

## Memorandum

**Date:** 10 June 2021  
**To:** Parish Secretaries, Parish Treasurers, Incumbents, Anglican Entities, Diocesan Finance Team, Parish Services Team  
**From:** Glen Cousins, Executive Director - Finance  
**Subject:** 2021 Endowment Funds June Distribution  
**Document:** 2021/011

### Endowment Fund Distributions Year ending 31 December 2021

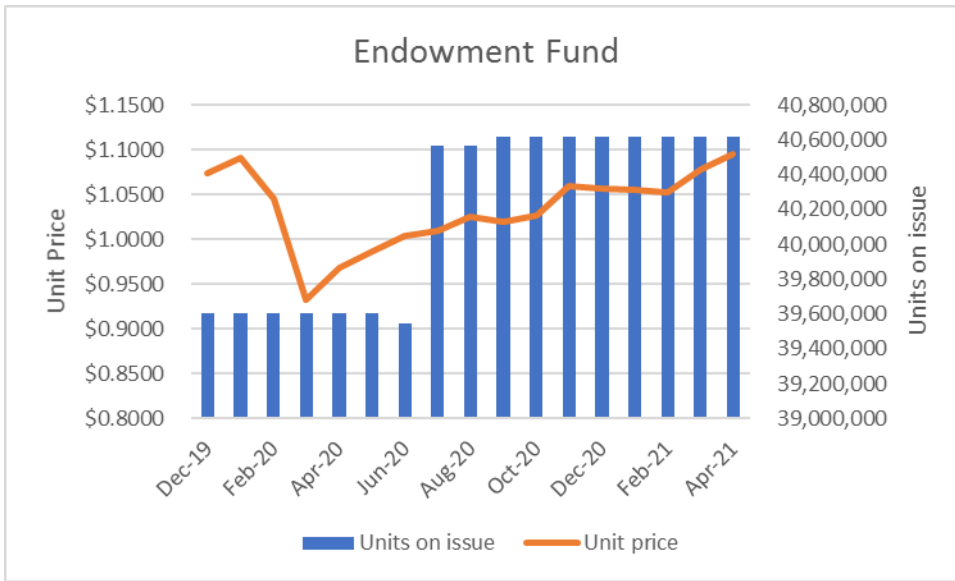
The Endowment Fund investment portfolio is continuing to be affected by challenging market conditions which are negatively impacting on the surplus available for distribution to unit holders. The situation has not improved since I last wrote to you in December, 2020. As a result the Trustees of Church Property for the Diocese of Newcastle (Trustees) have determined regrettably, that it is not financially prudent for the Endowment Fund to pay an interim distribution at July for the current year.

The Endowment Funds are invested in a portfolio comprising listed equities (shares), interest rate securities and commercial and residential property. While company dividends are beginning to return to pre-COVID levels, interest rates remain at historic lows. COVID has also had a negative impact in the demand for commercial office space which forms a large portion of the property portfolio (134 King St). A number of long-term tenants vacated the King Street property at the expiry of their leases during the first quarter of 2021. They determined that following on from COVID lockdowns, working from home was an ongoing option for their respective businesses and staff and as such they no longer required corporate accommodation in Newcastle. Finding tenants for this property will be challenging, however a number of options are currently under consideration, including the potential sale of the property.

As has previously been highlighted the Trustees are only able to pay Endowment Fund distributions from realised surpluses. This includes revenue from rental returns, interest and dividends less actual operating expenditure. Due to the factors outlined in the above paragraph all areas of revenue are below historical averages, however the operating expenditure is largely fixed. As a result, there is significantly less surplus available for distribution.

On a more positive note the portion of the investment portfolio held in equity investments (shares) has experienced some good capital appreciation over recent months. While those gains represent unrealised revenue which is not available for distribution, those gains, together with any realised surpluses which are not distributed, have contributed to a significant increase in the unit price of the Endowment Fund. The unit price of the Endowment Fund as at 30 December 2020 was \$1.0566. As at 30 April 2021 this had increase to \$1.0958.

The increase in the value of the Endowment Fund since December 2019, as reflected in the unit price is demonstrated in the graph below:



The Trustees remain committed to optimising the future capital growth of the Endowment Fund while endeavouring to provide consistent annual distributions to Endowment Fund holders, within acceptable investment risk parameters. However, achieving both of these objectives has not been possible over recent months given the impact of COVID and the prevailing market conditions.

The indications at this stage are that the current low interest rate environment will extend for some time and despite the relatively strong recent performance of the equities markets the broader economic conditions are also expected to remain volatile. This means that the rate of the final distribution, if any, for the 2021 year will not be determined by the Trustees until the third quarter of 2021.

Should you require any further information please do not hesitate to contact me. I am more than happy to assist with any enquiries.

Yours sincerely,



Glen Cousins  
Executive Director – Finance