[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
God doesn’t always give us the antlers we’re looking for.
LOW INTEREST RATES GIVE A HIGH COST TO CERTAINTY

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

Source: CCLA & Bloomberg
EVEN MODEST INFLATION HAS A DAMAGING EFFECT OVER THE LONG TERM

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

Real value of £100 today that’s been held for ...

- 5 years
- 10 years
- 20 years

Source: CCLA & ONS. Based on CPI index June 1988-2018.
QUESTIONS YOU SHOULD BE CONSIDERING

• 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
We need to look at both the income and capital components of total return.
Capital returns are more volatile than income

Source: Barclays
### INCOME - THE CERTAINTY OF CASH...AND ITS COST - EXAMPLE 1

<table>
<thead>
<tr>
<th>Holdings</th>
<th>Market value</th>
<th>Income Yield</th>
<th>Forecast annual income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>£40,000</td>
<td>0.55%</td>
<td>£220</td>
</tr>
<tr>
<td><strong>TOTAL PORTFOLIO</strong></td>
<td><strong>£40,000</strong></td>
<td><strong>0.55%</strong></td>
<td><strong>£220</strong></td>
</tr>
</tbody>
</table>
### INCOME - CERTAINTY VS COST - EXAMPLE 2

<table>
<thead>
<tr>
<th>Holdings</th>
<th>Market value</th>
<th>Income Yield</th>
<th>Forecast annual income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-asset Fund</td>
<td>£10,000</td>
<td>3.10%</td>
<td>£310</td>
</tr>
<tr>
<td>Cash</td>
<td>£30,000</td>
<td>0.55%</td>
<td>£165</td>
</tr>
<tr>
<td><strong>TOTAL PORTFOLIO</strong></td>
<td><strong>£40,000</strong></td>
<td><strong>1.19%</strong></td>
<td><strong>£475</strong></td>
</tr>
</tbody>
</table>
### INCOME - CERTAINTY VS COST - EXAMPLE 3

<table>
<thead>
<tr>
<th>Holdings</th>
<th>Market value</th>
<th>Income Yield</th>
<th>Forecast annual income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-asset Fund</td>
<td>£20,000</td>
<td>3.10%</td>
<td>£620</td>
</tr>
<tr>
<td>Cash</td>
<td>£20,000</td>
<td>0.55%</td>
<td>£110</td>
</tr>
<tr>
<td><strong>TOTAL PORTFOLIO</strong></td>
<td><strong>£40,000</strong></td>
<td><strong>1.82%</strong></td>
<td><strong>£730</strong></td>
</tr>
</tbody>
</table>
£40,000 invested 1 Jan 1993: income returns and movement in capital value

£40,000 cash only

£30,000 cash, £10,000 equities

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

Source: CCLA, Barclays as at 31.12.17. Based on nominal UK equity prices, equity income yield and average 3 mth sterling LIBOR.
MARKET REVIEW – 10 YEAR RETURNS TO 31 JULY 2018

Source: Bloomberg as at 31 July 2018

UK Equities +106.44%
Global Equities +180.59%
UK Government Bonds +79.28%
Cash +5.49%
Inflation +24.18%
UK Commercial Property +92.01%
• 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

<table>
<thead>
<tr>
<th>Fund</th>
<th>Annual Management Charge (AMC)</th>
<th>Ongoing Charges Figure (OCF)* Total Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Fund</td>
<td>0.55%</td>
<td>0.68%</td>
</tr>
<tr>
<td>Fixed Interest Securities Fund</td>
<td>0.22%</td>
<td>0.35%</td>
</tr>
<tr>
<td>Property Fund**</td>
<td>0.65%</td>
<td>0.69%</td>
</tr>
<tr>
<td>Global Equity Income Fund</td>
<td>0.75%</td>
<td>0.96%</td>
</tr>
<tr>
<td>UK Equity Fund</td>
<td>0.50%</td>
<td>0.68%</td>
</tr>
<tr>
<td>Deposit Fund</td>
<td>0.20%</td>
<td>0.26%</td>
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*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.
The CBF Church of England Investment Fund

- 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

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.
OUR MULTI-ASSET PERFORMANCE & RISK RECORD

- 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

% Annualised Return over period

<table>
<thead>
<tr>
<th>1yr</th>
<th>2yr</th>
<th>3yr</th>
<th>4yr</th>
<th>5yr</th>
<th>6yr</th>
<th>7yr</th>
<th>8yr</th>
<th>9yr</th>
<th>10yr</th>
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Relative Risk over period

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<th>3yr</th>
<th>4yr</th>
<th>5yr</th>
<th>6yr</th>
<th>7yr</th>
<th>8yr</th>
<th>9yr</th>
<th>10yr</th>
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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.
Historical and projected annual distribution

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

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

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 quarters. 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 AND DISCLOSURE

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.

CCLA Investment Management Limited (registered in England No. 2183088 at the office above) 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)
Heather.Lamont@ccla.co.uk
Client Investment Director

Client Services: 0800 022 3505

www.ccla.co.uk