Cazenove Capital

Part of the Schroders Group

Stramongate

December 2021

Fund Objective and Investment Policy

The Company's long term investment goal is to double the assets of the Stramongate Group in real terms over 30 years while paying an annual dividend that keeps pace with inflation. This translates into an average annual rate of growth in NAV per share of approximately inflation + 2.3% and a net total return objective of inflation + 4% after fees and other costs. The Fund will invest in a diversified international portfolio across a range of asset classes and including both quoted and unquoted investments.

This is not intended to be a profit forecast and there is no assurance that the Company will meet its investment objective.

Investment Managers

Alex Tate & Amelia Sandbach

Managed since

19 December 2020

Fund size (£m)

284.90

NAV per share (£)

7.99

Total number of shares in issue

35,653,999

Past 12m yield

1.63%

Dividend distribution dates

Semi-annually

Latest Dividend (payable in two tranches)

13.00p

ISIN

LU0707675970

Website

(incl. historic NAV and dividend information)

www.stramongate.com

Contact

Stephen.Harris@Schroders.com

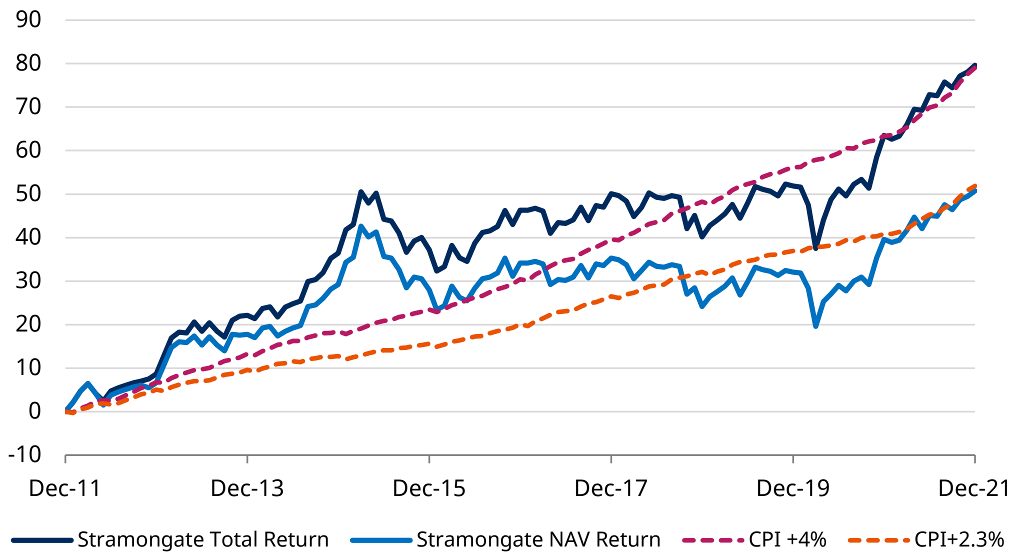
Performance analysis

Performance % (total return)	3 Mon	YTD	1 Year	3 Year	5 Year	10 Year
Stramongate	3.0%	9.8%	9.8%	28.1%	22.7%	79.6%
CPI +4%	*3.3%*	*9.6%*	*9.6%*	*20.8%*	*37.3%*	*79.0%*
ARC Sterling Growth	*2.7%*	*10.2%*	*10.2%*	*32.6%*	*36.8%*	*100.1%*
MSCI AC World	*6.3%*	*20.1%*	*20.1%*	*66.5%*	*83.3%*	*270.6%*

Performance % (total return)	Dec 20 - Dec 21	Dec 19 - Dec 20	Dec 18 - Dec 19	Dec 17 - Dec 18	Dec 16 - Dec 17
Stramongate	9.8%	7.7%	8.3%	-6.6%	2.6%
CPI +4%	*9.6%*	*4.6%*	*5.3%*	*6.2%*	*7.1%*
ARC Sterling Growth	*10.2%*	*4.6%*	*15.0%*	*-5.6%*	*9.4%*
MSCI AC World	*20.1%*	*13.2%*	*22.4%*	*-3.3%*	*13.8%*

Performance over past 10 years %

Cumulative performance (%)



Performance is net of all corporate costs, investment management and underlying fund fees. Past performance is not a guide to future performance. 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.

Market and Portfolio Comment

Over the quarter the portfolio returned 3.0%, compared 3.3% for the CPI +4% benchmark. For 2021, the portfolio returned 9.8%, ahead of the CPI +4% benchmark's 9.6%. The fourth quarter, like much of 2021, was dominated by three key narratives: Covid resurgence with the Omicron variant, central banks' reaction to higher inflation, and concerns over Chinese growth centring around the growing crisis in the property sector. Despite these concerns, global equity markets proved resilient, rising 6.2% in sterling terms over Q4, extending the 2021 year return to 20%. Conversely, emerging market (EM) equities returned -0.7% in the quarter, and -1.6% for 2021. The stark difference between the developed world and EM was characterised by the US market which rose by 11% this quarter.

Commodity markets were noticeably impacted by Omicron concerns, as the prospect of tighter restrictions and falling demand resulted in large moves in the oil price, and in sovereign bond markets: Yields initially fell on Omicron uncertainty (supporting bond capital values), however the prospect of the Bank of England and US Federal Reserve tightening monetary conditions saw government bonds sell off into the end of the year.

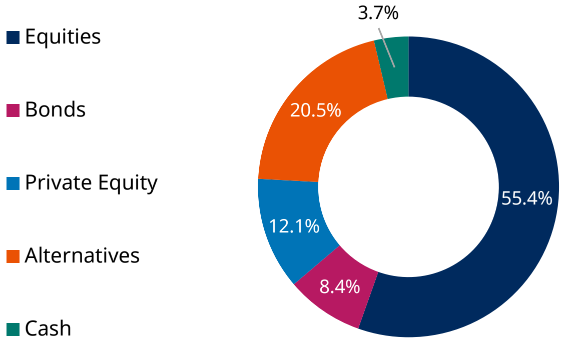
As with prior quarters, the allocation to equities was a key driver of portfolio returns, benefitting the portfolio, given the exposure to developed markets. Within equities, an underweight position in the US and overweight to EM (specifically China) was a relative headwind over the period, however the US holdings did perform particularly well. Heptagon Driehaus US Micro Cap Fund returned 6.7%, largely driven by stock selection as the portfolio experienced strong earnings reports, positive estimate revisions and favourable fundamental outlooks. The portfolio also saw good contributions from the thematic positions of energy transition (Ninety One Global Environment Fund), and healthcare (iShares MSCI World Healthcare ETF). Within fixed income, the aggregate return was 2.0%, driven by holdings in US inflation-linked bonds (returning 2.8%) and the US 20+ year Treasury ETF (returning 3.5%). Elsewhere, the alternative assets, including gold, real estate and hedge funds, generated modest positive returns, with strong contributions coming from both Lennox Prime Central London Residential, following a disposal as prime London property prices and rental demand recovered from their 2020 declines, and Schroders Global Cities, whose US and Asia positionings benefitted from the easing of lockdown restrictions.

Looking ahead, we expect above-trend economic growth in 2022, albeit slower than the past 12 months. Inflation looks set to continue to rise in the short term, but we believe it will normalise in the second part of the year, falling from peak levels to slightly above central bank targets. In general, financial conditions remain supportive for risk assets in 2022 (interest rates are still low by historic standards, and both corporate and household cash balances remain elevated). However, as monetary and fiscal policy support is gradually withdrawn, and interest rates move higher in the UK and US, we believe that company fundamentals, valuations and earnings will be increasingly influential on future equity performance. Our expectation is for earnings growth to remain positive, although growth rates will be lower than they have been for the past 18 months, while profit margins may come under pressure if input costs remain elevated. It is likely that equity returns will be lower, and more volatile, than in 2021.

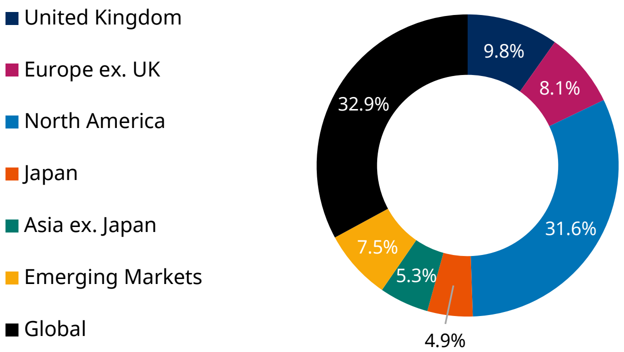
On positioning, we continue to favour equities over other asset classes, seeking high quality companies that may be able to defend profit margins in an environment of rising input costs. It is likely to continue to prove a difficult environment for government bonds, and we maintain a material underweight exposure to fixed income. Allocating to alternative assets, such as gold could help better protect portfolios against inflation and market drawdowns.

Asset allocation

Asset Mix



Equity Allocation



Holdings analysis

Top ten holdings	Sector	% NAV
Applerigg 1p Ordinary Shares	Private Equity	6.7%
SPDR MSCI US Value ETF-GBP-Acc	North America Equity	6.5%
Lyxor CoreUS TIPS ETF-D-M-h-GBP-Dis	North America Bonds	5.4%
Schroder Gl Citi RE -Z-GBP-Inc	Alternatives	5.2%
Robeco-BP Gl Prem Eq-IB-GBP-Dis	Global Equity	5.2%
Vanguard S+P 500 ETF -GBP-Dis	North America Equity	5.1%
Red Global Em Markets -S-GBP-Dis	Emerging Markets Equity	4.2%
SPDR MSCI ACWI ETF-GBP-Acc	Global Equity	3.7%
T.Rowe Cont Euro Eq -I-EUR-Acc	Europe ex. UK Equity	3.6%
Lennox Prime London Res II LP	Alternatives	3.2%
Total:		**48.7%**

Source: Cazenove Capital & Pictet, as at 31 December 2021.
Note: the holding in Applerigg Limited is outside the portfolio managed by Cazenove Capital.
Asset allocation is subject to change.

Risk considerations

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. Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. Interest rate risk: A rise in interest rates generally causes long-lived asset prices to fall.Leverage risk: Some funds use derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss. Operational risk: Failures at service providers could lead to disruptions of fund operations or losses. Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk.