



Te Kaunihera-ā-Rohe o Taratahi

**CARTERTON**  
**DISTRICT COUNCIL**

# **AGENDA**

## **Investment Committee meeting**

**Date: Wednesday, 13 November 2024**

**Time: 12.30 pm**

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

S Laurence (Chair)

Deputy Mayor S Cretney (Deputy Chair)

Mayor R Mark

Cr L Newman

M Sebire (independent member)



**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, 13 November 2024 at 12.30 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 awahi 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 7 AUGUST 2024

#### 1. RECOMMENDATION

1. That the Minutes of the Investment Committee Meeting held on 7 August 2024 are true and correct.

**File Number:** 413995

**Author:** Robyn Blue, Democratic Services Officer

**Attachments:** 1. Minutes of the Investment Committee Meeting held on 7 August 2024

**MINUTES OF CARTERTON DISTRICT COUNCIL  
INVESTMENT COMMITTEE MEETING  
HELD AT THE CARTERTON EVENTS CENTRE, 50 HOLLOWAY ST, CARTERTON  
ON WEDNESDAY, 7 AUGUST 2024 AT 12:00 PM**

**PRESENT:** Cr Steve Laurence (Acting Chair), Steve Cretney (Acting Deputy Chair), Cr Lou Newman

**IN ATTENDANCE:** Elected members

Cr B Deller, Cr D Williams, Cr S Gallon

Other

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

Staff

Geoff Hamilton (Chief Executive), Sara Renall (Communications and Engagement Advisor), Robyn Blue (Democratic Services Officer)

**1 KARAKIA TIMATANGA**

The meeting opened with a karakia by Cr Lou Newman.

**2 APOLOGIES**

**MOVED**

That an apology be received from Mayor Ron Mark and Marty Sebire.

Deputy Mayor S Cretney / Cr S Laurence

**CARRIED**

**3 CONFLICTS OF INTERESTS DECLARATION**

There were no conflicts on 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 21 FEBRUARY 2024**

**MOVED**

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

Cr L Newman / Cr S Laurence

**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.

**NOTED**

- After discussion about the performance of the investment portfolio there was a consensus not to make any changes at this time.

**MOVED**

That the Committee:

1. **Receives** the report.

Cr S Laurence / Deputy Mayor S Cretney

**CARRIED**

2. **Recommends** to Council that Cr Steve Laurence is appointed as the Chair of the Investment Committee, and Deputy Mayor Steve Cretney is appointed as the Deputy Chair.

Cr L Newman / Deputy Mayor S Cretney

**CARRIED**

3. **Recommends** to Council that Marty Sebire is formally co-opted on to the Investment Committee as an independent member.

Cr S Laurence / Cr S Cretney

**CARRIED**

**The meeting closed at 12.45pm**

**Minutes confirmed: .....**

**2024**

**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 30 September 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 30 September 2024:

Asset	Total invested	Current value	Gain/(loss)	Fund performance *
	\$	\$	\$	
Castle Point 5 Oceans	1,325,000	1,439,455	114,455	9%
Harbour Income	1,325,000	1,542,404	143,479	16%
Castlerock LP	1,000,000	927,682	-54,292	-7%
Milford	1,350,000	1,493,465	65,097	11%
<b>TOTAL</b>	<b>5,000,000</b>	<b>5,403,006</b>	<b>268,740</b>	<b>8%</b>

\* 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.

Currently all distributions are being reinvested back into the funds.

## 5. CURRENT TOTAL INVESTMENTS POSITION

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

On Call and up to 30 days	\$8.8m
31 – 90 days	\$0m
181 days	\$0.1m
Managed funds	\$5.4m
Borrower notes	\$0.6m
<b>TOTAL</b>	<b>\$14.9m</b>

### 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%.

### 5.2 Managed funds

At 30 September 2024 the current position and performance of these investments are shown in the table above, and in the 30 September 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**

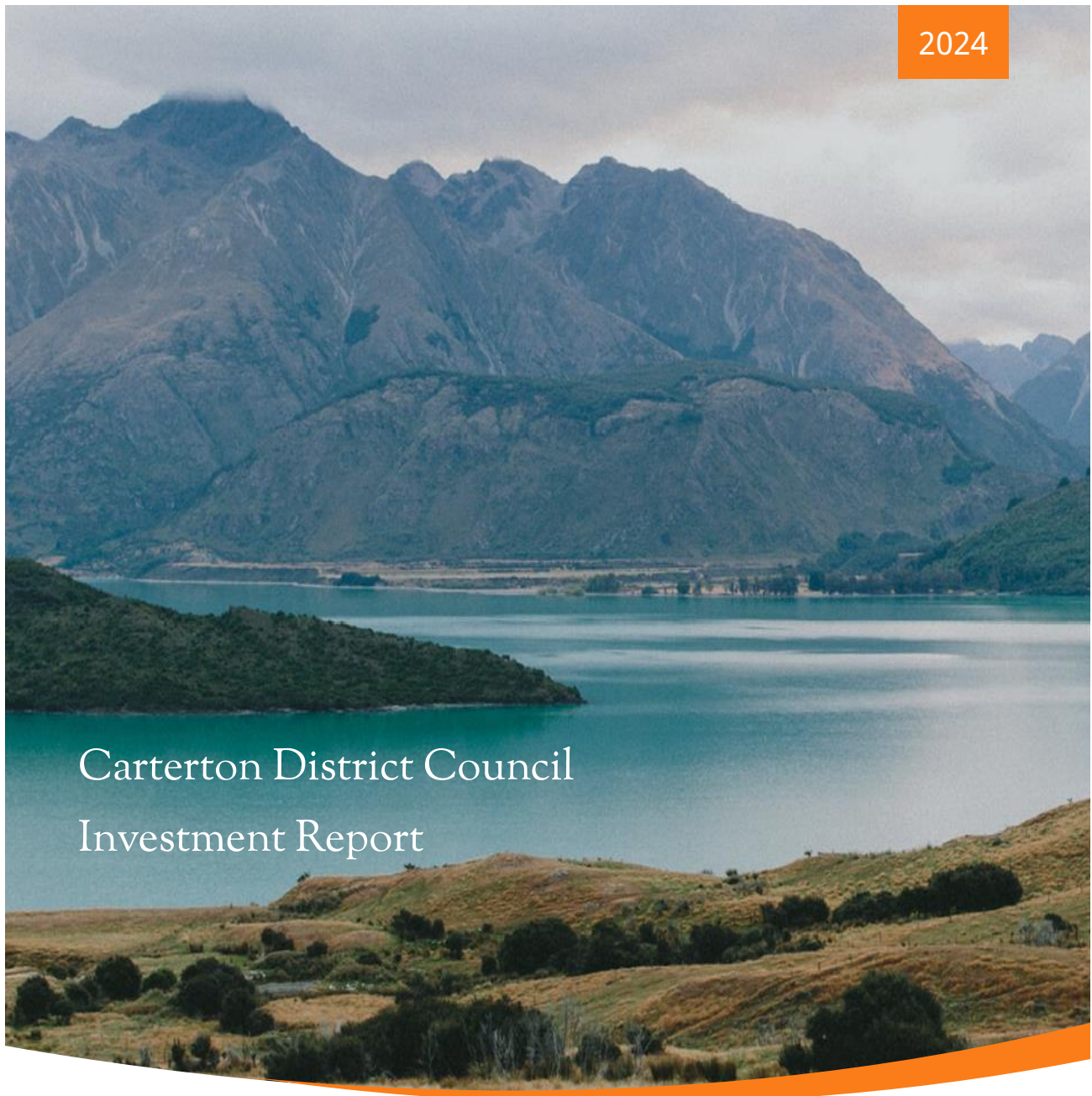
That the Committee:

1. **Receives** the report.

**File Number:** 428345

**Author:** Kyra Low, Finance Manager

**Attachments:** 1. Eriksen's Global Report as at 30 September 2024 [↓](#)



# Carterton District Council Investment Report

Investment Report to 30 September 2024

Report Dated 18 October 2024

STRICTLY PRIVATE & CONFIDENTIAL

**ERIKSENSGLOBAL**

Actuaries & Investment Consultants

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Investment Report to 30 September 2024  
Carterton District Council

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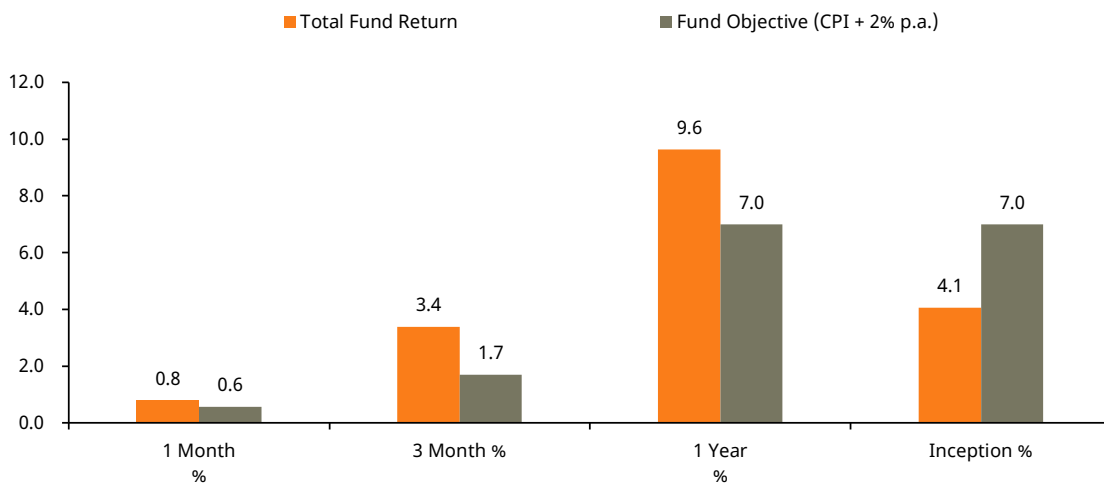
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## Executive Summary

### Portfolio Performance

The Fund outperformed its objective over the quarter and year but has underperformed since inception. Total Fund return was 3.4% for the quarter, outperforming its benchmark by 1.6%. Total Fund return was 4.1% since inception, underperforming its benchmark by 3.4%. The largest detractor from the Fund’s performance over the quarter was Castlerock (down 0.1%). The largest contributor from the Fund’s performance was The Harbour Income Fund (up 4.7%). 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.

### Recommendations/Actions

No recommendations at this time.

### Market Highlights

The September quarter saw positive momentum across global equity markets, with fluctuations driven by local factors and currency movements. Equity markets experienced broad gains, with global equities returning 4.5% in local currency terms (1.8% NZD terms). Over the quarter, the New Zealand share market gained 6%, while Australian equities rose 7.8% (7.2% in NZD terms). US equities also performed well throughout the quarter, up 5.5% (1.1% in NZD terms). Global and domestic bonds continued to perform well over the quarter, benefitting from falling interest rates and a general easing in monetary policy. Global bond returns rose 4.2% (NZD Hedged). The Reserve Bank of New Zealand’s 25-basis point rate cut in August further boosted the domestic bond market, with New Zealand bonds returning 3.9%, and the New Zealand listed property market, with the index up 8.6%. The New Zealand dollar experienced significant fluctuations during the quarter, impacting returns for unhedged investors. The NZD appreciated by 4.4% against the USD, 0.3% against the Euro, and 0.5% against the AUD, while depreciating by 1.6% against the GBP. Crude oil prices fell significantly, down 16% while copper prices rose 3.8% and Gold prices increased steadily to finish up 13.3% over the quarter.

## Introduction

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

The report is based on the Carterton District Council SIPO dated 14 September 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 **30 September 2024** (latest data available) was **5.0%** 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.



## Market Events and Updates

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### Economic Comments

The mid-September 50 basis point rate cut from the US Fed boosted equity markets, though economic data released after the decision continues to point to economic resilience in the US and has caused some to question the extent to which the US labour market is loosening.

The Reserve Bank of Australia (RBA) held interest rates at 4.35% in late September. National Australia Bank forecasts a first rate cut from the RBA in February next year.

Data shows that the NZ economy contracted 0.2% in the June quarter, though this was not as deep a contraction as expected. High immigration has propped up growth measures in NZ, with real GDP per capita having fallen steadily for 2 years now.

Prediction market Polymarket has Donald Trump narrowly ahead of Kamala Harris with a 51% chance of winning the election, now less than a month away. Special Counsel Jack Smith's partially unsealed legal brief on the January 6th case argues that Trump is not immune from prosecution, though the matter has no chance of resolution before the election.

Israel has launched a missile offensive on Hezbollah militants across Lebanon in order to end Hezbollah's missile strikes on Israel's North. Iran fired missiles at Israel in response, and now awaits retaliation from Israel. The risk of a broader regional war is growing.

Ukraine continues to hold territory in the Russian Kursk oblast, but Russian offensives in the East continue to grind away at Ukrainian lines. As US President Biden contemplates allowing Ukraine to strike deeper into Russia, Russian President Vladimir Putin talks up the risk of nuclear war.

The NZD appreciated against some major currencies but not the AUD or GBP. Oil prices continued to fall during September but have risen strongly since.

### Manager Updates

**Castlerock's** Investment Director Andrew Paterson, who was working for Fund's portfolio businesses, providing governance and strategic direction, has left the firm. There are two remaining Investment Directors who will maintain the governance and investment strategy of the firm in conjunction with the Board.

**Harbour** announced that Chris Wilson has joined Harbour as Co-CEO, alongside founder Andrew Bascand (Co-CEO and CIO). He will focus on areas like key client partnerships and distribution, while Andrew continues to focus on investment outcomes and research. Chris was previously CEO of Jarden Wealth.

**Milford** announced that Mark Ryland will be stepping down as Chief Executive Officer at the end of May 2025 after 6 years in the role. Milford will use the extended notice period to appoint and transition to a new CEO.

## Fund Performance

### Performance Summary

Asset	1 Month %	3 Month %	1 Year %	Inception %
<b>Castle Point 5 Oceans</b>	<b>0.4</b>	<b>3.4</b>	<b>8.4</b>	<b>4.3</b>
Benchmark: OCR + 3% pa	0.7	2.0	8.5	8.1
Value Added	(0.3)	1.4	(0.1)	(3.8)
<b>Harbour Income</b>	<b>1.2</b>	<b>4.7</b>	<b>13.5</b>	<b>8.9</b>
Benchmark: OCR + 3.5% pa	0.7	2.1	9.0	8.6
Value Added	0.5	2.6	4.5	0.3
<b>Milford Diversified Income</b>	<b>1.1</b>	<b>4.2</b>	<b>13.3</b>	
Benchmark: OCR + 2.5% pa	0.6	1.9	8.0	
Value Added	0.5	2.3	5.3	
<b>Castlerock</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>(3.8)</b>
Benchmark: 8% pa	0.6	1.9	8.0	8.0
Value Added	(0.5)	(1.8)	(7.7)	(11.8)
<b>Total Fund</b>	<b>0.8</b>	<b>3.4</b>	<b>9.6</b>	<b>4.1</b>
Fund Objective (CPI + 2% p.a.)	0.6	1.7	7.0	7.0
Value Added	0.2	1.7	2.6	(2.9)

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 0.4% in September and was up 3.4% over the quarter. At the start of the month, Castle Point replaced the Schroders Global Recovery Fund with the Schroders Global Value Fund to remain with Schroders as the investment manager. Both Schroder's Global Value fund and Te Ahumairangi contributed positively over the month despite global markets generally not favouring their strategies. The main contributors to the returns over the month were the Castle Point Ranger Fund (up 2.7%) and the defensive asset in bond manager Daintree (up 0.8%), which was partially offset by T Rowe Price Dynamic Global Bond Fund (down 0.3%). Castle Point 5 Ocean's directly held bonds were up 0.9% in September. The exposure to the Trans-Tasman Fund was 10.2% and the Ranger Fund was 3.9% at month end and the Fund held 7.8% in cash. The allocation to NZ Emissions Units (carbon credits) was 1.5%.

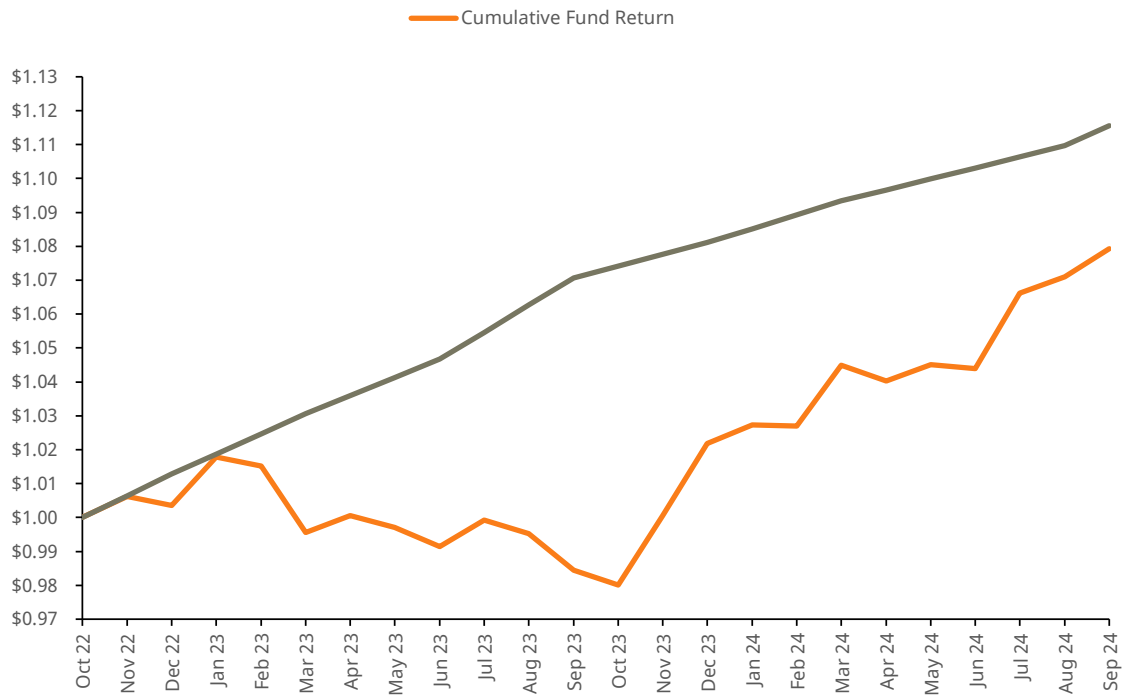
The **Harbour Income Fund** was up 1.2% over September and was up 4.7% over the quarter. In September, the Fund's returns were driven by equity investments where sector and security selection were beneficial. Growth-styled equities in New Zealand contributed significantly, alongside positive but modest returns from offshore markets, except for China, where exposure surged following a new stimulus package. Fixed interest markets were influenced by expectations of rate cuts in New Zealand, aligned with similar moves from global central banks. Harbour's strategy is to maintain a benchmark or higher weighting in equities, while shifting its fixed income focus from duration positioning to security and sector selection. With expectations of lower volatility and less dramatic inflation swings, Harbour believes diversification in fixed income investments will help mitigate potential downside risks. The yield to maturity of the Fund at the end of September was 4.84% with a duration of 2.17 years, and a weighted average rating of BBB+.

The **Milford Diversified Income Fund** was up 1.2% in September and 4.2% for the quarter. Performance across shares was mixed with Australian and global shares contributing positively and New Zealand shares ending flat over the month but a strong contributor over the quarter. The Fund’s equity exposure is near its upper limit at 38.9%, focusing on defensive, income-oriented shares including listed property. The Fund’s bonds benefitted from falling interest rates and corporate bonds outperformed government bonds. To manage risks from potential interest rate increases, Milford bought US government bond put options. Despite recent gains, Milford’s medium-term outlook remains cautious, with central banks focusing on economic growth. As of the end of September, the Fund’s yield to maturity was 4.9%, with a duration of 1.3 years and an average credit rating of BBB.

**Castlerock Partners LP** was marginally up for the quarter. The share price fell three cents from \$0.91 to \$0.88, a 3.4% fall mainly due to the recognition of the transaction costs of the HQ Travel Group (HQT) acquisition. The Fund paid a distribution of \$31,570.37 amounting to a yield of 3.5% for the quarter. The distribution was reinvested. HQT has very little revenue exposure to the NZ economy and is continuing to grow in line with the Fund’s expectations. September quarter saw the first distribution from HQT which contributed strongly to the cashflow position of the Fund. Brooklands is the largest investment at 22% of the Fund with HQT (21%), Tile Depot (18%), Vivo (17%), HELL (16%), and Majestic (6%) making up the rest of the Fund.

Any differences between performance in the Fund versus the above Performance Commentary may be due to rounding, tax treatment, cash flows and time period invested. Any differences between benchmarks in the Fund and in the Performance Commentary are due to different methods of benchmark construction.

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	17	✓
Multi-Asset Income	60 - 100	83	✓
Direct Investment	0 - 10	0	✓
<b>Total Fund</b>		<b>100</b>	

## Asset Allocation

### Overall Asset Allocation

Asset	Value \$	Allocation %	Target & Range %	Status
Castle Point 5 Oceans	1,439,455	26.6	60 < 67 < 100	✓
Harbour Income	1,542,404	28.5		
Milford Diversified Income	1,493,465	27.6		
Castlerock	927,682	17.2	0 < 33 < 40	✓
<b>Total Fund</b>	<b>5,403,006</b>	<b>100.0</b>		

### 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.

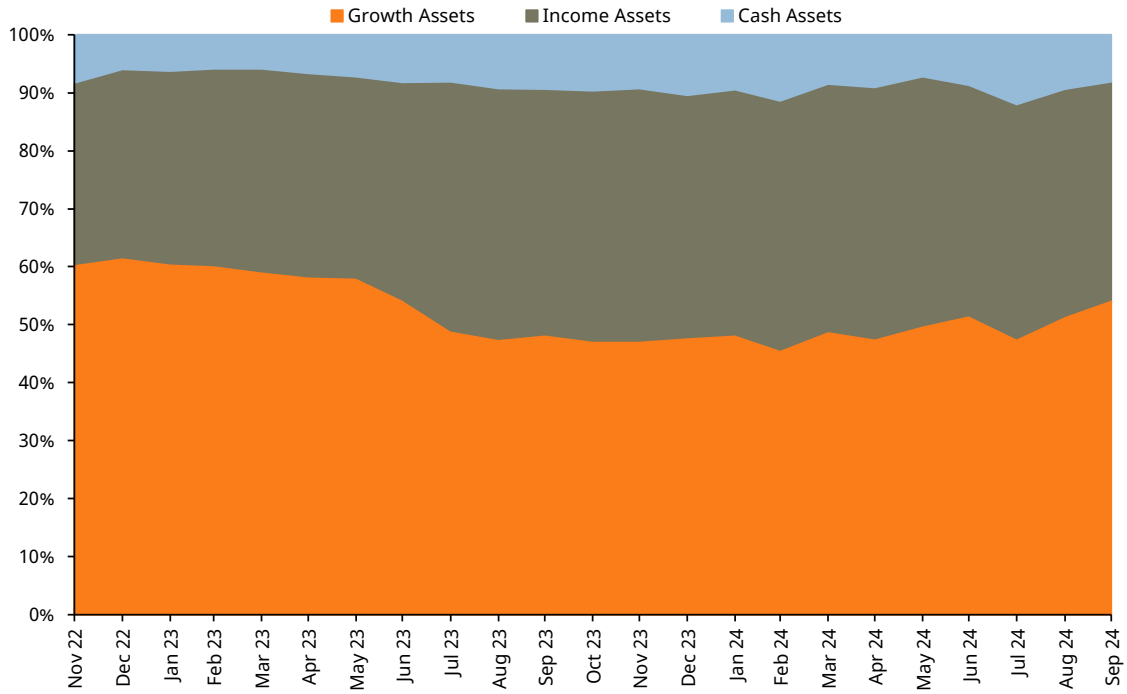
Asset Type	Value \$	Allocation %
Growth Assets	2,932,699	54.3
Income Assets	2,031,897	37.6
Cash Assets	438,410	8.1
<b>Total</b>	<b>5,403,006</b>	<b>100.0</b>

Asset	Growth %	Income %	Cash %
Castle Point 5 Oceans	53.9	36.2	9.9
Harbour Income	42.0	45.0	13.0
Milford Diversified Income	38.9	54.7	6.4
Castlerock	100.0	0.0	0.0
<b>Total</b>	<b>54.3</b>	<b>37.6</b>	<b>8.1</b>

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

### Asset Allocation Movement

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



**7 KARAKIA WHAKAMUTUNGA**