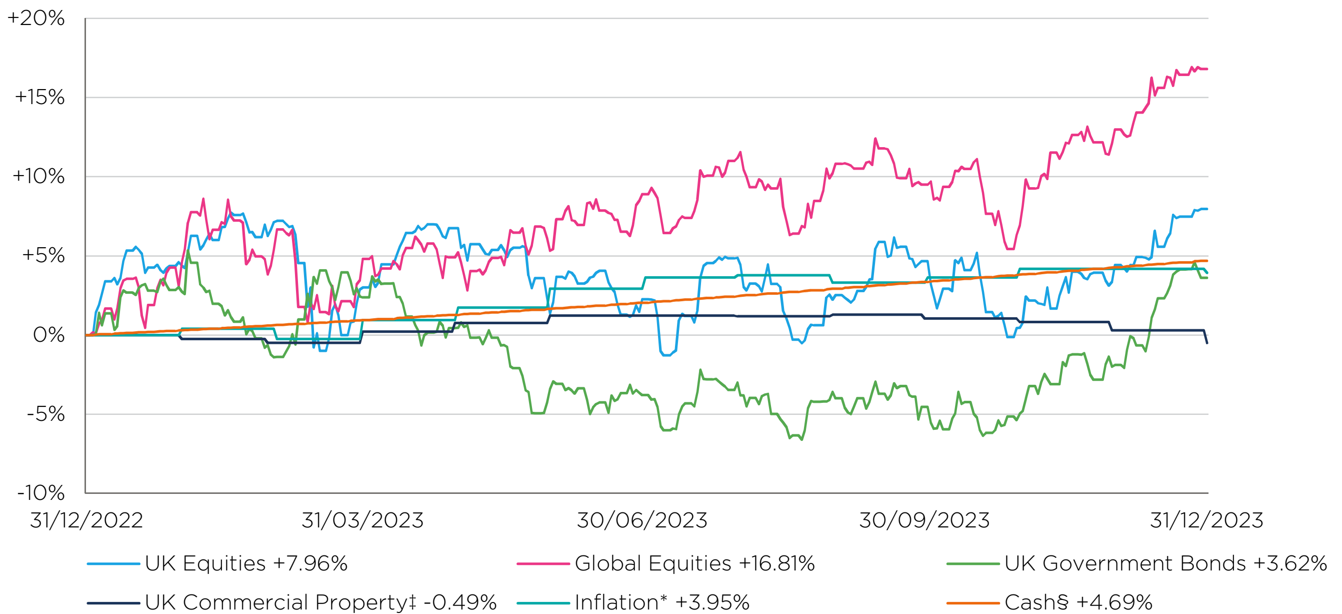
CCLA

QUARTERLY BULLETIN

31 December 2023

Market review and outlook



General Market Indices

	Current quarter (%)	Last twelve months (%)	Last three years annualised (%)	Last five years annualised (%)
UK Equities (MSCI UK Investable Markets Index)	+3.14	+7.96	+9.18	+6.34
Global Equities (MSCI World Index)	+6.67	+16.81	+9.80	+12.78
Global Equities ex UK (MSCI World ex UK Index)	+6.87	+17.21	+9.72	+13.11
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	+8.54	+3.62	-9.69	-3.00
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	+7.34	+8.58	-4.69	+0.39
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	-1.52	-0.49	+2.38	+1.63
Inflation (CPI) *	+0.30	+3.95	+6.54	+4.24
Cash (SONIA) §	+1.30	+4.69	+2.03	+1.34

Source: Bloomberg (Data shown is daily except for Inflation and UK Commercial Property where data shown is monthly)

§ SONIA (Sterling Overnight Index Average) is estimated for the most recent month. From 1/1/21: SONIA. Prior to 1/1/21: 7-Day London Interbank Sterling Bid Rate (7-Day LIBID).
* CPI (Consumer Price Index) is reported on a 1m lag.
‡ MSCI UK Monthly Property is estimated for the most recent month.

Following several difficult months earlier in the year, the final quarter of 2023 brought a marked improvement in sentiment. The change in fortunes stemmed from investors' growing confidence that, after nearly two years of monetary policy tightening in the shape of rising official interest rates, relief was in sight and rates had not only peaked but would begin to decline before too long.

The expectation of looser monetary conditions is generally good news for equity markets for two principal reasons. Lower interest rates would be expected to promote consumer spending and business investment, making it easier for companies to generate earnings. Meanwhile as cash and other 'low risk' assets offer diminishing yields, investing in company shares can be more attractive to investors.

The global equity market delivered total returns for the latest three-month period of 6.7% in sterling terms, bringing returns for the full calendar year up to 16.8%. The fortunes of different industry sectors continued to diverge, with information technology enjoying the strongest gains while the weakest part of the market, the energy sector, fell back slightly over the quarter. Over 2023 as a whole, the IT sector gained more than 50%. Information services and consumer discretionary stocks were also among the stronger performers. Consumer staples and utilities joined the energy sector in lagging the market – these sectors were all flat or slightly negative over the year.

As with equities, fixed interest markets generally benefit when interest rates are expected to be lower rather than higher, because bond prices move in the opposite direction to yields. The UK government bond ('gilt') market as a whole gave total returns of 8.5% over the latest quarter, overcoming earlier losses to leave returns for the year as a whole at 3.6%. The corresponding index for corporate bonds also had a strong period, returning 7.3% for the quarter and 8.6% over the calendar year.

In UK commercial property, rental flows have mainly held up well and so income, a key element of returns to property investors, has remained healthy. Capital values, which in 2022 experienced a sharp reversal of gains enjoyed in previous years, had not yet begun to recover by the end of 2023. As with most other assets, property prices generally move inversely to interest rates. The current higher yield environment is not the only challenge facing the asset class, but nevertheless a forthcoming decline in cash and bond yields would be expected to support some recovery in property valuations.

Outlook

In contrast to a year ago, when commentators were almost unanimous in forecasting recession for the major global economies, opinion is now more divided about the outlook. It remains to be seen whether economic contraction has indeed been avoided with a 'soft landing' now set to turn to stronger growth, or whether recession has merely been delayed as tighter monetary conditions take longer than in previous cycles to impact the budgets and behaviour of households and businesses.

The US economy in particular has proved remarkably resilient, with levels of activity which bode well for corporate earnings; though continued strength in the jobs market would reduce pressure on the Federal Reserve to cut interest rates, which in turn could disappoint investment markets.

The UK remains beset by the weak productivity growth, import-dependency and labour market constraints that make it all the more difficult to reinvigorate economic activity without stoking inflation. Europe, meanwhile, could find its progress out of the current slowdown hampered not just by the ongoing conflict in Ukraine but, thanks to the dominance of Germany's economy as a driver of progress in Europe overall, to weakness in export markets. Key among these is China, where a delayed post-pandemic recovery quickly fizzled out last year in the face of mounting policy pressures, not least the attempt to avoid crisis in a massively debt-laden property sector.

For investors, a substantial element of 'good news' in the shape of an expected downturn in interest rates has recently been priced into asset markets. There is thus the potential for this positive sentiment to be reversed, should policy makers succeed in persuading markets that the relatively cautious approach they have been articulating is indeed likely to be executed. In any event, the more elevated are market valuations, the more important will be rising company earnings for further gains. Accordingly the performance of industry sectors and individual stocks will vary as investors focus on the prospects for different businesses in what remains, by the standards to which most market participants are accustomed, an environment of elevated inflation and interest rates.

The market review, analysis, and any projections contained in this document represent CCLA's house view and should not be relied upon to form the basis of any investment decisions.

Investor action on modern slavery

Modern slavery is an umbrella term encompassing slavery, servitude, human trafficking and forced or compulsory labour. Victims are controlled by punishment, debt bondage, threats, violence, deception and coercion.

While some companies are more exposed to the risk of modern slavery than others, we believe that all businesses are linked in some way, either directly or indirectly. Modern slavery infiltrates the supply chains of many everyday products and commodities, including food, electronics and clothing and is also rife in construction and hospitality.

Modern slavery is an abhorrent abuse of human rights and there is huge potential for action by businesses to reduce modern slavery around the world. What is more, large, listed companies can be highly influential in setting standards, implementing policies, and taking action to find, fix and prevent modern slavery. We recognise the important role that investors can play to bring about positive change.

CCLA Modern Slavery UK Benchmark

CCLA has spent more than ten years bringing investors together to help improve the efficacy of corporate action to find and fight modern slavery in supply chains. Yet, despite our best efforts, modern slavery continues to grow: it is now estimated that 50 million people worldwide are in a state of modern slavery.

In 2023, we set out on a new project aimed at accelerating the pace of change. Having identified a gap in the modern slavery data available to investors, we started to build a benchmark that assesses and ranks companies based on their modern slavery disclosures.

Launched in November 2023, the aims of the CCLA Modern Slavery UK Benchmark are to:

- develop a framework on the degree to which companies are active in the fight against modern slavery;
- create an objective assessment of corporate modern slavery performance aligned with statutory requirements, government developed guidance, and international voluntary standards on business and human rights;
- support modern slavery engagement by investors;
- provide a vehicle for learning and knowledge sharing;
- introduce a sense of competition between businesses, thereby expediating improvement in corporate practice.

The benchmark assesses the largest UK-listed companies on the degree to which they:

1. conform with the requirements of Section 54 of the Modern Slavery Act 2015
2. disclose information outlined in the Home Office Guidance on Modern Slavery
3. report on efforts to find, fix and prevent modern slavery

Companies are assigned to one of five performance tiers that correspond with the Independent Anti-Slavery Commissioners (IASC) maturity framework. For the full report and detailed findings please visit Modern slavery | CCLA.

Because of the global and interconnected nature of modern supply chains, it is likely that slavery exists somewhere in every business. While every company in the benchmark has a modern slavery policy, only 25 of them report that they have found modern slavery in their supply chains. This suggests that many modern slavery policies are ineffective.

Engagement with benchmarked companies

During the assessment process, each company was provided with a scorecard and given four weeks in which to respond. We met with 26 companies to discuss our findings and to suggest ways in which each could improve.

Companies will be assessed for a second time in 2024 and we look forward to reporting on progress.

Ethical and responsible investment report

Our work has four strands:

1. Engagement focused on social and environmental issues in the context of Christian mission and witness.
2. Setting appropriate constraints on investment and exposure to activities considered unacceptable by the Church of England's Ethical Investment Advisory Group (EIAG) and the CBF Funds Trustee.
3. Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.
4. Responsibilities under the UK Stewardship Code and the UN Principles for Responsible Investment (PRI).

Quarterly highlights

In Q4, we participated in a collaborative meeting with PepsiCo to discuss its use of plastics. The company has set 2030 targets on reducing the tonnage of virgin plastics used in both absolute and per serving terms. Yet despite these targets, the company has increased its use of virgin plastic in recent years. We are pushing for improved performance against the company's targets. Following our meeting, we later learnt that PepsiCo is being sued by New York state over its role in plastics pollution. Engagement will continue in 2024. We also met Unilever in Q4 to discuss this topic. Progress is slow but the commitment to improve is clear.

In 2023, we joined an alliance of 20 financial institutions known as the Platform Living Wage Financials (PLWF). The alliance encourages companies to aim for living wages in their global supply chains. CCLA is a member of the PLWF's apparel and textile working group and has joined the engagement working groups for Burberry and Nike. We met Nike in Q4 and received an update on living wage in the company's supply chain. Discussions will continue in 2024.

News emerged in 2023 that electronic chips manufactured by NVIDIA had been found in Russian weaponry. In Q4, we joined a small group of investors for a meeting with NVIDIA to discuss its approach to human rights. NVIDIA told us that it has hired a new ESG Legal Counsel with experience of human rights work and is developing a new human rights roadmap for the company.

In Q4, we co-filed a shareholder proposal at Coca-Cola Co, requesting the board to adopt an enterprise-wide policy to move towards healthier products. In response, the company requested a meeting with co-filers, with a view to a negotiated withdrawal.

At the end of 2022, we co-filed a shareholder proposal calling for Amazon's Board of Directors to commission an independent assessment of Amazon's adherence to its stated commitment to workers' freedom of association and collective bargaining rights as outlined in its Global Human Rights Principles. The proposal went to vote in May and received 35% of the overall vote (42% of independent shareholders' vote). In December 2023, we co-filed for a second time. The investor group co-filing alongside us has grown threefold since last year, showing a growing willingness by investors to take a stand. We look forward to reporting on the outcome in 2024.

Quarter four voting in detail

CCLA aims to vote at all UK and overseas company meetings where we have holdings. The CBF Church of England Investment Fund did not support 10% of management resolutions at investee companies this quarter (7% for the UK Equity Fund, 22% for the Better World Global Equity Fund). Additionally, we supported six of the nine shareholder proposals tabled at the companies in which we invest.

We aim to support all pro-active shareholder proposals, particularly where a proposal complements one of our existing engagement priorities. During the quarter all the shareholder resolutions we voted on were at the Microsoft AGM and touched on areas including lobbying by third-party organisations, human rights, tax transparency and risks related to AI generated misinformation.

The power of benchmarking: modern slavery and mental health

In 2023, we launched the second iteration of our mental health benchmarks: the 'UK 100' in June and the 'Global 100+' on World Mental Health Day in October. The aim is to improve the way that companies manage and report on their approach to mental health in the workplace.

We acknowledge that benchmarking is a long game, and at just two years old, this benchmark is at a formative stage. Nonetheless, it appears to be doing its job in driving corporate performance on workplace mental health.

In 2023, we assessed and ranked 207 listed companies on their mental health disclosures. Of those, 119 companies engaged directly with CCLA and 42 improved sufficiently to move up by one or more performance tier compared to 2022. Those 42 'improver' companies employ between them more than seven million people worldwide.

Meanwhile, the CCLA-led Global Investor Coalition on Global Mental Health continues to grow. At the end of 2023, it numbered 52 investor signatories, with a combined $8.7 trillion in assets under management.

Building on the success of the mental health benchmark, we have launched a parallel benchmark on modern slavery that was published in November. Please refer to the Sustainable Market Topic commentary (or visit our website) for more information.

Ethical constraints

We confirm that the CBF Funds have been managed to their respective ethical exclusion policies this quarter. The EIAG's advice paper update project continues, with two papers now approved (but not yet published) and several others under review. The EIAG's advice papers support the respective policies of the three National Investing Bodies, which may be updated to reflect the revised advice. Work on AI advice is also ongoing.

The CBF Church of England Investment Fund

Performance comment

Over the quarter the Fund returned 7.72% compared with the comparator return of 6.28%. Over the last 12 months, the Fund returned 12.57% compared with the comparator return of 13.28%.

Most of the asset markets represented in the Fund, notably equities which make up the major part of the portfolio, rose over the quarter as investors became more confident that official interest rates would begin to decline in the coming months. Lower interest rates are generally supportive of investment market returns.

The slight underperformance over the full year stemmed principally from weakness in some of the alternative assets which are represented in the Fund but not in the comparator, such as renewable energy. However as the dominant asset class within the Fund, the equities portfolio is the key driver of relative returns. Over the latest quarter returns from the Fund's equity holdings were higher than those of the broad equity market as measured by the MSCI World Index and over the calendar year they were marginally lower.

The Fund's allocation to the technology stocks which dominated market returns in 2023 is lower than the sizeable weight of these companies in the market. Thus, although the portfolio's technology holdings contributed significantly to absolute returns, these gains were lower than those of the sector as a whole. In several other sectors, however, the Fund's returns were stronger than the market average. Examples include healthcare, industrials and financials. Over the latest quarter and over the year as a whole, the Fund also benefited from avoiding the traditional energy sector, which was the weakest of the industry sectors in the index.

Fund update

There were no substantial changes over the latest quarter in the balance of asset classes held. Within equities most portfolio activity during the quarter was incremental, taking advantage of gains in some of the best-performing stocks to realise profits and reinvest in others which we considered to be better placed to add value in the coming periods. Among the companies in which we reduced the Fund's holdings were Intuit, provider of QuickBooks accountancy software; chipmaker Nvidia; and Novo Nordisk, the healthcare company behind weight-loss drugs which have surged in popularity. We continue to regard these as strong businesses but felt that some of the Fund's capital would be better applied elsewhere. Proceeds from these 'trims' were used to add to several existing holdings including medical device and scientific research suppliers Thermofisher, Danaher and Edwards Life Sciences; AND call centre software supplier Nice.

Income

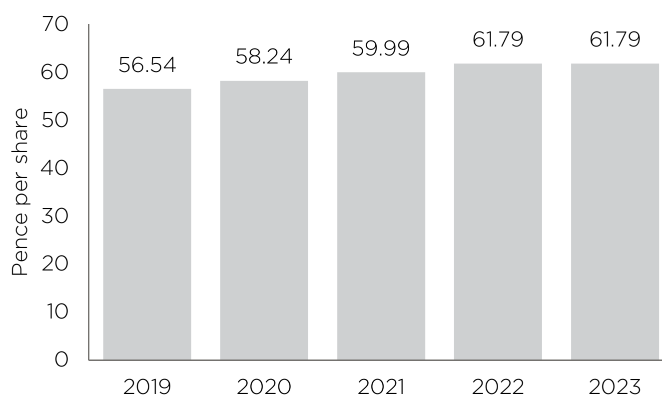
Gross dividend yield 2.73%*

MSCI $ UK IMI dividend yield 3.59%

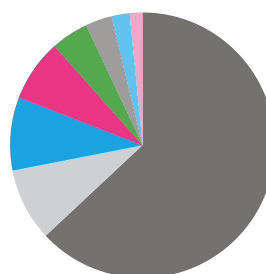
MSCI $ World ex UK dividend yield 1.86%

* Based upon the net asset value and an estimated annual dividend of 61.79p.

Past distributions



Asset allocation as at 31 December 2023



- Overseas Equities 63.01%
- Fixed Interest 8.94%
- Infrastructure & Operating Assets 8.93%
- UK Equities 7.54%
- Property 4.59%
- Private Equity & Other 3.23%
- Cash & Near Cash 2.20%
- Contractual & Other Income 1.56%
- Derivatives 0.01%

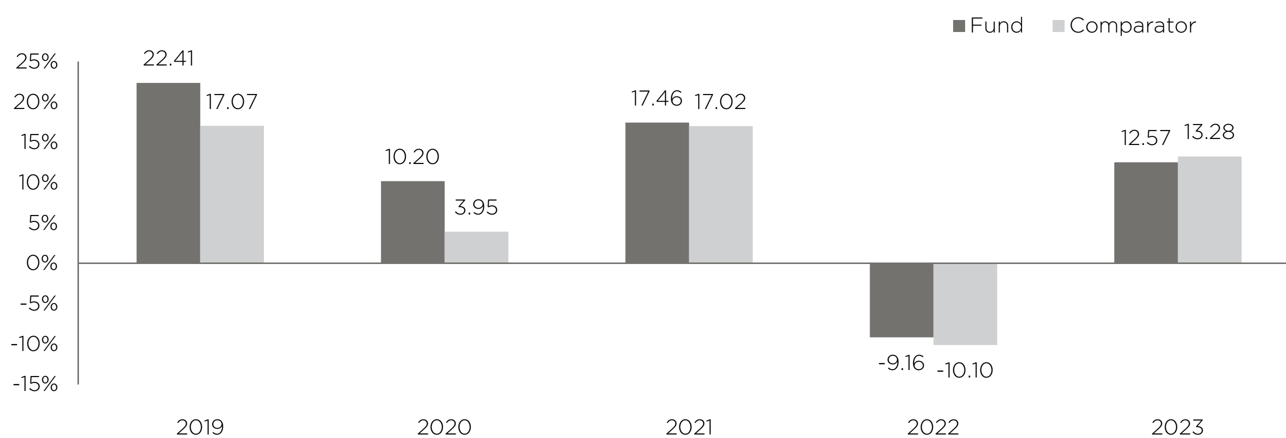
Overseas Equities	**%**
North America	46.20
Developed Europe	11.84
Asia Pacific ex Japan	3.06
Other	1.04
Japan	0.87
	63.01

Total return performance

Performance* to 31 December 2023	3 months	1 year	3 years p.a.	5 years p.a.
Investment	+7.72%	+12.57%	+6.30%	+10.13%
Comparator	+6.28%	+13.28%	+6.02%	+7.72%

Total return performance by year

12 months to 31 December	2019	2020	2021	2022	2023
Investment	+22.41%	+10.20%	+17.46%	-9.16%	+12.57%
Comparator	+17.07%	+3.95%	+17.02%	-10.10%	+13.28%



Comparator - composite: From 01/01/21, MSCI WORLD 75%, MSCI UK Monthly Property 5%, iBoxx £ Gilts 15% & SONIA 5%. From 01/01/18, MSCI UK IMI 30%, MSCI World ex UK 45%, MSCI UK Monthly Property 5%, iBoxx £ Gilt 15% & 7 Day LIBID 5%. Source: CCLA

Top 10 holdings as at 31 December 2023

UK Treasury Gilt 3.25% 22/01/2044	3.1%
UK Treasury 4.5% 07/12/2042	3.0%
The CBF Church of England Property Fund	2.3%
CCLA Inv Mgmt Ltd Ord GBP1	2.1%
Microsoft Com NPV	1.9%
Amazon.Com Com USD0.01	1.4%
Alphabet Inc C Com NPV	1.3%
IntercontinentalExchange Group Inc Com USD0.01	1.3%
Ansys Com USD0.01	1.3%
UnitedHealth Gp Com USD0.01	1.3%

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Global Equity Fund

Performance comment

Equity markets rose over the quarter as investors became more confident that official interest rates would begin to decline in the coming months. Lower interest rates are generally supportive of equity market returns, firstly because cheaper money helps companies to generate earnings and secondly because when yields in the cash and bond markets fall, investors' appetite for the riskier equity market tends to increase.

Over the quarter the Fund returned 9.42% compared with the comparator return of 6.67%. Over the last 12 months, the Fund returned 17.97% compared with the comparator return of 16.80%.

Over the most recent quarter as a whole the Fund's avoidance of traditional energy companies was a notable factor in returns being ahead of the comparator benchmark, as that sector was among the weakest in the global market index. Conversely the industry sector which is most heavily represented in the Fund, information technology, has been the strongest-performing sector in the market over the latest quarter and over 2023 as a whole. The Fund's holdings in information technology companies have contributed significantly to absolute returns although the allocation to a handful of technology stocks which performed spectacularly well over 2023 is lower than the heavy weighting those companies represent as a proportion of the comparator index. Among other sectors, the Fund's returns from industrials and healthcare stocks were ahead of those from the corresponding sectors in the comparator index.

Fund update

Most portfolio activity during the quarter was incremental, taking advantage of gains in some of the best-performing stocks to realise profits and reinvest in others which we considered to be better placed to add value in the coming periods. Among the companies in which we reduced the Fund's holdings were Intuit, provider of QuickBooks accountancy software; chipmaker Nvidia; and Novo Nordisk, the healthcare company behind weight-loss drugs which have surged in popularity. We continue to regard these as strong businesses but felt that some of the Fund's capital would be better applied elsewhere. Proceeds from these 'trims' were used to add to several existing holdings including medical device and scientific research suppliers Thermofisher, Danaher and Edwards Life Sciences; call centre software supplier Nice; and the personal care and cosmetics business Estee Lauder.

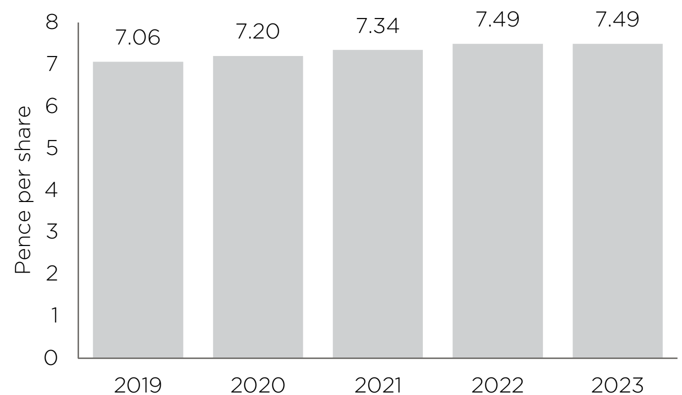
Income

Gross dividend yield 2.48%*

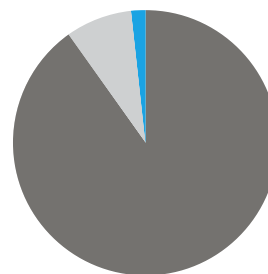
MSCI $ World dividend yield 1.93%

* Based upon the net asset value and an estimated annual dividend of 7.49p.

Past distributions



Asset allocation as at 31 December 2023



- Overseas Equities 90.17%
- UK Equities 8.11%
- Cash & Near Cash 1.72%

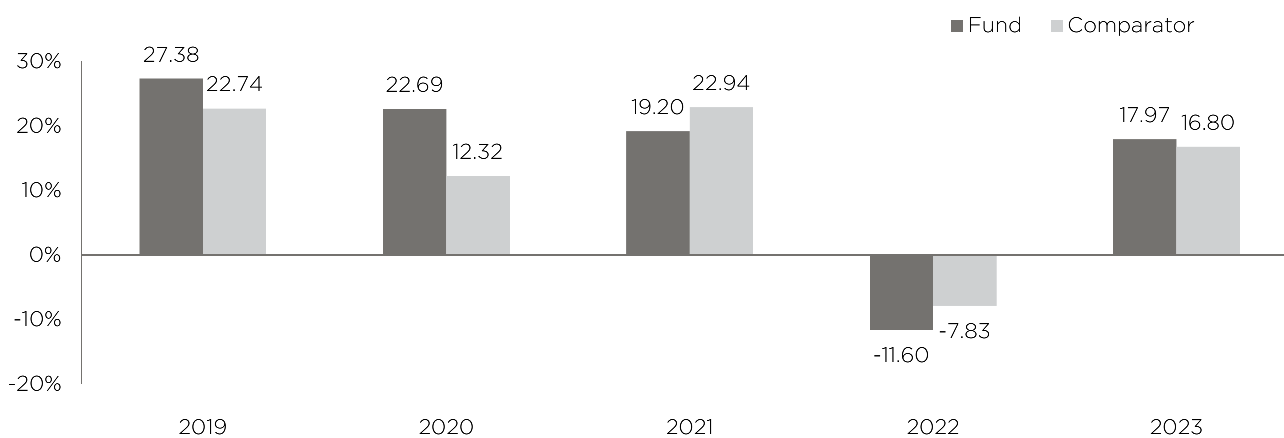
Overseas Equities	%
North America	66.31
Developed Europe	17.06
Asia Pacific ex Japan	4.19
Other	1.57
Japan	1.03
	90.17

Total return performance

Performance* to 31 December 2023	3 months	1 year	3 years p.a.	5 years p.a.
Global Equity	+9.42%	+17.97%	+7.52%	+14.21%
Comparator	+6.67%	+16.80%	+9.79%	+12.78%

Total return performance by year

12 months to 31 December	2019	2020	2021	2022	2023
Global Equity	+27.38%	+22.69%	+19.20%	-11.60%	+17.97%
Comparator	+22.74%	+12.32%	+22.94%	-7.83%	+16.80%



Comparator – MSCI £ World. Source: CCLA

Top 10 holdings as at 31 December 2023

Microsoft Com NPV	3.7%
Amazon.Com Com USD0.01	2.1%
Visa Com - Class A Shares USD0.0001	2.0%
Alphabet Inc C Com NPV	1.9%
S And P Global Inc Com USD1	1.9%
IntercontinentalExchange Group Inc Com USD0.01	1.9%
Thermo Fisher Scientific Inc COM USD 1	1.8%
UnitedHealth Gp Com USD0.01	1.8%
Ansys Com USD0.01	1.8%
Experian Group Ltd GBP0.1	1.8%

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Deposit Fund

Performance comment

The yield on the Fund tends to move in line with changes in the Bank of England's official borrowing rate (OBR), as more or less attractive interest rates become available from the carefully screened institutions with which the Fund places cash. There was no change in the OBR which stood at 5.25% throughout the latest quarter. Current market consensus is that the Bank will begin to reduce rates during 2024 in response to recent sharp falls in headline inflation. However core inflation, which strips out the volatile food and energy components, is proving stickier. The Bank does not want to risk appearing soft on inflation and has signalled that it will take a cautious approach to any rate cuts.

Fund update

The prime focus of the investment strategy is to provide capital security with excellent liquidity and a competitive yield. The portfolio is invested only in cash and near cash assets diversified across a number of approved, high-quality counterparties.

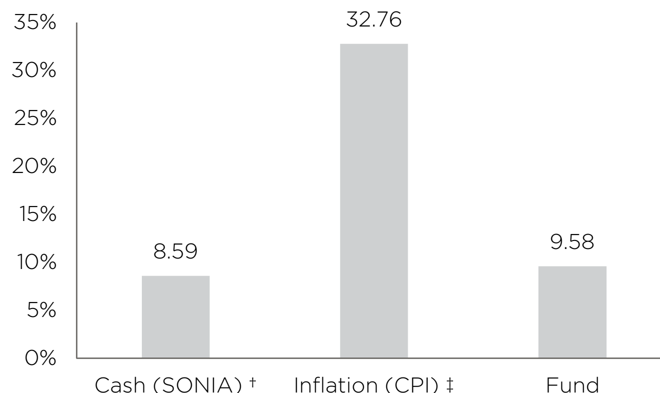
In the expectation that rates have peaked and any forthcoming change in the OBR will be downwards, the Fund is positioned to take advantage of the higher rates currently available for slightly longer term lending. This should provide some degree of protection for the Fund's yield from the immediate effect of any reduction in the Bank of England's policy rate.

Income

Average interest rate over the quarter 5.26%
(5.37% AER)*

Interest rate over the quarter end 5.30% (5.41% AER)*

Cumulative total return over last 10 years



Deposit rate as at 31 December 2023

5.37% AER*

* AER = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

** Source: CCLA - Performance is shown gross of management fees and other expenses; net returns will be lower after the deduction of fees and other expenses. The daily rate on the Fund will fluctuate and past performance is not a reliable indicator of the future results. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

† Source: CCLA

‡ CPI is reported on a 1m lag.

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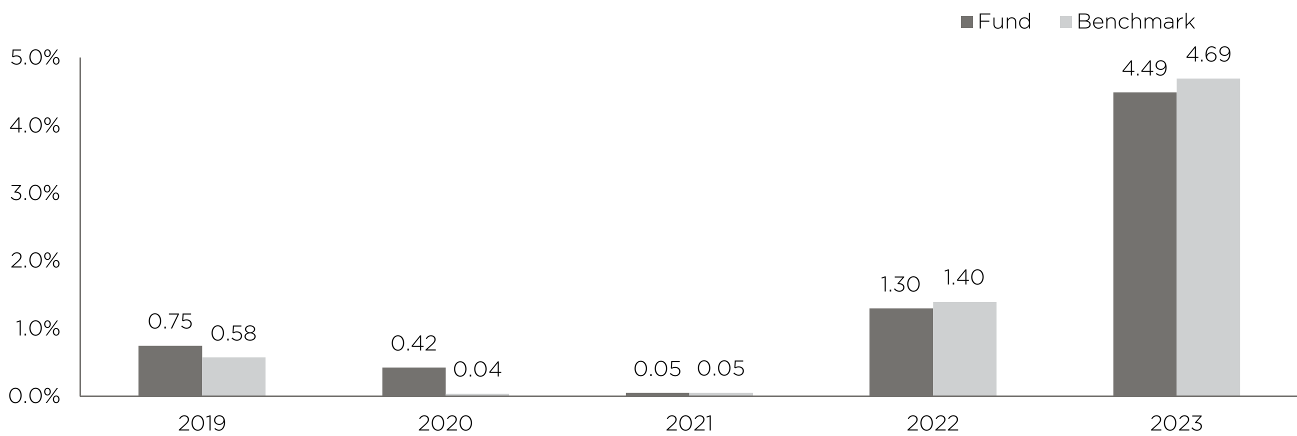
Total return performance

Performance* to 31 December 2023	3 months	1 year	3 years p.a.	5 years p.a.
Deposit	+1.29%	+4.49%	+1.93%	+1.39%
Benchmark	+1.30%	+4.69%	+2.03%	+1.34%

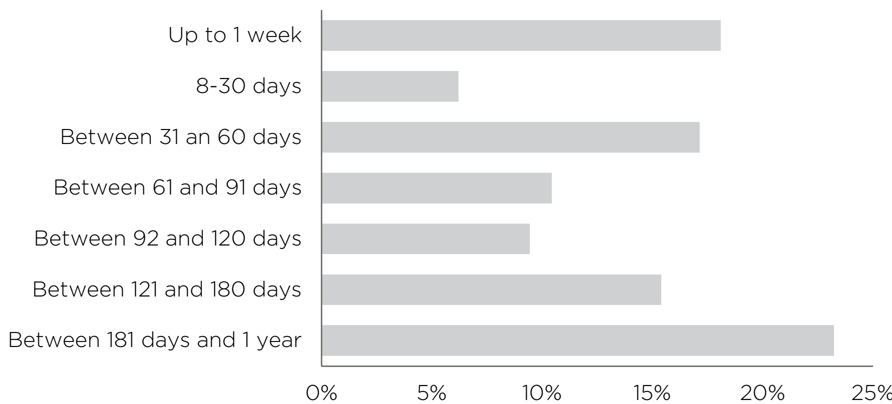
Total return performance by year

12 months to 31 December	2019	2020	2021	2022	2023
Deposit	+0.75%	+0.42%	+0.05%	+1.30%	+4.49%
Benchmark	+0.58%	+0.04%	+0.05%	+1.40%	+4.69%



Benchmark – From 1/1/21: Sterling Overnight Index Average (SONIA). Intial BM: 7-Day London Interbank Sterling Bid Rate (7-Day LIBID). Source: CCLA

The Fund's maturity profile



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The CBF Church of England Short Duration Bond Fund

Performance comment

Over the quarter the Fund returned 3.84% compared with the benchmark return of 1.70%. Over the last 12 months, the Fund returned 7.92% compared with the benchmark return of 6.41%.

The Fund uses a wide range of fixed interest securities (bonds) and risk management techniques to pursue a target return of cash plus 1.75% p.a. (net of fees and expenses) over a rolling 3-year period. There is a focus on generating returns from credit risk, meaning that the manager aims to identify individual bonds which will deliver good returns relative to the level of risk associated with a particular borrower at the corporate level. Conversely there is limited appetite for interest rate risk ('duration'), which describes how a bond's returns are likely to be affected by general changes in interest rates. Currency risk is avoided. Bond markets made good progress over the latest quarter as investors anticipated that official interest rates would begin to decline in the months ahead. Bond prices move inversely to yields, so falling yields are associated with higher valuations for bond portfolios. The Fund's emphasis on high quality bond issuers, especially those in sectors which are not particularly sensitive to general economic conditions, was the main reason why total returns for the Fund were even more favourable than those of the market as a whole. This emphasis meant that the Fund benefited more fully from the shift in interest rate expectations, at a time when returns at the lower-quality end of the market were dampened by a rising incidence of companies being unable to service their debt obligations.

Fund update

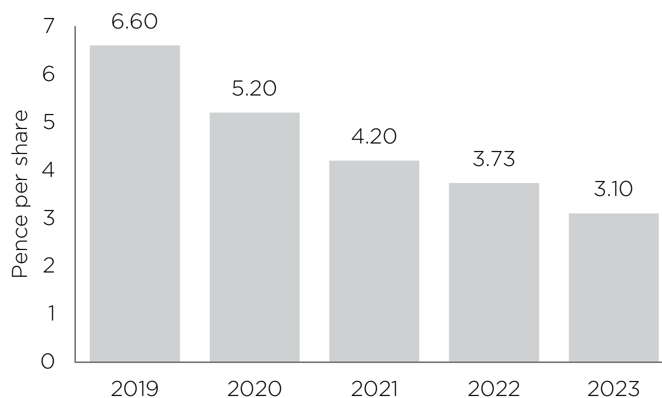
A sizeable proportion of the portfolio is held in US government bonds which are delivering yields that have risen significantly over the last two years while helping to contain overall portfolio risk. For the Fund's holdings in individual corporate bonds the emphasis remains on high quality businesses whose progress is not dependent on wider economic growth.

Gross Redemption Yield

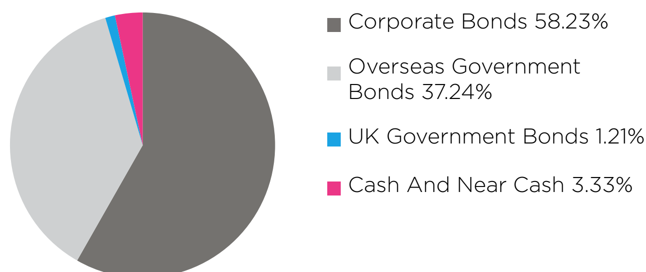
Gross redemption yield 5.60%

The gross redemption yield indicates what the total return would be if the Fund's current investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised.

Past distributions



Asset allocation as at 31 December 2023

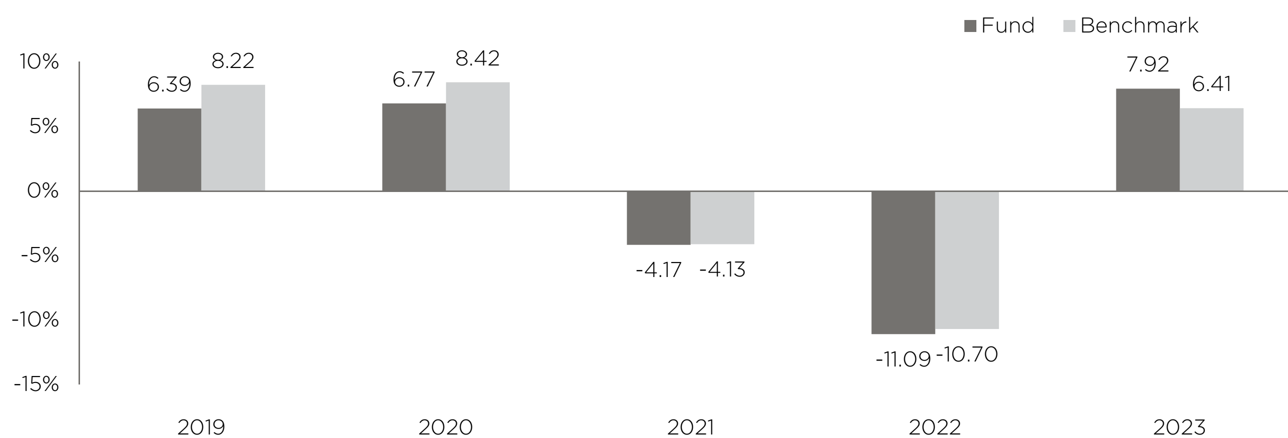


Total return performance

Performance* to 31 December 2023	3 months	1 year	3 years p.a.	5 years p.a.
Short Duration Bond	+3.84%	+7.92%	-2.76%	+0.87%
Benchmark	+1.70%	+6.41%	-3.06%	+1.34%

Total return performance by year

12 months to 31 December	2019	2020	2021	2022	2023
Short Duration Bond	+6.39%	+6.77%	-4.17%	-11.09%	+7.92%
Benchmark	+8.22%	+8.42%	-4.13%	-10.70%	+6.41%



Benchmark - From 27.07.22 SONIA + 1.75%. From 01.01.16 iBoxx £ Gilt 50% & iBoxx £ Non Gilt 50% Source: CCLA

Portfolio asset allocation

By credit rating

Rating Category	*% Fund*
AAA	39.6
AA	4.5
A	9.5
BBB	35.4
Non Investment Grade	11.8
Not rated (Debentures/Prefs)	-0.7

By term to maturity

Period	*% Fund*
0 - 5 years	67.2
5 - 10 years	24.0
10 - 15 years	1.8
Over 15 years	7.0
Duration (yrs)	1.9
Average term to maturity (yrs)	9.2

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Property Fund

Performance comment

Over the quarter the Fund returned -0.80% compared with the benchmark return of -1.84%. Over the last 12 months, the Fund returned -1.19% compared with the benchmark return of -2.38%.

Occupier and rental markets remained solid, supporting the income flows which make up a sizeable part of long term total returns to property investors. Capital markets have been very subdued, however, with transaction volumes at near-record low levels. The associated lack of 'price discovery' – observable prices paid for properties in actual transactions – has left prospective buyers and sellers, as well as property fund valuers, in a cautious mood. This has kept capital values in the property market declining, albeit much less dramatically than in the previous year, as investors demand higher yields. Offices remained the most troubled sector in a challenging market, due to a combination of changing working practices and more stringent environmental standards adding to landlords' costs.

Fund update

The portfolio has a bias towards industrial assets, and retail warehouses are also well represented; whereas there is little exposure to high street shops. Recent activity has included the sale of four properties including retail warehouses in Milton Keynes and Oldbury and an office building in Leicester. Meanwhile a number of lease renewals, rent reviews and new lettings were completed, helping to secure future income flows.

Valuations are likely to remain under pressure until bond yields fall significantly – this will restore some of the yield premium necessary to attract larger volumes of investors back to the property market. For the time being income will continue to be the key driver of total returns from property. Investors in the office sector face particular challenges and active, selective management will be especially important in this part of the property market.

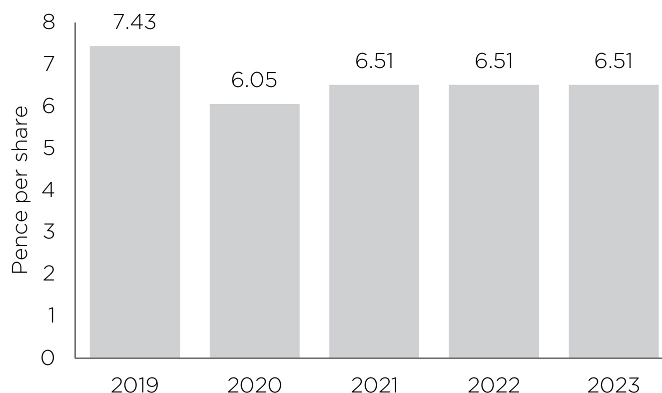
Income

Gross dividend yield 5.31%*

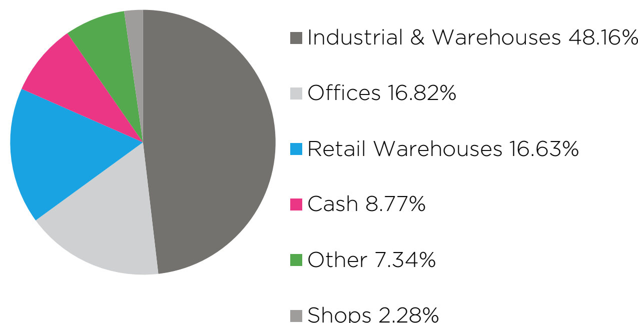
MSCI/AREF Other Balanced Property Fund Index Yield † 3.71%

* Based upon the net asset value and an estimated annual dividend of 6.51p.

Past distributions



Asset allocation as at 31 December 2023

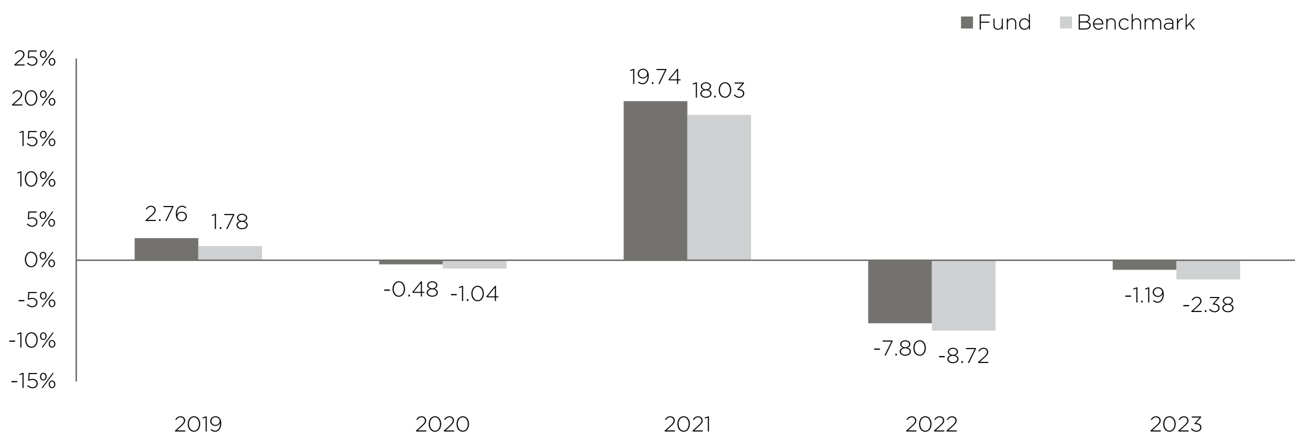


Total return performance

Performance* to 31 December 2023	3 months	1 year	3 years p.a.	5 years p.a.
Property	-0.80%	-1.19%	+2.94%	+2.21%
Benchmark	-1.84%	-2.38%	+1.70%	+1.16%

Total return performance by year

12 months to 31 December	2019	2020	2021	2022	2023
Property	+2.76%	-0.48%	+19.74%	-7.80%	-1.19%
Benchmark	+1.78%	-1.04%	+18.03%	-8.72%	-2.38%

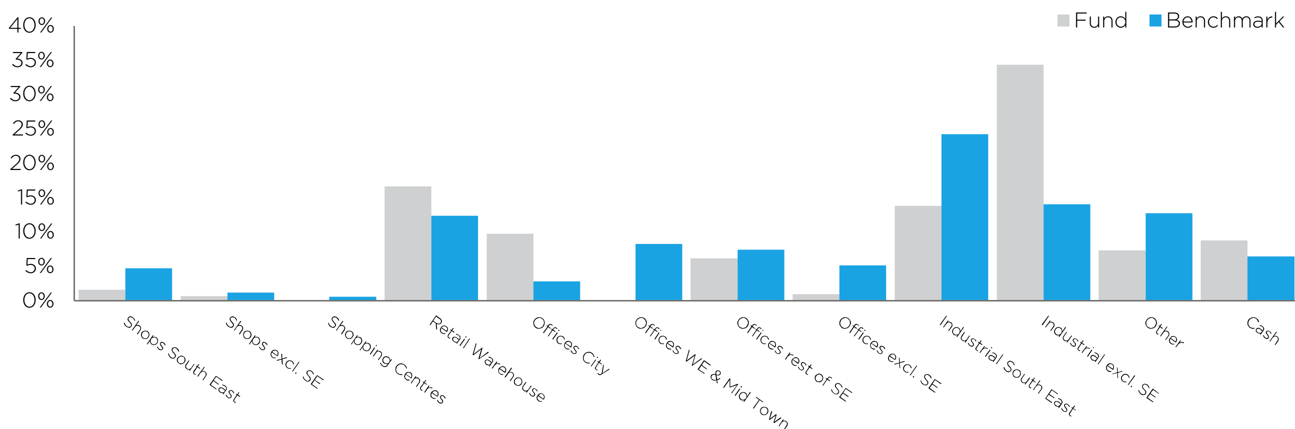


Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

Top 10 underlying property holdings - total 52.16%

London, 80 Cannon Street	Bath, Rossiter Road, Waterside Travelodge
Mendlesham, Mendlesham Industrial Estate	1400-1600 Aztec West Business Park
Brighton, Pavilion Retail Park	Lutterworth 3220 Wellington Parkway, Magna Park
Zorro 238, Coalfield Way, Ashby-de-la-Zouch	Solihull Gate Retail Park, Solihull
Lutterworth 3320 Magna Park	7 St Andrew's Way, Bow

Asset allocation by region and category



* Performance of the Property Fund and its benchmark are shown after management fees and other expenses with income reinvested. Past performance is not a reliable indicator of future results.

IMPORTANT INFORMATION

This document is issued for information purposes only. It does not provide financial, investment or other professional advice.

To make sure you understand whether our product is suitable for you, please read the key information document and scheme information and consider the risk factors identified in those documents. We strongly recommend you get independent professional advice before investing.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise. You may not get back the amount you originally invested and may lose money.

The fund can invest in different currencies. Changes in exchange rates will therefore affect the value of your investment. Investing in emerging markets involves a greater risk of loss as such investments can be more sensitive to political and economic conditions than developed markets. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries. The annual management charge is paid from capital (except for the Fixed Income Securities Fund and the Deposit Fund). Where charges are taken from capital rather than income, capital growth will be constrained and there is a risk of capital loss.

Any forward-looking statements are based on our current opinions, expectations and projections. We do not have to update or amend these. Actual results could be significantly different than expected.

Investment in a CBF fund is only available to charitable trusts with objects closely connected with the work of the Church of England. The CBF funds are Common Funds established under The Church Funds Investment Measure 1958 (as amended or replaced from time to time). The funds are not authorised by the Financial Conduct Authority.

The properties within the CBF Property Fund are valued by an external property valuer; any such valuations are a matter of opinion rather than fact. The performance of the CBF Property Fund may be negatively affected by a deterioration in the property market which could reduce the value of the fund.

If interest rates on sterling deposits and instruments become negative, depositors may be charged these negative interest rates which will reduce the value of your investment.

We, CCLA Investment Management Limited (registered in England and Wales, number 2183088 at One Angel Lane, London EC4R 3AB), are authorised and regulated by the Financial Conduct Authority. We manage the Church of England Funds.

For information about how we obtain and use your personal data please see our privacy notice at www.ccla.co.uk/privacy-notice.

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