



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Deposit Fund Factsheet Q2 2024

Performance of financial assets was mixed in the second quarter of 2024 as investors turned their attention to growing signs of weakening economic data. In developed equity markets, performance decoupled, with US equities advancing and European markets falling as geo-political risks grew stronger. US and UK sovereign debt advanced as further signs of cooling inflation led to a stronger probability of central bank policy easing.

As anticipated, the European Central Bank became the first of the major central banks to cut interest rates, delivering a 25bps cut at its June meeting. Other first movers included the Swiss Central Bank, with its second cut in Q2 (after a cut in Q1). The Bank of Canada also cut rates in June. This meant that four of the central banks with a G10 currency have now embarked upon rate cuts.

In the US, large cap equities led gains as investor sentiment remained strong towards technology and AI-related companies. The S&P 500 posted a third consecutive quarterly gain of +4.3% as semiconductor company Nvidia rose +36.7%. Other sectors showed signs of weakness, however, with the small-cap Russell 2000 falling -3.3%.

In Europe, equities were generally weaker as weakening economic data and increased geo-political risks from upcoming elections dampened investor risk appetite. The regional Euro Stoxx 50 Index fell by -1.6%. Political uncertainty in France resulted in the CAC 40 index falling -6.6% during the period. Equities in the UK fared better as the FTSE 100 rose +3.7%. Inflation continued to fall towards the Bank of England's target rate of 2%, with the central bank expected to ease monetary policy later in the year. A surprise UK election announcement had little effect on UK equities or Gilts, with the polls already heavily in the oppositions favour.

In other markets, Japan's Nikkei 225 saw a correction from its highs, with a fall of -1.9%. It did manage to recoup some losses towards the end of the quarter following further weakness in the Yen however. In Hong Kong, the Hang Seng was the best performing major global index, rising +9.0%, following strong gains in the technology sector.

In fixed income, performance in UK Gilts was mixed. At the shorter end of the curve the FTSE 0-5 year Gilt index was largely unchanged, whereas the FT All Gilt index fell -1.2%, resulting in a flattening of the yield curve, with the 2-10 year spread moving from -24 to -5 basis points. The Bank of England kept interest rates on hold at 5.50%, with first reduction in the current interest cycle expected in September. US Treasuries were just about in positive territory as inflation continued to fall, with interest rate futures anticipating the initial cut in September.

FUND HIGHLIGHTS

- Total Fund = £ 114 million (as at 30th June 2024)
- Invested with 5 Financial Institutions
 - £32.5 million maturing within 3 months
 - £26.5 million maturing within 4 to 6 months
 - £55.0 million maturing over 6 months

Extracted from Thomas Miller Investment Manager's Investment Report for The Church of Scotland Investors Trust Deposit Fund as at 30 June 2024



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PLEASE NOTE: Deposits taken by the Deposit Fund are exempted from the Financial Services and Markets Act 2000, by virtue of the Financial Services and Markets Act 2000 (Exemption) Order 2001. Investments in the Growth and Income Funds and deposits in the Deposit Fund are **NOT** covered by the Financial Services Compensation Scheme.