



Managing your investment portfolio

## Hywel Dda Health Charities

28 November 2022

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Image courtesy of CCLA's partner, Koestler Arts, the UK's leading arts charity within the criminal justice system.

**CCLA**  
GOOD INVESTMENT

- Update on transition of your portfolio to CCLA (verbal)
- The investment landscape – economics and market developments
- COIF Charities Ethical Investment Fund:
  - Performance, positioning and recent activity

## UK AND US 10-YEAR GOVERNMENT BOND YIELDS – LAST 12 MONTHS



*Central banks' efforts to control inflation result in higher borrowing costs for governments, businesses and households.*

Source: FT.com as at 3 November 2022

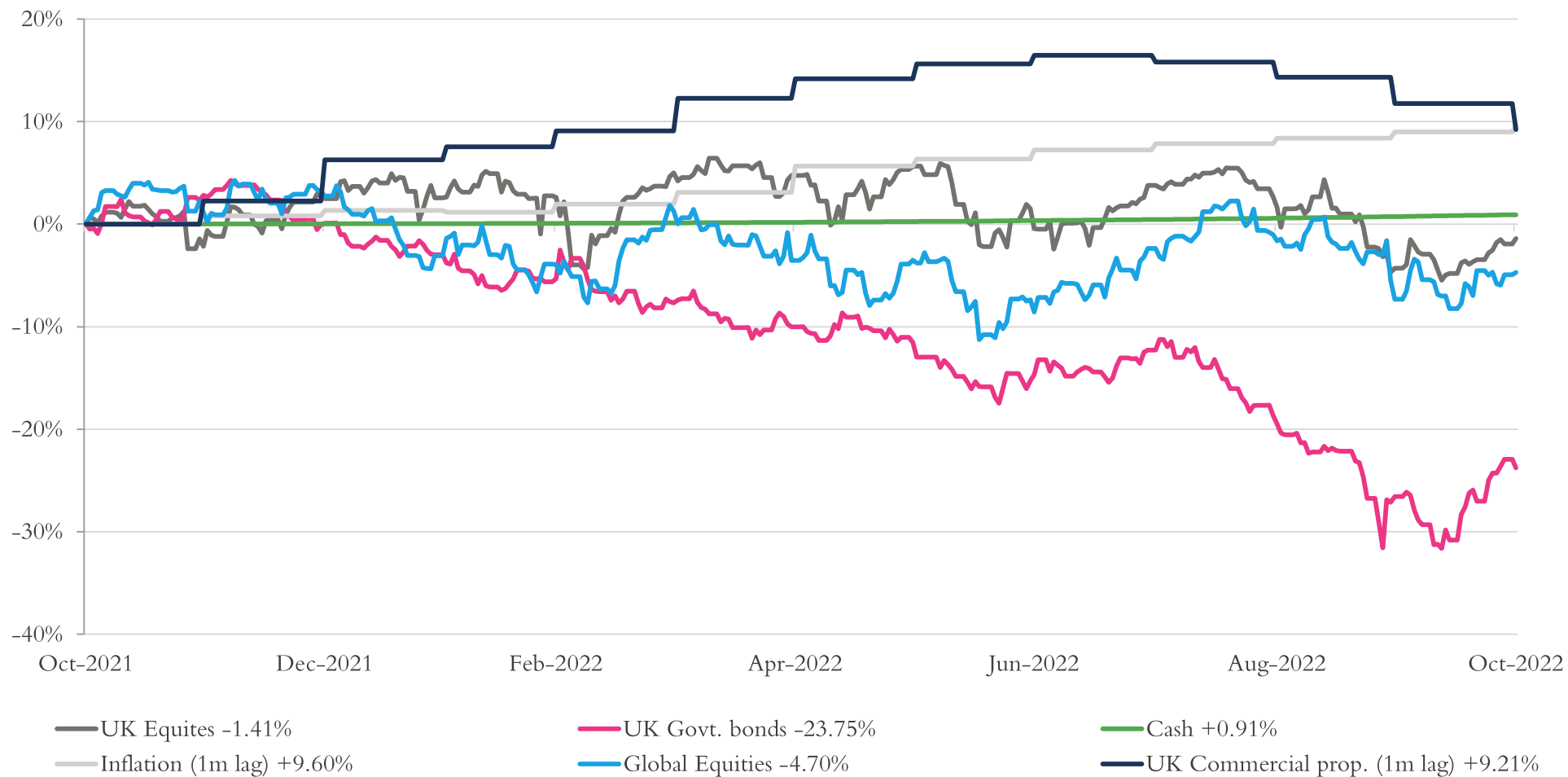


### ‘Financing’ assets:

- **Cash** – negative real returns are the norm, exacerbated at times of high inflation
- **Bonds** – expectations for inflation and interest rates are the main drivers of returns

### ‘Real economic’ assets:

- **Property** – interest rates can affect valuations but the economic outlook is more important
- **Equities** – inflation and monetary policy surprises affect sentiment, but corporate earnings are the key long-term driver of returns.
  - And some companies are better placed than others in inflationary times:
    - Strong brands, intellectual property = greater pricing power
    - Capital light = more resilient margins
    - Robust balance sheets, low gearing = less vulnerable to higher interest rates



Source: Bloomberg as at 31 October 2022.  
Past performance is not a reliable indicator of future results.

- High inflation in the world's major economies is eroding real incomes and driving central bank policy tightening, damaging consumer and business confidence.
- Economic contraction is widely expected and is likely to be especially marked in the UK, where recession could be protracted despite a tight labour market.
- Europe's economy is also likely to shrink in the face of energy supply and pricing issues associated with the war in Ukraine, but enjoys higher levels of business confidence and investment than the UK and may return relatively quickly to growth in 2023.
- The dominant global economy, the US, is better placed and any recession there is likely to be relatively shallow and short-lived. Meanwhile in China, activity levels depend significantly on policy approaches to managing Covid and to seeking a soft landing for the troubled property sector.
- Equities are likely to remain volatile. The market as a whole is now reasonably priced relative to earnings, but margins will be under pressure as revenues suffer from the effects of inflation on demand, and corporate input costs rise. With earnings in focus, we should expect divergence between sectors and between individual assets.
- In commercial property, infrastructure and contractual income valuations will remain challenged by higher bond yields – though in many cases, underlying cash flows and asset fundamentals will hold up fairly well.
- Bond markets are probably past the worst effects of the widespread yield shock but remain vulnerable to policy uncertainty and, in the corporate sector, to rising credit risk as economic progress falters.

Source: CCLA as at 8 November 2022. 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**

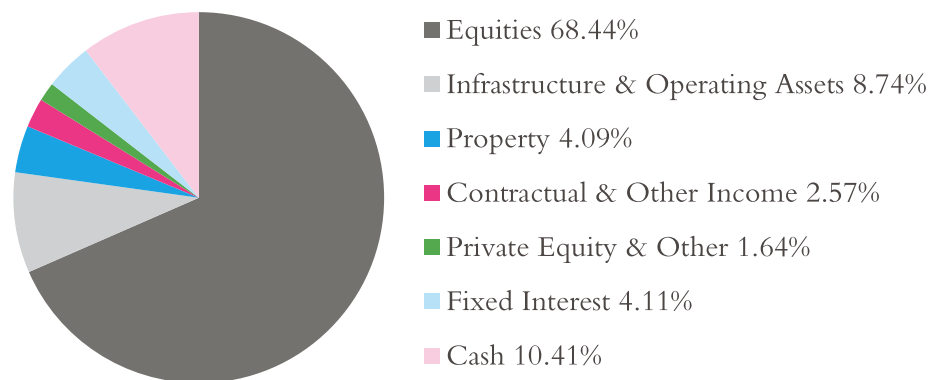
- To provide a long-term total return comprising growth in both capital and income
  - Benchmark: long term total return of inflation (CPI) plus 5% per annum before costs

## **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: £1,914m

### Asset allocation



Source: CCLA, as at 30 September 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.
  - Further trims during temporary market recoveries in March and July 2022.
- 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 pharmaceuticals, professional services.
- **Alternatives exposure reduced**, focusing on assets whose valuations are 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 Experian, Intuit, Icon and Essilor Luxottica.
  - Added to existing holdings in PayPal, Disney
- Introduction of **certificates of deposit** (CDs) to boost returns from portfolio cash.
- **Acquired short dated (2-year) UK government bonds** at yields of over 4% following market yield spike in late September 2022

Source: CCLA as at October 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.

Total returns % as at 30 September 2022	1 month	3 months	6 months	1 year
COIF Charities Ethical Investment Fund (net)	-4.99	0.43	-5.70	-4.14
ARC Steady Growth Charity Index (peer group, net)	-5.80	-3.51	-10.16	-9.07
Comparator benchmark★	-5.52	-0.81	-8.60	-5.47
CPI plus 5% (target benchmark)	0.98	2.87	8.19	15.14

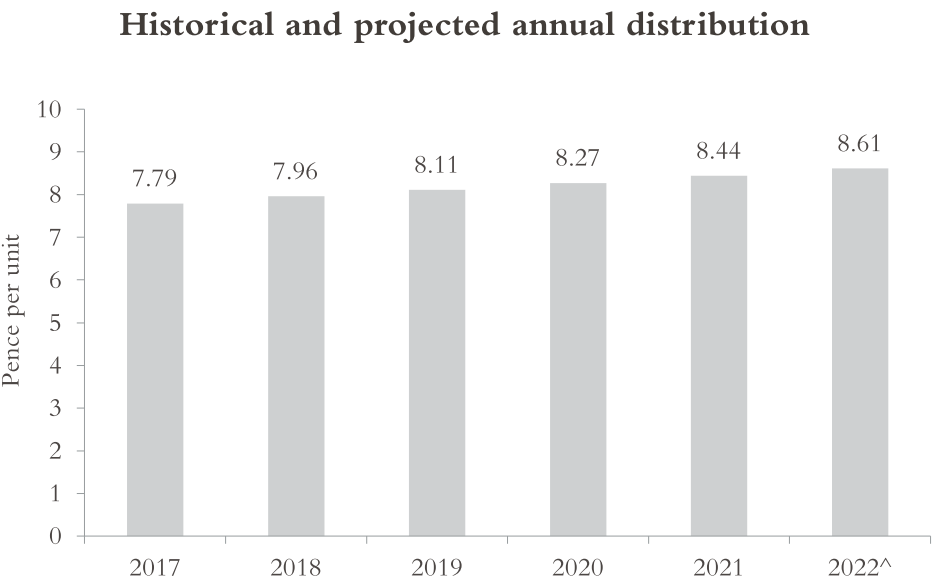
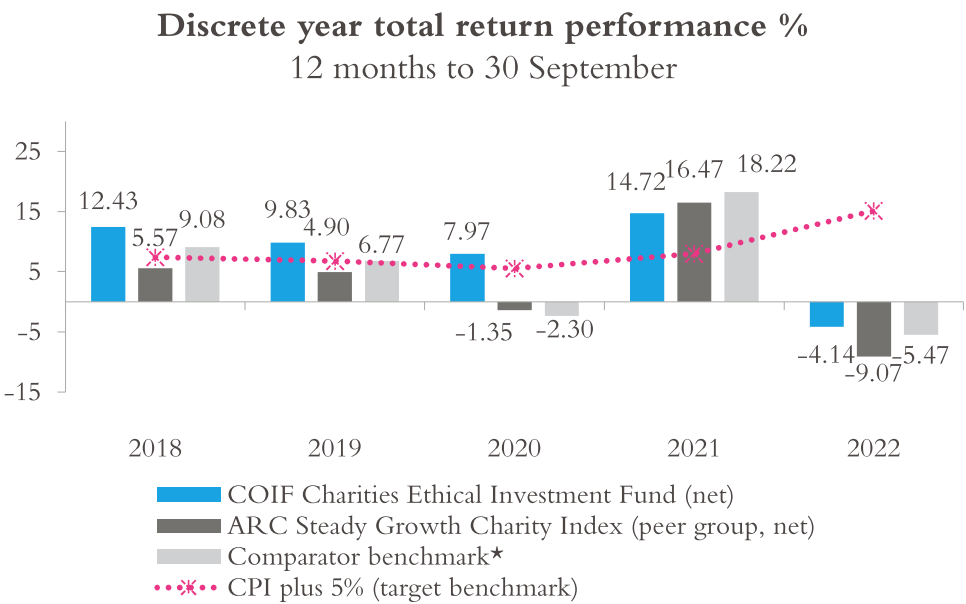
Source: CCLA, as at 30 September 2022.

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

The fund's objective is to provide a long-term total return comprising growth in both capital and income, with a long-term total return benchmark of inflation (Consumer Price Index) plus 5% p.a. The comparator benchmark, which is not a target or a constraining benchmark, is intended to help investors understand the effects of the Fund's active management in different market circumstances, and to see how the Fund's returns vary in the shorter term from those that might be experienced by a more passive investor. 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.



Current yield 3.12%\*\*

Source: CCLA, as at 30 September 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.

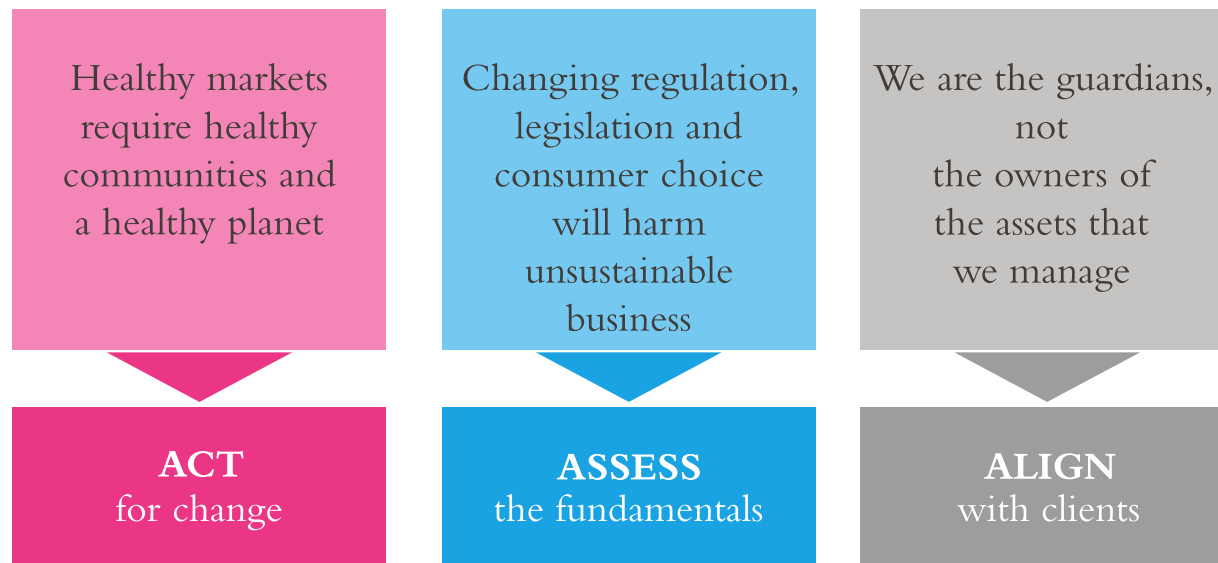
Total return performance is shown net of management fees and expenses on a mid price basis with gross income reinvested.

^Projected distributions. Projections for annual distributions are subject to change.

\*\*Based upon mid-market price as at 30 September 2022 and a projected annual distribution of 8.61p per unit. Forecast income and yields are not guaranteed. Past performance and distributions are not a reliable indicator of future returns.

## 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

# COIF CHARITIES ETHICAL INVESTMENT FUND RESTRICTIONS

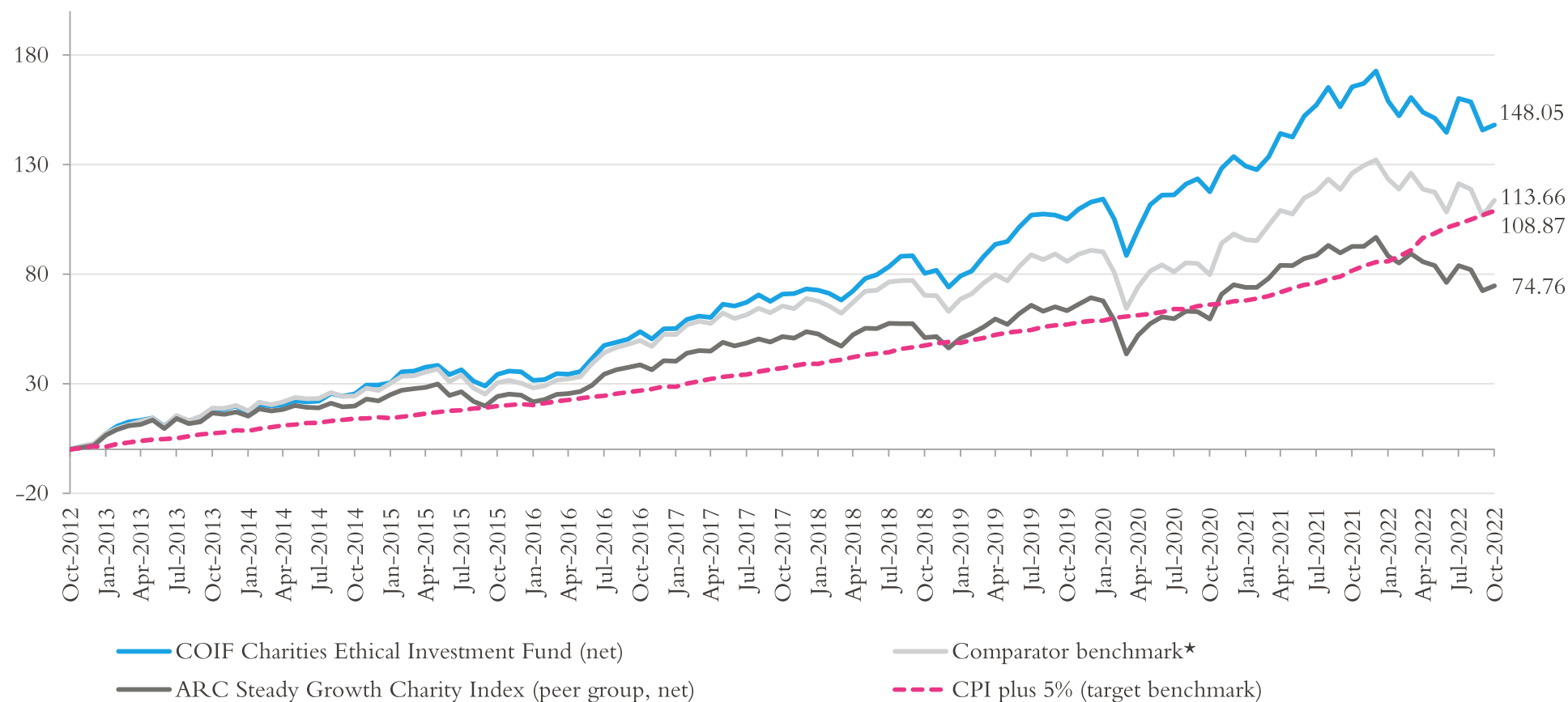


The COIF Charities Ethical Investment Fund is managed in accordance with an ethical investment policy that is set through consultation with unitholders. This requires CCLA to dedicate capital to positive investments, engage with companies to achieve positive changes in business practice and implement 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 30 September 2022.

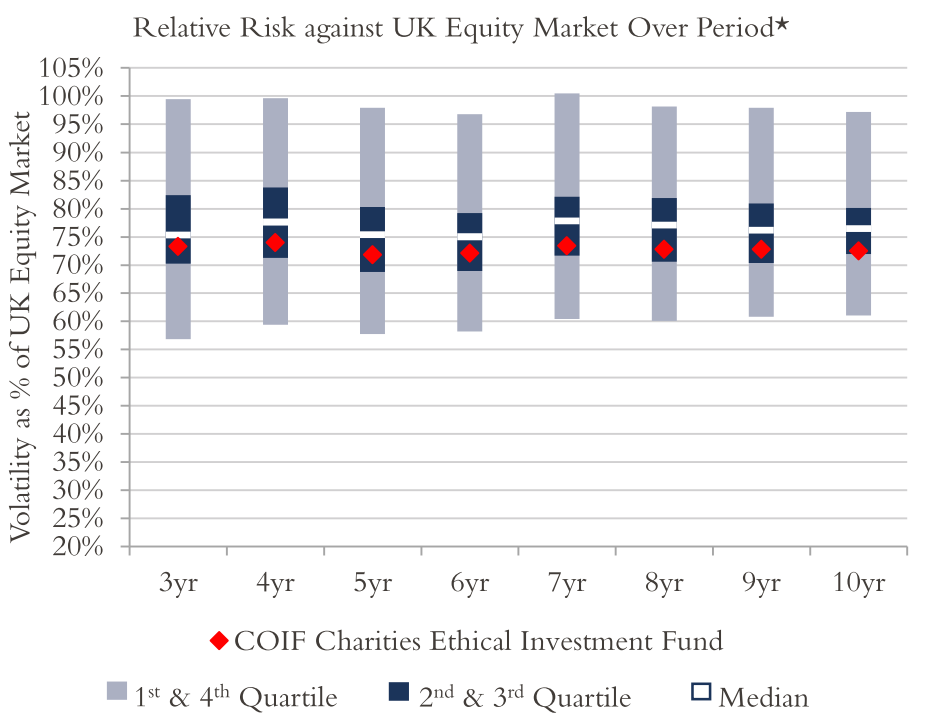
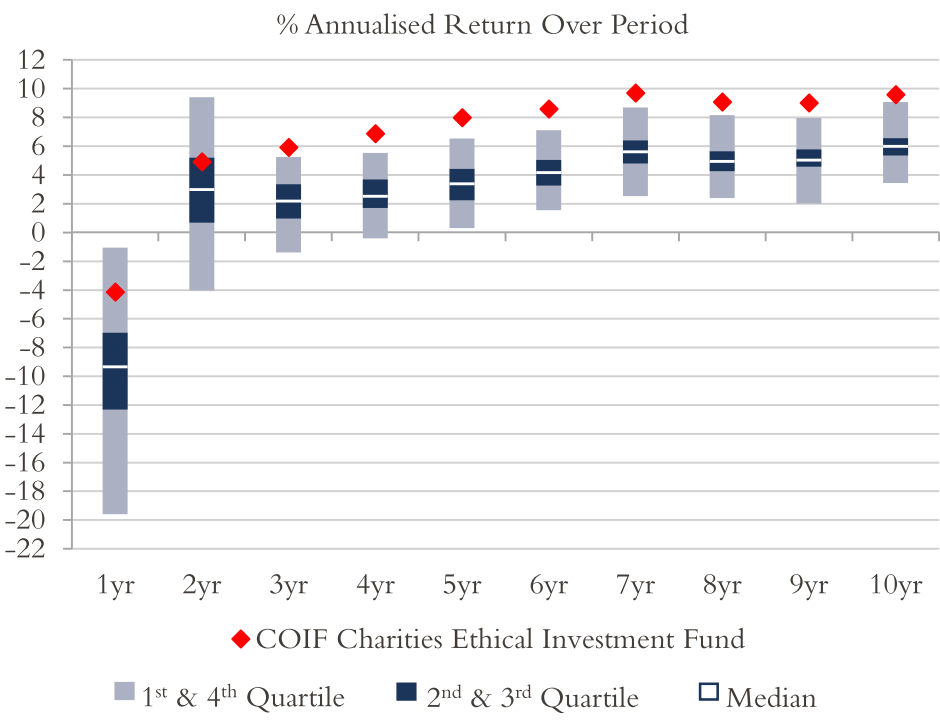
\* Comparator benchmark: MSCI World Index (75%), Markit iBoxx £ Gilts Index (15%), MSCI UK Monthly Property Index (5%) and SONIA (5%).

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.

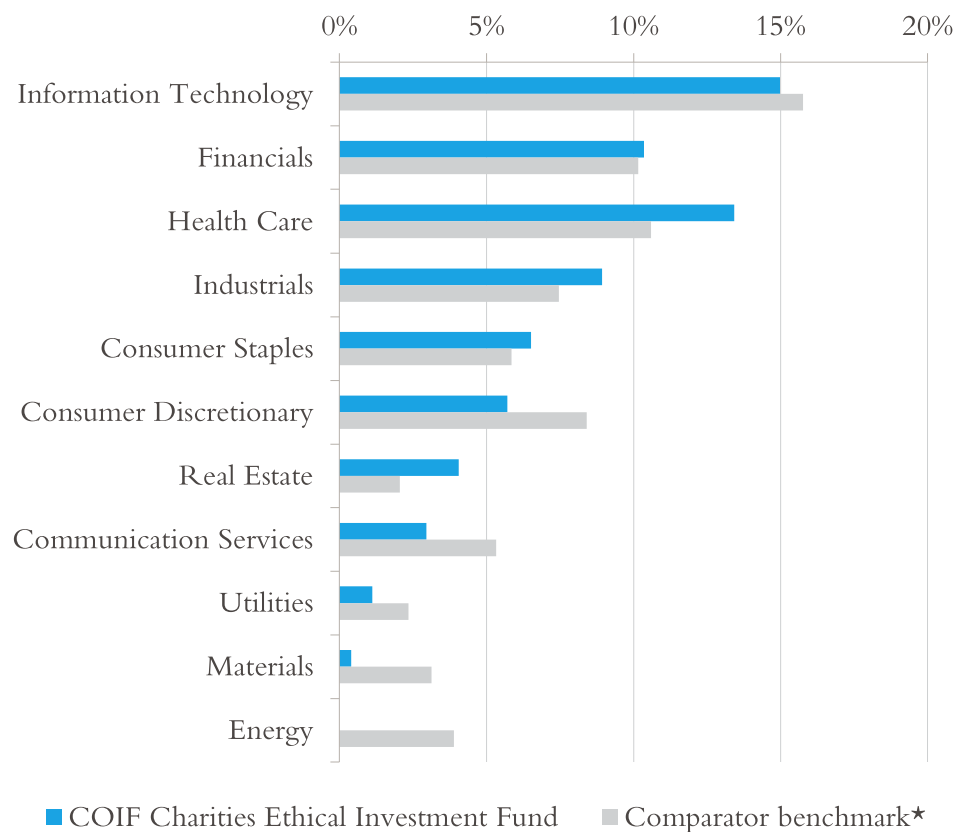
Past performance is not a reliable indicator of future returns.

- 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 30 September 2022.  
Peer group: Investment Association 40%-85% equity funds peer group. \*The MSCI UK IMI 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.  
Past performance is not a reliable indicator of future results.

## Equity sector weighting (%)



Source CCLA as at 30 September 2022

\*Comparator benchmark –MSCI World Index, 75%.

Sector allocation are subject to change.

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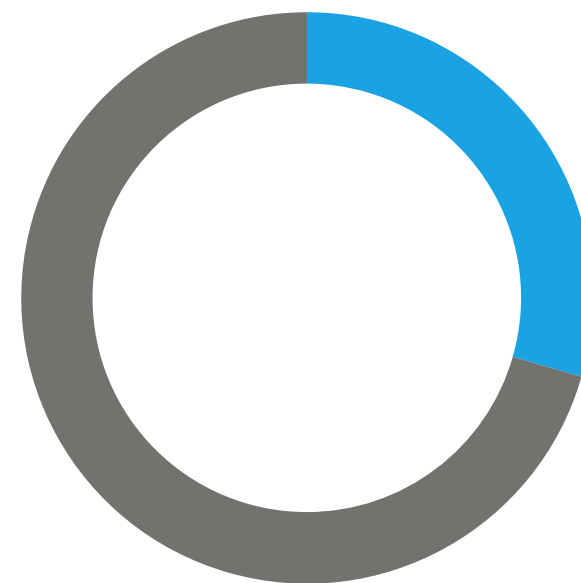
- Diversified technology portfolio with exposure to several key global trends including digital payments, cloud adoption & semiconductor content. CCLA prioritises established businesses with strong FCF generation and reasonable valuations. Examples include Mastercard & Microsoft.
- In financials, a preference for market infrastructure businesses and alternative asset managers alongside selective banking exposure. Examples include S&P Global & Partners Group.
- The healthcare portfolio favours life science & medical equipment business with clear long term growth drivers and diversified pharmaceuticals businesses. Examples include Danaher, Agilent & Roche
- Within industrials we prefer high quality professional services business with high recurring revenue, alongside niche capital goods business over deep cyclicals. Examples include Relx & TransUnion.
- In consumer discretionary we have exposure to high quality consumer facing businesses where there is limited risk of disruption. Examples include Nike and Intercontinental Hotels.

## COIF CHARITIES ETHICAL INVESTMENT FUND – TOP TWENTY HOLDINGS

**CCLA**

Security	Portfolio weight %
COIF Charities Property Fund	3.69%
UK Treasury Gilt 1% 22/04/2024	2.50%
Microsoft	2.04%
United Kingdom Gilt 0.25% 31/01/2025	1.62%
Amazon	1.59%
Unitedhealth Group	1.56%
Danaher	1.37%
Unilever	1.31%
Greencoat UK Wind Plc Fund	1.23%
Pepsico	1.22%
Roche Holding	1.22%
IntercontinentalExchange Group	1.18%
Novo Nordisk B	1.16%
Relx PLC	1.16%
Nestle	1.14%
NextEra Energy	1.13%
HDFC Bank	1.09%
AIA Group	1.09%
London Stock Exchange Group	1.08%
Alphabet	1.08%

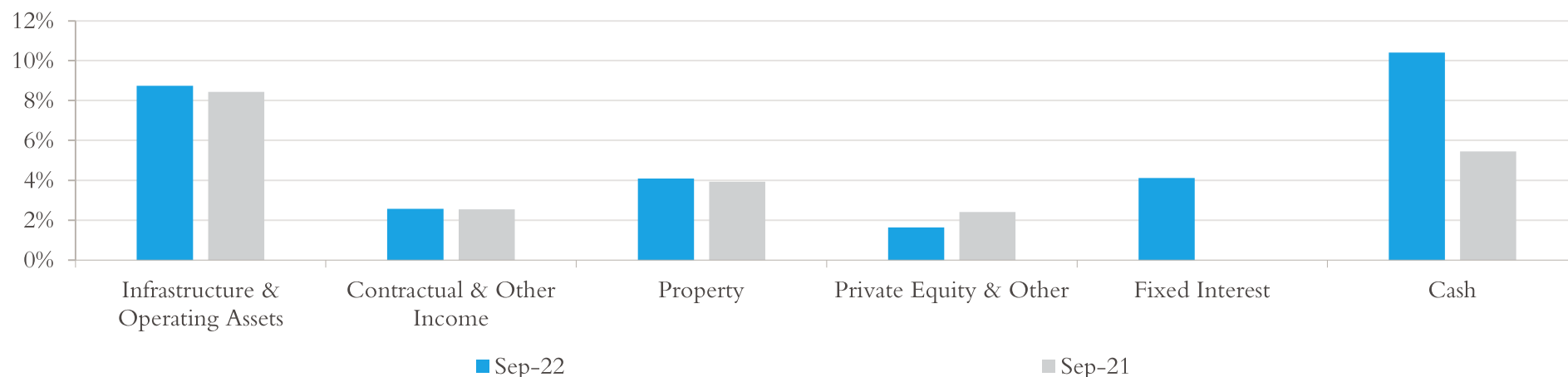
Source: CCLA as at 30 September 2022  
Holdings are subject to change.



■ Top twenty holdings 29.44% ■ Rest of the portfolio 70.56%



## Changes in non-equity asset allocation



- The increase in the infrastructure was the result of good performance across both renewable energy and general infrastructure. Renewables benefitted from higher power prices and inflation, while general infrastructure benefitted from inflation linkage. We trimmed certain UK focused renewables names in light of greater political risk for the sector, recycling the proceeds into infrastructure and renewables located in geographies that are less exposed.
- The contractual income allocation was broadly flat over the period.
- The property allocation was broadly unchanged, which reflects strength of the marks of private funds, which was partially offset by weakness across the logistic focused REITs due to concerns around a weaker end consumer and over-building.
- Private equity reduced reflecting a fall in the value of listed private equity funds as investors anticipate the stock market falls to feed into lower private company valuations.
- An allocation to gilts was built during Sept 2022 in response to the increase in yields triggered by the UK government's 'mini-budget'.

Source: CCLA, as at 30 September 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**  
Global Equity  
Analyst

**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

**Andrew Adams**  
Modern Slavery  
Project Lead

**Jamie Munday**  
Fund Manager  
(Property)

**Catherine Lett**  
Investment Team  
Administration

**Sean Harper**  
Global Equity  
Analyst

Source: CCLA as at September 2022.

<b>COIF Charities Ethical Investment Fund</b>	<b>Cost % p.a.</b>
Annual management charge (AMC)	0.60
Other expenses	0.12
<b>Fund management fee (FMF)</b>	<b>0.72</b>
Costs of underlying investments	0.23
<b>Total ongoing charges figure (OCF)</b>	<b>0.95</b>

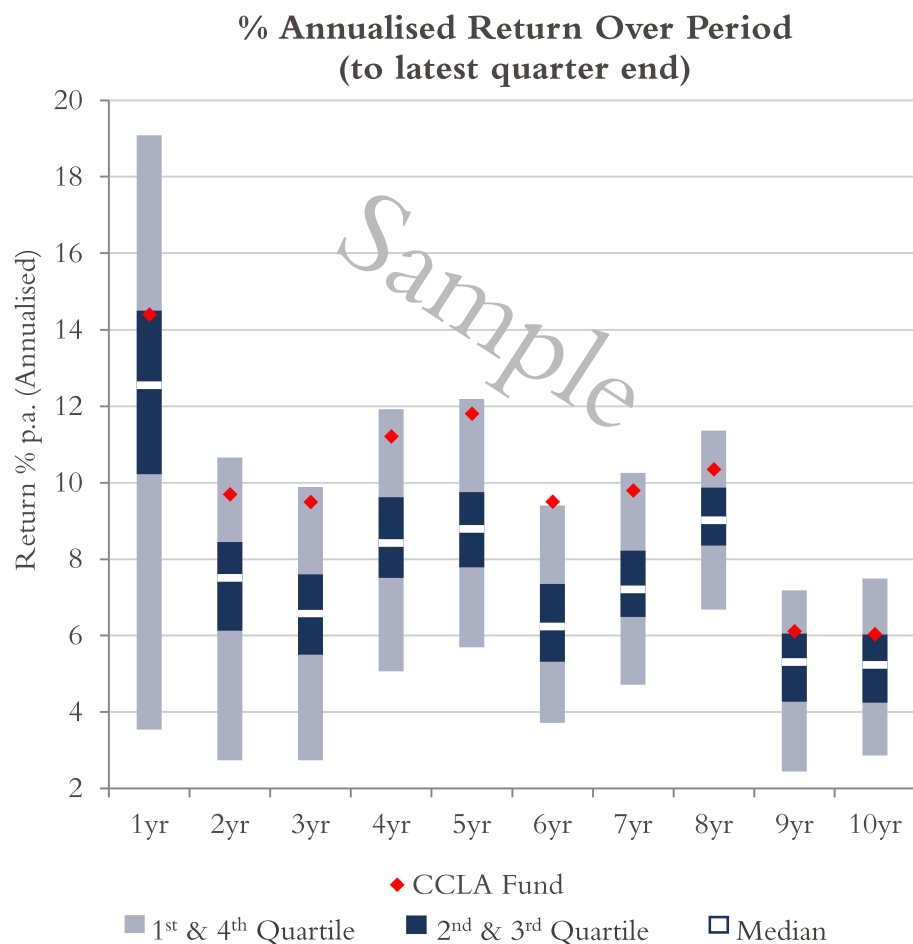
The ongoing charges figure (OCF) shows the total annual operating costs taken from the fund. The OCF is the sum of two components: these are the fund management fee (FMF) and the cost of underlying investments.

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 practical objectives such as protecting the real value of capital and income and controlling volatility, but success in achieving these aims can only be measured over the longer term.
- To give our clients insight into the progress of their investments over shorter periods we have created the comparator benchmark. 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: 1.1.21:* 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 31.12.20:* 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 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.



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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 Senator House, 85 Queen Victoria Street, London, EC4V 4ET) 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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