

## TM Cerno Select

UCITS Multi Asset Class Portfolio (Class B)

February 2020



### Monthly Report

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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 -2.1% 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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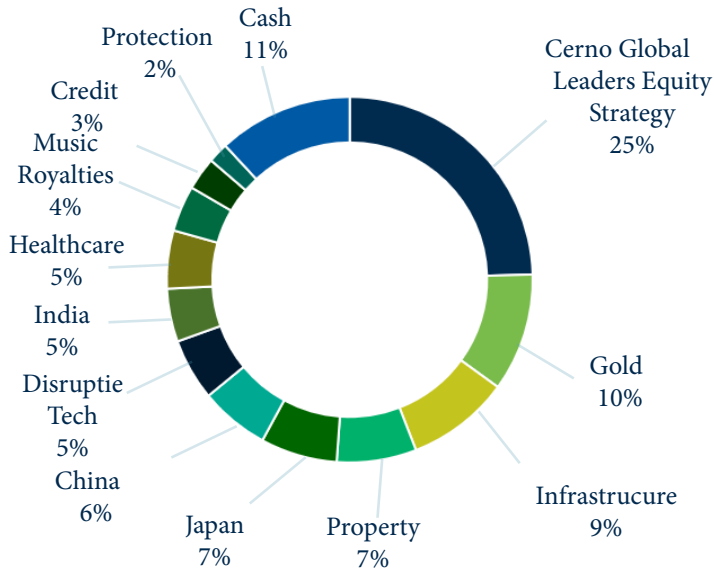
**Fergus Shaw**  
Co-Manager  
shaw@cernocapital.com



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

# CERNO CAPITAL

## Allocation by Theme



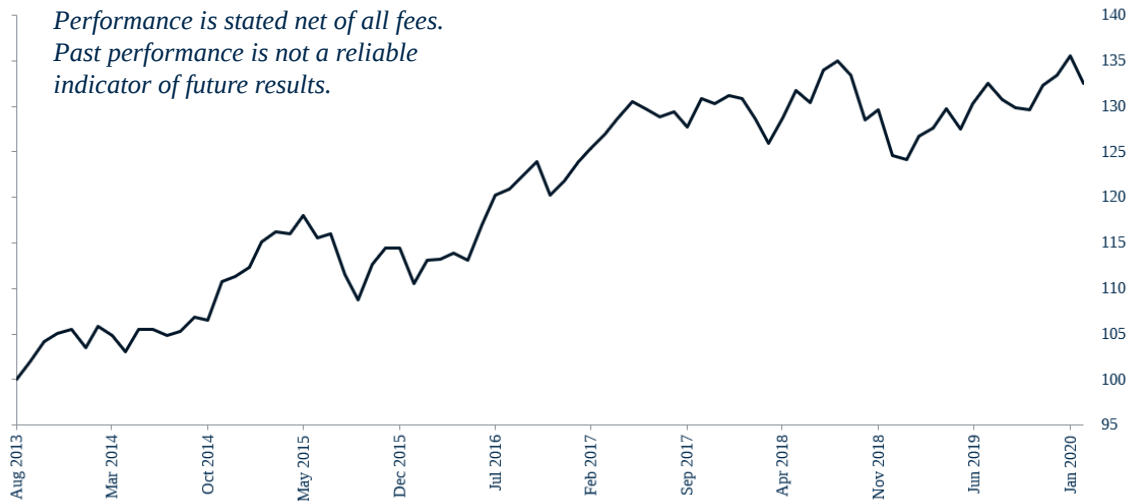
## Top Equity Holdings

Cerno Global Leaders Equity Strategy	24.5%
iShares Core MSCI Japan	6.8%
Matthews China Small Companies	6.1%
Baillie Gifford Global Discovery	5.5%
BB Healthcare	5.1%

## Top Non-Equity Holdings

HICL Infrastructure	5.6%
Wisdomtree Physical Gold	5.3%
iShares Physical Gold	5.2%
Hipgnosis Songs	4.1%
LXI REIT	3.6%

## Performance Since Inception



## Performance

Year ended	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16
Performance	4.6%	-1.5%	2.6%	10.9%	-1.7%

## Monthly Table

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	1.6%	(2.1%)											(0.6%)
2019	(0.3%)	2.0%	0.7%	1.7%	(1.7%)	2.2%	1.7%	(1.4%)	(0.6%)	(0.2%)	2.0%	0.8%	7.1%
2018	(0.2%)	(1.7%)	(2.1%)	2.3%	2.4%	(1.0%)	2.7%	0.8%	(1.1%)	(3.7%)	0.9%	(3.9%)	(5.0%)
2017	1.7%	1.2%	1.3%	1.3%	1.5%	(0.6%)	(0.6%)	0.4%	(1.3%)	2.5%	(0.5%)	0.7%	7.7%
2016	(3.5%)	2.4%	0.1%	0.6%	(0.7%)	3.4%	2.8%	0.5%	1.2%	1.2%	(3.0%)	1.3%	6.4%
2015	0.9%	2.5%	1.0%	(0.2%)	1.7%	(2.0%)	0.3%	(3.9%)	(2.4%)	3.6%	1.6%	0.0%	2.9%
2014	(1.9%)	2.3%	(0.9%)	(1.7%)	2.3%	(0.0%)	(0.6%)	0.4%	1.5%	(0.4%)	4.0%	0.5%	5.5%
2013	-	-	-	-	-	-	-	-	1.9%	2.3%	0.9%	0.4%	5.4%

# CERNO CAPITAL

## Fund Data

NAV/Share Class (Acc)	£13.25
Fund Size (£mn)	£98.3mn
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 B	Management Fee 1.00% Allocated manager's Fees 0.19% Other Fees (Inc running costs) 0.23% OCF 1.42%
Contact	Tom Milnes 0207 036 4126 tom@cernocapital.com

## Fund Codes

	ISIN:	SEDOL:	Bloomberg:
B Acc	GB00BCZXTM29	BCZXTM2	TMCESBA LN
B Inc	GB00BCZXTL12	BCZXTL1	TMCESBI LN

## Fund & Risk Ratings



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