

Capital Gearing Trust plc  
Annual General Meeting

July 2021



Before undertaking any investment decision you should seek advice from a professional financial advisor.

Performance figures have been calculated by CG Asset Management Ltd based on information provided by Bloomberg, Morningstar and Northern Trust International Fund Administration Services (Ireland) Ltd.

The value of all investments and the income there from can go down as well as up and the investor may not get back the amount invested. Past performance is not necessarily a guide to future performance. Investors should also note that changes in rates of exchange may cause the value of investments to go up or down.

This presentation was prepared on 25th June 2021, fund performance data is either to the 5<sup>th</sup> April 2021 financial year end or to 25<sup>th</sup> June 2021. Other market data may be less up to date, nevertheless the managers consider such data to be representative of prevailing market conditions.

Unless otherwise stated, CG Asset Management is the primary source of all information contained within the presentation.

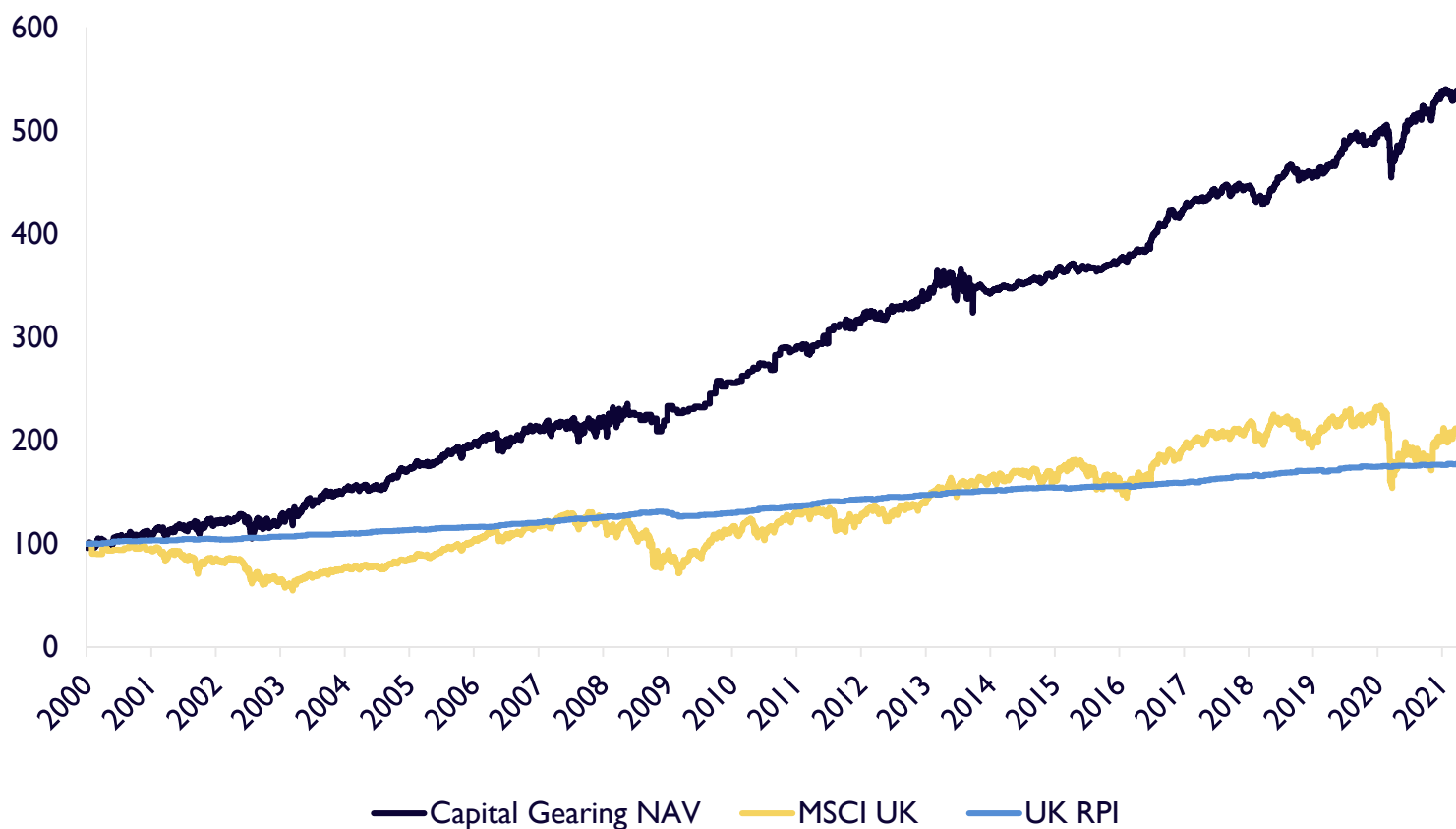
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**REGISTERED IN ENGLAND NO 04056163**

The Company's objective is to preserve, and over time to grow shareholders' real wealth

- 1 Short Term – **Capital Preservation**
  - Minimise loses money over a 12 month period
- 2 Long Term – Equity Type Returns
  - Returns **ahead of inflation** and bank rates
- 3 Control Costs
  - We live in a low return world – **fees matter!**

## Capital Gearing Trust – NAV Total Return Since 2000

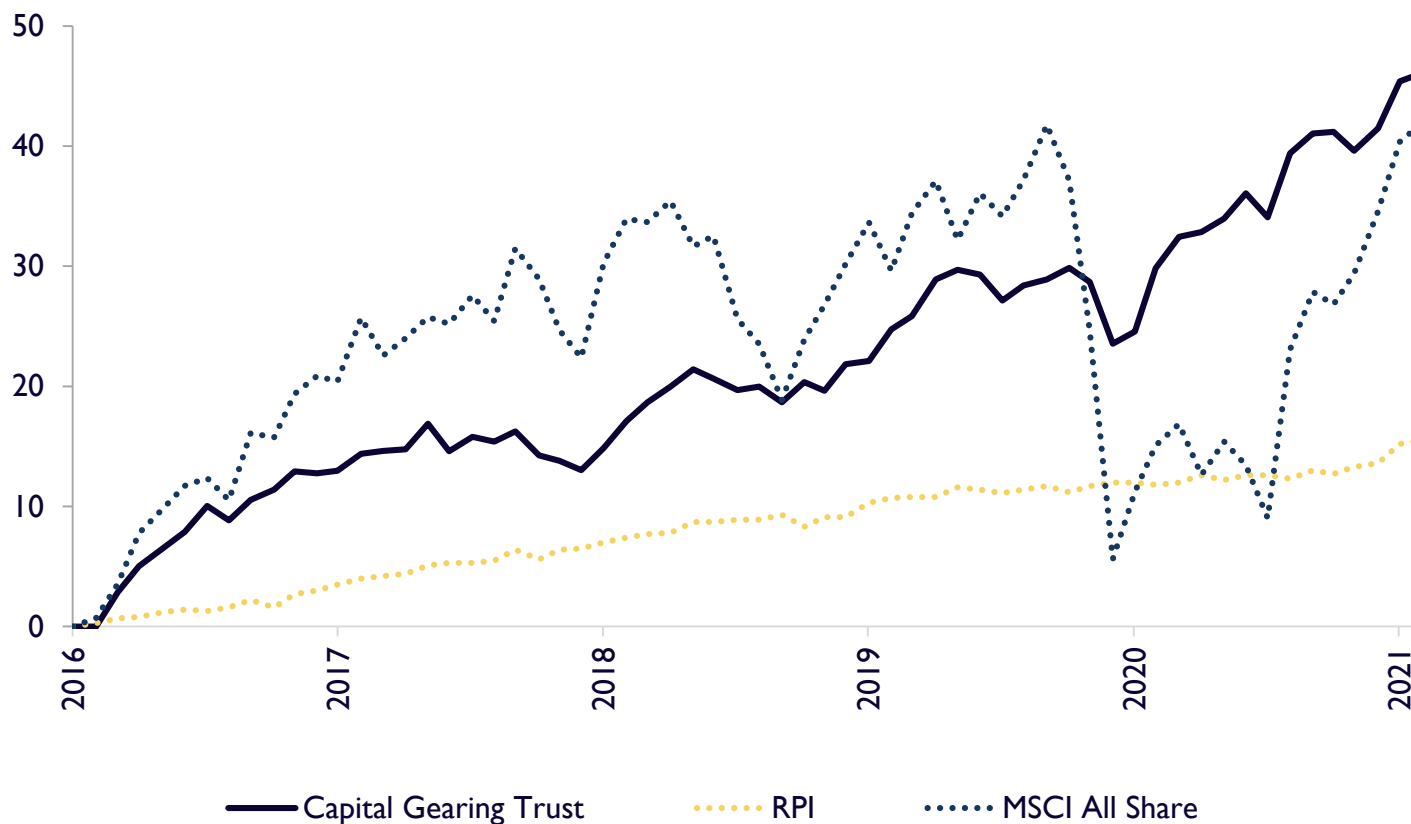


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	FY 2021 NAV Returns	Q1 2021 / 2022 NAV Returns
Capital Gearing Trust	13.9%	4.4%
Inflation (UK RPI Annual Rate)	2.9%	3.3%
MSCI UK Equity Index	26.6%	6.5%

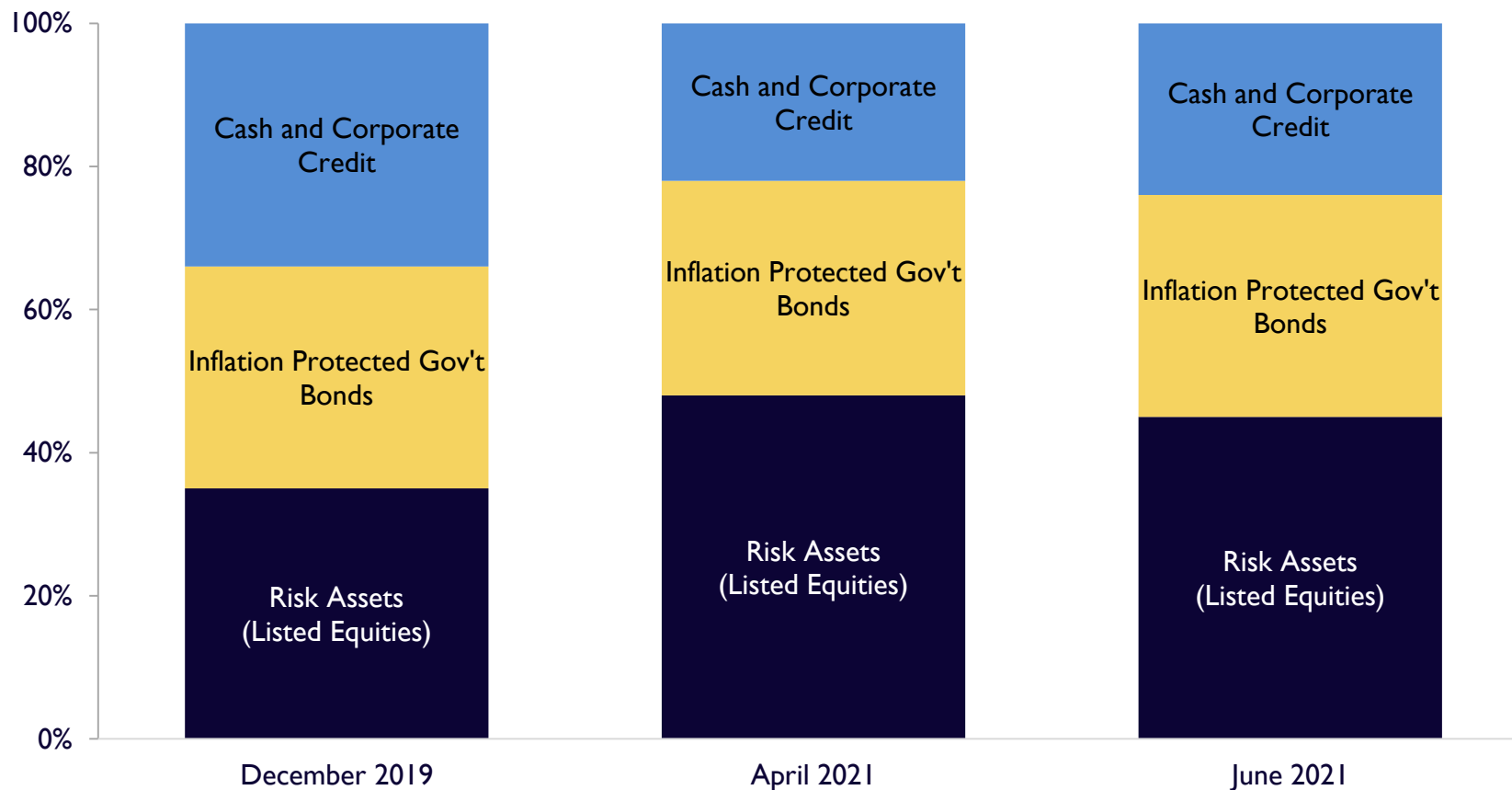
Source: Morningstar & Bloomberg. NAV total returns based on the financial year ending April 5<sup>th</sup>.

Capital Gearing Trust – 5 Year NAV Total Return



Source: Northern Trust, Morningstar, Returns from

# What Changes Have Been Made To The Portfolio?



Source: CG Asset Management Analysis and Estimates, Northern Trust  
 Risk Asset: Listed equities including Investment Trusts, ETFs, Listed Holding Companies, Property Companies and REITs  
 June Data correct as at 25<sup>th</sup> June the date this presentation was prepared

# Our largest/core equity holdings all dramatically outperformed their benchmarks in FY 2021

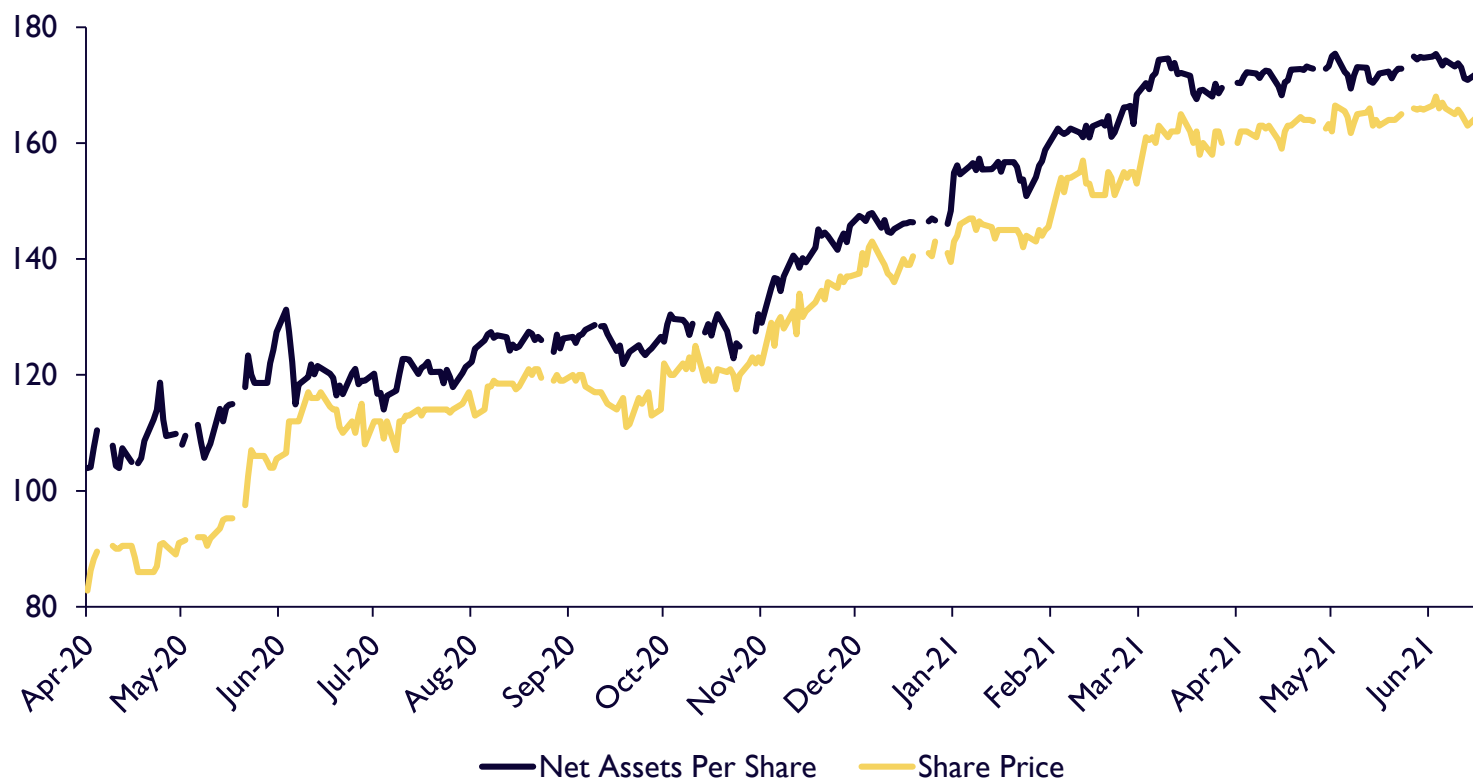
Company	Core Holding	Weight <sup>1)</sup>	12M Return	Comment
<b>Pershing Square Holdings</b>	US Equity	1.8%	86%	<ul style="list-style-type: none"> <li>• CDS hedge put in place ahead of March sell-off</li> <li>• Poorly understood by market</li> <li>• Able to buy at up to 40% discount to NAV</li> </ul>
<b>Investor AB</b>	European Equity	1.0%	66%	<ul style="list-style-type: none"> <li>• High quality portfolio, aligned owners</li> <li>• Attractive discount for entry</li> <li>• Historic SEK weakness supportive of future returns</li> </ul>
<b>North Atlantic</b>	UK Equity	1.9%	53%	<ul style="list-style-type: none"> <li>• Long term core holding</li> <li>• Remains on significant discount</li> </ul>
<b>Tritax Big Box</b>	UK Long Lease	1.6%	70%	<ul style="list-style-type: none"> <li>• Sold-off dramatically in March, able to purchase at up 45% discount to NAV</li> <li>• Attractive long lease property dynamics</li> </ul>
<b>Vonovia</b>	German Residential	2.6%	27%	<ul style="list-style-type: none"> <li>• Long term core holding</li> <li>• German residential real estate trades below replacement cost</li> </ul>

1) Higher of year end or max weight in year;

Source: Bloomberg Portfolio Analytics



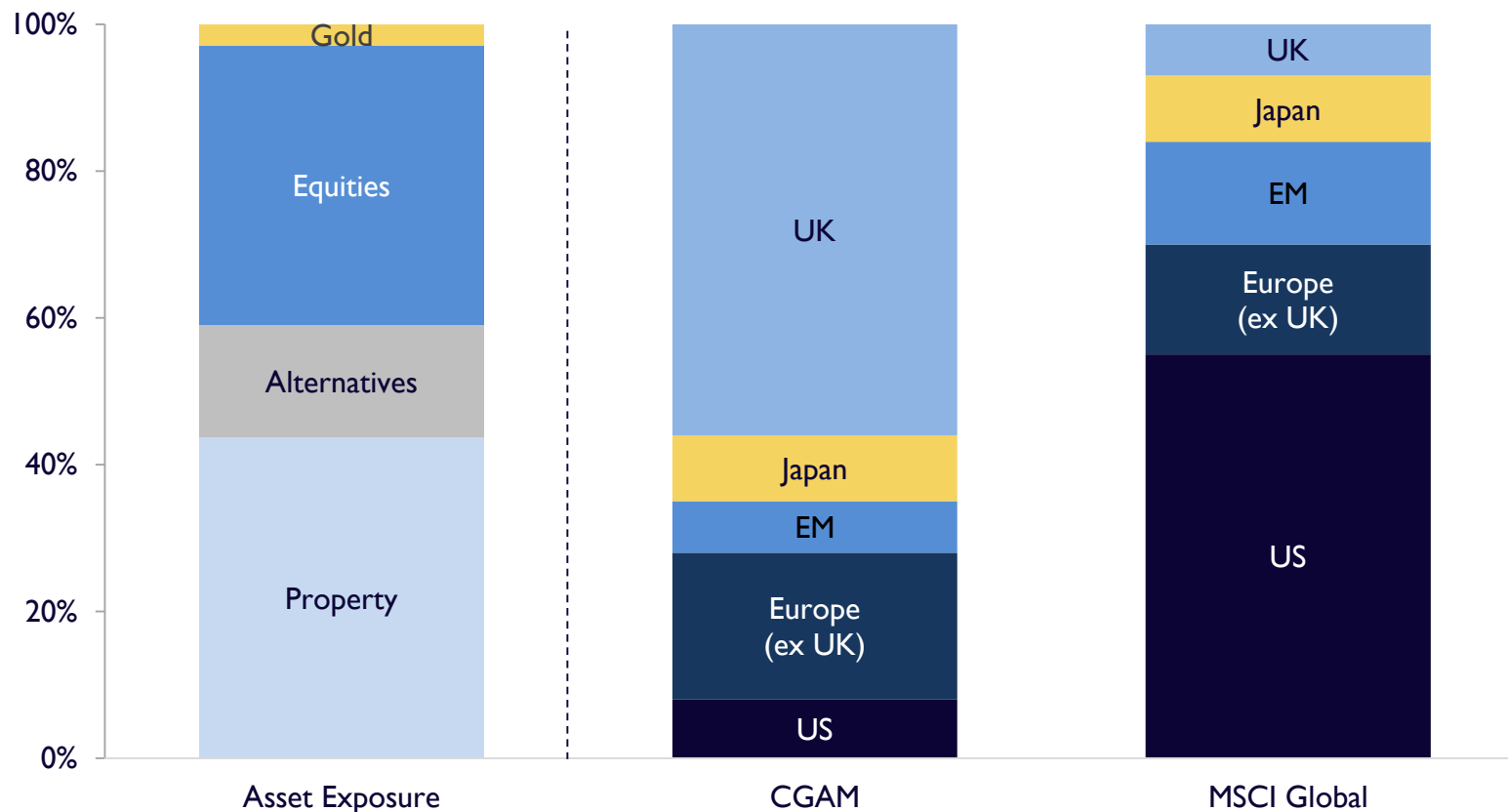
Gabelli Value Plus plc – NAV Per Share and Share Price Performance



Source: Bloomberg

The make up of our risk asset portfolio looks quite different from any mainstream index

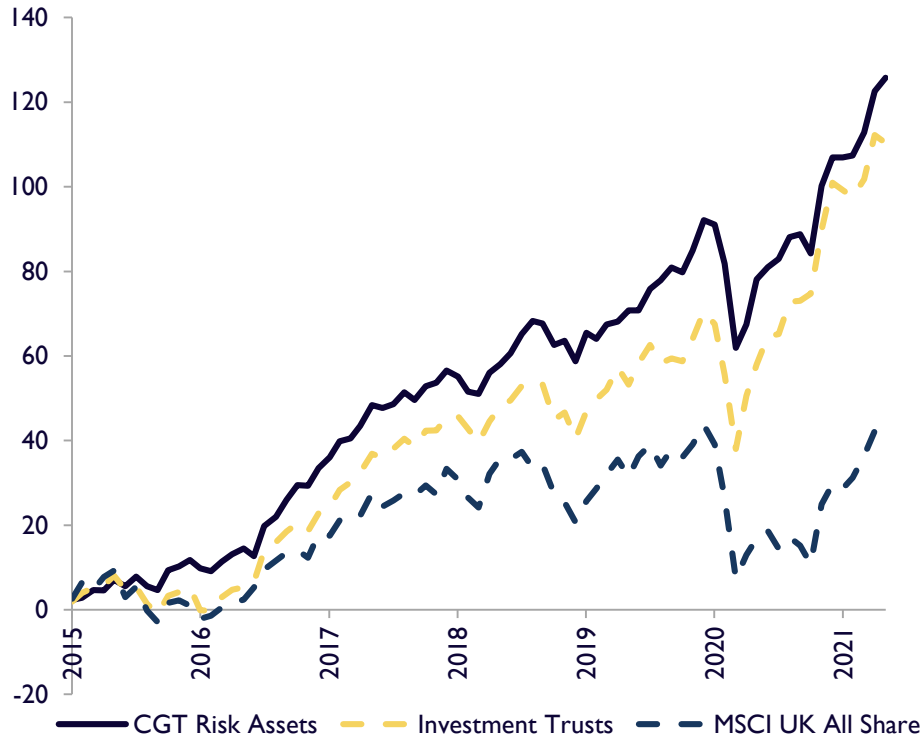
CGT Risk Assets – Asset Exposure and Geographic Exposure



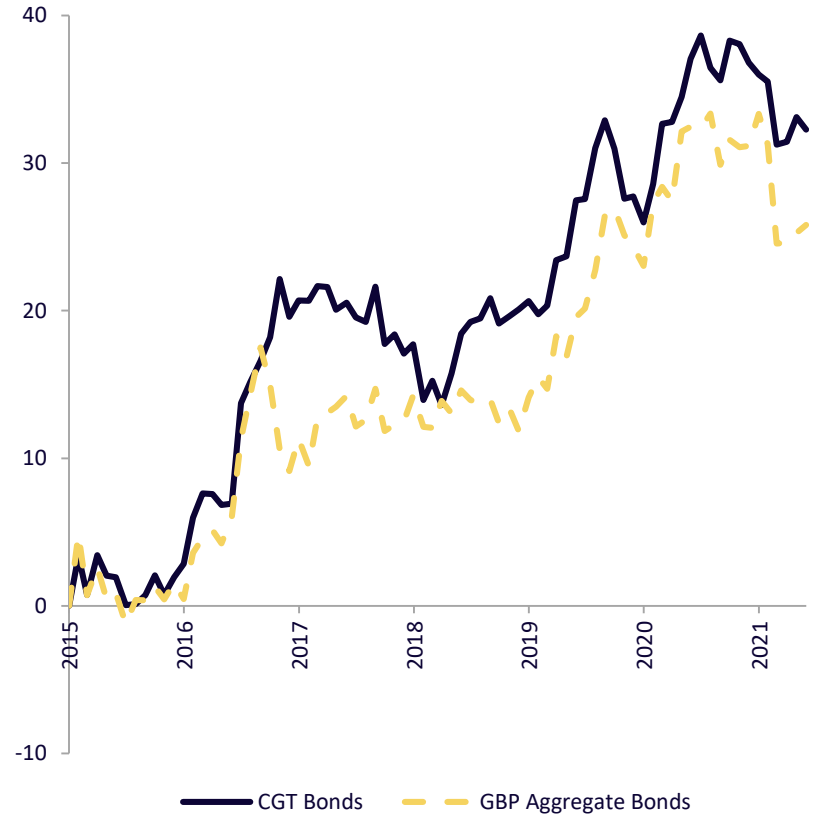
Source: CG Asset Management Analysis and Estimates, Numis, Morningstar

# Both the equity and bond portfolios have contributed to the outperformance and the stability of returns

CGT Risk Assets\* Returns (%)



CGT Bonds Only\* Returns (%)

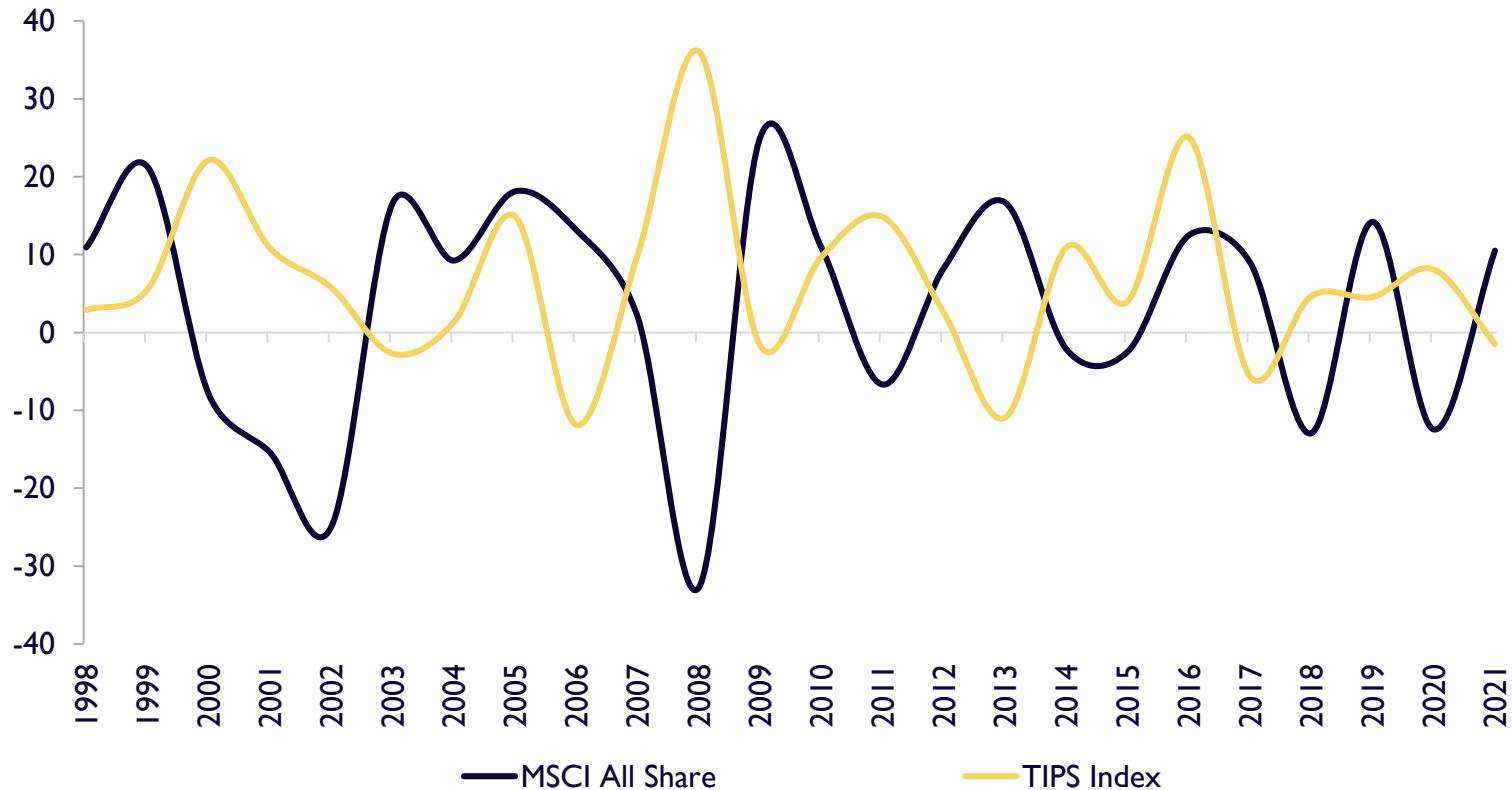


\* Risk Assets include equities, property, alternatives and gold. Bonds include Credit and sovereign bonds (excluding T-Bills and Cash)

Source: Bloomberg Portfolio Analytics

The negative correlation between TIPS and UK equities has been amongst the most reliable asset allocation tools over 20 years

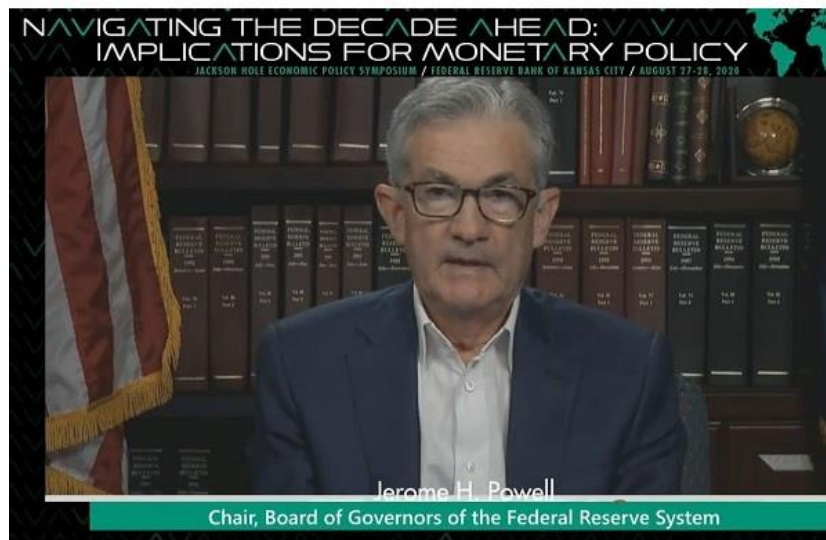
Annual Returns % of UK Stocks and TIPS - unhedged in GBP (1998-2020)



Source: Bloomberg

# CG AM The primacy of inflation targeting by central banks is dead

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“Our revised statement **emphasizes** that **maximum employment** is a broad-based and inclusive goal. This change reflects our appreciation for the **benefits of a strong labor market**, particularly for many in low and moderate income communities.

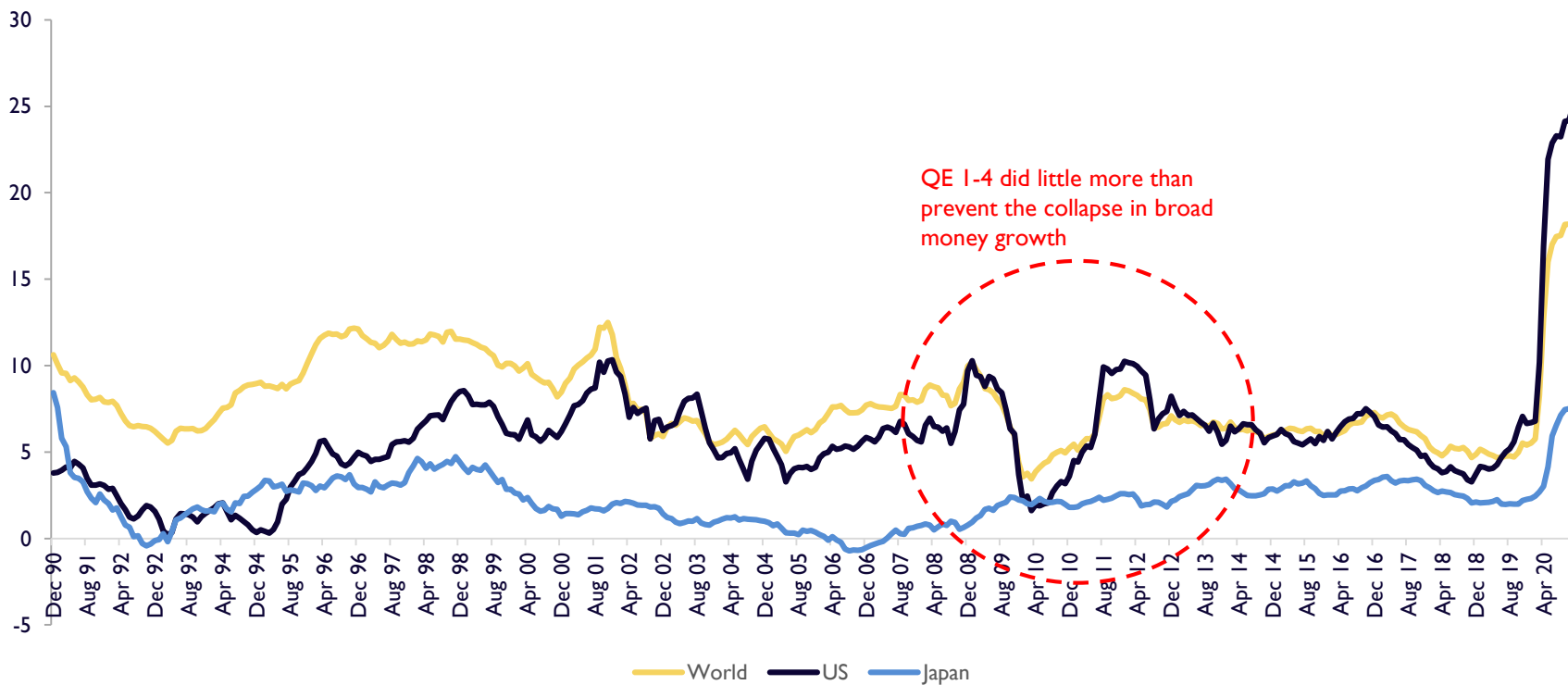
This change may appear subtle, but it reflects our view that **a robust job market** can be sustained **without** causing an **outbreak of inflation.**”

- Jerome Powell, Federal Reserve Chairman, Jackson Hole Symposium, 27<sup>th</sup> August 2020

Source: Federal Reserve

# Last time round QE did little to stoke inflation... might it be different this time?

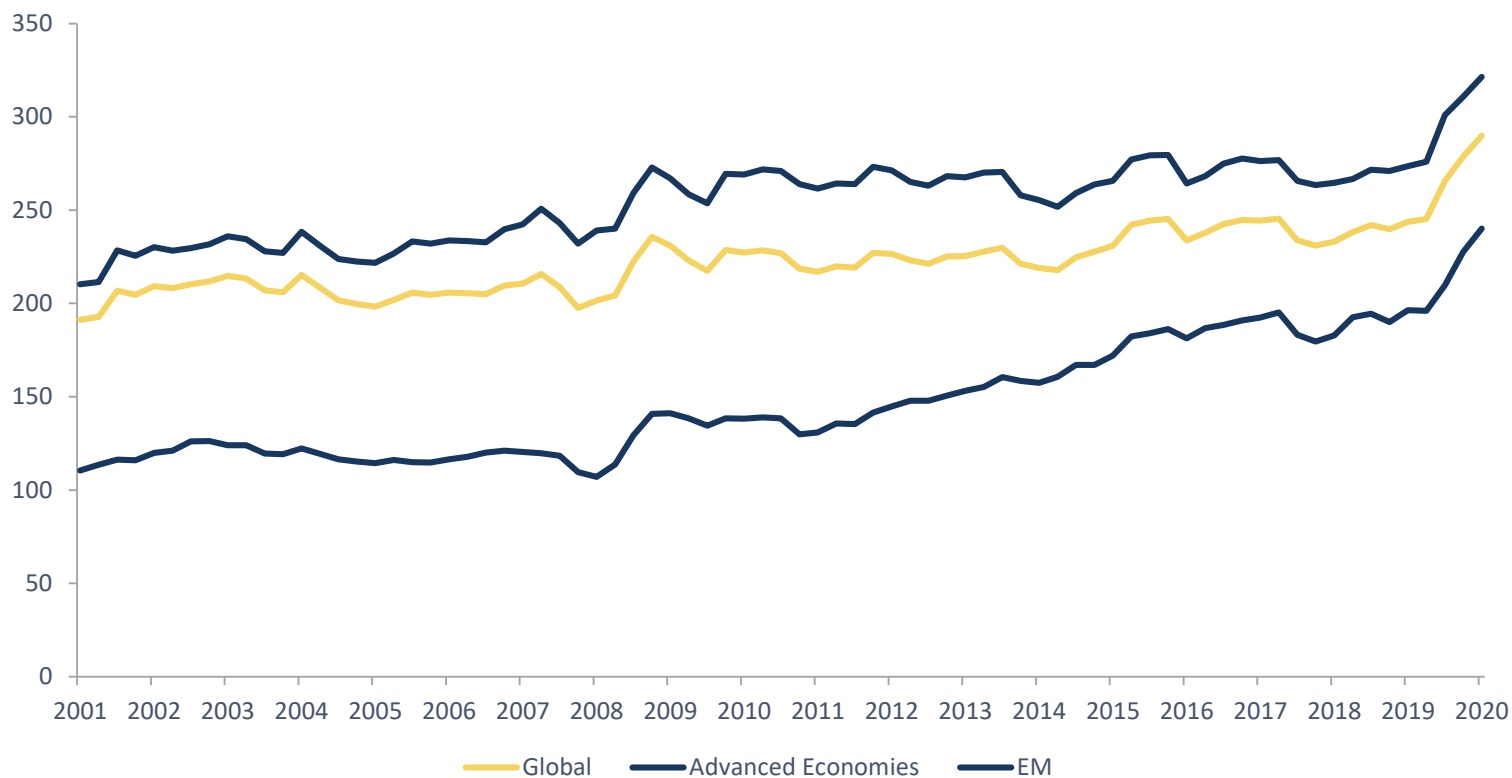
Broad Money Growth<sup>1)</sup> – Japan, US & World (YoY %)



1) Currency, deposits with maturity of up to two years, deposits redeemable at notice of up to three months, repurchase agreements, money market fund units, debt securities up to two years

Source: OECD

## Global Non-Financial Credit as % of GDP



Source: BIS Data to Dec 2020

1 Defensively positioned

- More than ½ of the portfolio in cash, corporate credit or inflation linked government bonds

2 Focused on capital preservation

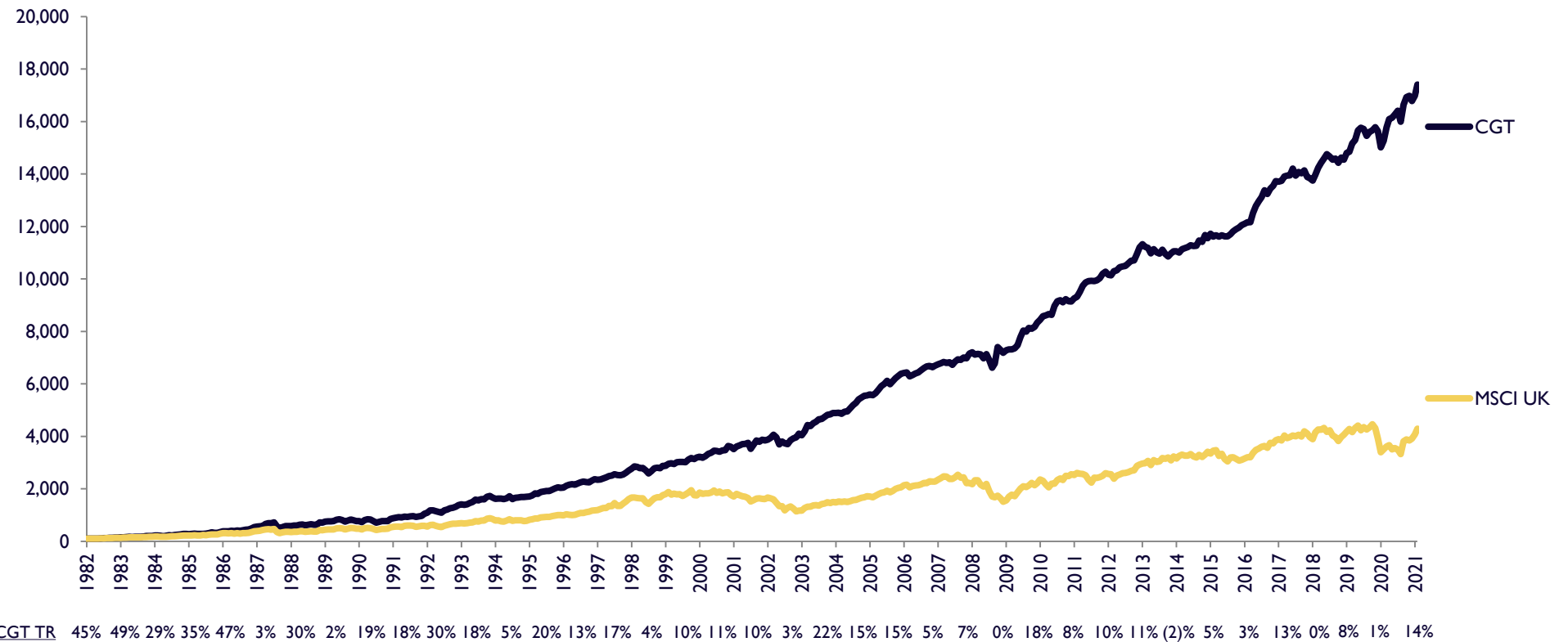
- Short term preservation is a tightrope as defensive assets are bid up to levels they may no longer be safe

3 Conscious of Inflation Risk

- We are concerned that the medium term risks of inflation are rising



Capital Gearing Trust – NAV Total Return History (Rebased) Apr 1982 to Apr 2021



Source: Morningstar



If you have any questions or comments please get in touch

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Capital Gearing Trust's Website – [www.capitalgearingtrust.com](http://www.capitalgearingtrust.com)

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