

Agenda for a meeting of the Waikato District Community Wellbeing Trust to be held in the Te Piringa Boardroom, District Office, 15 Galileo Street, Ngaruawahia on **FRIDAY 22 FEBRUARY 2018** commencing at **9.00am.**

- I. **APOLOGIES AND LEAVE OF ABSENCE**
2. **CONFLICT OF INTEREST AND DISCLOSURES**
3. **CONFIRMATION OF MINUTES** 2
 Meeting held on 3 December 2018
4. **ACTION POINTS UPDATE**
5. **MEETING FRAMEWORK FOR 2019 CALENDAR YEAR** 6
6. **KIWI WEALTH LIMITED FUND PERFORMANCE REPORT TO 31 DECEMBER 2018** 8
7. **QUARTERLY CERTIFICATE OF COMPLIANCE FOR PERIOD ENDING 31 DECEMBER 2018** 11
8. **SIX MONTHLY ACCOUNTS** 13
 Reimburse WDC for payments made on behalf of the Trust
9. **WAIKATO DISTRICT COUNCIL COMMUNITY WELLBEING TRUST DRAFT STATEMENT OF INTENT FOR 2019/20** 16
 Investment Portfolio and Distribution Policy review
10. **ANNUAL INVESTMENT MANDATE AND FUND MANAGER REVIEW** 32
 Time with Kiwi Wealth Limited representative (Roger Browne)
- II. **GENERAL BUSINESS**

MINUTES of a meeting of the Community Wellbeing Trust held in the Kakapo Room, District Office, 15 Galileo Street, Ngaruawahia on **MONDAY 03 DECEMBER 2018** commencing at **9.05am.**

Present:

Cr J Church (Chairperson)
 Ms J Muru
 Cr R McGuire

Attending:

Ms M Davis (Financial Accountant)
 Ms L van den Bemd (Community Engagement Advisor)
 Ms E Wilson (Minutes)

Apologies and Leave of Absence
 Agenda Item 1

THAT apologies be received from His Worship the Mayor, Mr AM Sanson, Ms E Bateup

Resolved: (Ms Muru / Cr McGuire)

CARRIED on the voices

WBT1812/1

Disclosures of Interest
 Agenda Item 2

Resolved: (Cr Church / Cr McGuire)

THAT there were no disclosures of interest.

CARRIED on the voices

WBT1812/2

Confirmation of Agenda status
 Agenda Item 3

Resolved: (Cr McGuire / Ms Muru)

THAT the agenda for the meeting of the Waikato District Community Wellbeing Trust held on Monday 03 December 2018 be confirmed.

CARRIED on the voices**WBT1812/3**Confirmation of Minutes

Agenda Item 4

Resolved: (Cr Church / Ms Muru)

THAT the minutes of the meeting of the Community Wellbeing Trust held on Friday 21 September 2018 be confirmed as a true and correct record of that meeting.

CARRIED on the voices**WBT1812/4**Action Points update

Agenda item 5

- A verbal update was provided.
Lianne to email out copy of Camera Trust completed paperwork – *completed paperwork is with staff members. Lianne will provide full status update at first meeting in 2019.*
- Lianne to follow up Te Kauwhata House opening and provide a further update at the next meeting. *Opening is postponed til early 2019. Trustees will receive and invite.*
- Amend GMI to Kiwi Wealth in two places in document. *Complete*
- Add 'send draft fraud questionnaire to all Trustees before signing' into the yearly works calendar. *Complete*
- Amendment to Trust Deed compliance report; Clause 3.2 on page 6 date needs to be changed from 2017 to September 2018. ***ACTION: Mairi to follow up with Alison.***
- Mairi to send question to Kiwi Wealth in relation to the movement into US market which is overweight. Received an unsatisfactory answer. ***ACTION: Mairi to ask for formal answers to provide to Trustees for all questions asked of KiwiWealth.***
- Payment to be made ASAP to Waikato District Council. *Complete.*

Resolved: (Cr Church / Ms Bateup)**CARRIED on the voices****WBT1812/5**

Kiwi Wealth Limited Fund Performance to 30 June 2018
Agenda item 6.1

Report taken as read.

ACTION: Mairi to ask for formal answers to provide to Trustees for all questions asked of Kiwi Wealth.

Resolved: (Cr McGuire / Ms Muru)

THAT the report from the Finance Manager be received.

CARRIED on the voices

WBT1812/6

Quarterly Certificate of Compliance to 30 June 2018
Agenda Item 6.2

Report taken as read.

Resolved: (Cr Church / Cr McGuire)

THAT the report from the Finance Manager be received.

CARRIED on the voices

WBT1812/7

Grants update
Agenda Item 7

Lianne provided a verbal update on all projects.

Ngaruawahia RSA status update: Received a new quote which is a lot cheaper. **ACTION:** Lianne to feedback at next meeting the timeline for project and confirm work is to be completed by 30 April 2019.

Taupiri Rugby Football Club status update

ACTION: Lianne to follow up Pub Charity funding application.

Te Kauwhata & Districts Accountability

ACTION: Mairi to follow up about Rates rebate or rates write off for Te Kauwhata & Districts on their new building.

Matangi Hillcrest Sports Club Accountability

Work completed. Council staff are working through last payment.

ACTION: Ellen to send email to Karl Pavlovich to say thank you for the hard work behind the scenes from Wellbeing Trustees.

Tuakau Youth Sports Trust Accountability

Will be emailed out to members as soon as received.

Waikato District Crime Prevention Trust (camera trust)

ACTION: Lianne to send letter to camera trust for full status update to be received at next meeting in 2019.

ACTION: Lianne to find camera trust boundaries and email to Trustees.

Bush Tramway

Interim update received on Friday. Money has been paid out. Work should be completed by end of month. Accountability report was shared verbally with Trustees.

Resolved: (Cr McGuire / Ms Muru)

THAT the Grants update reports from the Community Development Advisor be accepted.

CARRIED on the voices

WBT1812/8

General Business

Agenda item 8

ACTION: Review our funding criteria (distribution policy etc.) at next meeting.

ACTION: Bring Meeting calendar to each meeting along with particular reference files.

Next meeting yet to be confirmed.

There being no further business the meeting was declared closed at 9.42am.

Minutes approved and confirmed this day of 2019.

Cr J Church
CHAIRPERSON

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	18 February 2019
Chief Executive Approved	Y
Reference #	CVN0102 / 2178153
Report Title	Meeting framework for the 2019 calendar year

1. EXECUTIVE SUMMARY

The following report outlines the reporting framework for the year and proposes dates for the consideration of Trustees.

Meeting dates will be finalised once the availability of Trustees is confirmed.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received;

AND THAT the meeting framework is adopted for the 2019 calendar year, subject to confirmation of Trustee availability.

3. ATTACHMENTS

Trust meeting schedule for 2019

WAIKATO DISTRICT COMMUNITY WELLBEING TRUST Proposed Trust Meetings 2019

Proposed Date (TBC)	Key Meeting Topic
Feb-19	<ul style="list-style-type: none"> ▪ Action points update ▪ Meeting framework for the 2019 calendar year ▪ Fund performance December 2018 ▪ Quarterly certificate of compliance December 2018 ▪ Six monthly accounts <ul style="list-style-type: none"> – Reimburse WDC for payments made on behalf of the Trust ▪ Draft Statement of Intent for 2019/20 <ul style="list-style-type: none"> – Investment Portfolio and Distribution Policy review ▪ Trustee conference call/meeting with Fund Manager (Kiwi Wealth) representative
Mar-19	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Site visits
Apr-19	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance March 2019 – Quarterly certificate of compliance March 2019
May-19	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Final Statement of Intent for 2019/20 ▪ Grant update ▪ Grant distribution for 2019/20 ▪ Feedback and photos from site visits
Jun-19	No meetings, site visits or correspondence
Jul-19	No meetings, site visits or correspondence
Aug-19	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance June 2019 – Quarterly certificate of compliance June 2019 – Annual review of Trust Deed compliance
Sep-19	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Draft Annual Report (<i>adoption subject to audit sign-off December</i>)
Oct-19	No meetings, site visits or correspondence
Nov-19	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance September 2018 – Quarterly certificate of compliance September 2018
Dec-19	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Grant update ▪ Annual General Meeting <ul style="list-style-type: none"> – Ratify Annual Report for 2018/19 – Receive Audit Management Letter – Appointment of Auditors

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	17 February 2019
Chief Executive Approved	Y
Reference #	CNV0102/ 2177696
Report Title	Kiwi Wealth Limited Fund Performance to 31 December 2018

I. EXECUTIVE SUMMARY

The investment fund performance for the quarter ended 31 December 2018 was -6.9% against a benchmark performance of -7.3%. The total return since inception after tax, brokerage and fees is 72% or 8.2% on an annualised basis.

The result for December provides a return of -2.7% against a benchmark performance of -3.2%, exceeding the benchmark.

The Trustees are familiar with the fact that the investment objectives and investment portfolio do assume that the performance for some months may be negative. As the markets have been turbulent in recent times, a long term view of the fund needs to be taken.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

Kiwi Wealth Limited Fund Performance to 31 December 2018

Waikato District Community Wellbeing Trust

Investment Mandate

This is a balanced portfolio split 45/55 fixed interest/growth shares investments

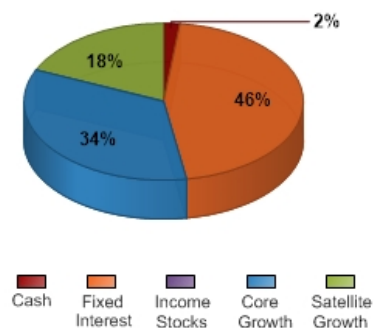
This mandate was last reviewed on 17 May 2018.

Asset Class	Ultimate Allocation	Target NZD Exposure
Cash	0.0%	
Fixed Interest	45.0%	100.0%
Income Stocks	0.0%	100.0%
Core Growth	27.5%	50.0%
Satellite Growth	27.5%	50.0%
Total	100.0%	

Portfolio Position

As at 31 December 2018, the total value of your investment portfolio is \$3,902,870. Your net contributions since inception in January 2012 have totalled \$2,160,573 (\$2,514,361 deposits less \$353,788 withdrawals).

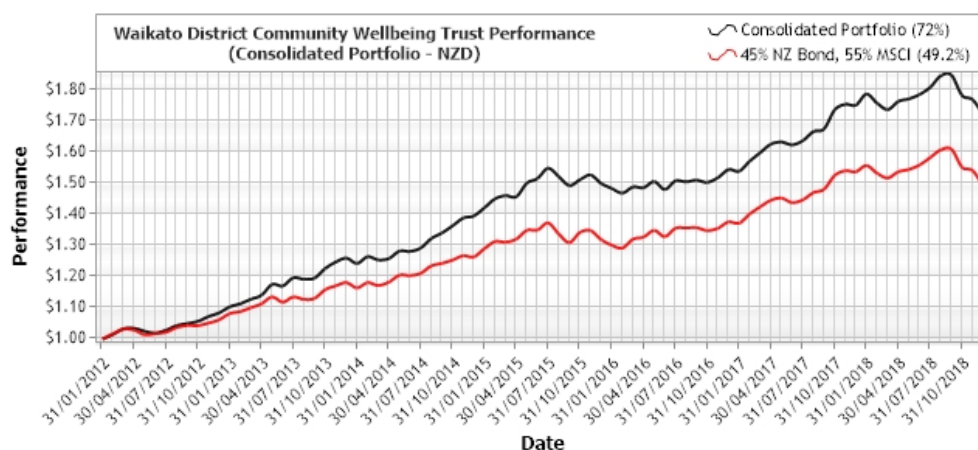
Asset Class	Actual Value	Actual Allocation
Cash	\$72,745	1.9%
Fixed Interest	\$1,776,385	45.5%
Income Stocks	\$0	0.0%
Core Growth	\$1,338,025	34.3%
Satellite Growth	\$715,714	18.3%
Total	\$3,902,870	100.0%



Portfolio Performance

The Kiwi Wealth Growth Fund (Growth PIE) declined 5.5% after tax and fees during the month, which was 0.8% ahead of the benchmark which fell 6.3%. There were mixed performances from the underlying equity strategies within the Growth PIE and a strong absolute contribution from our Alternatives strategies, which were almost uniformly positioned away from shares and towards bonds and other safe-haven assets.

The Kiwi Wealth Fixed Interest Fund (Fixed Interest PIE) rose 0.4% after fees and taxes in December, underperforming the New Zealand Government Bond Index, which returned 0.7%. This underperformance was due to a flight to safety towards longer-dated government bonds amidst market turmoil.



Your return for the month of December was -2.7% against a benchmark of -3.2%. Your net contributions since 31 January 2012 have totalled \$2,160,573 (\$2,514,361 deposits less \$353,788 withdrawals). As of 31 December 2018 the total value of your portfolio is \$3,902,870. This is a simple return of 80.6%. The total return on each dollar invested at inception is 72.0% (after withholding tax, brokerage, and fees), or 8.2% p.a. on an annualised basis.

	Loss/Gain				
	Last Month	Last 3 Months	Last 12 Months	Since Inception	Annualised
Consolidated Portfolio Inception date (31/01/2012)	-2.7%	-6.9%	-1.8%	72.0%	8.2%
45% NZ Bond, 55% MSCI	-3.2%	-7.3%	-3.0%	49.2%	6.0%
Cash Inception date (31/01/2012)	0.1%	3.4%	7.9%	27.3%	3.5%
45% NZ Bond, 55% MSCI	-3.2%	-7.3%	-3.0%	49.2%	6.0%
Fixed Interest Inception date (31/01/2012)	0.7%	0.9%	4.1%	46.0%	5.6%
100% NZ Bond	0.7%	0.9%	2.7%	18.5%	2.5%
Core Stocks Inception date (31/01/2012)	-5.3%	-12.7%	-5.8%	91.2%	9.8%
MSCI	-6.3%	-13.7%	-7.7%	77.9%	8.7%

Investment Strategy

Market Review

The market rout this month was more a case of death by a thousand cuts. Wounds were inflicted courtesy of continued chaos in Brexit-land, a US government shutdown, softening economic data in Europe and Asia, continual trade bickering, and growing fears of an economic recession. The MSCI All Country World Index (MSCI ACWI) fell 7% in US dollars and fell 4.8% when measured in New Zealand dollars. Bond prices rose and interest rates fell as investors headed to the relative safety of government bond markets.

Portfolio Changes

Share markets are more realistically set for slower growth and there is enough evidence to suggest that we should maintain around 90% exposure in shares across the Growth PIE. Within Global Thematic, we maintain a preference for secular growth stories in selected Technology and Health Care industries. Taking a longer-term view, we are excited about the cheaper entry levels in quality companies that the sell-off is producing. Global Quantitative has been increasing Healthcare holdings while reducing weight in the more cyclical sectors of Consumer Discretionary and Financials, as market volatility has remained elevated. On a regional basis we remain weighted towards the North American region, with Technology and Real Estate being the top sector holdings relative to benchmark.

We were quiet in Fixed Interest in December, traditionally quite an illiquid time to invest in bond markets. We have been biding our time to start adding risk, which we are just in the process of doing at time of writing.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	17 February 2019
Chief Executive Approved	Y
Reference #	CVN0102/ 2177695
Report Title	Quarterly Certificate of Compliance for period ending 31 December 2018

I. EXECUTIVE SUMMARY

The Waikato District Community Wellbeing Trust's ("Wellbeing Trust") Statement of Intent requires the Trustees to consider certain compliance obligations. These obligations are considered by the Trustees at each meeting from performance reporting and associated discussion.

This report provides a quarterly certificate of compliance using the information that has been considered by the Trustees since the commencement of this financial year.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

Quarterly Certificate of Compliance for period ending 31 December 2018

Waikato District Community Wellbeing Trust
Quarterly Certificate of Compliance
for period ending 31 December 2018

	Actual	Per Policy
Benchmark Portfolio (fixed interest : equities)	45 : 55	>45 : <55
Cap on value of single investments	Compliant	<7.5%
Grant distribution limit as % of net income after inflation	Compliant	<50%
Grant distribution cap as a % of capital	Compliant	<10%
Review of investment mandate (within last year)	Yes – at February 2018 meeting	Annual
Applicant accountability reports received	Yes	Required upon completion of project

.....
Chairperson

Open Meeting

To	Trustees of Waikato District Community Wellbeing Trust Strategy and Finance Committee
From	Alison Diaz Chief Financial Officer
Date	8 February 2019
Prepared by	Mairi Davis Financial Accountant
Chief Executive Approved	Y
Reference #	GOV1318 / CVN0102/2177898
Report Title	Waikato District Community Wellbeing Trust – Financial Statements for the six months ended 31 December 2018

I. EXECUTIVE SUMMARY

Attached are the Waikato District Community Wellbeing Trust (Wellbeing Trust) six-month financial statements to 31 December 2018. The operating deficit is \$201,913 compared with a full year surplus budget of \$52,482 as approved in the statement of intent.

2. RECOMMENDATIONS

THAT the report from the Chief Financial Officer be received;

AND THAT the financial statements be provided to Waikato District Council in accordance with the Local Government Act 2002;

AND FURTHER THAT the Trustees approve payment of \$223,492.07 to the Waikato District Council to reimburse payments made on behalf of the Waikato District Community Wellbeing Trust.

3. BACKGROUND

Pursuant to section 66 of the Local Government Act 2002, Council is required to receive regular financial reports from the Wellbeing Trust.

The Wellbeing Trust was established in May 2010 to receive, manage and distribute the funds received from the Waikato Foundation Trust. The funds were actually received in May 2012 by way of transfer of funds managed by Kiwi Wealth Ltd (then known as Gareth Morgan Investments or GMI) from the Foundation Trust to the Wellbeing Trust.

Trustees of the Wellbeing Trust have adopted an investment policy intended to provide a long term sustainable return which protects the real value of the fund, allows the fund to grow and provides for funds to be distributed to approved community projects, via an application process.

4. ISSUES

1. The attached financial statements have not been audited.
2. The Wellbeing Trust has sustained a deficit of \$201,913 for the six months compared with a surplus of \$283,562 in the corresponding period of the previous year and a full year budgeted surplus of \$52,482.
3. Budgets are based on an assumed long term, sustainable return of 7.26% (as advised by Kiwi Wealth). This allows for the expected fluctuations in financial returns and enables the Trustees to take the longer term view reflected in their investment and distribution policy.

At 31 December 2018, the return on the fund since its inception in 2010 is 72.0% or 8.2% on an annualised basis.

4. There has been a change in the makeup of the Trust's income as a result of the shift towards the use of PIE funds as the investment vehicle for the Trust's investments. Finance income is now simply the interest earned on the Trust's BNZ account and the small amount of cash held by Kiwi Wealth on behalf of the Trust. All income from the PIE funds is in the form of realised or unrealised gains and losses.
5. Grant payments of \$53,774 were made during the six months (same period last year - \$54,042):

	\$\$
Matangi-Hillcrest Sports Club	5,774
Te Kauwhata Community House	40,000
Ngaruawahia Squash Club	8,000

6. Grant commitments of \$124,388 remain outstanding.

5. OPTIONS CONSIDERED

The Trustees have governance responsibility for the Wellbeing Trust. Council is receiving this reports as required under the Local Government Act.

6. CONSIDERATION OF VIEWS OF THOSE AFFECTED

The six-month financial statements will be made available on Council's website.

7. CONCLUSION

As a Council-Controlled Organisation, Wellbeing Trust is required to provide its six-month report to Council.

The performance of the fund is a year-to-date deficit of \$201,913 which is an unfavourable result compared with the full-year budget surplus of \$52,482.

8. ATTACHMENTS

Waikato District Community Wellbeing Trust Financial Statements for the six months ended 31 December 2018.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	18 February 2019
Prepared by	Mairi Davis Financial Accountant
Chief Executive Approved	Y
Reference #	CVN0102/2177875
Report Title	Waikato District Community Wellbeing Trust – draft Statement of Intent for the year ending 30 June 2020

I. EXECUTIVE SUMMARY

Pursuant to section 64 of the Local Government Act 2002, a Council-Controlled Organisation (CCO) is required to provide a draft Statement of Intent to its shareholder(s) (Council) by 01 March each year. Council then has the opportunity to provide feedback on the draft within two months of 01 March, after which time the CCO must provide a finalised Statement of Intent to the shareholder by 30 June.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received;

AND THAT the Waikato District Community Wellbeing Trust approves the draft Statement of Intent for the year ending 30 June 2020 for release to Waikato District Council.

3. BACKGROUND

The Trustees of the Waikato District Community Wellbeing Trust (Wellbeing Trust) are required to present a draft Statement of Intent for the year ending 30 June 2020 to Council by 01 March. This draft Statement of Intent retains the principles developed in the inaugural Statement of Intent which are:

- Ensure the real (inflation-adjusted) value of the fund is protected;
- Ensure that the total grants distributed do not exceed 50% of the accumulated retained net income after allowing for the CPI movement and expenses;
- Ensure no more than 10% of the capital is distributed in any one year;
- Identify opportunities to grow the fund;
- Have a process for promoting the fund availability and for allocating the fund; and,

- Monitor performance of investments by receiving and considering financial information.

This Statement of Intent has been prepared based on receiving a long term, sustainable return on investment of 7.26% before fund manager fees. The grant distributions are based on the principles identified above and on discussions between the Trustees and Kiwi Wealth Limited.

The draft Statement of Intent must be submitted to Council no later than 1 March. The Strategy & Finance Committee will discuss at their 27 March 2019 meeting.

4. OPTIONS CONSIDERED

The Trustees have the ability to decline or approve the presentation to Council of this draft Statement of Intent. In any event, a draft must be provided to Council by 01 March each year as required by section 64 of the local Government Act 2002.

5. CONCLUSION

The Trustees are asked to consider the draft Statement of Intent for the Waikato District Community Wellbeing Trust for presentation to Council.

6. ATTACHMENTS

Waikato District Community Wellbeing Trust draft Statement of Intent for the year ended 30 June 2020.

Investment Portfolio and Distribution Policy

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Table of contents

Introduction.....	3
Entity information.....	3
Prospective statement of financial performance	6
Prospective statement of financial position.....	7
Prospective statement of cash flows	8
Statement of accounting policies	9
Statement of accounting policies (cont)	10
Forecast assumptions	11
1. Portfolio income.....	11
2. Expenses	11
3. Grants expenditure	11
4. Prepayments	11
5. Creditors and other payables.....	11
6. Accrued expenses.....	11
7. Equity	11
Other financial disclosures	12

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2020

Introduction

This Statement of Intent (SOI) is presented by the Waikato District Community Wellbeing Trust (the Trust) as required by Section 64(1) of the Local Government Act 2002.

The SOI forms the basis for the accountability of the Trustees to Waikato District Council, and sets out the objectives, scope of activities undertaken, and performance targets by which the Trust will be measured.

The purpose of this statement of intent is to:

- State publicly the activities and intentions of this council-controlled organisation for the year and the objectives to which those activities will contribute;
- Provide a basis for accountability and transparency.

This Statement of Intent covers the year to 30 June 2020 and also includes prospective financial information for the following two financial years.

Jacqui Church (Chair)

Entity information

Legal name

Waikato District Community Wellbeing Trust.

Type of entity and legal basis

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status.

The Trust was established by Waikato District Council (WDC) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of WDC's right to appoint the Trustees.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Objectives of the Trust

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

Governance

The Trust will be governed in accordance with the terms of the Trust Deed.

Objective

1. To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.

Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

Performance measure

1. Undertake an annual legal review of compliance with the Trust Deed; no later than two months after the end of the financial year.

Investment

The Trust will, in accordance with the Trust Deed, invest or reinvest part or parts of the Trust Fund not immediately required for the purposes of the Trust (whether income or capital) in investments or securities, as the Trust Board considers beneficial to the Trust Fund. The Trust will also seek other opportunities and avenues for growing the Trust Fund. The intention of the Trustees is that the real value of the Trust Fund is preserved.

Objective

1. To adhere to the Trust's *Management of Investment Portfolio and Distribution Policy*.
2. To review, on an annual basis, the investment mandate and the performance of the portfolio manager.

Performance measure

1. At each quarterly meeting, review compliance with the Trust's *Management of Investment Portfolio and Distribution Policy* during that quarter.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2020

Fund disbursement

The Trust will, as appropriate, disburse funds towards projects that meet the Trust's criteria and meet the objectives of the Trust Deed.

Objective

1. As per the *Management of Investment Portfolio and Distribution Policy*, to distribute total grants that do not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

Performance measures

1. A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set up by the Trustees in accordance with the *Management of Investment Portfolio and Distribution Policy* for the current year
2. Six monthly reports are received from all successful applicants within the required time frames.

Portfolio and distribution policy compliance

Agreed targets

1. Ensure that the real (inflation-adjusted) value of the Fund is protected.
2. Ensure that no more than 10% of the capital is distributed in any one year.
3. Ensure there is diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.
4. The portfolio investment manager will report regularly to the Trustees.
5. The Trustees will annually review the performance of the portfolio manager.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The operation and administration of the Trust are undertaken by staff of WDC. Those staff are: Chief Financial Officer, EA to the Chief Operating Officer, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chair)
Councillor	Rob McGuire
WDC appointee	Eileen Bateup
WDC appointee	Judi Muru

Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Kiwi Wealth Limited. The returns from the portfolio are the Trust's source of continuing revenue.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Prospective statement of financial performance

	FY Budget	FY Forecast			
	2018/19	2018/19	2019/20	2020/21	2021/22
	\$	\$	\$	\$	\$
Revenue					
Finance income	61,429	141	141	141	141
Dividend income from portfolio of investments managed by Kiwi Wealth Limited	28,937	-	-	-	-
Realised gains on investments	113,718	50,813	69,977	70,739	74,528
Unrealised gains on investments	100,519	-	215,642	217,990	229,669
Total revenue	304,603	50,954	285,760	288,870	304,338
Expenses					
Audit fees	7,700	7,921	7,808	7,808	7,808
Portfolio management fees	26,013	28,794	27,545	27,936	29,532
Other expenditure	1,150	1,761	2,164	2,254	2,348
Grants	217,258	178,162	37,968	77,197	84,412
Unrealised losses on investments	-	39,463	-	-	-
Total expenses	252,121	256,101	75,485	115,195	124,100
Surplus/(deficit) for the period	52,482	(205,147)	210,275	173,675	180,238

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Prospective statement of financial position

	FY Budget	FY Forecast			
	2018/19	2018/19	2019/20	2020/21	2021/22
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	290,439	15,053	15,873	15,834	15,795
Other financial assets	3,970,612	3,921,933	3,963,917	4,176,972	4,364,675
Prepaid insurance	-	391	408	425	442
Total current assets	4,261,051	3,937,377	3,980,198	4,193,231	4,380,912
Total assets	4,261,051	3,937,377	3,980,198	4,193,231	4,380,912
Liabilities					
Current liabilities					
Creditors and other payables	227,392	217,468	50,003	89,352	96,787
Accrued expenses	7,700	8,154	8,164	8,173	8,182
Total current liabilities	235,092	225,622	58,167	97,525	104,969
Total liabilities	235,092	225,622	58,167	97,525	104,969
Net assets	4,025,959	3,711,755	3,922,031	4,095,706	4,275,943
Equity					
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	486,402	485,270	559,505	637,946	719,860
Accumulated funds	959,658	646,586	782,626	877,861	976,184
Total net assets / equity	4,025,959	3,711,755	3,922,031	4,095,706	4,275,943

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Prospective statement of cash flows

	FY Budget	FY Forecast			
	2018/19	2018/19	2019/20	2020/21	2021/22
	\$	\$	\$	\$	\$
Cash flows from operating activities					
Cash was received from:					
Interest receipts	61,429	141	141	141	141
Dividends received	28,937	-	-	-	-
Cash was applied to:					
Payments to donees	(205,529)	(214,326)	(198,162)	(37,968)	(77,197)
Payments to suppliers	(34,587)	(9,206)	(16,983)	(9,775)	(9,870)
Net cash flows from operating activities	(149,750)	(223,391)	(215,004)	(47,602)	(86,925)
Cash flows from investing and financing activities					
Cash was received from (applied to):					
Sale (acquisition) of investments	113,718	98,644	215,824	47,563	86,886
Net cash flows from investing and financing activities	113,718	98,644	215,824	47,563	86,886
Foreign exchange translation differences	1	-	-	-	-
Net increase (decrease) in cash for the year	(36,031)	(124,747)	820	(39)	(39)
add opening bank accounts and cash	326,470	139,800	15,053	15,873	15,834
Closing bank accounts and cash	290,439	15,053	15,873	15,834	15,795

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Statement of accounting policies

Basis of preparation

The Board of Trustees has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* for Tier 3 entities on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2million.

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been applied:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
 PBE IPSAS 29 Financial instruments: recognition and measurement.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

Significant accounting policies

Interest and dividend revenue

Interest revenue is recognised as it is earned during the year.
 Dividend revenue is recognised when the dividend is declared.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at the end of the period exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in surplus (deficit) for the year.

Grant expenditure

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Board and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

Income tax

The Trust has charitable status and is exempt from income tax.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Statement of accounting policies (cont)

Bank accounts and cash

Bank accounts and cash comprise cash on hand and deposits held at call with financial institutions.

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus (deficit) for the year. The reason for this classification is that the portfolio is comprised of identified financial instruments which are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus (deficit) for the year.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2020

Forecast assumptions

1. Portfolio income

Kiwi Wealth has estimated an average return on the portfolio of 7.26% per annum before expenses. The split of the total return between interest, dividends and gains/losses is estimated using proportions calculated from an average of past results while taking into account changes to the components of the portfolio.

2. Expenses

Audit fees are estimated at \$7,809 for each of the four forecast years.

Portfolio management fees are assumed at a rate of 0.61% of the opening portfolio value in each year.

Other expenditure comprises annual return fees, bank charges, general expenses and audit disbursements.

3. Grants expenditure

It is assumed that for the current (2019) year all outstanding grants will be paid by 30 June 2019. It is further assumed that in subsequent years 80% of the maximum allowable distribution will be approved and fully paid by year end.

The maximum allowable distribution is set out in the *Management of Investment Portfolio and Distribution Policy*. Total grants must not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

4. Prepayments

Prepayments represent four months of insurance costs.

5. Creditors and other payables

Creditors and other payables are made up of the amount owing to Waikato District Council and the June portfolio management fee.

It is assumed that the year-end balance owing to WDC is paid in full in the following year.

6. Accrued expenses

Accrued expenses are made up of audit fees and disbursements.

7. Equity

The Trust was established with an initial capital contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2020

The capital maintenance fund is made up of accumulated annual charges transferred from accumulated funds to maintain the real value of the Trust fund.

The accumulated funds and capital maintenance funds together represent the total net increase in the fund value since the inception of the Trust.

Other financial disclosures

Ratios

The Local Government Act 2002 requires a statement of intent to include the projected ratio of equity to total assets.

The ratio of equity to total assets is forecast as follows:

2018/19	94.3%
2019/20	98.6%
2020/21	97.7%
2020/22	97.7%

Compensation

The Trustees will not seek any fees or expenses for work undertaken on behalf of Waikato District Community Wellbeing Trust.

Information to be provided to the Trustees

The Trustees will be provided with the following information:

- Within four months of the end of the financial year the audited financial statements plus a summary of how the Trust has performed against its objectives and performance targets;
- Quarterly reports on the performance of investments; and,
- A draft statement of intent for consideration in February of each year.

Waikato District Community Wellbeing Trust

Investment Portfolio and Distribution Policy

Investment Manager

The Trustees have appointed Kiwi Wealth Limited as a portfolio investment manager to attend to all matters relating to the investment of the trust funds.

The Trustees have agreed an investment mandate under which the manager will operate namely 45% of the total portfolio to be invested in New Zealand fixed interest securities and 55% to be diversified across a range of equities both in New Zealand and overseas.

The mandate determines that the degree of investment risk that the Trustees are prepared to accept, is medium to low.

The Trustees instruct that there is to be a diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.

The portfolio investment manager will report regularly to the Trustees, the reports covering the following:

- Market conditions and trends
- Schedule of investments held showing cost price, current market value and % of individual investments to the total portfolio.
- Schedule showing income received

The Trustees will advise the portfolio manager of an anticipated amount that they wish to have available for distribution at least three months before distribution date.

The Trustees will annually review the performance of the portfolio manager but as a general principle would regard a three year average as a preferred measure of performance.

Trustees' Accounting Policy

In determining the annual return on the investment portfolio the total of dividends and interest received plus any growth in the value of investments will be taken into account.

The Trustees shall each year add to the base capital an amount equivalent to the annual rate of inflation such that the "real value" of the investment fund is protected.

Each year the Trustees will record a new base capital being the original capital received plus the amount of inflation reserve added in previous years. Each year the calculation for the inflation adjustment will be made on the new base capital figure.

Trustees' Distribution Policy

In determining the level of funds available for distribution in any one year the Trustees have taken advice from the portfolio manager as to what a five year average return per annum could conservatively be expected from the mandated portfolio. The figure provided was 7.26% per annum.

The Trustees have agreed that the total grant disbursement will not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

The Trustees will ensure that no more than 10% of the capital is distributed in any one year and have regard to growing the fund when determining the distribution.

The Trustees recognise that investment returns will fluctuate from year to year and will have regard to this before determining whether to distribute up to the maximum allowed under the policy in any one year. The Trustees would seek to have an amount in retained profits equal to at least a one year distribution in accordance with this policy.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	17 February 2019
Chief Executive Approved	Y
Reference #	CVN0102 / 2177693
Report Title	Annual Investment Mandate and Fund Manager Review

I. EXECUTIVE SUMMARY

The Trustees have a discussion annually with the Fund Manager, to review performance and investment objectives and risk profile, with a view to reconfirming or amending the investment portfolio mix.

Roger Browne from Kiwi Wealth Limited will be in attendance at this meeting.

Any changes to the objectives and/or portfolio mix would need to be reflected in the Trust's Investment Portfolio and Distribution Policy and draft Statement of Intent.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

- Nil

Waikato District Community Wellbeing Trust

Investment Mandate

This is a balanced portfolio split 45/55 fixed interest/growth shares investments

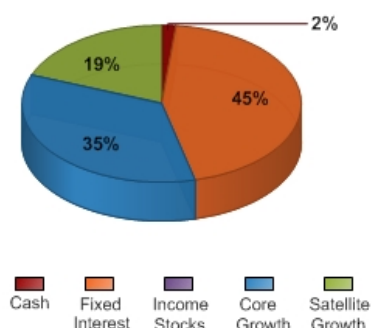
This mandate was last reviewed on 17 May 2018.

Asset Class	Ultimate Allocation	Target NZD Exposure
Cash	0.0%	
Fixed Interest	45.0%	100.0%
Income Stocks	0.0%	100.0%
Core Growth Shares	27.5%	50.0%
Satellite Growth Shares	27.5%	50.0%
Total	100.0%	

Portfolio Position

As at 31 January 2019, the total value of your investment portfolio is \$4,022,374. Your net contributions since inception in January 2012 have totalled \$2,160,573 (\$2,514,361 deposits less \$353,788 withdrawals).

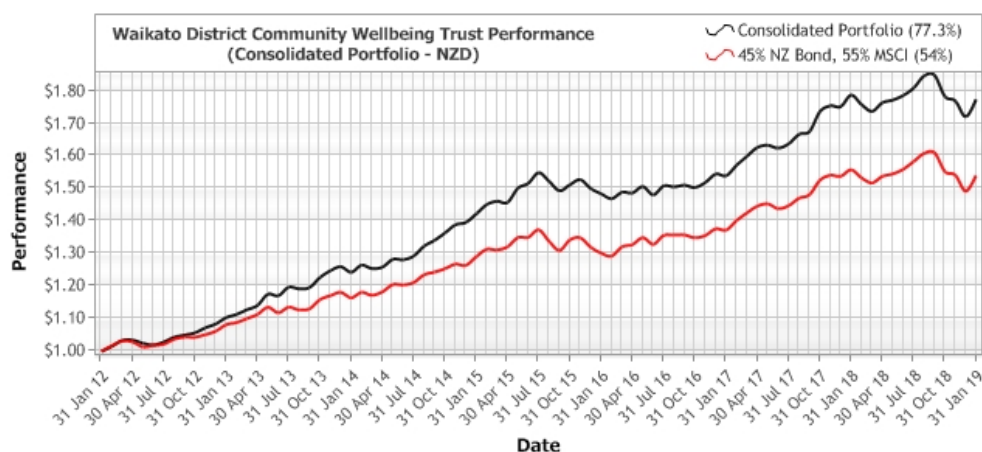
Asset Class	Actual Value	Actual Allocation
Cash	\$65,884	1.6%
Fixed Interest	\$1,791,114	44.5%
Income Stocks	\$0	0.0%
Core Growth Shares	\$1,399,911	34.8%
Satellite Growth Shares	\$765,466	19.0%
Total	\$4,022,374	100.0%



Portfolio Performance

The Kiwi Wealth Growth Fund (Growth PIE) gained 4.8% for the January month, 0.7% behind the benchmark of 5.5%. Most equity sectors enjoyed the month in the green, led by those in the high growth tech sector as well as materials and energy. Our alternatives investment holdings, which helped insulate the portfolio back in December, were one of the main drags on performance this month.

The Kiwi Wealth Fixed Interest Fund (Fixed Interest PIE) returned 0.6% for the January month, outperforming the New Zealand Government Bond index, which returned 0.4%. The risk on sentiment in the markets helped provide our corporate bonds with one of the largest rallies since 2016.



Your return for the month of January was 3.1% against a benchmark of 3.2%. Your net contributions since 31 January 2012 have totalled \$2,160,573 (\$2,514,361 deposits less \$353,788 withdrawals). As of 31 January 2019 the total value of your portfolio is \$4,022,374. This is a simple return of 86.2%. The total return on each dollar invested at inception is 77.3% (after withholding tax, brokerage, and fees), or 8.5% p.a. on an annualised basis.

	Loss/Gain				
	Last Month	Last 3 Months	Last 12 Months	Since Inception	Annualised
Consolidated Portfolio					
Inception date (31/01/2012)	3.1%	-0.5%	-0.7%	77.3%	8.5%
45% NZ Bond, 55% MSCI	3.2%	-0.8%	-1.1%	54.0%	6.4%
Cash					
Inception date (31/01/2012)	0.2%	3.5%	8.1%	27.6%	3.5%
45% NZ Bond, 55% MSCI	3.2%	-0.8%	-1.1%	54.0%	6.4%
Fixed Interest					
Inception date (31/01/2012)	0.8%	1.4%	4.7%	47.2%	5.7%
100% NZ Bond	0.4%	1.0%	3.5%	19.0%	2.5%
Core Stocks					
Inception date (31/01/2012)	5.1%	-1.9%	-4.7%	100.9%	10.5%
MSCI	5.5%	-2.4%	-5.1%	87.6%	9.4%

Investment Strategy

Market Review

Markets welcomed investors back with a breath of relief in January. Both developed and emerging markets bounced off their December lows following the US Federal Reserve's move to a more patient stance. Optimistic hopes for a Sino-US trade deal along with a recovery of oil prices also helped to send equities and corporate bonds higher. Nevertheless, macroeconomic and political concerns remain a headwind for the upcoming year.

Portfolio Changes

Share markets have rebounded from their low at the start of the year and, although a slowing macroeconomic backdrop remains, there is enough evidence to suggest that we should maintain around 90% exposure in shares across the Growth PIE. Global Thematic continues to tilt towards defensive growth stocks that have resilient business models. We are also maintaining our overweight position in selected health care equipment makers, leaving January weakness behind and moving forward. Global Quant increased its Financials and Healthcare holdings in January, while reducing weight in the more commodity-driven Industrials and Energy sectors as we continued to reduce risk in more cyclical sectors. On a regional basis, positioning remains weighted towards the North American region, with Technology being the top sector holding relative to benchmark.

The US Federal Reserve (FED) provided markets some reassurance in January by suggesting a likely pause to rate hikes and stepping back to reconsider the speed in which they roll down their balance sheet. As a result, interest rates came down globally, with New Zealand following suit. We were very active in the company bond markets from the beginning of January, adding Microsoft (rated AAA), Wells Fargo (A-), JP Morgan (A-), LGFA (AA+), Visa (AA-), BP (A-), Apple (AA+), Oracle (AA-) and Svenska Handelsbanken (AA-). We focused on adding higher quality names after the volatility we saw in December but remain prepared and in position at the starting block for the right time to begin adding risk.