CCLA

QUARTERLY BULLETIN

30 March 2025

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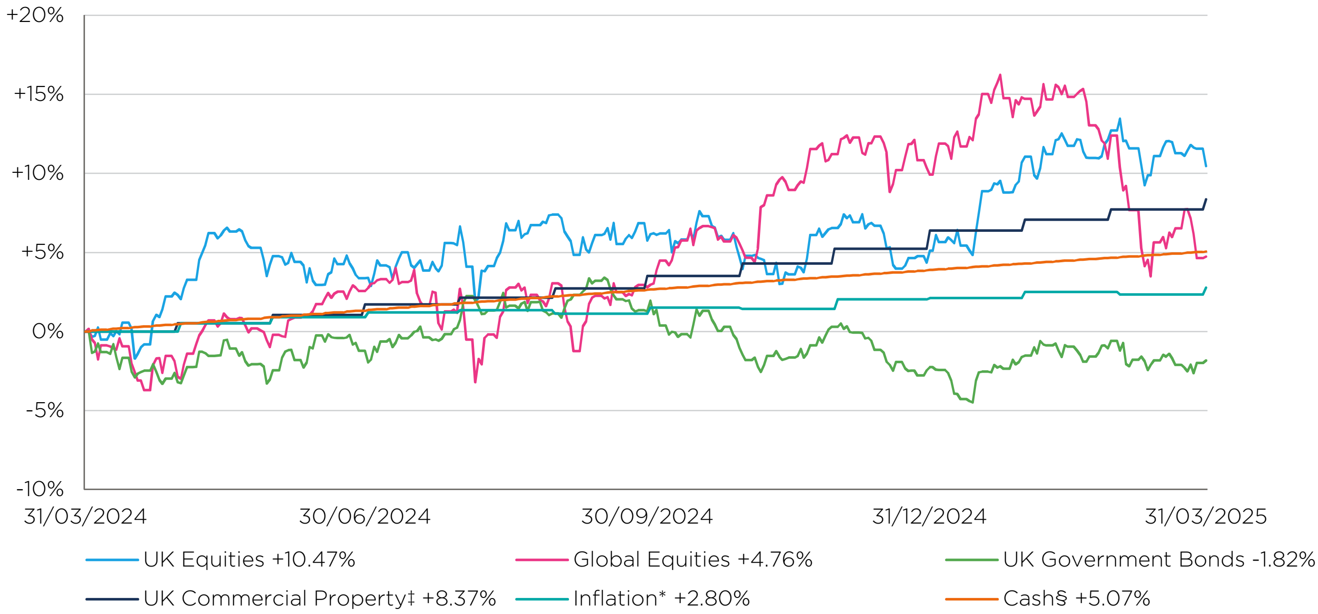
Market review and outlook



General Market Indices

	Current quarter (%)	Last twelve months (%)	Last three years annualised (%)	Last five years annualised (%)
UK Equities (MSCI UK Investable Markets Index)	+5.10	+10.47	+7.35	+11.98
Global Equities (MSCI World Index)	-4.71	+4.76	+8.30	+15.20
Global Equities ex UK (MSCI World ex UK Index)	-5.11	+4.48	+8.28	+15.31
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	+0.45	-1.82	-6.80	-6.29
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	+0.70	+2.38	-0.82	-0.21
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	+1.87	+8.37	-2.50	+3.34
Inflation (CPI) *	+0.67	+2.80	+5.51	+4.60
Cash (SONIA) §	+1.13	+5.07	+4.11	+2.47

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

§ SONIA (Sterling Overnight Index Average) is estimated for the most recent month. From 1/1/21: SONIA. Prior to 1/1/21: 7-Day London Interbank Sterling Bid Rate (7-Day LIBID).
* CPI (Consumer Price Index) is reported on a 1m lag.
‡ MSCI UK Monthly Property is estimated for the most recent month.

World share prices, as measured by the MSCI World Index, fell 4.7%, in pound sterling, during the first quarter[1]. By industry, prices mainly fell in the consumer discretionary and information technology (IT) sectors. By region, share prices fell in the US, but they rose in the UK and the eurozone.

Shares had ended 2024 with high valuations, especially in the US. That's because, firstly, it looked as if central banks had tamed inflation. Secondly, investors expected that President Trump would usher in tax cuts and deregulation. And thirdly, share price gains in 2024 had concentrated among a narrow group of 'winning' companies, mostly in the US. Each of these presumptions changed in early 2025.

Firstly, inflation continues to trend above central banks' targets. As a result, central banks are unlikely to cut interest rates in 2025 by as much as many investors believed just a few months ago.

In the UK, for example, consumer price (CPI) inflation went from 2.5% yoy in December 2024 to 3.0% in January 2025 and 2.8% in February. The Bank of England (BoE) cut interest rates once, from 4.75% to 4.5% in February, but raised its inflation forecast, to 3.7% yoy by the third quarter of 2025. It expects inflation to remain above its 2% target until 2027.

Secondly, some of President Trump's policies triggered significant uncertainty. In the first weeks of his presidency, investors and policymakers like the Fed took a wait-and-see approach. But gradually, the ad-hoc nature of the Trump administration's decisions, particularly on tariffs, started to weigh.

That impact on investor sentiment showed up when several so-called 'Trump trades' unwound. The share price of Elon Musk's automaker Tesla, for example, had gained 61% between the US election and the end of 2024. But by the end of the first quarter, its share price has given up those gains. The US dollar had strengthened after Trump's election. But it weakened from $1.25 per pound sterling at the end of 2024 to nearly $1.30 at the end of March.

Thirdly, the stock market saw a broadening of returns from those segments that had outperformed in 2024. Prices of shares in artificial intelligence (AI) and IT deflated, as did the US market as a whole.

In January, Chinese firm DeepSeek released an AI tool as powerful as those of its US competitors, but reportedly developed at a fraction of the cost. That news triggered a fall in AI- and semiconductor-related share prices. Chip manufacturer NVIDIA's share price, for example, fell more than 19% in the first quarter. Share prices in the IT segment of the S&P500 index weakened c. 13% over the quarter.

From a regional perspective, the S&P500 index of leading US shares weakened 4.3% during the quarter, whereas UK share prices rose 5.1%. In contrast to policy uncertainty in the US, the UK government's emphasis on growth in early 2025 boosted UK shares, as did higher prices for mining companies and strong earnings reports by UK bellwethers such as British Airways parent IAG. In the Eurozone, strong earnings reports boosted share prices as well, as did the incoming German government's planned spending increases.

[1] *Source of share prices: MSCI (net total return in local currency), except where stated.*

Outlook

At the end of 2024, we identified which vulnerabilities might lead us to review the level of risk we take in our portfolios.

1. Tariffs and a possible trade war were one of those vulnerabilities. After the additional tariffs that President Trump announced on 2 April, average US import tariffs may rise to their highest level since the Second World War.
2. An upturn in inflation was another vulnerability that we identified in late 2024. That vulnerability is materialising in both the US and the UK.
3. A third vulnerability, weaker earnings, is less apparent. US corporate earnings forecasts have mostly fallen since the beginning of the year. But analysts still expect the average earnings growth of the companies in the S&P500 index to be c. 11% in 2025.
4. A major fiscal crisis, in the US or Europe, would further change our risk positioning, but currently seems unlikely.

As a result, we have reduced the equity exposure in our multi-asset portfolios by 5% since the beginning of March. Within the equity segments of our portfolios, our bottom-up research into individual companies had already led to reduced weights for US stocks, relative to European and UK stocks, over several months.

Do we believe that this stock market rally is over? No. CCLA's positioning remains cautiously positive on equity risk, because developed economies' GDP and corporate earnings continue to grow. But we have reduced our multi-asset portfolios' overall equity exposure, and we have reduced the weight of US shares, relative to shares in other regions.

Investing through a trade war

Tariffs are stagflationary. They lower growth and raise prices in the short term. Stagflation is bad for risk assets, especially shares and bonds – the 1970s attest to that.

The tariff announcement. The incremental tariffs announced on 2 April were larger than the market had expected. The average US tariff was 3% before Trump's election[1]. It rose to 10% with the hikes to China, Mexico and Canada tariffs. One estimate after the 2 April announcement has them at 30%.

Compared with a 20% average tariff after the 1930 Smoot-Hawley Tariff Act, this puts US tariffs at a 120-year high. Many economists think of Smoot-Hawley as a contributing factor causing the Depression.

Market impact. Share prices fell, as was to be expected. US Treasury prices rallied, which suggests the market is factoring in a higher chance of recession and Fed rate cuts. Four 0.25% cuts are now priced into the forward bond yield curve by April next year. The US dollar weakened.

We cut overall equity risk in mid-March. We cut the equity weight in our investment funds[2] from 75% to 70%, specifically on fears for a trade war. Instead, we reinvested 2 percentage points in index-linked gilts due 2026/2027 and kept 3 percentage points in cash.

But we didn't buy long-dated bonds. US inflation is no longer slowing and tariffs are more likely to be inflationary. We can't see the Federal Reserve (Fed) make the rate cuts that the market priced in.

We've been re-cycling capital from the US into Europe. Over the last 12 months, we've reduced US exposure and increased it in Europe. In the equities segments of our funds, US weight has fallen from 70% to 62%, whilst Europe (inc. the UK) has risen from 26% to 36%.

And in industry sectors that are likely to see large impacts, such as consumer discretionary, we have tilted portfolios to more defensive stocks. For example, we've sold Nike and added Compass Group.

What next for our risk level? Equity bull markets normally run from recession to recession. So, unless this is the start of a recession, it is unlikely to be the peak of this stock market cycle. Our view is that there is enough cushion in US growth to avoid a recession, so we are more likely to add risk to the investment funds than cut further.

However, we have to see what the international reaction is. Reactions so far seem restrained, with policymakers avoiding an all-out trade war. If that view looks like changing, we will cut our equity weight further, to 65% and possible as low as 60%. Instead, we'd buy more index-linked bonds, possibly of longer duration, as the Fed would then cut interest rates.

What next for our equity holdings? We are unlikely to make large or immediate changes to our share selection following Trump's announcement.

Take, for example, luxury fashion house Hermès, which we hold. Hermès' gross margins are near 70% and US sales account for 20% of its revenue. We estimate that Trump's tariff announcements would impact its profits by just 2%. Hermès would have to increase prices just 6% to mitigate the impact – perfectly manageable for their clientele.

Our investment funds also have high exposure to parts of the market where the direct impacts of tariffs are non-existent and where second-order impacts from lower growth should be manageable.

In financials, for example, our exposure is skewed to exchanges, data businesses and insurance brokers that don't sell goods. Revenue visibility here is high, with multi-year contracts and a high proportion of recurring revenue.

Keeping our focus on quality. As we look forward into a world where uncertainty is high and tariffs loom over the global economy, it will be more important than ever to focus on high-quality businesses, whose growth doesn't rely on the economic cycle. High-quality businesses typically have higher margins, so higher costs because of tariffs will have less of an impact on their profits. Similarly, quality businesses have pricing power and the ability to pass on higher costs.

Lastly, focusing on structural growth, rather than cyclical growth, should stand the investment funds in good stead if the economic situation deteriorates further.

[1] *Budget Lab at Yale, March 2025*
[2] *COIF Charities Investment Fund, COIF Charities Ethical Investment Fund, CBF Church of England Investment Fund and Catholic Investment Fund.*

Engaging with the UK Home Office on the Transparency in Supply Chains (TISC) statutory guidance

At CCLA, we dedicate significant effort to engaging with individual companies to enhance their approach to addressing modern slavery. To support this work, we also engage with UK policymakers aimed at pushing for more progressive modern slavery legislation.

One such example is our engagement with the Home Office Forced Labour Forum, a group of stakeholders from business, civil society, academia and trade unions. Through this Forum, we have been heavily involved in a series of meetings over several months with the Home Office and their consultants during the drafting stage of updated statutory guidance for the 2015 Modern Slavery Act's Transparency in Supply Chains provisions.

The provisions are set out in section 54 of the Act and require businesses operating in the UK above a certain size to report annually on the steps they have taken to tackle modern slavery in their operations and global supply chains. The corresponding guidance provides advice on how organisations can produce high quality modern slavery statements and develop a more effective approach to tackling modern slavery.

In meetings with the Home Office, we showcased the CCLA UK Modern Slavery Benchmark and emphasised our view that businesses should be encouraged to find, and to report on, instances of modern slavery in supply chains. Modern slavery is likely to exist in the supply chain of almost every company. Therefore, rather than indicating an absence of modern slavery, we believe that failing to 'find it' demonstrates that a company's human rights due diligence processes are inadequate.

In March, coinciding with the ten-year anniversary of the Modern Slavery Act, the Home Office published its updated statutory guidance. We were very pleased to see that the new guidance draws on CCLA's UK Modern Slavery Benchmark framework and that our benchmark is linked to and positively referenced in the guidance. The statutory guidance states: "A useful resource to support organisations developing KPIs in the above areas is the CCLA Modern Slavery Benchmark.The CCLA Benchmark includes several metrics under each of the above areas, and organisations could use these to develop suitable KPIs for their business".

We expect that the guidance will be the first port of call for all companies in scope of and working to comply with the Modern Slavery Act and are delighted that our benchmark has received such acclaim.

The political backdrop

The Labour government has set out its intention to take a "tougher stance against businesses that do not meet our expectations in tackling forced labour" (Minister for Safeguarding, Jess Phillips). It has also committed to publishing a new modern slavery action plan, which will include a focus on prevention, as well as remedy. We were delighted to see Phillips' adoption of our view that, "modern slavery is so prevalent that if businesses are not identifying risks and cases, they are probably not looking hard enough."

Whilst momentum is building at home on strengthening the Modern Slavery Act, there is also growing pressure on the UK to get this work done, following the development of mandatory human rights due diligence legislation by European peers. We will continue to do our bit to ensure that this work comes to fruition.

Ethical and responsible investment report

Our work has four strands:

1. Engagement focused on social and environmental issues in the context of Christian mission and witness.
2. Ensuring that the Fund is managed in line with its Faith Consistent Investment Policy.
3. Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.
4. Responsibilities under the UK Stewardship Code and the UN Principles for Responsible Investment (PRI).

Quarterly highlights

In March, the Home Office published updated statutory guidance for businesses on how to tackle modern slavery in supply chains. The guidance was developed with support of the Forced Labour Forum, a diverse group of stakeholders from business, civil society, academia and trade unions, including CCLA. We were delighted to see that the guidance references CCLA's Modern Slavery UK Benchmark. Please refer to the Sustainable Market Topic commentary for details.

Having filed a climate-related shareholder resolution at NextEra Energy in late 2024, we agreed to withdraw this proposal in Q1 2025 after the company committed to new lobbying disclosures. NextEra has a target to reach net-zero carbon emissions by 2045 although some of the trade associations to which it belongs can present forceful obstacles to addressing climate change. Our proposal asked the board to report to shareholders on its approach to identifying and addressing misalignments between its lobbying and policy influence activities, and its 'Real Zero' goal. The company has committed to publishing a lobbying report.

In Q1, we closed a public consultation, that had been running since November, which tested the viability and support for a potential new benchmark aimed at tackling corporate air pollution. The consultation closed with 45 responses across academia, NGOs, investors, public bodies and charities. We are now discussing next steps.

In Q1, our engagement with companies around the CCLA Corporate Mental Health Benchmark continued. We had meetings with 23 companies during the quarter on this topic. In March, UK mental health benchmark assessments took place; the UK benchmark results will be published on 17 June.

Following previous successful engagement on UK Living Wage, and the accreditation of Admiral and Watches of Switzerland, we expanded this programme and wrote to 16 further holdings, asking them to seek accreditation. We have had several responses and will report on progress during the year.

Quarter one voting in detail

CCLA aims to vote at all UK and overseas company meetings where we have holdings. The CBF Church of England Investment Fund did not support 25% of management resolutions at investee companies this quarter (22% for the UK Equity Fund, 25% for the Better World Global Equity Fund).

We have now published our updated 2025 vote guidelines. Our aims, when voting, are threefold: to promote good corporate governance, to reflect the underlying values of our clients, and to align with our wider stewardship work. This year, we have introduced an enhanced approach to voting against directors on climate change. For example, we will vote against the CEO at companies expanding fossil fuel dependence, at banks and insurance companies where we have concerns over the company's continued financing of fossil fuels, and at companies without a projected decarbonisation pathway at least in line with a below two degrees scenario. Where executive remuneration metrics do not include a climate related KPI, we will vote against the remuneration report and remuneration committee chair. Please refer to our 2025 vote guidelines at www.ccla.co.uk for full details.

Working for a fairer, more ethical Indian sugarcane industry

In 2023, a series of New York Times articles uncovered exploitative abuse, forced labour and coerced hysterectomies in the Maharashtra sugar cane industry. As a member of the Interfaith Center on Corporate Responsibility's Equitable Global Supply Chains group, we picked up on the issue and joined an international group of investors engaging major sugar buyers from the region. As a direct investor in Coca-Cola Co, we took the lead in engaging the company alongside Mercy Investment Service.

We are asking Coca-Cola to demonstrate leadership in tackling this deep-rooted issue and ensure there are effective social dialogue mechanisms with affected workers. Coca-Cola has engaged constructively and launched several initiatives in India. The company has now published a statement outlining the steps it has taken to address this problem.

It will take more than action by a single company to solve this issue. To support wider change, we have also been engaging with sustainable sugar certification body, Bonsucro, and with the Working People's Charter, a coalition of organisations working on issues related to informal labour in India.

Values based restrictions

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

The CBF Church of England Investment Fund

Performance comment

2024 ended with optimism after Trump's election. Many investors considered that tariffs were just negotiating tools and that the 'Magnificent 7' would continue their never-ending march higher. But the first quarter of 2025 proved much different. A trade war has started, and policy uncertainty is leading to downgrades in growth expectations in the US.

In Europe, the view that the US can no longer be relied on for defence has spurred increased spending. Germany, in particular, has made strong commitments. The fiscal U-turn by the incoming German government marked a step change in the country's outlook.
Over the quarter the Fund returned -3.01% compared with the comparator return of -3.29%. Over the last 12 months, the Fund returned -1.64% compared with the comparator return of 4.05%.

- In absolute terms, the best performance in the fund's share portfolio came from the financial sector (+6%) and from consumer staples companies (+10%). Prices for IT, health care and industrials shares fell 10%, 7% and 5%, respectively.
- Relative to its comparator benchmark, the fund's holdings in the IT and consumer discretionary sectors outperformed the comparator, but its holdings lagged in industrials and health care.
- The fund's property portfolio returned c. 3%. The value of infrastructure in the fund fell 4%.

Fund update

The unpredictable nature of the Trump administration has added uncertainty to financial markets. Against this backdrop, we have made the following changes:

- We cut the proportion of equities in the fund by 5 percentage points. Instead, we increased its holdings of index-linked gilts and cash.
- At industry sector level, we reduced the fund's exposure to IT and semiconductors. We exited or reduced some of our strongest performers in 2024, including NVIDIA, Broadcom and TSMC. For stock-specific reasons, we reduced exposure to US health care.
- In regional terms, we reduced US exposure and increased exposure to Europe.

Focusing on high-quality businesses, and on structural, rather than cyclical, growth should stand the portfolio in good stead. In alternative assets, we have pivoted to assets that derive a higher proportion of their returns from capital growth, instead of income from dividends.

Income

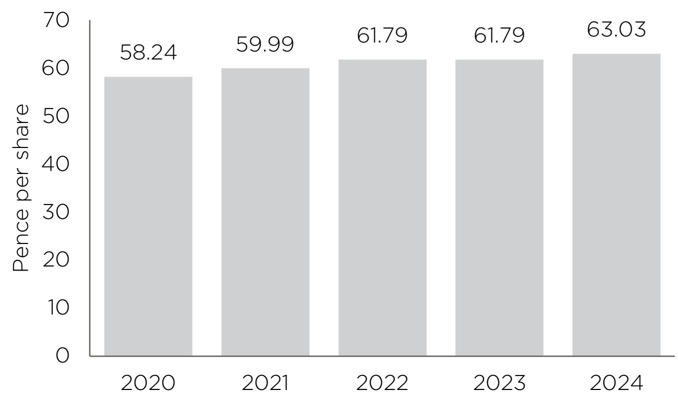
Gross dividend yield 2.92%*

MSCI $ UK IMI dividend yield 3.58%

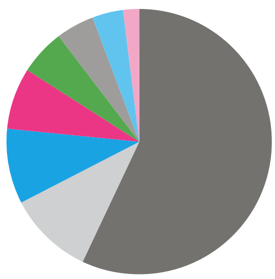
MSCI $ World ex UK dividend yield 1.76%

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

Past distributions



Asset allocation as at 31 March 2025



- Overseas Equities 57.01%
- Fixed Interest 10.38%
- UK Equities 9.17%
- Infrastructure & Operating Assets 7.49%
- Cash & Near Cash 5.56%
- Property 4.67%
- Private Equity & Other 3.76%
- Contractual & Other Income 1.94%
- Derivatives 0.02%

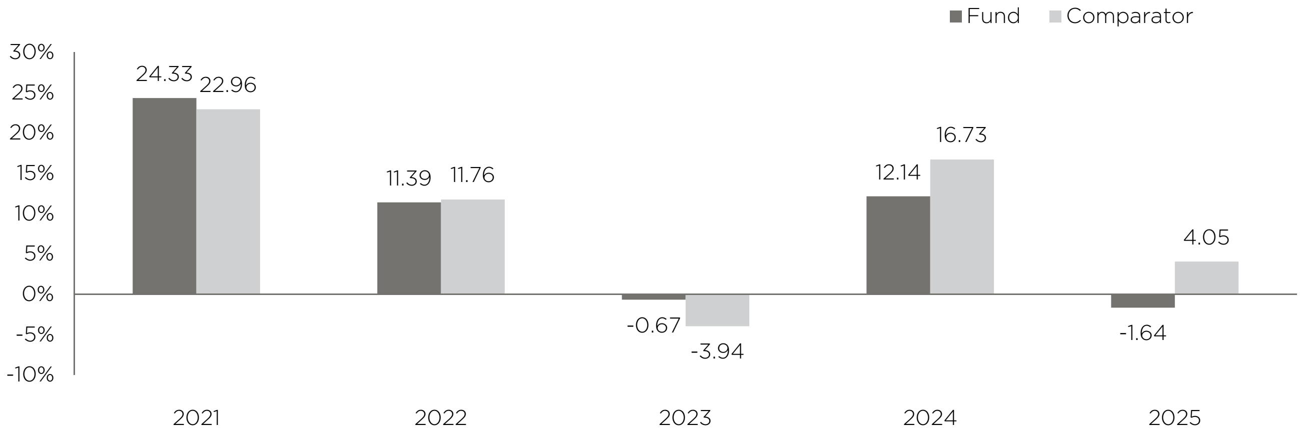
Overseas Equities	**%**
North America	38.23
Developed Europe	15.31
Asia Pacific ex Japan	1.95
Other	0.80
Japan	0.72
	57.01

Total return performance

Performance* to 31 March 2025	3 months	1 year	3 years p.a.	5 years p.a.
Investment	-3.01%	-1.64%	+3.09%	+8.70%
Comparator	-3.29%	+4.05%	+5.28%	+9.90%

Total return performance by year

12 months to 31 March	2021	2022	2023	2024	2025
Investment	+24.33%	+11.39%	-0.67%	+12.14%	-1.64%
Comparator	+22.96%	+11.76%	-3.94%	+16.73%	+4.05%



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

Top 10 holdings as at 31 March 2025

UK Treasury 4.5% 07/12/2042	2.7%
UK Treasury Gilt 3.25% 22/01/2044	2.7%
The CBF Church of England Property Fund	2.3%
CCLA Inv Mgmt Ltd Ord GBP1	2.2%
Microsoft Com NPV	1.6%
Amazon.Com Com USD0.01	1.6%
Brookfield Infrastructure NPV	1.5%
Roper Technologies Inc Com USD0.01	1.4%
Compass Group Ord GBP0.1105	1.3%
Alphabet Inc C Com NPV	1.3%

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

The CBF Church of England Global Equity Fund

Performance comment

2024 ended with optimism after Donald Trump's election. Many investors considered that tariffs were just negotiating tools, that Europe would remain mired in economic malaise, and that the 'Magnificent 7' would continue their never-ending march higher. But the first quarter of 2025 proved much different. A trade war has started, and Donald Trump has followed through on his tariff threats. US consumer confidence has been falling, and policy uncertainty is leading to downgrades in growth expectations in the US.

In Europe, the view that the US can no longer be relied on for defence has spurred increased spending. Germany, in particular, has made strong commitments. The fiscal U-turn by the incoming German government marked a step change in the country's outlook. Nevertheless, we don't discount the risks to Europe posed by Donald Trump's trade war.

Over the quarter the Fund returned -4.81% compared with the comparator return of -4.71%. Over the last 12 months, the Fund returned -3.23% compared with the comparator return of 4.76%.

- In absolute terms, the best performance in the fund's share portfolio came from the financial sector (+6%) and from consumer staples companies (+10%). By contrast, prices for IT, health care and industrials shares fell 10%, 7% and 5%, respectively.
- Relative to its comparator benchmark, the fund's holdings in the IT and consumer discretionary sectors outperformed the comparator, but its holdings lagged in industrials and health care.

Fund update

The unpredictable nature of the Trump administration has added uncertainty to financial markets. Against this backdrop, we have made the following changes:

At industry level, we have reduced the fund's exposure to IT and semiconductors. We've exited or reduced some of our strongest performers in 2024. These include NVIDIA, Broadcom and TSMC. For stock-specific reasons, we have reduced the fund's exposure to US health care. In regional terms, we have reduced exposure to US shares and increased exposure to Europe. Over the last 12 months, the fund's US equity exposure has fallen by c. 8% to c. 59%. Exposure to European equities has risen from 26% to 36%.

Focusing on high-quality businesses, whose growth doesn't solely rely on the economic cycle, is important. In addition, focusing on structural growth rather than cyclical growth should stand the portfolio in good stead if the economic situation deteriorates further.

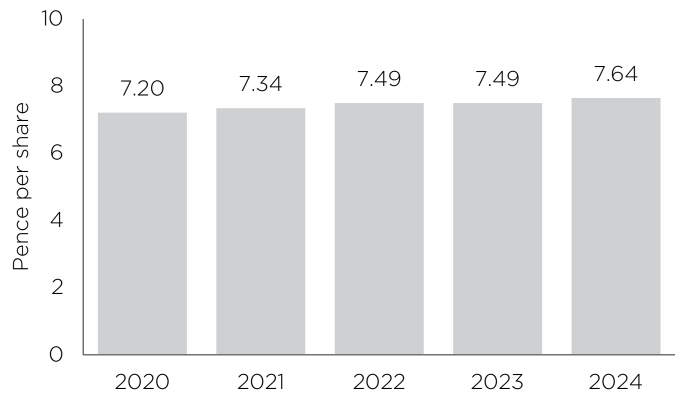
Income

Gross dividend yield 2.59%*

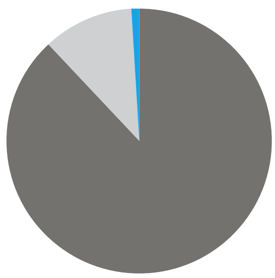
MSCI $ World dividend yield 1.83%

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

Past distributions



Asset allocation as at 31 March 2025



Overseas Equities 88.01%
UK Equities 11.06%
Cash & Near Cash 0.93%

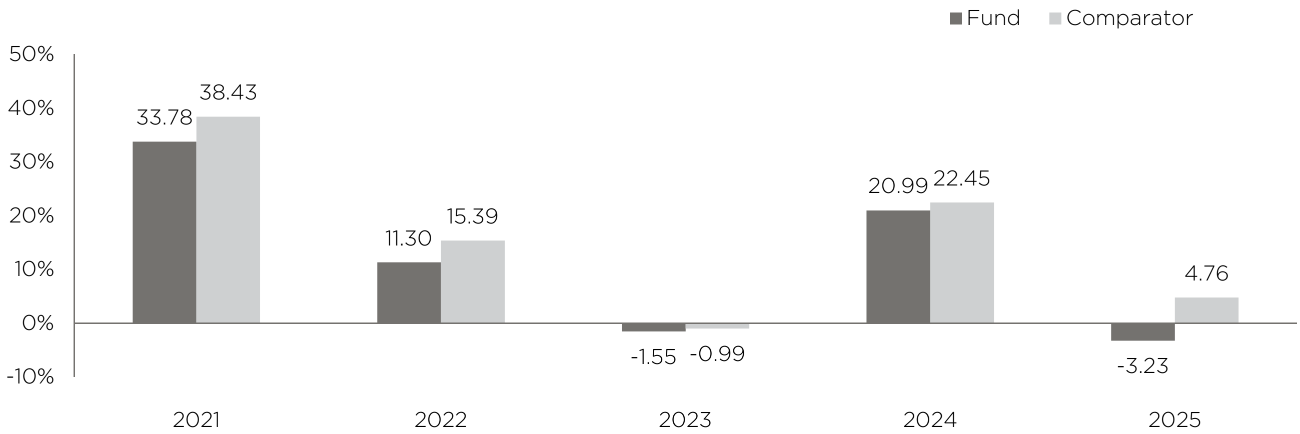
Overseas Equities	**%**
North America	59.71
Developed Europe	23.39
Asia Pacific ex Japan	2.80
Other	1.28
Japan	0.83
	88.01

Total return performance

Performance* to 31 March 2025	3 months	1 year	3 years p.a.	5 years p.a.
Global Equity	-4.81%	-3.23%	+4.85%	+11.41%
Comparator	-4.71%	+4.76%	+8.30%	+15.20%

Total return performance by year

12 months to 31 March	2021	2022	2023	2024	2025
Global Equity	+33.78%	+11.30%	-1.55%	+20.99%	-3.23%
Comparator	+38.43%	+15.39%	-0.99%	+22.45%	+4.76%



Comparator – MSCI £ World. Source: CCLA

Top 10 holdings as at 31 March 2025

Microsoft Com NPV	3.4%	Roper Technologies Inc Com USD0.01	2.1%
Amazon.Com Com USD0.01	2.7%	Marsh & McLennan Com USD1	1.9%
Visa Com - Class A Shares USD0.0001	2.4%	S And P Global Inc Com USD1	1.9%
Deutsche Boerse AG NPV	2.1%	Partners Group AG	1.9%
Alphabet Inc C Com NPV	2.1%	Coca Cola Com USD0.25	1.9%

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

The CBF Church of England Deposit Fund

Performance comment

The fund's declared rate fell in the first quarter, as the Bank of England (BoE) cut interest rates.

Chancellor Rachel Reeves' October 2024 Budget continued to make waves. Her anticipated £35 billion increase in government borrowing by 2026-27 raised 10-year gilt yields to almost 5% in January. And UK consumer price (CPI) inflation continued to trend above target. CPI rose 2.5%, year on year (yoy), in December 2024, 3.0% yoy in January 2025, and 2.8% yoy in February.

In February, the BoE cut interest rates from 4.75% to 4.50%. But two members of its monetary policy committee voted for a 0.50% cut. The Bank noted progress on disinflation, but expects CPI inflation to rise to 3.7% in the third quarter of 2025, returning to its 2% target by 2027. In March, the BoE left rates unchanged.

In the runup to Chancellor Rachel Reeves' Spring Statement in March, bond prices fell around the world. That sell-off started in Germany, apparently because of Germany's announcement of a €500 billion increase in defence spending. The anticipation that other countries might also increase spending contributed, in the UK, to a rise in 10-year gilt yields to c. 4.75%.

Chancellor Reeves' Spring Statement itself implemented spending reductions that resulted in budget headroom of c. £9.9 billion. Maintaining this narrow a buffer, amidst economic uncertainties, prompted discussion about how resilient the government's fiscal strategy is.

Fund update

Overnight and one-week interest rates are closely aligned. Our priority during the quarter was to manage overnight liquidity, to maintain a substantial buffer above the minimum regulatory requirement.

By contrast, we maintained the fund's one-week liquidity to exceed the stipulated minimum more modestly. This approach helped us extend the fund's duration and capitalise on interest rate opportunities in longer-term instruments.

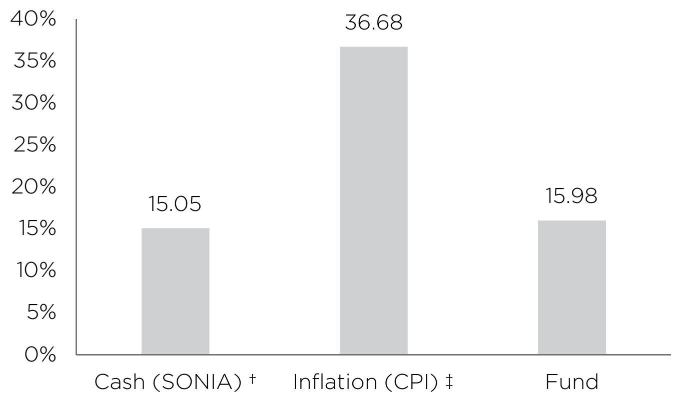
Throughout the first quarter, the money market yield curve exhibited a 'humped profile', i.e. interest rates were highest in medium-term bonds. As a result, we focused on new positions with tenors of four to six months, alongside selective investments in longer-dated instruments. The fund's investments remained well-diversified during the quarter. It maintained exposure to over 30 financial institutions.

Income

Average interest rate over the quarter 4.52%
(4.60% AER)*

Interest rate over the quarter end 4.45% (4.52% AER)*

Cumulative total return over last 10 years



Deposit rate as at 31 March 2025

4.60% AER*

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

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

† Source: CCLA

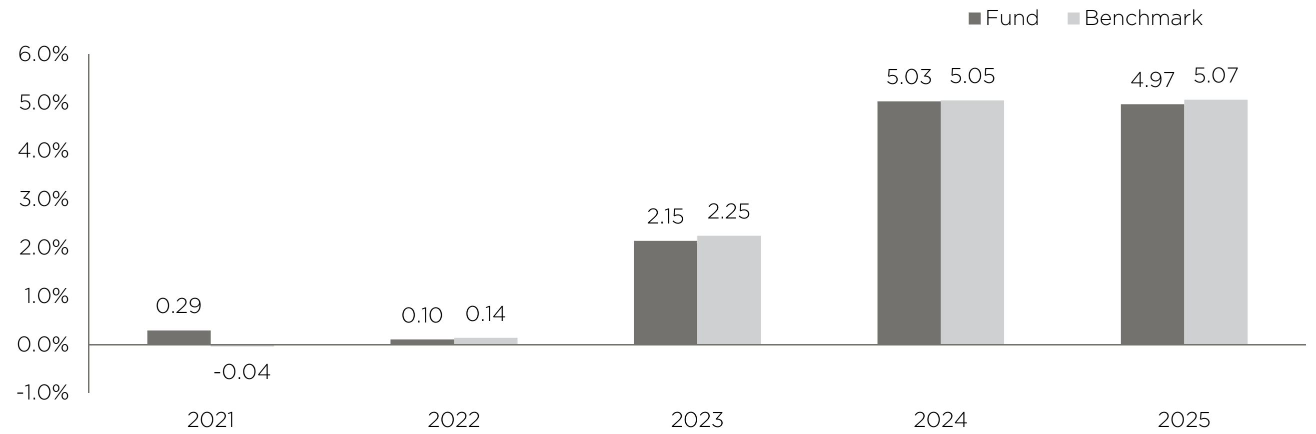
‡ CPI is reported on a 1m lag.

Total return performance

Performance* to 31 March 2025	3 months	1 year	3 years p.a.	5 years p.a.
Deposit	+1.12%	+4.97%	+4.04%	+2.49%
Benchmark	+1.13%	+5.07%	+4.11%	+2.47%

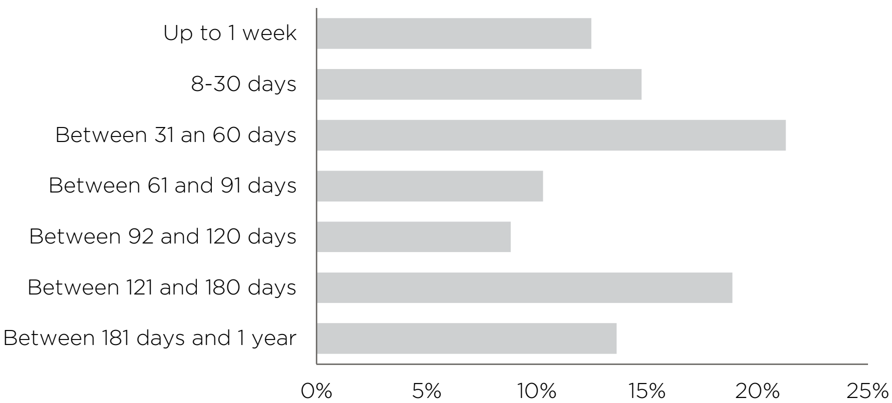
Total return performance by year

12 months to 31 March	2021	2022	2023	2024	2025
Deposit	+0.29%	+0.10%	+2.15%	+5.03%	+4.97%
Benchmark	-0.04%	+0.14%	+2.25%	+5.05%	+5.07%



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

The Fund's maturity profile



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

The CBF Church of England Short Duration Bond Fund

Performance comment

Over the quarter the Fund returned 1.09% compared with the benchmark return of 1.54%. Over the last 12 months, the Fund returned 5.80% compared with the benchmark return of 6.71%.

The first quarter of 2025 got off to a strong start. But that sentiment was short-lived, as uncertainty about President Trump's policies took centre stage. Several announcements by the Trump Administration – ad-hoc tariffs, a government efficiency drive, deportations – triggered a rally in safe-haven assets like US Treasuries, lowering 10-year US Treasury yields, for example, from 4.78% mid-January to 4.23% at the end of March.

The European Central Bank cut interest rates in January and March, as eurozone inflation fell from 2.4% in December 2024, year on year (yoy), to 2.2% in March 2025. But more prominent was the news that Germany's Conservative prime minister-elect Friedrich Merz had agreed with his prospective Social-Democrat coalition partners to boost defence spending and set up a €500 billion infrastructure fund. Merz's sea change in fiscal policy raised 10-year German government bond (Bund) yields from 2.38% at the start of March to 2.92% mid-month, their steepest rise in over 30 years.

By the end of the quarter however, investors on both sides of the Atlantic went into risk off mode, as they waited for President Trump to announce global trade tariffs. The ensuing bond rally lowered yields across the board.

Fund update

Over the first quarter, high-yield bonds – lower-quality high-yield bonds in particular – outperformed the broader market. By contrast, sovereign bonds and investment grade corporate bonds underperformed, as uncertainty led to higher volatility. Against this backdrop, the fund delivered positive absolute returns.

In particular:

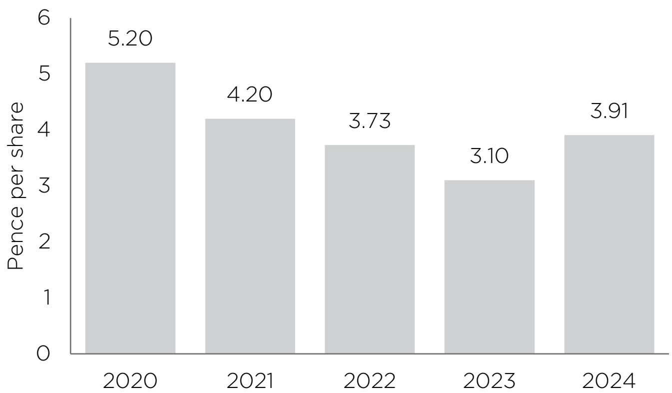
- Bonds in all industry sectors delivered positive absolute performance, led by basic industry, technology & electronics, and capital goods.
- All regions posted positive absolute performance, with North America, Western Europe and the UK the primary contributors.
- Bonds of all credit ratings in the fund posted positive performance, but lower-quality investment-grade bonds and higher-quality high-yield bonds were the best performers.

Income

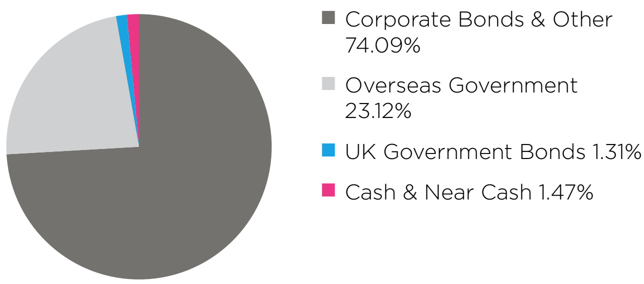
Gross redemption yield 5.64%

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

Past distributions



Asset allocation as at 31 March 2025

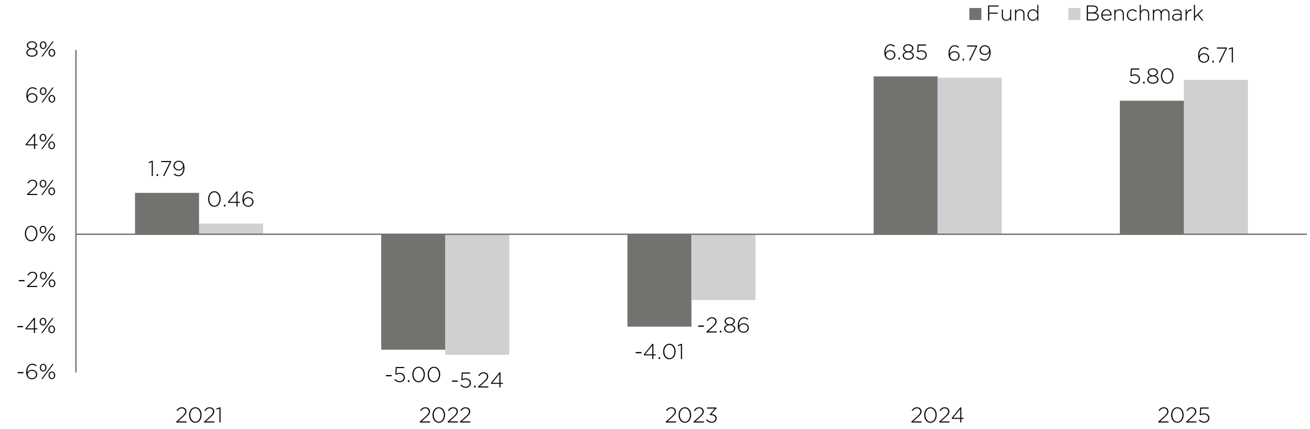


Total return performance

Performance* to 31 March 2025	3 months	1 year	3 years p.a.	5 years p.a.
Short Duration Bond	+1.09%	+5.80%	+2.76%	+0.97%
Benchmark	+1.54%	+6.71%	+3.44%	+1.05%

Total return performance by year

12 months to 31 March	2021	2022	2023	2024	2025
Short Duration Bond	+1.79%	-5.00%	-4.01%	+6.85%	+5.80%
Benchmark	+0.46%	-5.24%	-2.86%	+6.79%	+6.71%



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

Portfolio asset allocation

By credit rating

*Rating Category***	*% Fund*
Investment grade	73.8
Non-investment grade (speculative)	24.8
Non-investment grade (less than speculative)	1.1
Unrated	0.4

By term to maturity

Period	*% Fund*
0 - 5 years	64.5
5 - 10 years	28.1
10 - 15 years	2.8
Over 15 years	4.7
Duration (yrs)	1.9
Average term to maturity (yrs)	7.8

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

** Please refer to www.ccla.co.uk/glossary for explanations of terms.

The CBF Church of England Property Fund

Performance comment

Over the quarter the Fund returned 1.53% compared with the benchmark return of 1.36%. Over the last 12 months, the Fund returned 7.09% compared with the benchmark return of 6.22%.

Capital values started to stall after the economic and political uncertainty that emerged in late 2024. Thoughts of higher-for-longer interest rates among investors kept valuations under pressure.

Where capital growth was recorded, it was driven by rising rental values and/or active lease or property management. As a result, retail properties and some industrial warehouses continued to lead the sector.

Office prices remained weak, but the number of downward valuation adjustments fell in the first quarter. As a result, values in this segment are more balanced now, and the outlook is better understood.

Fund update

- We sold a functionally obsolete industrial warehouse of which the lease was to expire at Brackmills Industrial Estate, Northampton.
- We added the freehold interest to an existing retail warehouse investment in Brownhills, West Midlands.
- We let an industrial warehouse in Bow, London, on a 10-year lease.
- We renewed six industrial warehouse leases to Aardman Animations in Aztec West business park at improved rents.
- Two industrial warehouse leases expired at Brackmills Industrial Estate. Both tenants vacated, and we will refurbish.

The outlook has improved. Valuations are more stable and yields close to their historical peak. Rental growth, backed by occupier market conditions, also supports valuations.

On top of other headwinds, Trump's tariffs have made conditions more volatile. As a result, momentum for capital values stalled, to a degree, and total returns became more reliant on income yields again.

By contrast, transaction volumes were supportive in the first quarter, so we expect total returns to improve this year.

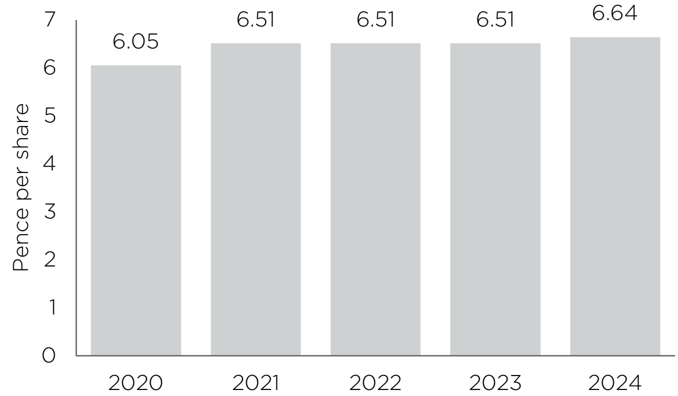
Income

Gross dividend yield 5.39%*

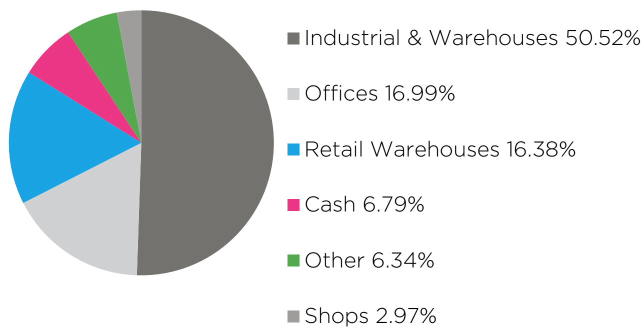
MSCI/AREF Other Balanced Property Fund Index Yield † 3.93%

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

Past distributions



Asset allocation as at 31 March 2025

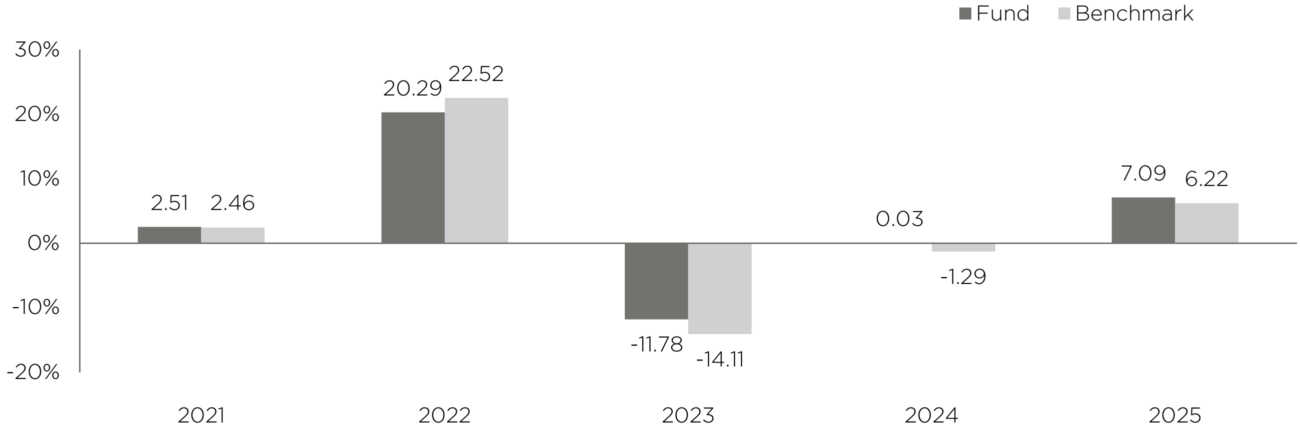


Total return performance

Performance* to 31 March 2025	3 months	1 year	3 years p.a.	5 years p.a.
Property	+1.53%	+7.09%	-1.87%	+3.11%
Benchmark	+1.36%	+6.22%	-3.43%	+2.49%

Total return performance by year

12 months to 31 March	2021	2022	2023	2024	2025
Property	+2.51%	+20.29%	-11.78%	+0.03%	+7.09%
Benchmark	+2.46%	+22.52%	-14.11%	-1.29%	+6.22%

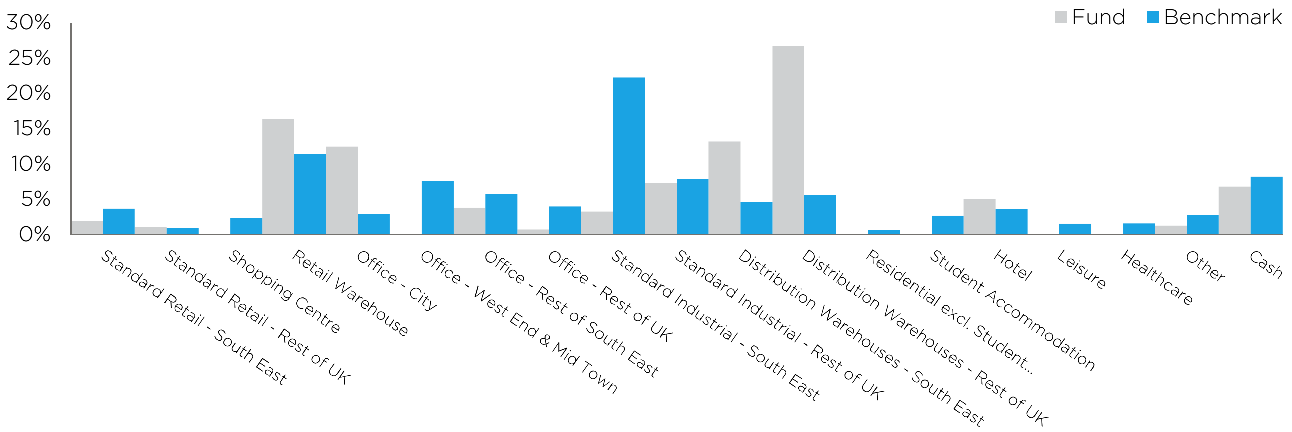


Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

Top 10 underlying property holdings - total 62.52%

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

Asset allocation by region and category



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

The CBF Church of England UK Equity Fund

Performance comment

UK share prices rose 5.65% in the first quarter of 2025(1).

The year started with concerns over the domestic economy and the incoming Trump administration. Sentiment turned after consumer price (CPI) inflation for December came in at a lower-than-expected 2.5%, year on year (yoy), and the first estimate of GDP growth for November 2024 showed a 0.1% rise, month on month.
In February, the Bank of England cut interest rates from 4.75% to 4.50%. At the end of the month, the FTSE-100 index reached an all-time high. Sentiment improved after UK gross domestic product (GDP) was reported to have grown 0.4% in December 2024, month on month, and after prime minister Keir Starmer's positive visit with President Trump.

In March, stocks retreated as Trump's tariff announcements weighed on sentiment. But domestic news was negative as well. Higher-than-planned interest rates weighed on Chancellor Rachel Reeves' Spring budget update. And the independent Office for Budget Responsibility halved its outlook for UK GDP growth from 2% to 1% this year.
Over the quarter the Fund returned -4.45% compared with the benchmark return of 5.10%. Over the last 12 months, the Fund returned -0.55% compared with the benchmark return of 10.47%.

- Performance was weak in the consumer discretionary sector. The fund lagged in industrials, due to its absence from defence.
- Non-UK holdings suffered declines, especially in information technology.
- By contrast, performance was strong in health care, consumer staples and financials.

(1) Sources of share prices: MSCI (net return in pounds sterling)

Fund update

We select stocks on their individual merits, favouring companies with strong free cash flows, robust balance sheets, and growth potential that does not depend on broad economic growth. Recognising the limited representation of such stocks in the UK-listed market, up to 20% of the fund may be held in non-UK-listed companies. We sold the fund's position in American health insurance business United Health. The company's exposure to rising medical costs led to concerns that growth in its key divisions will slow. We also sold the fund's position in software company Adobe. Instead, we added to existing holdings in which we had higher conviction, such as Greggs, Informa and DiscoverIE Group. We also reduced the fund's exposure to TSMC and LVMH.

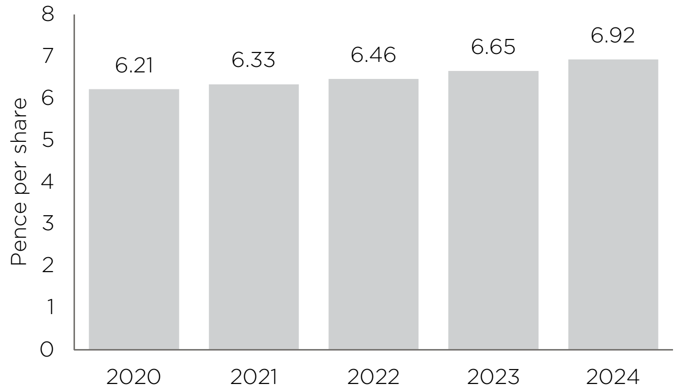
Income

Gross dividend yield 3.77%*

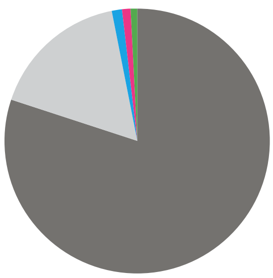
MSCI $ UK IMI dividend yield 3.58%

* Based upon the net asset value and an estimated annual dividend of 7.13p.

Past distributions



Asset allocation as at 31 March 2025



- UK Equities 80.06%
- Overseas Equities 16.89%
- Cash & Near Cash 1.22%
- Property 1.06%
- Infrastructure & Operating Assets 0.77%

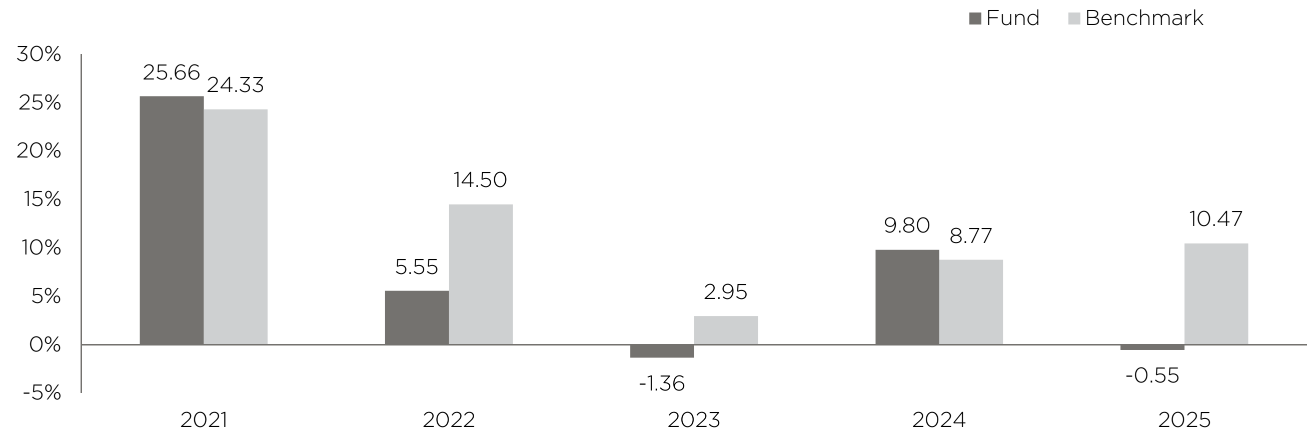
Overseas Equities	%
North America	13.15
Developed Europe	2.98
Asia Pacific ex Japan	0.76
	16.89

Total return performance

Performance* to 31 March 2025	3 months	1 year	3 years p.a.	5 years p.a.
UK Equity	-4.45%	-0.55%	+2.51%	+7.39%
Benchmark	+5.10%	+10.47%	+7.35%	+11.98%

Total return performance by year

12 months to 31 March	2021	2022	2023	2024	2025
UK Equity	+25.66%	+5.55%	-1.36%	+9.80%	-0.55%
Benchmark	+24.33%	+14.50%	+2.95%	+8.77%	+10.47%



Benchmark - MSCI UK IMI. Source: CCLA

Top 10 holdings as at 31 March 2025

London Stock Exchange Group GBP0.069186	4.1%
Sage Group Ord GBP0.0105195	4.1%
Rightmove Ord GBP0.0010	3.9%
Relx PLC Ord GBP0.1444	3.9%
Compass Group Ord GBP0.1105	3.8%
Intermediate Capital Group PLC Ord GBP0.2625	3.5%
Experian Group Ltd GBP0.1	3.4%
Auto Trader Group PLC WI Ord GBP0.01	3.4%
Unilever Ord GBP0.031	3.0%
Intertek Group Ord GBP0.01	2.9%

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IMPORTANT INFORMATION

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

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

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

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

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

Investment in a CBF fund is only available to charitable trusts with objects closely connected with the work of the Church of England. The CBF funds are Common Funds established under The Church Funds Investment Measure 1958 (as amended or replaced from time to time). The funds are not authorised by the Financial Conduct Authority.

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

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

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