



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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BULLETIN FOR INVESTORS- DECEMBER 2023

This Bulletin is published for investors in the three funds offered by the Church of Scotland Investors Trust- the Growth Fund, the Income Fund, and the Deposit Fund. It provides a brief overview of the performance of the funds during 2023 to date and an estimate of the final income payments which will be made by the funds.

After a challenging 2022 (when almost all global investment markets delivered negative returns), the principal factors affecting global investment markets in 2023 have been price inflation and interest rates. Both the Growth and Income Funds have delivered positive returns in the 12- month period to 30 September 2023.

Growth Fund

The Growth Fund, which is managed by Newton Investment Management, is invested principally in global equities but also has allocations to global bonds and alternative investments (such as holdings in companies which specialise in renewable energy). It seeks to provide investors with growth in capital value while distributing an element of income each year. In the 12-month period to 30 September 2023, the Fund delivered a total return of 7.2% which compares with the performance of the benchmark against which the Fund is measured of 8.9%. While this underperformance is disappointing, the COSIT trustees also compare the performance of the Growth Fund with the ARC Steady Growth index which measures the performance of a large number of charity investors. For the same period, that index showed a return of 5.5% (meaning that the Growth Fund outperformed it by 1.7%).

The Growth Fund expects to pay at least the same level of income to investors for 2023 as it did for 2022. An initial payment of 3p per unit was made in May 2023, with a further payment of 4p per unit in November 2023. Although it is too early to confirm what the final payment will be in May 2024, our current estimates are that this may be at least 5p per unit, making a total for the year of 12p per unit.

Income Fund

The Income Fund, which is managed by Royal London Asset Management, invests in fixed interest bonds both in the UK and globally and seeks to provide investors with a high and sustainable income and to protect the long-term nominal value of capital. In the 12-month period to 30 September 2023, the Fund delivered a total return of 7.85% which outperformed its benchmark return of 6.96%. This fund has continued to deliver returns over the long term which are better than that of the benchmark against which the Fund is measured.

The total income paid by the Income Fund for 2022 was 47.5p per unit. For 2023, a first payment of 25p per unit was made in September 2023. While it is too early to estimate the final payment which will be made for the year and paid in March 2024, we expect to be able to make a payment of at least 25p per unit. which will make the total paid for the year higher than in 2022.

Deposit Fund

The Deposit Fund, which is managed by Thomas Miller Investments, aims to provide investors with competitive rates of interest while preserving nominal capital values. It has continued to benefit from higher interest rates which have been made by banks during 2022 and into 2023 as the Bank of England base rate increased and banks continued to show a demand for deposits. The interest paid by the Fund for the quarter to 30 June 2023 was based on an annual rate of 3.79%. The annual rate rose to 4.80% for the quarter to 30 September 2023 and it is anticipated that the payment for the quarter to 31 December 2023, will be at a similar level. It is perhaps worth noting that the payment made for the quarter to 30 September 2022 was based on an annual rate of only 1.34%.

Ethical Oversight Committee

Representatives of the COSIT trustees are participating in this new Committee which was established by the 2023 General Assembly with a view to defining and making public the Church's investment values. Reports from this Committee will be presented at future General Assemblies.

Review of Investment Management Arrangements

One of the principal responsibilities of the COSIT trustees is to set and monitor the investment strategy for each of our three funds. Following a review exercise which was conducted during the summer, a new firm of investment consultants has been appointed and we have begun a process of working with them to review each of the funds. Any changes resulting from this review will be notified to investors in due course.

Robert Burgon
Chairman
December 2023