



Te Kaunihera-ā-Rohe o Taratahi

CARTERTON
DISTRICT COUNCIL

AGENDA

Investment Committee meeting

Date: Wednesday, 7 August 2024

Time: 12:00 pm

**Location: Carterton Events Centre
50 Holloway St
Carterton**

Chair S Cretney

Mayor R Mark

Cr S Laurence

Cr L Newman

Notice is hereby given that an Investment Committee meeting of the Carterton District Council will be held in the Carterton Events Centre, 50 Holloway St, Carterton on:

Wednesday, 7 August 2024 at 12:00 pm

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1 KARAKIA TIMATANGA

Mai i te pae maunga, raro ki te tai

Mai i te awa tonga, raro ki te awa raki

Tēnei te hapori awhi ai e Taratahi.

Whano whano, haramai te toki

Haumi ē, hui ē, tāiki ē!

2 APOLOGIES

3 CONFLICTS OF INTERESTS DECLARATION

4 PUBLIC FORUM

5 CONFIRMATION OF THE MINUTES



5.1 MINUTES OF THE INVESTMENT COMMITTEE MEETING HELD ON 21 FEBRUARY 2024

1. RECOMMENDATION

1. That the Minutes of the Investment Committee Meeting held on 21 February 2024 are true and correct.

File Number: 386568

Author: Robyn Blue, Democratic Services Officer

Attachments: 1. Minutes of the Investment Committee Meeting held on 21 February 2024

**MINUTES OF CARTERTON DISTRICT COUNCIL
INVESTMENT COMMITTEE MEETING
HELD AT THE CARTERTON EVENTS CENTRE, 50 HOLLOWAY ST, CARTERTON
ON WEDNESDAY, 21 FEBRUARY 2024 AT 12.30 PM**

PRESENT: Deputy Mayor Dale Williams (Chairperson), Mayor Ron Mark, Cr Lou Newman, Cr Steve Laurence, Marty Sebire (independent member)

IN ATTENDANCE: Elected members

Cr B Deller, Cr S Gallon, Cr S Cretney

Staff

Geoff Hamilton (Chief Executive), Karon Ashforth (Corporate Services Manager), Elisa Brown (Communications and Engagement Manager), Marcus Anselm (Communications and Engagement Coordinator), Robyn Blue (Democratic Services Officer), Kyra Low (Finance Manager)

Other

Jonathan Eriksen (Eriksens Global), Peter Verhaart (Eriksens Global)

1 KARAKIA TIMATANGA

The meeting opened with a karakia by Marty Sebire.

2 APOLOGIES

There were no apologies received.

3 CONFLICTS OF INTERESTS DECLARATION

There were no conflicts of interest declared.

4 PUBLIC FORUM

There was no public forum.

5 CONFIRMATION OF THE MINUTES

5.1 MINUTES OF THE INVESTMENT COMMITTEE MEETING HELD ON 15 NOVEMBER 2023

MOVED

1. That the Minutes of the Investment Committee Meeting held on 15 November 2023 are true and correct.

Cr S Laurence / Deputy Mayor D Williams

CARRIED

6 REPORTS

6.1 INVESTMENT UPDATE REPORT

1. PURPOSE

The purpose of the report is to provide the Committee with an update on Council's investments.

MOVED

That the Committee:

1. **Receives** the report.

Deputy Mayor D Williams / Cr S Laurence

CARRIED

7 KARAKIA WHAKAMUTUNGA

The meeting closed with a karakia by M Sebire.

The Meeting closed at 11.12 am

Minutes confirmed:

Date:

6 REPORTS



6.1 INVESTMENT UPDATE REPORT

1. PURPOSE

The purpose of the report is to provide the Committee with an update on Council's investments.

2. SIGNIFICANCE

The matters for decision in this report are not considered to be of significance under the Significance and Engagement Policy.

3. BACKGROUND

CDC's investment position and management are reported at each Investment Committee meeting, including the quarterly report from Eriksens Global, as the Investment Advisor to the Committee.

This report sets out the investment position as at 31 March 2024 advising the Committee of the position of investments, their performance over the period, and considers the plan going forward.

4. SUMMARY OF MANAGED FUND BALANCE AND PERFORMANCE

Balance and performance of managed funds since inception, to 31 March 2024:

Asset	Total invested	Current value	Gain/(loss)	Fund performance *
	\$	\$	\$	
Castle Point 5 Oceans	1,325,000	1,402,513	77,513	6%
Harbour Income	1,325,000	1,468,479	143,479	11%
Castlerock LP	1,000,000	945,708	(54,292)	-5%
Milford	1,350,000	1,415,097	65,097	5%
TOTAL	5,000,000	5,231,798	231,798	5%

* Note the fund performance is from the Eriksens Global report. Returns are calculated monthly using a formula based on the market value and cash flows occurring in that month. Cash flows (such as the additional applications in June) can make a significant difference to returns.

Currently all distributions are being reinvested back into the funds.

5. CURRENT TOTAL INVESTMENTS POSITION

The council's total investment position at end of March 2024 is:

On Call and up to 30 days	\$6.4m
31 – 90 days	\$5.3m
181 days	\$0.1m
Managed funds	\$5.2m
Borrower notes	\$0.7m
TOTAL	\$17.9m

5.1 Bank investments

Investments are held across three banks BNZ, ANZ and Westpac. Call accounts reflect our trading activity while cash and term deposits reflect operational or special reserve investments; the latter are funds set aside for specific purposes, such as infrastructure contributions. We also have Borrower notes in our investment schedule. These are a percentage of the bonds (loans) we have taken out with LGFA and are due when the bonds mature. They are gathering a small amount of interest that is payable on maturity.

The average interest rate on investments (excluding Managed funds) is currently approximately 2.5%.

Additional funds were held in shorter term investments due to the repayment of the loan of \$4.7m due to be repaid in April 2024 and the \$3.6m payment of the land purchase also due for payment in April 2024.

5.2 Managed funds

At 31 March 2024 the current position and performance of these investments are shown in the table above, and in the 31 March 2024 report issued by Eriksen's Global (Attachment 1).

These investments are intended to be held for a long period of time, and within that time the values will fluctuate. It is still too early to form a view on fund performance given the short time of investment to date.

6. NEXT STEPS

Staff will continue to monitor and report on investment position to the Investment Committee.

Staff will continue work on cash-flow forecasting, including the capital programme and cash available for investment.

Officers are not recommending further investment in managed funds at this stage.

7. CONSIDERATIONS**7.1 Climate change**

There are no specific climate change considerations.

7.2 Tāngata whenua

There are no specific tāngata whenua considerations.

7.3 Financial impact

There are no financial impacts resulting from the decisions in this report, other than those already outlined above.

7.4 Community Engagement requirements

There are no community engagement requirements.

7.5 Risks

Key risks relate to the investment management areas outlined above.

8. RECOMMENDATION

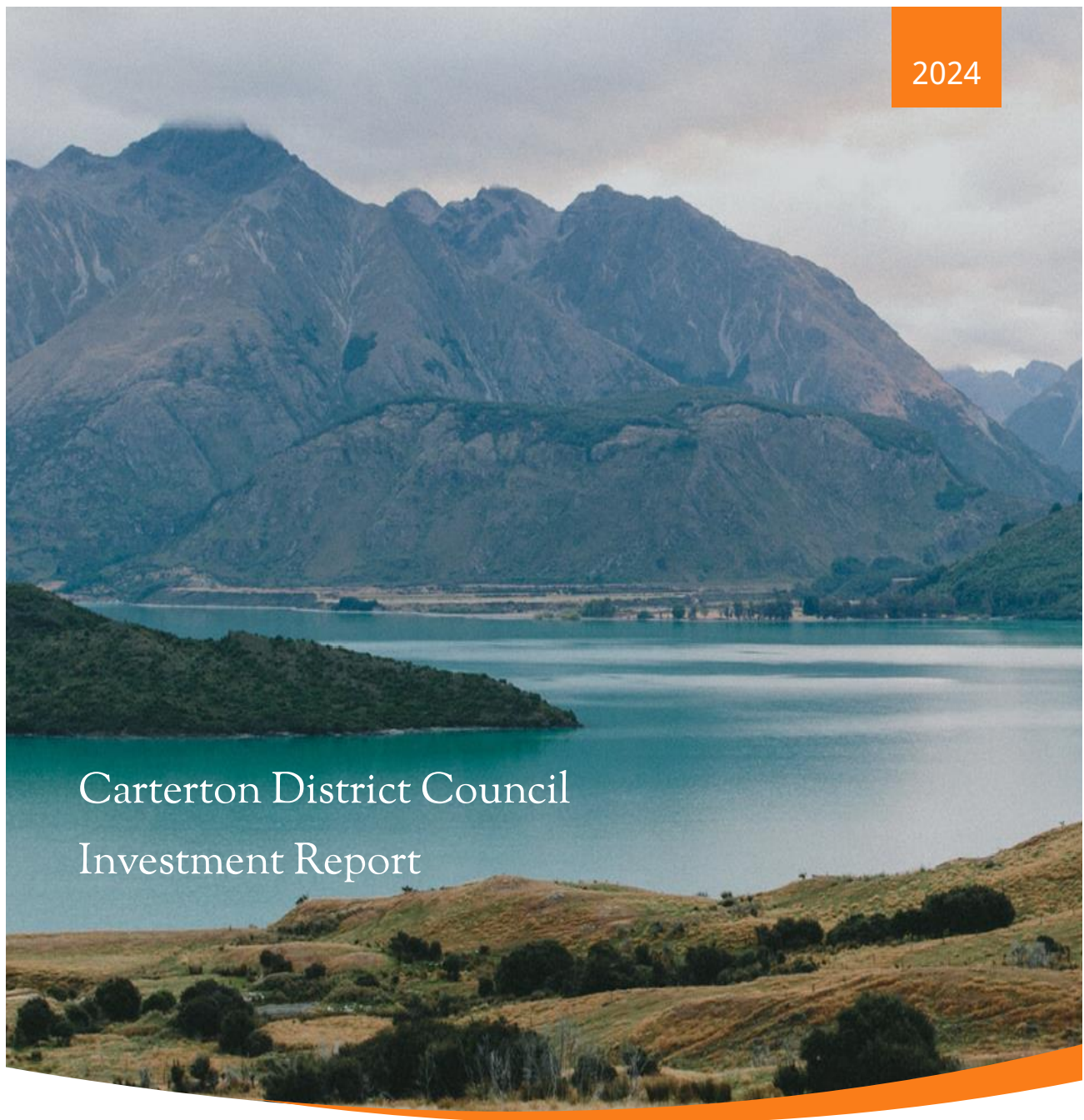
That the Committee:

1. **Receives** the report.

File Number: 399897

Author: Kyra Low, Finance Manager

Attachments: 1. Eriksen's Global Report as at 31 March 2024 [↓](#)



Carterton District Council Investment Report

Quarterly Report to 31 March 2024

Report Dated 19 April 2024

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ERIKSENSGLOBAL

Actuaries & Investment Consultants

Investment Report to 31 March 2024
Carterton District Council

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Investment Report to 31 March 2024
Carterton District Council

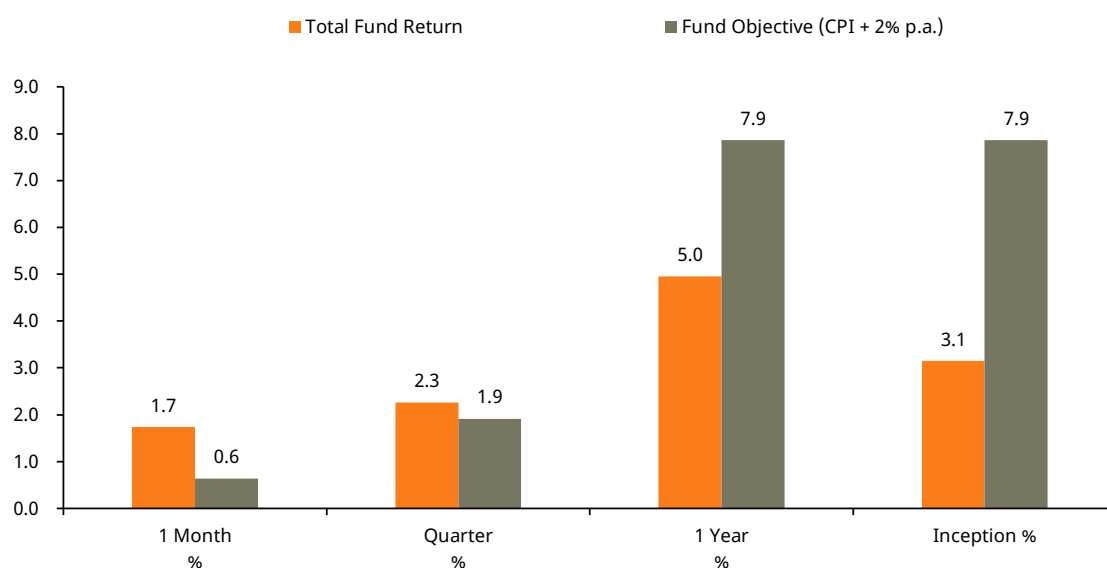
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Executive Summary

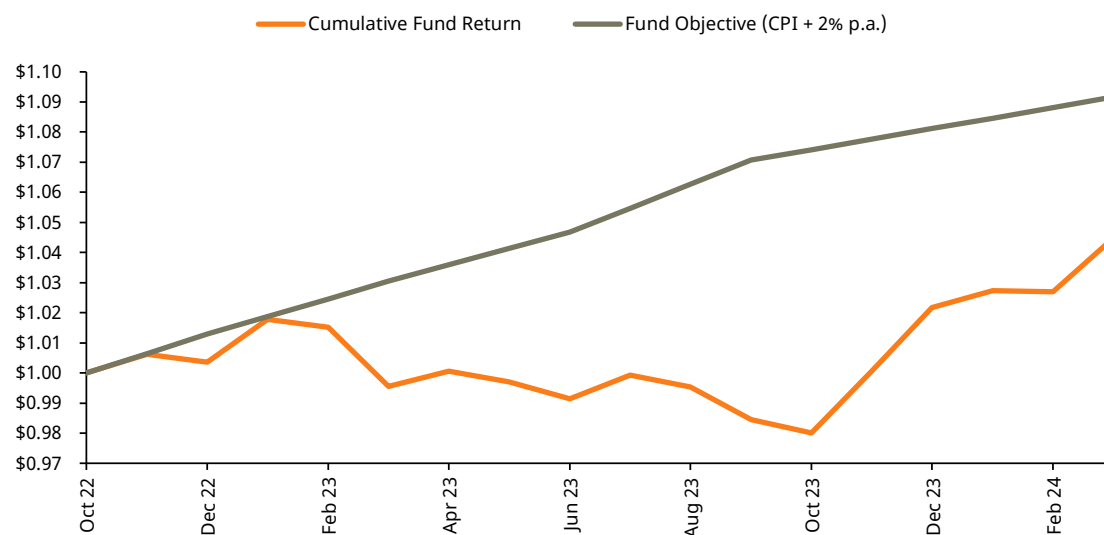
Portfolio Performance

The Fund outperformed its CPI + 2% p.a. objective over the month and quarter but was behind the objective over the year and since inception. The SIPO states that returns are to be measured over rolling 3-year periods. As such it is still too short a period to draw meaningful conclusions.



Inception is measured from 1 November 2022.

Growth of \$1 Since Inception



SIPO Compliance Monitoring

Shown below are the main compliance checks against the SIPO investment objectives and asset allocation policies.

As the investment objective is to achieve a 2% p.a. return after expenses and inflation but before any taxes over rolling three-year periods, it is too early to assess whether this objective has been met.

Investment Objective

Investment Objective	Status
Return Objective	Too Early to Assess
Volatility Objective	Too Early to Assess

Asset Allocation

Asset Class	Range %	Actual %	Status
Private Equity	0 - 40	18	✓
Multi-Asset Income	60 - 100	82	✓
Direct Investment	0 - 10	0	✓
Total Fund		100	

Portfolio Highlights

The March quarter saw a continuation of the rally in equity markets offshore and positive returns from New Zealand equities. The NZ equity market rose 2.8% over the quarter with the Australian market up 5.4% in AUD terms. Global equities were up nearly 15% for the quarter in NZD terms with a significant boost from the NZD falling against the major currencies except the Japanese Yen over the quarter. Domestic listed property had a small gain for the quarter. Bond yields fluctuated over the quarter providing modestly positive return from domestic bonds and a flat return from global bonds. Oil prices ended up over 10% for the quarter.

All funds had a positive return over the quarter.

Recommendations/Actions

No recommendations at this time.

We are in the process of updating our report formatting and content. If you have any feedback about the changes, please let us know.

Manager/Fund Updates

Castle Point have advised they have switched their low volatility global equities manager from Acadian, a relatively large Boston-based fund manager, to Te Ahumairangi for the 5 Oceans Fund. Te Ahumairangi is a Wellington based low volatility global equities manager run by Nicholas Bagnall, who used to be the CIO at ACC and still runs over \$1 billion in this strategy for ACC in a segregated mandate. Te Ahumairangi's PIE fund is tax and fee efficient and currently has \$300 million in assets. We support this change reducing the exposure to US equities and rate Nicholas Bagnall highly as a stock picking fund manager.

Castle Point has also added its Trans-Tasman Fund to the 5 Oceans Fund taking 7.5% from its Ranger Fund. This provides further diversification for investors and goes some way to address our concerns over concentration risk to the Ranger strategy.

Economic Comments

The Middle East is taking a front seat in global geopolitics after an Israeli attack on the Iranian embassy and ongoing war in Gaza.

The Bank of Japan made a historic move in March by raising its cash rate and abolishing its yield curve control (YCC), putting an end to Japan's era of negative interest rates.

New Zealand has re-entered a technical recession.

Gold reached record highs. Oil prices approached \$90 per barrel.

Potential constraints to global supply chains may occur after the collapse of the bridge in Baltimore and ongoing problems in the Red Sea and Panama Canal.

Introduction

This is a quarterly investment report for Carterton District Council by EriksensGlobal.

The report is based on the Carterton District Council Draft SIPO dated August 2022.

The primary investment objective (net of fees) for the portfolio is NZ CPI + 2% per annum over rolling three-year periods, and volatility less than 5% per annum.

The NZ CPI (rolling over three years) as at **31 March 2024** (latest data available) was **5.9%** per annum. The Fund Objectives for shorter time periods are based on the annualised rolling three-year CPI.

All performance figures are time-weighted returns shown net of fund manager fees and net of tax. 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.

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

Inception for reporting purposes is 1 November 2022.

Fund Performance

Performance Summary

Asset	1 Month %	Quarter %	1 Year %	Inception p.a. %
Castle Point 5 Oceans	1.7	2.6	5.7	4.0
Benchmark: NZ OCR + 3% p.a.	0.7	2.1	8.5	8.0
Value Added	1.0	0.5	(2.8)	(4.0)
Harbour Income	1.7	2.3	8.4	8.4
Benchmark: NZ OCR + 3.5% p.a.	0.7	2.2	9.0	8.5
Value Added	1.0	0.1	(0.6)	(0.1)
Milford Diversified Income	2.2	2.6		
Benchmark: NZ OCR + 2.5% p.a.	0.6	1.9		
Value Added	1.6	0.7		
Castlerock	1.1	1.1	-0.5	-3.9
Benchmark: 8% p.a.	0.6	1.9	8.0	8.0
Value Added	0.5	(0.8)	(8.5)	(11.9)
Total Fund	1.7	2.3	5.0	3.1
Fund Objective: NZ CPI + 2% p.a.	0.6	1.9	7.9	7.9
Value Added	1.1	0.4	(2.9)	(4.8)

Key = Achieved product target: Teal, Less than 2% below: Orange, More than 2% below: Red

"Benchmark" refers to the products own target return or objective. These are listed in the Appendix.

Performance Commentary

The **Castle Point 5 Oceans Fund** was up 1.7% in March and was up 2.6% over the quarter. Global equities was the main contributor with the Schroder Global Recovery Fund up 4.6% in AUD terms in March and the Te Ahumairangi Global Equity Fund, that replaced the Acadian Managed Volatility strategy (that was accessed via the Mercer Low Volatility Shares Portfolio) over the month, up 3.5% for the part-month invested. The only detractor over March was the Emissions Trading Scheme Units (down 12%). At the end of March the Fund held 15% in cash on a look-through basis.

The **Harbour Income Fund** was up 1.7% over March and up 2.3% over the quarter. The main contributions to returns over the month and quarter came from the Harbour Australasian Equity Income Fund, the Harbour T. Rowe Price Global Equity Fund and the Harbour NZ Corporate Bond Fund. The yield to maturity of the Fund at the end of March was 5.1% with a duration of 2.8 years.

The **Milford Diversified Income Fund** was up 2.2% in March and was up 2.6% over the quarter. Equities produced strong returns and falling interest rates over March provided a boost to Fund returns. Corporate bonds continued to outperform government bonds, a trend that Milford notes has been going on for a year. Milford is continuing to reduce global corporate bond exposure where valuations versus government bonds are becoming expensive. Contributors to equity returns were Contact Energy (up 7%), Goodman Group (up 13%), Bank of Ireland (up 17%) and NatWest (up 16%). Oil and gas companies also contributed including Santos (up 10%) and Shell (up 7%). The largest detractor was Spark NZ (down 2%). Milford continues to have downside protection in the Fund in the form of broad market index options and is keeping interest rate exposure below long run historic levels. The yield on the Fund at month end was 5.78% with a duration of 0.88 years and an average credit rating of BBB+.

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Castlerock Partners LP was up 1.1% for the quarter. The share price fell two cents from \$0.98 to \$0.96, a 2.0% fall owing to softer profitability across the Fund, and the Fund paid a distribution of \$29,274.14 amounting to a yield of 3.1% for the quarter. The distribution was reinvested. Adam Morris, Brooklands new CEO has been spending time with customers and suppliers and working through the three-year strategic plan. The business has seen sales decline in line with NZ retail trends. Brooklands has made an appointment to a newly formed National Sales Manager role. HELL Pizza has a new CEO, Josh Drake who replaces longstanding CEO Ben Cumming who has moved to Australia. Josh was formerly the CEO of craft brewery Panhead. Sales have been down as consumers watch their spending and the use of discount codes/offers has increased. HELL is working on the opening of 2-3 new stores in the coming year. The Tile Depot has seen revenues hold up relatively well with single-digit declines being mitigated by 8% growth in the Trade division. Tile Depot acquired Brymac Tiles in Christchurch that specialises in Italian tiles and installation. Vivo Hair's revenue was in line with the prior year and its profitability has increased owing to tight cost control. It's online webshop for haircare products and accessories has experienced strong growth. Brooklands is the largest investment at 31% of the Fund with Hell (21%), Tile Depot (21%), Vivo (20%) and Majestic (7%) making up the Fund.

Investment Report to 31 March 2024
 Carterton District Council

Asset Allocation

Overall Asset Allocation

Asset	Value \$	Allocation %	Target & Range %	Status
Castle Point 5 Oceans	1,402,513	26.8	60 < 67 < 100	✓
Harbour Income	1,468,479	28.1		
Milford Diversified Income	1,415,097	27.0		
Castlerock	945,708	18.1	0 < 33 < 40	✓
Total Fund	5,231,798	100.0		

Underlying Fund Asset Allocation

Underlying fund asset allocations are categorised as follows:

- Growth assets: global equities, Australasian equities and property.
- Income assets: global bonds, Australasian bonds and other debt instruments.
- Cash assets: cash or short duration bonds.

Where data for the underlying asset allocation is unavailable at month-end, the previous months' allocations have been used.

Asset Type	Value \$	Allocation %
Growth Assets	2,556,480	48.9
Income Assets	2,232,575	42.7
Cash Assets	442,743	8.5
Total	5,231,798	100.0

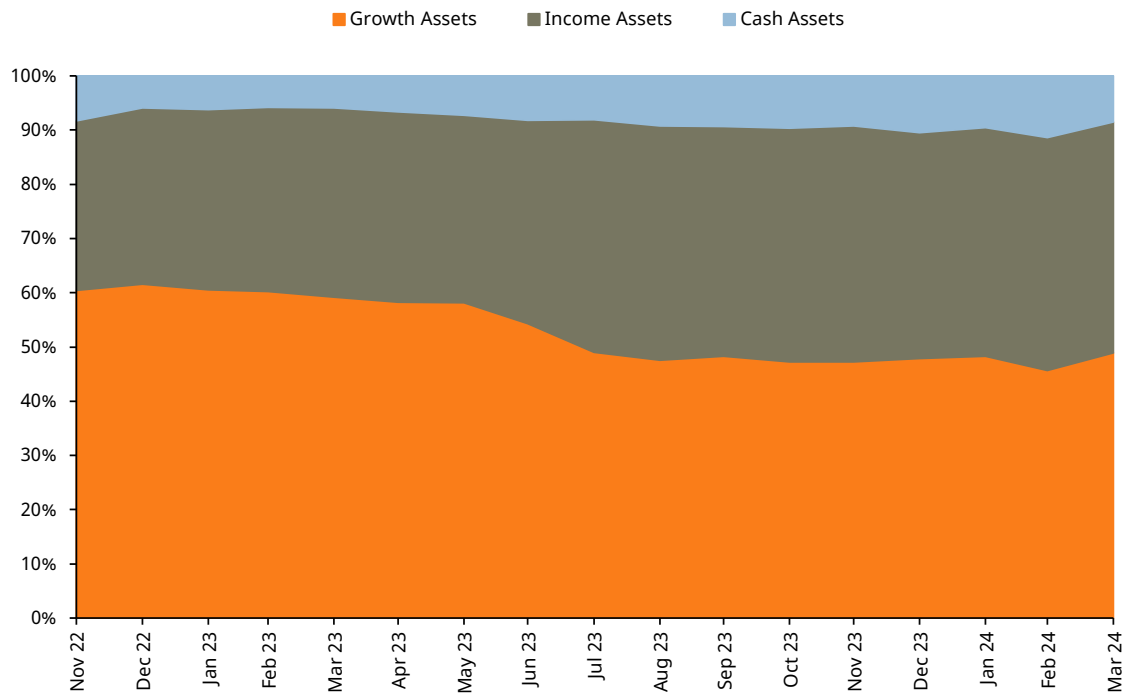
Asset	Growth %	Income %	Cash %
Castle Point 5 Oceans	52	33	15.20
Harbour Income	28	64	7.95
Milford Diversified Income	33	59	7.97
Castlerock	100	0	0.00
Total	49	42.7	8.5

Note that percentages are rounded to the nearest 1 decimal place, therefore totals may add to over 100 after rounding.

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Carterton District Council

Asset Allocation Movement

The below graph shows the historical asset split between growth, income and cash.



7 KARAKIA WHAKAMUTUNGA