Cazenove Capital

Part of the Schroders Group

Charity Multi-Asset Fund

31st December 2017

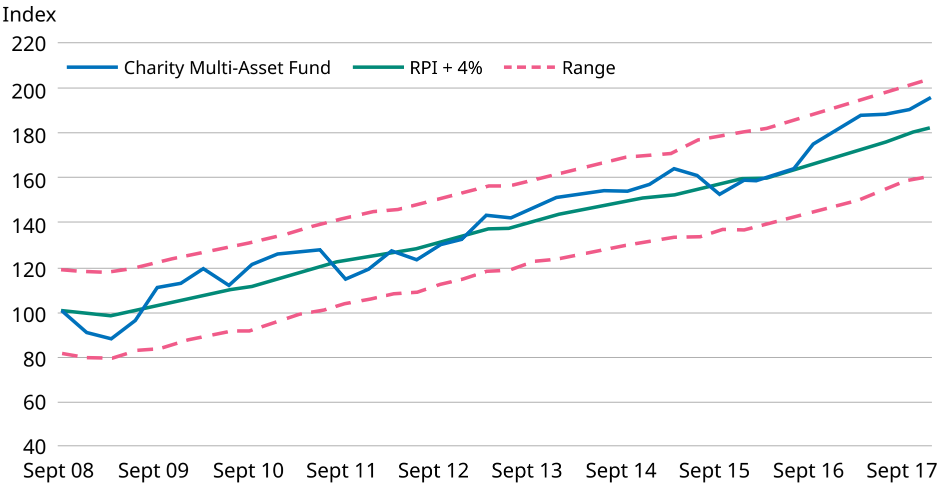
Investment objective

The Charity Multi-Asset Fund aims to at least maintain the real value of capital whilst generating a sustainable and reliable distribution through investment in collective investment schemes as well as directly held transferable securities, derivatives, cash, deposits and money market instruments.

Fund characteristics

The Charity Multi-Asset Fund allows all sizes of charity access to our multi-asset investment expertise. The Fund uses sophisticated analysis aiming to maximise risk adjusted returns and reduce the reliance on equity markets. Over the long term we would expect the Fund to deliver a total return in excess of RPI plus 4%. The Fund is expected to generate equity like returns with reduced volatility and is based on the Cazenove Charities Unconstrained Strategy.

Long term performance



Tom Montagu-Pollock
Fund Manager

Kate Rogers
Fund Manager

Key information

Fund size	£571.7 million
Units available	Distribution & Accumulation
Valuation and dealing	Daily 4 pm
Minimum investment	£1,000
Target yield	4% (smoothed over the previous 3 years)
Distribution dates	31st Aug, 30th Nov, 28th Feb, 31st May
Annual management charge	0.65%
Launch date	29th June 2007
SEDOL Number	B1XK8W1 (Distribution Units) B1XK8S7 (Accumulation Units)

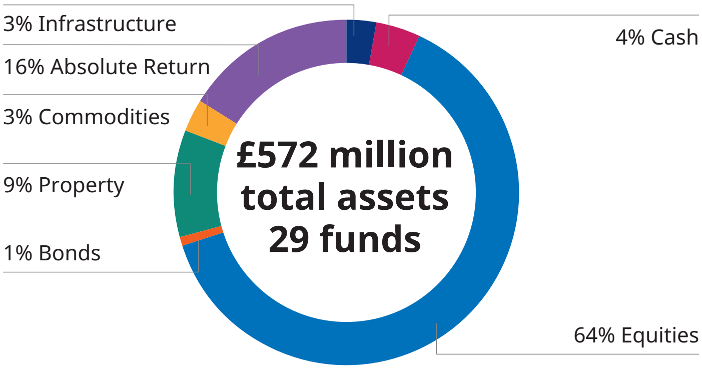
Performance data

	5 years % p.a. to 31 Dec 2017	3 years % p.a. to 31 Dec 2017	1 Jan 2017 – 31 Dec 2017	1 Jan 2016 – 31 Dec 2016	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 – 31 Dec 2013
Charity Multi-Asset Fund	+8.1%	+7.6%	+7.9%	+14.2%	+1.0%	+4.0%	+13.7%
RPI plus 4%	+6.4%	+6.5%	+8.0%	+6.6%	+5.2%	+5.7%	+6.8%

Past performance is not a guide to future performance. The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested. Exchange rates may cause the value of overseas investments and the income from them to rise or fall. Investment in emerging markets and alternative asset classes (private equity and hedge funds) involves a high degree of risk of loss as the investments are less liquid and more volatile. Investment in private equity can be highly speculative, whilst hedge funds may be highly leveraged and as a result small changes in the price of contracts may result in unquantifiable losses.

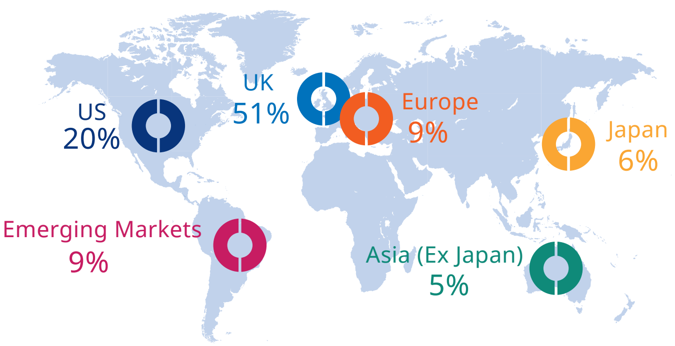
Source: Datastream, Lipper, bid-to-bid, in GBP, net income reinvested. Performance for periods greater than one year has been annualised. RPI +4% has been used as a comparator and the long term-target return. The long-term performance chart shows total return, net of fees from 30th September 2008 to 31st December 2017, RPI to 30th November 2017. A Share class, 0.65% per annum. The start date of 30th September 2008 represents the earliest point in the Fund's history at which the UK equity market, as the Fund's largest component, was at 'fair value' (as measured by long-term UK non-financials historic trend P/E). The upper and lower bounds represent two standard deviations from the central return expectation.

Asset mix



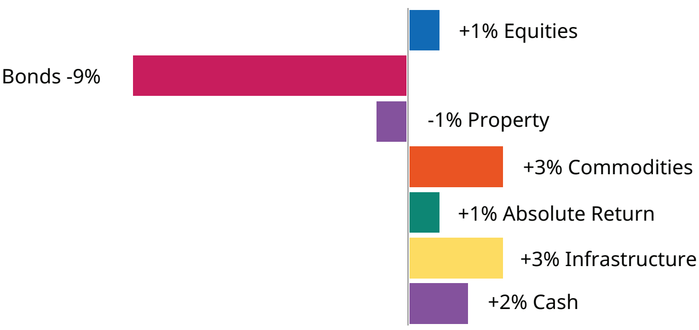
The above asset allocation is based on holdings as at 31st December 2017.

Equity exposure by region



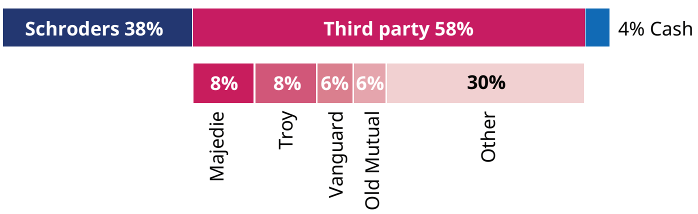
Percentages shown by listing. Map for illustrative purposes only.

Active positions



Shows asset allocation against the fund's long term strategy, with positive active positions reflecting a favourable view on the asset class and vice versa.

Fund providers



Portfolio commentary

Over the last five years the Charity Multi-Asset Fund has generated returns of 8.1% per annum net of fees, well ahead of the target return of inflation plus 4% which has returned 6.4% per annum. Over the last 12 months the Fund has kept pace with an increasing target return as inflation has picked up, generating 8% over the period. The fund has benefited from strong equity returns, with our positions in the Schroder Global Emerging Market Fund, the Schroder QEP Global Core Equity and the Old Mutual UK Alpha Fund the top contributors over the year.

The world economy is now growing at its fastest pace since 2011, with the upturn increasingly broad-based across countries globally. Although the growth picture is good, markets are likely to face two challenges this year. First, growth expectations are higher than a year ago, which increases the possibility of disappointments. Second, unlike in 2017, stronger growth is more likely to be accompanied by higher inflation and higher interest rates. Inflationary pressures are rising globally and we expect firms to respond to the recovery in growth by raising prices more aggressively in 2018, particularly in the US. UK inflation has already spiked higher, as sterling weakness increased import prices. We expect inflation in the UK to soften, bucking the global trend, as this currency effect disappears from the annual inflation rate.

Rising inflation expectations globally is likely to increase bond yields and we retain our underweight to bonds within the Fund. The economic background of continued growth and a gentle cyclical upturn in inflation leads us to maintain a constructive view on equities. Equity valuations are above their long term average levels, reflecting the expectation for above trend earnings growth. As expectations have risen, so too has the risk of earnings disappointments, with profit warnings increasingly punished by the market. We remain convinced that active management is necessary to avoid these potholes. We are invested in equities to benefit from positive earnings growth, but are wary of the consensus position and may look to lower the overall risk of the Fund gradually as the year progresses. Alternative investments provide useful diversifiers, and we hold property and infrastructure for income characteristics and absolute return to dampen volatility.

We have been pleased to see strong positive fund flows over the year, as more charities seek a diversified multi-asset approach. Over the last quarter, we have used these inflows to add to Absolute Return as well as US, Japanese and Asian equities. Thank you for your continued support.

For further information, please contact
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The Fund deducts costs and expenses incurred by the Board, Trustee and Manager in carrying out their duties to the property of the Fund in addition to the Trustee and Manager annual fees and as a result the growth in the capital sum will be constrained.