

# The Perpetual Investment Fund

# Quarterly Report: Q2 2025/26

NPDC Perpetual Investment Fund

February 2026

# Performance Snapshot

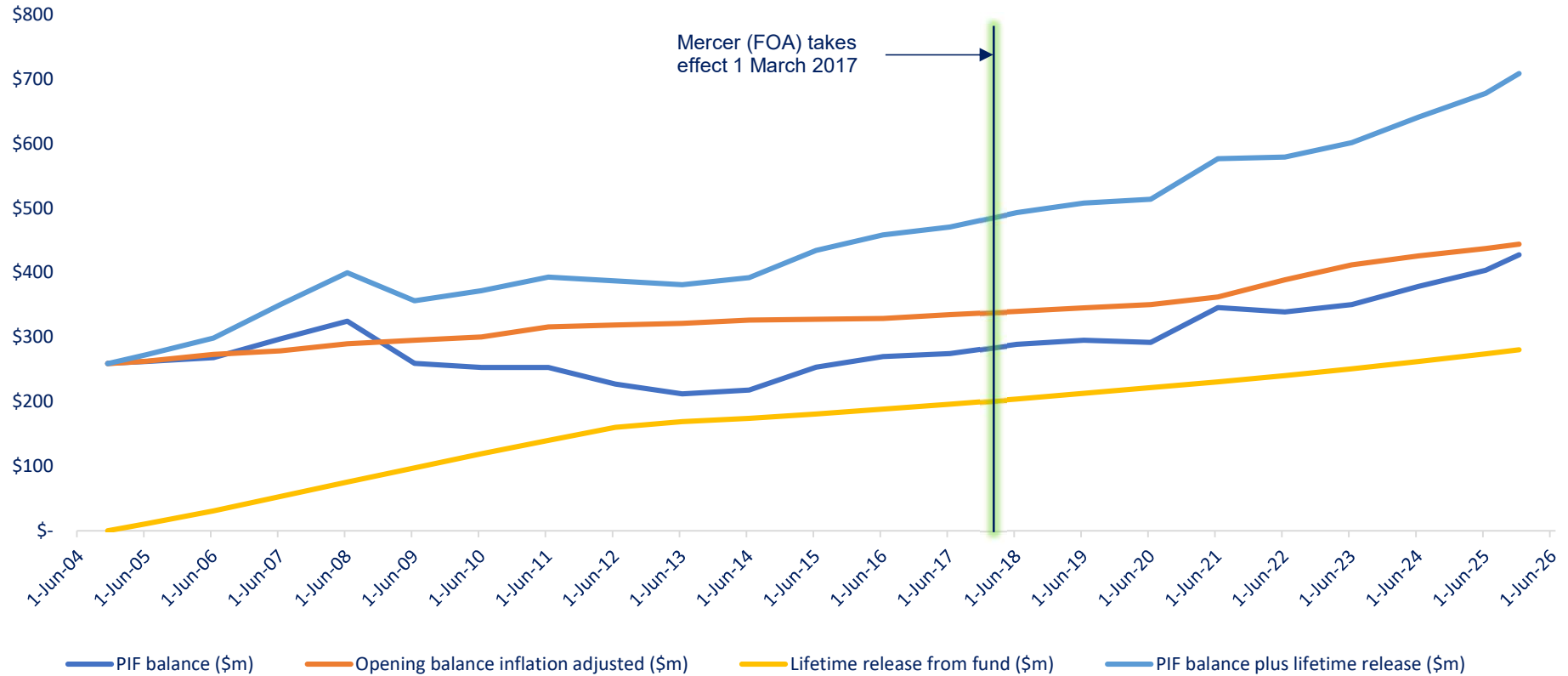
NPDC PIF Value (\$m)
<b>31-Dec-25</b>
428.3

NPDC PIF Returns (Net)					
3 months (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	Since inception (Nov 2004 % p.a.)
2.2%	12.3%	12.2%	9.6%	10.2%	7.5%

Release Payments				
3 months	1 year	3 years	5 years	Since inception (Nov 2004)
\$3.1m	\$12.3m	\$35.4m	\$57.6m	\$281.5m

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

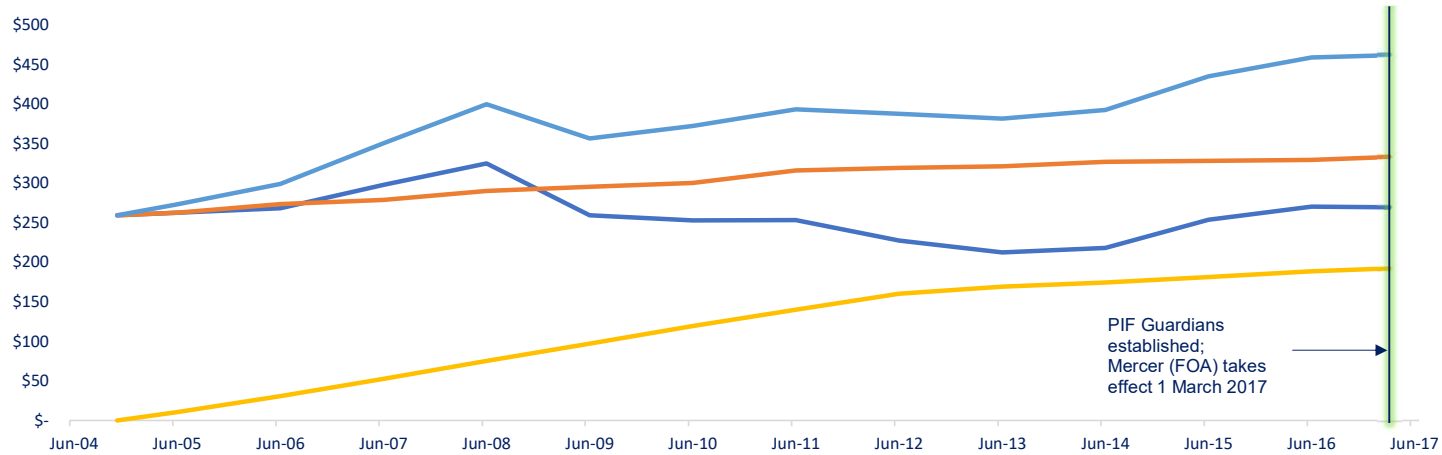
# PIF Balances and Releases to 31 December 2025



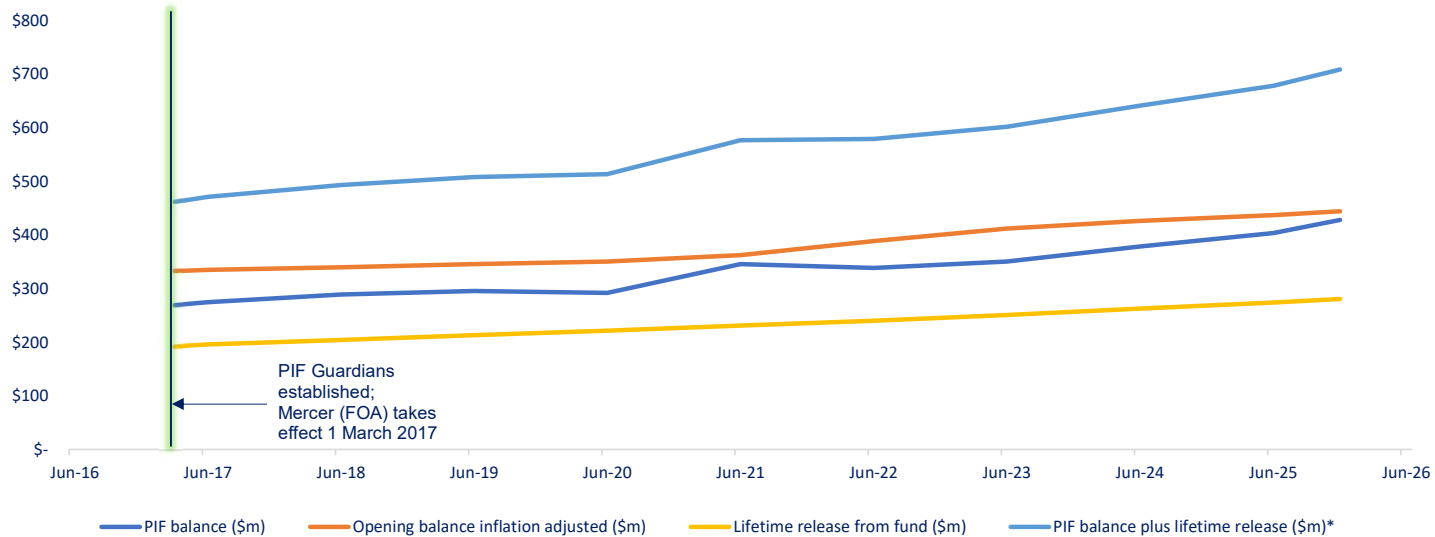
*Note:* that "PIF balance plus lifetime release" trend only adds lifetime releases from the fund to actual balances at each year end, and therefore omits hypothetical compounding returns which would have been achieved had the release amounts remained invested along with the existing balance.

Source: NPDC

## PIF Balances and Releases - inception to March 2017



## PIF Balances and Releases - March 2017 to present



\*Note: that "PIF balance plus lifetime release" trend only adds lifetime releases from the fund to actual balances at each year end, and therefore omits hypothetical compounding returns which would have been achieved had the release amounts remained invested along with the existing balance.

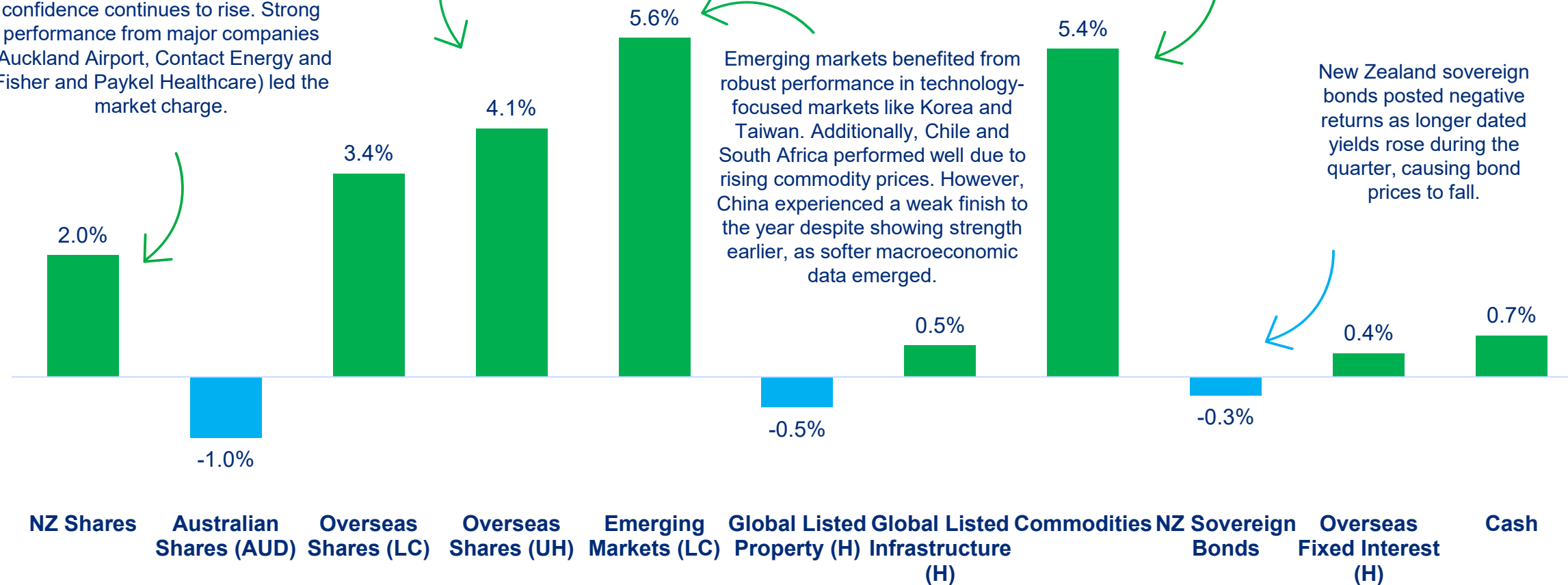
# Q4 Market Index Returns

As of 31 December 2025

Aggressive interest rate cuts helped stimulate a soft economy as business confidence continues to rise. Strong performance from major companies (Auckland Airport, Contact Energy and Fisher and Paykel Healthcare) led the market charge.

Tech-driven growth stocks continued their meteoric rise, with strong earnings contributing to index returns. Weakness in the NZD contributed to the difference in hedged and unhedged returns

Commodity gains were primarily driven by Gold and Silver, both performing strongly as concerns mounted over a weaker USD and uncertainty over the outlook for the direction of the Federal Reserve. We also saw Copper reaching records highs with supply constraints and rising demand fueling this.



Emerging markets benefited from robust performance in technology-focused markets like Korea and Taiwan. Additionally, Chile and South Africa performed well due to rising commodity prices. However, China experienced a weak finish to the year despite showing strength earlier, as softer macroeconomic data emerged.

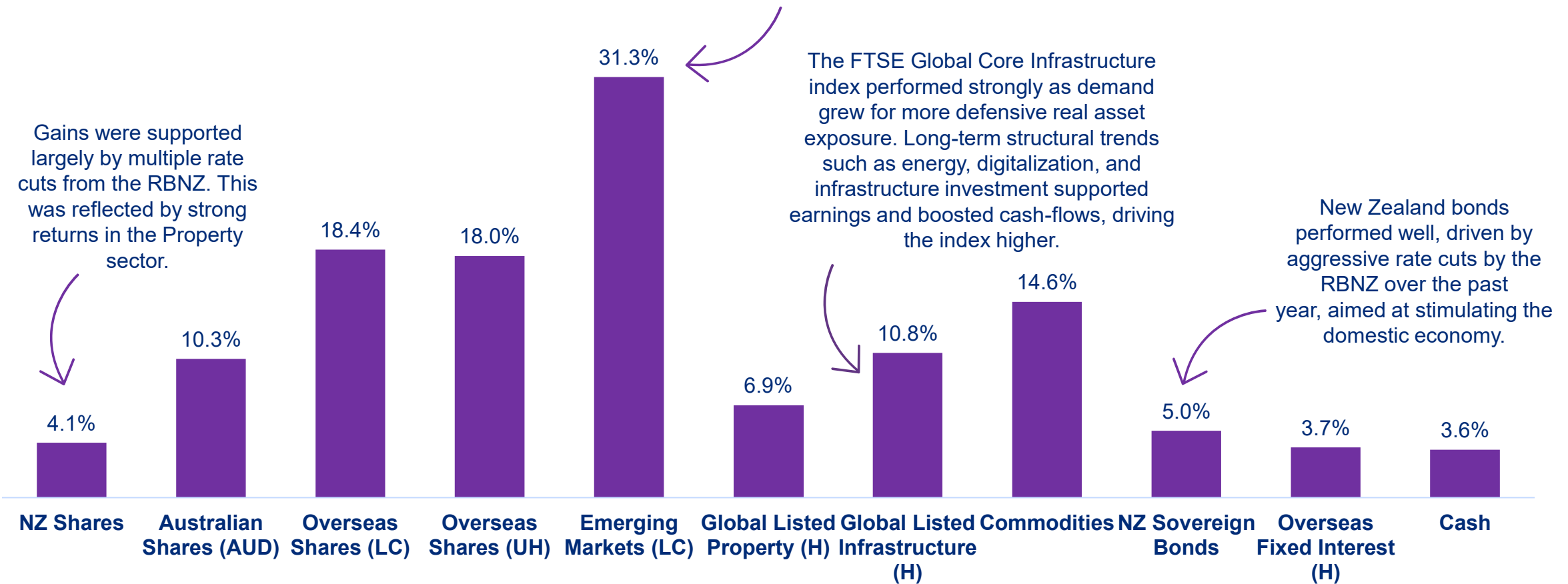
New Zealand sovereign bonds posted negative returns as longer dated yields rose during the quarter, causing bond prices to fall.

As at 31 December 2025 (NZD). Indices used: NZ Shares is S&P/NZX 50 Index with IC, Australian Shares (AUD) is S&P ASX 200, Overseas Shares is MSCI World, Overseas shares (UH) is MSCI World in NZD, Emerging Markets is MSCI World Emerging Markets, Global Listed Property is FTSE EPRA NAREIT Developed Index Hedged (NZD), Global Listed Infrastructure is FTSE Global Core Infrastructure 50/50 Hedged (NZD), Commodities is Bloomberg Commodity Index Hedged (NZD), NZ Sovereign Bonds is S&P/NZX NZ Government Bond Index, Overseas Fixed Interest is Bloomberg Capital Global Aggregate-Hedged (NZD) and Cash is S&P/NZX Bank Bills 90-Day Index.

# 1 Year Market Index Returns

1 Year to 31 December 2025

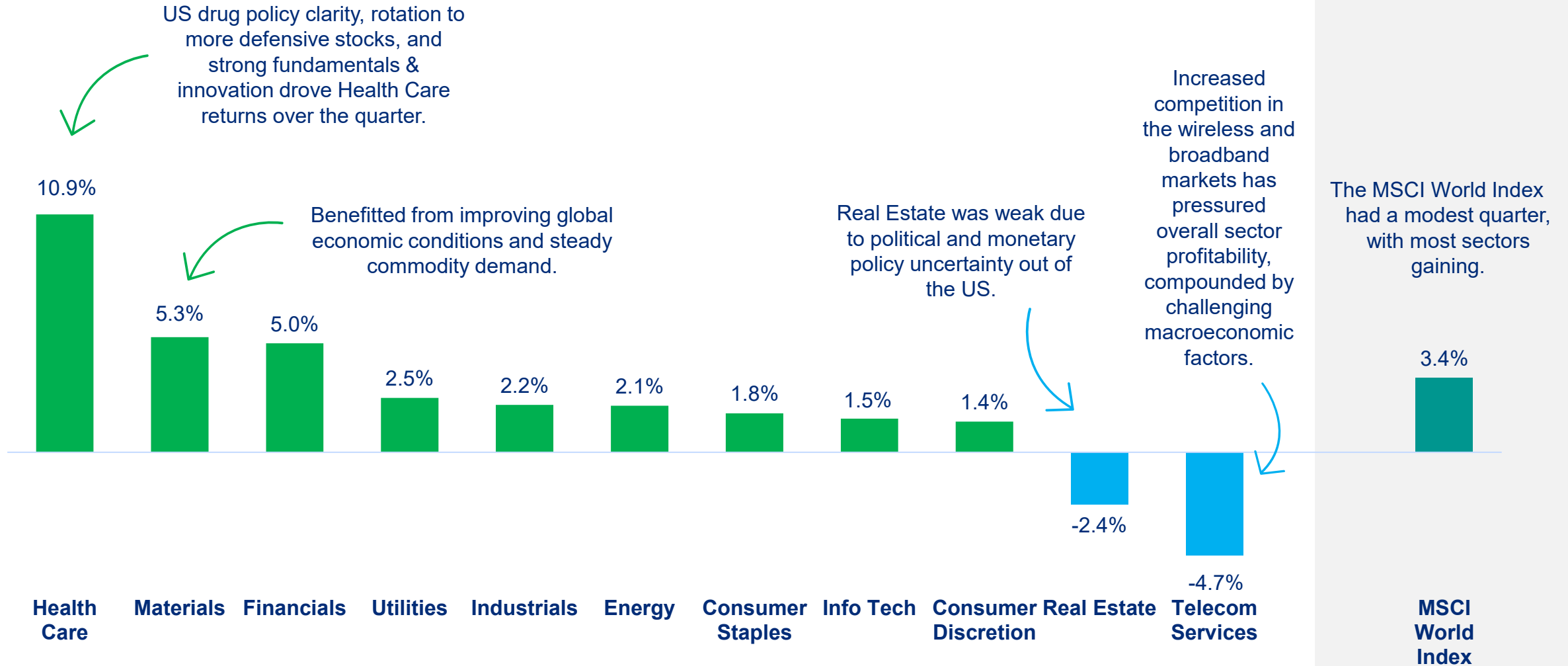
Emerging markets have delivered strong returns throughout the year, particularly in China, Korea, and Taiwan, driven by supportive earnings trends and attractive valuations compared to developed markets, especially in the AI and Technology sectors.



As at 31 December 2025 (NZD), Indices used: NZ Shares is S&P/NZX 50 Index with IC, Australian Shares (AUD) is S&P ASX 200, Overseas Shares is MSCI World, Overseas shares (UH) is MSCI World in NZD, Emerging Markets is MSCI World Emerging Markets, Global Listed Property is FTSE EPRA NAREIT Developed Index Hedged (NZD), Global Listed Infrastructure is FTSE Global Core Infrastructure 50/50 Hedged (NZD), Commodities is Bloomberg Commodity Index Hedged (NZD), NZ Sovereign Bonds is S&P/NZX NZ Government Bond Index, Overseas Fixed Interest is Bloomberg Capital Global Aggregate-Hedged (NZD) and Cash is S&P/NZX Bank Bills 90-Day Index.

# Q4 Sector Performance – Equity

## MSCI World Index (Local Currency)



# Fund Performance

- The NPDC PIF returned 2.2% for the quarter (after fees). The Fund is above its CPI + 3.3% objective over all time periods shown including since inception (Mercer inception date 1 March 2017).
- Except for the last 3 months, the Equities, Fixed Interest and Cash category has also outperformed its benchmark over all time periods.
- Private Equity and Alternatives posted positive returns for the quarter, but are lagging the benchmark for all periods 12 months and over. Underperformance is less for longer time periods and we expect to see this improve as Private Equity investments mature.

Fund Performance						
	3 months (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	Since inception (% p.a.)
NPDC PIF Return (Net)	2.2%	12.3%	12.2%	9.6%	10.2%	8.8%
Value-add (incl. Private Equity)						
<i>Relative to CPI + 3.3%</i>	+0.7%	+5.9%	+5.6%	+1.7%	+3.1%	+2.3%
<i>Relative to secondary benchmark<sup>1</sup></i>	-0.1%	-0.6%	-2.1%	-0.6%	-0.4%	-0.6%
Equities, Fixed Interest, and Cash	2.8%	15.3%	17.8%	11.3%	12.0%	10.1%
<i>Relative to benchmark<sup>2</sup></i>	-0.1%	+0.9%	+0.8%	+1.1%	+0.9%	+0.6%
Private Equity and Real Assets	1.4%	6.9%	6.3%	9.0%	8.6%	7.8%
<i>Relative to benchmark<sup>3</sup></i>	+0.2%	-3.1%	-3.0%	-1.0%	-0.6%	-1.2%

<sup>1</sup>The Fund's secondary benchmark is a composite of the underlying sector benchmarks. For Private Equity this is CPI + 6%. For Real Assets this was CPI +4% prior to 1 July 2025 and from then onwards reflects the underlying sub-sector market-related benchmarks.

<sup>2</sup>The benchmark is an aggregate of their respective market-related benchmarks.

<sup>3</sup>The benchmark comprises Private Equity at CPI + 6%, while for Real Assets this was CPI +4% prior to 1 July 2025 and from then onwards reflects the underlying sub-sector market-related benchmarks.

# Sector Performance

Sector	3 months			12 months			3 years (p.a.)			Since Inception (p.a.) <sup>1</sup>		
	Gross Return (%) <sup>2</sup>	Excess (%)	Attribution (%) <sup>3</sup>	Gross Return (%) <sup>2</sup>	Excess (%)	Attribution (%) <sup>3</sup>	Gross Return (%) <sup>2</sup>	Excess (%)	Attribution (%) <sup>3</sup>	Gross Return (%) <sup>2</sup>	Excess (%)	Attribution (%) <sup>3</sup>
Overseas Shares (part passive)	3.9%	+0.3%	1.3%	19.1%	+1.2%	7.0%	23.8%	+0.8%	8.2%	13.3%	+0.2%	4.8%
Emerging Markets	5.8%	+0.0%	0.3%	30.1%	+0.0%	1.6%	21.2%	+1.1%	1.1%	10.8%	+0.7%	0.6%
Real Assets <sup>4</sup>	0.8%	+0.7%	0.1%	10.9%	+3.2%	2.0%	7.8%	-0.1%	1.3%	6.3%	-1.1%	1.1%
<i>Listed Property</i>	0.5%	+1.0%		8.1%	+1.2%		8.2%	+1.6%		5.2%	+2.5%	
<i>Listed Infrastructure</i>	1.0%	+0.5%		13.7%	+2.9%		6.2%	-1.7%		6.0%	-0.8%	
Private Equity (vs CPI+6%)	1.7%	-0.7%	0.4%	4.1%	-5.0%	1.1%	4.6%	-5.0%	1.2%	8.8%	-1.3%	2.3%
Fixed Interest <sup>5</sup>	0.2%	-0.2%	0.0%	5.1%	+1.3%	0.8%	4.3%	-0.2%	0.6%	2.3%	+0.4%	0.4%
<i>O'ceas Sovereign Bonds (part passive)</i>	0.0%	-0.3%		4.0%	+1.3%		2.9%	-0.2%		2.2%	+0.9%	
<i>Global Credit</i>	0.6%	+0.0%		6.4%	+0.4%		5.8%	+0.2%		2.5%	+0.2%	
Cash <sup>6</sup>	0.8%	+0.1%	0.0%	3.8%	+0.3%	0.1%	5.1%	+0.2%	0.2%	2.9%	+0.3%	0.1%
Total Portfolio	2.2%		2.2%	12.6%		12.6%	12.6%		12.6%	9.3%		9.3%

1. Since inception is measured from Mercer's inception date (March 1, 2017).

2. Gross returns are reported for all sectors except Private Equity, which is net of fees.

3. Weighted contribution to Total Portfolio return.

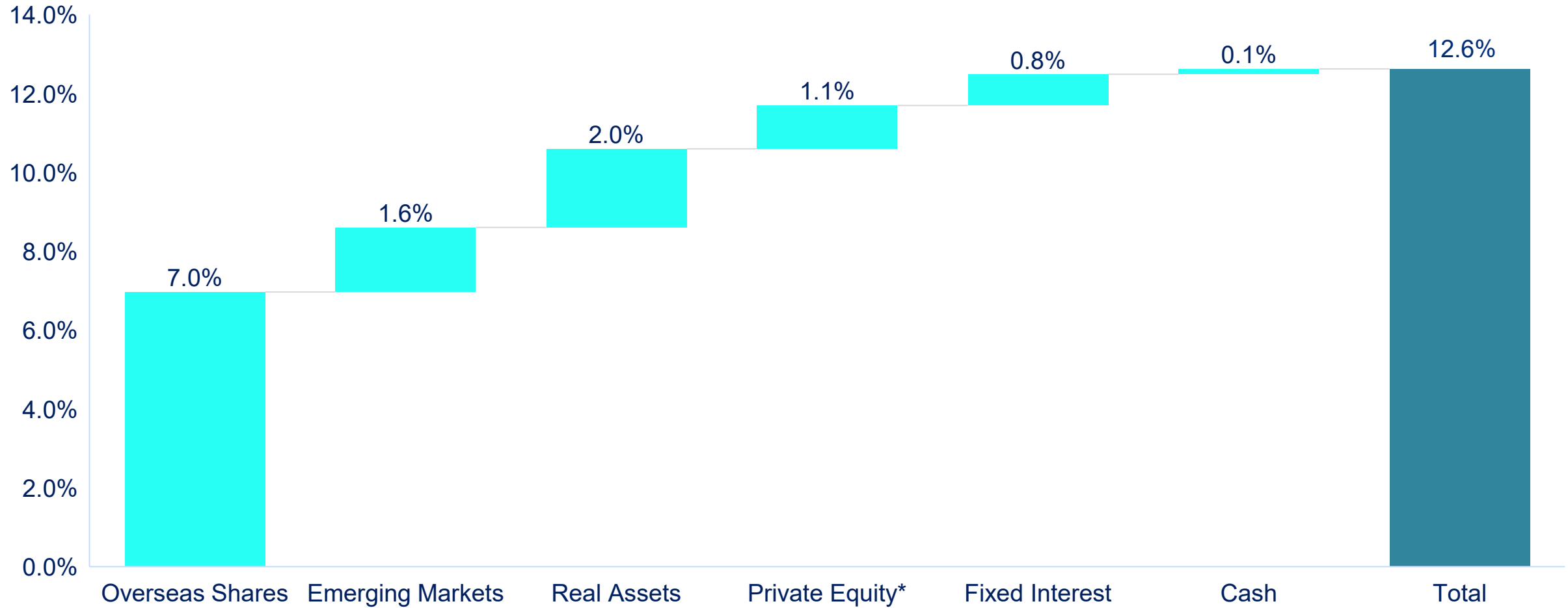
4. The Real Assets sector benchmark changed from CPI + 4% (a long-term target with a one-quarter lag) to a composite of the relevant sub-sector market-related benchmarks on 1 July 2025.

5. At the sector level, Fixed Interest is benchmarked against the Bloomberg Global Aggregate Bond Index (100% NZD Hedged).

6. Cash includes TIML Cash prior to December 2023.

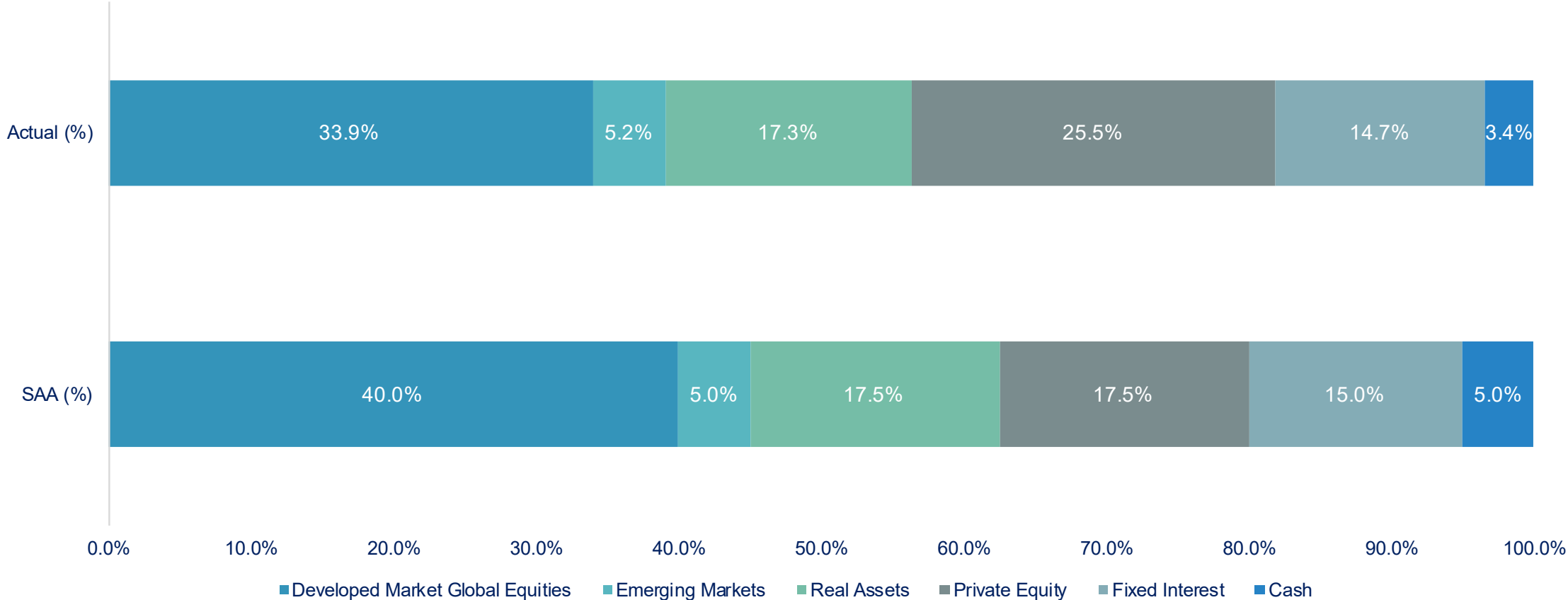
# Sector Performance – 12 months

*Weighted Contribution to Total Fund Return*



\*Gross returns are reported for all sectors except Private Equity, which is net of fees.

# Asset Allocation



- Notes:
- The Private Equity allocation is currently NZ\$106.2m (USD\$61.1m) excl FX hedge P&L, which is above the benchmark Strategic Asset Allocation (SAA) level. This has reduced the Overseas Shares allocation by 6.44% and Cash by 1.61%. The remaining commitment amount for Private Equity is NZ\$16.8m.
  - The target hedging ratio for Overseas Shares is 50% (effective 31 August 2019).

# What is Listed Infrastructure?

Infrastructure is defined as the basic physical and organisational structures needed for the operation of society or enterprise. Listed infrastructure refers to companies in the sector that are publicly traded on stock exchanges.



**Social Infrastructure**  
(schools, hospitals, etc.)



**Energy / Power**  
(renewables, generation, storage, etc.)



**Utilities**  
(gas, water, electricity networks, etc.)

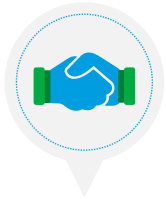


**Transportation**  
(toll roads, airports, seaports, etc.)



**Communications**  
(telecom towers, data centres, etc.)

# Why invest in Listed Infrastructure?



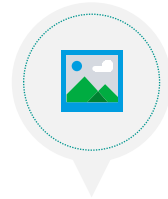
## Downside protection

Infrastructure assets should provide downside protection, inflation protection, and retain equity return upside.



## Stable cash flows

Cash flows from infrastructure should be stable cash flows through rate regulation, contracts with creditworthy counterparties, a monopolistic position and/or by nature of the service provided.



## Absolute return generator

We view infrastructure as an absolute return asset class and the exposure can be customised to be more income or appreciation focused.



## Diversifier

Infrastructure assets provide a different risk/return profile than other parts of a portfolio.



## Customised risk

Risk profile varies widely by underlying asset exposure (i.e. greenfield vs brownfield)

# What is Listed Property?

Listed property refers to real estate investment trusts (REITs) and property companies that are publicly traded on stock exchanges. These entities primarily invest in, manage, and operate income-generating real estate assets. Listed property provides investors with a way to gain exposure to the real estate market without the need to directly own physical properties.

## Structure of Listed Property:

- **Real Estate Investment Trusts (REITs):** REITs are companies that own, operate, or finance income-producing real estate across a range of property sectors. They are required by law to distribute at least 90% of their taxable income to shareholders in the form of dividends, making them attractive for income-seeking investors.
- **Property Companies:** These are firms that may own and manage real estate but do not necessarily meet the criteria to be classified as REITs. They may reinvest a larger portion of their earnings back into the business for growth.

## Types of Listed Property:

Listed property can be categorised into various sectors based on the type of real estate they invest in:

- **Residential:** Includes apartment complexes, single-family homes, and other residential properties.
- **Commercial:** Encompasses office buildings, retail spaces, and mixed-use developments.
- **Industrial:** Involves warehouses, distribution centres, and manufacturing facilities.
- **Healthcare:** Comprises properties like hospitals, nursing facilities, and medical offices.
- **Specialty:** Includes data centres, cell towers, and other niche real estate sectors.



# Why invest in Listed Property?

## Inflation protection

Contractual leases and increasing capital flows may provide protection during normal and high inflationary periods

## Income

The combination of income and growth places real estate at the crossroads of fixed income and equity strategies.

## Growth

Real Estate value expansion is achieved through active management and asset, market, and sector selection.

## Liquidity

Unlike direct property, listed properties can be bought and sold on the stock market, providing investors with greater liquidity.

# Compliance Statement

Document	Status
NPDC PIF Guardians SIPO	There were no breaches reported in the quarter
MITNZ SIPO	There were no breaches reported in the quarter
Mercer Sustainable Investment Policy	There were no breaches reported in the quarter

Investments held in MITNZ	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