

TM Cerno Select

UCITS Multi Asset Class Portfolio (Class C)

November 2018



Monthly Report

World Equities spluttered into rally mode at the back end of the month. We witnessed further deterioration in the credit complex, a precursor of deteriorating financial conditions and often a signal of looming recession.

It is remarkable that we are already concerned about cycle risks so soon after the passing of US corporate tax cuts which stimulated a round of earnings upgrades. Those tax cuts will deliver lasting damage to the US fiscal position in the longer run for a small positive impact in the short term. The net gain to corporate cash flows will be spent on share buy-backs by listed companies, with nary a sign of a capex boom. Like a bout of seasonal overindulgence, the pleasure is over in a jiffy.

The world's other giant economy, China, is dealing with a cycle of its own. Her economic managers are attempting to cool financial overexuberance against a worsening trade picture. This tight rope act would be difficult even without Trump lobbing rocks.

Europe would rather see the back of BREXIT even if our parliament is riven and in no mood to make decisions. The complexion of those still within the tent is changing: Macron's polish has faded, Merkel is retiring and fringe rightists and leftists are no longer fringe, in Italy, in Hungary and perhaps elsewhere soon.

The equity strategies within the portfolio did better than markets at large. This was for different reasons: stock specific as in the case of Global Leaders and our younger technology allocation (via Baillie Gifford) and regional and country specific for the Asian investments.

Bad news reflecting back from markets seems to have persuaded the Federal Reserve to change its vector on interest rates.

Chairman Powell, who in early October suggested that the US was a "long way" from neutral on interest rates adjusted his syntax to "just below" on November 28th. The subsequent impact of these remarks, which had immediate bearing on the US dollar, was felt either both sides of the month end. A weakening dollar loosens financial conditions globally and allows Asia, in particular, room to rally.

We have been striving, in the second half of the year, to organise the portfolio into a position whereby it is better proofed against the agglomerating risks. This has entailed some trimming in July and October, moving yield maturities shorter and working hedges via options. These shifts are made possible, at little cost, because a very large proportion of the portfolio is liquid and tradable.

Fund Managers



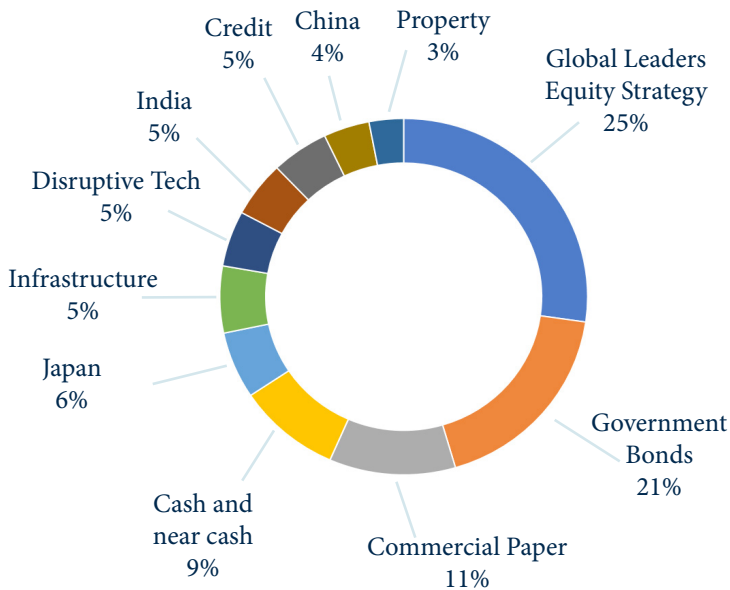
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Allocation by Theme



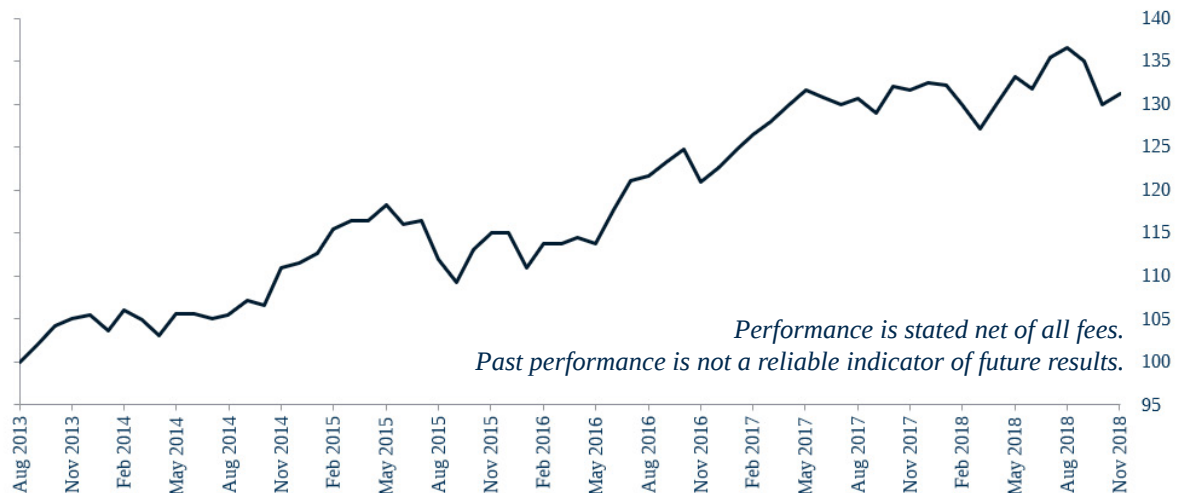
Top Equity Holdings

Cerno Global Leaders Equity Strategy	24.6%
Michinori Japan	5.6%
Baillie Gifford Global Discovery	5.4%
Ocean Dial Emerging India	4.9%
Matthews China Small Companies	4.3%

Top Non-Equity Holdings

US Treasury Bond 2.5%	9.8%
US Treasury Bond 2.625%	8.1%
iShares USD Floating Rate Bond	7.1%
HICL Infrastructure	5.6%
Funding Circle	4.7%

Performance Since Inception



Returns by 12M Period

Period	10/17-09/18	10/16-09/17	10/15-09/16	10/14-09/15	10/13-09/14
Performance	+4.7%	+4.6%	+12.7%	+2.1%	+5.1%

Monthly Table

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	(0.2%)	(1.7%)	(2.1%)	2.3%	2.4%	(1.0%)	2.7%	0.8%	(1.1%)	(3.7%)	0.9%		(1.0%)
2017	1.7%	1.3%	1.3%	1.3%	1.5%	(0.6%)	(0.6%)	0.5%	(1.3%)	2.5%	(0.4%)	0.7%	8.0%
2016	(3.6%)	2.4%	0.1%	0.6%	(0.6%)	3.4%	2.9%	0.5%	1.3%	1.2%	(3.0%)	1.4%	6.6%
2015	1.0%	2.5%	1.0%	(0.1%)	1.6%	(1.9%)	0.3%	(3.8%)	(2.4%)	3.5%	1.7%	0.1%	3.2%
2014	(1.8%)	2.3%	(1.0%)	(1.7%)	2.4%	(0.0%)	(0.6%)	0.4%	1.6%	(0.5%)	4.1%	0.5%	5.7%
2013	-	-	-	-	-	-	-	-	1.9%	2.3%	0.9%	0.4%	5.4%

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Fund Data

NAV/Share Class (Acc)	£13.11
Fund Size (£mn)	£87.4mn
Currency Share Class	GBP (Base)
ACD	Tutman LLP
Fund Custodian	Northern Trust
Fund Legal Structure	UK OEIC (UCITS)
Inception Date - Fund	September 2013
Fund Saving Structures	SIPPs, ISAs & JISAs
Ongoing Charges Class C	Management Fee 0.75% Allocated manager's Fees 0.19% Other Fees (Inc running costs) 0.24% OCF 1.18%
Contact	Tom Milnes 0207 036 4126 tom@cernocapital.com

Fund Codes

	ISIN:	SEDOL:	Bloomberg:
C Acc	GB00BCZXTM29	BCZXTM2	TMCESBA LN
C Inc	GB00BCZXTM59	BCZXTL1	TMCESBI LN

Fund & Risk Ratings



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