The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

121 GEORGE STREET EDINBURGH EH2 4YN
0131-225-5722
e-mail: investorstrust@churchofscotland.org.uk

Church of Scotland – Deposit Fund Factsheet
Q3 2026

Financial markets experienced a more challenging environment during the third quarter as renewed geopolitical tensions and rising commodity prices added to inflationary pressures. The conflict between the US and Iran was again an important influence, with disruption to Middle Eastern energy supplies pushing oil prices sharply higher. At the same time, economic activity remained relatively resilient and corporate earnings continued to grow. This combination of stronger inflation and robust growth encouraged central banks to adopt a more restrictive stance, resulting in significant increases in government bond yields. Equity markets were comparatively resilient, although performance varied considerably between regions and sectors.

September saw these trends intensify. Energy prices rose further during the month following attacks on Saudi Arabian infrastructure and disruption to the country's East-West oil pipeline. Hopes of renewed negotiations between the US and Iran also faded towards the end of the month. Central banks responded to the changing inflation outlook, with the Federal Reserve, European Central Bank and Bank of Japan all raising interest rates during September. Nevertheless, economic data remained relatively strong, with business surveys suggesting that activity was continuing to expand in both the US and Europe.

Global equity markets produced mixed returns in September but remained relatively resilient over the quarter. In the US, the S&P 500 declined -0.3% during September but returned +2.3% over the third quarter. The Nasdaq performed well, gaining +1.9% in September and +2.6% over the quarter. Technology shares continued to benefit from strong earnings and substantial investment in artificial intelligence, although performance within the sector was uneven following the sharp semiconductor sell-off in July. The Magnificent Seven were particularly strong over the quarter, returning +11.1%.

European markets were weaker. The STOXX 600 declined -2.4% in September, leaving it down -0.6% over the quarter, while Germany's DAX fell -4.0% during the month but recorded a small +0.8% quarterly gain. Political and fiscal concerns were particularly significant in France, where equities and government bonds both came under pressure. The UK market proved more resilient, with the FTSE 100 declining -2.0% in September but gaining +1.8% over the quarter, helped by its relatively greater exposure to energy and commodity-related companies.

Asian and emerging markets experienced considerable dispersion. Japan's Nikkei gained +1.2% in September but declined -4.1% over the quarter following its strong performance earlier in the year. South Korean equities were particularly weak during the quarter as semiconductor stocks reversed some of their earlier gains, with the KOSPI falling -19.2%. Emerging market equities declined -0.7% in September and -0.4% over the quarter. Despite this, earnings expectations in emerging markets continued to improve, providing some support following their strong first-half performance.

Bond markets faced a much more difficult quarter. Sticky inflation, resilient economic growth and renewed monetary tightening led to substantial increases in government bond yields. In the US, the 10-year Treasury yield rose by 82 basis points during the quarter to 5.28%, its highest level since 2007. US Treasuries returned -2.3% in September and -3.2% over the quarter. The rise in yields was also influenced by concerns over government borrowing and increased corporate issuance associated with investment in AI infrastructure.

Extracted from Thomas Miller Investment Manager's Investment Report for The Church of Scotland Investors Trust Deposit Fund as at 30 September 2026

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Commodities were among the strongest-performing assets during the quarter, driven by both energy and agricultural prices. Brent crude rose +14.4% in September and +42.0% over Q3, ending the quarter at $103.53 per barrel. WTI gained +5.4% during September and +30.1% over the quarter. European natural gas prices also rose sharply, while the broader Bloomberg Commodity Index gained 16% during Q3.

Agricultural commodities also experienced substantial gains over the quarter, adding to concerns about the inflation outlook. Corn rose +21.3% and sugar +22.9%, while wheat gained +16.4%. Industrial metals were stronger, with copper rising +6.9% over Q3. Precious metals produced more modest quarterly gains despite a difficult September. Gold fell -6.3% during the month but remained +3.7% higher over the quarter, while silver declined -9.2% in September but gained +3.1% during Q3.
Currency markets were also influenced by changing interest-rate expectations. The US Dollar Index gained +2.0% during September and +0.3% over the quarter. Sterling declined -2.1% against the dollar during the month and was broadly unchanged over Q3, while the euro fell -2.5% in September and -0.8% over the quarter. The Japanese yen was the strongest major developed-market currency over Q3, appreciating +3.3% against the dollar, helped by intervention earlier in the quarter and the Bank of Japan's September rate increase.

FUND HIGHLIGHTS

- Total Fund = £ 127.5 million (as at 30th September 2026)
- Invested with 9 Financial Institutions
    - £26.5 million maturing within 3 months
    - £52.0 million maturing within 4 to 6 months
    - £49.0 million maturing over 6 months

PLEASE NOTE: *Deposits taken by the Deposit Fund are exempted from the Financial Services and Markets Act 2000, by virtue of the Financial Services and Markets Act 2000 (Exemption) Order 2001.Investments in the Growth and Income Funds and deposits in the Deposit Fund are* ***NOT*** *covered by the Financial Services Compensation Scheme.*