CCLA

QUARTERLY BULLETIN
30 September 2020

UK Interest rate outlook

The global economic recovery which began tentatively in the second quarter gained pace in the three months to end September. Consumers and manufacturers both contributed but although the upturn was broad based and is expected to continue through 2021, it is still likely to be 2022 before the output levels achieved in 2019 are reached again. Even then progress is not certain. In the period ahead the upturn will have to overcome challenges from lingering effects of the pandemic and more familiar but no less intractable issues such as rising unemployment and deflationary pressures resulting from excess global capacity and a search for market share.

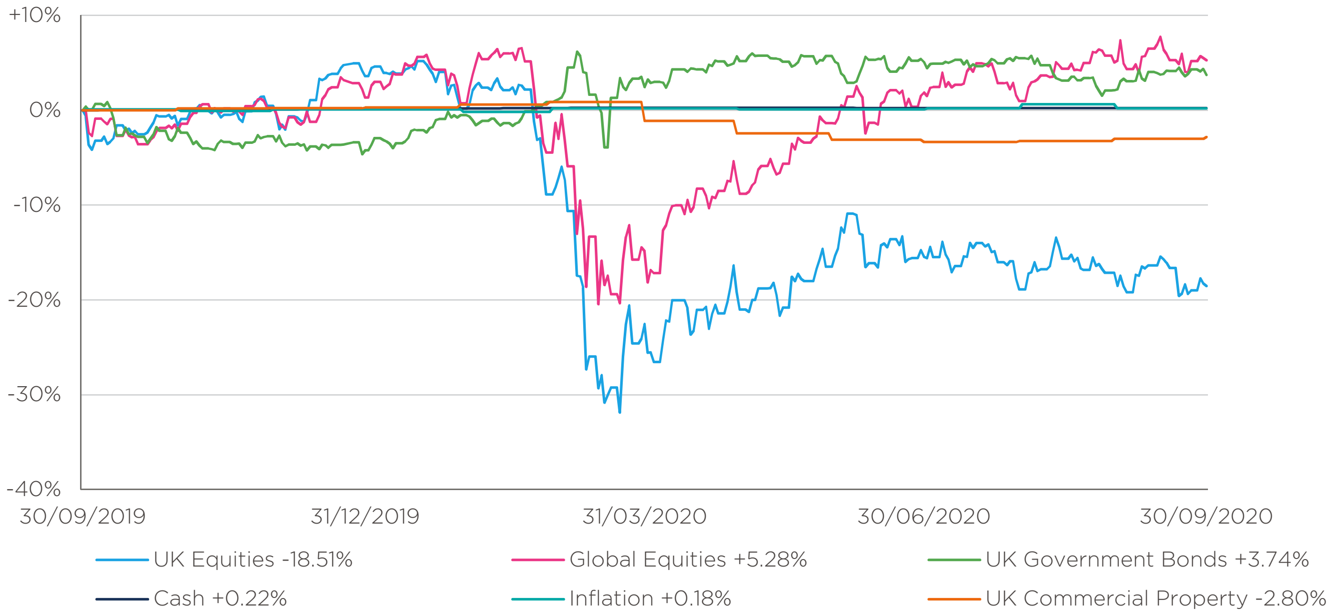
These issues will be a particular concern in the UK where employment was at a generational high before the pandemic struck. Although job protection has been a clear priority for government, the programmes which have provided support are coming to a close and a realistic expectation now must be for a swift and relatively sharp increase in the numbers unemployed over the next few months. Another challenge is that 'real Brexit' is almost upon us with the completion of the transition period at the end of this year. An environment where there are such clear threats to growth is one where the Bank of England would be expected to take effective action to support activity. The problem for the Bank is that the tools available to it lack the edge they once had. Quantitative easing programmes have succeeded in adding large amounts of liquidity into the economy, but loan growth remains sluggish. Low interest rates have been with us for over a decade and are reflected in expectations and in budgets. There is evidence too that recent falls in borrowing costs have not been passed on to the consumer. This is a scenario where there is no realistic doubt that borrowing costs in the UK will stay at ultra – low levels for the foreseeable future, but is there more to come? The question increasingly being asked is whether the familiar low interest rate regime could be replaced by negative interest rates.

The previous stance of the Bank has been no. As recently as May the Governor confirmed that the preferred position was one of low rates, close to zero but still positive. The position has now changed, and a broader range of policies are being considered. These include making a wider range of assets available to the quantitative buying programmes and more significantly, moving to a negative Official Bank Rate. Observing that negative interest rates had been employed in the EU and Japan for some years with no apparent disadvantage and some economic benefits, the Bank has set up a review to consider the implications for the UK.

The review will be comprehensive and will not just look at the macro-economic implications but also the potential impact on savers, many of whom cannot replace the income lost, on pensions and on the banks, where negative rates on reserves deposited with the central bank would effectively act like an unwanted tax on lending. There is no timeframe for the review but if the decision is to change, implementation may not be imminent; an effective date sometime in the middle of next year is more likely.

Even though any change could be still some time away, it has already had an impact on money markets where the interest rates available on longer term deposits have fallen, reducing significantly the pick-up in income available to those lending for longer periods. This flattening of the yield curve is likely to continue. For Deposit Funds that have already seen achievable yields fall this will put more pressure on what they can pay to investors, pressure that will increase as deposits made in the past at higher levels come to maturity in the weeks and months ahead. It has been customary for investors who place cash in our Deposit Funds to withdraw it later with added interest, should the UK enter an environment of negative interest rates this may no longer be the case. We are therefore currently planning for that possible eventuality to ensure that the Funds continue to operate in your best interests. In times such as these, it is very important to remember that the search for income must not result in increased risk to capital or surrender of liquidity.

Quarterly market review and outlook



Source: CCLA

The quarter has been a positive period for investment markets as the continuing recovery in global economic activity has been reflected in asset prices. Strengthening investor sentiment has been bolstered by the practical influence of supportive monetary policies which have provided substantial volumes of liquidity available for investment. Although most indices have made progress, a look into the markets shows that support has not been evenly spread. Sectors with good underlying growth characteristics have risen in value whilst others, such as energy and traditional banking, have lagged behind.

The global equity index gave a total return to sterling-based investors of 3.41%, bringing the return for 2020 to date to 4.09% and 5.28% for the past 12 months. Most major international markets made progress. The US was the strongest performer, up 4.67%, Asia returned 4.64%, Japan 2.44% and Europe ended 1.55% higher. Once again the UK was a poor performer returning –3.61% over the quarter, and remains firmly in negative territory since the start of 2020, and over the past year, down by -21.35% and -18.51% respectively. The dull UK trend clearly reflects economic underperformance and future uncertainties, but also the high index's weighting to weak sectors, such as oil and banking.

Domestic fixed income securities traded in a narrow band, the sector was generally supported by dull economic data, which suggested slower growth in the final quarter, and an acknowledgement by the Bank of England that it was reviewing the implications of a possible move to negative interest rates. Property values eased through the quarter, the retail sector remained weak reflecting tenant frailty and poor trading. Conditions were noticeably better in other parts of the sector. Industrials, in particular distribution centres, remained a bright spot, but there was evidence too of higher values in parts of the office sector. Improved pricing stability meant that the valuation uncertainty warnings, which had caused the suspension of dealing in many property funds, were removed, allowing transaction activity to resume. Sterling had a mixed performance, improving against the Dollar and Yen, but falling against the Euro.

Global economic activity has rebounded strongly in the third quarter, boosted by government initiatives and a recovery in consumer activity. Recovery is expected to continue in the final quarter and into 2021, but a slower rate. Consumer spending has normalised in many areas, government support programmes are ending and there will be a drag on both sentiment and spending power from higher levels of unemployment. These threats to growth are a particular concern in the UK given the sharp run-off in government spending, the accelerating trend of job losses and the uncertainties of Brexit. Global interest rates will stay at ultra-low levels whilst inflation is not expected to move higher in the near term.

An environment of an accommodative monetary policy, including low interest rates, will provide a foundation of support for fixed interest securities however, we are not attracted to the sector. A basic requirement for any investment in a period of heightened uncertainty is a potential reward commensurate with the risks involved and that is not the case here. For long term investors global equities look a superior choice but stock selection is key. The focus has to be on good quality companies which are not dependent on broad economic trends to grow earnings.

The market review, analysis and any projections contained in the document are the opinion of the owner only and should not be relied upon to form the basis of any investment decision.

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

Having submitted our annual Principles for Responsible Investment (PRI) Assessment in Q2, in Q3, we received our results. We are delighted to have been awarded A+ in all of our mandatory reporting areas in 2020.

We continued engagement work with FTSE 100 companies on workplace mental health. We have now received 76 responses and have been encouraged by the work that businesses are doing to safeguard the wellbeing of their workers. However, it has become clear to us that poor mental health is a systemic, rather than a company-specific problem. It requires a more cohesive approach by stakeholders and more progressive public policy. We are now in late stage talks to construct the first ever corporate mental health benchmark and look forward to reporting on its progress in Q4.

During the quarter, we became the lead investor for Unilever on behalf of the Climate Action 100+ investor coalition. The coalition includes more than 500 investors, with a combined $47 trillion in AUM, who are petitioning systemically important companies and emitters to act on climate change.

During the quarter, we supported the Workforce Disclosure Initiative questionnaire. This asks companies to disclose what they are doing to protect their most important asset, the people that work for them. We particularly welcomed the question set on companies' diversity and inclusion initiatives, the range of questions relating to modern slavery in company supply chains and the inclusion of questions on workplace mental health and wellbeing.

Quarter three voting in detail

CCLA aims to vote at all UK and overseas company meetings where we have portfolio holdings.

The CBF Church of England Investment Fund did not support 8% of the resolutions proposed by management at our investee companies this quarter (13% for the UK Equity Fund, 19% 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 72% of executive remuneration proposals filed by our investee companies.

Amongst these was Electronic Arts Inc. The remuneration committee had granted special awards to two executives during the year, following a similar awards structure in 2018. While the company need to retain top executive talent, we do not expect 'special awards' to be made on such a frequent basis.

Modern slavery during COVID-19

From public health to the economy, COVID-19 has had a significant impact upon all our lives. In August, as part of our multi-year modern slavery programme, we gathered a coalition of investors to address the acute suffering of migrant workers in the Gulf.

A sharp economic downturn has resulted in the cancellation of work contracts, job losses, salary delays and huge totals of unpaid wages for migrant workers into the UAE. The loss of a job leaves them without means to repay large debts acquired due to unethical recruitment processes.

In response, we gathered a coalition of 38 investors with $3 trillion in assets under management and wrote to 54 companies operating in Gulf nations. Target companies were in the high-risk sectors of oil & gas, construction and hospitality, We asked them to provide details of now they are safeguarding workers, highlighting that because of the complicated nature of recruitment supply chains, they may be unaware of the abuse.
To the end of Q3, we received responses from 18 companies. Most express a commitment to human rights in policy but haven't demonstrated any real engagement with the problem. It is likely that abuse exists earlier in workers' recruitment journeys. Two companies show elements of good practice – they have interviewed workers to check if they've paid fees and are prepared to discuss the outcomes of these investigations with us. We continue to follow up with these companies.

Ethical constraints

We confirm that the CBF Church of England Funds have been managed to their respective ethical exclusion policies this quarter. The EIAG met during the quarter. They 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 world economy grew over the period, building on the recovery that began in the second quarter. There was a strong bounce in consumer activity, and manufacturing also grew, helped by the need to rebuild stocks run down in earlier months. These gains were supported substantially by government policies with high levels of spending on income protection and central bank initiatives to maintain liquidity and keep interest rates low. In this environment investment markets gave positive modest returns. Investors were prepared to support higher valuations in an uncertain economic situation, but only where they were confident that growth was likely. This led to a significant dispersion of returns between sectors such as technology, which remained well supported, and energy which remained out of favour. Fixed interest securities benefitted from central bank buying and low interest rates, but prices struggled to improve given that yields had already declined and were negative in broad parts of the market.

On a gross basis, the Fund returned 3.73% over the quarter compared with the comparator return of 0.35%. Over the last 12 months, the Fund returned 8.92% compared with the comparator return of -2.29%.
In the quarter the main source of relative outperformance has been stock selection, the portfolio benefitting from those companies it chose to hold, and from those it chose to avoid. Positive contributions came from holdings in some consumer facing sectors and health-related industries, in particular equipment providers. Technology was helpful, but not to the same level of contribution made in previous periods. Also supporting relative returns was the low exposure to traditional banking and no weighting to oil and gas. Asset allocation was also a positive factor due to the lack of holdings in fixed income securities, which underperformed. Cash weightings at the end of the period were relatively high, this a tactical position and is likely to be reduced when attractive valuations are available.

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. To achieve this the Fund has a bias to real assets such as global equities, property and infrastructure and currently has no holdings in conventional fixed income assets, which are seen as a poor match to long term needs. The portfolio is built be a ‘ bottom-up’ process which selects individual stocks on their merits rather than a predetermined allocation to any sector or region. We favour companies with strong growth prospects resulting in a relatively high weightings to technology, health industries, consumer facing companies and parts of the financial sectors.

Income

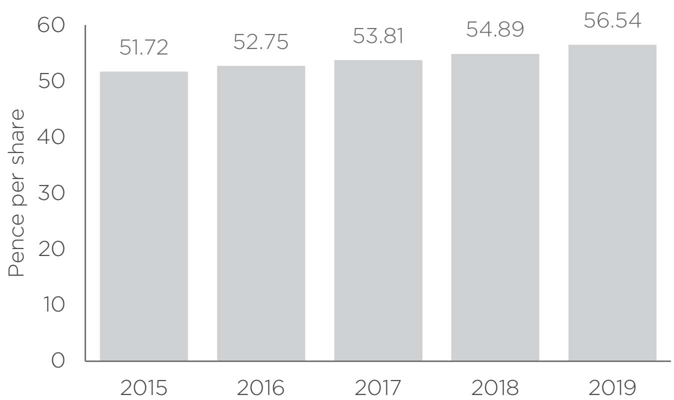
Gross dividend yield 2.97%*

MSCI $ UK IMI dividend yield 3.61%

MSCI $ World ex UK dividend yield 1.92%

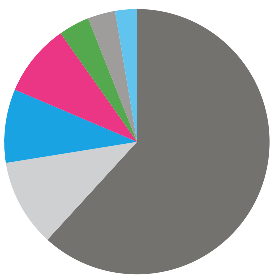
* Based upon the net asset value and an estimated annual dividend of 58.24p.

Past distributions



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

Asset allocation as at 30 September 2020



- Overseas Equities 61.76%
- UK Equities 10.7%
- Cash & Near Cash 8.96%
- Infrastructure & Operating Assets 8.82%
- Property 3.74%
- Private Equity & Other 3.39%
- Contractual & Other Income 2.63%

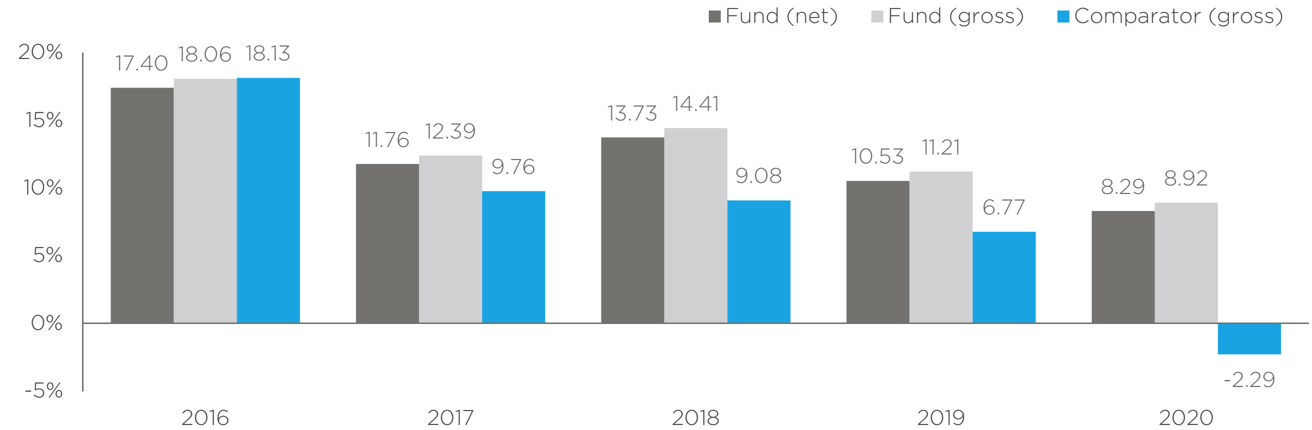
Overseas Equities	**%**
North America	41.43
Developed Europe	13.10
Asia Pacific ex Japan	6.08
Japan	1.15
	61.76

Total return performance

Performance to 30 September 2020	3 month	1 year	3 years p.a.	5 years p.a.
Investment (net)	+3.59%	+8.29%	+10.83%	+12.30%
Investment (gross)	+3.73%	+8.92%	+11.49%	+12.95%
Comparator (gross)	+0.35%	-2.29%	+4.40%	+8.09%

Discrete year total return performance

12 months to 30 September	2016	2017	2018	2019	2020
Investment (net)	+17.40%	+11.76%	+13.73%	+10.53%	+8.29%
Investment (gross)	+18.06%	+12.39%	+14.41%	+11.21%	+8.92%
Comparator (gross)	+18.13%	+9.76%	+9.08%	+6.77%	-2.29%



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 September 2020

The CBF Church of England Property Fund	2.9%	Nestle R CHF0.1	1.5%
CCLA Inv Mgmt Ltd Ord GBP1	2.6%	Amazon.Com Com USD0.01	1.4%
Unilever Ord GBP0.031	1.9%	Roche Holding Gsh NPV	1.4%
Pan European Infrastructure I	1.9%	Adobe Inc Com USD0.0001	1.3%
Taiwan Semiconducter SP ADR(V5 Ord)	1.5%	Microsoft Com NPV	1.3%

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 was one of continued economic recovery, building on the improvements made in May and June. Consumer activity increased as built-up demand was released. Manufacturing gained too, boosted by inventory building to replace stocks drawn down earlier in then year. A key feature though was the continued and substantial support from the authorities; government programmes to protect consumer incomes, and the ultra-low interest rate and supportive monetary policy regimes of central banks. Growth is expected to continue in the remaining months of the year, but at a slower pace. A key reason for this is that, although central bank support through low interest rates will continue, government programmes are winding. Growth should continue for both consumers and manufacturers as the benefits of recovery spread, but the situation is not risk free. An increase in infection rates could result in a renewed phase of restrictions, whilst rising unemployment, which is now seems inevitable, will have an adverse impact on both consumer confidence and, in time, spending power. Inflation is expected to remain subdued; price pressures are weak due to excess capacity in many areas because of the incomplete recovery and a weakening labour market.

On a gross basis, the Fund returned 5.20% over the quarter compared with the comparator return of 3.16%. Over the last 12 months, the Fund returned 18.50% compared with the comparator return of 5.24%.
The prime source of the outperformance has been stock selection, with important contributions from the companies held and also, relative to the indices, those avoided. The portfolio has a substantial weighting to consumer related companies such as Nike which saw strong sales growth. There was strength too in the health sector exposures and technology, although this sector did not enjoy again the strong gains seen in the second quarter. The portfolio avoided any significant exposure to traditional banks and was not exposed to oil and gas producers, two areas which underperformed the broad market.

Fund update

The portfolio is built on a 'bottom–up' approach by selecting companies on their merits rather than any predetermined allocation to sectors or regions. We look for companies with strong cash flows and well positioned in growing sectors where expansion is not dependent on the underlying trends in economic activity. Currently, this has resulted in relatively high weightings to parts of the technology and communications industries, to health and to some consumer related areas. The same criteria also result in low weightings to mainstream banking or energy where growth prospects are far from clear.

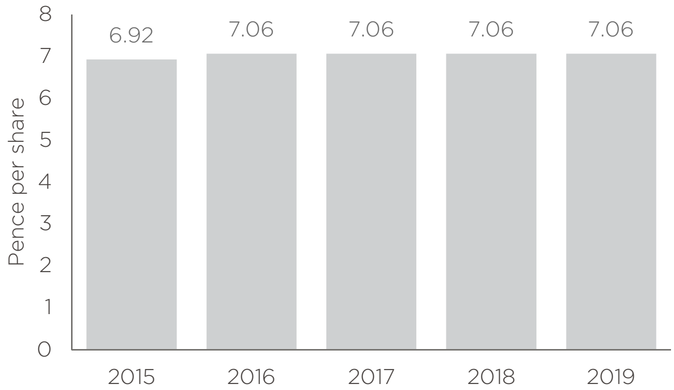
Income

Gross dividend yield 2.87%*

MSCI $ World dividend yield 2.00%

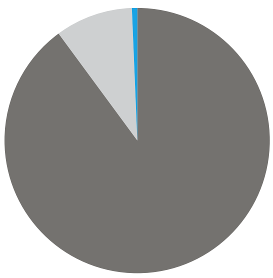
* Based upon the net asset value and an estimated annual dividend of 7.20p.

Past distributions



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

Asset allocation as at 30 September 2020



- Overseas Equities 89.9%
- UK Equities 9.45%
- Cash & Near Cash 0.65%

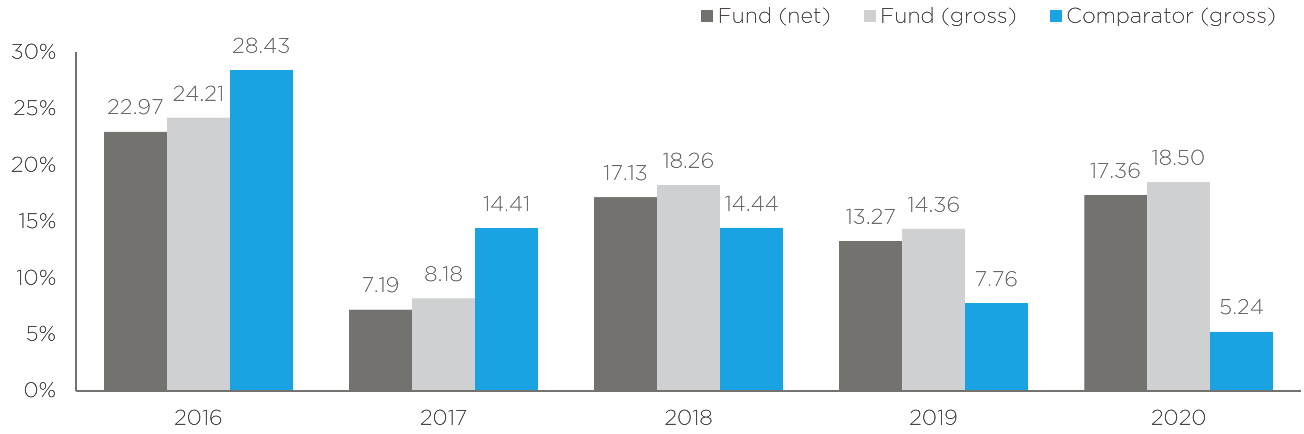
Overseas Equities	**%**
North America	60.73
Developed Europe	19.22
Asia Pacific ex Japan	8.33
Japan	1.62
	89.90

Total return performance

Performance to 30 September 2020	3 month	1 year	3 years p.a.	5 years p.a.
Global Equity Income (net)	+4.96%	+17.36%	+15.91%	+15.47%
Global Equity Income (gross)	+5.20%	+18.50%	+17.03%	+16.58%
Comparator (gross)	+3.16%	+5.24%	+9.08%	+13.78%

Discrete year total return performance

12 months to 30 September	2016	2017	2018	2019	2020
Global Equity Income (net)	+22.97%	+7.19%	+17.13%	+13.27%	+17.36%
Global Equity Income (gross)	+24.21%	+8.18%	+18.26%	+14.36%	+18.50%
Comparator (gross)	+28.43%	+14.41%	+14.44%	+7.76%	+5.24%



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

Top 10 holdings as at 30 September 2020

Microsoft Com NPV	3.2%
Amazon.Com Com USD0.01	3.2%
Alphabet Inc C Com NPV	2.6%
Unilever Ord GBP0.031	2.5%
Adobe Inc Com USD0.0001	2.3%
Danaher Com USD0.01	2.2%
Taiwan Semiconducter SP ADR(V5 Ord)	2.1%
Wolters Kluwer Cert EUR0.12	1.9%
Roche Holding Gsh NPV	1.9%
Nestle R CHF0.1	1.8%

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 UK economy continued in the improving trend that became evident in the second quarter. Consumer demand, recovering from the constraints imposed by lock-down, and a reviving manufacturing sector, both contributed, but the underlying foundation to the recovery continued to be support from the authorities; the Bank of England's low interest rate regime and the job support programme of the government. Of these, the monetary stance is expected to remain supportive of growth, but fiscal support will fade in the months ahead. For this reason, the prospects for continued recovery are less certain than they seemed even a few months ago, indeed it maybe that there is no growth at all in the final quarter if unemployment rises quickly or sentiment is damaged by Brexit concerns. A key feature of the period was the confirmation by the Bank that it is undertaking a review of the implications for the UK economy of the introduction of a negative interest rate regime. Although this was not a surprise to the market, as investors reflected that such a move might be less than a year away so money market rates declined, particularly for longer deposits. This eroded much of the yield premium available from this part of the market.

Our current expectation is that the next initiative from the Bank of England will be an additional phase of quantitative easing, but that does not exclude another cut in official rates, in any foreseen circumstances interest rates will stay low for the foreseeable future. At the end of the period the rate payable to investors was 0.40%, a strong outcome in the prevailing conditions.

Fund update

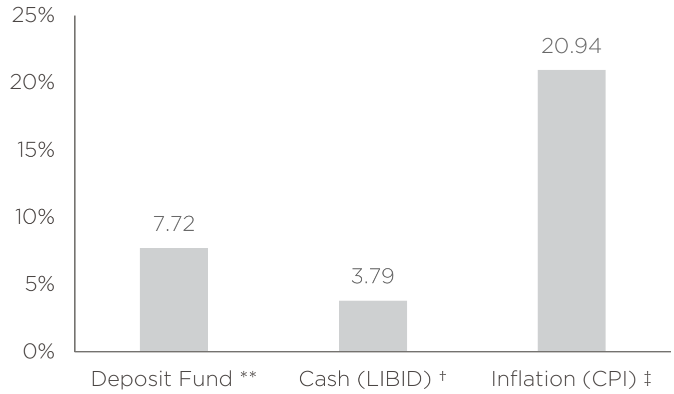
The prime focus of the investment policy is to provide capital security with excellent liquidity and a rate of interest which is competitive in the prevailing conditions. The portfolio is invested only in cash and near cash assets with a list of approved, high quality counterparties. Reflecting the outlook for interest rates the portfolio has increased the allocation to longer maturities to benefit from the income premium they provide.

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 September 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

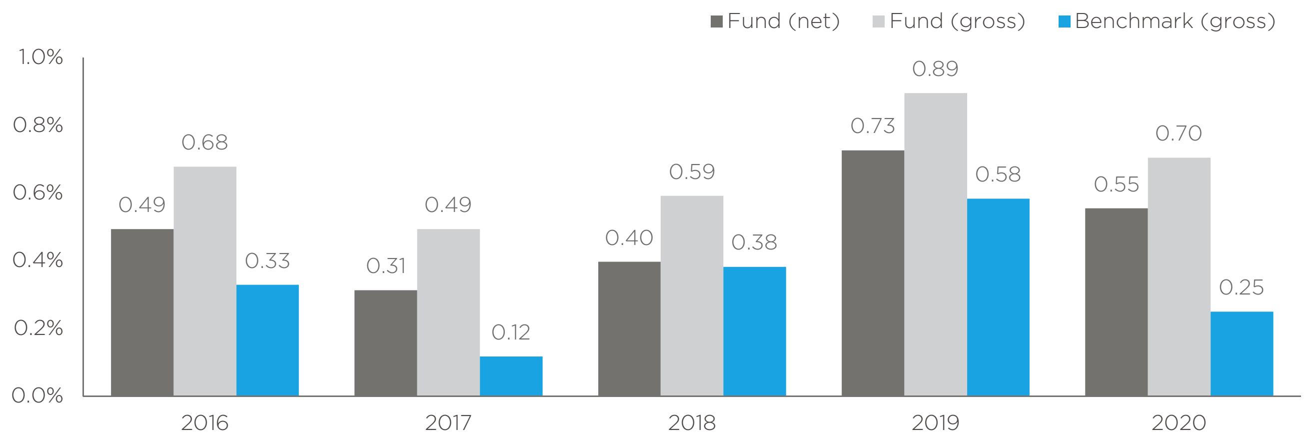
‡ CPI is estimated for the last month of the quarter.

Total return performance

Performance to 30 September 2020	3 month	1 year	3 years p.a.	5 years p.a.
Deposit (net)	+0.10%	+0.55%	+0.56%	+0.50%
Deposit (gross)	+0.11%	+0.70%	+0.73%	+0.67%
Benchmark (gross)	-0.01%	+0.25%	+0.40%	+0.33%

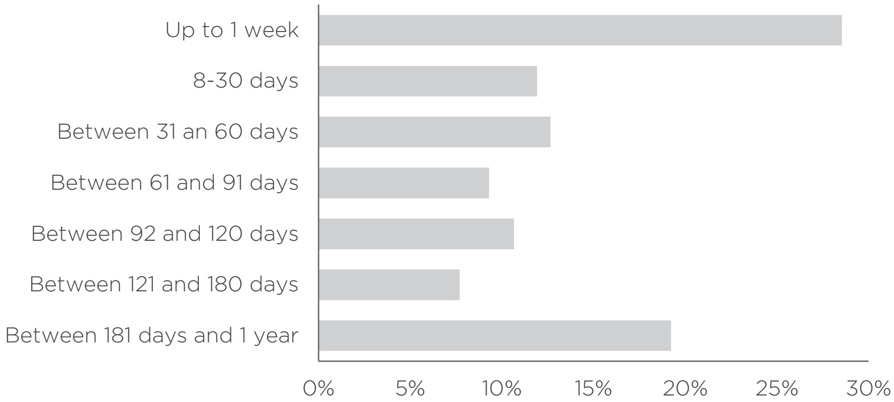
Discrete year total return performance

12 months to 30 September	2016	2017	2018	2019	2020
Deposit (net)	+0.49%	+0.31%	+0.40%	+0.73%	+0.55%
Deposit (gross)	+0.68%	+0.49%	+0.59%	+0.89%	+0.70%
Benchmark (gross)	+0.33%	+0.12%	+0.38%	+0.58%	+0.25%



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 expanded in the quarter, extending the recovery which began in May and then gained a degree of momentum in June. Growth was supported by increased consumer activity as lock-down measures eased and by rising manufacturing output as reduced stocks and thin supply chains were replenished. A key factor however was the contribution from government programmes and in particular the protection to jobs that resulted from the furlough scheme; even in August it was still supporting some 11% of the workforce. Interest rates remained at very low levels and could go lower in the future, the Bank of England confirmed that it was undertaking a review of the implications for the domestic economy of a move to a negative interest rate regime. This is not an immediate policy option, but it is feasible that such an approach could be in place in the second half of 2021. Looking forward, growth is likely to slow in the final quarter and could stay subdued in the early months of the new year. This is because key government programmes come to an end and there are threats to activity from rising unemployment and increased concerns over Brexit related uncertainty.

The fixed income sector was moved in a narrow trading band in the quarter. Corporate bonds were preferred to the government alternative and, reflecting the search for income in a low yielding market, it was the longer dated and lower credit rated issues which outperformed.

On a gross basis, the Fund returned 0.42% over the quarter compared with the benchmark return of -0.06%. Over the last 12 months, the Fund returned 3.70% compared with the benchmark return of 3.88%.
Over the quarter relative returns were supported by the portfolios bias towards corporate issues, offset in part by a defensive portfolio stance in a market which improved, albeit slightly.

Fund update

The portfolio has an above benchmark allocation to good quality corporate bonds because of the higher income they provide. The overall structure however is defensive, because of the high valuations the fixed income sector trades on. This is reflected in the duration and average term of the holdings are shorter and so less volatile than those of the benchmark.

Income

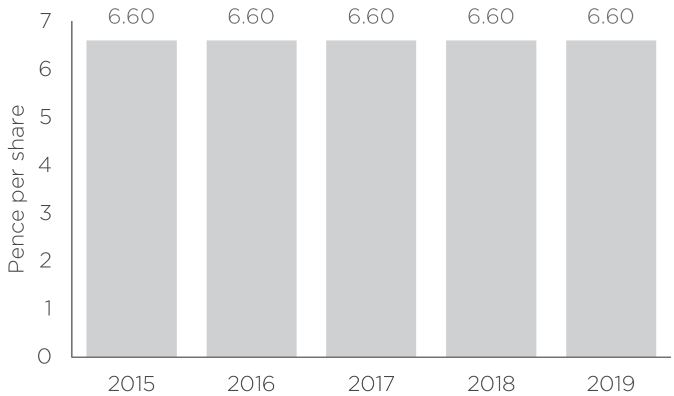
Gross dividend yield 3.09%*

Gross redemption yield 0.99%

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

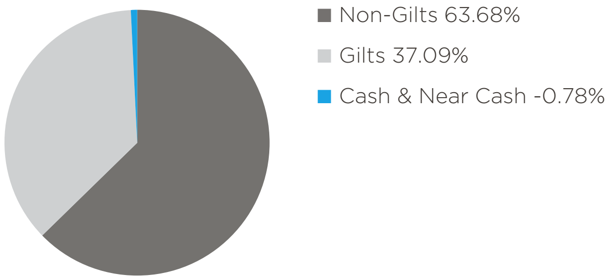
The gross redemption yield indicates what the total return would be if the Fund's current investments were held to maturity, in other words, the aggregate of gross interest received and the capital gain or loss at redemption, annualised.

Past distributions



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

Asset allocation as at 30 September 2020

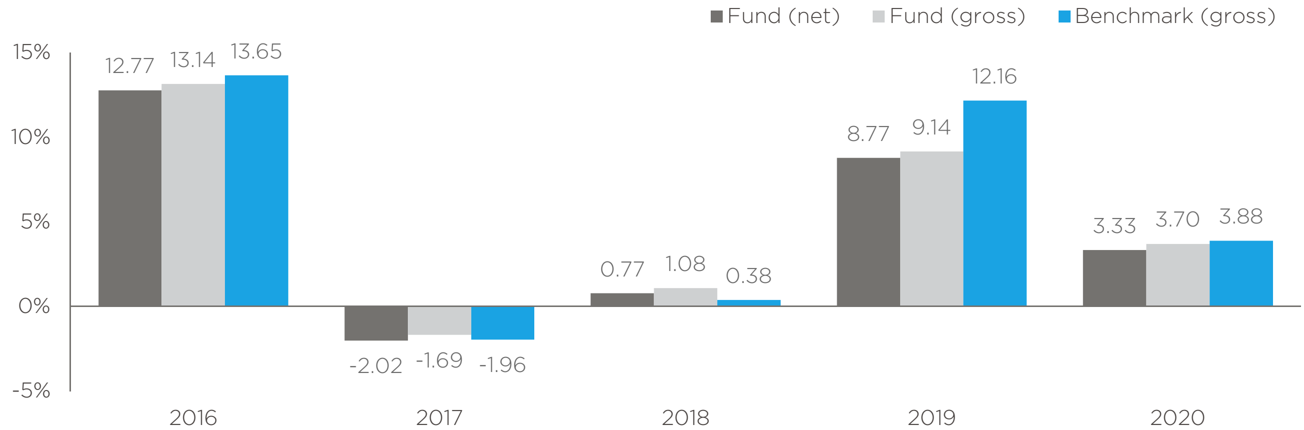


Total return performance

Performance to 30 September 2020	3 month	1 year	3 years p.a.	5 years p.a.
Fixed Interest (net)	+0.33%	+3.33%	+4.24%	+4.59%
Fixed Interest (gross)	+0.42%	+3.70%	+4.59%	+4.94%
Benchmark (gross)	-0.06%	+3.88%	+5.36%	+5.44%

Discrete year total return performance

12 months to 30 September	2016	2017	2018	2019	2020
Fixed Interest (net)	+12.77%	-2.02%	+0.77%	+8.77%	+3.33%
Fixed Interest (gross)	+13.14%	-1.69%	+1.08%	+9.14%	+3.70%
Benchmark (gross)	+13.65%	-1.96%	+0.38%	+12.16%	+3.88%



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	9.7
AA	49.4
A	26.1
BBB	13.4
Non Investment Grade	0.0
Not rated (Debentures/Prefs)	1.5

By term to maturity

Period	*% Fund*
0 - 5 years	32.8
5 - 10 years	29.1
10 - 15 years	11.8
Over 15 years	26.4
Duration (yrs)	8.4
Average term to maturity (yrs)	10.2

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 domestic UK economy strengthened in the third quarter, building on the recovery which began tentatively in May. This improvement was reflected in the property sector. Declines in capital values moderated overall and there were welcome gains in some areas. An increase in transaction levels – although these remained low by historical standards – and greater price clarity allowed the uncertain valuation warnings which had been issued by valuers in the spring to be withdrawn and this in turn allowed Managers to consider lifting the dealing suspensions which had affected many property funds. Within the sector the broad trends evident earlier in the year and indeed before then, continued. Support remained strong for industrial assets, particularly the large distribution facilities which have been integral to the revolution in UK shopping habits. Offices also improved, despite the questions raised about long-term space needs as working from home becomes more established. The 'other assets' sector remained flat, reflecting the difficulties facing hotels, but the main concern continued to be the prospects for retail properties. All sub-sectors in this part of the market saw valuations falling and rents coming under pressure from tenants experiencing much reduced revenues.

On a net basis, the Fund returned 0.37% over the quarter compared with the benchmark return of 0.29%. Over the last 12 months, the Fund returned -1.74% compared with the benchmark return of -2.67%.
The moratorium on dealing in the Fund was lifted at the September dealing date following the removal of the valuation warning by Knight Frank, the Fund's independent valuer. Income distributions to investors continued to be made on a received income basis, so far this has resulted in payments of c. 75% of the rate for the equivalent period in 2019.

Fund update

The portfolio has a bias towards industrial and office assets and has only a minor exposure to traditional high street shops. There is no exposure to shopping centres. The strategy is to invest in good quality assets which, through active management, can contribute to maintaining an above average yield and good long-term total returns. There were no transactions in the quarter although terms have been agreed for the sale of an office asset in Edinburgh. Lease management has resulted in increased income from properties in Maidenhead and Wednesbury. Void rates have risen due to planned work on the office building in Cannon Street.

Income

Gross dividend yield 4.73%*

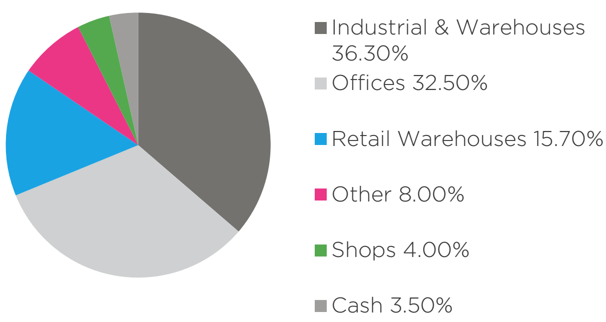
MSCI/AREF Other Balance Property Fund Index Yield † 3.60%

* Based upon the net asset value and an estimated annual dividend of 6.04p.

Past distributions

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

Underlying asset allocation as at 30 September 2020

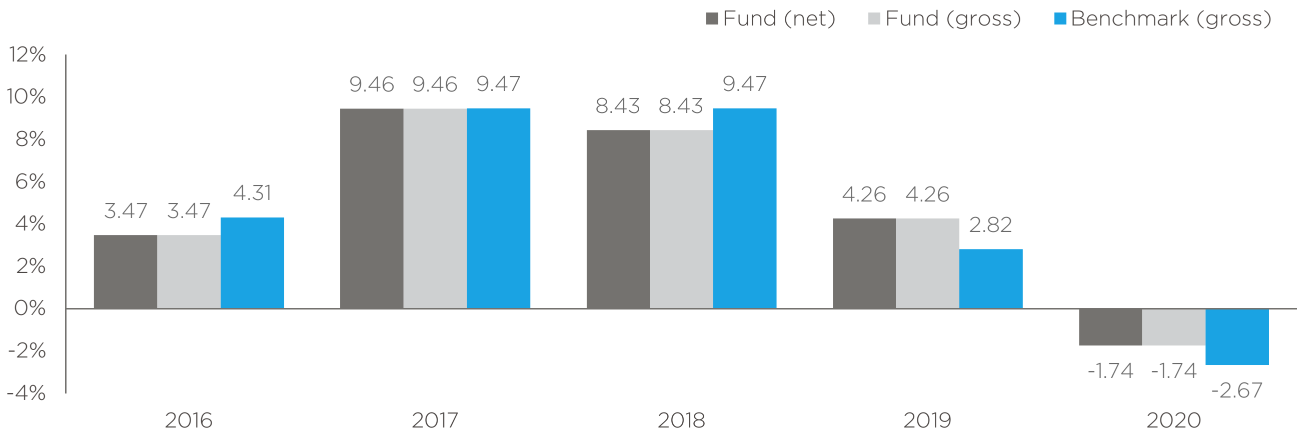


Total return performance (net)

Performance to 30 September 2020	3 month	1 year	3 years p.a.	5 years p.a.
Property (net)	+0.37%	-1.74%	+3.57%	+4.70%
Benchmark (net)	+0.29%	-2.67%	+3.09%	+4.58%

Discrete year total return performance (net)

12 months to 30 September	2016	2017	2018	2019	2020
Property (net)	+3.47%	+9.46%	+8.43%	+4.26%	-1.74%
Benchmark (net)	+4.31%	+9.47%	+9.47%	+2.82%	-2.67%

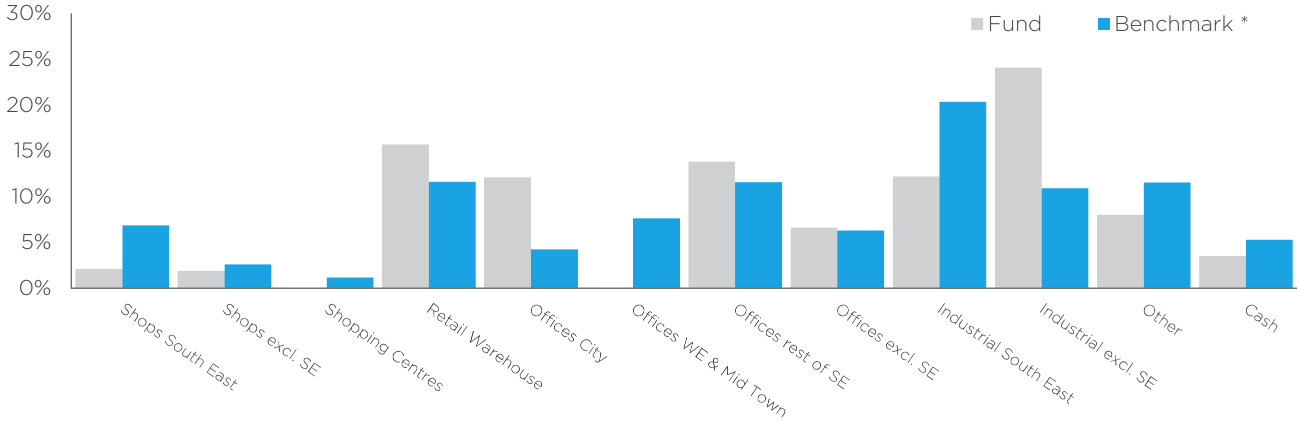


Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index. Property performance is shown after management fees and other expenses (net). Source: CCLA

Top 10 underlying property holdings - total 44.02%

London, 80 Cannon Street	London. Ec3 , 1-3 College Hill
Brighton, Pavilion Centre	Lutterworth, 3320 Magna Park
Mendlesham, Mendlesham Industrial Estate	Lutterworth, 3220 Magna Park
Bracknell, 5 Arlington Sq	1400-1600 Aztec West Business Park Bristol
Bath, Westside Hotel (travelodge)	Crawley, Manor Gate

Underlying asset allocation by region and category



Performance of the Property Fund 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