

Iwi Investment Report 2015



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1. Executive summary

This report reviews the corporate structures, investment strategies and investment performances of selected iwi. Overall, our analysis indicates a reasonably positive financial performance by the sector: six of the seven iwi covered in this report, including the two largest iwi (Ngāi Tahu and Waikato-Tainui), have generated consistently positive returns over a number of years. However, over the last three years, only two iwi - Ngāi Tahu and Ngāti Whātua Ōrākei – have generated an average return on assets that has exceeded the returns delivered by our benchmark portfolio.

The number and economic significance of the post-settlement iwi entities has grown considerably in recent years, with over 50 iwi finalising Treaty settlements with the Crown (refer Annex One). We estimate the total assets of the post-settlement entities are now valued at around \$5.5b.

Figure 1: Size and location of iwi



This report considers seven of those iwi - Waikato-Tainui, Ngāi Tahu, Port Nicholson Block, Ngāti Whātua Ōrākei, Rangitāne o Wairau, Tuhoē and Ngāti Porou - with combined assets of around \$3.8b (Figure 1 provides the value of the assets and location of each iwi). These seven iwi were chosen because either they are the largest of the iwi in terms of assets, information was publicly available or they have been in operation for several years. We estimate that the total assets of the iwi covered in this report equate to around 70% of all post-settlement iwi assets.

The seven post-settlement iwi entities we have reviewed generally have similar corporate structures. While the structures are often complex, typically there is an overarching trust that makes decisions about distributions and the non-financial objectives of the group, while a separate commercial entity has been established

to manage the group's commercial assets and to make investment decisions under a commercial mandate.

Despite the similarities in corporate structures, a variety of investment approaches have been adopted by the seven iwi. Table 1 below summarises the different investment strategies adopted by each iwi.

Table 1: Summary of investment strategies

Investment Strategy					
Name	Diversification			Management Approach	Financing
	No. Asset Classes	Largest Asset Class	Capital Allocation ¹	Active vs. Passive	Debt-to-Capital
Waikato-Tainui	6	Property	67%	Largely active	23%
Ngāi Tahu	8	Property	48%	Largely active	10%
Port Nicholson Block	2	Property	89%	Largely active	0%
Ngāti Porou	6	Equities	65%	Largely passive	5%
Ngāti Whātua Ōrākei	1	Property	100%	Active	22%
Rangitāne o Wairau	5	Commercial property	65%	Largely passive	0%
Tūhoe	7	Managed funds	58%	Largely passive	0%

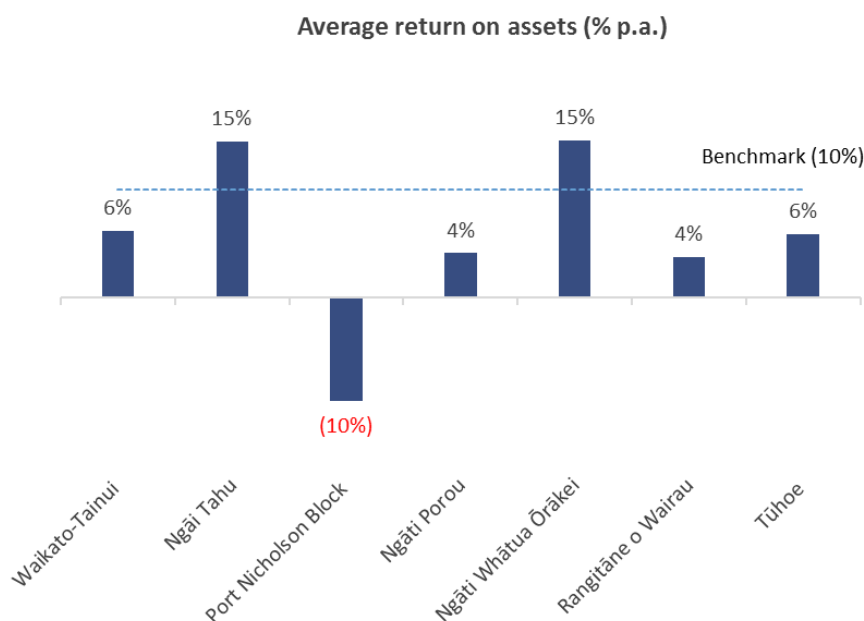
The investment strategies of the seven iwi can be broadly categorised into two groups: five of the iwi - Waikato-Tainui, Ngāi Tahu, Port Nicholson Block, Ngāti Whātua Ōrākei and Rangitāne o Wairau – have had a strong bias towards property investment, reflecting in part their initial settlements which tended to be dominated by properties in their local areas. The two other iwi – Tuhoe and Ngāti Porou – have made a distinct effort to diversify their portfolios, in particular through investments in equities and fixed interest securities via managed funds. Tuhoe and Ngāti Porou, along with Rangitane, have portfolios that are generally managed in a passive way, while the other iwi largely manage their property investments in an active manner.

Typically, the iwi have had little or no investment in global equities and several of the iwi have few assets outside their rohe (traditional tribal areas). The focus of many of the iwi on property investments in their rohe has left them exposed to a single asset class in a narrowly defined geographic area. While there are often strong cultural and historical reasons for such a concentration in their portfolios, it is risky from a financial perspective.

There have been considerable differences in the investment performances of the iwi over recent years. Figure 2 below compares the returns of each iwi over the period (2013-2015) when data is available for all seven iwi. The returns presented are for each iwi Group as a whole and are after deducting the respective Trusts' operating expenditures. The returns for the commercial entities of the iwi will be somewhat higher than are presented below as they will include the distributions to the parent entity (the Trust). However most iwi do not publish separate financial statements for their commercial arms. The returns of the iwi will also be understated to the extent that they do not revalue upwards some assets (eg, Ngai Tahu holds significant amounts of seafood quota but does not include upward revaluations of the quota in its reported returns).

¹ The 'capital allocation' refers to the percentage of an iwi's capital allocated to its largest asset class.

Figure 2: Comparison of returns, 2013-15



As the diagram above illustrates, Ngāi Tahu and Ngāti Whātua Ōrākei have comfortably outperformed our benchmark return² of 10% p.a., with reported average returns of 15% p.a. over the three years. The remaining iwi have had considerably lower returns, although the returns have been positive except for Port Nicholson Block which has made losses in each year.

Ngāi Tahu has performed very well over a long period of time (refer Annex Four for a longer time series of iwi returns where the data is available). Ngāti Whātua Ōrākei's high returns in recent years reflect primarily its concentration on the Auckland property market.

The return on assets (RoA) provides a basis for comparing the financial performance of the iwi but it is important to note that our RoA calculations are not risk adjusted. Further, the location of each iwi has played a role in the relative performance: for example, the returns of many iwi have been closely linked to the performance of the local property markets. It is also important to note that the iwi that received earlier settlements have had a longer period of time to become experienced investors and develop well-structured organisations and investment policies, potentially leading to better returns today.

The returns presented in Figure 2 above are calculated after deducting the Trusts' administration and other overhead costs. Overheads (as a percentage of revenue) of smaller iwi, like Rangitāne o Wairau, will inevitably tend to be higher than is the case for the larger iwi. This disadvantages faced by the smaller iwi may be able to be offset by their work together to share services or by their contracting with an independent body to provide such services on an outsourced basis.

² Our 'benchmark return' refers to the average return on a simple portfolio of equities and debt (see Annex Three for details). Calculating an appropriate reference portfolio for each individual iwi would need a detailed analysis of its circumstances, taking into account such factors as its risk appetite, time horizon, liquidity requirements and tax position.

When comparing the returns of iwi with non-iwi investors, the relative advantages and disadvantages of iwi as investors should be noted. On the one hand, iwi typically have limited access to new capital and have constraints on their ability to sell certain assets. On the other hand, many iwi have negotiated a first right of refusal on certain Crown assets as part of their Treaty settlements and are liable to the Maori authority tax rate of 17.5%.

There are other differences between iwi and non-iwi investors. For example: iwi tend to have long time horizons; are reluctant to report negative returns (and therefore can have a low tolerance for risk); and, as noted above, tend to have a strong home bias in their investment strategies. Finally, it should be noted that iwi Trusts (as opposed to their commercial arms) have objectives that go beyond maximising financial returns. In order to achieve these wider social and cultural objectives, it is important that the investments held by their commercial arms perform to their maximum potential.

2. Introduction

Over the last twenty years, around 50 iwi in New Zealand have finalised Treaty settlements with the Crown (refer to Annex One for a list of the settlements). A Treaty settlement is an agreement between the Crown and a Maori claimant group, usually an iwi, to settle all of that claimant group’s historical claims against the Crown. The Treaty settlement is typically composed of historical accounts, an acknowledgment and apology, cultural redress and financial and commercial redress.³ This report is based on the financial and commercial redress aspects of the Treaty settlement.

In this report, we have focused on seven iwi. The iwi have been selected on the basis of the year of Treaty settlement, the size of Treaty settlement and the availability and transparency of financial reports and information disclosures subsequently. Table 2 below lists the iwi covered in this report.

Table 2: Iwi of focus

Name	Location	Year of Deed	Year of Legislation	Redress Amount
Waikato-Tainui	Waikato region	1995	1995	\$170m
Ngāi Tahu	South Island	1997	1998	\$170m
Port Nicholson Block ⁴	Wellington	2008	2009	\$25m
Ngāti Porou	East Cape	2010	2012	\$90m
Ngāti Whātua Ōrākei	Ōrākei	2011	2012	\$18m
Rangitāne o Wairau	Northern South Island	2010	2014	\$25m
Tūhoe	Te Urewera	2012	2014	\$169m

Figure 3 gives some context around the relative size of total funds under management of each iwi analysed in this report. As depicted in the diagram, the iwi analysed are different in size and location.

³ “What is a Treaty Settlement?” *Office of Treaty Settlements*. Accessed August 27, 2015.

<http://www.ots.govt.nz/>

⁴ Taranaki Whānui ki Te Upoko o Te Ika

Even though we are reviewing only seven iwi out of the 50 that have received a settlement, these iwi manage approximately 70% of total assets in the sector.⁵

Figure 3: Overview of the seven iwi



Our review of iwi investments begins with a brief discussion of each iwi's corporate governance structure. Next, we discuss the investment strategy of the commercial entity within each iwi. The investment strategies are analysed based on the:

- degree of diversification;
- management approach; and
- investment financing.

Lastly, we review each of the seven iwi's investment performance by reviewing its total assets base and net worth and calculating standard financial performance metric measures of:

- return on assets; and
- return on equity.

2.1 Disclaimer and caveats

This report has been prepared by TDB Advisory Ltd (TDB) with care and diligence on the basis of information that is publicly available. The analysis of each iwi's investment strategies and performance has been done at a high level based on public information. All the iwi reviewed in this report were given the opportunity to comment on a draft of the report although they bear no responsibility for the final product. Neither TDB nor the iwi that have been reviewed in this report warrant or guarantee the accuracy of the information in this document. The research is objective and TDB does not seek to make or infer any normative judgements on the governance and investment strategy of any iwi. Not every iwi in NZ is reviewed in this report and the conclusions derived in this report are not to be taken as representative of any other iwi.

Caution should be taken about making inferences regarding the relative performance of iwi. The financial information in this report does not take into account investment risk. Furthermore, the dates of the settlements differ and many are quite recent so we are often considering different time periods and quite short-term time horizons. In addition, the published financial information of the iwi does

⁵ The current book values of the assets of each of the approximately 50 iwi that have received a settlement are not all publicly available. In order to approximate the total assets of all post-settlement iwi, we have used the book values for those iwi with published financial statements and for the others calculated the present value of each iwi settlement using a benchmark rate of return of 6% p.a. since settlement.

not take into account option values (e.g. rights of first refusal and deferred selection options), strategic priorities and other non-financial objectives unique to each iwi.

2.2 Disclosure and acknowledgements

TDB Advisory has provided independent financial and investment advice over many years to many iwi, including Ngāi Tahu, Waikato-Tainui, Tūhoe and Rangitāne o Wairau. This report, however, is based solely on publicly available information.

We would like to acknowledge the valuable contributions of all the iwi who provided comments on the draft report. We would also like to particularly acknowledge the contributions of Angela Andersen, Rob Campbell and an anonymous referee who provided helpful comments on a draft of this report. As always, the commentators bear no responsibility for the final report.

3. Group structures

The process and mechanism by which an iwi is directed and controlled have significant implications for its investment strategies and performance. This section of the report summarises the organisational structure of the seven iwi examined in this report and the functions and responsibilities of the key entities within each iwi group.

3.1 Waikato-Tainui

Te Arataura o Waikato-Tainui was one of the first iwi to reach a Treaty settlement with the Crown.

Figure 4: Organisational structure, Waikato-Tainui



Figure 4 shows the group's organisational structure. Te Arataura o Waikato-Tainui, which will be referred to as Waikato-Tainui throughout this report, is responsible for overseeing the operations of the entire organisation. Waikato Raupatu Lands Trust manages tribal affairs, and also manages the group's

development and distribution strategy. Tainui Group Holdings (TGH) is the organisation's commercial arm.⁶ TGH manages the Trust's assets by implementing an investment strategy and holding an investment portfolio aligned with the Trust's requirements and responsibilities. TGH also manages Waikato-Tainui Fisheries Ltd which owns and leases fishing quotas and holds shares in Aotearoa Fisheries Ltd.

⁶ "Ko Waikato te iwi". *Waikato-Tainui*. Assessed August 27, 2015.

<http://www.waikatotainui.com/about-us/history/>

3.2 Ngāi Tahu

The overarching body representing the people of Ngāi Tahu is Te Rūnanga o Ngāi Tahu (Ngāi Tahu). The organisational structure of Ngāi Tahu is depicted in Figure 5.⁷

Figure 5: Organisational structure, Ngāi Tahu



Ngāi Tahu Holdings Corporation (NTHC) is an investment company of Ngāi Tahu Charitable Trust, of which Te Rūnanga o Ngāi Tahu is the sole trustee. NTHC, as a subsidiary, is tasked with efficient wealth creation using the Trust's existing assets, increasing shareholder equity for both the current and future generations,

and providing distributions to the Trust to facilitate social, cultural and environmental initiatives.

3.3 Port Nicholson Block

The Port Nicholson Block Settlement Trust (Port Nicholson Block) was established in August 2008 to

Figure 6: Organisational structure, Port Nicholson Block



receive and manage the settlement package for Taranaki Whānui ki Te Upoko o Te Ika. Port Nicholson Block Trust is responsible for the economic, social, cultural and environmental sustainability of the iwi. The Taranaki Whānui Commercial Board is the commercial arm

of the Trust, which itself is governed by four directors. The Commercial Board manages the Trust's investments and property portfolios under the Trust's ultimate direction.⁸

⁷ "Governance". Te Rūnanga o Ngāi Tahu. Accessed September 30, 2015. <http://ngaitahu.iwi.nz/te-runanga-o-ngai-tahu/>

⁸ "Who We Are". Port Nicholson Block Settlement. Accessed September 30, 2015. <http://www.pnbst.maori.nz/who-we-are/governance-trustees/>

3.4 Ngāti Porou

Te Rūnanganui o Ngāti Porou (Ngāti Porou) is the governing body of the Ngāti Porou iwi. As Trustee of

Figure 7: Organisational structure, Ngāti Porou



the iwi, it is responsible for Ngāti Porou Holding Company, Toitu Ngāti Porou and Ngāti Porou Hauora. The group's organisational structure is illustrated in Figure 7.⁹ Ngāti Porou Holding Company (NPHC) is the commercial arm of Ngāti Porou. It is responsible for the management of the Trust's assets and the creation of financial returns, some of which are distributed to beneficiaries within the iwi. NPHC also manages Ngāti Porou Seafoods Group and Pakihiroa

Farms. Toitu Ngāti Porou is responsible for the cultural management and wealth distribution to the iwi. Ngāti Porou Hauora provides health services to the iwi.

3.5 Ngāti Whātua Ōrākei

Following the Treaty of Waitangi claim settlement in 2012, Ngāti Whātua o Ōrākei Māori Trust Board

Figure 8: Organisational structure, Ngāti Whātua



set about establishing a new governance model, which saw its name change to Ngāti Whātua Ōrākei Trust (Ngāti Whātua Ōrākei) and the scope of its responsibilities redefined. Ngāti Whātua Ōrākei is now the governing body of the Ngāti Whātua Ōrākei hapu. The organisational structure is illustrated in Figure 8. The Trust operates at a strategic level with Whai Rawa Limited (WRL) and Whai Maia Limited (WML) as

its subsidiaries. WRL is a property development and investment company which manages Ngāti Whātua Ōrākei's commercial assets to generate financial returns for the sustainability of the iwi and to support the tribal development goals of WML. WML is a charitable trust that is focused on tribal development in areas of employment and education, health and wellbeing, tourism, arts and culture and managing key relationships.¹⁰

⁹ "Our governance". *Te Rūnanganui o Ngāti Porou*. Accessed September 15, 2015. <http://www.ngatiporou.com/nati-biz/who-we-are/our-governance>

¹⁰ "Structure and Subsidiaries". *Ngāti Whātua Ōrākei Trust*. Accessed September 4, 2015. <http://www.ngatiwhatuaorakei.com/ngati-whatua-orakei/trust-board/>

3.6 Rangitāne o Wairau

Te Rūnanga a Rangitāne o Wairau (Rangitāne o Wairau) is one of the many smaller iwi that signed its

Figure 9: Organisational structure, Rangitāne o Wairau



Treaty settlement in recent years. Its organisational structure is illustrated in Figure 9. Rangitāne o Wairau is the governing body of the iwi, with Rangitāne Holdings Ltd (RHL) and Rangitane Investments Ltd (RIL) as its commercial arms. RHL and RIL share the same board and are tasked jointly with the financial

management of Rangitāne’s assets.¹¹ They share a single investment strategy and management team. RHL and RIL provide the Trust with income to carry out its strategic objectives and imperatives.

3.7 Tūhoe

Tūhoe Te Uru Taumatua (Tūhoe) is the iwi organisation of the Tūhoe Tribals. The iwi’s organisational

Figure 10: Organisational structure, Tūhoe



structure is depicted in Figure 10. Tūhoe manages iwi level strategy, policy and action. The investment committee is responsible for advising the Trust and managing its investment fund. Tūhoe also has Tūhoe Charitable Trust and Tūhoe Fisheries Quota Limited as its subsidiaries. Tūhoe Charitable Trust is the distribution arm of Tūhoe. Its goal is to initiate and then distribute benefits to

Tūhoe. Tūhoe Fisheries Quota Limited manages Tūhoe fisheries settlement assets which include quota and income shares in Aotearoa Fisheries Limited.¹²

4. Investment strategies

This section discusses the investment strategies of the seven iwi reviewed in this report. We discuss each iwi’s asset allocations and comment on the degree of diversification of its portfolio, its management approach and its investment financing practices.

Diversification among asset classes works by spreading investments among various assets (e.g. New Zealand equities, international equities, bonds, cash, T-bills, real estate, etc.) with returns that are not

¹¹ “Rangitāne Organisations - Structure/Governance/Management”. *Te Runanga A Rangitāne O Wairau Trust*. Assessed August 27, 2015.

<http://www.Rangitāne.org.nz/organisations.asp>

¹² “The Organisation”. *Tūhoe Te Uru Taumatua*. Accessed October 10, 2015.

<http://www.ngaituhoe.iwi.nz/organisation>

perfectly correlated with each other. Diversification allows the investor to reduce risk in the portfolio, because the value of different assets move up and down at different times and at different rates. Thus, having a portfolio that is diversified across different assets creates more stability in overall returns and can improve overall portfolio performance.

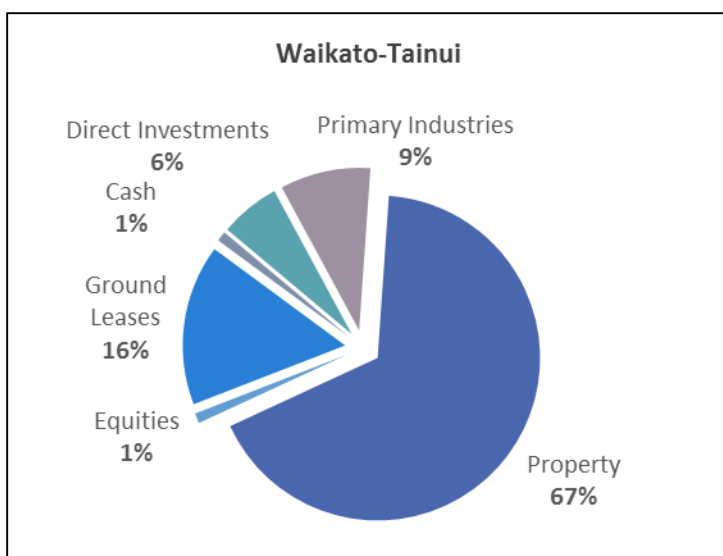
The management approach of the iwi is classified as either ‘active’ or ‘passive’. Active management, in the context of this report, is defined as investments where the management is directly involved in the management of the assets such as by actively buying and selling the assets or by being involved in the operation of the business. Passive management is defined as investment where the investor is not involved in active trading (such as index funds) or where the investor has a non-controlling stake.

The degree to which the iwi investments are financed by equity and debt can also affect the riskiness of the strategy and the returns. A highly-leveraged (i.e. high debt) portfolio increases the riskiness of the investment and restricts the ability of the investor to invest in assets that do not yield regular cash flows. We measure ‘financial leverage’ by using the debt-to-capital ratio¹³ from the iwi’s annual reports.

4.1 Waikato-Tainui

Waikato-Tainui’s financial and commercial redress in 1995 amounted to \$170m and included cash and land at market value. Waikato-Tainui’s current investment portfolio is illustrated in Figure 11. As

Figure 11: Asset allocation, Waikato-Tainui (2015)



shown in the pie chart, Waikato-Tainui is primarily invested in property, as has been the case over the last 15 years.¹⁴ Waikato-Tainui also has investments in primary industries and a relatively small pool of direct equities, including investments in Waikato Milking System and Go Bus.

The heavy weighting towards the property sector results in a lack of diversification in the portfolio. Waikato-Tainui is planning to diversify its portfolio through investment in a broad range of direct investments with growth potential.¹⁵ Its focus is on

¹³ Debt to Capital Ratio = $\frac{\text{Term debt}}{\text{Term debt} + \text{Equity}}$

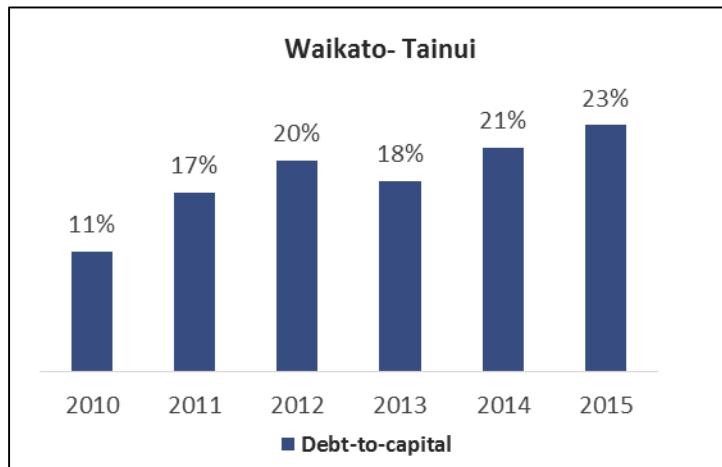
¹⁴ “Puurongo-aa-tau o Waikato-Tainui 2015 “. *Waikato-Tainui*. Accessed August 20, 2015. p.10.
<http://versite.co.nz/~2015/18222ar/files/assets/common/downloads/18510%20Ko%20Te%20Mana%20Maatauranga.pdf>

¹⁵ Waikato-Tainui (2015), op. cit. p.14.

freeing up capital from existing building developments in the property sector (e.g. The Base retail shopping centres) and acquiring equity positions in a wider range of companies.

The investment management approach is classed as largely active due to the intensive management

Figure 12: Financial leverage, Waikato- Tainui



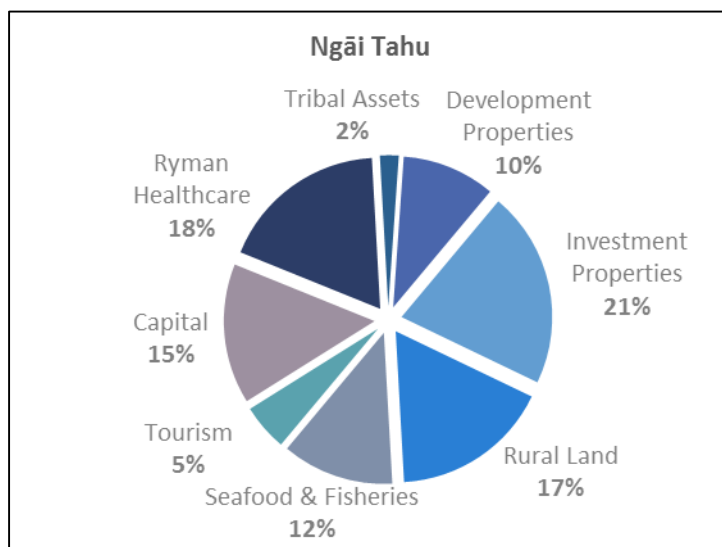
requirements and monitoring costs associated with property development and investment.

Figure 12 shows Waikato-Tainui's financial leverage. As shown in the graph, Waikato-Tainui's debt-to-capital ratio has increased steadily since 2010. In 2015, approximately a third of WRLT investments were debt-financed.

4.2 Ngāi Tahu

Ngāi Tahu, as a part of its settlement package in 1997, received \$170m in cash. Ngāi Tahu was also given the option of purchasing a range of Crown assets in order to generate income for social development and asset-preservation purposes.

Figure 13: Asset allocation, Ngāi Tahu (2015)



development and asset-preservation purposes.

Ngāi Tahu's investment portfolio has evolved over time. Its current asset allocation is depicted in Figure 13. Ngāi Tahu's portfolio includes a range of asset classes. While property investment, property development and rural land make up almost half of its overall investment, Ngāi Tahu has also built up direct equity investments in Ryman Healthcare and in the seafood and fisheries industry.

With the exception of the investment in Ryman Healthcare, Ngāi Tahu has largely adopted an active investment strategy. Ngāi Tahu Capital oversees its investment in Ryman Healthcare and its capital investments. Ngāi Tahu Property manages property investment and development. Ngāi Tahu Seafood is delegated the management of the fisheries assets.

Figure 14: Financial leverage, Ngāi Tahu

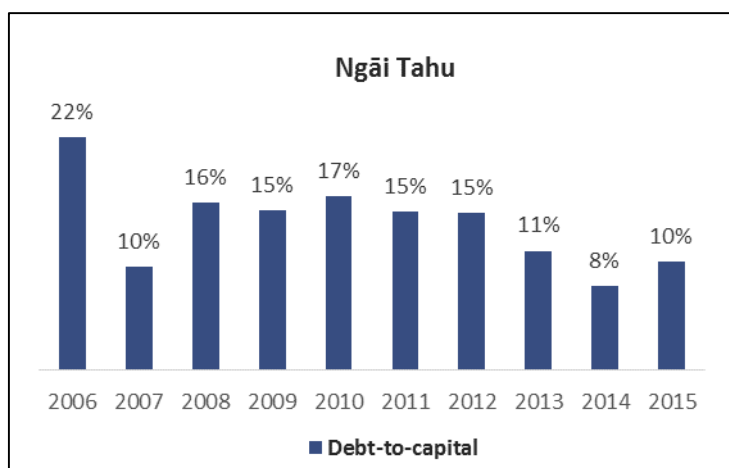


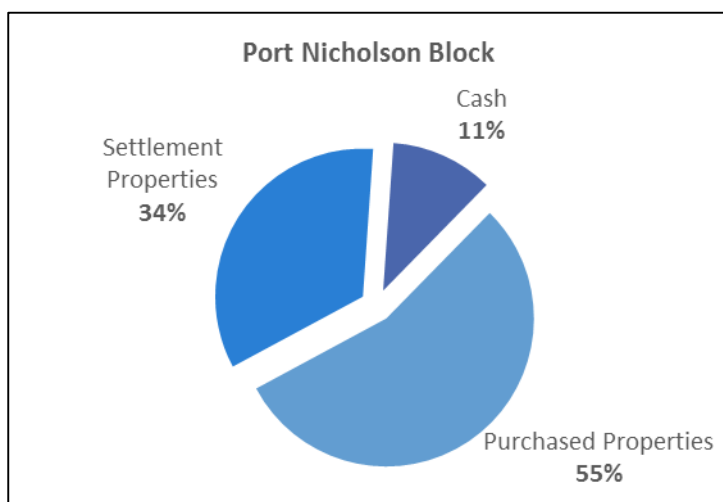
Figure 14 below shows the history of Ngāi Tahu’s debt-to-capital ratio. The debt to capital ratio was 22% in 2006 but has declined significantly to 10% in 2015. The decline has been driven by increases in Ngāi Tahu’s equity rather than declines in the absolute value of its debt. Ngāi Tahu currently has \$133m of term debt.

4.3 Port Nicholson Block

Port Nicholson Block signed a financial settlement of \$25m in 2008. In addition to the cash settlement, the iwi received:

- sale and lease back options, under which Port Nicholson Block was able to purchase certain Crown-owned properties and lease them back to the Crown;
- rights of first refusal, which resulted in the iwi having the right of first refusal to purchase certain Crown-owned properties at market value; and
- deferred selection rights, under which Port Nicholson Block had the option to purchase certain Crown-owned properties within two years of the settlement date.¹⁶

Figure 15: Asset allocation, Port Nicholson Block



Port Nicholson Block’s current asset allocation is depicted in Figure 15 – all of its non-cash investments are in properties. The three largest settlement properties were properties in Thorndon Quay, Wainuiomata College and Wainuiomata Intermediate. Port Nicholson Block also exercised its deferred selection option to purchase properties owned by the New Zealand Defence Force and the Department of Corrections in Shelly Bay.

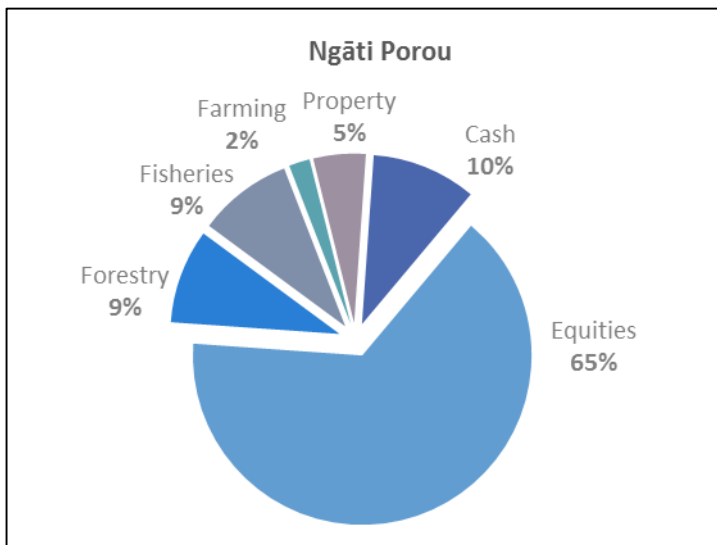
¹⁶ “Summaries of Settlement”. Office of Treaty Settlements. Accessed October 19, 2015. <http://www.ots.govt.nz/>

The concentration of property in the Port Nicholson Block investment portfolio indicates a lack of diversification. Port Nicholson Block is highly exposed to the volatility of property values in the Wellington region. The property investments are mainly composed of leases and these leases are not very management intensive. Therefore, we classify the Port Nicholson Block’s management approach as largely passive. Port Nicholson Block does not have any term debt.

4.4 Ngāti Porou

In 2010, Ngāti Porou received a financial settlement of \$110m, which included \$90m in financial and commercial redress and \$20m in cash as cultural redress.

Figure 16: Asset allocation, Ngāti Porou (2015)



Prior to the settlement in 2010, Ngāti Porou was primarily invested in fisheries. In 2012, Ngāti Porou established NPHC as its commercial arm which has since then implemented a new investment strategy. Its current asset allocation is depicted in Figure 16.

As shown in Figure 16, investment in equities dominates Ngāti Porou’s portfolio, accounting for 65% of total capital. The management of the equity

investments is outsourced to fund managers, such as Milford Asset Management and BlackRock Investment Management, which hold a diverse range of assets, including investments in Trans-Tasman equities, developed market equities, emerging market equities, inflation-sensitive assets and deflation assets.¹⁷ Ngāti Porou also holds 10% of its investment capital in cash, while quota shares and Aotearoa Fisheries Limited shares make up 9% of its investments. Ngāti Porou also has investments in property, farming and forestry.

¹⁷ “Annual Report 2015”. *Te Rūnanganui o Ngāti Porou*. Accessed November 22, 2015.

<http://www.ngatiporou.com/sites/default/files/publication/download/TRN019%20Annual%20Report%20WEB%20%283%29%20LR.pdf>

Figure 17: Financial Leverage, Ngāti Porou

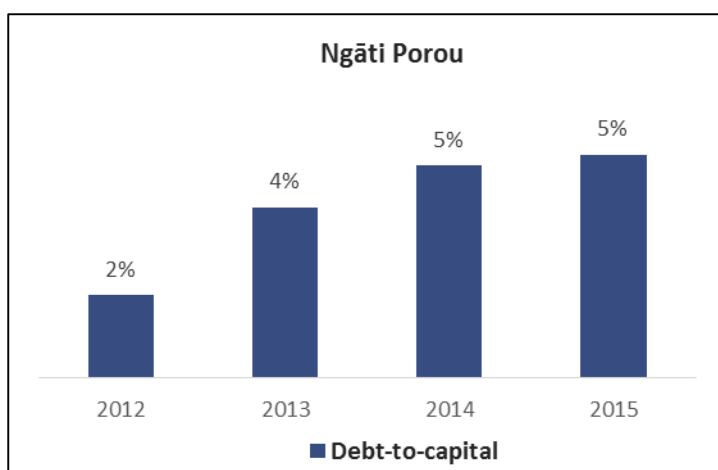
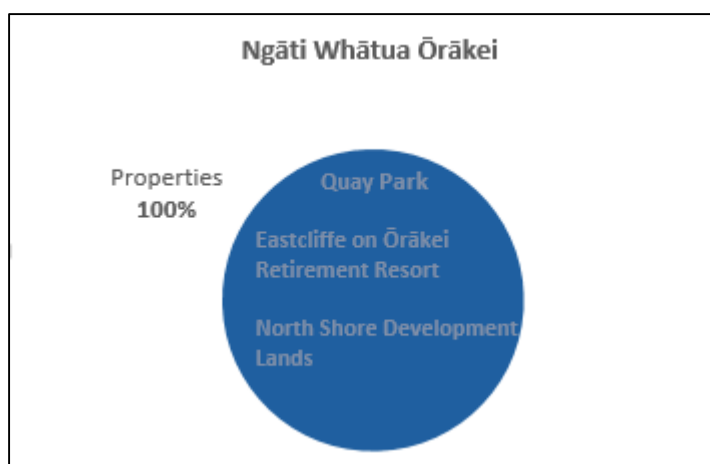


Figure 17 shows the history of Ngāti Porou’s debt-to-capital ratio. As shown in the figure, Ngāti Porou has very little term debt on its book. With \$11m in term debt, Ngāti Porou’s debt-to-capital ratio stands at 5%.

4.5 Ngāti Whātua Ōrākei

Ngāti Whātua Ōrākei received financial redress to the value of \$18m (plus interest) in its settlement

Figure 18: Asset allocation, Ngāti Whātua Ōrākei (2015)



in 2012. Using a combination of its own funds and its settlement assets, Ngāti Whātua Ōrākei purchased property in the North Shore and other parts of Auckland.

Ngāti Whātua Ōrākei’s investment portfolio is depicted in Figure 18.¹⁸ Properties are the only asset Ngāti Whātua Ōrākei is invested in. Currently, it owns 167 hectares of land within 8.5 kilometres of the Auckland CBD.¹⁹ Some of these properties include:

- Quay Park, which has 29 ground leases including the Vector Arena, Countdown supermarket, apartment blocks, other apartments and commercial buildings;
- Eastcliffe on Ōrākei Retirement Resort at 217 Kupe Street, Ōrākei; and
- North Shore Development Lands. Ngāti Whātua Ōrākei purchased 28ha of North Shore land from the Crown as part of the WAI388 Claim.

¹⁸ “Annual Report 2015”. Ngāti Whātua Ōrākei. Accessed November 11, 2015.

http://issuu.com/orakei/docs/nga022_trust_ar_2015_fins_v3a/1

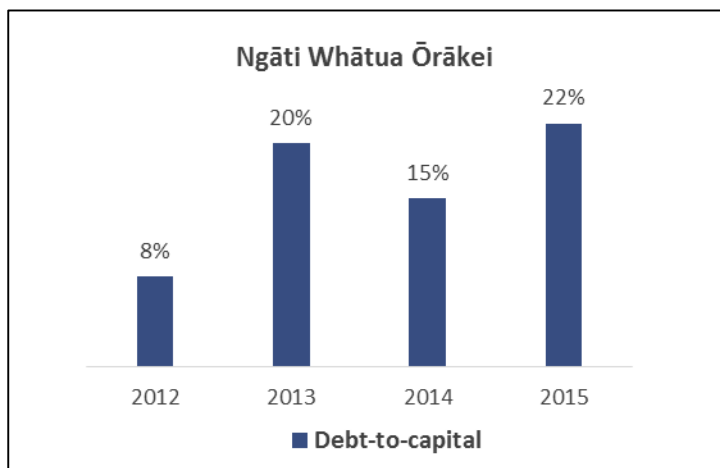
¹⁹ “Development & Holdings”. Ngāti Whātua Ōrākei Whai Rawa Limited. Accessed November 11, 2015.

<http://www.ngatiwhatuaorakei.com/whairawa/development/>

Ngāti Whātua Ōrākei’s investment strategy - as shown in Figure 18 - is concentrated in the Auckland property market. The portfolio is undiversified (solely property) and exposes Ngāti Whātua Ōrākei to the fluctuations in the Auckland property market.

The concentration on property development and investment assets is indicative of an active investment portfolio.

Figure 19: Financial leverage, Ngāti Whātua Ōrākei

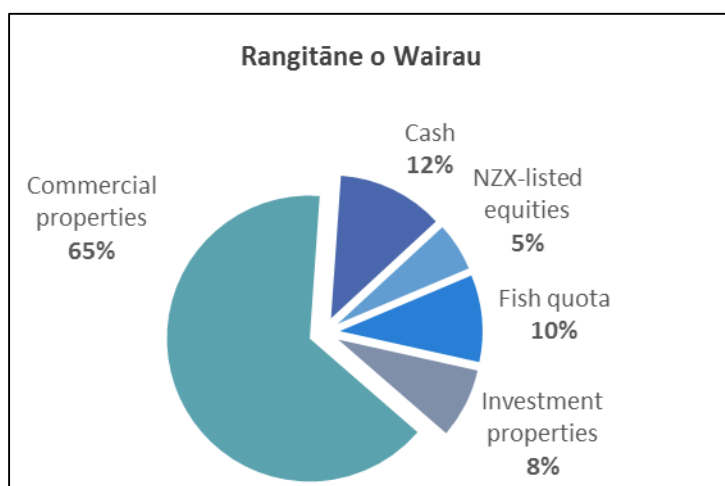


Ngāti Whātua Ōrākei’s financial leverage over the past four years is depicted in Figure 19. Ngāti Whātua Ōrākei’s debt-to-capital ratio increased significantly in 2013 when it took on additional debt of \$68m. Ngāti Whātua Ōrākei’s debt-capital ratio has increased to 22% in the 2015 financial year with total term debt of \$152m.

4.6 Rangitāne o Wairau

Rangitāne o Wairau’s settlement in 2010 comprised financial and commercial redress totalling

Figure 20: Asset allocation, Rangitāne (2015)



\$25.4m. This included \$12.2m in lieu of licensed Crown forest land and accumulated rentals. Rangitāne has used its opportunity for deferred selections to purchase Crown-owned properties with Crown entities as tenants.

Rangitāne o Wairau’s investment portfolio is shown in Figure 20. Commercial and investment properties make up 73% of its investment portfolio. Rangitāne o Wairau’s commercial properties

largely comprise leasehold land for schools around the top of the South Island.²⁰ Cash and fish quotas

²⁰ “2015 Annual report”. *Te Runanga A Rangitāne o Wairau Trust*.p.18. Retrieved from: <http://www.rangitane.org.nz/resources/>

make up 12% and 10% of the portfolio respectively. Rangitāne o Wairau also holds minority interests in NZX-listed equities, including shares in Meridian Energy Limited and Mighty River Power Limited.

Rangitāne o Wairau’s settlement was relatively recent. As is typical for many early stage post-settlement iwi, Rangitāne o Wairau’s portfolio is relatively undiversified. Despite the heavy weighting towards commercial properties, Rangitāne o Wairau’s management approach is largely passive as its leasehold land portfolio requires relatively little management. Rangitāne o Wairau has no term debt on its balance sheet.

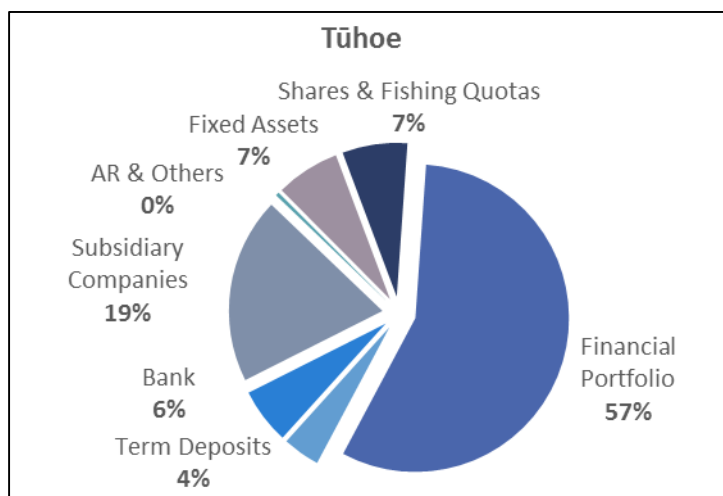
4.7 Tūhoe

Tūhoe signed a financial settlement for approximately \$170m in 2014. In addition to the cash settlement, the iwi received:

- sale and lease back options, under which Tūhoe has the opportunity to purchase five Crown owned properties within a defined selection period; and
- exclusive rights of first refusal over Crown-owned properties located within a specified area for 172 years from the settlement date.²¹

Tūhoe’s current investment portfolio is depicted in Figure 21. As shown in the pie chart, financial

Figure 21: Asset allocation, Tūhoe (2015)



assets account for 57% of total capital.

The financial portfolio is managed by mutual fund managers, First NZ Capital and AMP Capital.²² Tūhoe has approximately \$170m invested with the two fund managers. The financial portfolio is largely made up of investments in global shares, term deposits, NZ bonds, global bonds and Australian shares.

Tūhoe also has a \$59m share of the Central North Island (CNI) Iwi Holdings Trust’s net assets. CNI Iwi Holdings

Trust is an asset holding company that holds land interests in Kaingaroa. Tūhoe’s investment in Aotearoa Fisheries Ltd’s shares and fishing quotas are valued at \$10m and \$5m respectively.

²¹ “Summaries of Settlement”. Office of Treaty Settlements. Accessed October 19, 2015. <http://www.ots.govt.nz/>

²² “He Korona Whakataena- 2015 Annual Report”. Tūhoe Te Uru Taumatua. Accessed October 10, 2015. p.39. <http://www.ngaituhoe.iwi.nz/organisation>

Tūhoe has a well-diversified investment portfolio. Funds under the management of First NZ Capital are managed passively with investments primarily in portfolios that track the market indices. The investment approach of AMP Capital is unclear from Tūhoe's Annual Report.

Tūhoe is entirely financed by equity capital and currently has no debt on its books.

5. Investment performance

This section of the report discusses the financial performance of the seven iwi. The analysis begins with a brief discussion of each iwi's total assets and net worth. To measure the investment performance of each iwi, we have used the standard accounting metrics of return on assets (RoA) and return on equity (RoE) with minor adjustments. The adjustments are necessary to reflect the differing structures of each iwi. Some iwi have received additional cash settlements from the Crown, typically in the form of relativity payments, that affect the performance metrics.²³ To permit more meaningful comparisons across the iwi, we have excluded additional settlements in the calculations of RoA and RoE.

RoA is an indicator of how efficiently the iwi has used its assets to generate earnings. RoA is calculated by dividing the iwi's total comprehensive income - net of any relativity payments with interest expense and distributions made to the iwi beneficiaries added back in - by its average assets. The following formula has been used in the calculation of RoA:

$$\text{RoA} = (\text{Total Pretax Comprehensive Income} + \text{Distributions} + \text{Interest Expense} - \text{Relativity payments}) / (\text{Average Assets})$$

To account for the differing capital structures and distribution policies, we have also computed a RoE using the following formula:

$$\text{RoE} = (\text{Total Comprehensive Income} + \text{Distributions} - \text{Relativity Payments}) / (\text{Average Net Worth})$$

The formulas above allow us to remove the effects of additional settlements from the Crown on each iwi's net income and measure only the returns generated by the use of the iwi's capital in that particular period. In addition, we have added back any distributions made by the Trust to reflect the total return on capital to the beneficiaries.²⁴

The returns presented are for each iwi Group as a whole and are after deducting the respective Trusts' operating expenditures. The returns for the commercial entities of the iwi will be somewhat higher than are presented below as they will include the distributions to the parent entity (the Trust). However most iwi do not publish separate financial statements for their commercial arms. The returns

²³ The relativity mechanism guarantees some iwi that if the value of all Treaty settlements between 1994 and 2044 ends up being more than \$1 billion measured in 1994 dollar terms, then the iwi is entitled to payments from the Crown to ensure its position is maintained relative to other claimants that have settled Treaty claims.

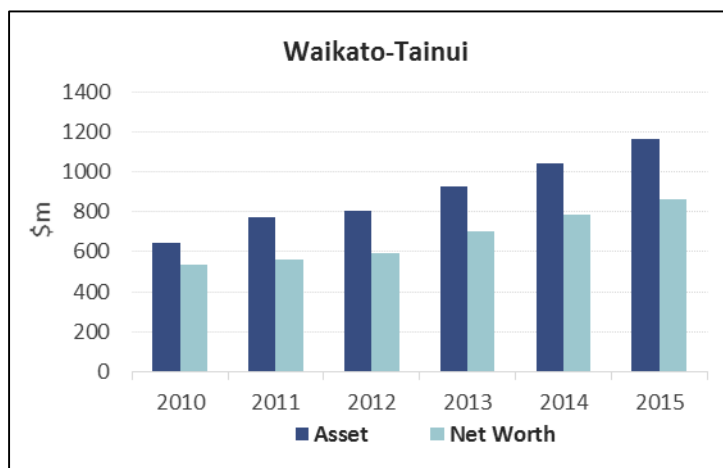
²⁴ Adjustments have been made based on the information disclosed in each iwi's annual reports in relation to relativity payments and distributions.

of the iwi will also be understated to the extent that they do not revalue upwards some assets (eg some land or other assets that they intend to hold in perpetuity).

5.1 Waikato-Tainui

As at 30 June 2015, Waikato-Tainui’s net worth was \$862m and its total assets were valued at

Figure 22: Asset base, Waikato-Tainui

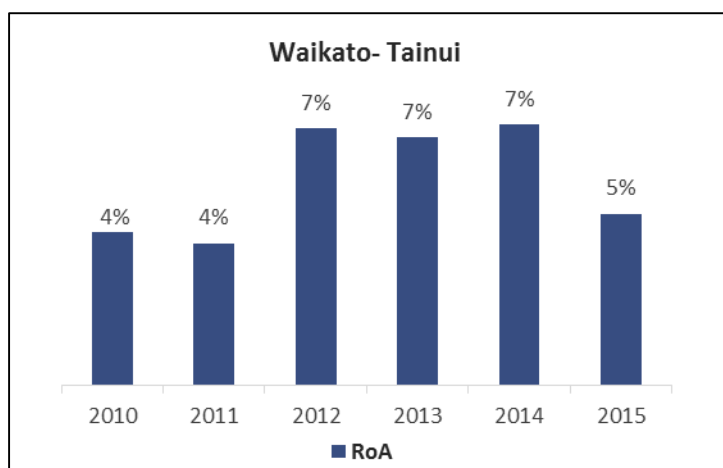


\$1,164m. Figure 22 graphs Waikato-Tainui’s year-ending assets and net worth for the past six years. As depicted in the chart, Waikato-Tainui’s assets have increased by \$520m over the last five years (from \$644m in 2010). Waikato-Tainui received relativity payments from the Crown in 2013, 2014 and 2015 of \$70m, \$21m and \$70m respectively. The relativity payments have contributed to the increase in Waikato-Tainui’s asset base and net worth. The difference

between the growth of assets and net worth is due to Waikato-Tainui’s increasing financial leverage (as discussed below).

Figure 23 below shows the RoA for Waikato-Tainui over the last six years. The RoA of 3.7% in 2011

Figure 23: RoA, Waikato-Tainui

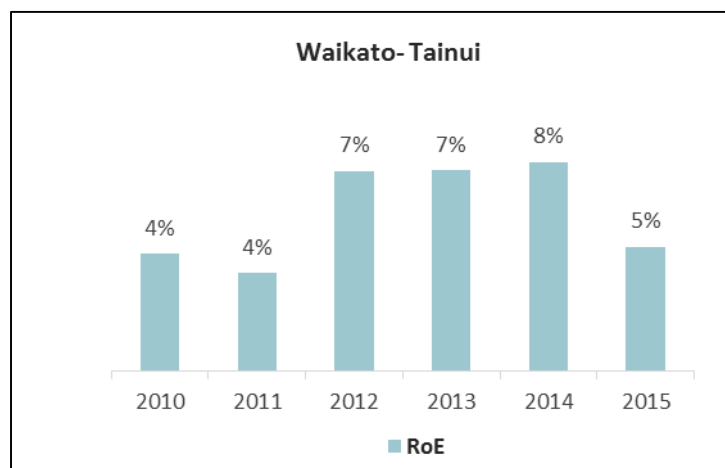


was a result of low returns from residential property sales, losses on property revaluations and high funding charges associated with property development.²⁵ Waikato-Tainui’s RoA has increased since then to around 7% over 2012 to 2014 but declined to 5% in 2015. Waikato-Tainui has averaged a RoA of 5.7% p.a. over the past 6 years.

²⁵ “Tainui Group Holdings Annual Report 2011”. Tainui Group Holdings. Accessed September 03, 2015. p.11. <http://tgh.co.nz/admin/documentlibrary/tgh2011annualreport.pdf>

Figure 24 graphs the return on equity for Waikato-Tainui. The RoE calculation is net of the capital injections from the relativity

Figure 24: RoE, Waikato- Tainui



payments in 2013, 2014 and 2015. It includes Waikato-Tainui's distributions to the iwi beneficiaries.²⁶

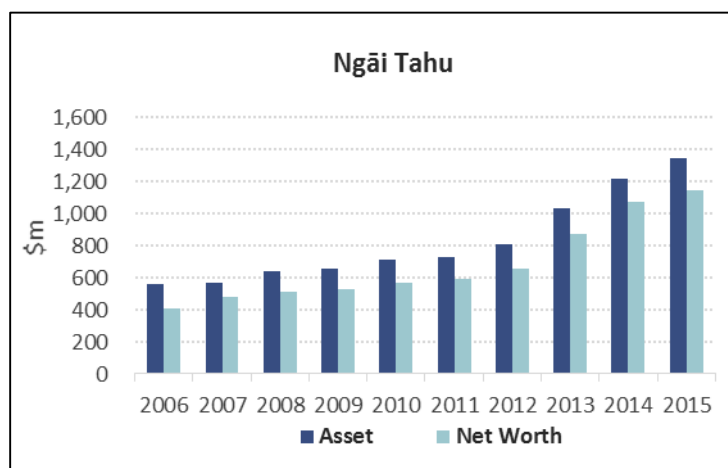
Distributions increased in 2015, driven by the \$70m relativity payment which financed a \$15m one-off grant for Marae development and other distributions. The RoE of 8% in 2014 was driven by a solid performance from TGH which recorded revenue of \$73m. The decrease in RoE to 5% in 2015 was influenced by unrealised

investment property gains. Waikato-Tainui's average RoE for the last 5 years has been 5.9% p.a.

5.2 Ngāi Tahu

Ngāi Tahu is one of the largest iwi organisations in NZ in terms of the value of its assets. Figure 25

Figure 25: Asset base, Ngāi Tahu



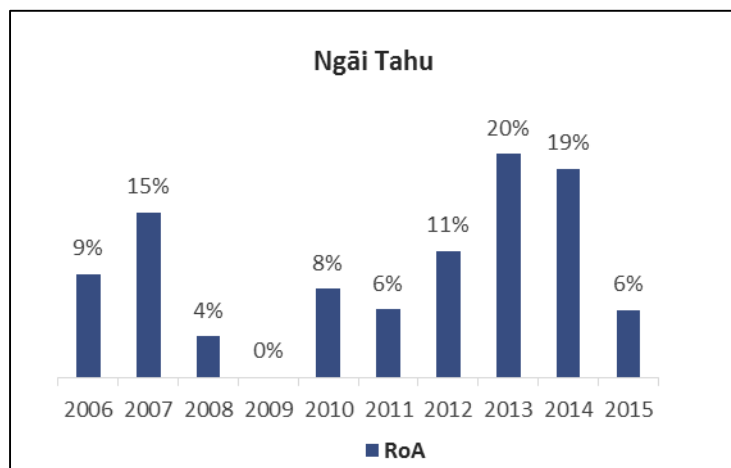
shows the growth of Ngāi Tahu's assets and net worth since 2006. The entity has more than doubled its asset base over the period from \$561m in 2006 to \$1,348m in 2015. With very little debt, Ngāi Tahu's net worth has grown significantly over this period. Ngāi Tahu has received numerous relativity payments from the Crown over the period with payments in 2013, 2014 and 2015 of \$69m, \$13m and \$29m respectively.²⁷ Ngāi Tahu's equity is currently valued at \$1,149m.

²⁶ Refer to Appendix 1 for details.

²⁷ Refer to Appendix 2 for details.

Figure 26 shows Ngāi Tahu’s historical and current RoA at a Group level.²⁸ Ngāi Tahu’s low RoA in 2006

Figure 27: RoA, Ngāi Tahu



was mainly driven by a write-down of assets in the seafood sector. Ngāi Tahu’s superior performance in 2013 was due to the rise in Ryman Healthcare’s share price, increased property market values and higher demand for New Zealand seafood from China.²⁹ Strong performances in residential property sales, high returns from farming operations and record high seafood results continued to drive a strong RoA in 2014. In 2015, a combination of a reduced capital gain on investment properties, a net capital loss on Ryman Healthcare shares, and a net loss on cash flow hedges saw Ngāi Tahu’s RoA decrease to 6%. Ngāi Tahu has averaged a RoA of 9.6% p.a. over the past 10 years.

Figure 26: RoE, Ngāi Tahu

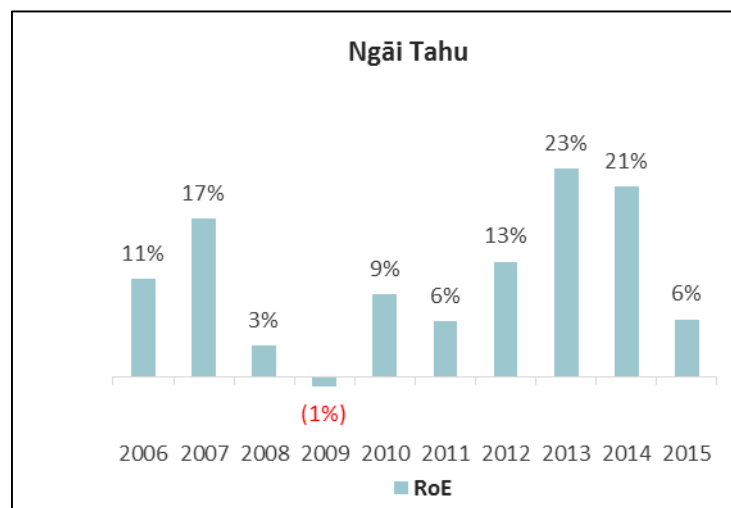


Figure 27 shows the return on equity for Ngāi Tahu since 2006. Ngāi Tahu has averaged 10.5% RoE over the last 10 years. Distributions to iwi beneficiaries have increased from \$10m in 2006 to \$21m in 2015.

As noted above, the returns of the iwi are understated to the extent that they do not revalue upwards some assets. This particularly affects Ngāi Tahu’s recently reported returns as it holds large amounts of seafood quota, and in particular crayfish, that

have increased in value significantly over the last few years.

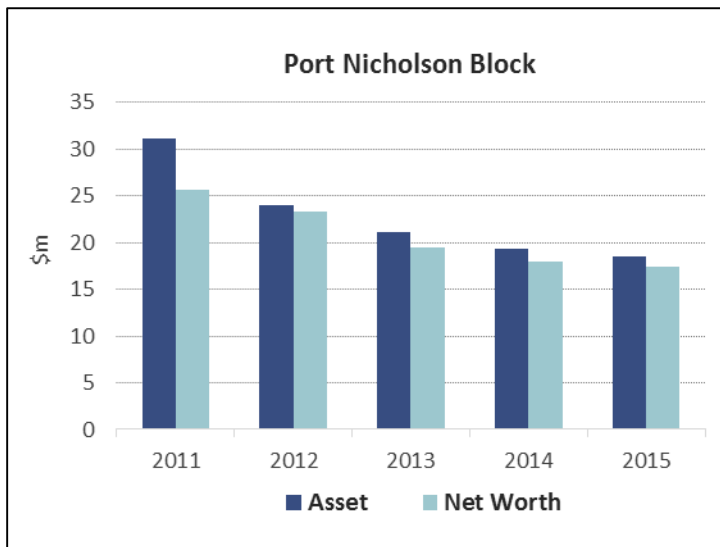
²⁸ As noted above, returns of the commercial entity will exceed the Group returns as the latter are calculated after deducting the Trust’s operating expenditures.

²⁹ “Annual Report 2013”. *Te Runanga o Ngāi Tahu*. Accessed August 20, 2015. p.23.

<http://ngaitahu.iwi.nz/wp-content/uploads/2013/10/ngai-tahu-annual-report-2013.pdf>

5.3 Port Nicholson Block

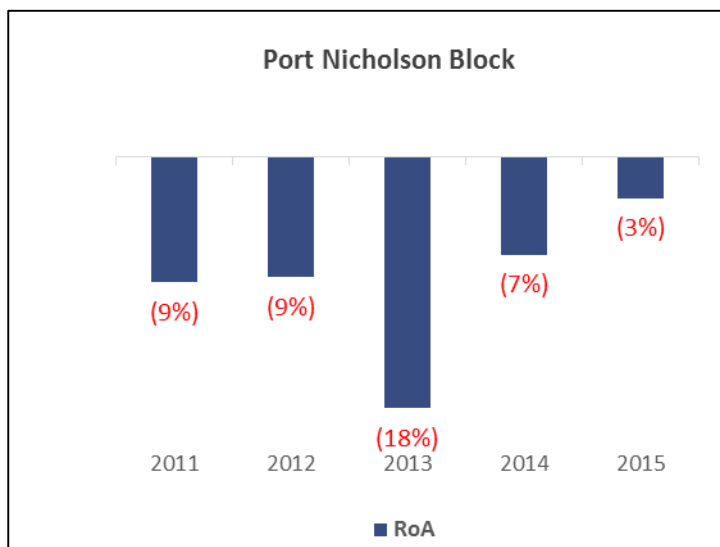
Figure 28: Asset base, Port Nicholson Block



Port Nicholson Block’s asset base, as shown in Figure 28 below, has declined steadily from 2011. Total assets have fallen from \$31m in 2011 to \$19m by the 2015 year-end. Their net worth has declined from \$26m to \$17m in 2015. The large decrease of \$7m in 2012 is due to the retirement of the Trust’s loan. Since 2011, Port Nicholson Block has been running at a net loss which has seen its asset base and net worth deplete over time.

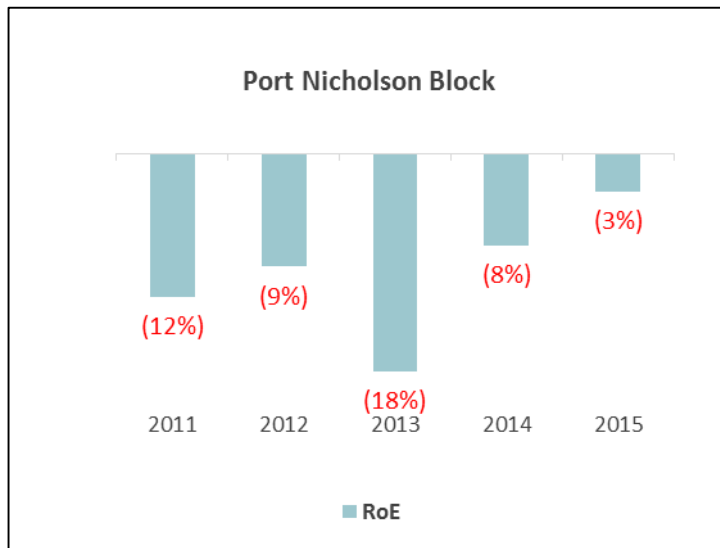
Figure 29 shows the Trust’s RoA for the last 5 years. The negative RoA for the Trust is due to the

Figure 29: RoA, Port Nicholson Block



continued underperformance of its investments and relatively high administration costs. The large decline in RoA in 2013 was due to losses in the fair values of its investment properties in Shelly Bay and Petone College. Port Nicholson Block has substantially reduced its administrative expenses since 2013 and seen its RoA increase. Further reductions in its administrative expenses in 2015 have improved Port Nicholson Block’s financial performance in 2015 but it still recorded a loss. The Trust has averaged a RoA of -9% p.a.

Figure 30: RoE, Port Nicholson Block

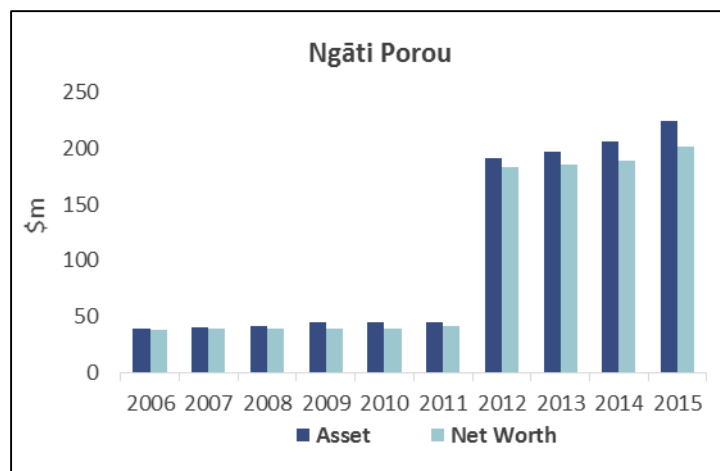


Port Nicholson Block’s RoE has been very similar to its RoA. As depicted in Figure 30, Port Nicholson Block’s RoE has been negative throughout the five-year period 2011 to 2015. The Trust has not paid out any distributions to its iwi beneficiaries over the period.³⁰ The RoE for Port Nicholson Block has averaged -10% p.a.

5.4 Ngāti Porou

Ngāti Porou’s balance sheet history is shown in Figure 31 below. In 2006, Te Ohu Kai Moana Trustee Limited approved Ngāti Porou as a mandated iwi organisation, and an allocation of fish quota, “quota-shortfall” cash, Aotearoa Fisheries Limited (AFL) shares and other cash was transferred at a fair value of \$29m.

Figure 31: Asset base, Ngāti Porou

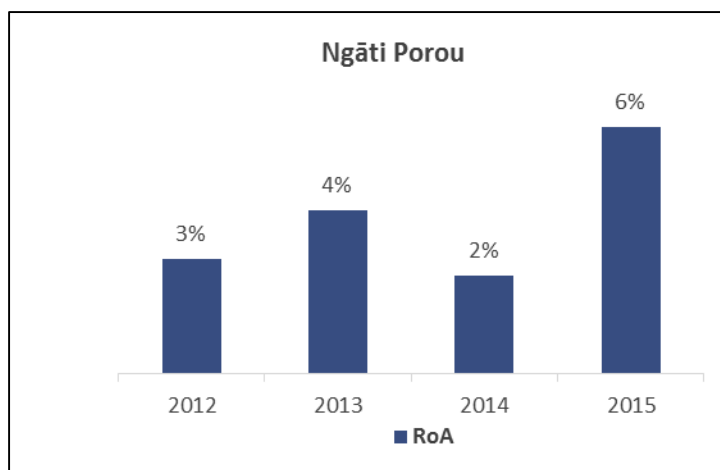


The large increase in Ngāti Porou’s assets and net worth in 2012 was due to the injection of \$116m from its treaty settlement. Ngāti Porou’s market value of assets was \$224m at 30 June 2015. Its net worth was \$201m.

³⁰ No information regarding distributions were disclosed in their annual reports.

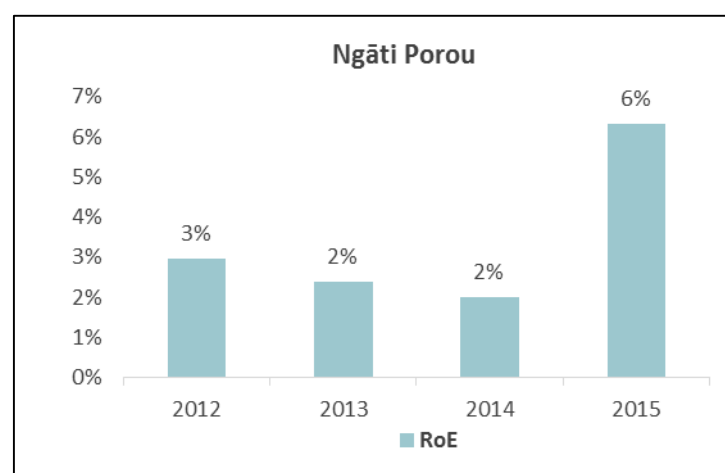
For the purposes of consistency, we focus on Ngāti Porou’s performance since the settlement in 2012.

Figure 32: RoA, Ngāti Porou



Ngāti Porou’s RoA is depicted in Figure 32. Historically, Ngāti Porou’s main source of revenue has been from service delivery. An increase in revenue from service delivery contracts saw its RoA increase in 2013. The increase in RoA in 2015 was primarily driven by a gain on revaluations of its financial assets portfolio of \$13m. Ngāti Porou’s RoA from 2012 to 2015 has averaged 3.8% p.a.

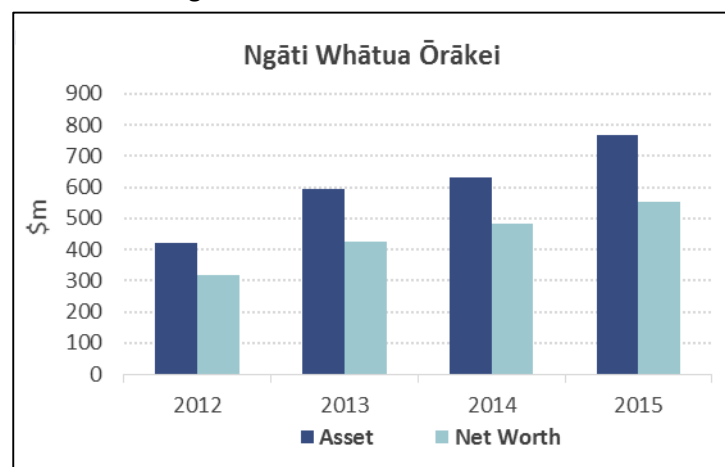
Figure 33: RoE, Ngāti Porou



Ngāti Porou’s RoE is shown in the graph below. The iwi has a low debt-to-capital ratio which implies low finance costs. Ngāti Porou’s RoE has been the same as its RoA for this reason. The only exception was 2013 when its RoE was low due to a taxation expense of \$2.6m. There have been no disclosures of distributions in Ngāti Porou’s financial statements. The iwi has averaged a RoE of 3.4% p.a. over the last four years.

5.5 Ngāti Whātua Ōrakei

The value of Ngāti Whātua Ōrakei’s assets and net worth are depicted in Figure 34 below. In 2012,

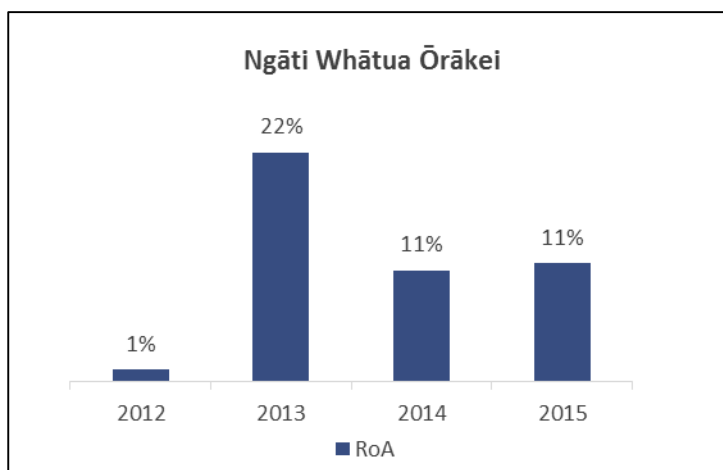


Ngāti Whātua Ōrakei’s assets were valued at \$401m, including a settlement of \$18m. In 2013, the total value increased substantially to \$593m. The increase reflected the purchase of seven surplus land parcels on the North Shore and rising property values coupled with improvements in portfolio

management.³¹ Ngāti Whātua Ōrākei’s assets increased by \$38m in 2014. Ngāti Whātua Ōrākei’s assets are currently valued at \$767m with net worth at \$553m.

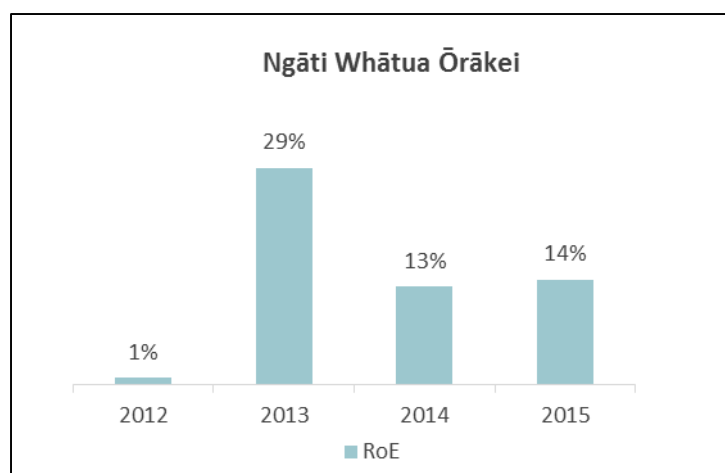
Ngāti Whātua Ōrākei’s RoA for the last four years is depicted in Figure 35 below. As shown in the diagram, 2013 was an exceptional year for the Trust. This was due to a substantial gain on an investment property revaluation of \$99m on its North Shore properties.

Figure 35: RoA, Ngāti Whātua Ōrākei



Total comprehensive income decreased to \$58m in 2014, resulting in a decrease in RoA to 11%. Ngāti Whātua Ōrākei’s RoA increased marginally in 2015 with the gains on property valuations in Auckland being offset largely by an increase in debt from \$84m to \$152m.³² Ngāti Whātua Ōrākei has averaged a 10.9% p.a. RoA over the last four years.

Figure 36: RoE, Ngāti Whātua Ōrākei



Ngāti Whātua Ōrākei’s RoE for the last four years is shown below. As depicted in Figure 36, RoE peaked in 2013. RoE was significantly larger than RoA in 2013 due to the additional debt of \$104m in its capital structure. Ngāti Whātua Ōrākei has also made distributions to its beneficiaries in the form of education grants, scholarships and programmes.³³ Ngāti Whātua Ōrākei’s RoE has average 13.7% p.a. over the last four years.

³¹ “Annual Report, 2013”. *Ngāti Whātua Ōrākei Trust*. Accessed September 8, 2015. p.10.

<http://www.ngatiwhatuaorakei.com/wp-content/uploads/2013/11/NGA012-Trust-AR-v10b.pdf>

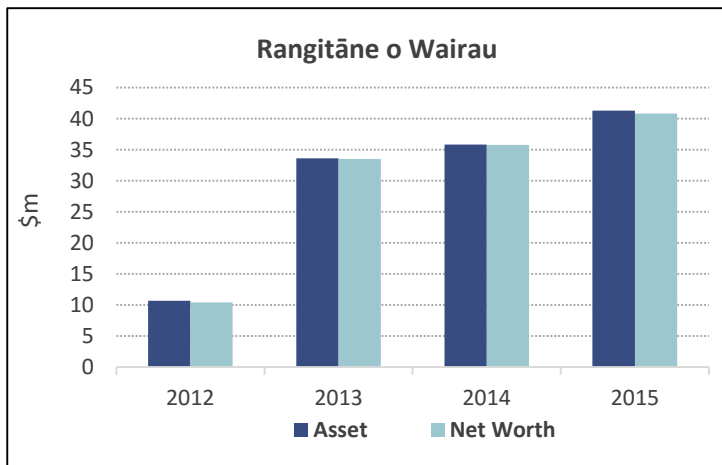
³² Refer to Appendix 5 for details on finance costs and debt.

³³ Refer to Appendix 5 for details on distributions

5.6 Rangitāne o Wairau

The value of Rangitāne o Wairau’s assets and net worth over the last four years is graphed in Figure

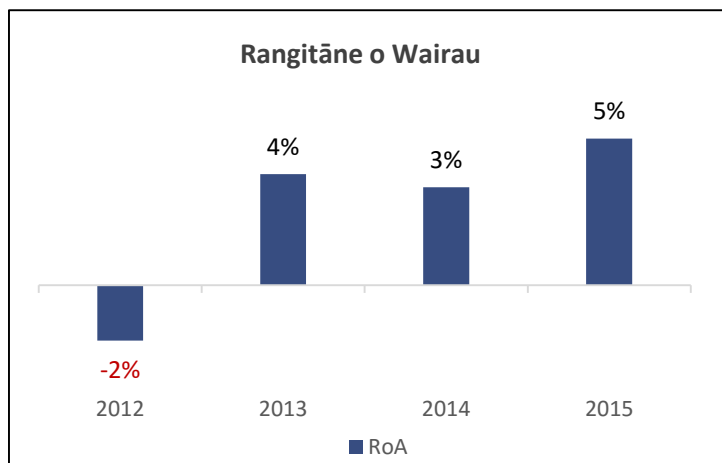
Figure 37: Asset Base, Rangitāne o Wairau



37. The iwi received a \$22m cash settlement in 2013 which saw its total assets increase significantly. Rangitāne o Wairau also received additional settlements in 2014 and 2015 of \$1.2m and \$3.5m respectively. The additional settlements and net surpluses from 2013 onwards have seen its asset base grow overtime. Rangitāne o Wairau’s assets are currently valued at \$41m. As it has no term debt its net worth is also valued at \$41m.³⁴

Rangitāne o Wairau’s RoA is presented in Figure 38. Rangitāne o Wairau had a surplus in 2012 of

Figure 38: RoA, Rangitāne o Wairau

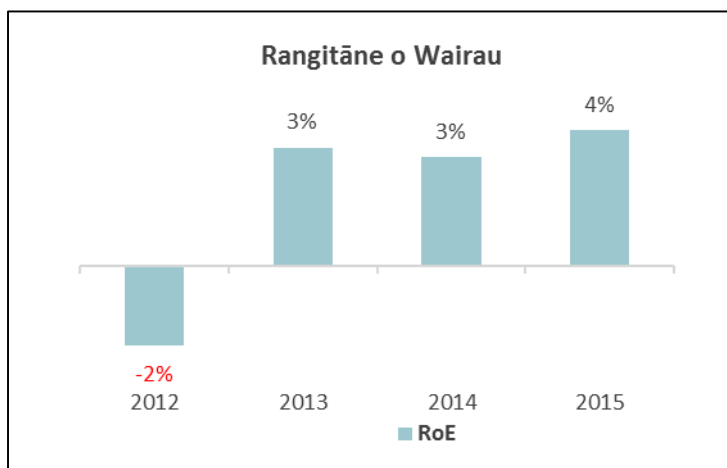


\$0.35m. Its net income, however, included an Aquaculture Treaty Settlement. To fairly measure performance, the settlement of \$0.6m has been excluded from the surplus for the period. The increase in RoA in 2013 was driven by an increase in rental and dividend income. Its assets returned 4% in 2013 net of treaty settlements. Rangitāne o Wairau’s RoA was 3% in 2014 and increased to 5% in 2015. The increase in RoA in 2015 was driven by an increase in

rental income from its properties and a gain in the fair value of its fish quotas. Rangitāne o Wairau’s average RoA over the last four years has been 2% p.a. Its low average RoA reflects in part its small size with its administration costs being high relative to its income.

³⁴ Refer to Appendix 6 for details on the balance sheet.

Figure 39: RoE, Rangitāne

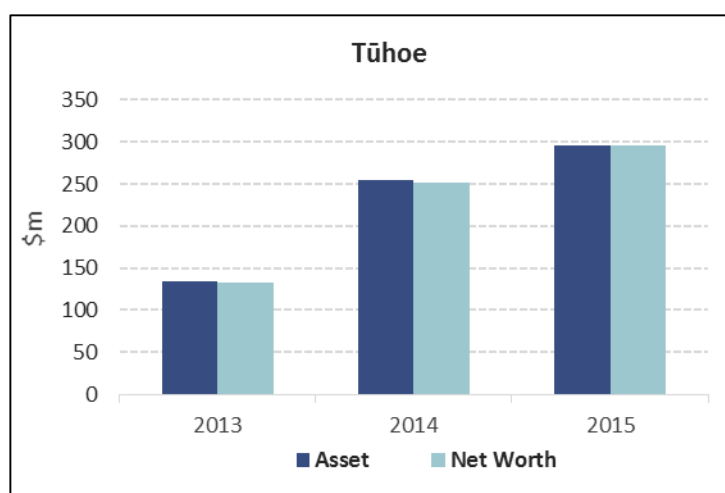


Rangitāne o Wairau makes distributions to its beneficiaries on an annual basis. Distributions in 2014 and 2015 were \$0.027m and \$0.028m respectively. Rangitāne o Wairau has averaged a RoE of 2% p.a. over the past four years with its RoE increasing gradually over the period.

5.7 Tūhoe

As depicted in Figure 40, Tūhoe’s assets and net worth are both currently valued at \$296m. Tūhoe

Figure 40: Asset base, Tūhoe



received settlements from the Crown in 2014 and 2015 of \$108m and \$26m respectively. The settlements have been the key contributor to rapid increases in its assets and net worth. In addition to the settlements, Tūhoe have also reported net surpluses in each of the past three years, which have also contributed to the growth in total assets and net worth.

Figure 41: RoA, Tūhoe

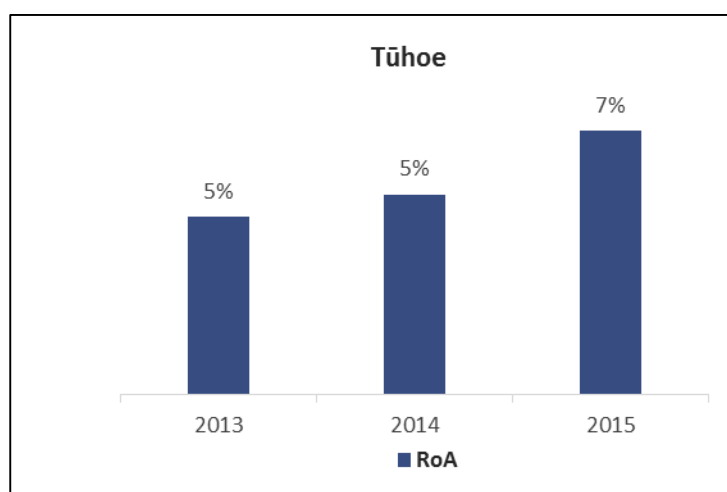
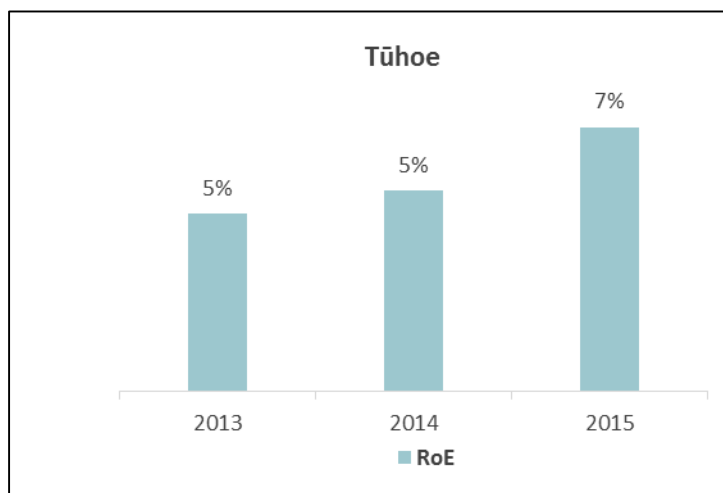


Figure 41 show Tūhoe’s RoA for the past three years. Tūhoe’s RoA has increased from 4.8% in 2013 to 7.2% in 2015. The increase in RoA in 2014 was due to a combination of increased interest income and a higher surplus from its CNI holdings. The increase in 2015 was primarily due to unrealised gains on its managed funds of \$12m

relative to \$3.1m in the previous year).³⁵ Tūhoe's RoA has averaged 5.8% p.a. over the past 3 years.

Figure 42: RoE, Tūhoe



Tūhoe's RoE has been the same as its RoA due to it having no term debt in its capital structure. Based on its annual reports, Tūhoe has not made any distributions to its iwi beneficiaries over the past three years. Its RoE has averaged 5.8% p.a. over the period.

6. Conclusions

This report has reviewed the corporate structures, investment strategies and investment performances of seven post-settlement iwi over recent years.

The corporate structures of the iwis were found to be broadly similar. Typically, a distinct commercial entity has been delegated with investment strategy and asset management. The returns from the commercial entity have helped finance the Trusts' administration and distribution expenditures.

The investments of most of the iwi reviewed in this report have focused primarily on the property sector (property development, property investment and ground leases) and primary industries (forestry, fisheries and seafood). The Treaty settlements of most of the iwi comprised cash, land and in some cases options of deferred selection over Crown property which could explain the similarities of investment across iwi groups. Another possible reason could be similarities in values and beliefs across iwi groups.

The investment performance of the iwi entities, on the other hand, has differed significantly, despite the similarities in corporate structures and asset allocations. The geographical locations of the iwi and the assets they purchased have had significant implications for the rates of return realised. The population of each region, its level of economic activity and fluctuations in the local property market have played significant roles in the rates of return achieved by each iwi. In addition, the levels of diversification and management expertise have also played important roles in investment performance, especially when the management approach has been active.

³⁵ "He Korona Whakataena- 2015 Annual Report". Tūhoe Te Uru Taumatua. Accessed October 10, 2015. p.34. <http://www.ngaituhoe.iwi.nz/organisation>

Annex 1: Summary of settlements³⁶

Treaty Settlements

Name	Redress Amount	Year of Deed	Year of Legislation
Ngāti Tuhoe	\$169m	2012	2014
Tāmaki Makaurau Collective Settlement		2012	2014
Ngāti Apa ki te Rā Tō	\$28m	2010	2014
Ngāti Kuia	\$24m	2010	2014
Rangitāne o Wairau	\$25m	2010	2014
Ngāti Kōata	\$11m	2012	2014
Ngāti Rārua	\$11m	2013	2014
Ngāti Tama ki Te Tau Ihu	\$12m	2013	2014
Te Ātiawa a Māui	\$11m	2012	2014
Ngāti Toa Rangitira	\$70m	2012	2014
Ngāti Rangiteaorere	\$1m	2013	2014
Ngāti Rangiwewehi	\$6m	2012	2014
Tapuika	\$6m	2012	2014
Maungaharuru Tangitu Hapū	\$23m	2013	2014
Raukawa	\$50m	2014	2014
Waitaha	\$8m	2011	2013
Ngāti Whātua o Kaipara	\$22m	2011	2013
Ngāti Whātua Ōrakei	\$18m	2011	2012
Ngāti Manuhiri	\$9m	2011	2012
Ngāti Makino	\$10m	2011	2012
Maraeroa A and B Blocks	\$2m	2011	2012
Ngai Tāmanuhiri	\$11m	2011	2012
Rongawhakaata	\$22m	2011	2012
Ngāti Manawa	\$12m	2009	2012
Ngāti Whare	\$10m	2009	2012
Ngā Wai o Maniapoto		2010	2012
Ngāti Porou	\$90m	2010	2012
Ngāti Pahauwera	\$20m	2010	2012
Ngāti Apa (North Island)	\$16m	2008	2010
Taranaki Whanui ki Te Upoko o Te Ika	\$25m	2008	2009
Central North Island Forests Iwi Collective	\$161m	2008	2008
Affiliate Te Arawa Iwi and Hapu	\$39m	2006, revised 2008	2008
Te Roroa	\$10m	2005	2008

³⁶ "Claims Progress". *Office of Treaty Settlements*. Accessed November 20, 2015.

<http://www.ots.govt.nz/>

Ngāti Mutunga	\$15m	2005	2006
Te Arawa (Lakes)	\$11m	2004	2006
Ngaa Rauru Kiitahi	\$31m	2003	2005
Tuwharetoa (Bay of Plenty)	\$11m	2003	2005
Ngāti Awa	\$42m	2003	2005
Ngāti Tama	\$15m	2001	2003
Ngāti Ruanui	\$41m	2001	2003
Te Uri o Hau	\$16m	2000	2002
Pouakani	\$3m	1999	2000
Ngāti Turangitukua	\$5m	1998	1999
Ngāi Tahu	\$170m	1997	1998
Te Maunga	\$0.13m	1996	
Rotoma	\$0.04m	1996	
Waimakuku	\$1m	1995	
Waikato-Tainui raupatu	\$170m	1995	1995
Ngati Whakaue	\$5m	1994	
Hauai	\$1m	1993	
Ngati Rangiteaorere	\$1m	1993	
Commercial Fisheries	\$170m	1992	1992
Waitomo	\$1m	1990	

Annex 2: Summary financials

Waikato-Tainui

Waikato-Tainui

Asset Allocation	2011	2012	2013	2014	2015	
Property					67%	
Equities					1%	
Ground Leases					16%	
Cash					1%	
Direct Investments					6%	
Primary Industries					9%	
<i>Total</i>					<i>100%</i>	
Financial Summary (\$m)	2010	2011	2012	2013	2014	2015
Assets	644	775	802	925	1040	1164
Net Worth	538	559	596	705	784	862
Debt	69	115	149	156	211	264
Current Liabilities	34	94	45	50	38	33
Income Statement (\$m)	2010	2011	2012	2013	2014	2015
Revenue	33	37	57	64	70	83
Distributions	4	4	7	7	6	22
Settlements Received	-	-	-	70	21	70
Finance Costs	5	8	13	14	14	17
Total Comprehensive Income	19	16	37	110	74	84

Ngāi Tahu

Ngāi Tahu

Asset Classes	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Development Properties										10%
Investment Properties										21%
Rural Land										17%
Seafood & Fisheries										12%
Tourism										5%
Capital										15%
Ryman Healthcare										18%
Tribal Assets										2%
<i>Total</i>										<i>100%</i>
Financial Summary (\$m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assets	561	567	645	657	715	730	809	1,032	1,219	1,348
Net Worth	412	480	514	527	570	591	658	877	1,075	1,149
Debt	118	53	98	95	114	106	117	113	94	133
Current Liabilities	31	34	33	32	25	26	24	38	50	60

Income Statement (\$m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	172	219	179	164	146	163	209	231	320	346
Distributions	10	8	13	10	12	11	15	17	17	21
Settlements Received	-	-	35	29	6	1	0	69	13	29
Finance Costs	8	6	5	6	5	8	8	10	7	8
Total Comprehensive Income	32	69	39	13	44	26	64	226	198	77

Port Nicholson Block

Port Nicholson Block

Asset Classes	2011	2012	2013	2014	2015
Cash					11%
Purchased Properties					55%
Settlement Properties					34%
<i>Total</i>					<i>100%</i>
Financial Summary (\$m)	2011	2012	2013	2014	2015
Assets	31	24	21	19	19
Net Worth	26	23	19	18	17
Debt	-	-	-	-	-
Current Liabilities	5	1	2	1	1
Income Statement (\$m)	2011	2012	2013	2014	2015
Revenue	1	1	1	1	0
Distributions	-	-	-	-	-
Settlements Received	-	-	-	-	-
Finance Costs	0	0	0	0	-
Total Comprehensive Income	(3)	(2)	(4)	(1)	(1)

Ngāti Porou

Ngāti Porou

Asset Classes	2012	2013	2014	2015
Cash				10%
Equities				65%
Forestry				9%
Fisheries				9%
Farming				2%
Property				5%
<i>Total</i>				<i>100%</i>
Financial Summary (\$m)	2012	2013	2014	2015
Assets	191	197	206	224
Net Worth	183	186	189	201
Debt	4	8	10	11

Current Liabilities	5	5	8	12
Income Statement (\$m)	2012	2013	2014	2015
Revenue	146	31	29	40
Distributions	-	-	-	-
Settlements Received	116	-	-	-
Finance Costs	0	0	1	1
Total Comprehensive Income	5	5	4	12

Ngāti Whātua Ōrākei

Ngāti Whātua Ōrākei

Asset Classes	2012	2013	2014	2015
Properties	100%	100%	100%	100%
Financial Summary (\$m)	2012	2013	2014	2015
Assets	422	593	631	767
Net Worth	317	424	482	553
Debt	28	105	84	152
Current Liabilities	65	56	60	59
Income Statement (\$m)	2012	2013	2014	2015
Revenue	52	35	41	43
Distributions	0.2	0.2	0.6	0.9
Settlements Received	19	0	-	-
Finance Costs	2	4	7	7
Total Comprehensive Income	21	106	58	71

Rangitāne o Wairau

Rangitāne o Wairau

Asset Classes	2012	2013	2014	2015
Cash				12%
NZX-listed equities				5%
Fish quota				10%
Investment properties				8%
Commercial properties				65%
<i>Total</i>				<i>100%</i>
Financial Summary (\$m)	2012	2013	2014	2015
Assets	11	34	36	41
Net Worth	10	34	36	41
Debt	-	-	-	-
Current Liabilities	0.2	0.1	0.1	0.5
Income Statement (\$m)	2012	2013	2014	2015
Revenue	1	2	3	5
Distributions	-	-	0.03	0.02
Settlements Received	1	22	1	4
Finance Costs	-	-	-	-
Total Comprehensive Income	0	23	2	5

Tūhoe

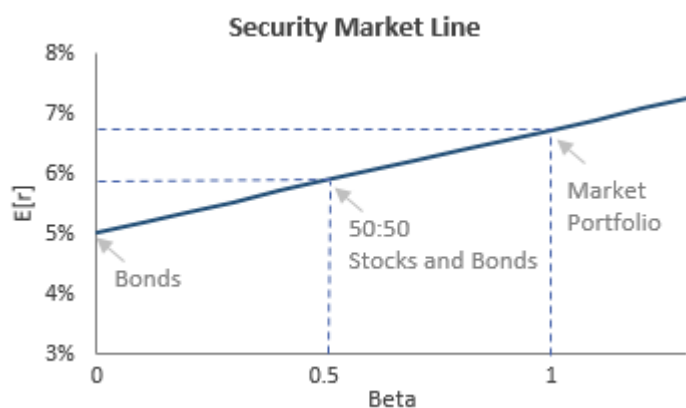
Tūhoe

Asset Classes	2013	2014	2015
Financial Portfolio			57%
Term Deposits			4%
Bank			6%
Subsidiary Companies			20%
AR & Others			0%
Fixed Assets			7%
Shares & Fishing Quotas			7%
Property			
<i>Total</i>			<i>100%</i>
Financial Summary (\$m)	2013	2014	2015
Assets	134	254	296
Net Worth	133	252	296
Debt	-	-	-
Current Liabilities	1	2	0
Income Statement (\$m)	2013	2014	2015
Revenue	5	8	9
Distributions	-	-	-
Settlements Received	-	108	26
Finance Costs	-	-	-
Total Comprehensive Income	6	119	45

Annex 3: Benchmark portfolio

We have constructed a simple reference portfolio to provide a benchmark for comparison of the iwis' investment performances. Our benchmark portfolio is made up of low-risk bonds (50%) and a diversified stake in New Zealand equities (50%) as seen in Figure 43 below.

Figure 43: Reference portfolio



The benchmark provides a simple standardised estimate that is calculated for the different time periods of data we have for each iwi. Calculating an appropriate reference portfolio for each individual iwi would need a detailed analysis of its circumstances, taking into account such factors as its risk appetite, time horizon, liquidity requirements and tax position.

Table 3: Summary of investment performance

Benchmark Returns					
Iwi	Period	Market return	Bond yield	Benchmark management fees	Benchmark return
Waikato-Tainui	2010-2015	12%	4%	(1%)	7%
Ngāi Tahu	2006-2015	5%	5%	(1%)	4%
Port Nicholson Block	2011-2015	12%	4%	(1%)	7%
Ngāti Porou	2012-2015	14%	4%	(1%)	8%
Ngāti Whātua Ōrākei	2012-2015	14%	4%	(1%)	8%
Rangitāne o Wairau	2012-2015	14%	4%	(1%)	8%
Tūhoe	2013-2015	18%	4%	(1%)	10%

As can be seen in Table 3 above, the benchmark return has varied across the different time periods as bond and share market returns have fluctuated. Our estimates of benchmark returns include a deduction of 1% for management fees.

Annex 4: Longer-term financial performance

This annex presents summary financial performance data for the seven iwi for the periods for which information is available.

Investment Performance			
Name	Disclosures available	Average RoA (% p.a.)	Benchmark return (% p.a.)
Waikato-Tainui	2010-2015	6%	7%
Ngāi Tahu	2006-2015	10%	4%
Port Nicholson Block	2011-2015	(9%)	7%
Ngāti Porou	2012-2015	4%	8%
Ngāti Whātua Ōrākei	2012-2015	11%	8%
Rangitāne o Wairau	2012-2015	2%	8%
Tūhoe	2013-2015	6%	10%

Ngāi Tahu, over a long period of time, has significantly outperformed our benchmark return. Ngāti Whātua Ōrākei has also performed well - the high returns can mostly be attributed to the growth of the Auckland property market and the iwi's endowment of Auckland property. Port Nicholson Block is the obvious outlier having made significant losses on average since 2011.