

Investment Fund Services

IFSL Church House Investment Grade Fixed Interest Fund

Annual Report and Audited
Financial Statements

for the year ended 31 March 2024

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

Investment Fund Services Limited (IFSL)
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Dom Clarke
Helen Derbyshire - resigned, 11 December 2023
Helen Redmond
Sally Helston
Guy Sears (Independent Non-Executive) - resigned, 25 March 2024
Katherine Damsell (Independent Non-Executive) - appointed, 25 March 2024
Sarah Peaston (Independent Non-Executive)

Investment Manager

Church House Investments Limited
York House
6 Coldharbour
Sherborne
Dorset
DT9 4JW

Authorised and regulated by the Financial Conduct Authority.

Trustee

NatWest Trustee & Depositary Services Limited
250 Bishopsgate
London
EC2M 4AA

Authorised and regulated by the Financial Conduct Authority.

Administrator and Registrar (from 1 June 2024)

SS&C Financial Services International Limited
St. Nicholas Lane
Basildon
Essex
SS15 5FS

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

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IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 March 2024

Performance to 31 March 2024

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Church House Investment Grade Fixed Interest Fund	6.25%	7.39%	0.83%	8.17%
IA Sterling Corporate Bond sector	8.20%	7.29%	(7.10)%	2.27%

External Source of Economic Data: Morningstar (Income - quoted price to quoted price, net income reinvested).

The performance figures above are based on quoted prices and will, therefore, differ from the performance in the Comparative Table.

Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this unit class is calculated in sterling.

Investment commentary

Performance statement

Over the year to 31 March 2024, the Fund's Income shares rose 7.39%, compared to the Investment Association (IA) Sterling Corporate Bond sector, which rose 7.29%.

Whilst the Fund does not have a specific benchmark, you may want to consider its performance against this IA sector.

Market review

The year to the end March saw volatile conditions in fixed interest markets. The central banks held their base interest rates at the higher levels that they had reached during 2023, while inflation moderated on both sides of the Atlantic. The end of September was close to the peak for longer-term interest rates, which then fell quite sharply through to the end of December, leading to higher prices for fixed interest securities. But the first quarter of 2024 saw these longer-term rates increasing again, erasing much of the gains for fixed interest securities. Appetite for credit risk remained unabated however, and this was evidenced in the stability of credit spreads, the yield* premium received for investing in corporate and financial bonds over sovereign debt. Sterling investment grade* spreads tightened in from 1.9% to 1.2% over the year and there continues to be strong demand from investors in both the primary and secondary markets.

Fund performance review

The floating rate element of the Fund, where coupons reset quarterly, has benefitted from an increase in base rates from 4.25% to 5.25% over the period and the interest on our AAA rated European Investment Bank 2025 bond is now 6.214%. We did own the Thames 4% 2025 bonds but sold these in January to buy their new longer-dated 7.75% 2044 bond, but we can report that these were sold before Thames' bonds fell further. Their whole capital stack (their stock of debt in issue) now looks to be in a sorry state.

Portfolio activity

The Fund's portfolio has remained with a majority invested in short-dated bonds. This table shows the broad breakdown by life and duration* at the beginning and end of the period:

CH Investment Grade Fixed Interest	Mar-24	Mar-23
Short-dated Securities (less than 7 years)	73%	76%
Medium-dated Securities (7 to 15 years)	23%	19%
Long-dated Securities (over 15 years)	4%	5%
Duration of Portfolio	3.4	2.9

In anticipation of a change in the interest rate environment we have reduced our holdings of floating rate notes (FRN) from 24% at the end of March 2023 to 16% now. This has enabled us to invest in bonds with attractive fixed coupons - see below for our Top 15 Holdings. New to this list are the issue from Société Générale of 5.75% stock due in January 2032 and the John Deere 5.125%, which has a solid A rating. Other new fixed issues that don't appear in the Top 15 include the Traton Finance (Traton is owned by VW) 5.625% bonds due in January 2029. In August, we sold the Virgin Money 4% 2026 partly to fund the purchase of a new Virgin Money bond with a coupon of 7.625% and 2029 maturity.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 March 2024

Top 15 holdings

Bank of America 7% 31.07.28	2.08%
Deutsche Pfandbriefbank 7.625% 08.12.25	2.04%
The Goldman Sachs Group 7.25% 10.04.28	1.95%
SSE 3.74% Perp	1.86%
Standard Chartered 5.125% 06.06.34	1.84%
International Finance 4.5% 02.10.28	1.84%
European Investment Bank FRN 08.09.25	1.75%
M&G 5.625% 20.10.51	1.67%
John Deere Bank 5.125% 18.10.28	1.63%
Societe Generale 5.75% 22.01.32	1.61%
Pacific Life Global Funding II 5.375% 30.11.28	1.55%
European Investment Bank FRN 18.01.27	1.54%
Bayerische Landesbank 5.125% 01.06.26	1.51%
Lloyds Bank 5.125% 07.03.25	1.50%
BP Capital Markets 4.25% Perp	1.42%

Investment outlook

We expect UK inflation to continue to moderate as we head into the summer and that this will allow the Bank of England (BoE) to begin a reduction in the base rate. While interest rates for longer periods have fallen since last autumn, the base rate has remained unchanged. This has left short-term interest rates looking attractive, while the medium and longer-dated areas have little to offer and could easily turn volatile again. After the mildest of recessions, the UK economy appears to have returned to a gentle growth path. Assuming we are correct that the inflation figures will show a noticeable turn for the better over the next few months and the BoE does make a start at reducing the base rate, we should see something of a tail wind to this improvement. Of course, there does remain a residual risk that the BoE waits too long before making a move. At their most recent meeting, the BoE's Monetary Policy Committee maintained the base rate at 5.25%, as expected, but the votes of the members are now much more in balance with eight voting to hold and one to cut rates.

The first quarter's primary issuance by both corporates and banks was at a record high level since the Global Financial Crisis. All-in yields remain compelling and credit markets have comfortably outperformed the Sovereign bond markets. Moving further up in terms of quality still feels like a sensible tactic as default rates tick up in the lower echelons of high yield and individual credit problems (like Thames) come to the fore.

Church House Investments Limited
30 April 2024

* Explanation of terms used

Duration - a measure of how sensitive a bond's price is to changes in interest rates.

Investment grade - Governments, companies and investments rated by a credit rating agency as low risk.

Yield – the income from an investment, usually stated as a percentage of the value of the investment.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 31 March 2024

Distributions

	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>Income (pence per unit)</u>				
Net income paid last day of February	1.276371	0.939098	0.629000	0.663000
Net income paid 31 May	1.286721	1.083084	0.634000	0.634000
Net income paid 31 August		1.193748	0.715000	0.662000
Net income paid 30 November		1.287432	0.802000	0.662000
<u>Accumulation (pence per unit)</u>				
Net accumulation paid last day of February	2.144191	1.413214	0.991000	1.014000
Net accumulation paid 31 May	2.188044	1.713904	1.000000	0.977000
Net accumulation paid 31 August		2.067566	1.133000	1.025000
Net accumulation paid 30 November		2.136137	1.278000	1.035000
<u>XL Institutional Income (pence per unit)</u>				
Net income paid last day of February	1.330774	0.974415	0.665000	0.696000
Net income paid 31 May	1.339908	1.113402	0.667000	0.666000
Net income paid 31 August		1.238613	0.750000	0.695000
Net income paid 30 November		1.333886	0.837000	0.697000
<u>XL Institutional Accumulation (pence per unit)^A</u>				
Net accumulation paid last day of February	2.251177	N/A	N/A	N/A
Net accumulation paid 31 May	2.262090	N/A	N/A	N/A
Net accumulation paid 31 August		0.367023	N/A	N/A
Net accumulation paid 30 November		2.222268	N/A	N/A

^A Units initially issued on 14 June 2023.

Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
UK Treasury 0% 22.01.24	7,970,477
International Finance 4.5% 02.10.28	5,992,860
Yorkshire Building Society 6.375% 15.11.28	5,987,940
Societe Generale 5.75% 22.01.32	5,297,285
John Deere Bank 5.125% 18.10.28	5,275,196
TSB Bank FRN 15.09.28	5,000,000
Pacific Life Global Funding II 5.375% 30.11.28	4,992,400
Bayerische Landesbank 5.125% 01.06.26	4,983,170
Lloyds Bank 5.125% 07.03.25	4,982,920
Standard Chartered 5.125% 06.06.34	4,589,471
Other purchases	89,062,861
Total purchases for the year	144,134,580
<u>Largest sales</u>	<u>Proceeds (£)</u>
UK Treasury 0% 22.01.24	8,000,000
Clydesdale Bank FRN 22.03.24	5,000,000
Virgin Money UK 4% 25.09.26	4,603,680
Rothesay Life 8% 30.10.25	4,286,370
Santander UK FRN 12.11.24	3,912,870
Liverpool Victoria Friendly Society 6.5% 22.05.43	3,436,420
Scottish Widows 5.5% 16.06.23	3,140,000
Bank of Montreal FRN 09.03.27	3,037,238
TSB Bank FRN 15.09.28	2,998,860
Thames Water Utilities Finance 7.75% 30.04.44	2,997,000
Other sales	30,284,487
Total sales for the year	71,696,925

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

AUTHORISED STATUS

IFSL Church House Investment Grade Fixed Interest Fund (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

GENERAL INFORMATION

Investment objective

The investment objective of the Fund is to provide quarterly income (which is money paid out from your investment, such as interest from bonds) while maintaining capital (the value of your investment) over the long term (at least five years).

Investment policy

The Fund is actively managed, which means the Investment Manager decides which Investments to buy or sell and when.

At least 90% of the Fund is invested directly in bonds (which are loans typically issued by companies and governments), such as:

- Sterling denominated investment grade corporate bonds (including floating rate notes, which are debt instruments with a variable interest rate);
- United Kingdom Government Gilts; and
- Bonds issued by supranational organisations.

Investment grade bonds, for the purposes of this Fund are those which are rated at least BBB- (or equivalent) by a single independent rating agency at the time of purchase. For bonds which are not rated by an independent ratings agency the Investment Manager will apply a comparable quality rating to determine whether a bond should be classified as investment grade.

The Fund will aim to maintain a minimum asset allocation of 25% to AAA bonds in normal market conditions.

Up to 10% of the Fund may be invested in other assets including: higher income securities, such as preference shares and infrastructure companies; other interest bearing securities such as Treasury bills; and money market instruments (which are short-term loans).

The Fund may also use derivatives (instruments whose returns are linked to another asset or other variable factor such as exchange rates or stock markets) for the purposes of Efficient Portfolio Management, including seeking to hedge the interest rate or credit risk in the Fund. This may be achieved directly, or indirectly through exchange traded notes (ETNs).

The Fund may hold up to 10% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio or in pursuit of the Fund's investment objective.

Assessing performance

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors', as a way of dividing funds into broad groups with similar characteristics.

The Fund's investment policy puts it in the IA Sterling Corporate Bond sector. The Fund is not managed to a benchmark, however you may want to assess the Fund's performance compared to the performance of this sector.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Assessment of value

The AFM is required to carry out an assessment of value at least annually and publish its findings in a report to investors. The Fund is assessed and reported on, in a composite report which the AFM publishes on the website www.ifslfunds.com. The next report is expected to be published by 31 December 2024.

Task force on climate-related financial disclosures

A statement of the climate-related financial disclosures is published on the website <https://www.ifslfunds.com/tcf-reporting>.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

GENERAL INFORMATION

Changes in prospectus

There have been no significant changes since the last annual report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM's range, can be requested by the investor at any time.

Remuneration policy

In line with the requirements of UCITS V, Investment Fund Services Limited (the AFM) is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2023 (the AFM's year end) are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the AFM who have a material impact on the risk profile of the Fund				
Senior management	8	908,018	768,628	139,390
Risk takers and other identified staff	4	411,040	375,277	35,763
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.20	22,638	19,163	3,475
Risk takers and other identified staff	0.10	10,248	9,356	892

The total number of staff employed by the AFM's group was 238 as at 30 September 2023. The total remuneration paid to those staff was £12,464,744, of which £4,346,942 is attributable to the AFM.

The allocation of remuneration to the Fund is based on Assets Under Management (AUM) and the figures disclosed only include remuneration paid to individuals directly employed by the AFM's group. The way these disclosures are calculated may change in the future.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



Allan Hamer
Director



Helen Redmond
Director

Investment Fund Services Limited
29 July 2024

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net capital gains on the scheme property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES AND REPORT OF THE TRUSTEE

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of IFSL Church House Balanced Equity Income Fund ("the Scheme") for the Period Ended 31 March 2024.

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the Scheme is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Schemes income in accordance with the Regulations and the Scheme documents, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

NatWest Trustee & Depositary Services Limited
29 July 2024

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

Opinion

We have audited the financial statements of IFSL Church House Investment Grade Fixed Interest Fund ("the Fund") for the year ended 31 March 2024, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 March 2024 and of the net revenue and net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Fund Manager's ("the AFM") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the AFM with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The AFM is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority ("the FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Trust Deed;
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the AFM's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the FCA requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the AFM

As explained more fully in the Statement of Authorised Fund Manager's responsibilities statement set out on page 6, the AFM is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the AFM determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the AFM is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the AFM either intends to wind up or terminate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102, the Investment Management Association's Statement of Recommended Practice (IA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the AFM and the Fund's administrators and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the AFM with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

29 July 2024

Notes:

1. The maintenance and integrity of the Investment Fund Services Limited website is the responsibility of the AFM; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

COMPARATIVE TABLE

<u>Income units</u>	Year to 31.03.2024	Year to 31.03.2023	Year to 31.03.2022
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	103.43	111.56	116.66
Return before operating charges*	8.44	(3.66)	(1.51)
Operating charges	(0.89)	(0.93)	(1.00)
Return after operating charges*	7.55	(4.59)	(2.51)
Distributions on income units	(5.04)	(3.54)	(2.59)
Closing net asset value per unit	105.94	103.43	111.56

* after direct transaction costs of: - - -

Performance

Return after charges^A 7.30% (4.11)% (2.15)%

Other information

Closing net asset value	180,995,424	168,876,251	183,458,268
Closing number of units	170,852,152	163,278,983	164,451,298
Operating charges	0.85% ^B	0.89%	0.84%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)

Highest unit price	113.10	117.80	124.80
Lowest unit price	100.10	98.59	111.40

Accumulation units

Change in net assets per unit	Year to 31.03.2024	Year to 31.03.2023	Year to 31.03.2022
	pence	pence	pence
Opening net asset value per unit	169.20	176.66	180.63
Return before operating charges*	14.43	(5.97)	(2.44)
Operating charges	(1.47)	(1.49)	(1.53)
Return after operating charges*	12.96	(7.46)	(3.97)
Distributions on accumulation units	(8.54)	(5.54)	(4.05)
Retained distributions on accumulation units	8.54	5.54	4.05
Closing net asset value per unit	182.16	169.20	176.66

* after direct transaction costs of: - - -

Performance

Return after charges^A 7.66% (4.22)% (2.20)%

Other information

Closing net asset value	37,015,945	25,970,699	28,265,947
Closing number of units	20,320,444	15,349,251	16,000,502
Operating charges	0.85% ^B	0.89%	0.84%
Direct transaction costs	0.00%	0.00%	0.00%

Prices (pence per unit)

Highest unit price	192.10	186.50	194.30
Lowest unit price	166.00	158.40	175.50

^A The return after charges is calculated using the underlying investments bid prices.

^B On 30 November 2023, The Investment Association amended the disclosure of fund charges and costs originally issued on the 2 July 2020. Consequently, we have excluded, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

COMPARATIVE TABLE

<u>XL Institutional Income units</u>	Year to 31.03.2024	Year to 31.03.2023	Year to 31.03.2022
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	104.27	112.36	117.38
Return before operating charges*	8.54	(3.71)	(1.54)
Operating charges	(0.61)	(0.71)	(0.76)
Return after operating charges*	7.93	(4.42)	(2.30)
Distributions on income units	(5.24)	(3.67)	(2.72)
Closing net asset value per unit	106.96	104.27	112.36

* after direct transaction costs of: - - -

Performance

Return after charges^A 7.61% (3.93)% (1.96)%

Other information

Closing net asset value 82,427,132 46,352,737 42,281,181
 Closing number of units 77,063,796 44,452,881 37,631,350
 Operating charges 0.58%^{B,C} 0.68% 0.64%
 Direct transaction costs 0.00% 0.00% 0.00%

Prices (pence per unit)

Highest unit price 114.20 118.60 125.60
 Lowest unit price 101.00 99.35 112.30

XL Institutional Accumulation units

Change in net assets per unit	Period to 31.03.2024^D
	pence
Opening net asset value per unit	168.40
Return before operating charges*	15.21
Operating charges	(0.78)
Return after operating charges*	14.43
Distributions on accumulation units	(7.10)
Retained distributions on accumulation units	7.10
Closing net asset value per unit	182.83

* after direct transaction costs of: -

Performance

Return after charges^A 8.57%

Other information

Closing net asset value 31,909,908
 Closing number of units 17,453,498
 Operating charges 0.58%^{B,C,E}
 Direct transaction costs 0.00%

Prices (pence per unit)

Highest unit price 192.70
 Lowest unit price 166.10

^A The return after charges is calculated using the underlying investments bid prices.

^B On 30 November 2023, The Investment Association amended the disclosure of fund charges and costs originally issued on the 2 July 2020. Consequently, we have excluded, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

^C The annual management charge for XL Institutional Income and XL Institutional Accumulation units changed from 0.60% to 0.50% on 21 August 2023.

^D Opening net asset value per unit on 14 June 2023 being the first day of issue.

^E These figures have been annualised.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND


COMPARATIVE TABLE

Operating charges are normally the same as the Ongoing Charges Figures (OCFs) and are the total expenses paid by each unit class in the year. Where it is considered unsuitable to use the total expenses paid by each unit class in the year to calculate the OCF because of material changes to the Fund's charges an estimate will be calculated instead. The OCFs disclosed in the Key Investor Information Document (KIID) (available on IFSL's website, www.ifslfunds.com) give an estimate of future costs.

Direct transaction costs are the total charges for the year, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the year and the average units in issue for the pence per unit figures.

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)

Lower risk Higher risk



Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
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This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio are used.

The Fund has been measured as 3 because its investments have experienced low to moderate volatility in the past. During the year the synthetic risk and reward indicator has remained unchanged.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 March 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
DEBT SECURITIES (31 March 2023 - 94.73%)		
AAA TO AA (31 March 2023 - 25.52%)		
1,000,000 Bank of Montreal FRN 09.03.27	1,010,570	0.30
1,500,000 Bank of Scotland 4.875% 20.12.24	1,493,475	0.45
1,900,000 Barclays Bank UK FRN 13.03.29	1,902,109	0.57
5,000,000 Bayerische Landesbank 5.125% 01.06.26	5,010,200	1.51
3,000,000 Canada Pension Plan Investment Board FRN 15.06.26	3,056,550	0.92
4,000,000 CIBC FRN 15.12.25	4,034,280	1.21
1,250,000 Clydesdale Bank 4.625% 08.06.26	1,242,563	0.37
3,000,000 Clydesdale Bank FRN 22.01.27	2,981,880	0.90
3,000,000 Clydesdale Bank FRN 22.03.26	3,009,360	0.91
3,000,000 DBS Bank FRN 17.11.25	3,022,380	0.91
5,750,000 European Investment Bank FRN 08.09.25	5,820,782	1.75
5,000,000 European Investment Bank FRN 18.01.27	5,108,150	1.54
1,500,000 HSBC FRN 25.08.27	1,508,085	0.45
4,000,000 International Bank for Rec & Dev 3.875% 02.10.28	3,966,960	1.19
6,000,000 International Finance 4.5% 02.10.28	6,101,100	1.84
3,000,000 KFW 3.75% 30.07.27	2,954,220	0.89
5,000,000 Lloyds Bank 5.125% 07.03.25	4,996,750	1.50
2,000,000 National Australia Bank FRN 04.02.25	2,002,740	0.60
1,000,000 National Australia Bank FRN 15.12.25	1,008,350	0.30
4,000,000 National Westminster Bank FRN 28.03.29	4,001,160	1.20
4,000,000 Nationwide Building Society FRN 24.02.31	3,935,920	1.18
3,000,000 New York Life Global Funding 4.95% 07.12.29	3,078,480	0.93
3,000,000 Santander UK FRN 12.11.24	3,005,790	0.90
2,000,000 TSB Bank FRN 15.09.28	2,001,660	0.60
4,000,000 United Overseas Bank FRN 21.09.26	4,029,440	1.21
Total AAA to AA	80,282,954	24.13
AA- TO A+ (31 March 2023 - 7.16%)		
6,400,000 Bank of America 7% 31.07.28	6,928,512	2.08
750,000 BG Energy Capital 5.125% 01.12.25	750,938	0.23
1,600,000 Land Securities Capital Markets 4.75% 18.09.31	1,594,544	0.48
5,000,000 Pacific Life Global Funding II 5.375% 30.11.28	5,141,150	1.55
4,100,000 Royal Bank of Canada 3.625% 14.06.27	3,935,836	1.18
3,000,000 Royal Bank of Canada 5% 24.01.28	3,005,220	0.90
Total AA- to A+	21,356,200	6.42
A TO A- (31 March 2023 - 12.97%)		
3,000,000 Caterpillar Financial Services 5.72% 17.08.26	3,059,640	0.92
10,000 Close Brothers Finance 2.75% 19.10.26	9,121	-
4,000,000 Crédit Agricole 5.375% 15.01.29	4,030,000	1.21
4,000,000 Crédit Agricole 5.75% 29.11.27	4,045,000	1.22
5,300,000 John Deere Bank 5.125% 18.10.28	5,426,352	1.63
3,000,000 KBC Group 5.5% 20.09.28	3,028,920	0.91
3,000,000 Motability Operations Group 1.75% 03.07.29	2,597,790	0.78
3,000,000 Nationwide Building Society 6.178% 07.12.27	3,059,640	0.92
3,000,000 NatWest Group 3.619% 29.03.29	2,812,500	0.85
2,000,000 NatWest Markets 6.375% 08.11.27	2,085,680	0.63
2,700,000 Rio Tinto Finance 4% 11.12.29	2,616,570	0.79
4,000,000 Segro 2.375% 11.10.29	3,506,760	1.06
4,000,000 Societe Generale 6.25% 22.06.33	4,308,520	1.30
6,000,000 The Goldman Sachs Group 7.25% 10.04.28	6,476,220	1.95
3,000,000 UBS Group 7% 30.09.27	3,116,250	0.94
Total A to A-	50,178,963	15.11

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 March 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
BBB+ TO BBB (31 March 2023 - 38.06%)		
3,000,000 3i Group 3.75% 05.06.40	2,405,670	0.72
3,000,000 Aviva 4.375% 12.09.49	2,806,050	0.84
3,000,000 Aviva 5.125% 04.06.50	2,878,080	0.87
4,000,000 Aviva 6.875% 27.11.53	4,217,240	1.27
4,000,000 Barclays 5.851% 21.03.35	4,046,880	1.22
2,000,000 Barclays 7.09% 06.11.29	2,124,260	0.64
3,500,000 Barclays 6.369% 31.01.31	3,640,700	1.10
5,000,000 BP Capital Markets 4.25% Perp	4,725,000	1.42
3,000,000 Coventry Building Society 5.875% 12.03.30	3,026,520	0.91
2,500,000 Coventry Building Society 7% 07.11.27	2,581,225	0.78
1,078,000 Digital Stout Holding 4.25% 17.01.25	1,066,713	0.32
1,500,000 Direct Line Insurance Group 4% 05.06.32	1,261,080	0.38
2,629,000 Heathrow Funding 6.75% 03.12.28	2,727,877	0.82
1,500,000 Hiscox 6% 22.09.27	1,525,500	0.46
2,500,000 Inchcape 6.5% 09.06.28	2,560,250	0.77
4,000,000 ING Groep 6.25% 20.05.33	4,030,000	1.21
2,500,000 InterContinental Hotels Group 3.375% 08.10.28	2,332,875	0.70
3,600,000 Investec 9.125% 06.03.33	3,823,164	1.15
4,500,000 Legal & General Group 5.625% Perp	4,044,375	1.22
4,500,000 Lloyds Banking Group 6.625% 02.06.33	4,558,635	1.37
5,750,000 M&G 5.625% 20.10.51	5,533,627	1.67
1,500,000 National Gas Transmission 5.75% 05.04.35	1,537,350	0.46
1,000,000 National Grid 3.5% 16.10.26	959,040	0.29
500,000 National Grid Electricity Distribution (West Midlands) 6% 09.05.25	501,840	0.15
3,000,000 Northumbrian Water Finance 4.5% 14.02.31	2,858,040	0.86
2,000,000 Pension Insurance 3.625% 21.10.32	1,635,700	0.49
1,500,000 Pension Insurance 4.625% 07.05.31	1,346,655	0.41
3,000,000 Phoenix Group Holdings 5.625% 28.04.31	2,883,120	0.87
3,000,000 Phoenix Group Holdings 7.75% 12.06.53	3,202,350	0.96
2,584,000 Prudential 6.125% 19.12.31	2,676,145	0.81
1,200,000 RAC Bond Co 8.25% 06.11.28	1,312,500	0.39
3,500,000 Rothesay Life 7.734% 16.05.33	3,788,785	1.14
4,000,000 Rothesay Life 5% Perp	3,060,000	0.92
4,000,000 Santander UK Group Holdings 7.098% 16.11.27	4,127,960	1.24
1,350,000 Scotland Gas Networks 3.25% 08.03.27	1,282,703	0.39
5,300,000 Societe Generale 5.75% 22.01.32	5,346,004	1.61
250,000 SSE 8.375% 20.11.28	286,900	0.09
6,450,000 Standard Chartered 5.125% 06.06.34	6,130,789	1.84
3,000,000 Traton Finance Luxembourg 5.625% 16.01.29	3,018,510	0.91
2,500,000 Virgin Money UK 7.625% 23.08.29	2,715,925	0.82
4,000,000 Volkswagen Financial Services 4.25% 09.10.25	3,937,400	1.18
1,500,000 Volkswagen Financial Services 5.875% 23.05.29	1,545,795	0.47
4,000,000 Whitbread Group 2.375% 31.05.27	3,649,680	1.10
2,200,000 Whitbread Group 3% 31.05.31	1,908,016	0.57
2,250,000 Yorkshire Building Society 3.375% 13.09.28	2,055,938	0.62
4,000,000 Yorkshire Building Society 6.375% 15.11.28	4,116,200	1.24
3,000,000 Yorkshire Building Society 7.375% 12.09.27	3,110,250	0.94
Total BBB+ to BBB	134,909,316	40.61
BBB- TO UNRATED (31 March 2023 - 11.02%)		
4,500,000 Berkeley Group 2.5% 11.08.31	3,472,110	1.04
2,000,000 BlackStone Private Credit 4.875% 14.04.26	1,927,700	0.58
7,100,000 Deutsche Pfandbriefbank 7.625% 08.12.25	6,781,423	2.04
6,500,000 SSE 3.74% Perp	6,180,200	1.86
2,000,000 Tesco Corporate Treasury Services 1.875% 02.11.28	1,780,100	0.54
1,500,000 TP ICAP Finance 7.875% 17.04.30	1,637,565	0.49
1,500,000 Virgin Money UK 2.625% 19.08.31	1,387,500	0.42
Total BBB- To Unrated	23,166,598	6.97
Total Debt Securities	309,894,031	93.24

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

PORTFOLIO STATEMENT

as at 31 March 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
CLOSED END INVESTMENTS (31 March 2023 - 2.55%)		
3,455,499 GCP Infrastructure Investments	2,470,682	0.74
1,125,000 HICL Infrastructure	1,415,250	0.43
1,000,000 International Public Partnerships	1,238,000	0.37
Total Closed End Investments	<u>5,123,932</u>	<u>1.54</u>
COLLECTIVE INVESTMENT SCHEMES (31 March 2023 - 1.06%)		
40,000 WisdomTree Gilts 10Y 3x Daily Short ETF	2,212,000	0.67
Total Collective Investment Schemes	<u>2,212,000</u>	<u>0.67</u>
Portfolio of investments	317,229,963	95.45
Net other assets	15,118,446	4.55
Total net assets	<u><u>332,348,409</u></u>	<u><u>100.00</u></u>

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 March 2024

	Notes	31 March 2024		31 March 2023	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		8,337,272		(17,659,632)
Revenue	6	14,341,324		9,117,535	
Expenses	7	<u>(2,093,065)</u>		<u>(1,994,539)</u>	
Net revenue before taxation		12,248,259		7,122,996	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>12,248,259</u>		<u>7,122,996</u>
Total return before distributions			20,585,531		(10,536,636)
Distributions	9		(13,281,163)		(8,114,480)
Change in net assets attributable to unitholders from investment activities			<u>7,304,368</u>		<u>(18,651,116)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 March 2024

	31 March 2024		31 March 2023	
	£	£	£	£
Opening net assets attributable to unitholders		241,199,687		254,005,396
Amounts receivable on issue of units	132,344,200		47,695,440	
Amounts payable on cancellation of units	(50,807,737)		(42,674,298)	
Amounts payable on unit class conversions	4		(13)	
Compensation to Fund	<u>-</u>		<u>267</u>	
		81,536,467		5,021,396
Change in net assets attributable to unitholders from investment activities		7,304,368		(18,651,116)
Retained distribution on accumulation units		2,307,887		824,011
Closing net assets attributable to unitholders		<u>332,348,409</u>		<u>241,199,687</u>

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

BALANCE SHEET

as at 31 March 2024

	Notes	31 March 2024 £	31 March 2023 £
Assets:			
Fixed Assets:			
Investments	16	317,229,963	237,189,915
Current Assets:			
Debtors	10	20,205,745	6,024,833
Cash and bank balances		472,804	5,181,716
Total assets		<u>337,908,512</u>	<u>248,396,464</u>
Liabilities:			
Creditors:			
Bank overdrafts		1,262,405	948,537
Distribution payable on income units		3,230,975	2,263,389
Other creditors	11	1,066,723	3,984,851
Total liabilities		<u>5,560,103</u>	<u>7,196,777</u>
Net assets attributable to unitholders		<u><u>332,348,409</u></u>	<u><u>241,199,687</u></u>

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice ("SORP") for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

There are no material events that have been identified that may cast significant doubt about the Fund's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The Authorised Fund Manager (AFM) believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Dividends from quoted ordinary securities are recognised when the security is quoted ex-dividend.

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the AFM's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

Expenses

All expenses, other than those relating to purchase and sale of investments, are split equally between capital and revenue on an accruals basis.

Distributions from Collective Investment Schemes

Distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of revenue included in the price paid for the shares. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit.

Valuation

The valuation point was 12:00 on 28 March 2024 being the last valuation point of the accounting year.

Listed investments are valued at fair value which is the bid price.

Where applicable, investment valuations exclude any element of accrued revenue.

Investments in collective investment schemes have been valued at cancellation price for dual-priced funds or the single price for single priced funds, using the latest available published prices at the period end.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 28 March 2024 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute or accumulate all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution. Revenue recognised from holdings in accumulation shares in collective investment schemes is included in the amount available for distribution.

During the year, the Fund was more than 60% invested in qualifying investments (as defined by SI 2006/964, Reg. 20) and therefore qualified as a bond fund. The Fund paid interest distributions.

Equalisation

Equalisation applies only to units purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the AFM's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Fund is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the AFM in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

The AFM has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received in currency into sterling on the day of receipt.

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the AFM as an acceptable counterparty.

The Fund invests in fixed interest bonds, which are generally viewed as lower-risk investments than equities. However the solvency of organisations with whom the Fund invests cannot be guaranteed, and any difficulty may adversely affect the Fund's performance. Although bonds have a fixed coupon or interest payment, the Fund will be buying and selling bonds on a regular basis, and so the overall level of income will fluctuate.

Lower graded bonds may have a higher risk of the issuer failing to meet its income or capital repayments when due.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

RISK MANAGEMENT POLICIES (continued)

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

The Fund invests in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the fund manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the AFM.

4 NET CAPITAL GAINS/(LOSSES)

31 March 2024

31 March 2023

£

£

The net gains/(losses) on investments during the year comprise:

Non-derivative securities gains/(losses)	8,339,636	(17,654,884)
Other currency losses	(78)	(2)
Transaction charges	(2,286)	(4,746)
Net capital gains/(losses)	8,337,272	(17,659,632)

5 PURCHASES, SALES AND TRANSACTION COSTS

31 March 2024

31 March 2023

£

£

Purchases excluding transaction costs:

Debt securities	144,134,580	68,021,568
	<u>144,134,580</u>	<u>68,021,568</u>

Total purchases transaction costs

	-	-
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Purchases including transaction costs

	<u>144,134,580</u>	<u>68,021,568</u>
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Sales excluding transaction costs:

Collective investment schemes	645,100	-
Debt securities	71,051,825	62,733,808
	<u>71,696,925</u>	<u>62,733,808</u>

Total sales transaction costs

	-	-
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Sales net of transaction costs

	<u>71,696,925</u>	<u>62,733,808</u>
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Sales transaction costs expressed as a percentage of the principal amount:

Commissions	0.00%	0.00%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.00%	0.00%
Taxes and other charges	0.00%	0.00%
	<u>0.00%</u>	<u>0.00%</u>

Transaction costs are commissions paid to agents, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the Fund. These exclude any differences between quoted bid and offer prices or internal administrative on holding costs.

Transaction handling charges

These are charges payable to the depositary in respect of each transaction:	<u>£2,286</u>	<u>£4,746</u>
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Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>0.36%</u>	<u>0.42%</u>
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IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

6 REVENUE	31 March 2024	31 March 2023
	£	£
UK dividends	106,915	59,184
UK dividends (unfranked)	65,198	35,181
Overseas dividends	241,885	327,710
Interest on debt securities	13,674,191	8,678,027
Bank interest	253,135	17,433
Total revenue	<u><u>14,341,324</u></u>	<u><u>9,117,535</u></u>
7 EXPENSES	31 March 2024	31 March 2023
	£	£
Payable to the AFM or associate:		
AFM's periodic charge	1,973,940	1,890,672
Registration fees	2,049	1,853
KIID fee	1,200	1,972
	<u>1,977,189</u>	<u>1,894,497</u>
Other expenses:		
Trustee's fees	64,641	58,331
Non-executive directors' fees	-	2,237
Safe custody fees	16,781	18,450
Financial Conduct Authority fee	154	1,370
Audit fee	7,069	9,357
Bank interest	27,231	10,297
	<u>115,876</u>	<u>100,042</u>
Total expenses	<u><u>2,093,065</u></u>	<u><u>1,994,539</u></u>
8 TAXATION	31 March 2024	31 March 2023
	£	£
a Analysis of the tax charge for the year		
UK corporation tax at 20%	-	-
Total tax charge for the year (see note 8(b))	<u><u>-</u></u>	<u><u>-</u></u>
b Factors affecting the tax charge for the year		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below:		
Net revenue before taxation	12,248,259	7,122,996
UK corporation tax at 20% (2023: 20%)	<u>2,449,652</u>	<u>1,424,599</u>
Effects of:		
Revenue not subject to taxation	(69,760)	(77,379)
Interest distribution allowable for taxation	<u>(2,379,892)</u>	<u>(1,347,220)</u>
Total tax charge for the year (see note 8(a))	<u><u>-</u></u>	<u><u>-</u></u>
c No provision for deferred tax has been made in the current or prior accounting year.		

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

9 DISTRIBUTIONS

	31 March 2024	31 March 2023
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
First quarter	2,867,610	1,631,255
Second quarter	3,165,855	1,834,486
Third quarter	3,764,209	2,180,229
Final	4,070,409	2,526,461
Deduct: Amounts received on issue of units	(913,962)	(249,758)
Add: Amounts deducted on cancellation of units	327,039	192,879
Equalisation on conversions	4	(13)
Revenue brought forward	(1)	(1,059)
Distributions	<u>13,281,163</u>	<u>8,114,480</u>
Net revenue after taxation	12,248,259	7,122,996
Undistributed revenue brought forward	-	850
Undistributed revenue carried forward	-	-
Prior year undistributed revenue	-	(850)
Add: AFM's periodic charge to capital	1,032,904	991,484
	<u>13,281,163</u>	<u>8,114,480</u>

10 DEBTORS

	31 March 2024	31 March 2023
	£	£
Amounts receivable for issue of units	10,843,068	1,971,316
Sales awaiting settlement	3,037,656	-
Accrued income	6,324,297	4,049,360
Currency receivables	724	1,069
Taxation recoverable	-	3,088
Total debtors	<u>20,205,745</u>	<u>6,024,833</u>

11 OTHER CREDITORS

	31 March 2024	31 March 2023
	£	£
Amounts payable for cancellation of units	854,951	1,309,098
Purchases awaiting settlement	-	2,503,959
AFM's periodic charge and registration fees	192,283	151,943
Accrued expenses	19,489	19,851
Total other creditors	<u>1,066,723</u>	<u>3,984,851</u>

12 RELATED PARTIES

The AFM is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due from/to the AFM in respect of unit transactions at the year end are disclosed in notes 10 and 11, respectively. Amounts paid to the AFM in respect of the AFM's periodic charge and registration fees are disclosed in note 7. Amounts due from the AFM at the year end are £9,795,834 (2023: £510,275).

13 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

Income / Accumulation	0.81%
XL Institutional Income / Accumulation	0.50%

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

14 UNITHOLDERS' FUNDS RECONCILIATION

During the year the AFM has issued, cancelled and converted units from one unit class to another as set out below:

	Income	Accumulation
Opening units in issue at 1 April 2023	163,278,983	15,349,251
Unit issues	39,322,887	8,243,984
Unit cancellations	(31,852,375)	(3,240,299)
Unit conversions	102,657	(32,492)
Closing units in issue at 31 March 2024	<u>170,852,152</u>	<u>20,320,444</u>
	XL Institutional	XL Institutional
	Income	Accumulation
Opening units in issue at 1 April 2023	-	-
Unit issues	44,452,881	-
Unit cancellations	43,120,444	18,239,056
Unit conversions	(10,460,030)	(785,558)
Closing units in issue at 31 March 2024	<u>(49,499)</u>	<u>-</u>
	<u>77,063,796</u>	<u>17,453,498</u>

15 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £15,861,498 (2023: £11,859,496). A five per cent decrease would have an equal and opposite effect.

Interest rate risk

31 March 2024

31 March 2023

£

£

The interest rate risk profile of financial assets and liabilities consists of the following:

Financial assets floating rate ^A	51,912,011	63,984,496
Financial assets interest bearing instruments	258,454,824	169,694,790
Financial assets non-interest bearing instruments	27,541,677	14,717,178
Financial liabilities floating rate ^A	(1,262,405)	(948,537)
Financial liabilities non-interest bearing instruments	(4,297,698)	(6,248,240)
	<u>332,348,409</u>	<u>241,199,687</u>

^A Floating rate assets and liabilities comprise bank balances and overdrafts, whose rates are determined by reference to SONIA or an international equivalent borrowing rate. Interest on investments is variable based on the distribution received from underlying investments.

Interest rate risk sensitivity

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A half of one per cent increase in interest rates would have the effect of decreasing the return and net assets by £5,153,678 (2023: £3,418,196). A half of one per cent decrease would have an equal and opposite effect.

Debt security credit analysis

31 March 2024

31 March 2023

Bid value (£)

Investments of investment grade	309,894,031	228,497,569
Investments below investment grade	-	-
Unrated	-	-
Total of debt securities	<u>309,894,031</u>	<u>228,497,569</u>

Liquidity risk

31 March 2024

31 March 2023

£

£

The following table provides a maturity analysis of the Fund's financial liabilities:

Within one year:	Bank overdrafts	1,262,405	948,537
	Distribution payable on income units	3,230,975	2,263,389
	Other creditors	1,066,723	3,984,851
		<u>5,560,103</u>	<u>7,196,777</u>

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 March 2024		31 March 2023	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	7,335,932	-	8,692,346	-
Level 2 - Observable market data	309,894,031	-	228,497,569	-
Level 3 - Unobservable data	-	-	-	-
	<u>317,229,963</u>	<u>-</u>	<u>237,189,915</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

17 POST BALANCE SHEET EVENTS

Since 28 March 2024, the Net Asset Value per unit has changed as follows:

	Net Asset Value (pence per unit)		
	28 March 2024 ^A	23 July 2024	Movement (%)
Income	107.20	106.30	(0.84)%
Accumulation	182.10	185.00	1.59%
XL Institutional Income	108.30	107.40	(0.83)%
XL Institutional Accumulation	182.80	185.90	1.70%

^A These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

DISTRIBUTION TABLE

First quarter distribution for the period from 1 April 2023 to 30 June 2023

Group 1: units purchased prior to 1 April 2023

Group 2: units purchased on or after 1 April 2023

		Gross revenue 30 June 2023 pence per unit	Equalisation 30 June 2023 pence per unit	Distribution paid 31 August 2023 pence per unit	Distribution paid 31 August 2022 pence per unit
Income	Group 1	1.193748	-	1.193748	0.715000
	Group 2	0.580632	0.613116	1.193748	0.715000
Accumulation	Group 1	2.067566	-	2.067566	1.133000
	Group 2	1.000203	1.067363	2.067566	1.133000
XL Institutional Income	Group 1	1.238613	-	1.238613	0.750000
	Group 2	0.405006	0.833607	1.238613	0.750000
XL Institutional Accumulation	Group 1	0.367023	-	0.367023	N/A
	Group 2	0.367023	-	0.367023	N/A

Second quarter distribution for the period from 1 July 2023 to 30 September 2023

Group 1: units purchased prior to 1 July 2023

Group 2: units purchased on or after 1 July 2023

		Gross revenue 30 September 2023 pence per unit	Equalisation 30 September 2023 pence per unit	Distribution paid 30 November 2023 pence per unit	Distribution paid 30 November 2022 pence per unit
Income	Group 1	1.287432	-	1.287432	0.802000
	Group 2	0.708523	0.578909	1.287432	0.802000
Accumulation	Group 1	2.136137	-	2.136137	1.278000
	Group 2	0.895058	1.241079	2.136137	1.278000
XL Institutional Income	Group 1	1.333886	-	1.333886	0.837000
	Group 2	0.525394	0.808492	1.333886	0.837000
XL Institutional Accumulation	Group 1	2.222268	-	2.222268	N/A
	Group 2	1.051792	1.170476	2.222268	N/A

Third quarter distribution for the period from 1 October 2023 to 31 December 2023

Group 1: units purchased prior to 1 October 2023

Group 2: units purchased on or after 1 October 2023

		Gross revenue 31 December 2023 pence per unit	Equalisation 31 December 2023 pence per unit	Distribution paid 29 February 2024 pence per unit	Distribution paid 28 February 2023 pence per unit
Income	Group 1	1.276371	-	1.276371	0.939098
	Group 2	0.701370	0.575001	1.276371	0.939098
Accumulation	Group 1	2.144191	-	2.144191	1.413214
	Group 2	1.192767	0.951424	2.144191	1.413214
XL Institutional Income	Group 1	1.330774	-	1.330774	0.974415
	Group 2	0.625884	0.704890	1.330774	0.974415
XL Institutional Accumulation	Group 1	2.251177	-	2.251177	N/A
	Group 2	0.992777	1.258400	2.251177	N/A

IFSL CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST FUND

DISTRIBUTION TABLE

Final distribution for the period from 1 January 2024 to 31 March 2024

Group 1: units purchased prior to 1 January 2024

Group 2: units purchased on or after 1 January 2024

		Gross revenue 31 March 2024 pence per unit	Equalisation 31 March 2024 pence per unit	Distribution paid 31 May 2024 pence per unit	Distribution paid 31 May 2023 pence per unit
Income	Group 1	1.286721	-	1.286721	1.083084
	Group 2	0.625863	0.660858	1.286721	1.083084
Accumulation	Group 1	2.188044	-	2.188044	1.713904
	Group 2	1.176403	1.011641	2.188044	1.713904
XL Institutional Income	Group 1	1.339908	-	1.339908	1.113402
	Group 2	0.304743	1.035165	1.339908	1.113402
XL Institutional Accumulation	Group 1	2.262090	-	2.262090	N/A
	Group 2	1.339627	0.922463	2.262090	N/A

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