CCLA

QUARTERLY BULLETIN

31 December 2020

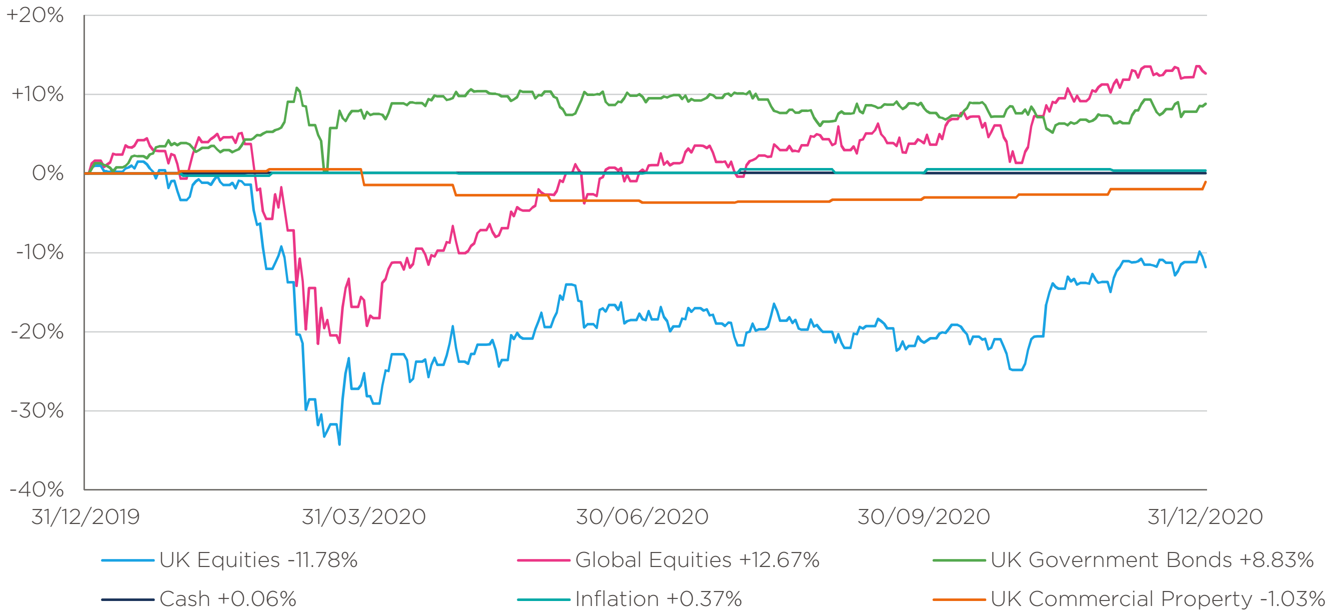
The Economic Outlook

2021 will be a year of recovery for the world economy, although the improvement will be slow to start because of the lingering effects of the latest wave of infections and lock-downs and the hiatus in US fiscal support programmes caused by the election. A number of factors will combine to support the upswing. An accommodative global monetary environment, reflected in very low interest rates and continued quantitative easing programmes, will be important. Fiscal policy too will contribute, but not to the same extent as in 2020 when emergency levels of government spending added about 4% to global output, albeit at the cost of sharply higher debt levels. The pandemic should also be much less of negative influence. Governments have become better at targeting their responses, the numbers in the most vulnerable categories have fallen and, most important of all, there will be a gradual but accelerating availability of a vaccine. Distribution will begin earnestly in the first quarter and despite the logistical problems of delivery and the enormous volume of doses required, will make steady progress. By mid-year it is likely that, in the developed economies at least, the link between social mobility and infection rates will be significantly weaker and by the end relief should be broadly available, including in the emerging world. Global growth in the new year should approach 5%, the highest annual growth rate for a decade and nearly twice the long- term trend rate. This represent a substantial recovery, but not a complete one; even by the end of the year output will still be about 3% below the level reached at the end of 2019. It will be another year before previous output levels are regained in full.

The UK economy is expected to follow a similar path of a weak initial performance which later strengthens. Activity will have fallen quite sharply in the fourth quarter of 2020 and the new lock-down will mean that the first quarter will be another period of decline. In addition, there is the impact of Brexit which the Bank of England has estimated will reduce growth in the first quarter by about 1%. Growth should then accelerate as recovery momentum builds. The success of the vaccine will be particularly important in the UK given the relatively poor performance in containing the impact of the virus so far. Hopefully, it will also prompt a reduction in a savings rate which has risen sharply over the year as concerns over the outlook have meant that cautious consumers, even when able to spend, have been reluctant to do so. Reflecting the depth of the recession in the UK, the recovery should eventually be stronger than that achieved by many international peers, but output will remain below previous peaks for some time yet. As is the case for the global economy, UK monetary policy will remain supportive. The Bank of England's existing quantitative easing programme should be sufficient for government spending to the end of the year and interest rates will remain at or near current levels, at least for now. There is still a chance that they could become negative should conditions deteriorate, but the Bank would prefer to avoid the challenges this would bring for the banking sector, particularly against the backcloth of Brexit. Despite the recovery, unemployment is expected to rise, accelerated by the end of the furlough scheme in late March. The Bank has forecast a jobless rate of over 7% in the second quarter compared with some 6% currently. Inflation will be volatile on a month-by-month basis as the comparisons will be against data distorted by the pandemic, but the overall rate will be contained, probably peaking after Easter at about 2%, when an end to a temporary reduction in VAT for hospitality businesses coincides with a rise in heating costs. Beyond that, excess capacity in the UK and beyond, and a weakening labour market will keep the rate of price increases comfortably below the Bank of England's target level. Even though the government's spending rates will slow, borrowing needs will remain substantial. The Chancellor has described the current position as 'unsustainable', but the process of adjustment is unlikely to begin in 2021 because of the threat it would present to the government's key objective - recovery. Tax increases and some spending cuts are more likely in 2021/22, £25bn per annum, equivalent to about 2.5% of GDP, will be needed each year to stop debt rising. At some point in 2021 attention will shift to the outlook for 2022. The positive news is that, lock-down free, it should be another year of recovery and growth, at a rate reasonably higher than that expected for next year.

For investors 2020 was a year when bad news brought good outcomes. Despite the dreadful impact of the pandemic, expectations of recovery, and the powerful effects on markets of lower borrowing costs and huge injections of liquidity, pushed asset prices up and yields down. The recovery in financial markets is thus more advanced than that in the economy and valuations have reached levels which need to be justified by the success of a recovery expected, but still to be achieved. Supportive investment conditions will continue, and these should provide a foundation to markets, but volatility will remain a threat with already high prices exposed to unexpected disappointments and adverse news. Within markets we remain cautious of fixed income stocks where yields are at best minimal and often negative. In contrast, good quality equities have the potential to benefit from the recovery and the growth that should follow. We expect positive returns in the year ahead.

Quarterly market review and outlook



Source: CCLA

Investment markets began the quarter trading within relatively narrow ranges, moving strongly higher later in the period. Sentiment was boosted by hopes that vaccines would provide a sustainable path back to normality in the year ahead. It was ironic that this outbreak of optimism coincided with a powerful second wave of infection and social restriction, pulling down estimates of economic activity and growth in the first quarter of 2021. Even though valuations were already high, stretched by some measures, prices moved higher, repeating the progress made earlier in the year, but this time with an important difference; market leadership came from companies which suffered most in the downturn and most geared to the recovery now expected.

The global equity market gave a return to a sterling-based investor of 8.54%, bringing to 12.67% the total return for the year. All the regional equity markets gave positive returns in the quarter. Asia was the strongest, improving by 13.17%, but there were good gains too from Europe, 9.07%, Japan, 8.53% and the UK rising by 12.62%. This improvement, however, was not enough to make good losses experienced earlier in a poor year, the index ended 2020 with an annual return of -11.78%. Domestic fixed interest markets were supported by monetary conditions, particularly by continued buying by the Bank of England under its quantitative easing programme. The strongest gains came from corporate bonds, with longer dated and lower credit rated issues the best performers. Property values improved in November, rising for the first time in two years. Industrial assets were once again the strongest. Sterling rose against Dollar, Yen and Euro.

Immediate expectations are that a weak economic performance in the fourth quarter will inevitably spill over into the early months of 2021, resulting in a slow start to the year in the UK and other major economies, but with the situation exacerbated at home by Brexit related factors. The Bank of England has estimated that the short-term impact of the change will be a 1% loss of output in the early months of the year. Beyond this there are real hopes that the vaccination programme will break the link between mobility and infection rates, leading to an accelerated and lasting recovery and a gradual return to normality. Many uncertainties remain, but the current consensus is that the global economy could grow by about 4.5%-5.0% this year. However, even this rate of improvement will not be sufficient to regain all the output lost in the recession, taking until mid-2022 before most economies return to pre-pandemic activity levels.

We are broadly optimistic of the prospects for investment returns in the year ahead although asset selection will be important. In the expected environment there is scope for good quality companies to grow earnings sufficiently to justify higher valuations, and equities remain our most favoured asset category. Fixed income markets are now experiencing the peak levels of support from monetary policies and whilst conditions will remain accommodative for some time, we expect yields to move gently higher from current levels.

Ethical and responsible investment report

Our work has four strands:
1. Engagement focused on social and environmental issues in the context of Christian mission and witness.
2. Setting appropriate constraints on investment and exposure to activities considered unacceptable by the Church of England's Ethical Investment Advisory Group (EIAG) and the CBF Funds Trustee.
3. Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.
4. Responsibilities under the UK Stewardship Code and the UN Principles for Responsible Investment.

Quarterly highlights
For more than three years we have been pushing the government to strengthen section 54 (transparency in supply chains etc.) of the Modern Slavery Act. We coordinated a reply to a government consultation in 2019, the response to which has now been published. Outcomes align closely with our four key asks, which is promising. We celebrate, however, with caution; new legislation will only be forthcoming when parliamentary time allows.

Since taking the role of 'lead investor' for Unilever on behalf of the Climate Action 100+ investor coalition, we have been calling upon the company to include a 'Say on Climate' vote at its AGM next year. The vote allows shareholders a recurrent say on a company's efforts to address global warming. We were pleased to hear that Unilever now plans to include the vote. Unilever will be the first FTSE 100 company to do so; the announcement paves the way for other consumer goods companies to follow suit.

In Q3, we gathered a coalition of 38 investors and wrote on their behalf to 54 companies at high risk of modern slavery in their operations in the Gulf. The letter asked for details of how they are safeguarding workers during the pandemic. To the end of Q4, we received 32 responses. Only four identified indicators of forced labour within their supply chains. Given the systemic nature of human rights abuse, this is a surprise. We are working in partnership with the companies which have been willing to engage to help them find and provide remedy to the workers affected.

Quarter three voting in detail
CCLA aims to vote at all UK and overseas company meetings where we have portfolio holdings.

The CBF Church of England Investment Fund did not support 7% of the resolutions proposed by management at our investee companies this quarter (12% for the UK Equity Fund, 14% for the Global Equity Income Fund).

We continued our long-standing focus on voting against excessive and poorly aligned executive pay. One example was Microsoft, where we voted against both the Named Executive Officer Compensation and the Remuneration Committee Chair: only half the proposed annual bonus was subject to performance metrics, while we calculated the CEO's on-target bonus alone as 1,300 times salary.

We also voted against the Audit Committee Chair at both Microsoft and Medtronics. There is no evidence that the external audit has been put to tender in the last 20 years, raising concerns about its independence.

CCLA Corporate Mental Health Benchmark - consultation
CCLA began its mental health engagement work in early 2019. We used the input of an expert advisory committee and the government-commissioned 'Thriving at Work' report to create a set of best practice indicators. We took these indicators to 11 investee companies.

In the thick of the first wave of the coronavirus outbreak, we built a coalition of supporting investors and wrote on their behalf to the CEO of every FTSE 100 company. The letter urged these 100 leaders to protect the mental health of their 4.7 million employees during the pandemic.

While we were encouraged, our work confirmed our belief that poor mental health is a systemic (rather than a company-specific problem). It requires greater stakeholder pressure.

In response, we are building the CCLA Corporate Mental Health Benchmark. The Benchmark will act as a framework for investors to assess how companies compare on safeguarding the wellbeing of their workforce. By introducing a new element of competition, it will also incentivise companies to address poor mental health directly.

CCLA is working in partnership with Chronos Sustainability in building the Benchmark and we are delighted to have the support of the mental health charity, Mind, Lord Dennis Stevenson and the PRI as we take our next steps. We are now running a public consultation into the design and scope of the Benchmark. Please see our website for further details.

Ethical constraints
We confirm that the CBF Church of England Funds have been managed to their respective ethical exclusion policies this quarter. The EIAG met during the quarter. They agreed new advice and policy on Human Rights and updated the Gambling Policy. The 'Big Tech' review continues.

The CBF Church of England Investment Fund

Performance comment

Economic growth rates declined towards the end of the year, as recovery momentum moderated, and the effects of higher unemployment and increased infection rates bore down on activity. The slowdown occurred despite continued supportive policies from governments and central banks. Disappointing economic news was not the prime influence on investment markets. Instead, the key factor was news of a viable vaccine against Covid-19, one which over time could break the link between mobility and infection rates and so create a path to normality and lasting recovery. The news brought a wave of investor optimism which pushed most investment markets higher. The optimism was reflected within markets by a change in sector leadership, away from the consistent growth companies which had performed best in the downturn and instead towards the sectors most geared to recovery. These included the banking and energy sectors and companies involved with travel and leisure.

Over the quarter the Fund returned 5.28% compared with the comparator return of 7.32%. Over the last 12 months, the Fund returned 10.20% compared with the comparator return of 3.95%.

In the quarter, the most significant influence on relative performance has been stock selection. The portfolio bias towards companies with strong growth potential and robust finances has been a source of our performance in the recent past, but although these companies rose in the period, the rate of advance did not match those companies geared to recovery. Asset allocation was also a negative factor but on a more modest scale. The cash weightings which were unhelpful in a rising equity market were substantially reduced through the period.

Fund update

The investment objective of the Fund is to provide real long-term growth and an income, rising over time from a portfolio managed within a clear risk control framework. To meet these objectives, the portfolio has a bias towards real assets, predominantly global equities, but also property and to non–traditional areas such as infrastructure. Stock selection is on a 'bottom-up' basis, we favour companies with a robust financial position and the potential to grow faster and more consistently than the broad trend in the economy. This has resulted in a relatively high exposure to sectors such as technology and health and a low weighting to banking and energy. Recent activity has seen cash holdings reduced and some profit taking on companies which had reached our valuation targets. The monies raised were used to add to a number of existing holdings including Disney, Adidas and Medtronic. In geographical terms these changes increased the European and Asian weightings and lowered the exposure to the US.

Income

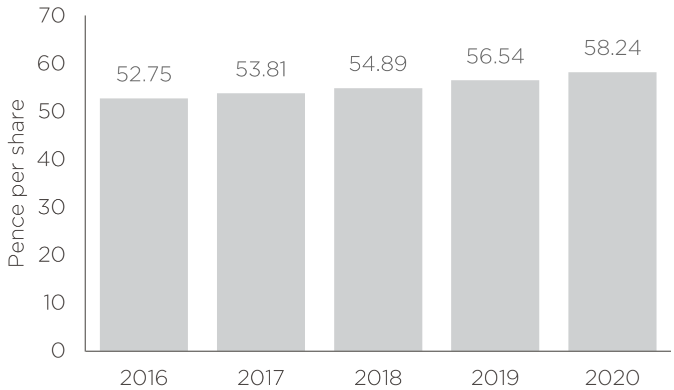
Gross dividend yield 2.93%*

MSCI $ UK IMI dividend yield 2.97%

MSCI $ World ex UK dividend yield 1.71%

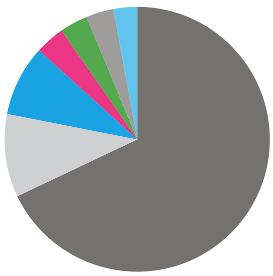
* Based upon the net asset value and an estimated annual dividend of 59.99p.

Past distributions



The accounting period for the Fund changed in 2015 and is now aligned with calendar quarters.

Asset allocation as at 31 December 2020



- Overseas Equities 67.91%
- UK Equities 10.16%
- Infrastructure & Operating Assets 8.68%
- Property 3.59%
- Private Equity & Other 3.42%
- Cash & Near Cash 3.38%
- Contractual & Other Income 2.86%

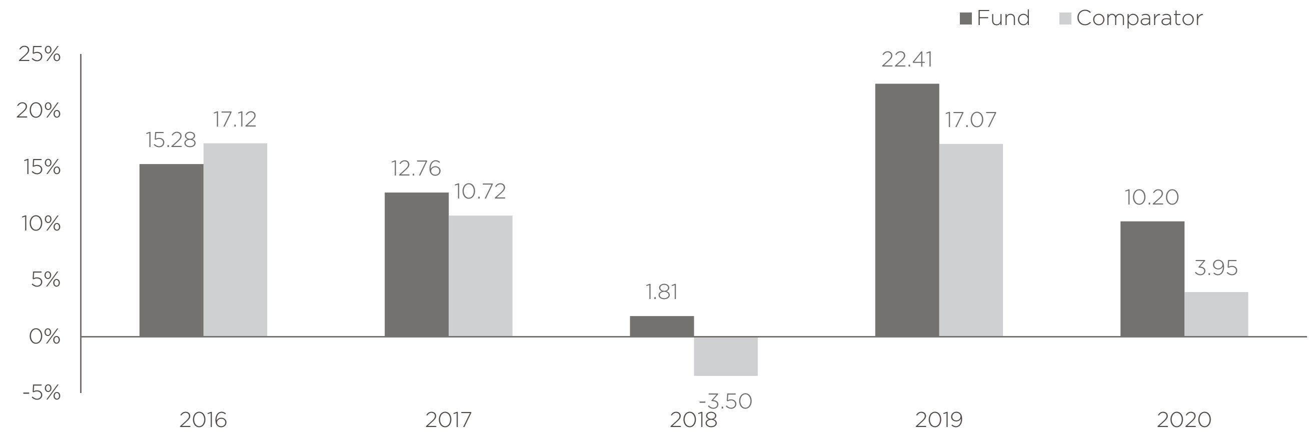
Overseas Equities	**%**
North America	43.79
Developed Europe	13.69
Asia Pacific ex Japan	8.73
Japan	1.19
Other Americas	0.51
	67.91

Total return performance

Performance* to 31 December 2020	3 months	1 year	3 years p.a.	5 years p.a.
Investment	+5.28%	+10.20%	+11.15%	+12.29%
Comparator	+7.32%	+3.95%	+5.50%	+8.77%

Discrete year total return performance

12 months to 31 December	2016	2017	2018	2019	2020
Investment	+15.28%	+12.76%	+1.81%	+22.41%	+10.20%
Comparator	+17.12%	+10.72%	-3.50%	+17.07%	+3.95%



Comparator - composite: from 01.01.18 MSCI UK IMI 30%, MSCI World ex UK 45%, MSCI UK Monthly Property 5%, iBoxx £ Gilt 15% & 7 Day LIBID 5%. To 31.12.17 MSCI UK IMI 45%, MSCI Europe ex UK 10%, MSCI North America 10%, MSCI Pacific 10%, AREF/IPD™ All Properties 5%, iBoxx £ Gilt 15% & 7 Day LIBID 5%. To 31.12.15 MSCI UK All Cap 45%, MSCI Europe ex UK (50% Hedged) 10%, MSCI North America (50% Hedged) 10%, MSCI Pacific (50% Hedged) 10%, IPD™ All Properties 5%, BarCap Gilt 15% & 7 Day LIBID 5%. Source: CCLA

Top 10 holdings as at 31 December 2020

The CBF Church of England Property Fund	2.8%
CCLA Inv Mgmt Ltd Ord GBP1	2.7%
Pan European Infrastructure I	1.8%
Taiwan Semicon Manufacturing TWD10	1.7%
Alphabet Inc C Com NPV	1.4%
Amazon.Com Com USD0.01	1.3%
HDFC Bank ADR(V3 Ord)	1.3%
AIA GROUP	1.3%
Roche Holding Gsh NPV	1.3%
Synopsys Com USD0.01	1.3%

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Global Equity Income Fund

Performance comment

Global economic growth slowed in the final months of the year as catch-up of previously postponed activity ended and constraints on mobility increased in the face of rising infection rates. The slowdown occurred despite continued and substantial support from governments, reflected in fiscal policies intended to protect consumer incomes, and from central banks, which kept interest rates low and maintained a steady flow of quantitative easing. Despite the disappointing economic performance investment markets rose as investors reacted to news of a vaccine which was effective against the virus. All recognised that a meaningful level of protection would take some time to achieve but took an optimistic view on the basis that a successful medical solution was the surest way of ending the link between mobility and infection. The change in mood of markets brought about a change in leadership. Secure growth focussed companies rose but not as much as the main indices. Instead, the strongest performances came from stocks and sectors which had lagged the rise in prices seen earlier in the year. This included banks and energy companies and those linked to travel.

Over the quarter the Fund returned 5.97% compared with the comparator return of 7.78%. Over the last 12 months, the Fund returned 22.69% compared with the comparator return of 12.32%.

The main contributor to relative performance over the quarter was stock selection. The portfolio has a bias towards consistent growth companies which performed strongly earlier in the year, but which lagged in the latest rally.

Fund update

The portfolio is selected on a 'bottom-up' basis, that is by choosing individual companies on their perceived merit rather than to meet a predetermined allocation to any sector or geographical region. We look for robust companies with strong cash flows and which have growth potential above that offered by the economy as a whole. In recent times this has resulted in a relatively high weighting in sectors such as technology and health and only a limited exposure to banks and energy. Activity in the quarter has seen the focus on growth maintained but also some profit taking on holdings which had performed well and which in so doing had risen to valuations we thought demanding. A reduced weighting to technology has allowed an increased exposure to consumer related companies and to parts of the financial sector. On a geographical basis, the effect has been to increase the allocation to Europe and Asia and reduce that to the US.

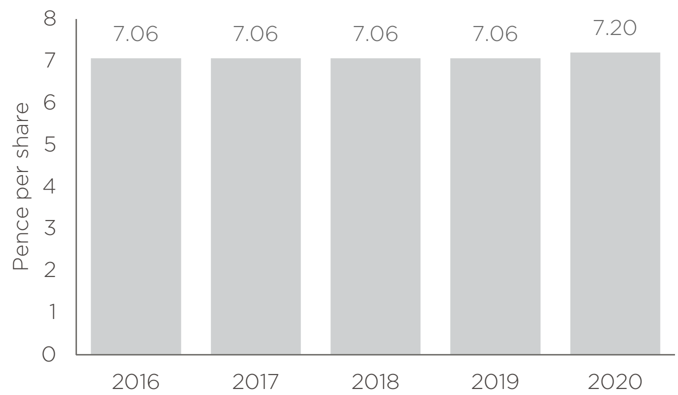
Income

Gross dividend yield 2.78%*

MSCI $ World dividend yield 1.78%

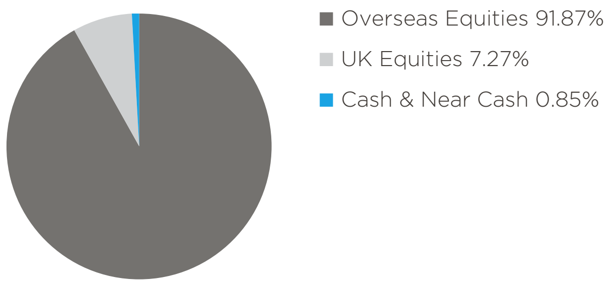
* Based upon the net asset value and an estimated annual dividend of 7.34p.

Past distributions



The accounting period for the Fund changed in 2015 and is now aligned with calendar quarters.

Asset allocation as at 31 December 2020



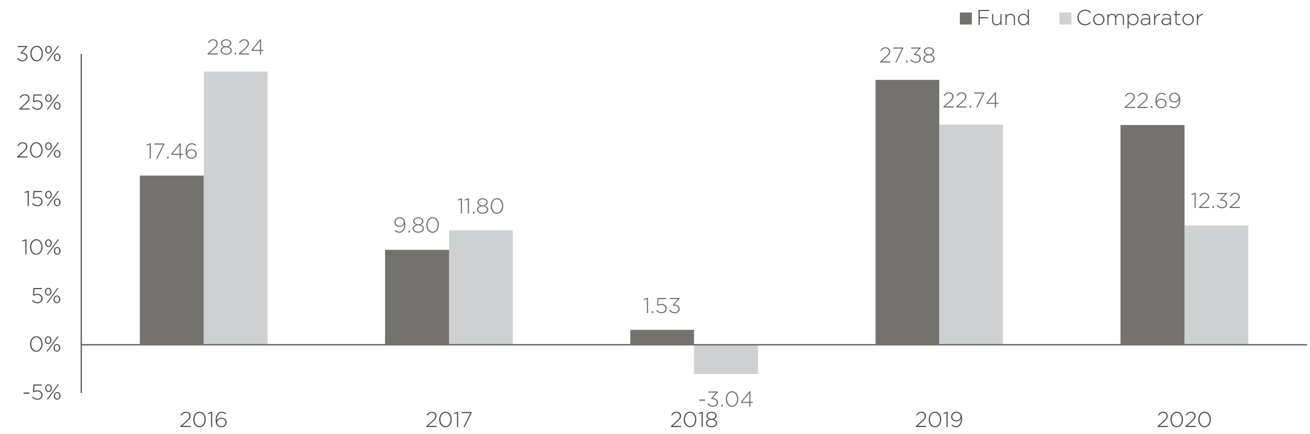
Overseas Equities	**%**
North America	59.72
Developed Europe	18.49
Asia Pacific ex Japan	11.25
Japan	1.61
Other Americas	0.80
	91.87

Total return performance

Performance* to 31 December 2020	3 months	1 year	3 years p.a.	5 years p.a.
Global Equity Income	+5.97%	+22.69%	+16.63%	+15.40%
Comparator	+7.78%	+12.32%	+10.16%	+13.90%

Discrete year total return performance

12 months to 31 December	2016	2017	2018	2019	2020
Global Equity Income	+17.46%	+9.80%	+1.53%	+27.38%	+22.69%
Comparator	+28.24%	+11.80%	-3.04%	+22.74%	+12.32%



Comparator – from 01.01.16 MSCI £ World. To 31.12.15 MSCI World 50% Currency Hedged. Source: CCLA

Top 10 holdings as at 31 December 2020

Microsoft Com NPV	2.8%	AIA GROUP	1.8%
Alphabet Inc C Com NPV	2.8%	Relx PLC Ord GBP0.1444	1.8%
Amazon.Com Com USD0.01	2.5%	Roche Holding Gsh NPV	1.7%
Taiwan Semicon Manufacturing TWD10	2.1%	HDFC Bank ADR(V3 Ord)	1.6%
Adobe Inc Com USD0.0001	2.0%	L'Oreal EUR0.20	1.6%

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Deposit Fund

Performance comment

In the final months of 2020, the UK economy lost growth momentum as catch- up activity from earlier in the year was completed and output came under renewed pressure from rising unemployment and an increased rate of infection. Government policies remained supportive to growth as high rates of fiscal spending continued. Monetary policy also remained very accommodative, reflected in a substantial quantitative easing programme and very low interest rates.

The expectation for the economy now is that it will have lost ground over the quarter with the weakness continuing into the new year as the UK once again enters a period of lock-down. Growth is expected to resume later in the year, but the flat start will mean that previous hopes of a significant improvement are likely to prove optimistic. A key feature will be the roll -out of a vaccination programme on a scale which, by mid- year, should loosen significantly the current link between mobility and infection rates.
Official Bank Rate was unchanged in the period, but market rates remained under pressure as investors discounted the prospect of very low rates for a considerable period of time, with a risk that the Bank of England could adopt a negative interest rate regime should economic growth weaken again.

Fund update

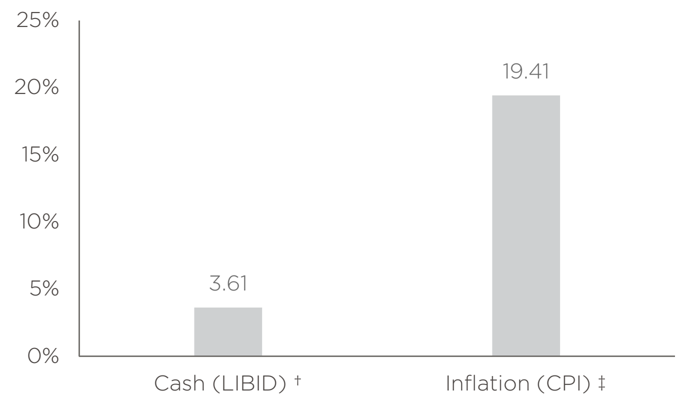
The prime focus of the investment strategy is to provide capital security with excellent liquidity and a competitive rate of interest. The portfolio is invested only in cash and near cash assets with a managed list of approved, high quality counterparties.

Income

Average interest rate over the quarter 0.17%
(0.17% AER)*

Interest rate over the quarter end 0.15%
(0.15% AER)*

Cumulative total return over last 10 years



The accounting period for the Fund changed in 2015 and is now aligned with calendar quarters.

Deposit rate as at 31 December 2020

0.15% AER*

* AER = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

** Source: CCLA - Performance is shown gross of management fees and other expenses; net returns will be lower after the deduction of fees and other expenses. The daily rate on the Fund will fluctuate and past performance is not a reliable indicator of the future results. Deposits in the Fund are not covered by the Financial Services Compensation Scheme.

† Source: CCLA

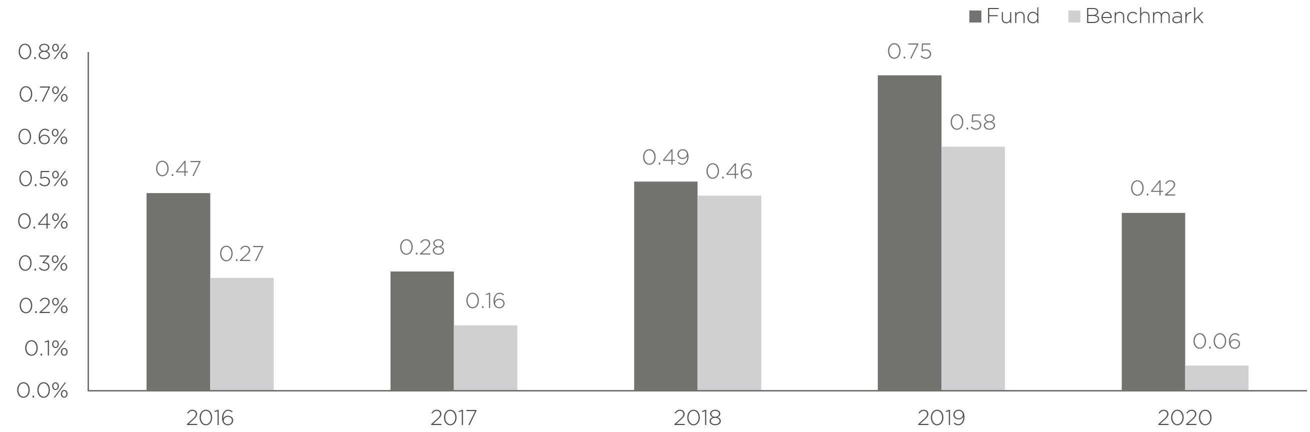
‡ CPI is estimated for the last month of the quarter.

Total return performance

Performance* to 31 December 2020	3 months	1 year	3 years p.a.	5 years p.a.
Deposit	+0.05%	+0.42%	+0.55%	+0.48%
Benchmark	-0.02%	+0.06%	+0.37%	+0.30%

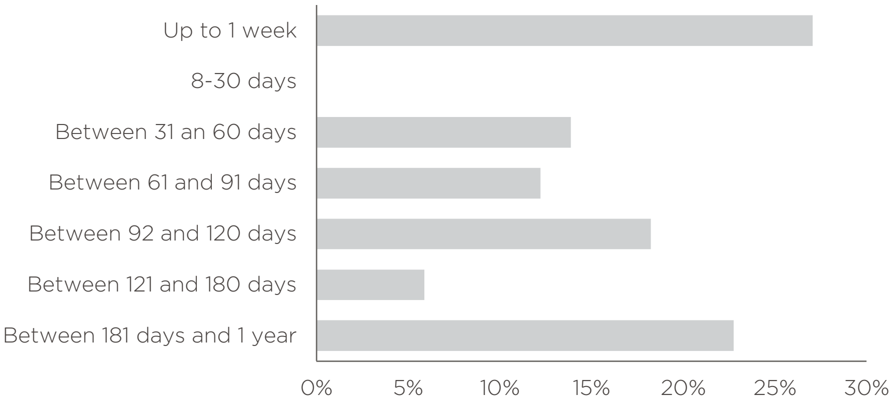
Discrete year total return performance

12 months to 31 December	2016	2017	2018	2019	2020
Deposit	+0.47%	+0.28%	+0.49%	+0.75%	+0.42%
Benchmark	+0.27%	+0.16%	+0.46%	+0.58%	+0.06%



Benchmark – London Interbank Sterling 7 Day Bid Rate. Source: CCLA

The Fund's maturity profile



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The CBF Church of England Fixed Interest Securities Fund

Performance comment

After a period of catch up and recovery in the middle months of the year the UK economy approached the end 2020 with a slowing growth rate as momentum was lost to rising unemployment and renewed restrictions on mobility due to an increase in the number of Covid infections. Government actions to support activity continued, most importantly with an extension of the job furlough scheme. Monetary policy also remained very accommodative, reflected in a significant expansion of the Bank of England's quantitative easing programme and continued ultra- low interest rates. The quantitative easing programme by the Bank effectively matched government spending needs, ensuring that liquidity shortages, which could have pushed interest rates higher, were avoided.

Against this backcloth fixed interest assets began the period trading within a narrow trading band. Prices rose later to reflect the successful development of a vaccine against the virus and as hopes increased that the deadlock in the Brexit negotiations would be broken and a deal agreed. As sentiment improved so values increased with corporate bonds, particularly longer dated and lower credit rated assets, giving the best returns.

Over the quarter the Fund returned 1.65% compared with the benchmark return of 1.80%. Over the last 12 months, the Fund returned 6.77% compared with the benchmark return of 8.42%.

In the most recent period relative returns were supported by the portfolio's bias towards corporate bonds however this was not sufficient to offset the negative effects of an overall defensive strategy in a rising market.

Fund update

The portfolio has a defensive strategy to protect investors from a rise in sector yields. This is reflected in a structure where both duration and the average life of the bonds held are shorter than those of the benchmark. There is a bias to corporate bonds relative to government to benefit from the higher income this part of the fixed income universe provides.

Income

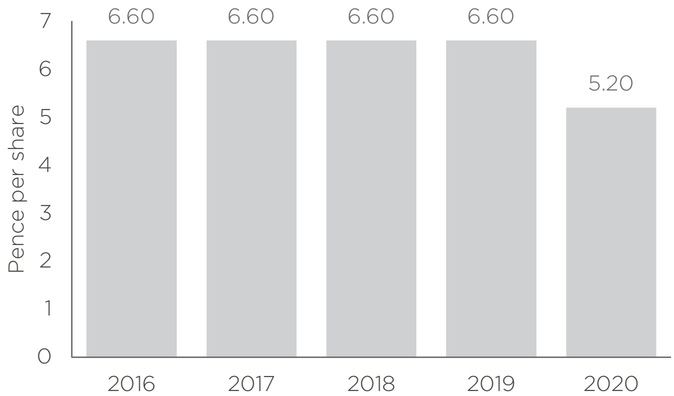
Gross dividend yield 2.48%*

Gross redemption yield 0.74%

* Based upon the net asset value and an estimated annual dividend of 4.20p.

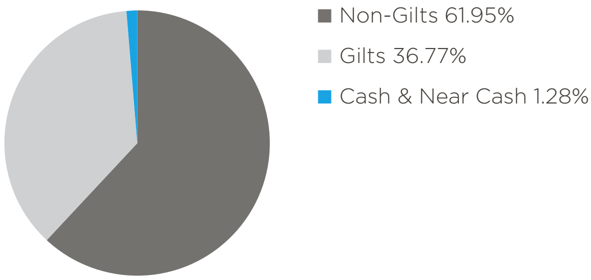
The gross redemption yield indicates what the total return would be if the Fund's current investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised.

Past distributions



The accounting period for the Fund changed in 2015 and is now aligned with calendar quarters.

Asset allocation as at 31 December 2020

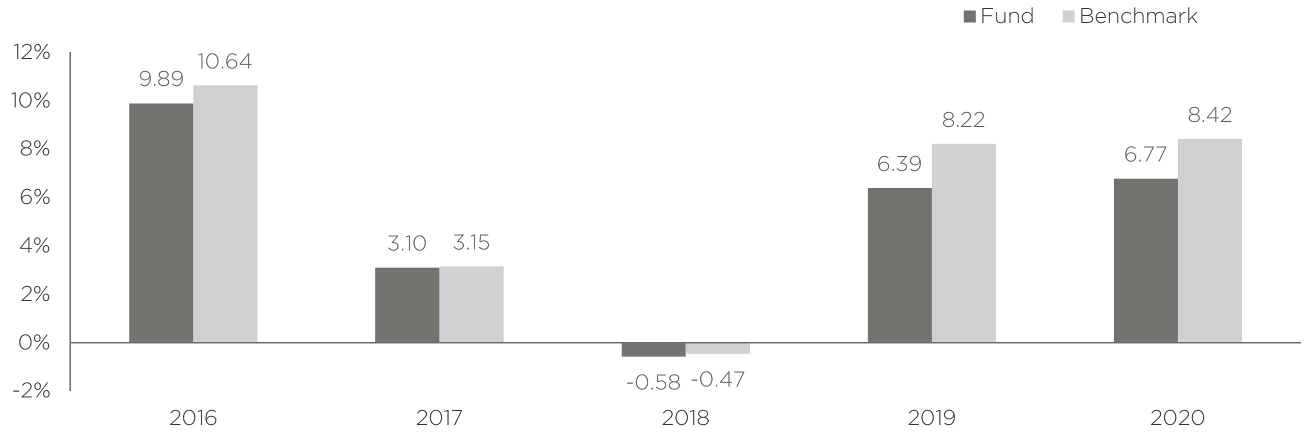


Total return performance

Performance* to 31 December 2020	3 months	1 year	3 years p.a.	5 years p.a.
Fixed Interest	+1.65%	+6.77%	+4.14%	+5.05%
Benchmark	+1.80%	+8.42%	+5.31%	+5.91%

Discrete year total return performance

12 months to 31 December	2016	2017	2018	2019	2020
Fixed Interest	+9.89%	+3.10%	-0.58%	+6.39%	+6.77%
Benchmark	+10.64%	+3.15%	-0.47%	+8.22%	+8.42%



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%.
Source: CCLA

Portfolio asset allocation

By credit rating

Rating Category	*% Fund*
AAA	10.0
AA	46.9
A	30.7
BBB	10.8
Non Investment Grade	0.0
Not rated (Debentures/Prefs)	1.6

By term to maturity

Period	*% Fund*
0 - 5 years	31.6
5 - 10 years	29.3
10 - 15 years	12.1
Over 15 years	27.0
Duration (yrs)	8.4
Average term to maturity (yrs)	10.1

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Property Fund

Performance comment

The main trends which have influenced returns for most of 2020 continued to dominate in the final months of the year. Transaction volumes remained low by historic standards, but deal flow improved in the third quarter and this trend strengthened further towards the year end . The sector continued to experience a wide dispersion of returns at the sub-sector level. Support remained strong for industrial assets, particularly for large 'sheds' with distribution capabilities. In contrast, retail properties remained out of favour, a reflection of significant excess supply, long term changes in shopping patterns and the threat to rent flows caused by enforced store closures in periods of lock-down. Sitting between the two, office returns have been mixed, with strength in some regional markets but a flat trend in the City of London. Despite difficult economic conditions income receipts from the sector have held up relatively well as the majority of tenants have continued to meet their obligations. There has however been an inevitable increase in those unable to pay, a list which must be expected to lengthen whilst trading constraints continue. There is also a group of 'won't pays', businesses open for trading but taking advantage of government measures to withhold rents.

Over the quarter the Fund returned 2.47% compared with the benchmark return of 1.45%. Over the last 12 months, the Fund returned -0.48% compared with the benchmark return of -1.65%.

Performance was supported by the sectoral weightings of the portfolio and management activity which boosted income flows and reduced the void rate . Income distributions continued at a level equivalent to 75% of the payment made for the equivalent period of 2019.

Fund update

The portfolio has a bias towards industrial assets and offices and away from the retail sector. There are no holdings of shopping centres. There is an active management policy by which the managers seek to identify good quality assets which have the potential to add to both capital gains and income growth. In the quarter the Fund completed the sale of an office asset in Edinburgh at a price comfortably above the book value. A number of new lettings were achieved, including on large industrial properties in Stoke and Manchester. In the City of London, new leases were completed on a floor of the buildings in Cannon Street and at College Hill, both at new record rents for the property. These and other lettings helped reduce the void rate from 13.2% to 11%, which compares with some 17% for the sector as a whole.

Income

Gross dividend yield 4.68%*

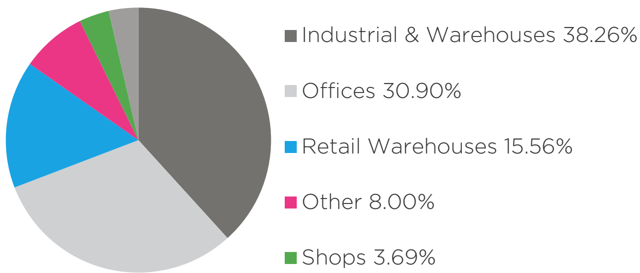
MSCI/AREF Other Balance Property Fund Index Yield † 3.46%

* Based upon the net asset value and an estimated annual dividend of 6.05p.

Past distributions

The accounting period for the Fund changed in 2015 and is now aligned with calendar quarters.

Underlying asset allocation as at 31 December 2020

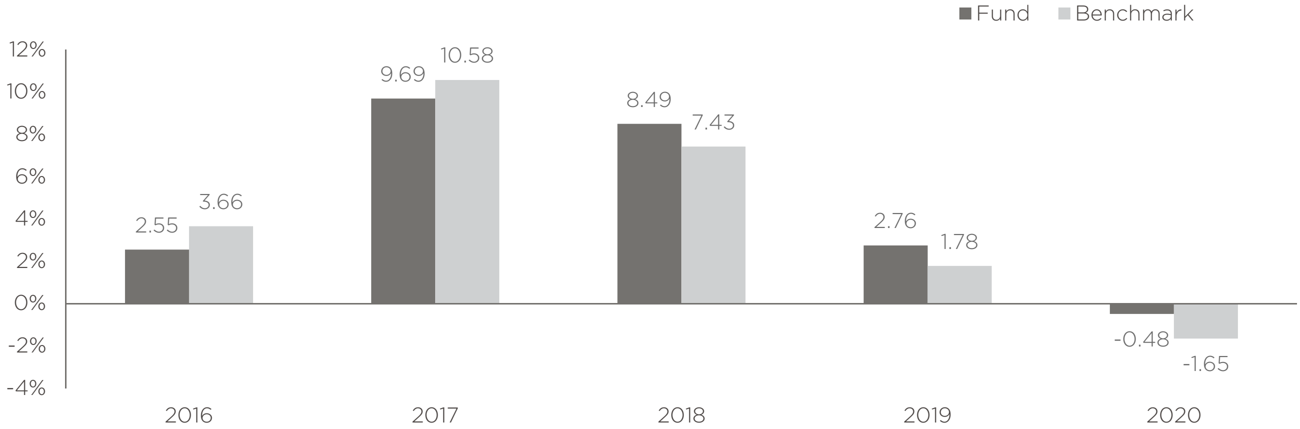


Total return performance

Performance* to 31 December 2020	3 months	1 year	3 years p.a.	5 years p.a.
Property	+2.47%	-0.48%	+3.52%	+4.53%
Benchmark	+1.45%	-1.65%	+2.45%	+4.27%

Discrete year total return performance

12 months to 31 December	2016	2017	2018	2019	2020
Property	+2.55%	+9.69%	+8.49%	+2.76%	-0.48%
Benchmark	+3.66%	+10.58%	+7.43%	+1.78%	-1.65%

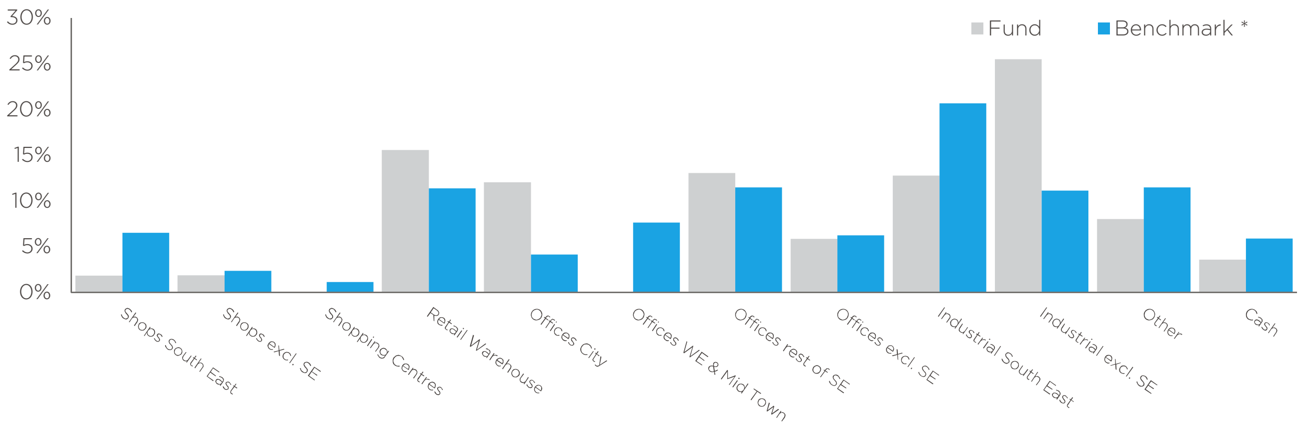


Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

Top 10 underlying property holdings - total 44.02%

London, 80 Cannon Street	London. EC4 , 1-3 College Hill
Brighton, Pavilion Centre	Lutterworth, 3320 Magna Park
Mendlesham, Mendlesham Industrial Estate	Lutterworth, 3220 Magna Park
Bracknell, 5 Arlington Sq	1400-1600 Aztec West Business Park Bristol
Bath, Westside Hotel (travelodge)	Crawley, Manor Gate

Underlying asset allocation by region and category



Performance of the Property Fund and its benchmark are shown after management fees and other expenses with income reinvested. Past performance is not a reliable indicator of future results.

Risk Warning

Performance is shown net of management fees. Exchange rate changes may have an adverse effect on the value, price or income of investments. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice. All sources are CCLA, unless otherwise indicated.

Disclosures

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GDPR

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