

A black and white photograph of two mountain goats standing on a dark, layered rock face. The goats are positioned on the right side of the frame, with one slightly higher than the other. The rock face shows distinct horizontal and diagonal layers, suggesting a sedimentary or metamorphic structure. The lighting is dramatic, highlighting the texture of the rock and the fur of the goats.

CG Asset Management

1Q 2025 Webinar

October 2024

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Overview

Funds Summary

Strategy	Fund	ISIN	Launched	AUM ⁶	Dealing Frequency	AMC Fee	TER
Absolute Return Long only investments in a portfolio of bonds, equities and commodities	Capital Gearing Trust	GB0001738615	1982 ¹	£911m	Listed	0.40% ³	0.55%
	CG Absolute Return (EUR Hedged, USD Hedged available)	IE00BYQ69B30	2016	£785m	Daily	0.35%	0.46%
	Capital Gearing Portfolio (P,V shares)	IE00BG5Q6F12	2001	£239m	Daily	0.75%	0.87%
Real Return Long only investments in index linked bonds	CG Real Return Fund (GBP Hedged available)	IE0034304117	2004	£240m	Daily	0.30% / 0.20% ⁴	0.41%
	CG Dollar Fund (GBP Hedged, EUR Hedged and USD Unhedged available)	IE00B41GP767	2009	£558m	Daily	0.25% / 0.15% ⁵	0.37%
	CG UK Index-Linked Bond Fund	IE000ZSVG218	2023	£17m	Daily	0.15%	0.38%

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 £500m; ⁴ 0.3% below £500m, 0.2% above; ⁵ 0.25% below £1,000, 0.15% above; ⁶ As of 28 February 2025

CG insights - Quarterly perspectives from the CG team

Manager Update

Asset Valuations and Investor Behavior Sum

Asset Class Valuations and Summary

	UK	US	Japan
Investment Trusts Discounts	Attractive		
Equity markets	Fair	Unattractive	Fair
Short Government Bonds	Fair	Fair	Unattractive
Long Index Linked Bonds	Attractive	Attractive	Unattractive

What's Changed

Recent changes to multi-asset portfolio positioning

Portfolio Category	Asset Classes	Changes in Portfolio Positioning
<p>↑ Dry Powder (32%)¹</p>	Cash, Treasury Bills & Short Duration Government Bonds Short investment grade credit Preference shares	<ul style="list-style-type: none"> Dry powder has increased Credit spreads have been invested into tre. into credit and preference
<p>Index Linked Bonds (38%)¹</p>	Sovereign inflation linked bonds UK, US and other developed markets	<ul style="list-style-type: none"> Allocation to index link On rising yields we increased Over the quarter US TI <ul style="list-style-type: none"> 23% is allocated over the last 3 years and the

Macro Developments

From the Trump bump to the Trump slump?

American businesses and consumers look on with concern

In the last quarter's update we noted that the US economy was appearing to slow. **We wondered what, if anything, might bring American exceptionalism to an end. Now we have a candidate: President Trump.**

Immediately after the election there was a surge of business optimism. This has ebbed away. The to-ing and fro-ing on tariffs has left businesses not knowing where they stand. Faced with uncertainty they sit on their hands. This is starting to show up in business surveys for capital spending. **The NFIB survey is nearly at its Covid lows and the more volatile regional Fed surveys are trending downwards.**

Nor is it just businesses that are showing caution. **Consumer sentiment is poor and inflation expectations are rising.** The savings ratio has been a concern to us for some time. It reached a low of 3.3% in December. With the froth coming out of the stock market the wealthy are likely to revert to more normal consumption patterns and lower earners will likely adjust their consumption too.

The budget proposals may make matters worse. They envisage tax cuts of \$4.5 tn over 10 years and \$2 tn in spending cuts. The spending cuts, if enacted, will largely fall on entitlement and welfare programmes: Medicaid and SNAP (Food

NFIB Survey – Capital Expenditure



Chart takeaway: the surge of optimism

Our Investment Judgement

- The US was the only advanced economy with positive momentum but policy uncertain

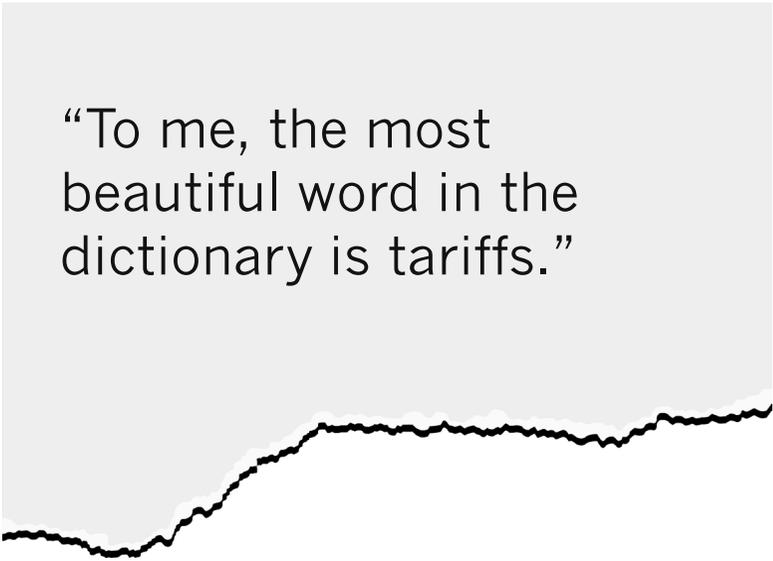
Source: Office of United States Trade Representative

Outlook

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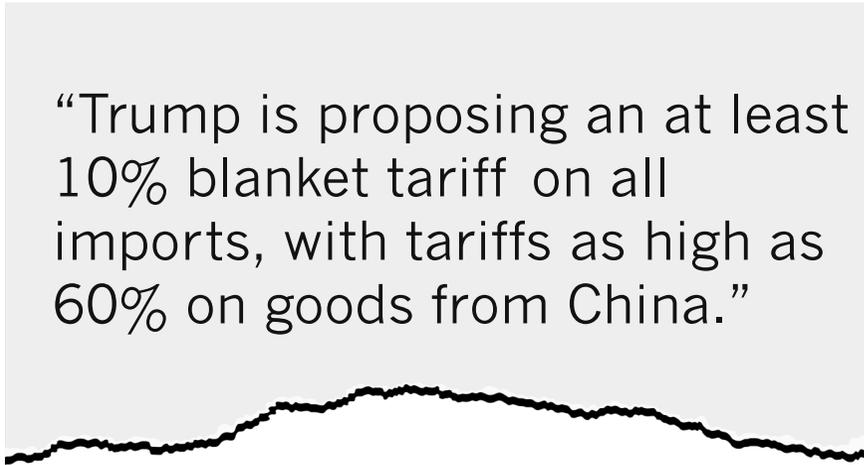
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Tariffs were well flagged, so why were they such a shock?



“To me, the most beautiful word in the dictionary is tariffs.”

Donald Trump, Economic Club of Chicago
15th October 2024



“Trump is proposing an at least 10% blanket tariff on all imports, with tariffs as high as 60% on goods from China.”

Guardian Coverage of Economic Club of Chicago
16th October 2024

Source: Economic Club of Chicago & Guardian

Outlook

Nice formula but where is the off ramp?

Country	Tariffs Charged to the U.S.A. including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

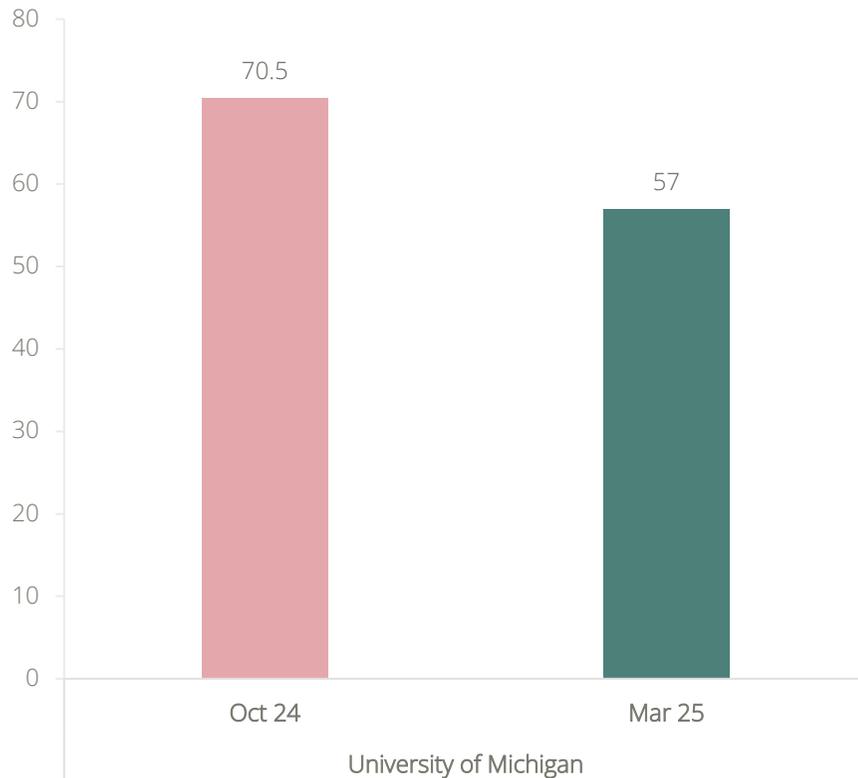
$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}$$

Source: Office of United States Trade Representative

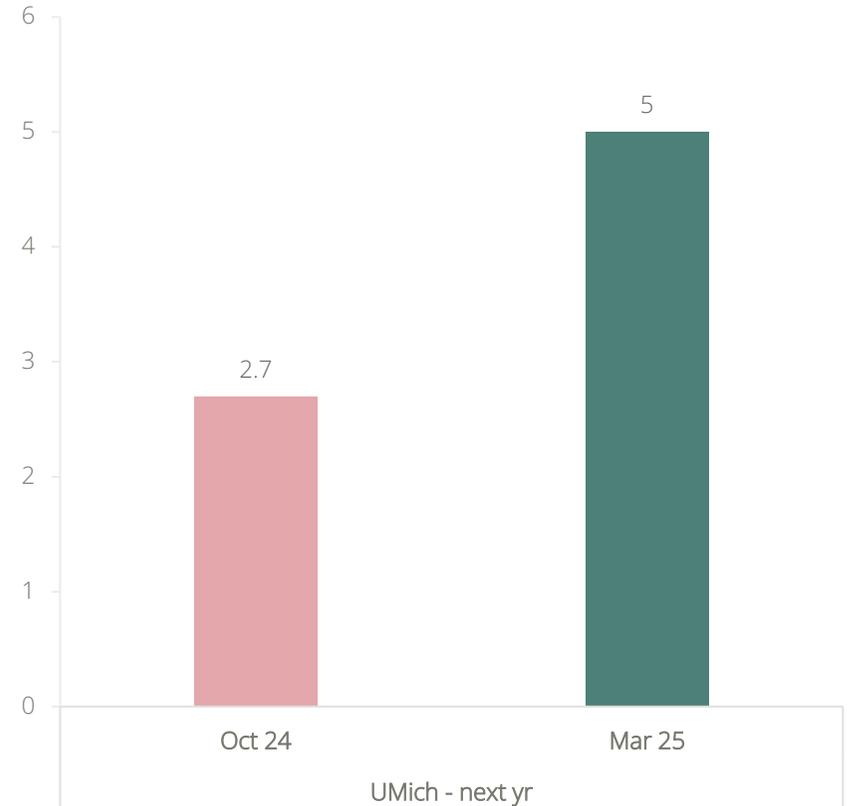
Outlook

Economic data was notably weakening ahead of the announcement

US Consumer Confidence Indicators



US Inflation Expectations (%)

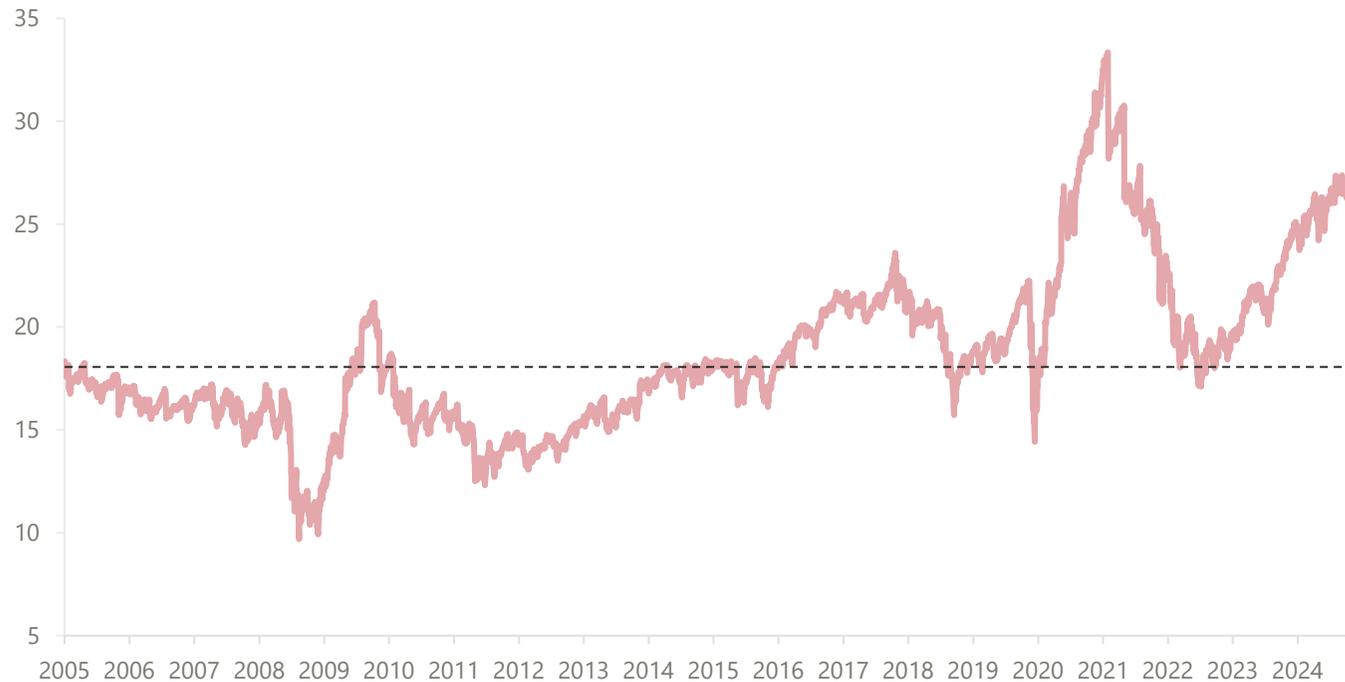


Source: Bloomberg LP, Conference Board, University of Michigan.

Outlook

Mean reversion always finds a way in the end

S&P 500 Current Year PE Multiple



Source: Bloomberg

Outlook

Investment trust discounts appear to be at cyclical troughs

Investment Trust Discounts by Asset Class



Source: Robert Shiller online dataset, Bloomberg Finance LP.

Outlook

Yield curves have steepened with short rates falling whilst long rates rise

US vs. UK 20 Year Real Yields (%)



Outlook

Changes to multi-asset portfolios in the last quarter

Portfolio Category	Asset Classes	Changes in Portfolio Positioning
 Dry Powder (32%) ¹	Cash & Treasury Bills Short IG credit	<ul style="list-style-type: none">• Highest holding of dry powder in recent history
Index Linked Bonds (38%) ¹	UK, US inflation linked bonds and other developed markets	<ul style="list-style-type: none">• Extended duration into rising real yields
 Risk Assets (30%)	ETFs Investment Trusts Non-investment grade credit Gold	<ul style="list-style-type: none">• Risk assets were reduced over last 6 months

¹Data refers to Capital Gearing Trust. Weighting to index-linked bonds in CG Absolute Return Fund is 35% (with 36% in dry powder)

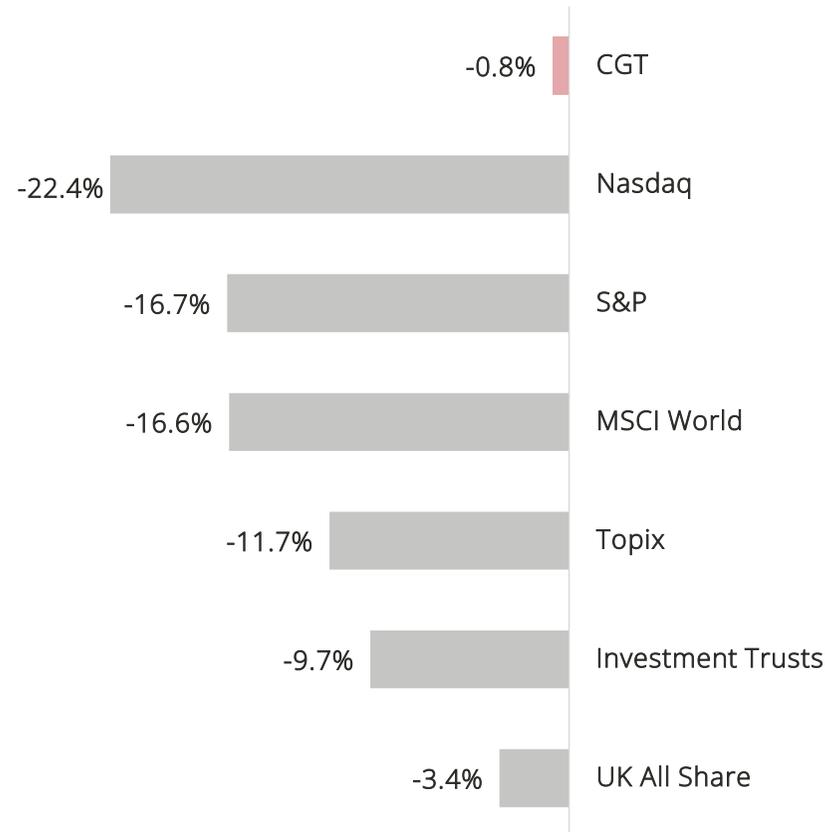
Positioning and Returns

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We protected capital and are deploying dry powder selectively

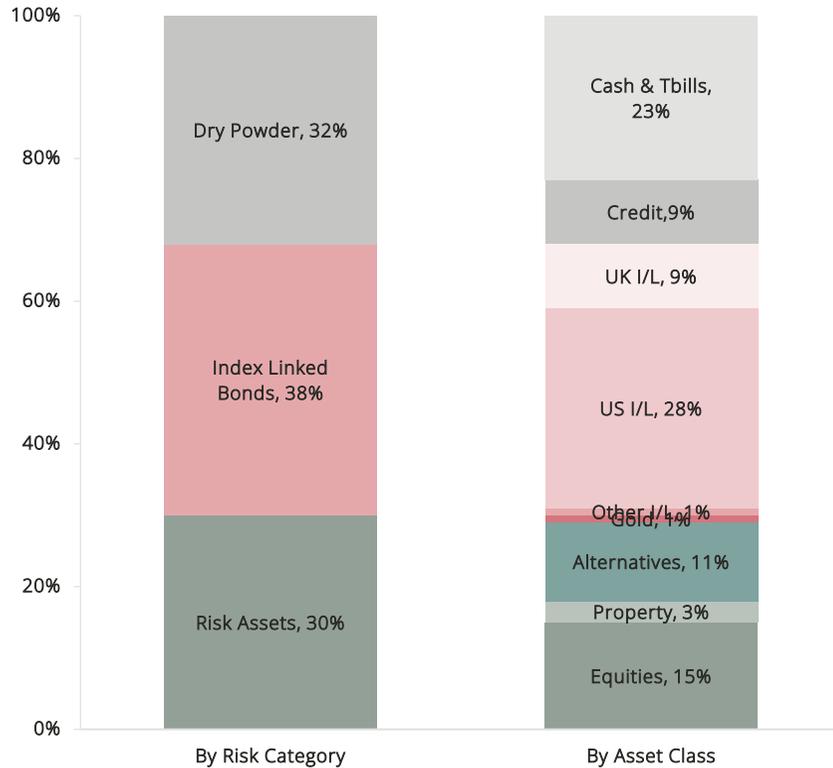
YTD Performance to 8th April 2025



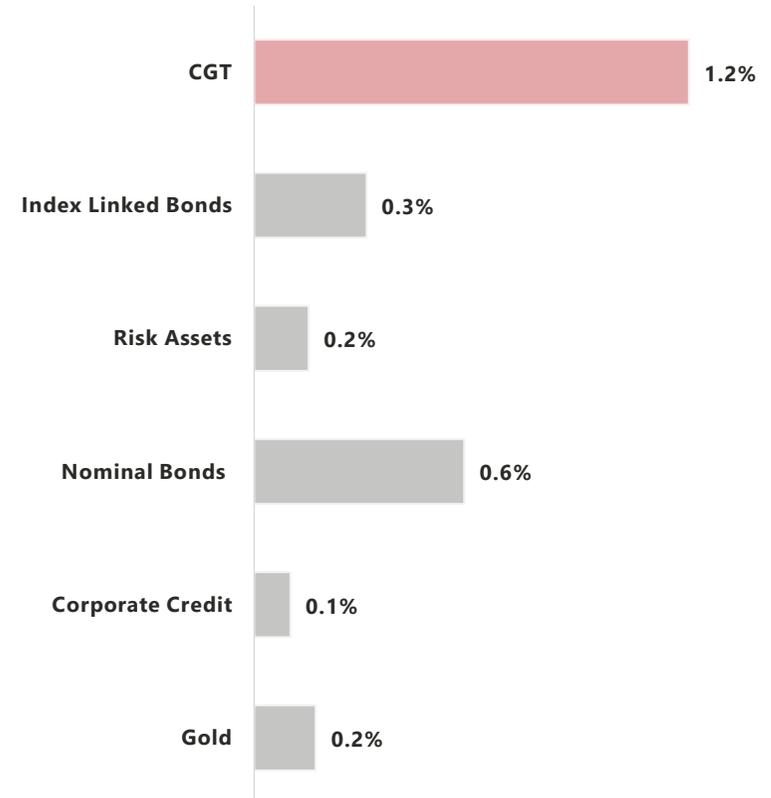
NAV performance shown net of fees, includes topix session as of 9th April
Source: Bloomberg Finance L.P.

Positioning is defensive, with a focus on inflation protection

CGT Asset Allocation March 2025



Contribution by Asset Class QTR March 2025



NAV performance net of fees
Source: CGAM, Bloomberg Finance L.P., Northern Trust

Both equity and bond portfolios have contributed to outperformance

CGT Risk Assets Returns Performance to March 2025¹



CGT Bonds Only Returns Performance to March 2025¹



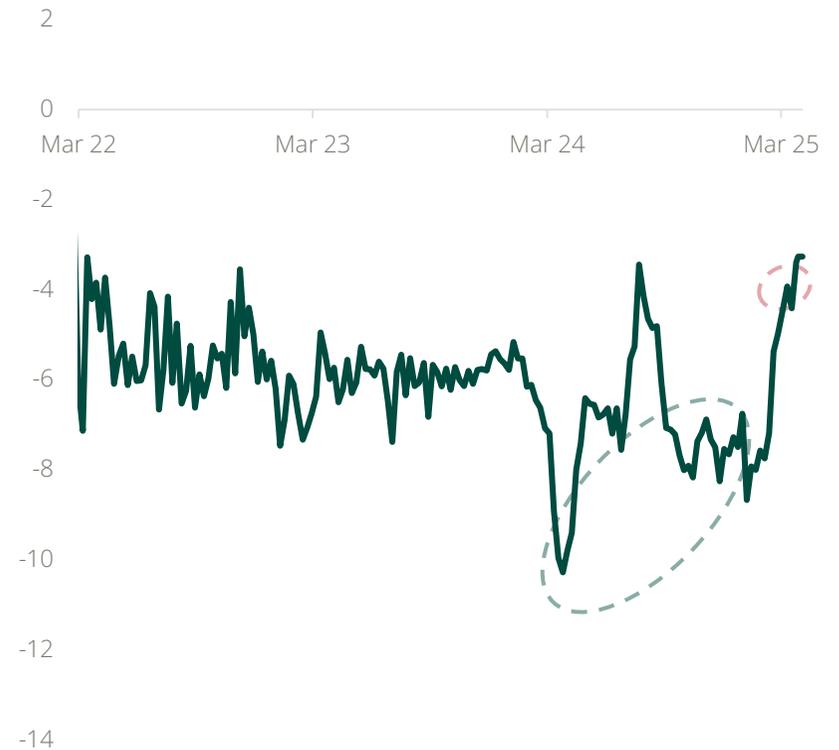
¹Risk Assets include equities, property, alternatives and gold. Bonds include credit and sovereign bonds (excluding T-Bills and cash), start period reflects the longest period available for CGT under Bloomberg AIM
Source: Bloomberg Finance L.P., Northern Trust

Our geographic overweight to the UK contributed to outperformance

Temple Bar: Share Price (GBP)¹



TMPL: Discount (GBP): Premium (+) / Discount (-) %¹



Source: Bloomberg Finance L.P.

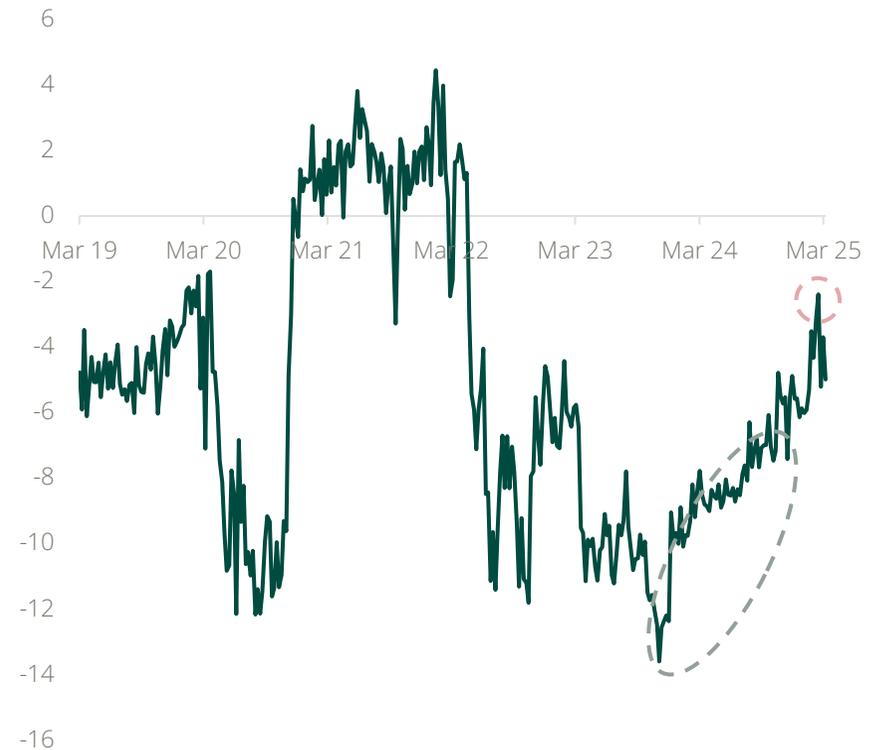
 Purchases  Sales

Our stock selection within the US contributed to outperformance

Polar Capital Global Financials: Share Price (GBP)



PCFT: Premium (+) / Discount (-) %¹

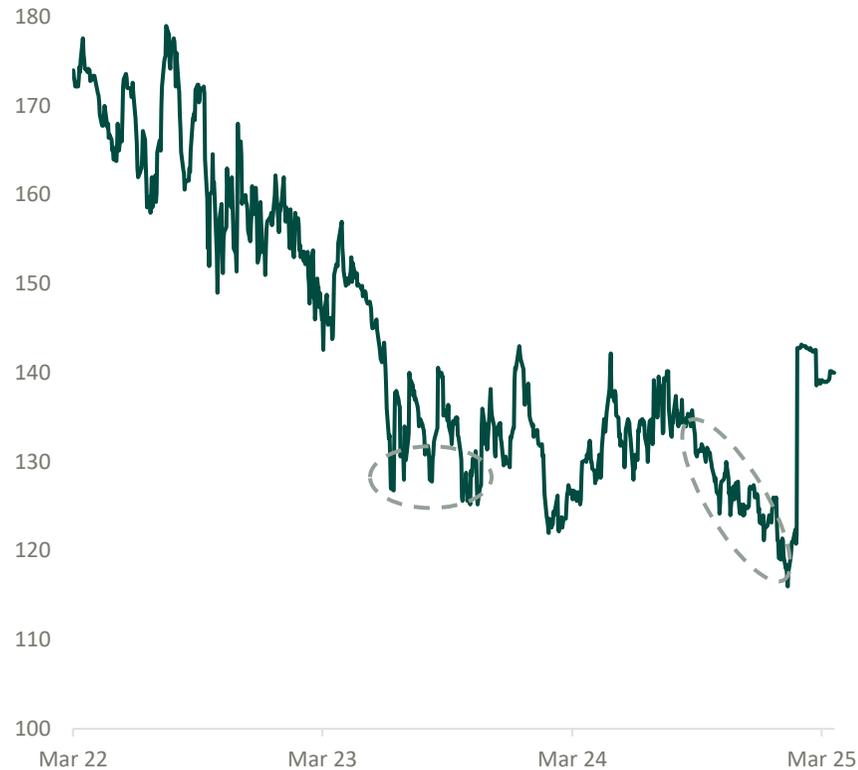


Source: Bloomberg Finance L.P.

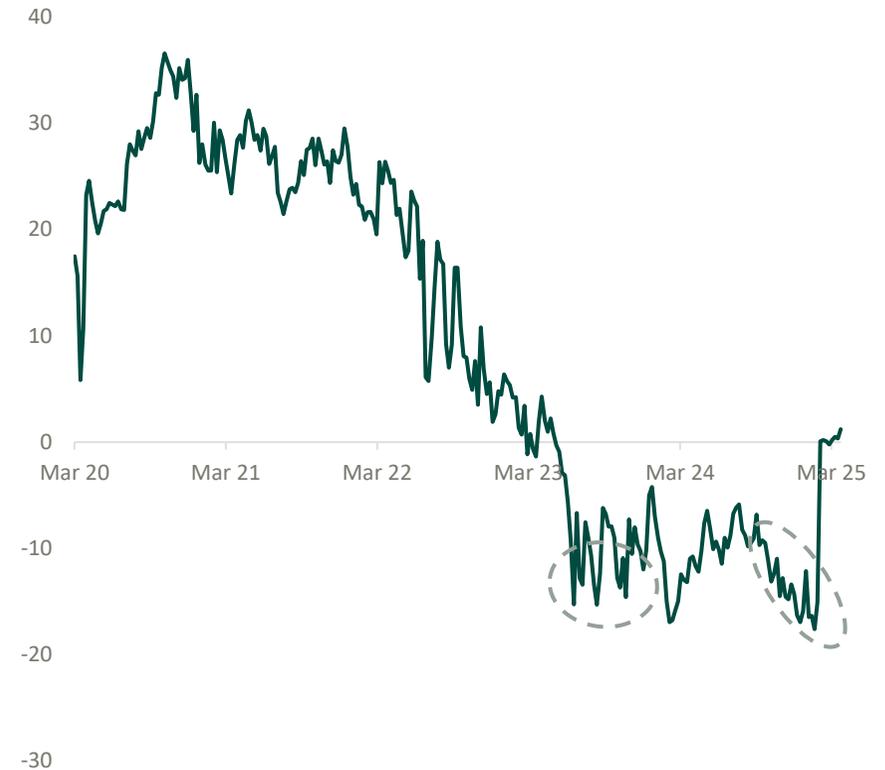
 Purchases  Sales

Our sector allocation to the infrastructure contributed to outperformance

BBGI Infrastructure: Share Price (GBP)¹



BBGI: Share Price (GBP): Premium (+) / Discount (-) %¹



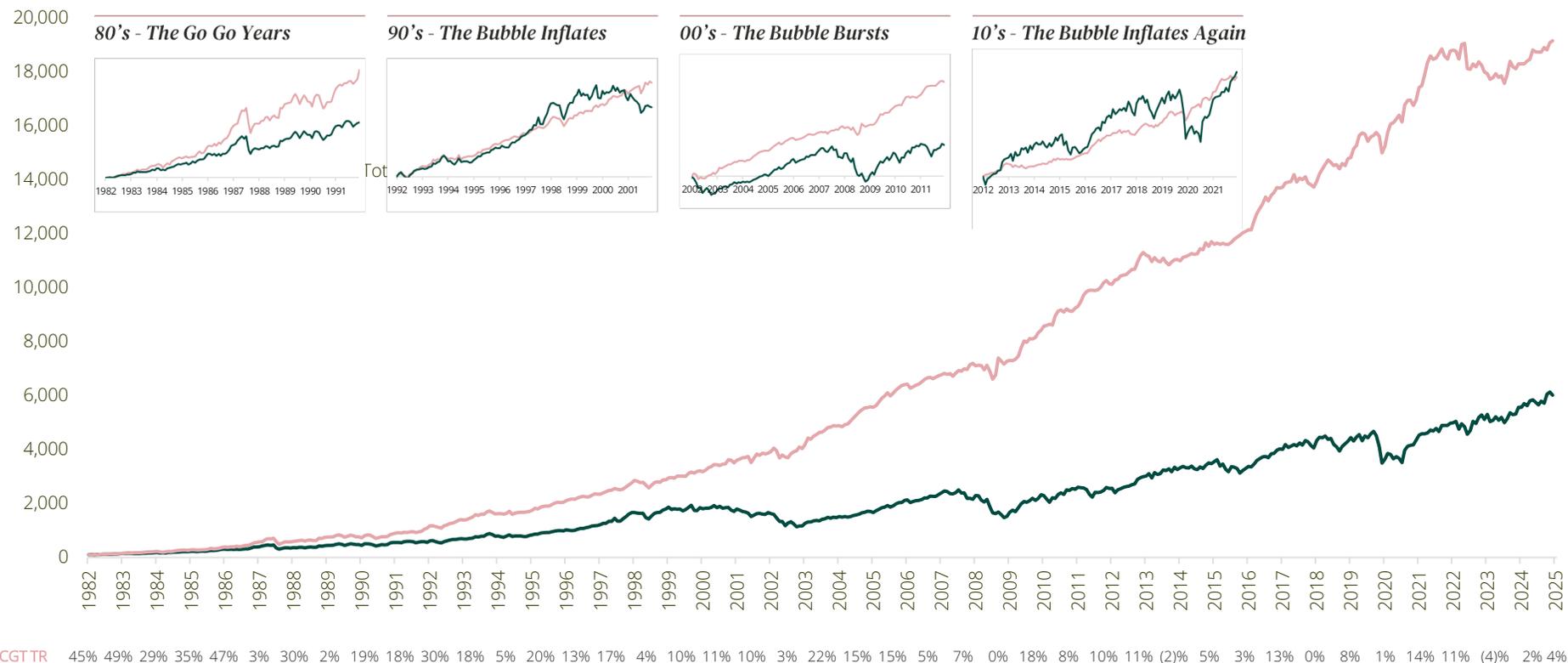
Source: Bloomberg Finance L.P.

 Purchases  Sales

Positioning and Returns

Since 1982 the CGT share price total return has been >274x¹

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



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

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