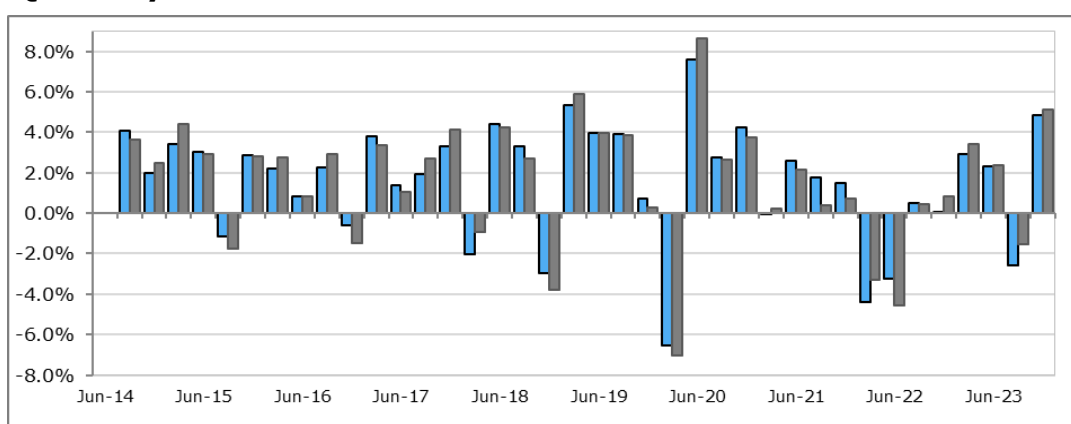


TO: Chief Executive, Dunedin City Council
FROM: Dunedin City Treasury Limited
DATE: 02 February 2024
SUBJECT: **WAIPORI FUND - Dec 2023 Quarter**

Quarterly Returns vs Benchmark



December 2023 Quarter

The Fund made a positive return of 4.9% over the quarter, relative to the Benchmark return of 5.1%.

Interest rates fell sharply over November and December as inflation started to moderate and investors factored in rate cuts over 2024.

The equity portfolio returned 6.8% for the quarter, versus the overall benchmark of 6.1%. All sectors relatively outperformed their respective benchmarks, with NZ equities outperforming the most.

Over the year the performance of the Australian equities has been the biggest drag on the portfolio's performance. In Australia, the portfolio holds 15 stocks, versus the benchmark's 200. Over the year the large positions in APA, CSL, Ramsay and Resmed (41% of the Australian portfolio did not perform well). Ramsay and Resmed were down 17%, APA fell 15% and CSL was flat. In addition the large miners, BHP and RIO performed well over the year. The asset allocation was largely neutral over the quarter.

Fund Returns

Period ended 31 December 2023	Waipori		Benchmark	
	Quarter %	FY %	Quarter %	FY %
NZ Equities (NZ50 Gross)	5.6	-1.0	4.2	-1.2
Australian Equities (Australian All Acc)	8.5	-0.6	9.2	7.0
Int'l Equities (MSCI World Gross)	6.4	3.3	5.5	3.8
Property Equities (NZ Real Estate)	6.1	-0.6	6.5	0.5
Short Term Interest (NZ 90 day bb)	1.9	2.8	1.5	2.9
Fixed Interest (NZ Corp Bond index)	3.9	4.8	5.0	4.5
TOTAL	4.9	2.2	5.1	3.5

Note: The Benchmarks used are based on broad market indices and therefore their returns are not directly comparable with Waipori's returns. DCTL continues to review the appropriateness of the benchmark indices used and are comfortable that they are the best available at this time.

Investment Profile

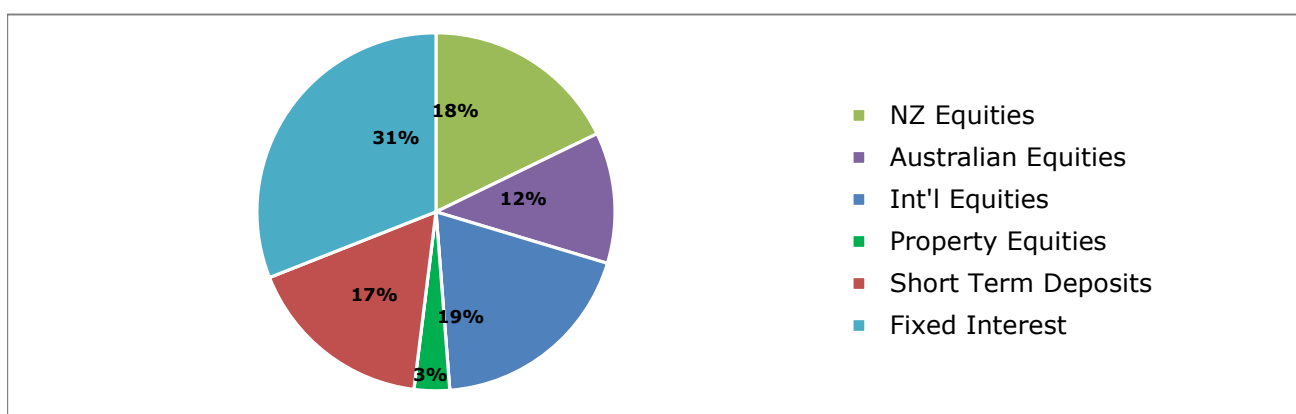
Waipori is diversified across asset classes with 52.0% invested in growth assets (equities and property) and 48.0% invested in income assets (fixed interest investments and short term deposits/cash).

The market value of the investment portfolio as at 31 December 2023 was \$99.4 million.

Summary of Investments

As at 31 December 2023	Market Value	Percentage of Portfolio	Benchmark/ Exposure Range*
NZ Equities	17,699,985	17.8	16.0
Australian Equities	11,761,189	11.8	11.0
Int'l Equities	19,001,884	19.1	15.0
Equities	48,463,059	48.8	20.0 - 60.0
Property Equities	3,178,840	3.2	3.0
Property	3,178,840	3.2	0.0 - 10.0
Short Term Deposits	16,937,706	17.0	10.0
Fixed Interest	30,788,481	31.0	45.0
Fixed Interest	47,726,187	48.0	40.0 - 70.0
TOTAL	99,368,086	100.0	100.0

Asset Allocation



Market Outlook

The RBNZ has kept the Official Cash Rate (OCR) to 5.50% at the November MPS. The RBNZ noted in the MPS release that "internationally, economic growth has been stronger than was expected at the start of this year but remains below trend and is likely to slow further." Furthermore "the OCR will need to stay restrictive, so demand growth remains subdued, and inflation returns to the 1 to 3 percent target range." Financial markets delivered exceptional gains in November and December to end 2023 on a high. World shares rebounded 11.1% in the final quarter of 2023 to end the year 22.8% higher. The US equity market was up 11.2% over the quarter, and up 24.2% for the year. Locally, the NZX 50 index was up 4.2% for the quarter, pulling back to a small positive return over the year. Falling inflation and the likelihood of rate cuts in 2024 drove down interest rates from their highs. Resulting in strong bond returns for the quarter.

The Fund is positioned as a long-term investor and is diversified across regions and sectors with 52% growth assets (equities) and 48% income generating assets (fixed interest). The Fund holds equities of stable dividend paying companies that have traditionally continued paying dividends in times of market uncertainty.

With past strong New Zealand CPI data and the recently released Q4 2023 of 4.7% year on year, the value of the Fund is being adversely impacted relative to the Inflation Adjusted Capital Base.

Keith Cooper
CHAIR

Olivia White
ASSISTANT TREASURER

Richard Davey
TREASURER

WAIPORI FUND

PERFORMANCE VERSUS INVESTMENT OBJECTIVES

31 December 2023

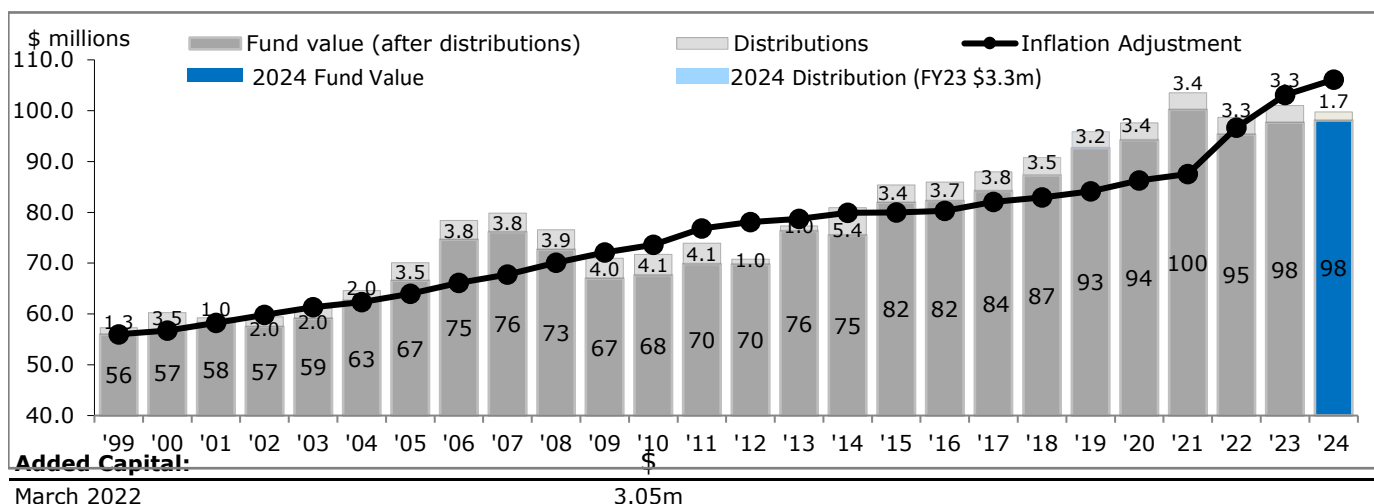
1. INCOME

Objective	2024 Est. Income	2024 Est. Yield	Average Yield	Period Years
The primary objective of the Fund will be to maximise its income, subject always to a proper consideration of investment risk.	\$2,890,678	3.0%	4.4%	24 1/2

2. CAPITAL GROWTH

Objective	Fund Value 31 Dec 2023	Revised Capital Base	Achieved
FUND VALUE LESS ACCUMULATED DISTRIBUTION: Subject to the income distribution needs of the Council and the provisions for capital protection, a key objective will be to grow the Fund's capital. Each calendar quarter, the Fund's capital base is to be adjusted by the movement in the CPI as follows: Revised capital base = previous capital base x (1 + quarterly CPI movement)	\$98,089,989	\$106,102,544	✗

Fund value less distribution (\$1,668,068)



Added Capital:

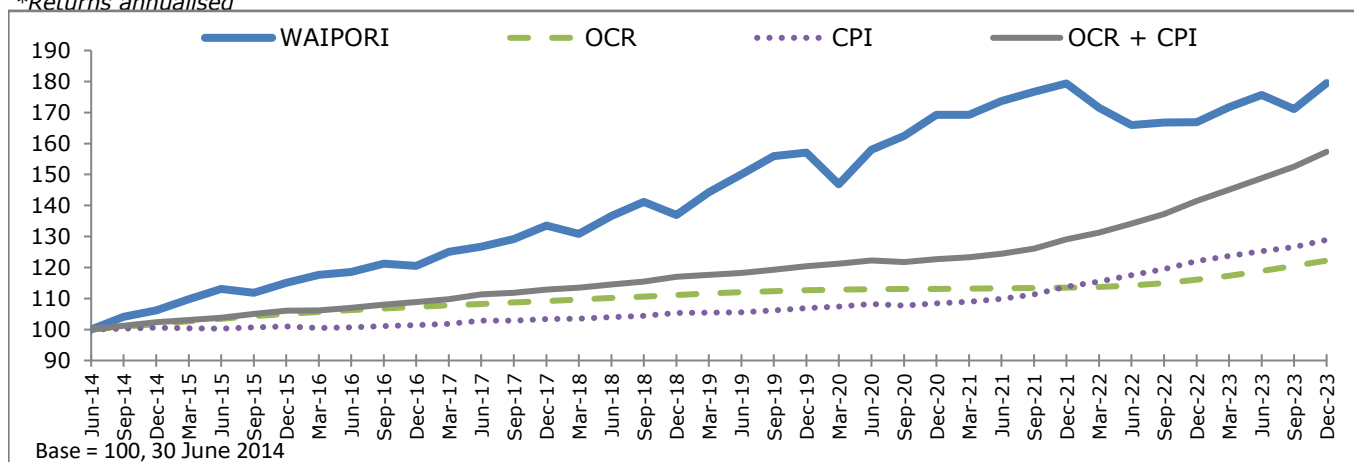
March 2022

3.05m

3. TOTAL RETURN (Period June 2014 - June 2024)

Objective	Waipori Return*	OCR*	CPI*	OCR + CPI	Achieved	Period Years
The Council envisages a minimum return over the medium to long-term, net of all fees and charges attributable to the Fund, equivalent to the weighted average Official Cash Rate (OCR) plus the movement in the "all groups" Consumer Price Index (CPI).	6.4%	2.1%	2.7%	4.9%	✓	9.50

*Returns annualised



WAIPORI FUND

Statement of Financial Performance for quarter ended 31 December 2023

Quarter 31-Dec-22	Actual YTD 31-Dec-22		Actual	Quarter Target	Variance	Actual	Year to Date Target	Variance	Target Full Year
397,598	720,166	Income							
387,774	654,014	Dividends	343,660	500,457	(156,797)	780,247	752,701	27,546	1,558,379
-	33,612	Interest	464,411	310,322	154,089	859,382	685,115	174,267	1,332,299
		Surplus on sale of Equities	-	-	-	(4,158)	-	(4,158)	-
		Unrealised Gains/(Losses)							
1,493,773	469,929	Equities	3,433,696	n.a.	n.a.	205,021	n.a.	n.a.	n.a.
(1,943,475)	(831,208)	Exchange Movements	(591,878)	n.a.	n.a.	(670,189)	n.a.	n.a.	n.a.
(449,702)	(361,279)	Revaluation of Equities	2,841,818	407,429	2,434,389	(465,168)	814,859	(1,280,027)	1,629,718
(109,115)	(324,925)	Revaluation of Bonds	1,043,768	-	1,043,768	1,063,384	-	1,063,384	-
(84,670)	(48,130)	Revaluation of \$AUD Bank A/C	149	-	149	(1,860)	-	(1,860)	-
141,885	673,458	Total Income	4,693,806	1,218,208	3,475,598	2,231,827	4,520,396	(20,848)	4,520,396
		less Expenses							
-	-	Management Fees	48,147	48,146	1	96,294	96,292	2	192,585
63,676	127,352	Equity Management Advice	16,677	15,530	1,147	32,206	31,060	1,146	62,120
33	67	Bank Fees	54	34	20	86	69	17	138
63,709	127,419	Total Expenses	64,878	63,710	1,168	128,586	254,843	1,165	254,843
78,176	546,039	Net Surplus/(Deficit)	4,628,928	1,154,498	3,474,430	2,103,241	4,265,553	(22,013)	4,265,553

Targets are calculated based on assumptions of returns for each asset class at the beginning of the financial year by Craigs' Investment Partners and current yields.

WAIPORI FUND

Statement of Movement in Principal of Fund For Period to 31 December 2023

30-Jun-23		31-Dec-23
59,050,000	Principal Opening	59,050,000
	Additional Capital	-
59,050,000	Closing Balance	59,050,000
	Inflation Adjustment Reserve	
38,192,346	Opening Balance	44,667,063
6,474,717	Transfer from Retained Earnings	2,990,256
44,667,063	Closing Balance	47,657,319
	Retained Earnings	
(1,881,601)	Opening Balance	(6,026,182)
5,630,136	Net Surplus/(Deficit)	2,103,241
(6,474,717)	Transfer to Inflation Adjustment Reserve	(2,990,256)
(3,300,000)	Distribution to Council	-
(6,026,182)	Closing Balance	(6,913,197)
97,690,881	Total Fund at End of the Period	99,794,122

Statement of Financial Position As at 31 December 2023

30-Jun-23		31-Dec-23
3,978,057	Current Assets	1,578,418
310,724	Bank Account	520,777
5,596,112	Debtors/Prepayments	15,359,288
9,884,893	Short Term Investments	17,458,483
	Total Current Assets	
52,086,030	Investments	51,641,899
35,783,638	Equities	30,788,481
87,869,668	Term Financial Instruments	82,430,380
97,754,561	Total Assets	99,888,863
	less	
	Current Liabilities	
63,680	Accruals	94,741
68,680	Total Current Liabilities	94,741
97,690,881	Total Value of Fund	99,794,122