



TDB
ADVISORY

Iwi Investment Report 2017

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Disclosure and disclaimer

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

This report has been prepared by TDB with care and diligence. The analysis 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. We would like to acknowledge the valuable contributions of all the iwi who provided comments on the draft report. Neither TDB nor the iwi that have been reviewed in this report warrant or guarantee the accuracy of the information in this document. This report has been produced on a pro bono basis. The research is objective and TDB does not seek to make or infer any normative judgements on the governance or 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 some are quite recent so different time periods and time horizons will impact on the short-term financial results. In addition, the published financial information of the iwi does not take into account option values (e.g., rights of first refusal and deferred selection options), strategic priorities and non-financial objectives unique to each iwi.

Overview

This report reviews the corporate structures, investment strategies and investment performance of selected iwi across New Zealand. Overall, our analysis indicates a reasonably positive financial performance by the sector. All of the eight iwi covered in this report, including the two largest iwi in terms of total assets (\$) – Ngāi Tahu and Waikato-Tainui – have generated consistently positive returns over a number of years. However, over the last five years, only two iwi – Ngāi Tahu and Ngāti Whātua Ōrākei – have recorded an average return on assets above the returns of our benchmark portfolio. Raukawa and Waikato-Tainui have each generated returns broadly in line with the benchmark portfolio (ie, within one percent) and Ngāpuhi, Ngāti Porou, Rangitāne o Wairau and Tūhoe have reported average returns below the benchmark.

This report considers eight iwi – Ngāi Tahu, Ngāpuhi, Ngāti Porou, Ngāti Whātua Ōrākei, Rangitāne o Wairau, Raukawa, Tūhoe and Waikato-Tainui – with combined assets of around \$4.8b. These eight iwi were chosen on the basis of availability of public information, asset base, length of operations and population size. We estimate the total assets of the post-settlement entities are now valued at around \$7.8b. The total assets of the iwi covered in this report therefore equate to around 60% of all post-settlement iwi assets. This year has seen the addition to this report of the South Waikato based Raukawa iwi, which signed its Treaty settlement in 2012. Port Nicholson Block has been excluded for 2017 due to a restructuring of the group.

The eight iwi we have reviewed generally have similar corporate structures. While these structures are often complex, typically there is an overarching trust that makes decisions about distributions and the nonfinancial 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. A variety of investment approaches have been adopted by the eight iwi, as summarised in Table 1 below.

Figure 1. Map of the eight iwi



Table 1. Summary of investment strategies

	No of asset classes	Largest asset class	Capital allocation of largest asset class	Management approach	Debt to capital
Ngāi Tahu	7	Property	56%	Largely active	15%
Ngāpuhi	8	Fisheries	58%	Largely passive	0%
Ngāti Porou	7	Equities	64%	Largely passive	7%
Ngāti Whātua Ōrākei	1	Property	100%	Active	17%
Rangitāne o Wairau	5	Commercial property	60%	Largely passive	0%
Raukawa	7	Managed funds	35%	Mixed	0%
Tūhoe	7	Managed funds	52%	Largely passive	0%
Waikato-Tainui	6	Property	53%	Largely active	10%

The investment strategies of the eight iwi can be broadly categorised into three groups. Four of the iwi – Ngāi Tahu, Ngāti Whātua Ōrākei, Rangitāne o Wairau and Waikato-Tainui – have had a strong bias towards property investment. This reflects, in part, their initial settlements which tended to be dominated by properties in their rohe (traditional tribal areas). Three of the other iwi – Ngāti Porou, Raukawa and Tūhoe – have made a distinct effort to diversify their portfolios, in particular through investments in managed funds. The final iwi is Ngāpuhi, which is yet to settle with the Crown, other than through the Treaty of Waitangi fisheries settlement.

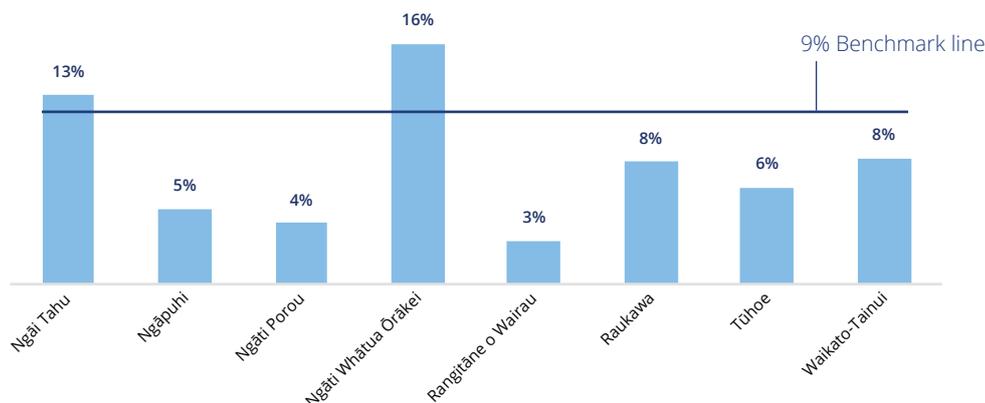
Several of the iwi have undiversified investment portfolios with few assets outside their rohe. Many of the iwi are therefore heavily exposed to a single asset class (i.e. property) in a narrowly defined geographic area. While there are often strong cultural and historical reasons for such a concentration in their portfolios, it is risky from a financial perspective. Many iwi also have interests in the domestic fishing industry, with holdings of settlement quota and shares of Moana New Zealand (previously Aotearoa Fisheries Ltd), and are exposed to the volatility of that sector. However, other than Ngāpuhi, fisheries related assets are generally less than 10% of the asset portfolio for those iwi with interests in the fishing industry. Proposed changes to the Māori Fisheries Act, 2004 will see potential changes to the allocations of Moana New Zealand income shares.

A common feature of all the iwi is a low level of debt. As Table 1 above shows, four of the iwi have zero debt and the remaining four iwi have debt to capital ratios no higher than 17 percent.

Investment performance

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 – 2017. The returns presented are for each iwi group as a whole and have been calculated after deducting the respective Trust’s 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 to the iwi will also be understated to the extent that the iwi do not revalue upwards some assets – for example, Ngāi Tahu holds significant amounts of seafood quota but does not include upward revaluations of the quota in its reported returns.

Figure 2. Average RoA (% p.a), 2013-2017



As the diagram above illustrates, Ngāi Tahu and Ngāti Whātua Ōrākei have comfortably outperformed our benchmark return of 9% p.a., with reported average returns of 13% p.a. and 16% p.a. respectively, over the last five years. Raukawa and Waikato-Tainui have generated returns approximately in line with the benchmark portfolio and the remaining four iwi have generated lower, yet

still positive, returns. Ngāi Tahu has performed very well over a long period (refer to Appendix 2 for a longer time series of returns). Ngāti Whātua Ōrākei's high returns in recent years reflect its concentration of assets in the Auckland property market.

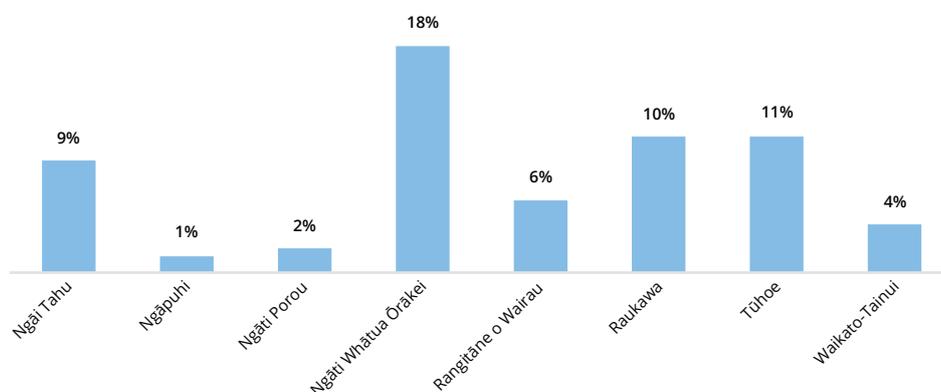
The return on assets (RoA) provides a basis for comparing the financial performance of the iwi however it is important to note that our RoA calculations are not risk-adjusted. Furthermore, the location of each iwi has played a role in the relative performance, with the returns of many iwi closely linked to the performance of their local property market. It is also important to note that the iwi that received earlier settlements have had a longer period to become experienced investors and develop well-structured organisations and investment policies, potentially leading to better returns today. There has also been an encouraging shift by some iwi – such as Tūhoe, Raukawa and Waikato-Tainui – to diversify their portfolios in recent years.

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

Net assets per member

Figure 3 below illustrates the average change in net assets per iwi member (% p.a.) between 2013 and 2017. Ngāti Whātua Ōrākei, at 18%, has shown the greatest increase in net assets per member over the period. Ngāi Tahu, Rangitāne o Wairau, Raukawa, Tūhoe and Waikato-Tainui have experienced increases in the 4% to 11% p.a. range, while Ngāpuhi and Ngāti Porou have experienced lower increases of 1% and 2% p.a.

Figure 3. Average change in net assets per member (% p.a), 2013-2017



Iwi as investors

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 first rights of refusal on certain Crown assets as part of their Treaty settlements and face the Māori authority tax rate of 17.5%. Iwi also 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.

Introduction

Since 1990, around 70 iwi in New Zealand have finalised Treaty settlements with the Crown. A Treaty settlement is an agreement between the Crown and a Māori claimant group, usually an iwi, to settle all 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.

This report is based on the financial and commercial redress aspects of the Treaty settlements. In this report, we have focused on eight iwi. Seven iwi have been selected based on the year of Treaty settlement, the size of Treaty settlement, the number of iwi members and the availability and transparency of financial reports. Although it is yet to settle with the Crown, we have also included Ngāpuhi because of the size of its member base. We have excluded Port Nicholson Block from this year's report due to a restructuring of the group. Table 2 below lists the iwi covered in this report.

Table 2. The eight iwi

	Location	Year of Deed	Redress amount	2017 population estimate	Total assets
Ngāi Tahu	South Island	1997	\$170m	58,469	\$1,668m
Ngāpuhi	Northland	-	-	133,206	\$58m
Ngāti Porou	East Cape	2010	\$90m	75,351	\$232m
Ngāti Whātua Ōrākei	Ōrākei	2011	\$18m	15,679	\$1,086m
Rangitāne o Wairau	Upper South Island	2010	\$25m	6,134	\$44m
Raukawa	South Waikato	2012	\$50m	10,662	\$149m
Tūhoe	Te Urewera	2012	\$169m	37,003	\$348m
Waikato-Tainui	Waikato	1995	\$170m	69,473	\$1,224m

Even though we are reviewing only eight iwi, these eight iwi account for approximately 53% of the total Māori population in New Zealand (Census 2013) and manage approximately 60% of total assets in the sector.

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. Finally, we review the investment performance of each of the eight iwi by reviewing its total asset base and net worth and calculating standard financial performance metric measures of return on assets, return on equity and net assets per member.

Scope and approach

This section outlines the structure of the report for each iwi and discusses methodological issues relating to the different performance measures used in the report.

Organisational structures

The processes and mechanisms 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 eight iwi examined in this report and the functions and responsibilities of the key entities within each iwi group.

Investment strategy

This section of the report discusses the investment strategies of the eight iwi. 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 perfectly correlated with each other. Diversification allows an investor to reduce risk in a portfolio because the values of different assets move at different times and at different rates. Having a diversified portfolio can create greater stability in overall returns and can improve overall portfolio performance.

Capital structure

The capital structure section looks at the debt financing of the iwi. The degree to which the iwi investments are financed by equity and debt can 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 ratio, as defined in the formula below. Interest bearing debt includes both short-term and long-term interest bearing debt.

$$\text{Debt to capital} = \frac{\text{Interest bearing debt}}{\text{Total assets}}$$

Investment performance

This section of the report discusses the financial performance of each 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 which also affect the performance metrics. 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 formula below has been used in the calculation of RoA. The formula used for calculating RoE takes into account the differing capital structures and distribution policies of each iwi.

$$\text{Return on assets} = \frac{(\text{Total pre-tax comprehensive income} + \text{Distributions} + \text{Interest expense} - \text{Relativity payments})}{\text{Average assets}}$$

RoA

$$\text{Return on equity} = \frac{(\text{Total comprehensive income} + \text{Distributions} - \text{Relativity payments})}{\text{Average equity}}$$

RoE

The RoA and RoE calculations on the previous page 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.

The returns presented are for each iwi group as a whole and are calculated after deducting the respective Trusts' operating expenditures. The returns for the commercial entities of the iwi will be somewhat higher 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 always revalue upwards some assets (e.g., some land or other assets that the iwi intends to hold in perpetuity).

Average returns

Where average returns are calculated for an iwi over a period of several years, the average return is calculated as the geometric mean. The geometric mean provides a more accurate measure of returns over a longer period, as it takes into account the effect that compounding may have on returns. In contrast, a simple or arithmetic average is more useful in estimating returns in the short term where compounding of returns need not be considered.

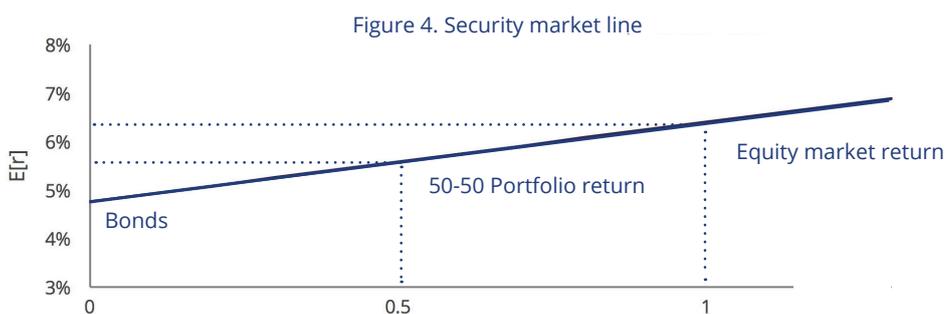
Net asset value

Net asset value (NAV) per share is a measure of the value per share in an investment fund. In the context of this report, NAV per member is used to gauge the level of net assets per iwi member. When making comparisons between NAV per member of each iwi, new settlements have been deducted. Statistics NZ's estimates of the Maori population growth rate is used as a proxy for the assumed population growth rate of six of the eight iwi since the 2013 Census. The exceptions are Ngāi Tahu and Waikato-Tainui which provide annual estimates of their populations.

$$\text{Net assets per member} = \frac{\text{Net worth}}{\text{iwi population}}$$

Comparing against a benchmark return

We have constructed a simple reference portfolio to provide a benchmark for comparison of the iwis' investment performance. Our benchmark portfolio is made up of low-risk bonds (50%) and a diversified stake in New Zealand equities (50%). The benchmark portfolio is constructed using 10 year government bond yields and NZX50 monthly yields between June 2013 and June 2017, for comparison with the iwi's RoA over the same time period. The benchmark provides a simple standardised estimate. While it would be ideal to have a customised benchmark for each iwi, that would require a detailed analysis of its circumstances, taking into account such factors as its risk appetite, time horizon, liquidity requirements and tax position. Much of this information is not publicly available. Appendix 3 illustrates the calculations behind this benchmark return.



Ngāi Tahu

Te Rūnanga o Ngāi Tahu is the largest iwi in New Zealand in terms of assets (\$), with the rohe of Te Rūnanga o Ngāi Tahu spanning the majority of the South Island. We refer to Te Rūnanga o Ngāi Tahu as Ngāi Tahu throughout this report.

Organisational structure

Ngāi Tahu's organisational structure (as it relates to commercial investments) is depicted below. 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. The executive functions of Te Rūnanga are carried out by the Office of Te Rūnanga which manages the representational activities, protects the rights of Ngāi Tahu Whānui and delivers social and cultural programmes.

Te Rūnanga o Ngāi Tahu Ngāi Tahu Charitable Trust

Ngāi Tahu Holdings Corporation

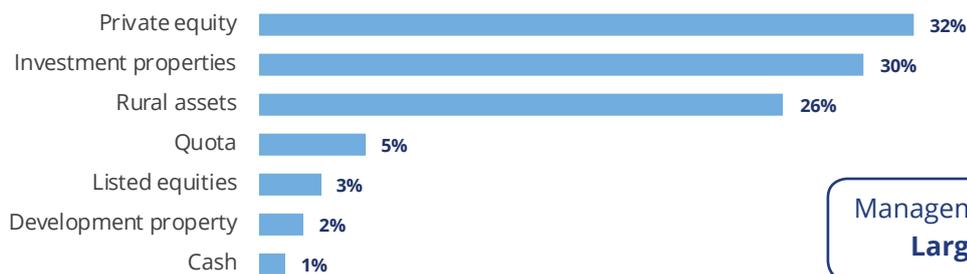
- Investment and financial strategy
- Capital allocation
- Investment performance

Office of Te Rūnanga o Ngāi Tahu

- Representation and advocacy
- Governance
- Distribution

Investment strategy

As a part of its settlement package, Ngāi Tahu received \$170m in cash in 1997. 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. Ngāi Tahu's total assets were valued at \$1,668m at June 30, 2017. Ngāi Tahu's current asset allocation is depicted below.



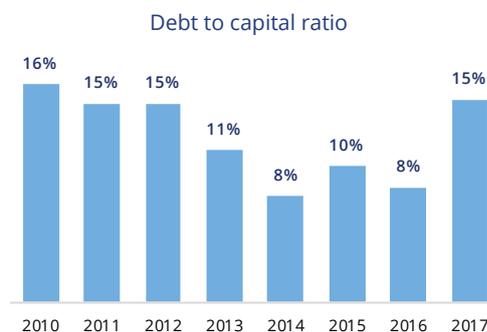
Ngāi Tahu's portfolio is relatively diverse and includes a range of private equity investments, property, seafood and fisheries assets, farming assets, tourism holdings, a majority ownership of Go Bus and shares in Ryman Healthcare. 2017 saw Ngāi Tahu increase its debt by \$119m to fund completion of the new investment properties on the King Edward Barracks site in Christchurch along with further investment into Tourism, Farming and Private Equity Funds.

The group's tourism, seafood, farming and particularly property continue to provide strong returns. However, Ngāi Tahu Capital reported a \$9m deficit off the back of its recent investment in honey-makers Watson & Son which Ngāi Tahu recorded a share of net loss of \$20m in 2017.

Ngāi Tahu

Capital structure

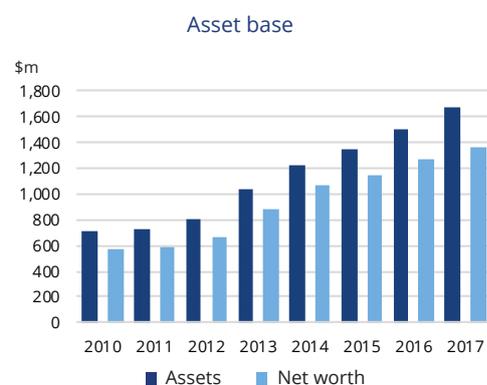
Ngāi Tahu's 2017 debt to capital ratio of 15% is up significantly on the previous year following an additional \$119m in borrowings. Ngāi Tahu's debt to capital ratio is higher than many iwi, which traditionally hold little debt, and is a reflection of Ngāi Tahu's active investment approach.



Investment performance

Asset base and net worth

Over the last 10 years, Ngāi Tahu has nearly tripled its asset base, from \$567m in 2007 to \$1,668m in 2017. Asset growth for 2017 was 11% and reflects the large increase in debt of \$119m. Equity growth was significantly less at 7% due to the poor performance of the Watson & Son honey investment. Ngāi Tahu has received numerous relativity payments from the Crown over the last five years with payments in 2013, 2014 and 2015 of \$69m, \$13m and \$18m respectively.



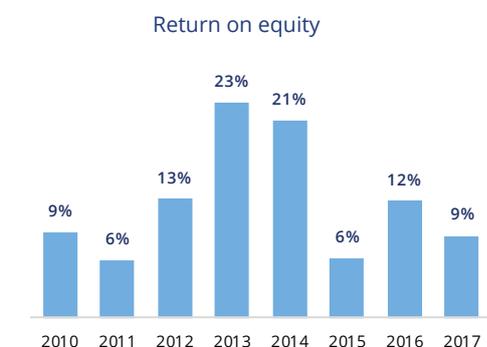
Return on assets

Ngāi Tahu's lower RoA of 8% in 2017 reflects weaker results for most of the group. While Ngāi Tahu's Tourism and Farming division's saw increases in their operating surplus, Property's operating surplus dropped \$28m (or 45%) with the flattening property market. As noted above, Ngāi Tahu Capital reported a deficit of \$9m, attributable to the Watson & Son loss.



Return on equity

Ngāi Tahu achieved a RoE of 9% in 2017, slightly below its 10.5% average over the last 10 years. Distributions to its members remained steady in 2017 at \$25m and have generally grown in line with net worth. Net assets per member increased in 2017 to \$21,427. NTHC has a number of strong cash generating businesses, including the Crown leases on many of its investment properties and its seafood and tourism activities. Nevertheless, a key challenge facing the business will be to generate sufficient surpluses so it can both reinvest to grow the asset base for future generations and meet the immediate demands for cash from its parent, TRONT.



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	15,517	18,679	19,121	20,966	21,427

Ngāpuhi

Te Rūnanga Ā Iwi O Ngāpuhi is based in Northland and is the largest iwi in New Zealand in terms of population (Census 2013). Te Rūnanga Ā Iwi O Ngāpuhi is referred to as Ngāpuhi throughout this report.

Organisational structure

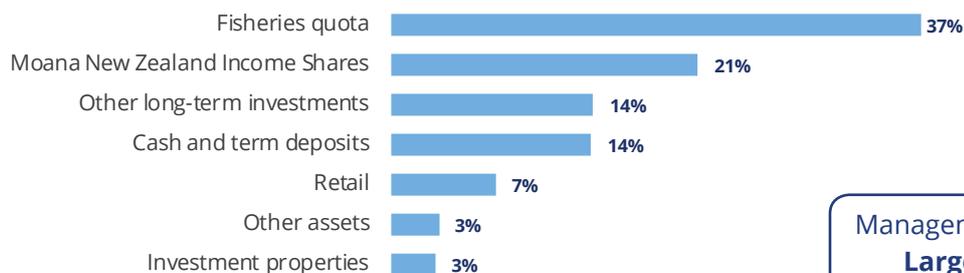
Te Rūnanga Ā Iwi O Ngāpuhi is the governing body of the iwi, with the following subsidiaries: Te Hau Ora O Ngāpuhi (THOON), Ngāpuhi Iwi Social Services (NISS), Te Rūnanga-Ā-Iwi O Ngāpuhi Operations, and Ngāpuhi Asset Holding Company Ltd (NAHC). THOON was established in 2015 following the merger of Te Hau Ora O Kaikohe with the Rūnanga and leads the health strategy for Ngāpuhi, serving whānau, hapū and hāpori living within te whare tapu o Ngāpuhi. NISS delivers a range of support for the iwi through whanau services and youth services, social work through schools and re-engaging students within education. NAHC oversees the commercial investments and strategy for the iwi, while also operating retail investments in Mobil Kaikohe, Paper Plus Kaikohe and Northland Deepwater Fishing Venture.

Te Rūnanga-Ā-Iwi O Ngāpuhi Board of Trustees

Te Hau Ora O Ngāpuhi (THOON) <ul style="list-style-type: none">• Health strategy	Ngāpuhi Iwi Social Services (NISS) <ul style="list-style-type: none">• Whanau services	Te Rūnanga-Ā-Iwi O Ngāpuhi Operations <ul style="list-style-type: none">• Operations	Ngāpuhi Asset Holdings Company Ltd (NAHC) <ul style="list-style-type: none">• Investment and financial strategy
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Investment strategy

Ngāpuhi's Treaty settlement with the Crown is still under negotiation. Ngāpuhi currently has 72% of its assets in a combination of cash and term deposits, fisheries settlement quota and Moana New Zealand income shares (previously Aotearoa Fisheries Ltd).



Management Approach:
Largely passive

While Ngāpuhi has historically been passive in its investment strategy, 2017 saw a rebalancing in its investment profile from fixed-income investments towards managed funds with higher weightings in capital growth stocks. Ngāpuhi sold its BNZ bond portfolio of \$1.5m and combined with \$6.5m in cash equivalents, invested in a Mint Asset Income fund, which holds a portfolio of fixed-income and equity securities.

Fisheries investments remain the core of Ngāpuhi's portfolio, representing 58% of its asset base. The combined value of its shares in Moana New Zealand and fishing quota assets of \$33.6m is recognised at cost and may be undervalued. Ngāpuhi has taken a conservative approach to its fisheries asset valuations.

Ngāpuhi

Capital structure

Ngāpuhi has little debt on its balance sheet. Its debt to capital ratio declined from 2% in 2011 to 0.01% in 2017. 2013 was the last year in which bank loans were held.

Investment performance

Asset base and net worth

Ngāpuhi's asset base grew by 3.7% in 2017, continuing a trend of slow growth in the last 4 years. While many of its productive assets have increased in value its fisheries assets are recorded at cost and are not subject to market revaluations. Growth of non-fisheries assets is higher at 9%, demonstrating moderate growth in its productive assets.

Return on assets

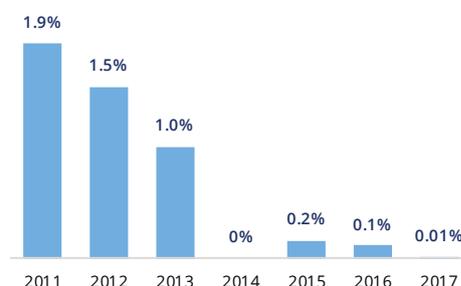
The return on assets for Ngāpuhi has fluctuated over the past six years, with the 2012 and 2013 results of 15% and 14% respectively being driven by large net operating profits. 2012 also saw \$7.3m of value added from revaluations.

Return on assets has remained low for Ngāpuhi over the last 4 years. However, there are some promising signs with RoA increasing to 5% in 2017. NAHC contributed \$3.8m to the group in 2017, an increase of 140% on the previous year. Fisheries continues to be the main contributor to Ngāpuhi's returns, accounting for 80% of income. Like other iwi, Ngāpuhi is expecting to receive additional income and voting shares in Moana New Zealand under proposed changes to the Maori Fisheries Act, 2004. Ngāpuhi's new investments in market securities will increase the diversity of its returns and reduce the groups dependency on fisheries.

Return on equity

Ngāpuhi's RoE has averaged 6% p.a. between 2011 and 2017. This reflects the strong returns in 2012 and 2013 (15% and 14% respectively) and low, but growing returns in recent years. Ngāpuhi has recognised that in a low interest rate environment a direct passive investment portfolio will not generate the necessary returns, and has taken steps towards a more active, diversified investment strategy.

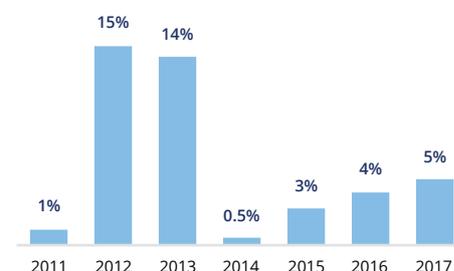
Debt to capital ratio



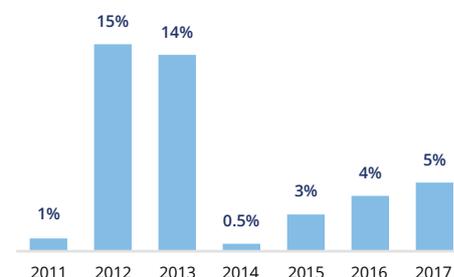
Asset base



Return on assets



Return on equity



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	398	395	398	406	420

Ngāti Porou

Te Rūnanganui o Ngāti Porou is the governing body of the Ngāti Porou iwi. Te Rūnanganui o Ngāti Porou is referred to as Ngāti Porou throughout this report. Ngāti Porou is located on the East Cape of the upper North Island.

Organisational structure

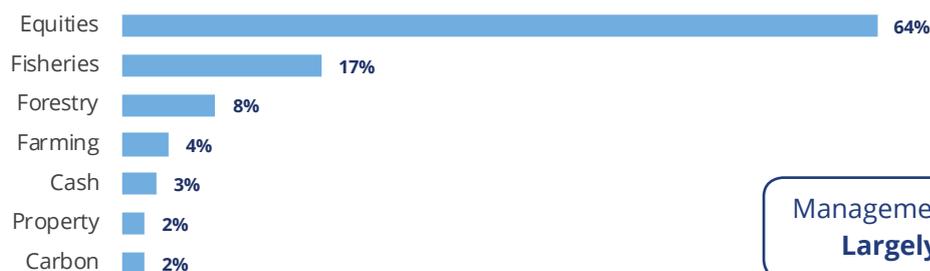
Ngāti Porou Holding Company (NPHC) is the commercial arm of Ngāti Porou. It is responsible for the management of the Trust's assets and the creation of financial returns, some of which are distributed to beneficiaries within the iwi. NPHC also manages Ngāti Porou Seafoods Group and Pakihiroa Farms. Toitu Ngāti Porou is responsible for cultural management and wealth distribution to the iwi. Ngāti Porou Hauora provides health services to the iwi.

Te Rūnanganui o Ngāti Porou



Investment strategy

In 2012, Ngāti Porou received a financial settlement of \$110m, which included \$90m in financial and commercial redress and \$20m in cash as cultural redress. Prior to its settlement, Ngāti Porou was primarily invested in fisheries. In 2012, Ngāti Porou established NPHC as its commercial arm. NPHC has since developed and is implementing its investment strategy. NPHC's 2017 asset allocation is shown below:

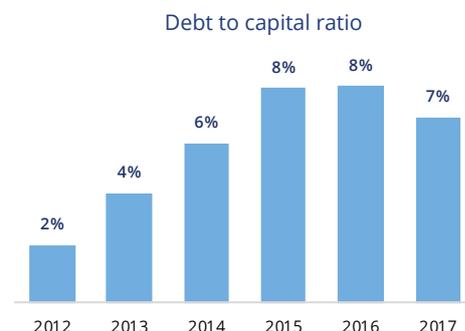


Investments in equities (including shares in listed and non-listed companies) dominate Ngāti Porou's portfolio, accounting for 64% of total capital. Management of equity investments is outsourced to fund managers including Milford Asset Management and BlackRock Investment Managements, with a 60:40 balance between growth assets and income assets. Growth assets include investments in Trans-Tasman, developed and emerging market equities. Moana New Zealand shares and fisheries quota make up 17% of Ngāti Porou's investments, while 3% of capital is held in cash. 2017 saw a number of new direct investments, namely in honey operations and the signing of a Letter of Intent with Air New Zealand on a new tourism project.

Ngāti Porou

Capital structure

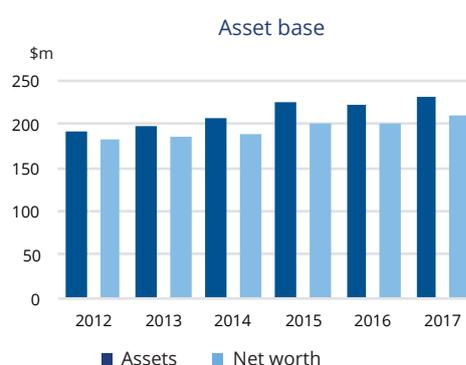
Ngāti Porou has increased its debt from 2012 as it developed its equities portfolio in line with its investment strategy. The reduction of its debt to capital ratio to 7% in 2017 is a reflection of retained earnings from its growth equities coupled with a reduction in debt of \$1.7m.



Investment performance

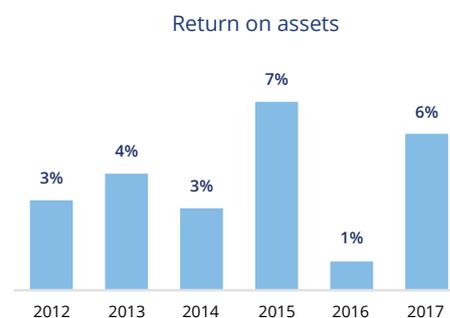
Asset base and net worth

2017 saw total assets and net worth grow by 4% and 5% respectively. Ngāti Porou's portfolio of growth equities has performed well however significant portions of its assets are not subject to revaluations, which contributes to relatively low reported asset growth. Most returns are held as retained earnings and as such growth in net worth is closely linked with net profit. Since its Treaty settlement in 2012, total assets have grown at an average of 3.9% p.a.



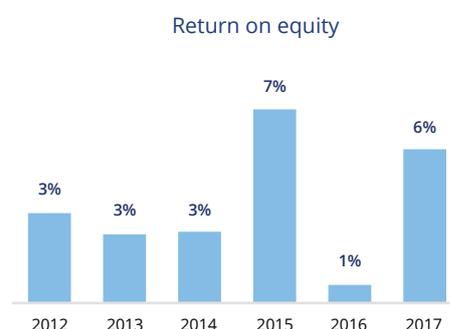
Return on assets

Ngāti Porou's RoA was 6% in 2017 and has averaged 3.6% p.a. since its Treaty settlement in 2012. RoA has fluctuated over the last six years between 1% (in 2016) and 7% (in 2015). This volatility reflects, in part, Ngāti Porou having a large portion of assets invested in equities. Profits in 2017 were also dampened by a large rise in operating expenses attributed to forestry harvesting activities, while forestry revenues increased by 20%.



Return on equity

Given its low debt to capital ratio, Ngāti Porou's RoE has followed the same trend as its RoA. NPHC's emerging market equities saw strong performance (rebounding from poor returns in 2016) with an aggregate increase of \$11.3m or 16.2% for 2017. Distributions to Ngāti Porou members have totalled \$6.2m since settlement in 2012, RoE has averaged 3% p.a. over the same period.



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	2,609	2,612	2,742	2,705	2,804

Ngāti Whātua Ōrākei

The Ngāti Whātua Ōrākei Trust (the Trust) was established in 2012, following the Treaty of Waitangi settlement with the Ngāti Whātua Ōrākei Māori Trust Board. Ngāti Whātua Ōrākei is the governing body of the Ngāti Whātua Ōrākei hapu, located in Ōrākei, Auckland.

Organisational structure

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 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.

Ngāti Whātua Ōrākei Trust

Whai Rawa Limited (WRL)

- Property investment and development

Whai Maia Limited (WML)

- Tribal development

Investment strategy

Ngāti Whātua Ōrākei received financial redress to the value of \$18m (plus interest) in its settlement in 2012. Using a combination of its own funds and its settlement assets, Ngāti Whātua Ōrākei purchased properties in the North Shore and other parts of Auckland. As shown below, property is the only asset class Ngāti Whātua Ōrākei currently invests in.

Property  100%

Management Approach: **Active**

All of Ngāti Whātua Ōrākei's investment properties are in the Auckland region. Its properties include:

- Quay Park, which has 29 ground leases including the Spark 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.

In 2017 Ngāti Whātua Ōrākei entered into an agreement with Housing New Zealand to purchase 5 tranches of land near Ōrākei between 2017 and 2021. The first tranche (titled Kāinga Tuatahi) includes 30 properties and was settled in September for a total price of \$16.5m.

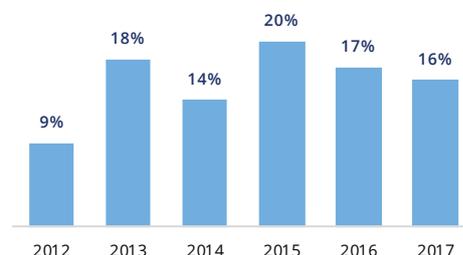
With 100% of its assets in Auckland property, Ngāti Whātua Ōrākei's portfolio is undiversified. While its investment approach has yielded strong returns in recent years, the strategy exposes Ngāti Whātua Ōrākei to fluctuations in the Auckland property market.

Ngāti Whātua Ōrākei

Capital structure

In 2017, Ngāti Whātua Ōrākei took on a further \$10m of debt, increasing its total debt to \$171m. Despite the increase in debt, its debt to capital ratio declined as asset values have increased. Interest rate risk is managed using a floating to fixed interest rate swap over a notional amount of \$90m. ANZ, BNZ and Westpac provide debt facilities of \$240m, with \$55m due to expire within the next one to two years.

Debt to capital ratio

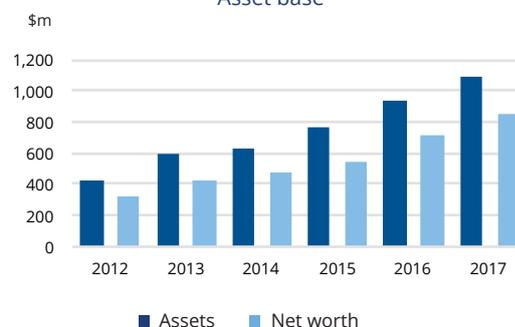


Investment performance

Asset base and net worth

The value of Ngāti Whātua Ōrākei's assets has grown substantially since settlement in 2012. In 2017, total assets reached \$1,086m, an increase of 16% on the previous year. New property investments totalled \$4.5m in FY 2017. With negative operating cashflows, new investments are funded through debt. Ngāti Whātua Ōrākei's net assets per member is the highest of the iwi covered in this report, and 2017 saw it increase to \$54,523 per member.

Asset base



Return on assets

RoA has averaged 16% p.a over the last 6 years and was 15% for 2017. Ngāti Whātua Ōrākei's RoA is driven by revaluations of its investment properties. The revaluations accounted for \$141m of its \$143m pre-tax profits for 2017. The strong financial performance over the last 5 years reflects the rapid appreciation of the Auckland property market.

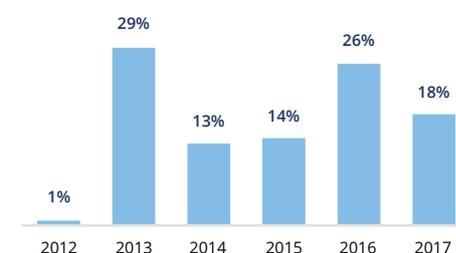
Return on assets



Return on equity

Ngāti Whātua Ōrākei's RoE has averaged 18% p.a. over the last six years. This higher RoE (relative to its RoA) reflects its capital structure. The fluctuations in RoE over time reflect the variations in returns from its investment properties. Ngāti Whātua Ōrākei has historically made distributions to its beneficiaries in the form of education grants, scholarships and programmes. Distributions for 2017 were \$1.3m.

Return on equity



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	28,639	32,134	36,328	46,385	54,523

Rangitāne o Wairau

Te Rūnanga a Rangitāne o Wairau is one of the many smaller iwi that signed its Treaty settlement in recent years. Te Rūnanga a Rangitāne o Wairau is based in the north of the South Island and is referred to as Rangitāne o Wairau throughout this report.

Organisational structure

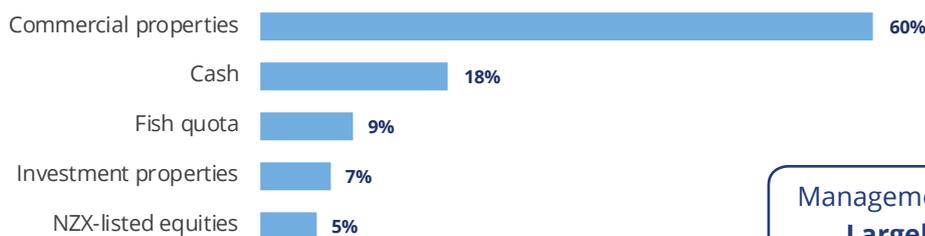
Rangitāne o Wairau includes four entities. Rangitāne o Wairau Settlement Trust (the Settlement Trust) is the post-settlement governing entity of the Rangitāne o Wairau group, with Rangitāne Holdings Ltd (RHL) and Rangitāne Investments Ltd (RIL) as its commercial arms. RHL and RIL share the same board and are tasked jointly with the financial management of Rangitāne o Wairau's assets. RHL and RIL share a single investment strategy and management team. RHL and RIL provide the Settlement Trust with income to carry out its strategic objectives. Te Rūnanga a Rangitāne o Wairau Trust is a charitable trust focused on cultural and social development for iwi members.

Rangitāne o Wairau

Rangitāne Ho Wairau Settlement Trust <ul style="list-style-type: none">• Post settlement governance entity	Rangitāne Holdings Ltd (RHL) <ul style="list-style-type: none">• Development of Rangitāne settlement assets	Rangitāne Investments Ltd (RIL) <ul style="list-style-type: none">• Management of investment properties	Te Rūnanga a Rangitāne o Wairau Trust (Charitable) <ul style="list-style-type: none">• Cultural and social development for iwi members
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Investment strategy

Rangitāne o Wairau's settlement in 2010 comprised financial and commercial redress totalling \$25.4m. The settlement included \$12.2m in lieu of licensed Crown forest land and accumulated rentals. Rangitāne o Wairau used the deferred settlement process to purchase Crown-owned properties with Crown entities as tenants. The group's commercial properties largely comprise leasehold land for schools around the top of the South Island and commercial land for Rangitāne House. Rangitāne o Wairau's 2017 allocation of assets is presented below.



Management Approach:
Largely passive

Commercial and investment properties make up 67% of the group's investment portfolio. Rangitāne o Wairau also holds minority interests in NZX-listed equities, including shares in Meridian Energy Ltd, Mighty River Power Ltd and shares in Moana New Zealand Ltd (previously Aotearoa Fisheries Ltd). 2017 saw little movement in Rangitāne o Wairau's asset portfolio except for \$4m of cash that was invested in term deposits. Rangitāne o Wairau's management approach is largely passive reflecting its holdings of leasehold land, listed equities and cash-based term deposits.

Rangitāne o Wairau

Capital structure

Rangitāne o Wairau has no term debt on its balance sheet.

Investment performance

Asset base and net worth

Rangitāne o Wairau received a \$22m cash settlement in 2013, which saw its total assets increase significantly. The iwi also received additional settlements totalling \$6.3m between 2014 and 2016. Rangitāne o Wairau has reported slow asset growth since settlement. Its commercial properties are recorded at cost and have not been subject to market revaluations. After reassessing its investment strategy in 2017, Rangitāne o Wairau plans to revalue its properties in 2018. Its NZX-listed equities grew by 7% in 2017.

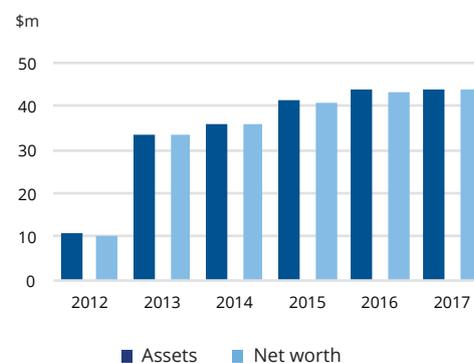
Return on assets

Rangitāne o Wairau's RoA declined to 1% in 2017. The fall can be largely attributed to an increase in expenses, with legal fees increasing and salaries and wages doubling. The RoA for the group's commercial arms of 5.6% in 2017 better reflects the performance of the group's productive assets. Rangitāne o Wairau's RoA is especially sensitive to increasing costs, as operating profits are low relative to the group's total assets. RoA for the group over the last 5 years has averaged 3%.

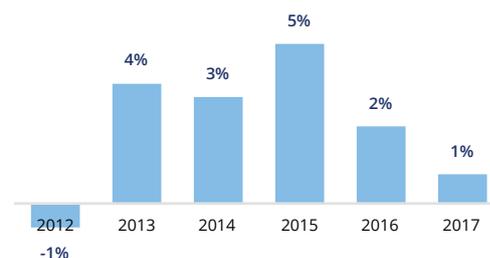
Return on equity

Rangitāne o Wairau's RoE closely follows its RoA as the group is financed entirely by equity. Rangitāne o Wairau distributed \$27,000 and \$17,000 to its beneficiaries in 2014 and 2015 respectively, and made no distributions in 2016 or 2017. Rangitāne o Wairau's RoE has averaged 2% p.a. over the past five years. This relatively low RoE reflects, amongst other things, relatively high administration costs relative to income.

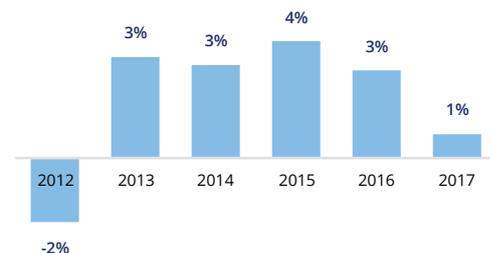
Asset base



Return on assets



Return on equity



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	1,934	2,088	2,304	2,375	2,398

Raukawa

The Raukawa iwi is headed by the Raukawa Settlement Trust (previously the Raukawa Trust Board), established in 2010 following the group's Treaty Settlement. The Trust is the mandated Iwi Authority and governance entity of the Raukawa group. Raukawa is based in South Waikato.

Organisational structure

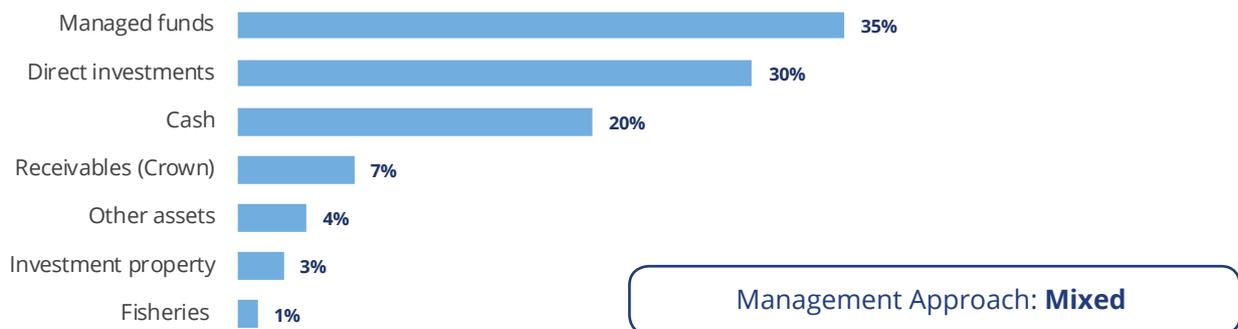
The Raukawa group consists of Raukawa Iwi Development Ltd (RIDL), Raukawa Asset Holding Company (RAHC) and the Raukawa Charitable Trust (RCT). RIDL is the investment management arm. RAHC holds Raukawa's settlement fisheries assets, which are managed under contract by RIDL. RCT is mandated to represent and advocate for the social, environmental and cultural aspirations of the iwi.

Raukawa

Raukawa Charitable Trust (RCT)	Raukawa Asset Holding Company (RAHC)	Raukawa Iwi Development Ltd (RIDL)
<ul style="list-style-type: none"> • Social, environmental and cultural development • Undertakes community and charitable activities 	<ul style="list-style-type: none"> • Oversees settlement fisheries assets 	<ul style="list-style-type: none"> • All iwi commercial and investment activities

Investment strategy

The Raukawa Settlement Trust (RST) signed its Treaty settlement in 2012 for a total of \$50m in financial and commercial redress, including \$28m of its share of the Central North Island Forestry Settlement (CNI). RST's interest in CNI Iwi Holdings Trust is recognised as a contingent asset until the termination of the CNI Trust (which is scheduled for 2043 or 2044). RST's current allocation of assets is depicted below.



Raukawa holds approximately one third of its assets in managed funds across three providers. 2017 saw the addition of two new fund managers as the group diversifies its portfolio. Total investments in managed funds were reduced by \$12m, the proceeds of which are currently held as cash. RIDL holds, together with five other CNI iwi entities, a direct investment in Kakano Investments, a minority investor in Kaingaroa Timberlands, the standing trees owner, alongside NZS and Canada's PSP. Raukawa's interest in the CNI Iwi Holdings Trust (a forestry land lessor) paid a dividend of \$2.8m in 2017 and is expected to provide total dividends with a present value of \$28m until 2044. In 2016 Raukawa entered into a joint investment with two other iwi to operate four farms within the region. The initial investment in the joint venture of \$10.8m grew to \$12.9m in 2017, with returns being reinvested to grow and optimise farm operations.

Raukawa

Capital structure

Raukawa has no interest bearing debt on its balance sheet, as has been the case since its settlement in 2012. It has a low level of trade-related liabilities. The group currently holds a high level of cash as it has lowered its exposure to managed funds and listed financial assets.

Investment performance

Asset base and net worth

Following its settlement in 2012, Raukawa's total assets have grown from \$86m to \$149m in 2017, an average growth of 12% p.a. Raukawa's asset growth has been largely driven by growth in its portfolio of managed funds and the Kakano forestry investment. The large increase in Raukawa's assets in 2015 reflected revaluation increases in Kakano and a change in reporting standards, with \$10.7m of revenue due from the Waikato River co-management recognised as a receivable asset.

Return on assets

Raukawa's RoA for 2017 was 7.7%, slightly below its 5-year average of 8.1%. The group's Kakano forestry investment continues to provide strong capital growth, almost doubling in value since 2012. Fluctuations in the group's returns can be attributed largely to its holdings and rebalancing of managed equities. The strong return in 2015 (of 13%) was due, in part, to the winding up of the Raukawa Trust Board, resulting in a one-off contribution of \$4m to RST's revenues. Raukawa, as a beneficiary of the CNI Iwi collective, receives a yearly cash dividend although its interest in the collective is not recognised as an asset on its balance sheet (reflecting an auditor opinion).

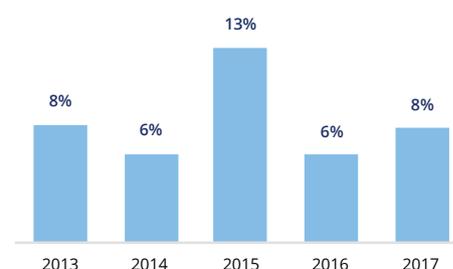
Return on equity

Due to Raukawa's low level of debt, RoE closely follows its RoA. Average RoE for the last 5 years has been 7.9%. Strong operating profits for 2017 were dampened by (unrealised) losses in foreign currency markets accumulated since 2015. Through its interest in particular in Kakano, Raukawa has some exposure to the forestry sector, a sector that has performed well over the period.

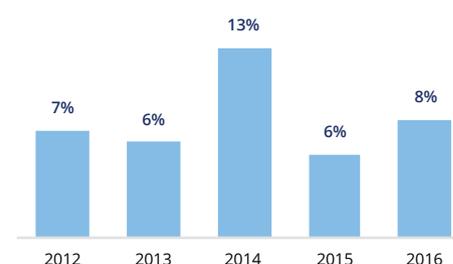
Asset base



Return on assets



Return on equity



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	8,999	9,451	11,952	12,425	13,232

Tūhoe

Tūhoe Te Uru Taumatua is the iwi organisation of the Tūhoe Tribals and is referred to as Tūhoe throughout this report. Tūhoe is located in Te Urewera.

Organisational structure

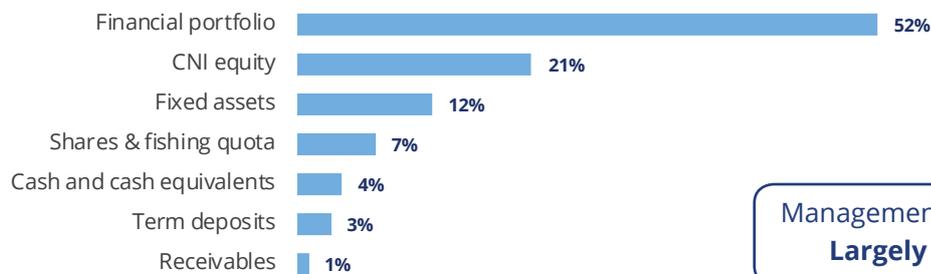
Tūhoe manages iwi-level strategy, policy and action. Tūhoe's Investment Committee is responsible for advising the Tūhoe Trust and managing its investment fund. Tūhoe also has the Tūhoe Charitable Trust and Tūhoe Fisheries Quota Ltd and four tribal charitable companies as subsidiaries. Tūhoe Charitable Trust is the distribution arm of Tūhoe. Its goal is to initiate and distribute benefits to Tūhoe. Tūhoe Fisheries Quota Ltd manages Tūhoe's fisheries settlement assets, which include quota and income shares in Moana New Zealand (previously Aotearoa Fisheries Ltd).

Tūhoe Te Uru Taumatua Trust

Investment Committee <ul style="list-style-type: none">• Tūhoe Trust Fund management	Tūhoe Charitable Trust <ul style="list-style-type: none">• Cultural and wealth distribution	Tūhoe Fisheries Quota Ltd. <ul style="list-style-type: none">• Fisheries settlement asset management
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Investment strategy

Tūhoe signed a Treaty settlement for approximately \$170m in 2014. In addition to a 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. It also received exclusive rights of first refusal over Crown-owned properties located within a specified area for 172 years from the settlement date. Tūhoe's current asset allocation is provided below.



Tūhoe's financial portfolio, which accounts for 52% of assets, is largely made up of investments in global shares, term deposits, NZ bonds, global bonds and Australian shares. Tūhoe has a total of \$182m invested in its financial portfolio across four fund managers. Following diversification moves in 2016, Tūhoe's financial portfolio has remained stable in 2017 and has provided \$12m in income and capital gains. Tūhoe's investments in Moana New Zealand shares and fishing quota are valued at \$10m and \$14m respectively.

2017 saw the opening of Te Wharehou o Waikaremoana, a \$7m office building for Tūhoe's Tribal Authority offices as well as retail spaces for lease. Tūhoe also unveiled plans for a new central hub "Te Tii" based in Ruatāhuna. Work has begun on the new development and the project is expected to cost \$12m.

Tūhoe

Capital structure

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

Investment performance

Asset base and net worth

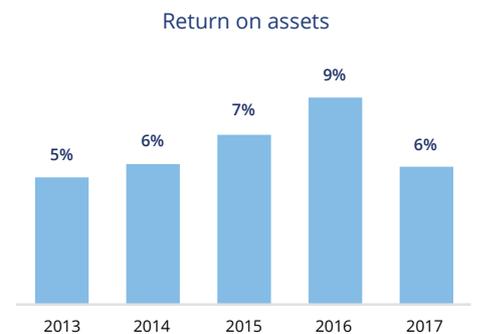
Tūhoe's assets and net worth were valued at \$348m and \$345m respectively as at 30 June 2017. Tūhoe received settlements from the Crown in 2014 and 2015 of \$108m and \$26m respectively. The settlements have been the key contributor to rapid increases in assets and net worth across this period. Tūhoe's financial portfolio provides asset growth as well as cash dividends. In 2017, a \$9m term deposit matured and was used to help finance the construction of Te Wharehou o Waikaremoana and the work-in-progress at Te Tii. Net assets per member grew by 9% to \$5,704.

Return on assets

Tūhoe's RoA increased steadily from 2013 to 2016. However 2017 saw a drop in RoA to 6%, slightly below its 5-year average of 6.5%. Tūhoe's RoA for 2017 can be attributed to weaker returns from the CNI iwi collective, which contributed \$9m to Tūhoe's profit, down from \$17m in 2016 when there were large gains with the increase in the price of carbon. Revaluations of Tūhoe's financial portfolio contributed \$6m in 2017, following a year of no capital gains in 2016.

Return on equity

Tūhoe's RoE has been similar to its RoA due to an absence of term debt in its capital structure. The decline in RoE in 2017 to 6% can be largely attributed to weaker CNI returns. Tūhoe has not made any distributions to its iwi beneficiaries over the past five years but there have been several Marae drops over the period. Profits are retained and have been reinvested in financial assets and recently to fund new investment projects. Tūhoe's RoE has averaged 6% p.a. over the past five years.



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	3,811	4,057	4,531	5,254	5,704

Waikato-Tainui

Te Arataura o Waikato-Tainui, which is located in the Waikato, was one of the first iwi to reach a Treaty settlement with the Crown. Te Arataura o Waikato-Tainui will be referred to as Waikato-Tainui throughout this report.

Organisational structure

Within the Waikato-Tainui group, 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. 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 Moana New Zealand (previously Aotearoa Fisheries Ltd). Waikato Raupatu River Trust was established to oversee and implement the 2008 Waikato River Settlement and related statutory and regulatory reform.

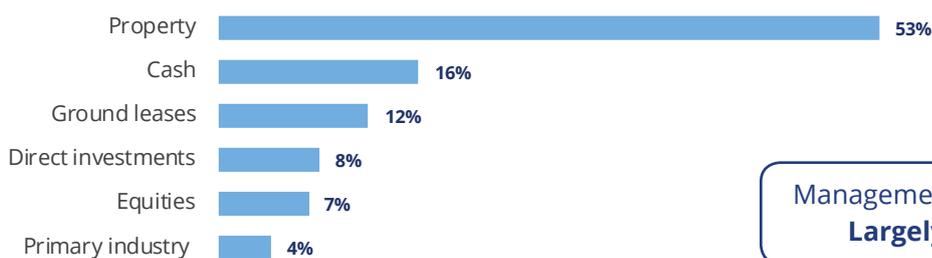
Te Arataura o Waikato-Tainui

Waikato Raupatu Lands Trust

Waikato Raupatu River Trust	Waikato Raupatu Lands Trust	Tainui Group Holdings
<ul style="list-style-type: none"> • 2008 Waikato River Settlement • Regulatory review 	<ul style="list-style-type: none"> • Development strategy • Cultural and wealth distributions 	<ul style="list-style-type: none"> • Property investment and development • Waikato-Tainui Fisheries Ltd • Other direct and indirect investments

Investment strategy

Waikato-Tainui's financial and commercial redress in 1995 amounted to \$170m and included cash and land at market value. Waikato-Tainui is primarily invested in property, as has been the case over the last 15 years. The group has made some steps in recent years to diversify its portfolio with the sale of a 50% share of its largest property investment, The Base shopping center. Proceeds from the sale were directed into publicly listed equities and paying down debt. Waikato-Tainui also has investments in primary industries and a pool of direct equity investments, including investments in Waikato Milking System, Go Bus and various hotels based in Auckland and Hamilton.



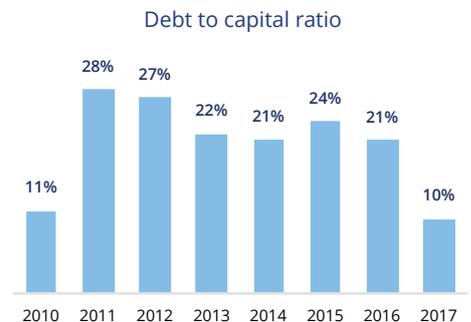
Management Approach:
Largely active

2017 saw work begin on the Ruakura Inland Port, with completion of the initial phase expected by 2019. The Port is a long-term investment with completion expected by 2041. The development is being led by Waikato-Tainui, which has entered a 50/50 joint operation with LINX Cargo Care Group. Waikato-Tainui will retain full ownership of the land and expects to earn steady lease income. The Group continues to invest in hotels, investing \$3m in a new joint investment with Auckland International Airport Limited, and a capital commitment of a further \$24.5m. Waikato-Tainui also made net investments of \$38m in listed companies throughout the year.

Waikato-Tainui

Capital structure

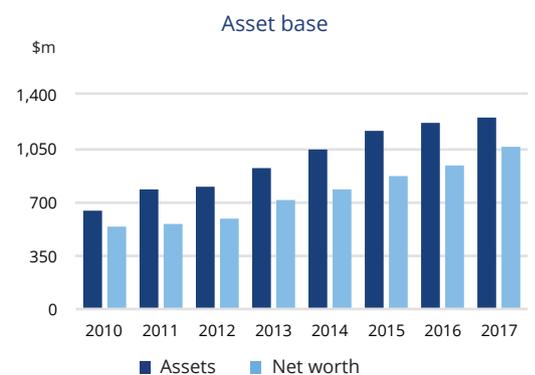
Waikato-Tainui saw a significant reduction in its debt in 2017, with debt to capital dropping to 10%. This was a result of the sell-down of its holdings in The Base, freeing \$195m of capital, \$100m of which was used to reduce interest-bearing debt. Waikato-Tainui's debt to capital ratio remains somewhat higher than most other iwi groups and is indicative of its active investment approach.



Investment performance

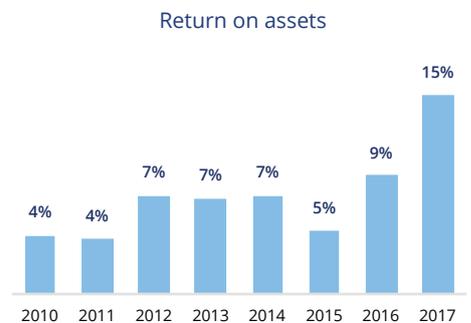
Asset base and net worth

Waikato-Tainui's net worth continues to grow at a steady rate, increasing by 14% in 2017 to \$1,068m. This increase was largely driven by the sale price it received for The Base, which exceeded the book value of the assets. Total asset growth was low at 1.5%, which can be attributed to proceeds of The Base sale being used to reduce debt by \$100m. The sale also contributed to net assets per member increasing to \$13,053.



Return on assets

2017 saw Waikato-Tainui's RoA rise to 15%, its highest in 8 years. While the increase in RoA can be attributed to the partial sale of The Base and other asset revaluations, Waikato-Tainui's operating surplus dropped due to lower lease revenues from The Base. The sale also resulted in a reduction in long-term lease revenue commitments. While rental revenues dropped by 29% in 2017, hotel returns continue to climb at a steady rate.



Return on equity

Waikato-Tainui recorded a 17% RoE in 2017, well above its long-term average RoE of 7% since 2010. It distributed \$31m to its beneficiaries in 2017, its highest distribution to date. Higher distributions in 2017 were supported by the favourable sale price of The Base. Looking ahead, the key challenges facing Waikato-Tainui include further diversifying its asset base, generating the cash needed to meet the expectations of the iwi and retaining sufficient earnings to support its capital commitments as development of the Ruakura Port progresses.



Net asset value	2013	2014	2015	2016	2017
Net assets per member (\$)	11,382	11,355	10,942	11,641	13,053

Conclusions

This report has reviewed the corporate structures, investment strategies and investment performance of eight iwi over recent years. This year's report has seen the addition of Raukawa. We have not covered the Port Nicholson Block this year due to a restructuring of the group in 2017, and will include it in future reports.

Organisational structures

The organisational structures of the iwi, while often complex, are broadly similar. Typically, a distinct commercial entity has been delegated responsibility for investment strategy and asset management. The returns from the commercial entities have helped finance the Trusts' administration and distribution expenditures and have been reinvested to grow the asset base.

Investment strategies

The investments of many of the iwi reviewed in this report have focused on the property sector (property development, property investment and ground leases) and primary industries (forestry and fisheries), reflecting in large part the structure of the settlement redress from the Crown. More recently, Ngāti Porou, Raukawa, Tūhoe and Waikato-Tainui have taken steps to diversify their portfolios through investments in listed and private equities. Other than equities, the assets of the iwi are mostly located in the geographical areas where the iwi are based.

The iwi have adopted a range of management approaches to their investments, with three of the eight iwi taking an active or largely active approach to their investments. The other five iwi have taken a mixed or more passive approach, albeit often with some small active direct investments. There is a correlation between an iwi's investment approach and its settlement date with the Crown. Iwi which settled earlier generally have a more active investment approach today; iwi that settled more recently either lack an investment strategy or are still developing one.

Except for Ngāti Porou, iwi that have adopted a largely passive investment approach are entirely funded through equity with only trade-related liabilities and have no interest-bearing debt. More active investors (Ngāi Tahu, Ngāti Whātua Ōrākei and Waikato-Tainui) utilise debt alongside equity to fund their investment activities. Ngāti Whātua Ōrākei's debt to capital ratio is the highest of the eight iwi at 17%.

Investment performance

The investment performance of the iwi entities has varied significantly over the five years (2013-17) reviewed in this report. Two iwi, Ngāi Tahu and Ngāti Whātua Ōrākei, have consistently exceeded our indicative benchmark return of 9% per annum for the period. Five iwi have reported average returns in the range of 4% to 8%, and Rangitāne's average return of 3% reflects a steady decline from 5% in 2015 to 1% in 2017.

The geographical locations of the iwi, their governance structures, the assets they selected at settlement and their subsequent investment decisions have all impacted on their realised rates of return. In addition, the level of diversification and management expertise and level of administrative costs have played important roles in determining investment performance, especially when the management approach has been active.

Net assets per member have increased over the last five years for all eight iwi examined in this report. This positive trend has allowed the iwi to better pursue the economic, social, cultural and environment goals of their members. Most iwi provide some distributions to their members however, in general, earnings have been retained for equity growth. Ngāi Tahu and Waikato-Tainui have made relatively high distributions to their members while Rangitāne O Wairau and Tūhoe made no financial distributions in

2017. Ngāti Whātua Ōrākei has had the highest growth rate in net assets per member, with average yearly growth of 18%. This illustrates the risks (positive and negative) that a portfolio invested in a single asset class in a single geographical region can be exposed to.

There has been an increased level of investment diversification by a number of iwi when compared with our 2016 report. In 2017, Ngāti Porou, Raukawa, and Waikato-Tainui have taken steps to further diversify their portfolios through indirect investments in equities and some direct investments. Raukawa, included in our report for the first time, is relatively well diversified and reports moderate returns and asset growth. While return on assets declined for some of the top performing iwi (Ngāi Tahu and Ngāti Whātua Ōrākei), their average returns over the last five years have been strong and the current year's weaker result can be attributed to market conditions rather than a poor investment strategy. Returns of most other iwi have increased. In particular, Waikato-Tainui reported a 15% return on assets as a result of the partial sale of The Base. The combined return on assets across all iwi dropped slightly from 11.2% in 2016 to 10.8% in 2017, with Ngāi Tahu and Ngāti Whātua Ōrākei making the greatest contributions to the 2017 aggregate returns.

Appendix 1: Summary of settlements

Name	Year of deed	Redress amount
Ngati Hei	2017	\$8.5m
Ngati Tamaoho	2017	\$10.3m
Ngāti Tūwharetoa	2017	\$78m
Ngāti Tara Tokanui	2017	\$6m
Ahuriri Hapū	2016	\$19.5m
Te Wairoa	2016	\$100m
Rangitāne o Wairarapa and Rangitāne Tamaki nui-ā-Rua	2016	\$32.5m
Rangitāne o Manawatū	2015	\$13.5m
Ngāi Tai ki Tāmaki	2015	\$12.7m
Ngāti Kahungunu ki Heretaunga Tamatea	2015	\$100m
Taranaki iwi	2015	\$70m
Tauranga Moana Iwi Collective	2015	\$0.25m
Whanganui River	2014	\$80m
Te Ātiawa (Taranaki)	2014	\$87m
Ngāruahine	2014	\$67.5m
Raukawa	2014	\$50m
Ngāti Rārua	2013	\$11m
Ngāti Tama ki Te Tau Ihu	2013	\$12m
Ngāti Rangiteaorere	2013	\$1m
Maungaharuru Tangitu Hapū	2013	\$23m
Ngāti Kōata	2012	\$11m
Te Ātiawa a Māui	2012	\$11m
Ngāti Toa Rangitira	2012	\$70m
Ngāti Rangiwewehi	2012	\$6m
Tapuika	2012	\$6m
Ngāti Tuhoe	2012	\$169m
Tāmaki Makaurau Collective Settlement	2012	-
Waitaha	2011	\$8m
Ngāti Whātua o Kaipara	2011	\$22m
Ngāti Whātua Ōrakei	2011	\$18m
Ngāti Manuhiri	2011	\$9m
Ngāti Makino	2011	\$10m
Maraeroa A and B Blocks	2011	\$2m
Ngai Tāmanuhiri	2011	\$11m
Rongawhakaata	2011	\$22m
Ngāti Apa ki te Rā Tō	2010	\$28m
Ngāti Kuia	2010	\$24m
Rangitāne o Wairau	2010	\$25m
Ngā Wai o Maniapoto	2010	
Ngāti Porou	2010	\$90m
Ngāti Pahauwera	2010	\$20m

Name	Year of deed	Redress amount
Ngāti Manawa	2009	\$12m
Ngāti Whare	2009	\$10m
Ngāti Apa (North Island)	2008	\$16m
Taranaki Whanui ki Te Upoko o Te Ika	2008	\$25m
Central North Island Forests Iwi Collective	2008	\$161m
Affiliate Te Arawa Iwi and Hapu	2006, revised 2008	\$39m
Te Roroa	2005	\$10m
Ngāti Mutunga	2005	\$15m
Te Arawa (Lakes)	2004	\$11m
Ngaa Rauru Kiihahi	2003	\$31m
Tuwharetoa (Bay of Plenty)	2003	\$11m
Ngāti Awa	2003	\$42m
Ngāti Tama	2001	\$15m
Ngāti Ruanui	2001	\$41m
Te Uri o Hau	2000	\$16m
Pouakani	1999	\$3m
Ngāti Turangitukua	1998	\$5m
Ngāi Tahu	1997	\$170m
Te Maunga	1996	\$0.13m
Rotoma	1996	\$0.04m
Waimakuku	1995	\$1m
Waikato-Tainui raupatu	1995	\$170m
Ngati Whakaue	1994	\$5m
Hauai	1993	\$1m
Ngati Rangiteaorere	1993	\$1m
Commercial Fisheries	1992	\$170m
Waitomo	1990	\$1m

Source: Office of Treaty Settlements

Appendix 2: Summary financials, \$m

Ngāi Tahu (y.e. June 30)

Asset base	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets	567	645	657	715	730	809	1032	1,219	31,348	1,504	1,668
Net worth (total equity)	480	514	527	570	591	658	877	1,075	1,149	1,274	1,363
Total interest bearing debt	53	99	95	114	106	118	115	95	134	127	248
Current liabilities	34	33	32	25	26	24	38	50	60	75	106
Settlement received	0	35	29	6	1	0	69	13	29	0.04	0
Government grant income	0	0	0	16	0	1	5	0	0	0	0

Financials	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	219	179	164	146	163	209	231	320	346	396	330
Distributions	8	13	10	12	11	15	17	17	21	25	25
Operating exp. Trust	8	9	10	10	9	10	11	12	15	17	45
Finance costs	6	5	6	5	8	8	10	7	8	8	8
Taxation expense	0	0	0	1	1	0	0	0	0	1	1
Total comprehensive income	69	39	13	44	26	64	226	198	77	124	89

Ngāpuhi (y.e. June 30)

Asset base	2011	2012	2013	2014	2015	2016	2017
Assets	39	45	52	52	53	56	58
Net worth (total equity)	37	43	50	50	51	53	56
Total interest bearing debt	0.7	0.7	0.5	0	0.08	0.06	0.01
Current liabilities	1	1	2	2	2	2	2
Settlement received	0	0	0	0	0	0	0.09
Government grant income	0.002	0.09	0.004	0.2	0.07	0	0

Financials	2011	2012	2013	2014	2015	2016	2017
Revenue	13	15	19	16	16	18	18
Distributions	0	0	0	0	0.26	0.27	0.22
Operating exp. Trust	0	0	0	0	0	0	0
Finance costs	0.1	0.1	0.1	0.01	0.01	0.01	0.01
Taxation expense	0	0	0	0	0	0	0
Total comprehensive income	0.4	6	7	0.2	1	2	2

Ngāti Porou (y.e. June 30)

Asset base	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets	40	41	44	44	45	191	197	206	224	223	232
Net worth (total equity)	39	39	39	40	41	183	186	189	201	201	211
Total interest bearing debt	1	1	4	3	3	4	8	12	17	18	16
Current liabilities	1	1	3	2	1	5	5	8	12	5.6	14.8
Settlement received	0	0	0	0	0	116	0	0	0	0	0
Government grant income	0	0	0	0	0	0	0	0	0	0	0

Financials	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	5	8	10	11	11	146	31	29	40	31	45
Distributions	0	0	0	0	0	0	0.7	0.3	1.6	1.0	1.6
Operating exp. Trust	0	0	0	0	0	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0	0	1	1	1	0
Taxation expense	0	0	0	0	0	0	3	0	0	0	1
Total comprehensive income	1	0	0	1	1	5	5	4	12	0.4	10

Ngāti Whātua Ōrākei (y.e. June 30)

Asset base	2012	2013	2014	2015	2016	2017
Assets	422	593	631	767	939	1,086
Net worth (total equity)	317	424	482	553	717	855
Total interest bearing debt	38	107	86	153	161	171
Current liabilities	0	56	60	59	58	61
Settlement received	19	0	0	0	0	0
Government grant income	0	6	5	4	4	0

Financials	2012	2013	2014	2015	2016	2017
Revenue	52	35	41	43	57	51
Distributions	0	0	1	1	1	1
Operating exp. Trust	0	0	0	0	0	0
Finance costs	2	4	7	7	7	6
Taxation expense	0	1	6	0	4	5
Total comprehensive income	21	106	58	71	164	138

Rangitāne o Wairau (y.e. March 31)

Asset base	2012	2013	2014	2015	2016	2017
Assets	11	34	36	41	44	44
Net worth (total equity)	10	34	36	41	44	44
Total interest bearing debt	0	0	0	0	0	0
Current liabilities	0	0	0	0	0.1	0.2
Settlement received	1	22	1	4	2	0
Government grant income	0	0	0	0	0	0

Financials	2011	2012	2013	2014	2015	2017
Revenue	1	2	3	5	3	3
Distributions	0	0	0.03	0.02	0	0
Operating exp. Trust	0	0	0	0	0	0
Finance costs	0.1	0	0	0.8	0.5	0
Taxation expense	0	0	0	0	0	0
Total comprehensive income	0	23	2	5	3	0

Raukawa (y.e. June 30)

Asset base	2012	2013	2014	2015	2016	2017
Assets	86	93	103	129	136	149
Net worth (total equity)	84	90	98	126	133	143
Total interest bearing debt	0	0	0	0	0	0
Current liabilities	2	2	4	2	2	0
Settlement received	35	0	2	0	0	0
Government grant income	0	0	0	0	0	0

Financials	2012	2013	2014	2015	2016	2017
Revenue	6	11	10	15	12	12
Distributions	0	0	0	1	1	0
Operating exp. Trust	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0
Taxation expense	0	1	0	1	1	0
Total comprehensive income	-1	6	6	16	7	11

Tūhoe (y.e. March 31)

Asset base	2013	2014	2015	2016	2017
Assets	134	254	296	328	348
Net worth (total equity)	133	252	296	325	345
Total interest bearing debt	0	0	0	0	0
Current liabilities	1	2	0	1	2
Settlement received	0	108	26	0	0
Government grant income	0	0	0	0	0

Financials	2013	2014	2015	2016	2017
Revenue	5	8	9	9	12
Distributions	0	0	0	0	0
Operating exp. Trust	0	0	0	0	0
Finance costs	0	0	0	0	0
Taxation expense	1	1	0	2	1
Total comprehensive income	6	119	45	25	19

Waikato-Tainui (y.e. March 31)

Asset base	2010	2011	2012	2013	2014	2015	2016	2017
Assets	644	775	802	925	1,040	1,164	1,225	1,244
Net worth (total equity)	538	559	596	705	784	862	940	1,068
Total interest bearing debt	69	218	220	199	230	276	259	123
Current liabilities	34	94	45	50	38	33	241	18
Settlement received	0	0	0	70	21	70	0	0
Government grant income	0	0	0	0	0	0	0	0

Financials	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	33	37	57	64	70	83	82	72
Distributions	4	4	7	7	6	22	9	31
Operating exp. Trust	0	0	0	0	0	0	0	0
Finance costs	5	8	13	14	14	17	15	9
Taxation expense	0	0	0	0	-2	-3	0	0
Total comprehensive income	19	16	37	110	74	84	80	140

Appendix 3: Benchmark portfolio

Iwi	Period	Equity market return	Bond yield	Assumed management fees	Benchmark return (50/50)	Average RoA of iwi
Ngāi Tahu	2006-2017	7%	5%	-1%	5%	13%
Ngāpuhi	2011-2017	14%	4%	-1%	8%	5%
Ngāti Porou	2012-2017	15%	4%	-1%	8%	4%
Ngāti Whātua Ōrākei	2012-2017	15%	4%	-1%	8%	16%
Rangitāne o Wairau	2012-2017	13%	4%	-1%	7%	3%
Raukawa	2012-2017	15%	4%	-1%	8%	8%
Tūhoe	2013-2017	16%	4%	-1%	9%	6%
Waikato-Tainui	2010-2017	12%	4%	-1%	7%	8%

Nb: some iwi report at 31 March and others at 30 June.

Averaged over the minimum comparison period

	2013-2017	16%	4%	-1%	9%	
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