

A black and white photograph of two mountain goats standing on a dark, layered rock face. The goats are positioned on the right side of the frame, with one slightly higher than the other. The rock face shows distinct horizontal geological strata. The background is dark and textured.

# CG Asset Management

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*CG UK Index-Linked Bond Fund*

June 2025

**cgam**

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# *CG UK Index-Linked Bond Fund*

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## *Overview*



# CG UK Index-Linked Bond Fund Overview

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## Investment Objective



- To achieve **long-term capital appreciation and income growth** via long-only investment in UK government index-linked bonds
- Simple low-cost approach, no gearing, no short selling
- The fund is actively managed, without reference to a benchmark

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## Fees and Structure



- Size: **£22m** (launched in October 2023)
- Management Fee: **0.15%** | Total Expense Ratio: 0.31%
- Daily priced Irish UCITS

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## Investor Profile



The fund has a broad range of investors who typically exhibit the following characteristics:

- A long-term investment horizon
- An aversion to significant short-term losses
- A desire to generate returns that outpace inflation over the long term
- A focus on GBP-denominated returns

# CG Asset Management Overview

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**2001**

*Founded*

Founded in 2001 by Peter Spiller, former Chief Investment Officer and Chief Strategist of Cazenove

**£2.5bn**

*AUM*

£2.5bn in assets under management

**2**

*Strategies*

Manages two strategies, absolute return and real return, across six funds

**12**

*Employees*

Team of 12, based in London

**274x**

*Return*

Low-cost offering, with fee reductions regularly reviewed

**2**

*Down Years*

Capital Gearing Trust ("CGT") has returned 274x since 1982, with only two down years

# CGAM in partnership with our clients

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## What makes us different?

### The firm's founding principles



## What does that mean for our clients?

1. The client comes first
2. Don't be greedy
3. Have fun

### In turn these principles mean that:

- We have and will close funds to **protect investors**
- We continuously strive to **lower fees**, even on closed funds
- We have **low staff turnover**

## Employee owned



- Majority owned by an Employee Ownership Trust, which means we will remain independent
- All portfolio managers are significant shareholders in CGAM

## The right incentives



- A significant majority of our own capital is invested in our funds
- Our interests are directly aligned with those of our clients

## Overview

# Funds Summary

Strategy	Fund	ISIN	Launched	AUM <sup>6</sup>	Dealing Frequency	AMC Fee	TER
<b>Absolute Return</b>  Long only investments in a portfolio of bonds, equities and commodities	Capital Gearing Trust	GB0001738615	1982 <sup>1</sup>	£866m	Listed	0.41% <sup>3</sup>	0.55%
	CG Absolute Return (EUR Hedged, USD Hedged available)	IE00BYQ69B30	2016	£688m	Daily	0.35%	0.46%
	Capital Gearing Portfolio (P,V shares)	IE00BG5Q6F12	2001	£229m	Daily	0.75%	0.87%
<b>Real Return</b>  Long only investments in index linked bonds	CG Real Return Fund (GBP Hedged available)	IE0034304117	2004	£204m	Daily	0.30% / 0.20% <sup>4</sup>	0.42%
	CG Dollar Fund (GBP Hedged, EUR Hedged and USD Unhedged available)	IE00B41GP767	2009	£478m	Daily	0.25% / 0.15% <sup>5</sup>	0.37%
	CG UK Index-Linked Bond Fund	IE000ZSVG218	2023	£22m	Daily	0.15%	0.31%

<sup>1</sup> Peter Spiller began managing Capital Gearing Trust in 1982; <sup>2</sup> Capital Gearing Trust is an Investment Trust listed on the London Stock Exchange, all other funds are Open Ended UCITS domiciled in Dublin; <sup>3</sup> Tiered fee structure, marginal rate is 0.3% above £500m; <sup>4</sup> 0.3% below £500m, 0.2% above; <sup>5</sup> 0.25% below £1bn, 0.15% above; <sup>6</sup> As of 31<sup>st</sup> May 2025

## CGAM Team

### Investments



**Peter Spiller**

*Co - Chief Investment Officer*



**Alastair Laing**

*CEO, Fund Manager*



**Chris Clothier**

*Co - Chief Investment Officer*



**Hassan Raza, CFA**

*Portfolio Manager*



**Emma Moriarty**

*Portfolio Manager*



**Jock Henderson**

*Investment Analyst*

### Investor Relations



**Sophia Sednaoui**

*Head of Investor Relations*



**Katie Forbes**

*Head of Investor Relations of CGT*

### Operations and Risk



**Chris Taylor**

*Chief Operations Officer*



**Jason Barlow**

*Senior Operations Manager*



**Amber Williams**

*Head of Compliance*



**Prath Ketheeswaran**

*Operations Manager*



**Finn**

*Chief Morale Officer*



# *Investment Process*

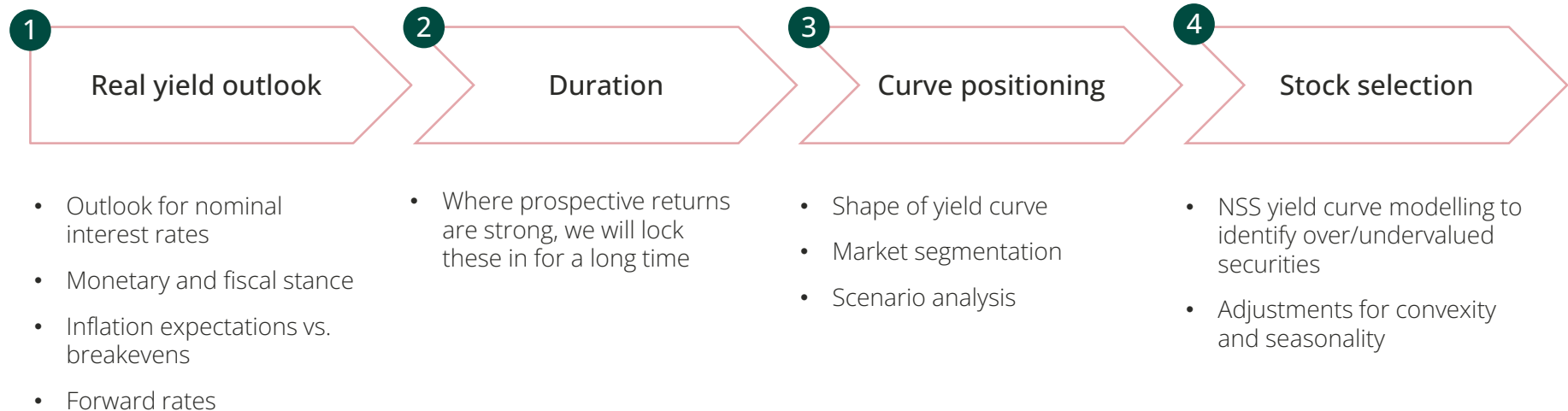
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*CG UK Index-Linked Bond Fund*



## The CG UK Index-Linked Bond Fund's positioning is decided via a top-down process

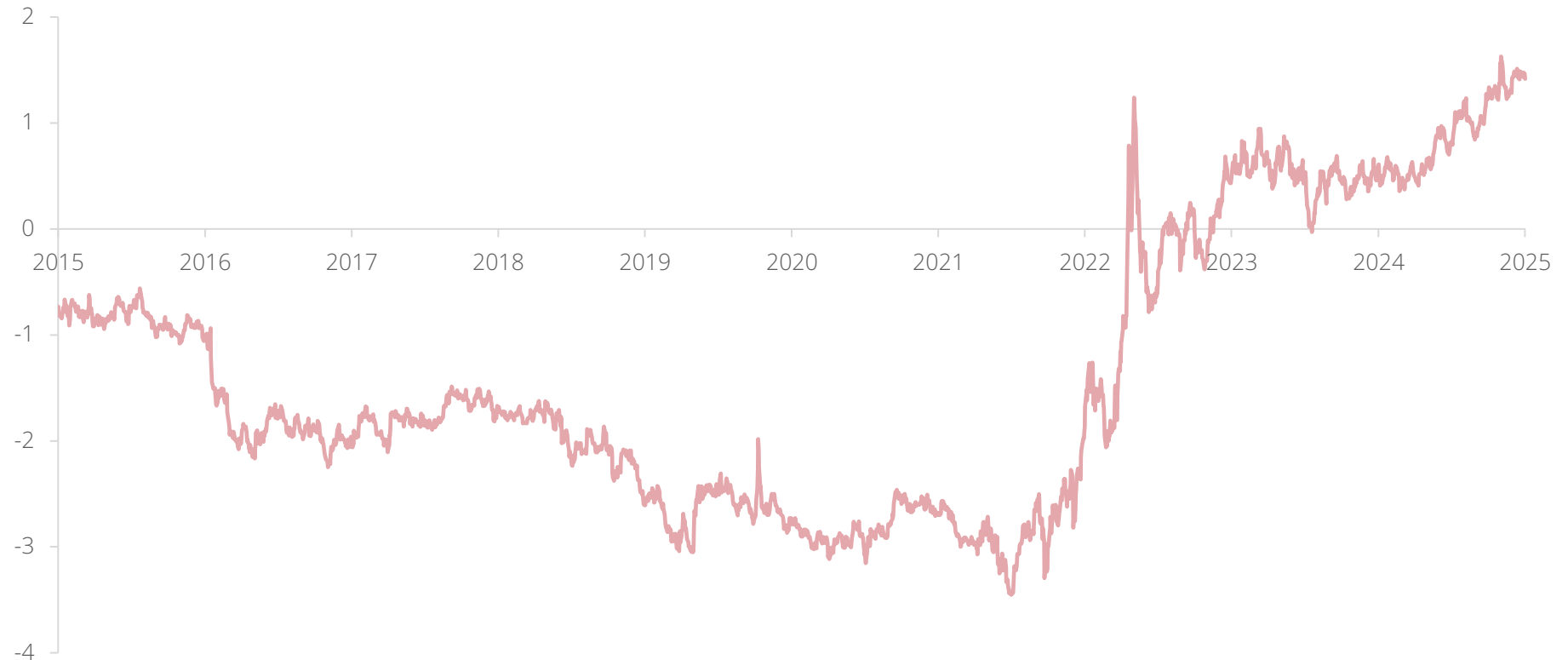
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## Index-linked gilts have gone from being uninvestable to good value

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UK 10 Year Real Yield (%)



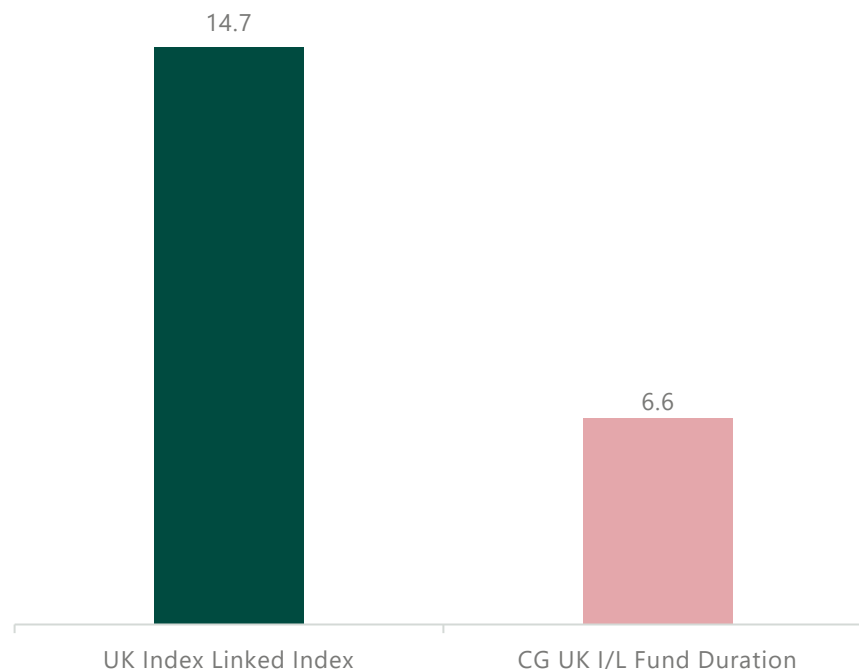
Source: Bloomberg Finance L.P.

**The long duration of the index has created large drawdowns which are inappropriate for private investors. The CG fund is a much shorter duration alternative**

UK Index-Linked total return index<sup>1)</sup>



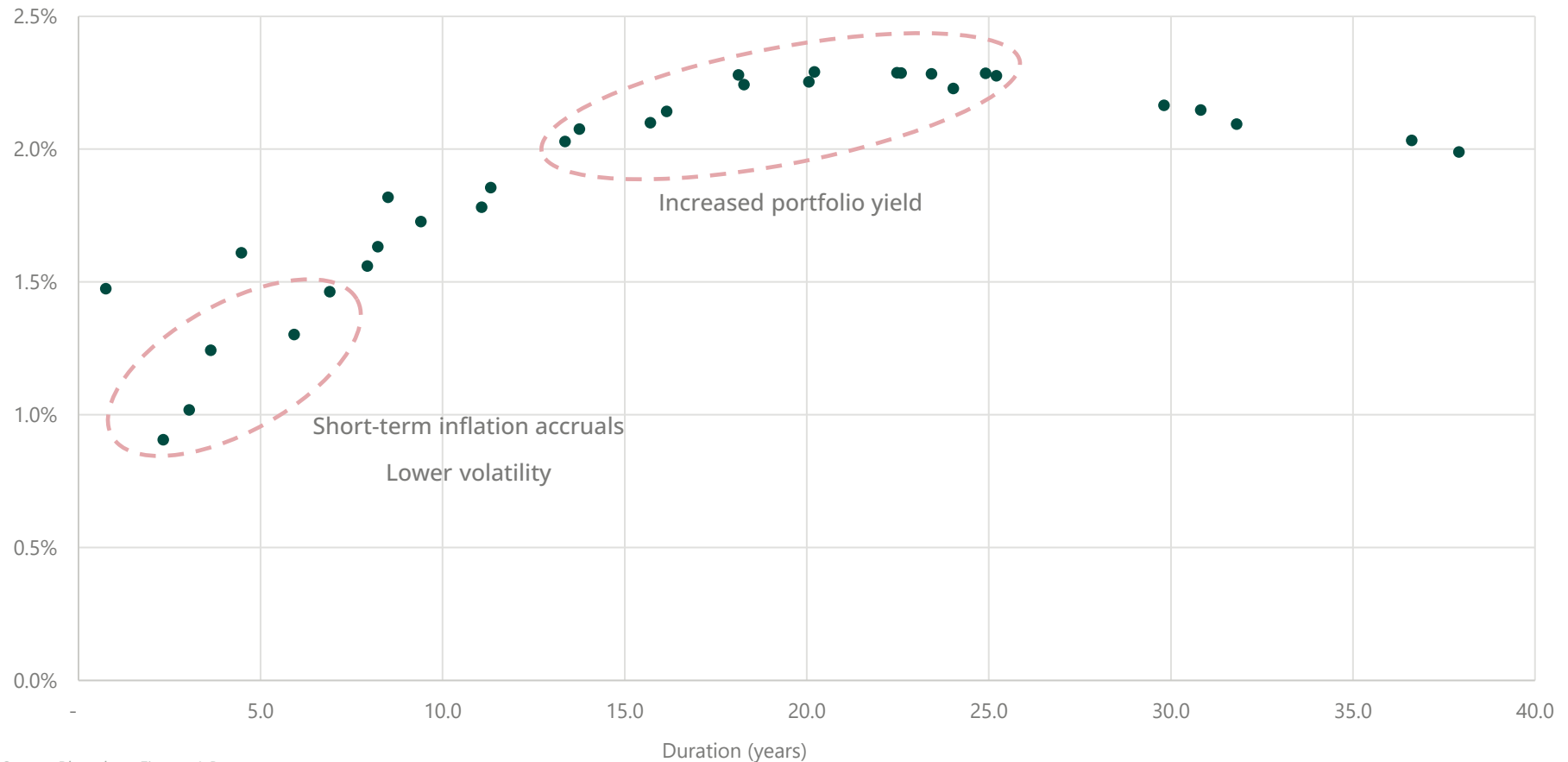
UK Index-Linked Index duration (years)



1. UK Index-Linked Index refers to Bloomberg UK Govt Inflation-Linked All Maturities Total Return Index  
Source: Bloomberg Finance L.P.

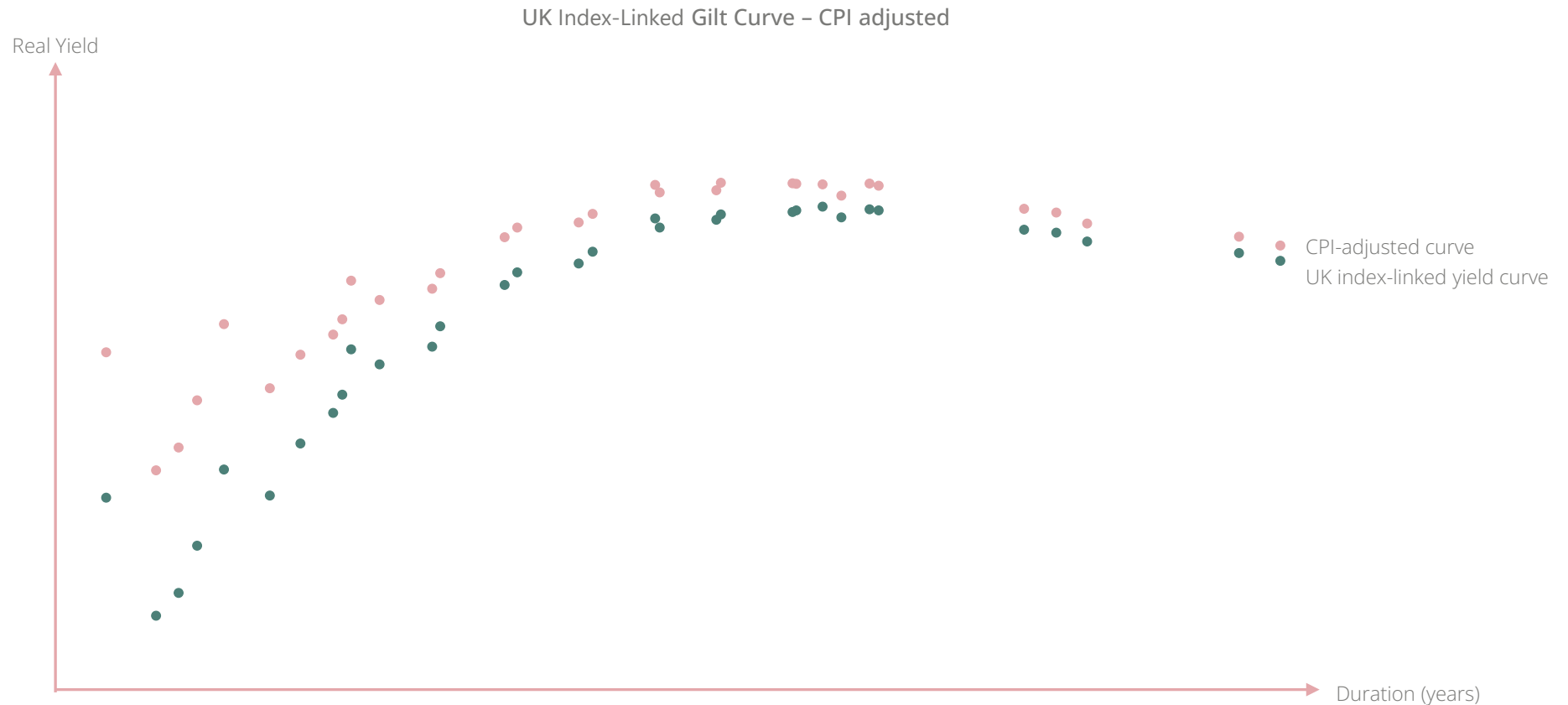
## The shape of the yield curve is driven in part by non-fundamental factors which creates opportunities for active management

CPI-adjusted UK index-linked yield curve



Source: Bloomberg Finance L.P.

## We then adjust our expected yields for the RPI / CPI wedge



**We use a Nelson Siegel Svensson formula to identify individual under and overpriced bonds**

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$$y = \beta_0 + \beta_1 \frac{(1 - e^{-\frac{\mu}{\tau_1}})}{\frac{\mu}{\tau_1}} + \beta_2 \left( \frac{(1 - e^{-\frac{\mu}{\tau_1}})}{\frac{\mu}{\tau_1}} - e^{-\frac{\mu}{\tau_1}} \right) + \beta_3 \left( \frac{(1 - e^{-\frac{\mu}{\tau_2}})}{\frac{\mu}{\tau_2}} - e^{-\frac{\mu}{\tau_2}} \right)$$

# *CG UK Index-Linked Bond Fund*

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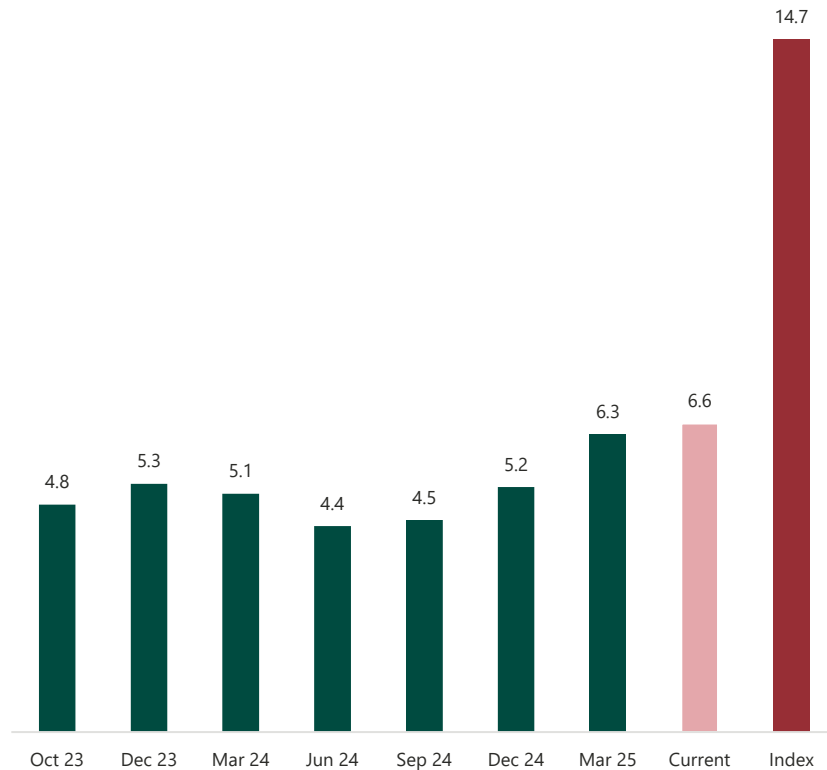
*Positioning and Returns*



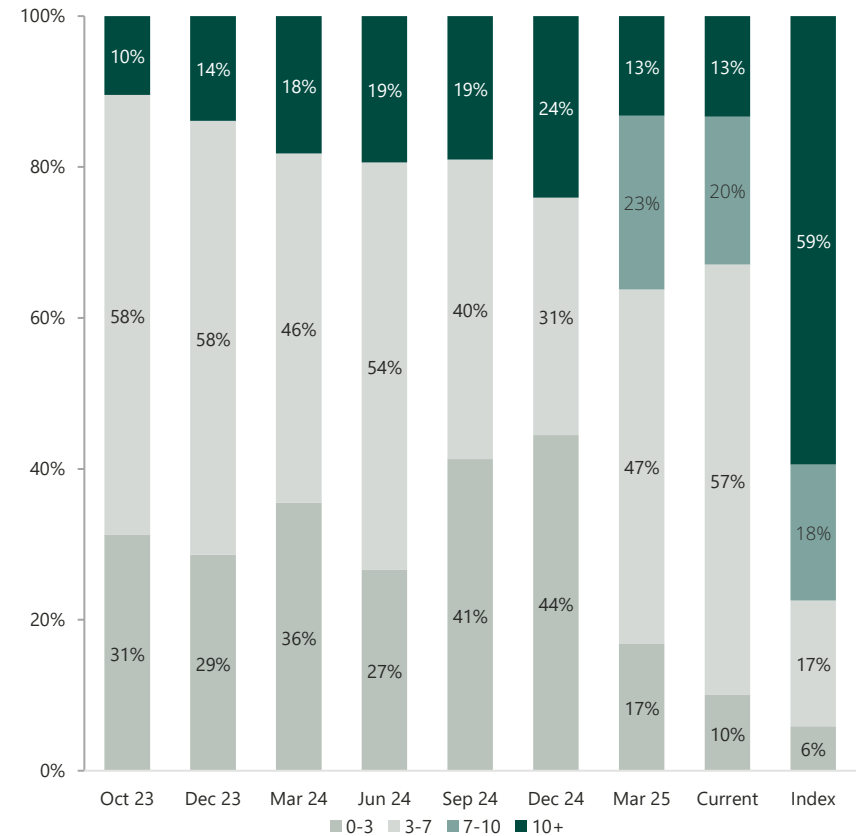


## The CG UK Index-Linked Bond Fund has duration shorter than the index and its holdings are weighted to the front end of the UK index-linked curve

Portfolio Duration (Years)



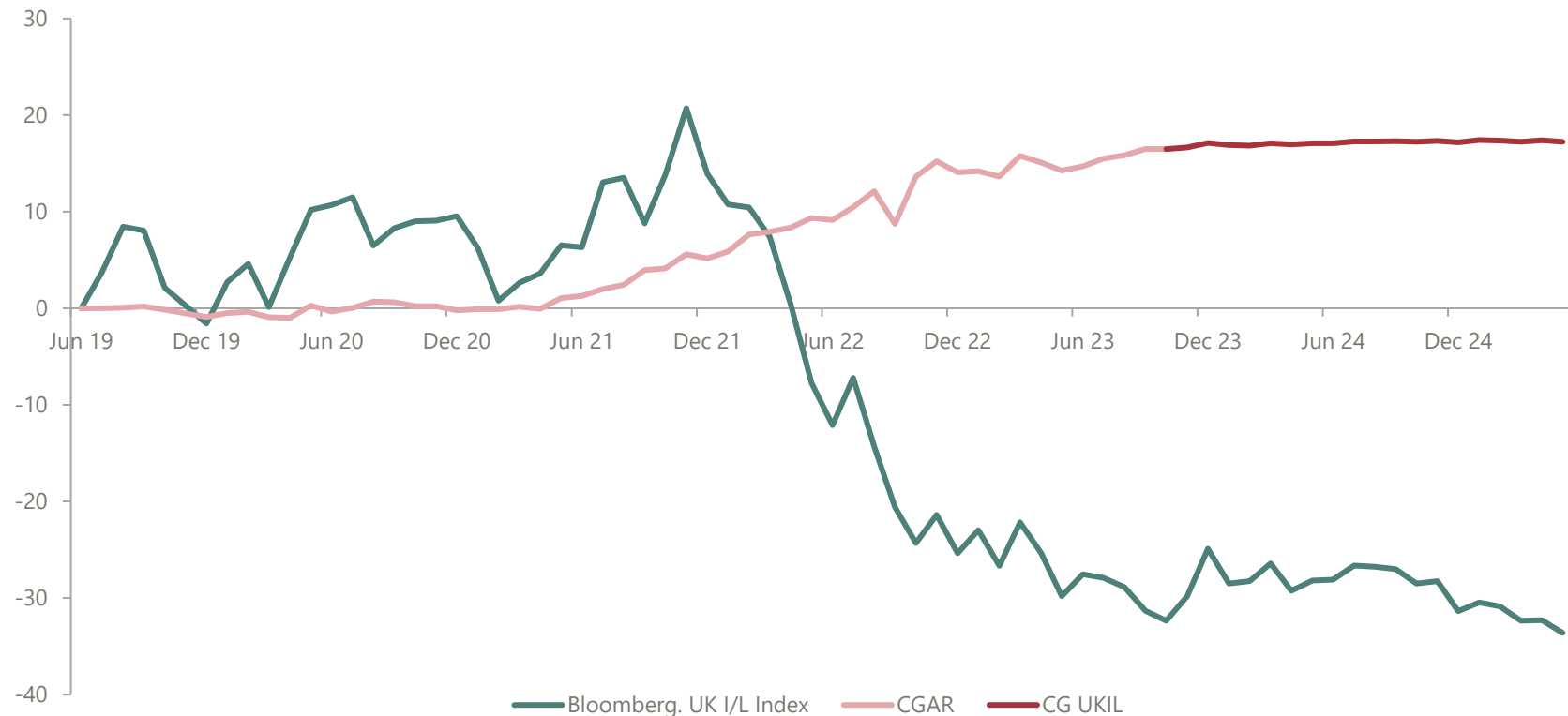
Portfolio Curve Positioning – By Maturity Bucket (Years)



Source: Bloomberg Finance L.P., Northern Trust

## Our holdings of UK linkers have dramatically outperformed the index in recent years

### CG Performance – UK Linker Holdings



Source: Bloomberg LP, Northern Trust.

# Breakdown of holdings

Largest Bond Holdings		Credit ratings		Characteristics	
UK I/L 0.125% 22/03/29	20.4%	AAA	0%	Number of bonds	17
UK I/L 0.125% 10/08/28	19.1%	AA	100%	Yield to maturity (real)	0.9%
UK I/L 1.125% 22/11/27	8.5%	A	0%	Average maturity	6.7 Yrs
UKTI 0.125% 10/08/31	8.5%	BBB	0%	Average coupon (real)	0.5%
UKTI 4.125% 22/07/30	6.9%	BB and below	0%	Composite rating	AA

Source: CGAM, Northern Trust

# *Why index-linked?*

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*The role of index-linked bonds in a multi-asset portfolio*



## Why index-linked?

# Index-linked bonds are a fundamental component of a diversified portfolio

### Inflation as greatest risk to investor wealth

Against which equities are only a partial hedge.

### Significant risk of inflation persistence

The historical record does not support a swift return to the target.

### Historic outperformance vs nominal bonds

Such outperformance is likely to persist into the future.

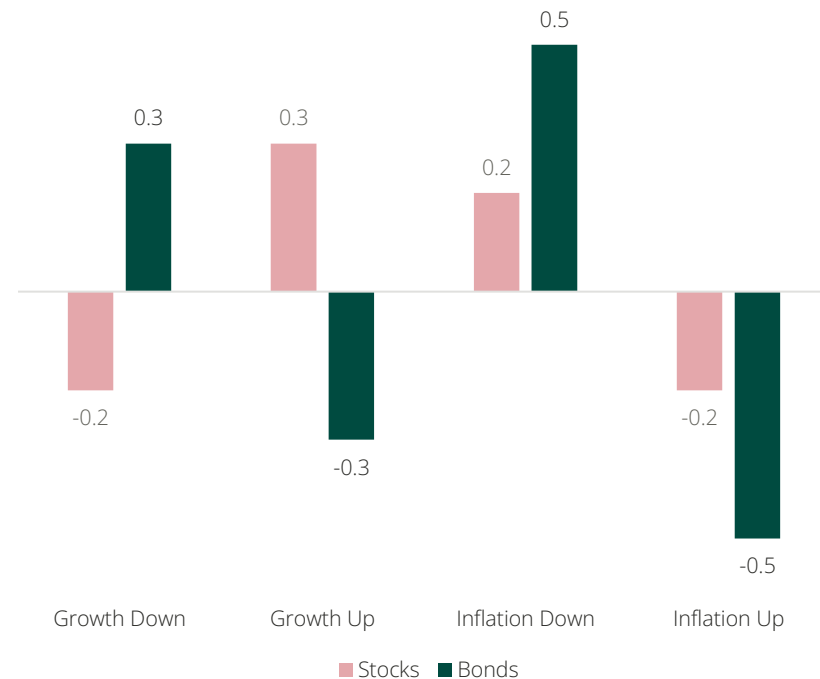
### Index-linked bonds perform well when equities do not

The negative stock-bond correlation breaks down in times of high inflation. Index-linked are a more reliable hedge.

### Protection against financial repression

Only asset that we believe is likely to deliver protection.

### Sharpe Ratio Differentials by Macroeconomic Environment (1972 – 2022)



Source: *Journal of Portfolio Management* 49:4 March 2023.

### Why index-linked?

**Index-linked bonds have outperformed nominal bonds since the turn of the century. Why? Because the market systematically underestimates realised inflation**

Index-Linked Bond – Total Returns (UK)



Index-Linked Bond – Total Returns (US)

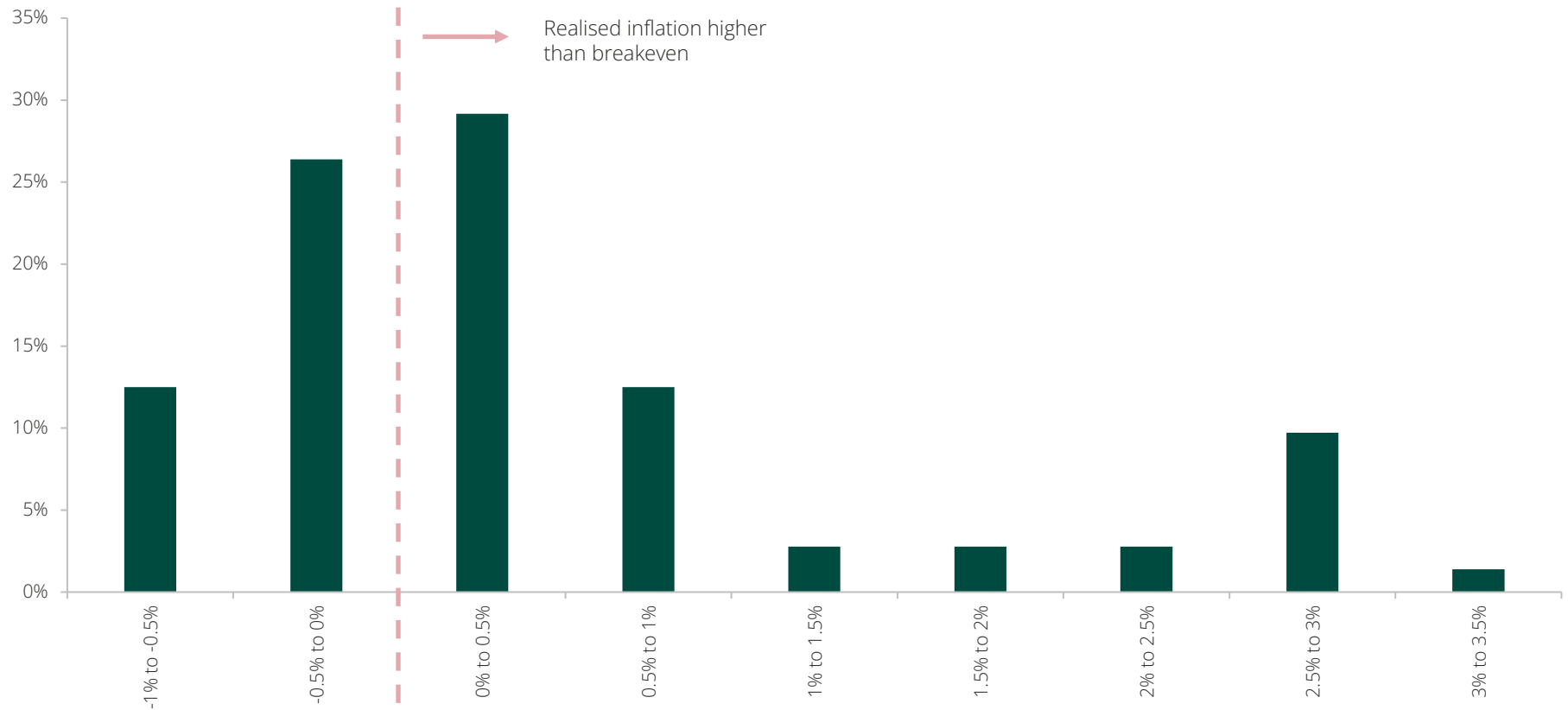


Source: Bloomberg Finance L.P.

Why index-linked?

## A key reason is that markets routinely underestimate inflation

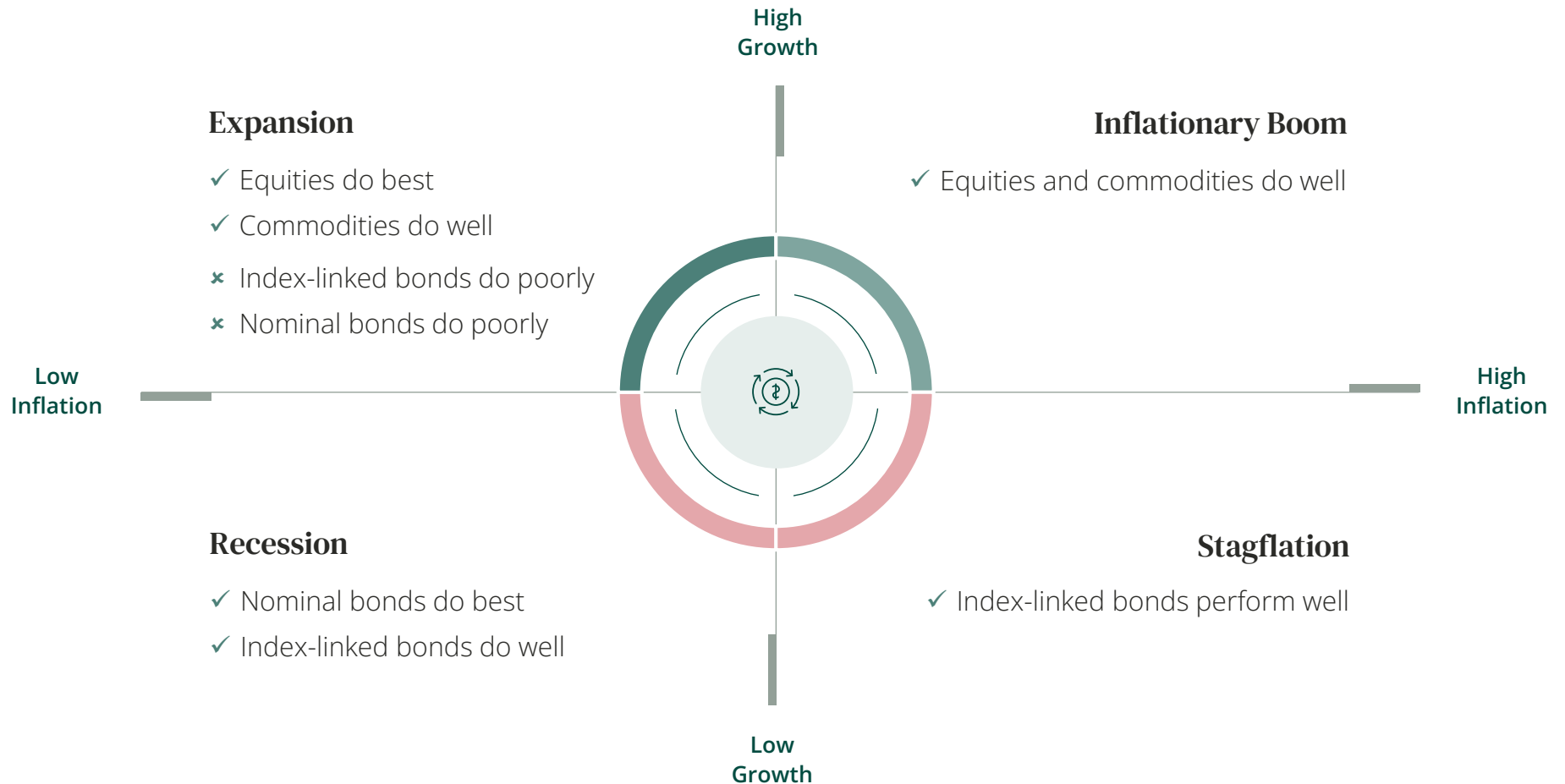
Difference between UK 5Y Breakeven and subsequent realised inflation (% annualised)



Source: Bloomberg Finance LP.

## Why index-linked?

# Index-linked bonds perform well in scenarios where equities do not, and are the most reliable portfolio protector against stagflation





# *CG UK Index-Linked Bond Fund*

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*Investment Approach*



# The principles underpinning our investment approach

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## Be honest

No greenwashing, no PR-led initiatives, no jargon. We believe in an accurate presentation of our activities not a marketing campaign.

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## One firm, one rule

Our standards apply to all the funds we advise. We do not have ethical and by implication unethical funds.

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## Ethics, not mathematics

There is no formula that can be applied in a uniform way to every situation. We emphasise judgement over simplistic third party ESG scoring systems.

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## Don't disinvest, engage

When investors have the influence to effect change, it is most valuable to encourage positive transition rather than engage in blanket disinvestment.

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## Targeted

As a small firm, we must focus our efforts where they will have the most influence, rather than taking a generalist approach.

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## Governance

Investors have multiple direct mechanisms to influence governance, so we primarily focus on governance even when the ultimate objective consists of other priorities.

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## Integration, not separation

The entire team is collectively responsible for stewardship activities, with the ultimate responsibility lying with the chief executive. We do not have a standalone responsible investment team.

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## Act, with humility

Every action results in both intended and unintended consequences. Reflect deeply on the risk that good intentions can lead to unintended negative outcomes.

## Considerations in the investment process

### Direct Government Securities

A majority of the assets held by the funds are invested in direct holdings of securities issues by governments including bonds, bills and cash.

When investing, we consider indices compiled by a range of NGOs and require sovereigns, at a minimum, to achieve strong rankings in at least four out of five of these criteria. In addition to using third party indices, we also overlay our own subjective assessments which typically leads to material additional exclusions.

As we manage funds that invest exclusively in US and UK bonds respectively these jurisdictions will always be included but other sovereigns are subject to these exclusion criteria.

### ESG Criteria Applied

Index	Criteria
World Bank governance effectiveness index	Top quartile
World press freedom index	Good or satisfactory
Global freedom score	Free rating
UN human development index	Very high human development rank
Net zero by 2050 statement	Statement of intent by 2050 or earlier

### Resultant Investable Universe

United Kingdom	Japan
United States	Canada
Germany	Australia
Sweden	New Zealand
Denmark	

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