

## TM Cerno Select

UCITS Multi Asset Class Portfolio (Class C)

February 2019



### Monthly Report

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Equity markets remained robust in February, extending the rally that began shortly before the New Year. Looking more deeply within relative performance between sectors either side of December's deep falls, we see considerable divergence. Global Healthcare and Consumer Staples have recorded negative returns in USD over this period (of -1.7% and -0.3% respectively between the beginning of December and the end of February). The fact that the strongest performing sector has been Materials (+5.8%) is suggestive that a short-term positive change in sentiment toward the global cycle has been the principal driver of returns.

What fundamental changes, if any, have driven this? First and foremost we point to the change in tone and content of comments emanating from the Governor of the Federal Reserve: indicating that the reduction of liquidity support is no longer "on auto-pilot" and that the progression of upwards interest rates is on pause. Secondly, there is growing confidence that the trade disputes between China and the US is not an epochal battle for 21st century hegemony but a more transactional tit-for-tat that President Trump may seek to bring to a close, undercutting the ardent trade hawks on his own side. We ourselves share this view.

Within the equity allocation in the portfolio, Global Leaders accounted for the largest positive contribution at +0.96%. Secondly, the allocation to early stage growth and technology companies managed by Baillie Gifford (+0.51%).

Within Asia, it was more mixed. We topped up the allocation to Matthews China Small Companies in January which proved to be good timing as the main Chinese Index the CSI300 fell 25% in 2018 and has risen 26% in the first two months of this year. Better news on trade was one factor driving this, plus moves by

the MSCI Index provider to boost weightings of Chinese stocks within global indices. India has been a less happy place this year. We are in election year and the normal pump priming you would expect is delivering less and delivering late. 7 basis points (0.07%) were shed in that position.

Also, meaningfully for a global portfolio whose principal reporting class is GBP has been the recovery of the value of the pound: +3.9% YTD. Early in the year, we took the view that GBP had become sensitive to good news which is generally construed as a slowing or softening of the BREXIT process and so have been increasing the hedge back to GBP in the portfolio to mitigate the effects of a rising pound. This has been helpful at the margin whilst not eliminating all the drag.

Part of the policy to mitigate volatility in portfolio returns is the periodic use of equity index put options. In rising markets these lose value. As the insurance premium is paid away, they lost value, as they did in January. Their maturity dates have been extended so can be helpful in the event the rally tops out and gives back some of its gains.

### Fund Managers

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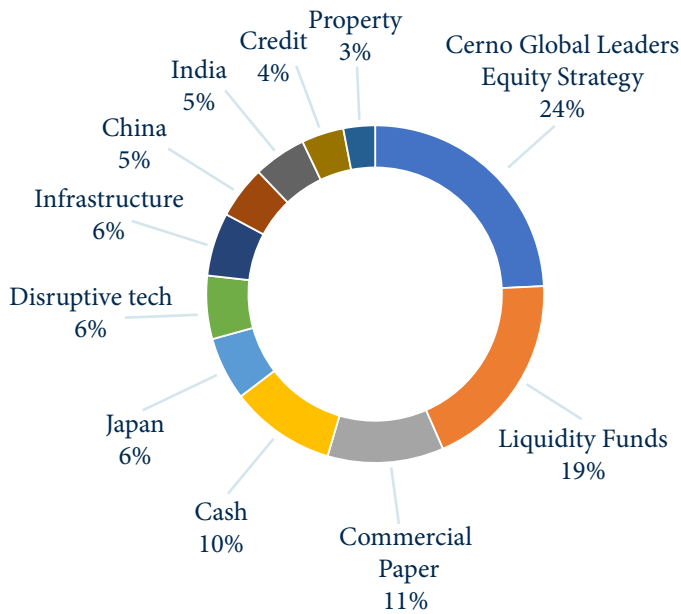
**Fergus Shaw**  
Co-Manager  
shaw@cernocapital.com



**James Spence**  
Co-Manager  
spence@cernocapital.com

# CERNO CAPITAL

## Allocation by Theme



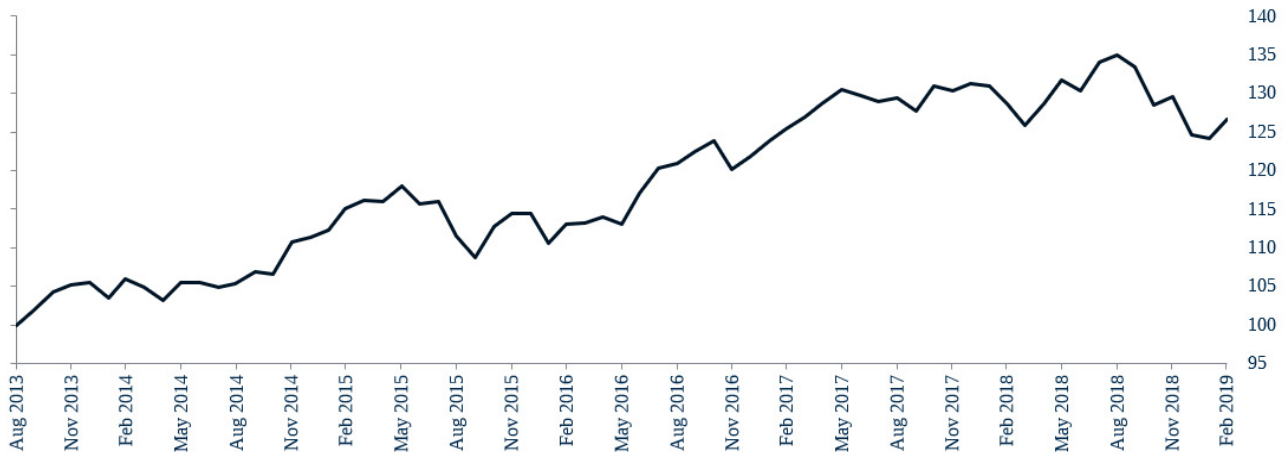
## Top Equity Holdings

Cerno Global Leaders Equity Strategy	23.9%
Michinori Japan	6.4%
Baillie Gifford Global Discovery	6.4%
Mathews China Small Companies	5.1%
Ocean Dial Emerging India	4.6%

## Top Non-Equity Holdings

State Street Liquidity Fund	9.8%
JP Morgan Liquidity Fund	9.5%
iShares USD Floating Rate Bond	6.9%
HICL Infrastructure	5.7%
Funding Circle	4.2%

## Performance Since Inception



Performance is stated net of all fees.  
Past performance is not a reliable indicator of future results.

## Performance

Year	YTD	2018	2017	2016	2015	2014
Performance	+1.8%	-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%)	2.1%	-	-	-	-	-	-	-	-	-	-	1.8%
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%

# CERNO CAPITAL

## Fund Data

NAV/Share Class (Acc)	£12.8
Fund Size (£mn)	£86.9mn
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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