The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Income Fund Factsheet
Q3 2020

RLAM Performance Commentary

The fund recorded a gross return over the quarter of 1.75% against a benchmark of 0.84%. Since inception, on an annualised basis, the Fund has returned 7.17%, 1.70% above the benchmark return of 5.47%.

RLAM Performance Summary:

	Church of Scotland (%)	Benchmark (%)	Relative (%)
Q3 2020	1.75	0.84	0.91
12 months	3.67	3.63	0.04
3 Years	5.12	4.53	0.58
since RLAM migration (01/02/2012)	7.17	5.47	1.70

Investment Outlook

- Economic recovery continued but at a slower rate than previously, and activity remained below normal levels. The recent upturn in Covid-19 case numbers in the UK has forced the government to tighten its social distancing measures, including a 10pm curfew for pubs and restaurants, as well as encouraging everyone to work from home where possible. The current indications are that this policy will last the whole winter, and there is the potential for further restrictions if the measures fail to contain the spread of the virus. The economic recovery, which had already been slowing during the summer, may be jeopardised by these new lockdown measures and rising unemployment seems likely.

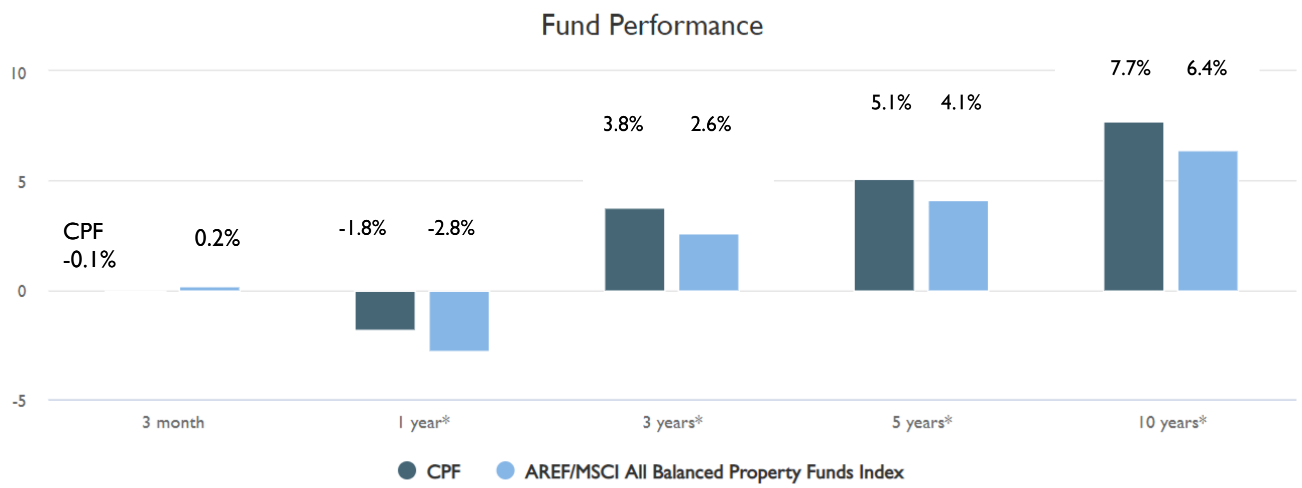
- Even if the measures succeed in curtailing the spread of Covid-19 and societies are able to return to more normal conditions, the economy is likely to be compromised over the medium term. The level of government debt has surged to levels not seen since the Second World War, while tax receipts will become increasingly challenged by rising unemployment. We expect the greater supply of government debt, which is presently being absorbed by the BoE, will eventually lead investors to seek higher yields, and thereby cause an upward trend in long-term interest rates.

- Over the next two or three years, however, interest rates look set to remain at very low levels, with yield curves heavily managed by central banks. Central banks appear increasingly comfortable that as a consequence of lower rates for longer, inflation could run above their historic target levels. As yet, there are few signs of higher inflation, but it remains a possibility that will need to be monitored. We do not anticipate negative rates from the BoE in the near term, considering it more likely that the Bank will opt for other monetary policy tools such as quantitative easing or forward guidance.

Extracted from Royal London Asset Management's Investment Report for The Church of Scotland Investors Trust Income Fund as at 30th September 2020 and Savills Charities Property Fund Q3 2020 factsheet

- We expect that economic activity will gradually improve in 2021, particularly if a successful vaccine or treatment for the Covid-19 becomes widely available. There are, however, many threats to this expectation: the possibility of new waves of the virus, complications in the development and distribution of vaccines, subdued consumer confidence and business investment, corporate failures, and government and central bank policies. The UK also faces the additional uncertainty of new trading arrangements with the EU following the Brexit vote.

Savills Charities Property Fund Performance Summary:



* annualised
Source: Savills Investment Management, AREF/MSCI (September 2020)
Basis: Nav-to-NAV with gross income reinvested

- The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (AREF/MSCI September 2020). It is a Common Investment Fund regulated by the Charity Commission and helps almost 2000 charities to invest in commercial real estate in an ethical, responsible and tax-efficient way.

- Performance was effectively flat for the quarter and marginally below that registered by the Index, with a reduction in capital values of just under 1% being offset by income. However, this does follow on from registering the top performance in the Index for the first half of 2020. As a result, figures over 9 months, 12 months and beyond are significantly higher with an outperformance of +1.4% over the last 9 months and +1.3% per annum over the last ten years.

- The vacancy rate has remained stubbornly low during 2020 demonstrating the underlying quality of the portfolio. We started the year with a vacancy rate of 5.4% and this sits at 5.3% as at the end of Q3, significantly lower than the average.

- We have already collected 86% of rents for Q4 and we are only one month into the quarter, so conceivably this could hit 90%. We are confident of recovering the majority of the deferred or unpaid rents during 2021.

- We remain confident that the Fund will continue to show this resilience throughout the rest of the crisis.

Risk Warning*: - Investors should bear in mind that values fluctuate and, as past performance is no guarantee of future returns, investors may not get back the original amount invested. The Growth Fund and Income Fund units are only realisable on the monthly dealing dates. The distributions paid by the Deposit, Growth and Income Funds are all liable to fluctuation.*

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