

ST JOHN'S COLLEGE TRUST BOARD

ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2023

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It should be noted that this report, and the included financial analysis, has been prepared on the basis of the Trust's draft financial statements for the year ended 31 December 2023. These financial statements remain subject to audit

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 165th year.

2.0 STRATEGIC CONSIDERATIONS

- 2.1 A major focus of Trustees during 2023 has been the review of the Trust's strategy, especially in light of the Te Pae Tawhiti reports commenting on the current 'health' of the Church's educational outcomes and analysis of the differential positions each Tikanga find themselves in, 32 years since Te Pouhere.

- 2.2 Given the findings of Te Pae Tawhiti, the Trust is of the view that the Church and Trust's approach to funding methodologies and distributions needs to change.

- 2.3 While additional wānanga are required, the key tenets of the Trust's draft strategy are:

- The Trust undertakes an examination of its investment portfolio and investment strategy with a view to freeing capital to enable significant missional investment.
- That this examination should include a review of the significant residential estate of St John's College with a view to redevelopment and intensification as a means of increasing potential income streams.
- That to address the historic inequity in funding of Tikanga Māori and Tikanga Pasifika, funding methodologies will be amended to introduce processes to assess the alternative forms of income, wealth and capacity/resources of each funding recipient.
- That to assist with the capacity of the Trust and Te Kotahitanga to focus on development of an educational strategy for the Church, the administrative burden of managing scholarship, Common Life and Diocese and Hui Amorangi funding requests should be lightened through the provision of bulk funding for a period of say three years.
- That focus be placed on the investment into the development of a diverse network of theological education providers to support the diverse education needs of the Province and wider Anglican Communion.

- 2.4 The Trust looks forward to discussing the implementation of this strategy with the Church and the Trust's beneficiaries.

3.0 DISTRIBUTIONS

- 3.1 It would be fair to say the 2022 – 2023 period has been tumultuous. Following on from the 'Covid years' the Trust responded to two natural disasters providing emergency funding to support the continuation of education initiatives.
- 3.2 The first of these was the Hunga Tonga–Hunga Ha'apai volcanic eruption in early 2022 and then Cyclone Gabrielle in early 2023.
- 3.3 In both cases the Trust was pleased to be able to partner with entities 'on the ground' in a high-trust manner, allowing the swift distribution of funding to where it was needed, avoiding lengthy and cumbersome funding processes but with appropriate accountability processes in place.
- 3.4 The impact of Cyclone Gabrielle on Hukarere Girls' College became a particular focus of the Trust, the kura and wharenoho in Eskdale being destroyed, while by the Grace of God all souls were evacuated safely.
- 3.5 In the coming months the Trust utilised funding (received from the negotiated settlement referred to in section 7.0) to purchase a motel at 2 Arataki Road, Havelock North to allow the wharenoho to reopen.



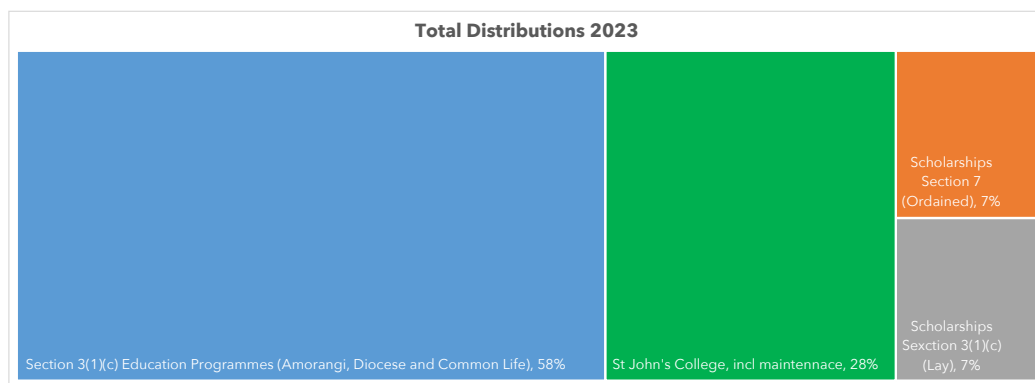
- 3.6 The Trust has also acquired a commercial building in the centre of Havelock North that will open as the kura in 2024.



- 3.7 These assets will be held by the Trust as 'Mission Aligned Investments' until such time as the Te Aute Trust Board is able to re-establish Hukarere on a new permanent site.
- 3.8 Trustees were pleased to be able to respond to these crisis's and see the education initiatives of the Church be re-established in quick time.
- 3.9 At the same time the Trust continued to receive, review and fund annual distributions in its close working relationship with Te Kotahitanga.
- 3.10 An analysis of the funding approved for distribution in 2023 is as follows:

	Section	2023
Amorangi, Diocese and Common Life Education Programmes	3(1)(c)	\$11,719,900
Scholarships (Ordained)	7(2)	\$1,420,500
Scholarships (Lay)	3(1)(c)	\$1,390,600
St John's College (including maintenance and capex)	3(1)(a)+(b)	\$5,786,200
TOTAL		\$20,317,200

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



- 3.12 Total distributions for 2023 were \$23,796,000 (2022: \$20,843,000) including distributions for New Initiatives and Covid funding, approved in prior years and with many of these projects now coming to fruition.

4.0 INVESTMENT PERFORMANCE

4.1 The 2022 - 2023 financial period saw the high returns earned by the Trust evaporate as investment markets were adversely impacted by the actions of Central Banks to curb high inflation in the post Covid era.

4.2 The Trust's investments generated a loss of 8.3% in the 2022 year, rebounding to a gain of 3.8% in 2023, as equity and bond markets recovered in the last quarter of 2023.

4.3 However, despite this negative performance, the Trust's strategy to protect its income level continued to be successful with the portfolio continuing to produce strong income returns of 3.9% in 2022 and 4.0% in 2023. This allowed the Trust to maintain and in fact increase the level of the annual distribution to cover the impact of inflation.

4.4 The Trust's investment portfolio at 31 December 2023 and its performance can be summarised as follows:

	\$'000	1 year Return	3 year return	5 year return	10 year return
NZ Bonds	26,378	8.4%	-1.4%	1.3%	3.3%
International Bonds	22,503	6.1%	-2.7%	0.7%	2.9%
Australasian Equities	36,544	5.9%	-2.5%	8.5%	11.4%
International Equities	106,650	22.2%	10.0%	13.3%	10.7%
Private Equity	26,184	4.5%	17.3%	11.1%	-
Commercial Property	276,000	-3.2%	2.3%	8.2%	10.9%
TOTAL	494,259	3.8%	3.8%	8.5%	10.1%

4.5 The long term performance of the Trust is best represented in the graphs in the Appendix B of this report.

5.0 MISSION ALIGNED INVESTMENTS

- 5.1 In addition to its investment portfolio, the Trust has the following Mission Aligned Investments, the outputs of which align to the education purposes of the Trust:

	\$'000
St John's College	40,317 ¹
Hukarere Girls' College	21,860
TOTAL	62,177

- 5.2 St John's College, by its nature will not be realised and as such is recorded at a historical valuation. However, as it is intended the properties held for Hukarere Girls' College will be realised at the point that the Te Aute Trust Board is able to re-establish the Hukarere kura and wharenoho on permanent site. These properties are recorded at their current market value.

6.0 ESG AND IMPACT INVESTMENTS

- 6.1 The Trust continues to manage the Trust's investment portfolio under an Environmental, Social and Governance ("ESG") framework ensuring investment funds and directly held investments have appropriate ESG measures.
- 6.2 In this regard, as part of its strategic considerations, the Trust hopes to continue to investigate the expansion of its Mission Aligned Investments to ensure the Church and Tikanga have the infrastructure required to fulfil their education objectives.

7.0 FINANCIAL PERFORMANCE

- 7.1 The 2022 and 2023 years saw a reversal in terms of the capital gains earned by the Trust (refer Appendix A), with investment valuations dropping \$45 million over this two year period.
- 7.2 However, despite this performance the Trust's income remained stable with the Trust generating an operating surplus of \$17.6 million the 2023 financial year (2022: \$19.4 million).
- 7.3 Despite the quantum of the devaluation of the Trust's investments in 2022, this loss was partially offset by the value of a settlement negotiated by the Trust with Crown agencies, following the discovery that whenua taken under the Public Works Act in 1968 had been transferred to a third party without first being offered back to the Trust.

¹ Based on historical valuation, not current value.

7.4 Importantly with the maintenance of its income levels, the Trust was able to continue to meet ongoing distribution commitments as well as increasing annual distributions to meet inflation of 7.2% in 2023 and an additional 4.6% in 2024 (see Appendix B).

7.5 The financial performance of the Trust can be summarised as follows:

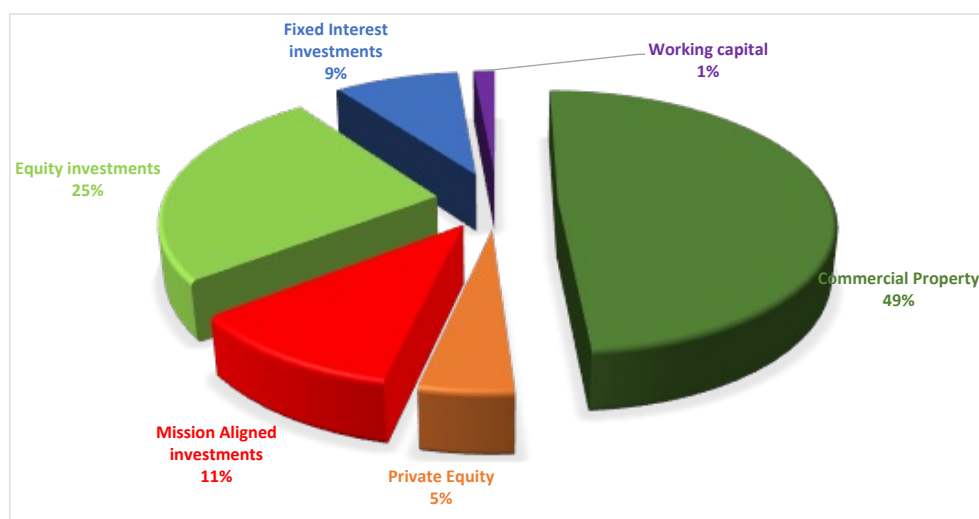
	2023 \$'million	2022 \$'million
Operating revenue	21.8	23.0
Operating expenditure	4.2	3.6
Operating surplus	17.6	19.4
Capital gains	(1.0)	(44.0)
Total surplus/(deficit)	16.6	(24.6)

8.0 FINANCIAL POSITION

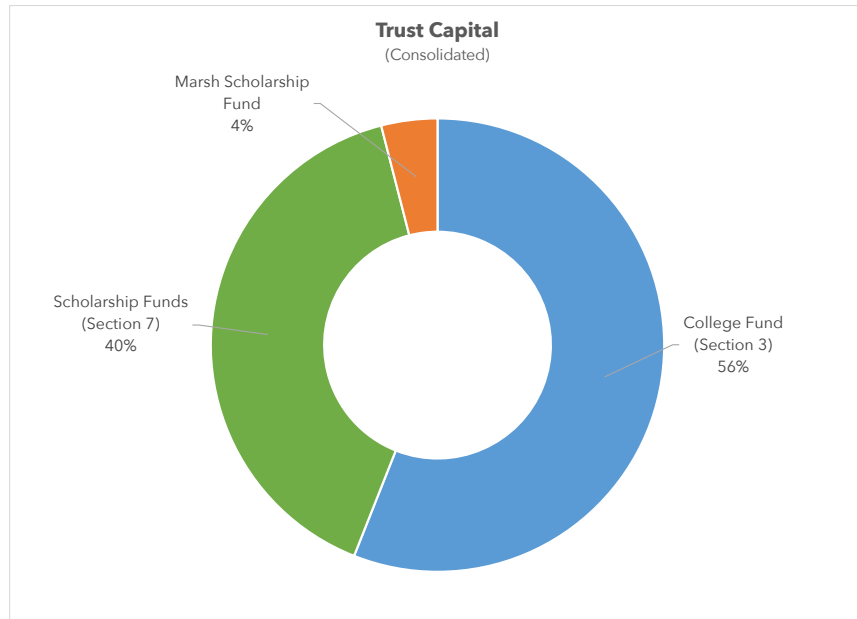
8.1 The capital losses recorded over the past two years has seen the investment capital of the Trust reduce to \$505 million (2021: \$589 million).

8.2 At the same time, the value of capital the Trust holds in Mission Aligned Investments, including St John's College in Meadowbank and Hukarere Girls' College has increased to \$62.2 million.

8.3 Therefore, the total recorded capital of the consolidated Trust is \$567 million, a 10% reduction on the value recorded in 2021 of \$632 million.



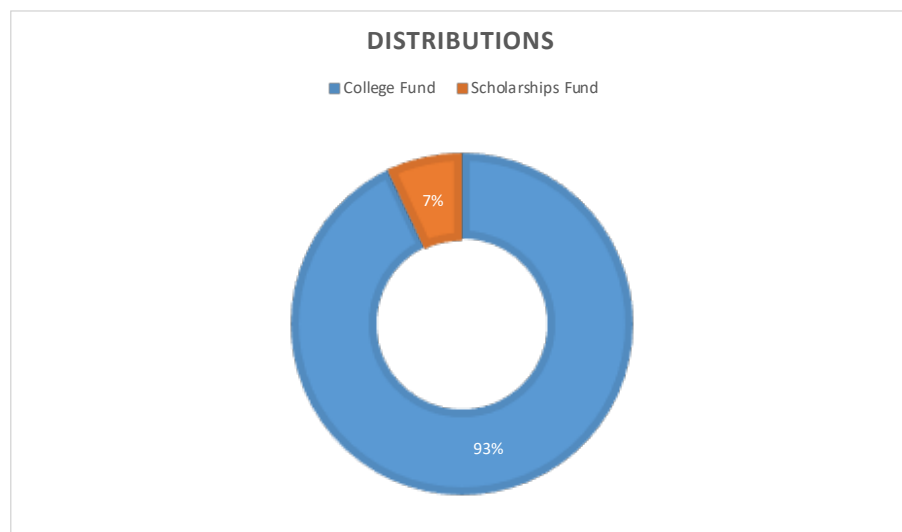
8.4 The Trust's capital is in turn represented by the capital of the three individual trusts for which the St John's College Trust is responsible, as follows:



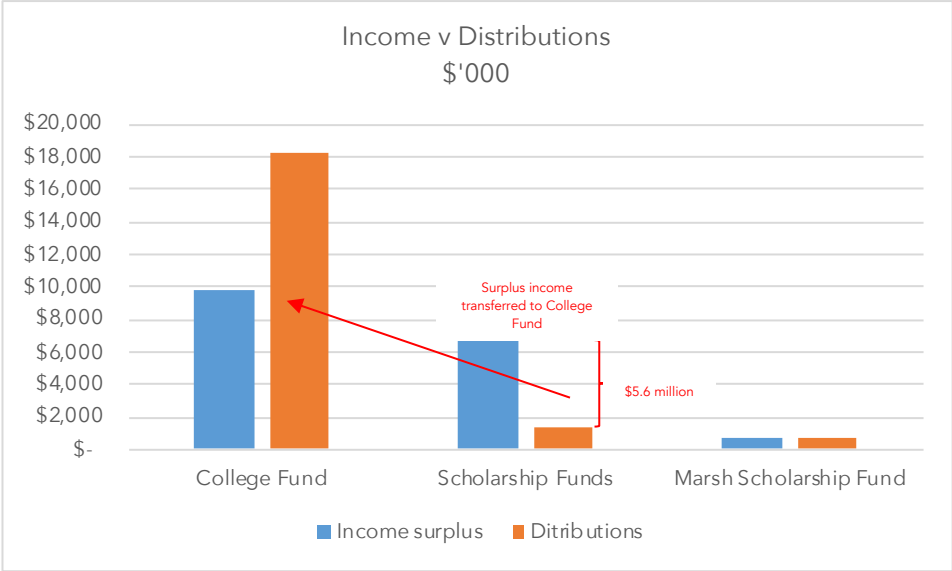
8.5 As detailed in the Appendix A of this report”

- 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, and
- the income earned from the Marsh Scholarship Fund is distributed to fund the operations of St John’s College.

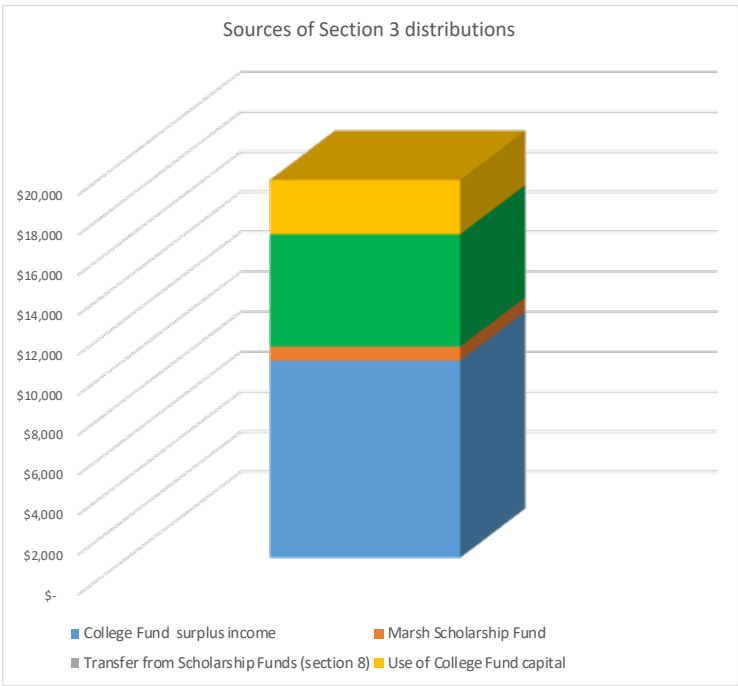
8.6 Despite the above weighting between each trust, the vast majority (93% in 2023) of distributions relate to Section 3 funding applications (St John’s College and Amorangi, Diocese and Common Life education programmes and Lay Scholarships).



- 8.7 Put another way, the Scholarships Fund represents approximately 40% of the investment capital of the Trust, circa \$200 million, and produces annual distributable earnings of around \$8 million but distributes only a fraction of this income in the form of scholarships for ordained persons and candidates for ordination (2023: \$1,421,000 and 2022: \$994,000).
- 8.8 Therefore, as permitted under Section 8 of the Act, most of the income generated from the Scholarships Fund is transferred to fund Section 3 applications, with the agreement of General Synod Standing Committee.



- 8.9 In the 2023 financial year, to fund the \$20.3 million of distributions, surplus income of \$5.6 million was transferred from the Scholarships Fund to the Common Fund.
- 8.10 In addition, Trustees utilised \$2.7 million of the accumulated gains of the College Fund for the purposes of maintaining distributions.



9.0 LOOKING FORWARD

- 9.1 Aligned with the Trust's strategy, in the coming years focus will be placed on ensuring the Trust's investments are aligned to meeting the needs of the Church along with a greater focus on the equity of distributions and the development of a diverse network of theological education providers meeting the Province's education needs.
- 9.2 To this end a major project has been initiated to consider the unique education needs of the Diocese of Polynesia, while work is continuing to ensure the sustainability of Bishopdale Theological College.
- 9.3 The Trust considers that over the next 12 – 36 months similar projects and Mission Aligned Investment opportunities are likely to be investigated and initiated.
- 9.4 Such projects are likely to be similar to the Trust's investment commitment in Te Manu Hononga and the likes of Waiata Tira² which have and are delivering outstanding education and discipleship outcomes for Te Hāhi.
- 9.5 While the growth in the Trust's capital value over time is well understood, following the example of other Trust's in the Anglican Communion, the Trust plans to undertake research into the original source of its wealth to determine if issues of equity need addressing.
- 9.6 The Trust also remains mindful of the unpredictability of global events, such as the impact of the Russian invasion of Ukraine, the escalating crisis in the Middle East and as more than 40% of the world's population head to the polls in elections in 2024. At the same time the planet continues to bear the consequences of climate change.
- 9.7 Given the impact these events can have on the volatility of investment returns, as witnessed over the last two years, Trustees will remain focussed on the Trust's investment strategy and reserving policies, to minimise the impacts of any adverse returns in the short to medium term on its ability to fund distributions and invest in the Church's education initiatives.
- 9.8 Trustees remain focussed on the sustainability of distribution levels while focussing on developing new investment and funding methodologies to ensure the equitable needs of the Church are met. The Trust encourages the Church to also consider these aspirations.

² Trustees noted that the winner of the 2022 Silver Scroll Award, for the song '35', included the group Waiata Tira which had been established with funding from the Trust as new initiative.

10.0 GOVERNANCE

10.1 The persons appointed by the General Synod Standing Committee to hold office as trustee of the St John's College Trust Board during the 2022 - 2023 period 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 (retired 2022)
The Most Rev. Don Tamihere
Ms Mele Tu'ilotolava
Mr Kevin Wearne (retired 2023)
Rev. Dr. Carolyn Robertson (appointed June 2023)
Mr Fe'iloakita Tevi (appointed June 2023)

10.2 During 2022 and 2023 the Trust bid farewell to Moka Ritchie and Kevin Wearne, the commitment and impact of both members of the Board being acknowledged, especially through Kevin's fifteen-year tenure.

10.3 In June of 2023 the Trust welcomed the appointment of Rev. Carolyn Robertson and Mr Fe'iloakita Tevi to the Board.

10.4 In accordance with the provisions of Canon II, Title E, the Ven. Maui Tangohau was reappointed Chair for the 2022, 2023 and 2024 years by Trustees, while Ven. Sue Fordyce has continued to serve the Trust as Deputy Chair.

Maui Tangohau
Chair
St John's College Trust Board

Sue Fordyce
Deputy Chair
St John's College Trust Board

Grant Hope
Secretary
St John's College Trust Board

March 2024

APPENDIX A STRUCTURE OF THE TRUST

- 1.1 The St John's College Trust Board ("SJCTB" or "Trust") is represented by two principal trusts,
 1. the College Fund, and
 2. the Scholarship Funds.
- 1.2 The purposes of these trusts are 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 the requirements of the Trusts Act 2019 and common law principles, to adhere to the purposes of these trusts.

APPENDIX B FINANCIAL PERFORMANCE

