



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Growth Fund Factsheet Q4 2023

The portfolio generated a good positive return over the quarter but didn't manage to keep pace with the exceptionally strong end to the year.

The Fund produced a positive return over the quarter but underperformed its performance benchmark. While the performance is also behind the benchmark over calendar 2023, it is significantly above industry peers as measured by the ARC Steady Growth Index, where the early estimate of the return is +7.3%.

On a relative basis over the quarter, there was a negative contribution from equity security selection and the underweight positioning in high yield bonds, which rallied significantly on the back of better than expected us inflation data.

Performance to 31st December 2023

	3 months (%)	12 months (%)
Fund	4.15	10.60
Comparative index	5.40	13.20
Relative	-1.25	-2.60

Outlook

Monetary policy continues to be a key driver of investment returns in both bond and equity markets. The future path of inflation will be key in determining the extent and timing of any relaxation in policy, and markets have moved aggressively to anticipate a looser policy environment over the coming year. Uncertainty remains around whether inflation can be reduced from a normalisation of supply conditions or if a cooling in demand conditions must also play its part. For now, investors are content that a 'soft landing' is in prospect. Geopolitical issues continue to have the potential to disrupt this pathway via commodity-price volatility, supply-chain logistics disruption and trade sanctions, among other factors.

While lower interest rates and bond yields alleviate a key pressure on both consumer and corporate spending power and support asset valuations, volatility in key financial metrics is unhelpful for certainty and long-term decision making. Domestic politics is likely to rise up the agenda for investors as the year progresses, with elections taking place in many regions, not least in the US. Policy emphasis is likely to affect the outlook for several sectors exposed to partisan spending outlooks.

Structural demand trends remain in place over the long term, however, we remain focused on those companies which we believe have more resilient long-term earnings profiles and attractive end-market outlooks. We continue to seek to benefit from the opportunities and avoid the challenges identified by our multidimensional research process, as the tectonic shifts in areas such as technology, health care, energy and geopolitics continue to shape the world around us.

Top 10 contributors to attribution

Company	End weight	Relative position	Net management effect
	%	%	%
Recruit Holdings Co Ltd	0.95	0.88	0.17
Dassault Systemes	1.07	1.04	0.16
RELX PLC	3.01	2.93	0.16
Novozymes A/S	0.78	0.77	0.15
Exxon Mobil Corp	0.00	-0.45	0.13
Microsoft Corp	4.75	1.77	0.13
SAP SE	1.83	1.65	0.11
Trane Technologies PLC	1.15	1.09	0.09
Applied Materials Inc	1.64	1.49	0.09
Tesla Inc	0.00	-0.80	0.09

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.