

Member News

The climate is changing

Have you been to the movies recently? Hopefully, you have seen Al Gore's "An Inconvenient Truth" – if you haven't yet it's a "must see", so at least hire the DVD when it hits the shelves.

This movie is a most disturbing documentary about climate change, the biggest environmental challenge to face our earth in modern times - and the first man-made one! The movie's release is very timely, and coincides with a very sudden and dramatic shift in government and business thinking around the globe over the past few months.

Recognising the Need

The issues of climate change are very real and imminent and should concern us all, especially as Christians and caretakers of God's creation. Much needs to be monitored, corrected, invented, and implemented - we each need to do our bit, both individually and corporately.

At Christian Super we are at the forefront of some innovative investment initiatives that focus on making the world a better place environmentally (among other things). Here are two examples from our ethical investment strategy.

1. Macquarie Clean Technology Fund

Christian Super has recently committed \$5m over a number of years to this new product. The Clean Technology Fund seeks to invest in positive outcomes - not just avoiding negative consequences.

The Clean Technology Fund focuses its investments in companies that develop technologies or systems to improve the efficiency of energy production, distribution or use, and reducing or eliminating environmental impacts from energy production. It directs its investments to clean energy generation (eg wind, solar power), energy storage projects, efficient energy distribution, water purification, air quality enhancements and other clean technology concepts.



2. Portfolio Partners Long/Short Sustainability Trust

Christian Super provided initial funding for this product earlier in 2006, and remains the Trust's primary investor. The Trust aims to identify companies that are both profitable and sustainable. Some examples of companies in which the Trust invests are:

- CO2 Australia - the first 'certified' forestry carbon credit manufacturer in the world. CO2 is certified under the NSW Greenhouse Abatement Scheme, and generates carbon credits by growing oil mallee trees. These trees also have many other environmental benefits (improving crop yield, managing salinity) and assist in regional job creation.
- Solco - a company that develops, manufactures, markets and distributes solar water pumping and power generation systems across Australia, Asia and Europe.

- Australian Renewable Fuels - A manufacturer of biodiesel fuels (such as ethanol).
- Geodynamics Limited - a company involved in developing technology and systems for utilising geothermal power.
- Origin Energy - an energy company with strong governance systems for managing environmental and social risks. Developing solar power generation technology. ■

Inside

Things we invest in P.1
Climate Change

Alcohol and your super P.2
Individual Versus Community Issues

At the United Nations P.4
Committing To Good Practices

From the CEO

Incentives to save for your retirement are increasingly attractive.

Building on existing incentives (eg the co-contribution), the Government in May this year announced far reaching superannuation policy changes, including the removal of all taxes on benefit payments received after age 60.

There's something in Super for everyone, so let's take a closer look.

Low & Middle Income Earners

The Government's co-contribution has been around for a few years now, but I am still surprised that not more of our members are making use of this generous incentive. Any employee earning below \$58,000 pa can get an extra \$1.50 for every \$1 they put into their super (limits apply). That's an annual gift of up to \$1,500! Go to www.ato.gov.au/super for details.

Middle & High Income Earners

The removal of benefit taxes makes contributions via salary sacrifice very valuable for most people. Have a look where you sit in this table:

If your annual gross (taxable) Salary is in this range	Then \$1,000 of your gross Salary is worth this much after tax	
	If you take it in Cash	If you put it into Super
Below \$25,000	Salary Sacrifice is not suitable for you	
\$25,000 to \$75,000	\$700	\$850
\$75,000 to \$150,000	\$600	\$850
Over \$150,000	\$550	\$850

Ask your employer to deduct salary sacrifice contributions from your regular pay.

Transition to Retirement

Most employees over age 55 can combine a non-commutable pension with salary sacrifice to pay much less tax on their take-home pay. Best to talk to an adviser about this valuable strategy - call Money Solutions on 1800 068 317.

Other Scenarios

There are more situations for specific circumstances where superannuation can be attractive. These include self-employed contributions, spouse contributions, contribution splitting, and pension options.

Just contact our Helpdesk if you need more information about any of these incentives.

From everyone at Christian Super have a wonderful and blessed Christmas!

Paul Beckmann
ceo@christiansuper.com.au
Phone 1800 45 1566

Not all things are profitable 1 Cor 6:12

Why individual Christians should invest in ethical funds but not profit from them

Introduction

As part of Christian Super's ethical investment process we have decided to examine and justify some of the potentially more controversial aspects of particular investment categories. We want to explain our deliberations and reasons to our members in order to broaden the discernment process and to be transparent and accountable for the Fund's ethical investment strategy.

One of our policy guidelines is an absolute exclusion on investment in any company that derives 5% or more of its income from alcohol production, promotion and sales. This has provoked healthy, robust, respectful debate amongst the Investment Committee as we seek 'what seems good to the Holy Spirit and to us' (Acts 13 & 15).

A recent paper titled 'Alcohol: An Inappropriate Investment for the Church of England' (see Ethical Investment Library, Topical Position Papers at www.christiansuper.com.au) gives a helpful summary of the Investment Committee's discussion:

'The prime ethical objection to investing in the Brewery and spirit manufacturing industries ... is the social damage caused by alcohol abuse, such as motoring and home accidents, hooliganism, crime and violence, broken bones and ill-health ... However, there are some who disagree with a ban ... believing the concern should be linked to alcohol abuse, rather than the actual product. Alcohol is not necessarily unacceptable within the Church of England [or other churches] and it forms part of many church occasions. With this in mind, the label of hypocrisy has been ascribed by some to this exclusion'.

After all, if I'm at liberty to drink as an informed, mature, individual Christian able to evaluate the pluses and minuses of alcohol use and abuse seen in Scripture and society, surely I'm at liberty to invest in the alcohol industry which produces this neutral product with potential for good and evil?

With the above question in mind, I will assume the broad Christian consensus that moderate alcohol consumption is biblically permissible (see the CofE paper for arguments in support, and Norman L. Geisler 'A Christian Perspective on Wine-Drinking', *Bibliotheca Sacra*, Jan-Mar 1982, pp46-56 for arguments against). However, it is clear from scripture that drunkenness is condemned.

Let's look at the issue against the background of our threefold biblical ethical framework (see my 'Mind the Moral Gap - a Biblical Ethical Framework for Christian Investment', Member News, Feb 2006) of Commands (Principles, Rules), Character (Persons, Roles), and Consequences (Purposes, Results).

1. Commands

What do you do when there is no clear biblical command against something - eg alcohol? Behind biblical negative commands lie positive principles about right relationships with God, humanity and the earth. One of the key principles driving our investment decisions is 'stewardship of life and health'. Derived from this is a criterion not to invest in anything religiously idolatrous or humanly addictive. Isaiah 5:11-14 associates intoxication with injustice and idolatry.

Scripture sees wine as something positive through which Noah brings blessing and comfort from the cursing of the earth (as he was named, Gen 5:29) after the flood, by planting a vineyard. However, his drunkenness led to sexual sin and shame and family and racial division, as it often does today (Gen 9:20-29). Both the OT and NT recognise the positive and negative sides of alcohol like all created things. Psalm 104:15 tells us that 'wine gladdens the heart' - alcohol is a great social lubricant, but is also associated with abuse and violence - 'wine is a mocker and beer a brawler' (Prov 20:1). Yet wine is consecrated by Christ as a sign of God's glory at the wedding in Cana (Jn 2:1-11) and presumably at the marriage feast of the Lamb (Rev 21). Isaiah 25:6 sees wine in the new heavens and new earth.

2. Character

Under character (both individual and institutional) we place the relational principle of parity or equality of power. We try to avoid investments where the young, old or workers generally are exploited. A partial parallel to the alcohol situation is the controversy over eating idol meat left over from the

ans may drink om alcohol investment

temple sacrifices at Corinth (1Cor 8). The strong, knowledgeable and wealthy are used to eating meat and seeing it as neutral. The poor however, can only afford to eat meat as leftovers from sacrifices in a religious or idolatrous context. It still has power over their sensitive consciences. Compare the person from an alcoholic family.

Paul doesn't ban meat eating altogether, as he agrees with the strong that there is nothing wrong with it in itself - God created it. Individuals are free to eat, and drink. But we live in social, institutional and religious/idolatrous contexts and so Paul says 'All things are lawful for me, but not all things are profitable'. No one should be mastered by anything - meat or drink - except Christ. Romans 14:17 declares that God's kingdom of right relationships is greater than eating or drinking.

We need to be aware of the weak tempted to fall away from the faith by idols and addictions in the shadow of the institutionalised idolatry. But Paul does not ban eating meat or drinking. That would be to fall into the Galatian heresy of legalism where a weaker brother becomes Big Brother.

Nevertheless, we have a serious problem in Anglo-Saxon countries with the 'idolatry' of alcohol and addiction to it. And the weak are most susceptible - those with a genetic or environmental propensity to alcoholism, those third of all 14-24 year olds (especially girls) in Australia who regularly binge drink. 80-85% of alcohol consumption by this group is in a high-risk context for acute or short-term harm.

Christian Super's connection to Christian schools and church youth groups cautions us when we read these statistics. We should uphold the weak and vulnerable (as distinct from the mature and informed who can exercise self-control and moderation) against their targeting by many (not all) corporate paedophiles (see the recent Australia Institute book) in the alcohol and advertising industries coming up with new youth oriented products such as alcopops, passion pop, alcoholic milkshakes etc.

3. Consequences

Consequences can be measured in various ways: materially or financially, morally, relationally, emotionally. Materially, the CofE noted that disinvesting in alcohol roughly equalled two years when the alcohol industry did better than the general stock index and two when it did worse. In broader economic terms the UK Government estimates a 20 billion pound annual cost to the economy from alcohol in terms of sickness, loss of life and violence. Europe estimates the cost at 1-3% of GDP. But the economic gains in employment, taxes etc marginally outweigh the costs. There is always a risk of some financial loss in excluding investment in alcohol - it is a growth industry. But it's a risk we should take for the sake of the ultimate consequences in people's lives and relationships, with God and each other.

There is some evidence of positive health effects from low to moderate alcohol consumption of red wine for the heart, though questions have recently been raised about this. Other studies claim moderate imbibing helps reduce the likelihood of Alzheimer's and improves brain functioning! However, the general effects of immoderate alcohol consumption in society far outweigh these debatable positive effects. Chikritizhi et al's study of Australian Alcohol Indicators counted a net loss of 2685 lives pa at an average of 18.1 years of life lost per person. 1/3rd of road deaths are alcohol related. The mental health implications of the over-use of alcohol, a depressant, commonly known as self-medication, in a society where depression will soon be the number one illness, are also enormous.

Conclusion

Let me return to the question of individual liberty and institutional investment. The decision to invest in the alcohol industry is a different decision to that of an individual Christian exercising their liberty or permission to drink. In the light of the evidence above, if Christian Super invested in alcohol all claims to be an ethical fund by commonly accepted standards in the industry would be cancelled. The ban on alcohol investment is bottom line in ethical investment. We would be shown to be hypocrites and be up for false advertising.



While some have argued that we could adopt a best of sector approach - investing in the most socially responsible alcohol producers (low-alcohol with good education practices etc), it is very time intensive and costly to make such judgments. At this stage, to be good stewards of Christian Super's funds we make decisions on a broad industry basis.

In summary, the CofE report chooses not to invest in alcohol because:

1. Alcohol companies have a built-in interest in promoting, not just producing drink.
2. They contribute to and profit from a significant social problem with tragic consequences.
3. It may create offence to Christian abstainers who are exercising a legitimate Christian option.

The alcohol industry is incredibly powerful and in cahoots with the equally destructive gambling industry. Addictions and idolatries often come in pairs. The alcohol industry is a powerful political lobby intent on increasing hours and its reach into the most vulnerable in our community - the young, the poor, and increasingly women.

Increasing pressure by alcohol companies and advertisers on society and governments shows that it is therefore not hypocritical for the Church and Christian Super to regard abstinence or moderate drinking as matters for personal conviction and conscience while simultaneously refraining from institutionally profiting or making money from alcohol.

This is a witness to the powerful presence of **structural evil**. We cannot go out of the world, but we can and should refuse to profit from the evils that come from the abuse of God's good gift of alcohol. To profit from it and then proclaim its evil to society and government would be the grossest hypocrisy and destroy any prophetic witness we might have.

All things are lawful - I'll be going off to have a drink with a lecturer from the Baptists' Morling College as soon as I finish this. But not all things are 'profitable' relationally or literally and materially for us to invest in an idolatrous and addictive institutional context. There are many things to invest in that would profit the Kingdom more than the alcohol industry.

Rev'd Dr Gordon Preece
Director of Macquarie Christian Studies Institute (MCSI) and
Christian Ethics Adviser to Christian Super

MCSI (www.mcsi.edu.au) offers Christian courses for university credit, cross-credit and non-credit.

Fund Updates

Investment Returns to 31 October 2006*

Investment Option	1 Year	3 Years	5 Years
Ethical Shares	19.1%	15.4% pa	8.2% pa
Ethical Growth	15.3%	12.6% pa	7.7% pa
Ethical Balanced	12.8%	10.6% pa	n/a
Ethical Stable	9.1%	8.6% pa	6.3% pa
Ethical Cash	4.4%	4.5% pa	n/a

* All returns are shown after tax and fees. Refer to our website for monthly updates and Pension Options returns.

Assets pass the \$400 million mark

Continued membership growth, favourable investment markets and competitive ethical returns have pushed Christian Super across another milestone - \$400 million now being invested for nearly 16,000 members.

The Fund's growth has really been quite extraordinary, when you think that we were a quarter of that size only 5 years ago, and a mere \$30 million 10 years ago. Over the years this growth has allowed us to develop greater diversity with lower risks, while remaining very cost competitive.

Of course, years ago \$400 million would have been a very large fund but not today. However, size is not everything and in fact we have a strong position that enables us to explore and implement specific strategies (such as ethical screening) more effectively.

Choice has been good

Christian Super has been around for over 20 years, serving employees of Christian ministry organisations such as schools, churches, missionary organisations, conference centres and so on.

So when we opened up the Fund earlier this year to allow anyone to join we stepped into new territory. The Government's new Choice of Fund regime has meant that individuals changing employment are less likely to go with whatever Fund is chosen by their new employer. At the same time, individuals are taking a greater interest in their personal superannuation - they tend to examine and compare their current Fund more closely, and to make choices unrelated to their employment situation.

Over the past year Christian Super's experience has been very encouraging:

- Many current members are choosing to stay with us when they change employment.
- Many new members have been encouraged by our current members to consider Christian Super - that is the best endorsement we could have, and we thank you!
- There is a lot of interest, from the Christian community and beyond, in our unique and strong focus on ethical investments.
- Many members have made an effort to consolidate their numerous superannuation funds into a single account with us (we can do the paperwork for you).

Christian focused investment projects

Christian Super is currently working with a number of potential partners to investigate ways of funding Christian based projects that have direct community benefit, including:

- providing expansion funding to Christian schools
- establishing Christian schools in remote and disadvantaged communities in northern Australia
- expanding a specialist children's hospital operated by a denominational community organisation

These projects are all currently being evaluated for financial security and community benefit, balanced with the need to generate competitive returns. If you become aware of other projects that you think would be good for Christian Super to consider then let our CEO know - email to ceo@christiansuper.com.au or phone 1800 45 1566.

Christian Super signs up to UN Principles

In April this year the United Nations Secretary-General Kofi Annan launched the Principles for Responsible Investment. Just six months later the Principles cover 125 signatories that together represent over US\$6 Trillion.

Christian Super was extremely pleased to be among the inaugural group of signatories from around the globe. Our strong focus on ethical investments closely aligns with the objectives of the UN Principles.

The following extract from the Principles gives a good overview of our commitment:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios. We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Go to www.unpri.org if you would like to learn more about this important new UN initiative.



KEEPING IN TOUCH

- Call the **Helpdesk on 1300 360 907** (local call cost)
- Log on to www.christiansuper.com.au
- Write to **Christian Super**
Locked Bag 5073, Parramatta, NSW 2124
- Fax 1300 367 828**
- Email helpdesk@christiansuper.com.au**

DISCLAIMER

The information in this newsletter is of a general nature and is provided in good faith - the Fund does not guarantee its accuracy. Readers should seek advice specific to their situation.

Issued by Christian Super Pty Ltd
ACN 065 040 615
AFSL No. 244117



Christian Super has been certified by the EIA according to the strict disclosure practices required under the SRI Certification Program. See www.eia.org.au