

[RE]SOURCE

**HELPING YOUR CHURCH THRIVE
INTO THE FUTURE**

**MAKING YOUR MONEY WORK FOR
YOUR MISSION**

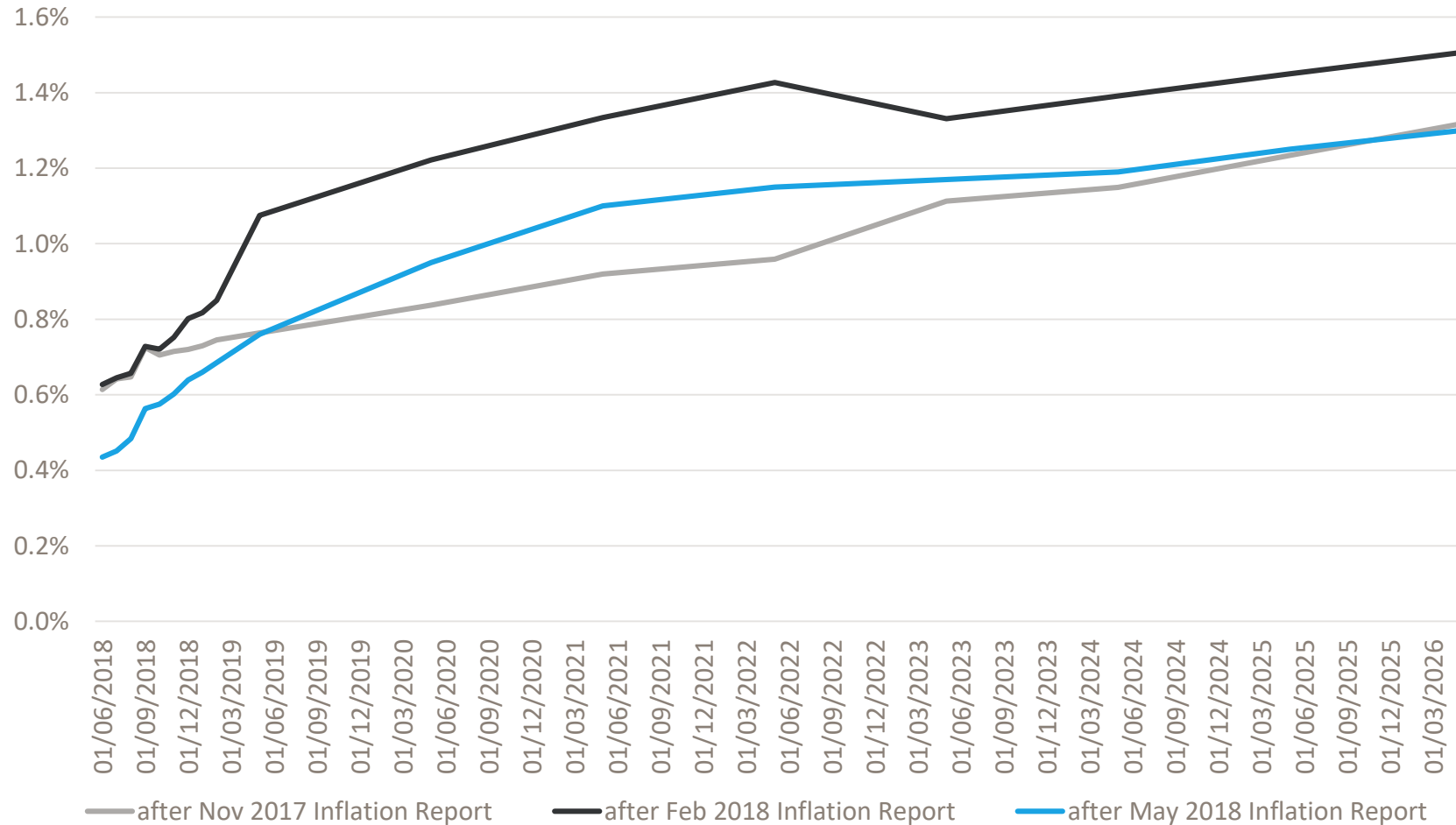
Heather Lamont, Client Investment Director

8 September 2018

CCLA

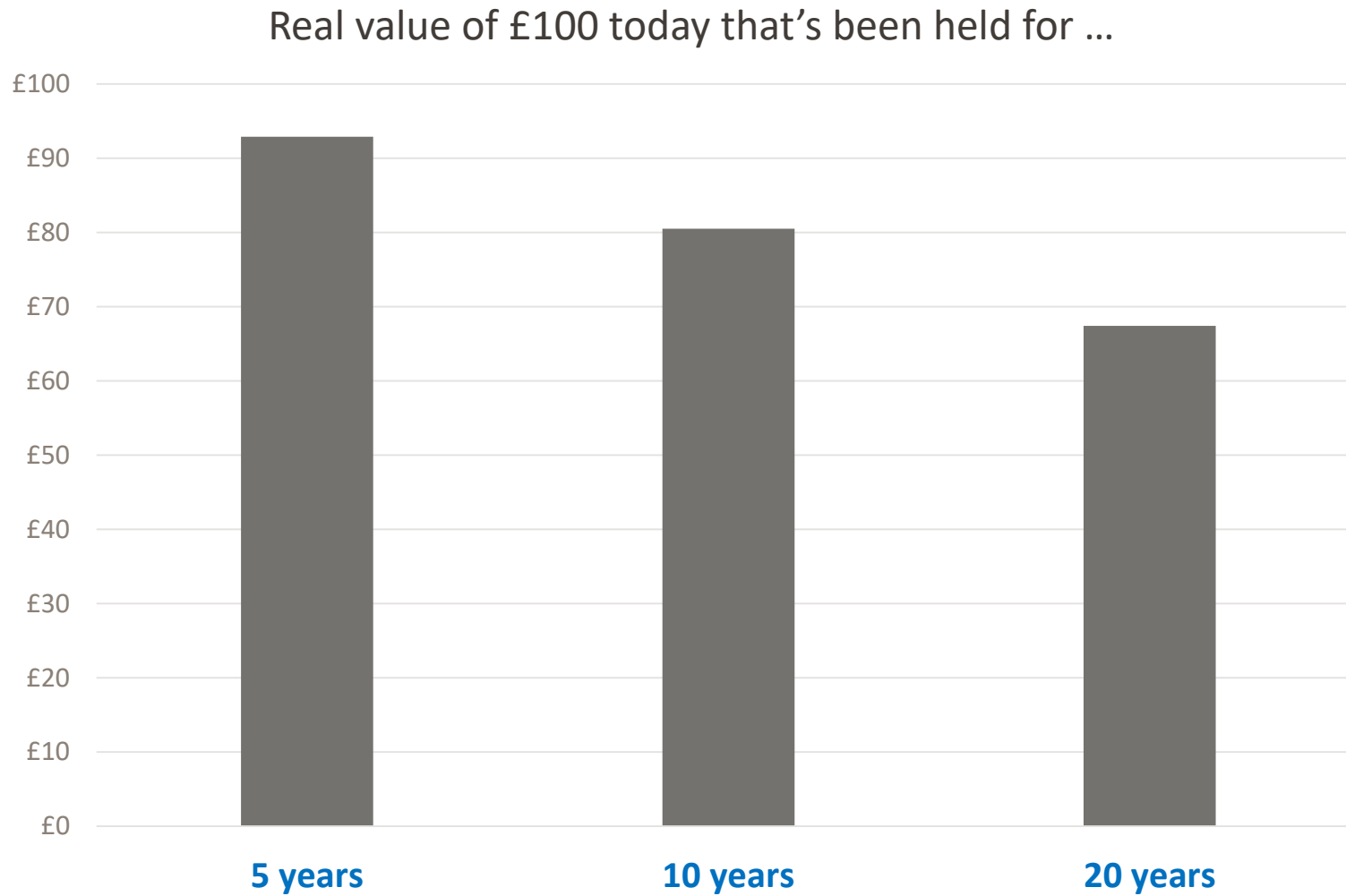


Implied Bank of England Official Base Rate



Meanwhile, inflation (CPI) is 2.3% as at June 2018

Source: CCLA & Bloomberg



Source: CCLA & ONS. Based on CPI index June 1988-2018.

- Timescale for liability
 - What are short term requirements?
 - What is seen as long term and therefore appropriate to consider investment options?
 - Will vary across sub accounts (unrestricted, designated, restricted, permanently endowed)
- Income needs – size and growth
- Capital needs – size and growth
- Tolerance for volatility of both
- Investment restrictions e.g. ethical, permanent endowment

What are you holding the cash for?

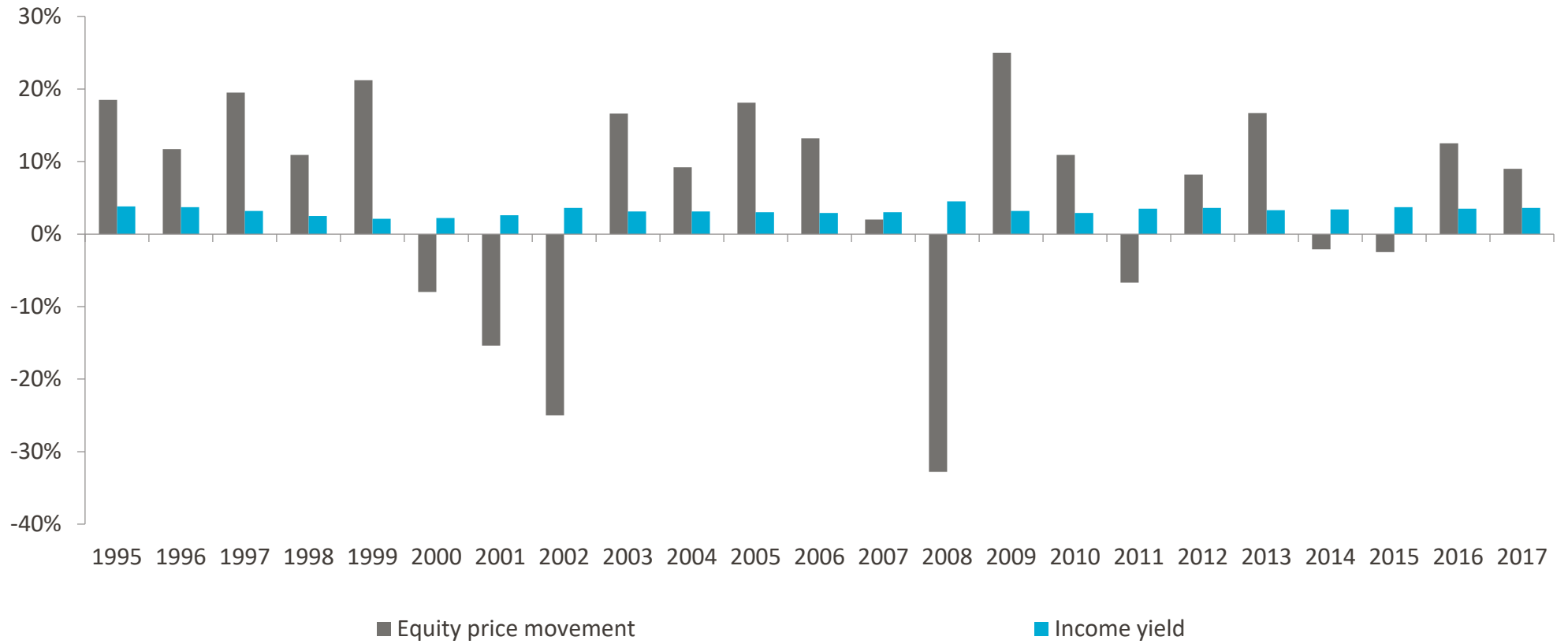
- We don't know when we will need monies
 - *You can estimate for non insurance covered outgoings*
- We need access to the funds
 - *How quickly? Today? Next week? In six months' time?*
- It's not my money – it's too risky - safety first minimises criticism
 - *Safety now v future safety*
- We have very limited investment knowledge on the PCC
 - *1958 Church Funds Investment measure recognised this*

- Interest rates are likely to lag inflation
 - The spending power of your cash reserve is shrinking (even if you do not spend the interest)
- Staying in cash over time makes life for your church more difficult
 - Costs (labour and materials) are very likely to rise faster than inflation
- Replacing cash reserves takes time and energy from congregation

Cash is not risk free

- Fixed income ('bonds')
- Equities (shares)
- Property

We need to look at both the income and capital components of total return



Capital returns are more volatile than income

Source: Barclays

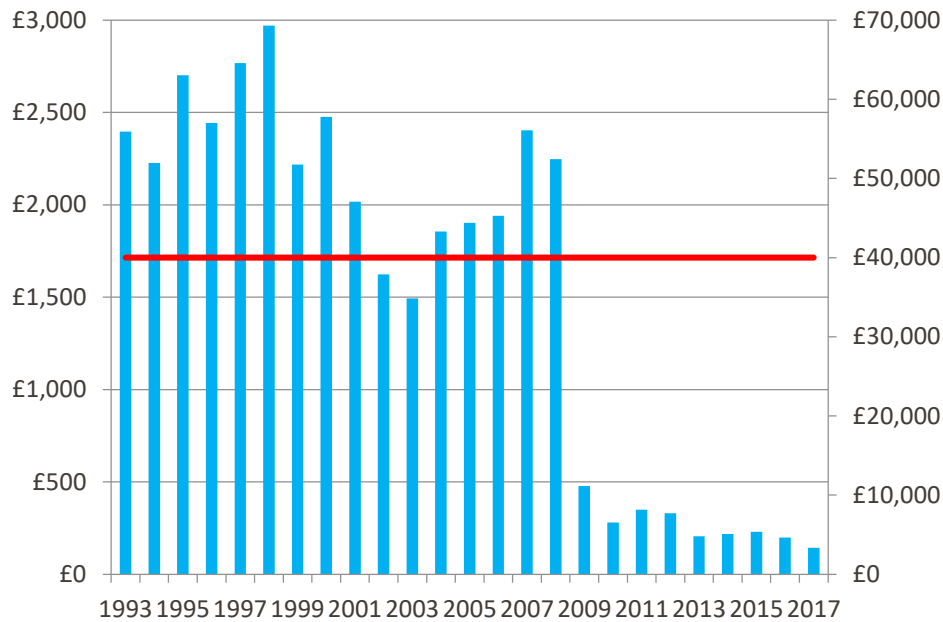
Holdings	Market value	Income Yield	Forecast annual income
Cash	£40,000	0.55%	£220
TOTAL PORTFOLIO	£40,000	0.55%	£220

Holdings	Market value	Income Yield	Forecast annual income
Multi-asset Fund	£10,000	3.10%	£310
Cash	£30,000	0.55%	£165
TOTAL PORTFOLIO	£40,000	1.19%	£475

Holdings	Market value	Income Yield	Forecast annual income
Multi-asset Fund	£20,000	3.10%	£620
Cash	£20,000	0.55%	£110
TOTAL PORTFOLIO	£40,000	1.82%	£730

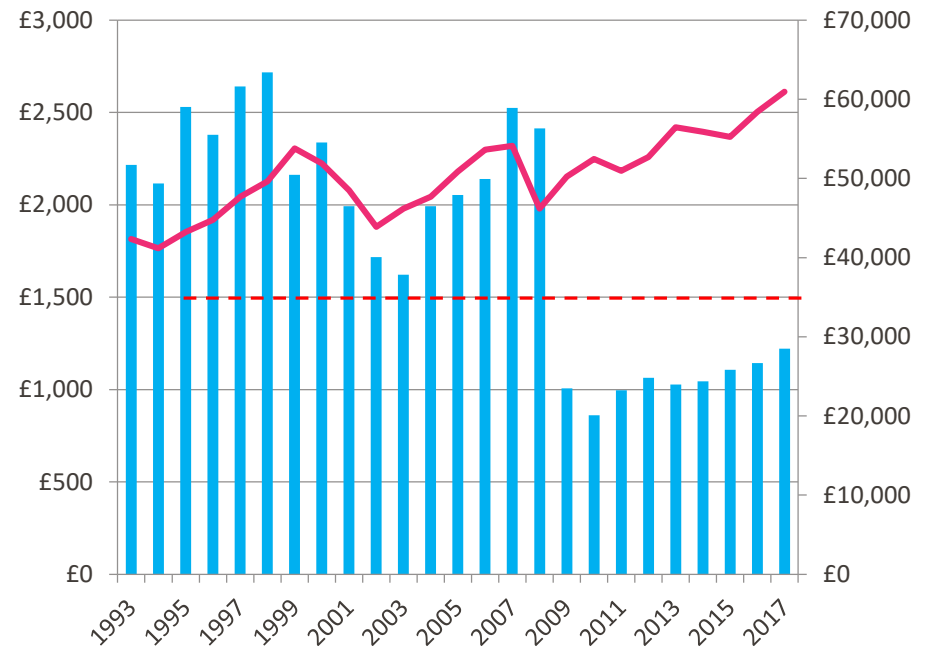
£40,000 invested 1 Jan 1993: income returns and movement in capital value

£40,000 cash only



Income in yr (lhs) Balance sheet year end

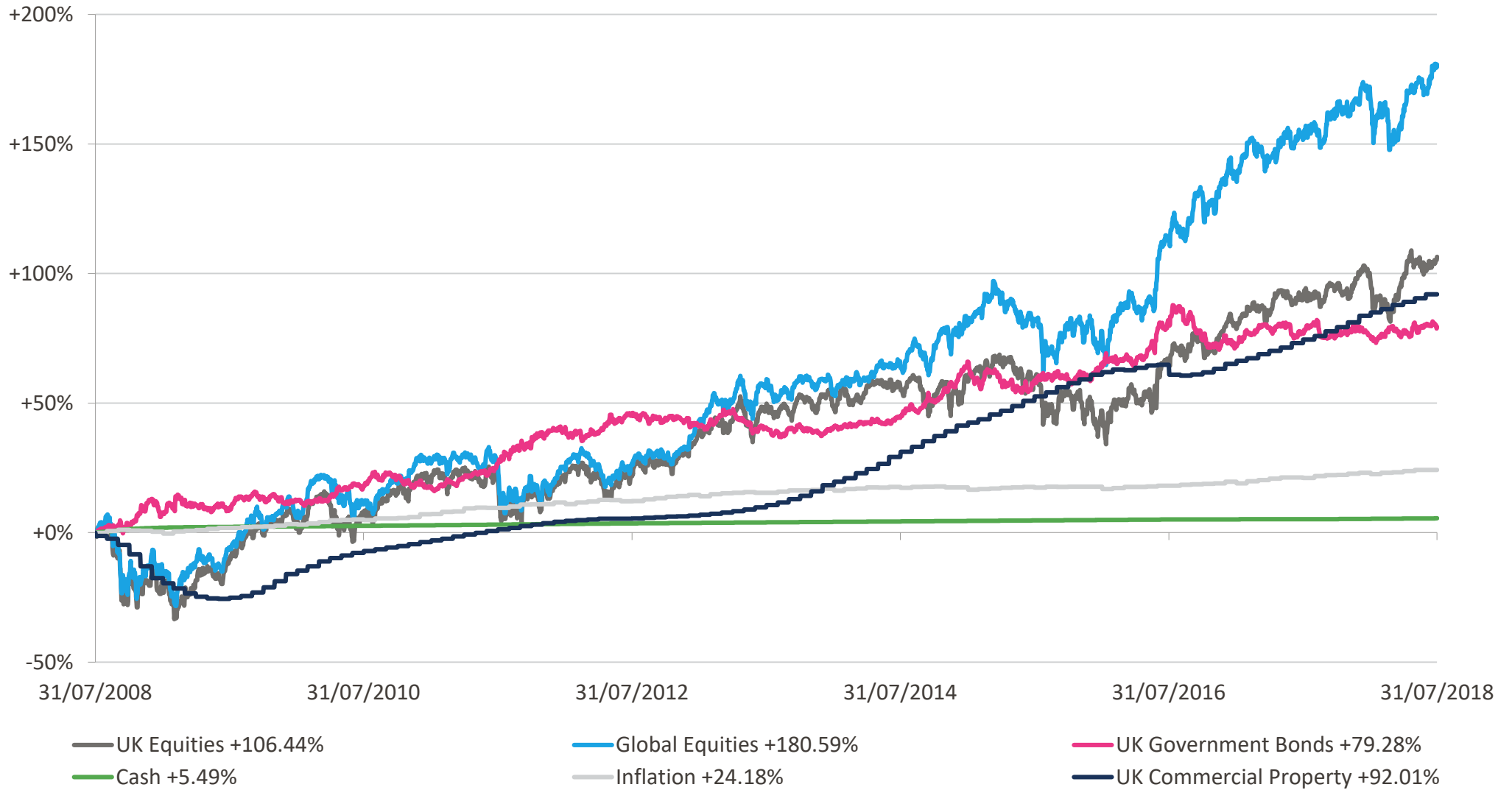
£30,000 cash, £10,000 equities



Income in yr Balance sheet yr end

Source: CCLA, Barclays as at 31.12.17. Based on nominal UK equity prices, equity income yield and average 3 mth sterling LIBOR.

If cash balances are likely to persist, a modest allocation to real investments can make good sense



Source: Bloomberg as at 31 July 2018

- Consistent professional management across all assets

- Control of risk
 - Diversification
 - Risk modelling

- Lower costs
 - Commissions
 - Benefits of scale

- Administratively simple

- **Heads up!** - We are now changing the conversation from generalities to include company specific material
- CCLA is a leading manager of Church and charity assets in the UK
- We allocate all our resources to the needs of the sector
- We are predominantly owned by our clients

- Common investment funds: specialist pooled funds available to charities
 - Charities in their own right
 - Board of trustees gives extra level of oversight
- The CCLA CBF funds are designed specifically for use by Church of England bodies
- CBF funds all follow Church ethical guidelines

- Core Funds
 - CBF Deposit Fund (deals daily)
 - CBF Investment Fund (deals weekly-Tuesday)

- Specialist Funds
 - CBF Fixed Interest Securities Fund (deals weekly-Tuesday)
 - CBF Global Equity Income Fund (deals weekly-Tuesday)
 - CBF Property Fund (deals monthly- last Tuesday)
 - CBF UK Equity Fund (deals weekly-Tuesday)

- Most funds have choice of income and accumulation units

- Client Service team 0800 022 3505

The CBF Church of England Funds	Annual Management Charge (AMC)	Ongoing Charges Figure (OCF)* Total Charge
Investment Fund	0.55%	0.68%
Fixed Interest Securities Fund	0.22%	0.35%
Property Fund**	0.65%	0.69%
Global Equity Income Fund	0.75%	0.96%
UK Equity Fund	0.50%	0.68%
Deposit Fund	0.20%	0.26%

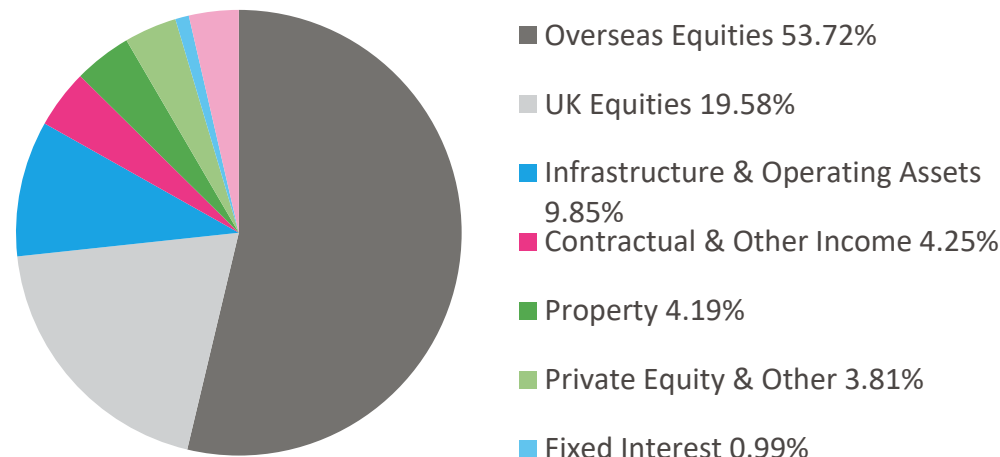
*The difference between the AMC and the OCF consists of irrecoverable taxes (including VAT), legal, audit, custody and other third party costs. The OCFs quoted above are taken from the latest Report & Accounts and are not a guarantee of future OCFs which are subject to change.

**VAT charged to the property fund is recoverable

Spreads are subject to change to reflect actual costs incurred; details of current spreads are available upon request

- A suitable multi-asset, long-term fund for most Church charities
- Designed to help meet growth and income requirements
- Seeks to provide highly diversified and well balanced spread of investments
- Focus on delivering attractive, growing income
- Steady income, current yield 3.28%*
- Fund size £1,369m

Asset Allocation



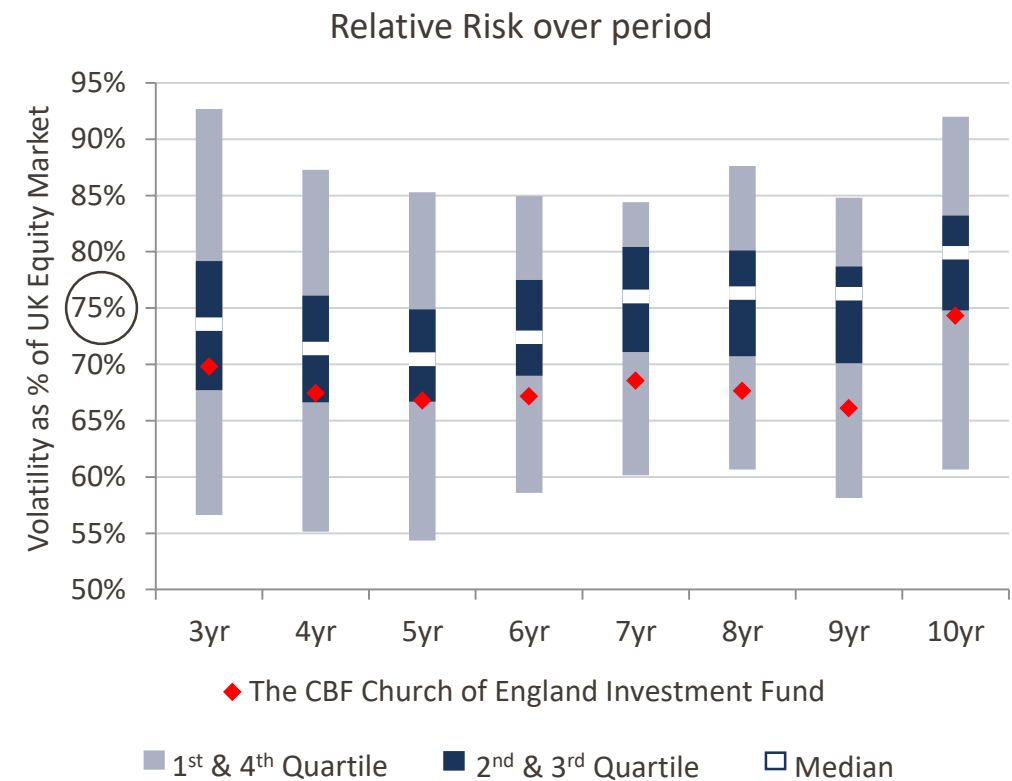
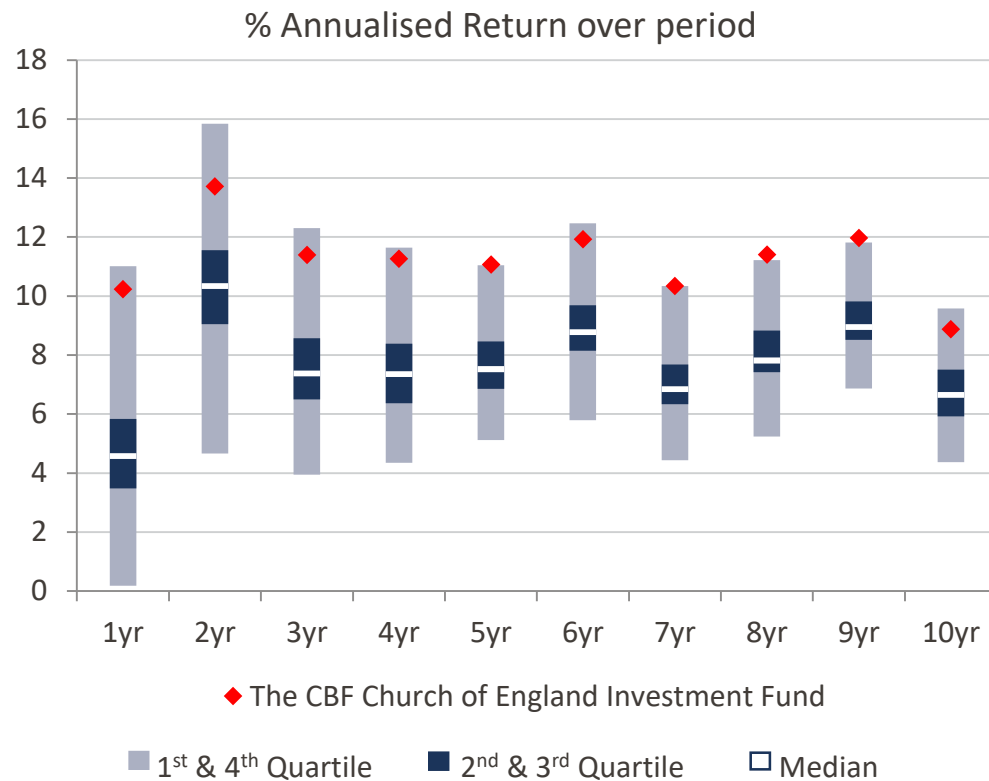
Overseas Equity	%
North America	35.4
Europe ex UK	11.0
Asia Pacific ex Japan	4.0
Japan	3.4
	53.7

Source: CCLA as at 30 June 2018

*Based upon mid-market price as at 30 June 2018 and a projected annual distribution of 54.89p per unit.

Asset allocation is provisional and subject to change.

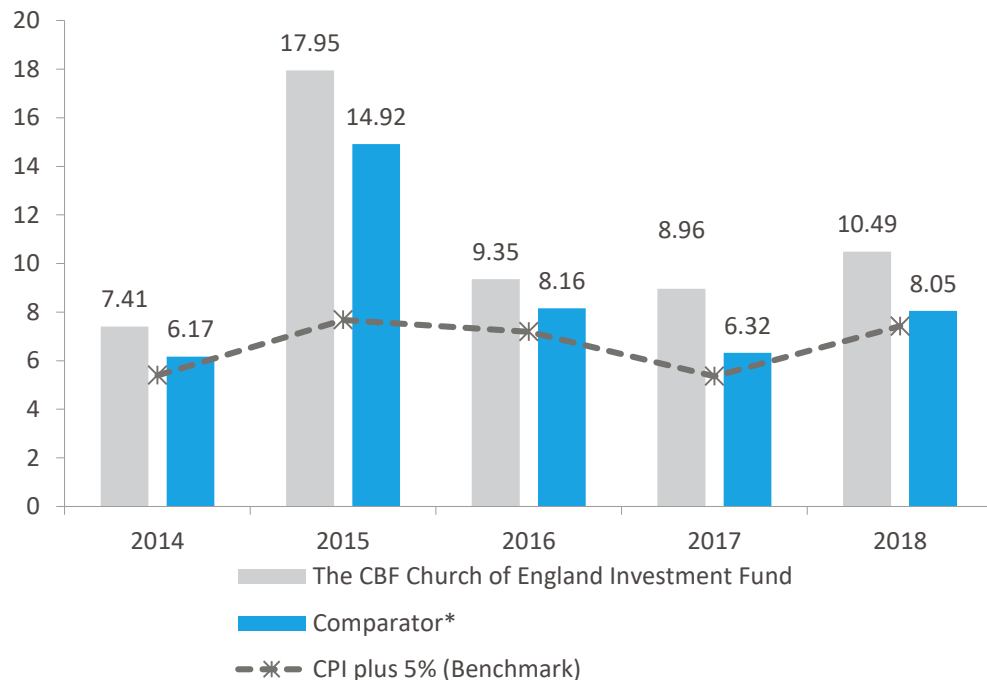
- Consistent and competitive returns, ahead of the median fund and over multiple time periods
- We have achieved these results with volatility within the risk budget of 75% of UK equity market risk



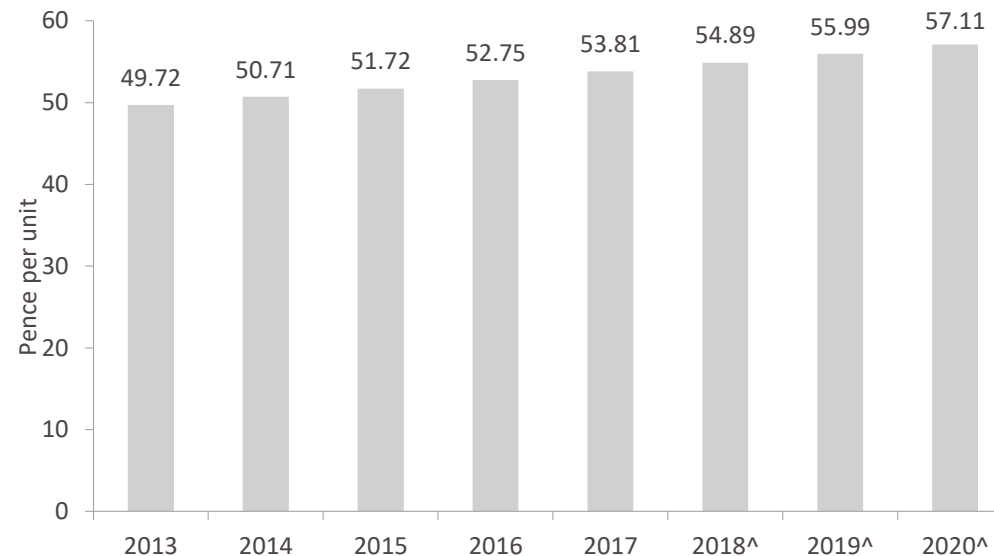
Source Morningstar and CCLA as at 30 June 2018
Peer Group: Investment Association 40%-85% equity funds peer group.

Past performance is not a reliable indicator of future results.

Discrete year total return performance (gross)
12 months to 30 June



Historical and projected annual distribution



Source: CCLA as at 30 June 2018.

*Comparator - Composite: From 1.1.18: MSCI World ex UK Index, 45%; MSCI UK Investable Market Index, 30%; IPD All Properties Index, 5%; Markit iBoxx £ Gilts Index, 15% and 7 day LIBID, 5%. From 1.1.16 to 31.12.17: MSCI UK Investable Market Index, 45%; MSCI Europe ex UK Index, 10%; MSCI North America Index, 10%; MSCI Pacific Index, 10%; IPD All Properties Index, 5%; Markit iBoxx £ Gilts Index, 15% and 7 day LIBID, 5%. From 01.01.12 to 31.12.2015 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% .

Performance shown gross of management fees and expenses on a mid price basis. Net returns will be lower after the deduction of fees and expenses.

Distributions: Years 2013 and 2014 are as at 30 November. In December 2015 there was an additional distribution of 2.95 per share as a result of the change in accounting year.

^Projected annual distribution

Past performance and distributions are not a reliable indicator of future returns.

Net annualised returns % to 30 June 2018	The CBF Church of England Investment Fund	Inflation (RPI)	Difference
Since launch	11.07	5.34	5.73
50 years	10.71	5.82	4.88
40 years	11.24	4.41	6.83
30 years	8.77	3.29	5.48
20 years	6.30	2.76	3.54
10 years	8.80	2.65	6.15

Source: CCLA and ONS as at 30 June 2018

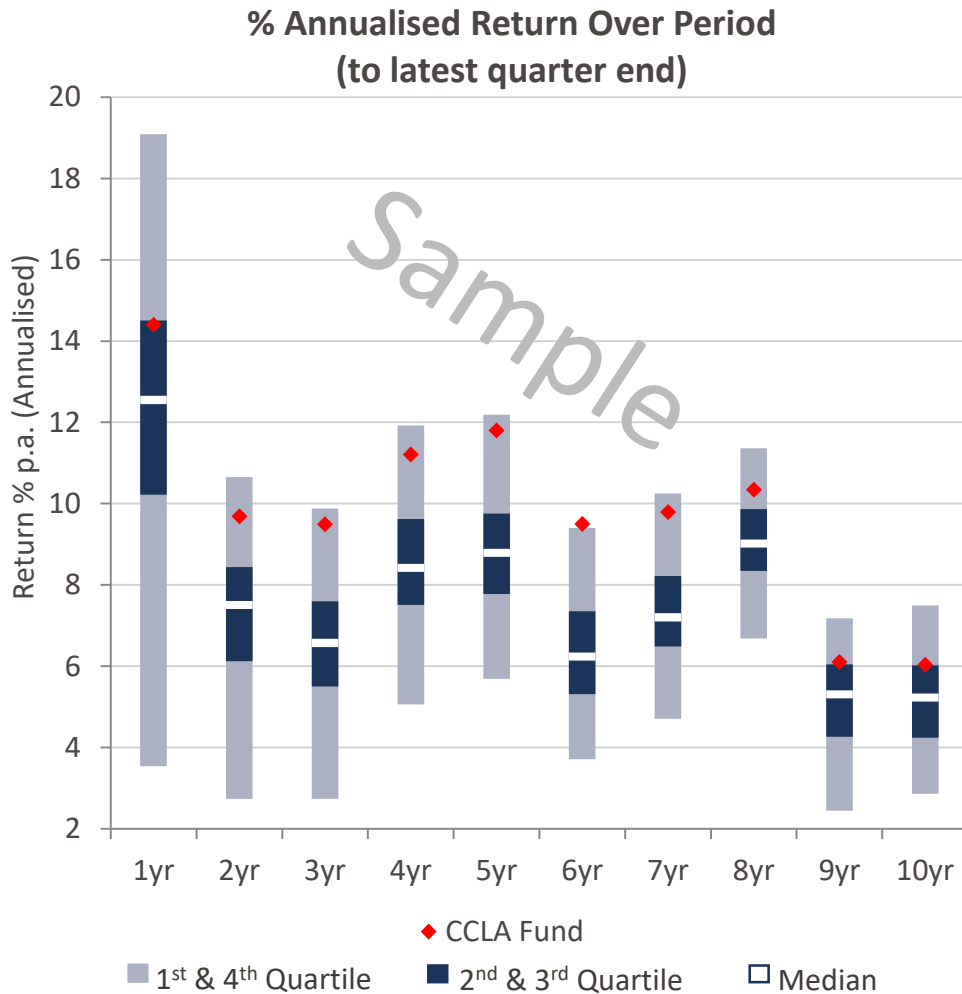
Since launch date: May 1958.

Performance is shown net of management fees and expenses on a mid price basis.

RPI has been used as the measure of inflation as CPI was not available until 1996.

Past performance is not a reliable indicator of future results.

- There is a growing need for wise use of financial assets
- Cash is not risk free
- Create a self sustaining reserves strategy
- Risk control rather than risk avoidance



- The bar charts show the range of returns from comparable competitor funds over varying time periods
- Graph based on annualised total returns of all the funds graphed (2.5%-97.5%) and splits the fund performance results into four quartiles. These quartiles and their ranges are shown along with the average (median) return
- Competitive data is the relevant Investment Association (IA) fund universe. Data shows total returns, net of fees.
- Volatility data uses monthly return data. FTSE All Share volatility (data from Morningstar) has been used as the reference when comparing volatility of CCLA and competitor funds.

Source: Morningstar and CCLA.

Past performance is not a reliable indicator of future results.

Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing.

Investors should consider the following risk factors identified as specific to the Fund before investing: Market Risk (investment value affected by market conditions), Issuer/credit Risk (issuer/financial institution may not pay), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Operational Risk (general operational risks) and Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

Disclosure

Investment in the Fund is only available to charitable trusts with objects closely connected with the work of the Church of England.

Past performance is not an indicator of future performance. 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.

Investments in the Fund and the Fund are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

The Fund is a Common Fund established under The Church Funds Investment Measure 1958 (as amended or replaced from time to time). The Fund is not a regulated Fund and is not recognised as an Alternative Investment Fund.

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CCLA

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