About Your Invested Funds

June 2010 Update

Your invested funds

The capital of each Client Fund held by the Anglican Church Property Trust Diocese of Sydney (ACPT) is generally invested in one or both of a Glebe Income Account (GIA) with the Glebe Administration Board, or the ACPT's Long Term Pooling Fund (LTPF).

As foreshadowed in the December 2009 and March 2010 Circulars, the ACPT Board has been working with its investment consultant, Mercer Nominees Limited (Mercer), to review the investment policy of the LTPF to ensure that it remains relevant and appropriate in today's economic environment.

As a consequence of the review, the ACPT Board approved a new strategic asset allocation (SAA) for the LTPF that involves an expansion of the asset classes in which the LTPF may invest from 6-10. The expansion of investment asset classes aims to reduce the risk profile of the LPTF through greater diversification, while also improving the probability of the LTPF's return achieving targets. The additional asset classes are Australian direct property (unlisted property) - in lieu of Australian listed property, global listed Infrastructure, global fixed interest and global credit. The ACPT Board spent considerable time ensuring that the funds and fund managers chosen will result in investments being made in compliance with principles that are consistent with the Diocesan Ethical Investment Policy.

Following the approval of the new SAA, as at 30 June 2010, the LTPF was authorised to invest in the following asset classes - Australian equities and direct (unlisted) property, international equities, emerging markets, listed infrastructure, global listed property, Australian fixed interest – sovereign, international fixed interest – sovereign, global credit and Australian cash.

The now approved SAA displays the same 75% / 25% Growth Asset / Defensive Asset profile that existed under the previous SAA, but with greater diversification of asset classes. Full details of the new SAA are contained in Attachment 1.

The transition to the new SAA and associated new funds / fund managers commenced during June 2010 and is expected to be concluded by August 2010. The ACPT Board will now review the sustainability of the income distribution formula applicable to the fund.

Investment protocol

When new monies are received to be invested on trust by the ACPT, ACPT management will liaise with the Wardens/Authorised Officers of the relevant diocesan organisation to ascertain intentions regarding the timeframe within which the invested funds are expected to be required. With this information, the funds will be invested in either GIA or into the LTPF in accordance with the following protocol. A letter of confirmation will be sent to the parish/diocesan organisation confirming the investment so that all stakeholders are appropriately informed.

(a) funds expected to be required within a five year horizon are invested into GIA (see below), and

(b) funds that are not expected to be required within five years or longer, are invested into the LTPF

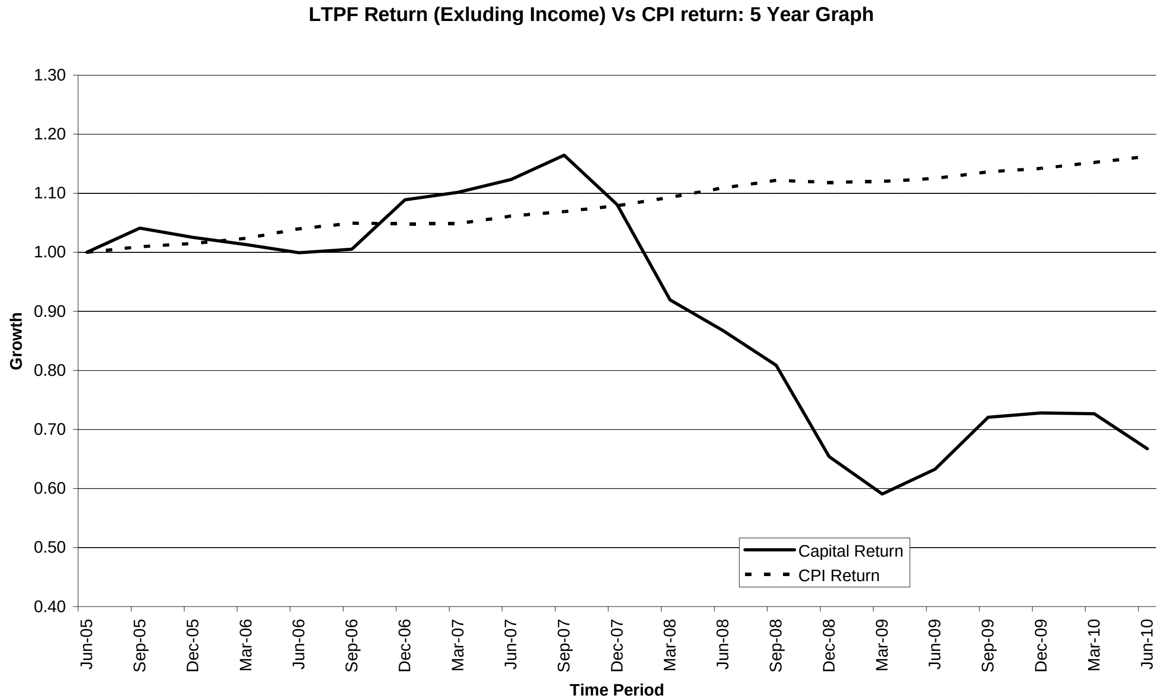
Investments in the Long Term Pooling Fund

The aim of the LTPF over the longer term (being five years or more) is to –

- preserve the real value of the investments (after distributions), and
- provide a reasonable, stable and predictable income from investments, and
- maintain a balance between the current need the underlying fund is serving and the future needs to be served.

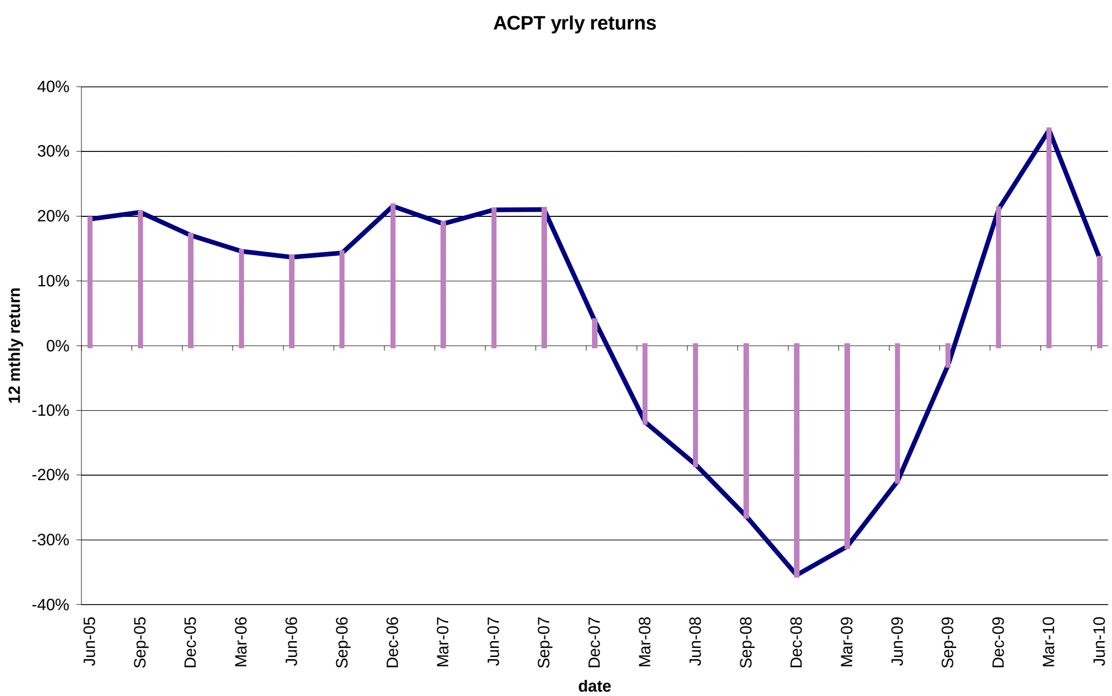
In practice these goals are translated into a targeted minimum return over a rolling five year basis of around CPI + 5% p.a. net of all charges bar ACPT management fees.

The following graph demonstrates the change in the value of the LTPF, after distributions, compared to the growth in CPI in the last five years –



The LTPF has made investment returns over the last 5 years of 0.1% p.a. The graph indicates that the impact of the sharp drawback that occurred from Q4 2007, when the global financial credit crisis (GFC) commenced, was softened throughout 2009 with the general improving trend of markets that was evident over much of calendar 2009. While markets stayed fairly stable during much of Q1 2010, there has been increased volatility during Q2 2010.

The rolling 12 month total return (inclusive of capital gains and income), of the LTPF for each quarterly period commencing December 2004 is as follows –



Given that the horizon for investments in the LTPF is for a minimum five years, commencing with the September 2010 circular, data covering a rolling five year period instead of 12 months will be graphed. A five year time frame is more consistent with the maturity profile of investments to the LTPF.

Distribution Rate

As noted in previous quarterly updates, the aggregate annual distribution for the 12 months ended 31 December 2009 was 9.4399 cents per unit, in line with forecasts. Inclusive of the June quarter distribution, the prior 12 month quarterly distributions have been as follows

DISTRIBUTION	CPU
September 2009	2.0720
December 2009	2.0026
March 2010	1.9303
June 2010	1.8424
Total	**7.8472**

The forecast contained in the September 2008 "About Your Investment Funds" Circular was that, all other things being equal, ongoing LTPF distributions are expected to be in the order of 2.15 cents per unit per quarter, approximately. The distribution formula used for the LTPF seeks to balance the intergenerational needs of unitholders, as well as assist clients to set their budgets by moderating the volatility of distributions caused by changes in the prices of investments over the shorter term. As a consequence, the impact of the significant reduction in unit price over the course of 2008 and early 2009 in response to the global financial crises continues to be felt, as reflected in recent distribution rates being determined at levels slightly below the 2.15 cents per unit (approx) estimate.

As mentioned above, a review of the distribution policy will shortly commence. Any change to the guidance for future LTPF distributions that occurs as a consequence of the review will be communicated to parishes and diocesan organisations well in advance of the 2011 financial budgeting period.

Income distributions

Each quarter, income is received by your Client Fund from a short-term deposit GIA and/or the LTPF, as applicable. Your Client Fund Distribution Statement for the March 2010 quarter is posted during April 2010 and sets out information about the income received by your Client Fund for the year to date. The ACPT accounts for that income, after payment of its management fee, in accordance with the trusts on 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 GIA, 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, ACPT management undertake a review of the sums accrued in GIAs and, when balances exceed $100,000, management contacts the parish/diocesan organisation to discuss the prospect of investing a portion of the GIA funds into the LTPF. The next review is expected to occur prior to 31 December 2010.

Investments in Glebe Income Accounts

The portion of the a Client Fund invested in a GIA is similar to an investment in a bank account in that the equivalent of an interest rate is paid and the value of the capital does not fluctuate with market movements.

Recent historical GIA interest rate movements are shown below –

Period	Applicable variable interest rate
1 January 2009 to 31 March 2009	4.20% pa
1 April 2009 to 30 June 2009	3.20% pa
1 July 2009 to 31 December 2009	3.15% pa
From 1 January 2010 to 31 March 2010	3.70% pa
From 1 April 2010	3.95% pa

The GIA interest rate applicable to ACPT investments has been based on the RBA cash rate less 0.05% with rates adjusted during the first week of each new calendar quarter if any change of RBA cash rate has occurred during the previous quarter. Historically, this methodology has generally led to the interest rate paid to ACPT GIA investments being higher than the interest rate paid on other GIAs. The rate applicable for the quarter ending 30 September 2010 will be 4.45%.

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.

GREG ELLEM
Head of Parish Property
Anglican Church of Australia, Diocese of Sydney

July 2010

Long Term Pooling Fund Strategic Asset Allocation (SAA)

Asset Class	Approved SAA Target as at 31/3 2010*	Actual Exposure 31st March 2010*	Approved SAA Target as at 30/6/2010**	Actual exposure 30th June 2010 * #
Australian Equities	40.0%	40.5%	40.0%	38.6%
Global Equities	22.0%	22.2%	20.0%	22.2%
Australian REITs	5.0%	4.3%	N/A	4.6%
Australian Direct Property	N/A	-	5.0%	0.0%
Global REITs	8.0%	8.3%	5.0%	7.8%
Global Listed Infrastructure	N/A	-	5.0%	0.0%
Australian Fixed Interest	21.0%	22.0%	7.0%	0.0%
Global Fixed Interest	N/A	-	7.0%	0.0%
Global Credit	N/A	-	9.0%	0.0%
Australian Cash	4.0%	2.7%	2.0%	26.8%
TOTAL	100.0%	100.0%	100.0%	100.0%

* The ACPT Board has implemented minimum and maximum ranges around the approved SAA targets to allow for market fluctuations. Hence, the reason for some SAAs to be breached as at the record dates.

\# The materially different actual cash balance to the SAA as at 30 June 2010 is due to the ACPT Board-approved transitioning to the new SAA and certain fund managers, which necessitated the sale of fixed interest securities, conversion to cash and subsequent progressive reinvestment into the now approved SAA.

Monitoring and Supervision

With the exception of Australian cash, individual investment funds within the LTPF are managed by third party specialist fund managers under the ultimate oversight of the ACPT Board. The Board receives investment advice from Mercer (an investment consultant which provides institutional consulting advice to some 2,700 clients in Australia and overseas), as well as general assistance from Sydney Diocesan Secretariat staff.

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