

QUARTERLY BULLETIN

30 June 2009

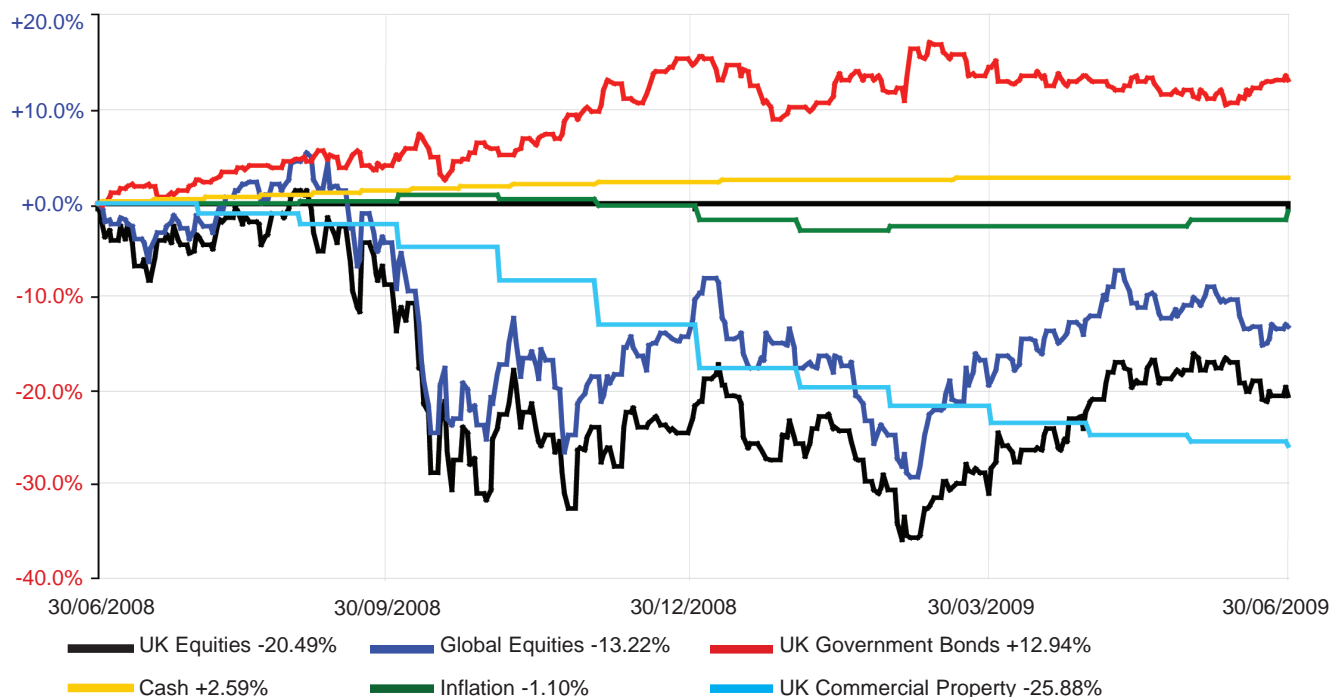


for Charities

Market Review and Outlook

Markets at a Glance - 12 Months to 30 June 2009

Equities, bonds, cash and property - 1 year returns



Sources: Bloomberg, IPD: FTSE All-Share Total Return Index, FTSE All-World Total Return Index, FTSE UK Govt All-Stocks Total Return Index, IPD Monthly Total Return Index*, 7 Day LIBID, Retail Price Index* (*Latest monthly return estimated by CCLA).

Market Review & Outlook

- † The second quarter of the year has seen a sharp rally in global equity markets, reversing the trends experienced in the opening months. The FTSE All-World Index gave a return of +7.03% in sterling terms despite some weakness in the final few weeks of the period. The domestic equity market was stronger, with a return of +10.88% overall whilst of the major international markets, the US rose by +0.89%, Japan by +7.03%, Europe by +9.72% and Asia by +17.13%.
- † In fixed income markets government stocks eased by -1.32%. An increased appetite for risk saw investors shift assets to other investments whilst concern also grew about the volume of new issuance due over the medium term. Corporate bonds however rose, benefiting from the increased risk tolerance. The iBoxx non-gilt 7-10 year maturity index gave a return of +13.63%.
- † Property values continued to retreat albeit not at the pace seen earlier in the year. Falling rental values were a concern to investors. The IPD Monthly Index is estimated to have declined by -3.11% in the quarter.
- † In currency markets sterling rallied, rising by +14.91% against the dollar, +8.50% against the euro and +11.88% against the yen.
- † Economic news fell into two groups. The historic data reflected the sharp downturn in activity in the early months of the year and was thus uniformly poor. Much of the downturn was due to companies reducing stocks in the face of falling demand and so, as inventories were cleared, manufacturing demand improved once more. This is the main factor behind recent improved manufacturing output levels.
- † Efforts by the UK authorities to stabilise the economy and ultimately stimulate demand have continued. Interest rates have remained at extremely low levels and the Bank of England has pursued a policy of quantitative easing, buying bonds in the hope of pushing long term interest rates lower.
- † In time these will help to stimulate activity but the recovery will be frail with little momentum building until 2010.
- † Equity markets have moved higher in anticipation of a recovery and will need evidence of progress to rise significantly from here. We expect higher prices in time but do not expect the path to be smooth or steady. Volatility will stay at elevated levels.

Distributions for the Quarter

COIF Charities Fund	Distribution per Income Unit	Payment Date	
Investment Fund	10.23p	28/08/09	<p>† The distribution to investors has been maintained at the higher level paid in 2008.</p> <p>† EYV aRj ^ V_eē W Ž! a aVc:_T ^ V F _Žē d eV dR^ ` f_eē % Ž' aL%Ž" ~ YZYVc than the equivalent previous payment.</p>
Global Equity Income Fund	1.56p	28/08/09	<p>† EYV aRj ^ V_eē Z_gVdeē d YRd SVV_ ^ RZ_eRZ_VU ReēV]VgV] aRZU Reē d dRXV in 2008.</p>
Property Fund	1.80p	28/08/09	<p>† EYV aRj ^ V_e` W Ž! a aVc:_T ^ V F _Žē d eV dR^ V Rd eV ReWc eV Vbf ŽR]V_e period in 2008.</p> <p>† EYV UŽēZf eZ _ Wc eV aRdeWf c bf RēV d Ž \$Ž ! ~ YZYVc eV R_ eV ReWc eV equivalent previous period.</p>
Fixed Interest Fund	1.80p	28/08/09	<p>† EYV aRj ^ V_eē Z_gVdeē d Ž f _TYR_XVU ` _ eV T ^ aRcRS]V aVcZ U Z_ #! !) Ž 3RdVU ` _ eV :_T ^ V F _Žē acZV ReēV V_U ` W f _V R_U R_ R__f R] UŽēZf eZ _ of 7.20p, the income yield on the Fund is 5.72% and the gross redemption yield is 3.98%*.</p>

*The gross redemption yield indicates what the total return would be if the Fund's investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised. Please note that forecast annual income and income yields are not guaranteed and will change over time due to changes in interest rates and the securities held by a fund.

Interest for the Quarter

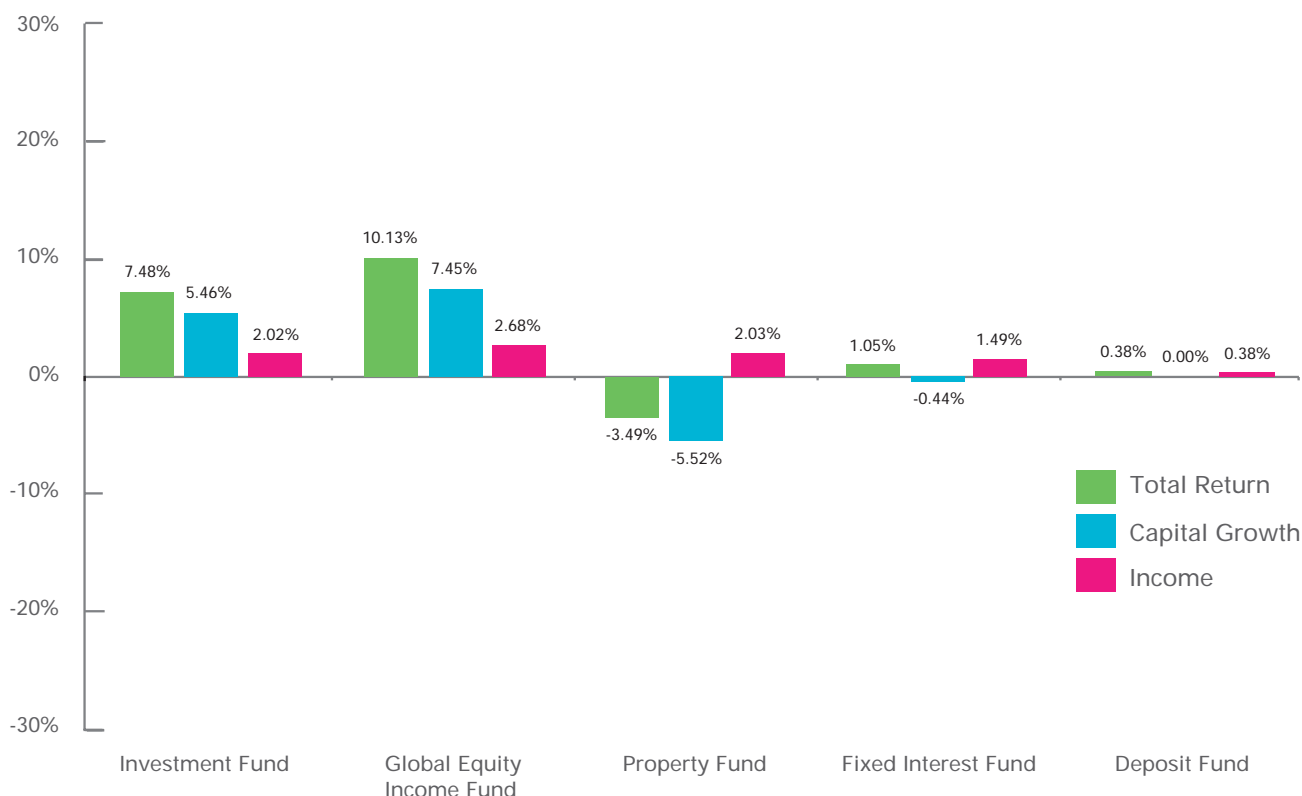
COIF Charities Deposit Fund

Average interest rate over the quarter	1.28% (1.29% A.E.R.)**	<p>† EYV Z_eV d eV d eV aRj RS]V ` _ eV 7f _U Ž d f]eZ' RēV]j UVaV_UV_e` _ eV d eV d available in the money markets. Over the period interest rates have continued to decline.</p>
Interest rate at the quarter end	1.10% (1.10% A.E.R.)**	<p>† EYV YZY UV^ R_U WcTdUŽēYRd ^ VR_eēRe^ ` _Vj ^ RcVcRēVd YRgV SW_ at a premium to official rates. This premium is expected to continue but at a lower level.</p> <p>† EYV 7f _U Ž d eV U 222žG" Sj 7ŽTY CRēZ_Xd+eV Ž d V]W]Tad eV V bf R]Žj ` WēV lending portfolio and its low volatility.</p>

**A.E.R. = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

Fund Performance

COIF Charity Funds over the Quarter (gross)



Source: CCLA. Gross returns before management fees and expenses. Please note that past performance is no guarantee of future returns. Investments in long term funds can go up and down in value and you may not get back the amount originally invested.

Performance Comment

COIF Charities Investment Fund

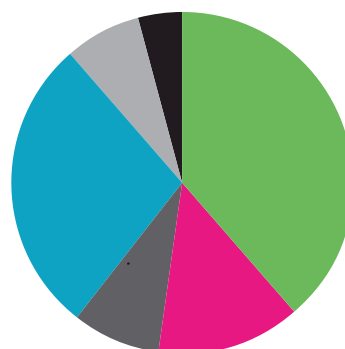
- † In a difficult environment for income we have been able to maintain the payment at 10.23p per Income Unit. The payment for the past four quarters is 4.31% above that for the previous comparable period.
- † Improved levels of investor confidence has allowed equity markets to rise strongly over the quarter, corporate bonds have also moved higher whilst government bonds (gilts) have edged lower. Property has remained out of favour and has continued to lose ground.
- † The stronger quarter has moderated the decline in value of the Fund over the past year but it nevertheless remains down over the longer period. The performance results from the Fund's benchmark are not yet available.

Longer term total return performance (gross) 12 months to end June:

	2009	2008	2007	2006	2005
Fund	-14.5%	-11.6%	+15.6%	+16.9%	+16.4%
Benchmark	-14.5%	-8.3%	+15.1%	+16.0%	+16.6%

Benchmark – WM Co CFS Universe, Total Assets (Current Quarter Not Yet Available)

Asset Allocation as at 30 June 2009



Overseas Equities %

Europe	9.7
USA	10.2
Japan	2.2
Pacific Ex Jap	4.0
Other	1.9
Total	28.0

UK Equities 38.8%	Overseas Equities 28.0%
Fixed Interest 13.6%	Property 7.4%
Infrastructure 8.3%	Cash 3.9%

Source: CCLA. Performance shown before management fees and expenses; net returns will differ after the deduction of fees and charges. Please note that past performance is no guarantee of future returns. Investments in long term funds can go up and down in value and you may not get back the amount originally invested.

Performance Comment (cont)

COIF Charities Global Equity Income Fund

- † The income distribution to investors is at a rate of 1.56p per Income Unit, unchanged on the payment for 2008.
- † Global equity markets have risen over the quarter on hopes that the worst phase of the economic downturn has passed.
- † Despite the recent rally the Fund has lost value over the past year, but at a pace considerably less than the decline experienced by the Comparator, the FTSE All-Share Index.

COIF Charities Property Fund

- † The income payment to investors has been maintained at 1.80p per Income Unit. Over the past year total income payments are unchanged on the comparable period.
- † Commercial property values have continued to decline, albeit at a reduced pace compared with the previous quarter. Investors became increasingly concerned about the sustainability of income flows as rents fell and threats of lost tenants increased.
- † The Fund's performance is in line with that of the benchmark.

COIF Charities Fixed Interest Fund

- † The income payment has been maintained at 1.80p per Income Unit.
- † Government securities (gilts) have enjoyed support from investors seeking a safe haven from volatile markets. As hopes of an economic improvement gained momentum so corporate bonds rallied.
- † The relatively high weighting to government stocks has helped performance over the past year and has been a major contributor to the outperformance of the benchmark.

COIF Charities Deposit Fund

- † At the end of the quarter the rate paid to investors was 1.10% (1.10% AER*). Interest rates continued to decline over the period reflecting the low level of activity in the economy and the absence of inflationary pressures
- † The Fund has maintained its interest rate above official rates because of continued credit shortages in the financial system.
- † Although interest rates are at low levels there is scope for further declines in the period ahead. Rates may be lower but risks remain and the investment policy of the Fund will maintain a prime focus on capital security.

Longer term total return performance (gross) 12 months to end June:

	2009	2008	2007	2006	2005
Fund	-14.2%	₪	₪	₪	₪
Comparator	-20.5%	₪	₪	₪	₪

Comparator - FTSE All-Share Index

Longer term total return performance (gross) 12 months to end June:

	2009	2008	2007	2006	2005
Fund	-25.5%	-14.2%	+15.9%	+19.7%	+14.3%
Benchmark	-25.7%	-13.7%	+13.0%	+21.2%	+16.3%

Benchmark - IPD Monthly & Quarterly Valued Funds Excluding the Smallest & Largest 5% (Current Quarter Estimated)

Longer term total return performance (gross) 12 months to end June:

	2009	2008	2007	2006	2005
Fund	+10.9%	+5.9%	-0.4%	+1.7%	+10.9%
Benchmark	+6.5%	+4.2%	+0.3%	+1.6%	+10.9%

Benchmark - WM Co. CFS Universe, UK Bonds (Current Quarter Estimated)

Longer term total return performance (gross) 12 months to end June:

	2009	2008	2007	2006	2005
Fund	+3.9%	+6.1%	+5.3%	+4.7%	+4.9%
Benchmark	+2.5%	+5.7%	+5.2%	+4.6%	+4.8%

Benchmark - 7 Day LIBID

*A.E.R. = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

Source: CCLA. Performance shown before management fees and expenses: net returns will differ after the deduction of fees and charges. Please note that past performance is no guarantee of future returns. Investments in long term funds can go up and down in value and you may not get back the amount originally invested.

Strategy and Outlook

COIF Charities Investment Fund

- † The strategy of the Fund is to provide investors, over a business cycle, with an average return of inflation +5% whilst at the same time maintaining the real value of the income paid.
- † The portfolio has a strong bias towards those asset classes plus a rising income, such as equities, property and infrastructure which we believe will provide strong long term returns.
- † The Fund has a substantial exposure to international investments in the equity and infrastructure portfolios to benefit from higher rates of economic growth. Our practise is that currency risks are controlled by the use of hedging techniques.
- † Recent changes to the portfolio include adding to the corporate bond holdings to lock-in attractive levels of income at valuations which are low relative to government securities; increasing the infrastructure weighting, via purchases in the secondary markets and raising the proportion of the US dollar exposure which is hedged.

COIF Charities Global Equity Income Fund

- † The Fund's portfolio is comprised of companies which have a high current yield but which can also provide growing income in the future. Companies are bought on their own merit and there is no pre-determined requirement to have a set weighting to any sector or geographical region.
- † The advantage of the global reach of the Fund is that it is able to consider companies from any of the world's markets, some of these are in sectors which are only poorly represented in the UK market.
- † Equity markets have rallied strongly in the second quarter and now reflect some expectations of improved economic conditions. Our view is that recovery will come but that it will be relatively weak and slow to start. Against this backdrop our focus will be on finding strong companies able to increase their dividend payment to investors.

COIF Charities Property Fund

- † Commercial property values declined but at a lower rate than in the recent past. Prime properties with good and secure yields found some support, secondary properties where future income is less secure, continued to be de-rated.

- † Our focus at this point in the cycle is on security of income by improving leases and eliminating voids.
- † We expect to complete a sale in the near term which will eliminate a rental void and a below standard lease. The cash raised will improve the flexibility of the Fund to respond to changing market conditions.
- † We are actively looking for investment opportunities at these low levels of the market. Trading activity however is thin and properties of an appropriate standard are increasingly hard to find.

COIF Charities Fixed Interest Fund

- † Government securities have paused in recent months but corporate bonds have improved as investors have become less concerned with simple safety and more concerned with current income and future recovery.
- † The weighting to corporate bonds has been increased due to the sector's attractive valuations relative to gilts, the focus though has remained on high quality issuers.
- † The government bond holdings have a maturity profile shorter than that on the market as a whole, this is a defensive stance against possible future price weakness.
- † Cash holdings have been reduced to support income levels and to fund the increased exposure to corporate bonds.

COIF Charities Deposit Fund

- † The prime focus of the Fund is on the safety and security of the investments. The portfolio only uses bank deposits and does not buy securities. Deposits are made only to an approved list of high quality borrowers, the membership of which is kept under constant review. If any borrower drops below our high standards they are simply excluded from future considerations.
- † EYV 7f_U YRd SW_ Rh RdJVU R_ 222G" dRæ_X Sj 7ÆTY Ratings, the leading international rating agency. AAA ('Triple A') is the highest credit rating available.
- † Market interest rates have continued to decline and this has been reflected in the interest rate paid by the Fund.
- † Higher rates have been available over the period but not at risk levels considered to be acceptable.
- † The probability is that official interest rates will stay low into the medium term. In this environment some further erosion of the rate paid by the Fund is likely.

Responsible Investment Report

Our work has five strands -

- 1 Engagement focused on social and environmental issues that are a priority for our clients.
- 2 Setting constraints on investment and exposure to activities considered unacceptable by our clients based on our 2008 client survey.
- 3 Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.
- 4 Selecting investments that deliver social or environmental benefits plus market-level risk-adjusted returns.
- 5 Integrating appropriate risk factors into stock selection.

Quarterly highlights

- † Investing in a triple A rated bond issued by the International Finance Facility for Immunisation, which is supported by several G8 countries including the UK.
- † Meeting the Chief Executive of Barclays to discuss issues of concern to Christian and charity investors.
- † Meeting the Chief Executives of both Provident Financial and a not-for-profit regional competitor.
- † Presenting at a major CBI event about climate change and the need for companies to disclose their carbon reduction targets.
- † Meeting a HM Treasury Minister with a handful of other institutions to discuss potential changes that would support a longer term approach to investment.

Voting in more detail

- † The Fund voted at 54 UK company meetings during the three months under review.
- † Proxy voting statistics can be found at www.ccla.co.uk
- † During the quarter, the Fund opposed executive remuneration at 12 companies, and abstained from supporting remuneration at a further five. Reasons included undemanding performance criteria and potential excess when looked at in aggregate. An individual long-term incentive plan was opposed at one company (Home Retail Group).
- † CCLA opposed the bundled shareholder resolution at Tesco. Whilst having some sympathy for the aims of the resolution, we viewed its structure to be largely unworkable, as well as duplicating work already undertaken by the company.
- † In May, remuneration was voted down at Royal Dutch Shell by 59% of shareholders after discretion was used to grant share awards to executives in spite of performance hurdles not being reached. CCLA was among those that opposed these awards.

Ethical constraints

- † Based on the 2008 client survey we have applied to the Charity Commission for approval to make changes to the COIF suite of funds. Further details should be available in the autumn.



for Charities

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