

# Quarterly Performance Report

# Auckland Future Fund / AFFTL

2025/2026 Quarter 2

For the 3 months ended 31 December 2025



## Q2 – At a glance

### Executive Summary

AFFTL/AFF’s focus for quarter two was to complete the final milestones in the Auckland Future Fund set up and commence global investment.

- *Adminis NZ Limited* was appointed as fund administrator/custodian on 11 September 2025.
- The statement of policy, investment and objectives (SIPO) was adopted.
- Global Investment Manager *Vontobel Asset Management AG* implemented the investment strategy to fully invest the funds globally.
- The Auckland Council (Auckland Future Fund) Act 2025 received royal assent on 18 November 2025.

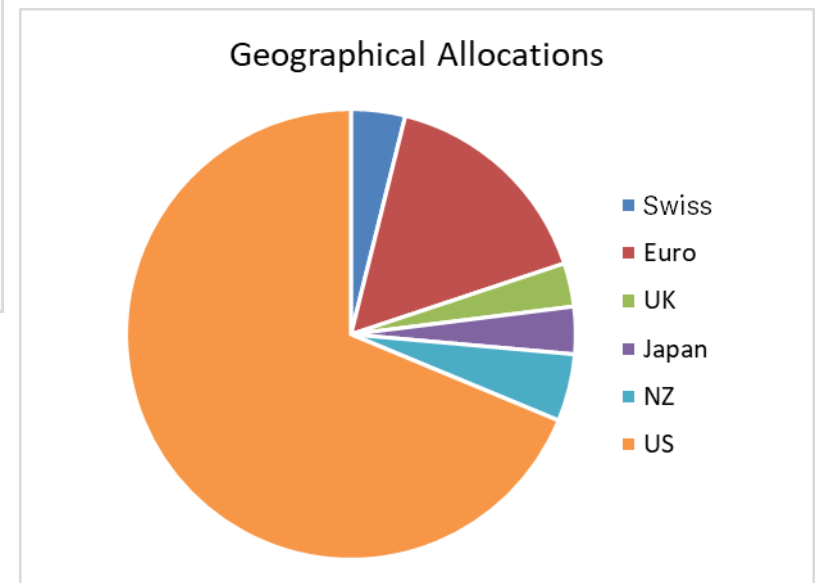
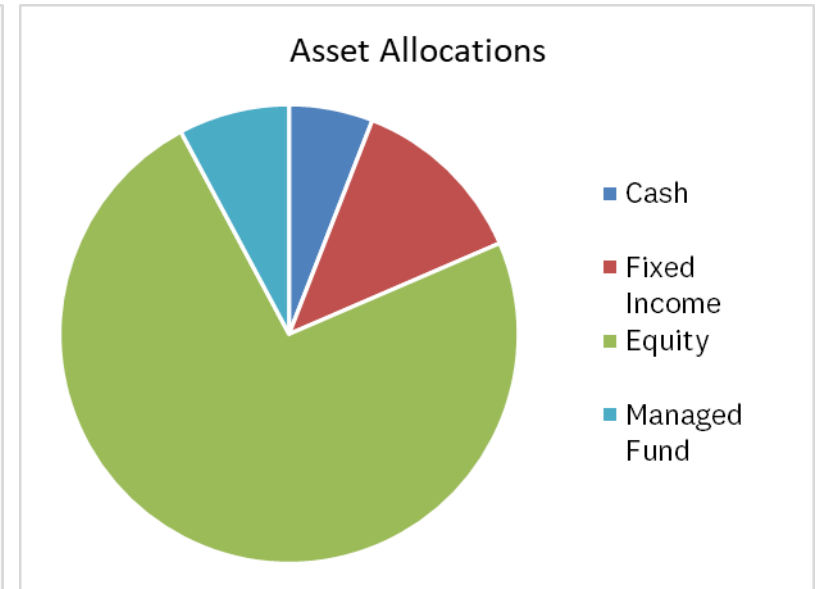
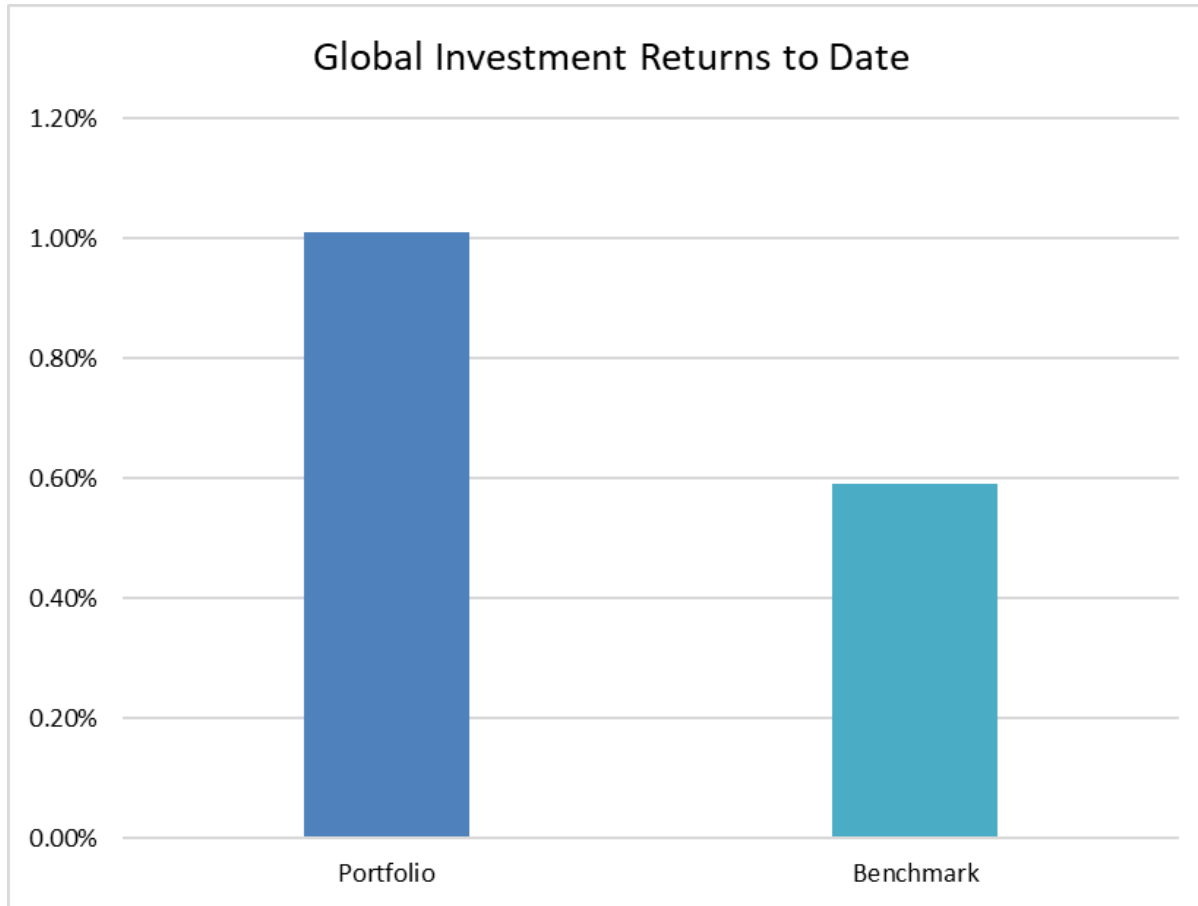
### Highlights

- **Fund administrator/custodian appointment:** A custodian securely holds the fund’s assets and ensures smooth trade settlement and compliance; critical for managing global investments effectively. Following a comprehensive search process, the board appointed a New Zealand-based fund administrator/custodian Adminis NZ Limited to support the fund’s investment operations.
- **Statement of Policy, Investment and Objectives (SIPO):** The AFFTL board adopted the first SIPO on 17 October 2025. The SIPO sets out the investment governance and management framework, philosophy, strategies and objectives of an investment fund and its investments or portfolios. This includes the asset classes and allocations of the fund’s investments.
- **Global investment:** The funds were invested globally over a 4-week period (completed by 8 December 2025). Investments are made in line with the SIPO, including following the council’s Responsible Investment Policy. Performance to date can be found on pages 2 and 5.
- **Auckland Council (Auckland Future Fund) Bill:** The bill passed the final reading during the quarter. It then received Royal Assent on 18 November 2025, becoming the Auckland Council (Auckland Future Fund) Act 2025. The Act is a layer of protection to ensure the fund continues as a long-term financial investment for the benefit of the current and future communities of the Auckland region.
- **Achieving Māori Outcomes Plan:** The AFFTL board adopted the inaugural Auckland Future Fund Achieving Māori Outcomes Plan on 11 December 2025. AFFTL’s progress on the plan’s milestone will be reported in future quarterly reports.

### Risks

- **Market volatility:** Ongoing risks around global market fluctuations continues to be managed by the AFFTL board in association with the global investment manager. The SIPO provides sufficient flexibility to respond and adapt as appropriate.

## Key Performance



- All funds were invested globally by 8 December 2025. Prior to this, the funds were invested in term deposits and interest-earning bank accounts.
- The AFFTL Board and Vontobel agreed a benchmark portfolio as part of the AFF SIPO (Appendix 1).
- Investment benchmarking helps to evaluate whether investments are performing better or worse than the market.

## Annual performance target tracking

Performance measure	Prior year result	FY26 Year end target	FY26 projected status	Commentary
Gross return	4.06%	7.64%	At risk	For the first 4.5 months of the financial year, the funds were invested in term deposits and interest earning bank accounts while the AFFTL board finalised the due diligence and onboarding processes for Vontobel and Adminis. The return rate for these placements was below the long-term average return expected for funds invested in global markets.
Net return	4.00%	7.24%	At risk	Now that the funds are invested globally, the AFFTL board expect the returns will be higher for the second six months of the financial year than the first six months. However, there is a significant level of uncertainty as global market volatility remains elevated. The board continues to work with Vontobel to manage the risks where possible including investment decisions and foreign exchange hedging to manage currency fluctuations.
Distribution to council	5.24%	5.24%	On track	As per the Auckland Future Fund Distribution Policy, the distribution will be 5.24% of the value of the fund at capitalisation. The distribution will be paid on 30 June 2026.
Real growth of the fund	-1.24%	2%	At risk	The AFF distribution policy does not adjust for fund value fluctuations in the first 3 years of the fund. Therefore, due to the reduced net return, the distribution for 2025/2026 might be greater than the net return.

## Strategic alignment and key policies

Key policy/document	Description	Compliance
Responsible Investment Policy	Auckland Council's principles and guidelines for investment managers	✓
Trust Deed	Trust Deed of the Auckland Future Fund	✓
Statement of Investment Policies and Objectives	Policy of AFF's investment philosophy, objectives, strategies and governance framework	✓
Achieving Māori Outcomes Plan (Adoption)	A plan for AFF to give effect to the council's Māori Outcomes Framework <i>Tāmaki Ora 2025-2027</i> . Reporting against the plan will commence in Q3.	✓
Auckland Future Fund Policy	Outlines how the fund is set up and protected.	✓
Auckland Future Fund Distribution Policy	States under what circumstances distributions may be made from the fund, limits on those distributions and the frequency distributions can be made.	✓
CCO Accountability Policy	Sets out the council's expectations for substantive CCOs, including accountability.	✓

## Financials

\$million	FY 2024/2025	2025/2026 YTD			FY 2025/2026	Notes
	Actual	Actual	Budget	Variance	Budget	
Opening total asset value	-	1,309.8	1,309.8	-	1,310.6	
New capital received from the council	1,318.9	45.0	-	45.00	-	On 19 September 2025, the council contributed \$45 million in new capital to the fund.
Gross return	29.7	26.1	50.0	(23.9)	100.1	Refer to the annual performance target results for comments.
Operating and transaction costs	(0.4)	(2.5)	(2.8)	0.3	(5.6)	The costs for the fund are below budget to 31 December 2025, partly due to only minimal operational fees being incurred while the funds were invested in term deposits (i.e. insurance, administration service fee to the council, audit fees and director fees). This is partially offset by one-off fees during November and December as the funds were initially invested globally.
Net return	29.3	23.6	47.2	(23.6)	94.5	Refer to the annual performance target results for comments.
Distribution to the council	(38.4)	NA	NA	NA	(69.1)	The annual distribution will be paid on 30 June 2026. The distribution is expected to be \$70.9 million. This is \$1.8 million higher than budget as a result of the additional \$45 million capital the council added to the fund on 19 September 2025.
Real growth of the fund	(9.1)	23.6	47.2	(23.6)	25.4	Refer to the annual performance target results for comments.
Closing total asset value	1,309.8	1,378.4	1,357.0	21.4	1,336.0	Despite the lower net return, the total value of AFF at 31 December 2025 was above budget due to the additional \$45 million capital from the council and lower transaction costs. This is partially offset by the lower net return.