

THE CBF CHURCH OF ENGLAND FIXED INTEREST  
SECURITIES 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 Fixed Interest Securities 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 and the Trustee Act 2000 (together the Measure). The Fund was established in 1977. 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 investors with an income yield and a total return in excess of the benchmark.

**Investment policy**

The portfolio is an actively managed, diversified portfolio invested predominantly in sterling denominated fixed interest securities and will consist primarily of UK fixed interest securities, but may also include other asset classes.

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2018

**Benchmark**

The composite benchmark for the Fund is Markit iBoxx £ Gilts Index 50% and Markit iBoxx £ Non Gilts Index 50%.

**Suitability**

The Fund is suitable for the long-term funds of any Church of England charity seeking an income by investing in UK bonds.

**Responsibilities of the Trustee**

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

**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.

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

**REPORT OF THE TRUSTEE**

for the year ended 31 December 2018

**Responsible investment and stewardship**

The Fund also implements CCLA's responsible investment policy, which we believe will improve long-term shareholder returns. The Manager is a signatory to the United Nations Principles of Responsible Investment (PRI) and is a member of CDP (formerly the Carbon Disclosure Project), the Institutional Investors group on Climate Change (IIGCC) and UK Sustainable Investment and Finance (UKSIF).

**Controls and risk management**

CBFFT receives and considers regular reports from the Manager. Ad hoc reports and information are supplied as required. CBFFT has appointed HSBC Bank plc to monitor the Manager in respect of its activities related to the management, oversight, supervision and administration of the Fund, including the custody and safekeeping of the property of the Fund. This monitoring provides an extra 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 exposure 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 Fund is invested in a diversified portfolio of United Kingdom government bonds and good quality corporate issues. Throughout the year there was a bias relative to the benchmark towards corporate issues to benefit from the higher income yields they provide. During the year the portfolio had a defensive bias designed to protect values from an upward move in yields. The duration was 7.03 years compared with 9.73 years on the benchmark. The average term to maturity was 8.9 years.

#### Performance

Over the year the Fund achieved a return before expenses of -0.28%, this compares to a return on the benchmark of -0.47%. The return on an Income share after all costs and expenses but including the income paid to investors, was -0.58%; the return on an Accumulation share -0.57%. An important factor influencing relative performance was the defensive bias to strategy reflected in a duration below that of the benchmark; this proved to be helpful. Offsetting this gain was the relatively high allocation to

#### Annualised total capital and income return

To 31 December 2018	1 year %	5 years % p.a.	10 years % p.a.
<b>Performance against market indices (before expenses)</b>			
The CBF Church of England Fixed Interest Securities Fund	-0.28	5.23	5.05
Benchmark <sup>#</sup>	-0.47	5.31	5.26
iBoxx £ Gilts	0.60	5.48	4.84
iBoxx £ Non Gilts	-1.51	5.09	6.49
<b>Performance after expenses</b>			
Income shares <sup>*</sup>	-0.58	4.95	4.76
Accumulation shares <sup>*</sup>	-0.57	4.96	4.77

<sup>#</sup> Benchmark – Composite: From 01.01.16 iBoxx £ Gilt 50% and iBoxx £ Non Gilt 50%. To 31.12.15 Barcap £ Gilt 50% and £ Agg 100mm Non Gilt 50%. To 31.12.12 Barcap £ Gilt 80% and £ Agg 100mm Non Gilt 20%.

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

Source: CCLA.

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

corporate bonds, which underperformed relative to the government alternatives. As at 31 December 2018 the distribution yield on the portfolio was 4.12%. The gross redemption yield, which includes income and future changes in capital value at maturity, was 1.89%. When the income yield is higher than the gross redemption yield, some revenue is being paid is at the expense of capital.

### Market Review

The UK fixed interest market traded in a narrow range over the year and ended the year at a level close to where it began. A number of factors, often conflicting, impacted returns. A positive influence came from the moderate growth of the UK economy which made less likely an aggressive pace of interest rate increases from the Bank of England (BoE). Offsetting this were the broad uncertainties associated with the UK's exit from the European Union. Inflation was not a major issue as the rate of price increase slowed slightly over the year. Towards the end of the year the BoE warned that a smooth exit from Europe and a maintained economic growth rate would result in further interest rate increases. Investors however, considered a rise as far from certain and took the view that, even if one did occur, it would be the only increase in 2019. Government bonds gave returns slightly higher than those achieved by corporate issues. Overall, shorter dated stocks and those on the strongest credit ratings performed best.

### Outlook

A backcloth of low growth and muted inflation makes another rise in borrowing costs far from certain; any increase is likely to be small and made later in the year. We remain cautious to the sector and expect to maintain the defensive stance currently in place.

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 £'000		Proceeds £'000
<b>Purchases:</b>		<b>Sales:</b>	
UK Treasury 0.5% 2022	3,139	UK Treasury 4.25% 2046	4,077
UK Treasury 2.25% 2023	1,782	UK Treasury 4.5% 2042	1,114
UK Treasury 1.625% 2028	808	UK Treasury 4.25% 2040	770
Yorkshire Water 3.625% 2029	568	Centrica 6.4% 2026	716
A2Dominion Housing Group 3.5% 2028	519	UK Treasury 6% 2028	684
Svenska Handelsbanken 1.625% 2022	501	Tesco 6.125% 2022	555
Tritax Big Box REIT 2.625% 2026	496	UK Treasury 5% 2025	551
LVMH Moët Hennessy		Citigroup 5.125% 2018	529
Louis Vuitton 1% 2022	495	Vodafone 8.125% 2018	462
Prologis 2.25% 2029	490	UK Treasury 4.25% 2036	444
Thames Water Utilities Cayman Finance 2.375% 2023	235		

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.

### Portfolio asset allocation by credit rating

Rating category	% Fund
AAA	9.4
AA	56.0
A	11.2
BBB	17.6
Non investment grade	0.3
Not rated (Debentures/Preference shares)	5.5

### Risk warning

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

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

The gross redemption yield is an estimate of total return over the long-term. The Fund's distribution yield and gross redemption yield are not guaranteed and will change over time. When the Fund's distribution yield is higher than the gross redemption yield, some revenue is being paid at the expense of capital.



**STATEMENT OF ETHICAL INVESTMENT POLICY****to the shareholders of The CBF Church of England Fixed Interest Securities 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.

**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 Fixed Interest Securities 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 Fixed Interest Securities Fund

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

In our opinion, The CBF Church of England Fixed Interest 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 Fixed Interest Securities 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 Fixed Interest Securities 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 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium-low 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 31.12.2018 pence per share	Year to 31.12.2017 pence per share	Year to 31.12.2016 pence per share
Opening net asset value per share	167.52	168.81	159.63
Return before operating charges*	(0.42)	5.90	16.39
Operating charges	(0.59)	(0.59)	(0.61)
Return after operating charges*	(1.01)	5.31	15.78
Distributions on Income shares	(6.60)	(6.60)	(6.60)
Closing net asset value per share	159.91	167.52	168.81
* after direct transaction costs of:	–	–	–

## Performance

Return after charges	(0.60%)	3.15%	9.88%
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## Other information

Closing net asset value (£'000)	40,056	43,844	49,092
Closing number of shares	25,049,028	26,172,332	29,081,672
Operating charges**	0.36%	0.35%	0.35%
Direct transaction costs	–	–	–

## Prices (pence per share)

Highest share price (offer)	168.09	173.72	182.00
Lowest share price (bid)	159.00	165.49	160.98

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 31.12.2018 pence per share	Year to 31.12.2017 pence per share	Year to 31.12.2016 pence per share
Opening net asset value per share	556.63	539.45	490.80
Return before operating charges*	(1.37)	19.11	50.50
Operating charges	(2.00)	(1.93)	(1.85)
Return after operating charges*	(3.37)	17.18	48.65
Distributions on Accumulation shares	(18.44)	(20.51)	(19.91)
Retained distributions on Accumulation shares	18.44	20.51	19.91
Closing net asset value per share	553.26	556.63	539.45
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	(0.61%)	3.18%	9.91%
<b>Other information</b>			
Closing net asset value (£'000)	1,975	2,258	2,238
Closing number of shares	356,958	405,695	414,900
Operating charges**	0.36%	0.35%	0.35%
Direct transaction costs	–	–	–
<b>Prices (pence per share)</b>			
Highest share price (offer)	560.40	563.84	570.71
Lowest share price (bid)	540.58	528.84	494.94

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

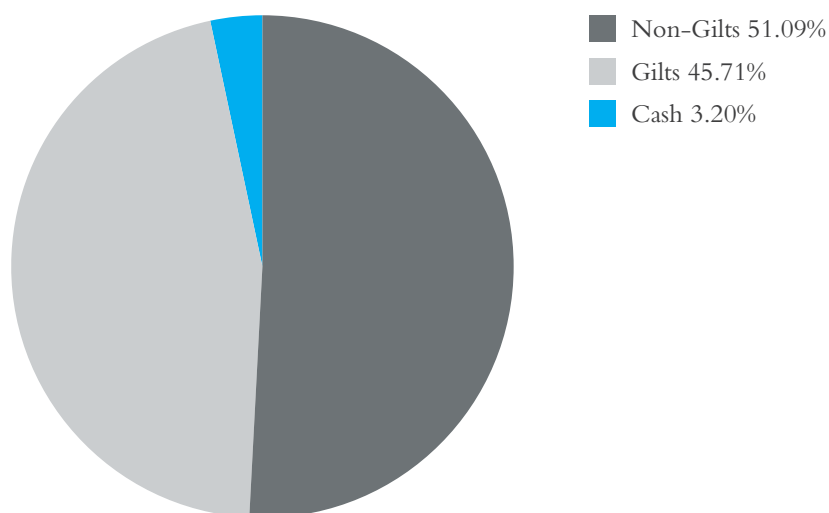
The table below analyses expenses in note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets of the Fund.

	31.12.2018 %	31.12.2017 %
Manager's periodic charge including VAT	0.26	0.26
Manager's fee for ethical services	0.01	0.01
Safe custody fees and depositary fee	0.02	0.02
Other expenses	0.07	0.06
<b>Total operating charges</b>	<b>0.36</b>	<b>0.35</b>

## PORTFOLIO ANALYSIS

for the year ended 31 December 2018

## Portfolio Allocation



## By term to maturity

Period	Fund
0-5 years	39.7%
5-10 years	32.9%
10-15 years	6.2%
Over 15 years	21.2%
Duration	7.0 yrs
Average term to maturity	8.9 yrs

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 value £'000	% of total net assets
<b>Gilts 45.53% (31.12.17, 46.50%)</b>			
UK Treasury 8% 2021	£920,000	1,082	2.57
UK Treasury 0.5% 2022	£3,216,000	3,183	7.57
UK Treasury 2.25% 2023	£2,568,000	2,723	6.48
UK Treasury 2.75% 2024	£800,000	879	2.09
UK Treasury 5% 2025	£2,630,000	3,260	7.76
UK Treasury 1.625% 2028	£800,000	826	1.97
UK Treasury 6% 2028	£2,328,624	3,358	7.99
UK Treasury 4.25% 2032	£50,000	67	0.16
UK Treasury 4.5% 2034	£585,000	817	1.94
UK Treasury 4.25% 2036	£85,000	118	0.28
UK Treasury 4.25% 2040	£1,110,000	1,608	3.83
UK Treasury 4.5% 2042	£579,000	882	2.10
UK Treasury 3.25% 2044	£257,000	330	0.79
<b>Non-Gilts 49.89% (31.12.17, 50.18%)</b>			
3i Group 6.875% 2023	£149,000	175	0.42
A2Dominion Housing Group 3.5% 2028	£500,000	507	1.21
Affordable Housing Finance 3.8% 2044	£650,000	825	1.96
Asciano Finance 5% 2023	£350,000	381	0.91
AT&T 4.25% 2043	£170,000	170	0.41
AXA Variable Perpetual	£570,000	577	1.37
British Telecom 8.625% 2020	£450,000	488	1.16
Community Finance 5.017% 2034	£330,000	426	1.01
Coventry 6% 2019	£447,000	463	1.10
Digital Stout 4.75% 2023	£175,000	190	0.45
E.ON 6.75% 2039	£250,000	357	0.85
East Japan Railway 4.875% 2034	£550,000	711	1.69
Equinor 6.875% 2031	£350,000	514	1.22
Eversholt 5.831% 2020	£475,000	510	1.21
Fidelity 7.125% 2024	£370,000	432	1.03
Friends Life 12% 2021	£294,000	357	0.85
GE Capital UK Funding 8% 2039	£236,000	312	0.74
General Accident 7.875% Preference Shares	£460,000	534	1.27
Heathrow 6% 2020	£500,000	525	1.25
Intercontinental Hotels 3.875% 2022	£425,000	451	1.07
John Lewis 6.125% 2025	£60,000	64	0.15
KFW 5.55% 2021	£200,000	221	0.53
Lloyds TSB 5.125% 2025	£622,000	739	1.76

## PORTFOLIO STATEMENT

at 31 December 2018

	Holding	Fair value £'000	% of total net assets
<b>Non-Gilts (continued)</b>			
LVMH Moët Hennessy Louis Vuitton 1% 2022	£500,000	492	1.17
Marks and Spencer 3% 2023	£273,000	269	0.64
McDonalds 6.375% 2020	£300,000	315	0.75
Myriad Capital 4.75% 2043	£325,000	402	0.96
Pfizer 2.735% 2043	£412,000	400	0.95
Places for People 2.875% 2026	£560,000	543	1.29
Procter & Gamble 1.8% 2029	£273,000	264	0.63
Prologis 2.25% 2029	£500,000	468	1.11
Prudential 11.375%VRN 2039	£202,000	210	0.50
Rabobank 2.25% 2022	£200,000	203	0.48
Royal Bank of Scotland 5.125% 2024	£857,000	992	2.36
Santander 5.75% 2026	£790,000	993	2.36
Scottish Widows 5.5% 2023	£440,000	475	1.13
Segro 5.625% 2020	£575,000	614	1.46
Svenska Handelsbanken 1.625% 2022	£500,000	496	1.18
Swedbank 1.25% 2021	£150,000	148	0.35
Telereal Secured Finance 4.01% 2033	£350,000	287	0.68
Tesco 6.125% 2022	£97,000	107	0.26
Thames Water Utilities Cayman Finance 2.375% 2023	£240,000	233	0.55
Thames Water Utilities Cayman Finance 2.625% 2032	£340,000	316	0.75
THFC Funding 5.2% 2043	£280,000	362	0.86
Transport for London 3.625% 2045	£700,000	790	1.88
Tritax Big Box REIT 2.625% 2026	£500,000	485	1.15
TSB Banking Group 5.75% 2026	£230,000	225	0.54
University of Cambridge 3.75% 2052	£320,000	410	0.98
Yorkshire Water 3.625% 2029	£500,000	545	1.30
<b>INVESTMENT ASSETS</b>		40,106	95.42
<b>NET OTHER ASSETS</b>		1,925	4.58
<b>TOTAL NET ASSETS</b>		42,031	100.00

STATEMENT OF TOTAL RETURN  
for the year ended 31 December 2018

	Note	Year ended 31.12.2018		Year ended 31.12.2017	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(1,288)		426
Revenue	3	1,101		1,267	
Expenses	4	(160)		(170)	
Net revenue before taxation		941		1,097	
Taxation	5	–		–	
Net revenue after taxation			941		1,097
Total (deficit)/return before distributions			(347)		1,523
Distributions	6		(1,758)		(1,884)
Change in net assets attributable to shareholders from investment activities			(2,105)		(361)

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

	Year ended 31.12.2018		Year ended 31.12.2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		46,102		51,330
Amounts receivable on issue of shares	3,100		1,333	
Amounts payable on cancellation of shares	(5,136)		(6,285)	
		(2,036)		(4,952)
Change in net assets attributable to shareholders from investment activities		(2,105)		(361)
Retained distributions on Accumulation shares		70		85
Closing net assets attributable to shareholders		42,031		46,102

The notes on pages 23 to 34 and the distribution tables on page 35 form part of these financial statements.

## BALANCE SHEET

at 31 December 2018

	Note	31.12.2018		31.12.2017	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Fixed assets:					
Investments			40,106		44,570
Current assets:					
Debtors	7	576		654	
Cash equivalents	8	1,144		1,259	
Cash and bank balances	8	645		79	
Total current assets			2,365		1,992
<b>Total assets</b>			<b>42,471</b>		<b>46,562</b>
<b>LIABILITIES</b>					
Creditors:					
Other creditors	9	27		28	
Distribution payable on Income shares		413		432	
<b>Total liabilities</b>			<b>440</b>		<b>460</b>
<b>Net assets attributable to shareholders</b>			<b>42,031</b>		<b>46,102</b>

The financial statements on pages 21 to 35 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 23 to 34 and the distribution tables on page 35 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*

Interest on Government stocks, debentures, convertible loan stocks, other fixed interest stocks, bank deposits and interest on deposits in The CBF Church of England Deposit Fund are accrued on a daily basis. Revenue from fixed rate securities is recognised on an effective yield basis.

Dividends on preference shares are accrued to revenue on the dates when the shares are first quoted ex-dividend or otherwise, on receipt of cash.

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.

Revenue is stated net of irrecoverable tax credits.

*(c) Expenses*

The Manager's periodic charge and fee for ethical and stewardship services are charged to the revenue expenses of the Fund before distribution. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.22% p.a. plus VAT, less a management fee rebate for the Fund's deposits in The CBF Church of England Deposit Fund. 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, custodian fees and transaction charges, insurance and monitoring fee are charged separately to the revenue of the Fund before distributions. The Trustee's administration fee is charged to the revenue of the Fund.

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

1. Accounting policies (*continued*)

(d) 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.

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

(e) Basis of valuation

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

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

(f) 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 31.12.2018 £'000	Year ended 31.12.2017 £'000
The net capital (losses)/gains during the year comprise:		
Realised gains on non-derivative securities*	95	700
Unrealised losses on non-derivative securities*	(1,383)	(274)
	(1,288)	426

\* 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 31.12.2018 £'000	Year ended 31.12.2017 £'000
Interest on debt securities	1,058	1,227
UK dividends	36	36
Interest on The CBF Church of England Deposit Fund	4	2
Manager's periodic charge rebate*	2	2
Bank interest	1	–
	1,101	1,267

\* 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.

4. Expenses

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge – see note 1(c)	116	128
Manager's fee for ethical services	4	4
	120	132
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Monitoring fee	4	4
Safe custody fees	2	3
	6	7

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

4. Expenses (*continued*)

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Other expenses:		
Audit fee	12	11
Other fees	22	20
	34	31
Total expenses	160	170

Audit fee net of VAT is £9,875 (31.12.2017, £9,587).

The above expenses include VAT where applicable.

5. Taxation

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

6. Distributions

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

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
31 March – interim distribution	448	475
30 June – interim distribution	432	471
30 September – interim distribution	429	455
31 December – final distribution	429	452
	1,738	1,853

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

6. Distributions (*continued*)

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Add: revenue deducted on cancellation of shares	26	38
Deduct: revenue received on issue of shares	(6)	(7)
Net distribution for the year	1,758	1,884
Net revenue after taxation for the year	941	1,097
Amortisation under effective yield	532	717
Transfer from income reserve – see note 10	285	70
Net distribution for the year	1,758	1,884

Details of the distribution per share are set out in the distribution tables on page 35.

There were unclaimed distributions as at 31 December 2018 of £3,920 (31.12.2017, £2,130).

7. Debtors

	31.12.2018 £'000	31.12.2017 £'000
Accrued revenue	576	654

8. Cash equivalents, cash and bank balances

	31.12.2018 £'000	31.12.2017 £'000
Cash equivalents – cash in The CBF Church of England Deposit Fund	1,144	1,259
Cash and bank balances – cash at bank	645	79

9. Other creditors

	31.12.2018 £'000	31.12.2017 £'000
Accrued expenses	27	28

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

**10. Income reserve**

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

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
Income reserve at the start of the year	877	947
Transfer from income reserve	(285)	(70)
Income reserve at the end of the year	592	877

**11. Financial instruments***Fair value*

Securities held by the Fund are valued at bid-market value (see note 1(e)). 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 in sterling fixed interest securities. Investors are thus exposed to market price risk, which can be defined as the uncertainty about future price movements of the financial instruments the Fund is invested in. Market price risk arises mainly from economic factors, including investor confidence and is not limited to interest rate and currency movements. This exposure to market price risk may result in substantial fluctuations in the share price from time to time, although there will generally be a 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 and also by the Board.

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

11. Financial instruments (continued)

*Market price risk (continued)*

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 £2,005,000 (31.12.2017, £2,229,000).

*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. The corporate bond holdings in the Fund are also exposed to the risk of issuer default; however, we mitigate this risk by purchasing investment grade bonds.

**Portfolio asset allocation by credit rating**

Rating category	31.12.2018 % Fund	31.12.2017 % Fund
AAA	9.4	9.5
AA	56.0	53.1
A	11.2	8.7
BBB	17.6	20.8
Non investment grade	0.3	2.2
Not rated (Debentures/Preference shares)	5.5	5.7

*Liquidity risk*

Financial instruments held by the Fund, excluding short-term debtors and creditors, are made up of sterling fixed interest securities 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.

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

11. Financial instruments (continued)

*Currency risk*

There is no exposure to foreign currency fluctuations as all investments, revenue and short-term debtors and creditors are denominated in sterling.

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

*Interest rate risk*

The Fund invests in fixed interest securities and cash deposits. The revenue may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns following 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 £2,860,000 (31.12.2017, £4,163,000) in net assets attributable to shareholders and profit or loss.

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
Sterling	3,335	38,560	576	42,471

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	440	440

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 financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	3,448	42,460	654	46,562

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	—	—	460	460

\* 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 £9,622 was due to the Manager at 31 December 2018 (31.12.2017, £10,465). There were no other transactions entered into with the Manager during the year.

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

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

At 31 December 2018 a cash balance of £1,143,845 (31.12.2017, £1,259,345) was held in The CBF Church of England Deposit Fund. During the year, the Fund received interest of £3,766 (31.12.2017, £1,974) from The CBF Church of England Deposit Fund.

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

**14. Portfolio transaction costs**

*For the year ended 31 December 2018:*

The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread as at 31 December 2018 was 0.44%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike shares, 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.

*For the year ended 31 December 2017:*

The purchases and sales of securities incurred no direct transaction costs during the year.

The average portfolio dealing spread as at 31 December 2017 was 0.37%. There is no foreign exchange impact as all investments are denominated in sterling.

Unlike shares, 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 31.12.2018	
	Income shares	Accumulation shares
Opening number of shares at beginning of year	26,172,332	405,695
Shares issued in year	1,847,794	3,911
Shares cancelled in year	(2,965,751)	(54,225)
Shares converted in year	(5,347)	1,577
Closing number of shares at end of year	25,049,028	356,958

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 their fair value.

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

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

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

## 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 2018

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	21,503	18,603	–	40,106
	21,503	18,603	–	40,106

For the year ended 31 December 2017

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	23,221	21,349	–	44,570
	23,221	21,349	–	44,570

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

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

## DISTRIBUTION TABLES

for the year ended 31 December 2018

Period ended	Date paid/payable	Dividends paid/payable pence per share	
		2018	2017
<b>Income shares</b>			
31 March	31 May	1.65	1.65
30 June	31 August	1.65	1.65
30 September	30 November	1.65	1.65
31 December	28 February	1.65	1.65
		<b>6.60</b>	<b>6.60</b>
<b>Accumulation shares</b>			
		Revenue accumulated pence per share	
		2018	2017
31 March		4.87	5.19
30 June		4.44	5.05
30 September		4.67	5.29
31 December		4.46	4.98
		<b>18.44</b>	<b>20.51</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.

## 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:

- 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;

- make judgements 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 Advisers****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
- Steady 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 from Fitch Ratings

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

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