

CHURCH OF SCOTLAND INVESTORS' TRUST MAY 2025**Proposed Deliverance****The General Assembly:**

1. Receive the Report.
2. Appoint Mr J Millar as Chair of the Investors' Trust from 1 June 2025.
3. Reappoint Mr A Richmond as a member and appoint him as Vice-Chair of the Investors' Trust from 1 June 2025.
4. Approve the re-appointments of Mr I Blair and Mr G S Wilson as members of the Investors' Trust from 1 June 2025.
5. Approve the appointment of Mr R Kinloch as a member of the Investors' Trust from 1 June 2025.
6. Receive the Annual Report and Financial Statements of the Investors' Trust for 2024.

Report

The Church of Scotland Investors' Trust, which was established by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994, submits its thirtieth Report to the General Assembly.

1. INTRODUCTION

1.1 The function of the Investors' Trust is to provide investment services to the Church of Scotland and to bodies and trusts within or connected with the Church. The Investors' Trust offers simple and economical facilities for investment in its three Funds: Growth Fund; Income Fund; Deposit Fund. Investors receive the benefits of professional investment management, regular portfolio supervision, diversification of investment risk and economies of scale through the pooling of monies in collective investment vehicles.

1.2 The bulk of the Church of Scotland's investments are held on a long-term basis, for the purpose of generating recurring income and growth in capital to support the work of the Church. An increase or decline in the capital value of investments does not necessarily have a corresponding effect on income receivable.

1.3 The Trustees communicate with investors through a range of methods including bulletins which are sent direct to investors and posted on the COSIT section of the Church of Scotland website (which contains comprehensive information for investors, including practical guidance to assist church treasurers).

1.4 During the year, the Trustees completed their review of the investment managers for each of the three COSIT funds. The outcome of that review was that Royal London Asset Management were confirmed to continue as managers of the Income Fund and Thomas Miller Investments confirmed to continue as managers of the Deposit Fund. It was decided to replace Newton Investment Management as managers of the Growth Fund. In their place, two managers are being appointed: Wellington Management will manage equities and M & G Investments will manage multi-asset credit. The transition to these new managers is being conducted in the first part of 2025.

1.5 The Trustees were advised during the year of the decision of the General Trustees to take a different approach to the investment of the Consolidated Stipend Fund which could not be accommodated within the existing structure of the COSIT Growth Fund. Although the withdrawal of these funds from the Growth Fund will not become effective until early in 2025, it will have the impact of reducing the overall size of the Growth Fund by around 33%. This change is, however, not expected to have any impact on the remaining investors in the Growth Fund.

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

2.1 Ethical considerations form an integral part of the investment management process and the Trustees have given instructions in this respect to the investment managers, taking into account views expressed by the General Assembly. At their own meetings, the Trustees regularly review and consider matters arising in respect of ethical investment. Investment is avoided in any company which engages in management practices which are judged by the Trustees to be unacceptable. In particular, investment is avoided in shares in any company substantially involved (generating more than 10% of turnover) in gambling, tobacco products (including vaping), alcohol, armaments, thermal coal and tar sands and recreational cannabis. Following discussions at the Ethical Oversight Committee, the Trustees have added oil and gas companies to the list of exclusions. COSIT had held no direct holdings in such companies since 2021. In general, investment is sought in companies that demonstrate responsible employment and good corporate governance practices, have regard to environmental performance (particularly Climate Change), acknowledge the importance of human rights and act with sensitivity to the communities in which they operate. It is recognised that issues relating to Environmental, Social and Governance (ESG) issues are complex and more work is required in the investment management industry before there is a standard method of assessing and reporting on these matters.

2.2 The Trust is a member of the Church Investors Group (CIG), an ecumenical grouping of investment bodies charged with investing funds for UK churches and church-linked organisations, and with links to a growing number of international church investors. CIG lobbies companies and investment managers to encourage them to pursue policies aligned with our Christian faith, as well as conducting research on companies' behaviour and collating such research from several agencies. Through its co-operation with other ESG organisations and through its own activities, CIG is able to exert significant influence on corporate behaviour. The Investors' Trust is now represented on the Board of CIG by its Vice-Chair, Mr John Millar.

2.3 Three COSIT Trustees have continued to participate in the work of the Ethical Oversight Committee (EOC) and have contributed to the development of the proposed Ethical Investment Guidelines which is referred to in the Deliverance from the EOC.

3. INVESTMENT PERFORMANCE AND OUTLOOK

3.1 During 2024, global stock markets continued to be impacted by the ongoing hostilities in the Middle East and Ukraine. Uncertainty about the outcome of elections in the UK and the USA caused some turbulence in markets during the year as did a sentiment that some technology stocks, which had performed extremely well, had become overpriced. Markets continued to have concerns about inflation and the speed of reduction in interest rates anticipated. At the end of the year, investors faced uncertainty about the impact on global stock markets of the new administration in the USA, about higher bond yields and inflation. Almost all markets delivered positive returns in sterling terms for the year and the Growth and Income Funds both saw increases in unit prices.

The net total value of funds due to investors increased from £508.9 million at 31 December 2023 to £569.2 million at 31 December 2024.

3.2 Growth Fund (£342.4 million (2023 - £318.6 million))

The Growth Fund is currently mainly invested in global company shares (equities) and is managed by Newton Investment Management. In 2024, the Growth Fund delivered a total net return of 11.6% against the composite benchmark of 16.3%. While the performance exceeded the investment objective of CPI+ 3%, the underperformance relative to the benchmark was disappointing and, in conjunction with relative underperformance in previous years, was a major factor in the decision to replace Newton as managers of this Fund.

3.3 The income payable to investors in respect of Financial Year 2024 was 13.5p per unit (the same as in 2023).

3.4 Income Fund (£85.5million (2023 - £82.9 million))

The Income Fund continues to be invested in pooled funds investing in underlying bonds offered by the managers, Royal London Asset Management and in a small direct holding in the Savills Charity Property Fund. The Income Fund's total return for the year was 6.81% (2023: 9.44%) against the composite benchmark return of 1.71% (2023: 8.60%). The Fund has consistently outperformed its benchmark over every period since the appointment of the managers in February 2012.

3.5 The total income distribution to investors for 2024 increased to 60p per unit (2023: 55p per unit).

3.6 Deposit Fund (£ 141.3 million (2023 - £107.4million))

The Fund is invested in short-term deposits with Banks and Building Societies. Deposits are generally placed for periods of up to 12 months at the rates prevailing at the time the deposit is made. After the decreases in UK bank rates in July and October 2024, there was a further reduction in February 2025 and market anticipation is that there will be further reductions in bank base rates during the year. The timing of these changes remains uncertain.

3.7 The average annual rate of interest paid for 2024 was 5.10% (2023: 4.26%).

4. MEMBERSHIP

4.1 In accordance with the terms of the Constitution, the following members are due to retire by rotation at 31 May 2024: Mr I Blair, Mrs E Crichton, Mr A Richmond, Mr J G Wilson and Mr M G S Yuille.

4.2 Mr Blair, Mr Richmond and Mr Wilson have indicated that they wish to seek re-election. It is recommended to the General Assembly that Mr Blair, Mr Richmond and Mr Wilson should be reappointed as from 1 June 2024.

4.3 Having served as a Trustee since 2016, including a term as Vice-Chair, Mrs Elaine Crichton has indicated her intention to retire. In addition, having served as a Trustee since 2016, including a term as Chair of the Audit Sub-Committee, Mr Michael G Yuille has indicated his intention to retire. We are grateful to them both for all that they have done and wish them well in their future endeavours.

5. ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2024

5.1 Copies of the 2024 Annual Review and the Annual Report and Financial Statements for the year to 31 December 2024 are available to download from The Church of Scotland website or can be obtained from the Secretary.

In the name and by the authority of The Church of Scotland Investors' Trust

R D BURGON, Chair
J MILLAR, Vice-Chair
J LEE, Executive Officer

Addendum

Mr R D Burgon, Chair

Robert Burgon has served as a Trustee of the Investors' Trust since 2013, and now completes his term as Chair. Robert brings a wealth of experience and insight to COSIT, which he has steered with patience and skill over the last three years, during which time we have conducted a full review of our managers. He has also participated actively in the work of the Ethical Oversight Committee.

We are delighted that Robert will continue as a Trustee for the next year, and look forward to continuing to receive his support and wisdom.

J MILLAR, Vice-Chair
J LEE, Executive Officer