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Forsyth Barr: Dunedin City Council
Aurora Energy Limited – Diversified Investment Fund

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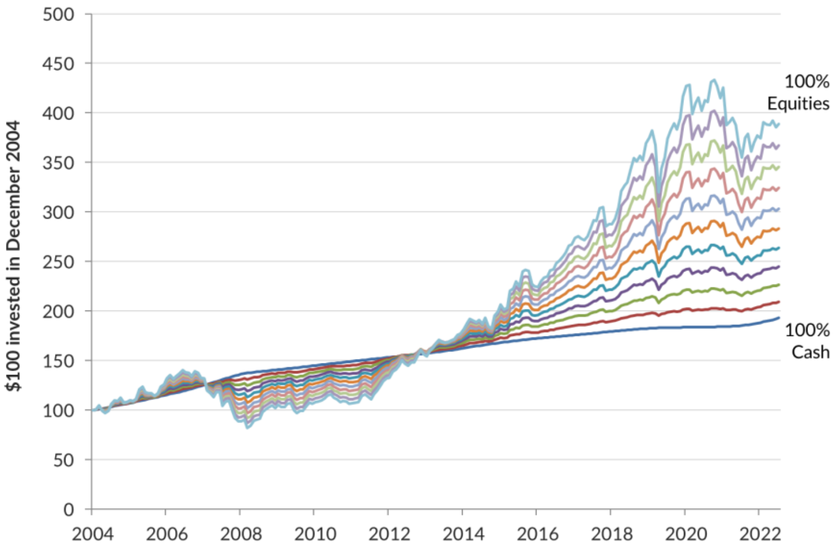
$22B+
MANAGED INVESTMENT ACCOUNTS

$30B+
CLIENT ASSETS

FUNDS UNDER MANAGEMENT
$1B+
AROUND 300 CLIENTS WHO ARE:
PRIVATE FOUNDATIONS
CHARITABLE TRUSTS
FAITH BASED

Council is a long-term/intergenerational owner/investor

Equities impact: Growth portfolios deliver high returns but with more volatility along the way



Source: Refinitiv, Forsyth Barr analysis

- Any investment portfolio balances low return/risk (volatility) assets, e.g. cash, bonds, vs. higher returning but higher volatility assets, e.g. shares
- As a long-term investor Council has the capacity to invest in higher volatility (i.e. more bumps along the way) but higher returning assets over the long-term

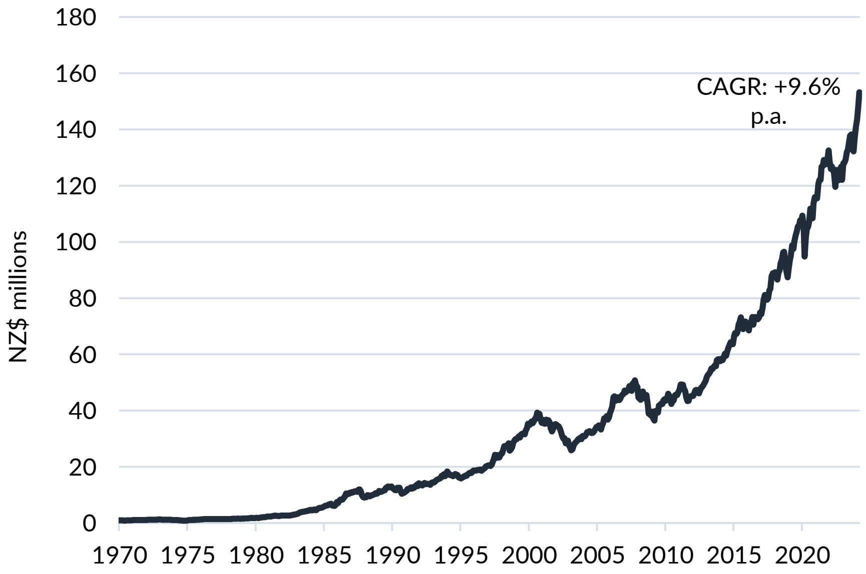
Council has the benefit of being a long-term/intergenerational investor

Growth benchmark portfolio

Asset Class	Benchmark Indices	Growth Benchmark Weights
Cash	S&P/NZX 90-Day Bank Bill Index	3%
NZ Fixed Interest	S&P/NZX NZ Government Bond Index	7%
Global Fixed Interest	Bloomberg U.S. Aggregate Total Return Index Hedged NZD	10%
NZ Equities	S&P/NZX 50 Gross Index	15%
Australian Equities	S&P/ASX 200 Accumulation Index (NZD)	15%
Global Equities	MSCI ACWI NTR Index (NZD)	50%

Growth portfolio: long-term returns

Growth benchmark performance



Source: Refinitiv, Forsyth Barr analysis

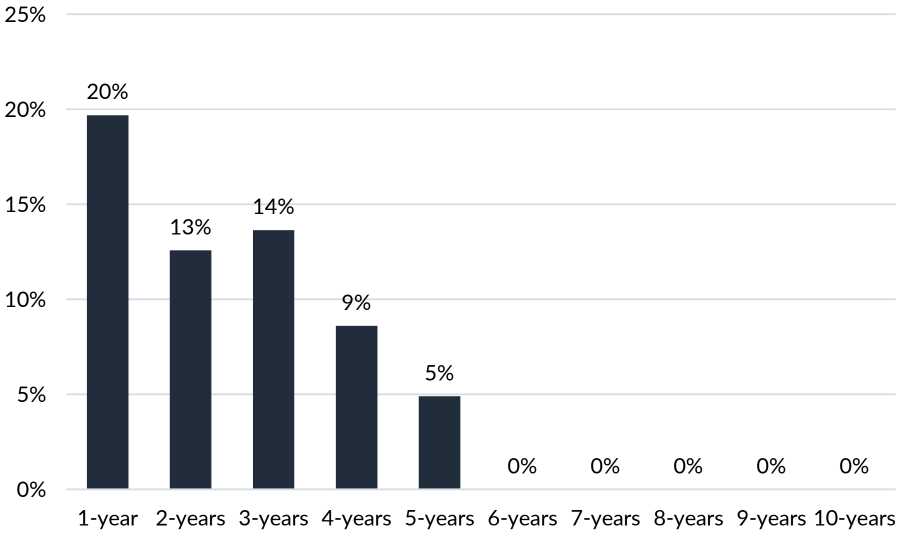
- Growth benchmark performance +9.6% p.a. since 1970
- Excludes any benefit from active management or private market investments, e.g. private equity

Examples of long-term funds:

- NZ Super Fund has delivered +9.8% p.a. over nearly 21 years, since 2003 (vs. benchmark +8.3%)
- ACC +9.3% p.a. over 32 years, since 1992 (vs. benchmark +8.1%)

Market volatility is less important in the long-term

Growth benchmark portfolio – historical occurrence of negative returns

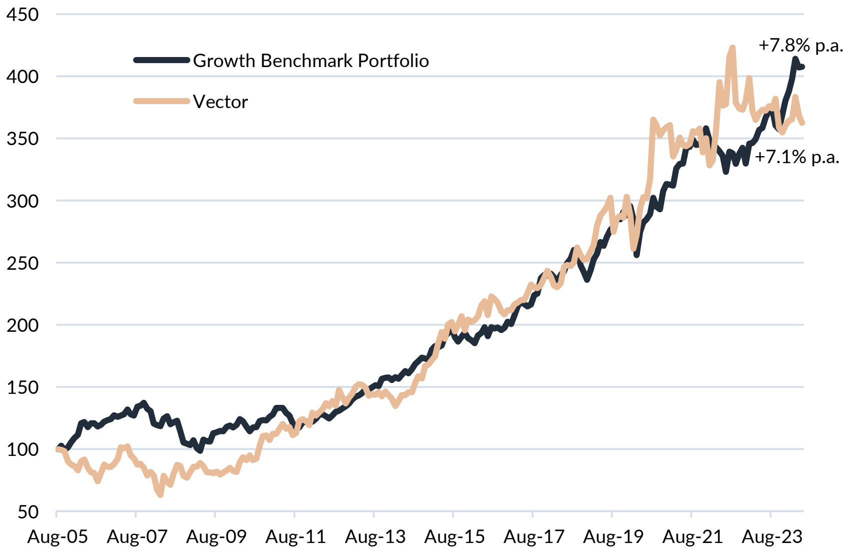


Source: Refinitiv, Forsyth Barr analysis

Although a diversified investment portfolio comes with risk (volatile returns) in the short-term, the risk of losses reduces as your time horizon expands

Comparison to Vector: Growth portfolio has delivered better returns ...

Growth benchmark performance vs. Vector

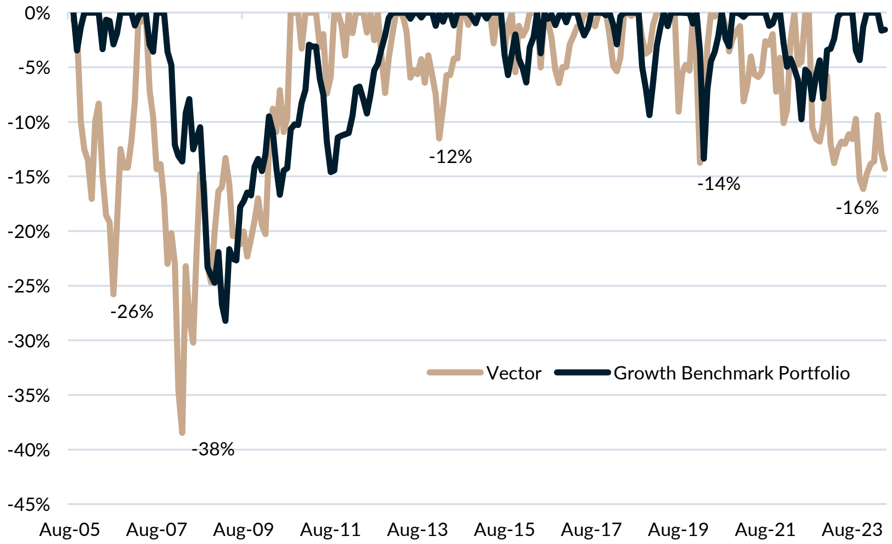


Source: Refinitiv, Forsyth Barr analysis

- Vector listed in August 2005
- Annual return of +7.1% p.a. vs. growth benchmark +7.8% p.a.
- Vector has benefited from asset sales which have enabled it to both meet its capital requirements and maintain a dividend. Divestments:
  - 2008: Wellington Electricity, proceeds $785 million
  - 2015: Gas transmission and non-Auckland gas distribution networks, $953 million
  - 2023: 50% of Vector Metering, $1.7 billion

Comparison to Vector: … with less risk / volatility

Drawdowns vs. previous peak



Source: Refinitiv, Forsyth Barr analysis

"Diversification is the only free lunch" in investing. Diversification is a time-honoured way to manage risk."

- Harry Markowitz, economist

- Vector's share price has been nearly 2x more volatile than the growth portfolio benchmark, despite it being a "defensive" company
- Volatility has been caused by factors such as high debt levels and Commerce Commission regulatory decisions
- Aurora would likely be similarly volatile if listed

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In summary: History suggests …

Diversified investment portfolio vs. Aurora

- Higher expected returns and income
- Reduced / diversified investment risk (not having all your eggs in one basket) = less volatility
- Lower debt / financial risk
- Liquid portfolio

Importance of governance

- Important governance rules and structures are put in place to ensure (i) the funds are preserved for the long-term benefit of ratepayers, and (ii) investment decisions align with the Council's overall mission and strategy


Thank you / Questions