



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

121 GEORGE STREET EDINBURGH EH2 4YN

0131-225-5722

e-mail: investortrust@churchofscotland.org.uk

Church of Scotland – Income Fund Factsheet Q1 2024

Performance commentary

The Ethical Bond fund saw a positive return in the period and was ahead of the iBoxx Sterling Non-Gilt index benchmark. The main driver of positive performance was the combination of our sector allocation and stock positioning. At a sector level, our underweight position in supranationals and overweight in both insurance and structured were the main positives as supranationals continued to lag the wider market, having also underperformed in the second half of 2023.

For the Global Bond Opportunities fund, we saw strong performance from across the portfolio – demonstrating the value of the high level of diversification built into the fund. Within banks, the largest sector exposure in the fund, we have a significant exposure to AT1 bonds: these performed well during the period as demand continued to recover following the Credit Suisse rescue earlier in 2023.

The Sterling Extra Yield fund also posted strong positive returns in the quarter, with high income continuing to support returns, as did strong selection in bank and general industrials, while our structured exposure was also positive despite the negative impact of our exposure to Thames Water.

RLAM Performance Summary:

	Church of Scotland (%)	Benchmark (%)	Relative (%)
Q1 2024	2.11	0.06	2.05
12 months	9.93	6.14	3.79
3 Years	0.45	-3.36	3.81
since migration (01/02/2012)	5.30	2.83	2.47

Investment Outlook

The rally in bond yields seen late last year, prompted by hopes that falling inflation would lead to relatively rapid and numerous interest rate cuts, was largely unwound in the first two weeks of 2024. This reflects the change in interest rate expectations and the sensitivity of markets to incoming economic data. Looking at market pricing, UK base rates are projected to be around 4.5% at the end of 2024, this is in contrast to the 12-month outlook, where markets were projecting rates below 4%. We expect yields to remain sensitive to economic data, and unless there is a significant deterioration in underlying trends, we expect this to lead to range bound-yields and the opportunity to add/trim duration as markets react to individual data points.

Headline inflation is expected to reach the 2% Bank of England target level in the next few months. However, we are mindful that underlying pressures in the labour market and parts of the services sector mean that headline inflation figures may be somewhat misleading. In addition, data since the start of the year suggests that the UK is growing again – albeit slowly. This trend can be seen in the US and euro zone as well. Overall, the global tone is that rate cuts are not going to come through as quickly as anticipated and that the neutral level may be a bit higher than previously thought.

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.

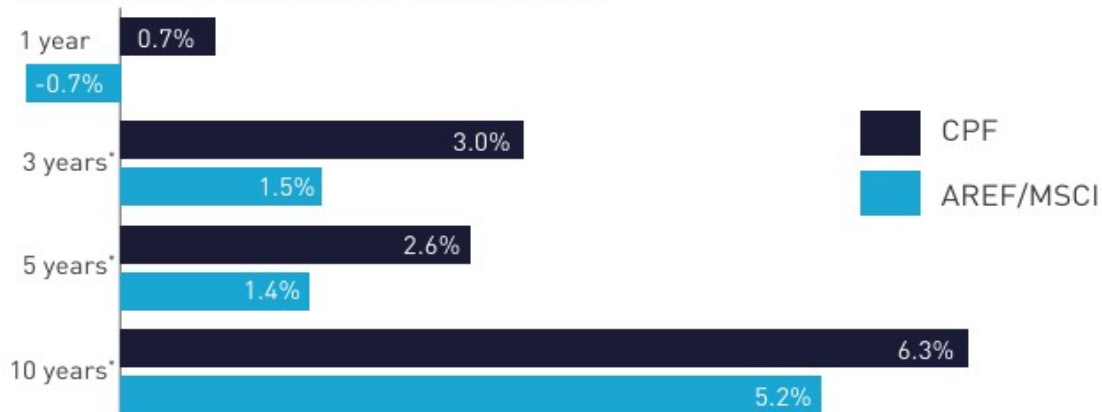
Extracted from Royal London Asset Management's Investment Report for The Church of Scotland Investors Trust Income Fund as at 31 March 2024 and Savills Charities Property Fund @ cpfund.co.uk

With bond yields generally higher than they were at the start of the year, and interest rate cuts now closer, we believe that overall government bond yields look attractive. Credit spreads have come in further – and are now looking somewhat tight in longer-dated bonds – but continue to compensate credit investors for the risk of default. From a credit spread perspective we continue to find better value in shorter-dated credit bonds, but with absolute yields at attractive levels we prefer to be broadly neutral in overall duration positioning, with a bias to extend on further rises in yields.

Savills Charities Property Fund Performance Summary

The Fund total return for Q1 2024 was 0.6% compared to the AREF/MSCI UK All Balanced Property Fund Index of 0.5%. Over the last 12 months the Fund produced 0.7% against the Index which returned -0.7%.

Fund Performance Annualised



Source: Savills Investment Management, MSCI/AREF Quarterly Property Funds Index, 31 March 2024]

Basis: NAV-to-NAV with gross income reinvested

The Charities Property Fund launched in 2000. Total return is net of fees and expenses.

Past performance is not an indicator of future performance.