

The New Zealand Anglican Church Pension Fund

Statement of Investment Policy & Objectives

10 March 2023

Contents

1.	Introduction	3
2.	Investment philosophy	5
3.	Investment strategy & objectives	6
4.	Investment guidelines	9
5.	Investment performance	10
6.	Investment reporting	11
7.	Compliance reporting	12

1. Introduction

This Statement of Investment Policy and Objectives (**SIPO**) applies to The New Zealand Anglican Church Pension Fund (**Fund**).

When read together with our Ethical Investment Policy, the SIPO provides a complete picture of the investment policy and objectives of the Fund and of our investment philosophy.

The SIPO:

- specifies the Trustee's overall investment objectives for the Fund;
- details the Fund's investment strategy;
- allocates responsibilities between the Trustee and its Investment Committee;
- specifies the terms of the investment mandates and constraints to be observed by the Investment Committee; and
- details the process to follow in the event of a breach of the SIPO.

This SIPO takes effect on 10 March 2023 and replaces the version dated 27 September 2021.

The current versions of this SIPO and our Ethical Investment Policy are available on our website at www.angfincare.nz/resources-2/ and on the offer and schemes register entries for the Fund on the Disclose website www.discloseregister.companiesoffice.govt.nz/.

1.1 Fund details

The Fund was created and operates under an Act of Parliament, The New Zealand Anglican Church Pension Fund Act 1972. The Act authorised trustees of trust funds for the benefit of retired Anglican clergy to transfer the assets of such funds to the Trustee for amalgamation with the Fund, or for administration by the Trustee. Various Diocesan Pension Funds and other trust funds were transferred to the Fund under this Act.

The Fund is governed by a trust deed.

The Fund provides pensions for retired Anglican clergy and their widows or widowers, and allowances to dependent children of deceased clergy. The Fund is predominantly a defined benefit scheme, but has a partly cash accumulations-based complying fund section.

Membership of the Fund is compulsory for full time stipendiary clergy in ministry with the Anglican Church. Rights under the Fund are protected in cases of long-term sickness, disability or death.

The Fund is defined as an employer-related and restricted "workplace savings scheme" under the Financial Markets Conduct Act 2013 (**FMCA**) - a retirement scheme under which benefits can be paid on retirement or (prior to retirement) cessation of employment with a particular employer.

1.2 Trustee

The FMCA requires the Trustee to exercise the care, diligence and skill that a prudent person whose profession or business is (or includes) acting as a trustee or investing money on others' behalf would exercise in the same circumstances.

The Trustee is responsible for ensuring the SIPO, the Ethical Investment Policy and Responsible Investment Statement are adhered to. The key responsibilities of the Trustee, as they relate to the investments made by the Fund, are:

- to maintain an investment governance framework;
- to agree investment beliefs and an investment process;

- to set investment objectives and risk tolerances;
- to determine an investment strategy (including benchmark asset allocations and permitted ranges);
- to implement that investment strategy; and
- to monitor the Fund's investment performance and compliance with strategic limits.

The Trustee and Manager of the Fund is The New Zealand Anglican Church Pension Board trading as Anglican Financial Care (**Trustee, we, us or our**).

The Anglican Church in Aotearoa, New Zealand and Polynesia (**Church**) bears the investment risk for the defined benefit section and for the pension-based benefits payable from the complying fund section. However, if accrued benefits exceed the value of the assets in the Fund, the income from the Widows and Orphans Endowment is available for the Fund. In exceptional circumstances, the Trustee could ask the Church to increase its contribution levels.

The Trustee is responsible for reviewing the SIPO and Ethical Investment Policy. The SIPO will be reviewed no less frequently than annually, or more frequently as we may consider appropriate (including, for example, as a result of significant changes to market conditions or relevant government policy). The Ethical Investment Policy will be reviewed as we may consider appropriate.

The Trustee approves each new SIPO (and any changes to the Ethical Investment Policy) by resolution. If we change the SIPO or the Ethical Investment Policy, any material changes will be advised in the Fund's next Annual Report.

1.3 Investment Committee

The Trustee has devolved the exercise of its power of investment, but not its investment responsibilities, to an Investment Committee (**Committee**). The Committee is appointed in accordance with section 4.9(a) of Title B Canon XIV, part of the Code of Canons of the Church.

The Committee has developed an Investment Policies, Authorities and Limits (**PALs**) document which sets out the context within which it works.

The Committee maintains a conflicts of interest policy and each Committee member is required to disclose interests which the member believes may have the potential to lead to conflicts or may be relevant to the perception of their conduct as a member of the Committee.

The Committee oversees the implementation of the investment strategy for the Fund which involves investing the Fund's assets (excluding forests and forest land) in The New Zealand Anglican Church Pension Board Investment Trust (**Investment Trust**), an underlying investment fund of which we are trustee.

We employ professional investment management staff who are accountable for:

- monitoring all aspects of the Fund's investments and reporting on a quarterly basis to the Committee;
- confirming on a quarterly basis whether the Fund's investments comply with the SIPO and the Ethical Investment Policy ; and
- advising on the appointment of any external fund managers and on the Fund's overall strategy and tactical asset allocation.

2. Investment philosophy and beliefs

Our investment purpose is to turn members' savings into wealth.

We have invested ethically since 1972 and in 2002 the Church's General Synod / te Hīnota Whānui passed a resolution which recognises that ethical considerations form an integral part of the investment process in keeping with the Church's Christian values.

This means our investment activity will act in the financial interests of members while also seeking to participate in the good God is doing in the world.

We place a high priority on diversification and capital preservation. Our belief is that it's not just superior investment performance that is important, but superior performance while managing risk and endeavouring to avoid losses. We seek to participate in the good times but also protect members when the investment climate is not so good. Our goal is to deliver performance for members across the full investment cycle.

We manage some assets in-house (including cash, mortgages, a forest, domestic bonds and domestic and overseas shares) where we believe it's sensible, can add value for members, and ensure the appropriate implementation of the Ethical Investment Policy. We outsource other assets including overseas bonds, smart energy, and domestic and overseas private equity to selected external managers. The investments in illiquid assets such as private equity reflect our belief that there's a premium return for illiquidity.

We recognise that long-term strategic asset allocations will be the prime source of the investment return for members. We also believe that where it makes sense, it's possible to enhance returns via stock selection since although investment markets are generally efficient, asset prices don't always reflect fair value and investors don't always behave rationally.

Further, we may tilt portfolios from time to time towards income asset classes (such as bonds) or growth asset classes (such as shares) but such tilts will tend to be modest and appropriately balanced with our stock selection within asset classes.

2.1 Ethical investment policy

The Trustee incorporates responsible investment practices, including consideration of environmental, social, and governance factors within the investment policies and procedures of the Fund as at the date of this SIPO.

In particular, we use a leading provider of corporate governance and responsible investment research when considering investing in equities. We also have a relationship with the UK based Church Investors Group, that enables further insights into ethical matters and provides us with an opportunity to vote on our equity investments with like-minded investors.

We administer and invest the Fund in a manner that we believe is consistent with Christian values, recognising that economic decisions involve ethical choices. The Christian tradition recognises that these ethical choices are made in a world marred by human failure and its consequences. Yet the Church still seeks goodness and the growth of human flourishing and believes God is active in restoring the world. We have investment policies for entities whose activities involve the production or sale of alcohol, livestock management or animal testing, armaments and defence, fossil fuels, gambling, pornography and tobacco. While these sectors would generally be excluded from our portfolios, we recognise that some entities within some of these sectors may be adopting and practicing corporate responsibility policies that weigh against the misuse and harm related to their business activities. In such cases, we consider that exclusion

may be inappropriate and inconsistent with God's redemptive purpose and the transition to a better world.

This policy does not preclude investment in tracker funds, or in diversified or composite equity funds, alternative strategy funds or fixed interest funds, for the purpose of gaining diversification. If the Fund invests in any of those types of diversified products, to that extent it may indirectly invest in assets which do not meet the ethical criteria set out above.

We acknowledge that, as a fiduciary, there are limitations on our ability to exclude investments. Our Ethical Investment Policy can be found at www.angfinicare.nz/resources-2/.

3. Investment strategy & objectives

3.1 Setting the investment strategy

Establishing an investment strategy involves ensuring alignment between agreed investment objectives and the structure of the Fund's investments. The strategy setting process includes consideration of:

- expected risk and return relative to the Fund's objectives;
- the overall composition of the Fund's investments (including the adequacy of diversification);
- the expected liquidity of selected investments;
- availability and reliability of valuation information; and
- associated costs of investing and other relevant matters.

The investment strategy is formulated with reference to the risk and return objectives for the Fund, as well as the considerations listed above.

The investment strategy is reviewed every three years, and more frequently if required. Normally, an independent consultant is engaged to produce a report recommending one or more investment strategies for the Fund. The report is discussed by the Committee which makes recommendations to the Trustee accordingly.

3.2 Objectives

The objective for the Fund is to achieve net investment returns on the Fund's assets (i.e. returns after any tax, fees and other expenses) sufficient to enable us to increase defined benefits in line with inflation. The nature of the Fund allows the Committee to invest in growth assets and to seek to benefit from a certain level of illiquid assets.

We do this by investing in a diversified range of growth assets (equities, private equity, forests and forest land) and income assets (cash equivalents and short term deposits, fixed interest and mortgages) with the allocation to growth assets generally materially higher than income assets (60%/40%).

Measurement

In assessing performance against the investment objective for the Fund we have regard to the performance of each asset class against the relevant benchmark (if any) for that asset class, as described in section 5 below. In addition, we assess the overall performance of the Fund against a number of measures, including the rate of inflation (on a rolling 3 year basis) and other benchmarks.

3.3 Investment strategy

We aim to meet the investment objectives for the Fund by investing in accordance with the benchmark asset allocations and ranges set out below.

Investment in these asset classes is specifically permitted for the purposes of the FMCA:

	Benchmark	Sector Range	
		Min	Max
Australasian Equities	19.5%	10.0%	30.0%
International Equities	34.0%	24.0%	44.0%
Other - Alternative Assets	6.5%	0.0%	15.0%
	60.0%		
New Zealand Fixed Interest	17.5%	7.5%	27.5%
International Fixed Interest	17.5%	7.5%	27.5%
Cash and Cash Equivalents	5.0%	0.0%	25.0%
	40.0%		
	100.0%		

Australasian Equities means equities in companies which are listed in Australia and/or New Zealand.

International Equities means equities in companies which are publicly listed on a securities exchange and generally do not meet the definition of Australasian Equities.

Other - Alternative Assets means investments which do not fall within any of the other asset classes described in this SIPO. Examples of these can include:

- private equity investments, which are ownership interests in operating companies not publicly listed on a securities exchange;
- forests, which is ownership of trees being established and grown for harvesting purposes on forest land (together with associated carbon credits); and
- forest land, which is ownership of land on which trees are being established and grown for harvesting purposes.

New Zealand Fixed Interest means:

- registered first mortgages; and
- loans made in New Zealand dollars to the New Zealand Government, the New Zealand Local Government Funding Agency, local authorities, banks and corporates and investments in fixed interest products issued by foreign issuers approved by the Reserve Bank of New Zealand.

International Fixed Interest means investments in funds which invest into a diversified portfolio of loans which may include loans to governments, major local authorities, banks and corporate organisations, and other fixed interest securities, which are predominantly outside New Zealand.

Cash and Cash Equivalents means short-term products such as deposits, bank bills, floating rate notes, on call deposits or fixed interest securities with maturity periods of generally less than one year.

We may invest in other investments (not explicitly referred to or permitted) that we consider are of a type which falls within an asset class and will contribute to meeting the performance objectives of the Fund.

3.4 Investment risk

To limit risk the Trustee has determined that the Total Growth and Total Income asset class allocations must be maintained within 10% of the value of the Fund's assets of its respective benchmark asset allocations at all times. The Committee will not invest in any asset class not included in the Growth and Income asset classes shown in Section 3.3 above without the prior written consent of the Trustee.

3.5 Use of managed funds

We may invest in each asset class by investing in managed funds which in turn ultimately invest in (or predominantly in) underlying assets falling within that asset class.

Where we invest in an asset class through a managed fund, that managed fund may also have allocations to other asset classes. For example, where we invest in International Equities by investing in a managed fund, that managed fund may have an allocation to Australasian Equities. An investment in such a managed fund is treated by us as an investment entirely in the core asset class of that managed fund (in this example International Equities) for the purposes of this SIPO.

3.6 Rebalancing of the portfolio and cash flow management

Asset allocation ranges have been set as above and the rebalancing rules (see section 3.3 *Investment Strategy*) which apply are as follows:

- The allocation to each asset class will be allowed to vary within the ranges set (with variations being caused by market movements, cash flows and tactical investment decisions);
- If the allocation to an asset sector varies from the target allocation, we may at any time arrange for a rebalancing to take place such that the actual allocation corresponds to or is nearer the target allocation;
- If any asset allocations move materially outside their ranges, or if there is any material non-compliance with our Ethical Investment Policy or another aspect of this SIPO, we shall ensure as soon as practicable (but in any event within no more than 5 working days) that, as applicable, the allocations are rebalanced back to within the ranges set or the material non-compliance is remedied.¹

The above rebalancing provisions are without prejudice to our ability to alter the asset allocation ranges as it considers appropriate from time to time.

Cash flows are one of the causes of asset allocation fluctuations within the Fund. The various funds and pools managed by the Committee each have differing liquidity needs. On a daily basis the assets in the Investment Trust (into which both the Fund and other schemes invest) are allocated among the various funds managed by the Committee so that they are all invested in a way which corresponds as closely as possible to their individual target asset allocations while meeting their liquidity requirements. The cash flows of the Fund will affect the allocations to the other funds and the cash flows of the other funds will affect the allocations to the Fund.

3.7 Tax

The income of the Fund is derived in trust for charitable purposes and is currently exempt from income tax within the provisions of the Income Tax Act 2007.

¹ If the rebalancing does not occur (or the material breach is not remedied) within the 5 working day period, this must be reported to the FMA as soon as practicable after that period expires (and the report to FMA must contain the information set out in regulation 96 of the [Financial Markets Conduct Regulations 2014](#)).

Some tax charges cannot be avoided and (because the Fund is exempt from investment income tax) the resulting tax credits cannot be used or refunded. Examples are NZ imputation credits and foreign withholding tax in some circumstances.

4. Investment guidelines

This SIPO does not prohibit any investments including those that would be non-compliant with the Ethical Investment Policy.

Borrowing is prohibited without the specific consent of the Trustee.

No more than 5% of the assets of the Investment Trust can be invested in any one asset, with the exception of:

- authorised cash and cash equivalents;
- forests and forest land; and
- broadly diversified co-mingled funds.

No more than 12.5% of the Investment Trust's funds can be invested in mortgages.

4.1 Hedging policy

Currency is not treated as a separate asset class. However, we enter into foreign currency contracts as required to protect the value of offshore assets and returns against currency movements. Hedging may be achieved through the use of derivatives.

We believe that an active approach to currency hedging is appropriate. Currency exposures are monitored, and adjusted as appropriate, on a weekly basis. Accordingly, the Fund will not maintain the same level of currency hedging at all times.

The pre-tax currency hedging benchmarks and ranges for the extent to which various asset classes will be hedged to the New Zealand dollar are as follows:

Sector	Currency Hedge	
	Policy	Range
International Fixed Interest	100%	
International Equities	50%	25% - 75%
Australian Equities	50%	25% - 75%
Other - Alternative Assets (overseas)	50%	25% - 75%

4.2 Other relevant policies

Other policies that are directly relevant to achieving the investment objectives and strategies include the Trade Allocation Policy, the Trade Execution Policy, the Corporate Engagement Policy and the Pricing Policy. Each of these can be found on the offers register at www.disclose-register.companiesoffice.govt.nz/ (select Search Offers, enter OFR10842 and go to Documents).

5. Investment performance

5.1 Australasian equities

We invest directly into the New Zealand and Australian share markets through the Investment Trust.

The Committee assesses the Fund's investment performance in the Australasian Equities sector by reference to the S&P/NZX50 index (for New Zealand equities) and the S&P/ASX200 (50% hedged) for Australian equities over rolling periods of three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for Australasian equities reported in the MJW Investments Survey.

5.2 International equities

We invest directly into the international share markets through the Investment Trust.

The Committee assesses the Fund's investment performance in the International Equities sector by reference to the MSCI World Index 50% hedged over rolling periods of three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for international equities reported in the MJW Investments Survey.

5.3 Other - alternative assets

We currently have (and may in future have) allocations to investments which do not fall within any of the other asset classes described in this SIPO, but which we consider appropriately reflect the risk profile of the Fund and will contribute to meeting the performance objectives of the Fund. Alternative Assets which we may invest in include (but are not limited to) private equity interests, forests and forest land.

The Committee does not use benchmarks for assessing the Fund's investment performance with respect to Alternative Assets, due to the unavailability of appropriate market indices.

5.4 New Zealand fixed interest

We invest directly into the New Zealand fixed interest market through the Investment Trust.

We provide registered first mortgage finance at competitive rates to clergy and other Christians who meet our lending criteria. We invest a portion of the New Zealand Fixed Interest asset allocation in that mortgage portfolio.

The Committee assesses the Fund's investment performance in the New Zealand Fixed Interest, excluding mortgages, sector by reference to the S&P/NZX Composite Investment Grade Bond Index over rolling periods of three months, one year, three years, five years and ten years. The Committee does not use a benchmark for assessing the investment performance of the mortgage portfolio, due to the unavailability of an appropriate market index.

The Committee also compares performance to the median manager return for New Zealand fixed interest reported in the MJW Investments Survey.

5.5 International fixed interest

We outsource the management of its international fixed interest investments to reputable fund managers.

The Committee assesses the Fund's investment performance in the International Fixed Interest sector by reference to the Bloomberg Barclay's Global Aggregate Index (Hedged) over rolling periods of three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for overseas fixed interest reported in the MJW Investments Survey.

5.6 Cash and cash equivalents

We manage the cash and cash equivalents sector with consideration for the liquidity requirements of the Fund, including ensuring sufficient funds are available to meet Fund withdrawals.

The Committee assesses the Fund's investment performance in the Cash by reference to the S&P/NZX Bank Bills 90 Day Index over three months, one year, three years, five years and ten years. In addition, the Committee compares performance to the median manager return for cash reported in the MJW Investments Survey.

5.7 Market indices

The benchmark portfolio against which we compare the investment return for the Fund is a composite index comprising the benchmark return for each asset class weighted according to the SIPO investment mix for the Fund.

The benchmark return for Other – Alternative Assets and the mortgage component of New Zealand Fixed Interest is their actual return. The benchmark return for all other asset classes is a market index. Some of these benchmark returns have their foreign currency exposure hedged into NZD.

More information about the benchmark indices referred to in this SIPO (and in the latest fund update) can currently be found on the following web pages:

- S&P/NZX 50 Index – <https://au.spindices.com/indices/equity/sp-nzx-50-index>
- S&P/ASX200 – <https://au.spindices.com/indices/equity/sp-asx-200>
- MSCI World Index – <https://www.msci.com/world>
- S&P/NZX Composite Investment Grade Bond Index – <https://au.spindices.com/indices/fixed-income/sp-nzx-composite-investment-grade-bond-index>
- Bloomberg Barclays Global Aggregate Index (Hedged) – <https://www.bloomberg.com/quote/LEGATRUH:IND>
- S&P/NZX 90-Day Bank Bill Index – <https://au.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index>.

The market indices and those web pages may change, or may be renamed or replaced, from time to time without notice to Fund members.

6. Investment reporting

The Committee reports to the Trustee on a quarterly basis.

The reporting includes a commentary on the current state of the markets, a commentary on the investment strategy and tactical asset allocation decisions, performance reports (and supporting commentary) including gross returns, returns relative to benchmarks (by asset class), attribution analysis (the contribution of asset allocation, stock selection and hedging to overall performance, by asset class) and return relative to peers.

7. Compliance reporting

A report is run on every business day in Wellington to identify any SIPO limit breaks. The Trustee is advised immediately of any limit break and the action that will be taken to remedy the breach.

On a quarterly basis, the Committee reports to the Trustee any breaches (and associated remedies) that occurred during the previous quarter.

On an annual basis, the Committee reports any changes to its PALs document to the Trustee.

Approved by the Trustee
9 March 2023

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