Cazenove Capital

Part of the Schroders Group

SUTL Cazenove GBP Balanced Fund

June 2023

S Accumulation Unit

Fund manager

Caspar Rock, Cazenove Capital CIO

Fund launch date

28 September 2018

Unit price at launch

50.0 GBP

Unit price as at 30 June 2023

58.1 GBP

Fund size (£m)

1,606.4

Total number of holdings

42

Income yield

1.13%

Annual management charge (AMC)

0.375%

Est. ongoing charges figure (OCF)

0.85%

Dividend distribution dates

Semi-Annual

Dealing frequency

Daily

ISIN

GB00BF784V03

SEDOL

BF784V0

Investment objective

The fund aims to provide modest capital growth and income with a combined return modestly above inflation in the longer term. It will invest in a diversified range of assets and markets worldwide on both a long-term and an opportunistic basis. The aim of the portfolio is that, in the longer term, the value of the assets should be protected against the impact of inflation.

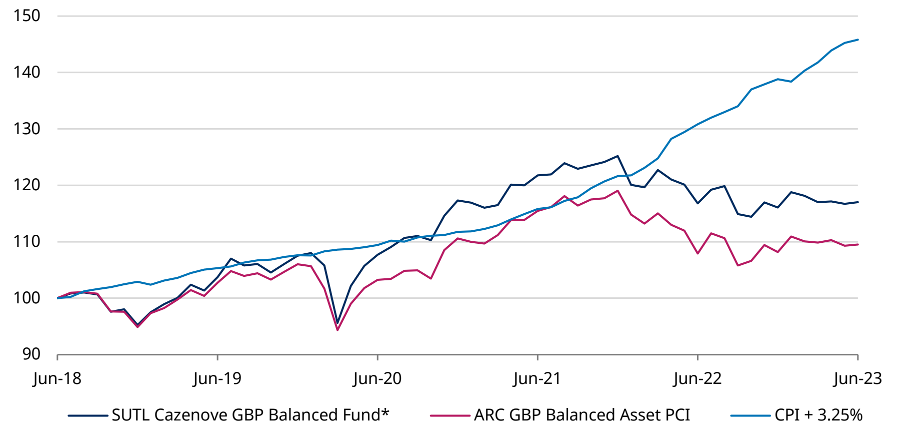
Performance % (Total return)	3 Mon	6 Mon	1 Year	3 Year	5 Year
SUTL Cazenove GBP Balanced Fund*	0.0%	0.8%	0.2%	8.7%	17.0%
ARC GBP Balanced Asset PCI	-0.3%	1.2%	1.5%	6.1%	9.5%
CPI + 3.25%	2.8%	5.1%	11.5%	33.3%	45.8%

Performance % (Total return)	Jun 22 - Jun 23	Jun 21 - Jun 22	Jun 20 - Jun 21	Jun 19 - Jun 20	Jun 18 - Jun 19
SUTL Cazenove GBP Balanced Fund*	0.2%	-4.1%	13.1%	3.8%	3.7%
ARC GBP Balanced Asset PCI	1.5%	-6.5%	11.8%	0.5%	2.7%
CPI + 3.25%	11.5%	13.0%	5.8%	3.9%	5.3%

Performance % (Total return)

Performance of SUTL Cazenove GBP Balanced Fund*

Cumulative performance (%)



* The above chart and table shows the performance of the Cazenove GBP Balanced model portfolio shown as simulated past performance for the SUTL Cazenove GBP Balanced Fund prior to 30 September 2018. The Cazenove GBP Balanced model is constructed in the same way as the SUTL Cazenove GBP Balanced Fund. However, model performance may differ from the performance of the SUTL Cazenove GBP Balanced Fund. Model performance is shown net of the AMC of the fund, underlying fund fees and trading costs. The performance returns for ARC Balanced in Q2 2023 are estimated returns. Past performance is not a guide to future performance and may not be repeated. The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested.

Commentary

The second quarter got off to an uncertain start with investors unsettled by continuing concerns about the US regional banking system, the possibility of a US debt default and a hawkish tone from the Federal Reserve. Sentiment subsequently improved and equities ended the quarter in positive territory. However, there was significant divergence in performance between sectors and for much of the period market leadership was incredibly narrow.

85% of the performance of the S&P500 over the second quarter came from just 7 mega-cap technology stocks which benefitted from investor exuberance over artificial intelligence. Towards the end of the quarter, we started to see some broadening of market leadership and a recovery in more economically-sensitive cyclicals and small cap stocks.

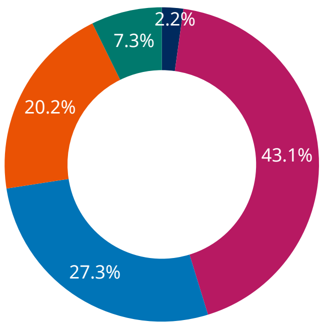
We remain comfortable with our current equity underweight as investor equity positioning is now extended and corporate earnings and margins could start to come under more meaningful pressure. We continue to monitor for economic weakness in the second half of the year as this could present opportunities to add to equities.

With inflation still elevated and central banks maintaining a hawkish tone, government bonds fared less well. Interest rates and rate expectations continued to rise over the quarter. US Treasuries fell 1.4% (in USD terms) as the extent of the global inflation challenge became more apparent. While the market has consistently underestimated central banks' determination to bring inflation under control, at these levels we do see good value in UK government bonds which can offer diversification if a weaker growth environment forces a change in the direction of monetary policy.

Similarly, alternatives had a challenging quarter. The expectation of higher UK rates had particular implications for listed infrastructure; renewables and some listed private equity companies. Higher discount rates resulted in investment trust share prices falling and discounts to NAV widening. This space also saw selling pressure as institutional investors looked to rebalance portfolios back towards fixed income given increasingly attractive yields. Brent crude prices also fell by 6.1% whilst industrial metals like copper also fell (-8.6%) given concerns over weaker global demand We continue to maintain our exposure to commodities given the ability to access attractive long-term return streams at increasingly attractive valuations. We also believe that the transition to renewable sources of energy will drive demand for certain industrial metals supporting pricing.

Asset allocation

Tactical asset allocation



■ UK Equity ■ Global Equity ■ Fixed Income ■ Alternatives ■ Cash

Asset allocation is subject to change

Historic model return and indicative range	
Annualised 10 year return	4.2%
Annualised 10 year volatility	6.6%
Indicative return range[1]	-8.5% to 19.0%
Asset class ranges	
Equities	25–60%
Fixed income	20–50%
Alternatives	0–35%
Cash	0–20%

[1]Annualised return based on historic model returns over 10 years. Range is defined as expected return in any given year with 90% confidence. Based on our expectations, there is a 5% chance of returns below the lower bound of the range and a 5% chance of returns above the higher bound of the range. Expected returns are forecasts and not a reliable indicator of future performance.

Sustainability dashboard

Portfolio equities *vs MSCI AC World*

Planet

Carbon Emissions

21% lower than the benchmark

People

Social Dividend

1.0%

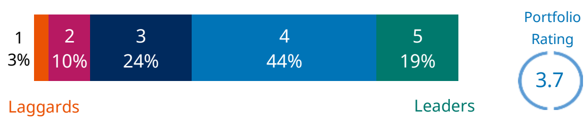
vs-1.3%

Carbon emissions includes an aggregate of the annual scope 1 & 2 carbon emissions attributed to the companies, based on £1m invested in the multi-asset strategy. Social 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

Equity Sector Exposures (% total portfolio)			
Tobacco	0.2%	Alcohol	0.7%
Armaments	1.3%	High Interest Loans	0.0%
Gambling	0.2%	Fossil Fuels	2.2%

Equity sectors shown represent common exclusionary screens. Exposure based on MSCI revenue data, as at 30 June 2023.

Fund Manager Sustainability Ratings (% total portfolio)



Source: Cazenove Capital. The sustainability ratings are from 1 to 5 (1 being the worst and 5 the best) and are derived from the 2022 results of our proprietary annual ESG firm-level questionnaire.

Holdings analysis

Top ten holdings		Sector	% NAV
1	JPMorgan America Equity Fund	Global Equity	5.7%
2	Robeco BP Global Premium Equities Fund	Global Equity	5.1%
3	Vontobel TwentyFour Absolute Return Credit Fund	Fixed Income	4.9%
4	Vanguard S&P 500 ETF	Global Equity	4.8%
5	1.125% UK Treasury Stock 31.01.39	Fixed Income	4.3%
6	HSBC FTSE All World Index Fund	Global Equity	4.2%
7	Schroder SSF Diversified Alternative Assets Fund	Alternatives	4.0%
8	0.125% UK Treasury Stock 31.01.28	Fixed Income	3.6%
9	L&G Multi-Strat Commodities ETF	Alternatives	3.3%
10	Schroder Asian Alpha Plus Fund	Global Equity	3.3%
	Total		**43.1%**

Source: Cazenove Capital, as at 30 June 2023

[1]SustainEx™ provides an estimate of the net 'impact' that an issuer may create in terms of social and environmental 'costs' or 'benefits'. 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

Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. Interest rate risk: A rise in interest rates generally causes long-lived asset prices to fall. Leverage risk: Some funds use derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss. Operational risk: Failures at service providers could lead to disruptions of fund operations or losses. Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk.