
CCLA

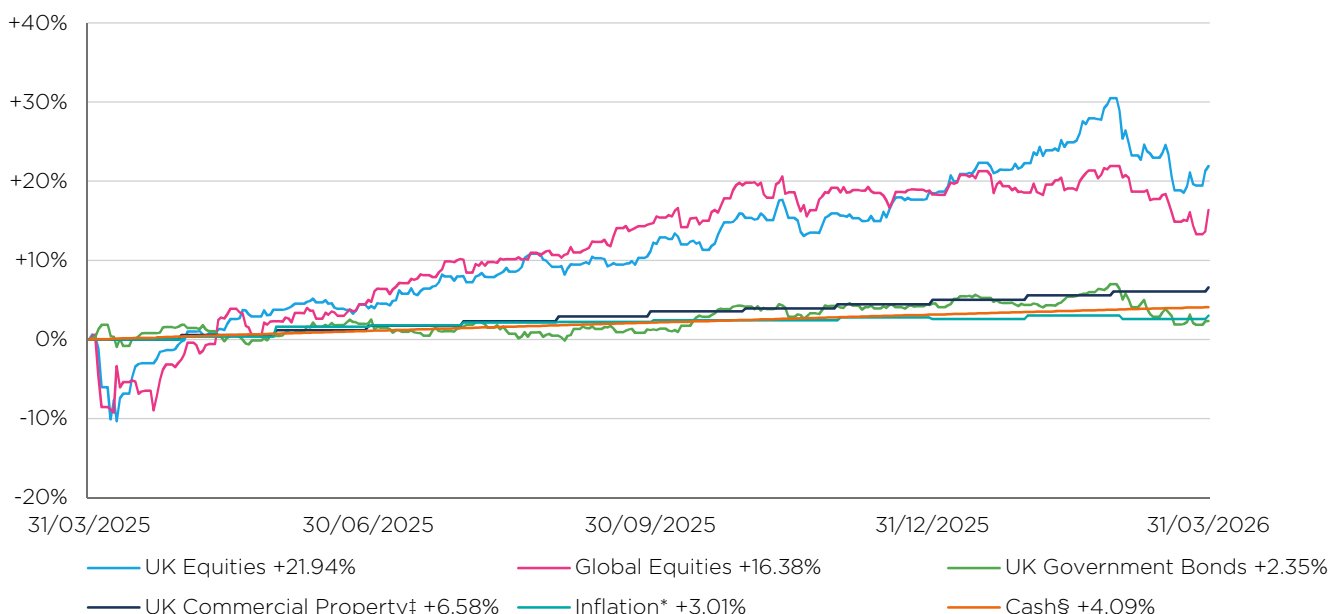
QUARTERLY
BULLETIN

31 March 2026

CONTENTS

Quarterly market review	3
Market information	5
Stewardship update	7
Fund information	8
Important information	10

Market review and outlook



General Market Indices

	Current quarter (%)	Last twelve months (%)	Last three years annualised (%)	Last five years annualised (%)
UK Equities (MSCI UK Investable Markets Index)	+2.91	+21.94	+13.58	+11.55
Global Equities (MSCI World Index)	-1.65	+16.38	+14.29	+11.27
Global Equities ex UK (MSCI World ex UK Index)	-1.86	+16.13	+14.30	+11.18
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	-2.09	+2.35	-0.03	-4.73
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	-1.62	+4.43	+4.30	-0.69
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	+1.49	+6.58	+5.06	+4.16
Inflation (CPI) *	+0.43	+3.01	+3.08	+5.13
Cash (SONIA) §	+0.92	+4.09	+4.74	+3.30

Source: Bloomberg (Data shown is daily except for Inflation and UK Commercial Property where data shown is monthly)

§ SONIA (Sterling Overnight Index Average) is estimated for the most recent month. From 1/1/21: SONIA. Prior to 1/1/21: 7-Day London Interbank Sterling Bid Rate (7-Day LIBID).

* CPI (Consumer Price Index) is reported on a 1m lag.

‡ MSCI UK Monthly Property is estimated for the most recent month.

At the start of 2026, US gross domestic product (GDP) was expected to grow 2.1% this year, UK GDP 1.3% and eurozone GDP 1.1%.⁽¹⁾ In January, consumer price (CPI) inflation had fallen to 2.4% (year on year) in the US, to 3.0% in the UK and to 1.7% in the eurozone. Investors expected that falling inflation would allow central banks to cut interest rates in 2026. Share valuations were high, but US companies' profits were set to rise by as much as 15% in 2026, compared to 2025.

Unfortunately, that favourable picture is not how the first quarter turned out. Instead, world share prices fell 3.6%, in local currency. US shares (-4.6%) underperformed those in the eurozone (-2.4%), although UK share prices rose (+2.9%).⁽²⁾ The Federal Reserve, the Bank of England and the European Central Bank kept interest rates on hold, and government bond yields spiked. Yields on 10-year UK government bonds (gilts), for example, rose from 4.57% at the end of 2025 to 4.94% at the end of March.

So how did this initially positive background result in a poor first quarter?

AI disruption

In 2025, investors' main concern about artificial intelligence (AI) had been that tech companies were spending more money on AI infrastructure than they could profitably make back. In 2026, by contrast, investors worried that increasingly powerful AI tools might wreak havoc on the rest of the economy.

For example: advertising firm WPP's shares lost 31% of their value during the quarter, because investors feared that AI tools could replace much of what WPP does. Similar fears drove selloffs in software (Salesforce: -15%), in data services (Thomson Reuters, -31%), in wealth management (St James's Place, -15%) and in many other sectors.

War in the Middle East

On 28 February, the US and Israel launched airstrikes on Iran, which promptly retaliated. Importantly, Iran closed off the Strait of Hormuz, a narrow sea channel through which 20%-25% the world's consumption of oil passed in 2024-2025.

As a result, prices for Brent Crude oil on the international market rose from \$61 per barrel at the end of 2025 to \$105 at the end of March. Those higher prices mainly impacted countries and regions that are net oil importers, such as the UK, the eurozone, and Asian industrialised nations (China, Japan, India).

Higher interest rates and higher bond yields

Higher oil prices mean higher inflation, so central banks became less likely to cut interest rates over the first quarter. Higher expected interest rates, in turn, weigh on stock market valuations, with particularly strong knock-on effects in capital-intensive industries such as housebuilders, industrial firms and utilities. Bond prices fall when interest rates rise, so the bond market was affected as well.

⁽¹⁾ International Monetary Fund

⁽²⁾ MSCI (net total return in local currency), except where stated

Outlook

In addition to its human toll, the Middle East war is set to be the main event in the world economy in 2026. Oil and gas are critical to transport, heating and industry. By-products such as helium and fertilisers are essential for sectors ranging from pharmaceuticals to micro-chips and agriculture.

If oil remains at c.\$100 per barrel, UK inflation could be a full percentage point higher over the next 12 months than currently forecast. The US is more insulated from this effect, as it is a net energy exporter. In Asia, on top of raising consumer prices there, higher manufacturing costs could, indirectly, raise inflation in the rest of the world.

Economic stagnation is another possible consequence. But at current oil price levels, the share of consumption spent on oil would only rise by 0.6 percentage points. That is a modest increase, compared to the 3.0-3.5 percentage point jump caused by the 1970s oil shocks. To repeat the same effect as in 1973 or 1979, oil prices would have to stay at \$170 per barrel for a year.

So far, the war has had little impact on the outlook for corporate profits. In fact, the expected growth in US companies' profits for the 12 months ahead accelerated to 16% by the end of March, due to energy firms and the AI sector. Lower share prices and stable to growing corporate earnings make for more attractive valuations, so we maintain our current allocation to equities.

In addition to our main equity portfolio, we initiated two diversifying strategies in early 2026. The first of these strategies methodically takes exposure to a basket of companies based on their superior free cash flow yield and the second to a basket of companies based on their earnings momentum.

Both of these diversifying strategies have performed well since we initiated them, and we consider it appropriate, in the current environment, to continue to expand our allocations to them. We also continue to invest in commodities.

As war in the Middle East continues, the Bank of England ‘stands ready to act’

The weeks since the Middle East war broke out in late February have been marked by casualties and destruction, remarkable statements by President Trump and daily volatility in energy prices.

Financial markets were particularly volatile in the middle of last month. On Wednesday 18 March, Israel hit Iran’s (northern) side of the South Pars Gas Field. A few hours later, Iran retaliated by attacking Qatar’s giant Ras Laffan refinery on the south side of that same gas field. In the evening, Donald Trump threatened to ‘massively blow up the entirety of the South Pars Gas Field’.

Why were the South Pars strikes significant?

South Pars is the world’s largest natural gas field. It underpins Qatar’s dominance in liquefied natural gas (LNG) and represents one-fifth of global gas supply. Apart from LNG, Qatar’s Ras Laffan refinery manufactures vital by-products such as helium, used in pharmaceuticals and micro-chip manufacturing, and ammonia, used in fertilisers but also in explosives. At Ras Laffan, Qatar loads these products onto ships that supply the world, including economic giants such as China and India.

Iran’s attack on Ras Laffan led to a 36% jump in UK natural gas prices by the morning of Thursday 19 March. Energy represents around 6% of the UK’s consumer prices index (CPI). A 10% increase in energy prices, therefore, could raise CPI inflation by 0.6%. That’s significant on its own, even before second-round price effects, as firms pass their increased costs on to consumers.

The Bank of England ‘stands ready to act’

Thursday 19 March was also the day on which the Bank of England (BoE)’s Monetary Policy Committee (MPC) voted unanimously to keep Bank Rate unchanged at 3.75%.

As the war broke out, investors soon came to expect that the BoE would hold rates in March. But the fact that the MPC’s vote was unanimous came as a surprise. Many observers had expected that some MPC members would continue to prefer a rate cut.

In the minutes of its March meeting, the MPC stated that the BoE ‘stands ready to act as necessary to ensure that CPI inflation remains on track to meet the 2% target in the medium term’. The MPC also outlined that it had raised its outlook for inflation in the second quarter of 2026, from 2.1% p.a. to between 3% and 3.5%.

Pertinently, several policymakers indicated that they would consider raising interest rates to stop inflation from becoming ingrained in the UK economy. Before the war, investors broadly expected one or two cuts in the BoE’s Bank Rate before the summer. By the end of March, they expected at least two *increases* in the remainder of 2026.

Rising energy prices, combined with an MPC that might raise interest rates, sent bond yields higher. The yield on two-year gilts (UK government bonds) rose from 3.42% at the end of February to 4.28% at the end of March, and 10-year gilt yields rose from 4.35% to 4.94%. As a result, the government’s borrowing cost increased, which will affect its budget headroom.

What comes next?

Nobody can predict the course of this conflict, or what it will take to achieve peace. The risk of escalation remains significant, as illustrated by President Trump’s recent threats, but de-escalation remains possible as well.

It is clear, however, that, even if the war ends soon, higher energy prices and higher mortgage rates will feed through into the economy. Those increases will further restrain an already weak trajectory for UK growth.

Here at CCLA, our interpretation is that the MPC has signalled its intent to maintain its current policy settings in the near term. In our analysis, it is a positive sign for UK monetary policy that the MPC’s members are advancing cautiously and cooperatively.

Second-round inflation effects of the current rise in energy prices would be the principal trigger for a rise in the BoE’s Bank Rate. Those could, for example, include rising food prices that feed into wage demands.

It is unlikely, however, that those effects will become evident until later this year. Only then can investors form a more definitive view on whether the next move in Bank Rate will be upwards or downwards.

Better World 2026 – stewardship outcomes

As a firm that specialises in serving the not-for-profit sector, we recognise that the most effective way that we can contribute to building a better world is by aiming to provide you, our clients, with the investment returns that you need to fulfil your objectives.

For this reason, our primary focus is – and will always be – trying to deliver the best possible financial returns in a way that reflects your values and protects your reputation.

We also recognise that many of our clients would like their portfolios to drive positive societal and environmental change. At CCLA, we aim to do this through engagement: interacting with company management and public policymakers to encourage businesses to improve.

This isn't altruism. Our work rests on the understanding that investment markets thrive only when the communities and environments that underpin them are healthy and resilient.

At CCLA, we believe that consistent investment returns are inseparable from a flourishing economy and stable society. That's why our focus goes beyond simply generating financial wealth to fostering both wealth and wellbeing. We are committed to using our voice as investors to advance long term value creation and promote environmental and societal progress.

2025 engagement: inputs

In 2025, we engaged with 367 companies, of which 119 were held in our portfolios during the year. Engagement was split across our three engagement pillars: Better Work (242 companies), Better Environment (209 companies) and Better Health (220 companies). Discussions covered eight themes: biodiversity and nature, climate action, human rights controversies, inequality and Living Wage, mental health, modern slavery, nutrition, and UN Global Compact.

When we engage with companies, we aim to use a variety of 'tools' to deliver the desired outcomes. During the year we utilised bilateral company engagement, collaborative engagement, policy engagement, shareholder proposals and AGM attendance as just some of these tools. In addition, we voted at 123 shareholder meetings in 22 countries and voted on a total of 2,167 proposals.

2025 engagement: collaborations

We acknowledge that it takes more than action by a single investor to drive change at scale. Collaboration with other investors is key, enabling us to pool resources, share expertise and foster meaningful dialogue with companies on themes of shared concern.

In 2025, we continued to support and engage with companies via several third-party led engagements, including Climate Action 100+, Nature Action 100, ShareAction's Long-term Investors in People's Health, and the PRI's Advance programme on human rights (among many others).

We also continued to build our own coalitions on modern slavery and mental health; at the end of 2025, these stewardship initiatives were supported by 96 investors, in 15 countries, across four continents, and represented £16 trillion in combined assets under management (source: CCLA).

2025 engagement: summary of outcomes

During the calendar year, as many as 105 companies demonstrated improvement on one or more themes, and 76 met the engagement target that we had set for them. Our modern slavery benchmark was recognised in new Home Office statutory guidance for businesses on transparency in supply chains, and our newly-launched engagement with the financial institutions used in our cash funds focussed on fossil fuel financing was beginning to gain momentum. Our efforts are captured in the 2026 Better World Report.

By the end of 2025, 48 companies had improved their ranking on the CCLA Modern Slavery UK Benchmark since inception in 2023, and 74 companies (with a combined 5.3 million employees) had improved their ranking on the CCLA Corporate Mental Health Benchmark since inception in 2022.

In an environment of increasing hostility towards ESG-related shareholder activism, we see these results as a beacon of hope for those who still believe in the fundamental value of human dignity, environmental protection and social justice.

Even as much of the market pulls back from environmental and social commitments, CCLA remains steadfast in its stewardship activities. Our new partnership with Jupiter Asset Management will only serve to strengthen our ambition in the years ahead.

Responsible investment report

Our work has three strands:

1. Engagement focused on social and environmental issues in the context of Christian mission and witness.
2. Ensuring that the Fund is managed in line with the faith consistent investment policy, informed by a dedicated Faith-Consistent Investment Committee.
3. Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.

Quarterly highlights

In Q1, we were delighted to publish our 2026 Better World stewardship outcomes report. This report details all of our engagement activity - across our key pillars of Better Environment, Better Health, and Better Work - for the 2025 calendar year and is available on our website. Please also refer to the Sustainable Market Topic commentary for a summary.

We have been engaging with Nestlé on its approach to nutrition for several years. Following attendance at Nestlé's AGM in 2025 and an in-person meeting with the CEO, we were pleased to see significantly enhanced nutrition reporting published in Q1 2026. The new reporting now aligns with Health Star Rating guidelines and reflects the asks that we set out early last year. We are now encouraging the company to set stronger targets on sales of healthier products.

In March, we undertook assessments of the 100 companies in scope of our UK Corporate Mental Health Benchmark. This kicks off the fifth year of this project, which has to date seen 74 companies improve their approach to this topic, with a combined 5.3 million employees. During the quarter, we met with 26 companies to discuss workplace mental health (not all are held in portfolios): WH Smith, Rio Tinto, Rolls Royce, HSBC, Toyota, Texas Instruments, Lion Finance, Amgen, Glencore, HSBC, Lloyds, Hays, Siemens, Lion Finance, Volex, Prudential, GSK, BT, Blackrock, Haleon, Union Pacific, Applied Materials, P&G, Nestlé, Novartis and Roche.

As a member of the Net Zero Engagement Initiative (114 investor signatories engaging with 138 high-emitting companies), we participated in a collaborative investor mailout, sending bespoke letters to each company in scope of the initiative. The letters welcomed progress and highlighted areas for improvement.

In Q1, we submitted a response to a call for evidence on air pollution in England by MPs on the Environmental Audit Committee. Our response was based on information collected from a research project that we conducted in 2024 and focussed on the health impacts of ambient (outdoor) air pollution caused by commercial activities.

Quarter one voting in detail

CCLA aims to vote at all company meetings where we have portfolio holdings. The Catholic Investment Fund did not support 19% of management resolutions at investee companies this quarter.

We aim to support shareholder proposals that we believe align with client values. In Q1, we backed a proposal urging Visa Inc. to publish a transparency report on its efforts to prevent the use of its products to pay for AI generated deepfake sexual content, particularly involving child exploitation. The proponent highlighted growing regulatory and reputational risks and argued that enhanced disclosure would demonstrate responsible risk management and alignment with Visa's human rights commitments. Although the board and our proxy advisor viewed current safeguards as adequate, we supported the proposal because we believe that additional assurance and reporting would benefit shareholders.

Publishing the inaugural CCLA Modern Slavery Global Benchmark

In January, we published the Modern Slavery Global Benchmark 2025. The benchmark assesses the modern slavery disclosures of the largest 111 non-UK-listed companies that supply goods or services in the UK and are therefore subject to Section 54 of the UK Modern Slavery Act. It builds on the findings of the pilot (published May 2025) and the learnings from three years of running the sister UK benchmark.

Of the 111 companies in the global benchmark, just five fell into the top performance tier. The average score across the 111 companies was 45%, classified as 'meeting basic expectations', and as many as 48 companies rank in the bottom two performance tiers ('developing approach' and 'unsatisfactory'). What is more, 13 companies had not published a UK modern slavery statement that covered all UK operations, suggesting that the UK Home Office needs to be clearer as to which companies fall in scope of the UK Modern Slavery Act 2015.

Since the publication of the pilot benchmark in May 2025, 24% of the assessed companies had engaged with the benchmarking process. More broadly, the benchmark provides investors with a consistent, annual assessment of companies' modern slavery commitments and practices, highlighting where there has been progress and where more work is needed. Engagement continues.

Values based restrictions

We confirm that the Catholic Investment Fund has been managed in accordance with its faith consistent investment policy this quarter.

Catholic Investment Fund

Performance comment

The year started positively, with modest economic growth and falling inflation. But investors soon became concerned that the powerful technology built by artificial intelligence (AI) companies might cannibalise the income of existing companies in software and other sectors (AI disruption). In late February, war started in the Middle East. This led to higher oil prices, higher interest rates and lower prices for shares and bonds.

Over the quarter the Fund returned -7.11% compared with the comparator return of -1.42%. Over the last 12 months, the Fund returned -6.00% compared with the comparator return of 13.14%.

- Falling share prices of financial firms such as India's HDFC and alternatives manager ICG were the main detractor from performance, but these companies' operating performance remains sound.
- Despite rising profits, software firms such as Microsoft weighed on returns because investors, rightly or wrongly, worried that AI might cannibalise these companies' future revenues.
- By contrast, hardware-based technology companies such as semiconductor firms TSMC and ASML raised performance. Infrastructure investments also helped, led by holdings in renewables.
- Shares of oil & gas companies were the quarter's best performers, but the fund does not invest in oil & gas. That avoidance was the main detractor from returns, relative to the fund's comparator, partly recovered after the end of the quarter.

Fund update

So far, the war has had little impact on corporate profits. In fact, growth of US companies' profits expected in the 12 months ahead rose to 16% by end March. Lower share prices and higher profits make for more attractive valuations, so we maintain our allocation to shares.

We disposed of shares with deteriorating fundamentals that we think will persist, and added positions where we believe earnings are robust, such as Inditex, owners of clothing chain Zara. Such changes have made the fund more attractively valued, and we are encouraged by the strong fundamentals of the companies in the portfolio.

We initiated two diversifying strategies in early 2026, one that holds a basket of companies based on their free cash flow yield and another based on earnings momentum. Both have performed well, so we continue to grow our allocations to them.

Income

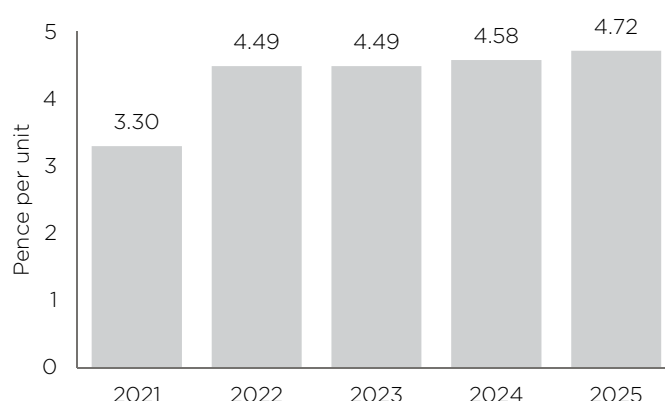
Gross dividend yield 3.49%*

MSCI \$ UK IMI dividend yield 3.21%

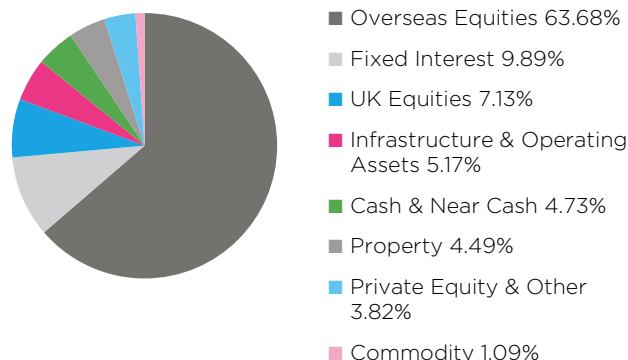
MSCI \$ World ex UK dividend yield 1.62%

* Based upon the net asset value and an estimated annual dividend of 4.91p.

Past distributions



Asset allocation as at 31 March 2026



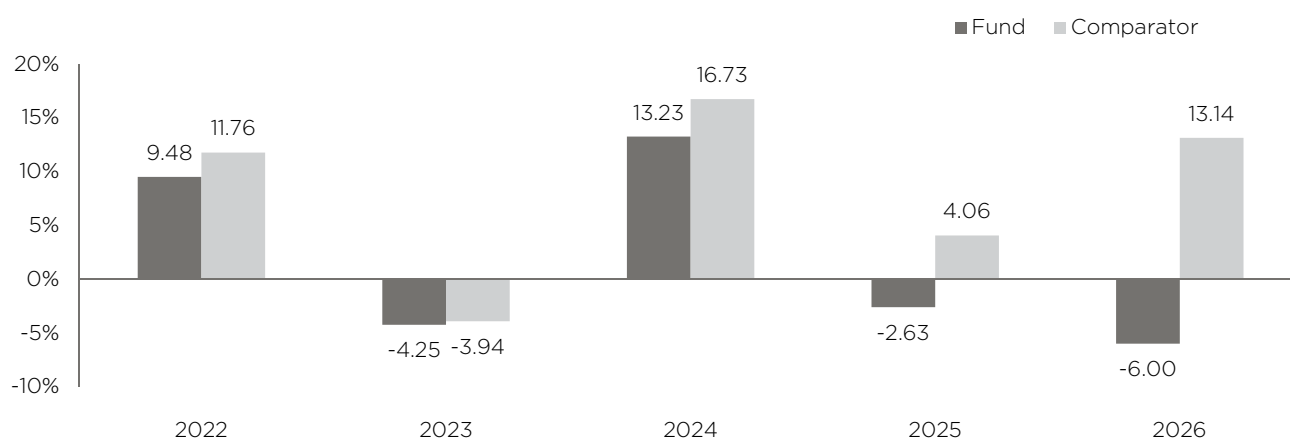
Total return performance

Performance* to 31 March 2026	3 months	1 year	3 years p.a.	5 years p.a.
Comparator ‡	-1.42%	+13.14%	+11.18%	+8.09%
Catholic Investment	-7.11%	-6.00%	+1.20%	+1.67%

‡ Target benchmark is CPI +5%. CPI is reported on a 1m lag.

Total return performance by year

12 months to 31 March	2022	2023	2024	2025	2026
Catholic Investment	+9.48%	-4.25%	+13.23%	-2.63%	-6.00%
Benchmark	+11.76%	-3.94%	+16.73%	+4.06%	+13.14%



Comparator - composite: From 01/03/26, MSCI WORLD 75%, MSCI UK Monthly Property 5% (1 month lag), iBoxx £ Gilts 15% & SONIA 5%. From 01/04/21, MSCI World 75%, MSCI UK Monthly Property 5%, iBoxx £ Gilts 15% & SONIA 5%. Source: CCLA

Top 10 holdings as at 31 March 2026

Alphabet Inc C Com NPV	2.8%	Microsoft Com NPV	2.2%
UK Treasury 1.25% IL Gilt 22/11/2027	2.8%	Brookfield Infrastructure NPV	2.1%
UK Gilt 0.125% IL 10/08/2028	2.8%	COIF Charities Property Fund (Sub-Holding)	2.1%
Taiwan Semiconductor SP ADR(V5 Ord)	2.3%	HG Capital Trust Ord GBP0.025	2.0%
Amazon.Com Com USD0.01	2.3%	Oakley Capital Investments Ltd	1.8%

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

IMPORTANT INFORMATION

This document is issued for information purposes only. It does not provide financial, investment or other professional advice.

To make sure you understand whether our product is suitable for you, please read the key information document and prospectus and consider the risk factors identified in those documents. We strongly recommend you get independent professional advice before investing.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise. You may not get back the amount you originally invested and may lose money.

The fund can invest in different currencies. Changes in exchange rates will therefore affect the value of your investment. Investing in emerging markets involves a greater risk of loss as such investments can be more sensitive to political and economic conditions than developed markets. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries. The annual management charge is paid from capital. Where charges are taken from capital rather than income, capital growth will be constrained and there is a risk of capital loss.

Any forward-looking statements are based on our current opinions, expectations, and projections. We do not have to update or amend these. Actual results could be significantly different than expected.

Investment in this fund is only available to charities within the meaning of section 1(1) of the Charities Act 2011.

We, CCLA Investment Management Limited (registered in England & Wales, No. 2183088, at One Angel Lane, London EC4R 3AB), which is part of the Jupiter Group and is authorised and regulated by the Financial Conduct Authority.

For information about how we obtain and use your personal data please see our privacy policy at www.ccla.co.uk/privacy-notice.

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