

Capital Gearing Trust

Annual General Meeting

5 July 2023



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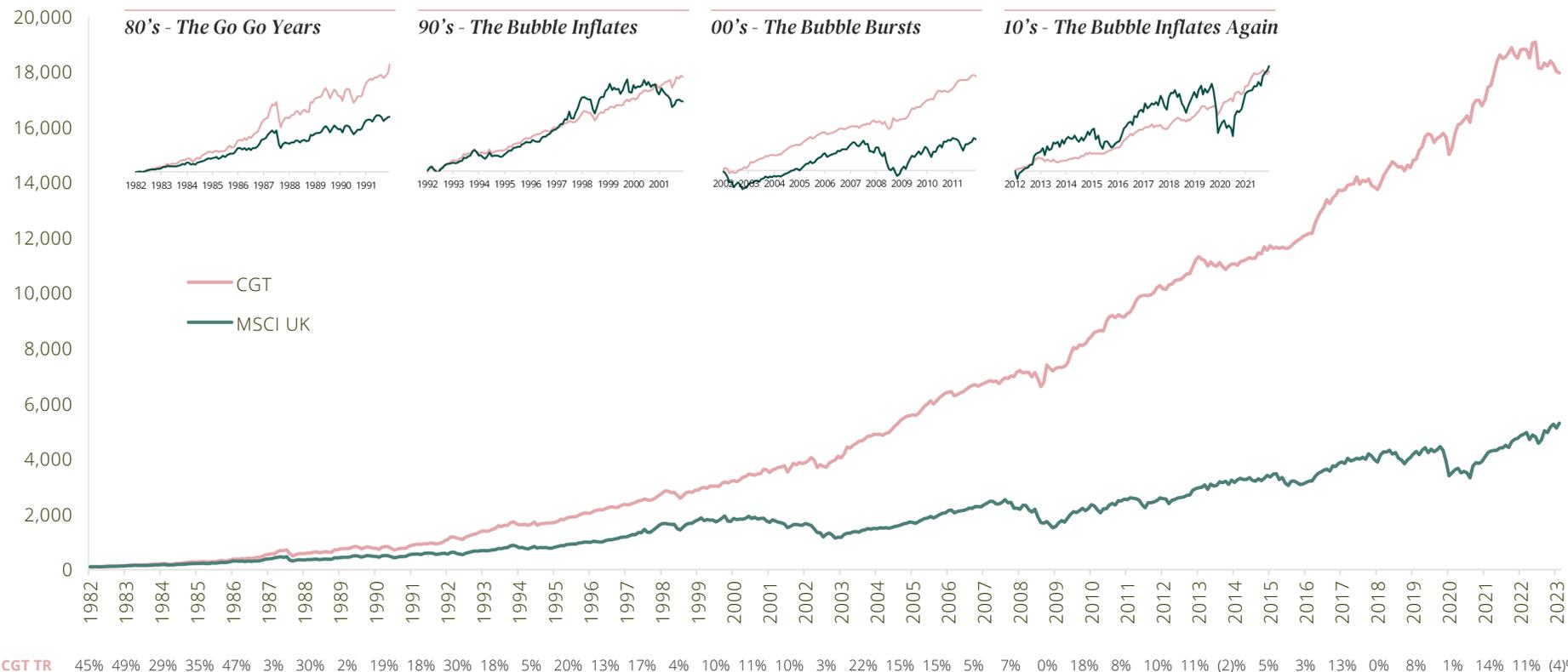
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Overview

Since 1982 the CGT share price total return has been 257x¹

NAV Total Return History (Rebased) Apr 1982 to Apr 2023



¹ Share price terms, dividends reinvested
Source: Northern Trust, Morningstar

Overview

Over the last year 3 ^{1/2} new team members have joined the CGAM family

Investments & IR



Peter Spiller
Chief Investment
Officer



Alastair Laing
Co-Manager



Chris Clothier
Co-Manager



Chris Taylor
Chief Operations
Officer



Jason Barlow
Senior Operations
Manager



Richard Goody
Senior Compliance
Officer

Operations

Risk & Compliance



Hassan Raza, CFA
Investment Analyst



Emma Moriarty
Investment Analyst



Lisa Bajardi
Head of Investor
Relations



Lydia Groves
Operations Manager



Finn
Chief Morale Officer



Sindy Somander
Finance & Reporting
Manager

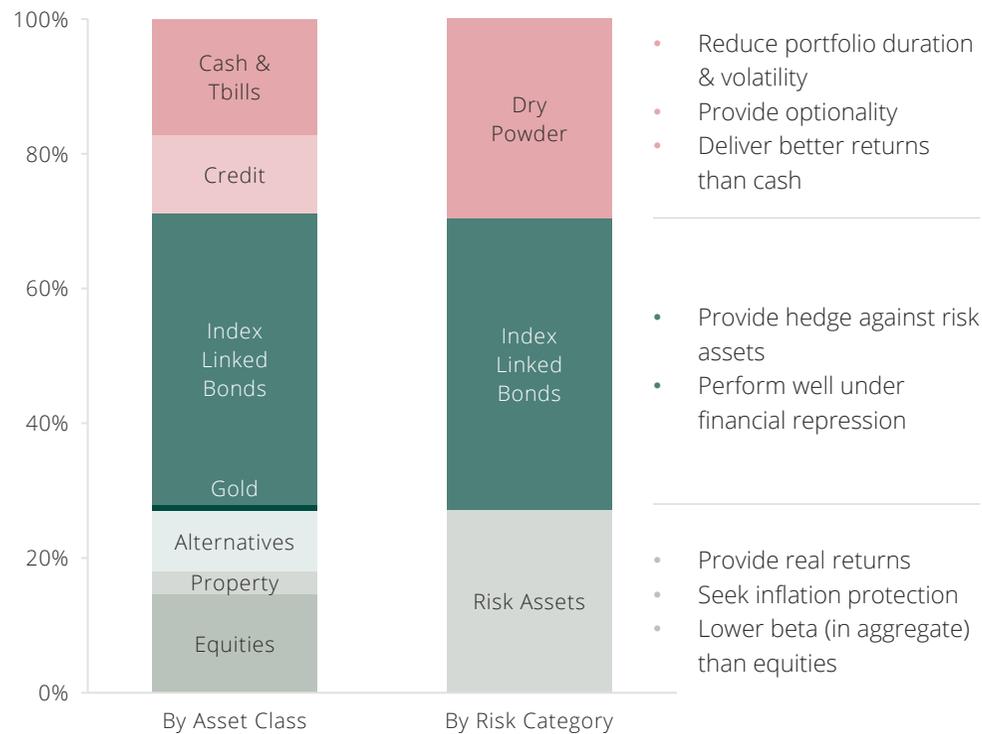
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Positioning and Returns

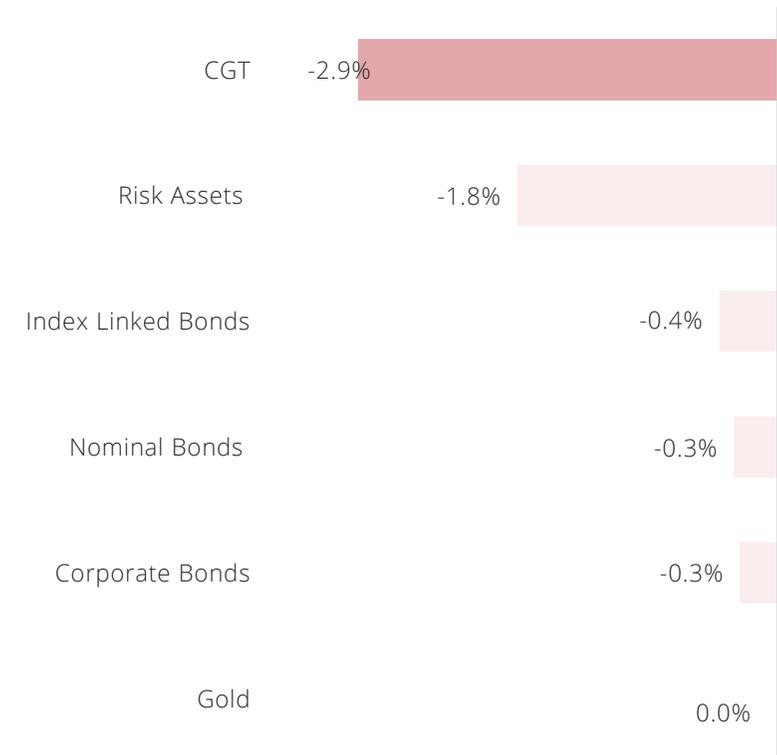
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Positioning remains defensive, with a focus on inflation protection

CGT Asset Allocation June 2023



Contribution by Asset Class over last twelve months



Source: CGAM, Bloomberg Finance L.P., Northern Trust

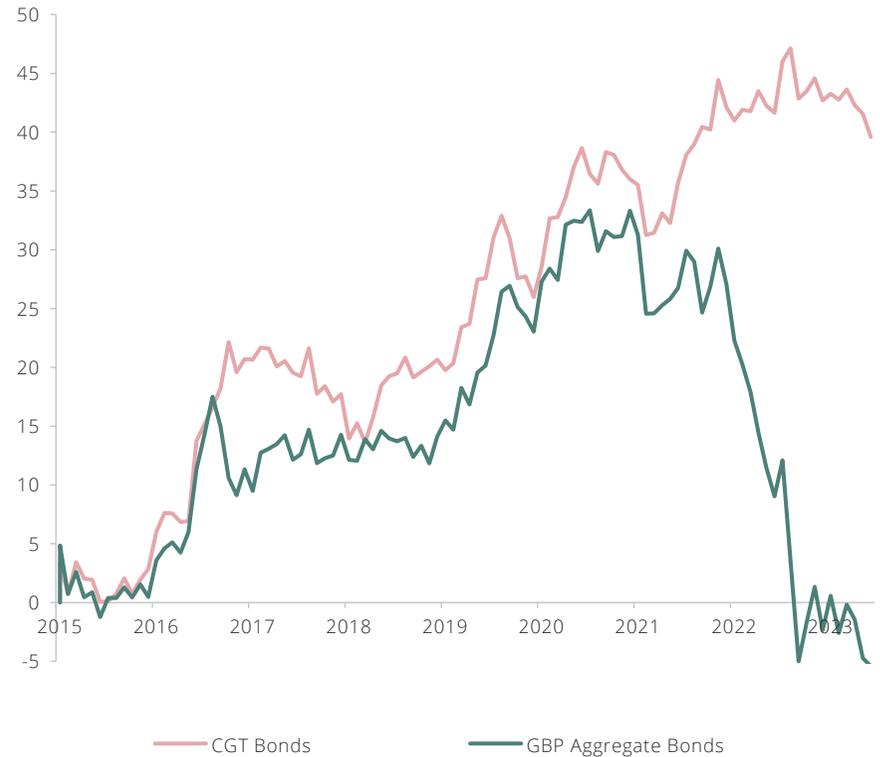
Positioning and Returns

Both the equity and bond portfolios outperformed their benchmark, contributing to the stability of returns

CGT Risk Assets* Performance to June 2023



CGT Bonds Only* Performance to June 2023

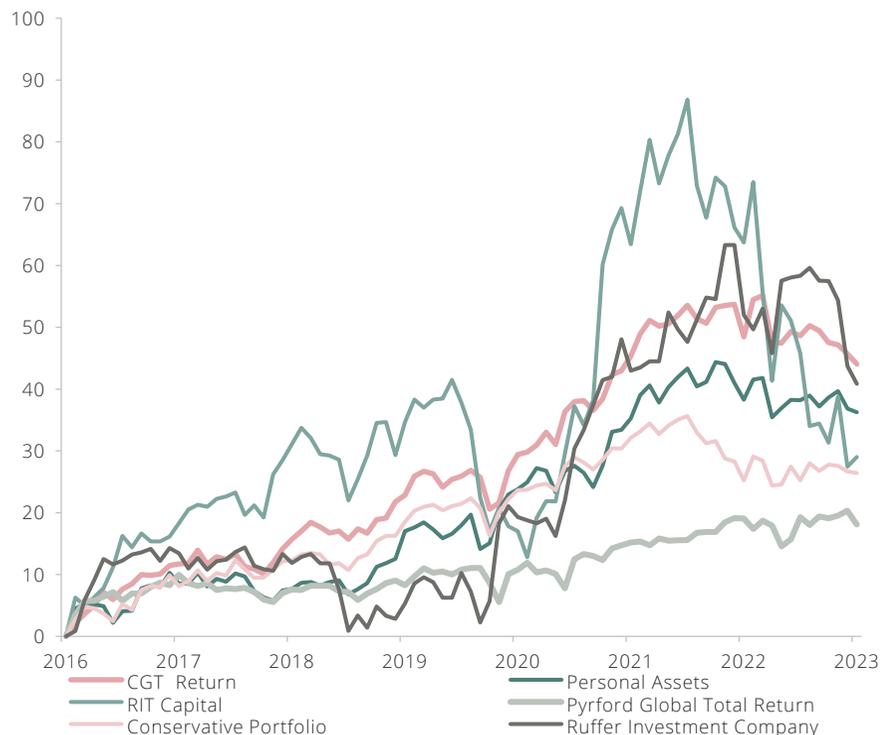


*Risk Assets include equities, property, alternatives and gold. Bonds include Credit and sovereign bonds (excluding T-Bills and Cash)
Source: Bloomberg Finance L.P., Northern Trust | Drawdown calculation based on month-end NAVs

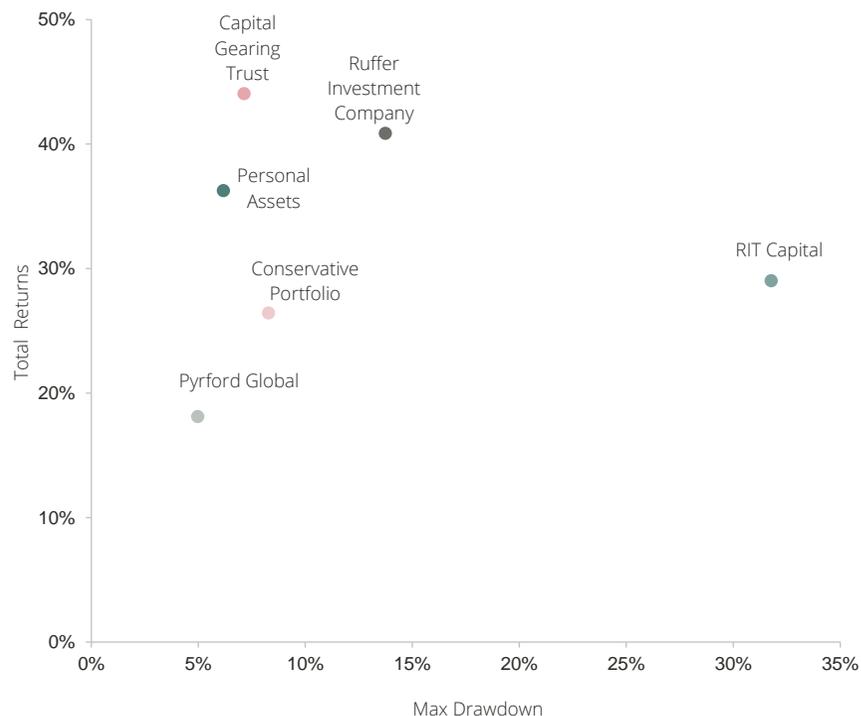
Positioning and Returns

CGT has delivered good risk adjusted returns relative to its peers

CGT vs. Peers – NAV Total Returns to June 2023



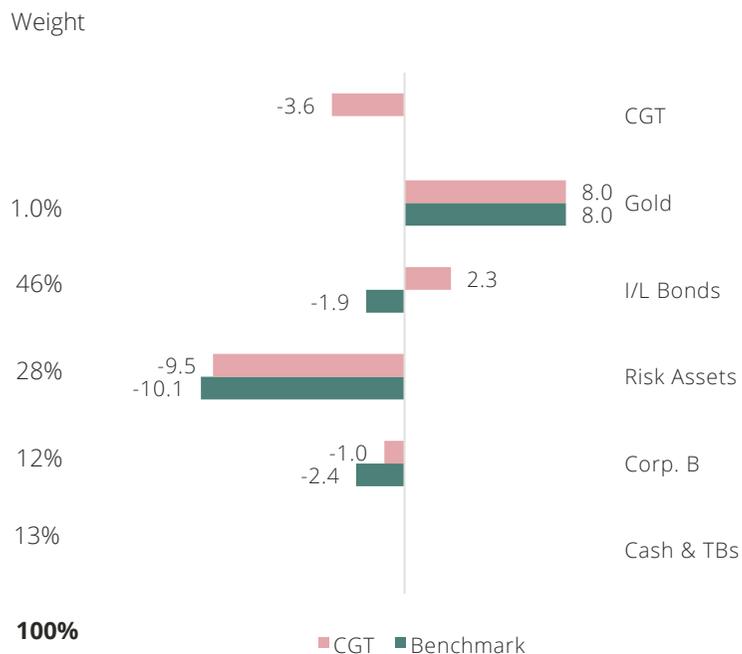
CGT vs. Peers – Max Monthly Drawdown



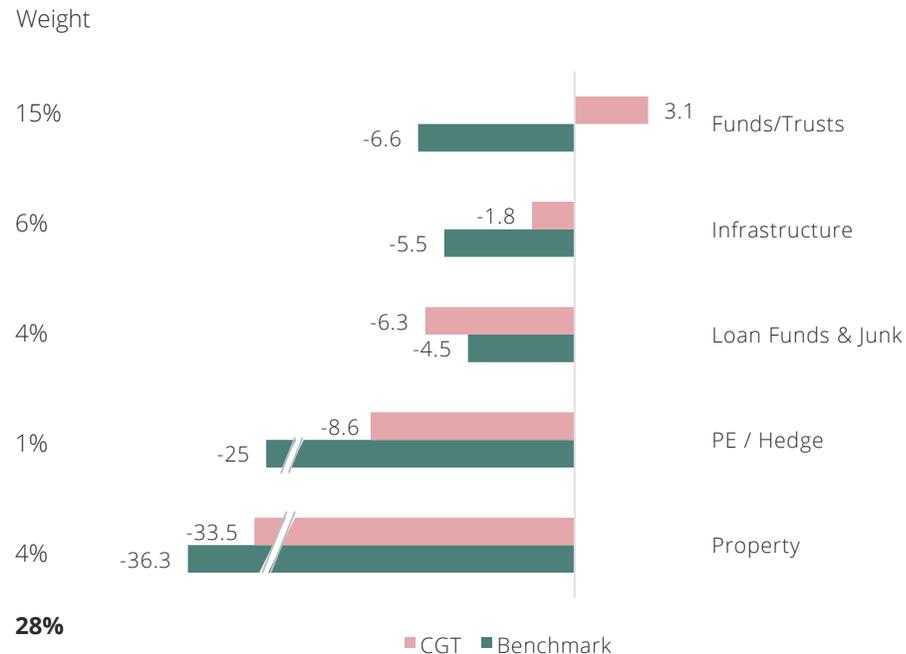
*Risk Assets include equities, property, alternatives and gold. Bonds include Credit and sovereign bonds (excluding T-Bills and Cash)
 Source: Bloomberg Finance L.P., Northern Trust | Drawdown calculation based on month-end NAVs

Most asset classes outperformed their comparator index

CGT NAV Returns By Asset Class - Year End Mar 2023



CGT Risk Assets* Only Returns – Year End Mar 2023



*Benchmark: Corporate Bonds = UK Short Corporate Bonds, I/L Bonds = BB Global IL, Risk Assets = Investment Trust Index, Funds/Trusts = MSCI Global, Property = EPRA Europa, Infrastructure = AIC Infra, Loans & Junk = BB High Yield, PE/Hedge = AIC Private Equity
 Source: CGAM, Bloomberg Finance L.P., Northern Trust.
 Note: totals may differ due to rounding and accretion from issuance

What went right?

Index Linked Bonds

- Short duration in UK meant **dramatic outperformance** relative to **gilt index**
- **Added** to position and **increased duration** during the **Gilt crisis**

Credit

- Added significantly to holdings **on attractive yields September-November**
- **Subsequently reduced** as spreads tightened in early 2023

Energy & Power

- **Energy stocks** returned **10%** over last 12 months
- **Renewable energy infrastructure** returned **7%**, activist engagement starting to deliver also

Conventional Equities

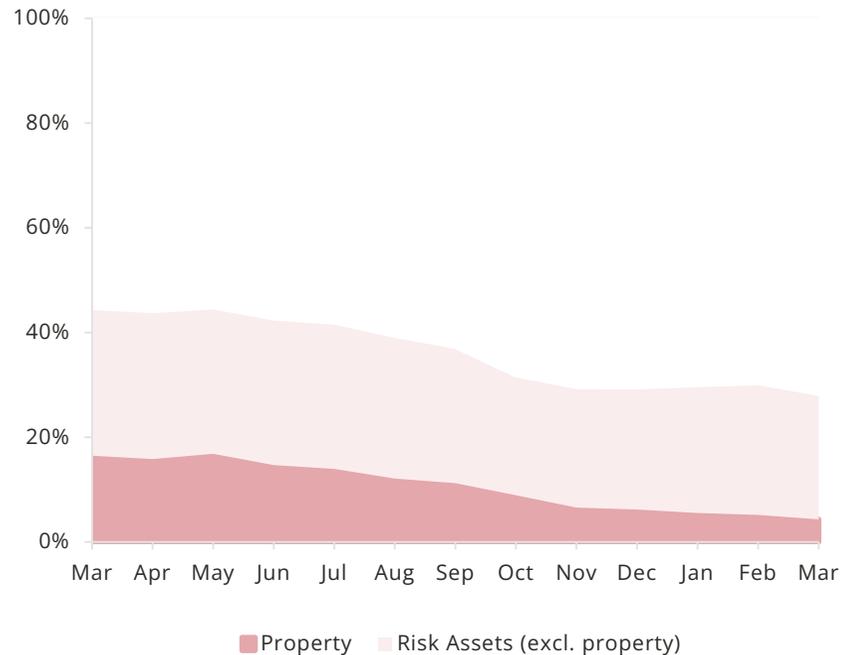
- Overweights to Japan (6% return) and UK (15% return) **both outperformed the MSCI World** (at last!)

Currencies

- Exposure to **overseas currencies**, in particular USD, was **helpful to performance**
 - **Sold FX** (mostly USD) **for GBP during the Gilt crisis** (with hindsight should have sold more)
 - Moved **too early** into **JPY** and SEK continued to disappoint
-

What went wrong? In hindsight, we were too slow to reduce the property weighting

CGT Risk Assets Evolution



CGT Property Assets Total Returns



Source: CGAM, Bloomberg Finance L.P.

Note: Risk assets include equities, property, alternatives and gold. Property assets include small holdings of corporate bonds, which contributed 0.4%

Positioning and Returns

A discount has developed in CGT, so the company is buying back shares consistent with the discount control mechanism

CGT – Share Price, NAV and Discount Control to June 2023



Source: CGAM, Bloomberg Finance L.P.

Outlook

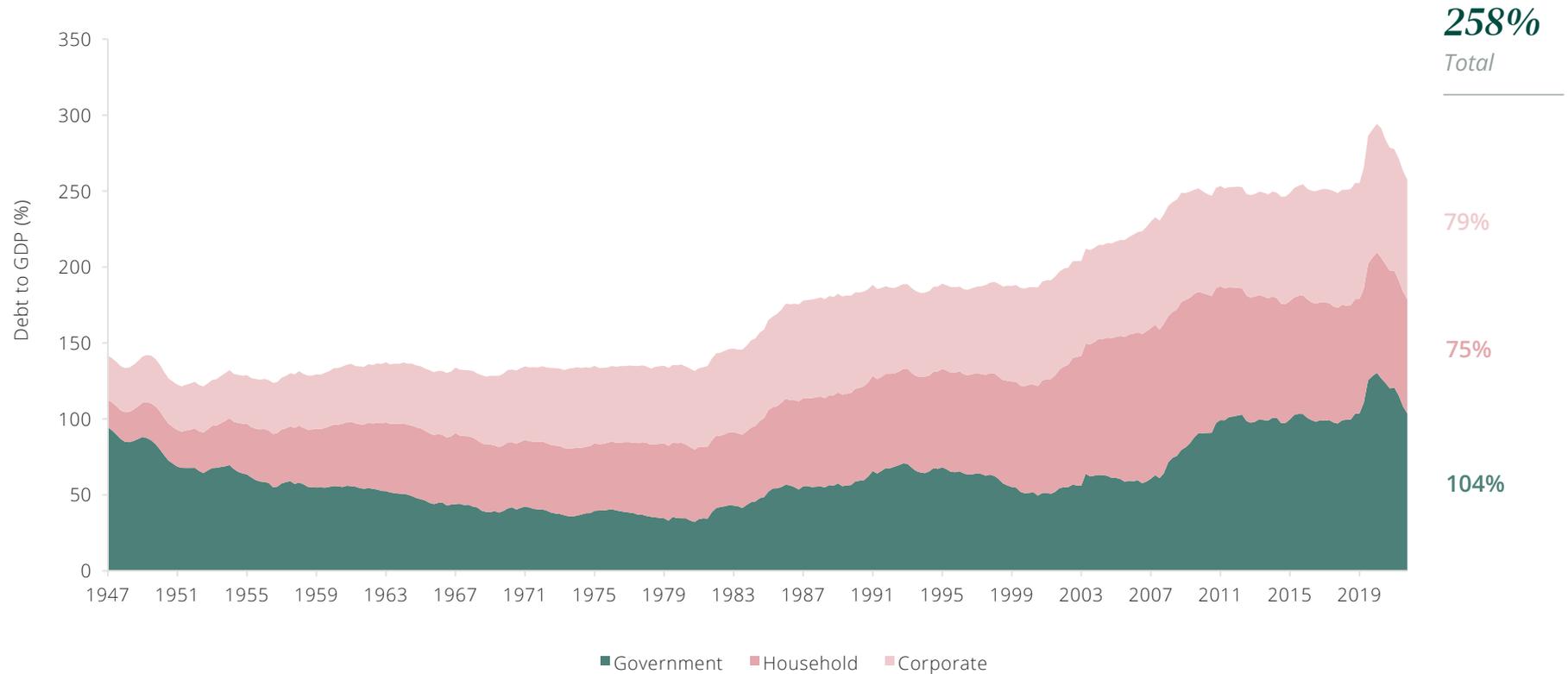
What we are thinking about

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Outlook

Elevated debt is causing fragility across the economy and financial system

US non-financial debt to GDP (%)

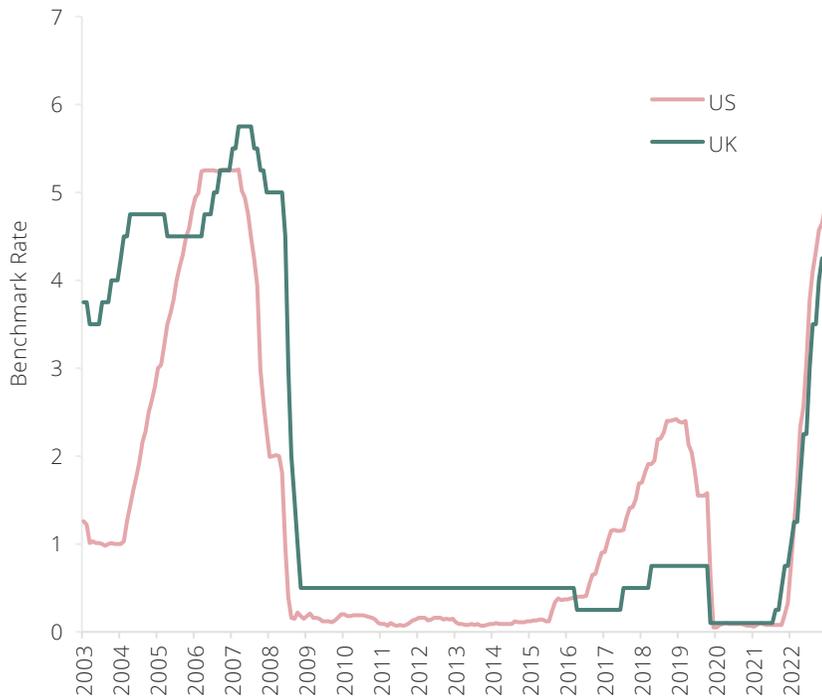


Source: Bank for International Settlements

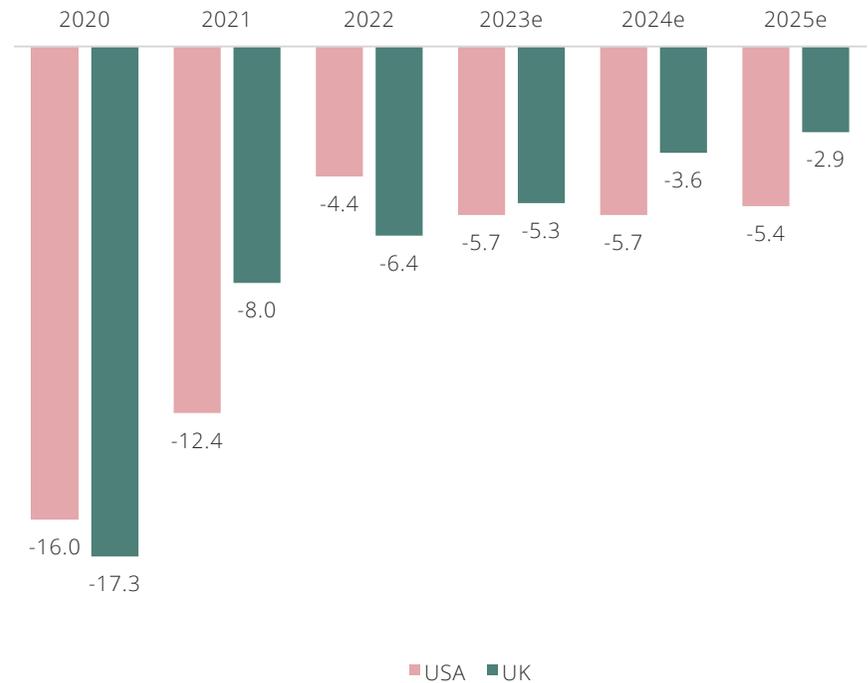
Outlook

Monetary policy and fiscal policy are pulling in opposite directions

Central Bank Benchmark Rates (%)



Fiscal Balance (%)

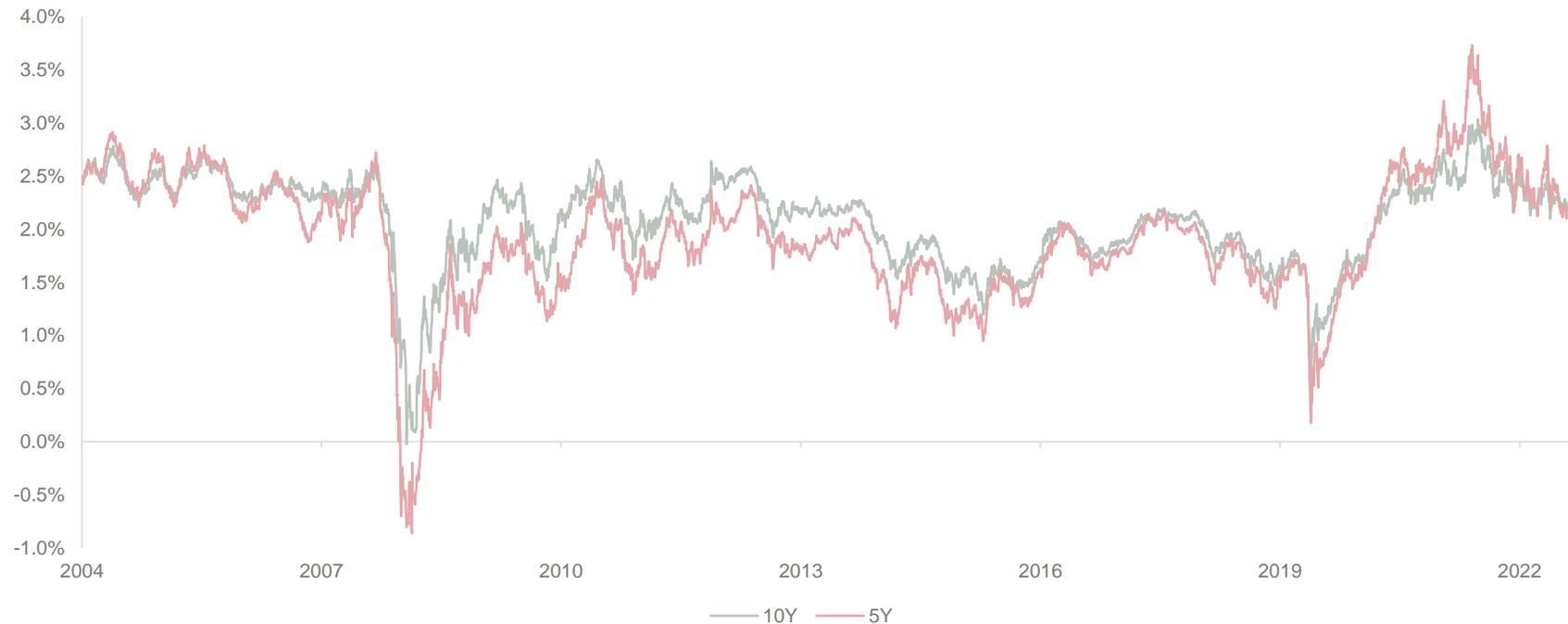


Source: Bloomberg Finance L.P.

Outlook

Markets remain very sanguine about the prospects for inflation

US Breakeven Inflation Rate (%)



Source: Bloomberg Finance L.P.

Outlook

A rebound in household savings (which seems likely) would be bad for corporate profits

US Household Personal Savings Rate (%)



Source: Federal Reserve Bank of St Louis, Monthly, Seasonally Adjusted Annual Rate

**How many cockroaches are
there in the kitchen?**

