20th May 2022

**OWNERSHIP REVIEW 2022**

A requirement of the Trust Deed is for Trustees to review the Trust ownership structure and investments every five (5) years.

To assist with this review Trustees engaged Northington Partners provide an independent assessment of the Trust performance. Should you wish to study the full report in detail, a copy is available at your local community library or is posted on the Trust website [www.kcpowertrust.co.nz](http://www.kcpowertrust.co.nz)

As an outcome of the review and Trustees deliberation, the following recommendations are made for you to consider and make submissions to Trustees whether you support or have a different opinion.

A form is enclosed for you to communicate your views and for forwarding to the Secretary either by post as per below or email to: kcept@xtra.co.nz and please indicate whether you wish to speak to your submission when the consultation process commences on 20th May 2022.

Submissions close on the 30th of June with submission hearings scheduled for the 29th of July 2022.

**Trustees Recommendations**

**Ownership Structure;**

The continued Trust ownership model is recommended as the most cost effective management system for community owned assets of some $51.6 million.

The attached report confirms that the Trustees have distributed 74% of the income received and returned on average $1.2 million annually to beneficiaries.

Growth in Trust equity since 2017 (the last review date) has risen from $42.2 million to $51.6 million, a 22% increase.

Trust value has increased steadily through financially buoyant times, and with sound investments, the community of electricity users will benefit into the future from increasing distributions and future growth.

**Equity Investments;**

**KCE Ltd**

Trustees executed an increase in the investment in KCE from 20.00% to 24.99%. KCE performed reasonably well in the review period, capitalising on shareholder and operational changes over the FY18/19 period. These changes included the sale of KCE’s retail operation, which faced declining retail market share and margins.

Trustees recommend following the reports analysis of performance to retain and grow the Trust investment in the company.

**Balanced Share Portfolio**

Trustees instigated a shift from direct investment to fully managed fund holdings under a ‘balanced’ strategy, which targets 60% equities. A 39% increase in portfolio value was achieved, from $15.2m at the start of the Review Period to $21.1m at the end. This represents a 6.2% return, in line with other New Zealand balanced funds over the same period.

Trustees recommend that the balanced portfolio is left to grow organically until such time as annual distributions cannot be covered by KCE dividends.

**Cash investments**

These provide a high level of financial security but relatively low returns for the foreseeable future.

Trustees recommend that sufficient funds are maintained to cover operating costs and some flexibility for investment opportunities as they arise.

The consultation process will provide adequate opportunity for beneficiaries to discuss with Trustees the recommendations above and aspects of the independent reviewers report.

We urge you to take advantage of the submission process and Trustees will value and consider your input before they make a final decision on the ownership structure for the next five years.

Yours sincerely



Adie Doyle-Chair

On Behalf of Trustees