Cazenove Capital

Part of the Schroders Group

Stramongate

September 2022

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)

256.90

NAV per share (£)

7.28

Total number of shares in issue

35,284,499

Past 12m yield

1.87%

Dividend distribution dates

Semi-annually

Latest Dividend **(payable in two tranches)**

13.60p

ISIN

LU0707675970

Website
(incl. historic NAV and dividend information)

www.stramongate.com

Contact

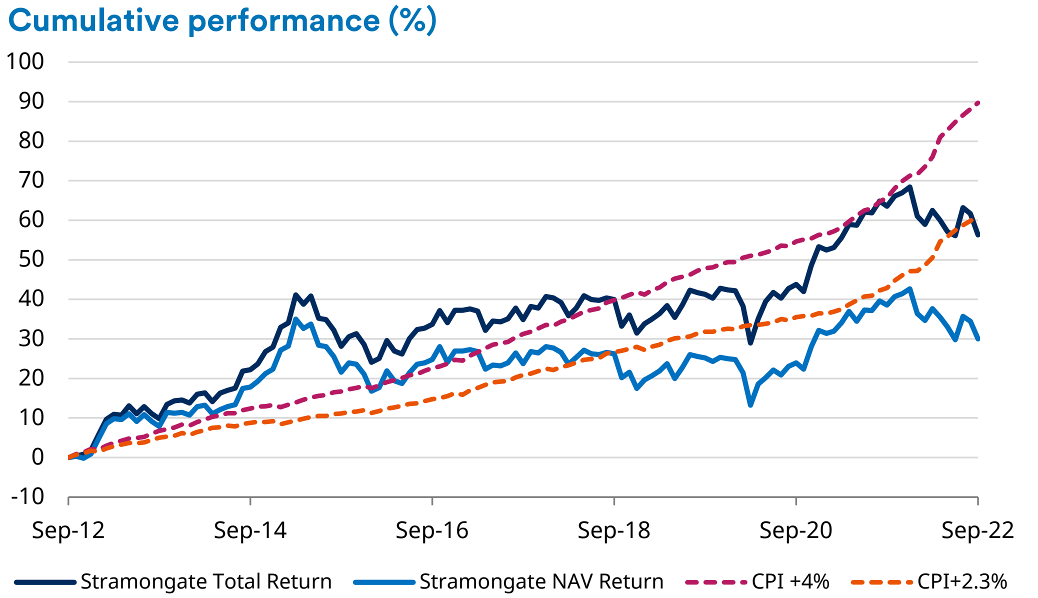
Stephen.Harris@Schroders.com

Performance analysis

Performance % (total return)	3 Mon	YTD	1 Year	3 Year	5 Year	10 Year
Stramongate	0.1%	-7.2%	-4.4%	10.7%	15.9%	56.3%
CPI +4%	*2.6%*	*10.8%*	*14.5%*	*28.3%*	*44.5%*	*89.7%*
ARC Sterling Growth	*-3.7%*	*-14.4%*	*-12.0%*	*1.0%*	*10.3%*	*60.3%*
MSCI AC World	*1.5%*	*-9.4%*	*-3.7%*	*25.0%*	*53.1%*	*207.6%*

Performance % (total return)	Sep 21 - Sep 22	Sep 20 - Sep 21	Sep 19 - Sep 20	Sep 18 - Sep 19	Sep 17 - Sep 18
Stramongate	-4.4%	13.7%	1.8%	1.0%	3.7%
CPI +4%	*14.5%*	*7.2%*	*4.6%*	*5.8%*	*6.5%*
ARC Sterling Growth	*-12.0%*	*15.0%*	*-0.2%*	*3.8%*	*5.2%*
MSCI AC World	*-3.7%*	*22.7%*	*5.8%*	*7.9%*	*13.5%*

Performance over past 10 years %



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 third quarter the Company generated a total return of +0.1% (net of all Company costs), predominately driven by the equity holdings which produced a return of +1.5%, in line with the MSCI All Country World Index, a proxy for global equity markets (+1.5%)

The third quarter (Q3) of 2022 brought with it enough economic and market news to fill an entire year's worth of commentary. Inflation remains persistently high, and central banks have responded with what feels like unprecedented monetary policy tightening globally. We have had two new Prime Ministers in the UK, the first whose "mini" budget left investors questioning the credibility of the new government's approach to spending and borrowing. The Russia-Ukraine conflict shows little sign of de-escalation, and continues to have material implications for global energy markets. China's economy remains very challenged due to Covid lockdowns and an unstable property market as lending excesses are unwound. In currency markets, sterling plummeted to a record low versus the US dollar by late September. The dollar's strength has been supported by more aggressive increases in US interest rates than other developed markets, coupled with fears of a global recession, which has been supportive for sterling-based investors.

The synchronised tightening of central bank monetary policy in response to inflation has had a profound impact on financial markets. After a brief 'summer rally' to mid August, equities and bonds sold off over the second half of the quarter, leaving the MSCI All Country World index with just a small positive return in sterling terms over Q3 – materially helped by US dollar strength and corresponding weakness of the UK pound.

Against that backdrop, the core equity strategy, the Schroder Global Sustainable Growth fund, held up well and contributed positively to returns over the quarter. Deckers (a US footwear company) was a notable outperformer as the company posted strong growth in net sales in Q2 driven by their Hoka brand, which has targets around responsible cotton, recycling materials and reducing water usage. Singaporean bank DBS, which has committed to completely phasing out any exposure to thermal coal by 2039, also performed well. On the other hand names such as Salesforce and Adobe detracted over the period as part of a broader sell off within the technology sector. In addition Adobe announced the acquisition of Figma (an internet interface design company) which the market reacted unfavourably to. Amongst the specialist fund holdings, HSBC Global Equity Sustainable Healthcare was the strongest performer, as investors flocked to more defensive sectors amidst market volatility. Other strong equity performers included M&G Positive Impact Equity, which benefitted from their semi-conductor exposure, and Ninety One Global Environment, which posted strong returns in July following the US Inflation Reduction Act's climate-focused tax credits.

Fixed income markets followed a similar pattern of returns to equities. Initial expectations of a policy pivot saw government bond yields fall (and therefore bonds rise in value) at the start of the quarter. However, these gains were surrendered as persistent inflation and rising interest rates pushed yields on developed market government bonds back up to 2022 highs. In particular, this helped our US TIPS position which delivered a positive return over the quarter (although not held for the full period).

After starting the quarter well, the Schroder Sustainable Diversified Alternative Assets Fund suffered in September as a rise in real gilt yields, following the UK government's mini-budget, weighed on real assets such as infrastructure and renewables. Gold was down over the quarter but our position in the iShares Physical Gold ETC benefitted from a weak pound and strong dollar, delivering a positive return to sterling-based investors.

Property on aggregate produced a negative return over the quarter. The largest property holding in Schroder Global Cities Real Estate detracted whilst other, smaller holdings, produced positive returns. Within Private Equity, Holyport VIII produced a positive return aided by Peninsula V, a US mezzanine fund, which was written up by 53% and Tower Square III, a US mezzanine fund, written up by 74%.

Market Outlook

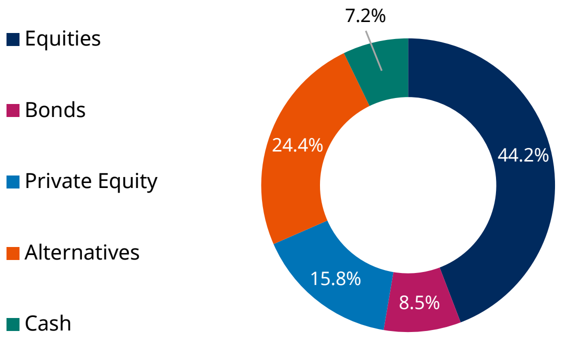
Our expectation is for central banks to maintain their current 'hawkish' course and for interest rates to rise further, until such time that the economy either enters a clear recession or shows sustained signs of progress on inflation falling. As such, market volatility is here to stay in the near term.

As businesses and consumers adapt to higher borrowing costs, this will have implications for economic activity and growth. Corporate earnings are likely to decline, as higher input costs and a more cautious consumer could mean declining profit margins and growth. The Q3 earnings season will shed more light on this, and we are monitoring the earnings outlook closely. On economic growth, our base case is that a number of developed markets including the US, UK and Europe will fall into recession over the coming 12 months. These factors create an uncertain backdrop and we expect equity market volatility to remain elevated. Having reduced our equity exposure throughout 2022, we are happy to remain underweight relative to our longer term 'neutral' allocation.

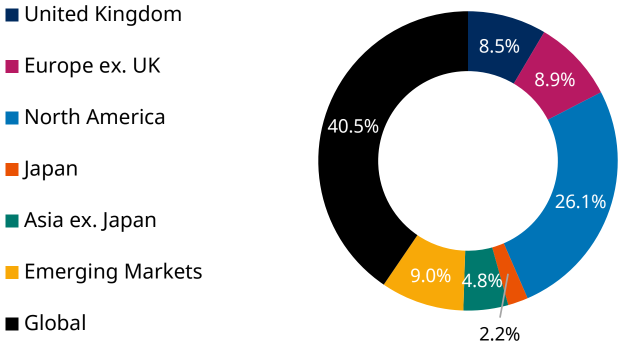
Government bonds remain under pressure in the face of rising interest rates. It is worth noting that with yields on 10 year treasuries close to 4% (the highest they have been since 2008) and as we move closer to a recession, government bonds start to look relatively more attractive as a defensive asset. We have continued to prefer alternative assets this year to bonds, which has proven beneficial. Commodities in particular have performed well, and we are maintaining exposure as a shorter-term hedge against rising energy prices, and given increasing demand for commodities over the long-term for energy transition. Finally, we continue to see the merit in holding US dollar exposure in an environment of slowing economic growth. However, in light of the extent of recent currency market moves, we may consider moderating our overweight position and taking some profit.

Asset allocation

Asset Mix



Equity Allocation



Holdings analysis

Top ten holdings	Sector	% NAV
Applerigg 1p Ordinary Shares	Private Equity	6.9%
Sparinvest Glb Val-HM2 ID X-GBP-Dis	Global Equity	5.3%
iShares Physical Gold ETC - USD	Alternatives	5.1%
Schroder Gl Citi RE -Z-GBP-Inc	Alternatives	4.7%
Schroder Gl Sust Grwth -S-GBP-Inc	Global Equity	4.5%
Lennox Prime London Res II LP	Alternatives	3.7%
Sway Accelerate-IT Vent I LP	Private Equity	3.5%
Schroder SSF Sus Div Al-S-GBP-Dis	Alternatives	3.5%
UBAM Pos Imp Em Eq -YD-GBP-Dis	Emerging Markets Equity	2.6%
ML Chelodina -Ins-GBP-Acc	Alternatives	2.4%
Total:		**42.3%**

Source: Cazenove Capital & Pictet, as at 30 September 2022.

Note: the holding in Applerigg Limited is outside the portfolio managed by Cazenove Capital.

Asset allocation is subject to change.

Sustainability dashboard

Portfolio equities *vs MSCI AC World*

Planet

Carbon Emissions

99% lower than the benchmark

People

Social Dividend

0.7%

vs -1.6%

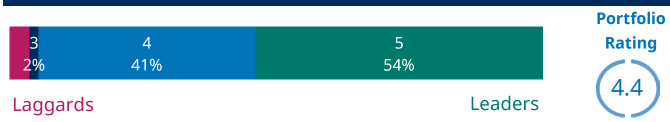
Carbon emissions includes an aggregate of the annual scope 1 & 2 carbon emissions attributed to the companies, based on £1m invested in the multi-asset strategy. Social dividend is measured using SustainEx which calculates the contribution of the companies expressed as a percentage of sales. For example, a score of +2% means that the portfolio adds $2 of benefits for society for every $100 of sales.

Equity Sector Exposures (% total equities)

Gambling	0.0%	High Interest Loans	0.0%
Alcohol	0.0%	Armaments	0.0%
Tobacco	0.0%	Fossil Fuels	0.0%

Equity sectors shown represent common exclusionary screens. Exposure based on MSCI revenue data, as at 30 September 2022.

Fund Manager Sustainability Ratings (% total portfolio)



Source: Cazenove Capital. The sustainability ratings are from 1 to 5 (1 being the worst and 5 the best) and are derived from the 2021 results of our proprietary annual ESG firm-level questionnaire.

[1]SustainEx™ provides an estimate of the net 'impact' that an issuer may create in terms of social and environmental 'costs' or 'benefits'. It does this by using certain metrics with respect to that issuer, and quantifying them positively (for example by paying 'fair wages') and negatively (for example the carbon an issuer emits) to produce an aggregate notional measure of the relevant underlying issuer's social and environmental 'costs', 'externalities' or 'impacts'. SustainEx™ utilises and is reliant on third party data (including third party estimates) as well as Schroders' own modelling assumptions, and the outcome may differ from other sustainability tools and measures. Where SustainEx™ relies on data and estimates produced by third parties, Schroders seeks to ensure that such data and estimates are accurate, but Schroders cannot and does not warrant the accuracy, completeness and adequacy of such third party data and estimates. Like any model, SustainEx™ will evolve and develop over time as Schroders continues to assess, refine and add to the metrics and their relative contributions. Generating SustainEx™ scores involves an element of judgment and subjectivity across the different metrics chosen by Schroders, and accordingly Schroders does not accept any liability arising from any inaccuracy or omission in, or the use of or reliance on, SustainEx™ scores. As the model evolves, changes made to how metrics are applied may result in changes to the SustainEx™ score of any issuer and ultimately the overall fund/portfolio score. At the same time, of course, the issuer's SustainEx™ performance might improve or deteriorate.

Schroders' proprietary sustainability tools including SustainEx™ may not cover all of a fund/portfolio's holdings from time to time, in which case Schroders may use a range of alternative methods to assess the relevant holding. In addition, certain types of assets (such as cash and certain equivalent securities) are treated as neutral and are therefore not considered by our proprietary tools. Other types of assets such as equity indices and index derivatives may not be considered by our proprietary tools and in such case would be excluded from a product's sustainability score.

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.

The above asset allocation is based on holdings as at 30 September 2022. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. 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. This document may include forward-looking statements that are based upon our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements. All data contained within this document is sourced from Cazenove Capital unless otherwise stated.