

Council Investment Strategies and Implications - June 2024



In 2004 New Plymouth District Council sold a cornerstone shareholding in NZX listed electricity lines and gas pipes business Powerco, starting a 20 year process of investment strategy refinements on a path to maturity.



Key elements of the NPDC's perpetual investment fund:

- CCO – fully independent board - PIF Guardians
- Fully Outsourced Agent - Mercer
- Diversified portfolio based on statement of investment policy and objectives
- Structure underpins NPDC's AA+ credit rating
- Tax exempt
- Sustainable dividend policy requires a super majority (>75% vote) of council to change
- Act of Parliament protects the capital base and geofences benefits in perpetuity
- Fund provides a level of self insurance

NPDC PIF

Fund size

\$376.0m

Returns (after fees and taxes)

Since inception p.a. (Nov 2004)	5 years p.a.	3 years p.a.	1 year	3 months
7.2%	8.8%	7.7%	12.9%	5.3%

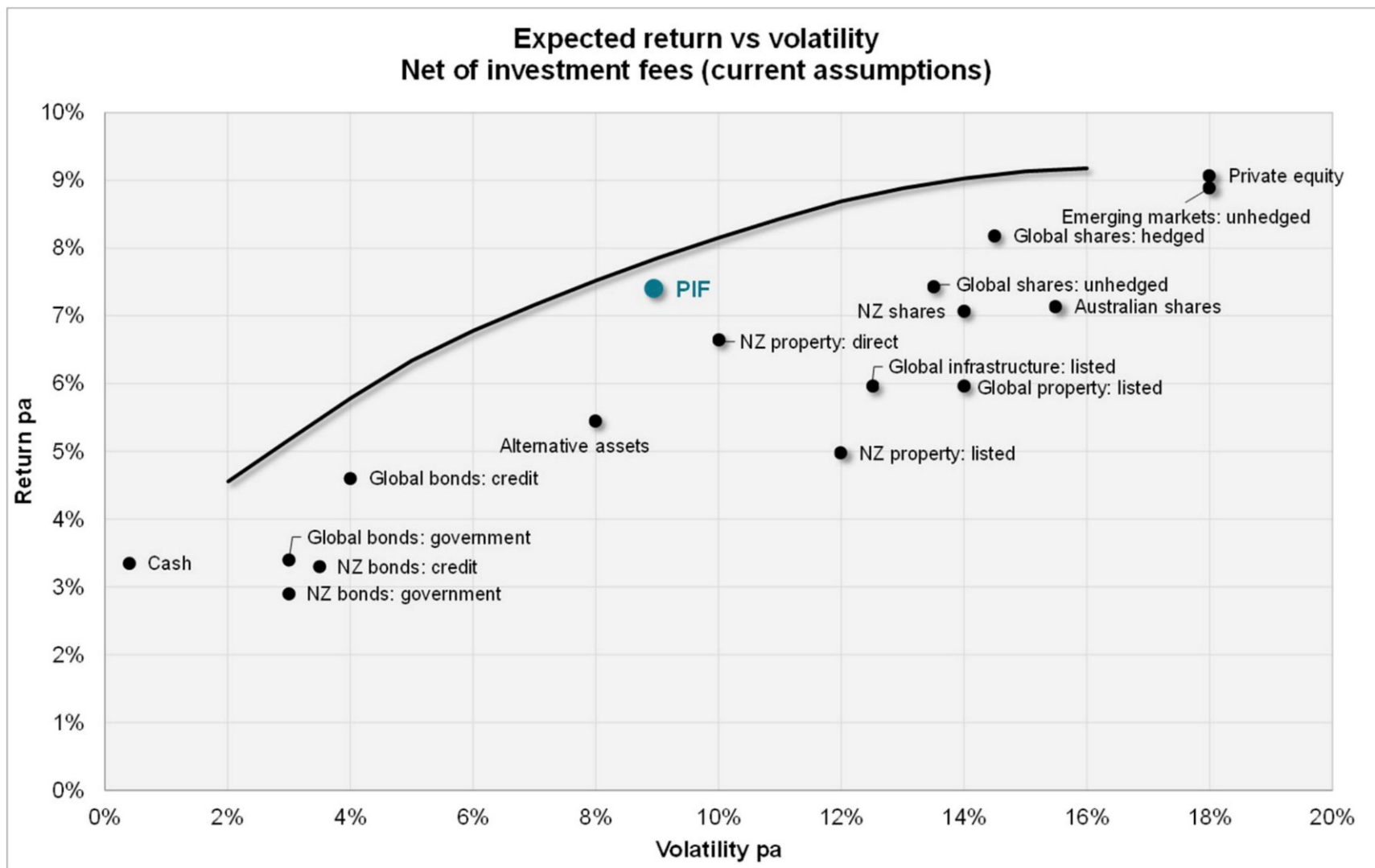
Distributions to Council (release payments)

Since inception (Nov 2004)	5 years	3 years	1 year
\$260.2m	\$49.6m	\$31.7m	\$11.5m

NB. Implementation of Guardian and Full Outsource Agent (Mercer) model took effect 1 March 2017.

Results and distributions incorporate TIML results for period prior to March 2017.

Asset class risk/return assumptions





dexus



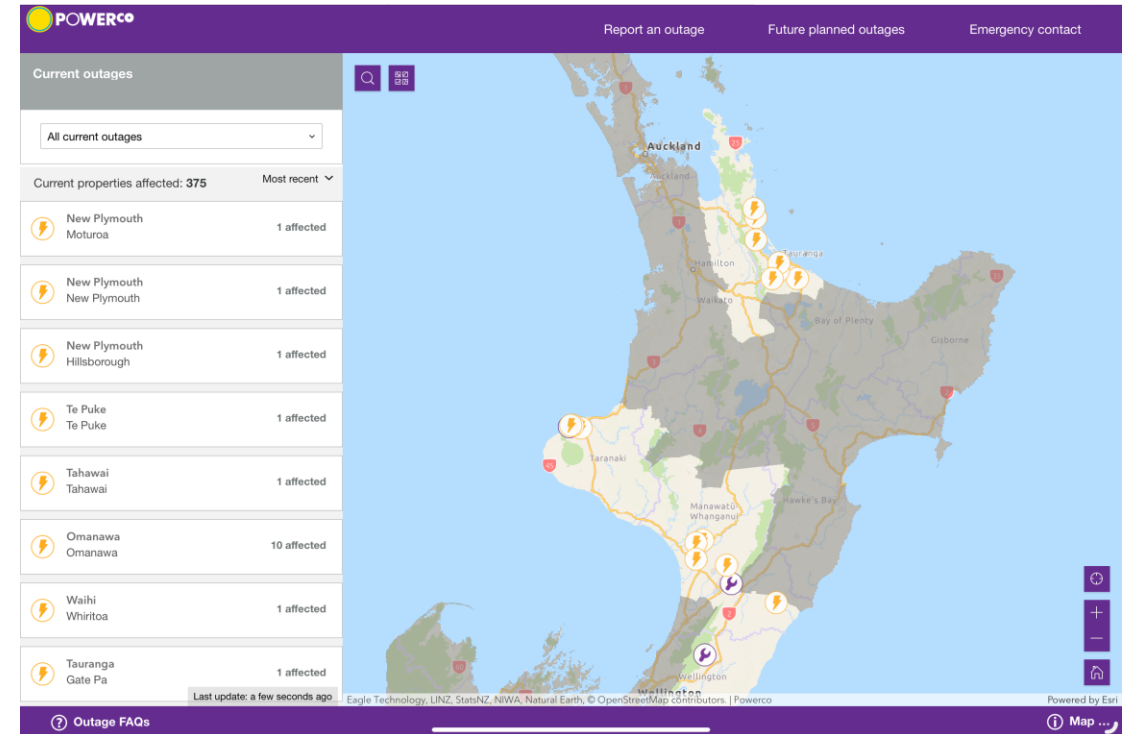
Powerco is currently owned by QIC
and Dexus





Outcomes following sale:

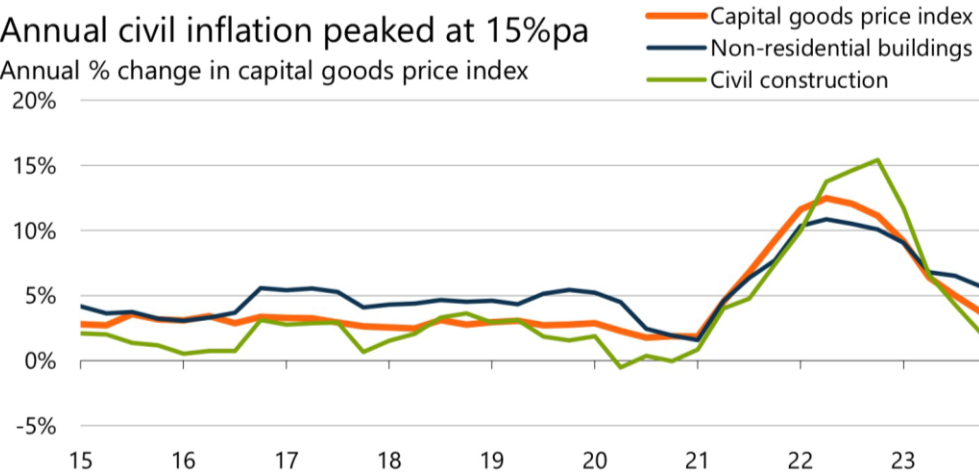
- Increase in staff numbers
- \$100m capital injection 2010
- CPP investment of \$1.27b 2018-2023
- International investment expertise
- Community sponsorship and engagement
- Improved customer experience
- Stable network performance
- Increased network investment
- Industry leading environmental and social governance
- >\$30 invested in New Plymouth offices and control-rooms



You are not alone – our operating environment

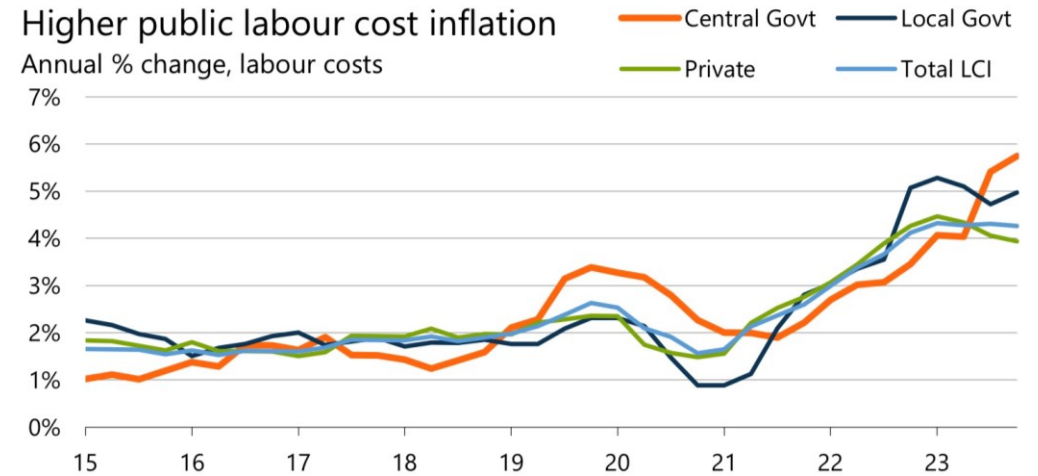
Annual civil inflation peaked at 15%pa

Annual % change in capital goods price index



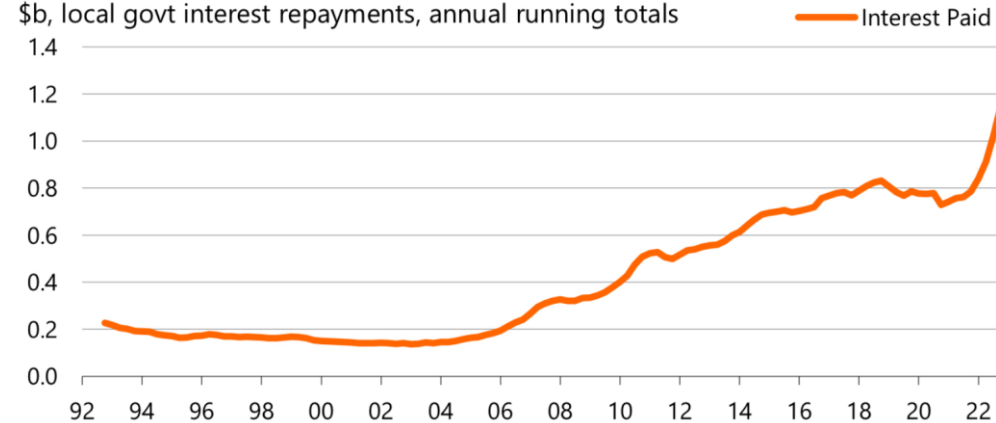
Higher public labour cost inflation

Annual % change, labour costs



Nearly \$1.3b in interest payments in 2023

\$b, local govt interest repayments, annual running totals



Councils across the country are reviewing their investment strategies as they lock in 10 year plans with 30 year infrastructure strategies with major increases in capital investment.

Reviews are considering emerging risks and opportunities including balance sheet capacity, risk concentration, self insurance, cashflow and capital requirements.



Project	Proposal	Current Status
 	2023 Airport share sale to pay down debt	Partial sale approved \$836m 
 	2024 Airport shares to perpetual investment fund	Share sale and fund approved 
 	2024 Port lease to perpetual investment fund	Lease declined dividends increased 
 	2024 Port share sale to diversify investments	Partial sell down to 28% 
 	2024 Active Portfolio Management within CCHL	Proposal declined prior to consultation 
 	2024 Airport share sale to perpetual investment fund	Proposal progressing to test the market 

