Cazenove
Capital

Part of the Schroders Group

Charity Responsible Multi-Asset Fund

31 December 2019

Marketing material for eligible charities only.

Investment objective

The SUTL Cazenove Charity Responsible Multi-Asset Fund aims to provide income and capital growth in line with the Consumer Price Index + 4% per annum (net of fees) over rolling ten-year periods by investing in equities, bonds and alternative assets worldwide. This cannot be guaranteed and your capital is at risk.

Fund characteristics

The SUTL Cazenove Charity Responsible Multi-Asset Fund allows charities of all sizes access to our multi-asset approach, whilst integrating an explicit Responsible Investment Policy. The Fund seeks to generate sustainable returns over the long-term by blending a range of assets and strategies. The Fund has a long-term target to deliver a total return of CPI+4%. The distribution share class has a total return target distribution of 4% per annum, paid quarterly.

Reasons to invest

1. Charity specific investment objective – inflation protection, attractive income
2. Access to Schroders global investment expertise
3. Award winning responsible investment approach

The fund has a long term investment philosophy – focused on fundamental analysis and stewardship

- Benefit of Schroders global expertise for equities and bonds, combined with an allocation to third party specialist managers for alternative exposure
- Fully screened in accordance with the responsible investment policy
- Integrated equity selection considering environmental, social and governance factors alongside financial analysis
- Active equity ownership to promote positive change
- Diversified across asset classes

Fund team

Kate Rogers **Tom Montagu-Pollock** **Nathalie Krekis** **Emilie Shaw**

Key information

Fund size	£70.6m
Fund manager	Tom Montagu-Pollock
Units available	Distribution & Accumulation
Valuation and dealing	Daily 12:00
Minimum investment	£10,000
Target distribution	4%
Distribution dates	31st Aug, 30th Nov, 28th Feb, 31st May
Ongoing charges figure	0.78%
SEDOL number	BF78432 BF78421

Responsible investment policy

- Integration: environmental, social and governance factors are integrated within the equity selection process;
- Screening: alcohol, tobacco, armaments, pornography, gambling, coal and tar sands, high interest rate lending, human embryonic cloning.
- Engagement and Voting: influencing companies to promote environmental, social and governance best practice;
- Impact: investing in social and environmental impact investments where appropriate
- Collaboration: working with other investors

Performance data

Total returns	10 Years to 31 December 2019 (p.a.)	7 Years to 31 December 2019 (p.a.)	5 Years to 31 December 2019 (p.a.)	3 Years to 31 December 2019 (p.a.)	1 Jan 2019 to 31 December 2019	1 Jan 2018 to 31 December 2018	1 Jan 2017 to 31 December 2017	1 Jan 2016 to 31 December 2016	1 Jan 2015 to 31 December 2015
Responsible Multi-Asset Fund	n/a	n/a	n/a	n/a	+15.9%	n/a	n/a	n/a	n/a
Inflation +4%*	+7.0%	+6.4%	+6.4%	+6.9%	+5.5%	+6.6%	+8.3%	+6.6%	+5.2%

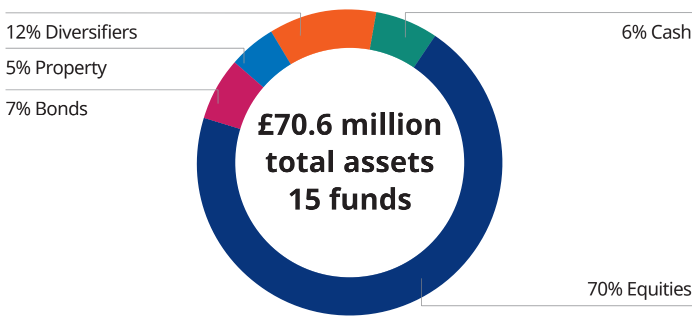
The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested. There is no guarantee that the objective will be met.

Source: 31 December 2019. Datastream/Lipper in GBP, net income reinvested. Net of fees, S share class.
*Inflation data to November 2019

Risk considerations

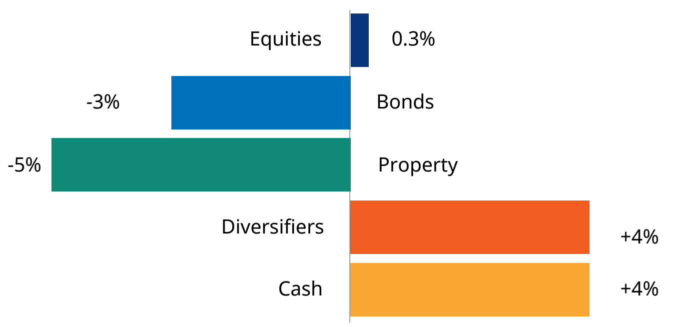
A rise in interest rates generally causes bond prices to fall, while a decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless. A failure of a deposit institution or an issuer of a money market instrument could create losses. Equity prices fluctuate based on many factors including general, economic, industry or company news. The fund can be exposed to different currencies – foreign exchange rates could create losses. Underlying funds may uses derivatives for leverage, which makes it more sensitive to certain market interest rate movements and may cause above-average volatility and risk of loss. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. The counterparty to a derivative or other contractual agreement or synthetic product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. In difficult market conditions, an underlying fund may not be able to sell a security for full value or at all and could cause the fund to defer or suspend redemptions of its shares. Emerging markets, generally carry greater political, legal, counterparty and operational risk. Failures at service providers could lead to disruptions of fund operations or losses.

Asset mix



The above asset allocation is based on holdings as at 31 December 2019.

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.

Responsible Investment Activities

193 Engagements over Q3

36% of engagements initiated 12 months ago have resulted in change

60% lower carbon intensity compared to the benchmark*

*The average carbon intensity (tonnes CO2e/$mn of revenue) of the portfolio companies, weighted by position size, compared to the benchmark.

Cazenove believes that well governed companies operating transparently, responsibly and sustainably will be more likely to generate shareholder value over the long term, with reduced risk. Engagement with companies to encourage positive change is a key part of our investment process as an active investor. We are committed to facilitating long-term change and will remain active owners of our client's capital throughout the ownership cycle.

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.

Portfolio commentary

The final quarter of 2019 was in stark contrast to the same period in 2018 as global equities ended 2019 at all-time highs. Against this backdrop, the Fund returned +2.5% over the quarter and +15.9% for the year as a whole, ahead of the Inflation +4% long term target.

Events of 3 January in the Middle East, where Iranian General Soleimani was killed by a US drone strike, caused a spike in the oil price and rattled equity markets. Defensive assets such as government bonds and gold rallied. The Iranians have threatened retaliation and markets remain concerned. We are watching closely to see if this is a passing squall – similar to last year's missile strike on the Saudi oil facilities – or something more serious. In the wider picture, investors have been encouraged by the prospect of a trade deal between the US and China, with a "phase one" deal now agreed. This is good news for global economic activity and we recently upgraded our growth forecast for 2020 to 2.6%. Despite the more optimistic economic backdrop, global government bonds have also remained in demand, with yields still at very low levels.

In keeping with our intention to maximise the positive impact of your charitable assets we have added an allocation to green bonds, where the proceeds of the issues go toward funding solutions to environmental need. The record number of green issues launched in 2019 is a trend we expect to continue as businesses and investors alike look for ways to support the energy transition.

Stock and bond markets continue to benefit from accommodative monetary policy. In the US, the Fed has indicated that it expects to leave interest rates unchanged in 2020, following three rate cuts in 2019. We expect to see the benefit of last year's monetary policy easing have more visible impact on US growth in 2020. In Europe, the new president of the ECB, Christine Lagarde, used her first press conference to reaffirm the bank's commitment to keep interest rates at very low levels and maintain the pace of quantitative easing until inflation rises.

The UK election resulted in a clear victory for the Conservative party which provided markets with clarity about the near-term path of Brexit: the UK will be leaving the EU at the end of January. On the morning of the result we added to our UK position through the Responsible Value Fund to neutralise some of our underweight position to the UK market. However, there remains significant uncertainty about the UK's future trading relationship with the EU and the rest of the world and as such has not warranted us adding more aggressively to this position. The government has said it plans to legally prevent the extension of a trade transition period beyond 2020, raising the risk of disruption later in the year.

We enter the new year with a neutral allocation to equities. Easing global trade tensions provide a tailwind for global growth in 2020. However, stock markets may already be "pricing in" the improved outlook. Over the course of 2019, share prices rose sharply but earnings expectations drifted lower. As a result, shares have become more expensive, leading us to become more cautious. We remain underweight bonds, though some areas of the market – such as emerging markets – look more appealing. We continue to favour alternatives assets, including gold, which offer attractive diversification benefits. We added a new position to the diversifiers allocation during the quarter in the Octopus Renewable Infrastructure Fund which came to the market in early December. Octopus Renewables, part of Octopus Investments, was founded in 2010 and now manages £3.0bn of renewable projects across Europe (including the UK) and Australia – they manage the largest portfolio of investor owned solar photovoltaic assets in Europe.

For further information, please contact:

Jeremy Barker, Portfolio Director,
020 7658 1107 or jeremy.barker@cazenovecapital.com
or
Joe Davies, Product Executive,
020 7658 2976 or joe.davies@cazenovecapital.com