Anglicanfunds GRAFTON DIOCESE

To be the trusted financial services provider of the Diocese of Grafton, enabling ministry growth.

Agenda
Thursday 22nd February 2018
9.00 am

1. **Opening Prayer**

2. **Confirm**
   Attendees:
   Apologies:

3. **Conflict of Interest Declarations** - Current standing register of interests
   - Bishop Sarah Macneil – involved on various Diocesan boards and committees
   - Chris Nelson - involved on various Diocesan boards and committees
   - David Ford – Chair of Bishop Druitt College Council
   - Ted Clarke – Agreement with Clarence Valley Anglican School

4. **Confirmation of Minutes of 24th January 2018**

5. **Call for additional agenda items and close of agenda.**

6. **Financial and performance reports**

7. **Matters for Discussion and or Decision:**

   a) **Changes to retail banking** – discuss status and any issues arising. Discussion to include David Ford's presentation paper to The Corporate Trustees of the Diocese of Grafton and Board to make policy decision concerning joint accounts.

   b) **AFGD Staffing**
      i. Amendment of delegation schedule
      ii. Amendment of Diocesan Governance Ordinance
      iii. Vacancy

   c) **Ord Minnett Advice and Portfolio Management going forward** - Alison Perrott of Ord Minnett connecting to meeting by Zoom at 10.30am

8. **Matters for noting and status updates**
   NIL

9. **Correspondence**

   In: i. **Anglican Church of Australia General Synod –** Confirmation on Risk Weighted Assets Allocation.

   ii. **Anglican Church of Australia General Synod** - regarding Anglican Diocesan Development Fund and ASIC Charitable Investment Fundraiser.

   iii. **Melbourne Securities Corporation –** Anglican Investment Trust

   Out: i. **Anglican Church of Australia – General Synod –** AFGD response regarding Anglican Diocesan Development Fund and ASIC Charitable Investment Fundraiser.

ii. 'ASIC' – Decision not to proceed with the 'Anglican Investment Trust' and planned exist of 'Retail Non-Associated' clients.

iii. 'Managed Investment Scheme Anglican Investment Trust' – Board decision not to proceed to the following;

Melbourne Securities Corporation
Mills Oakley Solicitors
Pitcher Partners
Sandhurst Trustees Limited

iv. 'Blaine Fitzgerald and AFGD' to the following;

Alison Perrott – Ord Minett
Troy Mountain, Les Murray, Mark Parry & Andrew David – Westpac
The Business Manager of each of the five Diocesan Schools –
EAC, SCAS, BDC, LAGS & CVAS
Estelle Graham – Anglicare North Coast
Heather Lewis – St Cuthbert's Retirement Living Complexes Inc.

v. Letter to all 'Retail Clients' regarding Important Changes to AFGD.

vi. Letter to 'Student Account' holders regarding closure of Student Account Program.

10. Next Meeting scheduled for 19 April 2018

Further meetings scheduled for 17 May, 28 June, 23 August, 25 October and 20 December fulfilling requirement for at least 8 meetings per year

11. Meeting Close

To be the trusted financial services provider of the Diocese of Grafton, enabling ministry growth.

Minutes
Wednesday 24th January 2018
9.00 am

1. **Opening Prayer** - Terry Hunt

2. **Attendees:** Mr David Ford Chair, Mr Chris Nelson, Mr Blaine Fitzgerald
Mr Phil Crandon, Mr Terry Hunt, Mr Ted Clarke, Mr Gary Boyd
Dialed in: Ms Lisa Mulvaney (dialed in and was excused by the Chair)

Apologies: Bishop Sarah Macneil, Mr James Flavin, Mr John Adlington

3. **Call for additional Agenda items and close of Agenda –**

4. **Confirmation of**

a) **Minutes - 14th December 2017 –**
Motion
That the minutes of 14 December 2017 be accepted as true and correct, with amendment.
Moved: Mr Chris Nelson
Seconded: Mr Terry Hunt
Carried

b) **AFGD Update Schedule of Delegations**
Motion
The Registrar/General Manager re asked to provide an amended list of delegations.
Moved: Mr Terry Hunt
Seconded: Mr Gary Boyd
Carried

5. **Conflict of Interest Declarations** - Standing Register of interests at present:

- Bishop Sarah Macneil - various Diocesan Board representations
- Chris Nelson - various Diocesan Board representations
- Blaine Fitzgerald – Anglicare North Coast
- David Ford - Bishop Druitt College (BDC)
- Ted Clarke – Clarence Valley Anglican School (CVAS)

6. **Correspondence In & Out**
In: **i.** Nil
Out: **i.** Nil

7. **Matters for Decision/Discussion:**

a) **EAC funding application $1,500,000**
Motion
Funding as recommended by Fund Manager in credit memorandum dated 18/01/2018 be approved as submitted.
Moved Mr Gary Boyd
Seconded Mr Phil Crandon
Carried

b) APRA, ASIC & AFS Licence update including the Melbourne Securities Corporation proposal.

b) (i)
Motion
That the AFGD Board decides not to proceed with the arrangement with MSC relating to retail non-associated investments.
Moved Mr Terry Hunt
Seconded Mr Phil Crandon
Carried

b) (ii)
Motion
That AFGD advises ASIC that it will withdraw from the issue of retail non-associated investment funds and that AFGD intends to return investor funds on maturity and advise this will be completed by 30/09/2018.
Moved Mr Phil Crandon
Seconded Mr Ted Clarke
Carried

b) (iii)
Motion
That the AFGD Manager, Chair and the Registrar meet as soon as practicable, with invited others, to plan an exit from retail non-associated investor holdings with the exception of sophisticated investors' holdings. This meeting is to also consider correspondence with ASIC. The plan arising from this meeting is to be forwarded to the AFGD Board for confirmation.
Moved Mr Chris Nelson
Seconded Mr Gary Boyd
Carried

b) (iv)
Motion
The Chairman, Registrar and Fund Manager are being authorised as to making recommendations to the board regarding the structure of AFGD.
Moved Mr Terry Hunt
Seconded Mr Gary Boyd
Carried

c) Ord Minnett – Performance Management going forward
Motion
The request from Ord Minnett be received and noted.
Moved: Mr Terry Hunt
Seconded: Mr David Ford
Carried

Consistent with key result area 5. Governance Compliance and Risk Management

8. Matters for Update:

a) Nil

9. Matters for Noting

a) Fund Managers Report - to 07/12/17 to 19/01/18

The late paper presented by Blaine Fitzgerald was noted and included in the board papers.

b) Financial Reports - as at 31/12/17

Motion

That the 2017 financial reports as presented be accepted.

Moved: Mr Terry Hunt

Seconded: Mr David Ford

Carried

Next Meeting – Thursday 22nd February 2018

CONFIRMED- As a true and correct record of proceedings of Anglican Funds Grafton Diocese (AFGD) meeting of 24th January 2018.

Chair – David Ford

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 7 Matters for Discussion and or Decision

Item: a

Title: Changes to retail banking

' Report From AFGD to Trustees' by David Ford

No of Pages. 5 incl Header

REPORT FROM AFGD TO TRUSTEES

As you may be aware, the financial regulator ASIC has toughened up the requirements on religious development funds and in particular where these funds deal with 'mum and dad' customers.

AFGD looked at using a licensed third party to enable our fund to continue to work with 'mum and dad' customers but despite the encouraging initial conversations, the arrangements ultimately were not affordable and not administratively smooth.
Unfortunately, those arrangements could not be made to work in a way that would be suitable for AFGD customers and a viable platform for the fund.
The AFGD Board decided to cease negotiations with the third party and work within the ASIC guidelines as a fund for wholesale customers and associated individuals.
We have written to all individuals and couples that have accounts with us to advise that there are some accounts that will not be able to continue under the new ASIC rules.

326 letters in total were sent to our 'Retail' client's. (563 separate accounts) $9,918,351.21 total funds
65 letters in total were sent to our 'Student' account holders advising their 'student' account is to be closed.
$58,766.04 total funds
55 Individuals (58 accounts) do not have a current address on file. (These are the accounts that will be 'closed' to an AFGD account held for 'unclaimed'.)
$21,381.18 total funds

This will be the absolute worst case as the 326 letters include ALL individuals including you and me.

The good news is that we can hold accounts for people who are:

- Anglican clergy;
- Employees at the Registry, a Parish, one of our 5 Anglican schools, Anglicare North Coast or St Cuthbert's Retirement Living;
- A member of a Parish Council;
- A member of a Diocesan 'board' (e.g. Bishop-in-Council, Corporate Trustees, AFGD Board, Buildings and Property Committee, Council of one of our 5 schools, Board of Anglicare North Coast, Board of St Cuthbert's Retirement Living);
- A person who volunteers in a Parish for at least 8 hours per week on an ongoing basis;
- A person who volunteers in an Anglican school, Anglicare North Coast or St Cuthbert's Retirement Living for at least 8 hours per week on an ongoing basis.

We call people on this list 'associates'.

In addition to the above list of 'associates', we can also continue to hold accounts with people that ASIC deem to be 'sophisticated investors'. Simply, ASIC regards 'sophisticated investors' to be people with net assets of at least $2.5 million or with a gross income for each of the last 2 financial years of at least $250,000.

The AFGD board along with the Registrar and Annette have worked tirelessly to ensure the transition will impact on all the stake holders in as minimal way as possible.

Actions so far:
We have budgeted the Cash Flow implications of returning as much as $8m, written to all the regulatory bodies and advised ASIC that we will have all non-compliant funds returned by 30th September 2018.
Due to the good liquidity of the Fund, AFGD is in a position in which it can pay out this money and still have sufficient funds to service all other requirements.

A letter has gone out as mentioned previously to ALL AFGD clients asking them to return a simple form that will allow Annette and Linda to ascertain the eligibility of each person.

The Bishop has emailed all Ministry units advising them to be prepared for questions from their parishioners

Once we are able to understand the status of each fund member we will be able to proceed by either refunding their holdings at maturity of their investment or by upgrading their status.
This process will be completed by September 30th

It is important to recognise that this will be a surprise for many AFGD customers and there is a risk that some of them will misinterpret the situation and think that AFGD is in some difficulty.
For that reason, the communication has been prepared carefully so that depositors hear from AFGD before they hear on the grapevine.
We don't want panic and confusion.

Our intended directions moving forward:

Restructure plans:
Until we have a chance to understand how AFGD will function moving forward the Board has instigated the following changes:

The Registrar has assumed the role oversight for the AFGD.
The Registrar will step down as a voting member of the AFGD Board, he will remain on the Board as a member.
Possibly employ a part time fund management person (title to be decided) who will report to the Registrar and the Board. focus would be to work with key clients, oversee the performance of the business and report to the Board. Monitor Ord Minett, legislation and compliance, develop strategies and make recommendations and submissions to the AFGD Board.

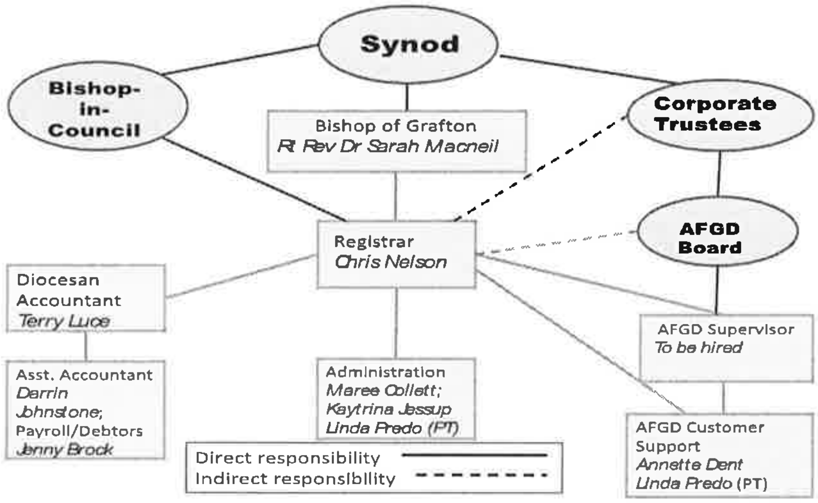
As an interim measure, Annette Dent has taken a more senior role in the everyday running of the fund. Annette and any part-time staff report to the Registrar. The focus of this group is the business, financial, administrative and customer interaction processes of AFGD.

Actions so far.
We have engaged with Neil King, a highly qualified consultant with past experience running the Anglican Diocese of Brisbane's fund and a fund for the uniting Church of Australia. Neil has expressed interest in providing strategic advice for AFGD. Neil attended the 22 January Board meeting and has spent an afternoon being briefed by both the Registrar and Blaine in an attempt to understand the workings of the AFGD.

Blaine
Blaine finished on January 31st.
We have engaged Blaine on a contract basis until at least June 30th, with the opportunity to renew.
Blaine's rules of engagement is designed to ensure that the ongoing strong relationship that Blaine and the 5 schools plus Anglicare and St Cuthbert's have enjoyed will continue to benefit the Diocese and the ministry units. Prior to taking up his new role with AFSA Blaine checked with his new employer that he would be able to continue to service these, our most important clients.
Annette has embraced the opportunity to work with the Board and the Registrar in an evolving role that will see her continue to offer the high level of service that our clients have come to expect.
Assisted by Linda we are confident of the ongoing running of AFGD with Annette reporting back to the Registrar and will continue to provide income for the Diocese.

Summary:
The Registrar and Chair are currently working on a revised delegation matrix to deal with any conflicts of interest arising out of the Registrar's closer involvement with the fund. This revised matrix is to be presented at the next Board meeting then in turn to the Trustees for approval. This will ensure that we have best practice for separation of duties.

The "retail" client letters have been sent.
The Bishops email has been sent to all Ministry Units
We have advised ASIC of our change in direction.
All stake holders have been informed of our change in direction, requesting any outstanding invoices be submitted.
We have revised the AFGD budget to reflect not having a retail component in our portfolio. This budget shows a surplus of about $95K after distribution of $175K to the Diocese.



In the above chart, the direct line from the Registrar to AFGD Customer Support will disappear when an AFGD Supervisor is in place.

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 7 Matters for Decision and or Discussion

Item: a

Title: Changes to retail banking

'Policy Decision Concerning Joint Accounts'

No of Pages. 6 incl Header

Gmail

Chris Nelson <chris.nelson@graftondiocese.org.au>

Question concerning AFGD account holders

1 message

Chris Nelson <chris.nelson@graftondiocese.org.au> 14 February 2018 at 12:14
To: Stephen Campbell <scampbell@fwolaw.com>
Cc: David Ford <fordie@mac.com>

Dear Stephen,

As you would be aware, AFGD is modifying its customer base in alignment with the requirements of the Australian Securities and Investment Commission (ASIC). AFGD has written to its account holders who are individuals and joint account holders to advise them of this change that AFGD can only continue to handle their accounts if they are able to be classified as 'associate' or 'sophisticated investor'. A sample copy of the letter and form is attached and within the letter and form there is an explanation of the meaning of 'associate' and 'sophisticated investor'.

I have also attached a copy of the identification statement lodged with and accepted by ASIC from which the 'associate'

The AFGD staff are now receiving responses from account holder and with those responses are questions about eligibility.

There has been the question concerning the situation where an account is held jointly and only one of the joint holders of the account can meet the requirements of 'associate'.

Could you please advise whether it would be permissible for AFGD to maintain a joint account where only one account holder met the eligibility requirements?

We look forward to receiving your advice.

--

Regards,

Chris Nelson

General Manager/Registrar

Anglican Diocese of Grafton

2 attachments

180209 Sample Client Letter AFGD Retail.pdf
192K

170512 AFGD Identification Statement for ASIC - 11.05.17.pdf
335K

Gmail

Chris Nelson <chris.nelson@graftondiocese.org.au>

AFGD Account Holders [2140635]

1 message

Stephen Campbell <SCampbell@fwolaw.com> 19 February 2018 at 12:51
To: Chris Nelson <chris.nelson@graftondiocese.org.au>

Hi Chris,

I refer to your email sent earlier this morning and advise that I have searched high and low on the internet for any cases or guidance on the issue of what constitutes an "associate" for the purposes of the exercise AFGD is going through. The search has proved fruitless!

Lawyers are often faced with the situation where they give strictly legal advice, and where it is more appropriate to give commercial advice where those two are sometimes in conflict.

Taking a strictly legal approach, I have some concerns that, in circumstances where there is a joint account, and only one of the account holders fits the definition of an "associate", ASIC would take the view that the joint account does not qualify as an account of an associate. I may, of course, be wrong on that.

That said, I agree with Blaine's comments and believe that AFGD should accept joint accounts in circumstances whilst only one of the account holders is an associate, provided that both joint holders are husband and wife.

There could, of course, in theory, be situations where there are multiple account holders in a business or other setting, where only one of the account holders does fit the definition of an associate. In those circumstances, AFGD should decline an application for an account.

The thought has also occurred to me that there may be similar definitional difficulties with sophisticated investors. For example, there may be a husband and wife joint account, where their combined assets do not exceed $2,500,000, whilst one of the account holders satisfies the income test. Does that disqualify the account or not?

There may also be examples where the husband and wife run a partnership and, whilst their combined assets do not exceed the threshold, and neither of their individual income satisfy the income test, their combined income does exceed the threshold. In that circumstance, I would have thought that they would satisfy the criteria of a sophisticated investor.

I'm sorry that this sounds like fence sitting, but some times you have to adopt a commercial approach to things. Obviously, as Blaine has suggested, there should be at least a review of the status of investors every 24 months.

Please feel free to contact me to discuss the above.

Yours faithfully,

Stephen Campbell

Principal

FISHBURN WATSON O'BRIEN
the law specialists

t: 02 6650 7019 | **f**: 02 6651 4853

e: scampbell@fwolaw.com | **w**: www.fwolaw.com

Gmail

Chris Nelson <chris.nelson@graftondiocese.org.au>

Fwd: Re: Joint accounts

David Ford <fordie@mac.com> 17 February 2018 at 10:40
To: Chris Nelson <chris.nelson@graftondiocese.org.au>, Annette Dent <office@afgd.com.au>, Dr Bishop Sarah Macneil <bishop@graftondiocese.org.au>

I asked BF for his thought as he walked the journey with ASIC

My take is we accept them

Regards

David Ford
Unit 3 7 Moore St
Coffs Harbour Jetty 2450

---------- Forwarded message ----------
From: Blaine Fitzgerald <blaine.fitzgerald@afgd.com.au>
Date: 17 Feb 2018, 10:31 AM +1100
To: David Ford <fordie@mac.com>, Annette Dent <annette.dent@afgd.com.au>
Subject: Re: Joint accounts

Hi David,

We have been discussing this with Compliance in Adelaide.

ASIC's class order does not specify how to treat individuals in relation to joint accounts.

Our arguement is why should a volunteer be denied the opportunity if they are one of the individuals within
the joint account therefore accept the declaration and class the joint account as retail associated client..

If each 24 months they need to re-affirm their status (as we had discussed in Grafton) then re-visit then.
If they pass away - then perhaps then its time or more than likely the family will be doing some estate planning anyway.

Joint and several liability ie one persons status effects both - when borrowing in joint names so why should it not apply to
account status.also - you know with a joint account,
my moneys - our money and visa versa.

I would include it in your policy document and as long as you apply it consistently then you will be alright.

It is not something I would bother ASIC about as they cannot give you advice.

kind regards

Blaine Fitzgerald
Mobile: **0450 924 448**
Email: **blaine.fitzgerald@afgd.com.au**

On 15 February 2018 at 15:15, David Ford <fordie@mac.com> wrote:

Hey,
We are being asked constantly about joint accounts, person 1 complies so is a joint account ok for us to retain?

Regards

David Ford
Unit 3 7 Moore St
Coffs Harbour Jetty 2450

Anglicanfunds GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 7 Matters for Discussion and or Decision

Item: b

Title: AFGD Staffing

i. Amendment of delegation schedule

Bishop-in-Council Motion

No of Pages. 2 incl Header

Extract from Minutes of Bishop-in-Council 2 February 2018

That Bishop-in-Council endorses the resolution of the Board of Anglican Funds Grafton Diocese (AFGD) in that the staff of AFGD reports to the Registrar and asks the AFGD Board to amend the delegation schedule so that it is explicit that the Registrar is not to be involved in the following except to the extent of making recommendations to the AFGD Board:

- *Interest rates;*
- *Approval of new loans;*
- *Approval of loan variations;*
- *Placement of surplus funds;*
- *Approval of new products;*
- *Sponsorship, bursaries, prizes;*
- *Waiving of fees and penalties.*

That Bishop-in-Council requests that an amending ordinance be prepared for its next meeting such that the AFGD Board is amended to make the Registrar a participant but not a member.

Moved Canon Terry Shorten
Seconded The Reverend Canon Judy Edwards

CARRIED

Mr Chris Nelson and Mr David Ford, Chair of AFGD Board, abstained due to a conflict of interest.

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 7 Matters for Discussion and or Decision

Item: b

Title: AFGD Staffing

i. **Amendment of delegation schedule**

Existing and Proposed Schedules

No of Pages. 10 incl Header

Gmail by Google

Annette Dent <annette.dent@afgd.com.au>

AFGD Delegation Schedule

1 message

Chris Nelson <chris.nelson@graftondiocese.org.au> 16 February 2018 at 16:51
To: David Ford <fordie@mac.com>
Cc: Annette Dent <office@afgd.com.au>

Hi David,

For discussion at the AFGD Board meeting. Attached is the existing Delegation Schedule and a proposed Delegation Schedule. Both documents assume an AFGD Manager so without that position there will have to be some workarounds.

--

Regards,

Chris Nelson

General Manager/Registrar

Anglican Diocese of Grafton

2 attachments

AFGD Schedule of delegations Final.pdf
266K

AFGD Delegations proposed new procedure Feb18.pdf
178K

Anglicanfunds GRAFTON DIOCESE

SCHEDULE OF DELEGATIONS

All powers and functions will generally be delegated to the lowest appropriate operational level. It is assumed that where a delegation has been assigned to a position, all higher positions in the relevant functional area (with the exception of the Chair and the Finance Committee in some instances) will also have that delegation. NB – All delegations are subject to budgetary constraints and organisational policies and procedures.

SCOPE	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 AFGD Chair	Level 5 AFGD Board	Level 6 Corporate Trustees
Finance						
Capital Expenditure ≥ $20,000			Recommend		Endorse	Approve
Capital Expenditure > $2,000 and < $20,000			Recommend		Approve	Approve
Capital Expenditure ≤ $2,000		Recommend	Approve	Approve	Approve	
Approve Budgets			Recommend		Endorse	Approve
Appoint Auditors			Recommend		Endorse	Approve
Cheque signatories- 2 signatures required for all cheques	Recommend by 1st signature	Recommend by 1st signature	Approve	Approve	Approve	
All EFT transfers to third parties 2 electronic signatures + SMS where req'd by bank	Recommend by 1st authorise	Approve	Approve			
		Recommend by 1st authorise	Approve			
Open / Close bank accounts	Recommend by 1st authorise	Approve	Approve			
		Recommend by 1st authorise	Approve			

APPROVED BY THE CRPORATE TRUSTEES OF THE DIOCESE OF GRAFTON 15/07/16 AND THE BOARD OF ANGLICAN FUNDS GRAFTON DIOCESE 15/0716.

AFGD Board Governance – Schedule of delegations

SCOPE	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 AFGD Chair	Level 5 AFGD Board	Level 6 Corporate Trustees
Contractual Obligations						
Enter into Major Contracts > $20,000 and/or > 5 yrs			Recommend	Recommend	Endorse	Approve
Enter into Major Contracts $10,000-$20,000 and/or 2-5 yrs			Recommend	Recommend	Approve	Approve
Enter into Minor Contracts ≤ to $10,000 and ≤ 2 years		Recommend	Approve	Approve	Approve	
Staff						
Appoint Manager				Recommend	Endorse	Endorse (Bishop to appoint)
Dismiss Manager				Recommend	Endorse	Approve
Appoint / Dismiss permanent Staff			Recommend	Recommend	Approve	
Appoint / dismiss casual staff			Recommend	Approve	Approve	
Recruitment action existing positions			Recommend	Recommend	Approve	
Manager Employment Entitlements				Recommend	Approve	
Staff Employment Entitlements			Recommend	Recommend	Approve	
Manager Leave Approval				Approve	Approve	
Senior CSO Leave Approval			Approve	Approve		
CSO Leave Approval		Recommend	Approve	Approve		
Manager timesheet Approval				Approve		
Senior CSO Timesheet Approval			Approve	Approve		
CSO Timesheet Approval			Approve	Approve		
Manager Performance Monitoring				Recommend	Approve	
Senior CSO Performance Monitoring			Approve	Approve		
CSO Performance Monitoring		Recommend	Approve	Approve		

APPROVED BY THE CRPORATE TRUSTEES OF THE DIOCESE OF GRAFTON 15/07/16 AND THE BOARD OF ANGLICAN FUNDS GRAFTON DIOCESE 15/0716.

AFGD Board Governance – Schedule of delegations

SCOPE	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 AFGD Chair	Level 5 AFGD Board	Level 6 Corporate Trustees
Travel						
Manager Travel within Diocese			Recommend	Approve		
Manager Travel external to Diocese			Recommend	Recommend	Approve	
Staff Travel within Diocese		Recommend	Approve	Approve		
Staff Travel external to Diocese			Recommend	Recommend	Approve	
Policies / Procedures						
Governance & Management Policies			Recommend		Recommend	Approve
Organisational Procedures	Recommend	Recommend	Approve			
Administration						
Order Recurrent Office and meeting supplies in excess of approved budgets	Recommend	Recommend	Recommend		Approve	
Order Recurrent Office and meeting Supplies in accordance with approved budgets	Recommend	Recommend	Approve			
Media Contact						
Refer any media or media requests for information, interview etc – refer to Diocesan Media Officer	Action	Action	Action	Action	Action	Action

AFGD Board Governance – Schedule of delegations

SCOPE	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 AFGD Chair	Level 5 AFGD Board	Level 6 Corporate Trustees
Board expenditure						
Board travel to regular/special board meetings	Recommend by 1st signature	Recommend by 1st signature	Approve			
Board training/conference attendance (including all associated costs for all board members attending the event)			Recommend	Approve	Approve	
Board expenditure on goods/services (eg purchase of resources, engagement of consultant, legal advice)			Recommend	Approve	Approve	

Staffing Levels for Schedule of Delegations

DELEGATION LEVEL	POSITION
1	Part Time Customer Service Officer
2	Senior Customer Service Officer
3	Manager – Anglican Funds Grafton Diocese
4	Chair – Anglican Funds Grafton Diocese Fund
5	The Board of Anglican Funds Grafton Diocese
6	The Corporate Trustees of the Diocese of Grafton

Delegation Table

Colour Code	Definition of
Recommend. or first authorise	Individual or Board can make the recommendation to the next level in the approval chain.
Endorse/Approve.	Individual or Board can approve the item.
Action.	Individual or Board can action as required.

SUBJECT: SCHEDULE OF DELEGATIONS		PROCEDURE REFERENCE NUMBER TBD
DATE APPROVED Draft for approval		**REVISION NUMBER** Revision 2 superseded version approved 15 July 2016
POLICY IMPLEMENTATION DATE 12 April 2018	**REVIEW DATE AND FREQUENCY** 2 Yearly	**RESPONSIBLE FOR REVIEW** Anglican Funds Grafton Diocese Board

All powers and functions will generally be delegated to the lowest appropriate operational level. It is assumed that where a delegation has been assigned to a position, all higher positions in the relevant functional area will also have that delegation. All delegations are subject to budgetary constraints and organisational policies and procedures.

ACTIVITY	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 Registrar	Level 5 AFGD Board	Level 6 Corporate Trustees
Finance						
Capital Expenditure ≥ $20,000			Recommend	Recommend	Endorse	Approve
Capital Expenditure >$2,000 and < $20,000			Recommend	Recommend	Approve	Approve
Capital Expenditure ≤ $2,000		Recommend	Approve	Approve		
Approve Budgets			Recommend	Recommend	Endorse	Approve
Appoint Auditors			Recommend	Recommend	Endorse	Approve
Sign Cheques	1st signature	1st signature	2nd signature	2nd signature		
EFT transfers to 3rd parties	1st authorise	1st or 2nd authorise	2nd authorise	2nd authorise		
Open/Close bank accounts	1st authorise	1st or 2nd authorise	2nd authorise	2nd authorise		
Contractual Obligations						
Enter into Contracts >$20,000 and/or 5 years			Recommend	Recommend	Endorse	Approve
Enter into Contracts $10,000 to $20,000 and/or 2 to 5 years			Recommend	Recommend	Approve	
Enter into Contracts ≤$10,000 and ≤ 2 years		Recommend	Approve	Approve		
Staff						
Appoint Manager				Recommend	Endorse	Approve (Registrar to action)
Dismiss Manager				Recommend	Endorse	Approve
Dismiss Permanent Staff			Recommend	Approve (and report)		
Recruitment action new positions			Recommend	Recommend	Approve	
Recruitment action existing positions			Recommend	Approve (and report)		

SUBJECT: SCHEDULE OF DELEGATIONS		PROCEDURE REFERENCE NUMBER TBD
DATE APPROVED Draft for approval		REVISION NUMBER Revision 2 superseded version approved 15 July 2016
POLICY IMPLEMENTATION DATE 12 April 2018	REVIEW DATE AND FREQUENCY 2 Yearly	RESPONSIBLE FOR REVIEW Anglican Funds Grafton Diocese Board

ACTIVITY	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 Registrar	Level 5 AFGD Board	Level 6 Corporate Trustees
Appoint/dismiss casual staff			Recommend	Approve (and report)		
Manager Employment Entitlements				Recommend	Approve	
Staff Employment Entitlements			Recommend	Recommend	Approve	
Manager Leave Approval			Request	Approve		
Customer Service Staff Leave Approval	Request	Request	Approve	Approve		
Manager Timesheet Approval			Submit	Approve		
Senior CSO Timesheet Approval		Submit	Approve			
CSO Timesheet Approval	Submit	Approve	Approve			
Manager Performance Monitoring			Submit	Approve		
Senior CSO Performance Monitoring		Submit	Recommend	Approve		
CSO Performance Monitoring	Submit	Recommend	Approve	Approve		
Travel						
Manager travel within Diocese			Recommend	Approve		
Manager travel external to Diocese			Recommend	Approve	Approve	
Staff travel within Diocese		Recommend	Approve	Approve		
Staff travel external to Diocese			Recommend	Approve		
Policies and Procedures						
Governance and Management Policies			Recommend	Recommend	Endorse	Approve
Operational Procedures		Recommend	Approve	Approve		
Administration						
Ordering recurrent office and meeting expenses in excess of approved budgets		Recommend	Recommend	Endorse	Approve	
Ordering recurrent office and meeting expenses within approved budgets	Recommend	Recommend	Approve	Approve		
Media						
Refer media requests to Diocesan Media Officer	Notify	Notify	Discuss with Media Officer	Approve Communication		

ACTIVITY	Level 1 AFGD CSO	Level 2 AFGD Senior CSO	Level 3 AFGD Manager	Level 4 Registrar	Level 5 AFGD Board	Level 6 Corporate Trustees
Board Expenditure						
Board travel to board meetings	1st authorise	1st or 2nd authorise	2nd authorise	2nd authorise		
Board training/conference attendance (all associated costs)			Recommend	Recommend	Approve	
Board expenditure on goods and services (e.g. resources, consultants, legal advice)			Recommend	Recommend	Approve	
AFGD Business Decisions						
Interest rate schedule for deposits			Recommend		Approve	
Interest rate schedule for loans			Recommend		Approve	
Approval of clergy car loans		Approve	Approve			
Approval of new loans			Recommend		Approve	
Approval of loan variations			Recommend		Approve	
Placement of surplus funds		Recommend	Approve	Approve		
Approval of new products			Recommend	Endorse	Approve	
Waiving of fees and penalties (minor breach)		Recommend	Approve			
Waiving of fees and penalties (major or repeated breaches)			Recommend		Approve	
Providing sponsorships, bursaries and/or prizes <$500 per organisation and within budget			Approve			
Providing sponsorships, bursaries and/or prizes ≥$500 per organisation and/or exceeding budget			Recommend		Approve	

Legend

(orange)	The initiator of an approval: recommend, submit, first signature etc
(green)	The endorser or approver
(light blue)	Depending on circumstances can be the initiator or the approver.

Anglicanfunds GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 7 Matters for Discussion and or Decision

Item: b

Title: AFGD Staffing

ii. Amendment of Diocesan Governance Ordinance

No of Pages. 6 incl Header

and proper' person under the Australian Prudential Regulatory Authority guidelines.

Appointment of the Registrar

61.1 The Registrar shall be appointed by Bishop-in-Council.

61.2 An Acting Registrar may be appointed in writing by the Bishop or Registrar to act in periods of the absence of the Registrar and such writing may prescribe the period of such appointment, the extent and degree of delegation to the Acting Registrar.

Duties of the Registrar

62.1 The duties of the Registrar include

- (a) discharging and carrying out all such work as shall properly attach to the office of Registrar including the registering of the official acts of the Bishop;
- (b) acting as Secretary to Bishop-in-Council, The Corporate Trustees and the Buildings and Property Committee ~~and as a member of the Board of Anglican Funds Grafton Diocese~~;
- (c) being responsible for the proper keeping of all accounts and funds under the direct control of Bishop-in-Council and The Corporate Trustees;
- (d) discharging and carrying out all such work as shall be required in connection with the collection of all moneys due and payable into the respective Funds of the Diocese under the direct control of Synod, including receiving such money, issuing a receipt for each sum of money received and keeping appropriate records of the same;
- ~~(d)~~(e) providing managerial oversight for the Bishop's Registry including Anglican Funds Grafton Diocese;
- ~~(e)~~(f) maintaining a Diocesan Property Register of all lands and property belonging to The Corporate Trustees and acting as custodian of all deeds held by The Corporate Trustees, the Bishop or other Trustees in connection with such lands;
- ~~(f)~~(g) ensuring proper and sufficient insurance cover is held by the Church and its entities within the Diocese;
- ~~(g)~~(h) ensuring the Church entities within the Diocese are compliant with occupational health and safety and employment laws;
- ~~(h)~~(i) ensuring a proper program of education for Professional Standards is maintained;
- ~~(i)~~(j) ensuring a correct record of all trusts held by The Corporate Trustees is maintained and that copies of all Declarations of Trust executed by The Corporate Trustees are available to the beneficial owners of property;
- ~~(j)~~(k) maintaining a record of all applications of the Corporate Seal of The Corporate Trustees; and
- ~~(k)~~(l) acting, if necessary, as the proper officer for The Corporate Trustees.

Diocesan Auditor

63.1 Bishop-in-Council shall engage an Auditor or firm of auditors whose duty it shall be to audit the accounts of the Diocese , The Corporate Trustees and the Anglican Funds Grafton Diocese and shall report the results of such Audit annually to Synod and take such action thereon as it may think fit.

Delegation of Powers Duties to Executive Committee

64.1 Bishop-in-Council is hereby authorised from time to time to appoint an Executive Committee and to delegate to such Executive Committee any portion of its powers and duties (except those relating to acts and things

CHAPTER 18 - ANGLICAN FUNDS GRAFTON DIOCESE

Mission and Role

218.1 A Fund herein called the Anglican Funds Grafton Diocese created under the Diocese of Grafton Investment Fund Ordinance 1981 and continued under the Grafton Diocese Investment Fund Ordinance 1996 is hereby continued.

218.2 The Mission of Anglican Funds Grafton Diocese (AFGD) is to be a fiscally responsible commercial entity which generates financial resources to support and serve the community of faith that is the Anglican Diocese of Grafton.

218.3 AFGD's role is to seek deposits of funds which it invests, or lends for profit to assist and grow the mission of the Anglican Church in the Diocese. AFGD provides funds from any surplus achieved in any given year to the Anglican Diocese of Grafton.

218.4 AFGD shall act in the interests of depositors, provide returns where possible to the Anglican Diocese of Grafton and optimise returns on investment funds within prudent limits and diversity.

218.5 Any Ordinance repealed by the Governance Ordinance 2008 shall not affect the Board of the Anglican Funds Grafton Diocese or the members of that Board or the property accepted on deposit and invested by the Board or any contracts, acts and things undertaken or agreed to by the Board.

Purposes of the Fund

219.1 The purposes of the Fund shall be:

- 219.1.1 to receive deposits
- 219.1.2 to pay interest on such deposits at such rates as shall from time to time be determined by the AFGD Board.
- 219.1.3 to optimise returns, within prudent limits to the Fund
- 219.1.4 to make available to Bishop-in-Council funds from any surplus achieved in any given year, after creation of all necessary provisions and reserves as determined by the AFGD Board.
- 219.1.5 to make available by way of loans as approved by the AFGD Board from time to time to Parishes, Diocesan Bodies Corporate, clergy and full time Stipendiary Lay Ministers sums of money from the Fund at such interest rates as determined by the Board.
- 219.1.6 to invest such funds as from time to time are not required for the purposes mentioned in Clauses 219.1.2, 219.1.4 and 219.1.5 in such a manner as is authorised by The Corporate Trustees.

Board of Management

220.1 The Fund shall be under the control of The Corporate Trustees of the Diocese of Grafton who shall be empowered to delegate to the AFGD Board responsibility for the administration and management of the Fund and reporting to the Corporate Trustees and development and recommendation of changes to AFGD Policy, for review and approval by The Corporate Trustees.

220.2 Members of the AFGD Board shall be "Fit and Proper Persons" as defined by the Australian Securities and Investment Commission (ASIC) and the Australian Prudential Regulatory Authority (APRA), in consequence of that, have experience or skills relevant to the management of a Religious Charitable Development Fund (RCDF) as defined by APRA.

220.3 A Fit and Proper Person as defined by ASIC and APRA Prudential Standard CPS 520 to engage in credit activities means that the person:

220.3.1 is competent to operate a credit business (as demonstrated by the person's knowledge, skill and experience);

220.3.2 has the attributes of good character, diligence, honesty, integrity and judgement;

220.3.3 is not disqualified by law from performing their role in AFGD's credit business;

220.3.4 either has no conflict of interest in performing their role in AFGD's credit business, or any conflict that exists will not create a material risk that the person will fail to properly perform their role in AFGD's credit business.

220.4 The Bishop, Bishop-in-Council and the AFGD Board will ensure that the AFGD Board has the appropriate level of skills and experience required to properly fulfil its responsibilities, with special emphasis on legal, financial, business and strategic skills and will review the mix of skills and experience of its members on a regular basis.

220.5 Where the appropriate skills are not within the skills of the individual Board members AFGD Board will make arrangements for ready access to such skills.

220.6 The AFGD Board shall consist of:

220.6.1 Up to a maximum of eight members and a minimum of four members appointed by the Bishop in consultation with Bishop-in-Council.

220.6.2 In addition to 220.6.1, the Bishop ~~and the Registrar~~ shall be <u>an</u> ex-officio member~~s~~ of the AFGD Board.

220.6.3 A quorum shall consist of half of the AFGD Board members, rounded up to the nearest whole number, whether the Board member is present in person or via virtual or electronic participation, as agreed by the AFGD Board.

220.7 Membership of the AFGD Board shall be subject to the following:

220.7.1 A term of membership shall be 3 years;

220.7.2 A member is eligible for reappointment to a maximum of 3 consecutive terms or 9 years served consecutively subject to the transition arrangements in 220.8;

220.7.3 A member vacates the AFGD Board when a member:

(a) resigns, or

(b) dies, or

(c) becomes physically or mentally ill to a point that in the opinion of a majority of members interferes with that member's ability to continue to carry out a function, or

(d) becomes bankrupt, or

(e) is convicted of an indictable offence, or

(f) fails the requirements for Fit and Proper Person in the opinion of a majority of members or in the opinion of The Corporate Trustees of the Diocese of Grafton, or

(g) is removed from office by the Bishop, or

(h) is ineligible to hold office in the Anglican Church arising from a professional standards investigation, or

(i) is absent without leave for three consecutive meetings of the AFGD Board.

220.8 The members of the AFGD Board immediately preceding the 2017 Synod may continue as members until no later than the later of the 2020 Synod or 9 years of consecutive service.

220.9 The Chair of the AFGD Board

220.9.1 The Chair of the AFGD Board must be a member and shall be appointed as Chair by the Bishop.

220.9.2 The Chair will initially be appointed to hold office for the balance of their term as a member of the AFGD Board.

220.9.3 The Bishop may reappoint the Chair, subject to their continuing appointment as a member of the AFGD Board.

220.9.4 The Chair may be removed from the office of Chair by the Bishop, following consultation with the AFGD Board.

Board Meetings

221.1 The AFGD Board shall meet at least 8 times in a calendar year.

221.2 Meetings shall be conducted in accordance with the AFGD Board Governance Charter.

Anglican Funds Grafton Diocese – Governance and Performance

222.1 The AFGD Board shall adopt and continuously review the following governance documents to assist it in maintaining best practice:

222.1.1 Board Governance Charter

222.1.2 Strategic Plan

222.1.3 Annual operating budgets

222.1.4 Annual Financial Statements in accordance with Australian Accounting Standards.

222.1.5 A framework of appropriate policies and procedures for investment, risk management, performance monitoring and operation of the Fund

where each of these documents has been submitted to the Corporate Trustees for approval.

222.2 Relevant Key Performance Indicators (KPI's) shall be established and reviewed.

222.3 The AFGD Board shall arrange appropriate insurance cover through the Diocesan Master Insurance Policies.

222.4 The AFGD Board shall at all times ensure compliance with and maintenance of current Banking Exemption notes which provide exemption from the Banking acts or any legislation by Federal Government body relevant to the activities of AFGD that may be promulgated from time to time.

Oversight and Audit

223.1 Minutes of each meeting of the AFGD Board shall be made available to the Corporate Trustees.

223.2 The AFGD Board shall cause the Accounts of the Fund to be audited by the Diocesan Auditor for each year ending on 31st December.

Reports

224.1 The AFGD Board shall submit to Synod an annual report on the operations of the Fund and audited financial statements.

224.2 The AFGD Board shall, on not less than a bi-monthly basis, submit to the Corporate Trustees a report on the operations of the Fund and a current financial statement.

Anglicanfunds GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 7 Matters for Discussion and or Decision

Item: c

Title: Ord Minnett Advice and Portfolio Management going forward

No of Pages. 25 incl Header

ORD MINNETT

16 January 2018

Mr B Fitzgerald
Fund Manager
The Corporate Trustees of the Diocese of Grafton – Grafton Diocese Investment Fund
50 Victoria Street
GRAFTON NSW 2450

Dear Blaine,

Investment Policy Advice & Portfolio Management going forward

Further to the 14 December 2017 board meeting discussions around updating the investment policy and portfolio management into the future, I have set out below my thoughts and recommendations for the Grafton Diocese Investment Fund (GDIF) for consideration and review.

Background Understanding

The GDIF is currently a Religious charitable development fund (RCDF) which receives a banking exemption through Banking Exemption No.1 of 2017 issued by the Australian Prudential Regulation Authority (APRA) and must comply with ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813. These regulatory instruments provide considerable flexibility for the GDIF in comparison to a regulated Authorised Deposit Taking Institution (ADI), however the expectation is that the GDIF will continue to conduct it's business in a prudent manner. In particular, the GDIF must be continually mindful of it's capital adequacy and liquidity levels, credit and interest rate risk, as well as the maturity profile of its asset and liabilities. As we understand it, you as Fund Manager have expanded the prudential framework and governance over time with regard to GDIF policies and procedures addressing these issues.

We appreciate the GDIF is a "margin" business and has a number of stakeholders from Diocesan Council and clients such as depositors including Schools, Parishes, Parishioners and Associated Entities and borrowers from within the Diocese. The strategic challenges faced by the GDIF are not uncommon in the RCDF space, and very encouraging that via a Managed Investment Scheme (MIS) arrangement, GDIF has taken steps to grow into the future having recently received authority for an Australian Financial Services License (AFSL) via Melbourne Securities Limited for the retail non-associated deposits.

A review of the investment policy and practicalities around funds management is therefore timely given the regulatory changes and current strategic challenges and opportunities surrounding the MIS. The GDIF is at maximum Diocesan Institution investment capacity and so further growth is in the retail non-associated space from the congregation or the public in general.

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Investment Policy Update

The securities (non-loans) GDIF has predominantly been invested in over the last few years are:

- Notes and bonds listed on the Australian Stock Exchange (ASX). Note, all hybrids were sold due to capital adequacy requirements a number of years ago;
- Unlisted Notes and Bonds via the Over-The-Counter market (OTC); and
- Privately placed term deposits with ADI's such as Banks, Building Societies and Credit Unions.

ASX listed notes and bonds have been a source of longer term investment as a consequence of the availability of smaller marketable parcel size (listed securities trade down to $1,000), the necessity for providing the GDIF with diversity of issuer, yield (a 2% margin) and all important liquidity. Just over 50% of the issued Tier 2 (subordinated notes) securities on the market will be due for redemption this year. These securities include (AMPHA, AQHHA, CWNHA, SUNPD and WBCHB). Given the trend has been to let these securities mature without replacement, we expect this will extend into 2018, providing very little in the sector to purchase on the ASX.

The broader fixed income market (bonds and notes) is classified as "unlisted" and minimum investment amounts are $500,000 to $1 million. Based on the mix required in the GDIF portfolio of cash/term deposits and longer term securities, and assuming GDIF retains the majority of invested funds, the unlisted market will be available for greater use going forward. The only drawback or practical issue with the OTC market is that many security issues are not formally rated. The issuing bank or building society generally has an official credit rating but not the "issue". There are a number of factors for this, the main two are cost and necessity. It is expensive to have an issue rated (approximately $150,000 on average) and in the OTC market which is designed for sophisticated and professional investors the need is not high, thus not all issues (particularly those less than $1 billion on issue) will have a formal rating, even those issued by the "big 4" banks. A lack of formal rating does not make the security any "less safe", it just means one less public input factor to assist an investor make an investment decision. As was found during the Global Financial Crisis (GFC) a formal rating does not guarantee capital security as "AAA" rated paper failed to repay in a number of instances. In fact, based on that very experience, the ASIC no longer allow issuers of interest rate securities on the ASX (and for retail investors) to advertise or place a formal rating on an issue prospectus (PDS) in case it "misleads" an investor regarding its capital security. Ord Minnett apply a rigorous process to it's security selection and formal rating of the issuing entity is just one factor we consider, we are less concerned with the rating of an issue as we apply our own credit and liquidity analysis thus forming our own view on a securities relative risk/reward.

GDIF receives advice regarding security selection from its Investment Manager (currently Ord Minnett) and as such should look to simplify the formal credit rating requirements in the investment policy ensuring opportunities to purchase all available appropriate securities is possible. Our recommended changes are as follows:

A. Remove 10. Approved Securities section b) Solicited Ratings will be the only means by which to determine the credit quality of a security
B. Change 10. Approved Securities section c) from:
The credit quality of all securities must be investment grade or better to:
The credit quality of all issuers of securities must be investment grade or better

Appendix 1 provides greater detail on our risk management and security selection process and basis for advice for your reference. We continue to maintain that an issuer must be rated investment grade however.

Other changes we would recommend to GDIF to allow some workaround solutions regarding the new MIS for retail funds is to remove the requirement "across" the total portfolio or fund size of issuer weightings and asset classes. As such we recommend:

C. Change 12. Asset Allocation section b) The maximum weighting to any issuer shall be the lower of:

   i) 5% of the assets of the Fund, or

   ii) 25% of the portfolio by market value issuer.

To

The maximum weighting of long term securities (> 12 months) to any issuer should be no more than approximately 25% of the portfolio:

   i) at the time each investment is made

   ii) if over time limits are breached from Fund asset reduction, appropriate steps to reduce holdings should be made using orderly conduct.

The holding percentage is the same as 25% but removes the impracticality around total fund size (which the investment manager will not be privy to on a day to day basis) and quick changes beyond the control of the Fund Manager and the difficulty of not being able to break term deposits. An example of the difficulty the "lower" of requirement creates is as follows:

When investing at any time the Fund is say $50 million in total. A term deposit for $500,000 for 6 months is placed with AMP which takes the overall holding to 23% in AMP. A few days after this placement a large withdrawal from the fund of $5 million occurs, meaning that the holding in this issuer is now 25.56%. Instead of then having to be required to sell other AMP holdings immediately, it would be a far simpler process to reduce the overall exposure to AMP when the next term deposit matures, in an "orderly conduct". Of course if the reduced Fund size is to remain lower for a prolonged period (say > 180 days) then we would recommend lightening other positions accordingly in the "orderly conduct". We would recommend excluding cash and term deposits from this requirement given the government guarantee to 250,000 and requirement to be overall diversified.

Investment Strategy

As an addition to the Investment Policy which "sets the rules" governing the fund, we would recommend the GDIF adopt as an addendum to the policy an Investment Strategy which is updated each year in line with economic views, interest rate levels and overall credit levels to assist the GDIF maintain it's margin and achieve it's financial goals. This Investment Strategy can then be supplied to Investment Managers to ensure all parties are clear on the goals and approved allocations to each product type and simplify reporting. We have provided a sample strategy in Appendix 2 and would be pleased to provide a specific strategy for GDIF if approved.

Capital Adequacy, Liquidity & Addition of Hybrid Securities

Further recommendations were also made at the last board meeting to include "Hybrid" securities as part of the investable universe for GDIF as a "lending substitution". In our view Hybrids are an appropriate substitution or alternative to lending based on the risk/return tradeoff (the returns currently average 5%pa), and with the added benefit of providing 2 day liquidity when required. The main reasons for this are:

1. All time record low interest rate levels;
2. Maximum lending/borrowing levels of Institutions;
3. Liquidity requirements for remainder of fund;

4. Lack of alternative investments which provide an appropriate risk/return tradeoff;
5. Confirmation that GDIF are not required by APRA to maintain capital adequacy or liquidity ratios other than what is necessary to operate the fund as stated in the banking exemption; and
6. Creation of MIS for retail funds.

It is important to note that in simple terms the liquidity of the GDIF is the oil that keeps it moving smoothly (the ability to meet its obligations as and when they fall due). Adequate liquidity is required to:

1. Cover withdrawal of depositors funds;
2. Meet unforeseen borrowing requests; and
3. Cope with interruptions to normal cash flow.

So to have all investments in loans is not practicable for the GDIF.

Capital adequacy is the shock absorber that keeps the GDIF steady on the road when it goes over a pot hole, the adequacy of the capital base depends not only upon the absolute volume of liabilities to be covered but the quality of the GDIF assets. Clearly the more risky the assets the greater must be the cushion of capital funds. The GDIF sources it's funds in the main from wholesale funding and this means risk to individual depositors and liquidity can evaporate quickly if a large deposit is withdrawn. An appropriate mix of loans and investments (including Hybrids) will need to be considered for both capital adequacy and liquidity reasons.

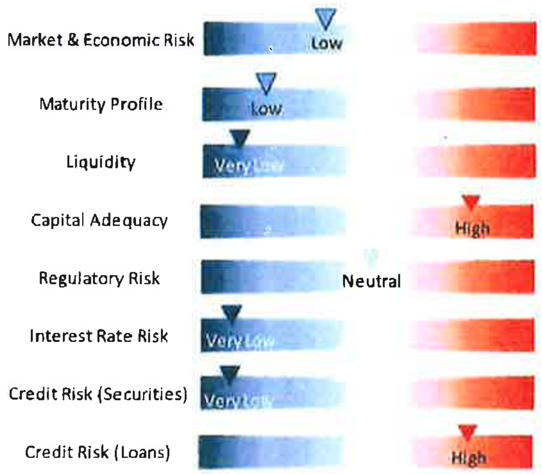
Whilst we appreciate the Diocesan Finance Advisory Group has provided guidelines regarding capital adequacy we simply point out that the GDIF is not a bank, it does not buy "off balance sheet" derivatives and other types of derivatives ADI's do creating further credit risk, it does not lend to the general public or on an unsecured basis.

The purpose for investing in securities or "lending substitution" is to employ the funds productively, achieve income returns in excess of the cost of funds (deposit rates) and thus create an interest margin, diversify the portfolio, manage capital and liquidity. The GDIF very carefully monitors the risks associated with non-lending investment via its investment policy and as recommended in this letter – investment strategy and takes particular care in regard to the following:

- Market & Economic Risk;
- Liquidity & Maturity Profile of the deposit book and investment portfolio;
- Capital Adequacy;
- Regulatory Risk;
- Interest Rate Risk; and
- Credit Risk (for all investments via credit ratings & analysis as well as scrutiny of potential loans).

As a current visual indicator these risks can be classified within the GDIF portfolio in a risk profile diagram which meters the risk from very low to very high as follows in Figure 1.

Figure 1: Current Risk Profile: GDIF



The risk levels of Very Low (blue) to Very High (red) reflect the current GDIF portfolio in comparison to other RCDF's as the benchmark and APRA regulation of banks and private health insurers as the regulatory "yard stick". It should be noted that Credit Risk for loans (not advised by Ord Minnett) is very high across most RCDF's as the pool is limited with low diversity and systemic risk as well as the inherent credit quality assessment levels.

The current portfolio of investments is weighted significantly to the lower risk end leading to a current combined very low risk investment portfolio. The addition of Hybrids will bring the combined loans and investments to below neutral.

We have outlined in Appendix 3 a discussion paper on IRS and Hybrids. We would note that there are many types of Hybrids on issue and Ord Minnett only look to recommend the income style of the asset class.

Essentially the GDIF currently has a very low risk appetite for investments based on the current investment policy. Things to think about and appreciate when considering the risk appetite and lending substitution are:

1. GDIF is not APRA regulated and is exempt from holding a banking licence under Religious Charitable Development Funds Banking Exemption No.1 of 2017;
2. GDIF does not comply with the same commercial loan credit rating rigour required by APRA and so cannot directly compare loans within the Diocese with other market investments;
3. GDIF deposit book liquidity requirements are currently unknown/untested in the new MIS environment (no lengthy track record) so managing a large loan book with retail MIS funds is uncharted territory and should maintain higher liquidity in the first few years as a buffer; and
4. GDIF does not have the same depositor profile as a bank.

The GDIF can overlay its investment in Hybrid securities and other marketable IRS and bonds in a number of strategies to minimise investment risk in a similar fashion to how ADI's and RCDF's manage their books as follows:

- Credit ratings bands (less held in lower rated issuers);
- Product type;
- Product diversification;
- Issuer diversification;
- Maturity diversification, and preferably deposit matching where possible; and
- No interest rate (fixed) risk over 12 months

The Investment Strategy should cover these areas clearly and concisely.

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Portfolio stress testing (eg; Black Swan scenarios) should also be applied to ensure the portfolio can withstand risk events (Ord Minnett is happy to assist here).

Lending substitution by way of investing in hybrid securities cannot be directly compared to lending as most commercial loans are internally rated and assessed, whereas whilst there is market price risk, there is little risk of ultimate capital loss in a well known bank hybrid (based partially by way of APRA regulations).

The objectives ultimately of the lending substitution/hybrid investments are to:

(i) Provide liquidity for the deposit book;
(ii) Enhance the return of the portfolio whilst not invested in loans;
(iii) Enhance the diversity of the investment portfolio;
(iv) Continue to provide for capital stability and risk adjusted income returns; and
(v) Be invested within the current prudent guidelines for interest rate securities.

Portfolio Management

Our understanding is that you as the Fund Manager will be leaving GDIF on a permanent basis this quarter. As such we recommend and propose that in the absence of an experienced Fund Manager GDIF should retain Ord Minnett's ongoing investment advice and administration through a managed portfolio service. This encompasses developing the final appropriate Investment Policy, and maintain that policy as appropriate, develop an Investment Strategy in consultation with the Board and stress testing each year, ongoing investment advice, discretionary portfolio management, safe custody, regular review and reporting as needed. Ord Minnett would leave the fee at its current level given our understanding of the fees currently experienced to set up the MIS. The only noticable change to GDIF will be that Ord Minnett will make the investment decisions directly and at its discretion (based on clear rules and mandate documentation).

For the GDIF, prudent management of the balance sheet, deposit book and investment portfolio requires full awareness and management of the above risks, which has been successfully done to date. The changes going forward will however reduce the level of market knowledge directly within the Fund on a day to day basis and so our proposal seeks to minimise the risk to the portfolio. Ord Minnett successfully manage a number of other RCDF's in this manner.

In practice what this all means going forward is the current placements into term deposits will be done in consultation with current Fund staff and all longer term decisions around investment securities will be made by Ord Minnett (taking into account any known liquidity requirements).

We would be pleased to provide portfolio recommendations to include Hybrids taking into account the above discussion and recommendation as term deposits and notes mature. Blaine, as always we have the highest regard for the GDIF's needs as an investor and are ever mindful to ensure the GDIF portfolio is invested appropriately.

If you have any queries please do not hesitate to contact me on 08 8203 2508 and I look forward to discussing this with you further and providing further detail as required.

Yours sincerely,

Alison Perrott
Senior Adviser, Investments & Portfolio Strategy

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Appendix 1

Risk Management & Security Selection

Risk Assessment and Management

In contemplating an investment for the long term in securities and a tailored portfolio, investors need to understand that there is a degree of risk, and understand those risks and how they may impact your investment. In managing risk, Ord Minnett seeks to prudently achieve targeted returns with an eye to maintaining an adequate level of risk for our clients while focusing on minimising the risk realised.

The risks associated with the types of investments most clients will include in an investment universe are in summary as follows:

Default Risk: If an issuer or company is unable to pay it's debts, repay interest or the face value of a bond at maturity, the issuer is said to default on its obligation. In these circumstances, it is likely that equity and bond holders will receive less than the face value of their bonds or purchase value of their shares. All securities and bonds have varying levels of default risk, and the investor needs to make an assessment of this risk before investing. Investors should read the relevant offer document and seek advice before investing.

Ratings Risk: Rating agencies (such as Standard and Poors, Moody's and Fitch) aim to assist investors to make an assessment of default risk. Whilst providing a qualitative assessment, rating agencies can and do change ratings and ratings methodology, and their assessment of risk can differ from what is priced in the market. They should be used as a guide only.

Liquidity Risk: Some securities, such as bonds, trade only in the secondary or Over the Counter (OTC) markets and may be difficult to sell. Also, secondary markets may not be available to all investors and in some circumstances it may not be possible to liquidate a particular Fixed Interest Security or Equity position.

Liquidity Risk is also the risk that a company or bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. HQLA assets have been designed to reduce Liquidity Risk.

Duration Risk: Duration is the most commonly used measure of risk in bond investing. Duration incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates.

Price Volatility Risk: If investors are seeking to sell bonds prior to maturity, the price they receive can differ from the purchase price and the face value paid at maturity, as well as between brokers who trade the security (as there is no on screen market exchange). Factors that can influence what an investor will receive for a bond in the secondary market include the following:

(i) Credit Spreads: a credit spread is the extra yield an investor needs from a particular bond to compensate them for perceived default risk. Generally speaking, if the market deems that there is a higher risk of a company defaulting on its obligations, the required credit spread they need from the bond increases, and therefore the price they are willing to pay for your bond will fall (all else being equal).

(ii) Changes in liquidity: Bonds that are easily sold in the secondary market are more attractive to investors. Less liquid bonds need to pay extra yield (liquidity premium) to attract new investors to that bond. If the perceived level of liquidity of the bond reduces, the price may fall (all else being equal).

(iii) Interest Rate Risk: fixed rate bonds (bonds with a 'coupon' or interest rate that doesn't change) are additionally exposed to interest rate risk. If the overall level of interest rates in the economy increases, a bond will become less attractive than its peer group, and the price will need to fall to attract new investors to that bond (all else being equal).

(iv) Maturity Considerations: the degree to which the above three factors affect the price generally increase the longer the maturity of the bond. Bonds with shorter maturities therefore have generally lower price volatility.

Floating Rate Note Risk: Floating rate notes pay a known margin above the prevailing bank bill rate. As bank bill rates vary throughout the life of the note, investors do not know at the outset what their overall return will be. Investors looking for more certainty of yield outcome should consider fixed rate bonds.

Unlisted Subordinated Debt Risk: Most Australian banks have issued subordinated debt to meet their prudential capital requirements. These securities generally have 10 year final maturities, but can be called (repaid by the bank) earlier (generally after 5 years).
Conservative investors should therefore consider these securities as long term investments. Being subordinated in nature, they also rank below senior secured and unsecured notes, so are riskier than senior debt.

ASX Listed Subordinated Debt Risk: Also known as "hybrid" securities, the securities include listed subordinated debt and convertible notes. There are a number of risks specific to these securities, including:

(i) Credit Risk: hybrids are generally not secured debt. In the event of a company default, investors in hybrid securities receive their money only in the event that all secured and senior creditors are paid first.

(ii) Conversion Risk: most hybrid securities allow the issuer the right to repay principal at maturity by issuing stock rather than paying cash. There is a chance that the amount relinquished from the stock sale is less than the face value of the bond, and this is known as conversion risk.

(iii) Dividend Payment Risk: most hybrids pay preferred dividends, however the issuer is often under no obligation to pay them and has the right to forego the payment of preferred dividends if they choose.

(iv) Tax Credit Considerations: some hybrids pay franked dividends as an income stream portion of their yield return. An investor should fully investigate the tax implications on their personal circumstances before investing, and seek professional tax advice.

Concentration Risk: The fewer the number of different securities in a portfolio, the greater the risk that the overall performance of the portfolio will be significantly affected by the poor performance of any particular security in that portfolio, and the greater the concentration risk. Limits on issuer and amounts held are a tool used to reduce concentration risk.

Economic & Interest Rate Risk: Changes in the economic environment and/or interest rates may affect the value of the holdings in your portfolio.

Manager Risk: Where the monies are invested via a tailored portfolio, and the portfolio is actively managed, its investment returns depend on the advisers ability to manage the portfolio successfully. There can be no guarantee that they will produce the desired results.

Regulatory Risk: The risk associated with potential for laws to change and the impact on your portfolio.

Taxation Risk: The returns from your portfolio may be influenced by tax laws or their interpretation.

At Ord Minnett, we believe that diversification is paramount when managing risk coupled with adept portfolio construction.

Through the use of sophisticated quantitative analysis, Ord Minnett will advise on the best way to manage and monitor portfolio risk (as measured by all of the above factors and volatility) on a regular basis. The vastly experienced Investment Committee provides a sound advisory role and will participate in the overall approach to risk management. Risk associated with individual securities will also be explained in detail prior to investment universe approval and policy recommendation.

Security Selection

Listed Interest Bearing Securities

The universe of listed fixed interest securities in which Ord Minnett would invest currently consists of all such ASX listed securities, including Capital Notes, Convertible Notes, Preference Shares, Listed Debt and other Income Securities. We assesses the liquidity of all securities before making any decision to invest, in order to meet the mandated liquidity provisions. Hybrid securities are subjected to a further test of their optionality, and the portfolio manager will avoid investing in preference shares where the price is too closely correlated with the price of the underlying equity (these securities can exhibit excessive "equity-like" volatility for an income portfolio, so the manager considers the merit of hybrid securities with low optionality that they "behave" more like bonds).

The securities that satisfy these screens are analysed based on Ord Minnett's proprietary pricing model, which factors: yield to maturity, and yield relative to the swap (or other credit) curve. A target valuation is set for each security, which is then compared to the market yield or price. In general, approximately half of the listed market is screened out by this process. This screening process takes place on an ongoing basis.

This process results in a Watch List of (currently) around twenty securities. The issuers of these securities are then subjected to further detailed credit analysis to determine the acceptable margin for the security against a benchmark credit curve e.g. the swap curve. This analysis (currently) generates a Preferred List of 5-10 securities. The monitoring of this Preferred List is ongoing.

Unlisted Interest Bearing Securities (OTC)

The screening process for unlisted securities is similar for listed interest bearing securities. The Watch List of unlisted interest bearing securities is focussed on floating and fixed rate securities issued by approximately 40 Approved Deposit Taking Institutions (major banks, regional banks and selected building societies and credit unions) and approximately 50 corporate issuers. Many unlisted securities are initially ruled out of consideration on valuation grounds because their yield is insufficient to enhance a client portfolio above its benchmark yield. Liquidity is of particular concern for unlisted securities, so the secondary market for all potential unlisted securities is assessed prior to investment.

Ord Minnett's proprietary pricing model is used to set a target valuation for each security for comparison with current market yield and swap/credit margins. The resulting Watch List of unlisted securities is constantly monitored.

The Watch List is subject to similar ongoing investment analysis as for listed securities to build a Preferred List of unlisted securities. Additional credit analysis is conducted on more complex unlisted securities to assess the credit risk.

Universe	Watch List	Securities Analysis	Preferred List	Asset Allocation	Portfolio Construction	Portfolio Management
Investment Universe Screening From the universe of securities available under the Investment Policy, Ord Minnett identifies those that satisfy our rigorous investment standards.	**Watch List** **Securities that are appropriate from the Universe are added to the Watch List.** The screening and evaluation process takes place on an ongoing basis to maintain the Watch List.	**Internal Credit Analysis** Securities on the Watch List are subject to detailed analysis, based on the structure of each investment, the financial strength of the issuer and future prospects, and if priced correctly, for risk.	**Preferred List** A Preferred List of securities is screened for each portfolio depending on guidelines. The pricing on these securities is monitored closely to identify buying opportunities.	**Strategic Allocation** The risk profiling, agreed in advance by Ord Minnett and our clients, is based on goals & objectives, exposure to single issues, to classes of securities, credit risk, preferred maturity etc.	**Portfolio Construction** Ord Minnett creates customised investment portfolios based on client requirements.	**Portfolio Management** Each portfolio is reviewed daily, with valuation targets assessed relative to other securities on the Preferred List. Where appropriate, profits are taken and securities offering better value are purchased.

Ongoing Review

Ongoing Review

As shown in the above diagram, the portfolio construction process commences with the preferred lists for each security type generated from the security screening process as outlined earlier. A set of portfolio guidelines and an investment strategy is agreed between the investment manager and the client that will include: maximum exposure to a single issuer, class of security, maturity, interest rate risk or duration. Depending on the maximum exposure to a single issuer, and the overall portfolio size, the investment manager would typically target a portfolio of around 15 - 25 securities.

Within this tailored framework, the portfolio manager uses the preferred lists to build an optimal portfolio. The portfolio is constructed from a bottom up perspective, comparing securities' relative value for their assessed credit standing, and with the yield of the benchmark index.

This outcome is next subject to a risk review that examines whether investments in the recommended portfolio have sufficient diversity across security types to reduce the level of overall portfolio risk. The manager will maintain a mix of fixed and floating securities, and both listed and unlisted income securities. Additionally, exposure to preferred securities can sometimes be limited by availability, in which case an appropriate substitute from the preferred list is taken.

Regular portfolio reviews are conducted to assess the valuation model's targets for the portfolio holdings relative to other securities on the preferred lists. If the actual margin to swap of a security in the fund has contracted to the point where it no longer represents good for the level of risk (as measured by the team's credit analysts), the portfolio manager will consider liquidating the security and switching into a security from the preferred list that represents value. Transactions costs are always taken into consideration with switching securities within the fund.

Where convertible securities are held, they would usually be liquidated before they convert to ordinary shares, in order to maintain the portfolio's desired income profile.

Appendix 2

Developing an Investment Strategy

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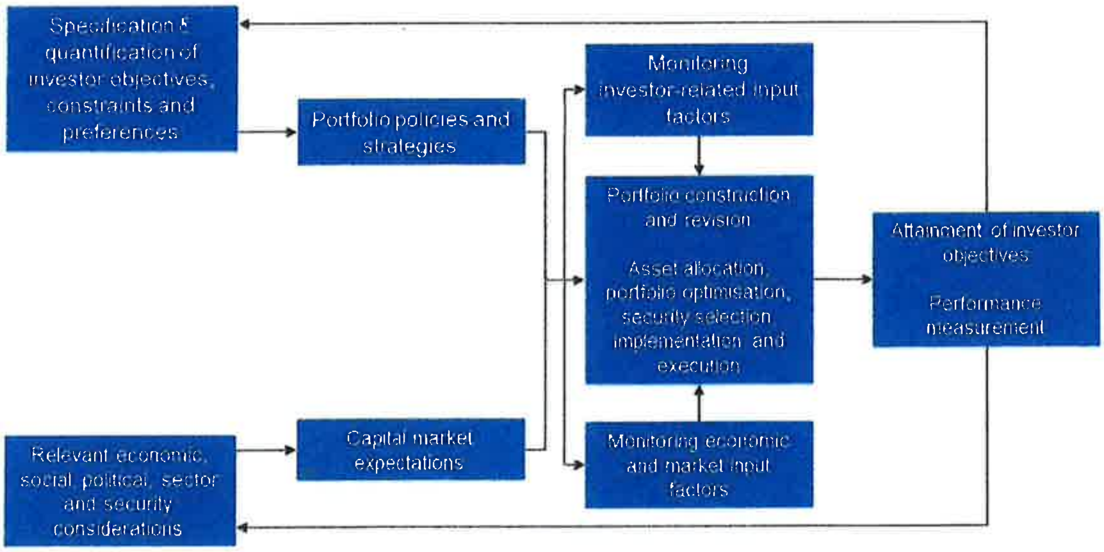
Developing Investment Strategies & Risk Framework

Critical to investment success is understanding the key deliverables a client requires and ensuring a framework is in place providing a dynamic process to monitor, review and adjust according to strategic intention.

Our process is a dynamic consultancy and as such there is open communication between client and adviser on our understanding and the client perceptions and requirements. Time has shown that this type of relationship increases client success measurably in achieving objectives.

The combination of Ord Minnett's experience with not-for-profit organisations combined with our knowledge and expertise in investment markets, equip us well to deliver a process and client servicing model as follows:

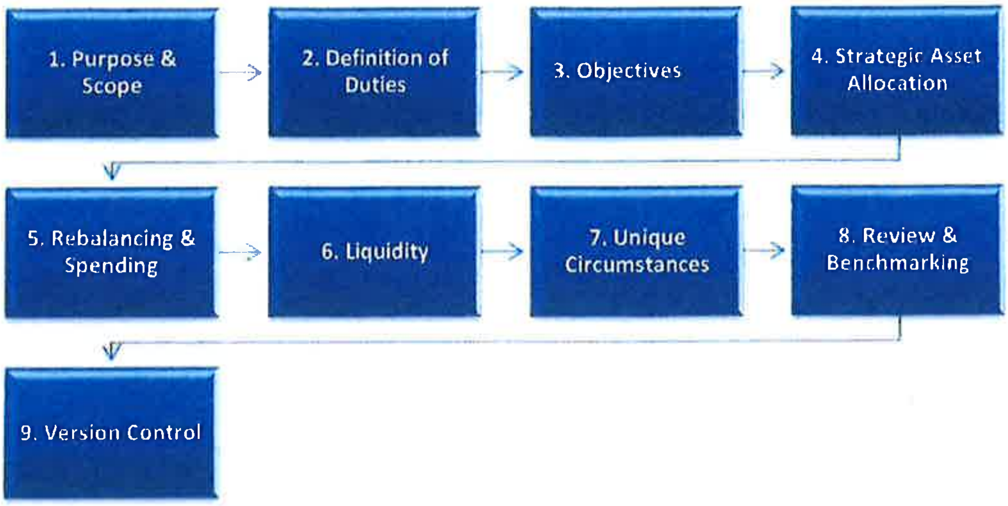


This process delivers a framework for clients to formalise an investment policy incorporating the management of investments, risk, liquidity and unique requirements.

The Investment Policy & Strategy

The investment policy becomes the strategic guide for organisations to manage funds. It should clearly address the objectives, constraints, unique circumstances, and overall oversight procedures that govern the fund (or individual pools of funds).

Our process to arrive at a formal policy is nine steps in total and in each step we undertake modelling to fully understand the risks and likely outcomes.



In practice, the process Ord Minnett will follow:

1. **Purpose & Scope**; An initial review; will address the objectives, constraints, unique requirements, and overall current oversight procedures that govern investment related activity. This overview sets the tone for the specific guidelines within the policy.
2. **Definition of Duties**; All policies will require clearly stated duties of all involved parties, so that they can fulfil their duties effectively. These will include; Board, investment committee (or equivalent), outsourced investment managers, advisers and custodians.
3. **Objectives**; Clearly articulated objectives are critical to achieving investment goals. With an outcome oriented mindset, the goals and constraints (such as liquidity, capital adequacy, time horizon and capital outlays) are matched against the commercial realities of the market and tested against return targets and risk tolerance. A balance is then sought between risk and return.
4. **Strategic Asset Allocation**; Strategic Asset Allocation is the principal method by which a portfolio is designed and the assets invested to achieve each stated objective. The guidelines will be set out one of two ways depending on the objectives of the client; either per individual asset class (equities, fixed income alternative, cash etc) OR a roles based framework whereby the asset class allocation is listed in accordance to the manner in which they contribute (eg: growth, income, risk reduction, HQLA etc). At this point permitted assets should be integrated.
5. **Rebalancing & Spending**; As funds grow or reduce periodic rebalancing of a portfolio should be conducted to keep allocations from shifting too far from targets. Ranges are set in this stage generally at an asset class level for minimums and maximums and tactical asset targets defined.
6. **Liquidity Policy**; Whilst clients differ in their asset allocations and liquidity requirements, liquidity is imperative to the financial ability to meet operational, spend and capital outlay requirements. Many are also regulated by APRA and will require a subset specific policy directly related to regulation and licensing. An in depth modelling exercise is undertaken to ensure sufficient liquidity will exist in the portfolio whilst ensuring the maximum funds are deployed for investment plus meet regulatory requirements. Liquidity profiles are established which will vary in each pool the organisation has to invest, these are then stress tested for market shocks and scenario analysis conducted to measure the impact. Once these are understood an underlying funding strategy is designed intra pool and holistically.

7. **Unique Circumstances**; The mission and values core to the organisation are important and in this section we articulate the preferences for socially responsible investment, and any other unique circumstances. Breach reporting & conflicts of interest are also addressed at this point.
8. **Review & Benchmarking**; Once the asset allocation, investment strategy, liquidity and rebalancing policies are established, it is imperative a well defined monitoring and review process is created for objectives to be met. Benchmarks which are relevant and critical to the outcomes are also put in place for the review to be successful.
9. **Version Control**; Typically a procedural simplicity but important for the clear communication between multiple parties. We also include in this section any acknowledgements by the parties working together to ensure a collegiate work practice.

Our recommended changes to the overall asset allocation are as follows:

Asset Class	Approximate AA Current	Proposed AA	Change
Cash & Deposits (< 12 months)	15.9%	15%	-
Bonds & Notes	21%	20%	-
Loans*	63.0%	50%	-$7mil
Hybrids	0%	15%	+$7mil
Total	**100%**	**100%**	

Sample Investment Strategy

INVESTMENT GUIDELINES

The portfolio is to be managed to provide income yield enhancement.

Market Performance Benchmark: The performance of the Income portfolio is to be benchmarked to exceed the UBS Australia Bank Bill Index after fees. Long term growth assets (if applicable) are to be benchmarked against the S&P/ASX 100 Industrials Index, over rolling twelve (12) month periods, in accordance with the Investment Guidelines set out below. This is for investment manager guidance only.

Investment Guidelines

- The Portfolio may invest in interest bearing & growth securities.
- The Portfolio is to be managed according to the following requirements:
  - (a) The Portfolio holdings must meet the Asset Class requirements as detailed below;
  - (b) Maximum exposure to any single Issuer of 25% of the Portfolio (where the Portfolio size is below $5 million, the maximum exposure to any single Issuer can be 35% of the Portfolio);
  - (c) All securities purchased must have an active secondary market at the time of purchase;
  - (d) Each investment must be screened for SRI as per the ethical investment requirement set by the Trustees;
  - (e) Maximise Franking Credits where applicable; and
  - (f) All securities are to be denominated in **AUD** and contain no direct foreign exchange risk.

Requirements

Asset Class	Minimum (%)	Maximum (%)	Strategic (%)
Cash & Deposits (< 12 months)	0%	100%	20%
Bonds & Notes	0%	50%	20%
Loans*	0%	70%	50%
Hybrids	0%	50%	15%

* Can include Hybrid Securities (where Loans are not available (Lending Substitution)

The Portfolio may not:

- be used as security for any form of loan; and
- be invested in Derivative Contracts.

Approved Securities

Separated by underlying asset class and security type:

Asset Class	Security Type
Cash & S/T Investments	Cash Accounts, Notice Account, Term Deposits, Negotiable Certificates of Deposit, Bank Bills, Transferable Certificates of Deposit Other classes falling generally within the definition of Cash Product
Fixed Interest Securities	Bonds, Debentures & Fixed Rate Notes Floating Rate Notes & Floating Rate Certificates of Deposit, Senior Notes, Subordinated Notes, Residential Mortgaged Backed Securities, Index Bonds, Capital Notes, Income Securities Hybrid Securities (ie. part debt and part equity), Convertible and Reset Preference Shares and Convertible Notes. Diversified Fixed Income Funds & Managed Funds Other classes falling generally within the definition of "Fixed Interest" & "Income Securities"

Other classes approved by the Board are also acceptable.

ORD MINNETT

Appendix 3

IRS & Hybrid Background Discussion Paper

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Term deposits and cash accounts are short term investments whereby interest is accrued and paid on maturity (or monthly for cash accounts). The value of these does not fluctuate other than accruing interest, and the only real risk to capital associated with them is credit risk (possibility of the bank defaulting) and interest rate risk or opportunity cost (eg: GDIF invests in a 12 month term deposit at 2% and the next day the Reserve Bank raises the official cash rate by 0.50% and 12 month rates are now 2.50%). Term deposits also create some liquidity risk when invested for too long or not maturing at appropriate times as they are now quite difficult to "break".

The longer term investments (greater than 12 months) of FRN's, Bonds & IRS are also subject to the associated risks above which Ord Minnett assist and advise the GDIF on comparing the risks and return on a "relative" basis taking into account the net interest margin. For the benefit of new board members and a recap for current members the following introductory material serves to provide a practical understanding of the longer-dated securities the GDIF invests in to assist with risk appetite, strategic objectives, risk management and further policy considerations.

Floating rate notes and bonds both listed (on the ASX) and unlisted over the counter (OTC) market have been the main longer-term investment providing the GDIF with diversity of issuer, yield and all important liquidity.

Interest Rate Securities – An Introduction

The banks (primarily the majors) and insurers (eg: IAG, Suncorp) form the core of the IRS market, representing 80% of the total face value of securities on issue, and 77% of secondary market volume. Companies issue IRS for a variety of reasons including meeting capital requirements, diversifying funding sources, obtaining lower cost of funds and to manage credit ratings.

What are IRS?

Interest Rate Securities are longer dated transferable debt securities (usually for one to five years) where the interest rate is adjusted periodically in line with a benchmark rate (usually the 90 day Bank Bill rate).

- Most IRS are issued with the coupon or interest rate set at a margin to the 90 day BBSW rate.
- BBSW is the Bank Bill Reference Rate, which is set by the money market at approximately 10.10 am each day.

What are the different types of securities?

Senior Debt

Listed senior debt instruments are also known as "retail bonds", and are secured by specific assets when issued. Notes such as the **Commonwealth Bank Retail Bond (CBAHA)** were senior, secured, dated securities with interest payments that are non-deferrable. We see the comparison with term deposits particularly important as they exhibit many similar characteristics.

Table 1: Comparing term deposits and senior debt

Feature	Term Deposit	Senior Debt
Term of Issue	1 month - 5 years	Generally 5 years
Government Guaranteed?	Yes (up to $250,000)	No
Liquidity	Difficult (generally with break fee)	Yes (T + 2 as with equity)
Franking	No	No
Coupon Structure	Fixed at time of issue	Fixed or Floating

Source: Company data

While term deposit pricing is locked in once the funds are deposited, the banks can vary the rates offered to new money on a daily basis if required. Retail bond coupon rates are set on a quarterly or semi-annual basis, but can trade in the market.

Senior debt is perfect for particularly conservative clients that are not willing to endure anything but very minimal capital volatility in return for two day liquidity. The bonds have a definite maturity date with no option for the issuer to extend the term, apply a step-up margin or defer any interest payments.

Senior debt (as the name suggests) sits very highly in the capital structure, outranked only by depositor funds, and ranking equally with other secured liabilities, see figure 2 following.

Figure 2: The capital structure

Source: Ord Minnett

Subordinated Debt

Up until a few years ago, subordinated bank debt was solely offered in the wholesale OTC unlisted market ($500,000 minimum investment), or offshore to institutional investors. Subordinated debt sits below senior debt in the capital structure and is issued with generally one key difference, a first call date which the issuer has the option to extend the issue for a further period of time. This first call date is generally 5 years in duration, and the option to extend is also generally for another 5 years, making a standard 5*5 style security.

Several factors have emerged to attract the major Australian banks to issue subordinated debt locally, including:

- The banks' desire to broaden funding sources given continued uncertainty in key offshore markets.
- A change in local investor sentiment with a greater focus on income and reluctance to endure volatility.
- Global regulatory changes that require banks to increase capital levels that will in time force these institutions to change their funding profile.

We are of the view that as the world continues to change due to regulatory evolution, Basel III being implemented on financial institutions, and risk being priced more appropriately, the attractiveness of issuing local debt will moderate. This will in part be supported by APRA requirements around deposits.

Hybrids / Preference Shares

Hybrids combine both 'equity like' and 'debt like' features. Some of the comparisons to shares and bonds include:

- Investment income – Shares pay dividends at the company's discretion. Similarly, interest payments on hybrids may be subject to the issuer's discretion.
- Investment timeframe – like bonds, hybrid securities are issued for a fixed term, however some hybrids may be converted to shares early.
- As with shares, hybrids can be sold on the secondary market (although liquidity may be lower than for the relevant share).
- As with some bonds, issuers of hybrid securities may choose to redeem early by repaying the principal or converting to shares.
- Capital Structure/Insolvency – Investors in hybrid securities will only be repaid after lenders, senior and secured creditors and other bondholders have been paid.

There are several variations of preference share which are listed in Australia, with the common features being summarised in Table 2.

Table 2: Key terms of listed preference shares

Feature	Reset Preference	Converting Preference	Step-Up Preference
Term	Perpetual (with regular reset dates)	Perpetual (with a mandatory conversion date)	Perpetual (with a step-up date)
Coupon Structure	Fixed or Floating	Fixed or Floating	Fixed or Floating
Issuer Early Redemption	Limited Circumstances	Limited Circumstances	Limited Circumstances
Holder Early Redemption	At a Reset Date, and other limited circumstances	Limited Circumstances such as Change of Control Event	Limited Circumstances such as Change of Control Event
Mandatory Conversion Conditions	No	Yes, tied to Issue Date VWAP and share price of Issuer	No
Franking	Yes	Yes	Yes
Remarketing Possible	Yes. Terms can be altered including the coupon.	No	In some cases

Source: Company data, Ord Minnett

Preference shares are structured as perpetual instruments but contain incentives for the issuer to call them at a date 5-10 years from issue. The types of incentives include mandatory conversion to equity assuming certain conditions are met, or step up margins that would make the preference share expensive compared to other funding sources. Due to capital adequacy requirements GDIF does not currently invest in these instruments as they ultimately have "equity" risk associated with them.

There is a higher level of risk associated with hybrid securities when compared to a regular bond, term deposit or fixed interest investment. The conditions, timeframe, risks and return of each hybrid security will differ and some may have complex features.

Pricing and Valuation Considerations

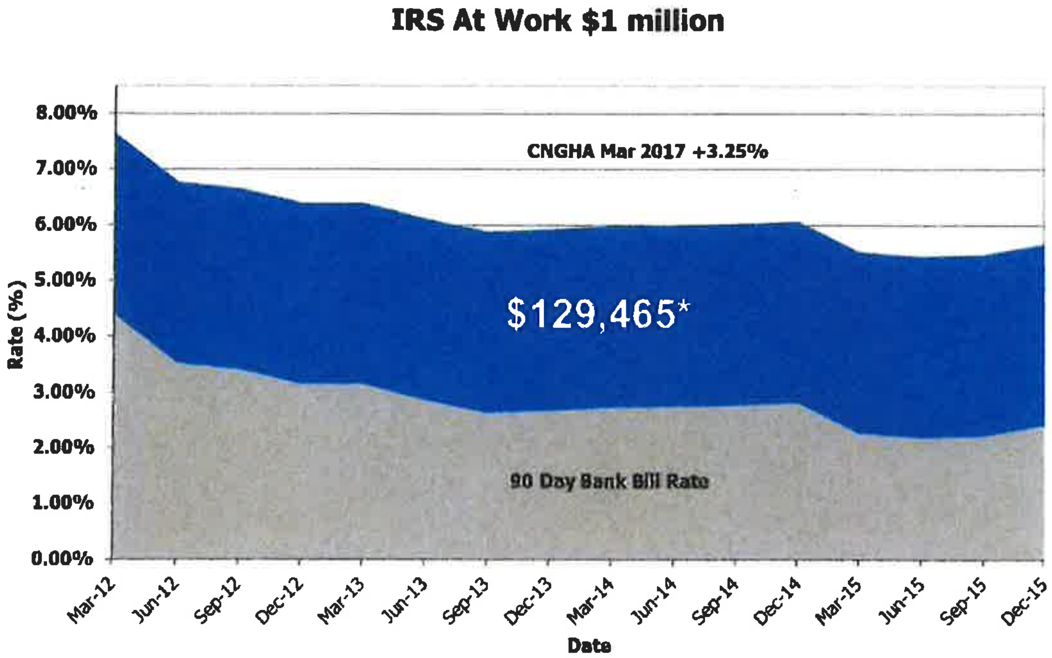
Mechanics

The following chart in figure 2 highlights, in practice, how simple Floating Rate Note's and IRS actually are. IRS are issued with a FIXED coupon margin (interest margin) and is added to the benchmark rate to calculate interest due at the end of the period. So the coupon margin essentially "floats" above BBSW. For example, figure 2 following tracks the history of a Colonial Group Subordinated Note with a first call date of March 2017:

ASX Code:	**CNGHA**
Issued:	29 March 2012
Coupon Margin:	Benchmark + 3.25% paid quarterly in arrears
Benchmark:	90 Day BBSW
Maturity Date/ First Call Date:	31 March 2017

The interest due on 31 March 2016 = BBSW on 31 Dec 2015 + Margin = 2.38% + 3.25% = 5.63%

Figure 3: IRS at Work



Source: Ord Minnett

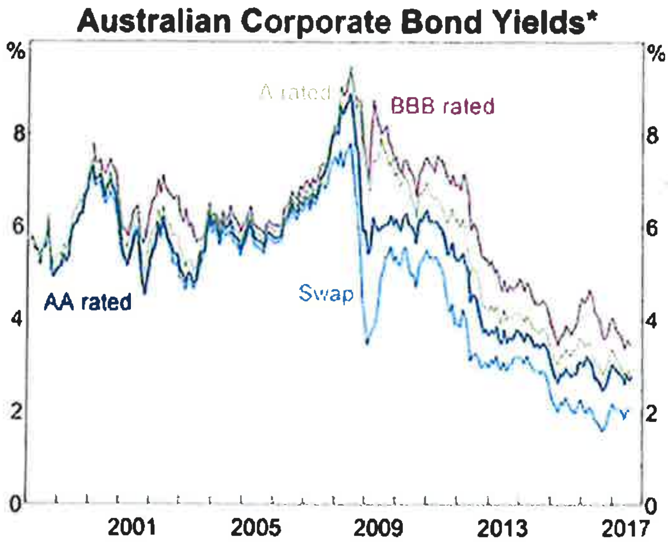
Figure 3 reflects the interest payment life of the CNGHA since issuance. The grey area is the benchmark 90 day bank bill rate and it moves generally in line with the official cash rate set by the Reserve Bank of Australia. The blue area is the extra interest earned from the 3.25% margin. So far the CNGHA has paid $129,465 per $1 million in extra income than if an investor had purchased a bank bill (or easily compared to a term deposit).

Yield to Maturity

If an IRS is purchased at the time it is issued for $100 (the issue price), is held to maturity (or first call date) and interest rates do not change it is easy to calculate the actual return or the yield to maturity. For example if the bank bill rate was 4% on 29 March 2012 the CNGHA would have a first coupon rate of 7.25% (4% + 3.25%). If the bank bill stays the same for the next five years and Colonial Group redeem the security, the return will be 7.25% per annum for the five years. Of course interest rates do not stay constant and purchases are not always on issue date. The price of the IRS will fluctuate based on a number of factors including:

1. **Credit quality of the issuer**. The higher the credit quality of the issuer the safer the investment. The only publicly available measure of credit quality is credit ratings and so Ord Minnett use these "as a guide" alongside our own research. The RBA monitors spreads across a range of credit qualities and an average duration of three years. Figure 4 following displays this data going back to 1998.

Figure 4: Australian bond spreads



* Swap rates are for 3-year maturity; corporate bond yields are a weighted average of senior bonds with remaining maturities of 1 to 5 years, including financial and non-financial corporations

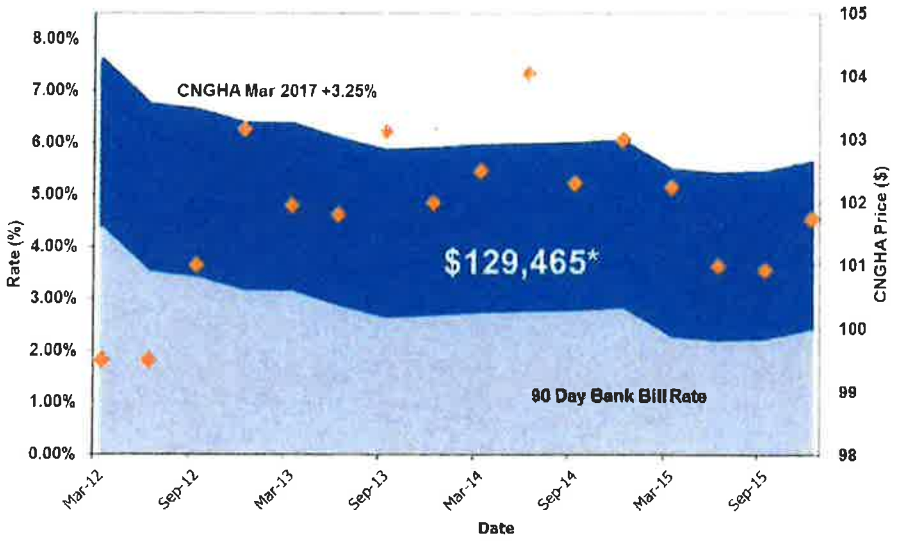
Sources: Bloomberg; RBA; UBS AG, Australia Branch

It is clear that spreads are below the anomalous times during the 1990's and early-to-mid 2000's, as well as below the GFC in 2007. What is also clear is that they are not constant and that credit is continually repriced, for example a 5-year CBA IRS initially offered at a 2.5% margin could be priced at say, a 2% margin in six months time.

2. **Term to Maturity.** The term to maturity affects the risk profile, and, everything else equal, investors should demand a higher return as the term to maturity increases. For example: Ord Minnett's internal fair value model adds 10 basis points for each year over and above the 3-year threshold.
3. **Specific Terms/Details.** This relates mainly to securities carrying step-up provisions or other terms that increase the risk that holders may not receive their capital back at a call date. Seniority of ranking, as well as terms that afford holders additional protections (such as certainty of coupon payment and capital return) will all be key influences on the returns and volatility experienced.
4. **Accrued Interest**. Each 3 months the IRS pays interest for the period, it stands to reason that the IRS will start to rise in value with more accrued interest.
5. **Economic conditions**
6. **General level of interest rates**
7. **Supply and Demand.** Even the simplest thing of more sellers than buyers will put downward pressure on an IRS price and vice versa.

With the above in mind figure 5 over page revisits the CNGHA income history and overlays at each coupon reset date the market value of the security in "price" per $100 on the second right hand axis, as follows:

Figure 5: CNGHA Income & Price History

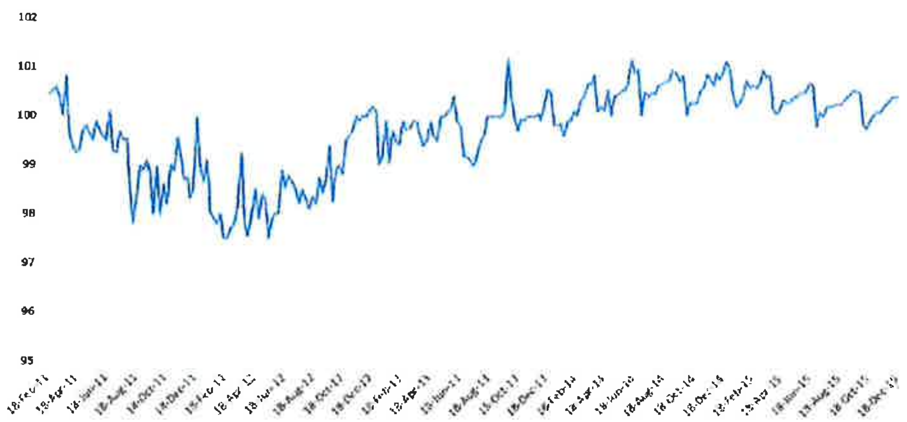


The implication for listed IRS is that the value does not stay constant and in fact can reflect an unrealised loss from purchase date. The orange markers in figure 5 have the CNGHA priced at anywhere from $104 to $99.50 over the last 3 years. This presents opportunity for investors (buying cheaply), or, for those who periodically account for market valuation, an occasional write-down in (unrealised) in asset value, whilst income continues to be paid.

Where the IRS sits in the capital structure, length to maturity and its complexity are the main contributors to the volatility of the IRS market price (supply and demand factors).

On maturity the bond or IRS will revert back to a $100 price plus one last interest/coupon payment. Figure 6 below highlights the price history of the Commonwealth Bank Bond (CBAHA) which listed on the ASX in 2011 for a 5 year period.

Figure 6: CBAHA Weekly Price History

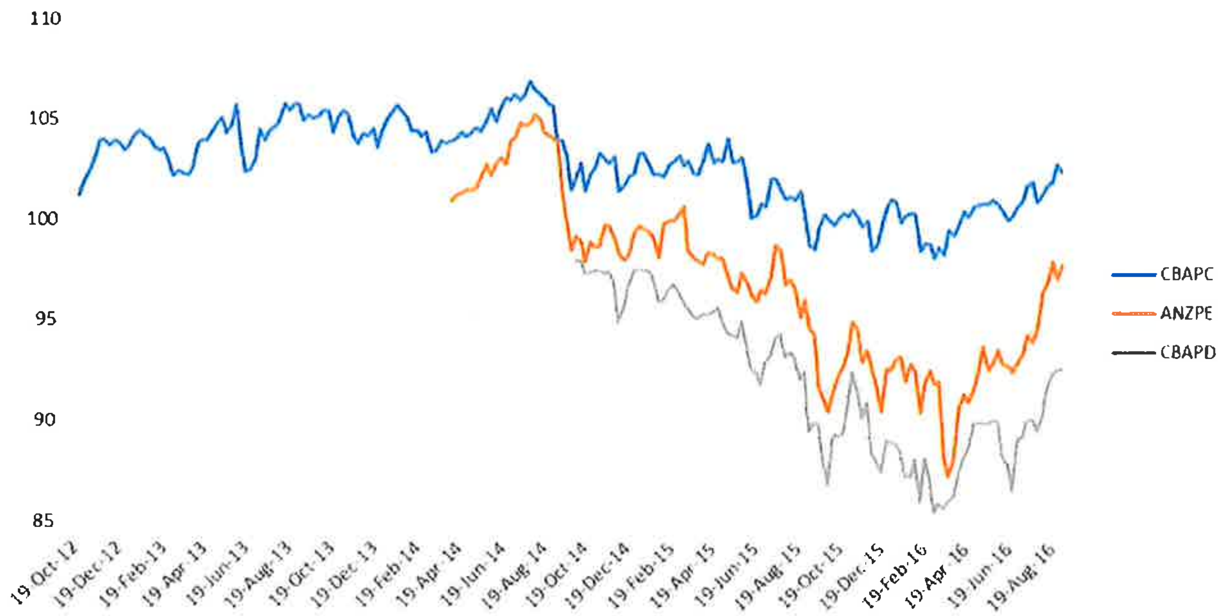


As the chart highlights the CBAHA dropped below $100 in "value" from 2011 to 2014 due mainly to a widening of credit spreads and a large number of hybrid issuance at higher margins (circa > 3%), so the CBAHA were continually sold off. The price reduction had actually nothing to do with the "inherent" value of the bond from an income perspective – purely demand and supply.

From late 2013 figure 6 also shows how the price will go up and down with "accrued interest", where market conditions are not playing a part on the value of the security (normal conditions).

Figure 7 below tracks 3 IRS that have fallen below $100 face value at some point or other; CBAPC, ANZPE & CBAPD. As the chart highlights there was a drop in each and the "newer" the security the lower in price it fell. This was consistent across the market regardless of issuer. We do not perceive that CBA or ANZ are at risk of principal repayment issues, but the chart highlights the market price risk involved. Held to call date or maturity however the superior returns over and above bank bill and term deposits continue to be paid. It may seem counterintuitive to hold during times of profit and hold during times of loss, but the gains and losses are only realised when a sale occurs, if we sell an IRS which is at a profit, the remaining IRS to purchase are at lower yields, and vice versa, selling at a loss we may be able to purchase at higher yields but by realising the loss the portfolio remains in a net yield position. Holding can be likened more to an opportunity cost of locking in which, over time, evens out.

Figure 7: ANZPE, CBAPC, CBAPD Price History



Please note all securities in 2017/18 have traded at or over the $100 maturity value.

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence In

Item: i

Title: Anglican Church of Australia General Synod – Risk Weighted Assests Allocation

No of Pages. 14 incl Header

Gmail by Google

Annette Dent <annette.dent@afgd.com.au>

Re: AFGD - confirmation on Risk Weighted Assets Allocation

1 message

Chris Nelson <chris.nelson@graftondiocese.org.au> 7 February 2018 at 17:27
To: David Ford <fordie@mac.com>
Cc: Annette Dent <office@afgd.com.au>, Blaine Fitzgerald <blaine.fitzgerald@afgd.com.au>

Hi Annette,

This is something that Blaine sent out for AFGD but it would also be of interest to AFSA.

Certainly okay to forward to Blaine and also include in next AFGD Board meeting papers.

On 7 February 2018 at 15:01, David Ford <fordie@mac.com> wrote:

> Thanks Annette,
> Ill check it out and get back to you.
>
> See you tomorrow
>
> As always, any questions please ask.
>
> Regards
> David Ford
> fordie@mac.com
> 0418654909
>
> On 6 Feb 2018, at 2:28 pm, Annette Dent <office@afgd.com.au> wrote:
>
> Hi All,
>
> Not sure if this one is just for you Blaine or if it something for the Board also.
>
> thanks
> Annette
>
> *Annette Dent*
> Office Admin / Customer Service
> Anglican Funds Grafton Diocese
> Level 1, 50 Victoria Street GRAFTON NSW 2460
> PO Box 4 GRAFTON NSW 2460
> FreeCall 1800 810 919 (NSW Only)
> Ph: 02 6642 4480 Fax: 02 6643 2391
>
> Anglicanfunds GRAFTON DIOCESE
>
> Visit www.anglicanfundsgraftondiocese.com.au for details on our Investment Products.

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---------- Forwarded message ----------
From: **Marianne Yacoel** <finance@anglican.org.au>
Date: 6 February 2018 at 12:16
Subject: RE: AFGD - confirmation on Risk Weighted Assets Allocation
To: Blaine Fitzgerald <fundmanager@afgd.com.au>

Hi Blaine,

I hear congratulations are in order for your new role in Adelaide! Hope all goes well with the move.

There has not been an update of the ADDF Minimum Standards document since the version approved at the May 2012 Standing Committee. This doc is available on the website at https://www.anglican.org.au/diocesan-financial-advisory-task-force - note it's marked Feb 2013 on the website but it looks to be the same document approved May 2012. I understand the document initially originated from the Registrar's Network in conjunction with DFAG so perhaps it might be appropriate to raise an update with the ADF group Sue Arnold is pulling together in March?

Kind regards,

Marianne

Marianne Yacoel

Finance and Operations Manager

T: +61 (0)2 8267 2703

M: +61 (0)412 204 501

E: finance@anglican.org.au

<image003.jpg>

Anglican Church of Australia

General Synod Office

Suite 4, Level 5

189 Kent Street

Sydney NSW 2000

www.anglican.org.au

From: Blaine Fitzgerald [mailto:fundmanager@afgd.com.au]
Sent: Monday, 29 January 2018 3:51 PM
To: Marianne Yacoel
Subject: AFGD - confirmation on Risk Weighted Assets Allocation

Hi Marianne,

During a recent Board review of AFGD's Investment Policy we entered into a discussion on Risk Weighted Assets (RWA)

In particular the RWA Allocation that should be applied to Hybrid Securities.

Equities and other investments if applying the 25 May 2012 DFAG guidelines is a RWA allocation of 400%.

The excel template that I was provided when commencing in the role has Hybrids RWA allocation at 300%.

When compared with the risk of lending to a school, albeit secured, the liklihood of ever being able to realise on the security is low and may result in a realised loss on sale due to the special purpose nature of the asset. However secured lending attracts a RWA allocation of 50%.

The Board is seeking clarification from DFATF if there has been any update of the original 25 May 2012 guidelines that it can share with us and all the RCDF's?

kind regards,

Blaine Fitzgerald

Fund Manager - Anglican Funds Grafton Diocese

Level 1, 50 Victoria Street GRAFTON NSW 2460

PO Box 4 GRAFTON NSW 2460

Ph: 02 6642 4480 Fax: 02 6643 2391 Mobile: 0488 724 480

FreeCall 1800 810 919 (NSW Only)

--

Regards,

Chris Nelson

General Manager/Registrar

Anglican Diocese of Grafton

ANGLICAN DEVELOPMENT FUND MINIMUM STANDARDS

These **minimum standards** have been developed on behalf of the Anglican Registrars' Network with the support of the Diocesan Financial Advisory Group ('DFAG'). The initial form of the standards were approved by majority resolution of those attending the Annual Australian Registrars' Conference in Bathurst on 21-24 November 2011 and endorsed by the General Synod Standing Committee on 12/05/12 as minimum standards for all Anglican Diocese Development Funds (ADDFs). Individual ADDF Boards may adopt these standards in whole or part in regard to assisting with the development of their own Governance policies.

The purpose of these minimum standards is to identify and control the financial risks associated with the acceptance of deposits and the investment of ADDFs.

It is acknowledged that it may take time for some ADDFs to meet these standards. In these cases this document should be seen as an aspiration document for ADDFs to work towards. It is also acknowledged that for some ADDFs there may be a justifiable reason why a particular standard should not apply in its circumstances. In these cases it is appropriate that the ADDF state its reasons why.

This document was modified by majority resolution of those attending the Annual Australian Registrars' Conference in Queenstown on 19-22 November 2012. Any further modifications to this document also need to be approved by the Australian Registrars' Network by majority resolution of those attending an Annual Australian Registrars' Conference.

1. PURPOSE

ADDFs are funds established for the purpose of raising deposits from parishioners and Diocesan organisations, in order to make loans which further the goals and objectives of the Diocese.

2. ACTIVITIES

- Parishioners and Diocesan organisations invest money with the ADDF, and receive interest on their deposits
- The ADDF lends to Diocesan ventures (eg. parishes, schools, retirement villages, but not individuals), mostly for property development and capital works.
- Any surplus deposits that are not on loan are held either as cash or invested.
- The ADDF must be clearly identifiable with its own financial accounts (balance sheet and Profit & Loss) whether it is or is not the same legal identity as the Diocese.

Note: The activities of a ADDF should not be confused with the normal Treasury Operations of the Diocese whom may choose to have internal loans between various Diocese activities/organisations that all operate under the same or related legal entities.

3. APRA BANKING EXEMPTION NO1 OF 2011

All ADDF accepting external deposits from individuals or any legal entity and making external loans to any legal entity meets the definition of banking business under the Banking Act 1959. However, the Australian Prudential Regulation Authority (APRA) has exempted ADDF's from the requirement to be authorised under the Banking Act where certain specified conditions are met. *(Refer appendix A for conditions)*

Adherence to this exemption is essential. Note: the current exemption will expire in June 2013.

4. Minimum Standards

ADDFs are encouraged to adopt standards which are no less stringent than those set out in this document.

If, due to the particular circumstances of an ADDF, there are justifiable reasons for an ADDF adopting a particular standard which is less stringent than a corresponding minimum standard in this document, the ADDF should state in writing the reason for not meeting the minimum standard. A reason for not meeting a minimum standard will not be regarded as justifiable unless the risk to which the standard relates is immaterial in the circumstances of the ADDF or is being prudently managed in some other way.

Adherence to the standards adopted by an ADDF should be monitored regularly by management and the Board of the ADDF. Compliance with such standards should be confirmed with the DFAG annually based on balance date information. If relevant, such confirmation should include a statement which identifies any standard which is less stringent that the corresponding minimum standard in this document and the reasons for not meeting the minimum standard.

4.1 Liquidity

The allocation of investment funds between short and long term investments should be managed to ensure the Fund has sufficient liquidity at all times to meet its expected cash payment obligations.

Minimum liquid assets (Bank, ADI deposits including term deposits, Commonwealth and State Government Securities) should not fall below 10% of total liabilities.

Available lines of credit can be included as liquid assets in this calculation.

4.2 Assets

- The ADDF Board should be advised of exposures in excess of 5% of total assets at each meeting.
- Maximum exposure to any one internal Anglican entity should not exceed >30% of total assets.
- Maximum exposure to any one external entity should not exceed >5% of total assets.
- Investments in equities/market linked securities (including property trusts) are not recommended.
- Lending to individuals and loans covered under the Consumer Credit Act should be discouraged due to the reputational risk. Note that loans to employees may be possible within the Consumer Credit Act, however separate legal advice should be sought.
- Fixed interest rates on loans in excess of 12 months should be discouraged unless loans are adequately hedged.
- Actively pursuing a diversified loan portfolio is encouraged. Diversification may occur through different types of lending, to different entities and in different geographical locations.

4.2.1 Cash

Preference should be given to investment in Australian APRA regulated institutions with a Long Term Credit Rating of A or better.

- Bank/ADI's Deposits accounts
- Bank Accepted Bank Bills
- Bank /ADI's Term Deposits

4.2.2 Loans

Suggested minimum standards for lending are as follows:

(A) **Secured Loans To Anglican Related Entities**
(These could be either an unsecured loan within the one diocese legal structure or with an asset charge over a separately incorporated Anglican entity)

- Minimum security for Diocesan entities is to be a letter of Charge and Undertaking, which is to be held with the Title Deed by the ADDF. Mortgage security is preferred.
- Loans to other Incorporated Anglican Agencies will be considered on their merit with suitable mortgage security or fixed & floating charges offered.
- In all cases serviceability needs to be able to be demonstrated and preferably with minimum interest coverage of 1.5 x – ie, net income before discretionary payments divided by the amount of interest > 1.5.
- Terms up 20 years, but to be repayable on demand.
- Repayments P&I preferred, however IO or capitalisation of interest if considered appropriate.
- It should be noted that lending to schools and the aged care industry are both specialised by their nature and could be high risk. These risks can be mitigated by careful structuring of the loan facility. Many smaller ADDFs may not have the expertise to structure these facilities but this could be addressed by working with one of the major Banks on club banking facility and sharing loan security on a Pari Passu basis.

(B) **Unsecured Loans to Anglican Related Entities**
(Loans to a different legal entity where no asset charge is taken)

- Small loans for the purchase of depreciating capital assets, such as motor vehicles, computers etc
- Where loan is for property related purposes it is generally expected that the property will be taken as security (refer above)
- Term up to 5 years

(C) **Secured External Loans If permitted by the ADDF Board**
(These loans to non related entities are seen to be outside the intent of the APRA banking exemption and consideration should be given to phasing out on maturity)

- Secured by property up to 70% of market valuation, as determined by a licensed valuer (preferably a valuer who is on the panel of a major bank) and contained in valuation report undertaken for mortgage purposes, and be no older than 3 months.

- Care needs to be taken when loan is secured by a regional city property, taking into consideration market liquidity and other regional factors which may affect property values.
- Guarantee from Directors and or Unit Trust holders (if applicable).
- Repayments can be-Interest only (IO) or a Principal & Interest basis (P&I)
- Maximum term is 3 years for both IO and P&I loans. In the case of P&I, must structure repayments over the term. On expiry of loan, consideration to rolling over for a further term
- Borrowers are to demonstrate serviceability and, if not directly from the security property, from an entity that is linked to the loan either as a borrower or Guarantor. Preferably with minimum interest coverage of 2.0x – i.e., net income (EBITD) divided by the amount of interest > 2.
- Loans would generally not be available when security offered is vacant land, property zoned for rural use, specialised security, or when the purpose of the loan is for speculative development.
- Loans will not be made available to entities or over assets that would place the Church's reputation at risk.

4.2.3 Other Investments/Direct Property

ADDF's are not a suitable vehicle for holding long term assets such managed funds, direct equities and direct property as they are susceptible to market volatility and often have poor liquidity.

All assets should be valued on a 'marked to market' basis.

4.3 Liabilities (Deposits)

It is preferable that source of funds are spread amongst a broad range of depositors to minimise liquidity risk.

The ADDF Board should be advised of exposures in excess of 5% of total liabilities at each board meeting. Mitigants to these positions will be that they would generally be the Diocese and or Anglican agencies that would not withdraw their deposits at one point in time, however there may be erosion over a period of time.

4.4 Capital/Equity

The principal purpose of capital is to protect depositors and the wider activities of the Diocese.

4.4.1 Framework

- The activities of the ADDFs inherently create a variety of risks. Capital cannot provide complete protection against all risks. Capital permits the ADDFs to absorb losses (up to a certain level) while protecting depositors from loss, and without triggering more serious consequences (e.g. bankruptcy of parish, forced sale of wider assets).

- To measure the adequacy of capital held by an ADDF, the APRA framework ("Standardised Approach") is to be used as a basis. While ADDF's are not APRA regulated, the APRA rules have been designed for similar activities and with depositor protection in mind
- The APRA rules involve applying a risk weight factor to each class of asset to arrive at a calculation of risk weighted assets ('RWA'); and capital must exceed a certain percentage of RWAs.

4.4.2 Guidelines

i) ADDFs will target a level of capital in the ADDFs to be in excess of 10% of risk weighted assets by the end of the exemption extension period (June 2013).

ii) Should the level of capital fall below 8% of risk weighted assets then the ADDF Board should be informed and an action plan implemented to increase levels of capital (trigger level).

iii) Capital will be measured as equity invested by the Diocese into the ADDF (which is subordinated to the claims of other depositors) and retained earnings of the ADDF.

iv) RWA Calculation methodology: **RWA = asset exposure x risk weight factor.** All assets on the ADDF's balance sheet must be risk weighted – even if not a direct lending asset

v) Risk weighted assets (RWAs) are to be calculated using the following risk weight factors:

(A)	Cash, Government Securities, A Rated Australian Banks	10%
(B)	Other Australian Banks, Overseas Banks and ADIs:	
	-Rating AAA to AA-	20%
	-Rating A+ to BBB-	50%
	-Rating BB+ to B-	100%
	-Rating CCC to D	200%
	-Unrated	400%
(C)	Internal loans – Unsecured	100%
(D)	Internal Loans:	
	– Secured Commercial	75%
	- Secured Residential	50%
(E)	External loans – Secured Residential Mortgage	75%
(F)	External loans– Secured Commercial	125%
(G)	Other Investments (excluding Equities) with claims on Australian and International Corporate counter parties;	
	-Rating AAA to AA-	20%
	-Rating A+ to BBB-	50%
	-Rating BB+ to B-	100%
	-Rating CCC to D	200%
	-Unrated	400%
(H)	Other Investments/assets and Equities	400%

Note to (D, E & F): To recognise the higher risk exposure caused by holding large individual loans, a concentration risk requirement will be calculated via additional RWA as follows:

(I)	To the extent an external loan exceeds 5% of total assets	400%
(J)	To the extent an internal loan exceeds 30% of total assets	200%

Note to (A,B &G) Where a bank or corporation is rated by more than one agency adopt the lower rating.

Refer to Appendix B for working example

4.5 Governance

- Oversight of the operation of the ADDF to be by a Board with a majority of members having appropriate experience, qualification and current/recent experience in Accounting, Banking, and Financial Services.
- The Diocese is responsible for constituting the ADDF and may appoint members to the Board in accordance with its constitution however the Board should otherwise operate independently from the Diocese and not be unduly influenced by the Diocese in decisions on asset allocation or loan decisions to Diocesan entities.

4.6 Risks

Each ADDF should put in place a suitable risk management policy to mitigate risk either through insurance or operational policies. Some risks that should be considered are:

a) Credit
b) Operational
c) Interest Rate
d) Reputational (e.g., realisation of bad loan from individuals)
e) Other risks (e.g., credit concentration, large exposure)

4.7 Accounting/Reporting

There must be separate audited financial accounts (P&L and Balance Sheet) for the ADDF produced annually and prepared in accordance with Australian Accounting Standards.

The annual accounts for the ADDF together with excess exposure reports, liquidity and capital ratios should be provided to the DFAG annually within 120 days of the financial year end.

APPENDIX A

APRA Banking Exemption No 1 of 2011

All ADDF accepting external deposits from any legal entity and making external loans to any legal entity meets the definition of banking business under the Banking Act 1959. However, the Australian Prudential Regulation Authority (APRA) has exempted ADDF's from the requirement to be authorised under the Banking Act where certain specified conditions are met. (Refer appendix A for conditions). This exemption is due to expire on 27 June 2013.

The conditions are as follows:

1 The Fund must be and continue to be:

   a) recognised at law as being formed for religious and charitable purposes stated in a trust deed, ordinance or other foundation document governing the Fund (Fund constitution); and
   b) limited to the purposes stated in the Fund constitution; and
   c) operated not-for-profit.

2 The Fund's financial products must have the sole or dominant intention of furthering the religious and charitable purposes of the Fund.

3 A copy of the Fund constitution setting out the Fund's religious and/or charitable purpose/s must be available for inspection on request by APRA.

4 The Fund or its controlling entity must not offer via the Fund:

   a) Cheque account facilities unless the account holder is:
      i. A body constituted by or under the authority of a decision of the central governing body of a related religious organisation; or
      ii. A body in relation to which the central governing body of a related religious organisation is empowered to make ordinances or other binding rules; or
      iii. A person acting as a trustee of a trust for or for the use, benefit or purposes of a related religious organisation; or
      iv. An employee of a body mentioned in subparagraphs (i) to (iii) above who received their stipend or remuneration via an account of the Fund; or

   b) Electronic Funds Transfer at Point of sale (EFTPOS) facilities; orc)
   c) Automatic Teller Machine (ATM) facilities.

5 The Fund or its controlling entity must in all cases ensure that advertising and marketing material of the Fund contains clear and prominent disclosures (the required disclosures) to the effect that:

   a) Neither the controlling entity nor the fund is prudentially supervised by APRA;
   b) Contributions to the Fund do not obtain the benefit of the depositor protection provisions of the Banking Act 1959; and
   c) The Fund is designed for investors who wish to promote the charitable purposes of the Fund.

6 The Fund or its controlling entity may advertise and market the Fund on-line or in print produced by or under the auspices of the controlling entity (or the religious institution that established the Fund). All advertising and marketing material of the Fund must contain the required disclosures outlined in condition 5.

The following Anglican entities are listed on the APRA exemption list:

- Adelaide Synod Trust Fund
- Anglican Community Fund (Inc) (previously known as Anglican Deposit Fund Perth (Inc))
- Anglican Development Fund Diocese of Bathurst
- Anglican Development Fund Diocese of Canberra & Goulburn
- Anglican Development Fund (Diocese of Melbourne)
- Anglican Development Fund (Diocese of Tasmania)
- Anglican Development Fund – Gippsland
- Anglican Financial services (ANFIN) (Diocese of Brisbane)
- Anglican Managed Investments Fund – Diocese of Bathurst
- Anglican Savings and Development Fund – Diocese of Newcastle
- Glebe Income Accounts (Anglican Church Diocese of Sydney)
- The Corporate Trustees of the Diocese of Grafton – Grafton Diocese Investment Fund
- Diocesan Development Fund – Diocese of Armidale
- Diocesan Development Fund – Anglican Diocese of Bendigo
- Murray Anglican Development Fund
- Riverina Anglican Development Fund
- Wangaratta Anglican Development Fund

Note under the original exemption No 1 which expired on 27 June 2011 it required the following additional conditions where applicable:

7 Unless the Fund representative has already provided APRA with a letter certifying that the Fund complies with conditions 1 to 6 of this order (or a subsequent exemption order), the Fund representative must within one month of the date of this determination provide APRA with a letter that either:

a) Certifies that the Fund complies with conditions 1 to 6; or
b) Gives details of the extent to which the Fund does not comply with conditions 1 to 6.

8 If condition 7(b) applies, the Fund representative must within twelve months of the date of this determination provide APRA with a letter certifying that the Fund complies with condition 1 to 6.

9 In conditions 7 and 8, "Fund representative" means the Chief Executive Officer of the Fund or its controlling entity (or another senior manager of the Fund or its controlling entity delegated for this purpose).

ADF Capital Adequacy & Liquidity:

Capital Adequacy (4.4.2): (Target > 10% of Risk Weighted Assets)

	Assets	Weighting	Asset Value	RWA
A	Cash (Govt. Securities, A Rated Aust. Banks)	10%	$ 30,000,000	$ 3,000,000
B	Cash (Other Aust. Banks, ADI's)			
	Rating AAA to AA-	20%	$ 5,000,000	$ 1,000,000
	Rating A+ to BBB-	50%	$ 2,000,000	$ 1,000,000
	Rating BB+ to B-	100%	$ 1,000,000	$ 1,000,000
	Rating CCC to D	200%	$ 1,000,000	$ 2,000,000
	Unrated	400%	$ 500,000	$ 2,000,000
C	Internal Loans - Unsecured	100%	$ 20,000	$ 20,000
D	Internal Loans			
	Secured Commercial	75%	$ 50,000,000	$ 37,500,000
	Secured Residential	50%	$ 10,000,000	$ 5,000,000
E	External Loans - Secured Residential Property	75%	$ 1,000,000	$ 750,000
F	External Loans - Secured Commercial property	125%	$ 15,000,000	$ 18,750,000
G	Other Investments (excluding Equities) with claims on Australian and International counter parties:			$ -
	Rating AAA to AA-	20%	$ 2,000,000	$ 400,000
	Rating A+ to BBB-	50%	$ 1,000,000	$ 500,000
	Rating BB+ to B-	100%	$ 1,000,000	$ 1,000,000
	Rating CCC to D	200%	$ 500,000	$ 1,000,000
	Unrated	400%	$ 500,000	$ 2,000,000
J	Other Investments/assets and Equities	400%	$ 500,000	$ 2,000,000
	Total Assets		**121,020,000**	**$ 78,920,000**

Risk Concentration:

			Total Assets:	Limit Amount:	Weighting	Asset Value	RWA
J	To the extent an External loans exceeds 5% of Total Assets						
	Limit	5%	$ 121,020,000	$ 6,051,000			
	Loans > 5% of TA			$ 7,000,000	400%	$ 949,000	$ 3,796,000
							$ -
	To the extent an Internal loans exceeds 30% of Total Assets						
I	Limit	30%	$ 121,020,000	$ 36,306,000			
	Loans > 30% of TA			$ 40,000,000	200%	$ 3,694,000	$ 7,388,000
					Total Risk Weighted Assets		**$ 82,716,000**
					8% of risk weighted assets		$ 6,617,280
					+ 2% Buffer		$ 1,654,320
					Required Capital 10%		**$ 8,271,600**

Equity:

Accumulated Funds	$ 7,000,000
Asset Reserves	$ 1,500,000
Total Equity	**$ 8,500,000**
"Surplus" Capital	**$ 228,400**
Actual Capital Adequacy ratio	**10.28%**

Comments should actual Capital Adequacy ratio be < 10%

Liquidity (4.1): (> 10% of Total Assets):

Total Assets:		$ 121,020,000	
Minimum Liquidity requirement	10%		**$ 12,102,000**
Actual position:			
Cash		$ 39,500,000	
Undrawn Bank OD Facility		$ 2,000,000	
Total Actual Liquidity			$ 41,500,000
"Surplus" Liquidity			**$ 29,398,000**
Actual Liquidity Ratio			**34.3%**

Comments should actual Liquidity ratio be < 10%

4.3 Depositors in excess of 5% of Liabilities

Total depositers in excess of 5% of Liabilities	$ 11,000,000	9.8%
Total liabilities	$ 112,520,000	

Comments on large depositers

NOTE: Please complete all cells highlighted in grey, putting "0" if not applicable.

Signed by Chairman of ADDF's Governance Body ____________________

Date ____________________

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence In

Item: ii.

Title: Anglican Church of Australia General Synod – Anglican Diocesan Development Fund and ASIC Charitable Investment Fundraiser

No of Pages. 2 incl Header

Anglican Church of Australia
General Synod

15 January 2018

Mr Chris Nelson
Registrar
Anglican Diocese of Grafton
PO Box 4
GRAFTON NSW 2480

By Email: registrar@graftondiocese.org.au

Dear Chris

Anglican Diocesan Development Fund and ASIC Charitable Investment Fundraiser

I write at the request of Mike Codling, the Chair of the Diocesan Financial Advisory Task Force (DFATF).

As you know, the Australian Securities and Investments Commission (ASIC) introduced new obligations for charitable investment fundraisers which apply from 1 January 2018. These obligations have had an impact on how the various Anglican diocesan development funds are structured going forward.

1. DFATF would appreciate knowing what steps have been taken and what structure has been adopted by your diocesan development fund to ensure compliance with the new ASIC obligations. Alternatively, please advise if (and why) the new ASIC obligations do not apply. DFATF are seeking this information to better understand the various structures adopted by dioceses to ensure compliance with ASIC obligations.

2. A charitable investment fundraiser is a charity that raises funds by the issue of debentures or interests in managed investment products. ASIC has identified the organisation below as a charitable investment fundraiser. Please confirm if the organisation is correctly identified, and if any other diocesan entity should be identified as a charitable investment fundraiser.

Charitable Investment Fundraiser (as per ASIC)	ABN / Organisation Number (as per ASIC)
Anglican Funds Grafton Diocese	617544742

Please provide me with your advice on the above two items by return email (finance@anglican.org.au). If possible, please respond by 16 February 2018.

Yours sincerely

Marianne Yacoel
Finance & Operations Manager

T: +61 (0)2 8267 2703
M: +61 (0)412 204 501
E: finance@anglican.org.au

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence In

Item: iii.

Title: Melbourne Securities Corporation - Anglican Investment Trust

No of Pages. 2 incl Header

MELBOURNE SECURITIES CORPORATION

2 February 2018

Mr Chris Nelson
Registrar
Anglican Diocese of Grafton
50 Victoria Street
Grafton NSW 2460

By Email: **registrar@graftondiocese.org.au**

Dear Mr Nelson

Re: Anglican Investment Trust ARSN 623 225 089

We confirm receipt of the letter from Mr Blaine Fitzgerald dated 31 January 2018 and note the Board's decision to not proceed further with the engagement with MSC.

It must be said the letter was equally disappointing and surprising, particularly given the work and effort under your direction over the last 6 months, but also in the manner this has been communicated.

Notwithstanding, we will proceed with your instructions to wind up and deregister the Anglican Investment Trust subject to payment of the attached outstanding invoice due and payable to us. Respectfully, we will not be seeking to recover other costs which arguably would be payable based on verbal and other commitments made by you and the fact that the scheme was registered in good faith and under your instruction.

Our company was excited at the prospect of working with the Diocese of Grafton, so please do let us know if we can assist with anything in the future.

Yours sincerely

Matthew Fletcher
Managing Director

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence Out

Item: i.

Title: AFGD Response to Anglican Church of Australia General Synod – Anglican Diocesan Development Fund and ASIC Charitable Investment Fundraiser

No of Pages. 2 incl Header

30th January 2018

Marianne Yacoel
Finance and Operations Manager
Anglican Church of Australia General Synod
GPO Box 9827
SYDNEY NSW 2001

Sent via email: finance@anglican.org.au

Dear Marianne

Anglican Diocesan Development Fund and ASIC Charitable Investment Fundraiser

I refer to your correspondence 15 January 2018 and provide the following as a response:

1. AFGD have taken the following steps to comply with the new ASIC obligations;
   - 11/5/17 AFGD's Identification Statement as a Wholesale Charitable Investment Fundraiser was approved by ASIC.
   - Throughout 2017 AFGD was working closely with a third party provider – Melbourne Securities Corporation to register with ASIC a Managed Investment Scheme known as The Anglican Investment Trust.. This scheme was to provide a solution for our Retail non-associated clients. As at 18/12/17 ASIC approved the Scheme –refer to Managed Investment Scheme Anglican Investment Trust ARSN 623 225 089
   - 22/12/17 AFGD via email wrote to ASIC seeking and extension to the transition period to allow the transition of our Retail non-associated clients into the scheme. ASIC is still considering its response. To date a response has not been received.
   - At a recent AFGD Board meeting of 24/1/18, AFGD recognised negotiations with MSC have been unsuccessful and decided not to proceed with the Managed Investment Scheme and will commence the process of returning funds to impacted Retail Non-associated clients, eventually winding up the scheme.
   - 31/01/18 ASIC have been advised of our revised position. To date a response has not been received.

2. I can confirm that Anglican Funds Grafton Diocese has been correctly identified by ASIC as the diocesan entity that has been recorded as a Charitable Investment Fundraiser. There is no other entity within the Diocese that is required to be added.

Yours sincerely

Blaine Fitzgerald
Fund Manager
Anglican Funds Grafton Diocese.

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence Out

Item: ii.

Title: ASIC – decision not to proceed with 'Anglican Investment Trust' and planned exit of Retail Non-Associates

No of Pages. 2 incl Header

Anglicanfunds
GRAFTON DIOCESE

31th January 2018

Stephanie Rickard
Australian Securities and Investments Commission
GPO Box 9827
SYDNEY NSW 2001

Sent via email: stephanie.rickard@asic.gov.au

Dear Stephanie

AFGD's update to *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813* complying with ASIC's Regulatory Guide 87 (issued September 2016) &

Managed Investment Scheme Anglican Investment Trust ARSN 623 225 089

Further to our email correspondence of 22/12/17 I am writing to advise that discussions with Melbourne Securities Corporation were unsuccessful and it is AFGD's intention to wind up the Anglican Investment Trust.

With regard for our existing Retail non-associated clients we will commence working through the process of returning these funds to the clients impacted by this decision.

We feel the most appropriate and less disruptive customer experience is to undertake this exercise at maturity of their existing investments, where possible.

The process will commence shortly and will be finalised by 30/9/18.

We trust this update is sufficient for ASIC requirements.

AFGD requests that ASIC direct all correspondence and questions to Chris Nelson who is the Registrar of the Anglican Diocese of Grafton at either registrar@graftondiocese.org.au by telephone 02 6642 4122, who will ensure all correspondence is bought to the attention of the AFGD Board.

Yours sincerely

David Ford
Chairperson
Anglican Funds Grafton Diocese.

Anglican Funds Grafton Diocese • 50 Victoria Street Grafton NSW 2460 • PO Box 4 Grafton NSW 2460
Phone 1800 810 919 • 02 6642 4480 • office@afgd.com.au • www.anglicanfundsgraftondiocese.com.au • ABN 42 489 753 905

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence Out

Item: iii.

Title: 'Managed Investment Scheme Anglican Investment Trust'

No of Pages. 5 incl Header

Anglicanfunds
GRAFTON DIOCESE

31th January 2018

Matt Fletcher
Managing Director Melbourne Securities Corporation Ltd
Level 2 Professional Chambers
120 Collins Street
Melbourne 3000

sent via email: mfletcher@melbournesecurities.com.au

Dear Matt

Managed Investment Scheme Anglican Investment Trust
ARSN 623 225 089

At a recent AFGD Board meeting 24/1/18 the Board made the decision that it would no longer retain its Retail non-associated clients by transferring them into a Managed Investment Scheme.

The strategy to do this initially was considered marginal and was heavily reliant on our ability to retain these clients and to cap our costs.

With the change in our management structure and escalating operating costs incurred and ongoing as a direct result of the increased regulatory environment we have been forced to review our operating model.

An outcome as a direct result of the review was the decision not to proceed any further with the MSC proposal/arrangement.

We would like to take this opportunity to thank you and the team at MSC for your guidance, patience and assistance with negotiating this solution, however feel now it is not the outcome we are looking to achieve.

It would be appreciated if all necessary steps are taken to wind up and de-register the Anglican Investment Trust.

AFGD requests that MSC direct all correspondence and questions to Chris Nelson the Registrar of the Anglican Diocese of Grafton at either registrar@graftondiocese.org.au by telephone 02 6642 4122, who will ensure all correspondence is bought to the attention of the AFGD Board.

Yours sincerely

Blaine Fitzgerald
Fund Manager
Anglican Funds Grafton Diocese.

Anglican Funds Grafton Diocese • 50 Victoria Street Grafton NSW 2460 • PO Box 4 Grafton NSW 2460
Phone 1800 810 919 • 02 6642 4480 • office@afgd.com.au • www.anglicanfundsgraftondiocese.com.au • ABN 42 489 753 905

Anglicanfunds
GRAFTON DIOCESE

31th January 2018

Mark Bland & Laurie Blair
Mills Oakley Solicitors
PO Box 453 Collins Street
Melbourne VIC 3000

sent via email: mbland@millsoakley.com.au lblair@millsoakley.com.au

Dear Mark & Laurie

Managed Investment Scheme Anglican Investment Trust
ARSN 623 225 089

At a recent AFGD Board meeting 24/1/18 the Board made the decision that it would no longer retain its Retail non-associated clients by transferring them into a Managed Investment Scheme.

The strategy to do this initially was considered marginal and was heavily reliant on our ability to retain these clients and to cap our costs.

With the change in our management structure and escalating operating costs incurred and ongoing as a direct result of the increased regulatory environment we have been forced to review our operating model.

An outcome as a direct result of the review was the decision not to proceed any further with the MSC proposal/arrangement.

We would like to take this opportunity to thank you both for your guidance, patience and assistance with negotiating this solution, however feel now it is not the outcome we are looking to achieve.

It would be appreciated if all necessary steps are taken to wind up and de-register the Anglican Investment Trust.

AFGD requests that Mills Oakley direct all correspondence and questions to Chris Nelson the Registrar of the Anglican Diocese of Grafton at either registrar@graftondiocese.org.au by telephone 02 6642 4122, who will ensure all correspondence is bought to the attention of the AFGD Board.

yours sincerely

Blaine Fitzgerald
Fund Manager
Anglican Funds Grafton Diocese.

Anglicanfunds
GRAFTON DIOCESE

31th January 2018

Pitcher Partners
Attention: Julian Cheng and Brenton Chan
GPO Box 5193
Melbourne 3001

Sent via email: julian.cheng@pitcher.com.au brenton.chan@pitcher.com.au

Dear Julian and Brenton

Managed Investment Scheme Anglican Investment Trust
ARSN 623 225 089

At a recent AFGD Board meeting 24/1/18 the Board made the decision that it would no longer retain its Retail non-associated clients by transferring them into a Managed Investment Scheme.

The strategy to do this initially was considered marginal and was heavily reliant on our ability to retain these clients and to cap our costs.

With the change in our management structure and escalating operating costs incurred and ongoing as a direct result of the increased regulatory environment we have been forced to review our operating model.

An outcome as a direct result of the review was the decision not to proceed any further with the MSC proposal/arrangement.

We would like to take this opportunity to thank you both for your guidance, patience and assistance with negotiating this solution, however feel now it is not the outcome we are looking to achieve.

It would be appreciated if all work cease as we look to de-register the Anglican Investment Trust.

AFGD requests that Pitcher Partners direct all correspondence and questions to Chris Nelson the Registrar of the Anglican Diocese of Grafton at either registrar@graftondiocese.org.au by telephone 02 6642 4122, who will ensure all correspondence is bought to the attention of the AFGD Board.

Yours sincerely

Blaine Fitzgerald
Fund Manager
Anglican Funds Grafton Diocese.

Anglicanfunds
GRAFTON DIOCESE

31[th] January 2018

Sandhurst Trustees Limited
Attention: Hayden Williams and Michael Colla
Level 5 Harbour Esplanade
Docklands 3008

Sent via email: hayden.williams@bendigoadelaide.com.au michael.colla@bendigoadelaide.com.au

Dear Hayden & Michael

Managed Investment Scheme Anglican Investment Trust
ARSN 623 225 089

At a recent AFGD Board meeting 24/1/18 the Board made the decision that it would no longer retain its Retail non-associated clients by transferring them into a Managed Investment Scheme.

The strategy to do this initially was considered marginal and was heavily reliant on our ability to retain these clients and to cap our costs.

With the change in our management structure and escalating operating costs incurred and ongoing as a direct result of the increased regulatory environment we have been forced to review our operating model.

An outcome as a direct result of the review was the decision not to proceed any further with the MSC proposal/arrangement.

We would like to take this opportunity to thank you both for your guidance, patience and assistance with negotiating this solution, however feel now it is not the outcome we are looking to achieve.

It would be appreciated if all work cease as we look to de-register the Anglican Investment Trust.

AFGD requests that Sandhurst Trustees direct all correspondence and questions to Chris Nelson the Registrar of the Anglican Diocese of Grafton at either registrar@graftondiocese.org.au by telephone 02 6642 4122, who will ensure all correspondence is bought to the attention of the AFGD Board.

Yours sincerely

Blaine Fitzgerald
Fund Manager
Anglican Funds Grafton Diocese

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence Out

Item: iv.

Title: 'Blaine Fitzgerald and AFGD'

No of Pages. 13 incl Header

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

Alison Perrott
Senior Adviser, Investments & Portfolio Strategy
Ord Minnett
aperrott@ords.com.au

E-MAILED
Date 01 | 02 | 18 | By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Alison,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with an equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA).

It is with sadness that Blaine is leaving as AFGD Fund Manager as he has achieved a lot in that position including establishing a good working relationship with Ord Minnett in improving the profitability of AFGD's liquid assets.

Fortunately, despite Blaine's departure from the AFGD Fund Manager position, the AFGD Board and Blaine have come to an agreement in which Blaine will assist with the period of transition providing consulting services to AFGD. Those consulting services include advising the AFGD Board on the placement of funds with Ord Minnett.

You may continue to liaise with Blaine Fitzgerald in relation to the AFGD funds held by Ord Minnett.

As yet, we have not determined an end date for this consulting service. We will give you formal notice of new arrangements when they come to fruition.

For matters involving AFGD banking transactions and administration, Ms Annette Dent will remain the primary contact.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

E-MAILED
Date 01|02|18 By

Westpac Banking Corporation
C/- Mr Troy Mountain
Level 2, 218 Harbour Drive,
COFFS HARBOUR NSW 2450

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Troy,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with an equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA).

It is with sadness that Blaine is leaving as AFGD Fund Manager as he has achieved a lot in that position including positive and constructive relationships with each of our schools and Westpac Banking Corporation. The establishment of parri passu arrangements is testimony to the work that Blaine has put in and the relationships that he has built up.

Fortunately, despite Blaine's departure from the AFGD Fund Manager position, the AFGD Board and Blaine have come to an agreement in which Blaine will continue to assist as a consultant managing the relationship for five Anglican schools Lindisfarne Anglican Grammar School, Emmanuel Anglican College, Clarence Valley Anglican School, Bishop Druitt College, and St Columba Anglican School.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

Please continue to liaise with Blaine Fitzgerald in relation to the schools of the Anglican Diocese of Grafton.

For matters involving AFGD banking transactions and administration, Ms Annette Dent will remain the primary contact.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

Westpac Banking Corporation
Les Murray
lmurray@westpac.com.au

E-MAILED
Date 01/02/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Les,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with an equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA).

It is with sadness that Blaine is leaving as AFGD Fund Manager as he has achieved a lot in that position including positive and constructive relationships with each of our schools and Westpac Banking Corporation. The establishment of parri passu arrangements is testimony to the work that Blaine has put in and the relationships that he has built up.

Fortunately, despite Blaine's departure from the AFGD Fund Manager position, the AFGD Board and Blaine have come to an agreement in which Blaine will continue to assist as a consultant managing the relationship for five Anglican schools Lindisfarne Anglican Grammar School, Emmanuel Anglican College, Clarence Valley Anglican School, Bishop Druitt College, and St Columba Anglican School.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

Please continue to liaise with Blaine Fitzgerald in relation to the schools of the Anglican Diocese of Grafton.

For matters involving AFGD banking transactions and administration, Ms Annette Dent will remain the primary contact.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

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Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

E-MAILED
Date 01/02/18 By

Westpac Banking Corporation
Mark Parry
markparry@westpac.com.au

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Mark,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with an equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA).

It is with sadness that Blaine is leaving as AFGD Fund Manager as he has achieved a lot in that position including positive and constructive relationships with each of our schools and Westpac Banking Corporation. The establishment of parri passu arrangements is testimony to the work that Blaine has put in and the relationships that he has built up.

Fortunately, despite Blaine's departure from the AFGD Fund Manager position, the AFGD Board and Blaine have come to an agreement in which Blaine will continue to assist as a consultant managing the relationship for five Anglican schools Lindisfarne Anglican Grammar School, Emmanuel Anglican College, Clarence Valley Anglican School, Bishop Druitt College, and St Columba Anglican School.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

Please continue to liaise with Blaine Fitzgerald in relation to the schools of the Anglican Diocese of Grafton.

For matters involving AFGD banking transactions and administration, Ms Annette Dent will remain the primary contact.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

Anglicanfunds GRAFTON DIOCESE

Thursday, 1 February 2018

Westpac Banking Corporation
Andrew Davis
adavis@westpac.com.au

E-MAILED
Date 31/01/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Andrew,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with an equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA).

It is with sadness that Blaine is leaving as AFGD Fund Manager as he has achieved a lot in that position including positive and constructive relationships with each of our schools and Westpac Banking Corporation. The establishment of parri passu arrangements is testimony to the work that Blaine has put in and the relationships that he has built up.

Fortunately, despite Blaine's departure from the AFGD Fund Manager position, the AFGD Board and Blaine have come to an agreement in which Blaine will continue to assist as a consultant managing the relationship for five Anglican schools Lindisfarne Anglican Grammar School, Emmanuel Anglican College, Clarence Valley Anglican School, Bishop Druitt College, and St Columba Anglican School.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

Please continue to liaise with Blaine Fitzgerald in relation to the schools of the Anglican Diocese of Grafton.

For matters involving AFGD banking transactions and administration, Ms Annette Dent will remain the primary contact.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Business Manager
Emmanuel Anglican College
62 Horizon Drive
BALLINA NSW 2478

E-MAILED
Date 31/02/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Kelley,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

Annette Dent will maintain the transactional processes and administration related to your business.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: Mr Robert Tobias, Principal
Mr William Adler, Chair

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Business Manager
St Columba Anglican School Council Incorporated
PO Box 5358
PORT MACQUARIE NSW 2444

E-MAILED
Date 01/02/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Garry,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

Annette Dent will maintain the transactional processes and administration related to your business.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: Mr Terry Muldoon, Principal
The Reverend Dr John Barrett, Chair

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Business Manager
Bishop Druitt College Council
PO Box 8004
COFFS HARBOUR NSW 2450

E-MAILED
Date 1\02\18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Shane,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

Annette Dent will maintain the transactional processes and administration related to your business.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: Mr Nick Johnstone, Principal
Mr David Ford, Chair

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Business Manager
Lindisfarne Anglican Grammar School
PO Box 996
BANORA POINT NSW 2486

E-MAILED
Date 01/02/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Graham,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

Annette Dent will maintain the transactional processes and administration related to your business.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: Mr Stuart Marquardt, Principal
Mr Christopher Goldstone, Chair

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Business Manager
Clarence Valley Anglican School
PO Box 500
GRAFTON NSW 2460

E-MAILED
Date 01/02/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Ian,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

Annette Dent will maintain the transactional processes and administration related to your business.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: Mr Martin Oates, Principal
Mr Phillip Bonser, Acting Chair

Anglican Funds Grafton Diocese • 50 Victoria Street Grafton NSW 2460 • PO Box 4 Grafton NSW 2460
Phone 1800 810 919 • 02 6642 4480 • office@afgd.com.au • www.anglicanfundsgraftondiocese.com.au • ABN 42 489 753 905

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Chief Executive Officer
Anglicare North Coast
PO Box 401
GRAFTON NSW 2460

E-MAILED
Date 21/02/18 By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Estelle,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

Annette Dent will maintain the transactional processes and administration related to your business.

For communication with Blaine Fitzgerald, please use blaine.fitzgerald@afgd.com.au as the email address. The email address fundmanager@afgd.com.au will be monitored by Annette Dent.

Blaine Fitzgerald will have a new mobile phone number 0450 924 448.

I trust that these arrangements will work satisfactorily. If however, issues arise please feel free to contact me directly (fordie@mac.com; 0418 654 909) or the Registrar, Mr Chris Nelson (registrar@graftondiocese.org.au; 02 6642 4122) to discuss your concerns.

Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: The Reverend Matthew Smedley, Chair

Anglicanfunds
GRAFTON DIOCESE

Thursday, 1 February 2018

The Manager
St Cuthbert's Retirement Living Complexes Inc.
20 Banks Avenue
Tweed Heads NSW 2485

E-MAILED
Date | By

Mr Blaine Fitzgerald and Anglican Funds Grafton Diocese

Dear Heather,

You would have heard that Mr Blaine Fitzgerald, Fund Manager of Anglican Funds Grafton Diocese finished in that position on 31 January.

Blaine is taking up a position with our equivalent organisation in Adelaide, Anglican Funds South Australia (AFSA). This is an event that fills us with sadness in losing Blaine who has led a successful building up of AFGD over the past 5 years. We are happy for Blaine in that AFSA provides new challenges and opportunities.

We are also happy in that Blaine's departure from the AFGD Fund Manager position is highly amicable and that Blaine and the AFGD Board have come to an agreement that Blaine will continue to assist as a consultant managing the relationship for our larger clients, the five Anglican schools, Anglicare North Coast and St Cuthbert's Retirement Living Complexes.

This consultancy agreement will be until 31 July 2018 with the possibility for extension and will allow the AFGD Board to evaluate the staff requirements for AFGD and recruit appropriately.

This means good continuity of the AFGD relationship for your organisation.

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Yours sincerely,

David Ford
Chair – Anglican Funds Grafton Diocese

cc: Mr David Miller, Chair

Anglican Funds Grafton Diocese • 50 Victoria Street Grafton NSW 2460 • PO Box 4 Grafton NSW 2460
Phone 1800 810 919 • 02 6642 4480 • office@afgd.com.au • www.anglicanfundsgraftondiocese.com.au • ABN 42 489 753 905

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence Out

Item: v.

Title: Letter to all Retail Clients

No of Pages. 4 incl Header

9 February 2018

Customer Number: 12345

Anglicanfunds
GRAFTON DIOCESE

Mr XXXXX
1 XXXX Street
GRAFTON NSW 2460

Dear Mr XXXX

IMPORTANT CHANGE TO ANGLICAN FUNDS GRAFTON DIOCESE (AFGD)

The Australian Securities and Investment Commission (ASIC) has made changes to the regulations that affect the Religious Development Investment Funds, such as Anglican Funds Grafton Diocese (AFGD) and these changes restrict the individuals who can be our customers.

Throughout 2017, AFGD attempted to come up with special arrangements so that we could keep providing services to all of our individual account holders. Unfortunately, those special arrangements could not be made to work in a way that would be suitable for AFGD customers.

We are now writing to all individuals and couples that have accounts with us to advise that there are some accounts that AFGD will not be able to hold under ASIC rules.

The good news is that we are able to hold accounts for people who are:

- Anglican clergy;
- Employees at the Registry, a Parish, one of our 5 Anglican schools, Anglicare North Coast or St Cuthbert's Retirement Living;
- A member of a Parish Council;
- A member of a Diocesan 'board' (e.g. Bishop-in-Council, Corporate Trustees, AFGD Board, Buildings and Property Committee, Council of one of our 5 schools, Board of Anglicare North Coast, Board of St Cuthbert's Retirement Living);
- A person who volunteers in a Parish for at least 8 hours per week on an ongoing basis;
- A person who volunteers in an Anglican school, Anglicare North Coast or St Cuthbert's Retirement Living for at least 8 hours per week on an ongoing basis.

We call people on this list 'associates'.

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Anglicanfunds GRAFTON DIOCESE

In addition to the above list of 'associates', we can also continue to hold accounts with people that ASIC deem to be 'sophisticated investors'. Simply, ASIC regards 'sophisticated investors' to be people with net assets of at least $2.5million or with a gross income for each of the last 2 financial years of at least $250,000.

AFGD can also continue to hold accounts for diocesan bodies, parishes, guilds and other Anglican organisations.

Unfortunately, if you don't qualify as an 'associate' or as a 'sophisticated' investor, we will have to return your funds, with interest, either on the maturity of your investment or by 30 September 2018, whichever is the earlier.

This is a step that AFGD has taken reluctantly because we value the support that you have provided to the work of the church through entrusting your funds with us. This is a step forced upon us by new regulations.

What happens now?

So that we can continue to serve as many loyal AFGD customers as we can, we need you to fill in the attached Associate Declaration form. If you are a 'sophisticated investor', we will also need you to ask a suitably qualified accountant to complete the Sophisticated Investor Certification.

Please fill out the form most appropriate to you and return it by email to office@afgd.com.au or by post to: AFGD, PO Box 4,Grafton NSW 2460

If you wish to discuss this further please do not hesitate to contact our office on 1800 810 919 (Freecall in NSW Only), (02) 6642 4480 or email us at office@afgd.com.au

Thank you again for your long term support of AFGD. We hope that we can continue our partnership with you into the future.

Yours faithfully,

David Ford
Chair – Anglican Funds Grafton Diocese

Anglicanfunds
GRAFTON DIOCESE

ASSOCIATE DECLARATION

Anglican Funds Grafton Diocese is required by the Australian Securities and Investment Commission to ensure that all of its account holders can be classed as an 'associate' or a 'sophisticated investor'.

Full Name: ______________________________ Customer Number: ______________

Address: ______________________________

____

I declare that I am (please tick one only)

☐ Anglican clergy

☐ An Anglican employee
(e.g. at Bishop's Registry, a Parish, Anglican schools, Anglicare North Coast or St Cuthbert's Retirement Living)

☐ A member of a Parish Council

☐ A Diocese of Grafton 'board' member
(e.g. Bishop-in-Council, Corporate Trustees, AFGD Board, Buildings and Property Committee, an Anglican School Council, Anglicare North Coast Board, St Cuthbert's Retirement Living Board)

☐ A volunteer in a Parish for at least 8 hours per week on an ongoing basis

☐ A volunteer in an Anglican organisation for at least 8 hours per week on an ongoing basis
(e.g. an Anglican school, Anglicare North Coast or St Cuthbert's Retirement Living)

If you ticked one of the above, please advise the parish or organisation appropriate to your answer:

____

OR

☐ I meet the requirements of a '**sophisticated investor**'
(A declaration signed by a qualified accountant that you have net assets of at least $2.5 million or gross income of at least $250,000 for each of the last 2 financial years will be required)

OR

☐ None of the above apply to me. I would appreciate contact by an AFGD officer to discuss return of my funds, with interest, on the earlier of maturity of my investment or 30 September 2018.

OR

☐ None of the above apply to me and I would like my money to continue to work for the Anglican Church. I would appreciate contact by the Diocesan Registrar to discuss a gift to the work of the church.

Account Holder Signature: ______________________________

Witness Name: ______________________________

Witness Signature: ______________________________ Date: ______________

Anglicanfunds
GRAFTON DIOCESE

BOARD MEETING DATE:

22/02/2018

No 9 Correspondence Out

Item: vi.

Title: Letter to 'Student Account' holders.

No of Pages. 2 incl Header

Anglicanfunds
GRAFTON DIOCESE

8 February 2018

Our Ref: 3xxxx

Miss Client
Sample Address
GRAFTON NSW 2460

Dear Miss Client

Re: Closure of AFGD Student Account Program

Thank you for your participation in the Anglican Funds Grafton Diocese 'Student Account Program' which has helped to support the Anglican Diocese of Grafton. Unfortunately due to circumstances out of our control AFGD is unable to continue to offer these accounts to our clients.

The Australian Securities and Investment Commission (ASIC) recently introduced new regulatory requirements affecting all Religious Charitable Development Funds which AFGD must comply with.

As a result we need to close your account with us. Please complete the information below with your bank account details where we can transfer the balance of your AFGD account to.

Account Number: ....

BSB: ....

Account Name: ....

Signed: ....

Date: ..../.........../.............

Contact Number: ....

Please return the completed form to us by email to office@afgd.com.au or by post using the reply envelope provided. If you have any questions or need any further information, please contact the AFGD office.

Thank you again for your support of Anglican Funds Grafton Diocese.

Kind Regards

Annette Dent
Anglican Funds Grafton Diocese