



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Income Fund Factsheet Q4 2023

Performance commentary

- The Ethical Bond fund saw a positive return in the period and was broadly in line with the benchmark. The main driver of positive performance was our sector positioning, notably our underweight position in supranationals, which continued to lag the wider market having done so in the third quarter. Duration and curve positioning were positive – we were slightly long going into the quarter and the fall in yields and strong performance from longer-dated bonds therefore helped.

RLAM Performance Summary:

	Church of Scotland (%)	Benchmark (%)	Relative (%)
Q4 2023	6.32	7.35	-1.03
12 months	9.44	8.60	0.84
3 Years	-1.02	4.84	3.82
since migration (01/02/2012)	5.20	2.88	2.31

Investment Outlook

- Inflation has come down significantly in 2023 but remains well above the Bank of England's target, and now does not have the 'easy' wins of base effects to push this lower. In our view, wage inflation is the key metric to watch: we believe that the Bank will find it hard to start cutting rates if wages continue to rise at 5-6% per annum. Although the economic data remain very mixed, we still believe that higher interest rates will contribute to a slowdown in the UK. This could well impact company earnings and lead to some increase in pressure on credit markets. However, consumer resilience has been greater than expected in both the UK and globally, which has helped support growth and prevent a recession. How this continues into 2024 could prove critical.
- Breakevens globally have fallen sharply as inflation data weakened. However with labour markets remaining tight, average earnings high and geopolitical risk growing we think inflation could remain sticky supporting shorter dated index link bonds. The UK still remains expensive but we will look for better opportunities to sell UK breakevens.
- We expect supply to weigh on credit markets in the first quarter but believe that underlying fundamentals will limit spread widening. Our emphasis remains on building diversified portfolios, with a high relative exposure to asset backed and strongly covenanted bonds that offer an attractive yields. This strategy underpins the excess yield of the portfolio relative to its benchmark.
- Although recent outperformance means that the relative attractiveness of sterling credit bonds has reduced, we still favour holding them compared to UK government debt as credit spreads remain at levels that more than compensate for the credit risk. Given the potential challenges in the outlook, we remain focused on identifying companies with strong balance sheets, favouring issues with security and downside protection, and ensuring that portfolios are diversified across issuers and sectors.

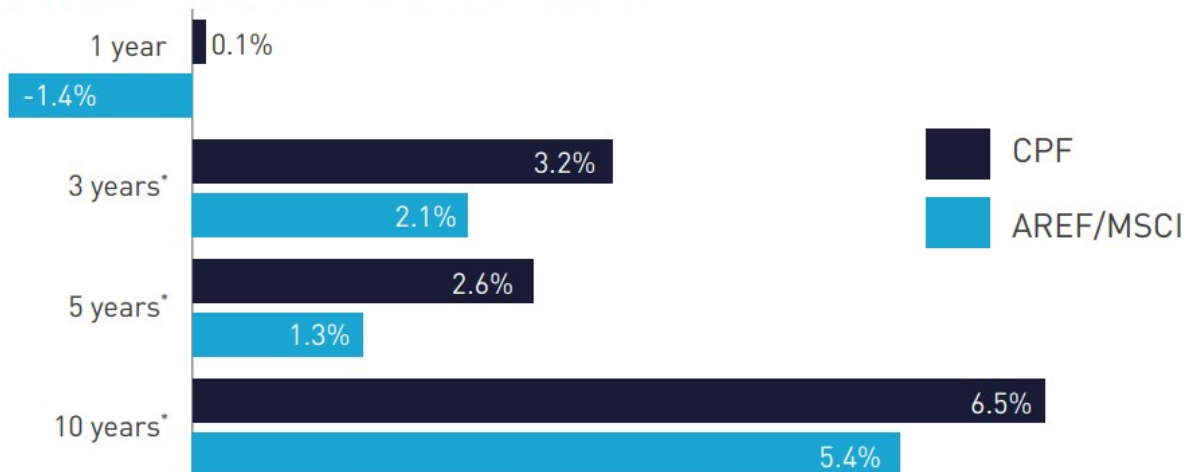
Risk Warning: - Investors should bear in mind that values fluctuate and, as past performance is no guarantee of future returns, investors may not get back the original amount invested. The Growth Fund and Income Fund units are only realisable on the monthly dealing dates. The distributions paid by the 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 December 2023 and Savills Charities Property Fund @ cpfund.co.uk

Savills Charities Property Fund Performance Summary

The Fund total return for Q4 2023 was -0.8% compared to the AREF/MSCI UK All Balanced Property Fund Index of -1.2%. Over the last 12 months the Fund produced 0.1% against the Index which returned -1.4%.

Fund Performance Annualised



Source: Savills Investment Management, MSCI/AREF Quarterly Property Funds Index, 31 December 2023)

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.