

CG Multi-Asset Funds

Capital Gearing Trust, CG Absolute Return Fund, Capital Gearing Portfolio Fund

Fund	Q2 2023 Performance	12-month Performance*
Capital Gearing Trust (open)	-2.3%	-2.9%
CG Absolute Return Fund (open)	-2.2%	-2.8%
Capital Gearing Portfolio Fund (closed)	-2.2%	-3.6%

*to 30 June 2023

- At end-June, the asset allocation breakdown of the multi-asset portfolios was 26% in risk assets, 43% in index-linked government bonds, 14% in credit, 1% in gold, and the remainder in cash and Treasury Bills (approximately 16%).
- Risk assets (26% of the portfolio) returned -1.8% over the quarter, compared with -1.3% for the Investment Trusts Index. Within this, the largest contribution was from the infrastructure sector (-5.7% return, 5.4% portfolio weighting) which was negatively impacted by rising bond yields.
- The property portfolio (1.4% return, 3.8% weighting) delivered positive performance, driven up by improved sentiment following CK Asset Holdings' takeover offer for Civitas Social Housing Plc.
- Index-linked government bonds returned -2.7% over the period. Off the back of continued sterling strength and rising real yields in the UK, we have increased the weighting to UK index-linked from 21% to 23%, and have correspondingly decreased the weighting to US TIPs to 16%.
- As in Q1, the balance of the index-linked government bond holdings (approx. 4%) are spread across other developed markets (Japan, Sweden, Canada and Australia).
- The corporate bond portfolio returned -0.6% over the quarter. The portfolio remains almost entirely investment grade, with a yield of 7.3% and duration of 2 years. The slightly longer duration to this portfolio than in previous quarters is a consequence of selling down very short-dated corporate credit in favour of higher-yielding six-month UK Treasury Bills.
- The portfolio remains defensive, with an objective of capital preservation and inflation protection.

CG Bond Funds

Real Return Fund, Dollar Fund

Fund	Q2 2023 Performance	12-month Performance*
Real Return Fund (open)	-4.3%	-5.5%
Real Return Fund (GBP hedged) (open)	-1.1%	-1.8%
Dollar Fund (open)	-4.0%	-5.7%
Dollar Fund (GBP hedged) (open)	-1.5%	-2.6%

*to 30 June 2023

Real Return Fund

- The fund returned -4.3% over the quarter, against -3.7% in the Global Index-Linked ex. UK Index, and -5.5% against -4.5% over the past 12 months.
- The hedged share class returned -1.1% over the quarter against -0.8% for the index, and -1.8% versus -1.3% over the past 12 months.
- US TIPS (69% of the portfolio) contributed -2.8% to the fund's return for the quarter, driven by rising yields across the curve and continued sterling strength against the US dollar.
- Germany (10% of the portfolio) contributed -0.2% overall to the fund's performance over the quarter, with falling values at the long end of the curve offsetting modest positive performance at the front end.
- Canada (6% of the portfolio) delivered largely flat performance on the quarter, and Japan (6% of the portfolio) contributed -0.6% to the fund's overall return. While Japanese index-linked bond yields fell further over the quarter, this was offset by Yen currency weakness.
- Positioning remains largely unchanged, with a portfolio duration of 8.9 years and a yield of 1.1% real.

Dollar Fund

- The fund returned -4.0% over the quarter against -4.1% for the comparator index, and -5.7% over the past 12 months which was in line with the index's performance over the same period.
- Performance was impacted by rising yields across all maturities of the US TIPS curve, and the appreciation of sterling against the US dollar over the quarter.
- The hedged share class returned -1.5% over the quarter against -1.6% for the index and -2.6% over the past 12 months against -2.8%.
- Positioning remains largely unchanged, with a duration of 10 years and a current portfolio yield of 2.0% real.

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