

## TM Cerno Select

UCITS Multi Asset Class Portfolio (Class B)

January 2021



### Monthly Report

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Equity markets gave up some ground in the first month of the year and government bond yields rose. However, scratching the surface reveals the digital economy remains at the vanguard with the NASDAQ continuing its rise in the US and connected businesses globally continuing to perform strongly. Concentration of returns within mega-cap tech names remains a concern: it suggests a market of limited breadth which can be a precursor of a market top. Against that, January witnessed further strength in the broad US small cap indices in the US – part of the market we have built exposure to in the past few months. Continued easing of market pressure would be a welcome phenomenon and a correction in prices would help reset over-vaulted sentiment and curb speculation which has become a growing feature in recent months.

The Fund's NAV made ground, rising by 1.4% driven by contributions from equity exposures. The allocation to Douglas Brodie's Global Discovery Fund carries both innovative and medium sized companies and performed particularly strongly. The intellectual property rich portfolio of the Matthews China Smaller Companies Fund was also well recognised.

The recently introduced value recovery exposures made a positive contribution, principally due to the weighting to small cap, value stocks in the US. Meanwhile Global Leader companies made a solid contribution with quarterly updates serving to emphasise component managements' ability to focus on long term strategy. For example, in response to questions on short term capex expectations of customers, Peter Wennink, the CEO of ASML which supplies the machines that make micro-chips, simply stated that demand is running at "full throttle", the machines take eighteen months to build and will be delivered. The implication being that he is more interested in the overall business outcome than in which specific quarter machines

are delivered and revenues recognised. LVMH, in their annual results presentation spoke of the need to manage the recovery as well as managing pandemic conditions. Our thesis is that many of the businesses in the portfolio have been improved in a manner that will only become visible when the recovery gains traction.

The Steady Return holdings were, in aggregate, neutral. Notable was the movement upward in LXI and Warehouse REIT, both commercial and industrial property companies confirmed strong rent collection during the month. Hipgnosis has been highly active in striking deals with the owners of totemic music collections, including those of Neil Young and Jimmy Iovine.

The Fund's allocations have remained broadly stable since the pre-pandemic period. This is consistent with our assessment of the underlying quality of the investments in the portfolio. The more recent allocations to smaller company and Value style Exchange Traded Funds have been increased, while weightings in Global Leader stocks have been trimmed to take advantage of strong gains while retaining a substantial allocation to these enduring companies.

*Fergus Shaw*

### Fund Managers

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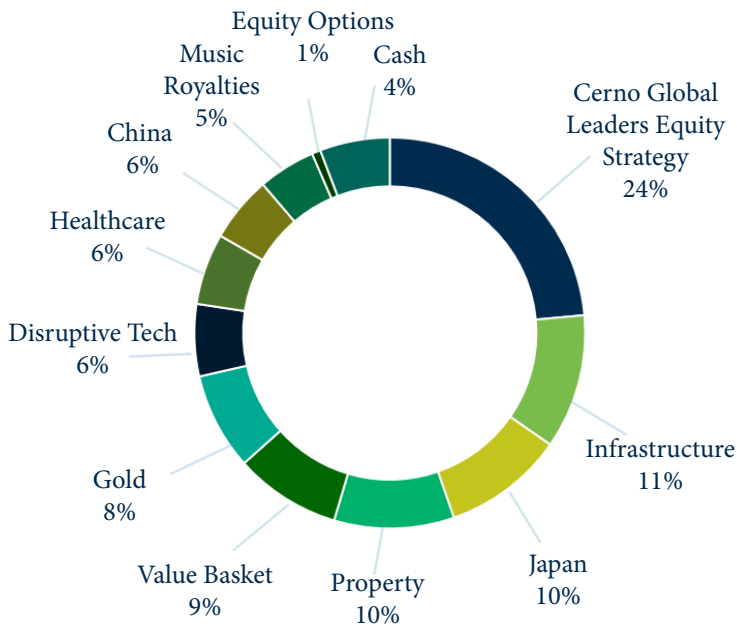
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# CERNO CAPITAL

## Allocation by Theme



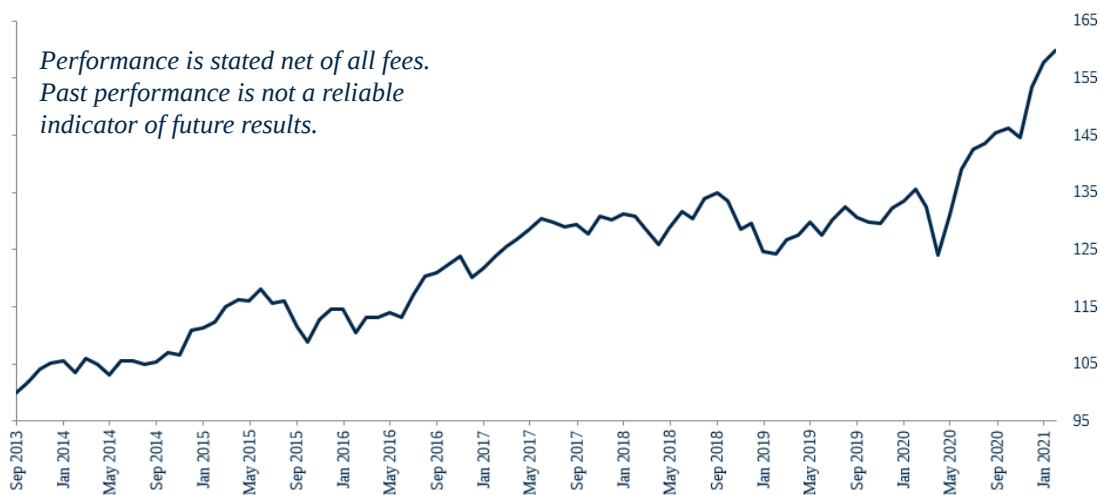
## Top Equity Holdings

|                                      |       |
|--------------------------------------|-------|
| Cerno Global Leaders Equity Strategy | 23.5% |
| iShares Core MSCI Japan              | 7.2%  |
| Baillie Gifford Global Discovery     | 6.0%  |
| BB Healthcare                        | 5.9%  |
| Matthews China Small Companies       | 5.5%  |

## Top Non-Equity Holdings

|                        |      |
|------------------------|------|
| HICL Infrastructure    | 5.2% |
| Hipgnosis Songs        | 4.7% |
| Warehouse REIT         | 4.5% |
| Xtracker Physical Gold | 4.1% |
| Sequoia Infrastructure | 3.9% |

## Performance Since Inception



## Performance

| Year ended             | Jan 21       | Jan 20      | Jan 19       | Jan 18      | Jan 17       |
|------------------------|--------------|-------------|--------------|-------------|--------------|
| <b>Net Performance</b> | <b>18.0%</b> | <b>9.1%</b> | <b>-5.1%</b> | <b>5.6%</b> | <b>12.1%</b> |

## Monthly Table (Net)

| Year        | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD    |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>2021</b> | 1.4%   |        |        |        |        |        |        |        |        |        |        |        | 1.4%   |
| <b>2020</b> | 1.6%   | (2.1%) | (6.4%) | 5.6%   | 6.2%   | 2.5%   | 0.7%   | 1.3%   | 0.7%   | (1.2%) | 6.2%   | 2.8%   | 18.3%  |
| <b>2019</b> | (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%   |
| <b>2018</b> | (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%) |
| <b>2017</b> | 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%   |
| <b>2016</b> | (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%   |
| <b>2015</b> | 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%   |
| <b>2014</b> | (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%   |
| <b>2013</b> | -      | -      | -      | -      | -      | -      | -      | -      | 1.9%   | 2.3%   | 0.9%   | 0.4%   | 5.4%   |

Source: Cerno Capital

# CERNO CAPITAL

## Fund Data

|   |  |
|---|--|
| NAV/Share Class (Acc)                             | £15.99   |
| Fund Size (£mn)                                   | £124 mn  |
| Currency Share Class                              | GBP (Base)   |
| ACD   | Thesis Unit Trust Management Limited<br>(Authorised and regulated by FCA)<br>Exchange Building<br>St John's Street, Chichester, West Sussex PO19 1UP |
| Fund Custodian                                    | The Northern Trust Company   |
| Auditor   | Pricewaterhouse Coopers LLP  |
| Fund Legal Structure                              | UK OEIC (UCITS)  |
| Inception Date - Fund                             | September 2013   |
| Fund Saving Structures                            | SIPPs, ISAs & JISAs  |
| Key Fund Documents                                | <a href="http://cernocapital.com/cerno-select">cernocapital.com/cerno-select</a>   |
| Ongoing Charges Class B<br>(incl. Management Fee) | Management Fee 1.00%<br>Allocated manager's Fees 0.11%<br>Other Fees (Inc running costs) 0.19%<br>OCF 1.30%  |
| Initial Charge                                    | 5%-waived as standard  |
| Contact   | Tom Milnes<br>0207 036 4126<br><a href="mailto:tom@cernocapital.com">tom@cernocapital.com</a>  |

## Fund Codes

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

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