

CCLA AUTHORISED CONTRACTUAL SCHEME
ANNUAL REPORT AND
FINANCIAL STATEMENTS

Year ended 31 December 2018

CCLA

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*Collectively, these comprise the Investment 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 ACS MANAGER for the year ended 31 December 2018

The Financial Statements

We are pleased to present the Annual Report and Financial Statements for the CCLA Authorised Contractual Scheme (the Fund) and its only Sub-Fund, the Diversified Income Fund for the year ended 31 December 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 year ended 31 December 2018**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 (PRI) 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
15 April 2019

**STATEMENT OF THE ACS MANAGER'S RESPONSIBILITIES
AND ACS MANAGER'S STATEMENT**
for the year ended 31 December 2018

**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 year end and of the net income and net gains or losses of the Fund for the year 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 Annual Report and Financial Statements of CCLA Authorised Contractual Scheme for the year ended 31 December 2018 on behalf of CCLA Fund Managers Limited in accordance with the requirements of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority.

M Quicke OBE
Director
15 April 2019

J Bevan
Director
15 April 2019

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND DEPOSITARY'S REPORT

for the year ended 31 December 2018

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, 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.

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND DEPOSITARY'S REPORT

for the year ended 31 December 2018

Report of the Depositary

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AIFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

The report is given on the basis that no breaches are subsequently advised to us before the distribution date. We therefore reserve the right to amend the report in the light of such circumstances.

HSBC Bank plc
Trustee and Depositary Services
8 Canada Square
London
E14 5HQ
HSBC Bank plc is authorised and regulated by
the Financial Conduct Authority
15 April 2019

INDEPENDENT AUDITORS' REPORT for the year ended 31 December 2018

Report on the audit of the financial statements *Opinion*

In our opinion, CCLA Authorised Contractual Scheme's financial statements:

- give a true and fair view of the financial position of the Scheme and its Sub-Fund as at 31 December 2018 and of the net revenue and the net capital losses on the Scheme property of the Scheme and its Sub-Fund 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, the Collective Investment Schemes sourcebook and the Contractual Scheme Deed.

CCLA Authorised Contractual Scheme (the "Scheme") is an Authorised Contractual Scheme ("ACS") with a single Sub-Fund. The financial statements of the Scheme comprise the financial statements of its Sub-Fund. We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of total return and the statement of change in net assets attributable to Unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

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 Scheme 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

ISAs (UK) require us to report to you when:

- the Authorised Contractual Scheme Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Contractual Scheme Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's or its Sub-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 for the year ended 31 December 2018

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's or the Sub-Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear and it is difficult to evaluate all of the potential implications on the Scheme's business and the wider economy.

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 Contractual Scheme 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.

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

In our opinion, the information given in the Statement of the ACS Manager's Responsibilities and ACS Manager's Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Contractual Scheme Manager for the financial statements

As explained more fully in the Statement of the ACS Manager's Responsibilities set out on page 5, the Authorised Contractual Scheme 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 Contractual Scheme 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 Contractual Scheme Manager is

INDEPENDENT AUDITORS' REPORT for the year ended 31 December 2018

responsible for assessing the Scheme's and its Sub-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 Contractual Scheme Manager either intends to wind up or terminate the Scheme or its Sub-Fund, 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 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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Scheme's Unitholders as a body in accordance with

paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

15 April 2019

ACCOUNTING POLICIES

for the year ended 31 December 2018

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 Management Association in May 2014 (and amended in June 2017) and the Collective Investment Management 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.

Where material, dividends received from US Real Estate Investment Trusts (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. Overseas tax recovered is recorded in the period it is received.

(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.

ACCOUNTING POLICIES

for the year ended 31 December 2018

(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 year ended 31 December 2018

Diversified Income Fund Unit Class 1

This class of Units is restricted for use by the COIF Charities Investment Fund. Over the year Unit Class 1 achieved a total return of 0.19% before expenses. This compares with a return of -3.17% on the benchmark. The return after all costs and charges was -0.58%. In the year income of 5.02p was earned, as at 31 December 2018 the income yield on Unit Class 1 was 3.34%.

Diversified Income Fund Unit Class 2

This class of Units is restricted to local authority, public sector and other exempt investors who can receive income gross. Over the year Unit Class 2 achieved a total return of 0.13% before

expenses. This compares with a return on the benchmark of -3.17%. The return after all costs and charges was -0.63%. In the year income of 4.85p was earned, as at 31 December 2018 the income yield on Unit Class 2 was 3.35%.

Diversified Income Fund Unit Class 3

This class of Units is restricted to UK charity investors. Over the year Unit Class 3 achieved a total return of 0.14% before expenses. This compares with an equivalent return on the benchmark of -3.17%. The return after all costs and charges was -0.62%. In the year income of 4.81p was earned, as at the 31 December the income yield on Unit Class 3 was 3.30%.

Total capital and income return

	Unit Class 1 – Income 1 year %	Unit Class 2 – Income 1 year %	Unit Class 3 – Income 1 year %
To 31 December 2018			
Performance against market indices (before expenses)			
Diversified Income Fund	0.19	0.13	0.14
Comparator [#]	-3.17	-3.17	-3.17
MSCI United Kingdom Investable Market Index™	-9.70	-9.70	-9.70
MSCI North America™	0.60	0.60	0.60
MSCI Europe ex UK™	-9.19	-9.19	-9.19
MSCI Pacific™	-6.39	-6.39	-6.39
iBoxx £ Gilts	0.60	0.60	0.60
iBoxx £ Non-Gilts	-1.51	-1.51	-1.51
Performance after expenses*	-0.58	-0.63	-0.62

[#] 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 year ended 31 December 2018

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. To achieve these objectives, the Sub-Fund has maintained a relatively low exposure to fixed interest investments compared to the benchmark; we consider this sector to be poor value at current levels and a weak match to the Sub-Fund's return objectives. The investments in the sector are of good quality corporate bonds with a relatively short period to maturity; a combination which supports income, but also helps control potential volatility. Equity weightings are diversified by location and by sector, there is a high allocation to non-UK markets. The portfolio is biased towards companies with robust balance sheets and the potential to grow independent of broad trends in economic activity. A feature of the portfolio is the high allocation to a range of alternative assets which provide an attractive income yield, diversification and scope for income and capital growth in the future. In the third quarter the Sub-Fund adopted a more defensive investment stance, cutting the equity exposure by profit taking on holdings which had risen to extended valuations and by reducing the weighting towards cyclical areas. This position was continued in the final months of the year.

Economic and market review

Growth in the world economy continued in the year but at a moderating rate. Output growth in the US remained robust but it slowed in Europe and Japan and the rate of expansion in China also eased, a change which was felt across the region. Inflation remained at relatively low levels and in fact, showed signs of reducing towards the end of the year as lower oil costs were reflected in prices. Against this backdrop monetary policy normalisation proceeded slowly. The US was the only economy to see a sustained trend of interest rate increases, the European Central Bank ended its quantitative easing programme but only at the very end of the year.

Despite this relatively benign background most global equity markets gave negative returns as sentiment deteriorated on fears of a further slowdown in activity and the uncertainty caused by concern of a potential trade war. Of the major indices, only the US gave a positive return, of 0.60%. Elsewhere values fell, sometimes sharply; the European index return was -9.19%, the UK -9.70%. Fixed income returns were broadly flat but there were gains from property and from the alternative asset portfolio. The Sub-Fund's performance was helped by asset allocation, the move to a more cautious strategic stance and by stock selection gains in difficult equity markets.

DIVERSIFIED INCOME FUND
REPORT OF THE INVESTMENT MANAGER
for the year ended 31 December 2018

Outlook

We expect the current phase of economic expansion to continue in 2019 although the pace of expansion is likely to ease again as the benefits to US activity from tax cuts and increased government spending gradually fade. Moderate growth and continued low inflation will mean a slow adjustment to monetary policy; interest rate rises in the US will be fewer than previously thought and unchanged borrowing costs are expected in Europe and Japan. Market weakness and volatility towards the end of 2018 has bruised investor confidence and this may take time to recover; similarly volatility is likely to remain elevated. However, notwithstanding this, we expect positive returns overall and a solid income payment to investors.

J Bevan
Chief Investment Officer
CCLA Investment Management Limited
15 April 2019

DIVERSIFIED INCOME FUND
REPORT OF THE INVESTMENT MANAGER
for the year ended 31 December 2018

Top ten changes in portfolio composition

	Cost £'000		Proceeds £'000
Purchases:		Sales:	
United States Treasury 2.5% 2020	3,649	Fair Oaks Income Fund	915
Tritax EuroBox REIT	2,036	Bilfinger Berger Global Infrastructure	719
United States Treasury 0.5% 2028	1,769	International Public Partnership	576
F&C UK Real Estate Investments Limited	1,684	NB Global Floating Rate Income Fund	569
Gresham House Energy Storage Fund	1,611	Scottish & Southern Energy 5% 2018	400
Tritax Big Box REIT	1,512	Blackstone/GSO Loan Financing	390
F&C Commercial Property Trust	1,508	Telefonica Emisiones 5.375% 2018	365
AEW UK REIT	1,499	Standard Chartered 7.75% 2018	350
MedicX Fund	1,496	Citigroup 5.125% 2018	340
John Laing Environmental Assets Group	1,468	Natwest Markets 6.625% 2018	325

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.

This 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 legislation which sets out detailed guidelines for the calculation of the risk ratings to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the Sub-Fund will lose money because of movements in markets.



We have classified this product as 2 out of 7, which is a low risk class. This rates the potential losses from future performance at a low level. The summary risk indicator assumes investment in the Sub-Fund for the recommended holding period of three to five years.

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

The Sub-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. However, investors can request redemption at any time and the Sub-Fund deals each standard business day. 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 Scheme Particulars document available on CCLA's website or by request.

DIVERSIFIED INCOME FUND
COMPARATIVE TABLE

Change in net assets per Unit

	Unit Class 1 – Income	
	Year ended 31.12.2018 £ per Unit	Period ended 31.12.2017 £ per Unit**
Opening net asset value per Unit	1.56	1.50
Return before operating charges*	0.00	0.12
Operating charges	(0.01)	(0.01)
Return after operating charges*	(0.01)	0.11
Distributions on Income Units	(0.05)	(0.05)
Closing net asset value per Unit	1.50	1.56
* After direct transaction costs of:	0.00	0.00

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

Performance

Return after charges	(0.64%)	7.33%
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Other information

Closing net asset value (£'000)	49,949	51,957
Closing number of Units	33,333,334	33,333,334
Operating charges***	0.75%	0.77%
Direct transaction costs	0.11%	0.04%

Prices (£ per Unit)

Highest Unit price	1.58	1.60
Lowest Unit price	1.50	1.50

This class of Units is restricted for use by the COIF Charities Investment Fund.

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 year/period.

DIVERSIFIED INCOME FUND
COMPARATIVE TABLE

Change in net assets per Unit

	Unit Class 2 – Income	
	Year ended 31.12.2018 £ per Unit	Period ended 31.12.2017 £ per Unit**
Opening net asset value per Unit	1.50	1.50
Return before operating charges*	0.00	0.05
Operating charges	(0.01)	(0.01)
Return after operating charges*	(0.01)	0.04
Distributions on Income Units	(0.05)	(0.04)
Closing net asset value per Unit	1.44	1.50
* After direct transaction costs of:	0.00	0.00

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

Performance

Return after charges	(0.67%)	2.67%
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Other information

Closing net asset value (£'000)	72,481	19,706
Closing number of Units	50,212,343	13,114,657
Operating charges***	0.73%	0.77%
Direct transaction costs	0.11%	0.04%

Prices (£ per Unit)

Highest Unit price	1.52	1.55
Lowest Unit price	1.45	1.49

This class of Units is restricted to local authority, public sector and other exempt investors who can receive income gross.

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 year/period.

DIVERSIFIED INCOME FUND
COMPARATIVE TABLE

Change in net assets per Unit

	Unit Class 3 – Income	
	Year ended 31.12.2018 £ per Unit	Period ended 31.12.2017 £ per Unit**
Opening net asset value per Unit	1.51	1.50
Return before operating charges*	0.00	0.01
Operating charges	(0.01)	0.00
Return after operating charges*	(0.01)	0.01
Distributions on Income Units	(0.05)	0.00
Closing net asset value per Unit	1.45	1.51
* After direct transaction costs of:	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)	3,360	2,006
Closing number of Units	2,314,669	1,328,160
Operating charges***	0.74%	0.77%
Direct transaction costs	0.11%	0.04%

Prices (£ per Unit)

Highest Unit price	1.53	1.51
Lowest Unit price	1.46	1.50

This class of Units is restricted to UK charity investors.

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 year/period.

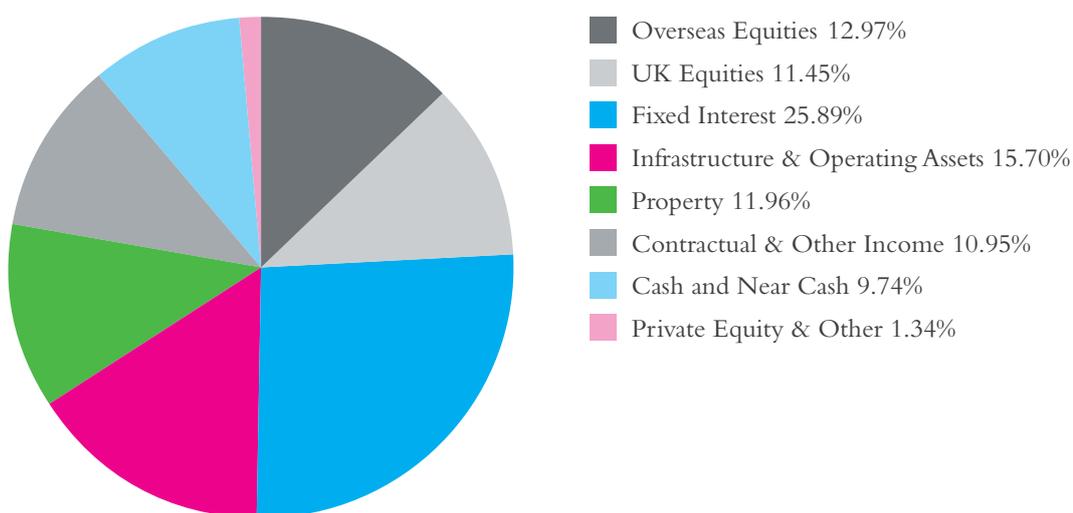
DIVERSIFIED INCOME FUND
OPERATING CHARGES ANALYSIS
for the year ended 31 December 2018

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 of the Diversified Income Fund.

	2018 %	2017 %
ACS Manager's periodic charge	0.60	0.60
Safe custody fees and depositary fee	0.10	0.14
Other expenses	0.04	0.03
Total operating charges	0.74	0.77

DIVERSIFIED INCOME FUND
 PORTFOLIO ANALYSIS
 at 31 December 2018

Portfolio Allocation



Breakdown of Overseas Equities
 by Geography

North America	7.17%
Developed Europe	4.18%
Asia Pacific ex Japan	1.38%
Japan	0.24%
	12.97%

Breakdown of Equities by Sector

Communication Services	1.46%
Consumer Discretionary	1.93%
Consumer Staples	3.47%
Energy	0.34%
Financials	3.55%
Health Care	2.79%
Industrials	2.10%
Information Technology	2.13%
Materials	1.24%
Real Estate	5.05%
Utilities	0.36%
	24.42%

The portfolio analyses above differs from the following portfolio statement because prices used here are mid-market rather than bid.

DIVERSIFIED INCOME FUND
 PORTFOLIO STATEMENT
 at 31 December 2018

	Holding	Fair value £'000	% of total net assets
UNITED KINGDOM 15.86% (31.12.2017, 13.10%)			
Consumer Discretionary 1.29% (31.12.2017, 0.67%)			
Compass Group	26,511	436	0.35
Greggs	20,759	263	0.21
Hostelworld Group	122,078	246	0.20
InterContinental Hotels Group	8,278	350	0.28
Moneysupermarket.com	115,690	319	0.25
Consumer Services 0.30% (31.12.2017, 0.00%)			
Informa	60,776	383	0.30
Consumer Staples 1.31% (31.12.2017, 1.68%)			
Diageo	21,089	589	0.47
Reckitt Benckiser	7,360	442	0.35
Unilever	14,977	615	0.49
Energy 0.24% (31.12.2017, 0.20%)			
Royal Dutch Shell B	13,117	307	0.24
Financials 1.46% (31.12.2017, 1.27%)			
Beazley	49,741	250	0.20
Direct Line Insurance	118,515	378	0.30
HSBC	55,592	360	0.29
London Stock Exchange	7,770	316	0.25
Prudential	38,253	536	0.42
Health Care 0.42% (31.12.2017, 0.20%)			
Abcam	3,114	34	0.03
GlaxoSmithKline	32,935	491	0.39
Industrials 1.12% (31.12.2017, 1.30%)			
Bunzl	18,300	432	0.34
Experian	20,740	395	0.32
RELX	35,975	582	0.46

DIVERSIFIED INCOME FUND
PORTFOLIO STATEMENT
at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Materials 0.79% (31.12.2017, 0.79%)			
Croda International	5,996	281	0.22
DS Smith	98,294	294	0.24
Rio Tinto	6,394	239	0.19
Victrex	7,920	180	0.14
Real Estate 8.93% (31.12.2017, 5.45%)			
Assura	1,585,550	837	0.66
Civitas Social Housing	783,563	834	0.66
Ediston Property Investment	1,891,799	1,958	1.56
Empiric Student Property	1,091,826	1,009	0.80
F&C UK Real Estate Investments Limited	1,999,029	1,823	1.45
Primary Health Properties REIT	1,002,947	1,111	0.88
Tritax Big Box REIT	1,464,215	1,923	1.53
UK Commercial Property REIT	2,101,267	1,744	1.39
Telecommunication Services 0.00% (31.12.2017, 0.39%)			
Utilities 0.00% (31.12.2017, 1.15%)			
OVERSEAS EQUITIES 12.98% (31.12.2017, 16.27%)			
DEVELOPED EUROPE 4.20% (31.12.2017, 5.41%)			
Consumer Discretionary 0.42% (31.12.2017, 0.27%)			
Adidas	1,279	209	0.17
LVMH Moët Hennessy Louis Vuitton	1,345	310	0.25
Consumer Staples 1.31% (31.12.2017, 1.80%)			
Beiersdorf	3,243	265	0.21
Heineken	7,493	516	0.41
L'Oreal	1,699	305	0.24
Nestlé	8,981	567	0.45
Financials 0.43% (31.12.2017, 0.86%)			
Cembra Money Bank	5,008	308	0.24
Deutsche Boerse	2,563	239	0.19

DIVERSIFIED INCOME FUND
PORTFOLIO STATEMENT
at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Health Care 0.75% (31.12.2017, 0.62%)			
DiaSorin	2,662	167	0.13
Novartis	7,337	488	0.39
Roche	1,478	285	0.23
Industrials 0.56% (31.12.2017, 1.20%)			
Assa Abloy	22,619	311	0.25
Epiroc A	17,396	126	0.10
SGS Surveillance	152	266	0.21
Information Technology 0.53% (31.12.2017, 0.33%)			
SAP	4,823	376	0.30
Tieto Corporation	13,615	286	0.23
Materials 0.20% (31.12.2017, 0.33%)			
Givaudan	141	254	0.20
NORTH AMERICA 7.19% (31.12.2017, 8.53%)			
Communication Services 0.41% (31.12.2017, 0.57%)			
AT&T	14,591	323	0.26
Walt Disney	2,193	186	0.15
Consumer Discretionary 0.51% (31.12.2017, 0.29%)			
McDonald's	4,039	559	0.44
Starbucks	1,773	89	0.07
Consumer Staples 0.62% (31.12.2017, 1.50%)			
Coca Cola	12,529	462	0.37
Colgate-Palmolive	6,797	317	0.25
Financials 1.65% (31.12.2017, 2.10%)			
Bank of America	14,812	284	0.23
Blackstone	6,869	163	0.13
Chicago Mercantile Exchange	2,460	361	0.29
JP Morgan Chase	5,337	405	0.32
NASDAQ OMX Group	6,421	407	0.32
S&P Global	1,827	242	0.19
US Bancorp	6,061	214	0.17

DIVERSIFIED INCOME FUND
 PORTFOLIO STATEMENT
 at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Health Care 1.40% (31.12.2017, 1.28%)			
Medtronic	5,216	368	0.29
Pfizer	18,771	637	0.51
Stryker	3,184	392	0.31
UnitedHealth Group	1,850	360	0.29
Industrials 0.42% (31.12.2017, 0.64%)			
3M Company	1,953	291	0.23
Honeywell International	2,303	237	0.19
Information Technology 1.08% (31.12.2017, 1.41%)			
Accenture	3,032	333	0.27
Fidelity National Information Services	5,101	404	0.32
Microsoft	6,453	509	0.40
Texas Instruments	1,607	118	0.09
Materials 0.24% (31.12.2017, 0.23%)			
Ecolab	2,691	306	0.24
Utilities 0.36% (31.12.2017, 0.41%)			
Duke Energy	6,830	458	0.36
Real Estate 0.50% (31.12.2017, 0.29%)			
Alexandria Real Estate Equities	3,274	292	0.23
Prologis	7,238	331	0.27
JAPAN 0.23% (31.12.2017, 0.56%)			
Consumer Staples 0.23% (31.12.2017, 0.26%)			
Kao	5,000	289	0.23
Telecommunication Services 0.00% (31.12.2017, 0.30%)			
ASIA PACIFIC EX JAPAN 1.36% (31.12.2017, 1.77%)			
Communication Services 0.49% (31.12.2017, 0.40%)			
HKT Trust and HKT Ltd	546,000	613	0.49

DIVERSIFIED INCOME FUND
PORTFOLIO STATEMENT
at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Consumer Discretionary 0.00% (31.12.2017, 0.30%)			
Health Care 0.23% (31.12.2017, 0.27%)			
Sonic Healthcare	23,856	289	0.23
Information Technology 0.64% (31.12.2017, 0.80%)			
carsales.com	29,722	179	0.14
Iress Market Technology	55,735	314	0.25
Taiwan Semiconductor Manufacturing Company	10,998	321	0.25
PRIVATE EQUITY & OTHER 2.81% (31.12.2017, 1.57%)			
Other 0.00% (31.12.2017, 0.50%)			
Private Equity 2.81% (31.12.2017, 1.07%)			
BMO Private Equity Trust	266,337	839	0.67
F&C Commercial Property Trust	1,481,366	1,840	1.47
Princess Private Equity	112,603	845	0.67
INFRASTRUCTURE & OPERATING ASSETS 16.05%			
(31.12.2017, 15.58%)			
Energy Resources & Environment 8.44%			
(31.12.2017, 5.83%)			
Bluefield Solar Income Fund	1,602,370	1,963	1.56
Foresight Solar Fund	1,852,756	1,992	1.58
Greencoat UK Wind	1,709,857	2,148	1.71
Gresham House Energy Storage Fund	1,611,386	1,644	1.31
SDCL Energy Efficiency Income Trust	1,276,652	1,270	1.01
The Renewables Infrastructure Group	1,411,590	1,595	1.27
General 1.54% (31.12.2017, 2.71%)			
Picton Property Income	2,306,556	1,942	1.54
Social 6.07% (31.12.2017, 5.81%)			
GCP Student Living	1,148,652	1,705	1.35
Impact Healthcare REIT	728,195	743	0.59
MedicX Fund	2,543,082	1,882	1.50
Target Healthcare REIT	1,484,883	1,581	1.26
Triple Point Social Housing REIT	1,748,893	1,721	1.37

DIVERSIFIED INCOME FUND
PORTFOLIO STATEMENT
at 31 December 2018

	Holding	Fair value £'000	% of total net assets
PROPERTY 5.70% (31.12.2017, 2.43%)			
Aberdeen Standard European Logistics Income	1,909,316	1,938	1.54
AEW UK REIT	2,159,226	1,922	1.53
John Laing Environmental Assets Group	1,439,407	1,511	1.20
Tritax EuroBox plc	1,959,203	1,802	1.43
CONTRACTUAL & OTHER INCOME 10.89% (31.12.2017, 15.36%)			
Alcentra European Floating Rate Income Fund	1,379,646	1,371	1.09
Blackstone Mortgage Trust	33,641	836	0.66
Blackstone/GSO Loan Financing	759,867	512	0.41
Chenavari Capital Solutions	396,903	304	0.24
DP Aircraft	1,259,110	1,003	0.80
GCP Asset Backed Income Fund	1,975,900	2,055	1.63
GCP Infrastructure Investments	1,654,944	2,095	1.67
Hadrians Wall Secured Investments	1,474,583	1,393	1.11
Hipgnosis Songs Fund	983,808	1,048	0.83
RM Secured Direct Lending	1,047,892	1,048	0.83
Sequoia Economic Infrastructure Income Fund	615,844	699	0.56
SQN Asset Finance Income Fund – C Shares	877,473	781	0.62
SQN Asset Finance Income Fund	580,000	559	0.44
FIXED INTEREST 25.70% (31.12.2017, 23.17%)			
Gilts 2.59% (31.12.17, 0.00%)			
UK Treasury 0.75% 2023	£1,000,000	993	0.79
UK Treasury 2.75% 2024	£1,000,000	1,099	0.87
UK Treasury 2% 2025	£1,100,000	1,171	0.93
Non-Gilts 23.11% (31.12.2017, 23.17%)			
Abbey National Treasury Service 1.875% 2020	£300,000	300	0.24
ABN AMRO Bank 1.375% 2022	£500,000	491	0.39
Apple 3.05% 2029	£500,000	535	0.42
ASB Finance 1% 2020	£400,000	395	0.31
AXA 7.125% 2020	£400,000	439	0.35
Bank of America 6.125% 2021	£300,000	333	0.26
Bank of Nova Scotia 1.25% 2022	£500,000	492	0.39
Bank of Scotland 9.375% 2021	£380,000	437	0.35
Banque Federative du Credit Mutuel 1.375% 2021	£300,000	296	0.23

DIVERSIFIED INCOME FUND
 PORTFOLIO STATEMENT
 at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Non-Gilts (continued)			
Barclays Bank 9.5% 2021	£310,000	358	0.28
Barclays Bank 2.375% 2023	£500,000	485	0.39
BNP Paribas 2.375% 2019	£75,000	76	0.06
British Telecom 8.625% 2020	£80,000	87	0.07
Bupa Finance 3.375% 2021	£500,000	520	0.41
Chorus 6.75% 2020	£100,000	106	0.08
Citigroup 5.15% 2026	£500,000	582	0.46
Close Brothers Group 3.875% 2021	£450,000	467	0.37
Close Brothers Group 2.75% 2023	£500,000	496	0.39
Coventry Building Society 6% 2019	£50,000	52	0.04
Coventry Building Society 1.875% 2023	£400,000	386	0.31
Daimler 2.75% 2020	£158,000	160	0.13
Deutsche Pfandbriefbank 1% 2020	£300,000	297	0.24
Dexia Credit Local 1.125% 2022	£500,000	494	0.39
Dexia Credit Local 2.125% 2025	£600,000	612	0.49
EE 4.375% 2019	£360,000	362	0.29
Eversholt Rail Group 5.831% 2020	£100,000	107	0.09
Fidelity International 6.75% 2020	£325,000	349	0.28
Glencore Finance (Canada) 7.375% 2020	£136,000	146	0.12
Heathrow Funding 6% 2020	£100,000	105	0.08
ING Bank 5.375% 2021	£400,000	434	0.35
International Bank for Reconstruction and Development 1% 2022	£500,000	497	0.40
Japan Finance Organisation for Municipalities 5.75% 2019	£400,000	411	0.33
London Stock Exchange 9.125% 2019	£200,000	211	0.17
LVMH Moët Hennessy Louis Vuitton 1% 2022	£500,000	492	0.39
Marks and Spencer 6.125% 2019	£325,000	336	0.27
Metropolitan Life Global Funding I 1.625% 2022	£750,000	745	0.59
Morgan Stanley 2.625% 2027	£500,000	493	0.39
National Australia Bank 0.875% 2020	£350,000	346	0.28
National Australia Bank 1.875% 2020	£350,000	351	0.28
Nestle Holdings 1.75% 2020	£400,000	403	0.32
Network Rail Infrastructure 3% 2023	£400,000	433	0.34
Places for People 2.875% 2026	£500,000	485	0.39
Prologis 2.25% 2029	£500,000	468	0.37
Prudential 11.375% VRN 2039	£310,000	322	0.26
Rabobank 2.25% 2022	£800,000	812	0.65
RCI Banque 3% 2019	£250,000	251	0.20

DIVERSIFIED INCOME FUND
PORTFOLIO STATEMENT
at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Non-Gilts (continued)			
RELX 2.75% 2019	£400,000	401	0.32
Skandinaviska Enskilda 1.25% 2022	£500,000	491	0.39
Skipton Building Society 1.75% 2022	£500,000	480	0.38
Sky 2.875% 2020	£361,000	369	0.29
Southern Gas 4.875% 2020	£235,000	250	0.20
Southern Water 6.125% 2019	£375,000	379	0.30
Svenska Handelsbanken 1.625% 2022	£500,000	496	0.39
Swedbank 1.25% 2021	£500,000	492	0.39
Thames Water Utilities Cayman Finance 2.375% 2023	£550,000	534	0.42
UBS AG London 1.25% 2020	£400,000	397	0.32
UBS AG Jersey 6.375%VRN 2024	£330,000	342	0.27
US Treasury 2.5% 2020	£4,811,100	3,754	2.98
US Treasury 0.5% 2028	£2,343,200	1,789	1.42
Virgin Money 2.25% 2020	£375,000	375	0.30
Volkswagen Financial Services 2.75% 2020	£158,000	160	0.13
Walgreens Boots Alliance 2.875% 2020	£532,000	541	0.43
Westpac Banking 5% 2019	£350,000	360	0.29
FORWARD CURRENCY CONTRACTS (0.19%) (31.12.2017, 0.00%)			
Buy Euro2,512,765 & Sell GBP2,235,934		12	0.01
Buy GBP2,197,715 & Sell Euro2,512,765		(50)	(0.04)
Buy GBP4,566,291 & Sell USD6,012,435		(120)	(0.10)
Buy GBP4,596,339 & Sell USD6,021,434		(97)	(0.07)
Buy USD6,077,763 & Sell GBP4,739,551		(2)	0.00
Buy USD5,956,106 & Sell GBP4,630,058		12	0.01
INVESTMENT ASSETS		112,958	89.80
NET OTHER ASSETS		12,832	10.20
TOTAL NET ASSETS		125,790	100.00

During the period, certain holdings in the portfolio were re-classed due to GICS sector changes in the comparator.

DIVERSIFIED INCOME FUND
STATEMENT OF TOTAL RETURN
for the year ended 31 December 2018

	Note	Year ended 31.12.2018		Period ended* 31.12.2017	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(4,293)		2,168
Revenue	3	3,359		2,142	
Expenses	4	(734)		(517)	
Net revenue before taxation		2,625		1,625	
Taxation	5	(25)		(23)	
Net revenue after taxation			2,600		1,602
Total (deficit)/return before distributions			(1,693)		3,770
Distributions	6		(3,196)		(1,999)
Change in net assets attributable to Unitholders from investment activities			(4,889)		1,771

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
for the year ended 31 December 2018

	Year ended 31.12.2018		Period ended* 31.12.2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Unitholders		73,669		–
Amounts receivable on issue of Units	56,788		21,726	
In-specie transaction	–		50,000	
		56,788		71,726
Dilution levy		222		172
Change in net assets attributable to Unitholders from investment activities		(4,889)		1,771
Closing net assets attributable to Unitholders		125,790		73,669

The notes on pages 33 to 45 and the distribution tables on page 46 form part of these financial statements.

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

DIVERSIFIED INCOME FUND
BALANCE SHEET
at 31 December 2018

	Note	31.12.2018		31.12.2017	
		£'000	£'000	£'000	£'000
ASSETS					
Fixed assets:					
Investments			113,227		63,537
Current assets:					
Debtors	7	601		426	
Cash equivalents	8	12,503		9,718	
Cash and bank balances	8	626		531	
Amounts held for forward contracts	8	250		–	
Total current assets			13,980		10,675
Total assets			127,207		74,212
LIABILITIES					
Investment liabilities			269		–
Creditors					
Other creditors	9	126		77	
Distribution payable on Income Units		1,022		466	
Total creditors			1,148		543
Total liabilities			1,417		543
Net assets attributable to Unitholders			125,790		73,669

The financial statements on pages 31 to 46 have been approved by the ACS Manager.

Approved on behalf of the ACS Manager
15 April 2019

M Quicke OBE, Director
CCLA Fund Managers Limited

Approved on behalf of the ACS Manager
15 April 2019

J Bevan, Director
CCLA Fund Managers Limited

The notes on pages 33 to 45 and the distribution tables on page 46 form part of these financial statements.

DIVERSIFIED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. Accounting policies

Please see pages 11 and 12 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.

(a) Basis of preparation

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 changes in net assets.

(b) Expenses

During the year, the ACS Manager's annual management charge ("AMC"), paid to the ACS Manager, was taken to the capital of the Diversified Income Fund before distribution. The fee is based on a fixed percentage of the value of the Diversified Income Fund and was 0.60% during the year/period. No VAT is charged on the AMC. The AMC is calculated by reference to the daily Net Asset Value of the Diversified Income Fund.

For Unit Class 1, the ACS Manager agreed to rebate one quarter of the AMC for two years from the date of investment to investors who invested prior to the first anniversary of the launch of Unit Class 1.

For Unit Class 2, the ACS Manager agreed to rebate one quarter of the AMC for two years from the date of investment to investors who invested prior to the end of the month in which the first anniversary of the launch of Unit Class 2 fell.

For Unit Class 3, the ACS Manager agreed to rebate one quarter of the AMC for one year from the date of investment to investors who invested prior to 31 March 2018.

The Depositary fee, audit, legal, safe custody fees and insurance fees are charged separately to the revenue of the Diversified Income Fund before distribution.

(c) Distributions

The policy of the Diversified Income Fund is to distribute all available revenue, excluding any items treated as capital and after deduction of expenses chargeable against revenue.

Distributions are declared and paid quarterly.

It is the Diversified Income Fund's policy to calculate the distribution based on the revenue on debt securities which is computed on an effective yield basis.

DIVERSIFIED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. Accounting policies (continued)

Distributions received by the Diversified Income Fund from other collective investment schemes may include equalisation, which is taken to capital and does not form part of the Diversified Income Fund's distribution.

2. Net capital (losses)/gains

	31.12.2018 £'000	31.12.2017 £'000
The net capital (losses)/gains during the year/period comprise:		
Realised (losses)/gains on non-derivative securities	(728)	131
Unrealised (losses)/gains on non-derivative securities	(3,357)	2,008
Realised gains on forward currency contracts	–	24
Unrealised losses on forward currency contracts	(245)	–
Currency realised losses	(1)	(7)
SDRT income	38	12
	(4,293)	2,168

3. Revenue

	31.12.2018 £'000	31.12.2017 £'000
UK dividends	582	384
Overseas dividends	1,661	1,254
Interest on debt securities	388	304
Indirect property income	636	177
Deposit interest	85	18
Bank interest	7	5
	3,359	2,142

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

4. Expenses

	31.12.2018 £'000	31.12.2017 £'000
Payable to the ACS Manager, associates of the ACS Manager and agents of either of them: ACS Manager's periodic charge – see note 1(b)	596	397
	596	397
Payable to the Depositary, associates of the Depositary and agents of either of them: Safe custody fees	50	54
Depositary fee	54	48
	104	102
Other expenses: Audit fee	16	14
Other fees	18	4
	34	18
Total expenses	734	517

Audit fee net of VAT is £10,150 (31.12.2017, £10,855).

The above expenses include VAT where applicable.

5. Taxation

The Diversified Income Fund 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 Unitholders 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.

	31.12.2018 £'000	31.12.2017 £'000
Overseas taxation suffered in the year/period	25	23
Total taxation	25	23

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

6. Distributions

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

	31.12.2018 £'000	31.12.2017 £'000
31 March – interim distribution	613	532
30 June – interim distribution	804	537
30 September – interim distribution	997	526
31 December – final distribution	1,022	466
	3,436	2,061
Deduct: revenue received on issue of Units	(240)	(62)
Net distribution for the year/period	3,196	1,999
Net revenue after taxation for the year/period	2,600	1,602
Manager's periodic charge – see note 1(b)	596	397
Net distribution for the year/period	3,196	1,999

Details of the distribution per Unit are set out in the distribution tables on page 46.

The ACS 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/period and deducted from capital.

There were no unclaimed distributions as at 31 December 2018 (31.12.2017, £nil).

7. Debtors

	31.12.2018 £'000	31.12.2017 £'000
Accrued revenue	511	391
SDRT reclaim receivable	50	11
Overseas tax recoverable	30	15
Income tax recoverable	10	9
	601	426

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

8. Cash equivalents, cash and bank balances

	31.12.2018 £'000	31.12.2017 £'000
Cash equivalents – cash in The Public Sector Deposit Fund	12,503	9,718
Cash and bank balances – cash at bank	626	531
Amounts held for forward currency contracts	250	–

9. Other creditors

	31.12.2018 £'000	31.12.2017 £'000
Accrued expenses	121	77
SDRT reclaim fee payable	5	–
	126	77

10. Financial instruments

Fair value

Securities held by the Diversified Income Fund are valued at bid-market value. Bid-market value is considered to be a fair representation of the amount repayable to Unitholders should they wish to sell their Units. Other financial assets and liabilities of the Diversified Income Fund are included in the balance sheet at their fair value.

The main risks arising from the Diversified Income 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/period.

Market price risk

This is an actively managed fund which invests mainly in UK and overseas equities and fixed interest investments. Investors are thus exposed to market price risk, which can be defined as the uncertainty about future price movements of the financial instruments the Diversified Income 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 Unit price from time to time, although there will generally be a positive correlation in the movement of the Unit price to the markets the Diversified Income Fund is invested in. The Diversified Income Fund seeks to minimise the risks by holding a diversified portfolio of investments in line with its investment objectives. Risk is monitored at both the asset allocation and stock selection levels by the ACS Manager on a regular basis.

DIVERSIFIED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

10. Financial instruments (continued)

Market price risk (continued)

At 31 December 2018, if the price of the investments held by the Diversified Income Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to Unitholders, and profit or loss, would increase or decrease respectively by approximately £5,648,000 (31.12.2017, £3,177,000).

Credit risk

The Diversified Income Fund's transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase, the cash for a sale or the settlement amounts for forward currency contracts. To minimise this, the Diversified Income Fund only deals with an approved list of brokers maintained by the ACS Manager and has employed collateral arrangements for forward currency contracts.

Portfolio composition by credit rating

Rating category	31.12.2018 % Fund	31.12.2017 % Fund
AAA	18.6	–
AA	40.1	11.2
A	28.2	36.0
BBB	13.1	48.2
Non investment grade	–	–
Not rated (Debentures/Preference Shares)	–	4.6

Liquidity risk

Financial instruments held by the Diversified Income Fund, excluding short-term debtors and creditors, are made up of UK and overseas equities, fixed interest stocks, unit trusts, and sterling and overseas cash deposits. These assets are generally liquid (except for the unit trusts, which are realisable only on their weekly or monthly dealing dates, and the holdings in the unquoted investments, which are not readily realisable) and enable the Diversified Income Fund to meet the payment of any redemption of Units that Unitholders may wish to make.

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

10. Financial instruments (continued)

Currency risk

The Diversified Income 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 Diversified Income Fund. The Diversified Income 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 2018, 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 Unitholders, and profit or loss, would decrease or increase respectively by approximately £252,000 (31.12.2017, £167,000).

The total foreign currency exposure at 31 December was:

Currency	31.12.2018			31.12.2017		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	–	781	781	–	482	482
Danish krona	3	–	3	1	307	308
Euro	10	4,029	4,039	9	3,766	3,775
Hong Kong dollar	–	613	613	–	519	519
Japanese yen	2	289	291	1	409	410
Norwegian krone	5	–	5	4	312	316
Swedish krona	–	438	438	–	174	174
Swiss franc	16	2,168	2,184	7	1,240	1,247
US dollar	95	16,752	16,847	31	9,466	9,497
Total	131	25,070	25,201	53	16,675	16,728

The Fund held derivatives relating to forward currency contracts valued at (£245,000) as at 31 December 2018 (31.12.2017, £nil).

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

10. Financial instruments (continued)

Interest rate risk

The majority of the Diversified Income Fund's financial assets are equities which neither receive interest nor have maturity dates. The Diversified Income 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 ACS 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.

As at 31 December 2018, it is estimated that a 1% movement in interest rates would result in an opposite movement of £1,083,000 (31.12.2017, £365,000) in the value of the fixed interest portfolio.

The total exposure at 31 December 2018 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	–	–	6,287	6,287
Sterling	14,528	25,636	73,179	113,343
US dollar	1,789	3,754	20,684	26,227
Other	–	–	4,315	4,315
Total	16,317	29,390	104,465	150,172

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	–	–	2,248	2,248
Sterling	–	–	12,754	12,754
US dollar	–	–	9,380	9,380
Total	–	–	24,382	24,382

DIVERSIFIED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

10. 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
Euro	–	–	3,775	3,775
Sterling	10,960	16,358	30,166	57,484
US dollar	–	–	9,497	9,497
Other	–	–	3,456	3,456
Total	10,960	16,358	46,894	74,212

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	543	543
Total	–	–	543	543

* The floating rate financial assets of the Diversified Income 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.

11. Commitments and contingent liabilities

There were no other commitments or contingent liabilities as at 31 December 2018 (31.12.2017, £nil).

12. Related party transactions

The AMC is paid to the ACS Manager, a related party to the Diversified Income Fund. The amount incurred in respect of this charge is disclosed in note 4. An amount of £65,341 was due to the ACS Manager at 31 December 2018 (31.12.2017, £34,778). There were no other transactions entered into with the ACS Manager during the year/period.

DIVERSIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

12. Related party transactions (*continued*)

At 31 December 2018, a cash balance of £12,502,983 (31.12.2017, £9,718,201) was held in The Public Sector Deposit Fund (PSDF), which is managed by CCLA Investment Management Ltd (CCLA IM). During the year/period, the Diversified Income Fund received interest of £84,782 (31.12.2017, £18,195) from PSDF and all of the interest was reinvested in the PSDF.

At 31 December 2018, the COIF Charities Investment Fund, which is also managed by the ACS Manager, held 39.83% (31.12.2017, 69.77%) of the value of the Diversified Income Fund.

13. Portfolio transaction costs

For the year ended 31 December 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total purchases costs						
Equity transactions	46,063	28	0.06	73	0.16	46,164
Bond transactions	19,804	–	–	–	–	19,804
Corporate actions	1,860	–	–	–	–	1,860
Total	67,727	28		73		67,828

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total sales costs						
Equity transactions	9,429	(7)	0.07	–	–	9,422
Bond transactions	4,030	–	–	–	–	4,030
Corporate actions	237	–	–	–	–	237
Total	13,696	(7)		–		13,689

Commissions and taxes as a percentage of average net assets

Commissions 0.04%

Taxes 0.07%

The average portfolio dealing spread, including the effect of foreign exchange, as 31 December 2018 was 0.69%.

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

13. Portfolio transaction costs (continued)

For the period ended 31 December 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total purchases costs						
Equity transactions	15,827	8	0.05	16	0.10	15,851
Bond transactions	12,088	–	–	–	–	12,088
Corporate actions	1,097	–	–	–	–	1,097
In-specie transactions	41,233	–	–	–	–	41,233
Total	70,245	8		16		70,269

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total sales costs						
Equity transactions	4,884	(4)	0.08	–	–	4,880
Bond transactions	3,163	–	–	–	–	3,163
Corporate actions	328	–	–	–	–	328
Total	8,375	(4)		–		8,371

Commissions and taxes as a percentage of average net assets

Commissions 0.02%

Taxes 0.02%

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2017 was 0.50%.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling Units in the Fund are recovered from those investors through a 'dilution levy' to the price they pay or receive.

DIVERSIFIED INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

13. Portfolio transaction costs (continued)

For the current year and the comparative period, in the case of equities, commissions and taxes are paid by the Diversified Income 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, 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.

14. Unitholders' funds – reconciliation of Units

		31.12.2018	
	Unit Class 1 – Income	Unit Class 2 – Income	Unit Class 3 – Income
Opening number of Units at beginning of year	33,333,334	13,114,657	1,328,160
Units issued in year	–	37,097,686	986,509
Closing number of Units at end of year	33,333,334	50,212,343	2,314,669

All Units carry the same rights.

15. Fair value of financial assets and financial liabilities

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

Investments are held at fair value. An analysis of the valuation technique used to derive the 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.

DIVERSIFIED INCOME FUND
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2018

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

For the year ended 31 December 2018

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment assets	90,195	23,032	–	113,227
Investment liabilities	–	(269)	–	(269)
	90,195	22,763	–	112,958

For the period ended 31 December 2017

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investment assets	46,296	17,241	–	63,537
	46,296	17,241	–	63,537

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

For financial instruments for which the ACS 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.

16. Comparatives

The comparative period is for the period from the date of initial subscription on 2 December 2016 to 31 December 2017.

DIVERSIFIED INCOME FUND
DISTRIBUTION TABLES
for the year ended 31 December 2018

Period ended	Date paid/payable	Dividends paid/payable pound per Unit	
		2018	2017
Unit Class 1 – Income			
31 March	31 May	0.01204	0.01595
30 June	31 August	0.01403	0.01319
30 September	30 November	0.01200	0.01209
31 December	28 February	0.01215	0.01006
		0.05022	0.05129

Period ended	Date paid/payable	Dividends paid/payable pound per Unit	
		2018	2017
Unit Class 2 – Income			
31 March	31 May	0.01158	0.00135
30 June	31 August	0.01343	0.01271
30 September	30 November	0.01175	0.01174
31 December	28 February	0.01174	0.00976
		0.04850	0.03556

Period ended	Date paid/payable	Dividends paid/payable pound per Unit	
		2018	2017
Unit Class 3 – Income			
31 March	31 May	0.01139	n/a*
30 June	31 August	0.01332	n/a*
30 September	30 November	0.01168	n/a*
31 December	28 February	0.01169	0.00165
		0.04808	0.00165

* Unit Class 3's initial subscription was on 1 December 2017.

The distributions for all Units were paid in the same year, apart from the distribution declared on 31 December which is payable on 28 February in the subsequent year.

AIFMD DISCLOSURES

ACS Manager Remuneration

The ACS Manager has no employees, but delegates the performance of its service to employees of its parent company, CCLA Fund Managers Ltd, CCLA IM.

Recharges for these services of CCLA IM to the Manager are levied in respect of CCLA IM's year ending on 31 March each year. The recharge for the year to 31 March 2018 was £22,700,000. A recharge of £17,157,000 was levied in the year to 31 March 2017.

The average number of full time equivalent staff of CCLA IM, including temporary staff, for the year ended 31 March 2018 was 121 (year ended 31 March 2017, 110).

During the year to 31 December 2018 and the prior period, remuneration was paid to CCLA IM staff as shown below. Totals for staff whose actions have a material impact on the risk profile of the Fund ("identified staff") are shown separately.

	Year ended 31 December 2018		
	Fixed remuneration £000	Variable remuneration £000	Total £000
Identified staff	1,155	1,267	2,422
Other staff	8,744	3,113	11,857
Total	9,899	4,380	14,279

	Period ended 31 December 2017		
	Fixed remuneration £000	Variable remuneration £000	Total £000
Identified staff	1,268	960	2,228
Other staff	8,951	2,632	11,583
Total	10,219	3,592	13,811

Remuneration above is the total remuneration for CCLA IM; it is not possible to separate the element of that relating only to this fund. The components of remuneration are appropriately balanced and do not create a conflict of interest for the Fund.

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
 Telephone: 0207 489 6000
 Client Service:
 Freephone: 0800 022 3505
 Email: clientservices@ccla.co.uk
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) –
 retired 19 November 2018
 E Sheldon (Chief Operating Officer) –
 appointed 19 November 2018
 FCA approval granted 4 December 2018
 A Robinson, MBE (Director Market Development)

Non-Executive Directors of the ACS Manager

R Horlick
 C Johnson (from 8 June 2018)
 G Newson (from 29 October 2018)
 R Norris (resigned 17 October 2018)
 T Salmon, OBE (resigned 1 January 2019)
 J Tattersall
 R Williams (resigned 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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 8 Canada Square
 London
 E14 5HQ

Banker

HSBC Bank plc
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