



## PDT INVESTMENTS

Approved by the Perth Diocesan Trustees

15 Jun 2023

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## 1. Policy Statement

- 1.1 The Perth Diocesan Trustees (PDT) have 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.
- 1.2 The PDT takes environmental, social, governance (ESG) and ethical issues into account during investment processes. The PDT manages these risks by investing in businesses that have strategies to safeguard the environment, human rights, public safety, and the welfare of its employees. This ethical approach is also to be in line with the values of the Anglican Church as expressed from time to time.

## 2. Purpose

- 2.1 The purpose of this policy is to set out the responsibilities of the Investment Committee and to establish guidelines for prudent management and monitoring of PDT investments held in trust for beneficiaries.
- 2.2 This policy covers all PDT investments, except for real estate held for parochial purposes.

## 3. Legislation

- 3.1 The management of investments by the PDT is subject to the legislative provisions of The Anglican Church of Australia (Diocesan Trustees) Act 1888, the Trustees Act 1962 and the Statutes of Synod, comprising The Diocesan Trustees' Statute 2016 and The Trust Funds Statute 2016.

## 4. Investment Committee

### 4.1 Structure

- 4.1.1 The Investment Committee is constituted under Policy 46.1 - Perth Diocesan Trustees Governance. The PDT will appoint at least 4 persons for a term of 3 years and at least two of these persons shall be Trustees. The Diocesan Secretary and Chief Financial Officer shall attend all meetings.

### 4.2 Meetings

- 4.2.1 The Committee will hold at least two scheduled meetings each year, and such additional meetings as required to fulfil its responsibilities.
- 4.2.2 The Diocesan Treasurer will be the Chair of Investment Committee meetings. In the Chair's absence from a meeting, the members present will select a Chair for that meeting.
- 4.2.3 Two members, including at least one Trustee, shall form a quorum. 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.



- 4.2.4 All Members are expected to attend each meeting in person, or through other approved means, such as teleconference or video conference.
- 4.2.5 The Committee may invite other people to attend as appropriate and consult with other people, or seek any information it considers necessary, to fulfil its responsibilities.
- 4.2.6 The notice and agenda of each Committee meeting will include relevant supporting papers.

#### 4.3 Secretariat Duties

- 4.3.1 The Chief Financial Officer shall be appointed Secretary to the Committee and will assist the Chair to develop and distribute agendas, papers, and minutes.
- 4.3.2 Minutes of meetings shall be maintained and any recommendations to be submitted to the PDT.

### 5. Responsibilities of The Investment Committee

- 5.0.1 The Investment Committee responsibilities include:

- a. Strategic investment management
- b. Direct Property Investments
- c. Equity and Other Investments

#### 5.1 Strategic Investment Management

- 5.1.1 The Investment Committee oversees the management of PDT investments, except for real estate held for parochial purposes, and is responsible to:
  - a. Set and review for PDT investments, in light of changing economic circumstances:
    - Target returns;
    - Strategic asset allocations;
    - Approved asset classes and securities;
    - Investment Measurement Benchmarks; and
    - Investment restrictions.
  - b. Review the investment objectives of each trust and adjust the allocation of assets between property and other investment classes.
  - c. Monitor performance of investments against benchmarks.

The Investment Committee annually reviews and approves (a) to (c) as above.

#### 5.2 Direct Property Investments

- 5.2.1 Oversight of direct property related investments on behalf of the PDT, including those properties held as assets for the various trusts managed and the Property Investment Pool by the PDT, and the selection of and recommendation to the PDT for investments in direct property as opportunities arise. Purchases and disposals of direct property are the responsibility of the PDT and requires approval of the PDT.



### 5.3 Equity and Other Investments

- 5.3.1 Oversight of all equity, including the Equity Investment Pool, and other investments of the PDT, as follows:
- a. Appointment of equity asset managers to manage portfolios within the Equity Investment Pool as required from time to time. Equity asset managers will be chosen, based on appropriate advice, as having the relevant attributes: appropriate skills and experience; operational capabilities; and financial and organisational stability. Appointed managers will manage their respective portfolios, within agreed mandates, and advise on, purchase, sell or hold investments appropriate to the strategic asset allocations for each portfolio. The reporting obligations of the equity asset managers will vary according to each appointment. Equity asset managers will be invited to address meetings of the Investment Committee from time to time, to advise any major changes in economic outlook and its effect on investment strategy and performance.
  - b. Appointment of fund managers 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 (based on the fund's Management Expense Ratio) using the sophisticated investor status if appropriate. The reporting obligations of each fund manager will vary according to each appointment but are to be reviewed at least annually.
  - c. Allocation of assets to equity asset managers and the strategic asset allocations of each equity portfolio.
  - d. The Diocesan Secretary and the Chief Financial Officer have the discretion, jointly, to vary funds invested in equity portfolios with appointed equity asset managers and fund managers.
  - e. Appointment of consultants and advisors to review the performance and provide advice in respect of investments and investment managers.

## 6. Investment Objectives

- 6.1 The PDT holds investment funds for the benefit of trusts. Accordingly, any investment made by the PDT needs to reflect the purpose of the respective trust, the needs of the beneficiaries and the terms of the trust.

## 7. Investment Profiles

### 7.1 Introduction

- 7.1.1 The objectives and strategies adopted in relation to the different investment profiles are as follows:
- a. **Growth** – Provide real capital growth and income as well as overall yield enhancement over the long term 7 + years.
  - b. **Balanced** – Balanced real capital growth and income as well as overall yield enhancement over the long term 4 to 6 years.
  - c. **Conservative** – Provide sufficient liquidity, real capital preservation and enhanced income over the medium term 1 to 3 years.



## 7.2 Investment Pools

- 7.2.1 To effectively manage investments, the PDT have established two separate investment pools being the Property Investment Pool and the Equity Investment Pool, in which funds are invested based upon investment objectives.

## 7.3 Property Investment Pool

- 7.3.1 Comprising designated property assets contributed by trusts to be pooled together for the sharing of income and capital gains, with the objective to acquire, develop, rent, maintain and dispose of investment properties to optimise the value to the respective beneficiaries of the trusts. Each trust retains its separate entitlement to property assets contributed, and no new trust is established.
- 7.3.2 Investments made from monies forming part of the Property Investment Pool are deemed to have been or be made in the name or on account of a particular trust. The PDT shall keep an account in its books showing the initial value of assets at the time contributed into the pool by each trust. The share of the pooled assets and the value of each contributor's interest in the property pool is to be maintained.

## 7.4 Equity Investment Pool

- 7.4.1 Comprising equity investments including shares, bonds, managed funds, and other listed securities.
- 7.4.2 Investments made from equity assets forming part of the Equity Investment Pool shall not be deemed to have been or be made in the name of or on account of any particular trust nor shall they belong to any particular trust, but the PDT shall keep an account in its books showing at all times the current interest held by each trust in respect of each portfolio.

## 7.5 Allocation of Returns

- 7.5.1 Profits or losses, including capital profits or losses upon realisation of any asset, net returns (income and unrealised capital gains/losses) received from investments in the Equity and Property Investment Pools shall be credited or debited (as the case may require) to the respective pool. Returns shall be credited or debited to the contributors to each pool in proportion to the current amount for the time being at credit in the pool on account of each trust.

## 7.6 Management Costs

- 7.6.1 Management costs to operate the Equity and Property Investment Pools, are levied on the beneficiaries at the rate of 6% pa (as applied to other investment pools in accordance with The Trust Funds Statute 2016) of the net annual distribution amount from the respective investment pool and such percentage shall be credited to the Diocesan Office working account as a contribution towards the expenses of administration.

## 7.7 Deposits

- 7.7.1 The Diocesan Secretary or the Chief Financial Officer has the discretion on the last business day of each month to receive deposits into a pool on account of any current or new trust.

## 7.8 Distributions

- 7.8.1 The PDT may, in its discretion, determine annual distributions rates in respect of the Property Investment Pool and each Portfolio in the Equity Investment Pool, based on a percentage of estimated net assets and will pay distributions to the trusts at those rates calculated upon



the current amount at credit in each pool or portfolio of each trust, on dates to be determined by the PDT.

- 7.8.2 Any distribution income to which a trust is entitled to receive, at the request of the trust, may be re- invested by the PDT into the respective investment pool on behalf of the trust.

## 7.9 Withdrawals

- 7.9.1 The Diocesan Secretary or the Chief Financial Officer has the discretion on the last business day of each month to withdraw from a pool any amount at credit in respect of a trust, any proposed withdrawal being subject to there being sufficient funds available to meet the amount of the requested withdrawal.
- 7.9.2 In respect of each amount withdrawn, the trust in respect of which such withdrawal is made, shall as from the date of such withdrawal cease to have any claim to accruing capital or income from the respective investment pool in respect of the amount withdrawn.
- 7.9.3 If, for the purpose of providing for any withdrawal by a trust from the Property Investment Pool, any asset is realised then for the purpose of this section, that part of the monies arising from such realisation shall be returned to the trust of the particular asset realised at the initial value of assets when contributed into the pool. This beneficiary may choose to re-invest the whole or any part of this amount back into the Property Investment Pool at that time.
- 7.9.4 For the purpose of calculating the amount of a withdrawal from a pool, the value of the investments shall be determined as follows:
- a. Equity Investment Pool: Last business day of each month.
  - b. Property Investment Pool: On 1 May annually (or the last business day of April).

## 7.10 Taxation Considerations

- 7.10.1 PDT is currently entitled to an exemption from income tax. As such all forms of investment should be evaluated on the gross return where no income tax is payable. As the income tax exemption includes an exemption from capital gains tax, related considerations such as asset holding periods and discounting are not applicable.
- 7.10.2 It is anticipated that PDT will be able to access tax imputation credits in relation to franked dividends. As such, investments in securities which pay franked dividends should be evaluated gross of the franked dividend.

# 8. Investment Management

## 8.1 Investment Monitoring

- 8.1.1 The principal goals in monitoring investment performance are to determine the performance of each:
- a. investment against the relevant benchmark; and
  - b. investment pool as a whole against its objectives and risk profile.

## 8.2 Investment Reporting

- 8.2.1 Reports on investments performance are to be provided to the Investment Committee at appropriate intervals, with actual results measured against relevant benchmarks.

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### 8.3 Equity Manager / Funds Manager Reporting

- 8.3.1 Reports on the performance of the appointed equity asset managers and funds managers are to be reviewed on an annual basis or otherwise as required.

### 8.4 Borrowing

- 8.4.1 Borrowing against a pool asset is permitted, subject to approval of the PDT as required in Policy 23 Delegations and Authority Limits, as follows:
- a. Property Investment Pool: no more than 25% of the pool assets providing interest cover is greater than 2 times (Interest Cover = [Income – Overheads] / Interest Expense).
  - b. Equity Investment Pool: no more than 10% of the pool's assets providing interest cover is greater than 4 times (Interest Cover = [Income – Overheads] / Interest Expense).

## 9. Responsible Investing

- 9.1 Investing will be in line with the values of the Anglican Church as directed by Synod.
- 9.2 Investing will take environmental, social, governance (ESG) and ethical issues into account, and investments will be made in businesses that have strategies to safeguard the environment, human rights, public safety and the welfare of its employees.
- 9.3 Refer Appendix A – Responsible Investing Guidelines

## 10. Review

- 10.1 A strategic review of this policy is to be undertaken at least every 3 years, and a complete review of this policy should be undertaken every 5 years.

<b>Approved by:</b>	<b>PDT</b>
Date Approved:	15 June 2023
Date for Review:	March 2026
Policy Contact Position:	Diocesan Secretary
Policy Ownership	Investment Committee
Amendment History:	Original



## Appendix 1 - PDT Responsible Investing Guidelines

Responsible investment measures are to be implemented in accordance with Policy 25 - The Perth Diocesan Trustees Investments and the strategy guidelines as set out below:

1. The PDT will ensure that no direct or indirect investments will be made in companies deriving income:
  - a. from tobacco, armaments, pornography;
  - b. more than 5% of their gross revenue from gaming and/or alcohol; or
  - c. any other organisation as directed from time to time by Synod.
2. Preference will be given by the PDT to investing in organisations deriving income from 'renewable energy' rather than those deriving income from 'non-renewable' energy e.g. fossil fuels and furthermore the PDT will eliminate its investments in businesses whose primary source of revenue is from producing fossil fuels by 2027, noting the current investment limit of 10% of total equity investments in fossil fuel producers.
3. The PDT will measure the overall carbon "footprint" and emissions via a climate change portfolio score. The score is to be measured by an independent ratings agency (such as MSCI) against the ASX 100 Industrials benchmark. MSCI is an independent provider of research and ratings on environmental, social and governance events and risks affecting the performance of public companies. For example, in measuring carbon emissions those companies with significant carbon footprints will score low on the MSCI scale. Companies that proactively invest in low-carbon technologies and increase the carbon efficiency of their facilities score well.
4. The PDT will give preference to investing in businesses that have a clearly defined strategy to reduce their carbon footprint.
5. The Investment Committee will not, without the prior approval of the PDT, invest in an entity in which a Trustee has control via any investment or holds a director, officer, or management position. Any investment recommendation in such an entity must be accompanied by written independent professional advice. Any pecuniary or conflict of interest by a Trustee in an investment must be disclosed and that Trustee must not vote as to whether or not the PDT invests. A Trustee is taken to have control whereby for example they have a substantial shareholding with voting rights and would be classified as a pecuniary conflict of interest and, as a consequence, may be perceived to benefit by a decision of the PDT to invest in that entity.