

A black and white photograph of two mountain goats standing on a dark, layered rock face. The goats are positioned in the upper right quadrant of the image. The rock face shows distinct horizontal and vertical geological strata. The lighting is dramatic, highlighting the texture of the goats' fur and the ruggedness of the rock.

Capital Gearing Trust

Annual General Meeting

July 2024

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Capital Gearing Trust Overview

Investment Objective



- The Company's objective is to preserve and grow shareholders' real wealth over time
- The Company seeks **cost-effective, long-term absolute returns** via a global portfolio of equities, bonds and commodities
- It follows a simple, low-cost approach, no derivatives, no gearing, no short selling
- The Trust is actively managed, without reference to a benchmark

Fees and Structure



- Size: **£1.0bn**
- Management Fee: **0.37%¹** | Ongoing Charge Figure: 0.46%
- FTSE 250 Listed Investment Trust with a **42-year track record**
- Discount Control Mechanism: The Company aims to purchase or issue shares to ensure that, under normal market conditions, the share price closely tracks the underlying Net Asset Value per share

Investor Profile



The fund has a broad range of investors who typically exhibit the following characteristics:

- A long-term investment horizon
- An aversion to significant short-term losses
- A desire to generate returns that outpace inflation over the long term
- A focus on GBP-denominated returns

1. Tiered fee structure, marginal rate is 0.3% above £500m

Overview

We are joined by 3 new colleagues this year

Investments & IR



Peter Spiller

Co - Chief Investment Officer



Alastair Laing

CEO, Fund Manager



Chris Clothier

Co - Chief Investment Officer



Hassan Raza, CFA

Investment Manager



Emma Moriarty

Investment Manager



Jock Henderson

Investment Analyst



Sophia Sednaoui

Head of Investor Relations



Katie Forbes

Head of Investor Relations of CGT

Operations



Chris Taylor

Chief Operations Officer



Lydia Groves

Operations Manager



Finn

Chief Morale Officer



Jason Barlow

Senior Operations Manager



Prath Ketheeswaran

Operations Apprentice

Risk & Compliance



Richard Goody

Senior Compliance Officer



Sindy Somander

Finance & Reporting Manager

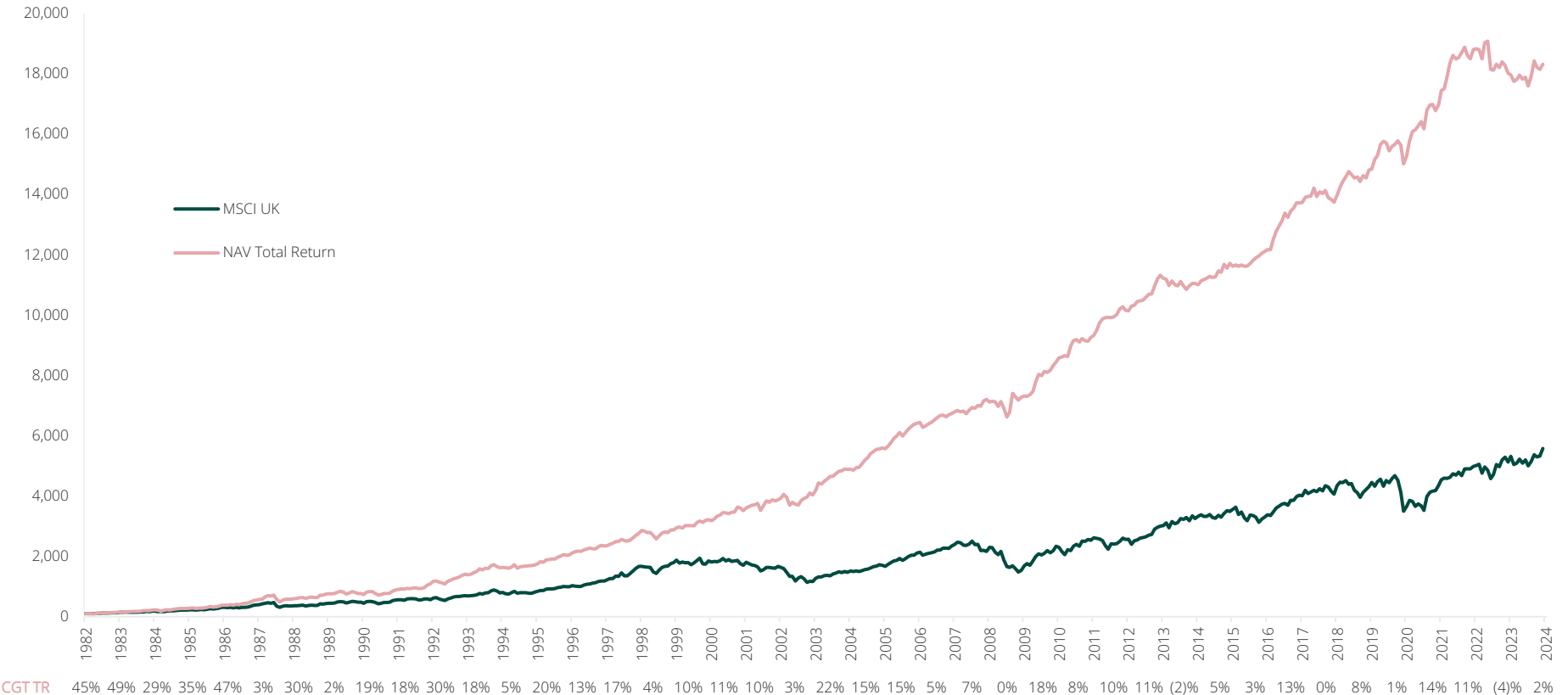
Taking Stock

Positioning and Returns

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Since 1982 the CGT share price total return has been 262x¹

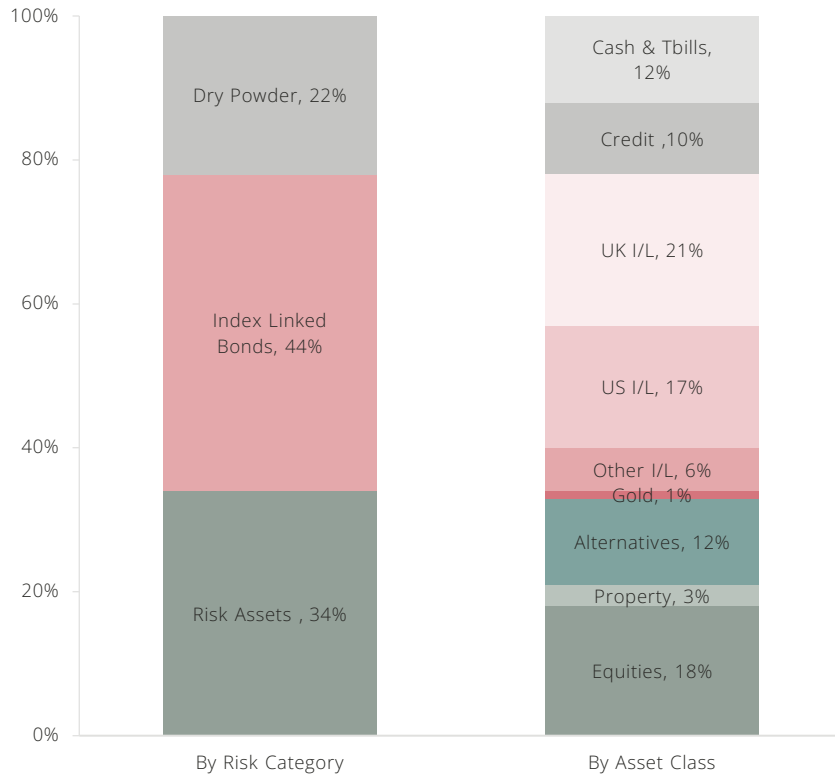
NAV Total Return History (Rebased) Apr 1982 to Apr 2024



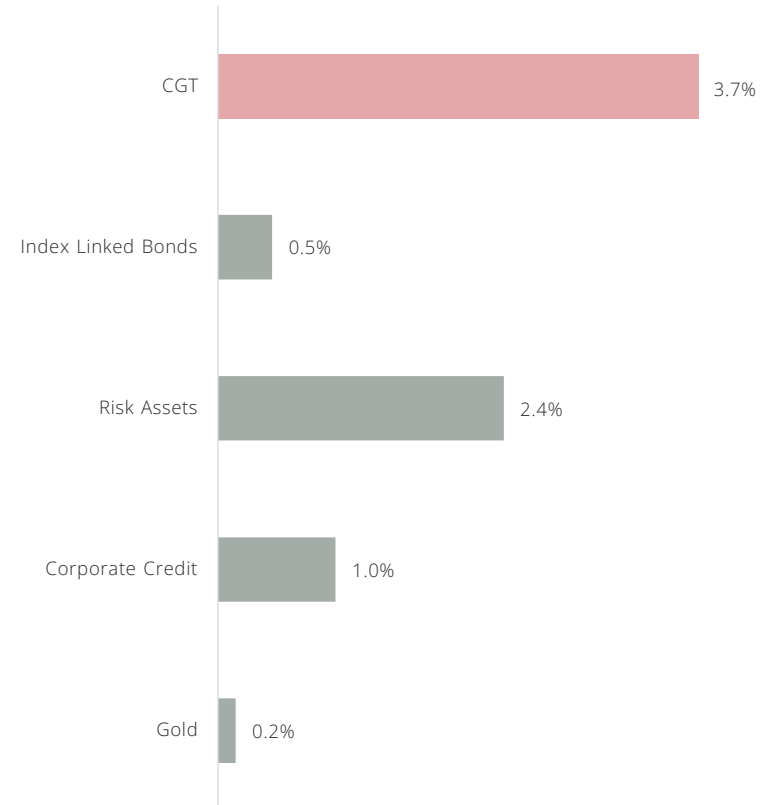
¹ Share price terms, assumes all dividends reinvested over the period specified
Source: Northern Trust, Morningstar

Positioning is defensive, with a focus on inflation protection

CGT Asset Allocation May 2024



Contribution by Asset Class LTM May 2024



NAV performance net of fees
Source: CGAM, Bloomberg Finance L.P., Northern Trust

Both equity and bond portfolios have contributed to outperformance

CGT Risk Assets Returns Performance to May 2024¹



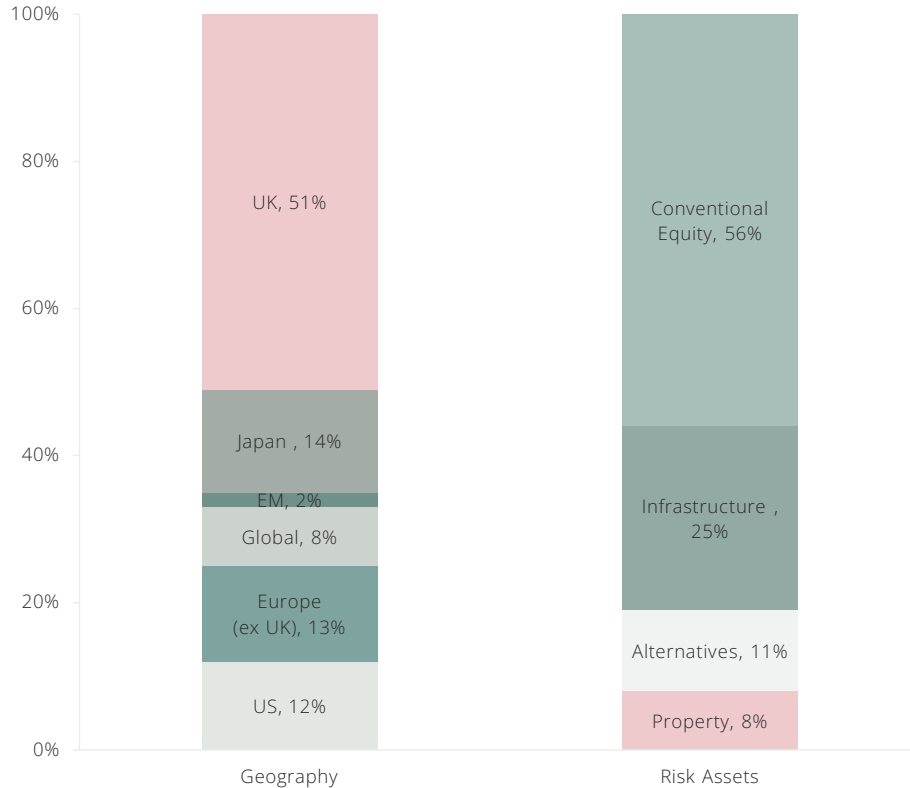
CGT Bonds Only Returns Performance to May 2024¹



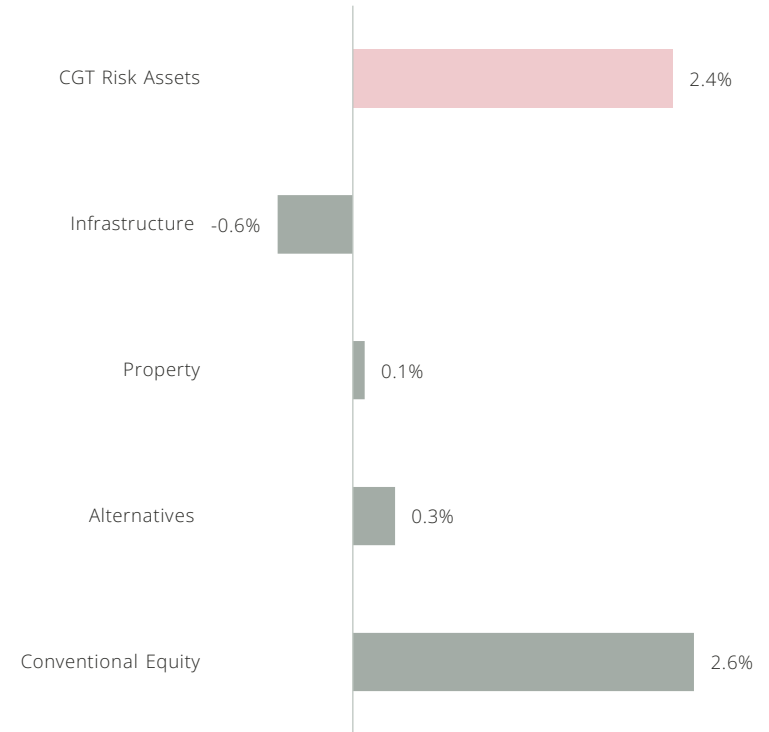
¹Risk Assets include equities, property, alternatives and gold. Bonds include credit and sovereign bonds (excluding T-Bills and cash), start period reflects the longest period available for CGT under Bloomberg AIM
Source: Bloomberg Finance L.P., Northern Trust

Infrastructure assets have faced headwinds in the last year

CGT Risk Assets – Geographic Exposure and Asset Exposure



Contribution by Risk Assets LTM May 2024



NAV performance gross of fees
 Alternatives include: Loan Funds, HY, PE & Hedge Funds
 Source: CGAM, Bloomberg Finance L.P., Northern Trust

Review of the last 12 months

Index Linked Bonds

- **Short duration** in UK meant dramatic outperformance relative to gilt index
 - Longer duration in US TIPs and **sterling strength** were detractors
-

Credit

- Spreads contracted materially, returning c.9% in investment grade and c.12% in high yield
 - **Recycled profits** into treasuries and investment trust special situations
-

Infrastructure

- **Main detractor** last year (returning -11%) with discounts on high quality infrastructure suffering from a technical dislocation as investors pivoted to short-dated government bonds
 - Actively engaging with boards and shareholders to improve governance
 - We think the sector offers **exceptional value** and have added to holdings (8% of the portfolio)
-

Property

- Positive (+1%) with UK residential and long dated assets a drag on performance
-

Energy

- Energy stocks **returned 23%** over the last 12 months, profits recycled into UK equities
-

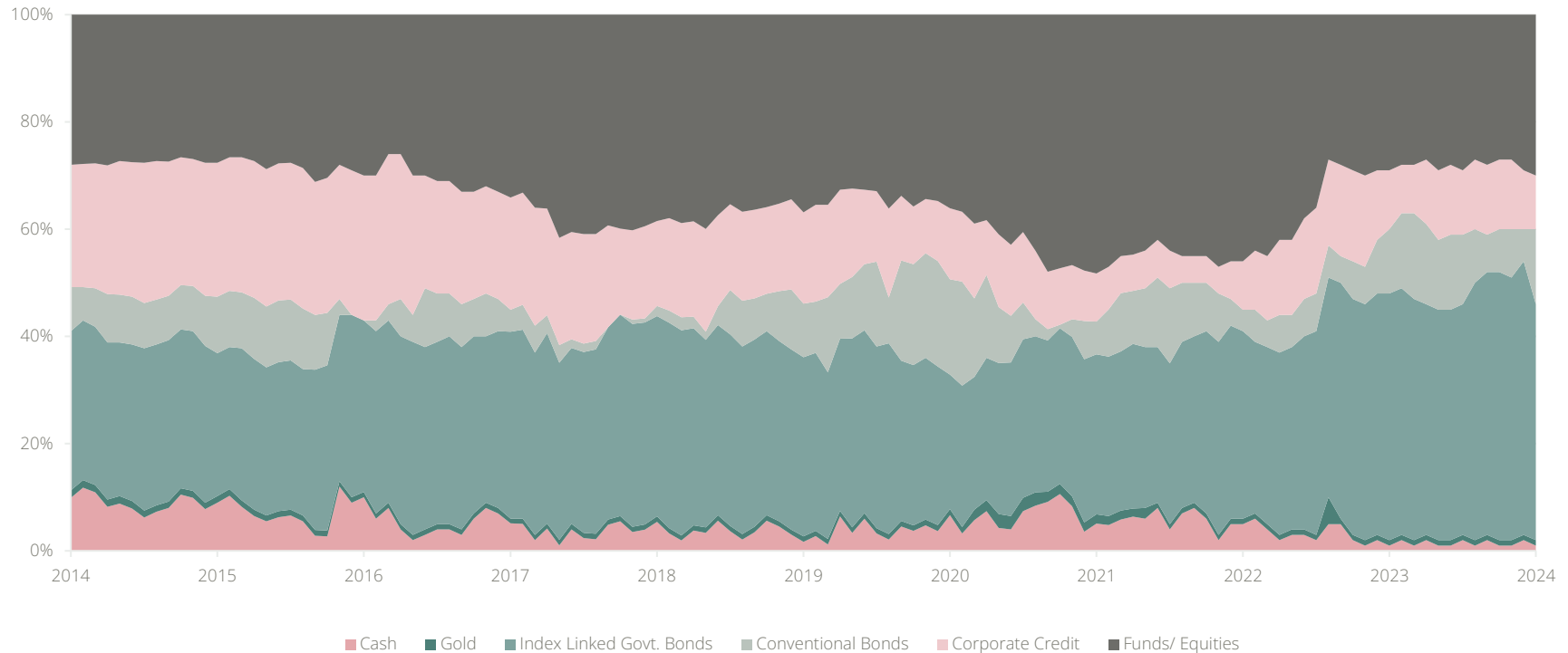
Conventional Equities

- **Underweight US** and an overweight to value markets (Japan, +15% return and UK,+14% return) was a drag on relative performance, combined with continued currency **headwinds from the Yen**
 - **Dramatic repricing in investment trusts** has improved opportunities for medium-term returns
-

Taking Stock

Asset allocation remains broadly unchanged over the last year, with an increase in equities and a decrease in credit and index linked around the year end

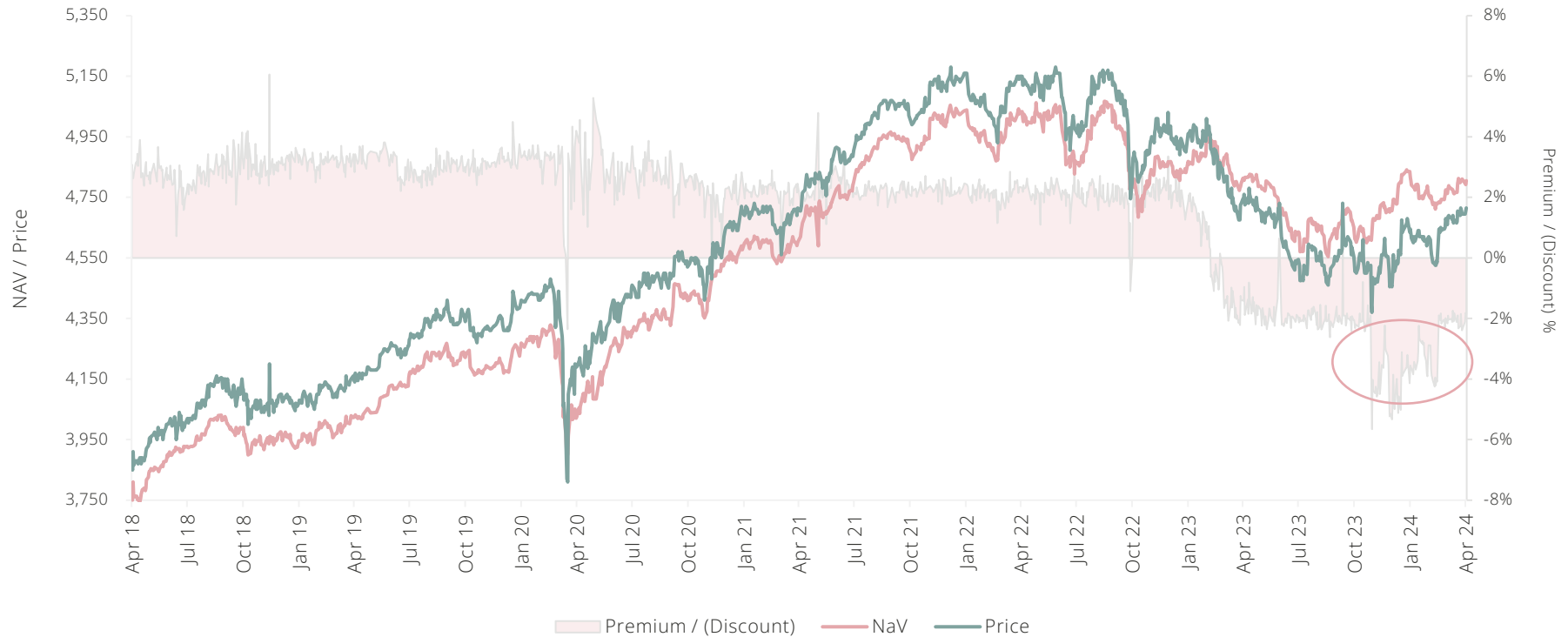
CGT Asset Allocation – 2014 to 2024



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

After a period of disruption, the discount control was re-established in February

CGT – Share Price and NAV to March 2024



Source: CGAM, Bloomberg Finance L.P.

Reasons for Optimism

The investment trust market opportunity

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Reasons for Optimism

The emergence of a discount is not specific to CGT, it reflects the entire sector

Investment Companies Premium (+) / Discount (-) %¹



¹Alternatives exclude 3I, source: Deutsche Numis

Discount expansion explains most of the underperformance vs MSCI World

Investment Companies Index and MSCI World Total Returns (x)



Source: Bloomberg Finance LP

Why we are investing in Investment Trusts



Technical factors have caused capital to leave the sector

- I. Pivot to fixed income
- II. Multi-asset outflows
- III. Cost disclosure rules
- IV. M&A across wealth managers forcing up minimum size



Short-run oversupply vs. long-run return of capital

Strong issuance has created an oversupply of shares with price picking up the slack for the immediate imbalance

We are seeing a record return of capital through buybacks, tenders and corporate actions which will pull returns higher over the medium term



Discounts are at their widest since GFC

Average discounts have widened to levels last seen since the financial crisis with greater scope and increasing frequency of opportunities



Uniquely positioned with to engage with boards

We have long- and well-established relationships with directors across the sector

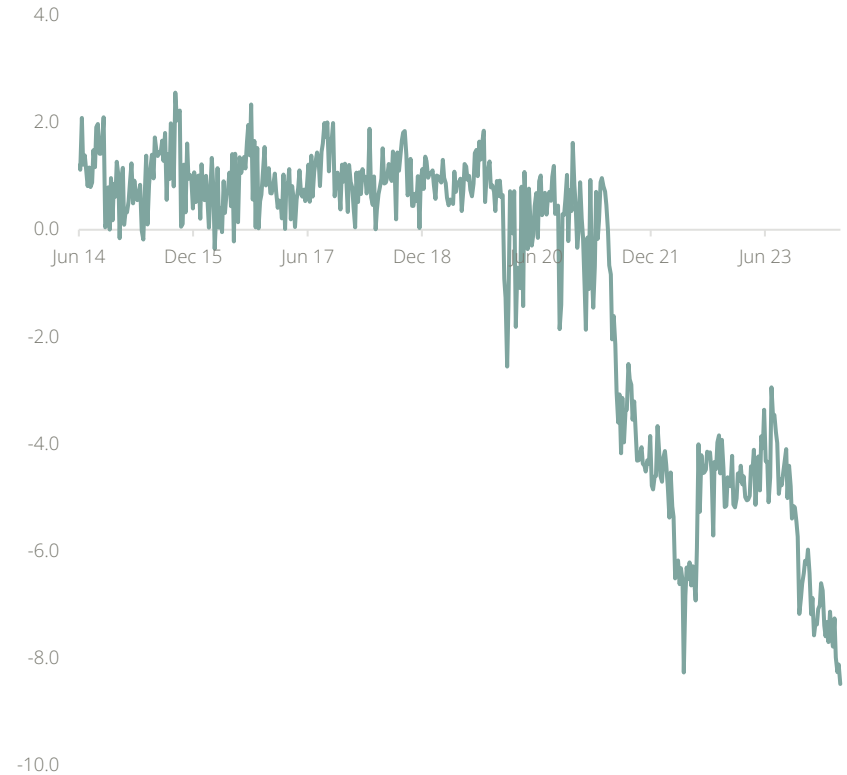
We believe we are uniquely placed to work collaboratively with boards to enable investment trusts to thrive

Quality growth investment trusts are available in the bargain bin...

Smithson Investment Trust: Premium (+) / Discount (-) %¹



Finsbury Growth & Income: Premium (+) / Discount (-) %¹

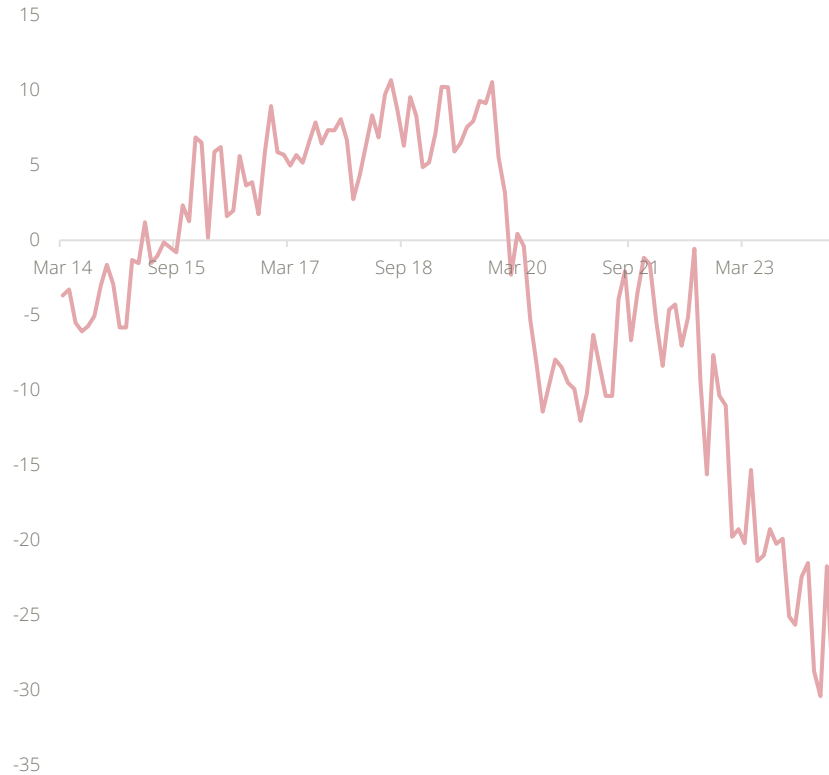


1. Net asset values are reported daily for SSON and FGT
Source: Bloomberg Finance L.P.

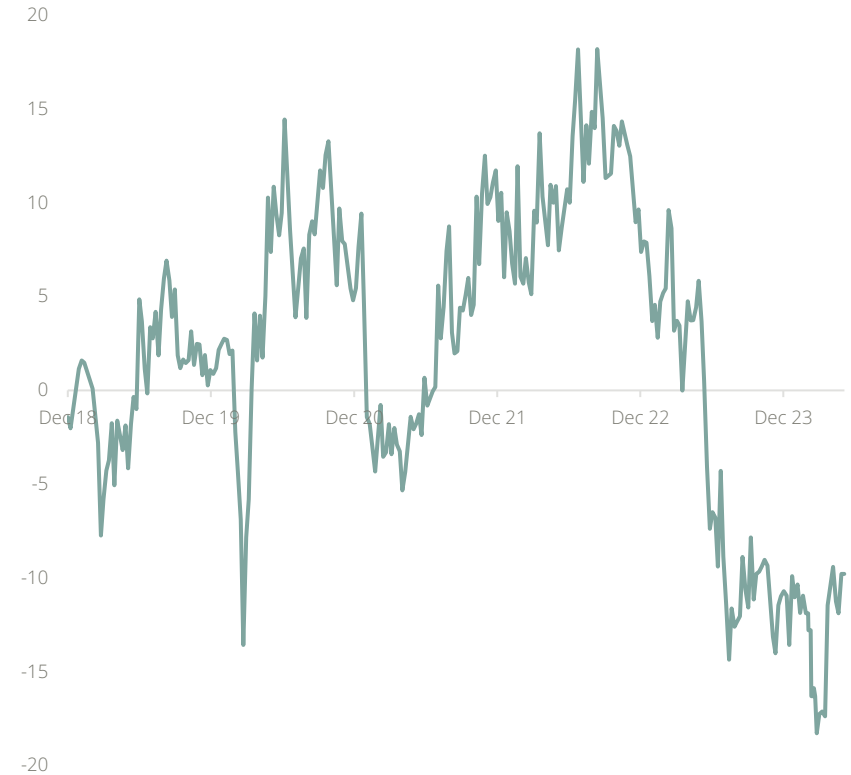
Reasons for Optimism

... as are diversifiers if you rummage around

RIT Capital Partners: Premium (+) / Discount (-) %¹



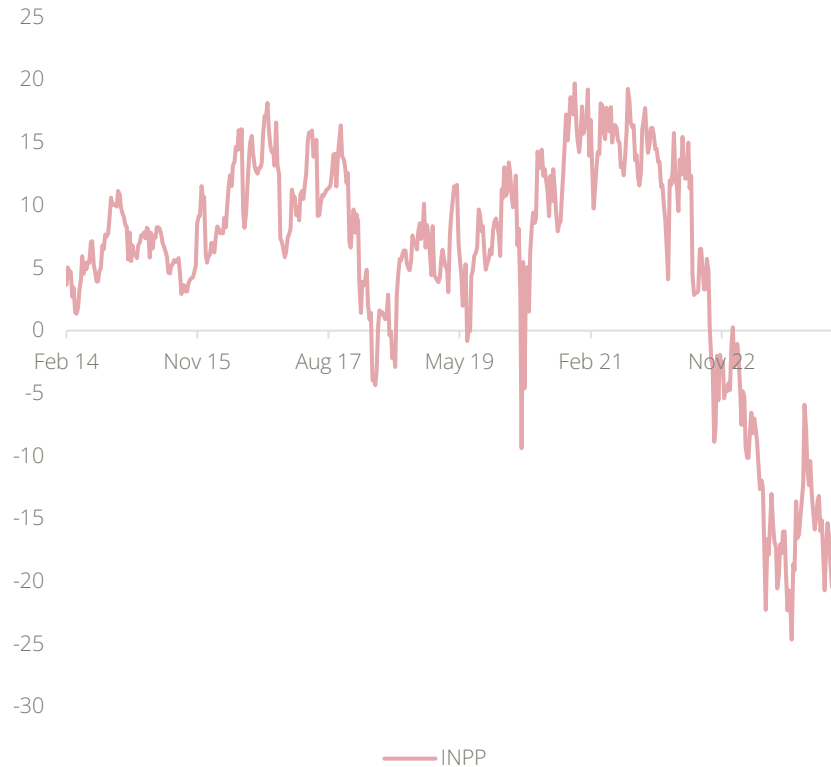
BH Macro: Premium (+) / Discount (-) %¹



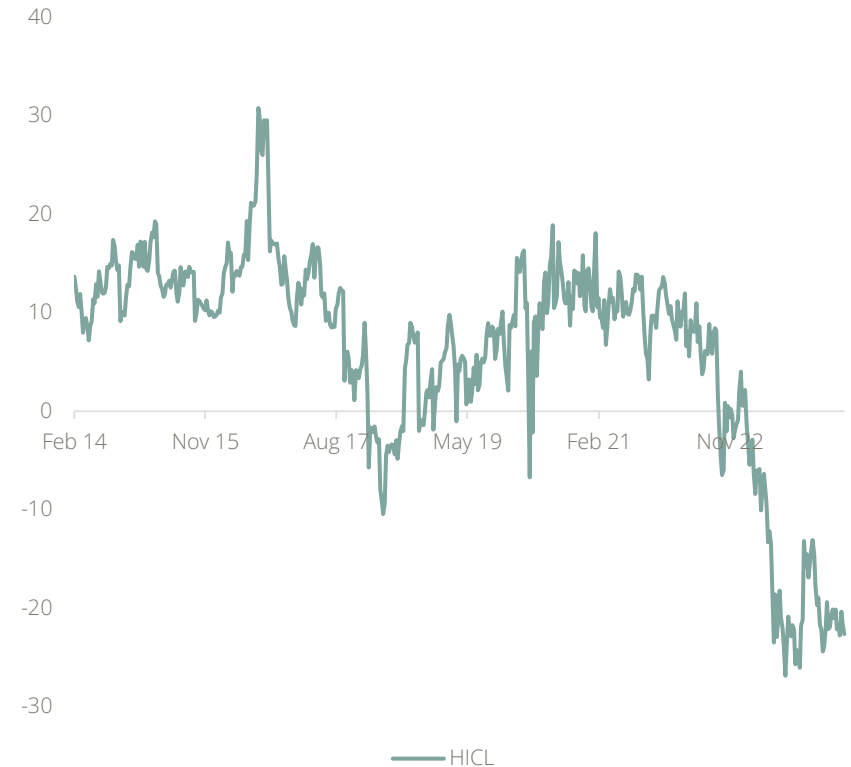
1. Net asset values are reported on a weekly basis for BHMG and monthly for RIT
Source: Bloomberg Finance L.P.

Bond proxies are also available at a knock down price

International Public Partnerships: Premium(+) / Discount (-) %



HICL: Premium (+) / Discount (-) %



1. Net asset values are reported on a quarterly basis
Source: Bloomberg Finance L.P., Numis

Index linked bond markets are offering risk free returns well ahead of inflation

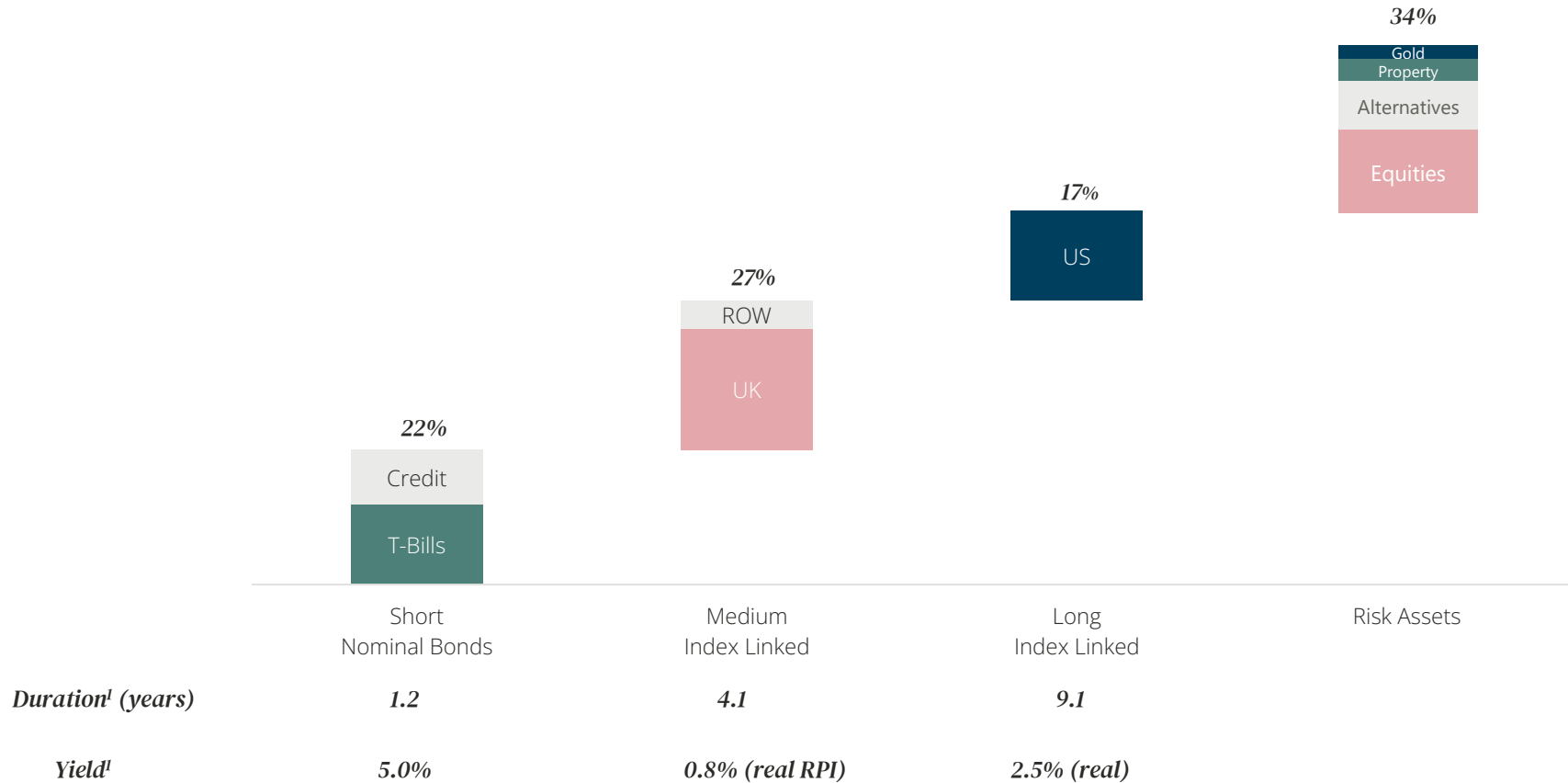
Developed Government Bond 10 Year Real Yields



Source: Bloomberg Finance L.P.

We are excited about medium term returns despite our defensive positioning

CGT Asset Allocation and Yields May 2024



1. Weighted portfolio option adjusted duration and yield to maturity. UK real reflects RPI

Questions?



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