

Long Term Pooling Fund – Client Fund 0303

Policies and Procedures

Introduction

These policies and procedures are to be read in conjunction with the Governing Terms of the Long Term Pooling Fund (LTPF) adopted by the Anglican Church Property Trust Diocese of Sydney (ACPT) on 26 October 2012 (the Governing Terms) and the Long Term Pooling Fund Ordinance 2012.

Investment Objective of the Long Term Pooling Fund (Fund 303)

1. The investment objective of the LTPF, as initially determined by the ACPT on 27 November 2007, and is periodically reviewed, is to:
 - (a) preserve the real value of investments (after distribution and costs); and
 - (b) provide a valuable, stable and predictable income from investments; and
 - (c) maintain a balance between the current need the underlying funds is serving and the future needs to be served.
2. Based on the current distribution policy (see page 4), this effectively amounts to an investment objective of a total return (combined capital return and income return) equal to CPI plus 5.0% over a rolling five year period.

Investment Sub-committee

3. On 15 February 2008, the ACPT established an Investment Committee, as a committee of the ACPT. The terms of reference of the Investment Committee enable it to exercise delegated authority to enable decisions to be made about the investments of the LTPF between ACPT meetings.

Investment Protocol

4. When new monies are received to be invested on trust by the ACPT, Sydney Diocesan Secretariat management will liaise with the Wardens or Authorised Officers of the relevant diocesan organisation to ascertain intentions regarding the timeframe with which the invested funds are expected to be required. With this information, the funds are invested either at call in a Glebe Income Account (GIA) or into the LTPF in accordance with the following protocol –
 - (a) funds expected to be required within a five year horizon are invested in GIA; and
 - (b) funds that are not expected to be required within five years or longer are invested into the LTPF.
5. A letter of confirmation is sent to the parish or diocesan organisation confirming the investment.

Strategic Asset Allocation of the LTPF

6. The strategic asset allocation of the LTPF approved by the ACPT on 25 June 2010 is –

Asset Class	Strategic Asset Allocation	Range
Australian Equities	40%	30% - 50%
International Equities		
- Developed Markets	16.5%	0% - 26%
- Emerging Markets	3.5%	0% - 5%
Australian Direct (Unlisted) Property	5%	0% - 10%
International Listed Property	5%	0% - 10%
Global Listed Infrastructure	5%	0% - 10%
Australian Fixed Interest	7%	0% - 20%
International Fixed Interest - Sovereign	7%	0% - 20%
Global Credit	9%	0% - 15%
Australian Cash	2%	0% - 30%
	100%	

7. The strategic asset allocation is periodically reviewed by the ACPT.

8. In relation to the strategic asset allocation, the ACPT has also determined as follows –

(a) *Hedging for foreign exchange risk*

The LTPF adopts a currency hedging strategy in relation to several asset classes - International Equities – Developed Markets, Global Listed Infrastructure, Global Listed Property, Overseas Fixed Interest – Sovereign and Global Credit. International Equities – Developed Markets are subject to a currency hedging policy of between 35% and 65%. The other four asset classes are subject to a 100% currency hedging policy.

(b) *Ethical Policy*

The ACPT will consider investments in any unit trust except where the unit trust conducts as its main business or one of its main businesses a business which the Synod or the Standing Committee by resolution has declared to be a disapproved business or the unit trust mainly invests in the securities of a corporation or unit trust which conducts such business as its main business or one of its main businesses.

9. The ACPT approves the unit trusts into which the LTPF may invest. The approved funds and fund managers are –

Asset Class	Mercer Multi-Manager Fund*	Date of Approval
Australian Shares	Mercer SR Australian Shares Fund	28 May 2010
Overseas Shares – Developed Markets (unhedged)	Mercer Overseas Shares Plus Fund	25 June 2010
Overseas Shares – Developed Markets (hedged)	Mercer Hedged Overseas Shares Plus Fund	25 June 2010
Emerging Markets	Mercer Emerging Markets Fund	25 June 2010
Listed Infrastructure (hedged)	Mercer Listed Infrastructure Fund	25 June 2010
Global Listed Property (hedged)	Mercer Listed Property Fund	25 June 2010
Australian Direct (Unlisted) Property	Mercer Direct Property Fund	25 June 2010
Australian Fixed Interest – Sovereign	Mercer Australian Sovereign Bond Fund	25 June 2010
Overseas Fixed Interest – Sovereign (hedged)	Mercer Overseas Sovereign Bond Fund	25 June 2010
Global Credit (hedged)	Mercer Global Credit Fund	25 June 2010

* Mercer Investment Nominees Limited

Accounts of the LTPF

10. Management accounts are reported to ACPT management on a monthly basis with management being responsible to report any material issues to the ACPT.
11. An annual budget is required to be prepared by Sydney Diocesan Secretariat (SDS) management and is referred to the ACPT for approval prior to 31 December annually.

Investment Advice to the LTPF

12. The ACPT may engage investment advisors to provide advice in relation to the LTPF. The costs of such consultants are to be charged as an expense against the income of the LTPF.
13. Each quarter, in February, April, July and October, SDS management issue a circular as at the last business day of the prior month, to all parishes or diocesan organisations with investments in the LTPF along the lines of Attachment 1 (the June 2010 “About Your Invested Funds” Circular).

Distribution Policy of the LTPF

14. Distributions from the LTPF are made on a quarterly basis, as soon as possible after 31 March, 30 June, 30 September and 31 December each year.
15. On 20 July 2007 the ACPT approved the following formula for the determination of distributions from the LTPF (with effect from the September 2007 quarter) -

The quarterly distribution from the LTPF is calculated as the sum of two parts –

- (a) one quarter of the prior year's annual distribution adjusted by the most recent annual CPI inflation rate, weighted at 70%, and
 - (b) [5.0%] of the trailing average market value of the LTPF over the previous 12 quarters, weighted at 30%.
16. The formula was modified in November 2008 by introducing a maximum (cap) of 5.75% and minimum of 4.25% (floor) "spend rate" (expressed as a percentage of the prior 12 quarters average LTPF unit price) into the formula. This collar provides enhanced scope for sustainable distributions to be made.
 17. The purpose of the distribution formula is to provide a reasonable and relatively stable income from the fund while maintaining the real value of the investments in the fund.
 18. Specific staff of the SDS, who service the ACPT, are authorised to declare quarterly distributions, in accordance with the above mentioned formula and make those distributions as soon as possible after the end of each quarter. Such declared distributions are to be reported to the ACPT as soon as possible after the declaration has been made.

Investment in and withdrawals from the LTPF

19. Specific staff of SDS are authorised to make investments in the LTPF from funds held by the ACPT for investment.
20. Specific staff of SDS are authorised to request withdrawals by way of redemption from the LTPF. By resolution made on 19 May 2006 the ACPT adopted the following policies for withdrawals from the LTPF –
 - (a) normally, withdrawals will be made within 14 days after a request is made, and
 - (b) the ACPT may designate a longer period to apply from time to time if, in the Property Trust's opinion, circumstances warrant such a longer period.

Reporting about the LTPF

21. Reports about the asset allocation of the LTPF and its performance are provided to the ACPT and its Investment Committee at least each quarter, but generally monthly.

Details of the current investment adviser

22. The current investment adviser is Mercer (Australia) Pty Ltd.

Administration Service

23. The ACPT may engage a person or consultant to provide administration services to the Fund. The cost of providing this administration service are to be charged as an expense against the income of the LTPF.
24. The ACPT will enter into a Service Level Agreement with the SDS that details the range of services to be provided in relation to the administration of the LTPF.

Review and Modification of Policies and Procedures

25. The ACPT, from time to time, will modify the policies and procedures as circumstances dictate. However, at least annually, the policies and procedures will be formally reviewed by the Investment and Finance sub-committee of the ACPT.
26. The ACPT Board resolved on 26 October 2012 to modify the policies and procedures to reflect the requirements of the Long Term Pooling Fund Ordinance 2012.

26 October 2012