

A black and white photograph of two mountain goats standing on a dark, layered rock face. The goat on the left is slightly higher and more upright, while the one on the right is lower and more hunched. Both have prominent, curved horns. The background is a dark, textured rock wall with visible horizontal and vertical fissures.

# CG Asset Management

---

*Q1 2024 Webinar*

April 2024

**cgam**

# Disclaimer

---

CG Asset Management Limited ("CGAM") is authorised and regulated by the Financial Conduct Authority to carry on regulated activities in the United Kingdom.

The information contained in this Document has been prepared by and is the sole copyright of CGAM.

No representation is being made that the Fund or any other fund or account will or are likely to achieve profits or losses similar to those shown and, as with any investment, there is a possibility of profit as well as the risk of loss. Past performance is not indicative of future results.

The information contained in this Document is not investment, tax, accounting or legal advice and does not take into consideration the investment objectives, financial situation or particular needs of the recipient. Investing entails certain risks, including the possible loss of the entire principal amount invested. The recipient of this Document should seek its own financial, tax, accounting and legal advice in connection with any proposed investment.

No representation or warranty is made or given by CGAM or any of its members, officers, employees or affiliates as to the accuracy, completeness or fairness of the information contained in this Document. No responsibility or liability is accepted for any such information. The information in this Document has not been independently verified and is subject at all times to the conditions, caveats and limitations described in this Document. All opinions, projections and estimates constitute the judgment of CGAM as of the date of this Document and are subject to change without notice. The delivery of this Document at any time subsequent to the date of this Document will not under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date. No reliance may be placed for any purpose whatsoever on the information contained in this Document or on its completeness. Any risk guidelines referred to herein are internal risk guidelines and are subject to change by CGAM without notice to investors.

This Document is not intended to be distributed in any jurisdiction where such distribution is not permitted by the local law. Without prejudice to the generality of the foregoing, this document is not intended, and should not be construed as, marketing of any alternative investment fund for the purposes of any legislation implementing EU Directive 2011/61/EU on Alternative Investment Fund Managers in any member state of the EEA.

The information contained in this Document has not been approved by the UK Financial Conduct Authority or any other regulatory authority, nor has any regulatory authority passed upon the accuracy or adequacy of this Document.

# *Positioning and Returns*

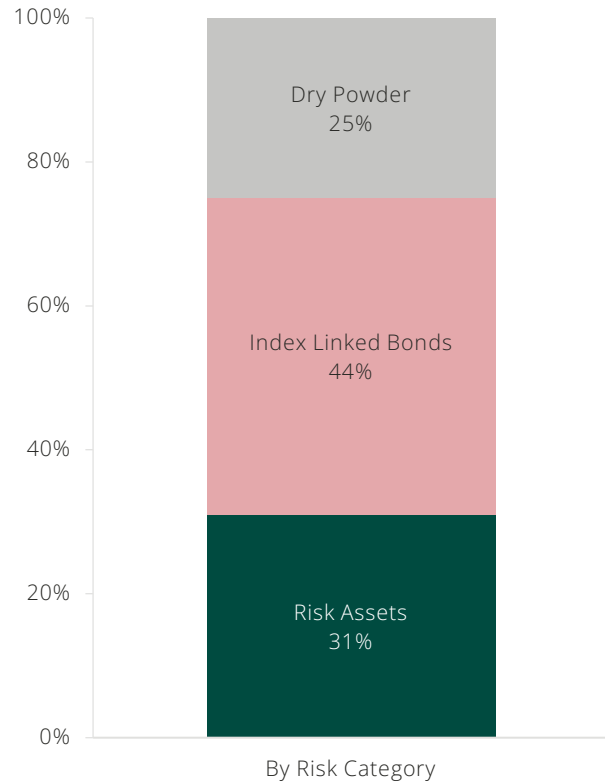
---

*CGAM Q1 2024 Webinar*

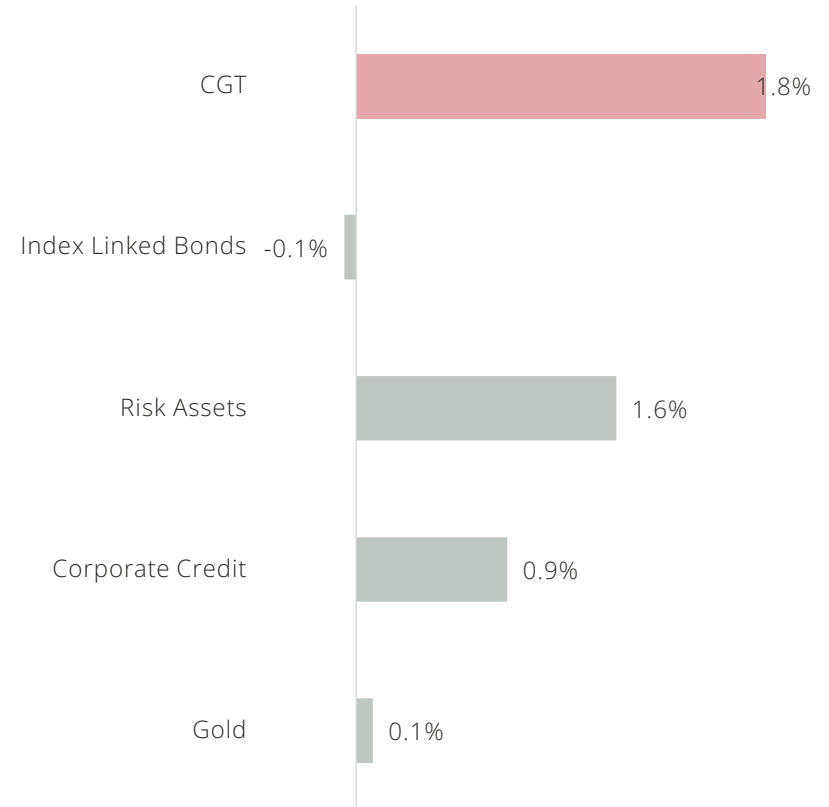
**cgam**

# Positioning is defensive, with a focus on inflation protection

CGT Asset Allocation March 2024



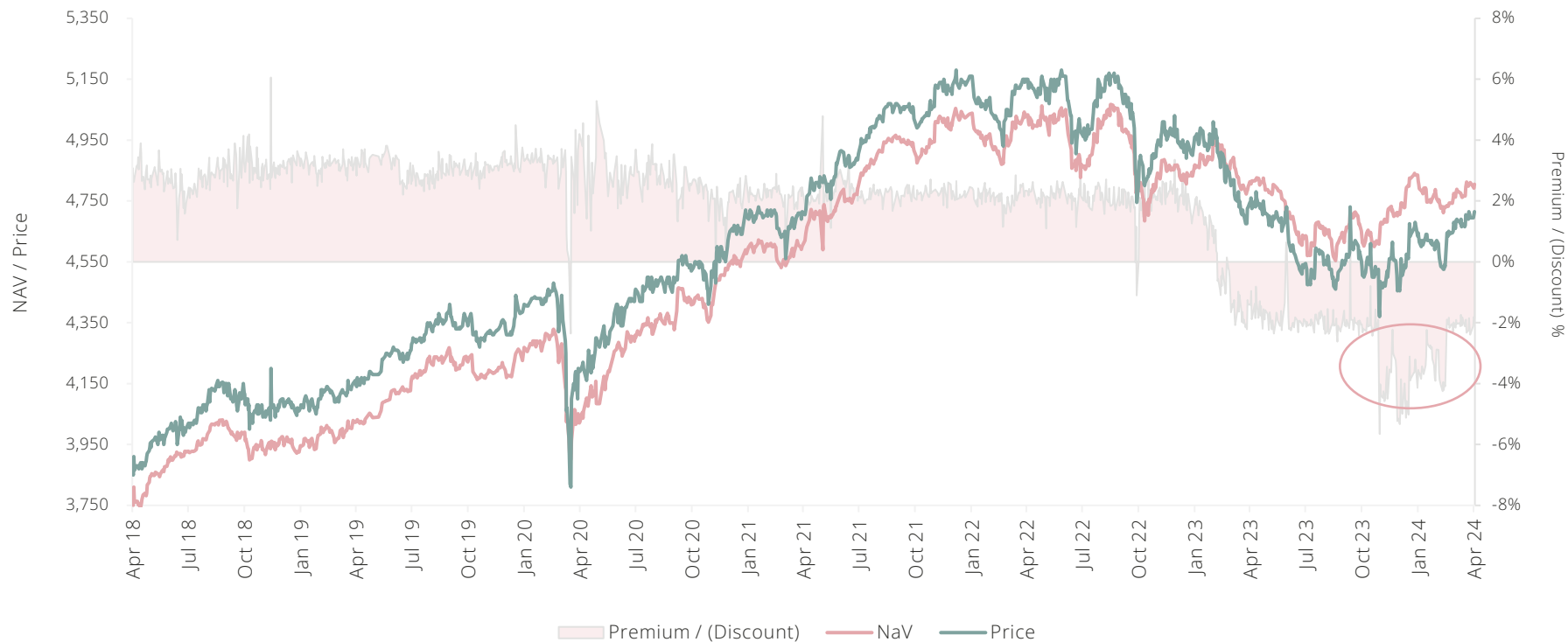
NAV Contribution by Asset Class LTM March 2024



Total performance net of fees  
Source: CGAM, Bloomberg Finance L.P., Northern Trust

# CGT's buy back restrictions ended in February, the DCP is back in operation

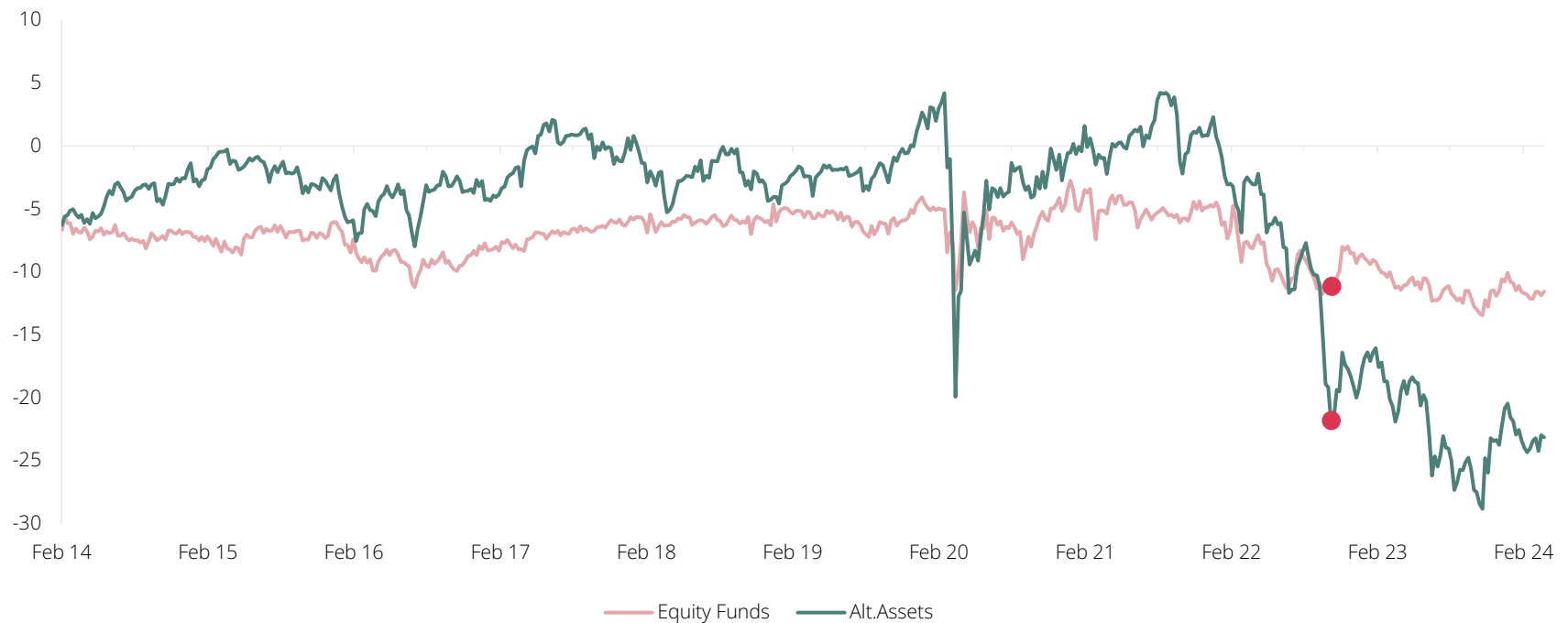
## CGT – Share Price and NAV to March 2024



Source: CGAM, Bloomberg Finance L.P.

# The emergence of a discount is not specific to CGT, it reflects the entire sector

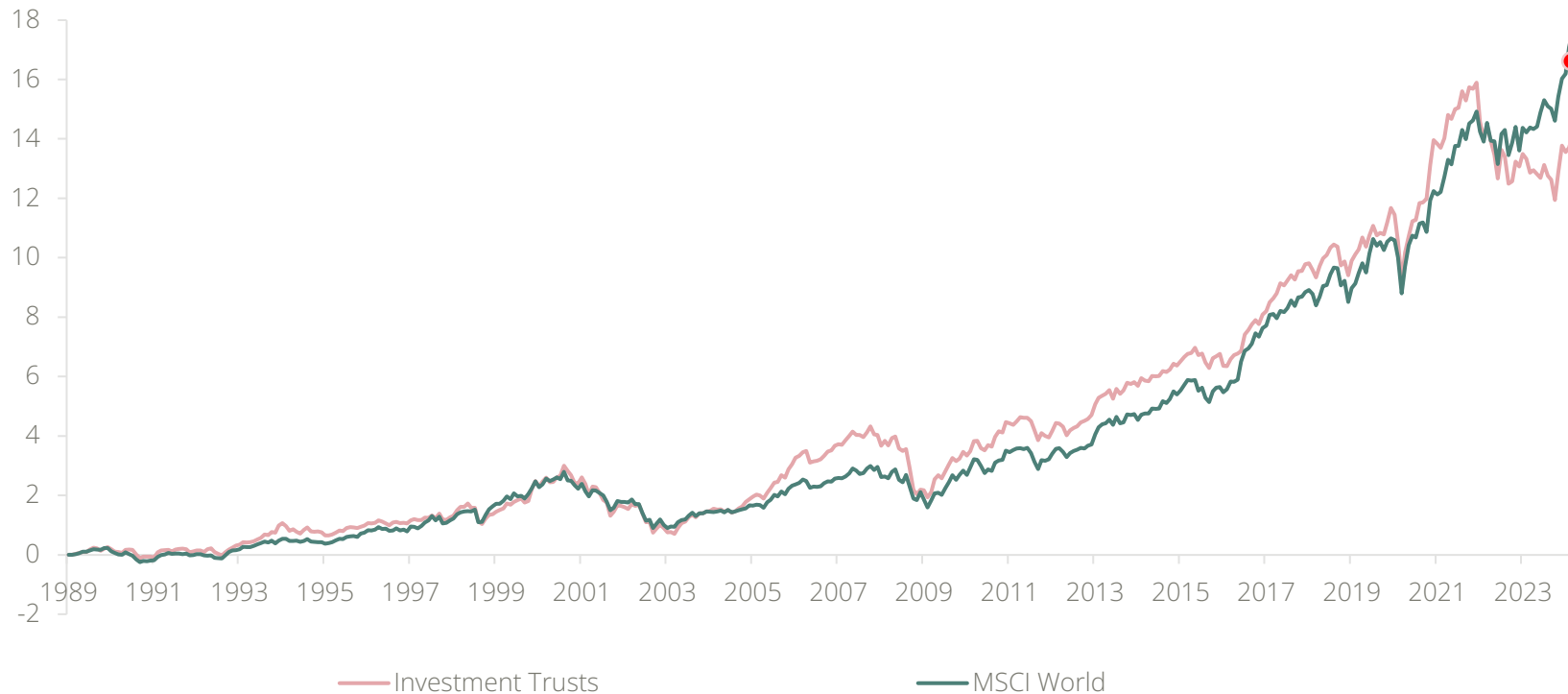
Investment Companies Premium (+) / Discount (-) %<sup>1</sup>



<sup>1</sup>Alternatives exclude 3I  
Source: Deutsche Numis

# Discount expansion explains most of the underperformance vs MSCI World

## Investment Companies Index and MSCI World Total Returns (x)



Source: Bloomberg Finance LP

# Strong relative performance has helped offset weak underlying markets

CGT Risk Assets Returns Performance to March 2024<sup>1</sup>



CGT Bonds Only Returns Performance to March 2024<sup>1</sup>

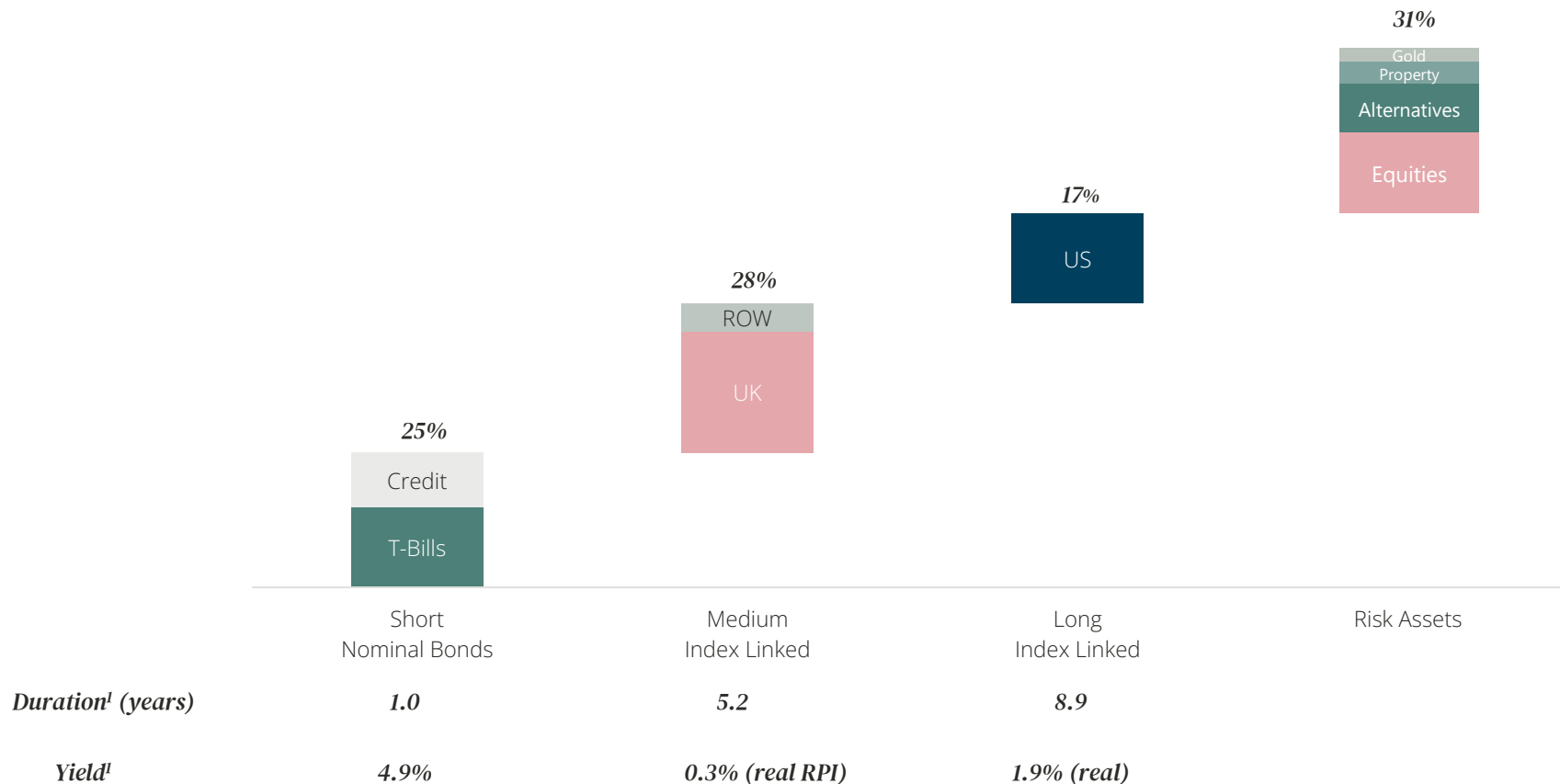


<sup>1</sup>Risk Assets include equities, property, alternatives and gold. Bonds include credit and sovereign bonds (excluding T-Bills and cash), start period reflects the longest period available for CGT under Bloomberg AIM  
Source: Bloomberg Finance L.P., Northern Trust



# We are excited about medium term returns despite our defensive positioning

## CGT Asset Allocation and Yields March 2024



1. Weighted portfolio option adjusted duration and yield to maturity. UK real reflects RPI

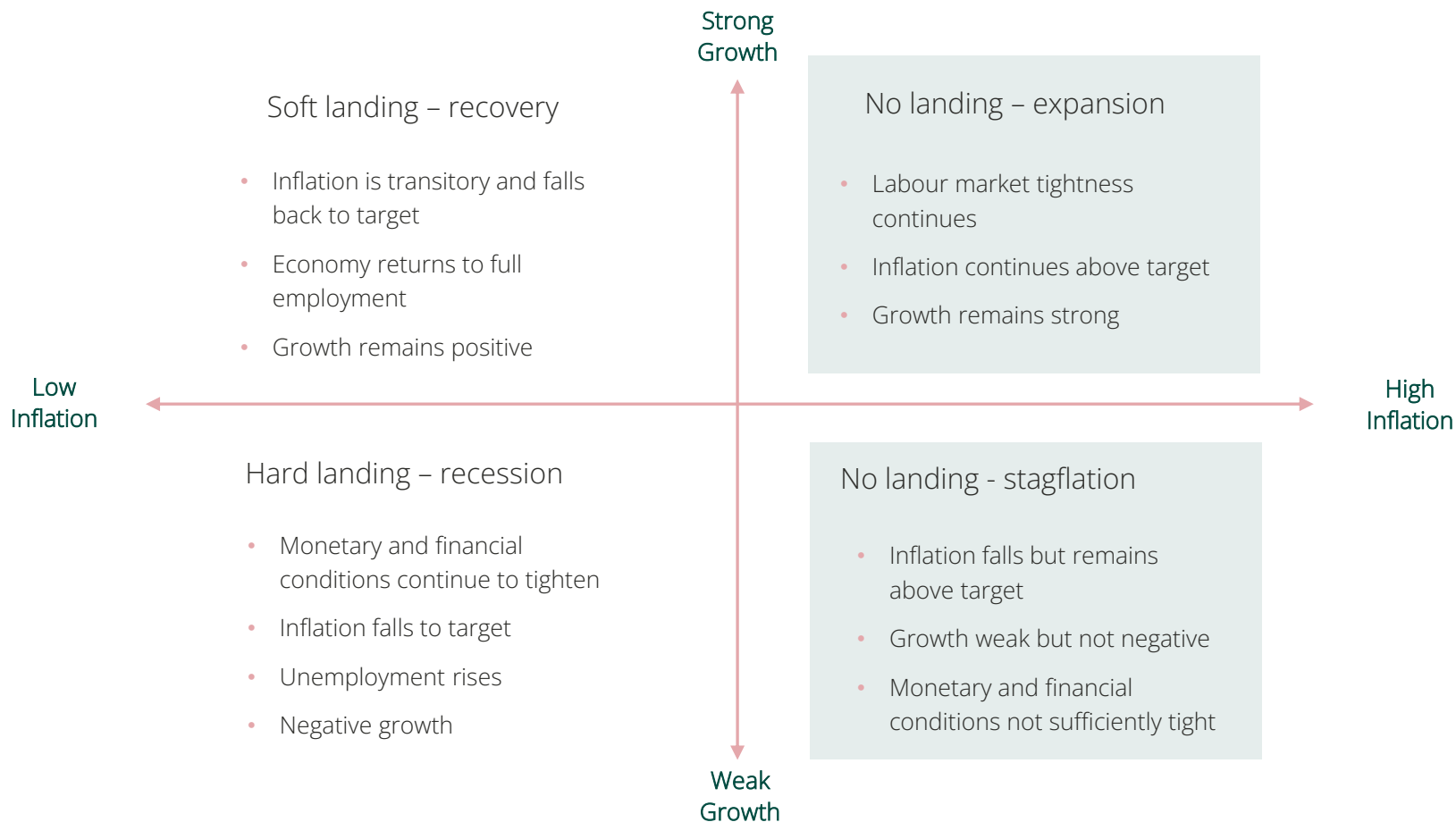
# *Outlook*

---

*CGAM Q1 2024 Webinar*

**cgam**

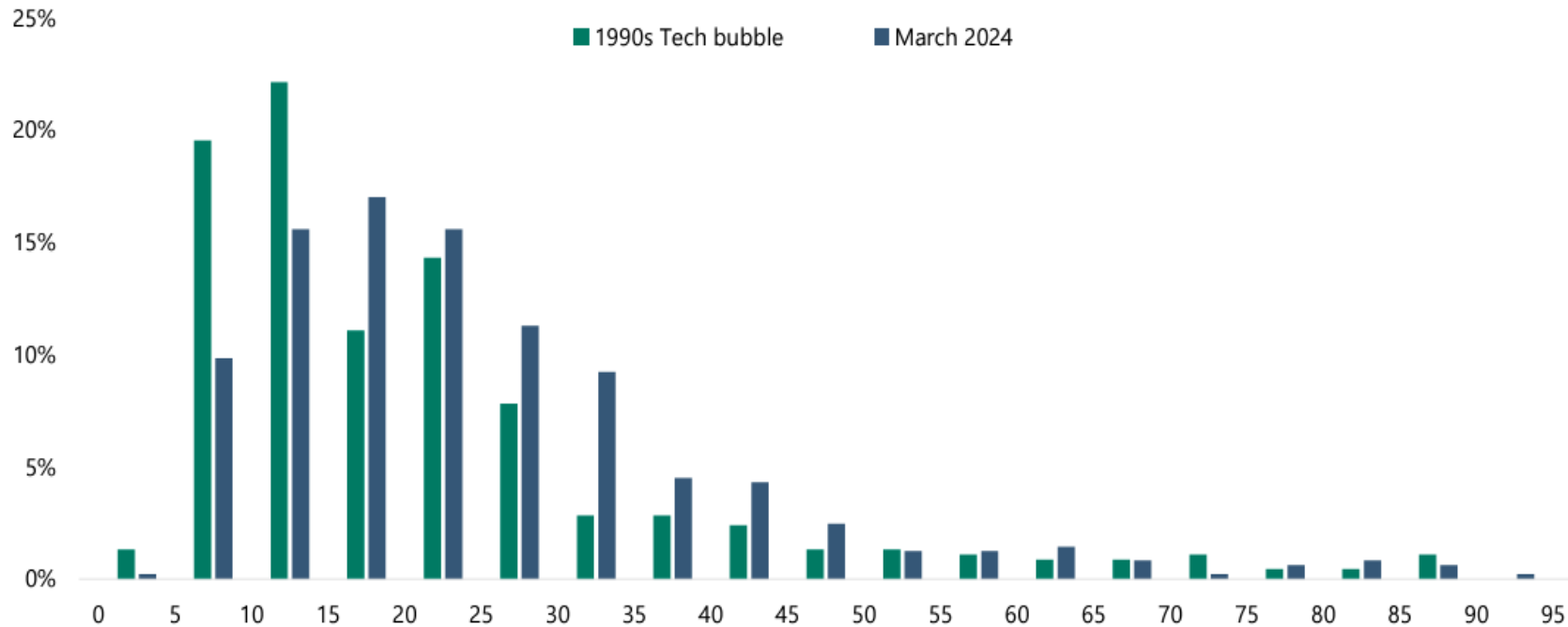
# The probability of a “no landing” scenario in the US is increasing



Outlook

# According to Apollo, stocks are more overvalued than during the tech bubble

Share of stocks in S&P by distribution of P/E ratios



Note: 1990s tech bubble is March 2000  
Source: Apollo Global Management

## Outlook

# An equity investment in Microsoft offers a free cash flow yield of 1.5%

(In millions)				
Year Ended June 30,	2023			\$ bn
<b>Operations</b>				
Net income	\$ 72,361			
Adjustments to reconcile net income to net cash from operations:				
Depreciation, amortization, and other	13,861		+ Cash from Operations	+87.6
Stock-based compensation expense	9,611		- Stock based Comp	- 9.6
Net recognized losses (gains) on investments and derivatives	106			
Deferred income taxes	(6,059)			
Changes in operating assets and liabilities:				
Accounts receivable	(4,087)			
Inventories	1,242			
Other current assets	(1,991)			
Other long-term assets	(2,833)			
Accounts payable	(2,721)			
Unearned revenue	5,535			
Income taxes	(358)			
Other current liabilities	2,272			
Other long-term liabilities	553		- Acquisitions & CAPEX	- 29.8
Net cash from operations	87,582			
<b>Financing</b>				
Cash premium on debt exchange	0			
Repayments of debt	(2,750)			
Common stock issued	1,866		= Free Cash Flow	= 48.2
Common stock repurchased	(22,245)			
Common stock cash dividends paid	(19,800)			
Other, net	(1,006)			
Net cash used in financing	(43,935)			
<b>Investing</b>				
Additions to property and equipment	(28,107)			
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(1,670)		/ Market Cap	3,162
Purchases of investments	(87,681)			
Maturities of investments	33,510			
Sales of investments	14,354			
Other, net	(3,116)			
Net cash used in investing	(22,680)		= Free Cash Flow Yield	= 1.5%
Effect of foreign exchange rates on cash and cash equivalents	(194)			
Net change in cash and cash equivalents	20,773			
Cash and cash equivalents, beginning of period	13,931			
Cash and cash equivalents, end of period	\$ 34,704			

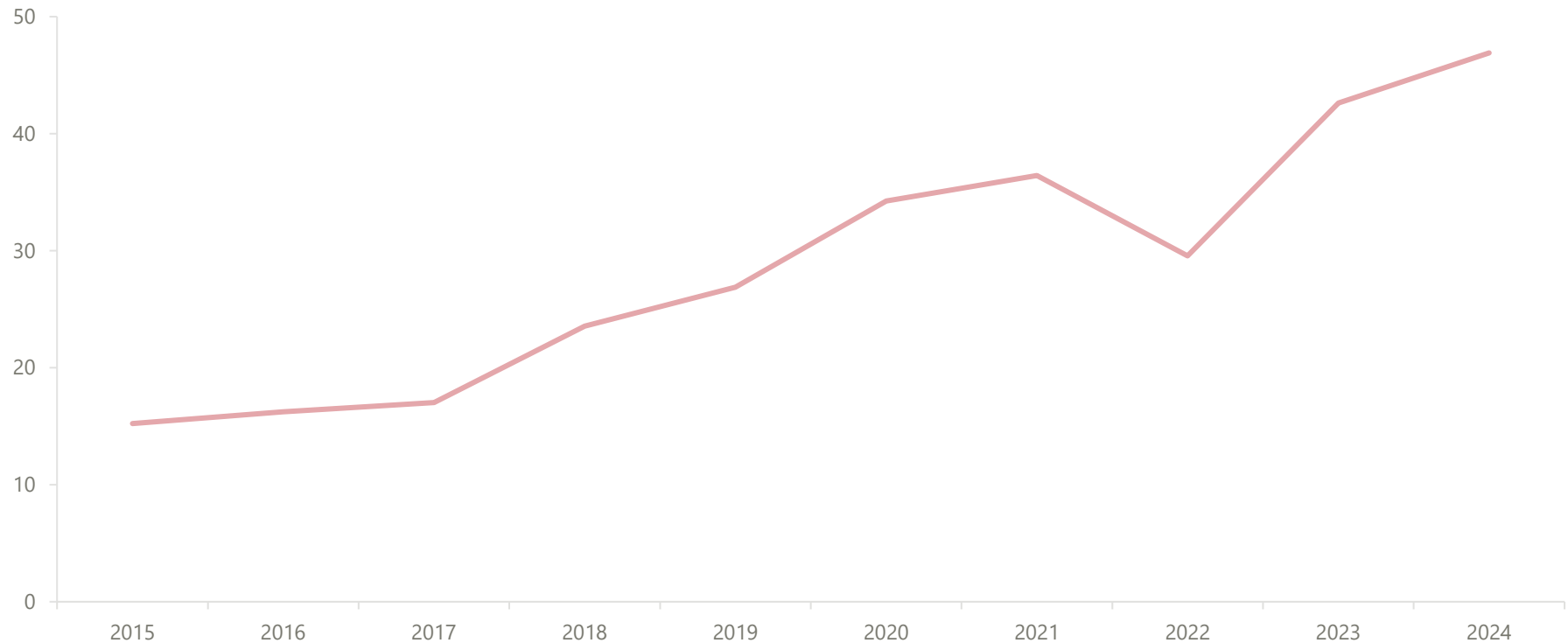
Source: Microsoft Annual Report

## Outlook

# How high can a free cash flow multiple go?

---

### Microsoft – Price to Free Cash Flow 2015 to 2024

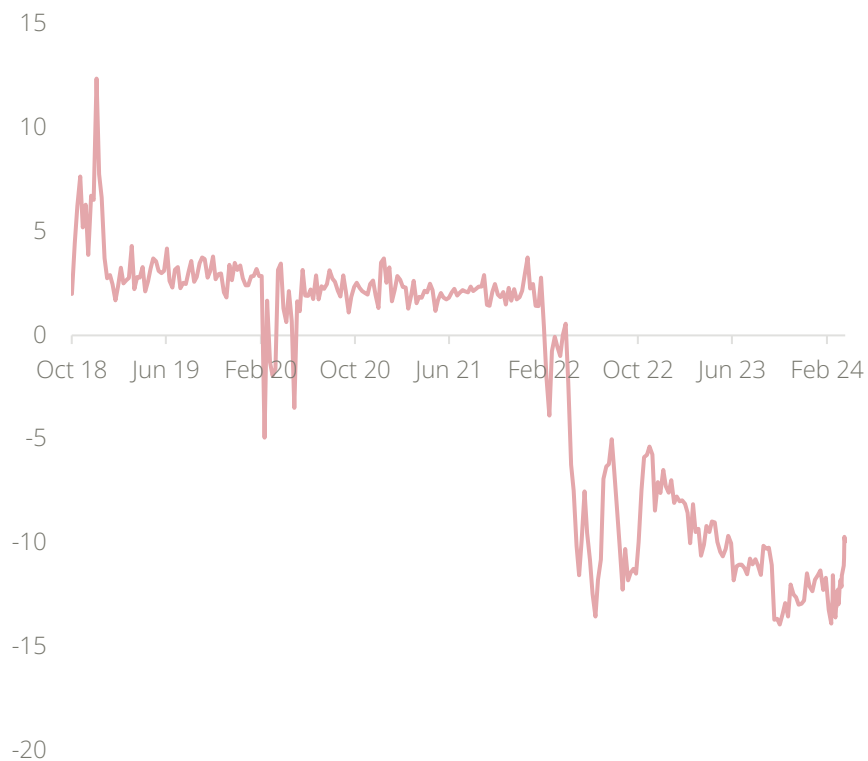


Source: Bloomberg LP

## Outlook

# Quality growth investment trusts are available in the bargain bin

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



RIT Capital Partners: Premium (+) / Discount (-) %<sup>1</sup>

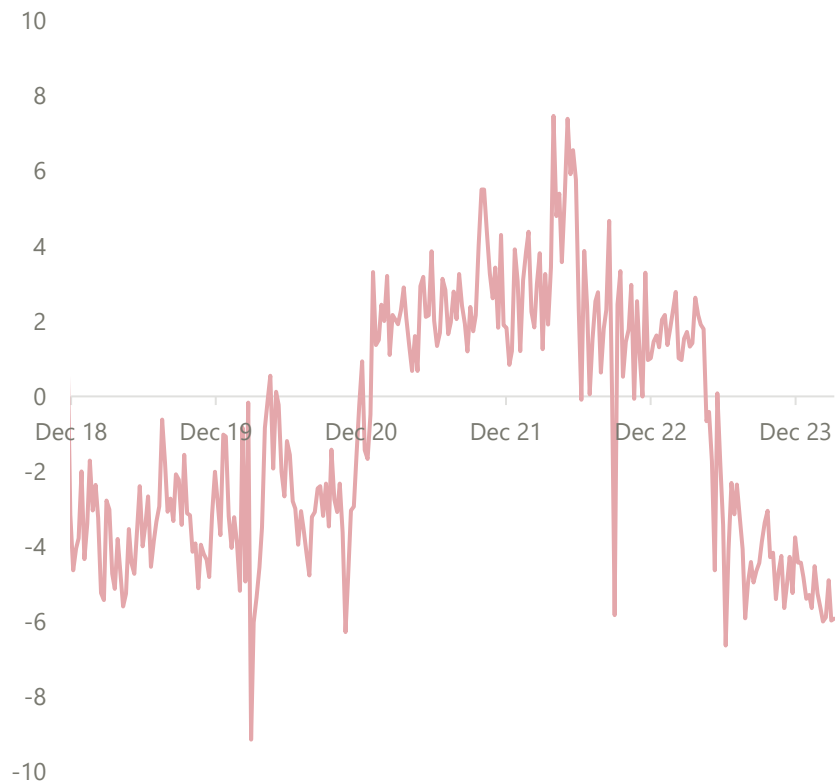


1. Net asset values are reported daily for SSON and monthly for RCP  
Source: Bloomberg Finance L.P.

## Outlook

# Diversifiers are also there in the bargain bin if you rummage around

Ruffer Investment Company: Premium (+) / Discount (-) %<sup>1</sup>



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



1. Net asset values are reported on a weekly basis

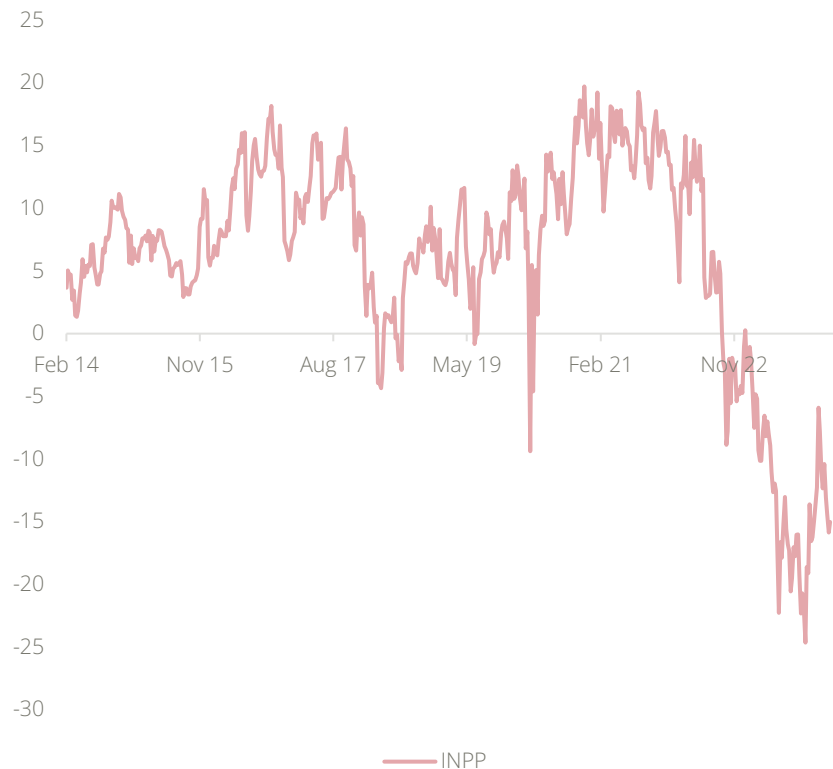
Source: Bloomberg Finance L.P.



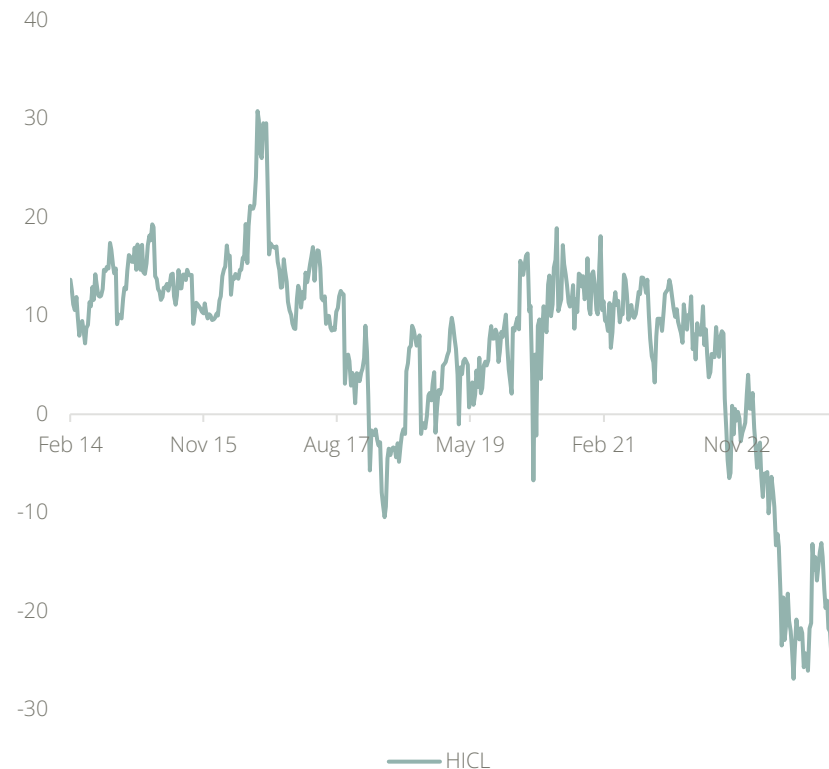
## Outlook

# Bond proxies are also available at a knock down price

**International Public Partnerships: Premium(+) / Discount (-) %**



**HICL: Premium (+) / Discount (-) %**



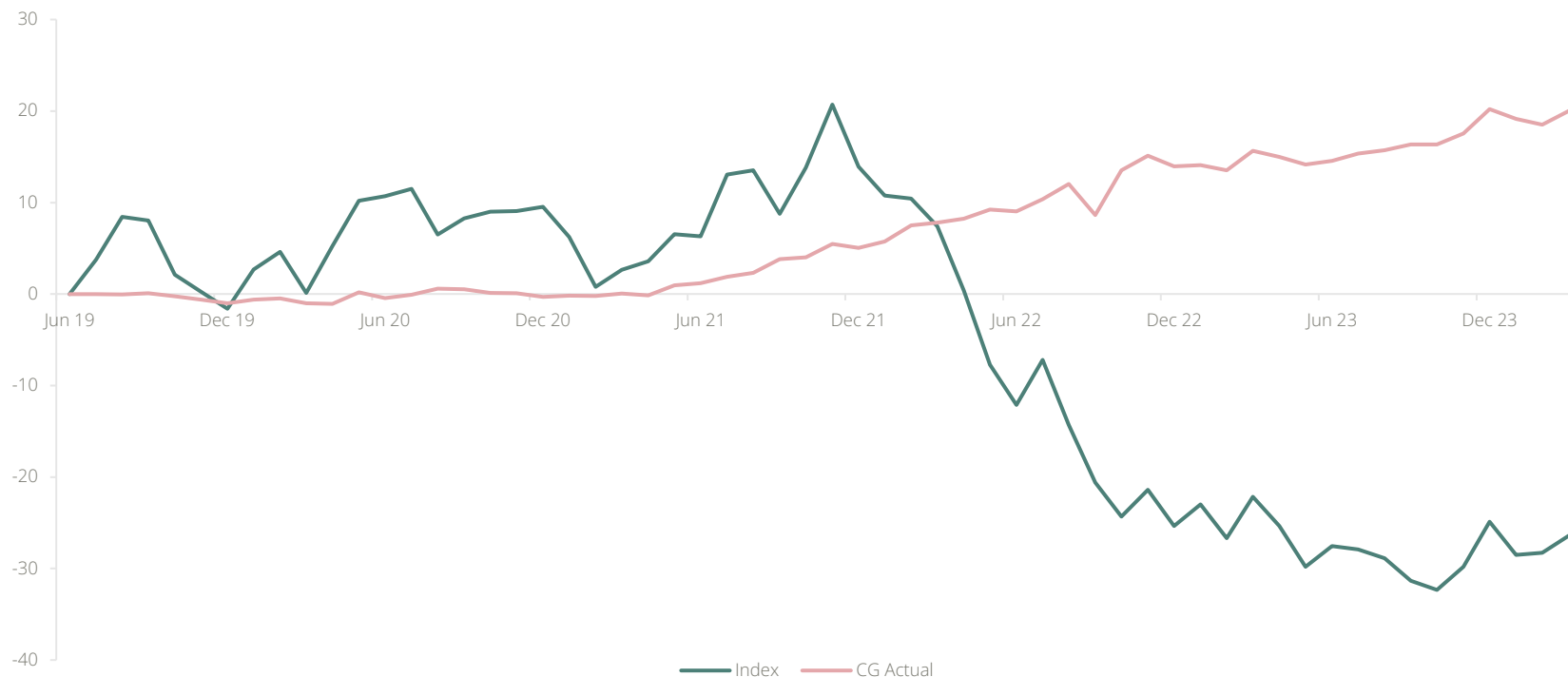
1. Net asset values are reported on a quarterly basis

Source: Bloomberg Finance L.P., Numis

Outlook

# Please forgive a small advertisement for our recently launched UK Index Linked Fund

## CG Performance – UK Linker Holdings



CG Actual represents performance of CGAM UK index linked holdings within Capital Gearing Trust. Index refers to Bloomberg UK Govt Inflation-Linked All Maturities Total Return Index. Please note these analyses are theoretical and should be construed in that light.  
Source: Northern Trust, Bloomberg Finance L.P., CGAM

*Outlook*

**Any questions?**

---

---

IR@cgasset.com  
+44 20 3906 1649  
20 King Street, London, EC2V 8EG

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

cgam