The Church of Scotland Investors Trust
Constituted by Act of Parliament 1994

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Church of Scotland – Deposit Fund Factsheet
Q4 2023

Coming into the quarter, markets grew increasingly confident that central banks had come to the end of their interest rate hiking cycles. However, the timing of the anticipated dovish policy shift was still uncertain and most assets initially struggled. Optimism of this central bank 'pivot' grew after inflation readings fell further during the quarter and the focus then turned to the expected magnitude of future interest rate cuts. This triggered a period of market exuberance, leading to an 'almost everything rally' that really took off towards the end of October and persisted for the rest of the period, ensuring a year of strong returns. This was highlighted by JP Morgan, who asserted that 2023 'marked the third best year for a global 60/40 stock/bond allocation in the last 20 years – behind only 2009 and 2019'.

The prospect of lower interest rates saw global equities perform strongly during the period, with a return of +11.5%. Unsurprisingly, growth stocks performed best in this environment, with the MSCI World Growth Index up +13.4%. This was also evident in the major developed market indices, where the S&P 500 was the top performer, returning 11.7%. For the year as a whole, a significant portion of the S&P's +26.3% return was derived from the so-called 'Magnificent Seven' technology-related stocks, which dominate the index (and returned an incredible 107% for 2023). However, for the quarter, the upward trend was much broader, with the majority of index constituents in positive territory. European equities lagged the US but still enjoyed a solid quarter, returning +6.7%. However, Japan, with almost no prospect of a monetary easing tailwind, could only manage a return of +2%. The FTSE 100, with its relatively high exposure to underperforming energy stocks and a stronger currency, managed a return of +3.2%. Elsewhere, emerging market and Asia-Pacific equities enjoyed a strong quarter, returning +7.9% and +6.5% respectively.

Bonds also rallied in Q4 to post their first positive annual returns for a number of years.

For currencies, Q4 was generally a weaker Dollar story and, to a lesser extent, a weaker Yen. The Dollar fell by -4.6% against a basket of major currencies in Q4 as the Fed became the first major central bank to signal future rate cuts. The Yen's weakness stemmed from the Bank of Japan looking increasingly trapped/isolated by maintaining its dovish stance.

FUND HIGHLIGHTS

- Total Fund = £ 104.5 million (as at 31st December 2023)
- Invested with 5 Financial Institutions
  - £24.0 million maturing within 3 months
  - £23.0 million maturing within 4 to 6 months
  - £57.5 million maturing over 6 months

***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.*

Extracted from Thomas Miller Investment Manager's Investment Report for The Church of Scotland Investors Trust Deposit Fund as at 31 December 2023