

Catholic Investment Fund

Faith-consistent investing



CCLA
GOOD INVESTMENT

‘... look to the future, one that is not concerned only with the immediate moment or that seeks a quick and easy profit, but rather one that is concerned for life and that seeks its preservation for the benefit of all.’

His Holiness Pope Francis

Letter to the President of the
Republic of Colombia to mark the
World Environment Day, 23 June 2020

Front cover image courtesy of Koestler Arts

Nebu Eye

HM Prison Nottingham
Ed King Silver Award for Painting

Koestler Arts is the UK's leading arts charity.
It is nationally respected for its ground-breaking work using the arts as a catalyst for positive change in the lives of people within the criminal justice system and in the public's perception of their potential.

Catholic Investment Fund

As investors, we collectively wield great power through the weight of our assets. We believe we have a responsibility to unite in coordinating our activity, directing our efforts to promote the Common Good.

There is an urgent challenge to protect our common home and care for our global family. We believe we can support sustainable and integral development in the world by investing responsibly and acting collectively to bring about positive change.

The Common Good

Common Good requires everyone's participation. CCLA has a history of generating collective action to address issues in society and we will continue to gather support to do so.

In April 2021, CCLA launches the Catholic Investment Fund, subject to regulatory approval.

The fund will act in alignment with the mission of the Catholic Church by delivering positive change in society, while delivering long-term real returns. This fund is an opportunity to intensify work on issues related to social justice and align our investment selection with Catholic Social Teaching.

Our stewardship programme seeks to improve companies' management of specific environmental, social and governance (ESG) risks, and promote the principles of Catholic Social Teaching.

Incorporating Catholic Social Teaching in investments

Promoting the Common Good

The Common Good is sustained by people and communities, uniting to work together and uphold human dignity.

CCLA strives to support the shared life of a society in which everyone can flourish. We believe that investment markets, and the companies that are traded on them, can only be as healthy as the communities that support them. For this reason, we are actively encouraging the investment industry towards a new era of promoting the Common Good.

Our ownership structure means that we can facilitate and coordinate actions that will benefit the whole of society, domestic and global, rather than just the companies in which we invest.

Care for creation

A healthy environment is fundamental to the livelihoods of people and communities, and we recognise the importance of living in harmony with and respecting the natural world.

We work to accelerate the transition to net-zero greenhouse gas emissions. This includes pushing global policy makers for proactive regulation and legislation, and pushing the businesses in which we invest for meaningful climate action. We recognise that environmental action cannot be taken without considering the impact it has on people.

Our engagement goes further to address issues such as the plastics economy, the problems associated with lost and discarded fishing equipment, and microplastics in the ocean. This harms not only the ocean but also local industries and vocations.

‘Let us keep in mind the principle of subsidiarity, which grants freedom to develop the capabilities present at every level of society, while also demanding a greater sense of responsibility for the common good from those who wield greater power.’

His Holiness Pope Francis, May 2015, Laudato Si’ (‘Praise Be’), Chapter 5, number 196

The dignity of work and participation

The supply chains of businesses are the fabric that make up society and should be created with dignity. We believe that modern slavery exists in the supply chain of nearly every business. As investors we are linked to this problem through our shared ownership of companies.

In 2019 CCLA launched an initiative called Find It, Fix It, Prevent It. This is a coalition of investors with over £4 trillion of assets under management. The aim being to tackle modern slavery by encouraging companies to proactively identify problems in their supply chains, help improve the lives of those affected and work to prevent it from happening again.

Upholding the dignity of the human person

We believe that companies should treat their workforces with respect and that work should contribute to human flourishing.

For this reason, in 2019, we launched an engagement initiative helping firms develop policies to protect their employees' mental health and wellbeing.

To do so we brought together senior representatives from Public Health England, mental health charity Mind and other leading thinkers on the issue to create an ambitious but achievable set of expectations for businesses.

Subsidiarity

As investors, we are granted significant power through the assets we manage. Investment can be used to support businesses and build local communities.

We believe that this bestows upon us the responsibility to push the companies in which we invest to improve their actions for the betterment of the environment and communities, even if this does not lead to improved financial returns. We believe that this responsibility is the difference between faith-consistent Catholic investment, and broader approaches to integrating ESG factors.

Investment strategy of the fund

The aim of the fund is to support the mission of the Catholic Church in promoting the Common Good and provide a long-term total return comprised of both growth in capital and sustainable income distributions.

CCLA will use its discretion to select investments that align with the objectives of the Catholic Investment Fund. The fund aims to:

- preserve capital and income from long-term effects of inflation
- provide sustainable and reliable distributions
- uphold the investment policy in accordance with the teachings of the Catholic Church, informed by the Faith-Consistent Investment Committee representing investors.

The fund targets gross total return of 5% plus inflation (as measured by Consumer Price Index) per annum over the long-term (that is, five years or more). We seek to achieve this objective through exposure to a diversified portfolio of actively managed assets with a focus on equities.

Asset allocation and stock selection

Identifying the appropriate asset allocation is the principal determinant of long-term returns. Active asset allocation is a key source of added value and our approach may lead to material departures from 'neutral' asset weightings, as we focus on achieving investors' requirements rather than staying close to a comparator's weights.

RISK PROFILE

- The Catholic Investment Fund will aim to control risk by maintaining volatility at a level generally lower than 75% of the UK equity market.
- This will be achieved by actively managing the fund and by maintaining a high level of diversification.
- The fund may not be appropriate for investors with an investment horizon of less than five years.
- The fund will not enter into any stock-lending arrangements.

We believe that investing in quality assets with sustainable and growing cash returns, at attractive valuations should lead to outperformance over the long-term.

To ensure that investments are in close alignment with the mission of the Church, we will carefully assess the ESG behaviour of all organisations alongside their financial performance before investing. We believe that poor corporate behaviour results in increased investment risk as well as an unacceptable impact on society.

The requirement to deliver a strong long-term return means that at times we may have a high allocation to assets that benefit from growth in the world economy, such as equities.

In our choice of equities, we will select companies that we believe will deliver sustainable and growing profits without relying on risky financial gearing.

We emphasise those with strong recurring cash flow, high returns on equity and sound balance sheets.

We will invest in other assets including bonds and alternative investments according to market conditions in order to reduce short-term investment risks. We will also seek out investments that deliver strong financial returns alongside a positive impact on society.

A representation of the fund's projected asset allocation, subject to change before launch.



Investment aligned with the mission of the Catholic Church

The Catholic Investment Fund adopts an investment policy that is in line with the mission and teachings of the Catholic Church.

The fund's faith-consistent investment policy will set out restrictions that ensure we do not invest in companies that undermine Catholic doctrine.

As a responsible investor conversant with Catholic values, we take great care to integrate impacts on people, the environment and communities into our investment process. We assess prospective investments against social criteria aligned with the principles of Catholic Social Teaching. This leads us to investigate rigorously the impacts on human beings and the natural world of products, labour standards, health and safety, people-management, community relations, responsible marketing, data privacy and corruption.

We recognise that companies cannot be perfect, and this analysis enables us to encourage companies to improve their practices, alter our investment hypothesis, prioritise ongoing, target-led, engagement or remove the company from our investment universe altogether.

The investment policy is set by CCLA based upon advice and guidance from the Faith-Consistent Investment Committee.

Faith-Consistent Investment Committee

The Faith-Consistent Investment Committee will provide guidance to ensure that the investment policy adapts over time and remains relevant and in step with the Catholic Church's teachings. Members will be appointed from the Catholic Bishops Conference of England and Wales, from Catholic religious orders, relevant organisations and charities. The committee will meet twice a year to ensure the fund's investment policy is kept under constant review.

Investment restrictions

The fund will seek to avoid investment in companies that are involved in practices that clearly contradict the teachings of the Catholic Church. Initially, this has been defined as companies that:

Develop products and undertake actions that cause significant damage to creation, including

- A focus on the extraction and production of fossil fuels
- Electrical utilities that are unable to align with the Paris Climate Change Agreement
- Failure to respect international agreements on biological diversity as reflected in the UN Global Compact

Undertake activities that threaten the sanctity of life, including

- Companies engaging in human embryonic stem cell research
- The production of drugs that have been created to be used as abortifacients
- Involvement in providing 'healthcare services or information' which may relate to abortion
- Deriving significant revenue from the production or retail of contraceptive products

Produce or sell armaments, including

- The production of whole systems or key components for chemical, biological or nuclear weapons and/or the production of landmines
- A focus on the production or retail of strategic military equipment
- Derive significant revenue from the production and/or retail of civilian firearms

Conduct activities that undermine the dignity of the human person, including

- Gambling
- A focus on high interest rate lending
- Producing or selling pornography or tobacco

In addition, the Catholic Investment Fund will not invest in companies that fail CCLA's 'controversy process' on non-conformance with the UN Global Compact, will not purchase sovereign debt from oppressive regimes and is managed to a strict maximum carbon footprint.

At a glance

Objective	Capital growth and a growth in income, with the aim that a gross total return of 5% per annum net of inflation as measured by the increase in the Consumer Price Index is achieved over the long term (defined as five years)
Structure	Charity Authorised Investment Fund structured as an umbrella-type authorised unit trust and is a non-UCITS retail scheme
Eligible investor	Charities who would like to invest in line with the Catholic faith and who have an understanding or previous experience of investing in similar types of funds, and who are seeking a good level of distributions and long-term protection from inflation
Launch date	April 2021 (subject to regulatory approval)
Minimum investment	£1,000
Dealing day	Any business day
Valuation point	11.59pm on each dealing day
Pricing basis	Single priced on a forward pricing basis
Ex-dividend dates	The last business day of each calendar quarter: March, June, September, December
Distribution dates	The last business day of the second calendar month following the ex-dividend date: February, May, August, November
Fund management fee	0.65%
Legal adviser	Farrer & Co.
Custodian	HSBC Bank
Auditor	PwC

About CCLA

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to organisations, irrespective of their size.

CCLA is a specialist investment manager dedicated to serving churches, charities and not-for-profit organisations. We are the largest manager of UK charities (*Charity Finance* Fund Management Survey November 2020).

We provide responsibly managed investment funds that have a strong long-term performance record. We aim to drive positive change and ensure alignment of the investments we make with the objectives, values and beliefs of our clients.

WANT TO KNOW MORE?

Ahead of the prospective launch in April 2021, we will be running a series of events to engage with investors and ensure that the fund adequately reflects the needs of Catholic investors.

Please contact CCLA to register your interest. We would be happy to provide more information and a timeline for seed investors.

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Disclaimer

Please note that the fund is still subject to regulatory approval. To ensure you understand whether the fund is suitable, please read the Prospectus and the Key Information Document and consider the risk factors identified therein. 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. CCLA Investment Management Limited (registered in England No. 2183088 at Senator House, 85 Queen Victoria Street, London EC4V 4ET) and CCLA Fund Managers Limited (registered in England No. 8735639 at Senator House, 85 Queen Victoria Street, London EC4V 4ET) are authorised and regulated by the Financial Conduct Authority. (1120.2)

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BECAUSE GOOD IS BETTER