**STATEMENT OF INVESTMENT POLICY AND OBJECTIVES**
**TE NGAKINGA O WHANGANUI INVESTMENT TRUST/WHANGANUI IWI FISHERIES LIMITED**

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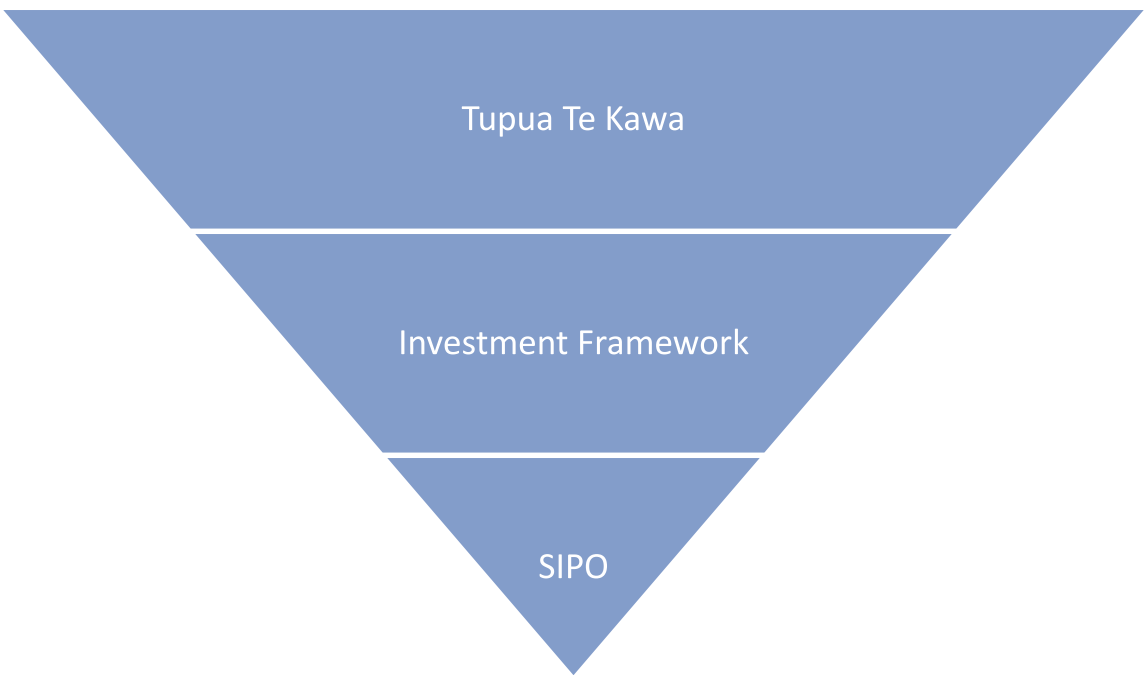
|---|---|
| ***KIA WHAKATŌ NGĀ PURAPURA*** | ***PROTECT THE ASSETS OF TE NGAKINGA FOR FUTURE GENERATIONS*** |
| ***KIA NGAKI I TE MĀRA*** | ***TO GROW AND DEVELOP THE ASSETS OF TE NGAKINGA SO THEY*** |
| ***KIA PUĀWAI NGĀ HUA*** | ***PROVIDE FOR TODAY AND TOMORROW*** |
| | ***THAT THE IWI HAVE THE BENEFITS OF OUR WORK*** |

***Mouri Ora, Mouri Awa, Mouri Tangata***

## 1. RELATIONSHIP BETWEEN TUPUA TE KAWA, THE INVESTMENT FRAMEWORK AND THE SIPO

This Statement of Investment Policies & Objectives (SIPO) is derived from an Investment Framework prescribed by Ngā Tāngata Tiaki o Whanganui Trust's (NTTs) application of Tupua Te Kawa as it relates to investing for and on behalf of Whanganui Iwi.




***Strategic objectives of the Investment Framework***

The Investment Framework incorporates the values of Tupua Te Kawa and aligns with NTT Group's Strategic objectives. These are:

### 1.1 Kawa Tuatahi: Ko te Awa te mātāpuna o te ora

*Te Awa Tupua is a spiritual and physical entity that supports and sustains both the life and natural resources within the Whanganui River and the health and wellbeing of the iwi, hapū and other communities of the River.*

A percentage of profits may be distributed to increase the health and well-being of Te Awa Tupua and Whanganui Iwi including health, education, employment and recreation, through distributions from Te Ngakinga and WIFL to NTT and the Whanganui Iwi Development Trust, but only after administration costs and reinvestment targets have been met.

### 1.2 Kawa Tuarua: E rere kau mai te Awanui, mai i Te Kāhui Maunga ki Tangaroa

*Te Awa Tupua is an indivisible and living whole from the mountains to the sea, incorporating the Whanganui River and all of its physical and metaphysical elements.*

Taonga Assets (including Pakaitore lands) are to be protected and can never be mortgaged or sold.

Whanganui Iwi has aspirations to commercially invest in our own rohe but our priority is firstly to maximise the return to Whanganui Iwi. Commercial investments must be able to be bought and sold for the purposes of achieving such returns.

### 1.3 Kawa Tuatoru: Ko au te Awa, ko te Awa ko au

*The iwi and hapū of the Whanganui River have an inalienable interconnection with, and responsibility to, Te Awa Tupua and its health and wellbeing.*

We are inseparably connected to Te Awa Tupua as will be our mokopuna and their mokopuna. Our investment approach is long term and intergenerational. The Whanganui River settlement provides an opportunity to provide for Whanganui Iwi for generations to come. Therefore, no principal from the settlement will be distributed, though income may be distributed after administration costs and reinvestment targets are met.

### 1.4 Ngā manga iti, ngā manga nui e honohono kau ana, ka tupu hei Awa Tupua

*Te Awa Tupua is a singular entity comprised of many elements and communities, working collaboratively to the common purpose of the health and wellbeing of Te Awa Tupua.*

Te Ngakinga/WIFL understand that investing and financial returns are a means to help Whanganui Iwi achieve our greater strategic aspirations. Te Ngakinga and WIFL are parts of Ngā Tāngata Tiaki o Whanganui Group (NTT Group) and have specific roles to play within that Group. Our investment decisions will be supported by due process and expert advice.

## 2. Introduction

A SIPO is the document that sets out the investment governance and management framework, philosophy, strategies and objectives of our commercial assets, including its investment funds/portfolios and Direct Investments. This Te Ngakinga o Whanganui Investment Trust/Whanganui Iwi Fisheries Limited (Te Ngakinga/WIFL) SIPO sets out:

- Why we are engaging in investment activities;
- What the criteria are for deciding on investment activities;
- Who we will invest with; and
- How we will invest.

A SIPO helps to define objectives and constraints to support investment decisions. In our case our policies and objectives should support a long term, inter-generational approach. For ease of reference, a Glossary of investment terms used are provided at the back of the SIPO.

## 3. Origins of the SIPO

Te Ngakinga is required to develop a Statement of Investment Policy and Objectives (SIPO) as per clause 10 of its deed of trust. The SIPO will enable Te Ngakinga to govern its investment activities of funds received from the Crown in settlement of Whanganui Iwi claims to Te Awa Tupua. In order to ensure coordination of investment activity and provide flexibility of investment options, the SIPO also applies to WIFL (with the two entities sharing officeholders). The process undertaken to finalise and approve the SIPO has been rigorous and lengthy having taken more than 12 months to complete.

The first step taken by Te Ngakinga was to engage a specialist advisor who would provide investment advice which would be distinctly separate from the provision of investment management (i.e. the advisors had no managed funds of their own). The process included:

- Seeking requests for proposals (RFP) from several banks and other financial institutions and independent investment advisors for the provision of investment advice to the Te Ngakinga.
- Assessing RFPs through a shortlisting and interview process where 3 independent investment advisors were considered for the role.
- Appointment of the successful candidate being Cambridge Associates, an international firm.

Following the appointment of Cambridge Associates, Te Ngakinga met several times with NTT to understand NTTs vision, strategy and aspirations for the investment funds held and managed by Te Ngakinga. This resulted in:

- A letter of Expectation being agreed to between NTT and Te Ngakinga that sets out high-level responsibilities of each Trust and reporting requirements.
- An Investment Framework inextricably linked, and derived from, Tupua Te Kawa.

Cambridge Associates then worked with Te Ngakinga to develop a draft SIPO that complied with the Investment Framework including its cashflow, growth and risk requirements. Their work covered sensitivity modelling to determine the appropriate asset allocation which led to Te Ngakinga proposing that an appropriate asset allocation in the current investment climate would be 40% income assets and 60% growth assets. A re-assessment of the allocation split would take place after 12 months.

An early draft of the SIPO was considered by NTTs Audit Finance & Risk Committee who provided comment to Te Ngakinga, while Deloitte was contracted to provide an independent review of the draft SIPO which resulted in further improvements to the document. Following several meetings between NTT, Te Ngakinga, the Committee and Deloitte, the trustees of NTT approved the SIPO on 26 June 2017.

While the SIPO has been approved and investment management can now proceed, Te Ngakinga/WIFL continues a parallel work programme that includes:

- The development of a Direct Investment Policy with NTT which would eventually see the partial move from solely managed investment funds into more active investments.
- Adoption by Te Ngakinga/WIFL of the NTT suite of controls, policies and procedures once they are available.

## 4. Purpose of the Nga Tangata Tiaki (NTT) Group Entities

*Ngā Tāngata Tiaki o Whanganui Trust (NTT)*

- NTT is a private trust and the post settlement governance entity for Whanganui iwi for the purposes of the Whanganui River Settlement, established on 4 August 2014.
- The purposes of NTT are to advance the interests of Te Awa Tupua and its people individually and collectively, through holding and governing, inter alia, the settlement assets received from the Crown in the settlement of the claims of Whanganui Iwi to the Whanganui River.

*Te Ngakinga o Whanganui Investment Trust (Te Ngakinga)*

- Te Ngakinga is an incorporated charitable trust settled by NTT to manage assets received from the Whanganui River Settlement, as well as other assets previously owned by a number of pre-settlement Whanganui Iwi entities.
- The purposes of the Trust are to grow its assets over time for the benefit of NTT Group and its beneficiaries (Te Awa Tupua and its people), to meet ongoing spending needs for NTT Group and to maintain equity between present and future beneficiaries into perpetuity.

*Whanganui Iwi Fisheries Limited (WIFL)*

- WIFL is a registered company and the asset holding company for Whanganui Iwi under the Māori Fisheries Act 2004 and holds, inter alia, fisheries quota and shares in Aotearoa Fisheries Limited.
- The purposes of the company are to act as the holding company for fisheries settlement quota and shares in Aotearoa Fisheries Limited and as a tax-paying investment vehicle for NTT Group. WIFL and Te Ngakinga are expected to invest and work together.

*Whanganui Iwi Development Trust*

- Income from the Investment Entities and NTT Trust funds initiatives to build the health and wellbeing of Te Awa Tupua and Whanganui Iwi.

## 5. Roles and Responsibilities

*Role of the Parent Trust*

Te Ngakinga and WIFL (hereafter referred to as "the Investment Entities") are responsible for developing the SIPO which must then be approved by NTT before investment activity (other than that stipulated in any extant Letter of Expectation[1]) can be undertaken by Te Ngakinga. NTT will, following

[1] Under the Letter of Expectation and prior to the approval of the SIPO, Te Ngakinga was required to invest only in low-risk assets, these being defined as cash, government debt, short-term investments and term deposits.

approval of the SIPO, work with Te Ngakinga to develop a Direct Investment Policy within the 2017-2018 financial year. It is expected that this policy will require varying forms of approval being required by NTT (depending on the nature of any Direct Investment proposed).

*Role of the Te Ngakinga Trustees/WIFL Directors*

The oversight responsibilities of the Trustees/Directors include development of investment policies, review of investment performance and oversight of implementation, selection and monitoring of the managers, and monitoring of the spending rate. Trustees/Directors approve all investment manager selection and implementation decisions. Once the Direct Investment Policy is agreed with NTT, the Trustees/Directors will have further responsibilities in respect of that policy.

*Role of NTT Finance and Operations*

NTT staff members' responsibilities involve the day to day management of the Investment Entities' investment portfolio and include, but are not limited to the following: administration of investments; implementing policy/Trustee/Director decisions and spending/distributions in accordance with approved requirements; treasury management on behalf of the Investment Entities; liaising with NTT trustees; and Board secretariat duties for the Investment Entities.

*Role of the Investment Advisor*

The Investment Entities' preference is for an investment advisor who is independent from all funds managers, i.e. an investment advisor that does not provide or receive benefits from fund managers by virtue of their advice, to ensure that the Investment Entities are receiving truly independent investment advice. Their role is to provide ongoing advice and recommendations on portfolio construction and allocations across sub-asset classes and geographies. The advisor will:

- Maintain an implementation schedule of attractive investment opportunities;
- Recommend appropriate managers and the role they play in the portfolio;
- Provide necessary due diligence and supporting documentation and analysis on recommended managers;
- Conduct analysis on other attractive opportunities, and help position for access.
- Monitor all investments and exposures, provide investment recommendations in real-time, as required.
- Advise the Investment Entities on Rebalancing of the portfolio.

## 6. Investment Objectives

The overall financial objective of the Investment Entities' investment portfolio is to earn an average annual inflation-adjusted (real[*]) total return before spending, of 4.0% over a full market cycle (rolling five-year period) at an acceptable level of risk. Risk is multi-faceted and the governance of risk is addressed and managed specifically through subsequent policies in the SIPO, sections 9-14.

More specifically, the long-term objectives are to:

[*] A real rate of return is the annual percentage return realised on an investment, which is adjusted for changes in prices due to inflation, as measured by the consumer price index.

**6.1** Grow the real* market value of the Investment Entities in perpetuity.
**6.2** Provide income to NTT Group.
**6.3** Maintain equity between present and future beneficiaries in perpetuity.

The Trustees/Directors recognise that the 4.0% real* return target is a long-term target and will not be achieved in every measurement period.

The investment objectives were established to support the values of Tupua Te Kawa as outlined in Section 1 above.

Initially, the Investment Entities' preference is to appoint a series of fund managers to appropriately manage their investment activities. This may be adapted over time, taking into account the financial expertise provided to them by NTT and the content of the Direct Investment Policy.

## 7. Spending Policy

**7.1** The ideal spending policy ensures a balancing of priorities, whereby the current needs of the Investment Entities are not sacrificed in the interests of the future, nor are future needs sacrificed to those of the present.
**7.2** A distribution holiday will be provided for the first full financial year of the Investment Entities in which spending will not be required from the portfolio. Spending will be provided quarterly effective from Q1 2018/2019 financial year.
**7.3** The Investment Entities' spending policy is to have available for spending a minimum of NZD $2.5 million plus inflation (defined as NZ CPI) per annum.
**7.4** Large one-time withdrawals from the Investment Entities' should be provisioned in advance to ensure appropriate liquidity and risk management.
**7.5** As the fund follows a total return approach (rather than a distributed income approach), spending is sourced as needed from the portfolio (including proceeds of investment sales, net investment income, and capital gains)

## 8. Investment Beliefs

The Investment Entities' approach to investing is framed by a set of clearly defined over-arching beliefs that drive the investment decisions. The Investment Entities' investment beliefs are:

**8.1** Strong governance and well-defined decision-making structures enable sound investment decision making.
**8.2** The investment horizon is long-term and intergenerational. Setting an asset allocation that is appropriate to the objectives and risk tolerance is the most important decision to be made as it is the primary driver of long-term success. A broadly diversified portfolio both across and within asset classes improves the risk to return ratio over time.
**8.3** Active managers can add excess return over benchmarks, particularly in shallow or Emerging Markets. In many markets/asset classes (e.g. Developed Markets and/or deep markets), manager structures that include a passive approach may be more appropriate.

**8.4** Costs matter and in some asset classes low-cost passive strategies can be blended with higher cost active strategies to minimise the overall cost of investing. The primary goal is to maximise net of fees returns (return on investment after management and/or performance fees) at an acceptable level of risk.

**8.5** To achieve the desired level of spending while preserving and enhancing the Investment Entities' purchasing power over time, the real* return target for the Investment Entities' portfolio should be greater than the spending rate.

**8.6** Responsible investors should have regard to the environmental, social and governance issues of companies in which they invest and the Trustees will strive to identify managers who include a review of and consideration for ESG issues in investment analyses and decision making as outlined in the Responsible Investment Policy (Section 11 of this document) and role of Investment Advisor (Section 4 of this document).

**8.7** The base currency of the Investment Entities is New Zealand dollars and it is appropriate to measure the portfolio performance (including the impact of currency and currency hedging) in NZD.

**8.8** The Investment Entities have a preference to invest via managed funds, though can consider Direct Investments as per Section 14 and within the parameters of the Direct Investment Policy, once adopted.

## 9. Policy Asset Allocation

The Policy Asset Allocation Targets were agreed following portfolio modelling being undertaken to determine the appropriate Asset Allocation to deliver the required cashflow and investment returns required by Te Ngakinga. The Policy Asset Allocation Targets for the Investment Entities are categorised under two broad Asset Groups according to the primary roles that each asset class plays in the portfolio:

- Growth Assets
- Defensive Assets

**Exhibit 1: Investment Entities' Policy Asset Allocation**

**Phase 1**
**Policy Asset Allocation**
**60% Diversified Growth Assets / 40% Defensive Assets**

| Asset Classes | Policy Target | Ranges |
|---|---|---|
| **Growth Assets** | **60.0%** | |
| Australasian Equity | 13.0% | 8.0% - 18.0% |
| Global Equity | 27.0% | 17.0% - 37.0% |
| Emerging Market Equity | 5.0% | 2.0% - 8.0% |
| Diversifiers | 8.0% | 5.0% - 15.0% |

* A real rate of return is the annual percentage return realised on an investment, which is adjusted for changes in prices due to inflation, as measured by the consumer price index.

| | | |
|---|---|---|
| Real Assets/Private Investments/Direct Investments | 7.0% | 2.0% - 12.0% |
| **Defensive Assets** | **40.0%** | |
| New Zealand Fixed Income | 24.0% | 15.0% - 35.0% |
| Global Fixed Income | 14.0% | 0.0% - 20.0% |
| Cash | 2.0% | 1.0% - 5.0% |
| **Total** | **100.0%** | |

The **Phase 1 Target Policy Asset Allocation** will be a staged approach toward the 60/40 policy allocation by 31 March 2018. After 31 March 2018, the Trustees will reassess the strategy before taking a decision to adopt the **Phase 2 Target Policy Asset Allocation** of 70/30. This allocation will be revisited prior to implementation to incorporate updated objectives, valuations, risks, and market outlook.

**Phase 2**
**Policy Asset Allocation**
**70% Diversified Growth Assets / 30% Defensive Assets**

| Asset Classes | Policy Target | Ranges |
|---|---|---|
| **Growth Assets** | **70.0%** | |
| Australasian Equity | 16.0% | 11.0% -21.0% |
| Global Equity | 30.0% | 20.0% - 40.0% |
| Emerging Market Equity | 6.0% | 3.0% - 9.0% |
| Diversifiers | 8.0% | 5.0% - 15.0% |
| Real Assets/Private Investments/Direct Investments | 10.0% | 5.0% - 15.0% |
| **Defensive Assets** | **30.0%** | |
| New Zealand Fixed Income | 18.0% | 10.0% - 30.0% |
| Global Fixed Income | 10.0% | 0.0% - 15.0% |
| Cash | 2.0% | 1.0% - 5.0% |
| **Total** | **100.0%** | |

**9.1** Equities (public and private) have historically outperformed other asset classes and are therefore the Investment Entities' growth engine. Diversifiers represent strategies that are included in the portfolio to mitigate volatility inherent in the allocation to Growth Assets. Diversifiers should exhibit Correlation benefits and an equity beta less than one. It is recognised that a portfolio biased to Growth Assets could be severely impacted during periods of unanticipated inflation or prolonged deflation. Real Assets such as real estate, infrastructure, and Commodities can provide diversified growth as well as serve as ballast to the portfolio from an unexpected spike in inflation.

**9.2** Defensive Assets are included to provide stable returns, liquidity and protection against a prolonged economic contraction. To fulfil its deflation hedging role, a significant proportion of the allocation to both New Zealand and Global Bonds will be invested in high quality fixed income securities.

**9.3** To ensure sufficient liquidity is always available to the Investment Entities, the Investment Entities' targeted cash level is set at 2.0%.

**9.4** The Policy Asset Allocation (Exhibit 1) serves as a guide to target asset allocations. However, there may be times when the Investment Entities' overweights/underweights certain asset classes relative to its target allocations or initiates exposure to other asset classes opportunistically.

**9.5** Income from one asset class may be invested in another asset class subject to compliance with this SIPO. This is likely to be a necessity when rebalancing the portfolio (see below).

## 10. Rebalancing Policy

**10.1** The objective of rebalancing is to keep the Investment Entities' portfolio asset allocation at or near the determined policy weights in order to obtain the benefits of diversification and maintain an asset allocation that has been designed to help achieve the stated investment objectives, without incurring additional unintended risks.

**10.2** The allocation to each asset class should observe its Policy Target, unless a specific Tactical Target has been established for the asset class. Such allocations would be allowed to vary from the Policy Target within the Rebalancing Range for each asset class (see **Exhibit 1**).

**10.3** To avoid incurring unnecessary transaction costs, rebalancing actions will be timed to coincide with cash outflows (spending draw-downs) to the extent reasonably possible. In addition to rebalancing through spending draw-downs, it is the Investment Advisor's role to advise the trustees/directors when rebalancing will be required.

**10.4** To avoid manager concentration risk, a maximum allocation to any individual manager is limited to 10% of the total portfolio (this excludes allocations to passive index holdings).

## 11. Portfolio Benchmarks

**11.1** The Investment Entities' asset classes and managers will be benchmarked in advance to relevant indices for performance evaluation. See **Exhibit 2** for a reference to asset class benchmarks.

**11.2** Benchmarks to evaluate investment manager performance will be selected that appropriately represent the investment universe in which the investment manager is investing.

**Exhibit 2: Composition of the Target Policy Portfolio Benchmarks**

| Asset Classes | Benchmark |
|---|---|
| **Growth Assets** | |
| Australasian Equity | 50% NZX 50 Index + 50% ASX 200 Index |
| Global Equity | 50% MSCI World Index (NZ$ Hedged) + 50% MSCI World Index (Unhedged) |
| Emerging Market Equity | MSCI Emerging Markets Index (Unhedged) |
| Diversifiers | HFRI Fund of Funds Composite Index |

| | |
|---|---|
| Real Assets / Private Investments / Direct Investments | Blend of Indices* |
| **Defensive Assets** | |
| New Zealand Fixed Income | ANZ NZ All Government Stock Index |
| Global Fixed Income | Barclays Global Aggregate Bond Index (NZ$ Hedged) |
| Cash | ANZ NZ 90-day Bank Bills |
| **Target Policy Benchmark** | **Policy Weighted Blend of Indices**** |

Note: *An asset-weighted composition of indices to which the investments in the asset class relate, subject to actual implementation. **A policy-weighted composition of asset class indices, staged to reflect actual implementation.

Performance reporting against benchmarks will be undertaken quarterly in line with the Letter of Expectation requirements and will include, but not be limited to, measures outlined in the Letter of Expectation.

## 12. CURRENCY HEDGING POLICY

**12.1** Spending and liabilities are primarily in New Zealand dollars. Foreign currency exposure should be considered in this context.

**12.2** Currency exposure introduces additional volatility to the Investment Entities' portfolio. The currency hedging policy manages the impact of currency fluctuations to portfolio returns over time by limiting the Investment Entities' total unhedged foreign currency exposure to 30% of total assets.

**12.3** The currency hedging policy will be implemented by asset class as outlined in **Exhibit 2**.

**12.4** The Investment Entities will work with the Investment Advisor to determine an appropriate, low-cost, efficient, externally managed currency hedging solution, as required[2].

## 13. RESPONSIBLE INVESTMENT POLICY

**13.1** The Investment Entities will balance the financial objectives of the Investment Entities with the goal of creating an overall portfolio consistent with NTT Group's core social values and mission.

**13.2** The primary goals of the Investment Entities are to grow the real market value of the Trust in perpetuity and generate a sustainable stream of distributions to support NTT Group's needs (within approved levels of risk).

**13.3** The Trustees/Directors will uphold these goals by working with fund managers that adhere to the Investment Entities' social values without adversely impacting investment performance. The Trustees/Directors will:

[2] This solution will include the selection of investment managers that invest in or are hedged to NZD and/or the use of currency overlay products available from NZ banks.

**13.3.1** Seek to include responsible investment (RI) managers in all manager searches when institutional quality options are known and available

**13.3.2** Will favour such managers assuming they demonstrate reasonably comparable investment characteristics (i.e., competitive performance, fees, team stability, etc.) relative to their non-RI peers.

**13.4** However, the Trustees/Directors will not restrict itself solely to responsible investment options since:

**13.4.1** Such options may not be available in all asset classes of interest to the portfolio and/or

**13.4.2** Available options may be notably less compelling relative to non-RI alternatives.

**13.5** Within the parameters provided above, the Trustees will strive to identify managers who include a review of and consideration for Environmental, Social and Governance (ESG) issues in investment analyses and decision-making processes through the manager selection process detailed in the Role of the Investment Advisor (Section 5 of this document)

## 14. Direct Investment Policy

**14.1** Broad diversification mitigates risk inherent with investing in equities. Participating in Direct Investments introduces a level of concentration that subjects the Investment Entities' portfolio to specific liquidity risk, industry risks and idiosyncratic or company-specific risks. In order to manage these potential risks any Direct Investments require the completion of detailed due diligence and need to be sized appropriately within the Australasian Equity or Real Asset/ Private Investments allocations as appropriate per investment.

**14.2** The primary goal of Direct Investments in the portfolio is to achieve the financial objectives of the Investment Entities. A secondary objective is to consider the social impact of the investment. The Investment Entities:

**14.2.1** Will not invest in any Direct Investment that breach Environmental, Social and Governance considerations.

**14.2.2** Will not directly invest in any companies involved in gambling, alcohol, tobacco or the weapons sector.

**14.3** The Investment Entities will <u>not</u> implement any new Direct Investments until a Direct Investment Policy has been agreed with NTT Trust, based on the Investment Framework in **Appendix 1**. This investment strategy shall be agreed between the Investment Entities and NTT Trust during the first year of the Investment Entities' investment activities.

## 15. Debt

**15.1** The Investment Entities will not incur debt in undertaking its initial investment activities. However, leverage may be used as approved by NTT in the Direct Investment Policy which is to be agreed during the first year of the Investment Entities' investment activities.

## 16. Taonga Assets (See Glossary for Definition)

**16.1** Any Taonga Assets managed by the Investment Entities cannot be sold or mortgaged.

**16.2** However, any income derived from Taonga Assets may be reinvested in other asset classes in line with the Investment Entities' overall asset allocation.

**16.3** Taonga assets are to be included within the relevant asset class for the purposes of asset allocation.

## 17. REVIEWS OF SIPO

**17.1** Prior to its adoption this SIPO is required to be reviewed by a suitably qualified Independent advisor and (if deemed necessary) at 5 yearly intervals thereafter.

**INVESTMENT TERMS GLOSSARY**

**Active managers:** Managers who attempt to outperform a market index such as the S&P/NZX 50 index.

**Alternative investments:** Investments outside the standard categories of stocks, bonds and cash. Examples are diversifiers, private equity, and inflation hedging/real asset investments.

**Asset allocation:** The percentage of an investment or asset class in the portfolio.

**Asset classes:** Different types of investments. Stocks and bonds are broad types of assets; Te Ngakinga will invest across the following asset classes: Australasian Equities, Developed Markets Equities, Emerging Markets Equities, Alternative Investments (Diversifiers, Private Equity, Inflation Hedging/Real Assets), and Fixed Income.

**Australasian equities:** Equity investments in companies across New Zealand and Australia.

**Benchmark:** A broad market performance measurement, usually an index, which active managers try to outperform.

**Capitalization [frequently abbreviated as "cap"]:** What the stock market says a company is worth. It equals the stock price times the total number of shares.

**Cash [used interchangeably with short-term investments]:** Fixed income investments that mature in less than one year, which can easily be converted to liquid cash for spending purposes.

**Commodities:** Items such as oil and other energy holdings, foods, grains or metals, usually sold in advance on a contract basis. Investors sometimes include commodities contracts in a portfolio as inflation hedges because sharp price increases are often quickly reflected in values of commodities.

**Correlation:** a statistical measure of how two securities move in relation to each other.

**Currency hedging:** A strategy to minimize foreign exchange risk when investing outside of New Zealand. Typically done through the use of forward contract agreements (i.e. agreeing on an exchange rate at some point in the future). For Te Ngakinga, this is typically expected to be executed by external managers.

**Developed Markets:** The securities markets of the world's most industrialized countries, usually the 23 countries of the EAFE Index plus the U.S and Canada. (Includes New Zealand and Australia)

**Direct Investments:** These are defined as assets which are held directly by the Investment Entities.

**Direct Investment Policy:** A policy agreed between the Investment Entities and NTT allowing for the criteria for acquisition, due diligence process, approval process and implementation of any Direct Investments to be undertaken by the Investment Entities.

**Diversification:** Spreading of risk by allocating investments across differentiated investment funds in several asset classes.

**Diversifiers:** Hedge Funds/Absolute Return managers may fall under this category. This is an asset class that strives to achieve equity like returns with lower volatility.

**EAFE:** The Europe, Australasia and Far East index. This is the most common benchmark used to evaluate the performance of managers who buy Non-U.S. stocks. It consists of the stocks of companies domiciled in the world's 24 most industrialized countries.

**Emerging markets:** Stock and bond markets in small but often fast-growing economies, mostly in Asia and Latin America.

**Equities [used interchangeably with stocks]:** Certificates of ownership interest in a corporation.

**Fixed income investments [used interchangeably with bonds]:** Interest-bearing certificates issued by governments or corporations. Bonds are essentially IOUs promising full repayment within a specified time. Bondholders do not share in a company's profits (as stockholders do), but they must be paid before stockholders should a company fail.

**Growth investing:** A style of equity investing that favors companies whose profits may rise significantly in the future, even though their stock prices may already be high. Contrast with Value Investing.

**Index fund:** An investment fund containing all of the securities of an index, thus assuring investors the return of the index. A means of passive investing.

**Index:** A measure of the average performance of all securities in one asset class.

**Inflation Hedge / Real Assets:** An investment that is likely to perform well during inflation. Gold and other precious metals, commodities, real estate/REITS and Inflation Linked Bonds (ILB) are usually considered inflation hedges.

**Investment Entities:** Te Ngakinga o Whanganui Investment Trust and Whanganui Iwi Fisheries Limited.

**Investment Framework:** A set of values and guidelines on which investment objectives and policies are based.

**Investment grade:** A rating that indicates that bond has a relatively low risk of default. Investment grade is rated BBB or above.

**Leverage:** Borrowing money to invest, hoping to earn a higher return than the interest paid on the money borrowed.

**Liquidity:** The degree to which an investment can be converted to cash without causing losses. Bonds are generally more liquid than stocks, while Alternative Investments may be less liquid than stocks or bonds.

**MSCI:** Morgan Stanley Capital International – an organization which creates indexes and calculates the investment performance of indexes. Such indexes are used principally to create index funds for investing, or as benchmarks for measuring the performance of active managers.

**MSCI All Country World Index (ACWI):** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

**Passive management [also called passive/index investing]:** Attempting to exactly match, but not try to beat, a particular benchmark. A typical MSCI ACWI index fund, for example, buys all the stocks in the index. Contrast with active management.

**Private Equity:** Ownership interest in companies whose stock cannot be purchased on public stock exchanges.

**Rebalancing:** Restoring a portfolio to its target asset allocation by selling assets that have risen above their targets and buying those that have fallen below targets. Rebalancing is often required as cash needs arise and are met.

**REIT:** Real Estate Investment Trust – a security that sells like a stock on the exchange and invests directly in real estate through properties or mortgages.

**Responsible investing:** Investments that generate social or environmental value as well as financial return. Certain investment managers characterize themselves as responsible investment managers that take Environmental, Social and Governance (ESG) factors into consideration when investing in a company.

**S&P/NZX 50 Index:** A float-adjusted market capitalization index designed to measure the performance of the 50 largest stocks listed on the New Zealand stock exchange.

**Securities:** Stocks and bonds of companies.

**Sharpe ratio:** The historical return per unit of risk. A measure of risk adjusted return.

**Standard deviation:** A measure of volatility – sometimes called risk.

**Taonga Assets:** Means:

- those non-cash assets received by Whanganui Iwi through a Treaty of Waitangi settlement before the passage of the Te Awa Tupua (Whanganui River Settlement) Act 2017 that is transferred to an Investment Entity; and
- any non-cash assets transferred from NTT to an Investment Entity arising from the Te Awa Tupua (Whanganui River Settlement) Act 2017; and
- any asset subsequently acquired by an Investment Entity which is agreed between NTT and that Investment Entity to be treated as a Taonga Asset.

**Total return:** The combined return from a security's income (dividends or interest) and its capital gain (the increase in its price). Typically, investment portfolio performance is measured as total return.

**UN PRI** (United Nations supported Principles for Responsible Investment): The UN PRI works to understand the investment implications of environmental, social and governance factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

**Value investing:** Style of equity investing. Value investors seek to buy low and sell high by choosing out-of- favor stocks in companies that are fundamentally strong, in the hope that the market will later correct its underestimate and drive the stock's price higher. Contrast with growth investing.

**Volatility:** The tendency of an investment's price to go up or down rapidly.