

New Star Investment Trust

Prepared for the annual general meeting – November 2021



New Star Investment Trust - performance

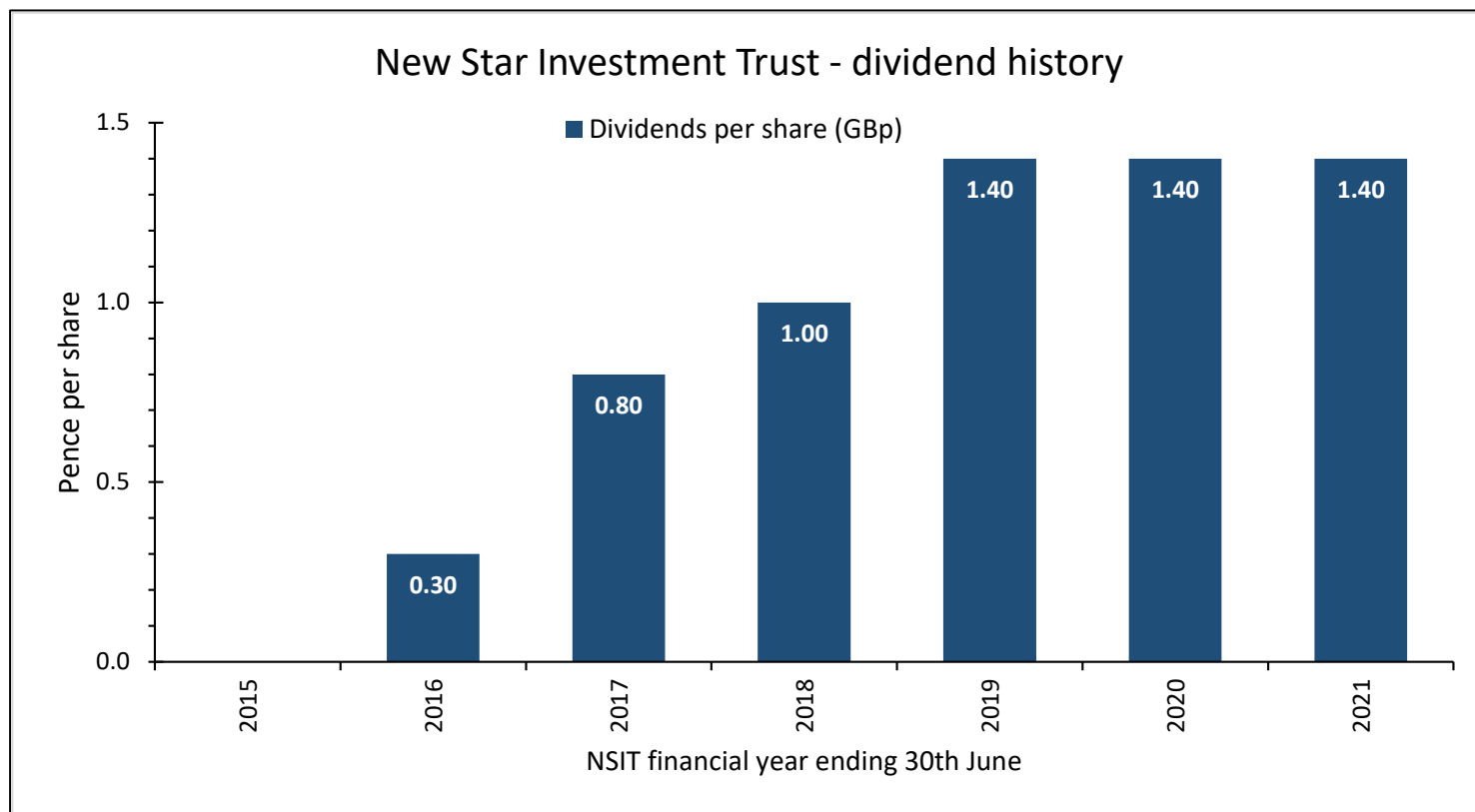
	Year ended 30th June 2021 %	3 years ended 30th June 2021 %	5 years ended 30th June 2021 %
Net assets (£'000)	138,132		
NSIT (NAV)	21.2	27.4	58.9
IA Mixed Investment 40-85% Shares	17.4	21.6	48.7
MSCI AC World	25.1	45.9	96.4
MSCI United Kingdom	17.5	1.3	28.0

Source: Maitland Institutional Services Limited, Thomson Reuters Lipper IM.

Index performance is total return. All performance data is quoted in sterling terms. NSIT performance is presented gross of dividend distributions. and performance fe

Past performance should not be seen as an indication of future performance

New Star Investment Trust – dividend history



Source: Maitland Institutional Services Limited

Past performance should not be seen as an indication of future performance

New Star Investment Trust – 2021 performance

Positive

- UK smaller companies outperformed and gained 49.77% and benefited the performance of Aberforth Split Level Income Trust and Chelverton UK Equity Income
- Strong performance from some emerging market equity funds including Stewart Investors Indian Subcontinent Sustainability up 47.52% and Liontrust Asia Income up 28.60%
- Amongst private equity investments, the Embark share price was written up from 119p to 253p per share

Negative

- Sterling rose 11.80% against the dollar
- Gold and gold equities fell and contributed to a 15.46% fall for BlackRock Gold and General
- Lindsell Train Japan fell 8.01% and underperformed a 10.71% gain in sterling for Japanese stocks as the manager's bias towards high-quality growth stocks was out of favour

New Star Investment Trust – performance

Comparative performance at 30.09.2021	<u>Discrete period performance %</u>	
	<u>3 months</u>	<u>1 year</u>
NSIT (NAV)	0.93	21.01
IA Mixed Investment 40-85% Shares	1.34	16.85
MSCI AC World	1.48	22.71
MSCI United Kingdom	2.16	25.83
S&P 500	3.05	24.65
MSCI Emerging Markets	-5.71	13.70
Markit iBoxx Sterling Gilts Overall	-1.92	-7.08
SONIA	0.01	0.05
UK Consumer Price Index	0.99	3.08

Source: Maitland Institutional Services Limited, Refinitiv Lipper IM.

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New Star Investment Trust – activity since end June 2020

Sales financial year 2021

- SPDR FTSE UK All Share exchange-traded fund sold in July 2020
- Artemis Global Income sold in July 2020

Purchases financial year 2021

- Matthews Asia ex-Japan Dividend purchased in July 2020
- Vietnam Enterprise Investments Ltd purchased November 2020 – January 2021
- Chelverton UK Equity Income investment increased in January 2021
- JP Morgan Emerging Markets Fund purchased in February 2021

Since financial year-end 2021

- AssetCo purchased in July 2021

New Star Investment Trust – risk

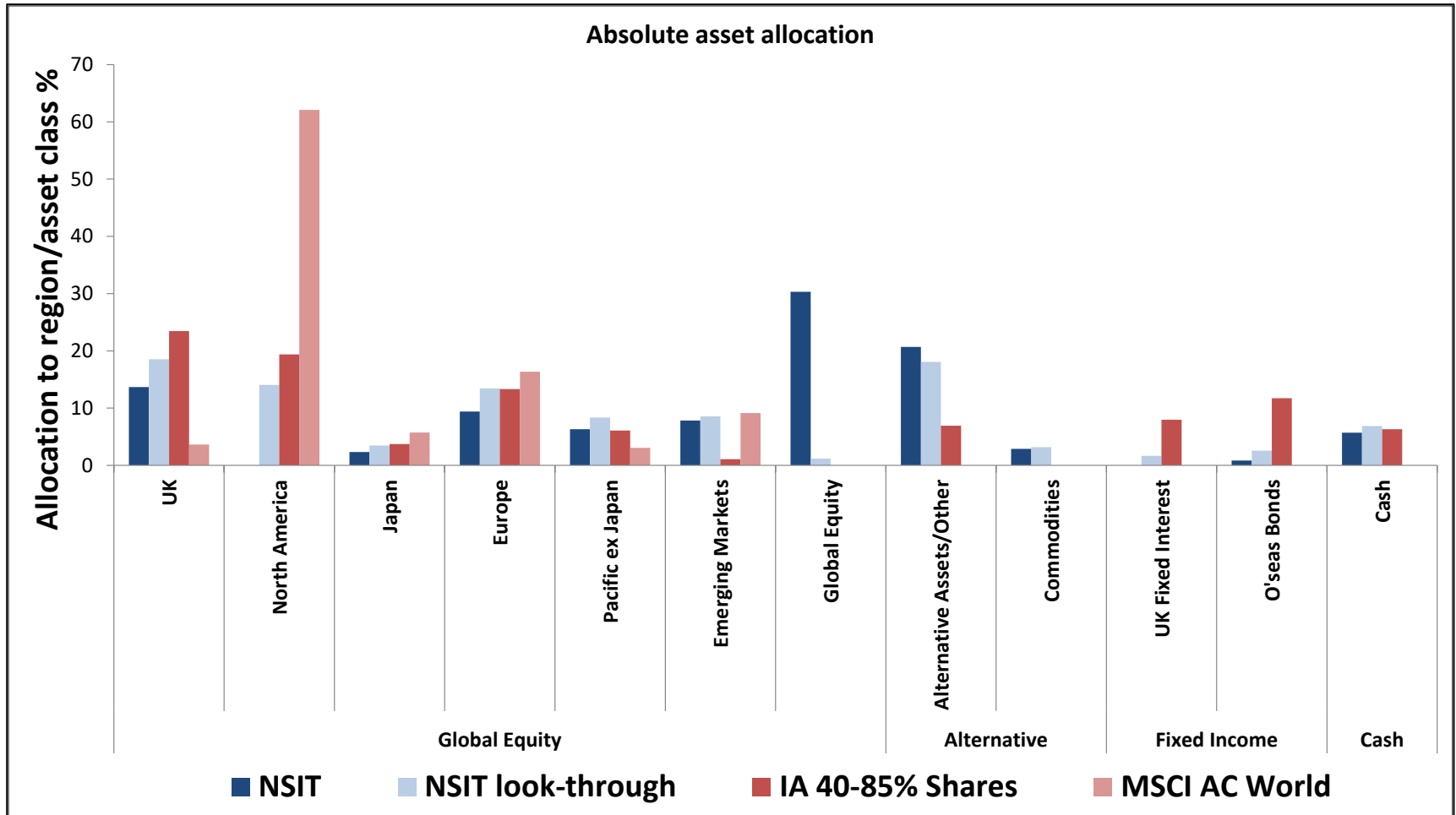
Volatility at 30.09.2021	<u>1 year</u> <u>annualised</u> <u>volatility %</u>	<u>3 year</u> <u>annualised</u> <u>volatility %</u>	<u>5 year</u> <u>annualised</u> <u>volatility %</u>
NSIT (NAV)	7.9	10.1	8.6
IA Mixed Investment 40-85% Shares	8.0	11.4	9.4
IA Mixed Investment 20-60% Shares	6.4	9.1	7.5
MSCI AC World	11.1	14.3	12.0
MSCI United Kingdom	14.1	15.4	13.4
S&P 500	11.7	15.4	13.0
Markit iBoxx Sterling Gilts Overall	7.7	7.3	6.8

Source: Refinitiv Lipper IM.

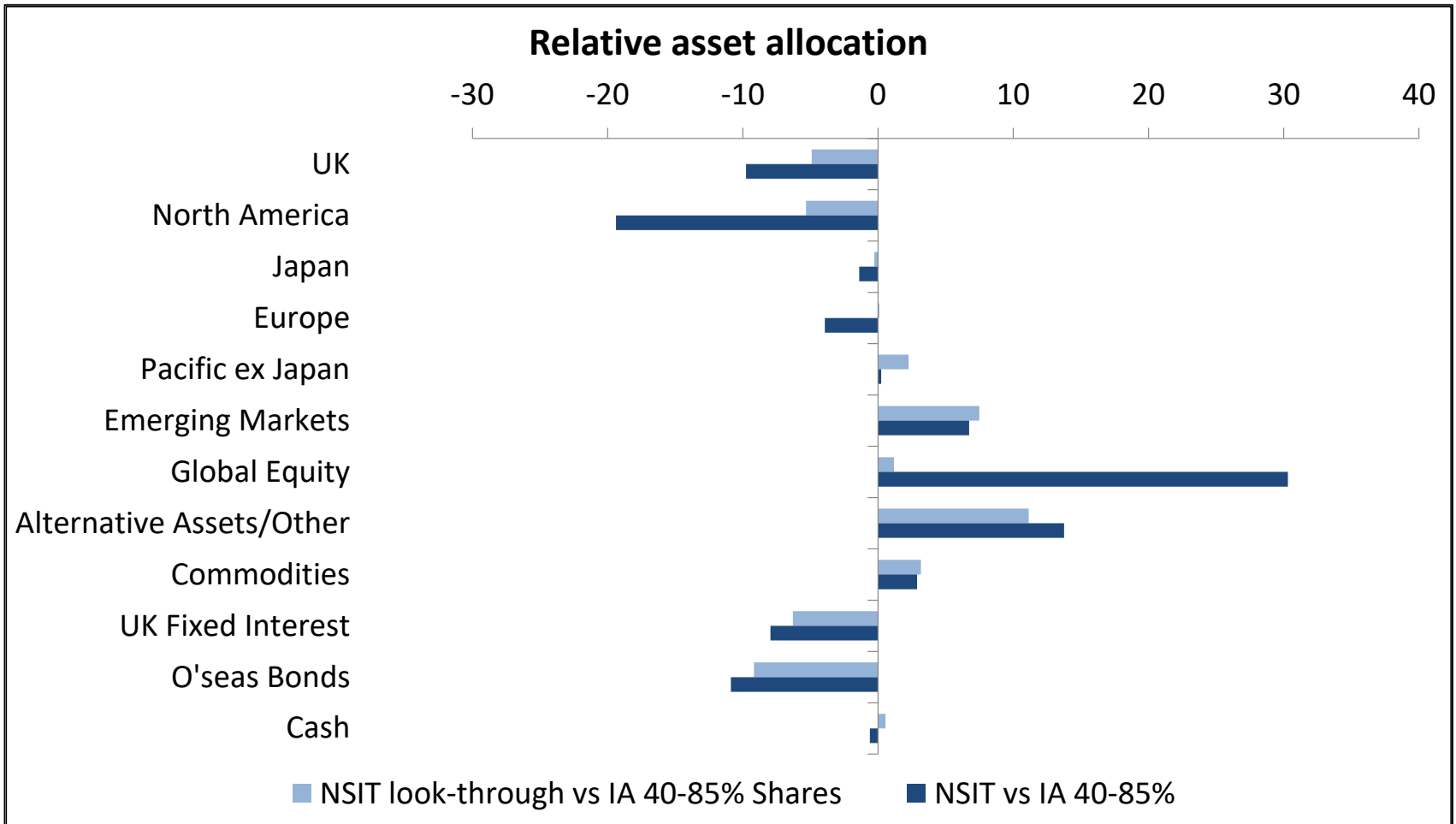
Index performance is total return. All performance data is quoted in sterling terms. Volatility has been annualised using monthly data.

Past performance should not be seen as an indication of future performance

New Star Investment Trust – asset allocation



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New Star Investment Trust – a diversified approach

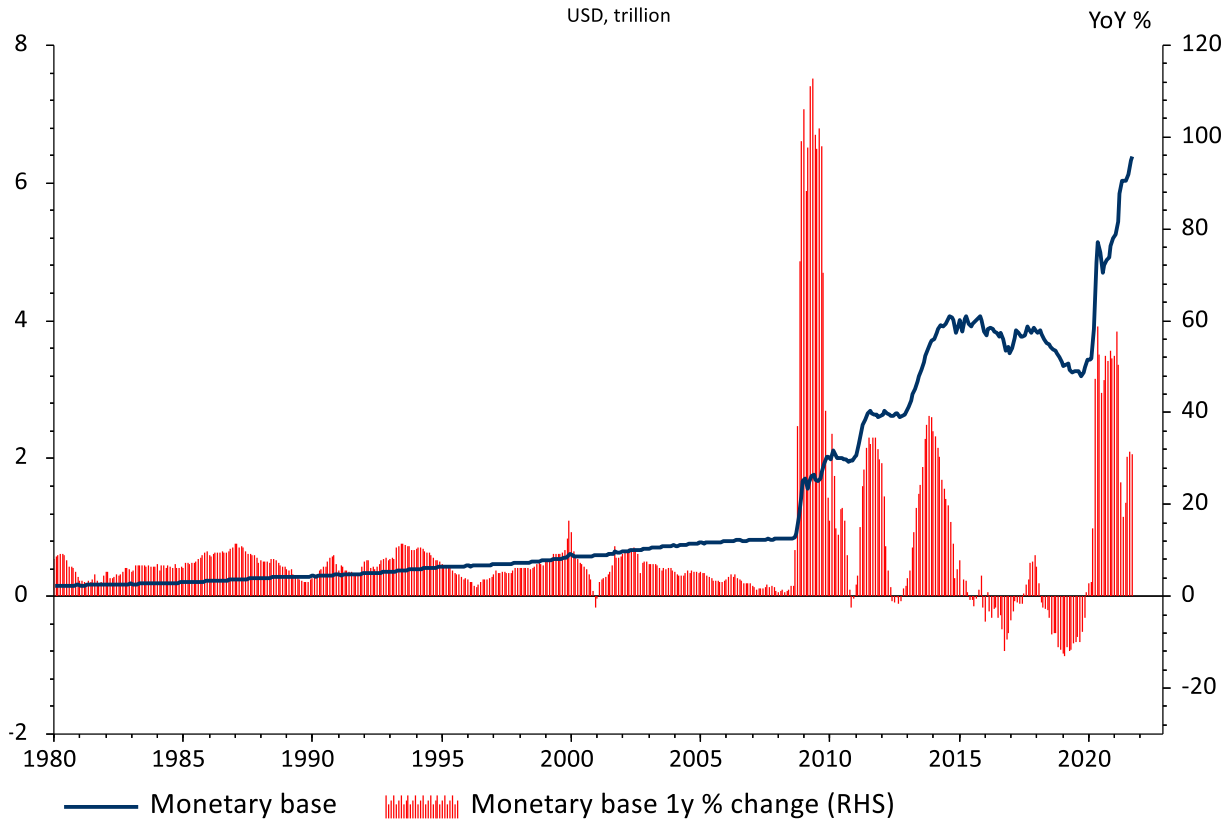
Ann. Period Return	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
12.28% Developed Equities	16.64%	15.59%	25.00%	14.75%	5.45%	33.12%	25.83%	5.23%	23.44%	20.77%
6.87% UK Corp Bond	9.74%	13.42%	1.93%	12.25%	2.45%	30.79%	12.42%	4.94%	14.31%	15.02%
6.12% Emerging Equities	6.43%	11.42%	0.51%	12.07%	0.57%	29.01%	5.02%	0.72%	13.86%	12.90%
5.64% UK Govt Bond	5.41%	3.51%	-4.08%	6.84%	0.57%	28.95%	2.91%	0.60%	11.03%	8.83%
5.44% Gold	0.86%	2.90%	-4.26%	6.35%	0.43%	21.77%	1.97%	-2.22%	7.44%	8.63%
4.53% Global Aggr Bond	-4.31%	0.85%	-4.41%	4.29%	-7.02%	11.84%	0.36%	-2.50%	7.13%	5.83%
0.64% Cash	-7.53%	-0.26%	-6.74%	0.54%	-9.65%	10.53%	-1.90%	-5.11%	2.71%	0.29%
-1.65% Commodities	-17.57%	-7.53%	-28.68%	-12.79%	-18.92%	0.50%	-7.14%	-8.92%	0.81%	-12.13%

Annualised percentage growth in GBP. Discrete calendar years shown. The performance of each of the asset classes is represented as follows: Cash is LIBOR GBP 3 Months; UK Govt Bond is Markit iBoxx Sterling Gilts Overall TR; UK Corp Bond is Markit iBoxx Sterling Corporates TR; Global Aggr Bond is Barclays Global Aggregate Bond TR; Developed Equities is MSCI World TR USD; Emerging Equities is MSCI EM (Emerging Markets) TR USD; Commodities is Thomson Reuters/CoreCommodity CRB Index TR; Gold is Gold London PM Fixing

Source: Refinitiv Lipper IM

The Federal Reserve balance sheet has increased sharply following the commitment to purchase assets “in the amounts needed” to combat the impact of the lockdowns

USA monetary base

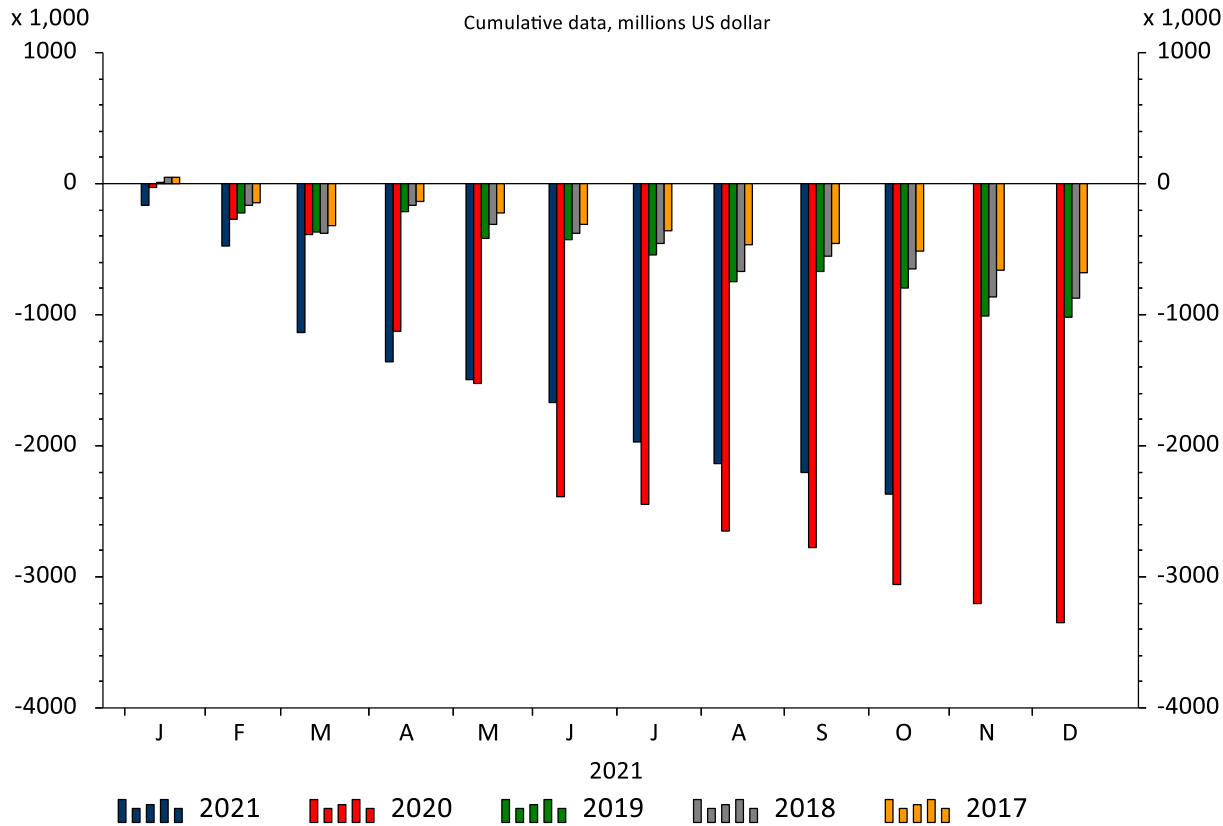


Source: Refinitiv Datastream

US budget deficit has increased following large-scale fiscal stimulus

US federal government budget balance

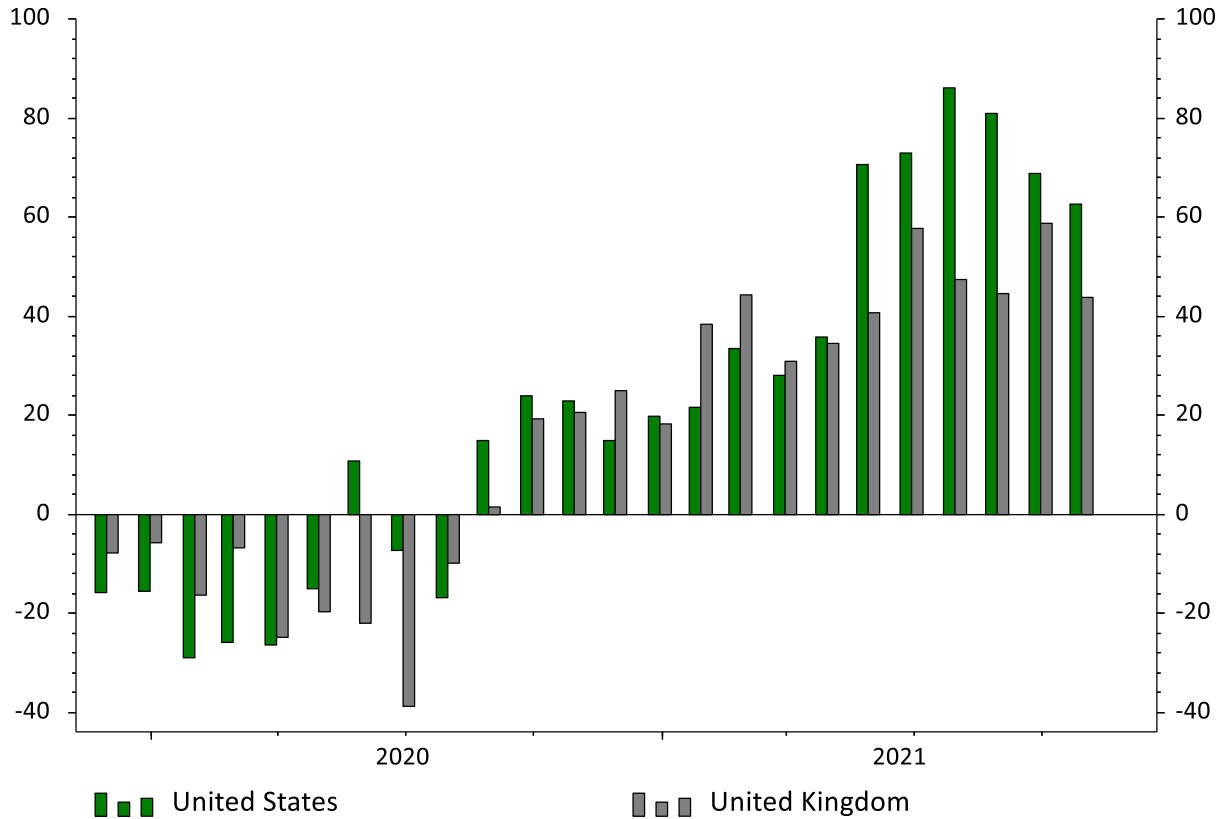
Cumulative data, millions US dollar



Source: Refinitiv Datastream

Recent inflation data are stronger than expected particularly in US and UK despite unemployment above pre-pandemic levels

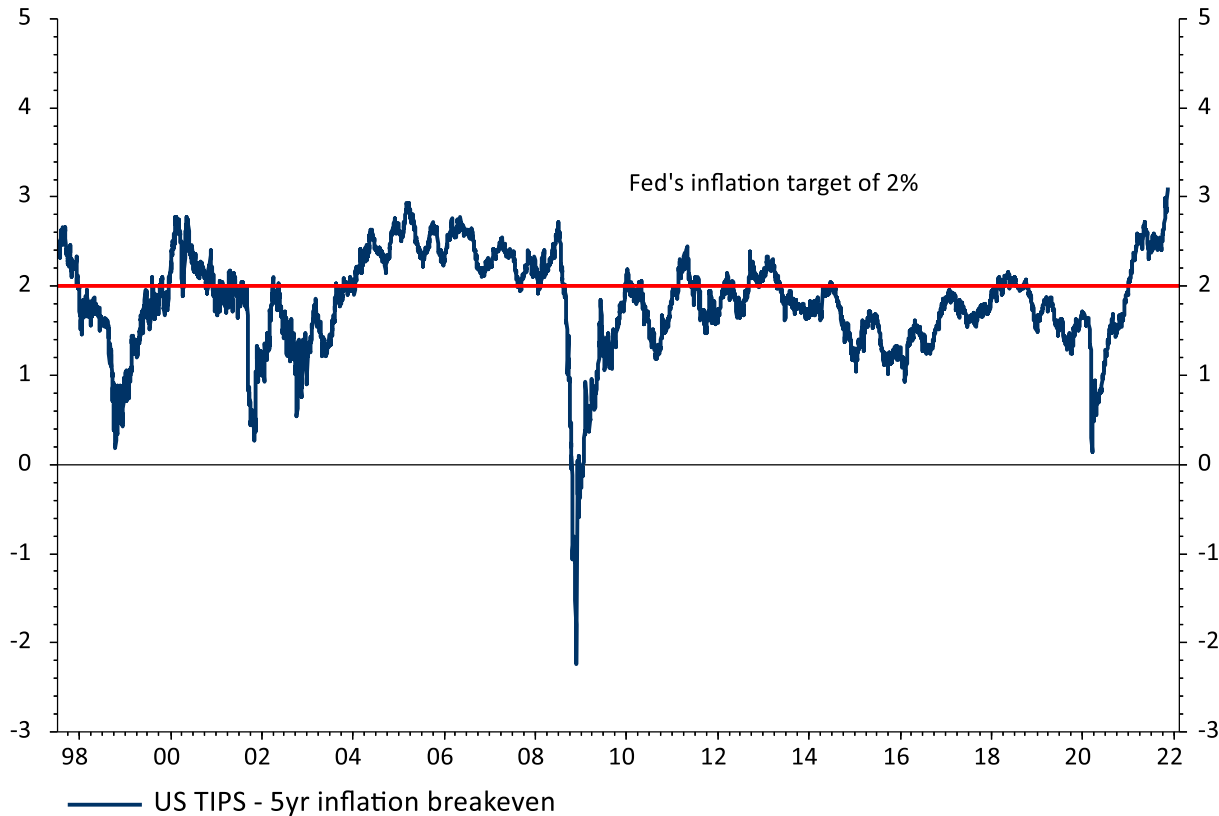
Citi inflation surprise index



Source: Refinitiv Datastream

US inflation expectations are above Fed's target of an average of 2.0%

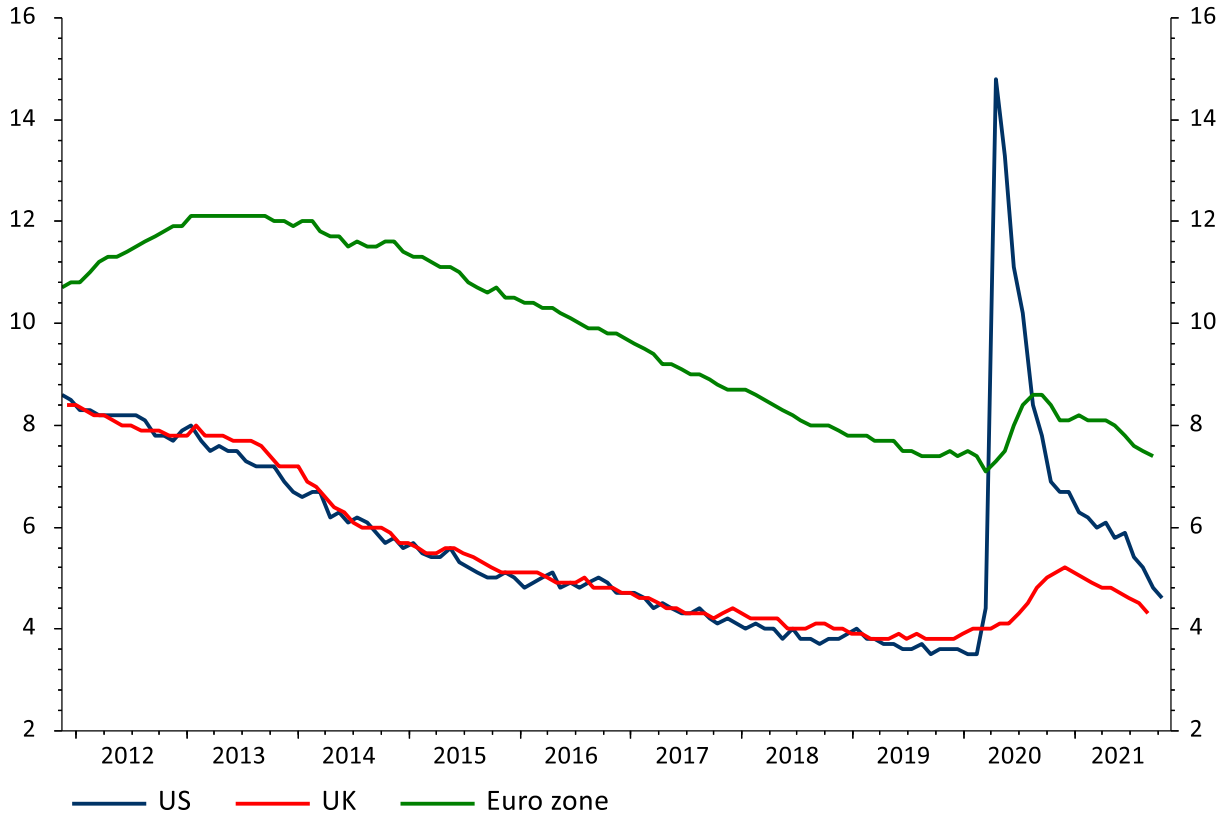
US breakeven inflation rate for 5 year TIPS



Source: Refinitiv Datastream

High unemployment is typically deflationary but labour shortages in some sectors have led to wage inflation for some workers

Unemployment rate

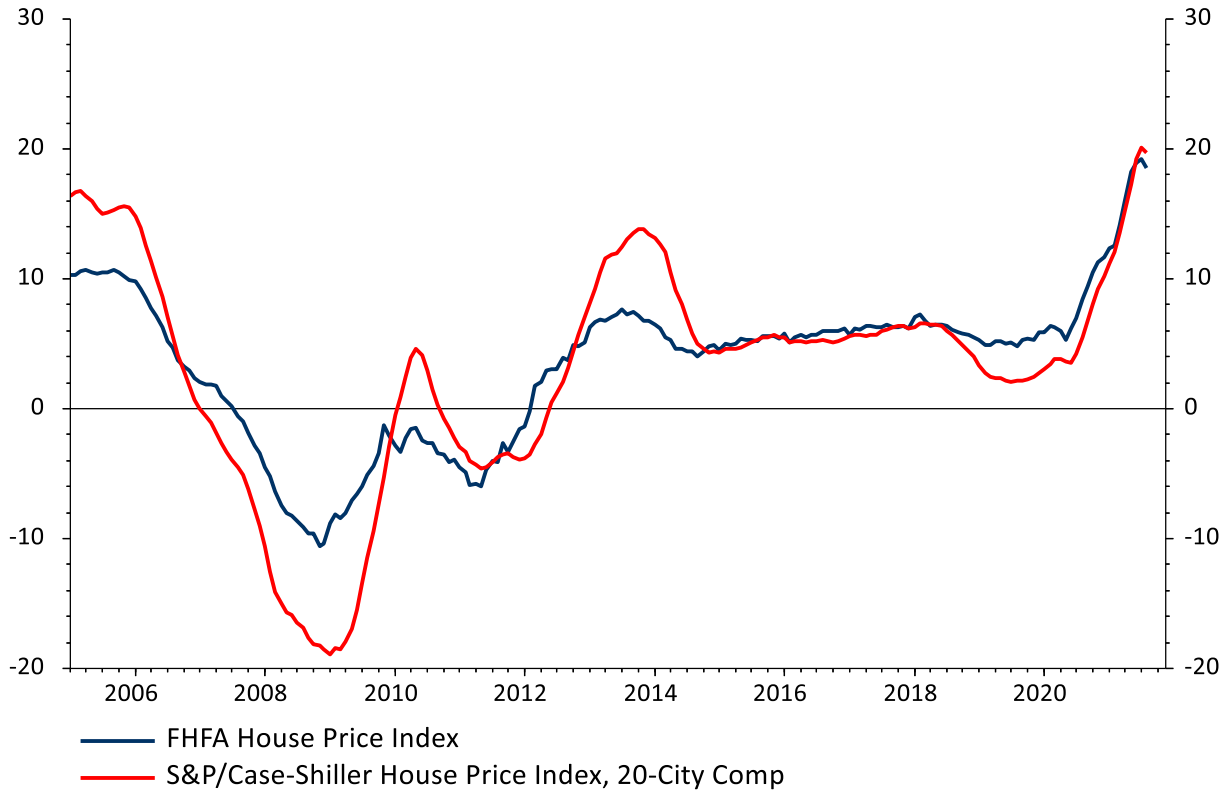


Source: Refinitiv Datastream

Housing costs account for approximately 40% of headline US inflation data

US house price inflation

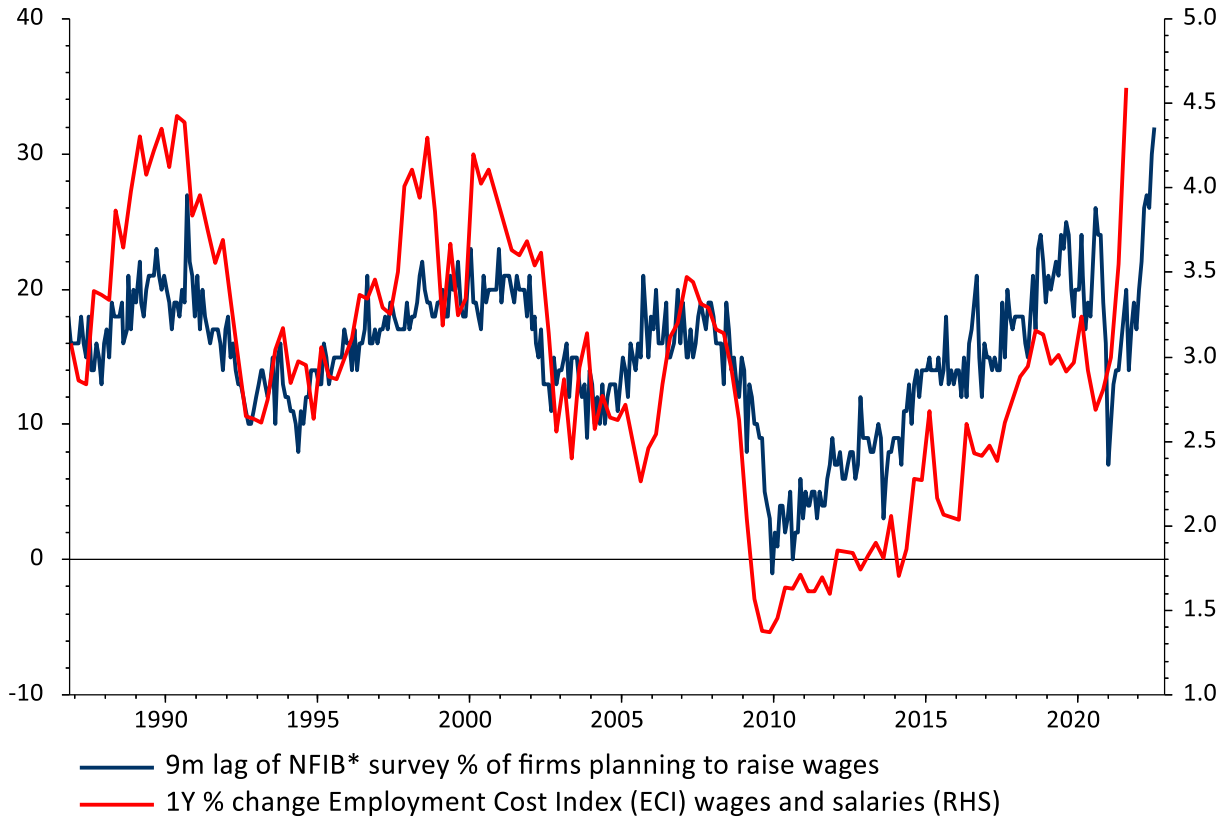
Twelve-month percentage changes



Source: Refinitiv Datastream

US wage growth and percentage of employers planning to increase wages

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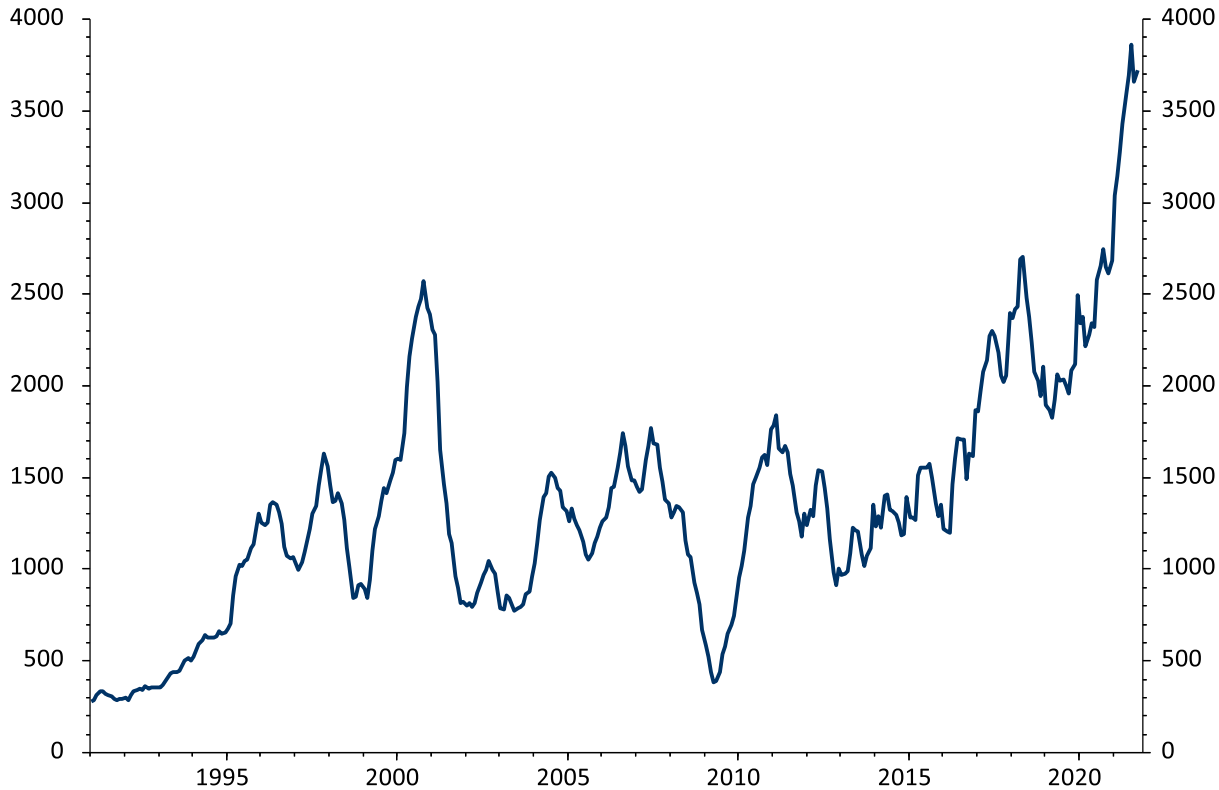
* NFIB: National Federation of Independent Business

Source: Refinitiv Datastream

Semi-conductor shortages have led to a shortage of new cars as manufacturers such as Ford and GM closed assembly lines

World semiconductor billings

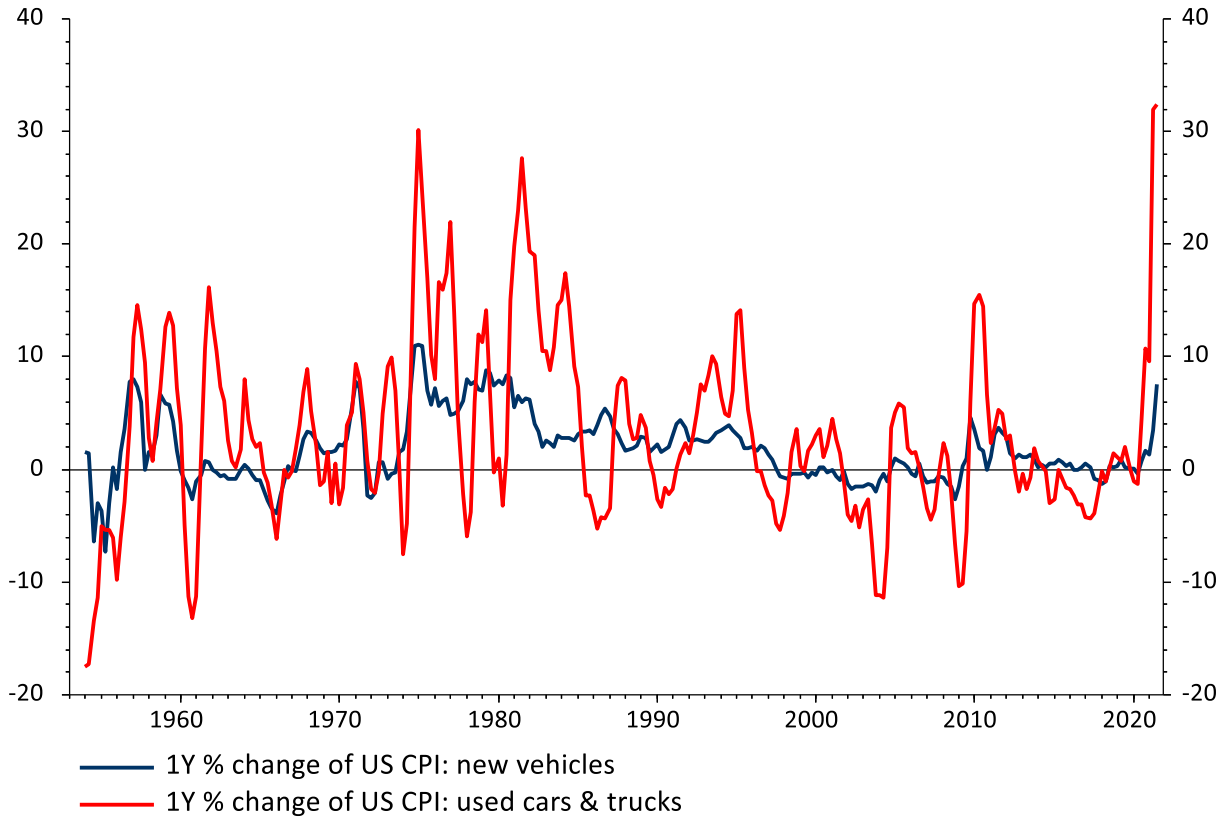
USD, billions, 3-MMA



Source: Refinitiv Datastream

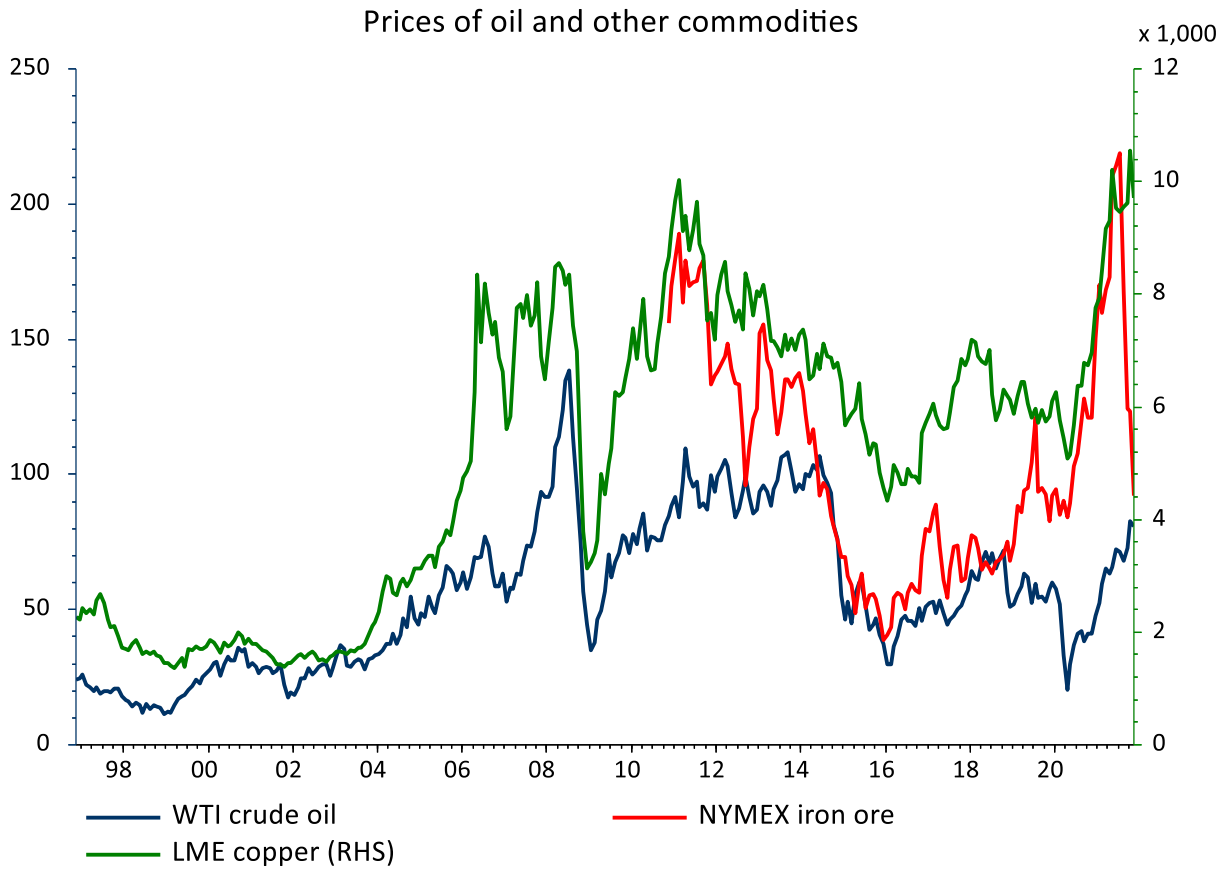
Second-hand vehicle prices have risen sharply given shortages of new vehicles

Inflation: new and used vehicles



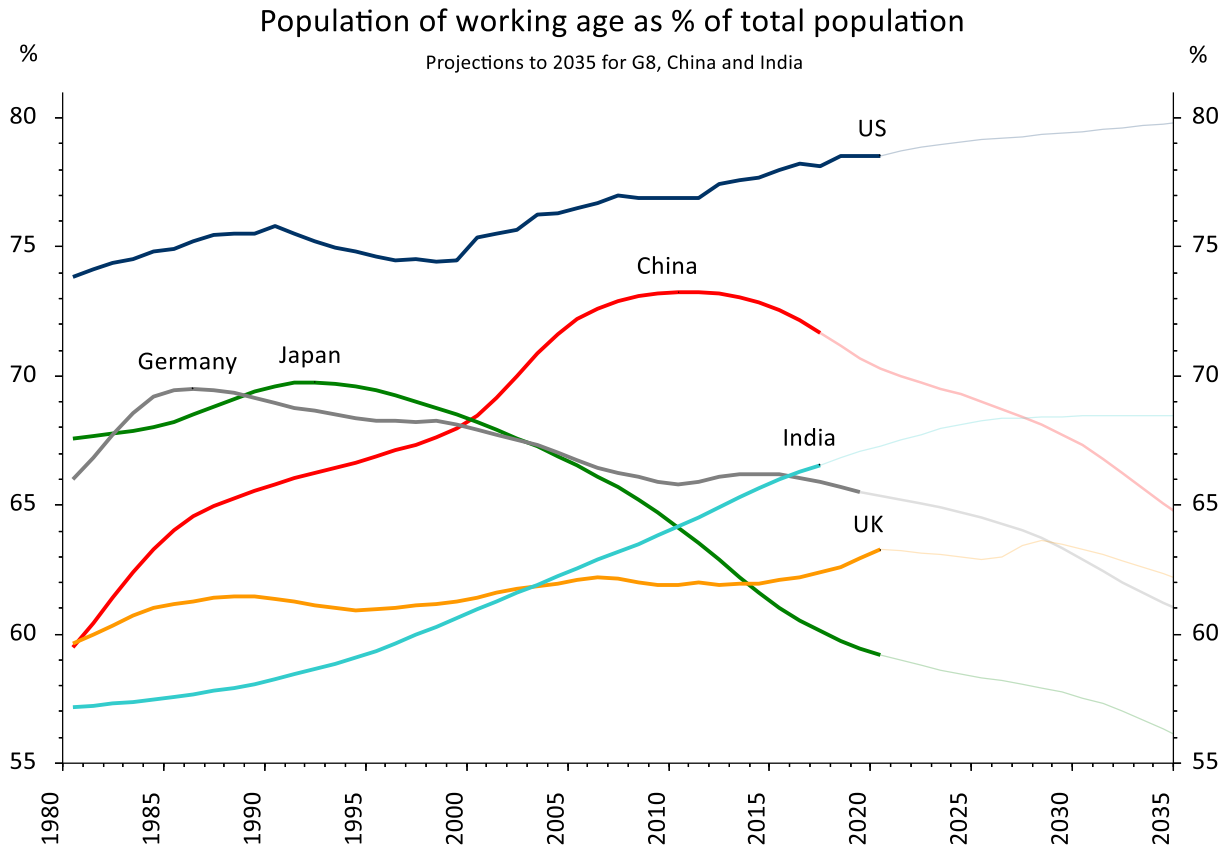
Source: Refinitiv Datastream

Oil and industrial commodity price increases are inflationary



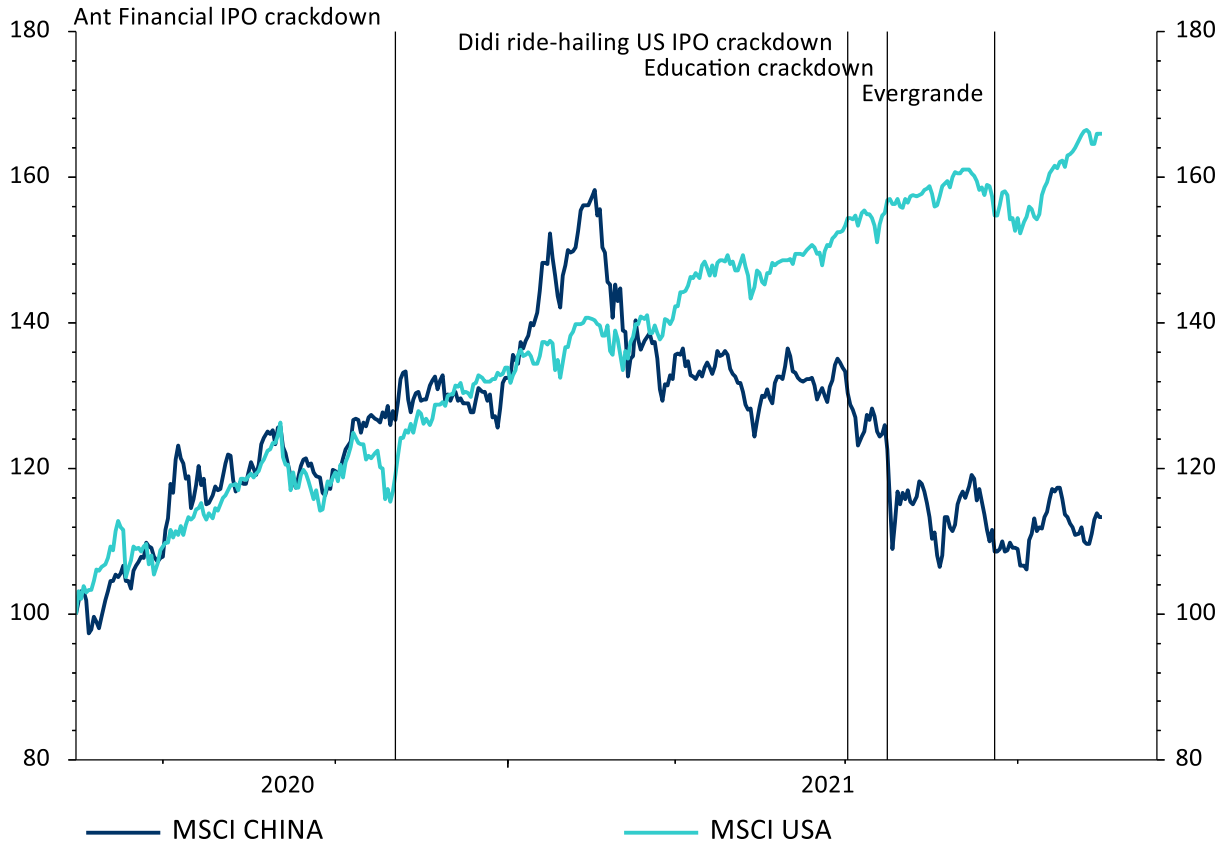
Source: Refinitiv Datastream

Chinese workers set to account for a diminishing proportion of the overall population and potentially leading to wage pressure and diminished labour cost advantage



Source: Refinitiv Datastream

Policy of “common prosperity” has led to political interference in quoted companies



Source: Refinitiv Datastream

Higher inflation and interest rate expectations in US may lead to a stronger dollar and capital outflows from emerging markets

Emerging markets & dollar index



Source: Refinitiv Datastream

Many new laws have increased the ease of doing business in India

2014	May	Narendra Modi elected as prime minister
	August	Foreign direct investment deregulation begins
2016	May	Insolvency and bankruptcy code
	November	De-monetisation of large denomination currency notes
2017	May	Real estate regulation
2018	July	Goods and services tax unification
2019	September	Corporate tax rate cut from 30% to 25%
2020	September	Labour reforms
	September	Farm economy reforms

Future reform agenda: privatisation of state owned businesses; energy pricing; land acquisition for industry and infrastructure; new businesses start-ups

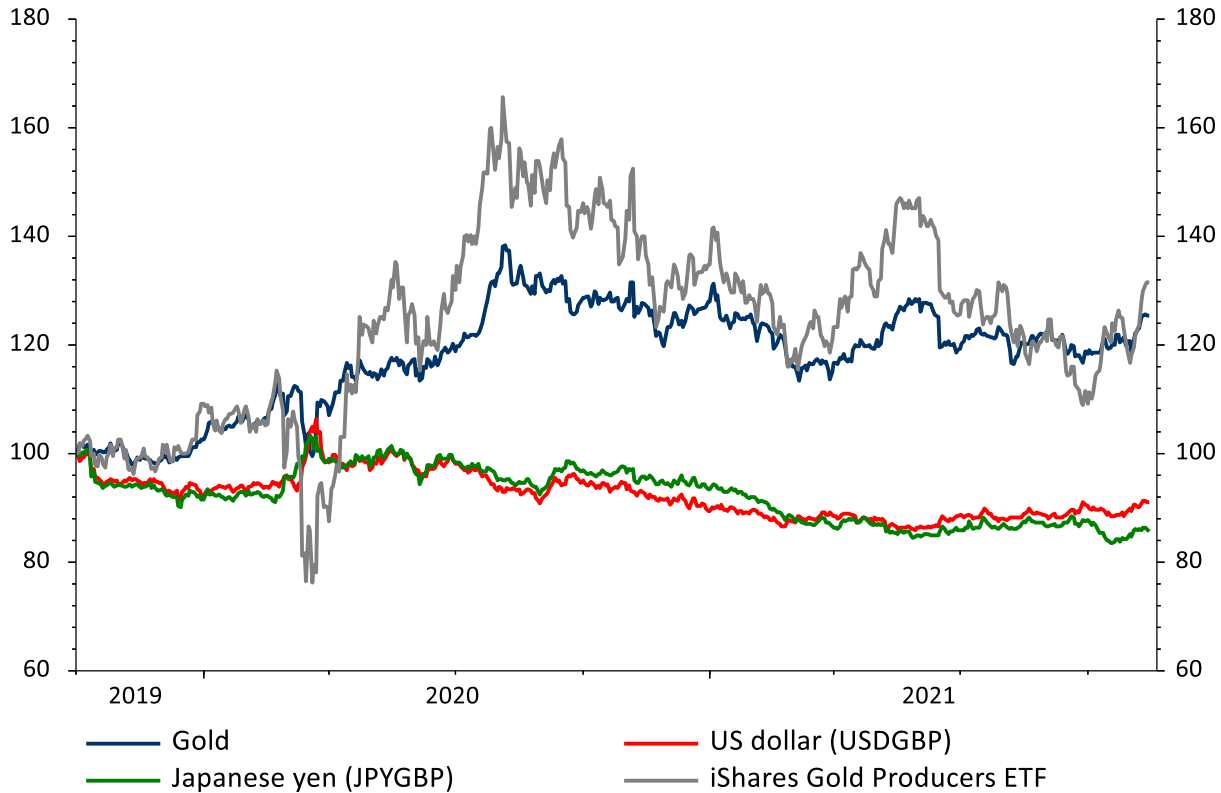
Vietnam Enterprise Investments is benefitting from manufacturers moving production from China in search of lower costs



Gold may prove a safe-haven should markets fall

Safe-haven assets

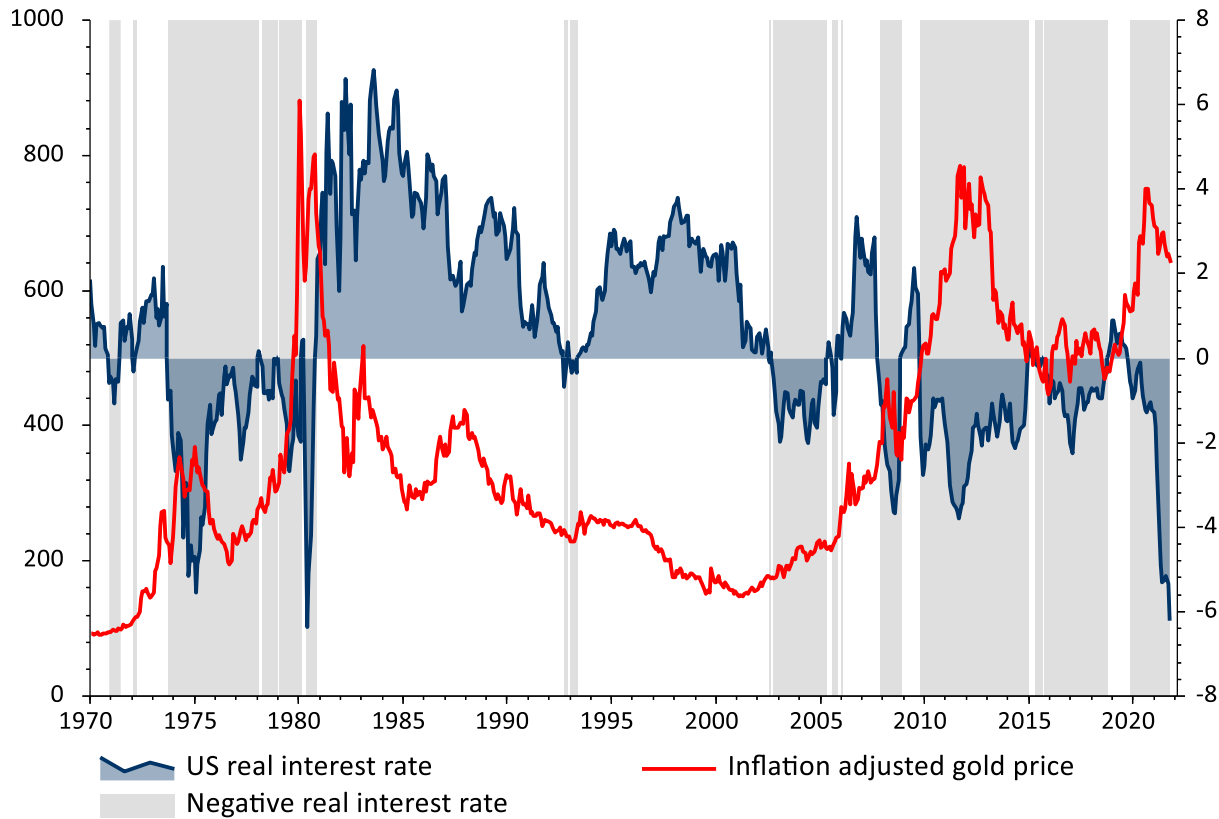
Rebased to 100



Source: Refinitiv Datastream

Gold demand may rise in an environment of negative real interest rates as the opportunity cost of investing in nil-yielding assets diminishes

Gold and real interest rates



Source: Refinitiv Datastream

Strategy asset allocation themes

- Equities are supported by extraordinary monetary and fiscal easing
- Inflation may prove higher and more persistent than central bankers expect. Equities may however perform well in an environment of moderate inflation but longer dated bonds may fall
- Shorter-dated and inflation-linked bonds may prove defensive should inflation and interest rate expectations rise
- Developed market equities typically preferred over developing economies equities because stronger-than-anticipated US inflation and interest rate expectations may lead to capital outflows from Asia ex-Japan and emerging markets.
- Chinese political interference in quoted companies in pursuit of “common prosperity” may prove a headwind
- The positive outlook for India and Vietnam is reflected in the selection of country-specific funds invested in these equity markets
- Daily-traded long/short equity funds provide diversification given correlation between some equity and bond markets is positive
- Gold and gold equities may benefit from an environment where inflation is higher than interest rates in addition to providing some protection to capital should markets fall

Important information

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