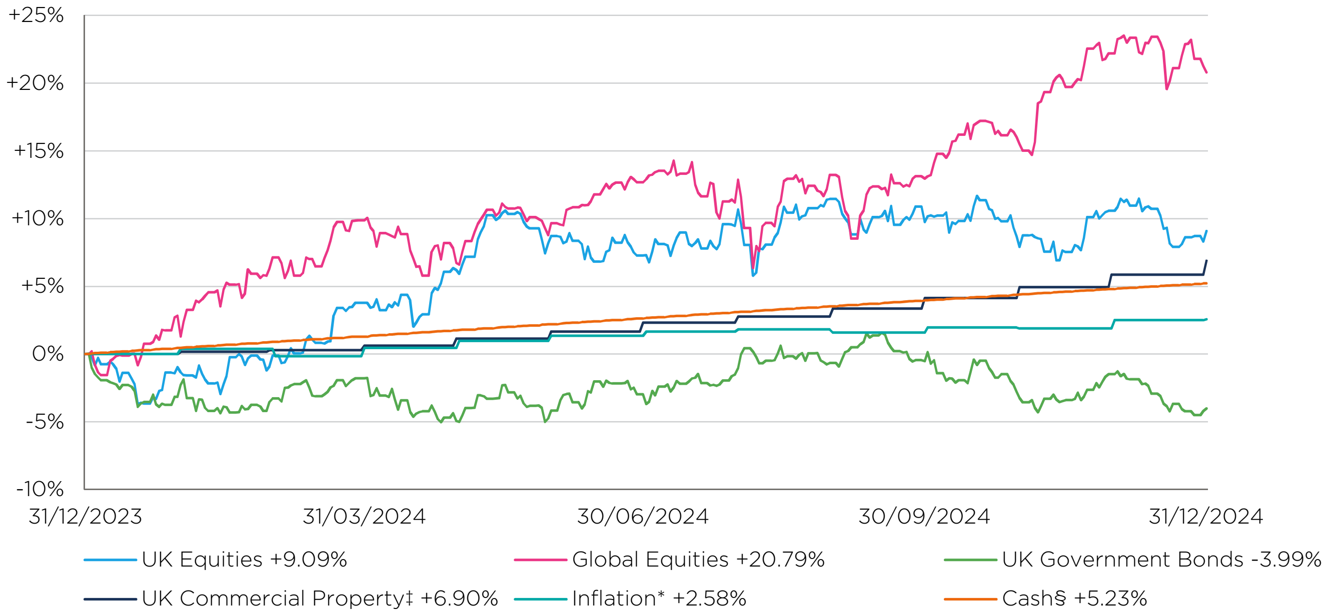
CCLA

QUARTERLY BULLETIN

31 December 2024

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)	-0.61	+9.09	+6.17	+4.61
Global Equities (MSCI World Index)	+6.93	+20.79	+9.15	+12.42
Global Equities ex UK (MSCI World ex UK Index)	+7.21	+21.24	+9.17	+12.76
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	-3.50	-3.99	-9.31	-5.10
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	-0.49	+1.73	-3.14	-1.03
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	+2.64	+6.90	-1.35	+2.64
Inflation (CPI) *	+0.60	+2.58	+5.67	+4.48
Cash (SONIA) §	+1.22	+5.23	+3.76	+2.26

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.

By the start of October, central banks in most developed economies had started to cut interest rates. The US was readying itself for a presidential election, and the UK awaited its new government's first budget.

From that starting point, world share prices rose 2.58%(1) during the fourth quarter of 2024. In pound sterling, world shares delivered a 6.93% return, as the British pound weakened against most other currencies.

In the United States, shares returned 2.69% over the fourth quarter. The US stock market reached new all-time highs in October and November, but with significant falls along the way.

The Federal Reserve's (Fed's) 0.50% interest rate cut in September had given shares a boost ahead of the fourth quarter. In October, banks reported strong third-quarter earnings, and the rally in artificial intelligence (AI) shares continued.

In November, Donald Trump's election victory boosted share prices because of his emphasis on tax cuts and deregulation. Another Fed rate cut, two days after the election, also helped.

But US share prices stumbled several times during the quarter.

Prices usually fall when companies report disappointing results. But in the fourth quarter, some highly-valued companies' share prices fell after they reported results that met or even beat investors' expectations. That was the case with, e.g., Microsoft, NVIDIA and Meta.

Then, in December, the Fed halved its outlook for rate cuts in 2025, from 1% of cuts to just 0.5%. This change raised the projected Fed funds rate at the end of 2025 to 3.75%-4%. Investors showed little tolerance for such a surprise, and US shares fell more than 3% over the two days that followed.

In the United Kingdom, share prices fell 0.61% over the fourth quarter. Prices fell in October, as investors awaited the new government's first budget. They barely recovered in November, as higher national insurance rates in that budget dimmed the corporate outlook.

But UK share prices fell most in December, as the economic outlook weakened. The UK economy shrank 0.1% in October, month on month, and the Bank of England (BoE) does not expect it to have grown over the fourth quarter. In addition, rising inflation means that the Bank of England may keep interest rates higher for longer in 2025.

In the Eurozone, share prices fell 1.98% during the fourth quarter. Prices fell steeply in October, on poor corporate earnings for leading consumer companies such as L'Oréal and industrial firms like Bayer. But in December, the European Central Bank's more dovish outlook helped Eurozone shares recover somewhat, even as Eurozone inflation rose.

Chinese share prices fell 7.00% over the fourth quarter, after their 20%+ gain in September. Investors appeared unimpressed with the Chinese government's £1.1 trillion stimulus, announced in November. Share prices in Japan advanced 5.92%, as the economic outlook improved and the central bank kept rates on hold.

There were noteworthy moves in the bond market during the fourth quarter. Central banks in the US, the UK and the Eurozone cut interest rates. But long-dated government bond yields rose in each case. In the US, for example, 10-year Treasury yields rose from 3.81% to 4.58% over the quarter.

The likely explanation for those rising yields is that central banks' plans have changed. As a result, investors now expect fewer rate cuts in 2025 than they did at the start of the fourth quarter.

Investors' changed outlook prompted falls in bond prices, particularly during December. (Bond prices fall as yields rise.) The Bloomberg Global Aggregate bond index rose just 1.64% during the fourth quarter, in pound sterling, but fell 0.69% in December.

Outlook

During December, several central banks dialled back their outlook for rate cuts in 2025. That slowing pace of rate cuts disappointed many investors and weighed on share prices.

But what's more important: in 2024, central banks lowered inflation without causing a recession. That 'soft landing' is a reason to look at shares constructively.

The US economy, for example, grew 3.1% (annualised) in the third quarter of 2024, and it is set to benefit from Trump's promised tax cuts in 2025. Even in case of a trade war, the closed US economy can continue to do well. And US companies' earnings are already growing faster than those of their G7 peers.

It is true that, as share prices have risen, so has volatility. The principal risk, in our view, is that earnings momentum slows. As the fourth quarter showed, it's even possible for companies to deliver the earnings that investors were expecting but see their share prices decline. For that reason, we don't invest 'blindly' across the board, but continue to be selective.

([1])Sources of share prices: MSCI (net total return in local currency)

Rising bond yields: are the ‘bond vigilantes’ riding again?

You've probably read or heard about it already: in early January, yields on UK government bonds (gilts) reached their highest level since 2008. Two-year gilt yields rose from 4.07% at the start of December to 4.39% on 14 January. And 10-year gilt yields rose from 4.23% to 4.89% over that time.

When bond yields rise, bond prices fall, and so do the valuations of private equity, infrastructure and other interest rate-sensitive assets. So bond yields have a broad impact on the economy.

Why did bond yields surge after central banks started cutting interest rates?

By mid-2024, UK consumer price (CPI) inflation had fallen to 2%, year on year, so the Bank of England cut its official interest rate twice, in August and November. But inflation climbed to 2.6% by November, so the Bank became more tentative about further rate cuts. Was a change in the Bank of England's outlook to blame for rising gilt yields? That's not the entire story.

In fact, rising bond yields weren't just a UK phenomenon. In the US, the Federal Reserve cut interest rates in September and December. From early December to mid-January, however, two-year US Treasury yields rose from 4.13% to 4.37% and 10-year US Treasury yields from 4.18% to 4.78% — nearly as large an increase as in the UK. Could rising inflation have been behind rising bond yields? Again: there's more going on.

Incoming US Treasury Secretary Scott Bessent points out that the increased yield on inflation-linked US Treasuries (bonds that are indifferent to inflation) accounted for most of the overall rise in bond yields. In the UK, inflation-linked bonds showed a similar pattern. Instead of higher inflation, Bessent suggests, investors in US shares might have been pricing in higher economic growth because of President Trump's proposed policies. That would dovetail nicely with the recent strength in stock markets.

'Bond vigilantes' are a more sobering explanation for rising bond yields.

'Bond vigilantes' is a 1980s nickname given to bond investors, who require higher bond yields when governments spend too lavishly or let inflation run out of control. Bond vigilantes are so powerful that Bill Clinton's political advisor James Carville once said: 'if there was reincarnation, I [...] would like to come back as the bond market. You can intimidate everybody.'

Some observers suggest that the recent rise in yields signals bond markets' scepticism over government budgets. That's because, in the US, the incoming Administration is expected to add trillions to the country's national debt. In the UK, Chancellor Rachel Reeves' October 2024 budget announced higher spending, financed by higher taxes and increased borrowing.

The Chancellor aims to balance the UK government's budget by 2029/2030 and reduce government debt as a percentage of GDP by then. But if interest rates fall more slowly than expected, she may not be able to reduce the UK's national debt as quickly as she expects.

Where next?

The December/January rise in bond yields is probably the result of a chain of events, one that started with more persistent inflation than expected, and ended with 'bond vigilantes' bidding up bond yields.

But in mid-January, UK consumer price (CPI) inflation was reported to have fallen to 2.5% in December, year on year. This led to lower bond yields within days – good news for government budgets, and for any investor who holds bonds or other rate-sensitive assets.

Air pollution: “The single biggest environmental threat to human health.” (WHO 2022)

In early 2024, we set out on a new project aimed at tackling corporate air pollution. Inspired by ShareAction's air quality work, and with clear evidence of the human and environmental damage caused by poor air quality, we joined forces with Guys & St Thomas' Foundation and set out to create a mechanism for examining company preparedness and resilience to the impacts of urban air pollution.

The case for action

There have been enormous improvements in air quality in Global North countries since the 20th century through regulatory intervention and evolving economic structures away from industrialisation. Despite this, air pollution levels remain harmful in virtually all countries; 99% of people worldwide breathe air that exceeds WHO limits for key pollutants. Poor air quality damages human, environmental and economic health in the following ways:

Human health

- Pollution is responsible for approximately nine million deaths per year, corresponding to one in six deaths worldwide.
- It is a major risk factor for non-communicable diseases including cardiovascular and respiratory diseases, type 2 diabetes, cancers and neurological diseases

The economy

- Air pollution-related ill health results in 1.2 billion lost working days annually. This is projected to reach 3.7 billion by 2060.
- The global cost of health damages from outdoor air pollution was estimated to be US$8.1 trillion in 2019, an economic value equivalent to 6.1% of global Gross Domestic Product (GDP).

The environment

- Air pollution is an invisible and pervasive threat to biodiversity and to both terrestrial and aquatic ecosystems worldwide.
- Ground-level ozone damages vegetation and agricultural crop yields, while sulphur can lead to excess levels of acid in lakes and streams, damaging trees and soils.

Air quality is a sustainability blind spot for investors and when compared to climate risks, it is underrepresented in corporate disclosure requirements relative to its impact on society.

That said, an increasing number of key reporting standards now require companies to disclose emissions of air pollutants. These include the Global Reporting Initiative, World Benchmarking Alliance, the Taskforce for Nature-Related Financial Disclosures, India's Business Responsibility and Sustainability Reporting and the EU's corporate Sustainability Reporting Directive.

Acting for change

Our aim is to mobilise the investment industry into action on this underserved topic and to accelerate corporate efforts to measure, disclose and reduce emissions of toxic pollutants into the air. Successful implementation will bring about positive outcomes for people and for the planet and help to improve the long-term resilience of the companies in which we invest.

During 2024, CCLA and Guy's & St Thomas' Foundation joined forces to commission a scoping review by Chronos Sustainability Ltd to explore the role of investors in tackling corporate air pollution. The outcome of this review is a proposal to develop a global benchmark to assess company preparedness and resilience to the impacts of urban air pollution.

Specifically, the proposed benchmark will:

1. define investor expectations of companies involved in urban road transport
2. drive increased transparency and disclosure by companies on air pollution
3. provide investors with an accessible way to understand and evaluate corporate practices
4. showcase examples of good practice in corporate management of air pollution for the benefit of investors and companies.

In November, we launched a public consultation to test our proposed approach, which will close in mid-January. At the time of writing, the consultation had received responses from investors, academia, non-governmental organisations, businesses and government. We will report on the outcomes of the consultation in 2025.

Reducing air pollution to WHO recommended levels in the UK could regain…

- 3 million working days per year
- £1.6 billion to the economy
- £900 million in wages
- 17,000 prevented deaths

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 December, we submitted the paperwork to co-file a shareholder proposal at Amazon for the company's 2025 annual general meeting (AGM). The proposal asks Amazon to publish an independent report into the alignment of its practices on Freedom of Association and Collective Bargaining with its own policies and human rights standards. This follows a similar proposal that we co-filed last year.

In Q4, we published the second iteration of the CCLA Modern Slavery UK Benchmark. This assesses and ranks 110 UK-listed companies on their compliance with the UK Modern Slavery Act, conformance with Home Office guidance and efforts to find, fix and prevent modern slavery. Thirty-five companies improved their tier ranking in the benchmark since last year, with 10 companies mentioning the benchmark in their public reporting.

CCLA is engaging with Nvidia in relation to its downstream human rights due diligence processes, following allegations that their semi-conductor chips had been found in Russian weaponry. We have met Nvidia several times during the year. The company is now working with a Human Rights consultancy called Article One to undertake a Human Rights Impact assessment, which includes upstream and downstream risk. Discussions continue.

In October, we published the third iteration of the CCLA Corporate Mental Health Benchmark – Global 100+. This assesses 119 of the world's largest listed companies on their approach to workplace mental health and showed that 12 companies had improved their approach since last year. In November, we wrote to each one of the 119 company CEOs on behalf of 56 investors with a combined $10 trillion in assets under management and in Q4 met with a total of 22 companies to discuss workplace mental health.

In early 2024, CCLA and Guy's & St Thomas' Foundation joined forces to commission a scoping review to explore the role of investors in tackling corporate air pollution. The outcome is a proposal to develop a global benchmark to assess company preparedness and resilience to the impacts of urban air pollution. This went to public consultation in Q4; we will report on the outcome in 2025.

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 16% of management resolutions at investee companies this quarter (17% for the UK Equity Fund, 21% for the Better World Global Equity Fund).

We aim to support all pro-active shareholder proposals, particularly where a proposal complements our existing engagement priorities. For example, during the quarter, at Microsoft, we supported Item 4, 'Report on Risks of Weapons Development'. More detailed information on the risks associated with technologies being developed by the company, in particular, technology for use in augmented reality headsets for training and combat, would be beneficial for investors and broadly aligns with our clients' values in this area. We also supported Item 6, 'Report on Risks of Operating in Countries with Significant Human Rights Concerns'. This focuses on the risk of hosting data centres in countries such as Saudi Arabia, which lack cloud computing laws that align with international human rights standards.

Nature Action 100: Zoetis and McDonald's

In 2023, we joined the new Nature Action 100 engagement initiative, a global investor engagement initiative focussed on biodiversity, and in 2024, commenced engagement with three portfolio holdings: AstraZeneca, McDonald's and Zoetis.

In October, we met Zoetis to discuss aligning the company's sustainability strategy with biodiversity goals. We discussed its biodiversity priorities, related materiality assessments, antibiotics use, and sustainable packaging. Zoetis committed to incorporating biodiversity more fully into future materiality assessments and we look forward to monitoring its progress on this topic.

Despite several attempts to arrange a meeting with McDonald's on this topic, we have failed to secure a meeting. Given the company's unresponsiveness, we submitted paperwork to co-file a shareholder proposal for its 2025 AGM, asking it to prepare a public report assessing the extent to which its supply chains and operations impact biodiversity and are vulnerable to biodiversity loss.

Ethical constraints

We confirm that the CBF Funds have been managed to their respective ethical exclusion policies this quarter.

Changes to The CBF Church of England Funds to implement the FCA's Sustainability Disclosure Requirements.

CCLA manages investments in line with its Good Investment philosophy. As an asset manager, our aim is to meet our clients' financial objectives in a way that we believe aligns with their values. We believe we have a duty to go beyond the boundaries of traditional investor engagement and work with the industry to address systemic risks that threaten communities, the environment and ultimately investment markets.

The Financial Conduct Authority (FCA) has recently introduced a package of measures to improve the trust and transparency of sustainable investment products and reduce greenwashing called the Sustainability Disclosure Requirements (SDR). These new measures apply to asset managers, like CCLA, who offer sustainability-related investment products and services.

As part of the implementation of these new requirements we have made a number of amendments to The CBF Church of England Funds' scheme information documents. These amendments aim to more clearly set out our approach to sustainability. We also explain why the funds do not use a sustainable investment label (these are labels introduced by the FCA to help investors find products that have a specific sustainability goal).

It is important to note that there are no changes to the way in which the funds are managed or our approach to sustainability. The additional detail is for information only, which, we hope, will help investors to better understand CCLA's approach to sustainability.

The revised scheme information and Key Information Document for each fund took effect from 2 December 2024 and are available on our website at www.ccla.co.uk

We have also published a document for each fund on our approach to sustainability (consumer-facing disclosure), which is available on our website. This is a short document required under SDR which contains helpful summary information for investors.

For a summary of SDR, the investment labels and our overall approach see:https://www.ccla.co.uk/sustainability#what-are-the-sustainability-disclosure-requirements-(sdrs)?

The CBF Church of England Investment Fund

Performance comment

Many stock markets reached all-time highs during the quarter. In the US, share prices rose to record highs because companies reported strong third-quarter earnings, because the artificial intelligence (AI) boom continued and because of president-elect Trump's proposed tax cuts.

But some highly-valued companies' share prices stumbled during the quarter, even after they reported results that met investors' expectations. This was the case with e.g. NVIDIA and Meta.

And in December, America's central bank halved its outlook from 1% of rate cuts in 2025 to just 0.5%. As a result, US share prices fell more than 3% in the two days that followed, and bond yields rose steeply.
Over the quarter the Fund returned 0.39% compared with the comparator return of 4.84%. Over the last 12 months, the Fund returned 5.09% compared with the comparator return of 15.30%.

- The fund's shareholdings boosted performance during the quarter, led by IT firms such as chip producer Broadcom, which delivered better-than-expected financial results. Our positions in Google parent Alphabet and retailer Amazon were large contributors as well.
- By contrast, rising bond yields detracted from returns. Those higher yields depressed the prices of the fund's bond holdings, and of its investments in social and environmental infrastructure, property and private equity. In our analysis, bond prices are now below fair value, and bond yields are higher than fair value, which offers opportunities for the fund.

Fund update

Most fund activity during the fourth quarter focused on taking profit from some of the fund's best-performing positions, to reinvest in stocks that we considered better placed to add value going forward. As a result, we sold the fund's holdings in food and beverage firm PepsiCo, sportswear firm Nike and health insurer Humana. Instead, we added positions in mining equipment firm Epiroc and infrastructure firm Infratil.
Several key risks could impact stock market returns in 2025, and many of those risks have been with us for some time. Inflation may remain higher for longer than many investors expect. Geopolitical conflicts may escalate in the Middle East, Ukraine or over Taiwan. And consumer or business confidence will continue to wax and wane. Policy risk, however, stands out for 2025. This includes changes in government budgets and in central banks' monetary policies.

Income

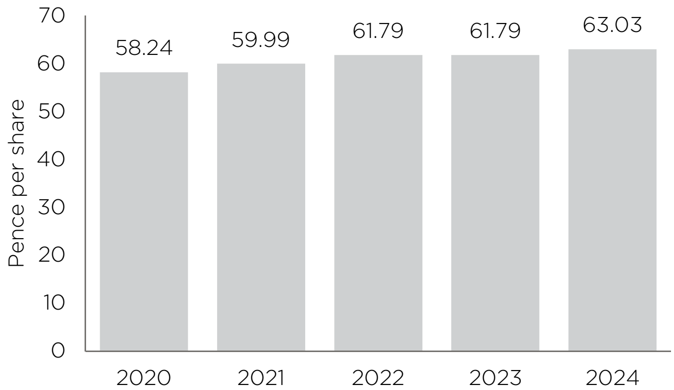
Gross dividend yield 2.73%*

MSCI $ UK IMI dividend yield 3.74%

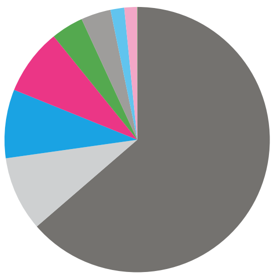
MSCI $ World ex UK dividend yield 1.66%

* Based upon the net asset value and an estimated annual dividend of 63.03p.

Past distributions



Asset allocation as at 31 December 2024



- Overseas Equities 63.62%
- UK Equities 9.14%
- Infrastructure & Operating Assets 8.35%
- Fixed Interest 8.08%
- Property 3.94%
- Private Equity & Other 3.64%
- Cash & Near Cash 1.66%
- Contractual & Other Income 1.54%
- Derivatives 0.01%

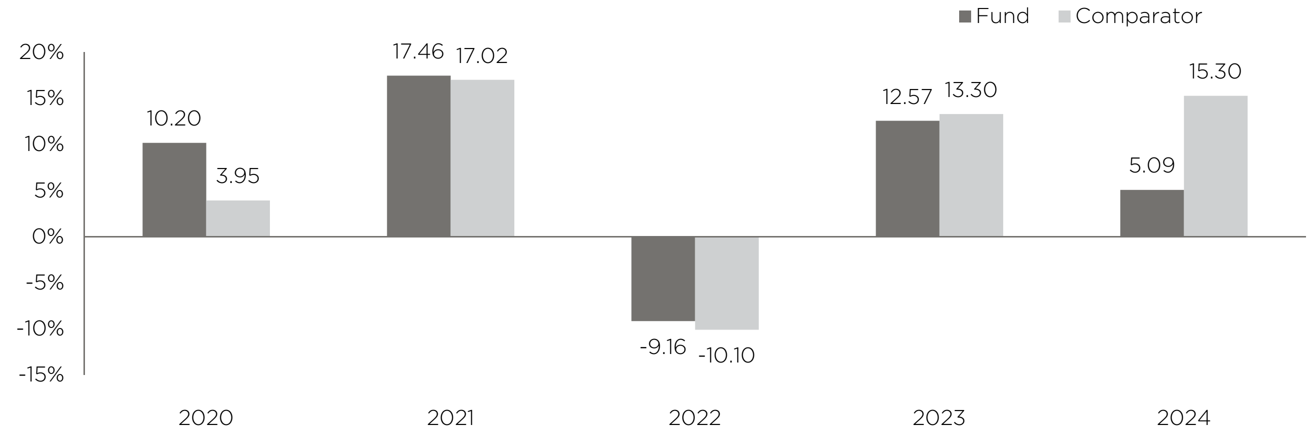
Overseas Equities	**%**
North America	44.61
Developed Europe	14.04
Asia Pacific ex Japan	3.22
Other	0.93
Japan	0.81
	63.62

Total return performance

Performance* to 31 December 2024	3 months	1 year	3 years p.a.	5 years p.a.
Investment	+0.39%	+5.09%	+2.43%	+6.82%
Comparator	+4.84%	+15.30%	+5.51%	+7.40%

Total return performance by year

12 months to 31 December	2020	2021	2022	2023	2024
Investment	+10.20%	+17.46%	-9.16%	+12.57%	+5.09%
Comparator	+3.95%	+17.02%	-10.10%	+13.30%	+15.30%



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 2024

UK Treasury Gilt 3.25% 22/01/2044	2.6%
UK Treasury 4.5% 07/12/2042	2.6%
The CBF Church of England Property Fund	2.2%
CCLA Inv Mgmt Ltd Ord GBP1	2.1%
Microsoft Com NPV	1.9%
Amazon.Com Com USD0.01	1.9%
Alphabet Inc C Com NPV	1.7%
Compass Group Ord GBP0.1105	1.4%
Visa Com - Class A Shares USD0.0001	1.3%
Broadcom Corp Com NPV	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

World share prices rose 2.58%(1) during the fourth quarter, in local currency. Many stock markets reached all-time highs, but with significant falls along the way.

Share prices rose to record highs because companies reported strong third-quarter earnings, because the artificial intelligence (AI) boom continued and because of Donald Trump's election victory.

But some highly-valued companies' share prices stumbled after they reported results that met or exceeded investors' expectations. This was the case with, e.g., NVIDIA and Meta.

And in December, America's central bank halved its outlook from 1% of rate cuts in 2025 to just 0.5% of cuts. This change surprised investors, and US share prices fell more than 3% in the two days that followed.
Over the quarter the Fund returned 2.51% compared with the comparator return of 6.94%. Over the last 12 months, the Fund returned 8.82% compared with the comparator return of 20.80%.

- IT shares were the main contributor to performance in the fourth quarter, led by chip producer Broadcom, cybersecurity firm Fortinet and cloud computing provider ServiceNow.
- Positions in Google parent Alphabet and retailer Amazon also helped, as both showed strong revenue growth in their cloud hosting businesses.
- By contrast, healthcare shares ICON and Novo Nordisk were the main detractors from returns.

(1) Sources of share prices: MSCI (net return in local currency)

Fund update

During the fourth quarter, we sold the fund's holdings in food and beverage firm PepsiCo, sportswear firm Nike, health insurer Humana and industrial conglomerate Honeywell. Instead, we added a position in mining equipment firm Epiroc, and increased the fund's positions in ASML, ICON, Novo Nordisk, Hexagon and Partners Group.

Several key risks could impact stock market returns in 2025, and many of those risks have been with us for some time. Inflation may remain higher for longer than many investors expect. Geopolitical conflicts may escalate in the Middle East, Ukraine or over Taiwan. And consumer or business confidence will continue to wax and wane. Policy risk, however, stands out for 2025. This includes changes in government budgets and in central banks' monetary policies.

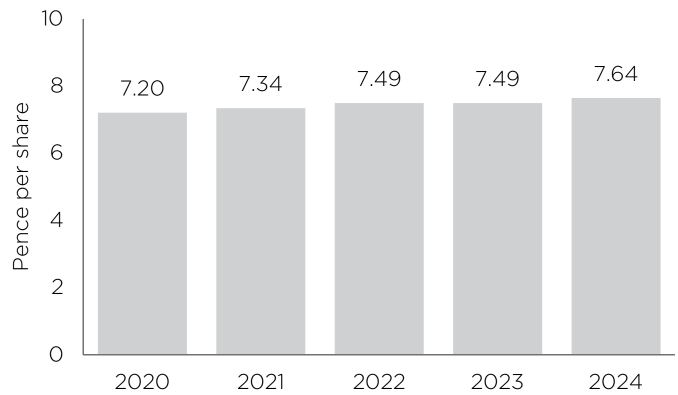
Income

Gross dividend yield 2.38%*

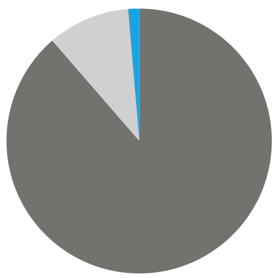
MSCI $ World dividend yield 1.73%

* Based upon the net asset value and an estimated annual dividend of 7.64p.

Past distributions



Asset allocation as at 31 December 2024



- Overseas Equities 88.66%
- UK Equities 10.01%
- Cash & Near Cash 1.33%

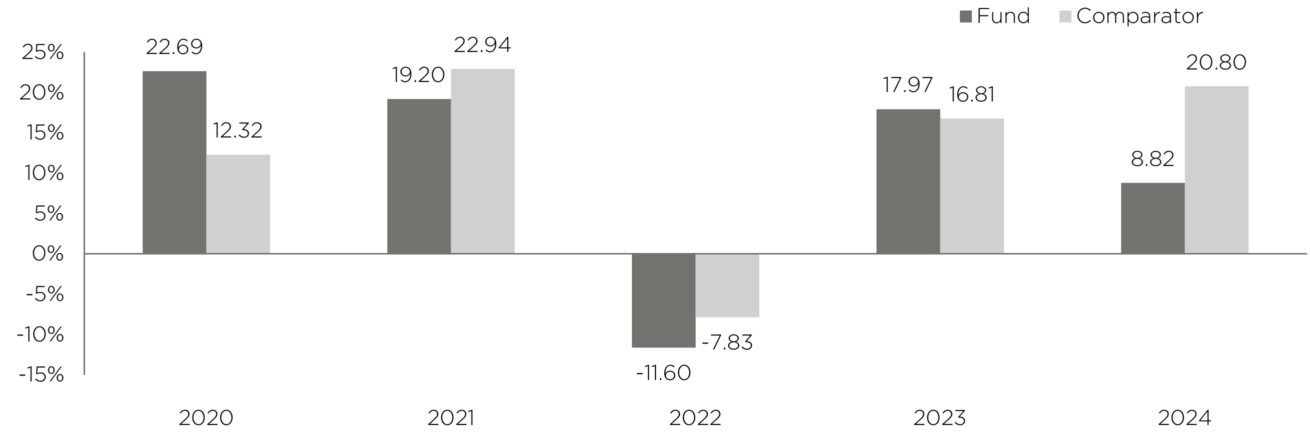
Overseas Equities	**%**
North America	62.62
Developed Europe	19.27
Asia Pacific ex Japan	4.55
Other	1.36
Japan	0.86
	88.66

Total return performance

Performance* to 31 December 2024	3 months	1 year	3 years p.a.	5 years p.a.
Global Equity	+2.51%	+8.82%	+4.31%	+10.66%
Comparator	+6.94%	+20.80%	+9.15%	+12.42%

Total return performance by year

12 months to 31 December	2020	2021	2022	2023	2024
Global Equity	+22.69%	+19.20%	-11.60%	+17.97%	+8.82%
Comparator	+12.32%	+22.94%	-7.83%	+16.81%	+20.80%



Comparator – MSCI £ World. Source: CCLA

Top 10 holdings as at 31 December 2024

Microsoft Com NPV	3.6%
Amazon.Com Com USD0.01	2.8%
Alphabet Inc C Com NPV	2.3%
Visa Com - Class A Shares USD0.0001	2.2%
Taiwan Semiconducter SP ADR(V5 Ord)	2.0%
Broadcom Corp Com NPV	1.8%
Mastercard Com USD0.0001	1.8%
Chicago Mercantile Exchange Com USD0.01	1.7%
S And P Global Inc Com USD1	1.7%
Deutsche Boerse AG NPV	1.7%

* 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 fund's yield tends to move in line with short-term interest rates available from financial institutions that we've carefully screened. Those rates, in turn, depend on the Bank of England's (BoE's) Official Bank Rate, which the BoE uses to keep inflation at 2% over the medium term.

Last August, the BoE cut interest rates for the first time since the end of the COVID pandemic. But, the BoE also noted that inflation 'was likely to rise temporarily' and that it would 'not cut rates too much or too quickly'.

Both of those forecasts came true in the fourth quarter. UK consumer price (CPI) inflation rose from 1.7% in September 2024, year on year, to 2.6% in November. And the BoE cut interest rates just once during the quarter, by 0.25% in November.

At its December meeting, the BoE didn't cut rates although three of the nine members of its monetary policy committee (MPC) voted for a cut. That division within the BoE's MPC reflects how difficult it is to tackle persistent inflation while the UK economy slows. The UK economy shrank 0.1% in October, month on month, and the BoE does not expect it to have grown at all over the fourth quarter.

The BoE next meets on 6 February. A rate cut at that time is possible, but the Bank's message is that its approach will be gradual and data-dependent. Market consensus at the start of January was that the BoE will cut Bank Rate three times during 2025, to 4.00% by the end of the year. That forecast has crept up in recent months.

Fund update

The fund's prime focus is to provide capital security with excellent liquidity and a competitive yield. For that reason, the fund invests only in cash and near-cash assets, diversified across what we assess as high-quality counterparties.

During the fourth quarter of 2024, longer-dated pound sterling yields rose more than short-dated yields. This presented an opportunity for the fund to add longer-dated positions, i.e. beyond six months, at higher yields. We executed this repositioning during mid- to late November.

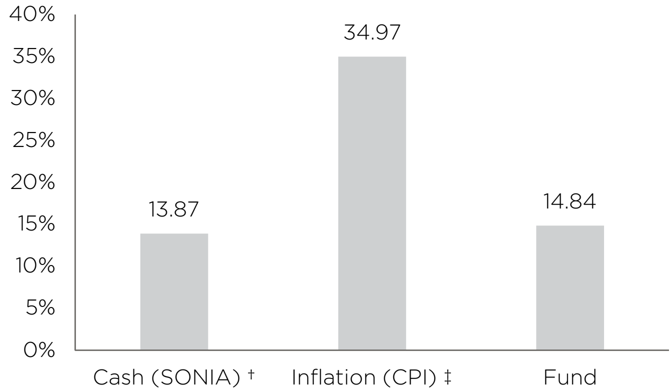
Any decrease in the BoE's Official Bank Rate will eventually lead to a corresponding adjustment in the fund's yield. Since mid-2024, however, investors have scaled back by how much they expect the BoE to cut interest rates in 2025.

Income

Average interest rate over the quarter 4.71% (4.80% AER)*

Interest rate over the quarter end 4.60% (4.68% AER)*

Cumulative total return over last 10 years



Deposit rate as at 31 December 2024

4.80% 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

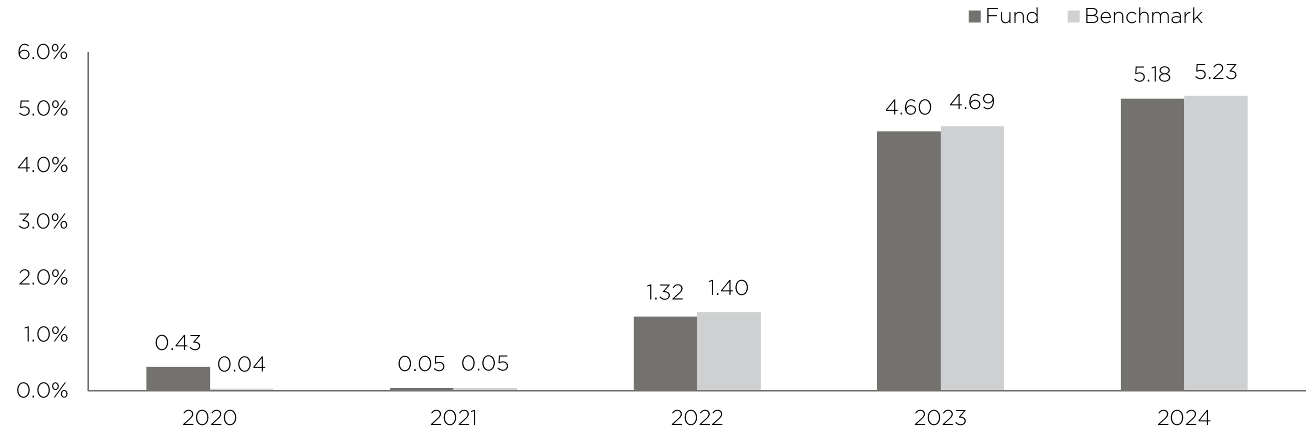
‡ CPI is reported on a 1m lag.

Total return performance

Performance* to 31 December 2024	3 months	1 year	3 years p.a.	5 years p.a.
Deposit	+1.19%	+5.18%	+3.69%	+2.29%
Benchmark	+1.22%	+5.23%	+3.76%	+2.26%

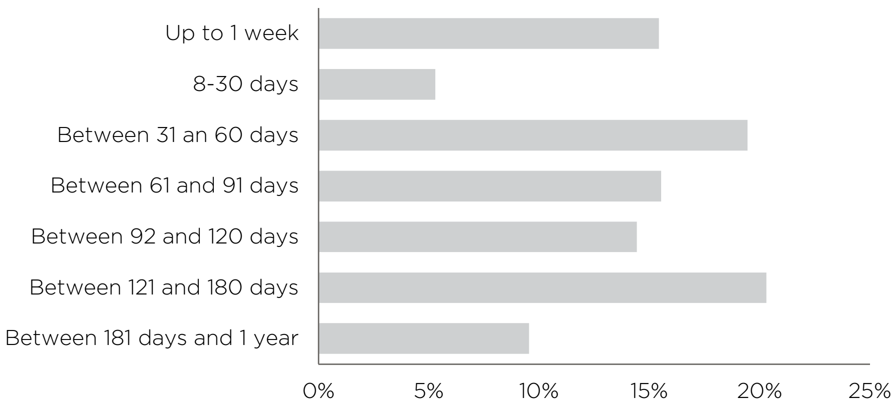
Total return performance by year

12 months to 31 December	2020	2021	2022	2023	2024
Deposit	+0.43%	+0.05%	+1.32%	+4.60%	+5.18%
Benchmark	+0.04%	+0.05%	+1.40%	+4.69%	+5.23%



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



* 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 Short Duration Bond Fund

Performance comment

Over the quarter the Fund returned 0.92% compared with the benchmark return of 1.65%. Over the last 12 months, the Fund returned 5.78% compared with the benchmark return of 6.90%.

Bond yields rose around the world, i.e. bond prices fell, as investors raised their expectations for interest rates.

UK consumer price inflation rose from 1.7% in September, year on year (yoy), to 2.6% in November. UK bond yields rose after the new chancellor's first budget in October, and even after the Bank of England cut its Bank Rate by 0.25% in November. But they rose most after the Bank left interest rates unchanged in December, as its governor declared: 'We can't commit to when or by how much we will cut rates in the coming year'.

In the US, inflation rose from 2.1% in September, yoy, to 2.4% in November. Third-quarter GDP growth and September nonfarm jobs growth came in higher than expected. Donald Trump's election added to that momentum, because his proposals are likely to boost the economy and inflation, and widen the budget deficit. As a result, bond yields rose even after the Federal Reserve (Fed) cut interest rates in November.

In December, the Fed cut interest rates again, as investors had expected. But the Fed's forecast for 2025 came as a surprise. In September, the Fed had projected 1% of rate cuts in 2025, but in December it reduced that forecast to just 0.5% of cuts. That surprise led to falling bond prices, i.e. rising yields, and falling share prices. Over the quarter, 10-year US Treasury yields rose from 3.81% to 4.58%.

Fund update

During the fourth quarter, prices for many bonds fell, i.e. yields rose, because investors scaled back by how much they expect central banks to cut interest rates in 2025. This changed outlook affected prices for long-dated government bonds the most.

However, other kinds of bonds helped the fund produce a positive return during the quarter. For example, shorter-dated, high-quality government bonds delivered the largest contribution to the fund's return in the fourth quarter.

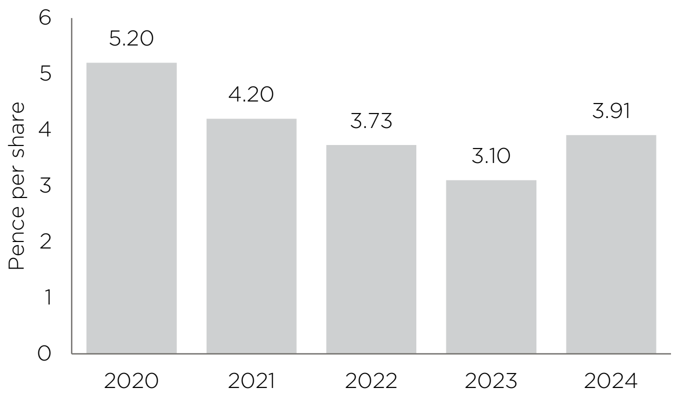
Corporate credit fundamentals remained robust. And many corporate bonds with credit ratings below investment-grade (so-called high-yield bonds) saw their prices fall less than those of government bonds. By sector, corporate bonds of issuers in the banking, telecoms and automotive sectors were the best performers.

Income

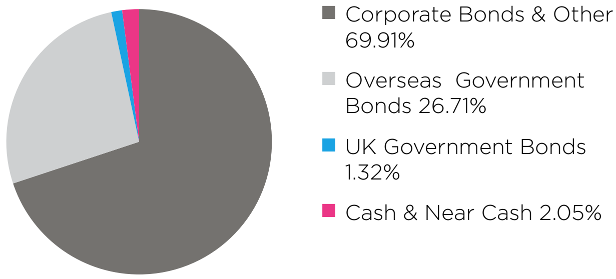
Gross redemption yield 5.21%

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 2024

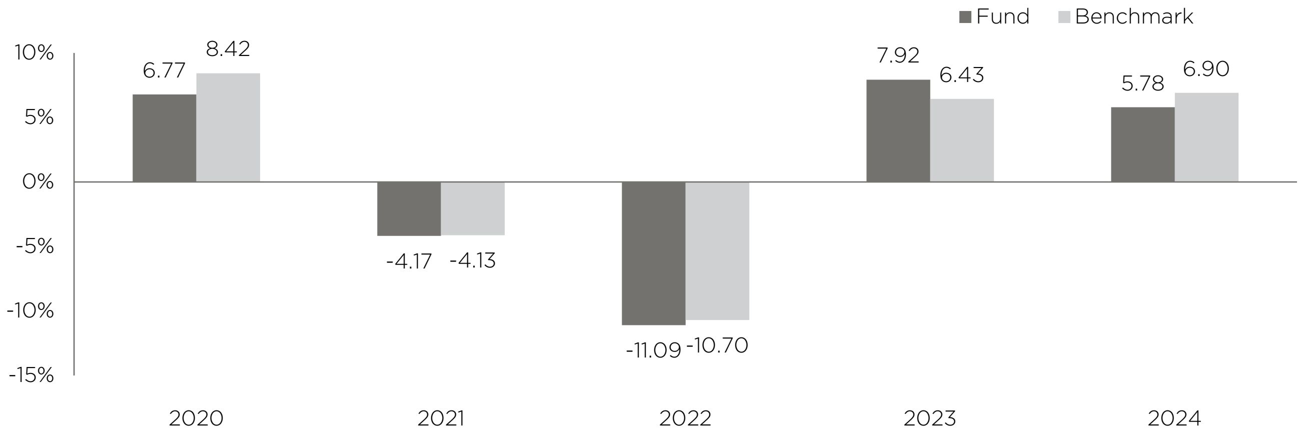


Total return performance

Performance* to 31 December 2024	3 months	1 year	3 years p.a.	5 years p.a.
Short Duration Bond	+0.92%	+5.78%	+0.50%	+0.76%
Benchmark	+1.65%	+6.90%	+0.53%	+1.10%

Total return performance by year

12 months to 31 December	2020	2021	2022	2023	2024
Short Duration Bond	+6.77%	-4.17%	-11.09%	+7.92%	+5.78%
Benchmark	+8.42%	-4.13%	-10.70%	+6.43%	+6.90%



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*
Investment grade	82.5
Non-investment grade (speculative)	17.6
Non-investment grade (less than speculative)	1.0
Unrated	-1.0

By term to maturity

Period	*% Fund*
0 - 5 years	66.1
5 - 10 years	26.8
10 - 15 years	2.2
Over 15 years	5.0
Duration (yrs)	1.8
Average term to maturity (yrs)	8.1

* 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.

** Please refer to www.ccla.co.uk/glossary for explanations of terms.

The CBF Church of England Property Fund

Performance comment

Over the quarter the Fund returned 2.23% compared with the benchmark return of 2.09%. Over the last 12 months, the Fund returned 6.14% compared with the benchmark return of 5.05%.

Investor sentiment continued to improve during the quarter. Income returns remained stable, and the growth of capital values accelerated, as per the MSCI UK Monthly Property Index. Rents continued to grow at a rate of c. 1% per quarter.

Transaction volumes rose in 2024, according to LSH's UK investment transactions research, but mainly in industrial properties, retail parks and the residential sector. In the office segment, values remained under pressure for all but the highest-quality new or refurbished properties, and transaction volumes remained below their long-term average.

Fund update

- At Cannon Street, London, a tenant in liquidation surrendered their lease on space that we re-let at a 14% higher rent. We raised the rent on another lease in that building and removed the break clause.
- In Manor Gate, we secured a rent increase on an industrial unit. An industrial lease at Lutterworth wasn't renewed, but another tenant didn't exercise their break clause, so that income was secured for five more years.
- We sold an office park with management challenges near Cambridge. This sale raised the fund's cash by £7 million.

The economy slowed in the fourth quarter but inflation rose to 2.6% in November, year on year. As a result, the Bank of England kept rates on hold in December and offered little guidance on when or how much it would cut next.

Given that mixed outlook, we are prepared to manage the fund's performance, liquidity and assets under various scenarios. We expect the recovery to continue, but with better performance in industrial and retail sectors than in offices, where building-specific risk is high.

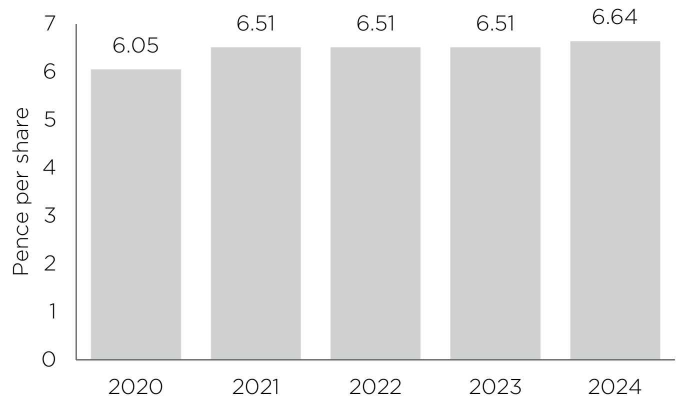
Income

Gross dividend yield 5.39%*

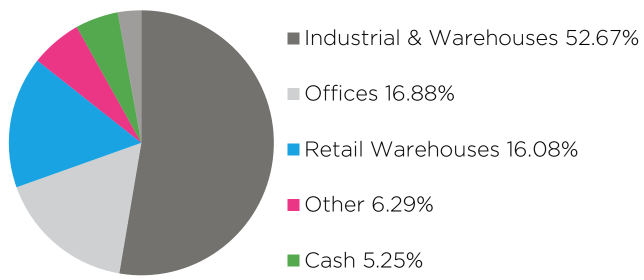
MSCI/AREF Other Balanced Property Fund Index Yield † 4.16%

* Based upon the net asset value and an estimated annual dividend of 6.64p.

Past distributions



Asset allocation as at 31 December 2024

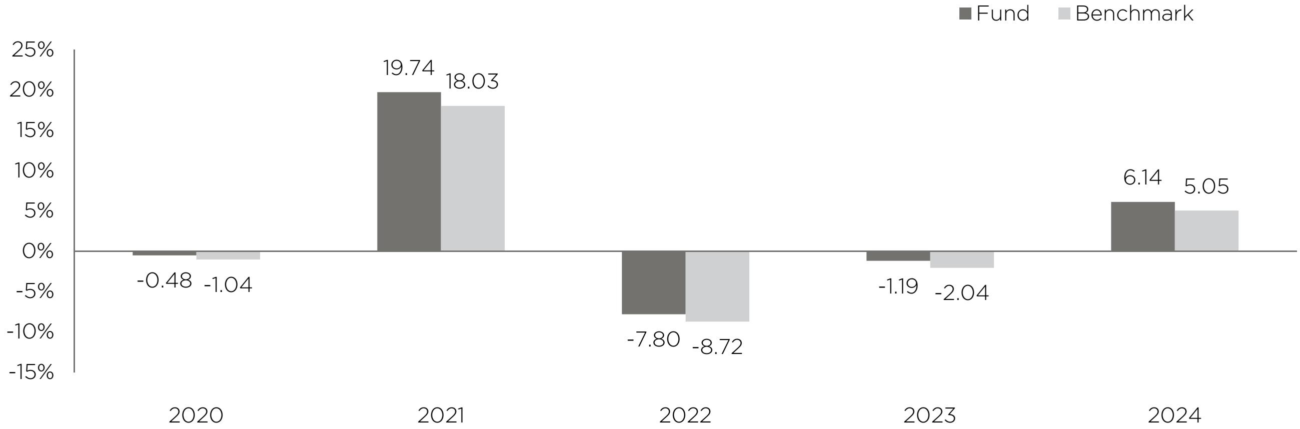


Total return performance

Performance* to 31 December 2024	3 months	1 year	3 years p.a.	5 years p.a.
Property	+2.23%	+6.14%	-1.11%	+2.87%
Benchmark	+2.09%	+5.05%	-2.06%	+1.87%

Total return performance by year

12 months to 31 December	2020	2021	2022	2023	2024
Property	-0.48%	+19.74%	-7.80%	-1.19%	+6.14%
Benchmark	-1.04%	+18.03%	-8.72%	-2.04%	+5.05%

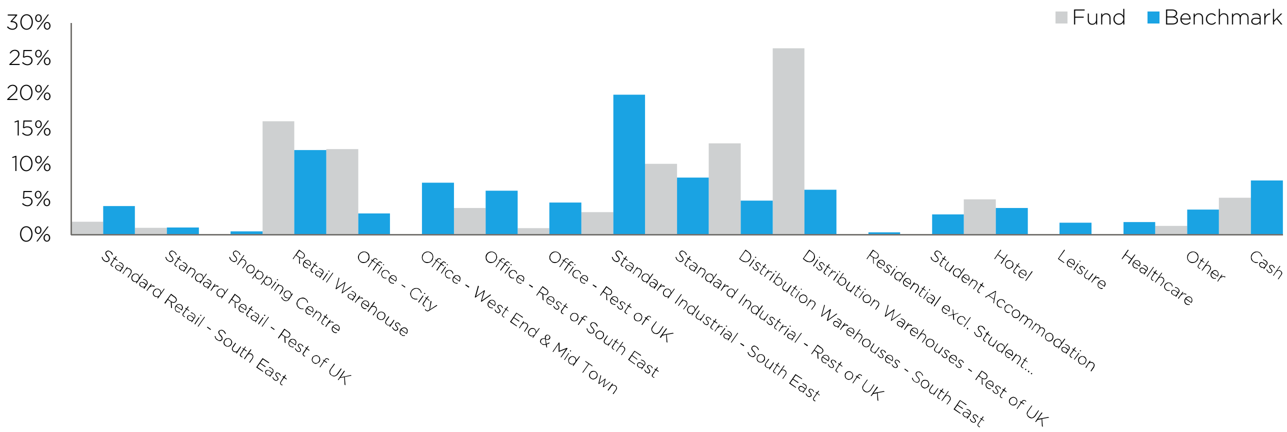


Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

Top 10 underlying property holdings - total 60.52%

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.

The CBF Church of England UK Equity Fund

Performance comment

UK share prices fell 0.61% (1) in the fourth quarter of 2024.

Share prices fell ahead of the new government's first budget in October. In November, the Bank of England (BoE) cut interest rates by 0.25%. This boosted prices during the month, but higher national insurance rates in the budget dimmed the corporate outlook.

In December, UK share prices fell again, as the economic outlook weakened. The UK economy had shrunk 0.1% in October, month on month. But consumer price inflation rose from 1.7% in September, year on year, to 2.6% in November.

The Bank of England (BoE) kept interest rates unchanged in December, and expects zero growth for the UK economy over the fourth quarter of 2024. In addition, rising inflation means that the BoE may keep interest rates higher for longer than investors expected a few months ago.

Over the quarter the Fund returned -1.44% compared with the benchmark return of -0.61%. Over the last 12 months, the Fund returned 4.84% compared with the benchmark return of 9.09%.

- Healthcare shares detracted from performance in the fourth quarter, mainly due to veterinary group CVS, which announced falling profits, and animal biotech firm Genus. Consumer data firm Experian and plastic piping firm Genuit also detracted from returns.
- By contrast, positions in IT businesses such as software firm Sage boosted performance, as did consumer firms Intercontinental Hotels and Watches of Switzerland.

(1) Sources of share prices: MSCI (net return in pounds sterling)

Fund update

We select stocks on their individual merits, favouring companies with strong free cash flows, robust balance sheets, and growth potential that does not depend on broad economic growth. Recognising the limited representation of such stocks in the UK-listed market, up to 20% of the fund may be held in non-UK-listed companies.

We sold the fund's position in plumbing and piping supplier Ferguson Enterprises, following the company's decision to move its primary stock market listing to the United States. Instead, we added electronic design automation firm Synopsys to the fund.

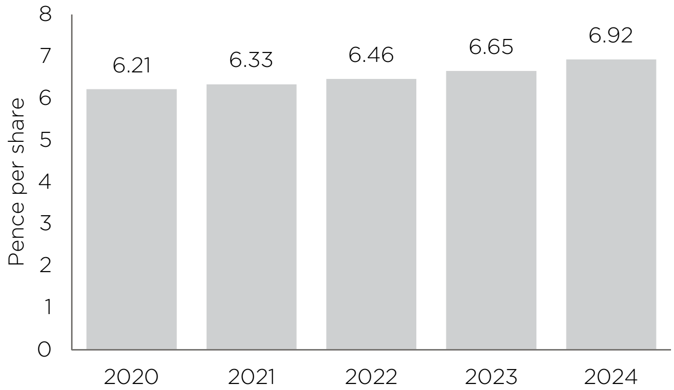
Income

Gross dividend yield 3.46%*

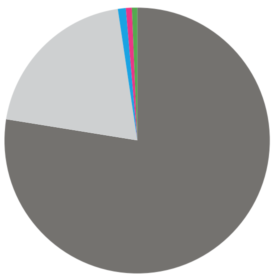
MSCI $ UK IMI dividend yield 3.74%

* Based upon the net asset value and an estimated annual dividend of 6.92p.

Past distributions



Asset allocation as at 31 December 2024



- UK Equities 77.54%
- Overseas Equities 20.13%
- Property 0.96%
- Infrastructure & Operating Assets 0.72%
- Cash & Near Cash 0.65%

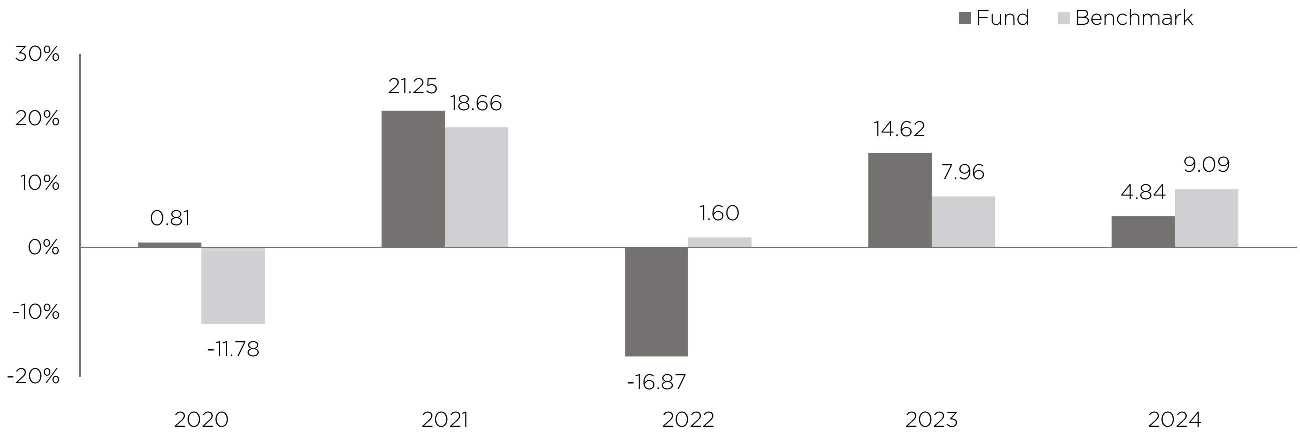
Overseas Equities	**%**
North America	15.31
Developed Europe	3.17
Asia Pacific ex Japan	1.64
	20.13

Total return performance

Performance* to 31 December 2024	3 months	1 year	3 years p.a.	5 years p.a.
UK Equity	-1.44%	+4.84%	-0.04%	+4.07%
Benchmark	-0.61%	+9.09%	+6.17%	+4.61%

Total return performance by year

12 months to 31 December	2020	2021	2022	2023	2024
UK Equity	+0.81%	+21.25%	-16.87%	+14.62%	+4.84%
Benchmark	-11.78%	+18.66%	+1.60%	+7.96%	+9.09%



Benchmark - MSCI UK IMI. Source: CCLA

Top 10 holdings as at 31 December 2024

Sage Group Ord GBP0.0105195	4.2%
London Stock Exchange Group GBP0.069186	3.8%
Compass Group Ord GBP0.1105	3.7%
Relx PLC Ord GBP0.1444	3.4%
Auto Trader Group PLC WI Ord GBP0.01	3.4%
Intermediate Capital Group PLC Ord GBP0.2625	3.4%
Rightmove Ord GBP0.0010	3.4%
Watches of Switzerland Group PLC Ord GBP0.0125	3.4%
Intercontinental Hotels Group Ord GBP0.2085	3.1%
Experian Group Ltd GBP0.1	3.1%

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Oliver Jones-Davies

Director, Client Investments

T: +44(0)20 7489 6049   F: +44(0)20 7489 6126   E: oliver.jones-davies@ccla.co.uk

Client Service Freephone: 0800 022 3505

www.ccla.co.uk