



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

121 GEORGE STREET EDINBURGH EH2 4YN
0131-225-5722 Fax 0131-220-3113
e-mail: investortrust@churchofscotland.org.uk

Church of Scotland – Growth Fund Factsheet Q3 2024

The portfolio produced a modest positive return over the quarter, broadly in line with its performance benchmark.

The traditionally quieter summer months in financial markets failed to live up to their billing in 2024. In late July, as investors headed for the beach, the Bank of Japan raised interest rates for the second time this year to combat elevated inflation and negative real interest rates. Later that same week, employment data in the US led to concerns that the US economy was slowing faster than expected, leading financial markets to anticipate an accelerated series of interest-rate cuts by the US Federal Reserve (Fed). These opposing trends triggered a reversal in the significant weakness of the Japanese yen, which had been a feature of financial markets since the Fed began hiking rates in 2022. The currency move caused the VIX index (a measure of financial-market volatility) to spike to levels not seen since the onset of the Covid-19 crisis. Japanese equity markets fell significantly as the yen strengthened and investors contemplated the end of the yen 'carry trade' (where investors borrow low-yielding yen to invest in other assets). US equity markets also declined, driven by concerns about a weaker economic outlook. Technology stocks suffered as investors questioned whether investments in artificial intelligence (AI) technology would deliver on their early promise, while antitrust concerns affected some of the larger technology companies.

The volatility in markets proved short-lived. Subsequent economic data in the US eased concerns about a hard landing for the economy. Bond yields in the US also declined during the period, supporting equity market valuations, as economic conditions remained healthy. In September, the Fed delivered a 0.50% interest-rate cut, couched in a narrative that the economy continued to perform well, allowing monetary policy to normalise, with a gradual reduction to the prevailing restrictive interest-rate environment. The shift in monetary policy caused the US dollar to weaken against a broad range of currencies in the quarter.

Performance to 30th September 2024

	3 months (%)	12 months (%)	3 years (%)	5 years (%)
Fund	0.89	13	4.7	4.6
Comparative index	0.99	16.9	7.2	7.4
Relative	-0.10	-3.9	-2.5	-2.8

Outlook

After a very eventful quarter by any measure, further volatility is likely as markets navigate economic uncertainty, the escalation of the conflict in the Middle East and the US election.

In the shorter term, market volatility may persist as the AI theme, a major driver of returns this year, comes under closer scrutiny. Sensitivity to individual and often conflicting economic readouts is likely to remain high, with investors alert to any data points that question the prevailing narrative of a soft economic landing. Whereas previously investors welcomed negative economic figures as a sign that interest rates may be cut sooner, bad data is now being treated as such, with the focus shifting away from inflation and towards the growth outlook concerns. As markets consider the pace of interest-rate cuts and the rhetoric around any given move, labour markets, inflation and growth numbers look set to remain front of mind. The US economic growth outlook will have global repercussions, as US monetary policy decisions

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

reverberate around the rest of the world as a key determinant in the scope other major economies, such as China and Japan, have to address their own economic issues.

Away from the economic outlook, investors will also be mindful of the worsening conflict in the Middle East and the upcoming US Presidential election. As such, the end of the year is likely to bring further twists and turns before we enter 2025.

Top 10 contributors to attribution

Company	End weight	Relative position	Net management effect
	%	%	%
National Grid PLC	2.02	1.96	0.26
NVIDIA Corp	0.00	-2.85	0.26
AIA Group Ltd	1.69	1.59	0.21
Cooper Cos Inc	1.15	1.13	0.17
Ping An insurance (Group) Co	0.83	0.79	0.17
GE Vernova Inc	0.67	0.60	0.15
Progressive Corp (Ohio)	1.31	1.17	0.14
Hubbell Inc	1.56	1.54	0.14
Sanofi	1.49	1.37	0.13
Trane Technologies PLC	1.33	1.25	0.12

Portfolio allocation

Asset class by region in % as at 30 September 2024

	Portfolio	Benchmark	Relative
UK Equities	75.07	75.00	0.07
Overseas -			
North America	34.04	49.47	-15.43
Japan	3.48	3.76	-0.28
Europe Ex UK	14.61	9.07	5.54
Asia Pacific Ex Japan	2.77	1.81	0.96
Other International	0.00	0.11	-0.11
Emerging Markets Equities	5.45	7.99	-2.54
Overseas Bonds	4.79	0.00	4.79
UK Corporate Bonds	1.36	0.00	1.36
UK Government Bonds	3.19	10.00	-6.81
Alternatives	4.75	8.00	-3.25
UK Property	3.17	5.00	-1.71
International Indirect Property (REITs)	0.12	0.00	0.12
Cash	7.56	2.00	5.56
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.

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