



TE WĀNANGA O RAUKAWA
FOUNDATION

QUARTERLY REPORT 3

October, November, December 2019



HIGHLIGHTS FOR Q3

 <p>\$227,760 funding to TWoR approved for 2020. This will be used for scholarships to its students</p>	 <p>Kaumatua completed the first year of the Heke Reo Kaumatua Diploma</p>	 <p>The Foundation's investment objectives for the 12 months to Dec 2019 have been achieved</p>
 <p>Total number of Foundation scholarships awarded over 2018 and 2019</p>	<p>Whaainga 1: Deliver a long term distribution and manage investment expenditure.</p> <p>Whaainga 2: Provide an annual distribution within parameters determined by the Board.</p> <p>Whaainga 3: Minimise risks to the capital fund.</p> <p>Whaainga 4: Create enduring relationships and partnerships.</p> <p>Whaainga 5: Support Iwi based language and custom revitalisation initiatives.</p>	 <p>16.4% return on Foundation investments for the year to 31 Dec 2019</p>
 <p>Foundation Scholarships awarded in 2019</p>	 <p>Increase in ART scholarships distributed in 2019 on the previous year</p>	 <p>Opportunity for the three Founding Iwi to apply for \$10k each in 2020</p>

INTRODUCTION

Te Wānanga o Raukawa Foundation (the **Foundation**) make available to its key stakeholders a report each quarter outlining the key highlights for that quarter (**Quarterly Report**). We are pleased to present the third Quarterly Report for the Financial Year 1 April 2019 – 31 March 2020 (**Current Financial Year**). For information on the background, purpose and people of the Foundation please see the following document 'TWoRF – Background, Purpose, People' which can be found on the 'Key Documents' tab of the website.

KEY DEVELOPMENTS

This quarter has seen the following key developments:

Distribution for 2020 Approved

The Foundation Board (**Board**) has approved a distribution amount of \$257,769 for the 20/21 financial year. The distribution is made up of:

- a) \$227,769 to TWoR to be utilised as scholarships to its students with a priority focus on students from Ngāti Raukawa, Ngāti Toa and Te Atiawa (**Founding Iwi**) and fully fund scholarships to the Heke Reo Kaumatua students for 2020; and

- b) \$10,000 to be made available to each of the three Founding Iwi to be utilised on a project that:
- i. Promotes akoranga, whakatupu mātauranga and whakahaere; and
 - ii. Contributes to the education and survival of Māori as a people; and
 - iii. Assists TWoR, its staff (including kaiawhina) or students.

The first distribution in 2018 was \$125,000¹. The second approved distribution amount in 2019 was \$245,000² - it is important to note that in 2019 the Foundation approved an initial distribution of \$195,000 and later approved a second distribution of \$50,000 for the Heke Reo Kaumatua. The 2020 approved distribution will be \$257,769³. The 2020 amount is a \$132,000 increase on the 2018 distribution and a \$62,769 increase on the initial approved 2019 distribution and a \$12,769 increase on the total 2019 approved distribution.

The Foundation is pleased to be able to substantially increase their charitable distribution every year. We are able to do this because of our healthy investment returns.

Heke Reo Kaumatua (HRK) Underspend

\$50,000 was approved to cover the cost of the first cohort of HRK in 2019. There was an underspend of \$15,000. The Board approved that this \$15,000 be utilised for other scholarship applications for 2019. The Board was happy to do this given that there were many applications that had to be declined for the 2019 scholarship round due to the high uptake of the scholarships. This means that TWoR can increase the number of its approved scholarships for 2019.

Final Scholarship Report 2019

TWoR have completed a washup of the 2019 scholarships. The final scholarship figures are noted below.

Summary of Foundation Scholarship Applications		
Total approved 2019		78
ART Scholarships approved	41	

¹ This included \$95k to TWoR and \$10k to each of the three Founding Iwi.

² This included \$165k to TWoR initially then \$50k later to cover the first intake of Heke Reo Kaumatua; and \$10k to each of the three Founding Iwi.

³ This includes \$227,769k to TWoR and \$10k to each of the three Founding Iwi.

Ngāti Toa Rangatira		11
Te Āti Ata ki Whakarongotai		5
Ngāti Raukawa ki te Tonga		33
General Scholarships approved	37	

Tohu	General Scholarships	ART Scholarships
Heke Kaitiakitanga Pūtaiao	-	1
Heke Mātauranga Maori	2	-
Heke Reo	3	4
Heke Reo Kaumātua	4	17
Heke Rongoā	3	2
Heke Toi Whakarākai	-	1
Heke Toiora Whānau	2	1
Poutuarongo Kaitiakitanga Pūtaiao	4	2
Poutuarongo Mātauranga Māori	3	-
Poutuarongo Reo	5	6
Poutuarongo Toiora Whānau	7	5
Tāhuhu Ahunga Tikanga	1	-
Tāhuhu Mātauranga Māori	1	1
Tāhuhu Te Reo Māori	-	1
Tāhuhu Whakahaere	2	-
	37	41

Milford Conservative Fund

In October 2019 the Board acted on advice to move all of its investment in Milford Equity Fund and the bulk of its investment in the Milford Dynamic Fund to the Milford Conservative Fund. As alluded to from the name, the Milford Conservative Fund is a conservative fund with a risk profile of 2/7 (low risk). The Milford Equity Fund on the other hand is a much riskier fund with a risk profile of 6/7 (high risk) and the Milford Dynamic Fund is also a higher risk fund with a risk profile of 5/7 (med-high risk).

The main reason for the move was the anticipated future market volatilities which would heavily impact our higher risk funds. 39% of our total investment in managed funds is now held in the Milford Conservative Fund. 95% of our total investments in managed funds are

now held in low-med risk funds. For more information on our investments please refer to the Investment Update section below.

Founding Iwi Projects

Te Rūnanga o Toa Rangatira

Te Rūnanga o Toa Rangatira have run successful hui rangatai in 2018 and 2019 with the \$10,000 Foundation grant for each of those years.

We look forward to offering the Rūnanga another \$10,000 shortly for their 2020 project.

Outstanding Projects and Reporting

Whakarongotai Marae Trustees have submitted their project report for their 2018 project. The Board has accepted the project report subject to the commitment by the Marae Trustees of the gifting of the Te Atiawa ki Whakarongotai Waitangi Tribunal Hearing Reports to the TWoR Library.

The Board is still waiting on Te Rūnanga o Raukawa's project report for their 2018 project.

The Whakarongotai Marae Trustees and Te Rūnanga o Raukawa will need to fully complete their 2018 project and provide an acceptable project accountability report before any further funding is made available to them.

Policy Developments

As a relatively new actively managed organisation we continue to update and add to our organisational policies. This quarter we have:

- Updated the Foundation Finance Policies; and
- Created new Conflict of Interest Policies.

Investment Update

Outlined below is a summary of the Foundation's Managed Fund Investments:

Investment	Initial amount invested	Value as at 1 April 2019	Value as at 30 November 2019	Current Value (as at 31 Dec 2019)	% of total investment in managed funds
Fisher Institutional	\$5m	\$5,700,362	\$6,156,456	\$6,159,070	24%

Fund⁴					
Harbour Income Fund⁵	\$7.5m	\$7,760,240	\$8,456,774 ⁶	\$8,481,564	32%
Milford Global Equities⁷	\$6.9m	\$6,749,171	n/a	n/a	0%
Milford Dynamic Fund⁸	\$3.4m	\$3,114,579	\$1,311,119	\$1,303,119	5%
Milford Conservative Fund⁹	\$9.8m	n/a	\$9,950,002	\$9,952,523	39%
Total	\$22.8m	\$23.3m	\$25.8m	\$25.89	

Quarterly Investment Report as at 31 December 2019

The Foundation Statement of Investment Policies and Objectives (**SIPO**) requires that quarterly investment reports be prepared that analyses investment performance of the Foundation's assets (the **Fund**) and the performance of the managers appointed to manage the Fund on the Foundation's behalf. Outlined below are some key highlights from the quarterly investment report:

The Fund's Return

The following table sets out the return of the Fund and the Foundation's Fund Managers over the last year, 6 months and 3 months. The red number for the Conservative fund is for information – it is not relevant to the Fund's performance as the allocation to the Conservative fund was only made in October

	Total Fund	Fisher Balanced	Harbour Income	Milford Dynamic	Milford Global	Milford Conservative
31/12/2019						
12 months	16.38%	15.34%	10.36%	26.37%	26.23%	9.5%
6 months	4.80%	4.90%	2.83%	11.26%	7.93%	
3 months	0.92%	2.14%	0.59%	2.38%	3.52%	0.75%
1 month	-0.11%	0.04%	-0.29%	-0.62%	0.70%	0.03%

SIPO Objectives

The Foundation has met its investment objectives, as expressed in the SIPO, over the 12 months to 31 December 2019:

⁴ Invested on 5 July 2017.

⁵ Invested in November 2017.

⁶ This includes \$235k invested in October.

⁷ Invested on 5 June 2018. Transferred full amount to Milford Conservative on 1 October 2019.

⁸ Invested on 28 August 2018. Transferred 2/3rds into Milford Conservative on 1 October 2019.

⁹ Invested on 1 October 2019.

- The primary investment objective is to see a return of CPI inflation rate (1.9% currently) + 3.5% which = 5.4%. The year to 31 December 2019 has seen a total return on the Foundation’s investments of 16.4%. This is well in excess of 5.4%.
- The secondary investment objective is to see to manage the risk of the total portfolio so that negative returns are expected to occur no more frequently than one year in five on average and that any such losses might be recouped in following years. This has also been met – considering the fact that the fund did earn a negative return in the 4th quarter 2018 of -7.1% and that has been fully recovered and more

The Fund Managers

The Fund Managers have performed against their benchmarks as noted below:

Annual returns After Fees	Fund Return	benchmark return	over year ending	Peer Ranking to 31 Dec
Milford Global Equity	26.20%	25.80%	31-Dec	14/24
Milford Dynamic Fund	26.30%	31.60%	31-Dec	1/4
Milford Conservative	9.50%	8.63%	31-Dec	N/A
Fisher Balanced	15.30%	17.60%	31-Dec	5/7
Harbour Income	13.50%	9.73%	31-Dec	3/6

Note Peer Ranking - from Aon Investment Survey – note returns are net of tax and fees in this survey
The Milford Dynamic fund is rated vs Australian specific funds
The Milford GE fund is notionally ranked in International Shares

Te Puia Tāpapa

Te Puia Tāpapa is a Māori direct investment fund. There are 26 limited partners of the fund who have collectively contributed \$115.5m. The key purpose of this fund is progress long-term direct co-investments opportunities in NZ. The expected return for the Fund is 12%. The Foundation currently has \$1m on-call with Te Puia Tāpapa (which equates to a .87% shareholding).

The Fund is structured as a limited partnership model – the limited partners invest money and the business is run by a General Partner. Te Puia Tāpapa GP Ltd is the General Partner of the Te Puia Tāpapa Limited Partnership. Te Puia Tāpapa GP has 10 directors comprising 8 representative directors and 2 independent directors. Investment opportunities are considered by a Investment Committee appointed by the Te Puia Tāpapa GP Board of Directors.

Te Puia Tāpapa issued their first annual report for the period ending 18 months to 30 June 2019 and held their AGM in December 2019. Although no investments have been made to date a number of investments have been explored and the pipeline is looking solid.

FINANCIAL SUMMARY

The Foundation remains in a strong financial position. As at 31 December 2019 the Foundation's equity has grown from the original settlement amount of \$17.9m in 2011 to \$25.9m.

The Foundation website can be accessed at <https://www.tworfoundation.co.nz>.

I roto i ngā mihi,



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