



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Growth Fund Factsheet Q2 2024

The portfolio produced a positive return over the quarter but was marginally behind its performance benchmark over this period. Despite this, the return was again significantly ahead of the charity industry peers as measured by the early estimate of the ARC Steady Growth Charity Index over the quarter, one year and three years.

Global equity markets produced mixed returns in the quarter, led once again by the US, where technology stocks continued to drive markets higher. The concentration of market value which has built up in the largest stocks over recent years in the US market was evident, with the equal-weighted S&P 500 index producing a negative return. UK equity markets produced a positive return but elsewhere in Europe returns were more subdued.

UK and US ten-year government bond yields moved higher through the quarter, as the last mile of disinflation took a nonlinear path back towards central bank targets and investors monitored fiscal spending promises in an election year. In the UK, headline inflation readings were back in line with Bank of England targets as the quarter ended. Nevertheless, the Bank of England kept rates on hold throughout the period and investors continued to pare back their expectations as to the extent of future rate cuts.

Corporate results in the US continued to be robust, with the majority of companies beating earnings estimates during the first quarter. In this environment, the technology and financial sectors performed well, while the consumer discretionary and real estate sectors underperformed.

Performance to 30th June 2024

	3 months (%)	12 months (%)	3 years (%)	5 years (%)
Fund	2.19	11.6	5.1	4.9
Comparative index	2.43	16.5	7.3	7.8
Relative	-0.25	-4.9	-2.2	-2.9

Outlook

Global equity markets continue to be buoyed by structural transformations, principally in the technology sector, along with the continued strength of economic data despite the tighter monetary policy environment. Over the short term, investors will be alive to any data points challenging the prevailing narrative of a soft economic landing, with labour markets, inflation and growth numbers keenly analysed.

Politics is likely to have an outsized impact on financial markets as we move into the latter part of the year. The upcoming presidential election could affect the outlook for the US economy, to the extent that policy shifts affect growth, corporate profitability or geopolitical relations. With elections having already or about to be taken across a significant proportion of the democratic world, fiscal policies will be closely watched, as higher deficits loom large over economies relying on growth to keep financing metrics within acceptable ranges.

Over the long term, investors will look to assess the potential of the structural transformation occurring in the technology arena, analysing the AI mosaic for signs of exuberance or the realisation of transformational productivity gains.

Top 10 contributors to attribution

Company	End weight	Relative position	Net management effect
	%	%	%
Alphabet Inc	4.22	2.17	0.32
Hipgnosis Songs Fund Ltd	0.85	0.85	0.26
Applied Materials Inc	2.00	1.80	0.19
Recruit Holdings Co Ltd	1.14	1.06	0.16
HDFC Bank Ltd	1.12	1.12	0.13
AstraZeneca PLC	1.27	1.02	0.11
Cordiant Digital Infrass Ltd	0.67	0.67	0.11
Eli Lilly & Company	1.61	0.87	0.10
Trane Technologies PLC	1.48	1.40	0.09
Unilever PLC	1.16	1.02	0.07

Portfolio allocation

Asset class by region in % as at 30 June 2024

	Portfolio	Benchmark	Relative
UK Equities	16.55	2.76	13.79
Overseas -			
North America	36.48	49.86	-13.38
Japan	3.38	3.82	-0.44
Europe Ex UK	12.21	9.01	3.20
Asia Pacific Ex Japan	0.90	1.72	-0.82
Other International	0.00	0.11	-0.11
Emerging Markets Equities	4.76	7.72	-2.96
Overseas Bonds	5.00	0.00	5.00
UK Corporate Bonds	1.34	0.00	1.34
UK Government Bonds	4.28	10.00	-5.72
Alternatives	5.43	8.00	-2.57
UK Property	3.20	5.00	-1.68
International Indirect Property (REITs)	0.12	0.00	0.12
Cash	6.34	2.00	4.34
TOTAL	100.00	100.00	

Risk Warning: - Investors should bear in mind that values fluctuate and, as past performance is no guarantee of future returns, investors may not get back the original amount invested. The Growth Fund and Income Fund units are only realisable on the monthly dealing dates. The distributions paid by the Deposit, Growth and Income Funds are all liable to fluctuation.

Extracted from Newton Investment Management's Investment Report for The Church of Scotland Investors Trust Growth Fund as at 30 June 2024.