

CHURCH OF SCOTLAND INVESTORS' TRUST

May 2015

PROPOSED DELIVERANCE

The General Assembly:

1. Receive the Report.
2. Receive the Annual Report and Financial Statements of the Investors Trust for 2014.
3. Approve the re-appointments of Mr A A Aitchison, Mrs I Hunter and Mr J G Wilson as members of the Investors Trust from 1 June 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 first Report to the General Assembly.

1. Introduction

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.

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.

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.

The Trust is a member of the Church Investors Group (CIG), an ecumenical grouping of Churches and other charitable investors which lobbies 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

The total value of funds invested through the Church of Scotland Investors Trust increased from £354.2 million at

31 December 2013 to £376.5 million at 31 December 2014. Factors contributing to this were an inflow of investor funds and investment gains.

The Growth fund is mainly invested in UK and overseas company shares (equities) with Newton Investment Management. The main markets for the Growth Fund of UK and Overseas equities, grew by 1.18% and 12.26% in sterling terms respectively. Total Return for the fund in 2014 was 8.16% against the composite benchmark of 8.21% (adjusted to mirror the ethical guidelines of this fund).

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 2014 of 12.13% against a benchmark of 11.19% in sterling terms.

3. Income Distributions

In challenging market conditions the Growth Fund has earned 16.1p per unit against a target of 16.5p. As forecast, the distribution for the year 2014 was maintained at 16.75p per unit by using some of the reserves built up in previous years. This represents a yield of 3.90% on the unit price as at 31 December 2014.

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 4.27% on the unit price as at 31 December 2014.

The average rate for 2014 declared by the Deposit Fund was 0.56% whilst base rate remained at 0.5%. The average rate payable in 2015 will, as usual, depend on money market rates and current expectations are that interest rates will remain at historically low levels for some time to come.

4. Membership

In accordance with the terms of the Constitution, the following three members retire by rotation at 31 May 2015: Mr A A Aitchison, Mrs I Hunter and Mr J G Wilson, all three having indicated they seek re-election. It is recommended to the General Assembly that Mr A A Aitchison, Mrs I Hunter and Mr J G Wilson be re-appointed members for 3 years as from 1 June 2015.

5. Annual Report and Financial Statements for 2014

Copies of the 2014 Annual Review and the Annual Report and Financial Statements for the year to 31 December 2014 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*
C HOWARD, *Secretary*