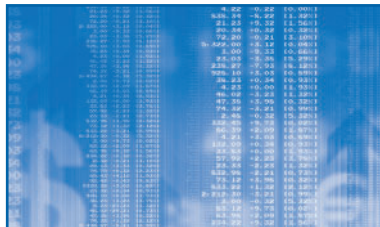


The Church in Wales Common Investment Fund

**Annual Report and Financial Statements
Year ended 31 December 2018**



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 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 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 2018 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 31/12/18	26%	37%	21%	10%	6%

The Fund was invested in the following equity sectors at 31 December 2018:

Financials	12.3%	Health Care	5.6%
Technology	8.5%	Oil & Gas	4.8%
Consumer Services	8.0%	Basic Materials	4.7%
Consumer Goods	7.1%	Utilities	2.5%
Industrials	6.9%	Telecommunications	2.4%

The top ten holdings in the Fund at 31 December 2018 were as follows:

Stock	Value £000	% of Fund
0% UK Treasury Bill 2019	2,676	5.1
3.25% UK Treasury Gilt 2044	1,784	3.4
Royal Dutch Shell Plc	1,687	3.2
4.25% UK Treasury Stock 2036	1,032	2.0
Applied Materials Inc	1,005	1.9
Infineon Technologies AG	976	1.9
Greencoat UK Wind Plc	963	1.8
5% UK Treasury Stock 2025	928	1.8
Unilever Plc	928	1.8
Bluefield Solar Income Fd Ltd	924	1.8

The Church in Wales Common Investment Fund

Report of the Trustee

The Fund produced a total return of –1.9% in 2018 compared to the Teknometry Comparator return of –4.5% and inflation of 2.7%.

The Fund also outperformed the Comparator over the 3 and 5 year periods to 31 December 2018, producing total annualised returns of 8.2% and 7.5% respectively.

Performance

Annualised total return to 31 December	2018 %	2017 %	2016 %	3 years %	5 years %
Fund	-1.9	10.7	16.5	8.2	7.5
Teknometry Comparator	-4.5	10.1	13.0	5.9	4.9
RPI	2.7	4.1	2.5	3.0	2.3

2018 Market Review

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

In contrast to most of 2017, the first quarter of 2018 proved to be something of a rollercoaster ride for global equity markets. After starting the year with a bang, with the S&P 500 registering a gain of nearly 6% in January alone (in local-currency terms), February marked the return of volatility to markets as worries prompted by stronger-than-expected inflation data and subsequently higher bond yields caused a sell-off across most asset classes. Market turbulence resurfaced in March, driven by fears of a global trade war between the US and China, coupled with weakness in technology stocks, notably those that had propelled the market higher during its parabolic rise.

Conditions remained challenging for fixed-income investors over the second quarter of the year as the US Federal Reserve continued to increase interest rates. Meanwhile, President Trump's protectionist rhetoric on trade proved to be a constant throughout the period. Another major focus of investors' attention was Italy, where a constitutional crisis at the end of May briefly roiled markets. Against this more febrile political backdrop, global macroeconomic conditions appeared somewhat less buoyant and synchronised than at the start of the year, given the moderation in eurozone economic growth and a series of squalls in the developing world. On a more positive note, the US economy continued to

deliver as it reaped the benefits of 2017's tax cuts, though in certain areas faster cost inflation and tightening labour supply started to weigh upon corporate profitability. Returns from global equity markets were subdued over the quarter in local-currency terms, although the weak performance of the pound benefited UK-based investors.

The US stock market continued to enjoy strong gains, largely attributable to robust corporate earnings, throughout the third quarter of 2018, amid a mixed performance for equity indices more broadly. Emerging markets, in particular, were burdened by a slowdown in the pace of Chinese credit growth, fears over their vulnerability to tighter US monetary policy, and worries about the potential repercussions of global trade tensions. Elsewhere, the UK's impending departure from the European Union (EU) remained a significant concern for investors, while Italian politics caused volatility to return to markets as the coalition government's spending plans threatened to breach EU deficit thresholds. Fixed-income markets marginally declined, in total-return terms, over the period, although credit had a reasonably solid quarter. Against this backdrop central banks continued their tightening trajectory, with the US Federal Reserve raising rates for the third time in 2018.

A particularly difficult final quarter of 2018 saw one of the most significant equity-market sell-offs in recent decades. Much of the damage took place in October and stemmed, in large measure, from a renewed articulation of hawkish narrative by Federal Reserve officials. This unsettled sentiment towards risk assets at a time when central-bank liquidity continued to be withdrawn. November brought some respite and a brief

The Church in Wales Common Investment Fund

Report of the Trustee

rebound in stock markets as Jerome Powell, chair of the Federal Reserve, moderated his earlier stance. However, in December global equities plumbed new lows for the year as the tone of the Federal Reserve's forward-looking commentary once again unnerved investors. Political concerns also continued to contribute to the broader malaise, not least the ongoing trade dispute between the US and China, while in Europe, uncertainty around Brexit persisted, with UK Prime Minister Theresa May forced to postpone the parliamentary vote on her proposed deal with the EU. In this environment, 'safe-haven' government-bond markets in the UK and US were more resilient, producing a positive return over the quarter.

The marked strength of the US dollar meant that North American equities salvaged a small positive return of +0.8% to UK-based investors over the 12-month period. Equity returns from all other regions were negative: Asia Pacific ex Japan equities returned -6.8%, Japanese and emerging-market equities both delivered -8.9%, while UK and European ex UK equities each produced negative returns of -9.5% in sterling terms. Overseas government bonds were the standout performer over the 12-month period, returning +5.9%, although this was propelled chiefly by currency movements rather than more fundamental factors. Returns from gilts and corporate bonds were more subdued, delivering +0.6 and -1.6% respectively 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 global growth rates, relative currency valuations and returns from financial markets continue to be increasingly dependent on how countries interact and trade with each

other. In the short term, the outcome of Brexit negotiations and a resolution of the US-China trade dispute are likely to be key drivers of market confidence and returns. Equity-market valuations have corrected somewhat over the period, with lower growth rates and profit expectations now expected. The Fund has performed well on a relative basis over the course of the last year and we remain mindful of opportunities to gain exposure to favoured areas if and when valuations become compelling.

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
31 December 2018	30,094,661	174.69	4.33	2.48%	£52,574

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

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

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 2018 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 Fund's affairs as at 31 December 2018 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.

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.

The Church in Wales Common Investment Fund

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.

Use of our report

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.

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

The Church in Wales Common Investment Fund

Statement of Total Return

For the year ended 31 December 2018

		2018	2017
	Notes	£	£
Income			
Net Capital (Losses) / Gains	2	(1,359,445)	4,195,831
Revenue	3	1,497,213	1,398,693
Expenditure	4	(202,272)	(201,813)
Total Return before distributions		(64,504)	5,392,711
Distribution to Shareholders	5	(1,294,941)	(1,196,879)
Change in net assets attributable to Shareholders from Investment Activities		(1,359,445)	4,195,832

Statement of Change in Net Assets attributable to Shareholders

For the year ended 31 December 2018

		2018	2017
	Notes	£	£
Opening net assets attributable to Shareholders		53,787,391	49,591,559
Change in net assets attributable to Shareholders from Investment Activities		(1,359,445)	4,195,832
Closing net assets attributable to Shareholders		52,427,946	53,787,391

The Church in Wales Common Investment Fund

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£	£
Investments:			
Stock Exchange Securities	6	49,491,647	49,211,851
Money Market Deposits	7	3,102,431	4,714,681
		52,594,078	53,926,532
Current assets:			
Debtors	8	168,464	176,946
Creditors: amounts falling due within one year	9	(334,596)	(316,087)
Net Current Liabilities		(166,132)	(139,141)
Net Assets		52,427,946	53,787,391
Represented by:			
Net Assets attributable to Shareholders		52,427,946	53,787,391

The financial statements on pages 10 to 16 were approved by the Representative Body on 27 June 2019.

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 2018. 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)	2018	2017
	£	£
Realised gains	2,301,302	1,331,780
Unrealised (losses) / gains	(4,882,757)	2,475,970
Net contributions	1,222,010	388,081
	(1,359,445)	4,195,831

3. Revenue	2018	2017
	£	£
Stock Exchange Securities	1,495,966	1,398,000
Money Market Deposit interest	1,247	693
	1,497,213	1,398,693

The Church in Wales Common Investment Fund

Notes to the Financial Statements

4. Expenditure	2018	2017
	£	£
Fund manager fees	185,107	181,391
Custodian's fees	9,305	10,942
Software support costs	2,220	2,124
Performance measurement fees	5,640	7,356
	202,272	201,813

5. Distribution to Shareholders	2018	2017
	£	£
Paid	1,008,990	931,635
Proposed	285,951	265,244
	1,294,941	1,196,879

6. Stock Exchange Securities	2018	2017
	£	£
Market value at 1 January	49,211,851	45,709,674
Additions	18,985,261	16,655,635
Disposals	(13,822,708)	(15,629,428)
Net (decrease) / increase on revaluation	(4,882,757)	2,475,970
Market value at 31 December	49,491,647	49,211,851
Historical cost at 31 December	42,954,358	37,791,806
Unrealised gains calculated on historic basis	6,537,288	11,420,045
Listed in UK	27,285,888	26,822,848
Listed overseas	22,205,759	22,389,003
	49,491,647	49,211,851

The Church in Wales Common Investment Fund

Notes to the Financial Statements

7. Money Market Deposits	2018	2017
	£	£
Investment Capital held in Cash	2,936,300	4,575,540
Money Market Deposits	166,131	139,141
	3,102,431	4,714,681

8. Debtors	2018	2017
	£	£
Amounts due from Fund Manager	168,464	176,946
	168,464	176,946

9. Creditors: amounts falling due within one year	2018	2017
	£	£
Amounts due to Shareholders	285,951	265,244
Other creditors	48,645	50,843
	334,596	316,087

The Church in Wales Common Investment Fund

Notes to the Financial Statements

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:

- 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% (2017: 10%) on the US Dollar and 5% (2017: 5%) on the Euro in exchange rates. The US Dollar and Euros represent 49% 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:

	2018	2017
	£	£
US Dollar	705,448	926,373
Euros	38,222	234,524
	743,670	1,160,897

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

	2018	2017
	£	£
US Dollar	(705,448)	(926,373)
Euros	(38,222)	(234,524)
	(743,670)	(1,160,897)

The Church in Wales Common Investment Fund

Notes to the Financial Statements

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% (2017: 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.

	2018		2017	
	Increase in fair value £	Decrease in fair value £	Increase in fair value £	Decrease in fair value £
Impact on capital return	10,530,037	(10,530,037)	10,757,678	(10,757,678)

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.