

The Church Commissioners for England, the endowment fund of the Church of England, published today their financial results for 2018 and the year's Annual Report.

The Church Commissioners' total return on its investments in 2018 was 1.8% with the fund's total value now standing at £8.2 bn. Holdings in strategic land, private equity, timber, infrastructure and indirect real estate combined to help to keep the fund's performance in positive territory.

Over the past 30 years the fund has achieved an average return of 8.9% with the 10-year average at 10.7%. This is against the Church Commissioners' target return of RPI +5% which at 30 years, stands at 8.2% and 8% for the 10-year period.

The Church Commissioners distribute returns from the fund to the Church of England, accounting for approximately 15% of the Church's running costs.

In 2018 non-pension support for the Church by the Commissioners totalled £164.4m of which support for mission activities and ministry support totalled £105.2m and Bishops and Cathedrals support £54.3m.

First Church Estates Commissioner Loretta Minghella commented: "Our full year financial results reflect a difficult year in the markets. In 2018 cold winds blew through the equities markets and other asset classes however over a 30- and ten-year period, we continue to outperform not only the market, but also our own average target rate over 30 years of 8.2%.

"The macro economic environment continues to be uncertain and volatile and we anticipate muted returns in the future. Over the next 12 months we will continue to develop our focus on non-traditional asset classes such as venture capital which are well suited to our long-term horizon as a perpetual endowment."

Andrew Brown, Secretary of the Church Commissioners, said: "The Church Commissioners continue to help fund the Church's ongoing running costs with a 15% contribution. Apart from pension payments totalling £121.2m, in 2018 the Commissioners provided £24.8m Lowest Income Communities Funding to 26 dioceses with an additional £10.9m to support 20 of these dioceses to transition between funding approaches and supported the Renewal and Reform programme. I am proud that the Church Commissioners throughout 2018 provided the Church of England with the vital financial resources to help our 12,500 parishes support our wider mission across all communities"

Investment highlights

Equities. In a year when global markets fell and the FTSE all-share was down -9.5% – the worst year since 2008 – the Commissioners' global, UK and defensive equity mandates returned -3.7%, -8.9% and 0.0% respectively.

Overall the equity portfolio return was -4.2% versus the composite benchmark of -6.0%. Outperformance over the longer term in both UK and Global Equities remains strong, where our portfolios are ahead of the respective indices over 5, 10, 20 and 30 years.

Multi-Asset Strategies. The multi-asset portfolio, which represents around 13% of the fund, and designed to generate returns largely independent of the external environment returned 8.6% despite the challenging market backdrop. This return contrasted with most multi asset strategies which lost money during 2018 for their clients throughout the industry.

Real Assets. The Church Commissioners' real asset portfolios consist of a diverse range of property related investments. Overall, the real assets portfolios returned nearly 6% in 2018, despite an uncertain investment landscape.

Selective sales, especially from indirect property holdings (over £40m) and land for new housing in the UK (£28m) generated over £110m (net £27.2m) in capital receipts during the year. This took total receipts including rents during the last five years to over £1.1 bn.

Responsible Investment and Engagement highlights

In 2018, the Commissioners voted on 17,066 resolutions presented at 1,146 company meetings across 55 different markets. The Commissioners voted against (or withheld votes) on 15.6% of resolutions presented. The issue on which the Commissioners most commonly voted against management remained executive remuneration.

In 2018, the Commissioners' in-house engagement team engaged directly with 78 companies through 107 engagement interactions. The majority of engagements were part of the Commissioners' climate change, corporate governance and responsible alcohol programmes. The Commissioners also remained key participants in the PRI's (Principles for Responsible Investment) collaborative engagement programme in corporate tax as well as the 30% Club Investor Group's effort to support board gender diversity.

The Transition Pathway Initiative (TPI) a global initiative, co-founded by the Church of England National Investing Bodies (NIBs), including the Commissioners in 2017, to assess companies' preparedness for the transition to a low carbon economy continued to expand at an exponential rate. The TPI ended 2018 supported by investors with \$12 trillion of assets and was made one of the partners of Climate Action 100+ (CA100+). CA100+ is an investor initiative (which the Commissioners were founding supporters) and is now supported by 323 investors with more than \$32trn of assets.

The NIBs re-affirmed their commitment to engage urgently and robustly with companies rated poorly by TPI and indicated that by 2023 they would disinvest from fossil fuel companies that they have assessed, drawing on TPI data, as not prepared to align with the goal of the Paris Agreement to restrict the global average temperature rise to well below 2°C.

The full annual report can be viewed on the [Church of England website](#).

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