

THE CBF CHURCH OF ENGLAND INVESTMENT FUND  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

Year ended 31 December 2017

**CCLA**

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\*Collectively, these comprise the Manager's Report.

\*\*Audited.

References to "CCLA" refer to The CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

#### Disability Discrimination Act 1995

Extracts from the Annual Report and Financial Statements are available in large print and audio formats.

**REPORT OF THE TRUSTEE****for the year ended 31 December 2017**

On behalf of the Board, I have pleasure in presenting the Annual Report and Financial Statements of The CBF Church of England Investment Fund (the Fund), which includes a separate report from CCLA Investment Management Limited (the Manager) as Manager of the Fund.

**Structure and management of the Fund**

The Fund is a Common Fund established under The Church Funds Investment Measure 1958, as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000 and the Trustee Act 2000 (together the Measure). The Fund was formed in 1958. The Fund is not a Collective Investment Scheme nor an Unregulated Collective Scheme within the meaning of the Financial Services and Markets Act 2000 (FSMA).

CBF Funds Trustee Limited (CBFFT), a company incorporated under the Companies Act, limited by guarantee and not having a share capital, is the Trustee and Operator of the Fund. CBFFT has an Audit Committee which meets twice each year to review the Financial Statements and to monitor the control environment in which the Fund operates.

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Conduct Authority (FCA), the investment management, administration, registrar, secretarial and company secretarial functions of the Fund under Management Agreements dated September 2008.

Under the provisions of the Financial Services and Markets Act 2000 (FSMA), CBFFT is not considered to be operating the Fund by way of business. In consequence, it is not required to be authorised and regulated by the FCA and the trustee directors of CBFFT are not required to be authorised by the FCA for this purpose. Investments in the Fund are not covered by the Financial Services Compensation Scheme.

The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

**Charitable status of the Fund**

The Fund is entitled to charitable status by virtue of section 96(2) of the Charities Act 2011. In the administration of the Fund, CBFFT is exempt from the jurisdiction of the Charity Commission by virtue of section 5(1) of the Church Funds Investment Measure 1958.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2017

**Investment objective and benchmark**

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

The objective is to provide a long-term total return of 5% per annum before expenses, but net of inflation as measured by the increase in the Consumer Prices Index. Within this total return, the Fund aims to deliver a consistent annual distribution to investors. The Fund aims to deliver these returns within a level of risk as measured by volatility which is no greater than 75% of the volatility of the UK equity market.

**Investment policy**

The portfolio is an actively managed, diversified portfolio of assets designed to help protect both present and future beneficiaries from the effects of inflation. It will have an emphasis on equities, but will also include property, bonds and other asset classes.

**Suitability**

The Fund is suitable for all of a Church of England charity's long-term funds where the charity is looking for a good level of distributions and long-term protection from inflation.

**Distribution policy**

From 1 January 2017, the Fund has the capacity to make distributions from capital, but at least three quarters of the distribution made will be sourced from the income earned on investments.

**Responsibilities of the Trustee**

CBFFT receives a report on the published Financial Statements from the Manager twice a year and is wholly responsible for the Fund. CBFFT monitors the investment, property and cash management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, dividend and interest rate policy, investment diversification and risk and to review the Fund's performance. In addition, CBFFT reviews the Report and Financial Statements of the Fund prepared on its behalf by the Manager.

CBFFT is responsible for appointing an Audit Committee, the Auditor and the Custodian. It reviews annually the objectives of the Fund in light of current circumstances.

**Delegation of functions**

Following its regular meetings and consideration of the reports and papers it has received, CBFFT is satisfied that the Manager, to whom it has delegated the administration and management of the Fund, has complied with the terms of the Measure and with the relevant Management Agreements.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2017

**Ethical investment**

The Fund is managed in accordance with the policies of the Church of England's Ethical Investment Advisory Group (EIAG).

Throughout the year, CBFFT was represented on the EIAG by Rev Canon Edward Carter, a CBFFT Trustee Director.

The EIAG advises the Church's three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) on ethical investment issues.

Responsibility for accepting EIAG recommendations rests with the CBFFT.

The EIAG produces its own Annual Review which is available at <https://churchofengland.org/about-us/structure/eiag.aspx>.

Two representatives of the Manager also attend EIAG meetings: Michael Quicke, CCLA Chief Executive, and James Corah, Head of Ethical and Responsible Investment.

CCLA collaborates with the other Church National Investing Bodies to engage with investee companies on issues of particular concern to the Church.

**Responsible investment and stewardship**

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term shareholder returns. This includes policies to integrate environmental, social and governance (ESG) factors into our

investment decision making process and stewardship activities with Fund holdings. The Manager's response to the UK Stewardship Code and their full quarterly voting record is available at [www.ccla.co.uk](http://www.ccla.co.uk).

The Manager is a signatory to the UN Principles of Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors group on Climate Change (IIGCC) and UK Sustainable Investment and Finance (UKSIF).

**Controls and risk management**

CBFFT receives and considers regular reports from the Manager. Ad hoc reports and information are supplied as required.

CBFFT has appointed HSBC Bank plc to monitor the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. This monitoring provides an additional layer of comfort for shareholders. The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

**REPORT OF THE TRUSTEE**  
for the year ended 31 December 2017

CBFFT receives internal audit reports on the controls of the Manager. During the year CBFFT, assisted by the Manager, reviewed the Fund's systems of internal control. At each of its meetings, the Audit Committee receives and reviews a formal risk management report from the Manager. This sets out the main risks facing the Fund, the controls in place to mitigate those risks and the assessment of each risk, in terms of both gross and residual exposure after the application of mitigating controls.

R Williams, Chairman  
CBF Funds Trustee Limited  
21 May 2018

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2017

### Strategy

The Fund's investment objectives of positive real returns and a rising income distribution over time are supported by a diversified portfolio, but also one with a strong weighting to real assets including UK and international equities, domestic commercial property and infrastructure. There is only a nominal exposure to fixed interest investments, an asset class whose characteristics are poorly aligned to the needs of this fund.

A total return approach is taken to the Fund's income distribution policy by which the payments to investors can be supported by both

income receipts and sustainable capital returns. The Charity Commission has confirmed that investors in the Fund can account for the entire payment as income.

### Performance

Over the year the Fund achieved a return of 13.40% before expenses. In a positive year for investment markets, the strongest returns were earned by international equities. The total return on the Income Shares, after all costs was 12.76%; the Accumulation Shares, on the same basis, gave a return of 12.77%. The total return on the comparator index was 10.72%. The Fund's

### Annualised total capital and income return

To 31 December 2017	1 year %	5 years % p.a.	10 years % p.a.
<b>Performance against market indices (before expenses)</b>			
The CBF Church of England Investment Fund	13.40	12.51	7.60
Comparator <sup>#</sup>	10.72	10.47	6.84
MSCI UK Investable Market Index	13.07	9.99	6.24
MSCI World ex UK	12.39	17.10	10.15
iBoxx £ Gilts	1.97	4.46	6.01
IPD All Properties Monthly*	11.03	11.41	5.58
Inflation (CPI)	2.94	1.45	2.37
<b>Performance after expenses</b>			
Income shares*	12.76	11.78	7.06
Accumulation shares*	12.77	11.80	7.09

<sup>#</sup> Comparator – Composite: From 01.01.16 MSCI UK IMI 45%, MSCI Europe Ex UK 10%, MSCI North America 10%, MSCI Pacific 10%, AREF/IPD™ All Properties 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™ All Properties 5%, BarCap Gilt 15% & 7 Day LIBID 5% and to 31.12.11 FTSE All-Share 60%, FTSE All-World Developed Ex UK 20%, IPD™ All Properties 10% and FTSE UK Government All Stocks 10%.

\* Mid to mid plus income re-invested.

Source: CCLA.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2017

relative performance was supported by the asset split within the portfolio and in particular the bias towards real assets including equities. The contribution from stock selection was mixed as gains made earlier in the year were eroded by a sharp rally in the energy and resource sectors where the portfolio's weightings were less than those of the market index.

### **Economic and Investment Market Review**

The uptrend in the world economy strengthened and broadened over the year, finally putting behind it the drag on performance from the recession and financial crisis of a decade before. All the major economies improved, to the extent that, increasingly, the ultra-supportive monetary policies of quantitative easing (QE) and very low interest rates came under review. This was despite another year of subdued headline rates of inflation. The Federal Reserve in the US began the process of unwinding the QE programme and raised interest rates. In Europe, the European Central Bank (ECB) signalled the probable end of its QE programme later in 2018 and in the UK, the Bank of England increased interest rates, reversing the cut made immediately after the Referendum in June 2016 on EU membership.

International equities gave the best returns. Of the major regional indices, Asia ex-Japan led the way, with a return of +23.37% to a UK based investor, Europe returned 17.21%, Japan 14.44% and the US 11.37%. There were some very strong individual market performances. In Europe, Austria returned 44.49%, with four other national indices returning more than 20%. In Asia, returns from both South Korea and China exceeded 30%, again with four other countries providing gains of 20% or more. The UK participated in the move upwards, but lagged most of the international peers, improving by 13.10%. Property returns were positive and in contrast with the pessimism which had followed the Referendum. Overseas investor interest remained high, particularly for trophy assets. Within the sector the strongest performances came from the Industrial sector and assets with long income characteristics, such as hotels. In contrast, retail assets underperformed as concerns increased about the sustainability of rents. The domestic fixed income sector achieved positive returns, but only modestly so. A backcloth of higher inflation and expectations of reduced QE and higher interest rates, saw investor preferences move elsewhere. In currency markets, Sterling rallied against the US Dollar and Yen, by 9.51% and 5.35% respectively. It lost 4.02% against the Euro.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2017

### Outlook

We expect global growth to continue in 2018 at a pace similar to that experienced in the later months of 2017. As growth expands, so the justification for exceptional monetary policies weakens policy normalisation is therefore on the cards. Moderately higher interest rates justified by strengthening growth, should not threaten investment market valuations, but less certain is the impact of the ending of quantitative easing related cash flows, which in recent years have provided strong buying support for a wide range of assets. The UK economy is expected to grow, but not at the pace experienced by its international peers. Domestic inflation will moderate from recent high levels, but is still expected to remain noticeably above 2%. The Bank of England has hinted at more interest rate increases to come, but current expectations are that official interest rates of 1% or more are still some way away.

Continued growth should support equity investment markets even at valuation levels which are extended by historical standards. Volatility though, which was subdued in 2017, is likely to increase. We expect returns from the property sector to be centred on income receipts, with any contribution from capital gains likely to be modest. In contrast to this positive outlook, we see conditions in the fixed interest sectors as challenging and expect yields to rise over the course of the year.

J Bevan  
Chief Investment Officer  
CCLA Investment Management Limited  
21 May 2018

**REPORT OF THE INVESTMENT MANAGER**  
for the year ended 31 December 2017

**Top ten changes in portfolio composition**

	Cost £'000		Proceeds £'000
<b>Purchases:</b>		<b>Sales:</b>	
Thermo Fisher Scientific	15,556	Royal Dutch Shell B	19,876
UnitedHealth	13,666	Worldpay	12,569
The Priceline Group	12,171	Aberforth Geared Income Trust	10,999
Bank of America	11,683	BHP Billiton	9,419
Croda International	11,021	Exxon Mobil	9,239
3M CO	9,741	Vodafone	8,985
London Stock Exchange	9,627	GlaxoSmithKline	8,884
Fresenius	9,541	The CBF Church of England	
Samsonite International	9,054	Property Fund	8,437
LVMH	9,025	Daito Trust Construction	7,757
		Schlumberger	7,538

When a stock has both purchases and sales in the reporting period, these transactions have been netted and the net amount has been reflected as either a net purchase or net sale in the table above.

**Risk warning**

The Fund's shares and the revenue from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns.

The Fund's shares are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only on each weekly dealing day.

This Fund may invest in emerging market countries which could be subject to political and economic change.

The Fund may invest in collective investment schemes and other assets which may be illiquid. These include limited partnerships and other unquoted investments where valuations are open to substantial subjectivity. The Fund may also invest in The CBF Church of England Property Fund, which invests directly in property and property related assets which are valued by an independent valuer and as such are open to substantial subjectivity. The performance of this Fund may be adversely affected by a downturn in the property market which could impact on the capital and/or income value of this Fund.

**STATEMENT OF ETHICAL INVESTMENT POLICY****to the Shareholders of The CBF Church of England Investment Fund**

The Ethical Investment Policy embraces stewardship, engagement and investment exclusions.

**Stewardship**

The Church of England National Investing Bodies (NIBs) operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which and informs the manner in which these duties are performed. The NIBs are signatories to the UK Stewardship Code which encourages institutional investors to act as good stewards of their equity investments through active ownership (monitoring, engagement and voting). The NIBs are signatories to the United Nations Principles for Responsible Investment (PRI) under which institutional investors pledge to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes and to be active owners across all asset classes. The NIBs recognise climate change as a distinct ethical investment issue and invest in line with a climate change policy.

**Engagement**

The NIBs expect companies in which they invest to manifest sustainable environmental practice, fair treatment of customers and suppliers, responsible employment practices,

conscientiousness with regard to human rights, sensitivity towards the communities in which they operate and best corporate governance practice. The NIBs engage with investee companies to seek improvement in ethical standards in these areas.

There are specific policies on Executive Remuneration and Business and Engagement. From time to time, policies, papers and reports are also published to inform engagement on individual environmental and social issues.

**Investment exclusions**

The NIBs do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with Christian values and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions is therefore maintained. The EIAG may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds – normally if, after sustained dialogue, the company does not respond positively to EIAG concerns about its practices. In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The EIAG and NIBs expect a recognition of responsibility and a resolve to improve, rather than perfection.

## STATEMENT OF ETHICAL INVESTMENT POLICY

## to the Shareholders of The CBF Church of England Investment Fund

**Direct investments in equities and corporate debt:** The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover, they do not invest in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, high interest rate lending or human embryonic cloning. A new policy on alcohol is in the process of implementation under which companies deriving more than 5% of their revenues from alcoholic drinks are only eligible for investment if they meet EIAG standards for responsible marketing and retailing. The new climate change policy does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal.

Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church’s policy and to explain the theology, ethics and reasoning underlying the policies.

**Direct investments in property:** The NIBs apply to direct property investments, the investment exclusions applied to equities and corporate debt in the context of their Property Policy.

**Indirect investments via pooled funds:** The NIBs are only able to invest in some assets, asset classes and investment strategies through pooled funds. Pooled funds are funds in which a number of different investors invest. Because the ethical investment policies of the EIAG and NIBs cannot be applied fully, or at all, in investments in pooled funds and indirect vehicles, it is essential that parameters are set for the use of pooled funds and indirect vehicles. The Pooled Funds Policy gives detailed guidance on how the NIBs should ensure that their use of pooled funds is consistent with ethical investment.

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The Church of England Ethical Investment Advisory Group was established in 1994 and includes representation from The Church Commissioners for England, The CBF Church of England Funds, the Church of England Pensions Board, the General

Synod, the Archbishops’ Council, and the Mission & Public Affairs Council. Website: [www.churchofengland.org/about-us/structure/eiag.aspx](http://www.churchofengland.org/about-us/structure/eiag.aspx) E-mail: [eiag@churchofengland.org](mailto:eiag@churchofengland.org).

## INDEPENDENT AUDITORS' REPORT

to the Shareholders of The CBF Church of England Investment Fund

**Report on the audit of the financial statements***Opinion*

In our opinion, The CBF Church of England Investment Fund's financial statements (the "financial statements"):

- give a true and fair view of the financial position of the Fund as at 31 December 2017 and of the net revenue and the net capital gains of its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, and the Trust Deed.
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2017; the statement of total return, the statement of change in net assets attributable to shareholders for the year then ended; the accounting policies; the distribution tables and the notes to the financial statements.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

*Conclusions relating to going concern*

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Fund Managers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT****to the Shareholders of The CBF Church of England Investment Fund**

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

*Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

*Responsibilities for the financial statements and the audit**Responsibilities of the Authorised Fund Manager for the financial statements*

As explained more fully in the Report of the Trustee set out on page 50, the Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

## INDEPENDENT AUDITORS' REPORT

to the Shareholders of The CBF Church of England Investment Fund

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinion, has been prepared for and only for the unitholders of the Fund as a body in accordance with the Trust Deed and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London  
Riverside  
London  
21 May 2018

**RISK AND REWARD PROFILE**

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank, the greater the potential reward, but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund’s ranking on the risk and reward indicator.



The Fund is ranked 5 because funds of this type have experienced above average rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.

The risk and reward disclosures above are based upon categories of risk which were required to be disclosed as at 31 December 2017, the reporting date of these financial statements. From 1 January 2018, new measures of the categories of risk are in force, with the result that the risk disclosures currently available for the Fund in the Key Information Document are not on a comparable basis to the disclosures above.

For further risk information please see the Scheme Information, available on the Manager’s website at [www.ccla.co.uk](http://www.ccla.co.uk).

## COMPARATIVE TABLE

## Change in net assets per share

	Year to 31.12.2017 pence per share	Income shares	
		Year to 31.12.2016 pence per share	13 months to 31.12.2015 pence per share
Opening net asset value per share	1,501.65	1,350.12	1,337.39
Return before operating charges*	199.95	213.82	76.65
Operating charges	(10.94)	(9.54)	(9.25)
Return after operating charges*	189.01	204.28	67.40
Distributions on income shares	(53.81)	(52.75)	(54.67)
Closing net asset value per share	1,636.85	1,501.65	1,350.12
* after direct transaction costs of (pence per share):	0.78	0.63	0.52

## Performance

Return after charges	12.59%	15.13%	5.04%
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## Other information

Closing net asset value (£'000)	1,251,477	1,095,879	965,936
Closing number of shares	76,456,235	72,978,458	71,544,463
Operating charges**	0.69%	0.68%	0.70%
Direct transaction costs	0.05%	0.04%	0.04%

## Prices (pence per share)

Highest share price (offer)	1,664.60	1,528.36	1,429.84
Lowest share price (bid)	1,489.91	1,250.04	1,262.85

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

\*\* Operating charges comprise the Manager's periodic charge and other expenses, including VAT, but before taking account of rebates, as these only offset charges incurred within the underlying funds. The percentages above reflect these charges divided by average net assets for the year/period.

## COMPARATIVE TABLE

## Change in net assets per share

	Accumulation shares		
	Year to 31.12.2017 pence per share	Year to 31.12.2016 pence per share	13 months to 31.12.2015 pence per share
Opening net asset value per share	3,205.02	2,776.19	2,642.50
Return before operating charges*	432.33	448.86	152.24
Operating charges	(23.70)	(20.03)	(18.55)
Return after operating charges*	408.63	428.83	133.69
Distributions on accumulation shares	(106.11)	(107.31)	(115.89)
Retained distributions on accumulation shares	106.11	107.31	115.89
Closing net asset value per share	3,613.65	3,205.02	2,776.19

\* after direct transaction costs of (pence per share):

	1.70	1.31	1.05
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**Performance**

Return after charges	12.75%	15.45%	5.06%
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**Other information**

Closing net asset value (£'000)	72,815	55,489	51,468
Closing number of shares	2,015,017	1,731,321	1,853,927
Operating charges**	0.69%	0.68%	0.70%
Direct transaction costs	0.05%	0.04%	0.04%

**Prices (pence per share)**

Highest share price (offer)	3,647.18	3,236.48	2,847.23
Lowest share price (bid)	3,179.97	2,570.41	2,455.68

The return after charges has been calculated in accordance with the Statement of Recommended Practice for UK Authorised Funds' prescribed calculation methodology. This is for financial statement reporting purposes only and differs from the Fund's performance disclosed in the Report of the Investment Manager.

\*\* Operating charges comprise the Manager's periodic charge and other expenses, including VAT, but before taking account of rebates, as these only offset charges incurred within the underlying funds. The percentages above reflect these charges divided by average net assets for the year/period.

## OPERATING CHARGES ANALYSIS

for the year ended 31 December 2017

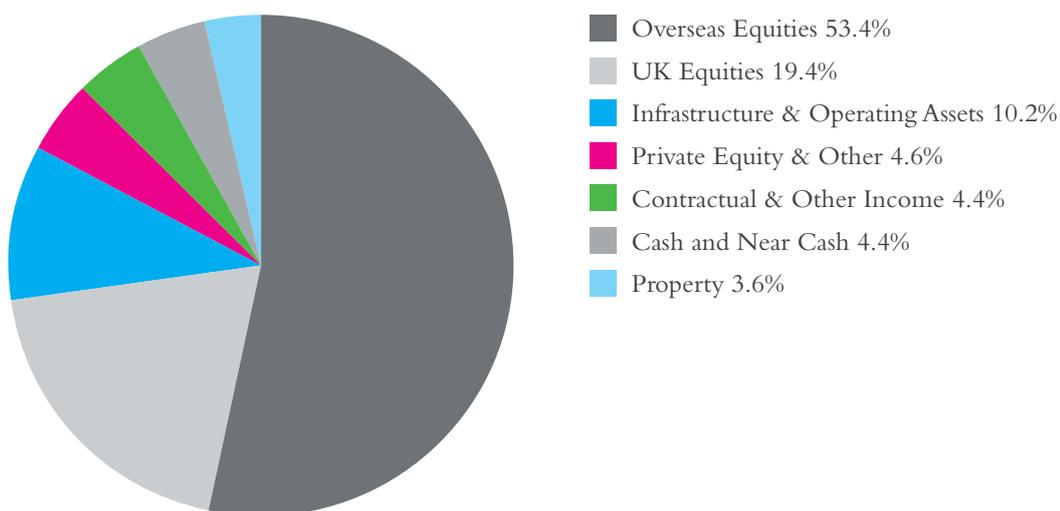
The table below analyses expenses in Note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets. These percentages are also shown in total in the comparative tables.

	31.12.2017	31.12.2016
	%	%
Manager's periodic charge including VAT	0.66	0.66
Manager's fee for ethical services	0.01	0.01
Safe custody fees and depositary fee	0.01	0.01
Other expenses	0.01	0.00
<b>Total operating charges</b>	<b>0.69</b>	<b>0.68</b>

## PORTFOLIO ANALYSIS

at 31 December 2017

## Portfolio Allocation

Breakdown of Overseas Equities  
by Geography

North America	32.6%
Developed Europe	12.6%
Asia Pacific ex-Japan	4.4%
Japan	3.7%
Other Americas	0.1%
	<b>53.4%</b>

## Breakdown of Equities by Sector

Financials	14.1%
Information Technology	12.4%
Health Care	9.5%
Consumer Staples	9.3%
Industrials	8.9%
Consumer Discretionary	7.6%
Materials	3.7%
Real Estate	3.3%
Energy	1.7%
Telecommunication Services	1.2%
Utilities	1.1%
	<b>72.8%</b>

The portfolio analyses above are consistent with the Fund's factsheets, which differ from the following portfolio statement because: prices used here are mid-market, rather than bid; and allocations are adjusted on a 'look through' basis in respect of cross holdings in other CCLA funds (i.e. such funds are shown in a single category in the portfolio statement, but are analysed by their underlying holdings on this page).

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>UNITED KINGDOM EQUITIES 18.89%</b>			
<b>(31.12.2016, 24.77%)</b>			
<b>Consumer Discretionary 0.70% (31.12.2016, 0.45%)</b>			
Compass Group	371,162	5,939	0.45
InterContinental Hotels	70,518	3,327	0.25
<b>Consumer Staples 2.89% (31.12.2016, 2.59%)</b>			
Reckitt Benckiser	278,577	19,272	1.45
Unilever	461,098	19,016	1.44
<b>Energy 0.96% (31.12.2016, 2.80%)</b>			
Royal Dutch Shell A	381,320	9,449	0.71
Royal Dutch Shell B	131,392	3,290	0.25
<b>Financials 2.33% (31.12.2016, 2.03%)</b>			
HSBC	626,019	4,796	0.36
London Stock Exchange	278,655	10,550	0.80
Prudential	811,603	15,445	1.17
<b>Funds 0.00% (31.12.2016, 0.72%)</b>			
<b>Health Care 0.42% (31.12.2016, 2.17%)</b>			
Genus	220,869	5,588	0.42
<b>Industrials 3.12% (31.12.2016, 2.03%)</b>			
Experian	504,277	8,245	0.62
Intertek	137,550	7,139	0.54
Relx	622,489	10,819	0.82
Spirax Sarco Engineering	75,095	4,220	0.32
Ferguson	203,703	10,857	0.82
<b>Information Technology 0.00% (31.12.2016, 0.72%)</b>			
<b>Materials 1.94% (31.12.2016, 2.67%)</b>			
Croda International	291,181	12,879	0.97
DS Smith	1,381,763	7,151	0.54
Rio Tinto	142,499	5,614	0.43

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>Pooled Funds 3.82% (31.12.2016, 4.05%)</b>			
The CBF Church of England UK Equity Fund*	29,537,477	50,628	3.82
<b>Telecommunication Services 0.33% (31.12.2016, 1.73%)</b>			
Vodafone	1,853,612	4,353	0.33
<b>Utilities 0.51% (31.12.2016, 0.64%)</b>			
National Grid	272,175	2,380	0.18
Pennon	564,206	4,395	0.33
<b>Real Estate 1.87% (31.12.2016, 2.17%)</b>			
Empiric Student Property	8,340,275	7,736	0.58
Primary Health Properties REIT	7,194,468	8,382	0.63
Tritax Big Box REIT	5,892,135	8,762	0.66
<b>OVERSEAS EQUITIES 54.44% (31.12.2016, 50.65%)</b>			
<b>DEVELOPED EUROPE 11.66% (31.12.2016, 11.73%)</b>			
<b>Consumer Discretionary 1.52% (31.12.2016, 1.02%)</b>			
LVMH	50,035	10,899	0.82
Valeo	167,191	9,224	0.70
<b>Consumer Staples 1.97% (31.12.2016, 1.83%)</b>			
L'Oreal	58,284	9,569	0.72
Nestlé	259,371	16,478	1.25
<b>Financials 2.40% (31.12.2016, 3.16%)</b>			
Danske Bank	354,414	10,196	0.77
Deutsche Boerse	141,807	12,198	0.92
ING Groep	691,836	9,411	0.71
<b>Health Care 2.45% (31.12.2016, 1.37%)</b>			
Diasorin	69,929	4,584	0.35
Fresenius	145,012	8,331	0.63
Novartis	106,424	6,648	0.50
Roche	34,348	6,420	0.49
Sartorius Stedim Biotech	119,289	6,359	0.48

PORTFOLIO STATEMENT  
at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>Industrials 1.84% (31.12.2016, 1.72%)</b>			
Assa Abloy	455,698	7,007	0.53
Deutsche Post	277,700	9,810	0.74
Legrand	133,517	7,591	0.57
<b>Information Technology 0.76% (31.12.2016, 0.81%)</b>			
SAP	121,714	10,079	0.76
<b>Materials 0.72% (31.12.2016, 0.83%)</b>			
Chr. Hansen	137,021	9,524	0.72
<b>Real Estate 0.00% (31.12.2016, 0.54%)</b>			
<b>Telecommunication Services 0.00% (31.12.2016, 0.45%)</b>			
<b>NORTH AMERICA 29.84% (31.12.2016, 26.65%)</b>			
<b>Consumer Discretionary 2.86% (31.12.2016, 3.39%)</b>			
Amazon	10,590	9,155	0.69
Home Depot	57,007	7,995	0.60
Starbucks	78,952	3,352	0.25
The Priceline Group	9,051	11,627	0.88
Walt Disney	72,440	5,772	0.44
<b>Consumer Staples 2.33% (31.12.2016, 2.32%)</b>			
Coca Cola	232,792	7,906	0.60
Colgate-Palmolive	133,855	7,471	0.56
Pepsico	77,177	6,842	0.52
Procter & Gamble	127,560	8,677	0.65
<b>Energy 0.50% (31.12.2016, 2.69%)</b>			
Chevron	71,785	6,654	0.50

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>Financials 6.49% (31.12.2016, 5.13%)</b>			
Bank of America	598,511	13,065	0.99
Blackstone	493,131	11,673	0.88
Chicago Mercantile Exchange	111,121	12,000	0.91
Citigroup	221,618	12,192	0.92
JP Morgan Chase	159,691	12,654	0.95
S&P Global	124,820	15,637	1.18
Schwab (Charles)	229,371	8,710	0.66
<b>Health Care 5.70% (31.12.2016, 1.99%)</b>			
Bristol Myers Squibb	79,536	3,605	0.27
Celgene	89,595	6,913	0.52
Medtronic	150,151	8,966	0.68
Pfizer	213,686	5,726	0.43
Stryker	80,497	9,219	0.70
Thermo Fisher Scientific	115,602	16,236	1.23
UnitedHealth	92,643	15,119	1.14
Zoetis	181,798	9,688	0.73
<b>Industrials 1.97% (31.12.2016, 2.55%)</b>			
3M CO	61,397	10,701	0.81
Canadian Pacific Railway	46,545	6,305	0.47
Rockwell Automation	62,708	9,107	0.69
<b>Information Technology 7.88% (31.12.2016, 6.65%)</b>			
Accenture	63,692	7,209	0.54
Alphabet	12,364	9,564	0.72
Apple	105,436	13,195	1.00
Facebook	92,301	12,044	0.91
Fidelity National Information Services	107,202	7,460	0.56
Mastercard	104,598	11,739	0.89
Microsoft	226,533	14,333	1.08
PayPal	186,979	10,176	0.77
Texas Instruments	125,142	9,664	0.73
Visa A	106,163	8,967	0.68

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>Materials 0.63% (31.12.2016, 0.46%)</b>			
Ecolab	83,865	8,320	0.63
<b>Real Estate 1.16% (31.12.2016, 0.54%)</b>			
Alexandria Real Estate	68,247	6,588	0.50
Prologis	182,104	8,686	0.66
<b>Telecommunication Services 0.00% (31.12.2016, 0.56%)</b>			
<b>Utilities 0.32% (31.12.2016, 0.37%)</b>			
Duke Energy	68,708	4,272	0.32
<b>OTHER AMERICAS 0.04% (31.12.2016, 0.05%)</b>			
<b>Funds 0.04% (31.12.2016, 0.05%)</b>			
Aberdeen Latin American Income Fund	657,681	478	0.04
<b>JAPAN 3.49% (31.12.2016, 4.69%)</b>			
<b>Consumer Discretionary 0.68% (31.12.2016, 1.30%)</b>			
Koito Manufacturing	174,154	9,028	0.68
<b>Consumer Staples 0.60% (31.12.2016, 0.98%)</b>			
Kao	159,800	7,985	0.60
<b>Health Care 0.00% (31.12.2016, 0.67%)</b>			
<b>Industrials 0.79% (31.12.2016, 0.65%)</b>			
FANUC	58,700	10,422	0.79
<b>Information Technology 0.82% (31.12.2016, 0.00%)</b>			
Keyence	26,200	10,849	0.82
<b>Real Estate 0.00% (31.12.2016, 0.63%)</b>			
<b>Telecommunication Services 0.60% (31.12.2016, 0.46%)</b>			
KDDI	429,100	7,896	0.60

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>ASIA PACIFIC EX JAPAN 3.97% (31.12.2016, 1.60%)</b>			
<b>Consumer Discretionary 0.83% (31.12.2016, 0.00%)</b>			
Samsonite International	3,267,000	11,029	0.83
<b>Consumer Staples 0.18% (31.12.2016, 0.00%)</b>			
LG Household & Healthcare	2,928	2,402	0.18
<b>Financials 1.18% (31.12.2016, 0.78%)</b>			
AIA	2,489,400	15,678	1.18
<b>Information Technology 1.78% (31.12.2016, 0.82%)</b>			
Taiwan Semiconductor Manufacturing	458,912	13,454	1.02
Tencent	264,000	10,136	0.76
<b>MULTI GEOGRAPHY 5.44% (31.12.2016, 5.93%)</b>			
<b>Pooled Funds 5.44% (31.12.2016, 5.93%)</b>			
The CBF Church of England Global Equity Fund*	39,259,989	72,041	5.44
<b>PRIVATE EQUITY &amp; OTHER 4.53%</b>			
<b>(31.12.2016, 4.33%)</b>			
<b>CCLA Shares 2.10% (31.12.2016, 1.63%)</b>			
CCLA Investment Management – Ordinary**	130,000	26,315	1.99
CCLA Investment Management – P Ordinary**	1,417,000	1,417	0.11
<b>Other 0.75% (31.12.2016, 1.20%)</b>			
CatCo Reinsurance Opportunities Fund	9,693,702	7,166	0.54
Triodos Microfinance	124,875	2,817	0.21
<b>Private Equity 1.68% (31.12.2016, 1.50%)</b>			
F&C Private Equity	2,538,746	8,530	0.65
Princess Private Equity	1,457,329	13,687	1.03

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>INFRASTRUCTURE &amp; OPERATING ASSETS 10.16% (31.12.2016, 9.71%)</b>			
<b>Energy Resources &amp; Environment 2.35% (31.12.2016, 2.32%)</b>			
Bluefield Solar Income Fund	6,765,095	7,898	0.60
Foresight Solar Fund	2,796,661	2,999	0.23
Greencoat UK Wind	7,762,729	9,517	0.72
Renewables Infrastructure Group Limited	5,908,776	6,405	0.48
The Forest Company**	624,524	2,193	0.16
UK Energy Efficiency 1A L.P.**	1	2,084	0.16
<b>General 3.40% (31.12.2016, 3.44%)</b>			
International Public Partnership	225,000	352	0.03
RREEF Pan-European Infrastructure Fund**	1	42,651	3.22
Strategic Partners Offshore Real Assets Infrastructure II**	1	2,041	0.15
<b>Social 4.41% (31.12.2016, 3.95%)</b>			
Civitas Social Housing REIT	6,621,882	6,887	0.52
GCP Student Living	7,129,571	10,231	0.77
Impact Healthcare REIT	2,220,108	2,253	0.17
MedicX Fund	11,416,572	9,476	0.72
Montreux Healthcare Fund** (previously Montreux Care Home Fund)	8,376	14,837	1.12
Target Healthcare REIT	3,211,724	3,613	0.27
Triple Point Social Housing REIT	6,052,134	6,294	0.48
Wren Retirement Fund**	6,479	4,824	0.36
<b>PROPERTY 3.54% (31.12.2016, 4.43%)</b>			
Aberdeen Standard European REIT	3,300,000	3,391	0.26
Nazeing Park Farm**	1	2,630	0.20
The CBF Church of England Property Fund*	30,470,632	40,792	3.08

## PORTFOLIO STATEMENT

at 31 December 2017

	Holding	Fair value £'000	% of total net assets
<b>CONTRACTUAL &amp; OTHER INCOME 4.33%</b> (31.12.2016, 4.09%)			
Alcentra European Floating Rate Income Fund	5,218,736	5,127	0.39
Blackstone Mortgage Trust	103,080	2,451	0.18
Blackstone/GSO Loan Financing	8,468,152	7,367	0.56
Chenavari Capital Solutions	2,564,815	2,270	0.17
DP Aircraft	8,935,202	7,051	0.53
Duet Real Estate Finance***	3,026,355	2	–
Fair Oaks Income Fund	9,550,022	7,377	0.56
GCP Asset Backed Income Fund	3,940,520	4,078	0.31
GCP Asset Backed Income Fund C Shares	3,680,000	3,726	0.28
GCP Infrastructure Investments	1,604,960	2,058	0.15
KKR Private Credit Opportunities Partners II**	1	219	0.01
KKR Mezzanine**	1	4,356	0.33
NB Global Floating Rate Income Fund	399,258	378	0.03
Nimrod Sea Assets***	6,020,340	223	0.02
RM Secured Direct Lending	2,518,365	2,531	0.19
RM Secured Direct Lending C Shares	2,858,111	2,887	0.22
SQN Asset Finance Income Fund	4,763,972	4,216	0.32
SQN Asset Finance Income Fund C Shares	1,168,573	1,046	0.08
<b>FIXED INTEREST 0.00% (31.12.2016, 0.41%)</b> <b>Non-Gilts 0.00% (31.12.2016, 0.41%)</b>			
<b>FORWARD CURRENCY CONTRACTS 0.00%</b> (31.12.2016, (0.02%))			
<b>INVESTMENT ASSETS</b>		1,269,805	95.89
<b>NET OTHER ASSETS</b>		54,487	4.11
<b>TOTAL NET ASSETS</b>		1,324,292	100.00

\* The CBF Church of England UK Equity Fund, The CBF Church of England Global Equity Income Fund and The CBF Church of England Property Fund are managed by the Manager and represent related party transactions.

\*\* Unquoted investments.

\*\*\* Suspended quoted securities.

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2017

	Note	Year ended 31.12.2017		Year ended 31.12.2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		118,256		123,325
Revenue	3	39,989		40,243	
Expenses	4	(8,664)		(7,247)	
Interest payable and similar charges		(2)		–	
Net revenue before taxation		31,323		32,996	
Taxation	5	(874)		(1,093)	
Net revenue after taxation			30,449		31,903
<b>Total return before distributions</b>			<b>148,705</b>		<b>155,228</b>
Distributions	6		(42,431)		(39,975)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>106,274</b>		<b>115,253</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS  
for the year ended 31 December 2017

	Year ended 31.12.2017		Year ended 31.12.2016	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>1,151,368</b>		<b>1,017,404</b>
Amounts receivable on issue of shares	81,653		38,791	
Amounts payable on cancellation of shares	(23,751)		(21,951)	
In specie transaction	6,684		–	
		<b>64,586</b>		<b>16,840</b>
Change in net assets attributable to shareholders from investment activities		<b>106,274</b>		<b>115,253</b>
Retained distributions on accumulation shares		<b>2,064</b>		<b>1,871</b>
<b>Closing net assets attributable to shareholders</b>		<b>1,324,292</b>		<b>1,151,368</b>

The notes on pages 31 to 48 and distribution tables on page 49 form part of these financial statements.

**BALANCE SHEET**  
at 31 December 2017

	<i>Note</i>	31.12.2017		31.12.2016	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Fixed assets:					
Investments			1,269,805		1,132,826
Current assets:					
Debtors	7	3,049		2,790	
Cash equivalents	8	53,473		20,940	
Cash and bank balances	8	8,525		5,687	
Total current assets			65,047		29,417
<b>Total assets</b>			<b>1,334,852</b>		<b>1,162,243</b>
<b>LIABILITIES</b>					
Investment liabilities			–		214
Creditors:					
Other creditors	9	996		1,977	
Distribution payable on income shares		9,564		8,684	
Total creditors			10,560		10,661
<b>Total liabilities</b>			<b>10,560</b>		<b>10,875</b>
<b>Net assets attributable to shareholders</b>			<b>1,324,292</b>		<b>1,151,368</b>

The financial statements on pages 29 to 49 have been approved by the Trustee.

Approved on behalf of the Trustee  
21 May 2018

R Williams, Chairman  
CBF Funds Trustee Limited

The notes on pages 31 to 48 and distribution tables on page 49 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2017

#### 1. Accounting policies

##### *(a) Basis of preparation*

The financial statements have been prepared on a going concern basis, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by the Investment Management Association in May 2014 and the Trust Deed and the Collective Investment Scheme Sourcebook. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments.

The Fund is exempt from preparing a statement of cash flows under FRS 102 as substantially all of the Fund's investments are highly liquid, substantially all of the Fund's investments are carried at market value and the Fund provides a statement of changes in net assets.

##### *(b) Revenue recognition*

Dividends on ordinary stocks, including special dividends where appropriate, and distributions received on collective investment schemes are credited to revenue on the dates when the investments are first quoted ex-dividend or otherwise on receipt of cash. Interest on Government stocks, debentures, convertible loan stocks, other fixed interest stocks, bank deposits and interest on deposits in The CBF Church of England Deposit Fund and direct property income are accrued on a daily basis.

Revenue on debt securities is recognised on the effective yield basis which takes into account the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Accrued interest purchased or sold is excluded from the cost of the security and is recognised as revenue of the Fund.

Dividends received from US REITS are allocated between revenue and capital for distribution purposes. The split is based on the year-end tax reporting date issued by the US REIT. Where the split of revenue and capital has not been announced at the accounting date a provisional split will be used. The provision will be calculated on the prior year's aggregated dividend split for each US REIT.

Revenue is stated net of irrecoverable tax credits. In the case where revenue is received after the deduction of withholding tax, the revenue is shown gross of taxation and the tax consequences are shown within the tax charge.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

1. Accounting policies (continued)

*(c) Stock dividends*

The ordinary element of stock received in lieu of cash dividends is recognised as revenue of the Fund. Any enhancement above the cash dividend is treated as capital.

*(d) Special dividends, share buy-back or additional share issue*

The underlying circumstances behind a special dividend, share buy-back or additional share issue are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue form part of the distribution.

*(e) Expenses*

The Manager's periodic charge and fees for ethical and stewardship services, paid to the Manager, are charged to the capital of the Fund. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.55% p.a. plus VAT. The Fund receives a management fee rebate credited to the revenue of the Fund on the Fund's deposits in The CBF Church of England Deposit Fund where the management fees are charged to revenue. The Fund also receives a management fee rebate credited to the capital of the Fund for its holding in The CBF Church of England Property Fund, The CBF Church of England UK Equity Fund and The CBF Church of England Global Equity Income Fund where, in all Funds, management fees are charged to capital. On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager.

Audit, legal, safe custody fees and transaction charges, insurance, direct property expenses and monitoring fee are charged separately to the revenue of the Fund before distribution. The Trustee's administration fee is charged to the revenue of the Fund.

*(f) Distributions*

Distributions are paid quarterly. The Fund utilises an income reserve to even out the fluctuations in revenue which arise over the years (see note 10). Movements in the income reserve are therefore adjustments made to the net revenue in determining the distributions.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

1. Accounting policies (continued)

(f) Distributions (continued)

It is the Fund's policy to calculate the distribution based on the revenue on debt securities which is computed as the higher of the amount determined on an accrual of coupon basis and an effective yield basis. The Fund has therefore adopted a distribution policy that follows the effective yield basis for recognising revenue. A reconciliation of the net distribution to the net income of the Fund as reported in the Statement of Total Return is shown in note 6.

From 1 January 2017, distributions can also be supported by the Fund's capital.

(g) Basis of valuation

Quoted investments are valued at bid-market values at the close of business on the last business day of the accounting period. Any unlisted or de-listed, unquoted or suspended investments are stated at valuation by the Manager and reviewed by the Trustee. The Manager's valuation is based upon valuations supplied by the manager of the underlying investments. The Manager satisfies itself that these valuations can be relied on by valuations from independent experts (which may include discounted cash flow calculations, or prices based upon income yield); or net asset values which the Manager considers reliable, based upon audit reports and the Manager's own knowledge of the investee entity. The estimates and assumptions underlying the valuations are kept under review by the Manager and judgements are reviewed, considering all factors affecting the investments.

For unquoted investments, the latest valuation point may be prior to the year end, but the Manager is satisfied that the resultant portfolio valuation would not be materially different from a valuation carried out as at the year end.

Suspended securities are valued by the Manager having regard to the last dealing price on the date of suspension and subsequent available information. Suspended securities are written off after they have been carried at nil value for two years.

Agricultural property is valued yearly by the Manager on the basis of open market value as advised by independent chartered surveyors.

(h) Foreign exchange

Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the accounting date. Transactions in foreign currencies are translated into sterling at the exchange rates ruling on the transaction dates.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

1. Accounting policies (continued)

(h) Foreign exchange (continued)

The Fund may enter into forward currency contracts to protect the sterling value of the underlying portfolio of securities against the effect of possible adverse movements in foreign exchange rates. Fluctuations in the value of such forward currency contracts are recorded as unrealised gains or losses. Realised gains or losses include net gains or losses on transactions that have terminated by settlement or by the Fund entering into offsetting commitments.

(i) Cash equivalents

The Manager has treated some assets as Cash equivalents for the purposes of the Balance Sheet disclosure. Investments are regarded as Cash equivalents if they meet all of the following criteria:

- highly liquid investments held in Sterling that are readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond.

2. Net capital gains

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
The net capital gains during the year comprise:		
Unrealised gains on non-derivative securities*	67,221	75,729
Realised gains on non-derivative securities*	48,192	49,222
Manager's periodic charge rebate – see note 1(e)**	1,258	1,236
Currency gains	451	115
Transaction costs	–	6
Unrealised losses on forward currency contracts*	–	(214)
Realised gains/(losses) on forward currency contracts*	1,134	(2,769)
	<b>118,256</b>	<b>123,325</b>

\* Where net realised gains include gains/(losses) arising in previous reporting periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

\*\* This amount includes the rebates credited to the capital of the Fund for its holding in The CBF Church of England Property Fund, The CBF Church of England UK Equity Fund and The CBF Church of England Global Equity Income Fund where, in all Funds, management fees are charged to capital.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

3. Revenue

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Overseas dividends	18,748	17,460
UK dividends	9,217	10,970
Franked dividend distributions	7,063	7,577
Franked dividends on unquoted stocks	3,120	2,559
Interest on debt securities	522	396
Interest on The CBF Church of England Deposit Fund	100	139
Property income distributions	1,123	1,056
Bank interest	8	38
Other income	–	3
Manager's periodic charge rebate*	88	45
	39,989	40,243

\* In the prior year this was disclosed as a negative expense, this has been reallocated to the income note in the current year.

4. Expenses

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(e)	8,301	7,002
Manager's fee for ethical services	103	103
	8,404	7,105
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Monitoring fee	70	62
Safe custody fees	59	41
	129	103

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

4. Expenses (*continued*)

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Other expenses:		
Audit fee	12	17
Insurance fee	8	10
Other fees	111	12
	131	39
Total expenses	8,664	7,247

Audit fee net of VAT is £10,151 (31.12.2016, £9,855).

The above expenses include VAT where applicable.

5. Taxation

The Fund has charitable status and is exempt from UK Income and Capital Gains Tax pursuant to Part 11 Chapter 3 of the Corporation Tax Act 2010. Distributions are paid and reinvested revenue credited gross to shareholders on the basis that all recoverable UK taxation has been reclaimed.

Overseas withholding tax is deducted in full from overseas revenue. Recoverable withholding tax is credited to revenue.

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Overseas taxation suffered in the year	908	793
Overseas recoverable withholding tax (windfall)/written off in the year	(34)	300
Total taxation	874	1,093

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

6. Distributions

Distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
31 March – interim distribution	10,240	11,021
30 June – interim distribution	12,448	10,705
30 September – interim distribution	9,934	9,156
31 December – final distribution	10,052	9,134
	<b>42,674</b>	<b>40,016</b>
Add: revenue deducted on cancellation of shares	74	92
Deduct: revenue received on in specie transactions	(24)	–
Deduct: revenue received on issue of shares	(293)	(133)
Net distribution for the year	<b>42,431</b>	<b>39,975</b>
Net revenue after taxation for the year	30,449	31,903
Transfer from income reserve – see note 10	3,578	961
Transaction costs	–	6
Manager's periodic charge – see note 1(e)	8,404	7,105
Net distribution for the year	<b>42,431</b>	<b>39,975</b>

Details of the distribution per share are set out in the distribution tables on page 49.

The Manager's periodic charge is charged to capital, so this amount is added back in the table above to the net distribution for the year and deducted from capital.

There were unclaimed distributions as at 31 December 2017 of £5,637 (31.12.2016, £1,854).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

7. Debtors

	31.12.2017 £'000	31.12.2016 £'000
Accrued revenue	3,049	2,790

8. Cash and bank balances and Cash equivalents

	31.12.2017 £'000	31.12.2016 £'000
Cash equivalents: cash in The CBF Church of England Deposit Fund	53,473	20,940
Cash and bank balances: cash at bank	8,525	5,687

9. Other creditors

	31.12.2017 £'000	31.12.2016 £'000
Purchases awaiting settlement	–	1,303
Accrued expenses	786	674
Tax payable	210	–
	996	1,977

10. Income reserve

The income reserve, accumulated out of revenue, is used to smooth fluctuations paid out by the Fund. The income reserve is included in the total value of the Fund and is attributable to income shareholders.

	Year ended 31.12.2017 £'000	Year ended 31.12.2016 £'000
Income reserve at the start of the year	15,534	16,191
Equalisation of the income reserve	715	304
Transfer from income reserve	(3,578)	(961)
Income reserve at the end of the year	12,671	15,534

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2017

#### 11. Financial instruments

##### *Fair value*

Securities held by the Fund are valued at bid-market value (see note 1(g)). Bid-market value is considered to be a fair representation of the amount repayable to shareholders should they wish to sell their shares. Other financial assets and liabilities of the Fund are included in the balance sheet at their fair value.

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied consistently throughout the year and the comparative year.

##### *Market price risk*

This is an actively managed Fund which invests mainly in UK and overseas equities. Investors are thus exposed to market price risk, which can be defined as the uncertainty about future price movements of the financial instruments the Fund is invested in. Market price risk arises mainly from economic factors, including investor confidence and is not limited to interest rate and currency movements. This exposure to market price risk may result in substantial fluctuations in the share price from time to time, although there will generally be a positive correlation in the movement of the share price to the markets the Fund is invested in. The Fund seeks to minimise the risks by holding a diversified portfolio of investments in line with the Fund's investment objectives. Risk is monitored at both the asset allocation and stock selection levels by Directors of the Manager on a regular basis and also by the Board.

At 31 December 2017, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders, and profit or loss, would increase or decrease respectively by approximately £63,490,000 (31.12.2016, £56,631,000).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

11. Financial instruments (*continued*)

*Credit risk*

The Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this, the Fund only deals with an approved list of brokers maintained by the Manager.

*Liquidity risk*

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of UK and overseas equities, fixed interest stocks, sterling and overseas cash deposits. These assets are generally liquid and enable the Fund to meet the payment of any redemption of shares that shareholders may wish to make. However, 8.04% of the net asset value of the Fund comprises unquoted investments, which are illiquid.

*Currency risk*

The Fund is exposed to fluctuations in foreign currencies as some of its assets and revenue are denominated in currencies other than sterling, the base currency of the Fund. The Fund may enter into forward currency contracts to protect the sterling value of the underlying portfolio of securities against the effect of possible adverse movements in foreign exchange rates on investments and revenue accrued, but not yet received. In respect of revenue, receipts are converted to sterling shortly after receipt.

At 31 December 2017, if the value of sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to shareholders, and profit or loss, would decrease or increase respectively by approximately £7,499,000 (31.12.2016, increase or decrease respectively by £5,475,000).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

11. Financial instruments (continued)

Currency risk (continued)

The total foreign currency exposure at 31 December 2017 and 31 December 2016 was:

Currency	31.12.2017			31.12.2016		
	Monetary exposures £'000	Non- monetary exposures £'000	Total £'000	Monetary exposures £'000	Non- monetary exposures £'000	Total £'000
Australian dollar	–	–	–	–	4,566	4,566
Canadian dollar	13	6,305	6,318	21	13,380	13,401
Danish krona	–	19,720	19,720	–	16,269	16,269
Euro	370	161,979	162,349	557	62,248	62,805
Hong Kong dollar	–	36,843	36,843	–	8,961	8,961
Japanese yen	51	46,180	46,231	46	53,955	54,001
Norwegian krone	–	–	–	–	5,230	5,230
Korean won	–	2,402	2,402	–	–	–
Swedish krona	–	7,007	7,007	–	13,526	13,526
Swiss franc	–	29,546	29,546	–	35,758	35,758
US dollar	4,284	435,191	439,475	(62)	333,030	332,968
<b>Total</b>	<b>4,718</b>	<b>745,173</b>	<b>749,891</b>	<b>562</b>	<b>546,923</b>	<b>547,485</b>

Interest rate risk

The majority of the Fund's financial assets are equities which neither receive interest nor have maturity dates. The Fund also invests in fixed interest securities and cash deposits, the revenue of which may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

A sensitivity analysis for interest rate risk is not shown as the impact is unlikely to be significant.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

## 11. Financial instruments (continued)

*Interest rate risk (continued)*

The total exposure at 31 December 2017 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	58,337	–	526,624	584,961
Euro	–	–	162,349	162,349
Japanese yen	–	–	46,231	46,231
US dollar	3,661	–	435,814	439,475
Other	–	–	101,836	101,836
<b>Total</b>	<b>61,998</b>	<b>–</b>	<b>1,272,854</b>	<b>1,334,852</b>

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	10,560	10,560
<b>Total</b>	<b>–</b>	<b>–</b>	<b>10,560</b>	<b>10,560</b>

The total exposure at 31 December 2016 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	30,290	–	582,951	613,241
Euro	320	–	62,699	63,019
Japanese yen	–	–	54,001	54,001
US dollar	712	–	333,559	334,271
Other	–	–	97,711	97,711
<b>Total</b>	<b>31,322</b>	<b>–</b>	<b>1,130,921</b>	<b>1,162,243</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

11. Financial instruments (continued)

Interest rate risk (continued)

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	9,358	9,358
Euro	–	–	214	214
US dollar	–	–	1,303	1,303
Total	–	–	10,875	10,875

\* The floating rate financial assets of the Fund earn interest at rates based on either LIBOR or base rate.

All financial liabilities are due to be settled within one year or on demand.

The Fund held no derivatives relating to forward currency contracts as at 31 December 2017 (31.12.2016, (£213,896)).

12. Commitments and contingent liabilities

Undrawn commitments at 31 December were:

	31.12.2017 £	31.12.2016 £
RREEF Pan-European Infrastructure	2,281,826	2,194,237
KKR Mezzanine	1,802,235	2,482,382
UK Energy Efficiency 1A L.P.	1,595,987	1,906,404
KKR Private Credit Opportunities Partners II	6,519,123	–
Strategic Partners Offshore Real Assets – Infrastructure II	10,525,562	–

There were no other commitments or contingent liabilities as at 31 December 2017 (31.12.2016, £nil).

13. Unquoted and other investments

Unquoted investments include the Fund's holding of 53.69% of the issued share capital of the manager, which provides investment management and administrative services to The CBF Church of England Funds. The valuation of £27,731,600 (31.12.2016, £18,770,700) is based on a discounted market value calculation, prepared yearly.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

**13. Unquoted and other investments (continued)**

At 31 December 2017, 3.08% (31.12.2016, 4.19%) of the value of the Fund was held in shares in The CBF Church of England Property Fund, 3.82% (31.12.2016, 4.05%) of the value of the Fund was held in shares in The CBF Church of England UK Equity Fund, 5.44% (31.12.2016, 5.93%) of the value of the Fund was held in shares in The CBF Church of England Global Equity Income Fund and 4.04% (31.12.2016, 1.82%) of the value of the fund was held in The CBF Church of England Deposit Fund.

At 31 December 2017, the Fund held 49.40% (31.12.2016, 50.93%) of the shares of The CBF Church of England Global Equity Income Fund, 77.00% (31.12.2016, 78.01%) of the shares in The CBF Church of England UK Equity Fund and 23.86% (31.12.2016, 27.86%) of the shares of The CBF Church of England Property Fund. The CBF Church of England Property Fund shares may not be readily realisable, and the Manager may impose a period of notice or delay before carrying out a redemption of shares in that Fund, if it is deemed to be necessary to protect the interests of shareholders in the Fund or to permit properties to be sold to meet a redemption.

**14. Related party transactions**

The Manager's periodic charge and fee for ethical and stewardship services (including EIAG costs) are paid to the Manager, a related party to the Fund. The amounts incurred in respect of these charges are disclosed in note 4. An amount of £637,903 was due to the Manager at 31 December 2017 (31.12.2016, £541,883). During the year, the Fund received dividends of £1,212,510 from the Manager (31.12.2016, £822,510).

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2017 (31.12.2016, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2016, none).

At 31 December 2017 a cash balance of £53,472,715 (31.12.2016, £20,940,100) was held in The CBF Church of England Deposit Fund. During the year, the Fund received interest of £99,696 (31.12.16, £138,927) from The CBF Church of England Deposit Fund.

Further details of the Fund's holdings in the manager and in other CBF Church of England Funds are disclosed in note 13.

There is no individual investor holding more than 20% of the Fund.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

15. Portfolio transaction costs

For the year ended 31 December 2017:

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
<b>Analysis of total purchases costs</b>						
Equity transactions	356,469	273	0.08	104	0.03	356,846
Fund transactions	2,987	–	–	–	–	2,987
In specie transactions	6,708	–	–	–	–	6,708
Corporate actions	1,767	–	–	–	–	1,767
<b>Total</b>	<b>367,931</b>	<b>273</b>		<b>104</b>		<b>368,308</b>

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
<b>Analysis of total sales costs</b>						
Equity transactions	313,416	(239)	0.08	(4)	–	313,173
Fund transactions	8,437	–	–	–	–	8,437
Bond transactions	4,942	–	–	–	–	4,942
Corporate actions	12,095	–	–	–	–	12,095
<b>Total</b>	<b>338,890</b>	<b>(239)</b>		<b>(4)</b>		<b>338,647</b>

Commissions and taxes as a percentage of average net assets

Commissions 0.04%

Taxes 0.01%

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.33%.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

15. Portfolio transaction costs (continued)

For the year ended 31 December 2016

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
<b>Analysis of total purchases costs</b>						
Equity transactions	301,378	231	0.08	17	0.01	301,626
Corporate actions	4,862	–	–	–	–	4,862
<b>Total</b>	<b>306,240</b>	<b>231</b>		<b>17</b>		<b>306,488</b>

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
<b>Analysis of total sales costs</b>						
Equity transactions	265,234	(228)	0.09	(2)	–	265,004
Fund transactions	12,829	–	–	–	–	12,829
Corporate actions	9,347	–	–	–	–	9,347
<b>Total</b>	<b>287,410</b>	<b>(228)</b>		<b>(2)</b>		<b>287,180</b>

Commissions and taxes as a percentage of average net assets

Commissions	0.05%
Taxes	0.00%

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.28%.

For the current year and the comparative year, in the case of equities, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike equities, the majority of other types of investments (such as bonds, funds money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

16. Shareholders' funds – reconciliation of shares

	Year ended 31.12.2017	
	Income units	Accumulation units
Opening number of shares at beginning of year	72,978,458	1,731,321
Shares issued in year	4,749,072	388,126
Shares cancelled in year	(1,357,642)	(64,630)
Shares converted in year	86,347	(39,800)
Closing number of shares at end of year	76,456,235	2,015,017

All shares carry the same rights.

17. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities other than investments (including investment liabilities), there is no material difference between their value, as shown on the balance sheet, and fair value.

Investments are held at fair value. An analysis of the valuation technique used to derive fair value of the investments is shown below:

The fair value of investments has been determined using the following hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included above that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31 December 2017

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment Assets	992,685	170,513	106,607	1,269,805
	992,685	170,513	106,607	1,269,805

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2017

17. Fair value of financial assets and financial liabilities (*continued*)

For the year ended 31 December 2016

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment Assets	857,320	180,271	95,235	1,132,826
Investment Liabilities		(214)		(214)
	857,320	180,057	95,235	1,132,612

For financial instruments which have quoted prices for identical instruments in active markets, or for which there are prices of recent transactions for identical instruments, those prices are taken to be fair value.

For financial instruments for which the Manager uses valuation techniques using observable market data, the inputs include: prices of recent transactions for identical instruments in inactive markets; broker quotes; evaluated pricing data from data providers; or prices quoted for closely similar (but not identical) instruments.

For financial instruments for which the Manager uses valuation techniques using non-observable data, the inputs include: valuations from independent experts (which may include discounted cash flow calculations, or prices based upon income yield); or net asset values which the Manager considers reliable, based upon audit reports and the Manager's own knowledge of the investee entity.

For derivatives, fair value is the price that would be required to close out the contract at the balance sheet date.

## DISTRIBUTION TABLES

for the year ended 31 December 2017

Period ended	Date paid/payable	Dividends paid/payable pence per share	
		2017	2016
<b>Income shares</b>			
31 March	31 May	13.18	14.70
30 June	31 August	15.62	14.10
30 September	30 November	12.50	12.05
31 December	28 February	12.51	11.90
		<b>53.81</b>	<b>52.75</b>
		Revenue accumulated pence per share	
		2017	2016
<b>Accumulation shares</b>			
31 March		27.73	26.88
30 June		31.81	29.33
30 September		22.40	25.14
31 December		24.17	25.96
		<b>106.11</b>	<b>107.31</b>

## STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES

The Trustee shall comply with the duty of care when exercising their powers and discharging their duties under the Church Funds Investment Measure 1958 (as amended from time to time) and the Trustee Act 2000 (together the Measure) to:

- make and revise the written statement of the investment objectives of the Fund and details of such investment objectives will be included in the Scheme Information;
- determine the criteria and methods for evaluating the performance of the Fund;
- appoint the Auditor of the Fund and agree their terms of engagement;
- determine the rate of remuneration of the Trustee and the Manager in accordance with the Scheme and the Scheme Information;
- exercise supervision and oversight of the Manager's compliance with the Measure and the Scheme Information. In particular, the Trustee shall be satisfied on a continuing basis that the Manager is competently exercising the powers and discharging the duties conferred or imposed on it by or pursuant to the provisions of the Measure and ensure the Manager is maintaining adequate and proper records;
- review the appointment, supervision and oversight of any Registrar or other delegate whom it has appointed in accordance with the provisions of this Scheme;
- review the custody and control of the property of the Fund and the collection of all revenue due to the Fund in accordance with the Measure;
- make distributions to investors holding income shares and make allocations to investors holding accumulation shares in proportion to their respective shares in the property of the Fund; and
- take all steps and execute all documents which are necessary to ensure that the purchases and sales of investments for the Fund are properly completed.

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**STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES****Preparation of financial statements**

The Trustee of the Fund is required, by the Measure, to prepare financial statements which give a true and fair view of the financial position of the Fund at each half year and year end valuation date. The net revenue for the period, together with a report on the operation of the Fund, is also required.

The financial statements show the net asset value of the shares in the Fund as at the date to which the financial statements are prepared, the amount of revenue per share and the amount of revenue, if any, to be transferred to capital pursuant to paragraph 11 of the Schedule to the Measure. In preparing the financial statements, the Trustee:

- selects suitable accounting policies that are appropriate for the Fund and applies them on a consistent basis;
- complies with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by The Investment Management Association in May 2014;
- follows generally accepted accounting principles and applicable United Kingdom accounting standards;
- keeps proper accounting records which enables them to demonstrate that the financial statements, as prepared, comply with the above requirements;

- makes judgments and estimates that are prudent and reasonable; and
- prepares the financial statements on a going concern basis, unless it is inappropriate to presume this.

The Trustee is also required to manage the Fund in accordance with the Measure and has delegated to the Manager the day-to-day management, accounting and administration of the Fund, as permitted by the Measure.

**Manager responsibilities**

The Manager is required to carry out these duties in accordance with the Measure and take reasonable steps for the prevention and detection of fraud and other irregularities.

**CBF Funds Trustee Limited**  
(Charity Registration No. 1116932)

**Trustee Directors**

R Williams (Chairman)  
Rev Canon E Carter  
N Lewis\*  
G Pollard  
P Read\*  
S Steele\* (resigned 26 February 2018)  
Rev Dr R Turnbull\*  
M Woodmore\*  
A Brookes (appointed 6 November 2017)  
S Chan (appointed 6 November 2017)  
C Johnson (appointed 6 November 2017)  
\* *Members of the Audit Committee*

**Secretary**

J Fox

**Manager and Registrar**

CCLA Investment Management Limited  
Senator House, 85 Queen Victoria Street  
London EC4V 4ET  
Telephone: 0207 489 6000  
Client Service:  
Freephone: 0800 022 3505  
Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)  
[www.ccla.co.uk](http://www.ccla.co.uk)  
*Authorised and regulated by the Financial Conduct Authority*

**Administrator**

HSBC Securities Services (UK) Limited  
1-2 Lochside Way  
Edinburgh Park  
Edinburgh EH12 9DT  
*Authorised and regulated by the Financial Conduct Authority*

**Executive Directors of the Manager**

M Quicke, OBE (Chief Executive)  
J Bevan (Chief Investment Officer)  
A McMillan (Chief Operating Officer)  
A Robinson, MBE (Director Market Development)

**Non-Executive Directors of the Manager**

R Horlick (Chairman) (appointed 1 January 2017)  
R Norris  
T Salmon, OBE  
J Tattersall  
R Williams

**Fund Manager**

J Bevan

**Company Secretary**

J Fox

**Head of Operational Risk, Internal Audit and Compliance**

S Forrest (resigned 31 January 2018)  
R Plumridge (from 31 January 2018)

**Head of Ethical and Responsible Investment**

J Corah

**Third Party Advisors****Banker**

HSBC Bank plc  
60 Queen Victoria Street  
London EC4N 4TR

**Custodian**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

**Solicitors**

Farrer & Co LLP  
66 Lincoln's Inn Fields  
London WC2A 3LH

**Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## The CBF Church of England Funds

The CBF Church of England Funds provide Church of England parishes, dioceses and other church charitable trusts with a ready-made service to look after their money and investments. These Funds aim to provide prudent management of Church money avoiding unnecessary risks, but at the same time seeking to deliver satisfactory investment results.

### A choice of Funds

The six CBF Church of England Funds aim to meet most of the investment and deposit needs of a church trust.

#### Investment Fund

- A suitable 'all-in-one' long-term fund for most church organisations
- Highly diversified and well-balanced spread of investments
- Designed to help meet growth and income requirements
- Focus on delivering attractive, growing income
- Working with the EIAG to reflect appropriately ethical values in your investments

#### Global Equity Income Fund

- Attractive income
- Rising income in the future
- Strong growth opportunities from the global economy

#### UK Equity Fund

- The only UK equity fund managed to reflect Church ethical values
- High quality, well-diversified portfolio
- Designed to help meet growth and income requirements
- Usually held with other investments such as overseas equities, bonds and cash to give a broad spread of assets and achieve overall objectives

#### Fixed Interest Securities Fund

- Long-term investment focused on income
- Gross income paid quarterly
- Usually held with other investments such as equities and cash to give a broad spread of assets and achieve combined income and growth objectives

#### Property Fund

- Investing in high quality, well-diversified commercial and industrial property
- Focus on delivering attractive income
- Actively managed to add value

#### Deposit Fund

- An attractive rate
- Interest paid gross
- No minimum balance
- Easy access
- Simple operation
- Excellent service
- Free BACS transfers
- AAAf/S1 Fund rating\*

\* The Deposit Fund is rated AAAf/S1 by Fitch Ratings. This reflects the high credit quality of the portfolio.

The Funds are common funds established under the Church Funds Investment Measure 1958 (as amended from time to time). CBF Funds Trustee Limited, a company incorporated under the Companies Act, is the Trustee and Operator of the Funds. CCLA Investment Management Limited manages the investment of the Funds.

The value of the investments may fall as well as rise and an investor may not get back the full amount originally invested.

# **CCLA**

**CCLA Fund Managers Limited**

Senator House, 85 Queen Victoria Street, London EC4V 4ET

T: 0800 022 3505 E: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)

[www.ccla.co.uk](http://www.ccla.co.uk)

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