

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 strata. The background is dark and textured.

CG Asset Management

Q3 2026 Webinar

October 2026

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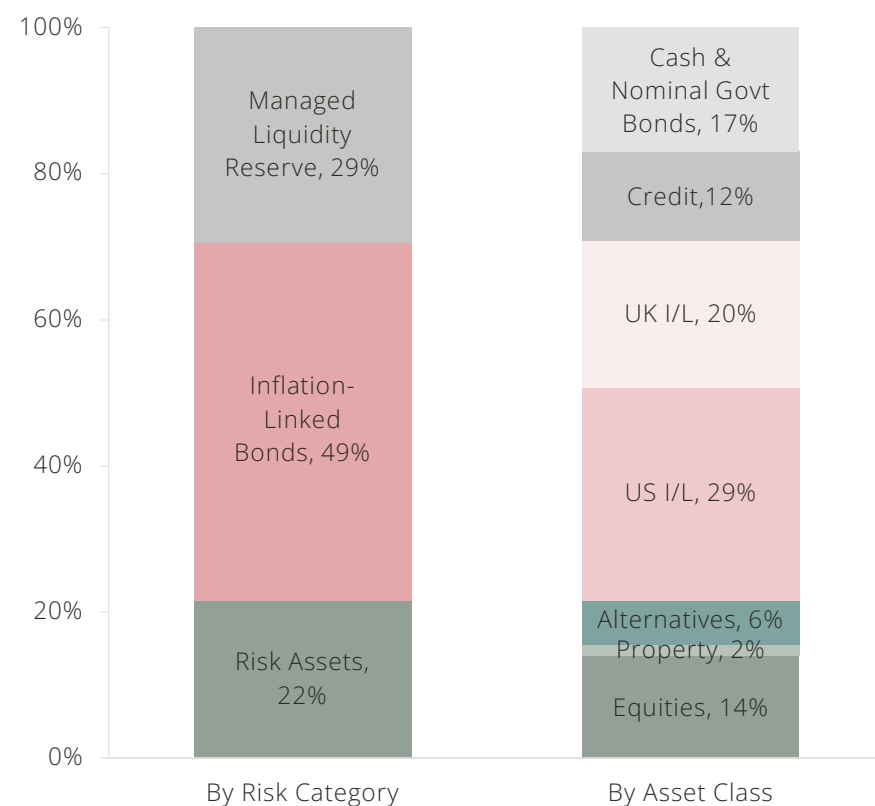
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Positioning and Returns

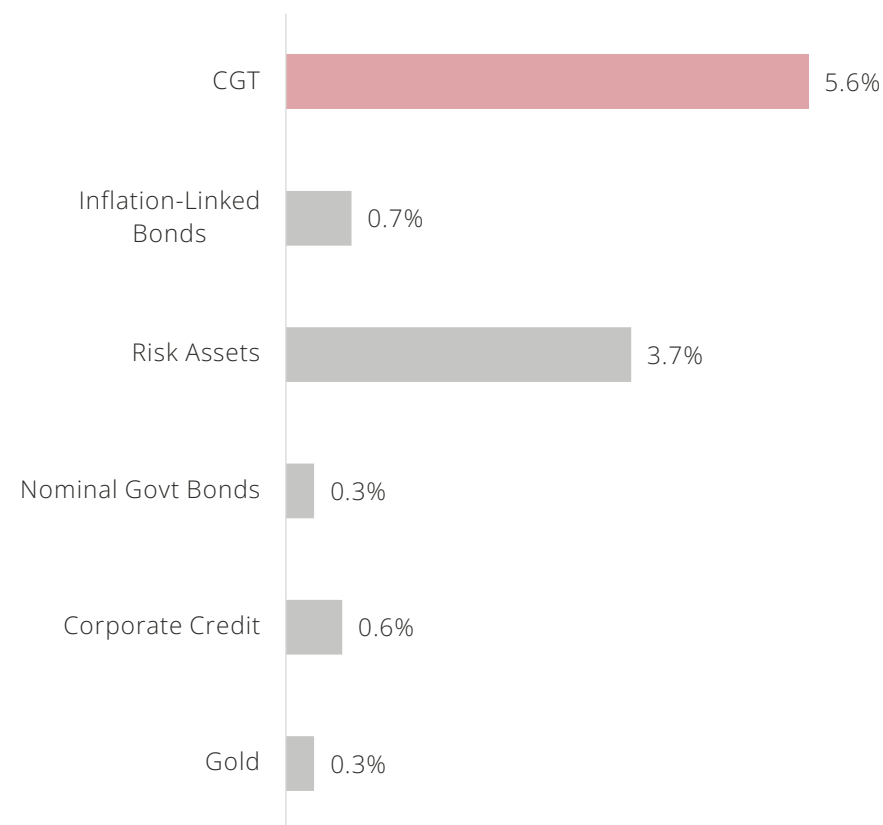
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The portfolio has continued to perform ahead of inflation

CGT Asset Allocation September 2026



Contribution by Asset Class LTM



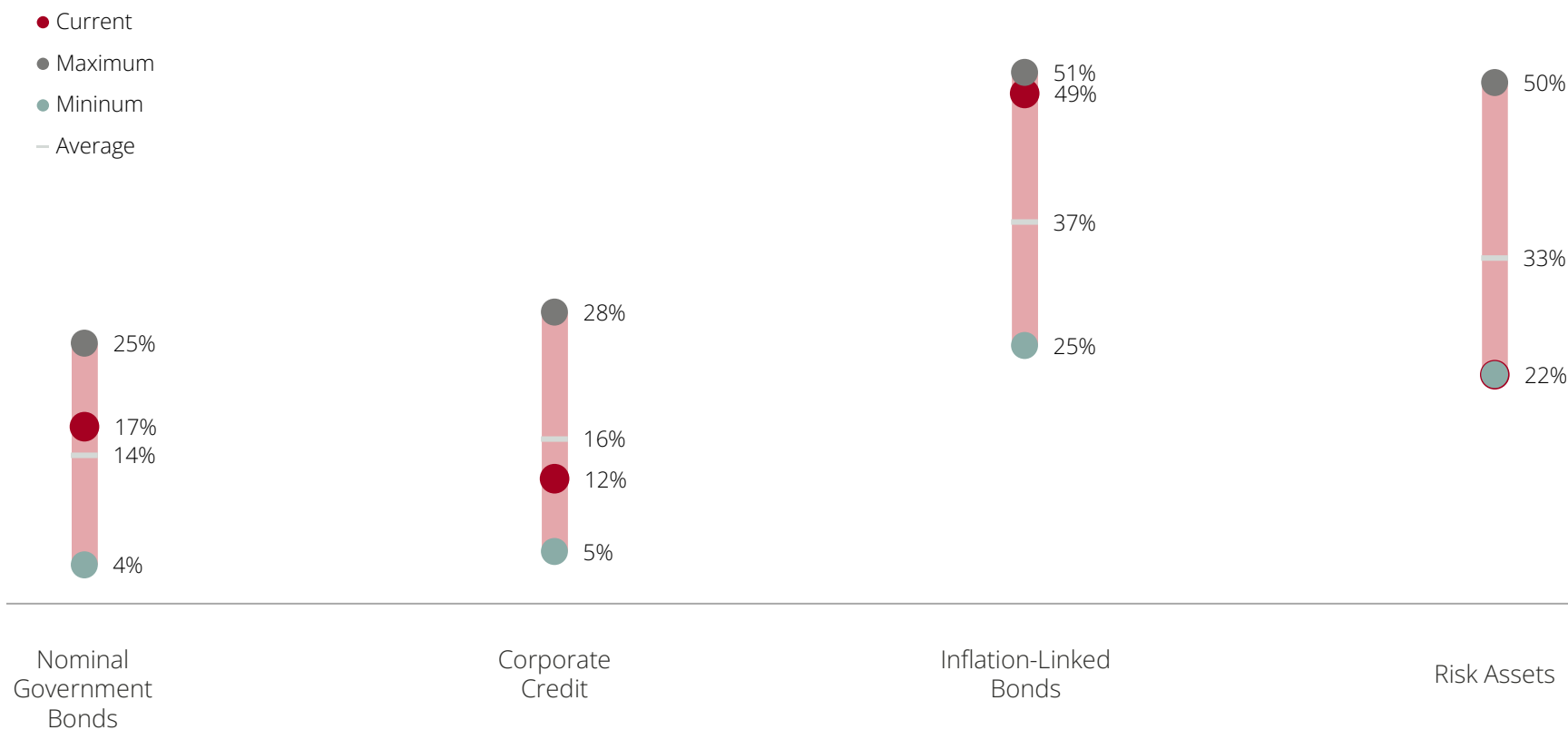
NAV performance net of fees

Source: CGAM, Bloomberg Finance L.P., Northern Trust

Positioning and Returns

Positioning is defensive relative to history, owing to concerns around the outlook for government debt and stretched equity valuations

CGT Asset Allocation: 2011-2026

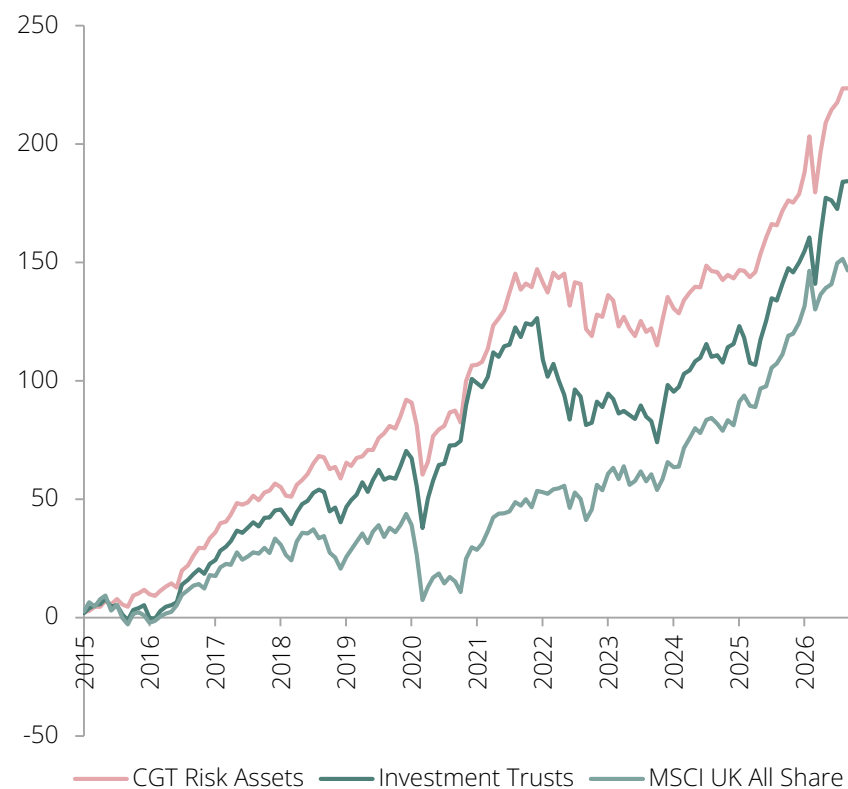


Source: CGAM, Bloomberg Finance L.P., Northern Trust, Enfusion

Positioning and Returns

Both equity and bond portfolios have contributed to outperformance

CGT Risk Assets Returns Performance to September 2026¹



CGT Bonds Only Returns Performance to September 2026¹

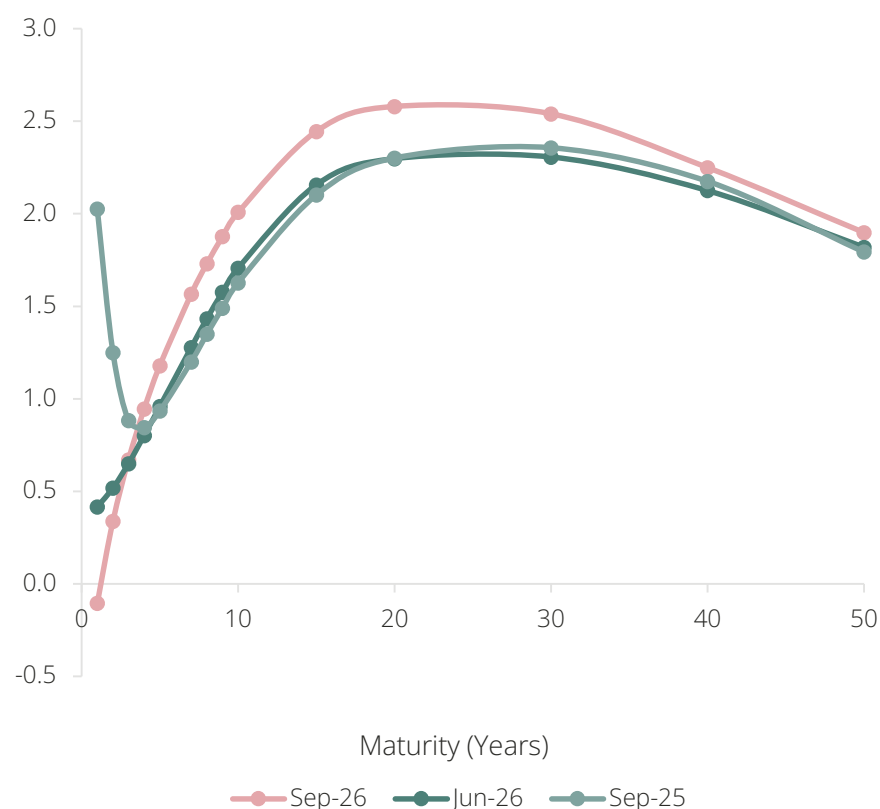


¹ Risk Assets include equities, property, alternatives and gold. Bonds include credit and sovereign bonds (excluding T-Bills and cash), start period reflects the longest period available for CGT under Bloomberg AIM
Source: Bloomberg Finance L.P., Northern Trust

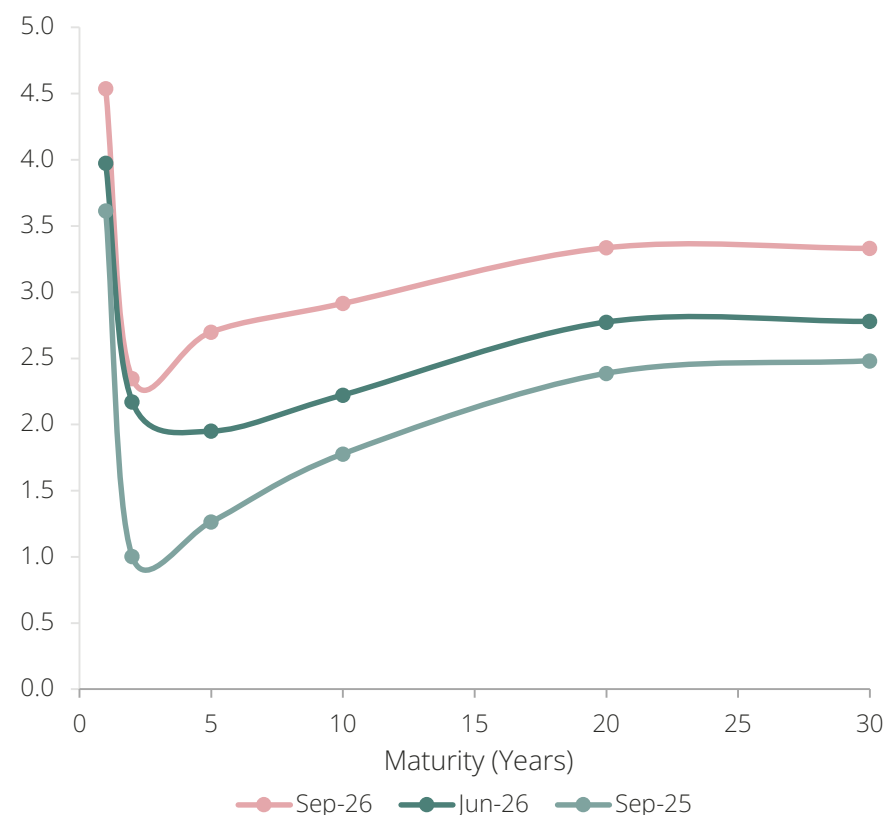
Positioning and Returns

One of the main features of financial markets in Q3 has been the ongoing sell-off in government bond markets. This has continued into Q4...

UK Real Yield Curve (%)



US Real Yield Curve (%)

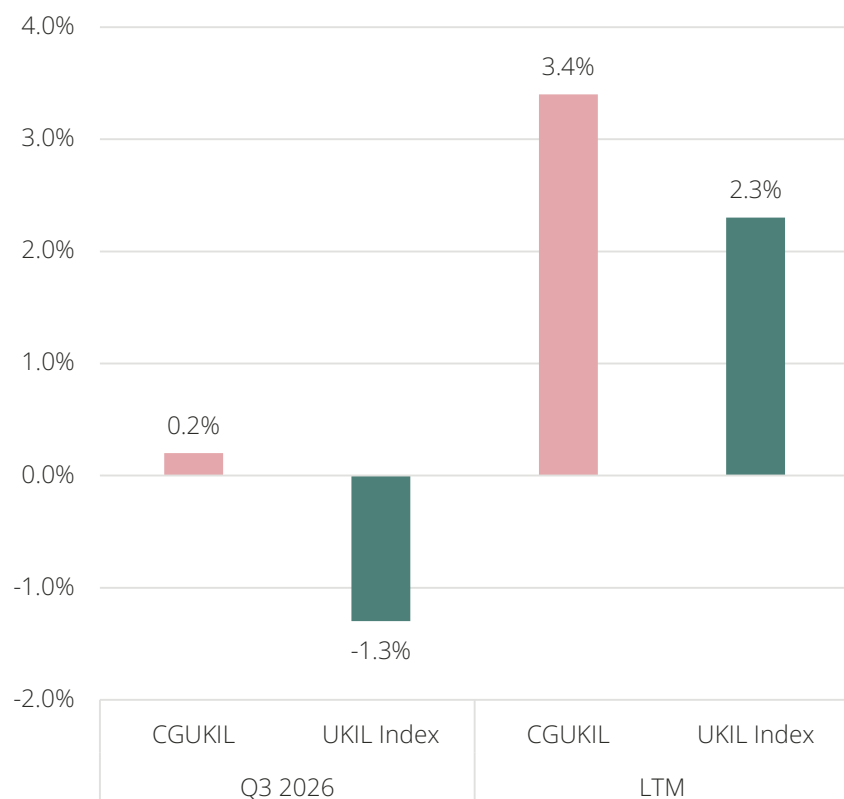


Source: Bloomberg Finance LP.

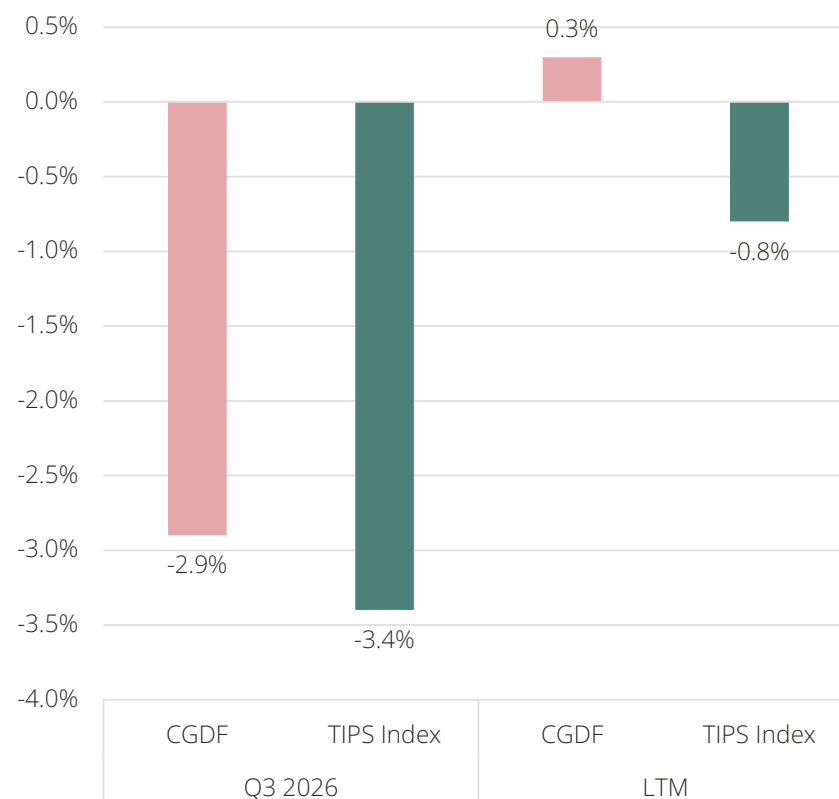
Positioning and Returns

Against a challenging backdrop, our inflation-linked bonds outperformed their respective benchmarks

Relative performance: Index-Linked Gilts



Relative performance: TIPS

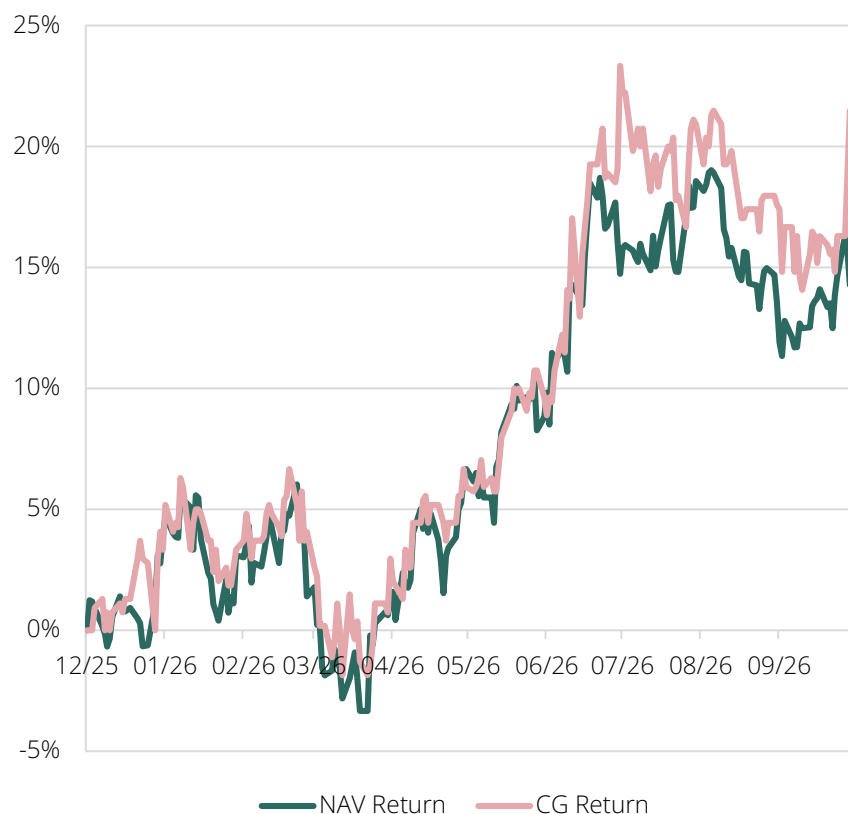


Source: Bloomberg Finance LP, Northern Trust.

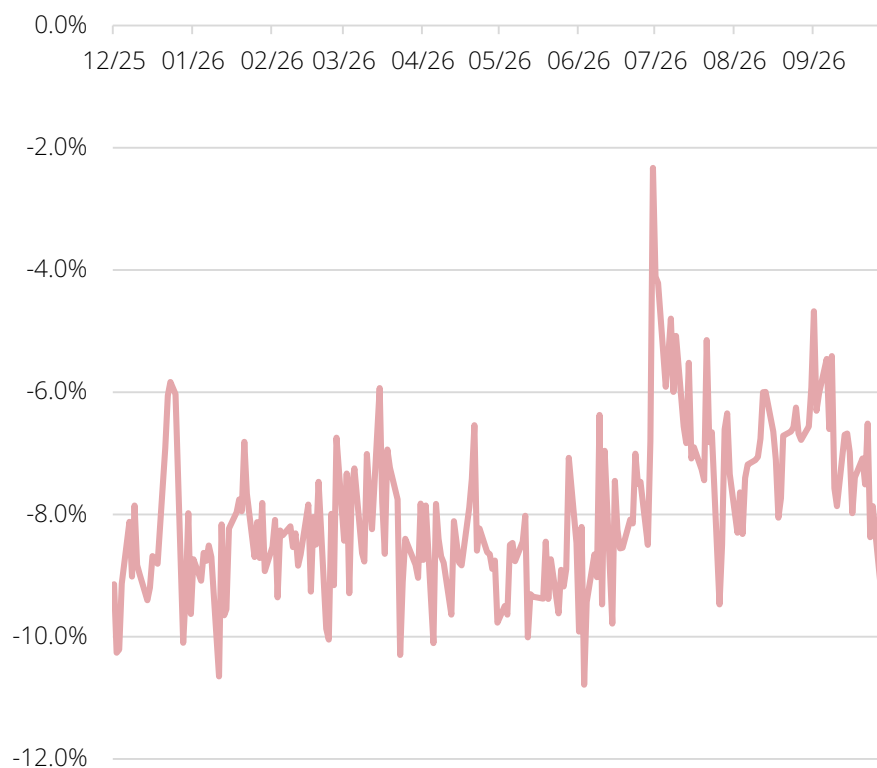
Positioning and Returns

Despite our constrained allocation to risk assets, we continue to take advantage of discount opportunities in the investment trust market

Brown Advisory US Smaller Companies: CG vs NAV Return



Brown Advisory US Smaller Companies: Discount to NAV (%)



Source: Bloomberg Finance L.P.
Return taken from initial investment.

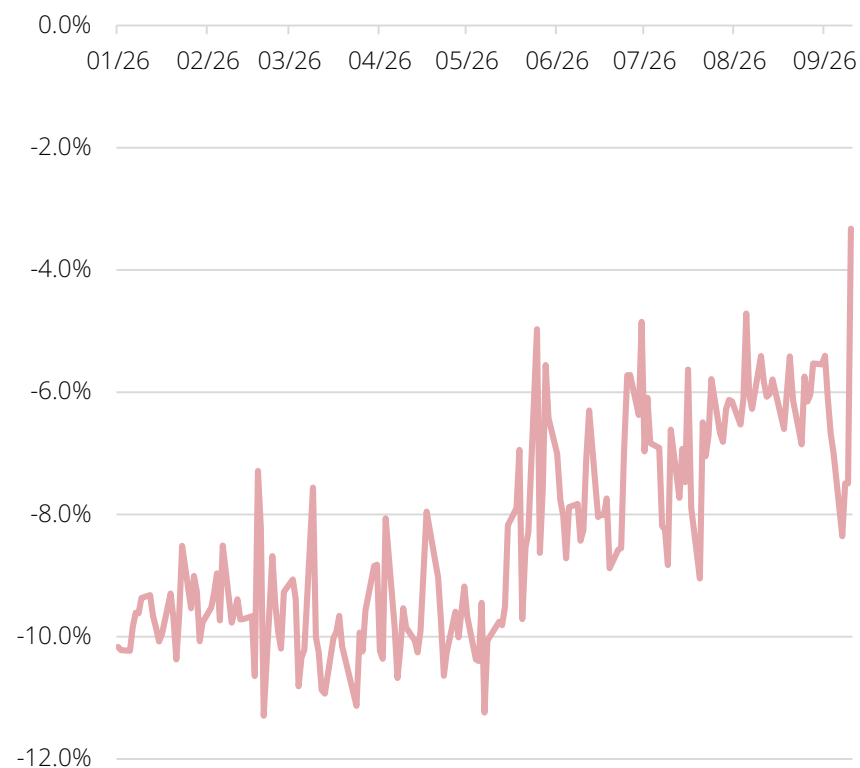
Positioning and Returns

Board-led strategic reviews continue to offer opportunities to exit positions at close to NAV

Pacific Assets Trust: CG vs NAV return (%)



Pacific Assets Trust: Discount to NAV (%)

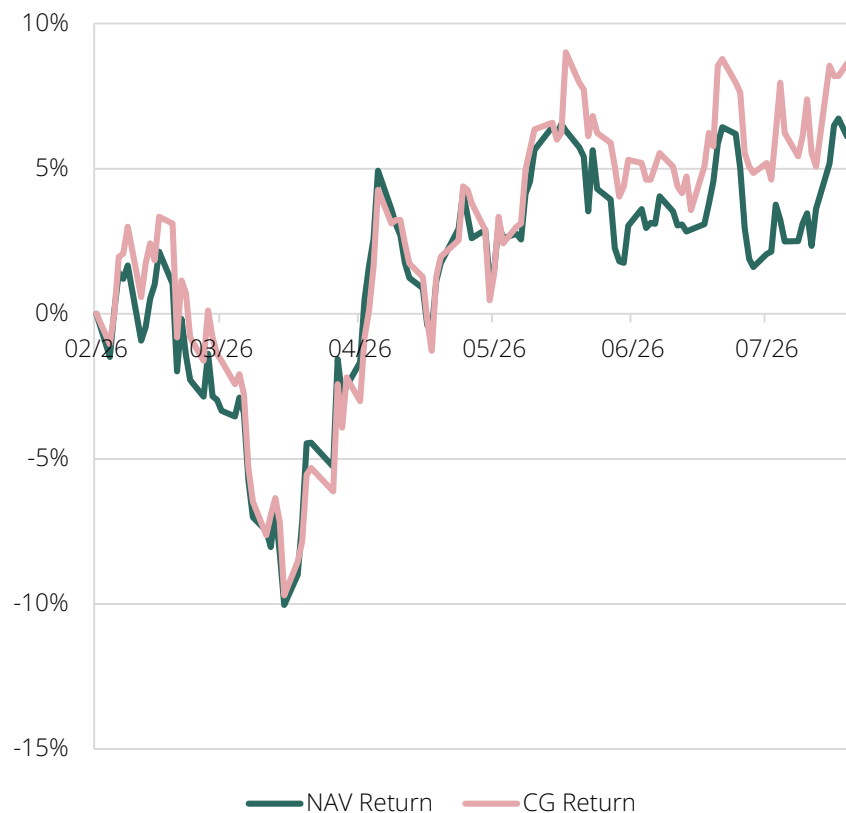


Source: Bloomberg Finance L.P.
Return figures taken from initial investment.

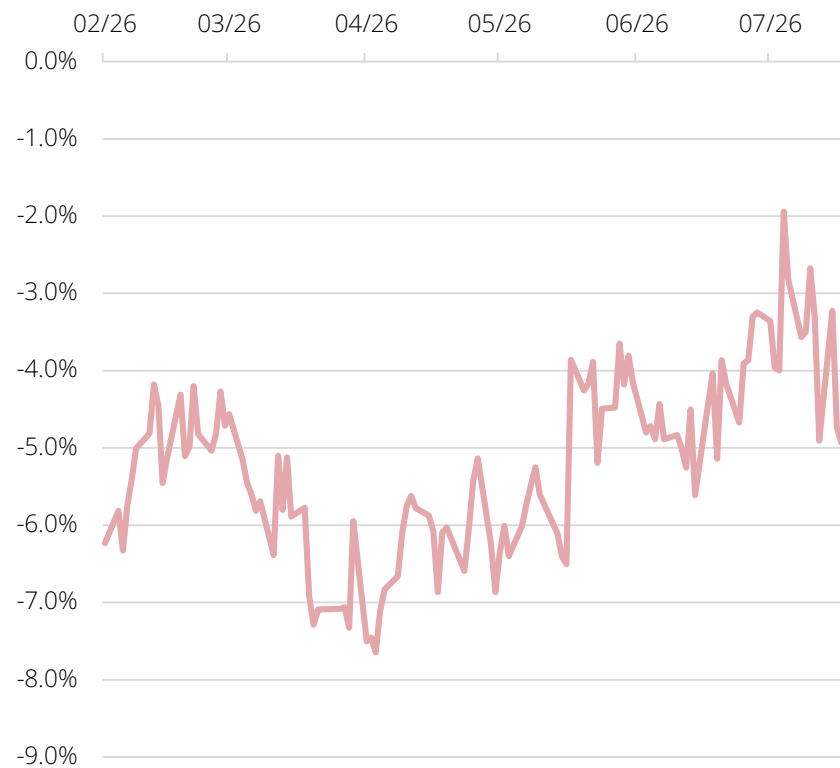
Positioning and Returns

...but sometimes the exit costs are higher than expected!

European Opportunities Trust: CG vs NAV return



European Opportunities Trust: Discount to NAV (%)



Source: Bloomberg Finance L.P.
Return figures taken from initial investment.

Outlook

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Our defensive positioning is underscored by the current outlook



Elevated borrowing requirements

Bond yields are rising, pushed higher by elevated borrowing requirements across **governments and AI hyperscalers**



Stretched equity valuations

US equity valuations **appear stretched** against a deteriorating bond market backdrop, and



Increasing leverage in financial markets

Rising use of leverage by hedge funds in bond and equity markets **has increased the risk of a more pronounced sell-off**

Outlook

Bond markets continue to sell off, as deficit spending rises across virtually all major developed market issuers

US vs. UK 10Y Real Yields (%)



“Le spread”: French 10Y OAT less German 10Y Bund (bps)

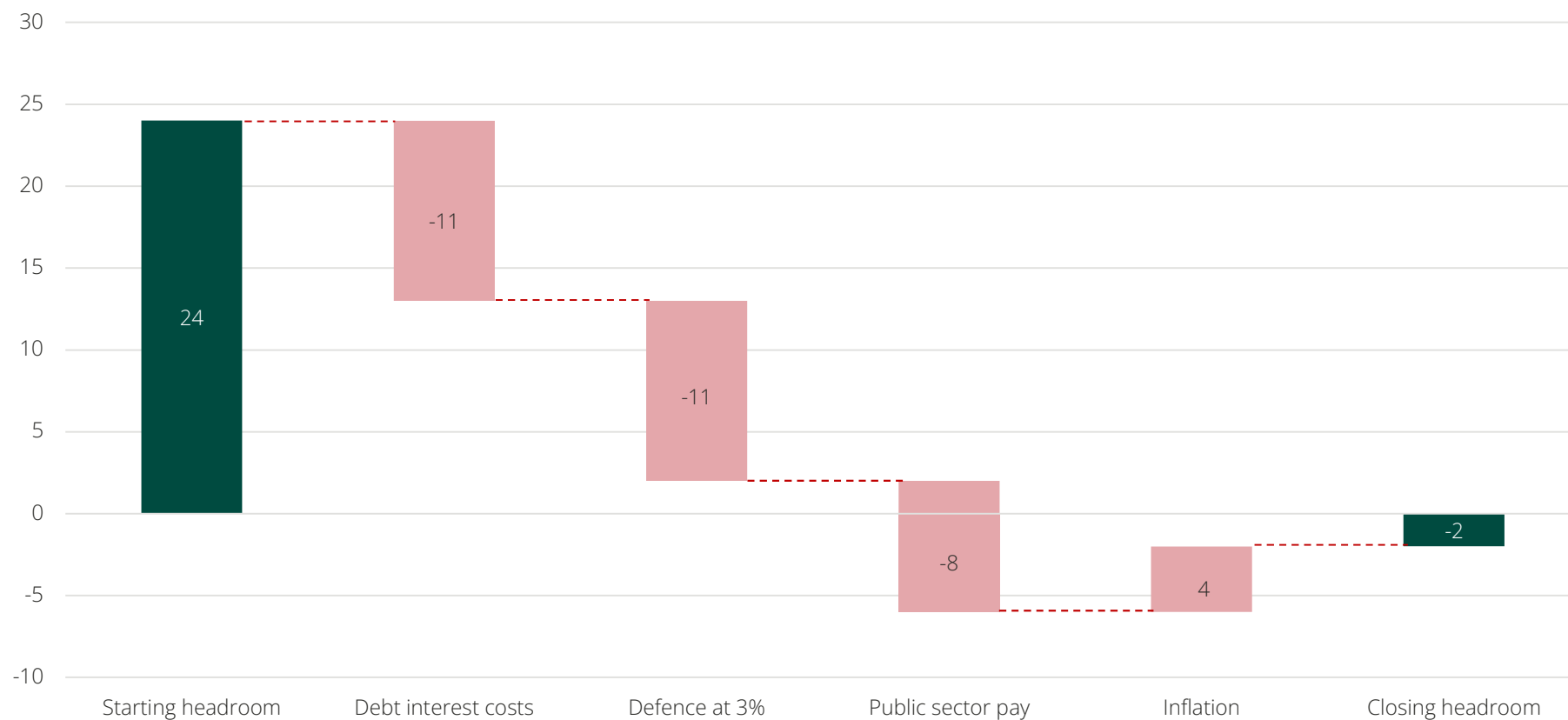


Source: Bloomberg Finance LP.

Outlook

The combination of elevated debt levels, a deteriorating economic outlook, and pre-committed spending make the Chancellor's job difficult...

Evolution of the UK's fiscal headroom going into October Budget (£bn)

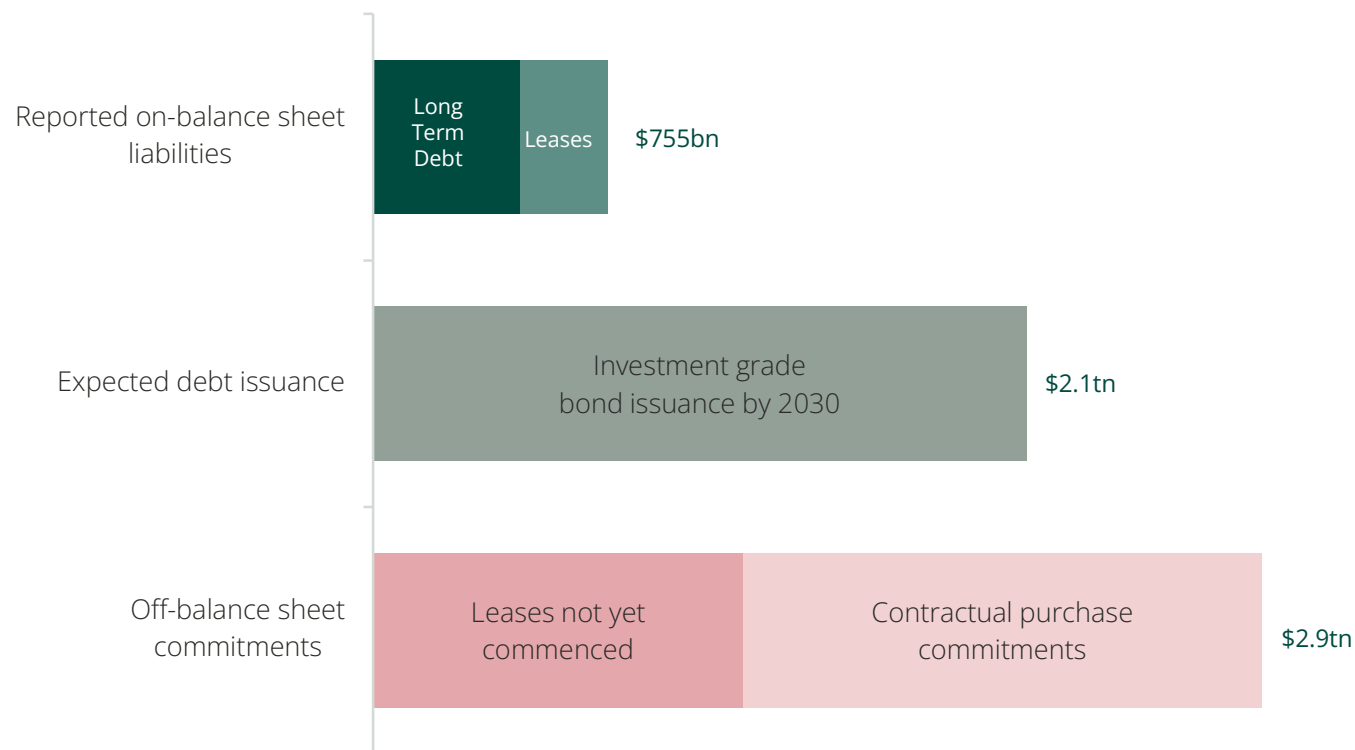


Source: Institute for Fiscal Studies, CGAM calculations.

Outlook

Elevated borrowing requirements now extend beyond governments. AI hyperscaler issuance is now adding to pressure in fixed income markets

Hyperscaler contractual commitments by 2030 (\$bn)



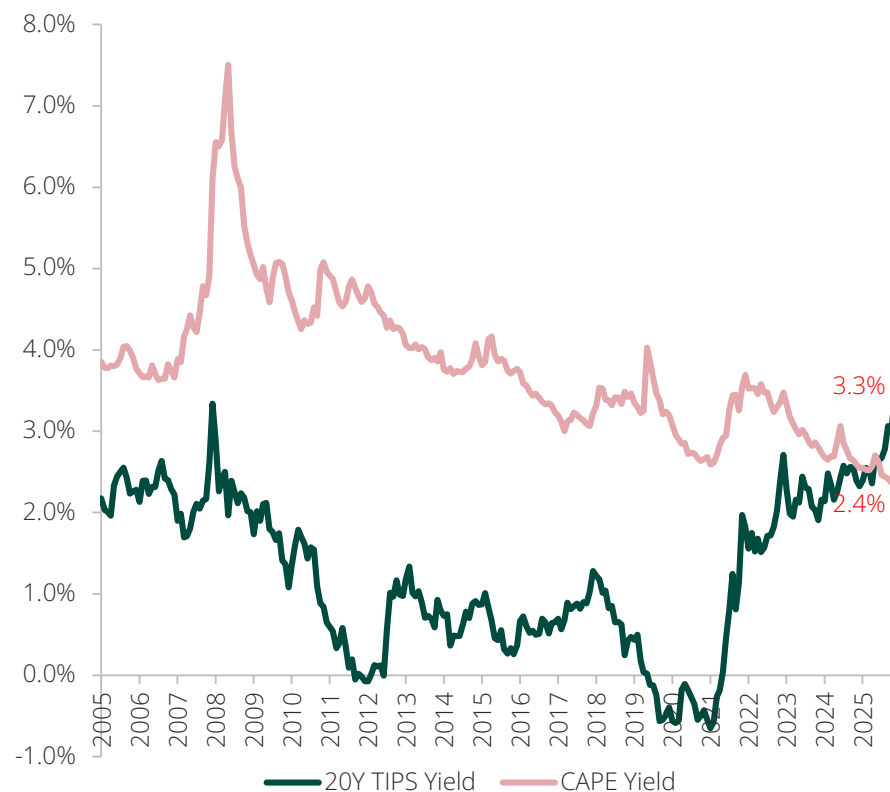
Source: CGAM analysis of company accounts.

Hyperscalers include: Amazon, Alphabet Meta, Microsoft, Oracle and Nvidia.

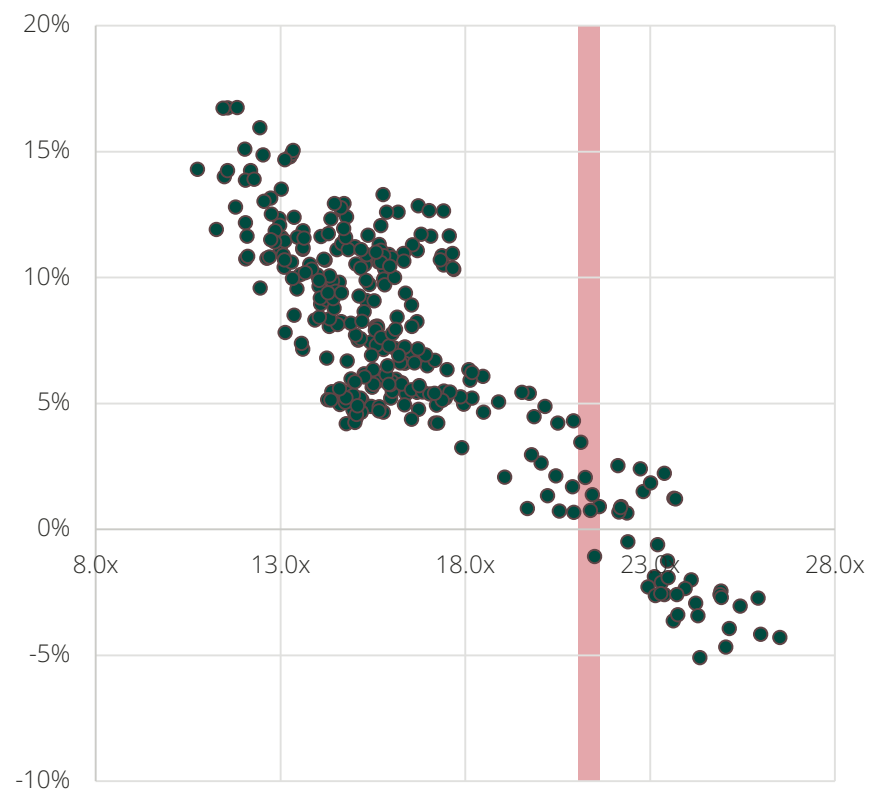
Outlook

While bond markets deteriorate, equity markets remain ambivalent

S&P 500 CAPE Yield vs. 20Y TIPS Yield (%)



S&P 500 forward P/E ratios and subsequent 10-year returns (% annualised total return)

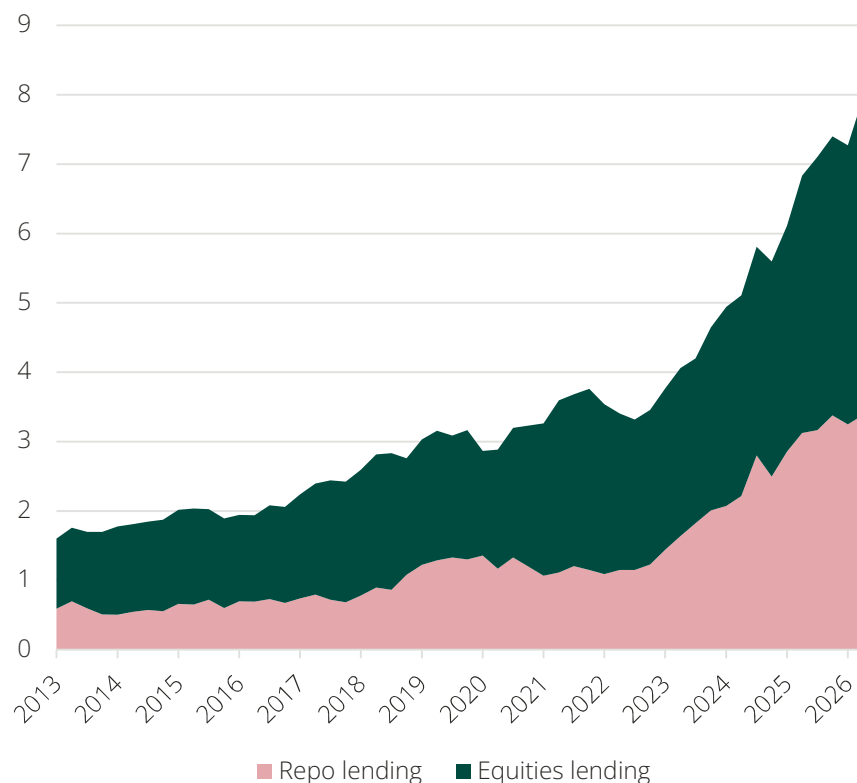


Source: Bloomberg Finance LP, Robert Shiller Online Database (yale.edu), CGAM calculations.

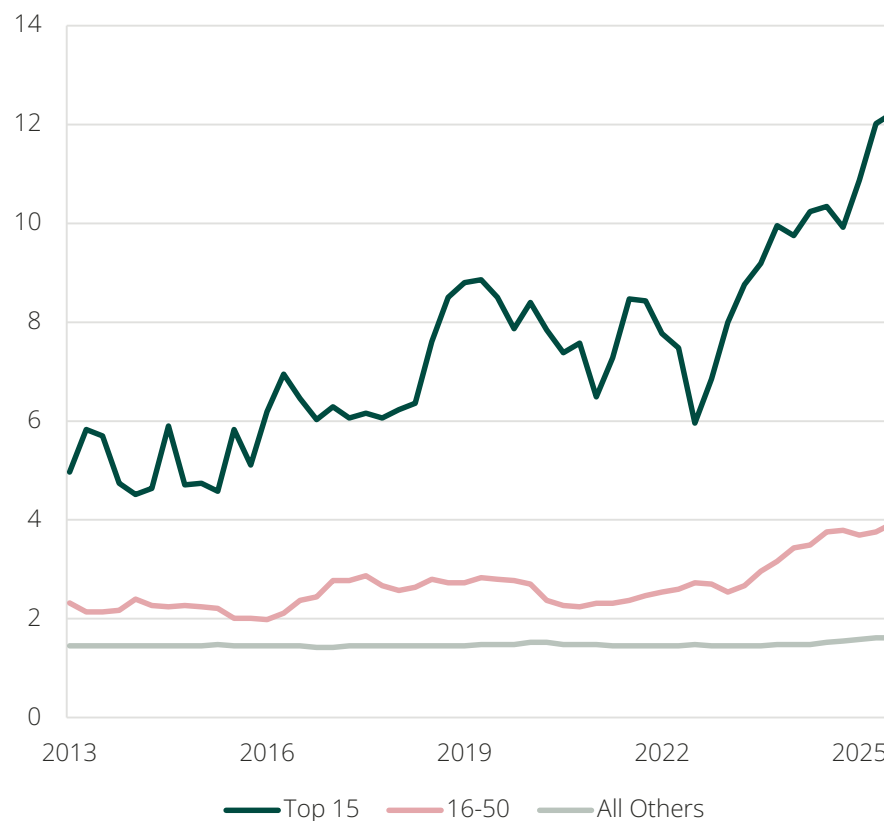
Outlook

The increasing presence of leveraged hedge funds in financial markets has the potential to amplify a market sell off, and risks wider contagion

Hedge fund borrowing (\$tn)



Balance sheet leverage at largest hedge funds (x)



Leverage measured as gross asset value divided by net asset value
Source: OFR, US Fed

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