>(17.9)</b>		
Benchmark	(8.1)	(5.7)	(0.8)	(17.8)		
Over / Underperformance	2.6	4.6	(1.6)	(0.1)		
<b>Private Equity</b>						
<b>Castlerock</b>	<b>0.9</b>	<b>0.9</b>	<b>4.3</b>	<b>12.0</b>		
Benchmark	0.6	1.9	3.9	8.0		
Over / Underperformance	0.3	(1.0)	0.4	4.0		
<b>Continuity Capital No.2</b>	<b>0.7</b>	<b>(1.1)</b>	<b>2.8</b>	<b>15.0</b>	<b>30.3</b>	
Benchmark	1.2	3.6	7.2	15.0	15.0	
Over / Underperformance	(0.5)	(4.7)	(4.4)	0.0	15.3	
<b>Continuity Capital No.4</b>	<b>0.3</b>	<b>(3.4)</b>	<b>1.9</b>	<b>11.2</b>	<b>15.1</b>	
Benchmark	1.2	3.6	7.2	15.0	15.0	
Over / Underperformance	(0.9)	(7.0)	(5.3)	(3.8)	0.1	
<b>Continuity Capital No.5</b>	<b>0.7</b>	<b>(3.1)</b>	<b>3.7</b>	<b>14.1</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(0.5)	(6.7)	(3.5)	(0.9)		
<b>Continuity Capital No.6</b>	<b>(0.6)</b>	<b>(5.2)</b>	<b>(3.4)</b>	<b>(5.4)</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(1.8)	(8.8)	(10.6)	(20.4)		
<b>Continuity Capital No.7</b>	<b>(1.0)</b>	<b>(7.8)</b>	<b>(6.0)</b>			
Benchmark	1.2	3.6	7.2			
Over / Underperformance	(2.2)	(11.4)	(13.2)			
<b>CPEC 9</b>	<b>(0.6)</b>	<b>(4.0)</b>	<b>(4.6)</b>	<b>26.2</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(1.8)	(7.6)	(11.8)	11.2		

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Asset	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Direct Capital VI</b>	<b>(0.2)</b>	<b>(1.9)</b>	<b>(2.7)</b>	<b>33.2</b>		
Benchmark	0.6	1.9	3.9	8.0		
Over / Underperformance	(0.8)	(3.8)	(6.6)	25.2		
<b>Federation Alternative</b>	<b>(0.6)</b>	<b>(5.7)</b>	<b>(4.2)</b>	<b>10.1</b>		
Benchmark	1.2	3.8	7.7	16.0		
Over / Underperformance	(1.8)	(9.5)	(11.9)	(5.9)		
<b>Milford PE III</b>	<b>0.0</b>	<b>(5.5)</b>	<b>(5.2)</b>	<b>(10.0)</b>		
Benchmark	0.6	1.9	3.9	8.0		
Over / Underperformance	(0.6)	(7.4)	(9.1)	(18.0)		
<b>MLC PE II</b>	<b>(2.6)</b>	<b>(9.5)</b>	<b>0.7</b>	<b>23.5</b>	<b>25.4</b>	<b>18.2</b>
Benchmark	1.2	3.6	7.2	15.0	15.0	15.0
Over / Underperformance	(3.8)	(13.1)	(6.5)	8.5	10.4	3.2
<b>MLC PE III</b>	<b>(1.7)</b>	<b>(8.1)</b>	<b>(0.2)</b>	<b>13.8</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(2.9)	(11.7)	(7.4)	(1.2)		
<b>Oriens Fund 2</b>	<b>0.0</b>	<b>0.0</b>	<b>(8.4)</b>	<b>21.5</b>		
Benchmark	0.6	1.9	3.9	8.0		
Over / Underperformance	(0.6)	(1.9)	(12.3)	13.5		
<b>PCP III</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>2.3</b>	<b>(0.2)</b>	<b>4.4</b>	<b>11.2</b>
Benchmark	0.6	1.9	3.9	8.0	8.0	8.0
Over / Underperformance	(2.3)	(3.6)	(1.6)	(8.2)	(3.6)	3.2
<b>PCP III Zespri Co-Investment</b>	<b>0.6</b>	<b>(5.2)</b>	<b>(22.7)</b>			
Benchmark	0.6	1.9	3.9			
Over / Underperformance	0.0	(7.1)	(26.6)			
<b>PCP IV</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(3.3)</b>	<b>(11.1)</b>		
Benchmark	0.6	1.9	3.9	8.0		
Over / Underperformance	(3.4)	(4.7)	(7.2)	(19.1)		
<b>Diversified Income</b>						
<b>BlackRock FIGO</b>	<b>(0.1)</b>	<b>(4.3)</b>	<b>(3.8)</b>	<b>(5.7)</b>	<b>0.5</b>	<b>0.4</b>
Benchmark	0.0	(3.8)	0.1	6.2	5.5	4.5
Over / Underperformance	(0.1)	(0.5)	(3.9)	(11.9)	(5.0)	(4.1)
<b>Ferret ILS Yield</b>	<b>0.5</b>	<b>(1.1)</b>	<b>(9.5)</b>	<b>(6.3)</b>		
Benchmark	0.1	(3.7)	0.4	6.7		
Over / Underperformance	0.4	2.6	(9.9)	(13.0)		
<b>Harbour Income</b>	<b>(0.8)</b>	<b>1.2</b>	<b>0.7</b>	<b>(5.1)</b>	<b>2.6</b>	<b>4.4</b>
Benchmark	0.6	1.8	3.4	5.9	4.5	4.7
Over / Underperformance	(1.4)	(0.6)	(2.7)	(11.0)	(1.9)	(0.3)
<b>Milford Diversified Income</b>	<b>0.2</b>	<b>3.5</b>	<b>3.4</b>	<b>(3.0)</b>	<b>2.4</b>	<b>4.8</b>
Benchmark	0.5	1.6	2.9	4.9	3.5	3.7
Over / Underperformance	(0.3)	1.9	0.5	(7.9)	(1.1)	1.1
<b>Mint Diversified Income</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>1.1</b>	<b>(8.6)</b>	<b>(0.2)</b>	<b>2.2</b>
Benchmark	0.6	1.8	3.7	7.5	7.5	6.4
Over / Underperformance	(2.1)	(2.1)	(2.6)	(16.1)	(7.7)	(4.2)
<b>Cash</b>						
<b>Self Managed</b>	<b>0.2</b>	<b>0.6</b>	<b>1.0</b>	<b>1.6</b>		
Benchmark	0.4	1.0	1.6	2.2		
Value Added	(0.2)	(0.4)	(0.6)	(0.6)		
<b>Total Fund</b>	<b>(1.2)</b>	<b>0.2</b>	<b>1.2</b>	<b>(4.3)</b>	<b>6.2</b>	<b>6.4</b>
Fund Objective	0.7	2.2	4.4	9.0	9.0	7.9
Over / Underperformance	(1.9)	(2.0)	(3.2)	(13.3)	(2.8)	(1.5)

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

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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 LTF.

Asset	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Continuity Capital PE Fund No.2</b>	<b>0.7</b>	<b>(1.1)</b>	<b>2.8</b>	<b>15.0</b>	<b>30.3</b>	<b>22.8</b>
Benchmark	1.2	3.6	7.2	15.0	15.0	15.0
Value Added	(0.5)	(4.7)	(4.4)	0.0	15.3	7.8

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, BlackRock, Continuity Capital, CPE Capital, Nanuk and Federation 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 %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>AUD/NZD</b>	<b>0.6</b>	<b>6.0</b>	<b>3.1</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>0.5</b>
<b>Schroders Real Return (NZD)</b>	<b>(1.1)</b>	<b>(3.3)</b>	<b>(1.1)</b>	<b>(4.3)</b>	<b>3.2</b>	<b>2.4</b>
Benchmark	0.6	1.8	3.7	7.6	7.6	7.0
Over / Underperformance	(1.7)	(5.1)	(4.8)	(11.9)	(4.4)	(4.6)
<b>Schroders Real Return (AUD)</b>	<b>(0.5)</b>	<b>2.6</b>	<b>2.0</b>	<b>(5.3)</b>	<b>1.6</b>	<b>2.5</b>
Benchmark	0.6	1.8	3.7	7.6	7.6	7.0
Over / Underperformance	(1.1)	0.8	(1.7)	(12.9)	(6.0)	(4.5)
<b>MLC PE II (NZD)</b>	<b>(2.6)</b>	<b>(9.5)</b>	<b>0.7</b>	<b>23.5</b>	<b>25.4</b>	
Benchmark	1.2	3.6	7.2	15.0	15.0	
Over / Underperformance	(3.8)	(13.1)	(6.5)	8.5	10.4	
<b>MLC PE II (AUD)</b>	<b>(2.0)</b>	<b>(4.0)</b>	<b>4.0</b>	<b>22.4</b>	<b>24.4</b>	
Benchmark	1.2	3.6	7.2	15.0	15.0	
Over / Underperformance	(3.2)	(7.6)	(3.2)	7.4	9.4	
<b>MLC PE III (NZD)</b>	<b>(1.7)</b>	<b>(8.1)</b>	<b>(0.2)</b>	<b>13.8</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(2.9)	(11.7)	(7.4)	(1.2)		
<b>MLC PE III (AUD)</b>	<b>(1.2)</b>	<b>(2.6)</b>	<b>2.9</b>	<b>12.9</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(2.4)	(6.2)	(4.3)	(2.1)		
<b>BlackRock FIGO (NZD)</b>	<b>(0.1)</b>	<b>(4.3)</b>	<b>(3.8)</b>	<b>(5.7)</b>	<b>0.5</b>	<b>0.4</b>
Benchmark	0.0	(3.8)	0.1	6.2	5.5	4.5
Over / Underperformance	(0.1)	(0.5)	(3.9)	(11.9)	(5.0)	(4.1)
<b>BlackRock FIGO (AUD)</b>	<b>0.5</b>	<b>1.4</b>	<b>(0.7)</b>	<b>(6.7)</b>	<b>(0.5)</b>	<b>0.9</b>
Benchmark	0.6	1.7	3.1	5.3	4.5	5.0
Over / Underperformance	(0.1)	(0.3)	(3.8)	(12.0)	(5.0)	(4.1)

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	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Continuity Capital No.5 (NZD)</b>	<b>0.7</b>	<b>(3.1)</b>	<b>3.7</b>	<b>14.1</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(0.5)	(6.7)	(3.5)	(0.9)		
<b>Continuity Capital No.5 (AUD)</b>	<b>1.2</b>	<b>2.7</b>	<b>6.9</b>	<b>12.9</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	0.0	(0.9)	(0.3)	(2.1)		
<b>Continuity Capital No.7 (NZD)</b>	<b>(1.0)</b>	<b>(7.8)</b>	<b>(6.0)</b>			
Benchmark	1.2	3.6	7.2			
Over / Underperformance	(2.2)	(11.4)	(13.2)			
<b>Continuity Capital No.7 (AUD)</b>	<b>(0.5)</b>	<b>(2.5)</b>	<b>(2.9)</b>			
Benchmark	1.2	3.6	7.2			
Over / Underperformance	(1.7)	(6.1)	(10.1)			
<b>Nanuk New World (NZD)</b>	<b>(5.5)</b>	<b>(1.1)</b>	<b>(2.4)</b>	<b>(17.9)</b>		
Benchmark	(8.1)	(5.7)	(0.8)	(17.8)		
Over / Underperformance	2.6	4.6	(1.6)	(0.1)		
<b>Nanuk New World (AUD)</b>	<b>(5.0)</b>	<b>4.8</b>	<b>0.7</b>	<b>(18.7)</b>		
Benchmark	(7.6)	0.0	2.3	(18.6)		
Over / Underperformance	2.6	4.8	(1.6)	(0.1)		
<b>Federation Alternative (NZD)</b>	<b>(0.6)</b>	<b>(5.7)</b>	<b>(4.2)</b>	<b>10.1</b>		
Benchmark	1.2	3.8	7.7	16.0		
Over / Underperformance	(1.8)	(9.5)	(11.9)	(5.9)		
<b>Federation Alternative (AUD)</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.2)</b>	<b>9.1</b>		
Benchmark	1.2	3.8	7.7	16.0		
Over / Underperformance	(1.2)	(3.8)	(8.9)	(6.9)		
<b>Fermat ILS Yield (NZD)</b>	<b>0.5</b>	<b>(1.1)</b>	<b>(9.5)</b>	<b>(6.3)</b>		
Benchmark	0.1	(3.7)	0.4	6.7		
Over / Underperformance	0.4	2.6	(9.9)	(13.0)		
<b>Fermat ILS Yield (AUD)</b>	<b>1.1</b>	<b>4.9</b>	<b>(6.7)</b>	<b>(7.2)</b>		
Benchmark	0.6	1.8	3.4	5.8		
Over / Underperformance	0.5	3.1	(10.1)	(13.0)		
<b>CPEC 9 (NZD)</b>	<b>(0.6)</b>	<b>(4.0)</b>	<b>(4.6)</b>	<b>26.2</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(1.8)	(7.6)	(11.8)	11.2		
<b>CPEC 9 (AUD)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.2)</b>	<b>23.9</b>		
Benchmark	1.2	3.6	7.2	15.0		
Over / Underperformance	(1.2)	(3.6)	(10.4)	8.9		

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

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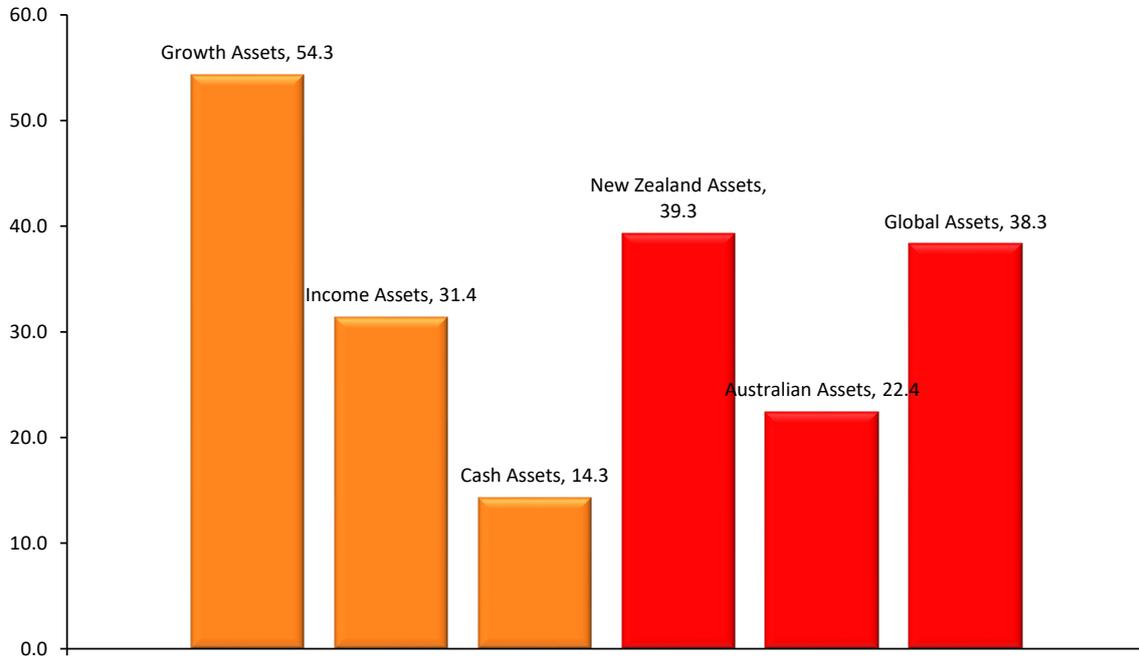
LTF OVERALL FUND ASSET ALLOCATION

Overall Fund Asset Allocation	Market Value		Target	Target Range	Status
	\$	%	%	%	
<b>Growth Assets</b>	<b>37,138,650</b>	<b>60.0</b>	<b>67</b>	<b>50 - 85</b>	✓
<b>Diversified Growth</b>	<b>22,777,955</b>	<b>36.8</b>	<b>35</b>	<b>25 - 70</b>	✓
Aspiring	4,027,363	6.5	8	5 - 15	✓
Castle Point 5 Oceans	8,933,280	14.4	15	10 - 20	✓
Milford Active Growth	4,069,160	6.6	5	0 - 10	✓
Mint Diversified Growth	2,276,092	3.7	5	0 - 10	✓
Schroders Real Return	3,472,060	5.6	2	0 - 10	✓
<b>Global Equity*</b>	<b>2,661,161</b>	<b>4.3</b>	<b>7</b>	<b>5 - 20</b>	✗
Harbour T. Rowe Price Global Equity	1,837,346	3.0	5	0 - 10	✓
Nanuk New World	823,815	1.3	2	0 - 5	✓
<b>Private Equity</b>	<b>11,699,534</b>	<b>18.9</b>	<b>25</b>	<b>0 - 35</b>	✓
Castlerock	1,017,094	1.6	2	0 - 5	✓
Continuity Capital PE Fund No.2 LP	833,553	1.3	2	0 - 3	✓
Continuity Capital PE Fund No.4 LP	707,100	1.1	1	0 - 3	✓
Continuity Capital PE Fund No.5	2,011,541	3.3	2	0 - 5	✓
Continuity Capital PE Fund No.6 LP	660,003	1.1	2	0 - 5	✓
Continuity Capital PE Fund No.7	512,717	0.8	2	0 - 5	✓
CPEC 9	146,065	0.2	1	0 - 3	✓
Direct Capital VI	656,589	1.1	2	0 - 5	✓
Federation Alternative	1,050,814	1.7	2	0 - 5	✓
Milford PE III	455,800	0.7	2	0 - 5	✓
MLC PE II	1,192,030	1.9	2	0 - 5	✓
MLC PE III	318,300	0.5	1	0 - 3	✓
Oriens Fund 2	385,528	0.6	1	0 - 3	✓
PCP III	907,484	1.5	1	0 - 3	✓
PCP III Zespri Co-Investment	297,986	0.5	1	0 - 3	✓
PCP IV	546,931	0.9	1	0 - 3	✓
<b>Income Assets</b>	<b>24,751,173</b>	<b>40.0</b>	<b>33</b>	<b>15 - 50</b>	✓
<b>Diversified Income</b>	<b>20,976,114</b>	<b>33.9</b>	<b>33</b>	<b>15 - 45</b>	✓
BlackRock FIGO	585,216	0.9	2	0 - 10	✓
Fermat ILS Yield	614,195	1.0	2	0 - 10	✓
Harbour Income	8,287,835	13.4	9	0 - 15	✓
Milford Diversified Income	6,288,443	10.2	10	0 - 15	✓
Mint Diversified Income	5,200,425	8.4	10	0 - 15	✓
<b>Cash</b>	<b>3,775,059</b>	<b>6.1</b>	<b>0</b>	<b>0 - 20</b>	✓
Self-Managed	3,775,059	6.1	0	0 - 20	✓
<b>Total Assets</b>	<b>61,889,823.57</b>	<b>100.0</b>			

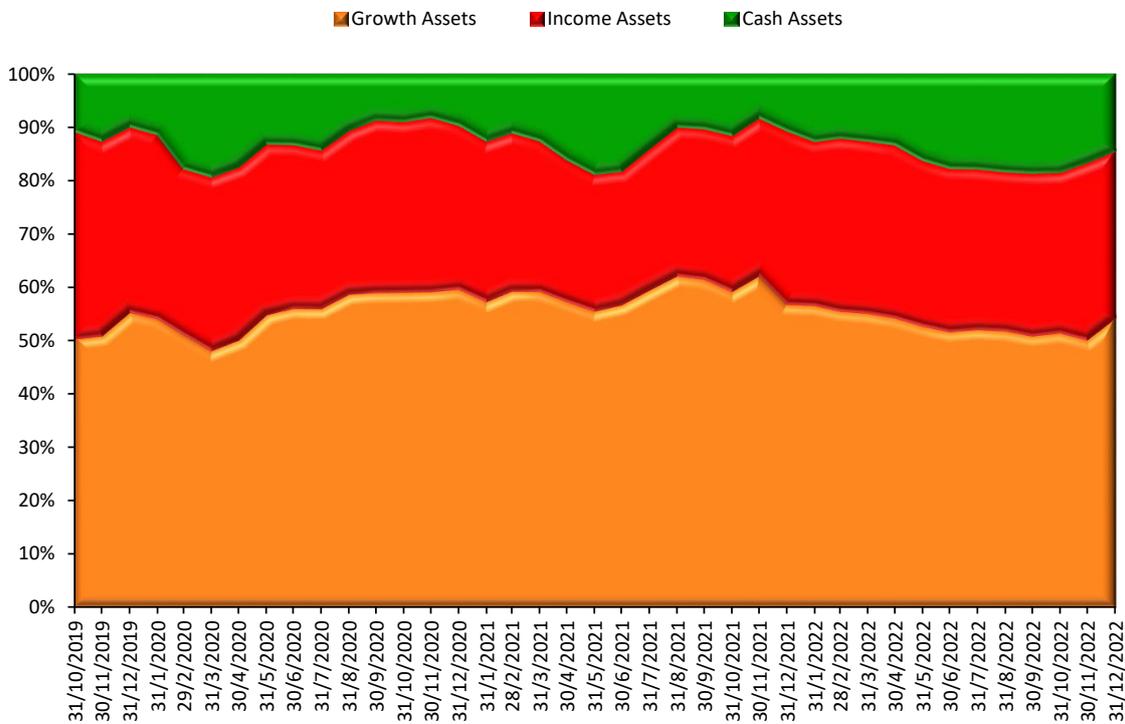
\*The global equity asset class is below its range due to the continuing volatility of financial markets

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LTF UNDERLYING FUND ASSET ALLOCATION



UNDERLYING ASSET ALLOCATION



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SHORT TERM FUND

PERFORMANCE SUMMARY

	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Diversified Growth</b>						
<b>Castle Point 5 Oceans</b>	<b>(0.9)</b>	<b>2.4</b>	<b>2.2</b>	<b>(2.6)</b>	<b>4.7</b>	<b>4.2</b>
Benchmark	0.6	1.7	3.2	5.4	4.0	4.2
Value Added	(1.5)	0.7	(1.0)	(8.0)	0.7	0.0
<b>Milford Active Growth</b>	<b>(1.3)</b>	<b>4.6</b>	<b>5.2</b>	<b>(8.1)</b>	<b>6.5</b>	
Benchmark	0.8	2.4	4.9	10.0	10.0	
Over / Underperformance	(2.1)	2.2	0.3	(18.1)	(3.5)	
<b>Mint Diversified Growth</b>	<b>(3.7)</b>	<b>3.1</b>	<b>2.7</b>	<b>(17.4)</b>		
Benchmark	0.7	2.2	4.4	9.0		
Over / Underperformance	(4.4)	0.9	(1.7)	(26.4)		
<b>Diversified Income</b>						
<b>Harbour Income</b>	<b>(0.8)</b>	<b>1.2</b>	<b>1.4</b>	<b>(4.1)</b>	<b>3.4</b>	
Benchmark	0.6	1.8	3.4	5.9	4.5	
Value Added	(1.4)	(0.6)	(2.0)	(10.0)	(1.1)	
<b>Milford Diversified Income</b>	<b>0.2</b>	<b>3.5</b>	<b>5.2</b>	<b>(1.5)</b>	<b>2.6</b>	<b>4.8</b>
Benchmark	0.5	1.6	2.9	4.9	3.5	3.7
Over / Underperformance	(0.3)	1.9	2.3	(6.4)	(0.9)	1.1
<b>Mint Diversified Income</b>	<b>(1.5)</b>	<b>(0.2)</b>	<b>1.5</b>	<b>(8.3)</b>	<b>(0.0)</b>	<b>2.2</b>
Benchmark	0.6	1.8	3.7	7.5	7.5	6.4
Value Added	(2.1)	(2.0)	(2.2)	(15.8)	(7.5)	(4.2)
<b>QuayStreet Income</b>	<b>0.4</b>	<b>2.3</b>	<b>3.1</b>	<b>(0.7)</b>	<b>1.8</b>	<b>3.4</b>
Benchmark	0.5	1.5	2.7	4.4	3.0	3.2
Value Added	(0.1)	0.8	0.4	(5.1)	(1.2)	0.2
<b>Total Fund</b>	<b>(0.6)</b>	<b>2.4</b>	<b>3.9</b>	<b>(2.8)</b>	<b>3.3</b>	<b>4.7</b>
Fund Objective	0.6	1.7	3.1	5.2	4.1	4.4
Value Added	(1.2)	0.7	0.8	(8.0)	(0.8)	0.3

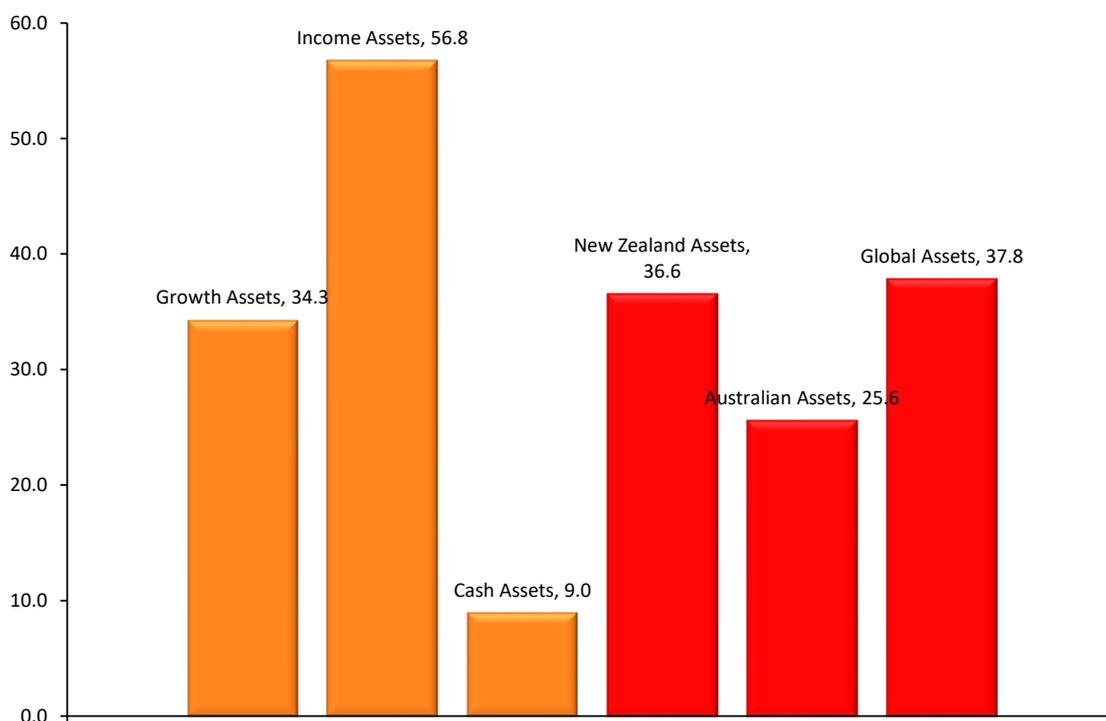
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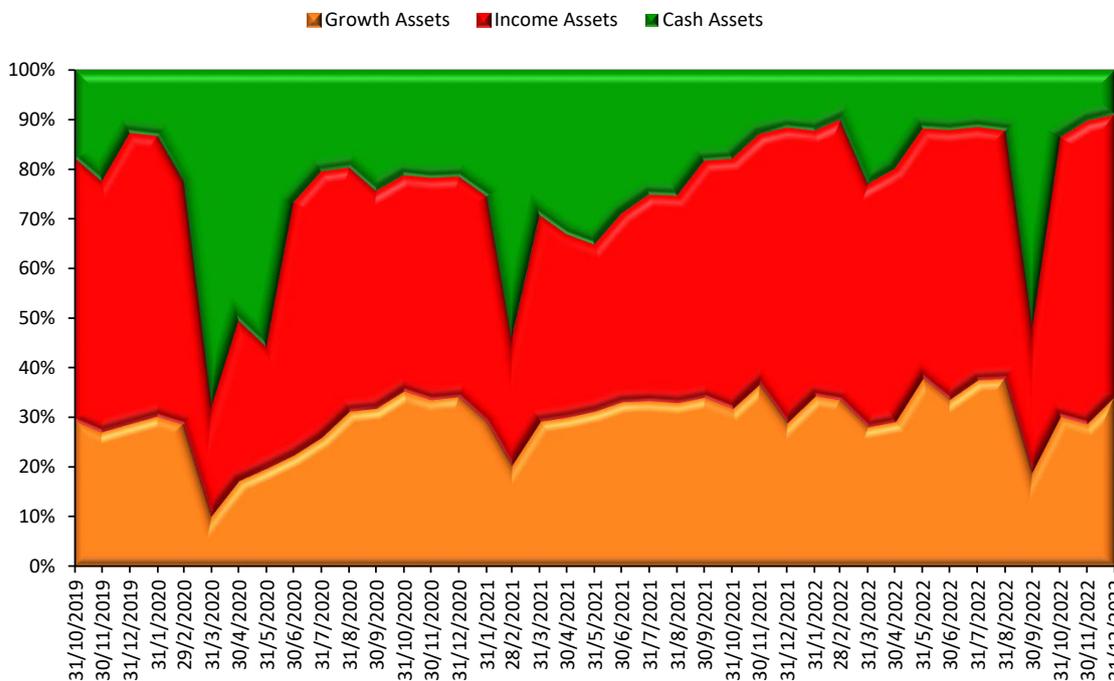
STF OVERALL FUND ASSET ALLOCATION

Overall Fund Asset Allocation	Market Value		Target	Target Ranges	Status
	\$	%	%	%	
<b>Growth Assets</b>	<b>1,896,242</b>	<b>25.0</b>	<b>20</b>	<b>0 - 40</b>	✓
<b>Diversified Growth</b>	<b>1,896,242</b>	<b>25.0</b>	<b>20</b>	<b>0 - 40</b>	✓
Castle Point 5 Oceans	727,319	9.6	10	0 - 20	✓
Milford Active Growth	725,604	9.6	5	0 - 20	✓
Mint Diversified Growth	443,318	5.8	5	0 - 20	✓
<b>Income Assets</b>	<b>5,697,192</b>	<b>75.0</b>	<b>80</b>	<b>60 - 100</b>	✓
<b>Diversified Income</b>	<b>5,697,192</b>	<b>75.0</b>	<b>80</b>	<b>60 - 100</b>	✓
Harbour Income	1,885,440	24.8	20	0 - 30	✓
Milford Diversified Income	1,675,114	22.1	20	0 - 30	✓
Mint Diversified Income	630,879	8.3	20	0 - 30	✓
QuayStreet Income	1,505,759	19.8	20	0 - 30	✓
<b>Cash</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0 - 20</b>	✓
Self-Managed	0	0.0	0	0 - 20	✓
<b>Total Assets</b>	<b>7,593,434</b>	<b>100.0</b>			

STF UNDERLYING FUND ASSET ALLOCATION



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** was down 3.0% over the month but was up 1.9% over the quarter. The NZ portfolio was down 2.7% and the Australian and international portfolios were down circa 5% each in local currency terms over December. Global equities were up 10% over the quarter but strengthening of the NZ dollar against major currencies, in particular the US dollar saw negative returns from unhedged global equities. The Fund used currency hedging to manage this volatility and had largely unwound its hedging by the end of December. Headwinds to the NZ and Australian portfolios over the month included gaming stocks Sky City (down 14%), a minor position in Star Entertainment (down 35%) and Aristocrat Leisure (down 13%). Fletcher building shares also fell (down 5%) owing to additional costs associated with the construction of Sky City’s International Convention Centre. In the international portfolio, Google parent Alphabet and Amazon were down 13% each on recent earnings updates. Aspiring added to the Fund’s Amazon position over December following a doubling of Amazon’s AWS cloud business earnings since 2019. Cloud infrastructure is a core theme in the Fund. The Fund’s cash position was 24% at quarter end.

The **Castle Point 5 Oceans Fund** was down 0.9% in December but was up 1.9% over the quarter. The Acadian Managed Volatility strategy (down 3.4%) and the Schroders Global Recovery Fund (down 1.9%) were the main detractors over the month. In addition, the Castle Point Ranger Fund (down 0.8%) and New Zealand Emissions Units (carbon credits, down 8.5%) also detracted returns. The main positive contributors

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over the month were the bond managers Daintree (up 0.7%) and T. Rowe Price (up 0.5%). Currency hedging contributed 0.2%.

The **Harbour T. Rowe Price Global Equity Fund** returned -7.0% over the month, compared to a benchmark return of -5.7%. Over the quarter the Fund was down 5.6% compared to a benchmark return of -1.8%. The largest detractor from relative returns at a sector level over the month was Consumer Discretionary (detracting 0.6% relative to the benchmark). The largest stock detractor within this sector was T. Rowe Price's overweight position in electric vehicle company Rivian Automotive which fell 42% during the month. Financials was the second largest detractor (detracting 0.4%). The key detractor in Financials an overweight position in Goldman Sachs, which fell 11% in December (though was up 17% in the December quarter). The largest positive contributor to relative returns was Information Technology. Primary drivers of this were an overweight position in Roper Technologies and an underweight position in Apple.

The **Milford Active Growth Fund** was down 1.3% in December but was up 4.6% over the quarter. The main contributors to performance over the month were Contact Energy (up 3%), EBOS (up 7%), Boston Scientific (up 2.2%) and AGCO (up 5%). Detractors for the month were growth and technology companies such as Amazon and Google (down 13% each). The Fund performed better than most market indices owing to its cautious investment stance and strong stock selection. The Fund continues to have a lower weight in shares and a higher weight in fixed interest than normal. Milford believes that higher interest rates now provide good prospects for select company bonds and it remains active to opportunistically select attractively priced shares.

The **Mint Diversified Growth Fund** was down 3.7% over December but was up 3.1% over the quarter. At the sector level all asset classes detracted returns in December in contrast to a strong November. The main detractors were global equities (detracting 2.8%) and listed property (-0.2%). Listed property stocks suffered as increased long yields decreased the value of their underlying property assets. Positive contributions at the stock level came from Estee Lauder (up 5%), Novo Nordisk (up 9%), Meridian (up 9%) and Spark (up 7%). The main detractors were AMD (down 17%) and Accenture (down 11%). There were no changes made to the portfolio during the month. Mint believes that both equities and bonds will produce positive returns over the next 12 months as long as a global recession is avoided.

The **Schroder Real Return Fund** was down 0.5% in AUD over the month. The NZD appreciated against the AUD, resulting in a -1.1% return in NZD. Over the quarter the Fund was up 2.6% in AUD and fell 3.3% in NZD terms. The largest contributors over the month were foreign currency (primarily Yen), emerging market corporate debt, insurance-linked securities, equity put options and duration overlays each adding around 0.1% to returns. The primary detractors over December were equities (detracting 0.8%), and duration (detracting 0.5%). Over the quarter the key contributors were equities (adding 2.1% to returns), insurance-linked securities (adding 0.3%) and global investment grade credit (adding 0.2%). The main detractor over the quarter were foreign currency (detracting 0.3%). Schroders believes that as the economy rolls into recession then it will be a good time to rotate into equities once central banks start cutting interest rates and valuations are more attractive.

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The **Nanuk New World Fund** was down 5% in December in AUD terms outperforming its benchmark by 2.6%. The NZD rose against the AUD resulting in an NZD return for the month of -5.5%. Over the quarter the Fund was up 4.8% and outperformed its benchmark but in NZD terms was down 1.1%.

The **Harbour Income Fund** fell 0.9% over December and was up 1.3% over the quarter. Over the month both equity and fixed income markets weakened as global bond yields pushed higher. The Fund outperformed its market-linked benchmark through holding less equities than normal and positioning within fixed interest securities, notably holding inflation-indexed bonds. Harbour sees attractive valuations across the 0-2 year part of the yield curve and continues to believe that inflation-indexed bonds offer value as inflation continues to be sticky. Harbour remains underweight to equities and is preferring growth equities as it believes these will deliver better returns looking forward. The Fund is overweight investment grade bonds as compared to its typical asset allocation.

The **Milford Diversified Income Fund** was up 0.2% in December and returned 3.5% over the quarter. The Fund's lower than normal exposure to market interest rates cushioned the blow from rising rates and ongoing outperformance of corporate bonds relative to government bonds also contributed to performance. Positive contributions also came from New Zealand electricity companies including Contact Energy (up 3%); from Spark (up 5%); and from UK bank stocks such as Virgin Money (up 8%) that benefitted from higher interest rates. The Fund's exposure to income stocks such as Goodman Group (down 8%) detracted from returns as did global infrastructure that fell 3% as a sector over the month. Milford is retaining its cautious approach until it gets confidence that inflation is falling enough for central banks to cease rate hikes and share valuations have adjusted to likely lower earnings as economic growth slows.

The **Mint Diversified Income Fund** was down 1.5% in December and was down 0.3% over the quarter. At a sector level the main detractors over the month were global equities (detracting 0.6%) and fixed income (-0.5%). Australasian equities had the strongest performance relative to other asset classes with Meridian (up 9%) and Spark (up 7%) the standout performers. Within fixed income, longer dated bonds had the largest negative impact on the Fund with a material move up in long yields (+0.4% to the 10-year NZ government bond yield) over the month. This caused a drop in the price of the 2035 Housing New Zealand bond of 5%. Within global equities, AMD reversed its gains of November falling 17% in December. Accenture also had a poor December. There were no changes made to the portfolio during the month. Mint believes that both equities and bonds will produce positive returns over the next 12 months as long as a global recession is avoided.

The **QuayStreet Income Fund** was up 0.5% in December and was up 2.1% over the quarter. The gross yield of the Fund increased from 5.95% in November to 6.17% over the month with the duration shortened from 1.7 years to 1.3 years. The number of securities increased by one to 59 and the number of issuers fell by one to 49. The average credit rating stayed at BBB+. The current rate of distribution is unchanged at 0.75 cents per unit or 3.5%. The Fund had 89.7% exposure to bonds versus a target weighting of 70% with QuayStreet favouring global bonds over domestic. Cash in the Fund was 4.2% at the end of December. The most significant contribution to returns over the month came from corporate and high yield bonds owing to a contraction in credit spreads.

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**Continuity Capital Fund No. 2** was up 1.7% over the month of December due to upward revaluations of some of the underlying companies but was down 1.1% for the quarter. A distribution of 1.9077 cents per unit was made in December amounting to a payment received of \$38,154. **Continuity Capital Fund No. 4** was up 0.3% over the month of December due to upward revaluations of some of the underlying companies but was down 3.4% for the quarter. **Continuity Capital Fund No. 5** was up 1.2% over the month of December in AUD terms due to upward revaluations of some of the underlying companies. In NZ dollar terms it returned 0.7% owing to the NZD appreciating against the AUD over the month. Over the quarter the Fund was up 2.7% in AUD terms but was down 3.1% in NZD terms. A capital call of 5 cents per unit was made during the month resulting in a payment made of \$150,000. **Continuity Capital Fund No. 6** was down 0.6% over the month of December due to downward revaluations of some of the underlying companies. Over the quarter the Fund was down 5.2%. **Continuity Capital Fund No. 7** was down 0.8% over December in AUD terms due to downward revaluations of some of the underlying companies. In NZ dollar terms it returned -1.3% owing to the NZD appreciating against the AUD over the month. Over the quarter the Fund was down 2.8% in AUD terms and was down 8.0% in NZD terms. New subscriptions in December have taken the market value of the Fund to over AUD8m.

**Castlerock LP** returned 0.9% over the December month and quarter. A distribution was made on 30 December 2022 of 3.1 cents per share amounting to \$26,498 that was paid in cash. The share price of the Fund fell from \$1.21 as at 30 September 2022 to \$1.19 at the end of December due to downward revaluations of some of the underlying companies. The Fund grew over the quarter by \$4.5m to a value of \$45m at 31 December 2022.

**PCP III** and **PCP IV** made capital calls for management fees. **PCP III Zespri Co-Investment** paid dividends of \$3,996 in December. **Direct Capital VI** fully imputed dividends from Mondiale VGL were offset by a capital call for new investment into Project Image resulting in outgoing cashflow of \$53,559.

The total **PE Portfolio** returned -0.5% in December and -3.9% over the quarter.

## 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	4.8	7.2
STF	5.7	4.8
NZ Multi-Sector Balanced	5.3	5.2
NZ Multi-Sector Moderate	6.4	6.0
S&P/NZX 50	13.8	14.8

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

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MARKET PERFORMANCE AND COMMENTARY – DECEMBER 2022

MARKET PERFORMANCE

Index	Index Level/Price	1 Month %	3 Month %	1 Year %
Global Equities				
MSCI World NR	6,236.96	-5.1	7.5	-16.0
MSCI World NR (NZD)	12,626.84	-6.0	-1.8	-11.4
MSCI Emerging Markets	627.54	-2.0	6.6	-15.5
S&P 500 (US)	3,839.50	-5.9	7.1	-19.4
Nikkei 225 (Japan)	26,094.50	-6.7	0.6	-9.4
FTSE 100 (UK)	7,451.74	-1.6	8.1	0.9
DAX (Germany)	13,923.59	-3.3	14.9	-12.3
CAC 40 (France)	6,473.76	-3.9	12.3	-9.5
Trans-Tasman Equities				
S&P/NZX 50	11,473.24	-0.7	3.7	-12.0
S&P/ASX 300	84,173.60	-3.3	9.1	-1.8
Bonds				
S&P/NZX NZ Govt Stock	1,648.36	-1.5	0.1	-9.1
S&P/NZX A Grade Corporate	5,417.52	-0.8	0.2	-5.1
Barclays Global Agg (Hedged to NZD)	375.85	-1.2	0.8	-11.7
Oil and Gold				
West Texas Intermediate Crude	80.26	-0.4	1.0	4.2
Brent Crude	84.97	-1.8	-1.4	9.7
Gold	1,824.02	3.1	9.8	-0.3
NZD Foreign Exchange				
AUD	0.9326	0.6	6.0	-1.0
EUR	0.5926	-1.8	2.6	-1.6
GBP	0.5258	0.8	3.8	4.0
JPY	83.4486	-3.7	1.9	5.8
CNY	4.3758	-0.5	8.5	0.5
USD	0.6324	1.8	11.8	-7.6

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

Executive summary:

- Equities and bonds sold off as Central banks raised cash rates.
- Gold rose.
- Oil fell to around \$80 per barrel on recession fears.

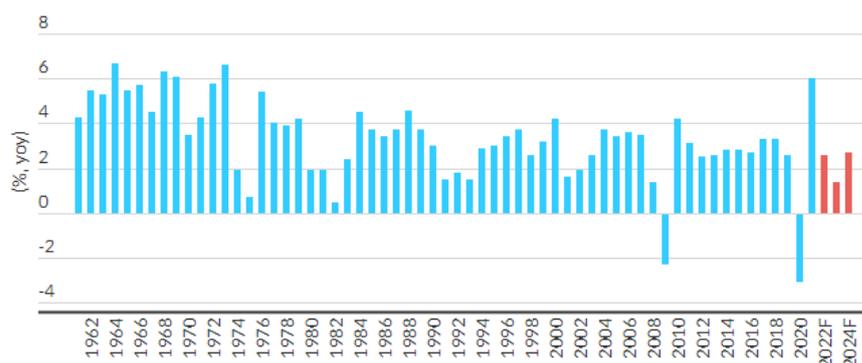
ECONOMIC COMMENTARY

GLOBAL SNAPSHOT

US stocks ended 2022 going down in December. This followed a year of significant losses caused by the Federal Reserve's rapid increase in interest rates to control inflation, fears of recession, the Russia-Ukraine conflict, and growing concerns about COVID cases in China. The three main indices on Wall Street recorded their first yearly drop since 2018 as another period of loose monetary policy came to an end. The urgent pace of rate hikes by the Federal Reserve hadn't been seen since the 1980s.

According to Fitch Ratings, over the past three months global economic activity has been more robust than anticipated - which led to increased growth forecasts for 2023. However, the outlook for global growth has worsened due to the likelihood of further monetary policy tightening and a declining outlook for China's real estate sector. The rating agency expects global growth to decrease to 1.4% in 2023. This would be the weakest expansion since 2008, excluding the impact of the COVID-19 pandemic in 2020 (Figure1).

**Figure 1**  
**World GDP Growth**



Source: Fitch Ratings' estimates, national statistical offices, Haver Analytics

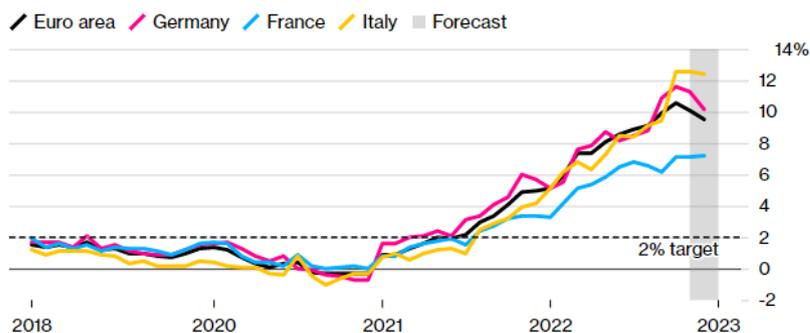
Increasing unemployment could lead to more conflict in policy decision making, as governments try to protect households from economic shocks while central banks focus on controlling inflation. This increases the risk of policy 'mistakes' – i.e. policies that negatively impact growth. When fiscal policies are relaxed while central bank quantitative tightening policies increase (which add to the supply of government bonds that need to be purchased by the market), it creates an upward pressure on real interest rates. In addition, hidden leverage and inadequate liquidity management in the non-bank financial sector amplifies the effects of real interest rate shocks, as seen recently in the UK gilt market.

The European Central Bank increased its main interest rate from -0.5% in July to 2% in December. A rise in interest rates causes investors to demand a higher yield on bonds, pushing down the price of bonds already in the market.

Economists predict that the worst year of inflation in the euro-zone's history may have ended with a slight improvement, as the rate of cost increases returned to single digits. The initial reading for December is expected to show a slowdown in annual consumer price increases to 9.5% from 10.1% in the previous month, based on the median of 28 forecasts in a Bloomberg survey (median shown in Figure 2).

Figure 2

**Euro-Area Inflation Probably Slowed to Single Digits**



Source: Bloomberg

The Bank of Japan surprised markets by adjusting its yield curve control policy to allow the yield on the 10-year Japanese government bond to fluctuate within a range of 50 bps around its 0% target. In its policy statement, the BOJ stated that this change is meant to "improve market functioning and encourage a smoother formation of the entire yield curve, while maintaining accommodative financial conditions." However, as the only Central bank in the OECD able to influence its 10 year bond yield this too sent shock waves through global bond markets. It effectively spelt the end of negative interest rates globally.

According to BlackRock, the events of 2022 including war, high inflation, and market turmoil have shaped three key investment lessons for the new year. First, it is important to consider a wide range of potential scenarios and be aware of the dangers of inertia and other behavioural biases. Second, investors should take into account the compensation for geopolitical risk. Finally, BlackRock believes that it is necessary to develop a new approach to investing, which may involve making more frequent portfolio changes in the face of increased macroeconomic and market volatility. These lessons support our active multi-asset approach.

**LOCAL SNAPSHOT**

First-time home buyers have taken advantage of the drop in prices this year, with their market share increasing from about 20% in the early part of the year to 24-25% in the latter half of the year, according to recent figures from CoreLogic. However, the Reserve Bank raised the official cash rate to 4.25% and forecasted further inflation, recession, and rising unemployment, making buyers of all types less active. A net 17% of mortgage advisers reported fewer first-time buyers in the market this month, according to a survey by economist Tony Alexander.

A local recruitment agency in Queenstown has reported that 13 employees it had placed in jobs quit within the first week of this month because they were unable to find housing. These employees, who were mostly

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in the hospitality and construction industries, are among approximately 40 people who have had to leave town or not even go there over the past three months due to the housing crisis.

A ban on battery-cage hens has resulted in some empty supermarket shelves and rationing of egg cartons despite the plan being 10 years in the making. The Egg Producers Federation has stated that more than 75% of chicken farmers have had to change their farming methods or careers due to the ban. The shortage has exacerbated already high egg prices. There were multiple price increases in 2022, including a 27% increase in August and a 13% increase in November. Another increase is expected due to the current shortage.

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## WORLD FINANCIAL MARKETS

### Equities

The MSCI World Index was down 5.1% and MSCI Emerging Markets returned -2.0% in December in local currency terms.

The S&P 500 fell by 5.9% in December. Growth stocks struggled due to rising yields throughout much of 2022 and have underperformed compared to value stocks, which are tied to economic performance. This reversal of the trend that had lasted for the past decade was caused by declining performance from companies such as Apple, Alphabet, Microsoft, Nvidia, Amazon.com, and Tesla, which saw decreases of 28%-66% in 2022. The S&P 500 growth index saw a 30% drop in 2022, while the value index decreased by 7.4%. Investors preferred sectors with steady earnings and high dividends, such as energy, which saw impressive annual gains of 59% due to rising oil prices. On the last day of the year, all eleven S&P sector indices fell, led by real estate and utilities.

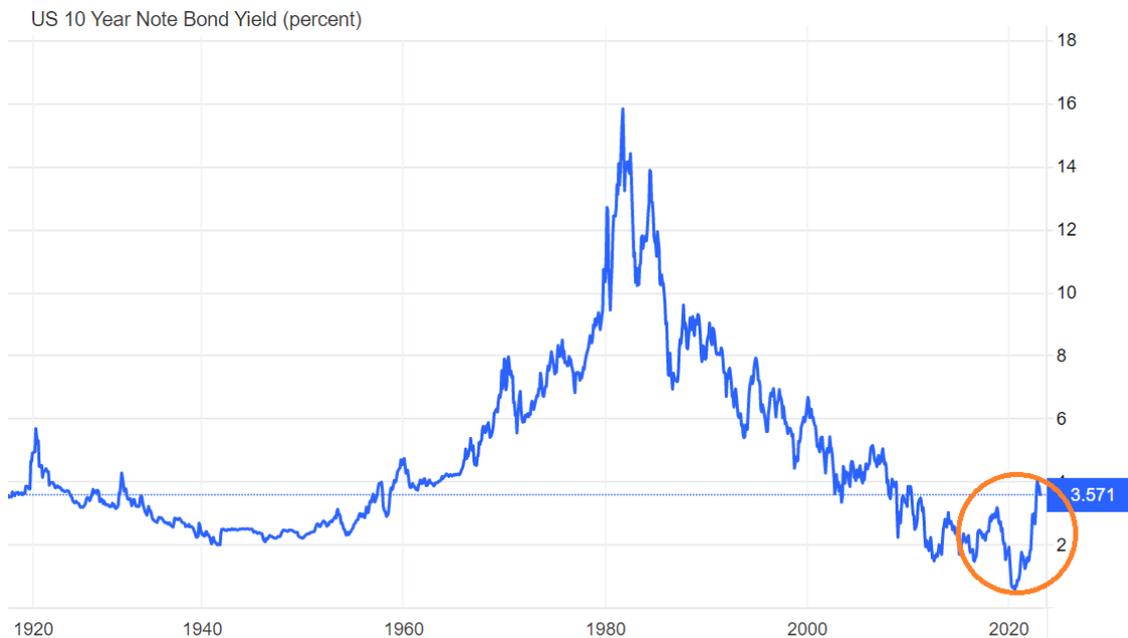
The Euro STOXX 50 Index was down 4.3% in December. Despite slowing down inflation the new year will be challenging for European equities as the European Central Bank has indicated that it will continue to increase interest rates in the near term in an effort to combat high levels of inflation. Major stock indices were negative. Germany's DAX Index was down 3.3%, France's CAC 40 returned -3.9%. UK's FTSE 100 declined 1.6% in December.

In December, the ASX 200 experienced a 3.2% drop, resulting in a 1.1% loss for the year. Despite this, Australian equity investors performed better than their international counterparts. While the NZX 50 Portfolio Index saw a smaller decline of one third as much as the ASX 200 in December, it still recorded a loss of 14.7% for the year, the first annual drop in over a decade.

### Fixed Interest

After rising to 3.88% on the last Friday of 2022, the U.S. 10-year Treasury yield fell to 3.57% in the first week of 2023 (Figure 3), after steepening significantly in the last quarter. Treasury yields and oil futures both rose as investors prepared for the new year amid concerns about recession and the Federal Reserve's rate hike path.

**Figure 3**



Source: Trading Economics

On the final trading day of 2022, government bonds in the euro zone fell, completing a historically poor year for European sovereign debt. The yield on Germany's 10-year government bond rose to 2.5%. The yield on Germany's 10-year bond, which is viewed as a benchmark for the euro zone, had risen by more than 260 bps in 2022. According to Refinitiv data, this marks the largest sell-off of government bonds in the euro zone dating back to the 1950s. Spain's 10-year yield rose to 3.6%. Italy's 10-year yield climbed to 4.6%.

UK 10-year gilt yields experienced their largest annual increases on record as sovereign bond markets were impacted by high levels of inflation and uncertainty about how policy makers would respond to it.

#### DEGLOBALISATION – PETRODOLLAR VS PETROYUAN

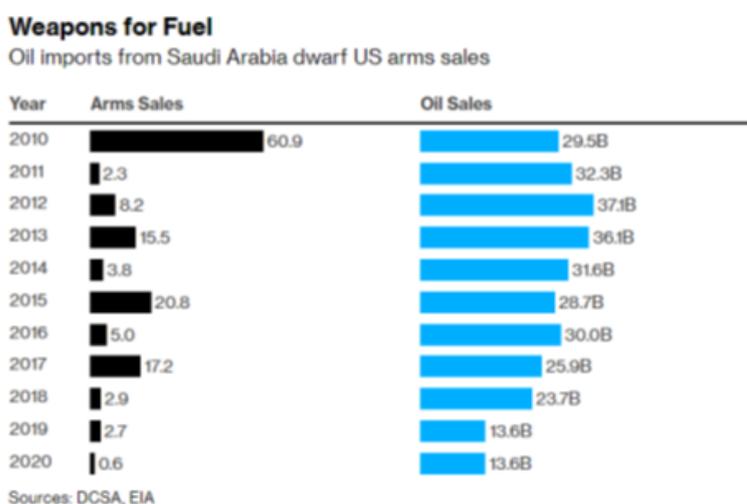
One of the significant influences of deglobalisation in the transition to a 'green economy' has been changes in Saudi-US relations, which began in the 1940s. Notably, a meeting between US President Franklin Delano Roosevelt and Saudi King Abdul Aziz Ibn Saud on the USS Quincy on February 14, 1945 marked the start of a significant geopolitical alliance between the two countries. This alliance saw the US provide security in the Middle East in exchange for oil, with prices pegged to the US dollar. This alliance played a major role in global politics and security.

However, the alliance has proved fragile in the past decade. Declining most in 2015 after the Saudi invasion of Yemen and the assassination of Jamal Khashoggi (Saudi dissident) inside the Saudi consulate in Turkey in 2018. Now Saudi Arabia is no longer the leading exporter of oil to the US, having been surpassed by countries such as Canada, Mexico, and Russia. This was also the case before the US banned imports in

response to Russia’s invasion of Ukraine. Arms sales have significantly decreased at the same time, though over the last decade, Saudi Arabia has purchased 24% of total US arms exports.

It is likely that 2023 will be remembered as the year that the longstanding energy deal between the US and Middle Eastern countries began to change, as a new energy relationship between China and the Middle East emerges. China has purchased increasing amounts of oil and liquified natural gas from countries like Iran, Venezuela, Russia, and Africa using its own currency for some time. The meeting between Chinese President Xi Jinping and Saudi and Gulf Cooperation Council (GCC) leaders in December was the beginning of the "petroyuan," marking a significant shift in the global energy order.

Figure 4



According to Credit Suisse, China wants to change the status quo in the global energy market as part of a larger plan to de-dollarize trade between BRIC (Brazil, Russia, India, China) and other regions around the world following the use of the US dollar as a weapon after Russia's invasion of Ukraine. This means that in practice, more oil trade will be conducted using yuan. Chinese President Xi Jinping announced that over the next three to five years, China will significantly increase its imports from GCC countries and work towards "all-dimensional energy cooperation."

Analysts believe that the rise of the petroyuan will accelerate the transition to clean energy, therefore Europe should not be opposed to the Inflation Reduction Act, even though it will reduce demand for European prescription medicine and clean energy technology. The increase in use of the petroyuan should motivate both the US and Europe to move away from fossil fuels as quickly as possible.

## GEOPOLITICS

According to BlackRock’s analysis of 68 risk events since 1962, geopolitical events generally only have a temporary effect on markets and economies. Yet today, geopolitics are now the main known risk for markets.

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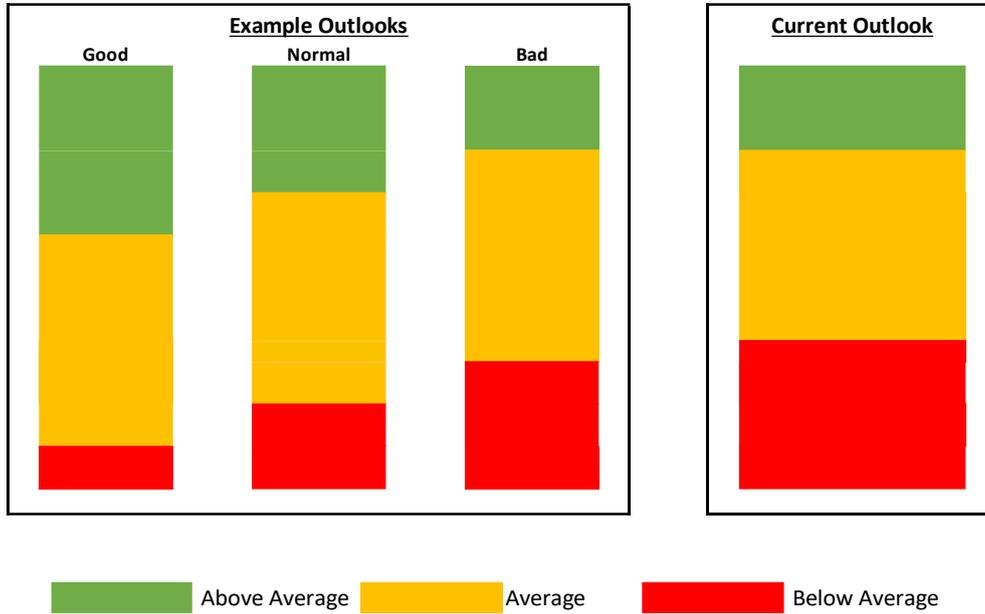
2023 started with a Ukraine strike on a Russian base in Makiivka in the Donetsk region. The blast was so severe that Britain's Ministry of Defence speculated that ammunition was being stored near the accommodation for troops in a vocational school building located around 10 kilometres behind the front line. The Ukrainian side stated that use of mobile phones (prohibited in the army) by Russian troops in Makiivka allowed them to find their location.

North Korea surprised its southern neighbour by crossing the border with five drones on 26 December. One reached the capital city Seoul and returned back. The drones caught Seoul off guard and they had to quickly mobilize various types of aircraft, including advanced fighter jets, modern attack helicopters, and propeller-engine planes. However, South Korean air forces could not intercept any of drones which raised a wave of criticism from both the population and the President. This incident showed their vulnerability against drone attacks, which remains a relatively cheap and versatile weapon.

Defence ministers of Russia, Turkey and Syria held unannounced talks in Moscow in late December. Officially the discussion was about the Syrian crisis, refugee problems and the joint struggle against terrorism. As a result of the meeting, the Turkish defence minister committed to withdraw troops from Syrian land. It is still unclear what Moscow promised to Ankara in exchange – wheat, nuclear fuel, or something else?

The newly formed government in Israel swung towards the Russian side after the Benjamin Netanyahu bloc came back to power. Foreign Minister Cohen's comments indicating that Israel would no longer publicly criticize Russia for its involvement in the war in Ukraine and his conversation with Russian Foreign Minister Sergei Lavrov, which happened soon after he took office, have raised concerns about a potential change in Israeli policy toward Russia under the new government. Israeli-Russian relations, including political and humanitarian, remain complex. Dependence on Russian support is heavy for Israel's fight against terrorists in Lebanon and Syria. In particular trying to balance Iranian influence in the region is an issue. Approximately 15% of Israel's population are Russian speaking (from Russia and other Soviet Republics), with ties and connections with oligarchy groups in Russia.

MARKET OUTLOOK



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

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APPENDIX 1: BENCHMARKS

LONG TERM FUND

Asset	Benchmark
<b>Growth Assets</b>	
<b>Diversified Growth</b>	
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) + 4.5% p.a.
<b>Global Equity</b>	
Harbour T. Rowe Price Global Equity	MSCI All Country World Index
Nanuk New World	FTSE Russell Environmental Opportunities Index
<b>Private Equity</b>	
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	15% p.a.
Continuity Capital PE Fund No.6 LP	15% p.a.
Continuity Capital PE Fund No.7	15% p.a.
CPEC 9	15% p.a.
Direct Capital VI	12% p.a.
Federation Alternative	16% p.a.
Milford PE III	8% p.a.
MLC PE II	15% p.a.
MLC PE III	15% p.a.
Oriens Capital Fund 2	8% p.a.
PCP III	8% p.a.
PCP III Zespri Co-Investment	8% p.a.
PCP IV	8% p.a.
<b>Income Assets</b>	
<b>Diversified Income</b>	
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.
<b>Total Assets</b>	<b>NZ CPI + 4.5% p.a.</b>

\*We have used 4% as a benchmark

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SHORT TERM FUND

Asset	Benchmark
<b>Growth Assets</b>	
<b>Diversified Growth</b>	
Castle Point 5 Oceans	NZ OCR + 3% p.a.
Milford Active Growth	10% p.a.
Mint Diversified Growth	NZ CPI + 4.5% p.a.
<b>Income Assets</b>	
<b>Diversified Income</b>	
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.
<b>Total Assets</b>	<b>90-day Bank Bill Index plus 3% p.a.</b>

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APPENDIX 2: NRC TOTAL FUNDS UNDER MANAGEMENT

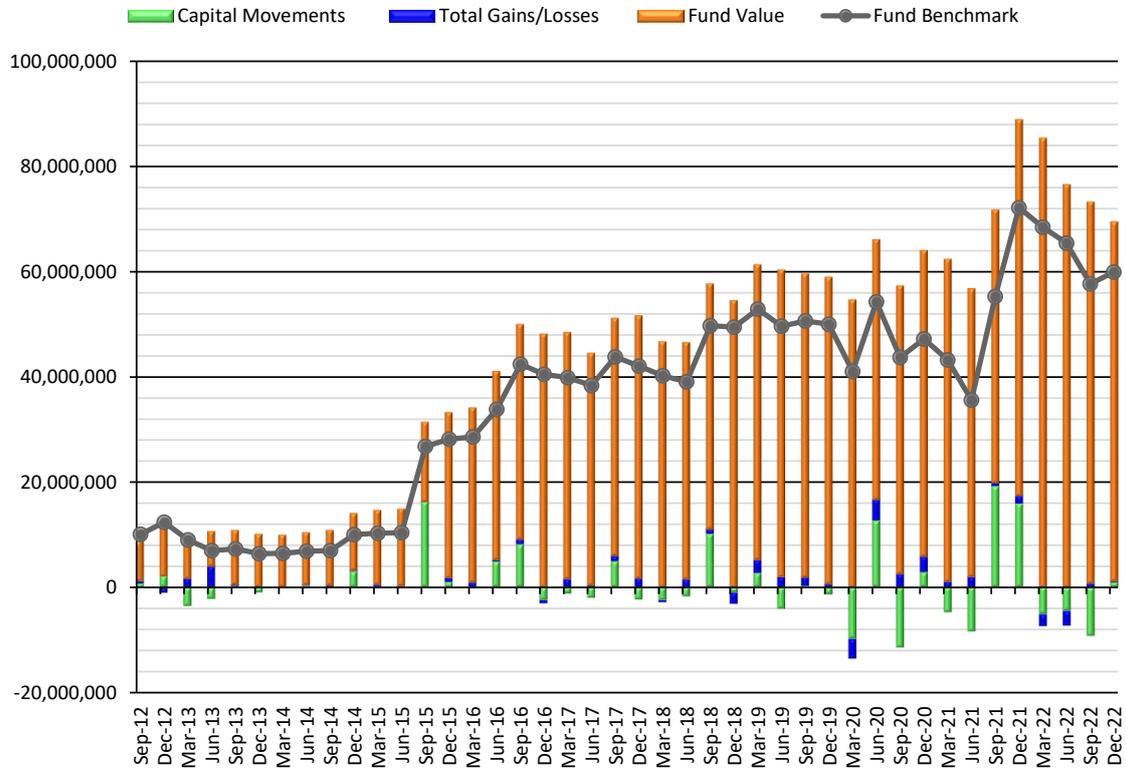
FUNDS UNDER MANAGEMENT: BREAKDOWN

Manager	Fund	LTF \$	STF \$	NRC Total FUM \$	NRC Manager % of Total FUM
Aspiring	Aspiring	4,027,363		4,027,363	5.8
BlackRock	FIGO	585,216		585,216	0.8
Castle Point	5 Oceans	8,933,280	727,319	9,660,600	13.9
Castlerock	Long-Term PE Partnership	1,017,094		1,017,094	1.5
Continuity Capital	No.2	833,553		833,553	6.8
	No.4	707,100		707,100	
	No.5	2,011,541		2,011,541	
	No.6	660,003		660,003	
	No.7	512,717		512,717	
CPE Capital	Fund 9	146,065		146,065	0.2
Direct Capital	DC VI	656,589		656,589	0.9
Federation	Alternative	1,050,814		1,050,814	1.5
Fermat	ILS Yield	614,195		614,195	0.9
Harbour	Income	8,287,835	1,885,440	10,173,275	17.3
	T. Rowe Price Global Equity	1,837,346		1,837,346	
Milford	Active Growth	4,069,160	725,604	4,794,765	19.0
	Diversified Income	6,288,443	1,675,114	7,963,557	
	PE III	455,800		455,800	
Mint	Diversified Income	5,200,425	630,879	5,831,304	12.3
	Diversified Growth	2,276,092	443,318	2,719,410	
MLC	PE Co-investment Fund II	1,192,030		1,192,030	2.2
	PE Co-investment Fund III	318,300		318,300	
Nanuk	New World	823,815		823,815	1.2
Oriens Capital	Fund 2	385,528		385,528	0.6
Pioneer Capital	PCP III	907,484		907,484	2.5
	PCP IV	546,931		546,931	
	Zespri Co-Investment	297,986		297,986	
QuayStreet	Income		1,505,759	1,505,759	2.2
Schroders	Real Return	3,472,060		3,472,060	5.0
Self-managed Cash	N/A	3,775,059	0	3,775,059	5.4
<b>NRC Total FUM</b>		<b>61,889,824</b>	<b>7,593,434</b>	<b>69,483,257</b>	<b>100</b>

Note: all values are in NZD

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FUNDS UNDER MANAGEMENT: CAPITAL MOVEMENTS AND GAINS/LOSSES



FUNDS DENOMINATED IN AUD

Funds Denominated in AUD		NRC Total AUD	NRC Total NZD
BlackRock	FIGO	545,778	585,216
Continuity Capital	Fund No.5	1,875,985	2,011,541
	Fund No.7	478,165	512,717
CPE Capital	Fund 9	136,222	146,065
Federation	Alternative	980,000	1,050,814
Fermat	ILS Yield	572,805	614,195
MLC	PE Co-investment Fund II	1,111,700	1,192,030
	PE Co-investment Fund III	296,850	318,300
Nanuk	New World	768,298	823,815
Schroders	Real Return	3,238,080	3,472,060
<b>NRC Total AUD</b>		<b>10,003,883</b>	<b>10,726,753</b>

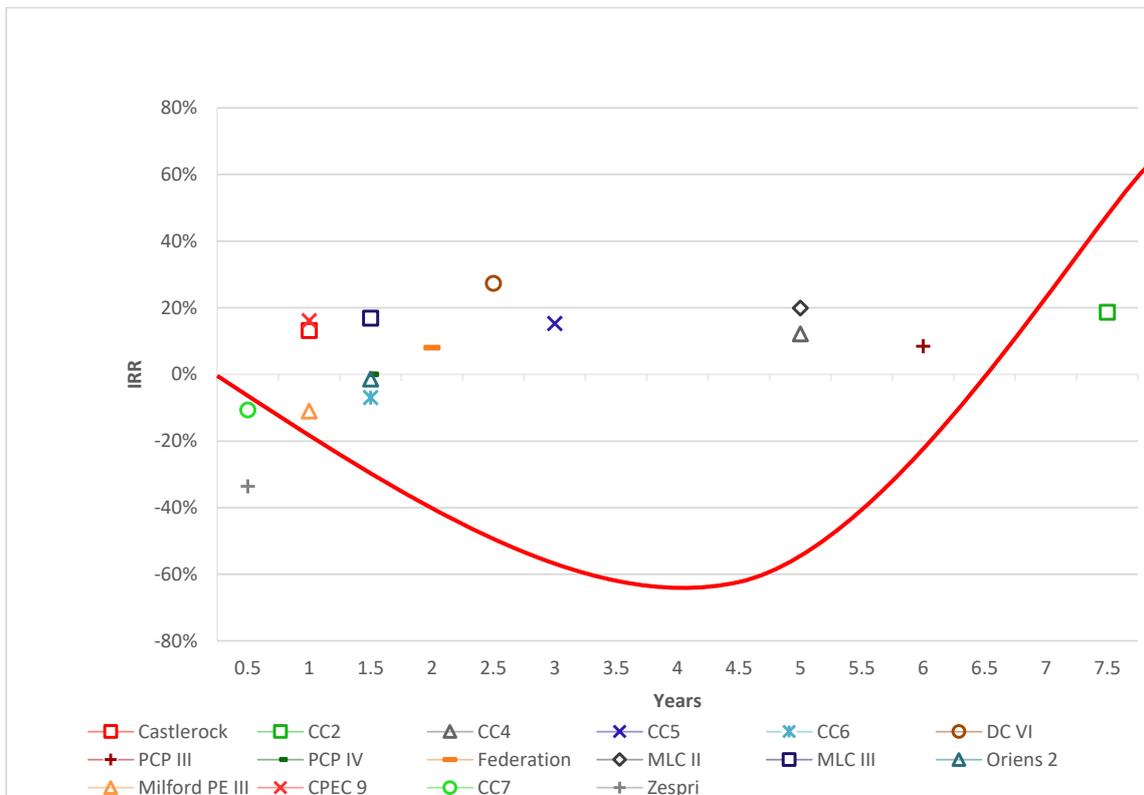
Note: 20% of LTF \$61,892,124 is equal to \$12,378,424, so there is a \$1.6 million buffer.

Northland Regional Council  
Quarterly Report 31 December 2022

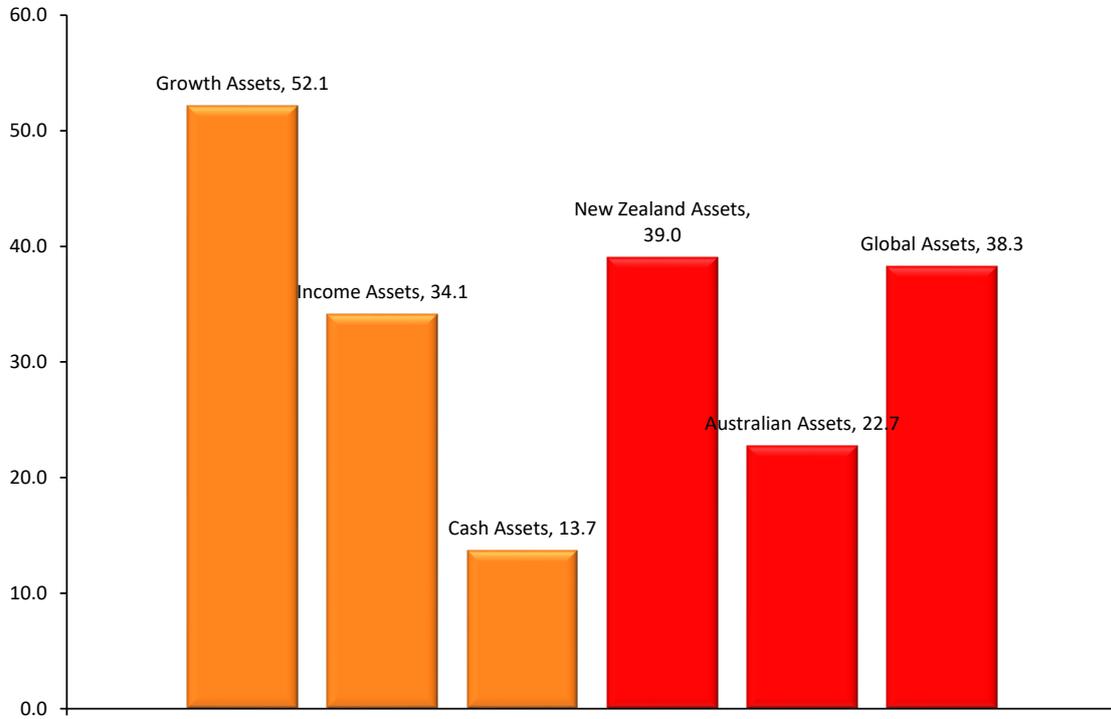
PRIVATE EQUITY – COMMITTED CAPITAL (CALLED VS UNCALLED)

Private Equity Fund	Committed capital \$	Called capital \$	Uncalled capital \$	Distributed capital \$	Expected calls to Dec 2023	Expected distributions to Dec 2023
Castlerock	1,000,000	1,000,000	-	129,924		100k
CC2	2,000,000	1,920,000	80,000	2,614,375	20k	300k
CC4	1,000,000	760,000	240,000	347,060	150k	150k
CC5 (AUD)	3,216,777	2,090,905	1,125,872	533,512	400k	200k
CC6	2,000,000	700,000	1,300,000	-	400k	-
CC7 (AUD)	2,144,518	536,129	1,608,388	-	400k	-
CPEC 9 (AUD)	536,129	160,839	375,291	30,821	100k	-
DC VI	2,000,000	413,590	1,586,410	58,144	300k	-
Federation (AUD)	900,697	900,697	-	-	-	-
Milford PE III	1,000,000	500,000	500,000	-	150k	-
MLC II (AUD)	1,072,259	902,306	169,953	488,843	50k	500k
MLC III (AUD)	536,129	262,703	273,426	-	150k	-
Oriens Fund 2	1,000,000	390,000	610,000	-	200k	-
PCP III	1,000,000	894,143	105,857	107,149	10k	50k
PCP IV	1,000,000	635,394	364,606	-	150k	-
PCP III Zespri Co-Investment	434,483	434,483	-	68,579	-	-
<b>TOTAL</b>	<b>20,840,993</b>	<b>12,501,190</b>	<b>8,339,803</b>	<b>4,378,406</b>		

PRIVATE EQUITY PERFORMANCE AS AT 31 DECEMBER 2022



**NRC TOTAL UNDERLYING FUND ALLOCATIONS**



## APPENDIX 3: ERIKSENSGLOBAL – ABOUT YOUR CONSULTANTS

### WHO WE ARE

EriksensGlobal is a family owned and operated business. Our values differ from corporate businesses in that our objectives are based on helping our clients with their investment needs rather than a revenue-generating culture to maximising profit for shareholders. Our culture is of strong independence, we are fully independent of any of the funds that we recommend, and we do not offer investment funds of our own.

Our team work flexibly and are located in Auckland, Palmerston North, Kapiti Coast, Tauranga, Sydney, Melbourne and Adelaide.

We work collaboratively, both internally and with our clients. Our mission is to provide investment and actuarial services that are fit for purpose and achieve client objectives. We have a strong team work ethic which includes a very flat organisational structure, multiple staff working across various different disciplines and working in small teams across our client base. We work together so our clients have three or four minds working for them, rather than just one. We only hire people that have the same client-first ethos, and we really like each other and our respective roles. Our goal is work as an extension of our clients' teams rather than just an investment consultant. We are here to serve.

### HOUSE VIEW ON INVESTING

#### ACTIVELY MANAGED INVESTMENTS

We use, and have a preference for, sound active investments where these can be found, but understand the advantages of passive products or direct investing when appropriate. Most of the managed funds we recommend to our clients are Portfolio Investment Entities (PIEs) due to their tax and fee efficiency.

Eriksens has an underlying pragmatic philosophy to invest clients' monies through an "objective" based approach regarding client's long-term goals, rather than the traditional "time horizon" method, utilising a diverse range of assets in order to minimise risk and thus enhance the risk adjusted return and preserve capital.

EriksensGlobal are strong proponents of Objective Based Asset Allocation (OBAA) investing. This is an investment strategy targeting positive returns and the protection of capital. It was borne out of the Global Financial Crisis (GFC) of 2007-2008, and it focusses on achieving a specified rate of return (often above inflation) by assessing the relative riskiness of various asset classes and their respective likelihood of achieving their expect rate of return and changing the asset allocation substantially to better manage the outcome.

Traditional Strategic Asset Allocation (SAA) seeks to achieve an expected rate of return based on the proportion of growth assets. However, the volatility of equity markets this century has made the target

Northland Regional Council  
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returns elusive when the proportion of such assets is held stable. Most asset classes' returns have become more closely correlated with globalisation.

OBAA strategies may vary the asset allocations between defensive and growth assets substantially depending on market cycles. They do not attempt to shoot the lights out. In other words, they will de-risk the portfolio once a reasonable return has been achieved. The proportion of domestic assets to international assets also varies depending on the market conditions.

---

#### PRIVATE EQUITY

We believe that alternative investments like private equity, direct investments and certain venture capital are excellent diversifiers when listed asset values (like shares and bonds) are overvalued. Eriksens are experts in private equity products and have been recommending and researching them for our clients for over a decade. Our team has extensive knowledge of alternative products available in Australasia and are able to negotiate secondaries and trades as needed. The measurable benefit of this is that higher returns are generated through longer-term, less liquid investments.

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#### RESPONSIBLE INVESTING

We were early supporters of responsible investment and believe responsibility is aligned with better long-term returns. We are members of the Responsible Investment Association of Australasia and actively seek environmental, social and governance conscious solutions for our clients as an integral part of our investment philosophy. We provide a six-monthly survey of our clients' managed fund holdings in recognised ESG categories, as per MSCI Global Industry Classification Standard (GICS).

We are also a responsible company: we offset our flight emissions, compost our in-office consumables and promote healthy initiatives amongst our team.

We believe that the four core factors behind sustainable and responsible investing - environmental, social, governance and culture, are inherent to long-term value creation. Sustainability means managing the challenges and risks facing all organisations to meet the needs of the present, without compromising future generations.

**TITLE:** **Responsible Investment Report - December 2022**

**From:** Simon Crabb, Finance Manager

**Authorised by** Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 14  
**Group Manager/s:** February 2023

---

### **Whakarāpopototanga / Executive summary**

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 regard 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 2022 is **attached**. This report presents councils exposure to restricted investments, as well as investments in companies that support environmental sustainability.

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### **Ngā mahi tūtohutia / Recommendation**

That the report 'Responsible Investment Report - December 2022' by Simon Crabb, Finance Manager and dated 1 February 2023, be received.

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### **Attachments/Ngā tapirihanga**

Attachment 1: Responsible Investment Report December 2022 [↓](#) 

# ERIKSENSGLOBAL

Actuaries & Investment Strategists

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## NORTHLAND REGIONAL COUNCIL

### EXTERNALLY MANAGED

### INVESTMENT FUNDS

RESPONSIBLE INVESTMENT REPORT 31 DECEMBER 2022

14 FEBRUARY 2023

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.

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## INTRODUCTION

The Eriksens Responsible Investment Survey is conducted bi-annually, as at 30 June and 31 December. All managers with which our clients are invested are surveyed on individual fund 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.

We aim to promote the importance of responsible investing by providing each of our clients with a detailed breakdown how their money is invested across a range of Environmental, Social and Governance (ESG) categories, along with highlighting how this aligns with their social and environmental views and policies.

The team at Eriksens are experts in responsible investment products and practices and can advise how best to incorporate RI beliefs into governance documents and restructure investment portfolios to align with these beliefs. We stay up to date with established and emerging RI practices and firmly believe in the benefits these products deliver to our clients' portfolios and the wider community, as they help to support a healthy and sustainable society, environment and economy. If you would like to understand RI a little better or have questions about how we could integrate or improve RI investment policies and procedures in your portfolio, then please get in touch.

## IMPACT INVESTING

In response to an increased interest from investors on Impact Investing, we have expanded our Survey to include an evaluation of portfolio involvement in bringing real benefits to consumers, other businesses and citizens.

Our data has been sourced from Morningstar's Portfolio Impact Metrics which uses the Sustainalytics ESG Impact Framework to help investors evaluate a company's environmental and social impacts, as well as how these play out within an investor's portfolio. The Sustainalytics ESG Impact Framework has been designed to enhance understanding of business- and government-related ESG impacts and support informed investor decisions and reporting.

The analysis focuses on five core impact investing "themes" which was influenced by the United Nations 17 Sustainable Development Goals (adopted by all United Member States). See [THE 17 GOALS | Sustainable Development \(un.org\)](#) for further information on these goals.

## NEW REPORT LAYOUT

---

Our report has been split into two sections:

1. Analysis of negative factors within the portfolio:
  - a. Alcohol
  - b. Armaments
  - c. Distribution of fossil fuels
  - d. Extraction and processing of fossil fuels
  - e. Gambling and gaming
  - f. Modern slavery
  - g. Payday (predatory) lending
  - h. Prostitution or pornography
  - i. Tobacco
  
2. Analysis of positive factors within the portfolio:
  - a. Human development
  - b. Resource security
  - c. Climate action
  - d. Basic needs
  - e. Healthy ecosystems

Please see the Glossary and Impact Investing Themes Definitions and Methodology sections at the end of this report for a more detailed explanation of these factors.

## RESULTS

Extraction and Processing of Fossil Fuels makes up more than 1.0% of both the LTF and the STF.

Distribution of Fossil Fuels makes up more than 1.0% of the STF. This will be remedied after the divestment of holdings in QuayStreet Income Fund.

The total portfolio holds more than 1.0% in the Extraction and Processing of Fossil Fuels due to investments in Milford Active Growth and Milford Diversified Income. The Milford Active Growth Fund holds 5.85% in this category due to investments in Occidental Petroleum Corporation, Shell, BP, Karoon Energy, Santos, Carnarvon Energy, Cooper Energy, EOG Resources, Woodside Energy Group, Viva Energy, Ampol, Paladin Energy and Whitehaven Coal. The Milford Diversified Income Fund holds a total of 3.28% due to investments in Shell, BP, Santos, EOG, Woodside Energy Group, Ampol, Paladin Energy and Whitehaven Coal.

The Fund does not hold more than 1.0% in any other ESG sub-industry surveyed.

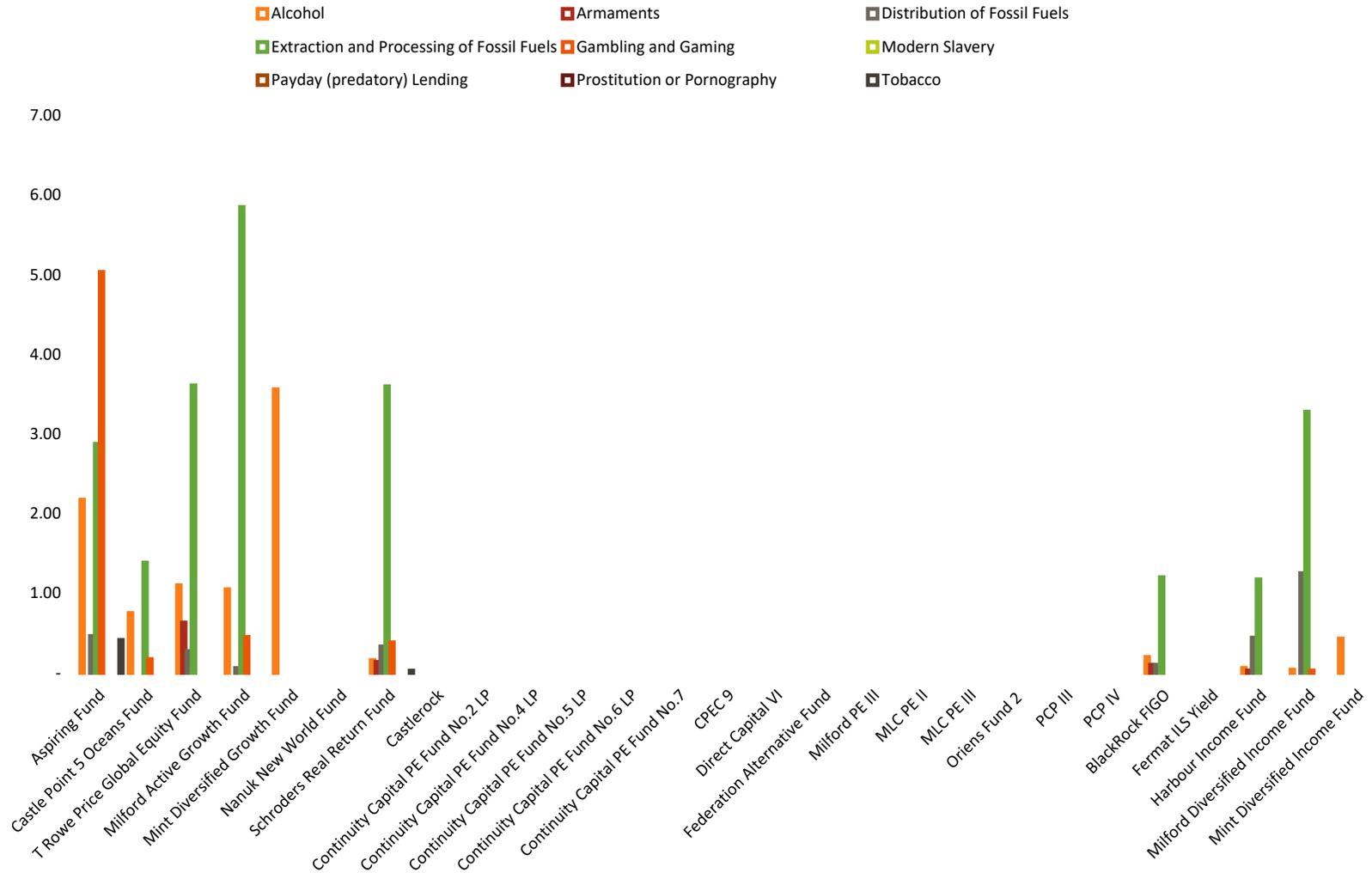
It is positive to note that 21.48% are within impact investing themes with higher allocations to Resource Security and Climate Action.

## ANALYSIS OF NEGATIVE FACTORS

### INDIVIDUAL MANAGER HOLDINGS

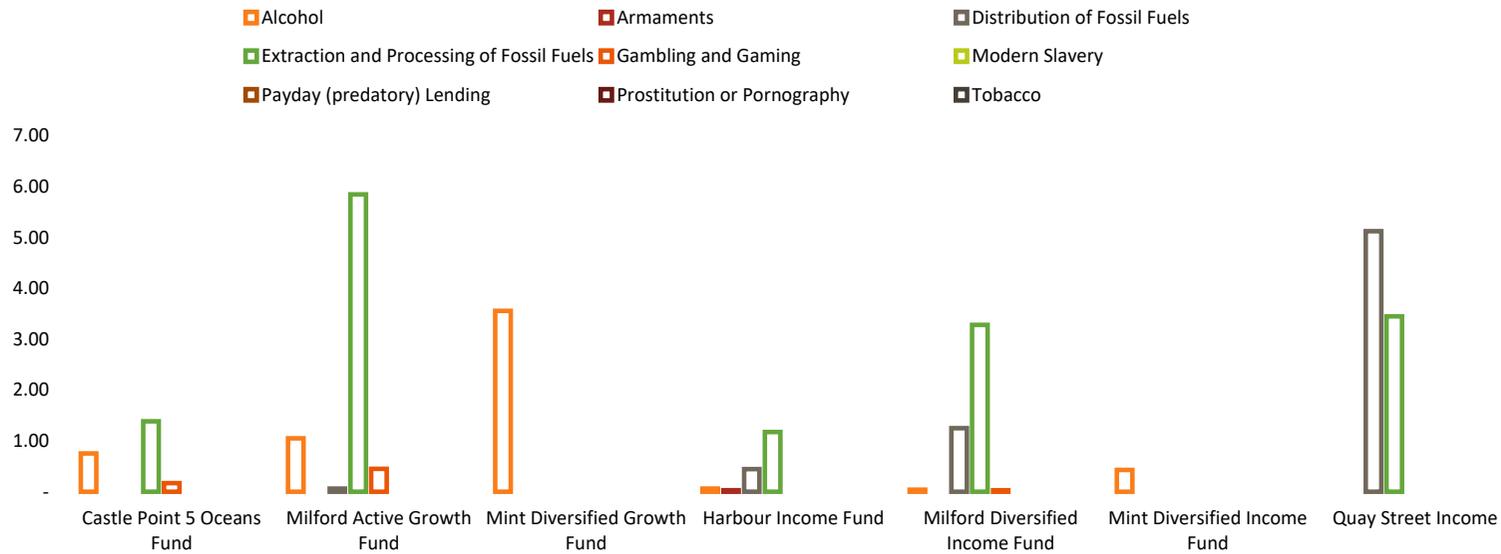
LTF	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Modern Slavery	Payday (predatory) Lending	Prostitution or Pornography	Tobacco
Aspiring Fund	2.17	-	0.46	2.87	5.03	-	-	-	0.41
Castle Point 5 Oceans	0.75	-	-	1.38	0.17	-	-	-	-
T Rowe Price Global Equity	1.10	0.63	0.27	3.61	-	-	-	-	-
Milford Active Growth	1.05	-	0.06	5.85	0.45	-	-	-	-
Mint Diversified Growth	3.56	-	-	-	-	-	-	-	-
Nanuk New World	-	-	-	-	-	-	-	-	-
Schroders Real Return	0.16	0.14	0.33	3.60	0.38	-	-	-	0.03
Castlerock	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.2 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.4 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.6 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.7	-	-	-	-	-	-	-	-	-
CPEC 9	-	-	-	-	-	-	-	-	-
Direct Capital VI	-	-	-	-	-	-	-	-	-
Federation Alternative	-	-	-	-	-	-	-	-	-
Milford PE III	-	-	-	-	-	-	-	-	-
MLC PE II	-	-	-	-	-	-	-	-	-
MLC PE III	-	-	-	-	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-	-	-	-	-
PCP III	-	-	-	-	-	-	-	-	-
PCP IV	-	-	-	-	-	-	-	-	-
BlackRock FIGO	0.20	0.10	0.10	1.20	-	-	-	-	-
Fermat ILS Yield	-	-	-	-	-	-	-	-	-
Harbour Income	0.06	0.03	0.44	1.17	-	-	-	-	-
Milford Diversified Income	0.04	-	1.25	3.28	0.03	-	-	-	-
Mint Diversified Income	0.43	-	-	-	-	-	-	-	-

Northland Regional Council  
Responsible Investment Report 31 December 2022



Northland Regional Council  
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STF	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Modern Slavery	Payday (predatory) Lending	Prostitution or Pornography	Tobacco
Castle Point 5 Oceans	0.75	-	-	1.38	0.17	-	-	-	-
Milford Active Growth	1.05	-	0.06	5.85	0.45	-	-	-	-
Mint Diversified Growth	3.56	-	-	-	-	-	-	-	-
Harbour Income	0.06	0.03	0.44	1.17	-	-	-	-	-
Milford Diversified Income	0.04	-	1.25	3.28	0.03	-	-	-	-
Mint Diversified Income	0.43	-	-	-	-	-	-	-	-
QuayStreet Income	-	-	5.13	3.45	-	-	-	-	-

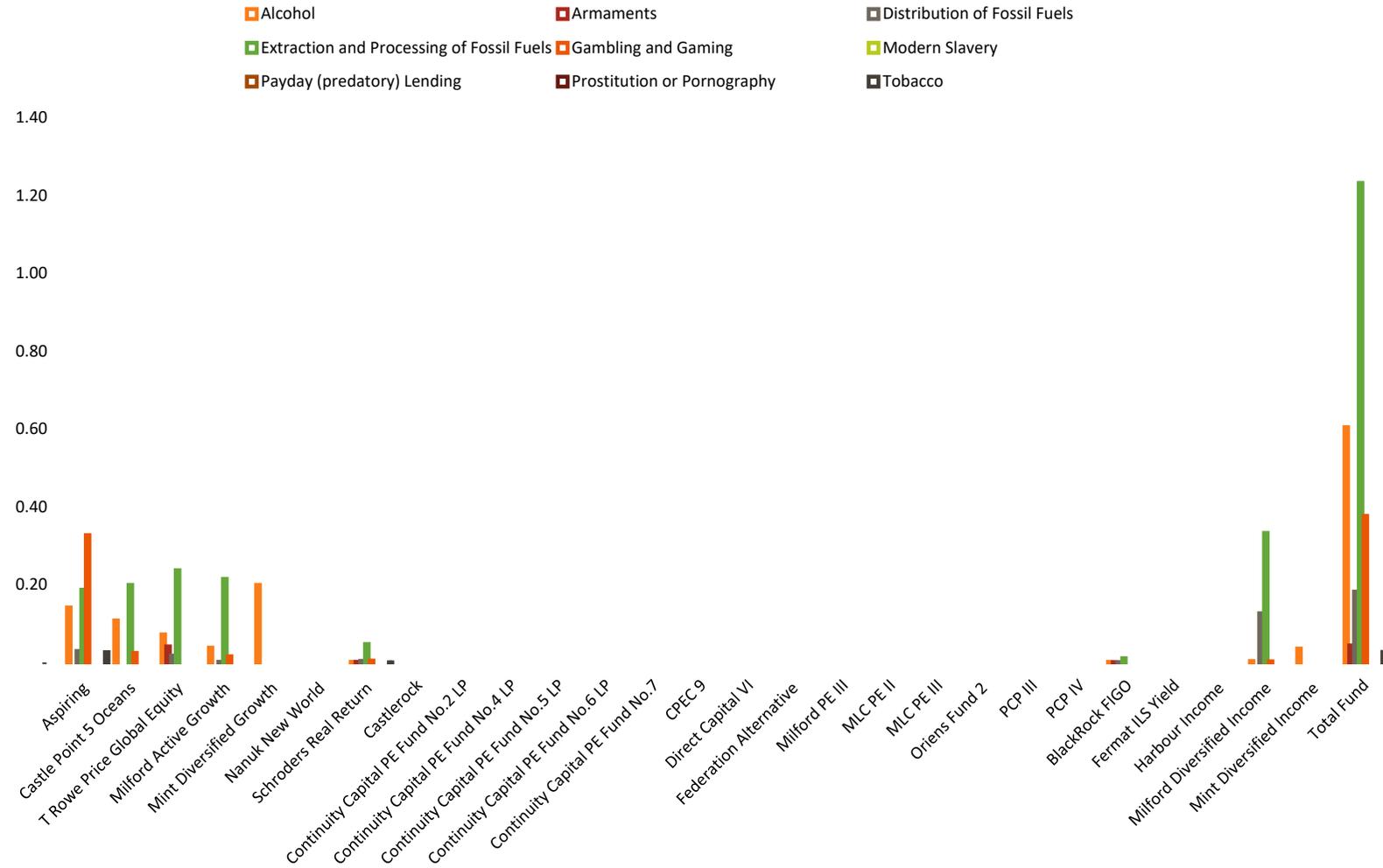


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PRORATED HOLDINGS WITHIN PORTFOLIO

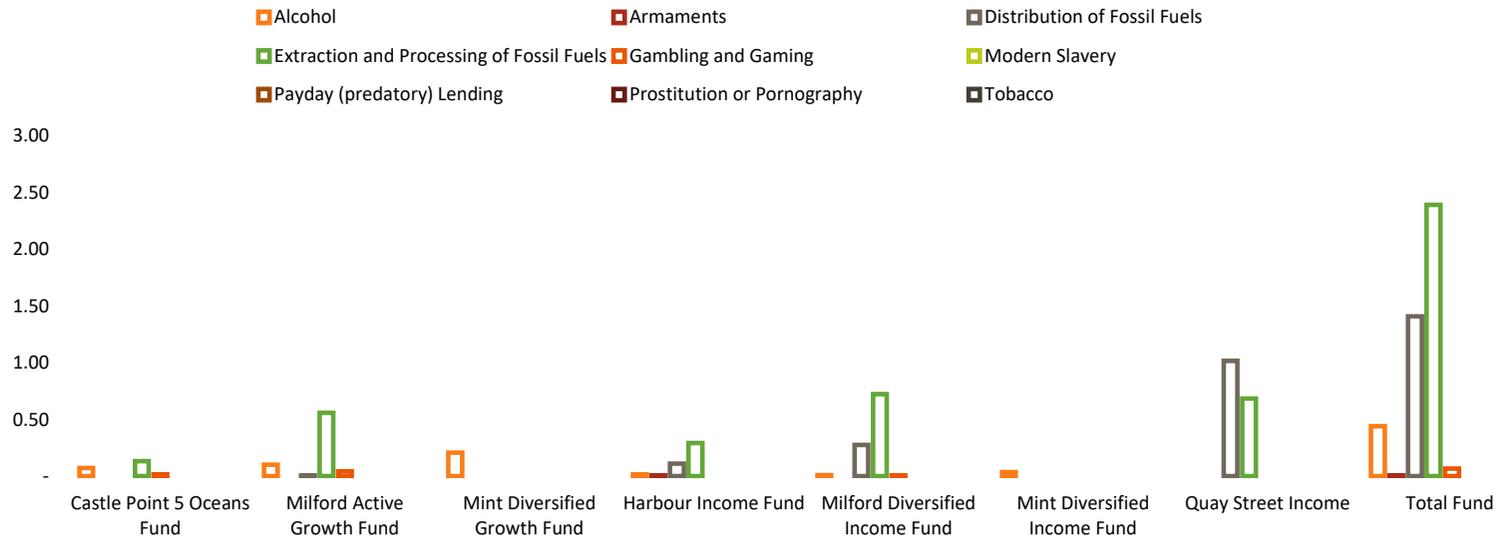
LTF	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Modern Slavery	Payday (predatory) Lending	Prostitution or Pornography	Tobacco
Aspiring	0.14	-	0.03	0.19	0.33	-	-	-	0.03
Castle Point 5 Oceans	0.11	-	-	0.20	0.02	-	-	-	-
T Rowe Price Global Equity	0.07	0.04	0.02	0.24	-	-	-	-	-
Milford Active Growth	0.04	-	0.00	0.22	0.02	-	-	-	-
Mint Diversified Growth	0.20	-	-	-	-	-	-	-	-
Nanuk New World	-	-	-	-	-	-	-	-	-
Schroders Real Return	0.00	0.00	0.00	0.05	0.01	-	-	-	0.00
Castlerock	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.2 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.4 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.6 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.7	-	-	-	-	-	-	-	-	-
CPEC 9	-	-	-	-	-	-	-	-	-
Direct Capital VI	-	-	-	-	-	-	-	-	-
Federation Alternative	-	-	-	-	-	-	-	-	-
Milford PE III	-	-	-	-	-	-	-	-	-
MLC PE II	-	-	-	-	-	-	-	-	-
MLC PE III	-	-	-	-	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-	-	-	-	-
PCP III	-	-	-	-	-	-	-	-	-
PCP IV	-	-	-	-	-	-	-	-	-
BlackRock FIGO	0.00	0.00	0.00	0.01	-	-	-	-	-
Fermat ILS Yield	-	-	-	-	-	-	-	-	-
Harbour Income	-	-	-	-	-	-	-	-	-
Milford Diversified Income	0.00	-	0.13	0.33	0.00	-	-	-	-
Mint Diversified Income	0.04	-	-	-	-	-	-	-	-
<b>Total Fund</b>	<b>0.60</b>	<b>0.04</b>	<b>0.18</b>	<b>1.23</b>	<b>0.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.03</b>

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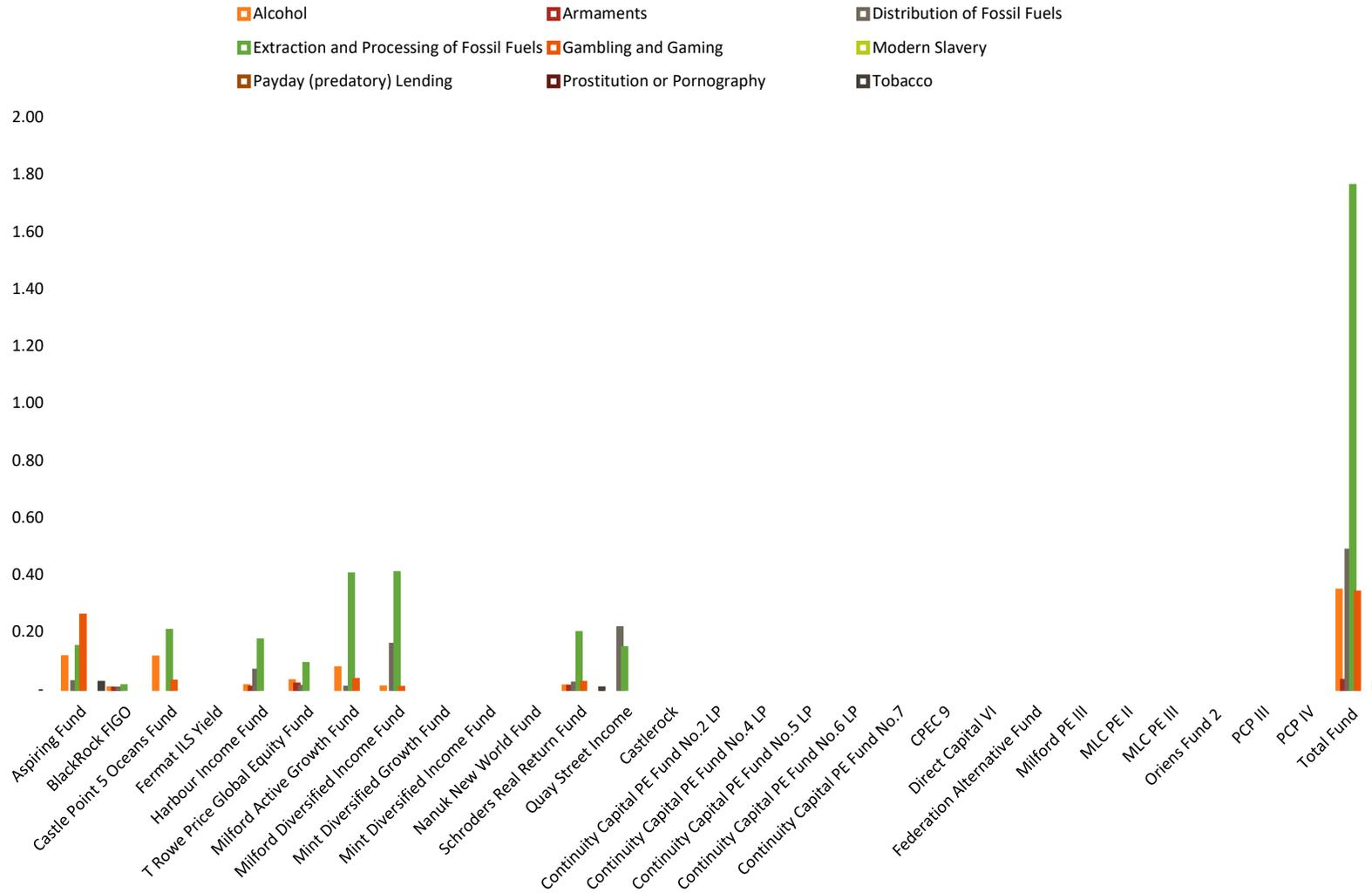
STF	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Modern Slavery	Payday (predatory) Lending	Prostitution or Pornography	Tobacco
Castle Point 5 Oceans	0.07	-	-	0.13	0.02	-	-	-	-
Milford Active Growth	0.10	-	0.01	0.56	0.04	-	-	-	-
Mint Diversified Growth	0.21	-	-	-	-	-	-	-	-
Harbour Income	0.02	0.01	0.11	0.29	-	-	-	-	-
Milford Diversified Income	0.01	-	0.28	0.72	0.01	-	-	-	-
Mint Diversified Income	0.04	-	-	-	-	-	-	-	-
Quay Street Income	-	-	1.02	0.68	-	-	-	-	-
<b>Total Fund</b>	<b>0.44</b>	<b>0.01</b>	<b>1.41</b>	<b>2.39</b>	<b>0.07</b>	-	-	-	-



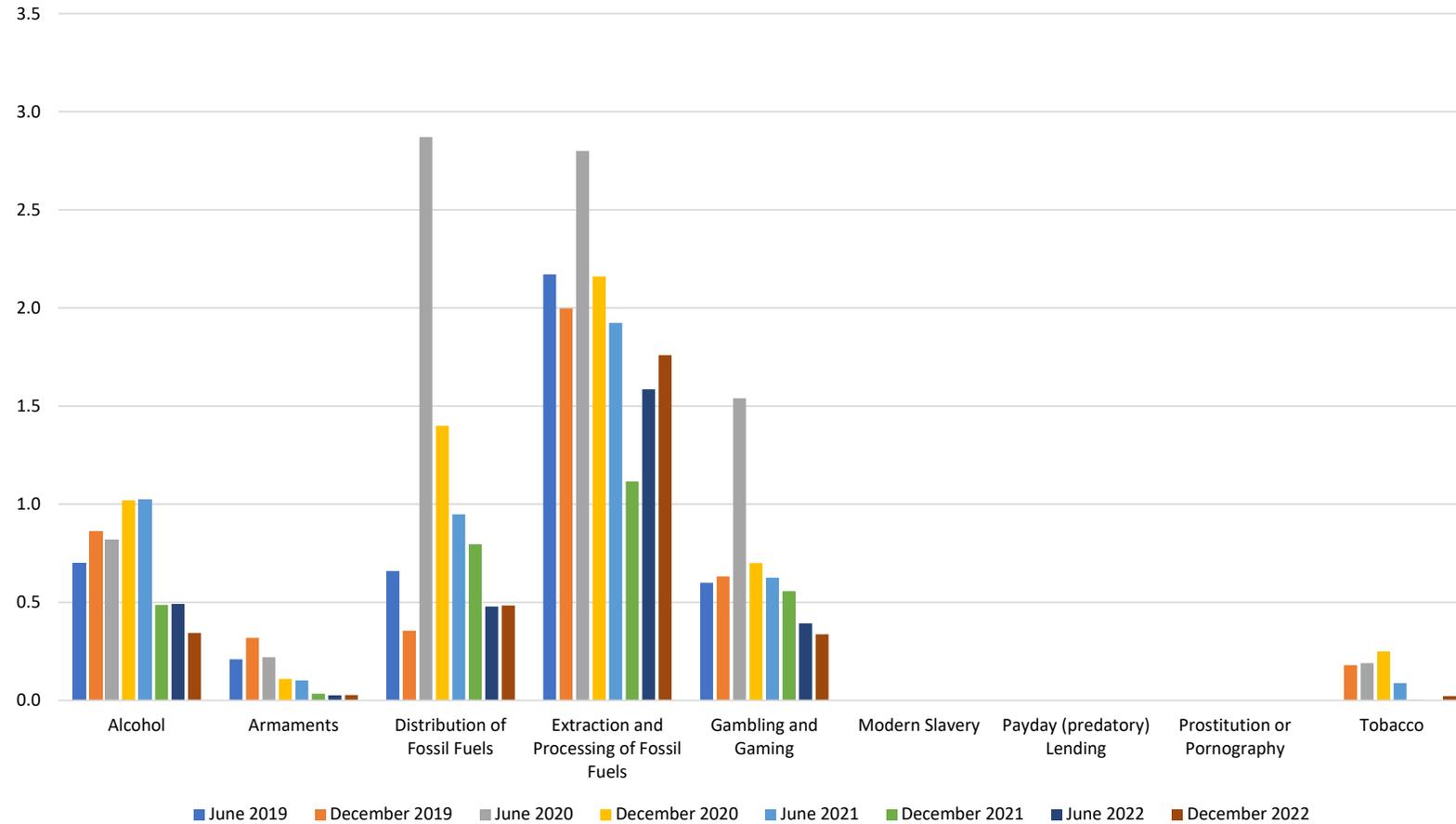
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NRC	Alcohol	Armaments	Distribution of Fossil Fuels	Extraction and Processing of Fossil Fuels	Gambling and Gaming	Modern Slavery	Payday (predatory) Lending	Prostitution or Pornography	Tobacco
Aspiring Fund	0.11	-	0.02	0.15	0.26	-	-	-	0.02
BlackRock FIGO	0.00	0.00	0.00	0.01	-	-	-	-	-
Castle Point 5 Oceans Fund	0.11	-	-	0.20	0.03	-	-	-	-
Fermat ILS Yield	-	-	-	-	-	-	-	-	-
Harbour Income Fund	0.01	0.00	0.06	0.17	-	-	-	-	-
T Rowe Price Global Equity Fund	0.03	0.02	0.01	0.09	-	-	-	-	-
Milford Active Growth Fund	0.07	-	0.00	0.40	0.03	-	-	-	-
Milford Diversified Income Fund	0.00	-	0.15	0.41	0.00	-	-	-	-
Mint Diversified Growth Fund	-	-	-	-	-	-	-	-	-
Mint Diversified Income Fund	-	-	-	-	-	-	-	-	-
Nanuk New World Fund	-	-	-	-	-	-	-	-	-
Schroders Real Return Fund	0.01	0.01	0.02	0.20	0.02	-	-	-	0.00
Quay Street Income	-	-	0.21	0.14	-	-	-	-	-
Castlerock	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.2 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.4 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.6 LP	-	-	-	-	-	-	-	-	-
Continuity Capital PE Fund No.7	-	-	-	-	-	-	-	-	-
CPEC 9	-	-	-	-	-	-	-	-	-
Direct Capital VI	-	-	-	-	-	-	-	-	-
Federation Alternative Fund	-	-	-	-	-	-	-	-	-
Milford PE III	-	-	-	-	-	-	-	-	-
MLC PE II	-	-	-	-	-	-	-	-	-
MLC PE III	-	-	-	-	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-	-	-	-	-
PCP III	-	-	-	-	-	-	-	-	-
PCP IV	-	-	-	-	-	-	-	-	-
<b>Total Fund</b>	<b>0.34</b>	<b>0.03</b>	<b>0.48</b>	<b>1.76</b>	<b>0.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.02</b>

Northland Regional Council  
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PRORATED NEGATIVE FACTOR HOLDINGS WITHIN PORTFOLIO OVER TIME

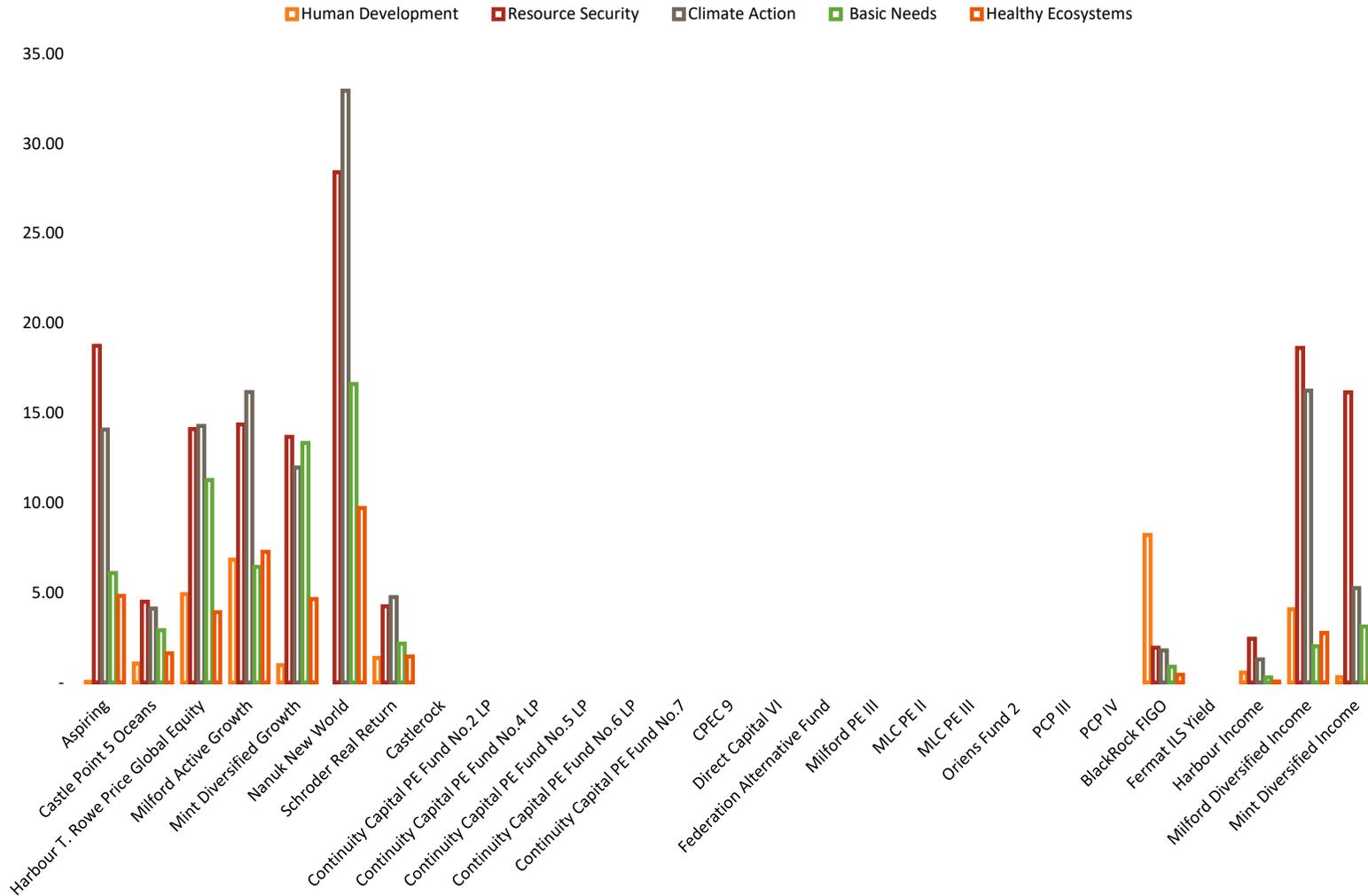


## ANALYSIS OF POSITIVE FACTORS

### INDIVIDUAL MANAGER HOLDINGS

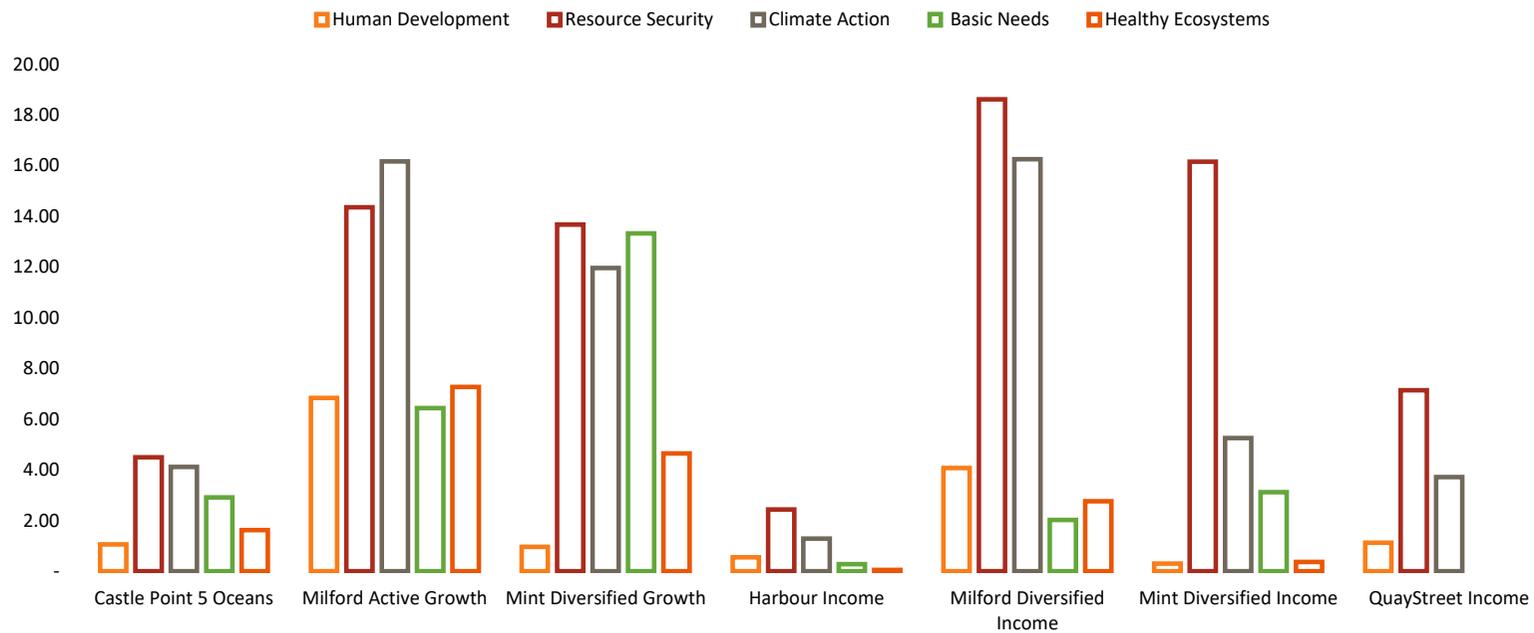
LTF	Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Aspiring	0.04	18.74	14.07	6.10	4.82
Castle Point 5 Oceans	1.06	4.49	4.11	2.91	1.62
Harbour T. Rowe Price Global Equity	4.92	14.11	14.29	11.27	3.92
Milford Active Growth	6.84	14.36	16.16	6.44	7.27
Mint Diversified Growth	0.96	13.67	11.96	13.33	4.64
Nanuk New World	-	28.40	32.94	16.62	9.72
Schroder Real Return	1.36	4.24	4.75	2.16	1.45
Castlerock	-	-	-	-	-
Continuity Capital PE Fund No.2 LP	-	-	-	-	-
Continuity Capital PE Fund No.4 LP	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-
Continuity Capital PE Fund No.6 LP	-	-	-	-	-
Continuity Capital PE Fund No.7	-	-	-	-	-
CPEC 9	-	-	-	-	-
Direct Capital VI	-	-	-	-	-
Federation Alternative	-	-	-	-	-
Milford PE III	-	-	-	-	-
MLC PE II	-	-	-	-	-
MLC PE III	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-
PCP III	-	-	-	-	-
PCP IV	-	-	-	-	-
BlackRock FIGO	8.21	1.93	1.79	0.88	0.44
Fermat ILS Yield	-	-	-	-	-
Harbour Income	0.55	2.43	1.29	0.28	0.05
Milford Diversified Income	4.08	18.62	16.25	2.02	2.76
Mint Diversified Income	0.30	16.15	5.26	3.12	0.36

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STF	Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Castle Point 5 Oceans	1.06	4.49	4.11	2.91	1.62
Milford Active Growth	6.84	14.36	16.16	6.44	7.27
Mint Diversified Growth	0.96	13.67	11.96	13.33	4.64
Harbour Income	0.55	2.43	1.29	0.28	0.05
Milford Diversified Income	4.08	18.62	16.25	2.02	2.76
Mint Diversified Income	0.30	16.15	5.26	3.12	0.36
QuayStreet Income	1.12	7.13	3.71	-	-

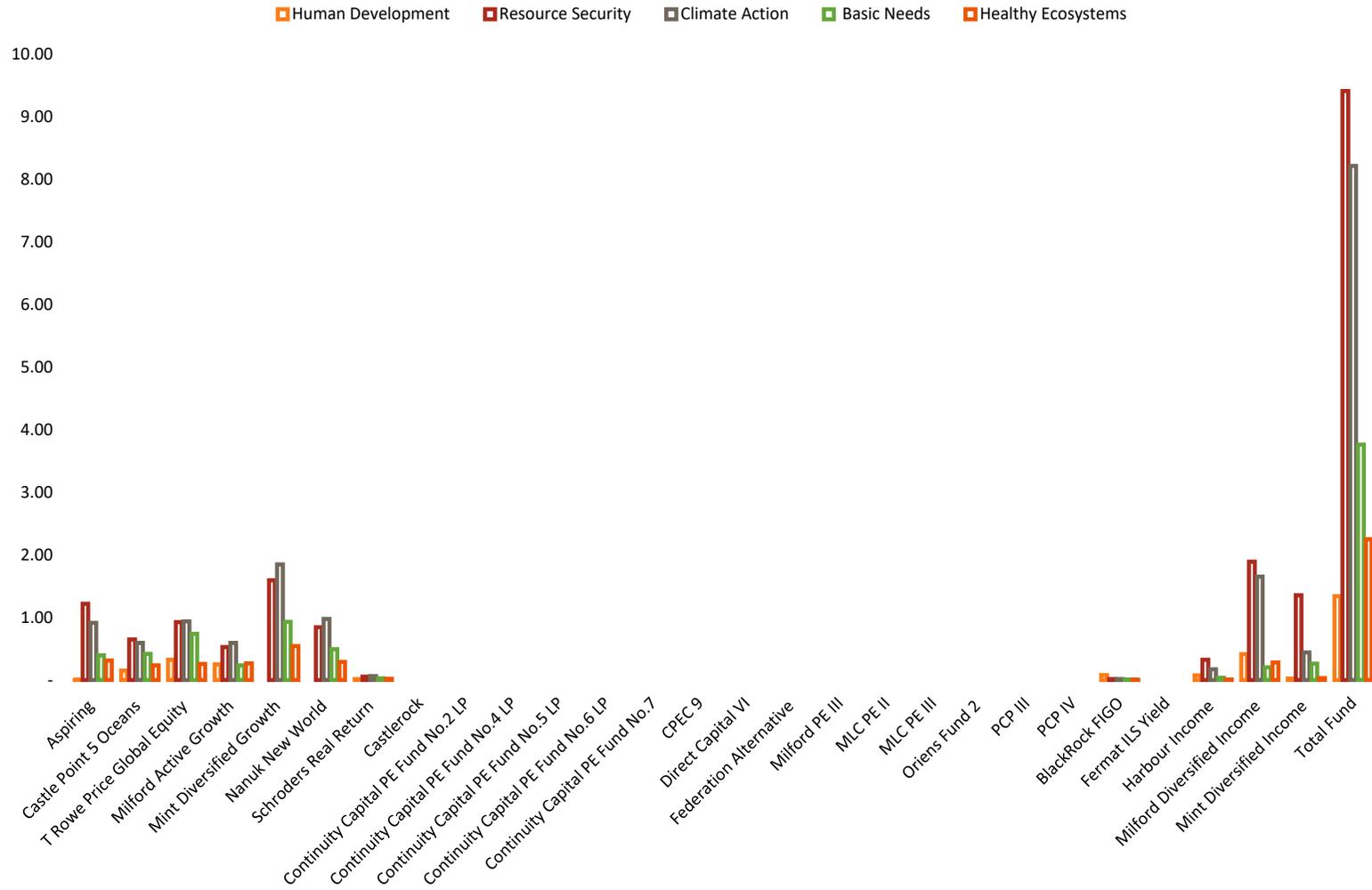


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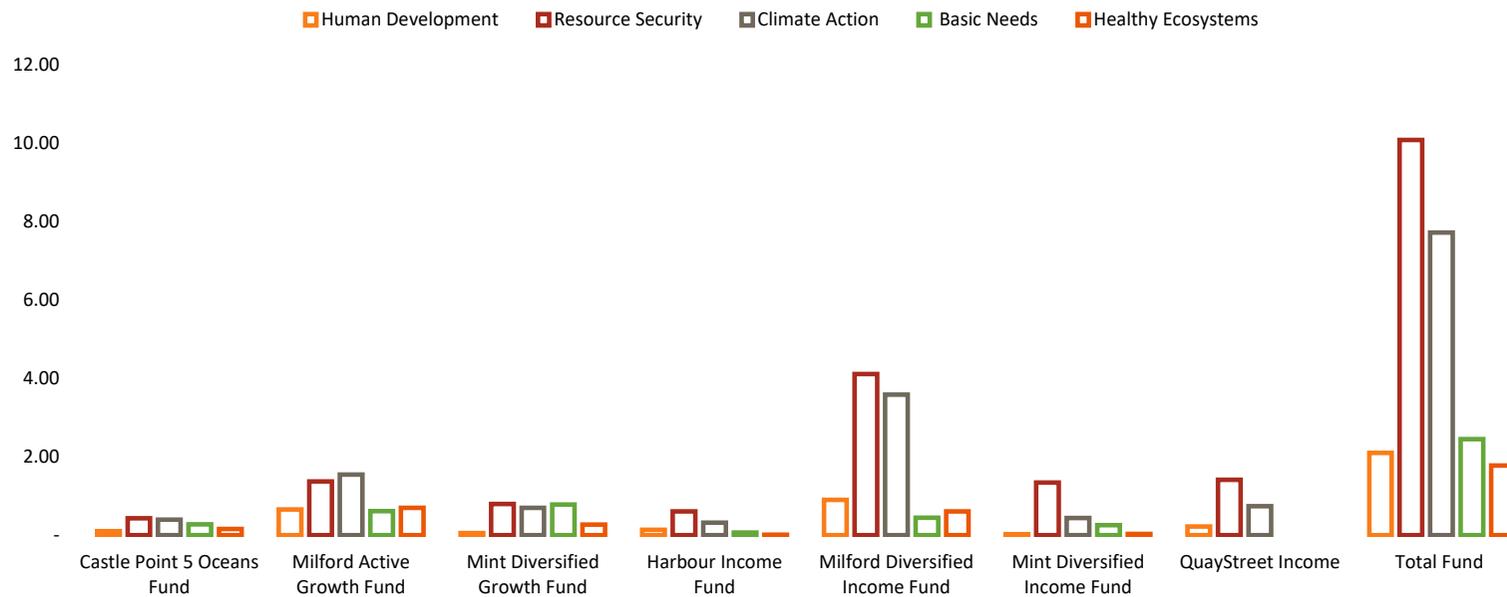
LTF	Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Aspiring	0.00	1.22	0.92	0.40	0.31
Castle Point 5 Oceans	0.15	0.65	0.59	0.42	0.23
Harbour T. Rowe Price Global Equity	0.32	0.93	0.94	0.74	0.26
Milford Active Growth	0.25	0.53	0.59	0.24	0.27
Mint Diversified Growth	-	1.59	1.85	0.93	0.55
Nanuk New World	-	0.84	0.98	0.49	0.29
Schroders Real Return	0.02	0.06	0.06	0.03	0.02
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	-	-	-	-	-
Continuity Capital PE Fund No.7	-	-	-	-	-
CPEC 9	-	-	-	-	-
Direct Capital VI	-	-	-	-	-
Federation Alternative	-	-	-	-	-
Milford PE III	-	-	-	-	-
MLC PE II	-	-	-	-	-
MLC PE III	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-
PCP III	-	-	-	-	-
PCP IV	-	-	-	-	-
BlackRock FIGO	0.08	0.02	0.02	0.01	0.00
Fermat ILS Yield	-	-	-	-	-
Harbour Income	0.07	0.33	0.17	0.04	0.01
Milford Diversified Income	0.41	1.89	1.65	0.21	0.28
Mint Diversified Income	0.03	1.36	0.44	0.26	0.03
<b>Total Fund</b>	<b>1.34</b>	<b>9.41</b>	<b>8.21</b>	<b>3.76</b>	<b>2.25</b>

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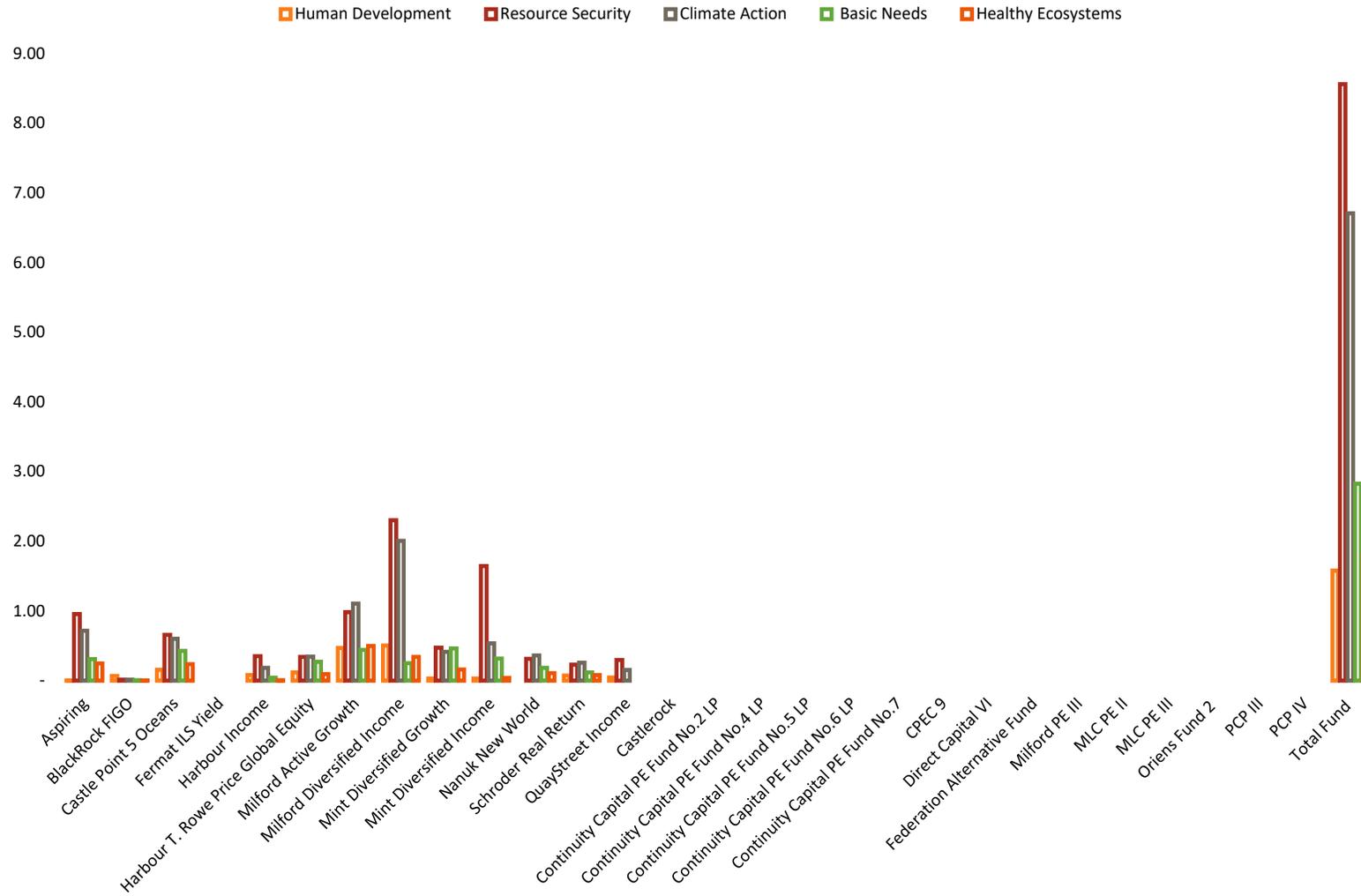
STF	Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Castle Point 5 Oceans	0.10	0.43	0.39	0.28	0.16
Milford Active Growth	0.65	1.37	1.54	0.62	0.70
Mint Diversified Growth	0.06	0.80	0.70	0.78	0.27
Harbour Income	0.14	0.60	0.32	0.07	0.01
Milford Diversified Income	0.90	4.11	3.58	0.45	0.61
Mint Diversified Income	0.03	1.34	0.44	0.26	0.03
QuayStreet Income	0.22	1.41	0.74	-	-
<b>Total Fund</b>	<b>2.09</b>	<b>10.07</b>	<b>7.71</b>	<b>2.45</b>	<b>1.78</b>



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NRC	Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Aspiring	0.00	0.96	0.72	0.31	0.25
BlackRock FIGO	0.07	0.02	0.01	0.01	0.00
Castle Point 5 Oceans	0.16	0.66	0.60	0.43	0.24
Fermat ILS Yield	-	-	-	-	-
Harbour Income	0.08	0.35	0.19	0.04	0.01
Harbour T. Rowe Price Global Equity	0.12	0.34	0.35	0.27	0.09
Milford Active Growth	0.47	0.98	1.11	0.44	0.50
Milford Diversified Income	0.50	2.30	2.01	0.25	0.34
Mint Diversified Growth	0.03	0.47	0.41	0.46	0.16
Mint Diversified Income	0.03	1.64	0.54	0.32	0.04
Nanuk New World	-	0.31	0.36	0.18	0.11
Schroder Real Return	0.07	0.23	0.26	0.12	0.08
QuayStreet Income	0.05	0.29	0.15	-	-
Castlerock	-	-	-	-	-
Continuity Capital PE Fund No.2 LP	-	-	-	-	-
Continuity Capital PE Fund No.4 LP	-	-	-	-	-
Continuity Capital PE Fund No.5	-	-	-	-	-
Continuity Capital PE Fund No.6 LP	-	-	-	-	-
Continuity Capital PE Fund No.7	-	-	-	-	-
CPEC 9	-	-	-	-	-
Direct Capital VI	-	-	-	-	-
Federation Alternative Fund	-	-	-	-	-
Milford PE III	-	-	-	-	-
MLC PE II	-	-	-	-	-
MLC PE III	-	-	-	-	-
Oriens Fund 2	-	-	-	-	-
PCP III	-	-	-	-	-
PCP IV	-	-	-	-	-
<b>Total Fund</b>	<b>1.58</b>	<b>8.56</b>	<b>6.70</b>	<b>2.83</b>	<b>1.81</b>

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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 Sustainable Finance Taxonomy	EU Taxonomy classification system, driven by the EU Commission, us the first global attempt to classify economic activities as sustainable or not. Very significant for ESG investing, implementation by the end of 2021.	Issued into law (2021)
	EU Green Bond Standards	Standardisation of Green bonds in order to improve comparability and transparency.	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 an 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 CO2-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)
	Climate-related Financial Disclosures	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)
	Consultation on Modern Slavery and Worker Exploitation	Proposal on new legislation that aims to achieve freedom, fairness and dignity in the operations and supply chains of entities to address modern slavery and worker exploitation both in New Zealand and internationally.	In progress

## 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.

**Modern Slavery** – no apparent GICS code. Holdings in companies practising severe exploitation of staff that cannot leave due to threats, violence or deception. It includes forced labour, debt bondage, forced marriage, slavery, and human trafficking.

**Payday (predatory) Lending** – no specific GICS code, within broader sub-industry “Consumer Finance”, code 402022010. Any lending practice that imposes unfair and abusive loan terms on borrowers including high-interest rates, high fees, and terms that strip the borrower of equity.

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

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

## IMPACT INVESTING THEMES DEFINITIONS AND METHODOLOGY

### DEFINITIONS

**Climate Action:** This theme is concerned with the global effort to curb the Earth's temperature rise and cope with unavoidable consequences. It includes measures to promote clean energy, limitations on greenhouse gas emissions (GHG), and climate change adaptation measures.

**Healthy Ecosystems:** This theme is concerned with the safeguarding of ecologically sound environments on land, air, and water. It does not include GHG emissions and water consumption as these are covered under other themes.

**Resource Security:** This theme is concerned with the contribution to resource security through efficient use and circular economies. Resources of concern include water, timber, metals, minerals, gases, and all types of manufactured materials.

**Basic Needs:** This theme is concerned with addressing the basic needs of humans and focuses particularly on lower-income individuals. Basic needs include providing access to food, housing, essential healthcare concerning major and neglected diseases, clean water, and energy for underserved populations. It also addresses human safety, including safe workplaces and communities.

**Human Development:** This theme is concerned with enhancing human capabilities and promoting human progress. It includes measures that support education, improve equality, provide employment opportunities, and advance healthcare.

### METHODOLOGY

The Sustainalytics ESG Impact Framework captures a company's environmental and social impacts. The impact themes are considered exhaustive and are intended to encompass all potential environmental and social impacts that can be attributed to an entity's activities. Furthermore, they are meant to capture direct and indirect impacts across the value chain.

At the micro level, the Impact Framework comprises impact metrics, which are quantitative measures of environmental or social outcomes (either positive or negative) attributable to the activities of an entity. At the micro level, the Impact Framework comprises impact metrics, which are quantitative measures of environmental or social outcomes (either positive or negative) attributable to the activities of an entity.

Using the Sustainalytics ESG Impact Framework at the company level as a basis, Morningstar leverages its vast database of mutual fund holdings to map the company-level data to portfolio holdings and calculate impact metrics at the portfolio level, following the standard aggregation methodology. This methodology has been created to help investors assess the impact of their mutual fund portfolios, or other types of portfolios they may own.

The calculation is performed upon the collection of the portfolio, regardless of date, and so is calculated on intra-month and month-end portfolios. Only data that is available to the market on the portfolio date will be used in the calculation of the aggregate values.

**TITLE: QuayStreet Income Fund - recommended approach to cashing out investment**

**From:** Simon Crabb, Finance Manager

**Authorised by Group Manager/s:** Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 07 February 2023

**Executive summary/Whakarāpopototanga**

QuayStreet Income Fund (QuayStreet) is a fund manager within councils Short Term Investment Fund (STF). At 31 December 2022, councils investment in QuayStreet totalled NZ\$1,505,759.

Due to the sale announcement of QuayStreet to Smartshares Limited and the pending departure of 2 key QuayStreet personnel, council’s independent investment advisor (EriksensGlobal) has recommended that council’s entire investment in QuayStreet is withdrawn and re-invested as follows:

- \$255k invested into the STF Harbour Income Fund
- \$250k invested into STF Milford Diversified Income Fund
- \$500k invested into 6-month STF Term Deposit (at time of writing = 4.7% pa return)
- And the balance into a 1-year STF Term Deposit (at time of writing = 5.3% pa return)

The performance summary of the QuayStreet, Harbour, and Milford Income funds to 31 December 2022 is presented below:

	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>QuayStreet Income</b>	0.4	2.3	3.1	(0.7)	1.8	3.4
Benchmark	0.5	1.5	2.7	4.4	3.0	3.2
Value Added	(0.1)	0.8	0.4	(5.1)	(1.2)	0.2
<b>Harbour Income</b>	(0.8)	1.2	1.4	(4.1)	3.4	
Benchmark	0.6	1.8	3.4	5.9	4.5	
Value Added	(1.4)	(0.6)	(2.0)	(10.0)	(1.1)	
<b>Milford Diversified Income</b>	0.2	3.5	5.2	(1.5)	2.6	4.8
Benchmark	0.5	1.6	2.9	4.9	3.5	3.7
Over / Underperformance	(0.3)	1.9	2.3	(6.4)	(0.9)	1.1

Councils Treasury Management policy delegates the responsibility for withdrawing and investing between fund managers (in line with the SIPO) to the Investment and Property Subcommittee.

**Recommendation(s)**

1. That the report ‘QuayStreet Income Fund - recommended approach to cashing out investment’ by Simon Crabb, Finance Manager and dated 3 February 2023, be received.
2. That council’s entire investment in QuayStreet Income Fund is withdrawn and reinvested in line with the EriksensGlobal recommendation of:
  - \$255,000 invested into the STF Harbour Income Fund
  - \$250,000 invested into STF Milford Diversified Income Fund
  - \$500,000 invested into 6-month STF Term Deposit
  - with the balance invested into a 1-year STF Term Deposit

Options

No.	Option	Advantages	Disadvantages
1	Undertake the recommended withdrawal and reinvestment of funds currently invested in the QuayStreet income fund	Reduce exposure to Quaystreet and any associated volatility that may result from a change in investment style (active management to passive management) and the departure of 2 key staff.	Term deposits require a notice period to break and liquidate, and longer-term deposits can be vulnerable to inflation
2	Do not proceed with the recommended withdrawal and reinvestment of funds currently invested in the QuayStreet income fund	Maintain liquidity of funds not transferred into term deposits	Carry a risk that increased volatility will result from a change in investment style (active management to passive management) and the departure of 2 key Quaystreet staff.

The staff's recommended option is 1.

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## Considerations

Being a purely administrative matter, Climate Impact, Environment Impact, Community Views, and a Māori Impact Statement are not applicable.

### 1. Financial implications

Overall, the return target and risk tolerance profile of the Short-Term Investment Fund will remain unchanged as a result of adopting the recommendation contained in this report

### 2. Implementation issues

If adopted the recommended treasury transactions will be processed immediately.

### 3. Significance and engagement

In relation to section 79 of the Local Government Act 2002, this decision is considered to be of low significance when assessed against council's Significance and Engagement Policy because it is part of council's day to day activities. This does not mean that this matter is not of significance to tangata whenua and/or individual communities, but that council is able to make decisions relating to this matter without undertaking further consultation or engagement.

### 4. Policy, risk management and legislative compliance

The activities detailed in this report are in accordance with council's Treasury Management Policy, and the 2021-31 Long Term Plan, both of which were approved in accordance with council's decision-making requirements of sections 76–82 of the Local Government Act 2002.

The Investment and Property Subcommittee is responsible for approving withdrawals and Investments between fund managers that are in line with council's current Statement of Investment Policy and Objectives (SIPO).

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## Background/Tuhinga

In November 2022, NZX Limited announced that its 100% owned subsidiary Smartshares Limited had signed an agreement to acquire the management rights of QuayStreet Asset Management (and its \$1.6 billion in funds under management) from Craigs Investment Partners for \$31.25m. Whereas currently QuayStreet is an actively managed fund, Smartshares Limited is a passive manager of funds who do not actively adjust their asset mix according to changing market conditions. As a result of this announcement and the shift in investment philosophy EriksensGlobal revised their rating for the QuayStreet Income Fund from a “Buy” rating to a “Hold” rating.

Subsequent to the sale announcement EriksensGlobal was informed that Andrew South, Director and Chief Investment Officer would be leaving QuayStreet on 23 February 2023, and Roy Cross, Senior Analyst and Portfolio Manager of the Income Fund and Fixed Interest Fund would be leaving on 30 March 2023. As a result of the pending departure of these key individuals EriksensGlobal revised their rating for the QuayStreet Income Fund to a “**Sell**” rating.

The sell-down strategy recommended by EriksensGlobal is to transfer all the funds invested in the QuayStreet Income Fund (Short Term Fund December 2022 valuation: \$1,506k) as follows:

- \$255k invested into the STF Harbour Income Fund
- \$250k invested into STF Milford Diversified Income Fund
- \$500k invested into 6-month STF Term Deposit Fund
- And the balance into a 1-year STF Term Deposit Fund

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## Attachments/Ngā tapirihanga

Attachment 1: EriksensGlobal recommendation to withdraw and reinvest the funds held in the QuayStreet Income Fund [↓](#) 

## Simon Crabb

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**From:** Janibek Issagulov <j.issagulov@eriksensglobal.com>  
**Sent:** Wednesday, 1 February 2023 2:34 pm  
**To:** Bruce Howse  
**Cc:** Simon Crabb; Margaret Knight; EriksensGlobal  
**Subject:** RE: QuayStreet Asset Management update

Bruce

Following our email regarding QuayStreet we recommend transferring all funds (December valuations \$1,505k) from QuayStreet Income Fund and investing in

- \$255k in Harbour Income
- \$250k in Milford Diversified Income
- \$500k in 6m TD
- \$500k in 1 year TD

Simon

We are currently working on SIPO changes including GreenMount and above QuayStreet recommendation.

Kind regards



### Janibek Issagulov

Investment and Business Consultant  
EriksensGlobal Limited  
BCom, PGDipBA, fluent in English, Kazakh and Russian

**ERIKSENSGLOBAL**  
Since 1999



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[www.eriksensglobal.com](http://www.eriksensglobal.com)

2 Burns Avenue, PO Box 331318, Takapuna

[Schedule a Meeting with Janibek](#)

This email with any attachments is confidential and may be subject to legal privilege.  
If it is not intended for you please reply immediately, destroy it and do not copy, disclose or use it in any way.

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**TITLE:** Tāika Forest/Mount Tiger Forest Management Plan – Reporting Actual Performance Against Targets 2021/2022

**From:** Phil Heatley, Strategic Projects and Facilities Manager and Donna Cooper, Property Officer

**Authorised by Group Manager/s:** Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 09 February 2023

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### Whakarāpopototanga / Executive summary

This item is to present the actual performance of council's Tāika Forest/Mount Tiger forestry holding against the prescribed actions of the Forest Management Plan and Budget for the 2021/2022 financial year. Northland Forest Managers, providing forestry operations and management services for council, will be present to answer any detailed queries.

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### Ngā mahi tūtohutia / Recommendation

That the report 'Tāika Forest/Mount Tiger Forest Management Plan – Reporting Actual Performance Against Targets 2021/2022' by Phil Heatley, Strategic Projects and Facilities Manager and Donna Cooper, Property Officer and dated 26 January 2023, be received.

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### Background/Tuhinga

The performance against targets for the 2021/2022 year is attached (Attachment A). Key points to note are as follows:

- a) The forestry holding was valued at \$4,145,000 as of 30 June 2022.
- b) Council held a total of 17,460 NZETS Units (New Zealand Emissions Trading Scheme) as of 30 June 2022 valued at \$1,326,960 (\$76.00 per unit). This results in a non-cash revaluation gain of \$567,974 from the previous year.
- c) There was no harvest for the 2021/2022 year, the last was in 2018/2019. The next harvest is likely to take place in the next few years in order to take advantage of economies of scale where two stands are harvest ready. An added benefit is that log prices may have stabilized over that time.
- d) Aerial releasing of the area planted in 2020 was not required as the trees are ahead of the competing weeds.
- e) No foliage sampling was undertaken, and this was an oversight. Previous years foliage sampling results indicate it is unlikely that significant deterioration in tree growth would have occurred. Northland Forest Managers intend to undertake foliage sampling in 2022/2023.
- f) The pest control budget was underspent as the activity is also now funded through the Kiwi Link HVA (High Value Area) programme which encompasses Tāika Forest.
- g) Due largely to 'no harvest' and the underspent items above, forest costs were \$50,120 less than budget.
- h) In December 2021 and June 2022, the clearing of trees, removal of slips, and repair to fence post and rails was required
- i) Overall, the forest health remains good, and no corrective actions were required in the 2021/2022 financial year.

The contract with Northland Forest Managers comes up for renewal in June 2023. At that time the Property Team will consider whether to re-engage an independent consultant to liaise with the operator/manager as was the practice up until recently.

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### **Attachments/Ngā tapirihanga**

Attachment 1: Performance Against Targets 2021/2022 [↓](#) 

**Attachment 1: Performance Against Targets 2021/2022**

<b>1. 2021/2022 Forest Harvest (1610 and 2322)</b>	
<b>Forestry Management Plan - Prescribed Actions</b>	<b>Actual Actions Performed</b>
<p><b>1.1 Harvest:</b></p> <ul style="list-style-type: none"> <li>No forest harvesting was undertaken in the 2021/2022 year. Last harvest was 2018/2019. Northland Forest Managers recommend that the harvest of the small stand be pushed out a few more years for the following reasons:                             <ol style="list-style-type: none"> <li>Log prices are very volatile at present</li> <li>When a second stand is ready to be harvested the costs can be spread over a greater area with a better chance of a positive return for council.</li> </ol> </li> <li>Forest harvest expenses 2021/2022 budget \$2,856 – for planning and MRI inventory (2005) area.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>No forest harvesting was undertaken in this financial year.</li> <li>The inventory of the 2004 area was undertaken in the previous financial year. However, the late receipt of the invoice meant that the cost of \$1,620 was carried over to the 2021/2022 financial year.</li> <li>The inventory of the 2005 area was not undertaken in this reporting period. This will be undertaken in the 2022/2023 year.</li> <li>Harvest budget underspent by \$1,236.</li> </ul>
<b>2. 2021/2022 Forest Re-establishment (2320)</b>	
<p><b>2.1 Re-establishment:</b></p> <ul style="list-style-type: none"> <li>Net stocked area of 30 June 2021 is 311 hectares.</li> <li>Forest re-establishment expenses 2021/2022 budget \$1,978.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>The net stocked areas at 30 June 2021 remains unchanged from 2020/2021.</li> <li>Aerial releasing of the area planted in 2020 was budgeted for. The trees are ahead of the competing weeds through most of the stand and should stay ahead of competing weeds.</li> <li>Re-establishment budget underspent by \$1,978.</li> </ul>
<b>3. 2021/2022 Forest Operations (2326)</b>	
<p><b>3.1 Pruning, thinning, and fertilising:</b></p> <ul style="list-style-type: none"> <li>Most of the forest has now been tended and is mid-aged.</li> <li>No silviculture works expected until 2024 at earliest.</li> <li>Foliar sampling and subsequent fertilising work will be undertaken in the next financial year.</li> <li>Foliar sampling and fertilising expenses 2021/2022 budget \$13,984.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>No establishment or silviculture work was undertaken in this financial year.</li> <li>Foliar sampling was not undertaken, and this was an oversight by Northland Forest Managers. Previous years foliage sampling results indicate it is unlikely that significant deterioration in tree growth would have occurred. Northland Forest Managers intend to undertake foliage sampling in 2022/2023 and as per process will put in a request for approval for it to take place in March/April 2023.</li> </ul>

	<ul style="list-style-type: none"> <li>The costs for both fertiliser and applications costs have increased significantly over the past 18 months, and this may push the next financial year's budget over.</li> <li>Forest Operations budget underspent \$13,984.</li> </ul>
<b>4. 2021/2022 Forest Maintenance (2321)</b>	
<p><b>4.1 General forest maintenance:</b></p> <ul style="list-style-type: none"> <li>Maintenance as required (e.g. road maintenance, fencing, gates, spraying, culverts, firebreaks, weed control, permits, etc).</li> <li>2021/2022 budget \$16,320. This was based upon some \$11,320 of likely expenses plus a \$5,000 contingency for "events" such as storm damage repairs, etc.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>Forest roads sprayed, roads and culverts maintained.</li> <li>\$1,925 spent on removal of slips, cleared trees, and placing of large rocks to prevent access to Drews Main Road took place in December 2021.</li> <li>\$1,880 spent on fencing repairs in June 2022.</li> <li>Total reported spend \$3,805.</li> <li>Forest Maintenance budget underspent \$12,515.</li> </ul>
<b>5. 2021/2022 Other (2327, 2323, 1930, 2140, 2305, 2150)</b>	
<p><b>5.1 Animal control:</b></p> <ul style="list-style-type: none"> <li>Ongoing control of forest pests.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>The previous pest management plan is outdated.</li> <li>Council (Biosecurity and Biodiversity departments) are undertaking a Biodiversity Assessment Report due to be completed in October 2022.</li> </ul>
<p><b>5.2 Kiwi Link Community Pest Control Areas (CPCA):</b></p> <ul style="list-style-type: none"> <li>Ongoing control of forest pests as part of CPCA.</li> <li>2021/2022 budget \$10,000.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>Items purchases include DNA sampling kits, handheld GPS, clinometer and monitoring card and tunnels</li> <li>Instead of using this budget, the activity is funded through the Kiwi Link HVA (High Value Area) programme which encompasses Tāika Forest. Each July a Kiwi Link HVA Annual Report is filed through that process.</li> <li>The Biosecurity team previously funded a trapper to service traps within the forest, however they recently switched to clearing the block inhouse.</li> </ul>

	<ul style="list-style-type: none"> <li>• In the forward financial years, between the Biodiversity and Biosecurity Teams the full budget is expected to be used to undertake the following: <ul style="list-style-type: none"> <li>- Revive possum bait station network with the purchase of bait and stations, there are approximately 500 stations in the indigenous blocks</li> <li>- Preparation of bat and lizard surveys with the purchase of equipment, applying for permits and external expert advice</li> <li>- Fish passage remediation work on the six culverts in Tāika Forest.</li> </ul> </li> <li>• Actual spend \$3,505.95 resulting in a \$6,494.05 underspend.</li> </ul>
<p><b>5.3 Archaeological sites:</b></p> <ul style="list-style-type: none"> <li>• Appropriate management of archaeological sites.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>• All archaeological sites were preserved during 2021/2022.</li> </ul>
<p><b>5.4 Forest health:</b></p> <ul style="list-style-type: none"> <li>• Monitor and maintain forest nutrition and health.</li> <li>• NZFOA Forest Health Surveillance Programme has ceased. Council last commissioned an independent inspection undertaken in January 2020 by SPS Biosecurity Limited. A Forest Health Surveillance Certificate (dated 20<sup>th</sup> January 2020) was issued.</li> <li>• At that time no new pests or diseases were found. No significant nutrient issues were noted in the forest. No material issues noted.</li> <li>• Next survey is planned January 2022 (2 yearly programme)</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>• The forest health was assessed three weeks following the end of the 2021/2022 financial year. The assessment found that the forest was in good health and is well stocked.</li> <li>• Overall, forest health remains good, and no corrective actions were required in the 2021/2022 year.</li> <li>• Survey was not undertaken. This will be re-schedule for early 2023. Site visits by Northland Forest Managers have not indicated anything of concern, but a dedicated survey should be undertaken.</li> </ul>
<p><b>5.5 Fire prevention:</b></p> <ul style="list-style-type: none"> <li>• Monitor, mitigate risk, respond, and control to any fire or threats to forest.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>• FENZ have been provided access, forest keys, forestry maps and a site visit. An NRC specific plan is no longer</li> </ul>

<ul style="list-style-type: none"> <li>Mt Tiger’s Fire and Emergency Plan was transferred from Forest Protection Services to Fire and Emergency New Zealand (FENZ) in 2018 as part of new legislation.</li> <li>2021/2022 budget \$1,000.</li> </ul>	<p>prepared. The forest is now included in the FENZ Interim Fire Plan.</p> <ul style="list-style-type: none"> <li>Liaison with FENZ over 2021/2022 fire season undertaken as part of the consultant’s role</li> </ul>
<p><b>5.6 Recreational use:</b></p> <ul style="list-style-type: none"> <li>No formalised public access to the forest to be granted.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>No formalised public access to the forest was granted in 2021/22. Efforts continue to curb undesirable trespass (e.g., motorbikes, hunters, etc).</li> <li>During 2020/2021 dialogue with Waikaraka Walkway Group had been negligible.</li> <li>In September 2022 (Quarter 1 of 2022/2023) Whangarei Walking and Cycling Advocacy Group have filed a proposal to open Tāika Forest/Mount Tiger to the public.</li> </ul>
<p><b>5.7 Emissions Trading Scheme:</b></p> <ul style="list-style-type: none"> <li>Monitor and respond to New Zealand Emissions Trading Scheme (NZETS) opportunities and obligations as they develop.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>Replanting is meeting the obligations regarding any NZETS deforestation liability. A decision was made not to join as a post- 1989 forest landowner.</li> <li>Monitoring is ongoing. Carbon NZU price change from 2021 \$43.47/NZU to \$76/NZU. See 6.3 below.</li> </ul>
<p><b>5.8 Forestry insurance:</b></p> <ul style="list-style-type: none"> <li>Maintain forest tree crop insurance and FRF Act cover.</li> <li>2021/2022 budget \$6,000.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>Forestry insurance was in place for the 2021/2022 financial year and will be renewed November 2022.</li> <li>Cost \$5030.32 resulting in a \$969.68 underspend.</li> </ul>
<p><b>5.9 Forestry other:</b></p> <ul style="list-style-type: none"> <li>Payments for memberships, other, legal, etc. 2021/2022 budget \$500.</li> <li>Rates budget 2021/2022 \$3,200.</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>Membership of NZ Forest Owners Association maintained at \$150. Sundry expenses, non-budgeted \$255.95.</li> <li>Rates paid. Actual spend \$3,057.28.</li> <li>Forest other budget under spent by \$236.77.</li> </ul>
<p><b>5.10 Harvesting administration, consultancy:</b></p> <ul style="list-style-type: none"> <li>Payments for forest management</li> </ul>	<p><b>Achieved:</b></p> <ul style="list-style-type: none"> <li>Includes forest management</li> </ul>

<p>overview, administration, valuation, and consultancy.</p> <ul style="list-style-type: none"> <li>2021/2022 budget \$19,620.</li> </ul>	<p>overview, forest advice, tree crop valuation and external consultants.</p> <ul style="list-style-type: none"> <li>Invoice for \$7,019 for the valuation of the forest was received late and will be carried over to the 2022/2023 financial years.</li> <li>No harvesting or significant damage to the forest because of deliberate or natural acts.</li> <li>Actual spend \$7,913.15. Under spent by \$11,706.85.</li> </ul>												
<b>6. 2021/2022 Financial Results</b>													
<b>2021/2022 Annual Budget</b>	<b>2021/2022 Actual Annual Performance</b>												
<p><b>6.1 Budgeted annual operating expenditure:</b></p> <p>The budgeted operating figures were for the year ended 30 June 2022:</p> <table border="1" data-bbox="292 949 783 1048"> <tr> <td>Net Harvest Income</td> <td>\$ 0</td> </tr> <tr> <td>Forest budget</td> <td>\$ - 75,458</td> </tr> <tr> <td>Net 2021/22</td> <td>\$ - 75,458</td> </tr> </table>	Net Harvest Income	\$ 0	Forest budget	\$ - 75,458	Net 2021/22	\$ - 75,458	<p><b>Actual annual operating expenditure:</b></p> <p><b>Achieved:</b></p> <table border="1" data-bbox="823 949 1315 1048"> <tr> <td>Net Harvest Income</td> <td>\$ 0</td> </tr> <tr> <td>Forest costs</td> <td>\$ -25,337.65</td> </tr> <tr> <td>Net 2021/22</td> <td>\$ -25,337.65</td> </tr> </table> <p>The underspend of \$50,120.35 less than budget is predominantly due to no harvest occurring this financial year and as follows:</p> <ul style="list-style-type: none"> <li>No foliar sampling, silviculture works or harvesting undertaken (see 3.1).</li> <li>Underspent on Kiwi Link (CPCA), forest management, and forest maintenance (see 5.2).</li> </ul>	Net Harvest Income	\$ 0	Forest costs	\$ -25,337.65	Net 2021/22	\$ -25,337.65
Net Harvest Income	\$ 0												
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Forest costs	\$ -25,337.65												
Net 2021/22	\$ -25,337.65												
<p><b>6.2 Forest Valuation 2021/2022 (NZIAS 41 previously stated as PBE IPSAS 27):</b></p> <ul style="list-style-type: none"> <li>The forestry holding was valued at <b>\$3,803,000</b> as of 30 June 2021.</li> </ul>	<p><b>Forest valuation 2021/2022 (PBE IPSAS 27):</b></p> <ul style="list-style-type: none"> <li>The forestry holding was valued at \$4,145,000 as of 30 June 2022.</li> <li>The tree crop value increased by 9%. This was mainly a result of no harvesting and tree growth; the forest estate is one year closer to maturity assuming the stands contained will be harvested at age 28 years.</li> </ul>												
<p><b>6.3 NZ ETS Units 2019/20 (New Zealand Emissions Trading Scheme):</b></p> <ul style="list-style-type: none"> <li>As of 30 June 2021, council held a total of 17,460 NZ Units valued at a total of \$758,986 (\$43.47 per Unit).</li> </ul>	<p><b>NZ Units 2021/2022 (NZETS):</b></p> <ul style="list-style-type: none"> <li>As of 30 June 2022, council held a total of 17,460 NZ Units valued at a total of \$1,326,960 (\$76 per Unit). This results in a non-cash revaluation gain of \$567,974.</li> </ul>												

<b>7. 2021/2022 Forest Management Plan</b>	
<b>7.1 Forest Management Plan:</b> <ul style="list-style-type: none"><li>• Maintain a current Forest Management Plan to guide forest management, planning and operations.</li></ul>	<b>Achieved:</b> <ul style="list-style-type: none"><li>• The Forest Management Plan is up to date. It was updated in late 2019 (2020-2024 Forest Management Plan) and was approved by full Council February 2020. It underpins the future forest programme.</li></ul>

**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
5.1	For Noting Only: Confidential Investment and Property Sub-committee meeting minutes	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
5.2	Update on Council's Current Redevelopments and Other Property Matters	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).
5.3	Proposal for Property Redevelopment	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).
5.4	Future Management of Tāika Forest	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).
5.5	Introduction of Greenmount Capital Co-Investment Fund into the Long-Term 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).
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3. That the Independent Financial Advisors be permitted to stay during business with the public excluded.
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## 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.