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Quarterly Review

Spring 2024

INVESTMENT RISK

Investing in ordinary shares and other assets that will be included in your investment portfolio entails risks to your capital and the income that it might generate. The paragraph below is an important reminder, please always remember that:

The value of investments and the income you get from them may fall as well as rise and there is no certainty that you will get back the amount of your original investment. You should also be aware that past performance may not be a reliable guide to future performance.

The second half of this Review gives information on the Church House fund portfolios that we manage for clients. Some, or all, of these funds feature in most portfolios and the risk warning above is pertinent to each of them. We use these funds in the construction of clients' portfolios, each has a specific 'building block' role and, specifically, they form part of our risk management process. This approach helps to ensure a proper diversification and that we know in detail the risks that we are undertaking on your behalf - not something that we are happy to delegate to others.

These funds are individually authorised by the Financial Conduct Authority under the Collective Investment Schemes regulations, they are all UCITS Schemes. We are required to point out that the main risks faced by them arise from market price and interest rate risk; that they have no borrowings, or unlisted securities of a material nature (so there is little exposure to liquidity or cash-flow risk) and that we review the policies for managing these risks on a regular basis.

We do not make any specific ESG or other claims for our funds, we find many such claims to be spurious and of dubious value. We do consider that investing in companies with properly sustainable practices and business models and run by people of integrity, is an important part of what we do. We are signatories to the:



Church House Investment Management

Church House Investments Limited is authorised and regulated by:

The Financial Conduct Authority



Quarterly Review

Issue no. 96 - Spring 2024

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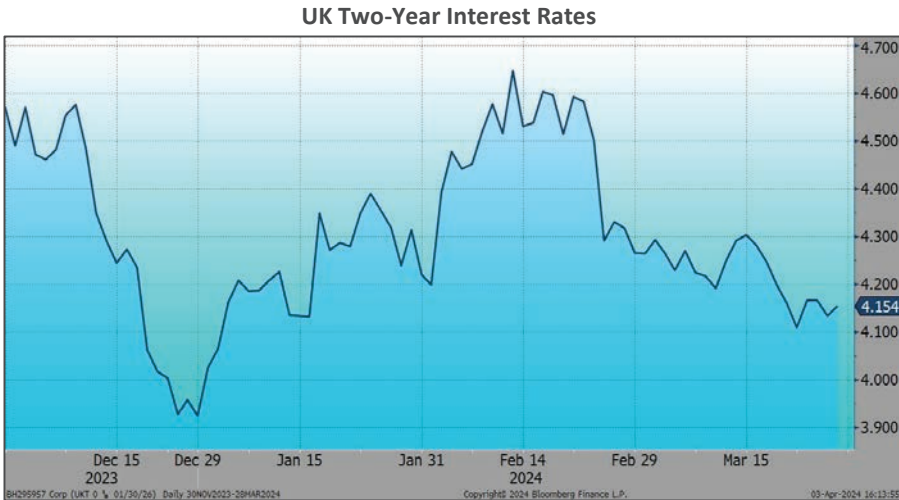
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*“Faced with the choice between changing one’s mind and proving there is no need to do so, almost everyone gets busy on the proof.” J K Galbraith, 1908-2006,
and, naturally:*

“The only function of economic forecasting is to make astrology look respectable.”

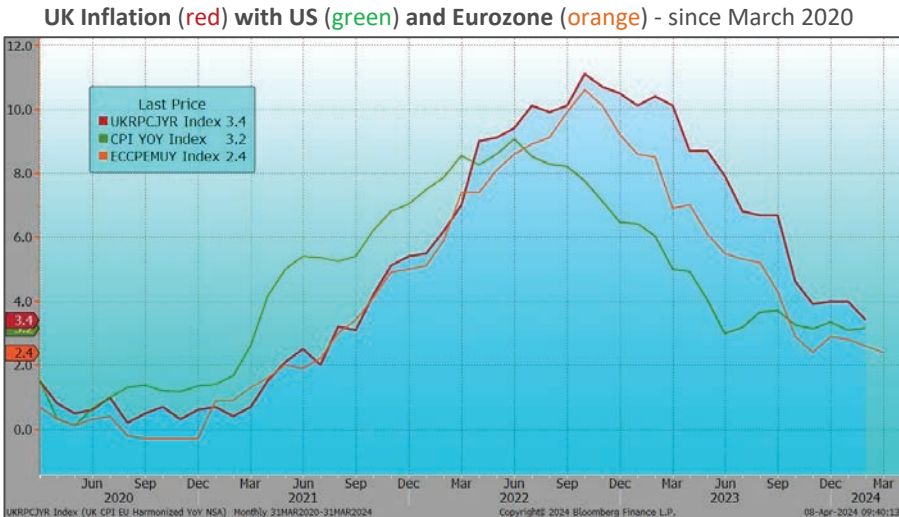
Blowing hot and cold...

The chart shows UK interest rates for two years, coming down sharply in December, excited by the prospect of cuts in the Base Rate, only to move all the way back up over the next six weeks. It was then down again towards the end of the quarter of 2024 with some improving inflation statistics:



Source: Bloomberg

UK inflation has resumed its fall and appears likely to be going back below the Bank of England’s 2% target by the summer, US inflation is now the one proving to be most stubborn and reluctant to behave:



Source: Bloomberg

THE ECONOMIC & MARKET BACKGROUND

From an investors' perspective, 2024 got off to a poor start but then cheered up. After an exuberant end to 2023, the fixed interest markets have been more subdued but, as we have observed before, they do now offer attractive rates of interest. The equity markets were much more lively led, as with last year, by America.

The major central banks have, largely, operated in tandem again with the Bank of England (the Bank), the US Federal Reserve (the Fed) and European Central Bank (ECB) holding their base interest rates unchanged for a further three months. It appears likely that this will get more difficult as we head towards the summer.

America's economy is displaying remarkable resilience in the face of higher interest rates with strong employment and earnings data (and that sticky inflation) undermining the case for lower rates. Inflation is continuing to fall in the UK and Europe and, though the economic outlook does look a shade more optimistic, it is not comparable to America at present.

So it seems that the Bank and ECB will/should begin to cut rates over the next couple of months before the Fed makes a move. This will get complicated as they will not wish to go too far before the Fed makes a move and risk weakening sterling and the euro too much (with inflationary consequences all over again).

Meanwhile, the Fed, while maintaining that it is not in a hurry, is still talking about rate cuts this year. Before the most recent (strong) employment data, Fed Chairman Jerome Powell had indicated that, while they are still watching the inflation and employment data closely, they do expect to reduce their rates three times this year. Of course, the timing is further complicated by the November Presidential Election, the Fed will not wish to appear to be politically motivated with its moves, though there is no love lost between Jerome Powell and Donald Trump.

It is hard to be anything other than depressed by the geo-political backdrop as we head towards a likely change in our government (maybe October, or hang on to the bitter end in January?) and the US Presidential Election. After the mild recession around the end of last year, our economy is showing early signs of recovery (though this is also likely to be mild) as is the residential property market. Similarly in Europe, an economic improvement is likely, America is leading the way while China appears to be stuck (despite their official data, which shows continuing strong growth).

We do expect UK inflation to continue to moderate as we head into the summer and that this will allow the Bank to begin a reduction in rates, probably in June. Now, if it would only stop raining...

James Mahon April 2024

THE UK ECONOMY AND INTEREST RATES

After the mildest of recessions, our 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 Bank 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 Bank waits too long before making a move.

At their most recent meeting, the Bank'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. To quote the Bank's minutes:

"Since the MPC's previous meeting, market-implied paths for advanced economy policy rates have shifted up. In the United States and the euro area, inflationary pressures have continued to abate, though by slightly less than expected. Material risks remain, notably from developments in the Middle East including disruption to shipping through the Red Sea. Having declined through the second half of last year, UK GDP and market sector output are expected to start growing again during the first half of this year"

Though the Bank is clearly frustrated by current problems with the Office for National Statistics' (ONS) employment data:

"Reflecting uncertainties around the ONS's Labour Force Survey, the Committee is continuing to consider a wide range of indicators of labour market activity. The labour market has continued to loosen but remains relatively tight by historical standards. Although still elevated, nominal wage growth has moderated across a number of measures. Contacts of the Bank's Agents continue to expect some decline in pay settlements this year and to report greater difficulty in passing on cost increases to prices."

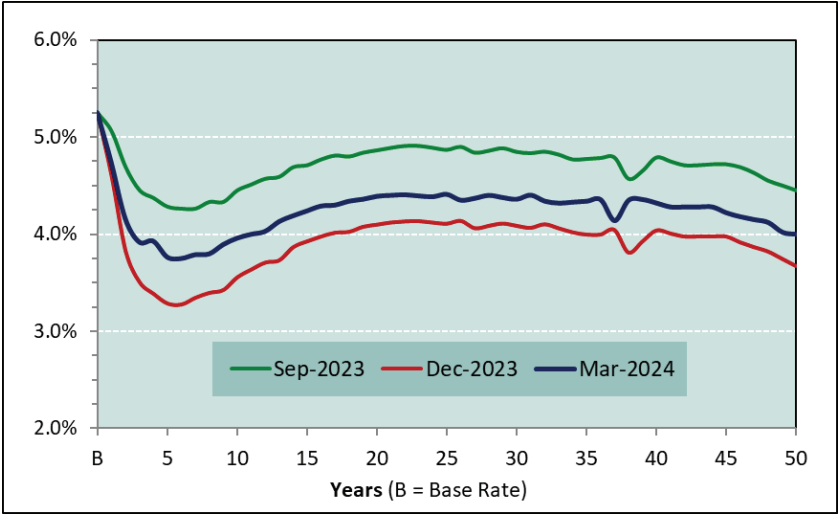
Jeremy Hunt's budget passed by without ruffling any feathers in the markets or the opinion polls. His room for manoeuvre was severely limited and there was no serious prospect of a 'dash for growth'.

The notion of some form of 'British ISA' probably makes sense (yet another 'consultation' is under way), but it all feels like too little too late. Yes, UK companies look cheap by comparison to international peers, but UK pension funds have spent years dis-investing under pressure from accounting standards and consultants. Radical surgery is required to simplify the rules and regulations that encumber the free market (much of it still EU regulation that even the Europeans don't apply), not tinkering with ISAs.

After that rant I should add a glimmer of hope. The Financial Conduct Authority (FCA) has just announced proposals for some easing of the MiFID II regulations having concluded that some of the present regulations are “operationally complex and resource-intensive to maintain” and “can have negative effects on UK asset managers’ ability [to access research] without significant and potentially disproportionate operational and regulatory complexities”. Hear, hear... The unfortunate part is that this apparently stems from the Government’s ‘Edinburgh Reforms’ of December 2022, which led to an Independent Research Review, which set out some recommendations in July 2023 to which the FCA is now responding with a ‘consultation paper’ which should lead to new rules later this year...

Our usual chart of the ‘yield curve’ below shows interest rates falling for most time periods from the autumn high points (the green line) to the December lows (in red). The latest (blue line) plot shows some backing-up of rates though it is still clearly pointing to lower Base Rates soon:

UK Interest Rates – The Yield Curve (Base Rate and the income yield from Gilts)



Source: Church House, Bloomberg

Short-Term	Base Rate	SONIA*	2 years	5 years
Interest Rate	5.25%	5.2%	4.2%	3.8%
Longer-Term	10 years	20 years	30 years	50 years
Interest Rate	3.9%	4.4%	4.4%	4.0%

Source: Bloomberg *Sterling overnight index average.

CREDIT MARKET COMMENTARY – JEREMY WHARTON

The data tail continues to wag the central bank dog, as it has for some time, and wrong-foot forecasters. Some strong US data prints pointing to a seemingly rock-solid US economy provide food for thought. A startlingly strong ‘non-farm payrolls’ number (essentially their employment statistics) played havoc with interest rate futures markets as they moved to discount a later than expected cut in their base rate. An upcoming inflation figure could do the same again. Jamie Dimon, the long running and well-respected head of **JPMorgan Chase**, the world’s biggest bank, unsettled a few people by saying that the bank was ready for a “very broad range” of rates from 2% to 8% or even higher. I’m not sure that adds much, although his bank and others have done well out of this rate cycle.

The US Treasury bond yield curve moved in sympathy and the ten-year rate reached year-to-date highs, moving from around 3.8% to approaching 4.5%. Members of the Fed’s interest rate setting committee (FOMC) reiterated that they are in no hurry to cut rates although the message has become a little more fragmented lately. Chairman Powell’s indication of three cuts by year-end (also asserted by ex-Fed’s Bullard) is countered by Atlanta Fed President Bostic, a voting member of the FOMC, saying he now thinks the Fed should stick to making just one cut this year.

With relatively little fanfare, it appears that the Bank of Japan has started the beginning of a meaningful rate-hiking cycle (having not raised rates for seventeen years) by ending their negative interest rate policy along with ‘Yield Curve Control’ (and buying stock market Exchange Traded Funds...), largely prompted by solid wage inflation. Thirty-five years after the pricking of their asset price bubble in 1989 their equity markets have finally regained those levels. Japanese debt to GDP ratio is 260%, more than US \$9 trillion or 1.25 quadrillion yen (!) and the Bank of Japan owns close to 50% of this debt, while retaining the option to buy more. Possibly, this shows the downside of pursuing a negative interest rate policy for so long. Small wonder that the Bank for International Settlements continues to caution developed economies about their amassing of debt.

Eurozone inflation has come in below expectations, giving the ECB something to consider and German inflation has reached a three-year low as their industrial base has stagnated and manufacturing output contracted. With subdued levels of activity in the single currency bloc’s main economies, the case for the ECB being the first to cut rates is growing and some of their central bankers are openly advocating this. In contrast, the peripheral economies, previously known as the PIIGS, have staged a remarkable recovery and are currently the collective engine of the Eurozone. Greece in particular has come a long way from being bailed-out in 2010, then 2011, 2012, etc., and has now even been raised to sovereign investment grade status.

The UK's recession appears to have been as shallow as hoped and activity has regained some momentum in the first quarter. Retail sales have been volatile as ever but overall are encouraging, as is consumer confidence, and if inflation continues to fall back and labour markets remain firm, the Bank's task should be straightforward despite a looming election. A damp squib of a budget did nothing for the electoral chance of the Conservatives. Thanks to our fragile level of activity, the UK is also potentially ahead of the Fed in cutting rates though the inflationary consequences from any resulting weakening in sterling would be unwelcome. The moves in our ten-year Gilt yield have been less pronounced than in the US, centred roughly around 4% but still a long way from the 3.5% where they started the year (entailing a near 5% loss in capital value).

Appetite for credit risk remains unabated however and this is 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 have tightened in from 1.4% to 1.2% over this first quarter and there continues to be strong demand from investors in both the primary and secondary markets.

The **Thames Water** story remains localised to them with limited spill-over into other companies in the sector, but it remains as a £16bn problem for holders of their debt. Kemble, the holding company, has already defaulted on its debts at a cost of £1.6bn but relying on the ring-fencing of their operating company (Thames) debt will not necessarily avoid losses or 'haircuts'. 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 it all began to unwind. Their whole capital stack (their stock of debt in issue) now looks to be in a sorry state.



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 Water) come to the fore.

Jeremy Wharton, April 2024

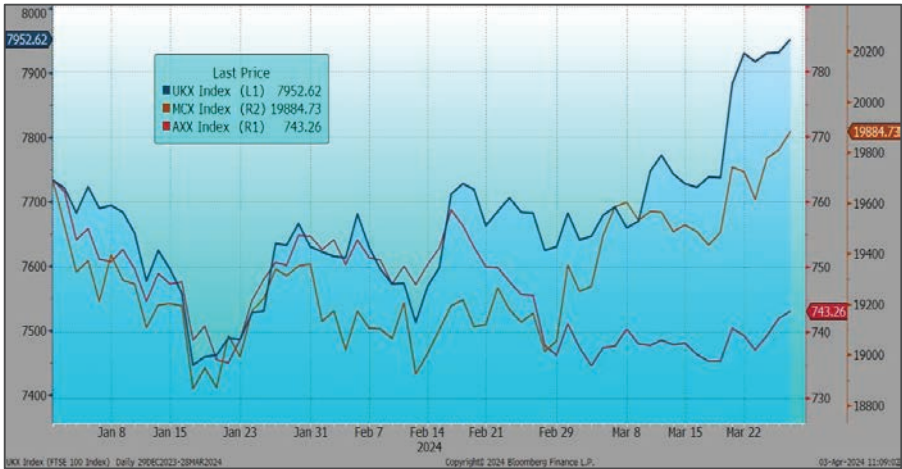
UK Equity Markets

Index:	28 Mar 2024	29 Dec 2023	Quarter
FTSE All-Share	4338	4232	+2.5%
FTSE 100	7953	7733	+2.8%
FTSE 250	19885	19690	+1.0%
FTSE Small Cap	6389	6425	-0.6%
FTSE AIM All-Share	743	764	-2.7%

Source: Bloomberg

After a wobbly start, London stocks picked-up in March to show a positive return for the larger companies. As with so much of last year, smaller companies under-performed, leaving the AIM Index down by around 3% so far:

FTSE 100 (dark blue), FTSE 250 (orange) and AIM Indices –2024



Source: Bloomberg, FTSE International

Leading the market for a change were the UK domestic banks, **Barclays**, **Lloyds** and **NatWest Group** with gains of up to 20%, the international (but UK listed) banks, **HSBC** and **Standard Chartered** were little changed. Sticking with the financial sectors, there were some bright spots among the insurers too, **Beazley** and **Hiscox** were notably strong as was **Aviva** after the release of further good figures in early March. **Prudential** was the exception, falling around 16% over the quarter, probably most concerned with their Chinese exposure. **Direct Line Insurance**, which has had a troubled few years, attracted a bid from Belgium’s **Ageas** but this has subsequently been withdrawn. The wealth managers featured a steep fall in the price of **St James’ Place** after announcing a £426m provision for potential client refunds. **abrdn** also fell further, taking their share price back to the low valuations of 2009.

The retailers generally had a dreary quarter, **Frasers Group** slipped around 11% and **JD Sports** around 19% while **Burberry** noted that the “operating environment has become more challenging” as it reported a decline in revenues in January. **Next** was the exception, beating expectations to show record profits and their stock gained. **Ocado** had a miserable time, sinking 40% over this period while **Sainsbury’s** slipped 10% as dwindling clothing sales offset a good period for groceries.

The ‘staple goods’ sector featured a gain for **Unilever** on better figures (not before time, they have been disappointing for some while) and the announcement that they intend to spin-off Ben & Jerry’s ice cream. **Reckitt Benckiser** were the weak feature here as their Mead Johnson subsidiary lost an American court case that could lead to years of problems.

Industrial companies were generally better, led by a big gain for **Rolls-Royce** followed by **BAE Systems** but it was broad-based with good gains also for **Ferguson**, **Intertek** and **Melrose**. **International Distribution Services**, the latest (silly) name for Royal Mail, moved in the opposite direction. The mining and materials companies saw mixed fortunes, the miners fell, **BHP**, **Fresnillo**, **Glencore** and **Rio Tinto** all weakened but the paper and packaging companies were enlivened by a bid for **DS Smith**, first from UK rival **Mondi** and then from **International Paper** of the US.

It was a quiet period for the UK market’s second largest company **AstraZeneca** (**GSK** had a much happier time after good results for their vaccines), **Shell**, currently the largest company, rose in-line with the market, following the higher oil price.

Fundamental Valuation Indicators

Corporate earnings forecasts for the year ahead have increased a shade but dividend forecasts have come down, which serves to improve the dividend cover (company earnings as a multiple of the dividend paid out to shareholders). With the earnings yield still over 9%, UK shares look inexpensive in an international context, though our market is not replete with ‘growth’ companies, so a lower overall rating is to be expected:

FTSE All-Share Estimates*	28 Mar 2024	29 Dec 2023	29 Sep 2023
Earnings (per Share)	403	397	399.1
Price / Earnings Ratio	10.8X	10.7X	10.3X
Earnings Yield	9.3%	9.4%	9.7%
Dividends (per Share)	180	190	199
Dividend Yield	4.1%	4.5%	4.8%
Dividend Cover	2.2X	2.1X	2.0X

**Bloomberg aggregate earnings estimates for the year ahead*

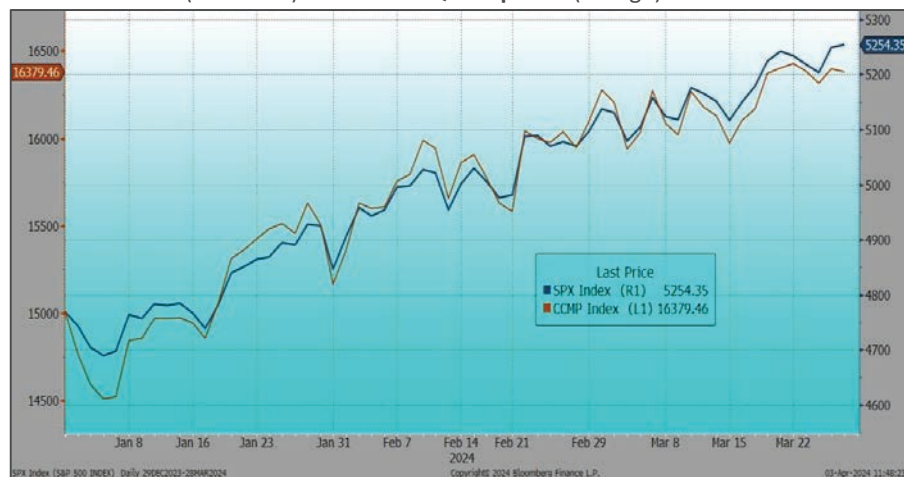
INTERNATIONAL EQUITY MARKETS

Index:	28 Mar 2024	29 Dec 2023	Quarter*
US - S&P 500	5254	4770	+10.2%
US - NASDAQ	16380	15011	+9.1%
UK – FTSE All-Share	4338	4232	+2.5%
Germany - DAX	18493	16752	+10.4%
France - CAC 40	8206	7534	+8.9%
Switzerland - SMI	11730	11125	+5.4%
Japan - TOPIX	2751	2366	+16.2%
Brazil - Bovespa	128106	134185	-4.5%
China – Shanghai Comp.	3011	2975	+1.2%
Hong Kong – Hang Seng	16541	17047	-3.0%
Australia – ASX 200	7897	7591	+4.0%

Source: Bloomberg *Change in local currency

International markets have, once again, been dominated by the performance of the NASDAQ and, more specifically, by the 'Magnificent Seven' and current poster child **Nvidia**, which reported another set of record-breaking results. But it was encouraging to see a slightly larger gain for the S&P 500 Index, indicating some 'broadening out' in the market. Hong Kong and China were the laggards, while Japan continued its run. Europe was generally strong but Switzerland was held back by poor performance from their two leading companies **Nestlé** and **Roche**.

S&P 500 (dark blue) and NASDAQ Composite (orange) Indices – 2024



Source: Bloomberg

FOREIGN EXCHANGE

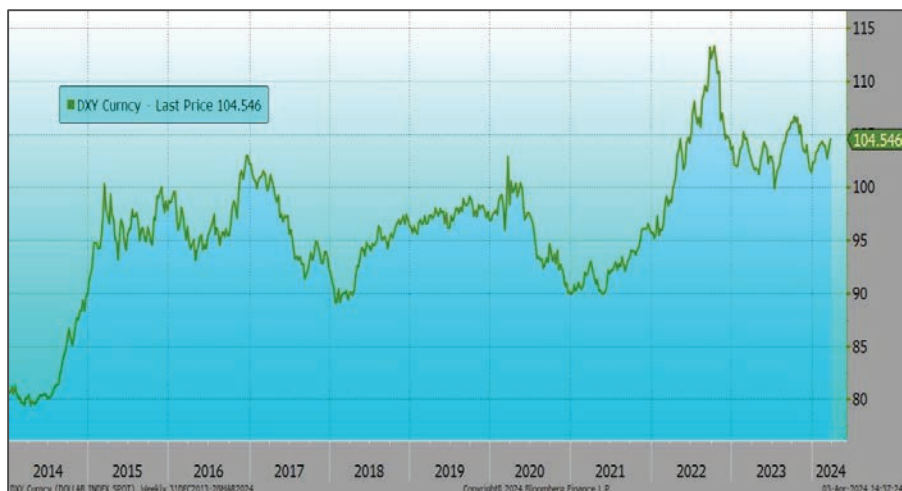
Cross Rate:		29 Mar 2024	29 Dec 2023	Quarter
£	US \$ / £ sterling	1.263	1.272	-0.7%
	Euro € / £	1.169	1.150	+1.7%
	£ Exchange Rate Index	82.8	81.6	+1.4%
\$	US\$ / € euro	1.080	1.106	+2.4%
	Yen ¥ / US \$	151.4	141.5	+7.0%
	Renminbi / U S\$	7.23	7.10	+1.8%
	\$ Exchange Rate Index	104.5	101.3	+3.2%

Source: Bloomberg

In generally quieter foreign exchange markets, the US dollar moved ahead again. Indeed, with the continuing strength of the US economy and probability that the Fed will be the slowest to cut rates, it is hard to see what changes this at present. This is most notable against the Japanese yen, which has sunk to fresh ten-year low levels. This despite the Bank of Japan finally ending their negative interest rate policy, which has been in place since early 2016.

Sterling was steady versus the US dollar but inclined better against the weakening euro. Both the ECB and Bank of England will be keeping a watchful eye on the foreign exchange markets if/when we do commence a rate-cutting cycle over the next few months. Of course, sterling will also have the build-up to the General Election to contend with.

The US Dollar Index – Ten Years



Source: Bloomberg

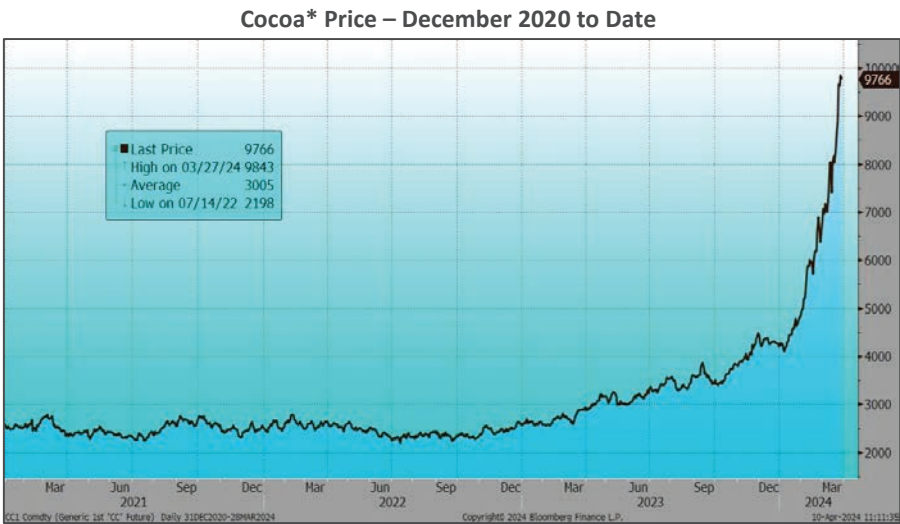
COMMODITIES

	28 Mar 2024	29 Dec 2023	Quarter
Oil – Brent (barrel)	\$87.5	\$77.0	+13.6%
Natural Gas	\$1.76	\$2.51	-29.9%
Gold (troy ounce)	\$2222	\$2065	+7.6%
Copper* (25 tons)	\$8867	\$8559	+3.6%
Milling Wheat (50 tons)	€204	€223	-8.5%

Source: Bloomberg *3-month forward contract on the London Metal Exchange

In stark contrast in the commodities markets were the price of oil, which has recovered from the December low levels to record a near 14% gain over the quarter, while the price of natural gas has fallen a further 30%. Of course, the oil price is dominated by geo-political tensions as Iran threatens to get embroiled in the Gaza conflict and Ukraine attacks Russian refining capacity. But, as Barclays points out in a recent piece, demand for oil is steady/growing despite a longer-term ‘threat’ from electrification.

Meanwhile, for anyone who spotted how much more expensive Easter Eggs were this year, not to mention the ‘shrinkflation’ involved, the chart below shows why. Côte d’Ivoire (the Ivory Coast) is the world’s largest producer of cocoa, closely followed by other West African producers, notably Ghana and Nigeria. Climate change, complicated by this year’s El Niño effect and some associated crop diseases have taken their toll on the crop:



THOUGHTS FROM *CRANLEY MACFARLANE AND JAMES EDGEDALE*

Equity markets started the first quarter in the same vein they finished 2023, marching higher in anticipation of easing monetary conditions later in the year. Happily, the drivers of the performance of stock markets globally broadened from those mega-cap companies at the forefront of AI to a wider cross-section of industries and sectors. That said, the 'Magnificent 7' continued to perform well with **Microsoft** +11%, **Alphabet** +11% and **Amazon** +19%. During the quarter we saw repeated instances of the founders of these companies selling stock, and we have done the same in our bespoke portfolios. This is not out of concern for their long-term prospects, but simply to lock in some of these extraordinary share price moves and reinvest in other areas of the market showing better value.

Sadly, the conflict in Gaza shows little sign of abating and that contributed to the continuing performance of defence companies (**BAE Systems** +20% and **RTX Corp** +16%), as well as to the oil price steadily moving higher with Brent currently at \$87.5, benefitting our holdings in **Chevron** +6% and **Shell** +6%.

While equity markets started the year positively, yields in fixed interest markets went into reverse after the market's exuberance in the final quarter of 2023. While inflation in the UK has continued to drop, it appears to have levelled out in the US. Together with strong employment numbers, this has meant that there is increasing uncertainty about when we will see cuts to interest rates in America. It is now up for debate whether the Bank of England or the ECB will be prepared to move before the Federal Reserve.

However, once again it shows the wisdom of Jerry Wharton, manager of our **Investment Grade Fixed Interest Fund**, in keeping the maturity profile of his portfolio relatively short-dated. We do not feel that there is sufficient compensation for taking the increased interest rate risk, and therefore volatility, of owning longer-dated bonds.

Where the bond market goes, equities will eventually follow, and towards the end of the quarter we saw increasing volatility in stock markets, further impressing the need to keep a keen focus on valuation. While the recent pullback in share prices has justified our decision to take some profits earlier in the quarter in trimming our technology stocks, and other strong performers **Novo Nordisk** (+24%) and **JP Morgan** (+18%), it remains the case that cheaper companies can still perform well. **Anglo American** and **Archer-Daniels-Midland** were up 11% and 15% in March alone, and we will continue to look to recycle profits into cheaper stocks as the market readjusts to the prospect of interest rates remaining higher for longer.

Cranley Macfarlane, April 2024

CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST

	28 Mar 2024	29 Dec 2023	Quarter
CH Investment Grade* - Inc.	107.2	107.2	0.0%
iBoxx AA Corporate 5-15 year	78.4	80.1	-2.1%
CH Investment Grade - Accum.	182.1	180.0	+1.2%
iBoxx £ ABS 5-10 year TR**	336.7	334.6	+0.6%

Source: Bloomberg *bid price to bid price, excluding income. **Total Return Index.

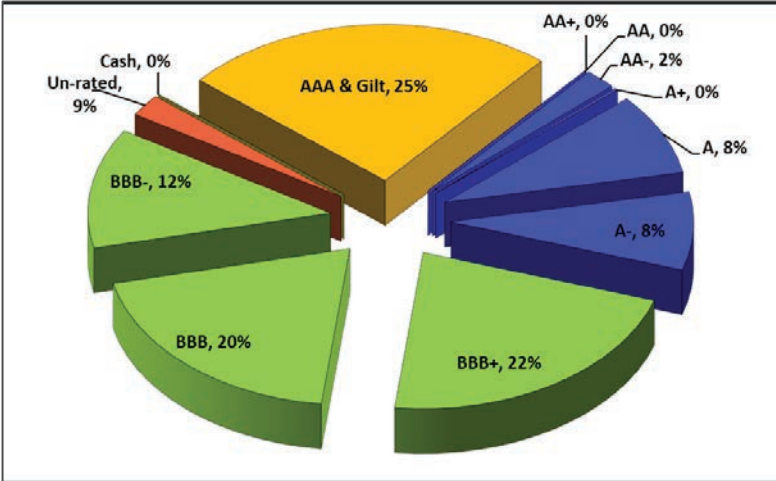
The Investment Grade Fixed Interest portfolio was steady over a first quarter that turned out to be distinctly bumpy. The profile of the portfolio is little changed from the end of the year though the duration is slightly longer as we took advantage of some attractive new issues:

CH Investment Grade Fixed Interest	Mar 2024	Dec 2023
Short-dated Securities (less than 7 years)	73%	74%
Medium-dated Securities (7 to 15 years)	23%	23%
Long-dated Securities* (over 15 years)	4%	3%
Duration of Portfolio	3.4	3.1
Volatility** (past year)	4.7%	4.4%
Number of Holdings	105	102
Yield (historic)	4.7%	4.5%
Portfolio Value	£321m	£308m

*Long-dated includes infrastructure holdings

**Volatility is annual standard deviation expressed as a percentage

CH Investment Grade Fixed Interest – by Credit Rating – 28 March 2024



Source: Church House

Top 15 Holdings - 28 March 2024

Bank of America 7.000% 07/2028	2.2%
Deutsche Pfandbriefbank 7.625% 12/2025	2.1%
Goldman Sachs Group Inc 7.250% 04/2028	2.0%
SSE Hybrid 01/14/49 3.740% 01/2026	1.9%
Standard Chartered LTII 5.125% 06/2034	1.9%
IFC 4.500% 10/2028	1.9%
EIB (SONIA) 6.198% 09/2025	1.8%
M&G Plc 33nc7 5.625% 10/2031	1.7%
John Deere 5.125% 10/2028	1.7%
Societe Generale 5.750% 01/2032	1.7%
Pacific Life 5.375% 11/2028	1.6%
EIB (SONIA) 6.219% 09/2025	1.6%
Bayerische Landesbank Covered 5.125%	1.6%
Lloyds Covered 5.125% 03/2025	1.6%
BP Pnc7 4.250% 03/2027	1.5%

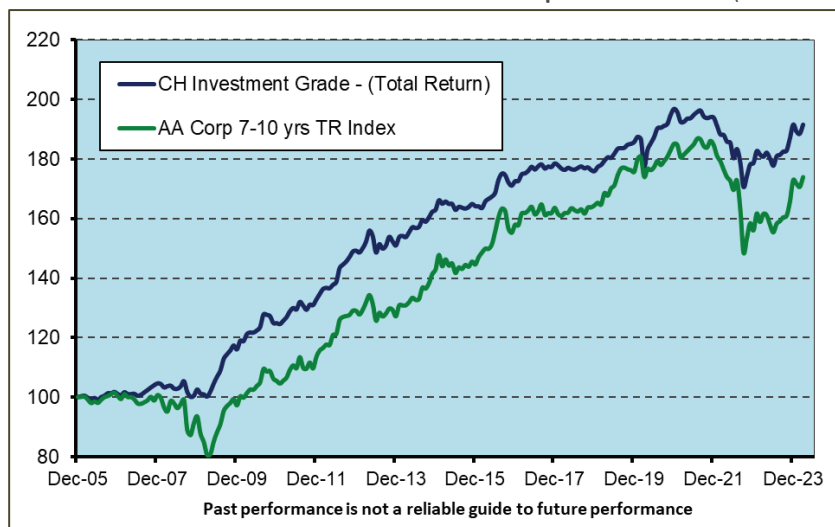
New to this list of top holdings is the issue from **Société Générale** of 5.75% stock due in January 2032. The **EIB** 6.198% bond is also new to the list though this is the exception as it is a floating rate note (FRN) and, overall, we have continued to reduce the FRN weighting (now down to 16% of the portfolio). Other new fixed issues that don't appear here include the **Traton Finance** (Traton is owned by VW) 5.625% bonds due in January 2029.

Calendar Year Performance:

YTD	2023	2022	2021	2020	2019
+1.2%	+7.4%	-7.9%	-1.5%	6.0%	5.6%

Source: Church House, bid price to bid price, accumulation units.

CH Investment Grade Fixed Interest vs AA rated Corporate Securities (Total Return)



Source: Bloomberg, Church House

CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST PORTFOLIO -

Security	Weight	Security	Weight
<i>Floating Rate Notes</i>		<i>Short-Dated Bonds (cont.)</i>	
Santander Cvd 2024	0.9%	Virgin Money 2.625% 2026	0.4%
NAB Covered 2025	0.6%	Bayerische 5.125% 2026	1.6%
EIB 2025	1.8%	Clydesdale 4.625% 2026	0.4%
DBS Bank Cvd 2025	0.9%	Caterpillar 5.72% 2026	1.0%
CIBC 2025	1.3%	National Grid 3.5% 2026	0.3%
Nat Australia 2025	0.3%	BAA 6.75% 2026	0.9%
Clydesdale 2026	0.9%	Scotland Gas 3.25% 2027	0.4%
CPPIBC 2026	1.0%	BP Capital 4.25% 2027	1.5%
Utd Overseas Bk 2026	1.3%	Whitbread 2.375% 2027	1.1%
EIB 2027	1.6%	RBC 3.625% 2027	1.2%
Clydesdale 2027	0.9%	KFW 3.75% 2027	0.9%
BMO 2027	0.3%	Yorkshire 7.375% 2027	1.0%
HSBC 2027	0.5%	Hiscox 6% 2027	0.5%
TSB Covered 2028	0.6%	Credit Suisse 7% 2027	1.0%
Barclays 2029	0.6%	Coventry 7% 2033	0.8%
NatWest 2029	1.2%	Natwest 6.375% 2027	0.7%
Nationwide 2031	1.2%	Santander 7.098% 2027	1.3%
		Credit Ag. 5.75% 2027	1.3%
		Nationwide 6.178% 2027	1.0%
		RBC 5% 2028	0.9%
		Goldman Sachs 7.25% 2028	2.0%
		Inchcape 6.5% 2028	0.8%
		Bank of America 7% 2028	2.2%
		Yorkshire B/S 3.375% 2028	0.6%
		KBC Group 5.5% 2028	0.9%
		IBRD 3.875% 2028	1.2%
		IFC 4.5% 2028	1.9%
		IHG 3.375% 2028	0.7%
<i>Short-Dated Bonds</i>			
Lloyds Covered 4.875% 2024	0.5%		
Digital Stout 4.25% 2025	0.3%		
Lloyds 5.125% 2025	1.6%		
Central Networks 5.5% 2025	0.2%		
VW Finance 4.25% 2025	1.2%		
BG Energy Cap. 5.125% 2025	0.2%		
Deutsche PBF 7.625% 2025	2.1%		
SSE Hybrid 3.74% 2026/49	1.9%		
Blackstone 4.875% 2026	0.6%		

– HOLDINGS – 28 MARCH 2024

Security	Weight	Security	Weight
Short-Dated Bonds (cont.)		Medium-Dated (cont.)	
John Deere 5.125% 2028	1.7%	Pension Ins. 4.625% 2031	0.4%
Tesco Sustain 1.875% 2028	0.6%	Berkeley 2.5% 2031	1.1%
RAC Bond 8.25% 2028	0.4%	Rothsay Life 5% 2031	1.0%
Yorkshire B/S 6.375% 2028	1.3%	Prudential 6.125% 2031	0.8%
SSE 8.375% 2028	0.1%	Soc. Gen. 5.75% 2032	1.7%
Pacific Life 5.375% 2028	1.6%	Direct Line 4% 2032	0.4%
Credit Agricole 5.375% 2029	1.3%	Pension Ins 3.625% 2032	0.5%
Traton Fin. 5.625% 2029	0.9%	Investec 9.125% 2033	1.2%
NatWest 3.619% 2029	0.9%	Rothsay Life 7.734% 2033	1.2%
VW Finance 5.875% 2029	0.5%	ING Groep 6.25% 2033	1.3%
Motability 1.75% 2029	0.8%	Aviva 6.875% 2033	1.3%
Virgin Money 7.625% 2029	0.8%	Lloyds 6.625% 2033	1.4%
Aviva 4.375% 2029	0.9%	Phoenix 7.75% 2033	1.0%
Segro 2.375% 2029	1.1%	Soc. Gen 6.25% 2033	1.3%
Barclays 7.09% 2029	0.7%	Standard Chart. 5.125% '34	1.9%
Rio Tinto 4% 2029	0.8%	National Gas 5.75% 2035	0.5%
New York Life 4.95% 2029	1.0%	Long-Dated Bonds	
Coventry 5.875% 2030	0.9%	III Group 3.75% 2040	0.8%
TP ICAP 7.875% 2030	0.5%	UK Treasury Stock	
Aviva 5.125% 2030	0.9%	Long-Gilt Future - short	0.7%
Barclays 6.369% 2031	1.1%	Infrastructure Holdings	
Northumbrian 4.5% 2031	0.9%	International Public Part.	0.4%
Medium-Dated Bonds		GCP Infrastructure	0.8%
Legal & General 5.625% '31	1.2%	HICL Infrastructure Co.	0.4%
Whitbread Green 3% 2031	0.6%		
Land Securities 4.75% 2031	0.5%		
M&G 5.625% 2031	1.7%		
Phoenix Group 5.625% 2031	0.9%		

CHURCH HOUSE UK EQUITY GROWTH

	28 Mar 2024	29 Dec 2023	Quarter
CH UK Equity Growth*	204.6	196.7	+4.0%
FTSE All-Share Index	4338	4232	+2.5%
FTSE 250 Index	19885	19690	+1.0%

Source: Bloomberg * Bid to bid price, excluding distributions of income (capital performance)

Rory Campbell-Lamerton writes: Our UK Equity Growth portfolio had an understatedly positive quarter, with no single stocks shooting the lights out. The portfolio moved steadily onwards despite sterling strength, softening inflation data and hesitant commentary from the Bank, showing that the underlying businesses are getting on with it. However, it wasn't all plain sailing for UK PLC.

In January, **Diageo**, the Johnnie Walker and Guinness maker, reported an 11% drop in operating profits over the half-year to December 2023. Net sales also fell, defying analysts' expectations they would remain flat. We took this opportunity to add to the holding which had been disproportionately hit. Their peer, **Remy Cointreau**, pointed to improving momentum since as did other executives in the spirits sector. We were equally encouraged by the fact that more than 225,000 pints of Guinness were drunk over the Cheltenham festival week!

JD Sports Fashion also received a kicking in early January, after warning that mild weather and heavy discounting had hit pre-Christmas trade. The stock fell by 20% and we added to this holding too, having faith in the resilience of the company, its management and loyal customer base. JD reported again at the end of the quarter with a more positive statement, reiterating guidance and a busy sporting Summer ahead with the Euros in Germany and the Paris Olympics.

We funded these top-ups with the proceeds from **Dechra Pharmaceuticals** whose takeover finally completed. We also top-sliced our holdings in **Microsoft** and **InterContinental Hotel Group** who have both performed strongly over the past six months or so.

Long-term holdings in the portfolio, **Halma** and **Diploma**, both announced impressive results and new acquisitions. Halma released a strong trading statement and announced the €85m acquisition of Rovers Medical Devices. Rovers designs and manufactures sample collection devices used in the prevention and diagnostics of cervical cancer and achieves a margin over 40%. Halma shares remain well below their historic high and look good value to us at these levels. Diploma surged 15% at the end of the quarter on the back of their purchase of Peerless Aerospace Fastener, a market-leading distributor of bolts, washers and rivets for the airline industry. The acquisition will give Diploma more capability in airframe construction and work in tandem with their strong aircraft cabin business.

Top 15 Holdings - 28 March 2024

RELX	7.2%
Diploma	6.6%
Halma	5.1%
Spirax-Sarco Engineering	4.6%
Diageo	4.1%
Greggs	3.9%
Microsoft	3.8%
Judges Scientific	3.6%
Unilever	3.6%
Croda International	3.4%
AstraZeneca	3.2%
Investor AB	3.2%
London Stock Exchange	3.1%
Ashtead Group	3.0%
Auto Trader	3.0%

We continue to meet management teams from our holdings and the UK market in general. We saw forty different companies in our offices and on-site visits. Our meeting with **RELX** was especially noteworthy, as their Exhibitions business revenues had finally surpassed pre-pandemic numbers and the implementation of Artificial Intelligence in their data and analytics businesses is starting to become game-changing in the interpretation and extrapolation of their billions of documents of data in the medical and legal space. Our first real world example of the outstanding benefits of AI in the non-tech space.

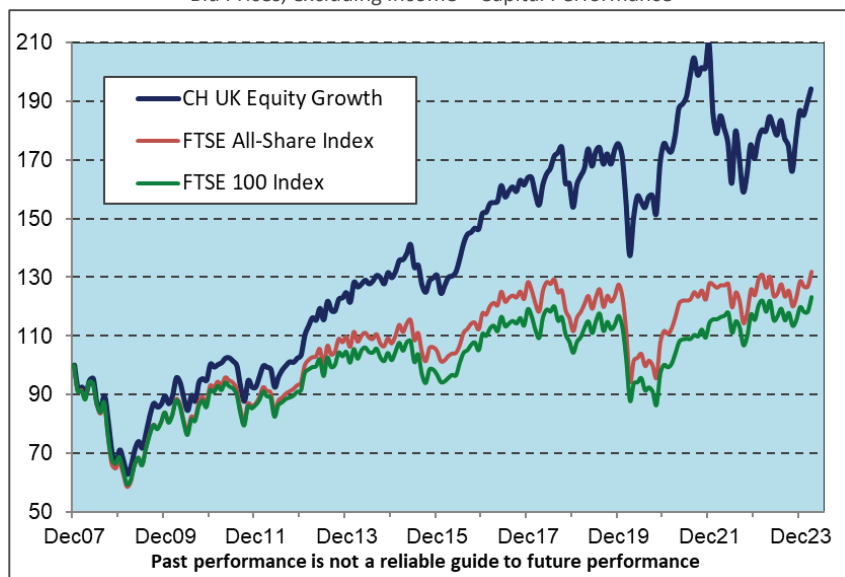
Calendar Year Performance:

YTD	2023	2022	2021	2020	2019
+4.0%	+10.0%	-18.6%	19.7%	0.4%	15.7%

Source: Church House - bid price to bid price, accumulation units.

CH UK Equity Growth vs FTSE Equity Indices

Bid Prices, excluding income – Capital Performance



Source: Church House, Bloomberg

CHURCH HOUSE UK EQUITY GROWTH PORTFOLIO –

Sector	Shareholding	Weight	Sector	Shareholding	Weight
<i>Oil Prod. & Services</i>		0%	<i>Staple Goods & Services</i>		11.6%
			Diageo		4.1%
<i>Mining & Materials</i>		3.4%	Fevertree		1.9%
Croda International		3.4%	L'Oréal		2.0%
			Unilever		3.6%
<i>Industrials</i>		26.1%			
Diploma		6.6%	<i>Pharma. & Healthcare</i>		5.4%
Halma		5.1%	Roche Holdings		2.2%
Spirax Sarco		4.6%	AstraZeneca		3.2%
Judges Scientific		3.6%			
Ashtead Group		3.0%	<i>Media & Telco's</i>		15.2%
Investor AB		3.2%	RELX		7.2%
			Alphabet		2.6%
<i>Technology</i>		3.8%	Auto Trader Group		3.0%
Microsoft		3.8%	Trainline		2.4%

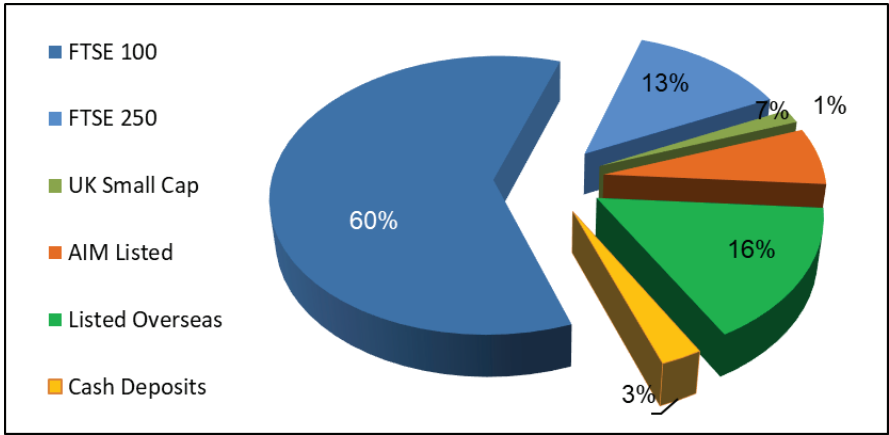
Portfolio Statistics:

Number of holdings	31
Portfolio Value	£92.9m
Volatility* (past year)	12.3%
Beta (to FTSE All-Share)	0.96
Income Yield	0.3%

*Volatility is annual standard deviation of monthly capital returns expressed as a percentage

Sector	Shareholding	Weight	Sector	Shareholding	Weight
Consumer Discretionary		17.2%	Banks & Other Financial		13.0%
Berkeley Group		1.8%	Berkshire Hathaway		2.0%
Compass Group		2.6%	Beazley		2.7%
Greggs		3.9%	Schroders		2.2%
Howden Joinery		2.6%	London Stock Exchange		3.1%
JD Sports		2.5%	Experian		3.0%
Intercontinental Hotels		2.7%			
Young & Co.'s Brewery		1.1%	Utilities		0%
			Equity Investment Cos.		1.6%
Property		0%	CH UK Smaller Cos.		1.6%
			Cash		2.6%

CH UK Equity Growth – Disposition – 28 March 2024



Source: Church House

CHURCH HOUSE BALANCED EQUITY INCOME

	28 Mar 2024	29 Dec 2023	Quarter
CH Balanced Equity Income*	176.8	172.7	+2.4%
FTSE All-Share Index	4338	4232	+2.5%
FTSE Higher Yield Index	3661	3607	+1.5%
FTSE Index-Linked All Stocks	505.2	515.7	-2.0%
Composite Benchmark**	115.3	113.6	+1.5%

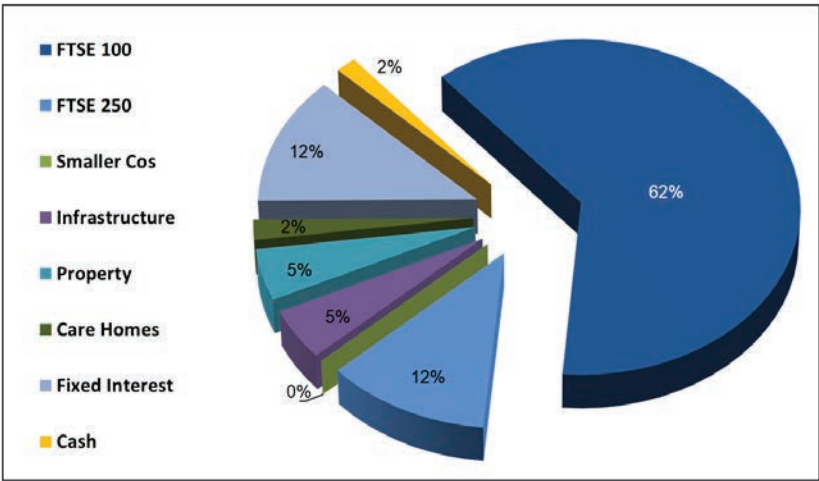
Source: Bloomberg *Bid-to-bid price, excluding income payments (capital performance)

**46% FTSE All-Share, 41% FTSE Higher Yield, 13% FTSE Index-Linked All-Stocks Indices.

The management fee in CHBE is split 50/50 between capital and income.

The Balanced Equity Income portfolio showed a modest gain over this first quarter. The overall disposition is broadly similar to the end of 2023 with the majority of the portfolio invested in major UK companies:

CH Balanced Equity Income – Disposition – 28 March 2024



Source: Church House

Packaging company **DS Smith** received an ‘indication of interest’ from UK rival **Mondi** in early February; **International Paper** of the US has now stepped in with the prospect of a higher offer for the company. While it is good to see the increase in the stock price it would be a shame to see another UK company disappear. **Reckitt Benckiser** has been a serial disappointment in recent years, dating back to the purchase of Mead Johnson in 2017. Our patience ran out at the end of March as a US court ordered Mead Johnson to pay compensation to the mother of a baby, which died after being fed one of their baby formulas, Enfamil, potentially opening the way to hundreds more such cases. I should add that Reckitt stands by the safety of its products and strongly disagrees with the jury’s decision. Nevertheless, we have sold the entire holding.

Top 15 Holdings - 28 March 2024

AstraZeneca	5.5%
BAE Systems	5.1%
RELX	4.8%
GSK	4.2%
Unilever	4.0%
Sage Group	3.5%
Aviva	3.1%
Diageo	3.0%
Barclays	2.9%
3i Group	2.7%
National Grid	2.6%
Bunzl	2.6%
Berkeley Group	2.4%
Barclays 3.75% 2030	2.3%
Howden Joinery	2.3%

The banks have been notable positive contributors this time, **Barclays** has moved up this list of top holdings while **Lloyds** has also done well. The exception was **Close Brothers**, which fell sharply after the announcement of an FCA review into historical motor finance commissions. We sold the Close Bros holding, using the proceeds to add to **Phoenix Group** and to the fixed interest holding of **Royal Bank of Canada** 5% bonds due in 2028. The other most noticeable feature has been the strong recovery in **GSK** after they raised their guidance on profits on the back of buoyant vaccine sales.

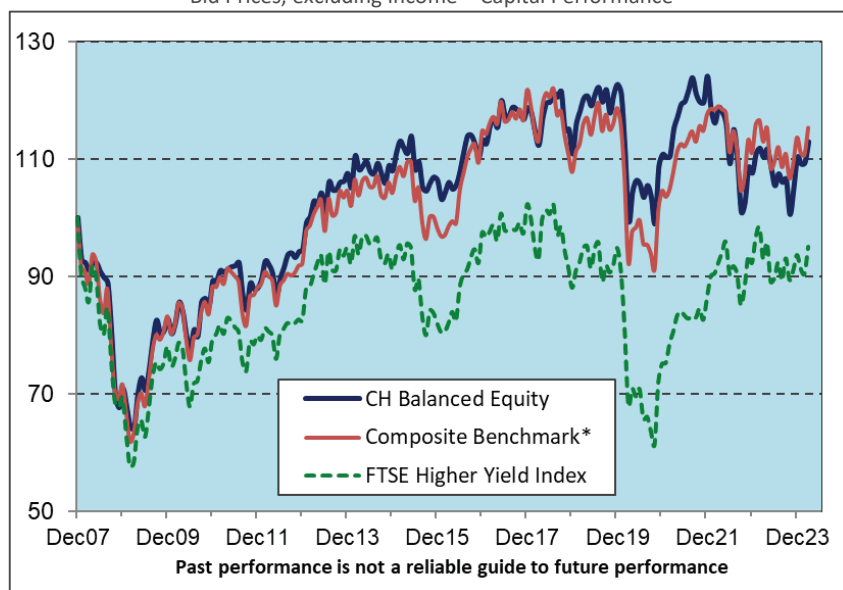
Calendar Year Performance:

YTD	2023	2022	2021	2020	2019
+2.3%	+6.4%	-10.6%	14.9%	-7.0%	14.2%

Source: Church House, bid price to bid price, accumulation units

CH Balanced Equity Income vs Composite Index* & Higher Yield

Bid Prices, excluding Income – Capital Performance



Source: Church House *46% All-Share, 41% FTSE Higher Yield, 13% Index-Linked All-Stocks

CHURCH HOUSE BALANCED EQUITY INCOME PORTFOLIO –

Sector	Shareholding	Weight	Sector	Shareholding	Weight
<i>Oil Prod. & Services</i>		0%	<i>Pharma. & Healthcare</i>		9.7%
			AstraZeneca		5.5%
			GSK		4.2%
<i>Mining & Materials</i>		6.1%	<i>Consumer Discretionary</i>		7.7%
Rio Tinto		2.0%	Berkeley Group		2.4%
Croda International		2.0%	Bellway		1.9%
D S Smith		2.1%	Greggs		1.8%
			Kingfisher		1.6%
<i>Industrials</i>		12.7%	<i>Media & Telcos</i>		4.5%
BAE Systems		5.1%	RELX		4.5%
Howden Joinery		2.3%			
Bunzl		2.6%	<i>Utilities</i>		2.6%
3i Group		2.7%	National Grid		2.6%
<i>Staple Goods & Services</i>		10.8%	<i>Technology</i>		5.7%
Diageo		3.0%	Sage Group		3.5%
Britvic		1.9%	Halma		2.2%
Unilever		4.0%			
Cranswick		1.9%			

Portfolio Breakdown:

FTSE 100 Companies	62%
FTSE 250 Companies	12%
Smaller Companies	0%
Infrastructure	5%
Property	5%
Care Homes	2%
Fixed Interest	12%
Cash	2%

Sector	Shareholding	Weight	Sector	Shareholding	Weight
<i>Banks & Other Financial</i>		14.1%	<i>Infrastructures Cos.</i>		4.7%
	Barclays	2.9%		BBGI	1.9%
	Lloyds	2.1%		GCP Infrastructure	1.1%
	Aviva	3.1%		SDCL Energy Efficiency	1.2%
	Phoenix	2.2%		Harmony Energy Efficcy.	0.5%
	Rathbone Bros	1.9%			
	Schroders	1.9%			
			<i>FIXED INTEREST</i>		
<i>Property</i>		4.9%	<i>Index-Linked Issues</i>		1.6%
	Land Securities	1.8%		Treasury I-L 2030	0.8%
	Tritax Big Box	1.5%		South. Water I-L 2034	0.8%
	Primary Health Props	1.6%			
			<i>Gilts</i>		
<i>Care Home Cos</i>		1.9%	<i>Other Fixed Interest</i>		11.0%
	Target Healthcare	1.9%		SSE 3.74% 2026	0.8%
				RBC 5% 2028	1.6%
<i>Equity Investment Cos.</i>		0%		Phoenix 5.75% 2028	1.0%
				Yorkshire 3.375% 2028	1.2%
				KBC Group 5.5% 2028	2.1%
				Toyota 5.625% 2028	0.5%
				Barclays 3.75% 2030	2.3%
				Virgin Bank 2.625% 2031	1.5%

Other Portfolio Statistics:

Number of holdings	45
Portfolio Value	£64m
Volatility* (past year)	11.0%
Beta (to FTSE All-Share)	0.85
Income Yield	3.4%

*Volatility is annual standard deviation of monthly capital returns expressed as a percentage

CHURCH HOUSE UK SMALLER COMPANIES

	28 Mar 2024	29 Dec 2023	Quarter
CH UK Smaller Companies*	142.1	140.2	+1.4%
FTSE All-Share Index TR	9379	9056	+3.6%
FTSE AIM All-Share TR	894	915	-2.3%

Source: Bloomberg *Bid-to-Bid ‘A’ Accumulation Shares, all Indices are Total Return

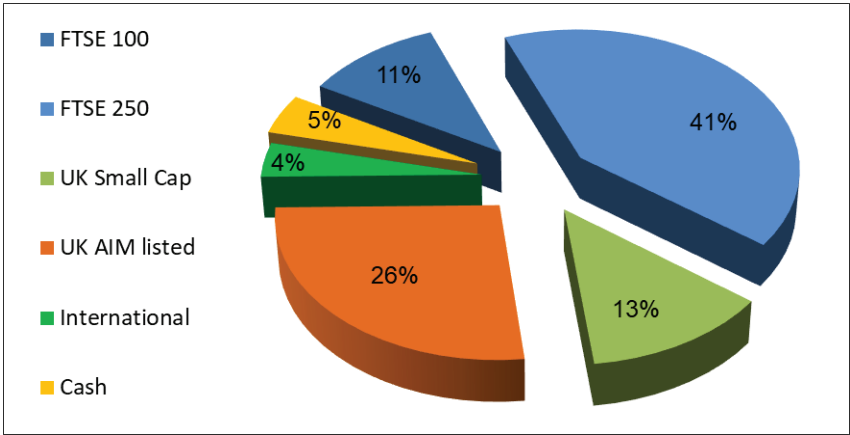
Rory Campbell-Lamerton writes: Our UK Smaller Companies portfolio had a strong quarter in relative terms, up 1.4% versus a further fall for smaller companies generally.

Performance was driven by a long overdue changing of sentiment in many portfolio holdings, none more noticeable than in **Trainline** and **Trustpilot**, who both delivered strong statements and garnered real momentum in their depressed share prices. Fortunately, we added to both these businesses pre-announcements. **AG Barr** and **Softcat** put out equally positive statements and recent addition **Ashtead Technology** continued its impressive run (and into the top ten of the portfolio), on the back of its purchase of Ace Winches late last year.

The housebuilding sector garnered a lot of headlines over the quarter with a Competition and Markets review into pricing collusion and the ‘combination’ (read takeover) of **Redrow** by **Barratt Developments** for £2.5bn. We will be sad to see another one of our holdings being taken over.

Without wishing to sound like a stuck record, the UK Small Cap market is still being cherry-picked for its best companies.

CH UK Smaller Companies – Disposition – 28 March 2024



Source: Church House

So far this year twelve companies have been taken over in deals worth upwards of £17bn. These businesses are being taken out at an average premium of 55% (in the preceding 5 years takeovers averaged at 30-40%), which is highlighting how undervalued UK mid and small caps are. More and more small cap companies are now in the FTSE 350 to fill this gap. The smallest company, **Ferrexpo**, only has a market value of £260m. According to broker **Peel Hunt**, there are now only 114 companies in the FTSE Small Cap Index versus 160 in 2018. If this run rate continues the Index will have no companies left by 2028.

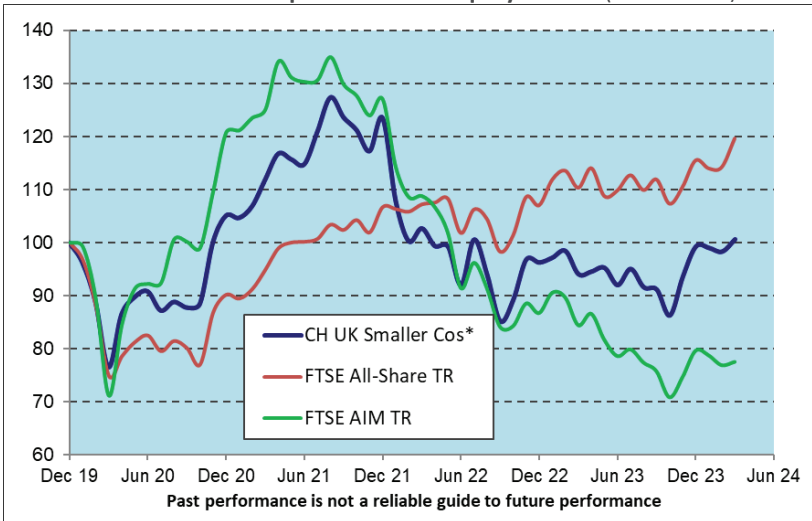
Top 15 Holdings - 28 March 2024	
Judges Scientific	6.4%
Diploma	5.9%
Greggs	5.4%
Beazley	5.0%
Trainline	4.6%
Porvair	4.4%
Ashtead Technology	4.2%
Somero Enterprises	4.0%
Cranswick	3.9%
Bioventix	3.5%
Big Yellow Group	3.4%
Young & Co's Brewery	3.4%
Softcat	3.4%
Fevertree Drinks	2.9%
Bytes Technology	2.8%

Calendar Year Performance:

YTD	2023	2022	2021	2020
+1.4%	+3.2%	-22.1%	17.5%	5.1%

Source: Church House - bid price to bid price, 'A' accumulation shares

CH UK Smaller Companies vs FTSE Equity Indices (Total Return)



Source: Church House, Bloomberg *Shows the performance of the Deep Value Investment portfolio initially, changes commenced in Feb 2020, the new policy was adopted in Aug. 2020.

CHURCH HOUSE ESK GLOBAL EQUITY

	28 Mar 2024	29 Dec 2023	Quarter
CH Esk Global Equity*	469.6	434.6	+8.1%
CH Global Index in £	1539	1412	+9.0%
MSCI World in \$	3437	3169	+8.4%
FTSE 100 Index	7953	7733	+2.8%

Source: Bloomberg *Bid-to-bid price, excluding distributions of income (capital performance)

Our Esk Global Equity portfolio has had a positive start to the year. Exposure to US companies is now up to 53% of the portfolio, reflecting the dominance of North American markets at present.

The top ten holdings will be familiar. We made a small reduction in the **Microsoft** holding in January, taking the weighting back down to 5% after the stock hit new all-time highs. Microsoft remains as our favoured long-term holding in the area, but many technology stocks are vulnerable to a set-back after the strength of recent moves. Sinking down the list has been **Johnson & Johnson**, and **Roche Holding** has dropped off altogether, in a generally dull period for pharmaceutical companies. **L'Oréal** has also slipped down with staple goods companies in a similar mood. New to this list is **Ferrari**, which had a great quarter. Also moving up notably were **Amazon.com** and **Hermès** after good figures.

Top 15 Holdings - 28 March 2024

Microsoft Corp	5.0%
Alphabet	4.7%
Mastercard	3.9%
Amazon.com	3.8%
LVMH	3.8%
Stryker Corp	3.7%
RELX	3.3%
Oracle Corp	2.9%
Ferrari	2.9%
Apple	2.9%
Intuit	2.9%
Hermès	2.9%
Investor AB	2.8%
Johnson & Johnson	2.7%
L'Oréal	2.6%

Apple is under some pressure, they have fallen nearly 11% over the year so far, the market clearly thinks that they have a lot to prove amid concerns over weak demand for its key products and more problems with European regulators; we reduced our weighting in November and will stay with this lower weight for now. **Ansys** jumped in late December and an agreed bid for the company was announced at the beginning of January from **Synopsys**. Ansys share price remains at a discount to the value of the bid, and we are watching developments. Among the healthcare holdings, **Stryker** has powered ahead again and the new holding in **Cencora** has had a good year while the Swiss group, **Lonza** has largely recovered from a poor end to 2023. In contrast, the new holding in **UnitedHealth Group** has fallen after the US Department of Justice initiated an antitrust investigation into their purchases of healthcare companies.

The Japanese holdings were, unsurprisingly, a strong feature, notably the financials, **Sumitomo Mitsui Financial** and particularly **Nomura**, which gained around 50%. **Sony Group** was the detractor after flagging weakness in their gaming business and reduced forecasts for PlayStation 5 sales. Activity in the portfolio was centred around drinks companies, the spirits sector was spooked by a warning on sales from **Diageo**, which reverberated around. **Rémy Cointreau** was knocked back and we added significantly to this holding in late January, feeling that the fall had been overdone. **Heineken** produced more rather lacklustre figures and, though we still have regard for this company, it is hard to get enthused about their prospects; we have sold the holding in favour of commencing a new position in **Coca-Cola**. Coke produced more good figures in February but, after an initial flurry, these have largely been ignored. The quality and consistency of this company is outstanding and their current rating is a fair price to initiate. Despite their on-going dispute with the IRS, which must account for some of the current pricing, we are pleased to have made a start in building a holding.

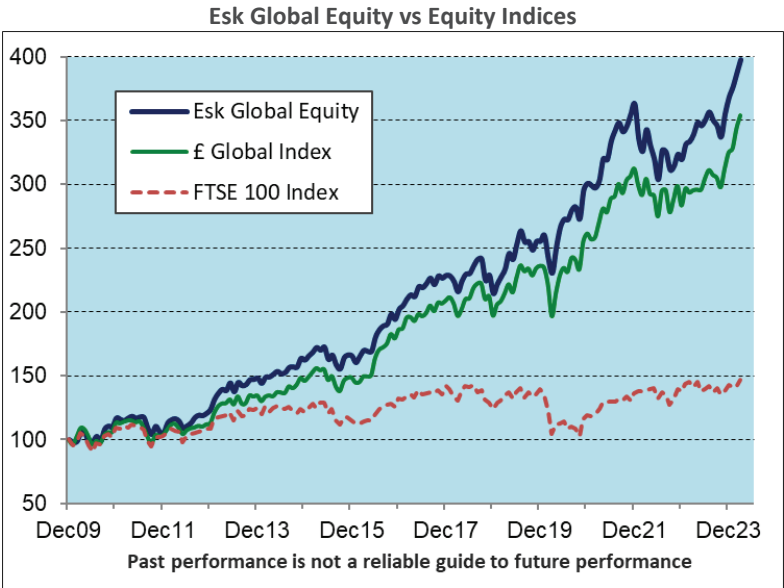
Portfolio Statistics	Number of holdings	43	Volatility*	8.3%
	Portfolio Value	£71.7m	Income yield	0.3%

**Annual standard deviation of monthly capital returns expressed as a percentage, past year*

Calendar Year Performance:

YTD	2023	2022	2021	2020	2019
+8.1%	+15.6%	-11.7%	20.9%	18.1%	20.2%

Source: Church House - bid price to bid price, accumulation units



Source: Church House Bid prices of income units (i.e. capital return, excluding income)

CHURCH HOUSE ESK GLOBAL EQUITY PORTFOLIO –

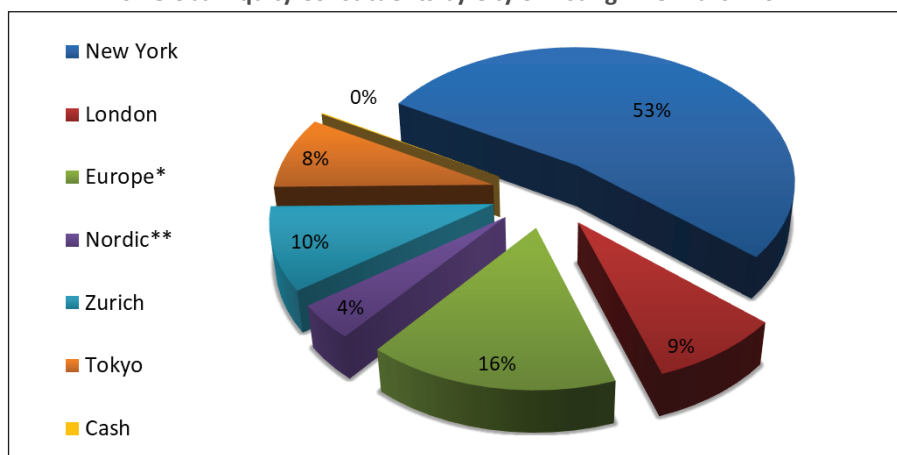
<i>Country/Region & Listing</i>	Weight	<i>Country/Region & Listing</i>	Weight
USA	52.9%	Europe – eurozone	16.2%
<i>New York</i>		<i>Amsterdam</i>	2.2%
Nordson Corp	2.1%	Euronext	2.2%
Paccar Inc.	2.6%	<i>Frankfurt</i>	0%
Coca-Cola	2.0%		
Stryker Corp.	3.7%	<i>Paris</i>	11.1%
Johnson & Johnson	2.7%	L'Oréal SA	2.6%
Cencora	1.4%	Remy Cointreau	1.8%
UnitedHealth Group	1.1%	LVMH	3.8%
McDonald's Corp	2.2%	Hermès	2.9%
Amazon.com	3.8%		
Alphabet Inc 'A'	4.7%	<i>Milan</i>	2.9%
Apple Inc	2.9%	Ferrari	2.9%
Ansys	1.9%		
Intuit Inc	2.9%	Nordic	4.1%
Mastercard	3.9%	<i>Copenhagen</i>	1.3%
Microsoft Corp	5.0%	Novonesis B	1.3%
Oracle Corp	2.9%		
Morgan Stanley	1.3%	<i>Stockholm</i>	2.8%
Berkshire Hathaway 'B'	2.3%	Investor AB	2.8%
Everest Re Group	1.9%		
T Rowe Price	1.9%		

Broad Industry Split of Direct Investments

Oil Production & Services	0%	Utilities	0%
Mining & Materials	5.1%	Media & Telcos	8.0%
Industrials	7.5%	Technology	19.4%
Staple Goods & Services	10.6%	Banks & Other Financials	16.1%
Pharma & Healthcare	15.1%	Property	0%
Consumer Discretionary	17.4%	Investment Cos	0.7%

<i>Country/Region & Listing</i> Shareholding	Weight	<i>Country/Region & Listing</i> Shareholding	Weight
Switzerland	9.7%	United Kingdom	8.4%
Zurich	9.7%	London	8.4%
Nestlé	2.0%	Rio Tinto	1.4%
Roche Holding AG	2.1%	RELX	3.3%
Lonza Group	1.7%	Unilever	2.1%
Straumann Holdings	1.8%	Standard Chartered	1.0%
Swiss RE	2.1%	Caledonia Investments	0.7%
Far East	8.3%	Emerging Markets	0%
Tokyo	8.3%	Cash Deposits	0.1%
Shin-Etsu.	2.4%	GBP	0.1%
Chugai Pharma.	0.8%	USD	0.0%
Sony Group	1.9%	EUR	0.0%
Sumitomo Mitsui Fin.	2.1%		
Nomura Holdings	1.1%		

Esk Global Equity Constituents by City of Listing – 28 March 2024



Source: Church House *Amsterdam, Milan, Paris, Frankfurt **Copenhagen, Stockholm

CHURCH HOUSE TENAX ABSOLUTE RETURN STRATEGIES

	28 Mar 2024	29 Dec 2023	Quarter
CH Tenax Absolute Return*	162.7	162.2	+0.3%
Cash Return (SONIA)**	109.0	107.6	+1.3%

Source: Bloomberg *Bid-to-bid, Tenax 'A' accumulation shares **Compounded SONIA (BoE)

We expect UK inflation to continue to moderate as we head into the summer and that this will allow the Bank of England to begin a reduction in the Base Rate, probably in June. Our UK Economy and Interest Rates piece on page 6 showed how interest rates for longer periods have fallen since last October while 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.

This view is reflected in the Tenax portfolio's asset mix. Fixed interest assets are the largest portion of the portfolio, but these are focused at the short-dated end (see below, current overall duration* is just 3.2), where we can see attractive returns/opportunities. This table shows the change in asset split over the year to date:

CH Tenax Fund - Allocation to Asset Classes – 2024

2024	29-Dec-23	31-Jan-24	29-Feb-24	28-Mar-24	YTD
Cash	0.2%	0.4%	1.0%	1.1%	0.9%
Gilt / AAA Fixed	2.1%	1.4%	1.4%	1.4%	-0.6%
FRN (AAA)	12.6%	12.5%	12.3%	11.8%	-0.8%
Floating Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Interest	51.6%	55.6%	55.2%	54.7%	3.1%
Index-Linked	0.6%	0.6%	0.6%	0.6%	0.0%
Infrastructure	5.9%	4.9%	4.8%	4.5%	-1.4%
Convert / ZDP	10.2%	7.5%	7.3%	7.4%	-2.8%
Alternative / Hedge	0.0%	0.0%	0.0%	0.0%	0.0%
Property / Real	5.0%	5.1%	4.9%	5.3%	0.3%
Equity	11.8%	12.0%	12.5%	13.1%	1.3%

Source: Church House

The pattern is similar to last year with a further reduction in exposure to floating rate notes (FRN) and an increase in the fixed interest element. To labour the point somewhat we consider that it is time for a switch from floating to fixed rate investments after the massive increase in short rates over the past two years and our expectation that the next move from the Bank of England will be to reduce the Base Rate. The reduction in exposure to convertibles reflects some of these investments getting close to their maturity dates, not an active move away from the area.

This (more technical) table below shows the duration* and redemption yield** figures for the FRN and Fixed Interest portions, which account for 68% of the portfolio at present, as they have developed over the year. Just to elaborate on that duration figure a bit more, the average time to maturity of this portfolio of bonds (fixed interest securities) is 5 years, the duration of 3.1 reflects the high coupon (interest) stream that the Tenax portfolio will be receiving in the meantime.

2024	29-Dec-23	31-Jan-24	29-Feb-24	28-Mar-24
Overall Duration*	3.2	3.2	3.2	3.1
Redemption Yield**	6.2%	6.2%	6.3%	6.1%
Fixed Int. Duration	3.9	3.9	3.8	3.7
P/folio Running Yield	4.4%	4.6%	4.4%	4.4%

Source: Church House

Amongst the convertible issues, we have now completed the sale of **Primary Health Properties** convertible bonds as they mature next year and no longer offer such a good return. However, we have utilised the money to add to our holding in their equity, which does look attractive on a discount to high quality primary healthcare property assets and a high dividend yield.

We took an attractive new issue of bonds from the **Coventry Building Society** paying a coupon of 5.875% and maturing in 2030, which we funded with a small reduction in our **NatWest** bond exposure, along with some of our floating rate notes from **TSB Bank**. The equity holdings have produced positive returns, notably the international holdings and the banks. Infrastructure remains under a cloud though, maybe, this is showing a few signs of improvement.

Calendar Year Performance:

YTD	2023	2022	2021	2020	2019
+0.3%	+6.2%	-7.5%	1.4%	3.8%	3.4%

Source: Church House, NAV to NAV, 'A' accumulation shares

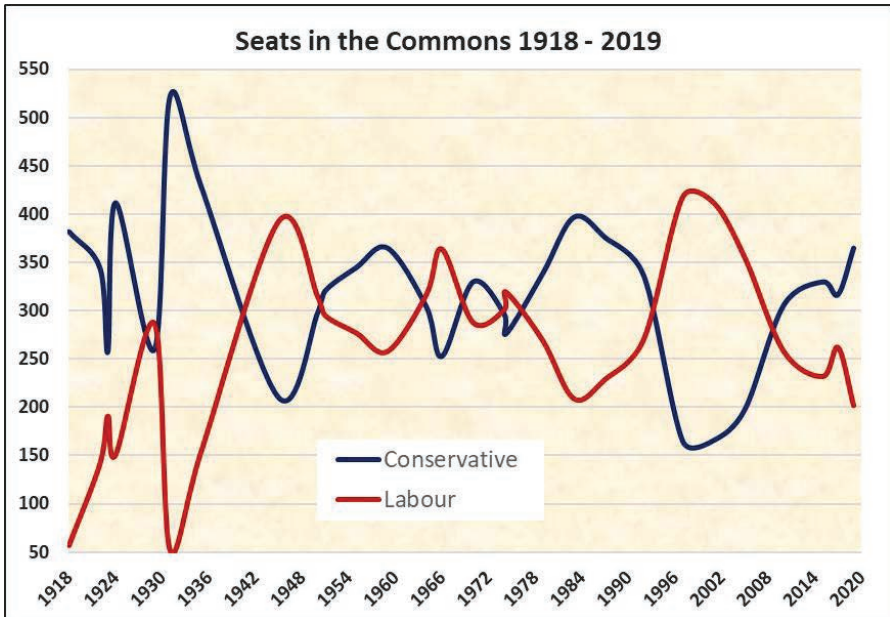
**Duration represents the number of 'periods' that it will take to repay an initial investment in a fixed interest security. It is not the same as the life of the bond or time to maturity, which will be longer. It can also be viewed as a measure of the sensitivity of the price of a bond to a change in interest rates.*

***Redemption Yield represents the total return expected from the bond(s) taking into account interest received and capital gain as the bond(s) move to 'par value' (100p) at maturity. The 'Running Yield' shown is the current expected annual income for the whole portfolio, as a percentage.*

Conservative and Labour Party Parliamentary Seats in the Commons

1918 - 2019

Judging by the opinion polls, we are due for a change to a Labour administration at the forthcoming General Election. Looking back over the past one hundred years, it has essentially swung between Conservative and Labour since the (effective) demise of the Liberal party in the 1920s. It would appear that this 'swingometer' is about to swing back:



Source: House of Commons Library, UK Election Statistics et al

At the beginning of this period, the Liberals still had a significant presence: in 1918 the Liberals and others accounted for 268 seats. But this figure declined rapidly being down to 68 seats by 1929 and has never really recovered. In the recent past, the peak for the Conservatives was 397 seats for Margaret Thatcher's administration in 1983 and for Labour it was Tony Blair's 'landslide' of 418 seats in 1997.

Church House Investment Management

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