CERNO CAPITAL

TM Cerno Select

UCITS Multi Asset Class Portfolio (Class C)

January 2019

Monthly Report

Equity markets enjoyed a month of relief in January demonstrating Ben Grahams' quip: - "In the short run, the market is a voting machine but in the long run it is a weighing machine". Our challenge is to maintain a portfolio with plenty of weight and to leave vote chasing to the politicians.

Fed Chairman Powell gave the markets and Mr Trump what they hoped for with no interest rate increase and a statement on balance sheet normalisation which alluded to a willingness to be flexible on its plan to reduce the pace of reduction. Like addicts being offered another shot, the markets responded accordingly. Equity allocations to Global Leaders and to the technology related portfolio managed by Baillie Gifford were positive, however specialist country allocations to India, China and Japan were held back by their domestic and mid cap exposures as the relief rally emphasised large caps as is often the case.

The combination of soothing comments from the Fed and evolving probabilities on Brexit outcomes resulted in a month of sterling appreciation versus the dollar, euro and perhaps more noteworthy, a four percent appreciation versus that bastion of safety, the Swiss franc. This acted as a headwind to performance given the portfolios significant weighting to international assets.

The global cross-currents which set the scene for asset allocators are observed by James Spence in the accompanying Investment Letter. One consequence of these stresses has been an inversion of the US yield curve which led us to take profits on US Treasuries and re-allocate to cash deposits at an equivalent yield. Thus, the highly liquid, defensive component of the portfolio offers a greater level of safety.

We continue to shun long duration debt. For a reminder of the consequences of applying inappropriate debt levels to marginal projects one only needs to observe the current travails of UK Support Services business Interserve where debt holders are being asked to take a chunky capital write-down and equity holders, in all likelihood, will be wiped out.

When headwinds and pressure points are readily observed, hunkering down and hiding in perceived low risk assets is a dangerous game as opportunities are ever present. Leading global businesses such as Assa Abloy, a portfolio holding, continue to prosper from the adoption of technology in areas some might see as mundane. In Assa's case, the adoption of electromechanical, smart locks on doors. Progress in China – US trade talks will provide impetus for Chinese equities and the holding in the Matthews China Smaller Companies Fund was modestly increased in January.

"Three steps forward, two steps back" may well be the refrain for 2019 and in such a market gradual portfolio changes will be more the norm. Anything else, and you risk chasing the voting machine.

Fund Managers

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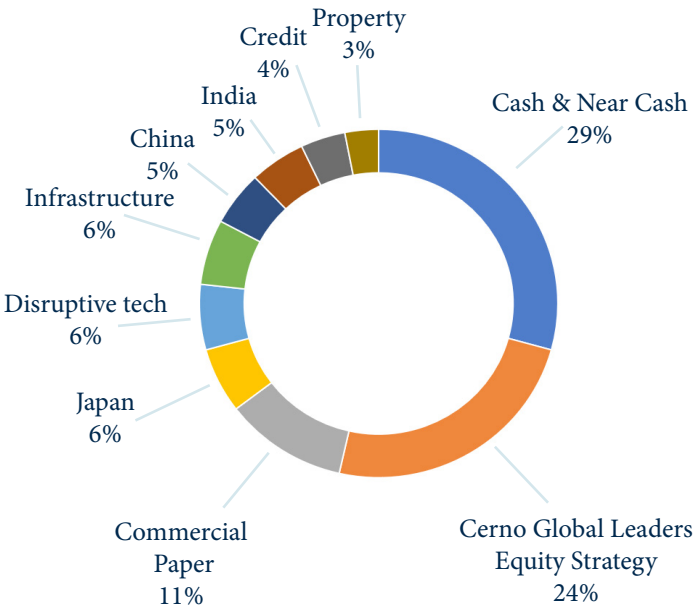
Allocation by Theme



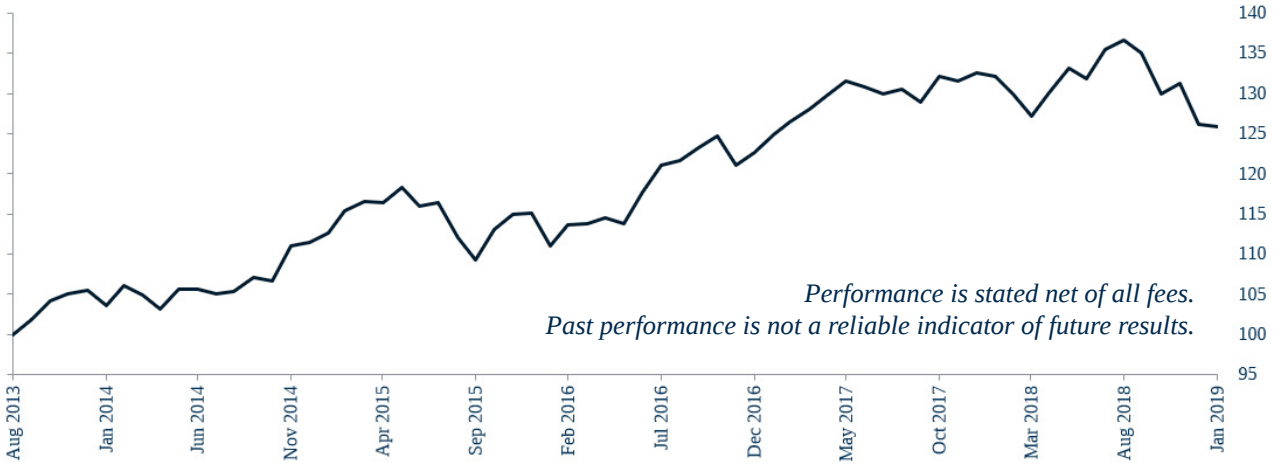
Top Equity Holdings

Cerno Global Leaders Equity Strategy	23.8%
Michinori Japan	6.3%
Baillie Gifford Global Discovery	6.0%
Matthews China Small Companies	4.9%
Ocean Dial Emerging India	4.8%

Top Non-Equity Holdings

State Street Liquidity Fund	10.9%
JP Morgan Liquidity Fund	10.9%
iShares USD Floating Rate Bond	7.1%
HICL Infrastructure	5.9%
Funding Circle	4.4%

Performance Since Inception



Performance

Year	YTD	2018	2017	2016	2015	2014
Performance	-0.3%	-4.8%	+8.0%	+6.6%	+3.2%	+5.7%

Monthly Table

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	(0.3%)	-	-	-	-	-	-	-	-	-	-	-	(0.3%)
2018	(0.2%)	(1.7%)	(2.1%)	2.3%	2.4%	(1.0%)	2.7%	0.8%	(1.1%)	(3.7%)	0.9%	(3.8%)	(4.8%)
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)	£12.6
Fund Size (£mn)	£84.6mn
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%
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Fund Codes

	ISIN:	SEDOL:	Bloomberg:
C Acc	GB00BCZXTM29	BCZXTM2	TMCESBA LN
C Inc	GB00BCZXTP59	BCZXTL1	TMCESBI LN

Fund & Risk Ratings

defaqto 2019 Multi-Asset Return Focused

DYNAMIC PLANNER™ PROFILED 5

3D 2018 CERNO CAPITAL PARTNERS AWARDED BY ARC

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