

QUARTERLY BULLETIN

31 March 2009

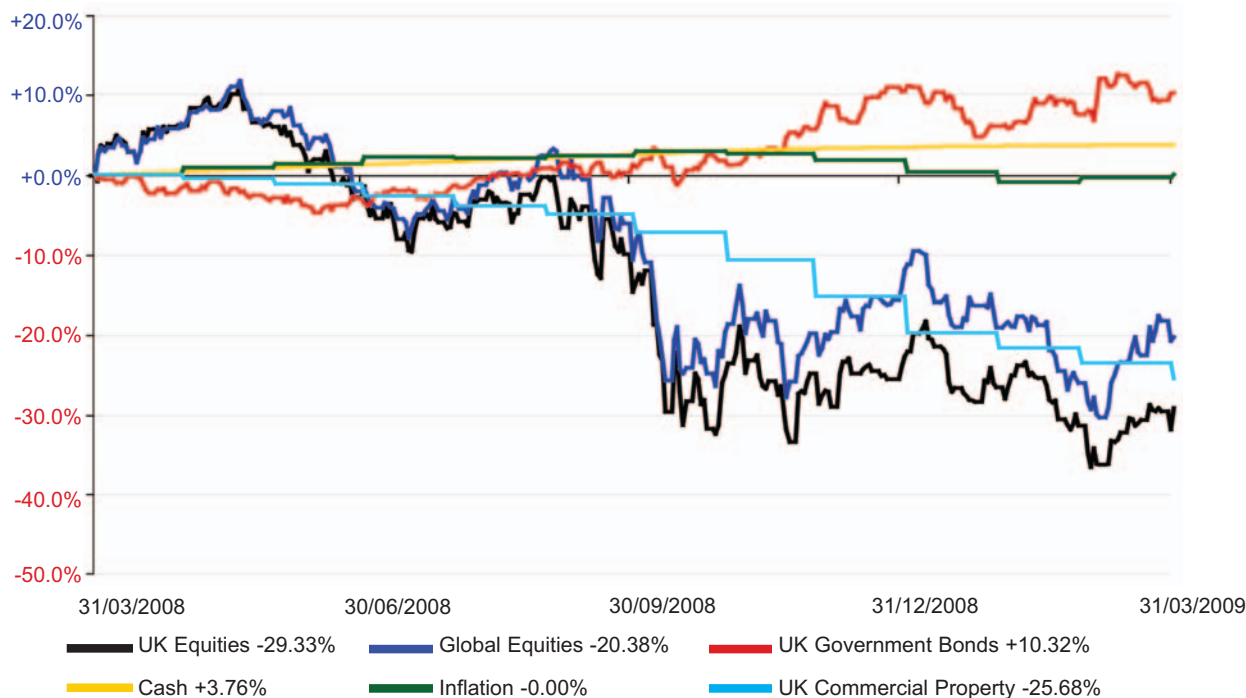


for Charities

Market Review and Outlook

Markets at a Glance - 12 Months to 31 March 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

- In the opening quarter of 2009 most major equity markets have exhibited the weakness that characterised much of 2008.
- Over the period the FTSE All-World Index returned -10.20% to a sterling based investor, this despite a strong rally in the final few weeks. The UK market mirrored this performance as the FTSE All-Share Index fell by -9.08%, the market pulled lower by continuing weakness in financial stocks and selling of traditionally defensive sectors which had previously held up well in the downturn.
- Of the major international markets the return from the US was -10.27%, from Europe -16.04% and Japan -16.10%. Asian markets performed better and were all but unchanged with a return of -0.05%.
- In fixed income markets prices did not suffer the same weakness but neither did they enjoy the support that was evident previously. UK government securities produced a slightly negative overall return (-0.81%) but corporate issues were weaker, pulled back by economic concerns and worries of an increased risk of default.
- Property values retreated. Falling rents were a negative but the main cause was the move by valuers to bring valuations more closely into line with the prices actually being achieved in the market. The IPD Monthly Index of commercial property values is estimated to have declined by -7.31% in the first quarter.
- The economic news flow during the period was uniformly poor. A feature of this downturn has been the pace at which conditions have deteriorated. So swift has this been that forecasters have been taken by surprise, thus although expectations have been changed, too often the adjustment has been late and reactive, leaving expectations exposed to later negative news flows.
- Against this gloomy backcloth governments have continued to create initiatives to promote recovery. In the UK this has involved the Bank of England beginning a programme of quantitative easing – effectively a strategy designed to push money into the economy by the Bank buying bonds from commercial banks and other holders. The hope is that this activity improves liquidity and forces long term interest rates lower.
- In time these actions, together with the contribution to growth from lower interest rates and a weaker currency, will help build a recovery, an improvement however is unlikely before 2010.
- Investment markets of course discount economic moves and so will anticipate an upturn before it is underway. It may be therefore that the recent steadier trend in markets reflects some early hopes that the worst phase of the downturn is passing. We see good long term value in many areas of the investment universe but remain aware that risks are at elevated levels and it may be that further squalls come along to test sentiment before recovery becomes fully established.

Distributions for the Quarter

COIF Charities Fund	Distribution per Income Unit	Payment Date	
Investment Fund	8.80p	29/05/09	<ul style="list-style-type: none"> The payment to investors has been maintained at the level paid in 2008. The payments for the past four quarters amount to 41.86p, 9.30% higher than the equivalent previous payment.
Global Equity Income Fund	1.30p	29/05/09	<ul style="list-style-type: none"> The payment to investors has been maintained at the level paid at this stage in 2008.
Property Fund	1.70p	29/05/09	<ul style="list-style-type: none"> The payment of 1.70p per Income Unit is the same as that for the equivalent period in 2008. The distributions for the past four quarters is 5.88% higher than those for the equivalent previous period.
Fixed Interest Fund	1.80p	29/05/09	<ul style="list-style-type: none"> The payment to investors has been maintained unchanged on the comparable period in 2008. Based on the Income Unit price at the end of March and an annual distribution of 7.20p, the income yield on the Fund is 5.70% and the gross redemption yield is 3.99%*.

*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

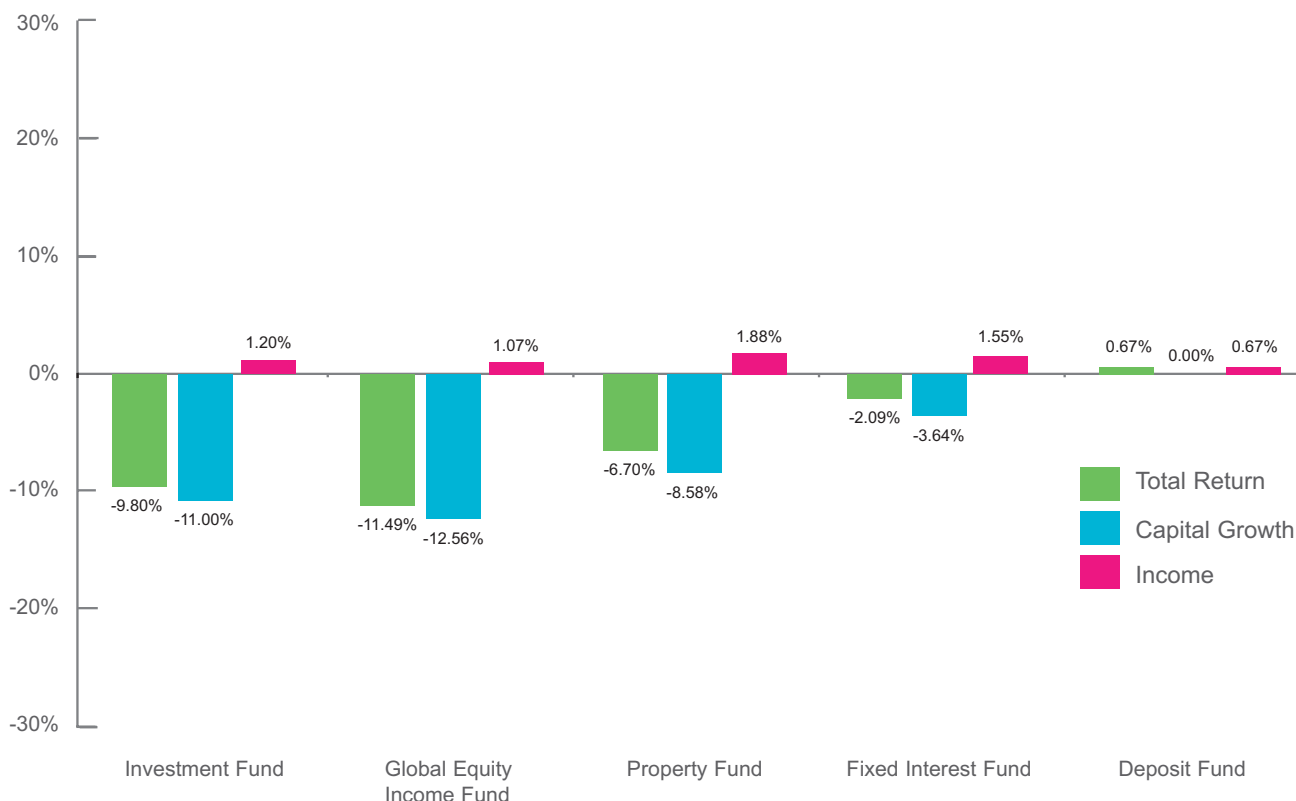
COIF Charities Deposit Fund

Average interest rate over the quarter	2.22% (2.24% A.E.R.)**	<ul style="list-style-type: none"> The interest rate payable on the Fund is ultimately dependent on the rates available in the money markets. Over the period interest rates have continued to decline.
Interest rate at the quarter end	1.50% (1.51% A.E.R.)**	<ul style="list-style-type: none"> The high demand for credit has meant that money market rates have been at a premium to official rates. This premium is expected to continue but at a lower level. The Fund is rated AAA/V1 by Fitch Ratings: this reflects the quality of the lending portfolio and its low volatility.

**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

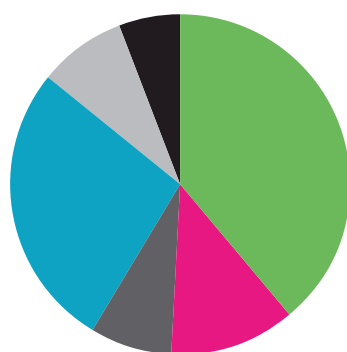
- Despite an increasingly difficult environment for income we have been able to maintain the payment to investors at a rate of 8.8p. The payment for the past four quarters amounts to 41.86p, a 9.30% increase on the comparable period last year.
- Investment markets have remained weak over the quarter. Equities in particular have lost ground but property values also eased and government securities (gilts) gave flat returns.
- Over the past 12 months the Fund has fallen in value by some -23.6%. The performance results from the benchmark are not yet available.

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

	2009	2008	2007	2006	2005
Fund	-23.6%	-4.6%	+8.9%	+25.3%	+13.7%
Benchmark	-	-3.4%	+7.9%	+25.2%	+13.2%

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

Asset Allocation as at 31 March 2009



Overseas Equities %

Europe	8.7
USA	10.0
Japan	2.7
Pacific Ex Jap	4.8
Other	1.1
	<u>27.3</u>

UK Equities 38.9%	Overseas Equities 27.3%
Fixed Interest 12.0%	Property 8.3%
Infrastructure 7.9%	Cash 5.6%

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 1.3p per Income Unit. This is unchanged on the payment for this period in 2008.
- Investment markets have remained under downward pressure as concerns have increased over the financial crisis and the scale of the economic downturn.
- Against this backcloth the Fund has produced a negative return of -25.8%. This compares with a return of -29.3% for the performance comparator, the FTSE All-Share Index.

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

	2009	2008	2007	2006	2005
Fund	-25.8%	n/a	n/a	n/a	n/a
Comparator	-29.3%	n/a	n/a	n/a	n/a

Comparator - FTSE All-Share Index

COIF Charities Property Fund

- The income payment to investors is at the rate of 1.70p per Income Unit. The payments for the past four quarters is 5.88% higher than that for the comparable period last year.
- Commercial property values fell over the period as valuations were reduced to reflect prices being achieved in transactions.
- In this difficult environment the Fund has declined in value by -23.8%, this compares with an estimated -25.5% decline in benchmark.

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

	2009	2008	2007	2006	2005
Fund	-23.8%	-10.8%	+19.3%	+17.2%	+16.2%
Benchmark	-25.5%	-9.2%	+15.8%	+21.0%	+17.7%

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

COIF Charities Fixed Interest Fund

- The income payment to investors has been maintained at 1.8p per Income Unit.
- Over the period government securities markets have been supported by investors seeking a safe haven from volatile markets and a source of secure income. Corporate bonds have performed less well due to default concerns.
- The Fund has produced a return of +6.6% which compares with an estimated +3.5% return on the benchmark.

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

	2009	2008	2007	2006	2005
Fund	+6.6%	+6.8%	+0.8%	+7.1%	+5.5%
Benchmark	+3.5%	+5.0%	+1.4%	+6.9%	+5.5%

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

COIF Charities Deposit Fund

- At the end of the quarter the rate paid to investors was 1.50% (1.51% AER*). Interest rates continued to decline over the period as economic activity weakened and inflation fears retreated.
- The Fund has been able to provide an interest rate above office rates because of credit shortages in the money markets. These premia have declined slightly as government action to erase liquidity shortages have begun to take effect.
- Interest rates are very low by historic standards but there is scope for further declines in the months ahead. Although rates are lower, risks remain and the focus on safety and security will continue.

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

	2009	2008	2007	2006	2005
Fund	+5.0%	+6.0%	+5.0%	+4.7%	+4.7%
Benchmark	+3.6%	+5.8%	+4.9%	+4.6%	+4.6%

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 with a total return over a business cycle at a level equivalent to inflation +5% p.a. whilst at the same time maintaining the value of the income paid in real terms.
- The portfolio has a bias towards those asset classes which we believe will provide strong long term returns and a rising stream of income. This means an emphasis on assets which can benefit from the growth over time of the economy such as equities, property and infrastructure.
- The Fund has a substantial exposure to international markets so as to benefit from stronger economic growth and to exploit the increased choice of individual companies this brings.
- Exposure to currencies other than sterling has been a positive contribution to performance.
- The pronounced weakness in investment markets over recent months reflects a coming to terms with the sharp downturn in the global economy. At current levels the value on offer to long term investors is substantial, near term however there is a risk of a further setback whilst volatility is likely to remain elevated for some time.

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 fallen sharply in reaction to both the credit crunch and the slowdown being experienced in economic activity. At current levels the long term attractions of good quality international equities are strong, in the near term however day to day volatility is likely to remain elevated and there are risks that further periods of weakness could occur.

COIF Charities Property Fund

- Commercial property values declined again as valuers continued the process of adjusting valuations down to reflect prices actually being achieved in transactions. Activity remained at low levels but there are signs of buying interest for prime properties with sound tenants.
- Our policy continues to be one of seeking improved returns by a programme of refurbishment and improvement and by keeping voids to as low a level as possible.

- We are currently in the process of disposing of a vacant freehold with the intention to boost cash holdings and improve flexibility for the future.
- Yields seem to be stabilising for good quality properties at around current levels and so the focus is on how severe the weakness in rents becomes. There is a clear downtrend in parts of the market – offices and retail shops – which is spreading geographically. If the dip is shallow then we expect to see much more stable conditions later in the year.

COIF Charities Fixed Interest Fund

- Government securities (gilts) are little changed over the quarter as investor enthusiasm has been blunted by contemplation of the reduced yields on offer and the prospect of a huge wave of new issues.
- Corporate bonds have performed less well, with bonds issued by banks in particular falling sharply. This was due to fresh concerns over the financial security of the sector and increased risk of default.
- We have used the weaker trend in the corporate bond sector to increase our exposure, locking-in attractive yields but always with a focus on quality and risk control.
- The government securities segment of the Fund is structured to be relatively cautious whilst the government's new issuance programme gathers steam and whilst the full practical implications of quantitative easing become understood.

COIF Charities Deposit Fund

- The prime focus of the Fund is on the safety and security of the investments. The portfolio is deposited with a diversified list of high quality borrowers which is kept under constant review to ensure that there is no deterioration in status or standing.
- The Fund has been awarded a AAA/V1 rating by Fitch Ratings, the leading credit rating agency. AAA ('Triple A') is the highest credit rating available.
- Interest rates have continued to decline and this has meant a reduction in the income paid by the Fund, longer term deposits made at higher rates have helped to cushion the decline.
- Market interest rates may ease further in the months ahead, any increase is still many months away.

Responsible Investment Report

Our work has three strands -

- 1 Engagement on issues of corporate social responsibility with a view to optimising long term economic returns.
- 2 Engagement on corporate governance including proxy voting on issues to protect and enhance shareholder value.
- 3 Setting appropriate constraints on investment and exposure to activities considered unacceptable by the independent Board.

1. Corporate Social Responsibility (CSR)

Key issues that we have covered over the last three months include:

- We met the management of the Jupiter Green Investment Trust to understand how the change in US President might affect their sustainability related investment themes.
- The COIF Charities Investment Fund has invested £2.5m in micro-finance through Triodos. We believe this approach offers a combination of excellent financial returns, strong and persistent diversification advantages, and significant social benefits.
- We met the Chief Executive of BSkyB to relay client concerns about the continuing ownership of pornographic channels.
- We met the Charity Commission to discuss the client survey driven CSR changes we expect to make to the COIF suite of investment funds. We intend to provide further information to all investors before the summer.

2. Corporate Governance

- The Fund voted at 12 UK company meetings during the three months under review.
- Proxy voting statistics can be found at www.ccla.co.uk
- During the quarter, CCLA voted against executive remuneration at BP, and abstained from supporting amendment to the Performance Share Plan Rules at Sage Group.
- At the former we have continuing concerns at the narrowness of the peer group for the award of long-term incentives, and discretion used by the Remuneration Committee to make an award in the past year even though performance conditions were not met.
- In volatile markets where corporate performance may be under pressure, investors will be closely monitoring the decisions taken by remuneration committees to ensure executive awards remain appropriate, stretching and linked to the delivery of superior performance. To that extent it may be noted that already in 2009 two companies have had their remuneration reports defeated by investor action (Royal Bank of Scotland and Bellway).

3. Ethical constraints

- We confirm that the funds are managed in accordance with the principles set by the Board.



for Charities

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