The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Growth Fund Factsheet
Q4 2024

The portfolio underperformed the benchmark over the quarter.

In a very positive environment for particular pockets of equity markets, the portfolio struggled to keep pace with your benchmark. Indeed, three of the largest negative contributors to the relative performance were companies that we did not hold, namely Tesla, NVIDIA and Broadcom. Our cautious positioning has been in place over much of the last two calendar years, during which time markets have generally sailed ever higher. This has impacted upon our relative performance for your portfolio, which in turn has dragged down the longer-term equivalents. While this is clearly disappointing, we remain firmly of the belief that the combination of the wide range of geopolitical and economic challenges and a narrow market leadership on high valuations means that risks for investors are elevated. In short, a cautious positioning is warranted.

The technology sector is an increasingly dominant component of global equity indices and stocks in this sector and related other sectors were the strongest performers over the quarter. The portfolio's underweight position to technology therefore detracted from relative returns and in aggregate stock selection in the IT sector was a detractor. The portfolio did benefit from overweight positions in stocks that are beneficiaries of the significant capital expenditure taking place on technology, the development of generative artificial intelligence and companies benefitting from this trend through the supply chain.

We continue to favour and overweight the defensive growth characteristics of the healthcare sector, however reduced the scale of the overweight position. The portfolio's holding in Novonesis, which develops enzymes to serve as biological catalysts to speed up chemical reactions, was sold. Its biobased products help improve crop yields and increase energy eMciency (for example lower washing temperatures), but the company was trading at a 75% premium to the global market and growth was slowing and the company was in the process of merging with its prime competitor. We also topped up Edwards Lifesciences following the July sell off which we judged to be excessive given the long-term growth potential of this innovative business that is focused on improving patient outcomes and quality of life.
The portfolio finished the year overweight equity, broadly neutral in bonds (but underweight high yield), underweight in alternatives and overweight in cash to reflect our view of the risks in markets. We added to fixed income exposure during the quarter through long dated conventional gilts as yields rose to more appealing valuations considering the yield being paid after adjusting for inflation.

Performance to 31st December 2024

	3 months (%)	12 months (%)	3 years (%)	5 years (%)
Fund	2.86	11.6	3.8	5.0
Comparative index	4.83	16.3	7.1	8.1
Relative	-1.96	-4.7	-3.3	-3.1

Outlook

Equity market returns, particularly in the US, have been strong in the recent past, buoyed by the potential of a new technology wave and a supportive policy backdrop ensuring economic growth, employment and inflation kept simmering on a low heat. Global conditions have been less favourable, most notably in Europe and China, although global equities have also produced good returns. International investors into the US have also benefitted from a strong US dollar in recent times as the economy has outperformed.

Extracted from Newton Investment Management's Investment Report for The Church of Scotland Investors Trust Growth Fund as at 31 December 2024.

Heading into 2025 investment markets will face the backdrop of a tightening liquidity environment with the ongoing reversal of quantitative easing, interest rate cuts likely near their short term conclusion and higher bond yields. The guidance from the Federal Reserve meeting in December was that after 1% of cuts over 2024, this rate cutting cycle is now mature. Inflation dynamics remain sticky, with policy initiatives are likely to increase upward pressure and the bond market is requiring an increased premium from the government, given the deteriorating fiscal backdrop, and stated intentions. Past actions have at least returned some form of "normality" and positive real yields, to developed bond markets, paying investors in real terms for lending once again.

Top 10 contributors to attribution

Company	End weight	Relative position	Net management effect
	%	%	%
Alphabet Inc	4.00	1.97	0.27
Recruit Holdings Co Ltd	1.52	1.42	0.22
GE Vernova Inc	1.33	1.25	0.21
Sony Group Corporation	1.78	1.65	0.19
SAP SE	2.31	2.06	0.18
Goldman Sachs Group Inc	1.21	1.03	0.16
CME Group Inc	1.70	1.62	0.15
Smurfit WestRock PLC	1.41	1.41	0.14
Mastercard Incorporated	1.92	1.50	0.14
Walt Disney Company	1.04	0.84	0.10

Portfolio allocation

Asset class by region in % as at 31 December 2024

	Portfolio	Benchmark	Relative
UK Equities	14.25	2.60	11.65
Overseas -			
North America	36.83	51.33	-14.50
Japan	4.12	3.63	0.49
Europe Ex UK	13.09	8.21	4.88
Asia Pacific Ex Japan	2.39	1.64	0.75
Other International			
Emerging Markets Equities	5.69	7.45	-1.76
Overseas Bonds	5.07	-	5.07
UK Corporate Bonds	1.06	-	1.06
UK Government Bonds	3.21	10.00	-6.79
Alternatives	4.37	8.00	-3.63
Property	3.20	5.00	-1.80
International Indirect Property (REITs)	0.12	-	0.12
Cash	6.59	2.00	4.59
TOTAL	**100.00**	**100.00**	

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