



Te Whakapuakanga Kaupapa Haumitanga

Statement of Investment Policy and Objectives

October 2025

[Aucklandfuturefund.govt.nz](https://aucklandfuturefund.govt.nz)

**Auckland
Future
Fund**



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Summary | Te whakarāpopototanga

Purpose of this Investment Policy Statement

This SIPO helps us formalise, organise, implement and monitor our investment strategy. It provides clarity on what we are aiming to achieve, helps us focus on the opportunities that suit us best, and should enable us to stay true to our strategy during any tough times.

Our overall goals

The financial expectations set by Auckland Council are that the Auckland Future Fund (the fund) will deliver, over the long-term, an annual return of 7.24% net of fees and costs, and distribute 5.24% per annum, maintaining the real (inflation-adjusted) value of the portfolio.

Summary of our investment strategy

Assets	Total assets: \$1.36 billion (as at 30 September 2025)
Risk tolerance	Growth-oriented portfolio
Time horizon	Inter-generational
Long-term target returns	7.24% p.a. after fees and costs
Target distribution or payout	5.24% per annum.
Tax status	New Zealand income tax exempt
Next policy review	30 June 2026

Who we are | Ko wai matou

Purpose of this Investment Policy Statement

This SIPO helps us formalise, organise, implement and monitor our investment strategy. It provides clarity on what we are aiming to achieve.

Purpose and functions

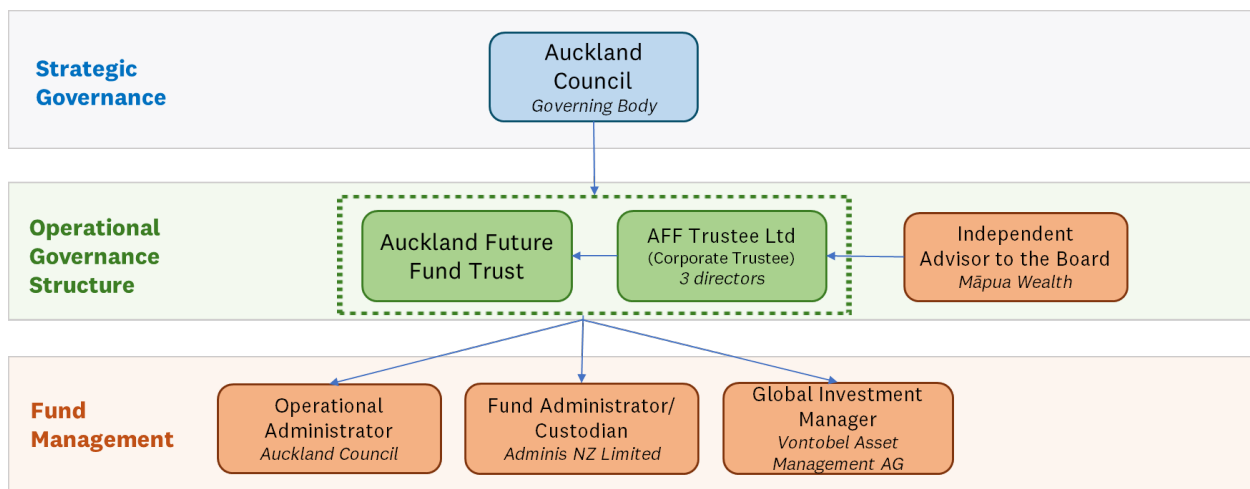
As part of the Long-term Plan 2024-2034, Auckland Council (the council) decided to establish a long-term investment fund, to be called the Auckland Future Fund (the fund), to improve the council's financial and physical resilience.

The fund is held in trust, pursuant to a Deed of Trust. The trustee will be the Auckland Future Fund Trustee Limited (AFFTL); a company incorporated under the Companies Act 1993.

Auckland Future Fund Structure

The structure of the fund is shown in the following diagram, with the key components being:

- **Strategic Governance** – Auckland Council sets the strategic direction.
- **Operational Governance** – AFFTL is the corporate trustee of the fund that has stewardship of the fund. AFFTL has appointed Māpua Wealth as an independent advisor.
- **Fund Management** – AFFTL has made the following outsourcing appointments for fund management:
 - Global portfolio management to a professional investment manager – Vontobel Asset Management AG
 - Fund administration to a professional fund administrator/custodian – Adminis NZ Limited
 - Operational administrator for the operations of the fund and AFFTL – Auckland Council



The fund was initially capitalised with the council's shareholding in Auckland International Airport Limited. Since then, an additional \$45 million has been added to the fund. The council continues to identify opportunities for further capital contributions.

Decisions relating to the fund (including investment and transactional) are made independently by AFFTL in accordance with the governing documents of the fund, which include:

- [Auckland Future Fund Trust Deed](#)
- [Auckland Future Fund Policy](#)
- [Auckland Future Fund Distribution Policy](#)
- [Auckland Council's Responsible Investment Policy](#)

Role of Auckland Council

Acting in accordance with its role as local authority for Auckland and its position as beneficiary of the fund, the role of the council in relation to the fund is to:

- oversee the conduct of AFFTL
- exercise its powers under the terms of the fund's trust deed (in addition to any rights and obligations of the council under any of the Local Government Acts or otherwise)
- protect the council's interest and the public interest, in particular the interests of Auckland and its communities, in relation to the fund
- ensure the proper control and administration of the fund.

Vision and mission | Ngā hua ō roto

Our vision

The Auckland Future Fund is an investment for all Aucklanders and future generations and is designed to enhance the financial and physical resilience of Tāmaki Makaurau.

By diversifying Auckland Council’s major investments, the Auckland Future Fund is part of a financial strategy to better protect and strengthen Auckland in times of need.

Purpose of the Auckland Future Fund

The purposes of the fund are to:

- i. Maintain or increase the real value of the fund’s assets over time, so they can continue to benefit future generations; and
- ii. Provide a strong return to council to fund services and infrastructure.

Powers of investment

All investment and transactional decisions of the fund shall be made by AFFTL in accordance with the Trust Deed, Trusts Act 2019, the Auckland Future Fund Policy, and the other policies and documents referenced in the section titled ‘Interrelationships with other Policies and Documents’ below.

Auckland Council shall not direct AFFTL through any other channel as to the investments or activities of the fund, including any related party transactions or investments.

Best practice investment governance

We will follow best practice investment governance. This involves:

- knowing the standards, laws, and trust provisions under which we operate
- diversifying assets to our specific risk and return profile
- preparing a robust investment policy statement
- using ‘prudent experts’ where appropriate and documenting due diligence
- controlling and accounting for all expenses and costs
- monitoring the activities of the ‘prudent experts’ that we engage
- avoiding or managing conflicts of interest.

Fiduciary duty

Everyone who has a role in managing our assets has a fiduciary duty of loyalty and care to the council and future beneficiaries under the trust deed. This applies to AFFTL and any council staff supporting the operations of the fund. The same applied to the external investment managers and is agreed in the respective investment management agreement.

Inter-relationships with other policies and documents

The Auckland Future Fund Policy sets out the overarching strategy for the fund with strong inter-relationships with other policies as outlined below:

- [Auckland Future Fund Distribution Policy](#) – The Auckland Future Fund Distribution Policy (see Appendix 2) sets out the rules regarding distributions from the fund to the council.
- [Auckland Future Fund Trust Deed](#) – The Auckland Future Fund Policy and the trust deed are intricately linked, with the trust deed elaborating on the role of the fund, the relevant parties, the role and powers of AFFTL, and the objectives of the fund.
- [Auckland Council's CCO Accountability Policy](#) – The nature of the fund is different from other substantive CCOs as it is not a direct provider of services. To the extent that there is any inconsistency between the CCO Accountability Policy and the governing instruments of the fund (including the Auckland Future Fund Policy, Auckland Future Fund Distribution Policy, AFFTL constitution, Trust Deed and this SIPO), the governing instruments take precedence.
- [Responsible Investment Policy](#) – This policy sets out the guidelines for responsible investments including Environmental, Social and Governance (ESG) and climate change considerations, as well as detailing the council's preferences in so far as the types of company activities that the council would wish to exclude from any portfolios held.
- [Significance & Engagement Policy](#) – The council considers that the fund (as a whole) is a strategic asset. Therefore, any decisions in relation to the fund (as a whole) must be made in accordance with the relevant provisions of the council's Significance & Engagement Policy. Operational decisions in relation to the management of the fund will be made in accordance with the governing instruments.
- [Statement of Intent \(SOI\)](#) – The Statement of Intent, as required by, and described in Schedule 8 of the Local Government Act 2002. An SOI is developed by AFFTL and agreed to by council each year.

Additionally, as required by the council's Long-term Plan 2024-2034, AFFTL has entered into a liquidity facility agreement with the council. The council can only draw down on the facility when all other funding and bank facility options have been exhausted. The agreement does not place any requirements on AFFTL to retain a minimum level of liquidity and does not limit the funding decisions of AFFTL.

Scope

This policy applies equally to all of our wholly owned business units and subsidiaries, unless it has been agreed otherwise.

Our investment beliefs | Ngā mātāpono haumi

	Beliefs	Implication for what we do
Investment objectives and governance	Good governance is required to succeed and to maintain our strategy through the tough times.	We strive for best practice, we ensure our fund managers and service providers are resourced appropriately, and we engage external expertise and capacity when needed. Good people and good culture all contribute to strong governance.
Investment strategy	To earn higher returns, more risk must be taken.	We have a growth-oriented investment strategy subject to prudential limits.
Time horizon	Long-term investors should outperform short-term investors, by doing things that short-term investors can't.	We can ride through market downturns, be a buyer when others are selling, reinvest in assets for the long term, always sell on our terms, and take advantage of slow-burn investment themes that take time to play out. We run a dynamic asset allocation.
Asset classes and strategies	Diversification reduces risk. Too much in one investment or one type of asset can put investment goals at risk.	We aim to be well diversified. We invest in alternatives in order to improve diversification. We have prudential limits on how much can be invested in a single asset.
Alternative investments	Alternative investments can help diversify and sometimes can have better risk-adjusted returns.	Our portfolio may include commodities, precious metals, catastrophe bonds (cat bonds), hedge funds, private debt and private equity.
Dynamic asset allocation	Investment opportunities change over time. Markets overshoot and undershoot, but they revert to fair value eventually.	In market downturns we will stay disciplined and stick with our strategy including dynamic asset allocation and tilting.

	Beliefs	Implication for what we do
Responsible and sustainable investing	Responsible investors who manage environmental, social and governance (ESG) factors do better over the long term.	Responsible investing is central to our investment selection, our investment preferences and our values. We expect all our investment managers to invest responsibly and in line with our values.
	Climate change will have a material impact on markets and our portfolio.	We aim to understand the risks and opportunities from climate change.
Fund selection	Due diligence of managers should be systematic, repeatable, and consider qualitative as well as quantitative factors.	We require our external providers to have robust research and monitoring processes of funds, that fees are competitive, and that our interests are put first.
	Active management is appropriate in some of the less efficient markets and asset classes.	We use active managers where we believe they are likely to add value on an after fees basis.
Security selection	Security selection is best left to experts. It is not a role for AFFTL.	We employ an investment manager to select both securities and external investment providers.
Fees and costs	Fees should be consistent with the complexity of the strategy and what the investment manager is trying to deliver.	We control costs and fees, subject to making sure we properly resource our activities. We monitor all fees and costs to ensure they are competitive and appropriate for the asset class or strategy. We try to use tax-efficient investment structures.
Rebalancing	Frequent rebalancing back to the asset allocation adds value and controls risk over the long term. It is best done in a structured and consistent way.	We regularly monitor our portfolio and re-balance taking into consideration our illiquid investments and cash-flows.

Our investment strategy | Ngā rautaki haumitanga

Our investment goals

The financial expectations set by Auckland Council are that the fund will deliver, over the long term, an annual return of 7.24% net of fees and costs, and distribute around 5.24% per annum, subject to maintaining the real (inflation-adjusted) value of the portfolio.

Accordingly, the fund will have a growth portfolio focused on the long-term.

To help achieve this, our investment strategy aims to:

- i. Maintain or increase the real value of the fund's assets over time, so they can continue to benefit future generations; and
- ii. Provide a strong return to council to fund services and infrastructure. Accordingly, the fund will have a growth portfolio focused on the long-term.

In pursuing this goal, we will:

- follow best practice governance and portfolio management
- maintain the real value of the asset base
- maintain an overall risk level that is sufficient to achieve the objective
- maintain an appropriate asset allocation
- have a sustainable distribution policy.

Auckland Council return expectations

The council's initial distribution rate to be used for distribution of earnings to council for the financial years ending 30 June 2025, 30 June 2026 and 30 June 2027 is set out in the Auckland Future Fund Distribution Policy (Appendix 2). The initial distribution rate was calculated by assessing the expected long-term median return on the fund, deducting the expected costs of operating and transacting the fund, and then retaining a portion of that net return to protect the long-term real value of the fund. At the time of establishment, this has been assessed as follows:

Net return	7.24%
Distribution rate (to the council)	5.24%
Retention to preserve capital value	2.00%

Auckland Future Fund Reference Portfolio

As a result of the council's return expectations above, the AFFTL board has adopted an 80% growth/20% income reference portfolio to meet the council's implied risk appetite. See Appendix 1 for the reference portfolio benchmarks.

Investment Management Agreement Portfolio

In conjunction with the global investment manager, the AFFTL board has adopted an investment management agreement portfolio designed to achieve returns above the fund's reference portfolio. See Appendix 1 for the portfolio benchmarks.

Asset allocation

The asset allocation tactical ranges below define the minimum and maximum portfolio components for a specific investment category and represent the intervention points. When calculating the ranges all derivatives shall be included at their economic exposure.

Neutral strategy and tactical ranges

Asset class	Neutral strategy in %	Tactical ranges	
		Minimum in %	Maximum in %
Liquidity	0.0	0.0	25.0
Bonds total	16.0	6.0	26.0
Global bonds	16.0	6.0	26.0
Sovereign bonds developed markets	0.0	0.0	26.0
Sovereign bonds emerging markets	0.0	0.0	5.0
Global corporate bonds investment grade	0.0	0.0	26.0
Global corporate bonds non-investment grade	0.0	0.0	5.0
Equities total	72.0	62.0	82.0
Global developed market equities	69.0	60.0	80.0
Emerging market equities	3.0	0.0	10.0
Alternative Investments total	12.0	0.0	20.0

Asset class	Neutral strategy in %	Tactical ranges	
		Minimum in %	Maximum in %
Real estate and infrastructure	0.0	0.0	10.0
Commodities & precious metals	2.0	0.0	8.0
- thereof: precious metals	2.0	0.0	5.0
- thereof: commodities	0.0	0.0	5.0
Catastrophe bonds (cat bonds)	3.0	0.0	5.0
Hedge funds	0.0	0.0	5.0
Private debt	2.0	0.0	5.0
Private equity	5.0	0.0	10.0
Foreign currencies total (after hedging)	49.5	6.0	100.0

Restricted investments

Investment universe and degrees of discretion

Asset class	Restriction		
Liquidity	Cash balances and money market investments at banks with a rating of at least A (S&P) or A2 (Moody's). Investments at the custodian bank are exempt from these rating specifications.		
	Collective investments incl. ETFs allowed?	Yes ☐	No ☒
Bonds • Global bonds • Foreign currencies worldwide • Foreign currencies emerging markets	The minimum requirement for the credit quality of bonds as direct investments is a rating of BBB- (S&P) or Baa3 (Moody's). Where there is no official S&P or Moody's rating, the internal assessment or equivalent alternative rating sources will apply. Should a bond be downgraded to below BBB- or Baa3, the securities must be sold within three months. In the event of a split rating, the lower rating shall apply. The limit for bonds issued by private debtors is 2%, while there is no limit for sovereign bonds or bonds issued by public institutions.		
	Convertible bonds and bonds with warrants as direct investment permitted?	Yes ☐	No ☒

Asset class	Restriction		
	Collective investments incl. ETFs allowed?	Yes ☒	No ☐
Equities - Global - Emerging markets	Listed equities including non-listed equities for which a listing is planned. Any investments in real estate investment companies are allocated to the “real estate” investment category. The limit for equities issued by the same issuer is 5%		
	Collective investments incl. ETFs allowed?	Yes ☒	No ☐
Real estate and infrastructure global	Only the following investment instruments are allowed: - units of real estate funds - claims of investment foundations - infrastructure - listed equities of real estate holding companies		
Alternative investments (only via Target Fund and ETC)	Precious metals	Permitted ☒	Not permitted ☐
	Commodities	Permitted ☒	Not permitted ☐
	Hedge funds	Permitted ☒	Not permitted ☐
	Private equity	Permitted ☒	Not permitted ☐
	Others (Private debt and cat bonds only)	Permitted ☒	Not permitted ☐

Other fund-specific instructions

Investment ratio	Investment ratio of the portfolio must not exceed 100%
Securities lending and repo transactions	Securities lending and repo transactions are not permitted for direct investments; this does not exclude the purchase of collective investments that, according to their relevant documents, engage in securities lending and/or repo transactions.
Compliance with ethical standards	The global investment manager is committed to complying with the ethical standards.
Alternative investments	As part of this asset management mandate, investments considered alternative investments must not account for more than 20.0% of the Portfolio.
Structured products (including certificates)	Not permitted apart from ETC.
Collective investments	Subject to any provisions to the contrary in section 3.1., the individual investments of collective investments are not included in the monitoring of direct investments (e.g. issuer and rating monitoring).

Investment ratio	Investment ratio of the portfolio must not exceed 100%
Sustainable investing	The process for monitoring potentially severe ESG events (PCEE), as mentioned in the " ESG Investing and Advisory Policy Statement" (available at https://www.vontobel.com/esg-library), is not integrated into the investment process for this portfolio.
ESG customer-specific instructions	Auckland Council's Responsible Investment Policy will be applied.

Distribution policy

Distributions to the council will be made in accordance with the Auckland Future Fund Distribution Policy (see Appendix 2).

Rebalancing

Rebalancing the portfolio back to the asset allocation can add significant value because it is a systematic way of selling asset classes that become more expensive (and become a bigger part of the portfolio) and buying asset classes that have become cheaper (and have shrunk as a share of the portfolio).

Rebalancing should occur frequently, subject to the trade-off between transaction costs (for example, brokerage and bid-ask spreads) versus being away from the target asset allocation. Tactical allocation decisions will be taken into account when rebalancing of the portfolio is considered (at least quarterly).

The percentage allocation to cash, bonds and equities may vary within the range limits as indicated in the asset allocation table.

The Investment Manager has delegated authority to make rebalancing decisions to keep the portfolio within the target ranges.

Foreign exchange hedging

Foreign currency (unhedged assets) can act as a 'shock absorber' during financial market downturns because, on average, the New Zealand dollar tends to depreciate when global markets undergo a sharp selloff. As a result, we are better off not fully hedging the exchange rate risk in our foreign investments.

The target hedging ratios for managed funds are shown below.

Asset Class	Target hedging ratio (%)
Global fixed income	100
Developed markets equities	50
Emerging-market equities	0
Global real estate	100
Funds of hedge funds, private equity	0
Alternatives	0
All other asset classes	0

The target hedging ratios are indicative only and foreign currency exposure is controlled at the total-portfolio level.

Developed market equities are left partly unhedged for the reason above. Emerging market equities and alternatives are unhedged because it is usually costly or impractical to hedge them.

Global fixed income is fully hedged, because the aim of this asset class is to be a low volatility base of the portfolio.

Derivatives

The use of derivatives is allowed as per the following table.

Forward exchange transactions (forwards and futures)	Reducing exposure	Forward FX transactions are permitted under the condition that the required liquidity and underlying assets (in the respective currency) are available at all times.
	Increasing exposure	Not permitted.
Futures	Long and short* futures positions are permitted. If futures are used the following conditions must be met: • Long futures positions must be covered by the cash equivalent to the underlying liability. • Short* positions in interest-rate futures must be covered by bonds in the currency of the contract. • Equity futures are permitted on all markets in the benchmark universe*.	
Options and warrants	Long call	Not permitted.
	Short call	The sale of call options, whose underlying assets correspond to the investment universe, is allowed under the condition that the option is covered with the underlying asset at all times.
	Long put	Permitted.
	Short put	Not permitted.

*net short positions are not permitted.

Other asset classes

We have considered alternative assets. These have been chosen to match the desired investment style of being reasonably priced, liquid, play an important portfolio diversification role and where the investment manager has the time, inclination and knowledge to include these asset classes in the portfolio.

Risk management | Te aroā tūraru

While we will strive to achieve our investment targets, we will do so without taking undue risk. Examples of undue risk would be investing too much in a single venture (concentration risk), taking on excessive amounts of debt or leverage, making decisions with insufficient due diligence, or investing in opportunities that we do not properly understand.

Risk appetite

We recognise that some risk must be assumed in order to achieve the long-term investment objectives, and that investment markets are volatile from year to year. The higher rate of return from riskier (“growth”) assets is the reward for taking on this volatility. We will manage this risk through prudent investment practices and effective governance oversight.

Risk diversification

In designing the portfolio and in the annual planning process we will ensure that we are appropriately diversified across common risk factors. Being well diversified helps us improve the risk-return trade-off that we face.

These include:

- sectors, industries and asset classes
- assets (i.e., exposure to an individual asset)
- managers and strategies
- underlying economic risks, including NZ dollar, international trade, interest rates, inflation.

AFFTL in consultation with the Independent Adviser to the Board and Global Investment Manager will review annually the degree of portfolio diversification and exposure to common risks.

Prudential limits

Prudential limits are in place to limit the risk that a single event could have on the portfolio.

Prudential limits	Constraint (% of total assets)
Single asset or business investment	10%
Single active cash or fixed income fund	20%
Single active equity or alternatives fund	10%
Single passive or rule-based fund manager	50%
Single issuer / security (except sovereigns)	5%
Cash and cash equivalents	25%

Leverage policy

The fund cannot borrow or otherwise leverage the investments of the fund.

Due diligence | Te haurapatanga

Consistent with our duty of care and loyalty, we will undertake comprehensive investment and operational due diligence prior to appointing any external provider.

External providers may include investment providers, fund managers, investment consultants or managers and other professionals providing analytical, legal and tax service that relate to business strategy.

The general approach will be to:

- establish service requirements
- undertake appropriate due diligence of capability and experience, which may be by way of formal requests for proposal (RFP) or requests for information (RFI)
- ensure complete disclosure of any potential conflicts
- ensure costs of services are reasonable
- undertake periodic reviews.

Due diligence on investment managers and managed funds

Specific due diligence for external investment managers should cover quantitative and qualitative factors. They will be evaluated on their merits according to the following evaluation criteria and weightings.

Attribute	Weighting
Fund management skills / strategic asset allocation	65%
Environment, social and governance (ESG) credentials	5%
Methodology for reporting	10%
Price (management fees)	20%
Total	100%

Responsible investing | Ngā haumi aronui

The fund's approach to responsible investing is documented in [Auckland Council's Responsible Investment Policy](#), last approved in June 2024. This is reviewed every three years, in line with the council's long-term plan process, or as required from time to time.

The Responsible Investment Policy provides guidance to any investment manager involved in the management of the council's investment funds with respect to the following considerations:

- environment, social and governance (ESG) issues
- climate change
- active ownership
- portfolio exclusions.

Monitoring our investment strategy | Te aroturuki i tā mātou rautaki haumitanga

Monitoring managed funds and external providers

External managers and direct investment companies are expected to provide sufficient information for AFFTL to:

- assess the extent to which overall investment objectives are being achieved and to make any necessary adjustments if required
- assess the performance of each asset class against its relevant benchmarks (see Appendix 1 for benchmarks)
- assess whether risk levels remain appropriate
- ascertain the existence of any weakness in the investments and portfolio mix
- meet audit requirements, including ESG reporting.

The focus of AFFTL in normal circumstances is on (a) the overall shape of the total portfolio and (b) the extent to which the organisation is tracking in line with strategic objectives.

AFFTL expects continuous disclosure of material commercial and reputational issues in line with a ‘no surprises’ approach.

Regular reporting

Item	Frequency
Monthly monitoring	Monthly
Portfolio dashboard	Quarterly
Portfolio performance summary and attribution, including: • short-term and long-term performance • commentary on drivers of performance • commentary on SIPO limit breaches • ‘flag’ warnings if concentration limits are being approached • general market background.	Quarterly
Fund manager monitoring/scoring, including: • commentary on material changes in ratings • commentary on managers on ‘watch list’ • report of any material conflicts of interest.	Quarterly
Review of costs and fees	Annual
Review of this policy incl. asset allocations	Annual, or following major transaction

Item	Frequency
Statement of Intent incl. multi-year capital plan	Annual
Annual review of strategy and governance effectiveness	Annual
Compliance reports (e.g. audit, ESG)	Annual
'Red flag' compliance breaches	Immediate

Investment Manager 'watch list'

An investment manager may be placed on a "watch list" if there are concerns about performance or the organisation itself. Issues may include:

- returns materially outside the expected range, in absolute terms, relative to benchmark, or relative to peers
- volatility outside the expected range
- indications that the manager may be deviating from its stated style or strategy
- significant fund outflows
- loss of key staff
- some other external event that may affect the business, i.e. being put up for sale.

A manager on the watch list should be the subject of heightened monitoring and diligence. This may include meetings with the manager, formal letters asking questions or expressing concerns, and deeper analysis of the manager's holdings, style and risk management.

The decision to retain or terminate a manager (or provider) cannot be made by a formula. It is AFFTL's confidence in the manager's ability to perform in the future that ultimately determines whether it should be retained.

Costs and fees

Costs and fees will be confirmed annually to ensure they are fair, reasonable and in line with current market levels.

All parties must be fully transparent on fees and costs incurred including brokerage. AFFTL and the investment manager will review fees and costs, fully unbundled.

Roles and responsibilities | Ngā tūranga me ngā haepapa

Overview of key responsibilities

Body	Primary role
Auckland Council	Ultimate fiduciary responsibility for setting the underlying purpose of the fund. Sets the strategic direction.
Auckland Future Fund Trustee Limited (AFFTL)	Advance and achieve the purposes of the Auckland Future Fund. Set and monitor the investment strategy. Ensuring the processes are properly organised, formalised, implemented, and monitored. Ultimate responsibility for all investment decisions.
Operations administrator	Assist AFFTL in meeting its duties. Executing operational activities.
Independent advisor to the board (Māpua Wealth)	Provide objective advice on all steps in the investment process.
Global investment manager (Vontobel Asset Management AG)	Portfolio management services, Portfolio execution, rebalancing, reporting, regulatory compliance.
Fund administrator/custodian (Adminis NZ Limited)	Safe custody, independent valuation and reporting of the fund assets in a separate account which ensures compliance and protection of funds.

Auckland Council

The council has the following key responsibilities relating to the fund's investments:

- appointment and monitoring of AFFTL
- quarterly review of the performance of the fund
- consideration of draft SIPO – the council will consider and, if thought fit, provide comments on or propose amendments to the draft SIPO. Any comments on or proposed amendments to a draft SIPO must be notified to AFFTL
- letter of expectations (LOE) sent to AFFTL
- approval of the annual statement of intent.

Auckland Future Fund Trustee Limited (AFFTL)

AFFTL has ultimate responsibility for all investment decisions. General responsibilities for AFFTL are established in the Trusts Act 2019 and specific duties for AFFTL are set out in the Trust Deed.

At a high level, AFFTL's responsibilities include:

- setting the fund's investment strategy

- ensuring assets are sustainably managed to meet long-term return, cultural, environmental, and distributional objectives
- controlling and accounting for all investment and administrative expenses associated with the overall portfolio
- monitoring and supervision of all entities controlled by the fund
- managing conflicts of interest.

Specific activities are delegated to prudent experts, including any external managers and advisors, but ultimate responsibility remains with AFFTL for the above activities.

AFFTL has the following key responsibilities relating to the fund's investments:

- adherence to the Trust Deed
- approval of the SIPO
- monitoring the SIPO and its appropriateness
- reporting to the council quarterly on the progress of the fund against its objectives
- appointment and monitoring of the investment manager
- monitoring of the investment performance
- preparing annual statement of intent (SOI) in response to the letter of expectations (LOE) from the council.

Operations administrator

To support the undertaking of the fund's operational activities, AFFTL utilise the services of the council through an administration services agreement. Through this agreement AFFTL does not need to employ staff.

The operations administrator is responsible for activities including (but not limited to):

- company secretarial services
- New Zealand legal advice
- auditor and accounting financial reporting
- tax advice and filings
- coordination of contractual agreements between AFFTL and investment managers, fund administrators or advisers
- compliance assistance
- regulator and stakeholder interface
- relationship management with shareholders
- communications and media support.

Independent advisor to the board

AFFTL will appoint an independent advisor to assist with decisions and provide independent oversight of the investment strategy, investment managers, and their decision-making processes.

The independent advisor is responsible for:

- attending AFFTL board meetings when required.
- providing specialist input into investment decision making including:
 - support with regard to the selection, review, and potential termination of the investment managers, to meet the fund's requirements
 - input into the investment strategy setting and review processes
 - independent oversight of the performance information received from the investment managers
 - benchmarking of performance and investment market insights.
- supporting AFFTL in reviewing the content of the Responsible Investment Policy and the Statement of Investment Policy and Objectives documents as required.
- any other advice as requested by AFFTL and agreed in advance.

Global investment manager

The global investment manager has the following key responsibilities relating to the fund's investments:

- to have regard for AFFTL's investment beliefs
- adherence to the SIPO
- assist in annual reviews and updates of SIPO
- pursuing the fund's investment objectives
- selection and monitoring of the underlying investments
- reporting to the AFFTL on the performance of the underlying investments
- dynamic asset allocation of the fund's investments
- to have regard for AFFTL's risk tolerances
- to have regard for the council's Responsible Investment policy
- assist with reviews and updates of the council's Responsible Investment Policy (including providing comments and proposing amendments) as required
- to ensure the investments are managed in an operationally efficient and risk-managed way
- act ethically and in the best interests of the AFFTL
- to comply with all applicable laws and standards of New Zealand and any jurisdiction as agreed in the respective Investment Management Agreement
- to confirm in writing its fiduciary duties to the fund.

Reporting

Key required reporting:

- on a monthly, quarterly and annual (including periodic, year-to-date and since inception), basis an investment report detailing current and historical performance relative to the Portfolio Benchmark (Appendix 1) performance analysis including attribution of returns, portfolio allocations/breakdowns, transaction journal reflecting all transactions, incoming payments, corporate actions and a breakdown of costs
- on a monthly, quarterly and annual basis (including periodic, year-to-date and since inception) a report detailing current and historical performances relative to the AFF Reference Portfolio (Appendix 1)
- quarterly reporting on high-level qualitative analysis of economic and market developments by research teams including general comments on main assets classes (including a deep dive into individual asset classes on a rotational basis) and an Auckland Future Fund-specific detailed analysis from the portfolio manager regarding portfolio development in the last quarter, current market outlook and portfolio positioning
- on a quarterly basis, an ESG report which includes the ESG rating of the portfolio, exposure to controversial activities, transparency ratios, greenhouse gas emissions (including Scope 1, 2 and 3 emissions), exposure to fossil fuels, transition to net-zero and the global warming potential in a form that meets AFFTL's audit requirements including auditable source data to support climate related reporting and documentation relating to data sources, methodologies, assumptions and estimates
- no later than 30 days following AFFTL's year end, an independent greenhouse gas emissions assurance report, relating to the portfolio on an annual basis (aligned with AFFTL's year-end as of 30.06) and in substance and form that meets AFFTL's audit requirements including auditable source data to support climate related reporting and documentation relating to data sources, methodologies, assumptions and estimates
- on a monthly basis, reporting of any breaches or deviation from investment instructions
- other reporting information from time to time is reasonably requested.

The investment manager will also provide AFFTL with any other information as may be required to satisfy the audit requirements applicable to AFFTL.

Furthermore, at AFFTL's request there will be an oral presentation on the development and composition of the portfolio (usually once a year).

Performance calculation

Performance is calculated daily using the time-weighted return (TWR) method. If requested by AFFTL, the investment manager will calculate performance using the money-weighted returns analysis.

Deviation from the investment instructions

Deviation from the investment instructions agreed can occur as a result of external factors such as changes in market value, net cash flows and changes to the composition of benchmarks. Passive deviations of this nature will be corrected in the interests of AFFTL and taking account of market conditions as soon as reasonably practical. Any deviations due to active breaches of the investment instructions will be corrected immediately after being classified.

Investment Manager

The investment manager retains the right to transfer portfolio management to other employees in whole or in part. AFFTL will be informed accordingly.

Proxy voting

The exercise of voting rights for listed equity rights is transferred to the global investment manager which exercises proxy voting on a best effort basis and is authorized to consult advisors such as voting rights advisors.

Fund administrator/custodian

Assets of the portfolio are held independent of the global investment manager by a custodial platform, which also provides various portfolio administration services.

Responsibilities include:

- maintaining a separate account
- valuing the holdings
- collecting all income and dividends owed to the portfolio
- settling all transactions (buy-sell orders) initiated by the Investment manager
- providing reports as required that detail transactions, cash flows, securities held and their current value and change in value of each security and the overall Portfolio since the previous report.
- reporting any administrative issues to the AFFTL board, global investment manager and/or advisor to the board.

Specific roles and responsibilities

Specific roles and responsibilities are summarised in the following table. Note that consultation is not shown separately in the table. It is expected that consultation would be widespread.

The roles and responsibilities to be read alongside the delegated authorities.

Key D: Decide R: Recommend A: Assist

Governance component	Activities	AFFTL	Global Investment manager	Advisor to the board	Auckland Council	Review frequency
Strategic objectives	Setting Goals and Investment Preferences	D	A			3-Yearly
	Setting the Strategic Plan	R			D	3-Yearly
	Portfolio level risk appetite	D	R	A		3-Yearly
	Setting the distribution policy	R	A	A	D	3-Yearly
Investment policies	Statement of Investment Policy and Objectives	D	A	R	A	Annual

Governance component	Activities	AFFTL	Global Investment manager	Advisor to the board	Auckland Council	Review frequency
	Prudential limits (e.g. single asset concentration)	D	R	A	A	Annual
	Responsible investing policy	R	A	A	D	3-yearly
Asset allocation	Investment framework		D			Annual
	Allocating capital within SIPO ranges		D			Quarterly
	Rebalancing		D			Often
	Set investment benchmarks	D	R	A		2-Yearly
External providers	Appoint portfolio administrator or custodian, investment manager	D		R	A	..
	Sourcing investment providers		D			Ad hoc
	In-depth quantitative and qualitative reviews of service providers and managers		D			..
	Regular assessment of external investment providers		D			Quarterly
Monitoring	Annual review of investment performance, risk, progress against broad policy objectives	D	R	A	A	Annual
	Regular monitoring of performance and risk	D	D	A	A	Quarterly
	Regular monitoring of external investment providers	D	D	A	A	Quarterly
	Review of investment costs	D	R	A		Annual
Governance effectiveness	Governance review of organisation				D	3-Yearly

Appendix 1 – Benchmarks | Ngā Paerewa

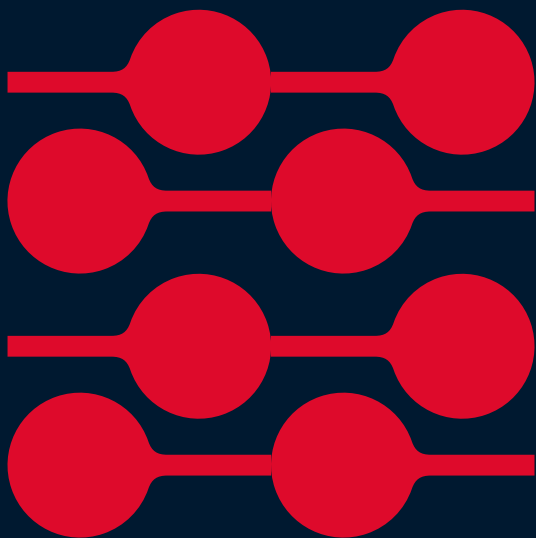
AFF reference portfolio benchmark

Benchmark	Weight	Ticker	Hedge ratio
Bloomberg Global Aggregate NZD Hedged	20.0	H00038NZ	100.0
MSCI ACWI net total return index (NZD hedged)	80.0	50% HN137441	50.0
MSCI ACWI net total return index (unhedged)		50% NDUEACWF	

Investment management agreement portfolio benchmark

Asset Class	Benchmark	Ticker	Hedge Ratio
Bonds total	16.0	16.0	
Global bonds	Bloomberg Global Aggregate TR NZD Hedged	H00038NZ	100%
Equities total	72.0	72.0	
Global developed market equities	MSCI World Developed Countries net reinvested (NZD hedged) MSCI World Developed Countries net reinvested (unhedged)	50% HN124383 50% NDDUWI	50%
Emerging market equities	MSCI Emerging Markets Net Dividend Index	NDUEEGF	
Alternative Investments total	12.0	12.0	
Commodities & precious metals	LBMA Gold Price PM USD	GOLDLNPM	
- thereof: precious metals	2.0	n/m	
Cat bonds	Swiss Re Cat Bond Total Return Index	SRCATTRR	
Private debt	SOFR +3% p.a.	n/a	
Private equity	SOFR +5% p.a.	n/a	

Appendix 2 – Distribution Policy | Te Kaupapa Here mō te Tohanga Hua



Auckland Future Fund Distribution Policy



Auckland Council Long-term Plan 2024-2034

Volume 2. Section 3.10.a.



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Purpose and Objectives

This policy sets out the guidelines for distributions from the Auckland Future Fund (AFF or the Fund), a regional wealth fund established by Auckland Council in 2024.

This policy states under what circumstances distributions may be made from the Fund, limits on those distributions and the frequency with which distributions may be made.

It should be noted that the Auckland Future Fund (as a whole) is a strategic asset, owned and managed by the AFF Trust. Assets and investments within the Fund are not themselves strategic assets. This distribution policy should be read in conjunction with both the Auckland Future Fund Policy and the Auckland Future Fund Trust Deed.

The Auckland Future Fund is a long-term fund which should be managed and applied for the benefit of the current and future communities of the Auckland Region.

The purposes of the Auckland Future Fund are to:

- a. Protect the real value of the Trust's assets over time, so they can continue to benefit future generations; and
- b. Provide a strong return to council to fund services and infrastructure.

In implementing this policy, the Trustee shall not act in any way which is inconsistent with the Trust Deed.

Protection of the real value of the Fund

Consistent with the Purposes of the Fund, the Trustee will preserve the real value of the Fund over time (the **Guiding Principle**). By 'real value' in this context, council means the capital of the Fund on the settlement date plus annual growth based on the midpoint of RBNZ's targeted inflation rate from time to time.

The surplus of the Fund's value over its 'real value' (on average over time) is intended to be distributed to the council in accordance with this Policy.

Allowable Distributions

Regular Distributions to Auckland Council

One of the Fund's purposes is to provide a strong return to council to fund services and infrastructure which occurs by way of regular distributions.

On an agreed date (or dates) in each financial year (to be agreed as part of the Statement of Intent), the Trustee shall make one or more distributions to Auckland Council in an aggregate amount equal to the applicable Distribution Amount.

The Distribution Amount will be the amount equal to the applicable Distribution Rate (defined below) as a percentage of the capital value of the Fund (based on the average monthly value of the fund over the preceding three years), provided that:

- for the financial year ending 30 June 2025 the Distribution Amount will be the amount equal to the applicable Distribution Rate calculated as a percentage of the capital value of the Fund as at the date

the Fund was settled on the AFF Trust, pro-rated for the portion of the financial year that the Fund has been invested, and

- for the financial years ended 30 June 2026 and 30 June 2027 the Distribution Amount will be the amount equal to the applicable Distribution Rate calculated as a percentage of the capital value of the Fund as at the date the Fund was settled on the AFF Trust.

Distribution Rate

The Distribution Rate will be calculated, as below, by assessing the expected long-term median return on the Fund, deducting the expected costs of operating and transacting the Fund, and then retaining a portion of that net return to protect the long-term real value of the Fund.

Forecast long term median annual return (Gross Return)	x%
Less: operating and transaction costs	y%
Net Return	x% - y%
Less: retention to preserve capital value	z% ¹
Distribution Rate	Net return - z%

Provided that when setting the relevant Distribution Rate, the Trustee shall have regard to the long-term performance of the Fund against the Guiding Principle. This means that:

- If the Trustee is confident that the Fund will be compliant with the Guiding Principle in the long term, it may set a Distribution Rate which may result in the short-term infringement of the Guiding Principle; and
- Conversely, the Trustee may set a lower Distribution Rate to the extent necessary for long-term compliance with the Guiding Principle.

The Trustee shall base its determination of the Distribution Rate on advice from suitably qualified professional advisors and provide council with an explanation of how each component of the relevant Distribution Rate has been calculated including professional advice relied on. The Trustee's determination shall be final and binding in the absence of manifest error.

The Trustee is permitted to sell and convert capital assets of the Fund into cash to the extent necessary to enable the Trustee to make distribution payments under this policy.

Distributions for Financial Years ending 30 June 2025, 2026, and 2027

The initial Distribution Rate to be used for the regular distribution of earnings to council for the financial years ending 30 June 2025, 30 June 2026 and 30 June 2027 shall be 5.24% p.a. The initial Distribution Rate was calculated by assessing the expected long-term median return on the Fund², deducting the expected costs of operating and transacting the Fund³, and then retaining a portion of that net return to

¹ Midpoint based on RBNZ targeted inflation rate.

² Based on the median annual rate of return expected for an 80/20 growth/income investment fund (Source: Russell Investments)

³ Indicative annual cost of fund management as a percentage of fund balance (Source: PwC)

protect the long-term real value⁴ of the Fund. At the time of establishment, this has been assessed as follows:

Forecast long term median annual return (Gross Return)	7.64%
Less: operating and transaction costs	0.40%
Net Return	7.24%
Less: retention to preserve capital value	2.00% ⁴
Distribution Rate	5.24%

Amendments to this Policy

Any proposed amendments to this policy (other than amendments of a minor or technical nature) will be made through a long-term plan or long-term plan amendment process.

⁴ Based on midpoint of RBNZ's targeted inflation rate (source: Stats NZ).

Appendix 3 – Governing law and policies | Te Ture me ngā Kaupapa Here mō te Hautū

Documents

- [Auckland Future Fund Trust Deed](#)
- [Auckland Future Fund Policy](#)
- [Auckland Future Fund Distribution Policy](#)
- [Auckland Council’s Responsible Investment Policy](#)
- [Auckland Council’s CCO Accountability Policy](#)
- [Significance & Engagement Policy](#)
- [Statement of Intent \(SOI\)](#)
- Auckland Future Fund Trustee Limited Constitution

Legislation

- [Local Government Act 2002](#)
- [Local Government \(Auckland Council\) Act 2009](#)
- [Trusts Act 2019](#)
- [Companies Act 1993](#)

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