

Church Property Trustees

Update No. 20-04: Fixed Income Fund Distribution Rate 18th May 2020

As you are aware, financial markets across the world are experiencing a high degree of volatility as a result of the responses to the COVID-19 pandemic.

The economic fallout is just beginning but we do know that interest rates are falling, along with concerns regarding the profitability of many businesses and their ability to pay dividends to investors. The Reserve Bank has lowered the Official Cash Rate to a low of 0.25% per annum.

The investments held by Church Property Trustees [CPT] in the Fixed Income Fund [FIF] have not been immune to the effects of the COVID-19 responses.

The Trustees have been considering their response to falling investment returns and how these impact on the distribution rate to parishes with funds held in the FIF.

The Trustees consider it prudent to lower the distribution rate.

In determining the new rate, CPT has the ability to 'top up' the distribution from the Reserve Fund. This is a fund that has been set up to accumulate income received by the FIF in times where income is greater than the amount distributed so that there is an ability to utilise it to lessen the impact at times when returns are lower. It is used as a tool to smooth distributions over time. The new rate requires support of the Reserve Fund and would be lower without this support.

CPT, with Standing Committee's agreement, will **decrease the FIF distribution rate from 3.9% to 3.25% per annum from 1st July 2020.**

While acknowledging the negative impact on the income of parishes, CPT is pleased that it has been able to set a competitive distribution compared with current Term Deposit rates.

If you have any questions or concerns, please do not hesitate to be in touch.

Regards
Gavin Holley
General Manager