

2018-09-19 | Rating Action Commentary

## Fitch Affirms CBF Church of England and COIF Charities Deposit Funds at 'AAAf'/'S1'

---

Fitch Ratings-London-19 September 2018: Fitch Ratings has affirmed The CBF Church of England Deposit Fund's (CBF) and The COIF Charities Deposit Fund's (COIF) ratings at Fund Credit Quality 'AAAf' and Fund Market Risk Sensitivity 'S1'. The funds are managed by CCLA Investment Management Limited (CCLA).

The affirmation of the Fund Credit Quality Ratings is driven by the continuing high credit quality of the funds as measured by their weighted average rating factors (WARF), which are consistent with a 'AAAf' Fund Credit Quality Rating, and by limited sensitivity to Fitch's stress testing analysis.

The affirmation of the Fund Market Risk Sensitivity Ratings is driven by the funds' continuing low sensitivity to interest rate and spread risks, as reflected in the funds' short maturity profile.

### KEY RATING DRIVERS

#### High Weighted Average Credit Quality

The weighted average credit quality of the funds is high, as indicated by their WARF of 0.17 at end-July 2018. The funds' investment guidelines allow a minimum credit quality of 'A-' at purchase.

The funds' investment guidelines limit the amount of risk the funds can take based on a combination of self-imposed criteria. These criteria include limits on minimum credit quality, (A-), maximum counterparty limits (10% per counterparty) and a maximum individual exposure maturity limit (of one year), among others.

#### Low Sensitivities to Market Risks

The funds have low exposure to interest rate and spread risks. The weighted average maturity (WAM) and life (WAL) as of end-July 2018 were below 93 days for both funds, resulting in a market risk factor well within the 'S1' Fund Market Risk Sensitivity Rating range. The funds' WAMs are limited to 120 days as per their respective investment policies. Both funds invest solely in GBP instruments and deposits and neither fund is allowed to utilise leverage.

#### Trustee and Advisor

The funds' trustees are CBF Funds Trustee Limited (CBFFT) and the COIF Board. Both CBFFT and the COIF Board have delegated to CCLA the investment management and administrative

responsibilities for the respective funds.

COIF is classified as an alternative investment fund under applicable regulation and accordingly is managed by CCLA Fund Managers Limited, an Alternative Investment Fund Managers Directive-compliant (wholly owned) subsidiary of CCLA.

CCLA is a UK-based fund management group offering a range of fund products. CCLA is jointly owned by CCLA Executive Directors, The CBF Church of England Investment Fund, The COIF Charities Investment Fund and The Local Authorities' Mutual Investment Trust. An independent operational risk, internal audit and compliance team maintains oversight of the funds' operations. At as end-March 2018, CCLA managed GBP7.8 billion of assets.

CBFFT and the COIF Board appointed HSBC Bank plc (AA-/Stable/F1+) in 2014 as depositary and administrator of both funds.

#### Fund Profiles

Both CBF and COIF aim to pay competitive rates of interest to reflect short-dated money market rates. The assets of the funds are invested in eligible securities of counterparties who are regularly reviewed and annually approved by COIF Board members and CBFFT respectively.

CBF and COIF respectively had GBP623 million and GBP1,024 million of assets under management as of end-July 2018.

#### RATING SENSITIVITIES

The ratings may be sensitive to material changes in the fund's credit quality or market risk profile. A material adverse deviation from Fitch's guidelines for any key rating drivers could cause Fitch to downgrade the ratings. For example, if credit deterioration occurs such that the WARF increases beyond criteria levels for a 'AAAf' Fund Credit Quality Rating, the ratings may be downgraded. Fitch's WARF stress testing shows that the ratings are robust at the current rating level.

Potential downgrades to the Fund Market Risk Sensitivity Ratings are limited in scope, given the funds' low sensitivity to interest rate and spread risks, and the funds' investment guidelines.

Contact:

Contact:

Primary Analyst

Abis Soetan

Director

+44 20 3530 1311

Fitch Ratings Limited  
30 North Colonnade  
London E14 5GN

Secondary Analyst  
Minyue Wang, CFA  
Associate Director  
+44 20 3530 1406

Committee Chairperson  
Ralph Aurora  
Senior Director  
+1 212 908 0528

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email:  
athos.larkou@fitchratings.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

[Global Bond Fund Rating Criteria \(pub. 22 Aug 2016\)](#)

### **Additional Disclosures**

[Solicitation Status](#)

[Endorsement Policy](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS

BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435.

Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report

were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

---

**ENDORSEMENT POLICY** - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.