About Your Invested Funds

December 2018 Update

Your invested funds

The capital of each Client Fund held by the Anglican Church Property Trust Diocese of Sydney ("ACPT") is invested in one or both of a Diocesan Cash Investment Fund Account ("DCIF") with the Glebe Administration Board, or the Long Term Pooling Fund ("LTPF").

The purpose of this circular is to report about the performance of the LTPF and the DCIF.

Investment protocol

When new monies are received for investment, ACPT will liaise with the Wardens/Authorised Officers of the relevant parish/diocesan organisation to determine when the invested funds are expected to be required. The funds will then be invested in either DCIF and/or into the LTPF in accordance with the following protocol –

a) funds expected to be required within a five year horizon are invested into the DCIF, and

b) funds that are not expected to be required within five years are invested into the LTPF.

A letter is sent to the relevant parish/diocesan organisation confirming the investment so that all stakeholders are appropriately informed.

Investments in the Diocesan Cash Investment Fund

Investments in the DCIF receive quarterly interest payments based on the net income earned during that quarter. The Investment Objective for the DCIF is to return the RBA cash rate + 0.06% on an annualised basis. The December 2018 quarterly distribution of 0.46 cents per unit was paid on 9 January 2019 and represents an annualised return of 1.79% per annum, which exceeds the Investment Objective.

Investments in the Long Term Pooling Fund

The LTPF is constituted under the *Long Term Pooling Fund Ordinance 2012*. Clause 4 of that Ordinance states that the ACPT is to "invest, manage, and administer the LTPF and, in connection therewith, to maintain the real value of the LTPF".

The ACPT has adopted the following Investment Objective for the LTPF –

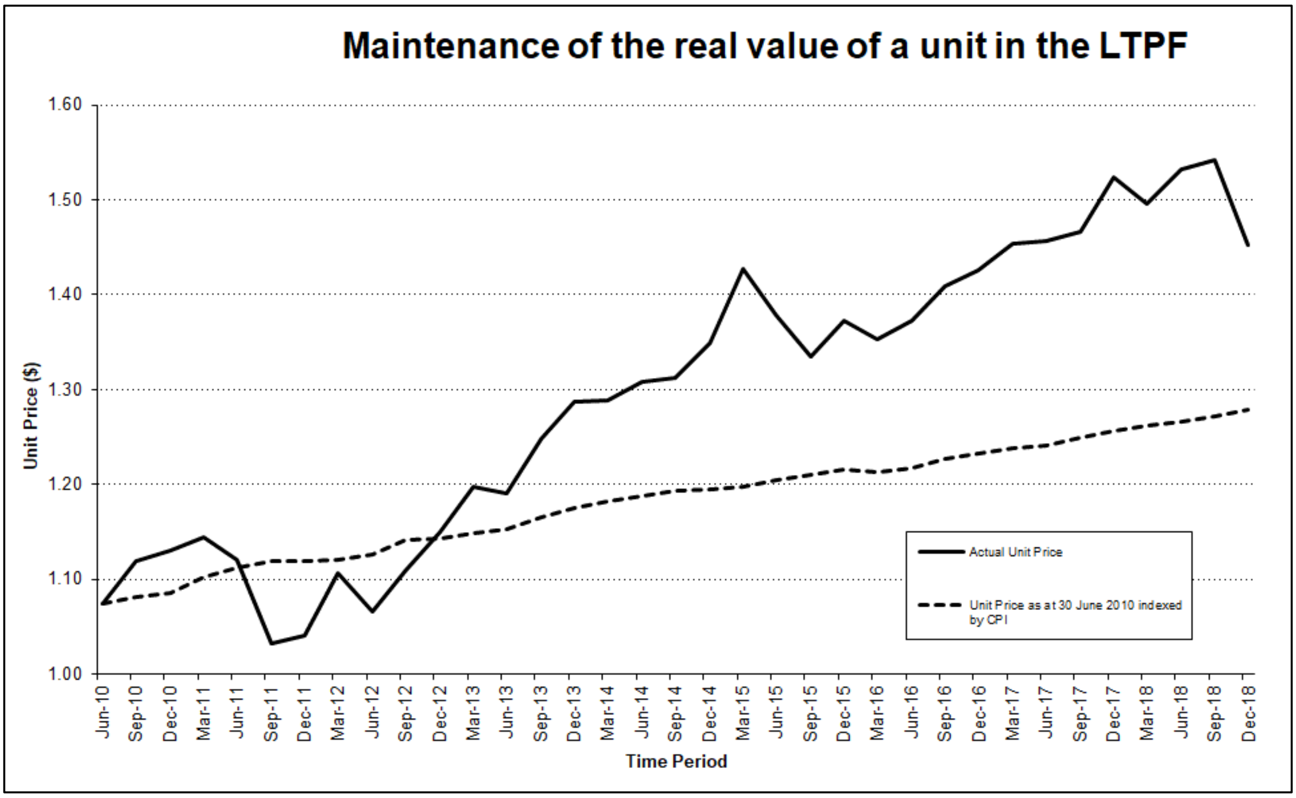
> "To achieve a real rate of return of 3.5% per annum over rolling 5 year periods (after external investment management fees and tax effects) subject to –
>
> a) preserving the real value of a unit in the LTPF over a 10 year period with a 70% probability, and
>
> b) adopting a distribution policy that is consistent with this objective."
>
> *Note – the Investment Objective was CPI + 4% per annum prior to 1 September 2017*

The ACPT considers that maintaining the "real value of the LTPF" is achieved by maintaining the real value of a unit in the LTPF and has determined that the maintenance of the real value of a unit in the LTPF is to be measured having regard to the movement in the unit price and the corresponding movement in the CPI – All Groups Index published by the Australian Bureau of Statistics over rolling 10 year periods. The Board periodically reviews the investment policy statement in consultation with the investment consultant and prescribes two measurement periods for adherence to the Investment Objective – by 1 July 2015 and again by 1 July 2020.

The investment objective was originally adopted with effect from 1 July 2010 and the average investment return till 31 December 2018 was 8.59% per annum, net of external management expenses and adjusted for tax effects. Over the same period, the average inflation rate was 2.08% per annum. Accordingly, the real rate of investment return for the period was 6.51% per annum which exceeded the Investment Objective.

More information about the investments of the LTPF is contained in Attachment 1.

Maintenance of the real value of a unit in the LTPF



The graph plots the movement in the value of a unit price in the LTPF since 1 July 2010 and shows that over the period 1 July 2010 to 31 December 2018 the real value of a unit in the LTPF has been maintained. The unit price has grown by 3.61% per annum over that period.

As noted in previous Circulars, upon the onset of the global financial crisis in late 2007, the ACPT recognised that distributions from the LTPF had been too high for the real value of a unit to be maintained over the long term given the impact of cyclical market fluctuations on the unit price of units in the LTPF. As a consequence, the ACPT progressively acted to reduce distributions. This is reflected in the above graph.

As also noted in the September 2018 Circular, with input from the investment adviser, Mercer, the ACPT approved quarterly distributions for the four quarters commencing the 1 October 2018 at 1.24 cents per unit. This distribution represents an increase of 2.50% on the previous distribution rate, and reflects an ongoing relatively lower weighting of the unit price that applied for the period post the GFC on the distribution formula that Mercer has designed to ensure that the real value of a unit is preserved over time. The December 2018 quarter distributions were paid on 14 January 2019.

Income distributions.

Each quarter, income is received by your Client Fund from distributions from the DCIF and/or the LTPF, as applicable. Your Client Fund Distribution Statement for the December 2018 quarter has been despatched and contains information about the income received by your Client Fund for that quarter. The ACPT accounts for that income, after payment of its management fee, in accordance with the trusts upon which your Fund is held. In this regard, income is either distributed, retained or capitalised. Cash distributions from the LTPF are credited to the related DCIF, rather than being reinvested by way of acquisition of additional units in the LTPF, unless a specific request is received from the parish/diocesan organisation to the contrary.

Periodically, a review of the sums accrued in the DCIF is undertaken and, when balances exceed $100,000, management contacts the parish/diocesan organisation to discuss the prospect of investing a portion of the DCIF funds into the LTPF. To that end, beneficiaries are also encouraged to actively monitor the timeframe within which invested funds might be required for a specific project, particularly if a project that requires units invested in the LTPF to be redeemed. Similarly, if circumstances have changed so that the horizon within which a project requiring invested funds has been deferred beyond 5 years, then beneficiaries are encouraged to consider the desirability of contacting the ACPT with a recommendation that the investment be transferred from “at call” to the LTPF.

Any comments?

If you have any comments or questions about the investment of your Client Fund please telephone me on 9265 1546 or contact me by email at gxe@sydney.anglican.asn.au.

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January 2019

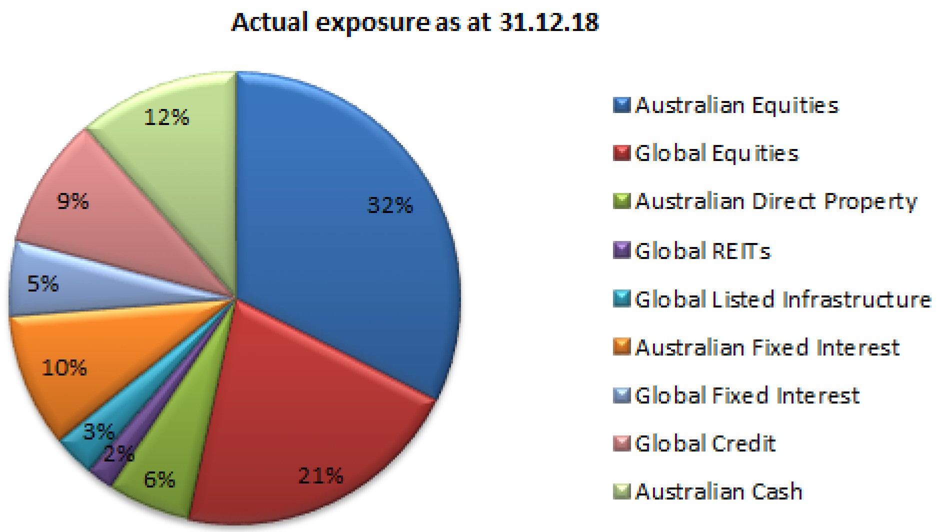
Long Term Pooling Fund

Investment Objective

The Investment Policy Statement ("IPS") for the LTPF sets out the investment objective for the LTPF, the permitted asset classes in which the property of the LTPF may be invested and the asset allocations. A copy of the IPS may be accessed by clicking here.

Investments of the LTPF

The following graph shows the asset classes in which the property of the LTPF is invested as at 31 December 2018.



Performance of the LTPF to 31 December 2018

	3 years (% pa)	5 years (% pa)	10 years (% pa)
LTPF	5.80	6.52	8.76
Weighted Index	5.69	6.02	8.20

Monitoring and Supervision

ACPT receives investment advice from Mercer Group.

Individual investment funds held by the LTPF and the DCIF are managed by third party specialist fund managers appointed by Mercer.

The ACPT Board exercises ultimate oversight of the LTPF, while the Glebe Administration Board exercises ultimate oversight of the DCIF.