

A black and white photograph of two mountain goats with large, curved horns 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.

# CG Asset Management

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*Capital Gearing Trust*

February 2025

**cgam**

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# *Capital Gearing Trust*

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*Overview*

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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 gearing, no short selling
- The Trust is actively managed, without reference to a benchmark

## Fees and Structure



- Size: **£923m**
- Management Fee: **0.40%**<sup>1</sup> | Ongoing Charge Figure: 0.55%
- 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

# CG Asset Management Overview

**2001**

*Founded*

Founded in 2001 by Peter Spiller, former Chief Investment Officer and Chief Strategist of Cazenove

**£2.9bn**

*AUM*

£2.9bn in assets under management

**2**

*Strategies*

Manages two strategies, absolute return and real return, across six funds

**12**

*Employees*

Team of 12, based in London

**273x**

*Return*

Low-cost offering, with fee reductions regularly reviewed

**2**

*Down Years*

Capital Gearing Trust ("CGT") has returned 273x since 1982, with only two down years

# CGAM in partnership with our clients

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## What makes us different?

## What does that mean for our clients?

### The firm's founding principles



1. The client comes first
2. Don't be greedy
3. Have fun

#### In turn these principles mean that:

- We have and will close funds to **protect investors**
- We continuously strive to **lower fees**, even on closed funds
- We have **low staff turnover**

### Employee owned



- Majority owned by an Employee Ownership Trust, which means we will remain independent
- All portfolio managers are significant shareholders in CGAM

### The right incentives



- A significant majority of our own capital is invested in our funds
- Our interests are directly aligned with those of our clients

## Overview

# Funds Summary

Strategy	Fund	ISIN	Launched	AUM <sup>6</sup>	Dealing Frequency	AMC Fee	TER
Absolute Return Long only investments in a portfolio of bonds, equities and commodities	Capital Gearing Trust	GB0001738615	1982 <sup>1</sup>	£923m	Listed	0.40% <sup>3</sup>	0.55%
	CG Absolute Return (EUR Hedged, USD Hedged available)	IE00BYQ69B30	2016	£801m	Daily	0.35%	0.46%
	Capital Gearing Portfolio (P,V shares)	IE00BG5Q6F12	2001	£240m	Daily	0.75%	0.87%
Real Return Long only investments in index linked bonds	CG Real Return Fund (GBP Hedged available)	IE0034304117	2004	£368m	Daily	0.30% / 0.20% <sup>4</sup>	0.41%
	CG Dollar Fund (GBP Hedged, EUR Hedged and USD Unhedged available)	IE00B41GP767	2009	£555m	Daily	0.25% / 0.15% <sup>5</sup>	0.37%
	CG UK Index-Linked Bond Fund	IE000ZSVG218	2023	£16m	Daily	0.15%	0.35%

<sup>1</sup> Peter Spiller began managing Capital Gearing Trust in 1982; <sup>2</sup> Capital Gearing Trust is an Investment Trust listed on the London Stock Exchange, all other funds are Open Ended UCITS listed on the Dublin Stock Exchange; <sup>3</sup> Tiered fee structure, marginal rate is 0.3% above £500m; <sup>4</sup> 0.3% below £500m, 0.2% above; <sup>5</sup> 0.25% below £1,000, 0.15% above; <sup>6</sup> As of 31 January 2025

# CGAM Team

## Investments



**Peter Spiller**

*Co - Chief Investment Officer*



**Alastair Laing**

*CEO, Fund Manager*



**Chris Clothier**

*Co - Chief Investment Officer*



**Hassan Raza, CFA**

*Portfolio Manager*



**Emma Moriarty**

*Portfolio Manager*



**Jock Henderson**

*Investment Analyst*

## Investor Relations



**Sophia Sednaoui**

*Head of Investor Relations*



**Katie Forbes**

*Head of Investor Relations of CGT*

## Operations and Risk



**Chris Taylor**

*Chief Operations Officer*



**Amber Williams**

*Head of Compliance*



**Jason Barlow**

*Senior Operations Manager*



**Prath Ketheeswaran**

*Operations Apprentice*



**Finn**

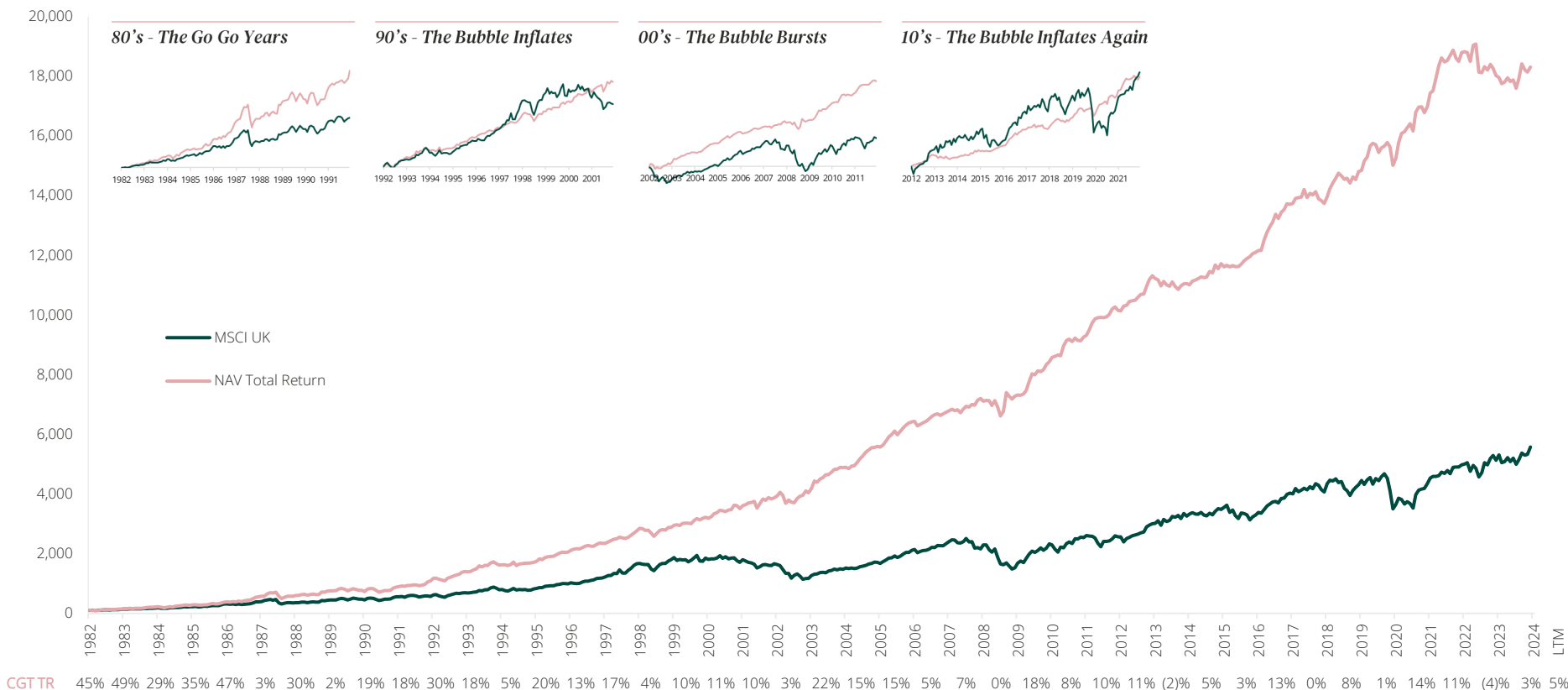
*Chief Morale Officer*



Overview

Since 1982 the CGT share price total return has been >273x<sup>1</sup>

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



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

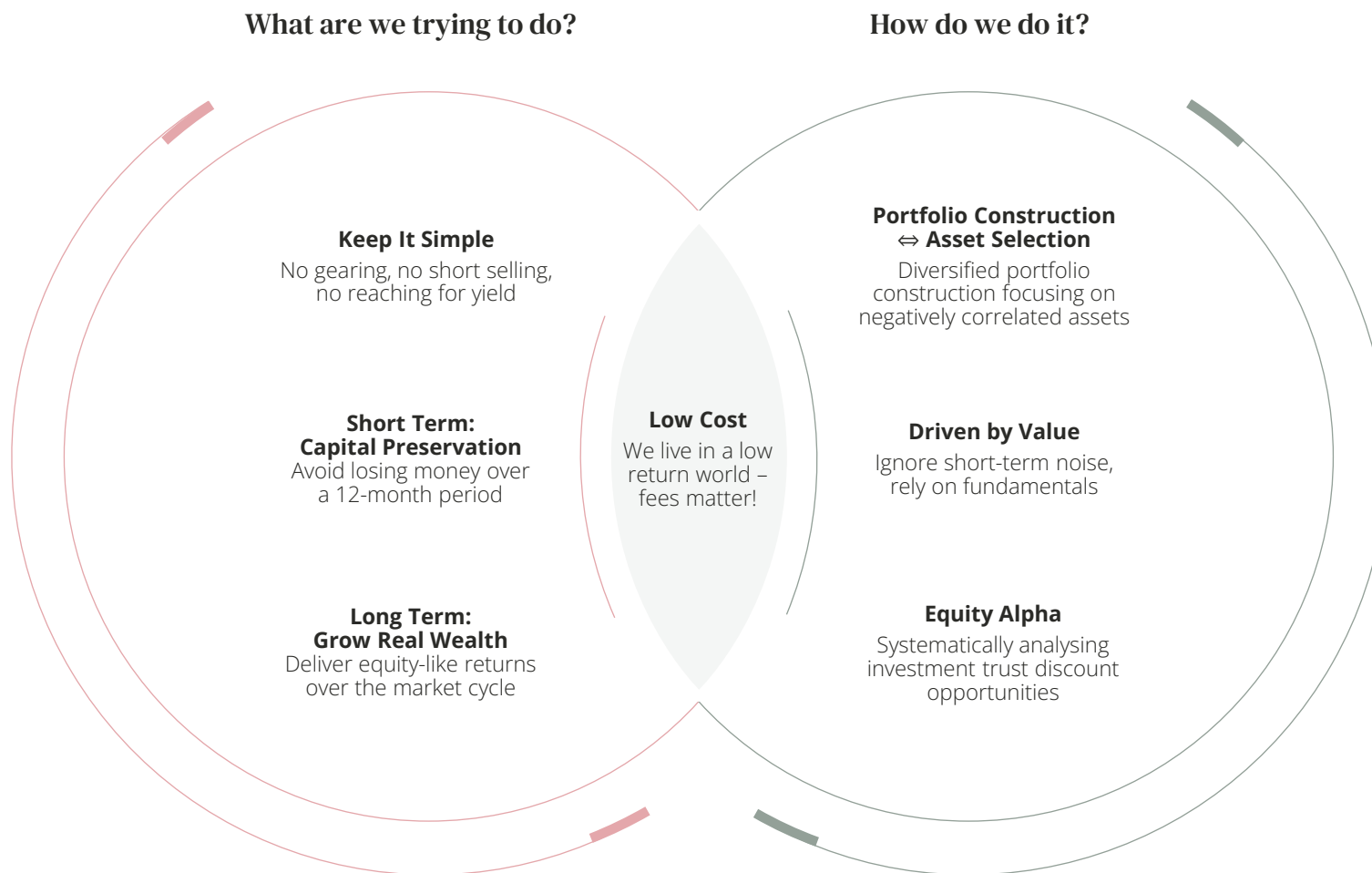
# *Investment Process*

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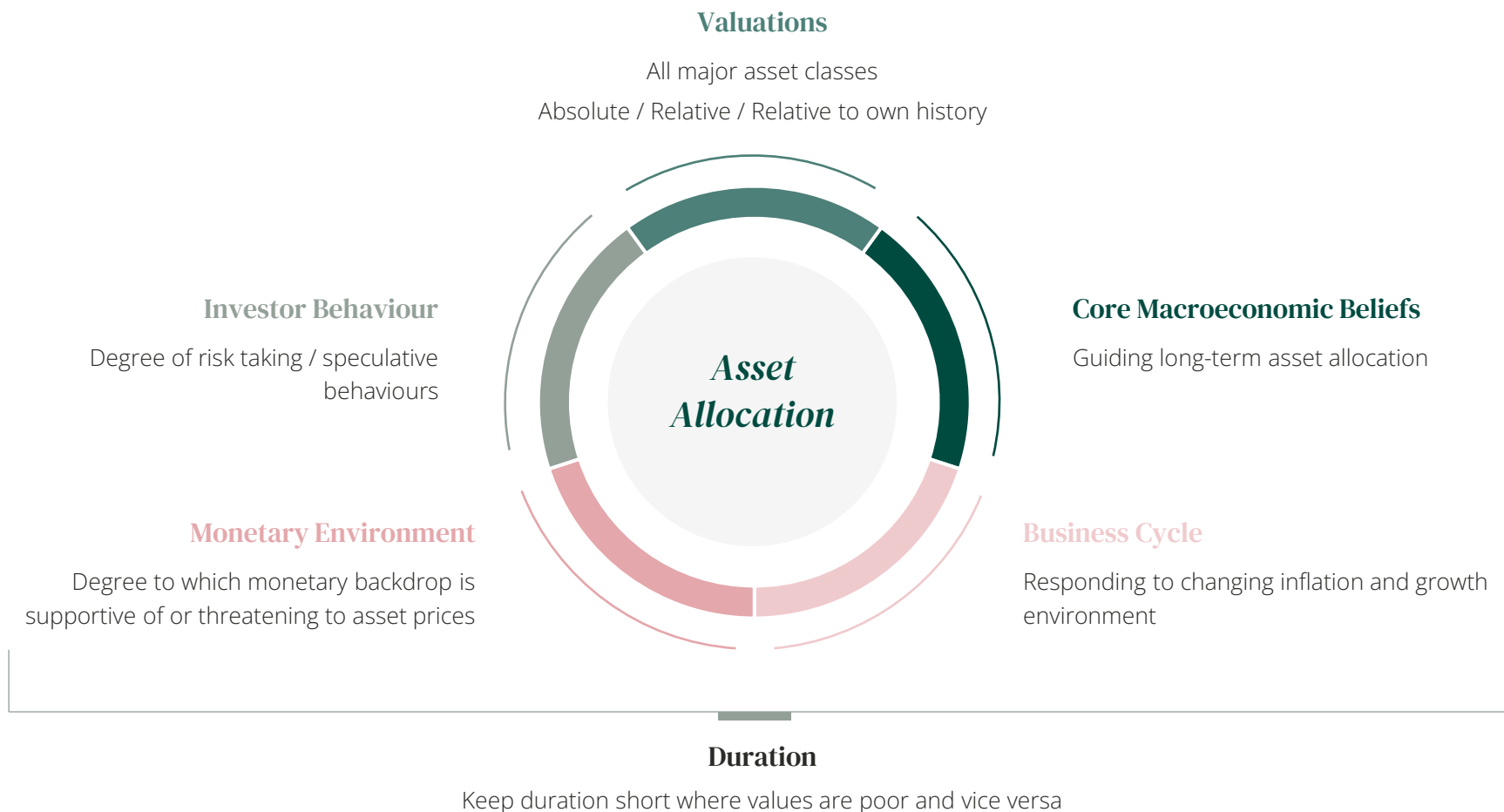
*Capital Gearing Trust*

**cgam**

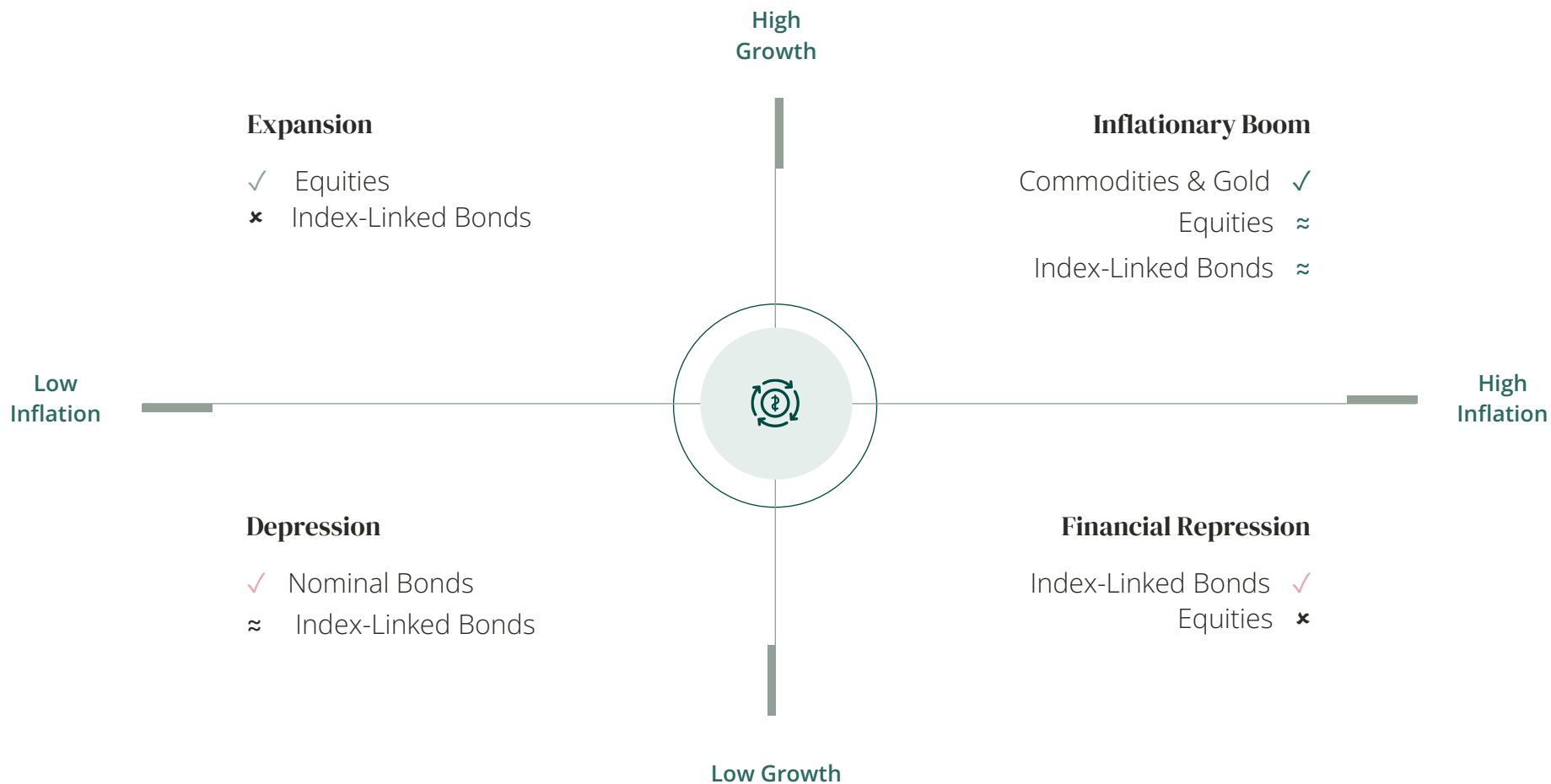
# Principles



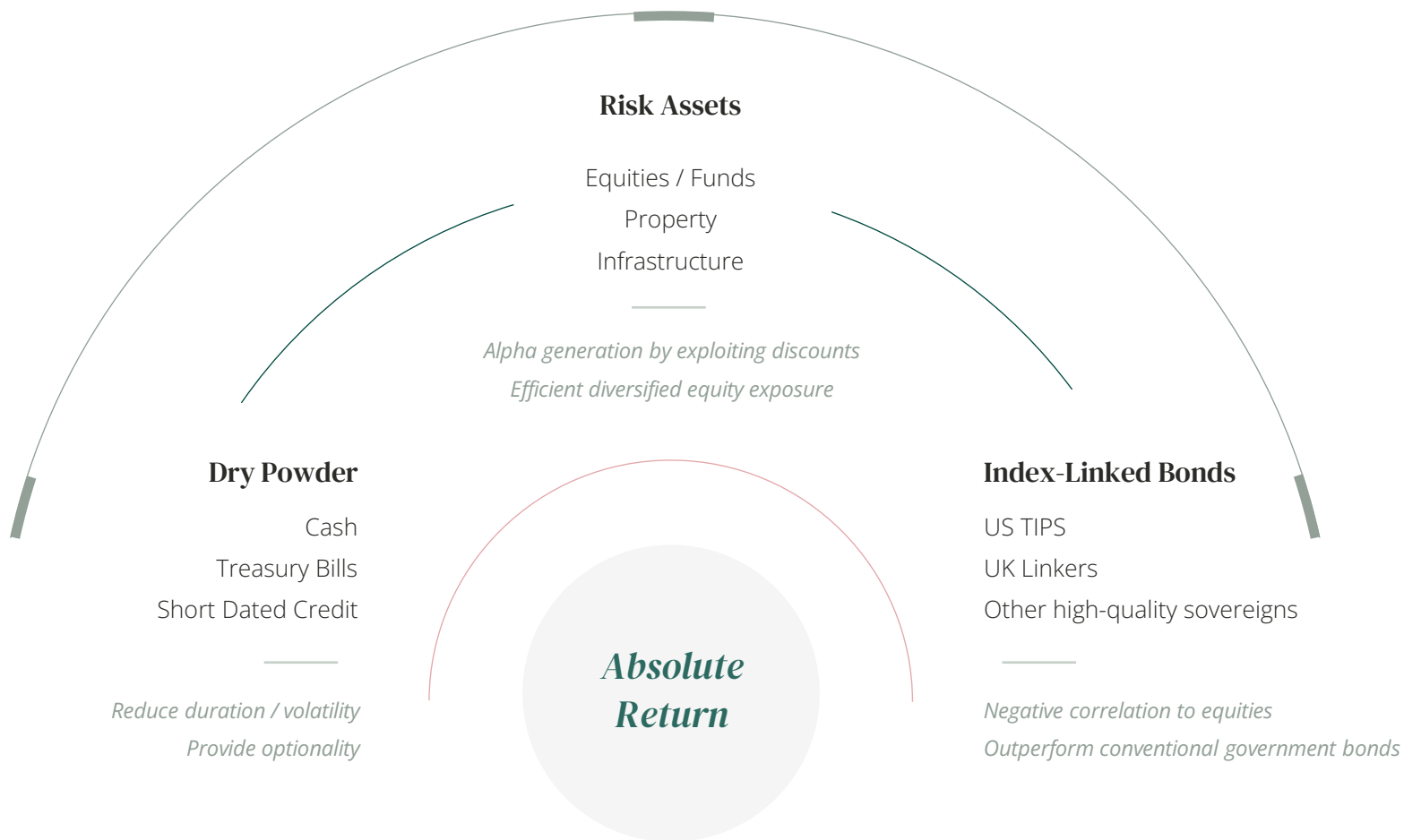
# 5 inputs drive our asset allocation, underpinned by a focus on duration



# Dynamic asset allocation that responds to the business cycle



# 3 Core Asset Allocation Pillars



# Index-Linked bonds are a fundamental component of our asset allocation

## Protection against financial repression

Only asset that we believe is likely to deliver protection

## Negative correlation with risk assets

Particularly overseas against sterling denominated risk assets

## Historic outperformance vs nominal bonds

Such outperformance is likely to persist into the future

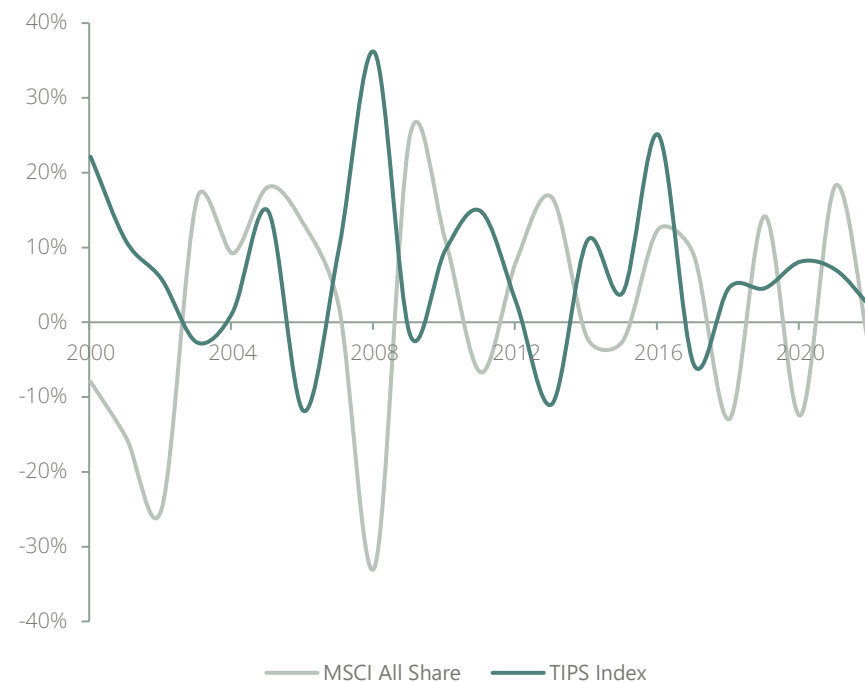
## Inflation poses the greatest risk to investor wealth

Against which equities are only a partial hedge

## Significant risk of inflation persistence

The historical record does not support a swift return to the target

Annual Returns % of UK Stocks and TIPS – unhedged in GBP (1998 – 2022)



# *Capital Gearing Trust*

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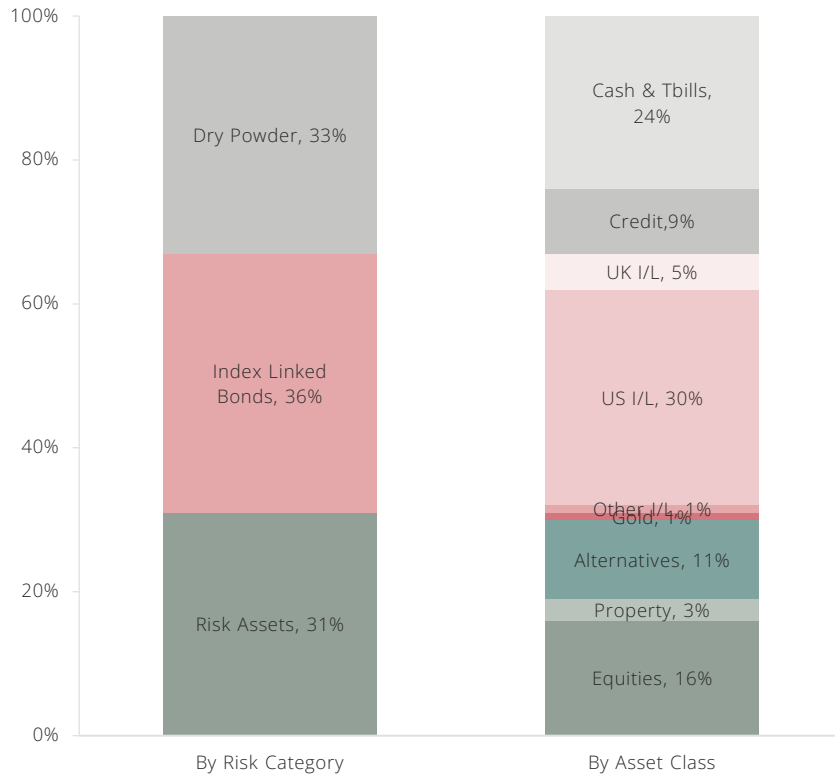
*Positioning and Returns*

**cgam**

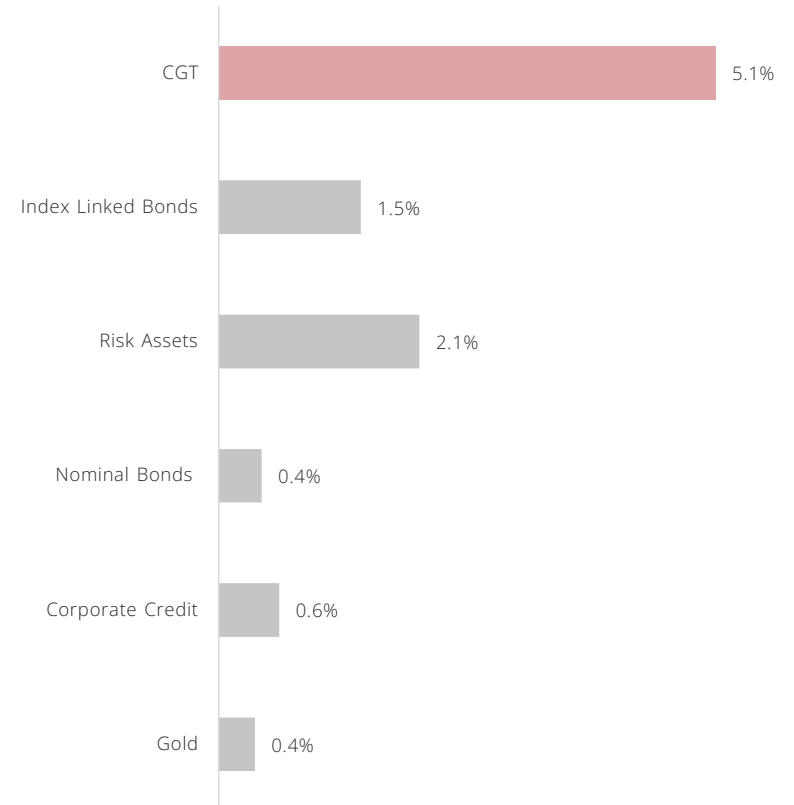


# Positioning is defensive, with a focus on inflation protection

CGT Asset Allocation January 2025



Contribution by Asset Class LTM January 2025

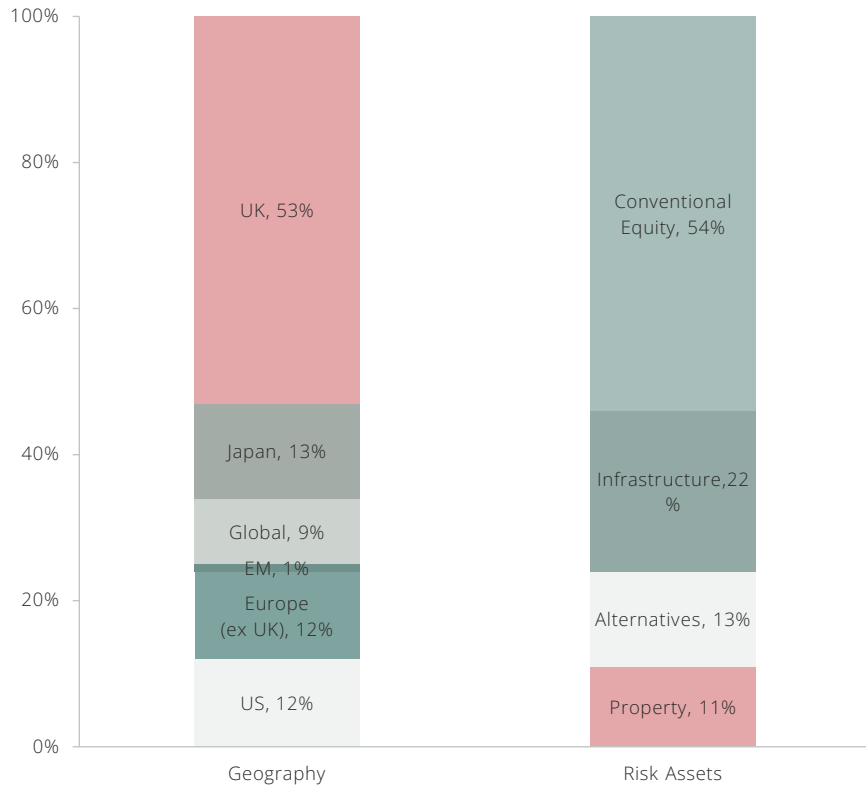


NAV performance net of fees

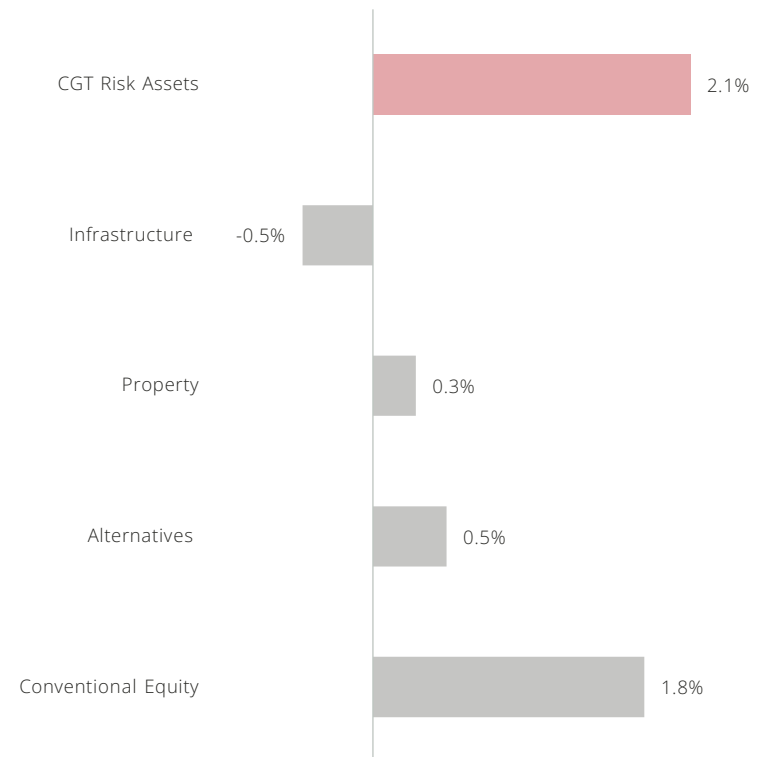
Source: CGAM, Bloomberg Finance L.P., Northern Trust

# The make-up of our risk assets is quite different from any mainstream index

CGT Risk Assets – Geographic Exposure and Asset Exposure



Contribution by Risk Assets LTM January 2025



Alternatives include: Loan Funds, HY, PE & Hedge Funds  
Source: CGAM, Bloomberg Finance L.P., Northern Trust

# Both equity and bond portfolios have contributed to outperformance

CGT Risk Assets Returns Performance to January 2025<sup>1</sup>



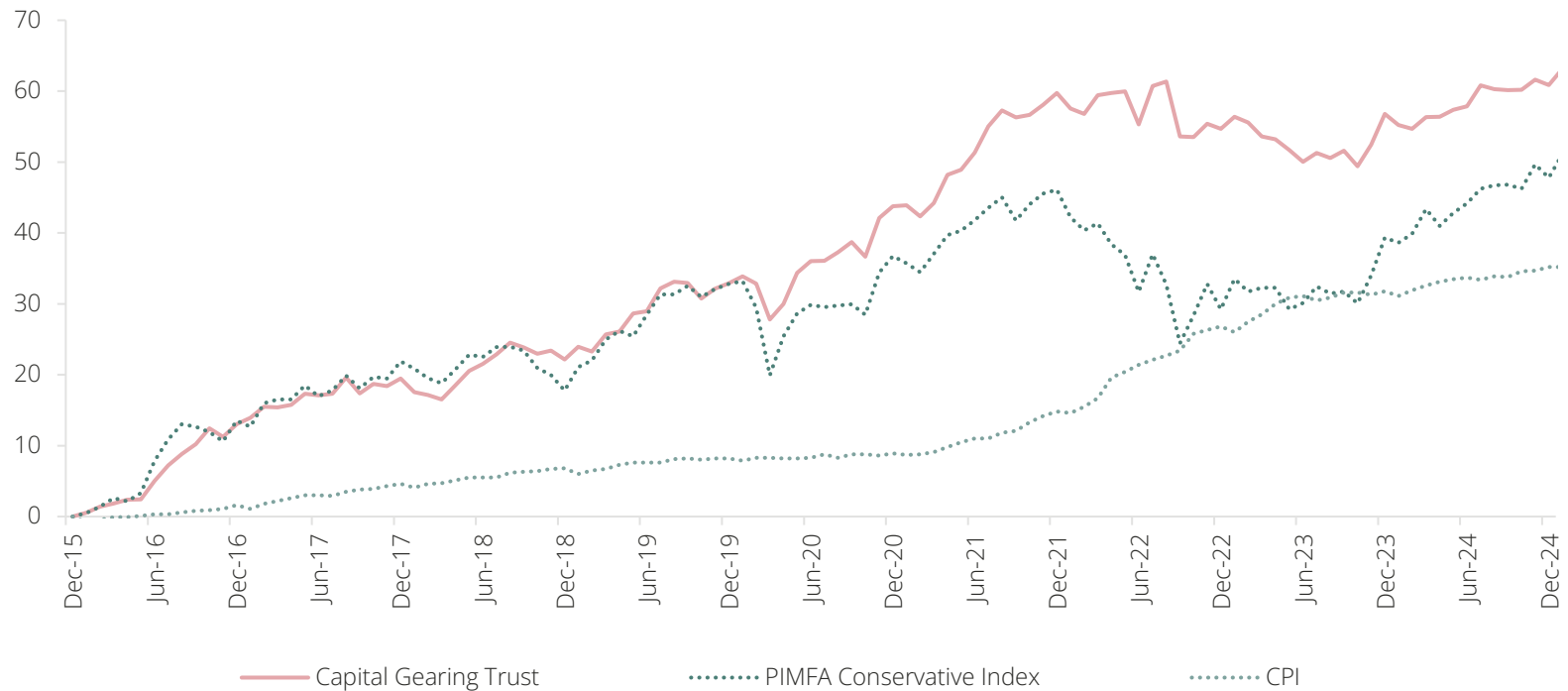
CGT Bonds Only Returns Performance to January 2025<sup>1</sup>



<sup>1</sup>Risk 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

# CGT has outperformed comparators on an absolute and risk adjusted basis

CGT vs. Comparators: Total Returns to January 2025<sup>1,2</sup>

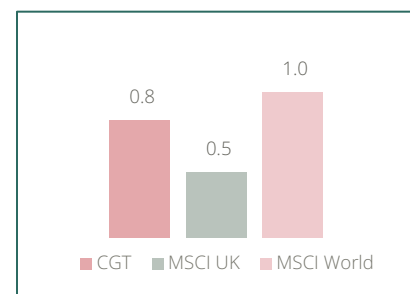
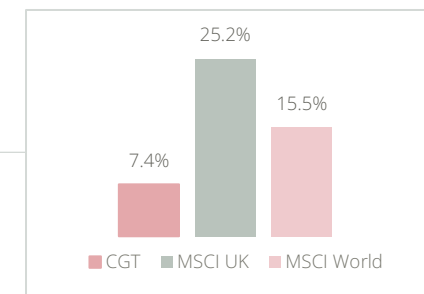
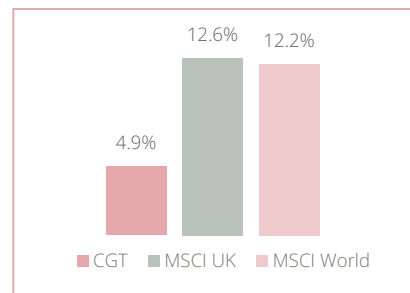
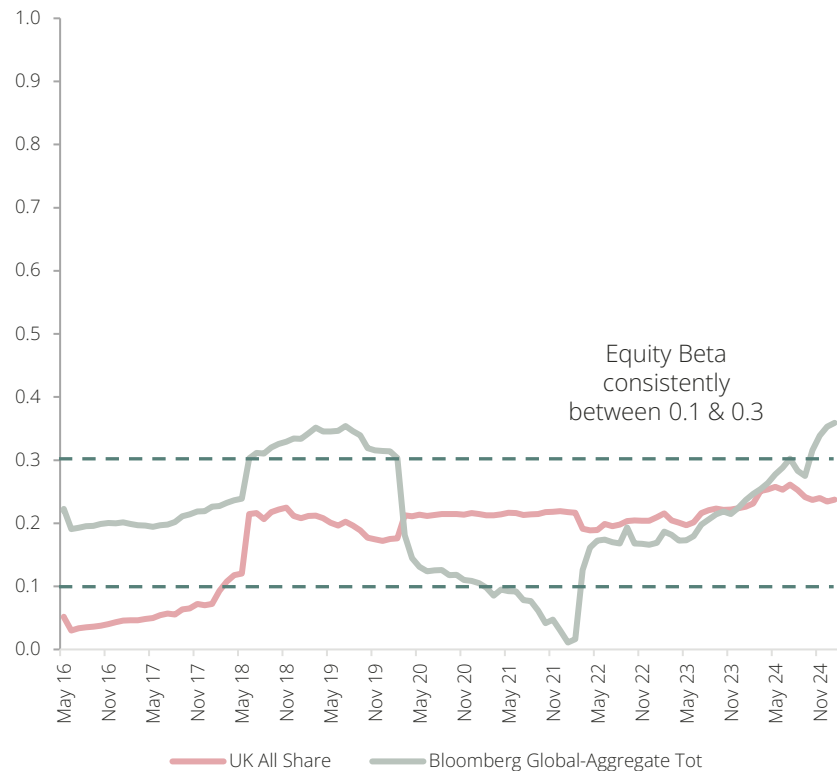


1. The MSCI PIMFA (Private Investor Conservative Index) aims to represent the investment strategy of a UK private client adopting a conservative approach to their investment  
2. For comparability, the start period reflects the longest period available for CGT under which a Risk Asset and Bond attribution can be extracted from Bloomberg AIM

## Positioning and Returns

# Returns have come with low volatility, and low correlation to equity & bond markets, and excellent risk adjusted performance

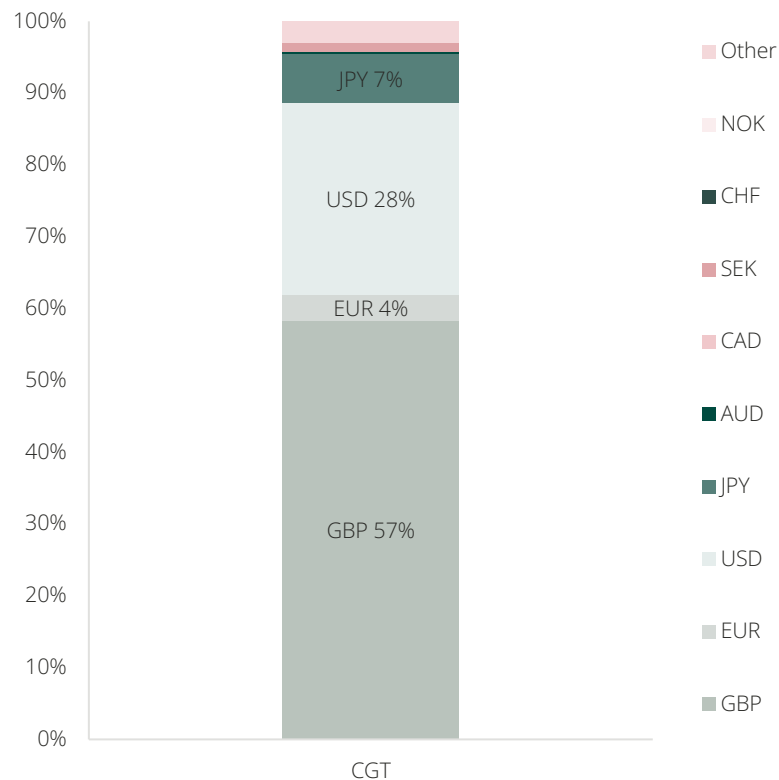
### Sharpe Ratio & Volatility (%) vs. Major Indices



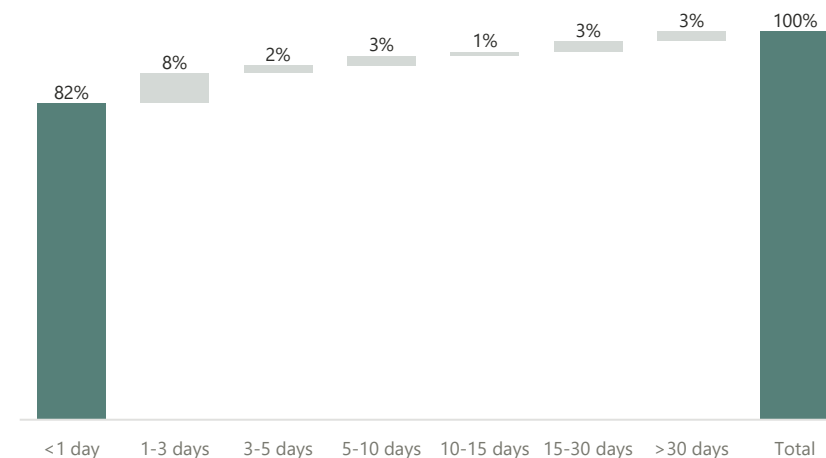
For comparability, the start period is taken from inception of the CG Absolute Return Fund.  
Source: Bloomberg Finance L.P, risk statistics per Bloomberg standard definitions.

# Duration, currency and liquidity are actively managed

## Currency Exposure<sup>1</sup>



## Time to Liquidation (days)<sup>2</sup>



## Duration and Yield<sup>3</sup>

	Weight	Duration (Yrs)	Yield (%)	Rating <sup>4</sup>
Cash & T-bills	24%	0.6	1.3	A-
I/L Bonds	36%	6.4	4.3/ 1.5	A+
Corp. Bonds	9%	2.2	6.3	A-/BBB+
Risk Assets (HY)	1%	2.0	12.7	BB/BB-
Risk Assets (Other)	30%	n.a.	5.1	n.a.
<b>CGT</b>	<b>100%</b>	<b>3.7</b>	<b>3.7</b>	<b>A-</b>

1. Currency exposure is estimated using CGAM analysis of Bloomberg, Numis and Company data

2. Assumes 25% average daily volume participation rate

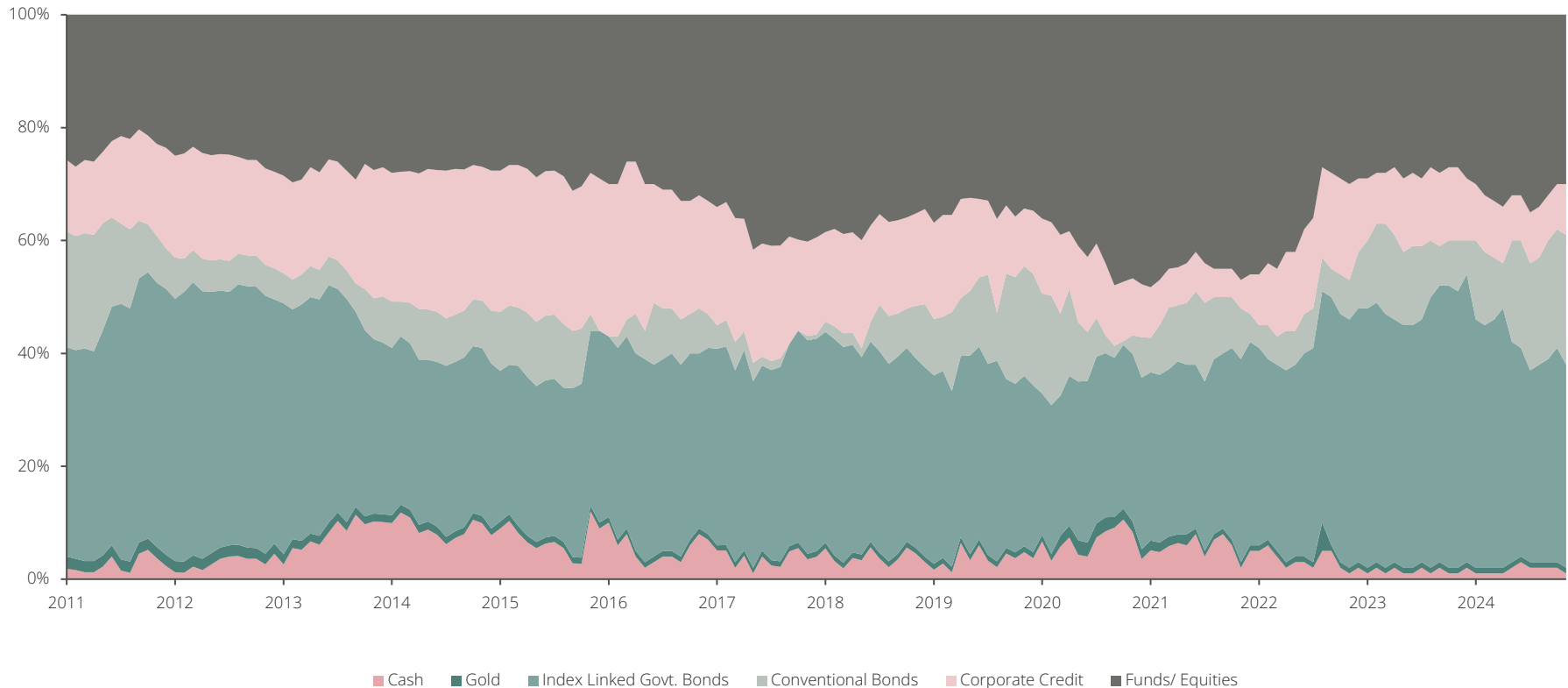
3. Duration refers to Option Adjusted Duration, Yield refers to yield to maturity for fixed income with real yield also shown for index-linked and dividend yield for other risk assets which excludes high yield bonds

4. Bloomberg composite rating, Moody's weighted average rating for Cash & T-Bills

## Positioning and Returns

# Changes to asset allocation tend to be modest over the short term but can be fundamental over the long term

### CGT Asset Allocation – 2011 to 2025



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

## Top Equity and Bond Holdings

### Top 10 Equity Holdings

Asset	Weight
iShares MSCI Japan ESG Screened	3.1%
Vanguard FTSE 100 ETF	2.1%
North Atlantic Small Companies	1.9%
iShares FTSE 250 ETF	1.2%
WisdomTree Physical Swiss Gold	1.1%
PRS REIT	1.1%
BP Capital Markets 4.25% Perp	1.0%
HICL Infrastructure	0.9%
3I Infrastructure	0.9%
International Public Partnership	0.9%
	<hr/>
	14.1%

### Top 10 Bond Holdings

Asset	Weight
JGB 0.60% 01/01/27	5.0%
US I/L 0.625% 15/01/26	3.4%
US I/L 0.125% 15/10/26	3.3%
US I/L 0.125% 15/07/26	2.6%
US I/L 0.375% 15/01/27	2.5%
JTDB 0.00% 31/03/25	2.4%
US I/L 0.125% 15/04/26	2.3%
JTDB 0.00% 20/06/25	2.2%
JTDB 0.00% 20/05/25	2.1%
US I/L 0.125% 15/04/27	2.0%
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	27.8%

Source: CGAM, Northern Trust.



## Current Focus Areas

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### Real Interest Rates

Developed market issuers offering risk free inflation beating returns

US TIPS are offering attractive real yields

UK index-linked are offering an attractive opportunity for portfolio construction



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### Japanese Equities

The Yen is offering exceptional value, making Japanese corporates highly competitive and driving strong earnings growth



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### Investment Trusts

The average discounts have widened to levels last seen since the financial crisis, and there is scope for active engagement with boards



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### Infrastructure

Defensively positioned infrastructure assets with inflation linked cashflows are offering attractive real returns

# *Capital Gearing Trust*

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*Considerations Within Our Investment Approach*

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# The moral principles underpinning our investment approach

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## **Be honest**

No greenwashing, no PR-led initiatives, no jargon. We believe in an accurate presentation of our activities not a marketing campaign.

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## **One firm, one rule**

Our standards apply to all the funds we advise. We do not have ethical and by implication unethical funds.

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## **Ethics, not mathematics**

There is no formula that can be applied in a uniform way to every situation. We emphasise judgement over simplistic third party ESG scoring systems.

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## **Don't disinvest, engage**

When investors have the influence to effect change, it is most valuable to encourage positive transition rather than engage in blanket disinvestment.

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## **Targeted**

As a small firm, we must focus our efforts where they will have the most influence, rather than taking a generalist approach.

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## **Governance**

Investors have multiple direct mechanisms to influence governance, so we primarily focus on governance even when the ultimate objective consists of other priorities.

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## **Integration, not separation**

The entire team is collectively responsible for stewardship activities, with the ultimate responsibility lying with the chief executive. We do not have a standalone responsible investment team.

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## **Act, with humility**

Every action results in both intended and unintended consequences. Reflect deeply on the risk that good intentions can lead to unintended negative outcomes.

# Considerations for individual asset classes

## 1. Direct Government Securities

The majority of the assets held by the funds are invested in direct holdings of securities issues by governments including bonds, bills and cash.

When investing, we consider indices compiled by a range of NGOs and require sovereigns, at a minimum, to achieve strong rankings in at least four out of five of these criteria. In addition to using third party indices, we also overlay our own subjective assessments which typically leads to material additional exclusions.

Index	Criteria
World Bank governance effectiveness index	Top quartile
World press freedom index	Good or satisfactory
Global freedom score	Free rating
UN human development index	Very high human development rank
Net zero by 2020 statement	Statement of intent by 2050 or earlier

## 2. Direct Corporate Credit and Preference Shares

The funds hold small quantities of direct credit and preference share holdings issues by corporate issuers. Given our small participation in the market and therefore limited influence, our primary approach is to exclude corporate issuers who are primarily engaged in the following activities:

Exclusion Area	Exclusion sub-Area	Threshold
Controversial weapons	Anti-personnel mines, cluster munitions, chemical weapons	0%
Tobacco	Manufacture or marketing	<5%
Thermal Coal	Coal mining or coal-based energy production	<5%
Oil sands or arctic drilling	Production	<5%
Gambling	Services	<5%
Adult entertainment	Production or broadcasting	<5%
Firearms	Manufacture	<5%
Predatory lending	Services	<5%

## Considerations for individual asset classes

### 3. Listed Closed-Ended Funds, Investment Trust, REITs and Property Companies

CGAM has a long history of active engagement in the London market for listed closed ended funds and other collective investment companies including REITs. In this priority area for engagement, we seek to achieve positive transition so do not employ systematic exclusions.

Listed investment companies are fundamentally different to operating companies and typically have the following features:

- They hold a broad portfolio of securities on behalf of their shareholders;
- External investment managers rather than executive management teams;
- No employees or customers; and
- Have a board of directors to represent shareholder interests and concerns.

Given the prominent role that directors play in investment companies, CGAM frequently undertakes activities that aim to influence boards and ultimately improve governance. The techniques employed vary based on the specific scenario but include those listed here (see box).

As well as engagement in the sector, CGAM places particular importance on providing primary capital to high impact investment companies and a number of our holdings have a positive environmental or social focus. In our assessment, by providing primary capital, via IPO sponsorship or follow on fund raisings, investors have a greater impact than by simply trading securities in the secondary market.

Activist Engagement Technique	Frequency of Employment
Management Engagement	Continuous
Board Engagement	Continuous
Shareholder co-ordination	Frequent
Voting against significant resolutions	Frequent
Raising ESG matters in fund reporting	Frequent
Amplification through press engagement	Periodic
Replacing directors to improve governance	Periodic
Publishing open letters	Periodic
Publishing research incorporating ESG views	Periodic
Threatening to requisitioning meetings	Periodic

### 4. Exchange Traded Funds ('ETFs')

Funds advised by CGAM hold relatively small quantities of exchange traded funds. ETFs are listed collective funds which typically track an index and provide low cost, efficient access to a broad portfolios of securities. CGAM does engage directly with our approved panel of ETF providers to encourage improved stewardship standards. However our capacity for effective engagement is limited, we therefore consider exclusions where there are suitable ETFs available. Typically this is via ESG screened ETFs which is a dynamic and growing sector. The programme of identifying and conducting due diligence on these products is ongoing.

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