Cazenove Capital

Part of the Schroders Group

# Charity Equity Value Fund

**31 December 2019**

**Marketing material for eligible charities only.**

## Investment objective and policy

The SUTL Charity Equity Value 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.

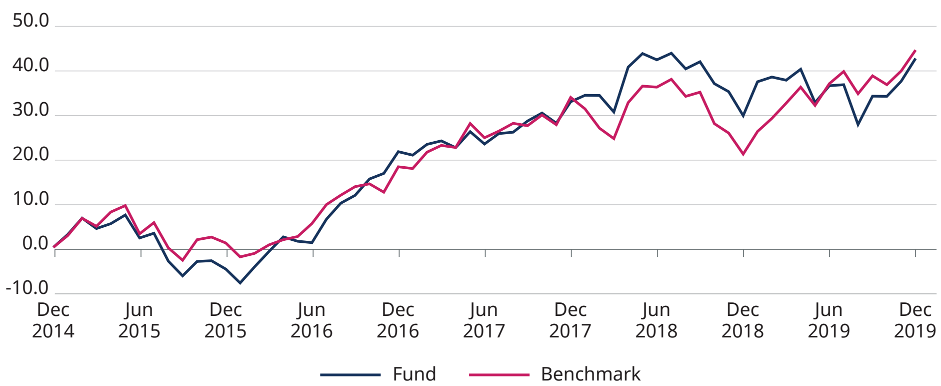
*On 8 June the fund converted to a Charity Authorised Investment Fund (CAIF) structure, the performance shown below has been obtained predominantly under the old Common Investment Fund (CIF) structure. The objective and strategy remain the same. However, the revised Ongoing Charges (OCF) no longer include VAT.

## Performance analysis

| Performance (%) | 1 month | 3 months | 6 months | YTD | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|---|---|
| **Fund** | **3.7** | **6.3** | **4.5** | **9.8** | **9.8** | **17.1** | **42.0** | **151.2** |
| Benchmark | 3.3 | 4.2 | 5.5 | 19.2 | 19.2 | 22.0 | 43.8 | 118.3 |

| Discrete yearly performance (%) | Q4/2018 Q4/2019 | Q4/2017 Q4/2018 | Q4/2016 Q4/2017 | Q4/2015 Q4/2016 | Q4/2014 Q4/2015 |
|---|---|---|---|---|---|
| **Fund** | **9.8** | **-2.3** | **9.2** | **27.4** | **-4.8** |
| Benchmark | 19.2 | -9.5 | 13.1 | 16.8 | 1.0 |

## Performance over 5 years (%)




**The return received may rise or fall as a result of currency fluctuations.**

**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. There is no guarantee that the objective will be met.**

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.

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



**Managed by the Value team**

## Technical information

| | |
|---|---|
| Strategy launch date* | 03 March 1992 |
| Total fund size (£) | 215.9 million |
| Total number of holdings | 35 |
| Unit price end of month (£) | 419.60 GBX |
| Benchmark | FTSE All Share Total Return |
| Fund team | The Value team |
| Ex Distribution Dates | 31 Mar, 30 Jun, 30 Sep, 31 Dec |
| Payment dates | 28 Feb, 31 May, 31 Aug, 30 Nov |
| Latest payment | 5.85p |
| Distribution Yield | 4.8% |
| Ethical restriction | No tobacco manufacturers |

## Purchase information

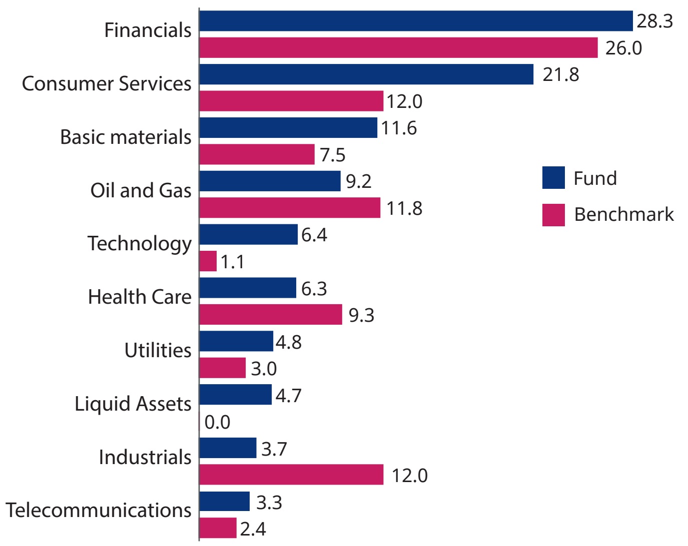
| | |
|---|---|
| SEDOL | Acc: BF78465<br>Inc: BF78476 |
| Bloomberg | Acc: SUCCEVA:LN<br>Inc: SUCCEAI:LN |
| ISIN | Acc: GB00BF784651<br>Inc: GB00BF784768 |
| Fund base currency | GBP |
| Dealing frequency | Daily (12:00 GMT) |
| Ongoing charges (OCF) | 0.52% |
| Minimum investment amount | £10,000 |

## Holdings analysis

| Top 10 holdings | Sector | % NAV |
|---|---|---|
| BP PLC | Energy | 5.3 |
| Anglo American PLC | Basic Materials | 4.9 |
| Royal Bank of Scotland PLC | Financials | 4.8 |
| Pearson PLC | Consumer Discretionary | 4.3 |
| Standard Chartered PLC | Financials | 4.1 |
| Tesco PLC | Consumer Staples | 4.0 |
| Centrica PLC | Energy | 4.0 |
| WM Morrison Supermarkets | Consumer Staples | 3.8 |
| Royal Dutch Shell | Energy | 3.8 |
| HSBC Holdings PLC | Financials | 3.8 |
| **Total** | | **42.8** |

## Asset allocation (%)

**Sector**




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.

## Risk considerations

The following risks may affect fund performance. Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative. Equity risk: Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. Operational risk: Failures at service providers could lead to disruptions of fund operations or losses.

## Performance and portfolio activity

The Value style bias of the Fund, with a domestic UK tilt, benefited from clarity over Brexit and the government at the end of the year. There was a strong rally in performance versus the index. Key holdings of note during the period were:

**Centrica** will be familiar to many clients and it is a welcome change for the energy company to be the top contributor to outperformance in Q4. Shares have now risen nearly a quarter since the end of August. We think significant upside remains and are happy to be patient.

**TP ICAP** has been volatile over the past couple of years, depending on whether the market is focusing on the potential benefits of consolidation, or whether current low levels of trading volumes are the focus. Following a c.30% increase during 2019, we feel the potential for further upside from here is more limited.

**Royal Bank of Scotland** also performed well over the quarter. For reasons largely unrelated to the fundamentals of the business, RBS' share performance has been tied largely to the market's interpretation of the progress of the UK's Brexit negotiations - in the short term at least. This has given us a number of opportunities to top-up at lower prices.

**Pearson**, the British-based publishing business was our biggest detractor. Much of this was due to a profit warning after weaker-than-expected performance in its higher education courses in the US. The business is still going through a major transition from textbooks to a fully digital learning platform. We are confident it can and will be done; significant upside remains.

**Sanofi**, the French pharmaceutical giant detracted on a relative basis to the UK equity market, despite being marginally positive. A cheaper relative valuation to peers, strong balance sheet, diverse portfolio of drugs and covered dividend gives us confidence that Sanofi can deliver strong performance for clients.

We sold our long-held position in high street retailer **Next**, as the share price reached fair value. Despite the structural challenges that it has faced over recent years, profits and margins have defied market expectations. This is mainly to do with its online business. What has changed is the UK store estate, where over the last three years profitability has halved.

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