Taranaki
Investment
Management
Limited

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TIML smashes Australasian industry benchmarks for fund performance in year to 30 June 2016

The after tax return achieved by fund managers, Taranaki Investment Management Limited (TIML), on the New Plymouth District Council's Perpetual Investment Fund (PIF) for the year to 30 June 2016 was 9.6% p.a. The fund's outperformance comprehensively beat market benchmarks and most other Australasian fund performance both for the year and three-year period where it returned 12.6% p.a.

Official comparative data reported by the Australian Financial Review, shows Australian industry super funds delivered an average 4% and retail funds 1.3% for last year and the Australian future fund delivered a 4.8% return for the year. New Zealand Kiwisaver funds averaged 3-4% in the year to June 2016.

TIML Chief Executive, Mike Trousselot advised that the total equity of the PIF had increased from $253.6 million in June 2015 to $270.2 million over the year after $7.34 million in release payments were made to NPDC and net costs incurred of $. 0.44 million.

The main drivers of performance over the year were additional realised property portfolio gains booked from the sale of the Tasmanian dairy farms of 12.9% for the year, and very strong alternative investment and hedging returns which delivered 27.7% for the year.

"Since its establishment with $259.4 million in late 2004 the PIF has delivered total investment returns of $212.8 million to the New Plymouth District Council, averaging 7.05% p.a. returns, and outperforming its long term financial benchmarks by 0.62 % p.a. since the inception of the PIF."

Mr Trousselot said "The PIF has performed very strongly for the last 3 years as its long term investment focus delivered results, and we enjoyed exits on a wide number of our long term alternative investments. This has resulted in an outperformance of financial market benchmarks by 10.4% for last year and averaging an outperformance of 6.1% p.a. over the last 3 years".

Following the successful sell down of the Tasmanian dairy farms, TIML has commenced further diversification of its investments into funds and listed equities in New Zealand, Australia, USA, Europe and emerging markets, and will also maintain a firm allocation to property and other alternative asset investments over the next 6 to 12 months in accordance with its investment strategy.

In the interim the TIML Board has increased its exposure to cash and fixed interest, due to both the recent asset sales, and to manage expected equity market volatility.

Community
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Private Bag 2025
New Plymouth
t: +64 6 759 6060

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TIML Chairman, Keith Sutton said "The medium term expected return of the TIML approved portfolio over the next 1-2 years is 6%, due to higher cash balances, historically low interest rates and a volatile return environment. Mr Sutton said "The long term expected return from the portfolio based on TIML's target asset allocation is over 7.0% p.a. after tax, this is because of the expected outperformance of property, alternative assets and private markets in the long term, as TIML have consistently demonstrated to date."

Mr Sutton, confirmed that after release payments to the New Plymouth District Council of $7.3 million in the year, the PIF has now paid out a total of $188.4 million to the New Plymouth District Council, the fund's owner, since its inception in 2004.

The TIML Board and management have been delighted with the returns earned by the PIF over that time.

They are also pleased that since NPDC introduced sustainable release payments and set the real value target of the PIF at $227.4 million in 2012, TIML has been able to increase the value of the fund by $42.85 million.

A recent change in organisational structure adopted by NPDC for the future management of the fund, will mean a new board of Guardians will be put in place later this year. They may adopt a new asset allocation, and will be directed by NPDC to outsource all fund management functions.

The current TIML Board and management will assist in the interim transition process and may provide some continuity of service. TIML wish NPDC well in continuing to maintain the funds record of achieving long term investment outperformance, along with industry low levels of fees and costs which have averaged 0.45% p.a. for the past 12 years.