

THE CBF CHURCH OF ENGLAND UK EQUITY FUND  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

Year ended 31 December 2018

**CCLA**

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

\*\*Audited.

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

#### Disability Discrimination Act 1995

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

## REPORT OF THE TRUSTEE for the year ended 31 December 2018

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

### Structure and management

The Fund is a Common Fund established under the Church Funds Investment Measure 1958 as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000 and the Trustee Act 2000 (together the Measure). The Fund was established on 1 December 2004. The Fund is neither a Collective Investment Scheme nor an Unregulated Collective Investment Scheme within the meaning of the Financial Services and Markets Act 2000 (FSMA).

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

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

Under the provisions of the FSMA, CBFFT is not considered to be operating the Fund by way of business. In consequence, it is not required to be authorised and regulated by the FCA and the trustee directors of CBFFT are not required to be authorised by the FCA for this purpose.

Investments in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

### Charitable status of the Fund

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

### Investment objective

The Fund aims to provide growth in capital and income over the long-term.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2018

**Investment policy**

The Fund is an actively managed, diversified portfolio of UK equities. It will principally invest in UK equities, but may also invest in other assets.

**Benchmark**

The MSCI United Kingdom Investable Market Index (MSCI™ IMI UK) is the benchmark for the Fund.

**Suitability**

The Fund is suitable for the long-term funds of any Church of England charity seeking exposure to UK equities.

**Responsibilities of the Trustee**

CBFFT monitors the investment management, administration, registration, secretarial and company secretarial services provided by the Manager under the respective Management Agreements. It meets quarterly with the Manager to monitor investment strategy, dividend and interest rate policy, investment diversification and risk and to review the Fund's performance. In addition, CBFFT reviews the Report and Financial Statements of the Fund prepared on its behalf by the Manager. CBFFT is responsible for appointing an Audit Committee, the Auditor and the Custodian. It reviews annually the objectives of the Fund in the light of current circumstances.

**Delegation of functions**

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

**Ethical investment**

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

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

The EIAG advises the Church's three National Investing Bodies (the Church Commissioners and Church of England Pensions Board being the other two) on ethical investment issues. Responsibility for accepting EIAG recommendations rests with the CBFFT.

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

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

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2018

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

**Responsible investment and Stewardship**

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term shareholder returns. This includes policies to integrate environmental, social and governance (ESG) factors into our investment decision making process and stewardship activities with Fund holdings. The Manager's response to the UK Stewardship Code and their full quarterly voting record is available at [www.ccla.co.uk](http://www.ccla.co.uk).

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

**Controls and risk management**

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

CBFFT has appointed HSBC Bank plc to monitor the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. This monitoring provides

an additional layer of comfort for shareholders. The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

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

A Brookes, Chair  
CBF Funds Trustee Limited  
3 June 2019

## REPORT OF THE INVESTMENT MANAGER

### for the year ended 31 December 2018

#### Strategy

The objective of the Fund is to provide growth in capital and income over the long-term. To achieve this the portfolio holds a diversified list of good quality equity assets, predominantly listed on the domestic equity exchange but with some direct holdings on exchanges overseas. The Fund adopted a more defensive stance to policy in the third quarter of the year, a move which was reflected in a reduction in the exposure to cyclical investments and some profit taking in companies where, in our view, the valuations had moved on to elevated levels.

#### Performance

Over the year the Fund achieved a total return before expenses of -3.81%. This compares to a return on the benchmark of -9.76%. The return on an Income share, after all costs and charges, was -4.47%. The return on an Accumulation share, calculated on the same basis, -4.46%. At 31 December 2018 the distribution yield on the Fund was 3.85% compared with a yield of 4.71% on the benchmark. Over the year relative performance was supported by both stock selection and asset allocation. At the stock level, returns benefitted from the exposure to companies with strong growth credentials in the consumer and industrials sectors; a low weighting to retailing and energy, sectors which underperformed, was another positive factor. The holdings overseas and the increased cash weighting also supported returns.

#### Annualised total capital and income return

| To 31 December 2018   | 1 year<br>% | 5 years<br>% p.a. | 10 years<br>% p.a. |
|---|-------------|-------------------|--------------------|
| <b>Performance against market indices (before expenses)</b> |             |                   |                    |
| The CBF Church of England UK Equity Fund                    | -3.81%      | 6.38%             | 10.76%             |
| Benchmark <sup>#</sup>                                      | -9.76%      | 3.68%             | 8.63%              |
| <b>Performance after expenses</b>                           |             |                   |                    |
| Income shares <sup>*</sup>                                  | -4.47%      | 5.49%             | 9.99%              |
| Accumulation shares <sup>*</sup>                            | -4.46%      | 5.50%             | 10.01%             |

<sup>#</sup> Benchmark – From 01.01.16 MSCI UK IMI. To 31.12.15 MSCI UK All Cap, to 30.11.14 MSCI UK All Cap adjusted for EIAG Ethical Restrictions & to 31.12.11 FTSE All-Share Index adjusted for Ethical Restrictions.

<sup>\*</sup> Mid to mid plus income re-invested.

Source: CCLA.

## REPORT OF THE INVESTMENT MANAGER for the year ended 31 December 2018

### Market Review

The UK economy grew over the year but at a modest pace. Low unemployment and improving wage trends supported activity but the boost from these sources was offset in part by increased levels of uncertainty due to the UK's exit from the European Union (EU), and by slowing growth in the world economy. Inflation remained above the Bank of England's target level through the period, but price pressures eased slightly later in the year reflecting a weaker oil price. Official interest rates were increased despite the modest rate of economic expansion; the Monetary Policy Committee citing the continuing fall in unemployment as evidence that growth was above the sustainable rate, creating a risk of higher inflation in the future.

Despite this relatively benign background the UK equity market, alongside its international peers, declined over the year. Early weakness was followed by a period when prices trended sideways but failed to regain start-year levels. Values then fell again in the final quarter as concerns grew over the global economic growth outlook for 2019 and beyond. Over the year companies with a UK focus to their business activities underperformed the market as a whole, a reflection of the influence on sentiment of concerns over the UK's exit from the EU on both domestic and international investors.

### Outlook

We expect further growth in the domestic economy in the year ahead, at a similar pace to that achieved in 2018. Inflation will be influenced over the short term by currency factors and the price of volatile commodities such as oil, however we expect the underlying rate to remain close to 2%. The Bank of England has signalled that, absent disruption from factors related to the United Kingdom's exit from the European Union, it is minded to increase borrowing costs again in 2019. In our view, slow economic growth and the continued uncertainty over the UK's exit from the EU means that any increase is unlikely until the final quarter of the year and could be much later. The outcome of the UK's exit from the EU could have a material impact on economic trends and expectations. For the present we intend to maintain the defensive bias to policy.

J Bevan  
Chief Investment Officer  
CCLA Investment Management Limited  
3 June 2019

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

Top ten changes in portfolio composition

|                                    | Cost<br>£'000 |                   | Proceeds<br>£'000 |
|------------------------------------|---------------|-------------------|-------------------|
| <b>Purchases:</b>                  |               | <b>Sales:</b>     |                   |
| Bluefield Solar Income Fund        | 1,074         | Vodafone          | 1,216             |
| Tritax Big Box REIT                | 978           | AstraZeneca       | 974               |
| Victrex                            | 789           | Ferguson          | 825               |
| Taiwan Semiconductor Manufacturing | 648           | Pennon            | 818               |
| Genus                              | 533           | Reckitt Benckiser | 746               |
| Just Eat                           | 432           | Orkla ASA         | 711               |
| Informa                            | 409           | Saga              | 673               |
| Direct Line Insurance              | 379           | Pepsico           | 599               |
| DS Smith                           | 374           | Shire             | 599               |
| Halma                              | 323           | Rightmove         | 488               |

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 value of the Fund's shares and their revenue can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns. The Fund's share value will reflect fluctuations in share prices. The shares in the Fund are intended only for long term

investment and are not suitable for money liable to be needed in the near future. They are realisable only on each weekly dealing day. The Fund mainly invests in stocks from a single geographical area which can lead to risk of concentration.

**STATEMENT OF ETHICAL INVESTMENT POLICY****to the shareholders of The CBF Church of England UK Equity Fund**

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

**Stewardship**

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

**Engagement**

The NIBs expect companies in which they invest to manifest sustainable environmental practice, fair treatment of customers and suppliers, responsible employment practices, conscientiousness with regard to human rights, sensitivity towards the communities in which they operate and best corporate governance practice. The NIBs engage with investee companies to seek improvement in ethical standards in these areas.

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

**Investment Exclusions**

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

**STATEMENT OF ETHICAL INVESTMENT POLICY****to the shareholders of The CBF Church of England UK Equity Fund**

**Direct investments in equities and corporate debt:** The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover they do not invest in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, or high interest rate lending. A policy on alcohol is implemented by the NIBs under which companies deriving more than 5% of their revenues from alcoholic drinks are only eligible for investment if they meet EIAG standards for responsible marketing and retailing. The climate change policy (2015) does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal.

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

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

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The National Investing Bodies develop ethical investment policy based upon the advice of the Church’s Ethical Investment Advisory Group (EIAG). The EIAG was established in 1994 and includes representation from The Church Commissioners, The CBF Church of England Funds, the Church of England Pensions Board and up to

seven independent members who are appointed by a dedicated Nominations Committee. It is currently Chaired by the Right Reverend David Walker, The Bishop of Manchester. More information about the EIAG is available at:  
<https://www.churchofengland.org/eiag>

## INDEPENDENT AUDITOR'S REPORT

to the shareholders of The CBF Church of England UK Equity Fund

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

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

- give a true and fair view of the financial position of the Fund as at 31 December 2018 and of the net revenue and the net capital gains of its scheme property for the year then ended;
- 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), and the Trust Deed; and
- have been prepared in accordance with the requirements of the Church Funds Investment Measure 1958, as amended, and the Trustee Act 2000.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2018; the statement of total return, the statement of change in net assets attributable to unitholders for the year then ended; the accounting policies; the distribution tables and the notes to the financial statements.

*Basis for opinion*

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

*Independence*

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

*Conclusions relating to going concern*

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

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

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

**INDEPENDENT AUDITOR'S REPORT****to the shareholders of The CBF Church of England UK Equity Fund**

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern. 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 fund'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 Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

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

## INDEPENDENT AUDITOR'S REPORT

to the shareholders of The CBF Church of England UK Equity Fund

*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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

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

PricewaterhouseCoopers LLP  
Chartered Accountants  
7 More London  
Riverside  
London  
3 June 2019

## 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 Fund will lose money because of movements in markets.



We have classified this product as 4 out of 7, which is a medium risk class. This rates the potential losses from future performance at a medium level. The summary risk indicator assumes investment in the Fund for the recommended holding period of 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.

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. However, investors can request redemption at any time and the Fund deals on a weekly basis. 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 Information document available on CCLA's website or by request.

## COMPARATIVE TABLE

## Change in net assets per share

|                                      | Income shares                               |   |   |
|--------------------------------------|---|---|---|
|                                      | Year to<br>31.12.2018<br>pence<br>per share | Year to<br>31.12.2017<br>pence<br>per share | Year to<br>31.12.2016<br>pence<br>per share |
| Opening net asset value per share    | 171.45                                      | 157.81                                      | 149.08                                      |
| Return before operating charges*     | (6.32)                                      | 20.86                                       | 15.86                                       |
| Operating charges                    | (1.15)                                      | (1.13)                                      | (1.04)                                      |
| Return after operating charges*      | (7.47)                                      | 19.73                                       | 14.82                                       |
| Distributions on Income shares       | (6.09)                                      | (6.09)                                      | (6.09)                                      |
| Closing net asset value per share    | 157.89                                      | 171.45                                      | 157.81                                      |
| * after direct transaction costs of: | 0.03  | 0.07  | 0.08  |

## Performance

|                      |         |        |       |
|----------------------|---------|--------|-------|
| Return after charges | (4.36%) | 12.50% | 9.94% |
|----------------------|---------|--------|-------|

## Other information

|                                 |            |            |            |
|---------------------------------|------------|------------|------------|
| Closing net asset value (£'000) | 58,603     | 64,253     | 58,612     |
| Closing number of shares        | 37,116,858 | 37,476,442 | 37,140,931 |
| Operating charges**             | 0.68%      | 0.68%      | 0.70%      |
| Direct transaction costs        | 0.02%      | 0.04%      | 0.06%      |

## Prices (pence per share)

|                             |        |        |        |
|-----------------------------|--------|--------|--------|
| Highest share price (offer) | 178.46 | 172.99 | 160.04 |
| Lowest share price (bid)    | 156.71 | 156.02 | 129.43 |

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

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

## COMPARATIVE TABLE

## Change in net assets per share

|   | Accumulation shares                         |   |   |
|---|---|---|---|
|   | Year to<br>31.12.2018<br>pence<br>per share | Year to<br>31.12.2017<br>pence<br>per share | Year to<br>31.12.2016<br>pence<br>per share |
| Opening net asset value per share             | 276.74                                      | 245.61                                      | 222.77                                      |
| Return before operating charges*              | (10.53)                                     | 32.91                                       | 24.44                                       |
| Operating charges                             | (1.88)                                      | (1.78)                                      | (1.60)                                      |
| Return after operating charges*               | (12.41)                                     | 31.13                                       | 22.84                                       |
| Distributions on Accumulation shares          | (8.89)                                      | (8.98)                                      | (8.45)                                      |
| Retained distributions on Accumulation shares | 8.89  | 8.98  | 8.45  |
| Closing net asset value per share             | 264.33                                      | 276.74                                      | 245.61                                      |
| * after direct transaction costs of:          | 0.06  | 0.11  | 0.13  |

## Performance

|                      |         |        |        |
|----------------------|---------|--------|--------|
| Return after charges | (4.48%) | 12.67% | 10.25% |
|----------------------|---------|--------|--------|

## Other information

|                                 |         |         |          |
|---------------------------------|---------|---------|----------|
| Closing net asset value (£'000) | 1,517   | 1,496   | 1,194    |
| Closing number of shares        | 573,786 | 540,653 | 486,0773 |
| Operating charges**             | 0.68%   | 0.68%   | 0.70%    |
| Direct transaction costs        | 0.02%   | 0.04%   | 0.06%    |

## Prices (pence per share)

|                             |        |        |        |
|-----------------------------|--------|--------|--------|
| Highest share price (offer) | 293.34 | 277.43 | 247.52 |
| Lowest share price (bid)    | 257.32 | 242.82 | 193.44 |

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

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

## OPERATING CHARGES ANALYSIS

for the year ended 31 December 2018

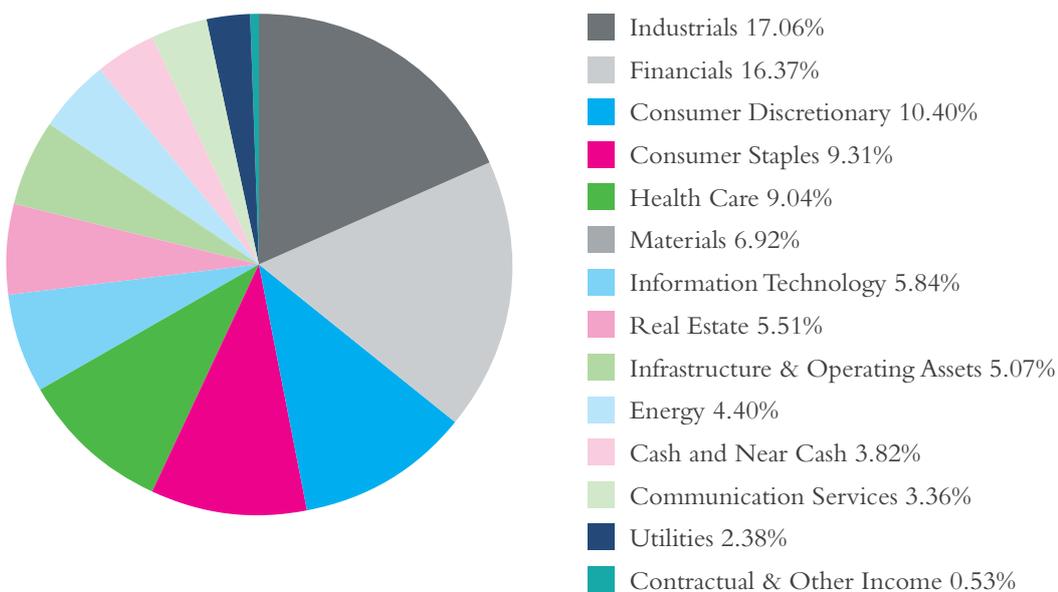
The table below analyses expenses in note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets of the Fund.

|   | 31.12.2018<br>% | 31.12.2017<br>% |
|---|-----------------|-----------------|
| Manager's periodic charge including VAT | 0.60            | 0.60            |
| Manager's fee for ethical services      | 0.02            | 0.02            |
| Safe custody fees and depositary fee    | 0.01            | 0.01            |
| Other expenses                          | 0.05            | 0.05            |
| <b>Total operating charges</b>          | <b>0.68</b>     | <b>0.68</b>     |

PORTFOLIO ANALYSIS

at 31 December 2018

Portfolio Allocation



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

## PORTFOLIO STATEMENT

at 31 December 2018

|  | Holding   | Fair<br>value<br>£'000 | % of<br>total net<br>assets |
|--|-----------|------------------------|-----------------------------|
| <b>UNITED KINGDOM 81.25% (31.12.2017, 84.78%)</b>        |           |                        |                             |
| <b>Communication Services 3.35% (31.12.2017, 5.41%)</b>  |           |                        |                             |
| Auto Trader  | 110,304   | 501                    | 0.83                        |
| Informa  | 142,494   | 898                    | 1.49                        |
| Vodafone   | 406,444   | 621                    | 1.03                        |
| <b>Consumer Discretionary 10.40% (31.12.2017, 9.57%)</b> |           |                        |                             |
| Burberry   | 26,687    | 462                    | 0.77                        |
| Compass Group  | 86,029    | 1,415                  | 2.35                        |
| Domino's Pizza (UK & Ireland)                            | 292,571   | 682                    | 1.13                        |
| Greggs   | 49,292    | 624                    | 1.04                        |
| Hostelworld Group  | 313,598   | 632                    | 1.05                        |
| InterContinental Hotels Group                            | 25,710    | 1,088                  | 1.81                        |
| Just Eat   | 54,642    | 321                    | 0.53                        |
| Moneysupermarket.com                                     | 374,881   | 1,033                  | 1.72                        |
| <b>Consumer Staples 6.99% (31.12.2017, 8.08%)</b>        |           |                        |                             |
| Reckitt Benckiser  | 24,794    | 1,490                  | 2.48                        |
| Unilever   | 65,931    | 2,709                  | 4.51                        |
| <b>Energy 4.40% (31.12.2017, 4.31%)</b>                  |           |                        |                             |
| Royal Dutch Shell B                                      | 113,214   | 2,646                  | 4.40                        |
| <b>Financials 15.39% (31.12.2017, 17.01%)</b>            |           |                        |                             |
| Beazley  | 173,975   | 876                    | 1.46                        |
| Direct Line Insurance Group                              | 264,303   | 842                    | 1.40                        |
| HSBC   | 240,979   | 1,559                  | 2.59                        |
| Intermediate Capital Group                               | 125,814   | 1,174                  | 1.95                        |
| Lloyds Banking Group                                     | 1,541,921 | 798                    | 1.34                        |
| London Stock Exchange                                    | 46,770    | 1,899                  | 3.16                        |
| Prudential   | 149,566   | 2,097                  | 3.49                        |
| <b>Health Care 7.25% (31.12.2017, 7.82%)</b>             |           |                        |                             |
| Abcam  | 105,938   | 1,155                  | 1.92                        |
| Dechra Pharmaceuticals                                   | 45,377    | 938                    | 1.56                        |
| Genus  | 24,059    | 515                    | 0.86                        |
| GlaxoSmithKline  | 117,228   | 1,748                  | 2.91                        |

## PORTFOLIO STATEMENT

at 31 December 2018

|   | Holding | Fair<br>value<br>£'000 | % of<br>total net<br>assets |
|---|---------|------------------------|-----------------------------|
| <b>Industrials 17.07% (31.12.2017, 16.45%)</b>          |         |                        |                             |
| Bunzl   | 63,328  | 1,496                  | 2.49                        |
| Diploma   | 69,816  | 845                    | 1.41                        |
| Experian  | 87,190  | 1,661                  | 2.76                        |
| Homeserve   | 94,471  | 813                    | 1.35                        |
| Intertek Group  | 14,657  | 704                    | 1.17                        |
| Polypipe  | 252,719 | 827                    | 1.38                        |
| RELX  | 116,568 | 1,884                  | 3.13                        |
| RWS   | 242,965 | 1,164                  | 1.94                        |
| Spirax Sarco Engineering                                | 13,964  | 869                    | 1.44                        |
| <b>Information Technology 1.61% (31.12.2017, 1.60%)</b> |         |                        |                             |
| Halma   | 71,559  | 969                    | 1.61                        |
| <b>Materials 6.91% (31.12.2017, 5.96%)</b>              |         |                        |                             |
| Croda International                                     | 24,852  | 1,164                  | 1.93                        |
| DS Smith  | 324,000 | 969                    | 1.61                        |
| Rio Tinto   | 34,499  | 1,287                  | 2.14                        |
| Victrex   | 32,516  | 739                    | 1.23                        |
| <b>Real Estate 5.49% (31.12.2017, 3.65%)</b>            |         |                        |                             |
| A&J Mucklow Group                                       | 128,824 | 632                    | 1.05                        |
| Empiric Student Property                                | 623,301 | 576                    | 0.96                        |
| Safestore   | 236,939 | 1,199                  | 1.99                        |
| Tritax Big Box REIT                                     | 680,237 | 893                    | 1.49                        |
| <b>Utilities 2.39% (31.12.2017, 4.92%)</b>              |         |                        |                             |
| National Grid   | 117,708 | 899                    | 1.50                        |
| SSE   | 49,440  | 534                    | 0.89                        |

## PORTFOLIO STATEMENT

at 31 December 2018

|   | Holding | Fair value<br>£'000 | % of<br>total net<br>assets |
|---|---------|---------------------|-----------------------------|
| <b>OVERSEAS EQUITIES 9.34% (31.12.2017, 9.55%)</b>      |         |                     |                             |
| <b>DEVELOPED EUROPE 1.21% (31.12.2017, 2.89%)</b>       |         |                     |                             |
| <b>Consumer Staples 1.21% (31.12.2017, 2.12%)</b>       |         |                     |                             |
| Nestlé  | 11,480  | 729                 | 1.21                        |
| <b>Health Care 0.00% (31.12.2017, 0.77%)</b>            |         |                     |                             |
| <b>NORTH AMERICA 7.05% (31.12.2017, 6.66%)</b>          |         |                     |                             |
| <b>Consumer Staples 1.12% (31.12.2017, 2.80%)</b>       |         |                     |                             |
| Coca Cola   | 18,025  | 670                 | 1.12                        |
| <b>Health Care 1.78% (31.12.2017, 1.14%)</b>            |         |                     |                             |
| Pfizer  | 31,236  | 1,070               | 1.78                        |
| <b>Financials 1.01% (31.12.2017, 0.80%)</b>             |         |                     |                             |
| JP Morgan Chase   | 7,939   | 609                 | 1.01                        |
| <b>Information Technology 3.14% (31.12.2017, 1.92%)</b> |         |                     |                             |
| Microsoft   | 14,599  | 1,165               | 1.94                        |
| Visa A  | 6,989   | 724                 | 1.20                        |
| <b>ASIA PACIFIC EX JAPAN 1.08% (31.12.2017, 0.00%)</b>  |         |                     |                             |
| <b>Information Technology 1.08% (31.12.2017, 0.00%)</b> |         |                     |                             |
| Taiwan Semiconductor Manufacturing                      | 22,489  | 651                 | 1.08                        |
| <b>INFRASTRUCTURE &amp; OPERATING ASSETS 5.06%</b>      |         |                     |                             |
| <b>(31.12.2017, 1.78%)</b>                              |         |                     |                             |
| <b>Energy Resources &amp; Environment 4.08%</b>         |         |                     |                             |
| <b>(31.12.2017, 1.17%)</b>                              |         |                     |                             |
| Bluefield Solar Income Fund                             | 906,027 | 1,110               | 1.85                        |
| Greencoat UK Wind                                       | 546,660 | 687                 | 1.14                        |
| Gresham House Energy Storage Fund                       | 315,642 | 322                 | 0.54                        |
| The Renewables Infrastructure Group                     | 294,116 | 332                 | 0.55                        |
| <b>Social 0.98% (31.12.2017, 0.61%)</b>                 |         |                     |                             |
| MedicX Fund   | 795,900 | 589                 | 0.98                        |

## PORTFOLIO STATEMENT

at 31 December 2018

|  | Holding | Fair<br>value<br>£'000 | % of<br>total net<br>assets |
|--|---------|------------------------|-----------------------------|
| <b>CONTRACTUAL &amp; OTHER INCOME 0.52%</b><br>(31.12.2017, 0.48%) |         |                        |                             |
| RM Secured Direct Lending  | 311,698 | 312                    | 0.52                        |
| <b>INVESTMENT ASSETS</b>   |         | 57,817                 | 96.17                       |
| <b>NET OTHER ASSETS</b>  |         | 2,303                  | 3.83                        |
| <b>TOTAL NET ASSETS</b>  |         | 60,120                 | 100.00                      |

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

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2018

|  | Note | Year ended<br>31.12.2018 |         | Year ended<br>31.12.2017 |         |
|--|------|--------------------------|---------|--------------------------|---------|
|  |      | £'000                    | £'000   | £'000                    | £'000   |
| Income   |      |                          |         |                          |         |
| Net capital (losses)/gains   | 2    |                          | (4,533) |                          | 5,720   |
| Revenue  | 3    | 2,111                    |         | 2,253                    |         |
| Expenses   | 4    | (434)                    |         | (429)                    |         |
| Net revenue before taxation  |      | 1,677                    |         | 1,824                    |         |
| Taxation   | 5    | (18)                     |         | (39)                     |         |
| Net revenue after taxation   |      |                          | 1,659   |                          | 1,785   |
| Total (deficit)/return before distributions                                  |      |                          | (2,874) |                          | 7,505   |
| Distributions  | 6    |                          | (2,295) |                          | (2,316) |
| Change in net assets attributable to shareholders from investment activities |      |                          | (5,169) |                          | 5,189   |

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

|  | Year ended<br>31.12.2018 |         | Year ended<br>31.12.2017 |        |
|--|--------------------------|---------|--------------------------|--------|
|  | £'000                    | £'000   | £'000                    | £'000  |
| Opening net assets attributable to shareholders                              |                          | 65,749  |                          | 59,806 |
| Amounts receivable on issue of shares  | 1,372                    |         | 820                      |        |
| Amounts payable on cancellation of shares                                    | (1,883)                  |         | (113)                    |        |
|  |                          | (511)   |                          | 707    |
| Change in net assets attributable to shareholders from investment activities |                          | (5,169) |                          | 5,189  |
| Retained distributions on Accumulation shares                                |                          | 51      |                          | 47     |
| Closing net assets attributable to shareholders                              |                          | 60,120  |                          | 65,749 |

The notes on pages 25 to 38 and distribution tables on page 39 form part of these financial statements.

**BALANCE SHEET**  
at 31 December 2018

|  | <i>Note</i> | 31.12.2018 |               | 31.12.2017 |               |
|--|-------------|------------|---------------|------------|---------------|
|  |             | £'000      | £'000         | £'000      | £'000         |
| <b>ASSETS</b>                                  |             |            |               |            |               |
| Fixed assets:                                  |             |            |               |            |               |
| Investments                                    |             |            | 57,817        |            | 63,504        |
| Current assets:                                |             |            |               |            |               |
| Debtors  | 7           | 117        |               | 147        |               |
| Cash equivalents                               | 8           | 2,544      |               | 2,493      |               |
| Cash and bank balances                         | 8           | 258        |               | 228        |               |
| <b>Total current assets</b>                    |             |            | <b>2,919</b>  |            | <b>2,868</b>  |
| <b>Total assets</b>                            |             |            | <b>60,736</b> |            | <b>66,372</b> |
| <b>LIABILITIES</b>                             |             |            |               |            |               |
| Creditors                                      |             |            |               |            |               |
| Other creditors                                | 9           | 48         |               | 50         |               |
| Distribution payable on income shares          |             | 568        |               | 573        |               |
| <b>Total liabilities</b>                       |             |            | <b>616</b>    |            | <b>623</b>    |
| <b>Net assets attributable to shareholders</b> |             |            | <b>60,120</b> |            | <b>65,749</b> |

The financial statements on pages 23 to 39 have been approved by the Trustee.

Approved on behalf of the Trustee  
3 June 2019

A Brookes, Chair  
CBF Funds Trustee Limited

The notes on pages 25 to 38 and distribution tables on page 39 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

### 1. Accounting policies

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

The financial statements have been prepared on a going concern basis, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by The Investment Association in May 2014 (and amended in June 2017) and the Trust Deed and the Collective Investment Scheme Sourcebook. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments.

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

#### *(b) Revenue recognition*

Dividends on ordinary stocks, including special dividends where appropriate, are credited to revenue on the dates when the investments are first quoted ex-dividend or otherwise on receipt of cash. Interest on bank deposits and interest on deposits in The CBF Church of England Deposit Fund are accrued on a daily basis.

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.

#### *(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.

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

1. Accounting policies (*continued*)

(e) Expenses

The Manager's periodic charge and fees for ethical and stewardship services, paid to the Manager, are charged to the capital of the Fund. During the year, the fee was based on a fixed percentage of the value of the Fund, which is currently 0.50% p.a. plus VAT. The Fund receives a management fee rebate credited to the revenue of the Fund for its deposits in The CBF Church of England Deposit Fund where the management fees are charged to revenue. On a daily basis, the value of the Fund at the end of the previous day is taken to calculate the fee due. This fee covers the provision of investment services and other expenses incurred by the Manager. Audit, legal, safe custody fees, transaction charges and insurance fees are charged separately to the revenue of the Fund before distribution. The Trustee's administration fee is charged to the revenue of the Fund.

(f) Distributions

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

(g) Basis of valuation

Quoted investments are valued at bid-market values at the close of business, on the last business day of the accounting period.

(h) Foreign exchange

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

(i) Cash equivalents

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

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

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

2. Net capital (losses)/gains

|  | Year ended<br>31.12.2018<br>£'000 | Year ended<br>31.12.2017<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| The net capital (losses)/gains during the year comprise: |                                   |                                   |
| Realised gains on non-derivative securities*             | 961                               | 2,210                             |
| Unrealised (losses)/gains on non-derivative securities*  | (5,503)                           | 3,488                             |
| Currency gains   | 9                                 | 22                                |
|  | <b>(4,533)</b>                    | <b>5,720</b>                      |

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

3. Revenue

|  | Year ended<br>31.12.2018<br>£'000 | Year ended<br>31.12.2017<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| UK dividends                                       | 1,778                             | 1,952                             |
| Overseas dividends                                 | 319                               | 291                               |
| Interest on The CBF Church of England Deposit Fund | 7                                 | 4                                 |
| Manager's periodic charge rebate*                  | 4                                 | 5                                 |
| Bank interest                                      | 3                                 | 1                                 |
|  | <b>2,111</b>                      | <b>2,253</b>                      |

\* This amount represents the rebate of management fees credited to the Fund's revenue for the Fund's deposit in The CBF Church of England Deposit Fund where the management fees are charged to revenue.

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

4. Expenses

|  | Year ended<br>31.12.2018<br>£'000 | Year ended<br>31.12.2017<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| Payable to the Manager, associates of the Manager<br>and agents of either of them: |                                   |                                   |
| Manager's periodic charge – see note 1(e)  | 383                               | 381                               |
| Manager's fee for ethical services   | 10                                | 10                                |
|  | <u>393</u>                        | <u>391</u>                        |
| Payable to the Trustee, associates of the Trustee<br>and agents of either of them: |                                   |                                   |
| Monitoring fee   | 6                                 | 5                                 |
| Safe custody fees  | 3                                 | 3                                 |
|  | <u>9</u>                          | <u>8</u>                          |
| Other expenses:  |                                   |                                   |
| Audit fee  | 10                                | 10                                |
| Other fees   | 22                                | 20                                |
|  | <u>32</u>                         | <u>30</u>                         |
| Total expenses   | <u>434</u>                        | <u>429</u>                        |

Audit fee net of VAT is £8,716 (31.12.2017, £8,462).

The above expenses include VAT where applicable.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

**5. Taxation**

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

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

|  | Year ended<br>31.12.2018<br>£'000 | Year ended<br>31.12.2017<br>£'000 |
|--|-----------------------------------|-----------------------------------|
| Overseas taxation suffered in the year                       | 9                                 | 12                                |
| Overseas recoverable withholding tax written off in the year | 9                                 | 27                                |
| <b>Total taxation</b>  | <b>18</b>                         | <b>39</b>                         |

**6. Distributions**

Distributions, which are paid on the last working day of the month, take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

|   | Year ended<br>31.12.2018<br>£'000 | Year ended<br>31.12.2017<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| 31 March – interim distribution                 | 569                               | 577                               |
| 30 June – interim distribution                  | 577                               | 585                               |
| 30 September – interim distribution             | 573                               | 579                               |
| 31 December – final distribution                | 577                               | 581                               |
|   | <b>2,296</b>                      | <b>2,322</b>                      |
| Add: revenue deducted on cancellation of shares | 2                                 | –                                 |
| Deduct: revenue received on issue of shares     | (3)                               | (6)                               |
| <b>Net distribution for the year</b>            | <b>2,295</b>                      | <b>2,316</b>                      |
| Net revenue after taxation for the year         | 1,659                             | 1,785                             |
| Manager's periodic charge – see note 1(e)       | 393                               | 391                               |
| Transfer from income reserve – see note 10      | 243                               | 140                               |
| <b>Net distribution for the year</b>            | <b>2,295</b>                      | <b>2,316</b>                      |

Details of the distribution per share are set out in the distribution tables on page 39.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

6. Distributions (*continued*)

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

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

## 7. Debtors

|                        | 31.12.2018<br>£'000 | 31.12.2017<br>£'000 |
|------------------------|---------------------|---------------------|
| Accrued revenue        | 116                 | 147                 |
| Income tax recoverable | 1                   | –                   |
|                        | <b>117</b>          | <b>147</b>          |

## 8. Cash equivalents, cash and bank balances

|   | 31.12.2018<br>£'000 | 31.12.2017<br>£'000 |
|---|---------------------|---------------------|
| Cash equivalents – cash in The CBF Church of England Deposit Fund | 2,544               | 2,493               |
| Cash and bank balances – cash at bank                             | 258                 | 228                 |

## 9. Other creditors

|                  | 31.12.2018<br>£'000 | 31.12.2017<br>£'000 |
|------------------|---------------------|---------------------|
| Accrued expenses | 48                  | 50                  |

## 10. Income reserve

The income reserve, accumulated out of revenue, is used to smooth fluctuations in the distributable revenue received in the Fund. The income reserve is included in the total capital value of the Fund attributable to Income shareholders.

|   | Year ended<br>31.12.2018<br>£'000 | Year ended<br>31.12.2017<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| Income reserve at the start of the year | 483                               | 617                               |
| Equalisation of the income reserve      | (4)                               | 6                                 |
| Transfer from income reserve            | (243)                             | (140)                             |
| Income reserve at the end of the year   | <b>236</b>                        | <b>483</b>                        |

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2018

#### 11. Financial instruments

##### *Fair value*

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

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

##### *Market price risk*

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

At 31 December 2018, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders, and profit or loss, would increase or decrease respectively by approximately £2,891,000 (31.12.2017, £3,175,000).

##### *Credit risk*

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

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

11. Financial instruments (continued)

*Liquidity risk*

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of UK equities and sterling cash deposits. These assets are generally liquid and enable the Fund to meet the payment of any redemption of shares that shareholders may wish to make.

*Currency risk*

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

At 31 December 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 shareholders, and profit or loss, would decrease or increase respectively by approximately £56,000 (31.12.2017, £63,000).

The total foreign currency exposure at 31 December 2018 and 31 December 2017 was:

| Currency        | 31.12.2018                  |                                 |                | 31.12.2017                  |                                 |                |
|-----------------|-----------------------------|---------------------------------|----------------|-----------------------------|---------------------------------|----------------|
|                 | Monetary exposures<br>£'000 | Non-monetary exposures<br>£'000 | Total<br>£'000 | Monetary exposures<br>£'000 | Non-monetary exposures<br>£'000 | Total<br>£'000 |
| Euro            | 18                          | –                               | 18             | 46                          | –                               | 46             |
| Norwegian krone | –                           | –                               | –              | –                           | 797                             | 797            |
| Swiss franc     | –                           | 729                             | 729            | –                           | 1,102                           | 1,102          |
| US dollar       | –                           | 4,890                           | 4,890          | 4                           | 4,382                           | 4,386          |
| <b>Total</b>    | <b>18</b>                   | <b>5,619</b>                    | <b>5,637</b>   | <b>50</b>                   | <b>6,281</b>                    | <b>6,331</b>   |

There were no derivatives held by the Fund during the current or prior year.

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

11. Financial instruments (continued)

*Interest rate risk*

The majority of the Fund's financial assets are equities which neither receive interest nor have maturity dates. The Fund invests in cash deposits, the revenue of which may be affected by changes to interest rates relevant to cash deposits or as a result of the Manager being unable to secure similar returns following the withdrawal of the cash deposits. A sensitivity analysis for interest rate risk is not shown as the impact is unlikely to be significant.

The total exposure at 31 December 2018 was:

| Currency     | Floating rate<br>financial assets*<br>£'000 | Fixed rate<br>financial assets<br>£'000 | Financial assets<br>not carrying<br>interest<br>£'000 | Total<br>£'000 |
|--------------|---|---|---|----------------|
| Sterling     | 2,802                                       | –                                       | 52,297  | 55,099         |
| Euro         | –   | –                                       | 18  | 18             |
| US dollar    | –   | –                                       | 4,890   | 4,890          |
| Other        | –   | –                                       | 729   | 729            |
| <b>Total</b> | <b>2,802</b>                                | <b>–</b>                                | <b>57,934</b>   | <b>60,736</b>  |

| Currency     | Floating rate<br>financial<br>liabilities<br>£'000 | Fixed rate<br>financial<br>liabilities<br>£'000 | Financial<br>liabilities<br>not carrying<br>interest<br>£'000 | Total<br>£'000 |
|--------------|--|---|---|----------------|
| Sterling     | –  | –   | 616   | 616            |
| <b>Total</b> | <b>–</b>   | <b>–</b>  | <b>616</b>  | <b>616</b>     |

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

11. Financial instruments (continued)

Interest rate risk (continued)

The total exposure at 31 December 2017 was:

| Currency  | Floating rate<br>financial assets*<br>£'000 | Fixed rate<br>financial assets<br>£'000 | Financial assets<br>not carrying<br>interest<br>£'000 | Total<br>£'000 |
|-----------|---|---|---|----------------|
| Sterling  | 2,721                                       | –                                       | 57,320  | 60,041         |
| Euro      | –   | –                                       | 46  | 46             |
| US dollar | –   | –                                       | 4,386   | 4,386          |
| Other     | –   | –                                       | 1,899   | 1,899          |
| Total     | 2,721                                       | –                                       | 63,651  | 66,372         |

| Currency | Floating rate<br>financial<br>liabilities<br>£'000 | Fixed rate<br>financial<br>liabilities<br>£'000 | Financial<br>liabilities<br>not carrying<br>interest<br>£'000 | Total<br>£'000 |
|----------|--|---|---|----------------|
| Sterling | –  | –   | 623   | 623            |
| Total    | –  | –   | 623   | 623            |

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

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

12. Commitments and contingent liabilities

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

13. Related party transactions

The Manager's periodic charge and fee for ethical and stewardship services are paid to the Manager, a related party to the Fund. The amounts incurred in respect of these charges are disclosed in note 4. An amount of £31,574 was due to the Manager at 31 December 2018 (31.12.2017, £33,375). There were no other transactions entered into with the Manager during the year (31.12.2017, £nil).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

**13. Related party transactions (continued)**

CBFFT, as Trustee, is a related party to the Fund. There were no outstanding balances due to CBFFT at 31 December 2018 (31.12.2017, £nil). There were no other transactions entered into with CBFFT during the year (31.12.2017, £nil)

At 31 December 2018 a cash balance of £2,543,937 (31.12.2017, £2,492,657) was held in The CBF Church of England Deposit Fund. During the year, the Fund received interest of £6,995 (31.12.2017, £3,963) from The CBF Church of England Deposit Fund.

At 31 December 2018, The CBF Church of England Investment Fund held 77.58% (31.12.2017, 77.02%) of the value of the Fund.

**14. Portfolio transaction costs**

For the year ended 31 December 2018

|  | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total purchases costs</b> |                |                      |      |                |   |                |
| Equity transactions                      | 10,709         | 6                    | 0.06 | –              | – | 10,715         |
| Corporate actions                        | 208            | –                    | –    | –              | – | 208            |
| <b>Total</b>                             | <b>10,917</b>  | <b>6</b>             |      | <b>–</b>       |   | <b>10,923</b>  |

|                                      | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--------------------------------------|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total sales costs</b> |                |                      |      |                |   |                |
| Equity transactions                  | 12,009         | (7)                  | 0.06 | –              | – | 12,002         |
| <b>Total</b>                         | <b>12,009</b>  | <b>(7)</b>           |      | <b>–</b>       |   | <b>12,002</b>  |

Commissions and taxes as a percentage of average net assets

Commissions 0.02%

Taxes 0.00%

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2018 was 0.30%.

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

14. Portfolio transaction costs (*continued*)

For the year ended 31 December 2017

|  | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total purchases costs</b> |                |                      |      |                |   |                |
| Equity transactions                      | 17,825         | 10                   | 0.06 | –              | – | 17,835         |
| Corporate actions                        | 85             | –                    | –    | –              | – | 85             |
| <b>Total</b>                             | <b>17,910</b>  | <b>10</b>            |      | <b>–</b>       |   | <b>17,920</b>  |

|                                      | Value<br>£'000 | Commissions<br>£'000 | %    | Taxes<br>£'000 | % | Total<br>£'000 |
|--------------------------------------|----------------|----------------------|------|----------------|---|----------------|
| <b>Analysis of total sales costs</b> |                |                      |      |                |   |                |
| Equity transactions                  | 18,367         | (16)                 | 0.09 | –              | – | 18,351         |
| <b>Total</b>                         | <b>18,367</b>  | <b>(16)</b>          |      | <b>–</b>       |   | <b>18,351</b>  |

Commissions and taxes as a percentage of average net assets

Commissions 0.04%

Taxes 0.00%

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2017 was 0.23%.

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

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

15. Shareholders' funds – reconciliation of shares

|   | Year ended<br>31.12.2018 |                        |
|---|--------------------------|------------------------|
|   | Income<br>shares         | Accumulation<br>shares |
| Opening number of shares at beginning of year | 37,476,442               | 540,653                |
| Shares issued in year                         | 711,371                  | 54,198                 |
| Shares cancelled in year                      | (1,070,955)              | (21,065)               |
| Closing number of shares at end of year       | 37,116,858               | 573,786                |

All shares carry the same rights.

16. 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 fair value.

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

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

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

For the year ended 31 December 2018

| Category          | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Investment assets | 57,817           | –                | –                | 57,817         |
|                   | 57,817           | –                | –                | 57,817         |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

## 16. Fair value of financial assets and financial liabilities (continued)

For the year ended 31 December 2017

| Category          | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-------------------|------------------|------------------|------------------|----------------|
| Investment assets | 63,504           | –                | –                | 63,504         |
|                   | 63,504           | –                | –                | 63,504         |

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

## DISTRIBUTION TABLES

for the year ended 31 December 2018

| Period ended               | Date paid/payable | Dividends paid/payable<br>pence per share |             |
|----------------------------|-------------------|---|-------------|
|                            |                   | 2018                                      | 2017        |
| <b>Income shares</b>       |                   |   |             |
| 31 March                   | 31 May            | 1.52                                      | 1.52        |
| 30 June                    | 31 August         | 1.52                                      | 1.52        |
| 30 September               | 30 November       | 1.52                                      | 1.52        |
| 31 December                | 28 February       | 1.53                                      | 1.53        |
|                            |                   | <b>6.09</b>                               | <b>6.09</b> |
| <b>Revenue accumulated</b> |                   |   |             |
|                            |                   | pence per share                           |             |
|                            |                   | 2018                                      | 2017        |
| <b>Accumulation shares</b> |                   |   |             |
| 31 March                   |                   | 1.94                                      | 2.38        |
| 30 June                    |                   | 3.30                                      | 3.17        |
| 30 September               |                   | 2.02                                      | 2.04        |
| 31 December                |                   | 1.63                                      | 1.39        |
|                            |                   | <b>8.89</b>                               | <b>8.98</b> |

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

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**STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES**

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

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

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

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

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

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

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

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

**Manager responsibilities**

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

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

**Trustee Directors**

R Williams (Chair) – resigned 21 May 2018  
 A Brookes (Chair) – appointed 21 May 2018  
 Rev Canon E Carter  
 S Chan\*  
 C Johnson  
 N Lewis\*  
 G Pollard  
 P Read\*  
 S Steele\* – resigned 26 February 2018  
 Rev Dr R Turnbull\* – resigned 21 May 2018  
 M Woodmore\*

\* *Members of the Audit Committee*

**Secretary**

J Fox

**Manager and Registrar**

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

*Authorised and regulated by the Financial Conduct Authority*

**Administrator**

HSBC Securities Services (UK) Limited  
 1-2 Lochside Way  
 Edinburgh Park  
 Edinburgh  
 EH12 9DT

*Authorised and regulated by the Financial Conduct Authority*

**Executive Directors of the Manager**

M Quicke, OBE (Chief Executive)  
 J Bevan (Chief Investment Officer)  
 A McMillan (Chief Operating Officer) –  
 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 Manager**

R Horlick (Chair)  
 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 Risk, Internal Audit and Compliance**

S Forrest – resigned 31 January 2018  
 R Plumridge – from 31 January 2018

**Head of Ethical and Responsible Investment**

J Corah

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

HSBC Bank plc  
 60 Queen Victoria Street  
 London  
 EC4N 4TR

**Custodian**

HSBC Bank plc  
 8 Canada Square  
 London  
 E14 5HQ

**Solicitors**

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

**Independent Auditors**

PricewaterhouseCoopers LLP  
 7 More London Riverside  
 London  
 SE1 2RT

## The CBF Church of England Funds

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

### A choice of Funds

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

#### Investment Fund

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

#### Global Equity Income Fund

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

#### UK Equity Fund

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

#### Fixed Interest Securities Fund

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

#### Property Fund

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

#### Deposit Fund

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

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

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

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

## ABOUT CCLA

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Founded in 1958, CCLA is one of the UK's largest charity fund managers.  
Managing investments for charities, religious organisations  
and the public sector is all that we do.

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

# CCLA

**CCLA Investment Management Limited**  
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[www.ccla.co.uk](http://www.ccla.co.uk)

CCLA is the trading name for CCLA Investment Management Limited (Registered in England No. 2183088)  
and CCLA Fund Managers Limited (Registered in England No. 8735639)

Both companies are authorised and regulated by the Financial Conduct Authority. Registered address: Senator House, 85 Queen Victoria Street, London EC4V 4ET.

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