

## **FUND OBJECTIVE**

To provide above average and growing income along with long term capital growth managed as a sterling fund.

## **OUTSOURCING**

In early 2021, the RCB Investment Committee in conjunction with RCB Executive Committee approved a decision to outsource the investment management of assets previously managed in-house to external fund managers.

Subsequent to this approval, a review of the fund's investment objectives and a request for proposal process from leading providers of investment management service, two external fund managers were selected.

Following the implementation of the out-sourcing plan during the fourth quarter £53.8m assets are now managed by these external fund managers, £22.7 in a Global Equity fund and £31.1m in a multi-Asset fund.

## **INVESTMENT COMMENTARY**

### **Global Economy/Market outlook**

The IMF latest forecasts provide a favorable background for markets as we begin 2022 with increases in global economic growth of 5.9% in 2021 to be followed by 4.4% growth in 2022 projected.

However rising inflation has increasingly dominated economic headlines in recent months with US inflation rising to 7% at the end of 2021 while UK and Eurozone inflation reached 4.8% and 5% respectively.

Higher than targeted inflation is not necessarily negative for financial assets, but if Central Banks withdraw monetary support and raise rates more aggressively than markets anticipate, equity and bond markets may not react positively. Financial market returns in 2022 are likely to be a lot more modest than 2021.

### **Equity Markets**

The Equity Benchmark return for the year to end December 2021 was 21%. The FTSE All share index and wider European equity index both produced a return of 18.25% while US market fared better once again (as in recent years) with the benchmark S&P index gaining 29.8%.

Following a (Covid impacted) year of two halves in 2020, equity markets continued their recovery trend from the second half of 2020 throughout 2021 as the successful roll-out of Covid 19 vaccines alongside continued monetary and fiscal stimulus support provided a favorable platform for performance. Equity Earnings recovered strongly relative to both prior year returns and analyst forecasts.

### **Bond Markets**

UK, European and US bond yields rose (prices decreased) as economic forecasts improved with 10-year yields in the US rising from a little under 1% to 1.5% by the end of the year. UK 10-year gilt yields rose from 0.25% to 1% while German yields rose from -0.5% to -0.1% during the reporting period.

The Bond Benchmark return for the year was -6%.

These yield levels are incompatible with the Fund's objective; hence the manager continues to adopt a diversified strategy owning a combination higher yielding UK government gilts and higher yielding (lower rated) bonds. Bond exposure remains below benchmark allocation to fixed income securities.

### **Other Asset Classes**

Property investments generated a return of 12.5% with a solid recovery in UK property investments.

Allocations to Private Equity ventures displayed returns of close to 33% approx., significantly higher than the Equity Benchmark as investments recovered well from Covid related valuation mark-downs in 2020.

**PERFORMANCE**

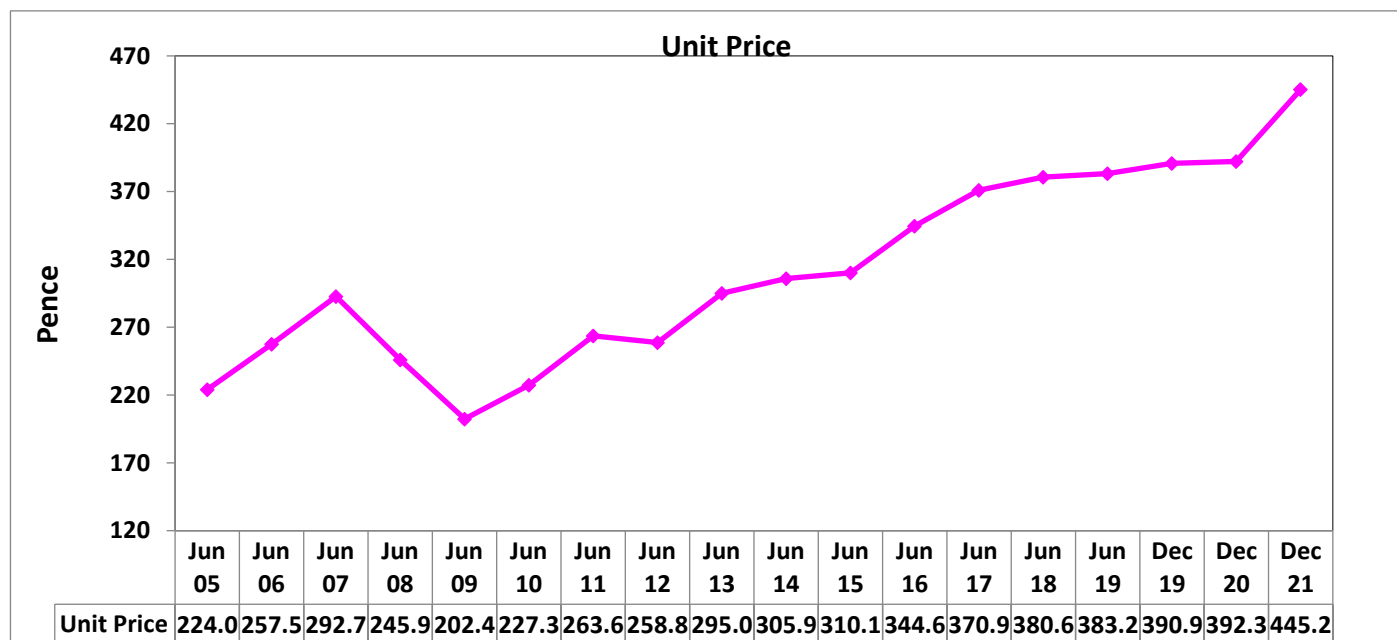
**Total Returns as at 31 December 2021 (3 Years & 5 Years Annualised):**

<b>Annualised Total Returns %:</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
<b>RB General Unit Trust (NI)</b>	<b>16.6</b>	<b>10.6</b>	<b>7.6</b>
<b>Benchmark*</b>	<b>11.2</b>	<b>10.2</b>	<b>7.4</b>
<b>RB General Unit Trust (NI) Capital</b>	<b>13.6</b>	<b>8.0</b>	<b>4.8</b>
<b>UK Inflation (CPI)</b>	<b>4.8</b>	<b>2.4</b>	<b>2.4</b>

\* Benchmark from 1 January 2019: Equities 65%, Bonds 25%, Cash 5%  
 (25% Stoxx Europe 600, 25% FTSE All- Share, 15% S&P 500, 10% Euro broad market, 20% Sterling broad market, 5% Cash

In 2021, the capital value of the Fund increased by 13.6% while the total return (capital and income) was 16.6%. Performance was ahead of benchmark as a result of outperformance of the Fund's deliberate higher exposure to dividend paying stocks, (a reversal of the prior year outturns). The Investment Committee, as part of its oversight and supervisory duties, has endorsed this strategy which has, over time, delivered against the fund's objective and has affirmed its intention to continue this strategy via in the investment guidelines agreed with the newly mandated external managers.

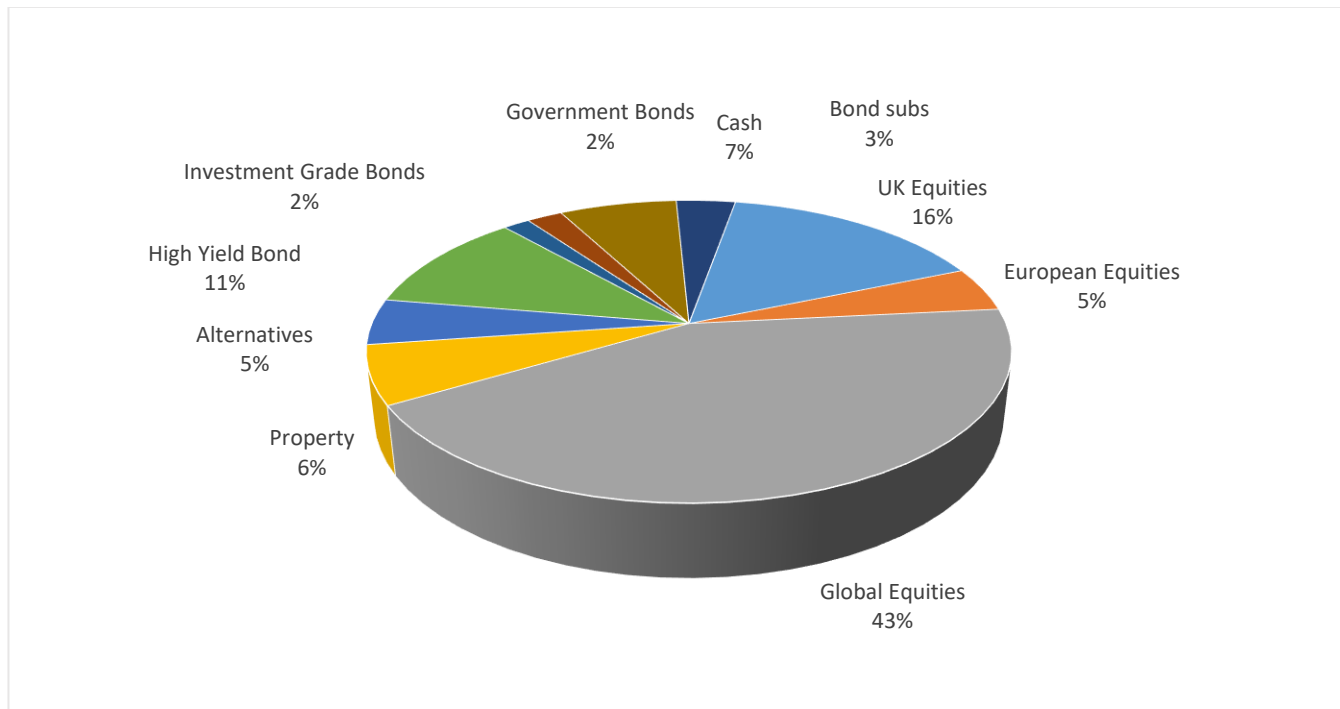
**The historic price of a unit is detailed in the below chart.**



**TRUST ASSET DISTRIBUTION**

The market value of the investments, including the value of the capital deposit account was £68.7m.

The investment profile in terms of distribution of the assets (by value) at 31 December 2021 is displayed in the following chart:



**INCOME DISTRIBUTION TO UNIT HOLDERS**

The interim and final distributions were maintained at the 2020 levels of 4.5 pence per unit and 6.3 pence per unit respectively, resulting in a total distribution for the year of 10.8 pence per unit.

The Trust has a dividend reserve policy that targets a level of 2% of Fund value. The Dividend Equalisation Reserve (DER) will not be allowed to exceed 4% of Fund value and at least 80% of net income in any individual year will be distributed to unit holders. A healthy reserve aids the management of a stable and sustainable distribution going forward.

Based on the value of a unit at 31 December 2021 of £4.452, and a full year distribution of 10.8 pence, the distribution yield was 2.42%. (The comparative figures for 31 December 2020 showed a yield of 2.75% based on a unit value then of £3.923 and a full year distribution of 10.8 pence). During the year there was a withdrawal of £0.016m from the Dividend Equalisation Reserve resulting in a DER of £1.019m or 1.5% of the net asset value of the fund.

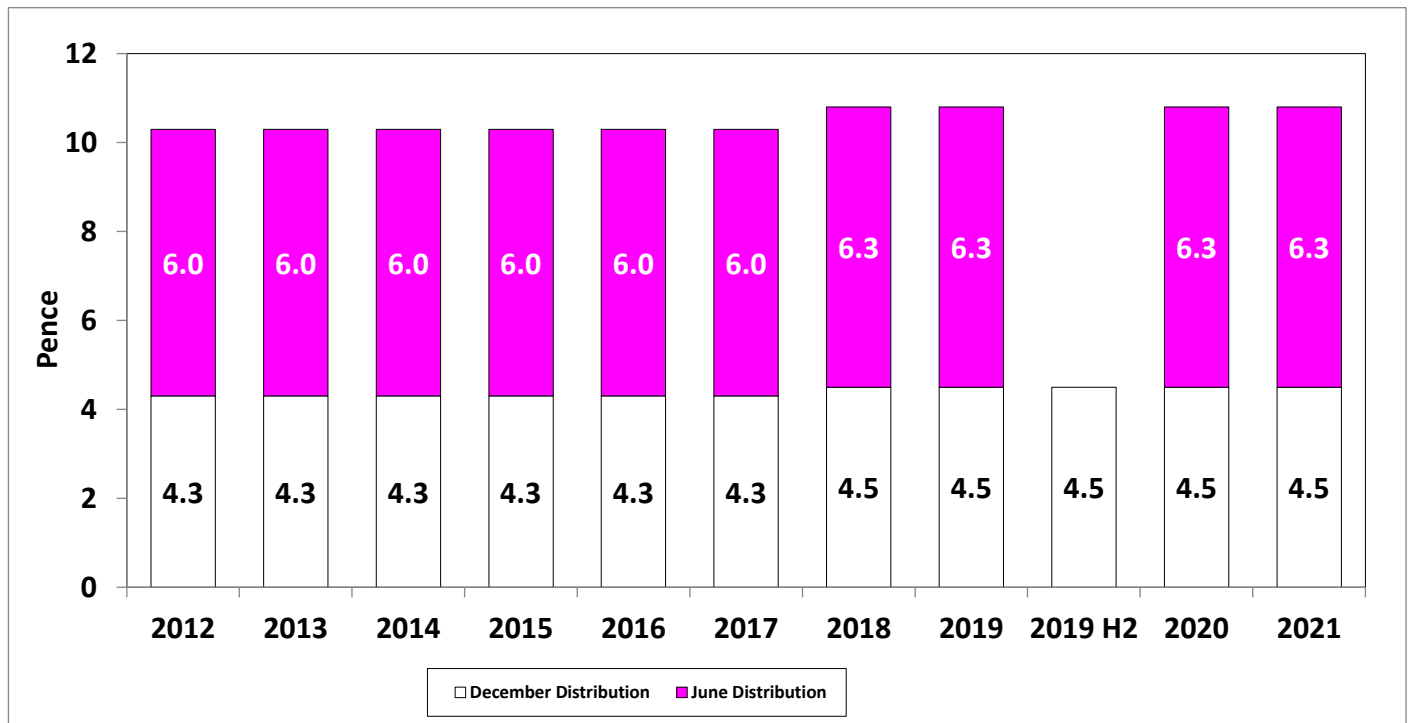
There were net inputs of £0.5m to the Fund for the year to 31 December 2021, reflecting new cash of £0.9m less redemptions of £0.4m.

**Environmental and Social Governance (ESG)**

In the reporting period, the Investment Committee monitored and carried out an assessment of individual stock holdings within the various portfolios and reported to the Representative Body that it was satisfied that the investment managers remain sensitive to the Church’s concerns and expectations with regard to Environmental, Social and Governance (ESG) issues. The RCB’s ESG policy is incorporated into each of the external fund managers’ investment guidelines via their respective Investment Management Agreements. Environmental sustainability remains high on the agenda and the Committee is continuing to monitor best practice and developments in this area and to seek to lower the climate change impact within its portfolios.

**Income Distributions (2012 – 2021) - Financial Year-End 31 December 2021**

(Financial Year-End June 30<sup>th</sup> up to June 2019, six-month period to end December 2019, full year to 31st December thereafter)



**OUTLOOK**

The near-term outlook for economies and financial markets will most likely be determined by Central Bank’s management of monetary policy particularly if rising inflation proves to be less transitory than previously anticipated. Once again, a note of caution must be expressed at the relatively high valuation metrics of equity markets, although it is noted higher than forecast earnings have facilitated a reduction in this metric (in recent months) while at the same time US and European markets both traded at all-time highs. The fund is invested on the longer-term horizon and as such will not be immune to any market correction or retracement in markets, but it is noted that this strategy has generated strong capital returns in recent years. The continuing normalization of markets and a return to dividend payouts by companies in 2022 to pre Covid levels will determine the fund’s ability to pay a sustainable dividend without relying on any additional support from the Dividend Equalisation Reserve (DER). In this regard it is hoped that the fund will generate sufficient income in the year ahead without having to rely on support from the DER as in 2019 and 2020 in order to pay the fund distribution.

In-house Investment team  
 The Representative Church Body  
 January 2022