

## QUARTERLY BULLETIN

31 March 2020

### Economic Outlook

Historically, recessions have typically been the result of excesses in financial markets spilling over to the economy. This is not the case with the current crisis. This time the impact has been felt swiftly and directly in the real economy, striking services and manufacturing, supply and demand at the same time. The traditional responses to an economic slowdown were soon made but found wanting; ineffective against the type of shock being experienced, they moderated but did not relieve the effects of the crisis. For example, Interest rate cuts needed to be made but were unlikely to have any real impact having been so low for such a long period. Given the time needed for the effects to work through the system, even the boldest of cuts will not contribute to activity for several months at least. Of more practical benefit was Bank of England's emergency provision of liquidity to enable the mechanisms of the economy to continue to function, and government action to support directly the businesses and individuals most at risk.

The projections of how the situation could develop from here are clearly based on incomplete science. Accepting those limitations, current evidence from China suggests that the outbreak can be controlled and when it is, normality slowly regained. China's provinces have now eased travel restrictions, over 90% of factories have resumed some level of production and more than 80% of migrant workers back at their workplaces. This will give a boost to global activity, but for now a modest one: the recovery in China is taking place against a backcloth of weakening activity elsewhere.

What are the expectations for the UK? On current modelling and looking at trends elsewhere, the peak in reported active cases is expected to be experienced at the end of April or in early May, with a slow decline thereafter. At that point the number of cases in Europe should also be falling, they are ahead of the UK in the cycle, both are ahead of the US.

From a global economic perspective 2020 will be a year of substantial recession, only the second since World War 2 where overall activity falls. For the UK it is clear that activity fell sharply in the first quarter and will have done so to an even greater extent in the second. After that, and assuming no second wave of infections, conditions should begin gradually to improve. Of course, a recovery begun is only that. Despite the improvement, activity in the second half of the year will still be at levels below those experienced in 2019. 2021 will be the year of improvement, with output gradually climbing back towards past levels. Government policies will begin to normalise, but this too will be gradual; premature changes are a risk not worth taking. By this point government debt levels will be much higher, back to pre-austerity levels. This however will not be a problem unique to the UK; government debt around the world will end the crisis materially higher than it is today.

What might this mean for investment markets? Looking forward, bond market values will remain underpinned by a background of low interest rates and buying from quantitative easing programmes. This does not mean however that returns will be attractive. Current yields are miserly and offer little to long term investors. For equities there is scope for valuations to recover and this will support prices even though earnings are likely to fall. Stock selection however will remain critical. It will be some time after the recovery is established that cyclical businesses feel the full benefit and whilst they wait, risks will remain elevated. Our view is therefore that prudent investors will look for quality and growth; companies with a robust financial position and a business model that is not dependent on global economic conditions.

---

## A note from Peter Hugh Smith, Chief Executive of CCLA

The first 3 months of 2020 have been extraordinary. We started the year with investment markets nudging all time highs and were optimistic that 2020 would be a reasonable year for global investors. By the end of March markets had fallen into bear territory as we entered a savage recession caused by global measures to tackle the Covid-19 pandemic. In these difficult times I am drawn to a World War II poster which was at the time never issued but was discovered in a bookshop in the northeast of England in the 1990s. Its message - Keep Calm and Carry On.

Keeping calm and carrying on is what investors need from their investment manager and it is what CCLA has been doing since the crisis broke. CCLA is operating successfully with all our staff working from home. We have had to make a few changes to how we work but largely its business as usual and we are all becoming experts at video conferencing. From an investment perspective our focus on quality companies exposed to secular growth continues to serve us well. The companies we invest in are robust businesses, exposed to limited financial gearing and crucially have positive cash flow generation; these companies are holding up well and importantly are positioned to benefit as economies re-open and recover.

There will be further changes we need to make as the environment evolves, but CCLA is financially strong and we will invest in our capabilities to deliver our purpose of supporting our not for profit investors in their individual missions. We continue to take on new staff, too, though for them joining what is now a virtual business is best described as unusual! We are also thinking deeply about the future. Our new way of working has opened-up some interesting possibilities in terms of the service offered to our clients.

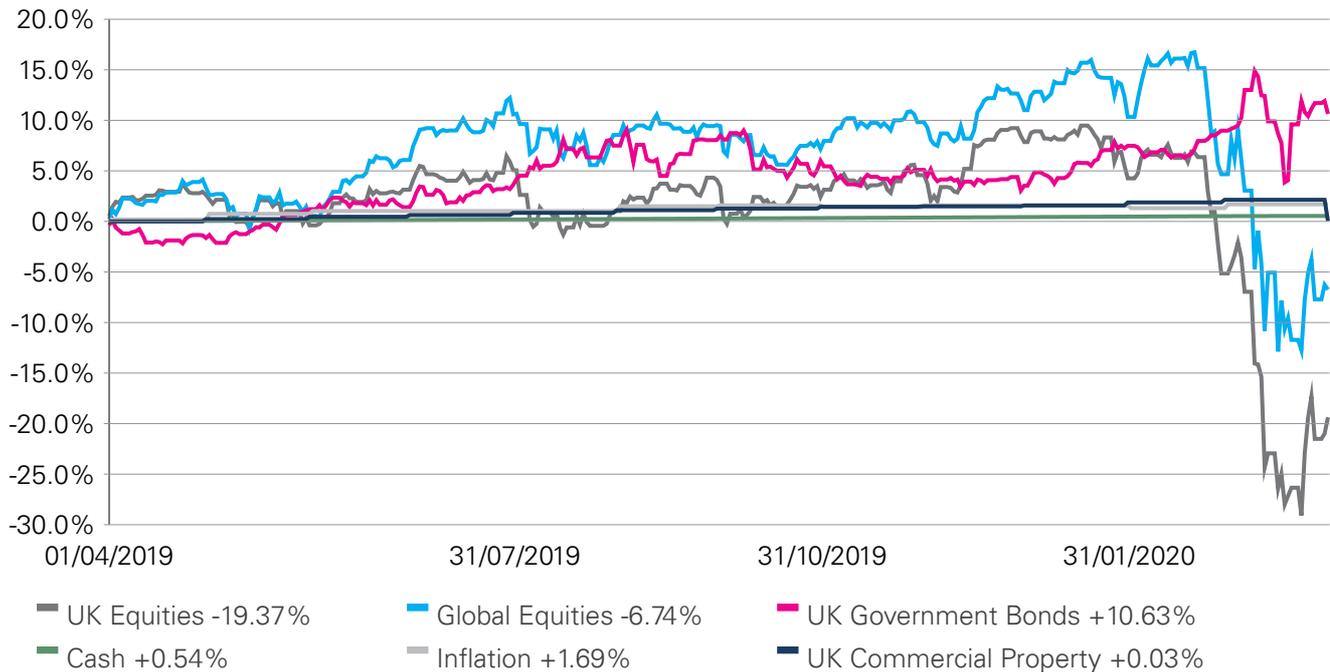
The next few weeks and months will remain challenging from a health, markets and economies perspective but be assured we continue to look forward. We will continue to work tirelessly for you.

We remain cautiously optimistic.

Peter Hugh Smith

Chief Executive

## Markets at a Glance - 12 Months to end March 2020



Source: Bloomberg as at 31 March 2020

### Quarterly Market Review & Outlook

Global equity markets fell sharply over the quarter as the realisation grew that the Covid-19 pandemic would cause widespread economic damage and push the world economy into recession. With valuations already full at the start of the period, the change in expectations triggered a re-rating of prices to reflect the new reality. The speed of correction was exacerbated by an absence of buyers and the aggressive selling which has become a feature of securities markets in recent years. The global equity market gave a return to a Sterling based investor of -15.95%, a decline which took the return over the past 12 months to -6.74%. Of the major overseas regional markets Europe was the weakest, ending the quarter -17.32% lower. Asia fell by -15.80%, the US by -14.14% and Japan by -10.98%. In Europe, all the national indices fell, indeed only three declined by less than 10%. Greece was the weakest, -40.65% down. In Asia, China was the best performer, down by just -3.86%. Indonesia and Pakistan were over -30% lower. The UK underperformed its international peers with a decline of -25.13%. The return over the past 12 months is -19.37%. Returns were hindered by the UK's flat economic outlook and the relative high weighting in the index of sectors like energy and banking, which performed poorly.

The domestic fixed income sector experienced mixed conditions. Government bonds gave positive returns, supported by 'safe-haven' seeking investors and the prospect of substantial buying support under the Bank of England's new quantitative easing programme. In contrast, corporate bond prices fell, a reflection of increased concerns over credit quality in a difficult economic environment. Property prices declined, most substantially in the retail sectors, where income concerns were greatest. Sterling experienced a weak quarter, losing ground against Dollar, Euro and Yen.

The pre-crisis economic environment was one of modest growth with the pace of expansion improving as the benefit of past interest rate cuts come through and trade tensions between the US and China eased. Inflation remained at modest levels and this, together with low levels of unemployment, provided a strong underpinning to consumer expenditure. This benign situation however has been swept away, and rather than economic growth at close to the long-term trend rate, global activity is likely to decline, sufficiently so to generate what will be only the second fall in global output since the Second World War. Governments have responded to the crisis with lower interest rates and fiscal programmes designed to provide a bridge of support across a sharp, but hopefully relatively short, period of need. The expected pattern of the slowdown is that the Chinese economy will see the sharpest decline in output in the early months of the year. For Europe and the US, the trough will come later, which means that the recovery can begin in the second half, a welcome change, but one insufficient to prevent a sharp decline in activity for the year as a whole.

After a shock to sentiment such as this investor confidence will take time to recover, volatility must be expected to remain elevated. The recovery will take place against a changed economic backdrop, of increased government debt, there will be companies and whole sectors which have been materially weakened. This argues for a continued focus on quality, concentrating portfolios in areas with secure cash flows and with growth prospects which are not dependent on economic trends. Although recent market conditions have been difficult, they have resulted in some excellent opportunities for those able to take a medium to long term view.

The Market review, analysis, any any projections contained in this document are the opinion of the author only and should not be relied upon to form the basis of any investment decisions.

---

## Distributions for the Quarter

| <b>The CBF Church of England Fund</b> | <b>Distribution per Income Share</b> | <b>Payment Date</b> |   |
|---------------------------------------|--------------------------------------|---------------------|---|
| Investment Fund                       | 14.40p                               | 29/02/20            | ● The payment is unchanged from the equivalent payment in 2019.   |
| Global Equity Income Fund             | 1.77p                                | 29/02/20            | ● The payment is 0.6% higher than the equivalent payment in 2019. |
| UK Equity Fund                        | 1.53p                                | 29/02/20            | ● The payment is 0.7% high than the equivalent payment in 2019.   |
| Property Fund                         | 1.77p                                | 29/02/20            | ● The payment is unchanged from the equivalent payment in 2019.   |
| Fixed Interest Securities Fund        | 1.30p                                | 29/02/20            | ● The payment is 21.2% lower than the equivalent payment in 2019. |

### Rate for the Quarter

|  |                          |   |
|--|--------------------------|---|
| Interest rate at the quarter end       | 0.40%<br>(0.40% A.E.R.)* | ● The rate paid to investors was reduced during the period.   |
| Average interest rate over the quarter | 0.67%<br>(0.67% A.E.R.)* | ● The interest rate paid to investors will reflect those available from top-quality borrowers.<br>● The Fund is rated AAf/S1 by Fitch Ratings. AAf/S1 is the highest fund rating available. |

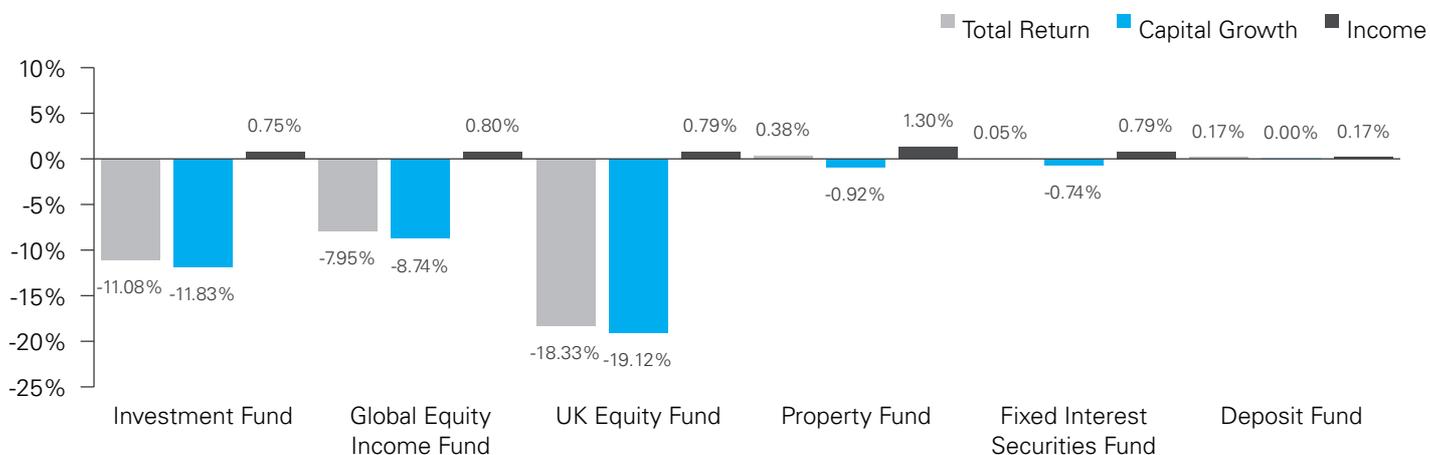
\*A.E.R. = Annual Equivalent Rate, which illustrates what the annual interest rate would be if the quarterly interest payments were compounded.

Source: CCLA

Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.

## Fund Performance

### The CBF Church of England Funds over the quarter (net)



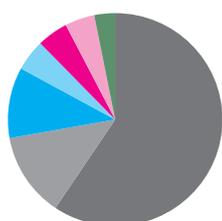
Source: CCLA Performance shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.

## Fund Report

### The CBF Church of England Investment Fund

- At the start of the period expectations for economic growth were positive. Activity was expected to benefit from reduced trade friction between China and the US and the impact of interest rate cuts made earlier. The effect of the Covid-19 virus was forecast to be a negative, but the effects were expected to be both modest and short lived. In response to this benign environment asset prices rose, despite already high valuations, as investors anticipated further increases in company earnings in the period ahead. This backcloth meant that markets were exposed to the development of the crisis and the realisation of the scale of the damage it would do to the global economy. Instead of growth a sharp recession is now forecast, with a severe impact on company earnings.
- As the implications of the pandemic became understood, central banks reacted with interest rate cuts and measures to ensure the continued availability of liquidity. These initiatives were followed by government action to support activity and protect companies and individuals who were at risk because of widespread business shutdowns.
- On a net basis, the Fund returned -11.08% during the quarter compared to a return on the comparator of -13.72%. Over the past 12 months the respective returns are 1.36% and -6.44%. Over the quarter the main support to relative returns has been stock selection. The portfolio has benefitted from an above average exposure to companies in the technology and health sectors and from holdings in some consumer related stocks. A further support has come from low exposures to banking and energy, sectors which performed poorly. In contrast overall fund structure has been unhelpful. The main factor was the absence of any meaningful exposure to fixed income assets which outperformed the equity alternatives.

### \*Asset Allocation



|                                   |        |
|-----------------------------------|--------|
| Overseas Equities                 | 59.40% |
| UK Equities                       | 12.79% |
| Infrastructure & Operating Assets | 10.77% |
| Private Equity & Other            | 4.75%  |
| Cash and Near Cash                | 4.68%  |
| Property                          | 4.48%  |
| Contractual & Other Income        | 3.13%  |

### Overseas Equities

| Overseas Equities     | %            |
|-----------------------|--------------|
| North America         | 38.72        |
| Developed Europe      | 12.53        |
| Asia Pacific ex Japan | 6.42         |
| Japan                 | 1.73         |
| <b>Total</b>          | <b>59.40</b> |

Source: CCLA

The annual management fee is 0.55% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. \*Asset allocation as at end of period.

## Longer term total return performance (net)

### 12 months to 31 March

|   | 2020  | 2019  | 2018 | 2017  | 2016  |
|---|-------|-------|------|-------|-------|
| The CBF Church of England Investment Fund | 1.36  | 12.46 | 5.86 | 20.03 | 0.05  |
| Comparator**                              | -6.44 | 8.54  | 2.28 | 20.43 | -1.55 |

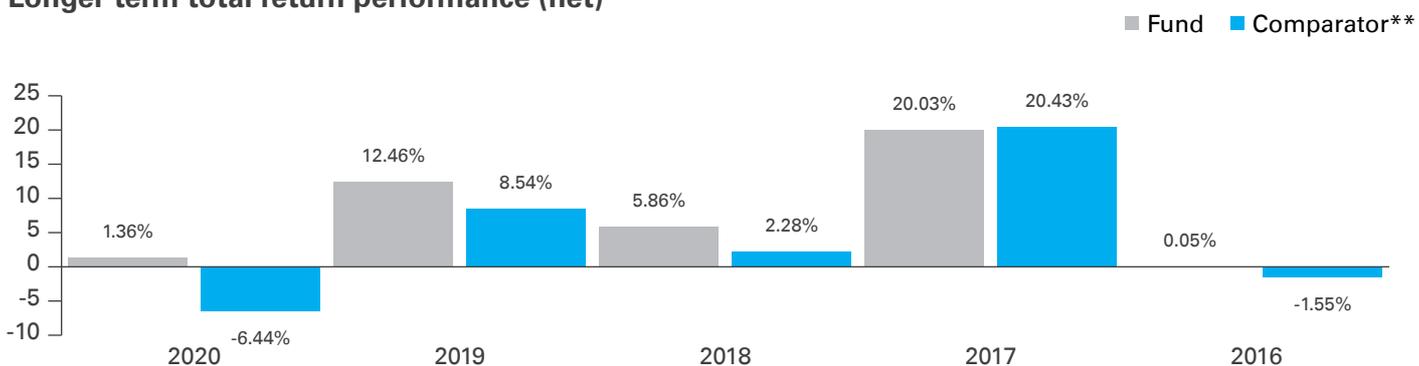
## Annualised total return performance (net) %

### Performance to 31 March 2020

|   | 1 year | 3 years | 5 years |
|---|--------|---------|---------|
| The CBF Church of England Investment Fund | 1.36   | 6.46    | 7.70    |
| Comparator**                              | -6.44  | 1.23    | 4.23    |

Comparator - composite: from 01.01.18 MSCI UK IMI 30%, MSCI World ex UK 45%, MSCI UK Monthly Property 5%, Markit iBoxx £ Gilts 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%, IPD UK Monthly Property 5%, Markit iBoxx £ Gilts 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 UK Monthly Property 5%, BarCap Gilt 15% & 7 Day LIBID 5% \*\* (Property returns are estimated for the last month)

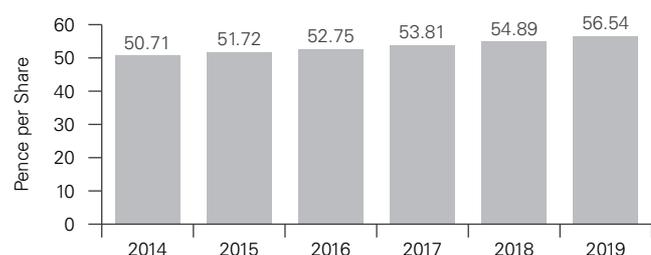
## Longer term total return performance (net)



## Top ten equity holdings

|               |       |                  |       |
|---------------|-------|------------------|-------|
| Unilever      | 1.70% | Amazon           | 1.35% |
| Roche Holding | 1.64% | Tencent Holdings | 1.28% |
| Nestle        | 1.51% | Visa             | 1.27% |
| Alphabet      | 1.40% | Microsoft        | 1.15% |
| Adobe         | 1.36% | PayPal           | 1.14% |

## Past distributions



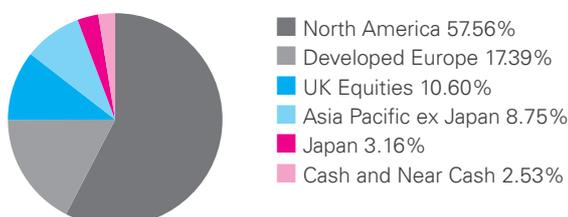
Source: CCLA

The annual management fee is 0.55% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. Holdings as at end of period.

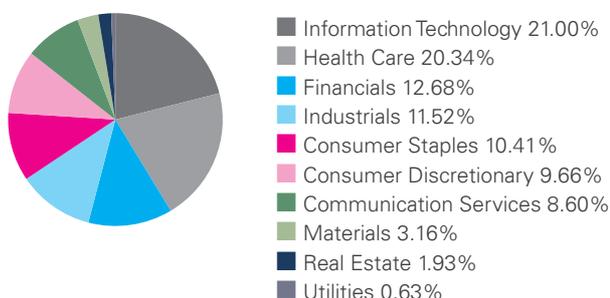
## The CBF Church of England Global Equity Income Fund

- Investment markets began the period with positive expectations. Economic growth, which had disappointed in 2019, was expected to accelerate under the influence of past interest rate cuts and as friction eased in the trade dispute between China and the US. There was an acknowledgment that Covid-19 would dampen the rate of growth in China, but this was expected to be only to a modest extent, with no material impact on the world economy. Against the supportive backdrop equity markets improved; ratings were full but hopeful investors looked forward to higher earnings over the year as a means as justifying valuations. The realisation that, rather than remain a local issue, Covid-19 would become a global pandemic, with a swift, severe and far-ranging economic impact, thus came as a shock to equity investors. As a result, prices fell sharply as investors tried to adjust for the new outlook.
- On a net basis, the Fund returned -7.95% during the quarter compared to a return on the comparator of -15.66%. Over the past 12 months the respective returns are 6.35% and -5.83%. The prime support to the Fund's strong relative performance has been stock selection. The portfolio has a bias towards companies in the technology and health sectors and areas exposed to consumer expenditure. There are holdings in financial companies too, but not in the major banks. Another important plus has been the very low exposure to energy companies, the oil sector in particular has underperformed.

### \*Asset Allocation



### \*Sector Allocation



### Longer term total return performance (net)

#### 12 months to 31 March

|   | 2020  | 2019  | 2018 | 2017  | 2016  |
|---|-------|-------|------|-------|-------|
| The CBF Church of England Global Equity Income Fund | 6.35  | 15.47 | 3.25 | 19.35 | -1.52 |
| Comparator  | -5.83 | 11.98 | 1.25 | 31.92 | -0.33 |

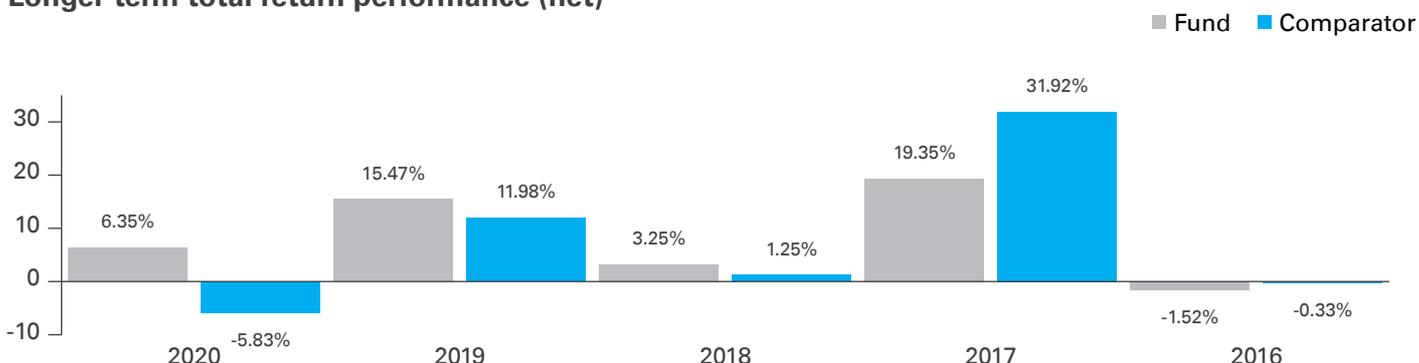
### Annualised total return performance (net) %

#### Performance to 31 March 2020

|   | 1 year | 3 years | 5 years |
|---|--------|---------|---------|
| The CBF Church of England Global Equity Income Fund | 6.35   | 8.23    | 8.31    |
| Comparator  | -5.83  | 2.21    | 7.02    |

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

### Longer term total return performance (net)



Source: CCLA

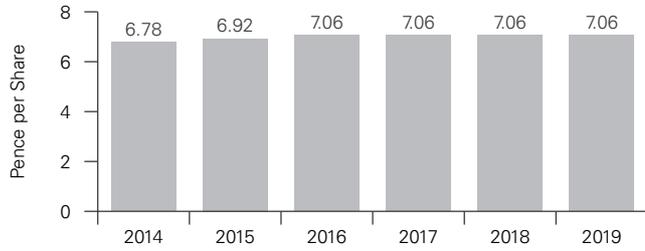
The annual management fee is 0.75% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. \*Asset/Sector allocation as at end of period.

---

## Top ten equity holdings

|                  |       |                       |       |
|------------------|-------|-----------------------|-------|
| Unilever         | 2.05% | Agilent Technologies  | 1.67% |
| Tencent Holdings | 1.85% | London Stock Exchange | 1.65% |
| RELX             | 1.85% | Kao Corp              | 1.64% |
| Adobe            | 1.80% | Wolters Kluwer        | 1.51% |
| Danaher          | 1.71% | Roche Holding         | 1.49% |

## Past distributions



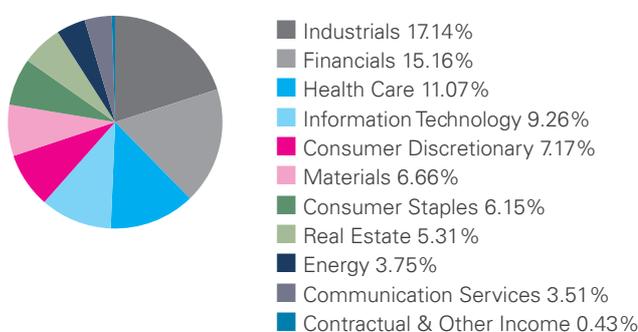
Source: CCLA

'The annual management fee is 0.75% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. Holdings as at end of period.

## The CBF Church of England UK Equity Fund

- At the start of 2020 economic forecasts were for a modestly improved performance in the year ahead. Sentiment was expected to improve given the clear result of the general election and government spending was forecast to contribute to growth as austerity was left behind. Interest rates were thought likely to remain low overall, but there was uncertainty as to whether they might rise a little in response to the bounce in activity. Those in favour of an increase pointed out that quicker economic growth would nudge output near to the maximum non - inflationary ceilings. Those hoping that rates would remain unchanged pointed to the low actual level of growth and that sentiment, although better, was exposed to adverse developments in the 'Brexit' negotiations due to begin shortly. This relatively benign picture was swept away by the arrival of the Covid-19 pandemic which has transformed the economic outlook from one of growth to one of deep recession. The crisis prompted significant action by the Bank of England and by the government. Interest rates were cut, and a programme of quantitative easing established on a scale far greater than that employed in the financial crisis of a decade ago.
- On a net basis, the Fund returned -18.33% during the quarter compared to a return on the comparator of -25.24%. Over the past 12 months the respective returns are -6.04% and -19.37%. Over the quarter the dominant influence on relative performance has been stock selection. The portfolio has had relatively high exposures to sectors including technology and health and parts of the consumer sectors which have produced strong relative returns. Another important factor has been the low weighting to banks and the lack of exposure to energy, both poor performers.

### \*Asset allocation



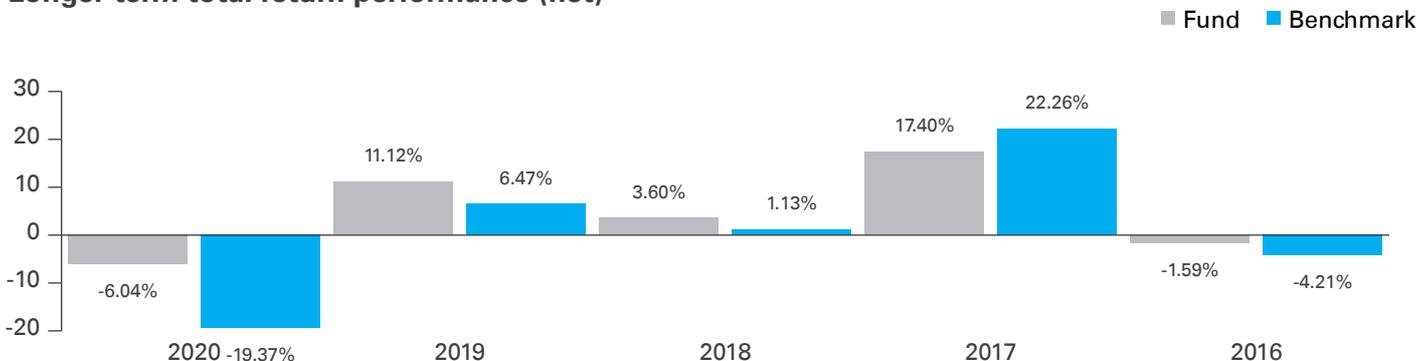
### Longer term total return performance (net)

| 12 months to 31 March                    | 2020   | 2019  | 2018 | 2017  | 2016  |
|--|--------|-------|------|-------|-------|
| The CBF Church of England UK Equity Fund | -6.04  | 11.12 | 3.60 | 17.40 | -1.59 |
| Benchmark                                | -19.37 | 6.47  | 1.13 | 22.26 | -4.21 |

| Performance to 31 March 2020             | 1 year | 3 years | 5 years |
|--|--------|---------|---------|
| The CBF Church of England UK Equity Fund | -6.04  | 2.65    | 4.56    |
| Benchmark                                | -19.37 | -4.60   | 0.33    |

Benchmark - from 01.01.16 MSCI UK IMI. To 31.12.15 MSCI UK All Cap. To 30.11.14 MSCI UK All Cap adjusted for EIAG Ethical Restrictions

### Longer term total return performance (net)



Source: CCLA

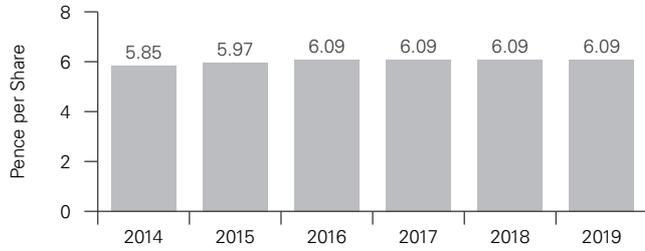
The annual management fee is 0.50% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. \*Asset allocation as at end of period.

---

### Most overweight companies relative to equity indices

|                        |       |              |       |
|------------------------|-------|--------------|-------|
| London Stock Exchange  | 3.35% | Bunzl        | 2.65% |
| Abcam                  | 3.14% | Safestore    | 2.48% |
| Dechra Pharmaceuticals | 3.02% | RWS Holdings | 2.30% |
| Unilever               | 2.90% | Experian     | 2.29% |
| Intermediate Cap       | 2.67% | Microsoft    | 2.22% |

### Past distributions



Source: CCLA

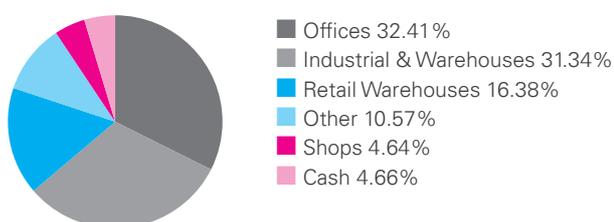
The annual management fee is 0.50% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. Holdings as at end of period.

## The CBF Church of England Property Fund

- The year began with a continuation of the trends evident in 2019. Areas such as industrials, secure long-term income providers such as hotels and parts of the office sector enjoyed some support. In contrast, retail was weak, beset with a structural excess of supply on the high street, changing shopping patterns and a client list many of which were burdened by debt and poorly positioned to withstand increasingly challenging conditions. The result was that retail asset values declined, on a scale sufficient to pull the sector trend in capital values into negative territory. Overall returns remained positive because of the contribution from income.
- On a net basis, the Fund returned 0.38% during the quarter compared to a return on the benchmark of -1.39%. Over the past 12 months the respective returns are 2.90% and 0.03%. Over the quarter relative returns have been supported by the sector weightings of the portfolio. The dominant exposures are to offices and industrials, with a limited exposure to high street retail and no exposure to shopping centres.

## The Fund invests via a holding in the COIF Charities Property Fund.

### \*Underlying gross asset allocation



### Property portfolio details

Top 5 properties: 29.2% of portfolio  
 Top 5 tenants: 19.5% of rental income  
 Weighted unexpired lease: 6.7yrs  
 Void rate including developments in progress  
 9.9% (excl. 7.4%)

### Longer term total return performance (net)

#### 12 months to 31 March

|   | 2020 | 2019 | 2018  | 2017 | 2016  |
|---|------|------|-------|------|-------|
| The CBF Church of England Property Fund | 2.90 | 6.91 | 9.38  | 2.96 | 12.35 |
| Benchmark**                             | 0.03 | 5.69 | 10.46 | 4.58 | 10.98 |

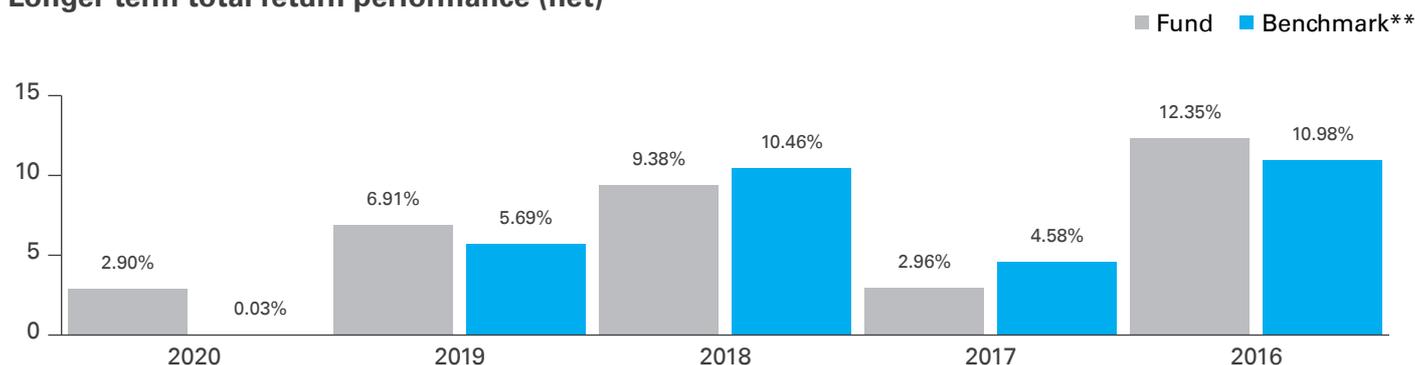
### Annualised total return performance (net) %

#### Performance to 31 March 2020

|   | 1 year | 3 years | 5 years |
|---|--------|---------|---------|
| The CBF Church of England Property Fund | 2.90   | 6.36    | 6.84    |
| Benchmark**                             | 0.03   | 5.31    | 6.27    |

Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index

### Longer term total return performance (net)



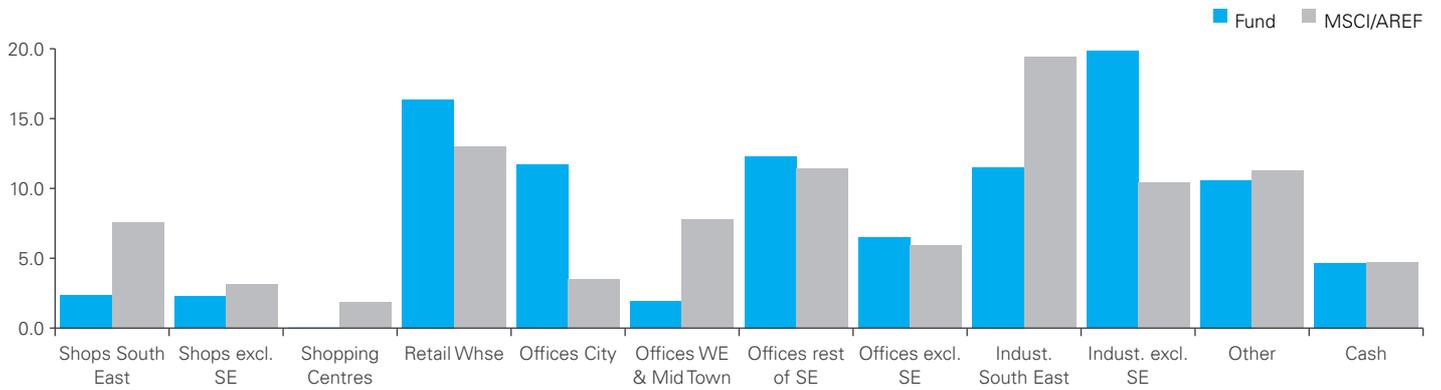
### Top ten underlying property holdings – total 43.44%

|                          |                            |
|--------------------------|----------------------------|
| London, Cannon Street    | London, College Hill       |
| Brighton Pavilion Centre | Magna Park Lutterworth     |
| Bracknell, Arlington Sq. | Bristol, Aztec West        |
| Mendlesham, Ind. Est.    | Solihull, Gate Retail Park |
| Bath, Westside Hotel     | Crawley, Manor Gate        |

Source: CCLA

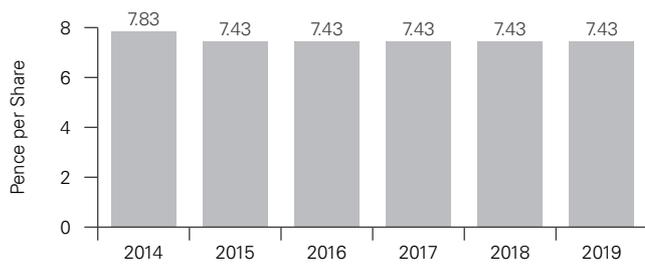
The annual management fee is 0.65% and is deducted from capital. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. \*Asset allocation as at end of period.

## Underlying gross asset allocation



Fund Data as at end December 2019 and MSCI/AREF UK Other Balanced Quarterly Property Fund Index as at end September 2019.

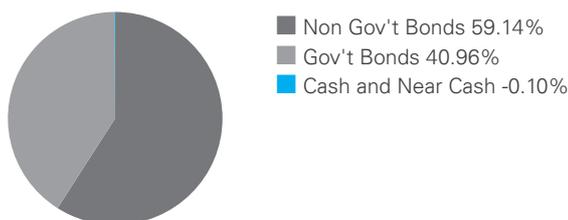
## Past distributions



## The CBF Church of England Fixed Interest Securities Fund

- Economic expectations at the start of the year were for an improvement on the disappointing performance of 2019.
- The arrival of Covid-19 pushed all these considerations to one side. The sudden threat to activity levels forced the Bank of England to make two emergency cuts to interest rates and to commence a quantitative easing programme far larger than that employed in the financial crisis.
- On a net basis, the Fund returned 0.05% during the quarter compared to a return on the comparator of 1.75%. Over the past 12 months the respective returns are 3.51% and 6.07%. Over the quarter the prime influences on relative performance have been a portfolio bias to corporate bonds, and a defensive strategy intended to protect investor's capital against any upwards move in yields.

### \*Asset Allocation



| By term to maturity Period | % Fund  |
|----------------------------|---------|
| 0 - 5 years                | 38.8    |
| 5 - 10 years               | 27.8    |
| 10 - 15 years              | 9.8     |
| Over 15 years              | 23.6    |
| Duration (modified)        | 8.0 yrs |
| Ave term to maturity       | 9.9 yrs |

### Longer term total return performance (net)

#### 12 months to 31 March

|   | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------|------|------|------|------|
| The CBF Church of England Fixed Interest Sec Fund | 3.51 | 2.89 | 0.62 | 7.85 | 1.44 |
| Benchmark   | 6.07 | 3.82 | 0.89 | 8.04 | 1.90 |

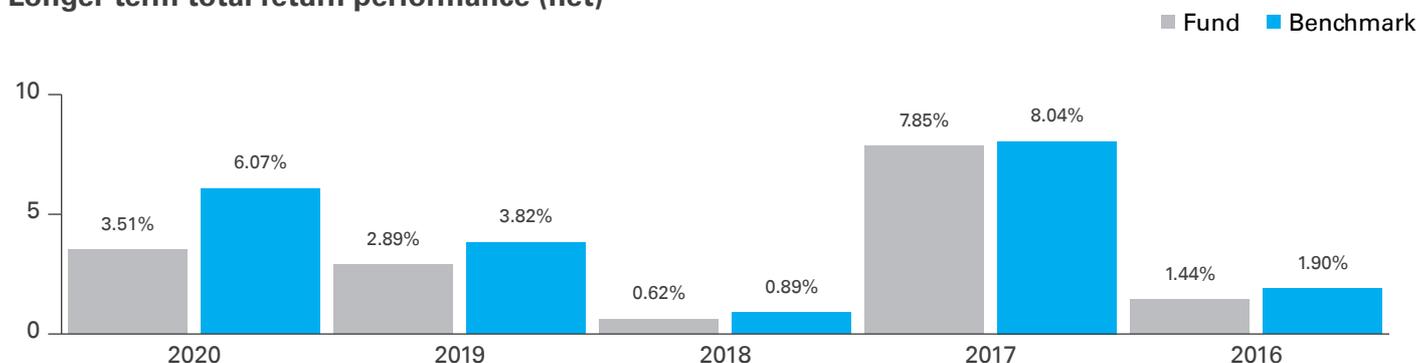
### Annualised total return performance (net) %

#### Performance to 31 March 2020

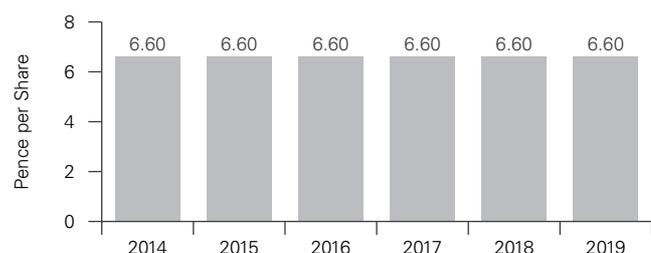
|   | 1 year | 3 years | 5 years |
|---|--------|---------|---------|
| The CBF Church of England Fixed Interest Sec Fund | 3.51   | 2.33    | 3.23    |
| Benchmark   | 6.07   | 3.57    | 4.11    |

Benchmark – composite: from 01.01.16 Markit iBoxx £ Gilts 50% and Markit iBoxx £ Non Gilts 50%. To 31.12.15 Barcap £ Gilt 50% and £ Agg 100mm Non Gilt 50%.

### Longer term total return performance (net)



### Past distributions



Source: CCLA

The annual management fee of the Fixed Interest Securities Fund is 0.22% and is deducted from income. Performance is shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed. \*Asset allocation as at end of period.

## The CBF Church of England Deposit Fund

- The arrival of Covid-19 pushed all these considerations to one side. The sudden threat to activity levels forced the Bank of England to make two emergency cuts to interest rates and to commence a quantitative easing programme far larger than that employed in the financial crisis. The government responded, too, with a spending programme aimed at maintaining some level of growth and providing support to businesses and individuals threatened by the sudden drop in activity.

### Longer term total return performance (net)

#### 12 months to 31 March

|  | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------|------|------|------|------|
| The CBF Church of England Deposit Fund | 0.73 | 0.59 | 0.29 | 0.43 | 0.50 |
| Benchmark                              | 0.53 | 0.52 | 0.22 | 0.20 | 0.37 |

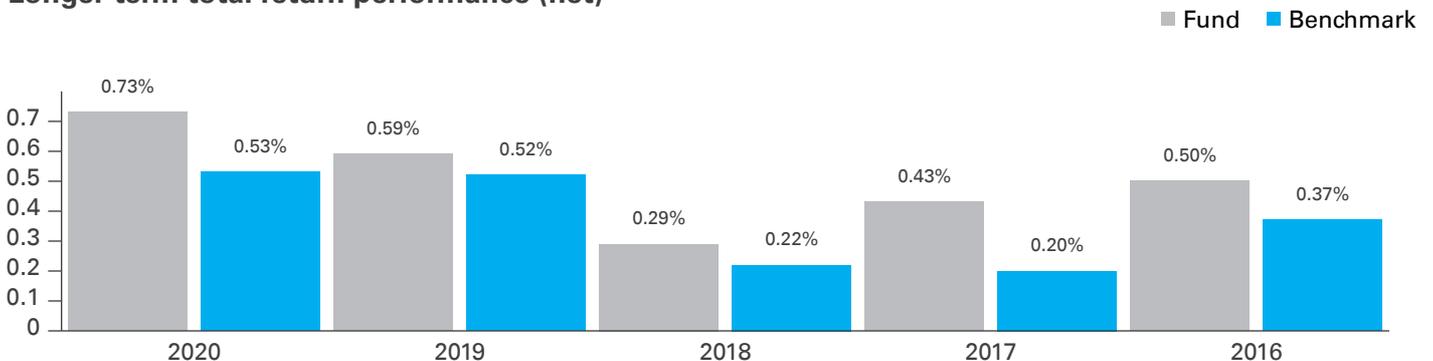
### Annualised total return performance (net) %

#### Performance to 31 March 2020

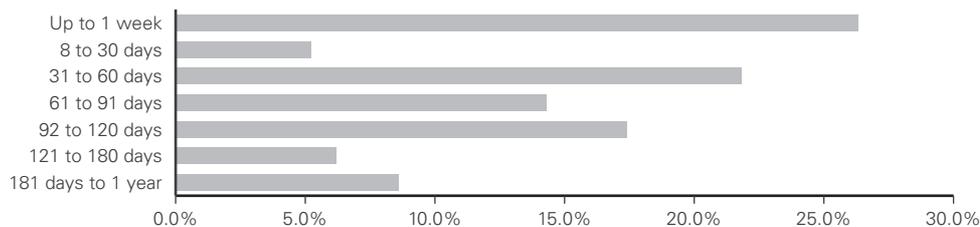
|  | 1 year | 3 years | 5 years |
|--|--------|---------|---------|
| The CBF Church of England Deposit Fund | 0.73   | 0.54    | 0.51    |
| Benchmark                              | 0.53   | 0.42    | 0.37    |

Benchmark – London Interbank Sterling 7 Day Bid Rate

### Longer term total return performance (net)



### The Fund's maturity profile



Source: CCLA

The annual management fee of the Deposit Fund is 0.20% and is deducted from income. Performance is shown before management fees and other expenses: net returns will differ. Past performance is not a guide to future performance and future returns are not guaranteed.

---

# Ethical and Responsible Investment Report

## Our work has five 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 Selecting investments that deliver social or environmental benefits plus market-level risk-adjusted returns.

5 Responsibilities under the UK Stewardship Code and the UN Principles for Responsible Investment.

## Quarterly highlights:

- We continued our focus on addressing modern slavery in company supply chains. During the quarter we met with the Home Office to discuss their new database of company actions, presented our work at the PRI London Forum and delivered training to FTSE350 constituent companies' Non-Executive Directors.
- CCLA's Director of Climate Stewardship, Helen Wildsmith, won the Joan Bavaria Award for Sustainability Leadership for her work encouraging companies to transition net-zero emissions economy.
- We submitted our annual Principles for Responsible Investment Assessment. Through this process the PRI rates all signatories' approach to responsible investment. In 2019 CCLA received an A+ in all relevant categories.

## Voting in more 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 12% of the resolutions proposed by management at our investee companies this quarter (21% for the UK Equity Fund, 16% for the Global Equity Income Fund).
- We continued our long-standing focus on voting against excessive and poorly aligned executive pay. During the quarter we did not support 71% of executive remuneration proposals filed by our investee companies. Amongst these was the Walt Disney Company, where we joined 47% of shareholders in not supporting a \$47.5m package awarded to outgoing CEO Robert Iger.
- We did not support the re-election of the Chair of the Nomination Committee at UK-listed insurer Beazley, due to concerns about gender diversity at the executive committee level. This is part of our extended approach to incentivizing proper diversity throughout senior management at the businesses we invest in.

## Ethical investment:

- We confirm that the CBF Funds have been managed to their 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.

## Responsible Investment and Covid-19

### In Summary:

- From public health to the economy, Covid-19 has had a significant impact upon our lives. This has required us to make some short-term adjustments to our responsible investment work.
- We joined 195 other investors in signing an investor statement on Coronavirus. In addition, we have amended our approach to voting to support businesses through this period of disruption and have prioritised engaging with our investee companies to encourage them to take pro-active steps to protect employees' mental health.

### The Investor Statement on Coronavirus Response

- CCLA joined 195 long-term investors in signing the Investor Statement on Coronavirus Response. The Statement asks businesses to respond to the challenges caused by the virus by providing paid leave, prioritizing the health & safety of workers, maintaining employment and supplier relations, and displaying financial prudence, including restraining levels of executive pay.
- Whilst challenging, we believe that businesses that follow these steps are likely to be well placed to succeed over the long-term.

### What We Are Doing to Support Businesses

- We have taken steps to support our investee holdings through this difficult period.
- In particular, we have decided to suspend our long-standing approach to voting against the re-election of Chief Executives and Company Chairs at AGMs over the coming months. Senior management will be critical to a company's response to COVID-19 and we do not want to undermine their ability to provide leadership at this time. This means that we will abstain, rather than vote against, where we have concerns about the company's approach to sustainability issues.
- Our wider responsible investment work, however, is continuing as normal. During the quarter we will attend and ask questions at virtual AGMs and further develop our engagement to safeguard employees' mental health. This is increasingly important as people's working patterns change due to the disruption.

### Next Steps

- We have published our 2019 Responsible Investment Report. This provides a full overview of our work and is available on CCLA's website.

---

## 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](http://www.ccla.co.uk)

---