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**CCLA**

QUARTERLY

BULLETIN

30 June 2021

## Quarterly market review and outlook



Source: CCLA

Forecasts for economic growth rose over the period as it became clear the gradual trend of recovery in activity was accelerating in an environment of supportive economic policies and an increasingly effective vaccination programme.

As growth forecasts rose in an environment of strong liquidity, global equity prices strengthened, moving up to valuation levels that were stretched against traditional criteria. The global equity index gave a total return over the quarter of 7.60%, resulting in a return of 11.86% for 2021 to date and 24.36% over the past twelve months. Most of the major regional markets advanced over the quarter. The strongest was the US which gained 8.96%, Europe was close behind at 8.26% and Asia rising by 4.79%. Only Japan weakened as the economy failed to display the improving trends evident elsewhere. In Europe five markets gave returns of more than 10%, Austria was the best performer with a gain of 12.97%. Portugal returns were positive but only by 0.16%. India was the strongest of the individual markets in Asia, improving by 7.94%. Indonesia was the weakest, down by 4.85%. The UK index rose by 5.53%, a gain which brings the return for the year to date to 11.18% and to 20.20% over the past year. Within markets, the cyclical and recovery exposed sectors which had performed strongest earlier in the year lost momentum as investors became concerned at valuation levels. The best performances came from higher quality stocks where earnings progress was more assured. Domestic fixed income assets improved but not at the rate enjoyed by equities. Government bonds returned 1.76%, the corporate alternatives 1.71%, the gains achieved in an environment of speculation on when interest rates would begin to rise. Property values rose again, and May was the seventh month in succession of improvement. Strength

continued for industrial assets and offices also moved ahead, albeit modestly. Encouragingly, retail assets shared in the rise and whilst not all the sub-sectors made gains, the retail sector improved for the first time in three years. Sterling rose against the Dollar and Yen but fell relative to the Euro.

In the UK and US the rate of economic growth is likely to be at its highest in the second quarter as activity in a supportive policy environment, is boosted by an easing of restrictions and the benefit of a successful vaccination programme. Europe and Japan's growth will peak later. The overall global growth impact will surpass earlier estimates of 5% and could exceed 6%. Expansion at this pace, at a time when supply is still hindered by shortages, will keep upward pressure on prices. Central banks have insisted that the recent rise in inflation will prove to be temporary and accommodative monetary policies will continue for some time. Markets however may prove less sanguine. In the meantime, uncertainty may result in periods of volatility.

A background of growth and abundant liquidity should continue to provide support to equity markets. High valuations are a potential barrier to progress but should be passable if profit expectations are met. Our preference remains for good quality companies with attractive and secure growth prospects. Fixed income markets will be supported by high levels of available liquidity but held back by fears of inflation and a recognition that at some point interest rates will rise. With yields so low we see little merit in the sector. The rally in the commercial property sector looks increasingly well based and we expect higher capital values to boost the contribution from capital to give attractive positive returns.

### Climate change

Climate change is increasingly recognised as one of the major threats we face, to our ecosystems, our communities and our planet. It is also a material threat to shareholder value. Addressing the risks and opportunities associated with climate change and the transition to a 'net zero' economy is therefore our highest responsible investment priority.

#### Pushing for progress

We believe that investment markets can only ever be as healthy as the planet and communities that support them. With the threat of increasingly erratic weather patterns, habitat loss and forced migration, climate change is projected to impact upon all aspects of our lives, the operations of nearly every company and the valuation of nearly every investment. For this reason, we believe that investors have a fiduciary obligation to accelerate real-world decarbonisation. For us, this requires three distinct approaches.

First, engagement with investee companies, supported by considered voting activity. Investors play a key role in encouraging businesses to reduce their negative impacts on the environment. By engaging with electrical utilities companies, for instance, we are helping to bring about substantial changes in a high-carbon sector.

Second, work in collaboration with other investors and stakeholders to manage the existential threat posed by climate change. We have an unrivalled track record as a pioneer of positive change. In 2012, we launched 'Aiming for A', at a time when collaborative engagement was unheard of. In 2017, we began merging that initiative into the Institutional Investors Group on Climate Change. Together, they formed Climate Action 100+, now backed by 545 global investors with more than \$52 trillion in assets under management across 33 markets.

Third, working with governments, to support progressive climate legislation. We have been collaborating directly with public policy makers in the UK and Canada to build the Powering Past Coal Finance Principles. This year, we will continue to work with the UK Government in the run up to the UN Framework Convention on Climate Change's COP 26 Conference in Glasgow.

#### Addressing the risks

We recognise that each company will be impacted by climate change at a different time and to a different extent. The intrinsic value of those with unsustainable business lines are likely to be driven down by an increasingly hostile

environment of legislation, regulation and changing consumer preference. These companies will face an uphill battle to achieve in the future the returns that they have achieved in the past. For governments signed to the Paris Agreement, incoming climate legislation will accelerate progress.

#### What does this mean for our investments?

- We must determine which companies will be impacted by changing climate legislation. CCLA conducts climate risk analysis on all industries prior to investment and annually thereafter.
- We must avoid investing in companies which are either unable or unwilling to adapt to the low carbon economy. CCLA conducts alignment tests with the Paris Agreement, and have zero direct investment in fossil fuel producers, across all portfolios.
- We must align the assets that we manage with our clients' requirement for urgent action. CCLA has committed to net zero portfolio emissions by 2050, with incremental year-on-year targets.

#### Harnessing the opportunities

- Change will bring new opportunities, too. Well managed 'impact' assets can play a useful role, not only in diversifying portfolios, but also in the positive contribution that they can make in tackling climate change.
- We prefer to identify assets on the primary market; it is here that capital is specifically and most efficiently directed at enabling new change. CCLA has partnered with the UK government to launch the Clean Growth Fund and has dedicated more than £300 million to investments that focus solely on contributing to the transition to a net zero future.
- We should consider 'impact' funds on the secondary market, where it makes financial sense to do so. CCLA invests in alternative energy assets (wind, solar and battery) where they meet our clients' risk and return requirements.

## Ethical and responsible investment report

### Our work has four strands:

1. Engagement focused on social and environmental issues that are a priority for our clients
2. Voting and engagement on governance issues to protect shareholder value and address excessive remuneration.
3. Setting constraints on investment and exposure to activities considered unacceptable by our clients.
4. Responsibilities under the UK Stewardship Code and the UN Principles for Responsible Investment (PRI).

### Quarterly highlights

At the beginning of the quarter, we launched the Catholic Investment Fund, a dedicated Charity Authorised Investment Fund (CAIF) for Catholic investors. The Fund builds on our record as leaders in ethical and responsible investment. It has an emphasis on faith-consistent investment selection, and initiatives to deliver positive change in society that align with Catholic Social Teaching. By the end of the quarter, the Fund had c. £93 million in assets under management.

During the quarter we published the Find It, Fix It, Prevent It Annual Report. The report covers our record in making the corporate response to modern slavery more effective and includes a detailed summary of each of the project's three workstreams: public policy, engagement, and data & academia. Next quarter, the coalition will begin engaging with companies in the Construction Materials industry. This will include UK-listed housebuilders and related product manufacturers, which are at a high risk of modern slavery.

We responded to the Charity Commission's (CC) consultation into the revised opening sections of CC14, which deal with the extent to which charities should align their investments with their charitable objectives. We stated that the revisions are a step in the right direction but that there remains a confusion over the term 'responsible investment'. We believe it is no longer possible - or desirable - for charities to separate the pursuit of financial returns from that of their mission. We are therefore encouraging the CC to define 'responsible investment' in a way that necessarily applies to every charity, regardless of how they choose to invest their money. Our full response is available on our website.

During the second quarter, we conducted 142 discreet engagements with investee companies. For high priority companies, engagement was split almost equally between environment-related, social and governance topics. Common themes included data privacy and product safety & quality.

Quarter three voting in detail  
CCLA aims to vote at all UK and overseas company meetings where we have portfolio holdings. The COIF Charities Investment Fund did not support 15% of resolutions at our investee companies this quarter (15% for the Ethical Fund, 19% for the Global Equity Income Fund).

Within director resolutions, the most common reason for withholding our support was on remuneration grounds (33%), followed by governance (25%), and audit (20%).

10% of our votes against management were in response to a lack of diversity at board or senior management levels. One example is Croda International. The company lacks any real diversity at board level; there are no ethnic minority members, and it falls short of our minimum 40% gender diversity target. We voted against the re-election of the Chair and will monitor how the company responds. If no progress is made over an extended period, we will consider escalating the dissenting vote to other committee members.

### Engagement with NextEra Energy

Much of our stewardship work centres on asking companies for increased disclosure around a certain issue: we believe that if something is important enough to disclose, then it also important enough to manage.

As the latest Transition Pathway Initiative (TPI) Energy Sector Report illustrated, US electricity producer, NextEra, scores well on emissions reductions goals but lags its peers on climate-related disclosures.

In December 2020, in response to low disclosure scores, CCLA discreetly filed a shareholder resolution for NextEra's 2021 AGM. This was particularly relevant considering initial signalling from President Biden about what will be expected of the US electrical utility sector this decade.

After consulting with the US Climate Action 100+ (CA100+) lead engager for NextEra, the local Ceres team and one of CA100+'s key philanthropic funders, we collectively agreed to ask NextEra to respond to the Carbon Disclosure Project (CDP) in 2021. We stated that if the company agreed to do so, we would withdraw the resolution.

NextEra spent the next three months assessing the CDP questionnaire, and agreed to respond to it in 2021 allowing the shareholder resolution to be withdrawn. We are proud of this positive step and thank NextEra for their constructive engagement.

### Ethical constraints

We confirm that the COIF Charity Funds have been managed to their respective ethical exclusion policies this quarter.

## COIF Charities Investment Fund

### Performance comment

The recovery in economic growth was supported by the gradual easing of constraints on movement with the benefits boosted further by the success of the international vaccination programme. Interest rates were held at very low levels, quantitative easing programmes continued, and fiscal policies were kept in place to support consumer income and limit unemployment. Output increased fastest in the US and UK but showed signs of improvement more widely. Despite the rise in price pressures, central banks kept interest rates unchanged, taking the view that the increases would be a temporary phenomenon due to the high level of unused capacity in the system. The combination of growth and abundant liquidity supported investment markets which gave positive returns to investors. Equities were the best performing asset class. Within the equity sectors performance, leadership gradually shifted from the cyclical sectors which had given the strongest returns in the first quarter to those associated with more predictable and consistent growth potential. Fixed income markets gave positive returns but to a more modest extent. Values were supported by government buying programmes, but progress was constrained by already high valuations and inflation concerns. Over the quarter the Fund returned 8.08% compared with the comparator return of 6.12%. Over the last 12 months, the Fund returned 18.04% compared with the comparator return of 16.50%.

At asset level, the bias towards equities and the absence of an exposure to conventional fixed income assets was an important positive factor. At stock level, the change in sentiment to favour again higher quality companies with good growth prospects supported relative returns.

### Fund update

The investment objective of the Fund is to achieve real long-term growth in capital values and a rising income from a portfolio managed within a clear risk control framework. The portfolio has a bias towards real assets, predominantly global equities but also including property and non-traditional asset classes such as infrastructure. Stock selection is on a 'bottom-up' basis. We favour companies with strong free cash flows and the potential to grow faster and more predictably than the economy. This has resulted in relatively high weightings to sectors such as health, the consumer and technology. The weighting to traditional banks is low and there are no holdings in the mainstream energy companies. Recent activity has focussed on reducing the exposure to companies which have reached our valuation targets, switching into lower rated but still high quality alternatives. There have been no material changes to the geographical exposures of the portfolio or to the level of cash.

### Income

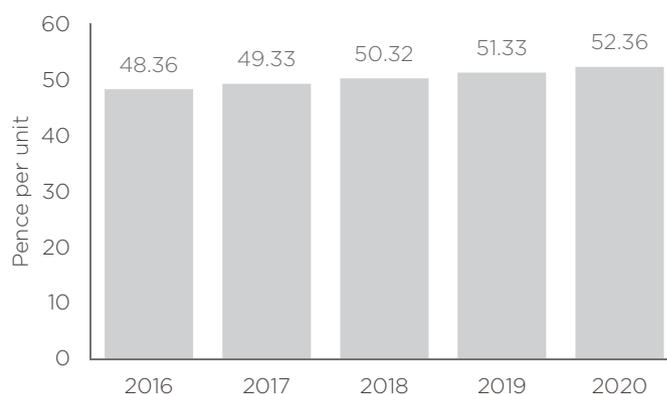
Gross dividend yield 2.78%\*

MSCI \$ UK IMI dividend yield 2.92%

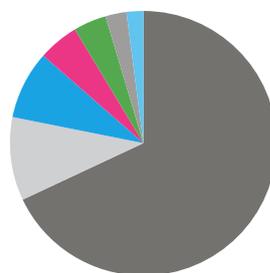
MSCI \$ World ex UK dividend yield 1.59%

\* Based upon the net asset value and an estimated annual dividend of 53.41p.

### Past distributions



### Asset allocation as at 30 June 2021



- Overseas Equities 67.97%
- UK Equities 10.19%
- Infrastructure & Operating Assets 8.34%
- Cash & Near Cash 4.92%
- Property 3.99%
- Contractual & Other Income 2.56%
- Private Equity & Other 2.03%
- Multi Asset 0%

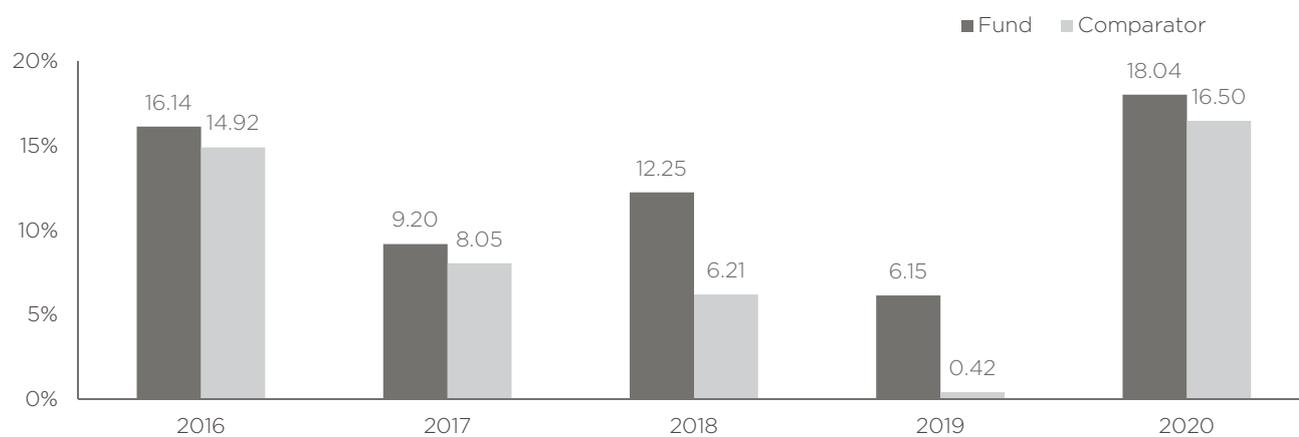
| Overseas Equities     | %            |
|-----------------------|--------------|
| North America         | 44.50        |
| Developed Europe      | 13.64        |
| Asia Pacific ex Japan | 8.68         |
| Other                 | 0.68         |
| Japan                 | 0.47         |
|                       | <b>67.97</b> |

## Total return performance

| Performance* to 30 June 2021 | 3 months | 1 year  | 3 years p.a. | 5 years p.a. |
|------------------------------|----------|---------|--------------|--------------|
| Investment                   | +8.08%   | +18.04% | +12.04%      | +12.27%      |
| Comparator                   | +6.12%   | +16.50% | +7.51%       | +9.06%       |

## Discrete year total return performance

| 12 months to 30 June | 2017    | 2018   | 2019    | 2020   | 2021    |
|----------------------|---------|--------|---------|--------|---------|
| Investment           | +16.14% | +9.20% | +12.25% | +6.15% | +18.04% |
| Comparator           | +14.92% | +8.05% | +6.21%  | +0.42% | +16.50% |



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%. From 31/12/17, MSCI UK IMI 45%, MSCI Europe ex UK 10%, MSCI North America 10%, MSCI Pacific 10%, AREF/IPD™ All Properties 5%, iBoxx £ Gilt 15% & 7 Day LIBID 5%. Source: CCLA

## Top 10 holdings as at 30 June 2021

|  |      |                          |      |
|--|------|--------------------------|------|
| COIF Charities Property Fund (Sub-Holding) | 3.2% | Diageo Ord GBP0.289      | 1.4% |
| Alphabet Inc C Com NPV                     | 1.8% | Adobe Inc Com USD0.0001  | 1.4% |
| Microsoft Com NPV                          | 1.6% | Mastercard Com USD0.0001 | 1.2% |
| Amazon.Com Com USD0.01                     | 1.5% | Heineken EUR1.6          | 1.2% |
| Visa Com - Class A Shares USD0.0001        | 1.4% | Synopsys Com USD0.01     | 1.2% |

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

## COIF Charities Property Fund

### Performance comment

Sentiment towards the commercial property sector improved and although transaction activity remained below the long-term average, valuations rose, continuing the trend of improvement which began in November 2020. Within the sector, trends in relative performance remained important. Support was strong for industrial assets, particularly those with good distribution capability. In contrast, retail assets lagged, with sentiment still constrained by concerns over excess capacity and long-term trends in shopping patterns. However, even though conditions remained difficult for parts of the sector, and in particular shopping centres, there were bright spots. These included retail warehouses where resilient customer trading and an increased interest in sector assets for in-town distribution bases for 'final mile' deliveries, resulted in the best valuation performance since 2014. Office values ended modestly higher, with central London lagging the best regional performances. One expected legacy of the pandemic will be more flexible office space but whether the need for less space remains, is to be determined. Income receipts have again held up well with retail rental flows once more the most at risk. In addition to the businesses that can't pay there is a core of 'won't pays' using government tenant protection measures to withhold payments.

Over the quarter the Fund returned 3.71% compared with the benchmark return of 3.80%. Over the last 12 months, the Fund returned 10.29% compared with the benchmark return of 8.49%.

Relative performance was supported by the sectoral weightings of the portfolio, specifically the relatively low exposure to retail assets and high weighting to industrials. In addition, management activity supported income receipts and helped limit the increase in the void rate.

### Fund update

The portfolio is actively managed in terms of the weightings of various sub-sectors and the individual assets held. Currently there is a positive bias towards industrial assets and away from retail, with few traditional shops and no exposure to shopping centres. At the individual asset level, the managers seek good quality assets which have the potential to add to both capital gains and income growth over time. There was one significant transaction, the sale of an office in greater Manchester at a material premium to the book value. Planned refurbishment work continued on the office building in Cannon Street in the City of London, temporarily pushing the void rate higher. We expect the trend in capital values to remain positive, supporting income flows.

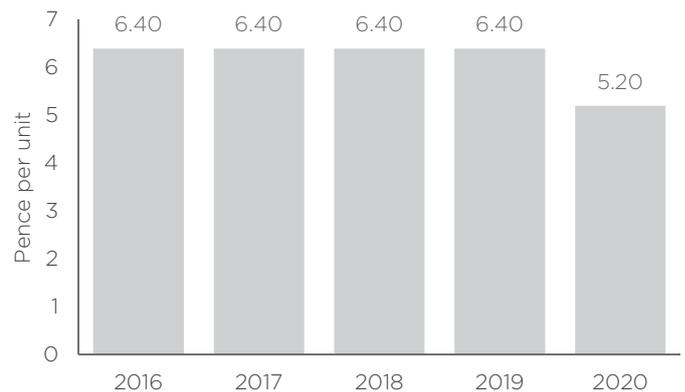
### Income

Gross dividend yield 4.63%\*

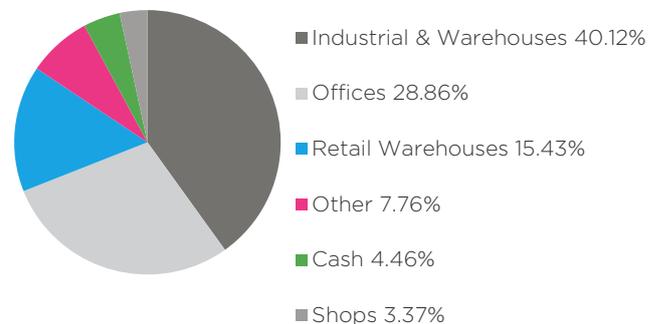
MSCI/AREF Other Balanced Property Fund Index Yield † 3.31%

\* Based upon the net asset value and an estimated annual dividend of 5.36p.

### Past distributions



### Asset allocation as at 30 June 2021



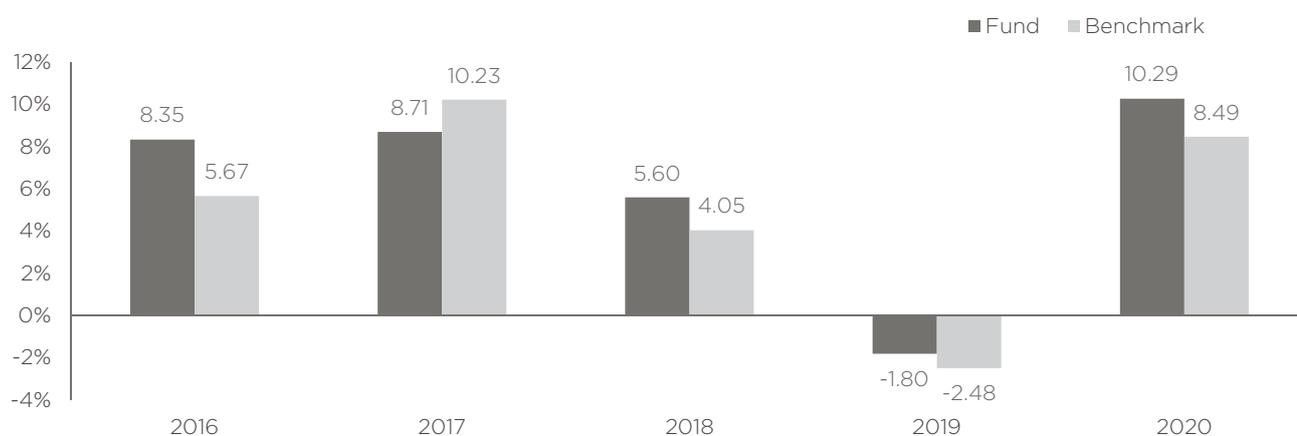
The Fund has credit facilities which, at quarter end, were not utilised.

## Total return performance

| Performance* to 30 June 2021 | 3 months | 1 year  | 3 years p.a. | 5 years p.a. |
|------------------------------|----------|---------|--------------|--------------|
| Property                     | +3.71%   | +10.29% | +4.58%       | +6.14%       |
| Benchmark                    | +3.80%   | +8.49%  | +3.25%       | +5.10%       |

## Discrete year total return performance

| 12 months to 30 June | 2017   | 2018    | 2019   | 2020   | 2021    |
|----------------------|--------|---------|--------|--------|---------|
| Property             | +8.35% | +8.71%  | +5.60% | -1.80% | +10.29% |
| Benchmark            | +5.67% | +10.23% | +4.05% | -2.48% | +8.49%  |



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 45.28%

London, 80 Cannon Street

Mendlesham, Mendlesham Industrial Estate

Brighton, Pavilion Retail Park

Bracknell, 5 Arlington Sq

Lutterworth 3320 Magna Park

1400-1600 Aztec West Business Park Bristol

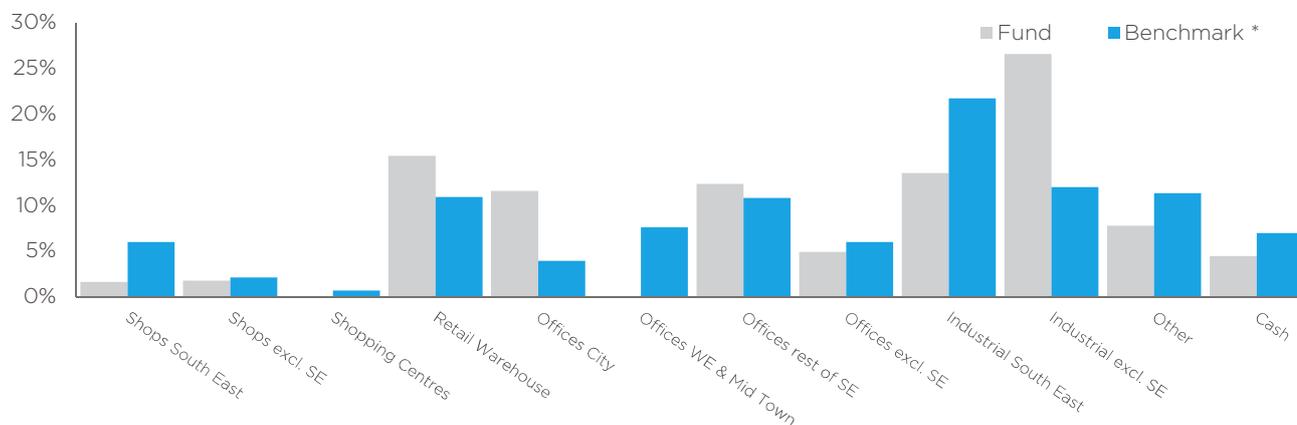
Rossiter Road Bath

Lutterworth 3220 Magna Park

1-3 College Hill London EC4

London E3 St Andrews Way

## 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.

## COIF Charities Global Equity Income Fund

### Performance comment

The global economy strengthened over the period as activity benefitted from the gradual reduction of restrictions on movement, the building success of the international vaccination programme and supportive government and central bank policies. Interest rates were held at very low levels and fiscal activity continued to support consumer incomes and limit the rise in unemployment. Inflation edged higher as stronger levels of demand drove stock levels low, with manufacturing output increasing slowly. Another important factor was rising energy costs as oil prices bounced strongly from the low levels seen in 2020. Despite the acceleration in the pace of price increases, the authorities elected not to respond, taking the view that the pressure was an inevitable but also a passing feature of the improvement in demand. In an environment of recovery, rising company profits and accommodative monetary policies, global equity prices rose broadly with only Japan of the major markets failing to move higher. For a Sterling based investor the global index achieved a total return of 7.60%. Within markets, the relative enthusiasm for cyclical companies and those most exposed to recovery ebbed as many of these companies reached extended levels of valuation. Instead, companies with more consistent prospects enjoyed the strongest relative performances.

Over the quarter the Fund returned 9.44% compared with the comparator return of 7.60%. Over the last 12 months, the Fund returned 22.78% compared with the comparator return of 24.36%.

The main contributor to relative performance was stock selection; the portfolio has a relatively high weighting to consistent growth companies which outperformed the index averages in the period.

### Fund update

The portfolio has no predetermined allocations to any sector or geographic area, instead stocks are selected in a 'bottom-up' approach by which holdings are selected on their individual merits. We look for robust companies with strong free cash flows with which to support future growth and reward shareholders. This has resulted in a relatively high weighting in some of the consumer sectors, in health and technology. There is limited exposure to mainstream banks and no holdings in traditional oil and gas companies. There have been no significant structural changes to the portfolio. Instead, much of the recent activity has been driven by valuations and in particular, trimming exposure to companies that have reached our valuation targets and reinvesting in those where we see greater return potential.

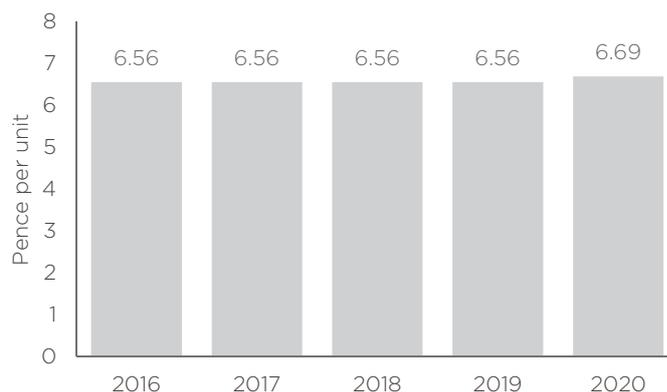
### Income

Gross dividend yield 2.55%\*

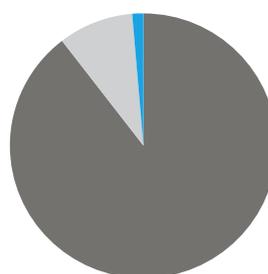
MSCI \$ World dividend yield 1.65%

\* Based upon the net asset value and an estimated annual dividend of 6.82p.

### Past distributions



### Asset allocation as at 30 June 2021



- Overseas Equities 89.57%
- UK Equities 9.08%
- Cash & Near Cash 1.35%

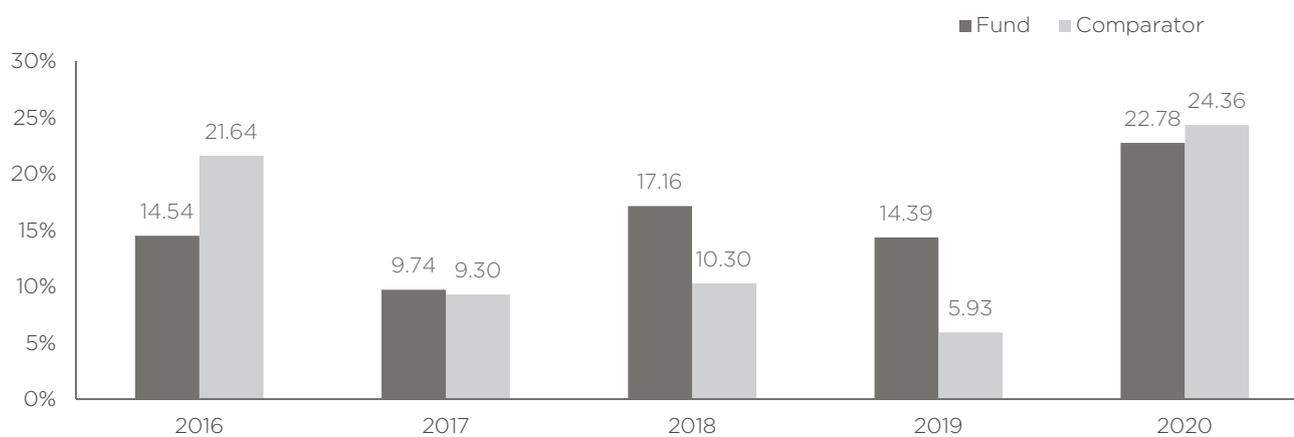
| Overseas Equities     | %            |
|-----------------------|--------------|
| North America         | 60.53        |
| Developed Europe      | 16.29        |
| Asia Pacific ex Japan | 11.29        |
| Other                 | 0.86         |
| Japan                 | 0.60         |
|                       | <b>89.57</b> |

## Total return performance

| Performance* to 30 June 2021 | 3 months | 1 year  | 3 years p.a. | 5 years p.a. |
|------------------------------|----------|---------|--------------|--------------|
| Global Equity Income         | +9.44%   | +22.78% | +18.06%      | +15.64%      |
| Comparator                   | +7.60%   | +24.36% | +13.27%      | +14.08%      |

## Discrete year total return performance

| 12 months to 30 June | 2017    | 2018   | 2019    | 2020    | 2021    |
|----------------------|---------|--------|---------|---------|---------|
| Global Equity Income | +14.54% | +9.74% | +17.16% | +14.39% | +22.78% |
| Comparator           | +21.64% | +9.30% | +10.30% | +5.93%  | +24.36% |



Comparator - from 01.01.16 MSCI E World. To 31.12.15 MSCI World 50% Currency Hedged. Source: CCLA

## Top 10 holdings as at 30 June 2021

|                                     |      |   |      |
|-------------------------------------|------|---|------|
| Alphabet Inc C Com NPV              | 3.2% | Mastercard Com USD0.0001                | 1.8% |
| Microsoft Com NPV                   | 3.1% | UnitedHealth Gp Com USD0.01             | 1.5% |
| Amazon.Com Com USD0.01              | 2.6% | Yum China Holding Inc Com USD0.01       | 1.5% |
| Adobe Inc Com USD0.0001             | 2.2% | London Stock Exchange Group GBPO.069186 | 1.5% |
| Visa Com - Class A Shares USD0.0001 | 1.9% | Bank Of America Com USD0.01             | 1.4% |

\* 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.

## COIF Charities Deposit Fund

### Performance comment

The UK economy grew strongly in the second quarter, building on the foundations of recovery laid earlier in the year. The increase in activity was supported by reduced restrictions on mobility and the success of the vaccination programme. Government policies remained supportive of growth with fiscal initiatives in place to support consumer income and limit the rise in unemployment. Monetary policy also remained accommodative, the easy stance reflected in a continued quantitative easing programme and very low interest rates. Inflation increased as activity improved and higher demand drove supply shortages. This was fuelled by reduced inventory levels and an international manufacturing sector struggling to respond to the increased demand. Despite the accelerated pace of price increase, there was no reactive increase in interest rates. The Bank of England took the view that in an economy with plentiful spare capacity price pressures would prove temporary, on their forecast peaking in the fourth quarter at 3.3% and declining gradually towards its 2% target rate by mid-2022.

Our expectations are that the second quarter will prove to have been the period of fastest growth in this cycle. Even so growth will continue over the remainder of 2021 and into the new year. Interest rates however are expected to rise only slowly. Growth remains the key policy objective and the government is unlikely to jeopardise it with a premature increase in borrowing costs. We do not expect rates to be increased until 2023 and then for the rise to be of modest proportions, 2023 is the year in which tax increases are scheduled and the government will want to be as sure as it can be that growth is not compromised. The key message of this is that interest rates are expected to remain at or close to current levels and below inflation for some time to come.

### Fund update

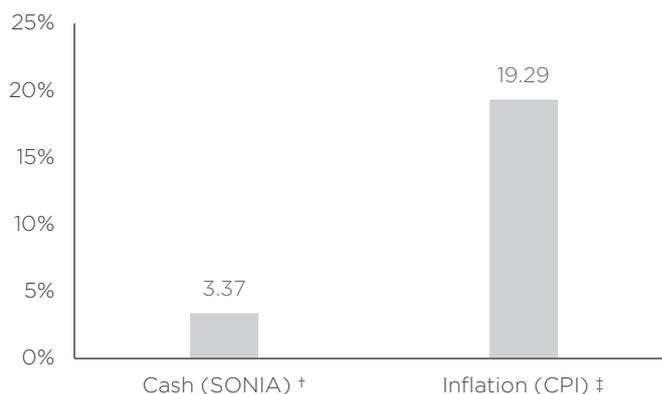
The prime focus of the investment strategy is to provide capital security with excellent liquidity and a competitive rate of interest. The portfolio is invested only in cash and near cash assets with a managed list of approved, high quality counterparties.

### Income

Average yield over the quarter 0.0123%

Yield at the quarter end 0.0085%

### Cumulative total return over last 10 years



### Yield as at 30 June 2021

0.0085%

\*\* 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

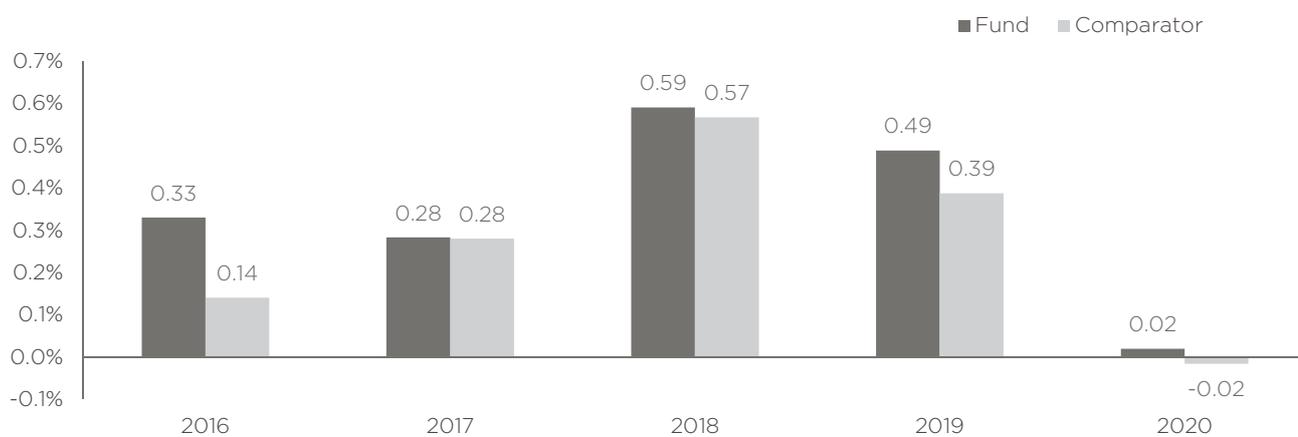
‡ CPI is estimated for the last month of the quarter.

## Total return performance

| Performance* to 30 June 2021 | 3 months | 1 year | 3 years p.a. | 5 years p.a. |
|------------------------------|----------|--------|--------------|--------------|
| Deposit                      | +0.00%   | +0.02% | +0.37%       | +0.34%       |
| Benchmark                    | +0.01%   | -0.02% | +0.31%       | +0.27%       |

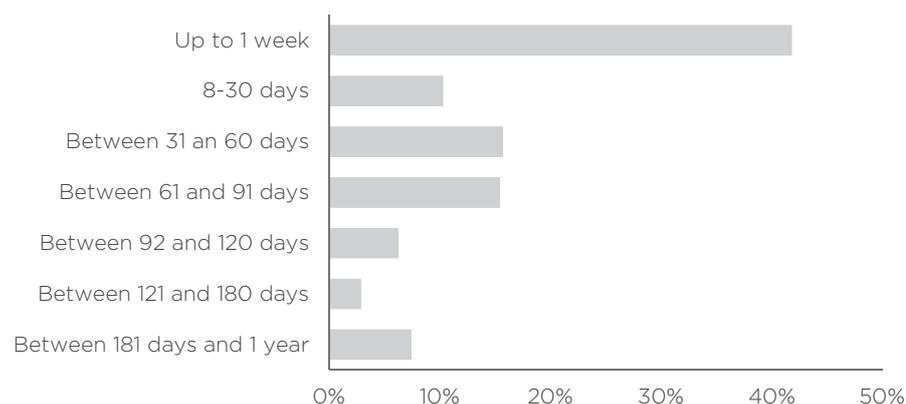
## Discrete year total return performance

| 12 months to 30 June | 2017   | 2018   | 2019   | 2020   | 2021   |
|----------------------|--------|--------|--------|--------|--------|
| Deposit              | +0.33% | +0.28% | +0.59% | +0.49% | +0.02% |
| Benchmark            | +0.14% | +0.28% | +0.57% | +0.39% | -0.02% |



Benchmark - From 1/1/21: Sterling Overnight Index Average (SONIA). Initial 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.

## COIF Charities Fixed Interest Fund

### Performance comment

The UK economy grew over the period, building on the recovery from first quarter. Manufacturing improved first, with some evidence that companies found ways to continue operations in a 'lock-down'. A supportive fiscal programme maintained consumer incomes and the Bank of England continued with a monetary policy featuring ultra-low interest rates and quantitative easing. As growth increased, inflation rose, reflecting product shortages as higher levels of demand found stock levels low and manufacturing rates still to reach pre-pandemic levels. The Bank did not raise interest rates in response to the increased pace of price pressures, instead taking the view that the issue would be limited, peaking in the fourth quarter, then slowly falling back towards the 2% target level.

The fixed income indices gave modest positive returns. Prices were supported by the purchases made under the quantitative easing programme and assurances from the Bank that interest rates were not to be increased. Offsetting this were concerns that sector yields were already low and negative in real terms in large parts of the market. Further declines were difficult to justify, particularly given that inflation risk could be stickier than expected. There was no material difference in the returns achieved by government bonds and the corporate alternatives. In both sectors, the longest dated issues were the best performers.

Over the quarter the Fund returned 1.29% compared with the benchmark return of 1.74%. Over the last 12 months, the Fund returned -1.53% compared with the benchmark return of -2.43%.

In the most recent period, the prime factor influencing relative returns has been the defensive stance of the portfolio which has limited the capacity to participate in a rally which was strongest in longer dated and so typically more volatile issues.

### Fund update

The portfolio has a defensive strategy to protect investors from any rise in sector yields. The managers take the view that in the current low yield environment the income available on longer dated issues is a poor and insufficient compensation for the risks involved. The cautious structure is reflected in a modified duration of 8.17 years compared with 10.19 years for the benchmark. There is a bias to corporate issues over gilts, with the former accounting for 62.77% of total assets. We expect fixed interest securities to move within a relatively narrow trading range in the immediate future with some upside risk to yields.

### Income

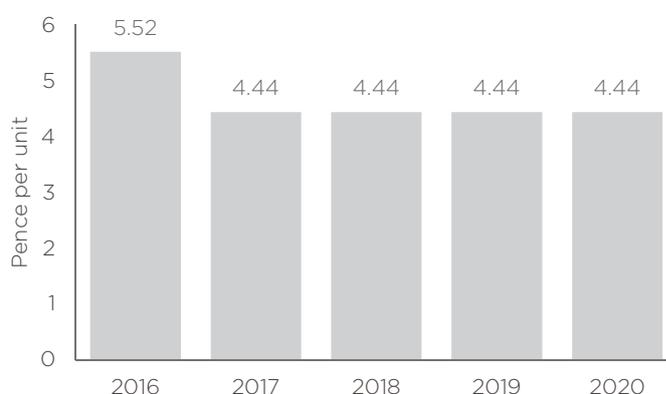
Gross dividend yield 2.65%\*

Gross redemption yield 1.16%

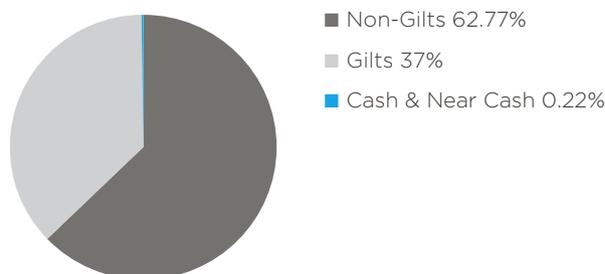
\* Based upon the net asset value and an estimated annual dividend of 3.60p.

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

### Past distributions



### Asset allocation as at 30 June 2021



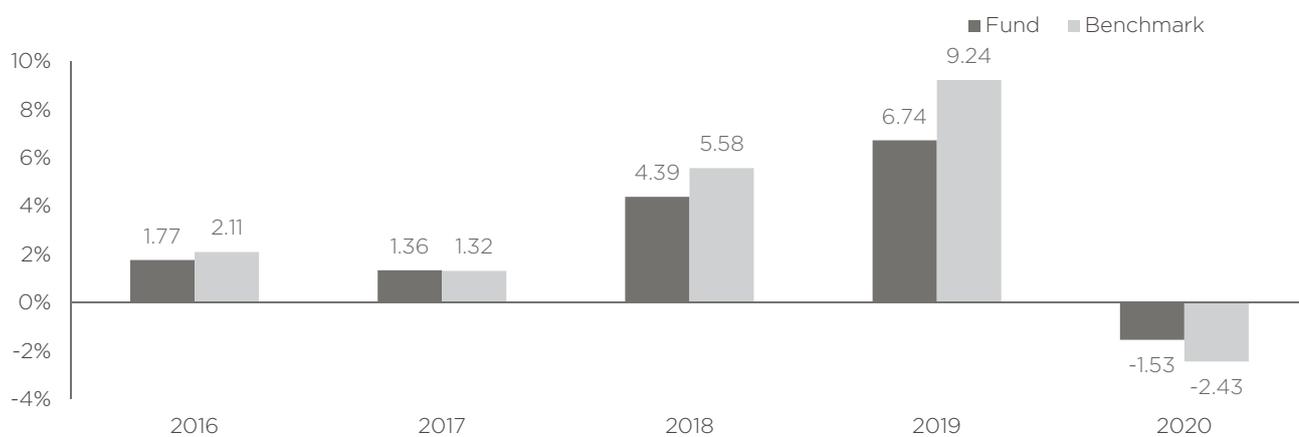
## FUND INFORMATION

### Total return performance

| Performance* to 30 June 2021 | 3 months | 1 year | 3 years p.a. | 5 years p.a. |
|------------------------------|----------|--------|--------------|--------------|
| Fixed Interest               | +1.29%   | -1.53% | +3.14%       | +2.51%       |
| Benchmark                    | +1.74%   | -2.43% | +4.01%       | +3.09%       |

### Discrete year total return performance

| 12 months to 30 June | 2017   | 2018   | 2019   | 2020   | 2021   |
|----------------------|--------|--------|--------|--------|--------|
| Fixed Interest       | +1.77% | +1.36% | +4.39% | +6.74% | -1.53% |
| Benchmark            | +2.11% | +1.32% | +5.58% | +9.24% | -2.43% |



Benchmark – composite: from 01.01.16 iBoxx £ Gilt 50% and iBoxx £ Non Gilt 50%. To 31.12.15 Barcap £ Gilt 50% and £ Agg 100mm Non Gilt 50%.  
Source: CCLA

### Portfolio asset allocation

#### By credit rating

| Rating Category              | % Fund |
|------------------------------|--------|
| AAA                          | 8.1    |
| AA                           | 50.2   |
| A                            | 27.0   |
| BBB                          | 12.8   |
| Non Investment Grade         | 0.0    |
| Not rated (Debentures/Prefs) | 1.9    |

#### By term to maturity

| Period                         | % Fund |
|--------------------------------|--------|
| 0 - 5 years                    | 33.9   |
| 5 - 10 years                   | 24.8   |
| 10 - 15 years                  | 16.1   |
| Over 15 years                  | 25.1   |
| Duration (yrs)                 | 8.2    |
| Average term to maturity (yrs) | 9.8    |

\* 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.

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## RiskWarning

Performance is shown net of management fees. Exchange rate changes may have an adverse effect on the value, price or income of investments. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice. All sources are CCLA, unless otherwise indicated.

## Disclosures

Investment in the COIF Charity Funds is only available to charities within the meaning of section 1(1) of the Charities Act 2011. Past performance is not a reliable indicator of future results. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forwardlooking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. The properties within the COIF Charities Property Fund are valued by an external property valuer; any such valuations are a matter of opinion rather than fact. The performance of the Fund may be adversely affected by a downturn in the property market which could impact on the value of the Fund. The COIF Charity Funds are approved by the Charity Commission as Common Investment Funds under section 24 of the Charities Act 1993 (as has been replaced by the Charities Act 2011) and are Unregulated Collective Investment Schemes and unauthorised Alternative Investment Funds. The COIF Charities Deposit Fund was approved by the Charity Commission as a Common Deposit Fund under section 25 of the Charities Act 1993 (as has been replaced by the Charities Act 2011) and is categorised as a short-term LVNAV Money Market Fund under the EU Money Market Fund Regulation 2017/1131. Investments in the COIF Charity Funds and the Funds, and Investments and Deposits in the COIF Charities Deposit Fund and COIF Charities Property Fund are not covered by the Financial Services Compensation Scheme (FSCS).

## GDPR

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