

# Stramongate

## March 2024

## 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)

260.20

### NAV per share (£)

7.96

### Total number of shares in issue

32,779,296

### Past 12m yield

1.88%

### Dividend distribution dates

Semi-annually

### Latest Dividend (payable in two tranches)

14.98p

### ISIN

LU0707675970

### Website

(incl. historic NAV and dividend information)

[www.stramongate.com](http://www.stramongate.com)

### Contact

[Stephen.Harris@Schroders.com](mailto:Stephen.Harris@Schroders.com)

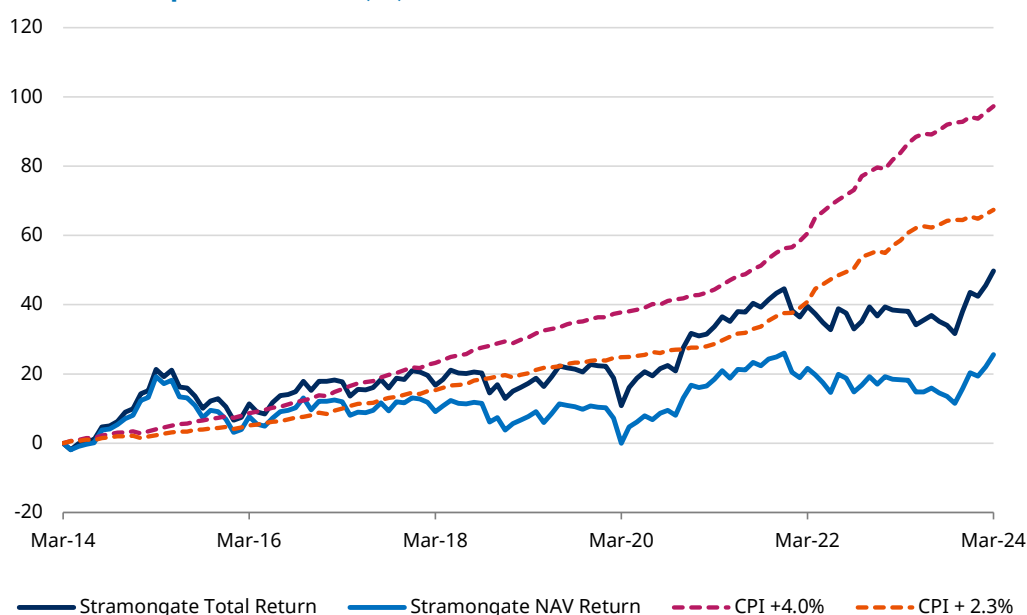
## Performance analysis

Performance % (total return)	3 Mon	YTD	1 Year	3 Year	5 Year	10 Year
<b>Stramongate</b>	4.3%	4.3%	8.3%	12.0%	27.7%	49.7%
<b>CPI +4.0%</b>	1.6%	1.6%	7.3%	36.7%	51.2%	97.3%
<b>ARC Sterling Growth</b>	4.0%	4.0%	9.2%	9.2%	24.4%	62.8%
<b>MSCI AC World</b>	9.2%	9.2%	20.6%	33.6%	73.2%	202.9%

Performance % (total return)	Mar 23 - Mar 24	Mar 22 - Mar 23	Mar 21 - Mar 22	Mar 20 - Mar 21	Mar 19 - Mar 20
<b>Stramongate</b>	8.3%	-0.9%	4.4%	20.6%	-5.5%
<b>CPI +4.0%</b>	7.3%	14.4%	11.3%	4.7%	5.6%
<b>ARC Sterling Growth</b>	9.2%	-4.5%	4.6%	23.5%	-7.7%
<b>MSCI AC World</b>	20.6%	-1.4%	12.4%	38.9%	-6.7%

## 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 first quarter of 2024 the NAV per share rose by +4.3%.

Markets have started the year with the same positivity from where they left off in 2023. Bolstered by the Federal Reserve's ("Fed") dovish rhetoric, markets started 2024 signalling the potential of up to seven interest rates cuts in the United States over the calendar year. However, as the quarter progressed, amidst a backdrop of improving economic growth and slowing disinflation, that pendulum has swung back, with expectations now sitting at up to three cuts instead.

These reduced expectations however did little to dampen appetite for equities which continued to rise over the quarter, returning over 9% in sterling terms, as measured by the MSCI All Country World Index ("MSCI ACWI"). Conversely, the narrative for bonds was less positive, as yields adjusted to these higher interest rate expectations.

Against this backdrop, the portfolio's equities on aggregate produced a return of +7.7% over the quarter, thanks in part to the strong rally in the Schroder Global Sustainable Growth strategy which rose by +6.8%. Returns were led by those companies seen as most likely to benefit from the Artificial Intelligence (AI) revolution. Given this it's unsurprising that semiconductor companies ARM Holdings (+68.5%), Taiwan Semiconductors (+32.6%) and ASML Holdings (+29.3%), and German cloud computing provider, SAP (+27.3%), were the largest gainers over the period. It was also a strong period for the thematic equity funds, who in aggregate returned +8.3%, with HSBC Global Sustainable Healthcare being the best performer (+14.8%), and Japanese equities (+13.7% in aggregate) as the NIKKEI hit its first all-time high since 1989. In terms of the detractors Lululemon (-23.1%) was the largest, despite reporting Q1 revenues and earnings that were ahead of analyst expectations, as uncertain consumer demand in North America saw it release full year projections that were lower than analyst expectations. Asian Insurance group, AIA was also down (-22.0%) over the period due to the absence of commentary from management on a new share buyback programme, as their current \$10bn programme is end soon. Additionally, continued macro headwinds within Hong Kong/China has led to a higher risk premium on investment opportunity as investors digest policy risk in mainland China and a shift from protection to savings products (i.e. a shift to lower margin products).

As mentioned earlier, following their best quarterly performance in over two decades in Q4, government bond yields adjusted in the first quarter of the year in response to shifting market sentiment on interest rates and economic indicators. The portfolio's fixed income holdings collectively declined by -0.6% in sterling terms over the quarter, with the longer dated (and therefore more sensitive to changes in interest rates) 2039 and 2028 UK gilts positions falling -2.4% and -1.1% respectively. On a more positive note, the Ninety-One Emerging Market Sustainable Blended fund rose by +2.9% as high-yield issuers in particular benefited from an improved appetite for risk over the quarter

The private equity holdings were broadly flat over the period whilst the contribution to returns from alternatives (-0.24% in aggregate) was mainly impacted by the decline from the Schroder Sustainable Diversified Alternatives Fund. The fund was down -11.4% over the period due to its exposure to energy storage infrastructure funds (which were negatively impacted by both the prospect of higher for longer interest rates, and a lower than expected oil price), more venture/early stage companies within the listed private equity (as they are more volatile), and a decline in Asian Energy Impact Trust (ex. Thomas Lloyd) following its relisting after a stock suspension due to funding being removed from an proposed project in India. On the other hand, our exposure to gold, via the WisdomTree Gold ETC, returned +7.2% in sterling terms as it too benefited from geopolitical uncertainty, central bank purchases, and weakness in China's property market, where consumers are looking to invest their savings elsewhere. We continue to like gold as a valuable hedge against inflationary and economic shocks and remain happy with our current exposure.

## Market Outlook

---

Looking ahead, we remain relatively positive. Although interest rates are weighing on growth, a 'soft-landing' looks likely thanks to resilient consumer demand in developed markets. Headline measures of inflation should continue to moderate, although core inflation is likely to remain above target which may give central banks pause for thought. Even the three rate cuts currently expected by the market may prove to be overly optimistic in the US, but equity markets have so far taken the "higher for longer" narrative in their stride given the continued strength of the economy.

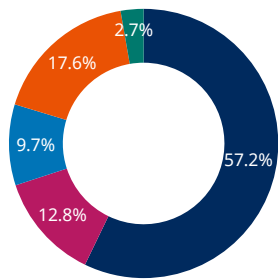
This backdrop should be supportive for equities, but we remain conscious of now more expensive valuations (relative to bonds and cash) and overly positive investor sentiment. This keeps us neutral on equities overall, although we did make changes within our equity exposure over the quarter. We reduced the allocation to broad global equity funds in favour of allocating directly to individual regions, providing us with greater flexibility to manage our equity exposure. As the global economy becomes less synchronised in terms of both growth and interest rate cycles, we think this flexibility will be important. The changes leave us with slightly more exposure to the US and slightly less to the UK and Europe, but our overall exposure to equities remains unchanged.

We continue to like fixed income, given yields are at attractive levels relative to the last decade. We marginally prefer short duration bonds, which are typically less sensitive to inflation shocks, as well as inflation-linked bonds – both of which should hold up better if inflation surprises to the upside. Given the elevated yields available on cash and bonds, alternatives face tougher competition. We therefore remain underweight with a preference for commodities.

Asset allocation

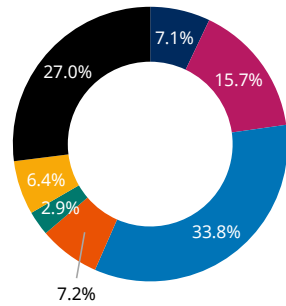
Asset Mix

- Equities
- Bonds
- Private Equity
- Alternatives
- Cash



Equity Allocation

- United Kingdom
- Europe ex. UK
- North America
- Japan
- Asia ex. Japan
- Emerging Markets
- Global



Holdings analysis

Top ten holdings	Sector	% NAV
SparInv EthicalValue-HM2 X-GBP-Inc	Global Equity	6.3%
Schroder GI Citi RE -Z-GBP-Inc	Alternatives	4.7%
1.125 UK Gilt 31.01.2039	U.K Bonds	3.5%
Microsoft Corp	North America Equity	3.1%
Sway Accelerate-IT Vent I LP	Private Equity	2.8%
Schroder Sust Div Alts -S-GBP-Inc	Alternatives	2.5%
UBAM Impact EM Equity -YD-GBP-Inc	Emerging Markets Equity	2.4%
Alphabet -A- USD	North America Equity	2.0%
HSBC Glb Sus Healthcare -JD-GBP-Inc	Global Equity	2.0%
Schroder Glb Sust Growth -S-GBP-Inc	Global Equity	2.0%
Total:		31.3%

Source: Cazenove Capital & Pictet, as at 31 March 2024.

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



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.

People

Social Dividend

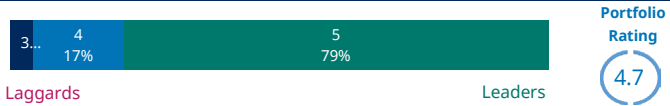


Equity Sector Exposures (% total equities)

Gambling	0.0%	High Interest Loans	0.0%
Alcohol	0.0%	Armaments	0.1%
Tobacco	0.0%	Fossil Fuels	0.0%

Equity sectors shown represent common exclusionary screens. Exposure based on MSCI revenue data, as at 31 March 2024.

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.

Engagement Themes

Using our influence to create change



Investment Themes

Allocating capital to solutions



**Engagement: Climate change**  
**A path to Net Zero:**

As part of our commitment to achieve net zero by 2050, we have been engaging with Fund managers on their own transition plans<sup>1</sup>.

We expect the funds we invest through to be aligned to a net zero scenario by 2040 and have an interim target that all equity and credit funds should have stated a commitment to achieve net zero by 2030.

We have communicated our expectations with all fund managers held in the strategy. Upon initial review, only 3 strategies had an existing explicit net zero target at the strategy-level. However, following our engagement, we are delighted that a further 6 are now progressing a strategy level net zero commitment, of which we have been informed some have been directly influenced to do so by our engagement.

**Investment**

We are thrilled to have launched our fourth annual sustainability and impact report. As detailed in the report, the collective investments have reached an estimated 128,925 people through the provision of vital services such as healthcare, education, affordable housing and financial inclusion. As well as having avoided an estimated 263,340 tonnes of carbon being released into the atmosphere through the provision of clean energy and water treatment, which is the equivalent carbon absorbed by 4.3 million trees over 10 years.

Read the full report [here](#)

Impact data source in part from Net Purpose. Please see impact report for further details on how this data is calculated.



\* SustainEx™ disclaimer

<sup>1</sup>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 31 December 2023. 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.

This document is issued in the UK by Cazenove Capital which is a trading name of Schroder & Co. Limited. Registered office at 1 London Wall Place, London EC2Y 5AU. Registered number 2280926 England. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct authority and the Prudential Regulation Authority. For your security, communications may be recorded and monitored.