



TDB Advisory, 2019

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ADVISORY

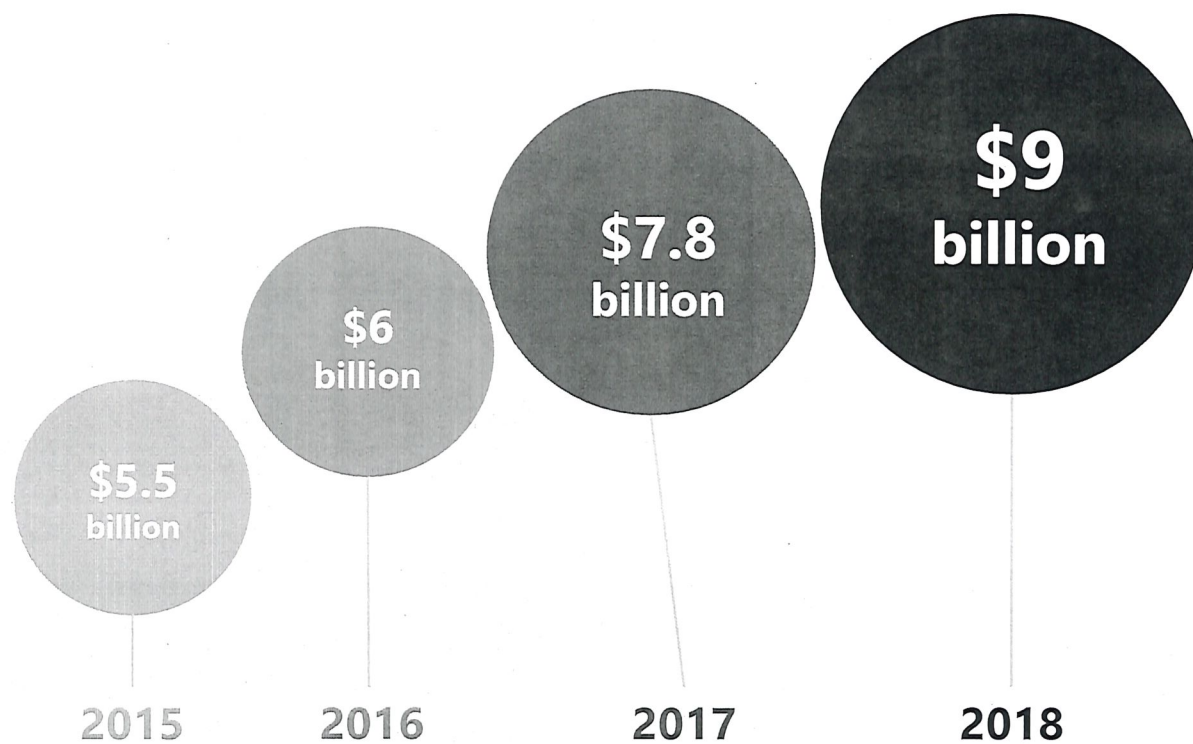
# **Post-Settlement Iwi**

Structures, Strategies and Performance

Law and Economics Association

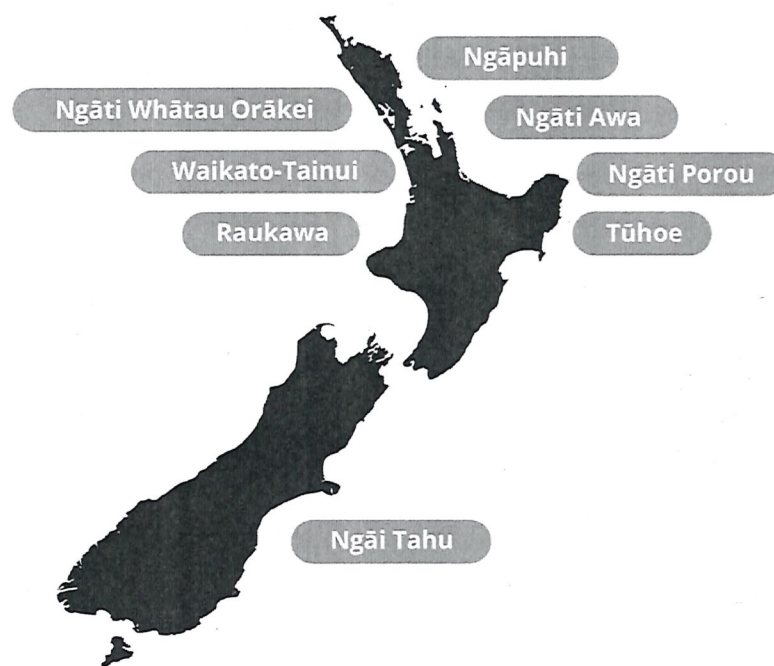
Wellington, June 2019

## Iwi Post-Settlement Asset Growth



TDB estimates

## Iwi Investment – Eight Iwi



account  
for around  
**60%**  
of total  
settlement  
assets

# Governance Structures

- Often complex, but typically there is:
  - **an overarching trust** that makes decisions about distributions to beneficiaries and non-financial objectives; and
  - **a separate commercial entity** that manages the groups commercial assets and makes investment decisions.

## Te Rūnanga o Ngāi Tahu

### Ngāi Tahu Charitable Trust

#### Office of Te Rūnanga o Ngāi Tahu

- Representation and advocacy
- Governance
- Distribution

#### Ngāi Tahu Holdings Corporation

- Investment and financial strategy
- Capital allocation
- Investment performance

# Governance Structures

- Principles for iwi commercial entity:
  - Owns commercial assets
  - Board with governance skills
  - Commercial objectives
  - Employ best person for the job
  - Able to be held accountable for investment performance

# Investment Strategy

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

- Some more diversified, others not
- Some taking passive investment approach, others active
- Some conservative, some willing to take on more risk

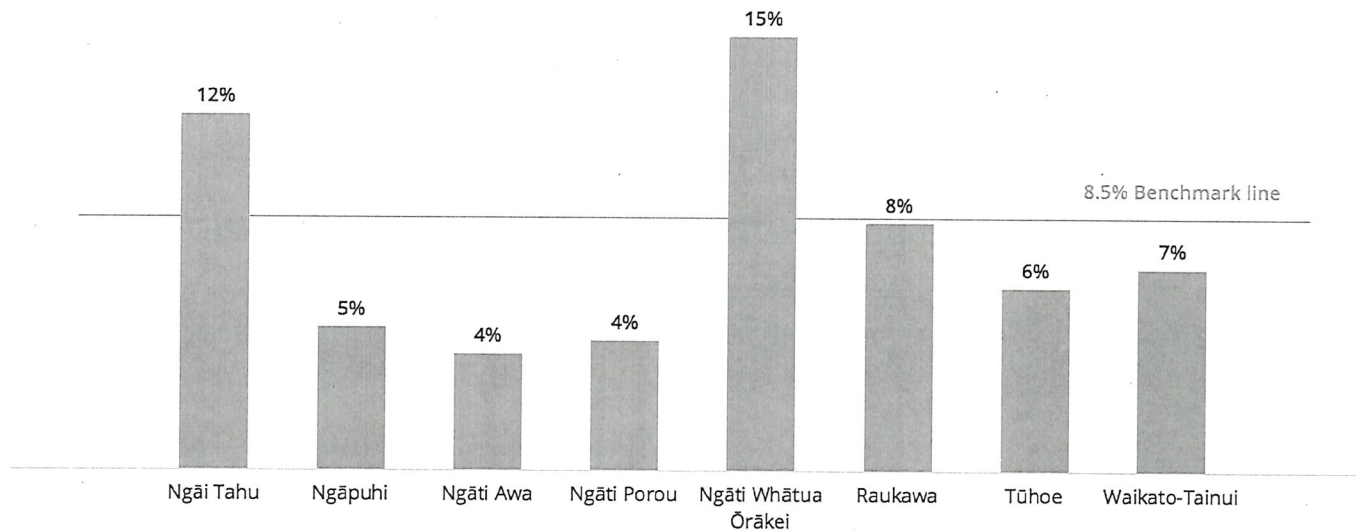
# Investment Strategy Trends

- A number of iwi historically highly invested in property
- Some moving to diversify
- Some shifting from managed funds to active direct investments
- More iwi investing in private equity, including tourism



# Investment Performance

- Average return on assets (last six years)

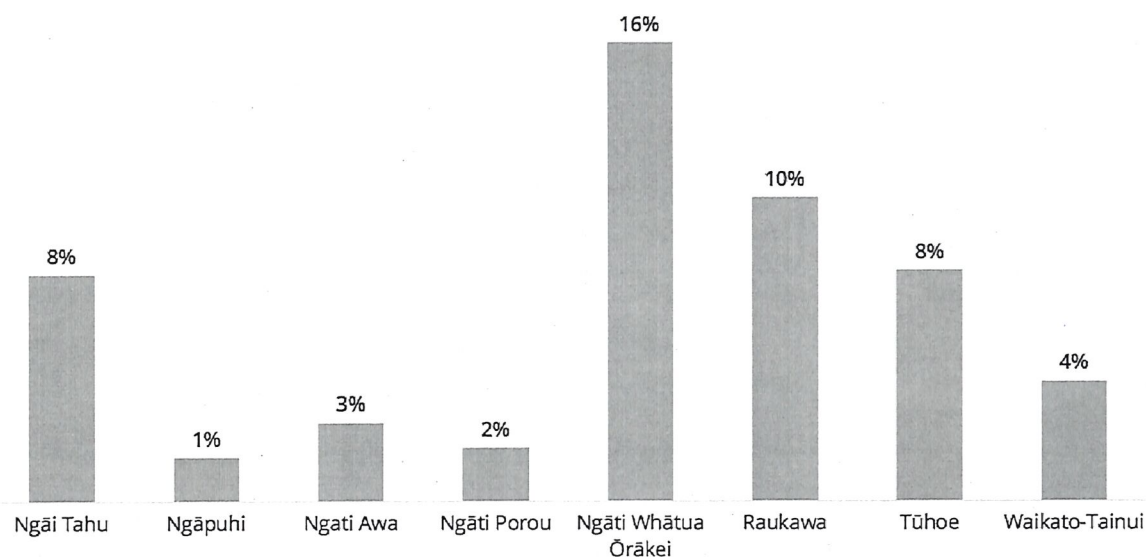


- Two of eight iwi have outperformed the market benchmark



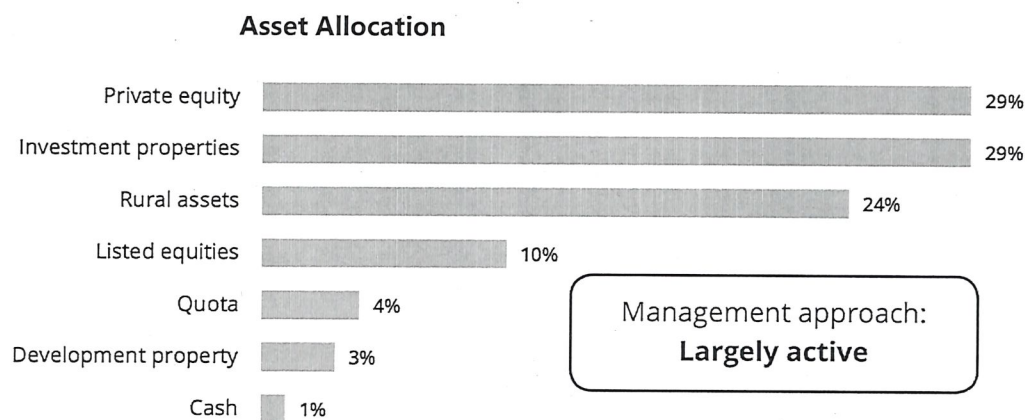
# Investment Performance

- Average change in net assets per member (last six years)

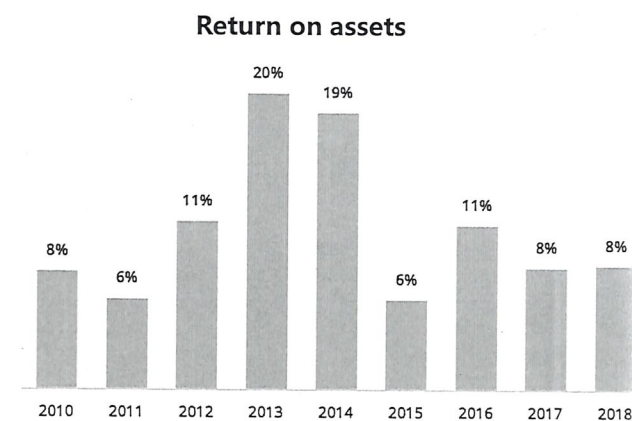


- Net assets are growing, as is Iwi membership

# Ngāi Tahu



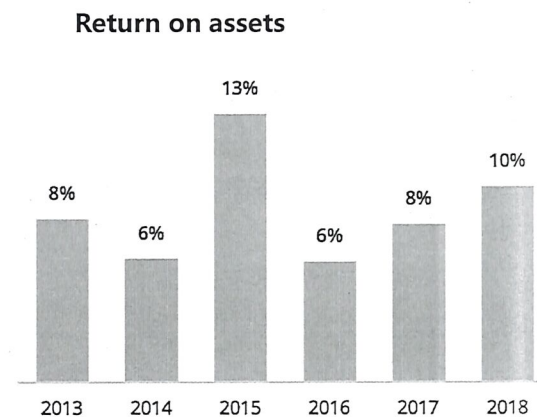
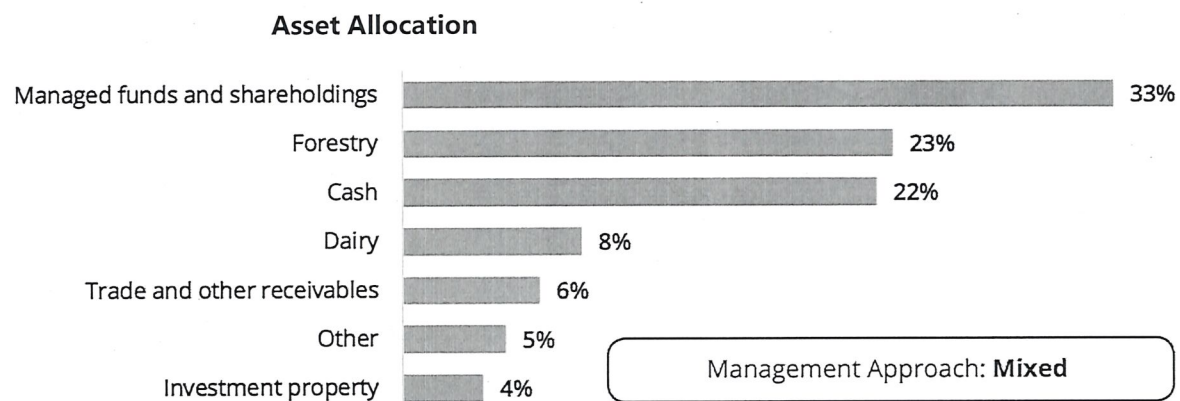
Management approach:  
**Largely active**



- One of the earlier settlers, developed an active investment strategy
- 2018 a good year for property, tourism, seafood and forestry divisions, mixed year for private equity and farming
- Risk spread across sectors

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# Raukawa



- Raukawa has been reducing its holdings of managed funds in favour of direct investment
- Shifting from passive to more direct management

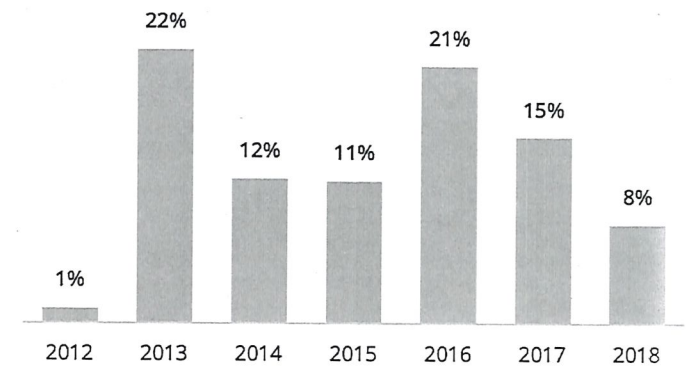
# Ngāti Whātua Orākei

Asset Allocation

Property 100%

Management Approach: **Active**

Return on assets



- Performance directly linked to the Auckland property market. Risky.
- Active management approach – new commercial development on North Shore
- Partnership with nib

# The Big Picture - Financials

Average RoA of **7.6%** across the 8 iwi over the last six years

- Generally the more active iwi have generated higher returns
- However more action = more risk
- Undiversified iwi heavily exposed to a single asset class in a narrow geographic area

# The Big Picture – Some Questions

- Are the returns adequately compensating for the risk exposure?
- Who has captured the benefits?
- Is the current model the right one going forward?

# The Big Picture – Conclusions

- Overall a good news story - not linear or without failures
- Are tensions:
  - Growth aspirations vs liquidity requirements
  - Traditional tribal values vs financial aspirations
  - Employment and other goals
- Healthy degree of competition between iwi
- Iwi trusts have objectives that go beyond maximising financial returns
- In order to achieve the wider social and cultural objectives, investments must perform to their maximum potential





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