

cgam

CGAM Annual Review

2022 Review and 2023 Outlook

January 2023



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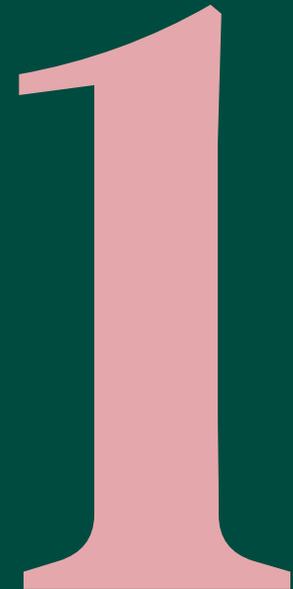
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CONTENTS

- 1. Introduction and positioning*
- 2. Review of 2022*
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Review of 2022

Key developments and positioning

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REVIEW OF 2022

What did the world look like 12 months ago?

The World Ahead | What will happen to inflation in 2022?

It's back—but not for long. Worries about inflation will diminish

The World Ahead | Decentralised finance is booming, but it has yet to find its purpose

The World Ahead | Vladimir Putin will renew his attacks on elections and the internet

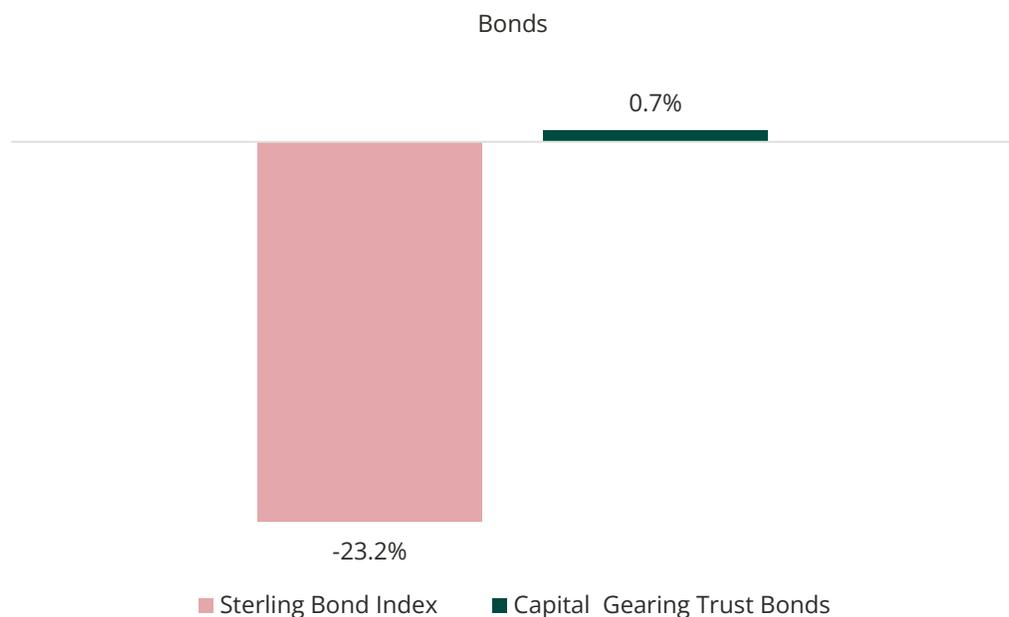
Meat Loaf, Master of Operatic Rock, Dead at 74

"I'd Do Anything for Love (But I Won't Do That)" marked one of the most stunning comebacks in rock history

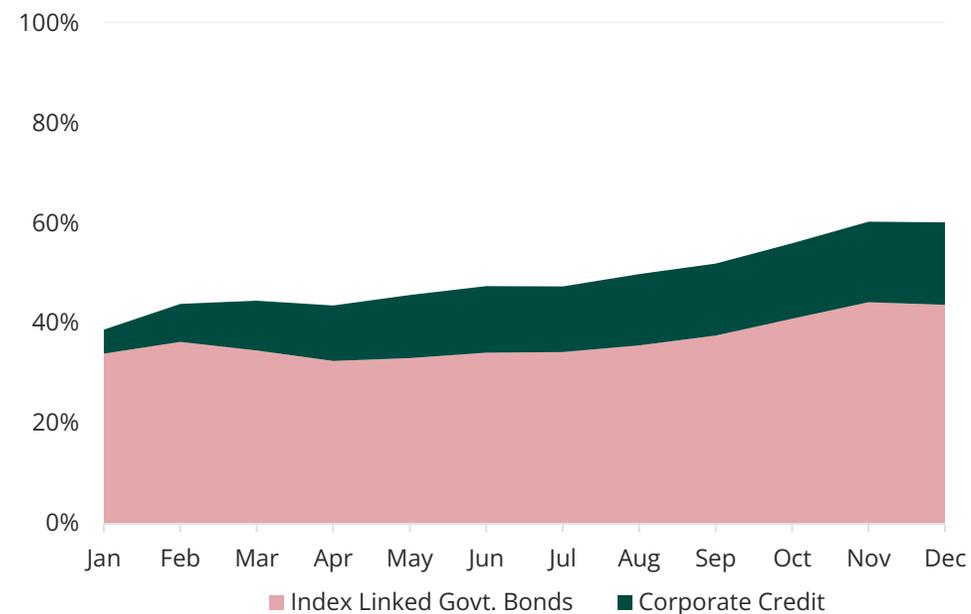
REVIEW OF 2022

2022 Golden Rule #1: Don't own long bonds

CGT Bonds* Returns Recent Performance To Dec (%)



CGT Bond Portfolio Weighting

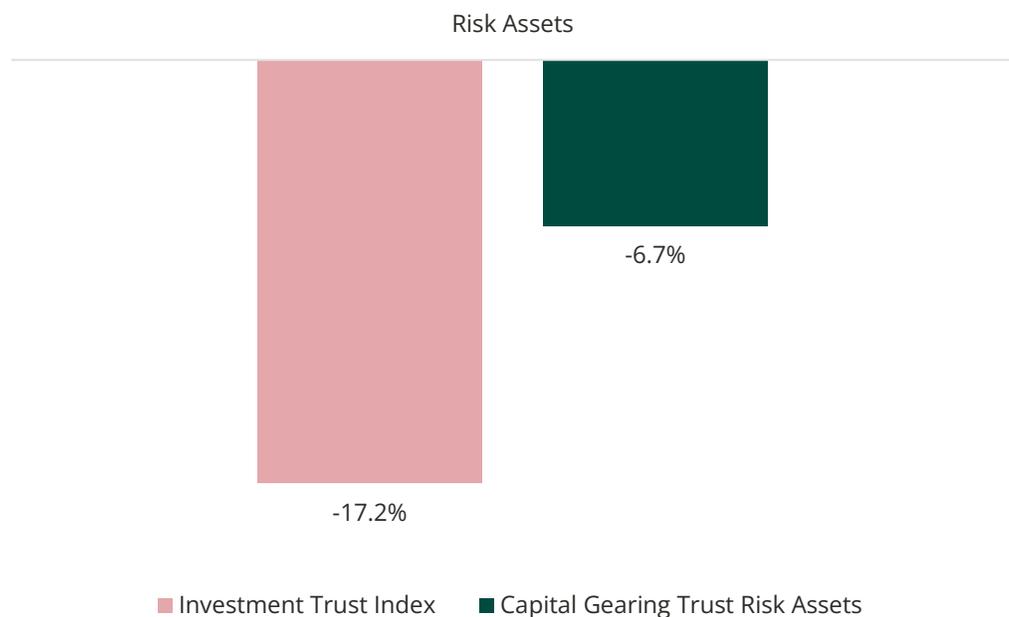


Source: CGAM Analysis, Bloomberg Finance L.P, Bloomberg Sterling Aggregate Bond Index = LC58TRGU, *Bonds include Credit and sovereign bonds (excluding T-Bills and Cash)
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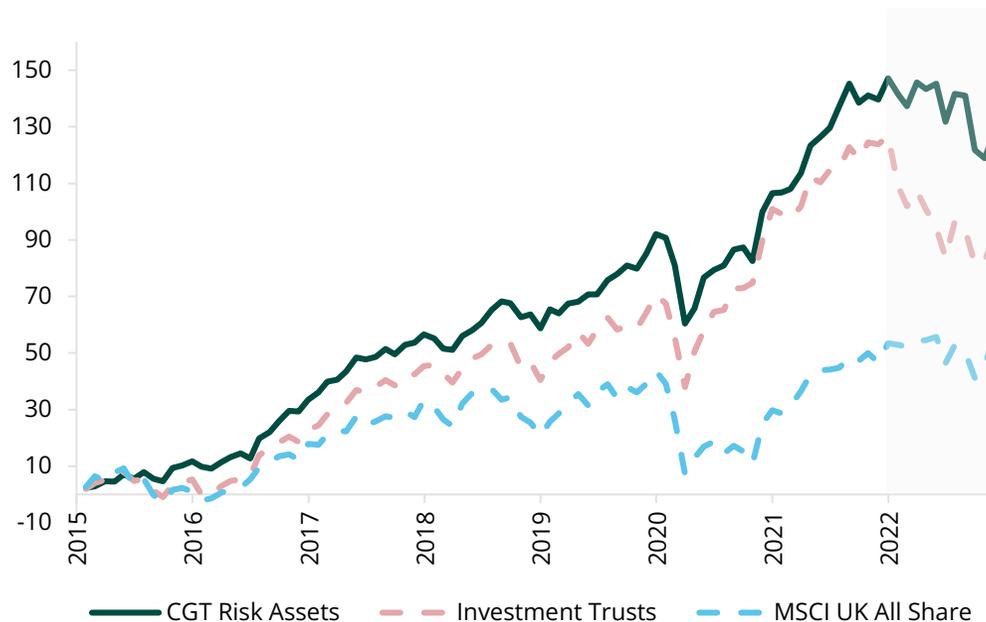
REVIEW OF 2022

2022 Golden Rule #2: Don't own growth equities

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



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



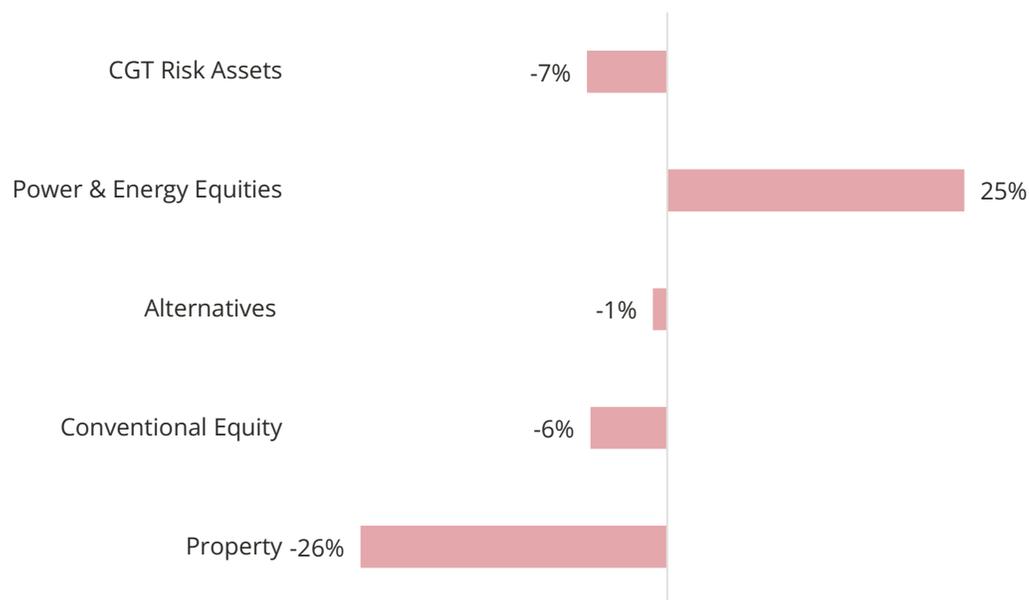
Source: CGAM Analysis, Bloomberg Finance L.P, Investment Trust Index = FAINVC Index *Risk Assets include equities, property, alternatives and gold.

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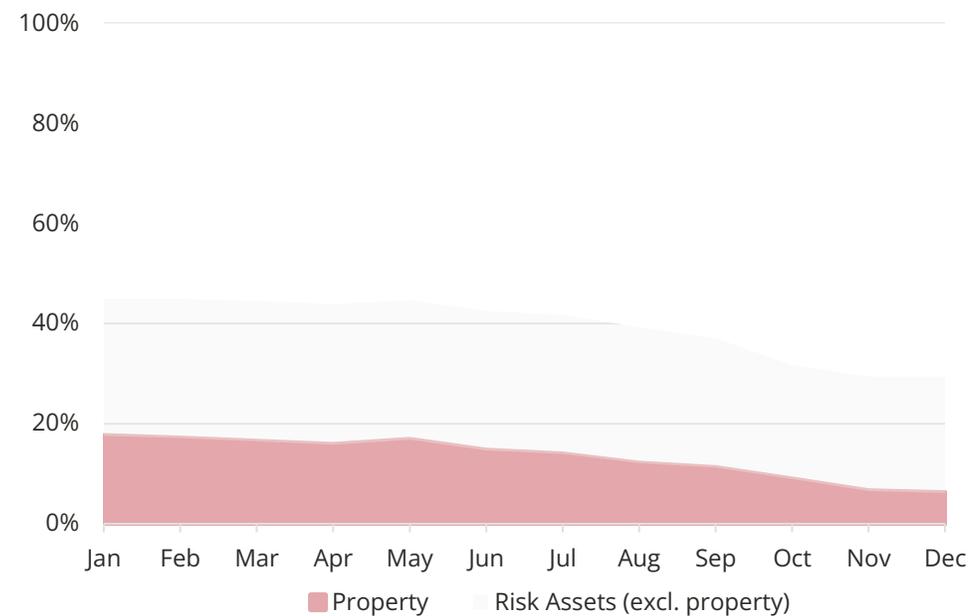
REVIEW OF 2022

2022 Golden Rule #3: Don't own small capitalisation equities

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



CGT Risk Asset Weighting Evolution 2022



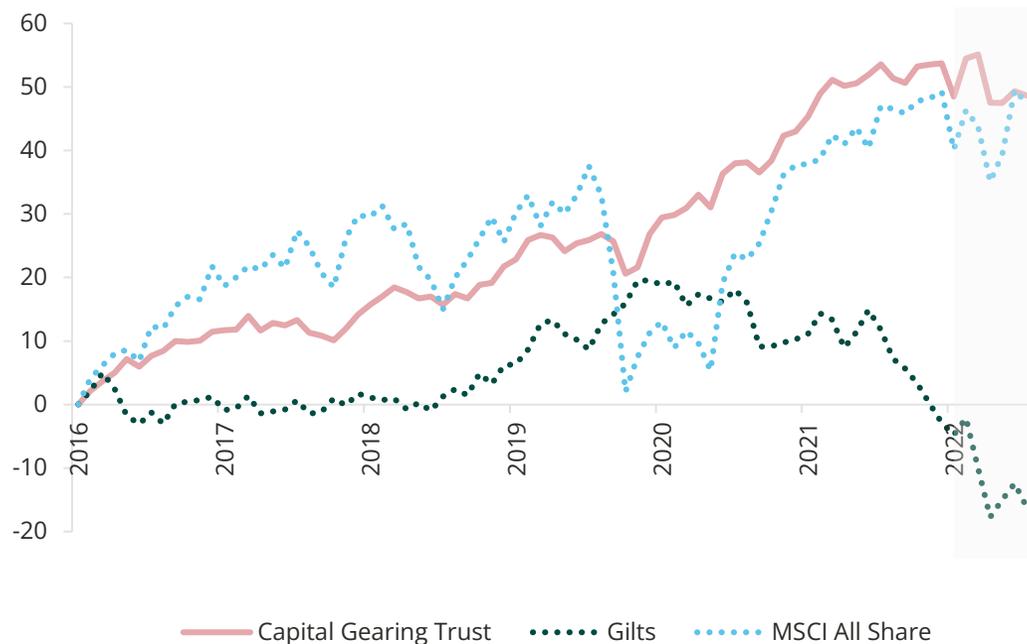
Source: Bloomberg Finance L.P

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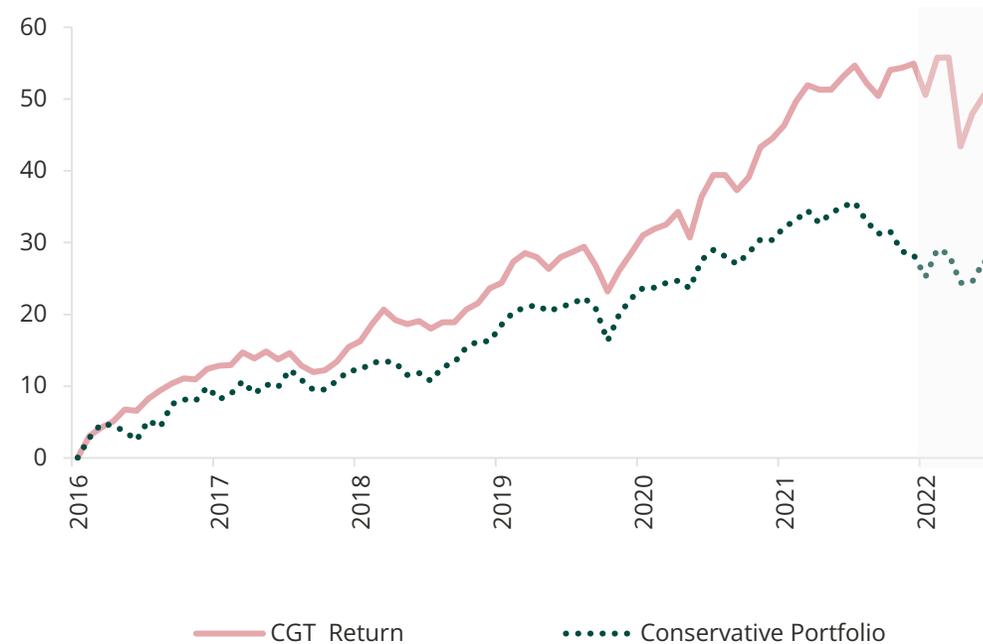
REVIEW OF 2022

In the words of Meat Loaf, “Two out of Three Ain’t Bad”

CGT vs. Gilts & UK Equities – Total Returns



CGT vs. Conservative Private Client index – Total Returns



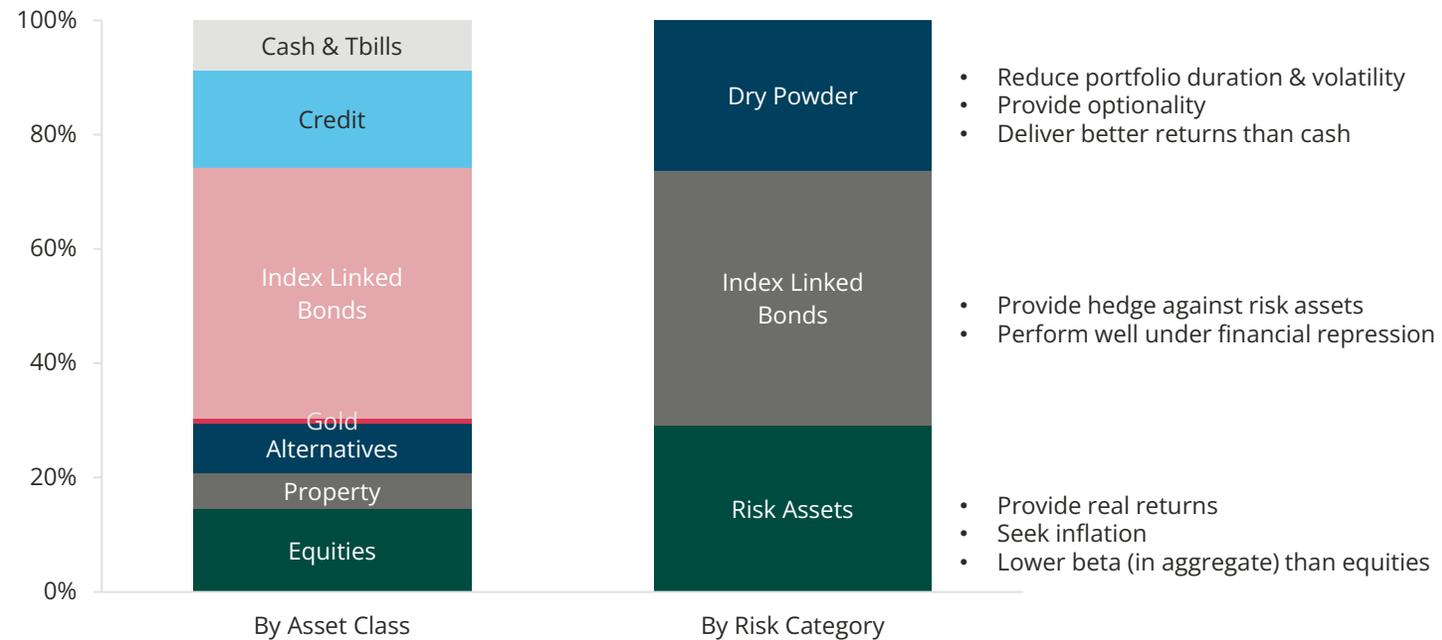
Source: Bloomberg Finance L.P., Drawdown calculation based on month end NAVs

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REVIEW OF 2022

Positioning remains defensive with a focus on inflation protection

CGT Asset Allocation December 2022



Source: CGAM, Bloomberg Finance L.P.

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Outlook for 2023

Things that we are thinking about

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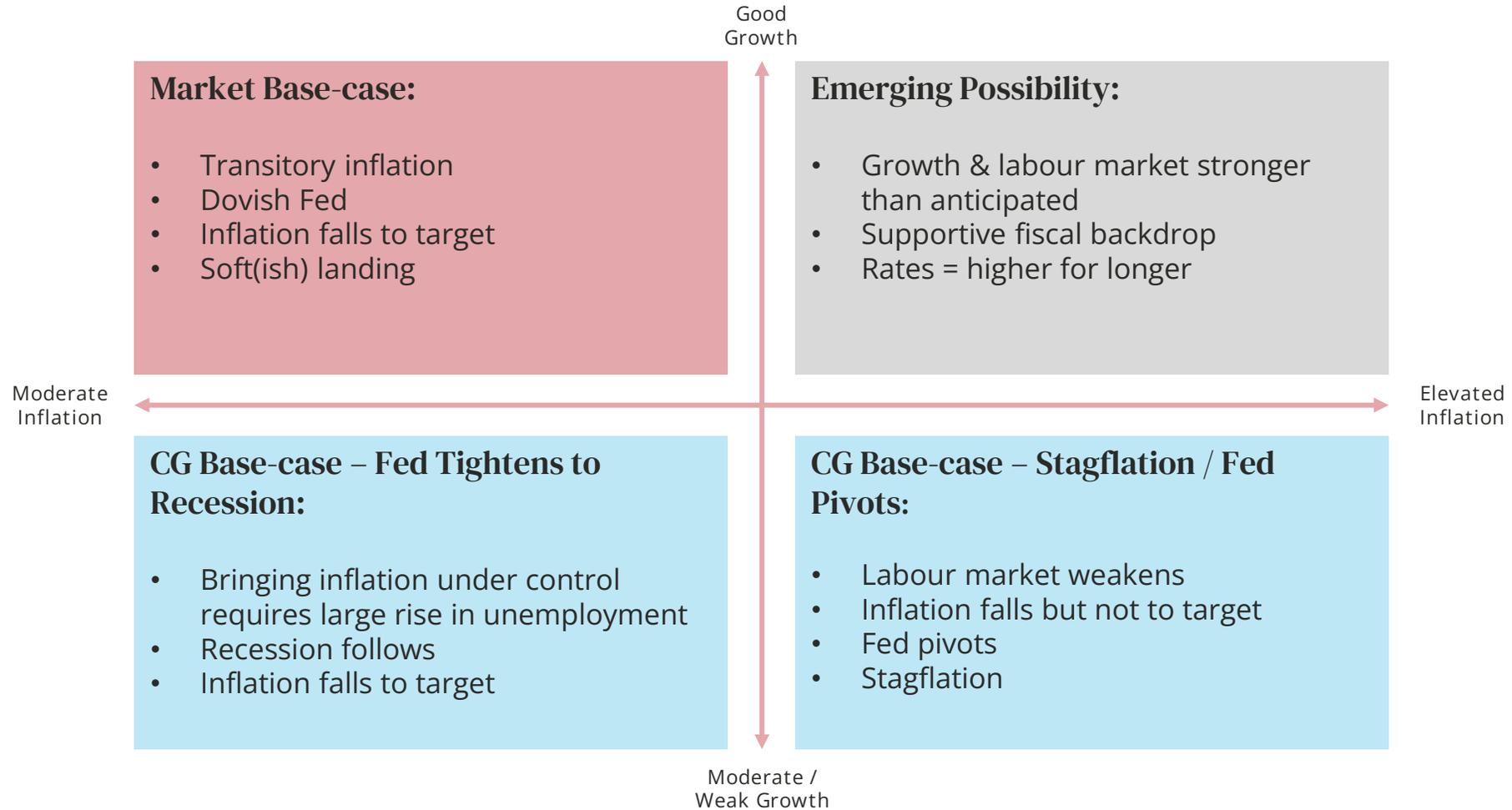
OUTLOOK

As ever, we have a long list of worries, here are a few at the top of our minds!

- 1. Where is the US economy going?***
- 2. What impact might the Bank of Japan have?***
- 3. Where are the cockroaches?***

OUTLOOK

Where is the US economy going?



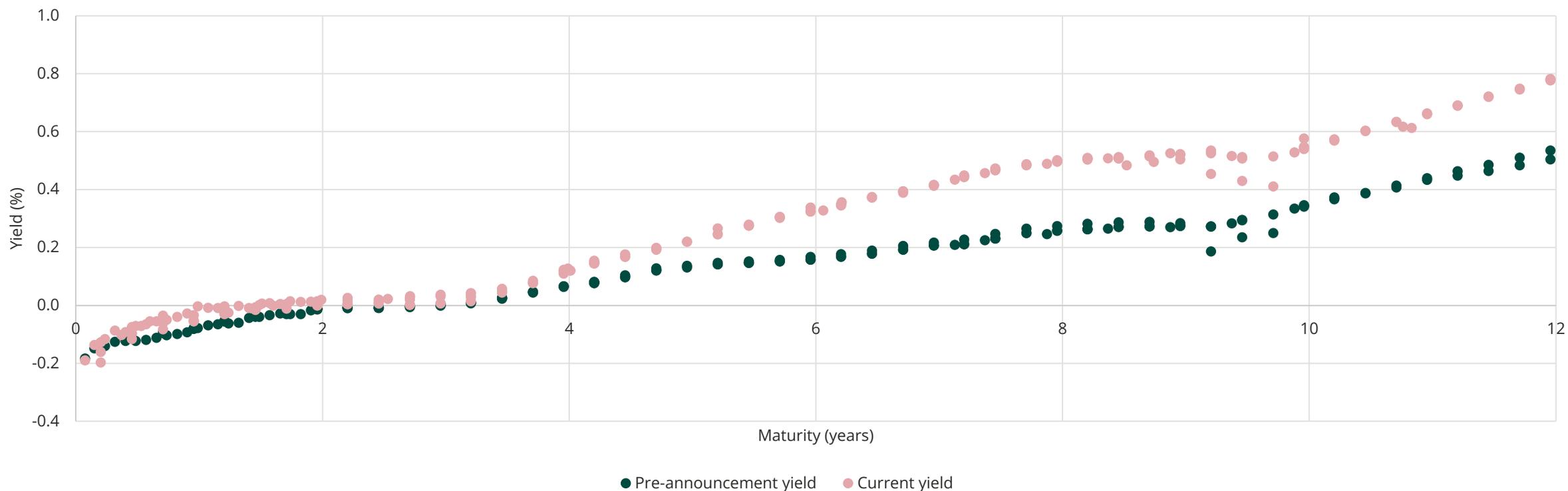
“With inflation remaining unacceptably high, participants expected that a sustained period of below-trend real GDP growth would be needed to bring aggregate supply and aggregate demand into better balance and thereby reduce inflationary pressures”

FOMC MINUTES 13-14 DECEMBER 2022

MACROECONOMIC OUTLOOK

The BoJ's decision to modify yield curve controls resulted in an immediate shift to the JGB yield curve, and was felt both domestically and abroad

Yield curve for Japanese Government Bonds



OUTLOOK

Where are the cockroaches?

- *Shadow Banking?*
- *UK Gilt Market?*
- *Emerging Economies?*

OUTLOOK

Current Areas of Focus

Real Interest Rates

- *Most developed market issuers offering risk free inflation beating returns*
- *UK index linked offering a particular opportunity post October melt down*

Yen Assets

- *The Yen is offering exceptional value and Japan could come to be seen as a safe haven in an inflationary world*
- *Clear catalyst for currency rerating after BOJ policy change*

Credit

- *Combination of pension fund selling and BoE selling has led to high spreads even in short dated, economically insensitive sterling credit*

OUTLOOK

Any questions?

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