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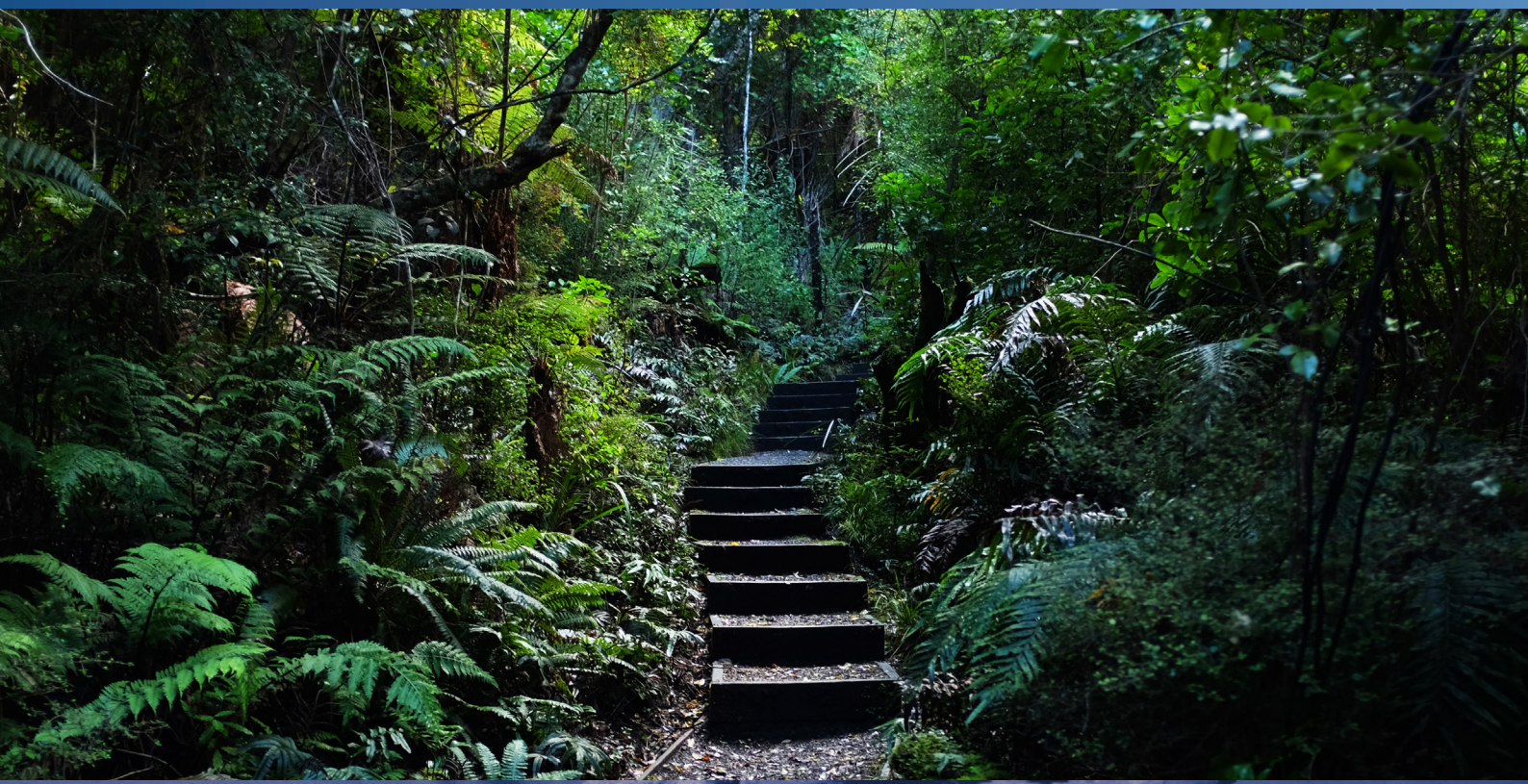
Iwi Investment Report 2019



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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.

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Overview

This report reviews the corporate structures, investment strategies and investment performance of eight iwi in New Zealand. With combined assets equating to around $5.5 billion, these eight iwi are: Ngāi Tahu, Ngāpuhi, Ngāti Awa, Ngāti Porou, Ngāti Whātua Ōrākei, Raukawa, Tūhoe and Waikato-Tainui. The combined assets of these eight iwi equates to an estimated 60 percent of all post-settlement iwi assets, which we estimate to be worth around $9.2b. These iwi were chosen on the basis of availability of public information, asset size, length of operations and population size. This year's report covers the same iwi as the 2018 report

Overall, 2019 was not a strong year for the eight iwi covered in this report, with none of the iwi achieving our benchmark 10% return for the year. Four of the iwi (Ngāti Whātua Ōrākei, Raukawa, Tūhoe and Waikato-Tainui) reported returns of 5% or higher, while two iwi, Ngāi Tahu and Ngāti Awa, only just achieved a positive return for the year.

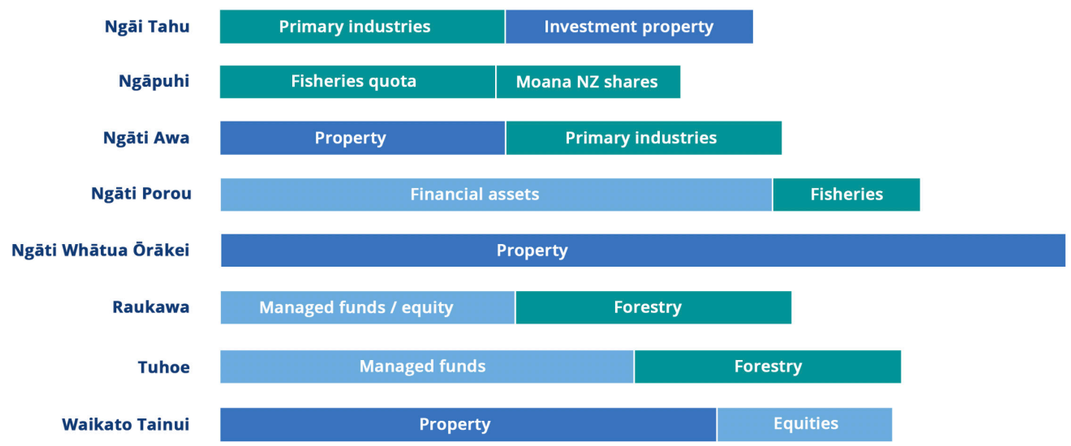
The iwi we have reviewed generally have similar cooperate structures. While these structures are often complex, typically there is an overarching Trust that makes decisions about distributions to beneficiaries and non-financial objectives of the group, while a separate commercial entity manages the group's 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.

Table 1: Summary of investment strategies, 2019

	Total assets	No of asset classes	Capital allocated to largest asset class	Management approach	Debt-to-capital
Ngāi Tahu	$1,930m	7	31%	Largely active	13%
Ngāpuhi	$62m	7	35%	Largely passive	0%
Ngāti Awa	$150m	7	31%	Mixed	12%
Ngāti Porou	$254m	6	60%	Largely passive	6%
Ngāti Whātua Ōrākei	$1,254m	2	94%	Active	18%
Raukawa	$174m	7	32%	Mixed	0%
Tūhoe	$386m	7	45%	Largely passive	0%
Waikato-Tainui	$1,446m	6	54%	Largely active	10%

Ngāti Whātua Ōrākei and Waikato-Tainui have a strong bias towards property investment, holding the majority of their assets in property. This reflects their initial settlements, which were dominated by properties in their rohe (traditional tribal areas). For the same reason, Ngāi Tahu also has a large amount of property assets, however, Ngāi Tahu has taken steps to diversify its assets, now holding a larger portion of its assets in primary industries. Ngāti Awa also has a large portion of its assets in property but has diversified by investing in primary industries, equity investments and direct investments. Raukawa, Ngāti Porou and Tūhoe all have the majority of their assets in managed funds and financial assets, however, they have all made significant investments in primary industries. Northland based iwi Ngāpuhi is yet to settle with the Crown, asides from the Treaty of Waitangi fisheries settlement, and therefore holds mainly fishery assets

Figure 1: Largest asset classes of each iwi



Several of the iwi have relatively undiversified investment portfolios. Many iwi hold a large portion of their assets in property within their rohe. These iwi are heavily exposed to risk in a narrowly defined geographic area. While there are often strong cultural and historical reasons for such concentration in their portfolios, it is risky from a financial perspective. Other iwi have a significant portion of their investment portfolio in financial assets, exposing them to the volatility of the financial markets. 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.

All of the iwi except Ngāti Whātua Ōrākei hold assets in the primary industries like fishing, forestry and farming. Many iwi have significant interests in the domestic fishing industry, with holdings of settlement fisheries quota and shares of Moana New Zealand leaving them exposed to the volatility of this sector. However, other than Ngāpuhi, fisheries related assets are generally less then 10% of the asset portfolio of those iwi with interest in the fishing industry. Recently several iwi have looked to diversify their investments by investing in the tourism sector, a sector that can be quite risky.

A common feature of all the iwi is having low 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 18 percent.

Investment Environment

In 2019 several notable financial and economic developments impacted on the returns of iwi portfolios and that of our benchmark portfolio. During the year NZX50 equities generated strong returns, of 19.6% on average, following the previous year's return of 15.8%. There was also increased volatility in the global markets, resulting from global trade tensions. In 2019 interest rates fell further with yields on 10-year government bonds reaching a record low of 1.63%. 2019 also saw a slowdown of the New Zealand property market.

Overview cont.

Investment Performance

The investment performances of the iwi have differed considerably over recent years. Figure 2 below gives the average return of each iwi over the period 2013 – 2019. These are compared against a benchmark of 8.7%, based on the estimated returns of our benchmark portfolio (a weighted average of returns on NZ equities and debt over the year) over the same period. 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 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), 2013-2019

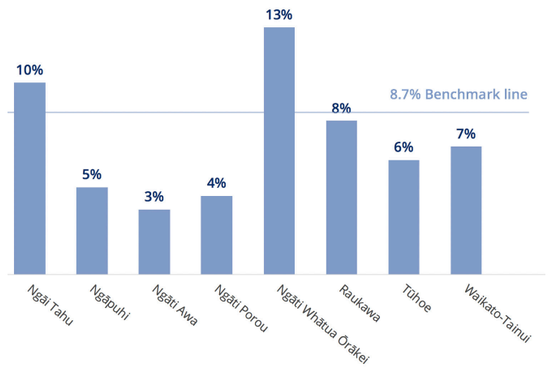
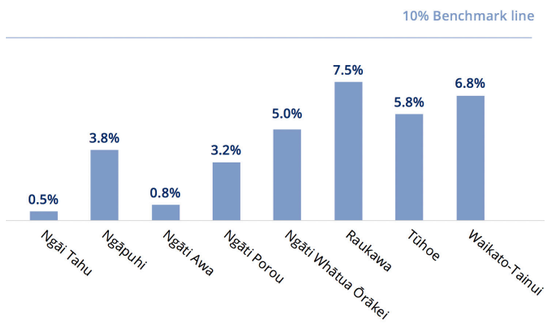


Figure 3: Return on assets (RoA), 2019



As Figure 2 illustrates, Ngāi Tahu and Ngāti Whātua Ōrākei have outperformed other iwi (as well as our benchmark return of 8.7% p.a.) with reported average returns of 10% p.a. and 13% p.a. respectively over the last seven years. Raukawa has generated returns approximately in line with the benchmark portfolio (ie, within 1%) and the other five iwi have generated lower, yet still positive returns on average over the period. Ngāi Tahu has performed well over a long period, with its relatively diverse asset base delivering strong returns . Ngāti Whātua Ōrākei's high returns can be attributed to its concentration of assets in the Auckland property market, which has generated high returns in recent years.

Figure 3 shows the RoA for the eight iwis in 2019, against the 2019 benchmark of 10%. In 2019 all eight iwi had an RoA lower than their 7-year average and all reported returns well below the benchmark of 10%. Raukawa had the highest RoA of 7.5% in 2019. Ngāi Tahu and Ngāti Awa had 2019 RoA's that were the furthest from the benchmark, with RoAs of less than 1%. The following sections of this report profile each iwi, providing detail on their 2019 RoA and what lead to the weaker than average returns.

Return on assets (RoA) provides a basis for comparing the financial performance of iwi. However, it is important to note that our RoA calculations are not adjusted for riskiness of the different investment classes. Furthermore, the location of each iwi has played a role in the relative performances, with the returns of many iwi being closely linked to the performance of their local property market (e.g. 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. In recent years several iwi, such as Ngāti Awa, Ngāti Porou, Raukawa, Tūhoe and Waikato-Tainui have been seeking to diversify their portfolios.

Net assets per member

Figure 4 illustrates the average change in net assets per iwi member (% p.a.) between 2013 and 2019. Raukawa has shown the greatest increase in net assets per member over the period. Tūhoe, Waikato-Tainui and Ngāi Tahu have experienced average increases in the 4% to 9% p.a. range, while Ngāti Whātua Ōrākei, Ngāpuhi, Ngāti Awa and Ngāti Porou experienced increases of less than 4% p.a. Iwi membership data is estimated based on the 2013 census and subsequent projected Maori population growth rate for all the iwi except Waikato-Tainui, Ngāi Tahu and Ngāti Whātua Ōrākei who have directly report their registered membership numbers. Waikato-Tainui's and Ngāti Whātua Ōrākei membership growth rate is much higher than the estimated growth rate, partially explaining its slower increase in net assets per member relative to Raukawa and Tūhoe.

Figure 4: Average change in net assets per member (%p.a.) 2013-2019

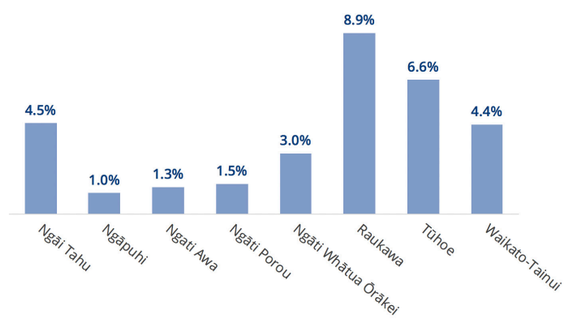


Figure 5: Change in net assets per member (%p.a.), 2019

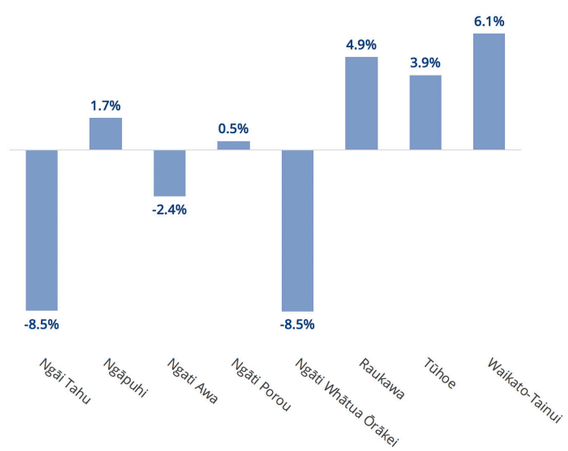


Figure 5 above shows the average change in net assets per member in 2019. Net asset per member for Ngāti Whātua Ōrākei fell by 9% in 2019. This was driven largely by the significant growth in Ngāti Whātua Ōrākei's number of registered members. Ngāi Tahu decreased its net assets per member by 8% in 2019. The reason for this was the significant write down in the value of its investment in Oha Honey. Ngāti Awa also saw its net assets per member decline in 2019. Ngāpuhi and Ngāti Porou had increases in net assets per member in 2019 between 0% and 2%. Raukawa, Waikato-Tainui and Tūhoe had increases in net assets per member in 2019 of between 4% and 6%. Waikato-Tainui's relatively large increase in net assets per member in 2019, of 6%, was driven largely by the gains in the value of its investment properties.

Iwi as investors

When comparing the returns of iwi with non-iwi investors, the relative advantages and disadvantages 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 lower 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 80 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. These eight iwi account for approximately 57% of the total Māori population in New Zealand (Census 2013) and manage approximately 60% of total assets in the sector.

Table 2: The eight iwi

	Location	Year of Deed	Redress amount	Population
Ngāi Tahu	South Island	1997	$170m	65,000
Ngāpuhi	Northland	Still under negotiation	-	141,621
Ngāti Awa	Bay of Plenty	2005	$42m	14,708
Ngāti Porou	East Cape	2011	$90m	80,111
Ngāti Whātua Ōrākei	Ōrākei	2011	$18m	5,062
Raukawa	South Waikato	2012	$50m	11,335
Tūhoe	Te Urewera	2012	$169m	39,340
Waikato-Tainui	Waikato	1995	$170m	76,102

Scope and approach

This section gives the structure of review for each iwi and discusses our use of different performance measures in the report.

Organisational structure

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.

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 (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. Interest-bearing debt includes both short-term and long-term interest-bearing debt.

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, property, 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.

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

Investment performance

This section of the report discusses the financial performance of each iwi. 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. RoA is an indicator of how efficiently the iwi has used its assets to generate earnings. RoE takes into account the capital structures of each iwi.

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

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

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. This allows us to 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., fisheries quotas 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, an arithmetic average is useful in the short term where compounding of returns need not be considered.

Comparing against a benchmark return

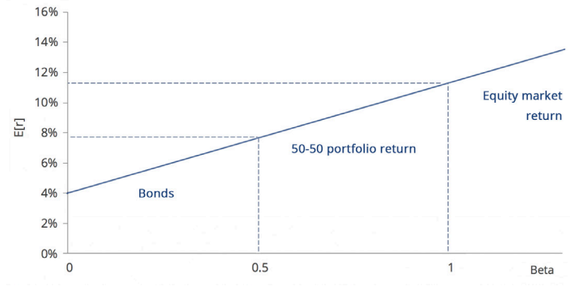
We have constructed a simple reference portfolio to provide a benchmark for comparison of the iwis' investment performance. Our benchmark portfolio is made up of low-risk bonds (50%) and a diversified stake in New Zealand equities (50%). The benchmark portfolio is constructed using NZX50 monthly yields and 10 year government bond yields between June 2013 and June 2019. 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.

Net asset value

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.

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

Figure 6: Security market line (for 7 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. It aims 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.

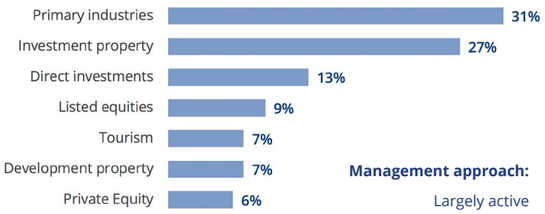
Te Rūnanga o Ngāi Tahu
Ngāi Tahu Charitable Trust

Ngāi Tahu Holdings Corporation	Office of Te Rūnanga o Ngāi Tahu
- Investment and financial strategy	- Representation and advocacy
- Capital allocation	- Governance
- Investment performance	- 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 to generate income for social development and asset-preservation purposes. Ngāi Tahu received an additional $199m in cash as a relativity settlement in 2018 and $2.4m in 2019. As at June 30, 2019, Ngāi Tahu's total assets were valued at $1,930m.

Asset allocation in 2019



Management approach:
Largely active

Ngai Tahu has shifted, in recent years, from a strategy pursuing high-growth but risky investments to pursuing more secure investments. Ngai Tahu's investment in Oha honey, formerly Watson & Son, has struggled in recent years, with a total deficit of $62.4m in 2019. Ngai Tahu has cited Oha honey's choice of an aggressive hive growth strategy compounded by three years of unfavourable weather conditions as the reason for this poor performance. Ngāi Tahu Capital has admitted to underestimating the risks and overestimating its ability to handle them. The value of its good-will investment in Oha Honey has subsequently been written down by $57.1m, impacting the group's comprehensive income, equity and asset growth in 2019. Investment property and seafood subsidiaries have performed well. Ngai Tahu Capital's net operating surplus increased in 2019 to $21.5m from an operating deficit of $18.6m in 2018.

Capital structure

Ngāi Tahu increased its borrowings by $48.5m in 2019 and its debt-to-capital ratio increased to 13% in 2019. 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.

Investment performance

Asset base and net worth

Over the last nine years, Ngāi Tahu has significantly grown its asset base, from $715m in 2010 to $1,930m in 2019. Asset growth slowed in 2019 to 0.32%, down from 15% in 2018. 2018's asset growth was driven by the large ($199m) relativity settlement received that year.

Over the previous ten years average asset growth was 11.6% p.a, which is significantly higher than the asset growth in 2019 of 0.32%. This is largely due to the goodwill write-off in the underperforming investment in Oha honey. While equity investments increased in value by $17.4m in 2019, this was an increase of $44.4m less than in 2018. Contributions from Ryman Healthcare were $45.8m in 2018, compared to the significantly smaller value of $0.3m in 2019.

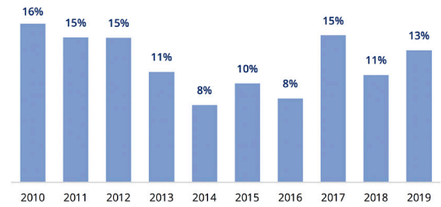
Return on assets

Ngāi Tahu's RoA was 0% in 2019, well below 2018's RoA of 8% and the average RoA of 10% p.a. over the last ten years. The low returns in 2019 reflected increased operating expenditure, losses on non-current assets (notably Oha honey) and a large loss on the revaluation of property, plant and equipment.

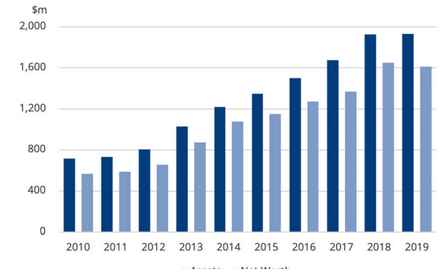
Return on equity

Ngāi Tahu's RoE was 0% in 2019, well below 2018's RoE of 9% and the average of 11% p.a. over the last ten years. Distributions to its members decreased to $36m in 2019, down from $55m in 2018. This is still high compared to the average distribution of $21m over the last ten years. Net assets per member visible below) decreased to $24,792 in 2019, the first decline in the last seven years. The decline reflected the combination of zero asset growth and Ngai Tahu's 6.5% population growth.

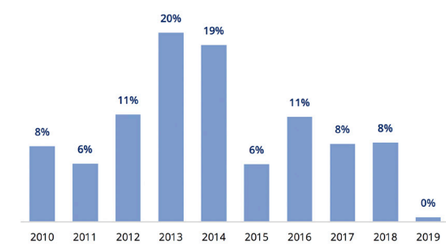
Debt to capital ratio



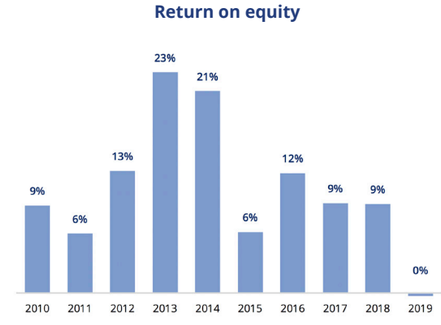
Asset base



Return on assets



Return on equity



Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	16,838	20,207	21,143	22,947	23,440	27,091	24,792

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 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 and Paper Plus Kaikohe.

Te Rūnanga-Ā-Iwi O Ngāpuhi Board of Trustees

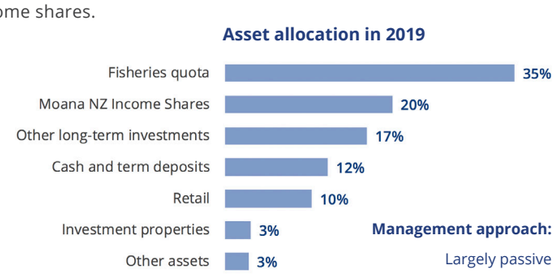
Te Hau Ora O Ngāpuhi (THOON)	Ngāpuhi Iwi Social Services (NISS)	Te Rūnanga-Ā-Iwi O Ngāpuhi Operations	Ngāpuhi Asset Holdings Company Ltd (NAHC)
- Health strategy	- Whanau services	- Operations	- Investment and financial strategy

Investment strategy

Ngāpuhi's treaty settlement with the Crown is still under negotiation. Ngāpuhi currently has 67% of its assets in a combination of cash and term deposits, fisheries settlement quota and Moana NZ income shares.

Ngāpuhi has historically taken a passive investment strategy. Ngāpuhi has taken steps in recent years to reduce risk through increasing investment in long-term financial assets. In 2019, Ngāpuhi increased investment in the Mint Asset Fund, a portfolio of fixed-income, property and equity securities. The proportion of assets in long-term investments increased to 17% in 2019, up from 14% in 2018 and 3% in 2016.

Asset allocation in 2019



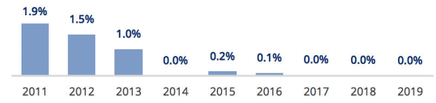
Source: Ngāpuhi

Fisheries assets remain the core of Ngāpuhi's portfolio, representing 55% of its asset base. Fisheries quota are recorded at their fair value on initial recognition (at cost), less costs-to-sell, and are tested annually for impairment. Shares in Moana New Zealand are recorded at cost; as the company is unlisted, the fair value of the shares are difficult to calculate reliably. The combined reported value of its shares in Moana New Zealand and fishing quota assets is $33.6m. Ngāpuhi's investment strategy and performance is reflective of its circumstances (pre-settlement) and being heavily reliant upon passive and non-transactable investments and assets.

Capital structure

Ngāpuhi has very little debt on its balance sheet. Its debt-to-capital ratio declined from 2% in 2011 to 0.01% in 2019. 2013 was the last year in which bank loans were held.

Debt to capital ratio



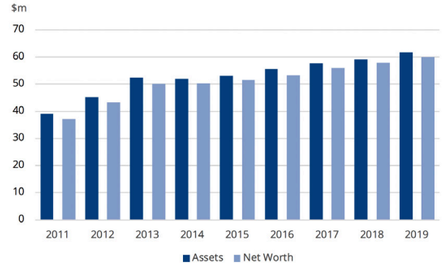
Investment performance

Asset base and net worth

Ngāpuhi's asset base grew by 4.1% in 2019, continuing the trend of slow growth in the past six years. Most productive assets increased slightly, with the best performer being the Mint Asset Fund, which increased in total value by 22%, representing the additional investment made in 2019 and the gain on the 2018 value of 7.7%.

As noted above, Ngāpuhi's fisheries quota and its shares in unlisted companies, such as Moana New Zealand, are recorded at cost and not subject to revaluation increases.

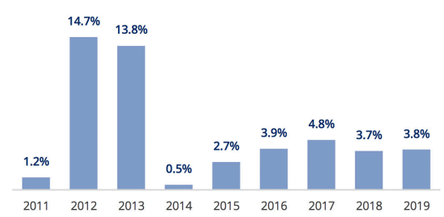
Asset base



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 past six years. While the majority of Ngāpuhi's assets are passive and have continued to deliver relatively low returns, active assets like the Mint Asset Fund are generating higher returns. These type of investments in market securities increase the diversity of Ngāpuhi's returns and reduces the group's dependence on fisheries assets.

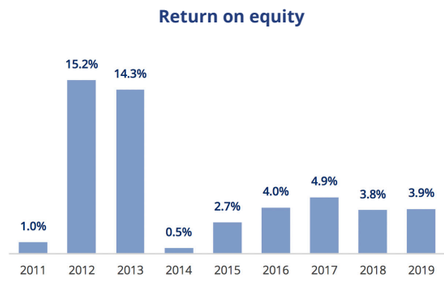
Return on assets



Return on equity

As Ngāpuhi holds minimal debt, its RoE mirrors its RoA. RoE has averaged 5.34% p.a. between 2011 and 2019. This reflects the strong returns in 2012 and 2013 and the 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 taken steps towards having a more active, diversified investment strategy.

Return on equity



Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	398	392	394	399	410	416	423

Ngāti Awa

Te Rūnanga o Ngāti Awa is located in the eastern Bay of Plenty. Te Rūnanga o Ngāti Awa will be referred to as Ngāti Awa throughout this report. It is important to note that the tragic event of 9 December 2019 was subsequent to this investment reporting period.

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)

- Commercial and investment strategy
- Wealth generation

Ngāti Awa Asset Holdings Limited (NAAHL)

- Moana NZ shares
- Equity portfolio management
- Fisheries quota

Ngāti Awa Community Development Trust (NACDT)

- Social, cultural and economic support

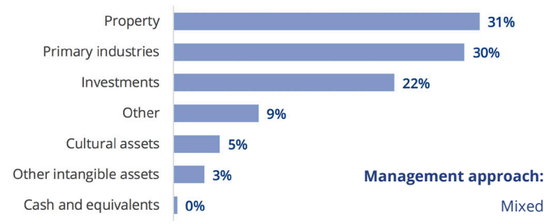
Ngāti Awa Research and Archives Trust (NARA)

- Manage tribal archives

Investment strategy

Ngāti Awa's settlement with the Crown was finalised in 2005 for a total of $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 New Zealand as part of the settlement proceeds in accordance with the Maori Fisheries Act, 2004. Forestry assets include land and carbon credits.

Asset allocation in 2019



Management approach:

Mixed

Ngāti Awa holds 22% of its assets in financial investments, including listed shares, unlisted shares in Direct Capital IV, Pencarrow Bridge Fund and an investment in Iwi Collective Orchards. Ngāti Awa have been decreasing its stake in Unit Trusts with the goal of realising all investments in Unit Trusts as soon as practical. Ngāti Awa's investments in the primary industries consist of forestry-related assets (23% of total assets), dairy and dry stock land, livestock, Moana shares and fisheries quota. The group continues working to improve returns from farming operations, decreasing costs and inefficiencies. Ngāti Awa has diversified in recent years with the addition of White Island Tours. The eruption that took place on 9 December 2019 has significantly impacted this business and will continue to do so for a number of years.

Capital structure

Ngāti Awa's debt-to-capital ratio stayed moderately stable between 13% and 12% from 2017 to 2019, after increasing from 6% to 13% in 2017 with the purchase of White Island Tours. Ngāti Awa's debt-to-capital ratio of 12% indicates a high portion of debt relative to other iwi.

Investment performance

Asset base and net worth

Ngāti Awa's asset base has grown slowly over the last 7 years and decreased for the first time in 2019, by $1m to $150m. Net assets also decreased from $124m to $123m. The fall in assets was driven by a decrease in investments and short-term deposits. The gap between total assets and net assets has increased over the years, due to increases in debt.

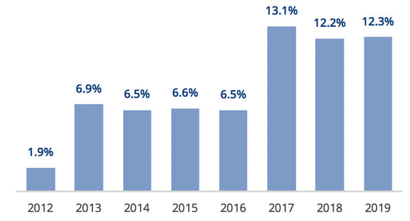
Return on assets

Ngāti Awa's RoA fell sharply to 1% in 2019, from 7% in 2018. This is its lowest point since 2012. Operating revenue was consistent with last year at around $13m. Expenses also stayed consistent from 2018 to 2019. The key reason for the decrease in the RoA was a much smaller gain in the revaluation of assets. The gain was $1.7m in 2019 compared to $8.8m in 2018 when there were large increases in the values of forestry land and listed shares.

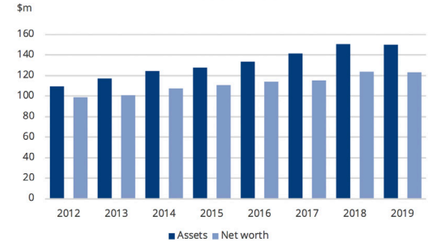
Return on equity

Ngāti Awa's RoE also reached its lowest point since 2012 at 0%, down from 8% in 2018. Like most other iwi, Ngāti Awa's RoE follows its RoA, although not as closely as iwi which are entirely equity funded. Like RoA, the decline in RoE reflected the decrease of capital gains in 2019 and highlights the weak operating performance of the business. In 2019 Ngāti Awa paid grants and sponsorships of $0.3m. These distributions consisted of hapū distributions, education grants and cultural and environmental projects and initiatives. Net assets per member in 2019 decreased 2% to $8,376.

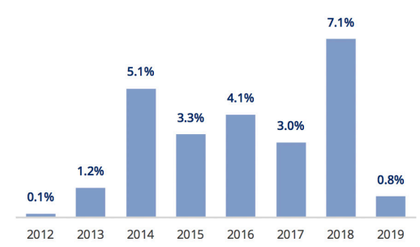
Debt to capital ratio



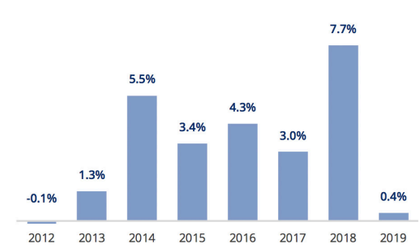
Asset base



Return on assets



Return on equity



Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	7,747	8,046	8,132	8,217	8,140	8,585	8,376

Ngāti Porou

Te Rūnanganui o Ngāti Porou is the mandated authority for Ngāti Porou mai i Potikirua ki te Toka a Taiau. 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.

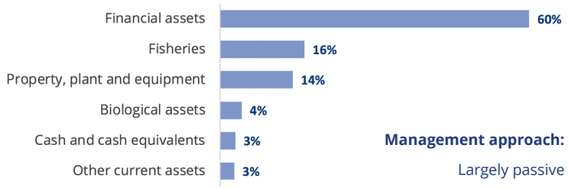
Organisational structure

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 fund its Parent's operations. NPHC also manages Ngāti Porou Seafoods Group and Pakihiroa Farms. Toitu Ngāti Porou is Ngati 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)	Toitu Ngāti Porou	Ngāti Porou Hauora
- Wealth generation - Property investment	- Cultural and wealth distribution	- Health services to whanau and hapu

Asset allocation in 2019



Management approach:
Largely passive

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.

Source: Ngāti Porou 2019 Annual Report

Investments in financial assets, nearly 100% of which are in equities including shares in listed and non-listed companies, dominate Ngāti Porou's portfolio. Management of equities 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, BlackRock Investment Managements and Devon Funds Management. Growth assets include investments in Trans-Tasman, developed and emerging market equities. Aotearoa Fisheries Limited shares and fishery quotas make up 16% of Ngāti Porou's assets, while 3% of capital is held in cash. Ngāti Porou's has made a number of direct investments in honey, blueberries and tourism. 2018/19 saw a harvest of 12 tonnes of Manuka Honey and the first harvest of blueberries which in 3 years is expected to produce 100 tonnes p.a. Ngāti Porou has continued the development of its tourism operation "Mt Hikurangi – Journey to The First Light", which has now begun operation.

Capital structure

Ngāti Porou increased its debt by $4.4m in 2019, reaching $16m, increasing its debt-to-capital ratio to 6%. Ngāti Porou is the only iwi in our report to have a largely passive management strategy while holding interest-bearing debt.

Investment performance

Asset base and net worth

In 2019, total assets grew by 4%, from $243m to $254m. Net worth grew by 2%, from $223m to $229m. The gap between total asset and net worth has increased because of increased debt. The value of Ngāti Porou's financial portfolio increased by $4m over the year. Ngāti Porou's assets in the fishing industry increased by $5.3m. The value of biological assets also increased during the year. Since its treaty settlement in 2012, total assets have grown on average by 4% p.a.

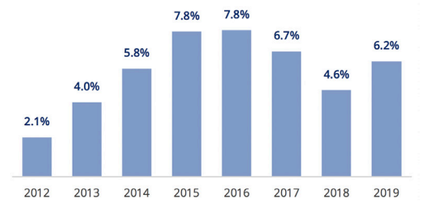
Return on assets

Ngāti Porou's RoA was 3% in 2019 and has averaged 4.2% p.a. since 2013. RoA has fluctuated over the last eight years between 1 and 7%. This volatility reflects, in part, Ngāti Porou having a large portion of assets invested in equities. Compared to 2018 both revenue and expenses fell. While revenue remained unchanged in most areas, it fell in unrealised gains on assets and forestry income. Ngāti Porou also experienced an increased taxation expense.

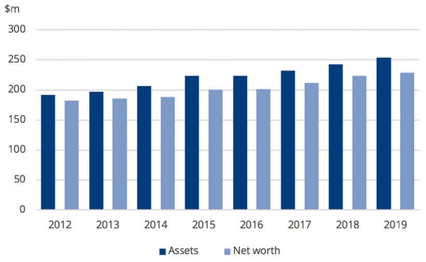
Return on equity

Ngāti Porou's RoE has experienced similar volatility as its RoA over the past eight years and decreased to 3% in 2019. 2019 saw a $1m distribution to Ngāti Porou members. These distributions include: funding of marae developments, iwi and community events, language revitalisation programs and local sport and recreation. Net assets per member in 2019 increased slightly to $2,856.

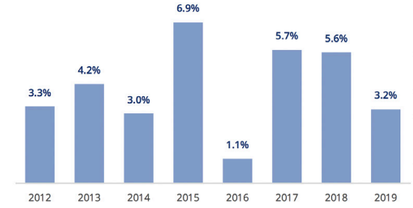
Debt to capital ratio



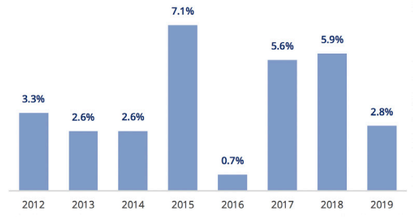
Asset base



Return on assets



Return on equity



Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	2,615	2,600	2,715	2,663	2,741	2,842	2,856

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 Ltd (WRL) and Whai Maia Ltd (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. WRL also manages Ngāti Whātua Ōrākei's Tourism projects. WML is a charitable trust that is focused on tribal development in the areas of employment and education, health and wellbeing, arts and culture.

Ngāti Whātua Ōrākei Trust

Whai Rawa Limited (WRL)

- Property investment and development

Whai Maia Limited (WML)

- Tribal development

Asset allocation in 2019

Management approach:

Active

Investment strategy

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; and
- North Shore Development Lands. Ngāti Whātua Ōrākei purchased 28ha of North Shore land from the Crown as part of the WAI388 Claim.

Source: Ngāti Whātua Ōrākei

Ngāti Whātua Ōrākei continues to focus on property development, with construction in progress at the Hillary site. The joint venture with Fletchers at Moire Road is also under construction. Ngāti Whātua Ōrākei also plans to complete a nursery development in Pourewa. With 94% of its assets in Auckland property Ngāti Whātua Ōrākei has an undiversified portfolio. While Ngāti Whātua Ōrākei's investment approach has yielded strong returns in recent years, Ngāti Whātua Ōrākei is highly exposed to risk associated with the Auckland property market, as is apparent in this year's relatively weak financial performance. Ngāti Whātua Ōrākei has taken steps to diversify its portfolio by investing in aged care through the Eastcliffe Retirement Village. In 2020 Ngāti Whātua Ōrākei plans to further diversify its portfolio by exploring opportunities in tourism.

Capital structure

In 2019, Ngāti Whātua Ōrākei took on a further $25m of debt, increasing its total debt to $225m. Ngāti Whātua Ōrākei's debt-to-capital ratio increased 1%, to 18%. Interest rate risk is managed by using a floating-fixed interest rate-swap over a notional amount of $100m. ANZ, BNZ, Westpac and ASB provide debt facilities, with $92.5m due to expire within the next year.

Investment performance

Asset base and net worth

The value of Ngāti Whātua Ōrākei's assets has grown substantially since settlement in 2012. However, growth has slowed in the recent years, with 2019 returning a 5% increase in asset value on the previous year, the smallest growth rate in the last 6 years. The slower growth corresponds to the slowdown of the Auckland property market. Total assets now total $1,254m and net worth is $975m. Ngāti Whātua Ōrākei's net assets per member is the highest of the iwi covered in this report, at an estimated $192,540 per member.

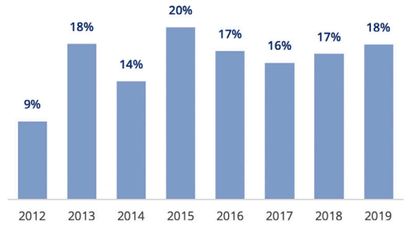
Return on assets

Ngāti Whātua Ōrākei's 2019 RoA was 5%, well below the 7-year average of 13% p.a. The Quay Park rental review process saw a significant increase in the group's property rental revenue. Ngāti Whātua Ōrākei's RoA is strongly influenced by the revaluations of its investment properties. Revaluations accounted for $32m of its $45m pre-tax profits for 2019, significantly down from $80m in 2018 and $141m in 2017.

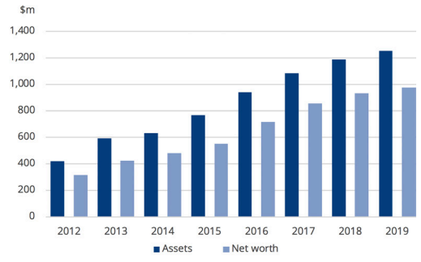
Return on equity

Ngāti Whātua Ōrākei's RoE in 2019 was 5%, well below its average RoE of 16% p.a. over the last 7 years. This higher RoE (relative to the RoA) reflects its capital structure. Ngāti Whātua Ōrākei makes distributions to its beneficiaries in the form of education grants, scholarships and programs. These distributions totalled $7m in 2019.

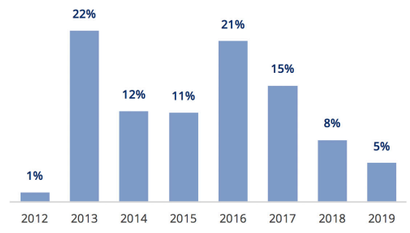
Debt to capital ratio



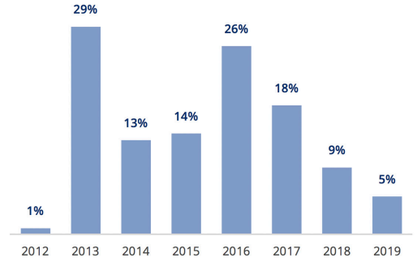
Asset base



Return on assets



Return on equity



Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	186,786	204,133	219,165	281,423	332,379	210,429	192,540

Raukawa

Raukawa is a Tainui iwi based in South Waikato. The Raukawa Group is headed by the 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.

Raukawa

Raukawa Charitable Trust (RCT)	Raukawa Asset Holding Company (RAHC)	Raukawa Iwi Development Ltd (RIDL)
- Social, environmental and cultural development - Community and charitable activities	- Oversees settlement fisheries assets	- All iwi commercial and investment activities

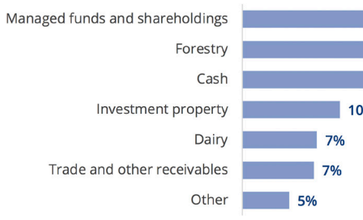
Organisational structure

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, managed under contract by RIDL. RCT is mandated to represent and advocate for the social, environmental and cultural aspirations of the iwi.

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 (scheduled for 2044) and is not included in the recorded value of total assets.

Asset allocation in 2019



Management approach:

Mixed

Raukawa holds around 32% of its assets in managed funds across six providers. In recent years the proportion of Raukawa's portfolio held in managed funds has gradually reduced in favour of direct asset ownership, seeking the advantages of greater control, scale, access, partnership and time horizon. Raukawa have also been reducing its cash holdings slowly. In the forestry sector, Raukawa holds together with five other CNI iwi entities a direct investment in Kākano Investments, giving Raukawa a small stake in Kaingaroa Timberlands. Raukawa's interest in Kākano is worth $36m and provided a dividend of $2.3m in 2019 as well as a one-off special dividend of $4m. Raukawa also has direct investments in the dairy sector, owning 45% of Ranginui Station, a 3,300 cow dairy and pastoral operation. In 2019 Raukawa increased its investments in property, purchasing an $11m commercial property in the Hawkes Bay, increasing its investment property holdings to $17m. Raukawa seeks to hold a balanced portfolio that can deliver reliable income to the Trust whilst continuing to grow the asset base for future generations. Raukawa aims to move more towards direct assets rather than passive assets, with its main diversification this year being its increased commercial property investment.

Capital structure

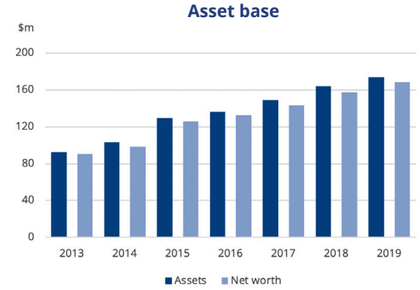
Raukawa has no debt on its balance sheet, as has been the case since its settlement in 2012. It has low levels of trade-related and income-in-advance liabilities.

Investment performance

Asset base and net worth

Following its settlement in 2012, Raukawa's total assets have grown from $86m to $174m in 2019, an average growth of 11% p.a. Net worth has increased from $84m to $168m in 2019. This asset growth has been largely driven by the growth in Raukawa's portfolio of managed funds and the Ka kano forestry investment. Raukawa's 2019 asset growth was largely driven by growth in its investment properties, increasing $11m due to the purchase of commercial property in the Hawkes Bay.

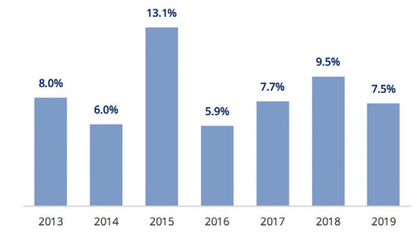
Asset base



Return on assets

Raukawa's RoA for 2019 was 8%, slightly below its 7-year average of 8.3%. The group's Kākano forestry investment has provided strong capital growth, with the original $19m investment now valued at $36m. Operating revenue has increased slightly, however fluctuations in the group's returns can be mainly attributed to revaluations of Ka kano, other direct assets and dividends. The reason for the decrease in the 2019 RoA was a restructure of the Kākano forestry investment resulting in a write down in the value of the entity, coupled with much lower revaluations in managed funds and property compared to 2018 and a small loss in Raukawa's dairy operation.

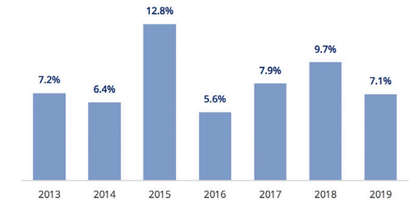
Return on assets



Return on equity

Due to Raukawa's low level of debt, RoE closely follows RoA. Raukawa's 2019 RoE was 7%, below its 7-year average of 8%. Raukawa uses its distributions to fund education grants and the Raukawa Charitable trust, which is spilt into five groups: the Executive office, the Environment group, the Cultural group, the Health & Social development group and the Corporate Services group. Net assets per member in 2019 increased to $14,832, an increase of $693 per member on 2018.

Return on equity



Net assets per member ($)

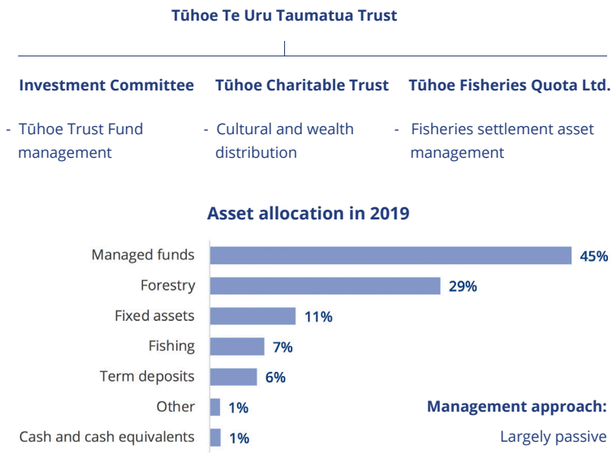
Year	2013	2014	2015	2016	2017	2018	2019
$	8,999	9,600	12,018	12,410	13,135	14,139	14,832

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 NZ.



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.

Source: Tūhoe 2019 Annual Report

Tūhoe's managed funds, which account for 45% of its assets, are largely in made up of investments in global shares, term deposits, NZ bonds, global bonds and Australian shares. Tūhoe has a total of $174m invested in these funds across three managers, earning a realised income of $5.8m in 2019. Throughout the year Tūhoe withdrew $18m from its financial portfolio. Forestry accounts for 29% of Tūhoe's assets. Forestry assets comprise CNI equity, forestry rights and NZU's. 2019 saw a rise in the value of CNI equity to $80m and the acquisition of Te Manawa Forest for $18m. Tūhoe's investments in the fishing industry, held in AFL shares and fishing quotas, are valued at $26m.

Capital structure

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

Investment performance

Asset base and net worth

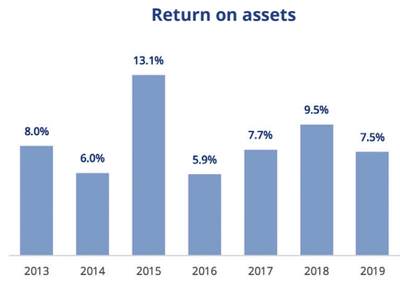
In 2019, Tūhoe's assets and net worth were valued at $386m and $381m respectively. Tūhoe's holdings in the forestry sector provided the main asset growth this year through an increase in CNI equity to $80m and an increase in forestry rights to $30m, due to the acquisition of Te Manawa Forest. Work-in progress at Te Tii and the Eco village are Tuhoe's current key projects. Net assets per member grew to $9,691.

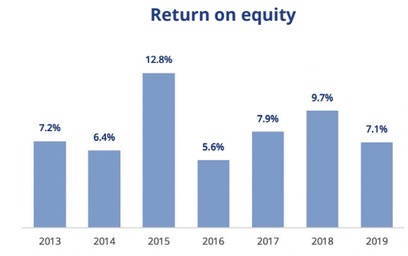
Return on assets

Tūhoe's RoA increased to 6% in 2019 after falling to 4% in 2018. The higher RoA in 2019 can be attributed to improved returns from the CNI iwi collective, which returned $11.5m (up from $6m in 2018) due to the increased price of carbon. Tūhoe's financial portfolio contributed $5.8m in income in 2019, alongside $9.3m in unrealised gains from increases in the value of those portfolios. Operating revenue increased to $4.5m reflecting improved business operations in 2019.

Return on equity

Tūhoe's 2019 RoE was 6% in line with the average RoE over the past 7 years. Tūhoe's RoE has been similar to its RoA because of the absence of term debt. Like RoA, the increase in RoE in 2019 can be largely attributed to stronger CNI returns and the gain on the revaluation of its financial portfolio. Tūhoe has made distributions to its iwi beneficiaries in past years largely for Marae funding purposes. Otherwise, profits are retained and have been reinvested in building projects like Te Tii and the Eco village and forestry assets like Te Manawa Forest.





Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	3,811	7,068	8,158	8,764	9,108	9,322	9,691

Waikato-Tainui

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

Organisational structure

Waikato-Tainui's governance structure is led by two representatives of each marae which act as its parliament known as Te Whakakitenga o Waikato. This organisation appoints an executive committee known as Te Arataura which oversees the operational functions of the organisation.

Te Arataura o Waikato-Tainui

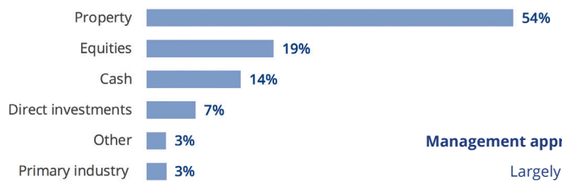
Tainui Group Holdings	Tūhoe Charitable Trust	Tūhoe Fisheries Quota Ltd.
- Property investment - Property development - Waikato-Tainui Fisheries Ltd	- Development strategy - Cultural and wealth distributions	- 2008 Waikato River Settlement - Regulatory review

Within the Waikato-Tainui group, Waikato Raupatu Lands Trust manages tribal affairs along with 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 New Zealand. Waikato Raupatu River Trust was established to oversee and implement the 2008 Waikato River Settlement, related statutory and regulatory reform and has a strategic environmental agenda.

Investment strategy

Waikato-Tainui's financial and commercial redress in 1995 amounted to $170m, including cash and land at market value. Since 2012 Waikato-Tainui has received relativity settlements of $290m in total, with two additional payments of $1.3m owing. Waikato-Tainui can make claims for relativity settlements every five years, up to 2045.

Asset allocation in 2019



Management approach:
Largely active

Waikato-Tainui is primarily invested in property, as has been the case over the last 16 years. The group has made steps in recent years to diversify its portfolio with the sale of a 50% share of its largest property investment, The Base, in 2016. Proceeds from the sale were invested in publicly listed equities and used to reduce debt. The group also has investments in primary industries (Farms & Forests) and a pool of direct equity investments, including investments in Waikato Milking System and Go Bus. Waikato-Tainui owns 100% of two hotels in Hamilton (Novotel & IBIS) and has 50% shareholding with Auckland Airport in the Novotel Auckland Airport Hotel and is in the process of constructing a new 300-bedroom 5-star Pullman situated alongside the Novotel.

Waikato-Tainui's term deposits remained consistent with previous years. The group invested a net $10m in investment properties and sold $8m of its shares in listed companies. Waikato-Tainui invested a further $1.4m in the Ruakura Inland Port. The Port is a long-term investment that began in 2017 and is expected to be completed in 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 a steady lease income from it.

Capital structure

Waikato-Tainui has maintained a debt-to-capital ratio of around 10% in recent years. Its debt-to-capital ratio decreased sharply in 2017 as a result of $100m of the $195m generated from the sale of 50% of its holdings in The Base being used to reduce debt. Waikato-Tainui's debt-to-capital ratio is conservative, though higher than many other iwi groups, and is indicative of its active investment approach.

Investment performance

Asset base and net worth

Waikato-Tainui's asset base and net worth continued to grow in 2019, both increasing by 6%. Waikato-Tainui's asset base increased by $77m in 2019 to a total of $1.446b and its net worth increased by $74m to $1.246b. These increases were driven by gains in the value of investment properties ($40m), equities ($9m) and primary industry assets ($2m). Waikato-Tainui revalued its hotels holdings for the first time in 2019 to their market value, having previously recorded them at-cost, leading to a gain in asset-value of $26m. Relativity settlements are incrementally accounted for in receivables each year, rather than being reported as a lump sum in the year they are received ($5m reported as revenue in the 2019 period).

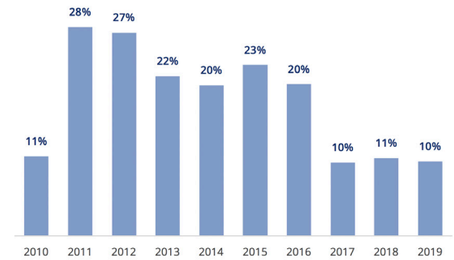
Return on assets

Waikato-Tainui's return on assets increased to 7% in 2019 from 4% in 2018, bringing it slightly above its average return of 6.3% since 2010. Comprehensive income (excluding income from relativity settlements) increased by $50m in 2019, driven by improved gains in asset values, with a slight improvement in net operating surplus. Hotel and rental revenue continue to be Waikato-Tainui's main sources of value gains outside of asset-value appreciations.

Return on equity

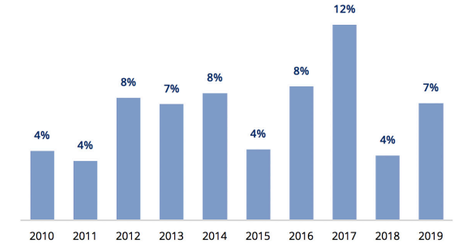
Waikato-Tainui's return on assets increased to 7% in 2019 from 4% in 2018, bringing it back in line with the average return of 6.7% since 2010. Waikato-Tainui distributed $20m to its beneficiaries in 2019, a distribution above its average of $12m. Retained earnings will be needed to support capital commitments as the development of the Ruakura Port progresses. Net assets per member increased by 6% to $16,370 in 2019, a larger increase than recent years, due to the increase in net worth and the decline in Waikato-Tainui's population growth rate in 2019.

Debt to capital ratio

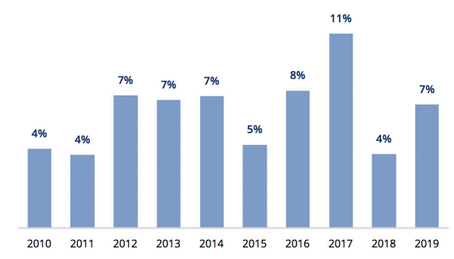


Asset base

Return on assets



Return on equity



Net assets per member ($)

Year	2013	2014	2015	2016	2017	2018	2019
$	12,638	13,104	13,492	13,841	14,839	15,422	16,370

Conclusions

This report has reviewed the corporate structures, investment strategies and investment performance of eight iwi over recent years.

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 expenditures and distributions and have been reinvested to grow their asset base.

Investment strategies

The largest investments of five of the iwi reviewed in this report (Ngāi Tahu, Ngāpuhi, Ngāti Awa, Ngāti Whātua Ōrākei, and Waikato-Tainui) are in the property sector (property development, property investment and ground leases) and/or primary industries (forestry and fisheries). This is largely reflective of the structure of their settlement redress from the Crown. Most of the eight iwi have taken steps to diversify their portfolios by investing in listed and private equities as well as direct investments. For three of the iwi (Ngāti Porou, Raukawa and Tūhoe) the largest asset class in 2019 was financial investments, typically managed funds. Excluding the financial investments , the assets of most iwi are predominantly located in the geographical areas where the iwi are based. In recent years several iwi have looked to further diversify their portfolios by investing in the relatively risky tourism sector.

The different iwi have adopted a range of investment 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 often have a more hands-off portfolio of assets.

Except for Ngāti Porou, the iwi that have taken a more passive 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 iwi, at 18%.

Investment performance

The investment performance of the iwi entities has varied significantly over the seven years (2013-2019) reviewed in this report. Two iwi, Ngāi Tahu and Ngāti Whātua Ōrākei, have typically exceeded our indicative benchmark return of 8.7% per annum. The other six iwi have reported average returns below our benchmark, in the range of 3% 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 seven years for all the eight iwi examined in this report, with the exception of 2019 when Ngāi Tahu, and Ngāti Awa experienced a decrease in net assets per member. This generally positive financial performance has allowed the iwi to better pursue economic, social, cultural, and environmental goals for their 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 dollar terms. Ngāpuhi, Ngāti Awa and Raukawa on the other hand have made relativity small distributions. However, these latter iwi have smaller asset bases.

Waikato-Tainui had the highest growth rate in net assets per member in 2019 at 6%. This was mainly driven by gains in the value of investment property. Ngāti Whātua Ōrākei had the largest decrease in net asset per member of 9% (driven by a significant increase in members) but the value of its assets per members far exceed the other iwi. Ngāi Tahu had the second lowest growth rate in net assets per member, of -8%, due primarily to the write down in the value its investment in Oha Honey. Ngāti Awa also had a decrease in net assets per member in 2019. The remaining four iwi had growth in net assets per member in the range of 0% to 5%. Raukawa has had the highest growth rate in net assets per member over the seven-year period, at 9% p.a. This relatively high growth in net assets per member was largely driven by the positive performance of managed funds and forestry investments.

Many iwi have continued to either diversify their asset base through direct investments in new sectors (such as tourism), 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, some appear to offer promising opportunities for iwi to increase their returns and asset bases in the future.

Overall, the aggregate return on assets for the eight iwi fell from 6.7% in 2018 to 3.8% in 2019. This is after falling from 9.8% in 2017. Six of the iwi reported a RoA in 2019 below their 2018 levels. This included the three largest iwi in terms of assets, Ngāi Tahu, Waikato-Tainui and Ngāti Whātua Ōrākei . Ngāi Tahu had the largest decrease in the returns on assets, from 8.4% in 2018 to below one percent in 2019. Only Ngāpuhi and Tūhoe had increases in their RoA's in 2019. These increases were relatively small, being less than 2%.

Source: Ngāpuhi

Appendix one

Settlements to date

Iwi	Year of deed	Redress amount ($ million)
Ngāti Hinerangi	2019	8.1
Te Patukirikiri	2018	3
Ngāti Rangi	2018	17
Ngāti Hei	2017	9
Ngāti Tūwharetoa	2017	78
Ngāti Tamaoho	2017	10
Te Wairoa	2016	100
Ahuriri Hapū	2016	20
Rāngitane o Wairarapa-Tamaki Nui-ā-Rua	2016	33
Ngatikahu ki Whangaroa	2015	6
Rangitāne o Manawatū	2015	14
Ngāi Tai ki Tāmaki	2015	13
Heretaunga Tamatea	2015	105
Taranaki Iwi	2015	70
Ngāti Hineuru	2015	25
Tauranga Moana Iwi Collective	2015	0.3
Whanganui River	2014	81
Te Ātiawa (Taranaki)	2014	87
Ngāruahine	2014	68
Te Kawerau ā Maki	2014	7
Ngāti Kuri	2014	21
Ngāi Te Rangi	2013	30
Ngāti Hauā	2013	13
Ngāti Rangiteaorere	2013	1
Ngāi Tūhoe	2013	169
Maungaharuru Tangitū Hapū	2013	23
Ngāti Tama ki Te Tau Ihu	2013	12
Ngāti Rarua	2013	12
Ngāti Pūkenga	2013	7
Ngāti Koata	2012	12
Te Atiawa o Te Waka-a-Maui	2012	12
Ngāti Koroki Kahukura	2012	3
Ngāti Rangiwewehi	2012	6
Tapuika	2012	6
Ngāti Toa Rangātira	2012	71
Te Rarawa	2012	34
Ngāi Takoto	2012	21
Tāmaki Makaurau Collective	2012	n/a
Ngāti Ranginui	2012	38
Ngāti Raukawa	2012	50
Te Aupōuri	2012	21
Ngāti Whātua Ōrākei	2011	18
Rongowhakaata	2011	22
Waitaha	2011	8
Ngāti Whātua o Kaipara	2011	22

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

Source: Office of Treaty Settlements

Appendix two

Summary financials

Ngāi Tahu (y.e. June 30)

Balance sheet, $m	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets	715	730	809	1,032	1,219	1,348	1,504	1,676	1,924	1,930
Net worth	570	591	658	877	1,075	1,149	1,274	1,371	1,653	1,611
Total interest-bearing debt	114	106	118	115	95	134	127	248	208	257
Current liabilities	25	26	24	38	50	60	75	106	60	64

Income statement, $m	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	146	163	209	231	320	346	396	330	312	352
Distributions	12	11	15	17	17	21	25	25	55	36
Operating exp. Trust	10	9	10	11	12	15	17	20	20	
Finance costs	5	8	8	10	7	8	8	8	12	13
Taxation expense	1	1	0.4	0.2	0.4	0.5	1	1	1	1
Settlement received	6	1	0	69	13	29	0	0	199	64
Government grant income	16	0.1	1	5	0	0	0	0	0	2
Total comprehensive income	44	26	64	226	198	77	124	97	282	(39)

Ngāpuhi (y.e. June 30)

Balance sheet, $m	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets	39	45	52	52	53	56	58	59	62
Net worth	37	43	50	50	51	53	56	58	60
Total interest-bearing debt	1	1	1	0	0.1	0.1	0.02	0.02	0.01
Current liabilities	1	1	2	2	2	2	2	1	2

Income statement, $m	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	13	15	19	16	16	18	18	19	21
Distributions	0	0	0	0	0.3	0.3	0.2	0.2	0.2
Operating exp. Trust	0	0	0	0	0	0	0	0	0
Finance costs	0.1	0.1	0.1	0	0	0	0	0	0
Taxation expense	0	0	0	0	0	0	0	0	0
Settlement received	0	0	0	0	0	0	0.1	0	0
Government grant income	0.0	0.1	0.0	0.2	0.1	0	0	0	0
Total comprehensive income	0.4	6	7	0	1	2	3	2	2

Ngāti Awa (y.e. June 30)

Balance sheet, $m	2012	2013	2014	2015	2016	2017	2018	2019
Assets	110	117	125	128	134	142	151	150
Net worth	99	101	107	110	114	115	124	123
Total interest-bearing debt	2	8	8	8	9	19	18	18
Current liabilities	5	11	13	5	7	13	11	13

Income statement, $m	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	6	6	9	5	7	8	13	13
Distributions	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.3
Operating exp. Trust	0	0	0	0	0	0	0	0
Finance costs	0.1	0.1	0.4	0.4	0.5	0.7	1.0	0.8
Taxation expense	0.2	0.0	0.1	0	0.0	0.0	0.1	0
Settlement received	0	0	0	0	0	0	0	0
Government grant income	1	1	0.1	0.1	0.2	0.4	0.3	0.1
Total comprehensive income	-0.3	1	6	4	5	3	9	0

Ngāti Porou (y.e. June 30)

Balance sheet, $m	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets	44	45	191	197	206	224	223	232	243	254
Net worth	40	41	183	186	189	201	201	211	223	229
Total interest-bearing debt	3	3	4	8	12	17	18	16	11	16
Current liabilities	2	1	5	5	8	12	6	15	10	13

Income statement, $m	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	11	11	146	31	29	40	31	45	48	38
Distributions	0.2	0.3	0.7	0.3	1	2	1	2	0.7	1
Operating exp. Trust	0	0	0	11.4	4.2	0	0	0	0	0
Finance costs	0	0	0.1	0.5	0.7	1	1	0.6	0.4	0.4
Taxation expense	0	0	0.1	3	0.5	0	-0.1	0.9	0.0	1
Settlement received	0	0	116	0.4	0	0	0	0	0	0
Government grant income	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0.9	1	5	5	4	12	0.4	10	12	5

Ngāti Whātua Ōrākei (y.e. June 30)

Balance sheet, $m	2012	2013	2014	2015	2016	2017	2018	2019
Assets	422	593	631	767	939	1,086	1,189	1,254
Net worth	317	424	482	553	717	855	934	975
Total interest-bearing debt	38	107	86	153	161	171	200	225
Current liabilities	0	56	60	59	58	61	106	139

Income statement, $m	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	52	35	41	43	57	51	39	53
Distributions	0.2	0.2	1	1	1	1	2	7
Operating exp. Trust	0	0	0	0	0	0	0	0
Finance costs	2	4	7	7	7	6	7	9
Taxation expense	0	0.7	6	0.4	4	5	1	2
Settlement received	19	0.2	0	0	0	0	0	0
Government grant income	0	6	5	4	4	4	3	3
Total comprehensive income	21	106	58	71	164	138	81	43

Tūhoe (y.e. March 31)

Balance sheet, $m	2013	2014	2015	2016	2017	2018	2019
Assets	134	254	296	328	348	365	386
Net worth	133	252	296	325	345	360	381
Total interest-bearing debt	0	0	0	0	0	0	0
Current liabilities	1	2.3	0.3	1	2	3	2

Income statement, $m	2013	2014	2015	2016	2017	2018	2019
Revenue	5	8	9	9	12	11	12
Distributions	0	0	0	0.3	1.0	0.7	0.1
Operating exp. Trust	0	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0	0
Taxation expense	1	1	-0.2	2	1	0.1	0
Settlement received	0	108	26	0	0	0	0
Government grant income	0	0	0	0	0	0	0
Total comprehensive income	6	119	45	25	19	15	21

Raukawa (y.e. June 30)

Balance sheet, $m	2012	2013	2014	2015	2016	2017	2018	2019
Assets	86	93	103	129	136	149	164	174
Net worth	84	90	98	126	133	143	157	168
Total interest-bearing debt	0	0	0	0	0	0	0	0
Current liabilities	2	2	4	2	2	3	3	2

Income statement, $m	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	6	11	10	15	12	12	11	17
Distributions	0	0	0	1	1	0	1	1
Operating exp. Trust	0	0	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0	0	0
Taxation expense	0	1	0	1	1	0	0	1
Settlement received	35	0	2	0	0	0	0	0
Government grant income	0	0	0	0	0	0	0	0
Total comprehensive income	-1	6	6	16	7	11	14	11

Waikato-Tainui (y.e. March 31)

Balance sheet, $m	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets	644	775	802	925	1,040	1,164	1,225	1,244	1,369	1,446
Net worth	538	559	596	705	784	862	940	1,068	1,172	1,246
Total interest-bearing debt	69	218	220	199	211	268	250	123	144	145
Current liabilities	34	94	45	50	38	33	241	18	19	41

Income statement, $m	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	33	37	57	64	70	83	82	72	52	54
Distributions	4	4	7	7	6	22	9	31	21	20
Operating exp. Trust	0	0	0	0	0	0	0	0	0	0
Finance costs	5	8	13	14	14	17	15	9	7	7
Taxation expense	0	0	0.0	0	-2	-3	0	0	1	0
Settlement cash received	0	0	0	70	0	13	0	0	190	17
Government grant income	0	0	0	0	0	0	0	0	0	0
Settlement reported	0	0	0	70	21	70	13	48	80	5
Total comprehensive income	19	16	37	110	74	84	80	140	104	74

Appendix three

Iwi benchmark returns

Iwi	Period	Equity market return	Bond yield	Assumed management fees	Benchmark return (50:50)	Average RoA of iwi
Ngāi Tahu	2006-2019	9%	4%	-1%	6%	9%
Ngāpuhi	2011-2019	15%	3%	-1%	8%	5%
Ngāti Porou	2011-2019	15%	3%	-1%	8%	3%
Ngāti Whātua Ōrākei	2006-2019	16%	3%	-1%	9%	3%
Rangitāne o Wairau	2012-2019	16%	3%	-1%	9%	12%
Raukawa	2013-2019	16%	3%	-1%	9%	8%
Tūhoe	2013-2019	16%	3%	-1%	9%	6%
Waikato-Tainui	2010-2019	13%	4%	-1%	7%	6%
Averaged over the minimum comparison period						
Average	2013-2019	**16%**	3%	-1%	8.7%	-

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)

Equities: 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

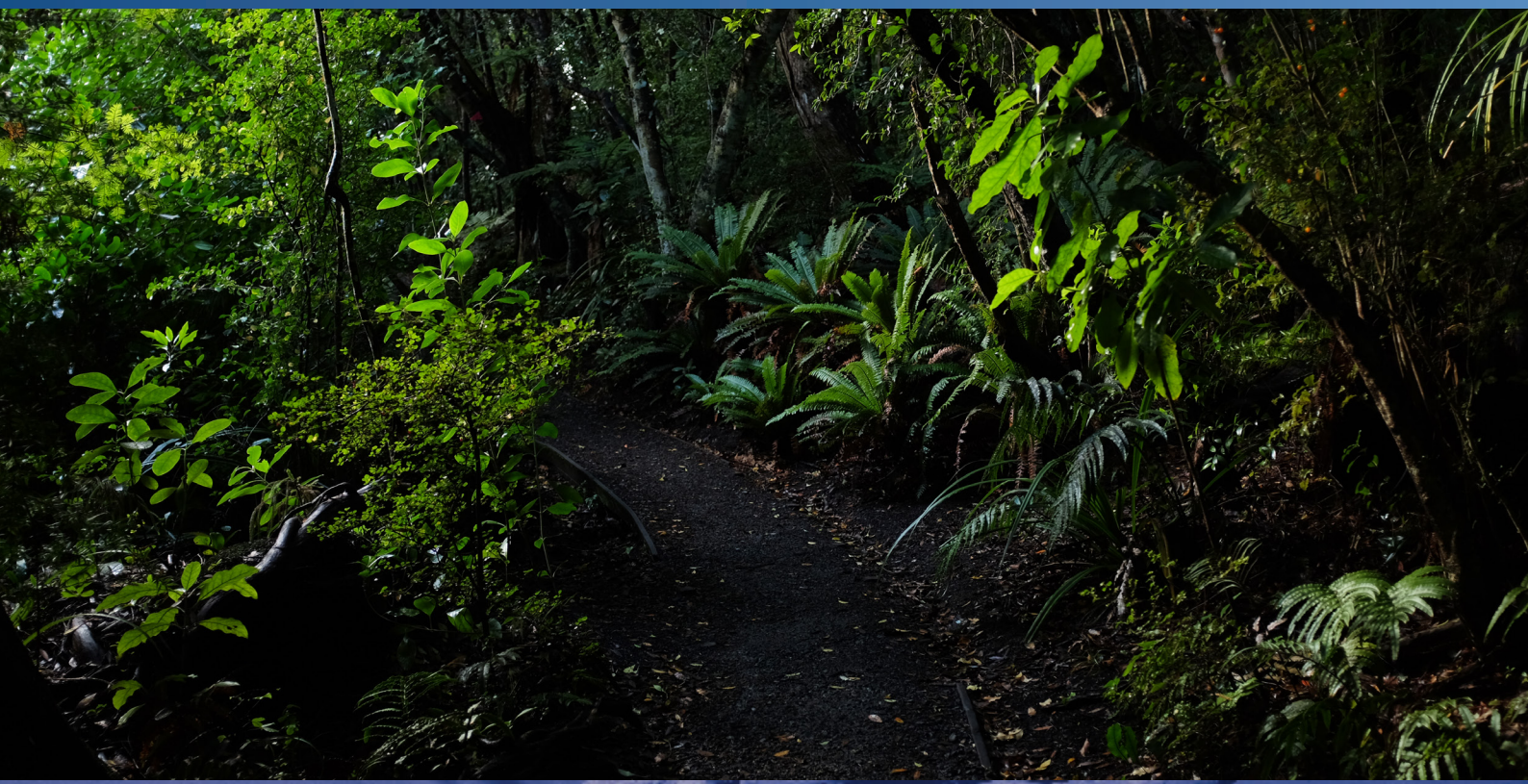
Revaluation of assets (upward or downward): Changing the value of an asset on the balance sheet to better reflect the fair or market value of that asset as opposed to holding the asset at cost

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*



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