Quarterly Report
NPDC Perpetual Investment Fund

Q1 2021

Contents

Mercer

Fund Overview

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Fund Overview

Fund size*
$334.0m

Returns (after fees and taxes)

Since inception p.a. (Nov 2004)	5 years p.a.	1 year p.a.	3 months
7.1%	7.1%	24.5%	5.0%

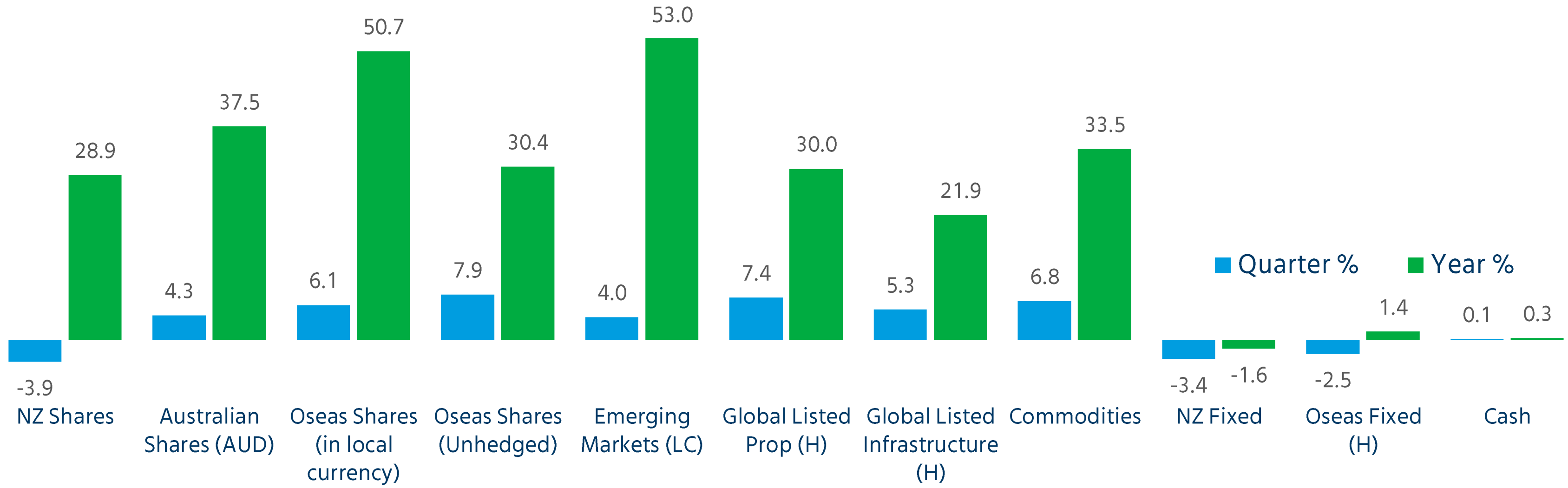
Distributions to Council (Release payments)

Since inception (Nov 2004)	5 years	1 year
$228.3m	$41.7m	$9.0m

Nb – Implementation of Guardian and Full Outsource Agent (Mercer) model took effect March 1 2017. Results and distributions incorporate TIML results for period prior to March 1.

* excludes TIML settlement of $1.4m

Financial Market Update



2021 started on mixed grounds but ultimately finished positively. Investors digested a stronger than expected economic recovery, continued vaccine rollouts and re-opening economies, but also began to show concern about the potential for inflation and interest rate rises.

Developed Global Equity markets finished the quarter up 6.1% (local currency). Locally, the more interest rate sensitive NZX50 finished down -3.9% while the more cyclical ASX 200 finished up 4.3%. Property and Infrastructure continued their positive rebound, whereas rising bond yields saw Bond Portfolio values finish in the red.

Vaccines have been rolled at a much faster pace than anyone would have anticipated in the US and UK. The EU has also been catching up lately after a less than auspicious start.

A container ship called the 'Ever Given' was freed after being lodged in Egypt's Suez Canal for six days, showing the world how dependant global trade is on such a fragile piece of infrastructure.

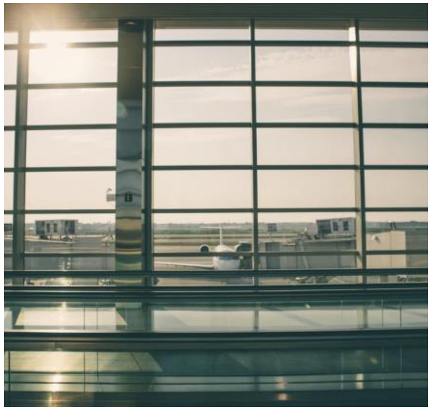
The US Federal Reserve reiterated its commitment to support the US economy through the pandemic. President Joe Biden announced a USD1.9tn coronavirus stimulus package, including USD160bn to bolster vaccination and testing programmes. President Biden later also unveiled a USD2.25tn US infrastructure plan, dubbed as the "American Jobs Plan".

The Reserve Bank of Australia (RBA) announced an extension of AUD$100bn to its quantitative easing programme, while indicating that it does not expect to increase interest rates until 2024 .

The Reserve Bank of New Zealand kept the Official Cash Rate on hold at 0.25%, and is now required to consider the impact on housing when making monetary and financial policy decisions.

Market Outlook

- The approval of Covid-19 vaccines gives us greater confidence in a rebound in 2021, although our base case remains that global GDP will not fully recover to pre-COVID-19 levels until late 2021.
- However, this pace of recovery will be uneven as only a small number of countries, including China, South Korea, Taiwan and the US are likely to see total output surpass 2020 levels. For most developed economies, including Australia and New Zealand, we expect growth to slowly return to pre-crisis levels by the end of 2021.
- Fiscal and monetary measures have been an important tool in cushioning the blow to households and businesses, helping to provide a bridge to widespread vaccine distribution. We expect policies to remain accommodative in 2021.
- While we expect political risks to diminish somewhat in 2021, unexpected developments could lead to volatility and downside risk.
  - In the US, the Democratic sweep suggests that additional fiscal support is likely in 2021. However, a very narrow majority in the Senate should limit the size of any fiscal packages and reduce the likelihood of tax increases.
  - While certain Brexit details still need to be negotiated, the agreement avoids what could have been a disruptive 'no deal' scenario.
  - Tensions between the US and China are likely to remain elevated, even with a new incoming US administration.



Fund Performance

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Fund performance

- The Fund returned 5.0% for the 3 month period to 31 March 2021 (after fees). The Fund is ahead of its objective of CPI+3.3% over all periods.
- On a benchmark relative basis, which is the secondary objective, the Fund is ahead of benchmark for the quarter and year.

	5 years % (p.a.)	1 year %	3 months %
Fund return (net of fees)	7.1	24.5	5.0
Value add (total portfolio including legacy PE)			
• Relative to CPI + 3.3%	+2.1	+19.7	+3.3
• Relative to benchmark	n/a	+5.3	+1.7
Fund Listed Sector Return	-	28.8	5.4
Relative to benchmark	-	+2.4	+1.3
Fund Unlisted Sector Return	-	17.2	4.2
Relative to benchmark	-	+14.5	+3.4

Sector Performance – (3 Months)

Gross Returns	$ Value ($M)	Weighting %	Return %	Excess over benchmark %	Return attribution[1]
Overseas Shares (incl. PE Proxy)	**146.0**	**43.5**	**8.5%**	**+1.5**	**3.7%**
Emerging Markets	**20.4**	**6.1**	**5.6%**	**+0.4**	**0.3%**
Alternatives[3]	**58.9**	**17.6**	**3.9%**	**+2.4**	**0.7%**
Mercer Unlisted Property	13.5	4.0	2.7%	-0.4	
Mercer Unlisted Infrastructure	16.2	4.8	2.3%	-0.9	
Mercer Listed Property	16.0	4.8	6.1%	-1.3	
Mercer Listed Infrastructure	13.3	4.0	4.6%	-0.8	
Private Equity	**53.3**	**15.9**	**4.5%**	**+2.5**	**0.7%**
Fixed Interest	**42.0**	**12.5**	**-3.1%**	**-0.6**	**-0.4%**
Mercer Overseas Sovereign Bonds	17.0	5.1	-3.2%	+0.1	
Mercer Global credit	25.0	7.5	-3.1%	-0.1	
Cash	**14.7**	**4.4**	**0.1%**	**+0.1**	**0.0%**
Total Portfolio	**335.4**	**100.0%**	**5.1%**		**5.1%**

1. Weighted contribution to total fund return.
2. Gross returns for all sectors except Private Equity which is net of fees.
3. The Alternatives Sector has a benchmark of CPI+4%, which is the long term target. CPI is reported with a 1 quarter lag. The Alternatives sub-sectors are also shown, versus their respective benchmarks.
4. Cash includes: Cash, PE Proxy, and TIML cash.

Sector Performance – (12 Months)

Gross Returns	$ Value ($M)	Weighting %	Return %	Excess over benchmark %	Return attribution[1]
Overseas Shares (incl. PE Proxy)	**146.0**	**43.5**	**39.9%**	**+0.2**	**16.8%**
Emerging Markets	**20.4**	**6.1**	**35.6%**	**+1.2**	**2.1%**
Alternatives[3]	**58.9**	**17.6**	**17.1%**	**+11.7**	**3.0%**
Mercer Unlisted Property	13.5	4.0	10.0%	+1.8	
Mercer Unlisted Infrastructure	16.2	4.8	29.7%	+5.9	
Mercer Listed Property	16.0	4.8	30.7%	+3.1	
Mercer Listed Infrastructure	13.3	4.0	18.3%	+0.2	
Private Equity	**53.3**	**15.9**	**16.4%**	**+8.9**	**2.5%**
Fixed Interest	**42.0**	**12.5**	**5.6%**	**+4.2**	**0.6%**
Mercer Overseas Sovereign Bonds	17.0	5.1	1.1%	+0.6	
Mercer Global credit	25.0	7.5	8.9%	+0.2	
Cash	**14.7**	**4.4**	**0.6%**	**+0.2**	**0.0%**
Total Portfolio	**335.4**	**100.0**	**25.1%**		**25.1%**

1. Weighted contribution to total fund return.
2. Gross returns for all sectors except Private Equity which is net of fees.
3. The Alternatives Sector has a benchmark of CPI+4%, which is the long term target. CPI is reported with a 1 quarter lag. The Alternatives sub-sectors are also shown, versus their respective benchmarks.
4. Cash includes: Cash, PE Proxy, and TIML cash.
5. Alternatives include MSAS attribution

Sector Performance – (Since Inception with Mercer)

Gross Returns	$ Value ($M)	Weighting %	Return %	Excess over benchmark %	Return attribution[1]
Overseas Shares (incl. PE Proxy)	**146.0**	**43.5**	**11.4%**	**+0.4**	**5.1%**
Emerging Markets	**20.4**	**6.1**	**12.9%**	**+1.1**	**0.9%**
Alternatives[3]	**58.9**	**17.6**	**5.7%**	**-0.2**	**1.2%**
Mercer Unlisted Property	13.5	4.0	7.5%	+2.5	
Mercer Unlisted Infrastructure	16.2	4.8	12.3%	+6.0	
Mercer Listed Property	16.0	4.8	7.7%	+4.3	
Mercer Listed Infrastructure	13.3	4.0	6.7%	-0.5	
Private Equity	**53.3**	**15.9**	**8.2%**	**+0.3**	**1.3%**
Fixed Interest	**42.0**	**12.5**	**4.7%**	**+1.0**	**0.6%**
Mercer Overseas Sovereign Bonds	17.0	5.1	4.6%	+1.0	
Mercer Global credit	25.0	7.5	4.5%	+0.1	
Cash	**14.7**	**4.4**	**1.8%**	**+0.3**	**0.1%**
Total Portfolio	**335.4**	**100.0**	**9.1%**		**9.1%**

1. Weighted contribution to total fund return.
2. Gross returns for all sectors except Private Equity which is net of fees.
3. The Alternatives Sector has a benchmark of CPI+4%, which is the long term target. CPI is reported with a 1 quarter lag. The Alternatives sub-sectors are also shown, versus their respective benchmarks.
4. Cash includes: Cash, PE Proxy, and TIML cash.
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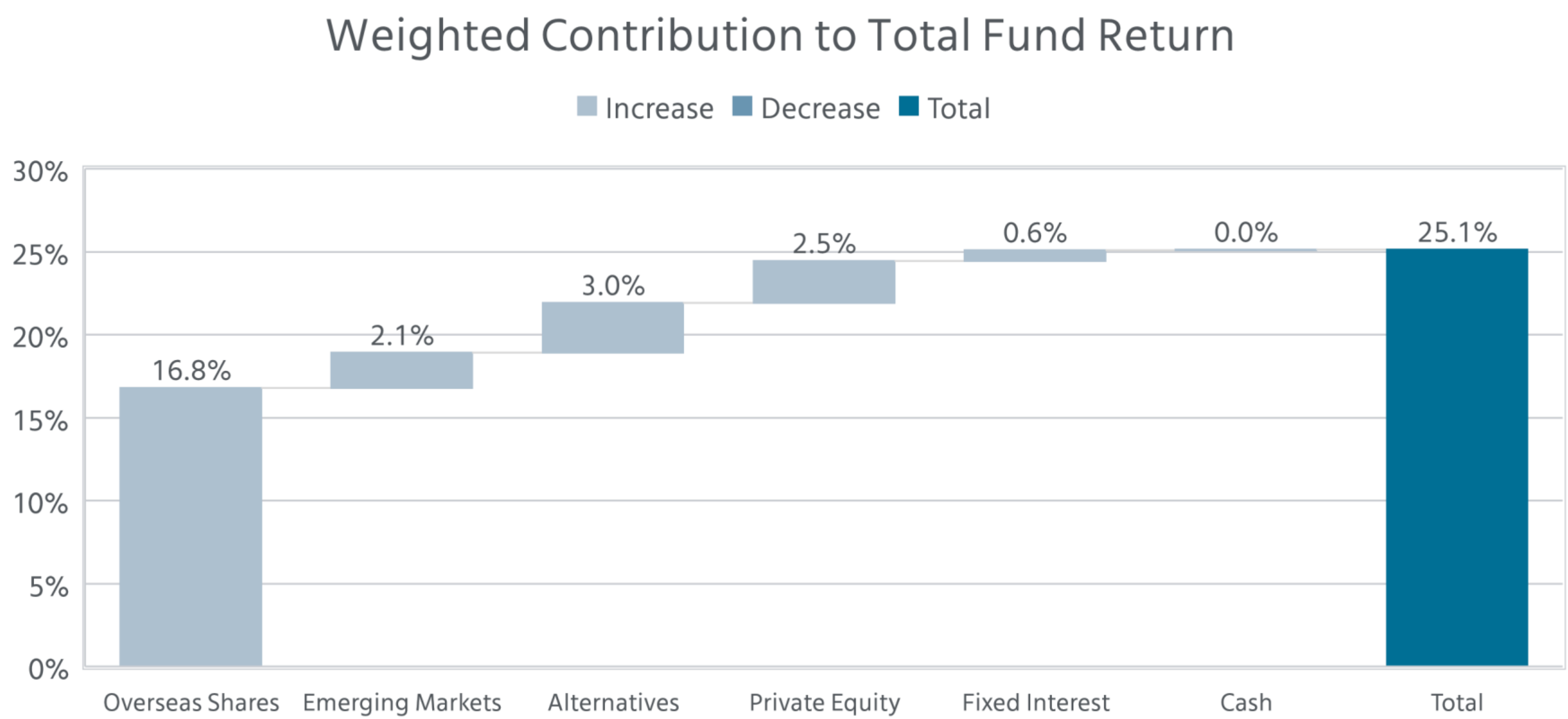
Mercer

Sector Performance (12 Months)



The all sectors contributed positively over the 12 months, with the main drivers being Overseas Shares and Private Equity.

1. Weighted contribution to total fund return.
2. Gross returns for all sectors except Private Equity and Fund of Hedge Funds which are net of fees.

Asset Allocation

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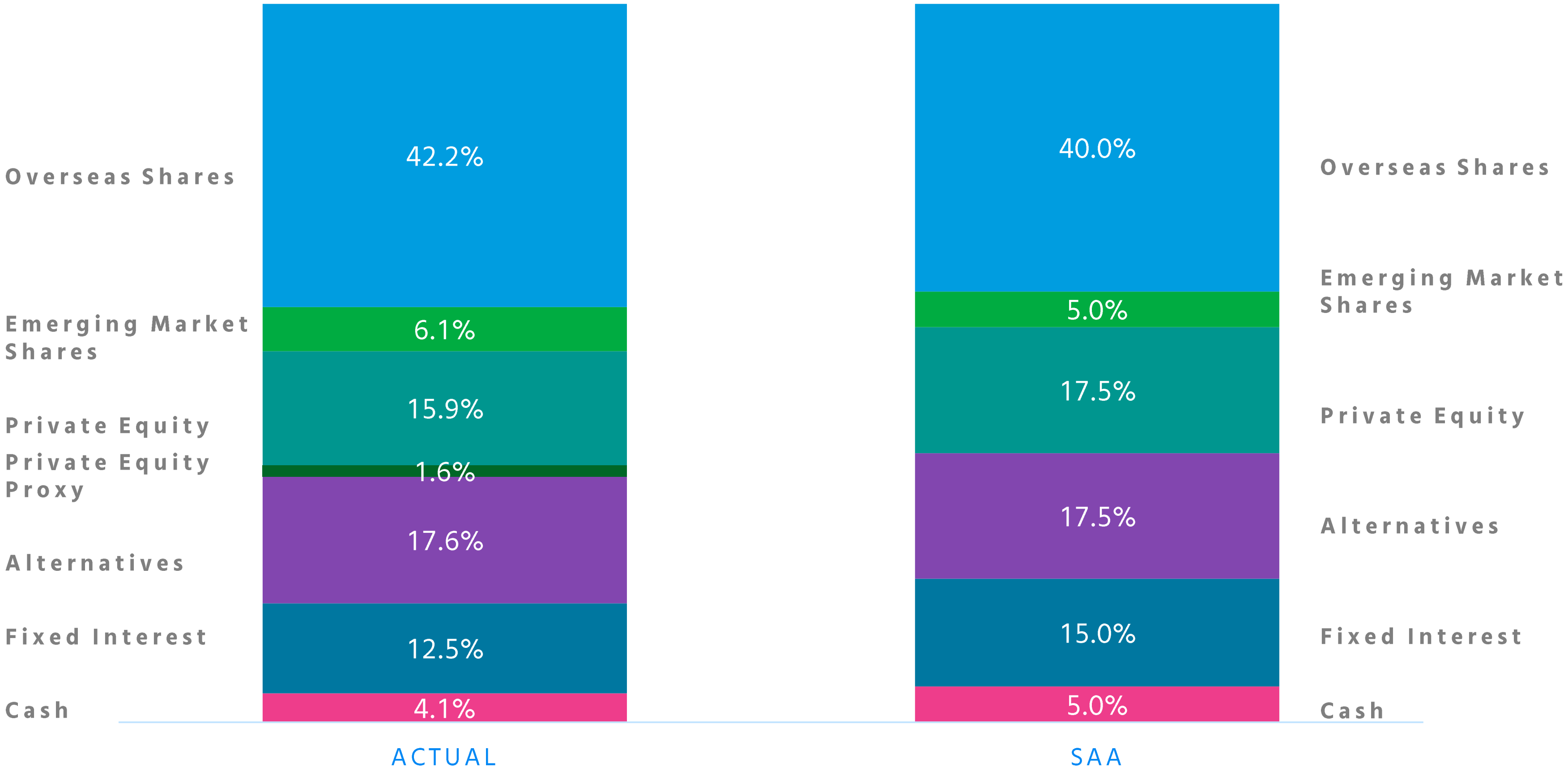
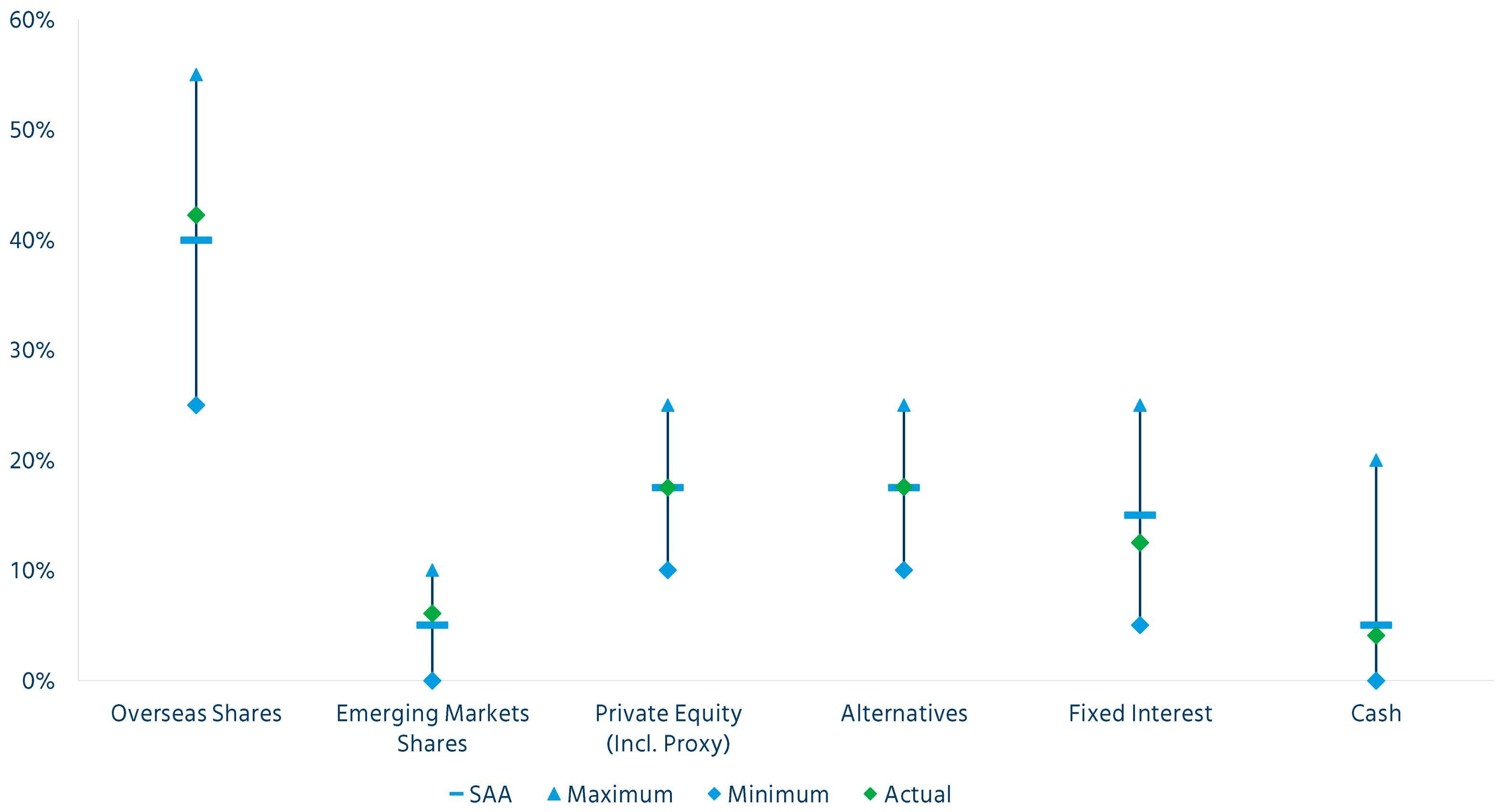
Asset Allocation



- The NPDC portfolio continues to transition towards the long term Strategic Asset Allocation (SAA) as the Private Equity allocations are built up and the proxy is progressively reduced. The Private Equity Proxy consists of 1.3% Listed Overseas Shares and 0.3% Cash.
- The target hedging ratio for Overseas Shares is now 50% (effective 31 August 2019).
- Cash is 3.7% Mercer Cash and 0.4% TIML Cash.

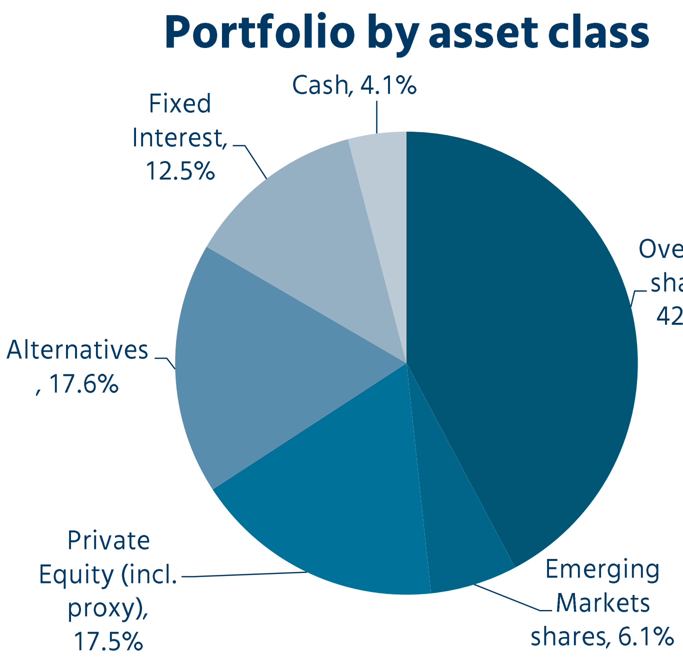
Asset allocation
Ranges

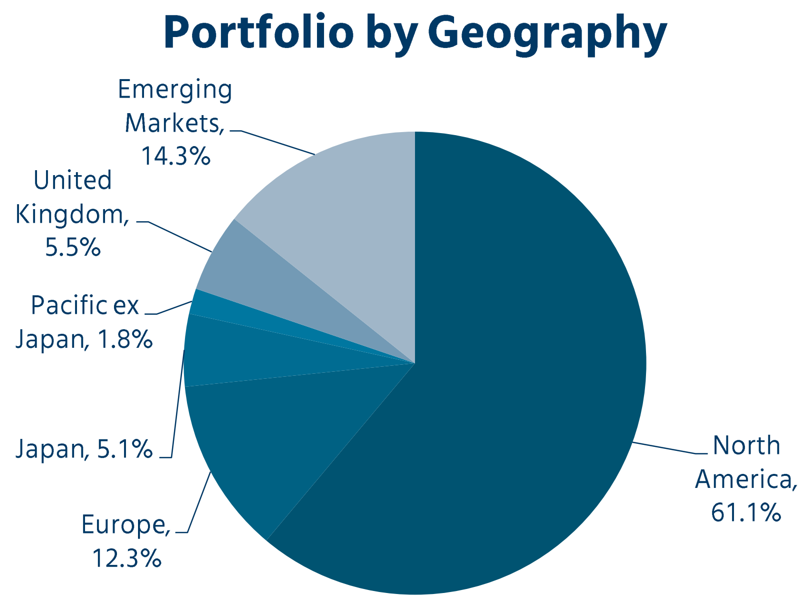


- All asset class allocations are within the ranges specified in the SIPO.

Asset Allocation

- The portfolio is well diversified by asset class, sector and region.
- Within Overseas Shares, there is an underweight relative to the benchmark in the following regions; Pacific ex Japan, Japan, Europe, and North America, in favour for an overweight to Emerging Markets and the United Kingdom . Note the Portfolio by Geography graph below includes the Schroders, LGIM and EM portfolios.





Sector in Focus
Fixed Interest

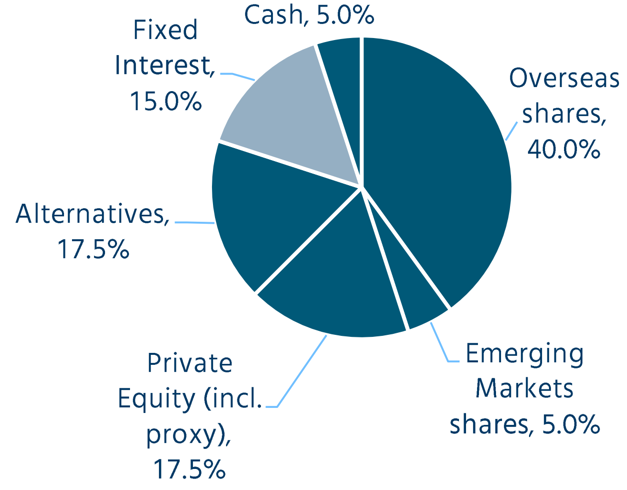
- **What is fixed interest?** Fixed interest investments are viewed as Defensive Assets. They offer regular income for a defined period with a contractual obligation to repay the principal at maturity, in the same way as a loan. There are two main types; Sovereign bonds which are issued by Governments and Corporate (Credit) bonds which are issued by companies.

- **Role in portfolio:** Fixed interest helps to diversify a portfolio. Defensive in nature, it tends to perform well when economic growth and growth assets like shares are weakening, and also when inflation is low. Over the long term, it has a lower expected return than Growth assets, but it is also expected to be less risky.

- **Allocation:** The long term fixed interest allocation is 15% (8.25% Overseas Sovereign and 6.75% Global Credit). Given the low levels of interest rates around the world, a lower than normal return is expected from Fixed Interest so the current target is lower at 13.0% driven by an underweight to Overseas Sovereign Bonds and an overweight to Global Credit.

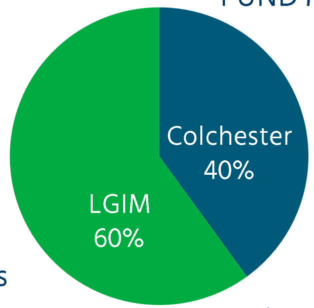
- **What influences fixed interest?** There are two key risks that influence the price of fixed interest: Interest rate risk and Credit risk. Rising rates cause bond prices to fall and falling rates cause bond prices to increase. Credit risk is the risk the borrower defaults and investors aren't repaid.

- **Global vs NZ:** The PIF portfolio has a preference for global investments in the fixed interest space, similar to the approach used in equities. The New Zealand market is significantly smaller than the global market and is much more concentrated, therefore the Guardians have elected a global fixed interest allocation for risk, return and diversification reasons

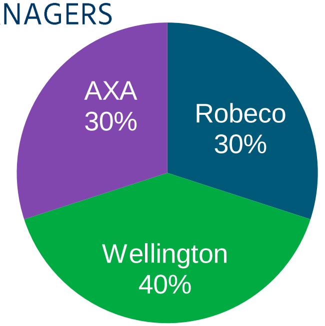


Fixed Interest	Actual %	Long term %
Overseas Sovereign	5.08	8.25
Global Credit	7.46	6.75
Total	12.53	15.0

FUND MANAGERS



Overseas Sovereign



Global Credit

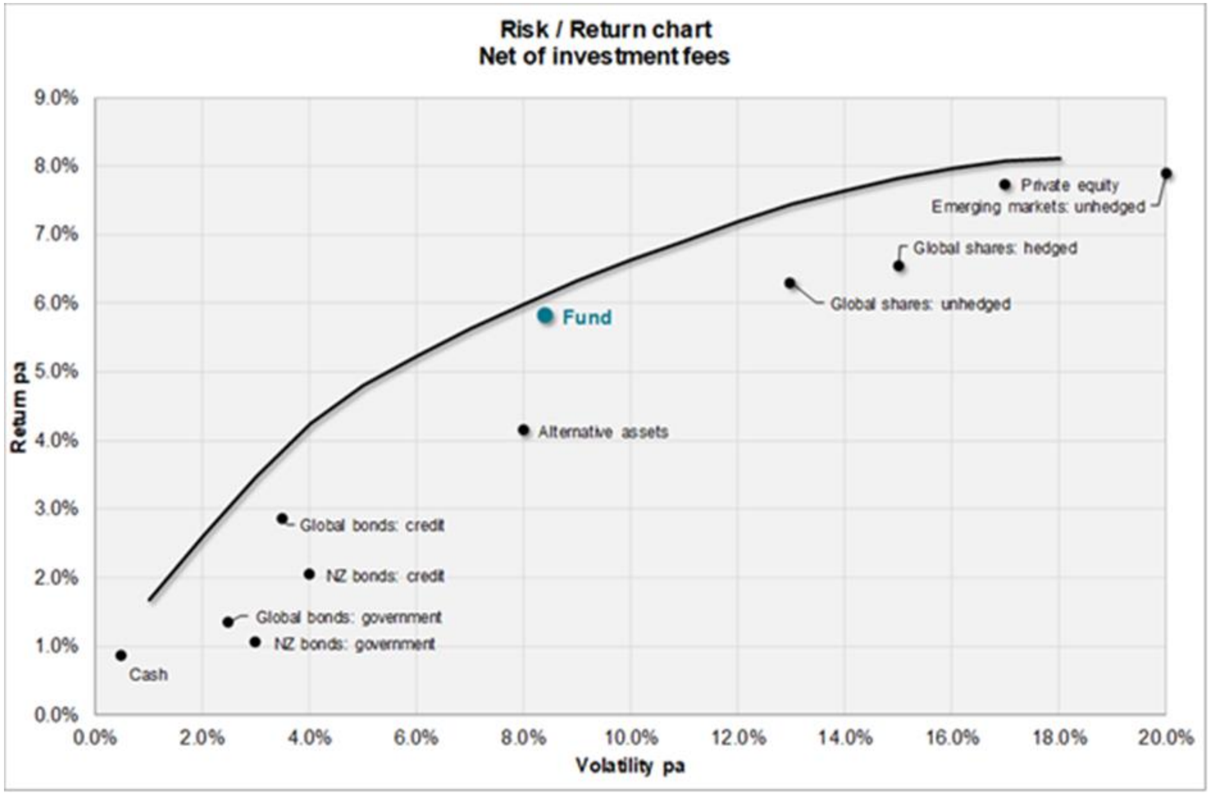
Fixed interest portfolio characteristics

Characteristics	Global Sovereign	Global Credit	Total Fixed Interest Allocation
Duration	7.7	6.4	7.1
Weighted average credit rating	AA	A-	AA-
Running Yield % (NZDH)	1.1	1.2	1.1
Government %	99.1	7.2	50.7
Non-Government%	0.9	92.8	49.3

US 10yr Treasury Bill

Source: 10 Year Treasury Rate - 54 Year Historical Chart | MacroTrends

Asset class
Risk /return chart



Compliance Statement

Document	Status
New Plymouth PIF Guardians SIPO	There were no breaches reported in the quarter
Mercer Investment Trusts NZ SIPO	There were no breaches reported in the quarter
Responsible Investment Policy	There were no breaches reported in the quarter

Investments held in Mercer Investment Trusts NZ	Status
Segregated mandates	There were no breaches reported in the quarter
Mercer managed funds	There were no breaches reported in the quarter
External managed funds	There were no breaches reported in the quarter

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