

For professional clients only, not suitable for retail clients.



The Church of Scotland Investors Trust

Ewan McAlpine – Investment Director
Andrew Cunningham – Senior Account Manager

September 2023

Overview

Your portfolio

31 August 2023

Benchmark*	100%	iBoxx Sterling Non-Gilt All Maturities index	
Objective	To provide a high and sustainable level of income as agreed annually with the Trustees		
Inception date	01 February 2012		
Permitted Funds	Royal London Ethical Bond Fund	Range	60.0%-100.0%
	Royal London Sterling Extra Yield Bond Fund **	Range	0.0%-40.0%
	Royal London Global Bond Opportunities Fund **	Range	0.0%-40.0%
	Capital Cash	Range	0.0%-5.0%
Value of portfolio	As at 31 August 2023	£76.0m	

Source: RLAM as at 31 August 2023.

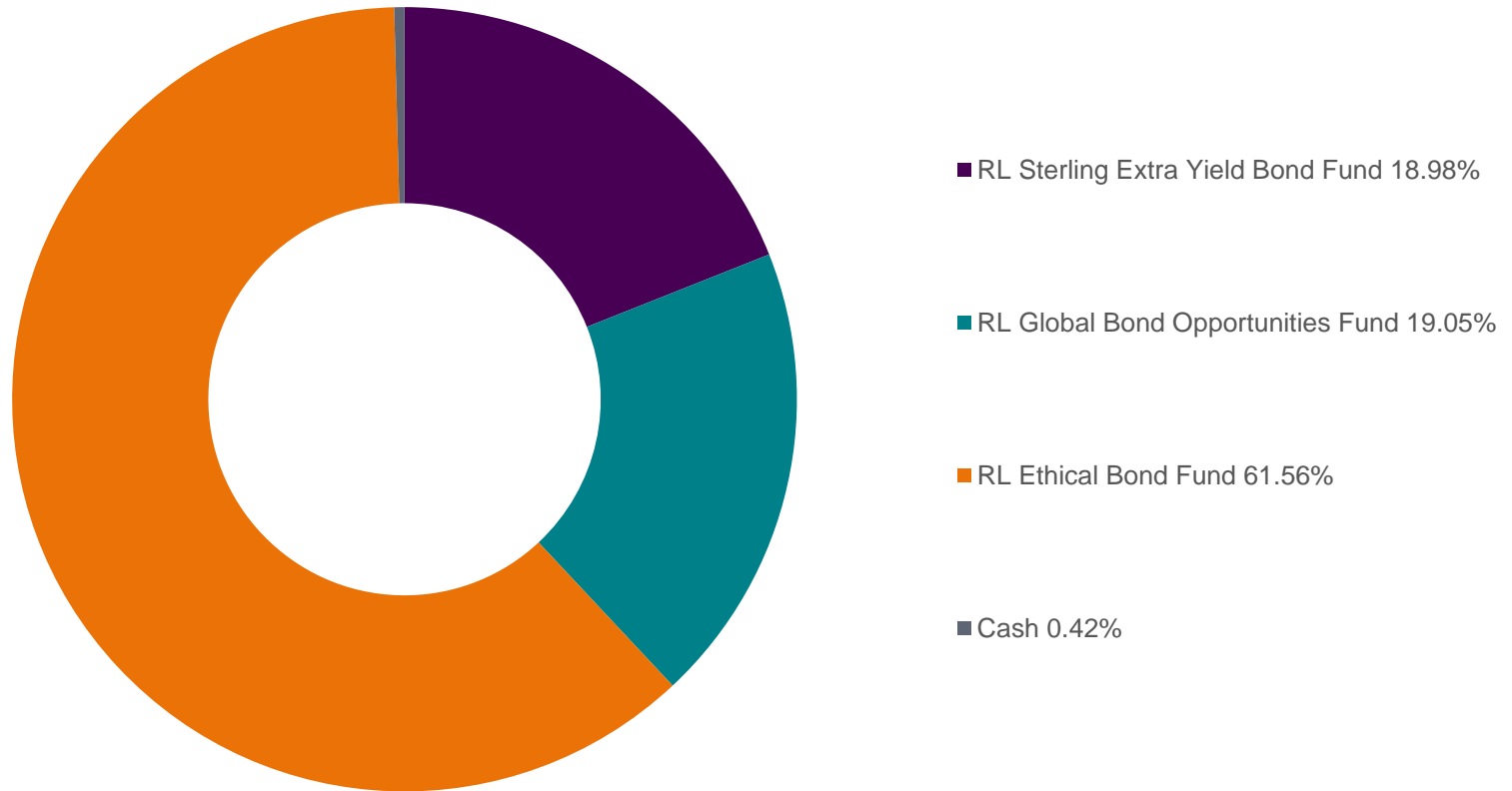
* The benchmark weightings exclude the Income Fund's property index which is a 7.5% allocation.

** The 0 – 40 range for High Yield Bonds is limited to a maximum of 20% for each of the Sterling Extra Yield Bond and Global Bond Opportunities Funds.

Your portfolio

Asset allocation

Fund allocation (excluding revenue cash)

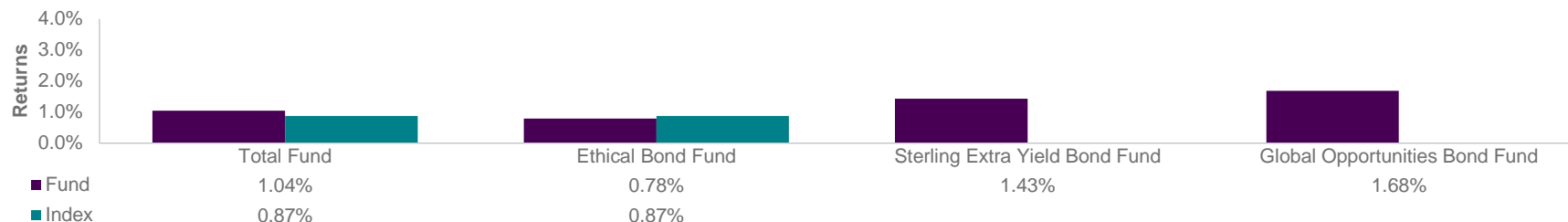


Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation.
For information purposes only.

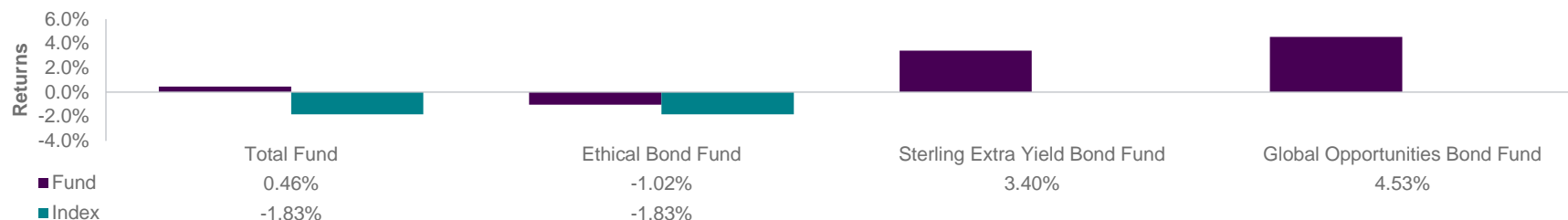
*Includes Ethical bonds and Residual bonds, subject to rounding. Source: RLAM as at 31 August 2023.

Your portfolio Performance

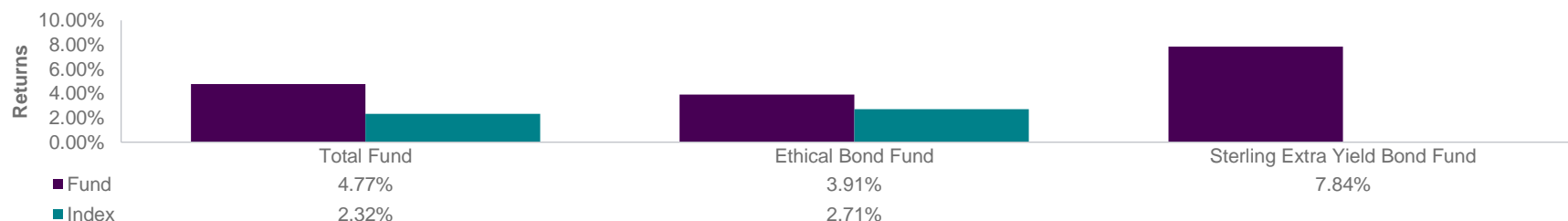
3 Months



12 Months



S.I. (p.a.)



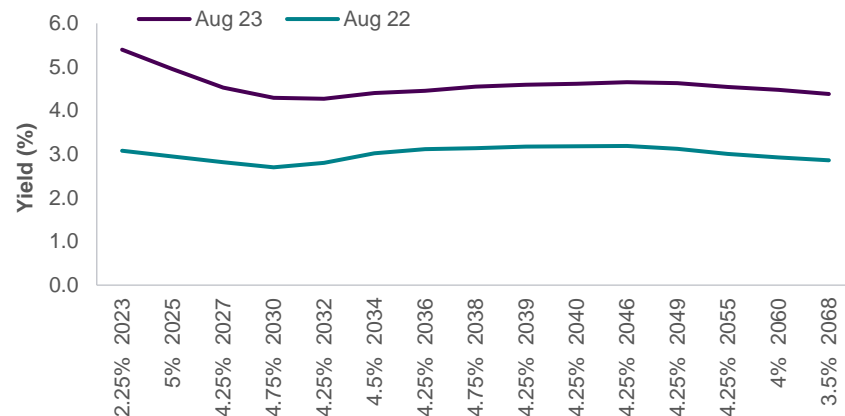
Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

* Church of Scotland invested in the Global Bond Opportunities fund on the 29 September 2021. Source: RLAM, based on Z share classes with the exception of RL Ethical Bond Fund which is M share class performance. Church of Scotland disinvested from UK Government Bond and Cash Plus funds on the 29 September 2021. Performance quoted gross of fees, mid to mid basis as at 31 August 2023.

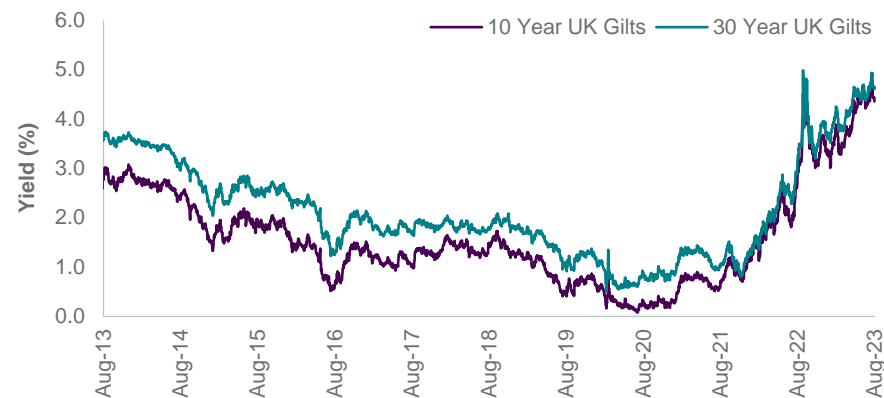
Market review and outlook

Government and credit bonds

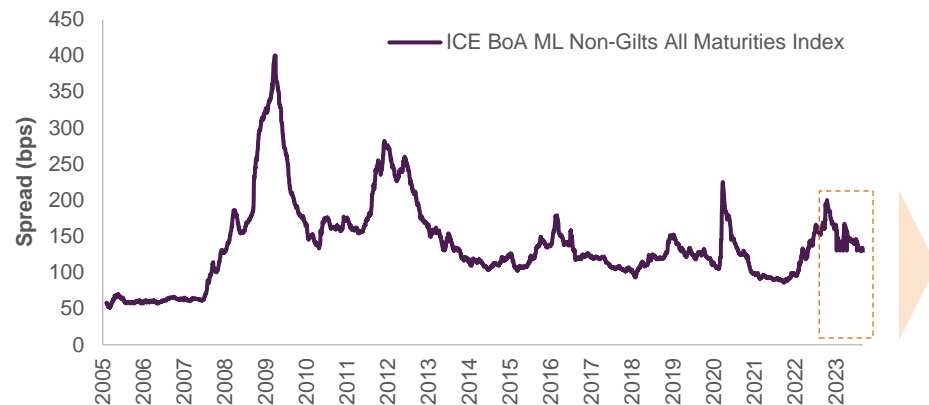
Gilt yield curve



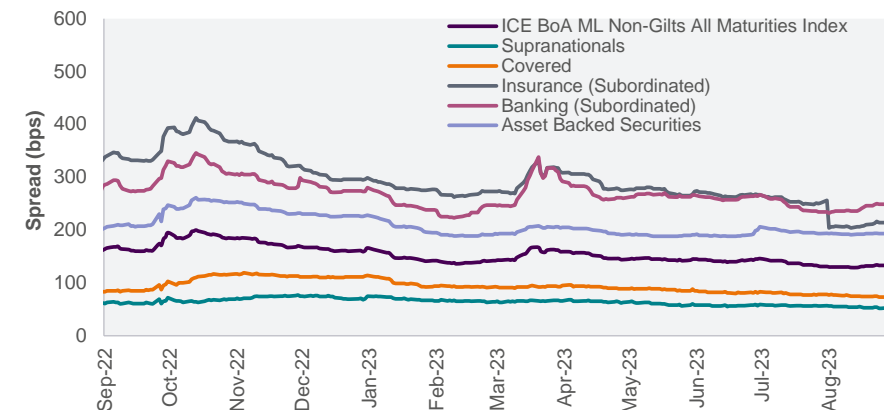
UK yield curve



Average investment grade sterling credit spread



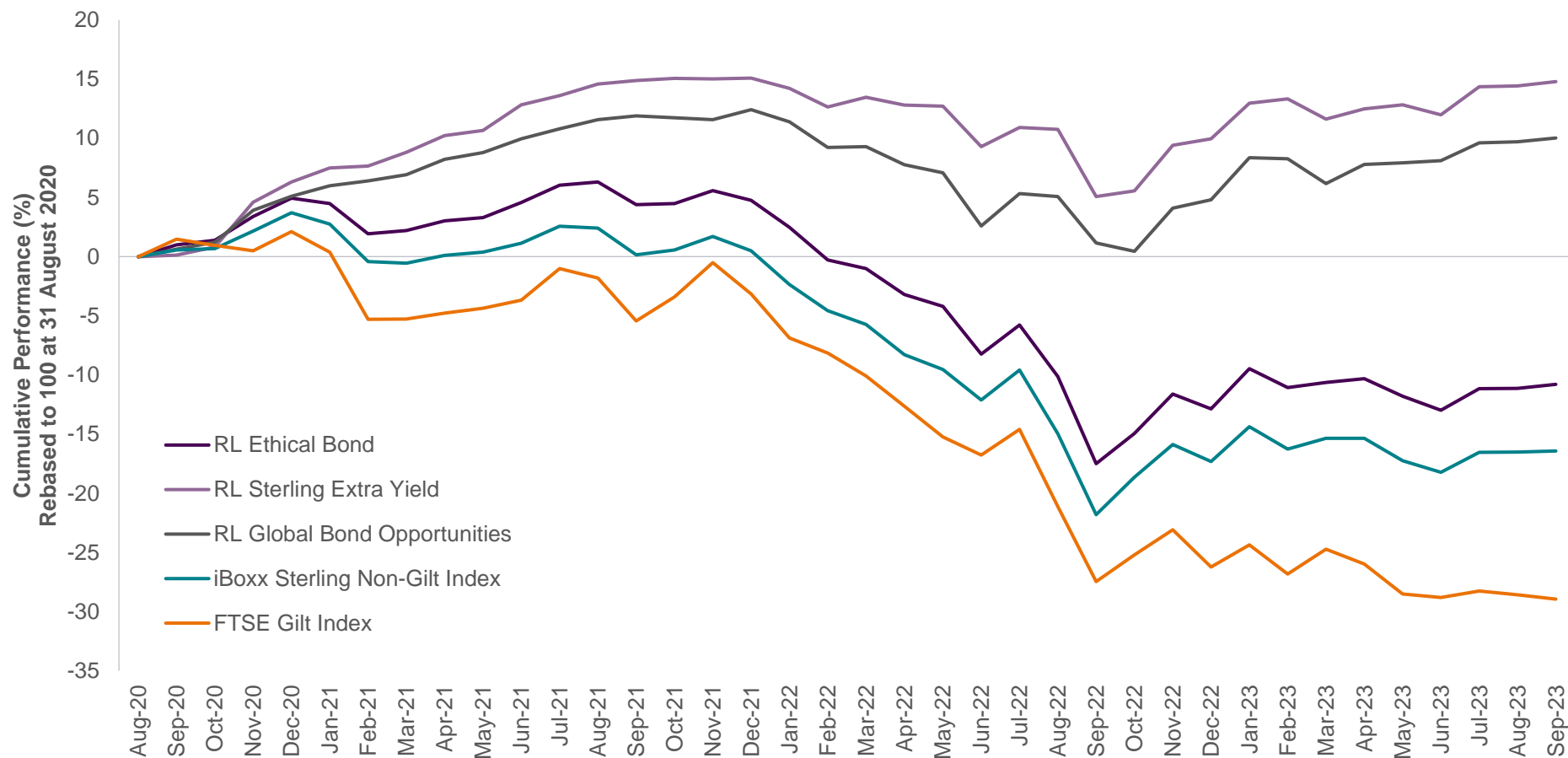
Average investment grade sterling credit spread (12 months)



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Source: RLAM as at 31 August 2023.

Gilt yields higher but still low in a long term context

RL Funds Performance



Past performance is not a guide to future performance.

Source: Bloomberg. Performance shown net of fees, for 3 Years to 19 September 2023.

Your portfolio

Summary of performance

2022

- Against a backdrop of increasingly high expectations of inflation and central bank policy responses, government bond yields rose and credit spreads widened through to mid-October.
 - As a consequence of shorter average market duration, credit outperformed versus government bonds.
 - Subordinated financial sector bonds underperformed senior unsecured issues.
 - Secured sectors performed relatively strongly and with less volatility versus others.
 - Shorter-duration, higher-income and higher-rated bonds outperformed.

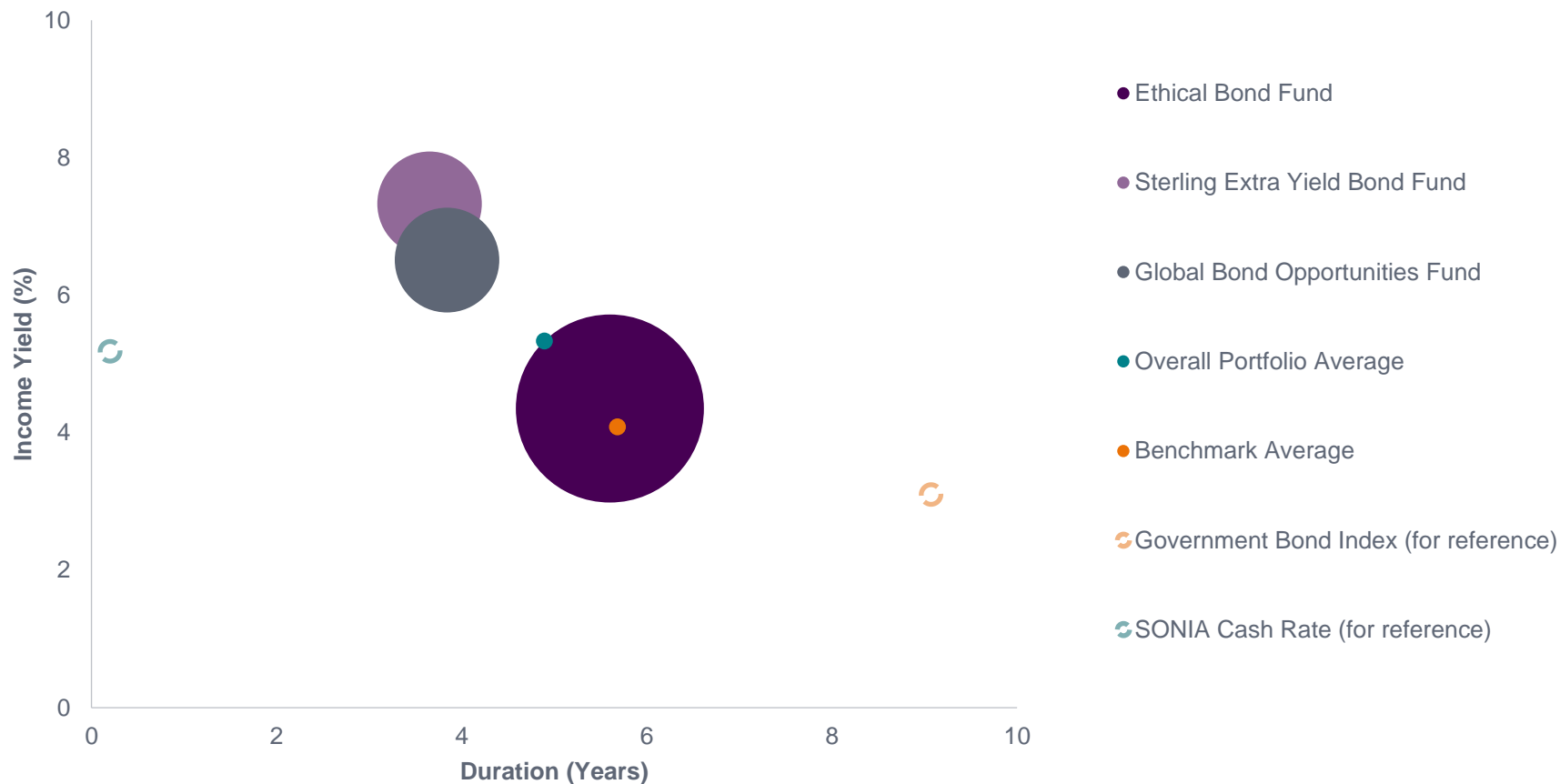
2023: Year to date

- Government bond yields have continued to rise, reflecting expectations of high inflation and central bank responses. Credit spreads have **tightened** meaningfully.
 - Credit has outperformed versus government bonds.
 - Subordinated financial sector bonds have **outperformed** senior unsecured issues.
 - Secured sectors have been relatively strong and less volatile versus others.
 - Shorter-duration, higher-income and **lower-rated** bonds have outperformed.

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Source: RLAM as at 31 August 2023.

Your portfolio

Asset allocation, duration and yield



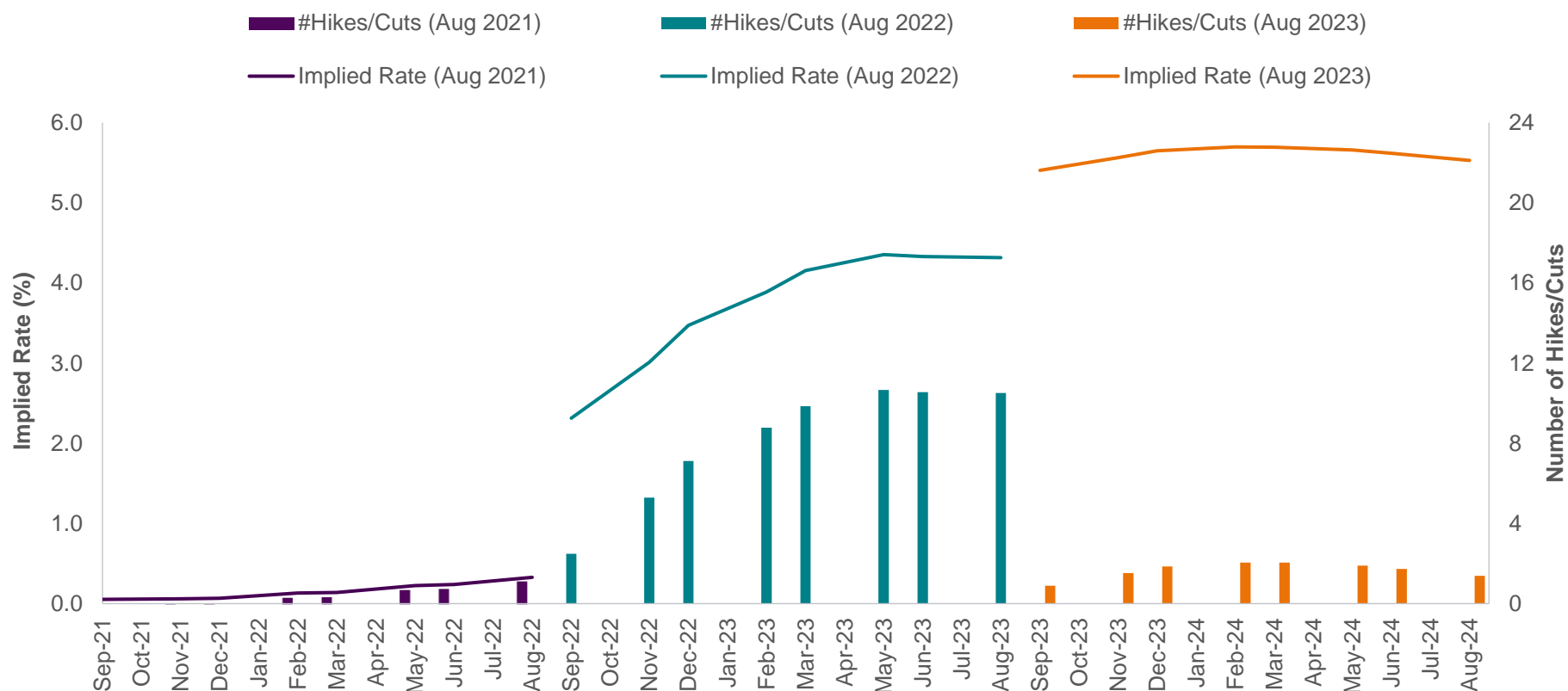
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Source: RLAM as at 31 August 2023.

UK interest rate expectations

Rates expected to rise little more

UK interest rate expectations



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Source: Bloomberg as at 31 August 2023.

Summary of views

Investment outlook

- Asset allocation reflects the aim to generate income on the portfolio.
- Key economic and market challenges
 - Inflation: peaked, falling but still elevated, and challenges remain around domestic and energy inflation
 - Growth: better recent data but expect slowdown / recession in H2
 - Rates: policy rates still expected to rise further to ensure inflation is dealt with fully
 - Central banks: cautious on inflation yet mindful of growth challenges in relation to high policy rates
- Credit markets have been challenged but still over-compensate for default risk
 - Spreads: credit yields attractive compared to gilts and other government bond yields
 - Issuance: strong primary demand; despite recent banking sector volatility, issuance biased towards financial bonds.
 - Sectors offering value opportunities: financials, ABS (asset backed), real estate
- Secured and collateralised debt gives us an advantage
 - Diversification and secured bond emphasis helps mitigate default risk
 - Income remains attractive and supports returns against a headwind of rising yields

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Source: RLAM as at 31 August 2023.

Appendix



Ewan McAlpine – Investment Director

Ewan joined Royal London Asset Management's Fixed Income team in 2012, bringing with him extensive experience in asset management and bond markets. After graduation, he spent a number of years as a scientist before beginning a career in finance in 1993, initially with the London Stock Exchange, and subsequently with a number of major asset management firms. Prior to joining, Ewan was a Portfolio Manager at Rogge Global Partners. Ewan has a degree in Applied Physics from the University of Strathclyde.



Andrew Cunningham – Senior Account Manager

Andrew joined Royal London Asset Management in June 2017 as a Senior Account Manager, focusing on institutional clients invested in pooled funds. Having moved to the City in October 2011, Andrew worked at local authority treasury advisor Arlingclose as a Senior Client Executive and Assistant Client Director before his move to RLAM. At Arlingclose, Andrew focused on local authority investment strategy, portfolio construction and managed multiple institutional relationships with asset managers, brokers and trading portals. Andrew has a BA(Hons) in Industrial Economics from the University of Nottingham and is an Associate of Chartered Securities Institute.

Risk warnings

RL Ethical Bond Fund

Investment Risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit Risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Efficient Portfolio Management (EPM) Techniques: The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Interest Rate Risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Liquidity Risk: In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Charges from Capital Risk: Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

Performance to 31 August 2023

	Cumulative (%)					Annualised (%)	
	3M	6M	1Y	3Y	5Y	3Y	5Y
Fund (gross)	0.79	-0.04	-1.02	-10.87	0.90	-3.76	0.18
Fund (net)	0.69	-0.25	-1.42	-11.93	-1.02	-4.15	-0.20

Year on year performance (%)

	Q2 2022 to Q2 2023	Q2 2021 to Q2 2022	Q2 2020 to Q2 2021	Q2 2019 to Q2 2020	Q2 2018 to Q2 2019
Fund (gross)	-5.06	-12.19	5.58	6.03	6.31
Fund (net)	-5.43	-12.54	5.16	5.61	5.98

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 31 August 2023. All figures are mid-price to mid-price in GBP for the Z Inc share class.

Risk warnings

RL Sterling Extra Yield Bond Fund

Investment Risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit Risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Efficient Portfolio Management (EPM) Techniques: The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Exchange Rate Risk: Changes in currency exchange rates may affect the value of your investment.

Interest Rate Risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Liquidity Risk: In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Performance to 31 August 2023

	Cumulative (%)					Annualised (%)	
	3M	6M	1Y	3Y	5Y	3Y	5Y
Fund (gross)	1.42	1.00	3.38	14.72	18.54	4.68	3.46
Fund (net)	1.21	0.58	2.52	11.86	13.84	3.81	2.62

	Year on year performance (%)				
	Q2 2022 to Q2 2023	Q2 2021 to Q2 2022	Q2 2020 to Q2 2021	Q2 2019 to Q2 2020	Q2 2018 to Q2 2019
Fund (gross)	2.55	-3.03	16.01	-3.90	6.67
Fund (net)	1.69	-3.84	15.04	-4.64	5.88

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Source: RLAM as at 31 August 2023. All figures are mid-price to mid-price in GBP for the A Inc share class.

Risk warnings

RL Global Bond Opportunities Fund

Investment Risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit Risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Derivative Risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

Efficient Portfolio Management (EPM) Techniques: The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Exchange Rate Risk: Changes in currency exchange rates may affect the value of your investment.

Interest Rate Risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Liquidity Risk: In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Emerging Markets Risk: Investing in Emerging Markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Performance to 31 August 2023

	Cumulative (%)					Annualised (%)	
	3M	6M	1Y	3Y	5Y	3Y	5Y
Fund (gross)	1.68	1.38	4.54	10.11	17.89	3.26	3.35
Fund (net)	1.54	1.11	3.99	8.41	15.09	2.73	2.85

	Year on year performance (%)				
	Q2 2022 to Q2 2023	Q2 2021 to Q2 2022	Q2 2020 to Q2 2021	Q2 2019 to Q2 2020	Q2 2018 to Q2 2019
Fund (gross)	5.49	-6.57	12.90	-0.87	6.87
Fund (net)	4.94	-7.06	12.31	-1.29	6.44

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Source: RLAM as at 31 August 2023. All figures are mid-price to mid-price in GBP for the Z Inc share class.

Important information

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RL Ethical Bond Fund

The Fund is a sub-fund of Royal London Bond Funds II ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001128. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037. For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com.

RL Global Bond Opportunities Fund and RL Sterling Extra Yield Bond Fund

The Funds are sub-funds of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L – 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). The Investment Manager is Royal London Asset Management Limited. For more information on the Fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.com. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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Source: BofE

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