

Cerno Capital
Multi-Asset
Investment
Management

CERNO CAPITAL

MULTI-ASSET CLASS INVESTMENT MANAGEMENT

Cerno Capital is an investment manager.
Our clients are individuals, families, charities,
trustees and wealth managers.

We invest globally, across multiple asset classes and take a long term view to wealth preservation and growth. We address all the liquid asset classes. Our asset allocation changes as our outlook changes.

We take a real-world approach to risk, concentrating on the risks of losing money, not the measurement of volatility. Our goal is to preserve clients' assets and to grow them over time. Our approach takes account of investment structure, tax domicile, and requirement for income.

Most of our clients invest through one of our collectives, offering both onshore and offshore domicile, as appropriate. In the UK, we are an FCA authorised asset manager with onshore registered portfolios under the UCITS regime. The most liquid of these funds offers daily trading with no upfront fees. We are also able to construct bespoke portfolios for larger clients and help family offices, charities and institutions on an advisory basis.

The heart of the business is a group of experienced financial professionals. Our investment team members have collectively over 100 years of relevant experience. They are supported by an operational team of accountants and IT specialists.

The firm's external Investment Committee includes the distinguished investors Hugh Sloane, Richard Oldfield and Miles Geldard and the stock market historian Russell Napier. The Investment Advisory Committee is convened to provide contextual input on all factors affecting financial asset prices.

The Advisory Board, which provides advice in a broad business context, includes the experienced investors Sir Martin Smith, John Booth and George Robinson.

Cerno Capital is a privately owned partnership with owner-manager principals and is independent of any bank or brokerage. Our interests are aligned with those of our investors.



Investment Philosophy

We invest in different asset classes including equity and fixed income as well as other liquid assets such as commodities and precious metals. We make our decisions based on our view of the risk and rewards for each asset class, which changes as the environment changes. We aim to generate returns for our clients through our asset allocation as well as our security and manager selection. We believe this is the best way to manage long term wealth.

When we consider an investment for inclusion in our clients' portfolio, our first question must be: is this a plausible way of making money? Should we struggle to understand a strategy, we simply do not invest. Over a number of years we have refined our processes for security and manager selection. By adherence to this approach we aim to eliminate value destroying propositions and avoid outright capital loss.

Asset Allocation Process

Asset allocation decisions are taken by the portfolio managers with support from the wider investment team. A constant dialogue ensures the recommended asset allocation reflects our up to date analysis of the global environment. Allocations are reviewed weekly in a Portfolio Consistency Meeting.

Our long term asset class assumptions are comprehensively reviewed on a bi-annual rotation. In this formal meeting, each member of the investment team presents a three year asset class return forecast. We debate expected asset class and investment returns in the context of the medium term.

We refrain from making judgements based on backward looking models and instead we focus on the future with our three year forward expected return horizon. We frame the enquiry as: what prospect of return is the market offering?

Investment Selection

We believe that a focus on any one asset class would severely limit our ability to maximise risk-adjusted total returns for our clients. Instead, we consider a broad opportunity set consisting of all the liquid asset classes across the world in order to meet our clients' investment needs. We think about the macroeconomic environment and valuations to help guide us in our decision making. We constantly assess the right mix of assets in our clients' portfolios according to our reading of the world and our expectations for the future.

We are pragmatic investors and invest in individual securities, exchange-traded funds, long only funds and hedge funds. We believe in active asset management and that a disciplined approach to investment manager research can identify specialist managers with a high probability of achieving positive relative returns after all fees, over the medium term. We invest in individual securities and baskets of securities when we have a more precise view as to the specific investment theme we wish to access.

The investment manager research process starts with broad screening of the available universe. We break our assessment of managers down into four key areas and analysts are required to articulate a view on each category. Specifically, we formulate views on the organisational environment, investment philosophy and approach, portfolio construction and positioning. We reference historic performance to test our understanding of the approach.

The objective of the manager research process is to maintain an approved list of investments for possible inclusion in clients' portfolios. All manager meetings are recorded and discussed in a weekly investment meeting, where the Managing Partners determine the appropriate course of action. Unanimous Managing Partner approval is required to graduate a fund to the approved list. Approval can also be vetoed by the Finance Director on compliance or regulatory concerns. Once a fund is approved, it can be invested across portfolios, subject to any specific mandate requirements.



Partners

Cerno Capital was founded by Nicholas Hornby and James Spence, who are the Managing Partners of the firm and jointly responsible for its day-to-day running. The partnership structure aligns our interests with those of our clients because we do well when our clients' portfolios perform.

The Investment Advisory Committee meets quarterly and is convened to provide contextual input on all meaningful factors affecting asset prices.

Please refer to the members' biography at the end of this brochure.

Institutional Advisory

In addition to working with private individuals and families we provide investment advisory and management services to UK charities, educational endowments and smaller institutions. The partners of Cerno Capital work with trustees, bursars, treasurers and their respective committees, managing long term endowments and bequests.

We work with committees to understand their investment objectives, income requirements, risk tolerance and constraints. We then populate asset allocation templates with funds interviewed, researched and approved by the partners of Cerno Capital. We design an investment program to bridge our clients from their existing structures to their target allocations.

We are able to create bespoke benchmarks and performance reports for institutional and charitable clients.

For institutions without charitable status, we can advise on efficient investment structures, propose suitable counterparties and manage the process of establishment or asset transfer.

Family Office Services

We are well placed to assist clients in other aspects of their financial affairs. We are on hand to help our clients with any issues particular to them, as and when they arise. Frequently our role involves co-ordinating and working alongside clients' other professional advisers such as tax accountants, lawyers, private bankers and trustees.



Establishing an account

At initial meetings with clients we discuss their investment objectives, income requirements and tax planning. Once the domicile, fiscal basis, risk profile and reporting arrangements with the custodian bank have been decided upon, we will propose a strategic asset allocation and appropriate investment benchmark. All of our clients maintain a principal relationship with the Managing Partners of Cerno Capital.

Example Benchmark Weights (Medium Risk)

30% MSCI AC World Equity Index

25% HFRX Equity Hedge Index

15% Citigroup Broad Investment Grade Index

10% HFRX Macro Index

5% BarCap Global High Yield

5% Citigroup World Government Bond Index

10% GBP Cash

100%

Example Portfolio Structure

- Equity Long Only 46%
- Global Macro 25%
- Single Name Equity Positions 11%
- Equity Long Short 11%
- Event Driven 6%
- Cash Funds 1%





People

Nicholas Hornby

Nicholas is a co-founder of Cerno Capital and lead manages several of the firm's client portfolios. Prior to Cerno Capital, he established the London office of IWM Independent Wealth Management. His investment career began at Cazenove & Co in 1990. In 1995 he joined CLSA, rising to Head of Asian Sales, where he was responsible for the institutional business in the UK and Europe. Nicholas is an Economics graduate of Bristol University and an Associate of the Chartered Institute for Securities & Investment. He is a member of the Board of Governors of Downe House School and acts as Chairman of the Trustees of the Cecil Estate Family Trust and The Ashdene Trust, a UK charity.



James Spence

James is a co-founder of Cerno Capital and lead manages a number of the firm's collective and private portfolios. After qualifying as a chartered accountant in London (Coopers & Lybrand, 1989) he relocated to Asia. Between 1991 and 2004 he worked as an equity analyst, head of research, and latterly as an equity strategist at WI Carr, Paribas, HSBC and UBS, based variously in Hong Kong, Singapore and Jakarta. James graduated from the University of St Andrews, Scotland with an MA in Philosophy & Logic in 1986. James is a Member of the Chartered Institute for Securities & Investment.



Investment Advisory Committee

Hugh Sloane

Hugh Sloane co-founded Sloane Robinson in 1993, a London based boutique asset manager and has been the manager of the International & Japan portfolios since the inception of the firm. Hugh began his investment career at GT Management in Hong Kong in 1979. In 1991 he moved to London as investment director of GT and chairman of its European investment committee. Hugh left GT to found Sloane Robinson. Hugh sits on the Investment Committee of Lincoln College, Oxford and The Garrick Club. Hugh holds a degree in Economics and Politics from Bristol University and an MPhil in Economics from Oxford.

Richard Oldfield

Richard Oldfield is Executive Chairman of Oldfield Partners LLP, a value-style asset management firm, which has \$5 billion under management for pension funds, family trusts, charities and endowment funds. He was Chief Executive and Chief Investment officer of Alta Advisers Ltd., a European family investment office, from 1997-2005. Until 1996 he was a director of Mercury Asset Management plc, having joined the S.G. Warburg/Mercury group on leaving Oxford University in 1977. He is chairman of the Oxford University investment committee, a director of Witan Investment Trust plc, and a trustee of Canterbury Cathedral Trust, Royal Marsden Cancer Charity, and Clore Duffield Foundation. Richard holds a BA Hons in History from Oxford.

Russell Napier

Russell Napier is a stock market historian and global equity strategist. He began his career in investment at Baillie Gifford in Edinburgh, before joining the Asian stockbroker CLSA in May 1995 as an equity strategist in Hong Kong. He was ranked No.1 for Asian strategy in both the Asiamoney and Institutional Investor polls from 1997 to 1999. He currently acts as a consultant for CLSA Asia Pacific Markets, providing investment input to their institutional client base. Russell is also a director of the Scottish Investment Trust and the Mid Wynd International Investment Trust. His book Anatomy of a Bear – Learning from Wall Street’s Four Great Bottoms was published to critical and commercial acclaim. He runs a course for finance professionals at the Edinburgh Business School called A Practical History of Financial Markets which is generally cited as the best course of its kind in the UK. In 2013, Russell established a library of financial history in Edinburgh called The Library of Mistakes and was elected Fellow of The Society of Investment Professionals.

Miles Geldard

Miles Geldard joined Jupiter Asset Manager in 2010 and currently heads the Fixed Interest/ Multi-Asset team and also manages the Jupiter Global Convertibles SICAV, the Jupiter Strategic Total Return SICAV and Jupiter Strategic Reserve Fund and Jupiter Second Split Investment Trust. Before joining Jupiter, Miles was the Founder and Head of the Multi-Asset and Convertibles teams at RWC Partners, and at JPMorgan Asset Management, where he was CIO and Head of the Global Multi-Asset Group and Global Strategy team. Prior to this, Miles was a Fund Manager at Jardine Fleming and an Adviser at the Central Bank of Botswana. Miles gained a degree in Oriental Studies from Oxford University and is a Chartered Financial Analyst.

Advisory Board

Sir Martin Smith

Sir Martin Smith co-founded the London based investment banking firm Phoenix Securities Limited in the early 1980's. After the sale of Phoenix in 1997 to Donaldson, Lufkin and Jenrette, he became Chairman of DLJ's European investment banking operations. In 2001 he assisted in the founding of New Star Asset Management, serving as its Deputy Chairman in the firm's early years. Sir Martin has a number of other business interests, including advising Bain Capital, and chairing Finsbury Worldwide Healthcare Trust as well as GP Bullhound, a technology-focused investment banking firm. Sir Martin has for many years been actively involved in a range of arts and educational charities, including serving as Chairman of English National Opera, Chairman of the Orchestra of the Age of Enlightenment, Deputy Chairman of the South Bank Centre and of the Science Museum. He is currently on the Boards of the Royal Academy of Music, Glyndebourne and the Ashmolean Museum in Oxford. His family are the founding sponsors of the Smith School of Enterprise and the Environment at Oxford University. Sir Martin has an undergraduate degree in theoretical physics from Oxford, and masters degrees in Business and Economics from Stanford University.

Rupert Rittson-Thomas

Rupert Rittson-Thomas is an investor and director of several start up companies including Lusight Research, an independent investment firm focused on Global Emerging Markets, Go Native Holdings, a provider of temporary homes for business travellers in the UK, and Rapha Racing, a manufacturer of cycling clothing. Until the sale of Robert Fleming to Chase Manhattan Bank in 2000, he was a Director of the Asian sales desk with Robert Fleming in New York. Prior to this he was a member of the Asian sales desk of Jardine Fleming Hong Kong (1995-1997) and equity analyst of Hong Kong and Chinese companies (1991-1995). Rupert commenced his business career at Save & Prosper in 1989 having completed a short service commission in the Army.

John Booth

John Booth chairs Maintel Holdings PLC and acts as a consultant to Herald Ventures, a venture capital partnership and serves as a non-executive director for a number of private companies. In 1994 John co-founded Link Asset and Securities Co., a derivatives brokerage firm and served as Chairman until its sale to ICAP in 2008. John began his financial career in 1983 at Merrill Lynch in London and New York. He became a partner of Hutton International Associates in 1986 and Senior Vice President of Prudential Securities in 1988 and was appointed Managing Director of Bankers Trust International PLC in 1992. John is a graduate of Oxford University.

Nicholas Morland

Nicholas Morland is managing partner at Hanover Investors. Nicholas joined Hanover in 2014 following several years leading a private office, developing and managing a portfolio of both private and listed assets. Prior to these roles, he worked in a variety of general and change management positions including deputy group underwriter with Alea, general manager Europe for QBE, group operations director at Hiscox, and as an analyst with Sedgwick. Nick is a qualified Chartered Accountant and is currently chairman of Prospect Magazine and sits on the advisory board of Longwall Ventures, an Oxford based venture capital firm.

George Robinson

George Robinson co-founded Sloane Robinson in 1993 with Hugh Sloane. Prior to that, having joined the Swire Group in Hong Kong, he was seconded to Cathay Pacific Airways. In 1985 he joined WI Carr and established an office in Seoul conducting research on the Korean economy and companies listed on the Korean Stock Exchange. In 1988 he moved with WI Carr to Bangkok where he set up a similar operation conducting research on companies listed on the Thai Stock Exchange. In 1991 he moved to Hong Kong as director of research, supervising research on listed companies in Hong Kong and China. George sits on the Investment Committees of Eton College and Keble College Oxford. He graduated from Oxford University in 1979 with an honours degree in Engineering Science.

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