



The Perth Diocesan Trustees Investments

Adopted by:	The Perth Diocesan Trustees	20 March 1997
Amendments:		16 September 2004
		17 February 2005
		20 December 2007
		18 February 2010
		16 June 2011
		21 March 2013
		15 April 2014

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1. POLICY STATEMENT

1.1 The Perth Diocesan Trustees ('the Trustees') has a policy of investing all funds available for investment for maximum return while recognising their obligations to manage an investment portfolio in such a manner that will achieve a reasonable balance between investment return and security over the investment assets under their control. The Trustees will not knowingly invest in an organisation that operates at the expense of the environment, human rights, public safety; or in communities in which the organisation conducts its operations at the expense of the welfare of its employees. This ethical approach is also to be in line with the values of the Anglican Church.

2. PURPOSE

2.1 This policy sets out the responsibilities, principles and protocols with regard to all investments of the Trustees except for real estate held for reasons other than investment (such as parish properties).

3. LEGISLATION

3.1 The investment policy is governed by legislative provisions under The Anglican Church of Australia (Diocesan Trustees) Act 1888, The Diocesan Trustees' Statute 1952 – 1990, The Trust Funds Statute 1965 – 1978 and the Trustees Act 1962.

4. COMPOSITION

4.1 The Trustees will maintain a Strategic Investment Committee and the following sub committees in terms of Corporate Governance Policy number 46 in order to set overall asset class allocations and targets for the Diocese and to review these from time to time in light of changing economic circumstances. The following two sub committees will give advice on the investment of assets within their respective allocations and report directly to PDT.

Investment Sub Committee This Sub Committee gives advice to Trustees on all investments (other than direct property related).

Property Sub Committee:

This Sub Committee is responsible for analysing direct property related investments on behalf of the Trustees and particularly those properties purchased as assets for the various trusts managed by the Trustees.

4.2 The Trustees will appoint at least three persons for a term of 3 years to comprise the Property Sub Committee and Investment Sub Committee. At least two of these persons shall be Trustees. The Strategic Investment Committee will consist of two trustees from the Property Sub Committee and two trustees from the Investment Sub Committee.



- 4.3 The Committees shall meet as is necessary but not less than twice annually. Minutes of meetings shall be maintained and submitted to the Trustees.
- 4.4 The Diocesan Secretary, Director of Finance and the Diocesan Accountant shall attend all meetings of the Committees.
- 4.5 Two members of the Investment and Property Sub Committees, including at least one Trustee, shall form a quorum. Three members of the Strategic Investment Committee shall form a quorum.
- 4.6 Decisions require a majority of members present at a meeting or a minimum of two members reaching a consensus if a decision is made outside a meeting.

5. OBJECTIVES

- 5.1 The Trustees hold investment funds for the beneficiaries of the trusts. Accordingly, any investment made by the Trustees needs to reflect the purpose of the respective trust, the needs of the beneficiaries and the term of the trust.
- 5.2 The objectives of the Committees are broadly to secure acceptable capital growth and income for all investment assets (including direct property) within the risk profiles set by the Trustees. In relation to direct property the Property Sub Committee’s objectives are to acquire, develop rent, maintain and dispose of investment property to optimise the value to the respective beneficiaries of the trusts.
- 5.3 The objectives and risk profiles of the major trusts administered by the Trustees are as follows:

Bishop Hale’s Trust

To achieve growth with medium risk while generating sufficient surpluses to provide distributions sufficient to meet the budgetary requirements of the beneficiaries (Archbishop’s Establishment, the Diocese and the Province).

Cathedral Square Foundation

To achieve growth with medium risk while generating sufficient surpluses to provide distributions sufficient to meet the budgetary requirements of the beneficiaries (the Cathedral, the Diocese and the Province). Cathedral Square and the properties thereon are core assets of this Trust.

H1&H7 Trust

To achieve growth with medium risk while generating sufficient surpluses to provide distributions sufficient to meet the requirements of the beneficiaries (schools and Anglican education). QBE House and the Cloisters are core assets of this Trust and current practice is to distribute all surpluses.

Diocesan Reserves

To achieve growth with low to medium risk while generating sufficient surpluses to provide distributions sufficient to meet the requirements of the Diocese.

Trustees’ Investment Pools (The Trust Funds Statute)

Pool 1 – to distribute annual income equivalent to the UBS Bank Bill index plus 0.5% with a medium risk profile.

Pool 2 – to distribute annual income equivalent to the UBS Bank Bill index with a low to medium risk profile.



Pool 3 – to distribute annual income equivalent to the UBS Bank Bill index less 0.5% with a low risk profile.

Property Investment Pool

- a) *Increase the property pool’s gross assets by 9% per annum (pre distribution).* This will be measured on a rolling 5-year basis (1 year’s prior actual, current year budget and 3 years future forecasts). Such an increase is measured by both realised cash returns (net profit) and unrealised (net growth in value of the property investments) factors.
- b) Achieve a “cash” yield sufficient to meet the forecast annual costs of interest, administration, capital expenditure (minor works) and net distribution. This will be based on a rolling 5 year cash flow forecast.
- c) Achieve minimum net growth in the property pool NTA of 4% per annum after cash distributions of 5% per annum.

Equity Investment Pool

- a) To generate an ongoing income stream of 6% pa and an average total return in excess of 9% per annum (5 year rolling average) on the total direct equities and managed investments held by the Equity Investment Pool. Such an increase is measured by both realised cash returns (net profit) and unrealised (net growth in value of the equity investments) factors.

Achieve a “cash” yield sufficient to meet the forecast annual costs of interest, administration and net distribution. This will be based on a rolling 5 year cash flow forecast.

6. STRATEGY

6.1 Investments are to be made in line with trust objectives, the nature of any core assets, risk profile and required return. As far as possible, investments will be diversified across asset classes, within an asset class and across investment managers.

6.2 The objectives and strategies adopted in relation to the different risk profiles are as follows:

Low Risk - to provide relatively stable returns over the medium term with potential for some long term capital growth by investing in a portfolio with a majority of defensive assets but maintaining a component of growth assets.

Low to medium Risk – to provide a balance of income and capital growth over the medium to long term by investing in a portfolio balanced between growth assets and defensive assets.

Medium Risk – to provide returns mostly from capital growth over the long term by investing primarily in growth oriented assets but with lower volatility of returns.

6.3 The asset classes are:

<u>Property</u>	-Direct
	-Managed Listed
	-Managed Unlisted
<u>Other Investments</u>	
Cash	
Fixed Interest	-Managed Fixed Interest
Alternate assets	-Managed Alternate Assets
Equities Australian	-Direct
	-Managed Funds (Shares)
Global	-Managed Funds (Shares / Property)



- 6.4 The Strategic Investment Committee is to review the allocation of assets between Property and Other Investments for the various trusts at least six monthly. The Investment Sub Committee asset allocation of each trust is to be initially agreed on and minuted by the Investment Sub Committee and thereafter reviewed at least six monthly.
- 6.5 The Property Sub Committee may appoint property managers to manage investment properties administered by the Trustees. The Property Managers will be required to report monthly on income, expenditure, tenant debts and leases pertaining to the relevant properties.
- 6.6 The Investment Sub Committee may appoint portfolio managers to manage portfolios of direct equities managed by the Trustees **Portfolio managers will be chosen based on appropriate advice**, as having the relevant attributes: appropriate skills and experience; operational capabilities; financial and organisational stability. Such managers will manage their respective portfolios, within agreed mandates; advise on, purchase, sell or hold investments appropriate to the trusts/pools. They are to seek approval from the Diocesan Secretary or Director Finance for all trades prior to execution. The reporting obligations of the portfolio managers will vary according to each appointment. Portfolio managers will be invited to address meetings of the Investment Sub Committee from time to time to advise any major changes in economic outlook and its effect on investment strategy. 6.7 In the case of managed funds, funds will be selected and approved by the Investment Sub Committee. The selection of an investment manager is to be based on background, experience, investment philosophy, investment style, past performance, efficiency, client service and cost. Funds should be wholesale funds with consistent performance and lowest fees (MER) using the sophisticated investor status if appropriate. All managed funds are to be reviewed at least annually.
- 6.8 The Diocesan Secretary or the Director of Finance are to be given the discretion to vary funds invested in direct shares with existing portfolio managers.
- 6.9 Liquid funds are only to be invested with the Anglican Community Fund Inc where practical, or alternatively with an entity that has no less than an AA-Long Term Rating (S&P or equivalent).
- 6.10 Investment in direct property is to be selected by the Property Sub Committee and recommended to the Trustees as opportunities arise.
- 6.11 **Other Parameters / Guidelines**
- No investment in an external managed fund is to represent more than 25% of any one trust/pool, unless specifically agreed to by the Investment Sub Committee.
 - No investment in any one entity is to represent more than 10% by value of the Equity Investment Pool unless specifically agreed to by the Investment Sub Committee.
 - Up to 5% of Equity Investment Pool in small cap/emerging Australian companies maximum initial investment of \$50K in any one broker portfolio and maximum single stock exposure of 2% in any one broker portfolio.
 - Up to 100% of total equity portfolio to be held in listed Australian Equities in ASX 200. Investments in unlisted investments may be made only if specifically agreed to by the Investment Sub Committee.
 - Covered option contracts are allowed to enhance the income and are not to exceed exposure limits for single stock.



- No investment which requires direct borrowing by the Trustees may be made without their prior approval.
- No exposure to off shore listed companies.
- Moral constraints to be considered at all times; specifically no direct or indirect investments will be made in companies deriving income from tobacco, armaments, pornography, or more than 5% of their primary income from gaming, but alcoholic beverage providers are not excluded. Preference to be given to investing in organisation deriving income from from *'renewable energy' rather than those deriving income from non-renewable' energy (eg fossil fuels) providing such companies meet these policy guidelines and investment criteria.*

6.12 The Investment Sub Committee will not, without the prior approval of the Trustees, invest in an entity in which a Trustee has a substantial investment or holds director or management position. Any investment recommendation in such an entity must be accompanied by written independent professional advice. Any pecuniary interest by a Trustee in an investment must be disclosed and that Trustee must not vote as to whether or not the Trustees invest.

7. PERFORMANCE MONITORING

7.1 The principal goals in monitoring investment performance are to determine:

- a) the performance of each investment against the relevant benchmark; and
- b) the performance of the investment pool as a whole against its objectives.

7.2 The benchmarks for each asset class are:

FIXED INTEREST	UBS Australia Bank Bill Index
PROPERTY	S&P/ASX 200 REIT Accumulation Index
AUSTRALIAN EQUITIES	S&P/ASX 200 Accumulation Index
GLOBAL EQUITIES	MSCI World Ex Accumulation Index
ALTERNATIVE ASSETS	HFRI Fund of Fund Composite Index

7.3 Statements on the portfolio's assets and activities will be presented to the Sub Committees at least quarterly. Actual results are to be measured against benchmarks, and poor performing managers/products are to be divested at the appropriate time.

8.0 REVIEW

A strategy review of this policy should be undertaken at least every 3 years and a complete review of this policy should be undertaken every 5 years.