

CHURCH OF SCOTLAND INVESTORS' TRUST

May 2016

PROPOSED DELIVERANCE

The General Assembly:

1. Receive the Report.
2. Appoint Miss C Y Alexander as Chairman of the Investors Trust from 1 June 2016.
3. Appoint Mr B J Duffin as Vice-Chairman of the Investors Trust from 1 June 2016.
4. Approve the appointment of Ms E Crichton and Mr M G S Yuille as members of the Investors Trust from 1 June 2016.
5. Approve the re-appointments of Mr R D Burgon, Mr D D Campbell, Dr F D Tosh as members of the Investors Trust from 1 June 2016.
6. Receive the Annual Report and Financial Statements of the Investors Trust for 2015.

REPORT

The Church of Scotland Investors Trust, which was established by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994, submits its twenty second Report to the General Assembly.

1. Introduction

1.1 The function of the Investors Trust is to provide investment services to the Church of Scotland and to bodies and trusts within or connected with the Church. The Investors Trust offers simple and economical facilities for investment in its three Funds: Growth Fund; Income Fund; Deposit Fund. Investors receive the benefits of professional management, regular portfolio supervision, spread of investment risk and economies of scale.

1.2 The bulk of the Church of Scotland's investments are held on a long term basis, for the purpose of generating recurring income and growth in capital to support the Church's work. An increase or decline in the capital value of investments does not necessarily have a corresponding effect on income receivable.

1.3 Ethical considerations form an integral part of the investment management process and the Trustees have given guidance to the investment managers, taking into account views expressed by the General Assembly. At their own meetings, the Trustees regularly review and consider matters arising in respect of ethical investment. Investment is avoided in any company whose management practices are judged by the Trustees to be unacceptable. In particular, investment is avoided in any company substantially involved in gambling, tobacco products, alcohol, armaments and in other activities which are felt to harm society more than they benefit it. In general, investment is sought in companies that demonstrate responsible employment and good corporate governance practices, have regard to environmental performance and human rights and act with sensitivity to the communities in which they operate.

1.4 The Trust is a member of the Church Investors Group (CIG), an ecumenical grouping of Churches and other charitable investors which engages with companies and investment managers to encourage them to pursue more

ethical policies. Research by Edinburgh University has shown that this policy of shareholder engagement is effective.

2. Investment Performance and Outlook

2.1 The total value of funds invested through the Church of Scotland Investors Trust increased from £376.4 million at 31 December 2014 to £383.5 million at 31 December 2015. Factors contributing to this were an inflow of investor funds and investment gains.

2.2 The Growth fund is mainly invested in UK and overseas company shares (equities) with Newton Investment Management. The main markets for the Growth Fund are UK and Overseas equities. Total Return for the fund in 2015 was 5.62% against the composite benchmark (adjusted to mirror the ethical guidelines of this fund) of 2.91%.

2.3 The Income Fund continues to be invested in pooled funds investing in underlying bonds and equities with Managers, Royal London Asset Management. The Fund achieved a total return for 2015 of 2.11% against a benchmark of 0.57%.

3. Income Distributions

3.1 In challenging market conditions the Growth Fund has earned 16.35p per unit against a target of 16.5p. As forecast, the distribution for the year 2015 was maintained at 16.75p per unit by using some of the reserves built up in previous years. This represents a yield of 3.86% on the unit price as at 31 December 2015.

3.2 The level of income earned on the Income Fund was in line with our forecast and allowed the fund to maintain the targeted distribution of 50.0p per unit while modestly building on reserves. This represents a yield of 4.39% on the unit price as at 31 December 2015.

3.3 The average rate for 2015 declared by the Deposit Fund was 0.65% whilst base rate remained at 0.5%. The average rate payable in 2016 will, as usual, depend on money market rates and current expectations are that interest rates will remain at low levels for some time to come.

4. Office Bearers

In terms of the constitution of the Investors Trust, Mr A W T Gibb retires as Chairman. It is recommended that the Vice-Chairman, Miss C Y Alexander, be appointed Chairman and Mr B J Duffin be appointed Vice-Chairman.

5. Membership

5.1 In accordance with the terms of the Constitution, the following three members retire by rotation at 31 May 2016: Mr R D Burgon, Mr D D Campbell and Dr F D Tosh, all three having indicated they seek re-election. It is recommended to the General Assembly that Mr R D Burgon, Mr D D Campbell and Dr F D Tosh be re-appointed members for 3 years as from 1 June 2016.

5.2 In accordance with good practice and in line with a suggestion from the General Assembly 2012, the Investors Trust again invited nominations for Trusteeship in 2015 and advertised in Life and Work. From the nomination process and in accordance with the terms of the Constitution, the Trustees co-opted Ms E Crichton as a member from 27 October 2015 and Mr M G S Yuille as a member from 8 March 2016. It is recommended that the Assembly approves the appointment of Ms E Crichton and Mr M G S Yuille as members of the Investors Trust from 1 June 2016.

5.3 Dr N Bryson retired as a Trustee on 28 July 2015 after 10 years' service to the Investors Trust. The Trustees are very grateful to Dr Bryson for his commitment to the Trust and for chairing the Audit Committee. His guidance and contributions to both bodies will be greatly missed.

6. Annual Report and Financial Statements for 2015

Copies of the 2015 Annual Review and the Annual Report and Financial Statements for the year to 31 December 2015 are available to download from The Church of Scotland website or can be obtained from the Secretary.

*In the name and by the authority of The Church of
Scotland Investors Trust*

A W T GIBB, *Chairman*
C Y ALEXANDER, *Vice-Chairman*
N ROBERTSON, *Secretary*

ADDENDUM

Mr A W T Gibb, Chairman

Alistair Gibb has brought an open pragmatic approach as Chair of the Investors Trust. In the days of media scrutiny on church investments, Alistair met with press to ensure that the position of the church is represented appropriately. He has brought humour and clarity to the communication of sometimes complex investment matters during times when markets have been on a roller coaster ride.

He has improved access to regular reporting on the Investors Trust funds via the Church Website as well as widening attendance at investment information forums for congregational treasurers as well as church committees.

We are delighted that Alistair will continue as a member of the Investors Trust and look forward to continuing to receive his support.

*In the name and by the authority of The Church of
Scotland Investors Trust*

C Y ALEXANDER, *Vice-Chairman*
N ROBERTSON, *Secretary*