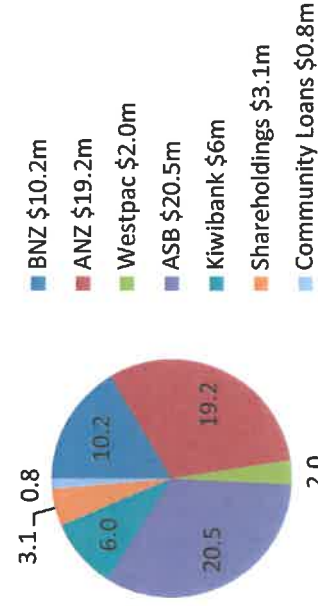


Taupo District Council Monthly Treasury Management Report



Month Ended: 30 September 2017

Summary



Investments Portfolio - \$62m Cash/Investments

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

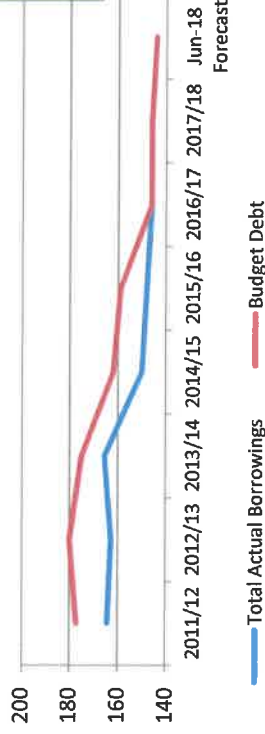
OCR 1.75

Investments have performed well in September 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



Borrowings are currently at \$146m and are expected to reduce by \$2m by financial year end.

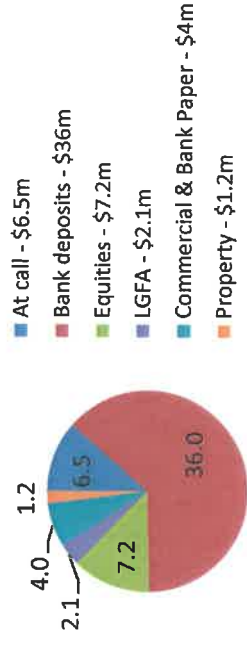
Counterparty Credit Exposure

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 \$57m



Exceptions to Policy

- Interest rate risk mgmt

Taupo District Council Monthly Treasury Management Report

Month Ended: 30 September 2017



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.

Investments

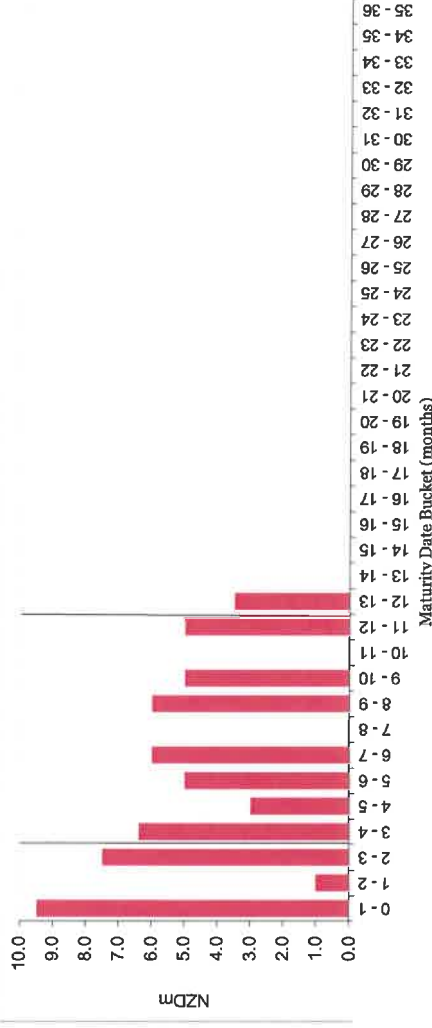
30-Sep-17

Investments \$57.9m

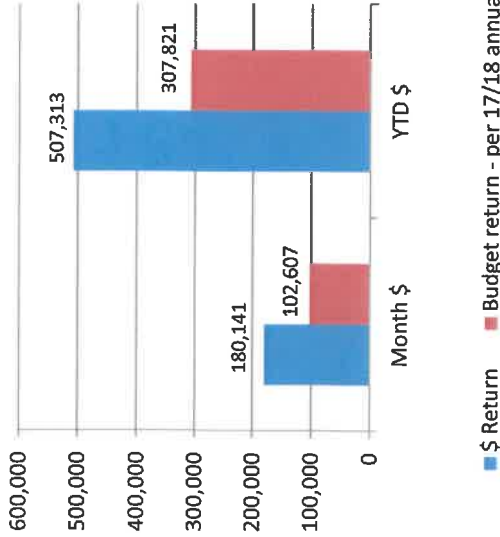
Does not include prefunding / TEL Fund

Investment Interest Rate / Maturity Risk Position

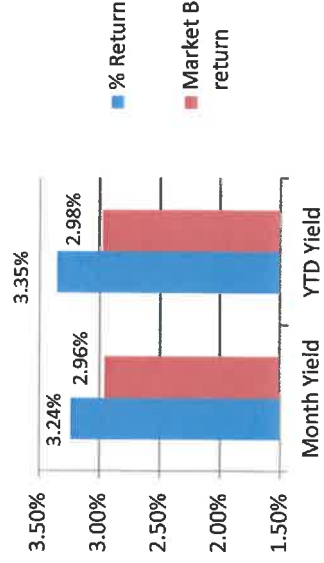
Policy limits	Actual
0 - 3 months	30%-80%
3 - 12 months	20%-70%
1 - 3 years	0%-50%
3 - 5 years	0%-30%



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



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 September 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.

Borrowing Limits

Borrowing Limits	Policy Limits	2017/18
Net External Debt / Total Revenue (TMP)	< 200%	107%
Net Interest on External Debt / Total Revenue (TMP)	< 20%	8.0%
Net Interest on External Debt / Annual Rates Income (TMP)	< 25%	10.5%
Liquidity (External, term debt + committed bank facilities + liquid investments to existing internal debt)	> 110%	160%

30-Sep-17
Actual Floating
12%

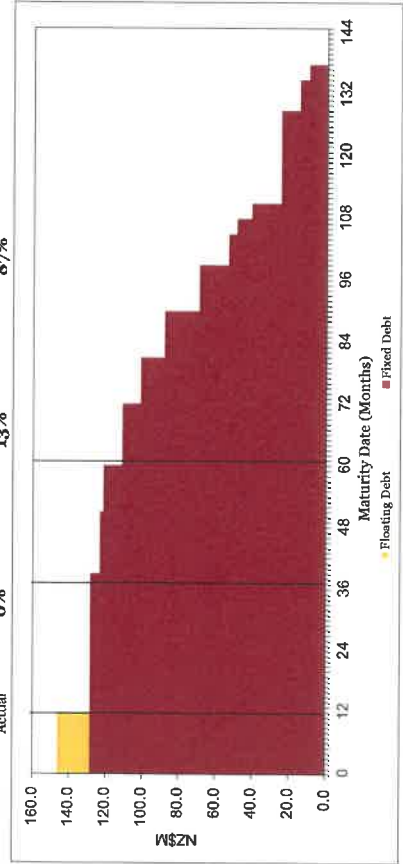
Interest Rate Risk Position
based on 12 Month Gross Debt Forecast \$146m

Overall Fixed
Policy Min 50%
Policy Max 95%
Actual 88%

1 - 3 years
15%-60%
0%

3 - 5 years
15%-60%
13%

5 years plus
15%-60%
87%



30-Sep-17

Funding & Liquidity Risk Position

Committed Loan/Stock/Facilities/Investment (excl prefunding)\$232.9m

Current External Debt \$146m

Current Net Debt (incl prefunding and GF investment) \$88.1m

Policy limits

0 - 3 years 15%-60%

3 - 5 years 15%-60%

5 years plus 10%-50%

Actual 17%

Policy Liquidity Ratio >=110%

Actual Liquidity Ratio* 160%

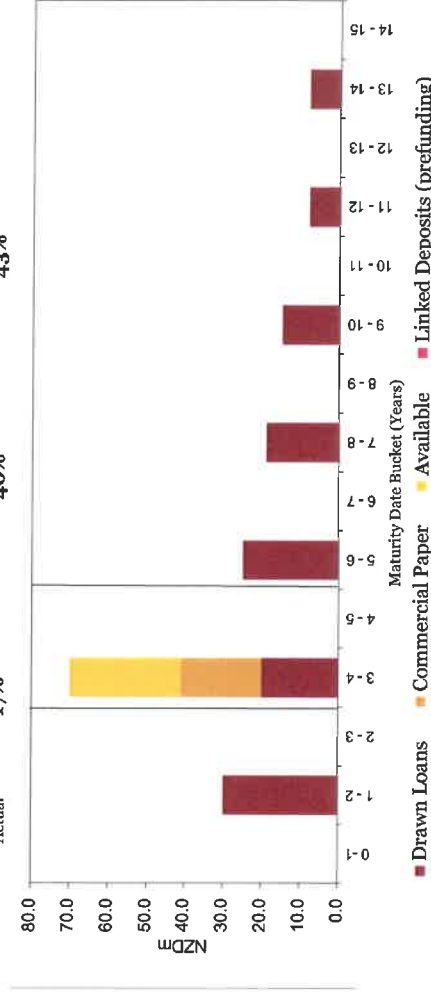
*Excludes TEL fund

5 years plus

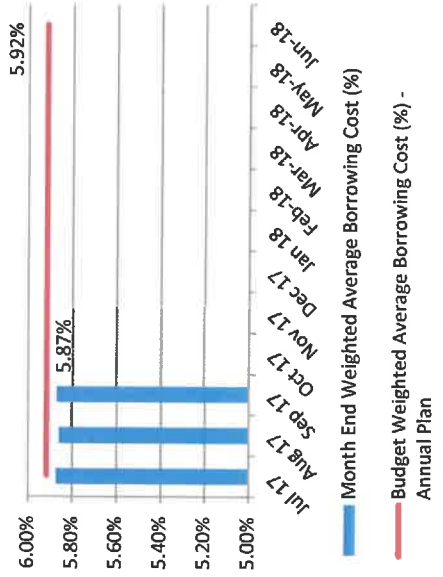
10%-50%

43%

Linked Deposits (prefunding)



Interest Rate Performance





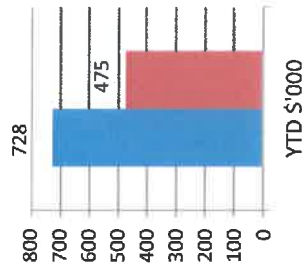
Month Ended: 30 September 2017

TEL Portfolio

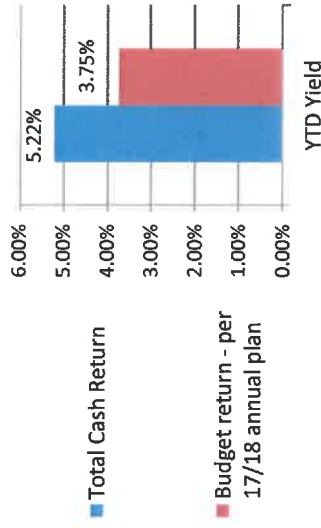
TEL Investment Portfolio - Performance - Total Return ✔

Realised capital gains on the sale of Sydney Airport shares in September has contributed to a positive result for the month and year to date. We continue to actively manage the investment portfolio to maximise the returns on investment.

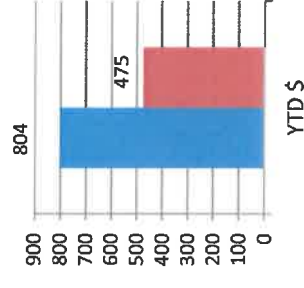
TEL Investment Portfolio - Actual vs Budget \$'000 (cash return basis)



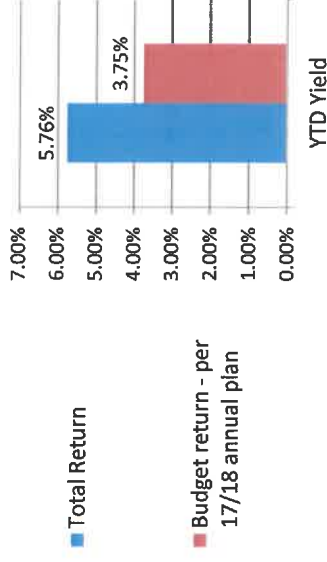
TEL Investment Portfolio - Actual vs Budget Yield (cash return basis)



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



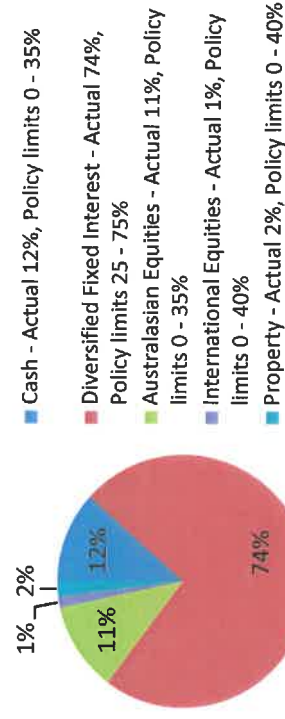
TEL Investment Portfolio - Actual vs Budget Yield (total return basis)



TEL Investment Portfolio - Strategic Asset Allocation - Policy Compliance ✔

TEL strategic asset allocation is within the target allocation. Much of our investment is within lower yielding term investments but we continue to look for opportunities to maximise our returns within lower risk equities and bonds.

% Allocation



Equities:

In September we purchased:
 - 100,000 Port of Tauranga shares
 - 33,141 Freightways shares
 - 25,000 AGL Energy shares

We sold 150,000 Sydney Airport shares realising a capital gain of \$226k.

We received a dividend from LGFA of \$5,560 and from Scentre Group \$4,919 AUD.

Month Ended: 30 September 2017

Counterparty Credit Exposure - Policy Compliance ✘

We are currently over the \$20m counterparty credit exposure risk per bank after additional swap transactions with BNZ in May and June. We anticipate being 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	Policy Max % of total investment portfolio	Actual Issuer % of total investment portfolio
NZ Govt	NA	Unlimited	0.00	100%	0%
NZ registered bank	A+/A-1	35.00	94.29	100%	98%
NZ LGFA	AA-/A-1	40.00	2.00	50%	2%
Corporate	A-/A-1	5.00	0.00	50%	0%
SOE	BBB/A-2	5.00	0.00	50%	0%
NZ local authority	A+/A-1	10.00	0.00	25%	0%
NZ local authority unrated		5.00	0.00	25%	0%

	Short Term Rating	Long Term Rating	Credit Exposure - Total Investments (\$m)	Credit Exposure (Swaps) (\$m)	Credit Exposure (Carbon Credits) (\$m)
Westpac	A-1+	AA-	5.00	0.00	0.00
ANZ	A-1+	AA-	25.20	14.92	0.00
ASB	A-1+	AA-	20.50	0.00	0.00
BNZ	A-1+	AA-	31.59	21.51	0.00
Kiwibank	A-1	A+	12.00	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

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.