

The CBF Church of England Deposit Fund

Fund Profile – 31 March 2019

CCLA's Deposit Funds provide a high level of capital security and competitive rates of interest for charity investors. These include a clear focus on security of capital, competitive returns and strong customer service. This combination of benefits makes The CBF Church of England Deposit Fund one of the most attractive homes for Church of England-related charity cash holdings in the market today.

The Deposit Fund aims to pay competitive rates of interest, which reflect the level of short-dated money market rates. The Fund also aims to maintain its AAAf/S1 ('Triple A') Fitch Ratings or equivalent.

Capital security is the prime objective

We seek capital security by spreading deposits across a large number of high quality borrowers – typically 20-30 on any one day. All of the borrowers are reviewed on a daily basis and if we have any doubts at all about their quality, we simply stop lending to them. The list of those currently approved to borrow from the Fund is as follows.

Approved Borrowers

ABN Amro Bank	Credit Industriel et Commercial (CIC)	National Australia Bank
ANZ Banking Group	Danske Bank #	National Bank of Canada
Bank Nederlandse Gemeenten	DBS Bank	Nationwide Building Society
Bank of America N.A.	DNB Bank	Nordea Bank Finland
Bank of Montreal	DZ Bank	Rabobank
Bank of New York Mellon	HSBC UK Bank plc	Royal Bank of Canada
Bank of Nova Scotia	HSBC Bank plc	Santander UK
Bank of Scotland	ING	SEB
Barclays Bank UK plc	JP Morgan Chase Bank	Société Générale
Barclays Bank plc	KBC Bank N.V.	Standard Chartered Bank
Bayerische Landesbank	Landesbank Baden-Wuerttemberg	Sumitomo Mitsui Banking Corp
BNP Paribas	Landesbank Hessen-Thueringen	Handelsbanken
CIBC	Leeds Building Society	Toronto-Dominion
Citibank	Lloyds Bank plc	UBS
Commonwealth Bank of Australia	Lloyds Bank Corporate Markets plc	United Overseas Bank
Coventry Building Society	Mizuho Bank	Westpac Banking Corporation
Credit Agricole Corporate and Investment Bank	MUFG Bank	Yorkshire Building Society

Source: CCLA as at 11 March 2019

currently suspended

The Fund does not lend to borrowers where the long term credit rating is below A-. This is above the requirement for an AAAf/S1 rated fund.

Market update

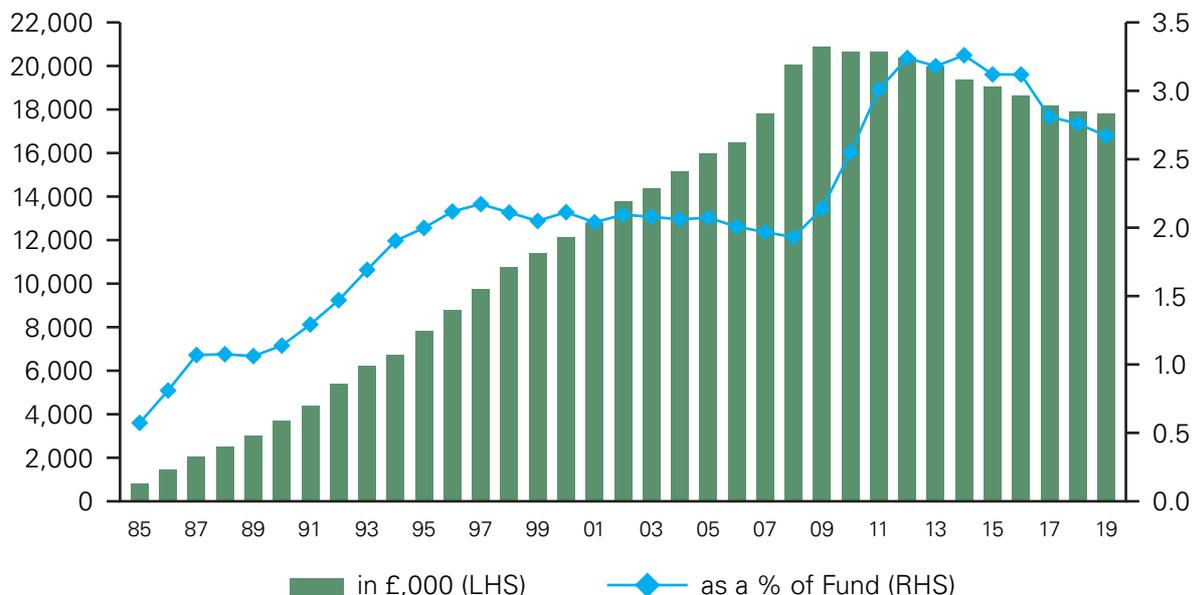
The domestic economy expanded in the quarter, but modestly, held back by slowing growth overseas and, at home, by the increasing levels of uncertainty associated with Brexit. Consumer activity held up quite well, supported by low unemployment and wage growth rates, which rose above the rate of inflation. In contrast, the contribution from manufacturing and investment was weak. Official interest rates were unchanged. The Bank of England took the view that short-term economic data may be affected by Brexit issues and do not give a realistic picture of underlying trends.

Independent review of the Funds

The quality of our approach is reflected in the AAAf/S1 rating awarded to the Fund by Fitch Ratings, one of the leading credit rating agencies in the world. AAAf ('Triple A') is the highest Fund Credit Quality Rating available and has been given in recognition of the investment policy, the quality of the approved lending list, the quality of the investment management and the strength of the internal controls.

The income reserve

The Fund has the advantage of an income reserve which has been built up over many years. This reserve can act as a buffer against losses in the very unlikely event of a counterparty default or to smooth income flows if there are unexpected market movements.



Source: CCLA. Data as at 31 March 19

Working hard to earn attractive returns

The Fund achieves competitive rates by using its substantial size to offer potential borrowers access to large credit balances. This keeps the borrowers' costs down and is rewarded with higher rates. In addition we always seek to maximise income by looking for the best rates available from across our list of approved borrowers that are consistent with the objectives of the Fund. Rates may change frequently and it is important to have an active management style that allows the Fund to take advantage of opportunities as they arise.

A key component of our management is understanding how much day to day liquidity is required by investors. Short term deposits provide flexibility but can also reduce returns and so we need to manage carefully how much is invested on a short term basis. We monitor each day the flows of deposits and withdrawals to optimise the lending profile. Our preference is to structure the Fund so that liquidity is provided by a steady flow of maturing longer term deposits rather than holding large sums inefficiently in short-term deposits.

The asymmetry of risks on cash deposits

Why do we focus so much on capital security when by lowering standards we could pay a higher rate of interest? It's because the upside and downside of taking risks with cash are not evenly balanced. The potential gain is perhaps a small increase in income. The downside is a risk of loss of all the income and possibly some capital too. Investors are recommended to review carefully the implications of the bail-in regulations on depositor risk.

Efficient administration, easy access, fair charges

The investment process is supported by a service approach which is designed to make things easy and convenient for our customers.

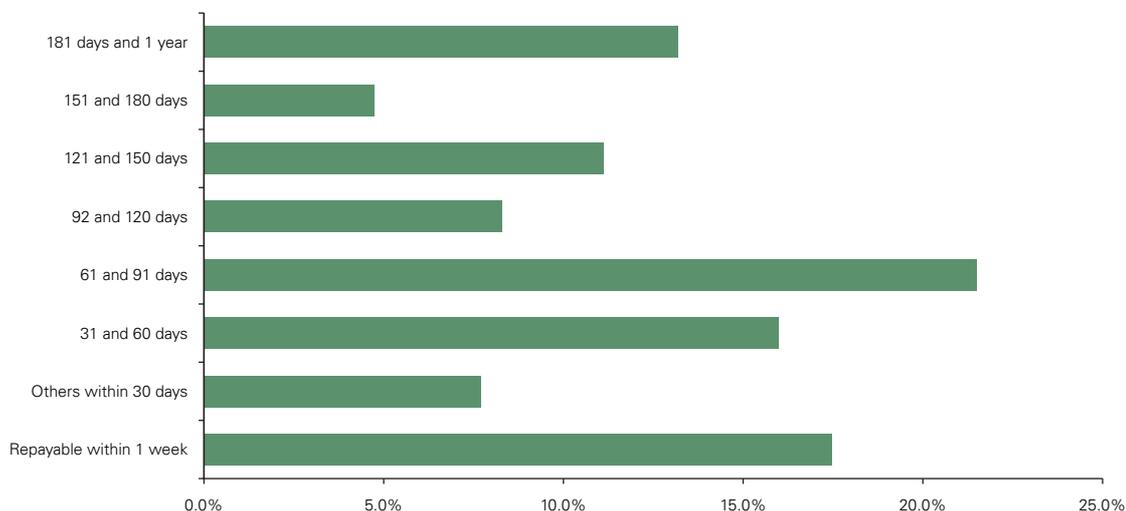
For clients with deposits of less than £5m, there is no notice requirement for withdrawals. For clients with deposits in excess of £5m, the Fund reserves the right to withhold payments for up to 7 days, but this is a precautionary requirement designed to protect our depositors and we have not yet had to invoke this restriction. Transfers direct to the client account via BACS are available free of charge. There is no minimum balance requirement and our fee of 0.20% and other charges to the Fund (e.g. audit fee, bank charges, custody fees) are deducted before we calculate the interest rate payable to investors.

Interest earned by the Fund is declared daily and paid gross to depositors at the end of each quarter. We support the Fund with a Client Services team who are on hand to answer questions and help clients through any operational issues they might have.

A number of clients have asked why the interest rate on the Fund is not as high as some rates on offer

The very low level of official interest rates has substantially influenced the rates available from top quality borrowers. Of course, not all borrowers are top quality and there are many weaker institutions that do not meet our standards which have to pay more to secure access to funds. In addition some banks are using interest rates to regain business lost in the credit crunch. Typically the demand is for term deposits, where cash is tied up for several months or more, denying access if conditions change or the quality of the borrower deteriorates. We work hard to achieve an attractive rate which is available to all depositors, but we will not compromise on credit-worthiness or liquidity.

The Fund's maturity profile



Source: CCLA. Data as at 31 March 19

Over the last 10 years the Fund has maintained its excellent performance record.

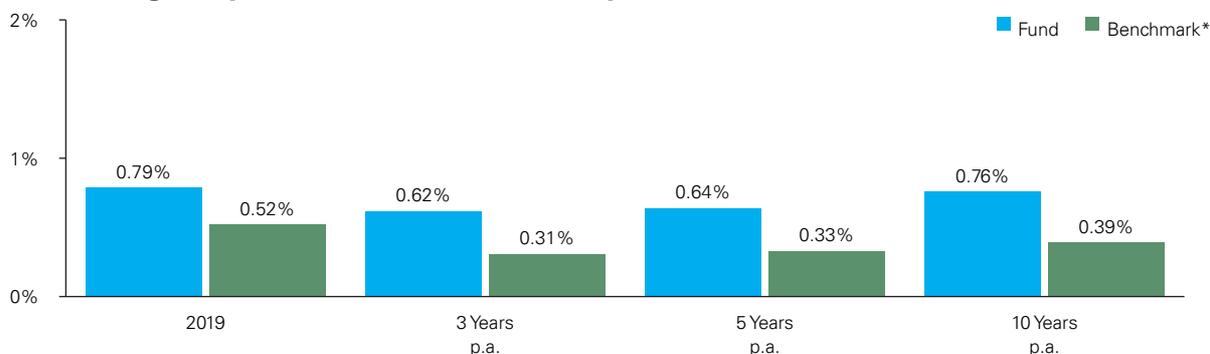
Long term performance

The record reflects the focus on consistent long term returns.

Total return performance (gross) 12 months to 31 March

	2019	2018	2017	2016	2015
The CBF Church of England Deposit Fund	+0.79%	+0.47%	+0.60%	+0.69%	+0.67%
Benchmark*	+0.52%	+0.22%	+0.20%	+0.37%	+0.35%

Consistent gross performance over time - all periods to 31 March 2019



* Benchmark – London Interbank Sterling 7 Day Bid Rate.

Source: CCLA. Performance is shown before the deduction of management fees and expenses with gross income reinvested. Net returns will be lower after the deduction of fees and charges. Past performance is not a reliable indicator of future results.

Key facts

Fund Size	£683m
Credit quality and sensitivity rating by Fitch	AAAf/S1
Weighted average maturity (Maximum 120 days)	81 days
Launch date	May 1958
Minimum initial investment	Nil
Minimum subsequent investment	Nil
Dealing day	Daily*
Withdrawals	On demand**
Interest payment dates	End March, June, September & December
Annual management charge	0.20% (taken wholly from income)

* Dealing instructions and cleared funds must be received by 9.30 am.

** For withdrawals over £5 million we reserve the right to be given seven days' notice.

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

Risk warning and disclosures

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the risk factors identified in the Scheme Particulars. Investment in the Funds is only available to charitable trusts with objects closely connected with the work of the Church of England. 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 forward-looking 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. Depositors in The CBF Church of England Deposit Fund should note that CCLA may change the fund documentation to allow for negative interest rates to be passed on to depositors. This means that in the event that interest rates on sterling deposits and instruments become negative, depositors may be charged these negative interest rates instead of earning interest. The CBF Church of England Funds are Common Funds established under The Church Funds Investment Measure 1958 (as amended or replaced from time to time). The Funds are not regulated Funds and are not Alternative Investment Funds. Investments in The CBF Church of England Funds and the Funds, and Investments or Deposits in The CBF Church of England Deposit Funds and the Funds are not covered by the Financial Services Compensation Scheme (FSCS). CCLA Investment Management Limited (registered in England No. 2183088 at Registered office Senator House, 85 Queen Victoria Street, London EC4V 4ET) is authorised and regulated by the Financial Conduct Authority and is the Manager of The CBF Church of England Funds. The CBF Funds Trustee Limited is a Registered Charity No. 1116932 and is registered in England as a company limited by guarantee (No. 5957490). For information about how we obtain and use your personal data, please see our Privacy Notice at <https://www.ccla.co.uk/our-policies/data-protection-privacy-notice>.