The Church of Scotland Investors Trust

GUIDANCE NOTES FOR TREASURERS

When you are considering the best option for investing funds among the choice offered by the Church of Scotland Investors Trust, you should first ask yourself what financing need the funds are intended to meet. This will help you to analyse the risks involved in your decision so that you can assess which risks are reasonable to accept to produce a higher return:

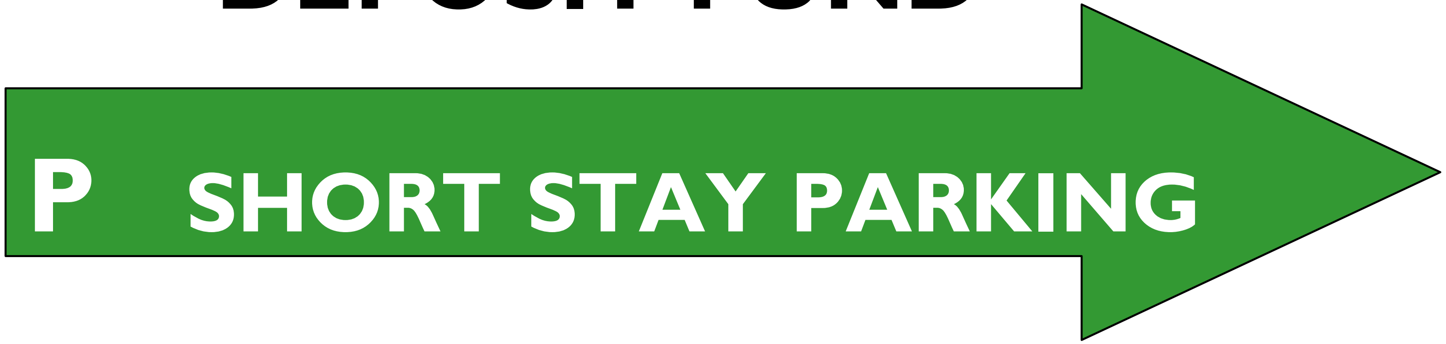
(i) Is there a time-frame in mind – for example are the funds expected to be used in a building project in five years' time?

(ii) How important is a reliable source of income? For example, is income needed to meet a regular shortfall in the annual budget or to meet the costs of running a specific project?

(iii) In the wider circumstances of your church or organisation, will a significant fall (say 30% or more) in the capital value of the funds being invested place you in difficulty or require a drastic reduction in your activities?

The answers to these questions will help you to direct your investment to the most appropriate Investors Trust fund or combination of funds. **Congregations who have funds in the default Consolidated Fabric fund with the Church of Scotland General Trustees have the option to choose their mix of investments. The default allocation is currently Deposit Fund.**

DEPOSIT FUND



• The Deposit Fund invests in a range of deposits with high grade banks and building societies.
• Returns from the Deposit Fund are determined by the rates of interest achieved by placing funds with banks. Our managers normally achieve somewhat greater returns than would be the case from using only overnight deposits, but are restricted to investing in short term placements and to a previously agreed list of accepting institutions.
• The funds can be accessed frequently, as dealing on behalf of investors takes place daily.
• The Bank of England Depositor Protection Scheme does not protect investments on behalf of charitable institutions. The Scheme only applies to private individuals. So the failure of an institution holding investments made by the Deposit Fund may result in the loss of some or all of the deposits placed with that institution.
• The Deposit Fund offers investors a spread of risk by placing funds with a number of institutions at any time, and by only placing funds with a list of institutions which is agreed with our advisers as being strong and which is regularly reviewed. Risk of failure of a bank is thereby reduced and should one bank in the Deposit Fund fail, only a proportion of the investment is lost.
• In the current economic climate, interest rates have remained low for a prolonged period, however this could change in future depending on economic circumstances.
• Capital held for the long term in the deposit fund could be eroded by the effects of inflation.
• The fund is most appropriate as a short term home for monies or where any risk of capital loss is unacceptable. Funds required for known projects for repairs and other works should be left in “short stay parking ”.

Where monies required for large projects are invested in the Growth or Income funds, which deal on a monthly basis, monies should be raised in good time.

GROWTH FUND

Rainy day savings and endowments. Longer term inflation-proofing for investments held for 3-5 years through an economic cycle.

•The Growth Fund portfolio invests mainly in a mix of shares, with some investments in corporate bonds and property.

•Shares and corporate bonds are traded on markets and their prices fluctuate from day to day. Property investments normally offer higher income yields but they are not easy to sell quickly in adverse markets.

•Returns from the Growth Fund largely come from rising share prices (reflecting successful business progress at the companies concerned) and from dividends received from such companies. Most of the businesses generating these returns are outside the United Kingdom, although around half are quoted on the London Stock Exchange. It follows that returns are largely dependent on the success of the companies selected by our investment managers.

•Investments in the Growth Fund should be for the longer term, to mitigate fluctuations in capital values as a result of short term market volatility.

•Historically stock market total returns have kept up with the purchasing power of money.

•The Growth Fund offers a spread of assets offering a very competitive level of income at present, but the objective of the fund is to achieve good capital returns with an eye on also growing the annual income.

•The Growth Fund is expected to produce the highest total return of the three funds offered, but the actual returns achieved will vary according to the period over which the investment is held, and there is a higher risk of falls in capital values and of income received than in the other two funds.

•Stock markets can be volatile and investments and the income from them can fall as well as rise.

•Investors should bear in mind that market volatility could mean that urgent or emergency realisations of assets from the Growth Fund may be made at a disadvantageous time. You should not invest in the Growth Fund if you cannot sustain a large drop in capital value or income, as both are always possible and cannot be predicted.

Electric Company

INCOME FUND

Help with the bills

- The Income Fund invests in a mix of government bonds, corporate bonds with a small exposure to shares.
- The Income Fund investments essentially promise to pay set amounts of money over a fixed period of time followed by a set redemption payment. Consequently the income paid to investors is backed by promises from governments, companies and other agencies, and is therefore more reliable than income derived from discretionary payments such as corporate dividends or fluctuating short term interest rates. However, the current value of such bonds will vary according to the market demand for such investments, meaning that the value of Income Fund units will also vary (even though the income is reliable) – and such variation may be significant at times.
- The Income Fund currently offers a reliable rate of income which is appropriate for meeting regular expenditure or for restricted funds where only income may be spent. However, please note that it offers no protection against inflation eroding the value of the income in real terms.
- The fund invests in a range of collective investment funds rather than holding bonds directly.
- The Income Fund should be regarded as appropriate for medium to long term investment investors requiring a competitive and reliable level of income. The potential for variation in the capital value of the fund may mean that it is not appropriate for short term investment.