

1 March 2016

Fund pay out and investment performance to 31 December 2015

The after tax return on the New Plymouth District Council's Perpetual Investment Fund (PIF) for the six months to 31 December 2015 was \$20.2 million (8%).

TIML Chairman, Keith Sutton, confirmed after release payments of \$3.7 million in the half year, the PIF has now paid out \$184.8 million to the New Plymouth District Council, the fund's owner, since its inception in 2004.

Mr Sutton noted the total equity of the PIF had increased from \$253.6 million in June 2015 to \$269.4 million after deducting release payments of \$3.7 million, and costs of \$0.7 million for the six months to 31 December 2015.

The main driver of performance over the half year was the additional transaction value gain from the sale of the Tasmanian Land Company to Moon Lake Investments.

"Since its establishment in late 2004 the fund has averaged a 7.2% after tax per annum return, and delivered total investment returns of \$208.5 million to NPDC."

Mr Sutton said "The balance of the fund has performed as expected and exceeded its financial market benchmarks for the half year to 31 December 2015.

Post settlement the net proceeds from the sale of TLC will be reinvested as outlined in the funds Strategic Asset Allocation, over a 12 to 18 month period.

During the initial stages of that reallocation period, the fund expects to hold higher levels of cash until such time as the capital is deployed to the full range of asset classes and currency exposures.

The PIF will be invested into a widely diversified portfolio consisting of listed equities in New Zealand, Australia, USA, Europe and emerging markets, and also into property and alternative asset investments.

The Board will retain an exposure to cash and high quality New Zealand Fixed income investments.

"The TIML Board remain confident over the long term the PIF will meet or exceed its expected returns targets and release rule payment targets."

“Our medium term expected return is 6%, due to the historically low interest rate environment, but the long term expected return for our target asset allocation is 7.6% pa after tax.”

“The fund has maintained and increased its real value since 2012 and continues to deliver a long-term sustainable income stream to benefit the community and NPDC, as the shareholders of the fund.”

Perpetual Investment Fund (PIF) – Fact Sheet

- The PIF is structured and invested as a long-term investment fund.
- It is intended the fund is not unduly sensitive to short term market fluctuations, reporting, economic factors, political cycles, and one off events.
- Having a long term focus is the driver for a high allocation to alternative and growth assets – both of which have delivered high long term returns.
- Alternative assets are expected to deliver superior and uncorrelated returns to cash, fixed income and listed equity.
- The PIF initially paid relatively high release payments, through both the Global Financial Crisis and the historically low interest rate environments, but has put in place a sustainable release payment regime since 2012.
- The PIF has paid out release payments of \$184.8 million to Council since its inception in late 2004.

Target Strategic Asset Allocation, post transition from existing allocation

Asset Class	Proposed SAA (%)	Current SAA (%)
Cash	5.0%	3.6%
Fixed Income	5.0%	1.1%
NZ Equities	5.0%	0.0%
Australian Equities	5.0%	0.0%
US Equities	10.0%	6.8%
Europe and Pacific Equities	10.0%	2.1%
Emerging Market Equities	10.0%	2.3%
Property	20.0%	69.4%
Alternative Assets	30.0%	14.7%
Total	100.0%	100.0%