

THE CBF CHURCH OF ENGLAND
SHORT DURATION BOND FUND
ANNUAL REPORT AND
FINANCIAL STATEMENTS

For the year ended 31 December 2023

CCLA

CONTENTS

Report of the Trustee	03
Report of the Investment Manager*	08
Statement of Ethical Investment Policy*	12
Independent Auditor's Report	15
Summary risk indicator	19
Comparative table	20
Operating charges analysis	22
Portfolio analysis	23
Portfolio statement*	24
Statement of total return**	33
Statement of change in net assets attributable to Shareholders**	33
Balance sheet**	34
Notes to the financial statements**	35
Distribution tables**	50
Statement of Trustee and Manager responsibilities	51
Directory*	53

*Collectively, these comprise the Manager's Report.

**Audited.

References to "CCLA" refer to the CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

Disability Discrimination Act 1995

Extracts from the Annual Report and Financial Statements are available in large print and audio formats.

REPORT OF THE TRUSTEE

for the year ended 31 December 2023

On behalf of the Trustee, I have pleasure in presenting the Annual Report and Financial Statements of The CBF Church of England Short Duration Bond Fund (the “Fund”), which includes a separate report from CCLA Investment Management Limited (the “Manager”) as Manager of the Fund. The Manager is authorised and regulated by the Financial Conduct Authority (“FCA”).

Structure and management of the Fund

The Fund is an investment fund, administered as a common fund and is established under the Church Funds Investment Measure 1958, as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000, the Church of England (Miscellaneous Provisions) Measure 2006, the Church of England (Miscellaneous Provisions) Measure 2010 (together the “Measure”) and the Trustee Act 2000. The Fund was formed in 1977. The Fund is not a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 (“FSMA”) as amended or changed from time to time.

CBF Funds Trustee Limited (the “Trustee”) is the Trustee and Operator of the Fund. The Trustee is a company incorporated under the Companies Act 1985 (now Companies Act 2006). It is a registered charity (No. 1116932) and is incorporated in England and Wales as a company limited by guarantee.

The Manager has been appointed by the Trustee pursuant to the investment management agreement dated September 2008 to provide discretionary investment management services as well as administrative and registration services under the investment management agreement.

Under the provisions of FSMA, the Trustee is not considered to be operating the Fund “by way of business”. Consequently, it is not required to be authorised or regulated by the FCA and its members are not required to be approved by the FCA for this purpose.

As the Fund is structured as an unregulated fund, investments in the Fund are not covered by the Financial Services Compensation Scheme.

Charitable status

The Fund is entitled to charitable status by virtue of section 99(4) of the Charities Act 2011. In the administration of the Fund, the Trustee is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Church Funds Investment Measures 1958.

Investment objective

The Fund aims to generate a total return (income plus capital growth) of cash (represented by SONIA) plus 1.75% per annum (net of fees and expenses) when measured over a rolling three year period.

There is no guarantee that the investment objective of the Fund will be achieved over any time period. Capital is at risk.

With effect from 20th November 2023, the name of the fund was changed from The CBF Church of England Fixed Interest Fund to The CBF Church of England Short Duration Bond Fund.

REPORT OF THE TRUSTEE

for the year ended 31 December 2023

Investment policy

The Fund will invest in a range of fixed and floating rate debt and/or debt related instruments issued by corporates and governments (government and public securities) including loans (which may be leveraged), inflation-linked securities, money market instruments and asset backed or other securitised products. Such instruments may be issued by issuers located in developed and emerging markets (as defined by MSCI for the purposes of its developed and emerging markets indices). Exposure to these assets may be via direct holdings or indirectly through investment in other funds (including those managed and operated by the Manager, the Sub-Investment Manager or their associates). Such funds may include exchange traded funds, closed-ended investment companies (including UK investment trusts) and open-ended funds. Investments made by the Fund may be either liquid or illiquid in nature.

The Fund will be managed to ensure that the Fund's Duration is less than 3.5 years, with the aim of reducing the effect of changes in interest rates on the Fund's value. The Fund's Duration measures the sensitivity of the value of the Fund to a change in interest rates; the lower the Duration the less impact a change in interest rates will have on the Fund's value.

The Fund is actively managed which means the Manager/Sub-Investment Manager uses their discretion to pick investments to seek to achieve the investment objective.

The Fund will invest in instruments issued in a range of currencies and will hedge the non-sterling denominated portion of the portfolio back to the Fund's Base Currency in a range of 95%–105% of the Net Asset Value of the Scheme Property, to reduce the risk of exposure to non-sterling currency fluctuations.

The Fund may invest in instruments that are either investment grade (credit rating of BBB- or above) or non-investment grade (credit rating less than BBB-) as rated by one of S&P Global Ratings or Fitch Rating Services, or instruments with a credit rating of Baa3 or above (investment grade) or a credit rating of less than Baa3 (non-investment grade), as determined by Moody's Investors Service. Where an instrument does not have an explicit rating from one of these agencies ("Unrated Securities") the Manager or Sub-Investment Manager is permitted to calculate a deemed rating.

The constraints set out below will apply to the Fund. During periods of rapid credit rating downgrades and/or market illiquidity however these constraints may be temporarily exceeded. Where this occurs steps will be taken to bring the Fund into compliance with the constraints stated below within a reasonable period of time.

- The maximum exposure to non-investment grade securities is 20% of the Net Asset Value of the Scheme Property. Credit ratings used for measuring compliance with this rule are the highest of S&P Global Ratings', Fitch Ratings' and Moody's Investor Service long-term ratings.

REPORT OF THE TRUSTEE

for the year ended 31 December 2023

- The maximum exposure to securities rated less than BB- is 5% of the Net Asset Value of the Scheme Property.
- The maximum exposure to Unrated Securities (including securities that the Manager and/or Sub-Investment Manager have given a deemed rating) is 5% of the Net Asset Value of the Scheme Property.
- The Fund will invest no more than 10% of its Net Asset Value in Collective Investment Schemes including In-House Funds.

The Fund uses derivatives (financial instruments whose value is linked to that of another asset) for investment purposes and efficient portfolio management. Efficient portfolio management includes hedging (for example, reducing currency risk) and otherwise managing the Fund in a way that is designed to reduce risk or costs and/or to generate extra income or growth with a level of risk consistent with the risk profile of the Fund.

The Fund is managed in accordance with our ethical investment exclusions policy which is set out in further detail at www.ccla.co.uk.

Target benchmark

The target benchmark for the Fund is SONIA plus 1.75% per annum. The target benchmark sets a standard against which the performance of the Fund can be assessed.

Target investors

The Fund is intended for eligible charity investors, with at least a basic knowledge of relevant financial instruments, which are affiliated with the Church of England and seeking to invest in an actively managed fund that reflects the investment objective and investment policy of the Fund. Investors should be looking to invest for at least three years and understand that their capital may be at risk, have the ability to bear losses and appreciate that the value of their investment and any derived income may fall as well as rise. Please note that the Manager is not required to assess the suitability or appropriateness of the Fund against each investor. Investors may be either retail or professional clients (both per se and elective).

Review of investment activities and policies of the Fund

The Trustee is ultimately responsible for The CBF Church of England Funds and receives reports on the published financial statements. The Trustee holds at least four meetings each year and monitors the investment, property and cash management, administration, registration and company secretarial services provided the Manager under the investment management agreement. The Trustee has appointed an audit committee to review the financial statements of the Fund and to receive and consider regular reports from the Manager on the management and administration of the Fund. The Trustee has appointed the custodian to hold the securities of the Fund in specially designated accounts in safe custody.

REPORT OF THE TRUSTEE

for the year ended 31 December 2023

Delegation of functions

Following its regular meetings and consideration of the reports and papers it has received, the Trustee is satisfied that the Manager, to whom it has delegated the administration and management of the Fund, has complied with the terms of the Church Funds Investment Measure 1958 and with the investment management agreement.

Ethical investment

The Fund is managed in accordance with an ethical investment policy based on the advice of the Church's Ethical Investment Advisory Group (EIAG). More information about the EIAG is available at www.churchofengland.org/eiag. The Trustee is represented on the EIAG by C Chan, a director of the Trustee.

The EIAG advises the Church's three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) on ethical investment issues. Responsibility for accepting EIAG recommendations rests with the Trustee.

CCLA collaborates with the other Church National Investing Bodies to engage with investee companies on issues of particular concern to the Church of England.

Responsible investment and stewardship

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term Shareholder returns. This includes

policies to integrate Environmental, Social and Governance (ESG) factors into the investment decision making process and stewardship activities associated with the Fund's holdings. The Manager is a signatory to the United Nations Principles for Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGCC) and UK Sustainable Investment and Finance Association (UKSIF).

Controls and risk management

The Trustee receives and considers regular reports from the Manager. Ad hoc reports and information are supplied as required. The Trustee has appointed HSBC Bank plc Trustee and Depositary Services to oversee the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. HSBC Bank plc Trustee and Depositary Services also provide semi-annual reviews to the Trustee. This oversight provides an additional layer of comfort for Shareholders.

The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

REPORT OF THE TRUSTEE

for the year ended 31 December 2023

At its periodic audit committee meetings, the Trustee receives a report from the Chief Risk Officer of the Manager which covers the following areas amongst others:

- breaches and complaints recorded on the Fund during the reporting period;
- compliance monitoring reviews relevant to the Fund during the reporting period;
- a summary of the internal audit reviews carried out during the reporting period and any significant findings;
- an enterprise risk report which outlines any operational risk events which impacted the Fund; and
- an investment risk report on the Fund with relevant metrics as at the last month end prior to the audit committee meeting.

The Manager is currently considering the launch of a Charity Authorised Investment Fund (“CAIF”), a new investment vehicle which has specifically been designed by the FCA for the charity sector, to which the assets and liabilities of this entity could be transferred. Any such change of structure would be subject to investor consultation and Trustee approval. Should this be approved, on completion of the transfer, The CBF Church of England Short Duration Bond Fund would cease operations and be wound up, with the investors’ existing holdings in The CBF Church of England Short Duration Bond Fund being replaced with their equivalent in the new CAIF fund. This change in structure is expected to result in savings on at least VAT to the end investor and increased regulatory protection for holders of the fund.

The Archbishops’ Council supported the draft legislation that went to Synod, enabling the future conversion of the funds; however, the timetable is still to be determined following the completion of Trustee approvals.

These events and circumstances therefore represent a material uncertainty which may cast significant doubt on The CBF Church of England Short Duration Bond Fund’s ability to continue as a going concern. In the event that the decision is taken not to make the changes the fund is expected to continue to operate as it does now, and hence continue as a going concern.

Going Concern

Notwithstanding the material uncertainty explained above, the Trustee, having made appropriate enquiries and considered the ability of the Fund to meet its ongoing liabilities, has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Trustee has considered that the proposal is contingent on investor consultation and Trustee approval and that the Fund remains a going concern in all other regard.

A Brookes, Chair
CBF Funds Trustee Limited
23 May 2024

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2023

Strategy

The Fund uses a wide range of fixed interest securities (bonds) and risk management techniques to pursue a target return of cash plus 1.75% p.a. (net of fees and expenses) over a rolling 3-year period. There is a focus on generating returns from credit risk, meaning that the manager aims to identify individual bonds which will deliver good returns relative to the level of risk associated with a particular borrower at the corporate level. Conversely there is limited appetite for interest rate risk ('duration'), which describes how a bond's returns are likely to be affected by general changes in interest rates. Currency risk is avoided.

This represents a change from the strategy in place prior to 27 July 2022, which offered

exposure to a more limited range of securities – UK government bonds and investment-grade, sterling denominated non-government bonds only – and carried significantly higher interest rate risk. As of the same date Federated Hermes was appointed as sub-manager of the Fund to implement the new investment strategy.

As at 31 December 2023 approximately 58% of the portfolio was in corporate bonds, predominantly investment grade but with a smaller allocation to high yield bonds, while 37% was in overseas government bonds (principally US treasuries) and 1.2% in UK government bonds; the remainder was in cash and derivatives. The portfolio duration, a measure of exposure to interest rate risk, was 1.6 years.

Annualised total capital and income return

To 31 December 2023	1 year %	5 years % p.a.	10 years % p.a.
Performance against market indices (after expenses)			
CBF Church of England Short Duration Bond			
Income shares*	7.92	0.87	2.89
Accumulation shares*	7.92	0.88	2.90
Target benchmark#	6.43	1.35	3.31
iBoxx £ Gilts	3.62	-3.00	1.15
iBoxx £ Non Gilts	8.58	0.39	2.71
SONIA	4.69	1.34	0.83
Consumer Price Index (CPI)	3.93	4.30	2.87

Target benchmark – Composite: From 27 July 2022, the target benchmark is the Sterling Overnight Index Average plus 1.75% a year. Before 27 July 2022, the target benchmark was 50% Markit iBoxx £ Gilts Index and 50% Markit iBoxx £ Non Gilts Index.

* Mid to mid plus income re-invested.

Source: CCLA.

REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2023

Performance

Over the period under review the Fund achieved a return after expenses of 7.9% on the income units and 7.9% on the accumulation units. This compares with a return of 6.4% on the benchmark. The Fund is actively managed and it is common for performance to be either above or below that of the benchmark over any given reporting period. At year end the gross redemption yield (yield to maturity) was 5.1%. The gross redemption yield indicates what the total return would be if the fund's investments were held to maturity, being the aggregate of gross interest received and the capital gain or loss at redemption, annualised. The distribution yield, meanwhile, was 2.3%.

The Fund's emphasis on high quality bond issuers, especially those in sectors which are not particularly sensitive to general economic conditions, was the main reason why total returns for the Fund were ahead of the benchmark at a time when returns at the lower-quality end of the market were dampened by a rising incidence of companies being unable to service their debt obligations.

Market review

Fixed income markets were much less turbulent over the period under review than in the previous year. Bond prices move in the opposite direction from yields and many investors had suffered savage losses during 2022, when valuations declined sharply as central banks hiked policy interest rates.

Bond market fortunes are driven significantly by investors' expectations for the future direction of monetary policy and over the course of 2023 markets advanced and reversed at different times in response to emerging economic data and commentary from central bankers. In the event interest rates set by the major western central banks (the US Federal Reserve, the European Central Bank and the Bank of England) peaked over the course of the summer, although monetary policy leaders remained keen to impress upon markets that rates could remain 'higher for longer' because persistent pressure to curb demand would be required to squeeze inflation out of the system.

In the closing weeks of the year investors' rising optimism about the prospect of policy easing in 2024 brought bond yields down and left total returns for most fixed income markets in modestly positive territory over the year.

Outlook

Global economic growth is likely to take some time to recover from the post-pandemic inflation shock and the rapid tightening of monetary policy that came in response. Inflation has declined sharply from its 2022 highs and the peak of the interest rate cycle now looks to be behind us, but we should not expect a return to the pre-pandemic conditions of very low inflation and interest rates.

REPORT OF THE INVESTMENT MANAGER
for the year ended 31 December 2023

For bond investors, an environment of relatively high yields, especially when the expectation is that yields will decline going forwards, presents some attractive opportunities. However the finances of some corporate bond issuers are likely to come under pressure, especially if borrowing rates remain 'higher for longer'. A selective approach focused on good quality issuers who are less dependent on strength in the general economic climate in order to prosper can be expected to benefit investors.

CCLA Investment Management Limited
23 May 2024

REPORT OF THE INVESTMENT MANAGER

for the year ended 31 December 2023

Top ten changes in portfolio composition

	Cost £'000		Proceeds £'000
Purchases:		Sales:	
US Treasury 0% 2024	13,219	US Treasury 0.125% 2023	375
US Treasury 0.25% 2024	10,209	VMware 0.6% 2023	347
UK Treasury 1% 2024	700	UK Treasury 0.125% 2024	340
Atlas Funding 2021-1 FRN 2058	586	Gemgarto 2021-1 FRN 2067	304
Koninklijke 5.75% 2029	501	HCA 3.125% 2027	302
HCA 3.125% 2027	366	Argentum Netherlands 4.625%	
VMware 1.4% 2026	366	VRN Perpetual	252
Mortimer BTL 2021-1 FRN 2053	343	ABN Amro Bank 2.875% 2028	176
Next Group 3.625% 2028	317	Thames Water Utilities Finance 2.625% 2032	166
Mortimer 2023-1 PLC FRN 2056	300	Royal Bank of Scotland 2.359% VRN 2024	161
		Catalent Pharma Solutions 2.375% 2028	157

When a stock has both purchases and sales in the reporting period, these transactions have been netted and the net amount has been reflected as either a net purchase or net sale in the table above.

Portfolio asset allocation by credit rating

Rating category	% fund
AAA	21.00
AA	23.21
A	9.66
BBB	36.13
Non investment grade	9.19
Not rated	0.81

Risk warning

Past performance is not a reliable indicator of future results. The price of the Fund's Shares and any income distributions from them may fall as well as rise and an investor may not get back the amount originally invested.

The Fund's Shares are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only on each dealing day.

The gross redemption yield is an estimate of total return over the long-term. The Fund's gross dividend yield and gross redemption yield are not guaranteed and will change over time. When the Fund's distribution yield is higher than the gross redemption yield, some revenue is being paid at the expense of capital.

Investments in the Fund are not covered by the Financial Services Compensation Scheme.

STATEMENT OF ETHICAL INVESTMENT POLICY**to the Shareholders of The CBF Church of England Short Duration Bond Fund****Ethical investment**

The Fund is managed in accordance with ethical investment policies developed by the three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) based on the advice of the Church's Ethical Investment Advisory Group (EIAG). Responsibility for accepting National Investing Bodies (NIBs) policy and EIAG recommendations rests with the Trustee. The Trustee is represented on the EIAG by C Chan, a director of the Trustee. The Ethical Investment Policy embraces stewardship, engagement and investment exclusions.

Responsible investment and stewardship

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term Shareholder returns. This includes policies to integrate Environmental, Social and Governance (ESG) factors into the investment decision making process and stewardship activities associated with the Fund's holdings, more details can be found at <https://www.ccla.co.uk/sustainability/corporate-governance/approach-esg>.

The Manager is a signatory to both the UK Stewardship Code and the United Nations Principles for Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors Group on Climate Change (IIGCC) and UK Sustainable Investment and Finance Association (UKSIF).

Engagement

The NIBs expect companies in which they invest to manifest sustainable environmental practice, fair treatment of customers and suppliers, responsible employment practices, conscientiousness with regard to human rights, sensitivity towards the communities in which they operate and best corporate governance practice. The NIBs engage with investee companies to seek improvement in ethical standards in these areas. From time to time, policies, papers and reports are also published to inform engagement on individual environmental and social issues.

STATEMENT OF ETHICAL INVESTMENT POLICY

to the Shareholders of The CBF Church of England Short Duration Bond Fund

Investment exclusions

The NIBs do not wish to directly profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions is therefore maintained. The NIBs may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds.

Direct investments in equities and corporate debt:

The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover, they do not invest in companies involved in conventional weapons if their strategic military sales exceed 10% of revenue. The NIBs do not invest in any company that derives more than 3% of revenue from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenue) is tobacco, gambling, non-military firearms, or high interest rate lending. The National Investing Bodies will exclude from their investments any company deriving more than 25% of its revenue from the production or licensed sale of alcoholic drinks, except in the case of companies whose sole business is the provision of alcoholic drinks with food. The climate change policy (2015) does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal. In addition, the Fund Trustee has approved

a restriction on investment in any company that derives more than 10% of its revenue from the production, extraction or refining of oil and gas.

Individual policy documents are published separately setting out the criteria employed in each area to determine whether companies breach then NIB's policy and to explain the theology, ethics and reasoning underlying the policies. More information can be found at <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews>.

Direct investments in property: The NIBs apply the same exclusions to direct property investments as are used for equities and corporate debt investments. To implement this policy, we seek to screen properties prior to investing in them. We do this by assessing the activities undertaken by the underlying tenants. Full details on how the policy is applied can be found in our values based screening policy which can be accessed at <https://www.ccla.co.uk/about-us/policies-and-reports/policies/values-based-screening-policy>.

STATEMENT OF ETHICAL INVESTMENT POLICY**to the Shareholders of The CBF Church of England Short Duration Bond Fund****Indirect investments via pooled funds:**

The NIBs are only able to invest in some assets, asset classes and investment strategies through pooled funds. Pooled funds are funds in which a number of different investors invest. Because the ethical investment policies of the EIAG and NIBs cannot be applied fully, or at all, in these investments, the Pooled Funds Policy gives detailed guidance on how the NIBs should ensure that their use of pooled funds is consistent with ethical investment. Full details on how the policy is applied can be found in our values based screening policy which can be accessed at <https://www.ccla.co.uk/about-us/policies-and-reports/policies/values-based-screening-policy>.

The EIAG was established in 1994 and includes representation from The Church Commissioners, The CBF Church of England Funds, the Church of England Pensions Board and up to seven independent members who are appointed by a dedicated Nominations Committee. It is currently

Chaired by Barbara Ridpath who took over from the Right Reverend David Walker, The Bishop of Manchester, on the 8 July 2020. More information about the EIAG is available at www.churchofengland.org/eiag.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee')
of The CBF Church of England Short Duration Bond Fund

Report on the audit of the financial statements*Opinion*

In our opinion the financial statements of The CBF Church of England Short Duration Bond Fund (the 'Fund'):

- give a true and fair view of the financial position of the Fund as at 31 December 2023 and of the net revenue and the net capital gains on the property of the Fund for the year ended 31 December 2023;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958 ('the Measure') Scheme Information and the Trustee Act 2000.

We have audited the financial statements which comprise for each fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the distribution tables; and
- the summary of significant accounting policies, judgements and estimates applicable to all sub-funds and individual notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), Church Funds Investment Measure 1958 ('the Measure') Scheme Information and the Trustee Act 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
We draw attention to note 1[a] in the financial statements, which indicates that the Manager is currently considering the launch of a Charity Authorised Investment Fund, a new investment vehicle which has specifically been designed by the FCA for the charity sector, to which the

INDEPENDENT AUDITOR'S REPORT

to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee')
of The CBF Church of England Short Duration Bond Fund

assets and liabilities of this entity would be transferred. Any such change of structure and transfer would be subject to Investor consultation and Trustee approval. Should this be approved, on completion of the transfer the Fund would cease operations and be wound up. The plan under consideration has been discussed at General Synod and has the support of the Archbishops Council but not yet been put to shareholders and both the timetable and potential outcome of such a vote remain uncertain. As stated in note 1[a], these events or conditions, along with the other matters as set forth in note 1[a], indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the trustees and Manager with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial

statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees and Manager

As explained more fully in the trustees' responsibilities statement and the Manager's responsibilities statement, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern,

INDEPENDENT AUDITOR'S REPORT

to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee')
of The CBF Church of England Short Duration Bond Fund

disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities,

including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment, and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Trustees about their own identification and assessment of the risks of irregularities, including those that are specific to the Fund's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included The Church Funds Investment Measure 1958 and Trustee Act 2000.

We discussed among the audit engagement, including relevant internal specialists such as financial instruments specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders and the CBF Funds Trustee Ltd ('the Trustee')
of The CBF Church of England Short Duration Bond Fund

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments due to its significance to the net asset values of the sub-funds. In response we have: agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA

Use of our report

This report is made solely to the shareholders of the Fund, as a body, in accordance with paragraph 14 of the Schedule to the Church Investment Funds Measure 1958. Our audit work has been undertaken so that we might state to the shareholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than shareholders of the Fund, as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
23 May, 2024

SUMMARY RISK INDICATOR

The UK PRIIPs Regulation requirements set out detailed guidelines for the calculation of the risk ratings of products to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Manager is not able to pay you. The risk of the product may be significantly higher than the one represented in the summary risk indicator where the product is not held for the Recommended Holding Period.



The Manager has classified The CBF Church of England Short Duration Bond Fund as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium-low level and poor market conditions are unlikely to impact the Manager's capacity to pay you. This classification is not guaranteed and may change over time and may not be a reliable indication of the future risk profile of the Fund. The lowest category does not mean risk free.

The summary risk indicator assumes investment in the Fund for the Recommended Holding Period of three years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

Investors can request redemption at any time and the Fund deals on a daily basis. The Fund does not include any protection from future market performance, so you could lose some or all of your investment.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Information document available on CCLA's website or by request.

COMPARATIVE TABLE

Change in net assets per Share

	Income Shares		
	Year to 31.12.2023 pence per Share	Year to 31.12.2022 pence per Share	Year to 31.12.2021 pence per Share
Opening net asset value per Share	136.68	157.99	169.10
Return before operating charges*	11.10	(17.05)	(6.32)
Operating charges**	(0.45)	(0.53)	(0.59)
Return after operating charges*	10.65	(17.58)	(6.91)
Distributions on Income Shares	(3.10)	(3.73)	(4.20)
Closing net asset value per Share	144.23	136.68	157.99
* after direct transaction costs of:	–	–	–

Performance

Return after charges	7.79%	(11.13%)	(4.09%)
----------------------	-------	----------	---------

Other information

Closing net asset value (£'000)	68,114	25,717	32,070
Closing number of Shares	47,224,854	18,816,312	20,298,701
Operating charges**	0.32%	0.37%	0.36%
Direct transaction costs	–	–	–
Prices (pence per Share)			
Highest Share price (offer)	145.50	157.65	170.31
Lowest Share price (bid)	136.86	132.51	156.28

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' (SORP) prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed in the Report of the Investment Manager.

** Operating charges comprise the Manager's annual management charge and other expenses, including VAT. Operating charges exclude any management fee rebates on investments in CCLA funds and other securities. Management fee rebates fully or partially offset charges incurred within the valuation of each of these underlying investments. The percentages above reflect these charges divided by average net assets for the year.

COMPARATIVE TABLE

Change in net assets per Share

	Accumulation Shares		
	Year to 31.12.2023 pence per Share	Year to 31.12.2022 pence per Share	Year to 31.12.2021 pence per Share
Opening net asset value per Share	535.09	602.32	628.00
Return before operating charges*	43.91	(65.21)	(23.45)
Operating charges**	(1.79)	(2.02)	(2.23)
Return after operating charges*	42.12	(67.23)	(25.68)
Distributions on Accumulation Shares	(12.15)	(15.02)	(16.35)
Retained distributions on Accumulation Shares	12.15	15.02	16.35
Closing net asset value per Share	577.21	535.09	602.32
* after direct transaction costs of:	0.02	0.01	–
Performance			
Return after charges	7.87%	(11.16%)	(4.09%)
Other information			
Closing net asset value (£'000)	1,743	1,556	1,500
Closing number of Shares	301,990	290,790	248,981
Operating charges**	0.32%	0.37%	0.36%
Direct transaction costs	–	–	–
Prices (pence per Share)			
Highest Share price (offer)	579.27	601.02	632.51
Lowest Share price (bid)	535.82	515.64	591.86

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' (SORP) prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed in the Report of the Investment Manager.

** Operating charges comprise the Manager's annual management charge and other expenses, including VAT. Operating charges exclude any management fee rebates on investments in CCLA funds and other securities. Management fee rebates fully or partially offset charges incurred within the valuation of each of these underlying investments. The percentages above reflect these charges divided by average net assets for the year.

OPERATING CHARGES ANALYSIS

for the year ended 31 December 2023

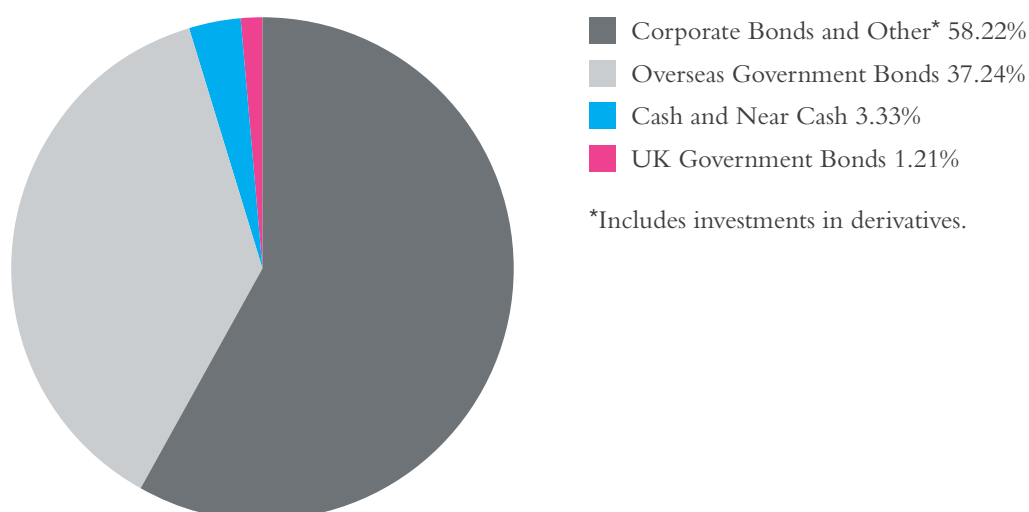
The table below analyses expenses in note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets of the Fund.

	31.12.2023 %	31.12.2022 %
Manager's annual management charge including VAT	0.26	0.27
Safe custody fees and depositary fee	0.01	0.02
Other expenses	0.05	0.08
Total operating charges	0.32	0.37

PORTFOLIO ANALYSIS

for the year ended 31 December 2023

Portfolio Allocation



By term to maturity

Period	Fund
0-5 years	70.10%
5-10 years	21.09%
10-15 years	1.53%
Over 15 years	7.28%
Duration (modified)	1.64 years
Average term to maturity	9.13 years

The portfolio analysis above differs from the following portfolio statement because prices used here are mid-market rather than bid.

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Government Bonds 37.90% (31.12.2022 – 13.13%)			
New Zealand Government Bond 2.75% 2025	NZD280,000	135	0.19
UK Treasury 1% 22/04/2024	£710,000	701	1.00
US Treasury 0% 2024	\$17,100,000	13,134	18.80
US Treasury 0.25% 2024	\$16,103,100	12,508	17.91
Non-Government Bonds 57.49% (31.12.2022 – 81.72%)			
AbbVie 4.55% 2035	\$560,000	432	0.62
ABN Amro Bank 4.75% VRN Perpetual	€200,000	158	0.23
Alcoa Nederland Holding 4.125% 2029	\$200,000	145	0.21
Allianz Finance II 0.5% 2031	€100,000	75	0.11
Alpha Bank 7.5% VRN 2027	€150,000	138	0.20
Altice France Holding 4% 2028	€100,000	38	0.05
América Móvil 5% 2026	€290,000	293	0.42
American Express 5.625% VRN 2034	£27,000	22	0.03
Apple 2.65% 2051	\$620,000	337	0.48
Aptiv 3.1% 2051	\$275,000	142	0.20
Arcelik 8.5% 2028	\$200,000	165	0.24
Ardagh Metal Packaging Finance 3% 2029	€200,000	140	0.20
Ardagh Packaging Finance 4.75% 2027	£200,000	145	0.21
Ashland 3.375% 2031	\$200,000	134	0.19
Assicurazioni Generali 1.713% 2032	€200,000	139	0.20
AstraZeneca 2.125% 2050	\$180,000	91	0.13
Atlas Funding 2021-1 FRN 2058	£748,000	747	1.07
Australia & New Zealand Banking 0.75% 2026	€225,000	184	0.26
Auto ABS Italian Stella Loans FRN 2039	€174,000	152	0.22
AutoFlorence 3 FRN 2046	€100,000	88	0.13
AXA 3.625% 2033	€180,000	166	0.24
Ball Corporation 0.875% 2024	€170,000	146	0.21
Ball Corporation 2.875% 2030	\$350,000	236	0.34
Banco 1.625% 2025	€250,000	211	0.30
Banco BTG Pactual SACayman Islan 2.75% 2026	\$200,000	148	0.21
Banco Mercantil del Norte 6.625% VRN Perpetual	\$200,000	133	0.19
Banco Santander 1.722% VRN 2027	\$200,000	142	0.20
Bank of Ireland Group 1% VRN 2025	€125,000	106	0.15
Barclays 4.375% VRN Perpetual	\$200,000	122	0.17
Barclays Bank 3.75% VRN 2030	£180,000	171	0.24
Bath & Body Works 6.875% 2035	\$100,000	79	0.11
BAWAG Group 6.75% VRN 2034	€300,000	265	0.38

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Berry Global 1% 2025	€460,000	387	0.55
Berry Global 1.5% 2027	€200,000	162	0.23
Bharti Airtel 4.375% 2025	\$200,000	155	0.22
BNP Paribas 2% VRN 2031	£100,000	91	0.13
BNP Paribas 4.625% VRN Perpetual	\$200,000	126	0.18
Caisse Nationale de Reassurance 0.75% 2028	€200,000	154	0.22
CaixaBank 8.25% VRN Perpetual	€200,000	184	0.26
Caixa Geral de Depositos 0.375% VRN 2027	€200,000	160	0.23
CaixaBank 3.625% VRN Perpetual	€200,000	134	0.19
CANPACK SA Eastern PA Land 2.375% 2027	€100,000	79	0.11
CCO Holdings 4.25% 2031	\$213,000	146	0.21
Cellnex Telecom 0.75% 2031	€600,000	434	0.62
Cemex 3.125% 2026	€200,000	170	0.24
Centene 2.5% 01/03/2031	\$560,000	367	0.53
CF Industries 4.5% 01/12/2026	\$50,000	38	0.05
CF Industries 4.95% 2043	\$200,000	144	0.21
Charter Communications 4.5% 2024	\$125,000	98	0.14
Cigna Corp 2.375% 2031	\$360,000	242	0.35
Cisco Systems 2.5% 2026	\$550,000	411	0.59
Citigroup 4.125% 2028	£110,000	83	0.12
Citigroup 5.15% 2026	\$500,000	503	0.72
Comcast Corporation 1.5% 2031	€400,000	258	0.37
Commerzbank 1.375% VRN 2031	£200,000	156	0.22
Commerzbank 1.75% 2025	€200,000	192	0.28
Cooperatieve Rabobank 3.25% VRN Perpetual	£400,000	309	0.44
Credit Agricole 5.75% VRN 2027	£300,000	307	0.44
Crown Americas 4.25% 2026	\$122,000	93	0.13
Crown European Holdings 2.875% 2026	€100,000	85	0.12
Crown European Holdings 4.75% 2029	€162,000	143	0.21
Deutsche Bank 4.5% VRN Perpetual	\$200,000	144	0.21
DNB Bank 4.875% VRN Perpetual	€200,000	152	0.22
Dow Chemical 1.875% 2040	£175,000	115	0.16
Dowson 2021-2 FRN 2028	\$135,000	135	0.19
Électricité de France 3.625% 2025	£100,000	77	0.11
Électricité de France 6% VRN Perpetual	€300,000	291	0.42
Elis 1.625% 2028	€100,000	80	0.11
Enel Finance International 0.875% 2034	€225,000	147	0.21
Eurofins Scientific 0.875% 2031	€200,000	141	0.20

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Eurofins Scientific 2.125% 2024	€180,000	155	0.22
ExportImport Bank of India 2.25% 2031	\$200,000	131	0.19
Falabella 3.375% 2032	\$200,000	117	0.17
FCT Noria 2021 FRN 2049	\$200,000	87	0.12
First Citizens BancShares 5.8009% VRN Perpetual	£300,000	239	0.34
Ford Motor Credit 4.535% 2025	£100,000	98	0.14
Ford Motor Credit 6.86% 2026	£270,000	278	0.40
Fresenius Medical Care US Finance 2.375% 2031	€375,000	227	0.33
Fresenius 0% 31/01/2024	£200,000	173	0.25
General Accident 7.875% Preference Shares	£185,000	213	0.31
Gilead Sciences 2.6% 2040	£275,000	160	0.23
GlaxoSmithKline Capital 1.625% 2035	\$310,000	236	0.34
Goldman Sachs 3.102% VRN 2033	€180,000	122	0.17
Goodyear Europe 2.75% 2028	€100,000	81	0.12
Graphic Packaging International 2.625% 01/02/2029	\$340,000	272	0.39
Greenko Power II 4.3% 2028	€200,000	127	0.18
Grifols Escrow Issuer 3.875% 2028	\$220,000	174	0.25
GUSAP III LP 4.25% 2030	\$200,000	149	0.21
Hanesbrands 4.875% 2026	\$110,000	83	0.12
HCA 2.375% 2031	\$406,000	263	0.38
HCA 3.125% 2027	\$209,000	155	0.22
HCA 3.5% 2051	€150,000	83	0.12
Hill FL 2023-1 FRN 2031	£100,000	88	0.13
Hops Hill No 1 FRN 2054	£250,000	249	0.36
HP 2.65% 2031	£100,000	67	0.10
HSBC Holdings 6.547% VRN 2034	€200,000	164	0.24
Huntsman International 4.25% 2025	€350,000	302	0.43
Ibercaja Banco 2.75% VRN 2030	€100,000	83	0.12
Iliad 1.875% 2028	€200,000	159	0.23
Iliad 5.375% 2029	€100,000	89	0.13
Infrastrutture Wireless Italiane 1.625% 2028	€240,000	193	0.28
Infrastrutture Wireless Italiane 1.75% 2031	€200,000	155	0.22
ING Groep 2% 2028	\$100,000	83	0.12
ING Groep 4.25% VRN Perpetual	€200,000	114	0.16
International Consolidated Airlines 3.75% 2029	\$300,000	252	0.36
Intesa Sanpaolo 5.017% 2024	€200,000	155	0.22
IQVIA 2.25% 2029	\$480,000	381	0.55
Iron Mountain 4.5% 2031	\$202,000	144	0.21

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Iron Mountain 5.25% 2030	\$98,000	74	0.11
Itau Unibanco Holding 4.5% VRN 2029	\$200,000	154	0.22
JPMorgan Chase 4.625% VRN Perpetual	\$110,000	86	0.12
KB Home 4% 2031	\$100,000	70	0.10
KB Home 4.8% 2029	\$100,000	75	0.11
Klabin Austria 3.2% 2031	\$200,000	132	0.19
Koninklijke 5.75% 2029	£500,000	525	0.75
La Banque Postale 3% VRN Perpetual	€400,000	254	0.36
Lagardere 1.75% 2027	£200,000	173	0.25
Lanebrook Mortgage Transaction FRN 2058	\$125,000	119	0.17
Levi Strauss 3.5% 2031	\$220,000	151	0.22
Liberty Mutual Group 4.3% 2061	\$180,000	93	0.13
LKQ 5.75% 2028	£300,000	239	0.34
Lloyds Bank 5.125% 2025	€622,000	623	0.89
Logicor Financing 1.5% 2026	€100,000	81	0.12
Lorca Telecom Bondco 4% 2027	\$200,000	169	0.24
Macquarie Bank 3.052% VRN 2036	£400,000	253	0.36
Marks Spencer 3.25% 2027	£480,000	463	0.66
Matterhorn Telecom 4% 2027	\$100,000	85	0.12
Meritage Homes 3.875% 2029	\$280,000	201	0.29
Metropolitan Life Global Funding 2.95% 2030	\$250,000	174	0.25
Millicom International Cellular 4.5% 2031	€200,000	130	0.19
Mondi Finance 1.625% 2026	€300,000	252	0.36
Morgan Stanley 5.297% VRN 2037	€190,000	145	0.21
Morgan Stanley 5.449% VRN 2037	€0	0	0.00
Mortimer 2023-1 PLC FRN 2056	£300,000	300	0.43
Mortimer BTL 2021-1 FRN 2053	\$500,000	345	0.49
Mozart Debt Merger 3.875% 2029	\$110,000	78	0.11
Muenchener Rueckversicherun 5.875% VRN 2042	\$200,000	157	0.22
National Grid 0.553% 2029	€300,000	224	0.32
NatWest Group 1.043% VRN 2032	€100,000	77	0.11
Netflix 3.625% 2030	\$570,000	504	0.72
Network i2i 5.65% VRN Perpetual	€200,000	155	0.22
Nexans 2.75% 2024	€100,000	86	0.12
Nexans 5.5% 2028	€200,000	184	0.26
Nexi 1.75% 2024	€100,000	85	0.12
Nexi SpA 0% 2028	€200,000	150	0.21
Next Group 3.625% 2028	€350,000	333	0.48

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Norsk Hydro 1.125% 2025	€201,000	169	0.24
Norsk Hydro 2% 2029	\$175,000	140	0.20
Novelis Corporation 3.875% 2031	\$140,000	97	0.14
Nutrien 2.95% 2030	\$270,000	192	0.28
NXP Funding 2.7% 2025	£360,000	272	0.39
Ocado Group 0.75% 2027	€100,000	78	0.11
OI European Group 4.75% 2030	€200,000	147	0.21
Olympus Water US Holding Corporation 5.375% 2029	\$150,000	111	0.16
OneMain Finance Corporation 3.875% 2028	\$70,000	49	0.07
Orbia Advance Corporation 1.875% 2026	\$200,000	145	0.21
Orbia Advance Corporation 2.875% 2031	€200,000	130	0.19
Orsted 1.5% VRN 3021	£250,000	166	0.24
Orsted 2.125% 2027	£250,000	230	0.33
Pension Insurance 3.625% 2032	£150,000	121	0.17
Phoenix Group Holdings 5.75% VRN Perpetual	£200,000	169	0.24
Pony Compartment German Auto FRN 2032	\$100,000	87	0.12
Post Holdings 4.5% 2031	\$140,000	99	0.14
Prudential 2.95% VRN 2033	€200,000	138	0.20
PVH 4.625% 2025	€100,000	77	0.11
PVH Corporation 3.625% 2024	£300,000	260	0.37
QBE Insurance Group 2.5% VRN 2038	£100,000	85	0.12
Red & Black Auto Germany FRN 2032	€100,000	87	0.12
Rexel 2.125% 2028	£110,000	89	0.13
Rothesay Life 3.375% 2026	£310,000	293	0.42
Santander UK 5.75% 2026	\$690,000	705	1.01
Sappi Papier Holding 7.5% 2032	\$25,000	19	0.03
SC Germany Compartment Leasing FRN 2032	€200,000	175	0.25
SC Germany SA Compartment Consume FRN 2034	\$300,000	89	0.13
Seagate HDD Cayman 4.091% 2029	\$283,000	205	0.29
Seagate HDD Cayman 4.125% 2031	\$55,000	39	0.06
Sealed Air Corporation 4% 2027	€380,000	281	0.40
SIG Combibloc PurchaseCo 2.125% 2025	€670,000	570	0.82
Silgan Holdings 2.25% 2028	€250,000	199	0.29
Smurfit Kappa Treasury 1% 2033	€510,000	354	0.51
Solvay 2.5% VRN Perpetual	\$300,000	247	0.35
SPCM 3.375% 2030	\$200,000	135	0.19
Sprint 7.125% 2024	€200,000	158	0.23
SSE 4% VRN Perpetual	\$180,000	151	0.22
Steel Dynamics 2.4% 2025	\$160,000	120	0.17

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Stora Enso 7.25% 2036	\$100,000	84	0.12
Summit Digital Infrastructure 2.875% 2031	\$400,000	257	0.37
Suzano Austria 3.125% 2032	\$400,000	261	0.37
Taylor Morrison Communities 5.125% 2030	€225,000	171	0.24
TDC Net 6.5% 2031	\$200,000	184	0.26
Telecom Italia 2.375% 2027	€100,000	81	0.12
Telefonica Europe 2.376% VRN Perpetual	\$100,000	75	0.11
Telenet Finance Luxembourg 5.5% 2028	€200,000	146	0.21
Telia 2.75% VRN 2083	\$300,000	239	0.34
Tenet Healthcare Corporation 4.375% 2030	\$200,000	146	0.21
TenneT Holding 1.25% 2033	€300,000	232	0.33
Terna Rete Elettrica Nazionale 2.375% VRN Perpetual	\$150,000	117	0.17
TerraForm Power Operating 4.75% 2030	\$280,000	204	0.29
Thermo Fisher Scientific 2% 2031	\$52,000	34	0.05
TMobile USA 2.25% 2031	€850,000	556	0.80
Trivium Packaging Finance 3.75% 2026	\$100,000	84	0.12
Turk Telekomunikasyon 4.875% 2024	\$200,000	155	0.22
UBS Group 4.375% VRN Perpetual	€200,000	124	0.18
UniCredit 2.731% VRN 2032	£225,000	183	0.26
Unilever 1.5% 2026	€410,000	386	0.55
UnipolSai Assicurazioni SpA 6.375% VRN Perpetual	£200,000	168	0.24
United Utilities Water Finance 0.875% 2029	\$250,000	203	0.29
UPC Broadband Finco 4.875% 2031	€200,000	138	0.20
Veolia Environnement 2% VRN Perpetual	€200,000	155	0.22
Veolia Environnement 2.5% VRN Perpetual	£300,000	233	0.33
Verallia 1.875% 2031	\$400,000	305	0.44
Vmed O2 UK Financing 4.5% 2031	€350,000	302	0.43
VMware 1.4% 2026	€525,000	376	0.54
Volvo Car 2.125% 2024	€350,000	302	0.43
VZ Secured Financing 3.5% 2032	\$210,000	161	0.23
VZ Vendor Financing II 2.875% 2029	\$100,000	76	0.11
Western Digital 3.1% 2032	\$60,000	38	0.05
Western Digital Corporation 2.85% 2029	\$240,000	161	0.23
Western Digital Corporation 4.75% 2026	€50,000	38	0.05
WPAP Telecom 3.75% 2029	€100,000	82	0.12
ZF Finance 2% 2027	\$100,000	80	0.11
ZF Finance 2.25% 2028	\$100,000	80	0.11
Zurich Finance Ireland Designat 3% VRN 2051	\$300,000	192	0.27

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Derivatives 0.59% (31.12.2022 – 0.11%)			
Credit Default Swaps 0.68% (31.12.2022 – 0.77%)			
Goldman Sachs 1% 20/12/2025	1,230,000	8	0.01
Goldman Sachs 1% 20/12/2028	200,000	6	0.01
Goldman Sachs 5% 20/12/2028	100,000	–	0.00
Morgan Stanley 1% 20/12/2025	950,000	5	0.01
Morgan Stanley 1% 20/06/2026	90,000	28	0.04
Morgan Stanley 1% 20/12/2026	320,000	19	0.03
Morgan Stanley 1% 20/12/2026	180,000	3	0.00
Morgan Stanley 1% 20/12/2026	900,000	18	0.03
Morgan Stanley 1% 20/12/2026	630,000	10	0.01
Morgan Stanley 1% 20/12/2026	920,000	14	0.02
Morgan Stanley 1% 20/12/2026	200,000	13	0.02
Morgan Stanley 1% 20/12/2026	125,000	(1)	–
Morgan Stanley 5% 20/12/2026	260,000	42	0.06
Morgan Stanley 5% 20/12/2028	80,000	2	0.00
Morgan Stanley 5% 20/12/2026	180,000	5	0.01
Morgan Stanley 1% 20/12/2028	550,000	1	0.00
Morgan Stanley 1% 20/12/2028	190,000	11	0.02
Morgan Stanley 1% 20/12/2028	880,000	8	0.01
Morgan Stanley 1% 20/12/2028	200,000	11	0.02
Morgan Stanley 1% 20/12/2028	(3,800,000)	16	0.02
Morgan Stanley 1% 20/12/2028	150,000	26	0.04
Morgan Stanley 1% 20/12/2028	140,000	50	0.07
Morgan Stanley 1% 20/12/2028	150,000	13	0.02
Morgan Stanley 5% 20/12/2028	350,000	(24)	(0.03)
Morgan Stanley 5% 20/12/2028	100,000	1	–
Morgan Stanley 5% 20/12/2028	150,000	21	0.03
Morgan Stanley 5% 20/12/2028	260,000	85	0.12
Morgan Stanley 5% 20/12/2028	360,000	65	0.09
Morgan Stanley 5% 20/12/2028	100,000	39	0.06
Morgan Stanley 5% 20/12/2028	22,000	(7)	(0.01)
Morgan Stanley 5% 20/12/2028	140,000	(6)	(0.01)
Morgan Stanley 5% 20/12/2028	430,000	3	0.00
Morgan Stanley 5% 20/12/2028	250,000	(15)	(0.02)
Morgan Stanley 5% 20/12/2028	75,000	–	–

PORTFOLIO STATEMENT

at 31 December 2023

	Holding	Fair value £'000	% of total net assets
Futures (0.33)% (31.12.2022 – 0.16%)			
OSE Japan 10 Years Bond (OSE) March 2024	2	(14)	(0.02)
CBT US 10 Years Note (CBT) March 2024	96	(220)	(0.31)
CBT US Ultra Bond CBT March 2024	6	(52)	(0.07)
EUX Euro-Bund Future March 2024	17	66	0.09
CBT US 5 Years Note (CBT) March 2024	9	15	0.02
EUX Euro-OAT Future March 24	36	62	0.09
SFE Australia 10 Year Bond Future March 2024	22	(94)	(0.13)
Options 0.03% (31.12.2022 – 0.04%)			
CDX.NA.HY.41 (4y) DEFAULT-12/20/2028-MSLNUK_102	8,000,000	8	0.01
iTraxx Europe Crossover 40 (4Y) Default 20/12/2028 JCPLUK 4.75	7,500,000	6	0.01
iTraxx Europe Crossover 40 (4Y) Default 20/12/2028 JCPLUK 4.25	5,900,000	1	0.00
iTraxx Europe Crossover 40 (4Y) Default 20/12/2028 MSLNUK 4.5	7,500,000	1	0.00
iTraxx Europe Crossover 40 (4Y) Default 20/12/2028 MLILUK 5.75	3,100,000	2	0.00
iTraxx Europe Crossover 40 (4Y) Default 20/12/2028 MSLNUK 6	5,500,000	6	0.01
Forward Foreign Exchange Contracts 0.21% (31.12.2022 (1.09%))			
GBP Forward Currency Contract 20/03/2024	GBP 147,448	(1)	0.00
NZD Forward Currency Contract 20/03/2024	NZD (300,000)		
GBP Forward Currency Contract 20/03/2024	GBP 16,101,239	(110)	(0.16)
EUR Forward Currency Contract 20/03/2024	EUR (18,600,000)		
GBP Forward Currency Contract 20/03/2024	GBP 41,508,642	255	0.37
USD Forward Currency Contract 20/03/2024	USD (52,600,000)		
GBP Forward Currency Contract 20/03/2024	GBP 392,213	–	–
USD Forward Currency Contract 20/03/2024	USD (500,000)		
GBP Forward Currency Contract 20/03/2024	USD 173,585	(1)	–
EUR Forward Currency Contract 20/03/2024	GBP (200,000)		

PORTFOLIO STATEMENT

at 31 December 2023

	Fair value £'000	% of total net assets
INVESTMENT ASSETS	67,048	95.98
NET OTHER ASSETS	2,809	4.02
TOTAL NET ASSETS	69,857	100.00

All investments, except for the Credit Default Swaps and Forward Foreign Exchange Contracts, are listed on recognised stock exchanges or traded on or under the rules of an eligible securities market.

The counterparty for the Futures Contracts is Morgan Stanley.

The counterparty for the Forward Foreign Exchange Contracts is State Street.

The counterparties for the Credit Default Swaps are Goldman Sachs and Morgan Stanley.

STATEMENT OF TOTAL RETURN
for the year ended 31 December 2023

	Note	Year ended 31.12.2023		Year ended 31.12.2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		1,423		(4,417)
Revenue	3	3,099		881	
Expenses	4	(199)		(107)	
Interest payable and similar charges		(6)		–	
Net revenue before taxation		2,894		774	
Taxation	5	(3)		–	
Net revenue after taxation			2,891		774
Total return/(deficit) before distributions			4,314		(3,643)
Distributions	6		(1,370)		(766)
Change in net assets attributable to Shareholders from investment activities			2,944		(4,409)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 December 2023

	Year ended 31.12.2023		Year ended 31.12.2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		27,273		33,570
Amounts receivable on issue of Shares	40,916		629	
Amounts payable on cancellation of Shares	(1,312)		(2,557)	
		39,604		(1,928)
Change in net assets attributable to Shareholders from investment activities		2,944		(4,409)
Retained distributions on Accumulation Shares		36		40
Closing net assets attributable to Shareholders		69,857		27,273

The notes on pages 35 to 49 and the distribution tables on page 50 form part of these financial statements.

BALANCE SHEET
at 31 December 2023

	Note	31.12.2023		31.12.2022	
		£'000	£'000	£'000	£'000
ASSETS					
Fixed assets:					
Investments			67,593		26,234
Current assets:					
Debtors	7	571		276	
Cash and bank balances	8	3,262		1,893	
Total current assets			3,833		2,169
Total assets			71,426		28,403
LIABILITIES					
Investment liabilities			545		399
Creditors:					
Other creditors	10	35		24	
Bank overdraft	9	602		549	
Distribution payable on Income Shares		387		158	
Total creditors			1,024		731
Total liabilities			1,569		1,130
Net assets attributable to Shareholders			69,857		27,273

The financial statements on pages 33 to 50 have been approved by the Trustee.

Approved on behalf of the Trustee
23 May 2024

A Brookes, Chair
CBF Funds Trustee Limited

The notes on pages 35 to 49 and the distribution tables on page 50 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a going concern basis, in compliance with FRS 102, the Scheme Information, The Church Funds Investment Measures Act 1958 and the Trustee Act 2000.

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and investment liabilities.

The Fund is exempt from preparing a statement of cash flows under FRS 102 and The Church Funds Investment Measures Act 1958 as substantially all of the Fund's investments are highly liquid, substantially all of the Fund's investments are carried at market value and the Fund provides a statement of change in net assets.

The Manager is currently considering the launch of a Charity Authorised Investment Fund ("CAIF"), a new investment vehicle which has specifically been designed by the FCA for the charity sector, to which the assets and liabilities of this entity could be transferred. Any such change of structure would be subject to investor consultation and Trustee approval. Should this be approved, on completion of the transfer, The CBF Church of England Short Duration Bond Fund would cease operations and be wound up, with the investors' existing holdings in The CBF Church of England Short Duration Bond Fund being replaced with their equivalent in the new CAIF fund. This change in structure is expected to result in savings on at least VAT to the end investor and increased regulatory protection for holders of the fund.

The Archbishops' Council supported the draft legislation that went to Synod, enabling the future conversion of the funds; however, the timetable is still to be determined following the completion of Trustee approvals.

These events and circumstances therefore represent a material uncertainty which may cast significant doubt on The CBF Church of England Short Duration Bond Fund's ability to continue as a going concern. In the event that the decision is taken not to make the changes the fund is expected to continue to operate as it does now, and hence continue as a going concern.

Notwithstanding the material uncertainty explained above, the Trustee, having made appropriate enquiries and considered the ability of the Fund to meet its ongoing liabilities, has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Trustee has considered that the proposal is contingent on investor consultation and Trustee approval and that the Fund remains a going concern in all other regard.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. Accounting policies (*continued*)

(b) Revenue recognition

Interest on government stocks, sterling eurobonds and other fixed interest stocks are accrued on a daily basis. Interest on bank deposits are accrued on a daily basis and interest on deposits in The CBF Church of England Deposit Fund are credited to revenue on receipt of cash.

Dividends on preference shares are accrued to revenue on the dates when the Shares are first quoted ex-dividend or otherwise, on receipt of cash.

Revenue on debt securities is recognised on the effective yield basis which takes into account the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Accrued interest purchased or sold is excluded from the cost of the security and is recognised as revenue of the Fund.

Revenue is stated net of irrecoverable tax credits.

(c) Expenses

During the year, the annual management charge (AMC), paid to the Manager, was taken to the capital of the Fund. The AMC is based on a fixed percentage of the value of the Fund and was 0.22% p.a. plus VAT during the year.

The Fund also received AMC rebates credited to revenue of the Fund for its deposits in The CBF Church of England Deposit Fund, where the AMC is charged to revenue.

On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the AMC due. The Manager charges an AMC for the provision of managing investments. From 1 October 2019, the Manager ceased charging the fee for ethical and stewardship services.

The depositary fee, audit fee, legal fees, safe custody fees and transaction charges, insurance fees and other fees are charged separately to the revenue of the Fund before distribution.

(d) Distributions

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in revenue which arise over the years (see note 11). Movements in the income reserve are therefore adjustments made to net revenue in determining the distributions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. Accounting policies (continued)

(d) Distributions (continued)

A reconciliation of the net distribution to the net revenue of the Fund as reported in the statement of total return is shown in note 6.

(e) Basis of valuation

Quoted investments including investments with market observable prices, are valued at bid-market values at 12pm London time on the last business day of the accounting period.

Derivatives are valued at 12pm on the last business day of the accounting period.

Exchange traded derivatives are priced at fair value, which is deemed to be the bid price.

Over-the-counter derivatives are priced at fair value using valuation models or data sourced from market data providers.

(f) Foreign exchange

Transactions in foreign currencies during the period are translated into Sterling (the functional currency of the Fund), at the rates of exchange ruling on the transaction date. Amounts held in foreign currencies have been translated at the rate of exchange ruling at 12pm London time on 29 December 2023, the last valuation point in the accounting period.

The Fund may enter into forward currency contracts to protect the sterling value of the underlying portfolio of securities against the effect of possible adverse movements in foreign exchange rates. Fluctuations in the value of such forward currency contracts are recorded as unrealised gains or losses. Realised gains or losses include net gains or losses on transactions that have terminated by settlement or by the Fund entering into offsetting commitments.

(g) Cash equivalents

The Manager has treated some assets as Cash equivalents for the purposes of the Balance Sheet disclosure. Investments are regarded as Cash equivalents if they meet all of the following criteria:

- highly liquid investments held in sterling that are readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

2. Net capital gains/(losses)

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
The net capital gains/(losses) during the year comprise:		
Realised losses on non-derivative securities*	(184)	(898)
Unrealised losses on non-derivative securities*	(1,101)	(2,996)
Currency gains	365	205
(Losses)/gains on derivative contracts	(29)	185
Realised gains/(losses) on forward currency contracts*	2,229	(614)
Unrealised gains/(losses) on forward currency contracts*	143	(299)
	1,423	(4,417)

* Where net realised gains include gains/(losses) arising in previous reporting periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

3. Revenue

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
UK dividends	15	15
Interest on debt securities	2,903	884
Interest on The CBF Church of England Deposit Fund	–	1
Bank interest	25	3
Income on derivative contracts	156	(22)
	3,099	881

* This amount represents the annual management charge rebates credited to the Fund's revenue for the Fund's deposit in The CBF Church of England Deposit Fund where the annual management charge is charged to revenue.

4. Expenses

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's annual management charge – see note 1(c)	164	77
	164	77

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

4. Expenses (*continued*)

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Monitoring fee	6	3
Safe custody fees	2	4
	8	7
	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Other expenses:		
Audit fee	15	18
Insurance fee	1	–
Other fees	11	5
	27	23
Total expenses	199	107

Audit fee net of VAT is £13,150 (31.12.2022, £12,480)

The above expenses include VAT where applicable.

5. Taxation

The Fund has charitable status and is exempt from UK Income and Capital Gains Tax pursuant to Part 11 Chapter 3 of the Corporation Tax Act 2010. Distributions are paid and reinvested revenue credited gross to Shareholders on the basis that all recoverable UK taxation has been reclaimed. Overseas withholding tax is deducted in full from overseas revenue. Recoverable withholding tax is credited to revenue, on receipt.

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Overseas taxation suffered in the year	3	–
Total taxation	3	–

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

6. Distributions

Distributions take account of revenue received on the issue of Shares and revenue deducted on the cancellation of Shares, and comprise:

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
31 March – interim distribution	391	216
30 June – interim distribution	341	211
30 September – interim distribution	379	161
31 December – final distribution	397	168
	1,508	756
Add: revenue deducted on cancellation of Shares	3	10
Deduct: revenue received on issue of Shares	(141)	–
Net distribution for the year	1,370	766
--		
Net revenue after taxation for the year	2,891	774
Transfer from/(to) income reserve – see note 11	10	(33)
Amortisation under coupon accounting	(1,519)	25
Expenses charged to capital	(5)	–
Movement in Net Income Property	(7)	–
Net distribution for the year	1,370	766

Details of the distribution per Share are set out in the distribution tables on page 50.

There were unclaimed distributions as at 31 December 2023 of £10,025 (31.12.2022, £3,441).

7. Debtors

	31.12.2023 £'000	31.12.2022 £'000
Accrued revenue	571	276
	571	276

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

8. Cash equivalents, cash and bank balances

	31.12.2023 £'000	31.12.2022 £'000
Cash and bank balances	1,514	684
Amounts held at futures clearing houses	800	302
Swaps collateral	948	907
Cash and bank balances – cash at bank	3,262	1,893

9. Bank Overdraft

	31.12.2023 £'000	31.12.2022 £'000
Amounts held at futures clearing houses	292	252
Swaps collateral	310	297
Bank Overdraft	602	549

10. Other creditors

	31.12.2023 £'000	31.12.2022 £'000
Accrued expenses	35	24
	35	24

11. Income reserve

The income reserve, accumulated out of revenue, is used to smooth fluctuations paid out by the Fund. The income reserve is included in the total value of the Fund and is attributable to Income Shareholders.

	Year ended 31.12.2023 £'000	Year ended 31.12.2022 £'000
Income reserve at the start of the year	205	172
Transfer from income reserve	(10)	33
Income reserve at the end of the year	195	205

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

12. Financial instruments

Fair value

Securities held by the Fund are valued at bid-market value (see note 1(e)). Bid-market value is considered to be a fair representation of the amount repayable to Shareholders should they wish to sell their Shares. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value.

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied consistently throughout the year and the comparative year.

Market price risk

This is an actively managed Fund which invests mainly in sterling fixed interest securities. Investors are thus exposed to market price risk, which can be defined as the uncertainty about future price movements of the financial instruments the Fund is invested in. Market price risk arises mainly from economic factors, including investor confidence and is not limited to interest rate and currency movements. This exposure to market price risk may result in substantial fluctuations in the Share price from time to time, although there will generally be a positive correlation in the movement of the Share price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a diversified portfolio of investments in line with the Fund's investment objectives. Risk is monitored at both the asset allocation and stock selection levels by Directors of the Manager on a regular basis and also by the Board.

At 31 December 2023, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to Shareholders, and profit or loss, would increase or decrease respectively by approximately £3,352,000 (31.12.2022, £1,292,000).

Credit risk

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this, the Fund only deals with an approved list of brokers maintained by the Manager. The corporate bond holdings in the Fund are also exposed to the risk of issuer default; however, we mitigate this risk by purchasing predominantly investment grade bonds.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

12. Financial instruments (*continued*)

Portfolio asset allocation by credit rating

Rating category	31.12.2023 % Fund	31.12.2022 % Fund
AAA	21.00	20.3
AA	23.21	3.2
A	9.66	19.6
BBB	36.13	53.7
Non investment grade	9.19	(0.2)
Not rated	0.81	3.4

Liquidity risk

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of sterling fixed interest securities and sterling cash deposits. These assets are generally liquid and enable the Fund to meet the payment of any redemption of Shares that Shareholders may wish to make.

Currency risk

The Fund is exposed to fluctuations in foreign currencies as some of its assets and revenue are denominated in currencies other than sterling, the base currency of the Fund. The Fund may enter into forward currency contracts to protect the sterling value of the underlying portfolio of securities against the effect of possible adverse movements in foreign exchange rates on investments and revenue accrued, but not yet received. In respect of revenue, receipts are converted to sterling shortly after receipt.

At 31 December 2023, if the value of sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to Shareholders, and profit or loss, would decrease or increase respectively by approximately £584,000 (31.12.2022, increase or decrease respectively by £204,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

12. Financial instruments (continued)

The total foreign currency exposure at 31 December 2023 and 31 December 2022 was:

Currency	31.12.2023			31.12.2022		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	6	62	68	–	–	–
Canadian dollar	3	–	3	–	–	–
Euro	150	16,146	16,296	7	7,629	7,636
New Zealand dollar	27	134	161	27	138	165
Japanese yen	24	(14)	10	–	–	–
US dollar	1,047	40,790	41,837	527	12,027	12,554
Total	1,257	57,118	58,375	561	19,794	20,355

Derivatives

Derivative transactions may be used by the Fund for the purposes of meeting its investment objectives and also for hedging. In doing so the Manager may make use of a variety of derivative instruments in accordance with the Sourcebook. The use of derivatives for investment purposes means that the net asset value of the Fund may at times have high volatility, although derivatives will not be used with the intention of raising the risk profile of the Fund. Where derivatives are used for hedging this will not compromise the risk profile of the Fund. Use of derivatives will not knowingly contravene any relevant investment objective or limits.

The Manager has used exchange traded futures to hedge the value of those assets denominated in foreign currency.

The Manager has used forward foreign currency contracts to hedge the currencies which are physically owned during the year. The purpose of undertaking these contracts is to protect the portfolio as far as possible from a movement in the value of exchange rates.

At 31 December 2023, the value of the portfolio hedged back to base currency was 99.48% of the Net Asset Value of the Scheme Property.

Credit default swaps have been used to hedge the default risk of holding bonds during the year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

12. Financial instruments (continued)

Counterparty exposure

At 31 December 2023, the Fund had the following counterparty exposure on open Forward Foreign Exchange Contracts:

State Street Bank £255,025

At 31 December 2023, the Fund had the following counterparty exposure on Credit default swaps:

Goldman Sachs £14,065

Morgan Stanley £456,179

The economic exposure of future derivative contracts is equal to the market value.

The value of exposure and the related counterparty are disclosed in the Portfolio of investments.

Interest rate risk

The Fund invests in fixed interest securities and cash deposits. The revenue may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns following the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

As at 31 December 2023, it is estimated that a 1% movement in interest rates would result in an opposite movement of £753,000 (31.12.2022, £775,000) in net assets attributable to Shareholders and profit or loss.

The total exposure at 31 December 2023 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	5,495	6,246	393	12,134
Euro	4,750	11,218	748	16,716
Japanese yen	24	–	–	24
US dollar	3,686	37,871	700	42,257
Other	97	135	63	295
Total	14,052	55,470	1,904	71,426

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

12. Financial instruments (continued)

Interest rate risk (continued)

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	230	–	422	652
Euro	200	–	220	420
Japanese yen	14	–	–	14
US dollar	110	–	310	420
Other	62	–	1	63
Total	616	–	953	1,569

The total exposure at 31 December 2022 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	3,136	3,892	325	7,353
Euro	2,064	5,745	259	8,068
US dollar	2,733	9,816	267	12,816
Other	27	139	–	166
Total	7,960	19,592	851	28,403

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	292	–	182	474
Euro	186	–	206	392
US dollar	71	–	192	263
Other	–	–	1	1
Total	549	–	581	1,130

* The floating rate financial assets of the Fund earn interest at rates based on either SONIA or base rate.

All financial liabilities are due to be settled within one year or on demand.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

13. Commitments and contingent liabilities

There were no other commitments or contingent liabilities as at 31 December 2023 (31.12.2022, £nil).

14. Related party transactions

The Manager's annual management charge is paid to the Manager, a related party to the Fund. The amounts incurred in respect of this inclusive of annual management charge rebates are disclosed in note 4. Please see note 1(c) for further information. An amount of £15,682 was due to the Manager at 31 December 2023 (31.12.2022, £6,225).

There were no other transactions entered into with the Manager during the year (31.12.2022, £nil).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2023 (31.12.2022, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2022, £nil)

At 31 December 2023, a cash balance of £nil (31.12.2022, £nil) was held in The CBF Church of England Deposit Fund. During the year the Fund received interest of £nil (31.12.2022: £230) from the The CBF Church of England Deposit Fund.

At 31 December 2023, CBF Church of England Investment Fund held 59.79% (31.12.2022, 0.00%) of the value of the Fund.

There is no individual investor holding more than 20% of the Fund.

15. Portfolio transaction costs

For the year ended 31 December 2023:

The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread as at 31 December 2023 was 0.35%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike shares, the majority of other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

15. Portfolio transaction costs (continued)

For the year ended 31 December 2022:

The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread as at 31 December 2022 was 0.65%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike shares, the majority of other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

16. Shareholders' funds – reconciliation of Shares

	Year ended 31.12.2023	
	Income Shares	Accumulation Shares
Opening number of Shares at beginning of year	18,816,312	290,790
Shares issued in year	29,283,022	28,179
Shares cancelled in year	(874,480)	(16,979)
Closing number of Shares at end of year	47,224,854	301,990

All Shares carry the same rights.

17. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities other than investments (including investment liabilities), there is no material difference between their value, as shown on the balance sheet, and their fair value.

Investments are held at fair value. An analysis of the valuation technique used to derive fair value of the investments is shown below:

The fair value of investments has been determined using the following hierarchy:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

17. Fair value of financial assets and financial liabilities (*continued*)

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included above that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31 December 2023

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	380	67,213	–	67,593
Investment liabilities	(380)	(165)	–	(545)
	–	67,048	–	67,048

For the year ended 31 December 2022

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	268	25,966	–	26,234
Investment liabilities	(4)	(395)	–	(399)
	264	25,571	–	25,835

For financial instruments which have quoted prices for identical instruments in active markets, or for which there are prices of recent transactions for identical instruments, those prices are taken to be fair value.

For financial instruments for which the Manager uses valuation techniques using observable market data, the inputs include: prices of recent transactions for identical instruments in inactive markets; broker quotes; evaluated pricing data from data providers; or prices quoted for closely similar (but not identical) instruments.

DISTRIBUTION TABLES

for the year ended 31 December 2023

Period ended	Date payable/paid		Dividends payable/paid pence per Share	
	2023	2022	2023	2022
Income Shares				
31 March	31 May	31 May	0.80	1.05
30 June	31 August	31 August	0.70	1.05
30 September	30 November	30 November	0.78	0.79
31 December	29 February	28 February	0.82	0.84
			3.10	3.73

Period ended	Revenue accumulated pence per Share	
	2023	2022
Accumulation Shares		
31 March	3.04	4.05
30 June	2.78	3.93
30 September	3.10	3.70
31 December	3.23	3.34
	12.15	15.02

The distributions for Income Shares were paid in the same year, apart from the distribution declared on 31 December which is payable on the 29 February in the subsequent year.

STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES

The Trustee shall comply with the duty of care when exercising their powers and discharging their duties under the Church Funds Investment Measures 1958 (as amended from time to time) and the Trustee Act 2000 to:

- make and revise the written statement of the investment objectives of the Fund and details of such investment objectives will be included in the Scheme Information;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and agree their terms of engagement;
- determine the rate of remuneration of the Manager in accordance with the Church Funds Investment Measures 1958 and the Scheme Information;
- exercise supervision and oversight of the Manager's compliance with the Church Funds Investment Measures 1958 and the Scheme Information. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and discharging the duties conferred or imposed on it by or pursuant to the provisions of the Church Funds Investment Measures 1958 and ensure the Manager is maintaining adequate and proper records;
- review the appointment, supervision and oversight of any Registrar or other delegate whom it has appointed in accordance with the provisions of the Scheme Information;
- review the custody and control of the property of the Fund and the collection of all revenue due to the Fund in accordance with the Church Funds Investment Measures 1958;
- make distributions to investors holding Income Shares and make allocations to investors holding Accumulation Shares in proportion to their respective Shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments for the Fund are properly completed.

STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES**Preparation of financial statements**

The Trustee of the Fund is required, by the Church Funds Investment Measure 1958, to prepare Financial Statements which give a true and fair view of the financial position of the Fund at each interim and year end valuation date. The net revenue for the year, together with a report on the operation of the Fund, is also required.

The financial statements show the net asset value of the Shares in the Fund as at the date to which the financial statements are prepared, the amount of revenue per Share and the amount of revenue, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Church Funds Investment Measure 1958. In preparing the financial statements, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of FRS 102;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the Financial Statements, as prepared, comply with the above requirements;

- make judgements and estimates that are prudent and reasonable; and
- prepares the Financial Statements on the going concern basis, unless it is inappropriate to presume this.

The Trustee is also required to manage the Fund in accordance with the Church Funds Investment Measure 1958 and has delegated to the Manager the day-to-day management, accounting and administration of the Fund, as permitted by the Church Funds Investment Measure 1958.

Manager responsibilities

The Manager is required to carry out these duties in accordance with the Church Funds Investment Measure 1958 and take reasonable steps for the prevention and detection of fraud and other irregularities.

CBF Funds Trustee Limited (Charity Registration No. 1116932)

DIRECTORY

Trustee Directors

A Brookes (Chair)
 C Chan*
 P Chandler
 G Dixon* – resigned on 22 May 2023
 O Home – appointed on 4 September 2023
 C Johnson
 N Lewis* – resigned on 4 September 2023
 A Milligan* – appointed on 4 September 2023
 M Orr* – appointed on 4 September 2023
 D Rees*

* *Members of the Audit Committee*

Manager and Registrar

CCLA Investment Management Limited
 Registered Office Address:
 One Angel Lane
 London
 EC4R 3AB
 Telephone: 0207 489 6000
 Client Service:
 Freephone: 0800 022 3505
 Email: clientservices@ccla.co.uk
www.ccla.co.uk
Authorised and regulated by the Financial Conduct Authority

Transfer Agent

FNZ TA Services Limited
 7th Floor, 2 Redman Place
 London
 EC20 1JQ

Administrator

HSBC Bank plc
 8 Canada Square
 Canary Wharf
 London
 E14 5HQ
HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Executive Directors of the Manager

P Hugh Smith (Chief Executive Officer)
 E Sheldon (Chief Operating Officer)
 A Robinson, MBE (Director Market Development)

Non-Executive Directors of the Manager

R Horlick (Chair)
 J Jesty
 C Johnson
 A Roughead
 C West
 J Hobart

Fund Manager

CCLA Investment Management Limited

Company Secretary

J Fox

Chief Risk Officer

J-P Lim

Head of Sustainability

J Corah

Third Party Advisers**Banker**

HSBC Bank plc
 8 Canada Square
 Canary Wharf
 London
 E14 5HQ

Custodian

HSBC Bank plc
 8 Canada Square
 Canary Wharf
 London
 E14 5HQ

Independent Auditor

Deloitte LLP
 110 Queen Street
 Glasgow
 G1 3BX

ABOUT CCLA

Founded in 1958, CCLA is now the UK's largest charity fund manager. Well known for managing investments for charities, religious organisations and the public sector, CCLA began a new phase in its development in 2022, now welcoming other types of investor.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to our clients, irrespective of their size.

CCLA

CCLA Investment Management Limited
One Angel Lane, London EC4R 3AB
T: 0800 022 3505 E: clientservices@ccla.co.uk

www.ccla.co.uk

CCLA is the trading name for CCLA Investment Management Limited (Registered in England and Wales No. 2183088) and CCLA Fund Managers Limited (Registered in England and Wales No. 8735639).

Both companies are authorised and regulated by the Financial Conduct Authority. Registered address: One Angel Lane, London EC4R 3AB.

Printed on 100% post consumer waste and is certified by the Forest Stewardship Council (FSC).