



Quarterly Performance Report

Auckland Future Fund/AFFFTL

2024/2025 Quarter 4

For the 3 months ended 30 June 2025



Q4 – At a glance



Executive Summary

- A distribution of \$38.43 million was paid to the council for the period 9 December 2025 to 30 June 2025 (13.9 per cent higher than the \$33.74 million forecast in the long-term plan (LTP)). This higher than budgeted distribution was achieved as a result of carefully managed timing, and tight cost control, of the sale of Auckland Council's Auckland International Airport (AIAL) shares in December 2024.
- The AFF board continued to protect the AFF in the short term while finalising the appointment of the global investment manager, by placing the funds in secure term deposits and interest earning bank accounts.
- By undertaking a comprehensive global investment manager search, the AFF board is focused on the best long-term interests of the AFF, rather than short-term financial market fluctuations, and therefore delivering the maximum long-term benefits for the ratepayers of Auckland.



Highlights

- **Auckland Council (Auckland Future Fund) Bill:** The council and the AFF board provided a joint written submission and presented to the Governance and Administration Select Committee on the Auckland Council (Auckland Future Fund) Bill in April.
- **Additional capital to the fund:** Port of Auckland Limited (POAL) sold its shares in Marsden Maritime Holdings Limited as it was acquired by a consortium. In June, at the council's request, the POAL board resolved to give the proceeds (\$45 million) to the council by way of a special dividend for the council to further capitalise the AFF. AFF expects to receive the funds at the end of September. The 2025/2026 distribution to Auckland Council will be adjusted accordingly.



Issues/Risks

- **Global Investment Manager (GIM) appointment:** The AFF board identified a preferred supplier in June. As contract negotiations were in progress, the funds remained in secure term deposits and interest-earning bank accounts which provide a lower gross return than the 7.64 per cent budgeted in the LTP. However, due to market volatility over the last 7 months, market returns have also been less than 7.64 per cent (i.e. S&P 500 index appreciated approximately 2.5 per cent during the period between AFF receiving funds and 30 June 2025).
- **Market volatility:** Financial markets continue to be volatile. AFF continues to be protected from this volatility as the funds are being held in term-deposits and interest-earning bank accounts. The AFF board will work closely with the GIM to develop a Statement of Investment Policy and Objectives (SIPO) to manage market risks when the funds are invested.

Annual performance target results (Unaudited)

Performance measure	Prior year result	FY25 Year end target*	FY25 Year end results*	FY25 YTD status	Commentary
Gross return	NA	7.64%	4.06%	Not met	The AFF board carried out a rigorous search and procurement process to identify a global investment manager (GIM) and chose a preferred supplier in June 2025. This critical foundational appointment in the establishment, and subsequent long-term performance of AFF required extended due diligence and involvement of the board, its advisors and council staff.
Net return	NA	7.24%	4.00%	Not met	In the meantime, global financial markets have been highly volatile over the seven months that the fund has been capitalised (for example, the S&P 500 index appreciated approximately 2.5 per cent during that period). Conversely, the funds have been held in secure term deposits and interest earning bank accounts to ensure they continue providing a solid return. Accordingly, while the return rate for these placements is below the 7.64 per cent long-term average return expected, the board's prudent and disciplined approach has preserved capital and outperformed most markets on a relative basis. The board is keenly focused on making the right long-term decisions for the fund, rather than being focused on short-term financial market fluctuations. The reduced returns were offset by the significant benefits realised through the carefully managed timing, and tight cost control, of the sale of the AIAL shares in December 2024 as well as by the reduced management costs while no GIM has been appointed.
Distribution to council	NA	5.24%	5.24%	Met	As per the Auckland Future Fund Distribution Policy, the distribution is 5.24% of the value of AFF at capitalisation, pro-rated for the period that AFF has been capitalised for (203 days). The distribution was paid on 30 June 2025.
Real growth of the fund	NA	2%	-1.24%	Not met	The AFF distribution policy does not adjust for AFF value fluctuations in the first 3 years of the fund. Therefore, consistent with the context provided above, while the value of the fund at financial year end is above budget, the distribution for 2024/2025 was greater than the net return.

*For the first year of Auckland Future Fund, the annual target calculations are prorated for the portion of the year that the fund is capitalised (203 days).

Financial performance overview (unaudited)

\$million	FY25 results (unaudited)	FY25 Budget	Variance	Notes
Opening value	1,318.91	1,287.95	30.96	Higher than budget due to the higher share price and lower transaction costs from the Auckland International Airport Limited (AIAL) share sale compared to budget.
Gross return	29.78	49.20	(19.42)	Refer to the annual performance target results for comments.
Operating and transaction costs	(0.44)	(2.58)	(2.14)	There have been no fees incurred for the global investment manager. However, there are other expenses for the fund, predominately adviser and legal fees, insurance, administration service fee to the council, and director fees.
Net return	29.34	46.62	(17.24)	Refer to the annual performance target results for comments.
Distribution to council	(38.43)	(33.74)	4.69	Refer to the annual performance target results for comments. This distribution is significantly higher than the dividend issued by AIAL for shareholders in the same period which would have otherwise resulted in a dividend payment to the council of approximately \$10.2 million.
Real growth of the fund	(9.09)	12.88	(21.97)	Refer to the annual performance target results for comments.
Closing value	1,309.82	1,300.83	8.99	Despite the lower net return and higher-than-budget distribution, the value of AFF at financial year end was above budget due to the higher-than budgeted proceeds from the AIAL share sale. If the council had retained its shareholding in AIAL, the value of the shares at 30 June 2025 would have been \$1.264 billion (\$45.59 million less).