

Cerno Unconstrained

Cerno Investment Funds ICAV (Class A)

February 2020



Monthly Report

In the month of February, the MSCI World Index fell -8.1% in USD and -5.5% in GBP, with the bulk of these falls taking place in the last 5 trading days of the month. By contrast the NAV of the fund fell by -2.4% over the month made up of a negative attribution from equity holdings of -2.3% and a positive attribution of 0.15% from non-equity holdings.

What markets and governments are learning is that comparisons with the 2002-03 SARS outbreak are not proving apt. Whilst COVID-19 is less deadly than SARS, its distinctive nature is that carriers without symptoms can infect others unwittingly and easily. The path of infections suggest that we should expect further breakouts in both countries modestly affected and in countries yet to report a case.

The coronavirus scare is creating an evolving demand shock, evidenced by the recessionary activity numbers that were published in China where the Purchasing Managers Indexes came in at 36 for manufacturing and 30 for services (any reading below 50 represents a contraction).

The Federal Reserve put through a surprise, intra-meeting reduction in interest rates of 50bps on March 3rd. In the days that followed the yield on the 10Y US Treasury fell below 1% for the first time in its history and on 5th March, the after inflation yield on the 30Y turned negative. These are extraordinary developments.

Listed companies are struggling to keep investors abreast of changes to their near term activity - the effects being so far out of the normal scope of events. Anecdotes abound about suppliers shipping parts in suitcases, understaffed factories and fractured

supply lines so we can expect a diet of bad news from companies for a few months at least.

It will plausibly trigger a diverse series of credit events around the world and - when it does - debt forbearance will be a great deal more helpful than marginally lower interest rates.

Until the end of February, US equity markets had been in powerful, momentum driven, up-trends. Valuations had risen so markedly that a correction was overdue. Many uncertainties remain but traded equity prices are adjusting fast. Stock markets are very rapid discounters of bad news and are also prone to overshoot on the downside. This creates opportunities to be considered alongside the obvious temporal risks.

Since the month end, we have re-organised some of the holding within the Global Leaders allocation to more favour the stronger balance sheets within. Financial holding power will be important if the virus scare extends for more than a few months.

James Spence

Fund Managers



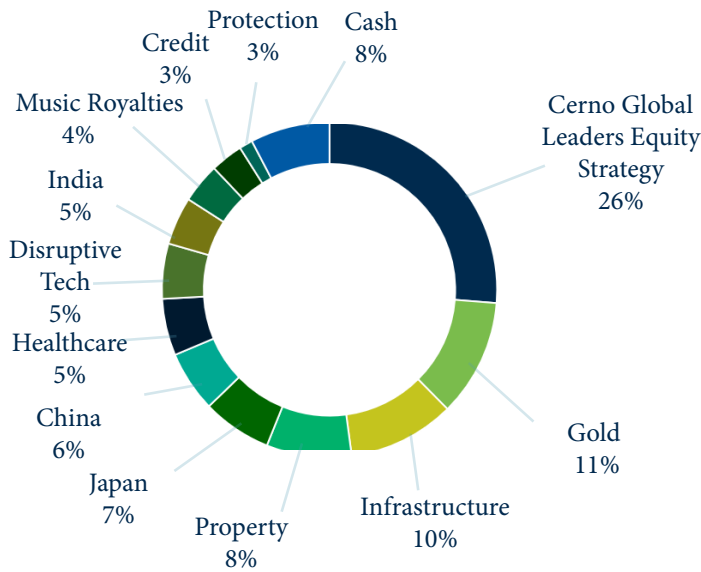
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Allocation by Theme



Top Equity Holdings

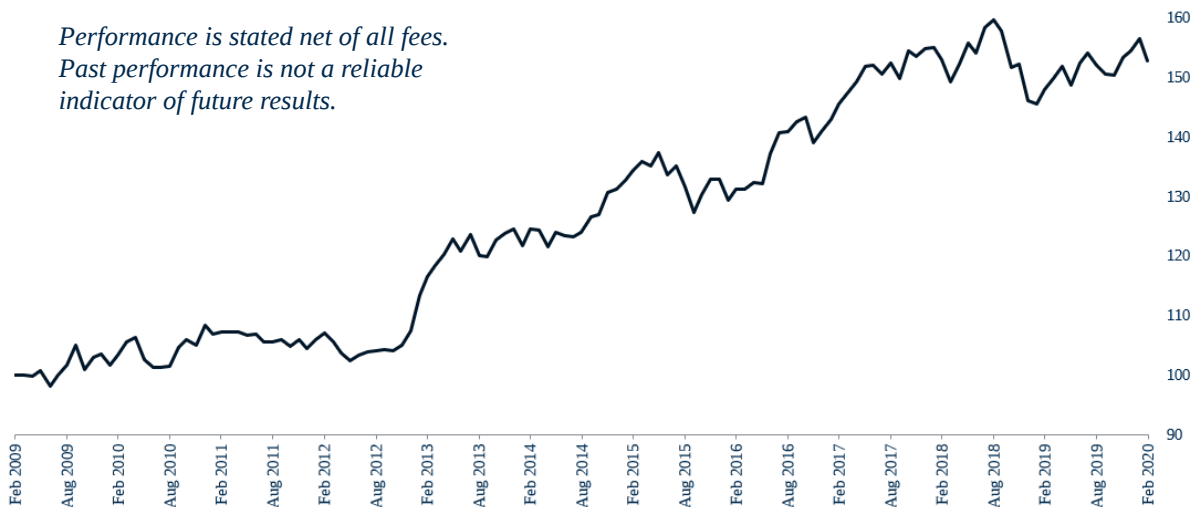
Cerno Global Leaders Equity Strategy	26.2%
iShares Core MSCI Japan	6.7%
Matthews China Small Companies	5.9%
Baillie Gifford Global Discovery	5.5%
BB Healthcare	5.3%

Top Non-Equity Holdings

Wisdomtree Physical Gold	8.7%
HICL Infrastructure	6.2%
LXI REIT	4.5%
Hipgnosis Songs	3.8%
iShares Physical Gold	2.6%

Performance Since Inception

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



Performance

Year ended	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16
Performance	3.2%	-3.3%	5.2%	10.9%	-2.4%

Monthly Table

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	1.3%	(2.4%)											(1.1%)
2019	(0.4%)	1.7%	1.3%	1.3%	(2.1%)	2.5%	1.1%	(1.3%)	(1.1%)	(0.1%)	2.0%	0.7%	5.8%
2018	0.1%	(1.3%)	(2.5%)	2.0%	2.4%	(1.1%)	2.7%	0.8%	(1.2%)	(3.8%)	0.3%	(3.8%)	(5.8%)
2017	1.4%	1.8%	1.3%	1.3%	1.7%	(0.6%)	(1.0%)	1.2%	(1.7%)	3.1%	(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%)

CERNO CAPITAL

Fund Data

NAV/Share Class A	£10.12
Fund Size (£mn)	£24.2mn
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 0.21% Other Fees (Inc running costs) 1.04% OCF 2.25%
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
E Acc (USD)	IE00BFZ90732	BFZ9073	KBACUEU



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