Cazenove Capital

Part of the Schroders Group

Charity Equity Fund

Q3 2017

For eligible charities only.
All data expressed as at 29th September 2017

Investment objective and policy

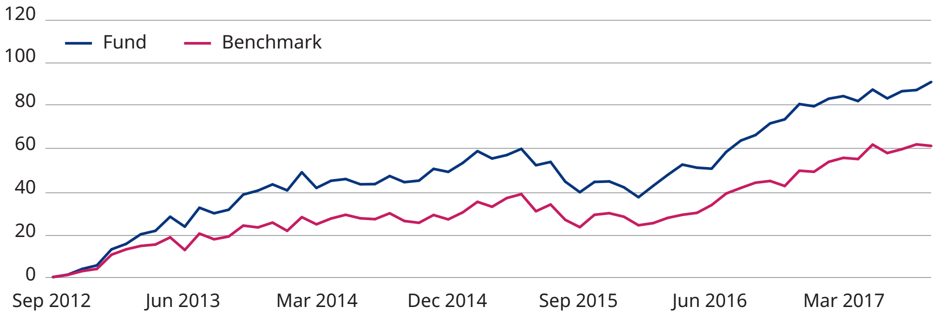
The Charity Equity Fund aims to provide participating charities with a total return (income and capital growth) in excess of the FTSE All-Share Index over five year rolling periods. In order to achieve this objective, the Fund may invest in securities anywhere in the world, although investment will be predominantly in good quality UK equities.

Performance analysis

Performance (%)	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years
Fund	2.0	4.2	3.6	5.7	14.9	32.4	91.0	129.9
Benchmark	-0.4	2.1	3.6	7.8	11.9	27.8	61.2	75.2

Discrete yearly performance (%)	Q3 2016 – Q3 2017	Q3 2015 – Q3 2016	Q3 2014 – Q3 2015	Q3 2013 – Q3 2014	Q3 2012 – Q3 2013
Fund	14.9	19.1	-3.2	9.8	31.4
Benchmark	11.9	16.8	-2.3	6.1	18.9

Performance over 5 years (%)



Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get back the amount originally invested.

Some performance differences between the Fund and the benchmark may arise because the Fund performance is calculated at a different valuation point from the benchmark. The since launch performance of the benchmark cannot be shown as it did not exist at the Fund's launch date.

Source: Schroders, bid to bid price with net income reinvested, net of the ongoing charges and portfolio costs and, where applicable, performance fees.

Income payments

2016/2017	Ex-distribution date	Payment date	Rate per unit
Quarterly	31st March 2017	31st May 2017	2.75p
Interim	30th December 2016	28th February 2017	3.25p
Quarterly	30th September 2016	30th November 2016	2.65p
Final	30th June 2016	31st August 2016	4.30p

Kevin Murphy, Nick Kirrage, Andrew Lyddon
Fund Managers

Technical information

Fund launch date	3rd March 1992
Total fund size (£)	199.5 million
Total number of holdings	37
Unit price end of month (£)	1,079.00 GBX
Benchmark	FTSE All-Share Total Return
Managed fund since	18th May 2010
Investment manager	Schroders
Ethical restriction	No tobacco
Dividend	4.5

Financial information

	Fund	Benchmark
Annual volatility (%)	13.8	13.4
Beta	0.9	–
Predicted tracking error (%)	3.9	–
P/E ratio	17.9	17.2
Dividend yield (%)	3.7	3.6

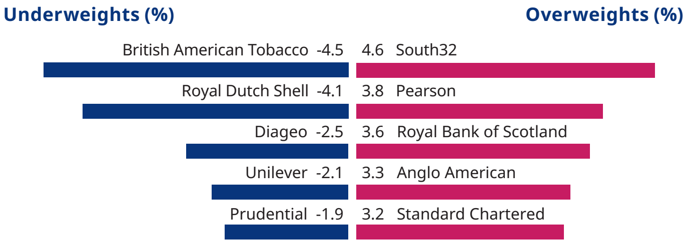
The above ratios are based on bid-to-bid price based performance data. These financial ratios refer to the average of the equity holdings contained in the fund's portfolio and in the benchmark (if mentioned) respectively.

Purchase information

SEDOL	Acc: 0775591 Inc: 0775580
Bloomberg	Acc: SCHCHEA:LN Inc: SCHCHEI:LN
ISIN	Acc: B0007755910 Inc: B0007755803
Fund base currency	GBP
Dealing frequency	Daily (16:00 GMT)
Annual management charge	0.5%
Minimum investment amount	£1,000

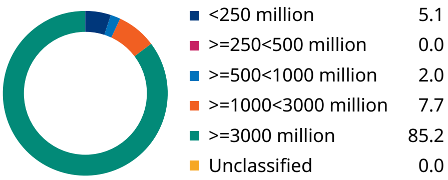
Holdings analysis

Top 10 holdings	Sector	% NAV
HSBC Holdings	Financials	5.7
BP	Oil & Gas	5.2
South32	Basic Materials	4.6
Standard Chartered	Financials	4.1
Royal Bank of Scotland	Financials	4.0
Pearson	Consumer Services	4.0
Anglo American	Basic Materials	4.0
Barclays	Financials	3.8
Royal Dutch Shell	Oil & Gas	3.8
GlaxoSmithKline	Health Care	3.7
Total		**42.8**



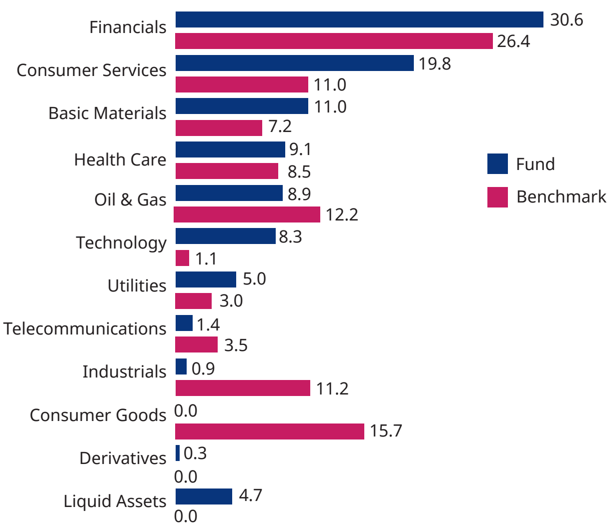
Compared to the benchmark.

Market cap split (%)



Overweights and underweights data are based on Fund's exposure to holdings grouped by name.

Asset allocation (%)



Liquid Assets contain cash, deposits and money market instruments with maturities of up to 397 days, which are respectively not part of the core investment objective and policy. The commitment linked to the equity index futures contracts, if present, is deducted from cash. Source: Schroders.

Performance and portfolio activity

Anglo American was the largest individual contributor to returns. The business continues to show significant improvements in productivity and efficiency and we support its strategy of further sales of inefficient, low margin assets. Anglo's strong balance sheet and cash generation supported the resumption of dividends six months early. At the current price, the company trades at a significant discount to its peers, Rio Tinto and BHP Billiton, despite the now similar balance sheet risks.

UK retailer Next performed strongly during the quarter. Next's second quarter trading update revealed sales growth ahead of market expectations, which came alongside management's projection of £307 million surplus cash in the current year. Just a month later, Next announced its first half earnings and upgraded its profit and sales guidance for the full year.

Education business Pearson was the largest individual detractor from returns. During the quarter, Pearson announced it is to axe a further 3,000 jobs as part of its cost-cutting drive which began in 2013. The Education group aims to have reduced its workforce by 10,000 by 2020, saving a total of £1 billion. The company also confirmed it would cut the interim dividend to 5p per share, from 18p per share for the same period last year. There is no doubt that dividends are an important component of long-term investment returns, but the key phrase there is "long term". If it is better for a business to cut its dividend in the short term in order to protect its balance sheet or allow it to invest more money and so turn the business around to be the kind we would want to invest in, then we are very comfortable with that and we remain confident of the long-term investment case for Pearson.

We established a position in information technology infrastructure services business Computacenter. The shares have come under pressure as a result of the supposedly low quality nature of this business, but organic sales and profit growth since 2006 have been 3.5% and 10% respectively. Moreover, historically Computacenter has been very good at converting profits into cash as a result of keeping capital expenditure below depreciation. The balance sheet is strong; it is net cash, leases are only 1% of sales and there isn't a pension deficit.

We added to the position in miner South32, seeing continued upside to the share price. The dividend yield is 3% today, which is growing, the company has a balance sheet with no debt and a sensible management team with a history of prudent capital allocation.

We continued to take profits in Financial Infrastructure companies NEX Group (formally ICAP) and TP ICAP. Both of these shares have enjoyed strong performance in recent years and we took profits as they approached fair value.

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