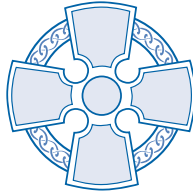


YR EGLWYS  
YNG NGHYMRU



THE CHURCH  
IN WALES

## THE CHURCH IN WALES COMMON INVESTMENT FUND

### Annual Report and Financial Statements

Year ended 31 December

# 2022





## Contents

Report of the Trustee .....	1
Statement of Trustee Responsibilities .....	6
Administrative Information .....	7
Independent Auditors' Report to the Trustee .....	9
Statement of Total Return .....	12
Statement of Change in Net Assets .....	12
Balance Sheet .....	13
Notes to the Financial Statements .....	14

---

## 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 Comparator

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 2021.

The Policy prohibits investment in companies involved in armaments, predatory lending activities and pornography, restricts investment in companies involved in gambling, alcohol, tobacco, the production or the extraction of fossil fuels and seeks to promote good levels of environmental, social and governance 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](http://www.churchinwales.org.uk).

## Investment Managers

Newton Investment Management manage the stock exchange investment fund under a Global Multi-Asset mandate.

## Assets

The asset allocation ranges for 2022 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 31/12/22	17%	41%	30%	9%	3%

The top ten holdings in the Fund at 31 December 2022 were as follows:

Stock	Value £000	% of Fund
BNY Mellon Global Dynamic Bond Fund	3,366	4.7
2.75% UK Treasury Gilt 2024	2,881	4.1
2.25% UK Treasury Gilt 2023	2,495	3.5
Microsoft Corp	1,765	2.5
1.5% USA Treasury Notes 2030	1,430	2.0
3.25% UK Treasury Gilt 2044	1,242	1.7
Unilever Plc	1,240	1.7
Linde Plc	1,182	1.7
AstraZeneca Plc	1,150	1.6
AIA Group Ltd	1,148	1.6

## Report of the Trustee

The Fund was invested in the following sectors at 31 December 2022:

	Value (£000)	% of Fund
<b>Fixed Interest</b>		
British Government Bonds	11,088	16.0
UK Bonds	2,329	3.4
Overseas Bonds	4,348	6.3
Global Bond Funds	3,366	4.8
<b>Total Fixed Interest</b>	<b>21,131</b>	<b>30.5</b>
<b>Equities</b>		
Consumer Goods	6,834	9.8
Consumer Services	1,462	2.1
Financials	8,025	11.6
Health Care	6,850	9.9
Industrials	7,142	10.2
Materials	2,399	3.5
Renewable Energy	3,579	5.2
Technology	6,755	9.7
Utilities	2,265	3.3
<b>Total Equities</b>	<b>45,311</b>	<b>65.3</b>
Alternative Assets	1,460	2.0
Indirect Property	1,503	2.2
	<b>69,405</b>	<b>100.0</b>

The Fund produced a total return of -8.4% in 2022 compared to the Teknometry Comparator return of -11.3% and inflation (RPI) of 13.4%.

The Fund also outperformed the Comparator over the 3 and 5 year periods to 31 December 2022, producing total annualised returns of 3.8% and 5.3% respectively.

### Performance

Annualised total return to 31 December	2022 %	2021 %	2020 %	3 years %	5 years %
<b>Fund</b>	<b>-8.4</b>	12.4	8.7	3.8	5.3
<b>Teknometry Comparator</b>	<b>-11.3</b>	12.1	5.4	1.6	3.1
<b>RPI</b>	<b>13.4</b>	7.5	1.2	7.4	5.4
<b>CPI</b>	<b>10.5</b>	5.4	0.6	5.5	4

## 2022 Market review

2022 was a particularly challenging period for financial markets. While Russia's invasion of Ukraine at the end of February was the defining geopolitical and economic event and an obvious catalyst for equity market weakness, equity indices had already been under considerable pressure throughout January. The proximate cause was tightening US monetary policy, as the Federal Reserve (Fed), having fallen 'behind the curve' in addressing inflationary pressures, signalled that US interest-rate rises would now come earlier, and potentially be more aggressive, than previously foreshadowed. Such a course of action drove government bond yields steeply higher, and in the equity market, put acute pressure on long-duration equities. However, many of these names moderated their losses by meaningfully participating in a broader rally which developed towards the end of the first quarter of 2022 as indices bounced.

Worries around a shift in global monetary policy continued to weigh on equities into the second quarter of 2022, with stretched valuations a cause for concern in the face of hawkish central banks. Renewed Covid-19-related lockdowns in China also weighed on investor sentiment given the implications for economic growth and supply chains. The risk of recession loomed towards the end of the review period amid concerns around a more aggressive, Fed-led global tightening cycle in response to the return of inflation.

After a promising start marked by a strong equity-market rally in July, the third quarter of 2022 proved to be very volatile with sharp, broad-based declines seen in all major asset classes. Investor hopes of a 'pivot' by the Fed on the interest-rate trajectory were dashed early in the quarter as it became increasingly clear that the central bank's priority was to quash inflation rather than support the economy and financial asset prices. Such rhetoric was reinforced with interest-rate hikes by the Fed, the European Central Bank and the Bank of England, leading markets to quickly price in a more aggressive

path of future rate hikes. Central-bank hawkishness was coupled with major disruptions to Europe's energy supply, a knock-on effect of the Ukraine-Russia conflict, and led to increasing concerns about the likelihood of recession. Later in September, the sell-off developed into something akin to a liquidity crisis affecting major asset classes, all of which fell in tandem. Finally, there was serious turbulence in the UK gilt market that stemmed from the UK's mini-budget.

During the final quarter of 2022 equities recovered some of the ground lost earlier in the year. The outlook for inflation, and the trajectory of monetary policy, continued to dominate the narrative within financial markets. In early October, evidence of decelerating price growth in the US ISM (Institute for Supply Management) Manufacturing report raised hopes that inflation had peaked, ensuring risk assets got off to a flying start. Further positive momentum was injected a month later, when it was the turn of US consumer price inflation to come in lower than expected, a development that also drove government bond yields lower. However, in spite of this encouraging news flow, central bankers steadfastly maintained a hawkish tone, both in terms of their rhetoric and their actions. At the end of the quarter, even the Bank of Japan, hitherto an outlier in the process of monetary tightening, surprised investors by moderating its policy of yield-curve control as it raised the cap on the country's long-term interest rates. These developments contributed to the broader trend of profit-taking into year end, both in equities and government bonds.

## Investment Strategy

The portfolio is invested in direct holdings in both equities and bonds that comply 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.



## Report of the Trustee

### Outlook

Against a backdrop of structural shifts and the withdrawal of accommodative monetary policy that market participants became used to over the last decade, investors will be required to navigate a challenging combination of heightened inflation, a weaker growth outlook and geopolitical tensions in 2023.

While inflation may have peaked, aspects of it are likely to remain elevated for some time in response to trends such as rising wages and deglobalisation. Although the end of the interest rate tightening may be drawing nearer, it is difficult to envisage cuts in 2023 in the absence of a major adverse event, particularly as the main central banks have been reiterating their determination to subdue inflation and prevent a subsequent damaging round of price rises.

Unfortunately, the actions of the US Federal Reserve and other central banks look set to

trigger a deceleration in growth and it appears increasingly likely that even more resilient economies could experience a recession.

In such an environment, there will still be opportunities for long-term investors but we expect to see far greater disparity in the outcome for different assets and we believe a discerning approach is likely to be critical in achieving attractive outcomes.

### 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
31 December 2017	29,426,621	183.17	4.25	2.32%	£53,900
31 December 2018	30,094,661	174.69	4.33	2.48%	£52,574
31 December 2019	31,505,212	199.63	4.96	2.48%	£62,893
31 December 2020	32,370,166	211.75	3.68	1.74%	£68,544
31 December 2021	33,065,246	234.13	4.12	1.76%	£77,634
31 December 2022	33,910,977	209.56	4.55	2.17%	£71,065

[\*Based on mid price and not bid price.]



## 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.

## 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](mailto:natashaaldrige@churchinwales.org.uk)

### Investment Advisers:

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

### Independent Auditors:

Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

### General Administration:

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

## 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 2022 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2022 and of the charity'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 charity 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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report and the Chair's Introduction. 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 charity; or
- sufficient accounting records have not been kept; or
- the charity 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.

### Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement, the trustees are 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 trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the charity and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to charity law applicable in England and Wales, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Charities Act 2011.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries and key accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their accounting estimates

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the charity's trustees, 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 trustees 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.

Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

26 June 2023

## Statement of Total Return

### For the year ended 31 December 2022

		2022	2021
	Notes	£	£
<b>Income</b>			
Net Capital (losses) / gains	2	<b>(6,469,147)</b>	9,076,408
Revenue	3	<b>1,777,368</b>	1,623,227
<b>Expenditure</b>	4	<b>(252,118)</b>	(266,655)
<b>Total Return before distributions</b>		<b>(4,943,897)</b>	10,432,980
Distribution to Shareholders	5	<b>(1,525,251)</b>	(1,356,572)
<b>Change in net assets attributable to Shareholders from Investment Activities</b>		<b>(6,469,148)</b>	9,076,408

## Statement of Change in Net Assets attributable to Shareholders

### For the year ended 31 December 2022

	2022	2021
	£	£
Opening net assets attributable to Shareholders	<b>77,473,702</b>	68,397,294
Change in net assets attributable to Shareholders from Investment Activities	<b>(6,469,148)</b>	9,076,408
<b>Closing net assets attributable to Shareholders</b>	<b>71,004,554</b>	77,473,702



## Balance Sheet

### As at 31 December 2022

		2022	2021
	Notes	£	£
<b>Investments:</b>			
Stock Exchange Securities	6	69,404,652	71,370,093
Money Market Deposits	7	1,899,776	6,279,306
		<b>71,304,428</b>	77,649,399
<b>Current assets:</b>			
Debtors	8	178,739	174,536
Creditors: amounts falling due within one year	9	(478,613)	(350,233)
Net Current Liabilities		<b>(299,874)</b>	(175,697)
<b>Net Assets</b>		<b>71,004,554</b>	77,473,702
<b>Represented by:</b>			
Net Assets attributable to Shareholders		<b>71,004,554</b>	77,473,702

The financial statements on pages 12 to 17 were approved by the Representative Body on 26 June 2023.

Professor Medwin Hughes, Chair

Hilary Wiseman, Deputy Chair

## 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 2022. 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 (Losses) / Gains	2022	2021
	£	£
Realised gains	1,861,964	1,835,984
Unrealised (losses) / gains	(9,899,221)	5,533,044
Net contributions	1,568,110	1,707,380
	<b>(6,469,147)</b>	9,076,408

3. Revenue	2022	2021
	£	£
Stock Exchange Securities	1,774,055	1,623,201
Money Market Deposit interest	3,313	26
	<b>1,777,368</b>	1,623,227

## Notes to the Financial Statements

4. Expenditure	2022	2021
	£	£
Fund manager fees	234,982	246,879
Custodian's fees	11,496	14,136
Performance measurement fees	5,640	5,640
	<b>252,118</b>	266,655

5. Distribution to Shareholders	2022	2021
	£	£
Paid	1,109,886	1,075,784
Proposed	415,365	280,788
	<b>1,525,251</b>	1,356,572

6. Stock Exchange Securities	2022	2021
	£	£
Market value at 1 January	71,370,093	66,564,319
Additions	22,505,010	8,430,447
Disposals	(14,571,230)	(9,157,717)
Net (decrease) / increase on revaluation	(9,899,221)	5,533,044
Market value at 31 December	<b>69,404,652</b>	71,370,093
Historical cost at 31 December	<b>59,448,614</b>	51,514,834
Unrealised gains calculated on historic basis	<b>9,956,038</b>	19,855,259
Listed in UK	<b>33,166,573</b>	33,867,838
Listed overseas	<b>36,238,079</b>	37,502,255
	<b>69,404,652</b>	71,370,093

7. Money Market Deposits	2022	2021
	£	£
Investment Capital held in Cash	1,599,902	6,103,609
Money Market Deposits	299,874	175,697
	<b>1,899,776</b>	6,279,306

8. Debtors	2022	2021
	£	£
Amounts due from Fund Manager	178,739	174,536
	178,739	174,536

9. Creditors: amounts falling due within one year	2022	2021
	£	£
Amounts due to Shareholders	415,365	280,788
Other creditors	63,248	69,445
	478,613	350,233

## 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.

Fair Value Measurement - All investments held by the Representative Body are Level 1 investments, made up of bonds, equities and cash.

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

- a) **Foreign currency risk**
- b) **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.

#### **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 10.6% (2021: 1%) on the US Dollar and 5.2% (2021: 8%) on the Euro in exchange rates. The US Dollar and Euros represent 76.3% 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.

## Notes to the Financial Statements

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

	2022	2021
	£	£
US Dollar	2,560,000	227,819
Euros	185,000	421,327
	<b>2,745,000</b>	649,146

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

	2022	2021
	£	£
US Dollar	(2,560,000)	(227,819)
Euros	(185,000)	(421,327)
	<b>(2,745,000)</b>	(649,146)

### 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% (2021: 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.

	2022		2021	
	Increase in fair value £	Decrease in fair value £	Increase in fair value £	Decrease in fair value £
Impact on capital return	14,253,467	(14,253,467)	15,561,767	(15,561,767)

## 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.