

Charity Sustainable Multi-Asset Fund

June 2024



Investment objective

The SUTL Cazenove Charity Sustainable Multi-Asset Fund aims to provide income and capital growth in line with the Consumer Price Index + 4% per annum (net of fees) over rolling ten-year periods by investing in equities, bonds and alternative assets worldwide. The distribution share class has a total return target distribution of 4% per annum, paid quarterly. The objective and distribution target cannot be guaranteed and your capital is at risk.

Fund characteristics

The SUTL Cazenove Charity Sustainable Multi-Asset Fund benefits from Schroders global expertise and is designed for charities of all sizes who want to align their investments with their charitable mission and invest for a better future. Our intention is for the Fund to achieve the financial objectives while creating overall positive outcomes for people and the planet. We will aim to achieve this by Avoiding harm through ESG integration and exclusions, Benefiting society through responsible business activities and Contributing to solutions in areas of environmental and social

Performance data

Total returns	3 months	1 year	3 years (p.a.)	5 years (p.a.)	Inception (p.a.)
Sustainable Multi-Asset Fund	2.1%	11.3%	4.1%	6.8%	6.2%

Inflation + 4%	1.8%	6.1%	10.7%	8.6%	8.2%
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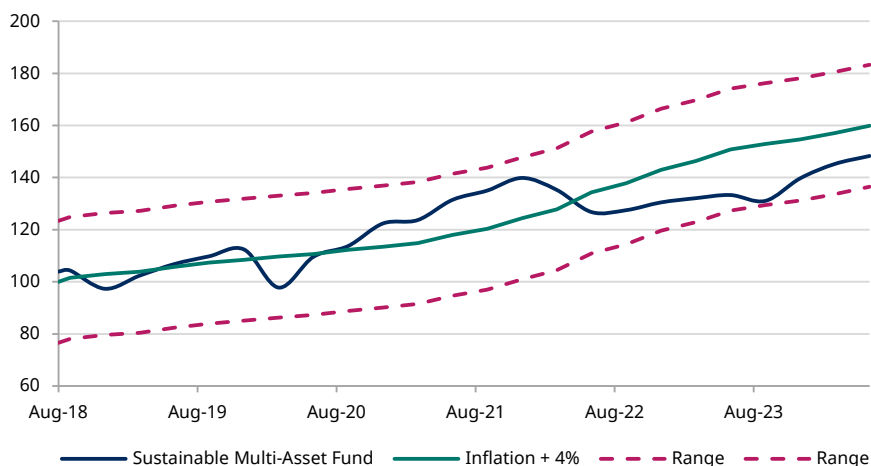
Total returns	Jun 2023 - Jun 2024	Jun 2022 - Jun 2023	Jun 2021 - Jun 2022	Jun 2020 - Jun 2021	Jun 2019 - Jun 2020
Sustainable Multi-Asset Fund	11.3%	5.1%	-3.6%	19.9%	2.6%

Inflation + 4%	6.1%	12.3%	13.8%	6.6%	4.6%
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Past performance is not a guide to future performance.

Source: Datastream/Lipper, bid to bid, in GBP, net income reinvested at 30 June 2024. Z Share Class, 0.60% p.a.

Inflation to 30 June 2024. Inception date 1 August 2018.



Range: Upper and lower boundaries represent two standard deviations of the strategy from the central return expectation (Inflation +4%). Inception base date 1st August 2018 when Global Equities were historically 4% above average valuation.

Fund team



Kate Rogers



Tom Montague-Pollock



Emilie Shaw



Matt Best

Key information

Fund size	£2,066m
Fund manager	Tom Montagu-Pollock
Units available	Distribution & Accumulation
Valuation and dealing	Daily 12:00
Minimum investment	£10,000
Target distribution	4%
Distribution dates	31st Aug, 30th Nov, 28th Feb, 31st May
Ongoing charges figure	0.80%
SEDOL number	BF78432 BF78421

Sustainable investment policy

Avoid harm by excluding¹ harmful sectors and screening companies environmental, social and governance practises

Benefit society by allocating a significant portion to companies that create overall positive outcomes for their stakeholders, such as employees, communities and the environment

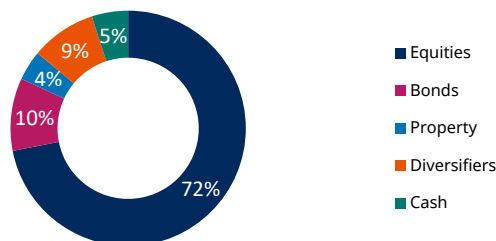
Contribute to solutions by including an allocation to areas of environmental and social needs

Influence companies and managers through engagement and voting, to encourage responsible business practises

Collaborate with other charity investors to identify areas of mutual concern

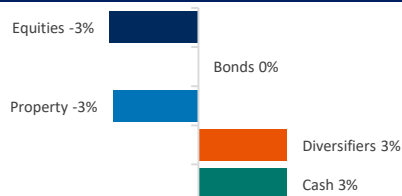
¹Full policy available on request. Screens are applied with a threshold tolerance of maximum 10% of revenue derived from Fossil Fuels, Alcohol, Pornography, Armaments, Tobacco, Gambling & High interest rate lending.

Asset mix



The above asset allocation is based on holdings as at 30 June 2024.

Active positions



Shows asset allocation against the fund's long term strategy, with positive active positions reflecting a favourable view on the asset class and vice versa.

Active Ownership

249 Engagements with 209 companies over Q2

3,856 Company meetings voted, 99% of all resolutions voted

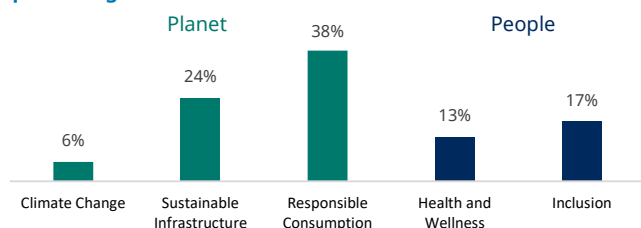
388 Sustainability-related shareholder resolutions, voted with management on 51%

Source: Schroders. Represents Schroder group voting and engagement activity and includes holdings not owned within this strategy

Sustainability Insights

Sustainable Development Goals (SDG)

Equities Alignment



Source: MSCI SDG alignment based on companies with any revenue from products and services that support the goals within the equity portfolio, grouped under our 5 key

SustainEx™

Portfolio equities vs Global Equities

Planet

Environmental Dividend



1.1%

vs -2.1%

People

Social Dividend



4.0%

vs 0.0%

Social and environmental dividend is measured using SustainEx which calculates the contribution of the companies expressed as a percentage of sales. For example, a score of +2% means that the portfolio adds \$2 of benefits for society for every \$100 of sales.¹

Climate Dashboard

Portfolio equities vs Global Equities

Carbon footprint



82%

lower

Implied Temperature Rise



1.9°C

vs 2.5°C

Carbon footprint based on the average Scope 1 and 2 carbon emissions (tonnes CO₂e) of portfolio companies and are allocated on an EVIC basis (enterprise value including cash). Implied temperature rise based on projected emissions, i.e. targets and historical efforts across scopes 1, 2 & 3 over one time horizon. Benchmark is MSCI All Countries World Index

Portfolio commentary

The economic momentum from the first quarter continued into the second, resulting in another positive period for global equity markets, up 2.8%. Persistent inflation remained a challenge, with services inflation staying above central bank targets. In the US, June's Federal Open Market Committee (FOMC) kept rates on hold as expected, with the accompanying revised forecasts suggesting just one cut over the rest of 2024, a decrease from the three cuts anticipated back in March. Meanwhile, in a well-telegraphed move, the European Central Bank (ECB) announced a 0.25% cut in June. The accompanying statement and upgrade to inflation forecasts were construed by the market as relatively hawkish. Elsewhere, the Bank of England's (BoE) decision to keep interest rates unchanged was dubbed as "finely balanced".

Market returns over the quarter was driven predominantly by the US and emerging markets, while continental European markets lagged. Excitement about Artificial Intelligence (AI), alongside strong earnings growth from many of the "Magnificent Seven" and the broader technology sector, pushed markets higher. The Magnificent Seven alone accounted for more than 40% of the US stock market's return over the quarter, showing the influence these huge stocks continue to have.

The quarter commenced on a disappointing note for global bond markets, spurred by renewed concerns about US inflation causing investors to reassess the timing of interest rate cuts. UK gilt yields ended modestly higher, taking the return for the quarter to -0.9%

Against that backdrop, the fund generated a return of +2.1% for the quarter, taking the return for the twelve months to +11.3% compared with the ARC Steady Growth PCI peer group return of +10.9%.

Returns from the core sustainable global equity strategy were in line with those of broader markets over the quarter, with the top contributors including technology holdings Taiwan Semiconductor, Alphabet and Texas Instruments. Laggards included the holdings in Intel and Lululemon which both missed expectations in the latest round of earnings announcements. Holdings in structural themes such as the energy transition lagged broader equity markets, impacted by expectations that interest rate cuts from most major central banks would be pushed out to at least the second half of the year.

Fixed income returns were flat for the period, ahead of the benchmark. We have seen a decreasing yield differential between higher risk corporate bonds and lower risk government debt. Given this environment, we have decided to enhance the quality of our credit exposure. The Federated Hermes Climate Change High Yield Fund has been sold, with proceeds reinvested into a G7 Government Bond tracker to focus on higher-quality bond opportunities.

Within alternatives, Commodities had a stronger quarter. As ever this marks divergence amongst the underlying assets. Industrial metals and gold were strong, which helped the performance of our Energy Transition Metals exposure, while energy and agricultural commodities were softer. The Sustainable Diversified Alternative Assets Fund helped to boost overall performance over the period. There was a narrowing of discounts within the investment trust space, notably the battery storage funds.

Looking ahead, we remain relatively optimistic about the economic environment and opportunities in markets. We have added to equities over the last year and think they remain attractive, although we are conscious of overly positive investor sentiment in the near term. The US economy is losing some momentum, but recent softer data is consistent with a soft landing rather than an economic downturn. The stock market is currently made up of two different cohorts: expensive technology-related stocks, and the rest of the market. Whilst the first cohort's valuations can be justified by stellar earnings growth, the overall health of the US economy should support the rest of the market which is trading at reasonable valuations and is yet to meaningfully re-rate.

Alternatives currently face stiff competition from cash and bonds as sources of diversification, but we see appeal in commodities. We remain cautious about increasing our exposure further given strong performance to date. We continue to like fixed income given attractive yields, but marginally prefer shorter duration bonds which should hold up better if inflation surprises to the upside.

Engagement Themes

Using our influence to create change



Investment Themes

Allocating capital to solutions

Climate Change

Biodiversity and Natural Resource Constraints

Human Capital Management

Human Rights

Inclusion and Diversity

Governance and Oversight

Deforestation

As a signatory to the Financial Sector Commitment Letter Schrodgers have committed to use our best efforts to eliminating commodity-driven deforestation in the companies directly held in the portfolios we manage by 2025.

To support this commitment, in 2023 we engaged 293 companies where we identified risks of deforestation either in the company's direct operations or their supply chains. Key areas of weakness include lack of supply chain traceability and human rights issues. We are now evaluating how we can incorporate deforestation risks into our voting policy as a means to escalate our concerns and push for progress.

Update on voting season: See our Active ownership blog to keep you informed on Schrodgers recent voting activity.

[Active ownership blog](#)

Health and Wellbeing

Through our holding in the Threadneedle EU Social Bond Fund, we have capital allocated to a Welcome Trust Bond, which is supporting the charities efforts to develop scientific research to solve urgent health issues. As an example, they have been funding research into a digital tool which may be able to prevent Dengue fever outbreaks. Dengue is a viral infection spread through infected Mosquito bites. According to the WHO half the world's population is at risk of dengue with roughly 100-400 million cases annually. In addition, they have supported studies in areas where increasing temperatures will have detrimental health impacts. Examples include a study in Zimbabwe which looks at how we can protect pregnant women who experience serious health impacts from increasing temperatures. Source: Threadneedle European Social Bond Fund

Climate Change

Health and Wellbeing

Sustainable Infrastructure

Responsible Consumption

Inclusion

* SustainEx™ disclaimer

SustainEx™ provides an estimate of the potential “impact” that an issuer may create in terms of social and environmental “costs” or “benefits” of that issuer. It does this by using certain metrics with respect to that issuer and quantifying them positively (for example by paying ‘fair wages’) and negatively (for example the carbon an issuer emits) to produce an aggregate notional measure of the relevant underlying issuer’s social and environmental “costs”, “externalities” or “impacts”. SustainEx™ utilises and is reliant on third party data (including third party estimates) as well as Schroders’ own modelling assumptions, and the outcome may differ from other sustainability tools and measures. Where SustainEx™ relies on data and estimates produced by third parties, Schroders seeks to ensure that such data and estimates are accurate, but Schroders cannot and does not warrant the accuracy, completeness and adequacy of such third-party data and estimates. Like any model, SustainEx™ will evolve and develop over time as Schroders continues to assess, refine and add to the metrics and their relative contributions. Generating SustainEx™ scores involves an element of judgment and subjectivity across the different metrics chosen by Schroders, and accordingly Schroders does not accept any liability arising from any inaccuracy or omission in, or the use of or reliance on, SustainEx™ scores. As the model evolves, changes made to how metrics are applied may result in changes to the SustainEx™ score of any issuer and ultimately the overall fund/portfolio score. At the same time, of course, the issuer’s SustainEx™ performance might improve or deteriorate.

Schroders’ proprietary sustainability tools including SustainEx™ may not cover all of a fund/portfolio’s holdings from time to time, in which case Schroders may use a range of alternative methods to assess the relevant holding. In addition, certain types of assets (such as cash and certain equivalent securities) are treated as neutral and are

Risk considerations

Sustainable investing risk: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor. **Interest rate risk:** A rise in interest rates generally causes bond prices to fall, while a decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless. A failure of a deposit institution or an issuer of a money market instrument could create losses. Equity prices fluctuate based on many factors including general, economic, industry or company news. **Currency risk:** The fund can be exposed to different currencies – foreign exchange rates could create losses. Underlying funds may use derivatives for leverage, which makes it more sensitive to certain market interest rate movements and may cause above-average volatility and risk of loss. **Derivative risk:** A derivative may not perform as expected, and may create losses greater than the cost of the derivative. The counterparty to a derivative or other contractual agreement or synthetic product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. **Liquidity risk:** In difficult market conditions, an underlying fund may not be able to sell a

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The Fund deducts costs and expenses incurred by the Board, Trustee and Manager in carrying out their duties to the property of the Fund in addition to the Trustee and Manager annual fees and as a result the growth in the capital sum will be constrained.

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