

Charity Sustainable Multi-Asset Fund

30 September 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 need.

Performance data

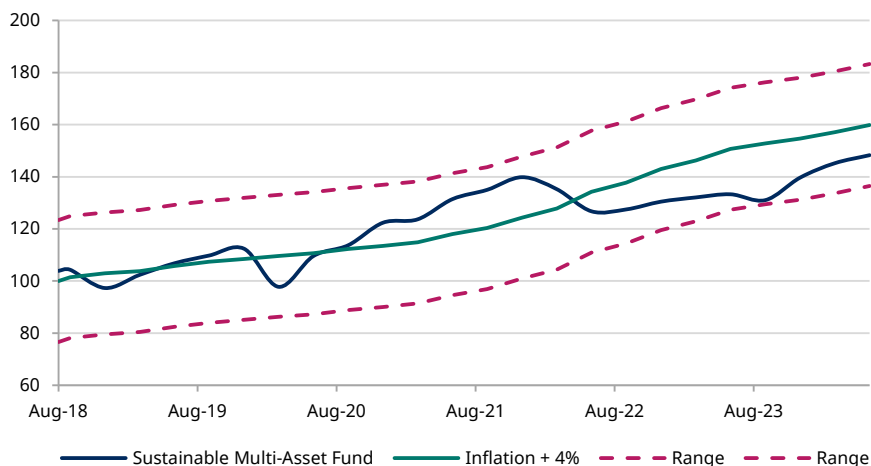
Total returns	3 months	1 year	3 years (p.a.)	5 years (p.a.)	Inception (p.a.)
Sustainable Multi-Asset Fund	1.0%	14.3%	3.5%	6.4%	6.1%
Inflation + 4%	1.1%	5.7%	10.3%	8.5%	8.0%

Total returns	Sep 2023 - Sep 2024	Sep 2022 - Sep 2023	Sep 2021 - Sep 2022	Sep 2020 - Sep 2021	Sep 2019 - Sep 2020
Sustainable Multi-Asset Fund	14.3%	2.8%	-5.6%	18.7%	3.6%
Inflation + 4%	5.7%	10.9%	14.5%	7.2%	4.6%

Past performance is not a guide to future performance.

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

Inflation to 30 September 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 Montagu-Pollock



Emilie Shaw



Matt Best

Key information

Fund size	£2,186m
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	0.77%
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

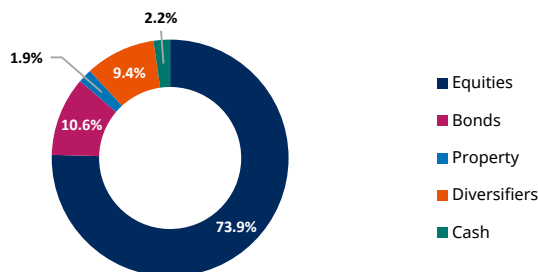
Contribute to solutions by including an allocation to areas of environmental and social needs

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

Collaborate with other charity investors to identify areas of mutual concern

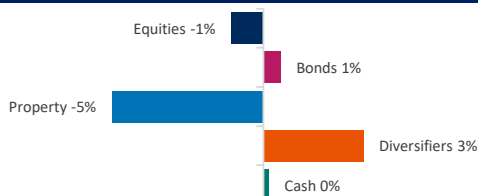
¹Full policy available on request. Screens are applied with a threshold tolerance of maximum 10% of revenue derived from Fossil Fuels, Alcohol, Pornography, Armaments, Tobacco, Gambling & High interest rate lending.

Asset mix



The above asset allocation is based on holdings as at 30 September 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

216 Engagements with 164 companies over Q3

991 Company meetings voted, 99% of all resolutions voted

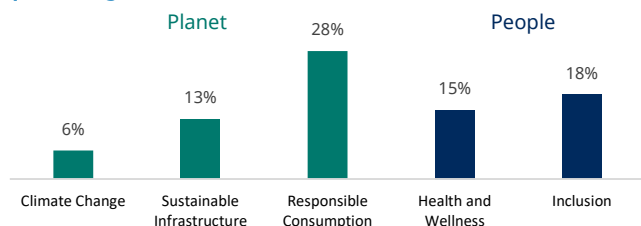
8,142 Sustainability-related shareholder resolutions, voted with management on 7,350

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



1.0%

vs -2.0%

People

Social Dividend



4.0%

-0.10%

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



86%

lower

Implied Temperature Rise



1.8°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

Global equity markets experienced a volatile quarter, having grappled with disappointing US jobs data, a dramatic strengthening of the yen, a notable 0.50% interest rate cut from the Federal Reserve and a concerted stimulus effort in China. The VIX index (a barometer of volatility that shows stress in markets) rose above 38 for only the third time since the Global Financial Crisis, the other times being during the European sovereign debt crisis in 2011 and the early days of COVID in spring of 2020. Despite this, equity markets ultimately ended the quarter with modest gains with encouraging signs of a broadening out of returns.

In something of a step change, the US market underperformed other regions, in part due to poorer returns from the "Magnificent 7" AI-related stocks, with value stocks broadly outperforming growth. Rate sensitive sectors including real estate and utilities performed strongly.

UK equities rallied for a second consecutive quarter, however, the summer months were influenced by the landslide Labour election win and expectations of interest rate cuts from the Bank of England. The consumer sectors and financials performed well, while energy was a significant detractor due to falling oil prices, driven by weakening demand and increasing supply from non-OPEC countries.

Against that backdrop, the fund generated a return of +1.0% for the quarter, taking the return for the twelve months to +14.3%, ahead of the inflation +4% target and the ARC Steady Growth ACI index.

Within the portfolio, the core equity allocation's return was broadly flat with a notable rotation in the underlying contributors and detractors. More defensive names such as Unilever were among the top performers as investors sought shelter from volatility. The company announced its results for the first half of the year showing growth in volumes, revenues and particularly strong performance from the group's "power brands", the core part of the business. Amidst a pullback in many of the technology stocks that had led the way earlier in the year, our two largest holdings, Microsoft and Alphabet, were notable detractors. Microsoft shares experienced declines after reporting earnings that missed expectations, particularly in its Intelligent Cloud unit. whilst sterling strength also had a negative impact on returns generated in US markets. Alphabet has also seen pressure following a ruling by a US judge against the firm deemed them to have used anti-competitive practices. Elsewhere within equities, there was strength from our value and emerging market funds.

We also took advantage of the equity market volatility to top-up our exposure, targeting a broadly neutral weighting. The market reaction in August looked overblown and our base case has not been for the US to fall into recession. Volatility was exacerbated by elevated valuations and stretched sentiment. We therefore felt the moves presented an attractive entry point to add, while the fundamental backdrop remains supportive. We have primarily added to developed market equities with central banks set to continue cutting interest rates.

Our fixed income allocation protected well on the downside, across both the government and corporate space. Our global government bond exposure benefitted from shifting expectations for interest rates, particularly from the Federal Reserve and European central bank. Longer-dated UK gilts outperformed the shorter-dated and inflation-linked. Away from government bond markets, the investment-grade and securitized credit strategies both delivered positive returns. We remain overweight bonds, with a slight preference for shorter-dated bonds, given uncertainty around the pace and extent of interest rate cuts, especially in the US.

Within the alternatives allocation, gold remained supportive to performance. The Sustainable Diversified Alternative Asset Fund has continued its positive trajectory since the spring with patience in this area starting to pay back. The average discount on an infrastructure investment trust has narrowed from 20% to closer to 10%.

Looking ahead, we remain relatively optimistic about the economic environment and opportunities in markets. Weakness in US markets, especially the technology sector, was exacerbated by high valuations and over-optimistic sentiment, while the Japanese market was hit hard by the unwinding of leveraged trading positions. The pullback allowed us to add to equities at a more attractive valuation, at a time when the economic outlook remains broadly supportive. Growth momentum in the US is slowing. However, lower inflation and interest rates, along with strong consumer and corporate balance sheets, should allow the economy and corporate earnings to continue growing at a moderate pace.

A resurgence in inflation could threaten rate cuts, whilst labour market weakness and falling consumer demand could challenge the growth outlook. An escalation in geopolitical tensions is also a key risk as well as fallout from the US election.

Kamala Harris has revitalised the Democrats' prospects in November's US election and polls suggest they have a roughly 50% chance of winning the election. From an economic perspective, a Harris victory may not significantly change the economic outlook, given her support for many of Joe Biden's policies. A Trump victory could prompt a more significant change to the economic outlook. His focus on tax cuts and deregulation could mean growth is slightly higher than under Harris, while the promise of tariffs and anti-immigration policies could also result in higher inflation.

All data has been sourced from Schroders, DataStream and Lipper, bid to bid, net income reinvested as of 30th September 2024.

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

Engagement: Governance

The social and environmental backdrop facing countries is changing rapidly. How governments choose to manage sustainability risks and opportunities through their policy agendas and spending has a material impact. As a steward of our clients' assets, we have a responsibility to actively engage legislators, regulators, trade associations, consumer organisations, and civil society on important issues that impact our clients' long-term investment returns. This includes a engaging with governments.

We have released a position statement to provide transparency on our engagement strategies with government.

Read more here:

[Engaging with policymakers](#)

Investment - Climate Change

Through the Lombard Odier Climate Bond Fund we have exposure to a National Grid green-bond, which funded a new electricity interconnector, The Viking Link, between the UK and Denmark, which is expected to provide enough electricity to supply 2.5m households. Given the low correlation between wind-generation output in the UK and Denmark, the interconnector will mean that surplus energy can be utilised in either country. Given the improved pricing in Denmark it is estimated The Viking Link will bring £500m in savings for UK consumers in the first ten years. Source: National Grid Group

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 therefore not considered by our proprietary tools. Other types of assets such as equity indices and index derivatives may not be considered by our proprietary tools and in such case would be excluded from a product’s sustainability score.

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 security for full value or at all and could cause the fund to defer or suspend redemptions of its shares. **Emerging markets and frontiers risk:** Emerging markets, generally carry greater political, legal, counterparty and operational risk. **Operational risk:** Failures at service providers could lead to disruptions of fund operations or losses.

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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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