ERIKSENSGLOBAL
Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL

EXTERNALLY MANAGED

INVESTMENT FUNDS

QUARTERLY REPORT 31 DECEMBER 2022

19 JANUARY 2023

STRICTLY PRIVATE & CONFIDENTIAL

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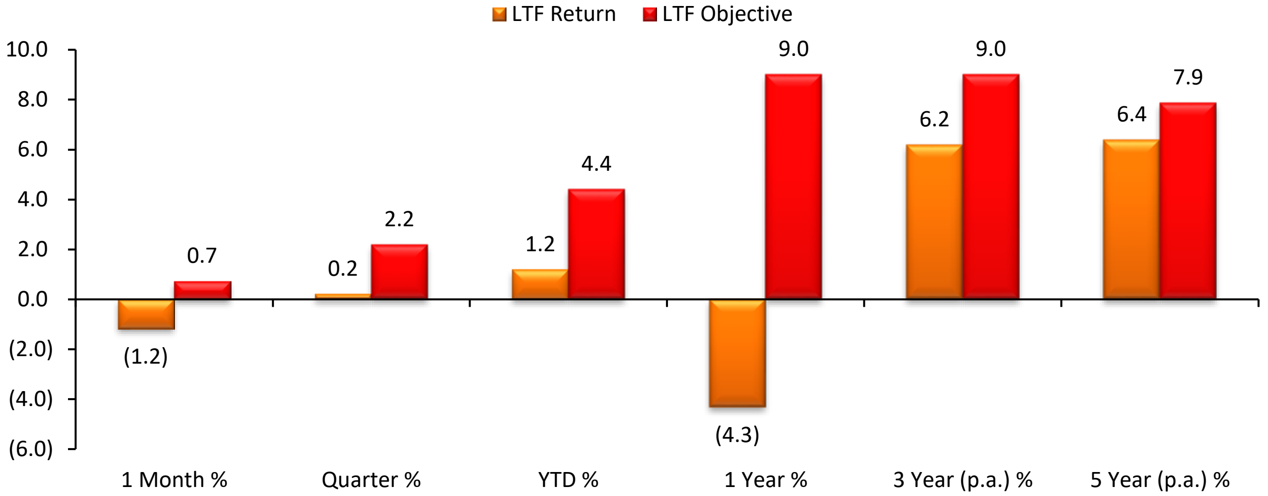
EXECUTIVE SUMMARY

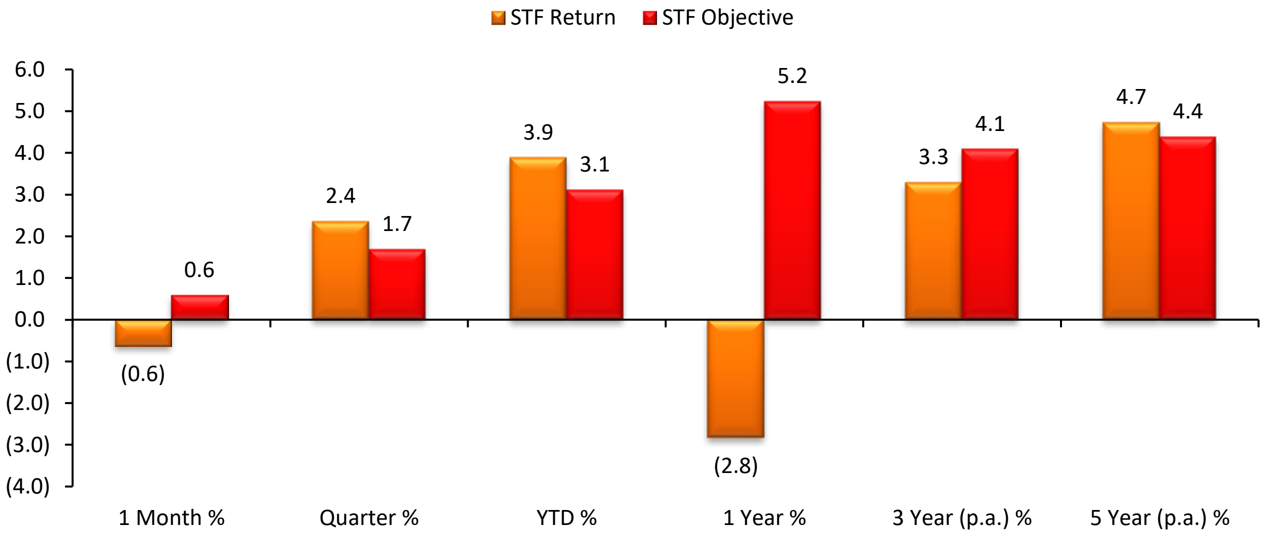
PERFORMANCE

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

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



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



PORTFOLIO HIGHLIGHTS

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

RECOMMENDATIONS/ACTIONS

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

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

2023 MARKET OUTLOOK

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

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

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

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

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

INTRODUCTION

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

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

The NZ CPI (rolling over three years) as at **September 2022 was 4.5% per annum**. The Fund objective for shorter time periods are based on the annualised rolling three-year CPI.

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

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

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

Underlying Fund allocations are categorised as follows:

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

The financial year-end for the Fund is 30 June, thus year-to-date returns are for **6** months.

LONG TERM FUND

PERFORMANCE SUMMARY

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

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

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

CONTINUITY CAPITAL PE FUND NO.2 (HISTORICAL RETURN)

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

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

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

AUSTRALIAN DOLLAR-DENOMINATED FUND RETURNS

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

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

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

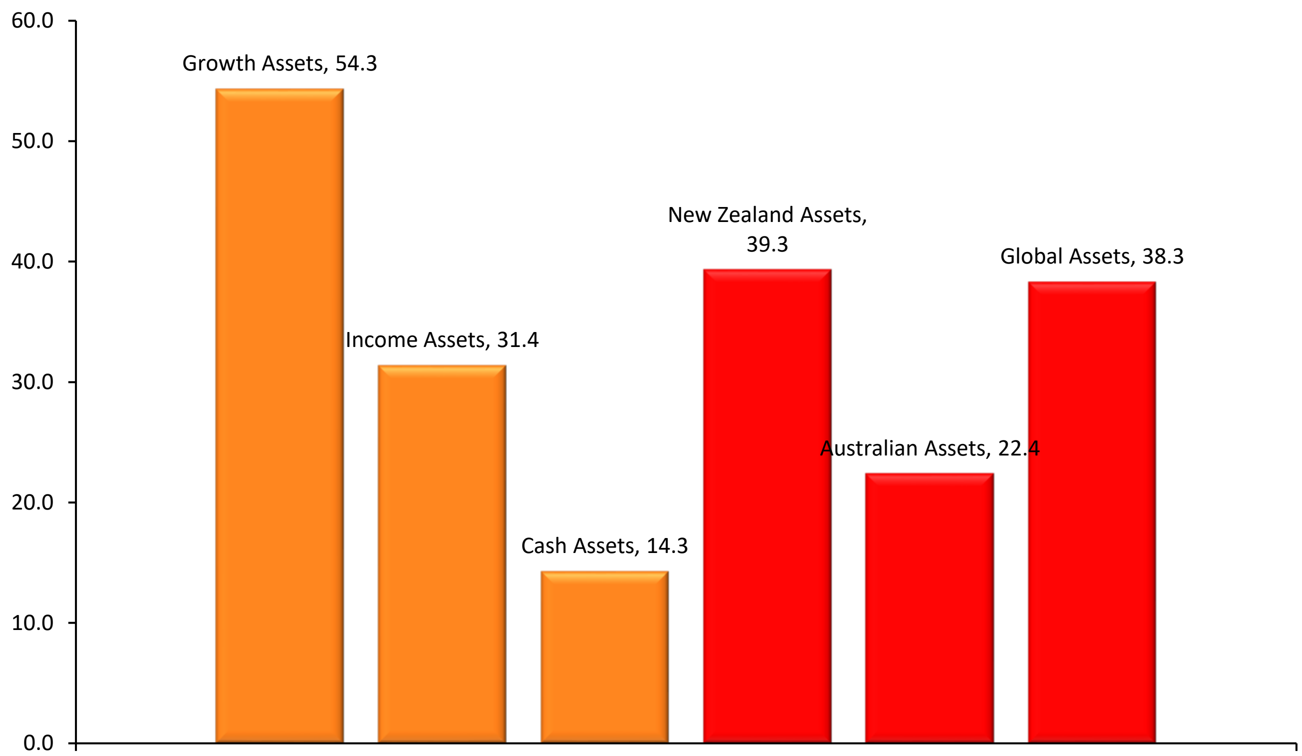
Legend: Red = -2% or below; Amber = greater than -2% but less than 0%; Green = 0% or above

LTF OVERALL FUND ASSET ALLOCATION

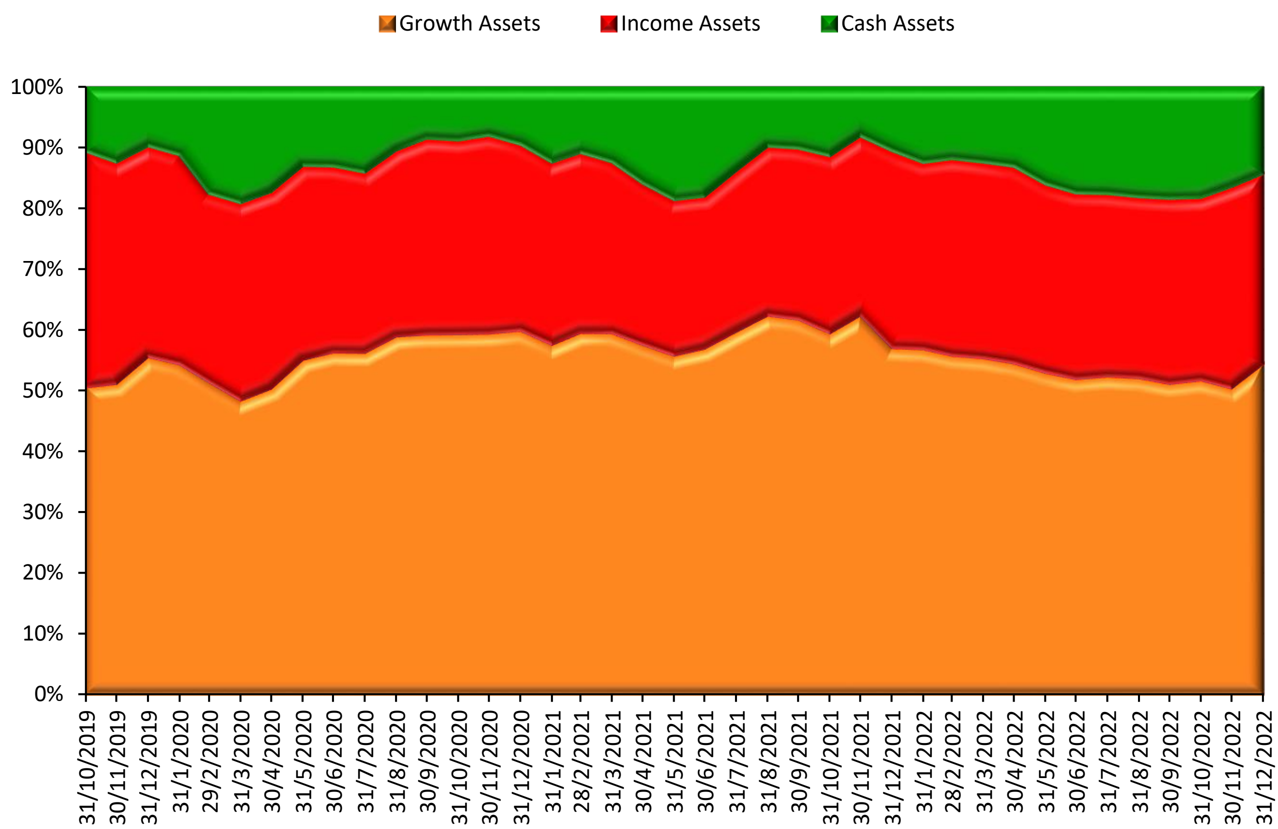
Overall Fund Asset Allocation	Market Value $	Market Value %	Target %	Target Range %	Status
Growth Assets	**37,138,650**	**60.0**	**67**	**50 - 85**	✓
Diversified Growth	**22,777,955**	**36.8**	**35**	**25 - 70**	✓
Aspiring	4,027,363	6.5	8	5 - 15	✓
Castle Point 5 Oceans	8,933,280	14.4	15	10 - 20	✓
Milford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

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

LTF UNDERLYING FUND ASSET ALLOCATION



UNDERLYING ASSET ALLOCATION



SHORT TERM FUND

PERFORMANCE SUMMARY

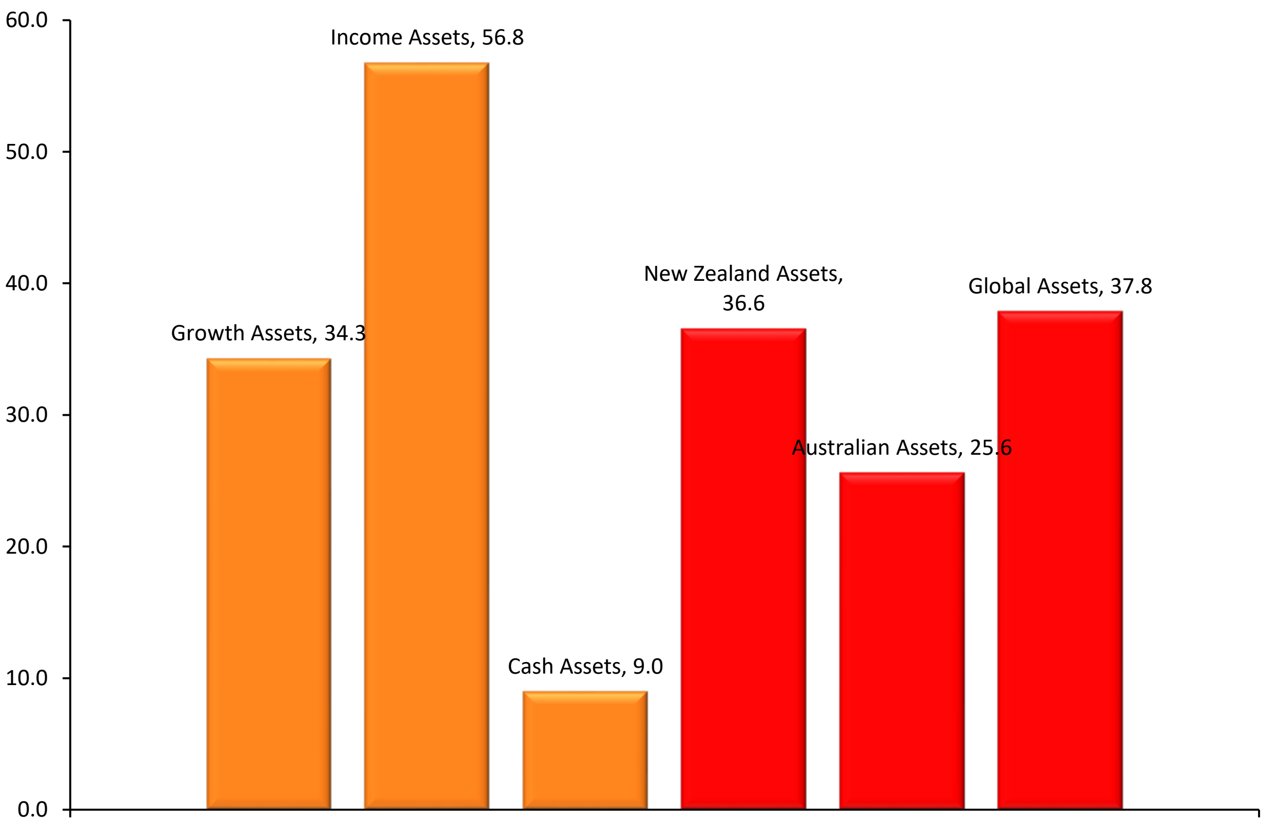
	1 Month %	Quarter %	YTD %	1 Year %	3 Year (p.a.) %	5 Year (p.a.) %
Diversified Growth						
Castle Point 5 Oceans	**(0.9)**	**2.4**	**2.2**	**(2.6)**	**4.7**	**4.2**
Benchmark	0.6	1.7	3.2	5.4	4.0	4.2
Value Added	(1.5)	0.7	(1.0)	(8.0)	0.7	0.0
Milford Active Growth	**(1.3)**	**4.6**	**5.2**	**(8.1)**	**6.5**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

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

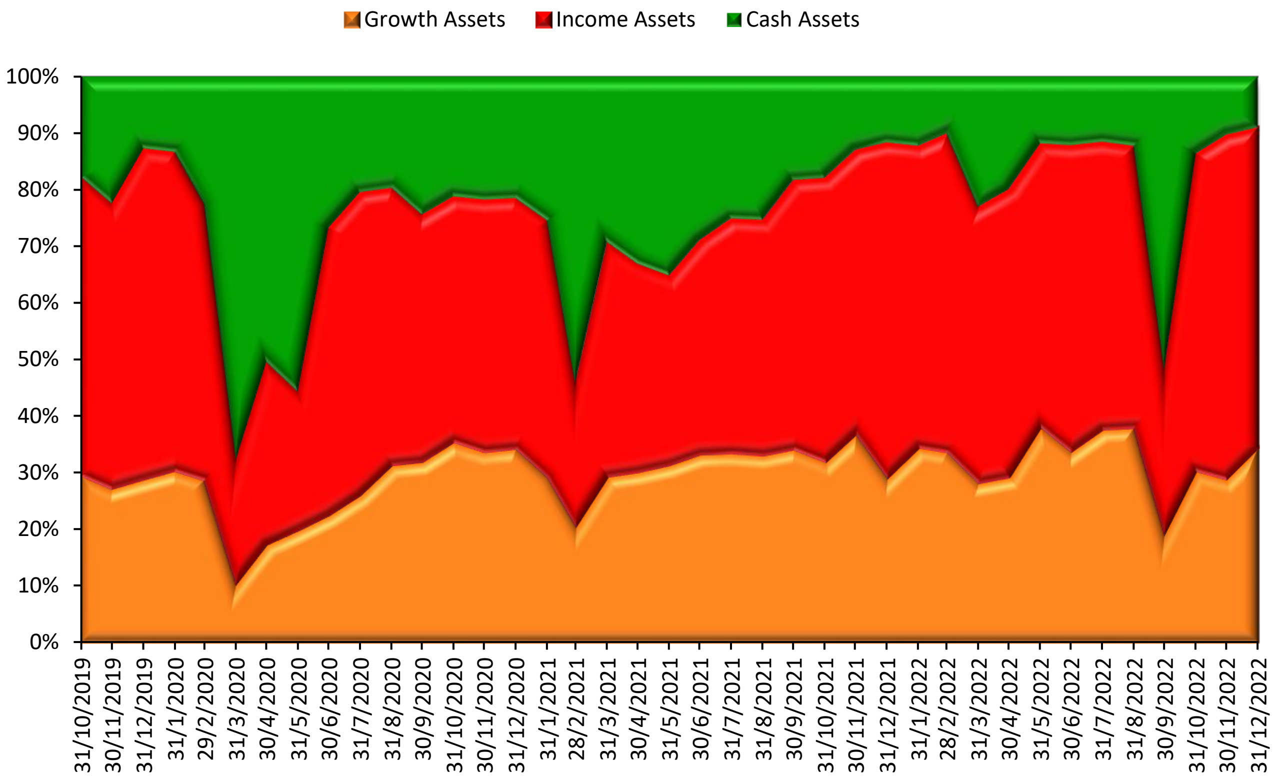
STF OVERALL FUND ASSET ALLOCATION

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

STF UNDERLYING FUND ASSET ALLOCATION



UNDERLYING ASSET ALLOCATIONS



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

PERFORMANCE COMMENTARY

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

The **Castle Point 5 Oceans Fund** was down 0.9% in December but was up 1.9% over the quarter. The Acadian Managed Volatility strategy (down 3.4%) and the Schroders Global Recovery Fund (down 1.9%) were the main detractors over the month. In addition, the Castle Point Ranger Fund (down 0.8%) and New Zealand Emissions Units (carbon credits, down 8.5%) also detracted returns. The main positive contributors over the month were the bond managers Daintree (up 0.7%) and T. Rowe Price (up 0.5%). Currency hedging contributed 0.2%.

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

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

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

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

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

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

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

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

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

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

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

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

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

STANDARD DEVIATION OF RETURNS

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

The Morningstar category benchmarks are defined as below:

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

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

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

Standard Deviation of Returns	**1 Year %**	**3 Year (p.a.) %**
LTF	4.8	7.2
STF	5.7	4.8
NZ Multi-Sector Balanced	5.3	5.2
NZ Multi-Sector Moderate	6.4	6.0
S&P/NZX 50	13.8	14.8

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

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

MARKET PERFORMANCE AND COMMENTARY – DECEMBER 2022

MARKET PERFORMANCE

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

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

Executive summary:

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

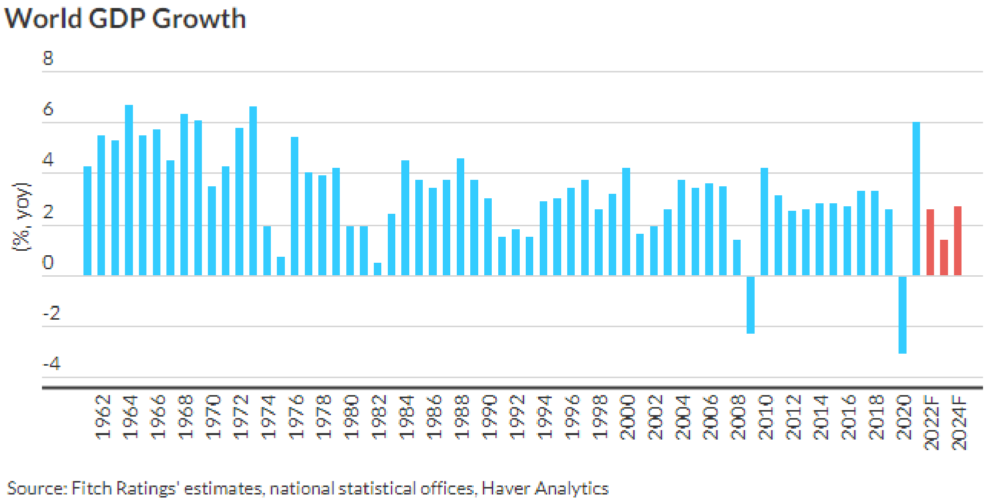
ECONOMIC COMMENTARY

GLOBAL SNAPSHOT

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

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

Figure 1

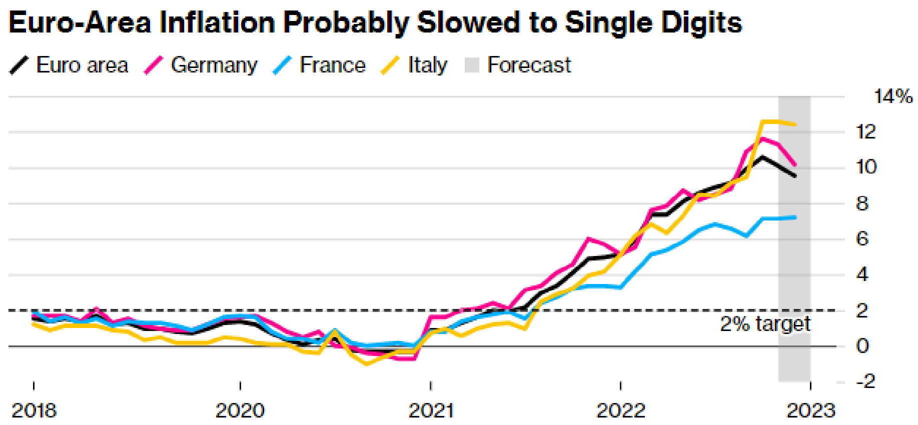


Increasing unemployment could lead to more conflict in policy decision making, as governments try to protect households from economic shocks while central banks focus on controlling inflation. This increases the risk of policy 'mistakes' – i.e. policies that negatively impact growth. When fiscal policies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

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

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

Figure 2



Source: Bloomberg

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

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

LOCAL SNAPSHOT

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

A local recruitment agency in Queenstown has reported that 13 employees it had placed in jobs quit within the first week of this month because they were unable to find housing. These employees, who were mostly in the hospitality and construction industries, are among approximately 40 people who have had to leave town or not even go there over the past three months due to the housing crisis.

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

WORLD FINANCIAL MARKETS

Equities

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

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

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

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

Fixed Interest

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

Figure 3

Source: Trading Economics

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

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

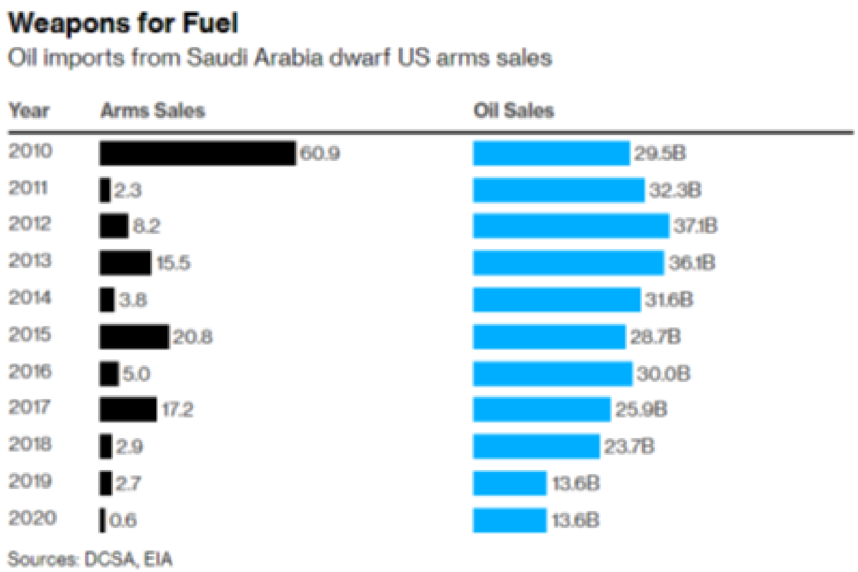
DEGLOBALISATION – PETRODOLLAR VS PETROYUAN

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

However, the alliance has proved fragile in the past decade. Declining most in 2015 after the Saudi invasion of Yemen and the assassination of Jamal Khashoggi (Saudi dissident) inside the Saudi consulate in Turkey in 2018. Now Saudi Arabia is no longer the leading exporter of oil to the US, having been surpassed by countries such as Canada, Mexico, and Russia. This was also the case before the US banned imports in response to Russia's invasion of Ukraine. Arms sales have significantly decreased at the same time, though over the last decade, Saudi Arabia has purchased 24% of total US arms exports.

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

Figure 4



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

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

GEOPOLITICS

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

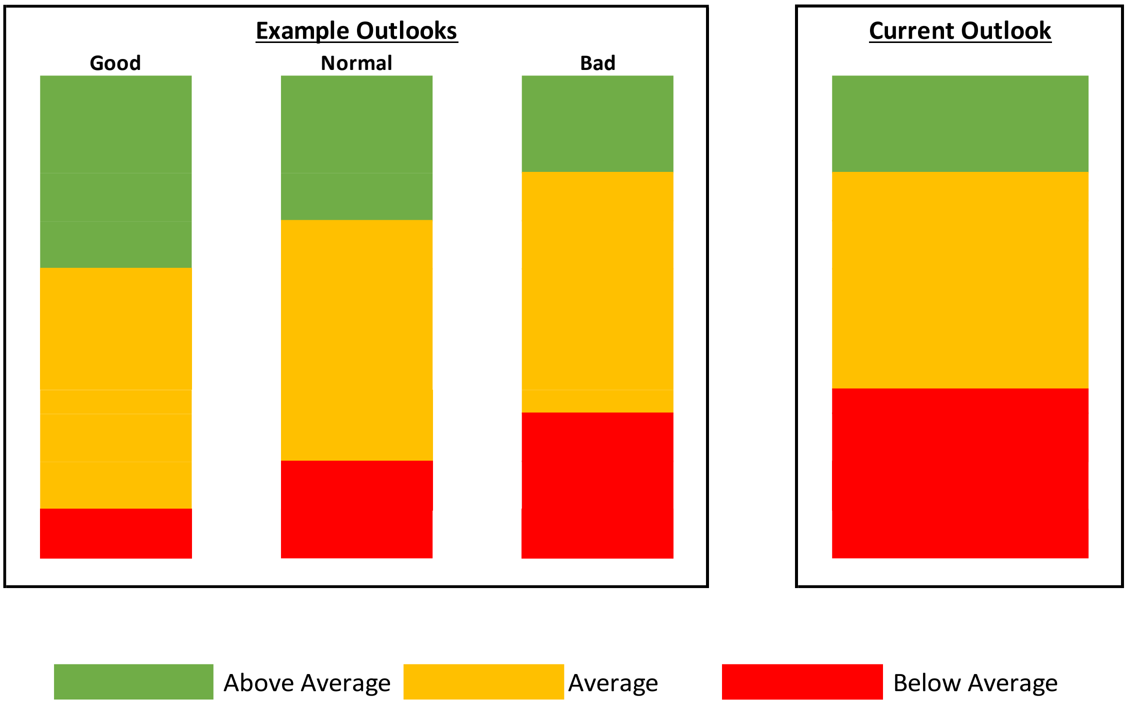
2023 started with a Ukraine strike on a Russian base in Makiivka in the Donetsk region. The blast was so severe that Britain's Ministry of Defence speculated that ammunition was being stored near the accommodation for troops in a vocational school building located around 10 kilometres behind the front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

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

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

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

MARKET OUTLOOK



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

APPENDIX 1: BENCHMARKS

LONG TERM FUND

Asset	Benchmark
Growth Assets	
Diversified Growth	
Aspiring	NZ CPI + 4% p.a.
Castle Point 5 Oceans	NZ OCR + 3% p.a.
Milford Active Growth	10% p.a.
Mint Diversified Growth	NZ CPI + 4.5% p.a.
Schroders Real Return	Australian CPI (trimmed mean) + 4.5% p.a.
Global Equity	
Harbour T. Rowe Price Global Equity	MSCI All Country World Index
Nanuk New World	FTSE Russell Environmental Opportunities Index
Private Equity	
Castlerock	8% p.a.
Continuity Capital PE Fund No.2 LP	15% p.a.
Continuity Capital PE Fund No.4 LP	15% p.a.
Continuity Capital PE Fund No.5	15% p.a.
Continuity Capital PE Fund No.6 LP	15% p.a.
Continuity Capital PE Fund No.7	15% p.a.
CPEC 9	15% p.a.
Direct Capital VI	12% p.a.
Federation Alternative	16% p.a.
Milford PE III	8% p.a.
MLC PE II	15% p.a.
MLC PE III	15% p.a.
Oriens Capital Fund 2	8% p.a.
PCP III	8% p.a.
PCP III Zespri Co-Investment	8% p.a.
PCP IV	8% p.a.
Income Assets	
Diversified Income	
BlackRock FIGO	Bloomberg AusBond Bank Bill Index + 4% - 6% p.a.*
Fermat ILS Yield	Bloomberg AusBond Bank Bill Index + 4.5%
Harbour Income	NZ OCR + 3.5% p.a.
Milford Diversified Income	NZ OCR + 2.5% p.a.
Mint Diversified Income	NZ CPI + 3% p.a.
Total Assets	**NZ CPI + 4.5% p.a.**

*We have used 4% as a benchmark

SHORT TERM FUND

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

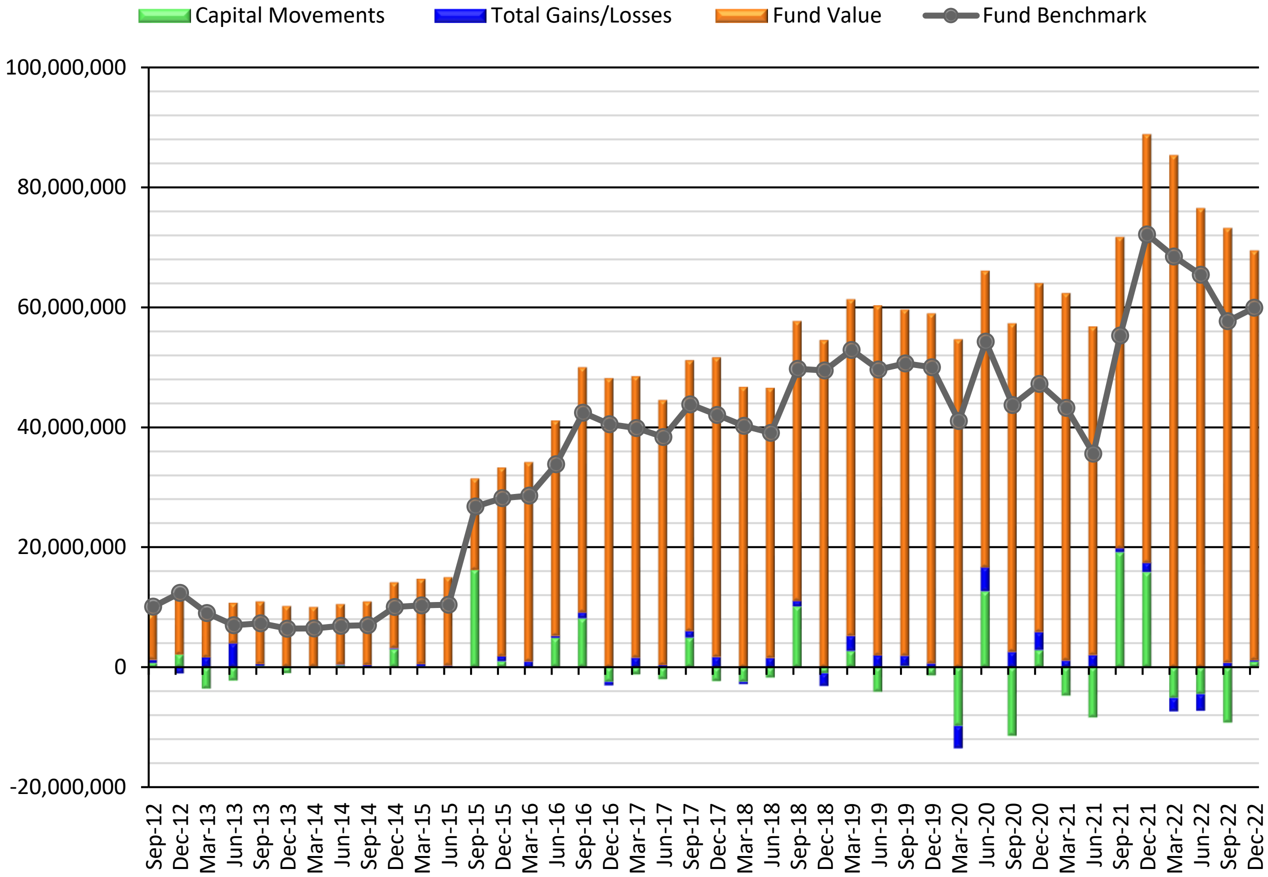
APPENDIX 2: NRC TOTAL FUNDS UNDER MANAGEMENT

FUNDS UNDER MANAGEMENT: BREAKDOWN

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

Note: all values are in NZD

FUNDS UNDER MANAGEMENT: CAPITAL MOVEMENTS AND GAINS/LOSSES



FUNDS DENOMINATED IN AUD

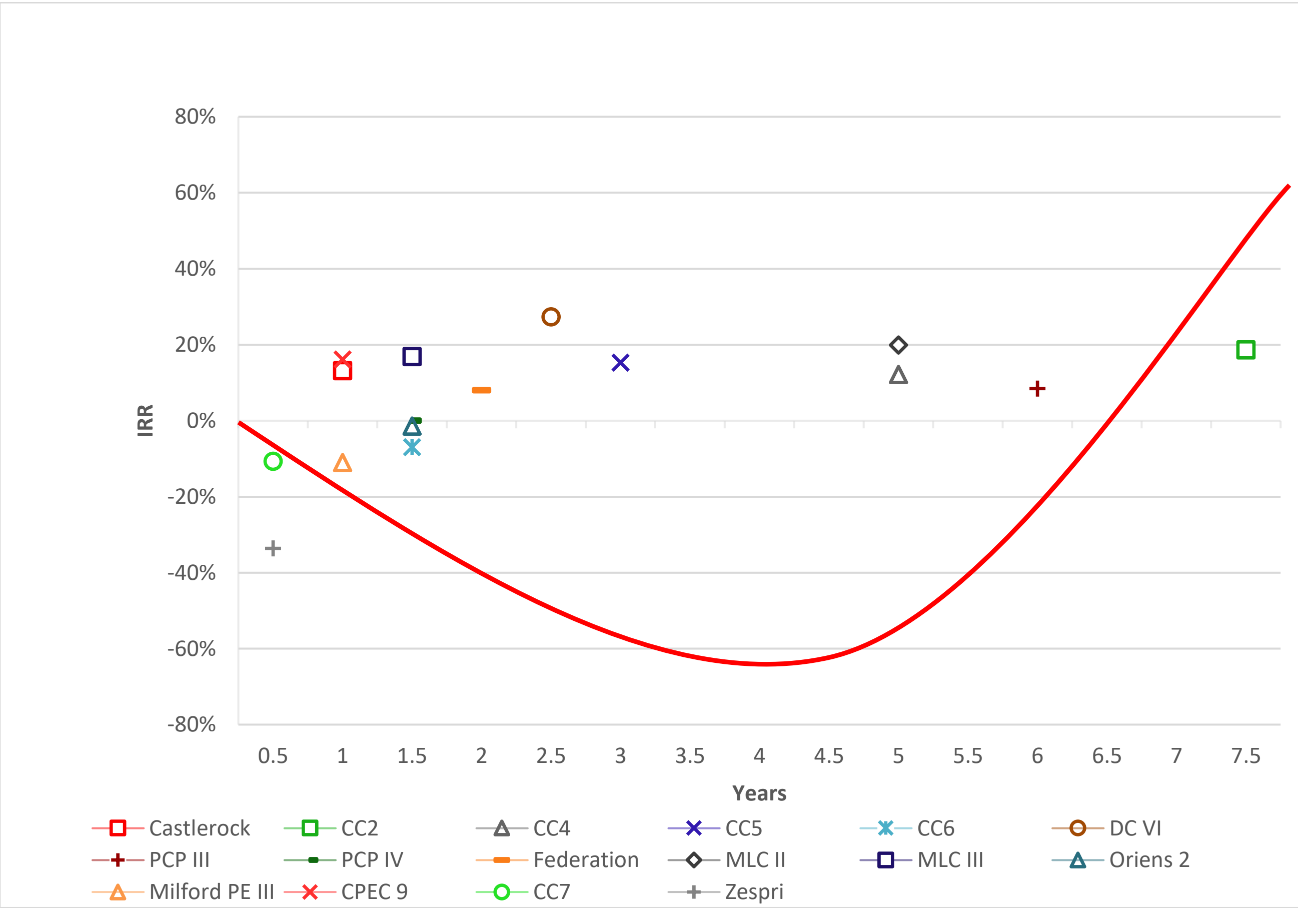
Funds Denominated in AUD		NRC Total AUD	NRC Total NZD
BlackRock	FIGO	545,778	585,216
Continuity Capital	Fund No.5	1,875,985	2,011,541
	Fund No.7	478,165	512,717
CPE Capital	Fund 9	136,222	146,065
Federation	Alternative	980,000	1,050,814
Fermat	ILS Yield	572,805	614,195
MLC	PE Co-investment Fund II	1,111,700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

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

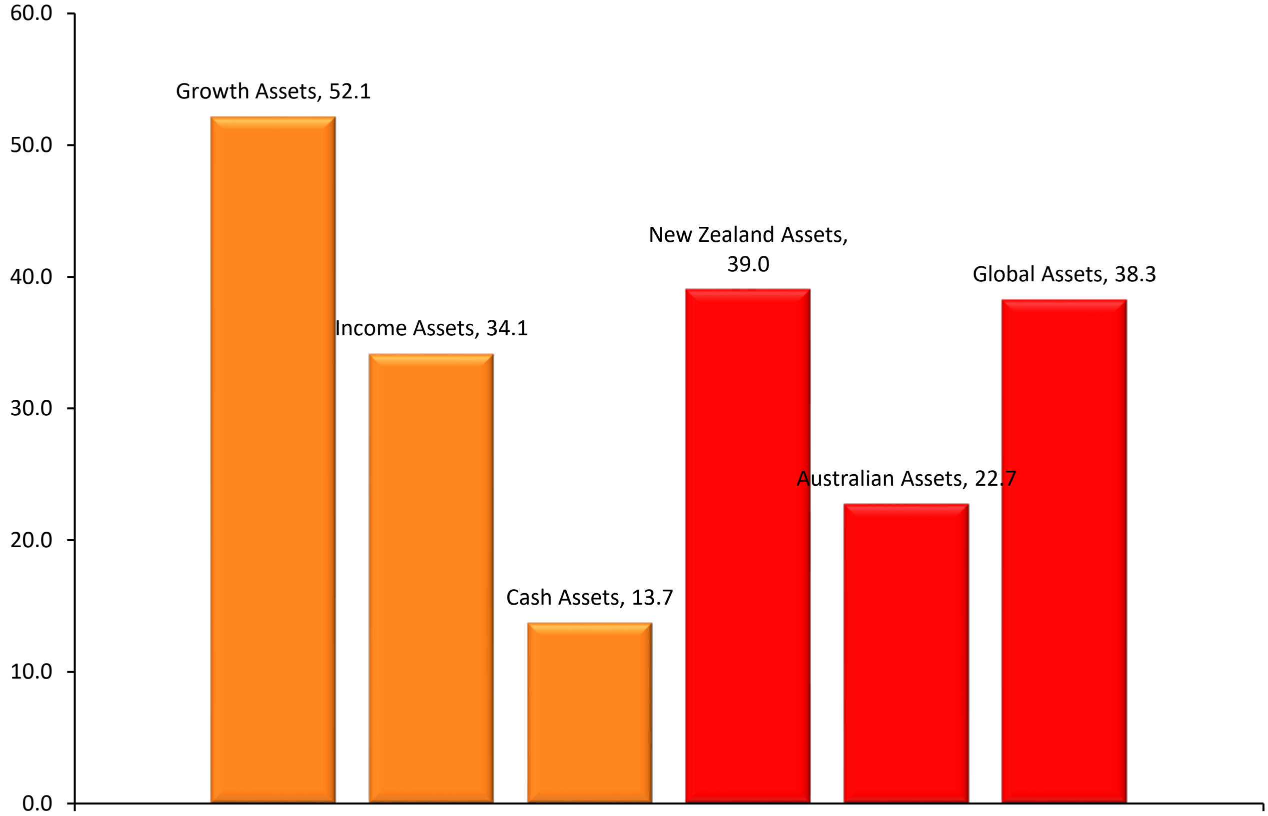
PRIVATE EQUITY – COMMITTED CAPITAL (CALLED VS UNCALLED)

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

PRIVATE EQUITY PERFORMANCE AS AT 31 DECEMBER 2022



NRC TOTAL UNDERLYING FUND ALLOCATIONS



APPENDIX 3: ERIKSENSGLOBAL – ABOUT YOUR CONSULTANTS

WHO WE ARE

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

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

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

HOUSE VIEW ON INVESTING

ACTIVELY MANAGED INVESTMENTS

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

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

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

Traditional Strategic Asset Allocation (SAA) seeks to achieve an expected rate of return based on the proportion of growth assets. However, the volatility of equity markets this century has made the target returns elusive when the proportion of such assets is held stable. Most asset classes' returns have become more closely correlated with globalisation.

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

PRIVATE EQUITY

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

RESPONSIBLE INVESTING

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

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

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