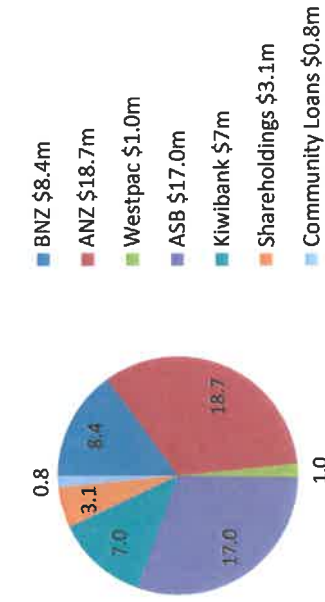


Taupo District Council Monthly Treasury Management Report



Month Ended: 30 June 2017

Summary



Investments Portfolio - \$56m Cash/Investments

- Investment Interest Rate / Maturity Risk Position ✓
- Performance - Actual Returns v Budget Return \$'000 ✓
- Performance - Actual Yield v Benchmark Yield % ✓

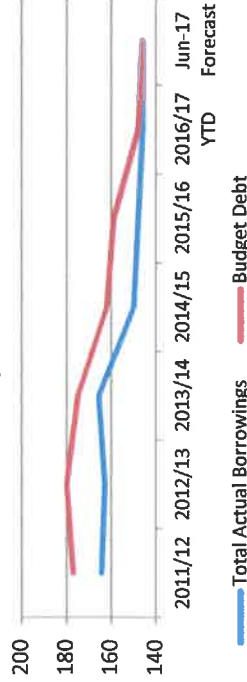
OCR 1.75

Investments are tracking well this year compared with target benchmarks and returns.

Borrowings - \$146m

- Borrowing Limits ✓
- Funding & liquidity Risk Position ✓
- Interest Rate Performance - Actual v Budget \$'000 ✗
- Interest Rate Risk ✗

Total Debt \$146m



A repayment of \$2m was made in June bringing our borrowings down to \$146m.

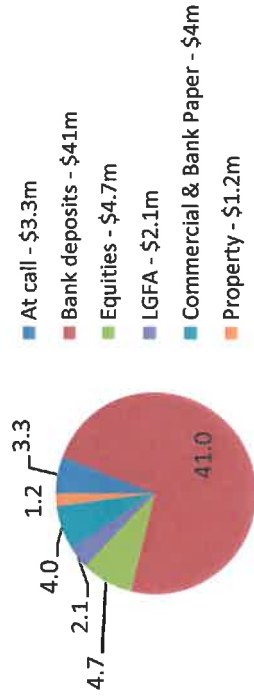
Counterparty Credit Exposure

Within Policy Limits ✗

TEL Fund

- Strategic Asset Allocation ✓
- Performance - Actual Total Return v Budget Total Return \$'000 ✓
- Performance - Actual Total Return v Budget Total Return % ✓

\$m Allocation Total TEL Investment \$56m



Exceptions to Policy
- Interest rate risk mgmt

Taupo District Council Monthly Treasury Management Report

Month Ended: 30 June 2017

Investments

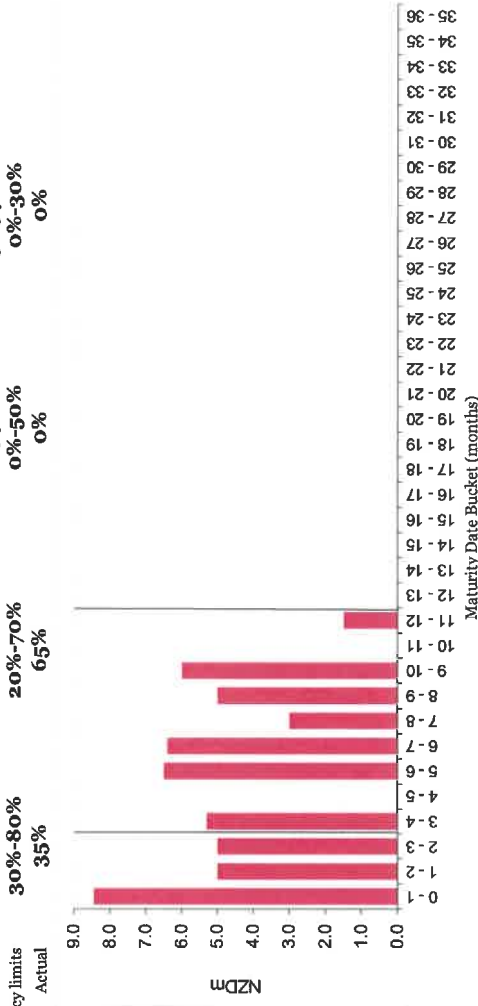
30-Jun-17

Investments \$52.2m

Does not include prefunding / TEL Fund

Investment Interest Rate / Maturity Risk Position

Policy limits	Actual
0 - 3 months	30%-80%
3 - 12 months	20%-70%
1 - 3 years	0%-50%
3 - 5 years	0%-30%
	0%

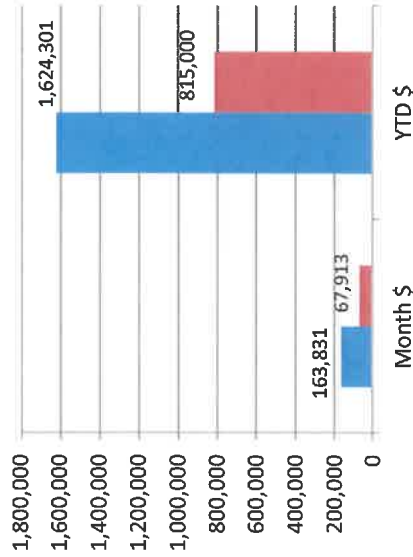


Performance - Policy Compliance

We are performing well against target returns this year, exceeding that planned.

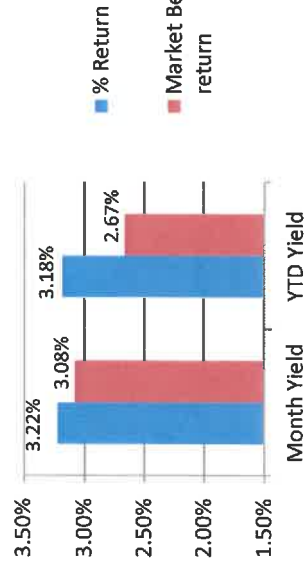
Performance against market benchmarks are also favourable for the month and year to date.

Investment Portfolio - Actual Return vs Budget \$'000 (cash return)



■ \$ Return ■ Budget return - per 16/17 annual plan

Investment Portfolio - Actual Return vs Market Benchmark Return (cash return)



Financial Investment Performance Measure:

Internally managed general funds/special reserves actual investment returns must be benchmarked to a market interest rate. The benchmark is constructed as follows:

- 50% 6-month BKBM mid-rate (average of reporting month)
- 50% 6-month BKBM mid-rate, 6 months ago (average of month) = 100%

Taupo District Council Monthly Treasury Management Report

Month Ended: 30 June 2017

Borrowing

Current Standard & Poors Rating: AA



Funding Facility

We have \$21m issued under our Commercial Paper programme backed up by facilities with BNZ (\$40m) and Westpac (\$10m). We have issued \$175m of Floating Rate Notes under our Debenture Trust Deed, \$125m of which is from LGFA.

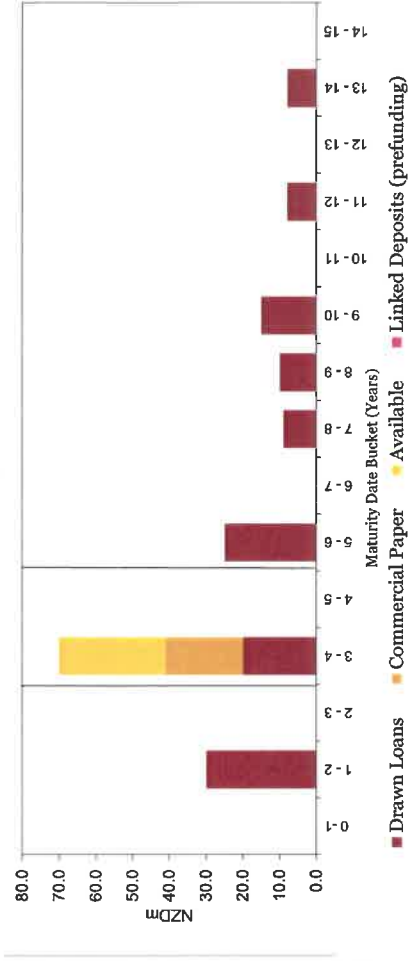
In June we have transacted a forward start swap, under advice from our treasury advisors, in order to move towards the profile required to meet our policy interest rate risk position

30-Jun-17 Funding & Liquidity Risk Position

Committed Loan/Stock/Facilities/Investment (excl prefunding) \$227.2m
 Current External Debt \$146m
 Current Net Debt (incl prefunding and GF investment) \$93.9m

Policy Liquidity Ratio >=110%
 Actual Liquidity Ratio* 156%
 *Excludes TEL fund

0 - 3 years 17%
 3 - 5 years 40%
 5 years plus 43%

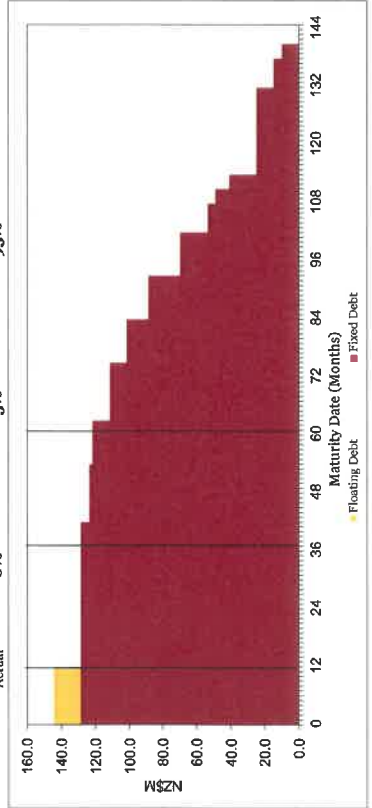


Borrowing Limits

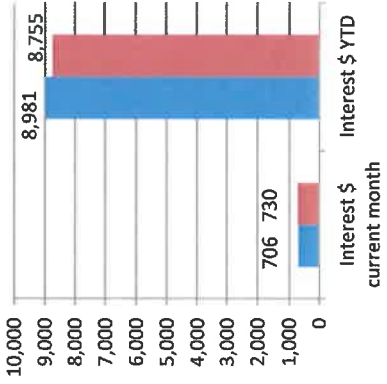
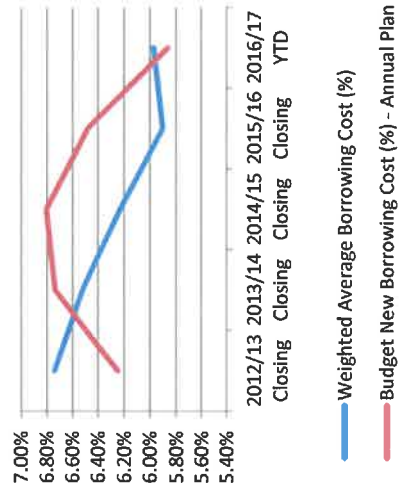
Borrowing Limits	Policy Limits	2016/17
Net External Debt / Total Revenue (TMP)	< 200%	122%
Net Interest on External Debt / Total Revenue (TMP)	< 20%	7.1%
Net Interest on External Debt / Annual Rates Income (TMP)	< 25%	8.8%
Liquidity (External, term debt + committed bank facilities + liquid investments to existing internal debt)	> 110%	156%

30-Jun-17 Actual Floating 11%
 Interest Rate Risk Position based on 12 Month Gross Debt Forecast \$144m
 Overall Fixed Policy Min 50%
 Policy Max 95%
 Actual 89%

1 - 3 years 0%
 3 - 5 years 5%
 5 years plus 9.5%



Interest Rate Performance



Taupo District Council Monthly Treasury Management Report



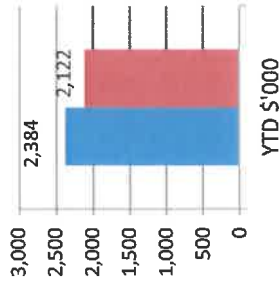
Month Ended: 30 June 2017

TEL Portfolio

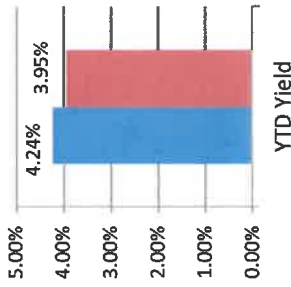
TEL Investment Portfolio - Performance - Total Return ✔

Annual performance of the TEL portfolio has tracked better than budget. From a cash return perspective we have exceeded budget due to some healthy capital gains on the sale of equities that we have received throughout the year. From a total return perspective returns are also very favourable. We continue to include both cash return data and total return data, although Policy only requires total return data to be reported. In 2016/2017 we have subsidised rates \$887,120 and provided an additional \$500,000 to assist with building and staff relocation costs.

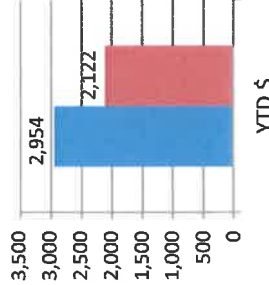
TEL Investment Portfolio - Actual vs Budget \$'000 (cash return basis)



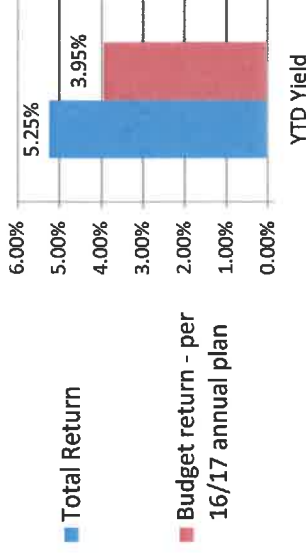
TEL Investment Portfolio - Actual vs Budget Yield (cash return basis)



TEL Investment Portfolio - Actual vs Budget \$'000 (total return basis)



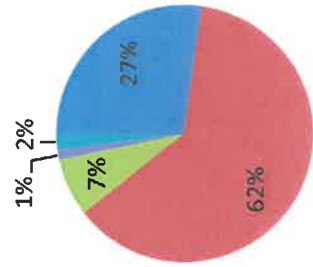
TEL Investment Portfolio - Actual vs Budget Yield (total return basis)



TEL Investment Portfolio - Strategic Asset Allocation - Policy Compliance ✔

TEL strategic asset allocation is within the target allocation. We still have a lot of cash within lower yielding term investments but continue to look for opportunities to maximise our returns within lower risk equities and bonds.

% Allocation



Equities:

In June we purchased shares in two Australian companies:
 - Brambles 50,000 @ AUD \$9.90
 - Scentre Group 50,000 @ AUD \$4.10.

Taupo District Council Monthly Treasury Management Report

Month Ended: 30 June 2017



Counterparty Credit Exposure - Policy Compliance ✘

This month we have transacted an additional forward start swap with BNZ which has pushed us slightly more over the \$20m counterparty credit exposure risk per bank.

We anticipate to be back in policy within the next few months.

Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments and investments, excl. property)

Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)
 Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)
 Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)

\$20,000,000
 \$35,000,000
 \$55,000,000

	Min LT/ST credit rating	Max \$ per counterparty (\$m)	\$m per issuer
NZ Govt	NA	Unlimited	0.00
NZ registered bank	A+/A-1	35.00	100.54
NZ LGFA	AA-/A-1	40.00	2.00
Corporate	A-/A-1	5.00	0.00
SOE	BBB/A-2	5.00	0.00
NZ local authority	A+/A-1	10.00	0.00
NZ local authority unrated		5.00	0.00

Policy	Max % of total investment portfolio	Actual issuer % of total investment portfolio
	100%	0%
	100%	98%
	50%	2%
	50%	0%
	50%	0%
	25%	0%
	25%	0%

Property Investment Performance *

* Note that property investment is reported separately from this report

Exceptions to Policy

Investment maturity risk position :
 Council adopted a new treasury management policy in June 2015. This included a significant policy change to interest rate risk management parameters, moving to sub-limits over time bands. It will take 3-4 years for Council to transition its existing interest rate hedging instruments to align with the new policy.

Underwriting

Sounds Air - no underwriting has been required to date.

	Short Term Rating	Long Term Rating	Credit Exposure -Total Investments (\$m)	Credit Exposure (Swaps) (\$m)	Credit Exposure (Carbon Credits) (\$m)
Westpac	A-1+	AA-	4.00	0.00	0.00
ANZ	A-1+	AA-	29.70	15.42	0.00
ASB	A-1+	AA-	17.00	0.00	0.00
BNZ	A-1+	AA-	26.84	22.17	0.00
Kiwibank	A-1	A+	23.00	0.00	0.00
CBA	A-1+	AA-	0.00	0.00	0.00
UDC	A-1+	AA-	0.00	0.00	0.00
LGFA	A-1+	AA+	2.00	0.00	0.00
Mercury Energy	A-2	BBB+	0.00	0.00	0.00
Genesis		BBB+	0.00	0.00	0.00