

Investment Committee
Wednesday 3 June 2026 at 10:00 am

AGENDA

Investment Committee Agenda

Meeting to be held in the Council Chamber
36 Water Street, Whangārei
on Wednesday 3 June 2026, commencing at 10:00 am

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

MEMBERSHIP OF THE INVESTMENT COMMITTEE

Chairperson, Daniel Mussett - Independent Investment Advisor

Councillor John Blackwell

Councillor Jack Crow

Councillor Geoff Crawford

Councillor John Hunt

Councillor Pita Tipene (Ex-Officio)

Independent Tangata Whenua Member George Riley

KARAKIA / WHAKATAU

RĪMITI (ITEM)

Page

1.0 NGĀ MAHI WHAKAPAI/HOUSEKEEPING

2.0 NGĀ WHAKAPAHĀ/APOLOGIES

3.0 NGĀ WHAKAPUAKANGA/DECLARATIONS OF CONFLICTS OF INTEREST

4.0 NGĀ WHAKAAE MINITI / CONFIRMATION OF MINUTES

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7.1 Confirmation of Confidential Minutes - 3 March 2026

7.2 Receipt of Confidential Action Sheet

7.3 Managed Investment Funds Portfolio - Performance to 31 March 2026

7.4 Update on Council's Property Projects and Other Commercial Matters

7.5 Northport Group Ltd - Directors' Six-Monthly Report to Shareholders

TITLE: Confirmation of Minutes - 3 March 2026

From: Margaret Knight, PA to Group Manager Corporate Services

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 15
Group Manager/s: May 2026

Ngā mahi tūtohutia / Recommendation

That the minutes of the Investment Committee meeting held on 3 March 2026 be confirmed as a true and correct record and that these be duly authenticated with the Chair's electronic signature.

Attachments/Ngā tapirihanga

Attachment 1: Minutes - 3 March 2026 [↓](#) 

Investment Committee
3 March 2026

Investment Committee Minutes

Meeting held in the Committee Meeting Room
36 Water Street, Whangārei
on Tuesday 3 March 2026, commencing at 10:00 am

Tuhinga/Present:

Independent Investment Advisor Daniel Mussett (*Chairperson*)
Councillor John Blackwell
Councillor Jack Crow
Councillor Geoff Crawford (*Via audio-visual link*)
Councillor John Hunt (*Via audio-visual link*)
Councillor Pita Tipene (*Ex-Officio*)
Independent Tangata Whenua Member George Riley (*Via audio-visual link*)

I Tae Mai/In Attendance:

Full Meeting
Tāhūhū Rangapū – Chief Executive Officer
Pou Taumatua – Group Manager Corporate Services
Finance Manager
Strategic and Commercial Projects Manager
Kaiāwhina Tari – Māori Engagement and Governance Support
Administration
NRC Governance Specialist

Secretarial Note: The Chair declared the meeting open at 10.05am. The meeting was immediately adjourned to allow members to relocate from Council Chambers to the Committee Meeting Room due to technical issues. The Chair reconvened the meeting at 10.12am with a karakia.

Ngā whakapahā/Apologies (Item 1.0)

There were no apologies.

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

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

Confirmation of Minutes - 2 September 2025 (Item 4.1)

Report from Margaret Knight, PA to Group Manager Corporate Services

Moved (Blackwell/Craw)

That the Investment Committee notes that the minutes of the meeting held on 2 September 2025 were affirmed and signed by the Chair of the out-going triennium and are presented for information only.

Carried

Investment Committee
3 March 2026

Receipt of Action Sheet (Item 5.1)

Report from Margaret Knight, PA to Group Manager Corporate Services

Moved (Craw/Blackwell)

That the action sheet be received.

Carried

Review Terms of Reference (Item 6.1)

Report from Margaret Knight, PA to Group Manager Corporate Services

Moved (Blackwell/Craw)

1. That the report 'Review Terms of Reference' by Margaret Knight, PA to Group Manager Corporate Services and dated 19 February 2026, be received.
2. That the Investment Committee recommends the proposed amendments to its Terms of Reference be presented to council for formal consideration.

Carried

Secretarial Note:

- Council had approved the Investment Committee's Terms of Reference (TOR) on 25 November 2025 subject to the TOR being reviewed by the respective governance bodies at their first meeting and any agreed amendments be brought back to council for ratification.
- Agreed recommendations from the Investment Committee to council regarding the TOR included:
 - Consistent use of lower case and upper case letters in accordance with council's style guide; and
 - An amendment to the 'Administration' section to read 'Should an urgent decision be required outside of the quarterly meeting schedule **and the committee cannot be convened**, the council will assume the role and responsibilities of the committee'.

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

Moved (Craw/Blackwell)

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
7.1	Confirmation of Confidential Minutes - 2 September 2025	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(a) and the

Investment Committee
3 March 2026

		withholding of which is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(b)(ii).
7.2	Receipt of Confidential Action Sheet	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(a).
7.3	Managed Fund Performance including Defensive Strategy Options, and Private Equity Funds Review	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to prevent the disclosure or use of official information for improper gain or improper advantage s7(2)(j).
7.4	Update on Council's Property Projects and Other Commercial 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).
7.5	Proposed Commercial Property Transactions	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. That the independent experts from Russell Investments and Argyle Estates Ltd be permitted to attend the relevant confidential items due to their expertise to assist the meeting discussion.

Carried

Investment Committee
3 March 2026

Whakamutunga (Conclusion)

The Chair concluded the meeting at 12.07pm with a karakia.

Unconfirmed Minutes

TITLE: **Receipt of Action Sheet**

From: Margaret Knight, PA to Group Manager Corporate Services

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 15
Group Manager/s: May 2026

Whakarāpopototanga / Executive summary

The purpose of this report is to enable the meeting to receive the current action sheet.

Nga mahi tutohutia / Recommendation

That the action sheet be received.

Attachments/Ngā tapirihanga

Attachment 1: Action Sheet [↓](#) 

Outstanding Actions as at 12/05/2026

Id	Meeting	Target Date	Officer Responsible	Description	Request Details	Most Recent Comment
8505	Investment Committee 3/03/2026	2/04/26	Knight, Margaret	Review Terms of Reference	Agreed amendments to the TOR to be ratified at the next council meeting.	Completed: Amended TOR were approved by council.
8160	Investment Committee 3/06/2025	3/07/25	Howse, Bruce	Proposed 2025 SIPO	Committee chair to meet with Scott Hamilton and Group Manager Corporate Services to make further amendments following the discussion which will be circulated to committee members by COB Friday 7 June for approval.	Completed: Amendments were made and SIPO was approved by council.

TITLE: Managed Investment Funds Portfolio - Strategic Asset Allocation and Private Equity Strategy

From: Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Authorised by Group Manager/s: Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 04 May 2026

Executive summary/Whakarāpopototanga

This report presents a review of Council’s Managed Funds Portfolio Strategic Asset Allocation (SAA) and Private Equity (PE) exposure, informed by analysis and recommendations from Russell Investments and an Investment Committee workshop held on 16 April 2026.

The review concludes that there is no compelling reason to change the current SAA, and that maintaining the portfolio at 70% Growth Assets and 30% Defensive Assets continues to provide an appropriate balance between forecast returns and volatility. This allocation reflects the long-term, intergenerational purpose of the portfolio, is supported by Council’s strong balance sheet and resilience, and remains broadly consistent with comparable councils.

The report also considers Council’s relatively high exposure to Private Equity within the Growth Assets allocation. While Private Equity continues to offer long-term return benefits, its current concentration presents concentration and liquidity considerations that warrant a strategic approach.

Accordingly, the report recommends the adoption of a Private Equity Strategy that establishes a target upper allocation limit of 10% of the Managed Funds Portfolio by 2030, to be achieved through natural run-off rather than forced disposal of existing investments. This approach avoids realised losses that would likely arise from an expedited sale process and aligns with modelling and analysis undertaken by Russell Investments.

To give effect to this approach, the report recommends amendments to the Statement of Investment Policy and Objectives (SIPO) to formally reflect the Private Equity Strategy.

Recommendation(s)

1. That the report ‘Managed Investment Funds Portfolio - Strategic Asset Allocation and Private Equity Strategy’ by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 4 May 2026, be received.
2. That the Strategic Asset Allocation (SAA) of the Managed Funds Portfolio is maintained at a 70% Growth Assets and 30% Defensive Assets split.
3. That the committee recommends to council a Private Equity (PE) Strategy that aims to achieve a target upper allocation limit of 10% of the value of the Managed Funds Portfolio by 2030, to be achieved via natural run-off.
4. That the committee recommends to council the tracked changes to the SIPO (as per attachment 4), to reflect the PE Strategy as detailed in recommendation 3 and to correct a minor grammatical drafting error.

Options

No.	Option	Advantages	Disadvantages
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1	<p>Maintain the SAA of the Managed Funds Portfolio at a 70% Growth Assets and 30% Defensive Assets split.</p>	<p>Achieves a good balance between forecasted return and volatility.</p> <p>This SAA is broadly in line with other councils and sits broadly midway in comparison to other councils growth asset allocations and target returns.</p> <p>This is consistent with the Russell Investments recommendation of <i>'No reason to change the strategic asset allocation at this stage but continue to review annually'</i>.</p> <p>This SAA reflects that the portfolio is strategic, not operational cash focused, and is backed by a strong balance sheet, strong resilience, and is focused on inter-generational equity and maximising long-term value.</p>	<p>This SAA is growth-orientated and higher risk, but this is part of a long-term investment strategy.</p>
2	<p>Change the SAA by reducing the % Growth Assets and increasing the % Defensive Assets split.</p>	<p>Reduces the forecasted volatility.</p>	<p>Reduces the forecasted returns, meaning that other financial levers will need to be addressed to address the potential lower returns.</p>
3	<p>Change the SAA by increasing the % Growth Assets and decreasing the % Defensive Assets split</p>	<p>Increases the forecasted returns.</p>	<p>Increases the forecasted volatility.</p>
4	<p>Update the SIPO to include a PE Strategy that aims to achieve a PE target upper allocation limit of 10% of the value of the Managed Funds Portfolio by 2030, to be achieved via natural run-off.</p>	<p>No realised loss of asset value through an expedited sale process and the 10% target timeframe of 2030 via natural run-off is similar to that achieved via the sale of five PE fund commitments as modelled by Russel Investments.</p>	<p>Higher concentration of PE for a longer period of time until the 2030 timeframe is realised.</p>

		A target allocation of 10% is supported by the quantitative and qualitative analysis performed by Russell Investments.	
5	Update the SIPO to include a PE Strategy that aims to achieve a Private Equity target upper allocation limit of 10% of the value of the Managed Funds Portfolio by 2026/27, to be achieved via sale of PE holdings within the Portfolio.	Achieves reduced PE concentration in the short-term.	Realised loss as asset value is diminished through an expedited sale process.

The staff's recommended options are Option 1 and 4.

Considerations

1. Alignment to council strategic direction - community outcomes

The matters covered in this report relate to the following community outcomes:

- | | |
|--|--|
| <input type="checkbox"/> Protected and flourishing native life | <input type="checkbox"/> Healthy waters, land and air |
| <input type="checkbox"/> Safe and resilient transport networks | <input checked="" type="checkbox"/> A sustainable, innovative and equitable economy |
| <input type="checkbox"/> Meaningful partnerships with tāngata whenua | <input type="checkbox"/> Carbon neutral, resilient communities in a changing climate |
| <input checked="" type="checkbox"/> Efficient, progressive and transparent council systems | |

2. Climate Impact

There are no climate impacts associated with these recommendations.

3. Environmental Impact

There are no environmental impacts associated with these recommendations.

4. Community views

Community views are unknown, although these recommendations are not expected to have a direct or material impact on the community.

5. Māori impact statement

These recommendations are not expected to have a direct or material impact on Māori and any impact is not expected to differ to that on the general community.

6. Financial implications

There are no known financial implications associated with the recommendations in this report that differ to what has been budgeted by council.

Attachment 1 provides analysis on forecasted returns and volatility under different SAA scenarios.

7. Implementation issues

There are no implementation risk associated with these recommendations.

8. Significance and engagement

In accordance with Council's significance and engagement policy, this matter has been assessed as low to moderate significance, as it relates to SIPO considerations rather than a fundamental change to council functions, service levels or strategic assets.

9. Policy, risk management and legislative compliance

Tracked changes have been made to the SIPO (under Section 5. Our Fund Strategy) to introduce a PE Strategy that aims to achieve a target upper allocation limit of 10% of the value of the Managed Funds Portfolio by 2030, to be achieved via natural run-off. An additional tracked change has also been made to the SIPO (under Section 5. Our Fund Strategy) to correct a minor grammatical drafting error.

Risk associated with the SAA scenarios is well documented in the analysis provided in Attachment 1.

There are no known legislative compliance matters associated with these recommendations.


Background/Tuhinga

A workshop of the Investment Committee was held on 16 April 2026 to consider council's Strategic Asset Allocation and Private Equity Strategy.

The workshop presentations and notes are attached (attachment 1, 2 & 3).

Attachments/Ngā tapirihanga

Attachment 1: Investment Committee Workshop Presentation: Russell Investments [↓](#) 

Attachment 2: Investment Committee Workshop Presentation: SIPO 2025 Revision & Risk Profile [↓](#) 

Attachment 3: Workshop Notes [↓](#) 

Attachment 4: SIPO with tracked changes for PE Strategy [↓](#) 



Northland Regional Council

INVESTMENT STRATEGY WORKSHOP

April 2026

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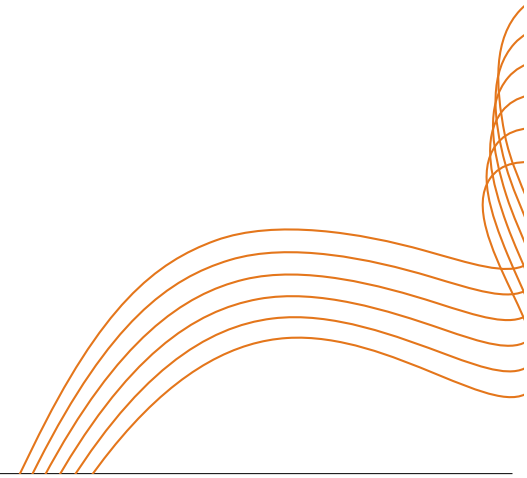
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Agenda

- › What are today's workshop outcomes?
- › Strategic asset allocation review
- › Private equity strategy review
- › Reporting & monitoring framework



Investment Strategy Workshop

Today's workshop outcomes

1. Does NRC need to adjust the portfolio's strategic asset allocation?
2. What is the appropriate allocation to private equity?
3. Should NRC look to sell off some private equity fund stakes?

Strategic Asset Allocation Review

Realising the importance of the strategic asset allocation to the long-term success of the portfolio, the investment committee (IC) have a periodic review policy

Background

- There is general agreement that the **SAA has the most significant impact on the outcomes that are achieved.**
- The most important allocation decision is the proportion of the portfolio to be allocated between growth (i.e., equities) and income/defensive (i.e., bonds) asset classes- this is known as the '**growth-income split**'.
- This decision will typically have the greatest impact on both returns and the investment risk borne by the Council.
- A higher allocation to growth assets increases the expected return, whilst also increasing the probability of short-term losses.

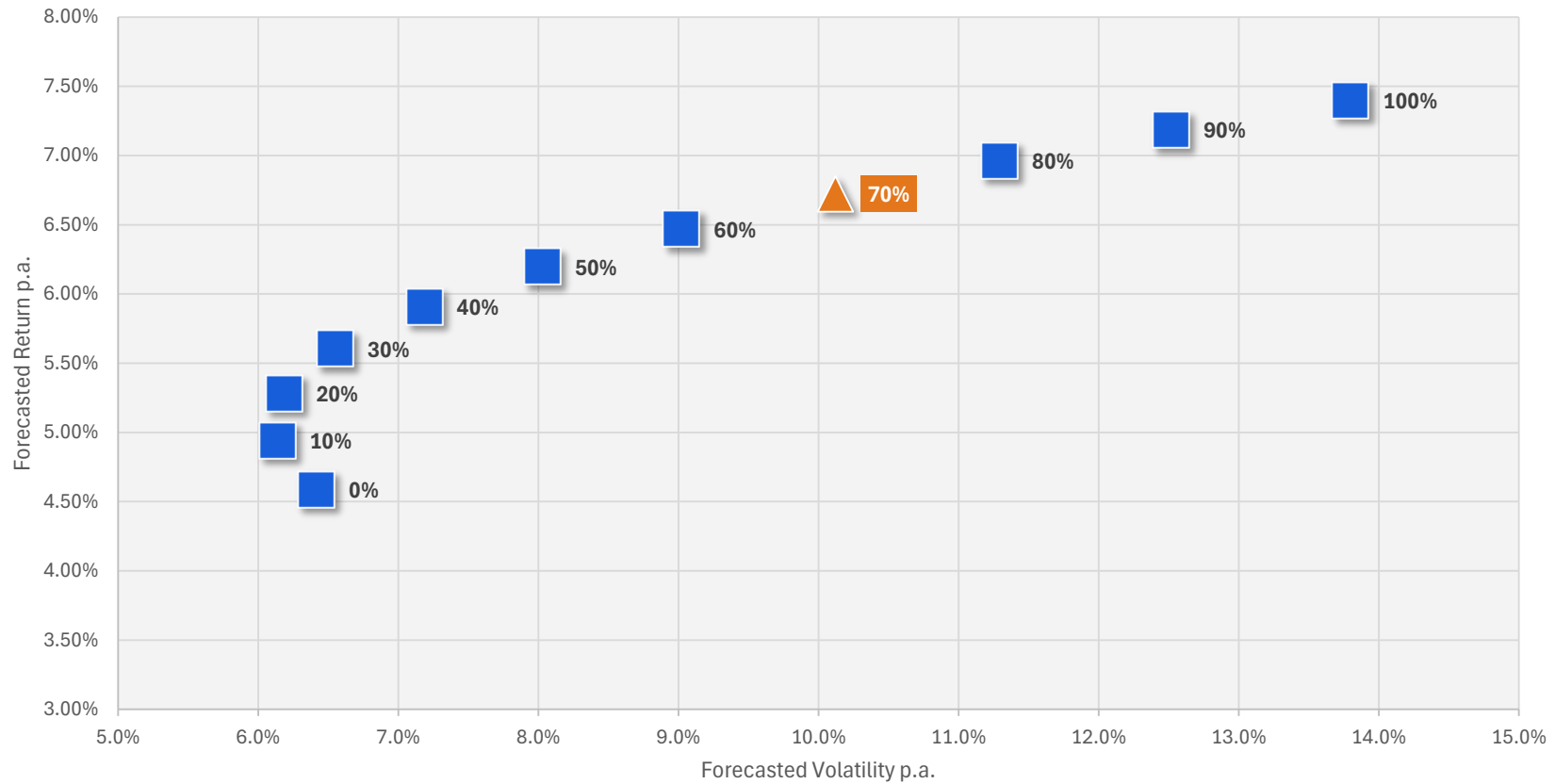
Northland Regional Council

- In 2025, based on the target rate of return and other considerations, the IC determined that a 70% Growth Assets and 30% Defensive Asset split.
- Tilting of plus or minus 10% is tolerated in the allocation to Growth Assets and Defensive Assets.
- Movement in the SAA is expected to be slight and gradual, barring circumstances caused by unexpected events (e.g. natural disasters).
- The IC will review the SAA annually against investment returns and known capital requirements of the Council.

Strategic Asset Allocation Review

A higher allocation to growth assets increases the expected return, whilst also increasing the probability of short-term losses.

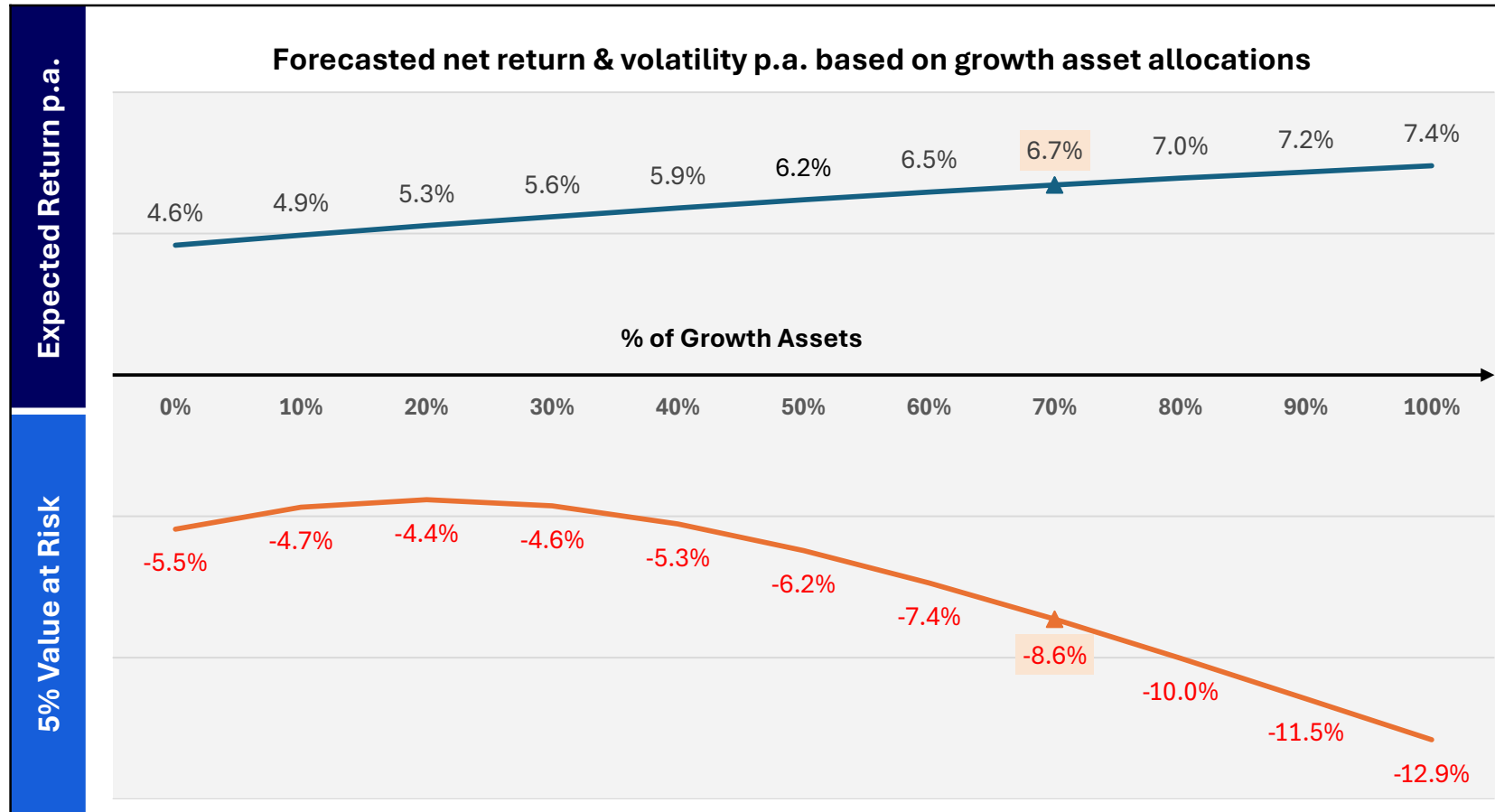
Forecasted Net Return & Volatility p.a. based on growth asset allocation



Source: Russell Investments, as of 31 December 2025, unless otherwise stated. Opinions and estimates offered constitute Russell Investments' judgment and are subject to change without notice. Please note forecasted return, risk, and correlation is based on assumptions. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. Asset classes are broad general categories which may or may not correspond well to specific products.

Strategic Asset Allocation Review

NRC's current asset allocation forecast of 1 in 20 year probability of a loss of greater than 8.6%, equating to \$5.62 million based on the current \$65 million portfolio value.



Source: Russell Investments, as of 31 December 2025, unless otherwise stated. Opinions and estimates offered constitute Russell Investments' judgment and are subject to change without notice. Please note forecasted return, risk, and correlation is based on assumptions. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. Asset classes are broad general categories which may or may not correspond well to specific products.

Strategic Asset Allocation Review

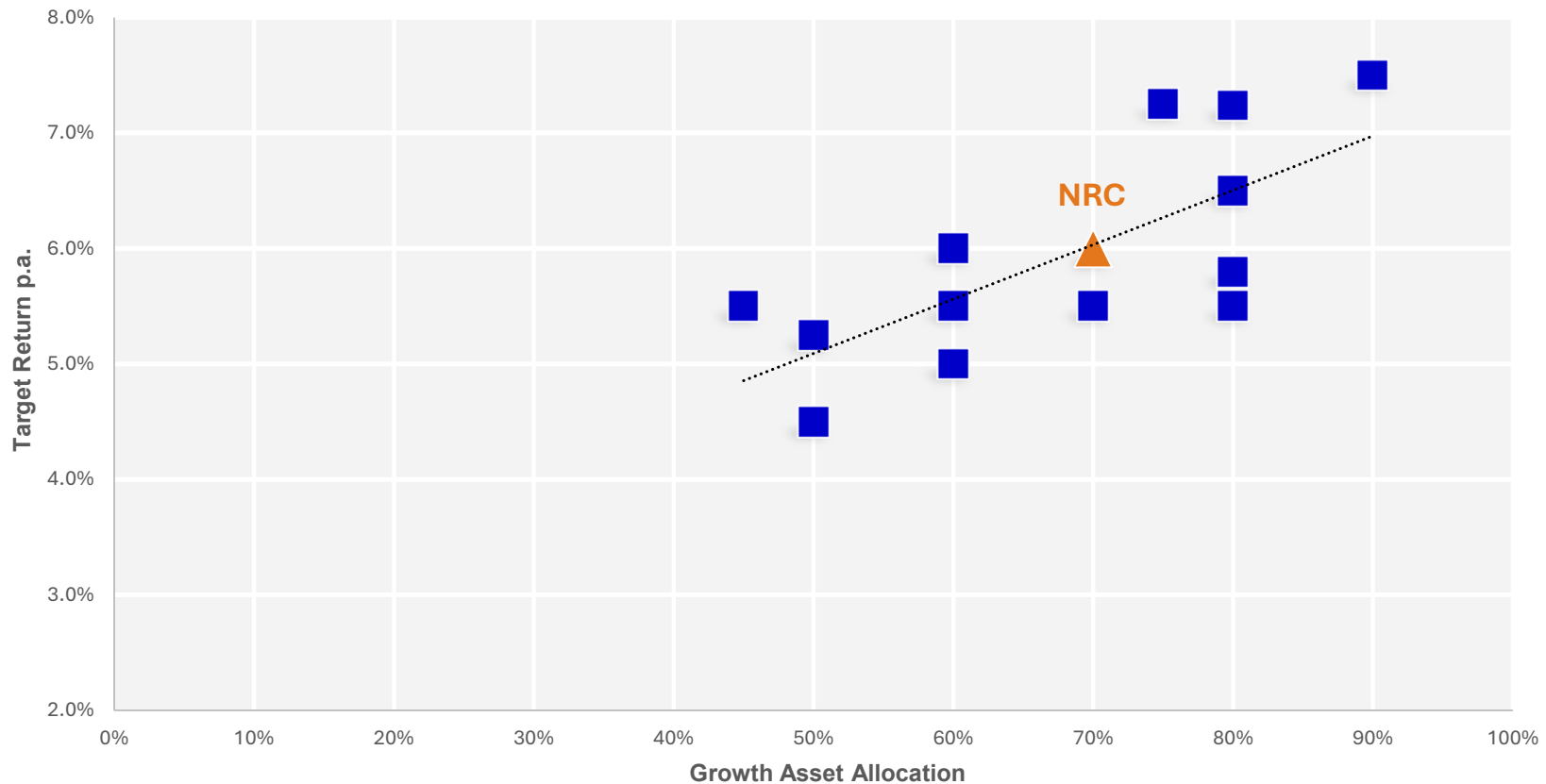
NRC's current SAA is forecasted to exceed the target return of 6.0% per annum, net of fees, also factoring in a buffer for higher than expected inflation.

Growth Asset Allocation		NRC				
		50%	60%	70%	80%	90%
SAA	Global equities	25%	30%	35%	40%	45%
	Global equities (NZD-H)	25%	30%	35%	40%	45%
	Global bonds (NZD-H)	50%	40%	30%	20%	10%
10 Year Forecasts	Net nominal return p.a.	6.2%	6.5%	6.7%	7.0%	7.2%
	Volatility p.a.	8.0%	9.0%	10.1%	11.3%	12.5%
	Frequency of negative annual return	1 in every 4.7 years	1 in every 4.3 years	1 in every 4.1 years	1 in every 3.8 years	1 in every 3.6 years
	5% Value at Risk (\$) based on \$65m	-\$4,034,065	-\$4,781,402	-\$5,618,704	-\$6,513,230	-\$7,442,618
	Probability of return over 10 years achieving 6.0% p.a. objective	52.6%	56.0%	58.4%	60.1%	61.2%

Strategic Asset Allocation Review

NRC's alignment between the SAA and target return is broadly in line with other councils

Target return and growth asset allocation of council funds



Source: Rates to Returns - Key Considerations for Managing Council Investment Funds

■ Russell

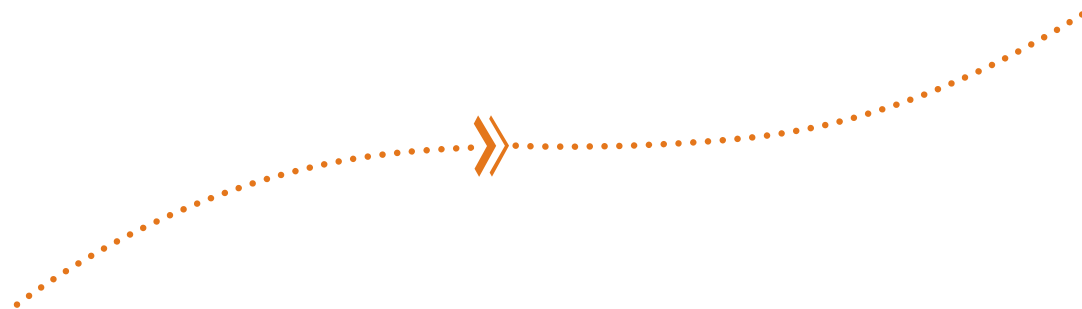
Investment Strategy Workshop

Strategic asset allocation

Question to the Investment Committee	Russell Inv. Recommendation	Investment Committee Decision
Does NRC need to adjust the portfolio's current strategic asset allocation?	No reason to change the strategic asset allocation at this stage but continue to review annually.	
What is the appropriate allocation to private equity?		
Should NRC look to sell some private equity fund stakes and/or the Zespri shares?		

Private Equity Strategy Review

- Private equity explained
- Scenario testing
- Liquidity options



Private equity explained

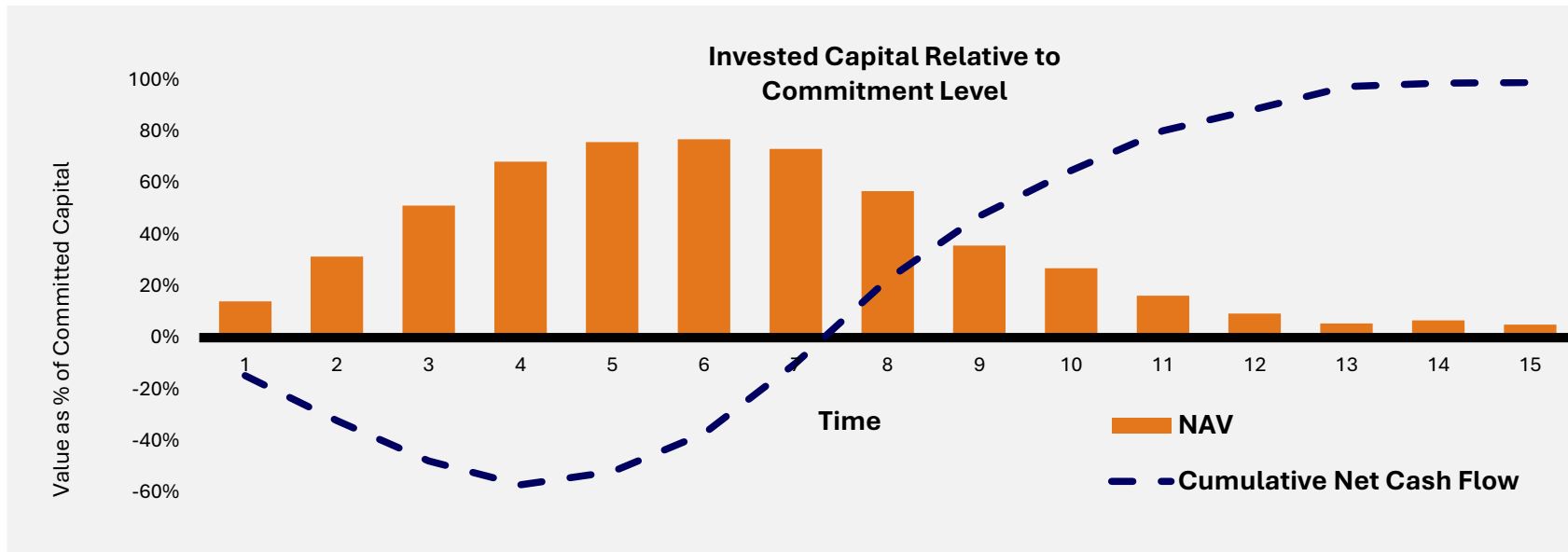
Potential for higher returns and access to companies before they go public, however, Illiquidity, leverage risk, valuation uncertainty, and manager selection risk.



How It Works	Investors commit capital to a private equity fund , which acquires or invests in companies that are not publicly listed on stock exchanges, and aims to improve their value before selling.
Typical Strategy	Buy companies, improve operations or growth, and exit via sale or IPO .
Investment Horizon	Long-term (typically 7–12 years).
Return Drivers	Revenue growth, margin improvements, operational efficiencies, and financial leverage.
Liquidity	Illiquid – capital is locked up until investments are realised.
Fee Structure	Usually “ 2 and 20 ” – ~2% management fee and ~20% performance fee.
Why Investors Allocate	Potential for higher returns , diversification, and access to companies before they go public.
Key Risks	Illiquidity, leverage risk, valuation uncertainty, and manager selection risk.

Private equity explained

Early negative returns from capital calls and fees, followed by positive returns as investments mature and are realised, known as the “J-curve”



Early Years	Middle Years	Later Years
Management fees, investment costs, initial draw-downs	Portfolio companies begin to grow, some exits	Successful exits and distributions
NAV falls → negative returns	Returns improve, curve starts to rise	Returns peak → positive TVPI & IRR

Private equity explained

Different private equity strategies offer varied risk, return, and liquidity profiles to suit investor objectives

Type	Description	Risk & Return	Typical TVPI	Examples from NRC's portfolio
Direct Venture Capital Fund	Invests in early-stage / start-up companies with high growth potential.	High risk, high potential return	2.0x – 3.0x	
Direct Private Equity Fund	Invests in mature, non-public companies , improving operations and exiting via sale or IPO.	Moderate to high risk and potential returns	1.5x – 2.5x	Oriens, Pioneer, Direct Capital, CPE Capital
Co-Investment Private Equity Fund	Direct investment alongside another PE/VC fund into a specific company.	Moderate to high risk and potential returns	1.5x – 2.5x	MLC
Private Equity Fund of Funds	Invests in multiple PE/VC funds to provide diversified exposure.	Moderate risk and returns	1.5x – 2.0x	Continuity Capital

Private equity explained

Closed-end funds have a fixed life with capital calls and a pronounced J-curve, while evergreen funds allow continuous investment and liquidity with a smoother return profile.

Feature	Closed-End Fund	Evergreen Fund
Structure	Fixed capital raise, fixed life (typically 10–12 years)	Open-ended, can accept new capital continuously
Liquidity	Limited; investors typically exit at end of fund life	Can redeem periodically (quarterly), subject to notice & gates
Investment Horizon	Defined, usually 7–10 years for PE	Flexible; can hold assets long-term
Capital Deployment	Drawdowns from committed capital	Invest as capital is received
Distributions	Typically at exit of investments	Can distribute profits continuously
J-Curve	Pronounced: early negative returns due to fees and costs, followed by growth	Less pronounced: continuous inflows/outflows smooth the curve
Fees	Management + performance fees on committed capital	Management + performance fees on NAV or invested capital
Examples in NZ market	Direct Capital, Pioneer, Waterman	Hunter Global PE Fund, PEP Gateway Fund

Private equity strategy review

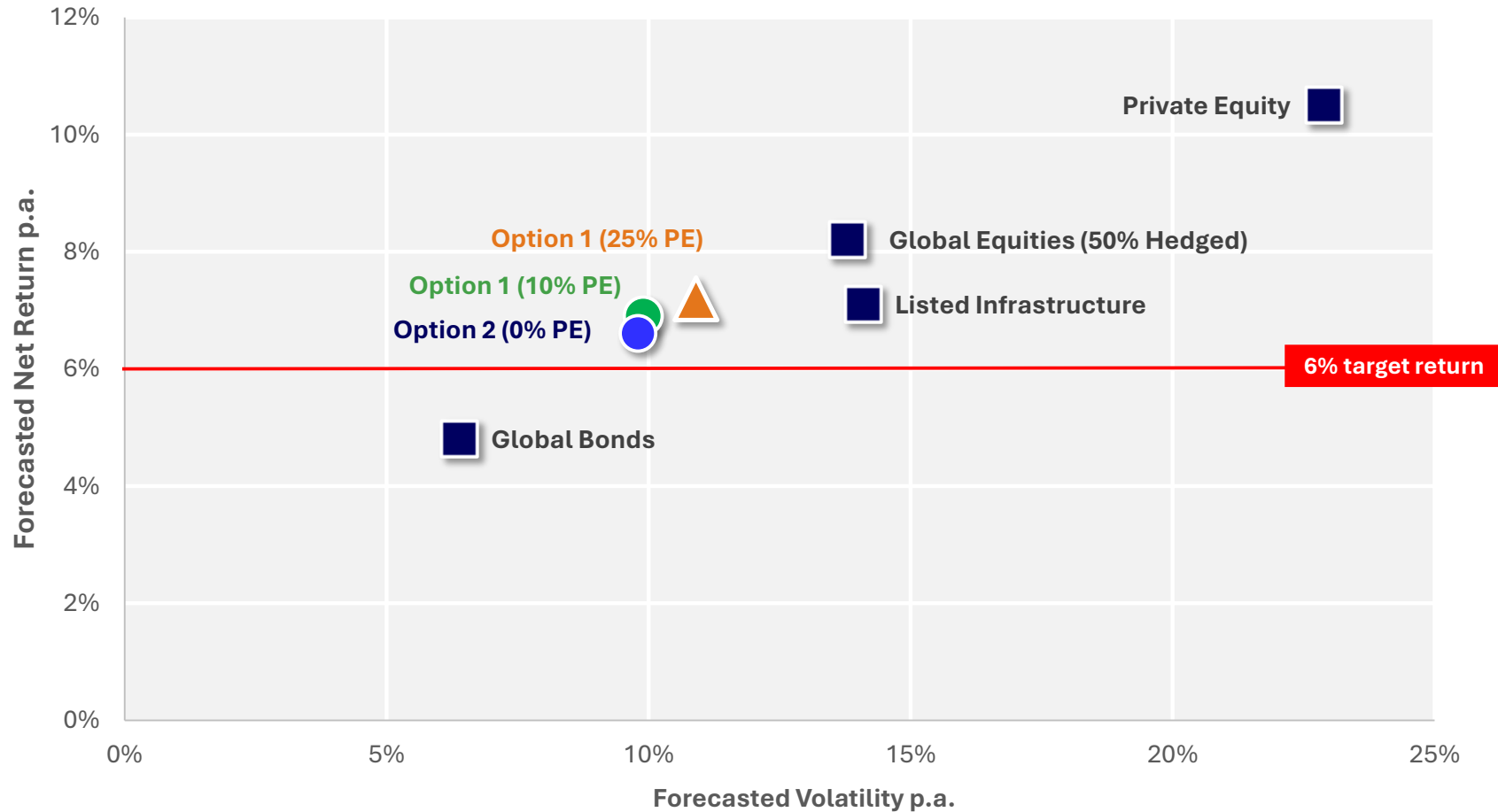
Due to private equity's higher expected risk and return profile, larger allocations have a greater impact on the overall portfolio characteristics

		Option 1	Option 2	Option 3
SAA	Private Equity	25%	10%	0%
	Global equities	19%	25%	30%
	Global equities (NZD-H)	19%	25%	30%
	Global Listed Infrastructure	7%	10%	10%
	Global bonds (NZD-H)	30%	30%	30%
10 Year Forecasts	Estimated net return p.a.	7.2%	6.9%	6.6%
	Estimated standard deviation	10.9%	9.9%	9.8%
	Frequency of negative annual return	1 in every 4.0 years	1 in every 4.2 years	1 in every 4.1 years
	5% Value at Risk (\$) based on \$65m	-\$6,001,371	-\$5,370,354	-\$5,365,317
	Probability of achieving 6.0% target	62.9%	60.4%	57.7%
Fees*	% of total portfolio	0.80%	0.55%	0.37%
	\$ amount per annum	\$517k	\$356k	\$241K

Fees are management fees only, they do not include private equity performance fees.

Private equity strategy review

Reducing the private equity allocation would reduce the forecasted return and lower the portfolio's volatility.



Source: Russell Investments as at 31 December 2025. Returns are nominal, after tax but assume no alpha or fees. Please note forecasted return, risk, and correlation is based on assumptions. Asset classes are broad general categories which may or may not correspond well to specific products.

Private equity strategy review

We see private equity as a core strategic allocation, enhancing returns, expanding opportunity sets, and improving diversification in long-term portfolios

Benefit	Description
Return enhancement	Private equity has a higher long-term return potential vs listed equities due to the ability of managers to create value through restructuring or innovation.
Diversification	Lower correlation to public markets due to exposure to different sectors, company stages and deal structures.
Expanded opportunity set	Many high-growth companies are now staying private longer or never listing (e.g. Open AI), with a strong representation in innovation-heavy areas (tech, healthcare, energy transition).



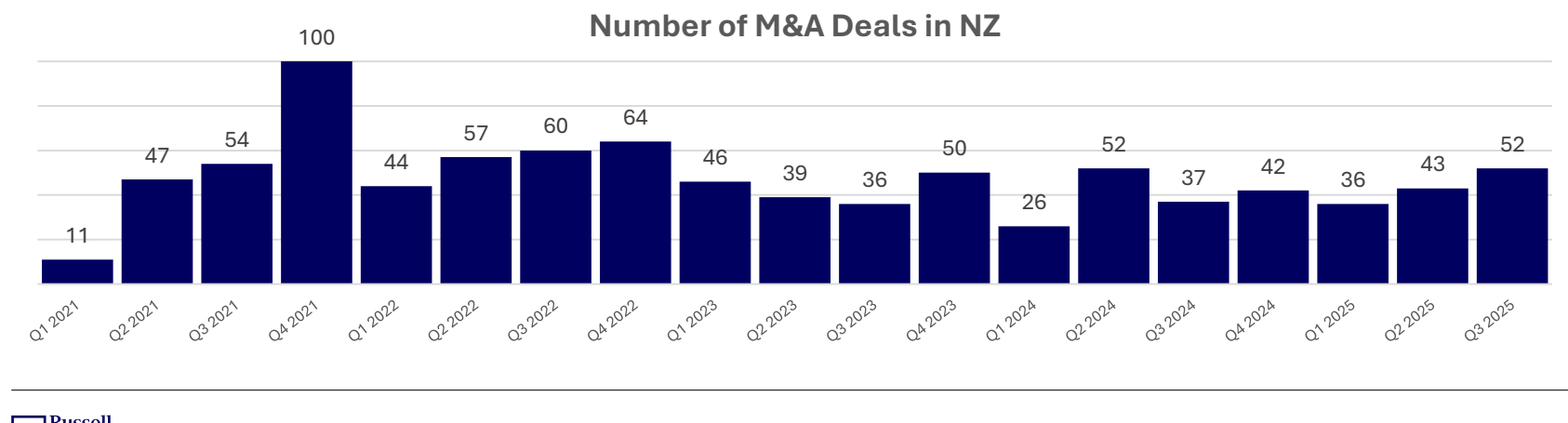
Private equity serves as a long-term growth driver, with a focus on managers who prioritise operational value creation through AI, automation, and efficiency gains.

Evergreen structures can help smooth cash flows, while a selective global allocation enhances diversification across macroeconomic, political, and sector-specific risks.

Private equity strategy review

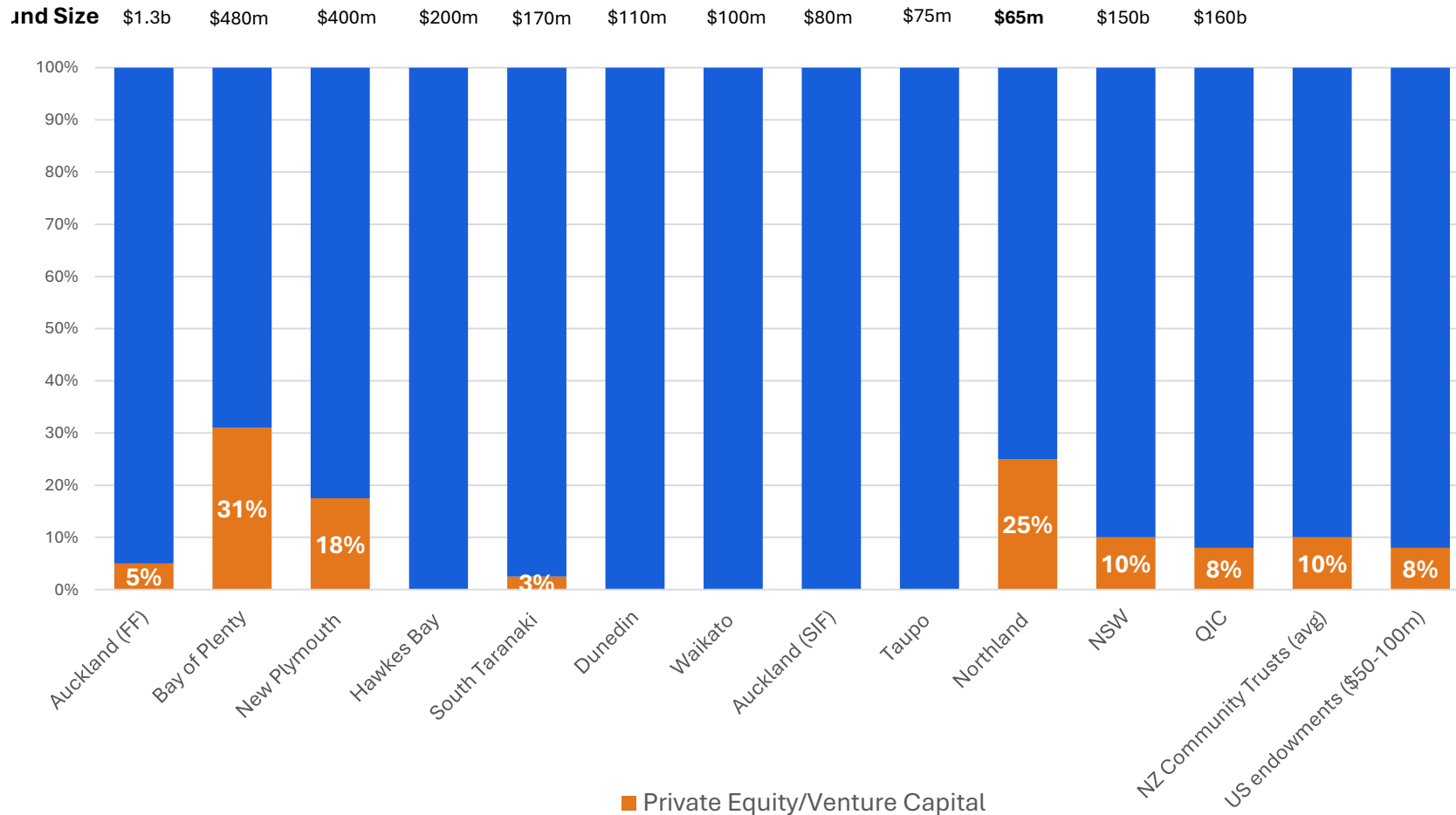
The economic slowdown has depressed valuations and delayed exit activity

Theme	Description
Lack of investible deals coming to market	Over the past 12–24 months, deal volumes have fallen sharply, as both family-owned businesses and those held by PE firms have concentrated on strengthening earnings and navigating the economic downturn, delaying exit plans.
Depressed valuation growth	For 2021-2022 vintage funds, value creation has been slower due to a period of rising interest rates, slower domestic economic growth and global trade uncertainty.
Exit backlog building (but improving outlook)	Exit activity has been constrained, creating pressure to return capital—though conditions are expected to improve into 2026 due to improving macro conditions, lower interest rates, and pro-growth policy settings
Evergreen & continuity funds	Evergreen structures are gaining traction, offering improved liquidity. Continuity funds may also emerge as a tool for investor exits in select portfolio companies.



Private equity strategy review

Comparable-sized local government funds typically do not allocate to private equity, whereas larger funds often do, with allocations influenced by broader portfolio composition.



Source: Russell Investments based on most recent annual reports or council documents.

Investment Strategy Workshop

Private equity allocation

Question to the Investment Committee	Russell Inv. Recommendation	Investment Committee Decision
Does NRC need to adjust the portfolio's current strategic asset allocation?	No reason to change to the strategic asset allocation at this stage but continue to review annually.	
What is the appropriate allocation to private equity?	A target allocation of 10% is supported by quantitative and qualitative analysis.	
Should NRC look to sell some private equity fund stakes and/or the Zespri shares?		

Private equity liquidity options

A sale would reduce uncalled commitments, lower the portfolio allocation, and mitigate risk, but would involve realising a material write-down.

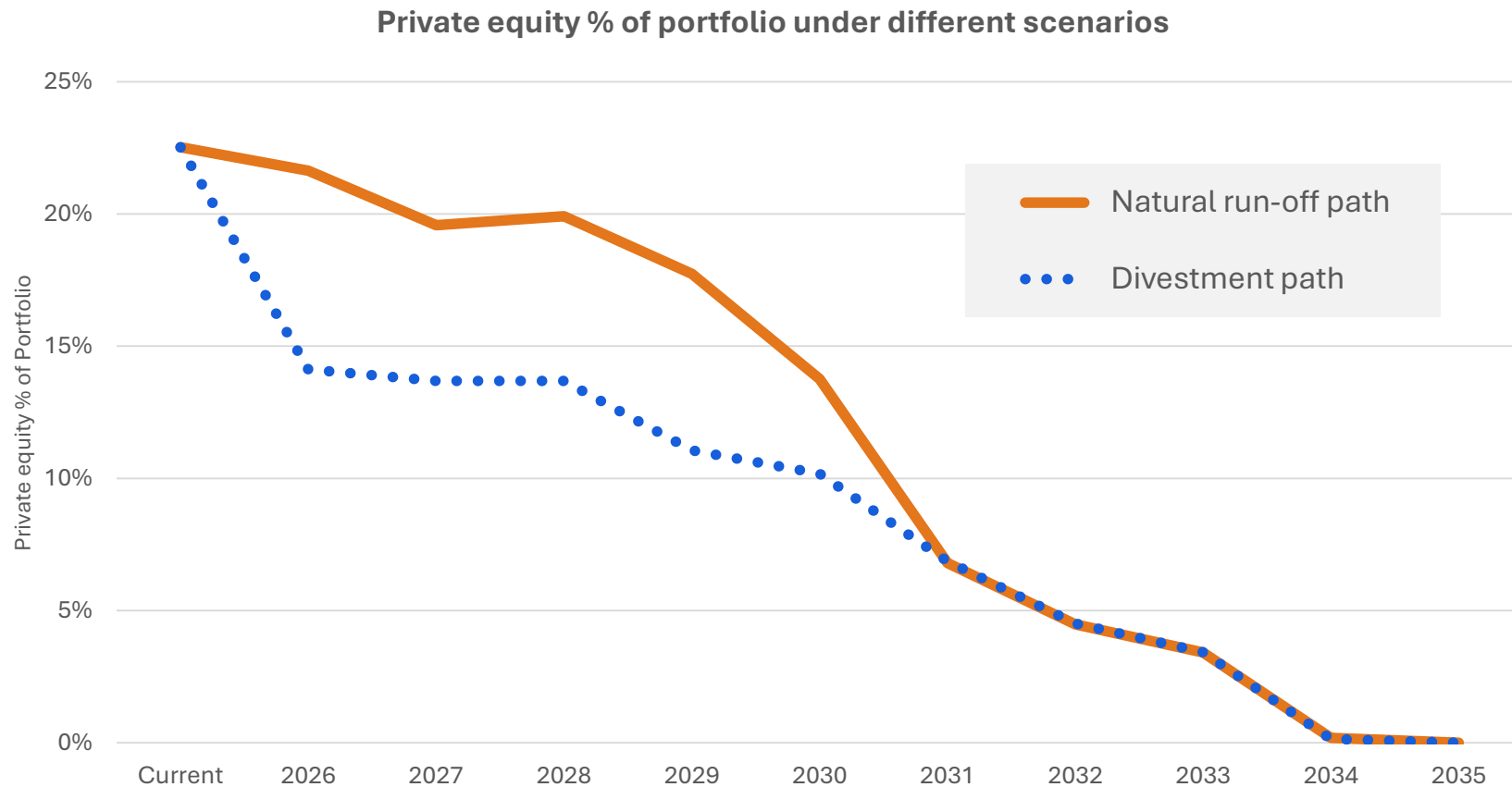
- **Buyer Interest:** Continuity Capital has shown interest in purchasing 5 of the Council’s private equity fund stakes.
- **Pricing:** Proposed at a 15–20% discount to the funds’ 31 December 2025 valuations.
- **Impact on unrealised value:** Would result in a \$769k - \$1.02m write-down of the portfolio value.
- **Impact on realised returns:** Council has already received \$688k in distributions; net effect would be a loss of \$80k – 336k on invested capital.
- **Portfolio allocation:** Selling the stakes would reduce the private equity allocation to ~15% of the total portfolio.
- **Future commitments:** Would decrease by ~\$1.36 million

Manager Name	Fund	A. Invested	B. Realised Distributions	C. Unrealised valuation	Total Value (B + C - A)	Uncalled commitments
CPE Capital	CPEC 9	\$308,807	\$102,697	\$214,522	\$8,413	\$285,053
Direct Capital	DC VI	\$1,643,125	\$438,198	\$1,557,565	\$352,638	\$356,875
Milford	PE III	\$770,000	\$15,000	\$1,059,300	\$308,500	\$230,000
Oriens Capital	Fund2	\$750,000	\$16,801	\$666,060	-\$67,142	\$250,000
Pioneer Capital	PCP III	\$994,707	\$115,322	\$997,797	\$118,412	\$5,293
Pioneer Capital	PCP IV	\$762,521	\$0	\$633,692	-\$128,829	\$237,479
Total		\$5,229,160	\$688,018	\$5,123,886	\$591,992	\$1,364,700

— Russell

Private equity liquidity options

Divesting the five fund commitments would bring the private equity allocation down to 15% four years earlier than the current path. Despite this, both scenarios reach the 10% allocation target by 2030

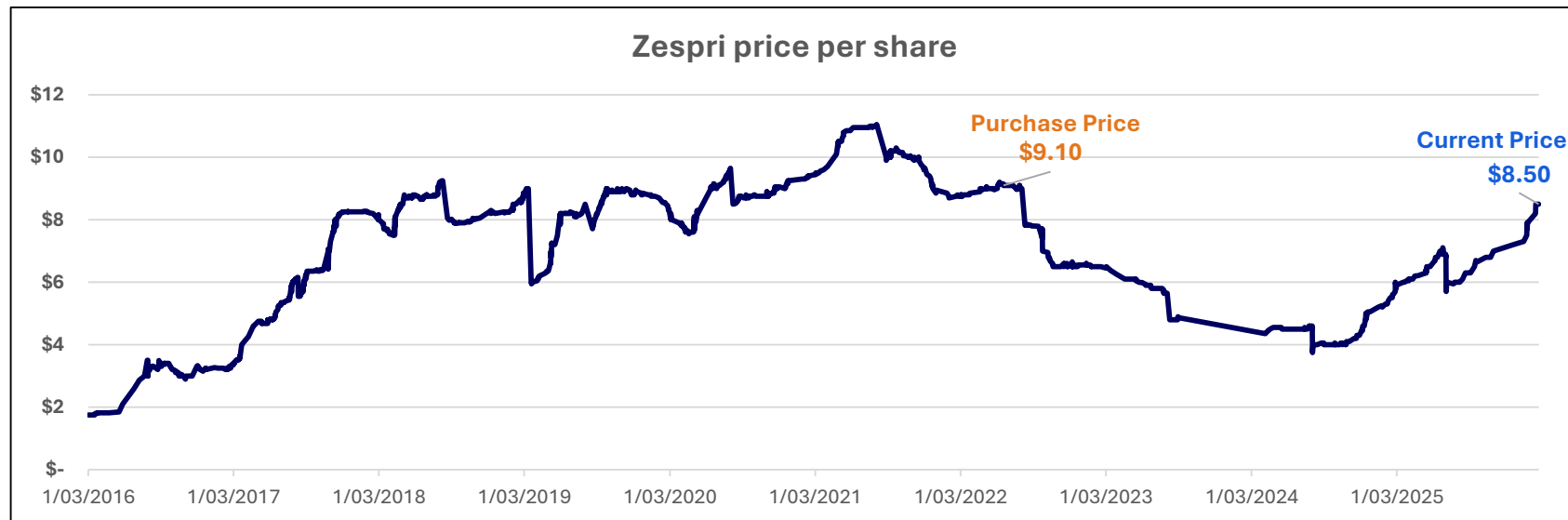


Private equity liquidity options

The Zespri shares are exchange traded, representing a simple sales process

- NRC’s investment in Zespri was made in July 2022, for \$9.10 per share.
- Trading costs to exit the investment are 0.75%, which is approximately \$2,900 based on the current valuation.

	Shares	A. Invested	B. Distributions	C. Current valuation	Total Value (A – B + C)	Annualised Return %
Zespri Co-investment	45,494	\$434,483	\$140,915	\$386,699	\$93,131	4.4% p.a.



— Russell

Private equity liquidity options

Positive outlook for Zespri, but risks remain, and some of which are correlated with other NRC assets

Business Outlook

- Zespri's forecasts for the 2025/26 season showing record-high per hectare returns for most kiwifruit categories with strong global sales, particularly in Europe and North America, and a better finish in Asia than earlier expected.
- Risks include economic headwinds, geopolitical & trade policy, currency fluctuations, climate variability, supply chain disruptions, competition from other producers, and changing consumer preferences.

Key Considerations

- The Zespri holding is ~0.6% of NRC's portfolio, making it one of the largest single holdings.
- Furthermore, Northland is one of Zespri's primary growing areas making it susceptible to be impaired by natural disasters that also impact NRC's other holdings.



Investment Strategy Workshop

Private equity liquidity options

Question to the Investment Committee	Russell Inv. Recommendation	Investment Committee Decision
Does NRC need to adjust the portfolio's current strategic asset allocation?	No reason to change to the strategic asset allocation at this stage but continue to review annually.	
What is the appropriate allocation to private equity ?	A target allocation of 10% is supported by quantitative and qualitative analysis.	
Should NRC look to sell some private equity fund stakes and/or the Zespri shares?	Due to the size of the write-down associated with selling the stakes, we do not believe this course of action is warranted. However, we recommend reviewing the potential sale of the Zespri shares.	

Reporting Framework

- Investment Committee workplan
- Private equity monitoring framework

Investment Committee Workplan

Structured decision-making and accountability framework

Item	Timing	Details	Council	Investment Committee	Investment Manager
Strategic Asset Allocation (SAA)	3-Yearly	Review the SAA, including asset classes, investment strategies, hedging settings, and rebalancing policy, and confirm whether any changes are required.	D	R	A
SIPO Review	Annually	Ensure the SIPO aligns with the current investment strategy and portfolio implementation, and recommend any amendments.	D	R	A
Investment Health Check	Annually	Review portfolio performance against objectives, peers, and benchmarks, and confirm whether the strategy remains on track to achieve its objectives.	I	D	A
Audit & compliance	Annually	Confirm the portfolio is managed in accordance with investment guidelines and external service provider controls.	I	D	A
Review of investment manager & fees	Annually	Review investment manager performance, service delivery, and fees, and confirm value for money.	I	D	A
Review of investment performance	Quarterly	Review portfolio performance, including any material changes to funds, personnel, or market outlook, and receive updates from fund managers.	I	D	A
Education	Quarterly	Enhance IC capability through education on investment best practices, asset classes, and market developments.		I	A

D: Decision maker

R: Recommends

A: Accountable

I: Informed

Private equity monitoring framework

A structured monitoring process to ensure appropriate oversight of the private equity portfolio, with timely feedback to the investment committee of potential risks

Purpose / Notes	Inputs	Frequency
<p>Fund-level monitoring – Track fund performance, cash flows, key portfolio metrics, and any emerging issues, such as concentration risks.</p>	<ul style="list-style-type: none"> Fund Quarterly Reports Portfolio Company Updates Capital Call & Distribution Notices Material fund/company events 	Quarterly
<p>Manager-level monitoring - Assess governance issues, personnel changes, alignment of interests, and market positioning.</p>	<ul style="list-style-type: none"> Manager meetings Market / Peer Benchmarking 	Biannual
<p>Total portfolio health check – confirming compliance, audit results, and fund NAV; evaluate total portfolio performance vs. targets; allocation schedule.</p>	<p>All of the above, plus</p> <ul style="list-style-type: none"> Annual Reports Audited financial Statements 	Annual

Russell Investments

Disclaimer

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. Past performance is not a reliable indicator of future performance.

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SIPO: 2025 Revision & Risk Profile



SIPO - Revision

SIPO underwent several iterations in 2025 incorporating

- Internal management review and technical guidance from an external consultant.
- This iterative process included formal committee meetings and feedback exchanges to resolve technical, governance, and drafting issues.

New SIPO took effect December 2025

- Focused on clearly articulating council's investment objectives, governance framework, risk tolerances, and operating parameters for management of council's investment fund
- Ensuring the document aligned with industry best-practice investment governance principles

SIPO - Revision

The revised SIPO more clearly documents Council's:

- Required rate of return
- Strategic asset allocation (SAA)
- Acceptable asset classes
- Liquidity requirements
- Hedging parameters
- Risk Management, strengthening the articulation of investment risk management and improving consistency between risk management language and asset allocation settings.

SIPO - SAA

Objectives of Fund:

- 1) provide an annual distribution to council (set at 3.5% to match the Long Term Plan),
- 2) inflation proof underlying reserves (set and targeted at 2.5%), and
- 3) grow resilience with any outperformance over 6.0%.

SAA based on longevity of the underlying reserves and their capital use profile.

Spend profile showed 70% growth and 30% defensive SAA appropriate.

Investment Manager Selection

- Procurement limited to a short list of four being Russell Investments, Mercers, Craigs Investment Partners and Fisher Funds.
- Incumbent provider, EriksensGlobal (since 2014), not selected to respond to the RFP, unable to offer depth of investment management services sought under the new SIPO.
- IC members unanimous in endorsement Russell Investments, Tender Committee approved Russell Investments as Investment Manager from 1 December 2025.
- IC supported the SAA proposed.
 - In particular, the overseas exposures were seen as complementary to our wider portfolio exposures, and hence a better hedge to domestic risk drivers.

SIPO – Risk Profile

The 2025 SIPO risk profile can be characterised as:

- **Growth-oriented / higher-risk, long-term investor**
 - Designed for **long-term resilience**, not short-term performance
 - Accepts measured exposure to growth assets **within clearly defined limits**
 - Strong emphasis on **capital preservation, liquidity, and intergenerational equity**
 - Explicitly bounded by policy-level limits
 - Strongly governance-led
 - Supported by active Investment Committee oversight and scenario testing
- 70/30 SAA implies that NRC is intentionally:**
- Prioritising long-term capital growth (10+ years), not income smoothing
 - Accepting market volatility in exchange for higher expected returns
 - Treating the investment portfolio as strategic, not operational cash

Key Risk Attributes of NRC's Portfolio

Volatility Risk

- Portfolio value will fluctuate meaningfully year-to-year
- Budgeting and dividend expectations must tolerate volatility
- Unrealised losses likely during equity market downturns

Time-Horizon Dependence

- Risk profile assumes a **long investment horizon (10+ years)**
- Short-term performance should not drive decision-making
- Suitable where assets are not required for near-term liquidity

Inter-generational Risk Transfer

- Higher growth weighting aligns with:
 - Inter-generational equity
 - Maximising real long-term value
 - But increases short-term political and reputational risk during downturns

SIPO – Risk Mitigation

- Risk is managed through **explicit policy boundaries**, including:
 - SAA aligned to Council’s risk appetite
 - Defined **permitted asset classes and limits**
 - Clear **liquidity requirements** to meet Council cash needs
 - **Currency hedging parameters** to manage foreign exchange risk
 - Mandatory **diversification** to avoid concentration and single-event exposure
- Council also demonstrates:
 - Strong **balance sheet resilience** (low debt, diversification, OpEx reserve...)
 - **Separation of liquidity needs** from long-term investments
 - Governance discipline **not to de-risk at market lows**

High-Growth / Inter-Generational Portfolio Councils

- Characteristics:
 - Explicit inter-generational intent, balance-sheet capacity to tolerate volatility, investments often managed via CCOs or dedicated investment entities, willingness to ride market cycles
- Hawke's Bay Regional Council – in 2024 moved from 50/50 to 70/30 growth/defensive under its updated SIPO, citing long-term objectives and under-risking risk
- Auckland Council (via Auckland Future Fund) – growth-oriented portfolio, long-term target returns over 7% p.a., with inter-generational framing and acceptance of volatility
- Bay of Plenty Regional Council (via Quayside Holdings) – portfolio heavily tilted toward growth assets; frame investments as inter-generational, not income-stabilising

NORTHLAND REGIONAL COUNCIL

Investment Committee Workshop Notes

For the Investment Committee workshop to be held in NRC Chambers, 36 Water Street,
Whangārei
on Thursday 16 April 2026, commencing at 10.30am

Tuhinga/Present:

Committee Chair and Independent Investment Advisor, Daniel Mussett
Councillor John Blackwell
Councillor Jack Crow
Councillor Geoff Crawford
Councillor John Hunt
Councillor Pita Tipene (Ex-Officio)

I Tae Mai/In Attendance:

Full Workshop

Councillor Arama Morunga
Independent Tangata Whenua member Dee-Ann Wolferstan
Tāhūhū Rangapū – Chief Executive, Jonathan Gibbard
Pou Taumatua - GM Corporate Services, Bruce Howse
Finance Manager, Simon Crabb
Russell Investments, Guy Fisher
Russell Investments, Brett Moffat
Personal Assistant to GM Corporate Services, Margaret Knight

The Chair declared the meeting open at 12.30pm with Cllr Tipene commencing the proceedings with a karakia.

Ngā whakapahā/Apologies

Independent Tangata Whenua Member George Riley

SIPO 2025 Revision and Risk Profile

Bruce Howse presented the Strategic Investment Policy (SIPO) journey for NRC. The following key points were noted:

- The SIPO underwent several iterations to clearly articulate Council's investment objectives, including the balance between growth and income, risk settings, and strategic asset allocation.
- Inflation assumptions are set at 2.5%, aligning with the Reserve Bank's target range of 1%–3% pa.
- Full Council retains governance oversight and reviews performance against investment objectives.
- The Investment Committee is responsible for implementation and ongoing monitoring of the SIPO.
- The SIPO outlines the rationale for NRC's current investment position.
- A question was raised regarding inter-generational growth and the extent of short-term liquidity distinct from reserve funds. Aside from private equity, all funds are highly liquid.
- It was noted that recent market conditions have been extraordinary, making market timing and de-risking decisions challenging.

- The SAA is typically reviewed every three years and is based on a long-term investment approach.
- The asset allocation has shifted from 60/40 to 70/30.
- While current levels of returns are unlikely to continue, the strategic focus remains on long-term growth, accepting market volatility.

Investment Strategy Workshop – Russell Investments

Russell Investments outlined their agenda.

Review of the Strategic Asset Allocation (SAA)

- The SAA was noted as a key driver of long-term portfolio performance.
- NRC's current SAA is 70% growth assets / 30% defensive assets.
- The SIPO does not support knee-jerk reactions but does allow for portfolio rebalancing.
- It was noted that the \$65m portfolio was accumulated through the sale of part of NRC's Marsden Maritime Holdings shareholding and allocation of surplus gains.
- Private equity represents approximately 20% of the portfolio and is relatively illiquid, with long-term lock-in periods and potential discounts if exited early.
- Some members expressed a preference for shifting the asset mix (e.g. to a more defensive allocation), while others supported retaining the current 70/30 split.
- Concerns were raised about allocating significantly more to government bonds at current yields.
- Concerns were noted regarding past due diligence and monitoring of private equity investments. Russell Investments was asked to undertake stronger due diligence on current PE holdings, informed by learnings from the previous year's loss within the Federation Alternative fund.
- It was reiterated that governance makes the decisions, guided by the SIPO.
- Clear **disagreement was noted** from some members regarding potential sales of Zespri shares: Cllrs Hunt, Blackwell, Craw and Dee-Ann Wolferstan disagreed with the selling of Zespri shares and Cllr Tipene approved reviewing sale of Zespri shares.

Private Equity and Portfolio Discussion

- A number of funds are maturing, creating an opportunity to slightly de-risk the portfolio and increase liquidity.
- It was noted that a reduction to 10% PE could be achieved over time through natural runoff, without selling existing stakes.
- An alternative pathway could reduce PE exposure to 15% immediately, with runoff to 10% by 2030 and potentially 0% by 2034, but this would incur steep discounts on the sale of holdings to third parties.
- The differences between runoff pathways with sales vs no sales of holdings were noted as minimal in the longer term.
- A member said he preferred 0% PE. Others emphasised the importance of investing back into Northland/Taitokerau, ensuring investments align with strategic priorities and deliver long-term regional benefit. Examples discussed included forestry, Northport, property, and regional structures. The value of investments in Northland was broader than financial returns alone, it included wider economic and community benefits.
- It was also acknowledged that offshore investment is necessary to maintain balance, diversification, and returns.
- Fuel price impacts and how these interact with investment decisions were noted as an area requiring clearer understanding.

Reporting Framework

- The Strategic Asset Allocation (SAA) is currently reviewed every three years.
- It was suggested that a more frequent review cycle would be appropriate, noting committee membership changes across triennia. It was noted that quarterly monitoring reports were provided to Investment Committee. The current monitoring report was noted as comprehensive.
- An annual “health check” or interim review to validate the suitability of the SAA relative to headline SIPO objectives is also undertaken, separate from a full SAA review.
- It was confirmed that a formal SAA review can be initiated at any time if required.
- It was noted that Russell has been asked to provide closer and more frequent monitoring of the private equity portfolio going forward, to help mitigate the risk of future losses, and, specifically, to signal in advance any developing concentration risks within the various PE holdings

Summary

- No decision was supported at this meeting on selling Zespri shares or changing PE exposure.
- A wide range of views was acknowledged, and the discussion was considered useful in identifying areas requiring further work.
- Members were encouraged to request any additional information needed to inform future decisions, including implications for the 70/30 asset mix.
- Further analysis and discussion will be brought back to a future meeting.

Actions

- A discussion paper to be brought to a future Investment Committee meeting seeking direction on whether NRC wishes to reconsider the 70/30 mix.
- Russell Investments to provide analysis on potential allocation changes, expected returns, associated implications.
- Russell Investments to identify expected private equity capital calls over the next ten years.

Conclusion

Following the Karakia by Chair Tipene the meeting concluded at 12.35pm



Statement of Investment Policy and Objectives (SIPO)

June 2025

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1. Introduction

The purpose of this Statement of Investment Policy and Objectives ("SIPO") is to assist Northland Regional Council ("Council"), the Investment Committee of Council ("IC"), Council executives and the Investment Manager in effectively supervising, monitoring, and evaluating the management of its fund of externally managed assets ("the Fund").

The SIPO defines key principles, responsibilities, and operating parameters within which the Fund is to be managed and operated. The SIPO should encourage the use of methodologies and processes that reflect industry best practice, encompass the principles of good governance, and reflect Council's vision, related policies, and risk tolerances.

The investment activities are defined in various sections of the SIPO by:

Stating in a written document Council's attitudes, expectations, objectives, and guidelines for investment.

Clearly defining an investment structure for managing the Fund. This structure includes acceptable asset classes, strategic asset allocation and acceptable exposure ranges that, in total, are expected to produce an appropriate level of diversification and total return over the investment time horizon.

Establishing formal criteria to set, monitor, evaluate and compare the performance of the Fund on a regular basis.

Encouraging effective communication between the Council, IC, Council executives and the Investment Manager.

Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilise, and within applicable laws, rules and regulations.

Providing guidelines and criteria for the appointment of the Investment Manager.

The Fund is part of a wider Investment Portfolio of directly managed investments of Council including:

Northport Group Limited (NGL): Council holds a 43% stake in NGL.

Investment Property: Council holds a portfolio of leasehold and freehold property, in the Northland region.

Forestry: Council holds a small portfolio of forestry.

Directly managed investments do not fall within the scope of this SIPO.

The Investment Portfolio is managed by the Investment Committee to an overarching Investment Strategy. The Investment Strategy document should be read in conjunction with this SIPO.

2. Our Fund

The Fund represents the collective investment of Council and ratepayer financial Reserves.

Through their investment, , Council grow the Reserves, protecting the buying power to support their intended purpose.

Each individual Reserve will have specific spend characteristics, including the potential for the expenditure of the invested capital for that Reserve purpose. For example, Operational Reserves are unlikely to be drawn in the normal year but may be fully drawn when an adverse economic event occurs.

The Fund includes financial reserves held for Economic Development, Regional Projects, Schemes, Property Reinvestment, and Operational Reserves. For details on individual reserves see Councils Long Term Plan.

The IC work with Councils Finance team to ensure that capital movements in and out of the Fund are planned and communicated. Significant changes in the timing of anticipated capital movements may result in a change to the overall Strategic Asset Allocation of the Fund.

The Fund will also include a Resilience and Volatility Reserve (Resilience Reserve). The Resilience Reserve may have a positive or negative balance and is established to insulate Council against market value shocks and to provide funding to Council where annual income from other investments are subject to an annual shock. An acceptable level of Resilience Reserve is determined by the Investment Committee through its Investment Strategy.

Short term operating cash holdings and / or working capital held by Council to meet short term cash flow requirements are not part of the Fund nor governed under this SIPO.

The scope of this SIPO is expressly for the investment and management of the Fund. This SIPO does not apply to other investments of Council, or subsidiaries of Council.

3. Our Investment Beliefs

The Investment Beliefs applied to the Fund are that:

Council is a perpetual entity and a long-term investor, with the ability to accept risks commensurate with its investment horizon.

A broadly diversified pool of assets will deliver better risk-weighted returns to the Fund over time.

Clearly expressed Roles and Responsibilities, coupled with suitable expertise, promotes accountability and improved returns.

Council demonstrates corporate responsibility through the Fund by considering Responsible Investment standards.

The Fund must be well managed to achieve the optimal value for ratepayers as a "net of fees" return.

IF PRINTED THIS POLICY IS VALID AT DATE OF PRINT

4. Our Approach to Responsible Investment

The Council expects management of the Fund to consider Environmental, Social, and Governance (ESG) standards not only in the way it is managed, but also in the way that investment decisions are made. This includes ensuring any Investment and Fund Managers apply industry standard methods and principles in the way they operate and in how underlying investments are selected.

Council demonstrates Responsible Investment in the Fund through:

- The application of good commercial practice in the selection of Investment Managers.
- Ensuring Investment Managers apply industry standards and criteria in selecting investments.
- The identification of targeted exclusions from the Fund.

Where an approach to Responsible Investment is in conflict with other Council documents, this SIPO shall prevail until such time as the conflict is remedied.

Industry Standards

The Council observes the principles applied by significant national bodies like the NZ Super Fund and internationally accepted framework such as the United Nations Principles of Responsible Investment ('UNPRI').

The Fund will apply the following UNPRI aligned principles:

1. We incorporate ESG issues into investment decision making.
2. We are active investors on ESG matters.
3. We seek appropriate disclosures on ESG issues by entities we invest in.
4. We support the implementation of ESG standards across the investment industry.
5. We will work with others to achieve more effective implementation of ESG standards.
6. We will monitor and report on the application of ESG standards in our Fund.

Council expects that any Investment Manager or underlying Fund Manager would measure up to these standards and/ or be a signatory to the UNPRI.

The assets of the Fund are actively managed from a responsible investment perspective, including the active voting on shareholder resolutions in accordance with investment principles in this SIPO.

Investment Exclusions

The following industry and sector exclusions have been determined for the Fund:

- The manufacture of controversial weapons including cluster munitions, nuclear explosive devices (NED's), anti-personnel mines, and civilian automated weapons.
- The manufacture of tobacco and recreational cannabis.
- The exploration, extraction, and processing of fossil fuels.
- Adult entertainment, gambling, the manufacture of alcohol.

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Council also seeks to avoid investment in industries that are illegal under New Zealand law, or where a company or government is subject to sanctions from New Zealand.

Council recognises that absolute exclusion is challenging and therefore seeks to ensure that no more than 10% of an individual investments' revenue is derived from an excluded practice.

In the case of a collective investment vehicle (a pool of funds), the aggregate value of the exclusions listed in the SIPO is limited to 5% of the total value of the Fund.

Where an investment is recognised to be excluded, Council expects the investment to be exited in a timely and cost-effective manner.

Carbon Emissions

Council expects the Fund to work towards being able to track and monitor carbon emissions in relation to the Fund.

Our responsible investment objectives will be aligned with those of the broader Council.

5. Our Fund Strategy

Applying Our SIPO

This SIPO shall be effective from the date of its adoption by Council.

The Fund has up to three months from adoption to reflect changes in the SIPO.

Where the Investment Committee are procuring a potential change in Investment Manager for the Fund, a six-month period from adoption by Council is permitted.

In transition periods the Fund must remain in the framework of the current or prior version of the SIPO.

Our Required Rate of Return

The total return objective of the Fund is to:

Provide an annual income to Council.

Inflation proofs the buying power of the existing Reserves.

Grow resilience for the Council over time through long term returns greater than the first two objectives.

In the 2024 - 2033 Long-term Plan the Council budgeted an annual cash withdrawal to Council equivalent to 3.5% of the opening annual balance of the Council Reserves.

For the duration of the 2024 - 2033 Long Term Plan, a rate of 2.5% has been applied as an annual inflation rate, to maintain the real value of underlying reserves.

Council recognises that the target rate of return for the Fund (a minimum 6.0% net after fees, tax, and expenses) is a long-term one and will not be achieved in every period. Differences between the inflation-proofed value and the Investment Portfolio will be reflected in the Resilience Reserve.

Council expects that the Investment Manager should be able to outperform the target rate of return (after fees and tax) in the long run. Any over or under performance will be represented in movement in the Resilience Reserve.

Our Strategic Asset Allocation

In determining the Strategic Asset Allocation ('SAA') of the Fund, consideration is given to

- The nature of the underlying Reserves and their intended usage.
- The timing of any known capital requirements to add to or spend underlying Reserves.
- Councils positioning as an intergenerational investor.
- The role of the Fund in the context of the wider Investment Portfolio.
- The level of Resilience Reserve.
- The target Rate of Return.

The Investment Committee will review the Strategic Asset Allocation annually against investment returns and known capital requirements of the Council. Movement in the SAA is expected to be slight and gradual, barring circumstances caused by unexpected events (e.g. natural disasters).

Based on the above factors, the Fund is to have an SAA of 70% Growth Assets and 30% Defensive Assets. Tilting of plus or minus 10% is tolerated in the allocation to Growth Assets and Defensive Assets.

Asset Class	Target	Accepted Ranges
Growth Assets	70%	60%-80%
Defensive Assets	30%	20%-40%

Our Acceptable Asset Classes

The following Asset Classes are acceptable for the Fund.

Growth Asset Classes

- Listed Equities (Domestic and Global (including Emerging Markets)).
- Listed Property (Domestic and Global).
- Listed and Unlisted Infrastructure (Domestic and Global).
- Listed and Unlisted Private Equity (Domestic and Global).

A Private Equity Strategy applies within the Growth Asset allocation. This Strategy aims to achieve a target Private Equity upper allocation limit of 10% of the value of the Managed Funds Portfolio by 2030, to be achieved via natural run-off of existing Private Equity investments over time.

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Defensive Asset Classes

Fixed Interest- Government (Domestic and Global).

Fixed Interest - Corporate (Domestic and Global).

Cash/money market instruments.

Defensive asset classes are to be predominantly investment grade.

The Investment Committee and the Investment Manager are expected to formally agree in writing (through an Investment Management Agreement ('IMA') or similar) how the Fund will be managed and invested by Asset Class (see Roles and Responsibilities). In defining this the parties will consider the risk appetite and return expectations of the Council.

Our Liquidity Needs

The Fund is an investment of underlying Reserves, including the Resilience Reserve. Council may need to liquidate a portion of the Fund to meet forecast spend expectations in respect of the underlying reserves, for non-forecast events such as disasters, or the underperformance of other investments. It is an expectation that requests for funding can be met within 30 business days of a request being made.

The Fund shall have no more than 30% exposed to Unlisted assets. For clarity, exposure to Unlisted assets is measured as a combination of invested capital and uncalled capital.

The Fund may not borrow nor be geared using debt or other means. Its funds may not be loaned or pledged.

Our Currency Hedging

The Fund assets, returns, fees, and expectations are assessed in New Zealand Dollars (NZD).

The Council recognises that the offshore exposure creates volatility but also provides a natural hedge against domestic shocks.

Defensive Assets Classes and their income held in offshore markets are targeted to be fully hedged back to NZD.

Growth Asset Classes are permitted to have hedging levels of between 0% and 100%. The level of hedging on Growth Asset Classes is to be determined by the Investment Committee and the Investment Manager with consideration to the wider Investment Portfolio and Investment Strategy.

The Fund is not to ~~be~~ speculate on currency.

6. Our Investment Risk Management

Council acknowledges that to generate investment returns some risk must be accepted. This includes the fact that at times returns may be negative or below the value of capital invested.

Council, as part of its risk management approach has employed the use of experts to oversee the Fund, including the Investment Committee and Investment Managers.

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Council itself is an intergenerational entity, providing for current and future ratepayers, enabling it to take a view of a long-term investor. The nature of funds invested by Council are a blend of intergenerational fund and ratepayer Reserves.

In setting the Funds SAA and eligible Asset Classes, consideration is given to the capital balance of Reserves and where known, the timing of use of such Reserves.

Council expects the Fund to be appropriately diversified to limit the exposure of the Fund to a single event.

Council expects the Investment Committee and Investment Manager to ensure the Fund is effectively risk managed against the parameters of this SIPO through its IMA. This will include the management of concentration risk, counterparty risk, credit risk, currency risk, market risk, and operational risk.

7. Our Roles and Responsibilities

This SIPO assigns the following Roles and Responsibilities for the Fund.

All identified Roles and Responsibilities are to be enacted with care, skill, prudence, and due diligence that an experienced investment professional, acting in a like capacity, would use. All parties are expected to comply with all applicable laws, rules and regulations.

Council

To consider and resolve any changes to this SIPO.

To recommend and appoint suitably qualified members to the IC.

To consider and resolve on any transactions that breach the limits provided to the IC under this SIPO.

Investment Committee (IC)

The IC is a committee appointed by Council and operates under the Investment Committee Terms of Reference. As Council owns the relationship with the Investment Committee, the Investment Committee holds the relationship with the Investment Manager.

The role of the IC in relation to this SIPO is:

To undertake a lite annual and a formal triennial review of the SIPO and make recommendations to Council.

To select, appoint or remove, and monitor the Investment Manager.

To ensure that appropriate agreed legal documentation, such as an IMA, is in place with the Investment Manager to effectively execute this SIPO while effectively managing and monitoring investment risks.

To monitor the operation of the Investment Manager for breaches of this SIPO, reporting to Council any breach and a recommended course of action.

To monitor the operation of the Investment Manager for breaches of the IMA and resolve with the Investment Manager any breach with a recommended course of action.

To monitor and regularly review the investment performance of the Investment Manager at a Fund and Asset Class level.

To monitor the risk and the return trade-off of the Fund against the objectives of the SIPO.

To ensure that appointed Fund Managers comply with the SIPO.

To ensure that assets are held in safe custody.

Agree the level of fees payable by the Fund for services provided.

Minutes of the meeting of the IC will be provided to Council.

The Finance Team

Council Executive, via the Finance Team provide operational support to the Investment Committee and are the day-to-day contact for the Investment Manager.

Inform the IC on forecast Capital Contribution or Withdrawal into or out of the Fund in relation to the growth or spend of Reserves.

Inform the IC on forecast level of Annual Withdrawals from the Fund and the proposed timing of such withdrawal.

Inform the IC on any forecast usage of the Resilience Reserve in a financial year.

Provide operational support to the IC through the compiling of IC papers.

The delegated authority to move capital between the Fund and Council (both ways) is in accordance with the Council Treasury Policy.

Investment Manager

The Investment Manager is the primary advisor to the Investment Committee and responsible for delivering the performance of the Fund. The IC may appoint one or more Investment Managers. The reference to Investment Manager in this SIPO can also be inferred as multiple Investment Managers.

The relationship between the Investment Committee and the Investment Manager is formally documented in an IPS. This will include

The asset allocation for each Asset Class, including acceptable exposure ranges.

By Asset Class, diversification to manage counterparty and single asset risks.

By Asset Class, benchmarks for assessing Investment Manager performance.

Identify approved third-party Fund Managers and Custodians for the Fund.

At a whole of Fund level, the approach to rebalancing, hedging and liquidity within the guidelines of this SIPO.

The timing and nature of reporting on the Fund provided by the Investment Manager.

The approach to resolving breaches of the SIPO or IMA including breaches of the standards of Responsible Investment outlined in this SIPO.

The reporting, and frequency of reporting and meetings, to allow the IC and Council Executive to execute their fiduciary duties under this SIPO.

The negotiated level of fees payable by the Fund for any investment services.

The ability for the IC to terminate the agreement upon a reasonable notice period.

Any other factors material to the management of the Fund.

The relationship between the IC and the Investment Manager is expected to be active and engaging.

The IMA is a live document and able to be updated at any time on the agreement of both signing parties.

Fund Managers

Fund Managers may be appointed to manage Asset Classes in whole or part, in accordance with the rules and limits of this SIPO.

The appointment of any Fund Manager is agreed between the Investment Committee and the Investment Manager and recorded in the IMA, and act within the agreed limits of the IMA.

Custodian

Assets of the Fund must be held either in the name of Council directly, or via custodians, with sufficient segregation from the Investment Manager.

The appointment of any Custodian is agreed between the Investment Committee and the Investment Manager and recorded in the IMA.

8. Our Investment Manager Selection

The Investment Committee is responsible for the appointment or removal of an Investment Manager for the Fund.

Conflict of interest, whether real or perceived, in the process of shortlisting or selecting an Investment Manager should be declared to Council and prospective parties.

Where the Investment Committee is procuring Investment Management services, this must be done in a fair and transparent manner. The Investment Committee may limit the procuring to entities they believe can deliver the outcomes set in this SIPO and the Investment Strategy.

9. Version Control

Version Number	Approved	Reason for Change
1.	24 September 2024	Addition of Private Equity Managers
2.	July 2025	<p>Full review of the SIPO.</p> <p>Addition of the Investment Committee.</p> <p>Change in SAA to 70%/30%.</p> <p>Changes in Responsible Investments.</p> <p>Separation of the policy and operational matters, with operational matters in an Investment Policy Statement.</p> <p>Merge of Short Term Fund (STF) into a blend of Council held assets and the Long Term Fund. The combined fund is now referred to as The Fund.</p>
<u>3.</u>	<u>July 2026 [TBC]</u>	<u>Introduction of a Private Equity Strategy, including a target Private Equity upper allocation limit of 10% of the value of the Managed Funds Portfolio by 2030, to be achieved via natural run-off of existing Private Equity investments over time.</u>

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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
7.1	Confirmation of Confidential Minutes - 3 March 2026	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 on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(i) and the withholding of which is necessary to prevent the disclosure or use of official information for improper gain or improper advantage s7(2)(j).
7.2	Receipt of Confidential Action Sheet	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
7.3	Managed Investment Funds Portfolio - Performance to 31 March 2026	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to prevent the disclosure or use of official information for improper gain or improper advantage s7(2)(j).
7.4	Update on Council's Property Projects and Other Commercial 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).
7.5	Northport Group Ltd - Directors' Six-Monthly Report to Shareholders	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).

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

Considerations

1. Significance and Engagement

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

2. 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.

3. Other Considerations

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