ALL WEATHER REVIEW

QUARTER TWO | TWO THOUSAND AND TWENTY ONE

CS INVESTMENT MANAGERS

The quarter saw government bond yields decline from their March peak. This follows a significant jump in yields from a low base last August, turbocharged by the vaccine announcements in November and the reality of economies reopening. The US 10-year yield troughed at around 0.5% last summer, peaking at just below 1.75% by the end of March this year. At the time writing, the yield has since dropped to 1.3%.

The reality is that, over the short-term, the bond market is often as confused as everyone else. It is subject to a myriad of forces pulling in opposite directions and prone to mood swings accentuated by the prevailing narrative. The rise in yields in March reflected conviction in a sustained economic recovery, in contrast to the despondency about the future at last year's lows. The more recent shift towards lower yields reflects tempered enthusiasm for the seamless reopening of economies as well as a more sanguine view about the future trajectory of inflation.

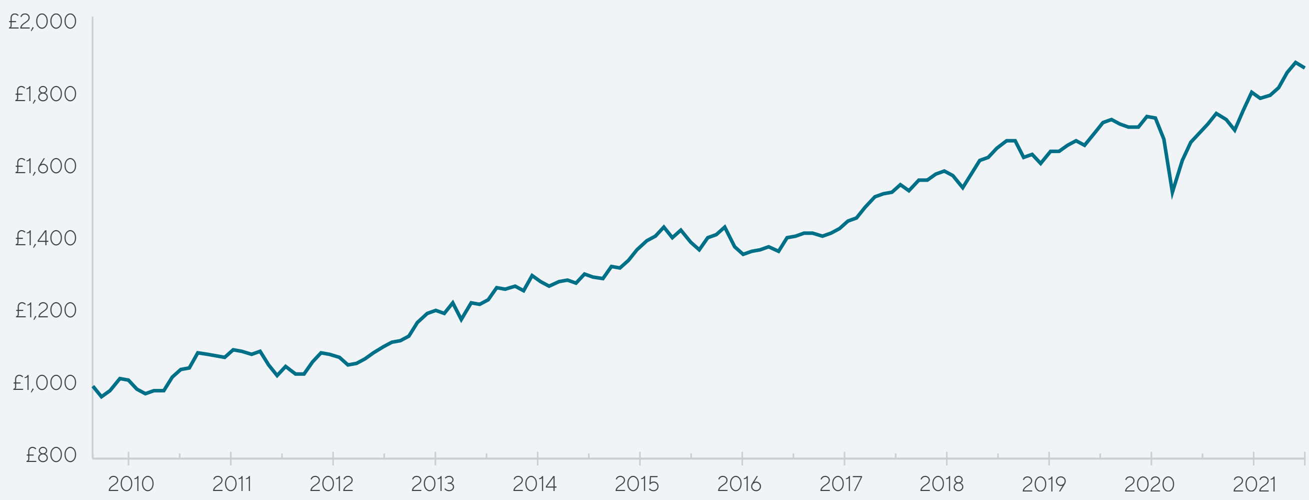
These dynamics were undeniably unhelpful for the stock market in the later part of June. The decline in long bond yields took the wind out of the sails of financial and cyclical equities for example. The rising US dollar, reflecting the slight change in interest rate expectations, hindered gold, while the feeling all would be "right on the inflation night" caused market implied inflation rates to fall.

We are sceptical of the consensus view that the current trend of rising inflation is transitory. Our reasons include issues such as recovering wage growth, eye-watering government spending the world over, fractured supply chains and the fact that not all production capacity will return post-pandemic.

While we continue to hold a structural allocation to equity investments for long term growth, we also continue to hold inflation linked bonds and gold miners to protect against the threat of inflation over the coming period. We are of the opinion that the recent decline in bonds yields would appear to overstate the ability of central bankers to normalise monetary policy. The threat of an uptick in inflation is an increasing tail-risk which we have positioned the portfolios to contend with over the coming period.

Performance

£1,000 invested over time:



Source: Reuters Eikon, CS Managers Ltd. Data as at 30/06/2021

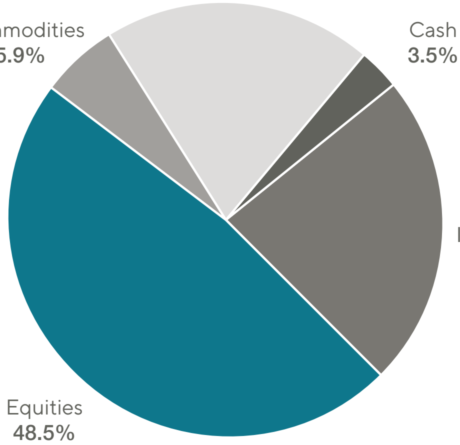
ALL WEATHER QUARTERLY REVIEW

QUARTER TWO | TWO THOUSAND AND TWENTY ONE

Total Return	CS All Weather	Annualised
3 Months	3.13%	-
1 Year	11.07%	-
3 Years	15.53%	4.93%
5 Years	38.17%	6.68%
Inception	91.78%	5.74%

Top 10 Holdings	Weight
Sanlam Global Inflation Linked Bond Fund	7.2%
Dodge&Cox US Stock Fund	5.9%
Ruffer Investment Company	5.6%
Artemis UK Select	5.5%
Schroder Global Cities	5.4%
Jupiter UK Mid Cap	5.3%
Schroder Strategic Credit Fund	4.9%
TwentyFour Dynamic Bond Fund	4.9%
Muzinich Short Duration High Yield Fund	4.8%
BH Global	4.8%

Overall Sector Breakdown as at 30 June 2021



Source: CS Managers Ltd as at 30/06/21

Performance numbers are indicative and drawn from two sources. Performance from 31 Dec 2009 - 30 Sept 2018 is of The Thesis Charlotte Square Allweather Fund. From the 30 Sept 2018 onwards, performance is shown of the CS Investment Managers All Weather strategy, net of underlying fund costs, management fee of 0.75% + VAT, and other ancillary and dealing costs. Please note that the performance of individual portfolios may vary due to factors such as the portfolio size, stock selection and timing of investment transactions.

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IMPORTANT INFORMATION

CS Investment Managers is a trading name of CS Managers Ltd. CS Managers Ltd is authorised and regulated by the Financial Conduct Authority.

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