
Guide to investing with the Central Finance Board of the Methodist Church

This guide describes the investment funds offered by the Central Finance Board of the Methodist Church (CFB), which bodies can invest in them and sets out the procedures to follow to invest or disinvest in them. This guide does not constitute financial advice and readers are reminded that the value of investments can fall as well as rise and that past performance is no guide to the potential future performance of a CFB Fund.

1. Who is the CFB?

The Central Finance Board of the Methodist Church (CFB) was established by the Methodist Church Funds Act 1960 (the Act). In 1972 it set up its own fund management department, which enabled the CFB to provide professional investment management for organisations within Methodism. It is a statutory body with no shareholders. The governing body of the CFB is its Board whose membership consists of ex-officio appointments from the leadership of the Methodist Church, representatives of each District in Methodism and others appointed by the Methodist Conference. The principal role of the Board is to approve the annual report and accounts, appoint the Council of the CFB and to appoint the auditors and set their remuneration. The Council has oversight of the day to day activities of the CFB, it consists of up to 12 members and currently meets 6 times a year.

The Act empowers the CFB to create and manage “investment funds” at its discretion and without limitation. The CFB is also authorised to create and manage a “deposit fund”.

2. Is the CFB regulated?

The CFB is not regulated by the Financial Conduct Authority and its investors do not have recourse to the Financial Ombudsman service or to the Financial Services Compensation Scheme. The CFB Funds are not regulated by the FCA or any other UK supervisory body. The Manager is therefore not subject to the level of external oversight of comparable regulated funds.

3. Who can invest with the CFB?

The Act states that the following may be engaged by the CFB:

- The Funds of the Methodist Church in Great Britain, the Channel Islands and the Isle of Man.
This explicitly includes any funds for the time being held upon the trusts of a model trust deed; and
- The funds of any charity controlled by the Methodist Conference and having objects connected with the work of the Methodist Church in Great Britain and the islands. The test for this is whether the charity is administered by a body the majority of whose members are appointed by the Methodist Conference.
- Legal opinion has been received that “charity” for these purposes includes the management of any pension schemes which are ancillary to the main purpose of the Church and its charities
- The overseas mission funds

4. What funds does the CFB offer?

The CFB currently offers ten Fund choices to eligible investors. All Funds of the CFB are invested in accordance with the ethical policies of the Methodist Church. The Joint Advisory Committee on the Ethics of Investment reports to Methodist Conference every year on whether or not the Funds of the CFB are aligned with these policies. Position and Policy papers on the teachings of the Church and their practical implications for investment can be found at: cfbmethodistchurch.org.uk/ethics

A summary of each fund is detailed here and further information with regards to fund performance and fees is available upon request.

	Asset class	Risk rating
CFB UK Equity Fund	Equity	5

Over rolling five year periods, to achieve mainly through a portfolio of UK equities, a total return equal to or in excess of the UK equity market.

	Asset class	Risk rating
CFB Global Equity Fund	Equity	5

Over rolling five year periods, to achieve mainly through a portfolio of international equities, a total return equal to or in excess of the global equity markets.

	Asset class	Risk rating
CFB Managed Equity Fund	Equity	5

Over rolling five year periods, to achieve through holdings in the CFB UK and Global Equity Funds, a total return equal to or in excess of the composite index measuring the constituent asset classes.

	Asset class	Risk rating
CFB Managed Fixed Interest Fund	Fixed Income	5

Over rolling five year periods, to achieve through holdings in the CFB Gilt, Corporate Bond and Short Fixed Interest Funds, a total return equal to or in excess of the UK Government fixed interest market.

	Asset class	Risk rating
CFB Managed Mixed Fund	Mixed-Asset	4

Over the long term, to provide a good level of income, with capital growing in line with inflation.

	Asset class	Risk Rating
CFB Short Fixed Interest Fund	Fixed Income	3

Over rolling five year periods, to achieve mainly through a portfolio of short-dated sterling denominated fixed interest securities with an income yield close to the redemption yield prevailing on short-dated UK Government securities, a total return equal to or in excess of the short-dated UK Government fixed interest market.

	Asset class	Risk Rating
CFB Gilt Fund	Fixed Income	4

Over rolling five year periods, to achieve mainly through a portfolio of UK Government securities with an income yield close to the redemption yield prevailing on UK Government securities, a total return equal to or in excess of the UK Government fixed interest market.

	Asset class	Risk Rating
CFB Corporate Bond Fund	Fixed Income	3

Over rolling five year periods, to achieve mainly through a portfolio of sterling denominated corporate and sub sovereign fixed interest securities, a total return equal to or in excess of the UK corporate bond market.

	Asset class	Risk Rating
CFB Property Fund	Property	3

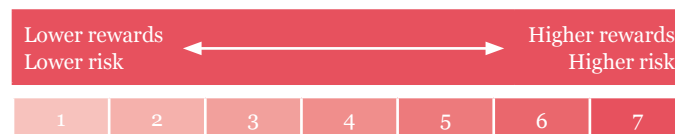
To provide capital growth linked to the value of commercial property and to provide a high and growing yield.

	Asset class	Risk Rating
CFB Deposit Fund	Cash	1

To obtain the higher rates of interest usually available in the London Money Market whilst maintaining the ability to make withdrawals at short notice and with minimal risk of capital loss.

Risk rating

Each fund is allocated a risk rating between 1 and 7, based on the volatility of the fund:



We have calculated each funds' risk and reward category, as shown above, using an industry-standard method. The risk and reward category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean "risk free".

This indicator does not take account of the following risks:

- The value and income from the fund's assets may go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.
- In some market situations, it may be more difficult to sell the fund's assets at a desirable price which may affect our ability to redeem investors' units.

5. The CFB Deposit Fund

The CFB Deposit Fund is designed specifically for Methodist churches and charities. Monies received are pooled together and are mainly cross invested into the Epworth Cash Plus Fund for Charities which then invests in term deposits, certificates of deposit and floating rate notes. More information can be found on the Epworth Investment Management Limited website: epworthinvestment.co.uk/charity-funds/epworth-cash-plus-fund-for-charities

All churches and charities in Great Britain responsible to the Methodist Conference are considered eligible investors. This would normally include other organisations under the control of the Church Council, e.g. Sunday School, Youth Club etc.

Deposits can be made via electronic transfer, via a local bank using a CFB paying-in book or by post. Withdrawals to the organisation's nominated bank account are processed on the day of receipt if received before 10.30am. Notice of up to 7 days may be required for larger sums.

Automatic transfers can be set up to:

- pay stipends
- transfer to Circuit, District and other Deposit Fund accounts
- fund local bank accounts in the name of the organisation
- receive tax refunds
- credit income distributions via TMCP.

Model trust monies maintained in cash cannot be held directly in the Deposit Fund, but should be forwarded to the Trustees for Methodist Church Purposes (TMCP). These funds will still benefit from the professional management of the CFB team, as such monies will be invested in the Trustees Interest Fund, which is itself managed on behalf of TMCP by the CFB.

6. How does the CFB approach the ethics of investment?

Our mission is to use the Christian gospel as the basis for the ethical investment of Methodist funds, for which we seek above average returns.

Through proactive engagement with the companies in which we invest, and their stakeholders, we press for ethical, responsible stewardship of the world's economic and physical resources and for commitments on social justice.

The Central Finance Board of the Methodist Church (CFB) seeks both superior returns and improved ethical standards. Our approach of avoiding investments in particular businesses and encouraging better practices in others enables the Methodist Church of Great Britain to hold investments which are consistent with Christian teaching.

Positive approach

We seek to improve the ethical profile of our portfolios by avoiding investments in particular businesses and encouraging better practices in others.

Company engagement

We view our investments as long term partnerships with company managements. We engage in constructive dialogue and practise active voting to challenge social, environmental and ethical considerations.

Integrated process

Ethical research integrated with financial analysis is key to our investment process. Fund managers are responsible for both financial and ethical analysis.

Clear policy

Comprehensive policy statements and position papers offer a reference for clients and a clear focus for fund managers.

Theological grounding

The Joint Advisory Committee on the Ethics of Investment provides a unique and robust mechanism for testing ethical investment decisions against theological principles.

JACEI

The Joint Advisory Committee on the Ethics of Investment (JACEI) provides CFB with advice on ethical issues and reports to the Methodist Conference on CFB compliance with the aims and objectives of the Church. The JACEI Report is produced for the Methodist Conference outlining its activities each year. An

abbreviated version is also produced. Together they provide a comprehensive survey of the issues that we have addressed.

7. How do I invest with the CFB?

There are two ways to invest in CFB funds; as a Unit Holder, where the Managing Trustees choose the fund(s) that meet the requirements of the church or as a Portfolio Client, where the trustees engage with the CFB's sister company, Epworth Investment Management Limited (Epworth) via a discretionary agreement, who will select a blend of CFB funds that best meets the trustees' requirements.

CFB funds are valued and dealt three times a month, on the 10th, 20th and last working day of the month. If any of these are a non-working day, the preceding working day is used.

There is no minimum investment amount in CFB Funds and there is no minimum holding amount.

Funds held by TMCP

Trustees for Methodist Church Purposes (TMCP) is the Custodian Trustee for virtually all property, which includes money, held on Model Trusts of the Methodist Church Act 1976. This property includes all land and buildings used for local church purposes, together with funds which support the mission of the Church in these places (see Appendix 1 for further details as to what money must be held through TMCP). Funds held by TMCP as Custodian Trustee on behalf of Managing Trustees are held in trust accounts in the name of the local church, circuit or district.

It is the responsibility of the Managing Trustees to seek guidance from TMCP as to whether any funds held are eligible for investment and whether any restrictions are in place. Please use the Contact Form on the TMCP website for any enquiries: <https://www.tmcpc.org.uk/contact>

When considering the investment of any Model Trust monies, the Managing Trustees are responsible for either selecting the appropriate investments (Unitholder) or appointing Epworth as a discretionary manager (Portfolio Client).

• Unit Holder

The Managing Trustees must advise TMCP in writing of any required sales or purchases. TMCP will verify the instructions and forward them to the CFB to action at the next dealing date. Instructions must be received by the CFB before 9.30am on the dealing day. Investors using the Trustees for Methodist Church Purposes (TMCP) should ensure that any dealing instructions are with TMCP in the prescribed form in good time for TMCP to submit the orders to the CFB before the above cut-off time.

The CFB/Epworth does not hold records of these individual churches, circuits or districts with funds held via TMCP as Custodian Trustee, nor of their specific investments. This information is provided by TMCP directly.

- **As a Portfolio Client**

Epworth Investment Management Limited will undertake a fact finding exercise including the collection of details relating to the trust's financial circumstances and the trustees' investment objectives and attitude to risk. This will allow a suitability assessment to be produced along with a formal recommendation in respect of the management of the trust assets. Upon acceptance of this recommendation, the trustees will sign an Investment Management Agreement. A letter of authority needs to be provided to TMCP, advising that the managing trustees have appointed Epworth as a discretionary manager (see Appendix 2 for sample letter).

Once the agreement is in place, the Head of Client Relations at Epworth will invest in accordance with the agreed mandate and will monitor the portfolio on an ongoing basis, exercising discretion in deciding when to make any sales or purchases. The Head of Client Relations will advise TMCP of these decisions in order for TMCP to verify the instructions and confirm them to the CFB to action at the next dealing date.

The CFB will provide formal quarterly reports detailing valuation and performance data, as well as ethical updates and voting records. The report also contains a market update and economic outlook. Interim statements can be provided as required.

Funds held in own name

- **Unit Holder**

A CFB Deposit Fund account will need to be opened by completing an application form: cfbmethodistchurch.org.uk/downloads/cfb_dep_fd_application_form.pdf

Once the appropriate checks have been made and the account is open and funded, written instructions are required to make any sales or purchases of unitised funds.

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8. CFB contact details

For general investment enquiries:

Sarah Bourgein
Head of Client Relations
020 7496 3646
sarah.bourgein@cfbmethodistchurch.org.uk

For Deposit Fund enquiries:

Jonathan Navanayagam
Fund Administrator
020 7496 3645
jonathan.navanayagam@cfbmethodistchurch.org.uk

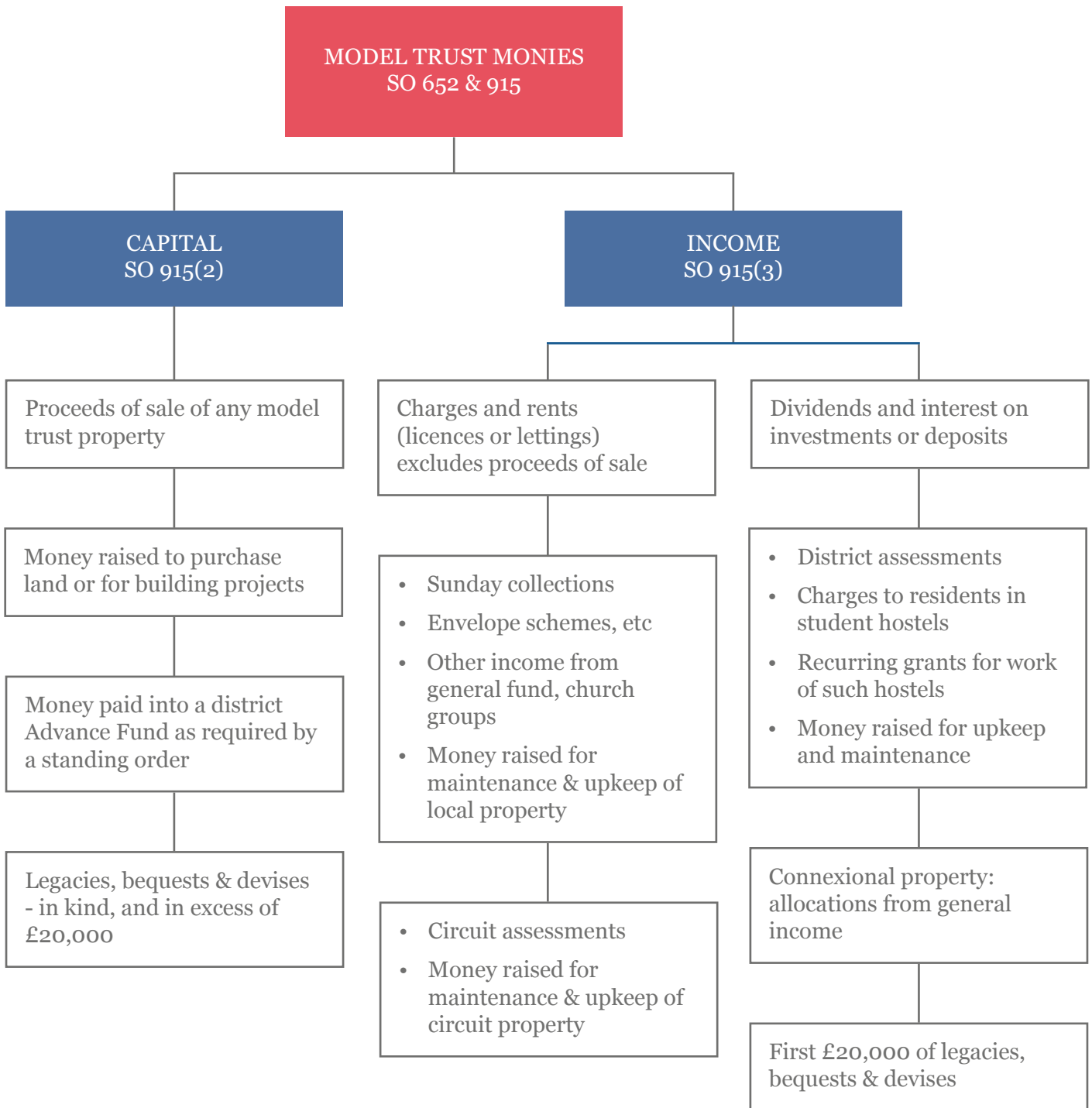
For ethical investment queries:

Rev Dr Andrew Harper
Head of Ethics
020 7496 3615
andrew.harper@cfbmethodistchurch.org.uk

More information on our web page at:

cfbmethodistchurch.org.uk

Appendix 1 – Model Trust Monies



{ Must be held by custodian trustees i.e. TMCP }

{ May be received and held by Managing Trustees in bank account to their credit }

Appendix 2 – Template Letter of Authority To TMCP

Trustees for Methodist Church Purposes
Central Buildings
Oldham Street
Manchester
M11JQ

[Date]

Dear Sirs

[Name of Trust]

Please accept this letter as authority for the Trustees for Methodist Church Purposes (TMCP) to accept instructions from Epworth Investment Management Ltd (a subsidiary of the Central Finance Board of the Methodist Church) on behalf of [Name of Trust].

We also authorise Epworth Investment Management Ltd to access any data that it needs.

This authority relates to the following Trusts:

[Trust Reference Number and Name]

Yours faithfully

[Trust Name]