

## INVESTMENT POLICY

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### Introduction

This Investment Policy has been prepared pursuant to Sections 102(4)(c) and 105 of the Local Government Act 2002.

### Objectives

Appropriate investment strategies will be applied to all Southland District Council funds to ensure that:

- Council assets are adequately safeguarded.
- Interest income is maximised, but taking into account the need to ensure the security of investments.
- Funds are available to meet Council's needs.

### Mix of Investments

Council has a significant portfolio of investments, at any time these could comprise:

- Investments in banks, local government and government stock.
- Stocks, bonds, debentures and notes.
- Equity investments.
- Property.
- Forestry.
- Loans, advances and guarantees for community development purposes.
- Shares (if market conditions are favourable).

The decision on which mix of investments Council will hold at any time will be based on the purpose for which the funds were acquired and the market conditions at the time.

### Interest Rate Risk Management

Council aims to minimise the risk of default and variability of interest rates. It does this by:

- Ensuring that investments are made with entities that have a very strong Standard and Poors credit rating or equivalent rating in Fitch or Moody's.
- Limiting total exposure to prescribed amounts.
- Monitoring compliance against set limits.

Based on Standard and Poors rating, investments are to be spread as follows:

Standard and Poors Rating	Total Exposure Limit (% of Total Portfolio)	Portfolio Limit (% of Total Portfolio)
AA or better	\$5 million	Minimum of 50%
A- to A+	\$5 million	Maximum of 50%
Less than A- (individual borrowers to be approved by Council)	\$1 million	n/a

Individual borrowers less than A- currently approved, but are not limited to the Southland Building Society (SBS).

### **Equity Investments**

Council also has equity holdings in:

- Civic Assurance Corporation (13,715 shares). Civic Assurance is a specialist Local Government insurance company.
- Milford Sound Development Authority (2,000 shares). The role of Council is to facilitate and coordinate development and operations at Milford Sound and Council's policy is to retain its shareholding in the Authority.
- Crops for Southland. Council has a 42% holding in Crops for Southland, an agricultural Venture Southland enterprise.

### **Other Investments**

The overall investment policy of the Council with regard to forestry is to maximise profit, with harvesting on a sustainable yield basis, and without any demand on rates.

### **Application of Returns from Investments**

Some returns are earmarked for specific purposes, but generally returns for Council investments are applied to give equal benefit to the district ratepayers by application in a pro-rata basis to offset the costs of district services.

### **Reporting**

A monthly financial report is prepared for Council. Included in this report is a year-to-date Statement of Financial Position. Investments also form part of the Council's audited Annual Report.