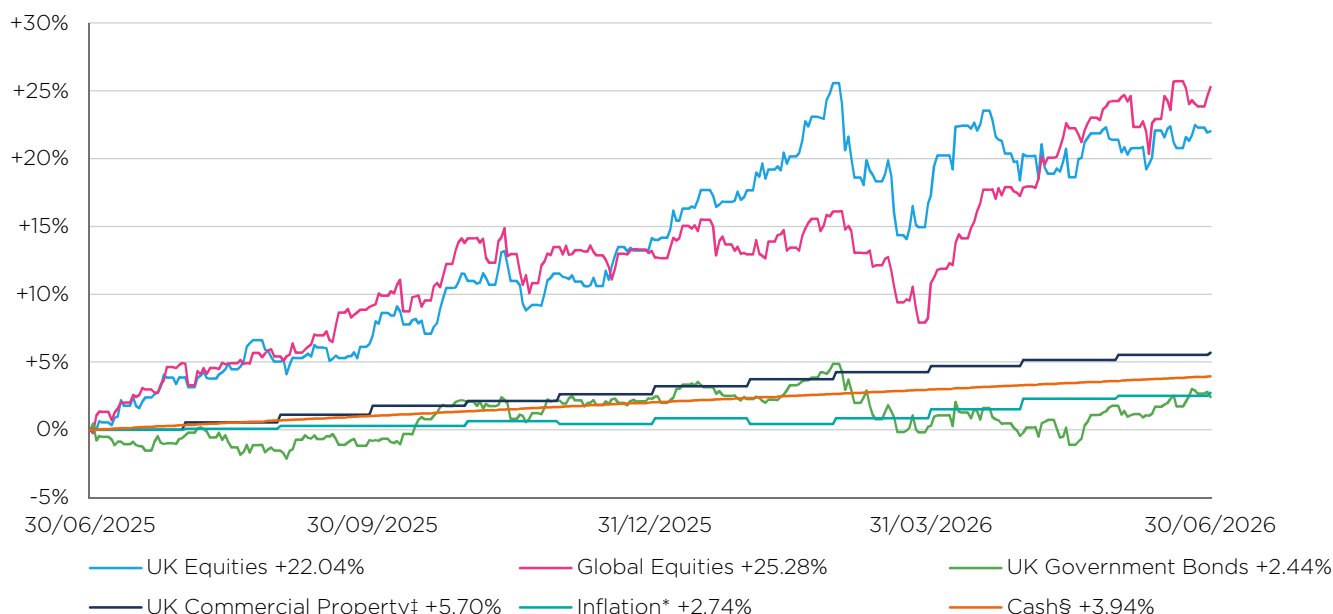

CCLA

QUARTERLY
BULLETIN

30 June 2026

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Market review and outlook



General Market Indices

	Current quarter (%)	Last twelve months (%)	Last three years annualised (%)	Last five years annualised (%)
UK Equities (MSCI UK Investable Markets Index)	+4.03	+22.04	+15.36	+11.23
Global Equities (MSCI World Index)	+13.03	+25.28	+17.54	+12.37
Global Equities ex UK (MSCI World ex UK Index)	+13.40	+25.31	+17.61	+12.34
UK Govt. Bonds (Markit iBoxx £ Gilts Index)	+2.13	+2.44	+2.78	-4.67
Sterling Bonds ex UK Govt, (Markit iBoxx £ Non-Gilts Index)	+2.64	+4.29	+6.42	-0.51
UK Commercial Property (AREF/MSCI™ All Prop Monthly) ‡	+0.96	+5.70	+5.02	+3.54
Inflation (CPI) *	+1.21	+2.74	+2.76	+5.10
Cash (SONIA) §	+0.93	+3.94	+4.68	+3.49

Source: Bloomberg (Data shown is daily except for Inflation and UK Commercial Property where data shown is monthly)

§ SONIA (Sterling Overnight Index Average) is estimated for the most recent month. From 1/1/21: SONIA. Prior to 1/1/21: 7-Day London Interbank Sterling Bid Rate (7-Day LIBID).

* CPI (Consumer Price Index) is estimated for the most recent month.

‡ MSCI UK Monthly Property is estimated for the most recent month.

In the second quarter of 2026, hostilities in the Persian Gulf abated, which allowed bond yields to recede and share prices to continue their rally.

At the start of the quarter, the US and Iran were stopping ships from passing through the Strait of Hormuz. This raised the oil price from \$60 per barrel at the start of the year to more than \$126 at the end of April. As a result, US consumer price inflation rose from 3.3% in March, year on year (yoy), to

4.2% in May, with similar rises in other countries.

The resulting spectre of higher inflation reversed expectations that central banks might cut interest rates this year. Accordingly, yields on 10-year gilts (UK government bonds) rose from 4.35% at the end of February to 5.11% in May, and yields on 10-year Treasuries (US government bonds) from 3.97% to 4.59% over that time. (Bond yields fall as bond prices rise, and vice versa.)

By the middle of the quarter, however, it became clear that both the US and Iran wanted to de-escalate the conflict. After several failed attempts, the parties signed their so-called Islamabad Memorandum on 17 June. By the end of June, oil prices had fallen back to \$73 per barrel. Bond yields also fell, but remained above the levels they were at before the conflict started.

Shares prices were already recovering when the quarter started, as investors 'bought the dip' in stock markets in March. Most investors considered that, despite the war, the world's economic fundamentals were strong enough for the rally to continue, especially given transformative technologies such as artificial intelligence (AI).

Later in April, companies' first-quarter reports were among the strongest in recent history, showing average profit growth of 27%, yoy, for US firms. Companies such as Google owner Alphabet and retailer and cloud provider Amazon beat investors' expectations, as did banks such as JPMorgan and Bank of America.

But the second quarter's star performers were the shares of hardware technology companies. The share price of data storage producer Micron, for example, rose 240% during the quarter. And even the share price of a more traditional firm such as Caterpillar rose 45%, because it received large orders for power units from data centre operators. In the end, world share prices rose 13.8% in the second quarter, advancing 4.0% in the UK, 15.2% in the US, and 15.3% in the eurozone.⁽¹⁾

⁽¹⁾Source: MSCI, net returns in local currency

Outlook

In our analysis, the fundamental forces that underly the long-term stock market rally remain intact:

- For starters, economic growth remains robust. Globally, both manufacturing and non-manufacturing sectors are expanding. Tariffs and the Middle East conflict have raised inflation and reduced real incomes, but that effect has now peaked and is likely to abate.

- Secondly, the growth rate of companies' profits is projected to be c. 15% over the next 12 months. It is this historically high growth that sustains rising share prices, at share price-to-earnings (P/E) multiples that have been stable to falling this year.
- Thirdly, bond yields matter because investors use them to discount companies' profit forecasts to distil what should be the present value of their shares. Lower bond yields mean higher share prices, and vice versa. Yields in developed markets peaked in mid-May, but they have fallen since. This supports share prices as well.

We remain cautious, however, because some trends may be nearing their turning points and, in places, valuations are high

- Pockets of overvaluation exist, particularly in the US and in the AI industry. And non-US stock markets have returned to their long-term averages in 2026, rather than remaining outright cheap.
- Some drivers of profit growth may be coming to an end. Labour costs as a percentage of revenue have stopped falling. The downward trend in bond yields from 1980 to 2022 appears to have ended, making company financing more expensive. Corporation tax is no longer going down. And capital expenditure, which had been reducing as companies adopted 'capital-light' business models, is now going up again.

Given our positive but cautious outlook, with some sectors and regions outperforming others, we continue to be selective buyers of shares, in contrast to investors who choose to be outright market trackers.

Point in case: we did not participate in the June offering of SpaceX shares, which went public at c. 95 times its 2025 revenues. Elon Musk's company may well go on to achieve great things for humanity, but IPOs generally underperform the broader market. And in the case of SpaceX, the risks associated with the company's commercial success are significantly higher than what we feel comfortable exposing our clients to.

How does CCLA define 'quality' shares?

At CCLA, our core objectives are to preserve the real value of our clients' capital, to provide you with reliable income and to invest in line with your values. To achieve those objectives in the equity portfolios we manage, we look for certain characteristics in those equities, characteristics that we describe as 'quality'. Now is a good time to reiterate how we define quality shares, and why we invest in them.

1. Quality companies generate substantial positive cash flow. At its most basic, cash flow is what is left over of a company's sales revenue after that company has paid for its production costs, has made its investments and has paid the interest on its debts.

We prefer to judge companies by their cash flows rather than their profits, because profit numbers are easy to manipulate. For example: American software company Salesforce often show high accounting profits. But the company generates much lower cash flows because it spends a lot of cash buying up other companies and buying back some of its own shares.

2. Quality companies display steady growth over multiple years. Companies whose cash flows grow rapidly from one year to the next sometimes see their share prices benefit quickly as well. But cash flow growth needs to be sustained for that share price effect to continue in the long run.

For example: the portfolios we manage have owned payment provider Visa for over a decade, during which time the company's earnings and its share price have grown a cumulative 350%. By contrast, the shares of a cyclical firm like car maker Ford have returned only 11% over that time, with ups and downs in profitability but essentially the same level of earnings per share now as 10 years ago.

3. Quality companies have low levels of debt. Our definition of quality is sceptical of companies that take on too much debt.

Even in favourable economic conditions, companies with low debt are better off. But when things go wrong, high levels of debt definitely hamper a company's flexibility. That's what's happening to many water companies today, who struggle to pay their creditors instead of fixing the pipes as quickly as we'd like.

4. We only invest in quality companies at reasonable valuations. If we want to make a profit, we need to invest in quality companies at reasonable valuations. Some companies' shares are expensive because investors already anticipate that that company will perform well. In that case, even if the company does perform well, its share price doesn't rise.

In 2024, for example, we sold the shares of international retailer Costco from our portfolios. Costco was and is a quality business. But in 2024, the price of its shares equalled 50 times its profit per share (the so-called P/E ratio). Since then, Costco's P/E ratio has fallen to 40 times, underperforming other staple companies.

Quality, at a reasonable price

In recent years, a few increasingly expensive shares have come to make up a growing proportion of our principal comparator benchmark, the MSCI World Index.

Of those shares that now dominate the index, we have chosen not to hold, among others, car maker Tesla, because Tesla's high debt and its modest cash flows rule it out of our quality criteria.

As a result, the portfolios of quality shares that we manage look considerably different from the broader market. To begin with, despite excluding non-quality shares, we continue to participate in the important themes of our age, such as AI and semiconductors, and other long-term trends such as electrification and healthcare innovation.

Secondly, the shares that we have selected for our portfolios are of better quality than the broader MSCI World Index. Among other things, they have a higher cash flow return on investment (CFROI) and lower debt.

Finally, the quality shares in our portfolios are more attractively valued now than they have been for about a decade. We would rather own these shares to achieve our long-term goal of outperforming inflation, than chase the shares of 'trendier' companies.

Using Our Voice: stewardship, shareholder rights and the evolving ESG landscape

Sustainability has long been central to CCLA's work. We have sought to be pioneers in areas historically underserved within the investment industry, focusing on issues that matter most to our clients and their beneficiaries. This approach is grounded in a simple belief: that long-term financial returns and the long-term health of society are intrinsically linked. Acting as responsible stewards of capital means not only allocating assets effectively, but also engaging actively on shared concerns such as climate change, human rights, public health and fair pay.

However, the operating environment for responsible investment has shifted notably in recent years. What was once a broadly supported direction of travel for markets has become more contested. Political developments, particularly in the US, have contributed to a growing backlash against ESG considerations. Terms such as "climate cartel" and "investor collusion" have entered the debate, reflecting concerns in some quarters that collective investor action may overstep regulatory or competitive boundaries. This has been accompanied by increased scrutiny of the role of investors in shaping corporate behaviour.

These developments have had clear practical implications for stewardship. Regulatory changes in the US have altered the thresholds and processes for filing shareholder proposals, making it harder for investors to bring forward resolutions and hold companies to account. Meanwhile, the broader shift of annual general meetings (AGMs) to online or hybrid formats has in some cases reduced the ability of investors to engage directly and meaningfully with boards.

The ecosystem that supports stewardship has also been affected. Proxy advisors, who play a key role in analysing company performance and informing voting decisions, have faced allegations relating to antitrust and consumer protection. Meanwhile, collaborative engagement – long seen as a powerful mechanism for investors to drive change at scale – has been subject to heightened legal and regulatory scrutiny. Together, these shifts risk constraining the tools available to investors at a time when the need for effective stewardship remains as strong as ever.

At CCLA, we recognise that the most important way we can serve our clients is by delivering consistent, risk-adjusted returns over the long term. This remains our primary objective. Yet we also believe that our role as investors carries a responsibility to use our voice to promote positive change. Stewardship is therefore not an optional add-on, but an integral part of how we aim to protect and enhance the long-term value of our clients' assets.

Our engagement approach is deliberately multi-faceted. We seek to use a range of tools depending on the context and the desired outcome, including private dialogue with companies, collaborative engagement alongside other investors, shareholder proposals and the use of our voting rights. In some instances, we also engage through public channels, including media and thought leadership.

One area of particular focus over the past six months has been AGM attendance. AGMs remain a uniquely important forum, providing a direct and public channel through which investors can question boards, raise concerns and seek commitments in a visible and time-bound setting.

During the most recent proxy season, we attended and asked questions at four AGMs. At Reckitt, we focused on climate transition planning. At AstraZeneca, our question centred on mental health, reflecting the importance of workforce wellbeing. At Unilever, we raised the Living Wage, an area of longstanding engagement for CCLA. At McDonald's, we addressed nutrition, given its relevance to public health outcomes.

The responses we received were mixed. At AstraZeneca, Reckitt and Unilever, the chairs responded to our questions live and publicly committed to improvements or further engagement. These exchanges demonstrated the continued value of AGMs as a mechanism for constructive dialogue and accountability. By contrast, our experience at McDonald's was less encouraging: the virtual format limited engagement, and we did not receive a clear answer or commitment to follow up.

We believe it is important to resist the steady erosion of shareholder rights. We are therefore continuing to take an active role; attending meetings, asking questions and advocating for formats that preserve meaningful interaction between boards and their owners.

In a changing and more complex environment, our commitment remains unchanged: to deliver consistent investment returns over the long term while using our voice as investors to support a more sustainable and equitable economy.

Responsible investment report

Our work has three strands:

1. Engagement focused on social and environmental issues in the context of Christian mission and witness.
2. Ensuring that the Fund is managed in line with the faith consistent investment policy, informed by a dedicated Faith-Consistent Investment Committee.
3. Proxy voting on corporate governance issues to protect shareholder value and address excessive remuneration.

Quarterly highlights

Climate action remains a key priority for many clients. We assess portfolio companies using the Transition Pathway Initiative (TPI) for high-emitting sectors and CDP (formerly Carbon Disclosure Project) for those outside TPI coverage. In Q2, we wrote to priority CDP-rated companies seeking meetings or written responses on climate transition planning and lobbying activity, while TPI engagement continued.

One example is Schneider Electric, with whom we have engaged on climate change since 2024 through the Institutional Investors Group on Climate Change's Net Zero Engagement Initiative. Previously rated TPI Level 3, we encouraged improvements in climate lobbying alignment, governance, capital allocation and value-chain emissions management. Schneider Electric has since advanced to the highest rating, TPI Level 5*, reflecting significant progress.

Since 2022, we have run the CCLA Corporate Mental Health Benchmark, which assesses listed companies' approach to workplace mental health. Backed by investors representing \$9.5 trillion in assets (CCLA, Dec 2025), the benchmark covers 220 companies and has driven meaningful improvements. One example is Johnson & Johnson, which in June published a comprehensive Position on Employee Development and Total Health and Well-Being, detailing its commitments, governance, support systems and training on mental health.

Earlier this year, we signed a sub-licence agreement with the Australian Council of Superannuation Investors (ACSI) to extend the mental health benchmark to Australia's 20 largest listed companies. ACSI published its baseline ASX20 review in Q2, marking an important milestone in the programme's international expansion.

Ferrari has been a holding since 2025. Following the announcement of its first luxury electric vehicle (EV), the Luce, we assessed the company's approach to modern slavery and human rights risks in EV supply chains, particularly critical minerals sourcing. We identified disclosure gaps and raised these concerns with the company. In response, Ferrari published a new 16-page modern slavery statement providing substantially greater detail on its risk assessment and management processes.

Quarter two voting in detail

CCLA aims to vote at all company meetings where we have portfolio holdings. The Catholic Investment Fund did not support 22% of management resolutions at investee companies this quarter.

In Q2, several companies assessed by the CCLA Mental Health Benchmark held their AGMs. The Benchmark continues to help drive improvement, with the latest UK assessment showing that 55 of 100 companies increased their scores. However, some companies continue to lag behind their peers and, where engagement has not led to sufficient progress, we are increasingly using proxy voting to escalate concerns. During the quarter, a poor Benchmark score was a factor in our decision to vote against a director at 12 companies, including Home Depot, Netflix and The TJX Companies.

Engaging with the Government on human rights

Ahead of the King's Speech in May, CCLA worked with a coalition of investors, businesses and civil society organisations to advocate for mandatory human rights due diligence legislation and convened meetings with business leaders from the consumer, financial and industrial sectors. We argued that, while the UK was once a leader in tackling forced labour and other human rights abuses in global supply chains, it has fallen behind jurisdictions that have introduced stronger regulatory frameworks. We also highlighted evidence that due diligence can support competitiveness through more resilient supply chains, stronger risk management and improved workforce productivity.

In December, CCLA's Dame Sara Thornton wrote on behalf of investors to Peter Kyle MP and Chris Bryant MP at the Department for Business and Trade. This was followed in March by a letter to Prime Minister Sir Keir Starmer and Chancellor Rachel Reeves, supported by 34 investors representing £1.6 trillion (CCLA, April 2026) in assets under management. In June, Chris Bryant MP responded to both letters and subsequently told the Business and Trade Committee on 1 July that the Government would introduce a UK forced labour import ban and make swift progress towards mandatory human rights due diligence legislation during this Parliament. CCLA will continue working with partners across sectors as these commitments are taken forward.

Values based restrictions

We confirm that the Catholic Investment Fund has been managed in accordance with its faith consistent investment policy this quarter.

Catholic Investment Fund

Performance comment

Financial markets were already recovering when the second quarter started, as investors 'bought the dip' in March. That rally continued in April, when companies' first-quarter profit reports were among the strongest in recent history. Bond yields peaked in mid-May, but they fell after the US and Iran came closer to signing a ceasefire agreement. Over the quarter the Fund returned 8.09% compared with the comparator return of 10.13%. Over the last 12 months, the Fund returned -0.18% compared with the comparator return of 19.54%.

- Information technology firms were the main contributor to the fund's returns, as the fund held many of the hardware technology shares that were the quarter's star performers. This included micro-chip firms TSMC, ASML, Texas Instruments and NXP Semiconductor.
- The fund's industrial and consumer discretionary holdings also performed well, led by Amazon.com and data centre suppliers Schneider Electric and Siemens.
- Health care holdings were the main detractor from returns, as investors rotated away from more defensive areas into technology.

Fund update

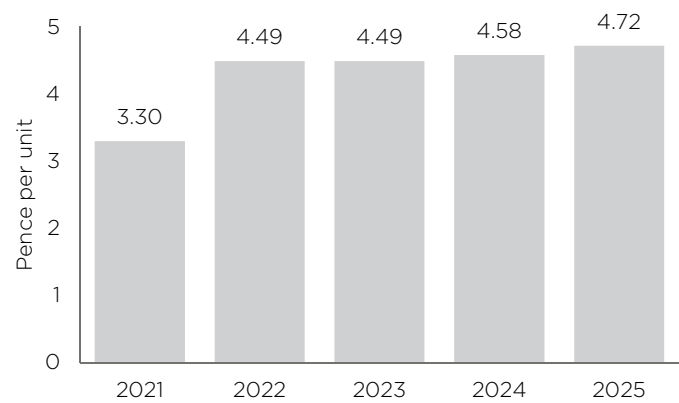
In our analysis, the fundamental forces that underly this long-term stock market rally remain intact: economic growth remains robust, the growth rate of companies' profits is projected to be c. 15% over the next 12 months, and bond yields have fallen since mid-May.

We remain selective, however, and focused on quality, because some trends may be nearing their turning points. Labour costs and corporation tax are no longer going down, and capital expenditure, which had been reducing as companies adopted 'capital-light' business models, is going up again. In addition, pockets of overvaluation exist, particularly in the US and in the AI industry, and non-US stock markets are no longer cheap outright cheap.

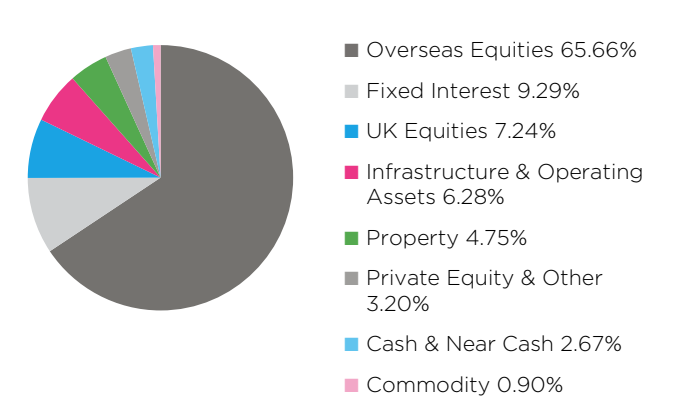
Income

Gross dividend yield 3.26%*
MSCI \$ UK IMI dividend yield 3.14%
MSCI \$ World ex UK dividend yield 1.46%
* Based upon the net asset value and an estimated annual dividend of 4.91p.

Past distributions



Asset allocation as at 30 June 2026



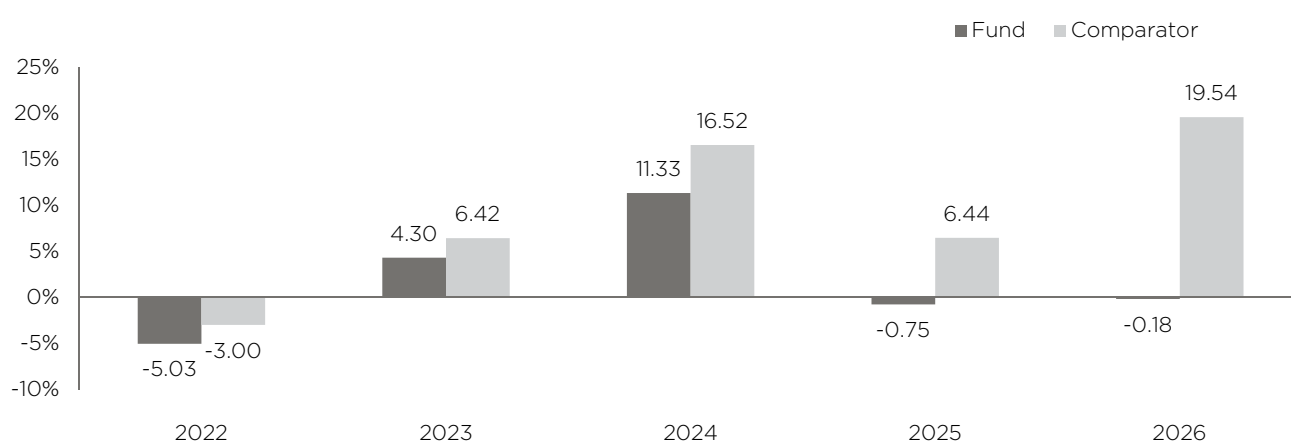
Total return performance

Performance* to 30 June 2026	3 months	1 year	3 years p.a.	5 years p.a.
Comparator ‡	+10.13%	+19.54%	+14.03%	+8.89%
Catholic Investment	+8.09%	-0.18%	+3.32%	+1.78%

‡ Target benchmark is CPI +5%. CPI is estimated for the most recent month.

Total return performance by year

12 months to 30 June	2022	2023	2024	2025	2026
Catholic Investment	-5.03%	+4.30%	+11.33%	-0.75%	-0.18%
Benchmark	-3.00%	+6.42%	+16.52%	+6.44%	+19.54%



Comparator - composite: From 01/03/26, MSCI WORLD 75%, MSCI UK Monthly Property 5% (1 month lag), iBoxx £ Gilts 15% & SONIA 5%. From 01/04/21, MSCI World 75%, MSCI UK Monthly Property 5%, iBoxx £ Gilts 15% & SONIA 5%. Source: CCLA

Top 10 holdings as at 30 June 2026

Alphabet Inc C Com NPV	3.5%	Microsoft Com NPV	2.3%
Taiwan Semiconductor SP ADR(V5 Ord)	3.0%	Broadcom Corp Com NPV	2.2%
Amazon.Com Com USD0.01	2.7%	Brookfield Infrastructure NPV	2.1%
UK Gilt 0.125% IL 10/08/2028	2.6%	COIF Charities Property Fund (Sub-Holding)	1.9%
UK Treasury 1.25% IL Gilt 22/11/2027	2.6%	Infratil NPV	1.8%

* Performance of the funds is shown net of management fees and other expenses with income reinvested. Comparator performance is based on market indices which are not adjusted for any management fees or investment expenses. Past performance is not a reliable indicator of future results.

IMPORTANT INFORMATION

This document is issued for information purposes only. It does not provide financial, investment or other professional advice.

To make sure you understand whether our product is suitable for you, please read the key information document and prospectus and consider the risk factors identified in those documents. We strongly recommend you get independent professional advice before investing.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise. You may not get back the amount you originally invested and may lose money.

The fund can invest in different currencies. Changes in exchange rates will therefore affect the value of your investment. Investing in emerging markets involves a greater risk of loss as such investments can be more sensitive to political and economic conditions than developed markets. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries. The annual management charge is paid from capital. Where charges are taken from capital rather than income, capital growth will be constrained and there is a risk of capital loss.

Any forward-looking statements are based on our current opinions, expectations, and projections. We do not have to update or amend these. Actual results could be significantly different than expected.

Investment in this fund is only available to charities within the meaning of section 1(1) of the Charities Act 2011.

We, CCLA Investment Management Limited (registered in England & Wales, No. 2183088, at One Angel Lane, London EC4R 3AB), which is part of the Jupiter Group and is authorised and regulated by the Financial Conduct Authority.

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