

About Your Invested Funds

June 2017 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 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 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 –

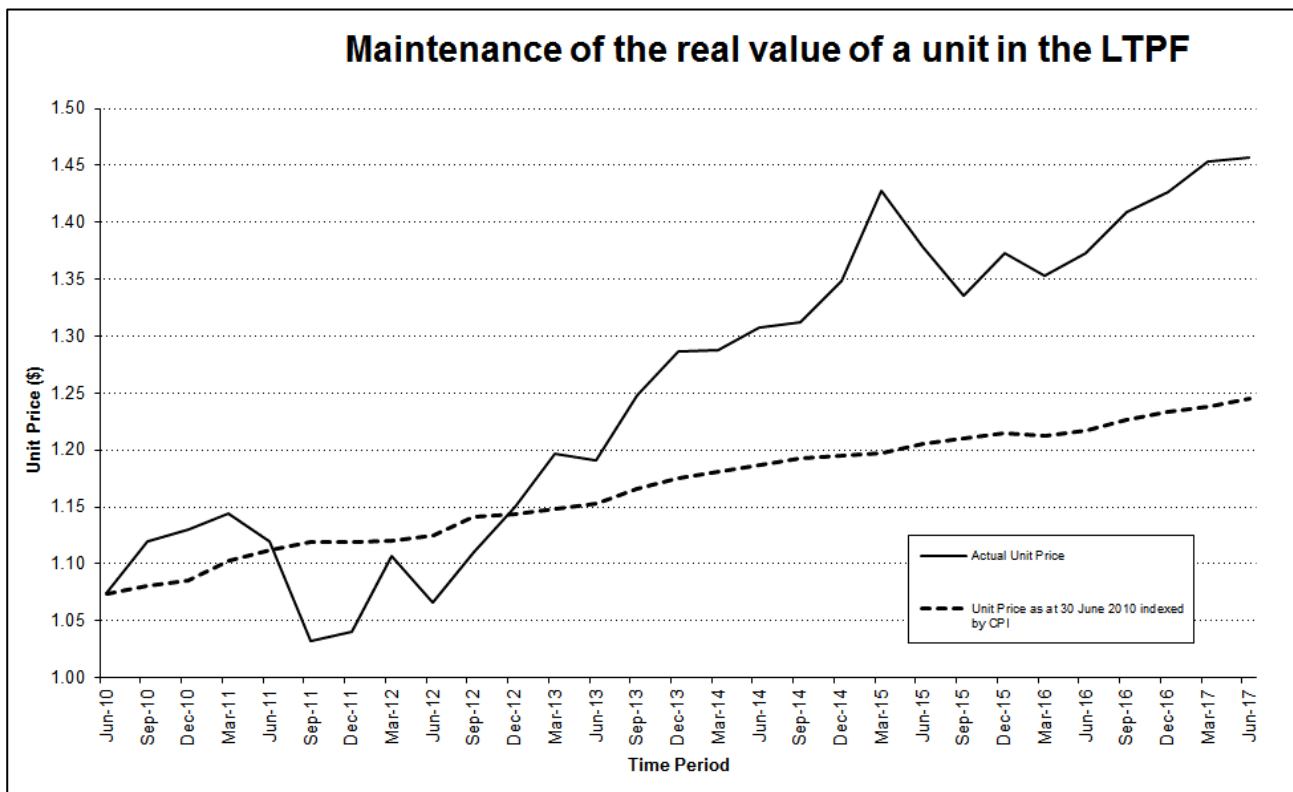
"To achieve a real rate of return of 4% per annum over rolling 5 year periods (after external investment management fees and tax effects) subject to –

- 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."

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 first measurement period for adherence to the LTPF Investment Objective was for the 84 months commencing on 1 July 2010. The average investment return for that period was 9.74% per annum, net of external management expenses and adjusted for tax effects. Over the same period, the average inflation rate was 2.14% per annum. Accordingly, the real rate of investment return for the period was 7.60% per annum which exceeded the Investment Objective. More information about the investments of the LTPF is contained in Attachment 1.

The following 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 30 June 2017 the real value of a unit in the LTPF has been maintained. The unit price has grown by 4.46% per annum over that period.



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. This is reflected in the above graph. As a consequence, the ACPT progressively acted to reduce distributions. However, as anticipated when the weighted impact of the GFC on the LTPF unit price in the distribution calculation concluded when the 2017 distribution rate was determined during Q4 2016, the year on year incremental reduction in distribution rate was arrested. For the four quarters commencing 1 October 2016, the Board maintained quarterly distributions at 1.19 cents per unit, in line with the prior 4 quarters. All other things being equal, the annual distribution rate for the four quarters commencing 1 October 2017 is expected to continue to incrementally increase

Investments in the Diocesan Cash Investment Fund

As foreshadowed previously, all funds previously held in a Glebe Income Account (GIA) have now been transitioned to the Diocesan Cash Investment Fund (DCIF). Investments in the DCIF receive quarterly interest payments based on the net income earned in that quarter. The investment objective for the DCIF is to return the RBA cash rate + 0.06% on an annualised basis. The payment date for the June quarter distribution was the 13th July 2017.

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 June 2017 quarter was despatched mid-July 2017 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 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 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.

Gregory M Ellem
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Sydney Diocesan Secretariat
Anglican Church Diocese of Sydney

July 2017

Long Term Pooling Fund

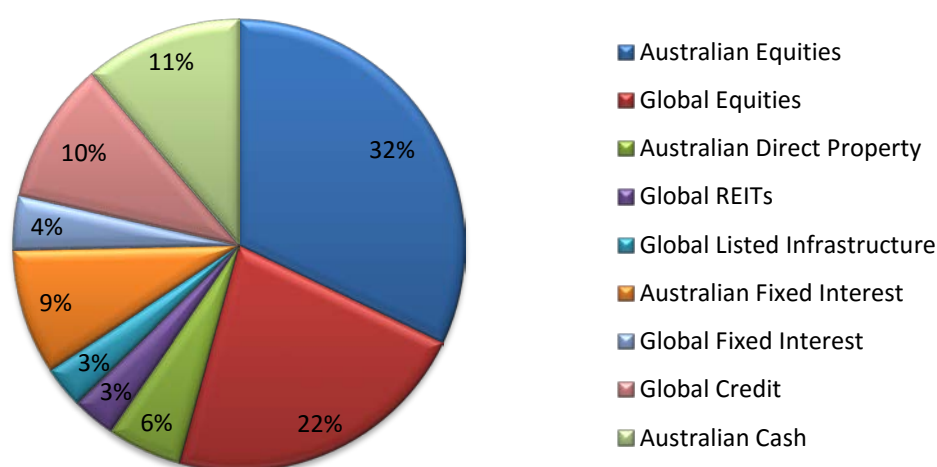
Investment Objective

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 30 June 2017.

Actual exposure as at 30.06.17



Performance of the LTPF to 30 June 2017

	3 years (% pa)	5 years (% pa)	10 years (% pa)
LTPF	7.92	11.21	3.44
Weighted Index	7.02	10.27	3.12

Monitoring and Supervision

Individual investment funds within the LTPF and the DCIF are managed by third party specialist fund managers under the ultimate oversight of the ACPT Board.

ACPT receives investment advice from Mercer Group.