

A black and white photograph of two mountain goats standing on a dark, craggy rock face. The goat on the left is standing upright, facing slightly towards the camera, while the goat on the right is in a more crouched position, looking towards the left. The background is a dark, textured rock wall with visible horizontal and vertical fissures.

# CG Asset Management

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*Capital Gearing Trust AGM*

July 2025

**cgam**

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# Full Year Results 2025: Key Highlights

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NAV Total Return: +4.1%  
(CPI Return: 2.6%)



Share Price Total Return: +3.6%



Our Discount Control Policy ("DCP") has kept our shares trading close to NAV



All parts of the portfolio delivered a positive contribution, with the exception of the infrastructure holdings



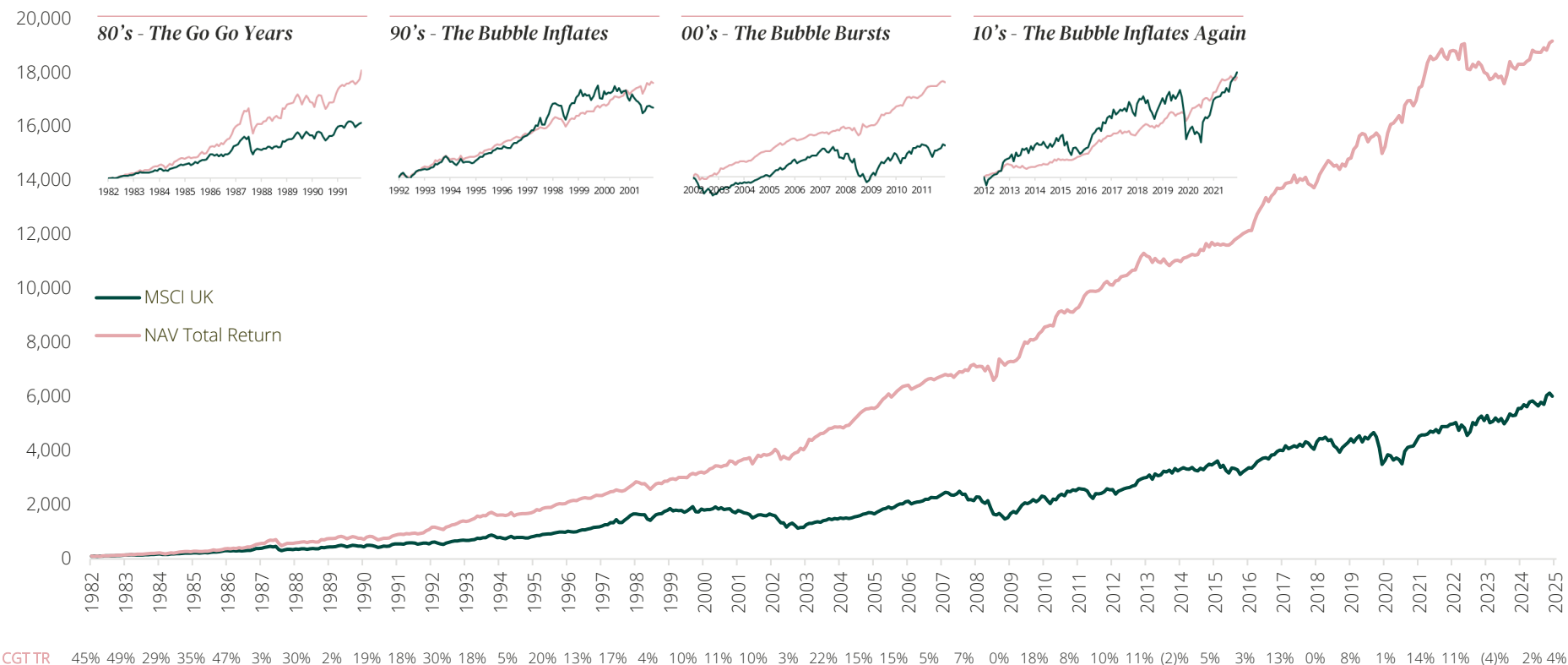
The CGT Board have proposed an increased dividend of 102p per Ordinary share, representing a 30.8% increase



CGT remains defensively positioned, with material allocations to dry powder and index-linked bonds, while maintaining a cautious stance towards risk assets

# Since 1982 the CGT share price total return has been >274x<sup>1</sup>

## NAV Total Return History (Rebased) Mar 1982 to Mar 2025



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

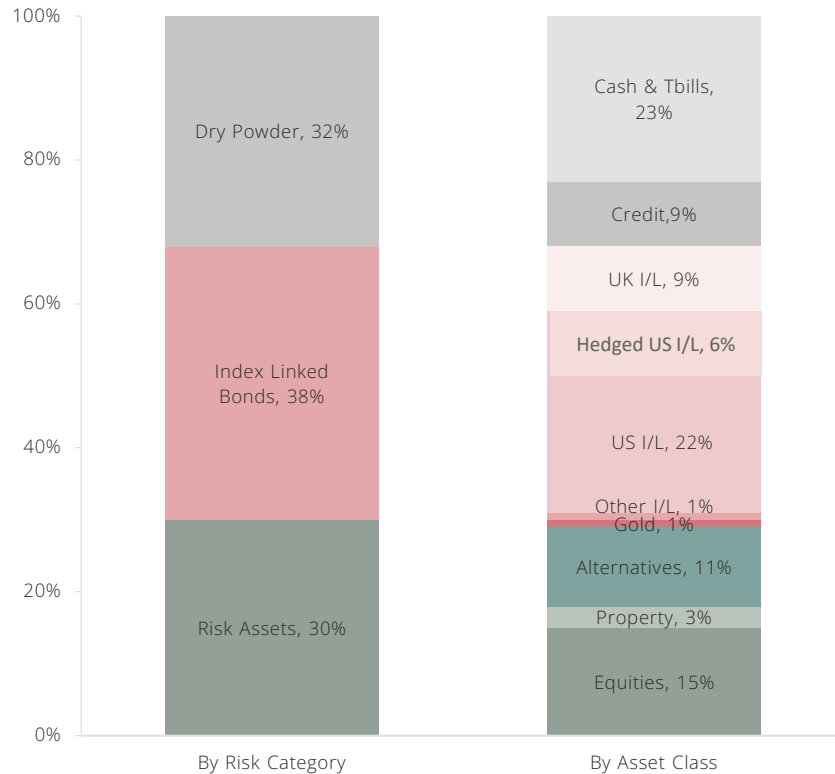
# *Positioning and Returns*

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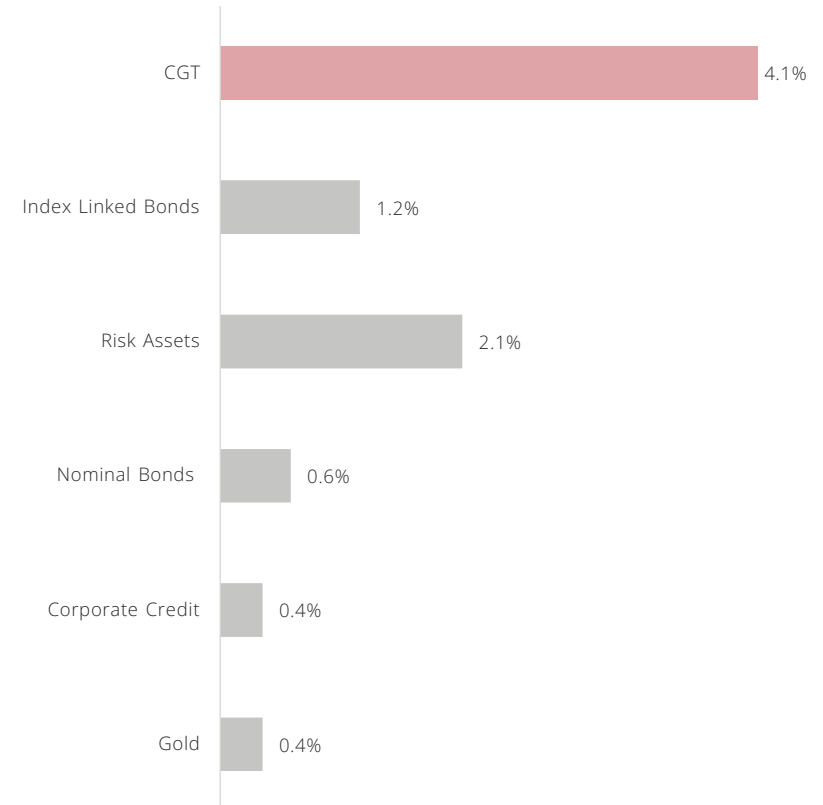


## Positioning is defensive, with a focus on inflation protection

CGT Asset Allocation March 2025



Contribution by Asset Class, 12 months to 31 March 2025



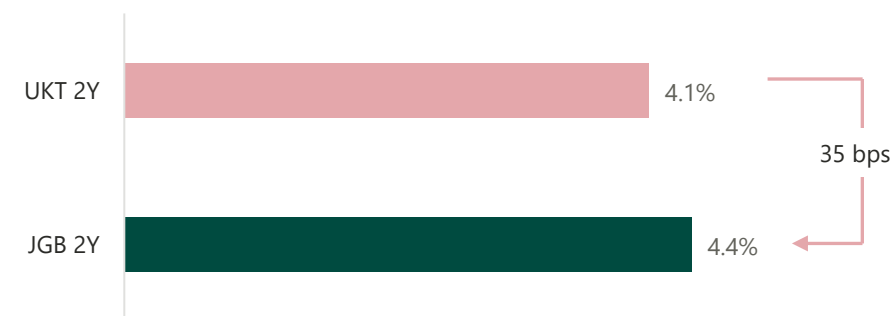
NAV performance net of fees

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

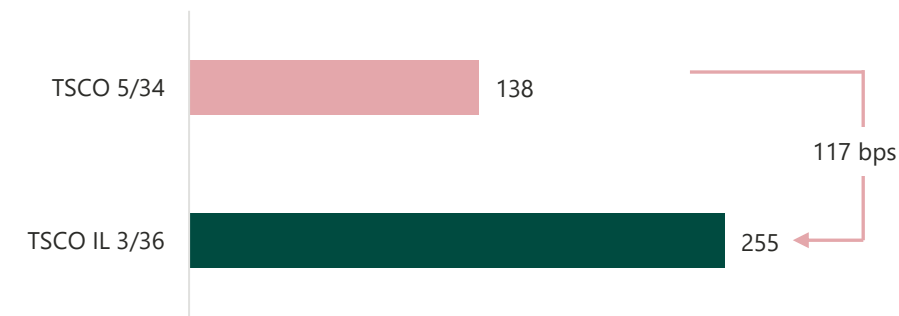
## Positioning and Returns

**We develop non-mainstream portfolios, seeking to generate consistent excess returns from all elements of the portfolio**

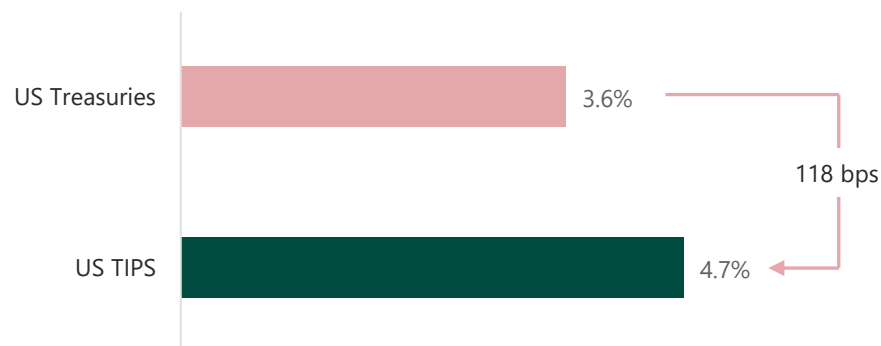
**Dry Powder – Hedged JGBs vs. UK Gilts (YTM %)<sup>1)</sup>**



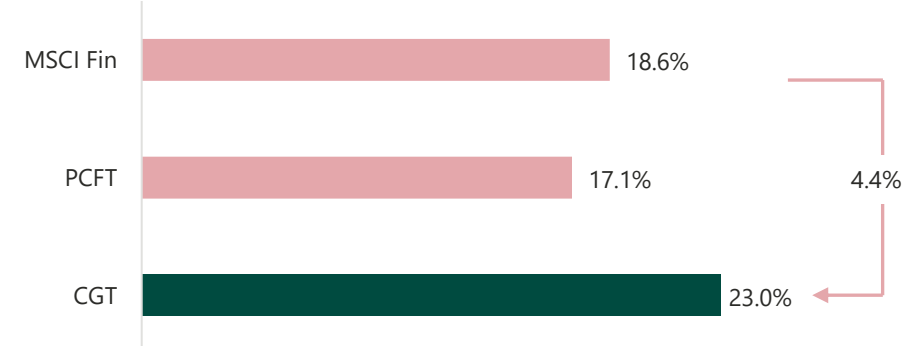
**Credit – Tesco Index-Linked vs. Nominal (Spread bps)<sup>1)</sup>**



**Index Linked Bonds – TIPS vs. US Treasuries (% Return)<sup>2)</sup>**



**Investment Trusts – Polar Capital Financials (% Return)<sup>3)</sup>**



1) Correct at time of most recent purchase; 2) total return since 31/12/1999; 3) 1 year return to 31/03/2025

Source: Bloomberg Finance LP, CGAM calculations.

## Both equity and bond portfolios have contributed to outperformance

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



CGT Bonds Only Returns Performance to March 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

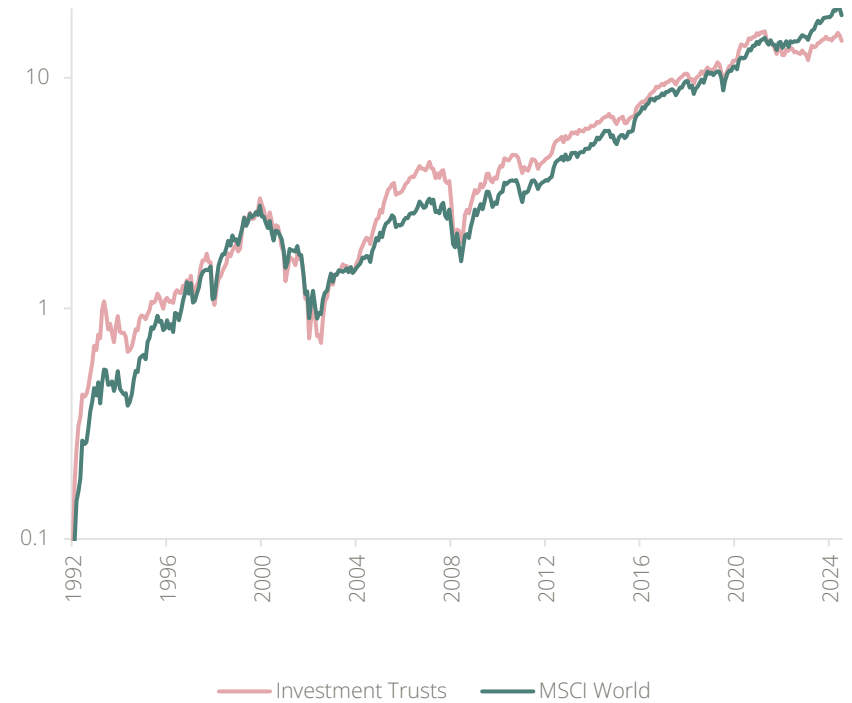


## The long-term returns of the IT Index have been similar to the MSCI World

Investment Trust Index and MSCI World Total Returns (x)



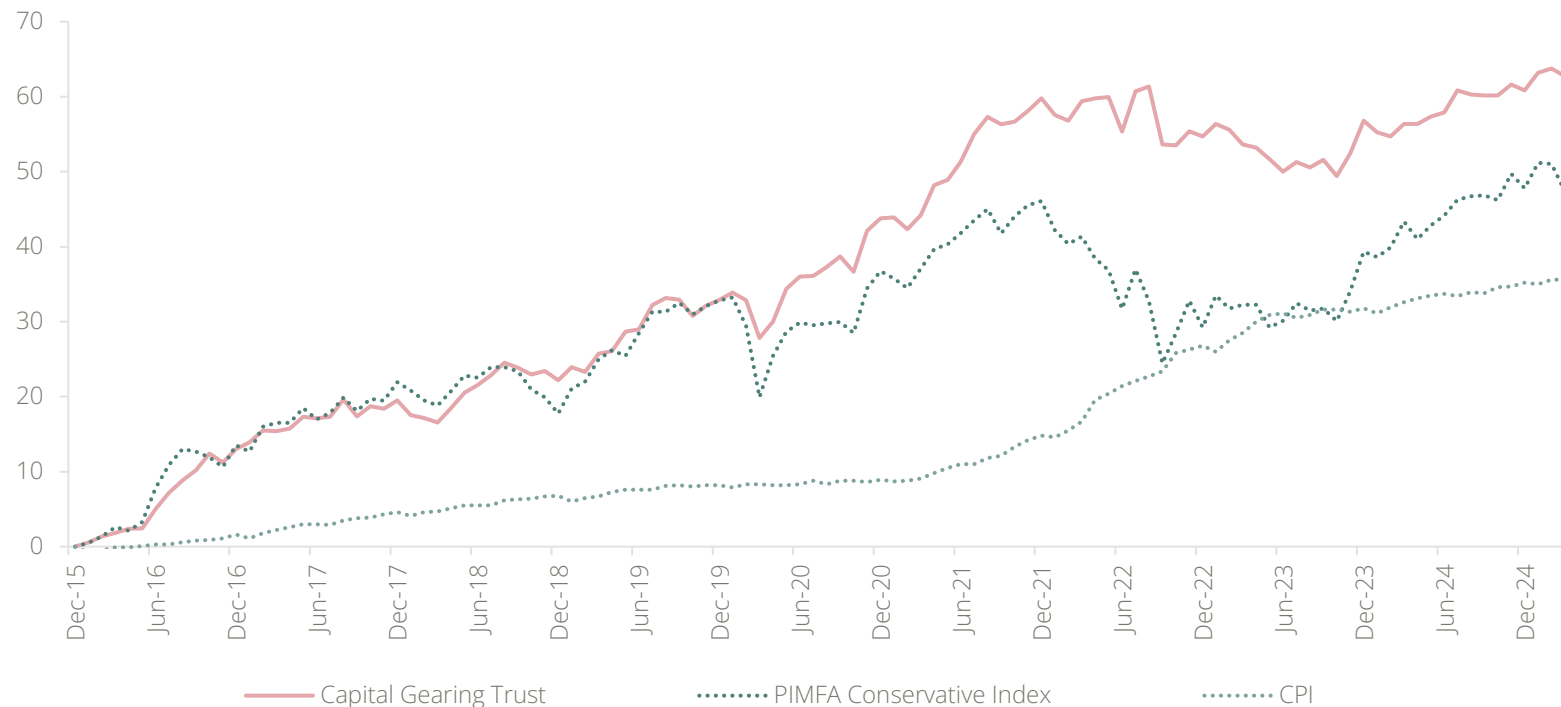
Investment Trust Index and MSCI World TR (Log x)



Source: Bloomberg Finance LP

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

### CGT vs. Comparators: Total Returns to March 2025<sup>1</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

# *Outlook*

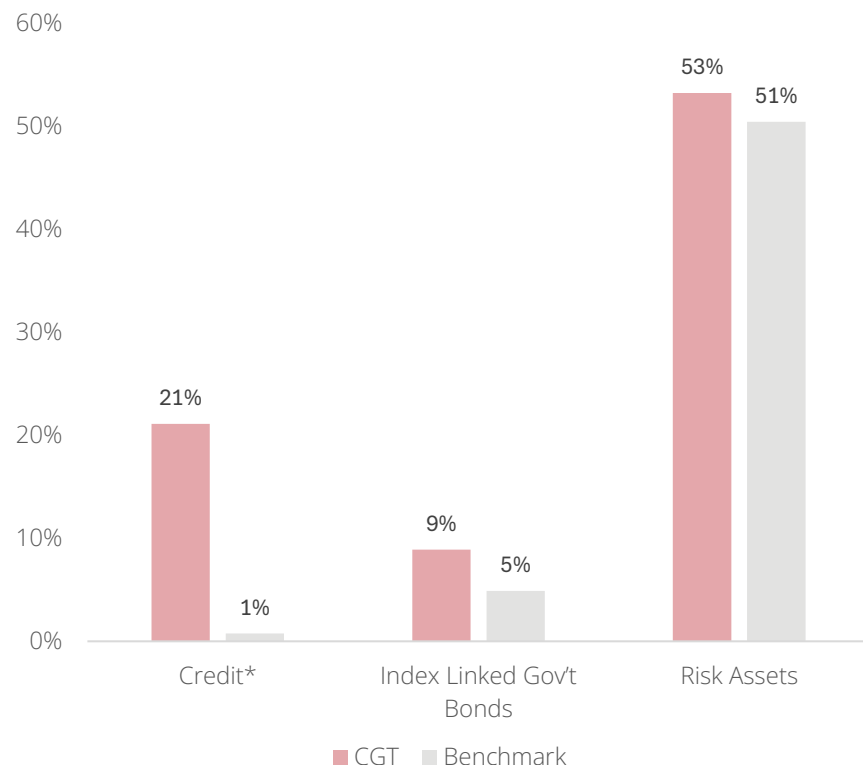
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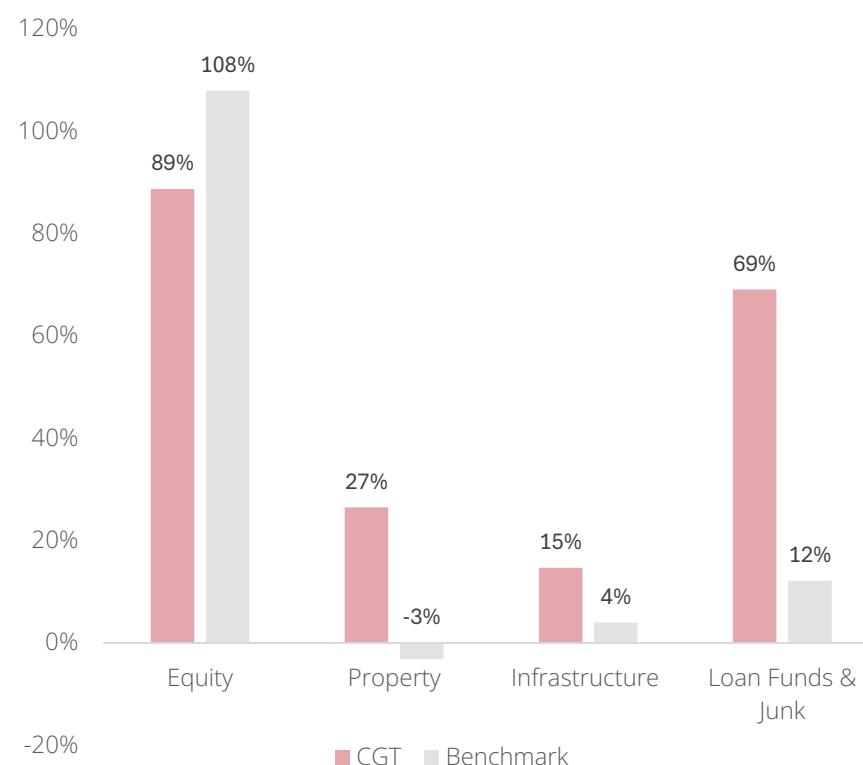
## Outlook

**We aim to ensure that each element of the portfolio contributes to the overall fund's performance. So far, the process is working**

**5Y relative performance by Asset Class**



**5Y relative performance by risk sub-Asset Class**

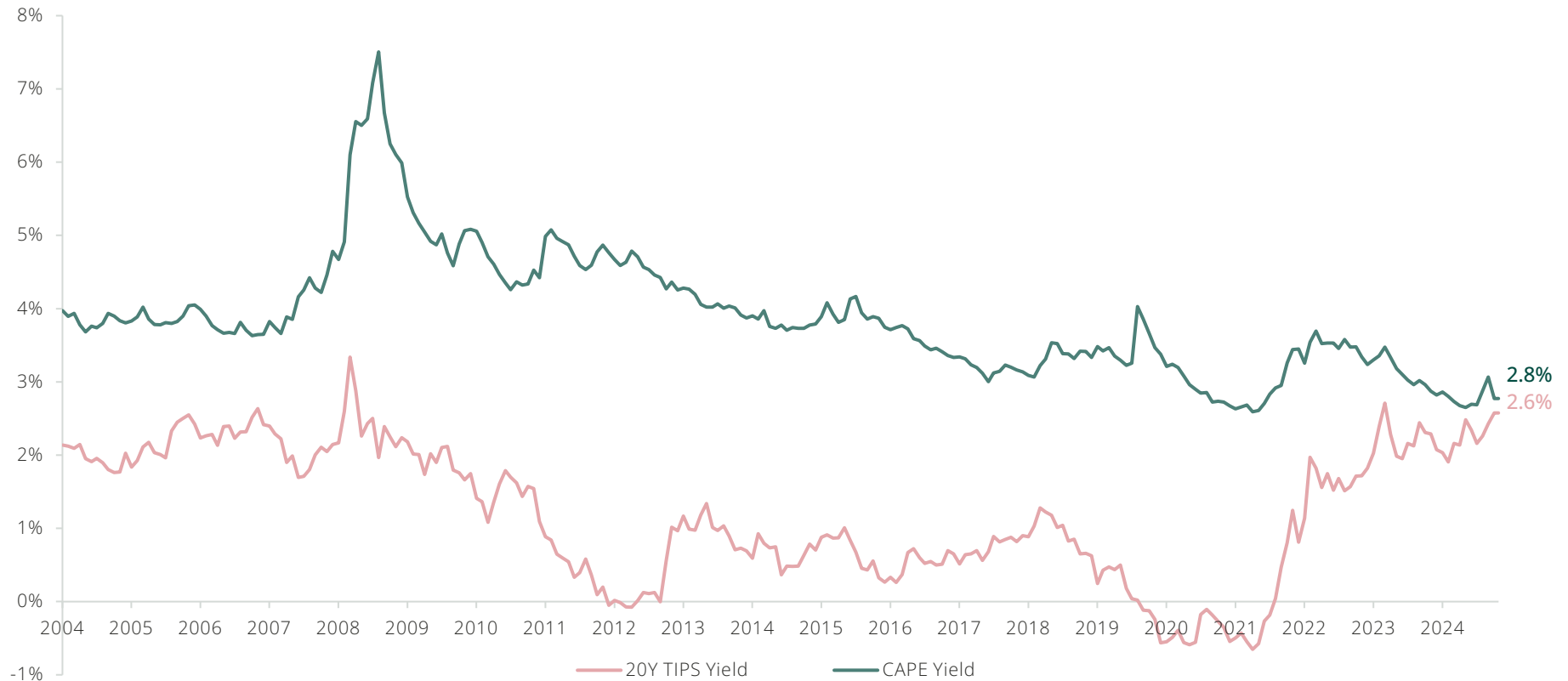


*\*Credit is a major component of dry powder*

## Outlook

**We expect our underweight to risk assets to continue: US equity market valuations continue to appear stretched, particularly when compared with US real yields...**

### S&P 500 CAPE Yield vs. 20Y TIPS Yield

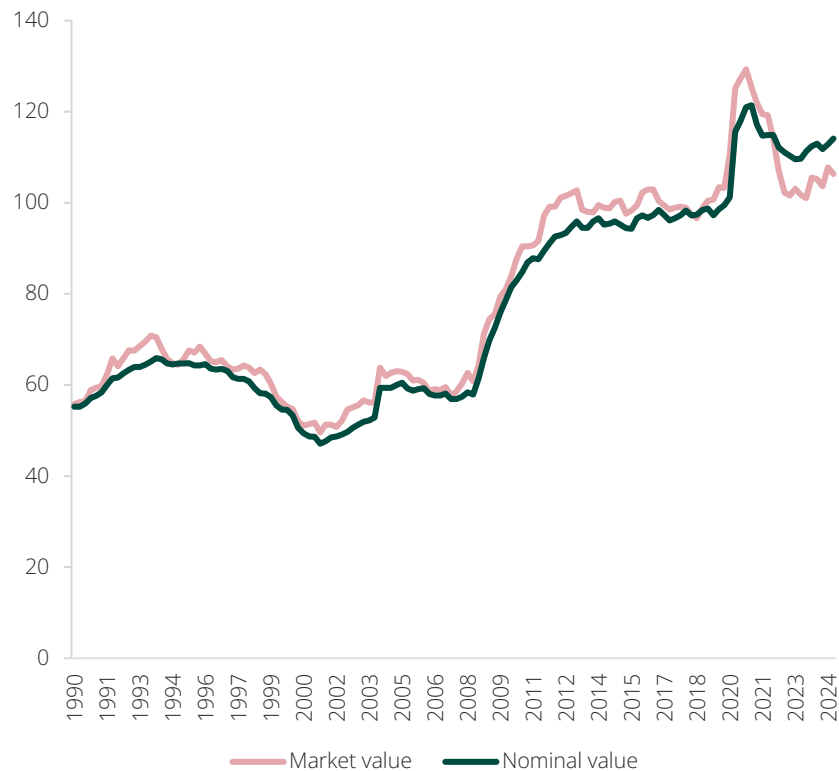


Sources: Bloomberg LP, Robert Shiller database.

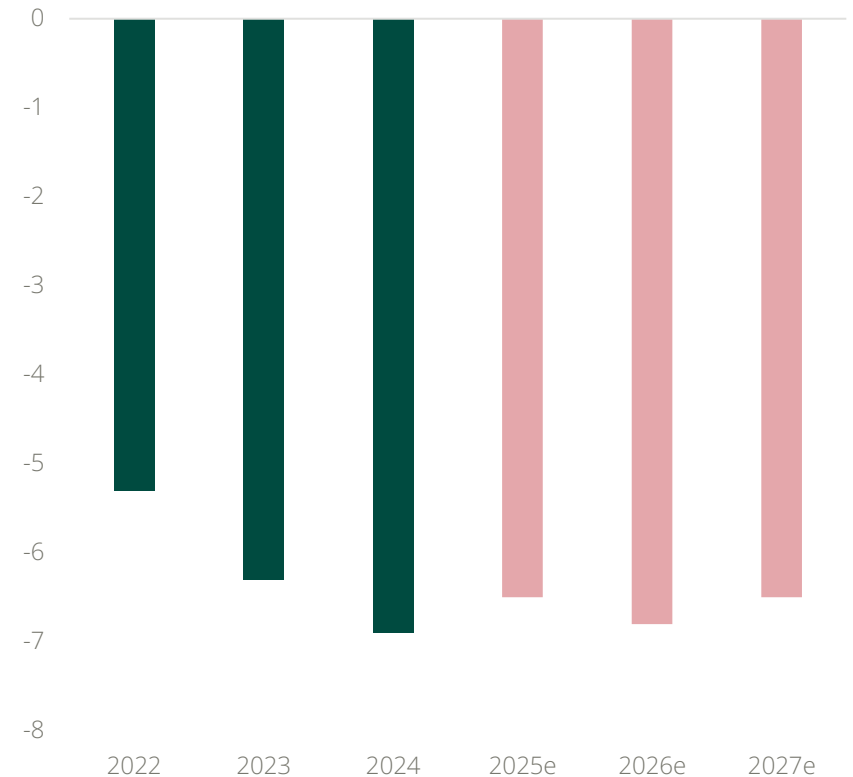
## Outlook

**Government debt continues to grow against a backdrop of weak growth and elevated interest rates. The latest official forecasts suggests that this is set to persist**

**US Government Debt (% of GDP)**



**US Forecast Fiscal Balance (% of GDP)**



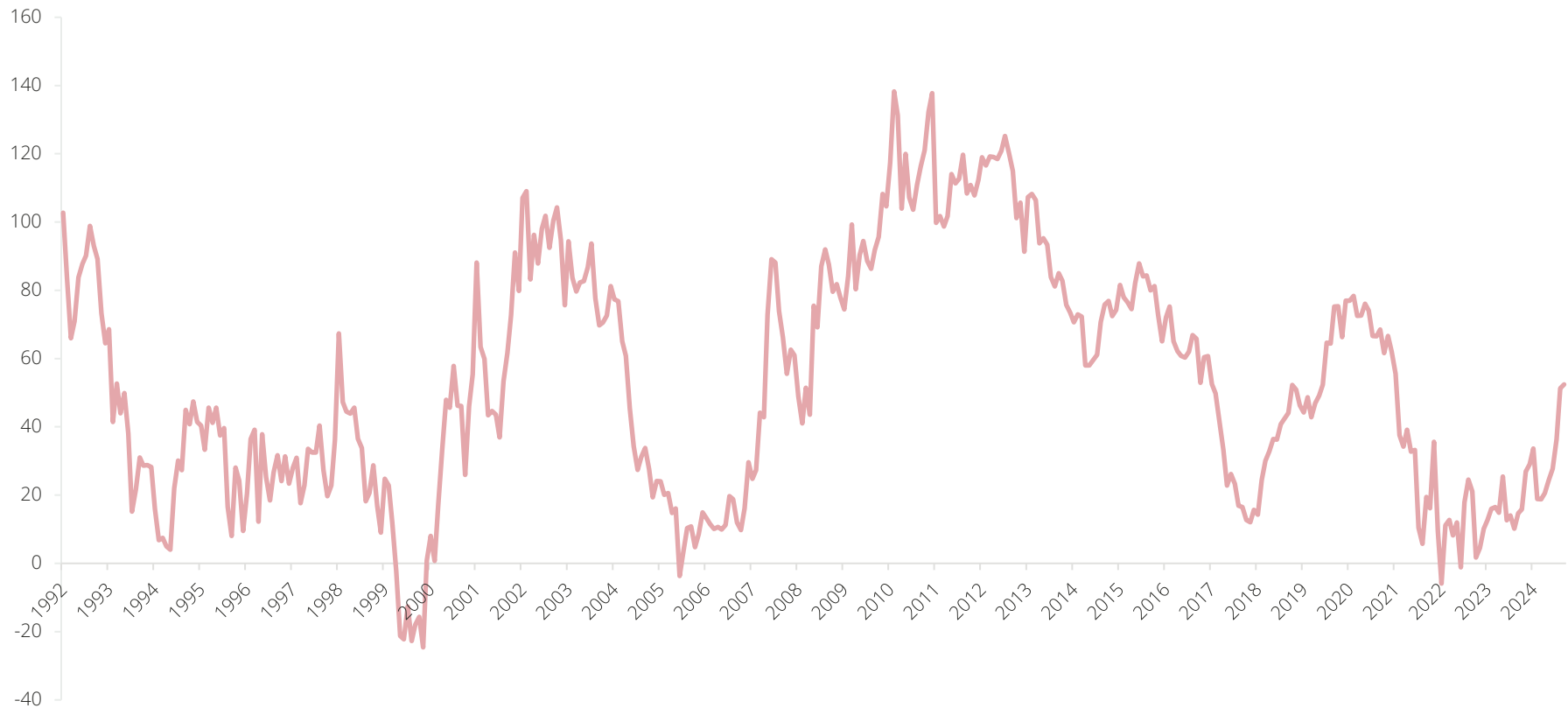
Source: Bank for International Settlements, Bloomberg Finance LP.

## Outlook

**The term premium for very long US bonds has moved a long way, given the deteriorating fiscal backdrop, it may yet move further**

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### Spread differential between US 10Y and US 30Y Treasuries (30Y less 10Y, bps)

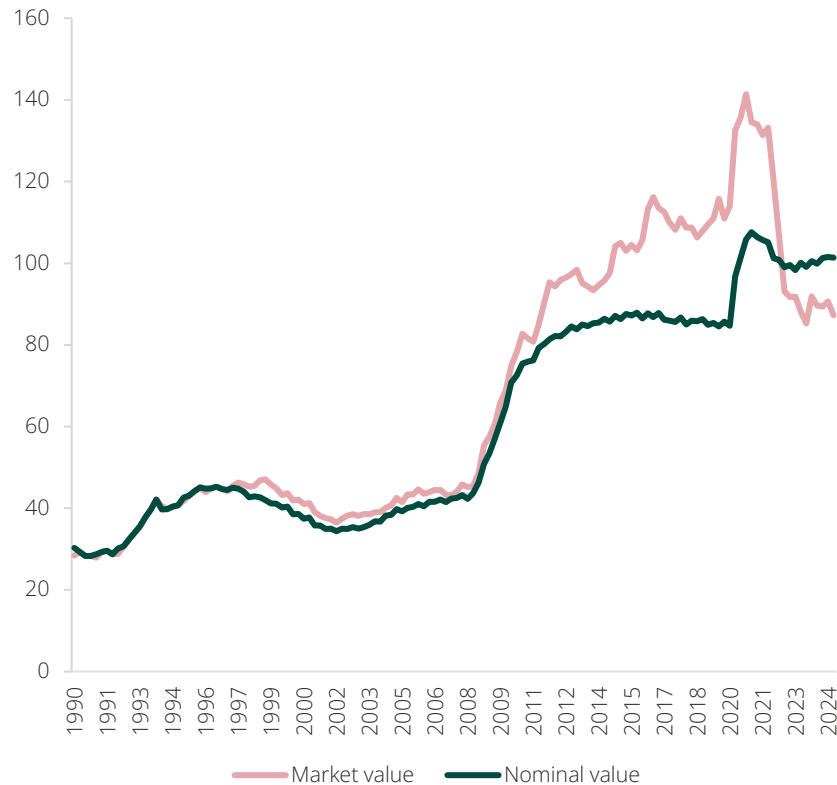


Sources: Bloomberg Finance LP.

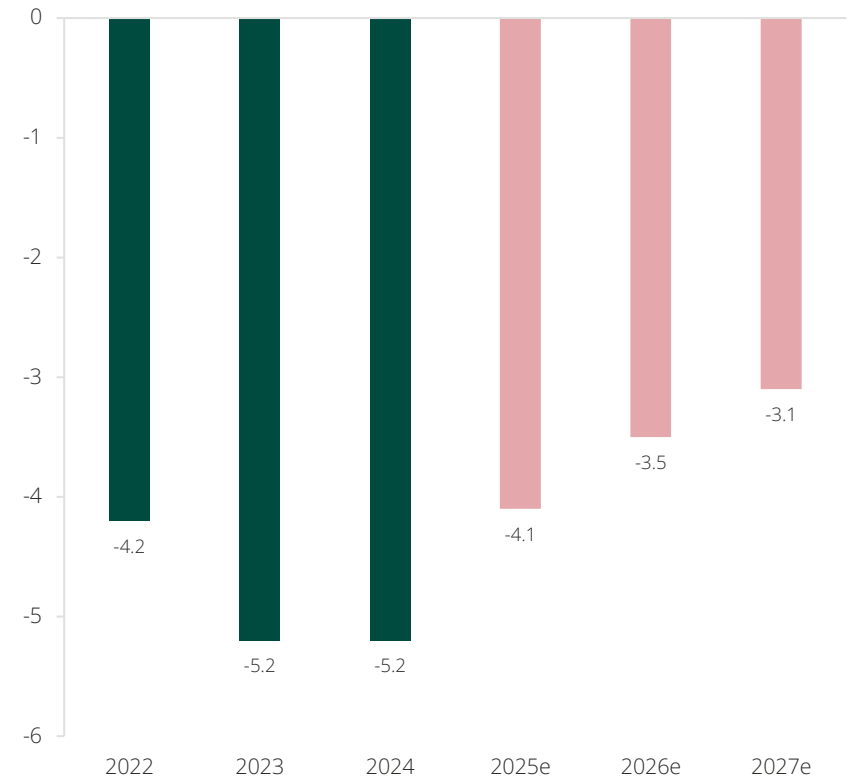
## Outlook

The same trend is visible in the UK, but without the exorbitant privilege of reserve currency issuance...

UK Government Debt (% of GDP)



UK Forecast Fiscal Balance (% of GDP)



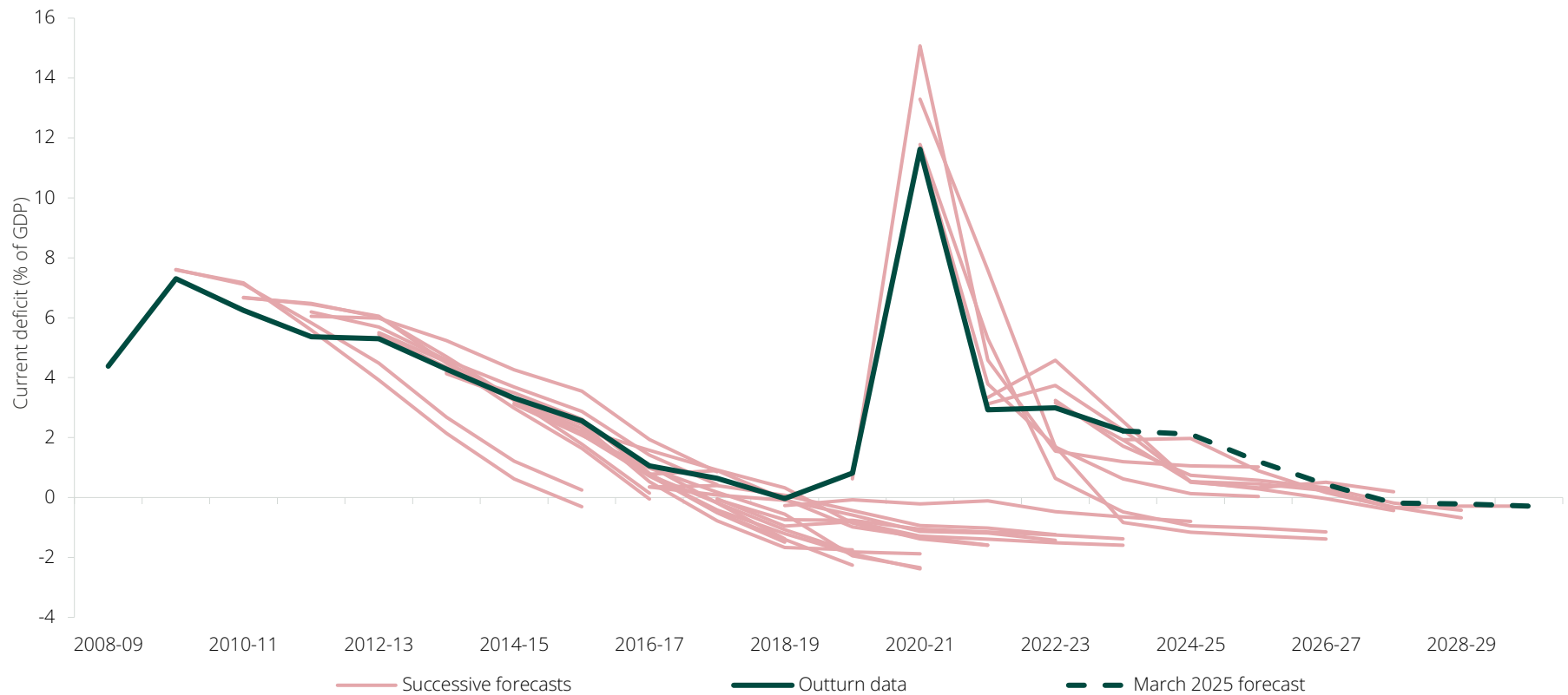
Source: Bank for International Settlements, Bloomberg Finance LP.



## Outlook

# Beware of false prophets: official forecasts have routinely been more optimistic than reality

UK OBR Forecasts of current deficits vs. actual path of current deficit (% of GDP)



Sources: UK Office for Budget Responsibility.

## The landscape of the investment trust market has changed

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Equity investment trust discounts (% of NAV)



Source: Deutsche Numis Investment Companies Dataset.

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