

## NORTHLAND REGIONAL COUNCIL EXTERNALLY MANAGED INVESTMENT FUNDS

QUARTERLY REPORT 30 JUNE 2022

26 JULY 2022

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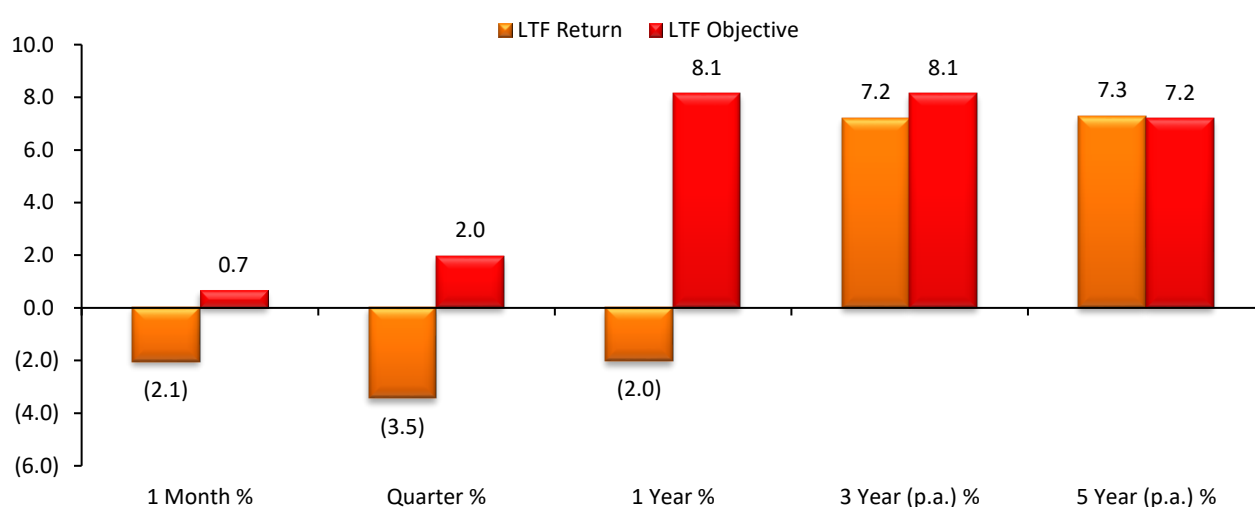
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## EXECUTIVE SUMMARY

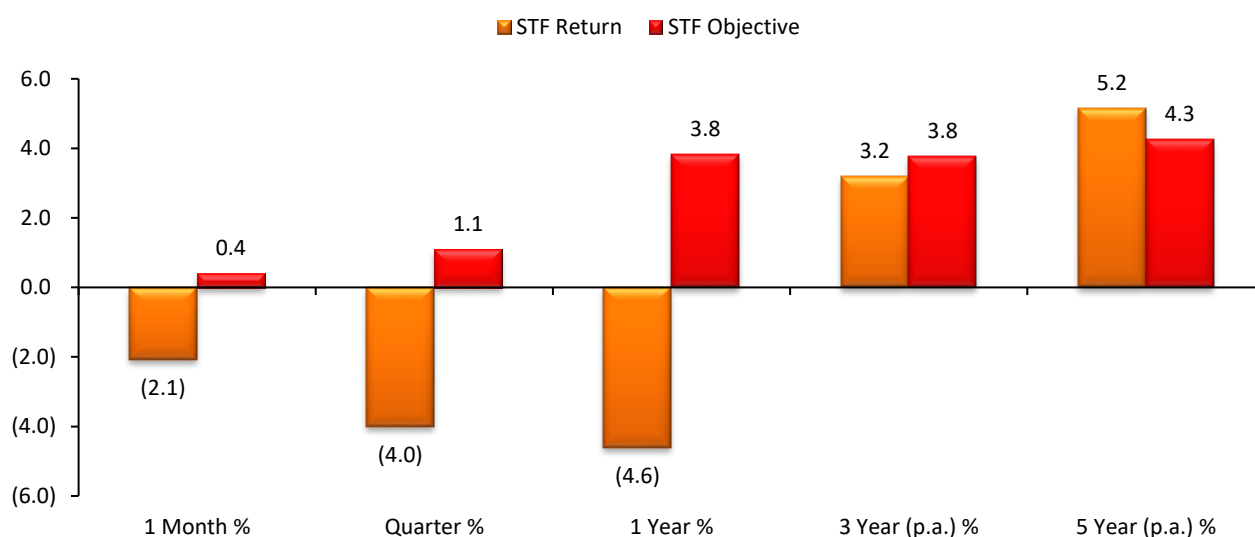
### PERFORMANCE

Both the LTF and STF outperformed against their real objectives over the five-year periods. The STF performed 2.6% below the LTF for the year.

	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>LTF</b>	<b>(2.1)</b>	<b>(3.5)</b>	<b>(2.0)</b>	<b>7.2</b>	<b>7.3</b>
Objective	0.7	2.0	8.1	8.1	7.2
Over / Underperformance	(2.8)	(5.5)	(10.1)	(0.9)	0.1



	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>STF</b>	<b>(2.1)</b>	<b>(4.0)</b>	<b>(4.6)</b>	<b>3.2</b>	<b>5.2</b>
Objective	0.4	1.1	3.8	3.8	4.3
Over / Underperformance	(2.5)	(5.1)	(8.4)	(0.6)	0.9



## PORTFOLIO HIGHLIGHTS

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Equity markets and bond markets suffered significant falls over the June quarter. The month of June saw the continuation of a risk-off market seen in April and May as fears of persistent inflation and the impact of central banks raising interest rates weighed heavily on investor sentiment. The NZ dollar fell against most major currencies over the quarter, particularly against the US dollar, reducing the fall from global equities over the quarter by around 8%.

With negative returns from shares and bonds all funds with CPI or OCR based benchmarks underperformed. Private equity and alternative assets were the only asset classes to generate positive returns.

## RECOMMENDATIONS/ACTIONS

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The global equity asset class is below its range due to the continuing volatility of financial markets, in particular the recent equities market sell-off. In addition, \$1 million was redeemed from Harbour T. Rowe Price Global Equity in May to help de-risk the portfolio.

We have used preliminary numbers for Fermat ILS Yield due to a delay of the statement caused by an error in the unit price earlier this year. We expect a minor variation in the valuation of the Fund.

We do not recommend any changes to either portfolio at this point.

## ECONOMIC COMMENTS

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Markets are under pressure from geopolitics, inflation and recession risk from central banks tightening.

High inflation has started to cause political problems in developing countries.

Fear of recession has split investors into two camps. Optimists and pessimists?

The NZ dollar weakened against most major currencies.

Sovereign debt risk has increased, with more countries seeking to restructure their debt if they can.

## 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 **June 2022 was 4% 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 **12** months and are excluded from this report.

## LONG TERM FUND

### PERFORMANCE SUMMARY

Asset	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Diversified Growth</b>					
<b>Aspiring</b>	<b>(4.8)</b>	<b>(7.3)</b>	<b>(7.7)</b>	<b>8.0</b>	<b>8.1</b>
Benchmark	0.6	1.9	7.6	7.6	6.7
Over / Underperformance	(5.4)	(9.2)	(15.3)	0.4	1.4
<b>Castle Point 5 Oceans</b>	<b>(2.3)</b>	<b>(3.6)</b>	<b>(1.5)</b>	<b>5.3</b>	<b>5.5</b>
Benchmark	0.4	1.2	3.9	3.7	4.1
Over / Underperformance	(2.7)	(4.8)	(5.4)	1.6	1.4
<b>Milford Active Growth</b>	<b>(6.0)</b>	<b>(8.7)</b>	<b>(7.2)</b>	<b>6.8</b>	<b>8.8</b>
Benchmark	0.8	2.4	10.0	10.0	10.0
Over / Underperformance	(6.8)	(11.1)	(17.2)	(3.2)	(1.2)
<b>Mint Diversified Growth</b>	<b>(5.4)</b>	<b>(11.7)</b>	<b>(13.2)</b>		
Benchmark	0.7	2.0	8.1		
Over / Underperformance	(6.1)	(13.7)	(21.3)		
<b>Schroders Real Return</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(2.3)</b>	<b>4.2</b>	<b>4.2</b>
Benchmark	0.5	1.6	6.7	6.7	6.5
Over / Underperformance	(2.0)	(3.3)	(9.0)	(2.5)	(2.3)
<b>Global Equity</b>					
<b>Harbour T. Rowe Price Global Equity</b>	<b>(3.7)</b>	<b>(11.6)</b>	<b>(24.2)</b>	<b>7.4</b>	
Benchmark	(4.1)	(5.6)	(5.3)	9.0	
Over / Underperformance	0.4	(6.0)	(18.9)	(1.6)	
<b>Nanuk New World</b>	<b>(5.9)</b>	<b>(7.5)</b>	<b>(6.3)</b>		
Benchmark	(5.9)	(11.5)	(7.5)		
Over / Underperformance	0.0	4.0	1.2		
<b>Private Equity</b>					
<b>Castlerock</b>	<b>0.1</b>	<b>0.1</b>			
Benchmark	0.6	1.9			
Over / Underperformance	(0.5)	(1.8)			
<b>Continuity Capital No.2</b>	<b>(0.5)</b>	<b>(0.0)</b>	<b>29.2</b>	<b>32.1</b>	
Benchmark	1.2	3.6	15.0	15.0	
Over / Underperformance	(1.7)	(3.6)	14.2	17.1	
<b>Continuity Capital No.4</b>	<b>(1.0)</b>	<b>4.2</b>	<b>14.8</b>	<b>15.6</b>	
Benchmark	1.2	3.6	15.0	15.0	
Over / Underperformance	(2.2)	0.6	(0.2)	0.6	
<b>Continuity Capital No.5</b>	<b>0.4</b>	<b>5.2</b>	<b>23.2</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	(0.8)	1.6	8.2		
<b>Continuity Capital No.6</b>	<b>(0.4)</b>	<b>0.6</b>	<b>(5.4)</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	(1.6)	(3.0)	(20.4)		
<b>Continuity Capital No.7</b>	<b>(1.8)</b>				
Benchmark	1.2				
Over / Underperformance	(3.0)				
<b>CPEC 9</b>	<b>21.4</b>	<b>24.0</b>			
Benchmark	1.2	3.6			
Over / Underperformance	20.2	20.4			

Asset	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Direct Capital VI</b>	<b>2.1</b>	<b>0.0</b>	<b>32.5</b>		
Benchmark	0.6	1.9	8.0		
Over / Underperformance	1.5	(1.9)	24.5		
<b>Federation Alternative</b>	<b>0.4</b>	<b>2.4</b>	<b>2.9</b>		
Benchmark	1.2	3.8	16.0		
Over / Underperformance	(0.8)	(1.4)	(13.1)		
<b>Milford PE III</b>	<b>(0.4)</b>	<b>(1.0)</b>			
Benchmark	0.6	1.9			
Over / Underperformance	(1.0)	(2.9)			
<b>MLC PE II</b>	<b>3.8</b>	<b>14.5</b>	<b>40.1</b>	<b>26.9</b>	
Benchmark	1.2	3.6	15.0	15.0	
Over / Underperformance	2.6	10.9	25.1	11.9	
<b>MLC PE III</b>	<b>3.3</b>	<b>10.7</b>	<b>56.3</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	2.1	7.1	41.3		
<b>Oriens Fund 2</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>15.0</b>		
Benchmark	0.6	1.9	8.0		
Over / Underperformance	(2.3)	(3.6)	7.0		
<b>PCP III</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(3.2)</b>	<b>9.7</b>	<b>14.1</b>
Benchmark	0.6	1.9	8.0	8.0	8.0
Over / Underperformance	(1.2)	(2.5)	(11.2)	1.7	6.1
<b>PCP IV</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(14.6)</b>		
Benchmark	0.6	1.9	8.0		
Over / Underperformance	(1.6)	(2.9)	(22.6)		
<b>Diversified Income</b>					
<b>BlackRock FIGO</b>	<b>(1.8)</b>	<b>(0.7)</b>	<b>(3.5)</b>	<b>2.3</b>	<b>2.6</b>
Benchmark	0.4	1.1	4.1	4.3	4.9
Over / Underperformance	(2.2)	(1.8)	(7.6)	(2.0)	(2.3)
<b>Fermat ILS Yield</b>	<b>0.4</b>	<b>2.5</b>	<b>6.8</b>		
Benchmark	0.4	1.2	4.6		
Over / Underperformance	0.0	1.3	2.2		
<b>Harbour Income</b>	<b>(1.5)</b>	<b>(3.1)</b>	<b>(2.7)</b>	<b>3.9</b>	<b>5.0</b>
Benchmark	0.4	1.3	4.4	4.2	4.6
Over / Underperformance	(1.9)	(4.4)	(7.1)	(0.3)	0.4
<b>Milford Diversified Income</b>	<b>(2.9)</b>	<b>(4.3)</b>	<b>(3.2)</b>	<b>2.5</b>	<b>5.0</b>
Benchmark	0.4	1.1	3.4	3.2	3.6
Over / Underperformance	(3.3)	(5.4)	(6.6)	(0.7)	1.4
<b>Mint Diversified Income</b>	<b>(1.5)</b>	<b>(4.8)</b>	<b>(8.8)</b>	<b>0.2</b>	<b>2.6</b>
Benchmark	0.5	1.6	6.6	6.6	5.7
Over / Underperformance	(2.0)	(6.4)	(15.4)	(6.4)	(3.1)
<b>Cash</b>					
<b>Self Managed</b>	<b>0.1</b>				
Benchmark	0.2				
Value Added	(0.1)				
<b>Total Fund</b>	<b>(2.1)</b>	<b>(3.5)</b>	<b>(2.0)</b>	<b>7.2</b>	<b>7.3</b>
Fund Objective	0.7	2.0	8.1	8.1	7.2
Over / Underperformance	(2.8)	(5.5)	(10.1)	(0.9)	0.1

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

## CONTINUITY CAPITAL PE FUND NO.2 (HISTORICAL RETURN)

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

Asset	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Continuity Capital PE Fund No.2</b>	<b>(0.5)</b>	<b>(0.0)</b>	<b>29.2</b>	<b>32.1</b>	<b>23.4</b>
Benchmark	1.2	3.6	15.0	15.0	15.0
Value Added	(1.7)	(3.6)	14.2	17.1	8.4

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

## AUSTRALIAN DOLLAR-DENOMINATED FUND RETURNS

The following table shows the movements of the AUD/NZD cross rate which affect the unhedged Schroders, MLC, 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.

Asset	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>AUD/NZD</b>	<b>(0.4)</b>	<b>(2.4)</b>	<b>(2.9)</b>	<b>(1.9)</b>	<b>(1.1)</b>
<b>Schroders Real Return (NZD)</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(2.3)</b>	<b>4.2</b>	<b>4.2</b>
Benchmark	0.5	1.6	6.7	6.7	6.5
Over / Underperformance	(2.0)	(3.3)	(9.0)	(2.5)	(2.3)
<b>Schroders Real Return (AUD)</b>	<b>(1.9)</b>	<b>(4.1)</b>	<b>(5.9)</b>	<b>1.5</b>	<b>2.7</b>
Benchmark	0.5	1.6	6.7	6.7	6.5
Over / Underperformance	(2.4)	(5.7)	(12.6)	(5.2)	(3.8)
<b>MLC PE II (NZD)</b>	<b>3.8</b>	<b>14.5</b>	<b>40.1</b>	<b>26.9</b>	
Benchmark	1.2	3.6	15.0	15.0	
Over / Underperformance	2.6	10.9	25.1	11.9	
<b>MLC PE II (AUD)</b>	<b>3.4</b>	<b>11.8</b>	<b>36.1</b>	<b>24.6</b>	
Benchmark	1.2	3.6	15.0	15.0	
Over / Underperformance	2.2	8.2	21.1	9.6	
<b>MLC PE III (NZD)</b>	<b>3.3</b>	<b>10.7</b>	<b>56.3</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	2.1	7.1	41.3		
<b>MLC PE III (AUD)</b>	<b>2.9</b>	<b>8.1</b>	<b>52.6</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	1.7	4.5	37.6		
<b>BlackRock FIGO (NZD)</b>	<b>(1.8)</b>	<b>(0.7)</b>	<b>(3.5)</b>	<b>2.3</b>	<b>2.6</b>
Benchmark	0.4	1.1	4.1	4.3	4.9
Over / Underperformance	(2.2)	(1.8)	(7.6)	(2.0)	(2.3)
<b>BlackRock FIGO (AUD)</b>	<b>(2.1)</b>	<b>(3.1)</b>	<b>(6.3)</b>	<b>0.4</b>	<b>1.5</b>
Benchmark	0.4	1.1	4.1	4.3	4.9
Over / Underperformance	(2.5)	(4.2)	(10.4)	(3.9)	(3.4)



	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Continuity Capital No.5 (NZD)</b>	<b>0.4</b>	<b>5.2</b>	<b>23.2</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	(0.8)	1.6	8.2		
<b>Continuity Capital No.5 (AUD)</b>	<b>0.0</b>	<b>2.7</b>	<b>19.4</b>		
Benchmark	1.2	3.6	15.0		
Over / Underperformance	(1.2)	(0.9)	4.4		
<b>Continuity Capital No.7 (NZD)</b>	<b>(1.8)</b>				
Benchmark	1.2				
Over / Underperformance	(3.0)				
<b>Continuity Capital No.7 (AUD)</b>	<b>(2.2)</b>				
Benchmark	1.2				
Over / Underperformance	(3.4)				
<b>Nanuk New World (NZD)</b>	<b>(5.9)</b>	<b>(7.5)</b>	<b>(6.3)</b>		
Benchmark	(5.9)	(11.5)	(7.5)		
Over / Underperformance	0.0	4.0	1.2		
<b>Nanuk New World (AUD)</b>	<b>(6.3)</b>	<b>(9.7)</b>	<b>(9.0)</b>		
Benchmark	(5.9)	(11.5)	(7.5)		
Over / Underperformance	(0.4)	1.8	(1.5)		
<b>Federation Alternative (NZD)</b>	<b>0.4</b>	<b>2.4</b>	<b>2.9</b>		
Benchmark	1.2	3.8	16.0		
Over / Underperformance	(0.8)	(1.4)	(13.1)		
<b>Federation Alternative (AUD)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
Benchmark	1.2	3.8	16.0		
Over / Underperformance	(1.2)	(3.8)	(16.0)		
<b>Fermat ILS Yield (NZD)</b>	<b>0.4</b>	<b>2.5</b>	<b>6.8</b>		
Benchmark	0.4	1.2	4.6		
Over / Underperformance	0.0	1.3	2.2		
<b>Fermat ILS Yield (AUD)</b>	<b>0.0</b>	<b>0.1</b>	<b>3.7</b>		
Benchmark	0.4	1.2	4.6		
Over / Underperformance	(0.4)	(1.1)	(0.9)		
<b>CPEC 9 (NZD)</b>	<b>21.4</b>	<b>24.0</b>			
Benchmark	1.2	3.6			
Over / Underperformance	20.2	20.4			
<b>CPEC 9 (AUD)</b>	<b>20.3</b>	<b>20.3</b>			
Benchmark	1.2	3.6			
Over / Underperformance	19.1	16.7			

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

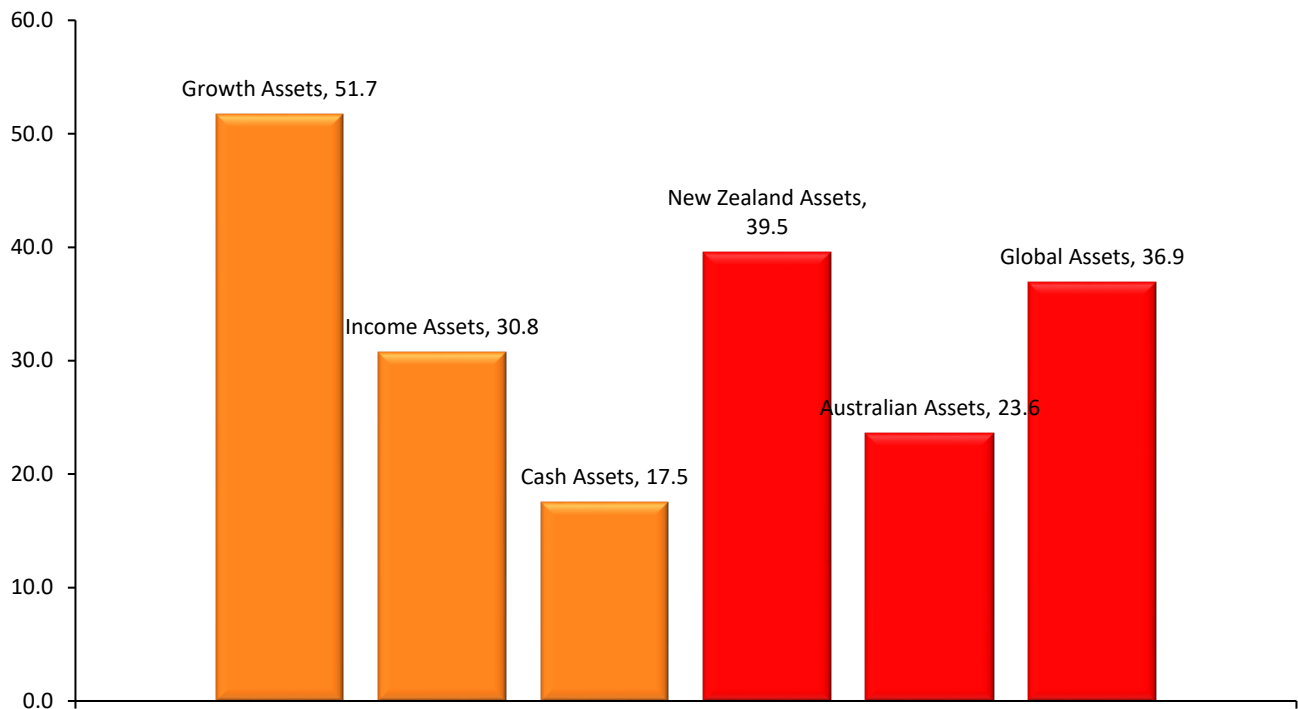
## LTF OVERALL FUND ASSET ALLOCATION

Overall Fund Asset Allocation	Market Value		Target	Target Range	Status
	\$	%	%	%	
<b>Growth Assets</b>	<b>35,312,862</b>	<b>58.1</b>	<b>67</b>	<b>50 - 85</b>	✓
<b>Diversified Growth</b>	<b>22,325,390</b>	<b>36.7</b>	<b>35</b>	<b>25 - 70</b>	✓
Aspiring	3,896,770	6.4	8	5 - 15	✓
Castle Point 5 Oceans	8,387,325	13.8	15	10 - 20	✓
Milford Active Growth	3,675,041	6.0	5	0 - 10	✓
Mint Diversified Growth	2,214,468	3.6	5	0 - 10	✓
Schroders Real Return	4,151,786	6.8	2	0 - 10	✓
<b>Global Equity*</b>	<b>2,693,655</b>	<b>4.4</b>	<b>7</b>	<b>5 - 20</b>	✗
Harbour T. Rowe Price Global Equity	1,849,900	3.0	5	0 - 10	✓
Nanuk New World	843,755	1.4	2	0 - 5	✓
<b>Private Equity</b>	<b>10,293,817</b>	<b>16.9</b>	<b>25</b>	<b>0 - 35</b>	✓
Castlerock	1,025,641	1.7	2	0 - 5	✓
Continuity Capital PE Fund No.2 LP	902,084	1.5	2	0 - 3	✓
Continuity Capital PE Fund No.4 LP	702,593	1.2	1	0 - 3	✓
Continuity Capital PE Fund No.5	1,625,550	2.7	2	0 - 5	✓
Continuity Capital PE Fund No.6 LP	483,106	0.8	2	0 - 5	✓
Continuity Capital PE Fund No.7	254,847	0.4	2	0 - 5	✓
CPEC 9	64,737	0.1	1	0 - 3	✓
Direct Capital VI	513,230	0.8	2	0 - 5	✓
Federation Alternative	974,065	1.6	2	0 - 5	✓
Milford PE III	483,300	0.8	2	0 - 5	✓
MLC PE II	1,232,406	2.0	2	0 - 5	✓
MLC PE III	318,968	0.5	1	0 - 3	✓
Oriens Fund 2	290,882	0.5	1	0 - 3	✓
PCP III	845,637	1.4	1	0 - 3	✓
PCP IV	576,772	0.9	1	0 - 3	✓
<b>Income Assets</b>	<b>25,443,303</b>	<b>41.9</b>	<b>33</b>	<b>15 - 50</b>	✓
<b>Diversified Income</b>	<b>21,934,809</b>	<b>36.1</b>	<b>33</b>	<b>15 - 45</b>	✓
BlackRock FIGO	608,117	1.0	2	0 - 10	✓
Fermat ILS Yield**	685,965	1.1	2	0 - 10	✓
Harbour Income	7,808,004	12.9	9	0 - 15	✓
Milford Diversified Income	6,562,611	10.8	10	0 - 15	✓
Mint Diversified Income	6,270,111	10.3	10	0 - 15	✓
<b>Cash</b>	<b>3,508,494</b>	<b>5.8</b>	<b>0</b>	<b>0 - 20</b>	✓
Self-Managed	3,508,494	5.8	0	0 - 20	✓
<b>Total Assets</b>	<b>60,756,165</b>	<b>100.0</b>			

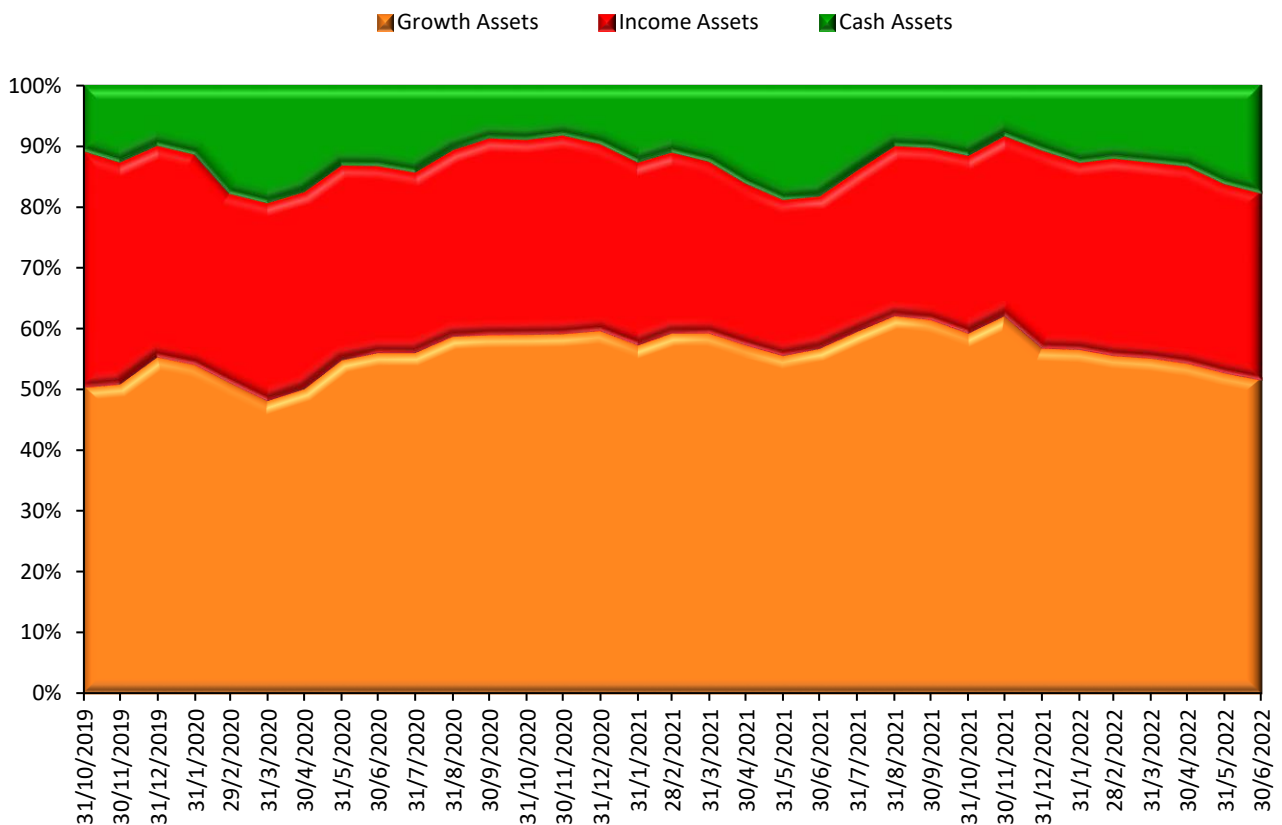
\*The global equity asset class is below its range due to the continuing volatility of financial markets, in particular the recent equities market sell-off. In addition, \$1 million was redeemed from Harbour T. Rowe Price Global Equity in May to help de-risk the portfolio.

\*\*We have used preliminary numbers due to a delay of the statement caused by an error in the unit price earlier this year. We expect a minor variation in the valuation of the Fund.

## LTF UNDERLYING FUND ASSET ALLOCATION



## UNDERLYING ASSET ALLOCATION



## SHORT TERM FUND

### PERFORMANCE SUMMARY

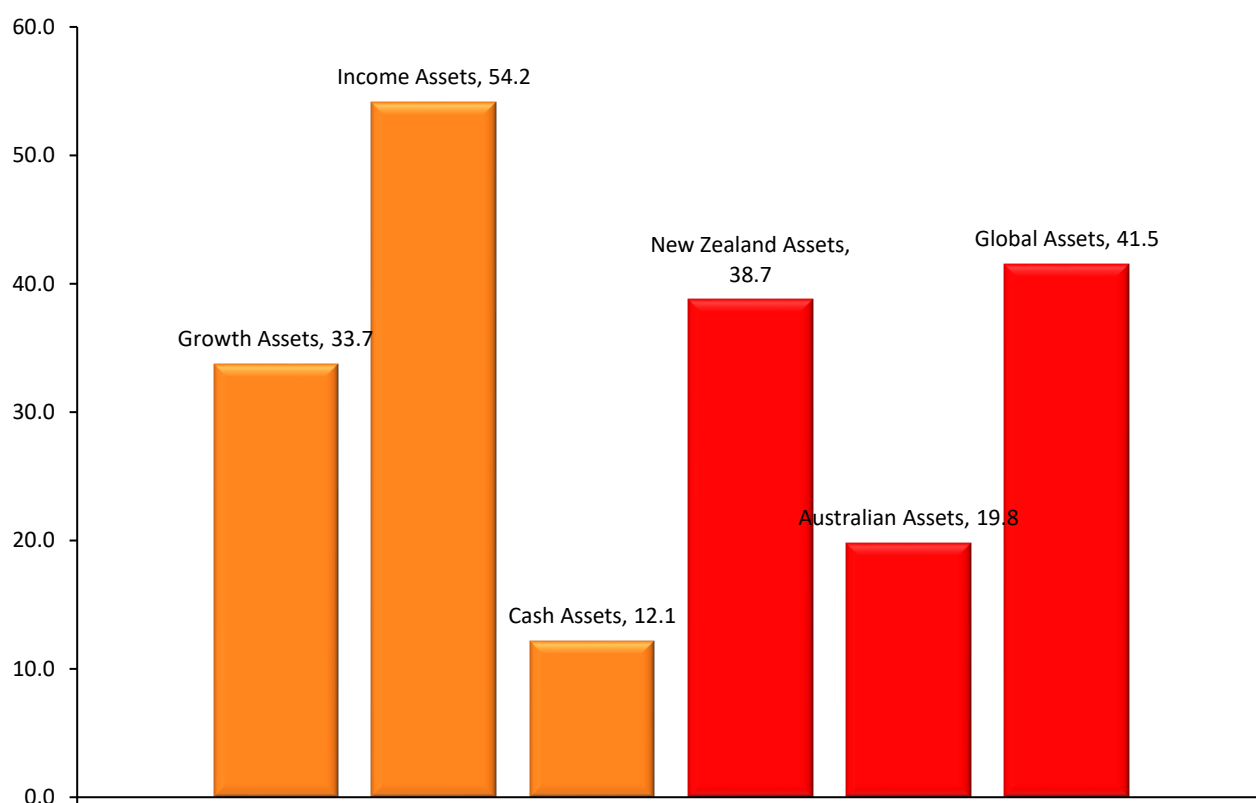
Performance Summary	1 Month %	Quarter %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
<b>Diversified Growth</b>					
<b>Castle Point 5 Oceans</b>	<b>(2.3)</b>	<b>(3.6)</b>	<b>(1.4)</b>	<b>4.8</b>	
Benchmark	0.4	1.2	3.9	3.7	
Value Added	(2.7)	(4.8)	(5.3)	1.1	
<b>Milford Active Growth</b>					
Benchmark	0.8	2.4	10.0		
Over / Underperformance	(6.8)	(11.1)	(17.8)		
<b>Mint Diversified Growth</b>					
Benchmark	0.7	2.0	8.1		
Over / Underperformance	(6.1)	(13.7)	(21.6)		
<b>Diversified Income</b>					
<b>Harbour Income</b>	<b>(1.3)</b>	<b>(2.9)</b>	<b>(3.1)</b>	<b>3.4</b>	
Benchmark	0.4	1.3	4.4	4.2	
Value Added	(1.7)	(4.2)	(7.5)	(0.8)	
<b>Milford Diversified Income</b>					
Benchmark	0.4	1.1	3.4	3.2	3.6
Over / Underperformance	(2.8)	(5.7)	(7.4)	(1.1)	1.1
<b>Mint Diversified Income</b>					
Benchmark	0.5	1.6	6.6	6.6	5.7
Value Added	(1.4)	(6.5)	(15.6)	(6.4)	(3.1)
<b>QuayStreet Income</b>					
Benchmark	0.3	0.9	2.9	2.7	3.1
Value Added	(0.8)	(2.8)	(6.0)	(1.0)	0.3
<b>Cash</b>					
<b>Self-Managed</b>	<b>0.0</b>				
Benchmark	0.2				
Value Added	(0.2)				
<b>Total Fund</b>					
Benchmark	0.4	1.1	3.8	3.8	4.3
Value Added	(2.5)	(5.1)	(8.4)	(0.6)	0.9

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

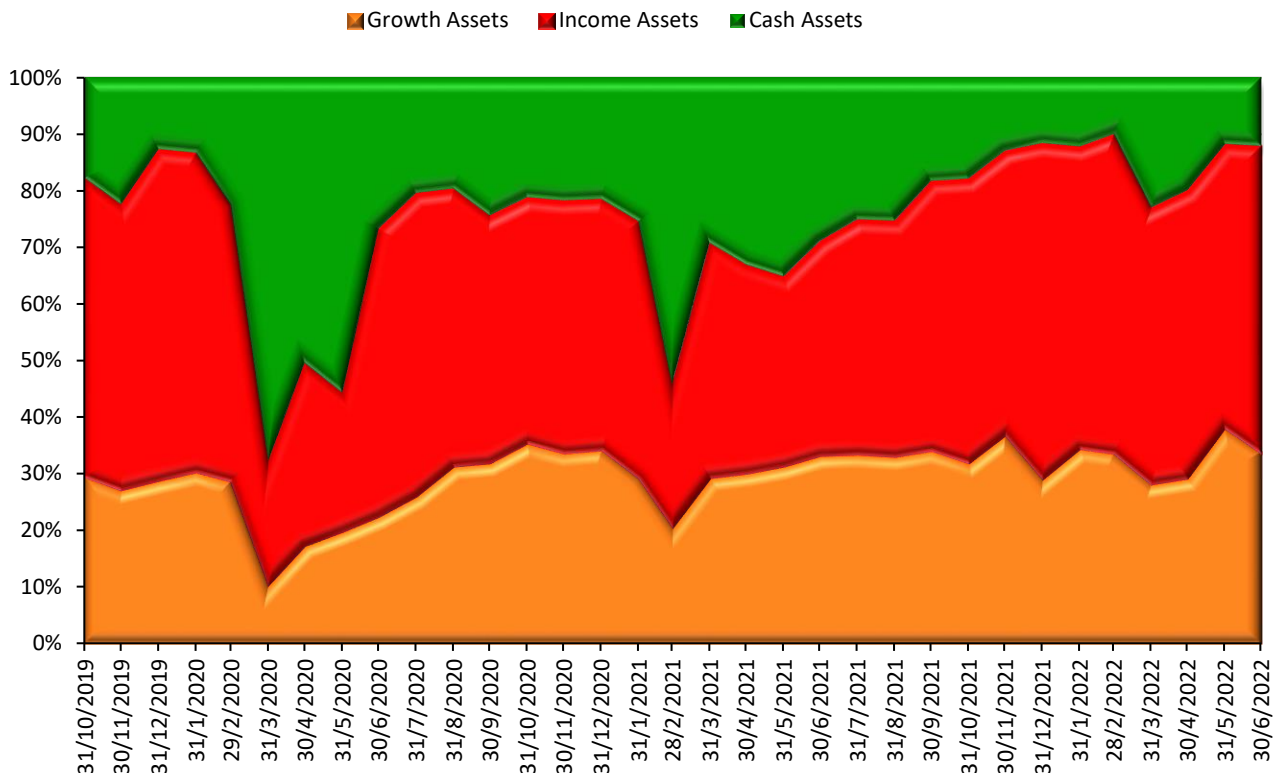
## STF OVERALL FUND ASSET ALLOCATION

Overall Fund Asset Allocation	Market Value		Target	Target Ranges	Status
	\$	%			
<b>Growth Assets</b>	<b>4,804,341</b>	<b>30.8</b>	<b>20</b>	<b>0 - 40</b>	✓
<b>Diversified Growth</b>	<b>4,804,341</b>	<b>30.8</b>	<b>20</b>	<b>0 - 40</b>	✓
Castle Point 5 Oceans	2,814,494	18.1	10	0 - 20	✓
Milford Active Growth	1,558,075	10.0	5	0 - 20	✓
Mint Diversified Growth	431,772	2.8	5	0 - 20	✓
<b>Income Assets</b>	<b>10,770,212</b>	<b>69.2</b>	<b>80</b>	<b>60 - 100</b>	✓
<b>Diversified Income</b>	<b>10,770,212</b>	<b>69.2</b>	<b>80</b>	<b>60 - 100</b>	✓
Harbour Income	3,219,606	20.7	20	0 - 30	✓
Milford Diversified Income	2,878,877	18.5	20	0 - 30	✓
Mint Diversified Income	1,512,285	9.7	20	0 - 30	✓
QuayStreet Income	3,159,444	20.3	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>15,574,553</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** fell 4.8% over the month and 7.3% over the quarter. The best performing sector in the Fund was currency, with the NZ dollar weakening in the risk-off sentiment and contributing 0.9% to Fund performance. The NZ portfolio performed better than the market but still fell 2.7%. Sky City bucked the trend and ended up 11% over June after providing earnings guidance showing it had returned to pre-COVID levels of activity. The main detractor in the NZ portfolio was Fletcher Building that was down 7%. Similarly, the Australian portfolio performed better than the market but detracted returns overall. Qantas (down 19%) and Ramsay Healthcare (down 6%) were the main detractors. The international portfolio was down 9.5% over June with the main detractors being Volkswagen (down 18%), Amazon (down 12%), Freeport McMoRan (down 25%) and Mastercard (down 12%). Aspiring is seeking attractive buying opportunities that have historically occurred during this part of the investment cycle.

The **Castle Point 5 Oceans Fund** was down 2.3% in June and was down 3.8% over the quarter. With equity markets falling heavily over the month, all the equity based underlying strategies fell. This included Acadian Managed Volatility (down 0.9%), Schroders Global Recovery Fund (down 5.9%), Castle Point Ranger (down 10.6%) and Castle Point Trans-Tasman (down 5.6%). Also detracting from returns was the Daintree Core Income Trust (down 0.5%) and Carbon Credits (down 1.1%). Positive contributors were the T. Rowe Price Dynamic Global Bond Fund (up 1.3%) and a significant contribution from the Kohinoor Core Fund tail risk strategy that was up 14.7%.

The **Harbour T. Rowe Price Global Equity Fund** fell 3.7% for the month outperforming its benchmark by 0.5%. Over the quarter the Fund was down 9.5% underperforming the benchmark by 3.9%. Contributing to the month's outperformance was a significant underweight position to Energy and stock selection in Information Technology. The Consumer Discretionary sector was the largest detractor from returns. Within Information Technology the largest contribution to performance came from ID verification software provider ForgeRock that was up 11.8% over the month. Other positive contributors were data platform developer MongoDB and software company Atlassian. Online shopping companies were the main detractors within the Consumer Discretionary sector with Amazon, The Hut Group, Zalando and MercadoLibre all detracting returns.

The **Milford Active Growth Fund** fell 5.9% in June and was down 8.7% over the quarter. Higher than expected inflation numbers and rising interest rates impacted share valuations negatively, including those that Milford regards as having attractive risk/return prospects. The best performers were defensive companies such as global pharmaceutical company Bristol Myers-Squibb that rose 2.8% over the month. Milford increased the Fund's exposure to fixed income and lowered its exposure to shares. It believes that select fixed income investments are offering attractive yields at significantly lower levels of risk to shares. Overall, the Fund is maintaining a defensive positioning with a lower weight towards shares and Milford is constantly on the lookout for opportunistic positions in companies with strong risk-adjusted return prospects.

The **Mint Diversified Growth Fund** fell 5.4% over the month and was down 11.7% over the quarter. At a sector level, global equities was the main negative contributor detracting 2.1% from returns in June. Australasian equities detracted 0.7% over the month as tighter financial conditions and fears of recession continued their selloff. At a stock level the positive contributions in global equities came from Eli Lilly on the back of positive news updates and FedEx thanks to a positive Q4 earnings announcement. Within Australasian equities Serko produced positive returns over June. In global equities the largest negative contributor over the month was American semiconductor company AMD and within Australasian equities it was Freightways as cyclical stocks sold off owing to recession fears. Mint added technology company Cognizant Solutions Corporation to global equities and exited Nestle.

The **Schroder Real Return Fund** returned -1.9% in AUD for the month. The NZD fell against the AUD resulting in a return of -1.5% for the month in NZD. Over the quarter, the Fund fell 4.0% in AUD. The NZD fell against the AUD over the quarter resulting in a -1.7% quarterly return in NZD. Tactical short equity futures had a positive impact on returns over the month and quarter albeit returns from equities were negative overall. Other positive contributions came from foreign currency, real estate and private debt. Stock selection in Australian equities also made a positive contribution. The primary detractor from returns was equity exposure dragging the fund's returns down over the month and quarter. Asian credit and emerging market debt suffered from rising interest rates and widening credit spreads. Schroders is very defensively positioned with cash levels near 40%. While maintaining a defensive stance, Schroders is adding moderately to its duration positioning lifting the Fund's duration to around two years.

The **Nanuk New World Fund** fell 6.0% in June in AUD terms underperforming its benchmark by 1.6%. The NZD fell against the AUD resulting in an NZD return for the month of -5.6%. Over the quarter the Fund fell 9.5% in June in AUD terms underperforming its benchmark by 1.6%. The NZD fell against the AUD resulting in an NZD return for the quarter of -7.1%. At a geographic level the fund underperformed owing to its overweight exposure to European equity markets and underweight exposure to China and Hong Kong. At a sector level underperformance came from European industrial stocks and semiconductor stocks. Negative contributions at a stock level came from Hain Celestial group and Kion Group as well as significant declines in higher growth stocks including Alteryx, Tandem Diabetes and Zuora. The Fund excludes the energy sector that is in the index which also contributed to underperformance as supply disruptions drove energy prices higher. Positive contributions to performance came from sectors including sustainable packaging, utilities and healthcare technology. The Fund paid a distribution of 11.8186 cents per unit.

The **Milford Diversified Income Fund** was down 2.9% in June and was down 4.3% over the quarter. Despite holding significantly more cash than usual (27% at the end of June), negative returns from shares and bonds driven by concerns around earnings outlooks and rising interest rates resulted in a negative return overall. Milford is maintaining its cautious approach to investing in shares and opportunistically added convertible preference shares in NextEra, a US electricity utility that it considers to be attractively priced. Over the quarter Milford has selectively added to corporate bonds with a focus on shorter dated paper such as UK bank Virgin Money and Genesis Energy.

The **Harbour Income Fund** was down 1.6% over June and fell 3.0% over the quarter reflecting ongoing pressure in financial markets, particularly equities. Fixed income began to find support in June, albeit the month's return was still negative, as recession concerns became a larger area of focus. The Fund's largest exposure is to NZ Government bonds (19%) that fell 1% over June and 3% over the quarter. Harbour is more comfortable with bond markets looking forward as the market is pricing in ongoing tight monetary policy, with the OCR remaining above 3.5% for several years.

The **QuayStreet Income Fund** was down 0.6% in June. Over the quarter the Fund fell 1.4%. The key positive contributor to performance over the month and the quarter was interest rate hedging as interest rates rose. Bond exposure was the main detractor over the month and quarter. Kiwi Property Group remains the largest equity holding, NZ government bonds the largest bond holding and Seek the largest high yield holding. The largest sector exposure was Property followed by Banks. The current gross yield on the portfolio rose to 4.55% with a duration of 1.2 years. The gross distribution yield, based on the last distribution, rose three basis points to 2.37% and the equity exposure was maintained at 6.0%.

**Continuity Capital Fund No. 2** was down 0.5% over June due to downward revaluations of some of the underlying companies. There were no capital calls nor distributions over the month. **Continuity Capital Fund No. 4** was down 1.0% over June due to downward revaluations of some of the underlying companies. There were no capital calls nor distributions over the month. **Continuity Capital Fund No. 5** was flat over June in AUD terms. In NZ dollar terms the Fund was up 0.4% owing to the NZD falling against the AUD over the month. There were no capital calls nor distributions over the month. **Continuity Capital Fund No. 6** was down 0.4% over June due to downward revaluations of some of the underlying companies. There were no capital calls nor distributions over the month. **Continuity Capital Fund No. 7** was down 2.9% over June in AUD terms. In NZ dollar terms the Fund was down 2.6% owing to the NZD falling against the AUD over the



month. There were no capital calls nor distributions over the month. New subscriptions saw the fund value grow to AUD3.1m by the end of June.

**PCP III** made capital call for management fees. **PCP IV** made capital call for follow-on investment and management fees **Castlerock** made its quarterly distribution in June. **Direct Capital VI** paid fully imputed dividends from Australian-based global logistics and supply chain company Mondiale VGL resulting in a net payment of \$10,450. **CPEC 9** returned the capital and distributed dividends from Rocla in June.

The total **PE Portfolio** returned 0.6% in June and 3.3% 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	4.4	7.0
STF	4.0	4.3
NZ Multi-Sector Balanced	5.3	5.2
NZ Multi-Sector Moderate	4.1	5.3
S&P/NZX 50	12.6	14.6

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

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

## MARKET PERFORMANCE AND COMMENTARY – JUNE 2022

### MARKET PERFORMANCE

Index	Index Level/Price	1 Month %	3 Month %	1 Year %
Global Equities				
MSCI World NR	6,072.56	-7.8	-14.3	-11.1
MSCI World NR (NZD)	12,473.23	-4.4	-6.2	-3.7
MSCI Emerging Markets	641.32	-4.6	-8.1	-20.2
S&P 500 (US)	3,785.38	-8.4	-16.4	-11.9
Nikkei 225 (Japan)	26,393.04	-3.3	-5.1	-8.3
FTSE 100 (UK)	7,169.28	-5.8	-4.6	1.9
DAX (Germany)	12,783.77	-11.2	-11.3	-17.7
CAC 40 (France)	5,922.86	-8.4	-11.1	-9.0
Trans-Tasman Equities				
S&P/NZX 50	10,868.70	-3.9	-10.3	-14.1
S&P/ASX 300	76,785.88	-9.0	-12.2	-6.8
Bonds				
S&P/NZX NZ Govt Stock	1,679.22	-1.0	-3.2	-10.3
S&P/NZX A Grade Corporate	5,465.14	-0.1	-1.4	-6.8
Barclays Global Agg (Hedged to NZD)	387.13	-1.5	-4.5	-8.8
Oil				
West Texas Intermediate Crude	105.76	-7.8	5.5	43.9
Brent Crude	115.04	-4.0	7.9	53.1
NZD Foreign Exchange				
AUD	0.9042	-0.4	-2.4	-2.9
EUR	0.5947	-2.1	-4.9	0.9
GBP	0.5120	-0.9	-3.1	1.2
JPY	84.4679	0.9	0.1	8.9
CNY	4.1683	-4.1	-5.6	-7.7
USD	0.6218	-4.5	-10.6	-11.0

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

#### Executive summary:

- Global and Australasian stock markets sold off
- Interest rates rose, lowering bond prices
- Geopolitical risks are still high
- Food security is a priority on the global agenda
- Oil prices have fallen from recent highs back nearer to \$100 a barrel
- Inflation is at record high levels causing problems for developed and emerging markets
- New Zealand dollar depreciated against most currencies.

## ECONOMIC COMMENTARY

### GLOBAL SNAPSHOT

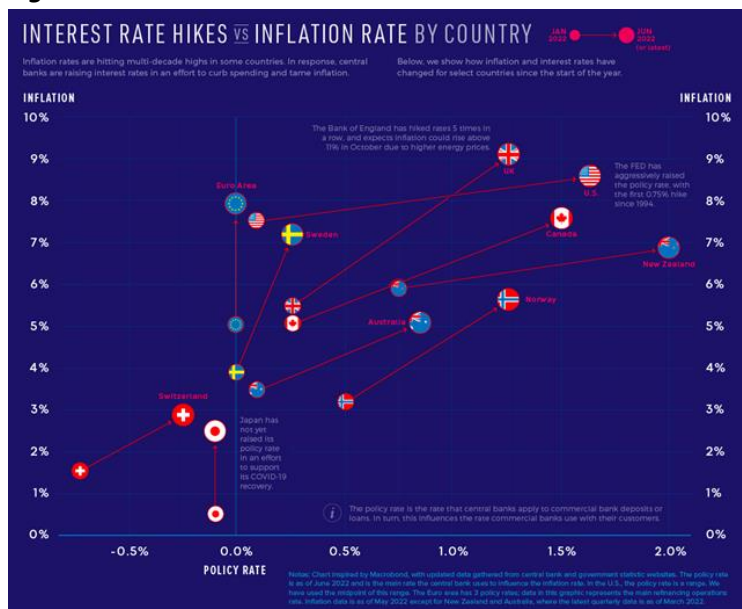
Inflation took centre stage in investors' agenda. Central banks are unlikely to come to the rescue to halt a growth slowdown by cutting rates. The risk of unanchored inflation expectations (where long-run inflation expectations change significantly) is increasing as inflation becomes more persistent. Inflation expectations have risen sharply over the past year, partly driven by higher oil prices, but also reflecting tighter labour markets and higher wages (Figure 1).

The Fed has made clear it is ready to dampen growth. It has projected a large and rapid increase in rates, raising rates by 0.75% in June, the largest increase since 1994. This combination of rising rates and steadily rising oil prices has raised concerns that the US economy may be at risk of overheating.

The Bank of England warned of the poisonous combination of recession and high inflation as it raised interest rates further to 1.25% in June. This may indicate the start of a dovish pivot. The BoE appears increasingly concerned about weak growth prospects for 2022, even though it expects inflation to rise above its target rate over this period.

The European Central Bank announced plans to end asset purchases and implement a rapid series of rate hikes in an effort to stabilize peripheral bond yields. Analysts think the ECB and markets underappreciate the risk of the energy crunch pushing the euro area into recession, which could cause them to rethink their policy path at some point.

Figure 1



Source: visualcapitalist.com

The U.S. economy is experiencing a period of high inflation and rising interest rates, shaky economic activity and volatile markets that has raised the probability that the country will slip into a recession, according to economists.

But while there is some consensus on what might occur, forecasts vary widely in their predictions of how bad it might get. Those who say the recession will be avoided emphasize that they might be too optimistic, while those who are confident that the economy will shrink are quick to say the recession won't be that bad.

Some views and comments of economists, analysts and strategists across the globe:

- Deloitte puts the chance of a recession at about 15 percent, “less likely than some analysts would have you believe.”
- Morgan Stanley notes that “accelerating inflation has been a common precursor to recessions.”
- TD Bank in Canada is not expecting a U.S. recession, although “with growth close to stall speed, there is a very thin margin for error if another shock hits economies.”
- Credit Suisse’ view is that the U.S. economy is on “the edge of a recession”, but there are “buffers” that should shield the economy from “spiralling into a broader downturn.”
- Berenberg, the German bank, expect the U.S. economy to stagnate in late 2022 and shrink in the first three quarters of 2023, but only by a “relatively modest” 0.4 percent for the year. “With luck, the recession will be a shallow one,” they write.
- Fitch Ratings expects that economic growth will slow to just 0.1 percent per quarter in the second through fourth quarters next year, a pace that will put the economy “perilously close to the risk of technical recession.”

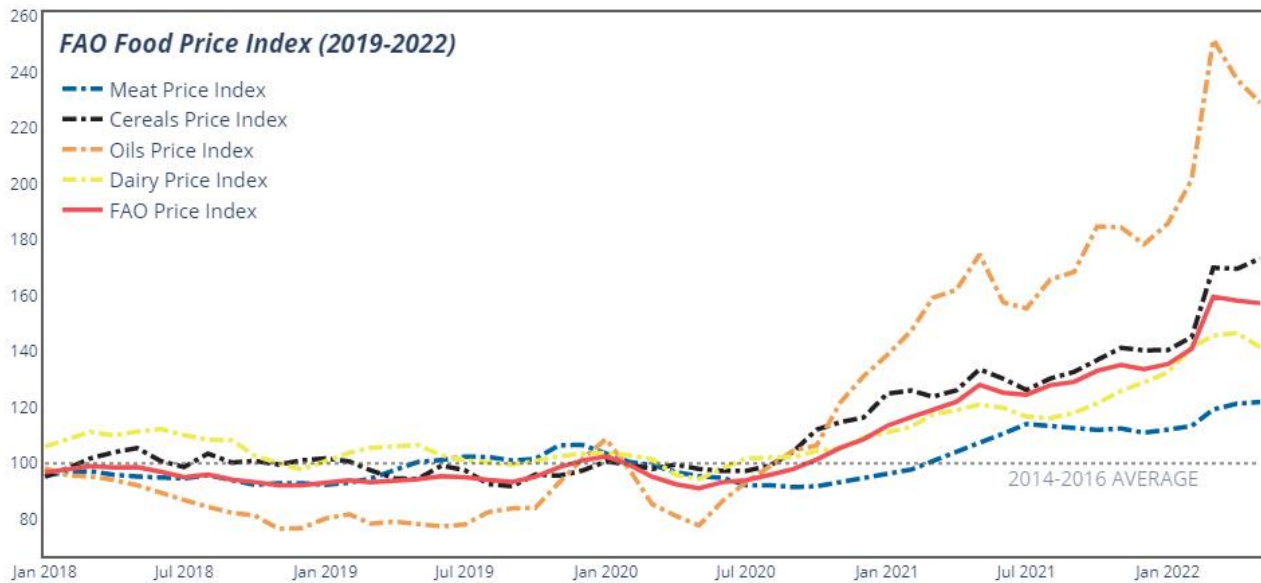
The latest inflation figures show that households are bearing the brunt of rising prices, with food prices – particularly fresh items such as cheese – accelerating steeply in the last month.

Global corn supplies have been tight since the pandemic started in 2020, due to transportation problems and strong demand, and are expected to fall further. The U.S. Department of Agriculture (USDA) expects end-of-season U.S. corn stocks to be down 33% from pre-pandemic levels in September before this year's harvest, and down 37% in September 2023.

Ahead of a crucial North American harvest, grain seeding delays from Manitoba to Indiana have sparked worries about lower production. A smaller corn crop in the top-producing United States will ripple through the supply chain and leave consumers paying even more for meat than they already are, as corn is a key source of livestock feed.

The global food import bill is on course to hit a new record of US\$1.8 trillion in 2022, but higher prices and transport costs rather than volumes account for the bulk of the expected increase, according to the latest report released by the Food and Agriculture Organization of the United Nations (FAO). Animal fats and vegetable oils are the single biggest contributor to the higher import bills expected to be reached in 2022, although cereals are not far behind for developed countries. Developing countries, as a whole, are reducing imports of cereals, oilseeds and meat, which reflects their inability to cover the increase in prices (Figure 2).

**Figure 2**



Source: [geopoliticalmonitor.com](https://geopoliticalmonitor.com)

## LOCAL SNAPSHOT

Indicators of economic activity softened across the board. But inflation measures barely budged from stratospheric levels. Such is the reality of an acutely supply-constrained economy but with a central bank waging war on demand as the only path to lower inflation.

The Reserve Bank of New Zealand (RBNZ) has spent the past year trying to combat rising inflation expectations, which have been driven by a surge in firms' cost expectations and price intentions. Inflation expectations are now rising at rates close to 7%, but recent data suggests that firms' pricing intentions, cost expectations, and inflation expectations may be stabilising after their first half surge. This provides a bit more comfort that inflation may be peaking around now at rates close to 7%.

The New Zealand Government has announced the conclusion of negotiations of a free trade agreement with the European Union. New Zealand exported \$3.9bn worth of goods to the EU in 2021. For comparison, the EU bloc of countries and ASEAN bloc of countries accounted for 6.4% and 10.1%, respectively, of New Zealand's exports over the same period.

Bloomberg ranked New Zealand as the riskiest housing market in their list – vulnerable to a price crash. "There are going to be house buyers who have entered the market in the past year or so who started off with a mortgage rate of 2.5% and all of a sudden, they are rolling off onto a mortgage rate closer to 6%. There is going to be some pain for sure." The median dwelling price has already plunged 9.2% from the November 2021 peak, with the stock of unsold homes also ballooning.

## WORLD FINANCIAL MARKETS

### Equities

MSCI World Index returned -7.8% and MSCI Emerging Markets returned -4.6% in June.

S&P 500 lost -8.4% in June, surrendering a portion of the previous strong gains, as worries grew that the Fed's fight against inflation would push the economy into recession. The S&P 500 closed out its worst first half of the year since 1962, although the decline was amplified by the index reaching its all-time high on 3 January. Typically, defensive segments within the index, such as utilities and consumer staples, held up best, while consumer discretionary and information technology shares were particularly weak. Growth stocks lagged value stocks over the year to date, while small-caps finished ahead of large-caps.

In Europe, the Euro Stoxx 50 fell -8.7% in June on fears that soaring inflation and rising interest rates could hit earnings and tip economies into a recession. Major indices were negative. France's CAC 40 gave up -8.4%, Germany's DAX retreated -11.2%.

### Fixed Interest

Along with the sluggish economic data, signs of moderating inflation appeared to help push the yield on the benchmark 10-year US Treasury Note as low as 2.89% on the last day of June, its lowest level for the month.

Core eurozone bond yields decreased. Yields increased initially amid inflation concerns and ahead of speeches by central bank officials at the ECB annual meeting, but lower-than-expected German inflation calmed fears, leading yields lower overall. The 10-year gilt yield ended the month at 2.24%.

US high yield bonds traded lower along with equities. Buyers adjusting positions ahead of quarter-end and sellers raising cash drove most of the market's activity. One anticipated new deal was announced before the primary market shut down ahead of the holiday weekend, while the retail segment experienced weakness after a disappointing earnings report from Bed Bath & Beyond increased negative sentiment across the sector.

Broad risk-off sentiment weighed on the performance of bank loans. Investors appear to be expecting a 75-basis-point rate hike at the late-July Fed meeting and then another 50-basis-point increase at the September meeting. Higher-rated loans held up better amid limited support for lower-quality paper. Negative flows from the asset class drove most of the loan market's selling activity.

## GEOPOLITICS

The main events during June on geopolitical arena were the NATO summit in Spain, virtual summit of BRICS's leaders and the US initiative in APAC region.

The war in Ukraine is unfortunately escalating with Russia gaining control of more territory, despite weaponry support from Europe and America. As a result, Norway and Finland declared their intent to join

NATO to confront the Russian aggression in Europe. Turkey had initially opposed this but has since consented, after Norway and Finland agreed to stop supporting the Kurdish Labour Party. Turkey also requested the extradition of more than 30 suspects from both countries. However, it reserved the right to block entry if Finland and Norway do not keep their promises.

If both Finland and Sweden joined NATO, it would bring the total number of military personnel in the alliance to nearly 3.57 million. This figure is lower than what Ukraine would have added to NATO at pre-war levels. However, if reserves are included it would bring it to nearly 4.5 million. Overall, the alliance would have just over 15,000 tanks if the two Nordic countries were members. Russia and Belarus agreed to place nuclear missiles on the latter's territory as a countermeasure to NATO's expansion.

BRICS (Brazil, Russia, India, China and South Africa) held a virtual summit on 23-24 June where the members discussed a new reserve currency (bucket of BRICS's national currencies) as an alternative to the US dollar and Euro which are both being used as mechanisms in US and EU sanctions. The summit promoted "multilateral cooperation with non-Western styles, forms and principles". Expansion was another topic which was supported by China and Russia to oppose the increasing number of NATO members. Iran started its formal process joining the organization. China also invited to join other countries such as Saudi Arabia, Argentina, Egypt, Indonesia, Kazakhstan, Nigeria, Senegal, Thailand and the UAE.

The US launched their initiative in APAC region called Partners in the Blue Pacific (PBP) announced on 24 June. This bloc includes the USA, the UK, Australia, New Zealand, and Japan. The official statement from the White House declared the common goal of members "to support prosperity, resilience, and security in the Pacific". This initiative also known as "AUKUS plus" focuses to prevent the increasing Chinese influence in Pacific islands. What will be the next move from China on the global chess board?

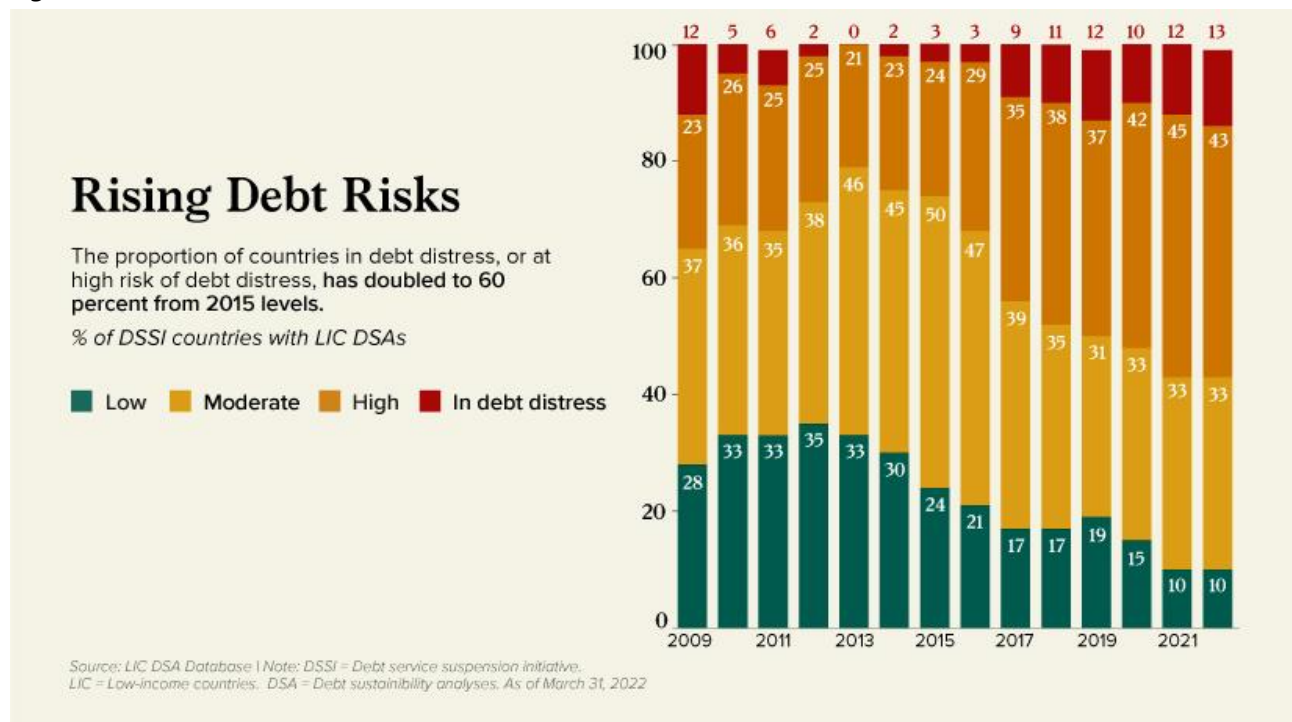
Goeconomics were focused on the expansion of the EU. Ukraine and Moldova both were granted EU candidate status during the summit in Brussels on 24 June while Georgia, another post-Soviet country suffered from Russian invasion in 2008, was declined. However, being granted candidate status is not a guarantee from the EU that full member status will be awarded. There are still a number of candidates who have been knocking at the EU doors for decades – Turkey has been a candidate for 23 years, North Macedonia 17 years and Albania eight. Other candidates are Montenegro and Serbia. Kosovo and Bosnia & Herzegovina have status as potential candidates.

Higher inflation, increasing food and energy resource prices and rising interest rates triggered defaults for sovereign debts in emerging markets. The first victim was Sri Lanka when it defaulted on its international bonds in May after its grace period lapsed.

Russia defaulted on its sovereign debt in June, however, it is a technical default due to sanctions imposed by the US and allies. The situation in Sri Lanka is an ominous preview of what's coming in other low- and middle-income countries as the risk of debt distress continues to rise globally (Figure 3). Pakistan and Argentina are the next probable candidates to default on sovereign debt.



Figure 3

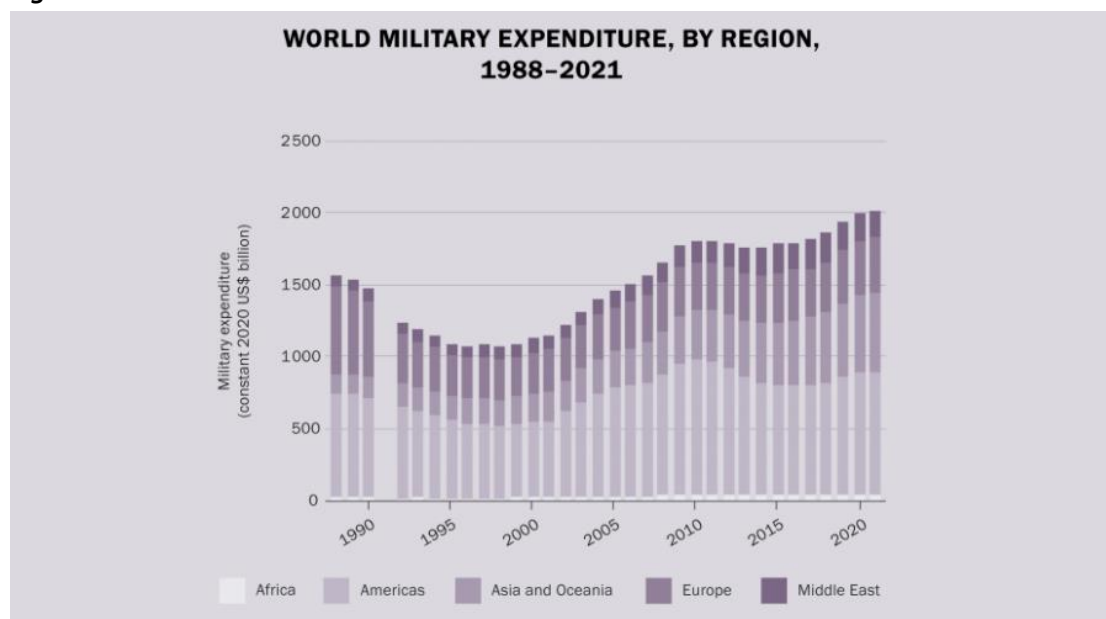


Source: [visualcapitalist.com](https://visualcapitalist.com)

## ARMS PRODUCERS – GOOD OR BAD

The conflict in Ukraine launched a new round of arms race that the world hasn't seen since the end of the Cold War (Figure 4).

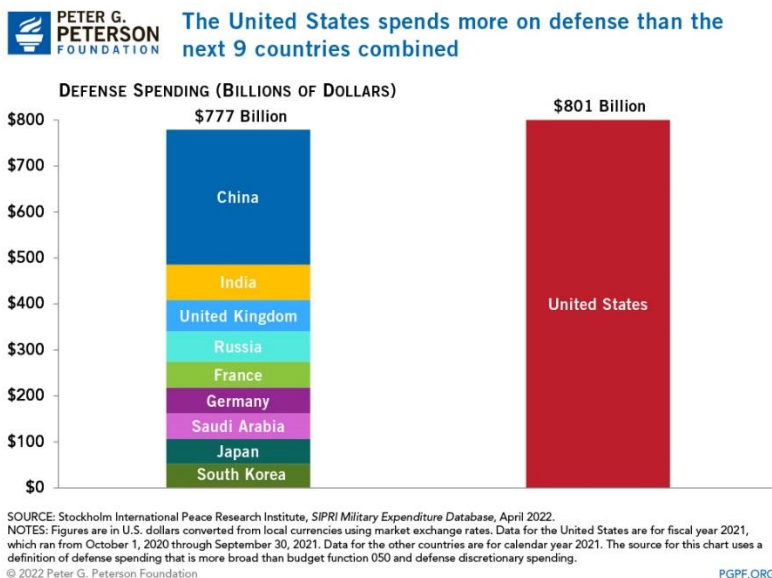
Figure 4



Source: [www.sipri.org](http://www.sipri.org)

The US alone spent more on defence than the next nine countries combined in 2021 (Figure 5).

**Figure 5**



Spending on arms and defence is increasing rapidly in Europe; Germany approved €100 billion to modernise their armed forces and a big chunk will be spent on American fighter jets and helicopters. This will also allow Germany to reach the NATO threshold of 2% of national GDP. Overall global defence spending will exceed \$2 trillion in 2022 and onwards.

Arms manufacturers are the main beneficiaries of upwards spiralling defence budgets. Lockheed Martin shares, the largest arms manufacturer, has returned 22% YTD. Raytheon Technologies, the largest producer of guided missiles, returned 12.7% YTD. The S&P500 has returned -19% YTD – this outperformance against the index clearly shows where the money is going.

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## CAN AI FEED THE WORLD?

Using a fully automated process, Chinese researchers from Nankai University's College of Artificial Intelligence have developed pig cloning. Seven healthy cloned piglets were born to a surrogate mother for the first time without any human assistance. The trials began in March 2022.

Currently, China is the world's largest producer and consumer of pork. Over 400 million pigs are bred in the nation, and each person consumes between 30kg and 35kg of pork annually. Pork makes up a sizable portion of the meat consumed in China, and the country's supply can never keep up with demand. Due to this, China must import tens of millions of tonnes of costly pig meat every year.

This methodology using AI instead of humans minimizes the error in the cloning process significantly, resulting in efficiency gains and reduced costs. This process has huge potential once implemented to raise pork production, not only in China but throughout the world. The question is, what else can be cloned using AI – sheep, cows, fish...?

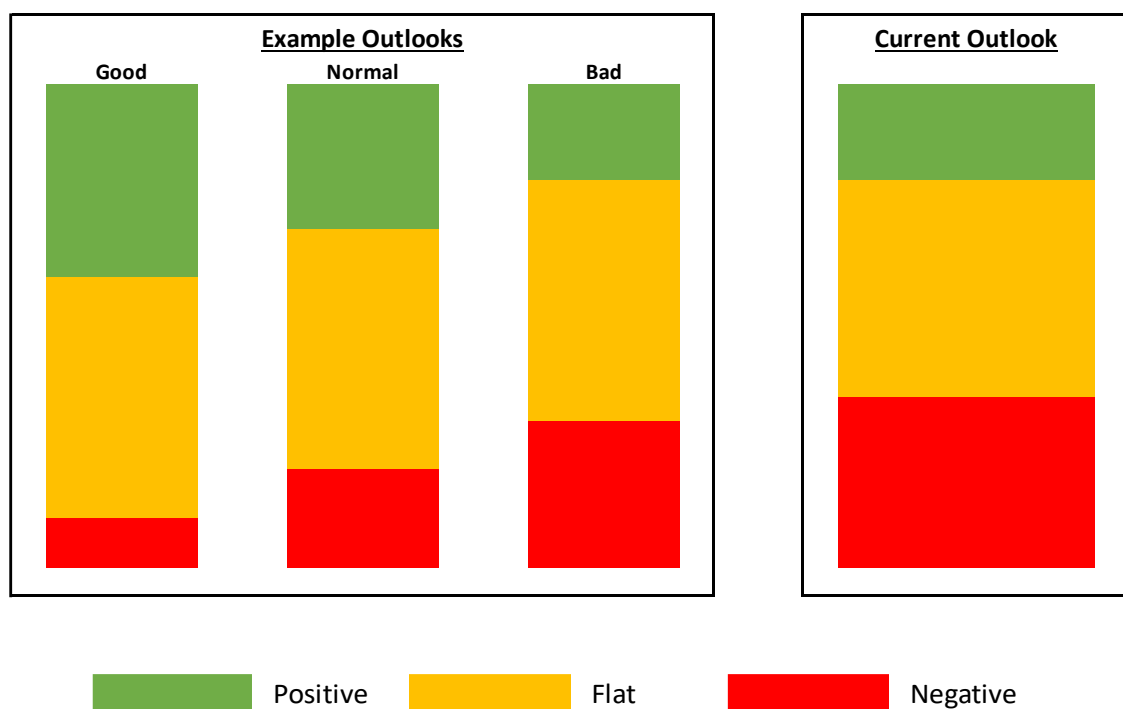
## TO SPACE ... AND BEYOND

The successful launch of South Korea's Nuri space launch vehicle, officially named Korea Space Launch Vehicle-II, on Tuesday made the country the seventh country in the world to develop a space launch vehicle capable of carrying a satellite weighing more than 1 ton. The list includes Russia, the United States, and France. China, Japan, and India became spacefaring nations later on.

This breakthrough was observed not only by competitors but neighbours as well. Japan is concerned of raising competition from South Korea in high-tech, IT and automobile industry. Now Koreans have an advantage in space technology that makes it more attractive even within the bloc of allies.

Another theoretically possible threat for Japan and China is united Korea with military potential of North and wealth and technology of South. Will we see united Korea on a map?

## MARKET OUTLOOK



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

## 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 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

## 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>

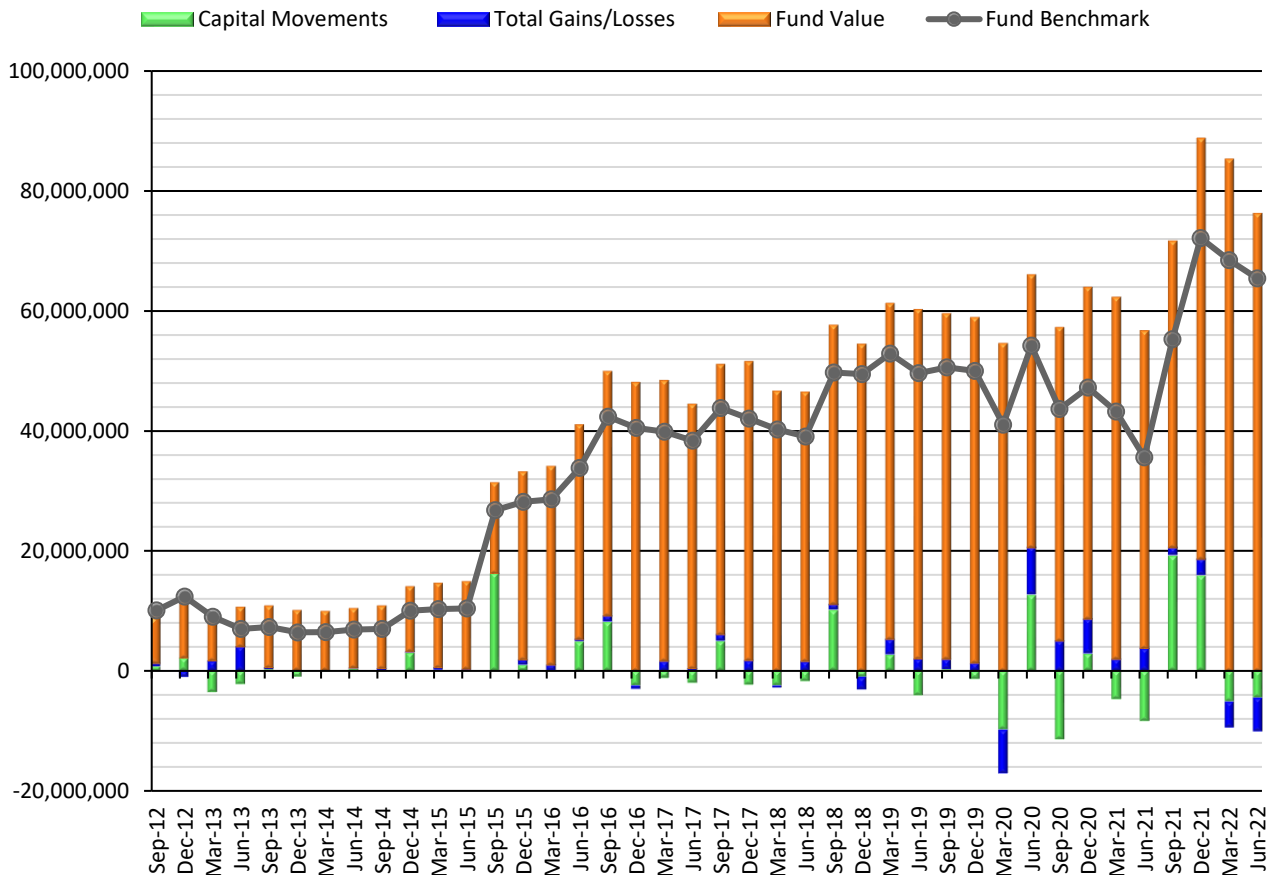
## APPENDIX 2: NRC TOTAL FUNDS UNDER MANAGEMENT

### FUNDS UNDER MANAGEMENT: BREAKDOWN

Manager	Fund	LTF \$	STF \$	NRC Total FUM \$	NRC Manager % of Total FUM
Aspiring	Aspiring	3,896,770		3,896,770	5.1
BlackRock	FIGO	608,117		608,117	0.8
Castle Point	5 Oceans	8,387,325	2,814,494	11,201,819	14.7
Castlerock	Long-Term PE Partnership	1,025,641		1,025,641	1.3
Continuity Capital	No.2	902,084		902,084	5.2
	No.4	702,593		702,593	
	No.5	1,625,550		1,625,550	
	No.6	483,106		483,106	
	No.7	254,847		254,847	
CPE Capital	Fund 9	64,737		64,737	0.1
Direct Capital	DC VI	513,230		513,230	0.7
Federation	Alternative	974,065		974,065	1.3
Fermat	ILS Yield	685,965		685,965	0.9
Harbour	Income	7,808,004	3,219,606	11,027,611	16.9
	T. Rowe Price Global Equity	1,849,900		1,849,900	
Milford	Active Growth	3,675,041	1,558,075	5,233,115	19.9
	Diversified Income	6,562,611	2,878,877	9,441,488	
	PE III	483,300		483,300	
Mint	Diversified Income	6,270,111	1,512,285	7,782,396	13.7
	Diversified Growth	2,214,468	431,772	2,646,240	
MLC	PE Co-investment Fund II	1,232,406		1,232,406	2.0
	PE Co-investment Fund III	318,968		318,968	
Nanuk	New World	843,755		843,755	1.1
Oriens Capital	Fund 2	290,882		290,882	0.4
Pioneer Capital	PCP III	845,637		845,637	1.9
	PCP IV	576,772		576,772	
QuayStreet	Income		3,159,444	3,159,444	4.1
Schroders	Real Return	4,151,786		4,151,786	5.4
Self-managed Cash	N/A	3,508,494		3,508,494	4.6
<b>NRC Total FUM</b>		<b>60,756,165</b>	<b>15,574,553</b>	<b>76,330,718</b>	<b>100</b>

Note: all values are in NZD

## FUNDS UNDER MANAGEMENT: CAPITAL MOVEMENTS AND GAINS/LOSSES



## FUNDS DENOMINATED IN AUD

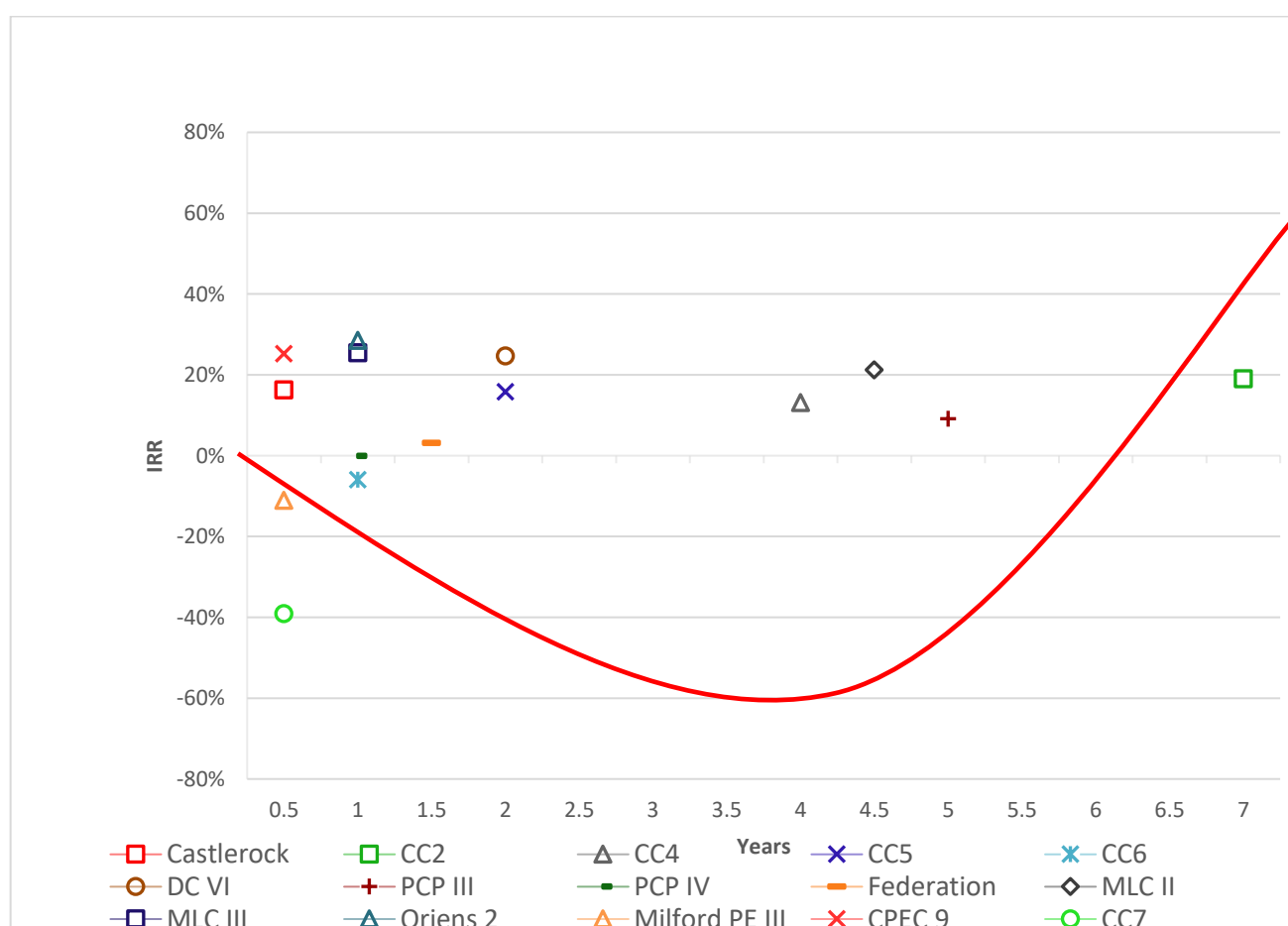
Funds Denominated in AUD		NRC Total AUD	NRC Total NZD
BlackRock	FIGO	549,839	608,117
Continuity Capital	Fund No.5	1,469,768	1,625,550
	Fund No.7	230,424	254,847
CPE Capital	Fund 9	58,533	64,737
Federation	Alternative	880,717	974,065
Fermat	ILS Yield	620,227	685,965
MLC	PE Co-investment Fund II	1,114,300	1,232,406
	PE Co-investment Fund III	288,400	318,968
Nanuk	New World	762,895	843,755
Schroders	Real Return	3,753,906	4,151,786
<b>NRC Total AUD</b>		<b>9,729,008</b>	<b>10,760,195</b>

Note: 20% of LTF \$60,756,165 is equal to \$12,151,232, so there is a \$1.3 million buffer.

## PRIVATE EQUITY – COMMITTED CAPITAL (CALLED VS UNCALLED)

Private Equity Fund	Committed capital \$	Called capital \$	Uncalled capital \$	Distributed capital \$	Expected calls to Dec 2022	Expected distributions to Dec 2022
Castlerock	1,000,000	1,000,000	-	76,928		50k
CC2	2,000,000	1,900,000	100,000	2,501,369	50k	150k
CC4	1,000,000	750,000	250,000	327,935	125k	100k
CC5 (AUD)	3,317,973	1,824,885	1,493,088	550,296	400k	150k
CC6	2,000,000	500,000	1,500,000	-	400k	-
CC7 (AUD)	2,211,982	265,438	1,946,544	-	200k	-
CPEC 9 (AUD)	552,995	82,949	470,046	31,790	150k	25k
DC VI	2,000,000	371,784	1,628,216	21,860	400k	-
Federation (AUD)	929,032	929,032	-	-	-	-
Milford PE III	1,000,000	500,000	500,000	-	150k	-
MLC II (AUD)	1,105,991	930,691	175,300	449,807	50k	150k
MLC III (AUD)	552,995	270,968	282,028	-	150k	-
Oriens Fund 2	1,000,000	260,000	740,000	-	200k	-
PCP III	1,000,000	849,743	150,257	107,149	10k	50k
PCP IV	1,000,000	608,889	391,111	-	150k	-
<b>TOTAL</b>	<b>20,670,969</b>	<b>11,044,380</b>	<b>9,626,589</b>	<b>4,067,134</b>		

## PRIVATE EQUITY PERFORMANCE AS AT 30 JUNE 2022





## NRC TOTAL UNDERLYING FUND ALLOCATIONS

