

Cerno Unconstrained

Cerno Investment Funds ICAV (Class A)

October 2018



Monthly Report

The 3.8% decline in NAV reported for this month was made up of -5.0% contribution from the equity investments within the multi-asset portfolio and +1.2% positive attribution elsewhere in the portfolio. We comment on each element in turn.

2.1% of the 5.0% (or 43% of the gross negative attribution) was derived from Global Leaders holdings. Of this, just below half the negative price action was traceable to four companies Fresenius Medical, Ansys, Sonova and LVMH. Of the four companies, we noted fundamental factors affecting two. Fresenius which manufactures and operates kidney dialysis units in hospitals and stand-alone clinics, issued a profit warning. Sonova was impacted by negative sentiment following the announced release by Bose of a “crossover” hearing-aid device that could possibly impact the traditional order chain via qualified audiologists.

The other portion of the portfolio that struggled in the month were allocations to Japan, China and India – accounting for -1.5% in aggregate. These countries (and their regional relatives) have corrected earlier and steeper than Western markets. The main Chinese index, for example, is down -21% YTD. What gives us continued belief here is i) the operating performance of owned companies which remains good and ii) the companies’ valuations which are now very attractive indeed: especially in our Chinese (10 times earnings) and Indian (15 times earnings) portfolios. These multiples are for 20%+ growth whereas the benchmark S&P500 in the US trades at 15.5 times forward earnings for growth slowing to 7% on Goldman Sachs estimates. The US suffers from the law of large numbers: growth in earnings per share has been goosed by buy-backs and tax cuts and margins stand at multi-year highs.

Positive attributions have been obtained from the more conservative allocations: Treasuries, commercial paper and floating rate paper and assisted by GBP weakening over the month against USD. We have operated equity put option protection throughout the year – in anticipation of more difficult markets - and this book yielded +0.48% over the month as indices fell below, or closely approached, some key strikes. These are vanilla, on-market options against Eurostoxx50, S&P500 and the NASDAQ indices. During the month, we acquired, through subscription to a capital raise, a holding in LXi REIT, a London listed real estate investment trust. The trust invests in a diversified portfolio of long-let, UK commercial property assets with index linked rent agreements. The trust offers a current yield of 5.3%. The investment environment has changed, and this argues for more conservative settings, the continuation of portfolio protection and positive engagement with those equity markets where value is showing.

Fund Managers



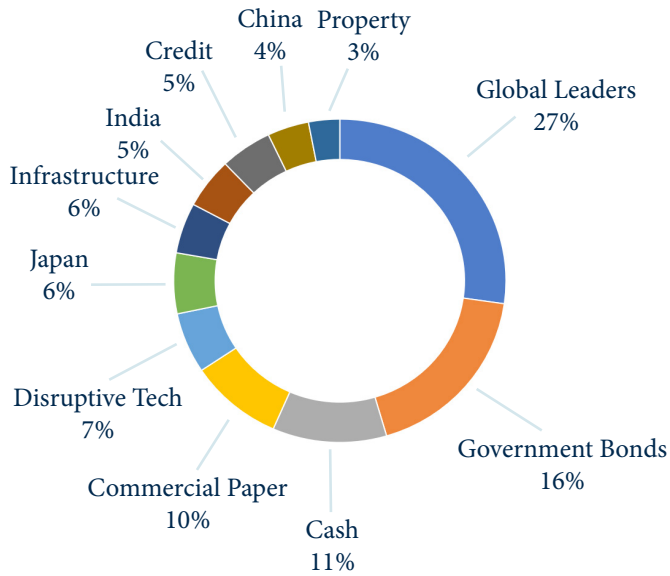
Fergus Shaw
Co Manager
shaw@cernocapital.com



James Spence
Co Manager
spence@cernocapital.com

CERNO CAPITAL

Allocation by Theme



Top Equity Holdings

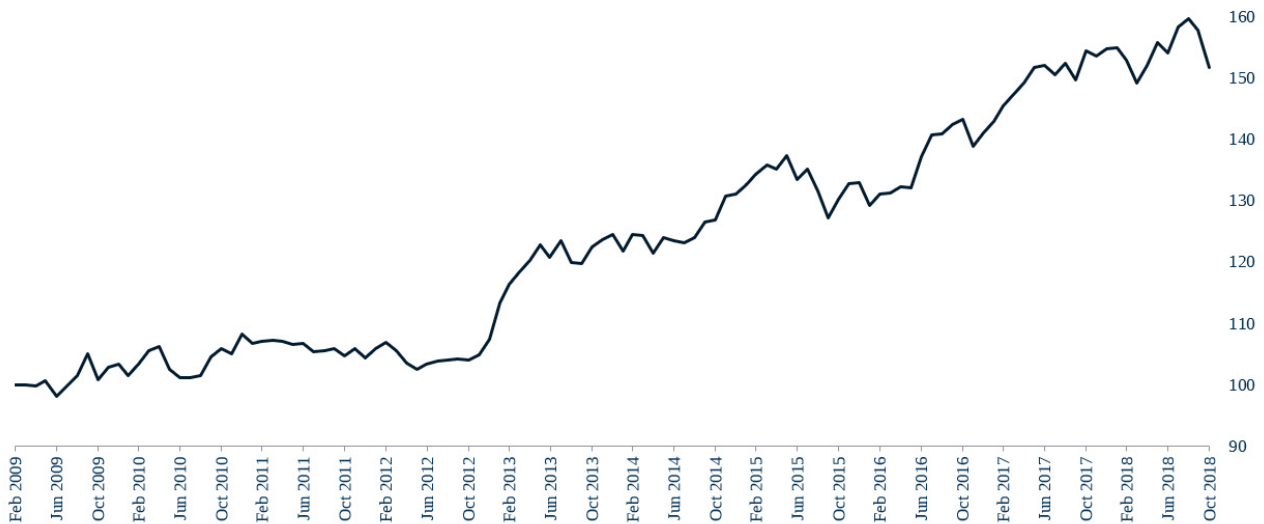
Cerno Global Leaders Strategy	27.4%
Baillie Gifford Global Discovery	7.0%
Michinori Japan	6.0%
Ocean Dial Emerging India	5.1%
Matthews China Small Companies	4.3%

Top Non-Equity Holdings

US Treasury Bond 2.5%	10.5%
iShares USD Floating Rate Bond	5.7%
HICL Infrastructure	5.6%
US Treasury Bond 2.625%	5.3%
Funding Circle	5.0%

Track Record

	1M	3M	YTD	Since Launch
Fund	-3.8%	-4.2%	-2.0%	51.7%
UK CPI +3%*	0.2%	1.5%	4.1%	65.8%



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.1%	(1.3%)	(2.5%)	2.0%	2.4%	(1.1%)	2.7%	0.8%	(1.2%)	(3.8%)	-	-	(2.0%)
2017	1.4%	1.8%	1.3%	1.25%	1.7%	(0.6%)	(1.0%)	1.2%	(1.7%)	3.13%	(0.5%)	0.8%	9.8%
2016	(2.8%)	1.5%	0.0%	0.9%	(0.2%)	3.8%	2.7%	0.1%	1.1%	0.5%	(3.0%)	1.5%	6.1%
2015	1.1%	1.3%	1.1%	(0.5%)	1.6%	(2.7%)	1.2%	(2.7%)	(3.3%)	2.4%	2.0%	0.1%	1.4%
2014	(2.2%)	2.2%	(0.1%)	(2.3%)	2.4%	0.4%	0.3%	0.7%	2.1%	0.2%	3.0%	0.3%	5.4%
2013	5.6%	2.7%	1.7%	1.5%	2.2%	(1.7%)	2.3%	(2.9%)	(0.1%)	2.3%	0.9%	0.6%	15.8%
2012	1.5%	1.0%	(0.3%)	(1.0%)	1.1%	(1.5%)	0.5%	0.1%	0.2%	(0.2%)	0.9%	2.4%	3.0%
2011	(1.5%)	0.4%	0.1%	(0.2%)	(0.5%)	0.2%	(1.2%)	0.0%	0.2%	(0.1%)	1.1%	(1.5%)	(3.7%)
2010	(1.8%)	1.7%	2.1%	0.7%	(3.4%)	(1.4%)	0.0%	0.2%	3.1%	2.3%	1.3%	3.1%	4.8%
2009	-	-	-	(0.2%)	0.9%	(2.6%)	2.3%	1.9%	3.4%	4.0%	2.1%	0.5%	3.4%

CERNO CAPITAL

Fund Data

NAV/Share Class A	£9.98
Fund Size (£mn)	£22.7mn
Currency Share Class	GBP (Base)
Administrator	Maples Fund Services (Ireland) Limited
Fund Custodian	Sumitomo Mitsui Trust (UK) Limited
Fund Legal Structure	ICAV
Inception Date - Fund	February 2009
Ongoing Charges	Management Fee 1.00% Allocated manager's Fees 0.24% Other Fees (Inc running costs) 1.05% OCF 2.29%
Contact	Tom Milnes 0207 036 4126 tom@cernocapital.com

Fund Codes

	ISIN:	SEDOL:	Bloomberg:
A Acc	IE00BDFBSX70	BDFBSX7	KBACUAG
B Acc	IE00BDFBSY87	BDFBSY8	KBACUBG
C Acc (EUR)	IE00BDFBSZ94	BDFBSZ9	-
D Acc (USD)	IE00BDFBT015	BDFBT01	KBACUDU



Disclaimer for Cerno Unconstrained: Cerno Unconstrained Fund (the "Fund"), which is a sub fund of TM Cerno Investment Funds, is organised under the laws of the United Kingdom and qualifying as an undertaking for collective investment in transferable securities ("UCITS") under Directive 85/611/EEC (as amended) and is regulated by the Financial Conduct Authority. This document is issued by CERNO CAPITAL PARTNERS LLP and is for private circulation only. CERNO CAPITAL is authorised and regulated by the Financial Conduct Authority in the United Kingdom. The information contained in this document is strictly confidential and does not constitute an offer to sell or the solicitation of any offer to buy any securities and or derivatives and may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of CERNO CAPITAL PARTNERS LLP. The value of investments and any income generated may go down as well as up and is not guaranteed. You may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments. There are also additional risks associated with investments in emerging or developing markets. The information and opinions contained in this document are for background purposes only, and do not purport to be full or complete. Nor does this document constitute investment advice. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by CERNO CAPITAL PARTNERS LLP, its partners or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinion. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.