

THE CBF CHURCH OF ENGLAND
GLOBAL EQUITY INCOME 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 Global Equity Income Fund (the Fund), which includes a separate report from CCLA Investment Management Limited (the Manager) as Manager of the Fund.

Structure and management of the Fund

The Fund is a Common Fund established under the Church Funds Investment Measure 1958, as amended by the Church of England (Miscellaneous Provisions) Measure 1995, the Church of England (Miscellaneous Provisions) Measure 2000 and the Trustee Act 2000 (together the Measure). The Fund was formed on 28 September 2007. The Fund is neither a Collective Investment Scheme nor an Unregulated Collective Scheme within the meaning of the Financial Services and Markets Act 2000 (FSMA).

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

CBFFT has delegated to the Manager, which is authorised and regulated by the Financial Conduct Authority (FCA), the investment management, administration, registration, secretarial and company secretarial functions of the Fund under Management Agreements dated 18 September 2007.

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 a high level of income with long-term capital growth.

REPORT OF THE TRUSTEE

for the year ended 31 December 2018

Investment policy

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

Benchmark

MSCI™ World Index is the benchmark for the Fund.

Distribution policy

From 1 January 2018, the Fund had the capacity to make distributions from capital.

Suitability

The Fund is suitable for the long-term funds of any Church of England charity seeking a high income from investing in global equities.

Responsibilities of the Trustee

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

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

REPORT OF THE TRUSTEE

for the year ended 31 December 2018

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

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

Responsible investment and stewardship

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

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

Performance

The Fund achieved a gross total return of 2.50% over the year, compared to a return on the comparator of -3.04%. The return on an Income share after all costs and charges have been taken into account was 1.53%; the return on an Accumulation share was 1.54%. Relative performance was supported substantially by good stock selection results with the high quality companies with strong growth prospects favoured by the Fund outperforming the broad indices. As at 31 December 2018 the Fund had a distribution yield of 3.93% compared with a yield of 2.76% on global equity indices. The Fund has a total return policy on income whereby the distribution to investors can be sourced from both conventional income receipts and sustainable capital gains.

Economic and Investment Market Review

The uptrend in the world economy continued in 2018 but the rate of expansion slowed from the best levels achieved in 2017. The US economy continued to grow strongly, boosted by the effects of tax cuts and increased government spending. Elsewhere, however, the rate of improvement moderated; with Europe, Japan and China all failing to meet earlier expectations. Inflation remained subdued in this environment, easing towards the end of the year as weaker oil costs began to feed through to general price levels. Monetary policy adjustments were strongest in the US, where the Federal Reserve raised interest rates four times over the year. In contrast, the Bank of China enacted a series of measures intended to bolster activity as output growth slowed and confidence was dented by the threat of a trade dispute with the US.

Annualised total capital and income return

To 31 December 2018	1 year %	3 years % p.a.	5 years % p.a.
Performance against market indices (before expenses)			
The CBF Church of England Global Equity Income Fund	2.50	10.44	8.83
Comparator [#]	-3.04	11.61	9.91
MSCI World	-2.60	12.20	10.80
MSCI UK Investable Market Index	-9.70	6.25	3.82
Performance after expenses			
Income shares [*]	1.53	9.40	7.68
Accumulation shares [*]	1.54	9.43	7.67

[#] Comparator – From 01.01.16 MSCI £ World. To 31.12.15 MSCI World (50% currency hedged) & to 31.12.11 FTSE All-Share Index.

^{*} Mid to mid plus income re-invested.

Source: CCLA.

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

Although the year began with some optimism for the prospects for global equity markets, 2018 proved to be a disappointment, with volatile markets and, in most cases, negative returns. Over the year, early weakness was followed by a period when prices consolidated but failed to regain old highs with any conviction or consistency. Price falls occurred again in the final quarter as interest rate increases in the US, slowing growth in China and the threat of a trade war increased investor fears that an economic recession was a real and increasing risk. For a UK based investor, overseas asset returns were cushioned by the weakness of sterling, but despite this most markets gave negative returns; some significantly so. The domestic UK indices were poor performers returning -9.70%, the other major international markets were close behind; Europe lost -9.19%, Asia -8.51% and Japan -7.58%. Standing apart from this group was the US which ended the year with an overall gain of 0.60%. This market fell alongside its peers towards the year end, but outperformance earlier cushioned the effects on the full year's outcome. In Europe only Finland ended the year positively. In contrast 8 markets were down by more than 10%, with the weakest, Greece, -29.81% lower. The picture was similar in Asia where New Zealand and Thailand edged upwards but the rest fell, including Pakistan, -26.09% lower.

Strategy

The portfolio is built on a 'bottom-up' approach: that is by selecting attractive individual assets on their own merits rather than to support pre-determined allocations to any sector or region. In the third quarter of the year a more defensive stance was adopted. This involved taking profits

on companies which had risen to be on extended valuations and reducing the exposure to cyclical areas.

A total return approach is taken to the Fund's income distribution policy by which the payments to investors can be supported by both income receipts and sustainable capital returns. The Charity Commission has confirmed that investors in the Fund can account for the entire payment as income.

Outlook

We expect the world economy to grow in 2019 but at a pace below that achieved for 2018. Activity growth in the US will slow as the boost from tax cuts fades and although the authorities in China have taken steps to support growth, the benefits of these actions will be felt mainly in the second half of the year. Inflation is expected to stay muted even though oil prices will remain volatile. An advantage of modest price pressures is that it will provide some flexibility on monetary policy, slowing the move to higher interest rates if growth slips below target levels.

Investor uncertainty must be expected to continue for the near term. Over time, however, as growth forecasts become more confident, we expect values to stabilise. Beyond that there is scope for higher market levels once again.

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
Purchases:		Sales:	
NASDAQ OMX Group	2,412	Apple	3,031
Adidas	2,255	Anta Sports	2,438
Activision	2,204	Samsonite International	1,764
Fidelity National Information	2,098	Brookfield Infrastructure Partners	1,606
Fresenius	1,838	Blackstone Mortgage	1,603
Nomura Research Institute	1,716	Facebook	1,554
McDonald's	1,685	Microsoft	1,541
Total	1,575	Home Depot	1,414
Beiersdorf	1,468	Vodafone	1,349
Adobe Systems	1,446	HSBC	1,346

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

Risk warning

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

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

The Fund may invest in emerging market countries which could be subject to political and economic change. The Fund may also invest in collective investment schemes and other assets. The Fund's share value will reflect fluctuations in the securities prices and currency exchange rates.

STATEMENT OF ETHICAL INVESTMENT POLICY

to the shareholders of The CBF Church of England Global Equity Income 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 Global Equity Income 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.

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 Global Equity Income Fund

Report on the audit of the financial statements*Opinion*

In our opinion, The CBF Church of England Global Equity Income 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 Global Equity Income 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 Global Equity Income 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. This description forms part of our auditors' report.

Use of this report

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London
Riverside
London
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	183.74	173.84	154.37
Return before operating charges*	4.78	18.70	28.11
Operating charges	(1.81)	(1.74)	(1.58)
Return after operating charges*	2.97	16.96	26.53
Distributions on Income shares	(7.06)	(7.06)	(7.06)
Closing net asset value per share	179.65	183.74	173.84
* after direct transaction costs of:	0.08	0.22	0.14

Performance

Return after charges	1.62%	9.76%	17.19%
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Other information

Closing net asset value (£'000)	141,115	143,301	132,049
Closing number of shares	78,550,063	77,990,859	75,959,769
Operating charges**	0.96%	0.96%	0.97%
Direct transaction costs	0.04%	0.12%	0.08%

Prices (pence per share)

Highest share price (offer)	204.82	188.26	178.74
Lowest share price (bid)	173.25	170.05	142.88

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	294.34	267.85	227.86
Return before operating charges*	7.50	29.22	42.41
Operating charges	(2.95)	(2.73)	(2.42)
Return after operating charges*	4.55	26.49	39.99
Distributions on Accumulation shares	(5.85)	(10.13)	(11.22)
Retained distributions on Accumulation shares	5.85	10.13	11.22
Closing net asset value per share	298.89	294.34	267.85
* after direct transaction costs of:	0.13	0.34	0.21
Performance			
Return after charges	1.55%	9.89%	17.55%
Other information			
Closing net asset value (£'000)	2,642	2,540	2,115
Closing number of shares	883,880	862,996	789,699
Operating charges**	0.96%	0.96%	0.97%
Direct transaction costs	0.04%	0.12%	0.08%
Prices (pence per share)			
Highest share price (offer)	334.49	297.32	273.54
Lowest share price (bid)	277.54	262.01	210.90

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

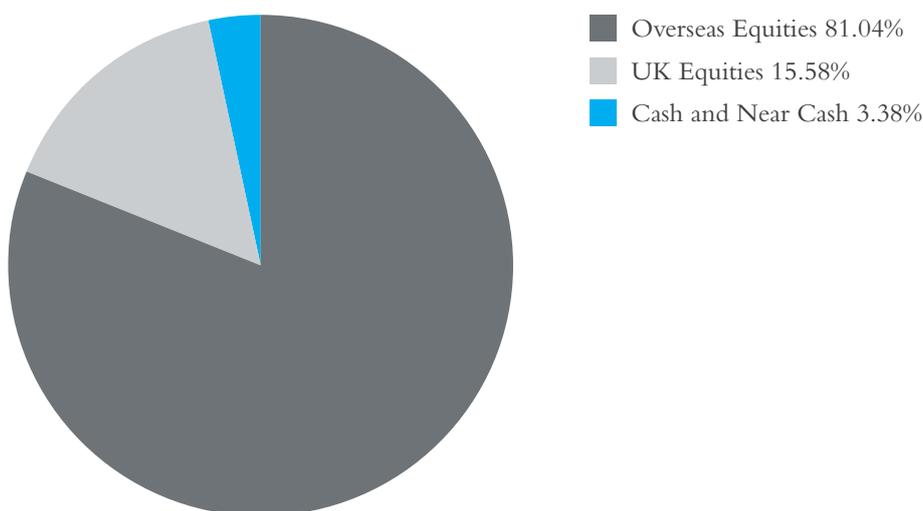
The table below analyses expenses in note 4 to the financial statements. These expenses also represent the total operating charges, which are shown below as a percentage of average net assets of the Fund.

	31.12.2018 %	31.12.2017 %
Manager's periodic charge including VAT	0.90	0.90
Manager's fee for ethical services	0.01	0.01
Safe custody fees and depositary fee	0.02	0.02
Other expenses	0.03	0.03
Total operating charges	0.96	0.96

PORTFOLIO ANALYSIS

at 31 December 2018

Portfolio Allocation

Breakdown of Overseas Equities
by Geography

North America	53.85%
Developed Europe	15.18%
Asia Pacific ex Japan	6.78%
Japan	5.23%
	81.04%

Breakdown of Equities by Sector

Information Technology	16.98%
Financials	16.39%
Consumer Staples	14.62%
Health Care	13.67%
Industrials	10.33%
Consumer Discretionary	9.53%
Communication Services	6.04%
Materials	4.49%
Real Estate	1.92%
Energy	1.70%
Utilities	1.04%
	96.62%

The portfolio analyses 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
UNITED KINGDOM 15.57% (31.12.2017, 20.40%)			
Consumer Discretionary 1.99% (31.12.2017, 1.71%)			
Compass Group	92,720	1,525	1.06
InterContinental Hotels Group	31,497	1,333	0.93
Consumer Staples 4.04% (31.12.2017, 5.16%)			
Reckitt Benckiser	42,726	2,568	1.78
Unilever	78,971	3,245	2.26
Energy 0.00% (31.12.2017, 0.78%)			
Financials 3.07% (31.12.2017, 4.56%)			
London Stock Exchange	60,630	2,462	1.71
Prudential	138,824	1,946	1.36
Health Care 0.81% (31.12.2017, 0.49%)			
Abcam	42,507	463	0.32
Genus	33,048	707	0.49
Industrials 3.99% (31.12.2017, 4.44%)			
Experian Group	86,810	1,653	1.15
RELX	172,142	2,783	1.94
Spirax-Sarco Engineering	20,875	1,299	0.90
Materials 1.67% (31.12.2017, 2.27%)			
Croda International	28,163	1,319	0.92
DS Smith	361,812	1,082	0.75
Telecommunication Services 0.00% (31.12.2017, 0.99%)			
OVERSEAS EQUITIES 81.05% (31.12.2017, 74.68%)			
DEVELOPED EUROPE 15.18% (31.12.2017, 15.41%)			
Consumer Discretionary 2.58% (31.12.2017, 1.95%)			
Adidas	13,158	2,155	1.50
LVMH Moët Hennessy Louis Vuitton	6,728	1,559	1.08

PORTFOLIO STATEMENT

at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Consumer Staples 4.37% (31.12.2017, 3.04%)			
Beiersdorf	18,436	1,511	1.05
L'Oreal	10,249	1,848	1.29
Nestlé	45,891	2,916	2.03
Energy 0.93% (31.12.2017, 0.00%)			
Total	32,318	1,340	0.93
Financials 0.98% (31.12.2017, 3.28%)			
Deutsche Boerse	15,081	1,415	0.98
Health Care 1.44% (31.12.2017, 1.96%)			
DiaSorin	13,516	858	0.60
Fresenius	31,678	1,203	0.84
Industrials 2.01% (31.12.2017, 3.26%)			
Assa Abloy	72,019	1,006	0.70
Epiroc A	96,161	709	0.49
SGS Surveillance	671	1,181	0.82
Information Technology 1.21% (31.12.2017, 0.87%)			
SAP	22,283	1,744	1.21
Materials 1.66% (31.12.2017, 1.05%)			
Givaudan	894	1,620	1.13
Sika	7,633	757	0.53
NORTH AMERICA 53.88% (31.12.2017, 46.74%)			
Communication Services 4.75% (31.12.2017, 2.63%)			
Activision Blizzard	43,891	1,606	1.12
Alphabet	4,595	3,741	2.60
Walt Disney	17,129	1,475	1.03
Consumer Discretionary 4.96% (31.12.2017, 3.86%)			
Amazon	2,166	2,557	1.78
Booking Holdings	1,401	1,895	1.32
McDonald's	14,169	1,975	1.37
Starbucks	13,902	703	0.49

PORTFOLIO STATEMENT

at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Consumer Staples 2.85% (31.12.2017, 4.23%)			
Coca Cola	54,200	2,014	1.40
Colgate-Palmolive	23,840	1,114	0.78
Pepsico	11,164	968	0.67
Energy 0.77% (31.12.2017, 1.05%)			
Chevron	12,902	1,102	0.77
Financials 10.52% (31.12.2017, 9.37%)			
Bank of America	94,521	1,830	1.27
Blackstone	40,532	948	0.66
Chicago Mercantile Exchange	18,699	2,762	1.92
Citigroup	28,721	1,174	0.82
JP Morgan Chase	37,239	2,857	1.99
NASDAQ OMX Group	36,399	2,330	1.62
S&P Global	12,716	1,697	1.18
Schwab (Charles)	46,750	1,525	1.06
Health Care 10.22% (31.12.2017, 7.35%)			
Medtronic	33,929	2,423	1.69
Pfizer	77,772	2,665	1.85
Stryker	18,725	2,305	1.60
Thermo Fisher Scientific	16,035	2,817	1.96
UnitedHealth Group	15,276	2,989	2.08
Zoetis	22,293	1,497	1.04
Industrials 3.11% (31.12.2017, 2.44%)			
3M Company	8,402	1,257	0.87
Canadian Pacific Railway	10,742	1,492	1.04
Danaher	13,255	1,073	0.75
Rockwell Automation	5,426	641	0.45
Information Technology 12.58% (31.12.2017, 10.95%)			
Accenture	17,826	1,974	1.37
Adobe	8,089	1,438	1.00
Fidelity National Information Services	28,202	2,270	1.58
IPG Photonics	3,600	320	0.22
Mastercard	15,411	2,283	1.59

PORTFOLIO STATEMENT

at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Microsoft	46,502	3,712	2.58
PayPal	29,308	1,936	1.35
SS&C Technologies	33,312	1,180	0.82
Texas Instruments	9,527	707	0.49
Visa A	21,915	2,271	1.58
Materials 1.16% (31.12.2017, 0.90%)			
Ecolab	14,428	1,669	1.16
Real Estate 1.92% (31.12.2017, 1.83%)			
Alexandria Real Estate Equities	16,925	1,531	1.07
Prologis	26,560	1,225	0.85
Utilities 1.04% (31.12.2017, 2.13%)			
Duke Energy	22,132	1,499	1.04
JAPAN 5.22% (31.12.2017, 4.68%)			
Consumer Discretionary 0.00% (31.12.2017, 0.53%)			
Consumer Staples 2.38% (31.12.2017, 1.83%)			
Kao	58,800	3,426	2.38
Industrials 1.22% (31.12.2017, 0.85%)			
FANUC	5,500	654	0.45
Recruit Holdings	57,900	1,102	0.77
Information Technology 1.62% (31.12.2017, 0.63%)			
Keyence	2,200	877	0.61
Nomura Research Institute	49,900	1,452	1.01
Telecommunication Services 0.00% (31.12.2017, 0.84%)			
ASIA PACIFIC EX JAPAN 6.77% (31.12.2017, 7.85%)			
Communication Services 1.30% (31.12.2017, 0.88%)			
Tencent Holdings	59,100	1,860	1.30
Tencent Holdings – Rights Issue	15	–	–
Consumer Discretionary 0.00% (31.12.2017, 2.80%)			

PORTFOLIO STATEMENT

at 31 December 2018

	Holding	Fair value £'000	% of total net assets
Consumer Staples 0.98% (31.12.2017, 0.30%)			
LG Household & Healthcare	1,820	1,409	0.98
Financials 1.82% (31.12.2017, 1.18%)			
AIA	402,200	2,622	1.82
Health Care 1.19% (31.12.2017, 0.95%)			
Sonic Healthcare	141,091	1,716	1.19
Information Technology 1.48% (31.12.2017, 1.74%)			
Taiwan Semiconductor Manufacturing Company	73,484	2,128	1.48
PRIVATE EQUITY & OTHER 0.00% (31.12.2017, 0.99%)			
Private Equity 0.00% (31.12.2017, 0.99%)			
CONTRACTUAL & OTHER INCOME 0.00% (31.12.2017, 1.18%)			
INVESTMENT ASSETS		138,900	96.62
NET OTHER ASSETS		4,857	3.38
TOTAL NET ASSETS		143,757	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 31.12.2018		Year ended 31.12.2017	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		791		9,477
Revenue	3	2,886		5,350	
Expenses	4	(1,440)		(1,370)	
Net revenue before taxation		1,446		3,980	
Taxation	5	43		(178)	
Net revenue after taxation			1,489		3,802
Total return before distributions			2,280		13,279
Distributions	6		(5,567)		(5,543)
Change in net assets attributable to shareholders from investment activities			(3,287)		7,736

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		145,841		134,164
Amounts receivable on issue of shares	5,385		8,644	
Amounts payable on cancellation of shares	(4,233)		(4,787)	
		1,152		3,857
Change in net assets attributable to shareholders from investment activities		(3,287)		7,736
Retained distributions on Accumulation shares		51		84
Closing net assets attributable to shareholders		143,757		145,841

The notes on pages 26 to 40 and distribution tables on page 41 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
ASSETS					
Fixed assets:					
Investments			138,900		141,824
Current assets:					
Debtors	7	129		275	
Cash equivalents	8	5,764		2,740	
Cash and bank balances	8	490		2,516	
Total current assets			6,383		5,531
Total assets			145,283		147,355
LIABILITIES					
Creditors					
Other creditors	9	136		134	
Distribution payable on Income shares		1,390		1,380	
Total liabilities			1,526		1,514
Net assets attributable to shareholders			143,757		145,841

The financial statements on pages 24 to 41 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 26 to 40 and distribution tables on page 41 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. Revenue from fixed rate securities is recognised on an effective yield basis.

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

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

(c) Stock dividends

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

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

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

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. The fee is based on a fixed percentage of the value of the Fund, which is currently 0.75% 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, custodian fees and transaction charges, insurance, direct property expenses and monitoring 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.

From 1 January 2018, distributions can also be supported by the Fund's capital.

(g) 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.

(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.

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

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

1. Accounting policies (continued)

(i) Cash equivalents

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

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

2. Net capital gains

	Year ended 31.12.2018 £'000	Year ended 31.12.2017 £'000
The net capital gains during the year comprise:		
Unrealised losses on non-derivative securities*	(5,676)	(3,681)
Realised gains on non-derivative securities*	6,549	13,080
Currency (losses)/gains	(82)	57
Realised gains on forward currency contracts*	–	21
	791	9,477

* 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
Overseas dividends	2,291	3,590
UK dividends	572	1,702
Interest on The CBF Church of England Deposit Fund	12	9
Manager's periodic charge rebate*	7	9
Bank interest	4	3
Property income distributions	–	37
	2,886	5,350

* 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 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(e)	1,350	1,279
Manager's fee for ethical services	19	19
	1,369	1,298
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees	17	16
Monitoring fee	12	12
	29	28
Other expenses:		
Audit fee	12	12
Insurance fee	1	1
Other fees	29	31
	42	44
Total expenses	1,440	1,370

Audit fee net of VAT is £10,455 (31.12.2017, £10,151).

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 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 31.12.2018 £'000	Year ended 31.12.2017 £'000
Overseas taxation suffered in the year	122	163
Overseas recoverable withholding tax (windfalls)/written off in the year	(165)	15
Total taxation	(43)	178

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	1,377	1,365
30 June – interim distribution	1,388	1,403
30 September – interim distribution	1,404	1,404
31 December – final distribution	1,404	1,394
	5,573	5,566
Add: revenue deducted on cancellation of shares	4	10
Deduct: revenue received on issue of shares	(10)	(33)
Net distribution for the year	5,567	5,543
Net revenue after taxation for the year	1,489	3,802
Transfer from income reserve – see note 10	1,540	443
Distributions from capital	1,169	–
Manager's periodic charge – see note 1(e)	1,369	1,298
Net distribution for the year	5,567	5,543

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

6. Distributions (*continued*)

Details of the distribution per share are set out in the distribution tables on page 41.

The Manager's periodic charge is charged to capital, so this amount above 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 £'000	31.12.2017 £'000
Accrued revenue	128	275
Rebate management fee receivable	1	–
	<u>129</u>	<u>275</u>

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	5,764	2,740
Cash and bank balances – cash at bank	490	2,516

9. Other creditors

	31.12.2018 £'000	31.12.2017 £'000
Accrued expenses	136	134

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	1,541	1,921
Equalisation of the income reserve	(1)	63
Transfer from income reserve	(1,540)	(443)
Income reserve at the end of the year	–	1,541

11. Financial instruments*Fair value*

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

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

Market price risk

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

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 £6,945,000 (31.12.2017, £7,091,000).

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.

Liquidity risk

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

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 seek to minimise this risk through the use of forward currency contracts denominated in the same currency as the underlying investments.

The Fund does not seek to avoid currency risk on revenue accrued, but not yet received. In respect of revenue, receipts are converted to sterling shortly after receipt.

At 31 December 2018, the Fund's foreign currency exposure was predominantly from the overseas equities it was invested in, which are detailed in the portfolio statement.

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 £1,166,000 (31.12.2017, £1,123,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

11. Financial instruments (continued)

Currency risk (continued)

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

Currency	31.12.2018			31.12.2017		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	–	1,716	1,716	–	1,381	1,381
Canadian dollar	3	1,492	1,495	–	–	–
Danish krona	–	–	–	–	1,354	1,354
Euro	16	13,633	13,649	55	14,877	14,932
Hong Kong dollar	–	4,482	4,482	–	7,099	7,099
Japanese yen	23	7,511	7,534	17	6,815	6,832
South Korean won	–	1,409	1,409	–	431	431
Swedish krona	–	1,715	1,715	–	974	974
Swiss franc	–	6,474	6,474	–	6,701	6,701
US dollar	86	78,083	78,169	175	72,434	72,609
Total	128	116,515	116,643	247	112,066	112,313

The Fund held no derivatives relating to forward currency contracts as at 31 December 2018 (31.12.2017, £nil).

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 preference shares classified as fixed interest securities and cash deposits, the revenue of which may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the disposal or redemption of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

11. Financial instruments (continued)

Interest rate risk (continued)

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	6,254	–	22,386	28,640
Euro	–	–	13,649	13,649
Japanese yen	–	–	7,534	7,534
US dollar	–	–	78,169	78,169
Other	–	–	17,291	17,291
Total	6,254	–	139,029	145,283

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	1,526	1,526
Total	–	–	1,526	1,526

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	5,256	–	29,786	35,042
Euro	–	–	14,932	14,932
Japanese yen	–	–	6,832	6,832
US dollar	–	–	72,609	72,609
Other	–	–	17,940	17,940
Total	5,256	–	142,099	147,355

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

11. Financial instruments (continued)*Interest rate risk (continued)*

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	1,514	1,514
Total	–	–	1,514	1,514

* 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 £113,332 was due to the Manager at 31 December 2018 (31.12.2017, £112,215).

There were no other transactions entered into with the Manager during the year (31.12.2017, £nil).

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 £5,764,155 (31.12.2017, £2,739,681) was held in The CBF Church of England Deposit Fund. During the year, the Fund received interest of £11,749 (31.12.2017, £8,578) from The CBF Church of England Deposit Fund.

At 31 December 2018, The CBF Church of England Investment Fund held 49.04% (31.12.2017, 44.46%) of the value of the Fund.

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

14. Portfolio transaction costs

For the year ended 31 December 2018:

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total purchases costs						
Equity transactions	46,436	24	0.05	7	0.02	46,467
Corporate actions	193	–	–	–	–	193
Total	46,629	24		7		46,660

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total sales costs						
Equity transactions	50,420	(26)	0.05	(5)	0.01	50,389
Corporate actions	15	–	–	–	–	15
Total	50,435	(26)		(5)		50,404

Commissions and taxes as a percentage of average net assets

Commissions 0.03%

Taxes 0.01%

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2018 was 0.09%.

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 £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total purchases costs						
Equity transactions	92,366	64	0.07	27	0.03	92,457
Total	92,366	64		27		92,457

	Value £'000	Commissions £'000	%	Taxes £'000	%	Total £'000
Analysis of total sales costs						
Equity transactions	91,793	(71)	0.08	(8)	0.01	91,714
Total	91,793	(71)		(8)		91,714

Commissions and taxes as a percentage of average net assets

Commissions	0.10%
Taxes	0.02%

The average portfolio dealing spread, including the effect of foreign exchange, as at 31 December 2017 was 0.09%.

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

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

15. Shareholders' funds – reconciliation of shares

	31.12.2018	
	Income shares	Accumulation shares
Opening number of shares at beginning of year	77,990,859	862,996
Shares issued in year	2,740,052	39,681
Shares cancelled in year	(2,180,848)	(18,797)
Closing number of shares at end of year	78,550,063	883,880

All shareholders 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 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	138,900	–	–	138,900
	138,900	–	–	138,900

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 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	141,824	–	–	141,824
	141,824	–	–	141,824

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.

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

DISTRIBUTION TABLES

for the year ended 31 December 2018

Period ended	Date paid/payable	Dividends paid/payable pence per share	
		2018	2017
Income shares			
31 March	31 May	1.76	1.76
30 June	31 August	1.76	1.76
30 September	30 November	1.77	1.77
31 December	28 February	1.77	1.77
		7.06	7.06
Accumulation shares			
			Revenue accumulated pence per share
			2018
			2017
31 March		1.20	3.49
30 June		1.96	3.15
30 September		1.16	1.94
31 December		1.53	1.55
		5.85	10.13

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 Scheme of the Charity Commission made under the Charities Act 1993 (amended Charities Act 2011), dated 14 May 2008, for the Fund to:

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

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. 1132054)

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
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

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
Senator House, 85 Queen Victoria Street, London EC4V 4ET
T: 0800 022 3505 E: clientservices@ccla.co.uk

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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