

# Summary of the Investment Policy

For the full Investment Policy see pages 74 to 81 of the Strategic Statement which is available from the Civic Offices or at [www.ccc.govt.nz](http://www.ccc.govt.nz).

## Introduction

This policy has been established to ensure prudent financial management of Council investments.

## Principles

The following principles underlie the policy:

- Investments shall be managed to maximise the return to the Council consistent with the purpose of the investment and risk avoidance.
- The Council shall maintain a prudent mix of investments.
- Council investment management shall as far as possible be risk averse.
- Investments made outside of the policy require specific resolution of the Council.
- Interest rate exposure and yields on investments are to be managed according to practices outlined in this policy. Hedging, if used, is to cover the protection of the actual physical investment and its return.
- For the Capital Endowment Fund the investment objectives are:
  - Maintain the real value of the capital of the Fund with regard to inflation.
  - Maximise the value of the Fund and therefore the amount that can be distributed from the Fund over the long term, subject to a prudent level of portfolio risk.
  - Maintain a degree of consistency in the amounts that can be withdrawn on an annual basis.
- To fulfil the objectives for the Capital Endowment Fund the following investment principles will be followed in addition to those elsewhere in this policy:
  - Responsibilities under common law and statute must be met. The following policies will be interpreted and applied subject to this policy.

- The inflation-adjusted capital of the Fund shall not be withdrawn.
- An appropriate level of portfolio risk will be determined and accepted by the Council in consultation with professional advisors.
- An appropriate level of diversification of investments in portfolios across securities, sectors, asset classes and countries must be maintained.
- The investment portfolio will accept risks in a prudent manner and investment risk will be minimised for the expected level of return.
- The capital of the investment portfolio will be preserved on a quarterly basis by adjusting for (positive) changes in the Statistics New Zealand All Groups CPI.
- An investment fluctuation reserve must be maintained to finance budgeted distributions from the Fund.
- Liquidity must be considered and maintained at an appropriate level.
- The investment structure must be able to accommodate changes in the Fund's requirements and the investment environment.
- All aspects of the investment process and functions will be reviewed regularly.

## Investment Categories Subject to the Policies - Their Purpose

The Council's investments are made for a range of purposes and fall broadly into five categories:

### • General Funds Investments

General Funds may be invested in the following investment types:

- Cash and short term bank deposits
- Promissory Notes issued by suitably rated corporate entities
- Stocks and bonds
- Loans to community organisations
- Loans to individuals

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- Loans to Council subsidiary companies including LATEs
- Loans to non-Council entities to facilitate community infrastructural asset creation (Council approval required)
- Real estate being held for market return purposes only
- **Equity Investments in Subsidiary Companies**

The Council holds equity investments in a range of subsidiary companies for a mix of the following purposes:

  - Providing a rate of return on the investment to be used for general revenue purposes.
  - Ensuring that ownership of essential infrastructural facilities with monopoly characteristics remain in community ownership.
  - Separating trading activities or services from the ordinary operations of the Council in the interest of transparency, efficiency and competitiveness of pricing.
- **Property Held for Investment Purposes**

Investment properties are defined as being held for market return purposes and having no Council operational function.
- **Investment of Reserve Funds including Trust Funds and the Capital Endowment Fund**

Reserve and trust funds may be invested in the following investment types:

  - Short term bank deposits
  - Promissory Notes issued by suitably rated corporate entities
  - Stocks and bonds
  - Loans to Council subsidiary companies
  - Loans to individuals (for Council approved purposes)
  - Loans to community organisations

- Shares in publicly listed companies
- Professionally managed portfolios of investments, either by direct investment or through Unit Trusts, including:
  - Equities, New Zealand wide, South Island Specific and overseas
  - Fixed Interest investments, both New Zealand and overseas
  - Short term cash
  - Real Estate
  - Other Investments the Council may from time to time resolve.

For further details of the investment policies as they relate to the Capital Endowment Fund refer to pages 150 to 151.

- **Sinking Fund Investments**

Sinking Funds may be invested in the following types of investment:

- Cash and Short Term Bank Deposits
- Promissory Notes issued by suitably rated corporate entities
- Stocks and bonds



Pioneer Stadium.