CCLA

QUARTERLY BULLETIN
30 June 2020

The Global Economy's slow recovery from COVID-19

The UK is experiencing a truly extraordinary set of economic conditions. The current recession is the fastest developing and deepest of modern times. It is also likely to be the shortest, lasting just a couple of months from start to finish. It is the only recession caused by a disease rather than economic excess. The factors which make the current situation unique also make it hard to analyse, and future developments hard to forecast. There is a lot of data which show how economies behave in a recession, but no precedent for what is being experienced today.

What we know from the evidence is that although activity fell very sharply between March and May, signs of real improvement began to emerge soon after. That early momentum should strengthen as lock-down rules are eased and conditions begin to normalise. A key contributor to this upswing is a forced pick-up in saving rates. Restrictions on movement and business closures, combined with government action to support wages, effectively created a reservoir of potential spending which will be drawn down as shops and other outlets re-open. An encouraging start, but it is important to recognise that the initial surge in growth, although welcome, will not be maintained. Rising unemployment is an obvious concern. The government furlough scheme is currently supporting about a quarter of the labour force, over 30% if the self employed are included. Support from this source will begin to wind down in the summer and as it does so, and labour costs fall back on employers, unemployment is set to rise sharply from the 3.7% low point recorded earlier this year.

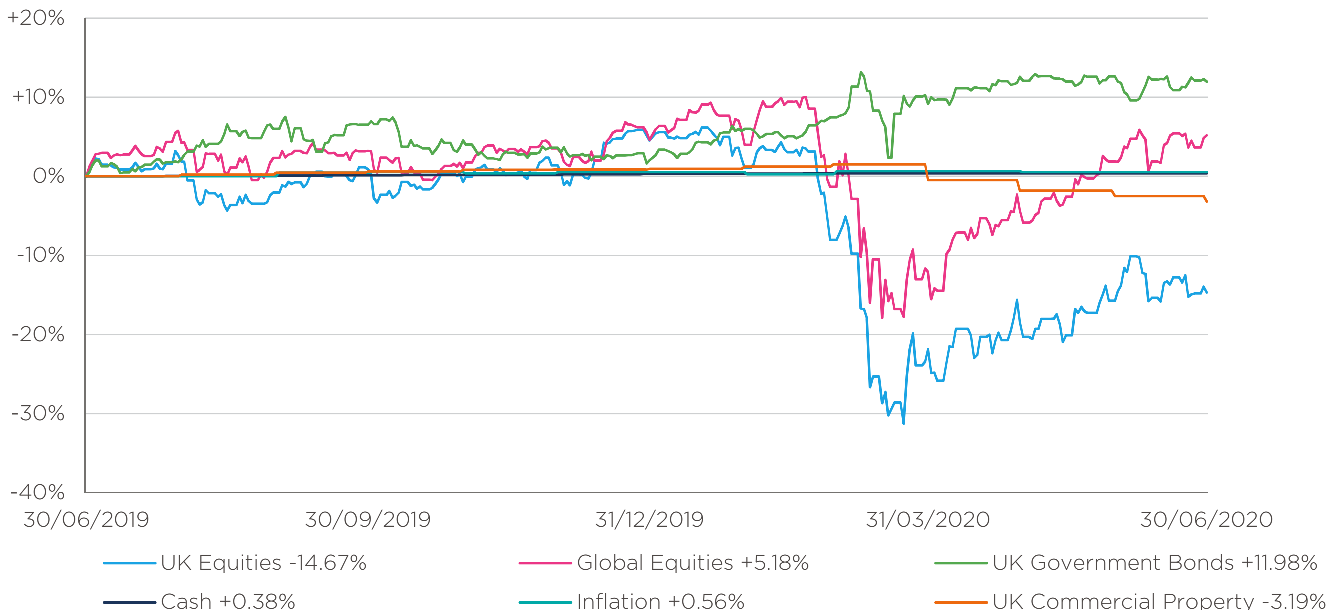
Support from fiscal initiatives must also reduce as spending limits bite. Government borrowing may exceed £350bn this year, and will be substantial again next year. The increase in debt is unsustainable. Expenditure levels which are accepted as necessary in times of economic emergency may be seen as imprudent when the crisis is past. The government will try to prevent a sudden reduction in spending becoming a drag on growth, but it should not be a surprise if the Budget this autumn acknowledged the need for a better balance of receipts and expenditure, reflected in deferred spending cuts and/or tax rises.

Although fiscal policy support will reduce, the Bank of England has made clear that the monetary environment will remain very supportive; interest rates will stay at ultra-low levels for the foreseeable future, and there may yet be another round of quantitative easing. Looking more widely, inflation, in the UK and internationally, will edge down, rising only moderately in 2021 as falling oil costs drop out of the comparative data. The pandemic will dominate attention near term, but other issues will gradually push themselves into the headlines, in particular Brexit has fallen down the list of investor concerns, and although this may allow the government more scope to compromise, it will surely come back as negotiations begin again and the nature of the future relationship becomes clearer.

For the UK economy, our current expectation is that overall output will decline by 9% to 10% this year. Even with recovery over the remaining months of 2020 and through 2021, it will probably not be until sometime in 2022 that previous levels of activity are regained.

From an investment perspective, the prospect of recovery means that long term investors should stay invested, the outstanding risks means that they should ensure that there is sufficient potential reward to compensate for the uncertainties they will face. Clearly this is not the case with fixed interest investments where yields, even on longer-dated bonds, are derisory. Central bank buying programmes will support prices in the near term, but at current valuations the sector cannot contribute to real long- term returns. For equities the focus should be on good quality companies with their own growth momentum, it will be sometime before the gearing associated with cyclical sectors can work to their advantage.

Quarterly market review and outlook



Source: CCLA

It has been an extraordinary period for investors, one in which they have experienced both a recession and the early days of a recovery. The downturn was swifter and deeper than any other in modern times, and although short lived, the recession was severe and global in its impact and it is too soon to build a full understanding of the nature of the recovery we should expect. Nevertheless, despite these uncertainties, it is the nature of markets to look to the future, and it was the prospect of an improvement to come that was the dominant influence on investment markets in the quarter, transforming sentiment and sending security prices higher.

The global equity index gave a total return to a sterling-based investor of 19.64%, a gain which took the return over the past 12 months to 5.18% and to 0.65% for the first half of 2020. Of the major markets, the US was the best performer, buoyed by the strength of its technology exposure to a gain of 21.98%. The UK underperformed its peers, the UK index rose by 9.15%, but the returns for the year to date and the past 12 months remained significantly negative, at –18.40% and –14.67% respectively. The disappointing UK performance reflects economic uncertainty, but also the composition of the equity market high exposure to energy and traditional banking, both of which underperformed.

The domestic fixed interest sector gave positive returns but at a modest level, a solid performance in the first quarter meant that, unlike for equities, there was no scope for a recovery of earlier values. Prices were supported by buying under the Bank of England's quantitative easing programme, in addition sentiment towards corporate bonds improved as hopes of recovery strengthened. Property values eased across the industry, but retail related areas were consistently the weakest parts of the sector. Investors were concerned at the effects of the lock-down on rental flows and the long-term viability of many shop and leisure outlets. Sterling was little changed over the quarter, weakening against the Dollar and Euro but improving relative to the Yen.

Economic activity is expected to rebound strongly in the early part of the recovery, boosted initially by pent-up demand released as outlets open again and the process of normalisation gains momentum. Our expectation is that output will increase over the second half of this year and through 2021, but even then, such has been the severity of the recent shock, activity levels are still expected to be below those reached before the crisis began. Although recovery is the most likely outcome threats remain, including of a significant second wave of infection or a policy error by governments which results in a premature reduction of government support.

Against this backcloth, we believe that long term investors should remain invested, but should also ensure that their portfolios are positioned to earn returns sufficient to compensate for the uncertainties which remain. Valuations have recovered to levels which discount a future improvement in earnings which is likely, but not assured and as a result there is scope for disappointment and another bout of volatility. Domestic fixed income investments fail to meet these criteria; yields have fallen due to expectations of continued government buying, and even yields on long-term bonds are too low to make a contribution to real returns. Equities are better placed, but it will be important to focus on good quality companies with growth momentum which is not dependent of the trend in the economy.

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

We continued to address modern slavery in supply chains. In Q2 we finalised our engagement expectations document; coordinated 13 institutional investors to begin engaging with UK hotel and restaurant companies; and joined the Home Office's Transparency in the Supply Chain Modern Slavery Strategy Implementation Group.

We engaged with 56 companies in the FTSE 100 and FTSE 250 who failed to reach a benchmark 'B' grade in last year's Climate Disclosure Project (CDP) survey. We have been pleased with the response rate; several companies are now showing credible improvement plans.

We submitted a detailed response to the Charity Commission's consultation on how charities should approach investing in line with their purpose and values. We await the outcome of their findings.

Quarter two 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 21% of the resolutions proposed by management at our investee companies this quarter (15% for the UK Equity Fund, 25% for the Global Equity Income Fund).

We continue to focus on the importance of separating management authority from board authority and have pushed for a separation of the Chairman and Chief Executive roles at JP Morgan for several years. In the run up to this year's AGM, the company announced that the current lead director would leave the post. At the meeting, 41% of shares were voted in favour of a proposal seeking an independent Chair.

Following three years of engagement LVMH, which is controlled by the Arnault family, has finally reconstituted its audit committee. Antoine Arnault has stood down from the committee, leaving it free of direct family influence.

Responsible investment and mental health

Mental ill-health is costing UK employers between £33 billion and £42 billion every year, from a combination of sickness absence, lost productivity and outgoings associated with staff turnover (Stevenson/Farmer 2017). As investors, we believe that poor workplace mental health represents a significant obstacle to corporate success.

Accordingly, we launched our mental health engagement programme in early 2019. We formed a specialist Mental Health Advisory Committee (with representatives from Public Health England and the mental health charity, Mind), and wrote to and met 11 of our investee companies.

Since then, the Covid-19 crisis has spread across populations, lending greater urgency to the campaign. A combination of remote working, recession, quarantine, bereavement and media-fuelled anxiety will have an unprecedented impact on the UK's mental health.

During the second quarter, we gathered a coalition of investors backed by £2.2 trillion in assets under management. On their behalf, we wrote to the CEO of every FTSE 100 company, urging them to protect the mental health of their workforce during this time. The group contacted represent an underlying workforce of 4.7 million employees.

Almost half of those contacted have responded with detailed information about their efforts to protect workplace mental health. The quality of responses has been mixed – while some go far beyond our expectations, showing a clear commitment by senior management, others have some way to go. We continue to collect and monitor responses.

Next steps

The next phase of the engagement programme will commence in Q3. We aim to expand the investor coalition further and push the initiative out to companies across all sectors and industries.

Ethical constraints

We confirm that the CBF Church of England Funds have been managed to their respective ethical exclusion policies this quarter.

The EIAG continue to undertake several policy reviews. These include the 'Big Tech' industry and updating the existing Gambling Investment Policy

The CBF Church of England Investment Fund

Performance comment

The period began with global economic activity declining rapidly due to the impact of the pandemic. Governments and central banks responded swiftly with a range of measures designed to stave off the worst effects on individuals and businesses, and to create the conditions for recovery. As the peak of the infection passed and conditions began gradually to normalise so there were signs of economic recovery. These are expected to gain momentum into 2021. In an environment of ultra-low interest rates and plentiful liquidity, equity markets responded positively to signs of improvement and rose strongly, regaining much of the ground lost in the first quarter. Fixed interest markets also improved but, having been steady performers when the virus broke, did not have the recovery scope of equities.

On a gross basis, the Fund returned 13.79% over the quarter compared with the comparator return of 12.01%. Over the last 12 months, the Fund returned 7.98% compared with the comparator return of 0.42%.
In the quarter the main support to relative performance has been stock selection. The portfolio has benefitted from exposure to companies in the technology and health sectors, and the low level of exposure to mainstream banks has been helpful. Another weak area was the oil sector where the portfolio has no exposure. Contribution from asset allocation was mixed. In a rising market the cash weighting had a negative influence on returns and in the alternative assets' portfolio, student accommodation, and some of the infrastructure assets underperformed. Offsetting this was the lack of exposure to fixed income which lagged real asset alternatives.

Fund update

The objective of the Fund is to provide real long-term growth in capital and income from a portfolio managed within a clear risk control framework. The Fund has a bias to real assets such as equities, property and infrastructure as these assets are those best matched to the investment objectives. The portfolio is built by selecting the individual holdings thought most likely to contribute to the return and risk objectives. Favoured characteristics include a robust financial structure, strong market position and growth potential beyond broad economic trends. Currently this has resulted in relatively high allocations to companies in the technology sectors, health, some consumer areas and in innovative financial businesses. There is currently a tactical allocation to cash, as we trimmed holdings that had reached our value targets. This will be reinvested when attractive opportunities present themselves in the period ahead.

Income

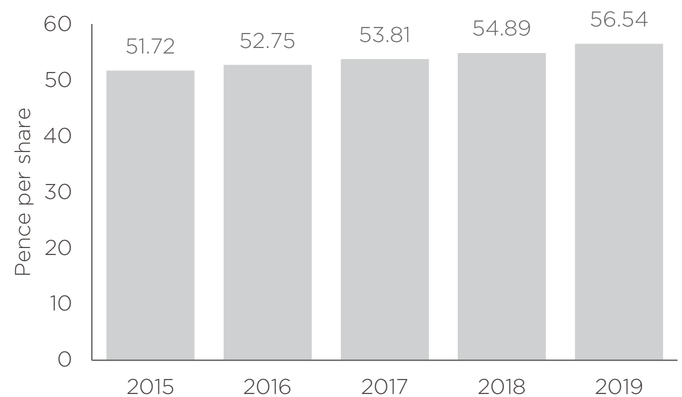
Gross dividend yield 3.06%*

MSCI $ UK IMI dividend yield 3.91%

MSCI $ World ex UK dividend yield 2.07%

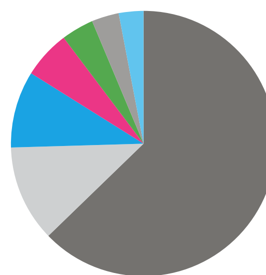
* Based upon the net asset value and an estimated annual dividend of 58.24p.

Past distributions



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

Asset allocation as at 30 June 2020



- Overseas Equities 62.75%
- UK Equities 11.78%
- Infrastructure & Operating Assets 9.38%
- Cash & Near Cash 5.83%
- Property 3.95%
- Private Equity & Other 3.33%
- Contractual & Other Income 2.99%

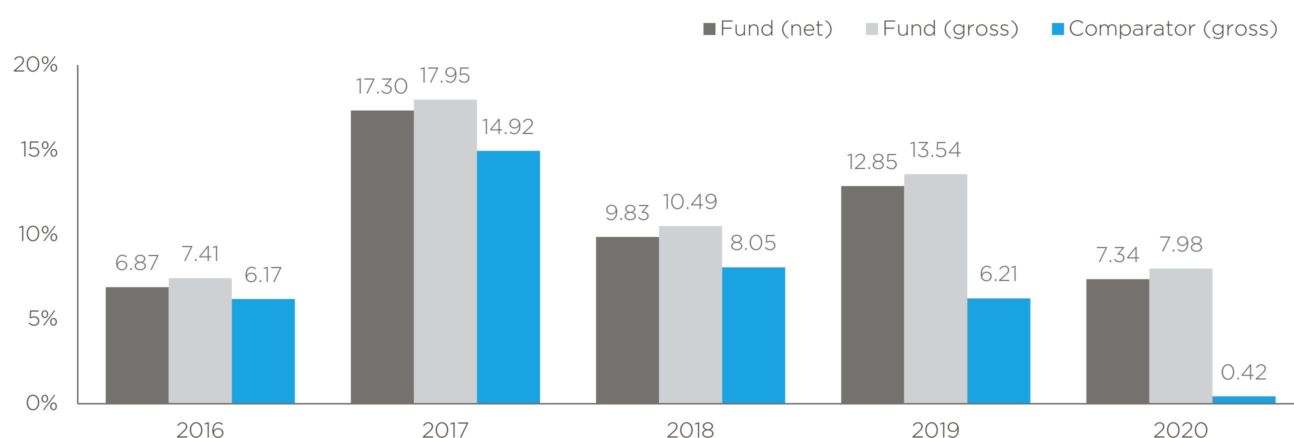
Overseas Equities	**%**
North America	40.49
Developed Europe	13.94
Asia Pacific ex Japan	7.02
Japan	1.29
	62.75

Annualised total return performance

Performance to 30 June 2020	1 year	3 years	5 years
Investment (net)	+7.34%	+9.99%	+10.77%
Investment (gross)	+7.98%	+10.65%	+11.41%
Comparator (gross)	+0.42%	+4.84%	+7.06%

Discrete year total return performance

12 months to 30 June	2016	2017	2018	2019	2020
Investment (net)	+6.87%	+17.30%	+9.83%	+12.85%	+7.34%
Investment (gross)	+7.41%	+17.95%	+10.49%	+13.54%	+7.98%
Comparator (gross)	+6.17%	+14.92%	+8.05%	+6.21%	+0.42%



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 30 June 2020

Holding	%
The CBF Church of England Property Fund	3.0%
Pan European Infrastructure I	2.4%
CCLA Inv Mgmt Ltd Ord GBP1	2.3%
Tencent Holdings Ltd HKD0.00002	1.9%
Unilever Ord GBP0.031	1.9%
Amazon.Com Com USD0.01	1.9%
Adobe Inc Com USD0.0001	1.7%
PayPal Holdings Inc Com USD0.0001	1.7%
Roche Holding Gsh NPV	1.6%
Nestle R CHF0.1	1.6%

Performance of the funds is shown gross of management fees and other expenses with income reinvested unless otherwise stipulated: net returns will be lower after the deduction of fees and other expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Global Equity Income Fund

Performance comment

The period began with the global economy sliding in to a deep recession, triggered by the Covid-19 pandemic and the emergency lock-down restrictions. The recession proved to be one of the shortest, but also one of the most severe. In response to the pandemic, governments introduced a range of measures intended to support activity. These included conventional responses, such as lower interest rates and quantitative easing programmes, and measures to provide direct support to consumer incomes and protect employment. The recovery was triggered by a drop in infection rates and resulting moves to normalise conditions, together with the contribution of economic support strategies. The consensus expectation now is that recovery will become established in the near term, However, significant uncertainties remain including the risk of a second wave of infections and the potential effect on activity of the reduction of government support programmes which are unaffordable only in the short-term.

On a gross basis, the Fund returned 20.14% over the quarter compared with the comparator return of 19.78%. Over the last 12 months, the Fund returned 16.70% compared with the comparator return of 5.93%.
The prime support to relative performance has come from stock selection. The portfolio has a high weighting to companies in the technology and health sectors and has little or no exposure to the mainstream banks and oil companies, sectors which lagged the recovery in share values. These gains were reduced by the Fund's asset allocation and in particular the cash weighting in an environment of rising share prices.

Fund update

The portfolio is selected on the merits of the individual companies themselves, there is no pre-set allocation to any region or sector. We look for companies which have a robust financial position, have a strong position in their market and have good growth prospects independent of the trends in the economy. We also employ a value filter to ensure that we avoid overpaying for assets; at present this approach has resulted in relatively high weightings in some consumer areas, in technology and in health-related areas, including diagnostics. There were no holdings in oil companies at the end of the quarter. The weakness in markets in the early part of the period allowed us to add to positions in favoured companies at attractive valuation levels which had seemed out of reach even a few weeks before. As the period progressed and values rose again so a number of strong performers were trimmed, creating a tactical allocation to cash.

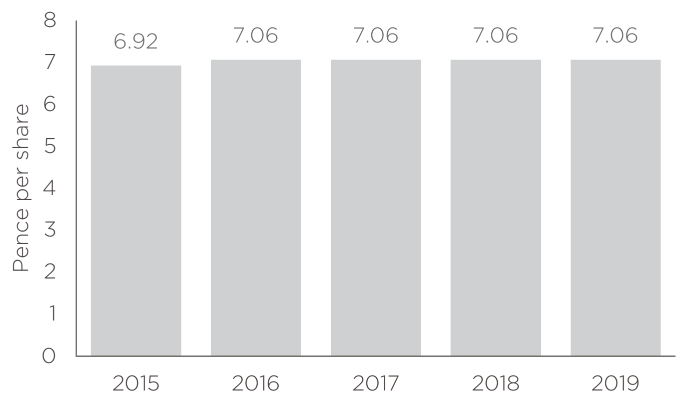
Income

Gross dividend yield 2.99%*

MSCI $ World dividend yield 2.17%

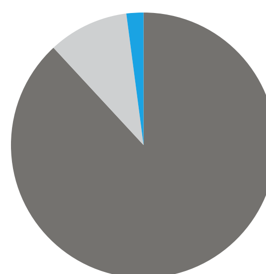
* Based upon the net asset value and an estimated annual dividend of 7.20p.

Past distributions



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

Asset allocation as at 30 June 2020



- Overseas Equities 88.1%
- UK Equities 9.85%
- Cash & Near Cash 2.04%

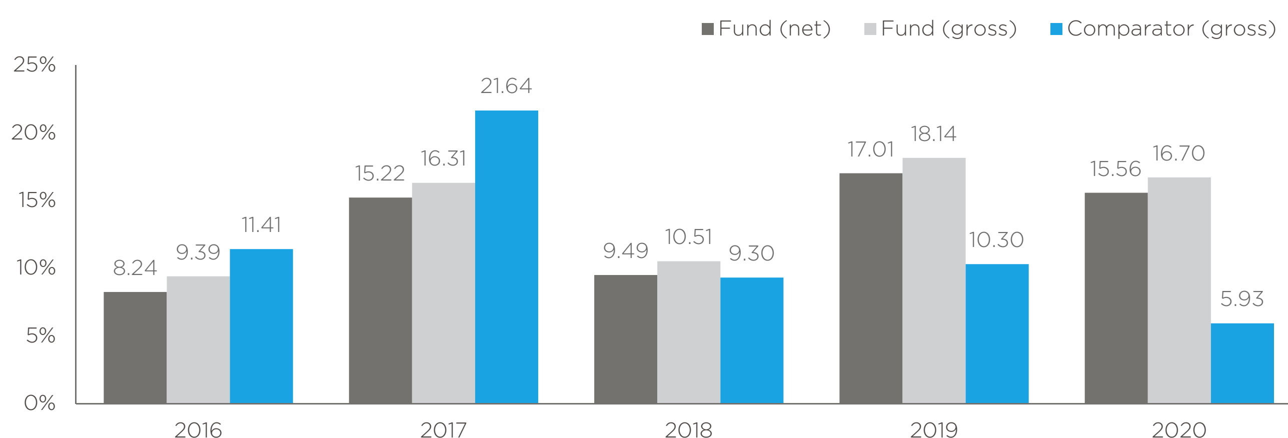
Overseas Equities	**%**
North America	58.31
Developed Europe	19.03
Asia Pacific ex Japan	9.17
Japan	1.60
	88.10

Annualised total return performance

Performance to 30 June 2020	1 year	3 years	5 years
Global Equity Income (net)	+15.56%	+13.97%	+13.05%
Global Equity Income (gross)	+16.70%	+15.07%	+14.15%
Comparator (gross)	+5.93%	+8.49%	+11.60%

Discrete year total return performance

12 months to 30 June	2016	2017	2018	2019	2020
Global Equity Income (net)	+8.24%	+15.22%	+9.49%	+17.01%	+15.56%
Global Equity Income (gross)	+9.39%	+16.31%	+10.51%	+18.14%	+16.70%
Comparator (gross)	+11.41%	+21.64%	+9.30%	+10.30%	+5.93%



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

Top 10 holdings as at 30 June 2020

Holding	%
Amazon.Com Com USD0.01	3.6%
Microsoft Com NPV	3.6%
Tencent Holdings Ltd HKD0.00002	3.0%
Alphabet Inc C Com NPV	2.8%
Adobe Inc Com USD0.0001	2.6%
Unilever Ord GBP0.031	2.3%
PayPal Holdings Inc Com USD0.0001	2.2%
Danaher Com USD0.01	2.0%
Roche Holding Gsh NPV	2.0%
Activision Inc New Com NPV	1.9%

Performance of the funds is shown gross of management fees and other expenses with income reinvested unless otherwise stipulated: net returns will be lower after the deduction of fees and other expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Deposit Fund

Performance comment

The domestic economy contracted swiftly at the start of the period as 'lock-down' strategies to combat the coronavirus pandemic were introduced. To protect output and lay foundations of future recovery, the government and Bank of England combined to introduce a series of measures and initiatives. These included, from the Treasury, direct support for jobs and businesses and from the Bank, lower interest rates and a substantial quantitative easing programme. As the peak of the infection passed and normalisation began, so there were early signs of economic activity reviving. This recovery is expected to continue for the remainder of the year and through 2021 but even at that point it is unlikely that all the ground lost in the recession will have been recovered.

It is likely that interest rates will remain at very low levels for the foreseeable future, indeed they could be reduced further if economic conditions remain difficult. Reflecting these circumstances, the rates available to investors in the money market have fallen. The rate payable to investors was unchanged over the period at 0.40%, a good performance in the circumstances.

Fund update

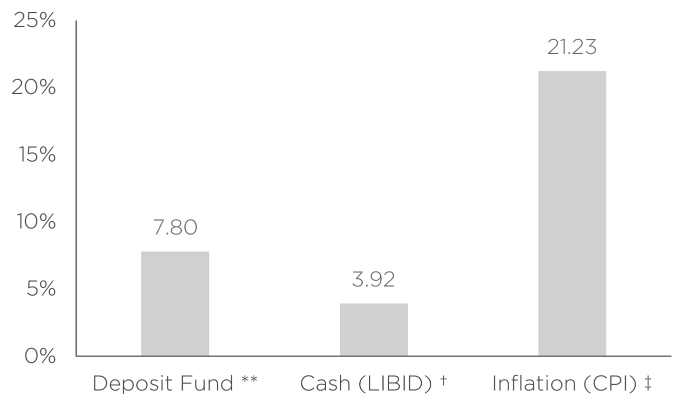
The prime focus of the investment policy is to provide capital security with excellent liquidity and a competitive rate of interest. The portfolio is invested only in cash and near cash assets with a list of approved, high quality counterparties.

Income

Average interest rate over the quarter 0.40%
(0.40% AER)*

Interest rate over the quarter end 0.40%
(0.40% 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 30 June 2020

0.40% 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.

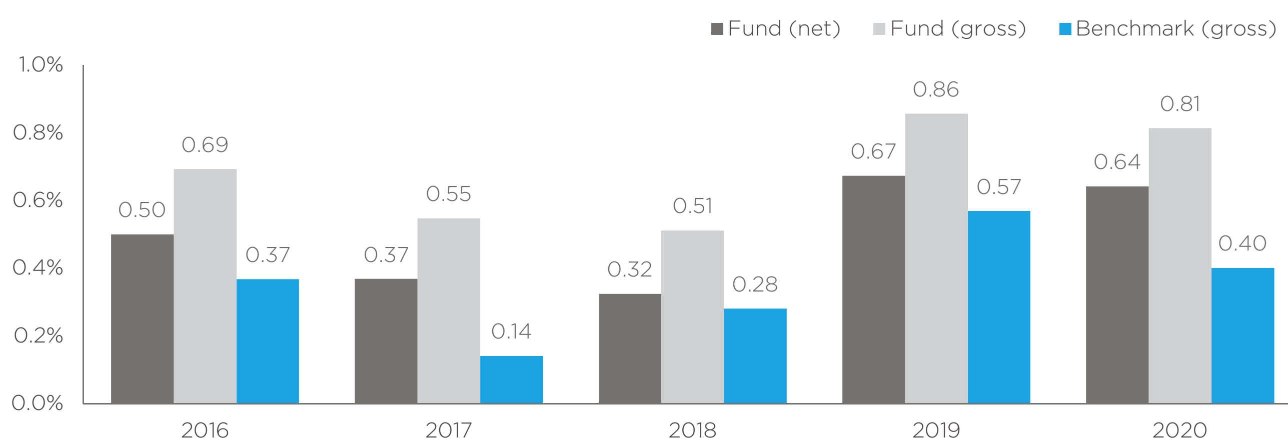
CCLA

Annualised total return performance

Performance to 30 June 2020	1 year	3 years	5 years
Deposit (net)	+0.64%	+0.55%	+0.50%
Deposit (gross)	+0.81%	+0.73%	+0.68%
Benchmark (gross)	+0.40%	+0.42%	+0.35%

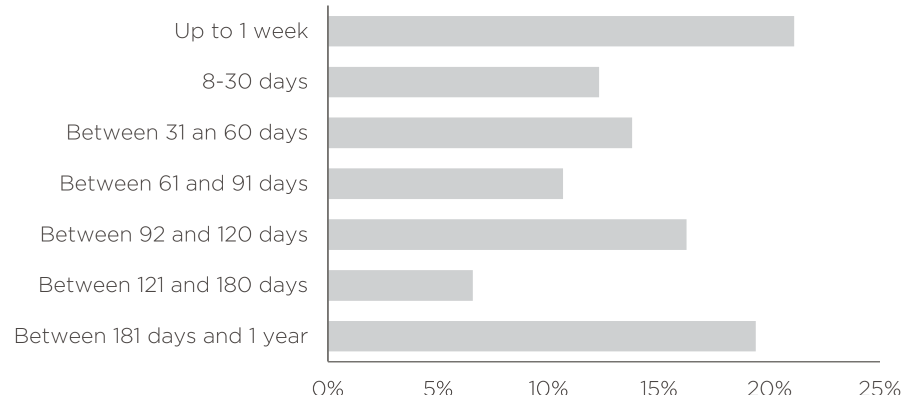
Discrete year total return performance

12 months to 30 June	2016	2017	2018	2019	2020
Deposit (net)	+0.50%	+0.37%	+0.32%	+0.67%	+0.64%
Deposit (gross)	+0.69%	+0.55%	+0.51%	+0.86%	+0.81%
Benchmark (gross)	+0.37%	+0.14%	+0.28%	+0.57%	+0.40%



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

The Fund's maturity profile



Performance of the funds is shown gross of management fees and other expenses with income reinvested unless otherwise stipulated: net returns will be lower after the deduction of fees and other expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Fixed Interest Securities Fund

Performance comment

The domestic economy began the period with output falling at an unprecedented rate due to the impact of the Corona virus pandemic and the measures taken to control it. The enforced shutdown of large areas of activity saw growth weaken at the end of March and collapse in April. The government and Bank of England introduced substantial initiatives to support employment and the business sector, cut interest rates and introduced and then extended a substantial quantitative easing programme. Gradually, as the infection rate reduced, the combined effects of reduced restrictions and government policies first stabilised activity and then sparked a recovery. This is expected to gain early momentum as pent-up demand is released and then continue at a reasonable pace to the end of the year and beyond. Nevertheless, it will probably not be until 2022 that the output levels reached in 2019 are regained.

Against this background fixed interest markets gave modestly positive returns. Government bonds were supported by 'safe haven' buying and by the possibility that interest rates, already at historic low levels, could fall further. The possibility of negative rates was introduced by the Governor of the Bank of England during the period. These considerations also supported corporate bonds but another factor boosting this part of the sector was the view that the coming recovery reduced the risk of corporate defaults, allowing the risk premium relative to government bonds to reduce.

On a gross basis, the Fund returned 4.72% over the quarter compared with the benchmark return of 4.75%. Over the last 12 months, the Fund returned 7.06% compared with the benchmark return of 9.24%.
Over the quarter relative returns were supported by the portfolio's bias towards corporate bonds, this was offset by a relatively defensive overall strategy in a rising market.

Fund update

The portfolio has a defensive structure to protect investors from sector price weakness. This is reflected in a portfolio structure where the duration and average life of the holdings are lower than those for the benchmark. There is a bias towards corporate bonds to benefit from the income premium this part of the fixed income sector provides.

Income

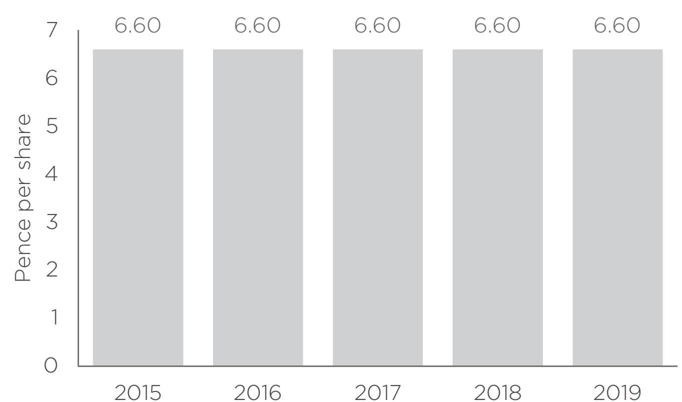
Gross dividend yield 3.08%*

Gross redemption yield 0.98%

* Based upon the net asset value and an estimated annual dividend of 5.20p.

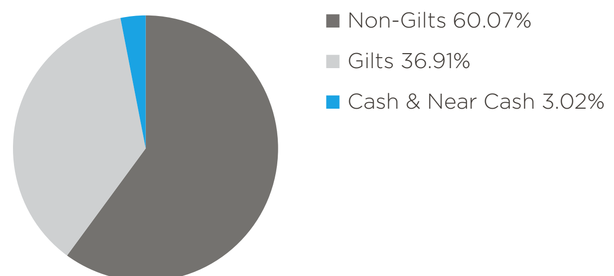
The gross redemption yield indicates what the total return would be if the Fund's current investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised.

Past distributions



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

Asset allocation as at 30 June 2020

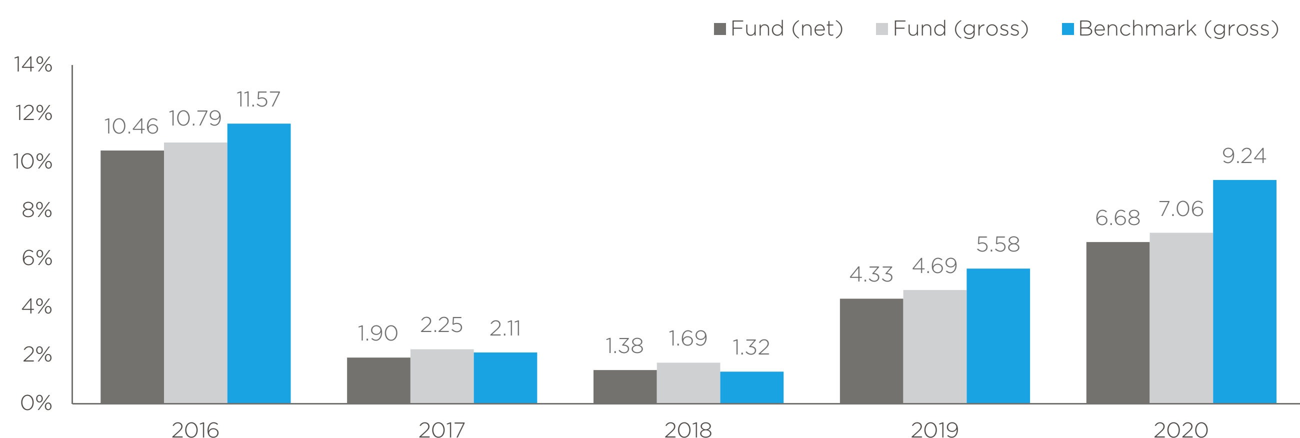


Annualised total return performance

Performance to 30 June 2020	1 year	3 years	5 years
Fixed Interest (net)	+6.68%	+4.11%	+4.90%
Fixed Interest (gross)	+7.06%	+4.46%	+5.24%
Benchmark (gross)	+9.24%	+5.33%	+5.89%

Discrete year total return performance

12 months to 30 June	2016	2017	2018	2019	2020
Fixed Interest (net)	+10.46%	+1.90%	+1.38%	+4.33%	+6.68%
Fixed Interest (gross)	+10.79%	+2.25%	+1.69%	+4.69%	+7.06%
Benchmark (gross)	+11.57%	+2.11%	+1.32%	+5.58%	+9.24%



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	8.9
AA	50.8
A	22.2
BBB	12.9
Non Investment Grade	5.2
Not rated (Debentures/Prefs)	0.0

By term to maturity

Period	*% Fund*
0 - 5 years	37.3
5 - 10 years	28.0
10 - 15 years	11.4
Over 15 years	23.4
Duration	8.0
Average term to maturity (yrs)	9.7

Performance of the funds is shown gross of management fees and other expenses with income reinvested unless otherwise stipulated: net returns will be lower after the deduction of fees and other expenses. Past performance is not a reliable indicator of future results.

The CBF Church of England Property Fund

Performance comment

The main impact of the Corona-virus pandemic on the commercial property sector has been to amplify, and accelerate, a number of the themes already evident. Transaction volumes, already low, have declined further, reflecting a general increase in investor caution. This has had a knock-on effect on valuations as, without the data that flows from deals, valuers have less true information on which to base their work and so have become more subjective in their estimates. At the sub-sector level, relative support has continued for industrial assets, particularly the large distribution 'sheds' which amongst other purposes, provide logistical support to the revolution in shopping habits. Leisure assets, previously in demand because of their long leases, have weakened as lock-down has emptied them of their customers. More substantially, retail assets have remained out of favour, the problems of over-supply and changing shopping patterns exacerbated by enforced shop closures and income uncertainties. The overall outcome has been of falling capital values across the sector although at varying rates.

On a net basis, the Fund returned -3.62% over the quarter compared with the benchmark return of -2.57%. Over the last 12 months, the Fund returned -1.72% compared with the benchmark return of -3.08%.
Pricing clarity has improved over the quarter, to the extent that valuers no longer have to qualify valuations in sectors such as supermarkets and industrials. The required certainty, however, is not available in all areas, and with significant doubt still over the ability to establish a price which is fair both to those wishing to deal in units and continuing investors, fund managers have continued to suspend dealings in their funds. Income has also been an issue, with rental flows from tenants under pressure. Our approach has been to make payments to investors on a 'received income' basis, paying out to holders the income received in the quarter, but not making good any shortfall by anticipating potential receipts or borrowing.

Fund update

The portfolio has a bias towards industrial and office assets and has only a minor exposure to traditional high street retail outlets and no investments in shopping centres. At the asset level we seek good quality assets which, through active management, can make a positive contribution to both capital returns and income growth. There were no acquisitions or disposals in the period to end June, but it was a busy period for lease renewals including one which set a new high for an achieved rent at 80 Cannon Street, the highest value asset in the portfolio.

Income

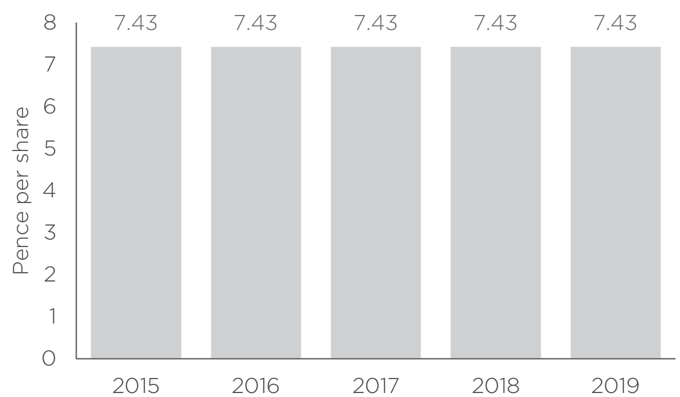
Gross dividend yield 4.39%*

AREF/MSCI™ Other Balance Property Fund Index Yield † 3.69%

* Based upon the net asset value and an estimated annual dividend of 5.64p.

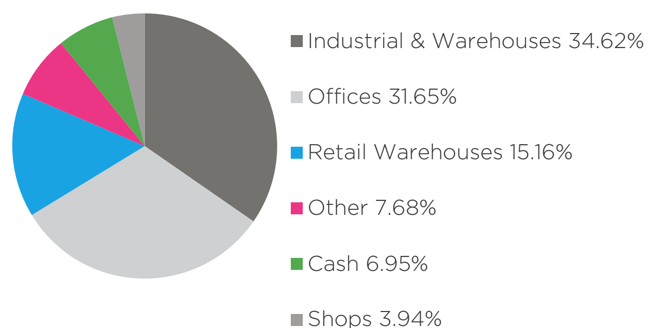
† MSCI/AREF UK Other Balanced Quarterly Property Fund Index is estimated for the most recent quarter.

Past distributions



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

Underlying asset allocation as at 30 June 2020

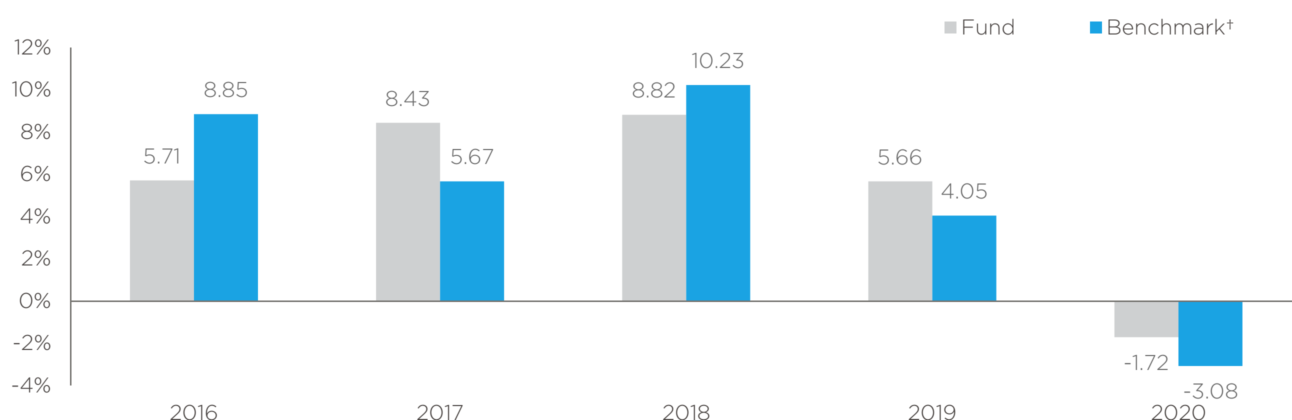


Annualised total return performance (net)

Performance to 30 June 2020	1 year	3 years	5 years
Property (net)	-1.72%	+4.16%	+5.31%
Benchmark (net)	-3.08%	+3.59%	+5.04%

Discrete year total return performance (net)

12 months to 30 June	2016	2017	2018	2019	2020
Property	+5.71%	+8.43%	+8.82%	+5.66%	-1.72%
Benchmark	+8.85%	+5.67%	+10.23%	+4.05%	-3.08%



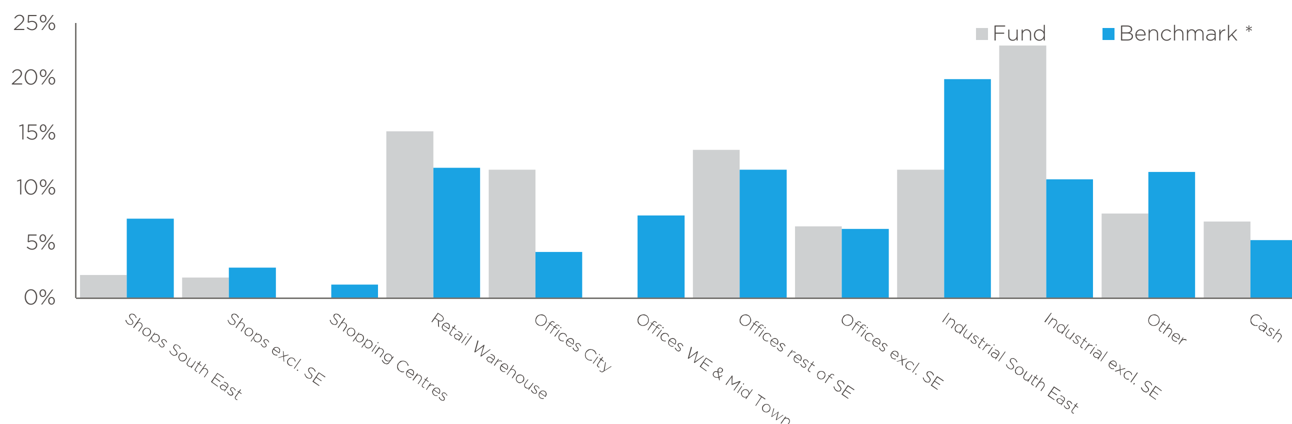
Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

† AREF/MSCI™ Other Balanced Property Fund Index is estimated for the last quarter

Top 10 underlying property holdings - total 43.82%

London, 80 Cannon Street	London. Ec3 , 1-3 College Hill
Brighton, Pavilion Centre	Lutterworth, Magna Park
Mendlesham, Mendlesham Industrial Estate	Bristol, 1400-1499 & 1600 Aztec West
Bracknell, 5 Arlington Sq	Solihull, Gate Retail Park
Bath, Westside Hotel (travelodge)	Crawley, Manor Gate

Underlying asset allocation by region and category



* MSCI/AREF data shown is for the previous quarter

Performance of the Property Fund is 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

Investment in the Funds is only available to charitable trusts with objects closely connected with the work of the Church of England. Past performance is not a reliable indicator of future results. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Depositors in The CBF Church of England Deposit Fund should note that CCLA may change the fund documentation to allow for negative interest rates to be passed on to depositors. This means that in the event that interest rates on sterling deposits and instruments become negative, depositors may be charged these negative interest rates instead of earning interest. The CBF Church of England Funds are Common Funds established under The Church Funds Investment Measure 1958 (as amended or replaced from time to time). The Funds are not regulated Funds and are not Alternative Investment Funds. Investments in The CBF Church of England Funds and the Funds, and Investments or Deposits in The CBF Church of England Deposit Funds and the Funds are not covered by the Financial Services Compensation Scheme (FSCS).

GDPR

For information about how we obtain and use your personal data, please see our Privacy Notice at https://www.ccla.co.uk/our-policies/data-protection-privacy-notice.

CCLA Investment Management Limited (registered in England No. 2183088 at Senator House, 85 Queen Victoria Street, London EC4V 4ET) is authorised and regulated by the Financial Conduct Authority and is the manager of The CBF Church of England Funds. The CBF Funds Trustee Limited is a Registered Charity No. 1116932 and is registered in England as a company limited by guarantee (No. 5957490).

CCLA Investment Management Limited
Senator House, 85 Queen Victoria Street, London
EC4V 4ET Client Service, Freephone: 0800 022 3505
www.ccla.co.uk