

# *Quarterly* **REPORT**

NOVEMBER 2018

Second Quarter Report for the period  
1 July to 30 September 2018





# HE KUPU WHAKATAKI



**GERRARD ALBERT**  
NGĀ TĀNGATA TIAKI O WHANGANUI  
TRUST CHAIR

## Nō te kawa ora a 'Tupua te Kawa' hei taura here nā Te Awa Tupua me ōna tāngata ki te kawa nō tawhito rangi.

The natural law and value system of Te Awa Tupua, which binds the people to the River and the River to the people.

## Ko te Awa te mātāpuna o te ora

The River is the source of spiritual and physical sustenance

## E rere kau mai te awa nui mai i te kahui maunga ki Tangaroa

The great River flows from the mountains to the sea

## Ko au te Awa, ko te Awa ko au

I am the River and the River is me

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

The small and large streams that flow into one another and form one River

## Kei ngā muka o te taurawhiri o Hinengakau, tēnā koutou katoa.

I am pleased to introduce the Ngā Tāngata Tiaki o Whanganui Trust's second quarter report for the period 1 July to 30 September 2018 covering financial investment performance and progress on key projects within the Trust's current Annual Plan. A quarterly report provides a snapshot of progress on the journey toward achievement of key goals and objectives of the Trust over the financial year. If you require information in the periods between quarterly reports, please don't hesitate to contact us - our team will be happy to assist you.

### Investment

As explained in more detail below, our financial investment journey will experience both positive and negative fluctuations across the overall portfolio. The total return from Te Ngakinga o Whanganui Trust (Te Ngakinga) investments at the half year mark sits at 5.3% and the Trust remains confident that Te Ngakinga will, at the very least, meet the expected target return of 4% + CPI (noting that this is measured on a rolling three-year term).

### Key Projects

Key projects identified in the Annual Plan have traversed the necessary planning stages and will progressively be rolled out in the new calendar year to accelerate hapū and iwi uptake of opportunities under the Te Awa Tupua framework. More detail on the progress of these key initiatives is covered below.

Speaking of the new calendar year, might I take this opportunity to wish everyone a happy, safe and restful summer break. Kia tūtaki anō tātou hei te tau 2019.

*Kotahi te manu o te tau, he pīpīwharaura! Kūi, kūi, whitiwhiti ora!*

Gerrard Albert  
Chair



## INVESTMENT PERFORMANCE

Te Ngakinga, with advice from Cambridge Associates, continued its transition toward target asset allocation set out in the Statement of Investment Policy and Objectives (SIPO). Note that Cambridge Associates are Te Ngakinga's international investment fund advisors that also advise many other significant Māori and NZ entities.

The following table highlights progress over both the quarter and Year to Date (YTD) toward achieving the SIPO asset allocation targets.

	At 31 Mar 2018	At 30 Jun 2018	At 30 Sep 2018	SIPO Target	GAP
<b>Growth Assets</b>					
Australian Equities	6.0%	13.8%	13.9%	13.0%	0.9%
Global Equity	19.8%	20.4%	27.7%	27.0%	0.7%
Emerging Market Equity	2.8%	2.7%	4.9%	5.0%	-0.1%
Diversifiers	7.5%	7.4%	7.2%	8.0%	-0.8%
Real Assets / Private Equity / Direct Investments	0.0%	0.0%	8.9%	7.0%	1.9%
<b>Total Growth Assets</b>	<b>36.2%</b>	<b>44.3%</b>	<b>62.6%</b>	<b>60.0%</b>	<b>2.6%</b>
<b>Defensive Assets</b>					
NZ Fixed Income	22.7%	22.3%	22.2%	24.0%	-1.8%
Global Fixed Income	7.0%	6.9%	6.7%	14.0%	-7.3%
Cash	34.1%	26.6%	8.5%	2.0%	6.5%
<b>Total Defensive Assets</b>	<b>63.8%</b>	<b>55.8%</b>	<b>37.4%</b>	<b>40.0%</b>	<b>-2.6%</b>

Equity allocations are now on target; Total Growth Assets increased from 44.3% to 62.6% during the quarter, 2.6% above SIPO target. Conversely, Defensive assets decreased from 55.8% to 37.4%.



# INVESTMENT PERFORMANCE

The following table details the specific managed funds that Te Ngakinga has invested into, the value of these at both the start and end of Q2-19 and resulting gain/loss for the quarter.

## Second Quarter 2018

Fund	ROI - Q2-19				
	Opening 1-Jul-18	Deposits / (W/drawals)	Closing 30-Sep-18	Q2-19 Gain / (Loss)	ROI Q2-19
<b>Defensive / Income</b>					
AMP Capital NZ Fixed Interest Fund	\$19,580,485		\$19,852,886	\$272,401	1%
PIMCO Global Bond ESG Fund	\$6,011,289		\$6,008,825	-\$2,464	0%
<b>Total Defensive / Income</b>	<b>\$25,591,774</b>	<b>\$0</b>	<b>\$25,861,711</b>	<b>\$269,937</b>	<b>0.9%</b>
<b>Growth</b>					
Devon Trans-Tasman Wholesale Fund	\$5,620,485		\$5,866,219	\$245,734	4.3%
Milford Trans-Tasman Equity Fund	\$6,457,316		\$6,622,579	\$165,263	2.6%
Magellan Global Fund	\$5,866,371		\$6,408,775	\$542,404	9.2%
ANZ Wholesale International Share Fund	\$12,012,965		\$12,745,046	\$732,081	6.2%
RWC Global Horizon Fund	\$0	\$5,491,275	\$5,698,024	\$206,749	3.8%
GQG Partners Emerging Markets Equity Fund	\$2,328,751		\$2,233,209	-\$95,542	-4.1%
iShares EM IMI Equity Index Fund	\$0	\$2,183,886	\$2,147,437	-\$36,449	-0.9%
Aviva Investors Multi-Strategy Target Return	\$6,443,936		\$6,434,018	-\$9,918	-0.2%
Trust Investments - Property Fund	\$0	\$8,000,000	\$8,000,000	-\$0	NA
<b>Total Growth</b>	<b>\$38,729,824</b>	<b>\$15,675,161</b>	<b>\$56,155,308</b>	<b>\$1,750,324</b>	<b>3.9%</b>
<b>Total</b>	<b>\$64,321,598</b>	<b>\$15,675,161</b>	<b>\$82,017,020</b>	<b>\$2,020,261</b>	

Global equities remained volatile through Q2-19 with ongoing political uncertainty, trade concerns (China & US) and bond yields generally increasing. This had a positive impact on global equities with significant gains for Magellan Global Fund and ANZ International Share Fund. The current volatility does not appear to be abating. Given many of the markets have been at record levels of late, there is likely to be a greater downward rather than upward pressure over the short-medium term.

# INVESTMENT PERFORMANCE

Emerging market equities lost value during the quarter largely because of US implemented tariffs on China, a strengthening US dollar with emerging market trading partners and geopolitical risk. This resulted in GQG Partners and iShares EM falling in value.

Overall the managed funds portfolio increased in value by circa \$2m, the second successive quarter of strong value growth following the poor FY18. The portfolio has now returned circa \$4m value growth through the first 6 months of FY19 however, again, this needs to be considered in the context of a particularly volatile global environment which is likely to continue in the near term. This has in fact materialised with a substantial downturn in global equities through October leading to a negative earnings impact. It would not be unrealistic for similar negative swings to present through future quarters.

Te Ngakinga's overall portfolio returned 5.3% through the first 6 months and is tracking well to the full year SIPO target return of 4% + CPI (note, this is formally measured on a rolling 3 year term). However as evidenced through October, there are strong global warning signs that this level of performance is unlikely to be sustained through the second half of the year.



## Balance Sheet

Te Ngakinga's Total Assets at quarter end amounted to \$87.7m, comprising:

- Managed funds portfolio – \$82.02m (92%)
- Term deposits - \$4.25m (5%)
- Cash - \$3.35m (3%)

Total liabilities at the quarter end amounted to \$83.8m comprising:

- Ngā Tāngata Tiaki loans – \$83.1m (99.2%)
- Minor liabilities - \$.7m (.8%)



# 2018-19 ANNUAL PLAN – KEY PROJECTS UPDATE

Ngā Tāngata Tiaki o Whanganui Trust Annual Plan 2018-2019 – Key Projects to support the implementation of the Five Year Strategic Plan.

## **MOURI ORA, MOURI AWA, MOURI TANGATA**

### **The health and wellbeing of the Awa, the health and wellbeing of the Iwi**

**Cultural and Historic Mapping** – This mapping project is intended to starkly portray the environmental, cultural and political impacts that have been wrought on Te Awa Tupua over the past century and a half.

*The first phase of the project is well underway with the completion of a project terms of reference and the allocation of a budget. Documentation is now being prepared to engage a researcher utilising a Requests for Proposals process.*

**Leadership & Succession** – A two-day Rangatakapū Summit for emerging whānau and hapū leaders (i.e. young adults) will be organised and run as a precursor to an Ambassadorial Programme for Te Awa Tupua that will launch later in 2019.

*The Trust has supported the establishment of a steering group to provide initial guidance and direction for the Rangatakapū summit. Planning is now underway to hold the summit in the second half of March 2019.*

**Marae Infrastructure** – In addition to direct initiatives, the project will coordinate pathways with key agencies to facilitate support for Whanganui marae.

*Two engagement hui with Marae representatives have been held for Ngāti Haua and Ngāti Rangi marae respectively. Marae representatives were able to meet with a range of public and private sector agencies and businesses with the aim of addressing needs and aspirations. The success of these hui has spurred planning for two Marae Expos to be held in Taumarunui and Whanganui in February/March 2019 whereupon a strategy will be formulated based on the feedback provided by marae representatives and agencies.*

**Te Awa Tupua Resource Kits and Training for Hapū** – The project will design resource kits and run pilot training courses for whānau and hapū environmental practitioners.

*Planning for the resource kits has commenced and a steering group is being formed to provide guidance and direction for the project with training courses scheduled to be trialled in February and March 2019.*