

cgam

Investor Day

5 November 2024
Grocers' Hall



Disclaimer

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Performance figures have been calculated by CG Asset Management Ltd based on information provided by Bloomberg, Morningstar and Northern Trust International Fund Administration Services (Ireland) Ltd.

The value of all investments and the income there from can go down as well as up and the investor may not get back the amount invested. Past performance is not necessarily a guide to future performance. Investors should also note that changes in rates of exchange may cause the value of investments to go up or down.

This presentation was prepared on 31st October 2024, and fund performance data is updated to 30th September 2024. Other market data may be less up to date, nevertheless the managers consider such data to be representative of prevailing market conditions.

Unless otherwise stated, CG Asset Management is the primary source of all information contained within the presentation.

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CGAM INVESTOR DAY

Agenda

<i>1. Reflecting on the recent past</i>	<i>Alastair Laing</i>	<i>10.00 am</i>
<i>2. Where's my robot butler?</i>	<i>Chris Clothier</i>	<i>10.20 am</i>
<i>3. How debt dies</i>	<i>Peter Spiller</i>	<i>10.40 am</i>
<i>4. Coffee Break</i>		<i>11.05 am</i>
<i>5. Keynote Speech</i>	<i>Tim Marshall</i>	<i>11.30 am</i>
<i>6. Q&A</i>		<i>12.00 pm</i>
<i>7. Champagne and Canapés</i>		<i>12.30 pm</i>

CG ASSET MANAGEMENT

Upcoming Events



Capital Gearing Trust – Interim Results Webinar

- Monday 18th November – 11am
- *SparkLive - LSE*



CG Asset Management – Q4 2024 Webinar

- Tuesday 7th January – 10:30am
- *Investor Meet Company*



Index-Linked Bond Seminar

- Tuesday 21st January – 8:30am
- *Numis Auditorium*

Contact us:
IR@CGAsset.com

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Reflecting on the recent past

Alastair Laing



REFLECTING ON THE RECENT PAST

It is more fun swimming with the current



Our objective is to preserve, and over time to grow, shareholder's real wealth...

...through the construction of long only multi asset portfolios with a specialist focus on investment company equities

REFLECTING ON THE RECENT PAST

Our investment strategy constrains our risk capital, so it needs to work hard!

Allocation:



Capital Protection

Method:

Defensive allocation to fixed income across the sovereign, credit and preference share markets

Objective:

Drawdown limitation, low correlated to equities



Equity Outperformance

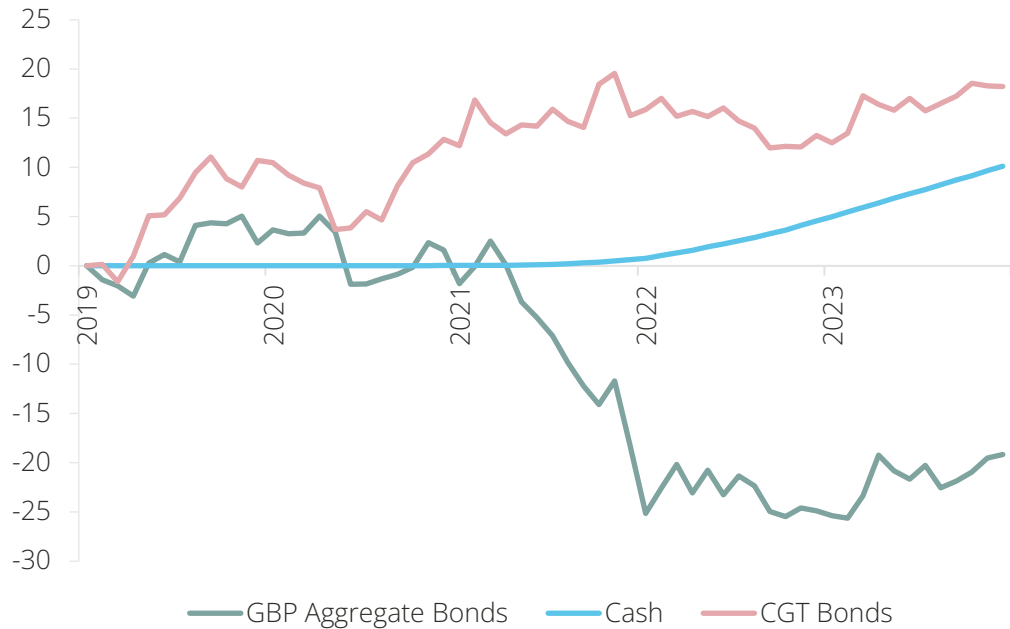
Systematic focus on investment company discount opportunities

Generating equity alpha

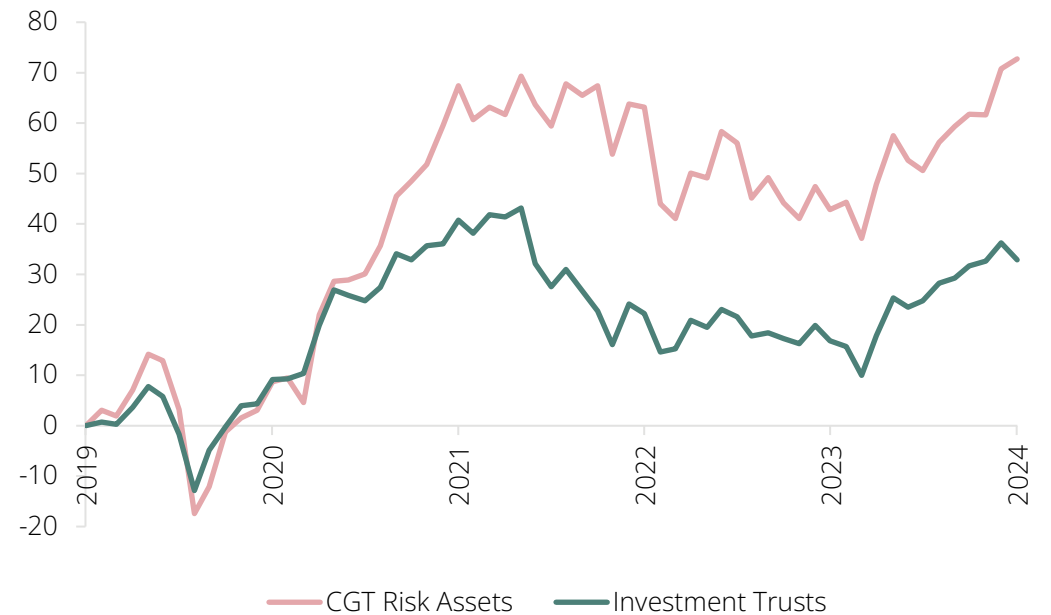
REFLECTING ON THE RECENT PAST

Anticipating inflation was essential to preserving value in our bond portfolio

CGT Bonds Returns - 5 Year Returns to September 2024¹



CGT Risk Assets Returns - 5 Years to September 2024¹

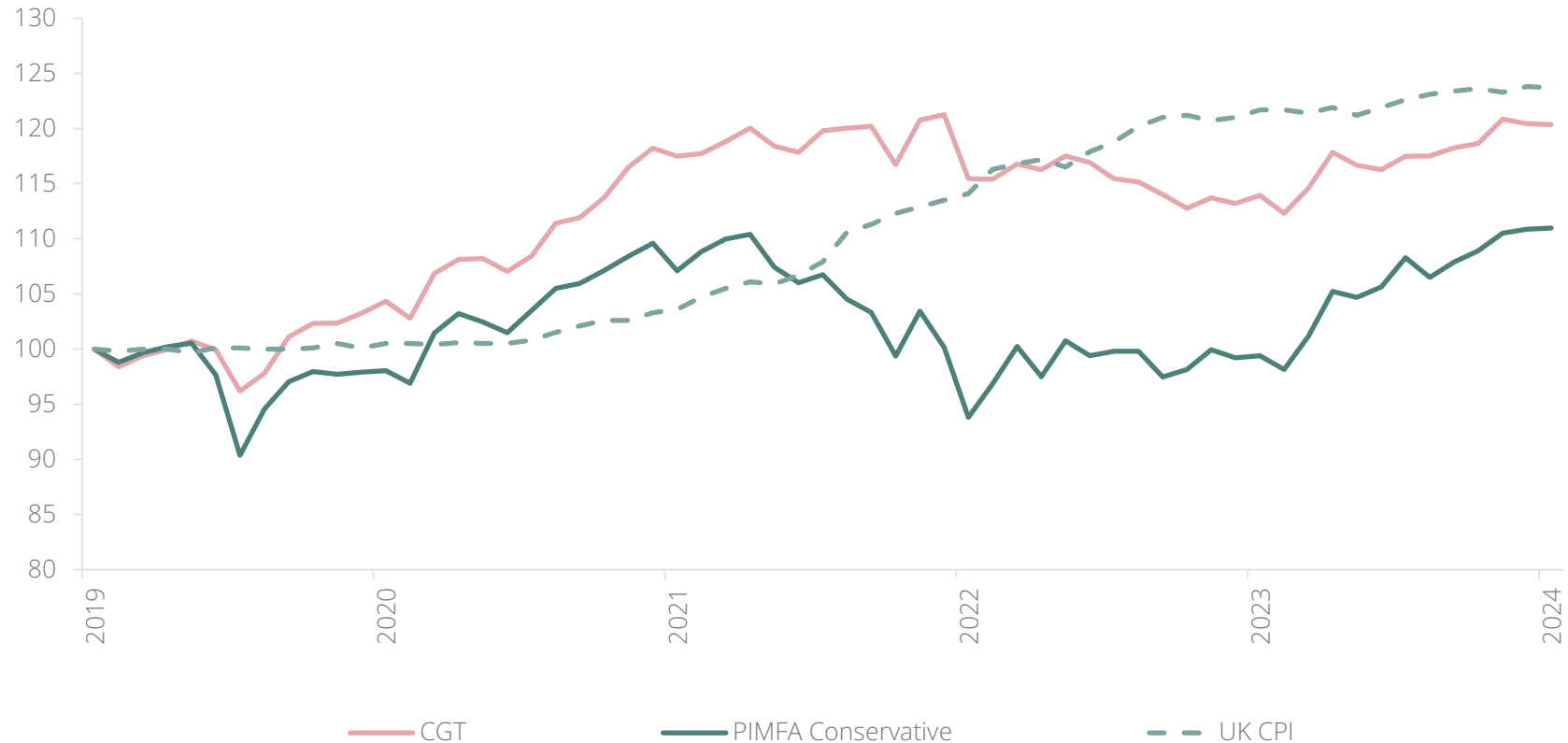


¹Risk Assets include equities, property, alternatives and gold. Bonds include credit and sovereign bonds (excluding T-Bills and cash), start period reflects the longest period available for CGT under Bloomberg AIM

REFLECTING ON THE RECENT PAST

You can't eat relative performance (disappointingly)

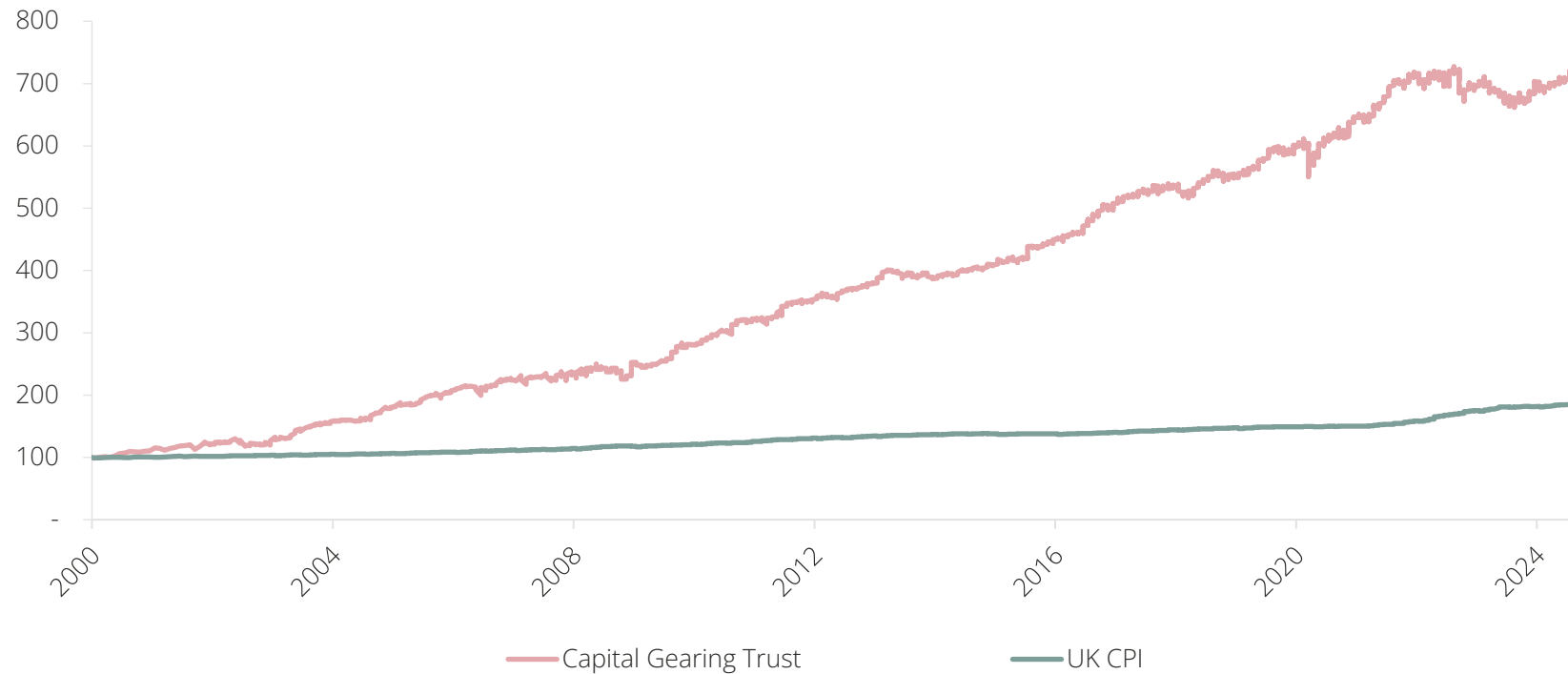
NAV Returns CGT vs PIMFA Conservative – 5 Years



REFLECTING ON THE RECENT PAST

20 years with swimming with the current and five years against

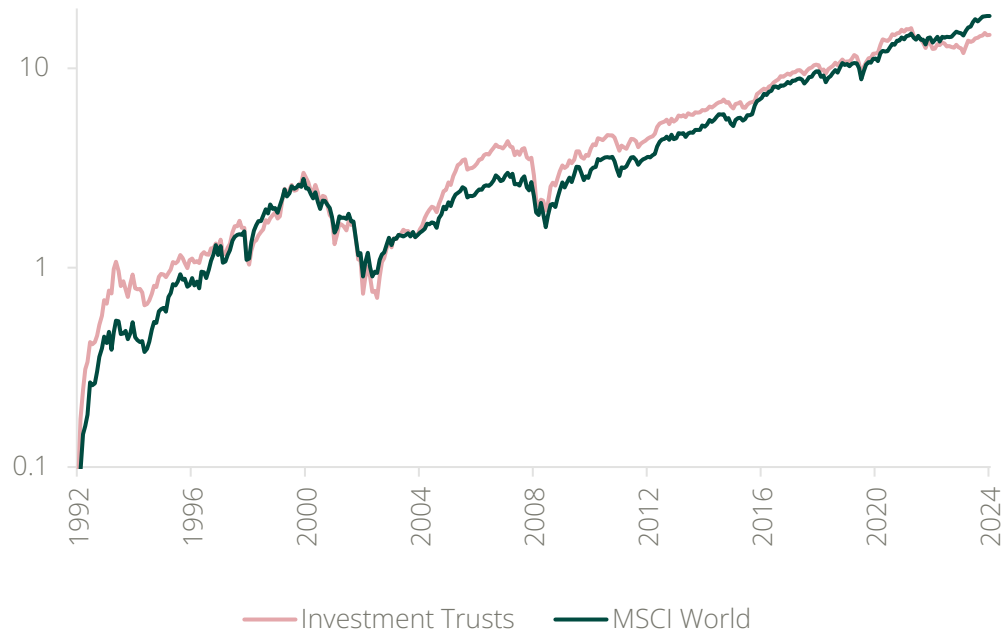
NAV Total Returns (since January 2000)



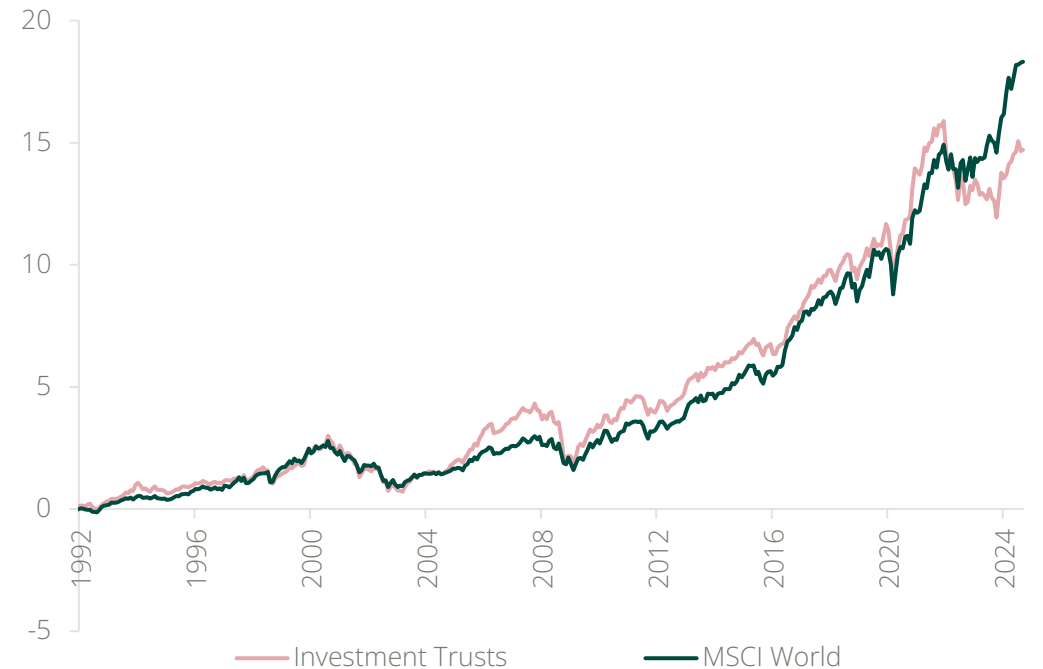
REFLECTING ON THE RECENT PAST

Long term Investment Trust Index returns are similar returns to MSCI World

Investment Trust Index and MSCI World TR (Log x)



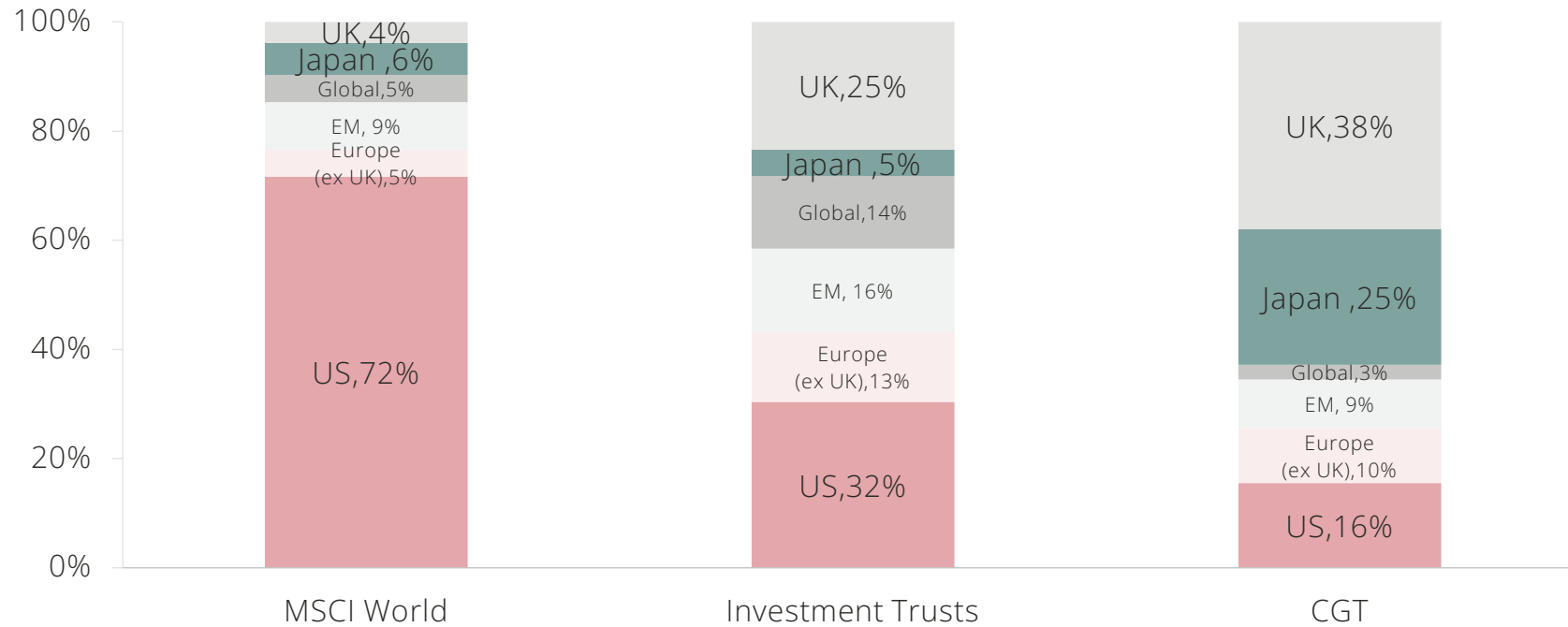
Investment Trust Index and MSCI World Total Returns (x)



REFLECTING ON THE RECENT PAST

Not a great time to be underweight the magnificent seven...

MSCI World and Investment Trust Index and CGT Geographic Equity Exposure¹

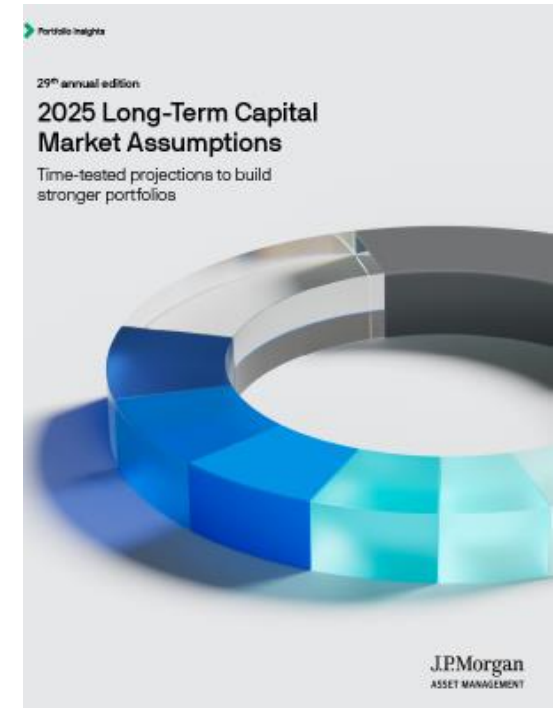
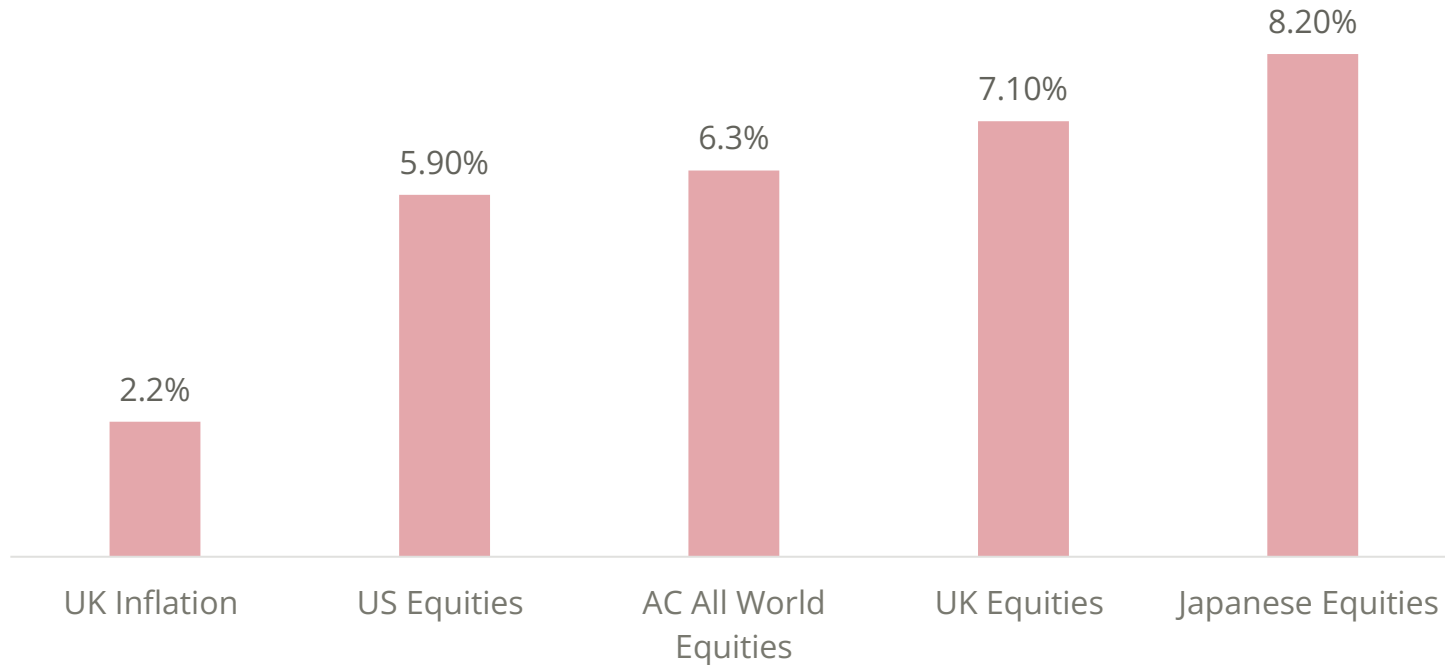


1. Geographic allocation of trusts <£100m, Caymans or Guernsey included in Global

REFLECTING ON THE RECENT PAST

...although that headwind could become a tailwind

JP Morgan Long term capital market nominal return assumptions (GBP)



REFLECTING ON THE RECENT PAST

A majority of recent IT underperformance is due to discount widening

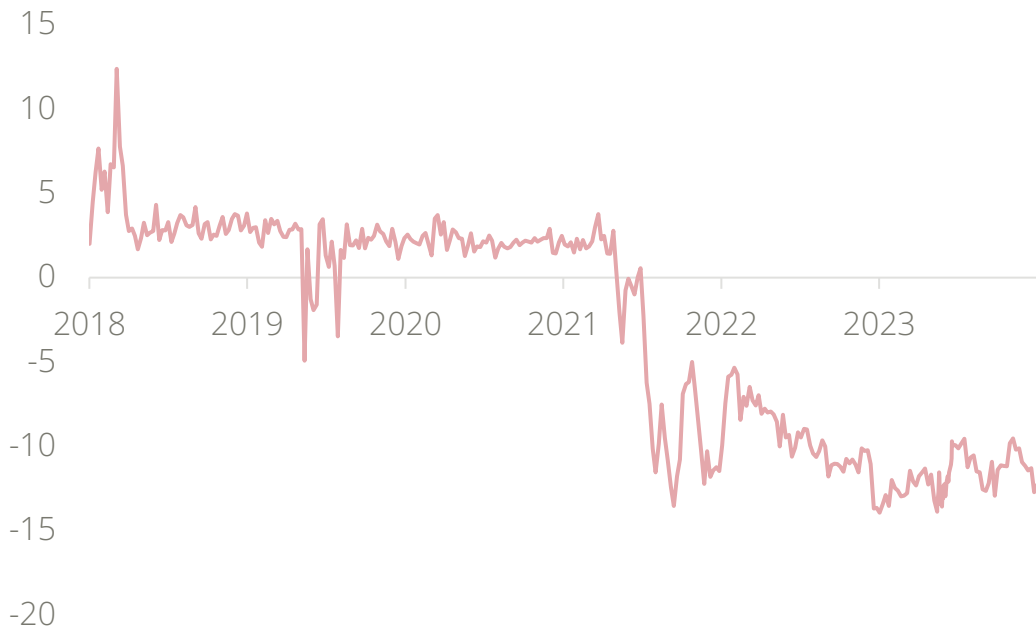
Investment Trust Discounts over Last 5 Years



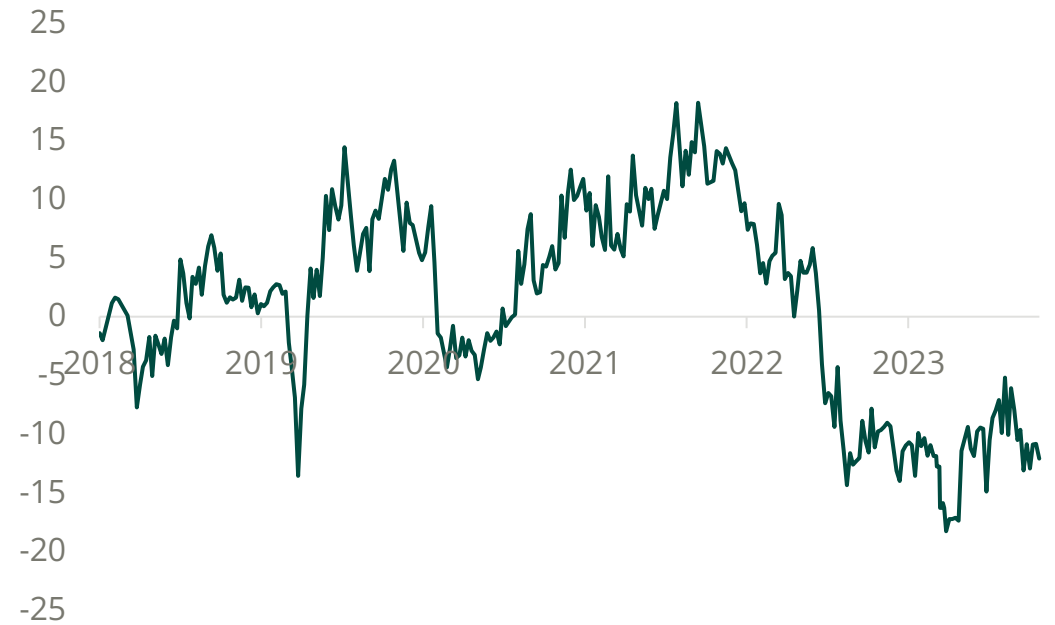
REFLECTING ON THE RECENT PAST

There are hundreds of reasons that investment trusts will outperform

Smithson Investment Trust: Premium (+) / Discount (-) %¹



BH Macro: Premium (+) / Discount (-) %¹

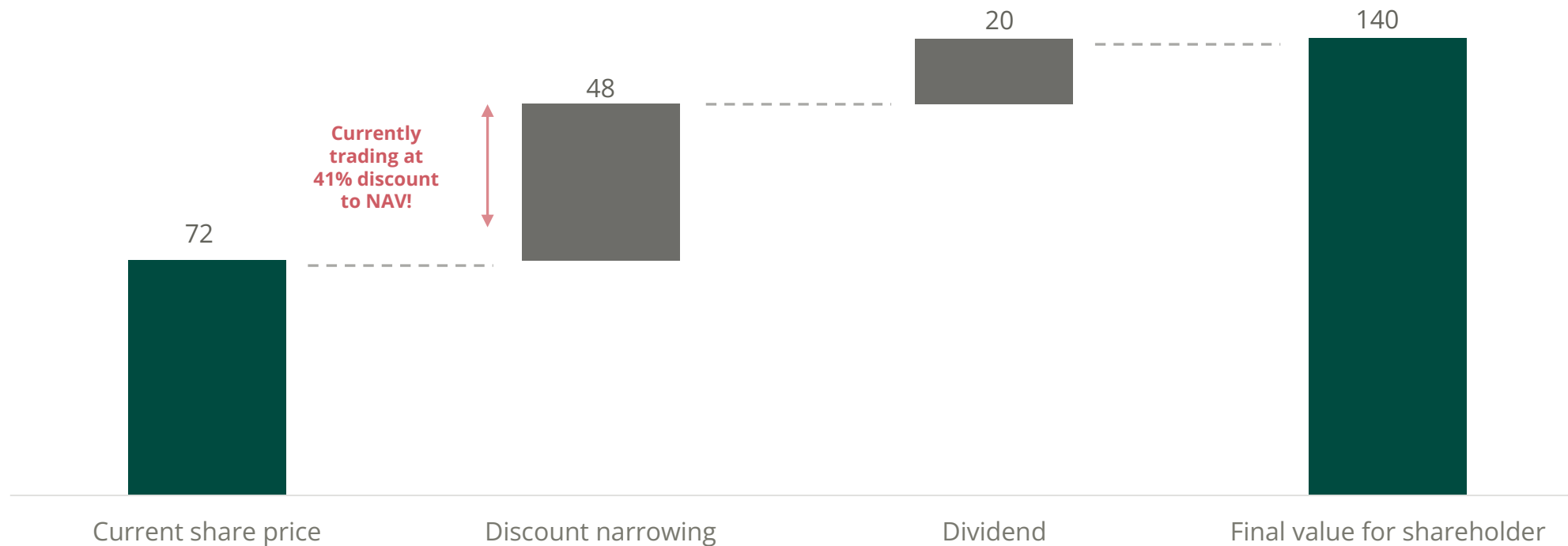


1. Net asset values are reported on a weekly basis for BHMG and daily for Smithson

REASONS FOR OPTIMISM

...and some property stocks may double in value over the next five years

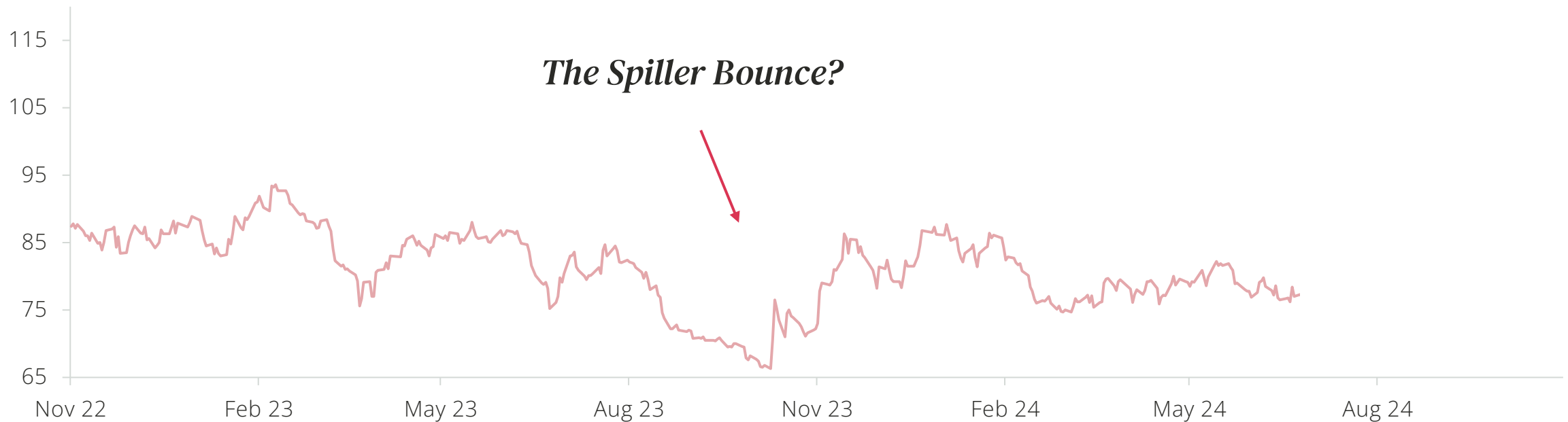
Stylised five-year total shareholder return on the PRS REIT



REFLECTING ON THE RECENT PAST

Fine but what is the catalyst...

PRS REIT: Share Price (GBp)



REFLECTING ON THE RECENT PAST

If value is not recognised in the public markets then assets will be sold

PRS REIT: Share Price (GBp)



We **believe** that over the next 10 years ~

1. Equity returns are likely to be **disappointing...**
but the **IT index will outperform** MSCI World

We **believe** that over the next 10 years ~

1. Equity returns are likely to be **disappointing...**
but the **IT index will outperform MSCI World**
2. **Index linked bonds will deliver returns ahead of inflation and nominal bonds**

We believe that over the next 10 years ~

1. Equity returns are likely to be disappointing... but the IT index will outperform MSCI World
2. Index linked bonds will deliver returns ahead of inflation and nominal bonds
3. If those beliefs are correct our portfolios will continue to outperform on a risk adjusted basis

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Where's my robot butler?

Chris Clothier



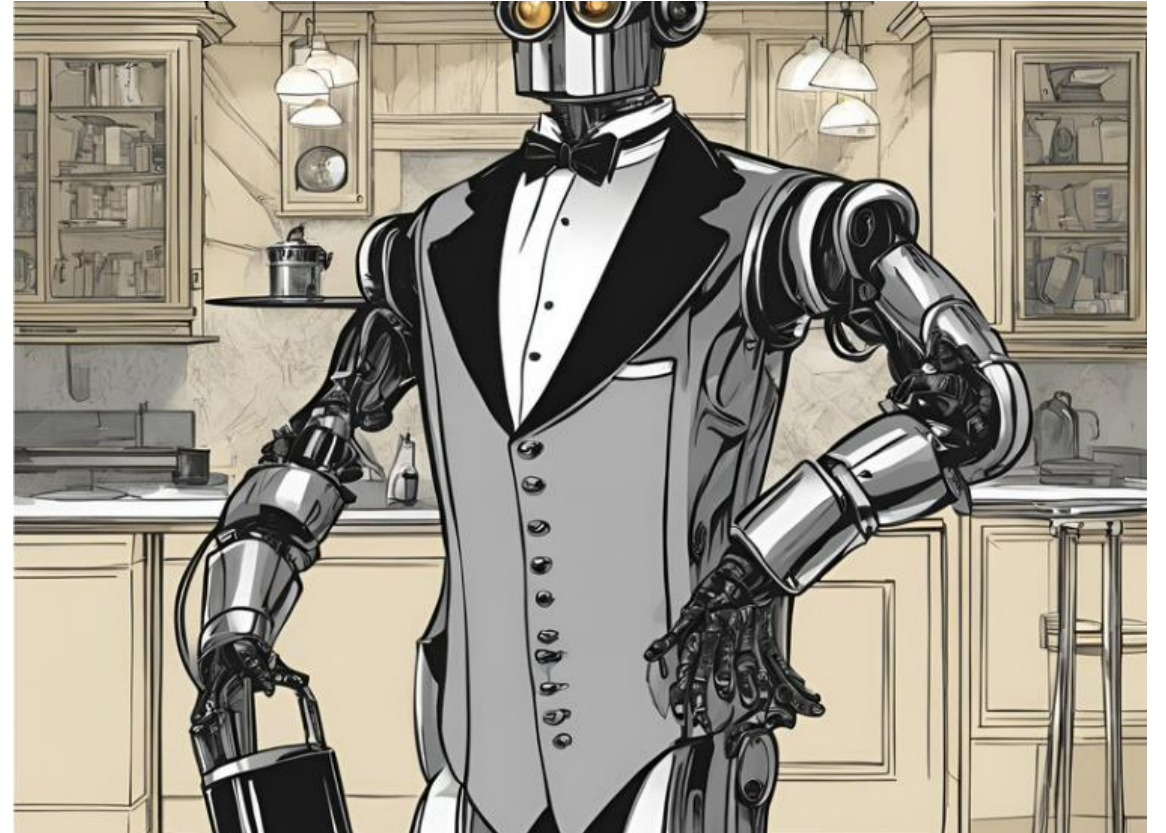
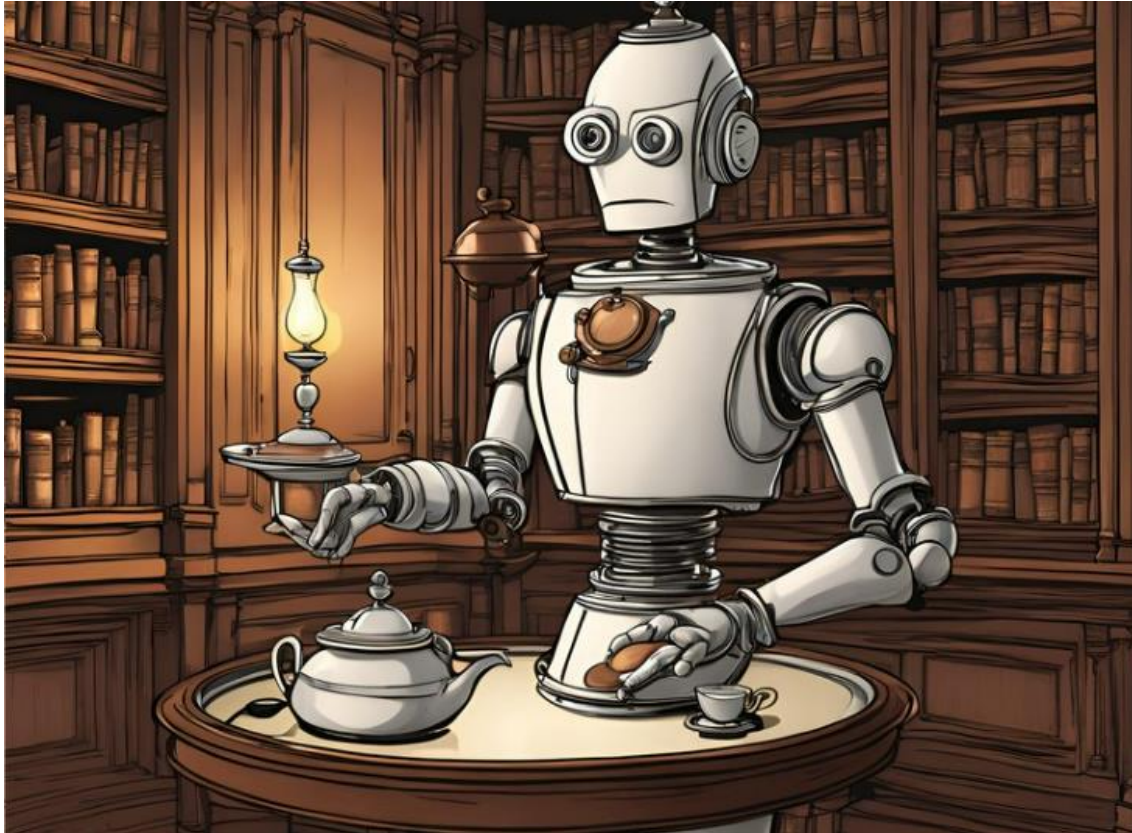
No!

(Well, not very)



WHERE'S MY ROBOT BUTLER?

Would have preferred an *actual* butler but I guess the picture is kind of cool



What can I help with?

G

- Create image
- Analyze data
- Make a plan
- Help me write
- Brainstorm
- More

You've hit the Free plan limit for GPT-4o.
 Responses will use another model until your limit resets after 4:00 PM. [Get Plus](#) ✕

ChatGPT can make mistakes. Check important info.

“Whenever a friend succeeds, a little something in me dies”

GORE VIDAL

An aerial photograph of a river delta, showing a network of channels and distributaries. The water is a mix of deep blue and vibrant green, suggesting varying depths and vegetation. The land is a mix of brown and green, indicating a mix of soil and vegetation. The overall scene is a complex, organic pattern of water and land.

“John Bull can stand many things
but he cannot stand 2%”

Walter Bagehot

WHERE'S MY ROBOT BUTLER?

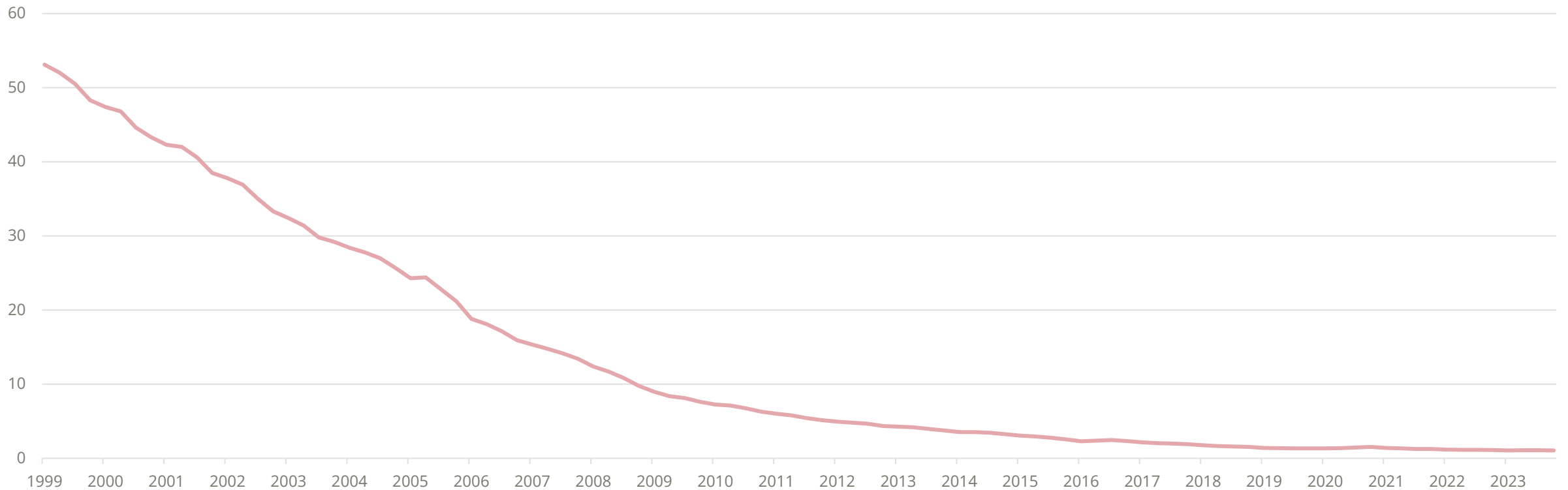
They invest their careful savings in something impossible – a canal to Kamchatka, a railway to Watchet, a plan for animating the Dead Sea



WHERE'S MY ROBOT BUTLER?

Televisions have depreciated by >98% since the turn of the century

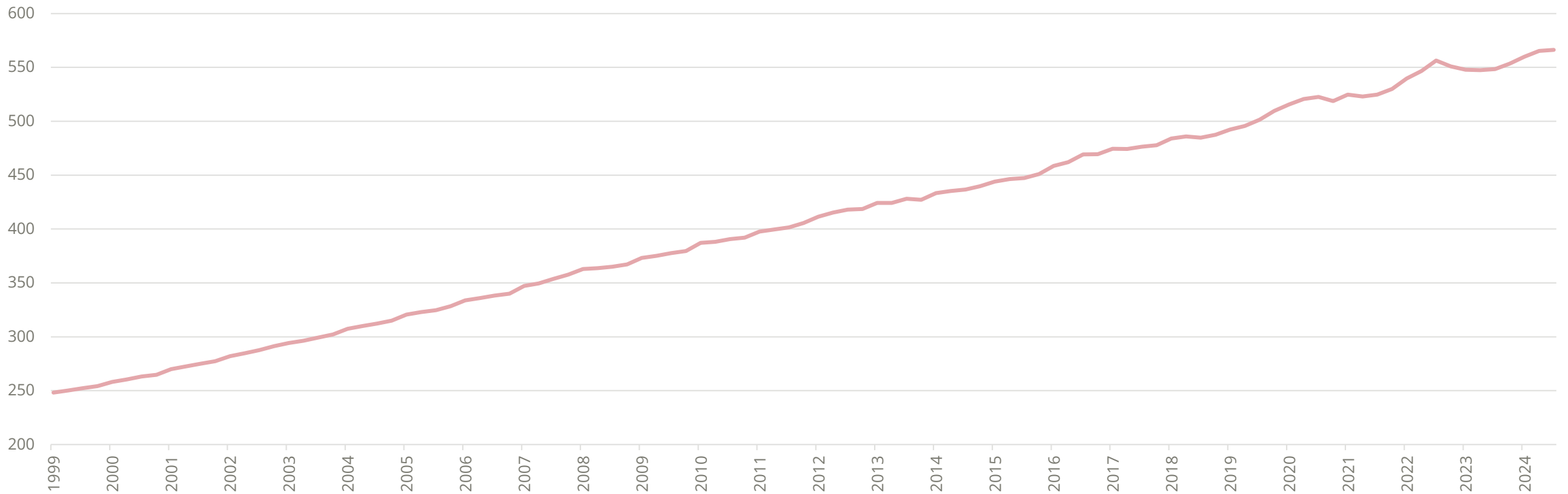
US CPI - Televisions Index



WHERE'S MY ROBOT BUTLER?

Over the same time, healthcare costs have more than doubled

US CPI - Healthcare



WHERE'S MY ROBOT BUTLER?

Counterintuitively, inflation appears to be *positively* correlated with total factor productivity

30y trailing Inflation (LHS) vs. Total Factor Productivity (RHS)

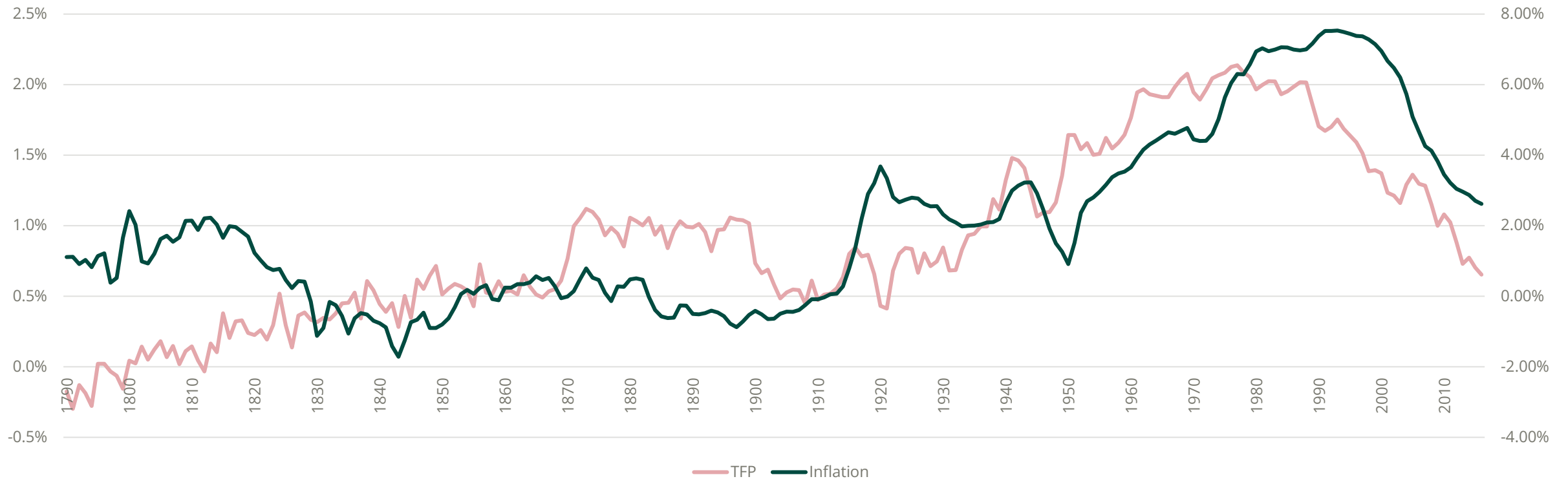




Photo Credit: Constellation Energy

Maybe not at all.

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How debt dies

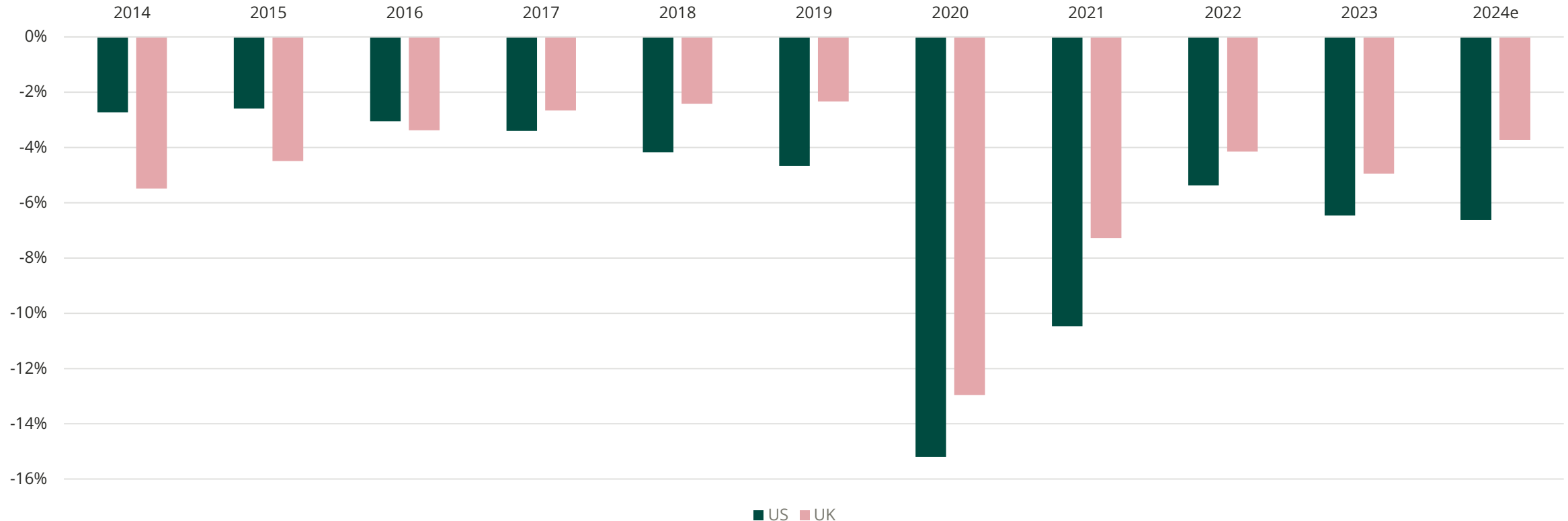
Peter Spiller



HOW DEBT DIES

Decades of economic stability have encouraged governments to use fiscal policy to support growth. This has created a source of financial instability

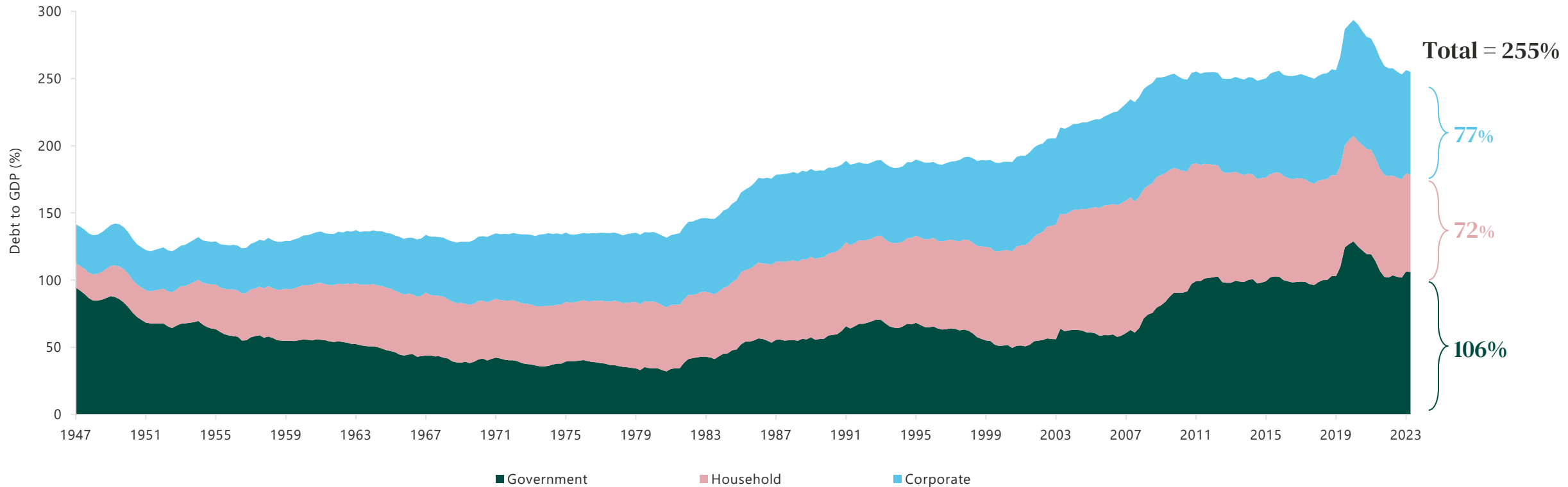
US and UK Government Fiscal Balances 2014-2024e (% of GDP)



HOW DEBT DIES

Successive fiscal deficits have created a broader US debt sustainability problem. Both candidates' economic plans would increase the national debt

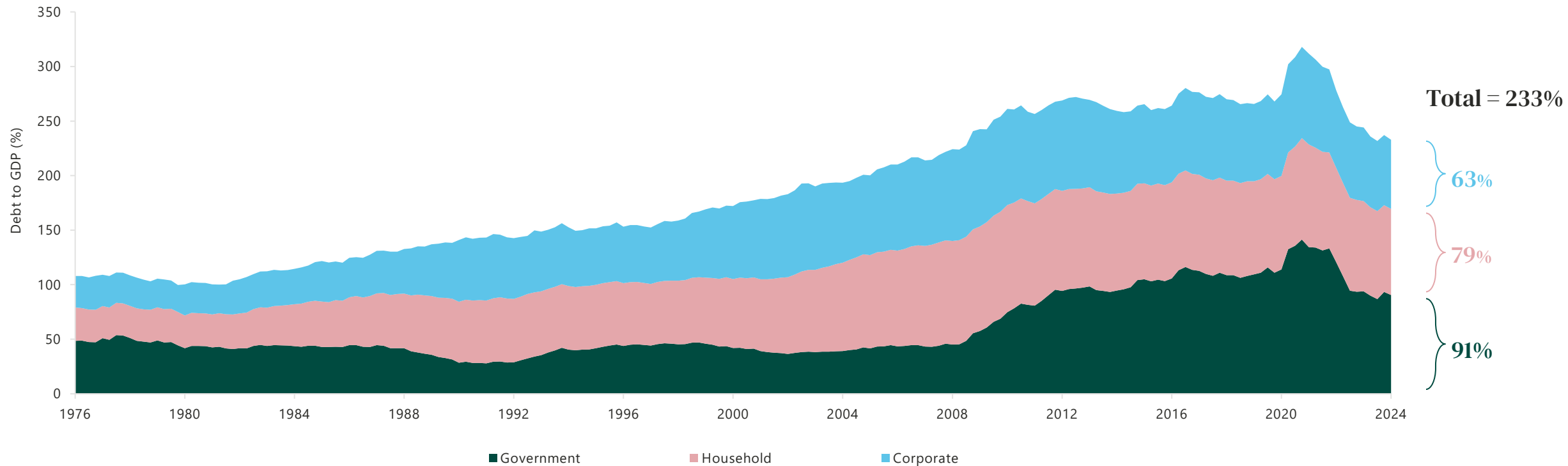
US Non-Financial Debt to GDP



HOW DEBT DIES

...and the narrative around last week's Budget showed that the UK Government faces similar issues, without the *exorbitant privilege*

UK Non-Financial Debt to GDP



“Given the dollar’s centrality to global markets, America probably has even more room to run...

This makes America’s fiscal woes a festering problem, not an imminent hazard.”

THE ECONOMIST (2024)

“HOW LONG CAN IT GO?”

HOW DEBT DIES

When growth is low and interest rates are high, the stock of debt becomes self-perpetuating. We will have to *live with ever higher public debt*

Public Sector Debt Sustainability Formula

$$\Delta b = d + (r - g)b_{t-1} + sfa$$

b = debt as a share of GDP

d = primary deficit

r = real interest rate

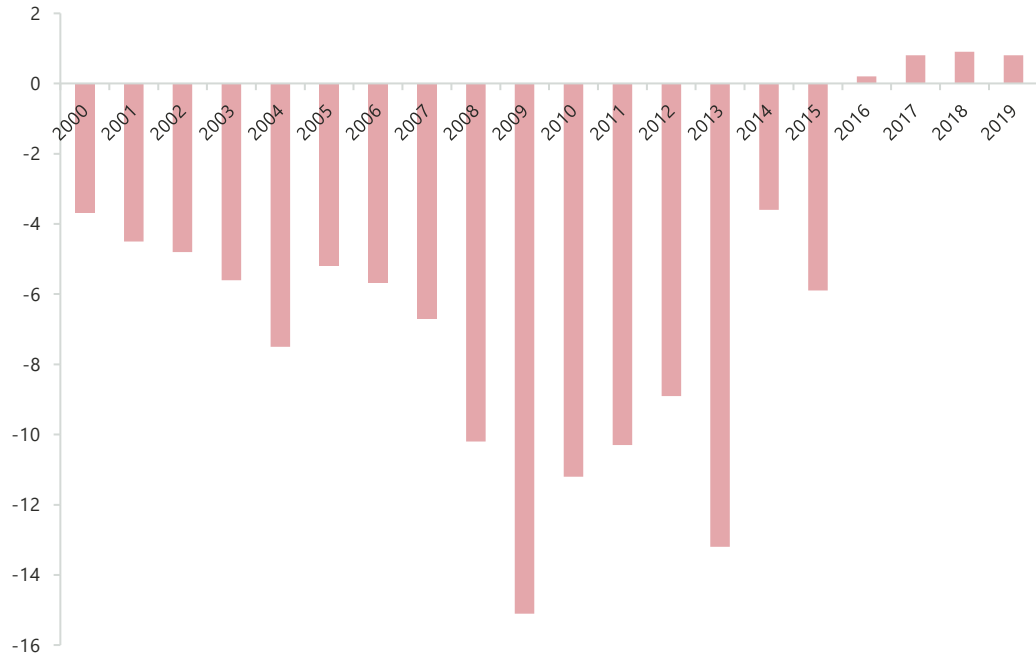
g = real growth rate

sfa = stock-flow adjustment

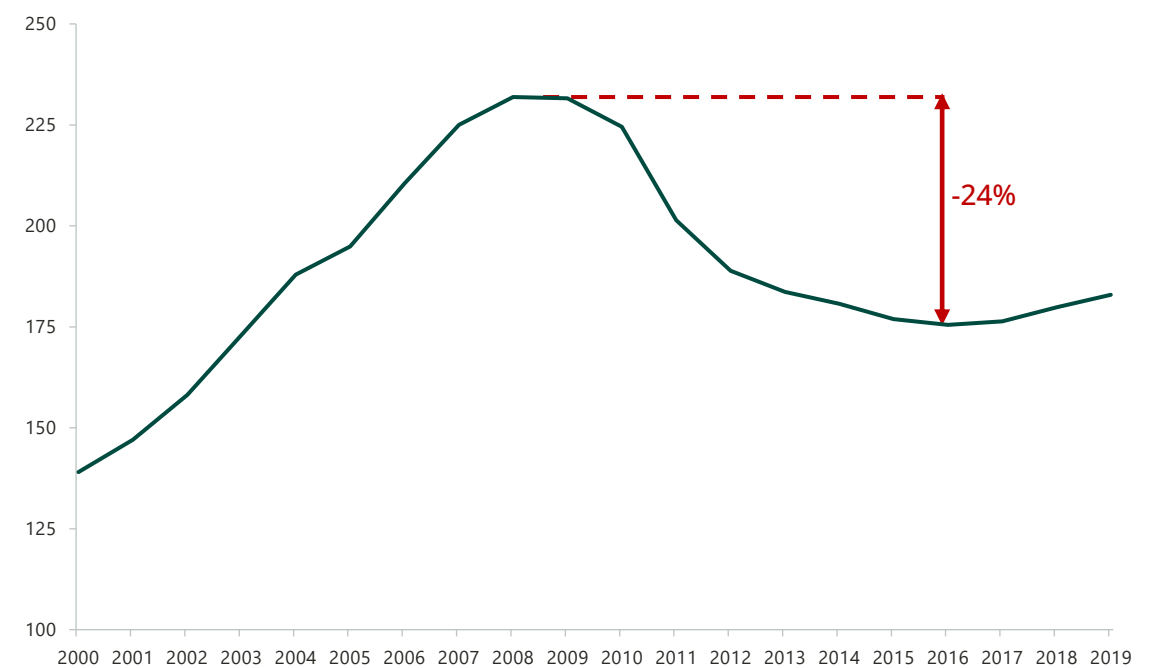
HOW DEBT DIES

What does recovery from a sovereign debt crisis look like? Greece is one of the starkest recent examples

Greece Government Fiscal Balance (Debt to GDP), 2000-2019



Greece Real GDP (EUR Billions), 2000-2019



HOW DEBT DIES

Closer to home, gilt market vigilantes forced fiscal retrenchment and BoE intervention, but government financing costs have been scarred ever since

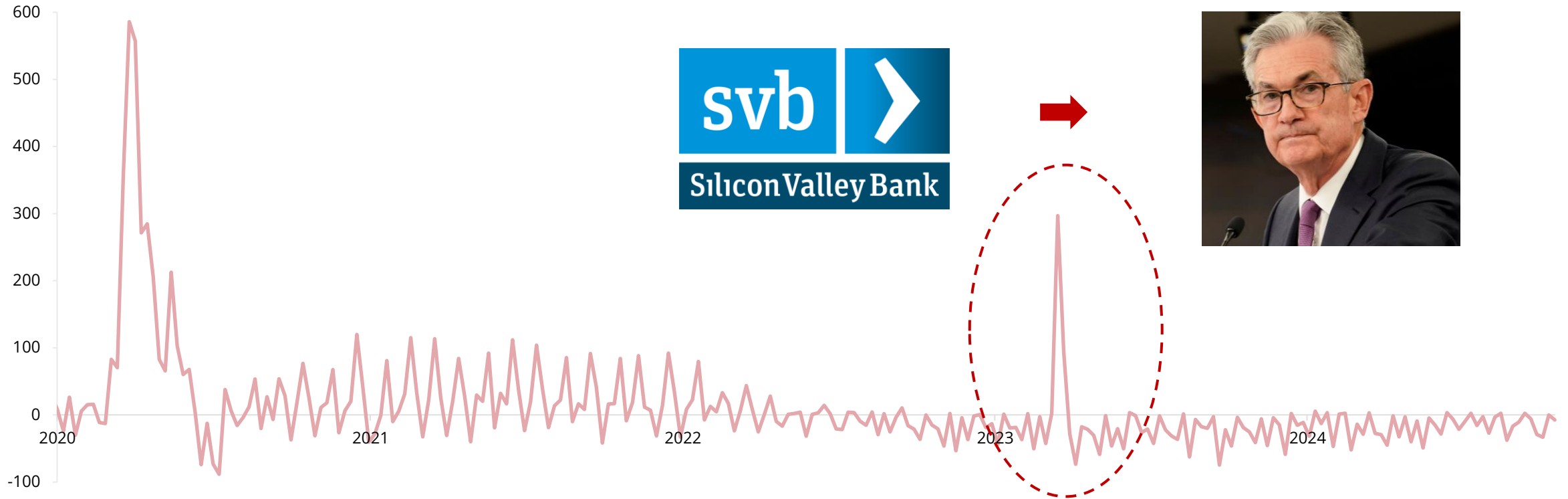
30 Year Gilt Yield (%)



HOW DEBT DIES

Across the Atlantic, the FOMC showed that the central bank put was still alive and well after the failure of Silicon Valley Bank last year

US Federal Reserve Balance Sheet, Total Assets (Weekly Change, USD Billions)



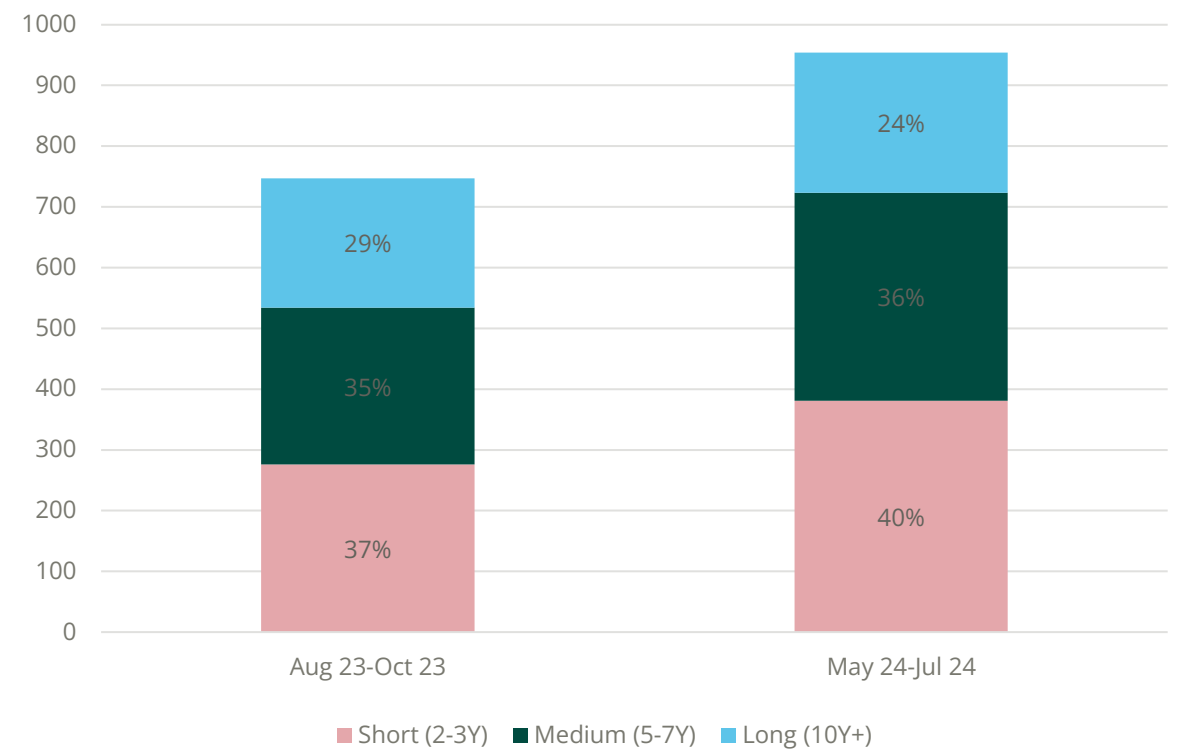
HOW DEBT DIES

The US Treasury responded to the combination of rising long-term yields and increased issuance requirements by shortening duration

30 Year Treasury Yield (%)



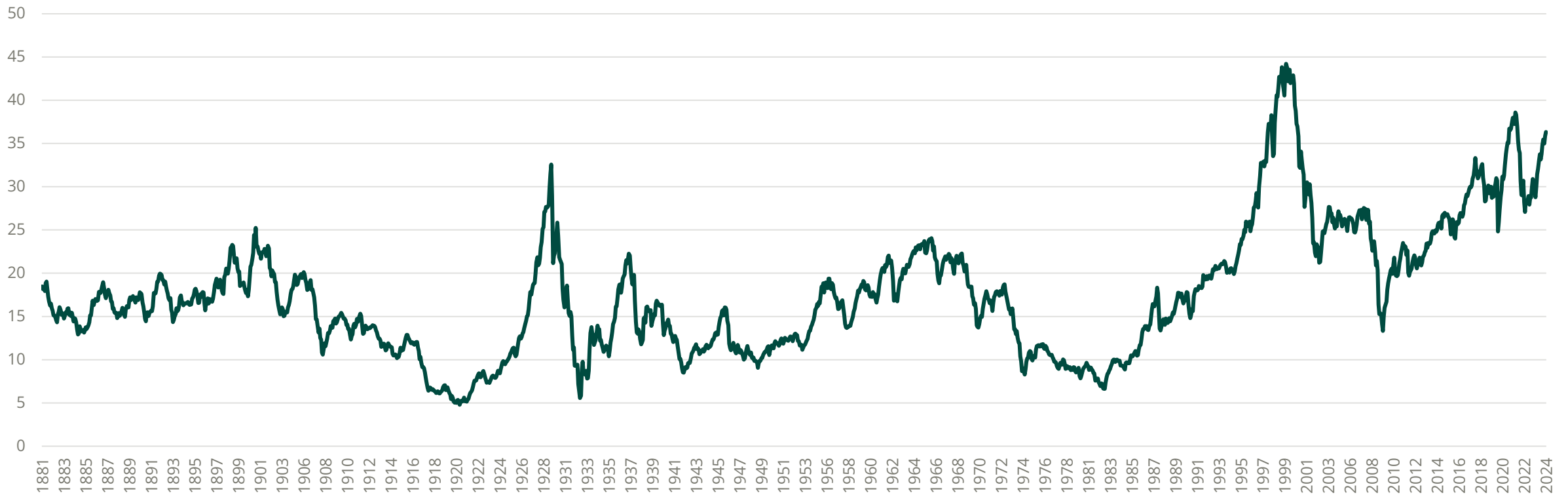
Gross US nominal coupon issuance by quarter (USD billions)



HOW DEBT DIES

...and while bond markets remain vulnerable to correction, equity market valuations leave little room for error

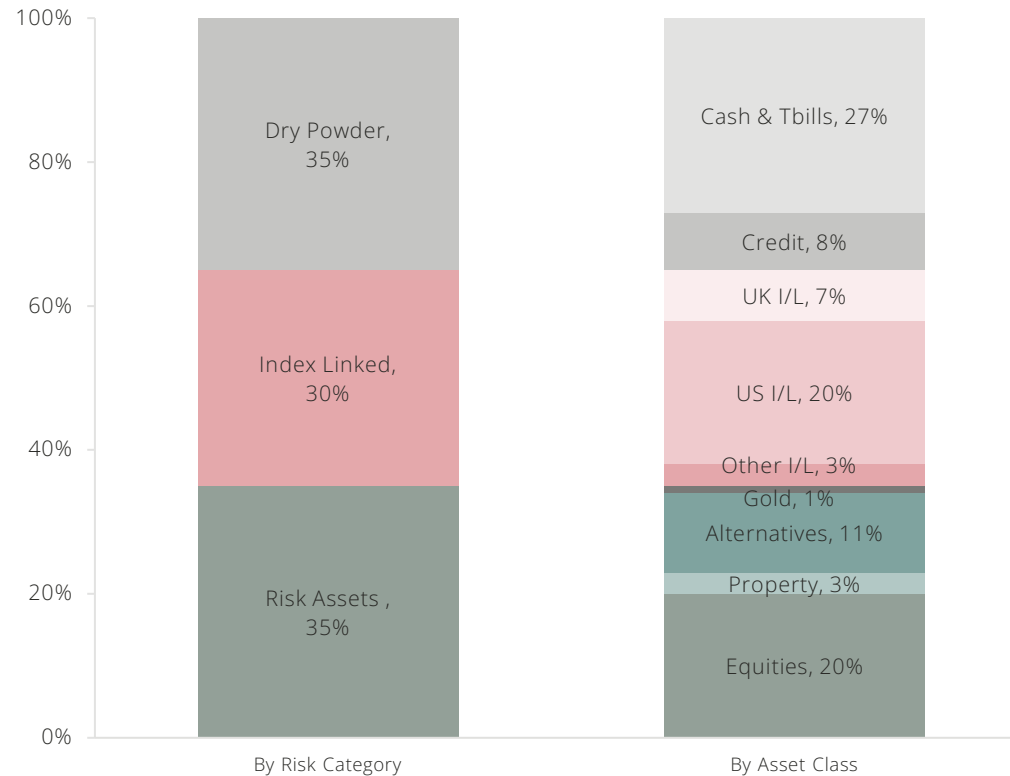
Cyclically Adjusted Price Earnings Ratio (CAPE), S&P 500 Index



HOW DEBT DIES

In light of heightened sovereign debt risk and stretched equity market valuations, our positioning remains defensive

CGAR Asset Allocation September 2024



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Keynote Speaker Tim Marshall

Journalist, Writer and Broadcaster

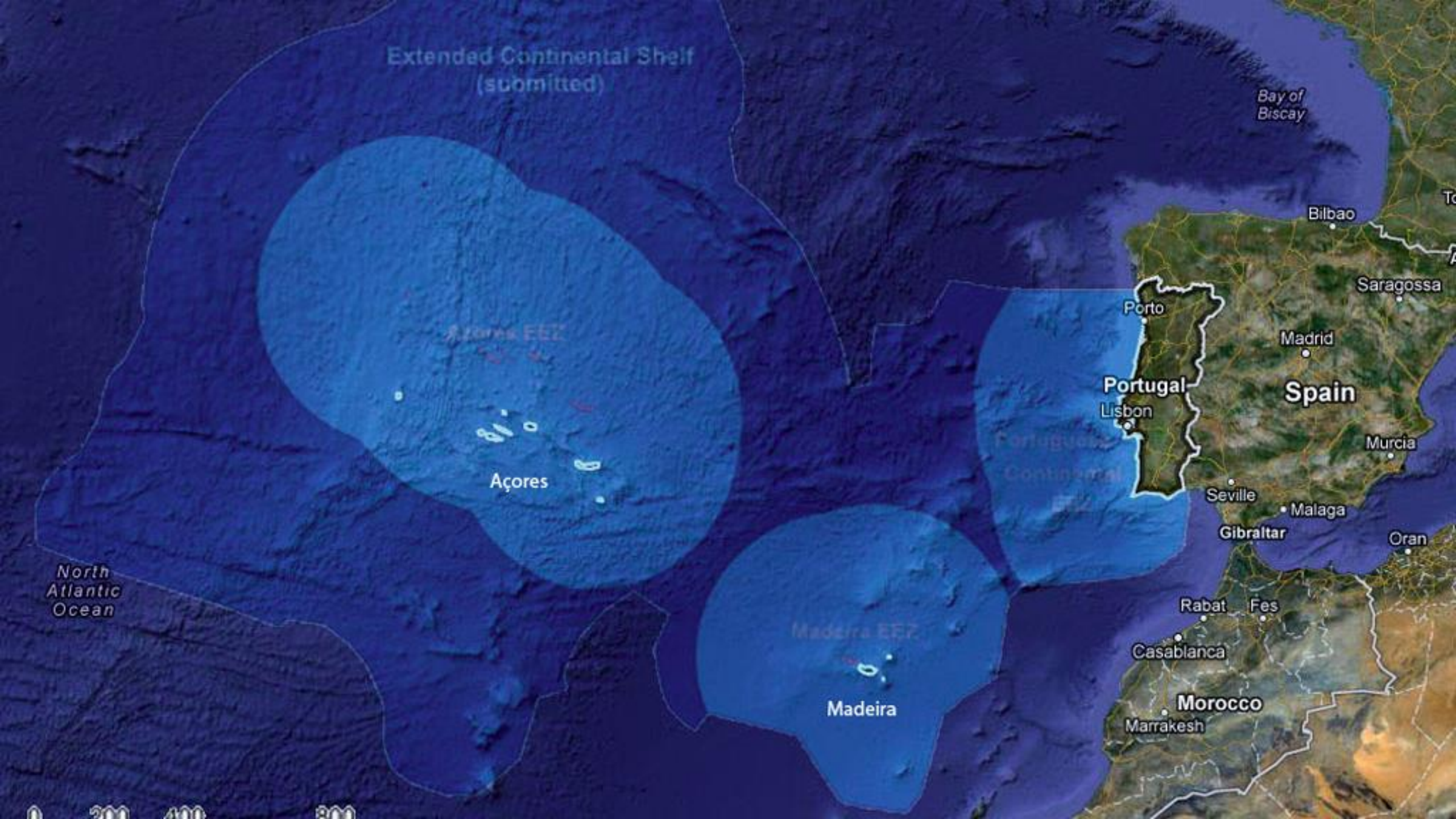




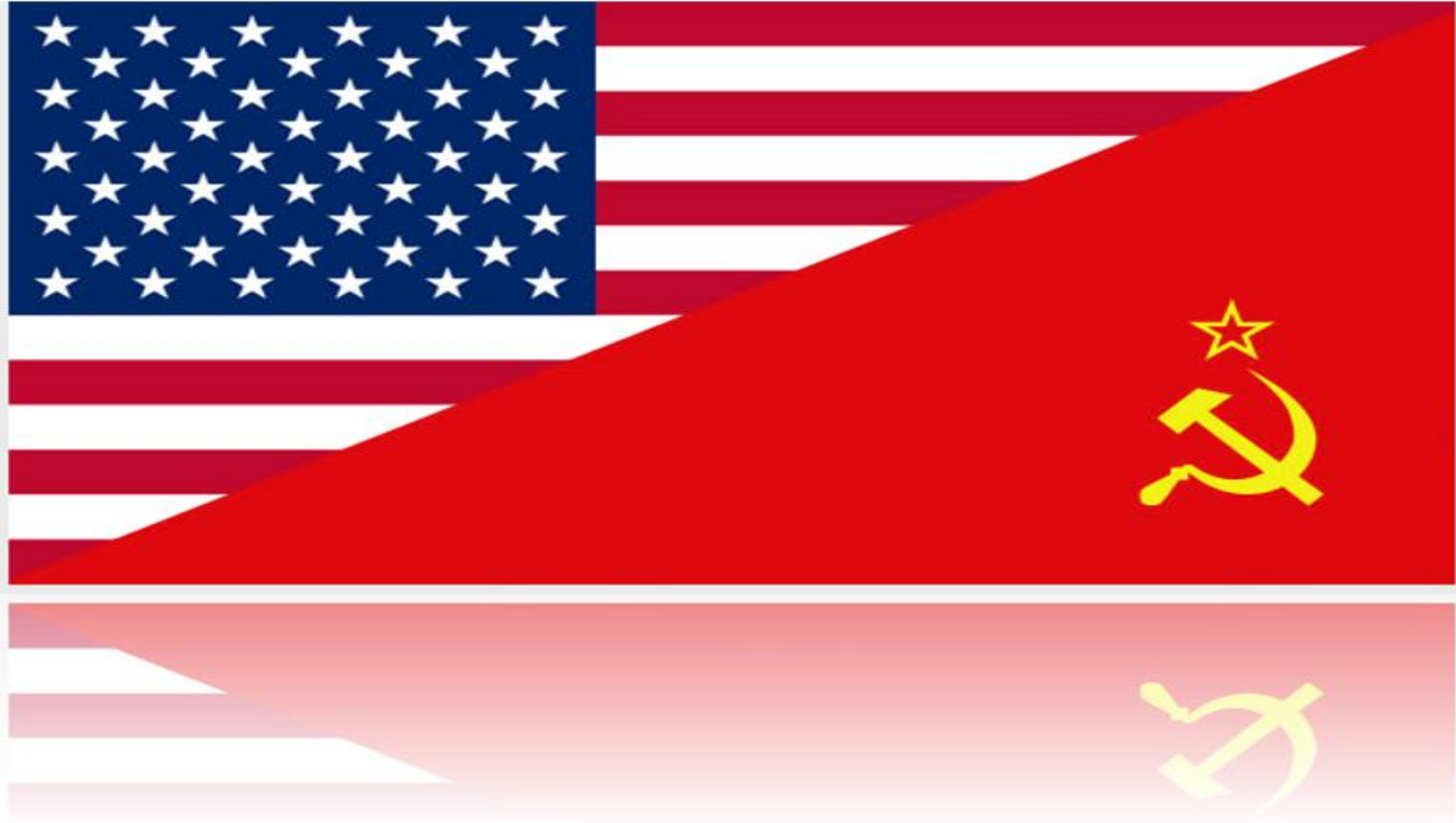


Holland

not Holland



1945-1989 - A Bipolar World





BRANK



1989 - 2008 - A Unipolar World



2008 - present - A Multipolar World



*Eurasian
Economic Union*



*Shanghai Cooperation
Organisation*



Saigon, South Vietnam
April 30, 1975



Kabul, Afghanistan
AFP/Getty Images
Sunday



AFP/GETTY IMAGES

AUGUST

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

2021



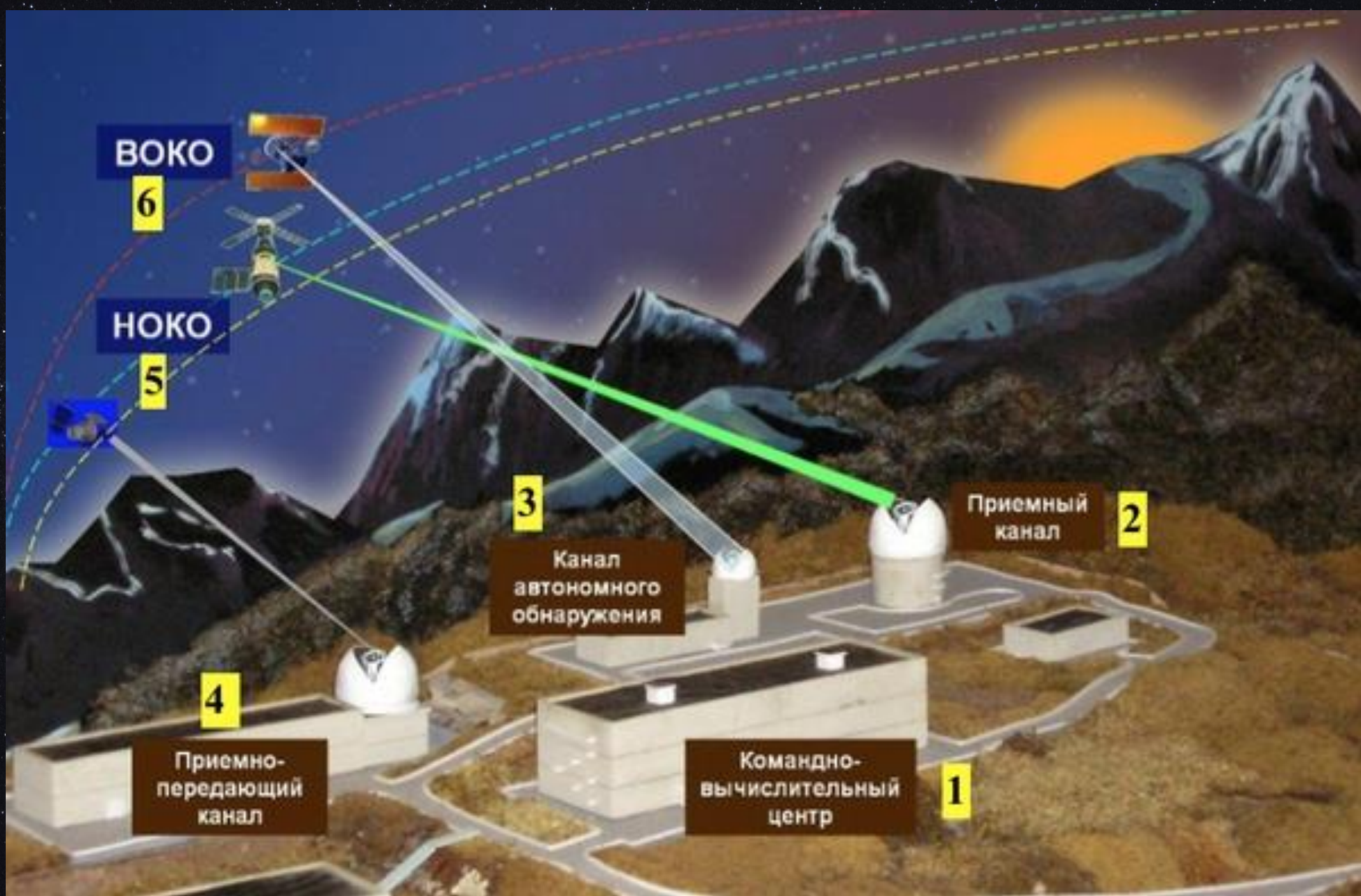












ВОКО

6

НОКО

5

3

Канал автономного обнаружения

Приемный канал

2

4

Приемно-передающий канал

Командно-вычислительный центр

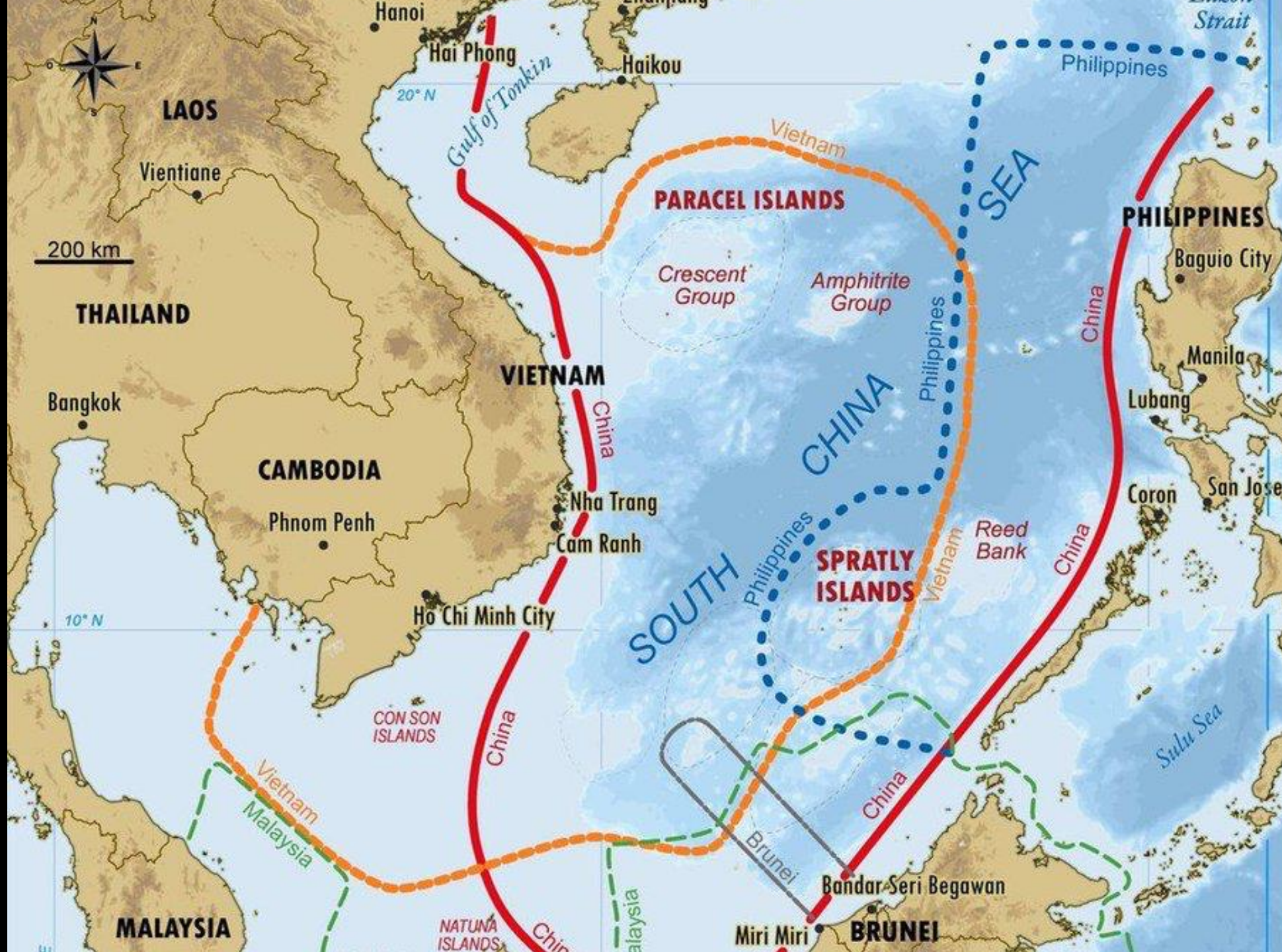
1



CHINA'S PERSPECTIVE







Iran's Sphere of Influence



Search for a location...

Share

Global Refugee Flow: 2000 - 2015 (UNHCR)
1 dot = ~17 refugees



CREATED

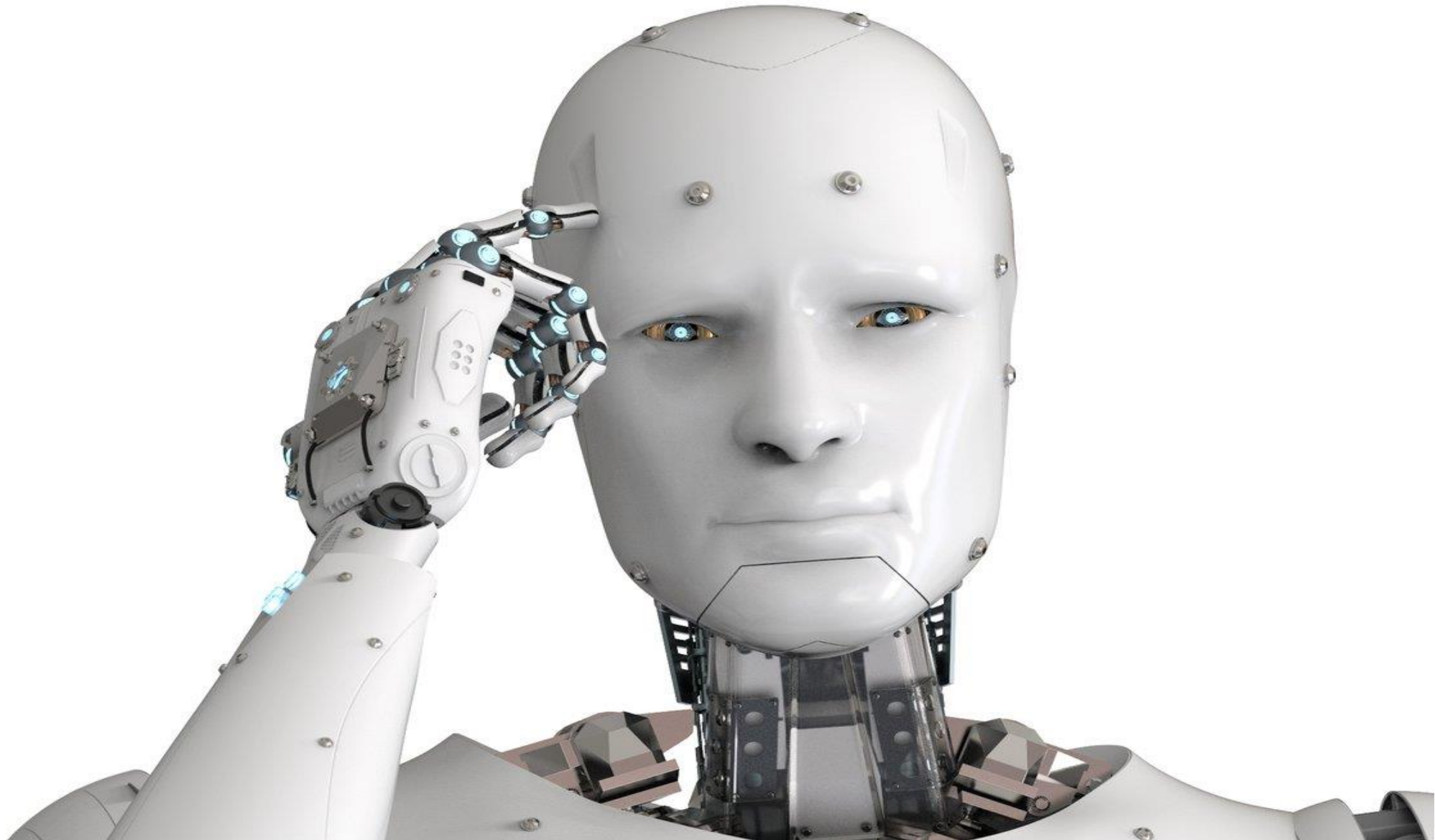
2000

Medium

2000

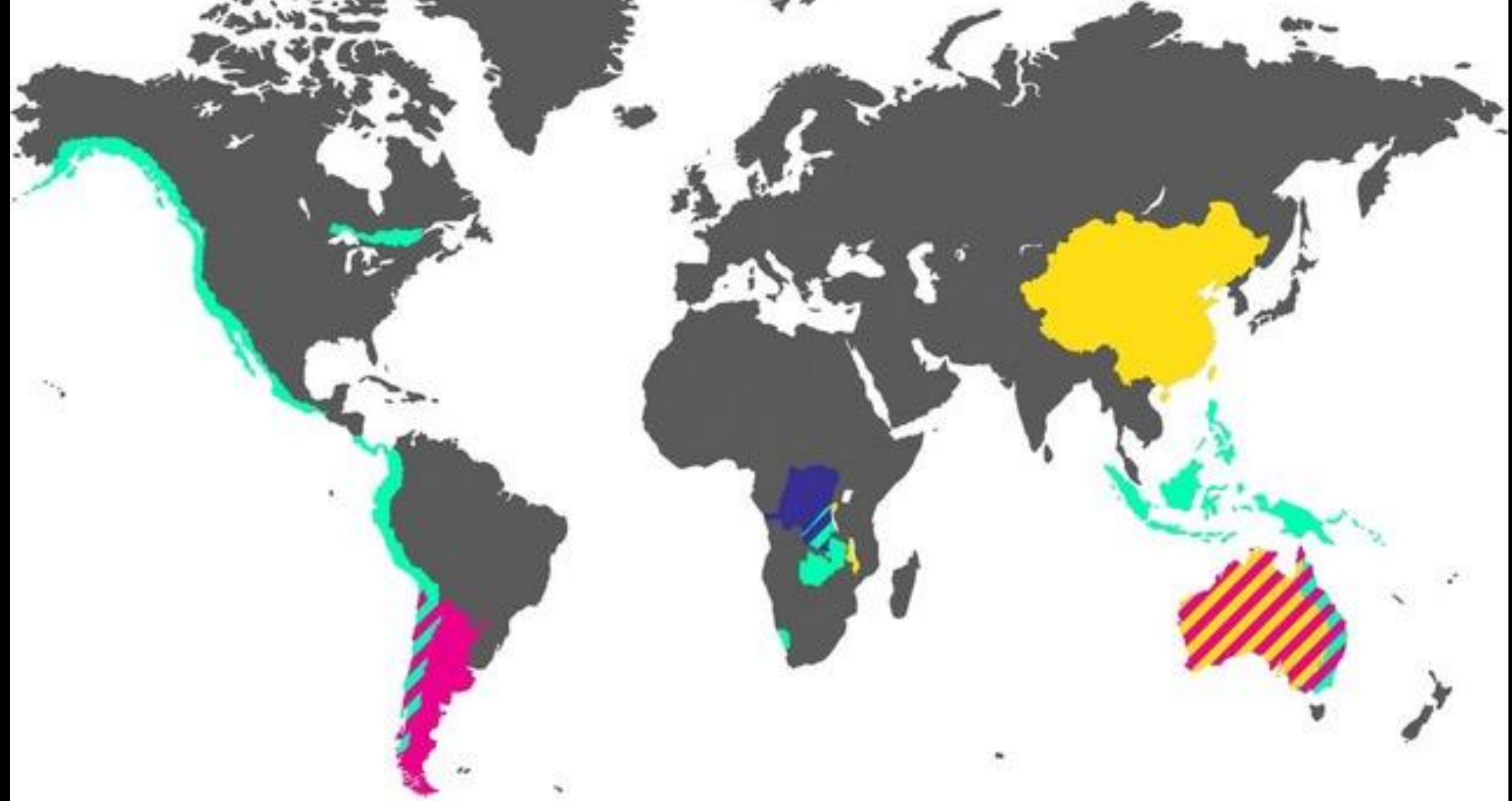
2016

[Pakistan](#)
[Liberia](#)
[Darfur](#)
[Calming](#)
[Iraq](#)
[Colombia](#)
[Somalia](#)
[Cote d'Ivoire](#)
[Syria](#)
[Syria](#)
[Mali](#)
[Ukraine](#)
[Central Africa](#)
[South Sudan](#)









 NEODYMIUM

 COPPER

 LITHIUM

 COBALT

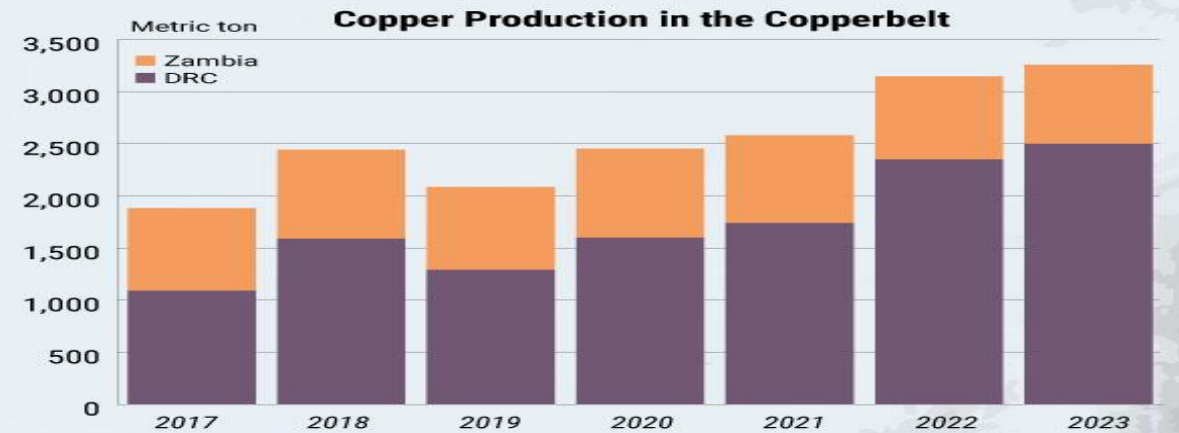
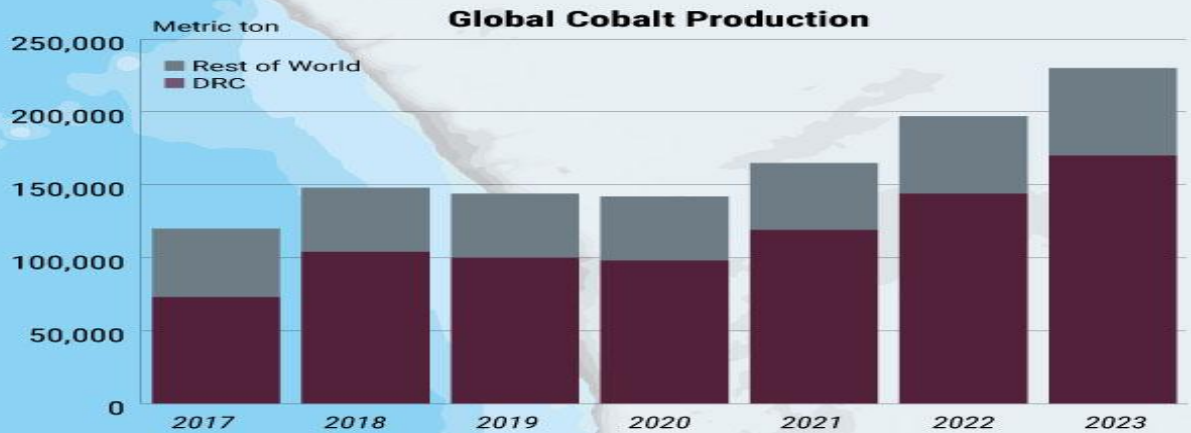
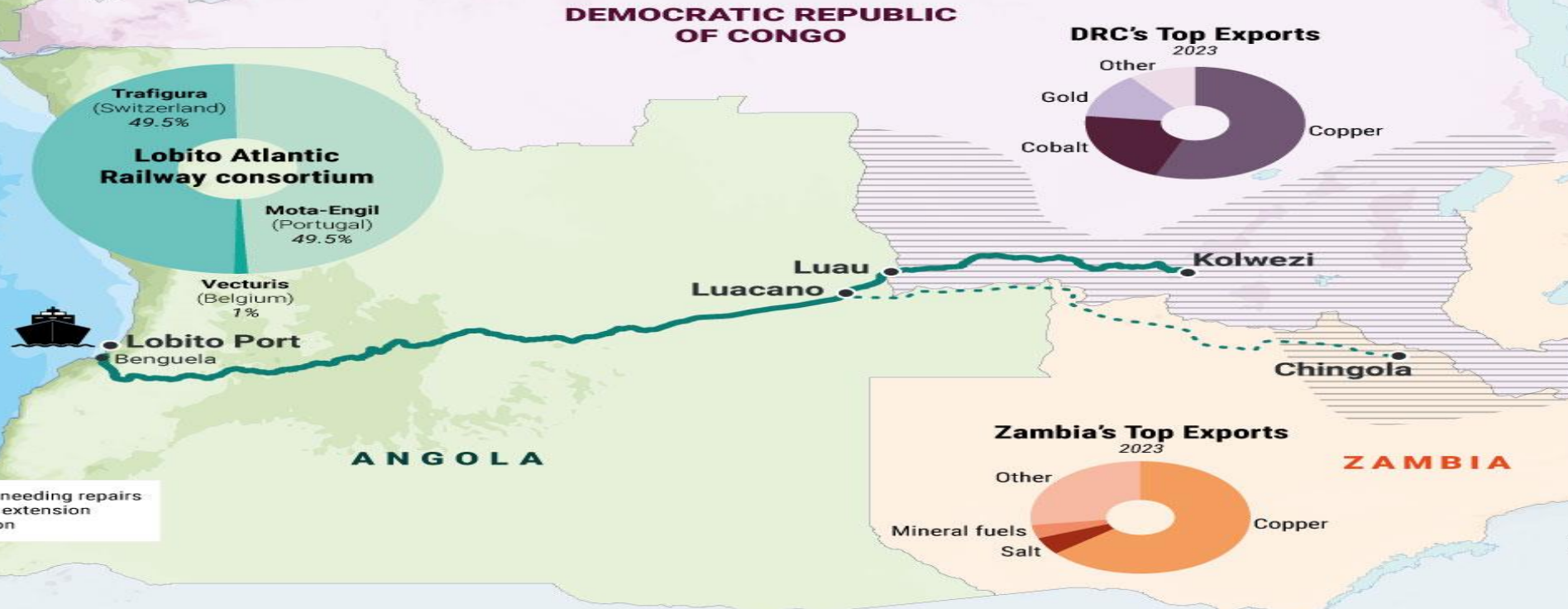
THE LITHIUM TRIANGLE

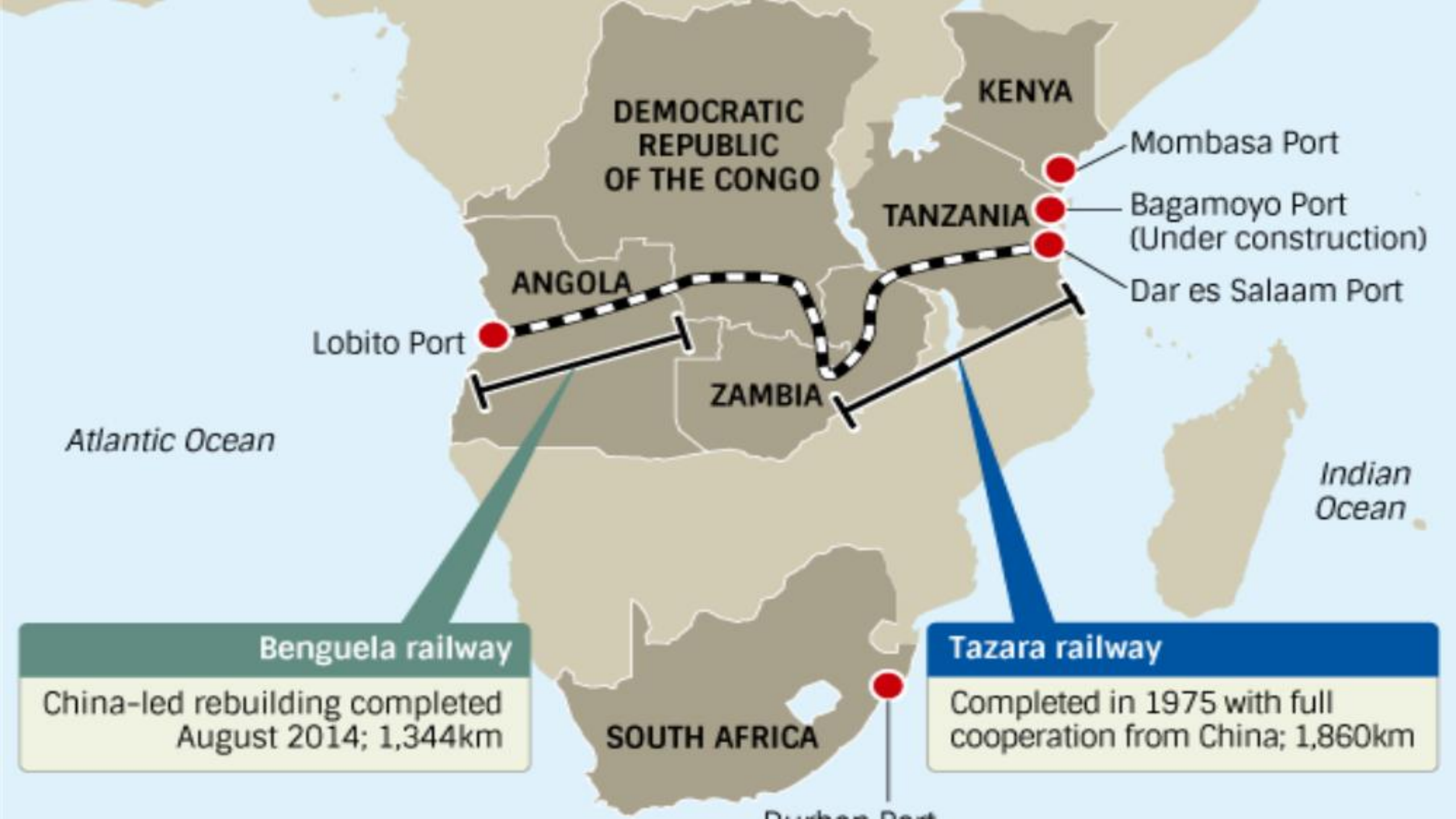
- ★ Argentina Lithium Properties
- △ Argentine Salar
- Non-Argentine Salar



Western Investment in Southern African Infrastructure

LOBITO CORRIDOR





Benguela railway

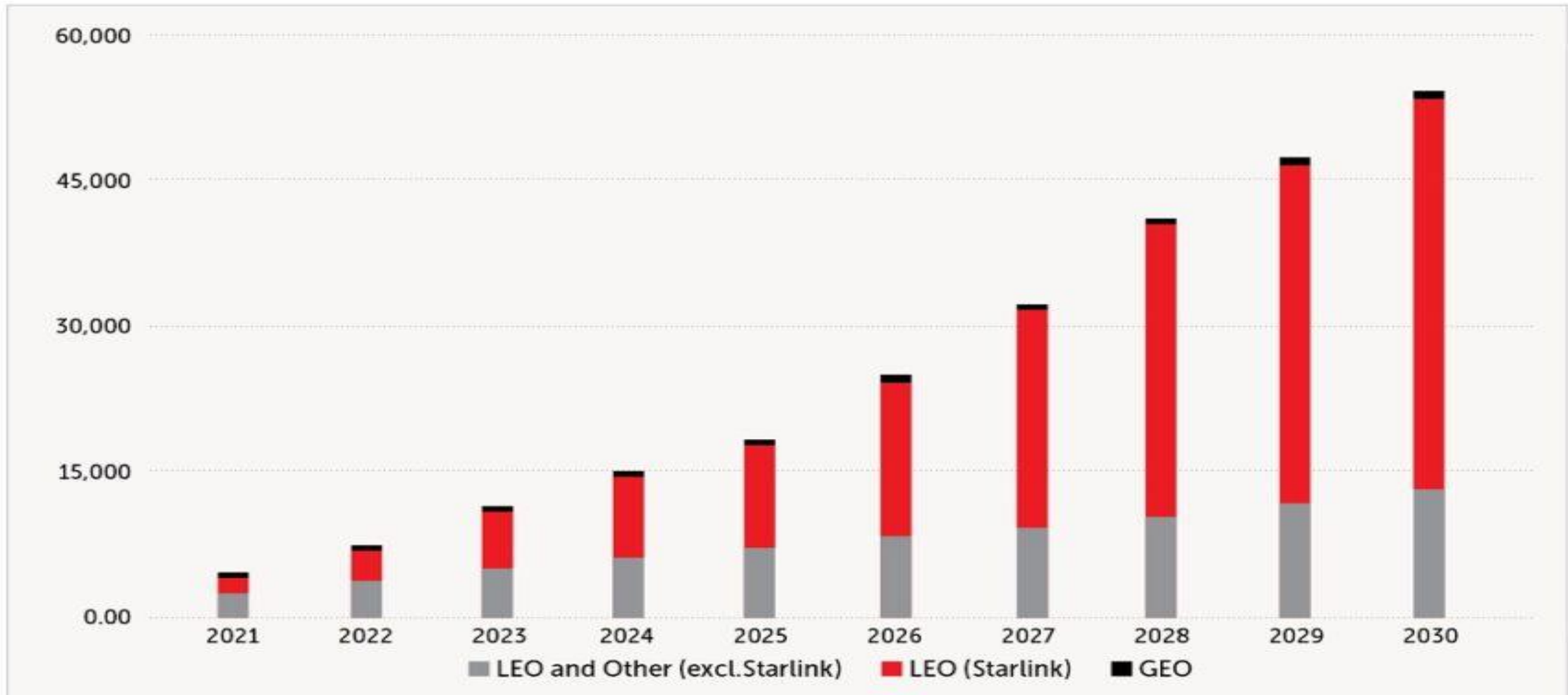
China-led rebuilding completed August 2014; 1,344km

Tazara railway

Completed in 1975 with full cooperation from China; 1,860km

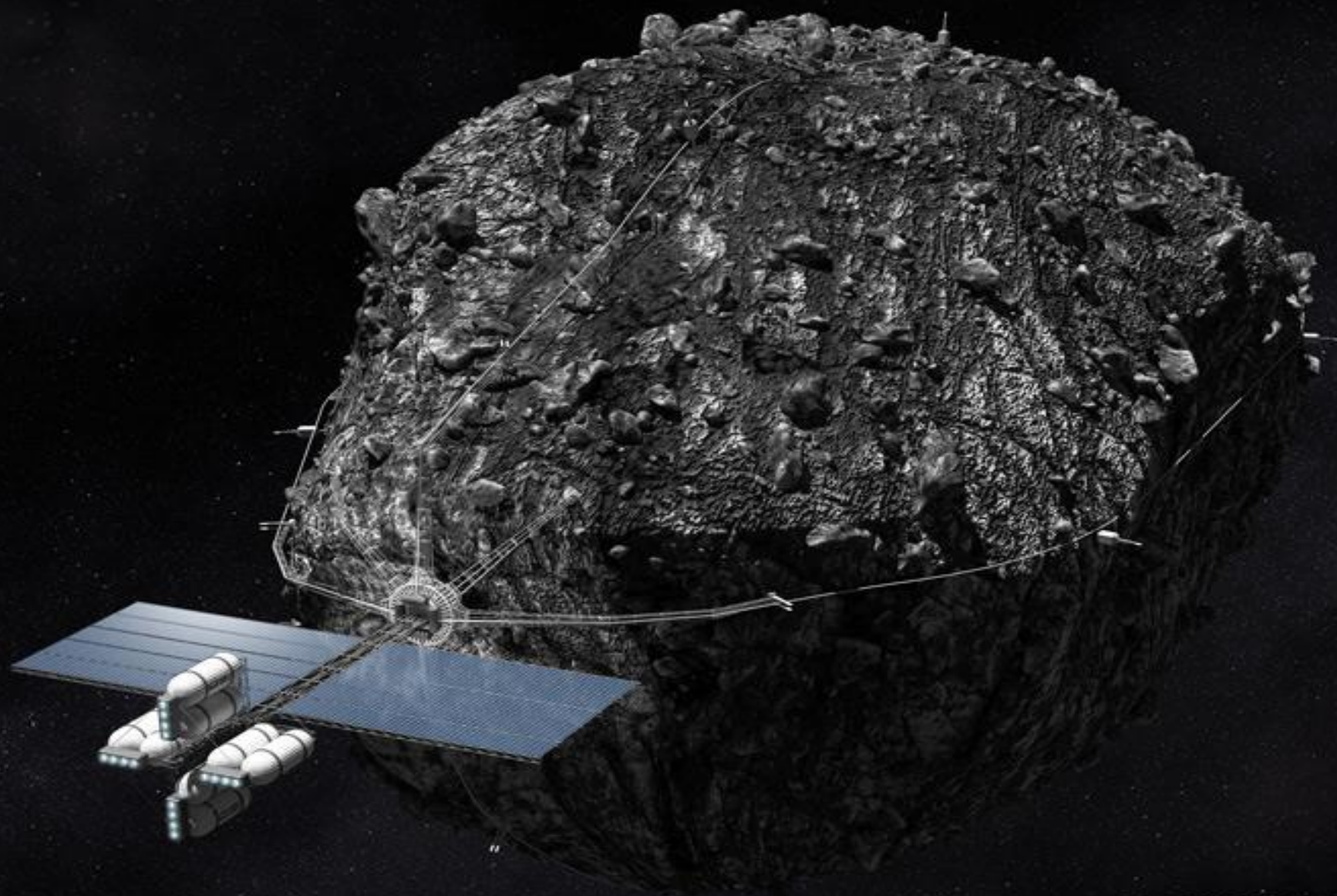
PROJECTED TOTAL NUMBER OF SATELLITES IN ORBIT

Projected number of satellites in GEO and non-GEO orbits, 2021-2030. Increasing rate of launch will lead to increased congestion, especially in LEO.



SOURCE: AXA XL, NSR

SPACENEWS GRAPHIC BY ROBIN MCDOWALL



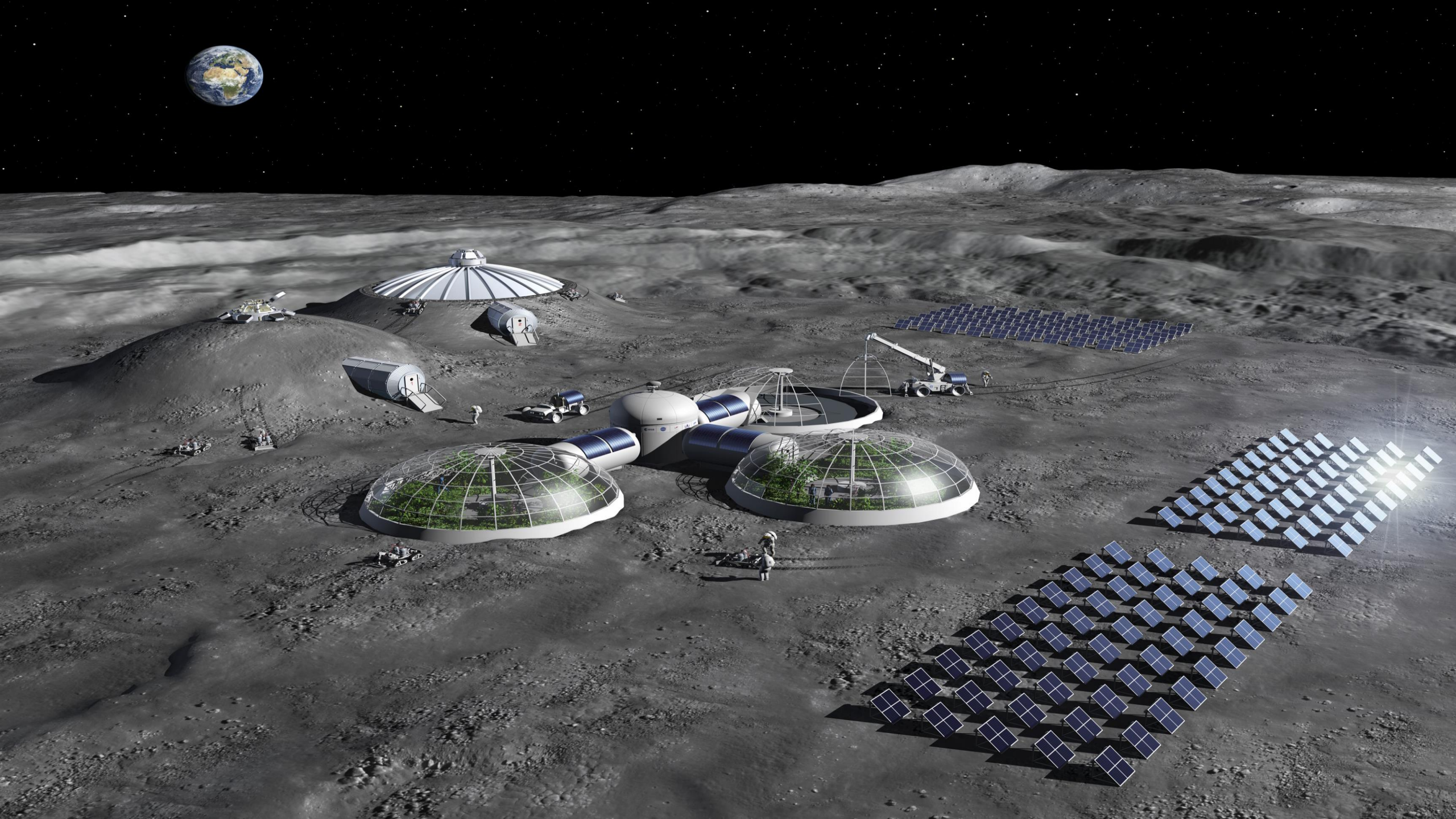
DSiTM
DEEP SPACE INDUSTRIES

HARVESTOR (TM) SERIES CONCEPT

BRYAN VERSTEEG

DEEPSPACEINDUSTRIES.COM



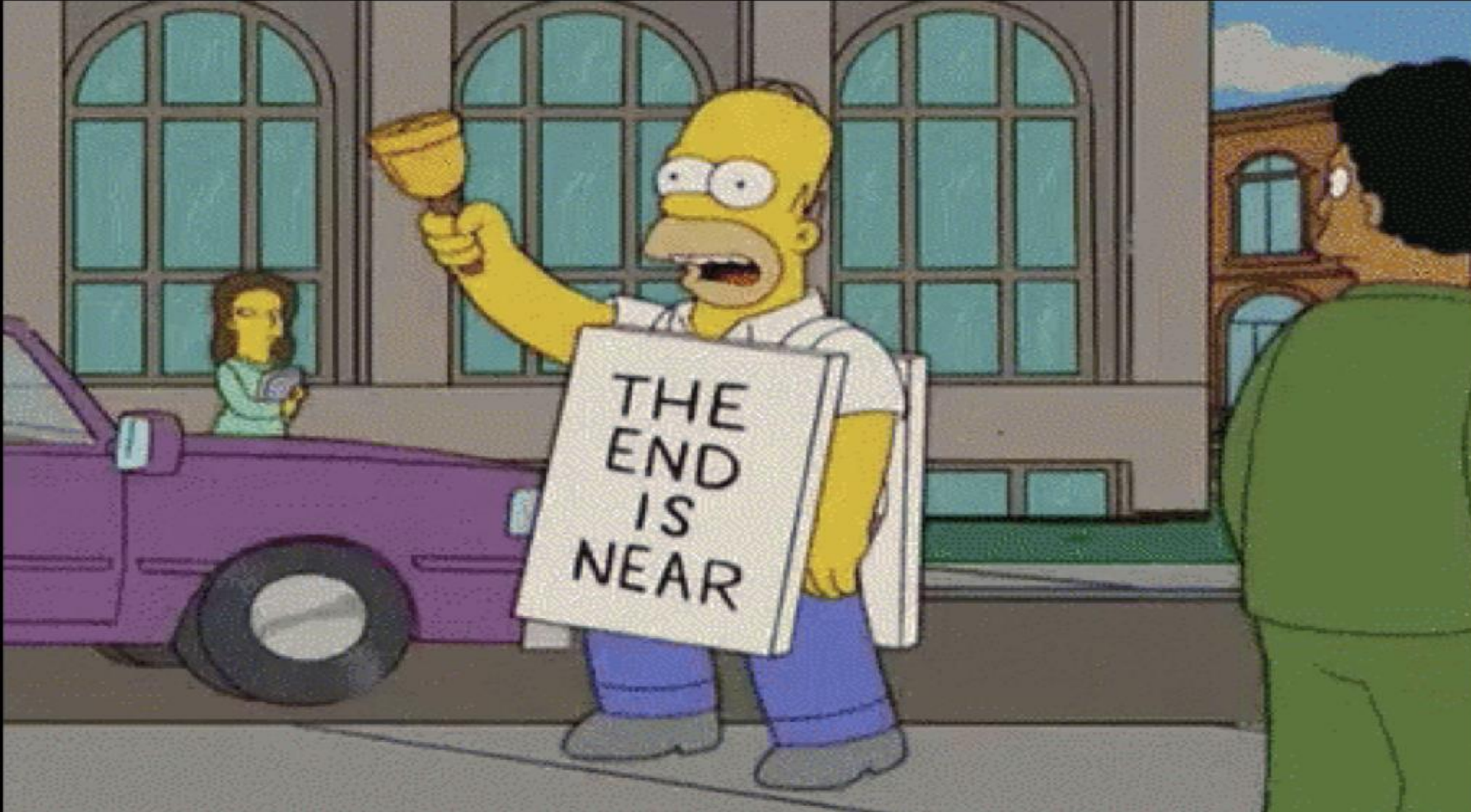




ARTEMIS ACCORDS



United for Peaceful Exploration of Deep Space







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