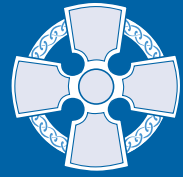


The Church in Wales Common Investment Fund



Annual Report and Financial Statements Year ended 31 December 2017



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

The performance of the Fund is measured on a total return basis (the combined return from both income and capital) against the Teknometry CIG Charity Fund Universe and is reported to the Investment Committee on a quarterly basis.

The Teknometry CIG Charity Fund Universe consists of a large number of charity funds and therefore provides a comparison of the Fund's performance against the average return of other charity funds.

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.

Investment Managers

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

The Church in Wales Common Investment Fund

Report of the Trustee

Assets

The asset allocation ranges for 2017 were:

Asset Class	UK Equities	Overseas Equities	Fixed Interest	Alternatives	Cash
Allocation Range	15-35%	10-55%	15-35%	0-10%	0-25%
Allocation at 31/12/17	22%	39%	20%	10%	9%

The Fund was invested in the following equity sectors at 31 December 2017:

Financials	13.2%	Oil and Gas	5.0%
Technology	11.9%	Telecommunications	4.3%
Consumer Services	8.2%	Health Care	3.8%
Industrials	5.2%	Utilities	3.4%
Consumer Goods	5.1%	Basic Materials	2.1%

The top ten holdings in the Fund at 31 December 2017 were as follows:

Stock	Value £000	% of Fund
1.25% UK Treasury Stock 2018	2,679	5.0
3.25% UK Treasury Stock 2044	1,820	3.4
Royal Dutch Shell Plc	1,809	3.4
Applied Materials Inc	1,291	2.4
Infineon Technologies AG	1,264	2.3
Samsung SDI	1,161	2.2
4.25% UK Treasury Stock 2036	1,053	2.0
International Public Partnership Ltd	994	1.8
5% UK Treasury Stock 2025	961	1.8
Greencoat UK Wind Plc	940	1.7

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Report of the Trustee

The Fund produced a total return of 10.7% in 2017 compared to the benchmark return of 10.1% and inflation of 4.1%.

The Fund also outperformed the Benchmark over the 3 and 5 year periods to 31 December 2017, producing total annualised returns of 9.5% and 11.3% respectively.

Performance

Annualised total return to 31 December	2017 %	2016 %	2015 %	3 years %	5 years %
Fund	10.7	16.5	1.7	9.5	11.3
Benchmark	10.1	13.0	2.3	8.4	9.1
RPI	4.1	2.5	1.2	2.6	2.4

2017 Market Review

Investors faced a variety of challenges over a period in which politics and monetary policy exerted a significant influence on financial markets.

The euphoric conditions that followed Donald Trump's US presidential election victory in November 2016 persisted for much of the first quarter of 2017, with optimism seeming to rest on the likelihood that US tax cuts, deregulation and fiscal stimulus would boost demand, and thus corporate profits. However, the withdrawal of the president's health-care bill in March served as a reminder that the need to secure buy-in from broader constituencies has the potential to frustrate many of his policy proposals. While real economy data remained mixed, the backdrop was viewed by the Federal Reserve as sufficiently resilient to justify a further increase in US interest rates.

Global equity indices continued to move higher into the second quarter, albeit at a more measured pace. Earnings releases (which were broadly positive), central bank activity and economic data (both rather more mixed) were significant influences upon investor sentiment, although political factors once again dominated the headlines. President Trump's skirmishes with the FBI, North Korea and Syria (to name but a few) undermined confidence in his administration, contributing to a further unwinding of the so-called 'Trump trade'. Elsewhere, elections in France and the UK gave rise to contrasting results, the former providing greater certainty while the latter weakened the government's perceived strength and stability. As the quarter closed, European Central Bank President Mario Draghi's less dovish

tone caused bond and equity markets to take fright, leading to a spike in volatility owing to worries about a withdrawal of monetary stimulus.

The third quarter of 2017 witnessed further strong performance from equity markets, which were buoyed by a broadening out of global economic growth, positive corporate earnings momentum, and, towards the end of the quarter, enthusiasm for US tax-reform proposals. An opposing force, for much of the review period, was geopolitics, with the most notable flashpoint being the flare-up of tensions on the Korean peninsula as North Korea exchanged hostile rhetoric with the US and its regional allies. Meanwhile, the prevailing theme among central bankers was a withdrawal of the monetary stimulus which has provided much of the support for bond prices in recent years. Sterling gained over the quarter on the back of anticipation of a transitional deal between the UK and the European Union, and as the Bank of England signalled its intention to raise interest rates in November.

The final months of 2017 brought generally more of the calm that had pervaded the earlier parts of the year, with stock-market volatility plumbing new lows. A key driver of the robust return posted by US equities in particular was the passing of President Trump's tax bill, which is set to lower the tax burden for US corporates. With global trade growth holding up, the US dollar resumed its downward trend, which continued into year end. Elsewhere, Japanese equities delivered impressive gains after Prime Minister Abe scored a decisive victory following his decision to call a snap election. However, in Europe, where political uncertainty loomed over Germany and Spain, returns were lower. Within fixed-interest

The Church in Wales Common Investment Fund

Report of the Trustee

markets, shorter and medium-dated securities in particular bore the brunt of the more 'hawkish' tone emanating from central bankers as the Federal Reserve raised interest rates and the European Central Bank announced a further tapering of its quantitative-easing programme.

Emerging-market equities returned +25.4% over the period, while Asia-Pacific ex Japan equities delivered +20.3% in sterling terms. Meanwhile, European (ex UK) equities returned +17.5% to UK-based investors, with Japanese equities returning +14.4%. UK and North American equities produced positive returns of +13.1% and +11.3%.

Returns from bonds were more subdued over the period. Corporate bonds delivered +4.3% to the UK-based investor over the 12 months, and gilts returned +1.8%, while overseas government bonds delivered a negative return of -2.7% in sterling terms.

Investment Strategy

The portfolio 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 outlook for financial markets continues to be dependent on the confluence of a myriad of policies in the political, economic and monetary arenas. Global protectionism is increasing as the US administration utilises trade policies to right perceived wrongs and guard against future structural disadvantages to the US economy. These and the counter measures by their trading partners, along with threats to European trade from the eventual Brexit agreement risk reducing the potential growth rate of the global economy. Conversely, the tax reforms put in place by the US administration appear to have spurred investment, in the short term at least, and are forecast to boost growth in the US economy, though the longevity of the boost and the trickle down effects to the rest of the world seem more uncertain.

Whilst still at low levels, rising inflation is a concern for global investors as monetary authorities react by raising interest rates and reducing the amount of quantitative easing applied to the financial system – both represent risks to the downside for some financial asset prices. Geopolitical tensions are also rising, not least with Russia's relationship with its partners being tested by numerous allegations of political and security interference around the globe and in China, an increasingly powerful and dominant leader must shepherd the country on a path of economic transition to sustainable growth whilst avoiding the pitfalls of excessive financial leverage.

There do however remain many long-term structural growth opportunities, identified by our themes, for our investors to take advantage of and we will continue to strive to uncover these whilst assessing the growth outlook and the appropriateness of the valuations of the assets we hold within the portfolio.

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.

The Church in Wales Common Investment Fund

Report of the Trustee

Fund Statistics **Based on mid price and not bid price.*

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
31 December 2017	29,426,621	183.17	4.25	2.32%	£53,900

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 Trust Solicitor, Miss Natasha Aldridge.

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

If income is available for specific purposes, such as church repairs, then it will be distributed upon receipt of the following documents:

- a) a copy of the PCC Minute stating that the PCC wish to access a specified sum from the funds held on trust (please quote the name or PT reference of the trust) and the purpose for which the funds are required; and
- b) a letter of request signed by the incumbent and both churchwardens requesting a specified amount, the purpose for which the funds are required and the name/reference of the trust fund from which the shares are to be sold; and
- c) a quotation or invoice for at least the amount requested. As the Trustees are under a fiduciary duty to ensure that the funds are used in accordance with the trust terms if quotations, as opposed to invoices, are supplied funds will be released on production of a receipted invoice or alternatively we can arrange payment of the invoice directly to the contractor. The invoices can then be filed as evidence that the funds were used in accordance with the trust terms.

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

If the terms of the trust allow the withdrawal of capital and accumulated income, then Trustee approval is usually required. The Trustees meet four times a year and they will require the following documents:

- a) a copy of the PCC Minute stating that the PCC wish to access a specified sum from the funds held on trust (please quote the name or PT reference of the trust) and the purpose for which the funds are required; and
- b) a letter of request signed by the incumbent and both churchwardens requesting a specified amount, the purpose for which the funds are required and the name/reference of the trust fund from which the shares are to be sold; and
- c) a quotation or invoice for at least the amount requested. As the Trustees are under a fiduciary duty to ensure that the funds are used in accordance with the trust terms if quotations, as opposed to invoices, are supplied funds will be released on production of a receipted invoice or alternatively we can arrange payment of the invoice directly to the contractor. The invoices can then be filed as evidence that the funds were used in accordance with the trust terms.

**Questions about investments and withdrawals from the fund should be directed to Miss Natasha Aldridge
Telephone 029 2034 8230 or email natashaaldrige@churchinwales.org.uk**

Advisers

Investment Advisers:

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

Independent Auditors:

haysmacintyre
10 Queen Street Place
London
EC4R 1AG

General Administration:

Louise Davies
Head of Finance
2 Callaghan Square
Cardiff
CF10 5BT

The Church in Wales Common Investment Fund

Independent Auditors' Report to the Trustee

Opinion

We have audited the financial statements of The Church in Wales Common Investment Fund for the year ended 31 December 2017 which comprise the Statement of Total Return, Statement of Change in Net Assets, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. 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 Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustee, 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 Auditor's 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 trustees as a body for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2017 and of the Fund's 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.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of trustee for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 6, the trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The Church in Wales Common Investment Fund

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustee is responsible for the other information. The other information comprises the information included in the Report of the Trustee. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Fund; or
- sufficient accounting records have not been kept; or
- the Fund's 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,
10 Queen Street Place,
London EC4R 1AG**

7 June 2018

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 2017

		2017	2016
	Notes	£	£
Income			
Net Capital Gains	2	4,195,831	5,937,747
Revenue	3	1,398,693	1,403,392
Expenditure	4	(201,813)	(175,298)
Total Return before distributions		5,392,711	7,165,841
Distribution to Shareholders	5	(1,196,879)	(1,228,094)
Change in net assets attributable to Shareholders from Investment Activities		4,195,832	5,937,747

Statement of Change in Net Assets attributable to Shareholders

For the year ended 31 December 2017

		2017	2016
	Notes	£	£
Opening net assets attributable to Shareholders		49,591,559	43,653,812
Change in net assets attributable to Shareholders from Investment Activities		4,195,832	5,937,747
Closing net assets attributable to Shareholders		53,787,391	49,591,559

The Church in Wales Common Investment Fund

Balance Sheet

As at 31 December 2017

		2017	2016
	Notes	£	£
Investments:			
Stock Exchange Securities	6	49,211,851	45,709,674
Money Market Deposits	7	4,714,681	4,039,754
		53,926,532	49,749,428
Current assets:			
Debtors	8	176,946	183,204
Creditors: amounts falling due within one year	9	(316,087)	(341,073)
Net Current Liabilities		(139,141)	(157,869)
Net Assets		53,787,391	49,591,559
Represented by:			
Net Assets attributable to Shareholders		53,787,391	49,591,559

The financial statements on pages 10 to 16 were approved by the Representative Body on 7 June 2018.

James Turner, Chair

Geoff Moses, Trustee

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 2017. 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)	2017	2016
	£	£
Realised gains	1,331,780	1,890,198
Unrealised gains	2,475,970	3,751,367
Net contributions	388,081	296,182
	4,195,831	5,937,747

3. Revenue	2017	2016
	£	£
Stock Exchange Securities	1,398,000	1,402,377
Money Market Deposit interest	693	1,015
	1,398,693	1,403,392

The Church in Wales Common Investment Fund

Notes to the Financial Statements

4. Expenditure	2017	2016
	£	£
Fund manager fees	181,391	161,897
Custodian's fees	10,942	10,907
Software support costs	2,124	2,124
Performance measurement fees	7,356	370
	201,813	175,298

5. Distribution to Shareholders	2017	2016
	£	£
Paid	931,635	933,034
Proposed	265,244	295,060
	1,196,879	1,228,094

6. Stock Exchange Securities	2017	2016
	£	£
Market value at 1 January	45,709,674	41,392,662
Additions	16,655,635	10,970,522
Disposals	(15,629,428)	(10,404,877)
Net increase on revaluation	2,475,970	3,751,367
Market value at 31 December	49,211,851	45,709,674
Historical cost at 31 December	37,791,806	36,765,599
Unrealised gains calculated on historic basis	11,420,045	8,944,075
Listed in UK	26,822,848	24,199,537
Listed overseas	22,389,003	21,510,137
	49,211,851	45,709,674

The Church in Wales Common Investment Fund

Notes to the Financial Statements

7. Money Market Deposits	2017	2016
	£	£
Investment Capital held in Cash	4,575,540	3,881,884
Money Market Deposits	139,141	157,870
	4,714,681	4,039,754

8. Debtors	2017	2016
	£	£
Amounts due from Fund Manager	176,946	183,204
	176,946	183,204

9. Creditors: amounts falling due within one year	2017	2016
	£	£
Amounts due to Shareholders	265,244	295,060
Other creditors	50,843	46,013
	316,087	341,073

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 10% (2016: 15%) on the US Dollar and 5% (2016: 15%) on the Euro in exchange rates. The US Dollar and Euros represent 62% 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:

	2017 £	2016 £
US Dollar	926,373	1,554,864
Euros	234,524	441,856
	1,160,897	1,996,720

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

	2017 £	2016 £
US Dollar	(926,373)	(1,554,864)
Euros	(234,524)	(441,856)
	(1,160,897)	(1,996,720)

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% (2016: 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

	2017		2016	
	Increase in fair value £	Decrease in fair value £	Increase in fair value £	Decrease in fair value £
Impact on capital return	10,757,678	(10,757,678)	9,957,009	(9,957,009)

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.

