

CCLA AUTHORISED CONTRACTUAL SCHEME  
INTERIM REPORT AND  
UNAUDITED FINANCIAL STATEMENTS

Half year ended 30 June 2018

**CCLA**

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\*Collectively, these comprise the Investment Manager’s Report.

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 Interim Report and Unaudited Financial Statements are available in large print and audio formats.

## REPORT OF THE ACS MANAGER for the half year ended 30 June 2018 (unaudited)

### The Financial Statements

We are pleased to present the Interim Report and Financial Statements for the CCLA Authorised Contractual Scheme (the Fund) and its only Sub-Fund, the Diversified Income Fund for the period ended 30 June 2018.

### The Fund

The Fund is an umbrella-type authorised contractual scheme (ACS) and is a Non-UCITS Retail Scheme (NURS). For the purposes of the Alternative Investment Fund Managers Directive (AIFMD), the Fund qualifies as an Alternative Investment Fund (AIF). It is established by way of a Co-ownership Deed which is binding on each Unitholder, who is deemed to have notice of it.

Being an umbrella scheme, the Fund is capable of comprising various Sub-Funds and such Sub-Funds may be established from time to time by the ACS Manager with the approval of the FCA. Each Sub-Fund is an AIF and a NURS for the purpose of the Regulations.

Each Sub-Fund is operated as a distinct fund with its own portfolio of investments. The assets of a Sub-Fund are beneficially owned by the Unitholders as tenants in common and must not be used to discharge the liabilities of, or meet any claims against, any person or body other than the Unitholders in that Sub-Fund (including the umbrella and other Sub-Funds).

Each Sub-Fund will be charged with the liabilities, expenses, costs and charges of the Fund attributable to that Sub-Fund, and within each Sub-Fund charges will be allocated between Unit Classes in accordance with the terms of issue of Units of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-Fund may be allocated by the ACS Manager in a manner which it believes is fair to the Unitholders generally. This will normally be pro rata to the Net Asset Value of the relevant Sub-Funds.

The investment objective of the Fund is to invest the property of the Fund with the aim of spreading investment risk and giving Unitholders the benefit of the results of the management of that property. The investment objective and policy of each Sub-Fund will be formulated by the ACS Manager at the time of creation of the relevant Sub-Fund, which may be varied from time to time subject to the requirements regarding Unitholder approval and FCA consent as set out in the Regulations.

### Authorised Status

The Fund is an ACS in co-ownership form authorised by the FCA with effect from 24 October 2016.

**REPORT OF THE ACS MANAGER**  
for the half year ended 30 June 2018 (unaudited)

**Responsible Investment and Stewardship**

The Fund is managed in accordance with CCLA's responsible investment approach. This integrates environmental, social and governance issues into investment decision making and prioritises ongoing stewardship with investee companies. These activities are conducted with the aim of increasing the security of the Fund.

The Manager is a signatory to the United Nations backed Principles of Responsible Investment and the Financial Reporting Council's Stewardship Code. The most recent PRI Assessment and the full response to the Stewardship Code are available at <https://www.ccla.co.uk/our-approach/how-we-approach-stewardship-and-ethics>.

**Ethical Investment**

The Diversified Income Fund follows the ethical investment policy of the COIF Charities Investment Fund. It avoids investing in companies, identified by our third-party data provider (MSCI), as being involved in:

- the production of weapons banned by international treaties (e.g. land mines and cluster bombs);
- the production of tobacco products; and
- or with significant business activity (defined as 10% of revenue) in the following areas from either online Gambling or the production of pornography.

CCLA Fund Managers Limited  
ACS Manager  
22 August 2018

**STATEMENT OF THE ACS MANAGER'S RESPONSIBILITIES  
AND ACS MANAGER'S STATEMENT**  
for the half year ended 30 June 2018 (unaudited)

**Statement of the ACS Manager's  
Responsibilities**

The Collective Investment Schemes Sourcebook of the Financial Conduct Authority requires the ACS Manager ("the Manager") to prepare financial statements for each accounting period which give a true and fair view of the financial position of the Fund at the period end and of the net income and net gains or losses of the Fund for the period then ended.

In preparing the financial statements the Manager is required to:

- follow applicable accounting standards;
- make judgements and estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation for the foreseeable future; and
- comply with the Co-Ownership Deed and the Statement of Recommended Practice for UK Authorised Funds (SORP).

The Manager is required to keep proper accounting records and to manage the Scheme in accordance with the Regulations and the Co-Ownership Deed. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ACS Manager's Statement**

We hereby approve the Interim Report and Financial Statements of CCLA Authorised Contractual Scheme for the period ended 30 June 2018 on behalf of CCLA Fund Managers Limited in accordance with the requirements of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority.

A Robinson MBE  
Director  
22 August 2018

M Quicke OBE  
Director  
22 August 2018

## STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES

for the half year ended 30 June 2018 (unaudited)

**Statement of the Depositary's responsibilities in respect of the Scheme**

The Depositary must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and, from 22 July 2014 the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (together "the Regulations") and the Contractual Scheme Deed and Prospectus (together the "Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Depositary must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked in cash accounts in accordance with the Regulations;

- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Scheme is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Scheme.

## ACCOUNTING POLICIES

for the half year ended 30 June 2018 (unaudited)

The following accounting policies apply to all Sub-Funds, where applicable.

### (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 Association in May 2014 and the Collective Investment Scheme Sourcebook. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments.

### (b) Revenue recognition

Dividends on ordinary stocks, including special dividends where appropriate, distributions received on collective investment schemes, preference shares and unit trusts are accrued to revenue on the dates when the investments are first quoted ex-dividend, or otherwise on receipt of cash. Interest on Government and other fixed interest stocks and bank deposits 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 years 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.

### (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.

**ACCOUNTING POLICIES**

for the half year ended 30 June 2018 (unaudited)

**(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) Cash equivalents**

Interest on deposits in The Public Sector Deposit Fund (PSDF) are reinvested in the PSDF on a monthly basis.

**(f) Expenses**

Please refer to the accounting policies section of each Sub-Fund.

**(g) Distributions**

Please refer to the accounting policies section for each Sub-Fund.

**(h) Basis of valuation**

Quoted investments are valued at bid-market values, at 3pm London time, on the last business day of the accounting period. The ACS Manager is satisfied that the resultant Portfolio Valuation is not materially different from a valuation carried out at close of business on the balance sheet date.

**(i) Taxation**

As the Fund is an umbrella co-ownership ACS, neither the Fund nor its Sub-Funds are subject to UK tax on income and capital gains.

**DIVERSIFIED INCOME FUND**  
**REPORT OF THE INVESTMENT MANAGER**  
for the half year ended 30 June 2018 (unaudited)

**Performance**

**Diversified Income Fund Unit Class 1**

The Fund achieved a total return of 1.24% before expenses; this compares with a return of 0.37% on the benchmark. The return after all costs and charges was 0.86%. Over the period income of 2.61p was earned. As at 30 June 2018 the income yield on Class 1 units was 3.11%.

**Diversified Income Fund Unit Class 2**

The Fund achieved a total return of 1.20% before expenses; this compares with a return of 0.37% on the benchmark. The return after all costs and charges was 0.82%. Over the period income of 2.50p was earned. As at 30 June 2018 the income yield on Class 2 units was 3.12%.

**Diversified Income Fund Unit Class 3**

The Fund achieved a total return of 1.20% before expenses; this compares with a return of 0.37% on the benchmark. The return after all costs and charges was 0.82%. Over the period income of 2.47p was earned. As at 30 June 2018 the income yield on Class 3 units was 3.04%.

**Strategy**

The investment objective of the Diversified Income Fund is to provide income and the potential for capital growth over the long-term from an actively managed diversified portfolio. The current investment strategy reflects a cautious view of fixed interest investments, due to the investment environment and the low yields currently available to investors. The weighting to

**Total capital and income return**

	Unit class 1 – Income Six months %	Unit class 2 – Income Six months %	Unit class 3 – Income Six months %
To 30 June 2018			

**Performance against market indices (before expenses)**

CCLA ACS – Diversified Income Fund	1.24	1.20	1.20
Comparator <sup>#</sup>	0.37	0.37	0.37
MSCI United Kingdom Investable Market index <sup>TM</sup>	1.71	1.71	1.71
MSCI North America <sup>TM</sup>	-1.72	-1.72	-1.72
MSCI Europe ex UK <sup>TM</sup>	4.81	4.81	4.81
MSCI Pacific <sup>TM</sup>	0.38	0.38	0.38
iBoxx £ Gilts	0.36	0.36	0.36
iBoxx £ Non-Gilts	-1.30	-1.30	-1.30
<b>Performance after expenses*</b>	<b>0.86</b>	<b>0.82</b>	<b>0.82</b>

<sup>#</sup> Comparator – Composite: MSCI UK IMI 20%, MSCI North America 6.67%, MSCI Europe Ex UK 6.67%, MSCI Pacific 6.67%, iBoxx £ Gilts 30% and iBoxx £ Non-Gilts 30%.

\* Net asset value to net asset value plus income re-invested.

Source: CCLA.

**DIVERSIFIED INCOME FUND**  
**REPORT OF THE INVESTMENT MANAGER**  
**for the half year ended 30 June 2018 (unaudited)**

**Total capital and income return**

To 30 June 2018	Unit class 1 – Income 1 year %	Unit class 2 – Income 1 year %	Unit class 3 – Income YTD** %
<b>Performance against market indices (before expenses)</b>			
Diversified Income Fund	2.45	2.41	2.94
Comparator <sup>#</sup>	4.13	4.13	2.11
MSCI United Kingdom Investable Market index <sup>TM</sup>	9.22	9.22	7.13
MSCI North America <sup>TM</sup>	11.78	11.78	6.29
MSCI Europe ex UK <sup>TM</sup>	1.84	1.84	-0.08
MSCI Pacific <sup>TM</sup>	8.13	8.13	2.35
iBoxx £ Gilts	2.00	2.00	0.79
iBoxx £ Non-Gilts	0.60	0.60	-0.62
<b>Performance after expenses*</b>	1.68	1.64	2.43

<sup>#</sup> Comparator – Composite: MSCI UK IMI 20%, MSCI North America 6.67%, MSCI Europe Ex UK 6.67%, MSCI Pacific 6.67%, iBoxx £ Gilts 30% and iBoxx £ Non-Gilts 30%.

\* Net asset value to net asset value plus income re-invested.

\*\* Since initial subscription on 1 December 2017.

Source: CCLA.

the sector is below that of the benchmark and the duration of the portfolio is shorter, and so more defensive. The domestic bond holdings are of corporate bonds, reflecting the higher income yields available from this part of the market. There is a relatively substantial exposure to non-traditional assets such as alternative energy, leasing and other sources of high and predictable income. These assets provide an immediately attractive yield, with the potential for income and capital growth in the future. The equity investments have a bias to overseas markets and, in the UK, to companies with a strong international footprint. We favour good quality companies with the potential to grow independent of the broad economic cycle.

**Economic and market review**

The world economy grew over the period, although not quite at the rate experienced in the closing months of 2017. Whilst activity in the US, supported by tax cuts, remained buoyant, there was some loss of momentum in Europe, including the UK, and Japan. Inflation remained muted despite a higher oil price and low unemployment rates in a number of the developed economies. Central banks continued to normalise monetary policies, but the US was the only major economy to increase interest rates. A feature of the period was increased trade friction as the US introduced tariffs on a range of imported goods and its trading partners retaliated.

**DIVERSIFIED INCOME FUND**  
**REPORT OF THE INVESTMENT MANAGER**  
**for the half year ended 30 June 2018 (unaudited)**

Most global equity markets ended a volatile period higher, regaining in the second quarter the levels lost in the first. To a sterling-based investor the global indices gave a return of 2.14% after a positive contribution from currency factors. The best performing major market was the US, which returned 5.37%. The UK improved, returning 1.69%, and Japan returned 0.5%. In contrast, returns from Europe were slightly negative, at -1.01%, whilst Asia was weaker still, at -2.27%. Domestic fixed interest stocks traded in a narrow band. Sentiment was supported by evidence of flat economic growth, but these improvements were effectively offset by concerns of higher borrowing costs in the later months of the year. There was an overall positive contribution from the non-traditional assets, particularly to income.

**Outlook**

We expect continued growth in the world economy, at rates similar to those currently being experienced. Inflation may move slightly higher, a reflection of reduced spare capacity, but is not expected to be a significant concern. The US will remain the only major economy where borrowing costs are in an established uptrend, although there may also be an increase in UK rates.

Economic growth and higher profits will underpin equity markets and support some progress from current levels. Fixed interest markets are seen as expensive and would be impacted by rising yields. Overall, we expect to maintain the broad shape of the investment portfolio in the period ahead.

J Bevan  
Chief Investment Officer  
CCLA Investment Management Limited  
22 August 2018

**DIVERSIFIED INCOME FUND**  
**REPORT OF THE INVESTMENT MANAGER**  
**for the half year ended 30 June 2018 (unaudited)**

**Top ten changes in portfolio composition**

	Cost £'000		Proceeds £'000
<b>Purchases:</b>		<b>Sales:</b>	
United States Treasury 2.5% 2020	1,758	Bilfinger Berger Global Infrastructure	719
F&C UK Real Estate Investments Limited	1,009	International Public Partnership	576
MedicX Fund	755	Telefonica Emisiones 5.375% 2018	365
AEW UK REIT	713	Standard Chartered 7.75% 2018	350
F&C Commercial Property Trust	687	Bank of America 7.75% 2018	300
Tritax Big Box REIT	636	Nationwide Building Society 8.625% 2018	300
Picton Property Income	614	Anheuser-Busch	288
UK Commercial Property Trust	578	National Grid	274
The Renewables Infrastructure Group	519	Orkla	272
International Bank for Reconstruction and Development 1% 2022	497	SSE	247

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 Diversified Income Fund's units 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 Diversified Income Fund's units 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 dealing day.

The Fund may invest in countries which could be subject to political and economic change. The Diversified Income Fund may invest in collective investment schemes and other assets which may, on occasions, be illiquid, or invest in assets which are valued by an external valuer and as such are open to substantial subjectivity.

## DIVERSIFIED INCOME FUND RISK AND REWARD PROFILE

The European Union imposed regulations which sets out detailed guidelines for the calculation of the risk ratings to be portrayed through this summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products and how likely it is that the Fund will lose money because of movements in markets. The risk indicator assumes investment in the Fund for the recommended holding period of three to five years.

In practice, the risk of the Fund may be significantly higher than that represented in the summary risk indicator. This may include the effect of holding the Fund for less than the recommended holding period, or if market volatility in the future is higher than that experienced over the past.

With effect from 1 January 2018, new EU regulations changed the requirements for the calculation of the summary risk indicator, which has had the effect of reducing its level. The risk indicator for this Fund in last year's report was 4 out of 7. Based on the revised legislative requirements, the risk indicator in last year's report would have been 3.

It is important that investors recognise that, whilst the classification has changed, there has been no change to the nature of the Fund or the risk associated with investing in the various asset classes it invests in.



This year, based on the new legislative obligations, we have classified this Fund as 3.

The Fund should be considered illiquid as it is not admitted to trading on a secondary market and no alternative liquidity facility is promoted by the Manager or a third party. This product does not include any protection from future market performance so you could lose some or all your investment.

A more detailed description of risk factors that apply to this product is set out in the latest Prospectus document available on CCLA's website or by request.

DIVERSIFIED INCOME FUND  
COMPARATIVE TABLE

Change in net assets per unit

	Unit class 1 – Income	
	Half year to 30.06.2018 £ per unit	Period ended 31.12.2017 £ per unit**
Opening net asset value per unit	1.56	1.50
Return before operating charges*	0.03	0.12
Operating charges	(0.01)	(0.01)
Return after operating charges*	0.02	0.11
Distributions on income units	(0.03)	(0.05)
Closing net asset value per unit	1.55	1.56
* After direct transaction costs of (£ per unit):	0.00	0.00

\*\* For the period from initial subscription on 2 December 2016 to 31 December 2017.

**Performance**

Return after charges	1.28%	7.33%
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**Other information**

Closing net asset value (£'000)	51,506	51,957
Closing number of units	33,333,334	33,333,334
Operating charges***	0.75%	0.77%
Direct transaction costs	0.05%	0.04%

**Prices (£ per unit)**

Highest unit price	1.57	1.60
Lowest unit price	1.50	1.50

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 Diversified Income Fund's performance disclosed in the Report of the Investment Manager.

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

DIVERSIFIED INCOME FUND  
COMPARATIVE TABLE

Change in net assets per unit

	Unit class 2 – Income	
	Half year to 30.06.2018 £ per unit	Period ended 31.12.2017 £ per unit**
Opening net asset value per unit	1.50	1.50
Return before operating charges*	0.03	0.05
Operating charges	(0.01)	(0.01)
Return after operating charges*	0.02	0.04
Distributions on income units	(0.03)	(0.04)
Closing net asset value per unit	1.49	1.50
* After direct transaction costs of (£ per unit):	0.00	0.00

\*\* For the period from initial subscription on 24 March 2017 to 31 December 2017.

**Performance**

Return after charges	1.33%	2.67%
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**Other information**

Closing net asset value (£'000)	35,332	19,706
Closing number of units	23,727,281	13,114,657
Operating charges***	0.75%	0.77%
Direct transaction costs	0.05%	0.04%

**Prices (£ per unit)**

Highest unit price	1.51	1.55
Lowest unit price	1.45	1.49

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 Diversified Income Fund's performance disclosed in the Report of the Investment Manager.

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

DIVERSIFIED INCOME FUND  
COMPARATIVE TABLE

Change in net assets per unit

	Unit class 3 – Income	
	Half year to 30.06.2018 £ per unit	Period ended 31.12.2017 £ per unit**
Opening net asset value per unit	1.51	1.50
Return before operating charges*	0.02	0.01
Operating charges	(0.01)	0.00
Return after operating charges*	0.01	0.01
Distributions on income units	(0.02)	0.00
Closing net asset value per unit	1.50	1.51
* After direct transaction costs of (£ per unit):	0.00	0.00

\*\* For the period from initial subscription on 1 December 2017 to 31 December 2017.

**Performance**

Return after charges	0.66%	0.67%
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**Other information**

Closing net asset value (£'000)	1,988	2,006
Closing number of units	1,328,160	1,328,160
Operating charges***	0.75%	0.77%
Direct transaction costs	0.05%	0.04%

**Prices (£ per unit)**

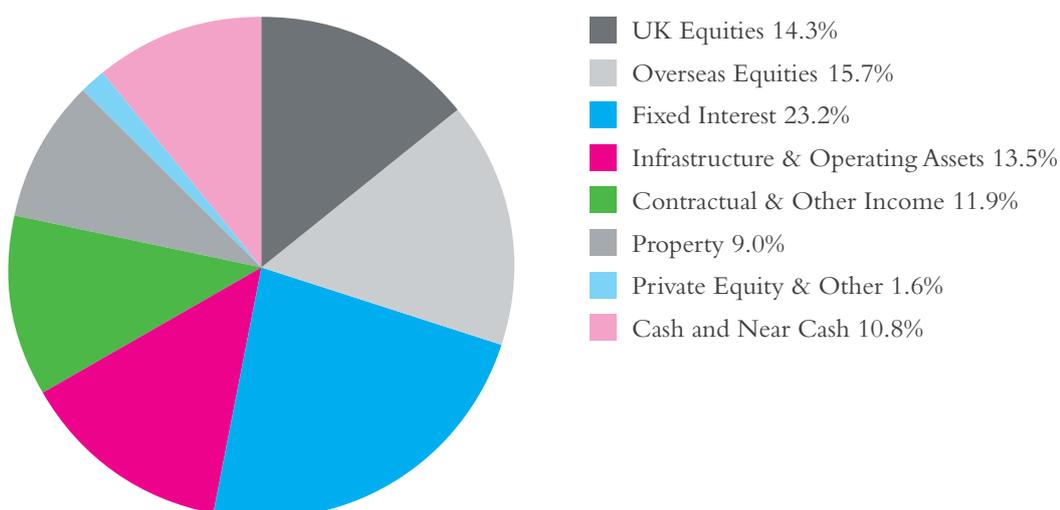
Highest unit price	1.52	1.51
Lowest unit price	1.46	1.50

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 Diversified Income Fund's performance disclosed in the Report of the Investment Manager.

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

DIVERSIFIED INCOME FUND  
 PORTFOLIO ANALYSIS  
 at 30 June 2018 (unaudited)

Portfolio Allocation



Breakdown of Overseas Equities  
 by Geography

North America	9.1%
Developed Europe	4.7%
Asia Pacific ex-Japan	1.6%
Japan	0.3%
	<b>15.7%</b>

Breakdown of Equities by Sector

Consumer Discretionary	2.4%
Consumer Staples	3.7%
Energy	0.3%
Financials	4.7%
Health Care	2.9%
Industrials	3.2%
Information Technology	3.3%
Materials	1.4%
Real Estate	6.7%
Telecommunication Services	1.1%
Utilities	0.3%
	<b>30.0%</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.

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
<b>UNITED KINGDOM 15.82% (31.12.2017, 11.87%)</b>			
<b>Consumer Discretionary 1.41% (31.12.2017, 0.67%)</b>			
Compass Group	21,934	356	0.40
Greggs	20,132	199	0.22
Informa	50,057	416	0.47
InterContinental Hotels Group	5,959	282	0.32
<b>Consumer Staples 1.49% (31.12.2017, 1.68%)</b>			
Diageo	16,621	456	0.51
Reckitt Benckiser	5,898	369	0.42
Unilever	11,722	494	0.56
<b>Energy 0.28% (31.12.2017, 0.20%)</b>			
Royal Dutch Shell B	9,057	248	0.28
<b>Financials 1.63% (31.12.2017, 1.27%)</b>			
Beazley	22,559	132	0.15
Direct Line Insurance	97,524	336	0.38
HSBC	44,074	314	0.35
London Stock Exchange	4,818	216	0.24
Prudential	25,772	449	0.51
<b>Healthcare 0.38% (31.12.2017, 0.20%)</b>			
Abcam	2,547	34	0.04
GlaxoSmithKline	19,597	301	0.34
<b>Industrials 1.64% (31.12.2017, 1.30%)</b>			
Bunzl	14,562	335	0.38
Experian	15,693	295	0.33
Ferguson	5,807	359	0.40
RELX	29,029	472	0.53
<b>Information Technology 0.29% (31.12.2017, 0.00%)</b>			
Moneysupermarket.com	82,503	260	0.29

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
<b>Materials 0.84% (31.12.2017, 0.79%)</b>			
Croda International	5,996	288	0.32
DS Smith	58,087	303	0.34
Rio Tinto	3,699	156	0.18
<b>Real Estate 7.53% (31.12.2017, 4.22%)</b>			
Assura	1,585,550	912	1.03
Ediston Property Investment	1,199,606	1,350	1.52
Empiric Student Property	752,319	664	0.75
F&C UK Real Estate Investments Limited	1,293,693	1,300	1.46
Primary Health Properties REIT	939,892	1,094	1.23
Tritax Big Box REIT	875,625	1,365	1.54
<b>Telecommunication Services 0.33% (31.12.2017, 0.39%)</b>			
Vodafone	161,502	297	0.33
<b>Utilities 0.00% (31.12.2017, 1.15%)</b>			
<b>OVERSEAS EQUITIES 15.71% (31.12.2017, 16.42%)</b>			
<b>DEVELOPED EUROPE 4.74% (31.12.2017, 5.41%)</b>			
<b>Consumer Discretionary 0.35% (31.12.2017, 0.27%)</b>			
LVMH	1,235	314	0.35
<b>Consumer Staples 1.14% (31.12.2017, 1.80%)</b>			
Heineken	4,270	328	0.37
L'Oreal	1,699	317	0.36
Nestlé	6,228	364	0.41
<b>Financials 0.85% (31.12.2017, 0.86%)</b>			
Cembra Money Bank	2,914	173	0.19
Danske Bank	10,675	253	0.28
Deutsche Boerse	3,320	333	0.38
<b>Healthcare 0.86% (31.12.2017, 0.62%)</b>			
DiaSorin	3,128	269	0.30
Novartis	4,349	251	0.28
Roche	1,478	249	0.28

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
<b>Industrials 0.91% (31.12.2017, 1.20%)</b>			
Assa Abloy	15,488	250	0.28
Legrand Promesses	4,533	253	0.28
SGS Surveillance	152	308	0.35
<b>Information Technology 0.35% (31.12.2017, 0.33%)</b>			
SAP	3,599	315	0.35
<b>Materials 0.28% (31.12.2017, 0.33%)</b>			
Givaudan	141	244	0.28
<b>NORTH AMERICA 9.08% (31.12.2017, 8.68%)</b>			
<b>Consumer Discretionary 0.60% (31.12.2017, 0.29%)</b>			
McDonald's	2,753	327	0.37
Starbucks	1,773	66	0.07
Walt Disney	1,755	140	0.16
<b>Consumer Staples 0.78% (31.12.2017, 1.50%)</b>			
Coca Cola	10,109	336	0.38
Colgate-Palmolive	4,311	213	0.24
Pepsico	1,739	143	0.16
<b>Financials 2.20% (31.12.2017, 2.10%)</b>			
Bank of America	14,812	325	0.37
Blackstone	10,221	248	0.28
Chicago Mercantile Exchange	2,258	282	0.32
JP Morgan Chase	4,394	353	0.40
NASDAX OMX Group	3,906	272	0.31
S&P Global	1,827	287	0.32
US Bancorp	4,713	180	0.20
<b>Healthcare 1.37% (31.12.2017, 1.28%)</b>			
Medtronic	5,216	341	0.38
Pfizer	14,192	392	0.44
Stryker	2,315	299	0.34
UnitedHealth Group	1,021	190	0.21

DIVERSIFIED INCOME FUND  
 PORTFOLIO STATEMENT  
 at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
<b>Industrials 0.66% (31.12.2017, 0.64%)</b>			
3M	2,224	336	0.38
Honeywell International	2,303	252	0.28
<b>Information Technology 1.80% (31.12.2017, 1.41%)</b>			
Accenture	3,032	377	0.42
Apple	1,646	233	0.26
Fidelity National Information	3,437	278	0.31
Microsoft	5,970	451	0.51
Texas Instruments	3,214	270	0.30
<b>Materials 0.32% (31.12.2017, 0.23%)</b>			
Ecolab	2,607	281	0.32
<b>Telecommunication Services 0.27% (31.12.2017, 0.38%)</b>			
AT & T	9,713	237	0.27
<b>Utilities 0.33% (31.12.2017, 0.41%)</b>			
Duke Energy	4,850	291	0.33
<b>Real Estate 0.75% (31.12.2017, 0.44%)</b>			
Alexandria Real Estate Equities	3,274	312	0.35
Prologis	7,238	358	0.40
<b>JAPAN 0.29% (31.12.2017, 0.56%)</b>			
<b>Consumer Staples 0.29% (31.12.2017, 0.26%)</b>			
Kao	4,500	261	0.29
<b>Telecommunication Services 0.00% (31.12.2017, 0.30%)</b>			
<b>ASIA PACIFIC EX JAPAN 1.60% (31.12.2017, 1.77%)</b>			
<b>Consumer Discretionary 0.00% (31.12.2017, 0.30%)</b>			
<b>Healthcare 0.24% (31.12.2017, 0.27%)</b>			
Sonic Healthcare	15,311	210	0.24

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
<b>Information Technology 0.82% (31.12.2017, 0.80%)</b>			
carsales.com	11,847	100	0.11
Iress Market Technology	45,336	290	0.33
Taiwan Semiconductor Manufacturing	12,198	338	0.38
<b>Telecommunication Services 0.54% (31.12.2017, 0.40%)</b>			
HKT Trust/HKT Ltd	496,000	478	0.54
<b>PRIVATE EQUITY &amp; OTHER 2.52% (31.12.2017, 1.46%)</b>			
<b>Other 0.00% (31.12.2017, 0.50%)</b>			
<b>Private Equity 2.52% (31.12.2017, 0.96%)</b>			
F&C Commercial Property Trust	903,813	1,372	1.54
Princess Private Equity	98,338	870	0.98
<b>INFRASTRUCTURE &amp; OPERATING ASSETS 15.05%</b>			
<b>(31.12.2017, 15.58%)</b>			
<b>Energy Resources &amp; Environment 6.78%</b>			
<b>(31.12.2017, 5.83%)</b>			
Bluefield Solar Income Fund	1,214,664	1,464	1.65
Foresight Solar Fund	1,356,564	1,472	1.66
Greencoat UK Wind	1,256,788	1,576	1.77
The Renewables Infrastructure Group	1,377,157	1,512	1.70
<b>General 1.53% (31.12.2017, 2.71%)</b>			
Picton Property Income	1,472,731	1,358	1.53
<b>Social 6.74% (31.12.2017, 7.04%)</b>			
Civitas Social Housing REIT	868,513	834	0.94
GCP Student Living	699,831	1,030	1.16
Impact Healthcare REIT	728,195	743	0.84
MedicX Fund	1,632,423	1,326	1.49
Target Healthcare REIT	915,750	1,016	1.14
Triple Point Social Housing REIT	599,127	632	0.71
Triple Point Social Housing Preference	399,418	409	0.46

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
<b>PROPERTY 2.91% (31.12.2017, 2.28%)</b>			
Aberdeen Standard European Logistics Income	1,239,030	1,289	1.45
AEW UK REIT	1,339,662	1,294	1.46
<b>CONTRACTUAL &amp; OTHER INCOME 13.94% (31.12.2017, 15.47%)</b>			
Alcentra European Floating Rate Income Fund	1,079,646	1,075	1.21
Blackstone Mortgage Trust	27,400	654	0.74
Blackstone/GSO Loan Financing	1,285,000	1,000	1.13
Chenavari Capital Solutions Limited	518,389	410	0.46
DP Aircraft	765,000	622	0.70
F&C Private Equity Trust	151,507	521	0.59
Fair Oaks Income Fund	1,342,312	969	1.09
GCP Asset Backed Income Fund	1,053,054	1,079	1.22
GCP Infrastructure Investments	895,184	1,071	1.21
Hadrians Wall Secured Investment Limited	1,097,305	1,108	1.25
Hadrians Wall Secured Investment Limited C shares	376,000	376	0.42
NB Global Floating Rate Income Fund	627,326	590	0.66
RM Secured Direct Lending	1,047,892	1,048	1.18
SQN Asset Finance Income Fund	580,000	527	0.59
UK Commercial Property Trust	1,497,806	1,324	1.49
<b>FIXED INTEREST 22.91% (31.12.2017, 23.17%)</b>			
<b>Non-Gilts 22.91% (31.12.2017, 23.17%)</b>			
Abbey National Treasury Service 1.875% 2020	300,000	302	0.34
ABN AMRO Bank 1.375% 2022	500,000	493	0.56
ASB Finance 1% 2020	200,000	198	0.22
ASIF III Jersey 5% 2018	300,000	305	0.34
AXA 7.125% 2020	400,000	450	0.51
Bank of America 6.125% 2021	300,000	340	0.38
Bank of Nova Scotia 1.25% 2022	500,000	490	0.55
Bank of Scotland 9.375% 2021	380,000	454	0.51
Banque Federative du Credit Mutuel 1.375% 2021	300,000	298	0.34
Barclays Bank 9.5% 2021	310,000	369	0.42
BNP Paribas 2.375% 2019	75,000	76	0.09
BP Capital Markets 4.325% 2018	151,000	153	0.17
British Telecom 8.625% 2020	80,000	90	0.10
Bupa Finance 3.375% 2021	275,000	289	0.33

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
Chorus 6.75% 2020	100,000	108	0.12
Citigroup 5.125% 2018	340,000	346	0.39
Close Brothers 3.875% 2021	450,000	476	0.54
Coventry 6% 2019	50,000	53	0.06
Coventry 1.875% 2023	400,000	394	0.44
CPUK Finance 2.666% 2042	300,000	305	0.34
Daimler 2.75% 2020	158,000	163	0.18
Deutsche Pfandbriefbank 1% 2020	300,000	298	0.34
Dexia Credit Local 1.125% 2022	500,000	495	0.56
Dexia Credit Local 2.125% 2025	400,000	409	0.46
Everything Everywhere 4.375% 2019	360,000	368	0.41
Eversholt 5.831% 2020	100,000	110	0.12
Experian Finance 4.75% 2018	100,000	101	0.11
Fidelity International 6.75% 2020	325,000	359	0.40
Glencore Canada Finance 7.375% 2020	136,000	150	0.17
Heathrow Funding 6% 2020	100,000	108	0.12
ING Bank 5.375% 2021	400,000	443	0.50
International Bank for Reconstruction and Development 1% 2022	500,000	496	0.56
Japan Finance 5.75% 2019	400,000	420	0.47
London Stock Exchange 9.125% 2019	200,000	220	0.25
LVMH Moet Hennessy Louis Vuitton 1% 2022	500,000	494	0.56
Marks and Spencer 6.125% 2019	325,000	345	0.39
National Australia Bank 0.875% 2020	350,000	346	0.39
National Australia Bank 1.875% 2020	350,000	353	0.40
Nestle Holdings 1.75% 2020	400,000	405	0.46
Network Rail Infrastructure 3% 2023	400,000	435	0.49
Prudential 11.375% VRN 2039	310,000	337	0.38
Royal Bank of Scotland 6.625% 2018	325,000	329	0.37
RCI Banque 3% 2019	250,000	254	0.29
Reed Elsevier Investment 2.75% 2019	400,000	405	0.46
Scottish & Southern Energy 5% 2018	400,000	404	0.45
Scottish Amicable Finance 8.5% Perp	110,000	110	0.12
Skipton Building Society 1.75% 2022	500,000	492	0.55
Sky 2.875% 2020	361,000	373	0.42
Societe Generale 5% 2018	272,000	277	0.31
Southern Gas 4.875% 2020	235,000	254	0.29
Southern Water 6.125% 2019	375,000	389	0.44

**DIVERSIFIED INCOME FUND**  
**PORTFOLIO STATEMENT**  
at 30 June 2018 (unaudited)

	Holding	Fair value £'000	% of total net assets
Swedbank 1.25% 2021	500,000	494	0.56
Total Capital 3.875% 2018	152,000	154	0.17
UBS AG Jersey 6.375%VRN 2024	330,000	349	0.39
United States Treasury 2.5% 2020	2,311,100	1,755	1.98
Virgin Money 2.25% 2020	375,000	378	0.43
Volkswagen Financial Services 2.75% 2020	158,000	162	0.18
Walgreens Boots Alliance 2.875% 20/11/2020	532,000	547	0.62
Westpac Banking 5% 2019	350,000	367	0.41
<b>INVESTMENT ASSETS</b>		78,928	88.86
<b>NET OTHER ASSETS</b>		9,898	11.14
<b>TOTAL NET ASSETS</b>		88,826	100.00

DIVERSIFIED INCOME FUND  
STATEMENT OF TOTAL RETURN  
for the half year ended 30 June 2018 (unaudited)

	Period ended 30.06.2018		Period ended 30.06.2017	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses)/gains		(298)		2,389
Revenue	1,455		1,128	
Expenses	(309)		(253)	
Net revenue before taxation	1,146		875	
Taxation	(23)		(19)	
Net revenue after taxation		1,123		856
Total return before distributions		825		3,245
Distributions		(1,364)		(1,038)
Change in net assets attributable to unitholders from investment activities		(539)		2,207

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
for the half year ended 30 June 2018 (unaudited)

	Period ended 30.06.2018		Period ended 30.06.2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		73,669		–
Amounts receivable on issue of units	15,635		11,553	
In specie transaction	–		50,000	
		15,635		61,553
Dilution adjustment		61		125
Change in net assets attributable to unitholders from investment activities		(539)		2,207
Closing net assets attributable to unitholders		88,826		63,885

The note on page 28 and distribution tables on page 29 form part of these financial statements.

The above statement shows the comparative closing net assets at 30 June 2017, whereas the opening net assets for the current accounting period commenced on 1 January 2018.

## DIVERSIFIED INCOME FUND

## BALANCE SHEET

at 30 June 2018 (unaudited)

	30.06.2018		31.12.2017	
	£'000	£'000	£'000	£'000
<b>ASSETS</b>				
Fixed assets:				
Investments		78,928		63,537
Current assets:				
Debtors	471		426	
Cash equivalents	11,749		9,718	
Cash and bank balances	370		531	
<b>Total current assets</b>		<b>12,590</b>		<b>10,675</b>
<b>Total assets</b>		<b>91,518</b>		<b>74,212</b>
<b>LIABILITIES</b>				
Creditors				
Other creditors	1,888		77	
Distribution payable on income units	804		466	
<b>Total creditors</b>		<b>2,692</b>		<b>543</b>
<b>Total liabilities</b>		<b>2,692</b>		<b>543</b>
<b>Net assets attributable to unitholders</b>		<b>88,826</b>		<b>73,669</b>

The financial statements on pages 26 to 29 have been approved by the ACS Manager.

Approved on behalf of the ACS Manager  
22 August 2018

M Quicke OBE, Director  
CCLA Fund Managers Limited

Approved on behalf of the ACS Manager  
22 August 2018

A Robinson MBE, Director  
CCLA Fund Managers Limited

The note on page 28 and the distribution tables on page 29 form part of these financial statements.

**DIVERSIFIED INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the half year ended 30 June 2018 (unaudited)**

**1. Accounting policies**

Please see pages 7 to 8 for accounting basis and policies applicable to all Sub-Funds. Please see below for accounting basis and policies applicable to the Diversified Income Fund only.

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

Unless otherwise stated, all other accounting policies applied are consistent with those of the annual financial statements for the period from 2 December 2016 to 31 December 2017 and are disclosed in those financial statements.

**DIVERSIFIED INCOME FUND**  
**DISTRIBUTION TABLES**  
for the half year ended 30 June 2018 (unaudited)

Period ended	Date paid/payable	Dividends paid/payable pound per unit	
		2018	2017
<b>Unit class 1 – Income</b>			
31 March	31 May	0.01204	0.01595
30 June	31 August	0.01403	0.01319
		0.02607	0.02914

Period ended	Date paid/payable	Dividends paid/payable pound per unit	
		2018	2017
<b>Unit class 2 – Income</b>			
31 March	31 May	0.01158	0.00135
30 June	31 August	0.01343	0.01271
		0.02501	0.01406

Period ended	Date paid/payable	Dividends paid/payable pound per unit	
		2018	2017
<b>Unit class 3 – Income</b>			
31 March	31 May	0.01139	n/a
30 June	31 August	0.01332	n/a
		0.02471	n/a

**ACS Manager**

CCLA Fund Managers Limited  
Both CCLA Fund Managers Limited and CCLA Investment Management Limited have the same address

**Investment Manager and Registrar**

CCLA Investment Management Limited  
Senator House, 85 Queen Victoria Street  
London EC4V 4ET  
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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)  
Both CCLA Fund Managers Limited and CCLA Investment Management Limited are 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 ACS 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 ACS Manager**

R Horlick  
R Norris  
T Salmon, OBE  
J Tattersall  
R Williams (resigned 8 June 2018)  
C Johnson (from 8 June 2018)

**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****Custodian and Depositary**

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London E14 5HQ

**Banker**

HSBC Bank plc  
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**Solicitors**

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London WC2A 3LH

**Independent Auditors**

PricewaterhouseCoopers LLP  
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# **CCLA**

**CCLA Fund Managers Limited**

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