



ATTENTION	Parish Wardens and Parish Treasurer or Executive Officer of Diocesan Organisations
SUBJECT	Anglican Church Property Trust as trustee for the Long Term Pooling Fund - "About Your Invested Funds" June 2017 quarterly circular
DATE	31 October 2017
SDS CONTACT	Greg Ellem gxe@sydney.anglican.asn.au ☎ 9265 1546

KEY POINTS

- The investment performance of the Long Term Pooling Fund continues to be outperform benchmarks over each of the 3, 5 and 10 year measurement periods.
- The ACPT has set the quarterly distributions from the LTPF at 1.21 cents per unit per quarter (4.84 cents per unit per annum) for the four quarters commencing 1 October 2017. This rate of distribution represents a 1.7% increase on the distribution rate applicable to the past four quarters and is in line with guidance provided in previous Circulars.
- There have been no changes to the investment policy statement of the Long Term Pooling Fund, including to the strategic asset allocation of the Fund since the last quarterly circular.
- The September 2017 quarterly distribution was paid during October 2017.
- Investment advice continues to be provided to the ACPT by Mercer Group.

ACTION ITEMS

- Wardens: You may wish to share the Circular with the wider parish council.
- Executive Officers of Diocesan Organisations: You may wish to share the Circular with your governing board, council or committee.

DETAIL

We are sending the attached quarterly "About Your Invested Funds" Circular to you in your capacity as an authorised officer of a parish or diocesan organisation that may either hold units in the ACPT's Long Term Pooling Fund and/or ACPT GIA investments.

If your parish or organisation does not hold these investments, the Circular is provided to keep you up to date with investment options that are available through the ACPT.

Gregory M Ellem

Head of Parish Property
Sydney Diocesan Secretariat

About Your Invested Funds

September 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 ("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 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% pa over rolling 5 year periods (after external investment management fees and tax effects) subject to –

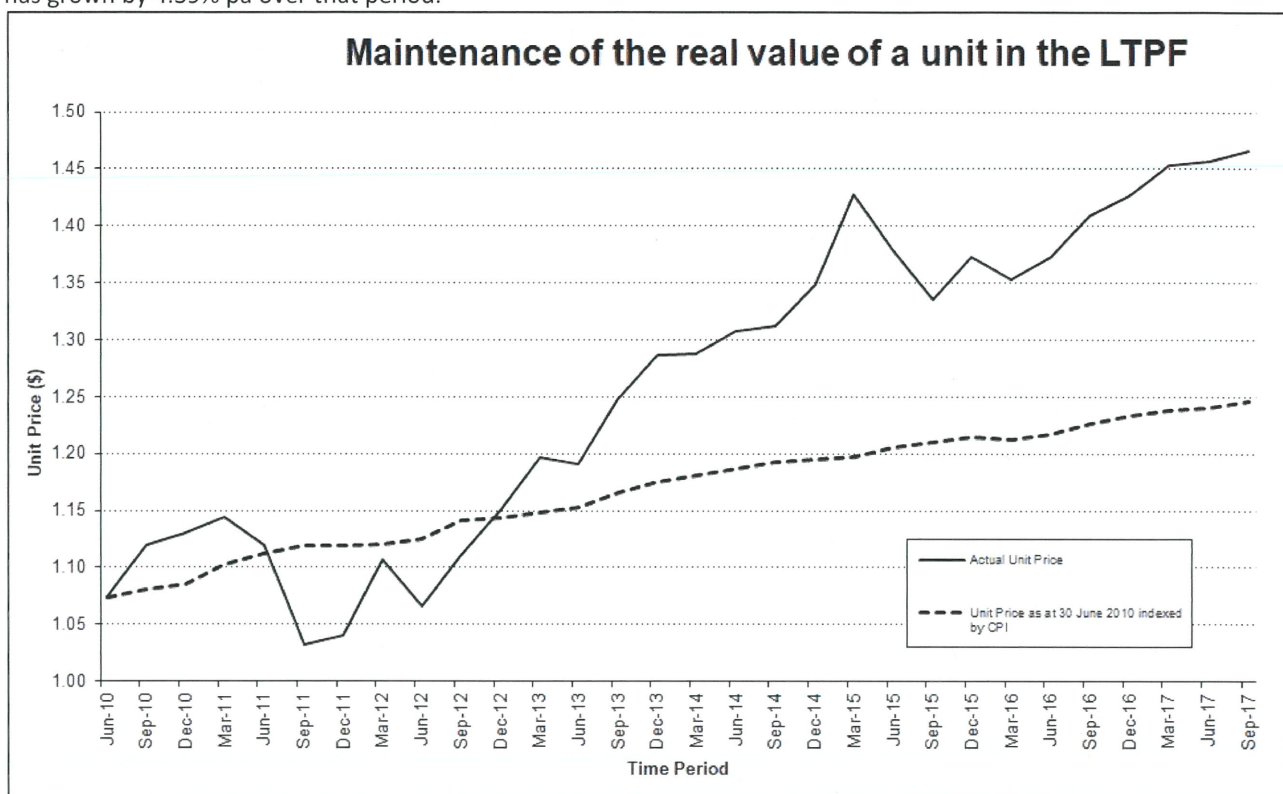
- a) preserving the real value of a unit in the LTPF over a 10 year period with a 70% probability, and
- b) adopting a distribution policy that is consistent with this objective."

Note – the Investment Objective was CPI + 4% pa 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 first measurement period for adherence to the LTPF Investment Objective resulted in an average investment return of 10.88% pa, net of external management expenses and adjusted for tax effects. Over the same period, the average inflation rate was 2.27% pa. Accordingly, the real rate of investment return for the period was 8.61% pa 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 September 2017 the real value of a unit in the LTPF has been maintained. The unit price has grown by 4.39% pa 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. The review for the setting of the quarterly distributions commencing 1 October 2017 has been undertaken and the Board has approved distributions for the next four quarters at a rate of 1.21 cents per unit. This represents an increase of 0.02 cents per unit as foreshadowed in the last circular.

Investments in the Diocesan Cash Investment Fund

As explained in recent Circulars, all funds previously held in a Glebe Income Account (GIA) have now been transitioned to the DCIF. 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 September 2017 quarterly distribution of 0.44 cents per unit was paid on 10 October 2017 and represents an annualised return of 1.78% pa, which exceeds the Investment Objective.

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 September 2017 quarter was despatched during October 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 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 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

Head of Parish Property

Sydney Diocesan Secretariat

Anglican Church Diocese of Sydney

October 2017

Long Term Pooling Fund

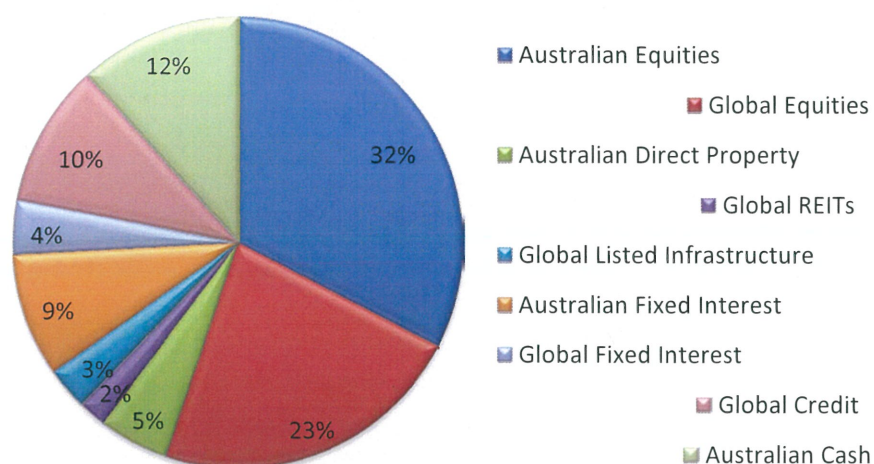
Investment Objective

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 September 2017.

Actual exposure as at 30.9.17



Performance of the LTPF to 30 September 2017

	3 years (% pa)	5 years (% pa)	10 years (% pa)
LTPF	7.94	10.32	3.08
Weighted Index	7.15	9.37	2.79

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.

