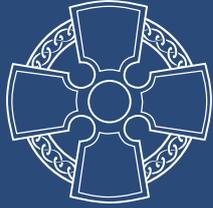


The Church in Wales Common Investment Fund



Annual Report and Financial Statements Year ended 31 December 2016



The Church in Wales Common Investment Fund

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The Church in Wales Common Investment Fund

Report of the Trustee

Structure

The Church in Wales Common Investment Fund is a collective investment scheme that was established by The Representative Body of the Church in Wales (The Representative Body), under a scheme approved by the Charity Commissioners on 11 December 2008, for the investment of monies belonging to or benefiting any charity for which the Representative Body is Trustee.

The Representative Body is the Trustee of the Common Investment Fund, and has appointed its Investment Committee to oversee the Fund. The Investment Committee meets four times a year, receives quarterly reports from the Fund Manager, and monitors the strategy and performance of the Fund.

The Common Investment Fund is managed by the Fund Manager (Newton Investment Management) in accordance with an Investment Management Agreement, and is administered by the staff of the Representative Body.

Description of the Fund

The Fund is suitable for investment by parishes where long term capital growth and a reasonable level of income and income growth are desired, and is not suitable for money that is liable to be needed in the near future.

Parish funds and trusts from bequests and legacies can be invested in the Fund.

Trusts held in the Fund are distinguished between expendable and non-expendable trusts. In most cases income from expendable trusts is accrued and either reinvested or paid out to the parish. Non-expendable trust income is usually distributed on a quarterly basis.

Investment Report

Investment Objectives

The Fund is considered to be a medium to long term investment vehicle for trusts and parish funds, and has the following aims and objectives:

- to achieve a balance between sustainable levels of income and capital growth;
- to optimise total returns without undue risk;
- to operate within the constraints of the Church in Wales' Ethical Investment Policy.

Performance Benchmark

Until 2015, the performance of the Fund was measured relative to the WM All Charity Fund Index. As this service ceased to operate after the first quarter of 2016, this benchmark is no longer available.

A new provider has only recently been sourced and therefore the total return of the fund for periods to 31 December 2016 is not available for this year's report.

However, for many years the Fund Manager has provided a composite benchmark against which to measure the performance of the Fund. This composite benchmark incorporates the performance of the major indices of the assets in which the portfolio is invested, and focuses on the ability of the fund manager to outperform within the various asset classes. The composite benchmark has been used in this report.

Ethical Investment Policy

The Fund is invested in accordance with the Ethical Investment Policy of the Church in Wales, a revised version of which was adopted by the Governing Body of the Church in Wales in April 2016.

The Policy prohibits investment in companies involved in armaments, predatory lending activities and pornography, restricts investment in companies involved in gambling, alcohol, tobacco, thermal coal and tar sands and seeks to promote good levels of corporate governance and social responsibility. A copy of the Policy is set out in full in the Annual Report and Accounts of the Representative Body of the Church in Wales, and is also available on the Church in Wales website at www.churchinwales.org.uk.

The Church in Wales Common Investment Fund

Report of the Trustee

Investment Managers

Newton Investment Management was appointed in 2010 to manage the stock exchange investment fund on a Global Multi-Asset mandate.

Assets

The asset allocation ranges for 2016 were:

Asset Class	UK Equities	Overseas Equities	Fixed Interest	Property	Cash
Allocation Range	15-35%	10-55%	15-35%	0-15%	0-25%
Allocation at 31/12/16	33%	40%	17%	2%	8%

The Fund was invested in the following equity sectors at 31 December 2016:

Consumer Services	11.9%	Telecommunications	5.7%
Technology	11.2%	Consumer Goods	4.5%
Financials	9.6%	Oil and Gas	3.1%
Health Care	8.1%	Industrials	3.0%
Utilities	6.1%	Basic Materials	1.3%

The top ten holdings in the Fund at 31 December 2016 were as follows:

Stock	Value £000	% of Fund
3.25% UK Treasury Stock	1,752	3.5
Royal Dutch Shell Plc	1,543	3.1
4.25% UK Treasury Stock 2036	1,049	2.1
5% UK Treasury Stock 2025	984	2.0
Greencoat UK Wind Plc	914	1.8
Applied Materials Inc	894	1.8
Infineon Technologies AG	882	1.8
International Public Partnership Ltd	868	1.8
6% UK Treasury Stock 2028	833	1.7
Vodafone Group Plc	819	1.7

The Church in Wales Common Investment Fund

Report of the Trustee

The Fund produced a total return of 16.5% in 2016 compared to the composite benchmark return of 18.6% and inflation of 2.5%.

Overseas equities returned 27.6% compared to the benchmark return of 30.1%, and all other asset classes produced positive returns, with property substantially outperforming the benchmark return of 2.2%, returning 11.3%.

Despite underperforming the benchmark, the Fund performed exceptionally well during 2016, and over the 5 year period to 31 December 2016, the Fund has outperformed the composite benchmark producing total annualised returns of 11.2%.

Performance

Annualised total return to 31 December	2016 %	2015 %	2014 %	3 years %	5 years %
Fund	16.5	1.6	11.4	9.7	11.2
Composite Benchmark	18.6	3.3	9.9	10.4	10.8
RPI	2.5	1.2	1.6	1.8	2.2

Total Returns on Asset Classes in 2016

Asset Class	Fund %	Composite Benchmark
UK Equities	10.7	16.8
UK Gov. Bonds	12.8	10.1
UK Corp. Bonds	10.0	10.6
Overseas Equities	27.6	30.1
Cash	0.4	0.5
Property	11.3	2.2
Alternatives	NA	5.6
Total Fund	16.5	18.6

2016 Market Review

The UK economy shrugged off the uncertainty surrounding the Brexit vote to record a growth rate of 2% in 2016, making it the world's fastest growing developed economy.

The pound, after falling to a 31 year low against the Dollar in October, stabilised into the year end. However, the sharp depreciation fed into UK inflation saw RPI rising to 2.5% in December, its highest level since 2013.

Despite the uncertainty of President Donald Trump's economic policies, the US Federal Reserve considered the outlook for the US economy, in terms of inflation and employment, to be sufficiently strong to raise interest rates by 0.25% in December, this being only the second increase in a decade.

The Eurozone economy continued to show signs of recovery, with unemployment falling to 9.6% in December (the lowest since May 2009) and GDP growth rising to 0.5%, up from 0.4% in the previous quarter.

Oil prices surged by as much as 10% to \$52 a barrel at the end of November after OPEC agreed to cut production for the first time since 2008, in an effort to address the global supply glut and lift prices.

Equity markets rallied while government bonds fell as the market priced in expectations of further fiscal spending and rising interest rates. Within equities, the cyclical rotation was significant, with the more economically sensitive sectors, including financials, oil and gas and basic materials all doing well.

The more confident mood took its toll on fixed income markets. In the UK, the FTA Government All Stocks Index (gilts) returned -3.4% over the final quarter, pegging back its gains for 2016 to 10.1%. The JPM Global Government Bond Index (excluding the UK) delivered a fourth-quarter sterling return of -3.6%, to trim its 12-month return to a nonetheless extraordinary +22%. Corporate bonds also lost ground in the last quarter, with

The Church in Wales Common Investment Fund

Report of the Trustee

the BofA ML Sterling Non-Gilts Index returning -2.8% (10.6% over the year).

Investment Strategy

The portfolio (excluding the property funds) is invested in direct holdings in both equities and bonds in order to ensure compliance with the Church in Wales' Ethical Investment Policy. To maintain an appropriate risk profile within the portfolio, the holdings are diversified by sector, industry, geography and currency. In line with Charity Commission advice there is no holding (with the exception of exposure to UK government bonds) that exceeds 5% of the value of the portfolio.

Outlook

The Fund Manager remains cautious, with political and economic uncertainties ahead, but with a view to await opportunities should periods of volatility provide them.

Inflation is likely to remain inflated in the coming months, which could put further

pressure on bond yields. However, this higher inflation should be of benefit to many of the alternative holdings which have inflation-linked cashflows.

Against this backdrop of uncertainty, it seems more important than ever to maintain perspective on the structural forces of change that are shaping investors' opportunities and risks, and to discriminate against winners and losers in a fast-moving world.

Risk Warning

The value of the Common Investment Fund and the income arising from the Fund can fall as well as rise, and is not guaranteed which means that parishes may not get back the amount originally invested. Past performance is no guarantee of future returns. The value of the shares in the Fund will reflect changes in the price of the asset classes in which the Fund is invested, and movements in foreign currency exchange rates.

Fund Statistics

Valuation Date	Shares in issue	Net Asset Value * (pence / share)	Annual Dividend (pence / share)	Yield	Total Value of Fund £000
1 January 2009	25,962,753	100.00			
31 December 2009	27,008,033	118.49	3.61	3.05%	£32,002
31 December 2010	26,940,059	124.41	4.02	3.23%	£33,517
31 December 2011	26,908,705	118.32	4.47	3.78%	£31,839
31 December 2012	27,224,411	125.54	4.30	3.43%	£34,177
31 December 2013	27,509,681	141.72	4.09	2.89%	£38,986
31 December 2014	28,824,005	152.75	4.16	2.72%	£44,030
31 December 2015	29,033,039	150.36	4.35	2.89%	£43,654
31 December 2016	29,207,207	169.91	4.24	2.49%	£49,627

*Based on mid price and not bid price

The Church in Wales Common Investment Fund

Statement of Trustee Responsibilities

The Trustee (the Representative Body) is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Common Investment Fund and of the net revenue, net capital gains and the change in net assets for that period.

In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice for Authorised Funds issued by the IMA in May 2014 as updated in December 2015;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Common Investment Fund and enable the Trustee to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. The Trustee is also responsible for safeguarding the assets of the Common Investment Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Church in Wales Common Investment Fund

Administrative Information

Investing in the Fund

Bequests, parochial monies and trusts can be invested in the Fund subject to the completion of a trust deed appointing the Representative Body as Trustee, a copy of which can be obtained from the Representative Body's Solicitor, Mrs Lynette Chandler.

Investments are made quarterly (March, June, September and December) based on the valuation of the fund at the quarter end.

The terms of the bequest or legacy will determine whether the moneys are invested as expendable or non-expendable, which will in turn determine whether income is paid quarterly or upon request from the parish.

Income

Income from the fund is distributed to trusts net of fund manager fees and other fund related costs. As a charitable common investment fund, income from the underlying investments is predominantly received gross of income tax.

The method of income distribution will depend on the terms of the trust. If income is available for charitable or general church purposes, then it will be paid directly to a parish bank account on a quarterly basis, and an income distribution notice is sent to the parish.

If income is available for specific purposes, such as church repairs, then it will be distributed upon receipt of evidence of expenditure, and a letter from the parish signed by two members of the Parochial Church Council.

Annual Trust Statements

Where a parish does not receive income on a quarterly basis, and an income distribution notice, they will receive an annual trust statement at the year-end showing income and expenditure and share transactions for the trust. This will provide information that they require for their annual parish accounts.

Parishes receiving quarterly income will receive an end of year income distribution notice showing the number of shares in the trust and share value, which will be sufficient information for the annual parish accounts.

Withdrawing Capital or Income from the Fund

Capital withdrawals from a trust are initially dependent on the terms of the trust. If the terms do not allow the withdrawal of capital then this will not be possible without the consent of the Charity Commission. If the terms of the trust allow the withdrawal of capital and accumulated income, then Trustee approval is usually required. Withdrawal requests must be supported by evidence of expenditure and a letter signed by two members of the Parochial Church Council. Withdrawal of capital or income accumulation shares takes place quarterly, and advance notice of a withdrawal is therefore required.

Questions about investments and withdrawals from the fund should be directed to Mrs Lynette Chandler telephone number 029 2034 8232; e-mail lynchandler@churchinwales.org.uk.

Advisers

Investment Advisers:

Newton Investment Management
BNY Mellon Financial Centre
160 Queen Victoria Street
London
EC4V 4LA

Independent Auditors:

haysmacintyre
26 Red Lion Square
London
WC1R 4AG

General Administration:

Louise Davies
Head of Finance
39 Cathedral Road
Cardiff
CF11 9XF

The Church in Wales Common Investment Fund

Independent Auditors' Report to the Trustee

We have audited the financial statements of The Church in Wales Common Investment Fund for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including financial reporting standard 102, the financial reporting standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Charity's Trustee those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustee's Responsibilities Statement set out on page 5, the trustee is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 its net movement in funds for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustee is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

haysmacintyre,

26 Red Lion Square, London WC1R 4AG

6 June 2017

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

The Church in Wales Common Investment Fund

Statement of Total Return

For the year ended 31 December 2016

		2016	2015
	Notes	£	£
Income			
Net Capital Gains / (Losses)	2	5,937,747	(376,090)
Revenue	3	1,403,392	1,415,637
Expenditure	4	(175,298)	(160,358)
Total Return before distributions		7,165,841	879,189
Distribution to Shareholders	5	(1,228,094)	(1,255,279)
Change in net assets attributable to Shareholders from Investment Activities		5,937,747	(376,090)

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 December 2016

	2016	2015
	£	£
Opening net assets attributable to Shareholders	43,653,812	44,029,902
Change in net assets attributable to Shareholders from Investment Activities	5,937,747	(376,090)
Closing net assets attributable to Shareholders	49,591,559	43,653,812

The Church in Wales Common Investment Fund

Balance Sheet

As at 31 December 2016

		2016	2015
		£	£
	Notes		
Investments:			
Stock Exchange Securities	6	45,709,674	41,392,662
Money Market Deposits	7	4,039,754	2,389,431
		49,749,428	43,782,093
Current assets:			
Debtors	8	183,204	205,736
Creditors: amounts falling due within one year	9	(341,073)	(334,017)
Net Current Liabilities		(157,869)	(128,281)
Net Assets		49,591,559	43,653,812
Represented by:			
Net Assets attributable to Shareholders		49,591,559	43,653,812

The financial statements on pages 8 to 14 were approved by the Representative Body on 6 June 2017.

James Turner, Chair

Paul Marshall OBE, Deputy Chair

The Church in Wales Common Investment Fund

Notes to the Financial Statements

1. Accounting Policies

The financial statements of the Church in Wales Common Investment Fund have been prepared on a going concern basis and in accordance with United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and applicable law (United Kingdom Generally Accepted Accounting Practice). A summary of the primary accounting policies, which have been applied consistently, is set out below.

(a) **Basis of preparation**

The financial statements have been prepared in accordance with the historical cost convention as modified by the annual revaluation of investment assets and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in May 2014 (‘the IMA SORP 2014’) as amended / updated in December 2015.

(b) **Recognition of Revenue**

Interest on short term loans and deposits is fully accrued. Interest and dividends on stock exchange securities are credited on the date of receipt.

(c) **Expenditure**

All expenditure is fully accrued.

(d) **Investments**

Stock exchange securities are stated at market values based on bid price at 31 December 2016. Securities denominated in foreign currency are converted into sterling at rates of exchange ruling at the balance sheet date.

(e) **Significant accounting judgements, estimates and assumptions**

Management have not made any account judgements in this set of financial statements or the prior period

2. Net Capital Gains / (Losses)	2016	2015
	£	£
Realised gains	1,890,198	1,244,050
Unrealised gains / (losses)	3,751,367	(1,917,342)
Net contributions	296,182	297,202
	5,937,747	(376,090)

3. Revenue	2016	2015
	£	£
Stock Exchange Securities	1,402,377	1,414,649
Money Market Deposits	1,015	988
	1,403,392	1,415,637

The Church in Wales Common Investment Fund

Notes to the Financial Statements

4. Expenditure	2016	2015
	£	£
Fund Manager Fees	172,804	155,706
Software support costs	2,124	3,205
Performance measurement fees	370	1,447
	175,298	160,358

5. Distribution to Shareholders	2016	2015
	£	£
Paid	933,034	960,886
Proposed	295,060	294,393
	1,228,094	1,255,279

6. Stock Exchange Securities	2016	2015
	£	£
Market value at 1 January	41,392,662	42,168,095
Additions	10,970,522	8,637,727
Disposals	(10,404,877)	(7,495,818)
Net increase / (decrease) on revaluation	3,751,367	(1,917,342)
Market value at 31 December	45,709,674	41,392,662
Historical cost at 31 December	36,765,599	36,199,954
Unrealised gains calculated on historic basis	8,944,075	5,192,708
Listed in UK	24,199,537	22,907,197
Listed overseas	21,510,137	18,485,465
	45,709,674	41,392,662

The Church in Wales Common Investment Fund

Notes to the Financial Statements

7. Money Market Deposits	2016	2015
	£	£
Investment Capital held in Cash	3,881,884	2,261,150
Money Market Deposits	157,870	128,281
	4,039,754	2,389,431

8. Debtors	2016	2015
	£	£
Amounts due from Fund Manager	183,204	205,736
	183,204	205,736

9. Creditors: amounts falling due within one year	2016	2015
	£	£
Amounts due to Shareholders	295,060	294,393
Other creditors	46,013	39,624
	341,073	334,017

10. Financial Instruments

The Fund's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations.

The principal risks the Fund faces in its portfolio management activities are:

- Foreign currency risk
- Market price risk

The policies for managing these risks are summarised below and have been applied throughout the year.

a) Foreign currency risk

A portion of the financial assets of the Fund may be denominated in currencies other than sterling with the result that the Statement of Total Return and the Statement of Change in Net Assets attributable to Shareholders can be affected by currency movements.

Management of the risk

The Fund Manager monitors the Fund's exposure to foreign currencies on a daily basis and measures the risk to the Fund of the foreign currency exposure.

The Church in Wales Common Investment Fund

Notes to the Financial Statements

Foreign currency sensitivity

The following table illustrates the sensitivity of the net return for Sterling against the US Dollar and the Euro, and assumes an increase or decrease of 15% (2015: 10%) in exchange rates. The US Dollar and Euros represent 64% of the overseas element of the Fund.

This percentage rate has been determined based on market volatility in exchange rates over the previous twelve months. The sensitivity analysis is based on the Fund's foreign currency financial instruments held at the year end.

If Sterling had weakened this would have the following effect on the investment values:

	2016 £	2015 £
US Dollar	1,554,864	913,375
Euros	441,856	240,719
	1,996,720	1,154,094

If Sterling had strengthened this would have the following effect on the investment values:

	2016 £	2015 £
US Dollar	(1,554,864)	(913,375)
Euros	(441,856)	(240,719)
	(1,996,720)	(1,154,094)

b) Market Price Risk

The fair value of investments held by the Fund may fluctuate due to changes in market prices. The Fund Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the investment portfolio on an ongoing basis.

Management of the Risk

The Investment Committee reviews the portfolio on a quarterly basis and monitors the total return on the portfolio against the benchmark.

Other price risk sensitivity

The following illustrates the sensitivity of the net return for the year and the equity to an increase or decrease of 20% (2015: 20%) in the fair value of the Fund's equities. This level of change is considered to be reasonably possible based on observation of market conditions during the year. The sensitivity analysis is based on the Fund's equities at the balance sheet date, with all other variables held constant.

The Church in Wales Common Investment Fund

Notes to the Financial Statements

	2016		2015	
	Increase in fair value £	Decrease in fair value £	Increase in fair value £	Decrease in fair value £
Impact on capital return	9,957,009	(9,957,009)	8,756,417	(8,756,417)

11. Related Party Transactions

The Representative Body of the Church in Wales is a Trustee of the Common Investment Fund and meets the administration costs of the Common Investment Fund including the audit fee.