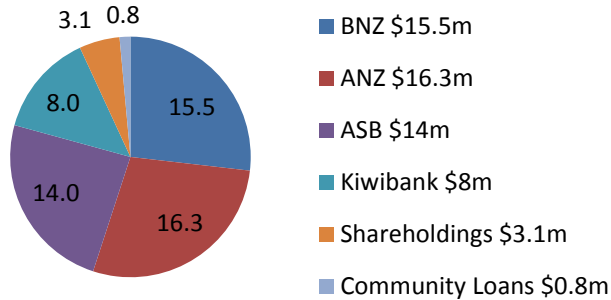


Taupo District Council

Monthly Treasury Management Report

Month Ended: 31 January 2018

Summary



Investments Portfolio - \$58m Cash/Investments

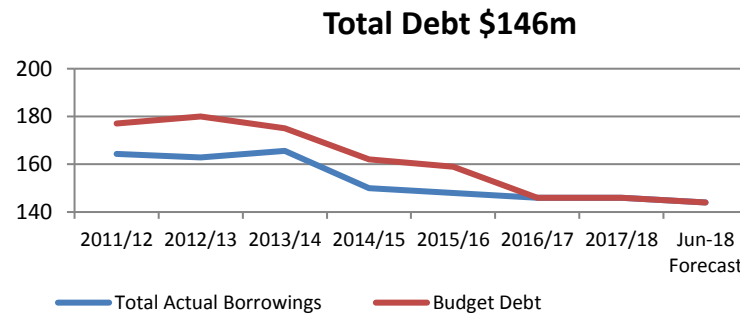
- Investment Interest Rate / Maturity Risk Position ✓
- Performance - Actual Returns v Budget Return \$'000 ✓
- Performance - Actual Yield v Benchmark Yield % ✓

OCR 1.75

Investments continue to perform well compared with target benchmarks and returns.

Borrowings - \$146m

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



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

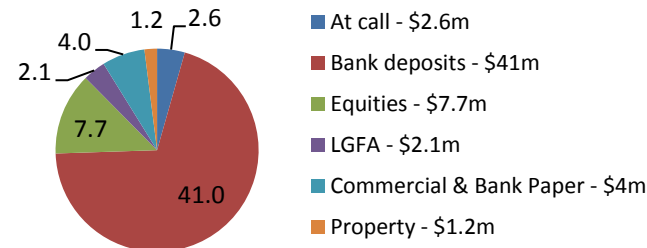
Counterparty Credit Exposure

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 \$58m



Exceptions to Policy

- Interest rate risk mgmt

Taupo District Council

Monthly Treasury Management Report

Month Ended: 31 January 2018

Investments

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.

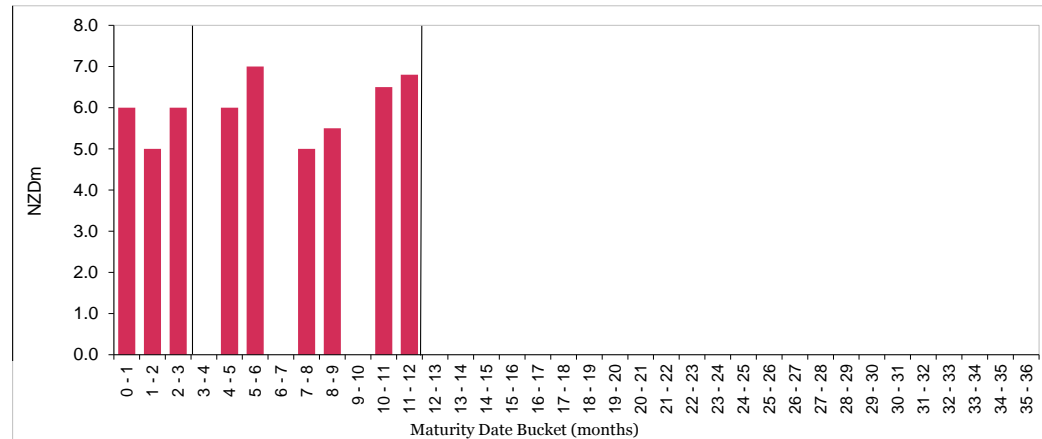
31-Jan-18

Investment Interest Rate / Maturity Risk Position ✔

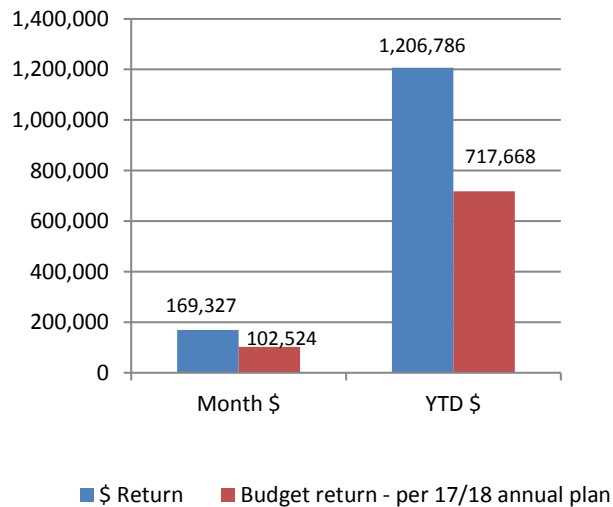
Investments \$53.8m

Does not include prefunding / TEL Fund

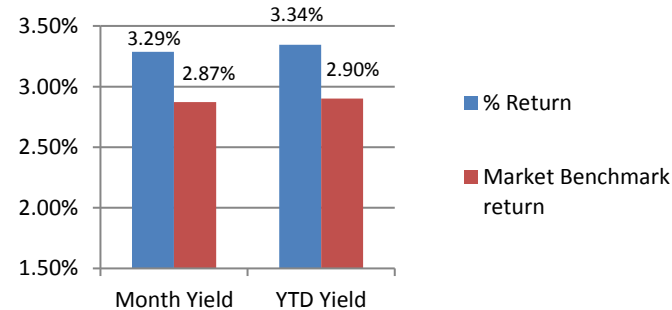
Policy limits	0 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years
	30%-80%	20%-70%	0%-50%	0%-30%
Actual	32%	68%	0%	0%



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: 31 January 2018

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

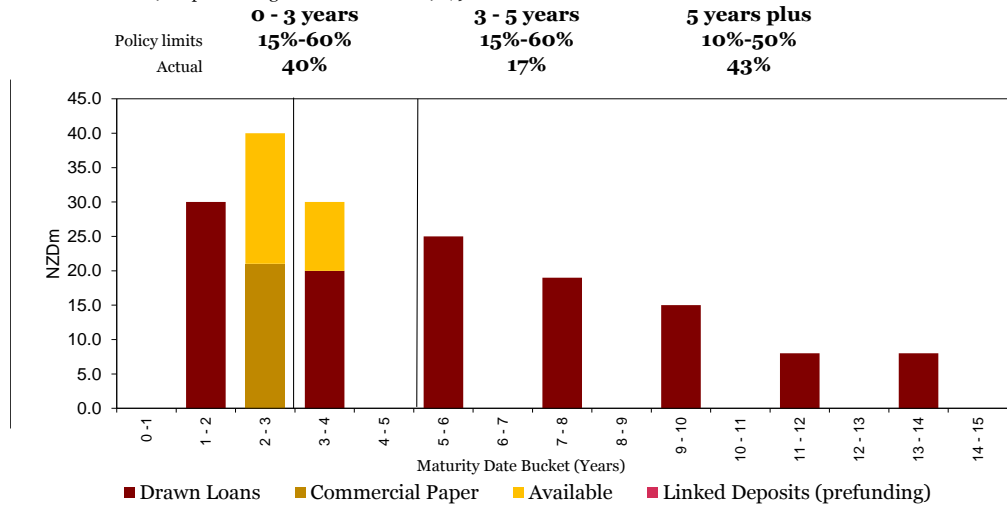
Borrowing Limits	Policy Limits	2017/18
Net External Debt / Total Revenue (TMP)	< 200%	111%
Net Interest on External Debt / Total Revenue (TMP)	< 20%	7.9%
Net Interest on External Debt / Annual Rates Income (TMP)	< 25%	10.4%
Liquidity (External, term debt + committed bank facilities + liquid investments to existing internal debt)	> 110%	157%

31-Jan-18

Funding & Liquidity Risk Position

Committed Loan/Stock/Facilities/Investment (excl prefunding) \$228.8m
Current External Debt \$146m
Current Net Debt (incl prefunding and GF investment) \$92.2m

Policy Liquidity Ratio >=110%
Actual Liquidity Ratio* 157%
**Excludes TEL fund*



31-Jan-18

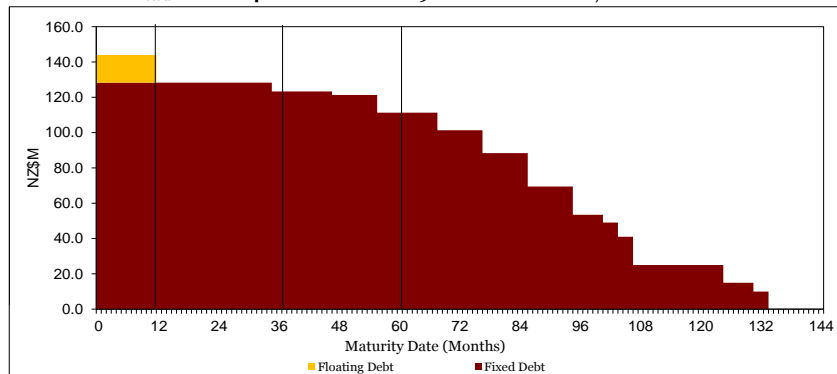
Interest Rate Risk Position

Actual Floating 11%

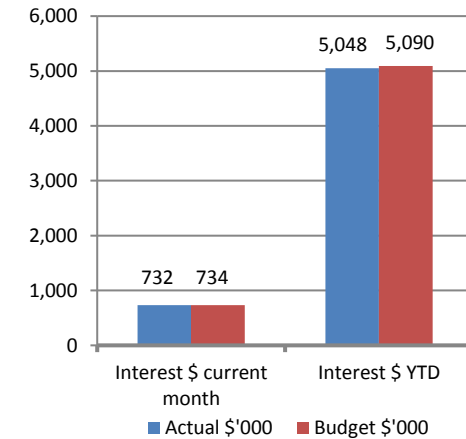
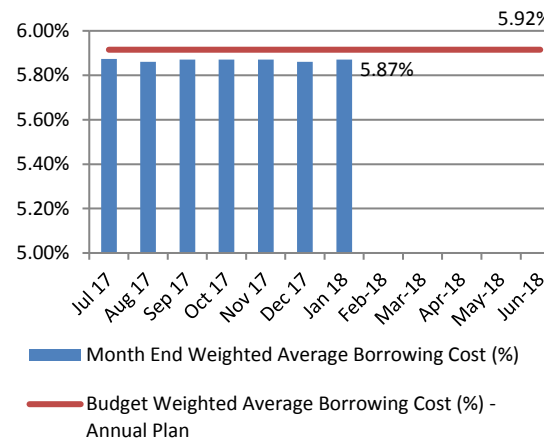
based on 12 Month Gross Debt Forecast \$144m

Overall Fixed Policy Min 50%
Policy Max 95%
Actual 89%

Policy sub-limits	1 - 3 years	3 - 5 years	5 years plus
Actual	15%-60%	15%-60%	15%-60%
Actual	4%	9%	87%



Interest Rate Performance



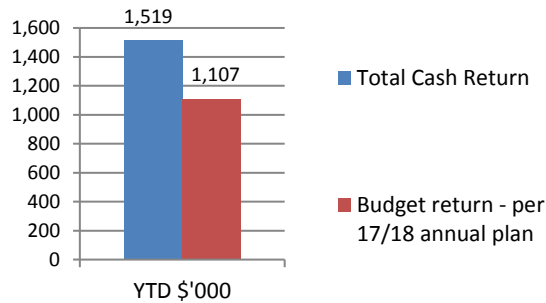
Month Ended: 31 January 2018

TEL Portfolio

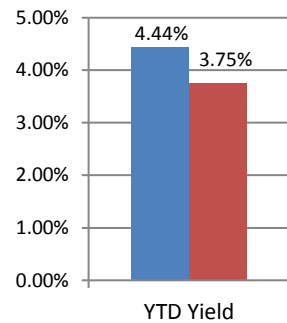
TEL Investment Portfolio - Performance - Total Return ✔

Year to date results for the TEL Fund remain positive. We continue to actively manage the investment portfolio to maximise the returns on investment.

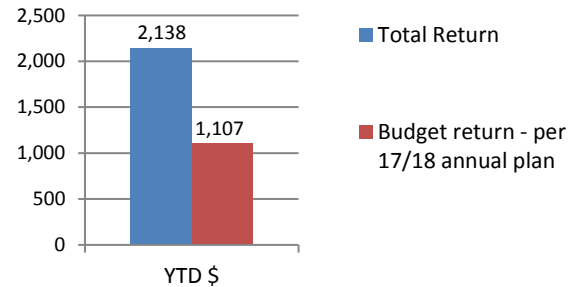
TEL Investment Portfolio - Actual vs Budget \$'000 (cash return basis)



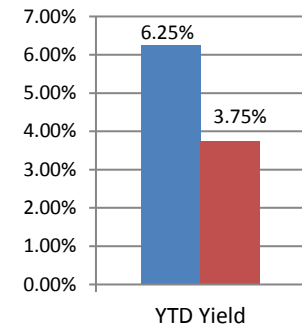
TEL Investment Portfolio - Actual vs Budget Yield (cash return basis)



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

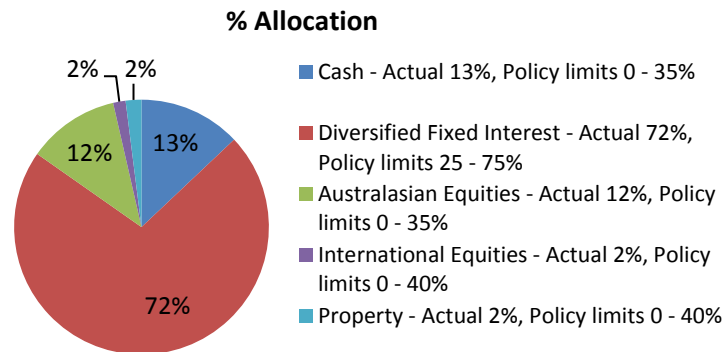


TEL Investment Portfolio - Actual vs Budget Yield (total return basis)



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 have found, and continue to look for, opportunities to maximise our returns within lower risk equities and bonds.



Equities:

The following equities transactions occurred in January:
- purchased 40,000 shares APA Group \$327k AUD

Taupo District Council

Monthly Treasury Management Report

Month Ended: 31 January 2018

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)	\$20,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)	\$35,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)	\$55,000,000

	Min LT/ST credit rating	Max \$ per counterparty (\$m)	\$m per issuer	Policy	Actual
				Max % of total investment portfolio	Issuer % of total investment portfolio
NZ Govt	NA	Unlimited	0.00	100%	0%
NZ registered bank	A+/A-1	35.00	93.19	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-	3.00	0.00	0.00
ANZ	A-1+	AA-	18.30	14.26	0.00
ASB	A-1+	AA-	32.00	0.00	
BNZ	A-1+	AA-	31.89	20.63	
Kiwibank	A-1	A+	8.00	0.00	
CBA	A-1+	AA-	0.00	0.00	
LGFA	A-1+	AA+	2.00		

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.