

FUND OBJECTIVE

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

INVESTMENT COMMENTARY**Global Economy/Market outlook**

The year 2024 demonstrated on-going resilience and renewed optimism in global financial markets, following the inflationary challenges of 2022/2023. Rate hikes by Central Banks have managed to dampen inflation in recent quarters back towards target levels, although services price inflation remains elevated in many regions. With economies proving more resilient than envisaged and a rate easing cycle having commenced in Europe, UK and the US, the International Monetary Fund (IMF) expects growth of 3.3% in both 2025 and 2026 after growing by a predicted 3.2% in 2024.

The US economy reaffirmed its position as a global growth engine in the year, posting robust real GDP growth of 3.1% in the third quarter of 2024. This resilience was fueled by strong consumer spending, a healthy labour market, and resilient corporate earnings.

In Europe and the UK the economic situation has been somewhat weaker with the manufacturing sector and business confidence showing signs of deterioration. Political instability following the collapse of both French and German Governments is a headwind, whilst in the UK the implication of significant tax hikes announced by Chancellor Rachel Reeves in the budget has added to recessionary concerns with volatility risk envisaged for both regions.

We anticipate that the European Central Bank will bring interest rates down to 2.0% in 2025 year (from 3.25% in October) with a similar number of cuts from the Bank of England. Lower interest rates may create some opportunities in more indebted sectors like telecoms, and in areas that are sensitive to interest rates. We look for a wider breadth of returns across more sectors of the market and on a wider geographic basis in the year ahead but are cognisant of the impact that tariffs may have on global trade following the election of Trump as President.

Meanwhile just two rate cuts are now projected by the Federal Reserve in 2025 due to stickier inflation and additional stimulus in the form of Government spending.

Equity Markets

Developed market equities led the charge in 2024, with the MSCI All Country World Index delivering an impressive total return of 17.5% (USD), driven primarily by the robust performance of the United States and the dramatic rise of mega-cap technology stocks centered around artificial intelligence (AI). With the US Dollar strengthening significantly over the year these returns were even more impressive for GBP investors at 19.8%. This headline number masks the variation in returns and the concentration amongst Technology stocks. By way of example the "Magnificent Seven" collectively gained 67% in 2024 and now account for 35% of the S&P 500's market capitalisation.

Income and value stocks underperformed with the MSCI High Yield Index providing a still impressive but more modest 10.1% total return (in GBP). The portfolio is significantly underweight US equity and Technology stocks relative to the benchmark, primarily due to the income objective which tends to tilt the portfolio towards European equities where dividend yields are higher. While underperforming US stocks, European equities still delivered a respectable 9.6% (Stoxx 600) in local currency terms, supported by sectoral trends such as the green energy transition, defence spending, and a resurgence in travel and technology but sterling strength over the period reduced returns to GBP based investors.

UK equities (FTSE All Share) delivered a respectable 9.5% return (GBP), rebounding from the challenges of 2023. Gains were driven by a cyclical recovery and optimism following the general election. However, a challenging autumn budget featuring significant tax hikes, such as increased national insurance contributions, dampened business sentiment and consumer confidence. The portfolio was underweight UK equity relative to benchmark.

Bond Markets

At a global level fixed-income markets struggled, with global investment-grade bonds returning -1.7% (USD) amid rising yields and a stronger US dollar. UK Gilts were the worst performing sector returning -2.5% as the long duration of UK debt made it particularly sensitive to rising yields. On the opposite end of the spectrum, economic weakness meant European bonds outperformed in particular on the peripheral side.

The fund's underweight bond position and a higher cash weighting were beneficial as was exposure across the credit spectrum within the fixed income element. Two legacy bond positions were exited at a premium to carrying value over the year improving the liquidity profile of the Fund.

After a period combining high inflation and rising interest rates which hurt fixed income as an asset class and created concerns regarding increased correlation, focus began to turn to the potential opportunities as a value and income proposition for the first time in many years in particular as interest rate cuts also took hold.

This has been slow to play out however as yields on 10-year government bonds in both the UK and US (which move inversely to prices) are higher than they were at the start of the year, amounting to c. 4.6 per cent at January 2025. For the UK market the 10-year Gilt yield reached 4.9% in mid-January its highest level since 2008 and the 30-year yield reached 5.4% its highest since 1998.

PERFORMANCE

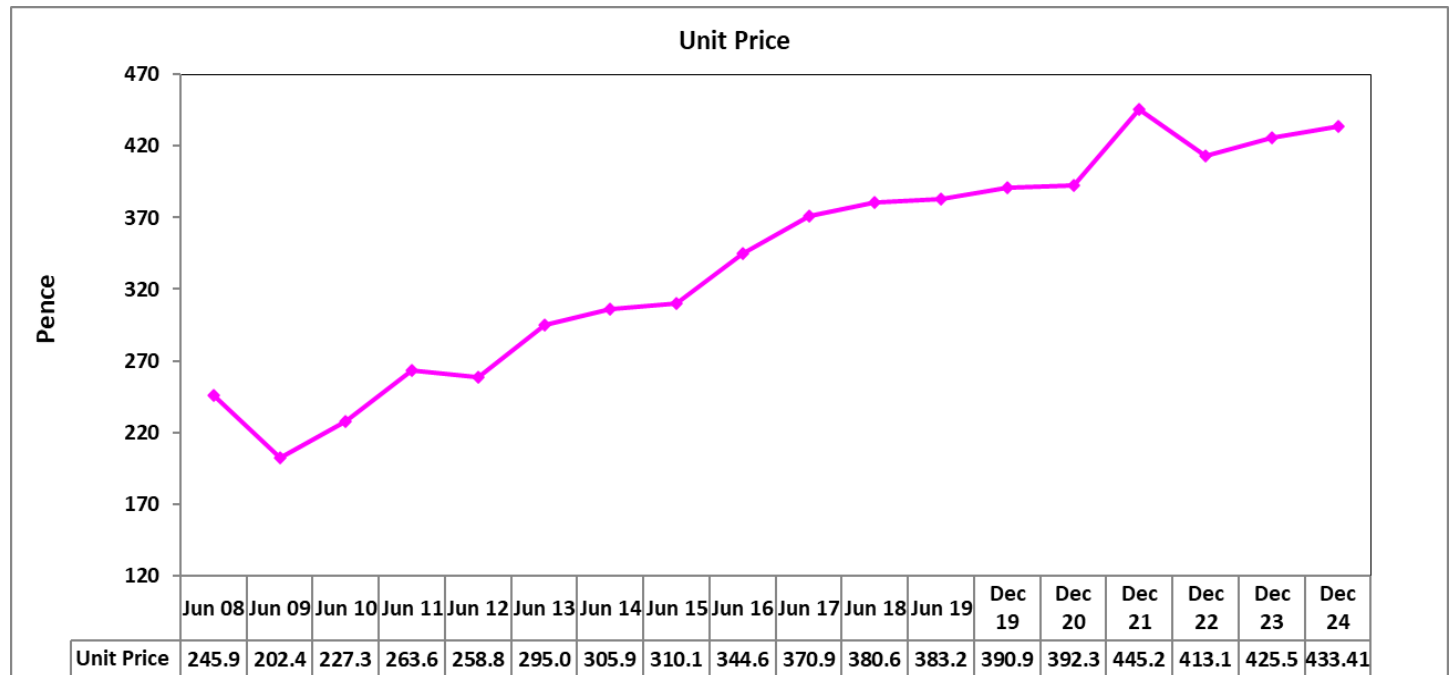
Annualised total returns (capital plus income) %			
Fund	1 year	3 years	5 years
RB General Unit Trust (NI)	5.2	2.8	5.5
RCB Benchmark*	6.0	2.1	4.3
RB General Unit Trust (NI) Capital	1.9	-0.9	2.1
UK Inflation (CPI)	2.5	6.3	4.4

* Benchmark from 1 January 2022: Equities 70%, Bonds 30% (40% FTSE All-Share, 30% MSCI World High Dvd Yield £ net, 30% ML Sterling broad market).

In 2024, the Fund had a total return (capital and income) of 5.2% slightly behind benchmark at 6.0%. European equities underperformed in GBP terms which detracted as did the underweight exposure to global equity. An overweight cash position and exposure to corporate bonds was positive. The Investment Committee, as part of its oversight and supervisory duties, monitors the various Fund managers' performance against the fund's objectives and Benchmarks.

THE RB GENERAL UNIT TRUST (NORTHERN IRELAND)
INVESTMENT MANAGER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

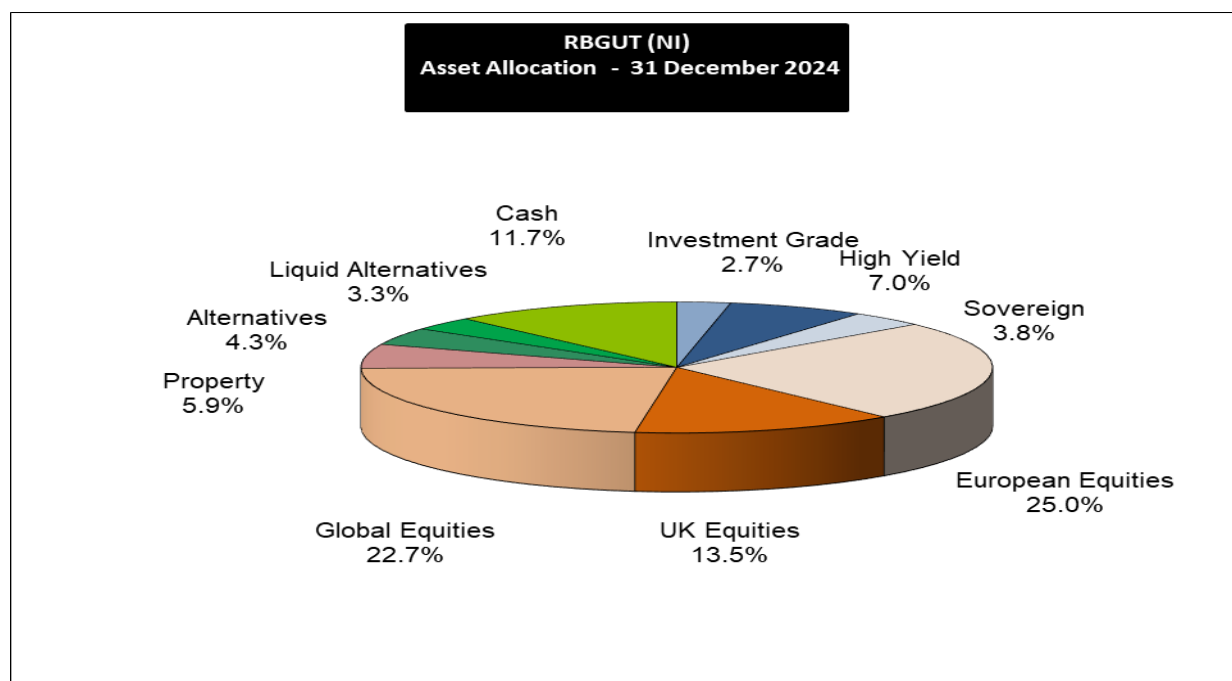
The historic price of a unit is detailed in the below chart.



TRUST ASSET DISTRIBUTION

The market value of the investments, including the value of the capital deposit account was £66.4m.

The investment profile in terms of distribution of the assets (by value) at 31 December 2024 is displayed in the following chart:



INCOME DISTRIBUTION TO UNIT HOLDERS

The June distribution was increased to 7.3 pence (from 6.3 pence in 2023) with the December distribution unchanged at 5.5 pence, resulting in a total distribution for the year of 12.8 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 2024 of £4.33, and a full year distribution of 12.8 pence, the distribution yield was 2.95%. (The comparative figures for 31 December 2023 showed a yield of 2.78% based on a unit value then of £4.25 and a full year distribution of 11.8 pence). During the year there was a transfer of £0.38m to the Dividend Equalisation Reserve resulting in a DER of £2.19m or 3.3% of the net asset value of the fund.

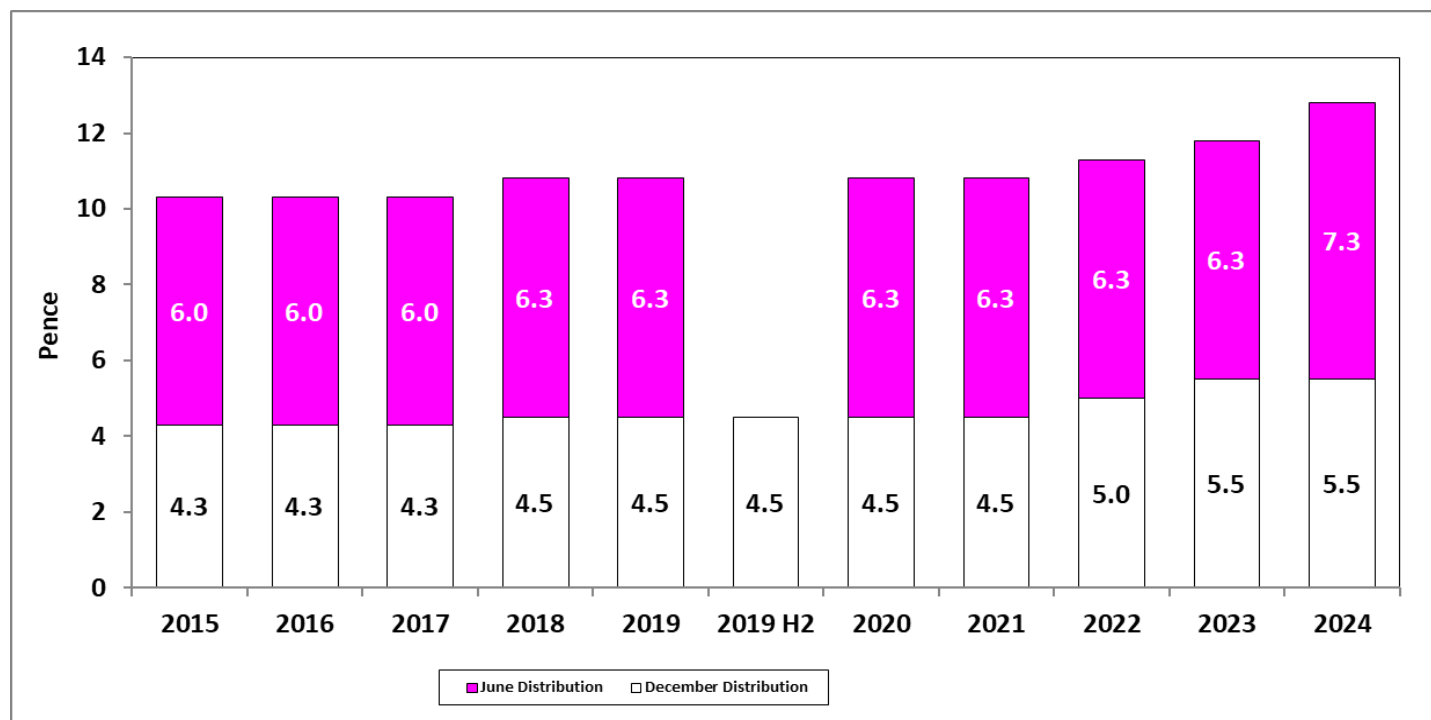
There were net outputs of £1.1m to the Fund for the year to 31 December 2024, reflecting new cash of £0.48m from unitholders less redemptions of £1.6m.

Environmental and Social Governance (ESG)

In the reporting period, the Investment Committee monitored and carried out an assessment of exposure to ESG risk. All Fund Managers are compliant with the RCB's ESG Investment policy and restrictions. A copy of the ESG investment policy can be found on our website [here](#).

Income Distributions (2015 – 2024) - Financial Year-End 31 December 2024

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



OUTLOOK

The US is expected to sustain healthy growth in 2025, with real GDP forecasted at 2.5%. Inflationary pressures are easing, and the labour market remains stable. Analysts anticipate continued stock market gains, with corporate earnings looking reasonably stable.

Policy changes, including tariffs, tax policy, and the regulatory environment, should have almost as much impact on the rest of the world as they will for the US. As the year progresses, international opportunities are likely to present themselves: European stocks may face some tariff-related uncertainty amid a slowing economy but valuations are not overly demanding. In China, domestic stimulus measures should offset any slowdown brought on by changes to trade policies and alongside this the US should continue to hold up well as deregulation and tax cuts lend support to markets.

We anticipate a muted impact on the UK from a US 'universal tariff' as British goods exports to the US account for just 2.3% of GDP. Inflation will probably rise close to 3.0% by mid-2025, partly on utility prices, but seems likely to fall close to 2.0% by end-year as services inflation continues to moderate. The Monetary Policy Committee (MPC) thus looks set to keep its strategy of gradual policy loosening intact and we still judge that the Bank rate will fall by a further 100bps to 3.75% by end-2025. GDP growth has lost momentum recently, but firm household income growth should support spending further ahead.

Whilst Artificial intelligence will remain a defining theme, transitioning from an initial surge to a foundational technology we expect there will be clearer differentiation between leaders and laggards within the sector. A broader market participation across sectors which began in late Q2 is expected to continue, potentially creating a healthier investment landscape and hopefully will see some rotation in favour of quality income stocks and growth at a reasonable price.

With two consecutive very strong years across equity markets, the US in particular, and a longer term extended bull market rally we remain slightly cautious. Diversification across and within asset classes remains important albeit the corporate earnings outlook remains relatively robust.

Ability to react quickly and to be selective in terms of stock-picking will be important to navigating markets in the coming year. The Investment Committee is confident that its appointed Fund Managers have the flexibility and expertise to navigate market volatility and seek out opportunities in the year ahead.

In-house Investment team
The Representative Church Body
February 2025