



Presbyterian Investment Fund (The PIF)

Together we can grow our funds

Highlights of the 2016/2017 year

- We paid out \$4.9 million in interest
 - Our interest rate is going up (3.50% from September 2017)
 - We have reserves of \$9.09 million
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- Together we benefit from investing in bulk
 - Attractive 'on call' interest rates, with high security
 - Funds under management this past year were \$166.6 million
 - Low operating expenses – only 0.37% of funds under management
 - Bank security level online access for parish accounts

Full accounts are available at:
Church Property Trustees: www.presbyterian.org.nz

Enquiries to:

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The key figures from the 2017 annual accounts are as follows:

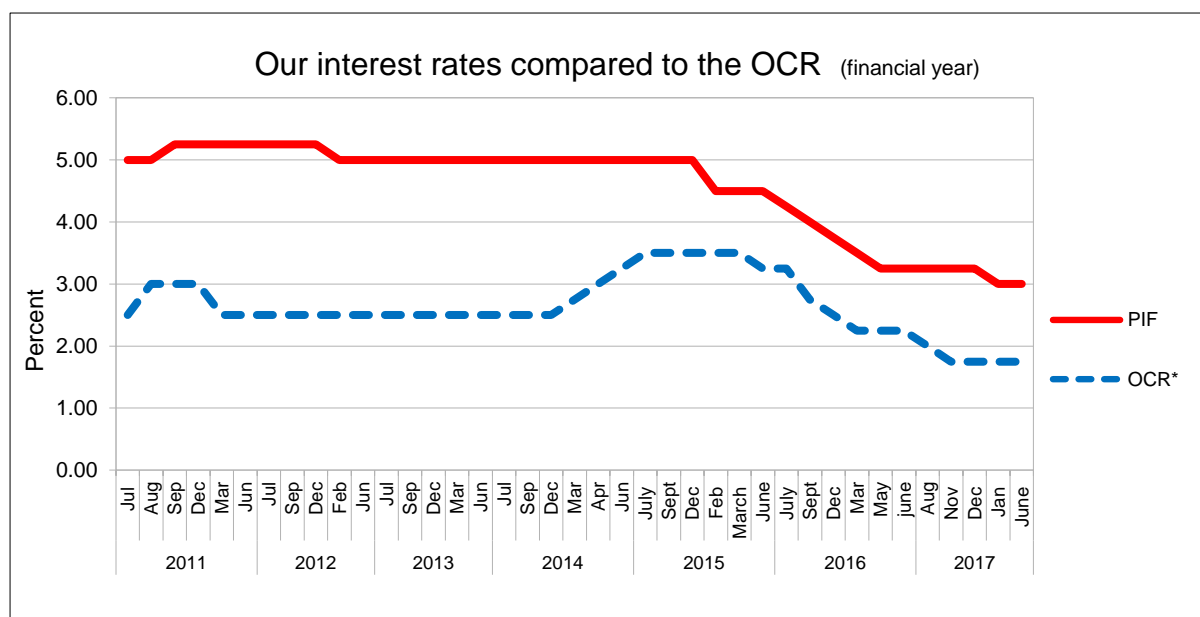
| | 30 June 2017 | 30 June 2016 |
|-------------------------|--------------|--------------|
| Gross investment income | \$6.09 m | \$7.30 m |
| Interest paid | \$4.99 m | \$6.33 m |
| Funds held | \$166.6 m | \$177.4 m |
| Reserves | \$9.0 m | \$9.6m |

The Trustees have maintained an attractive interest rate

The Fund's interest rate remained well above the Official Cash Rate (OCR), at between 3.25 - 3.00% for the past year.

The PIF is focused on ensuring parishes have high security and liquidity for their funds, which has meant paying lower interest rates over the past year or two. However, our rates have continued to be above the OCR and bank on-call rates with similar security. Do remember that general funds can be withdrawn from PIF accounts at any time.

Sometimes our rates look less attractive compared to others, but it is really important to remember that higher rates often carry higher risks. We saw the consequences of this in the collapse of finance companies during the Global Financial Crisis of 2008.



New arrangements for investing our money

Last year, the Trustees appointed Harbour Asset Management (HAM), a well-known and reputable investment firm, to manage the assets of the PIF. HAM manages the PIF money under a 'segregated mandate' which is tailored to our specific requirement that a high level of security and liquidity in the PIF's assets be maintained.

What has changed?

- Partly because of HAM's 'tight' mandate and the difficult market conditions, we reduced the interest paid to 3% for much of the year.
- We have now adjusted HAM's mandate to allow a little more risk, to produce higher returns. Subsequent to the year end, this allowed us to raise the interest rate to 3.5%.
- We are creating an alternative longer-term fund with a higher return for parishes that do not need to have their funds on call.

What has not changed?

- The PIF continues to be governed by the Church Property Trustees under the oversight of the Investment Committee.
- The investment strategy continues to focus on high quality short-term securities.
- The investments continue to be held in the name of the Trustees.
- Booster (formerly called Grosvenor) continues to administer parish accounts.

How is the arrangement structured?

- We have our own separate fund that is managed in accordance with our requirements.
- Balances remain available on call.
- HAM reports directly to the Trustees and is accountable for the performance of the PIF. The investment objective is to achieve the highest rate of return commensurate with a low risk short duration investment portfolio.
- We have updated the Statement of Investment Policy and Objectives.
- We have adopted a Responsible Investment Policy.
- Trustees Executors Ltd is the custodian. It reports directly to the Trustees and is accountable for holding the assets in safekeeping and executing investment decisions. It also performs administrative support functions to HAM, which is useful as this reduces duplication and fees.

What are the outcomes?

- We expect the returns from professional management, even after fees, to enhance the returns of the PIF.
- Having a specialist investment manager has improved the integrity of the PIF.
- Costs have increased marginally.
- Trustees now have more time to focus on governance and other challenges.

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