The CBF Church of England Investment Fund

Fund Profile – 30 June 2019

The Fund aims to provide a long-term total return comprising growth in capital and income.

Mid price – 30.06.19

Income shares	1830.87p (xd)
Accumulation shares	4246.60p
Gross dividend yield	3.09%*

*Based upon the net asset value and an estimated annual dividend of 56.54p

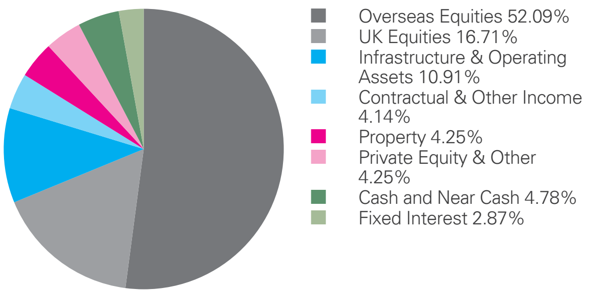
The Investment Fund is managed to grow the real value of investor's capital and income over the long term, whilst keeping risk under control. The objective is to provide an average annual real (after inflation) total return to investors of 5% before costs, comprised of capital growth and a good and growing level of income. Our philosophy is to avoid fad and fashion and instead select investments with good long-term return prospects.

Strategic Update

The investment objective of the Fund, to protect and grow the real value of capital and income over time, requires a portfolio biased towards real assets such as equities, in the UK and overseas, property and less traditional assets such as infrastructure. The current equity holdings have a high weighting to overseas companies, the international flavour is reflected too in the domestic holdings which are mainly in companies with a strong international footprint. In contrast to the dominant exposure to equities, there is only a small allocation to fixed income investments, a reflection of both the poor match of the sector to the long-term objectives of the Fund and the poor value of the sector at prevailing yield levels.

Equity stock selection is on a 'bottom-up' basis, that is by selecting favoured companies rather than by reference to any pre-determined allocation to any sector or region. We favour quality growth companies with a robust financial position and the ability to grow independently of the trend in underlying economic activity. At present, this has resulted in relatively high weightings in sectors such as technology, health, industrials and parts of the finance sector, although not the main banks. In terms of regional exposure, there is an above average exposure to the US and only a modest allocation to the UK. Recent activity has seen a more cautious bias to strategy, taking profits on some strongly performing equity holdings and moving cash higher.

Asset allocation at 30 June 2019



Fund size £1,543 million

Overseas equities	%
North America	32.84
Developed Europe	12.89
Asia Pacific ex Japan	4.38
Japan	1.98
Total	**52.09**

Most overweight companies relative to equity indices

Nestle	2.68%
Unilever	2.27%
AIA Group	1.78%
Fidelity Nat Info	1.58%
Nasdaq	1.54%
SAP SE	1.49%
Tencent Holdings	1.48%
CME Group	1.44%
Adidas	1.43%
Mastercard	1.42%

Total number of holdings 142

Source: CCLA
Holdings subject to change

Why a high allocation to real assets?

The Fund has a high weighting to real assets such as equities, in the UK and overseas, property and infrastructure because we believe that these will provide the best long-term returns. Real assets are the source of rising income over time.

Why overseas equities?

We build portfolios on a 'bottom-up' basis, selecting companies that pass our selection tests rather than making pre-determined allocations to any region or sector. The overseas exposure, therefore, reflects our view of where the best companies are listed.

Why the allocation to alternative assets?

The alternative asset holdings provide a rich and rising source of income and the prospect of higher capital values; they are, therefore, an excellent match to the requirements of long-term investors. They also provide a good level of diversification, helping to keep volatility under control.

Why property?

The property sector is a consistent source of predictable income and is currently the highest yielding of the major asset classes. In a portfolio context it is a helpful contributor to diversification.

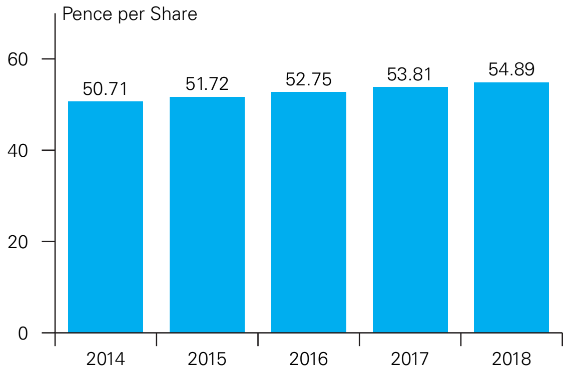
Risk control with diversification

It is important to maintain prudent levels of diversification even when one asset class is expensive and poor value for long term investors. Our weighting to fixed interest investments is low but there are significant holdings in areas such as aircraft leasing, accommodation and alternative energy which give real breadth to the portfolio with the potential to provide attractive and rising levels of return.

The importance of income

Income is the lowest risk and most predictable source of return. Equity investment strategies that favour good value stocks with a reasonable level of income have a strong relative performance record over the long-term. The income on the Investment Fund has grown despite the challenges of recent years, increasing the real spending power of investors.

Dividend history of The CBF Church of England Investment Fund



The accounting period for the Fund changed in 2015 and is now aligned with calendar quarters.

Source: CCLA. Past performance is no guarantee of future returns.

Performance

Since its launch in 1963 to its most recent year end the Fund has achieved an average annualised return of 11.1%.The table below shows a measure of returns against a comparator index of market indices.

Total return performance (gross) 12 months to end of June

	2019	2018	2017	2016	2015
The CBF Church of England Investment Fund	+13.54%	+10.49%	+17.95%	+7.41%	+11.58%
Comparator	+6.21%	+8.05%	+14.92%	+6.17%	+6.34%

Comparator - composite: 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%.To 31.12.17 MSCI UK IMI 45%, MSCI Europe Ex UK 10%, MSCI North America 10%, MSCI Pacific 10%, IPD UK Monthly Property 5%, iBoxx £ Gilt 15% & 7 Day LIBID 5%. To 31.12.15 MSCI UK All Cap 45%, MSCI Europe Ex UK (50% Hedged) 10%, MSCI North America (50% Hedged) 10%, MSCI Pacific (50% Hedged) 10%, IPD UK Monthly Property 5%, BarCap Gilt 15% & 7 Day LIBID 5% *(Property returns are estimated for the last month)

Gross performance shown before management fees and other expenses with gross income reinvested: net returns will differ after the deduction of fees and other expenses. Past performance is no guarantee of future returns. Source: CCLA.

The CBF Church of England Investment Fund - Long-Term Returns

	Fund*	Inflation (RPI)	Difference
	%	%	%
Since Launch	11.10	5.30	5.80
50 Years p.a.	10.96	5.77	5.19
40 Years p.a.	11.19	4.21	6.98
30 Years p.a.	8.60	3.11	5.48
20 Years p.a.	6.34	2.83	3.50
10 Years p.a.	11.98	3.10	8.88

*Based on mid to mid

Source: CCLA.
Data as at 30.06.19

Ethical investment policy

CCLA supports the Church of England’s Ethical Investment Advisory Group (EIAG). EIAG policies are available at www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews.

Costs and charges

Our policy is always to keep costs and charges low - we believe that high costs and charges have a very damaging cumulative effect on investor returns. We negotiate low commission rates and monitor dealing costs closely. We limit the use of expensive external third party funds where there can be hidden costs and charges. We have no entry or exit fees, the only income taken by the investment manager is the annual charge of 0.55%. As the Fund is designed solely for charity investors, with objects connected with the work of the Church of England, the Fund does not pay tax, and there is no stamp duty on UK share and property investments. Dividends are paid to investors without any additional tax deductions.

Key facts

Dealing day	Every Tuesday*
Minimum initial investment	£1,000
Dividend payment dates	End February, May, August & November
Annual management charge	0.55% (deducted from capital)**
Share types available	Income and Accumulation shares
Sedol numbers	0183042 (Income shares) 0159214 (Accumulation shares)
ISIN numbers	GB0001830420 (Income shares) GB0001592145 (Accumulation shares)

* Dealing instructions must be received by 5pm on the business day preceding the dealing day. If Tuesday is a Bank holiday, the dealing day will be the previous working day.
** The annual management charge is deducted from capital which may restrict capital growth.

Risk warning and disclosures