

Report of the Independent Fund Manager for year to 31st March 2024

As a requirement of the Financial Services and Markets Act 2000, and under an Investment Management Agreement dated 1st April 2017 and the Amendment and Restatement Agreement 5 January 2023, Aubrey Capital Management Limited of Edinburgh is the Independent Fund Manager of The Golden Charter Trust (“the Trust”) and specifically of the shareholding in its wholly owned subsidiary company, The Golden Charter Trust Limited (“Trust Limited”), which holds various underlying investments for the benefit of the Trust.

Apart from the management of the shareholding of Trust Limited, the Independent Fund Manager is required to report at the end of each financial year of the Trust whether the Statement of Investment Principles, adopted by the Trustees, has been observed during the preceding twelve months. In particular we are required to monitor and provide high level performance of the underlying investment managers appointed to manage different asset classes on behalf of the Trustees.

In order to meet the Trustees’ principal investment objective to maximise returns sufficient to meet anticipated costs of pre-paid funerals, the Trustees maintain a diversified investment portfolio utilising, under Section 11 of the Trust’s constituting Deed, a wide range of different assets, and maintain a balance between assets intended to preserve capital and assets with the primary objective of growth. With the intention of preserving capital in real terms, the Trustees hold as their largest asset class a diversified portfolio of index linked gilts; and with a view primarily to generating long term growth hold the balance divided between global equities, diversified growth funds, commercial property, infrastructure assets, corporate debt, securitised credit and cash.

The Trustees’ long-term target for the Trust’s asset mix is for 40% to be invested in index linked gilts, and 60% in assets aimed at growth. At the year-end, 40.2% of the total of the Trust’s invested assets were held in index linked gilts, managed passively since 2018 by Legal & General to track the performance of the index linked market.

The bespoke index linked portfolio is aligned to the index linked market as a whole and the 12-month increase of 0.5% was creditable when compared to the benchmark increase of 0.6%.

The remaining assets of the Trust were allocated to long term growth strategies with 19.3% invested in the real asset portfolio category, and 40.3% invested in the growth asset category both of which address diversified asset opportunities. At the year end March 2024, a cash position of £25.4m was held by the Trust of which £13.2m was earmarked for payment of surplus to Golden Charter Limited with the balance held for working capital and rebalancing of the portfolio. The balance held at the previous year-end was £9.0m.

The benchmark calculation returns for the asset categories of the portfolio includes a Consumer Price Index (CPI) component, and the return figure was enhanced during the year given the inflation figures recorded by the UK Office for National Statistics. The month of April 2023 recorded a CPI growth rate of 7.8% year on year, and this declined to a rate of 3.8% year on year in March 2024.

(ONS source:

[https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2024#:~:text=The%20Consumer%20Prices%20Index%20\(CPI,of%201.2%25%20in%20April%202023.\)](https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2024#:~:text=The%20Consumer%20Prices%20Index%20(CPI,of%201.2%25%20in%20April%202023.))

The Trust’s growth portfolio is currently provided by 10 separate underlying investment houses, which includes the addition of a new manager, and with all selected specifically for proven expertise

and track records in specialist strategies and asset classes. The performance of all the investment managers is reviewed and monitored by the Trustees' Investment Strategy Group on a quarterly basis and the criteria for assessment includes consideration of returns over reasonable timeframes and the market context and conditions in which particular strategies are pursued. The collective contribution was positive for the Trust with a return of 9.3% for the 12 months compared to a return of 6.7% for the benchmark, and a notable contribution was achieved by the new manager.

The Trustees placed a DGF manager 'on watch' over the last 12 months, reflecting the active scrutiny and selection process to ensure the asset managers comply with the stated long term performance objectives of the Trust. A decision was taken to disinvest in January 2024 and two of the three planned withdrawals had been completed by the end of March. The appointment of a replacement mandate was agreed and the initial funding was started prior to the end of March.

The real asset portfolio category declined 1.7% over the year compared to the benchmark increase of 6.2%. The category includes two asset classes of property and another of infrastructure investments with the year benchmark returns supported by the previously noted CPI rate. The property investments have proven resilient over the longer term, and the nature of infrastructure assets requires a longer period for assessment and returns to be generated.

The Trustees support for managers with a proven investment process and successful asset selection has supported the longer term returns across the portfolio, and the continued scrutiny and willingness to change asset allocation and managers is an important contribution to this outcome.

Having reviewed the Trustees' target split between asset preservation and growth, and its choice of managers and Funds to deliver both the passive index linked strategy and the multi asset growth strategy we are satisfied that the diversification is sound and is being delivered by specialist managers of quality through vehicles with appropriate liquidity.

Aubrey Capital Management Limited - June 2024