

cgam

CGAM Annual Review

2021 Review and 2022 Outlook

January 2022



Disclaimer

This presentation is issued and intended for professional investors and eligible market counterparties only.

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 9th January 2021 fund performance data is updated to 31st December 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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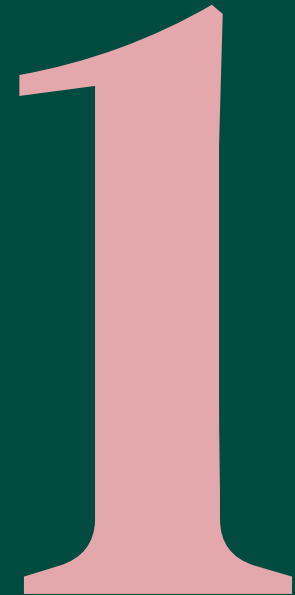
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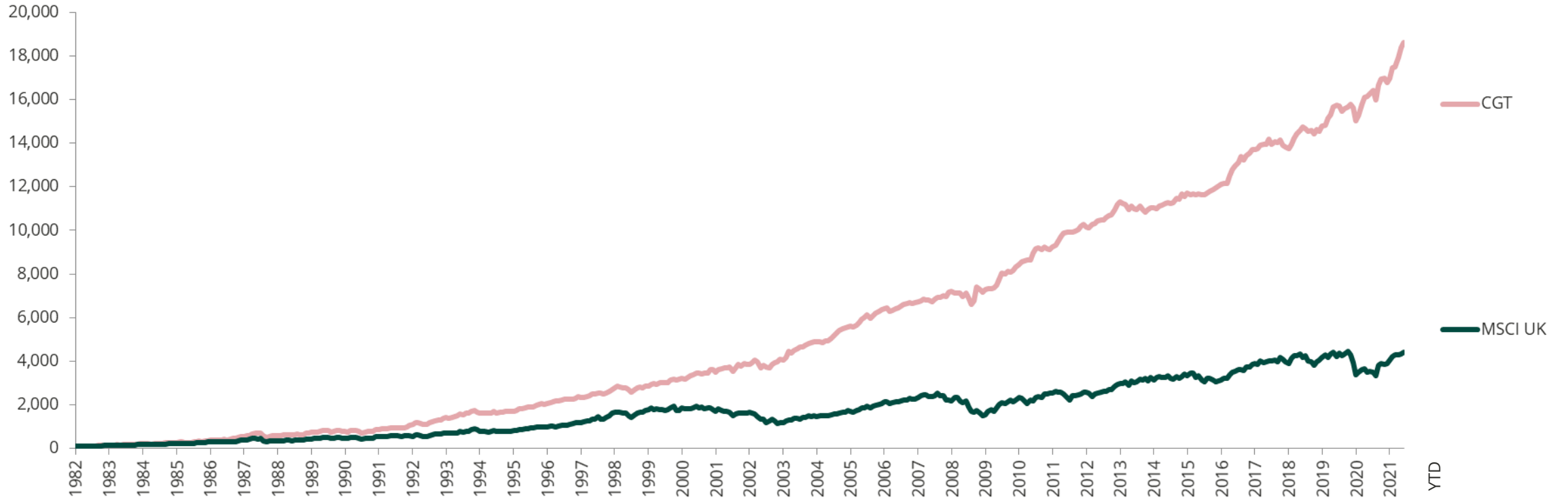
Introduction and positioning

A large, stylized number '1' in a light pink color, positioned on the right side of the slide.

CGAM BACKGROUND

We are proud of our long term track record

NAV Total Return History (Rebased) Apr 1982 to Dec 2021

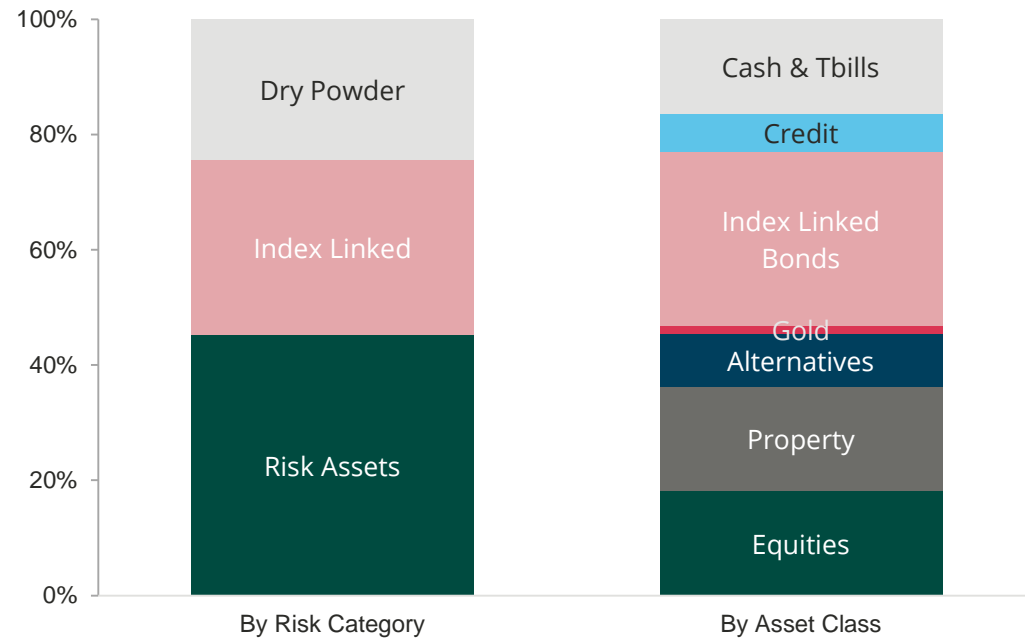


CGT TR 45% 49% 29% 35% 47% 3% 30% 2% 19% 18% 30% 18% 5% 20% 13% 17% 4% 10% 11% 10% 3% 22% 15% 15% 5% 7% 0% 18% 8% 10% 11% (2)% 5% 3% 13% 0% 8% 1% 14% 11%

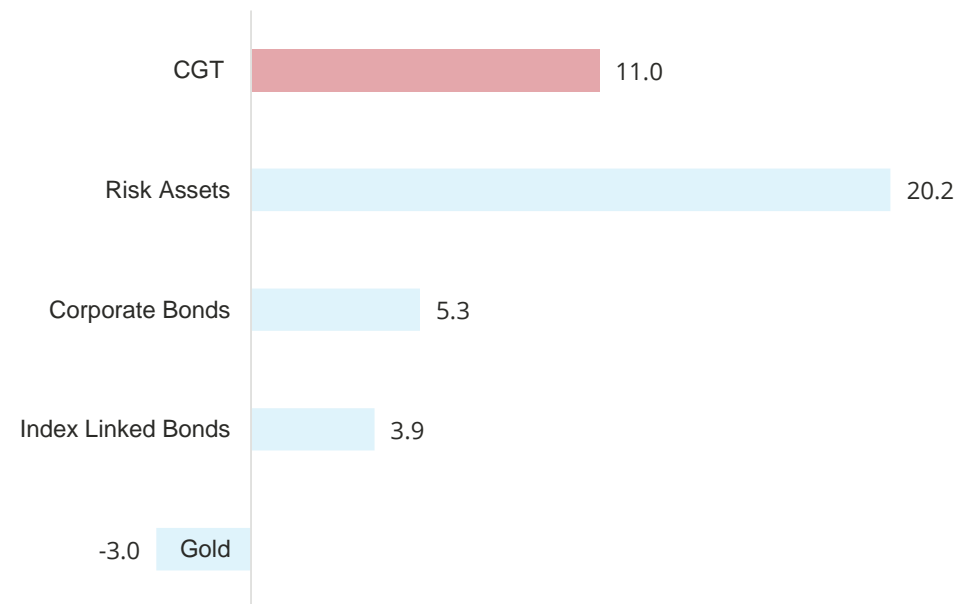
FUND RETURNS & POSITIONING

Positioning remains defensive with a focus on inflation protection

CGT Asset Allocation Dec 2021 (%)



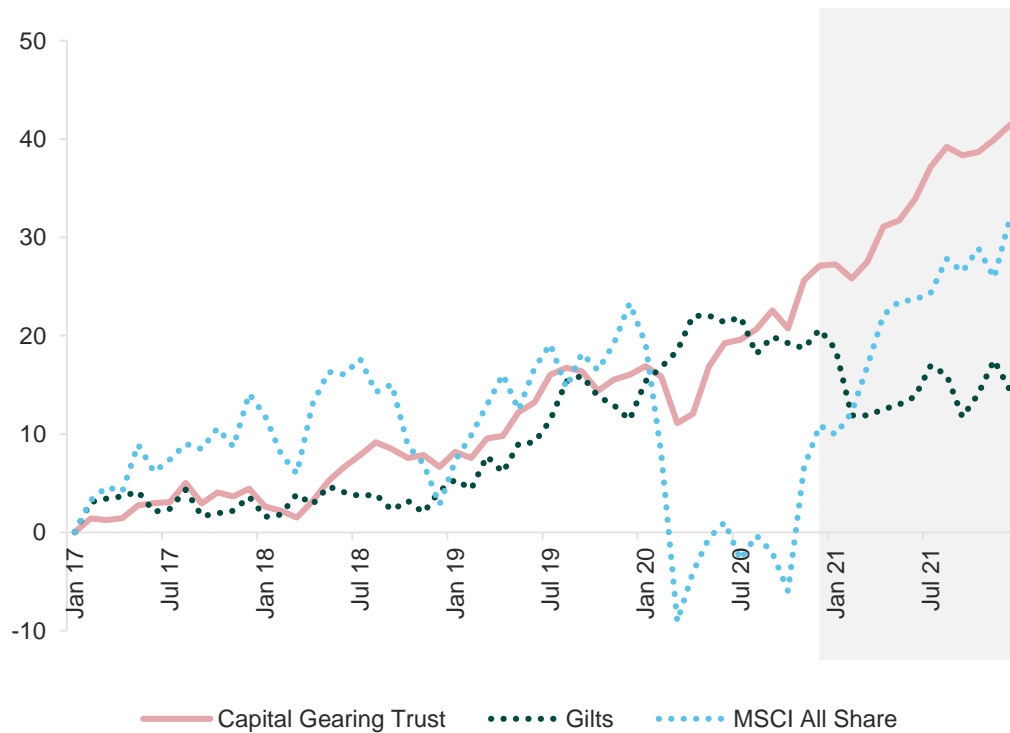
Returns by Asset Class in 2021 (%)



FUND RETURNS & POSITIONING

5 year returns have been higher than the UK equity market and with lower drawdowns than gilts

CGT vs. UK Equities & Gilts –Five Year Total Returns (%)



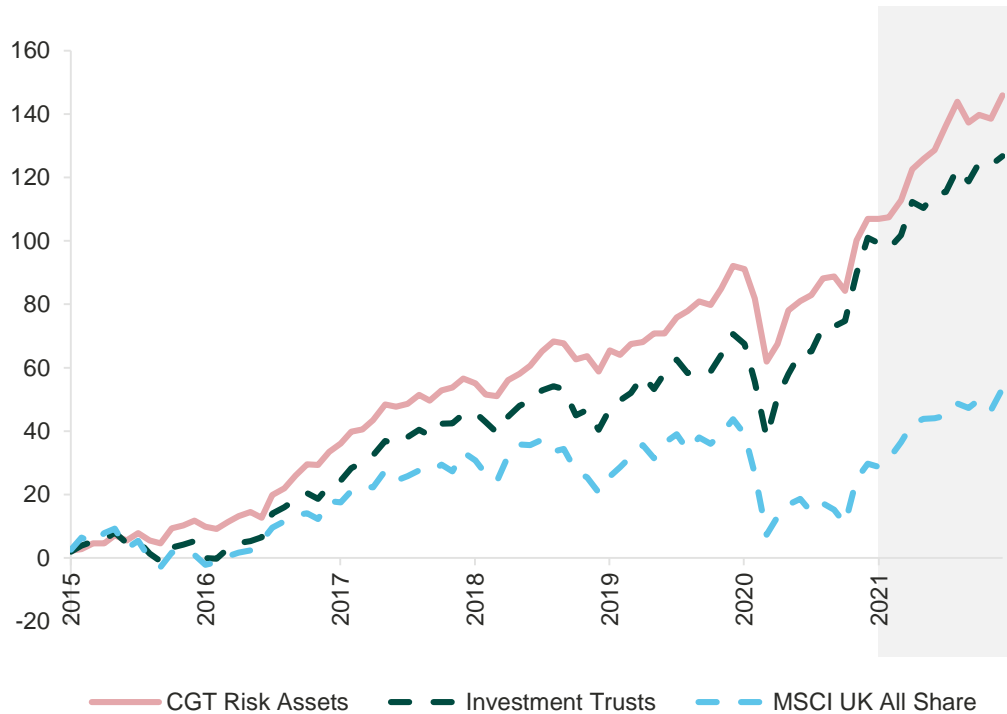
CGT vs. UK Equities & Gilts – Max Monthly Drawdown



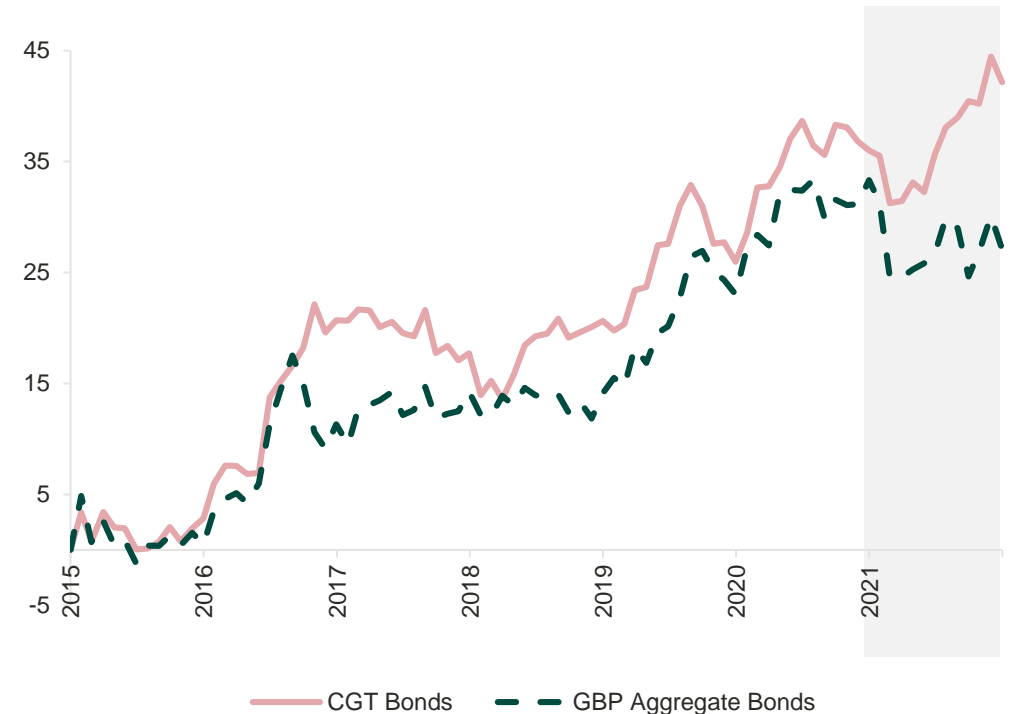
FUND RETURNS & POSITIONING

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

CGT Risk Assets* Returns Recent Performance To Dec (%)



CGT Bonds Only* Returns Recent Performance To Dec (%)



Review of 2021

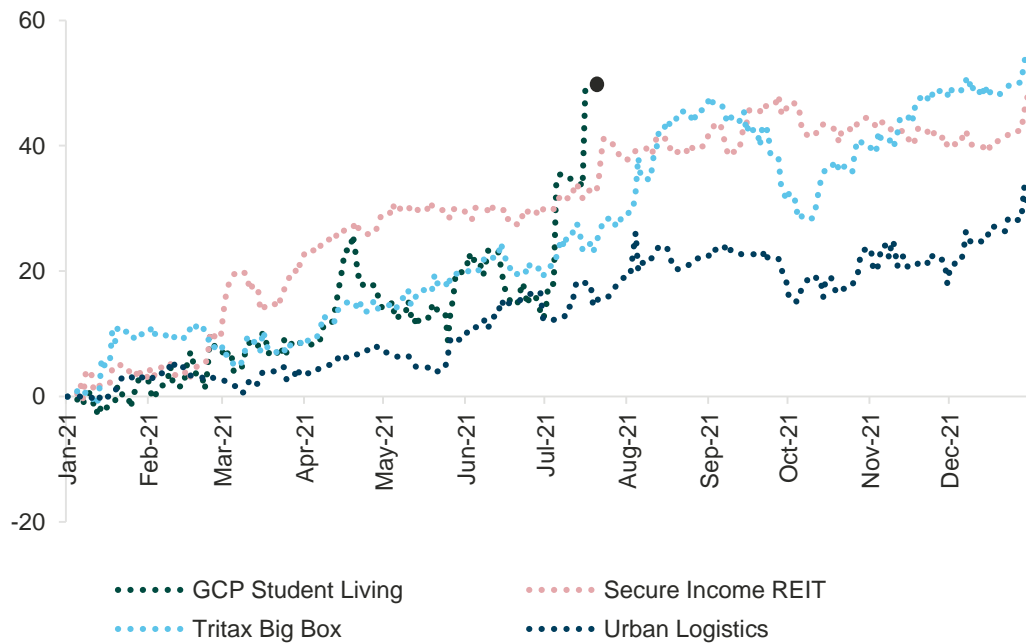
What worked and what did not?



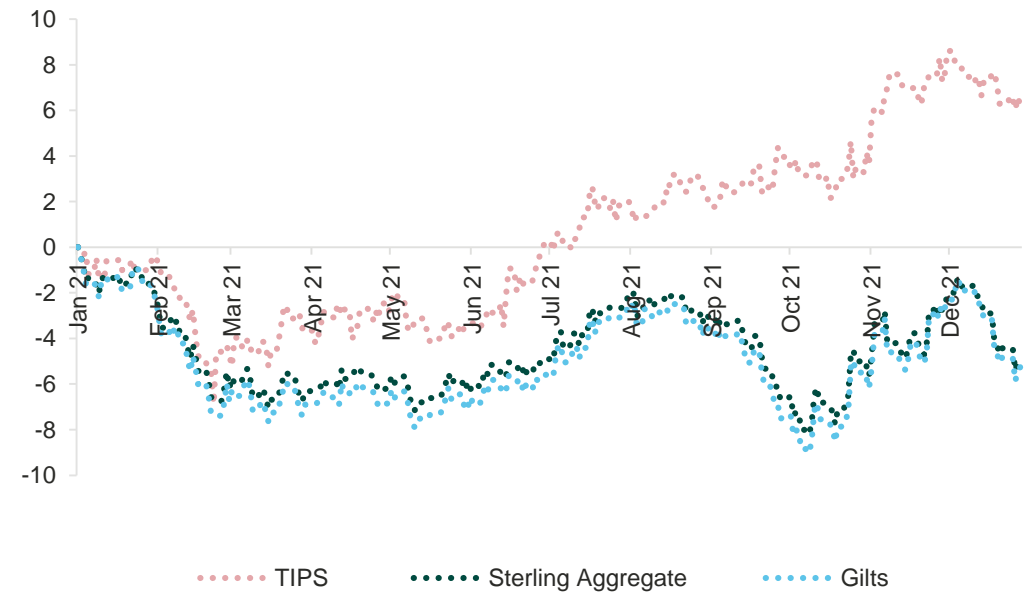
REVIEW OF 2021

What went well? An early focus on inflation protected assets

Beds and Sheds (TSR %)



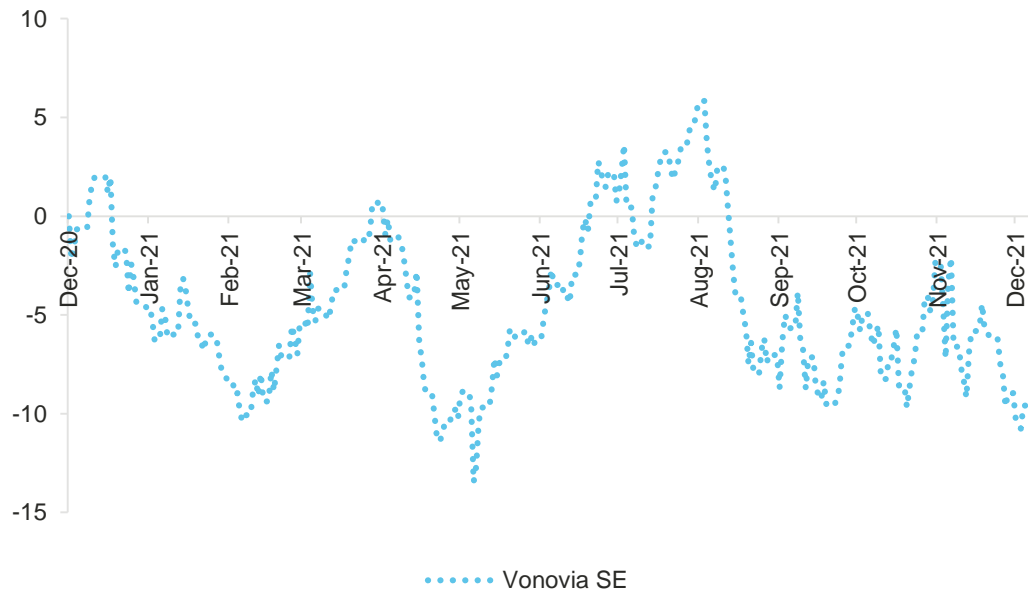
TIPS on a tear (TSR %)



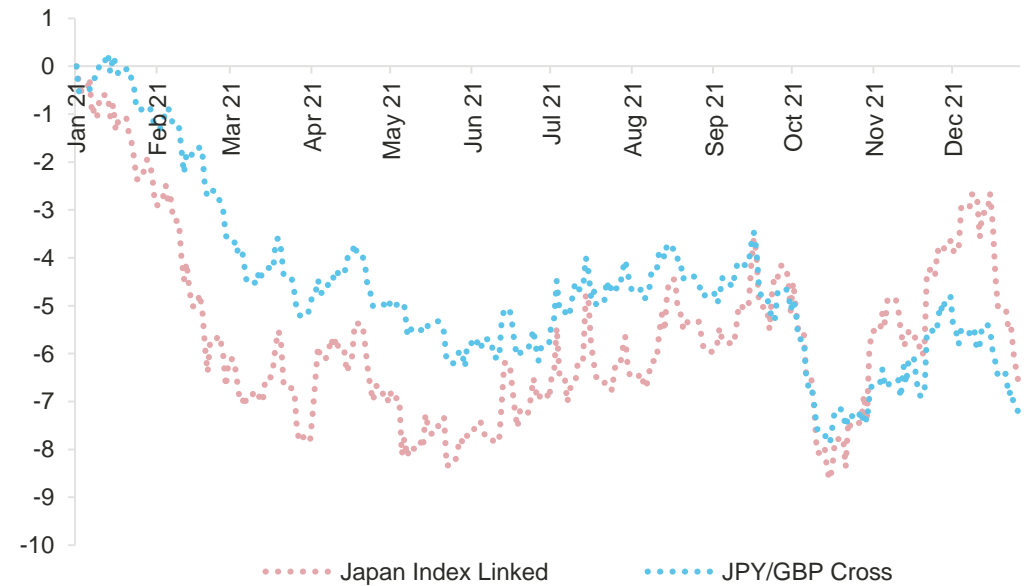
REVIEW OF 2021

What we got wrong? With hindsight we were too defensive and value focused

Not all our Beds were that comfortable (TSR %)



Real value emerging in the Yen (TSR %)



Outlook for 2022 and beyond

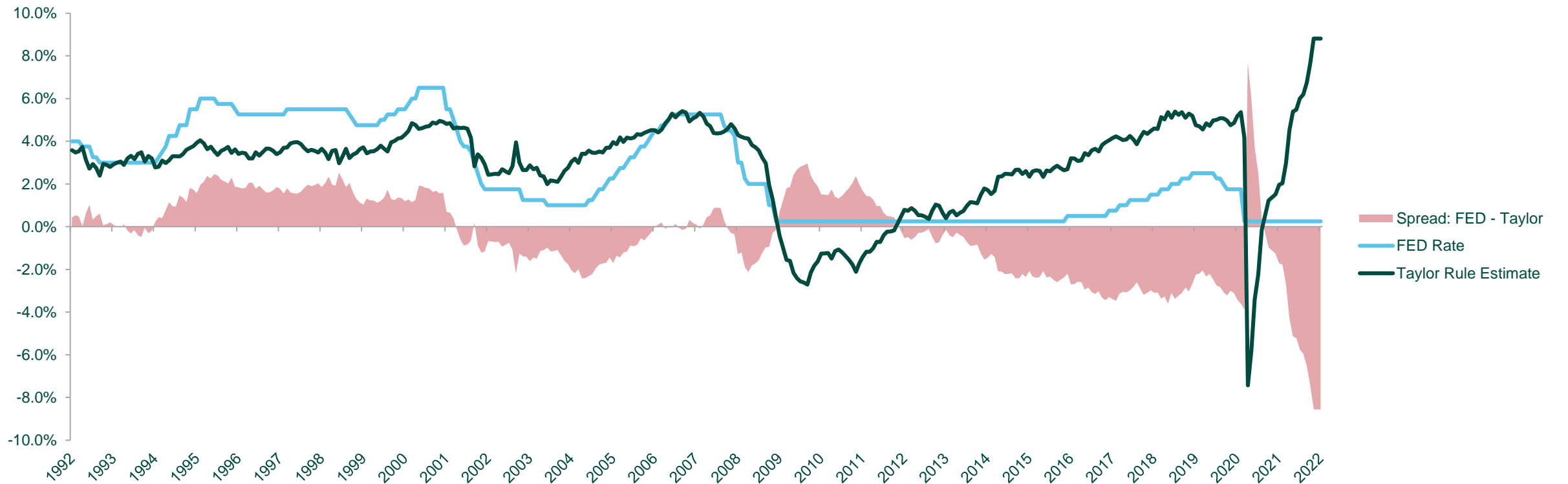
Some reflections on what the future may hold



OUTLOOK FOR 2022 AND BEYOND

The US economy is close to full employment, inflation is high and yet monetary policy is at emergency levels

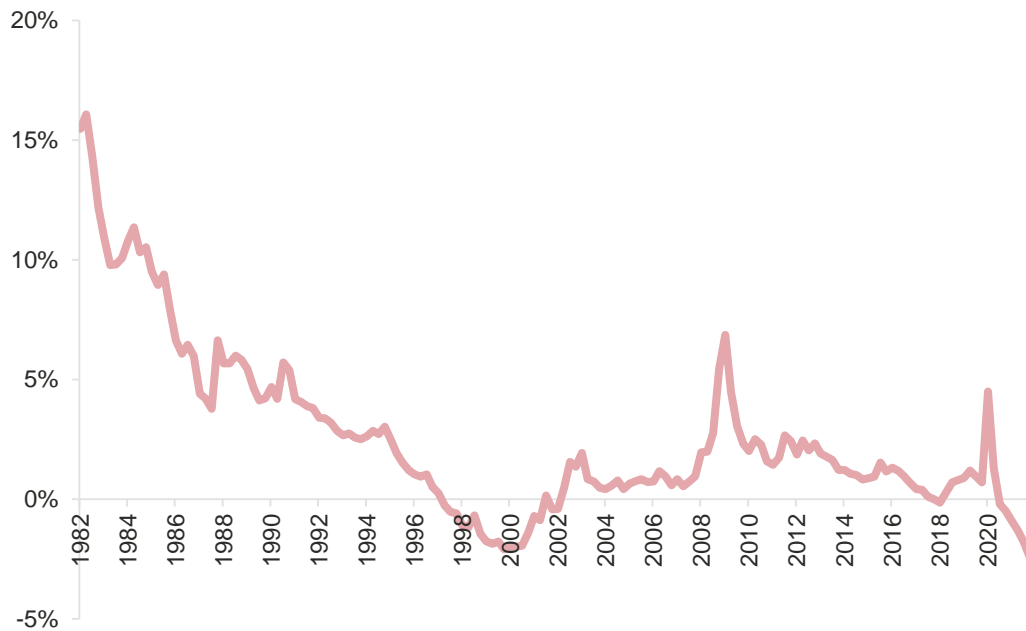
Taylor Rule vs. Fed Funds – Last 30 years



OUTLOOK FOR 2022 AND BEYOND

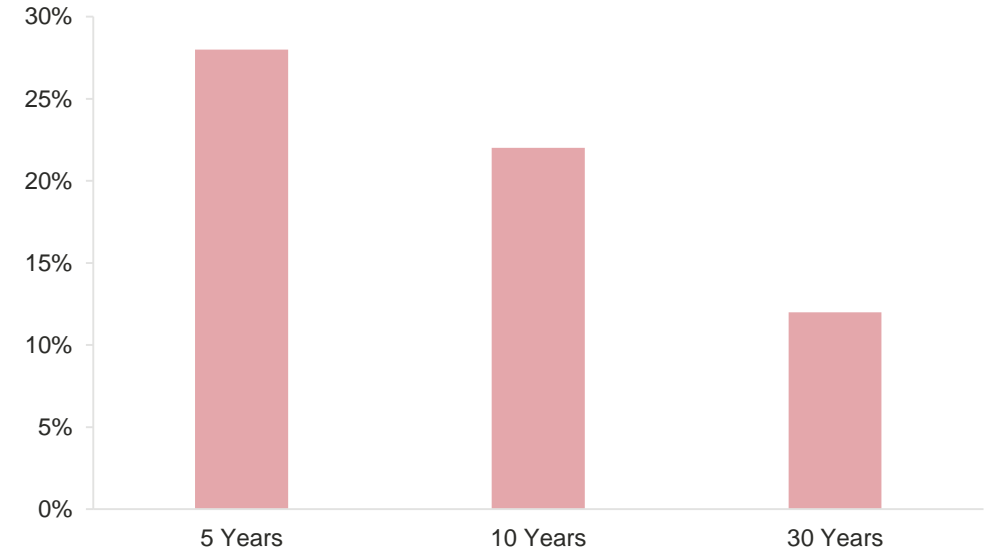
We continue to believe that equities offer poor prospective returns

S&P 10 Year Real Return Model - 1982 to 2021¹



¹Model based on: Dividend + Earnings Growth + Valuation Change

Ex Post Probability of Negative Real Equity Returns²

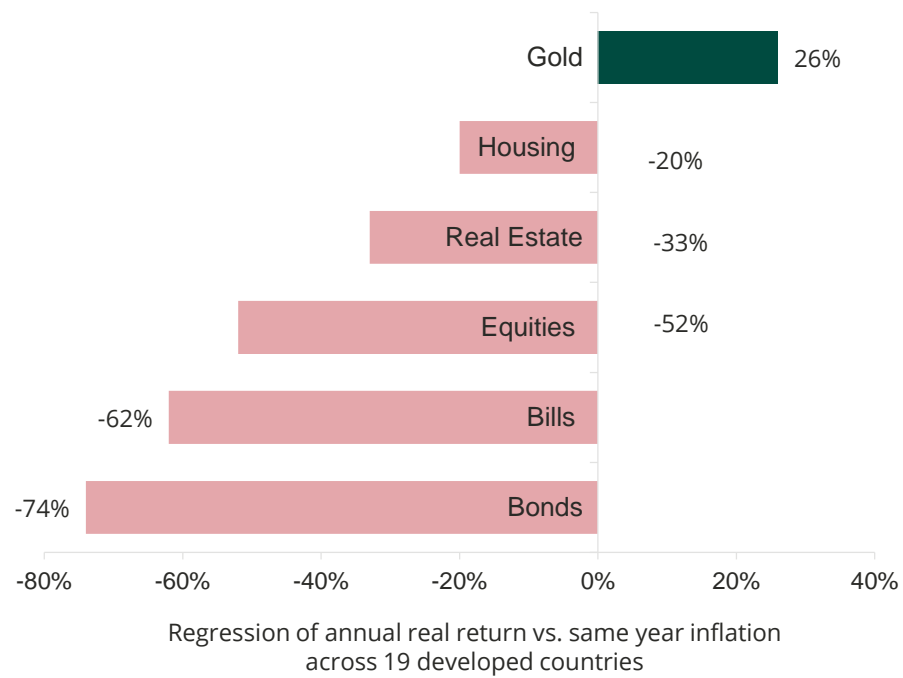


² Study based on returns from 39 Developed countries from 1841 to 2020

OUTLOOK FOR 2022 AND BEYOND

We are acutely aware of the historical impact of inflation on asset prices - including those that are deemed to be real

Real Return vs. Inflation 1900-2011



“Equities are at best a partial hedge against inflation; their nominal returns tend to be higher during inflation, but not by a large enough margin to ensure that real returns completely resist inflation.”

Dimson and Marsh, February 2012

Credit Suisse Year Book

“For a variety of reasons reviewed here, inflation tends to raise investors’ required real rate of return on equity and to lower real capital income for tax-related reasons. **As a result there is a strong negative correlation between inflation and real and nominal stock prices.**”

John Tatom, November 2011

Inflation and Asset Prices

OUTLOOK FOR 2022 AND BEYOND

What areas are we currently focused on?

Real Interest Rates

- Real rates are already negative but expect them to become more negative

Rented Accommodation

- Underpinned both by strong house price growth and wage inflation

Renewable Infrastructure

- Access to inflation linked government cashflows combined with an elevated power price

UK Equities

- Unnaturally depressed due to ESG and Brexit related selling pressures

“ We have **relied on you** to hold our coats whilst we fish in riskier waters, safe in the knowledge that we can get our coats back when **markets get chilly**”

EXCERPT FROM A LETTER SENT TO US BY A
CAPITAL GEARING TRUST INVESTOR

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