

TDB Digest, December 2016

Iwi Investment Strategies and Performance

Over the last twenty years, over 60 iwi have reached Treaty settlements with the Crown. The settlements total around \$2.1b. In our second annual Iwi Investment Report, TDB estimate iwi have now grown their total assets to around \$6b.

The eight iwi covered in our report – Ngāi Tahu, Ngāpuhi (which has yet to settle), Ngāti Porou, Ngāti Whātua Ōrākei, Port Nicholson Block, Rangitāne o Wairau, Tuhoe and Waikato-Tainui, - account for around 70% of the total assets of the post-settlement iwi. Our report looks at how these iwi have structured their activities, the investment strategies they have adopted and how their investments have fared. See the Iwi Investment report here: <https://www.tdb.co.nz/wp-content/uploads/2016/05/TDB-Advisory-Iwi-Investment-Report-Dec-2016.pdf>

Health Insurance

While private health insurance accounts for only around 10% of total health funding in New Zealand, this billion-dollar industry has important health outcomes for Kiwis. The Health Funds Association of New Zealand engaged TDB to assess these outcomes and the net impacts of private health insurance. Despite there being a serious lack of empirical research into the performance of the NZ health system, we found that overall private health insurance provides significant benefits to New Zealand. It allows consumers a wider range of services with lower treatment thresholds than the public sector, provides more flexibility and choice in health options, reduces waiting times and gets unwell people back to work earlier. Under conservative assumptions, we estimate private health insurance also generates around \$400m p.a. of savings to the taxpayer.

Read our Private Health Insurance report here: <https://www.tdb.co.nz/wp-content/uploads/2016/05/TDB-Advisory-Net-Impacts-of-Private-Health-Insurance-2016.pdf>

Dairy Matters

TDB has presented to many dairy farmers and associated bankers and professionals over the last few months about how farmers could use financial futures to manage their revenue risk. The key take-aways are:

- dairy farmers have a material exposure to commodity-price risk;
- dairy commodity prices are volatile;
- commodity prices cannot be forecast or controlled;
- farmers using futures to manage commodity price risk is new in New Zealand but it has been standard practice in the United States for over 20 years; and
- risk management is about optimisation rather than maximisation. The risk versus revenue trade-off means that if farmers can reduce risk by selling futures then they should expect that the cost of that benefit (ie. the risk reduction) is a reduction in their average revenue.

A copy of the TDB presentation can be found here:

<https://www.tdb.co.nz/wp-content/uploads/2016/05/TDB-Advisory-Dairy-revenue-risk-management-2016.pdf>

Happy Christmas

TDB wishes a Happy Christmas and new years to all our readers.