

cgam

Focused Wealth Preservation

CGAM Multi-asset Update

Q2 2022 Webinar



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 07th July 2022 fund performance data is updated to 30st June 2022. 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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Background to CG Asset Management

A focussed boutique

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CGAM BACKGROUND

Founded in 2001, CGAM manages ~ £3.9 bn in 5 funds, split between absolute return and real return mandates

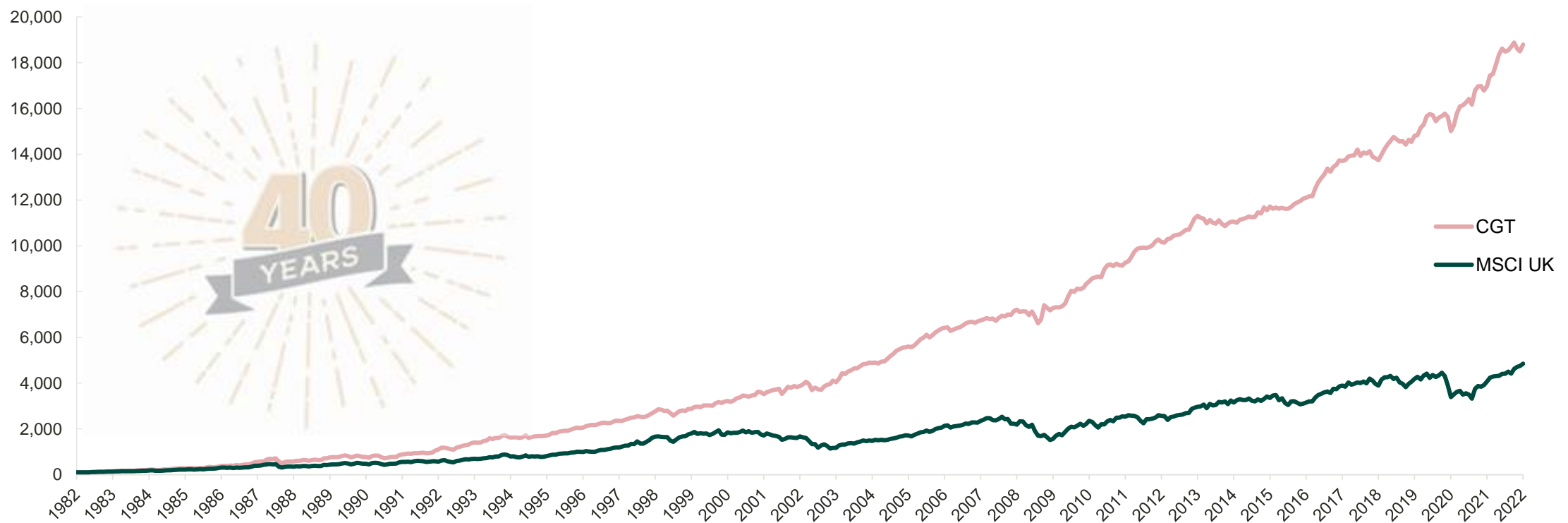
	Fund	Launched	Size	Structure	Fees (AMC)	
Absolute return	Capital Gearing Trust	1982 ¹⁾	£1,160 m	Investment Trust ²⁾	0.43% ³⁾	Absolute returns through long only investment in a portfolio of bonds, equities and commodities
	CG Absolute Return Fund	2016	£920 m	UCITS	0.35%	
	Capital Gearing Portfolio	2001	£380 m	UCITS	Closed	
Real return	Real Return Fund	2004	£580 m	UCITS	0.30% / 0.20% ⁴⁾	Real returns through long only investment in index linked bonds
	Dollar Fund	2009	£880 m	UCITS	0.25% / 0.15% ⁵⁾	

1) Peter Spiller began managing Capital Gearing Trust in 1982; 2) 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 ; 3) Tiered fee structure, marginal rate is 0.3% above £500 m; 4) 0.3% below £500m, 0.2% above; 5) 0.25% below £1,000, 0.15% above

CGAM BACKGROUND

Since 1982 CGT has returned 280x¹⁾ with only one down year









NAV Total Return History (Rebased) Apr 1982 to Apr 2022



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%

CGAM BACKGROUND

Team

<p>Peter Spiller, CIO</p> 	<p>Alastair Laing, Co-Manager</p> 	<p>Chris Taylor, COO</p> 	<p>Richard Goody, Risk & Compliance Director</p> 
<p>Chris Clothier, Co-Manager</p> 	<p>Hassan Raza, CFA Investment Analyst</p> 	<p>Lydia Groves, Operations Analyst</p> 	<p>Jason Barlow, Risk & Operations Manager</p> 

Investments

Operations

Risk & Compliance

Multi-Asset Funds

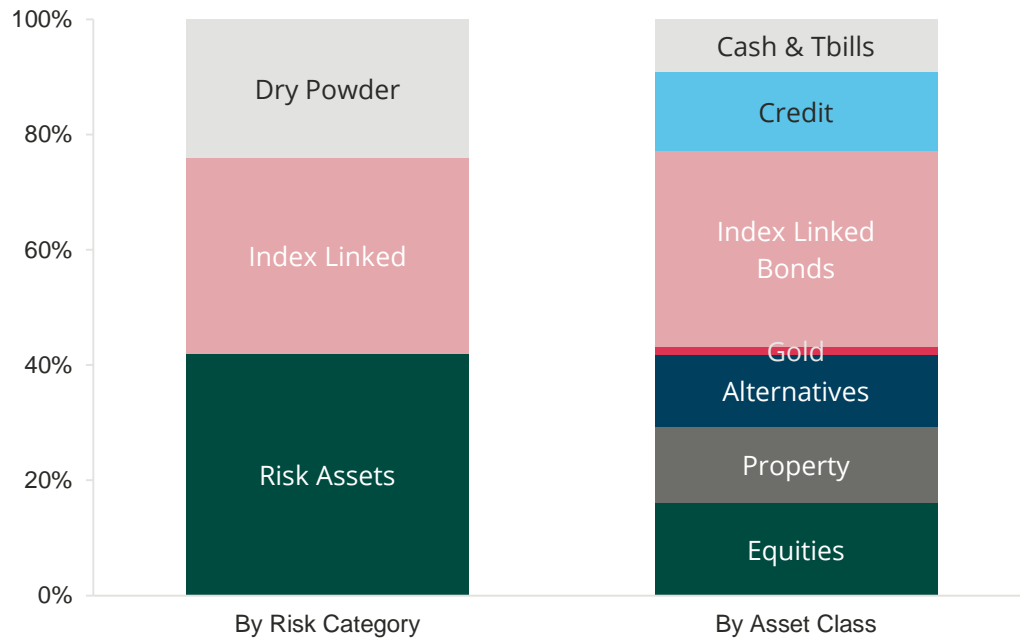
Performance



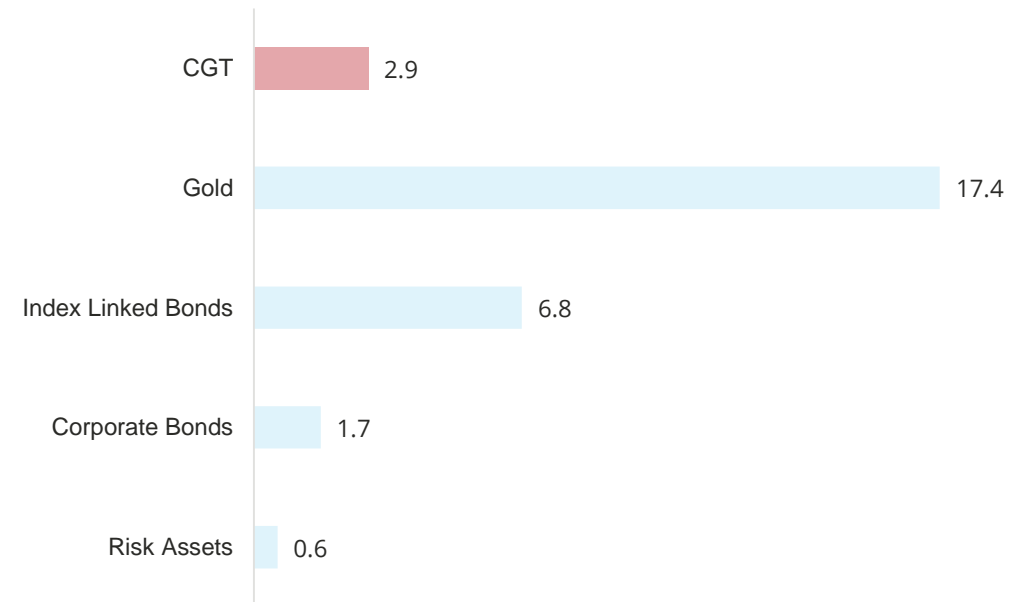
POSITIONING & RETURNS

Positioning remains defensive with a focus on inflation protection

CGT Asset Allocation June 2022 (%)



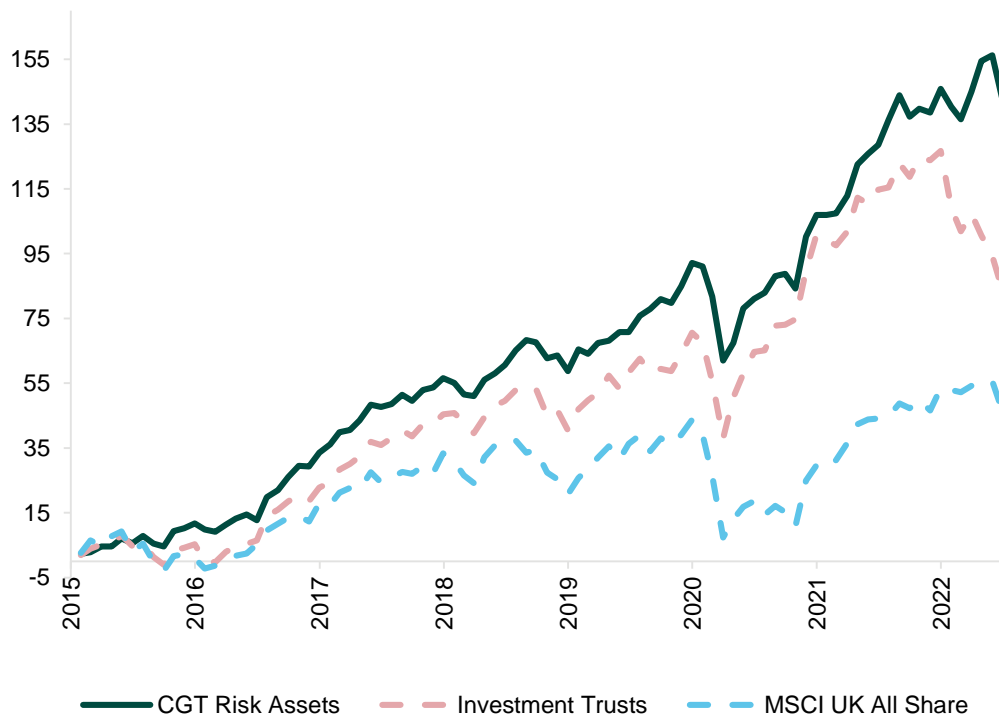
Returns by Asset Class over last twelve months (%)



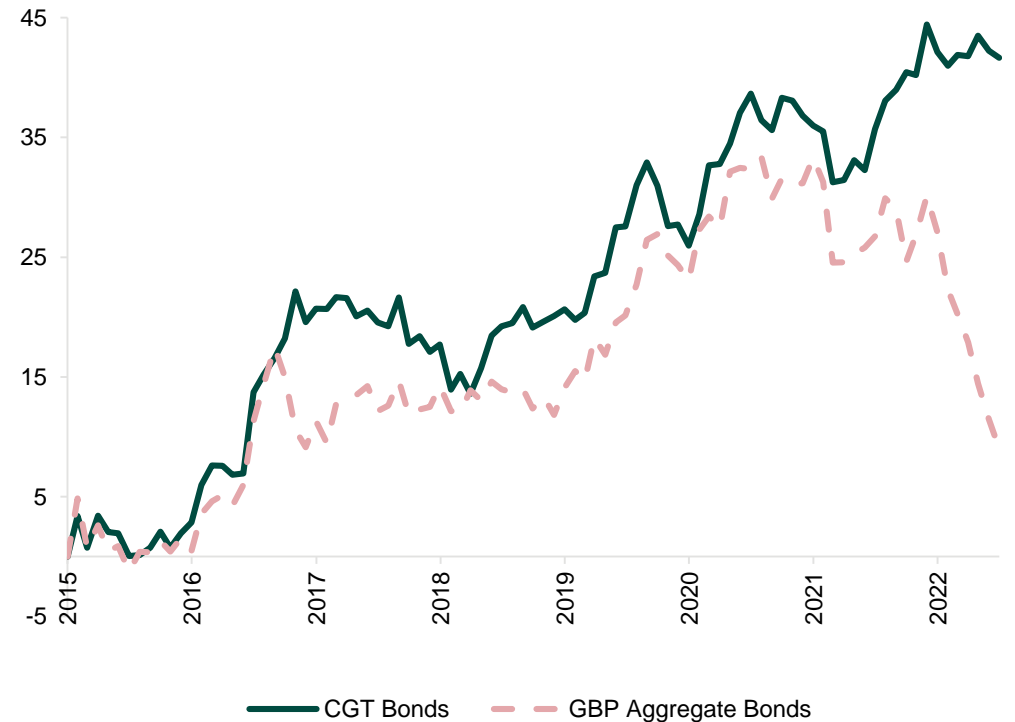
POSITIONING & RETURNS

Both the equity and bond portfolios have outperformed their benchmarks and contributed to the stability of returns

CGT Risk Assets* Returns Recent Performance To June 2022 (%)



CGT Bonds Only* Returns Recent Performance To June 2022 (%)

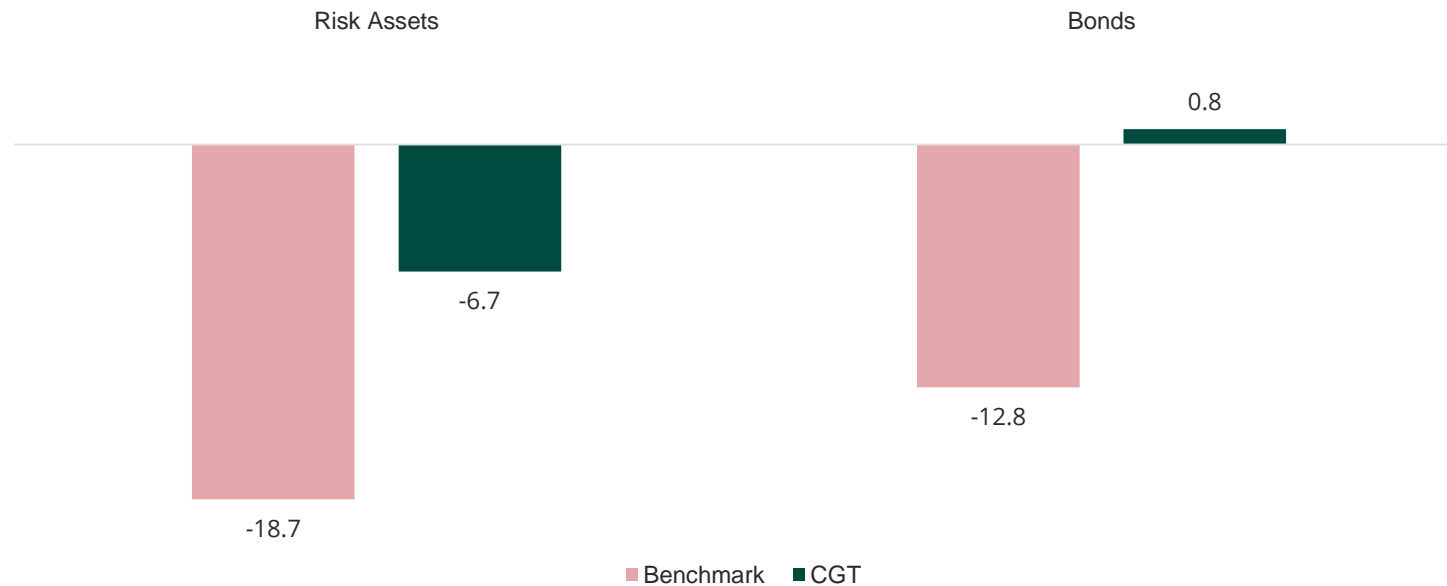


*Risk Assets include equities, property, alternatives and gold. Bonds include Credit and sovereign bonds (excluding T-Bills and Cash)

POSITIONING & RETURNS

This year has proved to be a good test to demonstrate the defensive characteristics of the portfolio

CGT YTD June 2022 Performance vs. Benchmarks

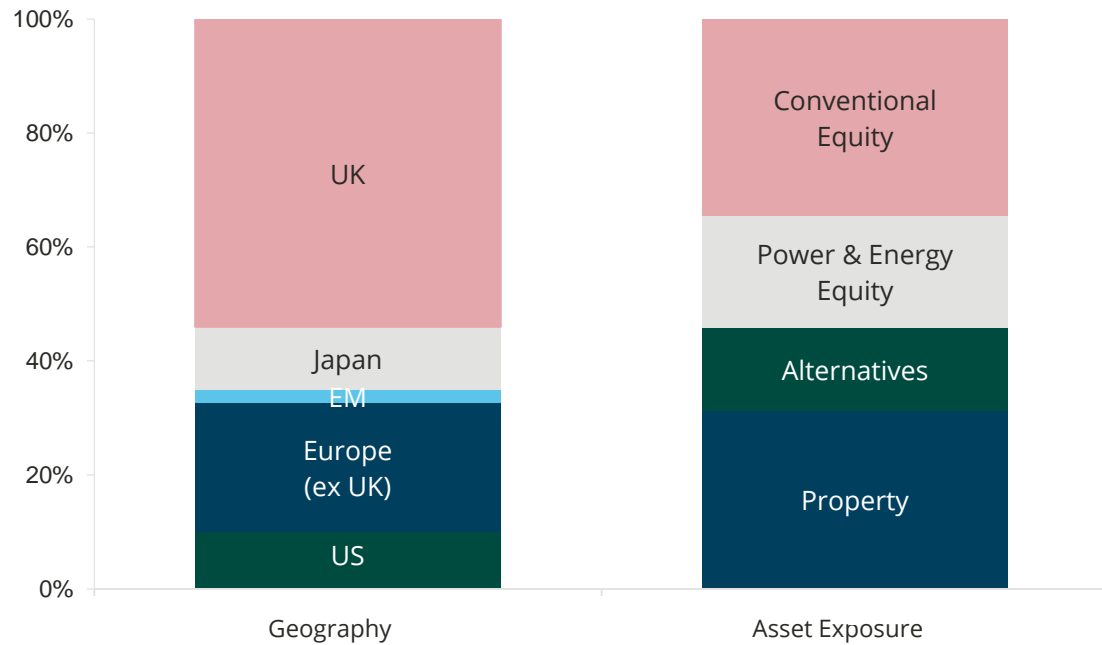


*Bond benchmark = GBP Aggregate, Risk Assets Benchmark = Investment Trust Index ; Risk Assets include equities, property, alternatives and gold. Bonds include Credit and sovereign bonds (excluding T-Bills and Cash)

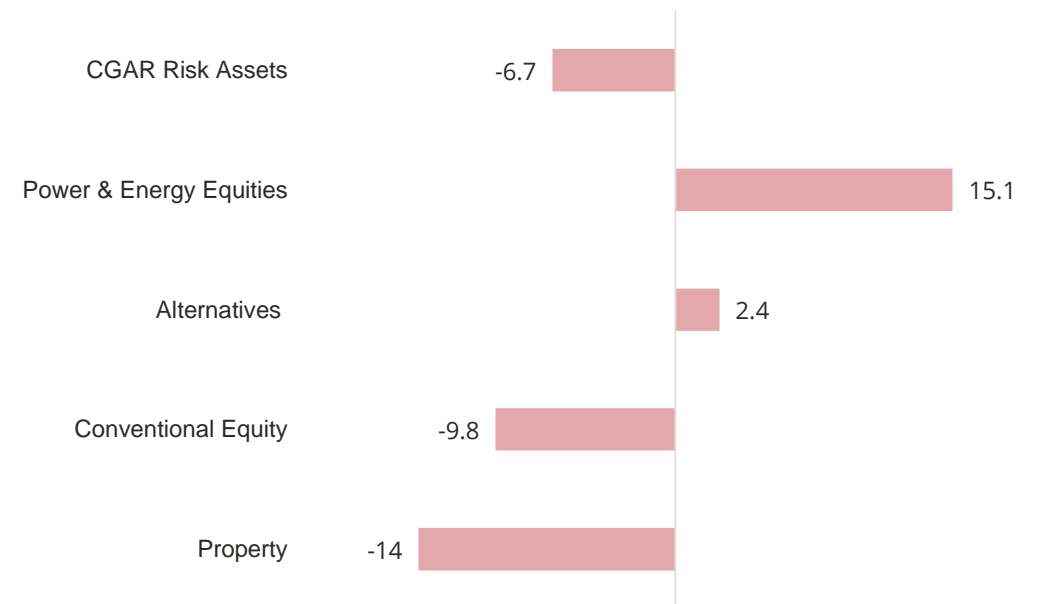
POSITIONING & RETURNS

A substantial allocation to Power & Energy delivered equity outperformance in the period

Risk Assets – Geographic Exposure and Asset Exposure



YTD June 2022 Risk Asset Performance (%)

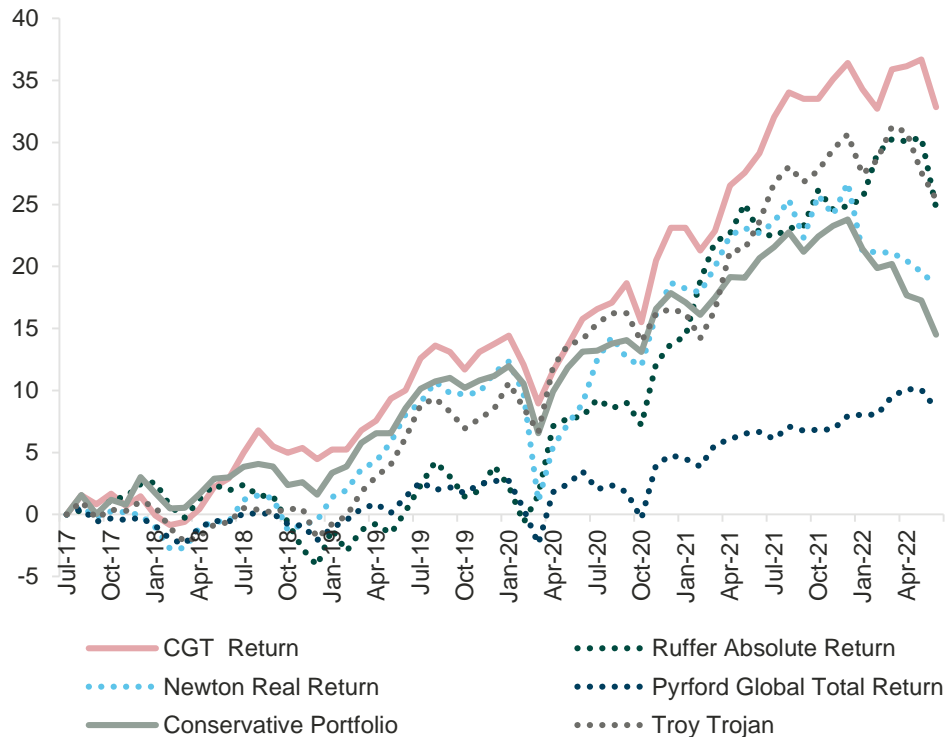


Alternatives include Core Infrastructure, Loan Funds, HY, PE & hedge funds

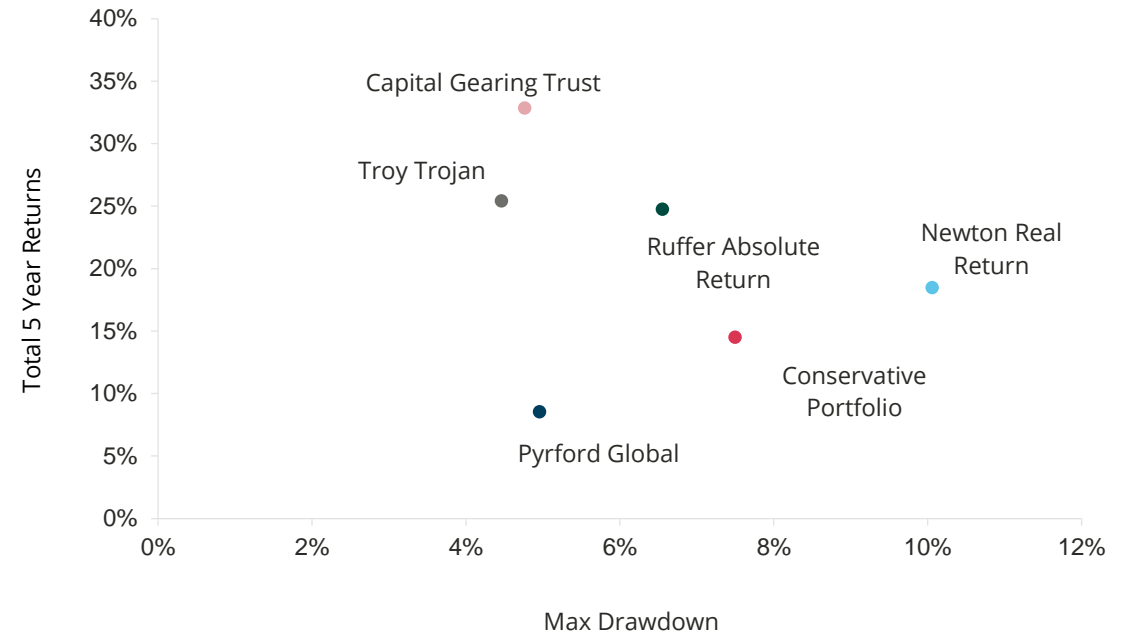
POSITIONING & RETURNS

Over the last 5 years CGT has delivered good risk adjusted returns relative to its peers

CGT vs. Peers - Total Returns to June 2022 (%)



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)

Outlook

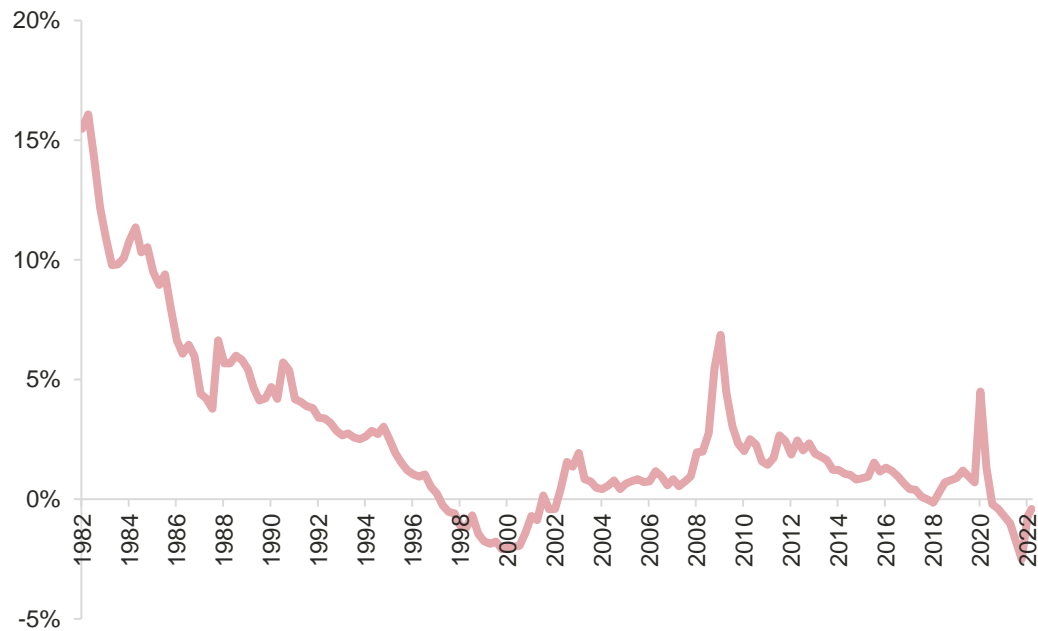
Some reflections on what the future may hold



OUTLOOK

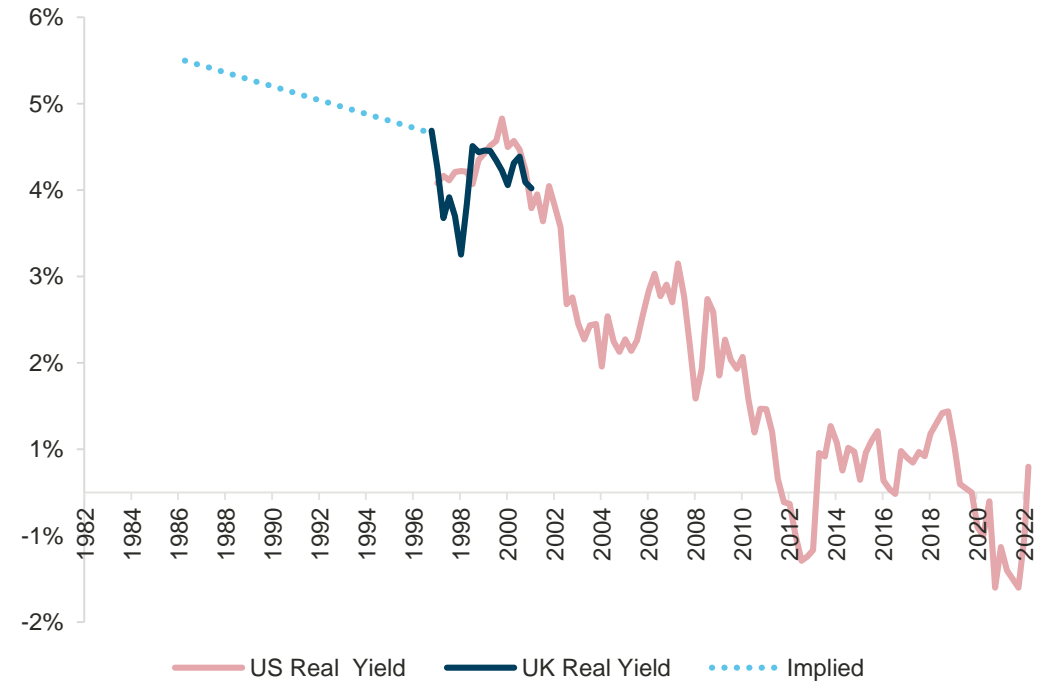
The sell-off in equities hasn't (yet) changed their fundamental (lack of) attraction. We continue to favour TIPS

S&P 10 Year Real Return Model - 1982 to 2022¹



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

10 Year US Real Yields - 1982 to 2022



OUTLOOK

The global economy is slowing quite rapidly...

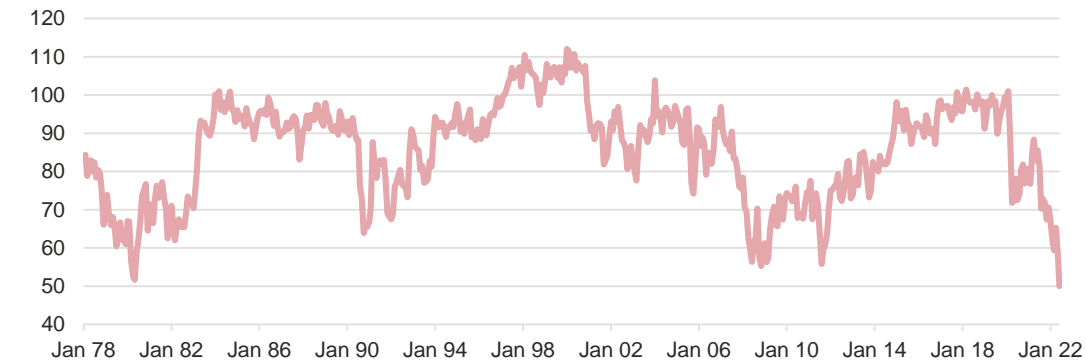
Dr Copper!



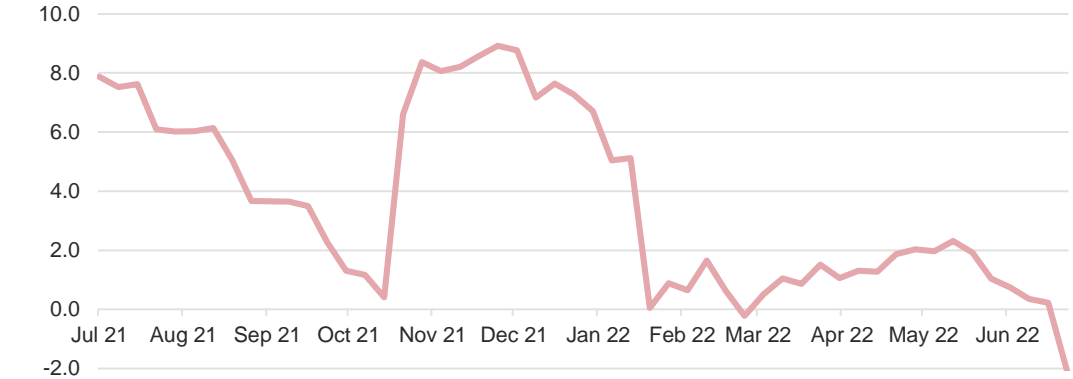
US ISM Manufacturing Index - New Orders



University of Michigan Consumer Sentiment Index



Atlanta Fed GDPNow Forecast (%)



OUTLOOK

...which is feeding into recession concerns in the bond market (though equity earnings estimates appear to be blissfully unaware of this!)

US 2Y/10Y spread (bps)



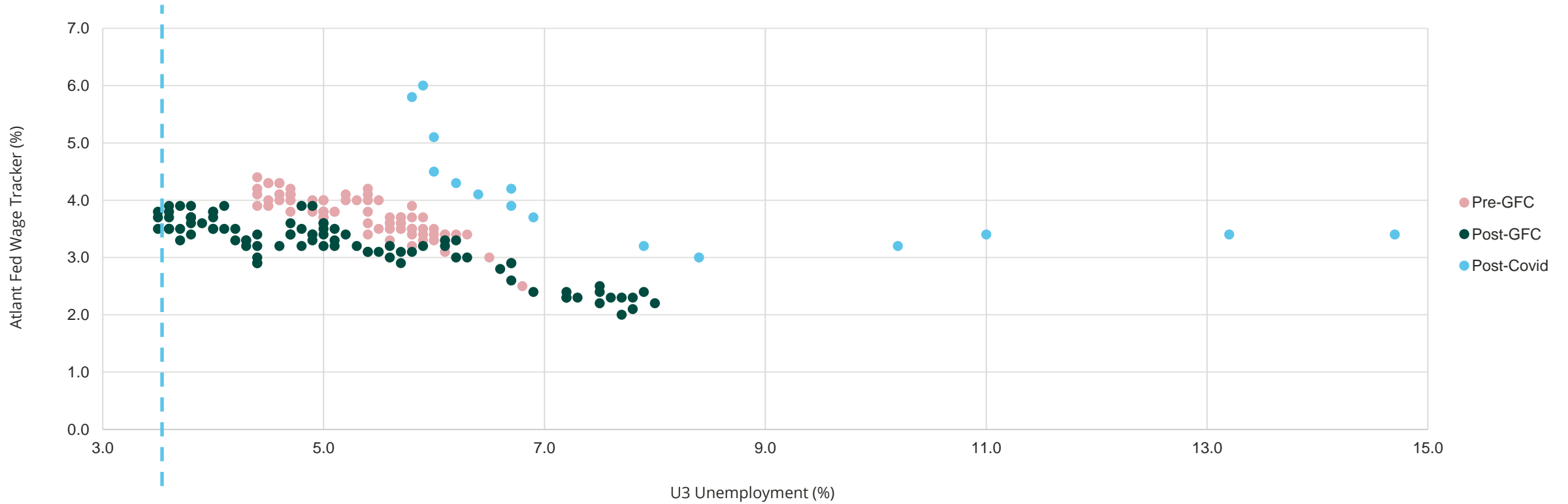
US 5Y5Y Breakeven (%)



OUTLOOK

And yet, wages are strong and likely to remain strong...

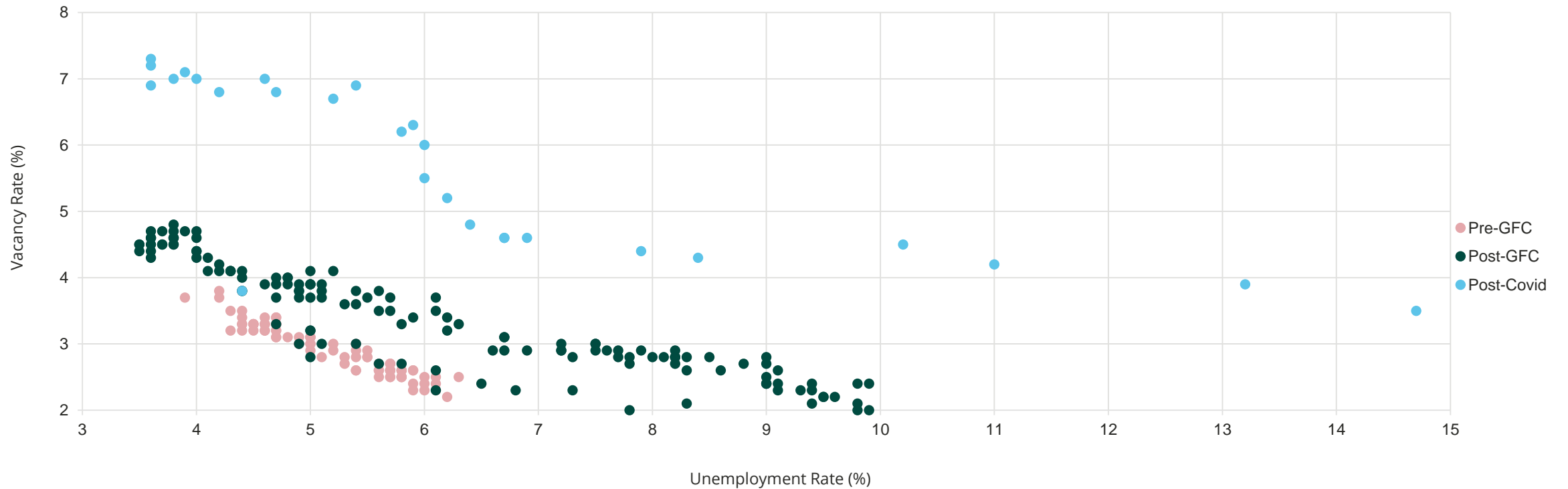
Atlanta Fed Wage Tracker vs. U3 Unemployment (9 months lagged)



OUTLOOK

...especially if the newly unemployed aren't suitable for the job openings that exist

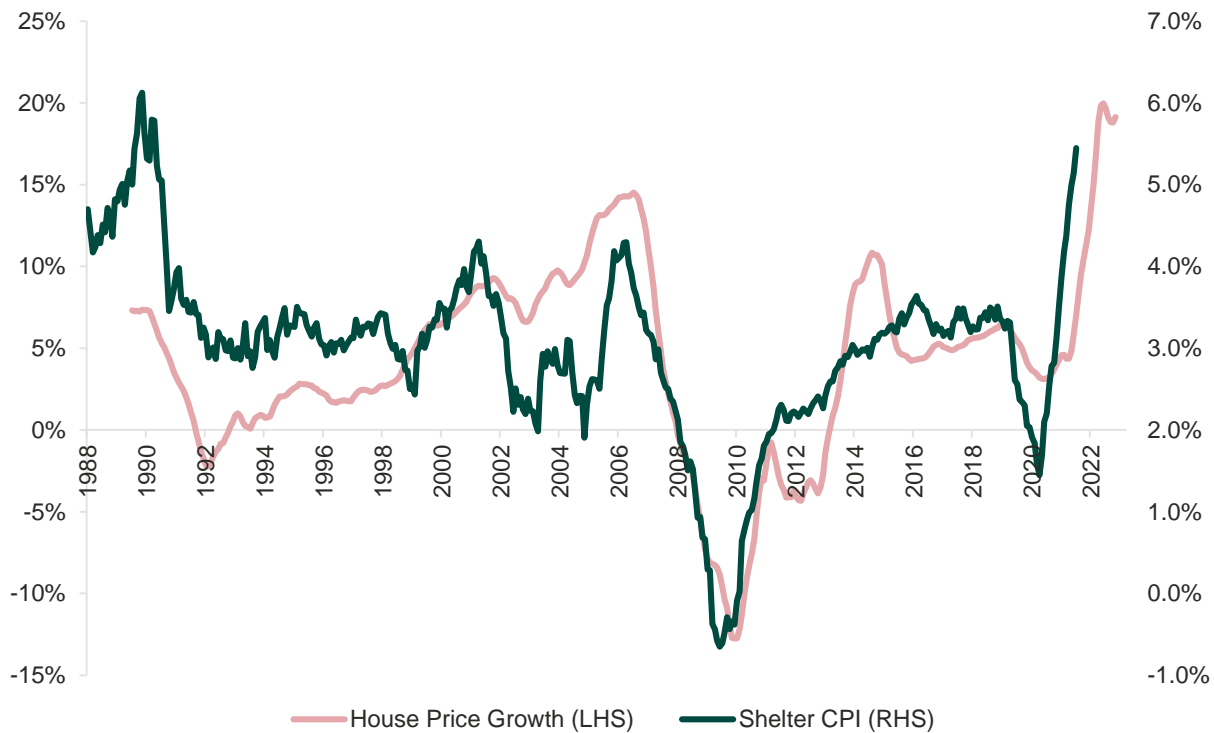
The Beveridge Curve



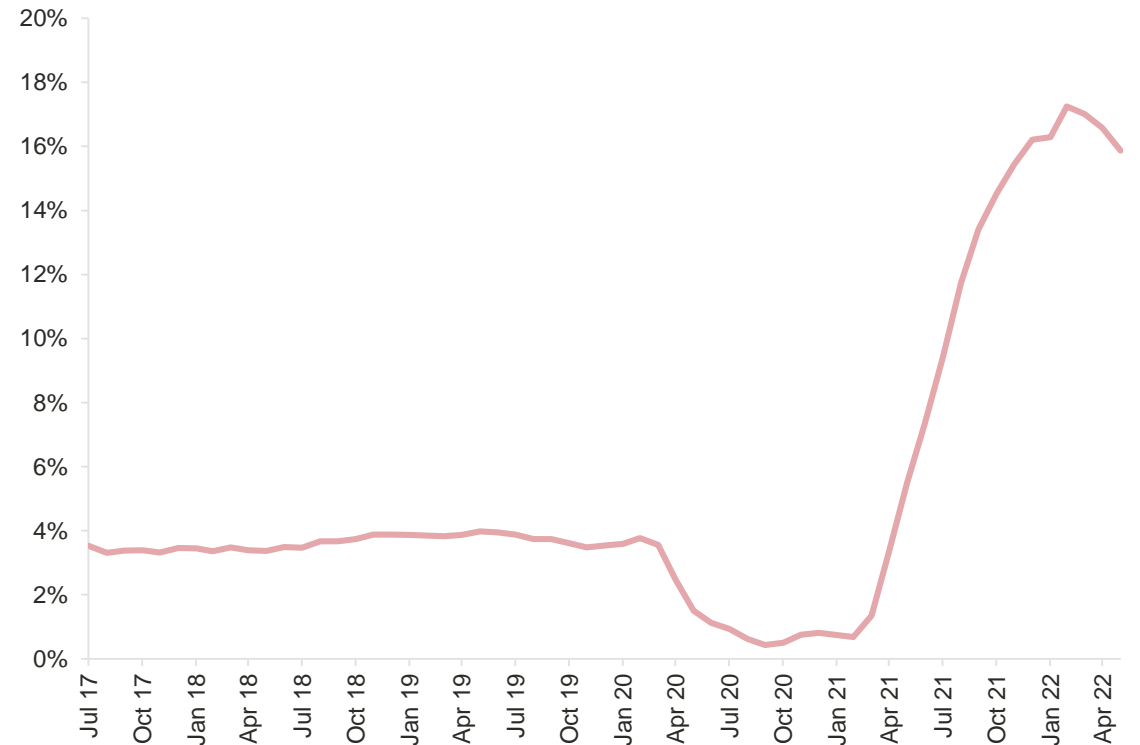
OUTLOOK

Rising rents and house prices are likely to cause shelter CPI to rise... though ultimately this will temper as the housing market slows

CPI Shelter (lagged by 20 months) vs. House Price Growth - YoY (%)



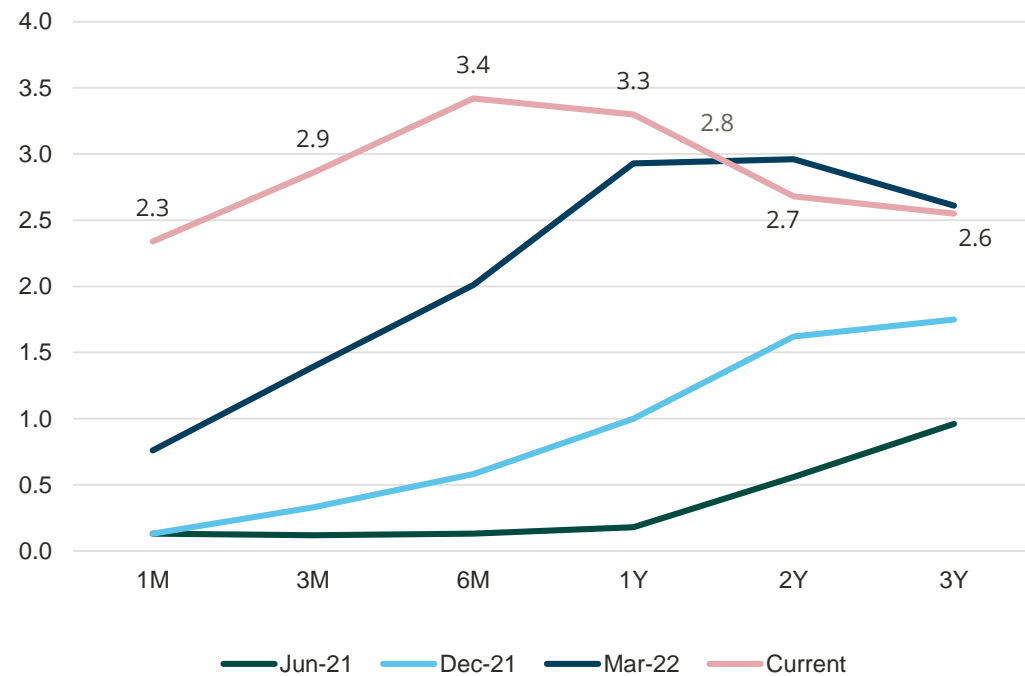
US Zillow Rent Index - YoY (%)



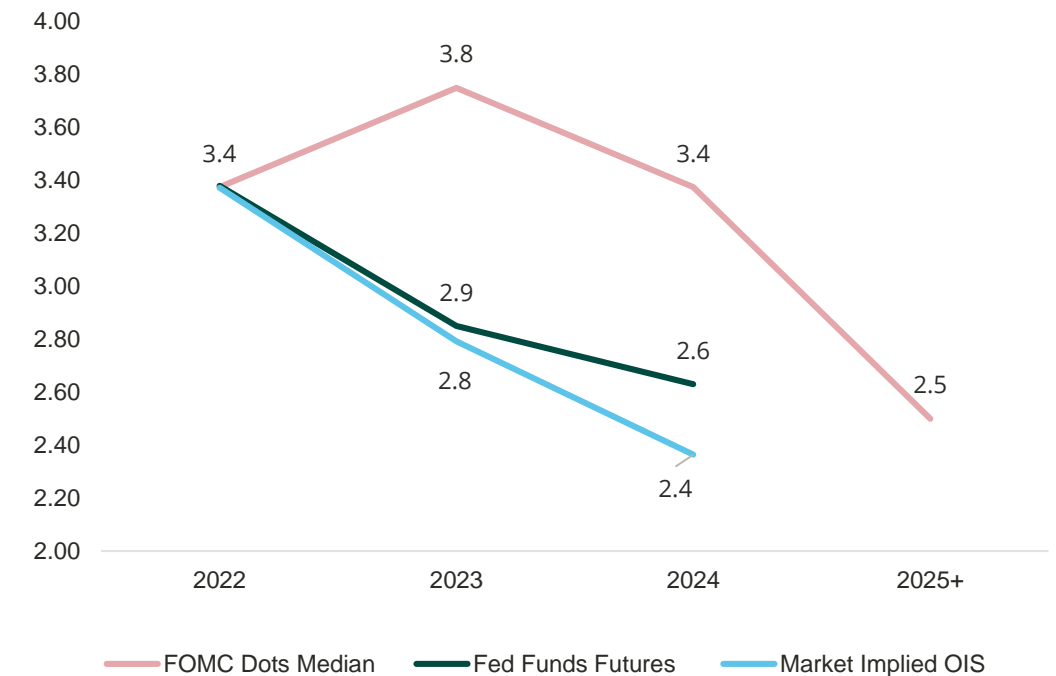
OUTLOOK

Perhaps these contradictions explain why the bond market and the Fed are at odds with each other

Historical Market Implied OIS Rate (%)



US Federal Fund Rate FOMC Median vs. Implied Market Forecasts (%)



What excites us?

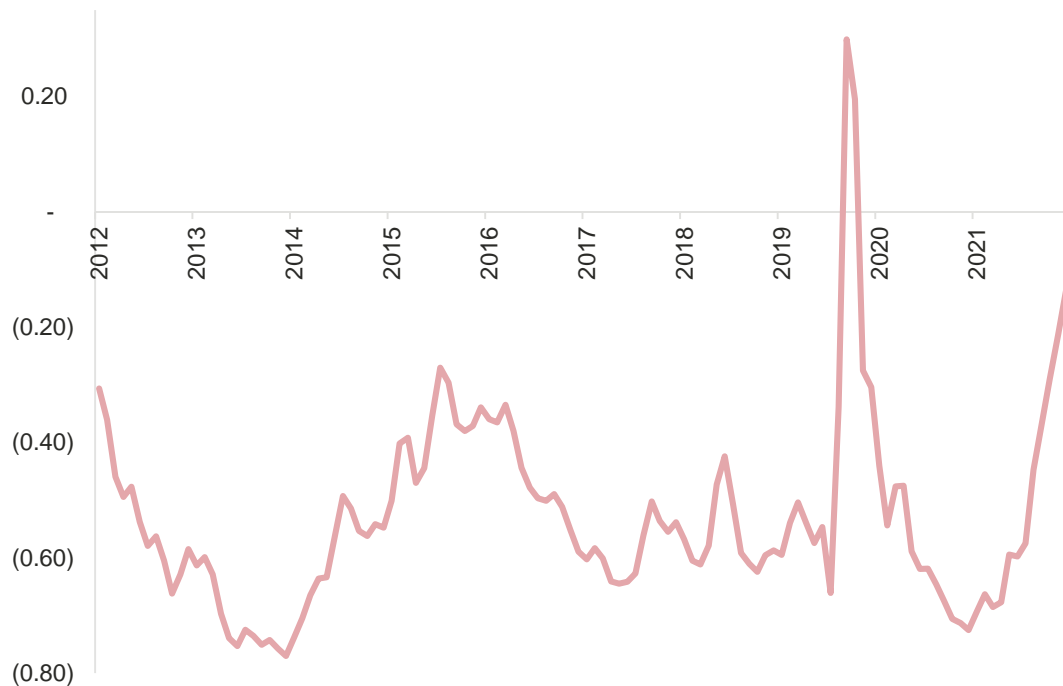
Where we are deploying your capital



WHAT EXCITES US?

Higher real yields and tighter financial conditions have enticed us to lengthen duration in TIPS to 10 years (yet more pain to come?)

Chicago Fed Financial Conditions Index



“Policy works through financial conditions. That’s how it reaches the real economy”

- Jerome Powell

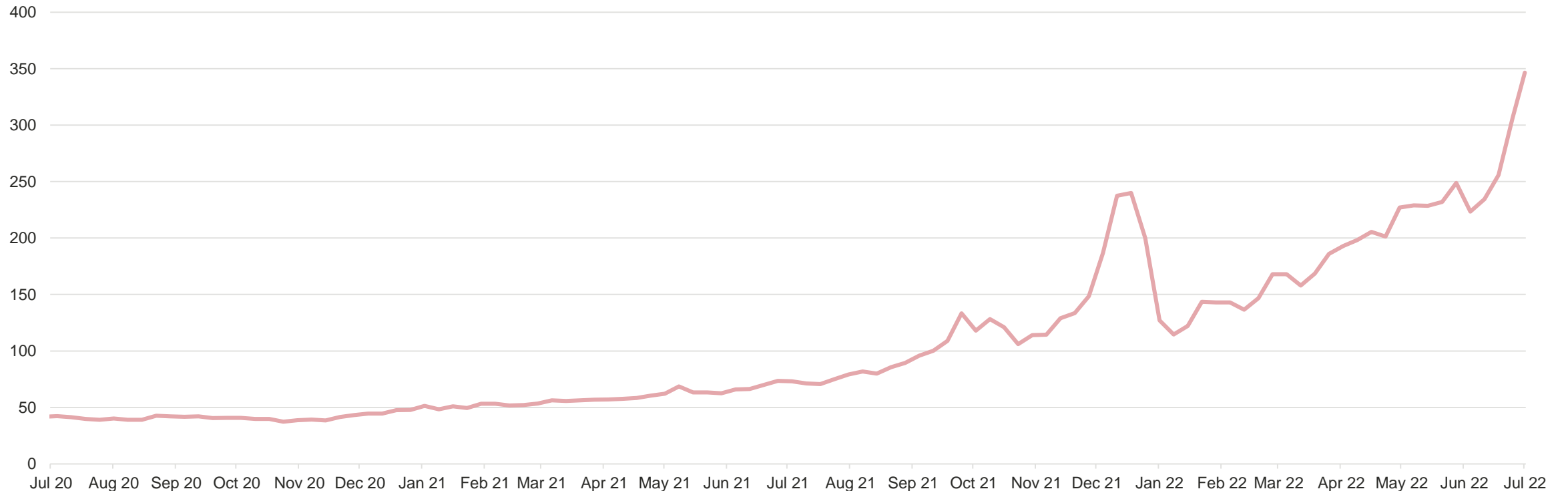
“It’s hard to know how much the US Federal Reserve will need to do to get inflation under control. But one thing is certain: to be effective, it’ll have to inflict more losses on stock and bond investors than it has so far”

- Bill Dudley

WHAT EXCITES US?

We continue to think that renewables in Europe and the UK look great value, especially against the backdrop of recent moves in power prices

European 1Y Forward Baseload Power Price (EUR/Mwh)



WHAT EXCITES US?

The Japanese Yen is fantastically cheap, and its virtues may become more obvious if inflation is more persistent elsewhere

USD/JPY Exchange rate



WHAT EXCITES US?

Credit spreads are blowing out, even in high quality names

Grainger 3.375% April 2028 Spread



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WHAT EXCITES US?

We struggle to allocate materially to Gold given its volatility and premium

Real gold price - 1950 to 2022

