Epworth
Investing Faithfully

Quarterly Review

Q1
2024

Summary of financial markets, our market outlook and responsible investment review for the quarter

Risk Warning

Epworth Investment Funds for Charities

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Epworth Cash Plus Fund for Charities

The monthly interest distribution rate will fluctuate and past performance is no guarantee of future returns. To help manage the risk of capital losses, the Fund spreads its investments across a wide range of financial institutions, however, the possibility of capital loss does exist. A charge for same day transfers applies (currently £12). We reserve the right to require 7 days' notice of withdrawals in exceptional circumstances. Full details and terms, including the Scheme Particulars, can be found at www.epworthinvestment.co.uk. The Epworth Cash Plus Fund for Charities is exempt from the Financial Services and Markets Act 2000 and depositors are not eligible for the Statutory Investors Compensation Scheme or the services of Financial Services Ombudsman. The Manager is however, duly authorised under the Financial Services and Markets Act 2000. Epworth Investment Management Limited (Epworth) is authorised and regulated by the Financial Conduct Authority (registered number 175451). Incorporated in England and Wales. Registered number 3052894. Registered office 9 Bonhill Street, London EC2A 4PE.

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Review of the Quarter

Economic overview

The new year did not herald a change of economic leadership, with growth continuing to positively surprise despite sustained higher interest rates. There were expectations at the start of the year that the US economy would slow materially in 2024, joining much of the rest of the developed world in either recession or stagnation. However, evidence emerged through the quarter indicating that not only was the US continuing the defy the sceptics, but there were even green shoots of more positive momentum emerging in Europe and China too.

> Interest rate cut expectations have been pared back by stronger than expected growth data
>
> Matt Jones - Fund Manager

This resilience in the US in particular continues to defy the traditional economic logic that rapid increases in interest rates normally trigger economic recession. This caught many investors off guard and under invested. Whilst markets had got excited in the final months of 2023 about the prospects for interest rate cuts by major central banks in 2024, expectations for these have been somewhat pared back by stronger than expected growth data and fears of a rebound in inflation. Supply chains came under renewed pressure from attacks in the Red Sea shipping route linked to the ongoing conflict in the Middle East, and attacks on Russian oil refineries by Ukrainian drones, which led to rises in the prices of oil, gold and other commodities.

This uncertainty, coupled with a new technology super-cycle emerging in the form of artificial intelligence, continues to lead investors to favour investments in larger rather than smaller companies. Larger businesses tend to have more resilient and diversified revenues from monopolistic positions, as well as stronger balance sheets and better data on their customers, which positions them to be significant beneficiaries of generative AI technology. This has meant a continuation of outperformance by the largest stocks in the global index, most of which are listed in the US.

Market Outlook

We expect central banks to start cutting interest rates this summer, but the number of interest rate cuts is difficult to judge given the volatility in economic data and the number of elections taking place this year. Whilst rates at current levels of 4-5% across major economies appear restrictive, they seem unlikely to be cut much below 3% in the foreseeable future, and may even need to remain much higher than this if economic growth continues to surprise by its strength. We believe the risk of economic shocks has reduced but not disappeared completely, and the constant threat of geopolitical escalation continues to cloud the risk outlook. We do not think inflation should remain structurally higher now that the recent supply shocks have largely run their course, but further shocks cannot be ruled out.

We have continued with a neutral position in equities, monitoring valuations for signs of excess after the recent rally and see risk of a near term correction. Policy makers seem unlikely to 'rock the boat' before the US election in November, so equities could well enjoy some further upside this year. We continue to view bonds as attractive assets at current yields, in light of our expectations for interest rate cuts and given the ongoing economic risks.

We continue to have a negative view towards property assets in the UK, with a lack of available capital and significant investment needs, particularly in the office space. We believe some infrastructure assets are undervalued, but struggle to see a near term catalyst for this improving until significant interest rate cuts materialise. Private equity has performed better where investments are high quality and technology focused, which we expect to continue, whilst commodities will remain volatile, driven by geopolitics.

EXPECTING INTEREST RATE CUTS LATER IN THE YEAR

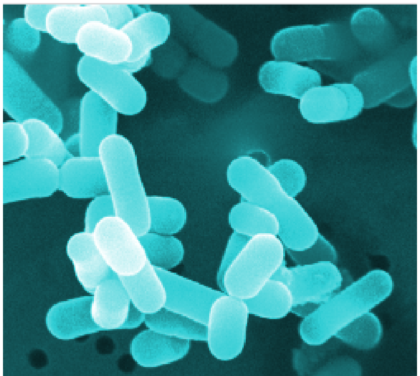
CONTINUING GEOPOLITICAL RISKS

POSITIVE EQUITY PERFORMANCE ANTICIPATED AHEAD OF US ELECTION

“A Gut Feeling” - BioGaia

BioGaia is a global leader in the research and development of probiotics, based out of Sweden. The aim of probiotics is to cultivate a healthy culture of microorganisms (healthy bacteria) within the body. BioGaia focuses specifically on gut, oral and bone health in both infants and adults under the L.reuteri bacteria strain.

BioGaia has been a conviction holding in the Epworth Global Equity Fund since 2019, and since that time the stock price has appreciated over 60% (as of March 2024), representing a significant positive return for Epworth. It earned its place in the fund through the characteristics it displays in its position as a market leader in a sector with strong growth prospects as increasing numbers of people, globally, become conscious of their health and take steps to improve their standard of life. Inherently, investing in BioGaia also directly aligns with the Health & Wellbeing investment pillar at Epworth.


Limosilactobacillus reuteri DSM 17938

Alongside its strong investment performance, BioGaia is also a company with an equally strong moral compass and has driven sustainability in the sector. Projects currently underway include goals such as using 100% recycled or biodegradable packaging by 2030 – a challenge that no other company in the sector is taking on due to the complexities of shipping medical products. The company is also participating in a worldwide initiative to prevent the resistance of antibiotics; and engaging in charitable work to provide proper healthcare for vulnerable women and children in the Philippines.

Recent engagement with the CEO of BioGaia has confirmed to Epworth that the company is committed to improving public health and reducing the environmental impact of their activities. The management of BioGaia strongly believe that improving health requires a change at both a personal and societal level, to benefit people, society and the environment. This is reflected by the appointment of a dedicated sustainability officer and team in 2022.

Barclays Co-Filing

Epworth, in its continuing efforts to engage with the banking industry, alongside other institutional investors decided to co-file a shareholder resolution to Barclays bank in December 2023. The resolution, coordinated by the charity ShareAction, was put forward due to the bank being a clear laggard in its industry as a major financier of fossil fuel companies, specifically those who are still giving the green light to new and expanding projects.

Given knowledge of the construction of their new climate policy, Epworth identified this as an opportunity to influence effective, long-lasting change over the course of its development. The asks of the resolution were formulated with the intention to strengthen the bank's climate measures and bring more resolve to its lending limits whilst ensuring the bank established measurable targets in order to provide scope for robust accountability.

In the now publicly available climate policy found here*, the new commitments aided by Epworth's engagement include:

- To end all asset financing for new oil and gas projects and associated transportation infrastructure on a project level.

- To end direct financing to energy groups for expansionist projects (expansionist defined as any upstream oil and gas projects with a final investment decision after 31st of December 2021).

- Barclays will no longer provide financing to new clients where more than 10% of the groups' capital expenditure is dedicated to expansion.
- To conduct enhanced reviews of all current clients with greater than 10% capital expenditure allocated to new oil and gas projects through the Barclays' tailored client transition review forum.

- From 2025, all energy clients will be expected to have in place a transition plan or decarbonisation strategy policed by the client transition review forum.

- Further restrictions of financing will be implemented for clients from 2026 unless they have carbon emissions and methane reduction targets in line with the Oil & Gas Climate Initiative or the Oil & Gas Methane Partnership, as well as an end to flaring, all by 2030.

There is also continued opportunity for Epworth to engage further with senior staff at the bank. As part of the agreement to withdraw our resolution, Epworth and rest of the investor group have arranged annual meetings with Barclays' CEO, C. S. Venkatakrishnan. This has been coordinated with the intention of continuing meaningful contact and to provide an appropriate channel to express any concerns right to the very top.
Overall, Epworth believes that our co-filing and engagement has led to a positive development within Barclays, the wider banking sector, and the world's fight against climate change. The new pledges offer an accountable foundation and the open channel to the most senior of staff provides an excellent opportunity for further engagement.

*home.barclays/sustainability/addressing-climate-change/

Fairer Finance

An example of Epworth's shareholder activism is reflected in some of its holdings in the UK financial services sector. Epworth's parent organization, the Central Finance Board of the Methodist Church, is a Living Wage Accredited Employer, and Epworth regular engages with businesses, both directly and through collaborations, to encourage them to seek independent verification that they pay their staff a fair wage.

Epworth has two conviction holdings in the UK financial sector, wealth manager Brooks Macdonald and investment platform provider IntegraFin. Epworth selected these business because although they are far from the biggest operators in their respective markets, their efficient operating models and targeted approach results in industry leading profit margins, good customer service and strong organic growth. Both benefit from structural growth trends and trade on reasonable valuations whilst offering compelling returns on capital, which are the key criteria Epworth's investment team seek in an investment.

Epworth has met regularly with the management of both companies since its shareholdings were established, pushing for both to improve their approach and disclosure around social responsibility and sustainability. One of the areas of success from these engagements is that Epworth has successfully persuaded both businesses to become Living Wage accredited employers.

Whilst pay in the finance sector is traditionally above the national average, this accreditation requires that contracted catering, cleaning and security staff are included. Epworth feel that the need for fair pay has taken on even greater significance in the cost of living crisis, and well run businesses can help tackle this issue at minimal additional cost to their own shareholders. It is fantastic that both businesses have responded positively to these engagements, and Epworth will continue to push for further positive changes from these and its other investments.

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Responsible Investment Review

Biodiversity

Thinking around the Climate Emergency and our responsibility to the wider environment has grown in the last few years. Biodiversity has become a focus for investors, with the launch of Nature Action 100 at COP15 in December 2022, and prior to that the Taskforce on Nature-related Financial Disclosures (TNFD) in July 2021. Epworth are signatories to the Nature Action 100 with three focus companies and will engage with the purpose to reduce the impact of their operations on nature by 2030, through setting specific targets and disclosing annually against them. This builds on the engagement work we have already undertaken with a number of investee companies such as MJ Gleeson and Anglo American on this topic to date.

Nature Action 100

Tax Justice

Epworth is continuing their engagement with investee companies on the topic of tax justice, promoting the right payment of tax in the right jurisdiction at the right time. Epworth engaged with six new UK companies during the year, as well as following up with two non-responding companies. Epworth has begun an engagement program with its European holdings on the topic of tax transparency. As the Fair Tax Mark has broadened its offering to apply to global companies, Epworth has followed suit and written to seven European headquartered companies.

Fair Tax® accredited

Responsible Investment Review

HSBC

Epworth attended a meeting with the Chief Sustainability Officer of HSBC to learn more about their net zero approach. Given the work undertaken by Andrew Harper to call out HSBC on their coverage of emissions, this was a helpful meeting to further understand the nuance of the financed and facilitated emissions of the bank.

Core portfolio aligned with Epworth's ethical pillars

Epworth has begun a project to create a universe of core stocks that align with Epworth's ethical pillars. The project will centre on identifying which of the world's biggest listed companies can be tied to our pillars, which in addition to helping us achieve our ethical goals, can also help us to continue providing diversified investment portfolios.

Responsible Investment Review cont.

Nestle

Nestle is subject to a shareholder resolution calling on the company to set time bound targets for increasing the proportion of its sales of healthy products. Epworth has pre-declared its position to vote for the resolution at the company AGM in April. Rev Dr Andrew Harper gave this quote:

'*The world is facing a public health emergency stemming from the lack of nutritious food available easily and affordably. Over the past three decades, rates of obesity in children have increased fourfold.*

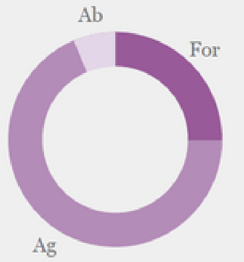
As the world's largest and most diversified food and beverages company, Nestle has a clear responsibility to fight this health epidemic, and we believe its published strategy to date does not go far enough. Therefore, we wholeheartedly support this resolution and encourage the company to be braver in its product evolution for the good of both its shareholders and its customers.'

Nestle has pushed back publicly on the resolution, stating that investors are targeting the wrong company as they already release data on the health composition on their portfolio. They go on to add that it wouldn't be good for the company to set targets that limit sales of certain products as this would leave room for competitors, providing no public health benefit.

Epworth Voting Summary

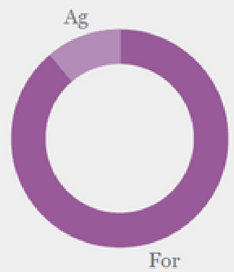
Remuneration reports

For	8
Against	22
Abstain	2



Executive pay scheme

For	8
Against	1
Abstain	0

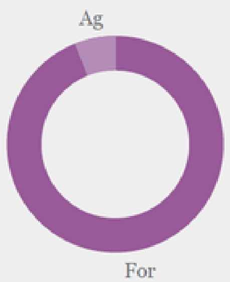


Auditors appointment

For	25
Against	0
Abstain	0

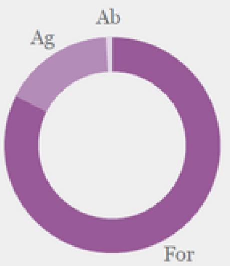
Other

For	170
Against	11
Abstain	0



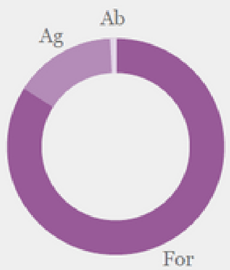
Directors

For	194
Against	39
Abstain	2



Total votes

For	405
Against	73
Abstain	4
Total	482
Meetings	31



Epworth Investment Management adheres to the principle that one of the privileges of owning shares in a company is the right to vote on issues submitted to a shareholder vote. Voting is carried out at all UK and global company meetings, in which Epworth invests, in line with a collaborative Church Investors Group (CIG) policy which is reviewed annually. The voting template is implemented by the CIG's service provider, ISS (Institutional Shareholder Services). The latest policy for voting can be found on the Epworth website. The above charts detail the number of votes we have participated in during the last quarter as well as how we have voted.

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