

Update III

2 April 2020

Less than two weeks ago CCLA started to transition to operating virtually rather than from Senator House in the City of London. The project is now complete: CCLA continues to manage the money entrusted to us by our clients with the skill and diligence they have come to expect; our relationship management and client service teams are as attentive as they have ever been; and our operational staff continue their important work to keep the wheels turning. The business as a whole has settled quickly into its new rhythm, which is a clear demonstration of the quality and dedication of the whole CCLA team, a team I count myself very honoured to lead.

There continue to be changes we need to make as the environment evolves. For example, we wrote to every client on 12 March informing them that we would stop accepting physical subscriptions and redemptions, forms and cheques. Though due to the short notice of this change and also the fact that some clients may not have received letters if their correspondence address is an office or other building not current being attended, we have endeavoured to keep accepting physical instructions and banking cheques. However, as from the 1 April continuing to bank physical cheques is no longer possible though we are continuing to receive post. We have no option other than to destroy cheques, albeit the application will be honoured and processed for impacted clients who will be informed that payment can only be made electronically. We understand this will cause inconvenience for some clients but we have to put the best interests of our employees first.

The long-term impact on world economies and markets remains unclear, though we believe there are reasons to be optimistic. Our base-case scenario with a probability of 55% sees a recovery starting in Q3, but GDP will remain below early 2020 levels until at least the end of 2021. We see a 15% chance of a more positive scenario as a result of the massive financial stimulus packages being put in place by many governments and central banks. On the negative, we worry that we still don't have full stimulus commitment from the Eurozone, with ongoing challenges for China, suggesting that the downside scenario has a probability of 30%. Against this backdrop we remain focused on our exposure to quality business that have clear free cash flow generation. These companies have served us well through the crisis so far and will continue to do so as economies and markets recover.

As a business CCLA is already looking to the future. We are financially strong and continue to invest in our capabilities. We continue to take on new staff, though for them joining what is now a virtual business is best described as unusual. We are also thinking about what the recent weeks will mean for us long-term. Many of the measures put in place will be lifted in time, but life for many businesses post Covid-19 will be different from what it used to be. For example, we are all now getting used to working from home, holding meetings over the internet and the technology to support this activity is now been tested thoroughly. Face to face meetings will remain important, whether its meetings with companies, clients or our industry and sector partners, but there are considerable efficiencies to be had from continuing with online meetings and reducing the time, expense and let's not forget carbon emissions of some business related travel. The workplace itself is likely to change, too. In future enabling more agile working with staff spending less time physically in the office, will in turn result in office reconfigurations allowing teams to collaborate more effectively when they are in the office. All of these changes will be good for our staff, good for our clients and good for the environment.

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 our clients. We remain cautiously optimistic.

Stay safe.

**Peter Hugh Smith**  
Chief Executive

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