Cazenove Capital

Part of the Schroders Group

# Charity Multi-Asset Fund

September 2023

Marketing material for eligible charities only.

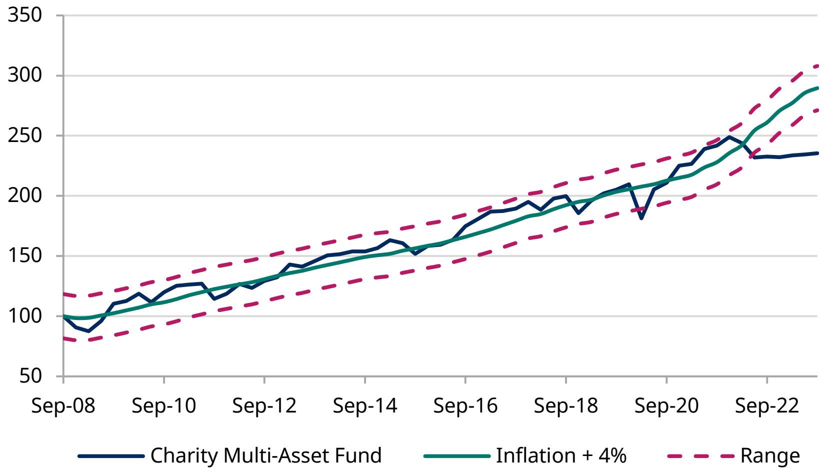
## Investment objective

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 September 2023. Net of fees. Z Share Class, 0.65% p.a. until the 15th June 2018, 0.5% p.a. thereafter. Inflation data to 30 September 2023. RPI to 30 June 2018, CPI thereafter.

## Fund team

**Tom Montagu-Pollock**

## Key information

| | |
|---|---|
| Fund size | £644.4m |
| 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<br>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.

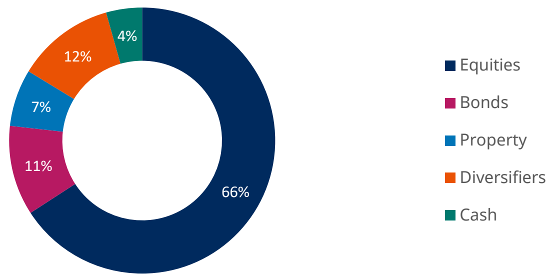
| Total returns | 10 years (p.a.) | 5 years (p.a.) | 3 years (p.a.) | 3 months | Sep 2022 - Sep 2023 | Sep 2021 - Sep 2022 | Sep 2020 - Sep 2021 | Sep 2019 - Sep 2020 | Sep 2018 - Sep 2019 |
|---|---|---|---|---|---|---|---|---|---|
| **Charity Multi-Asset Fund** | **4.9%** | **3.3%** | **3.8%** | **0.5%** | **1.2%** | **-3.8%** | **14.7%** | **2.7%** | **2.7%** |
| Inflation + 4% | 7.5% | 8.5% | 10.8% | 1.4% | 10.9% | 14.5% | 7.2% | 4.6% | 5.8% |

**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.**

## Risk considerations

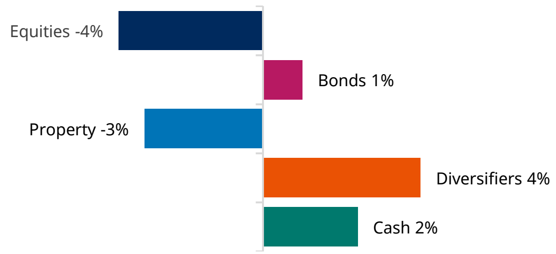
A rise in interest rates generally causes bond prices to fall, while a decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless. A failure of a deposit institution or an issuer of a money market instrument could create losses. Equity prices fluctuate based on many factors including general, economic, industry or company news. 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. 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. 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, generally carry greater political, legal, counterparty and operational risk. Failures at service providers could lead to disruptions of fund operations or losses.

## Asset mix




The above asset allocation is based on holdings as at 30 September 2023.

## 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.

## Sustainability Dashboard

**Portfolio equities** *vs MSCI AC World*

**Planet**

Carbon Emissions

*21% lower than the benchmark*

**People**

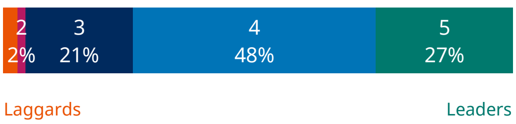
Social Dividend

**0.9%**

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.

### Fund manager sustainability ratings




Portfolio rating 3.9

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.

* See SustainEx™ disclaimer on next page

## Portfolio commentary

The US economy continued to prove resilient over the third quarter with consumers maintaining their healthy spending patterns. Growth forecasts have been revised higher with the recessionary scenario no longer the base case. This is in contrast to China which is grappling the consequences of over-investment in the real estate sector and weakening investor sentiment.

In the US and Europe we have had some more encouraging news on inflation. Declines in the headline rates are partly a function of helpful base effects, however there has been a moderation in shelter and core services prompting the Bank of England and the Federal Reserve to pause in their interest rate hiking cycles.

Despite the prevailing narrative of a 'soft landing' outcome in the US (a cyclical slowdown to control inflation with the avoidance of a recession), the S&P 500 posted its first negative quarter of 2023. In local currency terms, global equity markets also fell nearly -3% whilst in sterling terms they posted a small positive of +0.6%. It was the value-oriented sectors that outperformed, namely energy with oil prices topping $90 per barrel for the first time since November 2022. On a regional basis, Japan continued to enjoy a strong year of performance with steady inflows.

In bond markets, yields rose to their highest levels since 2007, providing further headwinds for diversified multi-asset investors. Historically bond yields have reached a peak as interest rates plateau, so the September spike has generated much intrigue from economic commentators. The 'higher for longer' interest rate narrative from the Federal Reserve has prevailed, alongside a worsening supply-demand balance.

Against this backdrop the Fund generated a return of 0.5% for the quarter, taking the return for the 12 month period to +1.2%.

Within the portfolio, equity performance presented a mixed picture. The biggest contributor to performance was our holding in the Charity Equity Value Fund where the UK exposure was helpful with the large overseas earners, including energy and material stocks, benefitting from a weaker sterling. Our allocation to Japan through the M&G Japan Fund was also supportive, with value stocks including the banks experiencing a surge.

The biggest detractors to performance were the Atlas Infrastructure Fund and 91 Global Environment Fund. There has been a sharp sell-off in recent months for the renewable energy stocks as higher interest rates and rising costs take their toll. Pleasingly the managers have performed significantly better than the sector as a whole and we still firmly believe in this decarbonisation, structural-growth opportunity over a multi-decade time horizon.

Within fixed income, portfolios benefitted from owning UK gilts in place of US treasuries, which were sold in April following a period of outperformance. The yield on the US 10yr treasury bond rose by 0.5% while the equivalent gilt yield was almost unchanged due to the greater than expected inflation drop. Shorter duration gilts also provided better downside protection. Corporate bond markets have outperformed government bonds which was reflected in the performance of the unconstrained credit and asset-backed strategies that we own.

Commodities were a bright spot in the portfolio. Extended supply cuts from Saudi Arabia and Russia drove up the price of oil. While gold prices moved very little, the US dollar strength aided performance.

In terms of positioning, US inflation continues to fall while its economy remains relatively resilient. We are therefore taking advantage of the recent de-rating in equity markets to slightly increase our exposure across risk mandates. Importantly, we remain underweight equity compared to our long-term strategic allocation. On a medium-term view we feel comfortable with our cautious equity positioning. Inflation, while moderating, remains well above target with risks of second-round effects from higher oil prices and wage pressure in labour markets. Earnings beats also remain skewed towards a narrow handful of companies, with cost pressures still evident across many sectors.

Within Bonds we retain our modest overweight position. Bonds now offer attractive levels of income and could start to offer greater diversification benefits if the global economy slows more meaningfully. We continue to believe that alternatives have an important role to play in portfolios.
Our view that many UK alternative investment companies are undervalued has been supported by recent corporate activity in the sector. Discounts remain significant across the real asset universe and are misaligned with the underlying business models which have mostly proved resilient. A stabilisation in bond yields should be a tailwind going forward.

## * SustainEx™ disclaimer

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.

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