CCLA

# QUARTERLY BULLETIN
30 September 2019

## Interest rates – further to fall?

A year ago, against a backcloth of steady economic growth, investor expectations were that global interest rates would increase. In fact, in the US, rates did rise for a time and both the European Central bank and the Bank of England advised markets that they would shortly follow suit. Just a few months later the position changed completely; doubts over the sustainability of the economic expansion and a sharp fall in equity markets forced central banks to undertake a major revision of their policies. In a dramatic change of stance, they reversed their positions and instead of raising borrowing costs they promised to cut them, even though by historic standards rates were already at near record lows.

The volte - face by the monetary authorities had a powerful and positive effect on investment markets and consumer behaviour. Equities rallied sharply and fixed interest markets, already on low yields, saw yields fall even lower. The shift down resulted in some $17trn of global bonds moving on to negative yields. Siemens, the German manufacturer, successfully launched a bond paying no interest at all and, in the consumer area, a Danish Bank offered a nil - rate, 20-year mortgage. Any investor buying a bond on a negative yield can only earn a positive return if the price rises, pushing the yield even further into negative territory. That so many were prepared to hold them on this basis revealed strong expectation amongst investors that, low as they were, interest rates would fall again.

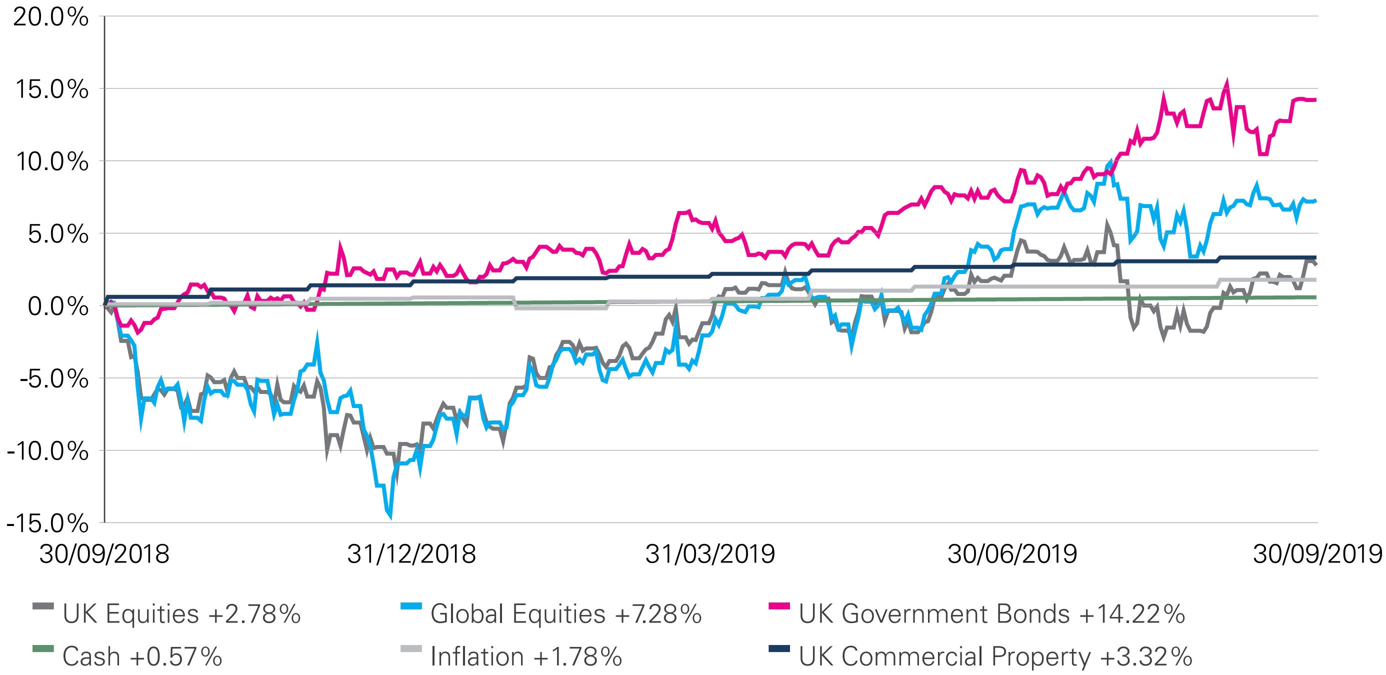
The problem for governments is that, in an economic upswing as mature as this one, if activity slows fresh sources of stimulus are hard to find. In the early stages of the recovery, a decade ago, a plentiful supply of low-cost credit had major beneficial effects, boosting disposable consumer income and improving sentiment by pushing asset prices higher. The hope now is that reducing rates again and keeping them low for an extended period, will bring similar benefits. The problem is that when interest rates are already so low, the net benefits of cutting them further is less certain, particularly in countries such as Japan and parts of Europe where deposit rates are below zero. In fact, there are some significant potential negatives. Savers see their income fall, impacting on spending, pension funds and insurance companies are forced to take more risk to match their liabilities and bank reserves, kept at the central bank, are eroded by the effect of negative rates on the balances.

Despite these drawbacks it is clear that, given the strong wish to support activity, the simplicity of the approach and well understood processes and procedures involved, lower interest rates are the most likely policy response. Indeed, it may be that we see a further significant shift down in rates. Increasingly in economic circles the talk is of finding the ‘effective lower bound,’ the point at which the net effects of low borrowing costs become negative. At present the view is that it may be some way below current levels.

In the medium term, low rates on their own are unlikely to be a sufficient support to growth. In time they will need to be augmented, most likely by looser fiscal policies - increased government spending as austerity programmes are brought to a close. Already in the UK the government has pledged an increase in public spending, the Netherlands too has proposed an expansionary budget. We should expect more to follow.

For long-term investors, recent changes in interest rate expectations have left bond valuations at elevated levels which make them a poor match to any real return objective. We continue to see good-quality equities as a superior option. For those with near-term spending needs, cash remains the appropriate choice, despite the frustration of very low returns.

# Markets at a Glance - 12 Months to end September 2019




Source: CCLA

## Quarterly Market Review & Outlook

Global equity markets rose over the quarter, moving in a narrow trading range for most of the period. Progress was made despite economic data which suggested that the pace of growth in the world economy was slowing. Whilst consumer activity was supported by low unemployment and rising real wages, manufacturing weakened, held back by fears of lower growth to come and, in particular, the negative impact on both sentiment and activity of the trade friction between China and the US. Support to markets came from the move to more accommodative monetary policies, most importantly in the US and Europe, but more broadly too, as a growing number of central banks reduced interest rates. The UK economy remained heavily influenced by 'Brexit' factors. Growth was hesitant and progress poor despite resilient consumer activity; the problem was weak manufacturing and a sharp fall in business investment. Against this background global equities gave a total return to a UK based investor of 3.46%, bringing the return for 2019 to date to 20.47%. Of the major regional indices Japan was the strongest performer with a return of 6.60%. The US market improved by 4.93% and Europe by 1.55%. In contrast to these gains, Asian markets slipped lower, falling by -0.75% as sentiment weakened on trade fears. Once again, the UK market underperformed its international peers, rising by 1.27%, a gain which brings the return so far in 2019 to 14.41% and to 2.78% for the past 12 months.

The domestic fixed interest market improved, rising steadily over the quarter to give a total return of 6.55%. Values were supported by the international shift to lower yields, expectations of buying activity under re-invigorated quantitative easing programmes and increasing expectations that the next move in UK interest rates would be downwards. Government bonds comfortably outperformed the corporate alternatives and long-dated issues were most in demand. Property values declined again, but the sector's high-income flow kept overall returns positive. The retail sectors have been by far the weakest performers, in contrast industrial asset values have continued to improve, rising for 36 consecutive months. Sterling rallied against the euro, but fell against both dollar and yen.

We expect further growth in the world economy, but at a moderate pace, one below the long-term average. Consumer activity will be supported by low unemployment and wages that are rising in real terms, but concerns continue for the manufacturing. The recent moves to lower interest rates will be helpful, but a stronger and more sustainable upturn will need support from fiscal initiatives.

A background of continued economic growth and very low interest rates should support investment markets. Valuations are full, but despite this, and the threat to sentiment from factors such as trade, we continue to expect rising corporate earnings to result in higher equity values over time. In contrast, the decline in bond yields, which has supported investment markets in recent months, means that the potential returns from the fixed interest sectors are unattractive to most long-term investors.

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

| The CBF Church of England Fund | Distribution per Income Share | Payment Date | |
|---|---|---|---|
| Investment Fund | 13.87 | 29/11/2019 | • The payment is 6.36% more than the equivalent distribution in 2018. For the year as a whole the payment is expected to be at least 2% higher. |
| Global Equity Income Fund | 1.77 | 29/11/2019 | • The payment is unchanged from the equivalent payment in 2018. |
| UK Equity Fund | 1.52 | 29/11/2019 | • The payment is unchanged from the equivalent payment in 2018. |
| Property Fund | 1.88 | 29/11/2019 | • The payment is unchanged from the equivalent payment in 2018. |
| Fixed Interest Securities Fund | 1.65 | 29/11/2019 | • The payment is unchanged from the equivalent payment in 2018. |

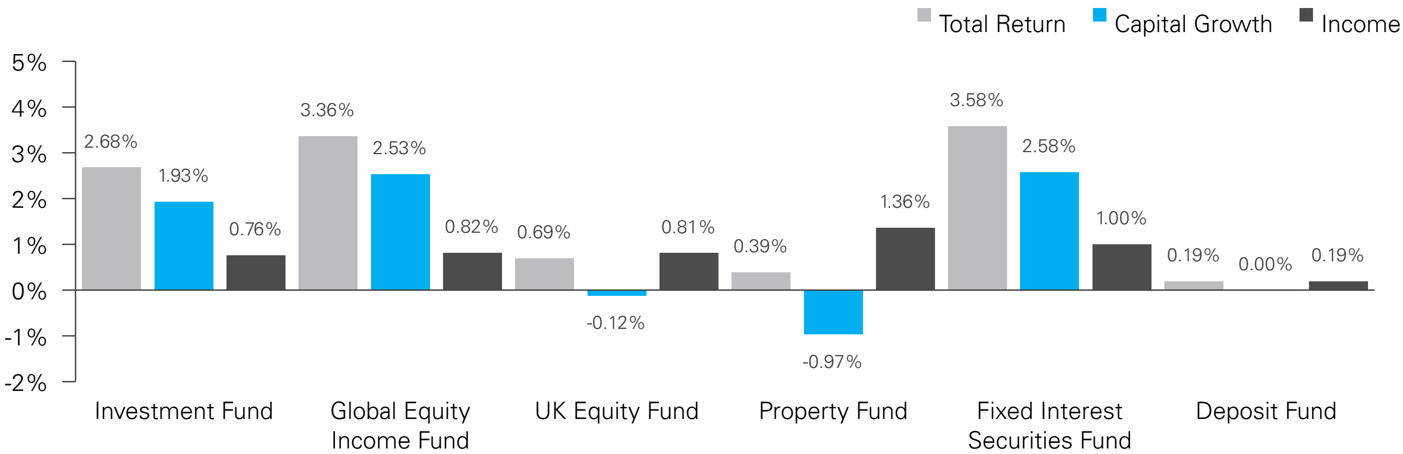
## Rate for the Quarter

| | | |
|---|---|---|
| Interest rate at the quarter end | 0.75% (0.75% A.E.R.)* | • The rate paid to investors is unchanged over the period. |
| Average interest rate over the quarter | 0.75% (0.75% A.E.R.)* | • The interest rate paid to investors will reflect those available from top-quality borrowers. |
| | | • The Fund is rated AAAf/S1 by Fitch Ratings. AAAf/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)



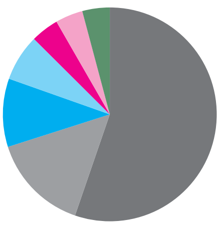

Source: CCLA Performance shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.

# Fund Report

### The CBF Church of England Investment Fund

- The global economy expanded over the period, but at a moderating pace. Consumer activity continued at a robust level, supported by low rates of unemployment and wage growth which was positive in real terms. Manufacturing, however, weakened reduced by concerns over economic prospects and, in particular, the threat to activity from the trade dispute between China and the US. Inflation remained modest and below target in a number of countries and this, together with the reduced growth rate, supported the decision by a number of central banks to adopt easier monetary policies and particularly lower interest rates. Investment markets reacted positively to these developments. Bonds were the strongest of the asset classes, boosted by the shift to lower interest rates and hopes that reinstated quantitative easing programmes would result in increased demand for fixed income assets. Equities rose too, the global index giving a return to a UK based investor of 3.46%, the UK market one of 1.27%. In the property sector, weak pricing for retail assets kept capital values edging lower, total returns stayed positive due to the contribution from income.
- On a gross basis, the Fund returned 2.84% during the quarter compared to a return on the comparator of 3.13%. Over the past 12 months the respective returns are 11.21% and 6.77%. Over the quarter, both stock selection and asset allocation had an impact on returns. In the stock portfolio some financial and consumer stocks performed well, but the increased support for lower rated ‘value’ stocks was unhelpful. At the asset level, the portfolio had a low exposure to a fixed income sector which performed strongly.

### *Asset Allocation



- Overseas Equities 55.27%
- UK Equities 14.81%
- Infrastructure & Operating Assets 10.33%
- Cash and Near Cash 7.05%
- Private Equity & Other 4.23%
- Contractual & Other Income 4.16%
- Property 4.15%

| **Overseas Equities** | % |
|---|---|
| North America | 36.23 |
| Developed Europe | 12.30 |
| Asia Pacific ex Japan | 4.73 |
| Japan | 2.01 |
| Total | 55.27 |

Source: CCLA
The annual management fee is 0.55% and is deducted from capital. 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.
*Asset allocation as at end of period.

## Discrete year total return performance (gross) %

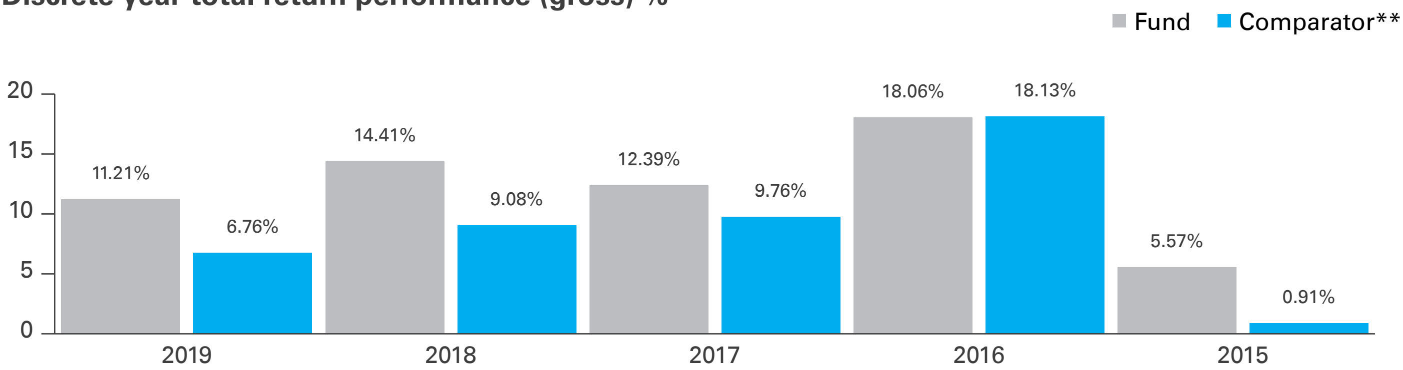
| **12 months to 30 September** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|
| The CBF Church of England Investment Fund | 11.21 | 14.41 | 12.39 | 18.06 | 5.57 |
| Comparator** | 6.76 | 9.08 | 9.76 | 18.13 | 0.91 |

## Annualised total return performance (gross) %

| **Performance to 30 September 2019** | **1 year** | **3 years** | **5 years** |
|---|---|---|---|
| The CBF Church of England Investment Fund | 11.21 | 12.66 | 12.25 |
| Comparator** | 6.76 | 8.52 | 8.79 |

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%, IPD UK Monthly Property 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 UK Monthly Property 5%, BarCap Gilt 15% & 7 Day LIBID 5% **(Property returns are estimated for the last month)

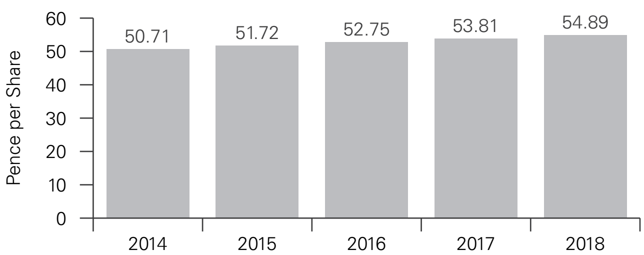
## Discrete year total return performance (gross) %




## Most overweight companies relative to equity indices

| | | | |
|---|---|---|---|
| Unilever | 1.90% | Agilent Technologies | 1.56% |
| Roche Holding | 1.84% | AIA Group | 1.51% |
| Adobe | 1.72% | Danaher | 1.50% |
| Visa | 1.71% | Tencent Holdings | 1.44% |
| Paypal | 1.69% | Nestle | 1.43% |

## Past distributions

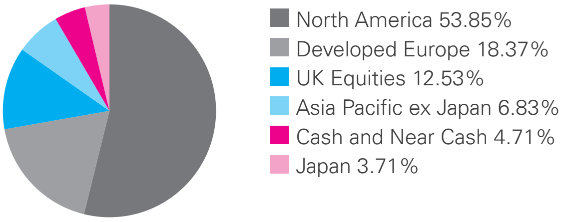



Source: CCLA
The annual management fee is 0.55% and is deducted from capital. Performance is shown before management fees and other expenses: net returns will differ. Past performance is not a guide to future performance and future returns are not guaranteed. Holdings as at end of period.

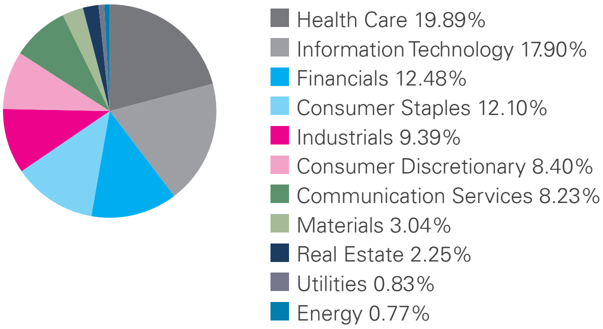
## The CBF Church of England Global Equity Income Fund

- The global economy grew over the quarter. but at a moderate pace. Consumer activity remained buoyant, supported by high levels of employment and wages which, in a modest inflation environment, rose in real terms. Manufacturing, however, disappointed, held back by general concerns over economic prospects and the uncertainties created by the trade dispute between China and the US. On a geographical basis, growth slowed in most areas, but Europe was particularly disadvantaged due to the high dependence on both manufacturing and exports. An important development in the period was the move to support growth by reducing interest rates, led by the US and Europe, but with a number of other central banks following a similar approach. International equity prices reacted positively to the move to easier monetary conditions and most of the major markets gave positive returns. Japan was the best performer, giving a total return to a UK based investor of 6.60%. The US returned 4.93%, Europe 1.55% and the UK 1.27%. Asian indices proved to be the exception to the overall positive trend with a negative return of -0.75%.
- On a gross basis, the Fund returned 3.60% during the quarter compared to a return on the comparator of 3.83%. Over the past 12 months the respective returns are 14.36% and 7.76%. The main cause of the relative underperformance over the quarter was stock selection and, in particular, the effects of a rally in some of the lower rated 'value' sectors in which the portfolio has relatively low weightings.

### *Asset Allocation




### *Sector Allocation




### Discrete year total return performance (gross) %

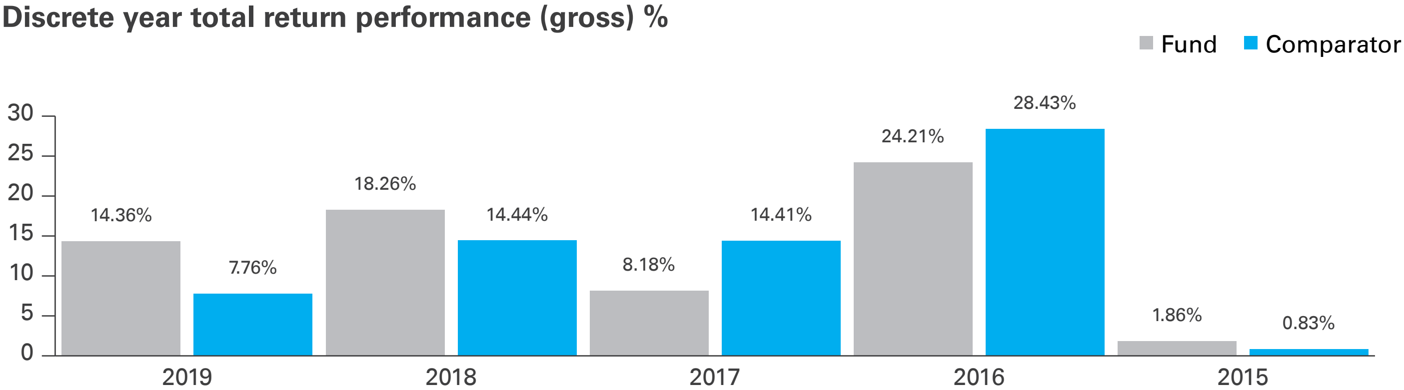
| **12 months to 30 September** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|
| The CBF Church of England Global Equity Income Fund | 14.36 | 18.26 | 8.18 | 24.21 | 1.86 |
| Comparator | 7.76 | 14.44 | 14.41 | 28.43 | 0.83 |

### Annualised total return performance (gross) %

| **Performance to 30 September 2019** | **1 year** | **3 years** | **5 years** |
|---|---|---|---|
| The CBF Church of England Global Equity Income Fund | 14.36 | 13.52 | 13.10 |
| Comparator | 7.76 | 12.16 | 12.81 |

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

### Discrete year total return performance (gross) %

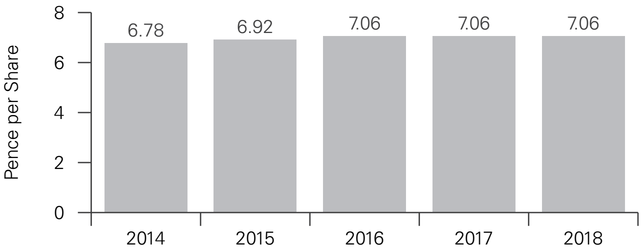



Source: CCLA
The annual management fee is 0.75% and is deducted from capital. Performance is shown before management fees and other expenses: net returns will differ. Past performance is not a guide to future performance and future returns are not guaranteed. *Asset allocation as at end of period.

## Most overweight companies relative to equity indices

| | | | |
|---|---|---|---|
| Unilever | 2.44% | Adobe | 1.72% |
| Kao Corp | 2.00% | Wolters Kluwer | 1.71% |
| RELX | 1.97% | Agilent Technologies | 1.70% |
| Tencent Holdings | 1.82% | London Stock Exchange | 1.64% |
| Danaher | 1.82% | Nasdaq | 1.62% |

## Past distributions



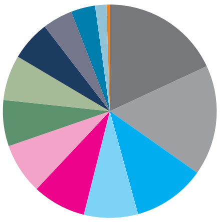

Source: CCLA

The annual management fee is 0.75% and is deducted from capital. 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. Holdings as at end of period.

## The CBF Church of England UK Equity Fund

- Output in the UK economy has been broadly flat over the period although this has been hard to discern from short term data which have been volatile and heavily impacted by Brexit related factors. Consumer activity has held up well, supported by low levels of unemployment and wages which have been growing in real terms. Business investment, however, has been flat and manufacturing weak, held back by domestic uncertainty and the disappointing international trend in industrial output. Inflation remained close to the Bank of England's 2% target level. Official interest rates were unchanged, but the flat economic performance, risk of a disrupting Brexit and international moves to reduce borrowing costs had an important impact on expectations. By the end of the quarter, money markets were discounting a fall in Official Base Rate in the months ahead. UK equities moved in a narrow range with mid-period weakness followed by a recovery just sufficient to push total return into positive territory.
- On a gross basis, the Fund returned 0.85% during the quarter compared to a return on the benchmark of 0.92%. Over the past 12 months the respective returns are 12.49% and 2.20%. There were some strong individual company performances including that from the London Stock Exchange, but these gains were offset by a strategic bias in the portfolio to 'growth' companies in a period when lower rated 'value' stocks outperformed.

## *Asset allocation



- Industrials 16.39%
- Financials 15.17%
- Health Care 9.93%
- Consumer Discretionary 7.43%
- Information Technology 7.32%
- Consumer Staples 6.99%
- Materials 6.34%
- Real Estate 6.22%
- Infrastructure & Operating Assets 5.48%
- Energy 4.12%
- Communication Services 3.32%
- Utilities 1.56%
- Contractual & Other Income 0.45%

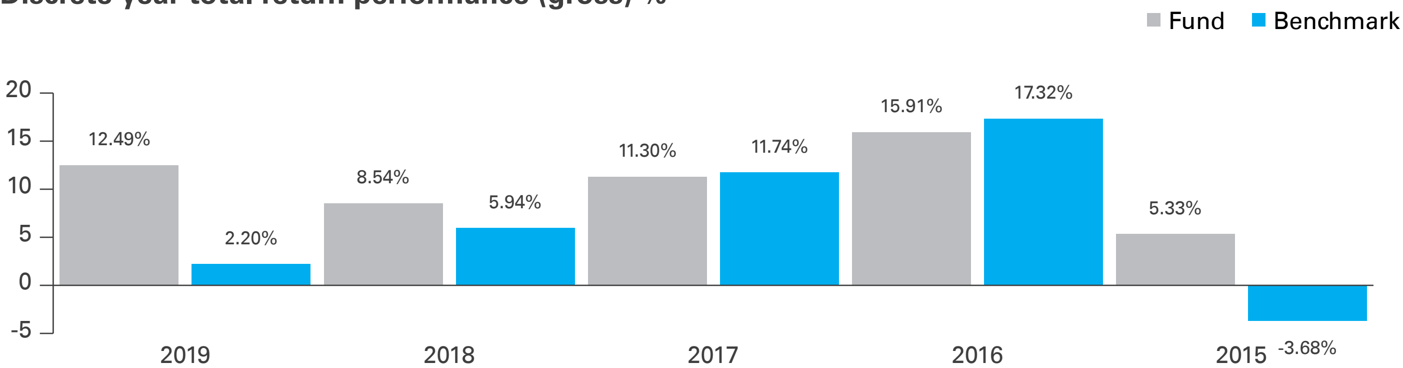
## Discrete year total return performance (gross) %

| **12 months to 30 September** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|
| The CBF Church of England UK Equity Fund | 12.49 | 8.54 | 11.30 | 15.91 | 5.33 |
| Benchmark | 2.20 | 5.94 | 11.74 | 17.32 | -3.68 |

| **Performance to 30 September 2019** | **1 year** | **3 years** | **5 years** |
|---|---|---|---|
| The CBF Church of England UK Equity Fund | 12.49 | 10.77 | 10.66 |
| Benchmark | 2.20 | 6.55 | 6.45 |

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

## Discrete year total return performance (gross) %

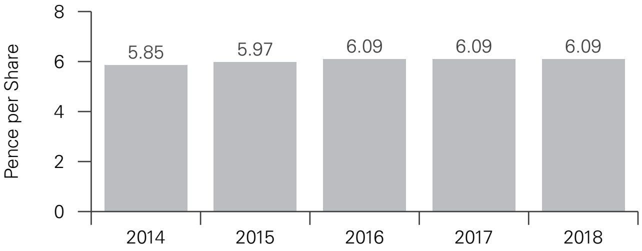



Source: CCLA
The annual management fee is 0.50% and is deducted from capital. Performance is shown before management fees and other expenses: net returns will differ. Past performance is not a guide to future performance and future returns are not guaranteed. *Asset allocation as at end of period.

## Most overweight companies relative to equity indices

| | | | |
|---|---|---|---|
| Unilever | 3.57% | Experian | 2.52% |
| London Stock Exchange | 3.42% | RELX | 2.46% |
| Abcam | 2.84% | Moneysupermarket | 2.44% |
| Bunzl | 2.71% | RWS Holdings | 2.36% |
| Intermediate Cap | 2.57% | Dechra Pharmaceuticals | 2.31% |

## Past distributions



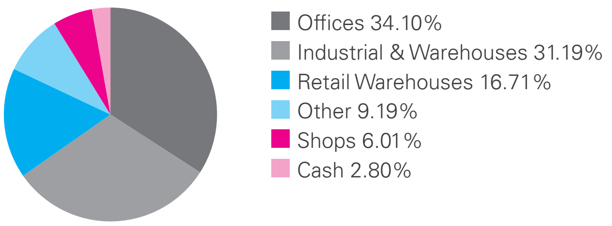

Source: CCLA
The annual management fee is 0.50% and is deducted from capital. Performance is shown before management fees and other expenses: net returns will differ. Past performance is not a guide to future performance and future returns are not guaranteed. Holdings as at end of period.

## The CBF Church of England Property Fund

- Commercial property values fell over the period, continuing the decline which began in the final months of 2018. The prime cause of the decline was continued weakness in the retail sectors where values have come under persistent pressure due to excess supply, poor trading and a long-term change in shopping patterns, with a growing share for internet-based suppliers. There was better news elsewhere in the sector, in offices and particularly industrial assets which, by the end of the quarter, had risen for 36 months in succession, but these improvements were not enough to fully offset weakness elsewhere. Transaction volumes remained at low levels and the reduced flow of market data increased the subjectivity of sector valuations, a development which increased volatility at the single asset pricing level.
- On a net basis, the Fund returned 0.39% during the quarter compared to a return on the benchmark of 0.48%. Over the past 12 months the respective returns are 4.26% and 2.82%. Underlying performance was in line with the market, near term returns have been impacted by acquisition costs after a busy quarter of fund activity.

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

### *Underlying gross asset allocation




**Property portfolio details**
Top 5 properties: 27.7% of portfolio
Top 5 tenants: 18.6% of rental income
Weighted unexpired lease: 6.4yrs
Void rate including developments in progress 8.8% (excl. 7.3%)

### Discrete year total return performance (net) %

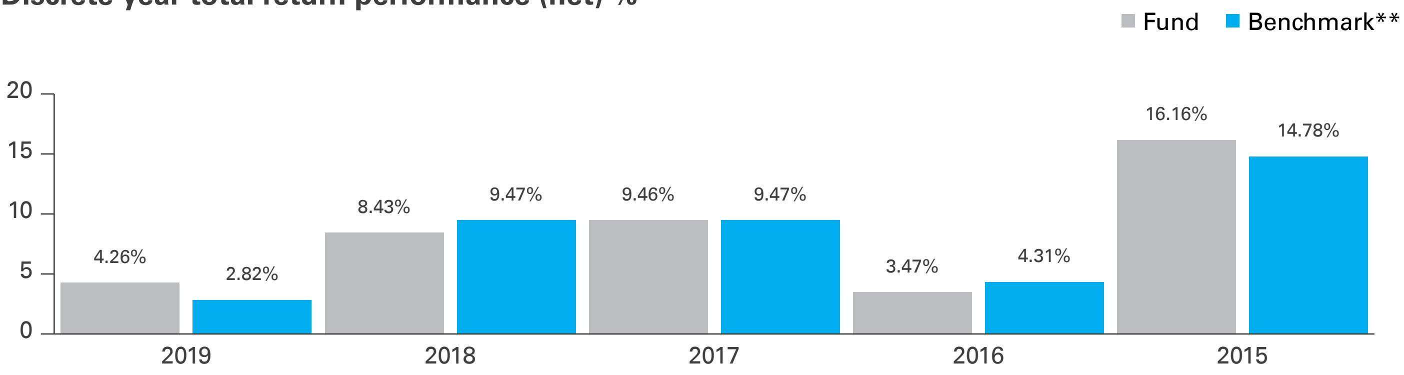
| 12 months to 30 September | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| The CBF Church of England Property Fund | 4.26 | 8.43 | 9.46 | 3.47 | 16.16 |
| Benchmark** | 3.01 | 9.47 | 9.47 | 4.31 | 14.78 |

### Annualised total return performance (net) %

| Performance to 30 September 2019 | 1 year | 3 years | 5 years |
|---|---|---|---|
| The CBF Church of England Property Fund | 4.26 | 7.36 | 8.26 |
| Benchmark** | 3.01 | 7.27 | 8.13 |

Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index **(estimated for the last quarter). Property performance is shown after management fees and other expenses (net)

### Discrete year total return performance (net) %




### Top ten underlying property holdings – total 42.52%

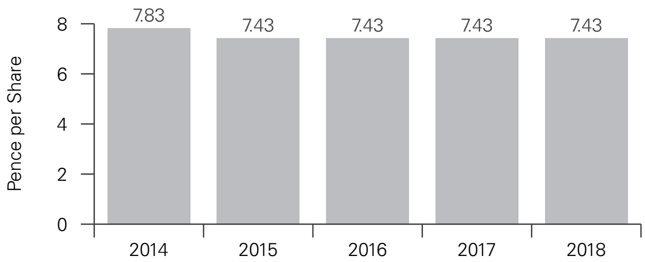
| | |
|---|---|
| London, Cannon Street | Bath, Westside Hotel |
| Brighton Pavilion Centre | London, College Hill |
| Bracknell, Arlington Sq. | Magna Park Lutterworth |
| Mendlesham, Ind. Est. | Solihull, Gate Retail Park |
| London, Fetter Lane | Bristol, Aztec West |

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

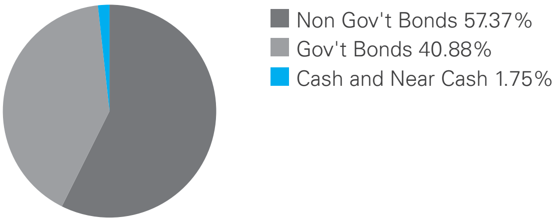
## Past distributions



## The CBF Church of England Fixed Interest Securities Fund

- The UK economy produced a mixed performance over the quarter. Consumer activity remained resilient, supported by low unemployment and rising real wages. In contrast, manufacturing output disappointed and investment remained weak, held back by Brexit uncertainties.
- The domestic fixed interest sector initially traded in a narrow band and then moved higher as the quarter progressed. Values improved initially as buyers locked-in modest returns, later support came as investors took the view that UK interest rates were likely to be cut should economic activity falter.
- On a gross basis, the Fund returned 3.67% during the quarter compared to a return on the benchmark of 5.09%. Over the past 12 months the respective returns are 9.14% and 12.16%. The prime influence on relative returns was the bias of the portfolio to shorter dated securities, in place to protect investors from any upward shift in yields.

### *Asset Allocation




| By term to maturity Period | % Fund |
|---|---|
| 0 - 5 years | 33.7 |
| 5 - 10 years | 34.3 |
| 10 - 15 years | 9.5 |
| Over 15 years | 22.5 |
| Duration (modified) | 7.9 yrs |
| Ave term to maturity | 9.9 yrs |

### Discrete year total return performance (gross) %

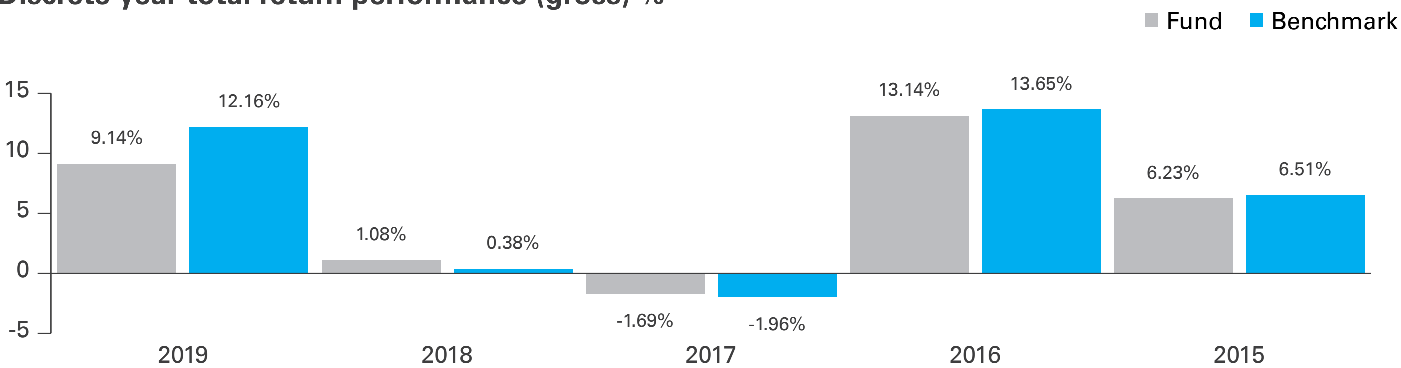
| 12 months to 30 September | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| The CBF Church of England Fixed Interest Sec Fund | 9.14 | 1.08 | -1.69 | 13.14 | 6.23 |
| Benchmark | 12.16 | 0.38 | -1.96 | 13.65 | 6.51 |

### Annualised total return performance (gross) %

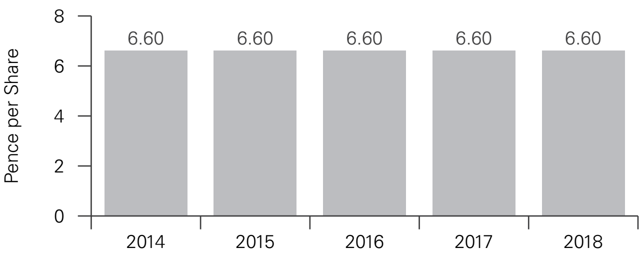
| Performance to 30 September 2019 | 1 year | 3 years | 5 years |
|---|---|---|---|
| The CBF Church of England Fixed Interest Sec Fund | 9.14 | 2.75 | 5.45 |
| Benchmark | 12.16 | 3.34 | 5.97 |

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%.

### Discrete year total return performance (gross) %




### 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 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. *Asset allocation as at end of period.

## The CBF Church of England Deposit Fund

- The UK economy remained lacklustre over the quarter. Inflation fluctuated at rates close to the Bank of England's target level.
- Official interest rates were unchanged, but there was a gradual shift of investor expectations for the future. Against a backcloth of falling international rates and with the Brexit outcome far from certain, increasingly money markets reflected an expectation that UK rates would move lower in the months ahead.

### Discrete year total return performance (gross) %

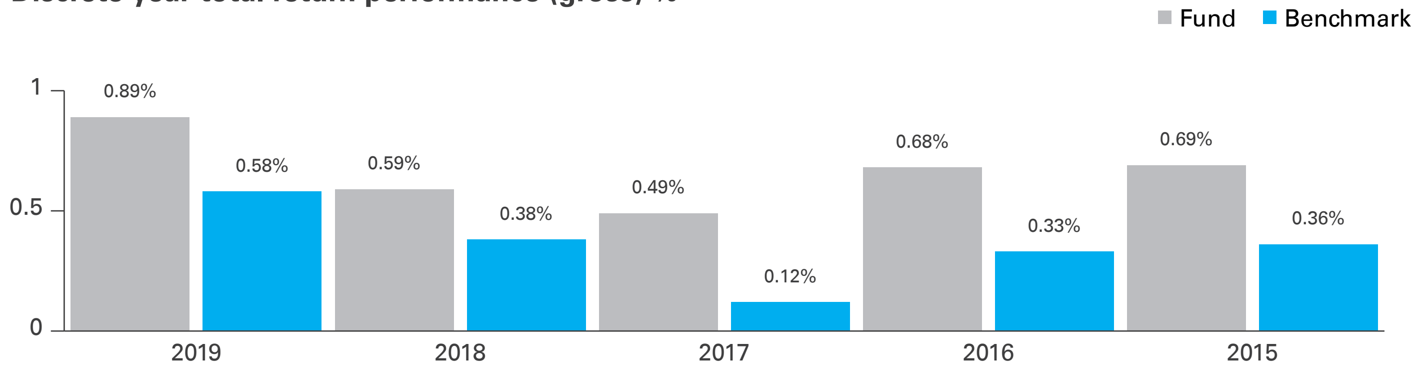
| 12 months to 30 September | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| The CBF Church of England Deposit Fund | 0.89 | 0.59 | 0.49 | 0.68 | 0.69 |
| Benchmark | 0.58 | 0.38 | 0.12 | 0.33 | 0.36 |

### Annualised total return performance (gross) %

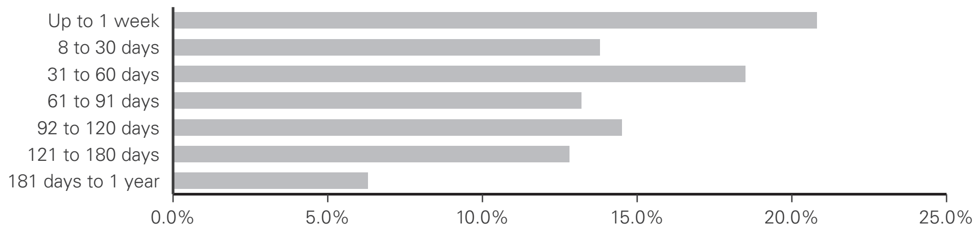
| Performance to 30 September 2019 | 1 year | 3 years | 5 years |
|---|---|---|---|
| The CBF Church of England Deposit Fund | 0.89 | 0.66 | 0.67 |
| Benchmark | 0.58 | 0.36 | 0.35 |

Benchmark – London Interbank Sterling 7 Day Bid Rate

### Discrete year total return performance (gross) %




### 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 promoted the Powering Past Coal Alliance at New York Climate Week. This is the UK and Canadian Government's flagship programme to accelerate the removal of coal, the most carbon-intensive fossil fuel, from the world's energy mix.
- On behalf of investors with over £2.4trillion of assets, we asked the UK government to toughen up the Transparency in the Supply Chain provision in the Modern Slavery Act. This would incentivise more effective corporate action on Modern Day Slavery.
- We agreed the work plan for the Ethical Investment Advisory Group. This will include reviewing the gambling policy to reflect the impact of technological developments like the smartphone.

**Voting in more detail:**
- CCLA aims to vote at all UK and overseas company meetings where we have portfolio holdings. The third quarter of the year is a quiet period for our voting activity. Only 12 companies held by the CBF Investment Fund held shareholder meetings during the period.
- The CBF Church of England Investment Fund did not support 6.4% of the resolutions proposed by management at our investee companies this quarter (10.3% for the UK Equity Fund, 5% for the Global Equity Income Fund).
- We voted against the Remuneration Report proposed by Experian PLC. We were concerned that it did not properly reflect the importance of environmental, social or governance issues.
- We have begun the process of developing the Church Investors Group's voting policy for 2020. This involves bringing the largest church investors in the UK together to agree how we are going to vote on issues relating to corporate governance and business ethics. By working with other church investors, we are able to clearly reflect the Church's concerns on issues such as climate change and executive pay.

**Ethical investment:**
- We confirm that the CBF Funds have been managed to their ethical exclusion policies this quarter.

**Investing in mental health**
**In Summary:**
- Poor mental health in the workplace costs UK companies between £33bn and £42bn per year*. Despite the cost, and the impact on the lives of their staff, very few companies have developed formal processes to address this issue.
- For this reason, we have worked with an expert advisory group to develop an engagement programme that encourages action to improve employee wellbeing.

**Why act on mental health**
- One in four people in the UK suffer from a diagnosed mental health condition**. This means that, whether we know it or not, everyone will know someone whose life has been impacted.
- However, despite 300,000 people per year in the UK leaving their jobs due to mental health problems^ and an estimated annual cost to businesses that is the equivalent of over 2% of the UK's GDP*, businesses have been slow to act.

Source: *Deloitte **Mind ^Thriving at Work Report

**Our engagement framework**
- We have worked with an expert advisory committee, featuring representatives from MIND and Public Health England (amongst others) to develop a set of expectations for companies on mental health.
- Based on, the UK government funded, 'Thriving at Work Report' these ask companies to: establish a mental health at work plan, promote mental health awareness amongst staff, integrate wellbeing concerns into job design, train line managers about mental health and report back on the efficacy of their actions.
- To date, we have met with eight pharmaceutical and financial services businesses, with large UK work forces, to benchmark them against these indicators.
- From these meetings it is clear that, whilst some have adopted best-practice, the majority of businesses are at the beginning of their journey to create more supportive and healthy workforces.

**Next steps**
- Once we have met with each of the 11 target businesses, we will begin detailed engagement with the lowest ranked companies.

# Risk Warning

Performance is shown before management fees and other expenses: net returns will differ, except the Property Fund which is shown net and the graph on the Fund Performance page. 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**
Senator House, 85 Queen Victoria Street, London EC4V 4ET
Client Service, Freephone: 0800 022 3505
www.ccla.co.uk