

ST JOHN'S COLLEGE TRUST BOARD

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ANNUAL REPORT

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FOR THE YEAR ENDED  
31 DECEMBER 2021

## CONTENTS

1.0	INTRODUCTION.....	3
2.0	GOVERNANCE.....	3
3.0	PURPOSE, STRATEGY AND MEASURES.....	4
4.0	OUTCOMES.....	4
5.0	DISTRIBUTIONS AND PROCESSES.....	5
6.0	2022 DISTRIBUTIONS.....	6
7.0	INVESTMENT PERFORMANCE.....	7
8.0	ESG AND IMPACT INVESTMENTS.....	8
9.0	FINANCIAL PERFORMANCE.....	10
10.0	FINANCIAL POSITION.....	12
11.0	COVID AND CARRY OVER FUNDING.....	14
12.0	LOOKING FORWARD.....	14

## **1.0 INTRODUCTION**

- 1.1 On behalf of Trustees, it is a pleasure to present the Annual Report of the St John's College Trust Board in its 162<sup>nd</sup> year, the Trust having been established by Bishop Selwyn on the 18<sup>th</sup> of August 1859.
- 1.2 The St John's College Trust Board ("SJCTB" or "Trust") is represented by two principal trusts, the College Fund and the Scholarship Funds. The purposes of these separate trusts, while related, are different and as defined in the St John's College Trusts Act 1972 ("Act").
- 1.3 Section 3(1) of the Act details the purpose of the College Funds as:
- (a) For or towards the maintenance and support of the College:
  - (b) For the education in the College of candidates for ordination:
  - (c) For the costs of the education of students of all races in such manner and in such places as the General Synod shall from time to time direct so long as such education includes instruction in the principles of the Christian faith.
- 1.4 The purposes of the Scholarship Funds are defined in section 7(1) and (2) of the St John's College Trusts Act 1972 ("Act") as follows:
- 1.5 ... towards the maintenance and support of candidates for ordination or persons who have been ordained (and their dependents respectively) while taking a course of study for a degree or diploma at any University or University College or any other course of study within New Zealand or elsewhere.
- 1.6 In addition, a third smaller trust not covered by the Act, the Marsh Scholarship Fund, has purposes related to the funding of St John's College.
- 1.7 Trustees are bound by law to adhere to the purposes of these trusts.

## **2.0 GOVERNANCE**

- 2.1 The persons appointed by the General Synod Standing Committee to hold office as trustee of the St John's College Trust Board during the 2020 and 2021 years were as follows:

The Ven. Maui Tangohau, Chair

The Ven. Sue Fordyce, Deputy Chair

Mr Joseph Halapua

The Ven. Don Rangi

The Most Rev. Philip Richardson

Ms Moka Ritchie

The Most Rev. Don Tamihere

Ms Mele Tuilotolava

Mr Kevin Wearne

2.2 In accordance with the Canon II, Title E, in February 2021 having served four years as Chair of the Trust, Mr Kevin Wearne retired and the Ven. Maui Tangohau was appointed Chair of the Trust.

2.3 At the same time, the Ven. Sue Fordyce was appointed Deputy Chair.

2.4 In accordance with the provisions of Canon II, Title E, February 2022, the Ven. Maui Tangohau has been reappointed Chair for the 2022 year by Trustees.

### **3.0 PURPOSE, STRATEGY AND MEASURES**

3.1 In its 2017 Strategic Plan, Trustees set the vision of the Trust to be the funder of high-quality education within the Anglican Church in Aotearoa, New Zealand and Polynesia.

3.2 To achieve this the Trust sought to:

- manage the Trust's investments efficiently and effectively, taking into account the needs of current and future beneficiaries
- expand the reach, efficiency and effectiveness of the Trust's funding, and
- fund new and innovative methods and delivery of education

3.3 The measures of success set by Trustees were:

- to increase in the real value of trust capital and value of total distributions.
- to confirm that all beneficiaries are using distributions effectively and in accordance with the purposes of the Trust, and
- to confirm that the Trust's investment strategy and investment policies are aligned with and will achieve the objectives of the long-term education strategy of the Church as defined by Te Kotahitanga

### **4.0 OUTCOMES**

4.1 Five years after this strategy was set, as Trustees seek to renew its Strategic Plan, it is fair to say that there have been successes and some failures to achieve these objectives.

4.2 Over the period the value of the Trust and its distributions have grown significantly, while via the New Initiatives Funding programme and more latterly additional funding provided to assist beneficiaries with the impacts of the Covid pandemic has broadened the reach of the Trust and the modes in which education is being delivered<sup>1</sup>.

4.3 The Trust has also initiated several reviews of the education programmes delivered by funding recipients, so Trustees are better able to understand how these programmes achieve the purposes of the Trust while delivering value to recipients of the education being funded.

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<sup>1</sup> Distributions in 2016 were \$12.3 million, whereas \$18.2 million is available in 2022 (a 48% increase). Distributions in 2021 were \$25.3 million including special distributions.

- 4.4 These reviews are by no means a financial audit, the Trust instead wishing to develop a high-trust model with all parties.
- 4.5 However, the Trust still seeks clarity as to the longer-term educational objectives of the Church on which it can align its investment strategy and decision-making processes. Trustees have been pleased to support Te Pae Tawhiti research project in recent times but acknowledge there remains much mahi to complete in respect to this objective.

## **5.0 DISTRIBUTIONS AND PROCESSES**

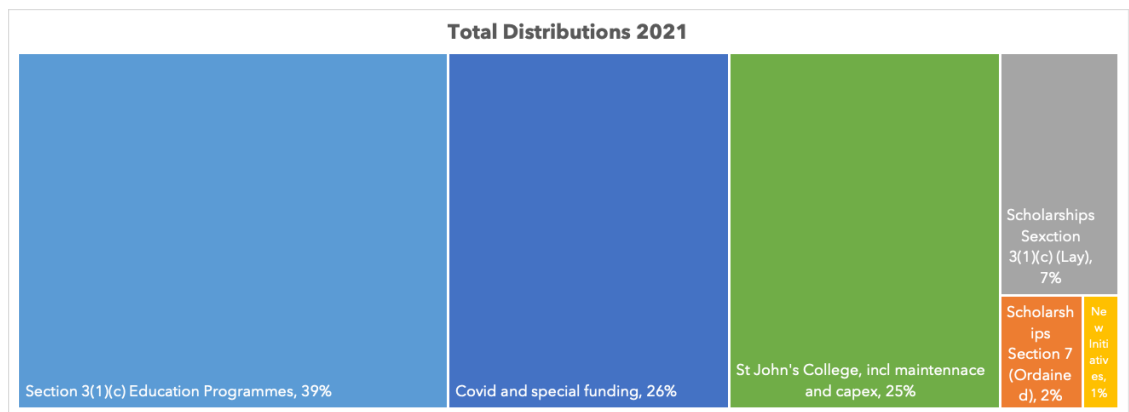
- 5.1 In the 2021 year the Trust distributed \$25.3 million to recipients and to fund the education programmes of Amorangi, Diocese and Common life applicants.
- 5.2 This higher than normal level of distributions included funding agreed by the Trust to ensure the continuation of education programmes and the creation of new programmes taking into account the unique challenges imposed by the Covid pandemic.
- 5.3 In the 2020 year, when the Covid pandemic first impacted the Province, in collaboration with Te Kotahitanga, the Trust sought expressions of interest for funding to assist with the challenges being faced by beneficiaries as a consequence of the pandemic.
- 5.4 By March of 2021, the Trust had received and approved \$12 million of additional funding related to the Covid crisis. This funding will be released over the 2020 – 2022 period.
- 5.5 In 2020, on the advice of Te Kotahitanga, the Trust also approved the funding of a new education initiative in the Diocese of Waikato and Taranaki, Te Manu Hononga – The Paul Reeves Centre and additional funding relating to the Te Aute Trust Board including to allow the review the existing curriculum and to better embed Te Hāhi Mihinare in all aspects of life at Hukarere Girls' College and Te Aute College.
- 5.6 This funding will also be utilised to review and plan for infrastructure development much needed at each kura over the coming years.
- 5.7 Also in respect to Te Aute, with the endorsement of General Synod Standing Committee and with the assistance of the Provincial Chancellor, the Trust has sought and gained the approval of the High Court to allow the initial investment made to save nga kura from closure, which was recorded as a loan, to be written off as a distribution.
- 5.8 The Trust has also commissioned an independent review to gain a greater understanding of the value of the impact that funding of the Te Aute Trust Board has made to the Church and Aotearoa. Trustees continue to believe that, in accordance with the Motion 11/Te Waka Eke Noa report presented to Synod, its support of Hukarere and Te Aute has been a very successful mission aligned investment undertaken by the Trust.

5.9 During 2021 the Trust also provided emergency funding to the Diocese of Polynesia following Cyclone Yasa to ensure that the infrastructure of a number of schools damaged in the Cyclone could be repaired, while ensuring the students and whanau had access to food and water supplies. The Trust has also responded in a like manner in 2022 following the devastating volcano in Tonga.

5.10 An analysis of 2021 distributions, showing the respective sections of the St John’s College Trust Act which funding is derived from, is as follows:

	Section	2021
Amorangi, Diocese and Common Life Education Programmes	3(1)(c)	\$9,889,000
Scholarships (Ordained)	7(2)	\$604,000
Scholarships (Lay)	3(1)(c)	\$1,865,000
New Initiatives	3(1)(c)	\$265,000
Covid and special funding	3(1)(c)	\$6,455,000
St John’s College (including maintenance and capex)	3(1)(a)+(b)	\$6,232,000
<b>TOTAL</b>		<b>\$25,310,000</b>

This analysis can also be graphed to show the relative weighting of distributions to each purpose supported by the Trust, as follows:



## 6.0 2022 DISTRIBUTIONS

6.1 For 2022, based on forecasts, the Trust set a distribution level (excluding any residual Covid or other special distributions) of \$19.6 million.

6.2 After allowing for the costs relating to maintaining the infrastructure of St John’s College the Trust estimated there is \$18.2 million available for distribution for scholarships and education programmes.

6.3 Based on this advice, the Te Kotahitanga and the Trust has recently worked through the process for determining and approving 2022 distributions.

- 6.4 While always a difficult process, the further Covid lockdowns and receipt of funding applications of close to \$24 million has made the 2022 process even more complicated.
- 6.5 At the time of writing this report, the vast majority of funding has been approved by the Trust based on the recommendations received from Te Kotahitanga, with a small number of queries yet to be resolved.
- 6.6 However, this has meant that the aspirations of some Applicants have not been able to be met, and while the disappointment of these Applicants is understandable, the allocation of a finite level of funding across an ever-growing number and value of applications is extremely difficult.
- 6.7 This is why, as noted elsewhere in this report, the Trust looks forward to the receipt of advice as to the strategic education priorities of the Church. The Trustees believe that determining such priorities is essential to promoting greater transparency in decision making and achieving greater equity in distributions, and will make the consideration of applications a far more efficient process.

## 7.0 INVESTMENT PERFORMANCE

- 7.1 The 2021 year was another very solid year for the Trust in terms of its investment portfolio, with the Trust being rewarded for its high-quality income focussed portfolio of investments by way of positive asset revaluations totalling \$61 million.
- 7.2 More importantly, the Trust's focus on maintaining income levels has been successful with the portfolio generating strong income returns of \$26 million in 2021, allowing the Trust to maintain its normalised annual distribution level at almost \$20 million per annum.
- 7.3 The Trust's investment portfolio as at 31 December 2021 can be summarised as follows:

	\$'000	1 year Return
NZ Bonds	27,621	-5.1%
International Bonds	24,735	-1.7%
Australasian Equities	45,239	8.8%
International Equities	124,083	25.0%
Private Equity	24,633	38.2%
Commercial Property	325,605	17.5%
<b>TOTAL</b>	<b>571,916</b>	<b>17.1%</b>

- 7.4 The overall return of the Trust of 17.1% was a pleasing outcome for the Trust both in terms of income and capital generated. Not unexpectedly the capital value of the Trust's bond investments suffered as interest rates began to rise, although the income provided by these investments remains stable and a good diversifier within the portfolio.
- 7.5 Equity investments continued to perform strongly reflecting favourable market conditions, especially in international markets while returns from private equity investments performed very strongly, including the Trust's early investment in My Food Bag, via a Private Equity Fund, which was listed during 2021 when the Trust's investment was realised.
- 7.6 The Trust's property portfolio also performed strongly despite a tough environment for tenants but ultimately being well rewarded for high occupancy, good tenants and the portfolio's security of income.
- 7.7 During the last two years, Trustees have taken a proactive approach to managing the challenges being faced by its tenants as consequence of the Covid pandemic.
- 7.8 By empowering its Executive to work with tenants, rental relief has been provided to tenants that have been faced with poor economic conditions, with a significant level of support being provided to 'smaller' tenants deemed to be at a higher risk of failure.
- 7.9 This has resulted in the occupancy of the portfolio remaining high, and we are pleased to say almost all the Trust's tenants surviving through the worst of the pandemic, with support remaining in place for those still struggling.

## **8.0 ESG AND IMPACT INVESTMENTS**

- 8.1 The Trust, with its advisor Trust Management, continues to manage the Trust's investment portfolio under a strong Environmental, Social and Governance ("ESG") framework with all investment managers and directly held investments having ESG measures.
- 8.2 In terms of impact investing, which has been a subject of kōrerorero in investment markets and within the Church in recent years, the Trust continues to take an active approach to identify and review impact investments available in the market.
- 8.3 To date the Trust has reviewed a number of wide-ranging impact opportunities, considering each opportunities risk and return characteristics and/or their alignment to the purposes of the Trust.
- 8.4 The Trust continues to see this last point as being extremely important and was pleased to see this was the emphasis for the Te Waka Eke Noa report presented to Synod which discussed 'Mission Aligned Investments'.



- 8.5 The Trust is very aware of the heavy reliance of many recipients on the continuation of distributions from the Trust. As such Trustees carefully consider whether any investment opportunities have appropriate risk and return characteristics. Alternatively, Trustees consider whether an impact investment aligns to the purposes of the Trust.
- 8.6 In this regard, the Trust has two major 'Mission Aligned Investments' being its significant investment in St John's College, and the financial support that has been extended to the Te Aute Trust Board for the benefit of Hukarere Girls' College and Te Aute College.
- 8.7 In addition, the Trust has made two investments with third party impact investment funds, having determined that their risk, return and impact characteristics were acceptable.
- 8.8 It is fair to say that the Trust, as we are sure other Church bodies have been, has been seen as a target to promoters of investment funds, many labelled as impact investments.
- 8.9 Unfortunately, many of these funds have either had an unacceptable level of risk not compensated by return, have not had evidenced impact outcomes or (in these circumstances exist) do not have a purpose that is aligned to the Christian education purposes of the Trust.
- 8.10 Therefore, with impact investments of over \$60 million, it has therefore been disappointing that the Trust has been subject to adverse comments and misinformation, especially given the source of some of these comments, that the Trust and wider Church is not committed to impact investing, has not supported certain investment opportunities or is actively avoiding impact investing.
- 8.11 The Trust continues to base its investment decisions on sound principles and continues to believe that the greatest impact it can make is by way of fulfilling its purpose by way of funding distributions and allowing recipients to achieve impact. The Trust encourages all parties within the Church to do the same.
- 8.12 However, the Trust also considers that with the capital value it has accumulated, it has the ability to identify impact investment opportunities within the Church that are aligned to its purpose, will achieve equity and which will reduce the reliance beneficiaries place on the annual distributions from the Trust.
- 8.13 Trustees will be considering this matter as part of its strategic planning processes during 2022, when Covid restrictions permit Trustees to gather kanohi ke ti kanohi.

## 9.0 FINANCIAL PERFORMANCE

9.1 In the 2021 financial year the Trust generated an operating surplus of \$22.2 million (2020: \$20.3 million) reflecting continued strong returns primarily from its property and equity investments. In addition, the Trust generated capital gains of \$60.5 million, and while much of this gain is unrealised, it is indicative of very positive performance of the Trust in strong investment markets.

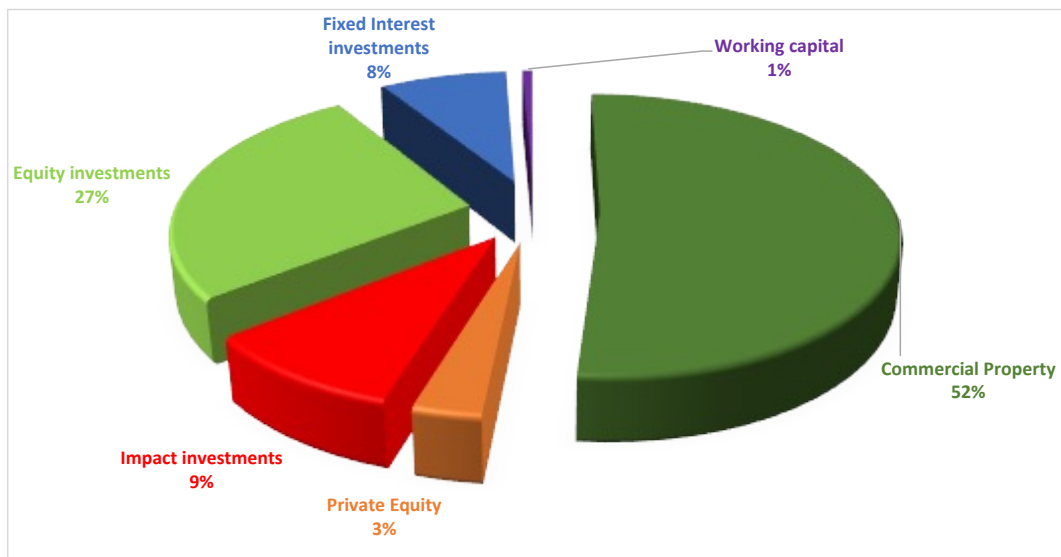
9.2 This performance is summarised in the following table:

	2021 \$'million	2020 \$'million
Operating revenue	25.8	23.1
Operating expenditure	3.6	2.9
<b>Operating surplus</b>	<b>22.2</b>	<b>20.3</b>
Capital gains	60.5	46.1
<b>Total surplus</b>	<b>82.7</b>	<b>66.4</b>

9.3 The recorded capital gain has increased the investment capital of the Trust to \$589 million, an 11% increase for the year.

9.4 In addition to the investment capital, the Trust also holds St John's College in Meadowbank, Auckland to meet the educational needs of the Church. While the current (rateable value) of the College and its associated housing is \$133 million, this investments is recorded by the Trust at its depreciated historical book value of \$43 million.

9.5 Therefore, the total recorded capital of the consolidated Trust is \$632 million and is represented as follows:

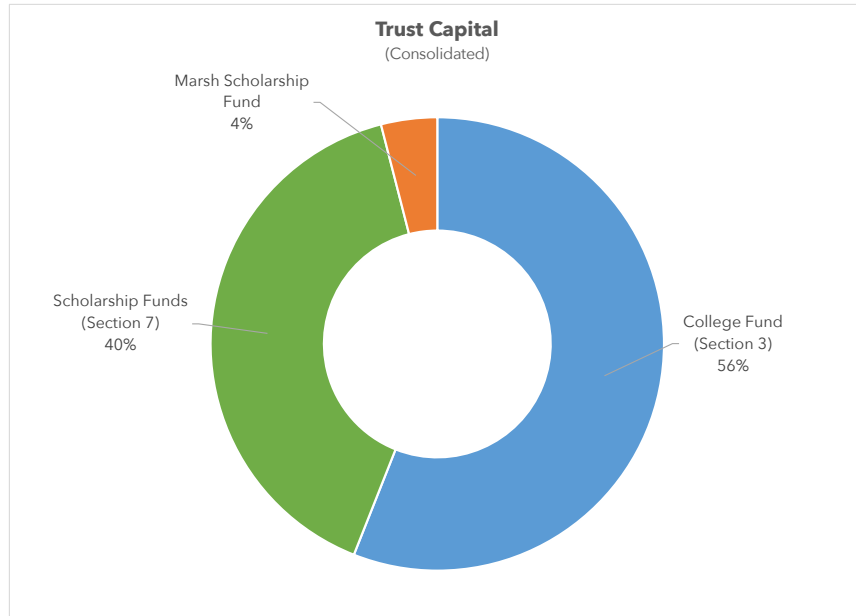


9.6 It should be noted that this report, and the above financial analysis, has been prepared on the basis of the Trust's draft financial statements for the year ended 31 December 2021. These financial statements remain subject to audit



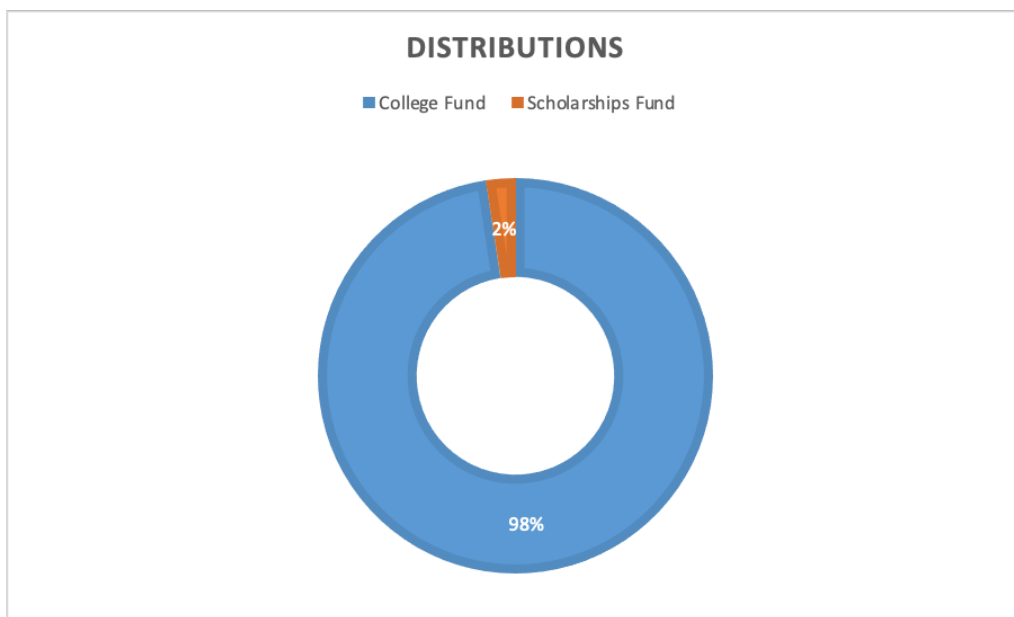
## 10.0 FINANCIAL POSITION

10.1 The Trust's capital is in turn represented by the capital of the three individual trusts for which the St John's College Trust is responsible, as follows:

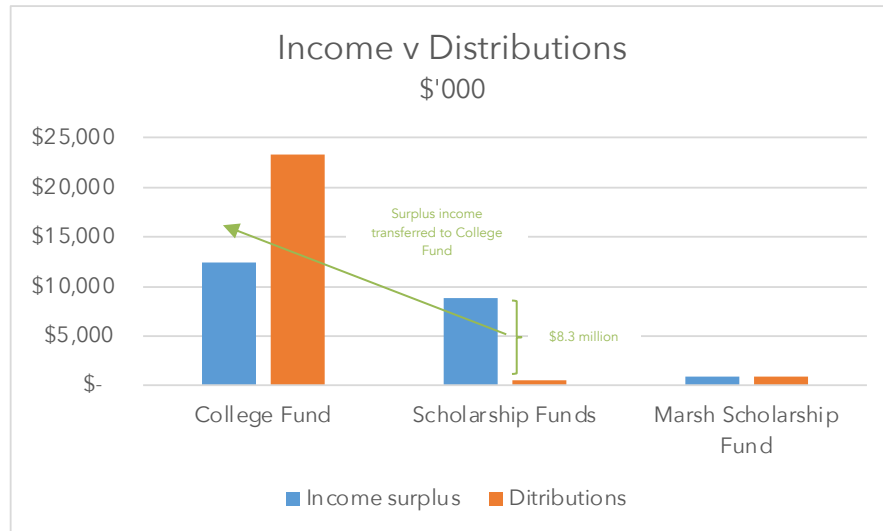


10.2 As noted in the first section of this report, the Scholarships Fund (Section 7) is held for the purpose of funding scholarships of those in ordained ministry, or seeking ordination, the College Fund (Section 3) has the purpose of funding St John's College and all other Amorangi, Diocese and Common Life education programmes, while the income earned from the Marsh Scholarship Fund is distributed to fund the operations of St John's College.

10.3 Despite the above weighting between each Trust, the vast majority (98%) of distributions relate to Section 3 funding applications (St John's College and Amorangi, Diocese and Common Life education programmes).

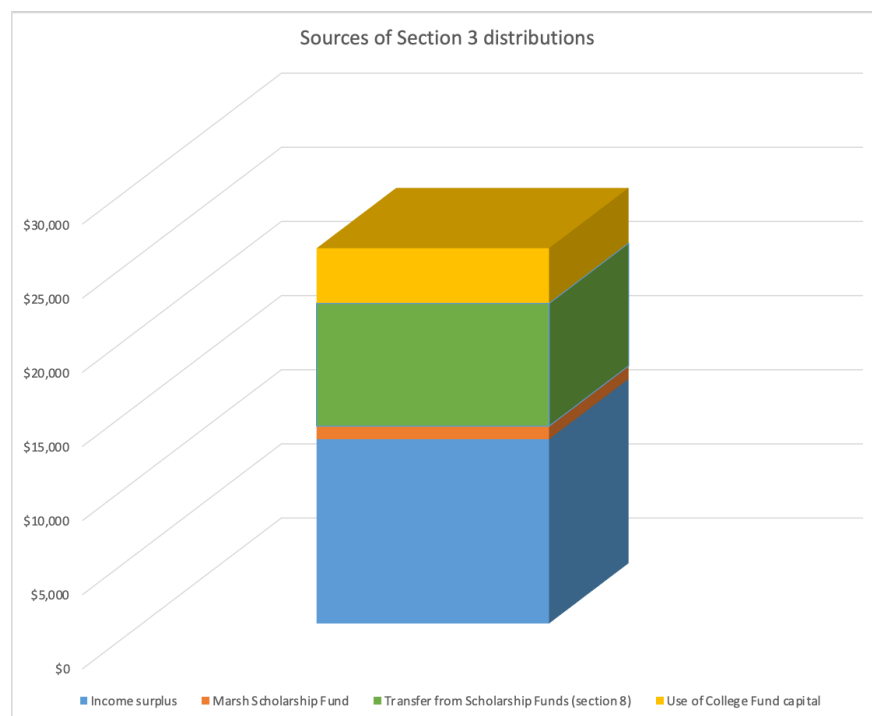


10.4 While the Scholarships Fund represents 40% of the investment capital of the Trust, circa \$236 million, and produces annual distributable earnings of around \$8 - \$9 million, its distributes only a fraction of this in the form of scholarships (\$604,000), with the majority of the income generated being transferred to fund Section 3 applications, as is permitted under Section 8 of the Act.



10.5 In the 2021 financial year, to fund the \$24.8 million of distributions, income of \$8.3 million was transferred from the Scholarships Fund to the Common Fund.

10.6 In addition, Trustees agreed to utilise \$3.2 million of the accumulated surpluses of the College Fund for the purposes of Covid and other special funding.



## 11.0 COVID AND CARRY OVER FUNDING

- 11.1 As members General Synod may know, the Trust's 'Funding Manual'<sup>2</sup> provides guidance on the funding distributed by the Trust. One of these requirements is that any funding received that is not spent for the purposes it was provided for, is to be returned to the Trust.
- 11.2 However, Trustees have acknowledged that the 2020 – 2022 period has been significantly interrupted by Covid, especially in Tāmaki Makaurau and so have advised each Amorangi, Diocese and Common Life recipient that if funds remain unspent, due to Covid complications, but the education programmes are still intended to be held when conditions allow, these funds should be retained and used for their originally intended purpose.
- 11.3 All the Trust has asked is that each Diocese and Amorangi provides advice as to the funds retained to the Secretary of the Trust.
- 11.4 At the same time the Trust has allowed a number of scholarship recipients to defer their study until conditions allow.

## 12.0 LOOKING FORWARD

- 12.1 In terms of its investments, the Trust expects an increase in the volatility of returns as interest rates rise and consequently asset values come under pressure, especially as the economic stimulus packages promoted by Central Banks globally are reversed.
- 12.2 Global events, such as the devastating impact of the Russian invasion of Ukraine<sup>3</sup> as is being witnessed as this report is finalised, will also continue to influence markets.
- 12.3 However, the Trust is confident that working with Trust Management, its investment strategy will maintain the present level of income to support distributions, albeit growth in the level of income and capital gains that the Trust has enjoyed in recent years will likely be lower, or in fact negative, as markets reset after what has been an extraordinary period.
- 12.4 Trustees remain focussed on the sustainability of distribution levels while it continues to increase focus on the Church's distribution processes, achieving equity in distributions and assessing the impact that distributions from the Trust achieve for the Church.

Maui Tangohau  
Chair  
St John's College Trust Board

Grant Hope  
Secretary  
St John's College Trust Board

March 2022

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<sup>2</sup> Available at [www.sjctb.co.nz/funding-manual](http://www.sjctb.co.nz/funding-manual)

<sup>3</sup> The Trust is presently working with its Fund Managers to exit any investment exposure to Russia. At its peak this exposure was less than 0.05% of the investment portfolio.