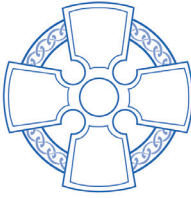
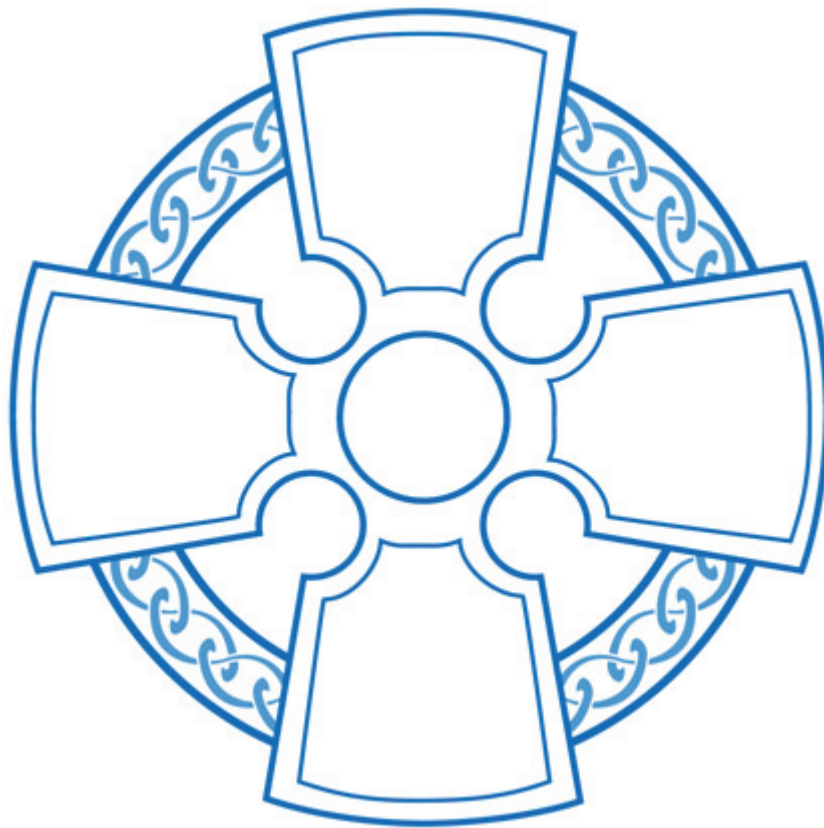


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THE CHURCH
IN WALES

THE CHURCH IN WALES COMMON INVESTMENT FUND



ANNUAL REPORT & ACCOUNTS
For the year ended 31st December 2009



**THE CHURCH IN WALES
COMMON INVESTMENT FUND**

ANNUAL REPORTS & ACCOUNTS
For the year ended 31st December 2009

THE CHURCH IN WALES COMMON INVESTMENT FUND

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THE CHURCH IN WALES COMMON INVESTMENT FUND

Report of the Trustee

Merger of the Funds

As reported in the Reports and Accounts for 2008, the income and capital characteristics of the Non-Expendable and Expendable Capital Common Investment Funds had converged over time to the extent that the underlying investments, returns and yield had become very similar. With the authorisation of the Charity Commission it was therefore agreed that the funds should be merged. The merger took place on 1 January 2009.

The merger will reduce administrative costs, and provide other benefits associated with the economies of scale of a larger single fund, whilst still retaining the characteristics and objectives of the former funds.

Shares in the funds were reallocated based on the market value of the shares as at 31 December 2008. Details of the reallocation of shares were sent to the beneficiaries of trusts invested in the funds and parishes with investments in the funds in May 2009 following the income distribution for the first quarter of 2009.

Structure & Management

The Church in Wales Common Investment Fund is a collective investment scheme that was established by the Representative Body, under a scheme approved by the Charity Commissioners on 11th December 2008, for the investment of monies belonging to or benefiting any charity for which the Representative Body is Trustee. Bequests, parochial monies and trusts can therefore be invested in the Fund.

The Representative Body is the Trustee of the Fund, and has appointed its Investment Committee to oversee the Funds. Credit Suisse Asset Management managed the Fund until June 2009 when, following their acquisition by Aberdeen Asset Management, management of the Fund was taken over by them on a temporary basis whilst a manager selection process was carried out. Following a thorough selection process, assisted by a company of investment consultants, Newton Investment Management (Newton) were appointed to manage the Fund from January 2010 on a Global Multi Asset basis, consisting of investments in a range of asset classes including UK and Overseas Equities, Global Bonds and Property.

The Fund is managed by the Fund Manager in accordance with an Investment Management Agreement, and administered by the staff of the Representative Body. The Investment Committee meets four times a year, receives quarterly reports on the Funds from the Fund Manager, and monitors the strategy and performance of the Fund.

Description of the Fund

Whilst the previous two Funds, the Expendable (Capital) Fund and Non-Expendable (Income) Fund have been merged, the underlying characteristics of the individual trusts invested in the merged Fund are unchanged i.e. if the terms of the trust state that capital can or cannot be expended then this continues to be the case in accordance with the terms appertaining to the trust. For the above reason, trusts will continue to be distinguished between expendable trusts and non-expendable trusts. In most instances for expendable trusts income is accrued and reinvested or paid out, and for non-expendable trusts income is distributed on a quarterly basis.

This merged Fund is suitable for investment where long-term capital growth and a reasonable level of income and income growth are desired.

THE CHURCH IN WALES COMMON INVESTMENT FUND

Investment Objective

The Fund aims to generate medium to long term capital appreciation, income growth, and a total return in excess of its selected benchmark without taking undue risk, and in accordance with the ethical investment policy of the Church in Wales. The Fund was predominantly invested in UK equities, with some investment in fixed interest and overseas equities. From January 2010, following a strategy review, focus was shifted to overseas equities in order to further diversify investment. It is also anticipated that the economic outlook favours overseas equities.

Performance Benchmark

The performance of the Fund is measured on a total returns basis i.e. the combined return from increases in capital value and the receipt of income. The performance benchmark for the Fund is the WM Average Charity Constrained by Income Fund Index, and Fund performance relative to this benchmark is reported to the quarterly meetings of the Investment Committee. The newly appointed Fund Manager (Newton) has also been given a composite benchmark consisting of weightings in various stock market indices relative to the asset allocation ranges in which they can invest.

Performance in 2009

The Common Investment Fund produced a total return for investors of 23.9% in 2009, a significant improvement on the substantial negative returns seen during the financial crisis in 2008. The Fund outperformed the average Charity Constrained by Income index return of 19.9% (as measured by WM) by 4% over the period benefiting from positive asset allocation and stock selection decisions. The value of a share in the Fund increased by 18.5% over the year.

THE CHURCH IN WALES COMMON INVESTMENT FUND

Statement of Trustee's Responsibilities

The Trustee (the Representative Body) is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Trustee is required to prepare the financial statements for each financial year which gives a true and fair view of the state of affairs of the Common Investment Fund and of the incoming resources and application of resources for that period. In preparing these financial statements, the Trustee is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Observe the methods and principles of the Charities SORP;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Common Investment Fund and enable the Trustee to ensure that the financial statements comply with the requirements of the Constitution of the Church in Wales. The Trustee is also responsible for safeguarding the assets of the Common Investment Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Fund Manager for 2009

- ⇒ **Invested predominantly in UK Equities**
- ⇒ **Aims at achieving income and capital growth**
- ⇒ **To provide medium to long-term outperformance of the WM benchmark**
- ⇒ **To reduce risk by diversifying investment in various asset classes**

2009 - Market Review

Faced with extreme economic conditions and an increasingly fragile financial system in late 2008 and the beginning of 2009, governments and monetary authorities announced a range of both traditional and unorthodox measures in a bid to avoid deflationary conditions and stimulate the flow of money. Official interest rates were cut across the key economic regions, with the US and UK moving to near zero interest rate policies similar to that seen in Japan during the 1990s. The less orthodox measures announced centred on the purchase of debt, primarily, although not confined to, government issues, in effect printing money through a programme of quantitative easing. Fiscal measures complimented the monetary actions aimed at sparking economic activity, and helped to stabilise economic activity, improve confidence in the banking system and allowed a recovery in financial markets to begin.

Equity markets opened the year on a sombre note, dipping to a March low. Since then however performance was strong as confidence in the economy grew. The FTSE All Share Index gained 24.9% during 2009. In sterling terms, global equities gained 16.5% over the year.

It has been a similar story for corporate bond investors. As the credit crisis developed in the latter stages of 2008 the spread of credit yields over gilt yields reached record levels. This illustrated the extreme aversion to risk which prevailed by pricing in significantly higher chances of default on corporate debt. Since the turn in general market sentiment in March, this spread has narrowed, allowing prices to recover. In terms of investment returns, the FTSE All Stocks gilt index fell 1.2% in 2009. In contrast, corporate bonds benefited from the change in risk appetite during the spring resulting in a far superior performance than that recorded from the gilt market. Investors in investment grade debt enjoyed a gain of 11%.

Investment Strategy

The key feature of investment strategy during the year was a modest overweighting of risk assets (equities and non government bonds) to take advantage of the recovery of financial asset prices. Within equity markets our overweighting to the UK market in particular boosted investment returns while in bond markets the decision to retain a significant exposure to financial sector credits was beneficial. Although the portfolio was positioned to capture the much better investment opportunities a good level of diversification was maintained within the portfolio to ensure that overall portfolio risk was not too high.

Outlook

The global economy entered 2010 in a more upbeat mood, and the growth outlook is significantly better than a year ago. Markets are however not yet at the stage where a return to historical trend rates is likely. Much of the growth has been highly dependent on the fiscal stimulus in place over the last four to six months, and so western economies in particular are not quite yet at the stage of self sustaining activity. For a true and strong recovery, natural demand needs to be sufficient to take up the running when the stimulus packages expire. The success of the transition will in part depend on the timing of changes in monetary policy.

Report of the Fund Manager for 2009

The progress of equities this year will be heavily influenced by the stance of monetary policy and expectations of any changes. Our base is one of no change, but the markets' expectation is the overriding factor. Equities are unlikely to see returns of the magnitude of 2009, but the outlook in 2010 is one of consolidation and for gains from this asset class to outstrip those of Government Bonds.

Given the dire fiscal status of many countries, mainstream government debt markets will have to contend with worries over supply and credit rating status. This is most relevant for the UK, US and some peripheral Euro-zone countries such as Greece. Corporate Bond markets are not under the same supply pressure and so the outlook for this sector is slightly brighter.

(Aberdeen Asset Management)

Independent Auditors' Report to the Trustee of the Church in Wales Common Investment Fund

We have audited the financial statements of the Church in Wales Common Investment Fund for the year ended 31 December 2009, which comprise the revenue account, the balance sheet and the related notes for the Fund. These financial statements have been prepared under accounting policies set out therein.

Respective responsibilities of Trustee and Auditors

The responsibilities of the Trustee for preparing the Trustee's Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the information given in the Trustee's Report, the Report of the Fund Manager and the Statistical Summaries is not consistent with the financial statements.

In addition we report to you if, in our opinion, adequate accounting records have not been kept, if the financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Trustee remuneration specified by law are not made.

We read the Trustee's Report, the Report of the Fund Manager and the Statistical Summaries and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Independent Auditors' Report to the Trustee of the Church in Wales Common Investment Fund

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the accounts, and whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Fund's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the information given in the Trustee's Report, the Report of the Fund Manager and the statistical summaries are consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
3 June 2010

THE CHURCH IN WALES COMMON INVESTMENT FUND

Accounting Policies

The financial statements of the Church in Wales Common Investment Fund have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the primary accounting policies, which have been applied consistently, is set out below.

a) Basis of Preparation

The Church in Wales Common Investment Fund was established on 11 December 2008 for the investment of moneys belonging to or benefiting any charity for which the Representative Body is trustee. On 1 January 2009 the Non-Expendable and Expendable Capital Investment Funds were merged into the Church in Wales Common Investment Fund. The transaction has been accounted for in accordance with the principles of merger accounting as set out in FRS 6, on the basis that the criteria for such treatment is met. Under the principles of merger accounting the assets transferred into the Common Investment Fund on 1 January 2009 have been brought in at book value. Unaudited comparative information has been provided for the year to 31 December 2008 to provide a basis for comparison for the period covered by these financial statements.

b) Investments

Investments are stated at mid market value at the close of business of the Stock Exchange on 31 December 2009.

c) Accruals

All income is credited gross on the date it is received.

All expenditure is fully accrued.

Ethical Investment Policy

The Fund is invested in accordance with the Ethical Investment Policy of the Church in Wales. A revised policy was introduced in April 2010, a copy of which is set out in the Annual Report and Accounts of the Representative Body of the Church in Wales.

THE CHURCH IN WALES COMMON INVESTMENT FUND

Revenue Account For the year ended 31 December 2009

	2009		Proforma Unaudited 2008	
	£	£	£	£
Income				
Dividends and Interest				
Quoted Investments	985,385		1,127,239	
Bank Deposit accounts	-		4,624	
Short Term Loans	19,495	1,004,880	67,791	1,199,654
Less: Bank Services		39,482		38,939
Net Income for the period		965,398		1,160,715
Application of Income				
Distribution to Shareholders				
Paid	720,458		888,757	
Proposed	244,940	965,398	271,958	1,160,715
Balance carried forward		-		-

Balance Sheet

		31.12.2009		Proforma Unaudited 31.12.2008	
	Notes	£	£	£	£
Assets					
Quoted Investments at market valuation	1	29,102,208		24,984,731	
Short term loans		3,197,000	32,299,208	1,279,000	26,263,731
Net Current Liabilities	2		(296,921)		(300,978)
Financed by					
Shareholders Funds	3		32,002,287		25,962,753

The financial statements on pages 8 and 9 were approved by the Representative Body on 3 June 2010
Lord Rowe-Beddoe, Chairman
For the Representative Body of the Church in Wales

Notes

1. Quoted Investments

	Cost	Market Value	Unrealised profits
	£	£	£
Balances at 31 December 2008	24,739,917	24,984,731	244,814
Purchases	15,936,601	15,936,601	-
Sales	40,676,518	40,921,332	244,814
Movement in Market Value	17,521,986	16,855,228	666,758
Balances at 31 December 2009	23,154,532	24,066,104	911,572
	-	5,036,104	5,036,104
	23,154,532	29,102,208	5,947,676

2. Net Current Liabilities

	31.12.2009		Proforma Unaudited 31.12.2008	
	£	£	£	£
Current Assets				
Cash at Bank		5,192		1,567
		5,192		1,567
Less: Current Liabilities				
Amount due to Shareholders	244,940		271,958	
Amount due to Creditors	25,502		16,504	
Unsettled Trades	31,671	302,113	14,083	302,545
		(296,921)		(300,978)

3. Capital

	2009		Proforma Unaudited 2008	
	£	£	£	£
Balances at 31 December 2008		25,962,753		34,171,739
Add: Net Contributions		1,101,835		609,282
		27,064,588		34,781,021
Less: Profit on Withdrawals		98,405		103,036
		26,966,183		34,677,985
Movement in the Value of the Fund		5,036,104		(8,715,232)
Balance at 31 December 2009		32,002,287		25,962,753

THE CHURCH IN WALES COMMON INVESTMENT FUND

Statistical Summaries

1) Income Fund

Valuation Date	Shares in Issue	Net Asset Value	Annual Dividend	Yield on share at Valuation Date
31 December		(pence per share)		
1999	1,856,258	723.67	31.35	4.33%
2000	1,945,557	705.14	27.12	3.85%
2001	1,990,605	648.32	26.56	4.10%
2002	2,043,693	559.83	25.72	4.59%
2003	2,170,026	604.31	24.74	4.09%
2004	2,139,415	643.26	25.90	4.03%
2005	2,121,171	725.53	26.27	3.62%
2006	2,165,044	789.36	27.87	3.53%
2007	2,262,472	836.69	25.52	3.05%
2008	2,292,696	626.23	28.63	4.57%

2) Capital Fund

Valuation Date	Shares in Issue	Net Asset Value	Annual Dividend	Yield on share at Valuation Date
31 December		(pence per share)		
1999	3,381,094	730.84	27.83	3.81%
2000	3,411,329	714.12	23.21	3.25%
2001	3,424,675	635.08	22.66	3.57%
2002	1,682,521	526.34	23.51	4.47%
2003	1,710,820	581.49	22.71	3.91%
2004	1,725,210	621.11	23.13	3.72%
2005	1,696,529	709.51	23.38	3.30%
2006	1,786,703	769.12	24.74	3.22%
2007	1,830,894	832.49	23.47	2.82%
2008	1,870,619	620.39	27.42	4.42%

3) Merged Fund

Valuation Date	Shares in Issue	Net Asset Value	Annual Dividend	Yield on share at Valuation Date
		(pence per share)		
1 January 2009	0	100.00		
31 December 2009	27,008,033	118.49	3.61	3.05%

Notes:

a) The Income and Capital Funds were merged on 1 January 2009, and the shares were revalued to £1.00. For each share in the Capital and Income Fund 6.203888 and 6.262340 new shares were issued in the Merged Common Investment Fund respectively.

b) Table 1 and 2 above show the historic information for the Income (Non-Expendable) Fund and the Capital (Expendable) Fund respectively. Table 3 shows information for the Merged Fund from 1 January 2009 onwards.

c) The total market value of trusts and parish moneys invested in the Merged Fund will not have been affected as the number of shares held will have increased in the proportions stated in note (a) above to reflect the revaluation to £1.00 shares.

Risk Warning

The value of the Church in Wales Common Investment Fund shares and the income can fall as well as rise and an investor may not get back the amount originally invested. Past performance is also no guarantee of future returns. The value of the shares in the Funds will reflect changes in the price of the asset classes in which the Funds are invested, and movements in foreign currency exchange rates.

The Fund is not a suitable investment for money that is likely to be needed in the near future.