Cazenove Capital

Charity Multi-Asset Fund

June 2024

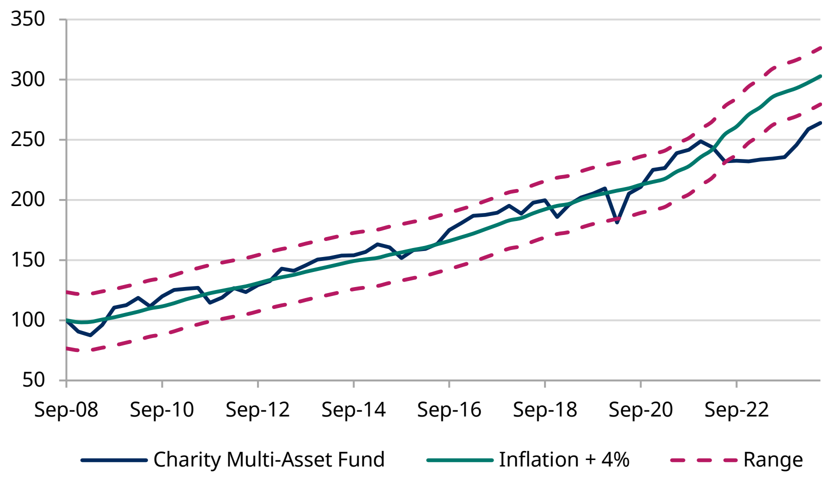
Investment objective

The SUTL Cazenove Charity Multi-Asset Fund aims to provide income and capital growth in excess of the Consumer Price Index + 4% per annum (net of fees) over rolling ten-year periods by investing in equity and equity related securities, fixed and floating rate securities and alternative assets worldwide. This cannot be guaranteed and your capital is at risk.

Fund characteristics

The SUTL Cazenove Charity Multi-Asset Fund allows all sizes of charity access to our multi-asset approach. The Fund seeks to generate sustainable returns over the long-term by blending a diversified range of assets, managers and strategies. Over the long-term the Fund aims to deliver a total return of CPI +4%. The distribution share class has a total return target distribution of 4% per annum, paid quarterly. The Fund is also forecast to demonstrate reduced volatility compared with equity markets and is based on the Cazenove Charities Unconstrained Strategy.

Long term performance



Range: Upper and lower boundaries represent two standard deviations of the strategy from the central return expectation (Inflation +4%).

Source: Datastream/Lipper, in GBP, net income reinvested, 30 September 2008 to 30 June 2024. Net of fees. Z Share Class, 0.65% p.a. until the 15th June 2018, 0.5% p.a. thereafter. Inflation data to 30 June 2024. RPI to 30 June 2018, CPI thereafter.

Fund team

Tom Montagu-Pollock

Adam Spring

Key information

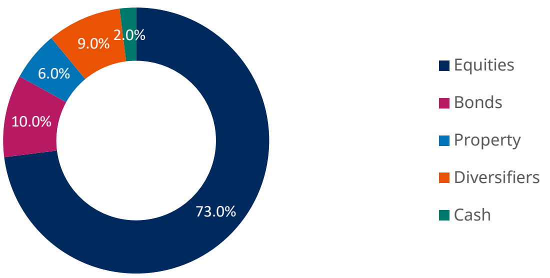
Fund size	£683.4m
Fund manager	Tom Montagu-Pollock
Units available	Distribution & Accumulation
Valuation and dealing	Daily 12:00
Minimum investment	£10,000
Target distribution	4% (smoothed over the previous 3 years)
Distribution dates	31st Aug, 30th Nov, 28th Feb, 31st May
Ongoing charges figure	0.83%
SEDOL number	BF783Y6 BF783Z7

On 15 June 2018 the fund converted to a Charity Authorised Investment Fund (CAIF) structure, the performance shown has been obtained predominantly under the old Common Investment Fund (CIF) structure. The objective and strategy remain the same. Please see the revised Ongoing Charges Figure (OCF) fee excluding VAT.

Total returns	10 years (p.a.)	5 years (p.a.)	3 years (p.a.)	3 months	Jun 2023 - Jun 2024	Jun 2022 - Jun 2023	Jun 2021 - Jun 2022	Jun 2020 - Jun 2021	Jun 2019 - Jun 2020
Charity Multi-Asset Fund	**5.6%**	**5.5%**	**3.4%**	**2.0%**	**12.6%**	**1.0%**	**-2.9%**	**16.4%**	**1.6%**
Inflation + 4%	7.5%	8.6%	10.7%	1.8%	6.1%	12.3%	13.8%	6.6%	4.6%

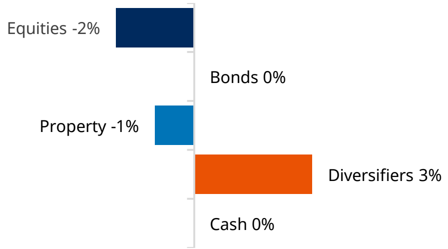
Past performance is not a guide to future performance. The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested. There is no guarantee that the objective will be met.

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.

Portfolio commentary

The economic momentum from the first quarter continued into the second, resulting in another positive period for global equity markets, +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 +2.0% for the quarter, taking the return for the twelve months to +12.6% compared with the ARC Steady Growth PCI peer group return of +10.9%.

As highlighted last quarter, one of the changes we are making is how we select investments within the equity allocation. We are transitioning from a fund of funds approach to a strategy that places greater emphasis on directly picking individual stocks.

We are implementing this change over a period of approximately six months and are currently about a third of the way through. Pleasingly, the collection of stocks has performed well so far. For instance, Nvidia, which is held within the strategy, has delivered another strong set of quarterly results and remains a clear beneficiary of the trends towards generative AI. It is not the sole winner, we have also seen strong returns from companies like TSMC, which manufactures the chips used by Nvidia.

Elsewhere, we have seen good returns from some of the healthcare names, notably Eli Lilly and Novo Nordisk. These two companies practically hold a duopoly on the GLP-1 anti-obesity medications, which are benefiting from some clear tailwinds.

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 Unconstrained Fund has been sold, with proceeds reinvested into the Vontobel 24 Absolute Return Credit Fund to focus on higher-quality credit opportunities.

Within alternatives, Commodities had a stronger quarter. As ever this marks divergence amongst the underlying assets. Industrial metals and gold continue to shine, while energy and agricultural commodities were softer. The 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. Positive news flow also materialised for music royalties where UK-listed Hipgnosis received a final takeover bid.

Looking ahead, we remain relatively optimistic about the economic environment and opportunities in markets. We have added to US 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 US 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.

Risk considerations

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.

For further information, please contact:
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