CAZENOVE
CAPITAL MANAGEMENT

The Growth Trust for Charities

2nd quarter report 2010

Manager Information

David Docherty joined Cazenove Capital Management in 2000. He is a member of the Pan-European equity team and manager of The Growth Trust for Charities and Co-Manager of the Cazenove UK Growth & Income Fund. David joined from M&G Investment Management where he was a fund manager and chairman of the UK model portfolio committee. David graduated from Durham University with a degree in History and gained an MBA from Cranfield School of Management. He is a Director and has 20 years of investment experience.

The Growth Trust for Charities is one of our five Charity Commission authorised Common Investment Funds. As such, this fund adopts a structure that is similar to a unit trust but only charities in England, Wales, Scotland and Northern Ireland may invest in it.

Investment objectives

The Growth Trust for Charities aims to provide long-term capital growth by investing mainly in UK equities. The Manager aims to outperform the FTSE All Share Index on a total return basis after costs over rolling five year periods. Whilst increasing the capital value is the purpose of the fund, an income yield of about that of the FTSE All Share Index is targeted.

Performance

% change to 30.06.10	3 months	6 months	1 year	3 years % pa	5 years % pa
Trust (bid to bid)*†	-11.3	-6.2	19.2	-5.4	3.7
FTSE All Share Index	-11.8	-6.2	21.1	-5.7	3.5
Relative	+0.5	0.0	-1.9	+0.3	+0.2

	Jun 2009 - Jun 2010 %	Jun 2008 - Jun 2009 %	Jun 2007 - Jun 2008 %	Jun 2006 - Jun 2007 %	Jun 2005 - Jun 2006 %
Trust	19.2	-19.5	-11.8	18.3	20.0
FTSE All Share Index	21.1	-20.5	-13.0	18.4	19.7
Relative	-1.9	+1.0	+1.2	-0.1	+0.3

* Gross income reinvested
† The Growth Trust for Charities was launched on 31 October 1997

Source: Lipper

Income payments

The distribution yield is 4.1% p.a. based on the last four quarterly payments.

2009/2010	Ex-distribution date	Payment date	Rate per unit
Interim	30 April 2010	15 June 2010	1.10p (1.10p 2009)
Interim	31 January 2010	15 March 2010	1.10p (1.05p 2009)
Final	31 October 2009	15 December 2009	1.10p (1.05p 2008)
Interim	31 July 2009	15 September 2009	1.05p (1p 2008)

Trust data

	At 30.06.10	At 31.03.10
Trust size (mid value) £	252,724,024	281,990,401
Bid price (pence)	107.11	121.15
Offer price (pence)	107.56	121.61

Source: CIFM

Purchase information

Minimum investment	£10,000 and £1,000 thereafter
Annual management charge	0.5%
Initial fee	Nil
Exit fee	Nil
Dealing	12 noon every business day
Units	Income class only
Currency	Sterling
Sedol	0169268
ISIN	GB0001692689

Ten largest overweight and underweight stock positions (vs FTSE All Share Index)

Overweight Stock	Fund %	Index %
GlaxoSmithKline	6.3	4.0
VT Group	1.9	0.0
Anglo American	3.7	2.1
BG Group	3.8	2.3
BT Group	2.2	0.7
AstraZeneca	4.4	3.1
Tesco	3.3	2.0
Supergroup	1.1	0.0
SSL International	1.2	0.1
Dana Petroleum	1.1	0.1

Source: Factset

Underweight Stock	Fund %	Index %
British American Tobacco	0.0	2.8
BHP Billiton	0.0	2.6
Standard Chartered	0.0	2.2
Reckitt Benckiser	0.0	1.5
SABMiller	0.0	1.5
Imperial Tobacco	0.0	1.3
National Grid	0.0	1.1
Rio Tinto	2.1	3.0
Prudential	0.0	0.9
Barclays	1.4	2.2

Source: Factset

Ten largest stock positions (vs FTSE All Share Index)

Stock	Fund %	FTSE All Share%
Royal Dutch Shell*	6.8	7.0
HSBC Holdings	6.8	7.1
GlaxoSmithKline	6.3	4.0
BP	4.8	3.8
AstraZeneca	4.4	3.1
Vodafone	4.3	4.9
BG Group	3.8	2.3
Anglo American	3.7	2.1
Tesco	3.3	2.0
Unilever	2.4	1.5

* A & B Shares combined
Source: Factset

Five largest overweight and underweight sector positions (vs FTSE All Share Index)

Overweight	Fund %	Index %
Pharmaceuticals & Biotechnology	10.7	7.7
Support Services	6.3	3.6
Oil & Gas Producers	17.3	14.8
Fixed Line Telecommunications	3.4	1.0
Personal Goods	2.3	0.4

Underweight	Fund %	Index %
Tobacco	0.0	4.1
Mining	7.7	11.0
Banks	10.6	13.5
Beverages	1.0	3.4
Household Goods	0.0	1.9

Source: Factset

Dividends

The Fund paid a distribution of 1.1 pence per unit on 15 June 2010. The Fund's current yield is 4.1%, based on the last four distributions paid.

Performance

The Fund produced a total return of -11.3% for the period compared to a return of -11.8% for the FTSE All Share Index.

In sector terms, the portfolio benefited from overweight holdings in outperforming defensive sectors such as Fixed Line Telecom, Personal Goods and Pharmaceuticals, while being underweight the underperforming Mining sector was also helpful.

From a stock perspective, holding an overweight position in Supergoup, BT and AstraZeneca, added value given their relative outperformance, while not holding BHP Billiton and being underweight Rio Tinto also made positive contributions.

However, performance was negatively impacted by the Fund's overweight position in Oil & Gas Producers and not holding enough in the outperforming Beverages and Mobile Telecom sectors. More specifically, an overweight holding in BP, after the Macondo blow-out, was a detractor to performance, as was Xstrata. Missing out on the takeover offer for BSkyB by News Corporation also detracted in the quarter.

Fund activity

Consistent with recent strategic thinking, we added to the Growth and Defensive style groupings during the period. In the Growth category, we increased weightings in Experian, Synergy Healthcare, Sage and Qinetiq. Within Growth Defensives we pushed up G4S and Tesco and in Value Defensives we introduced Go Ahead and increased exposure to AstraZeneca, GlaxoSmithKline, Unilever, SSE and the recently demerged Cable & Wireless Communications.

As discussed previously, we remain cautious about cyclical stocks and indeed disposed entirely of Smiths Group and took profits out of Rio Tinto, Daily Mail, Millennium & Copthorne and Wood Group. Nonetheless, we used weakness in some cyclicals to our advantage, with a new position in Invensys and additions to existing holdings in Anglo American, Charter, British Airways, Ladbrokes, JKX and BG. We also added to BP in the belief that the sell-off, after the Macondo tragedy, has left the stock looking undervalued given its underlying industrial franchise, cash generation and strategic optionality.

Within the Financials style grouping, we participated in the flotation of Jupiter and established a position in Aviva, given its high yield and discount to embedded value. Nonetheless, our caution about the high levels of debt in the global economy drove a continued underweight in the financial arena and in this context the Fund top-sliced Barclays and Legal & General and removed British Land, Hammerson and Schroders.

Economic outlook

Equity markets do not look expensive and good quality equity stocks are currently yielding more than government bonds. Therefore we expect equity markets to improve from current levels, although with frequent periods of high volatility as investors come to terms with a subnormal recovery. During the downturn, the corporate sector undertook significant deleveraging and cost cutting. This has meant that although economy-wide debt levels remain high, many companies are now in a financially stable position and it is likely to be the corporate sector that sees the best performance over coming quarters. Earnings growth forecasts for 2011 and 2012 may have to come down, but we still anticipate a rebound in profitability over the period.

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Common Investment Funds

We offer five Common Investment Funds. In combination, they provide a unique pooled offering for charities and reflect our commitment to the sector. Charities can achieve their investment objectives by investing in one or a number of the following Common Investment Funds:

The Growth Trust for Charities	- a UK equity fund
The Equity Income Trust for Charities	- a higher yielding UK equity fund
The Income Trust for Charities	- a fixed interest fund
The Absolute Return Trust for Charities	- a fund of hedge funds
The Multi-Strategy Property Trust for Charities	- a property fund

For further information on our investment services for charities please telephone 020 3479 0109 and ask for Edward Harley, John Gordon or Nurten Baykal

Regulatory Information and Risk Warnings

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