

INCOME UPLIFT

QUARTER ONE | TWO THOUSAND AND TWENTY TWO

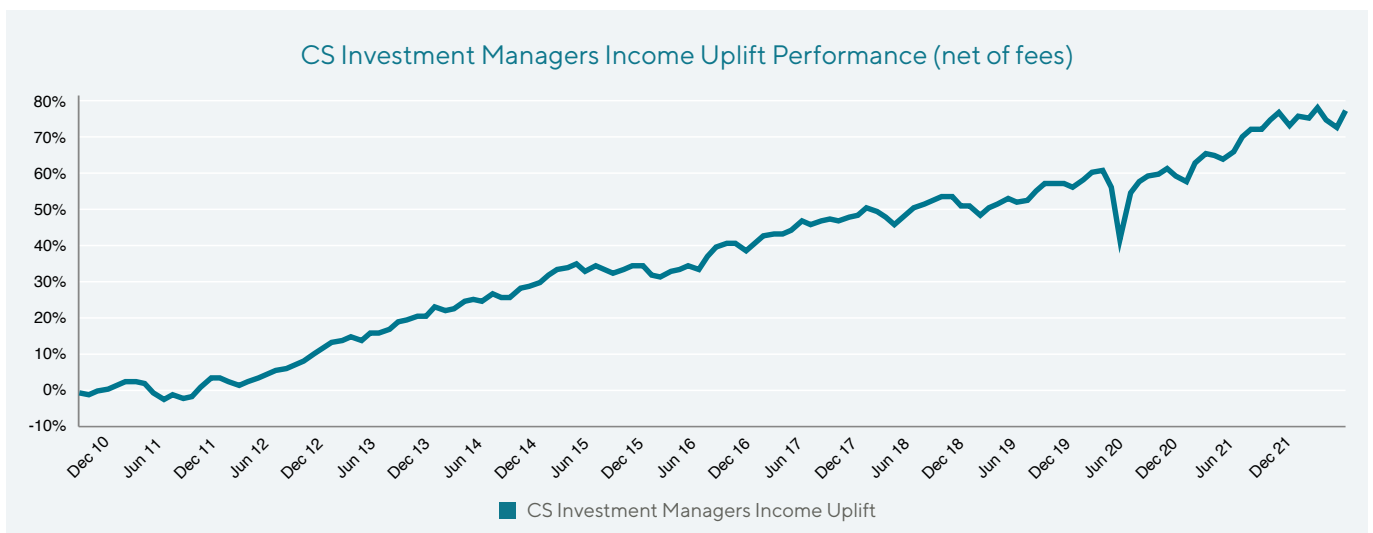


CS INVESTMENT MANAGERS

After a strong end to 2021, Q1 proved to be much trickier for investors. Concerns over inflation and rising interest rate expectations all contributed to a fall in global markets as well as significant sector rotation from high beta growth to value. Following this, Russia's invasion of Ukraine in February caused a global shock. The grave human implications fed through into markets, with equities falling and bond yields rising. Given Russia's position as a key producer of several important commodities including oil, gas, and wheat, prices soared. A further surge in inflation as well as supply chain disruptions ensued. Against this backdrop, our Income Uplift strategy group fell by 0.5% thanks to increased exposure to property, infrastructure, and cash, which was offset by a reduction in equities and bonds that helped protect portfolio values against the wider market.

We increased ownership in Shell PLC (formerly Royal Dutch Shell) who are engaged in the exploration and production of oil and natural gas. Shell stood out to us because the company has strong crude price leverage, which should translate into the biggest cashflow increases among the global oil majors. In a period of rising energy prices, Shell is set to be a big beneficiary relative to its peers. Despite this, the company's valuation appears to be rather undemanding, given that it is forecast to have the best free cash flow yield in the sector and the biggest fall in share count of the oil majors due to ongoing share buybacks. We also think Shell's new target of a 50% cut to scope 1 and 2 emissions (direct emissions from controlled sources and indirect emissions from the generation/purchase of energy) by 2030 is a highly important signal of intent from an environmental perspective.

One of our REITs, LXI REIT, raised cash through an increased £250m placing and we used the chance to add to our position. LXI looks to deliver inflation protected income and capital growth, by investing in a diversified portfolio of UK property, including hotels, discount food stores, leisure, and healthcare. As well as strong rental income, which is paid out through a healthy dividend (c4.4% yield), the REIT also generates capital growth by purchasing assets at Net Initial Yields of around 5.5% and later selling them at yields of around 4% (the reduction in yield implies the capital value of the asset has increased). With an inflation-linked dividend and strong capital growth prospects, we see this as a core REIT for the long term.



Source: CS Managers Ltd. Data as at 31/03/22



INCOME UPLIFT QUARTERLY REVIEW

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Total Return	CS Investment Managers Income Uplift Strategy Portfolio	UK RPI Inflation
3 Months	-0.5%	1.8%
1 Year	6.8%	8.4%
3 Years	15.8%	12.7%
5 Years	23.8%	19.7%
Since 31/12/2010	79.4%	42.8%

Source: CS Managers Ltd and Office for National Statistics data as at 31/03/22

Asset Allocation

Top 10 Holdings	%	Sector	Overall Sector Breakdown as at 31 March 2022
BH Macro	5.3	Alternatives	
Dodge & Cox US Stock Fund	5.0	Equity	
Royal London Sterling Extra Yield	4.3	Fixed Income	
Sanlam Global Inflation Linked Bond	3.8	Fixed Income	
Artemis UK Select	3.7	Equity	
BBGI Global Infrastructure	3.5	Infrastructure	
Schroder Strategic Credit	3.5	Fixed Income	
Sequoia Economic	3.4	Fixed Income	
Merchants Investment Trust	3.2	Equity	
Greencoat UK Wind	2.7	Infrastructure	

Source: CS Managers Ltd as at 31/03/22

Performance figures are indicative, drawn from stylised aggregate portfolios constructed from the discretionary portfolios managed by CS Investment Managers. The figures are calculated on a monthly basis, net of fees and other charges and adjusted for contributions and withdrawals. 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

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