The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

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Church of Scotland – Income Fund Factsheet
Q3 2026

Market Review

Global economic activity remained resilient over the third quarter amid a more challenging backdrop of higher energy prices, rising government bond yields and renewed monetary policy tightening. Despite ongoing conflict in the Middle East and higher energy prices, business surveys and recent GDP figures look consistent with resilient global activity growth, with some indicators showing some improvement in Q3. US growth continued to be supported by robust household spending and a relatively firm labour market. The euro area also performed more strongly than expected, with second-quarter GDP recording its fastest quarterly expansion in four years, supported by consumption, exports and manufacturing activity.

Oil prices rose over the quarter, ending near $100 per barrel after starting at around $75 per barrel. Increasingly, however, attention shifted to refined products, where price pressures have been even more pronounced over the conflict. Towards the end of the quarter, news broke that US President Trump was contemplating a diesel export ban, adding to European energy price pressure. Given higher energy prices and with indications growing of a strong El Nino event and very dry and hot European summer, worries also grew around the outlook for food prices.

Headline inflation remained elevated in most economies, reflecting higher energy prices. In the US, CPI and PCE measures of were both 3.4% year-on-year by the August figures, remaining above target consistent levels. UK CPI inflation rose from 2.6% year-on-year to 2.9% year-on year in July, reflecting higher energy bills following the updated Ofgem price cap, before edging up to 3.1% year-on-year in August. In the euro area, higher energy prices kept inflation elevated at 2.9% year-on-year in July and 3.2% year-on-year in August.

During the quarter, Andy Burnham became UK Prime Minister. The government reaffirmed commitment to the fiscal rules which, alongside higher inflation and higher bond yields weighing on the fiscal headroom, leaves little room for manoeuvre in the October budget. Towards the end of the quarter, Burnham proposed changes to the pension triple lock to help fund new social care policy and indicated a willingness to reassess the UK's relationship with Europe. However, the proposals were light on details and not expected to take effect until after the next election, likely from 2030.

RLAM Performance Summary:

	Church of Scotland (%)	Benchmark (%)	Relative (%)
Q3 2026	-0.89	-1.74	0.85
12 months	3.46	1.78	1.68
3 Years	7.87	5.01	2.86
since migration (01/02/2012)	5.40	2.87	2.54

Investment Outlook

Several trends have become obvious in 2026. Governments are investing more heavily in strategic priorities such as energy security, technology and defence in response to an increasingly fragmented geopolitical landscape fraught with tensions, particularly the ongoing conflict in the Middle East. At the same time, the development of artificial intelligence is driving a very capital-intensive investment cycle that's supporting

***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.*

Extracted from Royal London Asset Management's Investment Report for The Church of Scotland Investors Trust Income Fund as at 30 June 2026 and Savills Charities Property Fund @ cpfund.co.uk

higher levels of corporate borrowing and debt issuance – with the sheer scale of this supply adding to the upward pressure on government bonds as investors choose where to invest.
Absolute yield levels are therefore higher than seen for some time. With inflation and government spending expected to remain high in the near term, yields could rise further. However, we believe that on a medium-term view, yields are attractive at these levels.

For credit investors, this has meaningful implications. Higher starting yields in the credit markets improve the return potential of fixed income and reinforce its role within balanced portfolios, with investors being compensated for lending capital. This higher level of income also provides a buffer against further government bond market volatility. We continue to expect swings in government bond interest rates to remain an important driver of returns, with markets continuing to reassess the balance between sticky inflation, slowing growth and the extent to which central banks can ease policy. For sterling credit portfolios, we believe that this outlook supports a measured bias towards longer-dated bonds where valuations and security selection justify it, rather than a significant use of risk budget.

We remain confident that active management can continue to add value in sterling credit. Ongoing credit market commoditisation, driven by price-insensitive buying from annuity providers, passive funds and maturity-focused investors, can create spread dispersion and attractive relative-value opportunities. Against this backdrop, detailed credit research remains critical. We continue to focus on diversification by sector and issuer, secured and collateralised debt, and attractive all-in yields. We believe that less commoditised areas of the market, including secured structures and overlooked issuers, can offer additional yield without a disproportionate increase in credit risk. As a result, credit market inefficiencies remain a valuable source of portfolio income and potential excess returns.

Savills Charities Property Fund Performance Summary
The Charities Property Fund posted a positive net total return for Q3 2026 of +1.2% and a net total return of +5.2% for the last 12 months. This compares to the MSCI / RE:UK (previously AREF) UK All Balanced Open Ended Property Fund Index of +0.4% for Q3 2026 and +2.5% for the last 12 months.

	3 months	6 months	12 months	3 years (pa)	5 years (pa)	10 years (pa)
CPF	1.2%	2.5%	5.2%	4.9%	3.4%	4.8%
MSCI / RE:UK All Balanced Open Ended Property Fund Index	0.4%	0.9%	2.5%	3.6%	1.6%	3.7%

Source: MSCI/RE:UK All Balanced Open Ended Property Fund Index as at 30 September 2026.
NB past performance is not a reliable indicator of future performance. Total return is net of fees and expenses.