Cazenove Capital

Part of the Schroders Group

Charity Equity Income Fund

31 December 2019

Marketing material for eligible charities only.

Investment objective and policy

The SUTL Cazenove Charity Equity Income Fund aims to provide a portfolio yield in excess of the FTSE All-Share Index, through investing predominately in UK equities. The income provision will be the primary objective. The Fund's secondary target is to provide capital growth in order that its total return exceeds that of the FTSE All-Share Index over rolling five-year periods.

Subject to cash being reasonably held for redemptions and expenses, it is the intention of the Fund to remain fully invested except where market conditions necessitate the use of a defensive investment strategy which involves the holding of cash or near cash.

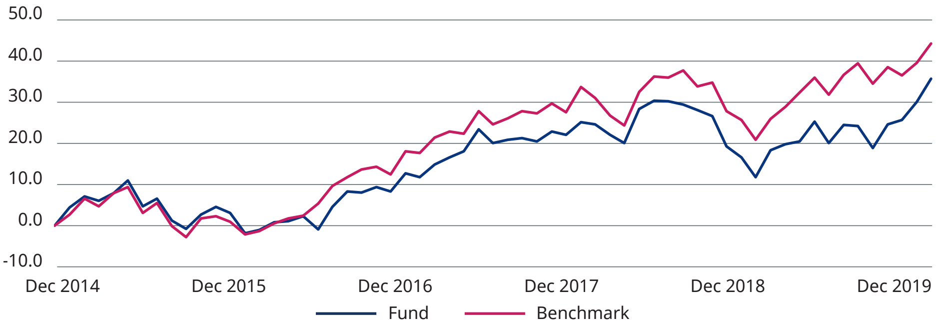
*On 8 June the fund converted to a Charity Authorised Investment Fund (CAIF) structure, the performance shown below has been obtained predominantly under the old Common Investment Fund (CIF) structure. The objective and strategy remain the same. However, the revised Ongoing Charges (OCF) no longer include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

Performance analysis

Performance (%)	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years
Fund	**4.2**	**8.8**	**8.9**	**21.2**	**21.2**	**20.2**	**35.4**	**135.6**
Benchmark	3.3	4.2	5.5	19.2	19.2	22.0	43.8	118.3

Discrete yearly performance (%)	Dec 2018 Dec 2019	Dec 2017 Dec 2018	Dec 2016 Dec 2017	Dec 2015 Dec 2016	Dec 2014 Dec 2015
Fund	**21.2**	**-10.6**	**10.9**	**9.3**	**3.0**
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.

Matt Hudson
Fund Manager

Technical information

Strategy launch date*	02 December 2002
Total fund size (£)	190.7 million
Total number of holdings	51
Unit price end of month (£)	96.12 GBX
Benchmark	FTSE All-Share Total Return
Fund Manager	Matt Hudson
Ex Distribution Dates	31 Mar, 30 Jun, 30 Sep, 31 Dec
Latest Payment	1.7p
Payment dates	28 Feb, 31 May, 31 Aug, 30 Nov
Distribution Yield	5.2%
Ethical restriction	No tobacco manufacturers

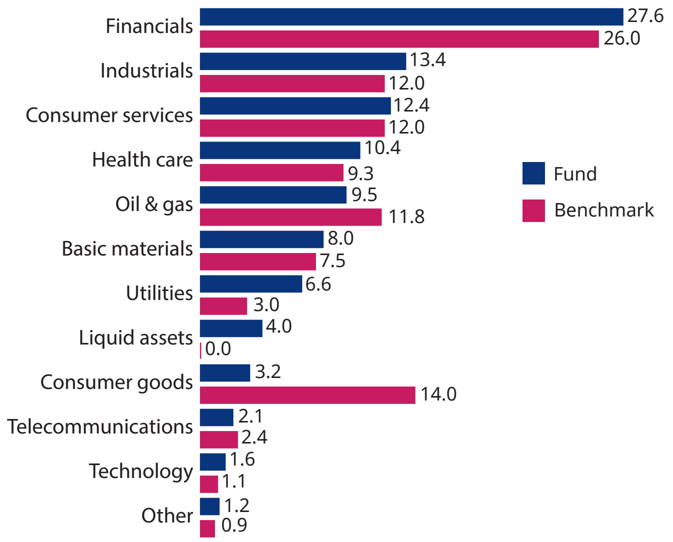
Purchase information

SEDOL	Acc: BF784F4 Inc: BF784G5
Bloomberg	Acc: SUTCEIA:LN Inc: SUTCEAI:LN
ISIN	Acc: GB00BF784F45 Inc: GB00BF784G51
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
GlaxoSmithKline	Health Care	5.6
BP	Energy	5.0
Royal Dutch Shell	Energy	4.5
National Grid	Utilities	3.6
BHP Group	Basic Materials	3.4
Pennon Group	Utilities	2.9
Lloyds Banking Group	Financials	2.9
HSBC Holdings	Financials	2.8
AstraZeneca	Health Care	2.8
WPP	Communication Services	2.7
Total		**36.2**

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

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 Fund returned +8.8%, outperforming the Index and the UK income peer group (+7.2%) bringing total returns for 2019 to 21.2%, while delivering a significant yield premium to the market. The last quarter was strong for UK equities, boosted by a rally in sterling as the chances of a hard Brexit receded and the Conservatives winning a convincing victory. Perhaps not surprisingly, Mid and Smaller companies outperformed the more defensive larger companies. At the sector level, the best performing companies were either cyclical or domestically exposed, while large cap defensive sectors broadly underperformed.

Turning to performance, both business cycle positioning and stock selection were positive, with exposure in higher beta cyclicals and the longstanding underweight to Growth Defensives, the key positive skews. At the stock level, key overweights included cyclicals – bstock, Bodycote and Wincanton, Financials – Legal & General and Lloyds and domestic exposures including Pennon, Hollywood Bowl and Savills. Detractors included weak relative performances from WM Morrison and GlaxoSmithkline and the underweight positions in both Prudential and Barclays.

At the portfolio level, the Fund remained positioned in Value and domestically exposed assets – both domestic 'defensives' and 'cyclicals'. As the explicit risk discount embedded in UK equities started to fade, the Fund has reduced positions among its higher beta and Small/Mid positions including Ibstock, RBS, Sabre, HollyWood Bowl and Domino Pizza. The Fund also exited its successful investment in Ferguson. Additions included Restaurant Group , Direct Line (partially funded by reducing the position in Aviva), easyJet and M&G, after the latter was spun out of Prudential. As noted, the Fund has been positioned long sterling and long lower valued stocks throughout the year and this position delivered in the last quarter.

On a different and final note, this will be the last report that I write for the Fund which I have managed since inception in December 2002. Over that period, I have navigated the Fund through three business cycles, with one consistent and pragmatic process to deliver both a superior total return and a consistent yield premium to the market. I wish all my clients the best in the future.

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