

- *Investable assets increase in 2017 to £8.3bn from £7.9bn in 2016.*
- *Financial support by the Commissioners totalled (excluding pensions) £144 million with Commissioners continuing to account for approximately 15% of the Church's overall mission and ministry costs.*
- *Church Commissioners prepare for outlook of higher interest rates, higher volatility and lower returns than recent years.*

The Church Commissioners for England published today financial results for 2017 and the year's Annual Report.

The Church Commissioners' total return on its investments in 2017 was 7.1%, compared to its target of 9.1% (RPI +5%) and 2016's return of 17.1%. Over the past 30 years the fund has achieved an average return of 9.4% per annum.

Active management in 2017 was an important contributor to gains in public equities and real assets while bond markets were relatively weak. Sterling strength had an impact on performance, as did being globally diversified across multiple asset classes, resulting in the fund doing less well than equities markets which were the strongest source of returns in 2017. Liquid reserves continue to be held by the fund to reinvest selectively when valuations recalibrate.

The Church Commissioners distribute returns from the fund into the Church of England, accounting for approximately 15% of the Church's running costs. Funding is targeted towards mission opportunities and those areas which are most in need, as well as meeting ongoing responsibilities for bishops, cathedrals and clergy pensions.

In 2017 non-pension support for the Church by the Commissioners totalled £144 million, up from £108.5 million in 2016. Support for mission activities totalled £56 million, Diocese and Ministry Support £37million and Bishops and Cathedrals support totalled £44million. Overall expenditure was at £226.2 million – down from last year due to lower pensions obligations.

First Church Estates Commissioner Loretta Minghella commented: "Mindful of our mandate to support the Church of today and the Church of tomorrow, consistency over the long term continues to be a guiding principle of the fund. While this year's performance at 7.1% was short of our target of 9.1% (RPI + 5%), our historic performance over a 30-year period shows annual growth of 9.4% per annum (target 8.4%) and 12.4 % over five years (target 7.4%)

"The macro economic environment is changing and anticipating muted returns in the future we will continue to develop our focus on non-traditional asset classes. Our perpetual endowment and long-term horizon is well suited to maximising returns from less liquid markets including venture capital.

“We continue to be at the forefront of responsible investment practice. Taking account of environmental, social and governance (ESG) issues is an intrinsic part of being a good long-term investor, for both ethical and financial reasons, and forms an essential part of our investment analysis and decision-making process. The Church Commissioners have a unique opportunity and responsibility as leading faith investors to work with partners towards the common good”.

Andrew Brown, Secretary of the Church Commissioners, said: “The Church Commissioners continue to fund the Church’s ongoing running costs with a 15% contribution. Part of that included in 2017 the Church Commissioners’ Strategic Development Funding for 23 projects spread over 20 dioceses, totaling £44 million. We are pleased to continue to play our part in funding the long-term future of the Church as we remain forever mindful of our obligation to manage the fund in perpetuity”.

Investment highlights:

- **Equities:** In 2017 the Commissioners’ equity portfolio generated strong returns of 15.9%, outperforming the market, which returned 13.2%.
- **Fixed income:** The portfolio, which includes investments in global high- yield bonds, emerging market debt and private credit, returned 4.8% in 2017 as credit markets rallied due to continued economic growth and improvements in corporate earnings.
- **Private Equity:** The private equity portfolio, which invests in unlisted companies, achieved a total return of 7.2% in 2017 and we made further commitments totalling £109 million to the portfolio during the year. Over the long term, the private equity portfolio has significantly outperformed quoted equity markets and we are looking to increase our allocation.
- **Real Assets:** On the back of strong performance in previous years, financial returns from the real assets portfolio were much more muted in 2017, delivering 4.0%.
- **Property:** Commercial property markets continued to perform strongly with a return of 10.5% but other markets, including London residential property and English farmland, were flatter. The strengthening of sterling against the dollar acted as a headwind for overseas holdings.

Responsible Investment and Engagement highlights:

- The climate-change resolution we co-filed at ExxonMobil received 62% support from shareholders, despite strong opposition from the Board. The company has since agreed to and published the reporting we requested.
- The Transition Pathway Initiative (TPI) was launched at the London Stock Exchange, and has since grown to be used by asset owners and managers managing over £5 trillion of assets.
- The Commissioners’ engagement team undertook 112 engagements with companies over the course of the year, largely focused on priorities

around climate change, extractive industries, executive remuneration, board diversity and governance.

- The Commissioners voted in over 1,300 company meetings over the course of the year, and voted against 50% of remuneration packages at UK-listed companies.

Documents

- [Church Commissioners Annual Report 2017](#) (1.68 MB)
- [Church Commissioners Annual Review 2017](#) (493.17 KB)

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