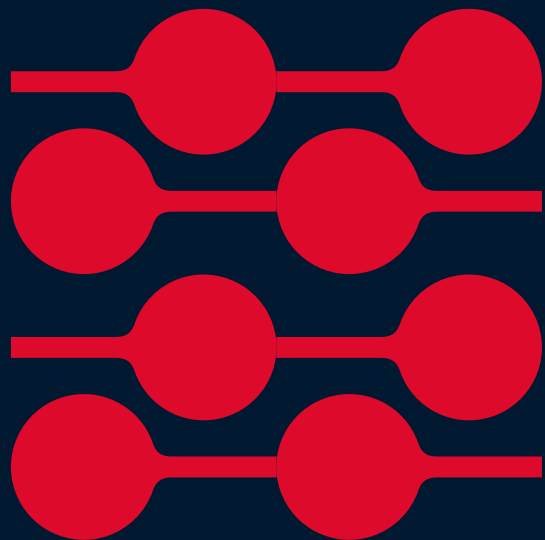




Quarterly Performance Report

Auckland Future Fund

2024/2025 Quarter 3

For the 4 months ended 31 March 2025



Q3 – At a glance



Executive Summary

This report provides an update for the prior four months 1 December 2024 to 31 March 2025 as this is Auckland Future Fund's first CCO quarterly report.

- The Auckland Future Fund sold Auckland Council's remaining shares in Auckland International Airport Limited (AIAL) on 4 December 2024.
- The shares were sold for \$8.08 per share (over \$1.31 billion), exceeding the LTP 2024-2034 projection of \$7.89 per share after transaction costs
- While the board works to appoint a global investment manager (GIM), the proceeds from the share sale have been placed in secure term deposits and interest-earning bank accounts to ensure they continue earning a return so that the AFF can provide its annual distribution to the council.
- The Auckland Council (Auckland Future Fund) Bill has passed its first reading in Parliament in January 2025. The Mayor, Lead Councillor and AFFTL Chair are preparing a joint submission to the Governance and Administration Select Committee.



Highlights

- **Liquidity Facility Agreement:** The council and AFF agreed on the terms of a liquidity facility in February (as required by the LTP). Under the liquidity agreement, in a case of extreme financial emergency where no other financing options are available, the council could call on the liquidity support to temporarily borrow money from AFF. The liquidity support agreement replaces some of the council's current bank standby facilities, saving approximately \$1 million per annum in costs. The agreement will be reviewed annually by AFF and the council.
- **Auckland International Airport Ltd share sale:** AFF was capitalised on 4 December 2024 with the sale of AIAL shares. See further details on page 3.
- **Auckland Council (Auckland Future Fund) Bill:** The bill is progressing through Parliament. See further details on page 4.



Issues/Risks

- **Global Investment Manager (GIM) appointment delay:** The appointment is a critical decision for the long-term performance of AFF and, therefore, the board are carrying out a thorough procurement process. While there is no GIM appointed, the proceeds from the share sale are in secure term deposits and interest-earning bank accounts which provide a lower gross return than the 7.64% budgeted in the LTP. This won't affect the distribution to the council because that is set by the initial value of AFF.
- **Market Volatility:** AFF has not been impacted by the recent financial market volatility as the funds are held in term-deposits. However, market conditions will need to be closely monitored when the funds are invested. AFFTL will be working closely with the GIM to mitigate market risks.

Annual performance target tracking

Performance measure	Prior year result	FY25 Year end target*	FY25 YTD projected status	Commentary
Gross return	NA	7.64%	At risk	The AFF board will appoint an experienced independent global investment manager (GIM) before investing the funds. The GIM is a critical role to the future success of AFF. As such, the board are carrying out a thorough procurement process which is ongoing. In the meantime, the funds are in secure term deposits and interest earning bank accounts to ensure they continue earning a return. The return rate for these placements is below the 7.64% long-term average return expected once the funds are invested. The reduced returns will be partly offset by the reduced management costs while no GIM is appointed.
Net return	NA	7.24%	At risk	
Distribution to council	NA	5.24%	On track	The annual distribution for 2024/2025 is expected to be approximately \$38 million. As per the Auckland Future Fund Distribution Policy, the amount is 5.24% of the value of the fund at capitalisation, pro rata for the period that AFF has been capitalised for. The distribution will be paid on 30 June 2025.
Real growth of the fund	NA	2%	At risk	The AFF distribution policy does not adjust for AFF value fluctuations in the first 3 years of the fund. Therefore, due to the reduced net return, the distribution for 2024/2025 will be greater than the net return. Despite this, the value of the fund at financial year end is still expected to be above budget due to the higher-than budgeted proceeds from the AIAL share sale.

*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

\$million	YTD FY25 Q3	FY25 Forecast	FY25 Budget	Forecast Variance	Notes
Opening value	1,318.91	1,318.91	1,287.95	30.96	
Gross return	17.94	30.88	49.20	(18.32)	Refer to the annual performance target tracking for comments
Management costs	(0.24)	(0.40)	(2.58)	(2.18)	For YTD there are no fees for the global investment manager. However, there are other expenses for the fund, predominately director fees and insurance.
Net return	17.70	30.48	46.62	(16.14)	
Distribution to council	NA	(38.43)	(33.74)	4.69	There is no distribution as at 31 March 2025 as distributions are paid annually on 30 June.
Real growth of the fund	17.70	(7.95)	12.88	(20.82)	Refer to the annual performance target tracking for comments
Closing value	1,336.85	1,310.96	1,300.83	10.13	The closing value for Q3 is higher than the forecast closing balance at financial year end as the distribution is not paid until 30 June 2025.

Highlights – further detail

Auckland International Airport Ltd share sale

- The AFFTL board sold Auckland Council's remaining shares in Auckland International Airport Limited on 4 December 2024.
- The shares were sold for \$8.08 per share (over \$1.31 billion), exceeding the Long-term Plan 2024-2034 projection of \$7.97 per share (\$7.89 per share after transaction costs).
- The board required all bids on the shares to be inclusive of any transaction costs. The board was independently advised by PwC on the sale, with Simpson Grierson providing independent legal services.
- The sale prompted over 50 media stories in the first two days across mainstream and business media. The coverage was generally very favourable for the council and AFF.

	LTP	Actual	Variance
Sale proceeds	\$1.301 billion	\$1.319 billion	\$18 million
Transaction and advisory costs	\$13 million	\$0 transaction costs \$350,000 in legal and advisory fees	\$12.65 million
Net proceeds	\$1.288 billion	\$1.319 billion	\$30.65 million

Progress on legislative protection – Auckland Future Fund Bill

- As part of the Long-term Plan 2024-2034, Governing Body agreed to promote an Auckland Council (Auckland Future Fund) Bill to provide additional protection of the Auckland Future Fund to ensure it is a long-term financial investment for the benefit of the current and future communities of the Auckland Region.
- Throughout 2024, council staff worked closely with the Parliamentary Counsel Office and others to finalise the drafting of the Auckland Council (Auckland Future Fund) Bill.
- In December 2024, the council publicly notified its intent to promote the draft bill, as required under Parliamentary Standing Orders. The notification was displayed at the central library, in the NZ Herald, on the council website and on AFF’s website.
- On 28 January 2025, Dr Carlos Cheung MP introduced the Bill to the House. This bill passed its first reading in the House and was referred to the Governance and Administration Select Committee.
- The council and AFF will submit a joint written submission to the committee on the bill in April 2025 and present to the committee on 9 April 2025.
- The overall timeline for the completion of the bill is dependent on Parliamentary process.