



# The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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## **BULLETIN FOR INVESTORS- MARCH 2023**

This Bulletin is published for investors in the three funds offered by the Church of Scotland Investors Trust- the Growth Fund, the Income Fund, and the Deposit Fund. It provides a brief overview of the performance of the funds during 2022 to date and an update on the final income payments which will be made by the Growth and Income Funds.

As indicated in our November 2022 Bulletin, the last year has been one of the most challenging years experienced in investment markets for many years. Although some price inflation was expected after the Covid lockdowns (as consumers began to spend more), the Russian invasion of Ukraine led to greater inflation as supplies of certain products became restricted. Severe lockdown restrictions in China also contributed to a surge in prices. This also led to the current energy crisis and significant rises in the price of gas and electricity. As inflation rose (to levels not seen since 1982) central banks, including the Bank of England, tried to control inflation by increasing base interest rates. In the UK, the Truss Government's "mini budget" in September led to further market uncertainty which had a significant impact on UK bond markets. The combined impact of these events led to negative returns in almost all global markets for 2022, with UK long-term bonds, in particular, producing negative total returns of around -40%. As indicated in the November Bulletin, this led to falls in the unit price of both the Growth Fund and the Income Fund. By contrast, the income which COSIT is able to distribute to investors in both funds has increased, as will be shown below.

### **Growth Fund**

The Growth Fund, which is managed by Newton Investment Management, is invested principally in global equities but also has allocations to global bonds and alternative investments (such as holdings in companies which specialise in renewable energy). It seeks to provide investors with growth in capital value while distributing an element of income each year. In the 12-month period to 31 December 2022, the Fund delivered a total return of -9.2% which compares with the performance of the benchmark against which the Fund is measured of -6.7%. A significant part of the underperformance is explained by the fact that the Fund has no holdings in oil and gas companies (which are a component of the benchmark and which performed strongly in 2022).

Despite the difficult conditions, the Growth Fund will be able to pay a total income distribution of 12.00p per unit for 2022 (an increase of 9% over the 2021 distribution of 11p per unit). An initial payment of 3p per unit was made in May 2022, with a further payment of 4p per unit in November 2022. The final payment of 5p per unit will be made in May 2023 (along with an initial payment, yet to be decided, for 2023).

### **Income Fund**

The Income Fund, which is managed by Royal London Asset Management, invests in fixed interest bonds both in the UK and globally and seeks to provide investors with a high and sustainable income and to protect the long-term nominal value of capital. In the 12-month period to 31 December 2022,

the Fund delivered a total return of -12.16% which outperformed its benchmark return of -17.72%. This fund has consistently delivered returns over the long term which are better than that of the benchmark against which the Fund is measured.

The total income paid by the Income Fund for 2021 was 40p per unit. For 2022, a first payment of 22.5p per unit was made in September 2022. The COSIT trustees are pleased to advise investors that the final payment for the year (to be paid in March 2023) will be 25p per unit, making the total for the year 47.5p per unit. This represents an increase of 18.75% on the distribution which was made for 2022.

### **Deposit Fund**

The Deposit Fund, which is managed by Thomas Miller Investments, aims to provide investors with competitive rates of interest while preserving nominal capital values. It has benefitted from the significant increases in interest rates which have been made by banks during 2022 due to both the Bank of England base rate increasing and surging demand for deposits from banks (both of which had been at very low levels). The interest paid by the Fund for the quarter to 31 December 2022 was based on an annual rate of 2.60%, bringing the average rate of interest for the year to 1.16%. It is expected that the interest payment for the next quarter will reflect a further increase.

Robert Burgon

Chairman

March 2023