

Iwi Investment Report 2018

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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.

Glossary

Benchmark portfolio:	A model portfolio that the performance of actual portfolios is compared against
Debt-to-capital ratio:	The ratio of an entity's total debt to its total assets
Distributions:	Cash payments used to benefit members of the tribe (i.e. the "shareholders" in the iwi)
Equites:	A class of financial investment including stocks and shares in an entity
Equity/ net assets/ net worth:	Total assets minus total liabilities
Floating-fixed interest rate-swap:	A contractual arrangement between two parties in which one party swaps the interest cash flows of a fixed rate loan, with those of a floating rate loan held by another party
Hapori:	Section of a kinship group, family, society, community
Hapū:	Kinship group, clan, tribe, subtribe. A number of related hapū usually shared adjacent territories forming a looser tribal federation (iwi)
Held/recognised at cost:	Where an asset is valued on the balance sheet at the price it was originally purchased for/ valued at and is not revalued at a later date
Iwi:	An extended kinship group, tribe, nation, people, nationality, race. Often refers to a large group of people descended from a common ancestor and associated with a distinct territory
Net assets per member:	The ratio of net assets to the number of iwi members
Operating surplus/deficit:	The surplus/deficit in an entity's operating cash flows
Relativity settlement:	A settlement clause that requires the Crown to pay certain iwi additional amounts called relativity payments to maintain the proportion of the original settlement at a certain fixed percentage of all treaty settlements
Return on assets (RoA):	An indicator of how profitable a company is relative to its total asset
Return on equity (RoE):	A measure of profitability that calculates the profit a company generates with each dollar of shareholders' equity
Revaluation of assets (upward or downward):	Changing the value of an asset on the balance sheet to better reflect the fair or market value of that asset as opposed to holding the asset at cost
Rohe:	Region, territory, traditional tribal areas
Total comprehensive income:	All changes in equity during a period except those resulting from investments by owners and distributions to owners. Practically, this is net income plus unrealised gains/ losses on assets plus foreign currency transaction gains/losses
Whānau:	family group

**Māori definitions taken from maoridictionary.co.nz*

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 assets (\$) - Ngāi Tahu and Waikato-Tainui - have generated consistently positive returns over a number of years. However, over the last six 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 has generated returns broadly in line with the benchmark portfolio (ie, within one percent) and Ngāpuhi, Ngāti Awa, Ngāti Porou, Tūhoe and Waikato-Tainui have seen returns below the benchmark.

We value that the total assets of all post-settlement entities now at around \$9b. This report covers eight iwi - Ngāi Tahu, Ngāpuhi, Ngāti Awa, Ngāti Porou, Ngāti Whātua Ōrākei, Raukawa, Tūhoe and Waikato-Tainui - with combined assets equating to around \$5.5b of this total. The combined total assets of these iwi equates to an estimated 61 percent of all post-settlement iwi assets. The eight iwi were chosen on the basis of availability of public information, asset size, length of operations and population size. The report this year has seen the addition of Ngāti Awa, a Bay of Plenty based iwi which finalised its Treaty Settlement in 2005. A small iwi, Rangitāne o Wairau, which has previously been included has been excluded.

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 to beneficiaries and the nonfinancial objectives of the group, while a separate commercial entity manages the group's commercial assets and makes 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, 2018

	Total Assets	No of asset classes	Largest asset class	Capital allocation of largest asset class	Management Approach	Debt-to-capital
Ngāi Tahu	\$1,924m	7	Private equity	29%	Largely active	11%
Ngāpuhi	\$59m	7	Fisheries Quota	36%	Largely passive	0%
Ngāti Awa	\$151m	7	Property	31%	Mixed	12%
Ngāti Porou	\$243m	6	Financial assets	59%	Largely passive	5%
Ngāti Whātua Ōrākei	\$1,189m	1	Property	100%	Active	17%
Raukawa	\$164m	7	Managed funds	26%	Mixed	0%
Tūhoe	\$365m	7	Managed funds	49%	Largely passive	0%
Waikato-Tainui	\$1,369m	6	Property	52%	Largely active	11%

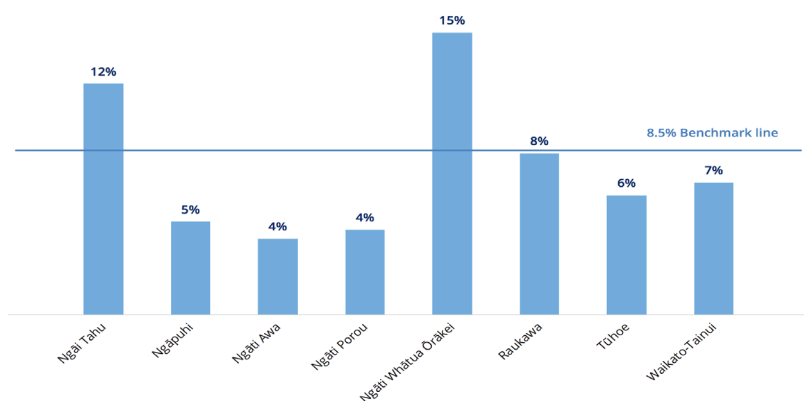
Ngāti Whātua Ōrākei and Waikato-Tainui have had a strong bias towards property investment. This reflects in part their initial settlements, which tended to be dominated by properties in their rohe (traditional tribal areas). Ngāi Tahu also has a large amount of property assets for the same reason but has taken steps to diversify its assets, now holding a similar amount of investment property, private equity and rural assets in its portfolio. Ngāti Awa has a large proportion of its assets in property and Raukawa has a large proportion of its assets in managed funds, however, both of these iwi have taken steps to diversify their portfolios, with a focus on primary industries and direct investments. Ngāti Porou and Tūhoe have also made a distinct effort to diversify their portfolios, with a focus on investments in managed funds. Northland based iwi Ngāpuhi is yet to settle with the Crown, other than through the Treaty of Waitangi fisheries settlement. Tourism is an area of increasing investment among many iwi, with Ngāi Tahu, Ngāti Awa and Ngāti Porou investing in the sector in 2017 and 2018. Ngāti Whātua Ōrākei is also considering investment in tourism. All of the iwi except Ngāti Whātua Ōrākei hold assets in primary industries like fisheries, farming and forestry. Ngāpuhi, Ngāti Awa, Ngāti Porou, Raukawa, Tūhoe and Waikato-Tainui have the majority of their equity investments in managed funds, with different funds holding a range of assets, including New Zealand, Australian and global equities and bonds. Ngāi Tahu holds mainly private equities rather than managed funds

Several of the iwi have relatively undiversified investment portfolios with few assets outside their rohe. They are therefore heavily exposed to single asset class (e.g. property) risk 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 have interests in the domestic fishing industry, with holdings of settlement fisheries quota and shares of Moana NZ, and are exposed to volatility of this 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. A common feature of all the iwi is having a low level of debt. As Table 1 shows, three of the iwi have zero debt and the remaining five iwi have a debt-to-capital ratio that is 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 gives the average returns of each iwi over the period 2013 - 2018. These are compared against a benchmark line of 8.5%, based on the estimated returns of the benchmark portfolio over that same period (described on page 11). The returns presented are for each iwi group as a whole and have been calculated after deducting the respective Trusts' operating expenditures. The returns for the commercial entities of the iwi will be somewhat higher than those 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 may also be understated for some iwi who 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 annual return on assets (RoA), 2013-2018

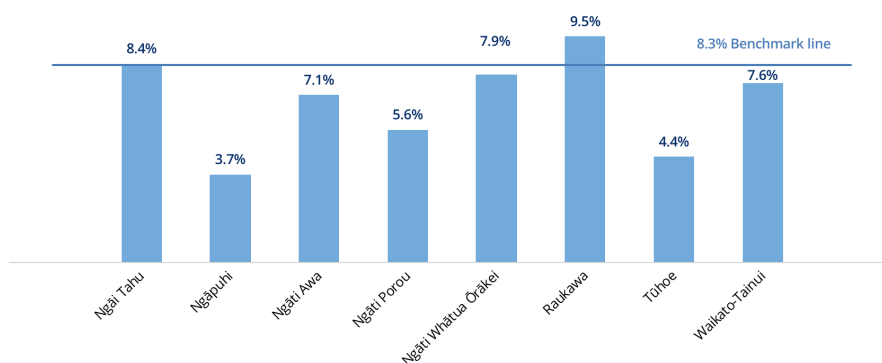


As Figure 2 illustrates, Ngāi Tahu and Ngāti Whātua Ōrākei have comfortably outperformed other iwi (as well as our benchmark return of 8.5% p.a), with reported average returns of 12% p.a. and 15% p.a. respectively over the last six years. Raukawa has generated returns approximately in line with the benchmark portfolio and the remaining five iwi have generated lower, yet still positive, returns. Ngāi Tahu has performed well over a long period with its relatively diverse asset base delivering strong returns.¹ Ngāti Whātua Ōrākei's high returns in recent years reflect its concentration of assets in the high performing Auckland property market. With a slowing property market in Auckland, these returns may however not be sustainable.

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 for different investment classes. Further, 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 (eg, Ngāti Whātua Ōrākei). 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. Some iwi, such as Ngāti Awa, Ngāti Porou, Tūhoe, Raukawa and Waikato-Tainui have been seeking to diversify their portfolios in recent years, as reflected in their more active management approach.

Figure 3 below shows the RoA for the eight iwis in 2018, with the 2018 benchmark calculated using the same method as the 2013 - 2018 benchmark in Figure 2. Generally speaking, the iwis' returns in 2018 were much closer to the benchmark than their 6 year average. Raukawa has the highest RoA in 2018 and is comfortably above the benchmark. Ngāi Tahu, Ngāti Whātua Ōrākei and Waikato-Tainui are all close to, but under the benchmark. The remaining four iwi were well below the benchmark. The following sections of this report profile each iwi, providing detail on their 2018 RoA and what may have led to stronger or weaker than average returns.

Figure 3: Return on assets, 2018

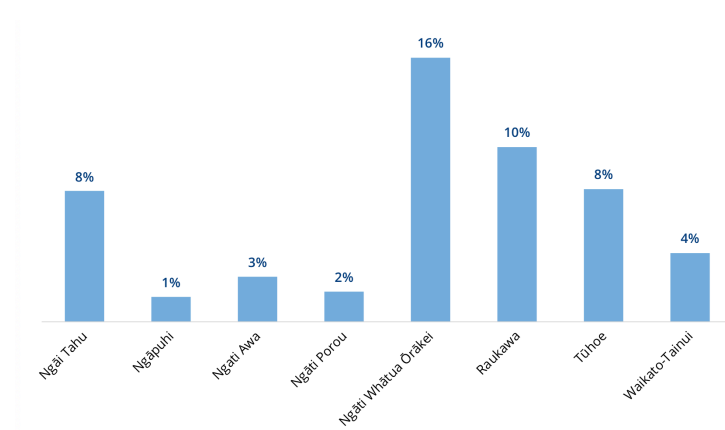


Net assets per member

Figure 4 on the following page illustrates the average change in net assets per iwi member (% p.a.) between 2013 and 2018. Ngāti Whātua Ōrākei, has shown the greatest increase in net assets per member over the period. Ngāi Tahu, Raukawa, Tūhoe and Waikato-Tainui have experienced increases in the 4% to 12% p.a. range, while Ngāpuhi, Ngāti Awa and Ngāti Porou have experienced smaller increases of 4% p.a. and below. Iwi membership data is estimated based on the 2013 census and subsequent projected Maori population growth rates for all iwi except Waikato-Tainui and Ngai-Tahu, who directly report their membership numbers. Waikato-Tainui's membership growth rate is much higher than the estimated growth rate, partially explaining its slower increase in net assets per member relative to other iwi.

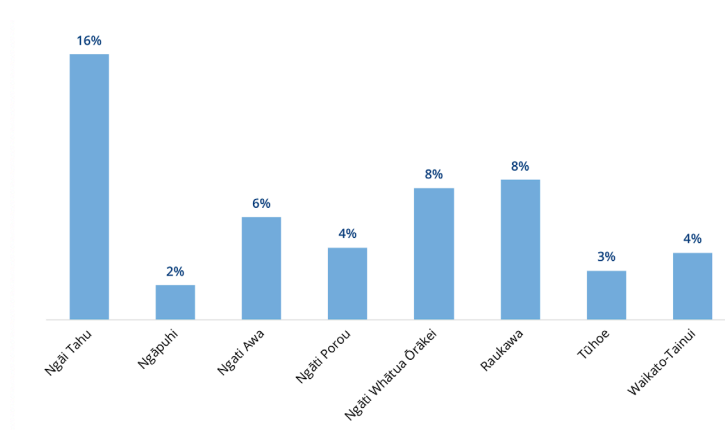
¹ Refer to Appendix 2 for a longer time series of returns.

Figure 4: Average change in net assets per member (%p.a), 2013-2018



Ngāi Tahu has increased its net assets per member by 16 percent, although this is mainly due to a relativity settlement.² Waikato-Tainui also received a relativity settlement which inflated its increase in net assets per iwi member in 2018 but as the settlement had already been partially accounted for in receivables, it did not have the same level of impact on net assets this year as Ngāi Tahu's. Ngāti Awa, Ngāti Whātua Ōrākei, Rangitāne o Wairau and Raukawa had increases in net assets per member in 2018 between 6 and 8 percent. Ngāpuhi, Ngāti Porou, Tūhoe and Waikato-Tainui all had increases in net assets per iwi member below 5%.

Figure 5: Average change in net assets per member (%p.a), 2018



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.

² Waikato-Tainui (1995) and Ngāi Tahu (1998) both received early, large settlements which included relativity clauses. This means that the Crown is liable to make relativity payments to maintain the proportion of the Waikato-Tainui and Ngāi Tahu settlements at, respectively, 17% and 16.1% of all treaty settlements.

Introduction

Since 1990, around 75 iwi in New Zealand have finalised Treaty settlements with the Crown (refer to Appendix One). 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 settlement. In this report, we have reviewed eight iwi. 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 and information disclosures. Although it is yet to settle with the Crown, we have included Ngāpuhi because of the size of its member base. Table 2 below lists the iwi reviewed in this report.

Table 2. The eight iwi

	Location	Year of Deed	Redress amount	Population
Ngāi Tahu	South Island	1997	\$170m	61,000
Ngāpuhi	Northland	Still under negotiation	-	135,126
Ngāti Awa	Bay of Plenty	2005	\$42m	14,033
Ngāti Porou	East Cape	2011	\$90m	76,437
Ngāti Whātua Ōrākei	Ōrākei	2011	\$18m	15,905
Raukawa	South Waikato	2012	\$50m	10,815
Tūhoe	Te Urewera	2012	\$169m	37,536
Waikato-Tainui	Waikato	1995	\$170m	70,474

These eight iwi account for approximately 57% of the total Māori population in New Zealand (Census 2013) and manage approximately 61% of total assets in the sector.

Our review of iwi investments begins with a brief discussion of each iwi's corporate governance structure. This is followed by discussion of the investment strategy of the commercial entity within each iwi. The investment strategies are analysed based on the degree of diversification, the management approach and their investment financing. Finally, we review each of the eight iwis' investment performance by looking at its total assets base and net worth and calculating standard financial performance measures of return on assets, return on equity and net assets per member.

Scope and approach

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

Organisational structures

The mechanisms and processes 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 based on the same market movements. 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 creates 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 returns on investment. A highly leveraged (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 that 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 numerator for 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 summing the iwi's total comprehensive income, interest expense and distributions, deducting relativity payments and dividing this amount by its average assets. The formula used for calculating RoE takes into account the differing capital structures of each iwi.

$$\begin{aligned}
 \text{Return on assets} &= \frac{(\text{Total comprehensive income} + \text{Distributions} + \text{Interest expense} - \text{Relativity payments})}{\text{Average assets}} \\
 \text{RoA} & \\
 \text{Return on equity} &= \frac{(\text{Total comprehensive income} + \text{Distributions} - \text{Relativity payments})}{\text{Average equity}} \\
 \text{RoE} &
 \end{aligned}$$

The RoA and RoE calculations 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 an iwi's trust to reflect the total return on capital of that iwi's investments. This is because distributions are included in the calculation of total comprehensive income.

The returns presented are for each iwi group as a whole and are calculated after deducting the respective Trust's 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 they intend to hold in perpetuity, which may appreciate in value over time).

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 the short term where compounding of returns need not be considered.

Net asset value

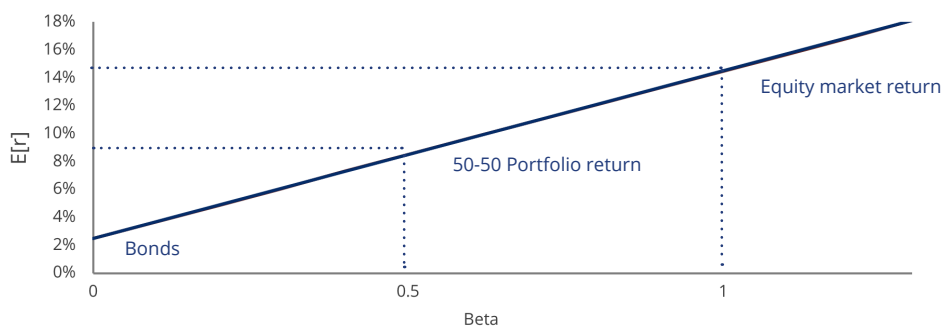
Net asset value (NAV) per share is a measure of the value per share in an investment fund. In the context of this report, NAV per member is used to gauge the level of net assets per iwi member. Statistics NZ's estimates of the Maori population growth rate has been used as a proxy for the growth rate of each individual iwi since the 2013 Census (for six of the eight iwi). 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 NZX50 monthly yields and 10 year government bond yields between June 2013 and June 2018. 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.

Figure 6: Security market line (for 6 year benchmark)



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

Te Rūnanga o Ngāi Tahu is the sole trustee of the Ngāi Tahu Charitable Trust which owns and operates the Ngāi Tahu Holdings Corporation (NTHC). NTHC is an investment company which is responsible for wealth creation using the Trust's existing assets to generate revenue and increase shareholder equity. Its aim is to provide for future generations and support tribal aspirations including social, cultural and environmental initiatives through distributions. The executive functions are carried out by the Office of Te Rūnanga o Ngāi Tahu which monitors and supports NTHC, 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

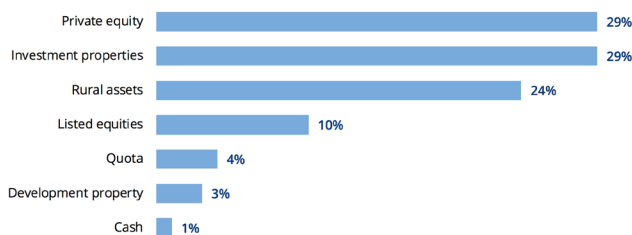
- Investment and financial strategy
- Capital allocation
- Investment performance

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 received an additional \$199m in cash as a relatively settlement in 2018. Ngāi Tahu's total assets were valued at \$1,924m at June 30, 2018. Ngāi Tahu's asset allocation is depicted below.



Management approach:
Largely active

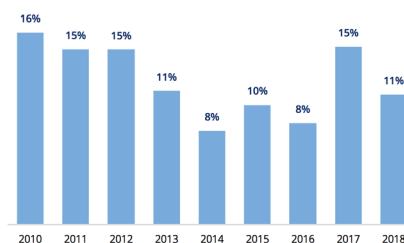
Ngāi Tahu's portfolio is relatively diverse, holding a range of assets including private equity investments, property, tourism, farming, forestry and seafood. Ngāi Tahu's Capital division (private and listed equities) had a mixed year, with an operating deficit of \$18.6m. While shares in Ryman Healthcare shares and Go Bus produced strong returns, honey-makers Watson & Son (which Ngāi Tahu is now the sole owner of), had another poor performing year. The Property division has continued to remain strong and is now pursuing new opportunities including the Karamū subdivision and affordable housing programmes in its Hobsonville developments. The Tourism division has also had a strong year with new developments like the Earth & Sky project in Tekapō and the All Blacks Experience at Skycity. While attaining a \$4.6m net operating surplus, the Farming division has yet to fully optimise its land assets and plans to focus on increasing the operating performance of existing farms. The Seafood division posted its best result ever, a \$24m surplus, largely due to an increase in value of its kōura (crayfish) market in China.

Ngāi Tahu

Capital structure

Ngāi Tahu's 2018 debt-to-capital ratio has declined to 11% primarily as a result of the relativity settlement received that year. Ngāi Tahu's debt-to-capital ratio is higher than many iwi, which traditionally hold little debt, reflecting Ngāi Tahu's active investment approach and portfolio composition.

Debt to capital ratio

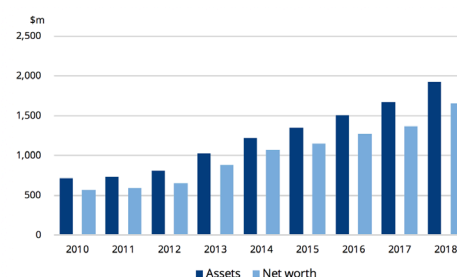


Investment performance

Asset base and net worth

Over the last 8 years, Ngāi Tahu has significantly grown its asset base, from \$715m in 2010 to \$1,924m in 2018. Asset growth for 2018 was 15% and equity growth was 21%. While the equity growth was significantly impacted by the \$199m relativity settlement Ngāi Tahu received in 2018, assets such as investment properties and shares in Ryman Healthcare have also increased in value.

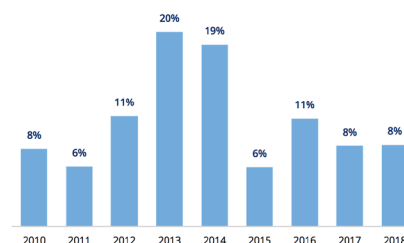
Asset base



Return on assets

Ngāi Tahu's RoA of 8% in 2018 is the same as in 2017, but lower than its 10.8% average over the last 8 years. The operating surplus of the Seafood and Tourism divisions rose relative to the previous year, while the Farming division's fell slightly. The Property division's operating surplus fell by \$11.6m, while the Capital division operating deficit rose by \$9.6m due to losses reported by Watson & Son. Despite this, the net profit of the Capital division rose by \$32.8m, reflecting the increase in value of other investments like Go Bus and Ryman Healthcare shares. Overall, Ngāi Tahu reported a solid return on assets due to strong years by the Tourism, Seafood and Property divisions.

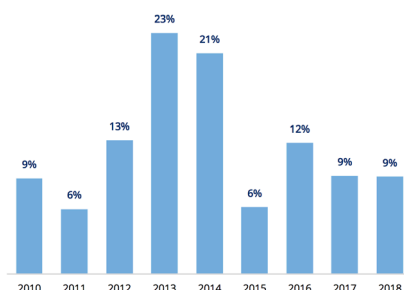
Return on assets



Return on equity

Ngāi Tahu achieved a RoE of 9% in 2018, below its 11.9% average over the last 8 years. Distributions to its members increased significantly in 2018 to \$55m. These range from scholarships and leadership programmes to the Whai Rawa saving programme to support Papatipu Rūnanga marae building projects. Net assets per member (below) jumped in 2018 to \$27,091 as a result of another solid year of returns combined with the significant relativity settlement.

Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	20,207	21,143	22,947	23,440	27,091

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 hapori living within te whare tapu o Ngāpuhi. NISS delivers a range of support for the iwi through whānau services, 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 and Paper Plus Kaikohe.

Te Rūnanga-Ā-Iwi O Ngāpuhi Board of Trustees

Te Hau Ora O Ngāpuhi (THOON)

- Health strategy

Ngāpuhi Iwi Social Services (NISS)

- Whanau services

Te Rūnanga-Ā-Iwi O Ngāpuhi Operations

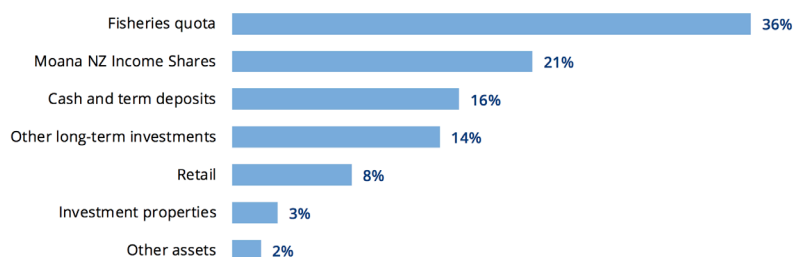
- Operations

Ngāpuhi Asset Holdings Company Ltd (NAHC)

- Investment and financial strategy

Investment strategy

Ngāpuhi's treaty settlement with the Crown is still under negotiation. Ngāpuhi currently has 73% of its assets in a combination of cash and term deposits, fisheries settlement quota and Moana NZ income shares.



Management Approach:
Largely passive

Ngāpuhi has historically been passive in its investment strategy. 2018, however, saw a continuation of the previous year's strategy to put a higher weight of assets into managed funds, namely a Mint Asset Income Fund which holds a portfolio of fixed-income and equity securities. The proportion of assets in long-term investments remained the same as 2017 at 14%, as opposed to 2016, where only 3% of assets were short-term or long-term investments.

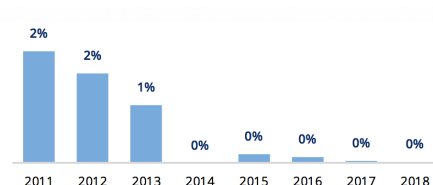
Fisheries assets remain the core of Ngāpuhi's portfolio, representing 58% of its asset base. Ngāpuhi has taken a conservative approach to its fisheries asset valuations, recognising the combined value of its shares in Moana New Zealand and fishing quota assets of \$33.6m at cost.

Ngāpuhi

Capital structure

Ngāpuhi has little debt on its balance sheet. Its debt-to-capital ratio declined from 2% in 2011 to 0.03% in 2018. 2013 was the last year in which bank loans were held.

Debt to capital ratio

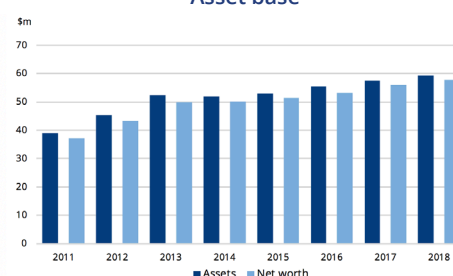


Investment performance

Asset base and net worth

Ngāpuhi's asset base grew by 2.7% in 2018, continuing the trend of a slow growth in the last five years. Most productive assets increased slightly with the best performers being the Mint Assets Income Fund, which increased in value by 5.4%, and retail, which increased in value by 16%.

Asset base

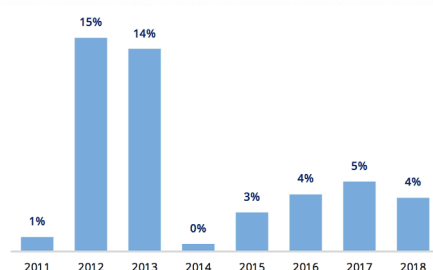


Ngāpuhi's fisheries assets are recorded at cost and are not subject to revaluations. As a result, fisheries assets have not recorded any increase in value, aside from a minor addition to the value of the fisheries quota.

Return on assets

Ngāpuhi's return on assets has fluctuated over the past seven years, with large increases in 2012 and 2013 driven by large net operating profits and a revaluation in 2012 that saw an additional \$7.3m of value added. Since then, return on assets has fallen and remained relatively low over the last five years. While a majority of Ngāpuhi's assets are passive and have continued to deliver relatively low returns, active assets like the Mint Asset Income Fund (referenced above) are generating higher returns. These type of investments in market securities increase the diversity of Ngāpuhi's returns and reduce the group's dependency on fisheries.

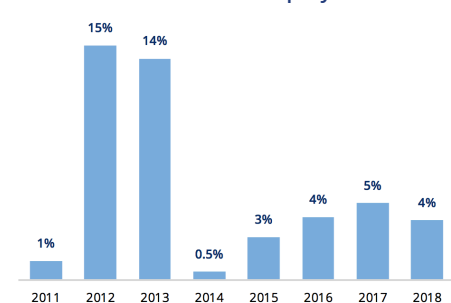
Return on assets



Return on equity

As Ngāpuhi holds minimal debt, its RoE mirrors its RoA. RoE has averaged 5.7% p.a. between 2011 and 2018. This reflects the strong returns in 2012 and 2013, 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 high returns. It has therefore been taking steps towards having a more active, diversified investment strategy. The NAHC Board is currently reviewing the level of exposure of its assets and will look to adjust the risk profile to reflect operational and shareholder requirements.

Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	395	398	406	420	428

Ngāti Awa

Te Rūnanga o Ngāti Awa is located near Whakatane in the eastern Bay of Plenty. Te Rūnanga o Ngāti Awa will be referred to as Ngāti Awa throughout this report.

Organisational structure

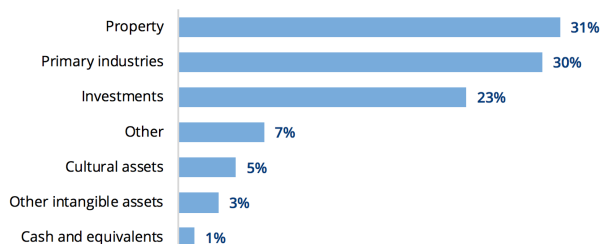
Te Rūnanga o Ngāti Awa is the governing body of the Ngāti Awa iwi and has four direct subsidiaries. Ngāti Awa Group Holdings Limited (NAGHL) and Ngāti Awa Asset Holdings Limited (NAAHL) are the commercial arms of the group and are mandated with managing the commercial assets of Ngāti Awa and integrating its activities with the social aspirations of the group where possible. NAAHL holds the group's commercial financial assets, Moana New Zealand shares and its fisheries quota. NAGHL runs the commercial operations. Ngāti Awa Community Development Trust (NACDT) is responsible for supporting and furthering the social, cultural and economic development of the iwi. Ngāti Awa Research and Archives Trust preserves the history of the tribe through research and storage of historical documents.

Te Rūnanga o Ngāti Awa The Office of Te Rūnanga o Ngāti Awa

Ngāti Awa Group Holdings Limited (NAGHL) <ul style="list-style-type: none">• Commercial and investment strategy• Wealth generation	Ngāti Awa Asset Holdings Limited (NAAHL) <ul style="list-style-type: none">• Moana NZ shares• Equity portfolio management• Fisheries quota	Ngāti Awa Community Development Trust (NACDT) <ul style="list-style-type: none">• Social, cultural and economic support	Ngāti Awa Research and Archives Trust (NARA) <ul style="list-style-type: none">• Manage tribal archives
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Investment strategy

Ngāti Awa's settlement with the Crown was finalised in 2005 for \$42m. The settlement was a combination of Crown-owned land selected by Ngāti Awa, fisheries quota, cash, and other assets. Land included portions of the Kaingaroa and Rotoehu forests. Ngāti Awa holds shares in Moana NZ as part of the settlement proceeds in accordance with the Maori Fisheries Act, 2004. Forestry assets include land and carbon credits.



Management Approach:
Mixed

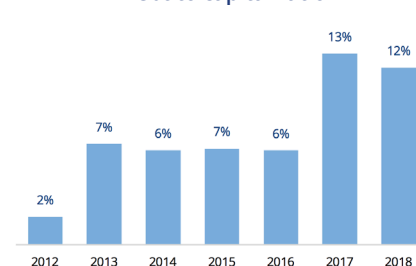
Ngāti Awa's financial investments include listed shares, unit trusts like a Mint Diversified Income Fund, unlisted shares in Pencarrow Bridge Fund and Direct Capital IV and an investment in Iwi Collective Orchards. The primary industries category is consists of forestry-related assets (23% of total assets) and includes livestock, Moana NZ shares and fisheries quota. 2018 saw Ngāti Awa continue investment in its farms, improving effluent treatment system at Ngakauroa Farm and adding new pumps and water tanks to Ngāti Awa Farms. Ngāti Awa has diversified its portfolio in recent years with the addition of White Island Tours, which has seen revenue increase significantly from \$0.5m to \$4m between 2017 to 2018 (2018 being the first full year of ownership of the venture). The group is currently reviewing the performance of its existing assets to identify where returns are not meeting performance goals. This includes assessing options for developing the old Army Hall site on Whakatāne waterfront into a tourism hub.

Ngāti Awa

Capital structure

Ngāti Awa's debt-to-capital ratio stayed moderately stable between 6% and 7% from 2013 to 2016. It then increased in 2017 as the group drew a further \$9m for the purchase of White Island Tours. With a debt-to-capital ratio around 12%, Ngāti Awa holds a high proportion of debt relative to other iwi.

Debt to capital ratio

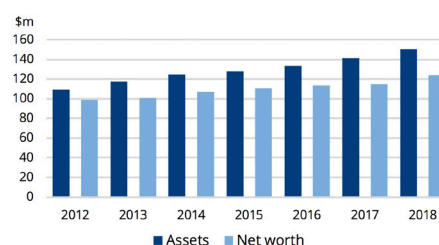


Investment performance

Asset base and net worth

Ngāti Awa's assets grew to \$151m in 2018, up from \$142m in 2017. Net assets also rose from \$115m to \$124m. Assets have grown slowly over the last 7 years, averaging 4% p.a. growth per year. Total assets have grown slightly faster than net assets due to increases in debt. 2018 asset growth was primarily driven by increased profits and revaluation gains on forestry assets.

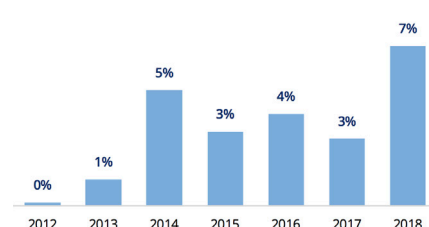
Asset base



Return on assets

In 2018, Ngāti Awa's RoA reached its highest point in the past seven years at 7%, up from 3% in 2017. Many of the group's assets provided good returns in 2018. Revenue increased by \$4.9m in 2018 to reach \$13m. The addition of a full calendar year of operations for White Island Tours has driven an increase in services revenue. Other increases were in farming operations and rental income. There were corresponding increases in cost of goods sold (up \$1.7m on last year) and expenses (up \$3.5m). The key drivers of the rise in expenses have been increases in costs related to farming operations expenditure and vehicle repairs and maintenance. Revaluation of forestry land, listed shares and carbon credits also contributed to the rise in RoA.

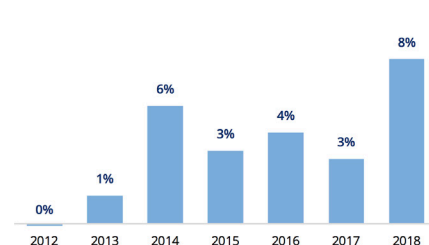
Return on assets



Return on equity

Ngāti Awa's RoE also reached its highest point in the past seven years, rising to 8% in 2018. Like most of the other iwi, Ngāti Awa's RoE follows its RoA, although not as closely as iwi which are entirely equity funded. Like RoA, RoE for 2018 was significantly higher than the average over the last 6 years of 4.2% p.a. Ngāti Awa paid grants and sponsorships of \$0.2m in 2018, slightly less than the previous year. These distributions consisted of Hapu distributions, education grants and cultural and environmental projects and initiatives.

Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	8,102	8,231	8,366	8,328	8,829

Ngāti Porou

Te Rūnanganui o Ngāti Porou is the mandated authority for Ngāti Porou mai i Potikirua ki te Toka a Taiāu. Te Rūnanganui o Ngāti Porou is referred to as Ngāti Porou throughout this report. Ngāti Porou is located on the East Cape of the North Island.

Organisational structure

Ngāti Porou Holding Company (NPHC) is the commercial subsidiary of Ngāti Porou. NPHC is responsible for the management of the Trust's assets and the creation of financial returns, some of which funds its Parent's operations. NPHC also manages Ngāti Porou Seafoods Group and Pakihiroa Farms. Toitu Ngāti Porou is Ngāti Porou's charitable trust subsidiary, and is responsible for cultural development and charitable distributions to the iwi. Ngāti Porou Hauora, another subsidiary, provides health promotion and primary care services to the iwi. Te Rūnanganui o Ngāti Porou Group Corporate Services provides operational support to Te Rūnanganui o Ngāti Porou and its subsidiaries.

Te Rūnanganui o Ngāti Porou

Ngāti Porou Holding Company (NPHC)

- Wealth generation
- Property investment

Toitu Ngāti Porou

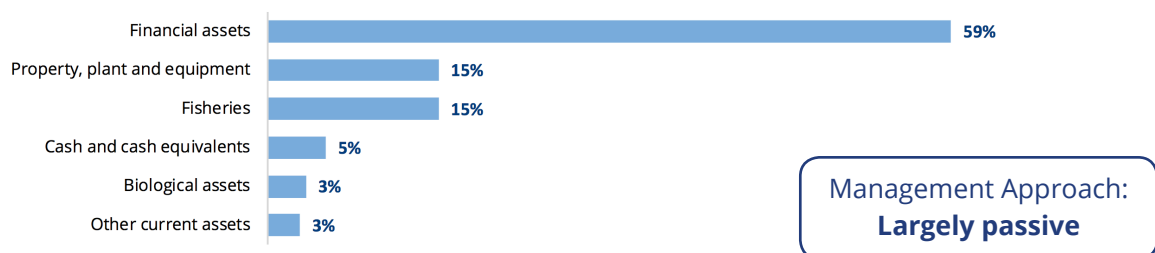
- Cultural and wealth distribution

Ngāti Porou Hauora

- Health services to whānau and hapu

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 asset allocation is shown below:



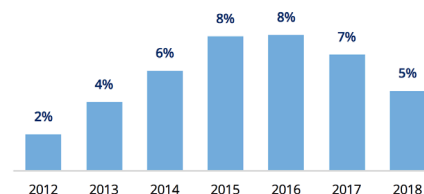
Investment in financial assets, 99% of which is in equities including shares in listed and non-listed companies, dominate Ngāti Porou's portfolio. Management of equity investments is outsourced to a variety of fund managers with an overall 60:40 balance between growth assets and income assets. The largest proportions are managed by AMP Capital, Milford Asset Management and BlackRock Investment Managements. Growth assets include investments in Trans-Tasman, developed and emerging market equities. Moana NZ shares and fisheries quota make up 15% of Ngāti Porou's investments, while 5% of capital is held in cash. Ngāti Porou has also made a number of direct investments in honey, blueberries and tourism. 2017/18 saw a harvest of 10 tonnes of Manuka honey. A joint venture with Hauiti Incorporation to grow blueberries is intended to begin operation in 2019. The tourism project with Air New Zealand "Mt Hikurangi- Journey To The First Light" will begin operation in 2018/19.

Ngāti Porou

Capital structure

Ngāti Porou increased its debt from 2012 to 2016 as it developed its equities portfolio, in line with its investment strategy. The reduction of its debt-to-capital ratio to 7% in 2017 and then to 5% in 2018 reflects increasing retained earnings from its growth equities, coupled with a reduction in debt of \$6.3m over the past two years. Ngāti Porou is the only iwi in our report to have a largely passive management strategy while holding interest-bearing debt.

Debt to capital ratio

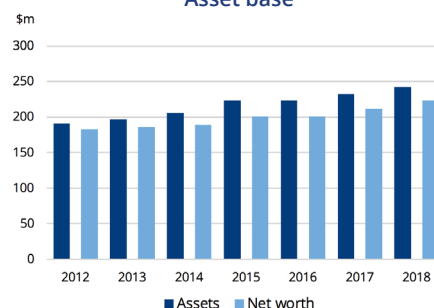


Investment performance

Asset base and net worth

In 2018, total assets grew by 5%, from \$232m to \$243m. Net worth grew by 6%, from \$211m to \$223m. Ngāti Porou's portfolio of growth equities has continued to perform well, increasing in value by \$10m over the last year. Ngāti Porou sold its carbon credits and saw the value of its biological assets rise, with increases in bees, livestock and forestry assets. A significant portion of its assets (including its fisheries quota and Moana NZ shares) are held at cost and are not subject to revaluations. Since its treaty settlement in 2012, total assets have grown on average at 4% p.a.

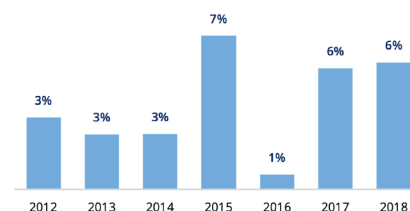
Asset base



Return on assets

Ngāti Porou's RoA was 6% in 2018 and has averaged 4.4% p.a. since 2013. RoA has fluctuated over the last six years between 1 and 7%. This volatility reflects, in part, Ngāti Porou having a large portion of assets invested in equities. Compared to 2017, both revenue and expenses increased. While revenue increased in some areas, including unrealised gains on assets and service delivery, it fell in forestry income and commercial trading revenue from fisheries, farming and honey.

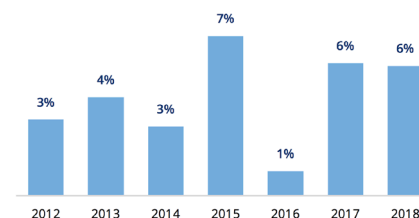
Return on assets



Return on equity

Ngāti Porou's RoE has followed the same trend as its RoA, experiencing similar volatility over the past seven years and remains at the 2017 level of 6% in 2018. 2018 saw a \$0.7m distribution to Ngāti Porou members. These distributions include: funding of marae development, iwi and community events, language revitalisation programmes and local sport and recreation.

Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	2,618	2,748	2,711	2,804	2,923

Ngāti Whātua Ōrākei

The Ngāti Whātua Ōrākei Trust (the Trust) was established in 2012, following the Treaty 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 including employment and education, health and wellbeing, tourism, arts and culture.

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.



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 which include the Spark Arena, a 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.

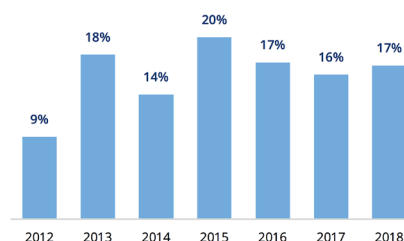
In the coming year, Ngāti Whātua Ōrākei has plans for significant increases in residential development, including commencement of construction at Hillary and Roberts Ave sites on the North Shore. The joint venture with Fletchers at Moire Road mentioned in our 2016 report is also underway. With 100% of its assets in Auckland property, Ngāti Whātua Ōrākei's portfolio is for the most part undiversified. While its investment approach has yielded strong returns in recent years, the strategy exposes Ngāti Whātua Ōrākei to risk associated with the Auckland property market, as is apparent in this year's performance. Ngāti Whātua Ōrākei is looking at investing in tourism to diversify its portfolio in the near future.

Ngāti Whātua Ōrākei

Capital structure

In 2018, Ngāti Whātua Ōrākei took on a further \$28m of debt, increasing its total debt to \$200m. Much of this additional debt (\$20m) was used to finance investment property. While its debt-to-capital ratio has increased by 1%, increases in asset values have somewhat dampened the effect of this. Interest rate risk is managed using a floating-fixed interest rate-swap over a notional amount of \$90m.

Debt to capital ratio

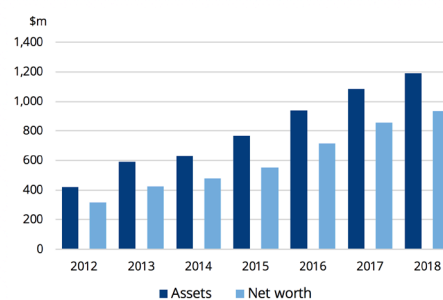


Investment performance

Asset base and net worth

The value of Ngāti Whātua Ōrākei's assets has grown substantially since settlement in 2012. However, this growth slowed in 2018, with only a 9% increase in asset value on the previous year, the smallest growth rate since 2014. This slower growth corresponds with the slowdown of the Auckland housing market. Total assets now total \$1,189m and net worth is \$934m. Ngāti Whātua Ōrākei's net assets per member is the highest of the iwi covered in this report, at \$58,729 per member.

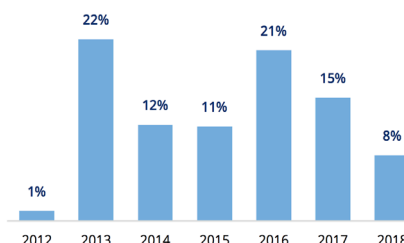
Asset base



Return on assets

RoA has averaged 15% over the last 6 years but declined to 8% for 2018. The strong financial performance over those 5 years reflects the rapid appreciation of the Auckland property market in that time. Ngāti Whātua Ōrākei's RoA is driven by revaluations of its investment properties. The revaluations accounted for \$79.6m of its \$81.5m pre-tax profits for 2018. However, this is significantly down from the \$141m gain on revaluation in 2017. This illustrates high exposure to the risks of fluctuations in the property market.

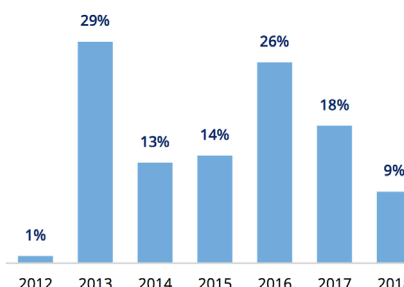
Return on assets



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 match RoA, with RoE in 2018 being at its lowest point since 2012. Ngāti Whātua Ōrākei makes annual distributions to its beneficiaries in the form of education grants, scholarships and programmes, which totaled \$1.9m in 2018. This year it also set up Toi Ora, a health insurance scheme for iwi members in conjunction with nib.

Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	32,150	36,343	46,399	54,523	58,729

Raukawa

Raukawa is a Tainui iwi based in South Waikato. The Raukawa Group is headed by Raukawa Settlement Trust, which was established in 2009 following the group's Treaty Settlement. The Trust is the mandated iwi authority and governance entity of the Raukawa group. The Raukawa Settlement Trust is referred to as Raukawa in this report.

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)

- Social, environmental and cultural development
- Community and charitable activities

Raukawa Asset Holding Company (RAHC)

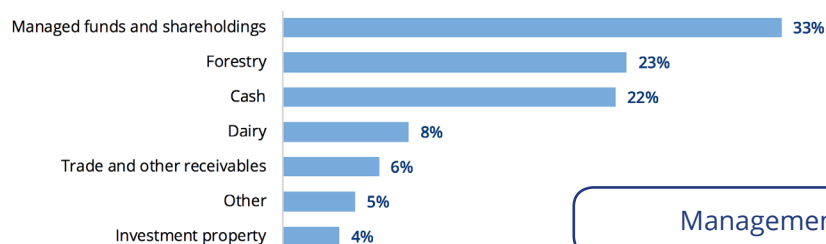
- Oversees settlement fisheries assets

Raukawa Iwi Development Ltd (RIDL)

- All iwi commercial and investment activities

Investment strategy

Raukawa signed its Treaty settlement in 2012 for a total of \$50m in financial and commercial redress. Raukawa has also received a share of the Central North Island Forestry Settlement (CNI) worth \$28m. Raukawa's interest in CNI Iwi Holdings Trust is recognised as a contingent asset until the termination of the CNI Trust (which is scheduled for 2044) and is not included in the recorded value of total assets. Raukawa's current allocation of assets is depicted below.



Management Approach: **Mixed**

Raukawa holds around 30% of its assets in managed funds across six providers. Recent years have however seen Raukawa reducing its holdings in managed funds in favour of investing in direct asset ownership, seeking the advantages of greater control, scale, access, partnership and time horizon. In the forestry sector, Raukawa holds, together with five other CNI iwi entities, a direct investment in Kakano Investments and a minority share of Kaingaroa Timberlands. Raukawa's interest in Kakano is now worth \$37m and provided a dividend of \$2.85m in 2018. Raukawa also owns 45% of Ranginui station, a 3,300 cow dairy and pastoral operation. In 2018 an \$11m investment was made into the Australasian Direct Infrastructure Trust, an unlisted fund managed by AMP Capital that invests in unlisted assets including Melbourne Airport, Powerco and the Sydney rail network. Raukawa seeks to hold a balanced portfolio that can deliver reliable income to the trust while growing the asset base for future generations. Its asset movements illustrate a shift from passive assets to direct assets.

Raukawa

Capital structure

Raukawa has no debt on its balance sheet, as has been the case since its settlement in 2012. It has a low level of trade-related and income-in-advance liabilities.

Investment performance

Asset base and net worth

Following its settlement in 2012, Raukawa's total assets have grown from \$86m to \$164m in 2018, an average growth of 11% p.a. This asset growth has been largely driven by growth in Raukawa's portfolio of managed funds and the Kakano forestry investment. Kakano had another strong year in 2018, with Raukawa's stake gaining \$7.2m in value. Investment property also saw a sizable boost in value, up \$5m, driven by the completion of Raukawa house. The value of Raukawa's share in Ranginui increased by 5%. While 2018 saw gains on managed funds, the profits have been largely withdrawn for use as distributions.

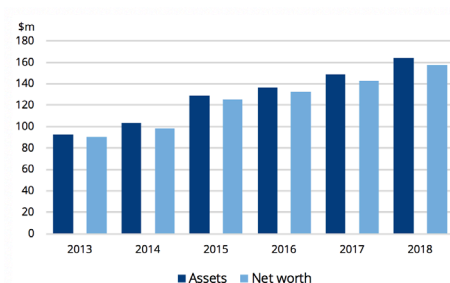
Return on assets

Raukawa's RoA for 2018 was 10%, above its 6-year average of 8.4%. The group's Kakano forestry investment continues to provide strong capital growth, with the \$19m original investment now being worth \$37m. Operating returns have been relatively stable and the fluctuations in the group's returns can be attributed largely to Kakano and other direct asset revaluations.

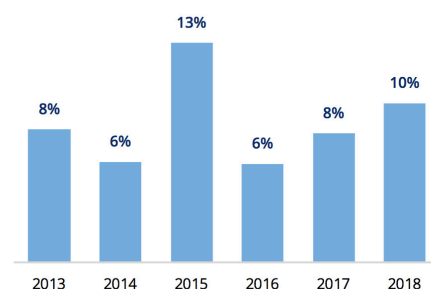
Return on equity

Due to Raukawa's low level of debt, RoE closely follows RoA. Raukawa's 2018 RoE was 10%, above its 6 year average of 8.2%. Raukawa's performance is strongly linked to the forestry sector, particularly through its share in Kakano, which has performed well over the period. Raukawa uses its distributions to fund education grants and the Raukawa Charitable Trust, which is split into four groups: the Environment group, the Cultural Growth group, the Health & Social Development group and the Corporate Services group. Net assets per member in 2018 increased to \$14,541.

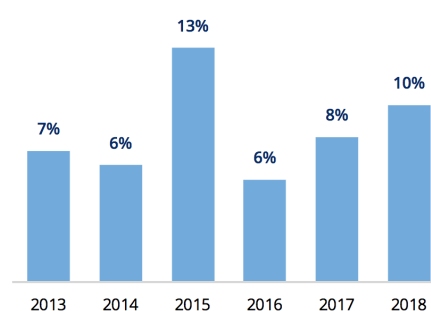
Asset base



Return on assets



Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	9,667	12,165	12,635	13,439	14,541

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 create and distribute benefits to Tūhoe. Tūhoe Fisheries Quota Ltd manages Tūhoe's fisheries assets, which include its quota and income shares in Moana NZ.

Tūhoe Te Uru Taumatua Trust

Investment Committee

- Tūhoe Trust Fund management

Tūhoe Charitable Trust

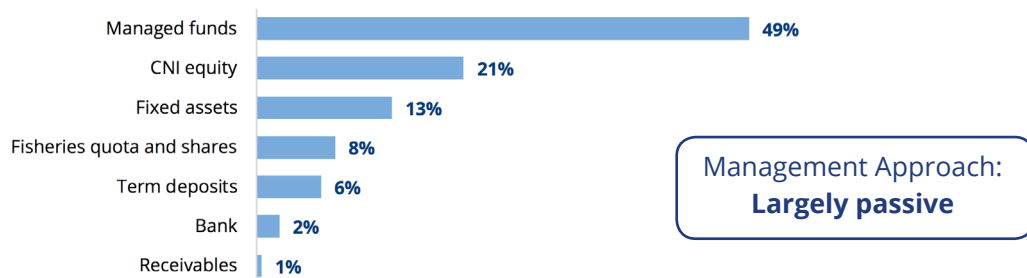
- Cultural and wealth distribution

Tūhoe Fisheries Quota Ltd.

- Fisheries settlement asset management

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 is more focused on an 8-year investment strategy and returns goal than its year on year returns. Tūhoe's current asset allocation is provided below.



Tūhoe's managed funds, which account for 49% of its assets, are largely made up of investments in global shares, term deposits, NZ bonds, global bonds and Australian shares. Tūhoe has a total of \$179m invested in these managed funds across three fund managers. 2018 saw Tūhoe restructure its financial portfolio, exiting its NZAM fund and withdrawing \$14m from its financial portfolio. Its other three managed funds have increased in capital value by \$5.8m and paid out \$5.6m to Tūhoe in 2018. Tūhoe's investments in Moana NZ shares and fishing quota are valued at \$10m and \$15m respectively. Its holdings in CNI equity remained stable throughout the period.

Tūhoe

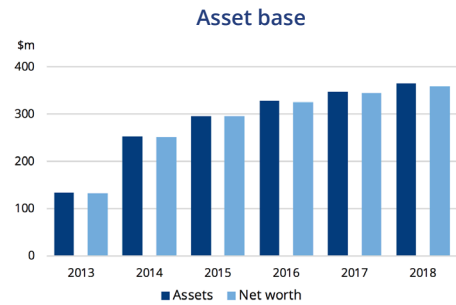
Capital structure

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

Investment performance

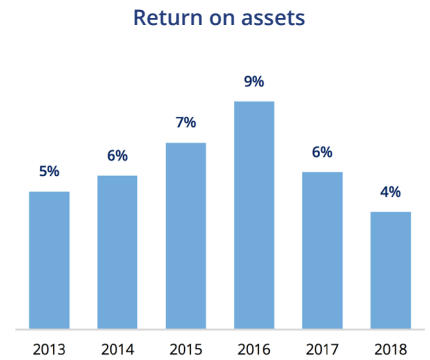
Asset base and net worth

As at 30 June 2018, Tūhoe's assets and net worth were valued at \$365m and \$360m respectively. Tūhoe's financial portfolio provides asset growth as well as cash dividends. The main gains this year came on these managed portfolios. Work-in progress at the new "central hub" Te Tii in Ruatāhuna is one of Tūhoe's current key projects, with a payment of \$11m on its construction. Net assets per member grew to \$9,588.



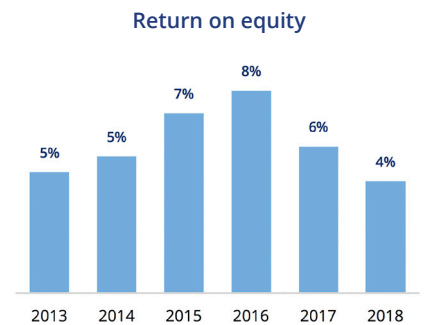
Return on assets

Tūhoe's RoA increased steadily from 2013 to 2016, but declined to 6% in 2017 and 4% in 2018. The low 2018 RoA can be attributed to weaker returns from the CNI iwi collective, which returned \$6m in 2018, down from \$9m in 2017 and \$17m in 2016, (years in which there were large gains with the increase in the price of carbon). Revaluations of Tūhoe's financial portfolio contributed \$5.6m in income in 2018, alongside \$5.8m in unrealised gains from increases in the value of those portfolios.



Return on equity

Tūhoe's RoE has been similar to its RoA due to the absence of term debt in its capital structure. Like RoA, the decline in RoE in 2018 to 4% can be largely attributed to weaker CNI returns. RoE over the past six year has averaged 6% p.a. Tūhoe has made distributions to its iwi beneficiaries over the past years largely for Marae funding purposes. Otherwise, profits are retained and reinvested in financial assets, new investment and building projects like Te Tii and Te Wharehou o Waikaremoana, with the latter opening last year.



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	7,117	8,258	8,923	9,319	9,588

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 is referred to as Waikato-Tainui throughout this report.

Organisational structure

Within the Waikato-Tainui group, Waikato Raupatu Lands Trust manages tribal affairs and the group's social and cultural strategic 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 NZ. Waikato Raupatu River Trust was established to oversee and implement the 2008 Waikato River Settlement and related statutory and regulatory reform and has an environmental strategic agenda.

Te Arataura o Waikato-Tainui

Tainui Group Holdings

- Property investment
- Property development
- Waikato-Tainui Fisheries Ltd

Waikato Raupatu Lands Trust

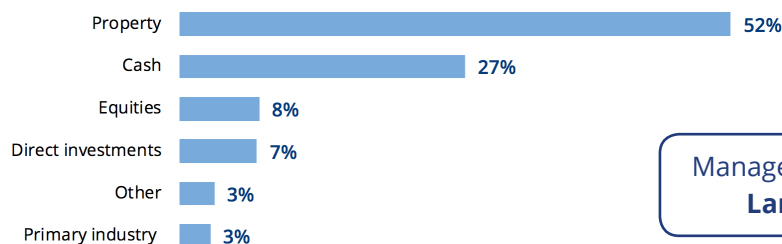
- Development strategy
- Cultural and wealth distributions

Waikato Raupatu River Trust

- 2008 Waikato River Settlement
- Regulatory review

Investment strategy

Waikato-Tainui's financial and commercial redress in 1995 amounted to \$170m and included cash and land at market value. Waikato-Tainui received another \$190m this year as a relativity settlement. 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 2016 sale of 50% of its largest property investment, The Base. 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 shares in Waikato Milking System, Go Bus and various Auckland and Hamilton based hotels.



Management Approach:
Largely active

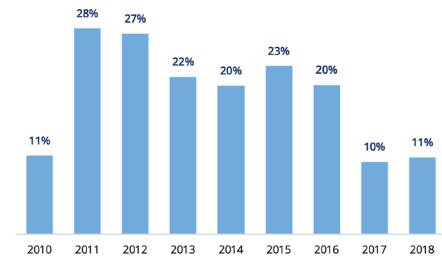
In 2017, work began on the Ruakura Inland Port, with plans to open by 2020. The port is a long-term investment of Waikato-Tainui's and a 50/50 joint operation with LINX Cargo Care Group. Waikato-Tainui will receive a 30-year lease payment for use of the land, while retaining full ownership. The Group also continues to invest in hotels, with plans for a new 5-star Arikini Pullman Hotel at Auckland Airport, alongside expansion of Novotel Tainui Hamilton. TGH manages 73% of the tribe's assets, including some of the tribe's endowment assets, which are likely to take significant resources to develop and commercialise over the next 20 to 30 years. The relativity funds are not managed by TGH.

Waikato-Tainui

Capital structure

Waikato-Tainui's debt-to-capital ratio declined significantly in 2017 as a result of the sell-down of its holdings in The Base, with \$100m of the proceeds being used to reduce interest-bearing debt. In 2018, debt increased by \$20m to finance some of Waikato-Tainui's investing activities, particularly investment in property. Waikato-Tainui's debt-to-capital ratio remains somewhat higher than most other iwi groups, indicative of its active investment approach.

Debt to capital ratio

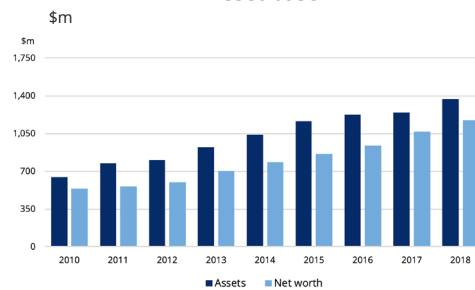


Investment performance

Asset base and net worth

Waikato-Tainui's asset base continues to grow at a steady rate, increasing by 10% in 2018 to \$1,369m. Net worth also grew by 10% to \$1,172m. The increase in assets was mainly due to an increase in the value of investment properties like The Base and partially due to the relativity settlement that had not been accounted for in receivables. The \$190m relativity settlement has incrementally been accounted for in receivables each year from 2014, unlike Ngai Tahu, which reported it as a lump sum in 2018.

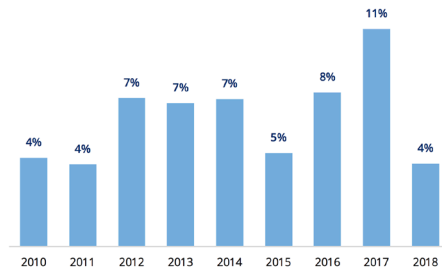
Asset base



Return on assets

Waikato-Tainui's RoA fell to 4% in 2018, its lowest in the past 7 years. This fall in RoA is partially due to a fall in operating revenue. Operating revenue has fallen due to a decrease in hotel revenue reported in the consolidation. This is because Waikato-Tainui sold 20% of its shares in Tainui Auckland Airport hotel and now holds a 50% equity share in the hotel and reports this as equity accounted investments in joint ventures. In 2017, there were large gains from partial sale of subsidiaries and investment property and a revaluation of Te Wherowhero title properties. There were no gains in these areas in 2018, leading to a fall in total comprehensive income and thus RoA.

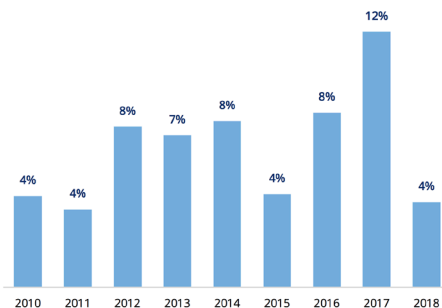
Return on assets



Return on equity

Waikato-Tainui recorded a RoE of 4% in 2018, which like RoA, was the lowest it has been in the past 7 years. In 2018, Waikato-Tainui distributed \$21m to its beneficiaries, about \$10m more than in 2017 (if distributions to the Waikato-Tainui College for Research and Development are excluded). Waikato-Tainui's distributions support various cultural, social, environmental and tribal wealth (eg, marae dividend) programmes and initiatives.

Return on equity



Net asset value	2014	2015	2016	2017	2018
Net assets per member (\$)	13,104	13,492	13,841	14,839	15,422

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 Ngāti Awa, a Whakatane-based iwi and the removal of Rangitāne o Wairau, a small South Island-based iwi.

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 their asset bases.

Investment strategies

The investments of most of the iwi reviewed in this report are in the property sector (property development, property investment and ground leases) and primary industries (forestry and fisheries). This is largely reflective of the structure of the settlement redress from the Crown. Ngāi Tahu, and more recently Ngāti Awa, Ngāti Porou, Raukawa, Tūhoe and Waikato-Tainui have taken steps to diversify their portfolios by investing in listed and private equities as well as direct investments. Other than investment in equities, assets 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 five of the eight iwi (Ngāi Tahu, Ngāti Awa, Ngāti Whātua Ōrākei, Raukawa and Waikato-Tainui) taking an active, largely active or mixed approach to their investments. The other three iwi have taken a more passive approach, albeit often with some small active direct investments. There appears to be a correlation between an iwi's investment approach and how long ago it settled with the crown. Iwi who settled earlier generally have a more active investment approach today; while iwi that settled more recently either lack an investment strategy or are still developing one, often with a more hands-off portfolio of assets.

Except for Ngāti Porou, the iwi that have taken a passive investment approach are entirely funded through equity with only trade-related liabilities and no interest-bearing debt. The more active investors 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 six years (2013-2018) reviewed in this report. Two iwi, Ngāi Tahu and Ngāti Whātua Ōrākei, have consistently exceeded our indicative benchmark return of 8.5% per annum. The other six iwi have reported average returns short of our benchmark return, in the range of 4% to 8%.

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 has played an important role in determining investment performance, especially when the management approach has been relatively 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 these iwi to better pursue economic, social, cultural and environment goals for their iwi members. Most iwi provide some distributions to their members, however, in general, the majority of earnings have been retained for equity growth. Ngāi Tahu in particular, as well as Waikato-Tainui have made relatively high distributions in total dollar terms. Ngāpuhi, Ngāti Awa and Raukawa on the other hand have made relatively small distributions. These iwi however do have relatively smaller asset bases. Tūhoe has also made relatively small distributions.

Ngāi Tahu had the highest growth rate in net assets per member in 2018 at 16%, though this is mainly due to receiving a large relativity settlement. Five of the remaining iwi had a growth rate in net assets per member in 2018 between 4% and 8%, and Ngāpuhi and Tūhoe had a growth rate in net assets per member in 2018 of 3% or less. While Ngāti Whātua Ōrākei has had the highest growth rate in net assets per member over the six year period, with average yearly growth of 16%, its growth has slowed this year as a result of the slowdown in the Auckland property market. This illustrates the risks (both upside and downside) that a portfolio invested in a single asset class in a single geographical region is exposed to.

Many of the iwi have continued to either diversify their asset base through direct investments in new sectors, further investment in equities, or development of new investment opportunities in sectors where they already have a presence. While some of these recent investments are yet to provide high returns, many appear to offer promising opportunities for the iwi to increase their returns and asset bases in the future. Ngāti Awa, included in our report for the first time, is a good example of diversification, having invested in White Island Tours, kiwifruit orchards and some unlisted equities.

The aggregate return on assets for the eight iwi fell from 9.8% in 2017 to 6.7% in 2018. Two of the largest iwi in terms of assets, Waikato-Tainui and Ngāti Whātua Ōrākei, reported a return on assets in 2018 well below their 2017 levels, while the iwi with the greatest assets, Ngāi Tahu, reported stable returns. The return on assets for Ngāpuhi, Ngāti Awa and Raukawa increased in 2018 while Ngāti Porou reported stable returns and Tūhoe experienced lower returns than in 2017.

Appendix 1: Summary of settlements

Name	Year of deed	Redress amount
Te Patukirikiri	2018	\$3m
Ngāti Rangī	2018	\$17m
Ngāti Hei	2017	\$9m
Ngāti Tūwharetoa	2017	\$78m
Ngāti Tamaoho	2017	\$10m
Te Wairoa	2016	\$100m
Ahuriri Hapū	2016	\$20m
Rāngitane o Wairarapa-Tamaki Nui-ā-Rua	2016	\$33m
Ngatikahu ki Whangaroa	2015	\$6m
Rangitāne o Manawatū	2015	\$14m
Ngāi Tai ki Tāmaki	2015	\$13m
Heretaunga Tamatea	2015	\$105m
Taranaki Iwi	2015	\$70m
Ngāti Hineuru	2015	\$25m
Tauranga Moana Iwi Collective	2015	\$0.3m
Whanganui River	2014	\$81m
Te Ātiawa (Taranaki)	2014	\$87m
Ngāruahine	2014	\$68m
Te Kawerau ā Maki	2014	\$7m
Ngāti Kuri	2014	\$21m
Ngāi Te Rangī	2013	\$30m
Ngāti Hauā	2013	\$13m
Ngāti Rangiteaorere	2013	\$1m
Ngāi Tūhoe	2013	\$169m
Maungaharuru Tangitū Hapū	2013	\$23m
Ngāti Tama ki Te Tau Ihu	2013	\$12m
Ngāti Rarua	2013	\$12m
Ngāti Pūkenga	2013	\$7m
Ngāti Koata	2012	\$12m
Te Ātiawa o Te Waka-a-Maui	2012	\$12m
Ngāti Koroki Kahukura	2012	\$3m
Ngāti Rangiwewehi	2012	\$6m
Tapuika	2012	\$6m
Ngāti Toa Rangātira	2012	\$71m
Te Rarawa	2012	\$34m
Ngāi Takoto	2012	\$21m
Tāmaki Makaurau Collective	2012	n/a
Ngāti Ranginui	2012	\$38m
Ngāti Raukawa	2012	\$50m
Te Aupōuri	2012	\$21m
Ngāti Whātua Ōrākei	2011	\$18m
Rongowhakaata	2011	\$22m
Waitaha	2011	\$8m
Ngāti Whātua o Kaipara	2011	\$22m

Name	Year of deed	Redress amount
Ngāti Manuhiri	2011	\$9m
Ngāti Mākino	2011	\$10m
Maraeroa A and B Block Settlement	2011	\$2m
Ngāi Tamanuhiri	2011	\$11m
Ngāti Porou	2010	\$90m
Ngāti Pāhauwera	2010	\$20m
Rangitāne o Wairau (Kurahaupō)	2010	\$25m
Ngāti Apa ki te Rā Tō (Kurahaupō)	2010	\$28m
Ngāti Kuia (Kurahaupo)	2010	\$24m
Ngāti Maniapoto (Waipa River)	2010	n/a
Ngāti Tūwharetoa (River interests)	2010	n/a
Upper Waikato River Iwi	2010	n/a
Ngāti Raukawa (River)	2009	n/a
Waikato Tainui (River claim)	2009	n/a
Ngāti Manawa	2009	\$12m
Ngāti Whare	2009	\$10m
Whanganui On-Account	2009	n/a
Ngāti Apa (North Island)	2008	\$16m
Waikato Tainui (River claim)	2008	n/a
Taranaki Whānui ki te Upoko o te Ika	2008	\$25m
Central North Island Collective	2008	\$15m
Affiliate Te Arawa Iwi/Hapū	2008	\$39m
Affiliate Te Arawa Iwi/Hapū	2006	n/a
Te Roroa	2005	\$10m
Ngāti Mutunga (Taranaki)	2005	\$15m
Te Arawa Lakes	2004	\$3m
Ngāa Rauru Kītahi	2003	\$31m
Ngāti Tūwharetoa (BOP)	2003	\$11m
Ngāti Awa	2003	\$43m
Ngāti Tama	2001	\$15m
Ngāti Ruanui	2001	\$41m
Te Uri o Hau	2000	\$16m
Pouakani	1999	\$2m
Turangitukua	1998	\$5m
Ngāi Tahu	1997	\$170m
Rotomā	1996	\$0m
Te Maunga	1996	\$0.1m
Waimakuku	1995	\$0.4m
Waikato Tainui Raupatu	1995	\$170m
Huai	1993	\$1m
Ngāti Rangiteaorere	1993	\$1m
Ngāti Whakaue	1993	\$5m
Fisheries Claim Settlement	1992	\$170m
Waitomo	1990	n/a

Appendix 2: Summary financials, \$m

Ngāi Tahu (y.e. June 30)

Balance sheet, \$m	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets	715	730	809	1,032	1,219	1,348	1,504	1,676	1,924
Net worth	570	591	658	877	1,075	1,149	1,274	1,371	1,653
Total interest-bearing debt	114	106	118	115	95	134	127	248	208
Current liabilities	25	26	24	38	50	60	75	106	60

Income statement, \$m	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	146	163	209	231	320	346	396	330	312
Distributions	12	11	15	17	17	21	25	25	55
Operating exp. Trust	10	9	10	11	12	15	17	20	20
Finance costs	5	8	8	10	7	8	8	8	12
Taxation expense	1	1	0.4	0.2	0.4	0.5	1	1	1
Settlement received	6	1	0	69	13	29	0	0	199
Government grant income	16	0.1	1	5	0	0	0	0	0
Total comprehensive income	44	26	64	226	198	77	124	97	282

Ngāpuhi (y.e. June 30)

Balance sheet, \$m	2011	2012	2013	2014	2015	2016	2017	2018
Assets	39	45	52	52	53	56	58	59
Net worth	37	43	50	50	51	53	56	58
Total interest-bearing debt	1	1	1	0	0.1	0.1	0	0
Current liabilities	1	1	2	2	2	2	2	1

Income statement, \$m	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	13	15	19	16	16	18	18	19
Distributions	0	0	0	0	0.3	0.3	0.2	0.2
Operating exp. Trust	0	0	0	0	0	0	0	0
Finance costs	0.1	0.1	0	0	0	0	0	0
Taxation expense	0	0	0	0	0	0	0	0
Settlement received	0	0	0	0	0	0	0.1	0
Government grant income	0	0.1	0	0.2	0.1	0	0	0
Total comprehensive income	0.4	6	7	0	1	2	3	2

Ngāti Awa (y.e. June 30)

Balance sheet, \$m	2012	2013	2014	2015	2016	2017	2018
Assets	110	117	125	128	134	142	151
Net worth	99	101	107	110	114	115	124
Total interest-bearing debt	2	8	8	8	9	19	18
Current liabilities	5	11	13	5	7	13	11

Income statement, \$m	2012	2013	2014	2015	2016	2017	2018
Revenue	6	6	9	5	7	8	13
Distributions	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Operating exp. Trust	0	0	0	0	0	0	0
Finance costs	0.1	0.1	0.4	0.4	0.5	0.7	1.0
Taxation expense	0.2	0	0.1	0	0	0	0.1
Settlement received	0	0	0	0	0	0	0
Government grant income	1	1	0	0	0.2	0.4	0.3
Total comprehensive income	-0.3	1	6	4	5	3	9

Ngāti Porou (y.e. June 30)

Balance sheet, \$m	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets	44	45	191	197	206	224	223	232	243
Net worth	40	41	183	186	189	201	201	211	223
Total interest-bearing debt	3	3	4	8	12	17	18	16	11
Current liabilities	2	1	5	5	8	12	6	15	10

Income statement, \$m	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	11	11	146	31	29	40	31	45	48
Distributions	0.2	0.3	1	0.3	1	2	1	2	1
Operating exp. Trust	0	0	0	11	4	0	0	0	0
Finance costs	0	0	0.1	0.5	1	1	1	1	0.4
Taxation expense	0	0	0.1	3	0.5	-0	-0.1	1	0
Settlement received	0	0	116	0.4	0	0	0	0	0
Government grant income	0	0	0	0	0	0	0	0	0
Total comprehensive income	1	1	5	5	4	12	0	10	12

Ngāti Whātua Ōrākei (y.e. June 30)

Balance sheet, \$m	2012	2013	2014	2015	2016	2017	2018
Assets	86	93	103	130	136	149	164
Net worth	84	90	98	126	133	143	157
Total interest-bearing debt	0	0	0	0.	0	0	0
Current liabilities	2	2	4	2	2	3	3
Income statement, \$m	2012	2013	2014	2015	2016	2017	2018
Revenue	52	35	41	43	57	51	39
Distributions	0.2	0.2	1	1	1	1	2
Operating exp. Trust	0	0	0	0	0	0	0
Finance costs	2	4	7	7	7	6	7
Taxation expense	0	0.7	6	0.4	4	5	1
Settlement received	19	0.2	0	0	0	0	0
Government grant income	0	6	5	4	4	4	3
Total comprehensive income	21	106	58	71	164	138	81

Raukawa (y.e. June 30)

Balance sheet, \$m	2012	2013	2014	2015	2016	2017	2018
Assets	86	93	103	130	136	149	164
Net worth	84	90	98	126	133	143	157
Total interest-bearing debt	0	0	0	0.	0	0	0
Current liabilities	2	2	4	2	2	3	3
Income statement, \$m	2012	2013	2014	2015	2016	2017	2018
Revenue	6	11	10	15	12	12	11
Distributions	0.4	0.5	0.5	0.5	0.5	0.4	0.5
Operating exp. Trust	0	0	0	0	0	0	0
Finance costs	0	0.1	0	0	0	0	0
Taxation expense	0.3	0.8	-0.1	0.9	0.6	0.1	0.4
Settlement received	35	0	2	0	0	0	0
Government grant income	0	0	0	0	0	0	0
Total comprehensive income	-1	6	6	16	7	11	14

Tūhoe (y.e. March 31)

Balance sheet, \$m	2013	2014	2015	2016	2017	2018
Assets	134	254	296	328	348	365
Net worth	133	252	296	325	345	360
Total interest-bearing debt	0	0	0	0	0	0
Current liabilities	1	2.3	0.3	1	2	3

Income statement, \$m	2013	2014	2015	2016	2017	2018
Revenue	5	8	9	9	12	11
Distributions	0	0	0	0.3	1.0	0.7
Operating exp. Trust	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0
Taxation expense	1	1	-0.2	2	1	0.1
Settlement received	0	108	26	0	0	0
Government grant income	0	0	0	0	0	0
Total comprehensive income	6	119	45	25	19	15

Waikato-Tainui (y.e. March 31)

Balance sheet, \$m	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets	644	775	802	925	1,040	1,164	1,225	1,244	1,369
Net worth	538	559	596	705	784	862	940	1,068	1,172
Total interest-bearing debt	69	218	220	199	211	268	250	123	144
Current liabilities	34	94	45	50	38	33	241	18	19

Income statement, \$m	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	33	37	57	64	70	83	82	72	52
Distributions	4	4	7	7	6	22	9	31	21
Operating exp. Trust	0	0	0	0	0	0	0	0	0
Finance costs	5	8	13	14	14	17	15	9	7
Taxation expense	0	0	0.0	0	-2	-3	0	0	1
Settlement cash received	0	0	0	70	0	13	0	0	190
Government grant income	0	0	0	0	0	0	0	0	0
Settlement reported	0	0	0	70	21	70	13	48	80
Total comprehensive income	19	16	37	110	74	84	80	140	104

Appendix 3: Benchmark portfolio

Iwi	Period	Equity market return	Bond yield	Assumed management fees	Benchmark return (50:50)	Average RoA of iwi
Ngāi Tahu	2006-2018	8%	4%	-1%	5%	10%
Ngāpuhi	2011-2018	14%	4%	-1%	8%	6%
Ngāti Porou	2012-2018	14%	4%	-1%	8%	3%
Ngāti Whātua Ōrākei	2012-2018	15%	4%	-1%	8%	4%
Rangitāne o Wairau	2012-2018	15%	4%	-1%	8%	13%
Raukawa	2012-2018	15%	4%	-1%	8%	8%
Tūhoe	2013-2018	16%	4%	-1%	9%	6%
Waikato-Tainui	2010-2018	13%	4%	-1%	7%	6%

Averaged over the minimum comparison period

	2013-2018	15.5%	3.6%	-1%	8.5%	
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