

Cazenove Strategic Bond Fund

Managed by Peter Harvey

The Cazenove Strategic Bond Fund is a corporate bond fund with a total return approach. It seeks to generate a gross return above sterling cash interest rates, over the medium-term, through a flexible allocation to investment grade bonds, high yield bonds and derivative instruments. The fund has the ability to use the wider investment powers permitted under UCITS regulations to hedge credit risk in the portfolio and/or potentially gear the portfolio with credit default swaps.

Key points

- Proprietary credit analysis - not reliant on external agencies
- Flexibility to invest throughout the credit spectrum depending on where the manager sees the most relative value
- Current bias is towards lower-rated European companies with BBB to B credit ratings

Why Cazenove Strategic Bond Fund?

- Interest rate duration: 2.3 years[†]
- 1st quartile since launch^{††}

Fund manager

Peter Harvey joined Cazenove Capital in 2005. He is head of credit and is also manager of the Cazenove Strategic Debt Fund (an offshore fund). Peter is a Director of Cazenove Capital and has 20 years' experience analysing and investing in corporate debt.



Ratings

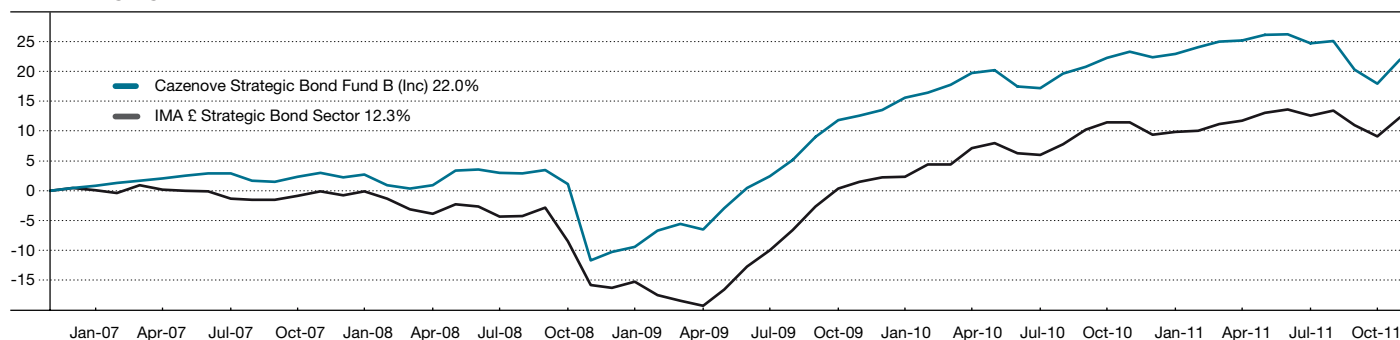


Fund facts

Fund type:	UK OEIC (UCITS)
Fund size (at 31/10/11):	£704m
Launch date:	4 th April 2006
IMA sector:	£ Strategic Bond
Investors seeking:	Income
Distribution yield:	6.0%*
Underlying yield:	5.0%**

Five year fund performance^{††}

Percentage growth



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

Fund performance^{††}

	1 year	3 years	5 years	Since launch 04/04/06
Cazenove Strategic Bond Fund B (Inc)	-1.0%	38.2%	22.0	24.8%
IMA £ Strategic Bond Sector	0.7%	33.4%	12.3	14.5%
Quartile ranking	3 rd	3 rd	1 st	1 st

[†] Source: Cazenove Capital at 30/09/11. ^{††}Source: Lipper, net income reinvested at 31/10/11.

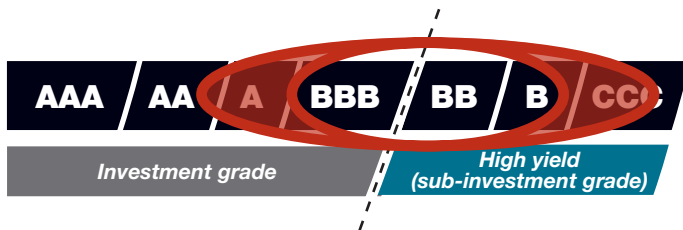
* B Inc share class at 30/09/11. The distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market share price of the fund as at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions.

**B Inc share class at 30/09/11. The underlying yield reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market unit price of the fund at the date shown. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions.

Cazenove Strategic Bond Fund

Credit spectrum

Although the fund invests across the credit spectrum, the current bias is towards lower-rated European companies with BBB, BB and B credit ratings. As shown in the diagram below, these ratings are either side of the dividing line which separates investment grade and high yield credit.



Investment grade – a bond with high credit quality and a relatively low risk of default. The issuer will tend to be a stable company with manageable borrowing levels. Credit ratings range from AAA to BBB.

Examples: Siemens, Tesco and Centrica.

High yield (sub-investment grade) – a bond with low credit quality and a higher risk of default. The issuer will tend to be exposed to the economic cycle and have above average borrowing levels. To compensate for the higher risk of default, these bonds typically offer a higher yield than investment grade bonds. Credit ratings range from BB to CCC.

Examples: British Airways, Cable & Wireless, Ford.

Investment approach

Detailed proprietary credit analysis is at the heart of our European credit team's investment process. The team believe that by conducting their own research they can identify value and are better placed to avoid future downgrades. From this analysis the team assigns a proprietary rating. This rating differs from external credit rating agencies or from those of competitors in two key respects:

- More emphasis is placed on financial projections than historical data
- The team explicitly rates the quality of management

The equity and credit teams work closely together, meeting company management and challenging financial estimates. A structured approach is employed in company analysis, covering the three generic sources of credit risk:

- Business risk e.g. the company's profit margin, products and competitive position
- Financial risk e.g. the company's leverage and off balance sheet liabilities
- Management e.g. the management's strategy and risk appetite

Each element is individually considered by the credit team and an overall proprietary rating for the company is then agreed. This in-depth analysis highlights companies which may be positively or negatively re-rated and helps the team determine relative value opportunities.

The credit rating process evaluates a company's ability to service debts over the medium term and is the result of combined analysis of business, financial and management risk. The weighting of each risk category in the rating process depends on the industry and issuer concerned.

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