CAZENOVE
CAPITAL MANAGEMENT

The Growth Trust for Charities

4th quarter report 2011

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.

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

Manager Information

David Docherty joined Cazenove in 2000. He is a member of the Pan-European equity team and manager of the OBSR A-rated Cazenove UK Growth & Income Fund and Manager of The Growth Trust for Charities, a Charity Commissioned Authorised Common Investment Fund. Prior to this he was a fund manager at Gartmore Investment Management (1994-1997) and Lloyds Investment Management (1989-1994). 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 22 years of investment experience.

Trust data

	At 31.12.11	At 30.09.11
Trust size (mid value) £	243,697,458	235,582,822
Bid price (pence)	116.91	109.84
Offer price (pence)	117.32	110.26

Source: CIFM

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 31.12.11	3 months	6 months	1 year	3 years % pa	5 years % pa
Trust (bid to bid) *†	7.7	-7.7	-6.8	11.3	0.8
FTSE All Share Index	8.4	-6.2	-3.5	12.9	1.2
Relative	-0.7	-1.5	-3.3	-1.6	-0.4

	Dec 2010 to Dec 2011 %	Dec 2009 to Dec 2010 %	Dec 2008 to Dec 2009 %	Dec 2007 to Dec 2008 %	Dec 2006 to Dec 2007 %
Trust	-6.8	17.1	26.3	-27.7	4.6
FTSE All Share Index	-3.5	14.5	30.1	-29.9	5.3
Relative	-3.3	+2.6	-3.8	+2.2	-0.7

* Gross income reinvested

† The Growth Trust for Charities was launched on 31 October 1997

Source: Lipper

Past performance is not a guide to future performance. The value of investments and the income from them can go down as well as up and an investor may not get back the amount originally invested.

Income payments

The distribution yield is 3.8% p.a. based on the last four quarterly payments.

2011	Ex-distribution date	Payment date	Rate per unit
Final	31 October 2011	15 December 2011	1.10p (1.10p 2010)
Interim	31 July 2011	15 September 2011	1.10p (1.10p 2010)
Interim	30 April 2011	15 June 2011	1.10p (1.10p 2010)
Interim	31 January 2011	15 March 2011	1.10p (1.10p 2010)

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

Overweight stock	Fund %	Index %
GlaxoSmithKline	7.2	4.4
BP	7.9	5.1
Vodafone	8.1	5.3
BAE Systems	2.5	0.6
AstraZeneca	4.1	2.3
Anglo American	3.6	1.9
Xstrata	3.0	1.3
BG Group	4.4	2.7
Daily Mail & General Trust	1.6	0.1
Carnival	1.7	0.3

Underweight stock	Fund %	Index %
British American Tobacco	0.0	3.6
BHP Billiton	0.0	2.3
Standard Chartered	0.0	2.0
Diageo	0.2	2.1
Imperial Tobacco Group	0.0	1.5
Reckitt Benckiser	0.0	1.4
National Grid	0.0	1.3
BT Group	0.0	0.9
SABMiller	0.7	1.6
Rolls-Royce Holdings	0.0	0.8

Source: Factset

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

Overweight sector	Fund %	Index %
Oil & Gas Producers	22.2	18.2
Mobile Telecommunications	9.3	5.4
Pharmaceuticals & Biotechnology	11.4	7.6
Media	5.7	2.8
Healthcare Equipment & Services	2.7	0.4

Underweight sector	Fund %	Index %
Tobacco	0.0	5.0
Beverages	0.9	3.8
Gas, Water & Multiutilities	0.5	3.1
Household Goods & Home Construction	0.0	1.8
Food & Drug Retailers	1.2	2.8

Source: Factset

Ten largest stock positions (vs FTSE All Share)

Stock	Fund %	Index %
Royal Dutch Shell*	8.5	9.0
Vodafone	8.1	5.3
BP	7.9	5.1
GlaxoSmithKline	7.2	4.4
HSBC Holdings	4.9	5.2
BG Group	4.4	2.7
AstraZeneca	4.1	2.3
Anglo American	3.6	1.9
Xstrata	3.0	1.3
BAE Systems	2.5	0.6

* A&B Shares combined
Source: Factset

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Dividends

The Fund paid a distribution of 1.1 pence per unit on 15 December 2011. The Fund's current yield is 3.8% based on the last four distributions paid.

Performance

The Fund produced a total return of +7.7% for the quarter, compared to a return of +8.4% for the FTSE All Share Index.

From a stock perspective, key overweight holdings such as BP, Xstrata, and Vodafone added value. It was also helpful for relative performance to maintain underweight positions in the poorly-performing Reckitt Benckiser, National Grid and Admiral.

In sector terms, the Fund benefited from its overweight positions in Oil & Gas Producers and Mobile Telecom. Relative performance was helped by underweight holdings in Gas, Water & Multiutilities and Household Goods.

Performance was negatively impacted by overweight positions in Inmarsat, Carphone Warehouse and RBS, all of which suffered during the quarter. Nil holdings in Rolls Royce and Old Mutual were also detrimental influences.

In sector terms, the overweight stances in Travel and General Retailers were unhelpful.

Disappointing stock selection as well as rapid market rotations contributed to the underperformance over the quarter.

Fund activity

During the quarter, we exploited market volatility to increase the Fund's exposure to a selection of high-quality financial and cyclical stocks trading at depressed valuations. We financed these transactions by reducing weightings in a number of more defensive areas where relative ratings now look extended.

In this context, within the Financials style grouping, we introduced Schroders and augmented existing positions in 3i, Aviva, Jupiter, Prudential and Resolution, all of which looked cheap, relative to their underlying asset values. Within the Industrial Cyclical style grouping, we have 'stress tested' earnings estimates to identify those stocks which look undervalued even if trading materially deteriorates. On this basis, we established new holdings in IMI, Premier Farnell, and Johnson Matthey. We also added to existing holdings in Invensys and Regus during the period.

Consistent with our thinking about the relative valuations of risk versus defensiveness, we pared back holdings in the outsourcers, Babcock International, Capita and Compass. In a similar vein, we pulled back weightings in successful investments in Diageo, SSE, Tesco and Unilever.

Other transactions during the quarter included additions to the Consumer Cyclicals, International Airlines Group and Marks and Spencer on account of what we consider to be attractive valuations. We also increased favoured growth stocks, Carphone Warehouse, Inmarsat and Synergy Healthcare after recent weakness and topped up Xstrata when it was out of favour.

Economic outlook

Developed equity markets performed very respectably during the final quarter, as a result of improving optimism with regard to US growth, the liquidity boost provided to banks by the ECB and the fiscal consolidation package agreed by European leaders. One point to note is the divergence between developed and emerging equity markets' performance in the fourth quarter. While even Italy's FTSE MIB and France's CAC 40 (two markets close to the core of the Eurozone crisis) managed to record modest positive returns, the Shanghai Composite and Bombay Sensex lost -6.7% and -6.0%, respectively. Meanwhile, the Japanese Nikkei produced a negative return of 2.7%. Although economists estimate that the Japanese earthquake and tsunami may have reduced 2011 US GDP by up to 1%, the effect was far worse in Japan, where equities have suffered their worst year since 2008.

On the other hand, the US third quarter reporting season revealed that sales had beaten expectations by 2-3%, while US corporations currently have some US$2 trillion of net assets, with leverage at 25-year lows. In sterling terms, over the three months to December, the S&P 500 returned +11.8%, slightly outperforming both the Euro1st 300 and FTSE All Share, which returned +10.9% and +9.0%, respectively.

With regard to UK equities, we remain neutral overall, with a bias towards defensiveness in the near term. In valuation terms, the market remains on the cheaper side of fair value, and there is the potential for upside growth surprises in the second half of the year to prove beneficial to some of the more domestically oriented areas of the equity market. In advance of this, the international orientation of the UK market remains one of its attractive characteristics.

The global economic outlook remains highly uncertain, and further market volatility may result from the challenges faced by Eurozone sovereigns to raise some €800bn to service maturing debt and fiscal deficits over the course of 2012.

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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:
Telephone **020 3479 0109** and ask for **Edward Harley, John Gordon or Nurten Baykal.**
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Regulatory information and risk warnings

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