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**CCLA**

# QUARTERLY BULLETIN

30 September 2025

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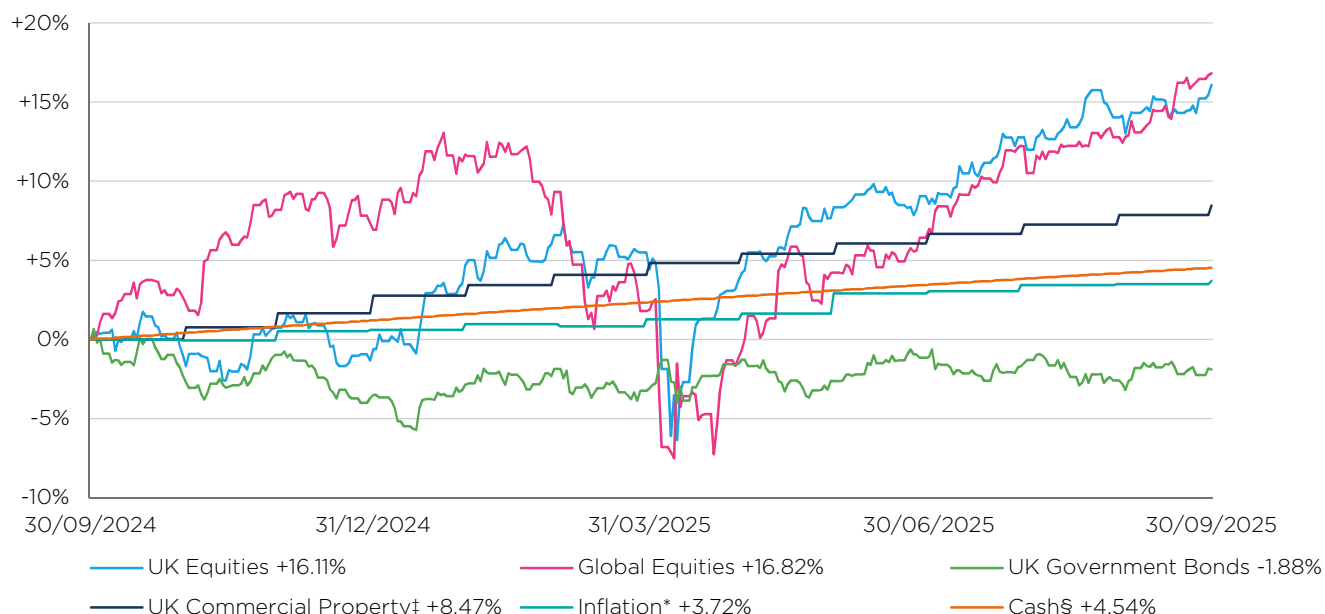
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## Market review and outlook



## General Market Indices

	Current quarter (%)	Last twelve months (%)	Last three years annualised (%)	Last five years annualised (%)
UK Equities (MSCI UK Investable Markets Index)	+6.94	+16.11	+14.39	+13.22
Global Equities (MSCI World Index)	+9.19	+16.82	+16.23	+13.49
Global Equities ex UK (MSCI World ex UK Index)	+9.24	+16.80	+16.29	+13.44
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	-0.80	-1.88	+1.11	-6.30
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	+0.69	+3.70	+6.77	-1.10
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	+1.69	+8.47	-1.19	+4.41
Inflation (CPI) *	+0.65	+3.72	+4.21	+5.11
Cash (SONIA) §	+1.03	+4.54	+4.63	+2.91

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.

World share prices rose 9.2% during the third quarter of 2025, as measured by the MSCI World Index<sup>(1)</sup>, in pound sterling.

US share prices rose 8.0% over the third quarter. By sector, performance resembled the first half of the year. Shares prices rose most in the IT sector, in communications services and for producers of consumer discretionary goods. Share prices fell for consumer staples firms and rose only slightly

for real estate firms.

In July, President Trump's 'One Big Beautiful Bill' became law, which we believe will boost free cash flows for large US companies by c. 10% in 2025 and 2026. After a three-month pause, his 'reciprocal tariffs' came into force on 1 August. But financial markets saw nothing like April's tariff-related volatility: the impact of these tariffs on consumers, importers and exporters will, it seems, only gradually become clear. In

September, America's central bank ('the Fed') cut interest rates for the first time since 2024. US inflation rose to 2.9%, year on year (yoy) in August, but the jobs market weakened over the quarter. The Fed has a dual mandate, targeting both inflation and employment, so it appears to have prioritised employment in its September decision.

UK-listed shares advanced 6.9%. Mining shares such as Fresnillo, Antofagasta and Anglo American were among the best performers. The pound weakened versus the US dollar and the euro, which boosted returns on assets denominated in foreign currencies.

UK consumer price (CPI) inflation rose to 3.8%, year on year, in both July and August. But the Bank of England cut interest rates in August, because it sees inflation fall to its 2.0% target in 2026.

Eurozone shares returned 4.3% over the quarter, led by European banks, which performed unexpectedly well despite falling interest rates. Other companies, such as immunology firm argenx, consumer technology group Prosus and semiconductor firm ASML, delivered strong returns because of their international operations.

Economic growth within the eurozone itself remained mediocre, at 1.5%, yoy, in the second quarter. However, inflation was stable at 2%, yoy, in August, for a third month in a row. As a result, the European Central Bank hasn't cut interest rates since June, and is expected to keep them on hold for the foreseeable future.

<sup>(1)</sup> Sources of share prices: MSCI (net total return in local currency), except where stated

## Outlook

In July, we raised the equity exposure in our multi-asset portfolios to the full 75% weight that it has in the benchmark.

- We raised our equity holdings in June because we expect President Trump's OBBBA to raise companies' free cash flow by c. 10% in 2025 and 2026.
- In addition, our analysis shows that share prices have the potential to continue their current rally. This year's rally has survived a historic tariff shock, several conflicts in the Middle East and an impending US government shutdown. Despite these obstacles, US companies'

earnings are expected to have grown 7.9% in the third quarter.

- The economic backdrop is strong enough to sustain the rally. Recent purchasing manager index (PMI) readings indicate further economic expansion. The Fed's rate cut may be the first in a series.

But this year's share price rally has been remarkably concentrated: only 38% of companies in the S&P500 have made up all the index's gains. That raises concerns for investors with diversified portfolios, like us:

- Valuations have returned to their 2021 post-lockdown highs. Buying the current market as a whole would mean investing in Tesla at more than 250 times the company's earnings or surveillance firm Palantir at over 600 times earnings!
- Those valuations imply that the equity risk premium (the outperformance, over government bonds, that stock market investors can expect in the next 10 years) has fallen to 1.25% p.a., versus its historical average of 4.61%, both after inflation.
- The market has become dominated by retail investors, who are more subject to sudden reversals. 'Zero-day-to-expiry' options, the day trader's leveraged instrument of choice, accounted for 62% of S&P500 options volume in August, 72% higher than a year ago.

To counter this concentration, and although our portfolios were invested in shares in the same proportion as their benchmarks, our bottom-up research led to a more selective stance.

- We select quality shares, characterised by higher returns on equity, more stable earnings growth and lower debt levels than the broader market.
- The cash flow return on investment of the companies in our portfolios was around four percentage points higher than those in their benchmarks, at the end of the third quarter.
- Historically, such quality shares have outperformed growth shares over the long run, and they've been more stable than growth shares in a downturn.

### Beyond speculation: how interest rates and GDP will guide the Autumn Budget - and may affect you.

On Wednesday 26 November, the government will announce its Autumn Budget. By then, journalists will write many column inches about what the government may or may not do, and what it should or shouldn't do. Instead of speculating, we'd like to show you what the government's finances actually look like, and a helpful rule of thumb.

#### The government's budget, in numbers

In the tax year 2024-25, the UK's gross domestic product (GDP) was just under £2.9 trillion, and the government's debt stood at just over £2.9 trillion, i.e. a debt-to-GDP ratio of 101%.<sup>(1)</sup> Annual interest payments on that debt have risen from £25 billion in 2020-21 (1.2% of GDP) to £105 billion in 2024-25 (3.7% of GDP).

For comparison: in 2024-25, the Ministry of Defence spent £38 billion in 'day to day' expenses and the Department for Education £89 billion. Only Health and Social Care spent more, at £190 billion.<sup>(2)</sup> By the numbers, therefore, interest payments are the government's second-largest outgoing.

And those interest payments are over four times higher now than five years ago. So, how much farther will they rise? And how sustainable is the government's debt?

First, the good news: the increase in interest payments from 2020 to 2024 was exceptional. They rose because interest rates, after a decade of ultra-low levels, returned to their long-term average in 2022. In addition, a quarter of the UK government's debt is inflation-linked and inflation jumped in 2021-2022. Finally, during the Covid pandemic, the UK government took on more debt than usual, to support the economy.

More good news: most major economists expect that neither interest rates nor inflation will rise again soon. In fact, the Bank of England (BoE) has cut its official bank rate from 5.25% in mid-2024 to 4% in August 2025.

And inflation has fallen from 11.1% in October 2022, year on year, to 3.8% in August this year. The BoE expects CPI inflation to return to its 2% target in 2026. Barring unforeseen shocks, the government's interest payments are expected to settle around 3.6% of GDP for the foreseeable future.

#### How sustainable is the UK government's debt?

The answer to our second question is more complicated: how sustainable is the current, higher level of interest that the government pays on its debt? A useful rule of thumb compares the average interest rate on government debt (let's call that 'r') with nominal GDP growth, i.e. real GDP growth plus inflation ('g').

\*If 'r' is larger than 'g', the interest rate on the government's debt is larger than the growth rate of the economy. All else equal, this means that interest payments increase as a proportion of government spending. The government would need to increase its surplus in other areas to balance its books, i.e. save on things like defence or education. That's not sustainable in the long run.

\*If 'r' is smaller than 'g', however, the interest rate on the government's debt is smaller than the growth rate of the economy. All else equal, interest payments, as a proportion of government spending, decrease in this situation, and that \*is\* sustainable.

The Office for Budget Responsibility (OBR) estimates that the average interest rate on the government's debt will be around 3.7% in 2025-2026, and long-term nominal GDP growth 3.6%, made up of 2% inflation plus 1.6% output growth. That gap, between growth at 3.6% and interest rates at 3.7%, is narrow. Rising interest rates or a slowing economy could easily throw the government off its path to debt sustainability.

It is also why the Chancellor aims to balance her 'current' budget by 2029-30, with a safety margin. According to the OBR, her 'current' budget will swing from a deficit of 1.9% of GDP in 2024-25 (or just under £60 billion) to a 1.0% surplus in 2029-30.<sup>(3)</sup> That's the so-called 'fiscal headroom' you hear about, a safety margin in case of unforeseen events.

#### Why it matters

Interest rates and GDP aren't abstract concepts that only matter in the City of London, but numbers we should all keep an eye on. If either disappoints, the government may be forced to raise taxes or cut spending. Those changes affect us all – including the charities, the churches and the local authorities that CCLA serves.

<sup>(1)</sup> Office for Budget Responsibility

<sup>(2)</sup> HM Treasury

<sup>(3)</sup> Office for Budget Responsibility

## Engaging with financial institutions in our cash funds

As readers will know, CCLA has a specialist stewardship team that works tirelessly to improve the corporate practices of listed firms. The team focusses on a range of topics – from labour standards and modern slavery, to nutrition and mental health, to climate and biodiversity – with an impressive track record of driving real world positive outcomes. For details of this work, please refer to our [Sustainable Investment Outcomes](#) report or for some quarterly highlights, please see the Stewardship Update contained within this report.

While our stewardship work is delivered at a firm (rather than fund) level, the focus has historically been on engagement with listed equities. Equities represent the largest proportion of our assets under management (43% as of June 2025) but they are by no means the only asset class that we deploy on behalf of our clients.

The second largest asset class in our overall mix of investments is cash and money market instruments, representing 31% of our total assets under management (June 2025). This comprises our cash-focussed funds – the CBF Church of England Deposit Fund, the COIF Charities Deposit Fund, and the Public Sector Deposit Fund – which are also held within our core long-term multi asset funds.

The objective of our cash funds is to offer a high level of capital security and a competitive yield to investors. The funds primarily invest in certificates of deposit, but also use term deposits and notice accounts, all of which offer an interest rate in exchange for a predetermined holding period. These investments are allocated to a diversified selection of financial institutions, comprising both banks and building societies.

CCLA maintains an Approved List of Financial Institutions, which represents the menu of potential counterparties eligible for use by CCLA's cash team. To determine this list, CCLA assesses institutions on various indicators of financial strength and on several environmental, social and governance (ESG) indicators.<sup>1</sup> From Q3 2025, each approved financial institution is also ranked into an improved multi-level scoring system, enabling us to identify laggards and prioritise engagement.

The revised engagement framework is available on our website. It covers the following areas:

### **Global standards**

Any company on our approved list deemed as violating or at risk of violating global standards<sup>2</sup> may be prioritised for a time-limited engagement aimed at resolving the issue.

### **Fossil fuel financing**

We rank financial institutions on the strength of their Reclaim Finance oil and gas, and coal expansion policies and engage with them to help them move forward. The objective is to encourage counterparties to strengthen their coal, oil and gas expansion policies with a view to supporting the eventual phase-out of these fuels.

### **Corporate mental health**

Where a financial institution falls in scope of the CCLA Corporate Mental Health Benchmark, we engage with them to help them move forward. The objective is to improve corporate practices in support of good mental health at work.

### **Modern slavery**

Where a financial institution falls in scope of the CCLA Modern Slavery Benchmark, we engage with them to help them improve. The objective is to encourage companies to find, fix and prevent modern slavery in their workforce and supply chains.

### **Corporate Governance**

Corporate governance analysis is conducted on all prospective financial institutions prior to their inclusion on the approved list of financial institutions. Where a company is rated E or F (high risk) and we have concerns about the composition of the board or sub-committees, we will engage with the institution to help them improve.

The revised engagement framework will guide engagement with all of the listed financial institutions on CCLA's Approved List, with a focus on fossil fuel financing. It is our aim to engage with all of them within a rolling 12-month period and we look forward to reporting on the outcomes of this work.

It is important to note that apart from one or two outliers, we do not hold shares in the financial institutions used by our cash team. We are therefore without the rights and responsibilities that come with being a part owner. Nonetheless, as an investor in the financial instruments that they issue, CCLA is a client of these firms, and we expect them to engage and take steps to improve in areas of concern.

<sup>1</sup>Please see [www.ccla.co.uk/about-us/policies-and-reports/policies/sustainability-approach-cash-funds](http://www.ccla.co.uk/about-us/policies-and-reports/policies/sustainability-approach-cash-funds) for details.

<sup>2</sup>Global Standards cover the UN's Global Compact Principles, International Labour Organization's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

## 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 its Faith Consistent Investment Policy.
3. Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.

### Quarterly highlights

In Q3, we were invited to the House of Lords as speaker and investor voice at the launch of a new All Party Parliamentary Group on the Just Transition in the Construction Sector. This cross-party group, Chaired by Baroness Lola Young, aims to drive collective action on the human rights challenges, socio-economic, and environmental impact of the construction industry and aligns with our policy work on modern slavery.

In 2023, we joined Nature Action 100, a global investor engagement initiative on biodiversity. In 2024, we commenced engagement with three portfolio holdings: AstraZeneca, McDonald's and Zoetis. After failing to secure a meeting with McDonald's, we co-filed a shareholder proposal for its 2025 AGM. The proposal was withdrawn following a commitment to meet; a meeting which took place in Q3 with Beth Hart, Chief Sustainability Officer. The company provided an update on McDonald's' deforestation commitments, including its 2030 target and work with five priority commodities (beef, soy, palm oil, coffee and fibre-based packaging), highlighting challenges around traceability, supply chain complexity and evolving regulation. A further meeting is planned for Q4.

CCLA is a member of The Investor Coalition on Food Policy. In June, Wes Streeting, Health and Social Care Secretary, announced that as part of the forthcoming NHS 10-Year Prevention Plan, mandatory health reporting for all large food businesses will be introduced by the end of this term of government. This is a huge win for the group, which has been campaigning for mandatory nutrition reporting for more than two years. In Q3, we signed an investor statement in support of this announcement, coordinated by The Food Foundation in its capacity as the coalition's secretariat.

Having launched the 2025 UK Corporate Mental Health Benchmark in June, we sent bespoke investor letters to each of the 100 company CEOs in July. The letters were sent by CCLA on behalf of the \$9.5 trillion Global Investor Coalition on Workplace Mental Health. They set out the expectations of investors and bespoke recommendations for each company aimed at improving its record on workplace mental health. During the quarter, we had engagement meetings with 30 companies to discuss these recommendations.

### Quarter three voting in detail

CCLA aims to vote at all UK and overseas company meetings where we have holdings. The CBF Church of England Investment Fund did not support 18% of management resolutions at investee companies this quarter (18% for the Better World Global Equity Fund).

For over a decade we have aligned our voting policy with the latest reports on boardroom diversity (the Davies Review followed by the Hampton Alexander, and Parker Reviews). While a progress report earlier this year shows female representation amongst non-executives has reached almost 50%, executive board roles are still predominantly held by men: about 5 in 6 board executives are male. Our voting during the quarter demonstrates two ways in which we encourage broader diversity in the leadership of investee companies. Where none of the senior board roles are filled by women, as was the case at Ashtead Group, we vote against the reappointment of the Chair of the Nomination Committee. We do the same at companies where we have concerns about low levels of sub-board diversity, as was the case at ICG (formerly Intermediate Capital Group) and Experian.

### A focus on climate action

For our climate-related stewardship work, we split portfolio companies into high and low emitting sectors and evaluate their performance on one of two measures: the Transition Pathway Initiative for highest emitting sectors and the CDP (formerly Carbon Disclosure Project) for all other sectors. Portfolio companies are ranked into levels based on their performance against each of these measures, and engagement is targeted at improving companies' performance over time.

In Q3, we had engagement meetings on the topic of climate change with 13 companies in our portfolio: Bunzl, Sonic Healthcare, Schneider Electric, Visa, ASML, Rio Tinto, Compass Group, IHG, Thermo Fisher Scientific, Texas Instruments, London Stock Exchange Group, Procter & Gamble, and Reckitt Benckiser. We will report on outcomes at the end of the year.

Meanwhile, we revised our approach to engagement with the counterparties used in our cash funds and sent letters to each of the institutions approved for use by our cash team. The asks focus on financial institutions' approach to financing the expansion of fossil fuels. These letters kick off a new round of engagement and we look forward to reporting on progress.

### Values based restrictions

We confirm that the CBF Funds have been managed to their respective values based restrictions this quarter.

### Re-issued scheme information

On 2 December 2024, the scheme information for the fund was republished for the purposes of the Sustainability Disclosure Requirements. This included outlining our sustainability approach and the restrictions applied to the fund. The alcohol-related revenue restriction that CCLA applies to the relevant Church of England Funds is 25%, however the scheme information has stated 10% since 2 December 2024. This has been corrected to 25% as of 14 October 2025.

## The CBF Church of England Investment Fund

### Performance comment

Share prices advanced during the third quarter, helped by President Trump's 'One Big Beautiful Bill'. After a three-month pause, Trump's tariffs came into force on 1 August, without the volatility that accompanied them in April. And in September, America's central bank cut interest rates for the first time since 2024.

Over the quarter the Fund returned 1.20% compared with the comparator return of 6.87%. Over the last 12 months, the Fund returned -0.85% compared with the comparator return of 12.95%.

- Communications services were the main contributor to performance. Google parent Alphabet's share price rose over 40%, after a favourable antitrust ruling allowed the firm to keep ownership of its Chrome web browser.
- In IT, semiconductor stocks ASML, TSMC and Broadcom all boosted performance as well.
- Private equity holdings also added to returns, with share buybacks at two vehicles.
- Financial stocks were the main detractor from performance. The share prices of Tradeweb, Deutsche Boerse and London Stock Exchange fell on concerns that artificial intelligence (AI) might disrupt their business. These companies' earnings estimates were unchanged, however, and our investment case for each of them remains solid.
- Software stocks also struggled on fears over AI disruption, while Synopsys and Fortinet released disappointing earnings updates.

### Fund update

At the end of September, the seven largest US companies made up a record 37% of the S&P500's value. More volatile and momentum-driven shares outperformed as investors rotated out of defensive shares. Retail stock market investors are becoming more important. Valuations have risen as well.

We continue to select a diversified portfolio of quality shares, a factor that has historically outperformed in the long run. As a result, the operating margin of the firms in the fund is considerably higher than the index overall, and their cash flow return on investment is as good as the index or better.

We are confident that the cash flow generation of our holdings will support future returns. And we always adjust the fund's holdings where our research says that's sensible. But we have good reason to continue to invest in quality, at a reasonable price.

### Income

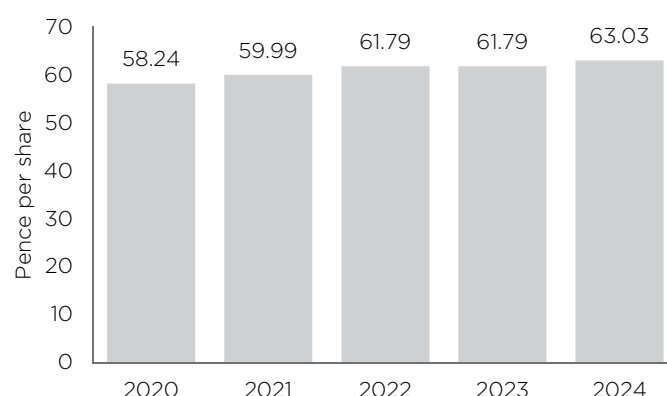
Gross dividend yield 2.91%\*

MSCI \$ UK IMI dividend yield 3.30%

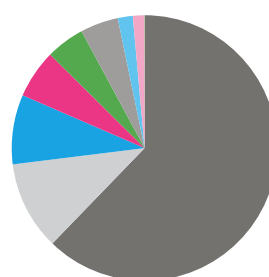
MSCI \$ World ex UK dividend yield 1.55%

\* Based upon the net asset value and an estimated annual dividend of 64.92p.

### Past distributions



### Asset allocation as at 30 September 2025



- Overseas Equities 62.22%
- Fixed Interest 10.81%
- UK Equities 8.47%
- Infrastructure & Operating Assets 5.91%
- Private Equity & Other 4.73%
- Property 4.62%
- Cash & Near Cash 1.82%
- Contractual & Other Income 1.40%
- Derivatives 0.01%

Overseas Equities	%
North America	43.22
Developed Europe	15.20
Asia Pacific ex Japan	3.02
Japan	0.70
Other	0.08
	<b>62.22</b>

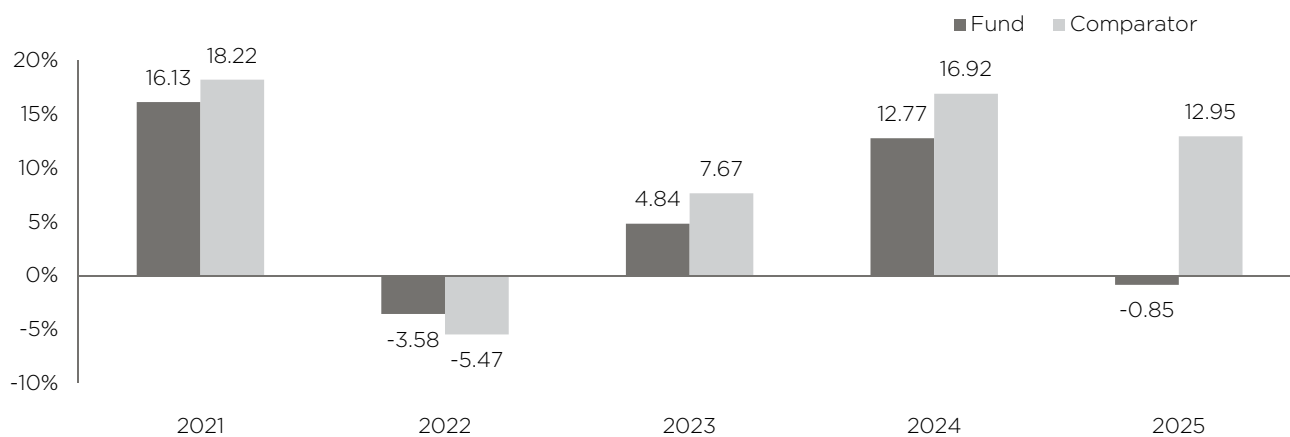


## Total return performance

Performance* to 30 September 2025	3 months	1 year	3 years p.a.	5 years p.a.
Investment	+1.20%	-0.85%	+5.44%	+5.59%
Comparator	+6.87%	+12.95%	+12.45%	+9.71%

## Total return performance by year

12 months to 30 September	2021	2022	2023	2024	2025
Investment	+16.13%	-3.58%	+4.84%	+12.77%	-0.85%
Comparator	+18.22%	-5.47%	+7.67%	+16.92%	+12.95%



Comparator - composite: From 01/01/21, MSCI WORLD 75%, MSCI UK Monthly Property 5%, iBoxx E Gilts 15% & SONIA 5%. From 01/01/18, MSCI UK IMI 30%, MSCI World ex UK 45%, MSCI UK Monthly Property 5%, iBoxx E Gilt 15% & 7 Day LIBID 5%. Source: CCLA

## Top 10 holdings as at 30 September 2025

CCLA INV MGMT LTD ORD GBP1	3.2%	The CBF Church of England Property Fund	2.3%
Federated Hermes Sust Glo Invest Gr Cr Fd X5 Inc	3.0%	Amazon.Com Com USD0.01	2.1%
Microsoft Com NPV	2.7%	Broadcom Corp Com NPV	1.7%
Alphabet Inc C Com NPV	2.7%	Taiwan Semicon Manufacturing TWD10	1.7%
UK Gilt 0.125% IL 10/08/2028	2.5%	Abbott Labs Com NPV	1.3%

\* 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.

The CBF Church of England Global Equity Fund

Performance comment

Share prices advanced during the third quarter, helped by President Trump's 'One Big Beautiful Bill'. After a three-month pause, Trump's tariffs came into force on 1 August, without the volatility that accompanied them in April. And in September, America's central bank cut interest rates for the first time since 2024.

Over the quarter the Fund returned 0.73% compared with the comparator return of 9.19%. Over the last 12 months, the Fund returned -0.71% compared with the comparator return of 16.82%.

- Communications services were the main contributor to performance. Google parent Alphabet's share price rose over 40%, after a favourable antitrust ruling allowed the firm to keep ownership of its Chrome web browser.
- In IT, semiconductor stocks ASML, TSMC and Broadcom all boosted performance as well.
- Financial stocks were the main detractor from performance. The share prices of Tradeweb, Deutsche Boerse and London Stock Exchange fell on concerns that artificial intelligence (AI) might disrupt their business. These companies' earnings estimates were unchanged, however, and our investment case for each of them remains solid.
- In information technology, software stocks such as Intuit struggled on fears over AI disruption. Synopsys and Fortinet released disappointing earnings updates.

Fund update

At the end of September, the seven largest US companies made up a record 37% of the S&P500's value. More volatile and momentum-driven shares outperformed as investors rotated out of defensive shares. Retail stock market investors are becoming more important. Valuations have risen as well.

We continue to select a diversified portfolio of quality shares, a factor that has historically outperformed in the long run. As a result, the operating margin of the firms in the fund is considerably higher than the index overall, and their cash flow return on investment is as good as the index or better.

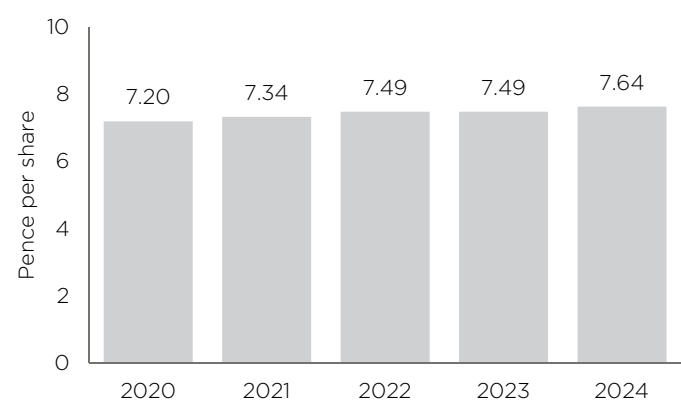
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Income

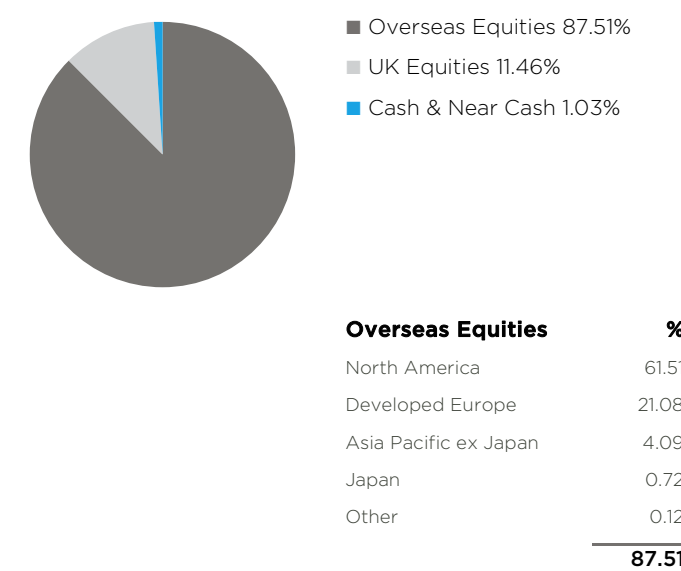
Gross dividend yield 2.58%\*  
MSCI \$ World dividend yield 1.62%

\* Based upon the net asset value and an estimated annual dividend of 7.87p.

Past distributions



Asset allocation as at 30 September 2025

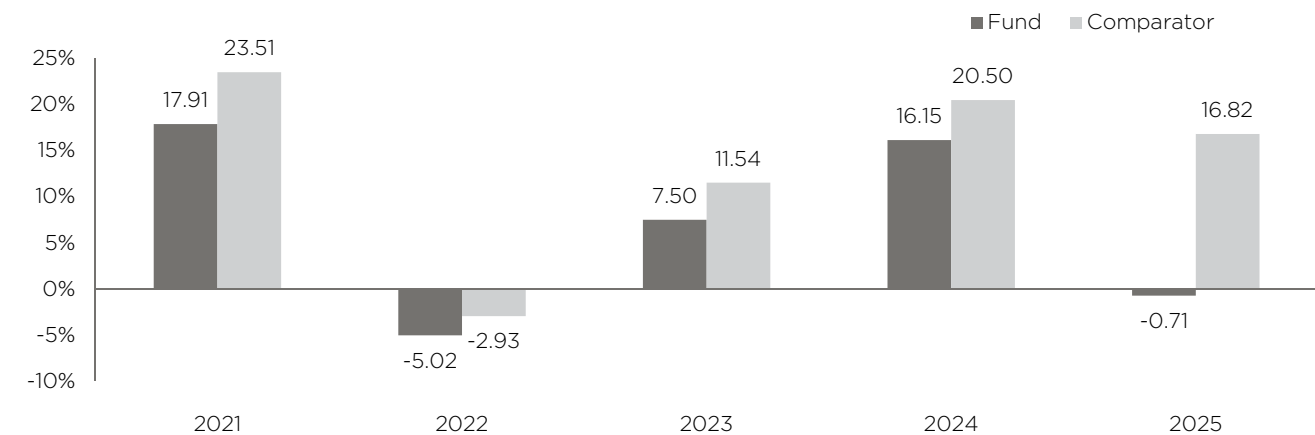


## Total return performance

Performance* to 30 September 2025	3 months	1 year	3 years p.a.	5 years p.a.
Global Equity	+0.73%	-0.71%	+7.43%	+6.78%
Comparator	+9.19%	+16.82%	+16.23%	+13.49%

## Total return performance by year

12 months to 30 September	2021	2022	2023	2024	2025
Global Equity	+17.91%	-5.02%	+7.50%	+16.15%	-0.71%
Comparator	+23.51%	-2.93%	+11.54%	+20.50%	+16.82%



Comparator - MSCI £ World. Source: CCLA

## Top 10 holdings as at 30 September 2025

Microsoft Com NPV	4.3%	Broadcom Corp Com NPV	2.2%
Alphabet Inc C Com NPV	3.9%	ASML Holding NV EURO.09	2.0%
Amazon.Com Com USD0.01	3.0%	Experian Group Ltd GBP0.1	1.9%
Taiwan Semiconductor SP ADR(V5 Ord)	2.5%	Mastercard Com USD0.0001	1.8%
Visa Com - Class A Shares USD0.0001	2.2%	Abbott Labs Com NPV	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.

## The CBF Church of England Deposit Fund

### Performance comment

The fund operates in the money market, a financial market for liquid, low-risk debt, mostly issued by banks. The short-term interest rates in that market correlate closely with the Official Bank Rate (OBR) set by the Bank of England's (BoE). That rate, in turn, depends on the state of the UK economy.

Consumer price inflation rose from 3.6%, year on year (yoy), in June, to 3.8% in both July and August. Inflation mainly rose because of airfares and food prices, but also because fuel prices fell less in the 12 months to July 2025 than in the preceding 12 months.

Despite rising inflation, the BoE cut its OBR from 4.25% to 4.00% in August. The BoE sees inflation peak at 4.0%, yoy, in September, and it remarked that the job market is cooling. The Bank therefore does not expect inflation to become entrenched at its current levels, but to fall back to its 2.0% target in 2026.

The most relevant short-term commercial interest rate for the money market in which the fund operates is Sterling Overnight Index Average (SONIA). It is the average interest rate at which banks can borrow overnight funds from other institutions. In line with the BoE's OBR, SONIA fell from 4.2171% on 30 June 2025 to 3.9671% on 30 September, a 0.25% decline.

The fund's declared rate fell from 4.4500% at the end of June 2025 to 3.9500% at the end of September.

### Fund update

We kept the fund's overnight liquidity well above its regulatory minimum, but one-week liquidity close to the minimum. This gave us flexibility to extend its duration opportunistically, to take advantage of favourable interest rates in longer-dated instruments. Inflows from clients supported the positive trend.

We maintained the fund's preference for investments with 7 to 12 months to maturity. Weighted average maturity (WAM) was near the upper limit of the permitted range. Over the quarter, it ranged from 98 to 113 days, averaging 107. The fund's WAM ended the period at 106 days, above its one-year average of 98.

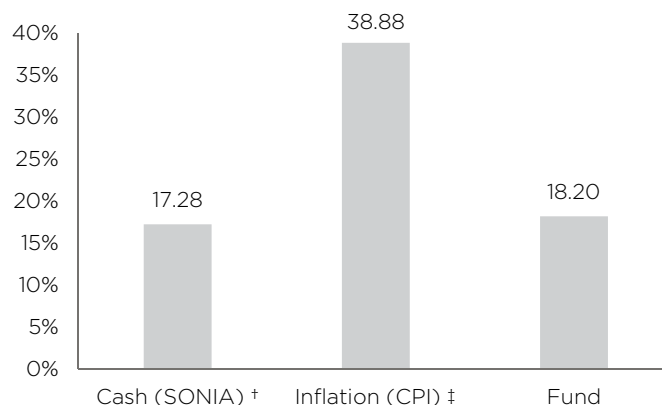
The fund remains diversified, growing from 35 to 38 counterparties. AA-rated counterparties account for 42% of holdings. Its geography is balanced, with its largest non-UK exposures 16% to banks in Japan, 14% in France and 10% in Canada.

### Income

Average interest rate over the quarter 4.12% (4.19% AER)\*

Interest rate over the quarter end 3.95% (4.01% AER)\*

### Cumulative total return over last 10 years



### Deposit rate as at 30 September 2025

4.19% AER\*

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

\*\* Source: CCLA - Performance is shown gross of management fees and other expenses; net returns will be lower after the deduction of fees and other expenses. The daily rate on the Fund will fluctuate and past performance is not a reliable indicator of the future results. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

† Source: CCLA

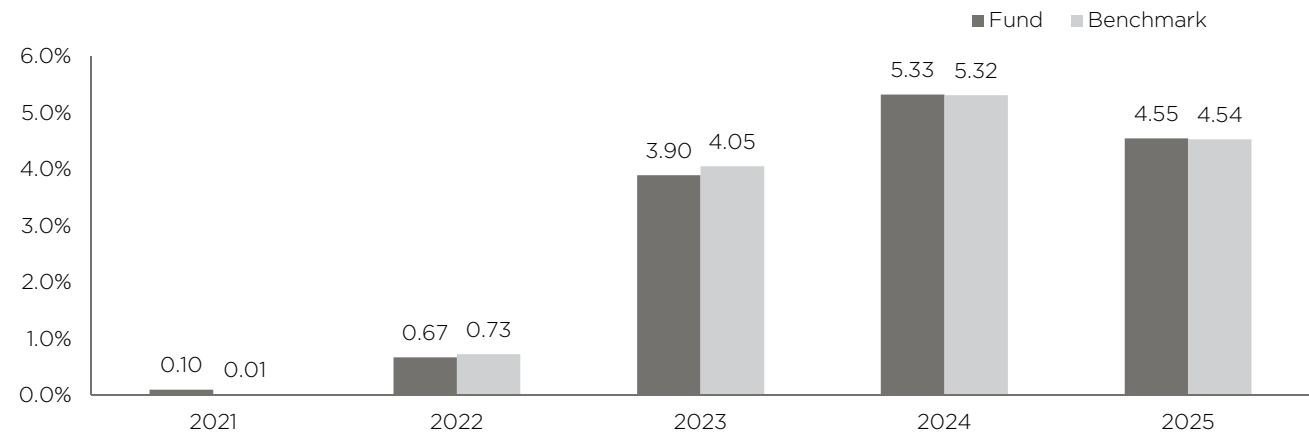
‡ CPI is reported on a 1m lag.

Total return performance

Performance* to 30 September 2025	3 months	1 year	3 years p.a.	5 years p.a.
Deposit	+1.04%	+4.55%	+4.59%	+2.89%
Benchmark	+1.03%	+4.54%	+4.63%	+2.91%

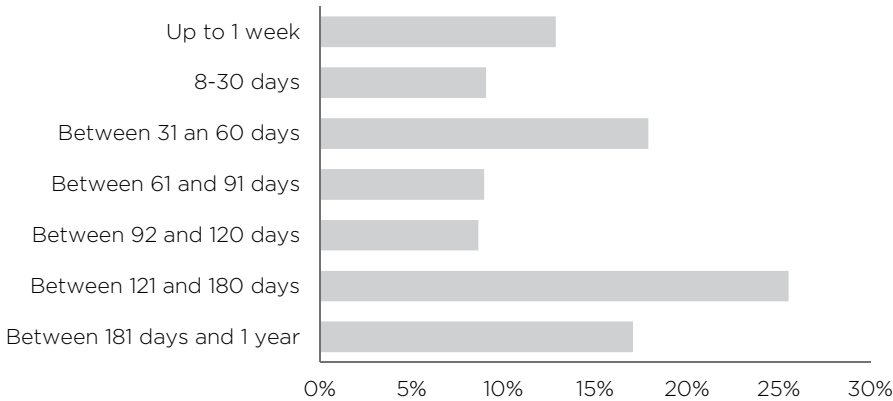
Total return performance by year

12 months to 30 September	2021	2022	2023	2024	2025
Deposit	+0.10%	+0.67%	+3.90%	+5.33%	+4.55%
Benchmark	+0.01%	+0.73%	+4.05%	+5.32%	+4.54%



Benchmark – From 1/1/21: Sterling Overnight Index Average (SONIA). Intial BM: 7-Day London Interbank Sterling Bid Rate (7-Day LIBID). Source: CCLA

The Fund’s maturity profile



\* 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.

## The CBF Church of England Short Duration Bond Fund

### Performance comment

Over the quarter the Fund returned 1.71% compared with the benchmark return of 1.45%. Over the last 12 months, the Fund returned 5.82% compared with the benchmark return of 6.23%.

During the quarter, President Trump's 'One Big Beautiful Bill' became law, his tariffs came into force and America's central bank (the Fed) cut interest rates for the first time since 2024. US inflation had risen to 2.9%, year on year (yoy), in August, but the Fed's September rate cut was mainly a reaction to weak job numbers. Two-year US Treasury (government bond) yields fell from 3.72% to 3.60% over the quarter, and 10-year yields fell from 4.24% to 4.16%. (Bond yields fall as bond prices rise, and vice versa).

UK consumer price (CPI) inflation rose to 3.8%, yoy, in July and August. But the Bank of England (BoE) cut interest rates in August, because it sees inflation fall to 2.0% in 2026. However, two-year yields on gilts (UK government bonds) rose from 3.64% to 3.85% over the quarter, and 10-year yields from 4.51% to 4.76%.

Eurozone inflation was stable at 2%, yoy, between June and August, but crept up to 2.2% in September. The European Central Bank kept rates on hold over the quarter, but long-dated eurozone government bond yields rose, mainly over budget concerns in France.

The extra yield that companies pay on their bonds over those of governments narrowed after April's market sell-off. Over the third quarter, this spread continued to fall, to near its lowest level ever.

### Fund update

The fund has substantial exposure to North America and to corporate bonds, so it benefited from falling Treasury yields and tighter spreads over the quarter.

By industry, the bonds of banks, technology firms and in basic industry were the main contributors to performance. By credit rating, bonds rated 'BB' and above were the best performers. By individual issuer, bank bonds were the main contributors, led by Santander and Barclays, followed by clothing retailer VF Corp. Bonds of aircraft leasing firm Air Lease, student loan firm Navient and renewable energy firm XPLR Infrastructure detracted somewhat from returns.

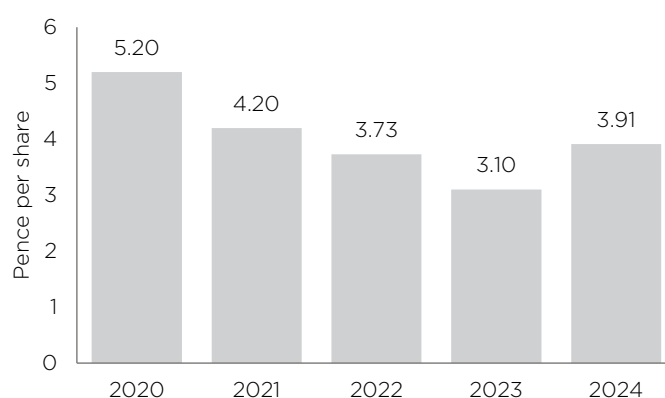
At the end of the quarter, bond spreads remained low, even in traditionally risky or high-volatility segments of the market. As a result, we continued to prefer defensive and fundamentally robust sectors, such as telecoms and financial institutions.

### Income

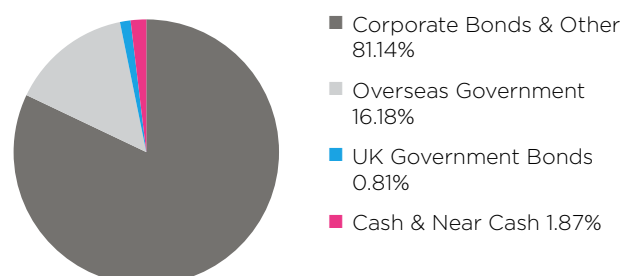
Gross redemption yield 5.03%

The gross redemption yield indicates what the total return would be if the Fund's current investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised.

### Past distributions



### Asset allocation as at 30 September 2025

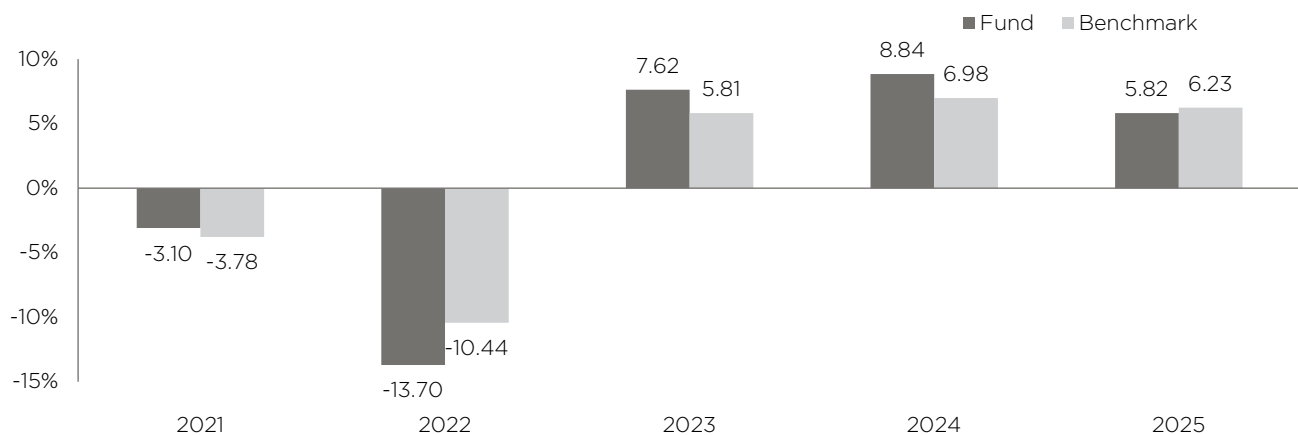


## Total return performance

Performance* to 30 September 2025	3 months	1 year	3 years p.a.	5 years p.a.
Short Duration Bond	+1.71%	+5.82%	+7.42%	+0.72%
Benchmark	+1.45%	+6.23%	+6.34%	+0.72%

## Total return performance by year

12 months to 30 September	2021	2022	2023	2024	2025
Short Duration Bond	-3.10%	-13.70%	+7.62%	+8.84%	+5.82%
Benchmark	-3.78%	-10.44%	+5.81%	+6.98%	+6.23%



Benchmark - From 27.07.22 SONIA + 1.75%. From 01.01.16 iBoxx £ Gilt 50% & iBoxx £ Non Gilt 50% Source: CCLA

## Portfolio asset allocation

### By credit rating

Rating Category**	% Fund
Investment grade	85.1
Non-investment grade (speculative)	13.3
Non-investment grade (less than speculative)	1.5
Unrated	0.1

### By term to maturity

Period	% Fund
0 - 5 years	69.0
5 - 10 years	24.9
10 - 15 years	1.7
Over 15 years	4.4
Duration (yrs)	1.9
Average term to maturity (yrs)	7.5

\* 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.

\*\* Please refer to [www.ccla.co.uk/glossary](http://www.ccla.co.uk/glossary) for explanations of terms.

## The CBF Church of England Property Fund

### Performance comment

Over the quarter the Fund returned 1.48% compared with the benchmark return of 1.31%. Over the last 12 months, the Fund returned 7.87% compared with the benchmark return of 6.95%.

Income remained the major component of returns, albeit with headwinds from office vacancies and, in retail, the risk of tenant failure.

The economic backdrop continued to hold back capital growth. What modest growth there was, mostly came from rental value growth and property management (e.g. lease renewals). Market activity remained limited, not helped by the later-than-usual upcoming Autumn Budget.

The spread in returns between sectors (offices, retail etc.) narrowed. Active management remained vital to control risks tied to individual properties, obsolescence risk and the divergence between prime and lower-quality assets.

### Fund update

The focus of our activity has been to protect income.

- We completed a new lease at Alpha Park, Cambs, with a 41% rent increase. We renewed a lease at Picketts Lock, Enfield.
- We sacrificed some rent to grow longer-term income, with a break clause that allows us to gain possession to redevelop.
- We secured new leases on an office at Threadneedle Street and industrial park in Enfield.
- There were vacancies at Kingsway, London and on an industrial estate in Leeds. The fund increased rents on other retail and office sites to boost income.

Income continues to be the main driver of our forecasts. Capital growth has tailed off and isn't expected to strengthen soon.

However, the stability in property prices, against a volatile backdrop, has been positive. Lower interest rates and easier lending conditions should help transaction volumes.

By sector, industrial holdings continue to be the main driver of performance. Central London offices and retail offer growth potential and higher yields. Other offices remain a drag on performance.

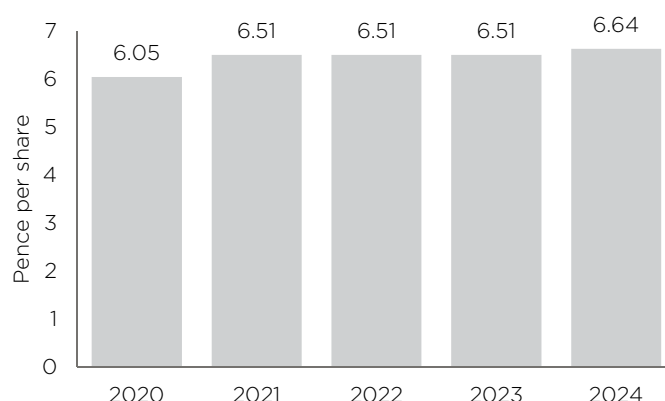
### Income

Gross dividend yield 5.32%\*

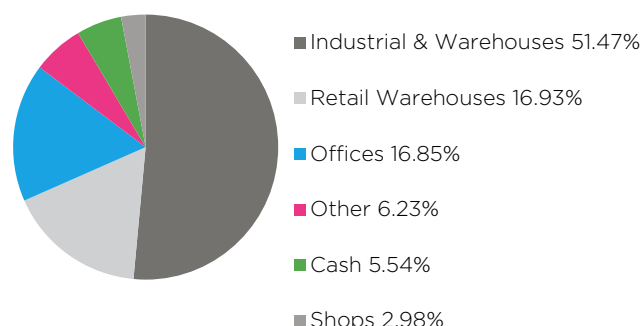
MSCI/AREF Other Balanced Property Fund Index Yield + 3.73%

\* Based upon the net asset value and an estimated annual dividend of 6.64p.

### Past distributions



### Asset allocation as at 30 September 2025



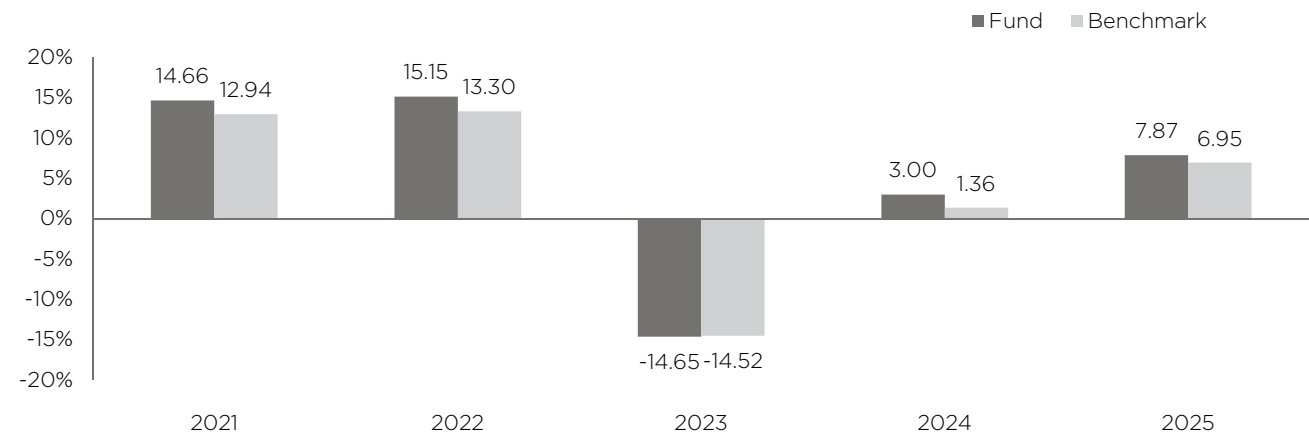


Total return performance

Performance* to 30 September 2025	3 months	1 year	3 years p.a.	5 years p.a.
Property	+1.48%	+7.87%	-1.76%	+4.60%
Benchmark	+1.31%	+6.95%	-2.51%	+3.47%

Total return performance by year

12 months to 30 September	2021	2022	2023	2024	2025
Property	+14.66%	+15.15%	-14.65%	+3.00%	+7.87%
Benchmark	+12.94%	+13.30%	-14.52%	+1.36%	+6.95%

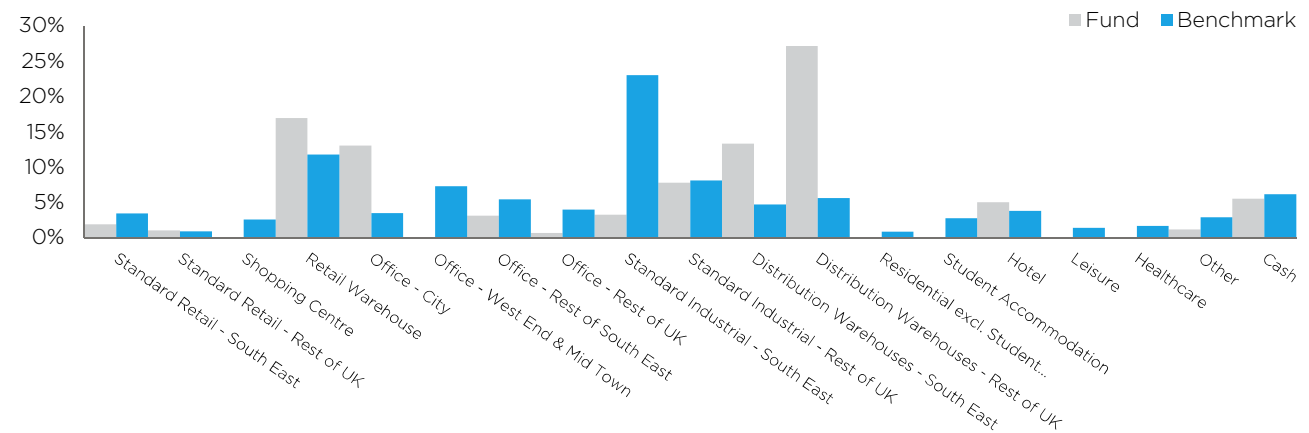


Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

Top 10 underlying property holdings - total 63.02%

London, 80 Cannon Street	Lutterworth 3320 Magna Park
Brighton, Pavilion Retail Park	Bath, Rossiter Road, Waterside Travelodge
Mendlesham, Mendlesham Industrial Estate	Lutterworth 3220 Wellington Parkway, Magna Park
Zorro 238, Coalfield Way, Ashby-de-la-Zouch	Solihull Gate Retail Park, Solihull
1400-1600 Aztec West Business Park	7 St Andrew's Way, Bow

Asset allocation by region and category



\* Performance of the Property Fund and its benchmark are shown after management fees and other expenses with income reinvested. Past performance is not a reliable indicator of future results.

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## 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 scheme information 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 (except for the Fixed Income Securities Fund and the Deposit Fund). 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 a CBF fund is only available to charitable trusts with objects closely connected with the work of the Church of England. The CBF funds are Common Funds established under The Church Funds Investment Measure 1958 (as amended or replaced from time to time). The funds are not authorised by the Financial Conduct Authority.

The properties within the CBF Property Fund are valued by an external property valuer; any such valuations are a matter of opinion rather than fact. The performance of the CBF Property Fund may be negatively affected by a deterioration in the property market which could reduce the value of the fund.

If interest rates on sterling deposits and instruments become negative, depositors may be charged these negative interest rates which will reduce the value of your investment.

We, CCLA Investment Management Limited (registered in England and Wales, number 2183088 at One Angel Lane, London EC4R 3AB), are authorised and regulated by the Financial Conduct Authority. We manage the Church of England Funds.

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