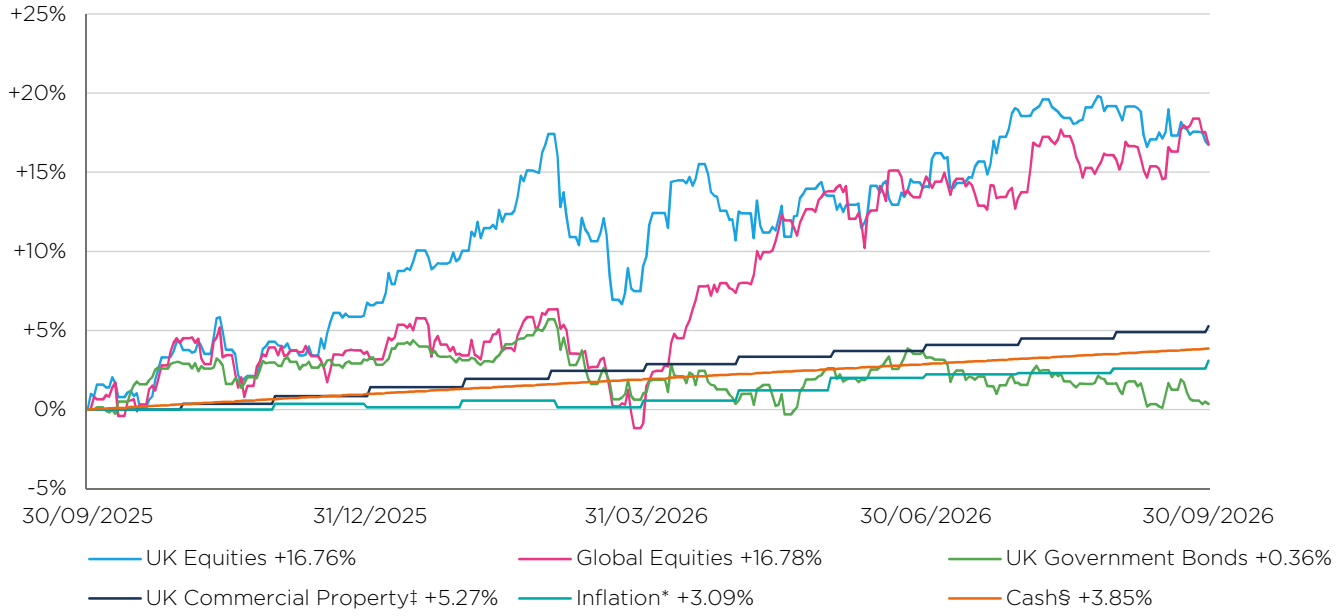
CCLA Quarterly Bulletin

30 September 2026

CCLA

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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)	+2.31	+16.76	+15.35	+11.24
Global Equities (MSCI World Index)	+1.79	+16.78	+18.02	+12.22
Global Equities ex UK (MSCI World ex UK Index)	+1.79	+16.76	+18.13	+12.19
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	-2.81	+0.36	+2.07	-4.84
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	-1.74	+1.78	+5.02	-0.66
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	+1.13	+5.27	+5.56	+2.90
Inflation (CPI) *	+0.84	+3.09	+3.03	+5.08
Cash (SONIA) §	+0.94	+3.85	+4.57	+3.69

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

Hostilities in the Middle East flared up during the third quarter, but many companies continued to report solid profit growth. Both developments were key drivers of financial markets.

The June memorandum of understanding that halted hostilities between the US and Iran broke down within weeks. And in September, Iran-backed forces in Yemen started attacking Saudi Arabia and Saudi ships in the Red Sea. As a result, oil prices rose to nearly $109 per barrel in mid-September.

Importantly, higher oil prices had a knock-on effect on inflation. In the US, for example, personal consumption expenditure (PCE) inflation – the Federal Reserve's preferred inflation gauge – stayed at 3.4% in August, well above the Fed's 2% target.

That persistent inflation brought central banks off the fence, after their wait-and-see approach since the war began. The Fed and the European Central Bank raised interest rates in September. The Bank of England (BoE) kept rates on hold but noted that it 'stands ready to act'. The BoE suggested that UK consumer price inflation might top 4% in early 2027.

The rise in longer-dated bond yields was even starker. The yield on 10-year US Treasury bonds, for example, rose from 4.44% at the end of June to 5.29% at the end of September. (Bond prices fall as their yields rise, and vice versa.)

Rising inflation alone didn't explain the rise in US yields, because yields on inflation-protected US Treasury bonds also increased. In addition, the US government's debt rose above $40 trillion in August. But higher debt levels alone also didn't explain the strong rise in yields, because the cost of insuring against a US government bond default rose only marginally. Instead, it appears that the most important driver of higher US bond yields was a rise in expected economic growth, mainly because of artificial intelligence (AI).

That observation tallies with the performance of the US stock market. Despite their high valuations at the start of July, US share prices rose 2.2%[1] during the third quarter, as AI boosted earnings in the information technology (IT) and communications sectors. Energy shares also performed well, as oil & gas companies profited from higher oil prices. By contrast, share prices fell in interest rate-sensitive sectors such as utilities.

In the UK, share prices rose 2.3% over the third quarter. Many UK-listed companies are energy firms and the government's announcement of a 'Help to Buy' scheme boosted housebuilders' shares.

The yield on 10-year gilts (UK government bonds) rose from 4.83% at the end of June to 5.38% at the end of September. Higher yields throw up additional challenges for the new Chancellor's Autumn Budget on 28 October.

In contrast to the US, higher inflation and rising government debt were important drivers of rising bond yields in the UK and in the eurozone. This helps explain why eurozone share prices fell 1.5% during the third quarter. Only stock markets with the highest expected earnings growth, it appears, were able to overcome the challenges posed by higher oil prices, interest rates and bond yields.

[1]Source: MSCI, net returns in local currency

Outlook

Rising interest rates held back the share prices of most non-AI companies in September. If oil prices stay above $100 a barrel, central banks are likely to raise interest rates several more times.

In addition, long-dated bond yields have risen disproportionately. As discussed above, we know that, in the US, that rise was driven by more than inflation or rising government debt. Our current interpretation is that investors raised their expectations of long-term real gross domestic product (GDP) growth. A boost from AI technology was the most likely catalyst.

(It is worth remembering that listed US companies in AI and semiconductors are set to grow their earnings by more than 80% this year, versus a 20% average in all other sectors. Both growth rates are historically high, but AI profit growth is extraordinary.)

There is a risk that central banks raise interest rates by too much or too quickly. The Fed, for example, has rapidly moved from a loose stance this summer, when interest rates supported economic growth, to a neutral one now, with rates neither stimulating nor restricting the economy. US inflation has been higher than the Fed's target for over five years, and the Fed's new chairman may be keen to return it to target sooner than stock market investors are ready to face.

In addition, investors hold historically large allocations to shares. We continue to be encouraged by companies' solid profit growth, particularly in the US. And we believe that that profit growth will trump rising bond yields when it comes to stock market returns. But it is worth noting that, when investors hold extreme positions, they are more sensitive to small things going wrong.

The market review, analysis, and any projections contained in this document represent CCLA's house view and should not be relied upon to form the basis of any investment decisions.

Artificial Intelligence (AI): Stock market confidence has returned, but the landscape is changing.

July brought a sharp rotation away from some artificial intelligence (AI) stocks that had performed well in the first half of this year. In August and September, however, the sector broadly stabilised. Confidence returned as companies that benefit from spending on AI continued to report strong results, and new products such as Meta's 'Muse' showed how AI can be useful in everyday life.

The debate about AI's risks also intensified, including warnings by industry figures about the technology's potential impact on society. We welcome efforts by leading companies to agree safeguards and discuss regulation. Greater trust in AI should help support its adoption over time.

One of the third quarter's most closely watched launches was Meta's consumer assistant Muse. Muse aims to help people with tasks such as shopping and booking travel, and it has attracted strong initial interest. Its launch lifted sentiment towards companies providing the computing power needed to run AI services. And the adoption of useful AI services could sustain demand for the infrastructure behind them.

But Muse also weighed on the share prices of the consumer-facing businesses that it could disrupt, such as travel website Booking.com and comparison website MoneySuperMarket. The risks to these businesses are real, and Muse-like products by Google, OpenAI and others may add to the pressure. CCLA funds have limited exposure to businesses facing the most direct disruption. In our equity portfolios, we had already sold holdings such as Booking.com earlier this year.

In addition, the companies that benefit from AI may change as the technology matures. Early attention focused on the suppliers of chips and data centre equipment. Over time, the opportunity could broaden to include the large technology platforms that enable AI, software companies that incorporate AI into their products, and businesses that use AI to improve productivity. This could include industrial companies supplying equipment for investment, as well as firms that use AI to make their operations more efficient.

Investment in computing infrastructure remains the key driver for earnings and share prices across the AI ecosystem. Concerns about how companies finance this spending, increasingly with debt, deserve close attention. For now, though, spending remains strong. Investment bank Morgan Stanley estimates that major cloud companies' capital expenditure could approach $1.5 trillion in 2027, around 60% more than in 2026. It expects that growth to slow in 2028, when a greater share of spending may go towards chips rather than longer-lived infrastructure. As the pace of infrastructure investment eventually eases, investors may look more closely at areas that have received less attention. Those eventual beneficiaries could be broader than the companies building the infrastructure.

AI is the largest source of growth exposure in the equity portfolios we manage. We hold semiconductor, cloud platforms and data centre supply-chain companies where we see strong competitive positions, proven profitability and reasonable valuations. We favour businesses with steadier profiles over the highest-momentum AI stocks, including those in optical networking and memory.

But AI is also becoming a potential benefit to companies we hold outside the core infrastructure supply chain. Cybersecurity firm Fortinet, enterprise software provider ServiceNow and cloud communications company Twilio, for example, are businesses whose services AI could support.

Antimicrobial resistance: the silent pandemic

While public attention has largely moved on from COVID-19, another global health threat is growing. Antimicrobial resistance (AMR), where bacteria, viruses, fungi and parasites no longer respond to medicines used to treat them, is increasingly recognised as one of the most significant health challenges of the 21st century.

AMR contributed to an estimated 4.95 million deaths in 2019, more than eight times the annual death toll from malaria. A 2024 Lancet study projects that antibiotic-resistant infections could claim more than 39 million lives by 2050, with AMR linked to over 8 million deaths annually, roughly equivalent to losing a city the size of London every year.

The consequences of AMR extend well beyond the inability to treat common infections. Much of modern medicine relies on antibiotics. Patients undergoing cancer treatment, or having routine surgery, often depend on antibiotics to prevent or treat infection when their immune systems are vulnerable. Procedures from knee replacements to caesarean sections become progressively more dangerous, threatening healthcare advances that have transformed life expectancy and quality of life over the past century.

The economic implications are huge. In its 2024 Political Declaration on AMR, the United Nations noted that AMR could generate up to US$1 trillion of additional healthcare costs by 2050, alongside annual global economic losses of US$1-3.4 trillion. The upper end of that estimate is larger than the annual economic output of many G20 economies. For long-term investors, AMR is a systemic risk capable of affecting economic growth and labour productivity across markets.

The causes of AMR are complex. Overuse and misuse of antibiotics in human medicine remain key drivers, alongside poor sanitation and infection prevention. Antibiotics are widely used in livestock, while the byproducts of pharmaceutical manufacturing can contribute to the emergence of resistant bacteria. Investment in new antibiotics has lagged many other therapeutic areas, limiting the pipeline of future treatments.

Corporate practices matter. The 2026 Antimicrobial Resistance Benchmark from the Access to Medicine Foundation assessed 25 pharmaceutical companies and concluded that, while there are examples of leadership, industry-wide efforts are being outpaced by the spread of drug resistance. While no single company can solve it alone, individual companies can either contribute to the problem or help address it.

CCLA's approach

In Q3, CCLA initiated engagement on AMR with two antibiotic manufacturers – Abbott Laboratories and Johnson & Johnson – with an initial focus on three priority areas:

- Antibiotic residues released during manufacturing can promote drug-resistant bacteria in rivers and waterways, making infections harder to treat. We expect companies to monitor discharges and report transparently on compliance with WHO-recommended limits across company-owned and supplier facilities.
- In many low- and middle-income countries, important antibiotics remain unavailable, forcing reliance on older treatments that may be less effective. If these companies can secure approval for these drugs in more markets, they would expand access and help to curb AMR.
- Antibiotics present a unique challenge: companies are incentivised to maximise sales, while society benefits from preserving their effectiveness. We therefore expect stewardship-focused sales practices, including removing incentives linked to antibiotic volumes.

AMR is often described as a 'silent pandemic' because its effects accumulate gradually, largely out of public view. Yet the consequences are profound: millions of lives, trillions of dollars in economic value and decades of medical progress are at risk. Supporting efforts to preserve the effectiveness of existing antibiotics is not only a public health imperative, but a critical component of protecting economic prosperity, portfolio resilience and long-term value creation.

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 Q3, we joined investors and civil society organisations in calling on the new Prime Minister to bring forward a Good Food Bill early in this Parliament. The proposed legislation aims to create a more coherent food system by addressing issues including food insecurity, public health, environmental sustainability and agricultural resilience, all of which have implications for long-term investment outcomes.

As part of the sixth annual Transition Plan Vote Initiative, led by CCLA and LAPFF, letters were sent to FTSE 100 companies encouraging them to submit their climate transition plans to shareholders for an advisory vote. The initiative was supported by 62 global investors representing £3.8 trillion in assets under management, reinforcing expectations for credible and accountable transition planning.

In Q3, we published the 2026 CCLA Corporate Mental Health Benchmark (UK 100), assessing how the UK's largest listed companies manage and report on workforce mental health. The benchmark provides investors with a clearer understanding of companies' approach to a material business issue that affects productivity, retention, risk management and long-term performance.

Following publication, we wrote to the CEO of every company assessed, sharing findings and setting out bespoke recommendations for each one. The letters were sent on behalf of CCLA's global investor coalition on workplace mental health, representing US$9.5 trillion in assets under management. We held discussions with 15 companies to encourage stronger policies, governance and disclosure during the quarter.

During the quarter, we welcomed comments from Sir Chris Bryant, Minister in the Department for Business and Trade, indicating that the Government is actively considering mandatory human rights due diligence requirements and a form of forced labour import ban during this Parliament. These are policy measures we have advocated for over the past year and which could strengthen corporate accountability and supply chain oversight.

Quarter three voting in detail

CCLA aims to vote at all company meetings where we have portfolio holdings. The Catholic Investment Fund did not support 10% of management resolutions at investee companies this quarter.

We typically vote against remuneration policies that are not sufficiently aligned to long-term shareholder interests, particularly where pay structures are complex or incentive arrangements excessive. Executive pay should support sustainable long-term performance, with a strong emphasis on equity ownership and alignment with shareholders. In the case of ICG plc, we overrode our usual voting position following engagement with the Remuneration Committee. Although the structure does not fully meet our standard remuneration framework, we recognised that it delivers meaningful long-term alignment through moderate fixed pay, substantial equity-based incentives, extended vesting periods and significant executive shareholding requirements. Combined with the committee's constructive engagement, these factors led us to abstain rather than oppose.

Giving evidence on the Immigration and Asylum Bill

CCLA's modern slavery engagement work achieved an important milestone this quarter when we gave oral evidence to the Public Bill Committee scrutinising provisions within the Immigration and Asylum Bill that would strengthen Section 54 of the UK Modern Slavery Act. Section 54 currently requires large companies to publish an annual modern slavery statement, but critics have long argued that the regime lacks effective enforcement. The proposed reforms would introduce mandatory reporting requirements and financial penalties for non-compliance, helping to improve transparency and incentivise companies to take their responsibilities more seriously.

While these changes would represent a significant step forward for the UK framework, there remains a gap between the UK and several international peers. Over recent years, jurisdictions including the EU and the US have moved beyond disclosure-based requirements by introducing measures such as mandatory human rights due diligence obligations and restrictions on goods linked to forced labour. CCLA has consistently advocated for stronger legislation in these areas, believing that robust corporate due diligence and effective import controls are necessary to identify, prevent and remedy human rights abuses in global supply chains.

Values based restrictions

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

Upcoming events for trustees

CCLA invites you to an investment seminar designed to provide insight into some of the important issues facing the charity sector in a practical and accessible way, relevant both to those new to charity investment and those with more experience.

The event offers opportunities for networking with fellow trustees and our investment directors will be on hand to answer any questions.

Our seminar agenda includes:

- Latest economic and market developments
- Real-world impact of good stewardship
- Update on CCLA's funds

Dates and Locations

Thursday 3 December, Exeter

Catholic Investment Fund

Performance comment

Hostilities in the Middle East fuelled inflation during the third quarter, which led central banks to start raising interest rates. Bond yields rose sharply, in the US mainly because of expected benefits from artificial intelligence (AI), but in Europe also because of rising inflation and government borrowing. Most companies reported solid profit growth, so world share prices continued to rise. Over the quarter the Fund returned 1.33% compared with the comparator return of 1.02%. Over the last 12 months, the Fund returned 1.16% compared with the comparator return of 13.01%.

- Information technology firms were the main contributors to the fund's returns, led by Microsoft, which strengthened its position at the centre of the AI economy.
- Holdings in financial businesses also boosted performance, as did health care businesses such as Agilent, whose revenues and profits rose.
- Positions in consumer discretionary businesses, such as contract caterers Compass, were the main detractor from returns.
- Prices of capital-intensive infrastructure positions fell because bond yields rose.

Fund update

We continue to be encouraged by companies' solid profit growth, particularly in the US. US companies in AI and semiconductors are set to grow profits by over 80% this year, which is extraordinary.

Bond yields have risen disproportionately, in the US mainly because investors expect higher economic growth. In that scenario, profit growth trumps rising bond yields when it comes to stock market returns. In Europe, however, bond yields mostly rose because of rising inflation and government borrowing.

There is a risk that central banks raise interest rates by too much or too quickly. Investors now hold historically large allocations to shares, which are sensitive to small things going wrong.

Income

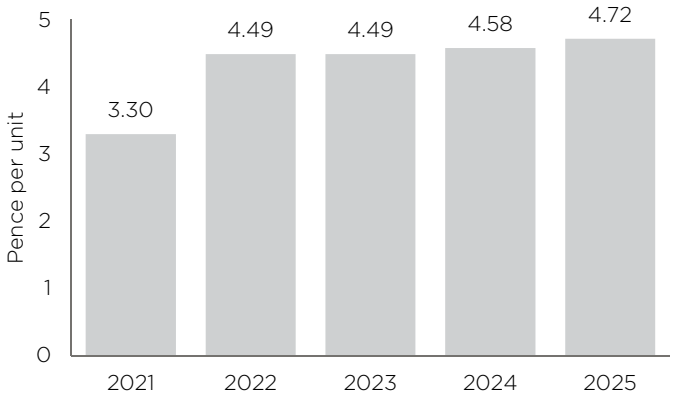
Gross dividend yield 3.24%*

MSCI $ UK IMI dividend yield 3.17%

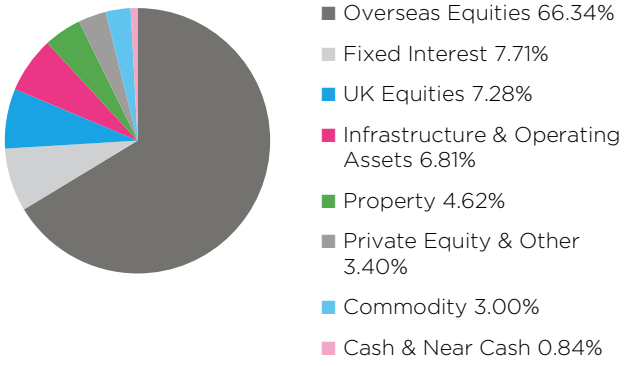
MSCI $ World ex UK dividend yield 1.46%

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

Past distributions



Asset allocation as at 30 September 2026



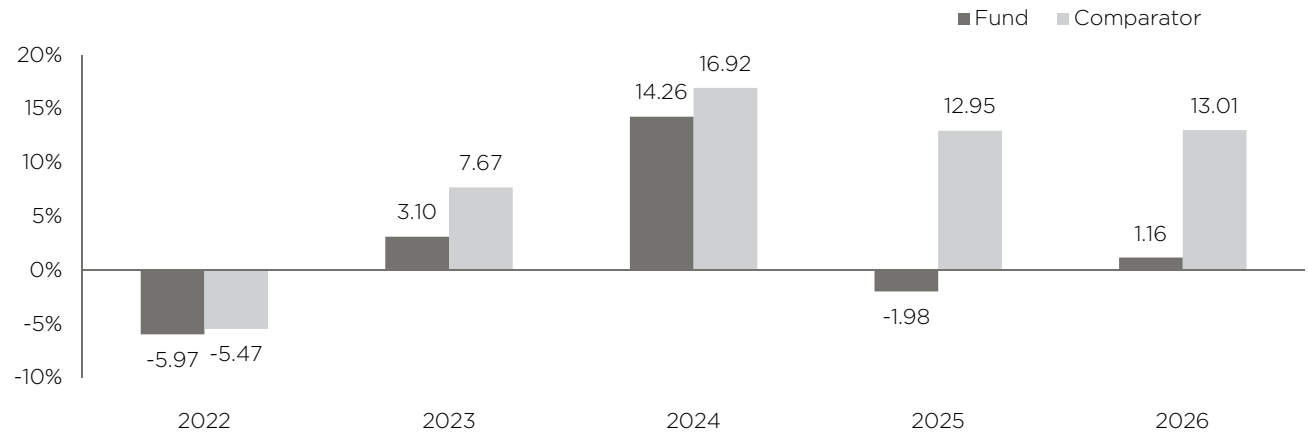
Total return performance

Performance* to 30 September 2026	3 months	1 year	3 years p.a.	5 years p.a.
Comparator ‡	+1.02%	+13.01%	+14.28%	+8.72%
Catholic Investment	+1.33%	+1.16%	+4.25%	+1.89%

‡ Target benchmark is CPI +5%. CPI is lagged for the most recent month.

Total return performance by year

12 months to 30 September	2022	2023	2024	2025	2026
Catholic Investment	-5.97%	+3.10%	+14.26%	-1.98%	+1.16%
Benchmark	-5.47%	+7.67%	+16.92%	+12.95%	+13.01%



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 30 September 2026

Alphabet Inc C Com NPV	3.1%	UK Gilt 0.125% IL 10/08/2028	2.5%
Taiwan Semiconducter SP ADR(V5 Ord)	3.1%	UK Treasury 1.25% IL Gilt 22/11/2027	2.5%
Goldman Sachs Physical Gold ETF ETF	3.0%	Amazon.Com Com USD0.01	2.5%
Microsoft Com NPV	2.9%	Broadcom Corp Com NPV	2.3%
Nvidia Com USD0.001	2.6%	Agilent Technologies Com USD0.01	2.2%

* 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.

This document is information only and is not investment advice. Past performance does not predict future returns. The value of investments and income may go down as well as up and investors may not get back amounts originally invested. 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.

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