



NEWTON

Investment
Management

➤ BNY MELLON | INVESTMENT MANAGEMENT

CHURCH OF SCOTLAND INVESTORS TRUST GROWTH FUND

David Moylett, Bhavin Shah

23 September 2022

FOR PROFESSIONAL INVESTORS ONLY

Please read the important information at the back of this material

PRE002526

DATA CLASSIFICATION: CONFIDENTIAL

Newton team



David Moylett
Client director

David joined Newton in March 2010 and is responsible for a number of institutional segregated pension fund clients. He has acquired a range of experience in the industry through working at a number of high-profile institutions. He began his career at Allied Irish Investment Bank, subsequently joining Provident Mutual and UBS Global Asset Management, where he was an executive director and institutional client relationship manager, with responsibility for a broad range of multi-asset, specialist equity, bond, real estate and real return mandates.

Joined Newton: 2010
Joined industry: 1979



Bhavin Shah
Portfolio manager, Multi-Asset team

Bhavin joined Newton in June 2011 as a portfolio manager within the multi-asset team. Prior to joining Newton, he worked at SG Hambros for 7 years where he was responsible for managing client portfolios focused on absolute return & multi-asset strategies. Bhavin is co-lead manager on a numerous multi asset accounts at Newton. In addition to portfolio management responsibilities, Bhavin is also a member of the Investment Risk Oversight Group and is a co-lead of our Net Effects thematic group, which focuses on digitalisation trends.

Bhavin holds an MSc in Mathematics with distinction and is a CFA1 charterholder.

Joined Newton: 2011
Joined industry: 2004

Church of Scotland Investors Trust

Current positioning and rationale

Portfolio value: £312,382,076 as at 31 August 2022

| Asset class | Growth fund (%) | Performance benchmark weighting (%) | Ranges (%) | Indices |
|-----------------|-----------------|-------------------------------------|------------|--|
| Global Equities | 65.28 | 75.00 | 50-90 | MSCI ACWI NDR |
| Global Bonds | 11.42 | 10.00 | 0-20 | ML Gbl HY ex Bank Cap and Jnr Sub - £ hedged |
| Alternatives | 9.02 | 8.00 | 0-20 | CPI+2.5% p.a. |
| Property | 7.70 | 5.00 | 0-10 | IPD Index |
| Cash | 6.58 | 2.00 | 0-10 | 7 Day LIBOR |
| Total | 100.00 | 100.00 | | |

Background:

- We began 2022 concerned about demand-led inflation as global economies opened up after COVID.
- Inflation remains the key concern but it's cost-driven following Russian invasion of Ukraine.
- Significant interest rate increases being priced in as global economic outlook looks challenged.
- Inflation likely to stay stubbornly high...but stagflation a real possibility. Current rate increase projections potentially too high.

Portfolio positioning:

- Overweight cash highlights current defensive view in uncertain times...and provides scope to acquire bargains when possible.
- Currently underweight equities...it's all about the stocks.
- Bonds generally shorter dated... holding some Govt. bonds to protect against a faltering global economy.
- Looking for further opportunities to acquire 'alternatives'... but at sensible prices.

A potent cocktail of concerns identified by our macro thematic framework



INFLATIONARY SPIRAL

FED POLICY ERROR

GEOPOLITICS

**ENERGY SHORTAGES AND FURTHER
PRICE SPIKES**

FRAGMENTATION RISK IN EUROPE

SEVERE CONSUMER STRESS

Source: Newton, 2022.

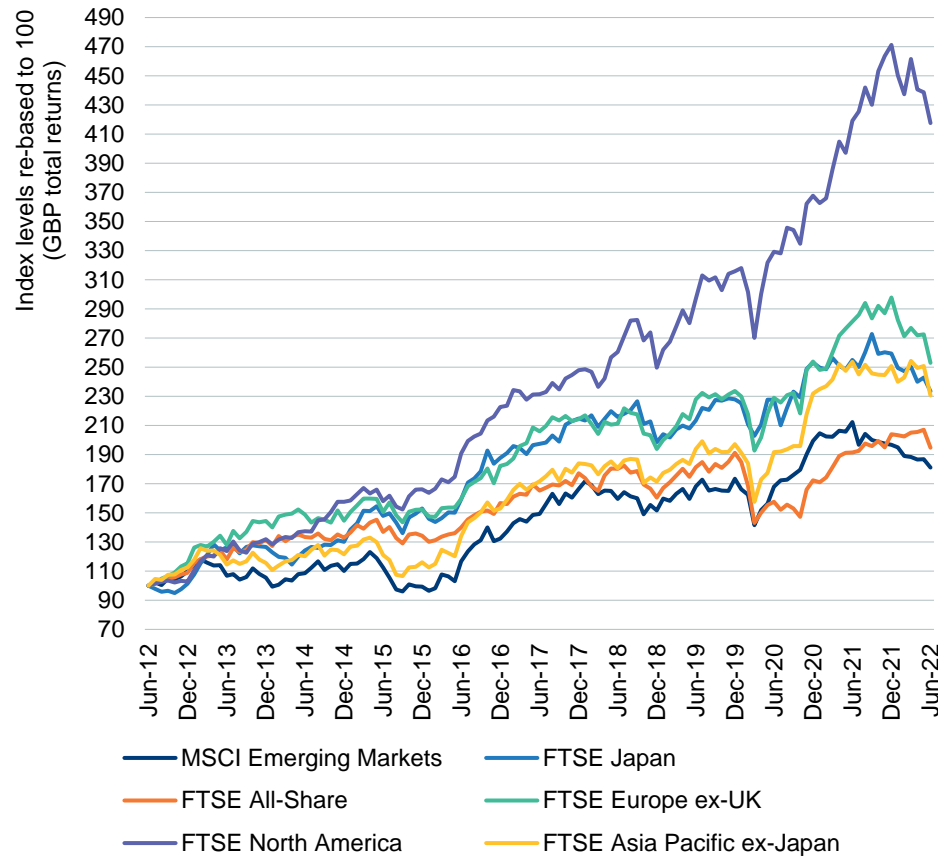
Risks hard to quantify

World markets

One year and 10-year performance

10-year Sterling returns (%)

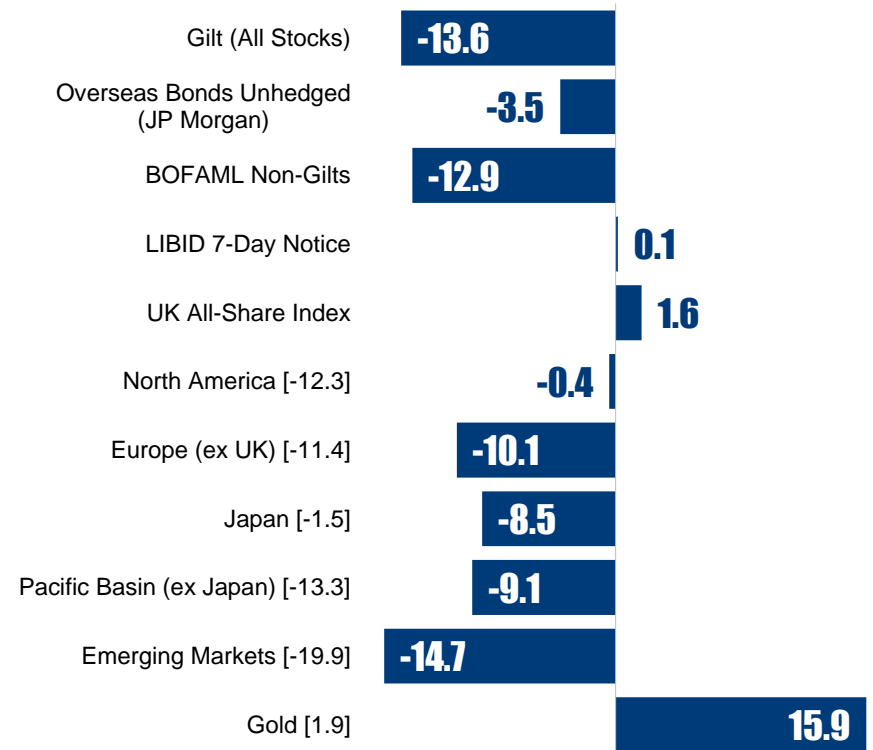
30 June 2012 to 30 June 2022



Source: FactSet, 30 June 2022.

1-year Sterling returns (%)

30 June 2021 to 30 June 2022



(Local currency returns [...] are those of the underlying indices).

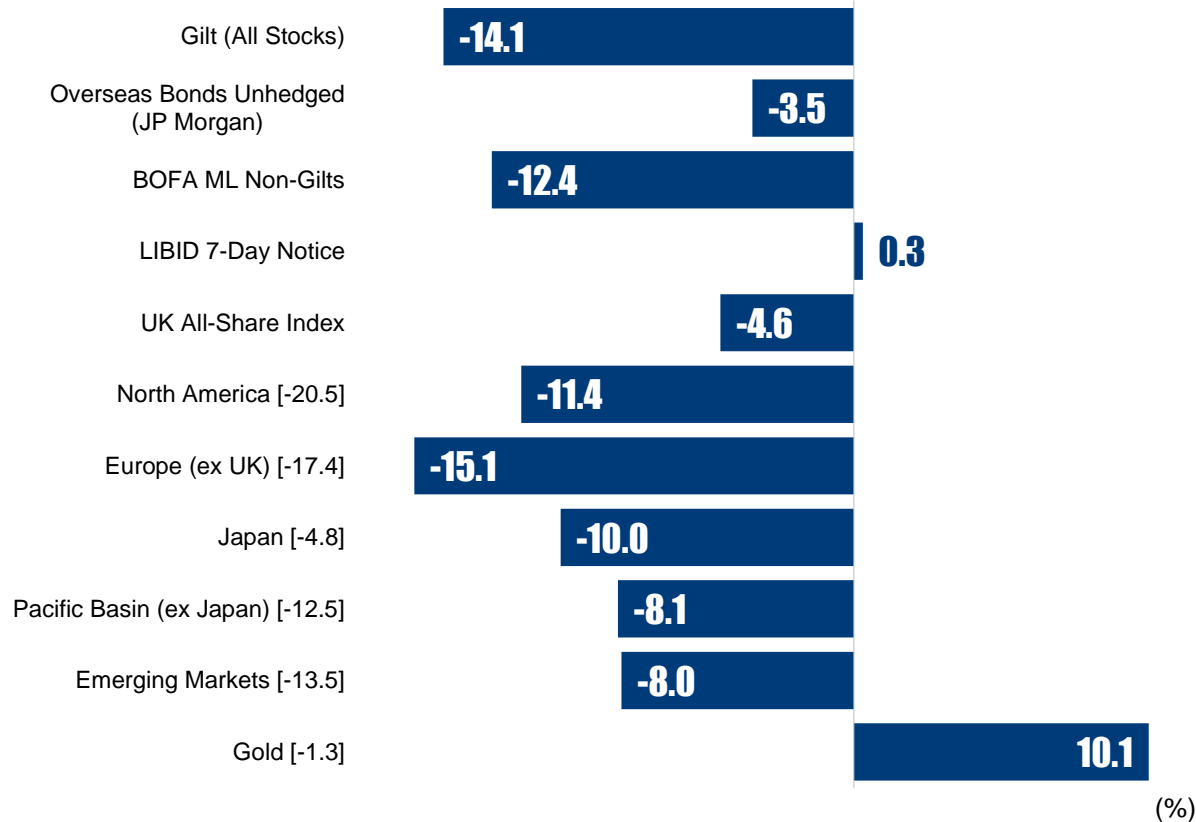
Indices: FT Government All Stocks, JPMorgan WGBI ex UK, BofA ML Non-Gilts, LIBID 7-Day, FTSE All-Share, FTSE All World North America, FTSE World Europe ex UK, FTSE Japan, FTSE World Asia Pacific ex Japan, MSCI Emerging Markets, Gold Bullion per troy ounce.

Source: FactSet, 30 June 2022 (total returns).

Inflationary and geopolitical concerns bite

6 months to Q2 2022 Sterling returns (%)

31 December 2021 to 30 June 2022



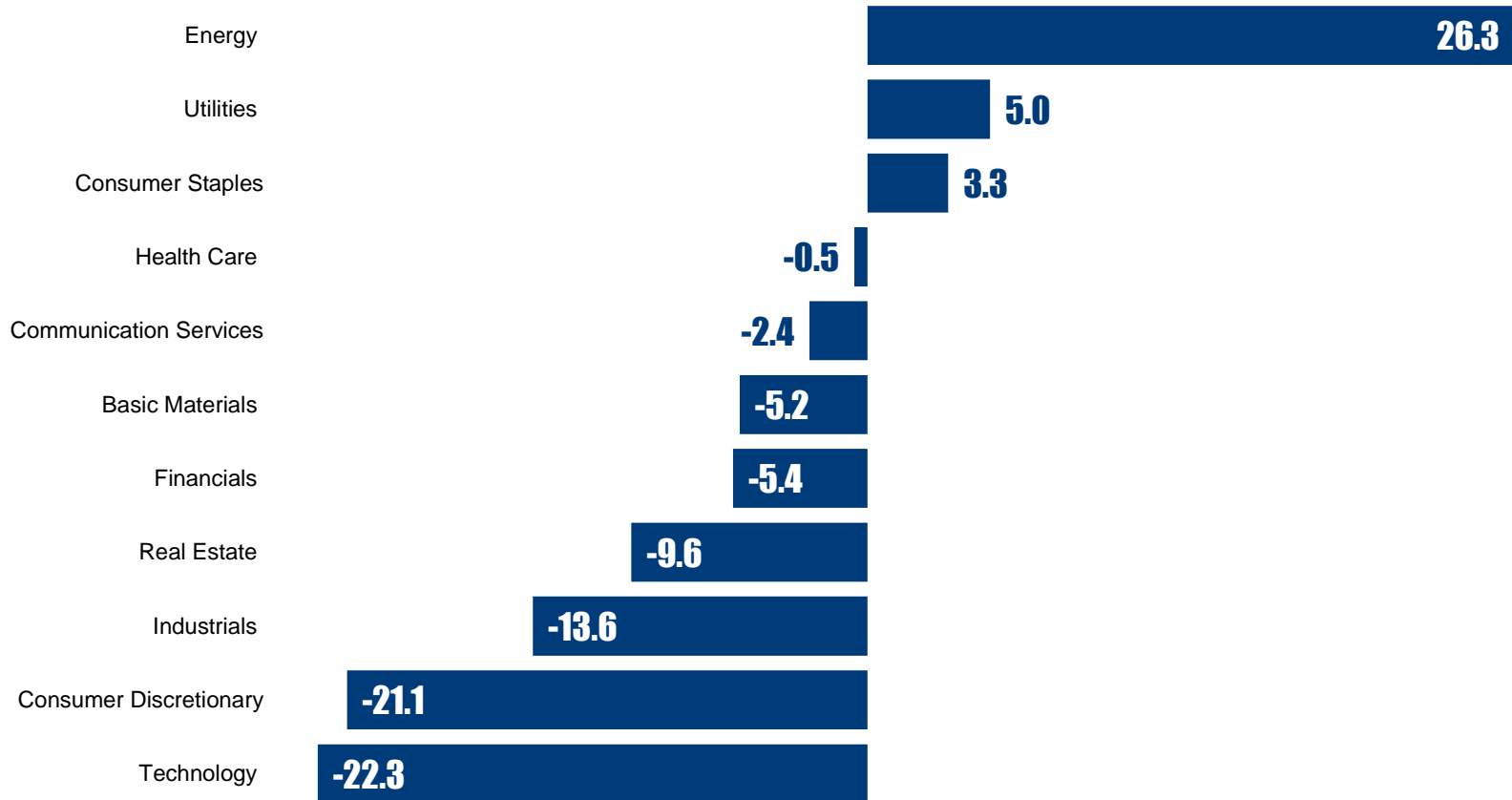
- Global equity and bond markets suffer their worst start to a year for many decades.
- Russia's invasion of Ukraine in February continues to impact on global economy.
- Central banks globally hike interest rates to try to control surge in inflation.
- Challenging times as authorities balance the need to dampen inflation without triggering global recession.

(Local currency returns [...] are those of the underlying indices).
Indices: FT Government All Stocks, JPMorgan WGBI ex UK, BofA ML Non-Gilts, LIBID 7-Day, FTSE All-Share, FTSE All World North America, FTSE World Europe ex UK, FTSE Japan, FTSE World Asia Pacific ex Japan, MSCI Emerging Markets, Gold Bullion per troy ounce.
Source: FactSet, 30 June 2022 (total returns).

Most challenging period faced by investors since the outbreak of the Covid-19 pandemic

Sector performance

6 months to 30 June 2022



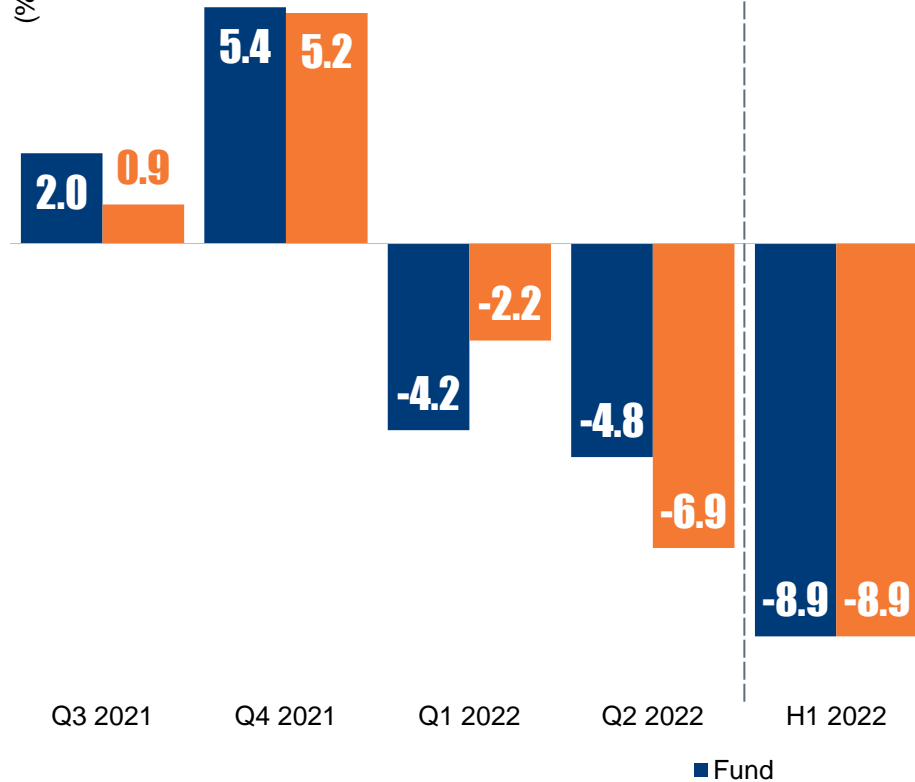
(%)

Investment performance

Church of Scotland Investors Trust Growth Fund

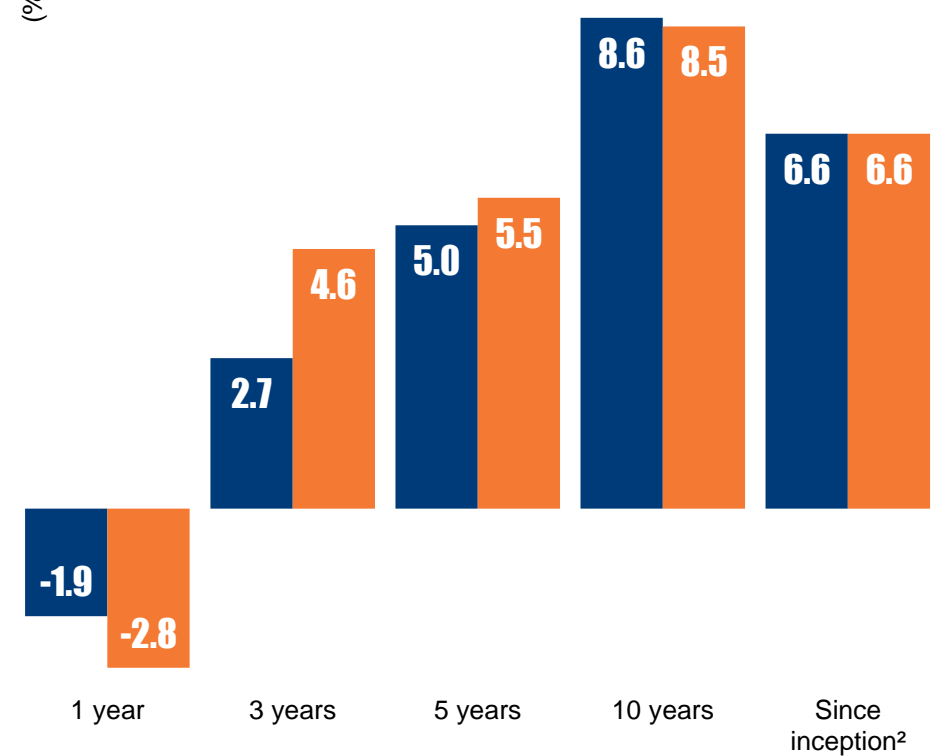
Short-term

(%)



Long-term annualised¹

(%)



Notes:

¹ Periods to 31 March 2022.

² Inception date: 1 January 2006.

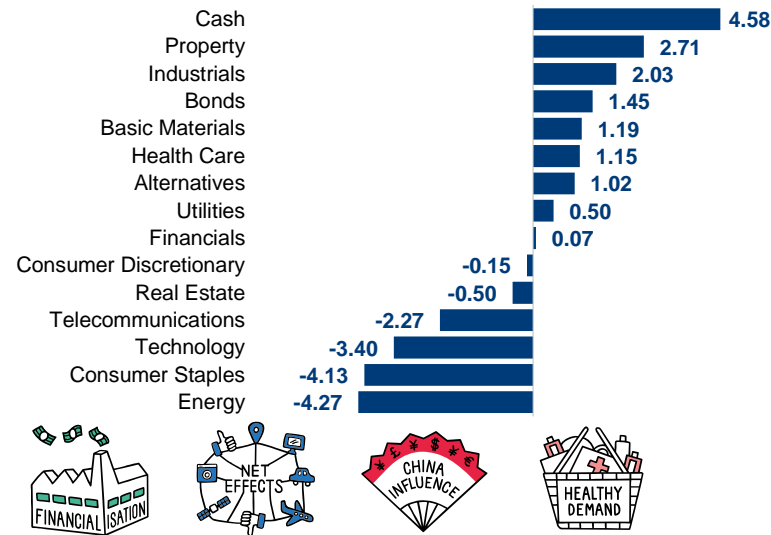
³ The following indices are used as a performance benchmark for this fund: 75% MSCI ACWI, 10% ML Global HY ex Bank Cap and Jnr Subordinate (£hedged), 8% CPI+2% p.a., 5% UK IPD and 2% 7-day LIBOR. Prior to 25 February 2021 performance benchmark consisted of: 37.5% FTSE All-Share, 37.5% FTSE All World (ex UK), 6% FTA Govt. All Stocks, 6% Merrill Lynch £ Non-Gilt All Stocks, 10% IPD Annual Index, 3% 7-day LIBID. Prior to March 2014 performance benchmark consisted of: 40% FTSE All-Share, 35% FTSE All World (ex UK), 6% FTA Govt. All Stocks, 6% Merrill Lynch £ Non-Gilt All Stocks, 10% IPD Annual Index, 3% 7-day LIBID. Prior to April 2011 performance benchmark consisted of 50% FTSE 350 Higher Yield and 25% FTSE All World (ex UK). The fund does not aim to replicate either the composition or the performance of the performance benchmark..

Source: Newton, gross of fees. 30 June 2022.

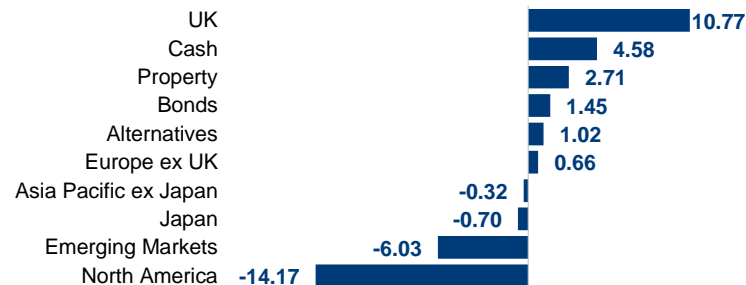
Portfolio positioning, as at 31 August 2022

Church of Scotland Investors Trust Growth Fund

Sector allocation (relative %)¹



Asset allocation (relative %)¹



Number of holdings: 81

| Asset Class | Portfolio (%) | Benchmark (%) | Relative (%) |
|------------------------|---------------|---------------|--------------|
| Industrials | 11.62 | 9.58 | 2.03 |
| Basic Materials | 3.93 | 2.74 | 1.19 |
| Health Care | 10.42 | 9.27 | 1.15 |
| Utilities | 3.05 | 2.55 | 0.50 |
| Financials | 10.73 | 10.66 | 0.07 |
| Consumer Discretionary | 10.76 | 10.91 | -0.15 |
| Real Estate | 0.00 | 0.50 | -0.5 |
| Telecommunications | 0.00 | 2.27 | -2.27 |
| Technology | 13.58 | 16.98 | -3.4 |
| Consumer Staples | 1.15 | 5.28 | -4.13 |
| Energy | 0.00 | 4.27 | -4.27 |
| Alternatives | 9.02 | 8.00 | 1.02 |
| Property | 7.71 | 5.00 | 2.71 |
| Bonds | 11.45 | 10.00 | 1.45 |
| Cash | 6.58 | 2.00 | 4.58 |

| Asset Class | Portfolio (%) | Benchmark (%) | Relative (%) |
|-----------------------|---------------|---------------|--------------|
| UK | 13.68 | 2.91 | 10.77 |
| Europe ex UK | 9.27 | 8.61 | 0.66 |
| Asia Pacific ex Japan | 3.04 | 3.35 | -0.32 |
| Japan | 3.58 | 4.28 | -0.7 |
| Emerging Markets | 1.79 | 7.82 | -6.03 |
| North America | 33.88 | 48.04 | -14.17 |
| Alternatives | 9.02 | 8.00 | 1.02 |
| Property | 7.71 | 5.00 | 2.71 |
| Bonds | 11.45 | 10.00 | 1.45 |
| Cash | 6.58 | 2.00 | 4.58 |

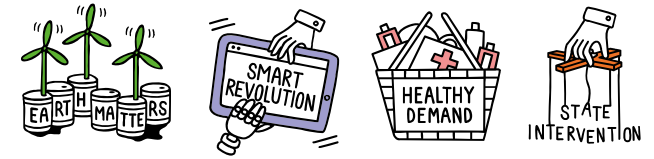
Note:

¹ Relative to the performance benchmark for this fund: 75% MSCI AC World, 10% ML Global HY ex Bank Cap and Jnr Subordinate (£hedged), 8% CPI+2% p.a., 5% UK IPD and 2% SONIA 7-day compounded.

Source: Newton, 31 August 2022.

Themes guide
rigorous stock selection

Investment opportunities for 2022



**INVESTMENT IN
RENEWABLES
ACCELERATED
BY ENERGY
CRISIS**



**LONG
RUNWAY
FOR GLOBAL
DIGITALISATION**



**LONG-TERM
INCREASED
DEMAND FOR
HEALTHCARE**



**INVESTMENTS
ALIGNED WITH
GOVERNMENT
OBJECTIVES
AND PRIORITIES**

2022 Newton Forecast:

| | Monthly Total (£) | Monthly Total (pence per unit) | |
|--------------|---------------------|--------------------------------|-----------|
| January | 384,057.83 | 0.693 | Received |
| February | 329,637.59 | 0.595 | Received |
| March | 703,143.04 | 1.270 | Received |
| April | 386,255.83 | 0.697 | Received |
| May | 668,405.01 | 1.207 | Received |
| June | 770,599.35 | 1.391 | Received |
| July | 367,845.50 | 0.664 | Received |
| August | 460,464.20 | 0.831 | Received |
| September | 759,597.45 | 1.462 | Estimated |
| October | 317,610.57 | 0.573 | Estimated |
| November | 363,172.66 | 0.656 | Estimated |
| December | 573,847.93 | 1.036 | Estimated |
| Total | 6,134,636.96 | 11.077 | |

Note: Newton's income forecasts are principally based on the most recent payments from the current portfolio holdings being repeated in calendar 2022. For overseas dividends, the current foreign exchange rate has been used. Therefore, the forecasts are conservative in nature and are for guidance only.

Source: Newton, as at 31 August 2022.

Thematic engagement focus



2. BIODIVERSITY

**3. CIRCULAR
ECONOMY AND
RESOURCE
EFFICIENCY**



**4. HUMAN
CAPITAL**



**5. CYBER
SECURITY**



**6. FOOD
SUSTAINABILITY**



**7. CONTROL
AND REGULATION**

REFERENCES

Key risks

The Church of Scotland Investors Trust – Growth Fund

Investment performance

| 12-month returns, % | Mar-21 to Mar-22 | Mar-20 to Mar-21 | Mar-19 to Mar-20 | Mar-18 to Mar-19 | Mar-17 to Mar-18 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Portfolio | 8.6 | 17.0 | -5.7 | 11.2 | 3.2 |
| Benchmark | 10.6 | 25.0 | -7.9 | 7.8 | 2.9 |

| Calendar year returns, % | 2021 | 2020 | 2019 | 2018 | 2017 |
|--------------------------|------|------|------|------|------|
| Portfolio | 14.9 | -0.6 | 17.0 | 0.2 | 11.3 |
| Benchmark | 16.2 | 3.1 | 16.7 | -3.9 | 11.6 |

Performance is stated gross of management fees. The impact of management fees can be material. A fee schedule providing further detail is available on request.

Benchmark: 75% MSCI ACWI, 10% ML Global HY ex Bank Cap and Jnr Subordinate (£hedged), 8% CPI+2% p.a., 5% UK IPD and 2% 7-day LIBOR. Prior to 25 February 2021 performance benchmark consisted of: 37.5% FTSE All-Share, 37.5% FTSE All World (ex UK), 6% FTA Govt. All Stocks, 6% Merrill Lynch £ Non-Gilt All Stocks, 10% IPD Annual Index, 3% 7-day LIBID. The fund does not aim to replicate either the composition or the performance of the performance benchmark.

Key investment risks

- Past performance is not a guide to future performance. Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Newton is not a tax expert and independent tax and/or legal advice should be sought.
- There is no guarantee that the Portfolio will achieve its objective.
- This Portfolio invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Portfolio.
- Investments in bonds are affected by interest rates and inflation trends which may affect the value of the Portfolio.
- The Portfolio may hold bonds with a low credit rating that have a greater risk of default. These investments may affect the value of the Portfolio.
- The Portfolio may invest in emerging markets. These markets have additional risks due to less developed market practices.
- The Portfolio may invest in investments that are not traded regularly and are therefore subject to greater fluctuations in price.
- The Portfolio may invest in small companies which may be riskier and less liquid (i.e. harder to sell) than large companies. This means that their share prices may have greater fluctuations.
- As the Portfolio invests in collective investment schemes, it will be subject to the risks of these other funds.
- As the Portfolio follows an ethical investment approach, this may cause it to perform differently to portfolios that have a similar investment objective but do not have similar ethical restrictions or exclusions.

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For professional investors only

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Newton Investment Management Limited

BNY Mellon Centre
160 Queen Victoria Street, London EC4V 4LA
Tel: 020 7163 9000

Registered in England No. 01371973

www.newtonim.com

BNY Mellon Fund Managers Limited

BNY Mellon Centre
160 Queen Victoria Street, London EC4V 4LA
Tel: 020 7163 9000

Registered in England No. 01998251

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