



Managing your investment portfolio

# Hywel Dda Health Charities

20<sup>th</sup> March 2023

Daisy Mannifield - Client Relationship Manager



COIF Charities Ethical Investment Fund	Market Value	Forecast income yield	Forecast annual income
The General Investment Fund	£5,941,212	3.06%	£181,822
The Permanent Endowment Fund	£2,171,438	3.06%	£66,454
<b>Total portfolio</b>	<b>£8,112,650</b>	<b>3.06%</b>	<b>£248,276</b>

**Initial investment:**

General Investment – £5,907,001.87

Permanent Endowment – £2,158,934.58

**Income received:**

General Investment – £46,247.44

Permanent Endowment – £16,902.86

Source CCLA as at 2<sup>nd</sup> March 2023

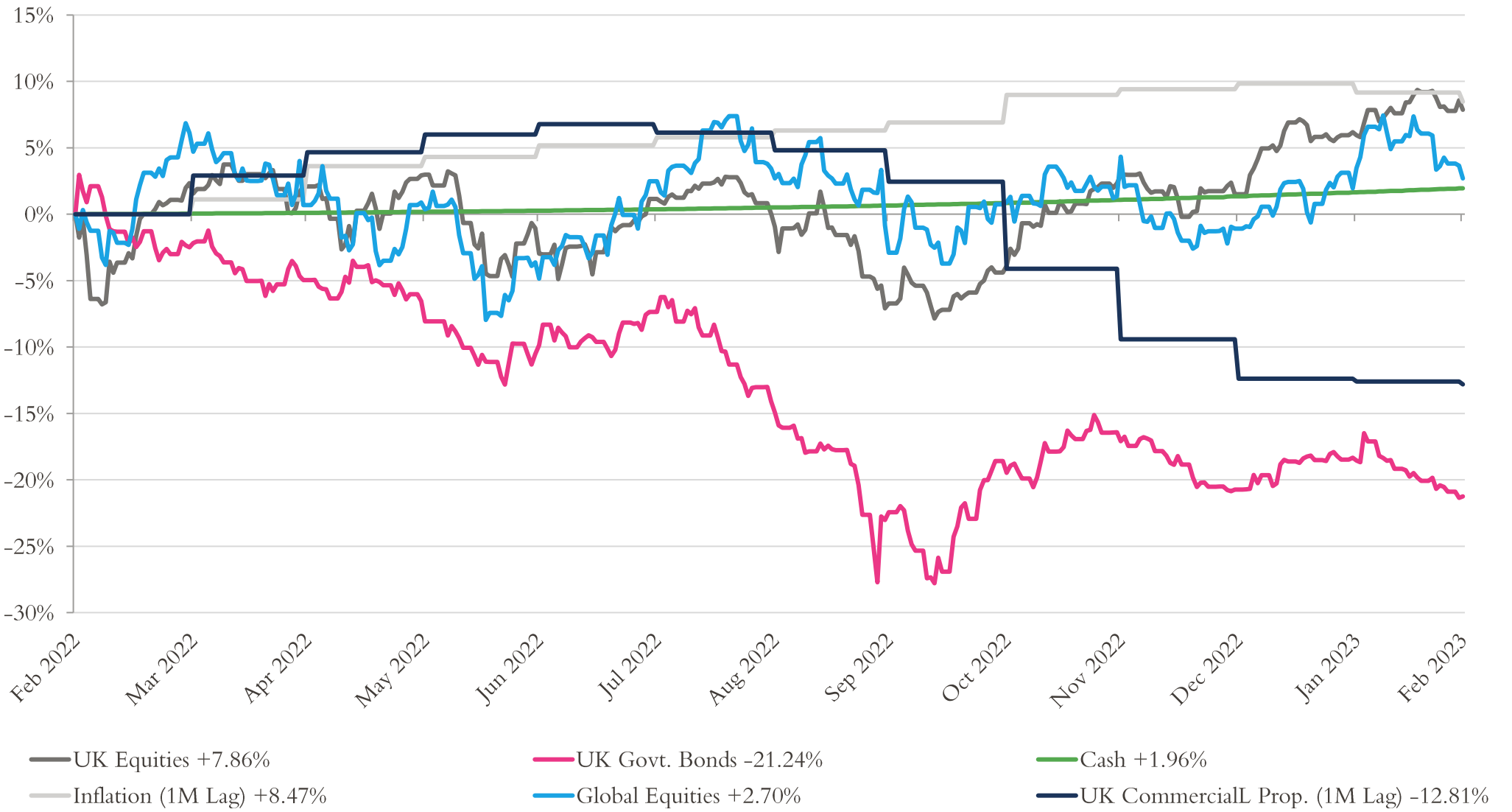
Annual income figures from long-term funds are based on current fund share holdings and forecast distributions per fund unit for calendar year 2023.

Annual income figures for COIF Charities Deposit Fund balances are based on the current declared interest rate which is subject to change.

Please note that this portfolio valuation is not intended for audit purposes. Forecast yields and annual income is not guaranteed.

Please see valuation risk warning at the end of this presentation.





Source: Bloomberg as at 28 February 2023.  
Past performance is not a reliable indicator of future results.

## **Slower economic growth**

- As inflation and higher interest rates bite, growth will be limited
  - Though global recession may well be avoided
  - The UK is weaker than other major economies and recession here still appears likely
- Inflation will fall from current levels
  - But tighter monetary conditions will persist
  - No return to benign disinflation

## **Market recovery**

- Equities looking reasonably priced in the US, and cheap in many other markets
  - Corporate earnings still under pressure from inflation
  - Anticipation of economic recovery should support improved sentiment in 2023
- Fixed interest (bonds) now present some attractive opportunities
- Higher bond yields present a challenge for valuations in other sectors (property, infrastructure)
  - Though underlying cash flows and fundamentals continue to make these assets useful diversifiers

Source: CCLA as at February 2023. The market review, analysis, and any projections contained in this document represent the current house view and should not be relied upon to form the basis of any investment decisions.

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## **Long term investment objective**

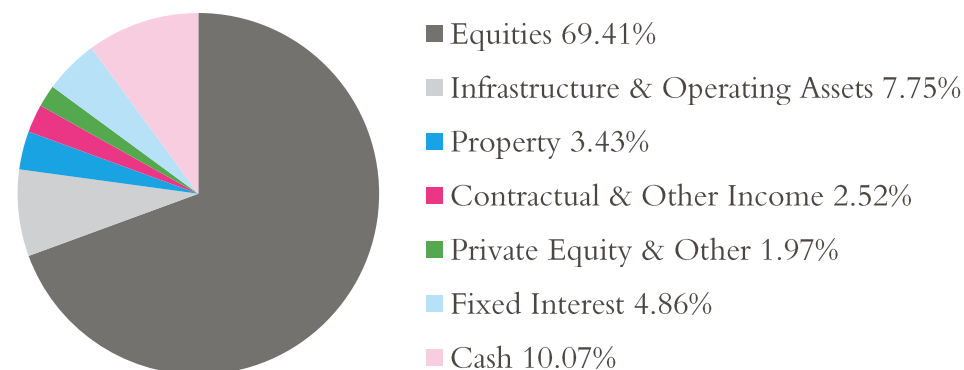
- To provide a long-term total return comprising growth in both capital and income
  - Benchmark: long term total return of inflation (CPI) plus 5% per annum before costs

## **We also aim to deliver:**

- Volatility of total return (risk) significantly below that of the equity market
- From within total return, an income distribution (dividend) which is reliable from year to year and rises progressively over time

- A multi-asset, long-term fund suitable for eligible charity investors
- Seeks to provide highly diversified and well balanced spread of investments
- Managed to meet clear ethical and responsible investment standards
- Use of alternative asset types providing contractual cashflows
- Fund size: £1,937m

### Asset allocation



Source: CCLA, as at 31 December 2022. Asset allocation is subject to change.

Infrastructure and operating assets refers to investments that facilitate the functioning of society with the potential for steady cash flows (e.g. energy-related and social). Contractual assets refers to investments that generate contracted cash flows over a specific period and are typically secured against assets.

## Mitigating risk

- **Underweight equities** since late 2021.
  - Remaining active throughout 2022, trimming or exiting positions where we believed capital was better used elsewhere.
- Our **preference for quality assets** should support portfolio resilience in tough economic times.
  - Avoiding the most sensitive areas such as retail, airlines and energy.
- Equities are more **defensively positioned**
  - Shift from consumer discretionary, industrials; towards healthcare, professional services.
- **Reduced alternatives exposure in Q4**, focusing on assets whose valuations were most at risk from rising yields.

## Taking advantage of opportunities

- Market weakness can make high quality stocks available at **compelling valuations**
  - New holdings in 2022 include Intuitive Surgical, Icon, Essilor Luxottica, Intuit.
  - Added to existing holdings such as Adobe, Edwards Life Sciences
- Introduction of **certificates of deposit** (CDs) to boost returns from portfolio cash.
- Re-entry to **fixed interest** markets at attractive yields:
  - Initial position in short-dated gilts following market yield spike in late September 2022
  - Switched to 10-year issue and increased allocation in November 2022.

Source: CCLA as at December 2022. The market review, analysis, and any projections contained in this document represent the house view and should not be relied upon to form the basis of any investment decisions. The information does not constitute the provision of financial, investment or other professional advice.

Quarterly total returns %	31 Mar 22	30 Jun 22	30 Sept 22	31 Dec 22
<b>COIF Charities Ethical Investment Fund (net)</b>	<b>-4.47</b>	<b>-6.10</b>	<b>0.43</b>	<b>0.23</b>
ARC Steady Growth Charity Index (peer group, net)	-3.78	-6.90	-2.15	3.11
Comparator benchmark★	-2.64	-7.85	-0.81	1.02
CPI plus 5% (Target benchmark)	2.96	5.24	2.87	3.97

Source: CCLA, as at 31 December 2022.

★Comparator benchmark: MSCI World Index (75%), Markit iBoxx £ Gilts Index (15%), MSCI UK Monthly Property Index (5%) and SONIA (5%).

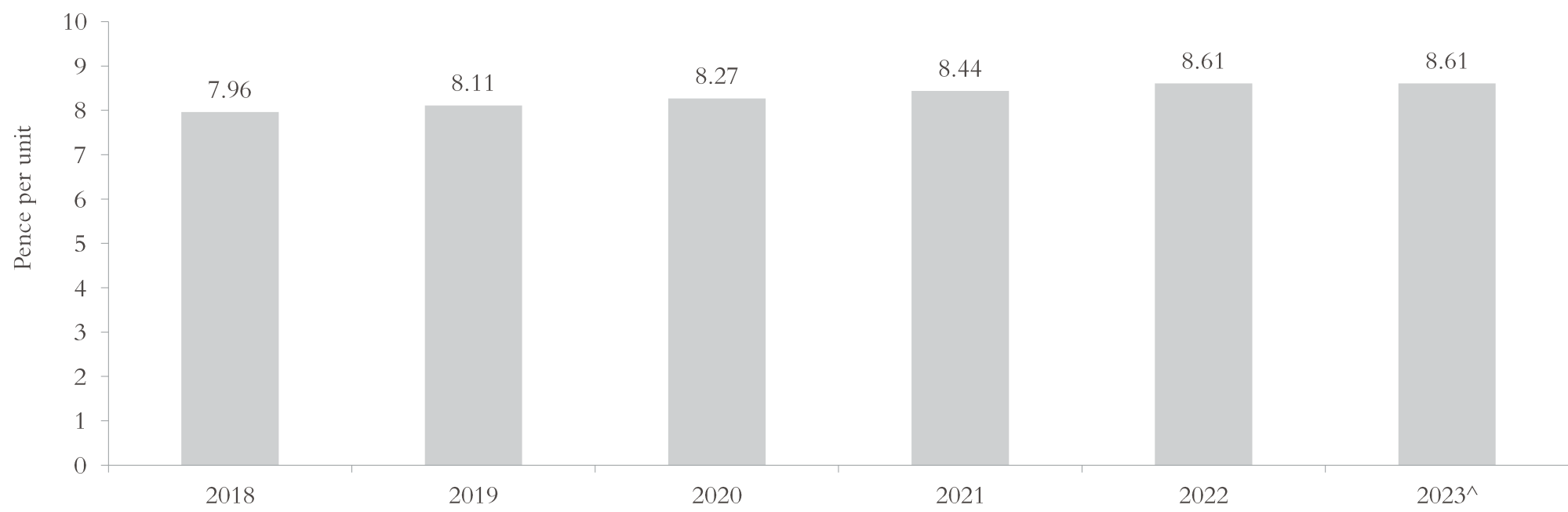
The comparator benchmark is subject to change. Please refer to detailed description in the appendix.

Total return performance is shown net of management fees and expenses on a mid price basis with gross income reinvested.

Past performance is not a reliable indicator of future returns.



Historical and Projected Annual Distribution

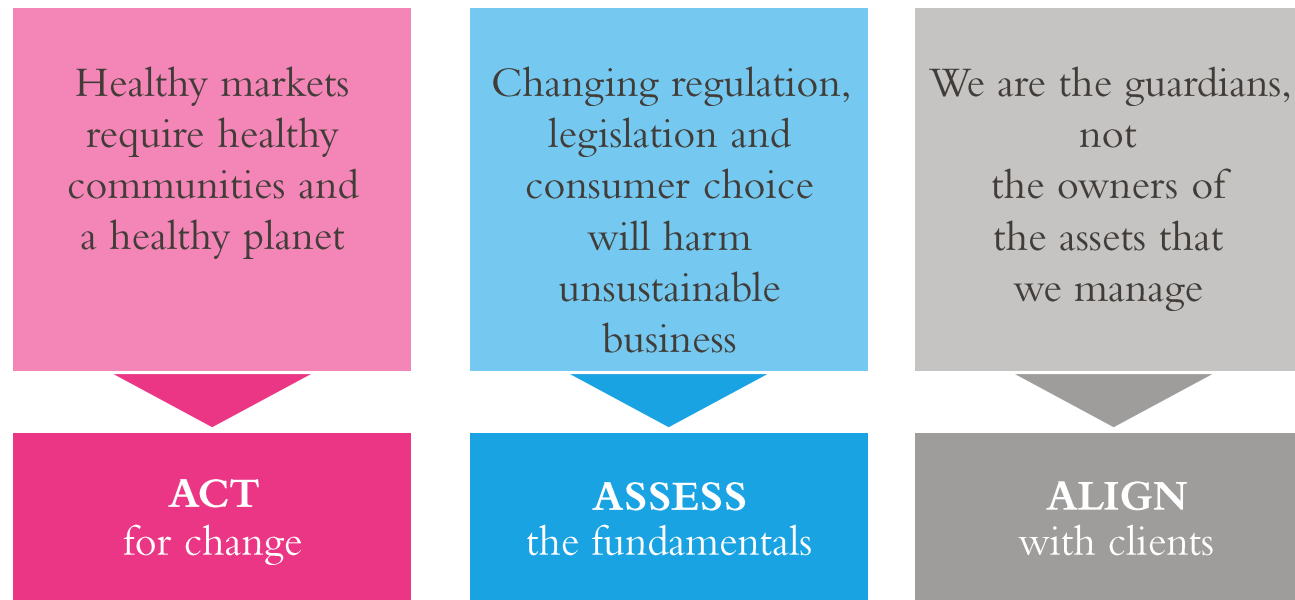


Current yield 3.14%★

Source: CCLA as at 31 December 2022.  
^Projected annual distribution. Projections for annual distribution is subject to change.  
★Based upon mid-market price as at 31 December 2022 and a projected annual distribution of 8.61p per unit. Forecast income yields are not guaranteed.  
Past distribution is not a reliable indicator of future results.

## REFERENCE MATERIAL

Our framework for Good Investment is built on over 60 years' experience of investing responsibly on behalf of our charity, church and local authority clients



Beyond portfolio composition, focused on catalysing lasting, real-world, systemic change

We believe active ownership is the best lever for delivering real, lasting, change. We do this by:



Working with companies to improve the sustainability of the assets in which we invest

- Routine proxy voting, according to bespoke CCLA guidelines
- Remote dialogue with companies
- In-person meetings
- Shareholder resolutions
- AGM attendance



Bringing investors together to address system-wide risks

- Act systemically, extending our influence beyond portfolio holdings
- Seek to tackle problems that have not had the attention they deserve
- Aim to be a catalyst for change within the investment industry



Working with governments to push for progressive legislation

- Promote progressive legislation, enabling companies to improve in a fair and meaningful way
- Direct engagement on legislation relating to climate action, modern slavery and sustainable diets

We aim to have an impact beyond our portfolios by creating and coordinating partnerships

We believe that legislation, regulation and changing societal preferences will impact negatively on the most unsustainable business models. We address this by:



**Assessing the financial materiality of sustainability**

- CCLA Corporate Governance Rating, covering 9,000+ stocks
- Analysis of each holding against sector specific sustainability risks
- A rigorous approach to considering the impact of ESG controversies



**Prioritising 'real-world' change**

- Assessment of companies' real-world impact
- Tailored active ownership on key sustainability concerns
- Divestment if no response to engagement on the most serious issues



**Avoiding companies that have an unacceptable impact**

- Fossil fuel producers, due to climate change concerns
- Producers or significant retailers of tobacco and/or recreational cannabis, to support public health
- Companies with the worst labour standards or respect for human rights

This helps us to avoid investing in companies that we think will underperform in a changing world



We are the guardians, not the owners, of the assets we manage. So, we seek to align our portfolios with the values of our clients. We address this by:



- Formal client consultation every three or four years
- Ongoing discussion with clients to ensure policies remain relevant
- Advisory Committees and Trustee Boards to oversee our activities

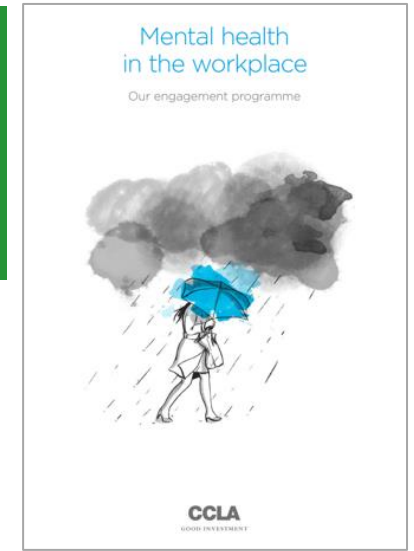
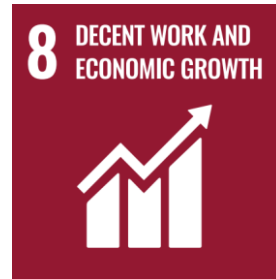
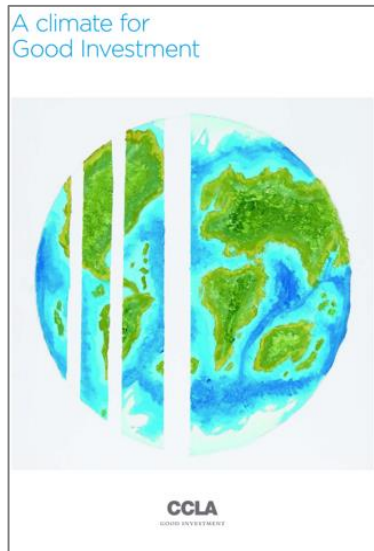


- Fund specific 'values-based' restrictions to avoid investment in activities proscribed by clients
- Objective data provided by third parties to assess companies' compliance
- Rules integrated into our order management system



- Annual Sustainability Outcomes Report
- Quarterly updates on our sustainability approach
- Portfolio holdings published on our website (with 6-month delay)

By investing in a way that is aligned with our clients we are better able to meet their needs



## Delivering Net Zero Portfolios through real-world action

- Founder signatory to the Net Zero Asset Manager's Initiative
- Created the 'Aiming for A' initiative, a pre-cursor to Climate Action 100+
- Co-created the Powering Past Coal Alliance Finance Principles

## Increasing the effectiveness of business in the fight against modern slavery

- Created 'Find It, Fix It, Prevent It', now supported by £13trn AUM
- Engagement that has led to direct action by hospitality & construction companies
- Hired Dame Sara Thornton the ex-Independent Modern Slavery Commissioner

## Pushing for better workforce mental health

- Created the CCLA Corporate Mental Health Benchmark
- First public ranking of large companies' approach to protecting mental health
- Early impact includes 'Board discussions', new policies and commitments to act

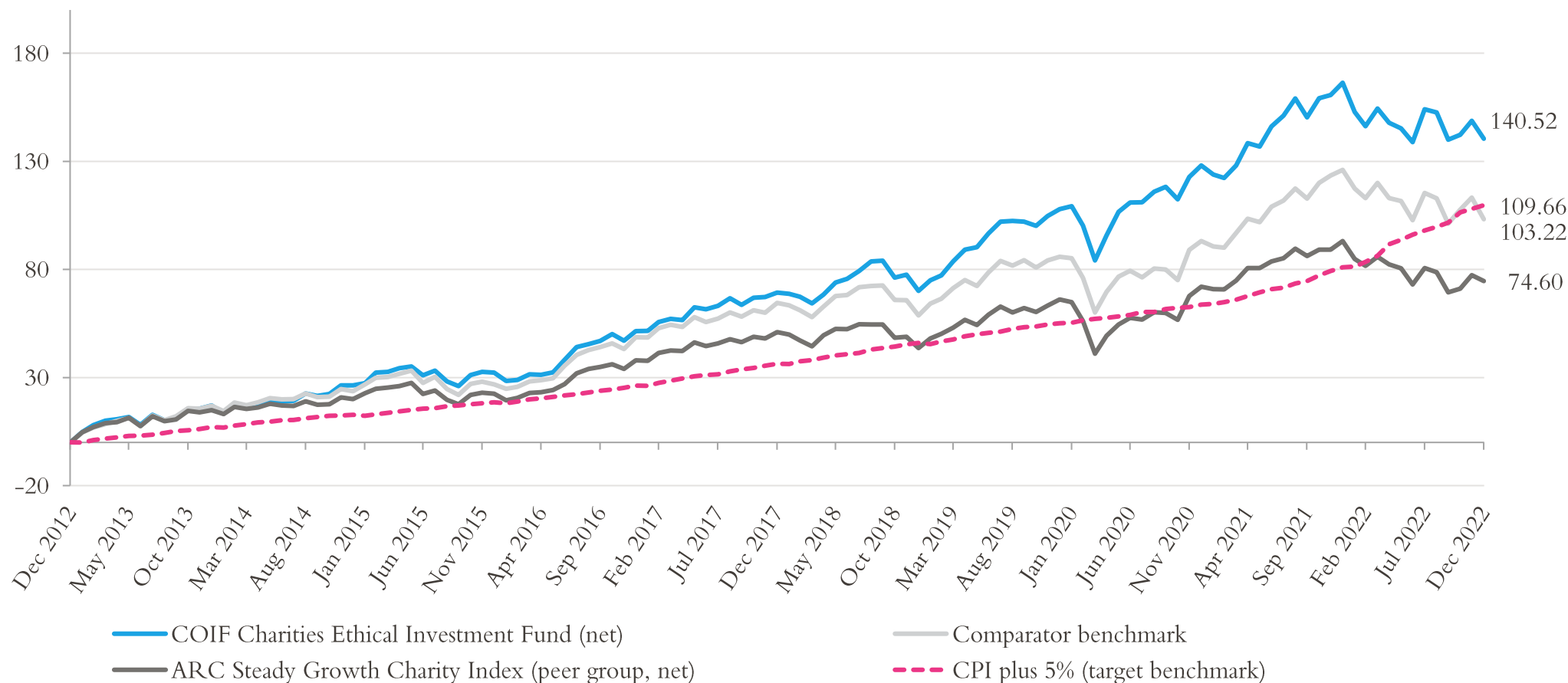
CCLA as at January 2023

The COIF Charities Ethical Investment Fund is managed in accordance with an ethical investment policy that is set through consultation with unitholders. This requires CCLA to dedicate capital to positive investments, engage with companies to achieve positive changes in business practice and implement the following ethical restrictions.

Theme	Further details	COIF Charities Ethical Investment Fund
Climate change	Oil sands extraction	Companies that derive more than 5% of their revenue from the extraction of these fuels are restricted
	Energy coal extraction	Companies that derive more than 5% of their revenue from the extraction of these fuels are restricted
	Other 'fossil fuel' extraction	Companies that derive more than 10% of their revenue from extracting and refining of oil or gas
	Other High carbon businesses	Minimum standards for engagement progress
	Electrical utilities	No investment in companies that cannot align with the Paris Climate Change agreement
Armaments	Strategic military sales	Restricted if derive more than 10% of revenue from strategic military sales
	Civilian firearms	10% revenue restriction
	Nuclear weapons	Investment prohibited if involved in the production of these weapons
	Landmines, cluster munitions, chemical or biological weapons	Investment prohibited if involved in the production of these weapons
Tobacco		10% revenue restriction
Alcohol		10% revenue restriction
Adult entertainment		10% revenue restriction
Gambling		10% revenue restriction
High interest rate lending		10% revenue restriction
Specific client restrictions	Sanctity of Life	Production of single-purpose abortifacients
Animal testing	Testing of cosmetics on animals	Restricted if in priority sector and chooses to conduct testing on animals
	Breast milk substitutes	Companies that do not meet the FTSE4Good criteria
ESG Minimum Standards	Companies with an MSCI ESG Rating of B or below	Comply/explain approach applies
Respecting international norms	Substantiated allegations of non-conformity with the UN Global Compact	Engagement that can lead to divestment if no progress is made
Oppressive regimes	Sovereign debt	No debt from countries identified by CCLA as being the most oppressive
Third-party funds		Screened against ethical investment criteria

Source: CCLA. The majority of ethical restrictions are applied through standard and bespoke data feeds provided by MSCI. Revenue restrictions based on total revenue from all exposures unless stated.

## 10 year net cumulative performance (%)



Source: CCLA, as at 31 December 2022.

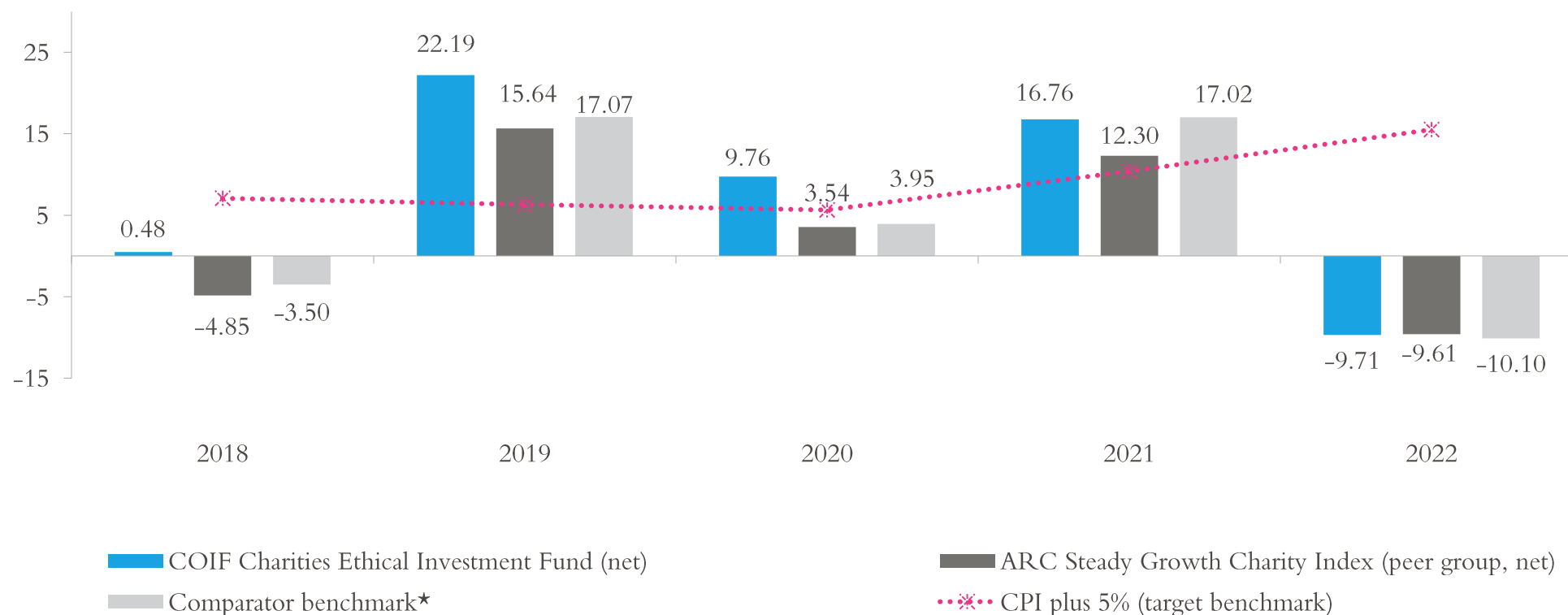
\*Comparator benchmark: MSCI World Index (75%), Markit iBoxx £ Gilts Index (15%), MSCI UK Monthly Property Index (5%) and SONIA (5%).

The comparator benchmark is subject to change. Please refer to detailed description in the appendix.

Total return performance is shown net of management fees and expenses on a mid price basis with gross income reinvested.

Past performance is not a reliable indicator of future returns.

### Discrete year total return performance % 12 months to 31 December



Source: CCLA, as at 31 December 2022.

\*Comparator benchmark: MSCI World Index (75%), Markit iBoxx £ Gilts Index (15%), MSCI UK Monthly Property Index (5%) and SONIA (5%).

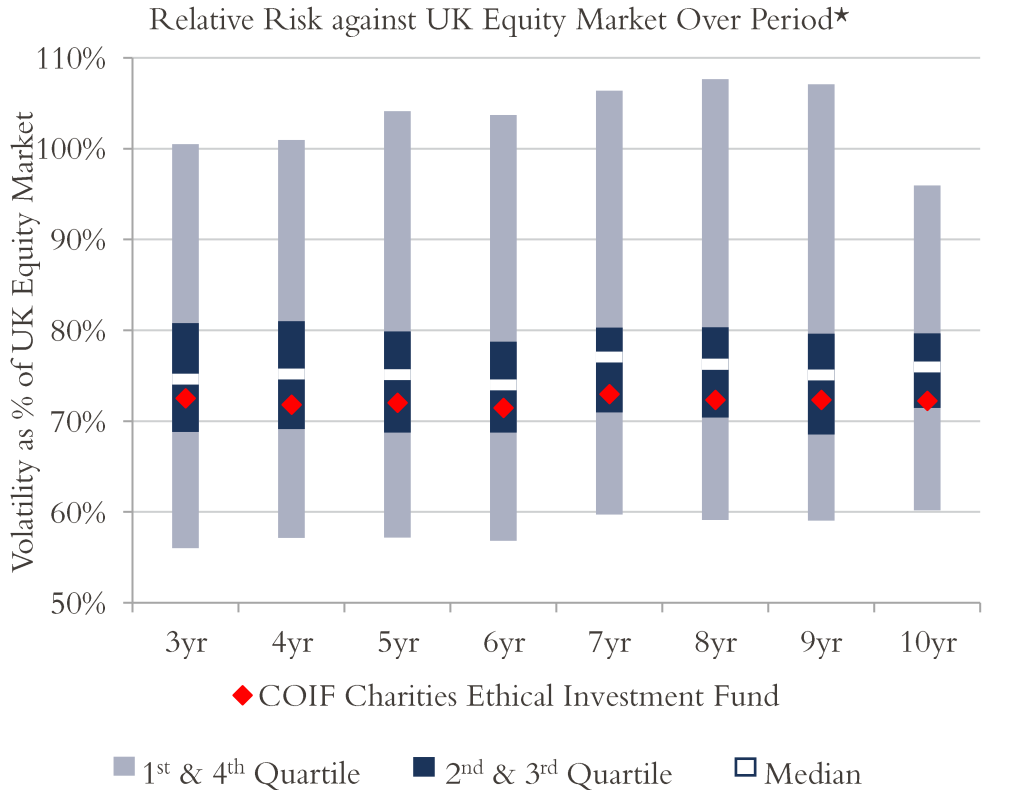
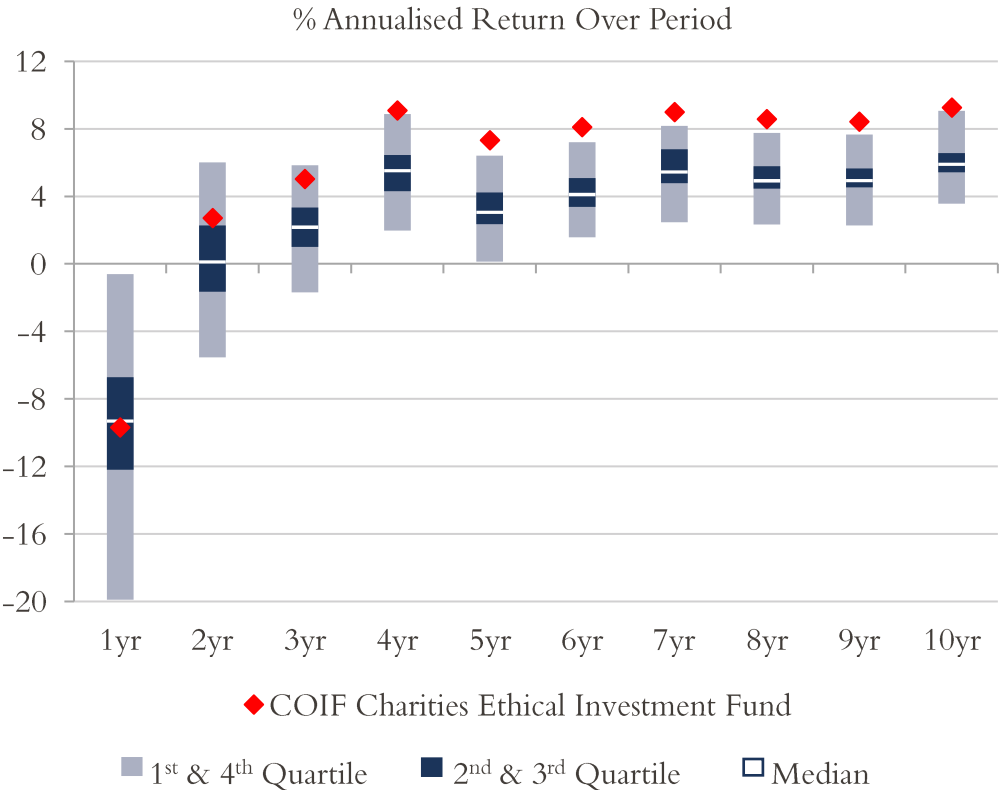
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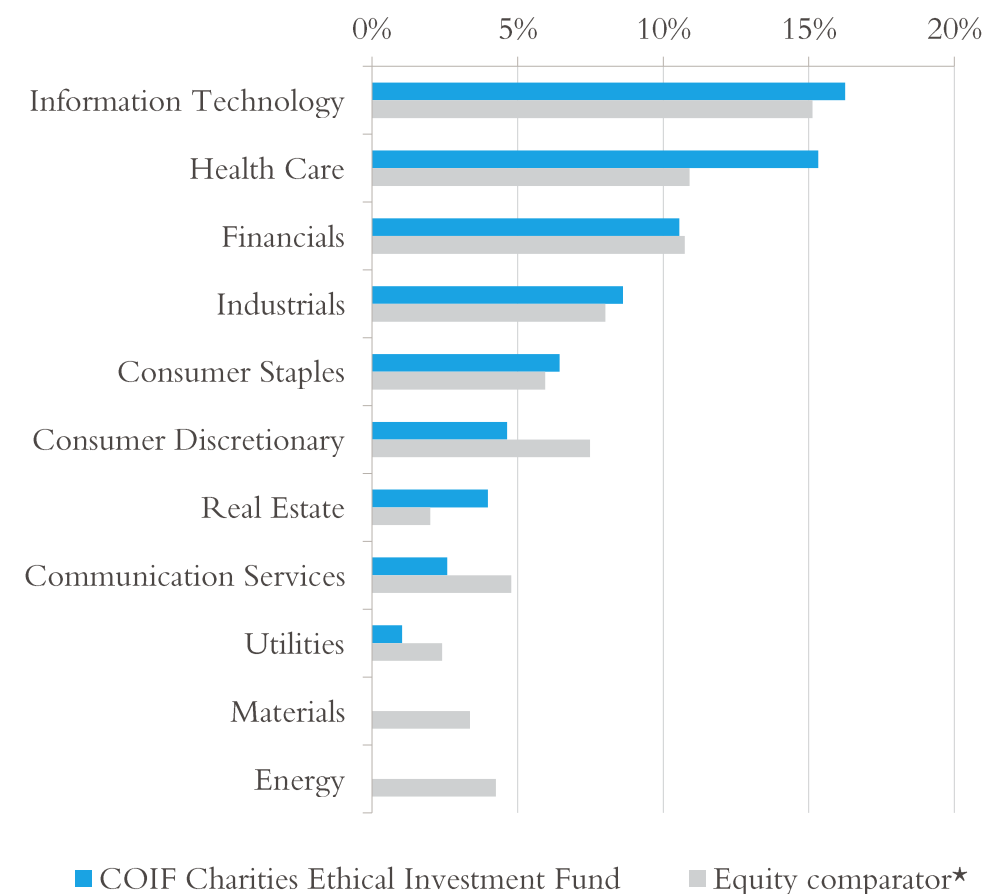


- Consistent and competitive returns, ahead of the median fund over multiple time periods
- Volatility has been significantly below that of the UK equity market and below that of the median fund over multiple time periods.

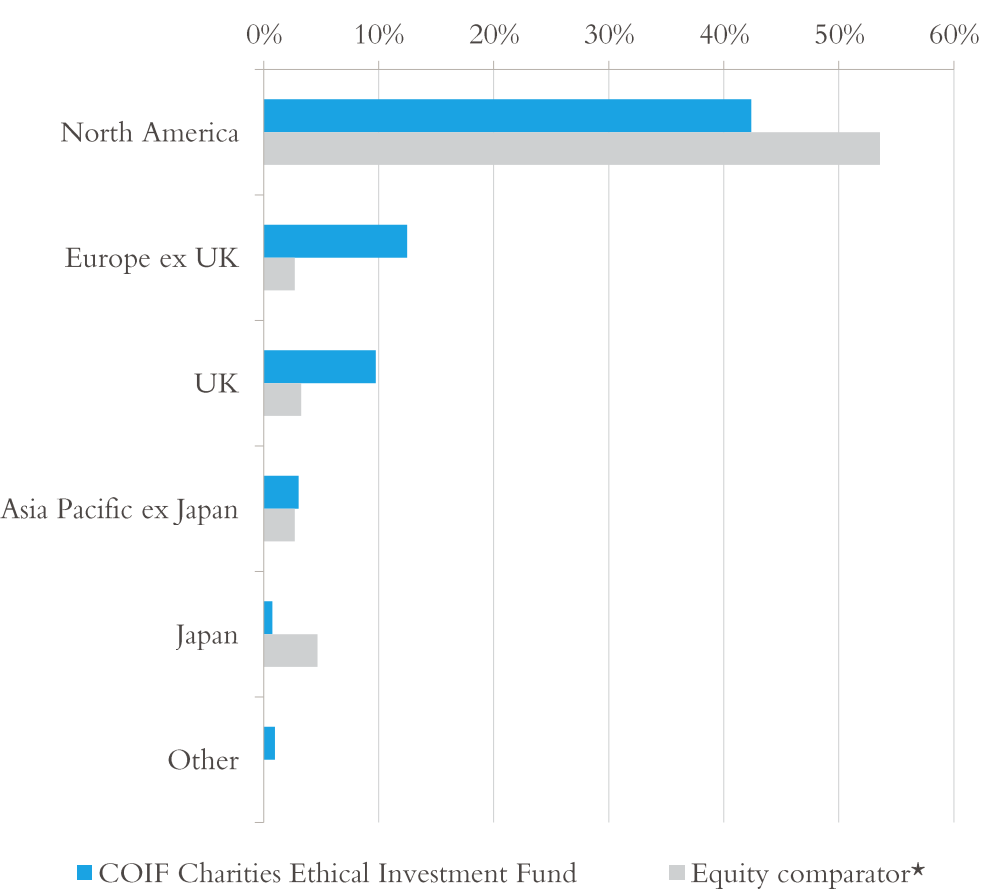


Source: Morningstar/CCLA as at 31 December 2022.  
Peer group: Investment Association 40%-85% equity funds peer group. \*The MSCI World Index is used as a proxy for the UK market. At any time, the actual level of volatility may be higher or lower than shown in the chart above.  
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By equity sector (% of total portfolio)



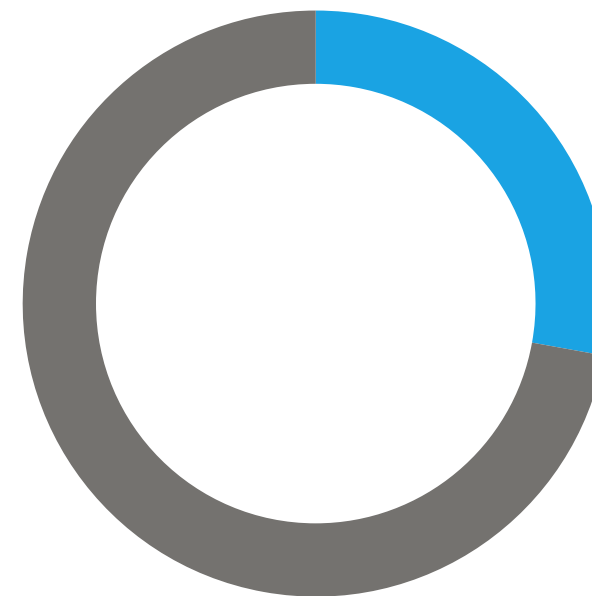
By equity region (% of total portfolio)



Source CCLA as at 31 December 2022.  
\*Equity comparator – MSCI World Index, 75%.  
Sector and regional allocation are subject to change.

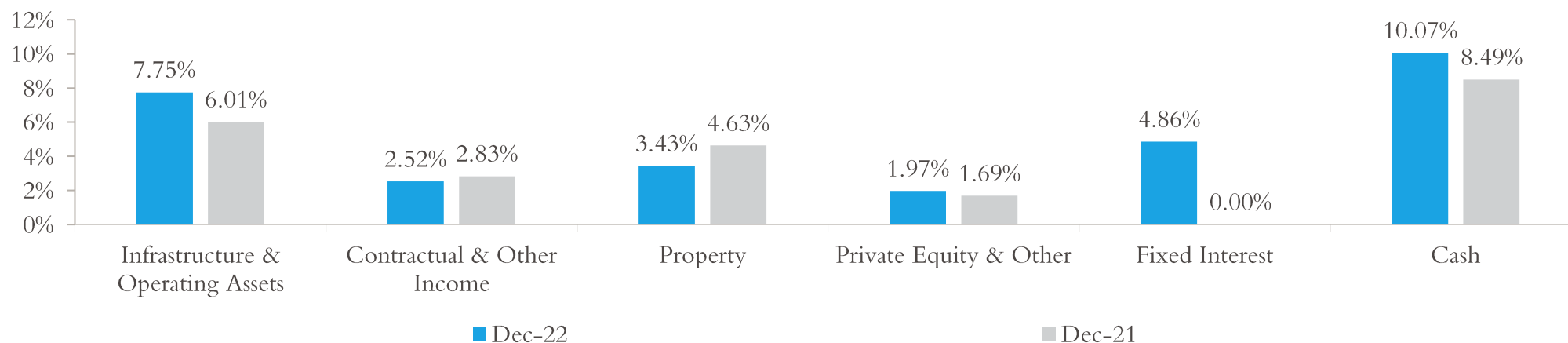
Security	Portfolio weight %
COIF Charities Property Fund	3.00
UK Treasury 4.25% 07/06/2032	2.71
Microsoft	1.97
UnitedHealth	1.52
Unilever	1.39
United Kingdom Gilt 0.875% 31/07/2033	1.30
Novo Nordisk	1.26
IntercontinentalExchange	1.25
Danaher	1.25
Greencoat UK Wind	1.23
HDFC Bank	1.19
Relx	1.15
AIA	1.14
Adobe	1.12
Stryker	1.12
Pepsico	1.11
Chicago Mercantile Exchange	1.04
NextEra Energy	1.03
S&P Global	1.03
London Stock Exchange	1.02

Source: CCLA as at 31 December 2022  
Holdings are subject to change.



■ Top twenty holdings 27.84% ■ Rest of the portfolio 72.16%

## Changes in non-equity asset allocation



- The allocation to infrastructure increased slightly during the period as we raised the allocation of environmental infrastructure that is benefitting from elevated inflation and high electricity prices.
- A small reduction to the contractual income allocation reflecting the fall in value of music royalty fund share prices.
- The property allocation fell slightly, reflecting weakness across the logistic focused REITs due to concerns around higher debt costs feeding through to lower property valuations, despite the strong rental growth profile.
- Private equity exposure increased slightly over the period reflecting a combination of resilient private asset valuations and investment in a new private equity fund position, Cambridge Innovation Capital Fund II.
- The most notable change over the course of 2022 was the introduction of a fixed interest allocation. This was completed in September response to the sharp rise in bond yields and prospective returns.
- The cash level was raised as we sought to increase the resilience of the portfolio against a challenging macroeconomic backdrop of high inflation and central banks raising interest rates.

Source: CCLA, as at 31 December 2022. Asset allocation is subject to change.

Infrastructure and operating assets refers to investments that facilitate the functioning of society with the potential for steady cash flows (e.g. energy-related and social). Contractual assets refers to investments that generate contracted cash flows over a specific period and are typically secured against assets.

## Investment Leadership Group

**Ben Funnell**  
Head of Investment  
Solutions

**James Ayre**  
Co-Head,  
Investments

**Charlotte Ryland**  
Co-Head,  
Investments

**James Corah**  
Head of  
Sustainability

## Investment Solutions

## Investments

## Sustainability

**Stuart Freeman**  
Director,  
Investments  
(Cash)

**Paul Hannam**  
Head of  
Property

**Tim Matthews**  
Director,  
Investments

**Joseph Hawkes**  
Director,  
Investments

**Helen Luong**  
Portfolio Manager

**Michael Ekaette**  
Director,  
Investments

**David Ellis**  
Director,  
Governance

**Martin Buttle**  
Better Work  
Lead

**Helen Wildsmith**  
Director (Climate  
Change)

**Robert Evans**  
Portfolio  
Manager (Cash)

**Gerard Williams**  
Portfolio Manager  
(Property)

**Solomon Nevins**  
Portfolio Manager  
(Alternatives)

**Romain Mouquet**  
Portfolio Manager

**Gabriel Antonie**  
Global Equity  
Analyst

**Bradley McLean**  
Investment  
Implementation

**Clémence Chatelin**  
Manager, ESG  
Integration

**Josephine Carlsson**  
Church Ethics  
Lead

**Amy Browne**  
Stewardship Lead

**Sidhant Mehta**  
Portfolio  
Manager (Cash)

**Matthew Meaden**  
Portfolio Manager  
(Property)

**Tom Furlong**  
Analyst  
(Alternatives)

**Rob Lapsley**  
Global Equity  
Analyst

**Richard Killoran**  
Global Equity  
Analyst

**Michael Fowler**  
Quant Analyst

**Sara Thornton**  
Director, Modern  
Slavery

**Andrew Adams**  
Modern Slavery  
Project Lead

**Sacha Davies**  
Better Work  
Intern

**Jamie Munday**  
Fund Manager  
(Property)

**Catherine Lett**  
Investment Team  
Administration

**Sean Harper**  
Global Equity  
Analyst

**Tessa Younger**  
Better  
Environment  
Lead

Source: CCLA as at January 2023.



COIF Charities Ethical Investment Fund	Cost % p.a.
Annual management charge (AMC)	0.60
Other expenses	0.08
<b>Fund management fee (FMF)</b>	<b>0.68</b>
Costs of underlying investments	0.23
<b>Total ongoing charges figure (OCF)</b>	<b>0.91</b>

The ongoing charges figure (OCF) shows the total annual operating costs taken from the fund. The OCF is the sum of two components: these are the fund management fee (FMF) and the cost of underlying investments.

The FMF includes CCLA’s annual management charge (AMC), VAT payable thereon where applicable (including any VAT reclaims received during the accounting period that the FMF is based on), and other costs and expenses of operating and administering the fund such as trustee/depositary, audit, custody, legal, regulatory and professional fees, and may include other charges such as Fitch Rating fees if applicable.

The underlying investments’ costs are the impact to the fund of costs incurred in other funds or similar investments (e.g. investment trusts, limited liability partnerships) in which the CCLA fund invests.

The OCF does not include the fund’s transaction costs (i.e. the costs of buying and selling the underlying investments in a fund). For more information on costs, including transaction costs, please refer to the fund’s key information document.

CCLA's multi-asset funds are actively managed to achieve their target benchmark (over time, they aim to achieve an average total return before costs of inflation, as measured by the Consumer Price Index, plus 5%).

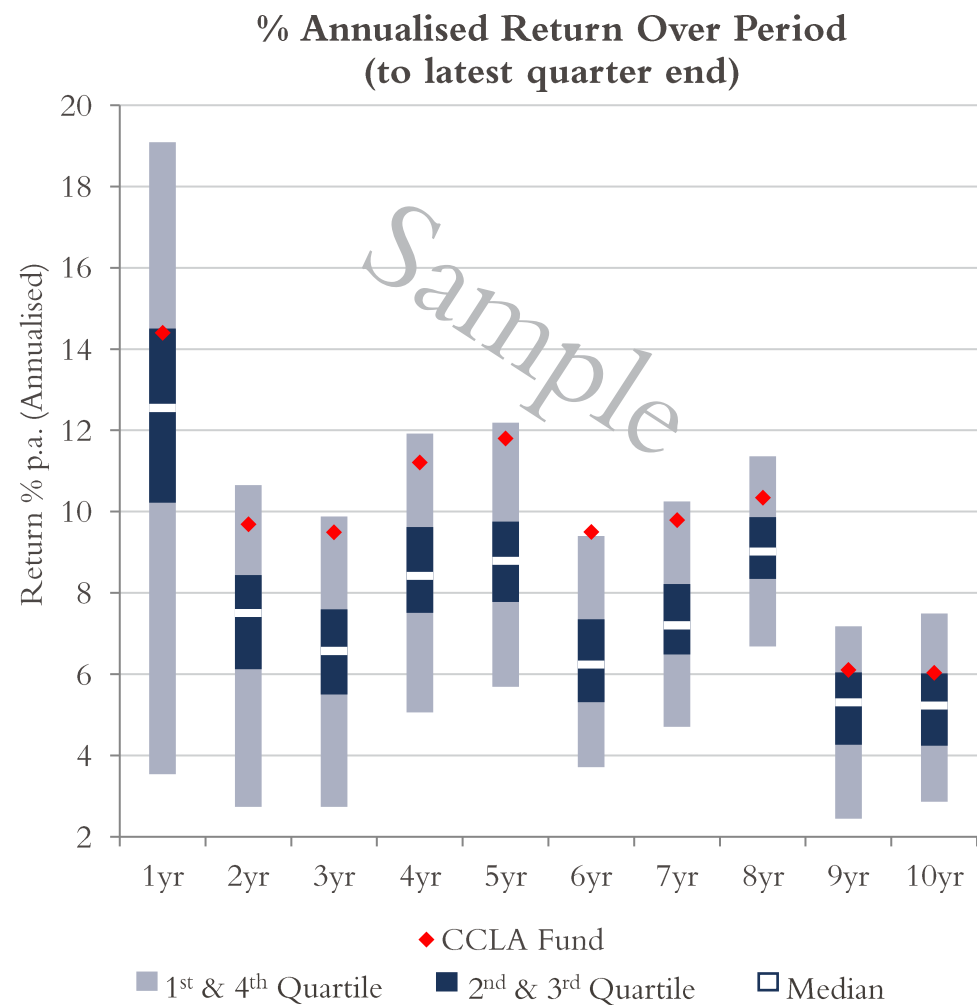
To give our clients insight into the progress of their investments over shorter periods we have created the market comparator. This is not a formal target or a constraining benchmark but is intended as a reasonable guide to how the total return of the actively managed funds differs from that of more passive portfolios. It is based on established investment market indices, weighted in proportions which reflect the return objectives of the fund.

To keep the information relevant the comparator benchmark is adjusted from time to time to reflect changes in long term return expectations and any structural changes in the fund. These alterations are reviewed and approved by the COIF board before they are implemented.

Comparator benchmark: MSCI World Index (75%), Markit iBoxx £ Gilts Index (15%), MSCI UK Monthly Property Index (5%) and Sterling Overnight Index Average (5%).

Comparator benchmark detail and history are as follows:

- From: 1.1.2021: MSCI World Index 75%; MSCI UK Monthly Property Index, 5%; Markit iBoxx £ Gilts Index, 15% and SONIA (Sterling Overnight Index Average), 5%.
- From 1.1.18 to 31.12.2020: MSCI World ex UK Index, 45%; MSCI UK Investable Market Index, 30%; MSCI UK Monthly Property Index, 5%; Markit iBoxx £ Gilts Index, 15% and 7-day LIBID, 5%.
- From 1.1.16 to 31.12.17: MSCI UK Investable Market Index, 45%; MSCI Europe ex UK Index, 10%; MSCI North America Index, 10%; MSCI Pacific Index, 10%; IPD UK All Property Index, 5%; Markit iBoxx £ Gilts Index, 15% and 7-day LIBID, 5%.
- From 01.01.12 to 31.12.2015 MSCI UK All Cap 45%, MSCI Europe Ex UK (50% Hedged) 10%, MSCI North America (50% Hedged) 10%, MSCI Pacific (50% Hedged) 10%, IPD All Property Index 5%, BarCap Gilt 15% & 7 Day LIBID 5%.



- The bar charts show the range of returns from comparable competitor funds over varying time periods
- Graph based on annualised total returns of all the funds graphed (2.5%-97.5%) and splits the fund performance results into four quarters. These quartiles and their ranges are shown along with the average (median) return
- Competitive data is the relevant Investment Association (IA) fund universe. Data shows total returns, net of fees.
- Volatility data uses monthly return data. MSCI UK IMI NR USD index volatility (data from Morningstar) has been used as the reference when comparing volatility of CCLA and competitor funds.

Source: Morningstar and CCLA.

Past performance is not a reliable indicator of future results.

There is no initial charge. Annual management expenses (accrued daily, paid monthly) due to CCLA on the COIF Charity Funds are deducted before declaration of dividends and interest. The expenses of the Investment Fund, Global Equity Income Fund and Property Fund are taken from capital. The expenses of the Fixed Income Securities Fund and the Deposit Fund are taken from income. Fund charges applied to capital may result in capital erosion.

Holdings in the Investment Fund, Global Equity Income Fund and the Fixed Interest Securities Fund are valued at the mid market price. Holdings in the Property Fund are valued based on the net asset value of a share.

Please note that income yields or forecast annual income is not guaranteed and can change over time due to changes in fund constituents, interest rates and the average maturity date of the securities held by a fund. The income yield on the Fixed Interest Fund is an indication of the expected level of income.

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice.

To ensure you understand whether a CCLA product is suitable, please read the fund fact sheet document and the scheme particulars. CCLA strongly recommends you seek independent professional advice prior to investing. Investors should consider the risk factors identified in the scheme particulars.

Past performance is not a reliable indicator of future results. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon CCLA's current opinions, expectations and projections. CCLA undertakes no obligations to update or revise these. Actual results could differ materially from those anticipated.

Investment in a CCLA managed fund is only available to charities within the meaning of section 1(1) of the Charities Act 2011. The CCLA managed fund is approved by the Charity Commission as a Common Investment Fund under section 24 of the Charities Act 1993 (as has been replaced by the Charities Act 2011) and is an Unregulated Collective Investment Scheme and an unauthorised Alternative Investment Fund.

The company CCLA Fund Managers Limited (registered in England & Wales, No. 8735639, at One Angel Lane, London EC4R 3AB) is authorised and regulated by the Financial Conduct Authority and is the manager of the COIF Charity Funds (registered charity numbers 218873, 803610, 1046249, 1093084, 1121433 and 1132054).

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