



Te Kaunihera-ā-Rohe o Taratahi

CARTERTON
DISTRICT COUNCIL

AGENDA

Investment Committee meeting

Date: Wednesday, 12 February 2025

Time: 1:00 pm

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

Chair S Laurence

Deputy Chair S Cretney

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, 12 February 2025 at 1:00 pm

Order Of Business

1	Karakia Timatanga	5
2	Apologies	5
3	Conflicts of Interests Declaration	5
4	Public Forum	5
5	Confirmation of the Minutes	6
5.1	Minutes of the Investment Committee Meeting held on 13 November 2024.....	6
6	Reports	9
6.1	Investment Report to 31 December 2024	9
7	Exclusion of the Public	24
7.1	EriksensGlobal Investment Report - Castlerock Limited Partnership.....	24
8	Karakia Whakamutunga	25

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 13 NOVEMBER 2024

1. RECOMMENDATION

1. That the Minutes of the Investment Committee Meeting held on 13 November 2024 are true and correct.

File Number: 428370

Author: Robyn Blue, Democratic Services Officer

Attachments: 1. Minutes of the Investment Committee Meeting held on 13 November 2024

**MINUTES OF CARTERTON DISTRICT COUNCIL
INVESTMENT COMMITTEE MEETING
HELD AT THE CARTERTON EVENTS CENTRE, 50 HOLLOWAY ST, CARTERTON
ON WEDNESDAY, 13 NOVEMBER 2024 AT 12.30 PM**

PRESENT: Cr Steve Laurence (Chair), Deputy Mayor Steve Cretney (Deputy Chair), Mayor Ron Mark, Cr Lou Newman

IN ATTENDANCE: Elected members

Cr Robyn Cherry-Campbell, Cr Steve Gallon, Cr Brian Deller, Cr Dale Williams

Staff

Karon Ashforth (Corporate Services Manager), Kyra Low (Finance Manager), Marcus Anselm (Communications and Engagement Manager), Katrina King (Democratic Services Officer), Robyn Blue (Democratic Services Officer)

Other

Peter Verhaart (Eriksens Global)

1 KARAKIA TIMATANGA

The meeting opened with a karakia by all committee members.

2 APOLOGIES

MOVED

That an apology be received from Marty Sebire.

Cr Lou Newman / Deputy Mayor S Cretney

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 7 AUGUST 2024

MOVED

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

Cr S Laurence / Cr Lou Newman

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

- A discussion took place around the issues raised by Audit NZ about CDC's Castle Rock investment. The Committee was advised by staff that Price Waterhouse Coopers had been asked to advise on the appropriate classification of the investment and they had confirmed it should be shown in CDC accounts as an equity investment rather than a managed fund. The annual report will reflect this.
- The matter of the structure of the Castle Rock investment was discussed. CDC will source explanatory documentation about the nature of the Limited Partnership and any risks to CDC flowing from that.

MOVED

That the Committee:

1. **Receives** the report.

Deputy Mayor S Cretney / Cr L Newman

CARRIED

7 KARAKIA WHAKAMUTUNGA

The meeting closed with a karakia by all committee members.

The meeting closed at 1.10pm

Minutes confirmed:

Date:

6 REPORTS



6.1 INVESTMENT REPORT TO 31 DECEMBER 2024

1. PURPOSE

For the Council to receive the quarterly Investment Report from EriksensGlobal to December 2024.

2. SIGNIFICANCE

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

3. BACKGROUND

In 2022 the Council made to decision to invest in managed funds and set up an Investment Committee to monitor Council's investments.

The use of managed funds has been considered to maximise returns, and grow the investment, while also being appropriately conservative with ratepayer funds. The Treasury Management Policy, adopted by the Policy and Strategy Committee on 1 June 2022 allows for Council to invest in externally managed funds.

A Statement of Investment Policy and Objectives (SIPO) was adopted by Council in September 2022. The SIPO is the policy document that sets out the investment governance and management framework, risk profile, investment philosophy, strategies and expected objectives of an investment fund or portfolios.

Council has appointed EriksensGlobal, Actuaries and Investment Strategists as the Investment Advisor to the Committee. EriksensGlobal provides independent, expert advice specifically around investment strategy, management and fund selection. They are currently involved with several councils around New Zealand. EriksensGlobal do not have investment products themselves.

Carterton's District Council's investment position is reported at each Investment Committee meeting by EriksensGlobal.

4. INVESTMENT REPORT

EriksensGlobal Investment Report to December 2024 is **attached**. This report sets out the investment position as at 31 December 2024, advising the Committee of the position of investments, their performance over the period, and considers the plan going forward.

5. RECOMMENDATION

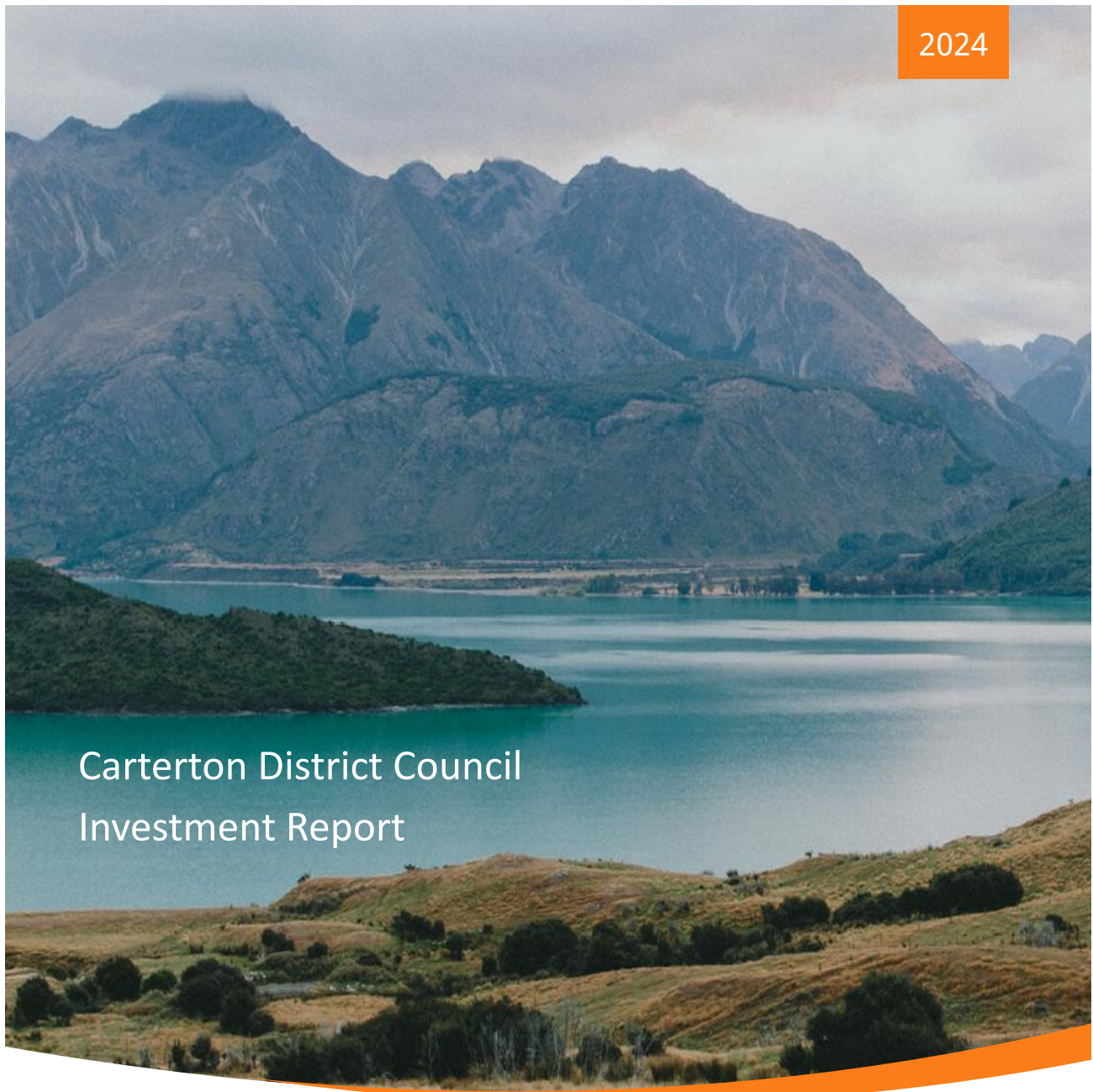
That the Council:

1. **Receives** the report.

File Number: 439056

Author: Karon Ashforth, Corporate Services Manager

Attachments: 1. CDC EriksensGlobal Quarterly Report December 2024 [↓](#)



Carterton District Council Investment Report

Investment Report to 31 December 2024

Report Dated 27 January 2025

STRICTLY PRIVATE & CONFIDENTIAL

ERIKSENSGLOBAL

Actuaries & Investment Consultants

Please note the information contained in this document is of a highly commercially sensitive and confidential nature. It is not to be made public and is only for the use of the Executive and Directors/Trustees of client organisations of EriksensGlobal. This report is subject to Intellectual Property rights by EriksensGlobal. It is not to be released to any other third parties in any format (including electronically or verbally), without the express written permission of EriksensGlobal. The information in this report has been gathered from a variety of sources that we believe to be reliable. Whilst using all reasonable care to obtain this information, we do not accept any responsibility or liability for errors or omissions.

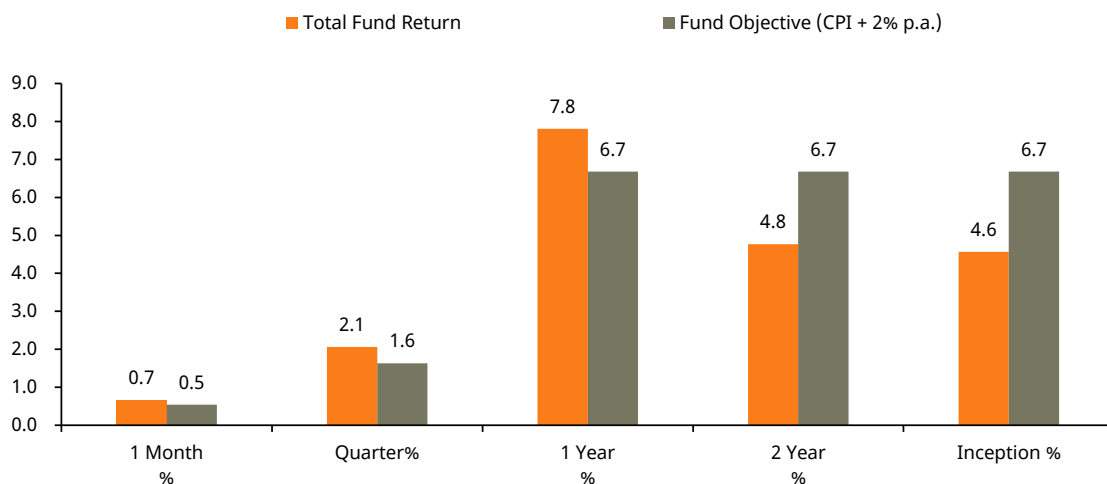
Contents

Executive Summary	3
2025 Market Outlook	4
Introduction	5
Market Events and Updates	6
Fund Performance	7
SIPO Compliance Monitoring	9
Asset Allocation	10

Executive Summary

Portfolio Performance

The Fund outperformed its objective over the month, quarter and 1-year periods. Over the past two years and since inception (26 months) the Fund lagged its objective (three-year CPI + 2%pa) owing to high inflation and capital write-downs from Castlerock. The Total Fund return was 2.1% for the quarter, outperforming its benchmark by 0.5%. The largest contributor to the Fund’s performance over the quarter was Castlerock (up 3.5%).



Recommendations/Actions

No recommendations at this time.

Market Highlights

The December quarter was positive for global equities, which rose 1.3% in local currency terms and 12.4% in NZD. This was due to the NZD depreciating against major currencies, falling 12% against the US dollar, 1.4% against the Australian dollar, 5.1% against the Euro, 5.7% against the Great British Pound, 3.3% against the Japanese Yen, and 7.6% against the Chinese Yuan. In New Zealand, equities performed well, gaining 5.5% over the quarter, with the top 10 listed equities outperforming the broader market and delivering a notable return of 8.6%. In contrast, the New Zealand Listed Real Estate sector declined by 1.9% over the quarter and Australian equities ended the quarter down 0.8% in local terms albeit recorded a gain of 0.7% in NZD terms. New Zealand bonds benefited from falling interest rates at the shorter end but were offset by rising longer term rates resulting in a return for government bonds of 0.3% over the quarter. A-rated corporate bonds returned 1.1% over the quarter. Commodities experienced mixed results during the quarter. The Dow Jones Commodity Index was up 0.5%, with gold and copper falling by 0.5% and 11%, respectively and Brent Crude Oil up 1.7%.

2025 Market Outlook

The markets are all waiting to see what President Trump will do following his inauguration on 20th January.

The US economy driven by the Magnificent Seven tech stocks, arm manufacturing and optimistic consumers still spending could continue to defy gravity and achieve a soft landing but...

Inflation is proving stickier partly from supply chain disruptions but also from wage pressures in many countries.

Yield curves have normalized but we expect the yield curve to continue to steepen. For example, we could see 10-year US Treasury bond yields at 5% plus by the end of the year.

The New Zealand economy is improving which is reflected in the NZX50. Our weak dollar provides a boost to exporters, but the RBNZ will probably deliver a 50 bps cut in February, followed by a further 50 bps during the year to bring the NZ cash rate down to 3.25% by the end of this year.

Because of the geopolitical risks and the large fiscal deficits we expect much more volatility in markets including commodities. We believe the cost of a barrel of oil could vary between US\$65 - \$90 depending on whether the transition to renewable energy retains support.

Potential tariffs and trade wars may reduce growth within the OECD to around just 2% this year whereas the BRIC countries, with Indonesia having just joined now make up to 40% of the world's GDP and 50% of its population. Whether the US dollar retains its current purchasing power may become an issue? Not to mention gold and crypto.

Western investors remain complacent in our view but there is a real risk of another stock market correction this year or next. In that sense we prefer bonds to equities but astute weighing up of credit risks is needed on the packet.

Introduction

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 **31 December 2024** (latest data available) was **4.7%** 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

Economic Comments

The US Fed's FOMC delivered a 25 basis point rate cut while signalling fewer rate cuts in 2025. FOMC minutes showed that the impact of the incoming Trump administration's trade policies weighed on the Committee's confidence in maintaining a disinflationary trajectory.

The Bank of England held interest rates in mid-December, though a fall in headline inflation over the month fuelled expectations for more rate cuts in 2025.

Gaza ceasefire talks ongoing in December resulted in a ceasefire deal between Israel and Hamas announced in mid-January, due to come into force on the 19th of January. The announcement is hoped to signal an end to the 15-month long conflict.

The November ceasefire between Israel and Hezbollah held through December and is due to come to an end on the 26th of January, by which point Israeli troops and Hezbollah should have withdrawn from Southern Lebanon.

Lebanon's parliament overcame political gridlock to elect General Joseph Aoun as President and appointed head of the International Court of Justice Nawaf Salam as Prime Minister.

The US gave Ukraine USD\$20B in aid funded by the profits made on seized Russian assets, while Ukraine announced that it would stop the flow of Russian natural gas to Europe through pipelines crossing Ukraine. Russia continued to make gains in eastern Ukraine and the occupied Kursk region over the month.

The NZ GDP growth rate for Q3 released in December showed the economy contracting 1% quarter-on-quarter, marking the 3rd technical recession in NZ since the beginning of the Covid-19 pandemic. The NZD weakened considerably against the USD.

Manager Updates

Castlerock announced that Isaac Higgs will replace Andrew Paterson as Investment Director later in January. Castlerock stated that Isaac brings valuable experience and knowledge that will complement the rest of the team.

Fund Performance

Performance Summary

Asset	1 Month %	Quarter %	1 Year %	2 Year %	Inception %
Castle Point 5 Oceans	(0.1)	1.7	7.1	5.4	4.6
Benchmark: OCR + 3% pa	0.6	1.8	8.2	7.3	8.0
Value Added	(0.7)	(0.1)	(1.1)	(1.9)	(3.4)
Harbour Income	0.3	2.6	10.3	9.4	9.1
Benchmark: OCR + 3.5% pa	0.6	2.0	8.7	7.8	8.5
Value Added	(0.3)	0.6	1.6	1.6	0.6
Milford Diversified Income	(0.1)	0.8	9.2		
Benchmark: OCR + 2.5% pa	0.5	1.7	7.7		
Value Added	(0.6)	(0.9)	1.5		
Castlerock	3.5	3.5	2.7	(2.4)	(1.8)
Benchmark: 8% pa	0.6	1.9	8.0	8.0	8.0
Value Added	2.9	1.6	(5.3)	(10.4)	(9.8)
Total Fund	0.7	2.1	7.8	4.8	4.6
Fund Objective (CPI + 2% p.a.)	0.5	1.6	6.7	6.7	6.7
Value Added	0.2	0.5	1.1	(1.9)	(2.1)

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 down 0.1% in December and was up 1.6% over the quarter. The main two contributors to the returns over the month were defensive assets Daintree Core Income Trust and T Rowe Price Dynamic Global Bond Fund. Other contributors were local Ranger Fund and Trans-Tasman fund. The Fund did not fully benefit from NZD depreciation due to the partial currency hedging of the offshore growth holdings. The exposure to the Castle Point Trans-Tasman Fund was 10.6%, the Ranger Fund was 3.9% at month end and the Fund held 5.0% in cash. The allocation to NZ Emissions Units (carbon credits) was 1.6%.

The **Harbour Income Fund** was up 0.4% in December, bringing its quarterly gain to 2.8%. Over the month, the Fund's returns were driven by bonds with The Harbour Australasian Equity Fund (6.3% of the Fund) adding to returns and the Harbour Australasian Equity Focus Fund (3.7% of the Fund) detracting from returns. In New Zealand, the September quarter GDP release led the domestic market to anticipate further NZRB rate cuts, which supported positive returns for fixed income investments. Equity markets showed a more cautious tone overall, with New Zealand standing out, posting moderate gains. Over the last quarter, Harbour maintained a neutral investment strategy. As fixed interest markets priced in expected OCR cuts and equity markets reflected optimism, Harbour reduced its global equity exposure in mid-December, citing stretched valuations and rising volatility. The portfolio is currently positioned near neutral, with a cautious bias, reflecting concerns over high equity valuations, expensive corporate bonds, and potential risks. Following two years of strong returns, Harbour is expecting to adopt a more cautious risk stance going forward. The yield to maturity of the Fund at the end of December was 4.53% with a duration of 2.77 years, and a weighted average rating of BBB+.

The **Milford Diversified Income Fund** was down 0.1% in December and up 0.8% for the quarter. The main contributor to performance over the month was the Funds primary focus on corporate bonds, which saw

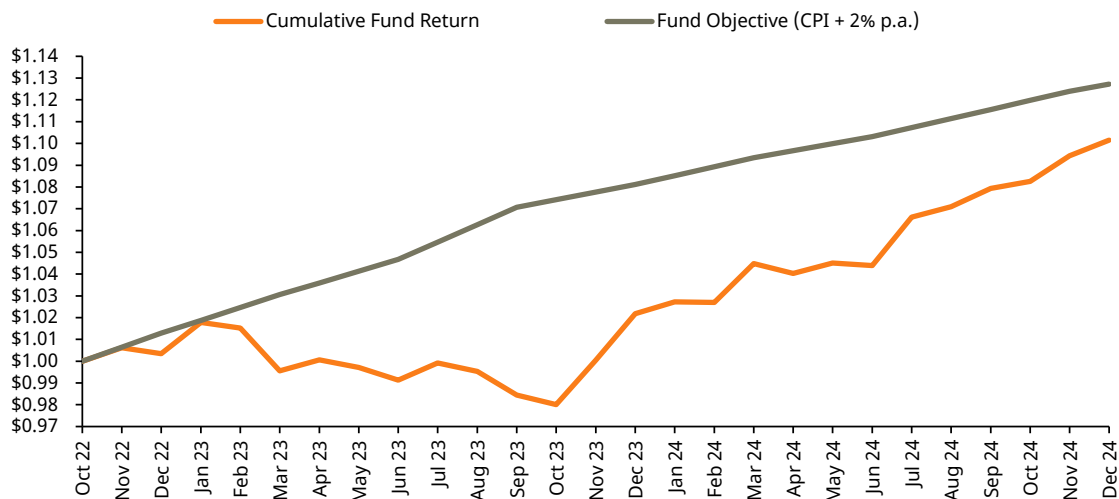
ERIKSENSGLOBAL

smaller price declines compared to government bonds as well as historically attractive income levels from bond holdings. Positive contributions from New Zealand shares included Contact Energy (up 5.6%) and Channel Infrastructure (up 5.1%). The largest detractor to performance was the Funds equity holdings, with most holdings down in December due to weak global share markets and higher interest rates. Milford views higher market interest rates as a solid foundation for medium-term returns, offering an income cushion against market volatility. The focus remains on high-quality companies and sectors showing improved value amid recent market weakness. To manage risks, Milford continues to utilise strategically priced share market and bond options. As of the end of December the Fund’s yield to maturity was 4.48%, with a duration of 0.76 years and an average credit rating of BBB.

Castlerock Partners LP was up 3.5% over the quarter. The share price remained at \$0.88 with minor ups and downs in valuations across the portfolio largely offsetting each other. The Fund paid a distribution of \$32,682.59 amounting to a yield of 3.5% for the quarter funded by distributions from the underlying companies. The distribution was reinvested. Castlerock’s outlook on forward-looking profitability improved as the companies, such as Vivo, successfully implemented their growth strategies. Castlerock has provided positive total returns for 16 of the last 19 quarters, albeit below longer-term expectations. The Fund increased in value to \$41.8m over the quarter. Its latest investment, HQ Travel Group that operates International Volunteer HQ and Intern Abroad HQ is seeking a new CEO. Founder and co-owner Dan Radcliffe is serving as interim CEO. Brooklands remains the largest investment at 22% of the Fund with HQ Travel Group (21%), Tile Depot (18%), Vivo (17%), HELL (16%), and Majestic Horse Floats (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

The main compliance checks against the SIPO investment objectives and asset allocation policies are shown below. 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	✓
Total Fund		100	

Asset Allocation

Overall Asset Allocation

Asset	Value \$	Allocation %	Target & Range %	Status
Castle Point 5 Oceans	1,464,553	26.6	60 < 67 < 100	✓
Harbour Income	1,582,208	28.7		
Milford Diversified Income	1,505,907	27.3		
Castlerock	960,364	17.4	0 < 33 < 40	✓
Total Fund	5,513,032	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.

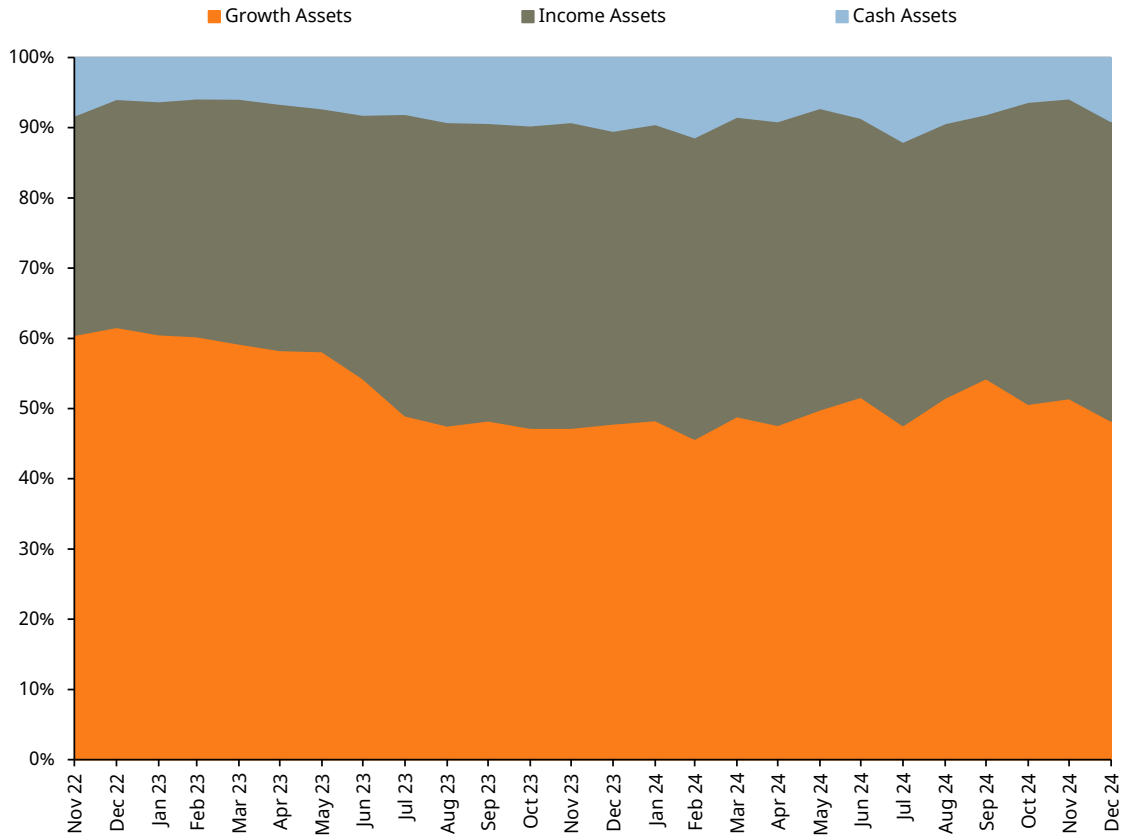
Asset Type	Value \$	Allocation %
Growth Assets	2,658,978	48.2
Income Assets	2,353,348	42.7
Cash Assets	500,706	9.1
Total	5,513,032	100.0

Asset	Growth %	Income %	Cash %
Castle Point 5 Oceans	55.9	38.4	5.7
Harbour Income	27.9	62.1	10.0
Milford Diversified Income	29.1	53.7	17.2
Castlerock	100.0	0.0	0.0
Total	48.2	42.7	9.1

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 EXCLUSION OF THE PUBLIC

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - EriksensGlobal Investment Report - Castlerock Limited Partnership	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

8 KARAKIA WHAKAMUTUNGA