



NEWTON

Investment
Management

➤ BNY MELLON | INVESTMENT MANAGEMENT

CHURCH OF SCOTLAND INVESTORS TRUST GROWTH FUND

David Moylett, Bhavin Shah

22 September 2023

FOR PROFESSIONAL INVESTORS ONLY

Please read the important information at the back of this material

PRE003324

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: £314,405,620 as at 30 June 2023

Asset class	Growth fund (%)	Performance benchmark weighting (%)	Ranges (%)	Indices
Global Equities	71.19	75.00	50-90	MSCI ACWI NDR
Global Bonds	15.31	10.00	0-20	ML Gbl HY ex Bank Cap and Jnr Sub - £ hedged
Alternatives	6.02	8.00	0-20	CPI+2.5% p.a.
Property	4.05	5.00	0-10	IPD Index
Cash	3.43	2.00	0-10	7 Day LIBOR
Total	100.00	100.00		

Background:

- Significant change in investment landscape triggered by surge in inflation and Central Bank's determination to regain control.
- Inflation remaining significantly above 2% target, with interest rate relief some way off.
- Cost-of-living crisis triggered by spike in price of energy, food and mortgages.
- Bonds more attractive after rapid unwinding of prolonged bull market, significantly impacting on relative attractiveness of other asset classes.
- Equity markets have enjoyed a good 2023 but leadership has been very narrow.
- Many different challenges lay ahead.

Portfolio positioning:

- Overweight cash highlights current defensive view in uncertain times...attractive rates plus scope to acquire bargains when possible.
- Currently underweight equities...it's all about the stocks.
- Bonds generally shorter dated...but have increased duration as yields have become more attractive.
- Preference for government bonds over credit to provide diversification against faltering economy.

Factors to consider



**CORPORATE EARNINGS
EXPECTATIONS**

**TIGHTENING
LIQUIDITY
CONDITIONS**



**GEOPOLITICAL
TAIL RISKS**

CONSUMER STRAIN



STICKY INFLATION

POLICY ERROR



NEWTON MACRO THEMES

BIG GOVERNMENT

CHINA INFLUENCE

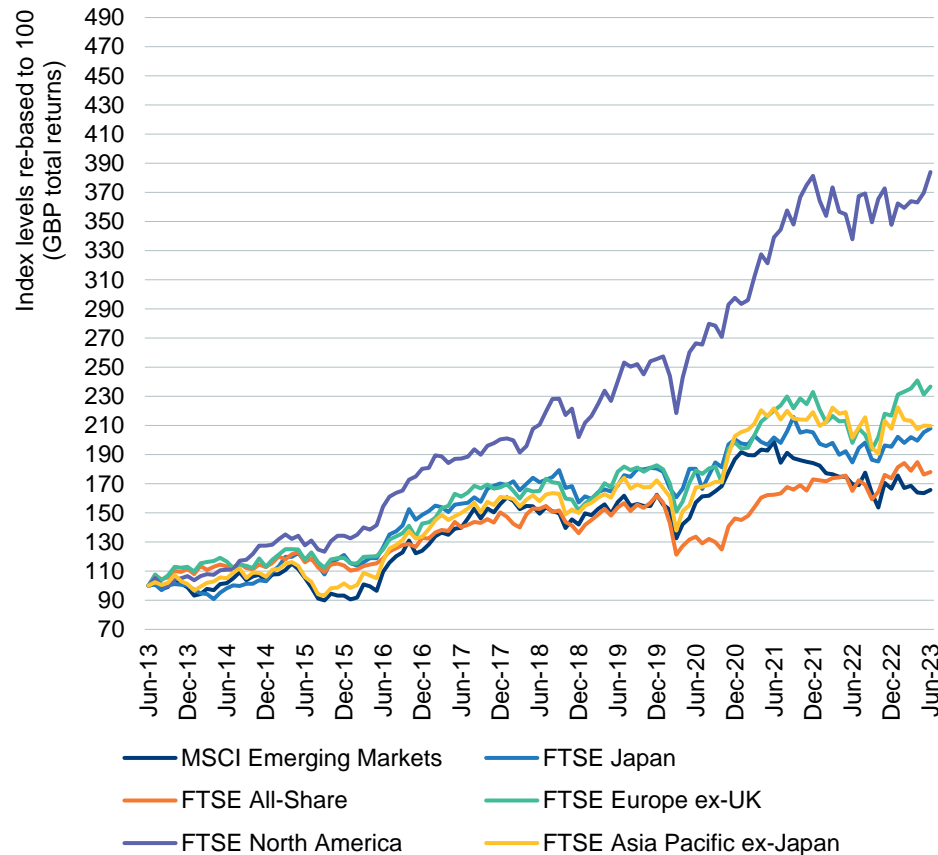
FINANCIALISATION

**GREAT POWER
COMPETITION**

World markets

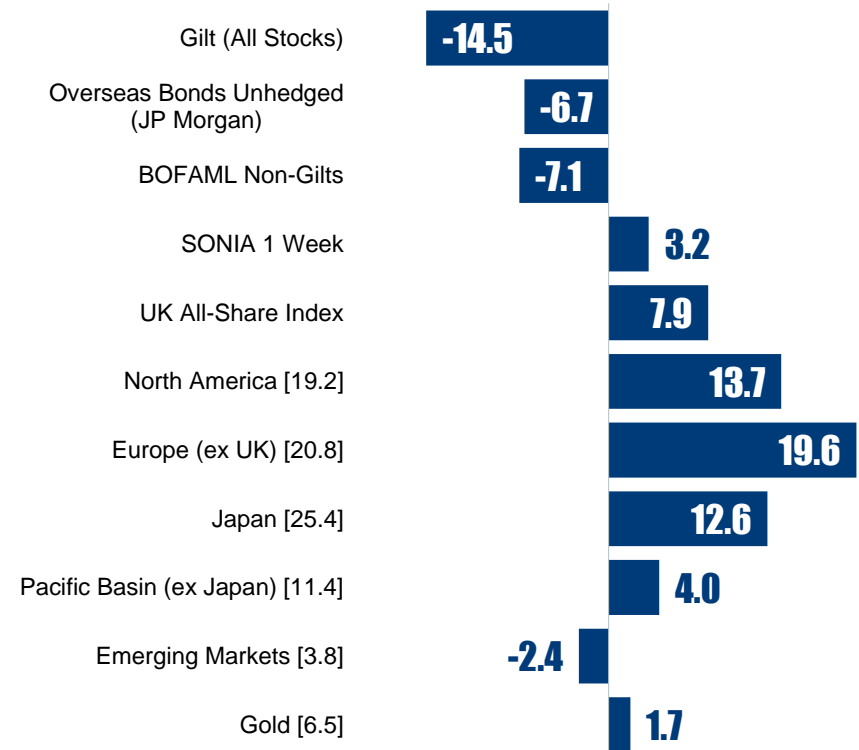
One year and 10-year performance

10-year Sterling returns (%) 30 June 2012 to 30 June 2023



Source: FactSet, 30 June 2023.

1-year Sterling returns (%) 30 June 2022 to 30 June 2023



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

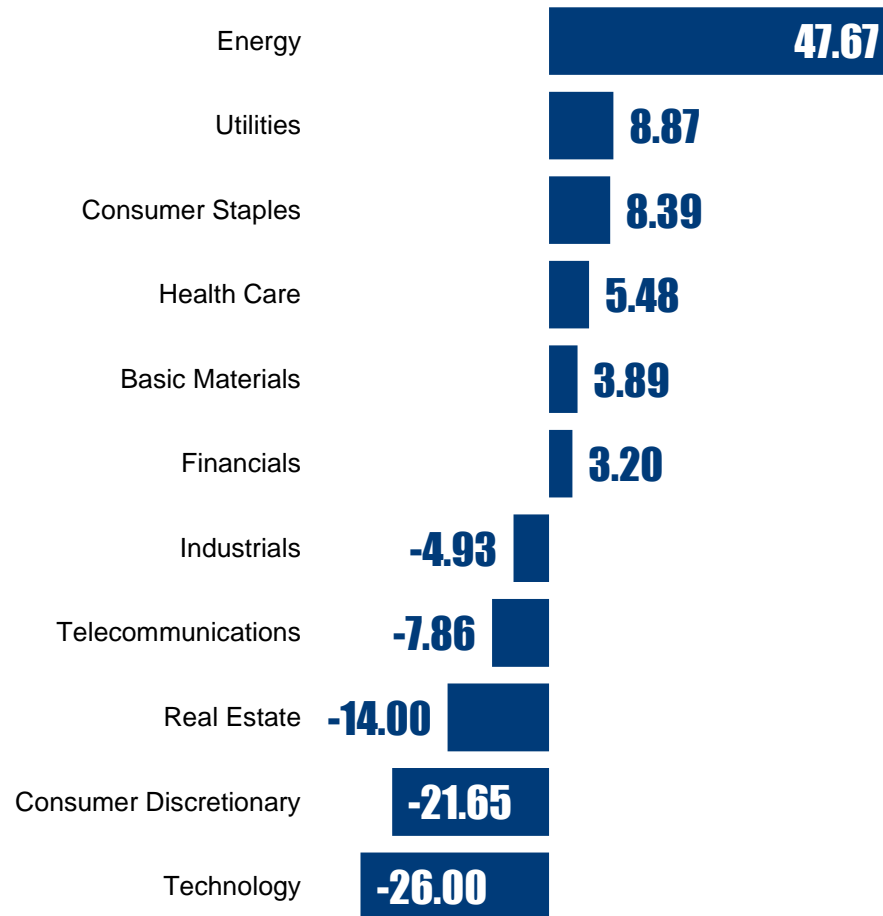
Indices: FT Government All Stocks, JPMorgan WGBI ex UK, BofA ML Non-Gilts, LIBID 7-Day, FTSE All-Share, FTSE All World North America, FTSE World Europe ex UK, FTSE Japan, FTSE World Asia Pacific ex Japan, MSCI Emerging Markets, Gold Bullion per troy ounce.

Source: FactSet, 30 June 2023 (total returns).

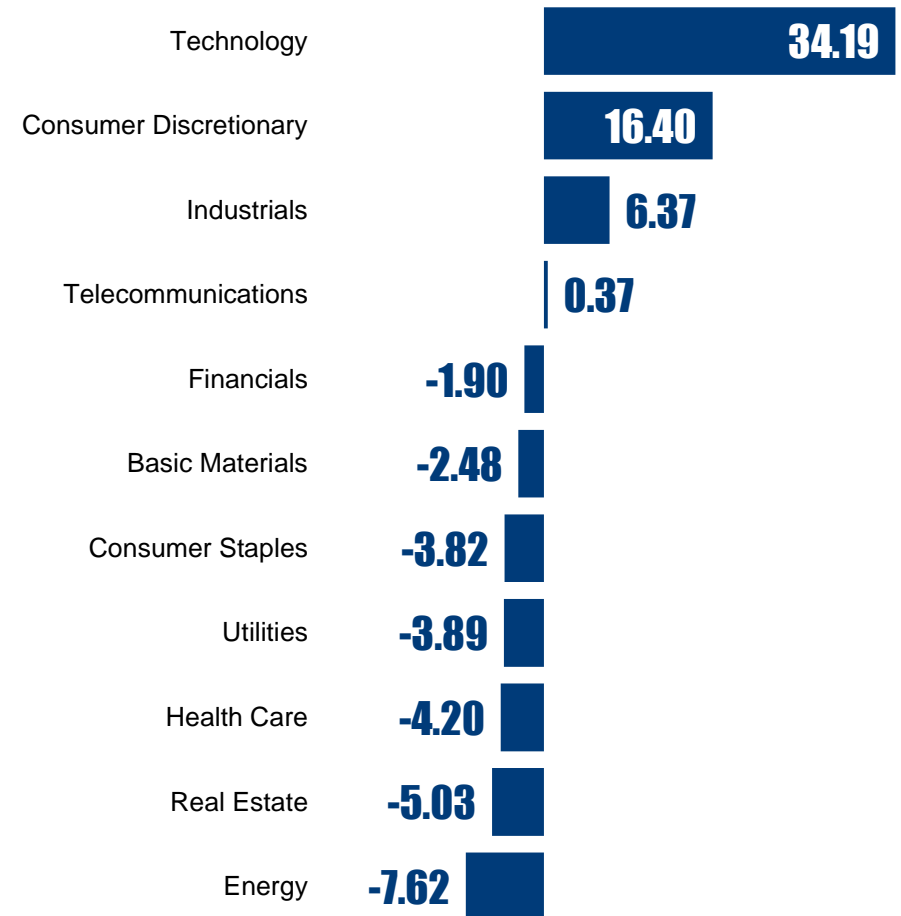
Economic resilience supports equities, while bonds worry about inflation

Sector performance

12 months to 31 December 2022 (%)



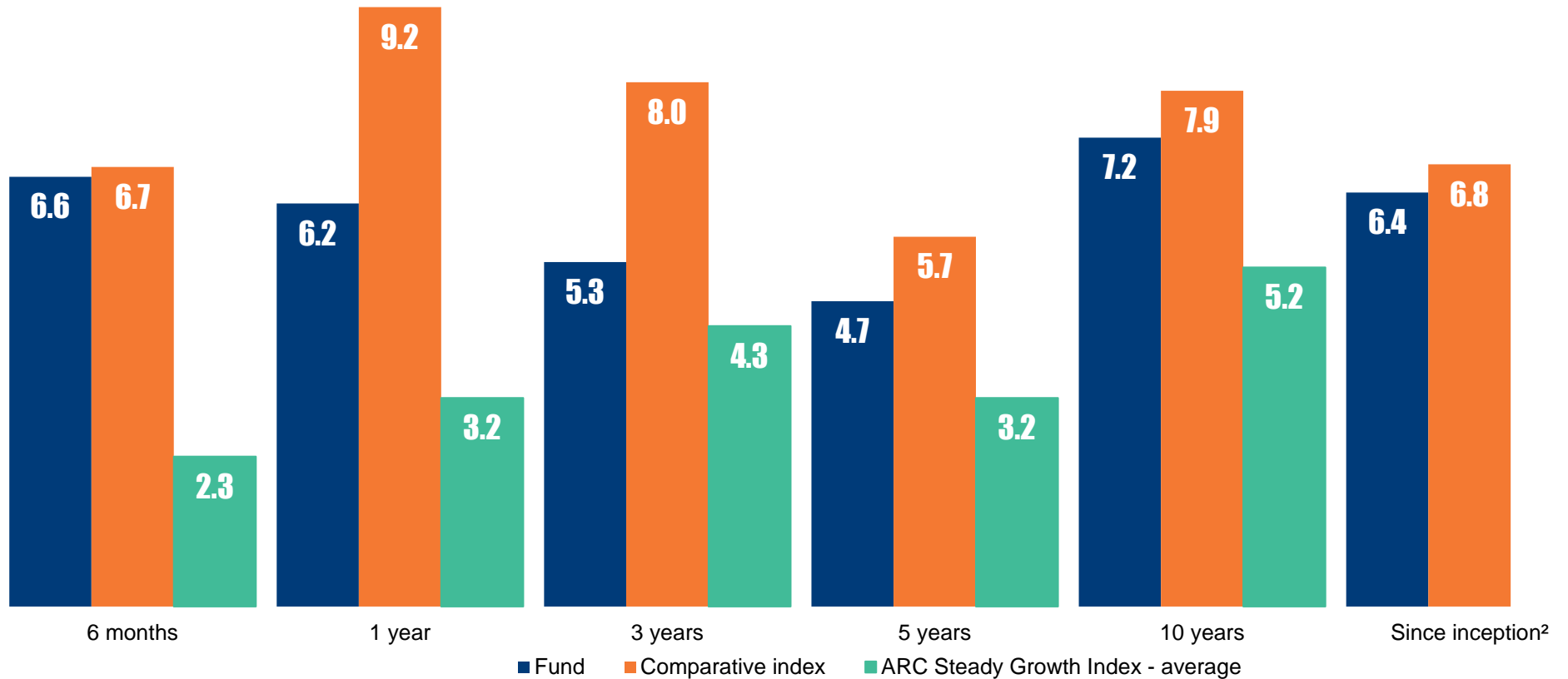
YTD to 30 June 2023 (%)



Investment performance (net of fees)

Church of Scotland Investors Trust Growth Fund

(%)



Notes:

¹ Periods to 31 March 2022.

² Inception date: 1 January 2006.

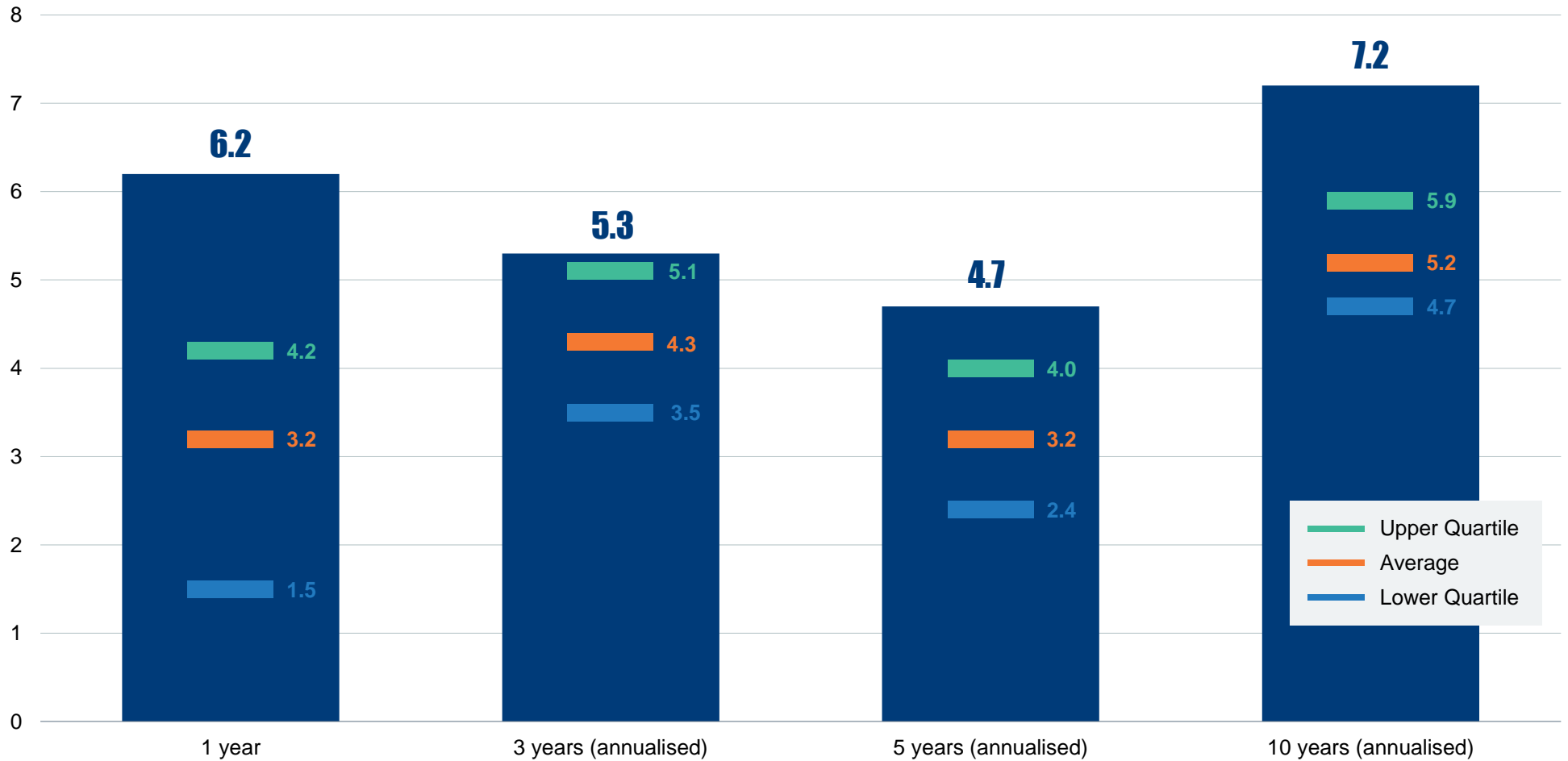
³ The following indices are used as a performance benchmark for this fund: 75% MSCI ACWI, 10% ML Global HY ex Bank Cap and Jnr Subordinate (£hedged), 8% CPI+2% p.a., 5% UK IPD and 2% 7-day LIBOR. Prior to 25 February 2021 performance benchmark consisted of: 37.5% FTSE All-Share, 37.5% FTSE All World (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, net of fees. 30 June 2022. ARC Charity Indices June 2023

Long term performance (to 30 June 2023) vs ARC Steady Growth Index

Main Fund, net of fees

Cumulative 5 year return 25.7% vs average fund return of 17.2%

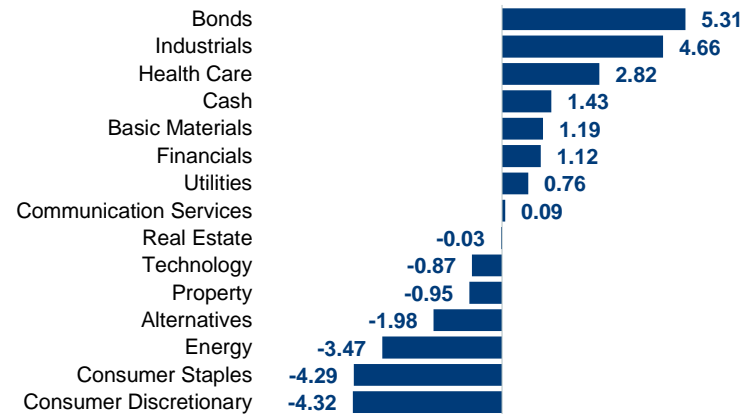


Source: ARC Charity Indices June 2023
Newton, net of fees, 30 June 2023.

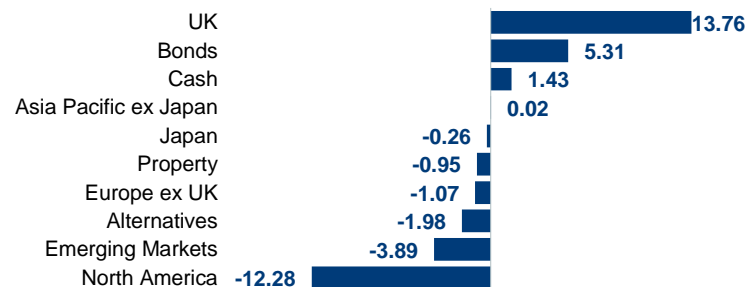
Portfolio positioning, as at 30 June 2023

Church of Scotland Investors Trust Growth Fund

Sector allocation (relative %)¹



Asset allocation (relative %)¹



Number of holdings: 83

Asset Class	Portfolio (%)	Benchmark (%)	Relative (%)
Industrials	12.53	7.87	4.66
Health Care	11.74	8.92	2.82
Basic Materials	4.62	3.43	1.19
Financials	12.71	11.59	1.12
Utilities	2.85	2.08	0.76
Telecommunications	5.58	5.49	0.09
Real Estate	0.00	0.03	-0.03
Technology	15.76	16.63	-0.87
Energy	0.00	3.47	-3.47
Consumer Staples	1.19	5.48	-4.29
Consumer Discretionary	4.21	8.54	-4.32
Alternatives	6.08	8.00	-1.92
Property	4.05	5.00	-0.95
Bonds	15.31	10.00	5.31
Cash	3.43	2.00	1.43

Asset Class	Portfolio (%)	Benchmark (%)	Relative (%)
UK	16.76	3.00	13.76
Asia Pacific ex Japan	2.01	1.99	0.02
Japan	3.79	4.05	-0.26
Europe ex UK	12.11	13.18	-1.07
Emerging Markets	3.85	7.74	-3.89
North America	32.67	44.95	-12.28
Alternatives	6.08	8.00	-1.92
Property	4.05	5.00	-0.95
Bonds	15.31	10.00	5.31
Cash	3.43	2.00	1.43

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, 30 June 2023.

Themes guide
rigorous stock selection

Income generation

Church of Scotland Investors Trust Growth Fund

Year	Income generated (£)	Income generated (ppu)
2020	7,358,411	13.1
2021	6,518,007	11.8
2022	6,784,474	12.3
2023	7,090,809 (estimated)	12.7 (estimated)

Engagement themes – our 2023 focus areas

CLIMATE & NET ZERO	BIODIVERSITY	WORKFORCE ENGAGEMENT	SUPPLY CHAIN OVERSIGHT & HUMAN RIGHTS	BOARD ACCOUNTABILITY
<p>Ensure that companies have a plan for their products, services and operations supporting a move towards net zero carbon emissions</p> <p>Ensure that companies have a plan to manage and avert physical climate risks</p>	<p>Ensure that companies understand and manage impacts on biodiversity (including deforestation and pollution), as well as any dependencies they have</p>	<p>Ensure that companies engage their workforce and understand and take action on insights gained from this group</p> <p>Ensure that employees are treated fairly and are afforded equitable development opportunities</p>	<p>Ensure that companies have transparency across their full value chain, particularly focusing on human rights within the supply chain to ensure fair treatment of workers and to manage and avert instances of Modern Slavery or forced labour</p>	<p>Ensure that companies' boards are equipped with the skills and competency to provide oversight of ESG risks</p> <p>Ensure that companies have robust governance structures which provide accountability on ESG risks</p>

The use of engagement themes may vary depending on the asset class. Engagement themes have been identified to reflect the issues we believe to be most material to companies' risks and opportunity sets in the long-term. However, other topics may be considered and have greater weighting when engaging with companies. Newton will make investment decisions that are not based on engagement themes and may conclude that other attributes of an investment outweigh Newton's engagement strategy.

REFERENCES

Key risks

The Church of Scotland Investors Trust – Growth Fund

Investment performance

12-month returns, %	Jun-22 to Jun-23	Jun-21 to Jun-22	Jun-20 to Jun-21	Jun-19 to Jun-20	Jun-18 to Jun-19
Portfolio	6.2	-1.9	12.6	-2.1	10.6
Benchmark	9.2	-2.8	18.6	-0.6	5.8

Calendar year returns, %	2022	2021	2020	2019	2018
Portfolio	-9.1	14.9	-0.6	17.0	0.2
Benchmark	-6.8	16.2	3.1	16.7	-3.9

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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