

News Release

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Post-settlement iwi wrestle with risk and reward

Iwi businesses continue to deliver strong year-on-year net asset growth and solid returns, while governors of iwi assets face an increasingly complex business environment and diverse expectations of beneficiaries, according to ANZ.

"Iwi business leaders operate in unique circumstances as the business environment becomes more complex," ANZ Head of Māori Relationships David Harrison said.

"There is pressure to increase returns and distributions, driven by growing populations hungry to see the tangible fruits of their tribe's treaty settlement.

"Opposing the need for strong financial return is the deep responsibility iwi and hapū carry as kaitiaki, often creating challenges in balancing risk and reward."

The Māori economy currently represents \$50 billion in assets, which is approximately six per cent of the total New Zealand asset base, and represents a rapidly growing segment of the wider New Zealand economy.

ANZ's annual Te Tirohanga Whānui report, distributed to participating iwi in January, provides iwi/hapū with a robust set of metrics that can be used to self-evaluate strategies, communicate their tribe's relative performance and drive strategic investment discussions.

The report compiles financial information provided by 34 iwi/hapū with combined assets of \$5.4 billion.

The report shows:

Life after settlement

The overall trend for post-settlement iwi has similarities to start-up business' 'hockey stick effect' where initially capital growth is modest before it starts to build.

"At one end we see iwi with recent treaty settlements typically benefiting from asset transfers and revaluations, and low initial operating costs. Meanwhile, iwi who settled more than 10 years ago are seeing the advantage of having miles on the clock," Mr Harrison said.

Characteristics of underlying returns

For participating iwi, Te Tirohanga Whānui reveals the most common asset in the top quartile for underlying returns was the significant holdings in managed funds which have performed well in recent years.

On the flip-side, most iwi/hapū in the lower quartile were actively managing large farms, Mr Harrison said. "In many cases cultural reasons were an important driver in the investment decision. This highlights non-economic considerations may be impacting financial outcomes."

Future investment

One of the hardest commercial decisions iwi face is whether to distribute or reinvest profits. This year's report included new metrics to help iwi discuss whether they have the right balance between what they are making from business operations and how much they're investing in non-business activities.

Balance sheets show, on average, just over half of iwi assets comprise cash and managed funds which are available when promising investment opportunities arise. "We continue to work closely with iwi as they develop and execute their investment strategies," Mr Harrison said.

"Māori investment has historically been focused in key industries such as farming, forestry and fisheries. While strong ties to these industries remain Māori are strengthening their footprint in other sectors. For example we've seen a number of recent investments in tourism, horticulture and commercial property which is exciting for iwi."

Iwi/hapū feedback for Te Tirohanga Whānui 2018

"The information is valuable to us in providing some comparisons to our context, some assurance, some realisations and some direction." - Shayne Walker, Kaiwhakahaere Matua, Maungaharuru-Tangitū Trust.

"The key benefit [of Te Tirohanga Whānui] is the ability to benchmark ourselves against other iwi of similar age and size and to use this data to self-evaluate our performance." - Sean Stratton, General Manager Commercial, Te Rarawa.

"Very useful bench-marking to see how we are tracking with the various financial performance measures." - Hemi D Toia, Chief Executive, The Koata Group.

"It was very useful to have a robust set of data to benchmark our performance against." - Greg Stebbing, Tūwharetoa Settlement Trust.

"The Board found the report very useful as a measure of the company performance, and to discuss our position vs other iwi." - Jonathan Dick, General Manager Kahungunu Asset Holding Company.

About Te Tirohanga Whānui 2018

This is ANZ's fourth Te Tirohanga Whānui report. It provides an overview of New Zealand's iwi investment landscape to supplement information and benchmarks used to review and develop iwi investment strategies.

This year's report compiles financial information provided by 34 iwi/hapū with combined assets of \$5.4 billion and was authored by ANZ. It does not disclose confidential financial information.

Iwi/hapū interested in being involved in next year's Te Tirohanga Whānui report can contact David Harrison at ANZ.

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