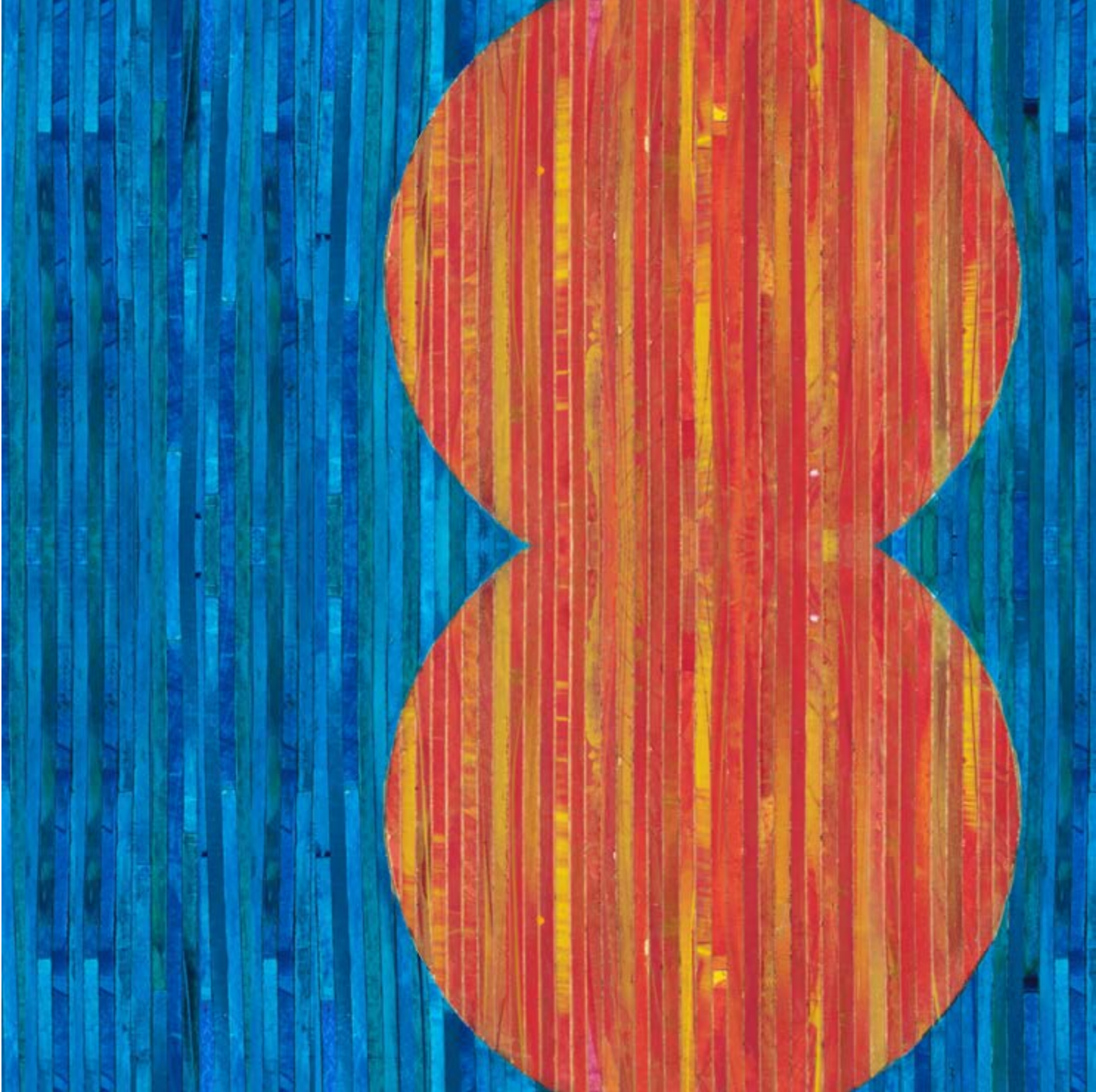


Assessment of value report

For the year to 31 December 2020



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CCLA funds covered by this assessment:

Mixed funds

COIF Charities Ethical Investment Fund
COIF Charities Investment Fund
Diversified Income Fund
The CBF Church of England Investment Fund

Equities

COIF Charities Global Equity Income Fund
The CBF Church of England Global Equity Income Fund
The CBF Church of England UK Equity Fund

Property

COIF Charities Property Fund
The CBF Church of England Property Fund
The Local Authorities' Property Fund

Cash and bonds

COIF Charities Deposit Fund
COIF Charities Fixed Interest Fund
The CBF Church of England Deposit Fund
The CBF Church of England Fixed Interest Securities Fund
The Public Sector Deposit Fund

This report is published on behalf of CCLA Investment Management Limited and its wholly owned subsidiary CCLA Fund Managers Limited.

CCLA supports Koestler Arts

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.

Cover image courtesy of Koestler Arts. *Sunrise*, NPS Norfolk and Suffolk, Mixed Media, The Monument Trust Scholar 2019.

koestlerarts.org.uk

Introduction

This is CCLA's second annual assessment of value and covers the period up to the end of 2020.

The assessment of value was introduced by the Financial Conduct Authority (FCA) in September 2019, requiring fund managers like CCLA to carry out an annual review of the pooled funds they manage to assess the overall value delivered to investors. At CCLA we are acutely aware that we are stewards of our clients' assets and that our role is to help them achieve their financial goals. Central to that we believe it is important that we are able to:

- deliver sustainable risk-adjusted returns on the money we manage
- deliver a high standard client service in administration, oversight, information and reporting on their assets
- manage the funds we run in a manner that is consistent with their ethical goals and objectives
- achieve clients' financial goals at a cost that is appropriate and fair.

The assessment of value is an important document in demonstrating how we perform relative to these goals.

CCLA's purpose

CCLA can trace its roots back to 1958. We are an investment manager that only serves charities, religious organisations and not-for-profit organisations – our resources are dedicated to the needs of these sectors. We are an active asset manager, which means that we will selectively choose the assets and market sectors in which we invest clients' money and avoid those we find unattractive.

By pooling investors' money, we aim to manage funds and provide professional investment management services to a wide range of investors – whether large or small. In doing so our products should be fairly priced, managed responsibly and in a manner consistent with our clients' investment and ethical objectives.

One of the original objectives of establishing CCLA was to ensure smaller investors were also able to access professional asset management services typically only available to larger clients. This ethos has underpinned CCLA's mission, and CCLA seeks to ensure that the quality of investment service provided is independent of size and costs are fair and reasonable.

CCLA is a private limited company whose shares are predominantly owned by its clients in three of the Investment Funds. The ownership base is stable and supportive and allows us to take a longer-term view consistent with the needs of clients.

Responsible investment

We believe investment markets are only as healthy as the people, communities and environments that support them. For this reason, we believe that in delivering long-term returns to drive real and positive change. We do this by:

- using our ownership rights to improve the sustainability of the assets in which we invest
- bringing investors together to address risks that require attention
- by seeking to be a catalyst for change in the investment management industry.

CCLA is a leader in ethical and responsible investment – environmental social and governance (ESG) considerations are central to our investment philosophy. ESG factors are integrated into our analysis of investment decisions and ethical exclusions are applied to many of the mandates and funds we manage. Furthermore, we actively engage with the companies in which we invest on topics relevant to our clients to further encourage firms to deliver sustainable long-term returns. Two such recent initiatives include encouraging companies to protect employee mental health and seeking to highlight and address the problems of modern slavery in company supply chains.

Our approach to responsible investment has been independently reviewed, and we are pleased to have achieved the highest possible grade (A+) in the most recent Principles for Responsible Investment survey and to be a Tier One signatory to the UK Stewardship code. More details on our approach to responsible investment and policies relating to ESG issues are available on our website.

Accountability for assessment of value

The assessment of value is the responsibility of the board of directors of CCLA Investment Management Limited and CCLA Fund Managers Limited and reinforces the duties of the board to look after the interests of investors.

CCLA has had non-executive directors since 1988 and these are in a majority on both company boards. Three of the non-executive directors are nominees of the three largest shareholders of CCLA.

The following non-executive directors have overseen CCLA's assessment of value:

Richard Horlick
Christine Johnson
Glenn Newson
Ann Roughead
Jonathan Jesty

Full profiles of all the executive and non-executive directors are available on page 27.

How we assess value

Value is about more than just fees or the performance of a fund in isolation. It's also about ensuring that the quality of service is appropriate, risks are consistent with a fund's objectives managed, fees are fair relative to the costs of providing a service and any differences between investors and similar funds can be justified.

Our assessment has considered value across the seven criteria identified by the FCA and also includes a determination of whether CCLA is providing active management, since we charge for an active service. In line with this we have conducted a review of CCLA's funds, grouping the results into eight assessment criteria:

1. **Quality of service** – How good is the service you receive from CCLA for administrating the funds?
2. **Fund performance** – How well do CCLA's funds perform relative to their investment objectives and their peers, and do they take an appropriate level of risk?
3. **Active management** – Are CCLA's funds actively managed or are they passively tracking an index?
4. **Costs** – Are the costs and charges investors pay for funds and services fair and reasonable?
5. **Economies of scale** – Has CCLA achieved economies of scale and have these been passed on to investors?
6. **Comparable services** – How do the costs you pay compare to those paid by clients receiving similar services?
7. **Comparable market rates** – How do CCLA's costs compare to those of similar funds offered by other fund managers?
8. **Classes of units** – Are you invested in the most appropriate unit or share class, and are differences in costs between share classes justified?

Our job, as the board, is to consider whether the quality of the service you receive and the returns you see on your investments represent value given the costs and charges that you pay.

The board, which includes three independent non-executive directors, assumed collective responsibility for this assessment and ultimately determined the value rating for each fund. As with last year's report, we have partnered with external agencies to provide analytical support.

What has changed since last year?

Building on last year's assessment of value, for 2021 we have incorporated a number of enhancements:

- A more detailed consideration of each fund's risk profile (relative to any benchmark and relative to its peers) in order to ensure that performance is being delivered with appropriate levels of risks to investors.
- When reviewing performance, while paying particular attention to the recommended holding period of a fund, we have additionally looked across a wider time span (typically over one, three, five and ten years) in order to identify or highlight any potential issues early. Except for the deposit funds, limited weight is attached to very short time periods.
- More in-depth analysis of whether a fund is a 'closet tracker': CCLA charges active management fees, so our funds should not simply follow an index that could be more cheaply replicated with a passive fund or an exchange-traded fund.
- Additional analysis of how the funds compare with relevant peer groups.
- Follow-up commentary on the actions taken to address any issues raised in last year's report.

Some of the criteria we use to determine value relate to the provision of services by CCLA across the entire fund range, while others are fund specific.

As with last year's report, we have adopted a traffic-light system to show how we rated CCLA's funds:

● Provides value

Where we believe the fund provides value.

● Requires action

Where we believe the fund provides value, but we have identified areas of improvement and note that additional monitoring is required.

● Poor

Where we feel fair value has not been offered and immediate action(s) may be required.

We hope this makes it easier for investors to quickly identify those funds that we believe require remedial action or warrant further scrutiny, as they may not be delivering value.

Follow up actions on March 2020's report:

Our last assessment of value identified two funds with amber ratings, so needing improvement or warranting closer monitoring in a couple of areas. As a result, we have taken a number of corrective actions, since the last report:

Diversified Income Fund

The Diversified Income Fund was identified as having below-benchmark performance and relatively high costs versus peers.

- Following a review of historical performance and investors' objectives for income, CCLA has repositioned the investment portfolio; increasing the exposure to global equities and reducing exposure to domestic fixed income and alternative asset classes. Our expectation is that this will enhance expected total returns in future, while generating reasonable income levels (albeit lower than previously). Investors have been consulted and feedback has been supportive. Any improvement in performance will take time to materialise and, in the meantime, we will continue to monitor the fund closely.

- With respect to costs and charges, the portfolio changes above will modestly reduce the ongoing charges for this fund. The board has also noted that the way in which total costs are calculated on this fund may result in published costs that appear higher than some of the peer group. While costs are relatively higher as a result of greater use of externally managed funds and trusts to gain alternative asset exposures, these costs are considered acceptable taking into account the benefits of additional diversity to investors. We will, however, continue to keep these under review.

COIF Charities Fixed Interest Fund & The CBF Church of England Fixed Interest Securities Fund

The fixed interest funds were identified and flagged as 'amber' for having performance behind benchmark. Underperformance has continued through to the end of 2020, and in this year's report we have raised the status to 'red' on these funds: requiring immediate management attention.

As a result of this, CCLA has commenced a review of the funds' investment strategy and the way in which portfolio management is undertaken. CCLA is considering a number of different options to improve the future investment performance and has started discussions with investors about their investment objectives. In light of how market conditions have changed since the funds were launched, CCLA is keen to make sure that the strategy remains appropriate for investors given their return and risk preferences. Final recommendations on the appropriate course of corrective action will be reviewed by the board by the end of June 2021, and any changes implemented thereafter.

Summary of findings

With the exception of those funds identified above, our overall conclusion is that CCLA's fund range provides good value to its investors for the assessment period. The key points can be summarised as follows:

- CCLA's fund costs and charges are reasonable relative to the costs of providing those services, the returns generated and to their peers.
- Costs and charges differences between similar funds or services and share classes or units are appropriate.
- The performance of most of the funds meets or exceeds objectives without taking abnormal or excessive risks.
- All clients enjoy high-quality service regardless of the fund in which they are invested, or their size. Small investors are as important to CCLA as large ones.
- All investors benefit from access to the expertise of the portfolio management teams and the robust procedures and controls CCLA employs to deliver its investment services.
- Where realisable, CCLA passes on any economies from third-party administrative expenses to the investors in its funds.

In the following pages we describe how our assessments have been made and share our key findings. The main body of the report should be read in conjunction with the appendices.

Peter Hugh Smith

Chief Executive
CCLA Investment Management Limited
and CCLA Fund Managers Limited

Summary of our assessment

The outcome of our review is summarised below for the year ending 31 December 2020.

COIF Charities Ethical Investment Fund	COIF Charities Investment Fund	The CBF Church of England Investment Fund	Diversified Income Fund	COIF Charities Income Fund	The CBF Charities Global Equity	The CBF Church of England Global Equity Income Fund	The CBF Church of England UK Equity Fund	COIF Charities Property Fund	The CBF Church of England Property Fund	The Local Authorities' Property Fund	COIF Charities Deposit Fund	COIF Charities Fixed Interest Fund	The CBF Church of England Fixed Interest Fund	The Public Sector Deposit Fund	
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Quality of service
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Performance
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Active management
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Costs
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Economies of scale
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Comparable services
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Comparable market rates
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Classes of units or shares
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	Overall rating

Two of CCLA's fixed interest funds have received a poor rating, owing to under-performance versus their benchmarks. As detailed in this report, we will be reviewing proposed remedial action to enhance future returns.

The Diversified Income Fund was launched in December 2016 and has not reached the full term of its recommended holding period of three to five years. However, a review of its record to date has identified issues on performance and costs which have prompted CCLA to take the remedial action as described in this report. We will continue to closely monitor this fund.

- Provides value
- Requires action
- Poor

1. Quality of service

How good is the service you receive from us?



How have we assessed the quality of service?

The service CCLA offers to its investors encompasses a range of different activities, including helping clients' understanding of investment markets, support in making or redeeming investments, ongoing performance and portfolio reporting, and providing regular updates on our ethical and responsible investment activity. This sits alongside the investment process, which focuses on identifying quality assets with sustainable and growing cash flows at attractive valuations. These investments are combined in portfolios that are intended to be well diversified and with an appropriate balance of risk and return.

With the support of third-party services, CCLA also provides the operating infrastructure that allows for the efficient management and administration of pooled funds. This is subject to oversight and control from appropriately resourced risk, compliance and administrative teams. For the key operating and administrative functions, whether these are provided internally or by third parties, CCLA has established a series of indicators which allows us to monitor performance of these services to end clients.

For the purposes of this report, we have divided CCLA's business into a number of areas to review the quality of service that investors have received from CCLA or its appointed service providers:

1. **Client services.** Here we looked at the size and experience of the teams dedicated to providing client support and service, and reviewed information such as how long it takes to reply to your queries and phone calls.
2. **Quality assurance.** This assigns a score to CCLA's ability to carry client transfer and payment instructions accurately. The pass rate was in excess of our target of 99.5%.

3. **Investment management services.** This refers to the provision of portfolio management services by appropriately experienced investment professionals.

We also looked at CCLA's approach to environmental social and governance (ESG) factors, including:

- how CCLA uses a range of third-party data to complement its own in-house analysis to assess the ESG standards of all companies and portfolios prior to making investment decisions
- how CCLA uses ownership and voting rights to improve the sustainability of the companies it invests in and how it acts a catalyst for change in the investment management industry.

4. **Dealing efficiency.** We have also looked at the efficiency by which asset transactions are executed in the markets, using data provided by an independent data supplier.
5. **Regulatory control.** We focused on data relating to any client complaints, how frequently errors are made and how efficiently or quickly these are resolved.

Summary of our assessment

The board has concluded that the combination of internal resources and external expertise provided value in the provision of investment management, and client and operational services.

The board is satisfied that the incidence of errors remains low, and complaints are an insignificant percentage of the number of client instructions received. Both measures improved in 2020 relative to 2019.

The board is also pleased that CCLA's ESG activity has been independently recognised as being of the highest standard, as the delivery of sustainable long-term returns is important to investors. We believe CCLA is an industry leader in ESG practices and note that the company has received an A+ rating (the highest available) when independently appraised against the Principles for Responsible Investment standards.

The board noted that CCLA has led on a number of industry-wide initiatives to get companies to focus on the mental health of their employees and to identify and address modern slavery issues in their supply chains.

The resources of the team, their application of ESG factors in investment decision making, and engagement with companies held in the funds is a service that is not separately charged for and benefits all investors in the fund range, regardless of their size.

2. Fund performance

How well do our funds perform relative to their investment objectives and peers, and do they take an appropriate level of risk?



How have we assessed fund performance?

Please see page 24 for a summary of the performance of all of CCLA's funds included in this review.

We have looked at each fund's performance across a range of measures and over a number of time periods, noting that CCLA's equity, multi-asset and property funds have a suggested investment time horizon of five years, the fixed income funds have a horizon of three years, and deposit funds have a horizon of one year. Our assessment has also taken into account the risk of each fund.

In order to review performance and risk, the board considered the following metrics:

- Excess returns versus any target benchmark defined in the fund's prospectus or scheme particulars.
- Excess returns versus comparator benchmark.
- Returns, volatility and ranking versus peers in the relevant Investment Association (IA) fund sector.
- Returns relative to the fund's historic risk (the volatility of a fund's value).
- Volatility versus any benchmark or target.

Boundaries or parameters for each measure were established to highlight where actual performance or risk may be outside an acceptable range. For the year ending 2020, we have tightened the parameters for most funds in order to be more conservative in our appraisal.

We drew on independent analysis and data to compare the performance of CCLA's funds accurately and fairly with those of relevant peers in the UK-based fund market.

In addition to this assessment of value, CCLA and the board regularly evaluate fund performance. This ensures that there is ongoing oversight to assess if the funds are performing against their objectives.

-
- COIF Charities Ethical Investment Fund
 - COIF Charities Investment Fund
 - The CBF Church of England Investment Fund
-

These mixed funds have been grouped together as they share a common investment objective, target and comparator benchmark and IA sector.

In managing the funds, CCLA also aims for a portfolio that has volatility of less than 75% of that of the UK equity market.

Investment objective

To provide a long-term total return comprising growth in capital and distributions from an actively managed diversified portfolio.

Comparator benchmark

MSCI UK IMI (30%), MSCI World ex UK (45%), MSCI UK Monthly Property (5%), Markit iBoxx £ Gilts (15%) and 7-Day LIBID (5%; as at 31 December 2020)

Target benchmark

Gross returns of CPI+5%

IA sector

Mixed Asset – Flexible Investment

Summary of our assessment

The board has concluded that value has been demonstrated through strong performance:

- All three funds are performing beyond expectations, with returns in excess of target and comparator benchmarks, by a significant margin over all time periods.
- Relative to peers all three funds have top quartile performance over the recommended and shorter holding periods.
- All three funds have historical volatility below 75% of the UK equity market and below that of the comparator benchmark over all time periods. The funds' volatility is low relative to peer group.
- The funds' risk adjusted returns are high and positive over all time periods.

● Diversified Income Fund

Investment objective

To provide growth in income and capital over the long-term from an actively managed diversified portfolio.

Comparator benchmark

MSCI Europe Ex UK NR GBP (6.67%),
Markit iBoxx GBP Gilts TR (30%),
Markit iBoxx GBP NonGilts TR (30%),
MSCI UK IMI NR USD (20%),
MSCI Pacific NR USD (6.67%) and
MSCI North America NR USD (6.67%)

IA sector

Mixed Asset – Multi Asset 20%-60% Shares
(In the March 2020 analysis, the Flexible Investment sector was chosen, however, the 20%-60% is a better universe given the fund's risk profile)

Target volatility

50% of UK equity market

Summary of our assessment

The Diversified Income Fund launched in December 2016 and has not yet reached the full term of its recommended holding period of three to five years. However, performance of the fund over shorter periods has been below expectations:

- The fund has underperformed with returns below its comparator benchmark.
- Over three years the fund performance is third quartile, and fourth quartile over one year.
- The fund has historical volatility below the 50% of equity market target and below that of the comparator benchmark over all time periods. The fund's volatility is also low versus the peer group.

In the assessment of value published in March 2020 the board identified the Diversified Income Fund as requiring closer monitoring. As identified above, following an extensive review of historical performance and the investment strategy, we have commenced a re-positioning of the investment portfolio. This increases the percentage of global equities in the portfolio and reduces domestic fixed income and alternative asset exposures. Our expectation is that this will enhance expected total returns, while generating a reasonable level of income and maintaining a similar risk profile for the fund.

Any improvement in performance will take time to materialise and we will continue to monitor this closely.

-
- COIF Charities Global Equity Income Fund
 - The CBF Church of England Global Equity Income Fund
-

These global equity funds have been grouped together as they share a common investment objective, comparator benchmark and IA sector.

Investment objective

To provide a high level of income with long-term capital growth by investing in a diversified portfolio of global equities.

Comparator benchmark

MSCI World Index (£)

IA sector

Equity Sector – Global Equity Income

Summary of our assessment

The board has concluded that value has been demonstrated through strong performance:

- Both funds have returns greater than the comparator benchmark, over a one-, three- and five-year horizon. Over ten years the Funds have underperformed the benchmark but not materially so.
- Relative to peers, both funds have top quartile performance over all time periods.
- Both Funds have historical volatility similar to that of the comparator benchmark over all time periods. The funds' volatility is low relative to peer group.
- The funds' risk adjusted returns are high and positive over all time periods.

-
- The CBF Church of England UK Equity Fund
-

Investment objective

To provide growth in capital and income over the long-term by investing in a diversified portfolio of UK equities.

Comparator benchmark

MSCI IMI UK

IA sector

Equity Sector – UK Equity Income

Summary of our assessment

The board has concluded that value has been demonstrated through strong performance. The fund has:

- delivered returns in excess of the comparator benchmark by a significant margin over all time horizons
- top quartile performance over all time periods relative to peers.
- historical volatility below that of the comparator benchmark over all time periods and relative to its peer group.
- high risk-adjusted returns, which have been positive over all time periods.

-
- COIF Charities Property Fund
 - The CBF Church of England Property Fund
 - The Local Authorities' Property Fund
-

These property funds have been grouped together as they share a common investment objective, comparator benchmark and IA sector.

Investment objective

To provide investors with a high level of income and long-term capital appreciation by investing in a diversified portfolio of UK commercial property.

Comparator benchmark

MSCI/AREF UK Other Balanced Quarterly Property Fund Index

IA sector

Specialist Funds – UK Direct Property

Summary of our assessment

The board has concluded that value has been demonstrated through good performance over most time periods.

- The CBF and COIF property funds have delivered returns in excess of benchmark over all time periods. The Local Authorities' Property Fund modestly underperformed its benchmark over five years, but has outperformed in all other time periods.
- All three funds have been consistently first and second quartile relative to peers.
- All three funds have generally low historical volatility and broadly comparable to the peer group.

-
- COIF Charities Fixed Interest Fund
 - The CBF Church of England Fixed Interest Securities Fund
-

These fixed interest funds have been grouped together as they share a common investment objective, comparator benchmark and IA sector.

Investment objective

To provide an income yield and a total return in excess of the target benchmark by investing predominantly in sterling-denominated fixed interest securities.

Target benchmark

Markit iBoxx £ Gilts Index (50%) and Markit iBoxx £ Non-Gilts Index (50%)

IA sector

Fixed Income Sector – Sterling Strategic Bond

Summary of our assessment

Although these funds have delivered a positive return that is broadly in line with the average for other funds in the sector, the performance has not been acceptable given their objective, and we consider them not to have delivered value.

- Both funds have returned less than the comparator benchmark over all time horizons. Over one and three years the underperformance has been outside of an acceptable margin.

- Relative to peers, the funds have been second or third quartile, so the underperformance is less marked when looking at the wider universe of funds.
- The funds' historical volatility has been below that of the target benchmark over all time periods and volatility is low relative to peer group.
- The funds' risk-adjusted returns are negative over all time periods.

The funds have been flagged as requiring immediate attention in order to address the underperformance identified.

As noted above, CCLA has started a review of possible steps to improve investment performance, in addition to revisiting the funds' investment strategy. Conditions in the fixed income markets have changed substantially since these funds were launched and expected returns are now lower and market risk potentially higher. In light of this, we believe it is appropriate to review whether the funds' objectives continue to align with the needs of investors.

A number of solutions are being discussed with investors to ensure that their objectives are correctly identified and that these can be met by the funds. Recommendations on the appropriate course of action will be reviewed by the board by the end of June 2021 with the aim of implementing any changes thereafter.

-
- COIF Charities Deposit Fund
 - The CBF Church of England Deposit Fund
 - The Public Sector Deposit Fund
-

These deposit funds have been grouped together as they share a common investment objective and comparator benchmark.

Investment objective

COIF & CBF Deposit Funds

To provide a high level of capital security and a competitive yield by investing in a diversified portfolio of sterling denominated money market deposits and instruments.

Public Sector Deposit Fund

To maximise the current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high quality sterling denominated deposits and instruments. The primary objective is to maintain the net asset value of the fund at par.

Comparator benchmark

7-Day GBP LIBID (as at 31 December 2020)

IA sector

COIF Charities Deposit Fund and Public Sector Deposit Fund are in the Short-Term Money Market Sector. The CBF Church of England Deposit Fund is in the Standard Money Market Sector.

Summary of our assessment

The board has concluded that the funds offer value by reference to their performance:

- All three funds have met their objective and outperformed the comparator benchmark.
- The funds have performed well relative to their peers.

3. Active management

Are the funds actively managed or are we passively following an investment index or 'closet' tracking?



Consideration of 'active management' is not one of the original value criteria specifically identified by the FCA when it set out the terms of the value assessment process, however we believe it is relevant when considering value, and has become a topic for wider discussion in the asset management industry. Exchange-traded funds (ETFs) and passive funds that just seek to replicate the performance of a market index are widely available and at low total cost to the investor.

At CCLA we charge fees that are typically higher than a passive alternative and more comparable to other 'active' managers, as such we believe it is important that we are able to demonstrate that we are acting as active managers. Therefore, this year we have looked at a number of measures to confirm this is the case.

How have we assessed active management?

The board has reviewed whether the funds are 'closet' trackers using the following statistical measures:

- correlation of performance with that of a fund's benchmark
- volatility of a fund's returns relative to that of its benchmark
- overlap of the portfolio between a fund and its benchmark.

In addition, we have taken into account the nature of CCLA's portfolio management process, how it implements ESG factors into decision making and portfolio exclusions, and finally the levels of returns generated.

Summary of our assessment

The board was satisfied that all funds are actively managed and do not simply track index returns.

4. Costs

Are the costs and charges investors pay for funds and services fair and reasonable?



How have we assessed cost of funds?

Please see page 26 for the costs and charges associated with CCLA's funds.

In reviewing costs we have taken into consideration three factors:

1. The overall profitability of CCLA and whether it earns abnormally high profit margins relative to the asset management industry.
2. An independent review of the share of total and excess returns in each fund that is earned by investors.
3. The composition of all costs and charges levied on the funds.

How are costs and charges applied on CCLA's funds?

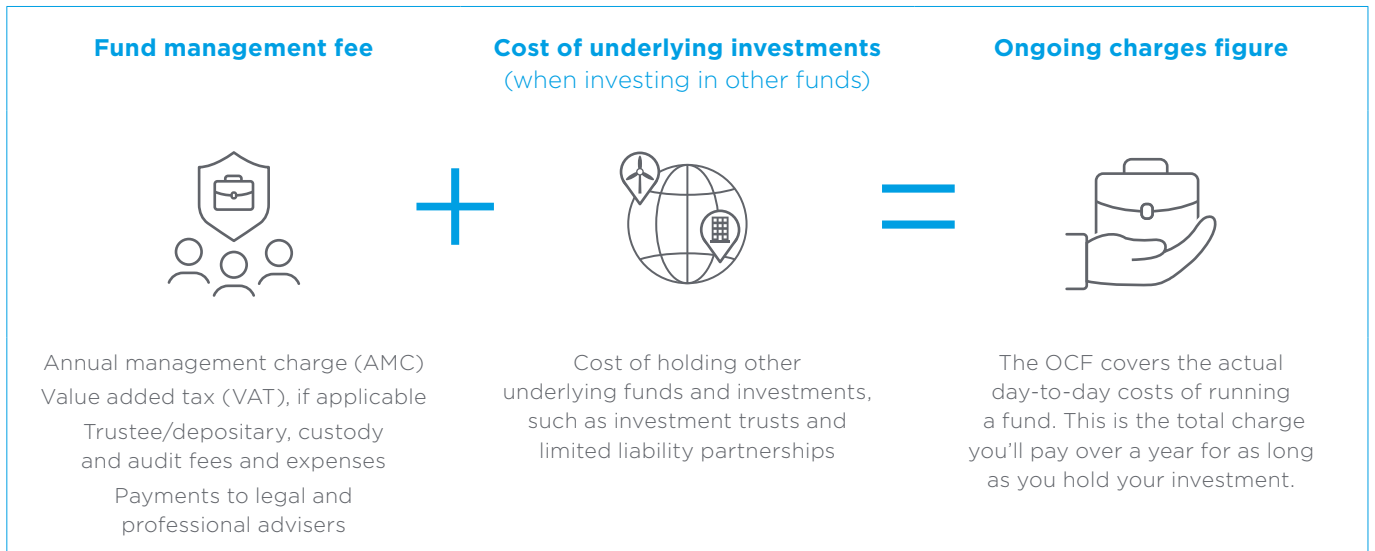
Investors in CCLA's funds benefit from access to a professionally managed and diversified portfolio of investments, with ongoing administrative and operating services. A number of costs and charges are deducted from the funds in return for these services.

The typical components of the ongoing charges figure (OCF) are shown in the facing illustration.

Summary of our assessment

The board was satisfied that the charges paid by clients are reasonable across the fund range.

The board is reassured that CCLA is taking steps to ensure costs remain low and it continues to seek operational efficiencies to reduce the cost of providing services. CCLA has also absorbed some costs that were previously paid by clients through its funds, for example, third-party research expenses. CCLA has taken steps to mitigate the impact of VAT on investors by registering certain funds for VAT purposes and a partial reclaim is expected in 2021.



CCLA has also recently cut the AMC charged to the CBF and COIF Deposit funds by 0.05% p.a. until further notice.

In relation to CCLA's own profit margin, this has remained relatively low and stable over the past five years and is not expected to rise materially. Independent analysis has also confirmed that in most instances investors are receiving an appropriate share of each fund's returns.

'Other costs' include depositary, custodian, legal and accounting fees. CCLA has negotiated service costs which we believe to be competitive, while transfer agency, directors' expenses, marketing and other costs to their fund ranges are absorbed by CCLA rather than charging the funds; some managers may charge these fees directly to the fund.

The Diversified Income Fund is identified as having high costs and has been flagged as 'amber'. This is in part due to higher administrative costs, and (relative to peers) by the way costs are calculated. However, it is largely the result of higher costs attributed to the fund's investment in other, externally managed, funds or trusts. These significantly add to portfolio diversification but do attract charges which have the impact of adding to the total cost of the Diversified Income Fund. While these costs are considered acceptable after taking into account the benefits of additional diversity we will continue to keep these under review.

The board notes that CCLA discloses its costs and charges, broken down by component, prominently on its website.

We continue to search for efficiencies and monitor the fees CCLA charges across all existing and new funds to ensure benefits are appropriately shared with you.

5. Economies of scale

Has CCLA achieved economies of scale and have these been passed on to investors?



How have we assessed economies of scale?

We have analysed whether CCLA has shared savings and benefits arising from scale with its investors. We believe CCLA can continue to offer competitive fees, costs and charges, and is able to realise economies in a number of areas:

- Investment trading costs are kept to a minimum by entering into the same trade across several funds wherever possible, and the order management system infrastructure brings economies of scale to multiple funds and volume trades.
- CCLA negotiates excellent terms with brokers for trading commissions and research.
- For the administration of its funds, CCLA negotiates preferential rates with its outsourced service provider for fund accounting, middle office and performance measurement. We believe the rate card is market competitive and it includes a sliding scale on ad-valorem depository fees for increased fund sizes.
- Fund OCFs will decline with scale as fixed administrative expenses are amortised over a larger fund base.

Summary of our assessment

Where CCLA has achieved economies of scale, many benefits have already been shared with investors. We will continue to monitor the impact of the growth in assets under management on the cost of services provided and CCLA will also continue its engagement with third-party suppliers to negotiate preferential terms.

To date CCLA has not applied a sliding scale on management charges by fund for two primary reasons. Firstly, as evidenced by CCLA's profit margin (which has remained relatively static), the profitability of some larger funds has supported the wider product range offered to clients. Secondly, CCLA absorbs many of the administrative expenses of managing the funds out of its revenue. With a client base that is very diverse, this means that growth attracts fewer economies than for a manager that charges such expenses to their funds.

It is additionally worth noting that two of the largest shareholders of CCLA are the CBF and COIF Investment Funds. To the extent CCLA is more profitable as a result of economies of scale, that are not passed directly to the funds, the COIF and CBF Investment Funds will benefit indirectly.

6. Comparable services

How do the costs you pay compare to those paid by clients of similar services?



How have we assessed comparable services?

We compared the costs of services CCLA provides across client types to ensure different client types are treated fairly.

We have assessed the costs of services applied to each fund and compared these to:

- Other CCLA managed funds in the same investment sectors and managed with similar investment styles.
- Charges paid by clients with segregated investment services.

We note that CCLA management charges for funds have been set at a level that are designed to be competitive relative to segregated account fees.

Funds in the same sector with comparable investment strategies have similar annual management charges (AMC), where they differ the differences are considered appropriate:

- The difference in the AMC of the deposit funds between the Public Sector Deposit Fund and the COIF and CBF versions is a function of the more concentrated investor base of the Public Sector Deposit Fund, which significantly reduces associated service costs.

- The lower AMC on the CBF Investment Fund in comparison to the COIF Charities Investment Fund is accounted for by the greater marketing and sales effort required to support a more disparate investor base in the COIF fund than the CBF fund.

With respect to administrative expenses:

- Depository and custodian rate cards for the equity, fixed income and mixed funds (except Diversified Income Fund) are the same. For these funds any difference in 'other costs' can largely be accounted for by the impact of larger funds on any fixed expenses.
- The Diversified Income Fund, as a more administratively complex fund structure, and has a higher rate card than CCLA's other funds.

We have reviewed the discounts applied to larger investors in the pooled investment funds, relative to the reduced average costs of servicing these clients, and conclude that, on average, rebates are considered appropriate.

Summary of our assessment

The board concluded that CCLA offers value to all client types. We will continue to monitor the funds' charges to ensure they remain reasonable relative to those paid by other clients accessing comparable CCLA products and services.

7. Comparable market rates

How do CCLA's costs compare to those of similar funds offered by other fund managers?



How have we assessed comparable market rates?

We analysed the total charges on CCLA's funds to the charges, for similar share classes, of other UK-based funds in the same IA sector.

We have reviewed:

- data provided by an independent source, showing share class costs relative to returns for the sector
- data showing the ongoing charges versus fund size for the relevant Investment Association sector, with a quartile ranking. If a fund is in the fourth quartile of its sector, the ongoing charges would be considered too high.

Summary of our assessment

Of the fund range, only the Diversified Income Fund has ongoing charges that are fourth quartile. As noted above, the

methodology for calculating the ongoing charges figure for the Diversified Income Fund creates an upward bias in costs and charges relative to the bulk of the IA sector. In addition, the proposed strategy changes referred to earlier will result in lowering costs associated with underlying investments. Taking this into account the Diversified Income Fund should move into the third quartile. While this is still high, it is not unacceptably so, and we will continue to monitor these costs.

With respect to the deposit funds, while charges were competitive, from 5 January 2021 and until further notice, the maximum AMC on the CBF and COIF deposit funds was reduced by 0.05% in light of low absolute returns available on underlying investments.

The board has concluded that when comparing the charges paid by clients in CCLA funds to similar competitor funds, the CCLA range offers value.

8. Classes of units or shares

Are you invested in the most appropriate unit or share class and are differences in share or unit class costs justified?



How have we assessed classes of units or shares?

Most of CCLA's funds offer an income and accumulation unit or share class – a choice for each client based on whether they would prefer to receive periodic distribution of income or choose to have their income earned automatically reinvested.

For the most part, each client is free to choose any unit or share class they prefer, and this is not restricted. Moreover, the costs and charges in each class are identical and the requirements for investment are the same.

The only exception is the Diversified Income Fund, which is a tax transparent fund and an investing client is placed in the appropriate class based on their tax characteristics. Even with this restriction, the minimum investment amount and the associated costs and charges are identical for each unit class.

CCLA does not have multiple classes for larger investors. Some of its funds offer these clients access to a lower management fee through a rebate arrangement directly with CCLA. The rebate structure has been reviewed as a part of this assessment and is appropriate given the lower average costs of servicing these clients.

Summary of our assessment

The unique client base for CCLA's funds determines that multiple classes are generally not required. Income and accumulation classes are constantly monitored to ensure there is no difference in cost, performance or barriers to entry between them.

Performance of funds

Rating/Fund	Inc/ Acc	Comparator benchmark	1 year			3 years			5 years			10 years		
			Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %	Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %	Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %	Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %
Mixed funds														
● COIF Charities Ethical Investment Fund	Inc/ Acc	MSCI UK IMI (30%), MSCI World ex UK (45%), MSCI UK Monthly Property (5%), Markit iBoxx £ Gilts (15%) and 7-Day LIBID (5%)	9.76	3.95	5.81	10.45	5.50	4.95	11.51	8.77	2.73	9.87	7.82	2.05
● COIF Charities Investment Fund	Inc/ Acc	MSCI UK IMI NR USD (20%), MSCI Pacific NR USD (6.67%) and MSCI North America NR USD (6.67%)	9.78	3.95	5.83	10.33	5.50	4.83	11.55	8.77	2.78	10.02	7.82	2.20
● The CBF Church of England Investment Fund	Inc/ Acc	MSCI Europe ex UK NR GBP (6.67%), Markit iBoxx GBP Gilts TR (30%), Markit iBoxx GBP Non-Gilts TR (30%), MSCI UK IMI NR USD (20%), MSCI Pacific NR USD (6.67%) and MSCI North America NR USD (6.67%)	10.20	3.95	6.25	11.15	5.50	5.65	12.29	8.77	3.51	10.49	7.82	2.68
● Diversified Income Fund (unit class 2)	Inc	MSCI Europe ex UK NR GBP (6.67%), Markit iBoxx GBP Gilts TR (30%), Markit iBoxx GBP Non-Gilts TR (30%), MSCI UK IMI NR USD (20%), MSCI Pacific NR USD (6.67%) and MSCI North America NR USD (6.67%)	-1.59	5.05	-6.64	3.06	4.64	-1.58	n/a	n/a	n/a	n/a	n/a	n/a
● Diversified Income Fund (unit class 3)	Inc	MSCI Europe ex UK NR GBP (6.67%), Markit iBoxx GBP Gilts TR (30%), Markit iBoxx GBP Non-Gilts TR (30%), MSCI UK IMI NR USD (20%), MSCI Pacific NR USD (6.67%) and MSCI North America NR USD (6.67%)	-1.63	5.05	-6.68	3.05	4.64	-1.59	n/a	n/a	n/a	n/a	n/a	n/a
Equity funds														
● COIF Charities Global Equity Income Fund	Inc/ Acc	MSCI World Index (£)	22.75	12.32	10.43	16.39	10.16	6.23	15.20	13.90	1.30	11.58	11.97	-0.39
● The CBF Church of England Global Equity Income Fund	Inc/ Acc	MSCI World Index (£)	22.69	12.32	10.37	16.63	10.16	6.48	15.40	13.90	1.50	11.72	11.97	-0.25
● The CBF Church of England UK Equity Fund	Inc/ Acc	MSCI IMI UK	0.81	-11.78	12.59	6.93	-1.95	8.88	8.70	4.57	4.13	9.02	4.79	4.23

Rating/Fund	Inc/ Acc	Comparator benchmark	1 year			3 years			5 years			10 years		
			Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %	Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %	Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %	Return (annualised) %	Benchmark return (annualised) %	Excess return (annualised) %
Property funds														
● COIF Charities Property Fund	Inc	MSCI/AREF UK Other Balanced Quarterly Property Fund Index	-0.54	-1.04	0.50	3.45	2.66	0.79	4.45	4.40	0.05	7.03	6.75	0.28
● The CBF Church of England Property Fund	Inc		-0.48	-1.04	0.55	3.52	2.66	0.86	4.53	4.40	0.13	6.99	6.75	0.24
● The Local Authorities' Property Fund	Inc		-0.55	-1.04	0.49	3.05	2.66	0.39	4.16	4.40	-0.24	7.23	6.75	0.48
Cash and bond funds														
● COIF Charities Deposit Fund	Inc	7-Day GBP LIBID	0.21	0.06	0.15	0.43	0.37	0.06	0.39	0.30	0.08	0.49	0.36	0.13
● COIF Charities Fixed Interest Fund	Inc/ Acc	Markit iBoxx £ Gilts Index (50%) and Markit iBoxx £ Non-Gilts Index (50%)	6.66	8.42	-1.75	4.15	5.31	-1.16	5.04	5.91	-0.88	5.31	6.04	-0.73
● The CBF Church of England Deposit Fund	Inc	7-Day GBP LIBID	0.42	0.06	0.36	0.55	0.37	0.19	0.48	0.30	0.18	0.55	0.36	0.20
● The CBF Church of England Fixed Interest Securities Fund	Inc/ Acc	Markit iBoxx £ Gilts Index (50%) and Markit iBoxx £ Non-Gilts Index (50%)	6.77	8.42	-1.64	4.14	5.31	-1.17	5.05	5.91	-0.86	5.28	6.04	-0.75
● The Public Sector Deposit Fund	Inc	7-Day GBP LIBID	0.31	0.06	0.25	0.54	0.37	0.17	0.45	0.30	0.15	n/a	0.36	n/a

Source: CCLA, data as at 31 December 2020.

Charges to investors

Rating/Fund	Annual management charge (AMC)	Value added tax (VAT) ¹	Other costs	Fund management fee (FMF) ²	Cost of underlying investments (when investing in other funds) ³	Ongoing charges figure (OCF)
Mixed funds						
● COIF Charities Ethical Investment Fund	0.60%	0.12%	0.02%	0.74%	0.30%	1.04%
● COIF Charities Investment Fund	0.60%	0.12%	0.02%	0.74%	0.27%	1.01%
● The CBF Church of England Investment Fund	0.55%	0.11%	0.02%	0.68%	0.26%	0.94%
● Diversified Income Fund	0.60%	0.00%	0.06%	0.66%	0.69%	1.35%
Equity funds						
● COIF Charities Global Equity Fund	0.75%	0.15%	0.04%	0.94%	0.00%	0.94%
● The CBF Church of England Global Equity Fund	0.75%	0.15%	0.04%	0.94%	0.00%	0.94%
● The CBF Church of England UK Equity Fund	0.50%	0.10%	0.06%	0.66%	0.17%	0.83%
Property funds						
● COIF Charities Property Fund	0.65%	0.00%	0.03%	0.68%	0.00%	0.68%
● The CBF Church of England Property Fund	0.65%	0.00%	0.01%	0.66%	0.00%	0.66%
● The Local Authorities Property Fund	0.65%	0.00%	0.46%	1.11%	0.00%	1.11%
Cash and bond funds						
● COIF Charities Deposit Fund ⁴	0.20%	0.04%	0.01%	0.25%	0.00%	0.25%
● COIF Charities Fixed Interest Fund	0.22%	0.04%	0.04%	0.30%	0.00%	0.30%
● The CBF Church of England Deposit Fund ⁴	0.20%	0.04%	0.01%	0.25%	0.00%	0.25%
● The CBF Church of England Fixed Interest Fund	0.22%	0.04%	0.09%	0.35%	0.00%	0.35%
● The Public Sector Deposit Fund	0.08%	0.00%	0.00%	0.08%	0.00%	0.08%

1 VAT charged to the property funds is recoverable.

2 The fund management fee (FMF) includes CCLA's annual management charge (AMC), trustee/depositary costs, audit, custody, legal and professional, other fees (such as Fitch Ratings).

3 The underlying investment costs are the pro-rata amount of charges of relevant underlying investments (e.g. funds, LLPs).

4 With effect from 5 January 2021 and until further notice, the AMC has been temporarily reduced by 0.05% (from 0.20% p.a. to 0.15% p.a.). The reduction is implemented by means of a rebate from CCLA to the funds. This temporary measure is expected to remain for an initial period of at least six months. Depositors will receive advance notice of any reversion to 0.20%.

Board profiles

Non-executive directors

Richard Horlick

Chair

Richard has 35 years' investment management experience in both the UK and the US. After spending three years in corporate finance at Samuel Montagu & Co, Richard joined Newton Investment Management in 1984 as Director of Pension Portfolios.

In 1994, Richard became President of Institutional Business at Fidelity International Ltd (UK) until 2001, where he was made Chief Executive and President of Fidelity Management Trust Co, the Trust Bank of the Fidelity mutual funds in the US and the US institutional business. He then became a main Board Director of Schroders plc following his appointment as Chief Executive of Schroder Investment Management Ltd from 2002 to 2005.

Richard has held previous non-executive director roles with Pensato Capital LLP, Tau Capital plc and Pacific Assets Trust plc. Richard was appointed non-executive director and Chairman of CCLA in January 2017.

Jonathan Jesty

Chair of the Audit and Risk Committee

Jonathan has 35 years' corporate, professional services and regulatory experience in the financial services industry. Jonathan has worked in asset management throughout his career, most recently at Schroders as Global Head of Compliance until he retired from his executive career in 2018. He was for many years an audit and advisory partner at KPMG.

Jonathan graduated with an MA from Cambridge University, qualified as a chartered accountant and holds an MBA from London Business School. Jonathan joined the board of CCLA as a non-executive director in April 2020.

Christine Johnson

Christine was Senior Fund Manager and Head of Fixed Income at Old Mutual Global Investors until 2017. Previous fund manager appointments include HSBC and Investec. She was appointed to the board of Invesco Enhanced Income Limited in January 2019.

Christine was appointed as a trustee director to the CBF Funds Trustee Board in November 2017. She joined the board of CCLA as non-executive director in June 2018.

Glenn Newson

Glenn is a chartered surveyor, with over 35 years' investment experience on behalf of institutional, private and family office clients.

Prior to forming his own business, he was Managing Director of UK Property of Aberdeen Asset Management from 2007 to 2008, and Head of UK Property for Credit Suisse Asset Management from 2003 to 2007.

Glenn has a first class BSc (hons) degree in valuation and estate management. Glenn joined the COIF Charity Funds as a Director in October 2008. He was appointed non-executive director of CCLA in October 2018.

Ann Roughead

Chair of the Remuneration and Nominations Committee

Ann is a non-executive director and Chair of the Customer Focus committee at Columbia Threadneedle Investment, on the board of the Rock Trust, a youth Homeless Charity and an adviser to Saphira Group. She has over 30 years of experience in the investment and finance sector.

Previous board positions include BNY Mellon Investments, Lighthouse Group, Funds Rock Partners and the Rugby Players Association. She has chaired audit, risk and remuneration committees. In her executive career she was CEO of LV= Asset Management and CEO of Ellis Clowes & Company, a London-based Lloyds Insurance Broker. At Citi she was, Chief Operating Officer of the Private Bank (Europe), Head of Smith Barney (Europe), Head of Investment for Citi's Retail Bank and Head of UK Wealth Management and Banking. She was Head of European Product Development and Strategy for JP Morgan Asset Management.

She is qualified as a solicitor and is a member of the Ethics Committee of the Chartered Institute of Securities and Investments (CISI). Ann joined the board of CCLA in April 2020 as an independent non-executive director.

Executive directors

Peter Hugh Smith

Chief Executive

Peter Hugh Smith was appointed Chief Executive of CCLA in 2019 and is responsible to the CCLA Board for the overall performance of the business and quality of our service for clients.

He has more than 25 years' experience in the investment management industry, most recently as Managing Director of the fund services business Link Fund Solutions. His experience has ranged from wholesale relationship management at Russell Investments to establishing an asset management business for Hong Kong conglomerate Seapower.

He is also Chair of Governors at Bishopswood School, a local authority maintained special education needs school in Oxfordshire.

James Bevan

Chief Investment Officer

James Bevan is responsible for all of the company's investment activities on behalf of our clients.

James Bevan joined CCLA in 2006 as Chief Investment Officer. James was previously Head of Asset Management and CIO at Abbey and CIO for Barclays Asset Management Group and BZW Portfolio Management. James joined the City in 1988 following postgraduate research in applied economics and asset allocation at Cambridge University.

He is a Chartered Fellow of the CISI, he is on the advisory group of the CFA Institute and is a trustee of the Cambridge Endowment for Research in Finance and Trees for Cities. He was appointed as an executive director of CCLA in 2006.

Elizabeth Sheldon

Chief Operating Officer

Elizabeth is responsible for all financial and operational matters at CCLA on behalf of clients. She was appointed Chief Operating Officer of CCLA in November 2018. Having qualified as a chartered accountant with an audit practice specialising in the not-for-profit sector, Elizabeth joined the financial services audit team at Ernst and Young. From there she moved on to Man Group working in a number of areas including operations and a large outsourcing project.

Elizabeth is fellow of the Institute of Chartered Accountants and has a BSc in geography from University College London. She was appointed as an executive director of CCLA in December 2018.

Andrew Robinson

Director, Market Development

Andrew Robinson is responsible for marketing and sales, client relationship management, service and public affairs.

Previously he was the Head of Community Development Banking for RBS and NatWest. He was the founding director of the UK's first loan fund for voluntary and community organisations working in the UK's most disadvantaged communities. Currently Andrew is a trustee of RBS Social and Community Capital and an Advisor to Switchback. Previously he was the Chairman of the Community Development Foundation; Vice Chairman of the Lankelly Chase Foundation; a trustee of the Local Trust; a trustee of Locality, having been a trustee of both the Development Trusts Association and Bassac.

He is a fellow of the Royal Society of the Arts and was recognised with an MBE for services to community and social enterprise in 2003. He was appointed as an executive director of CCLA in 2006.

Disclaimer

This document is not 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 the risks and whether a CCLA product is suitable, please read the relevant funds key information documents and the scheme particulars or prospectus as appropriate. CCLA strongly recommends you seek independent professional advice prior to investing. Investors should consider the risk factors identified in the scheme particulars. 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 CCLA's current opinions, expectations and projections. CCLA undertakes no obligations to update or revise these. Actual results could differ materially from those anticipated.

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CCLA

BECAUSE GOOD IS BETTER