

A black and white photograph of two mountain goats standing on a dark, layered rock face. The goat on the left is slightly higher and more upright, while the one on the right is lower and more hunched. Both have prominent, curved horns. The background is a dark, textured rock wall with visible horizontal and vertical fissures.

CG Asset Management

Q3 2024 Webinar

October 2024

cgam

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Overview

Funds Summary

Strategy	Fund	Launched	AUM ⁶	Dealing Frequency	AMC Fee	TER
Absolute Return Long only investments in a portfolio of bonds, equities and commodities	Capital Gearing Trust	1982 ¹	£957m	Listed	0.39% ³	0.47%
	CG Absolute Return (EUR Hedged, USD Hedged available)	2016	£893m	Daily	0.35%	0.45%
	Capital Gearing Portfolio (P,V shares)	2001	£272m	Daily	0.75%	0.84%
Real Return Long only investments in index linked bonds	Real Return Fund (GBP Hedged available)	2004	£404m	Daily	0.30% / 0.20% ⁴	0.39%
	Dollar Fund (GBP Hedged, Non RDR, EUR Hedged and USD Unhedged available)	2009	£607m	Daily	0.25% / 0.15% ⁵	0.35%
	CG UK Index-Linked Bond Fund	2023	£13m	Daily	0.15%	0.24%

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 at 30 September 2024

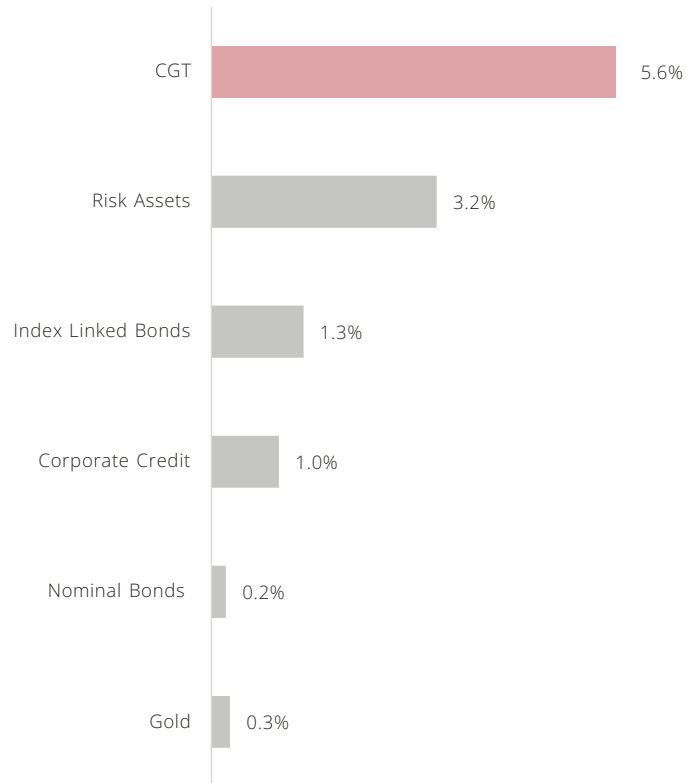
Positioning and Returns

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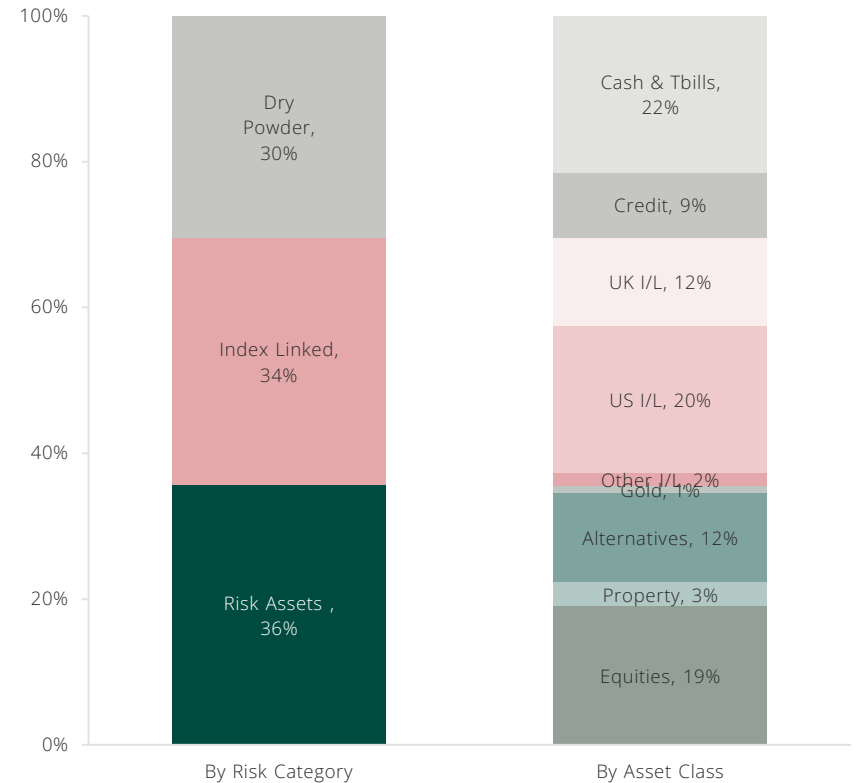


The portfolio performed defensively through a volatile period

Contribution by Asset Class LTM September 2024¹



CGT Asset Allocation September 2024



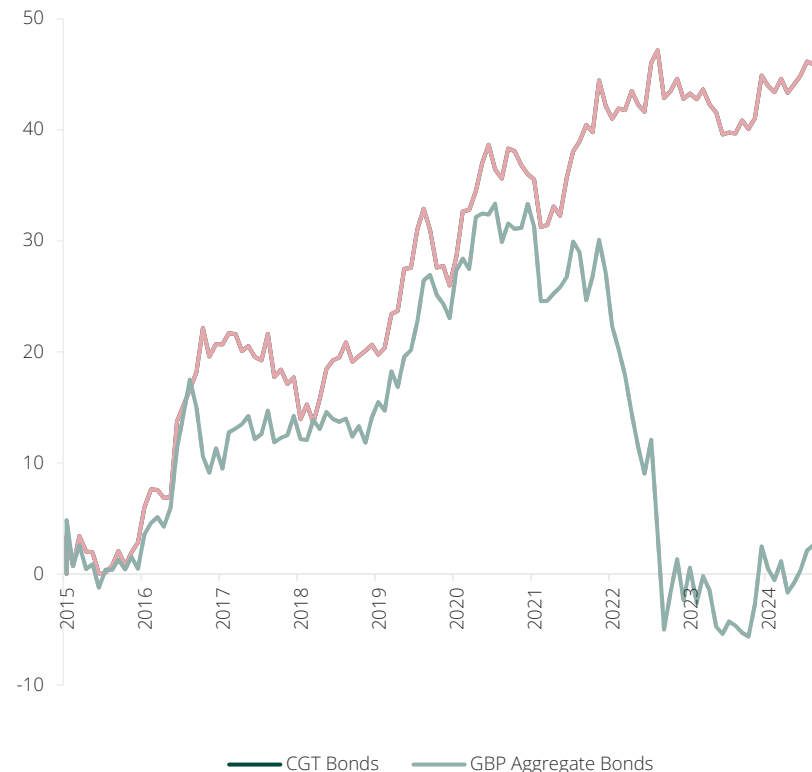
¹) Performance net of fees
Source: CGAM, Bloomberg Finance L.P., Northern Trust

Both equity and bond portfolios have contributed to performance

CGT Risk Assets Returns Performance to September 2024¹



CGT Bonds Only Returns Performance to September 2024¹



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

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

Discount are still attractive...

Investment Companies Premium (+) / Discount (-) %



Alternative assets exclude 3i

...with catalysts at multiple levels to narrow them

Reversal of macro factors

- Fixed income allocations are better balanced
- Multi-asset outflows have largely slowed
- Cost disclosure changes will help at the margin

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Record return of capital

- C.£15bn returned through buybacks, wind downs and M&A in the last 18m
- 45 corporate actions, and counting
- Returns are being pulled up by their bootstraps

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Engagement leading to constructive outcomes

- Governance has improved over the years
- The emergence of more value players has helped
- Boards are more willing to engage, especially with us

We have increased our special situations and activist positions

PRS REIT: Share Price (GBP)



1. Net asset values are reported on a weekly basis for BHMG
Source: Bloomberg Finance L.P.

Outlook

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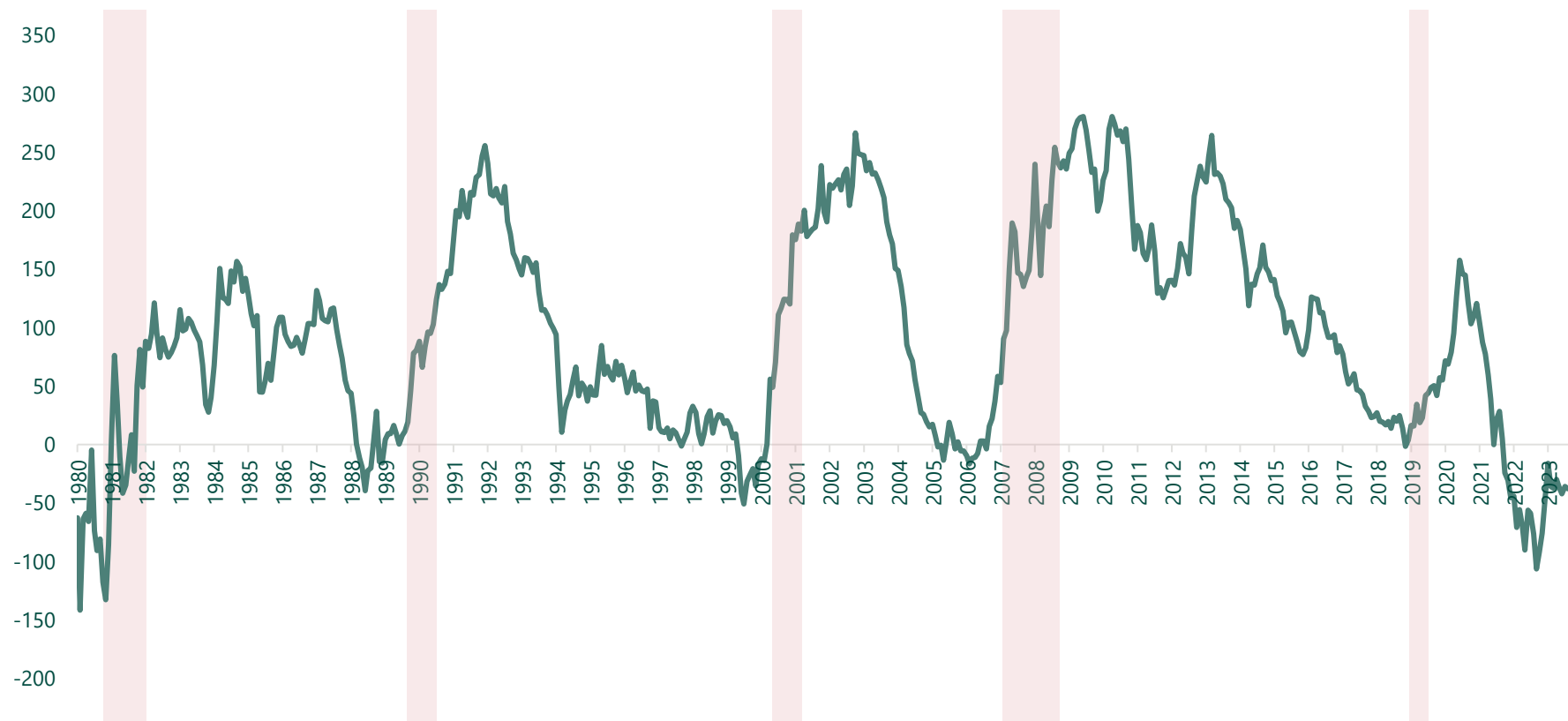
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Paul the Psychic Octopus was one of the breakout stars of the 2010 world cup



Is the yield curve the psychic octopus of the financial world?

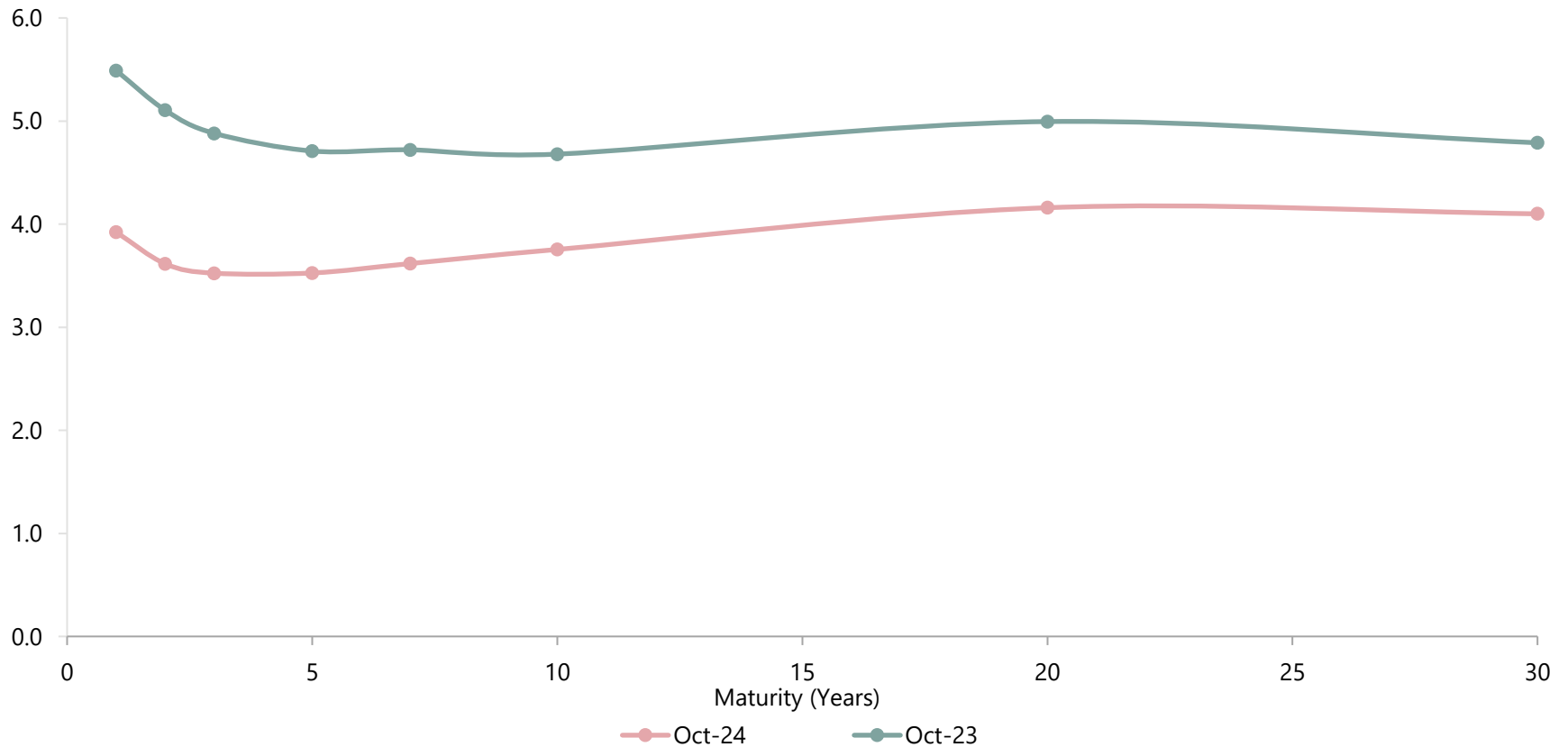
US 2Y/10Y Spread (shaded areas denote recessions)



Source: Bloomberg Finance L.P.

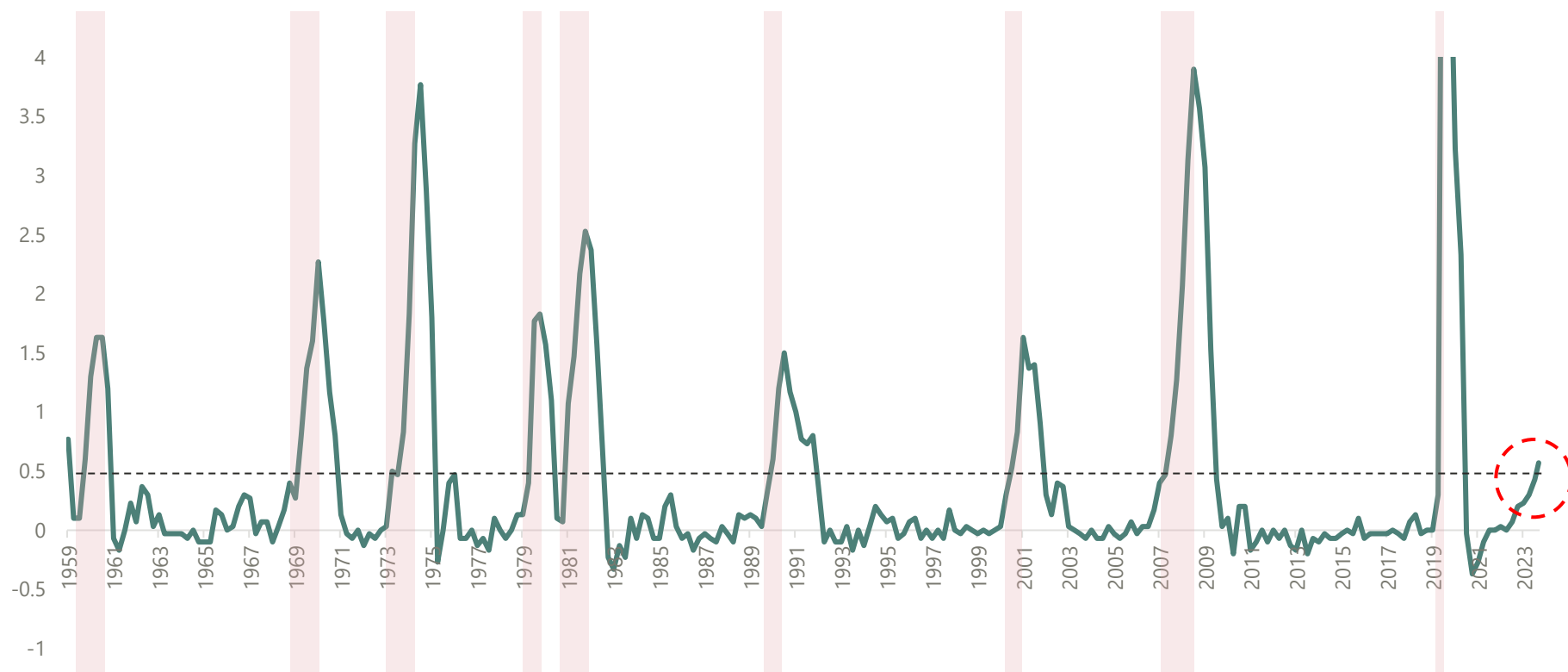
The curve is dis-inverting, with just the tip of the tentacle left to uncurl

US Nominal Curve Development



The dis-inversion and the Sahm Rule are moving with spooky synchronicity

Sahm Rule¹⁾



1) Named after Fed economist Claudia Sahm, the Sahm rule states that "When the three-month moving average of the national unemployment rate is 0.5 percentage point or more above its low over the prior twelve months, we are in the early months of a recession"

Source: BLS, Claudia Sahm, Bloomberg Finance LP

The Sahm Rule is a heuristic and not a fundamental law!



“The Sahm rule is an empirical regularity. It’s not a proposition; it’s not a law of nature.”

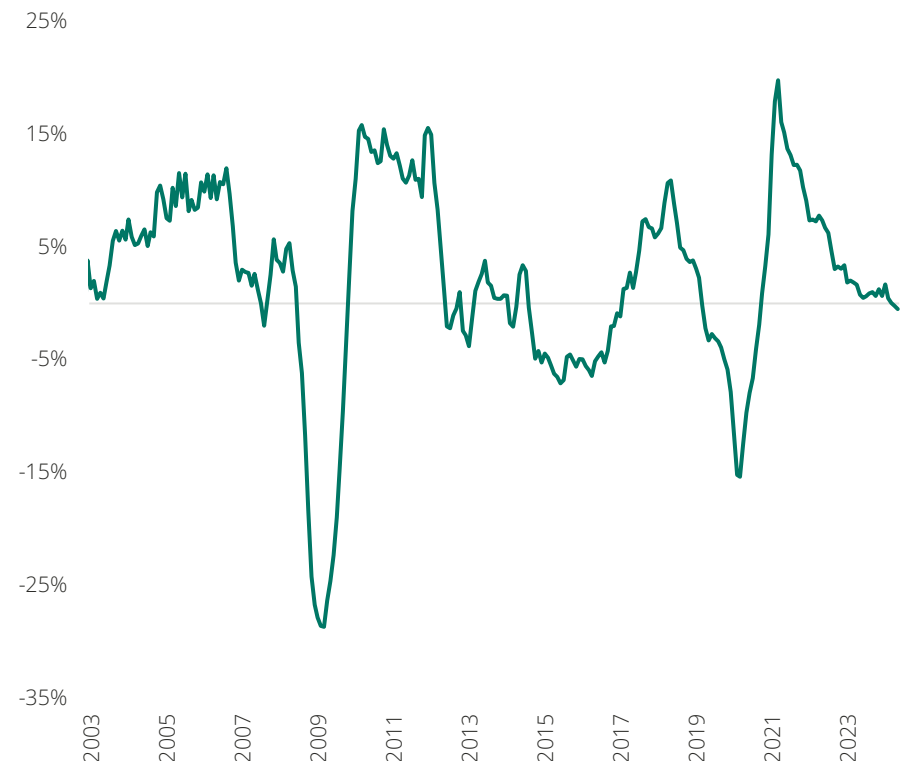
Claudia Sahm

US consumer is struggling and US corporates are showing caution

US Credit Card Debt - % of Balance 90+ days delinquent



US Non-defense New Orders Capital Goods - % chg yoy (3m avg)

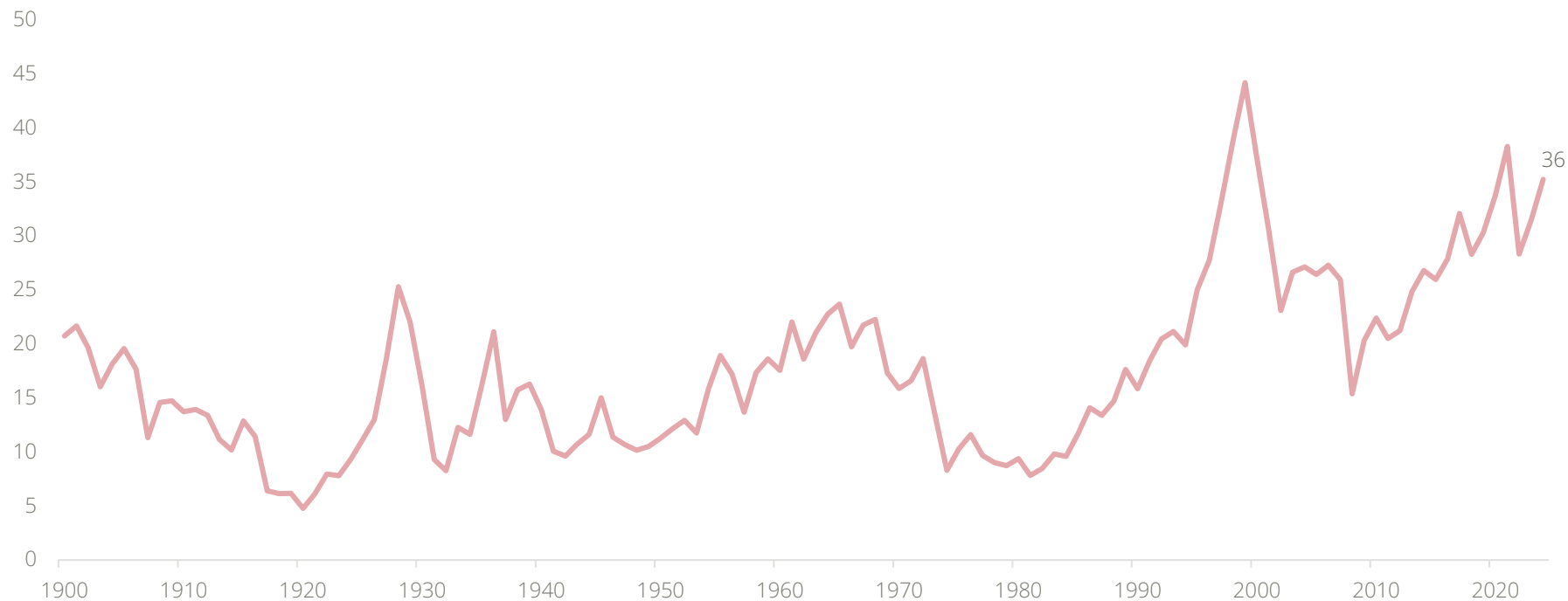


Source: New York Fed, US Census Bureau, Bloomberg

MACRO BACKDROP

Today CAPE sits at its 97 percentile against a backdrop of tech mania – sound familiar?

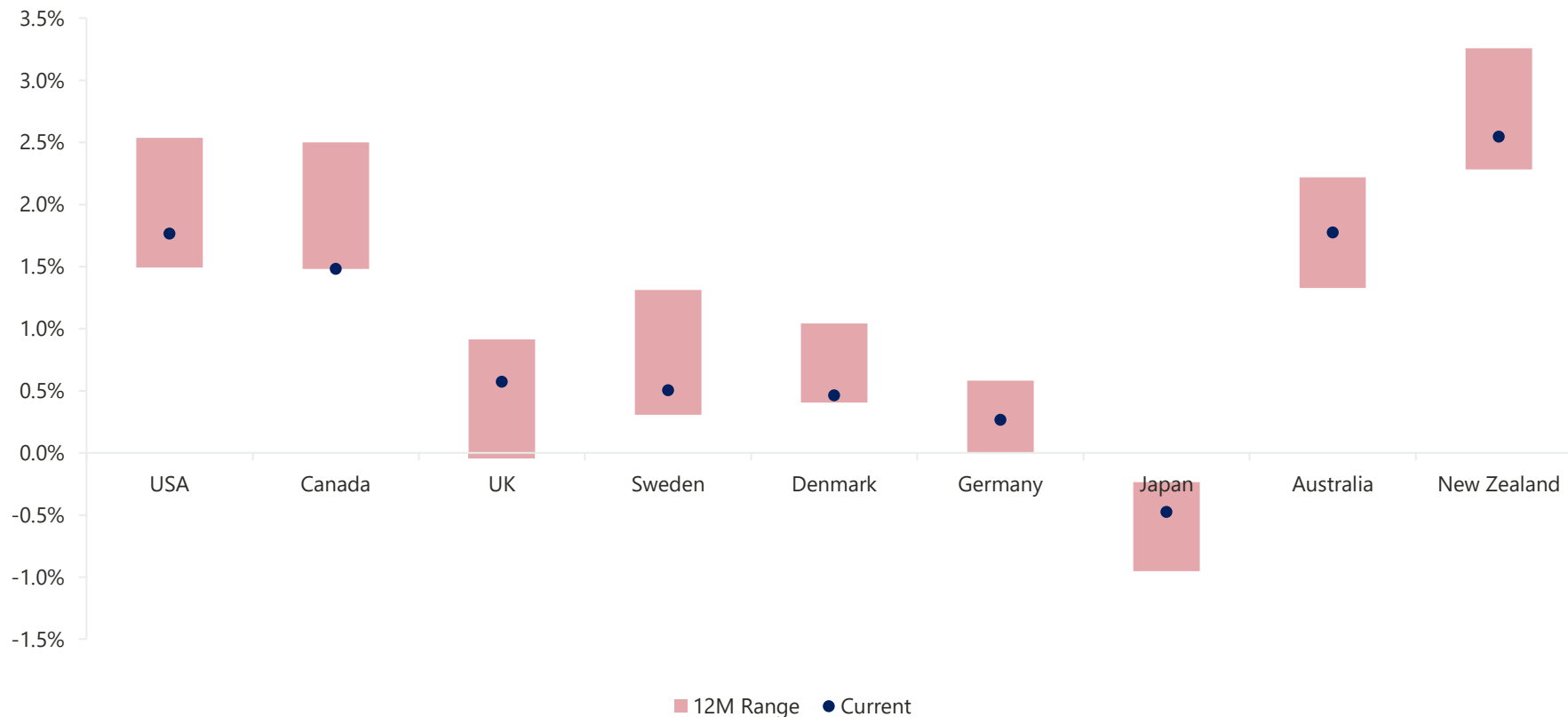
US Stock Market - CAPE Ratio



Source: Princeton University Press, Robert J. Shiller

Index-linked bond markets are offering risk-free returns well ahead of inflation

Developed Government Bond 10 Year Real Yields



Source: Bloomberg Finance L.P.

Outlook

We are excited about medium term returns despite our defensive positioning

CGT Asset Allocation and Yields September 2024



1. Weighted portfolio option adjusted duration and yield to maturity. UK real reflects RPI
 Source: Bloomberg Finance L.P., Northern Trust

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