



TE WĀNANGA O RAUKAWA  
**FOUNDATION**

**QUARTERLY REPORT 1**

April, May June 2020



## HIGHLIGHTS FOR Q1



## INTRODUCTION

He tika kia whakaaro tātou ki ngā āhuatanga i te wā. Ko te tumanako kei te noho haumarū tātou me o tātou whānau i tēnei wā.

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 first Quarterly Report for the Financial Year 1 April 2020 – 31 March 2021 (**Current Financial Year**). For information on the background, purpose and people of the Foundation please see the following document 'TWO RF – Background, Purpose, People' which can be found on the 'Key Documents' tab of the website [Here](#).

## KEY DEVELOPMENTS

This quarter has seen the following key developments:

### Update on Foundation Scholarships 2020

There were over 180 applications for Foundation Scholarships. The application round closed at the end of May 2020. 82 applications have been approved to date. With 52 of those (or 64%) being applications from Founding Iwi members.

## Founding Iwi – Invitation to Submit Proposal

In April 2020 communications were sent to Te Rūnanga o Raukawa, Te Rūnanga o Toa Rangatira and Whakarongotai Marae Trustees advising that \$10,000 has been made available to each of the roopu for 2020 and inviting project proposals. Projects must promote the Charitable Purposes of the Foundation.

We have received a project proposal from Te Rūnanga o Toa Rangatira to run a Hui Rangatahi in October 2020. The Board has approved this project and are pleased to see the pūtea fund another hui rangatahi for Ngāti Toa.

### Outstanding Projects and Reporting

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 they can access the 2020 distribution. Unfortunately as these roopu have not completed their 2018 project accountability requirements they were unable to access the 2019 distribution of \$10,000.

	2018	2019	2020
<b>Te Rūnanga o Raukawa</b>	Rangatahi Leadership programme proposed. <b>Project uncompleted</b>	Invitation to submit proposal sent subject to receiving accountability report for 2018 project. <b>No project proposal submitted.</b>	Invitation to submit proposal sent subject to receiving accountability report for 2018 project.
<b>Te Rūnanga Toa Rangatira</b>	Hui Rangatahi proposed. <b>Project completed.</b>	Hui Rangatahi proposed. <b>Project completed.</b>	Invitation to submit proposal sent. Project proposal received in July 2020 to run a Hui Rangatahi in October 2020. <b>Project proposal approved.</b>

<b>Whakarongotai Marae Trustees</b>	Gifting of Te Atiawa ki Whakarongotai Waitangi Tribunal Hearing Reports to TWoR proposed. <b>Project uncompleted.</b>	Invitation to submit proposal sent subject to completion of 2018 project. <b>No project proposal submitted.</b>	Invitation to submit proposal sent subject to completion of 2018 project.
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**Audit for the Financial Year Ending 31 March 2020**

The Foundation received a clean audit opinion with no modifications for the period. Comments from the Auditor included:

*We have issued an audit opinion with no modifications. There were no significant issues arising from the audit and all recommended changes have been actioned accordingly. We are again pleased with the financial systems and procedures in place, with good supporting documentation provided during our expenditure payment testing.*

The audited financial accounts will be included in in the 2019/2020 Annual Report.

**Annual Report for the Financial Year Ending 31 March 2020**

The annual report for the period ending 31 March 2020 was completed in early August 2020 and is pending final approval by the Foundation Board. It will be uploaded onto the Foundation website in early September 2020.

As per the Trust Deed we will also arrange hui with our key stakeholders – Te Mana Whakahaere of Te Wānanga o Raukawa and Founding Iwi and present the annual report to them once it is finalised/approved.

**Te Pūia Tāpapa – First Investment**

Te Pūia 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 to progress long-term direct co-investments opportunities in NZ. The Foundation currently has \$1m on-call with Te Pūia Tāpapa (which equates to a .87% shareholding).

TPT made its first investment in July 2020. Details are in the table below:

<b>Summary of business invested in</b>	<p>The investment is with TR Group which is NZ’s largest heavy vehicle rental and lease company; established as a family owned business in 1992; fleet of 5,700+ vehicles in NZ; offers additional heavy vehicle related services; 12 branches in NZ; 2 branches in Australia; serves over 1300 commercial customers including household names Downer, Fulton Hogan, Fletcher, Kiwirail etc.</p> <p>Consistent track record of growth over the last 20 years. Made \$20m net profit after tax in the FY ending 31 March 2020 on \$286m revenue.</p> <p><a href="https://www.trgroup.co.nz/">https://www.trgroup.co.nz/</a></p>
<b>TPT Investment</b>	<p>Three way partnerships with NZ Superfund and Direct Capital no.5 Fund. through a co-investment agreement. Collectively the investors have aquired 31% of the business at a cost of \$70m (\$10m TPT; \$50m Direct Capital \$10m NZ Superfund). The other 69% is owned by the founders with a small stake held by employees of TR Group.</p> <p>The TPT portion of the investment is \$10m. The amount paid by all limited partners was pro rata by reference to the comitted capital of each limited partner. This amounted to \$87,030 for the Foundation.</p>
<b>Investment structure</b>	<p>Direct capital is the manager on behalf of the 3 investors and has Board representation; there are prospects for TPT to increase shareholding in future (first offer rights).</p>
<b>Dividends</b>	<p>Distributions received by TPT limited partners will in turn be distributed to limited partners on a pro rata basis by reference to LP’s investment.</p>

**Policy Developments**

We continue to update and add to our organisational policies. This quarter we have:

- Developed and approved a **Risk Management Policy** and implement a risk register.
- Work in progress on an updated **Distribution Policy**.

**Investment Update**

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

Investment	Initial amount invested	Value as at 30 June 2019 (12 months)	Value as at 31 May 2020 (1 month)	Current Value (as at 30 June 2020)
<b>Fisher Institutional Fund (5 Jul 2017)</b>	\$5,026,389	\$5,884,905	\$6,059,666	\$6,151,064
<b>Harbour Income Fund (Nov 2017)</b>	\$7,523,166	\$7,999,922	\$7,945,038	\$7,946,583
<b>Initial Milford Dynamic (Aug 2018)</b>	\$3,490,731	\$3,351,559	N/a	N/a
<b>Initial Milford Global Aug 2018</b>	\$6,991,946	\$7,225,995	N/a	N/a
<b>Milford Dynamic Fund<sup>1</sup> (1 Oct 19)</b>	\$1,293,055	N/a	\$1,249,131	\$1,256,695
<b>Milford Conservative Fund<sup>2</sup> (1 Oct 19)</b>	\$9,897,899	N/a	\$9,931,409	\$10,014,474
<b>Total</b>	<b>\$23,032,232</b>	<b>\$24,462,381</b>	<b>\$25,185,244</b>	<b>\$25,368,716</b>

### Quarterly Investment Report as at 31 March 2020

The Foundation SIPO requires that quarterly investment reports be prepared that analyse 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 Milford 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 2019.

<sup>1</sup> Invested on 28 August 2018. Transferred 2/3rds into Milford Conservative on 1 October 2019. The amount shown in table is as at 1 Oct 2019.

<sup>2</sup> Invested on 1 October 2019.

For the 12 months to 30 June 2020 the Foundation made a return of 4.52% from its managed fund investments.

30/06/2020	Total Fund	Fisher Balanced	Harbour Income	Milford Dynamic	Milford Global	Milford Conservative
12 months	4.52%	4.99%	0.72%	7.31%	13.58%	3.7%
6 months	-0.27%	0.09%	-2.05%	-3.55%	5.23%	0.62%
3 months	6.65%	8.19%	5.43%	25.40%	17.14%	4.91%
1 month	0.73%	1.51%	0.02%	0.61%	1.10%	0.84%

This is an improvement on the last quarter where we made a 1.8% return, but a complete contrast to 6 months ago where we were tracking at a 16.4% return.

We must be mindful that the 12 month numbers to 30 June 2020 cover extreme volatility in March 2020 as the impact of Covid-19 and the global government's responses to the threat worked through.

### SIPO Objectives

The Foundation has met one of its two investment objectives, as expressed in the SIPO, over the 12 months to 30 June 2020:

- The **primary investment objective** is to see a return of CPI inflation rate (1.5% currently) + 3.5% which = 5%. The year to 30 June 2020 has seen a total return on the Foundation's investments of 4.52%. This is below 5%. The primary investment objective has not been met for the 12 months to 30 June 2020 however the objective is over rolling 5 year periods. We will need time to determine whether the target will again be met and whether it will remain appropriate.
- The **secondary investment objective** is 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. The second objective was met - just, considering the fact that the fund earned a negative return in the 1<sup>st</sup> quarter this year which was almost recovered by 30 June, with the Fund being down just -0.6% over the 6 months and up 4.52% over the year.

### The Fund Managers

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

Aon Investment Update		over 12 months to 30 June 2020				
Annual returns Before Fees and Tax	Fund Return	benchmark return	median manager	range min - max	Peer Ranking	
Milford Global Equity	15.40%	6.50%	6.80%	-3.2% - 31.1%	6/25	
Milford Dynamic Fund	26.50%	20.70%	19.90%	17.4% - 26.5%	1/4	
Milford Conservative	3.70%		3.90%	1.5% - 6.1%	5/8	
Fisher Balanced	5.50%		3.90%	1.5% - 6.1%	3/8	
Harbour Income	1.90%		1.40%	-4.9% - 3%	3/6	
		over 3 months to 30 June 2020				
Annual returns Before Fees and Tax	Fund Return	benchmark return	median manager	range min - max	Peer Ranking	
Milford Global Equity	18.20%	9.80%	10.00%	4.3% - 21.9%	4/25	
Milford Dynamic Fund	11.50%	-5.50%	-7.70%	-13% - 11.5%	1/4	
Milford Conservative	4.90%		9.40%	4.9% - 1.4%	8/8	
Fisher Balanced	8.20%		9.40%	4.9% - 1.4%	6/8	
Harbour Income	5.60%		5.60%	3.3% - 10.5%	3/6	
The Milford Dynamic fund is rated vs Australian specific funds						
The Milford Conservative fund has been ranked vs Balanced Funds						
The Milford GE fund is notionally ranked in the Int Shares. It has changed its benchmark and will be included in this group sometime soon						

## FINANCIAL SUMMARY

The Foundation remains in a strong financial position in spite of the Covid-19 crisis globally. As at 30 June 2020 the Foundation's equity has grown from the original settlement amount of \$17.9m in 2011 to \$25.6m.

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

I roto i ngā mihi,



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