Cazenove Capital

Part of the Schroders Group

Charity Equity Fund

Q2 2017

For eligible charities only.
All data expressed as at 30th June 2017

Investment objective and policy

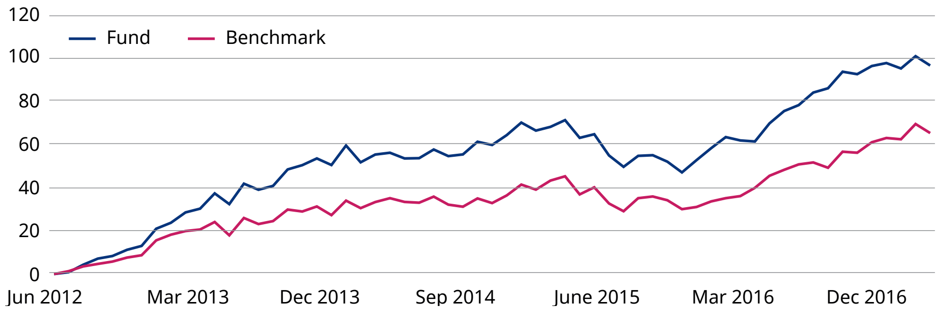
The Charity Equity Fund aims to provide participating charities with a total return (income and capital growth) in excess of the FTSE All-Share Index over five year rolling periods. In order to achieve this objective, the Fund may invest in securities anywhere in the world, although investment will be 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	-2.2	-0.6	1.5	1.5	21.8	28.0	96.5	112.8
Benchmark	-2.5	1.4	5.5	5.5	18.1	23.9	65.2	68.5

Discrete yearly performance (%)	1 Jul 2016 – 30 Jun 2017	1 Jul 2015 – 30 Jun 2016	1 Jul 2014 – 30 Jun 2015	1 Jul 2013 – 30 Jun 2014	1 Jul 2012 – 30 Jun 2013
Fund	21.8	-1.0	6.2	16.0	32.4
Benchmark	18.1	2.2	2.6	13.1	17.9

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, A Acc 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 (£)	191.4 million
Total number of holdings	35
Unit price end of month (£)	1,036.00 GBX
Benchmark	FTSE All-Share Total Return
Managed fund since	18th May 2010
Investment manager	Schroders
Ethical restriction	No tobacco

Financial information

	Fund	Benchmark
Annual Volatility (%)	14.0	13.6
Beta	0.9	–
Predicted Tracking Error (%)	3.8	–
P/E Ratio	21.2	20.0
Dividend Yield (%)	3.5	3.5

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.

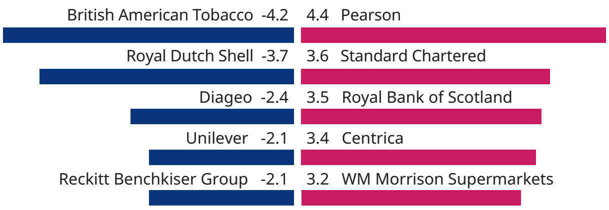
Purchase information

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

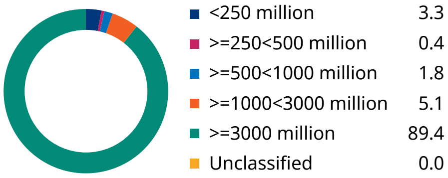
Holdings analysis

Top 10 holdings	Sector	% NAV
HSBC Holdings	Financials	5.8
BP	Oil & Gas	5.0
Pearson	Consumer Services	4.7
Standard Chartered	Financials	4.5
GlaxoSmithKline	Health Care	4.3
Barclays	Financials	4.2
AstraZeneca	Health Care	4.0
Centrica	Utilities	3.9
Royal Bank of Scotland	Financials	3.9
Aviva	Financials	3.8
Total		**44.0**

Underweights (%) **Overweights (%)**

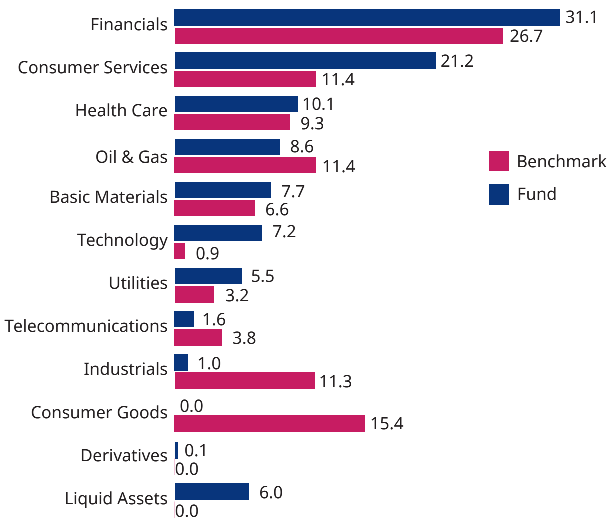


Market cap split (%)



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

Asset allocation (%)



The commitment linked to any equity index futures contracts, if present, is deducted from cash. Source: Schroders.

Performance and portfolio activity

Recent years have seen value as an investment style underperform more growth-oriented strategies – a trend which, despite a brief respite in 2016, continued in the first half of 2017 – and which has impacted the relative performance of the Fund over the year-to-date. There is, however, some comfort to be found in value's underperformance over the first half of 2017. Across the globe, the majority of the performance gap between value and growth can be accounted for by the higher price/earnings (P/E) multiples of growth stocks. In other words, investors have been willing to pay even more for those "growth" companies than in the past. An environment where P/E multiples are rapidly outstripping even the most bullish of sell-side analyst forecasts has echoes of the long build-up to the dotcom bubble in 2000. It is evidence of a classic behavioural bias where investors extrapolate current trends when forming future expectations.

The valuations of growth stocks are now pricing in ever-higher future earnings despite global profit margins nudging to all-time highs. History suggests that this cannot last forever, and in the past a market dislocation such as we are seeing now has been a precursor to value's outperformance as expensive growth companies withdraw to lower valuations. Value investing has displayed a consistent pattern of mean reversion over more than 100 years. We cannot know when the current trend will reverse, or the catalyst, but, given the scale of value's underperformance, we believe that its potential recovery is the most attractive investment opportunity for patient investors in today's equity markets.

Turning to performance, the largest individual detractor from returns was miner Anglo American. It is our belief that Anglo American remains significantly undervalued, despite the share price recovery from the dark days of early 2016. Following a strong start to the year, Debenhams also detracted from returns. We believe that the stock is lowly valued, both in absolute terms and relative to its peers. Barclays also disappointed due to negative news-flow surrounding the terms of a Qatari investment in the bank at the depths of the financial crisis in 2008. This does not affect our long-term investment case for the company. Our focus on "normalised" profits allows us to consider a "normalised" dividend, which we see as being very substantial when considered against today's share prices.

Education business Pearson, which was one of the largest detractors from returns in the first quarter, bounced back to become the leading contributor over the second quarter. The share price bounce on the back of less bad news highlights the benefits of investing in undervalued businesses where market sentiment is very negative.

For further information, please contact
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