



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Bulletin for Investors – November 2020

This Bulletin is published for investors in the Church of Scotland Investors Trust. It provides an update to the Bulletin published in May 2020, which was intended to help investors understand the likely impact of the COVID-19 pandemic on their holdings in the Growth, Income and Deposit Funds.

Six months later, the pandemic is still causing infections at a high rate in many countries and thereby prompting a series of restrictive measures by governments in the interests of mitigating the effect on public health. These measures had a significant impact on economic activity when first introduced, and the continuation of such measures, even in a less restrictive form, means that only a slight recovery has been experienced. Research on effective vaccines looks promising, but it is too early to predict when these will be widely available or whether they will fully restore the way of life previously enjoyed.

Financial markets were turbulent in the first quarter of 2020, but recovery took place in the second quarter, not least because some sectors of the economy saw increased demand for their services. The technology sector in particular enjoyed rising share prices, with companies helping home-based activity being particularly buoyant as lockdown policies obliged millions worldwide to abandon offices and to work instead from bedrooms and kitchens. However, companies serving the travel and hospitality sectors suffered very badly. Governments responded by introducing support packages for workers who would otherwise have been made redundant, albeit at a massive cost to the public purse. These support measures continue, and most western governments are in uncharted territory in respect of their own finances, with commentators at a loss to know if this will lead eventually to rampant inflation and distrust in the major currencies. The immediate prospect is for very low rates of interest to persist for the foreseeable future.

Growth Fund Income Distributions

The Growth Fund distributes income to investors based on the revenues it receives as share dividends and, to a lesser extent, from bonds and properties. The income distributed for the Investors Trust 2019 financial year was 17.25 p per unit (ppu), paid in three instalments – May 2019, November 2019 and May 2020. For the financial year 2020, we have already made a payment of 4.00 ppu in May 2020 and of 4.0 ppu in November 2020, with the final instalment to be paid in May 2021 estimated to be 4.0 ppu. This means that the total for 2020 is expected to be 12.0 ppu, considerably lower than 2019's 17.25 ppu.

Secretary: Nicola Robertson
Treasurer: Mrs Anne F Macintosh BA CA
Scottish Charity No. SC022884

Please bear in mind that the Growth Fund also makes a first payment for the 2021 financial year in May 2021. At present this is expected to be no less than 3.00 ppu. In total, therefore, the amount paid in May 2021 may be expected to be 7.00 ppu. The payment in November 2021 is also likely to be lower than in 2020, with 3.0 ppu being a reasonable estimate. This would mean total payments actually received by investors in 2021 of 10.0 ppu (which compares with 13.25 ppu actually received in 2020). Although this information is disappointing, we hope it is of value to those preparing budgets for 2021.

The following table sets out the actual and estimated income payments from the Growth Fund (as pence per unit) to assist investors in understanding these comments as Investors Trust has the calendar year as its Financial Year, but most investors will account for income distributions as they are received.

Distribution Date	May 17	Nov 17	May 18	Nov 18	May 19	Nov 19	May 20	Nov 20	May 21	Nov 21	May 22	Total (ppu)
Financial Year 2016	4.75											
Financial Year 2017	4.00	8.00	5.00									17.00
Financial Year 2018			4.00	8.00	5.00							17.00
Financial Year 2019					4.00	8.00	5.25					17.25
Financial Year 2020							4.00	4.00	4.00*			12.00*
Financial Year 2021									3.00*	3.00*	4.00*	10.00*
Financial Year 2022											3.00*	n/a
Calendar Year Receipt	2017	16.75	2018	17.00	2019	17.00	2020	13.25	2021	10.00*		

*Denotes estimated income

Income Fund Distributions

The revenues received by the Income Fund have been declining in recent years as the income yields from long term bonds has gradually reduced. The underlying factor is that bonds mature and the proceeds must be reinvested, but the income yields available on reinvestment are lower than were being received on the matured bond.

The Distribution of Income in this fund has been at a level rate of 25.0 ppu in March and September of each year, making an annual rate of 50.0 ppu in total. For the current financial year to December 2020, a payment of 22.5 ppu was made in September 2020. The income to be paid in March 2021 is likely to be 20.0 ppu, making a total payment of 42.5 ppu based on the income received in the year to December 2020. As lower bond yields (including gilt yields) are expected to persist in 2021, we suggest that Treasurers should plan to receive a distribution of 20.0 ppu in September 2021, which means that the total amount received in 2021 would be 40.0 ppu.

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Deposit Fund Interest

Each quarter, a rate of interest is paid which tracks very closely the interest received by the Trust. Although very short-term interest rates are negligible (zero in many cases), we have been able to pay higher rates of interest as deposits have been placed for longer terms and are earning better rates as a result. However, this is becoming more difficult and the actual rates paid to investors in the Deposit Fund will continue to decline unless there is an unexpected reversal in the monetary policy currently adopted by the Bank of England. It is reasonable to project interest rates payable for Deposits in 2021 as being very low – perhaps 0.20 % over the year.

Other Options

Investors are reminded that holdings of funds managed by Investors Trust may be increased or decreased very easily – full details are on the Church of Scotland website; <https://www.churchofscotland.org.uk/about-us/stewardship-finance-and-trusts/investors-trust> (or type Investors Trust into the Search option on the opening page for quick access).

Brian Duffin
Chairman
November 2020