

## Monthly Report

The behaviour of financial markets during February highlighted the tension between economic data releases and the positioning and expectations of market participants. At an aggregate level, equity markets fell to give back some of their year-to-date gains. Likewise, bond prices fell and the yields on bonds rose.

Economic data has generally been firmer than expected, resulting in increased probability of further interest rate rises. This is most evident in the US. Here in the UK, the Governor of the BoE has tried to calm interest rate expectations. Keen observers of money supply data highlight a rapid decline following the exceptional expansion required by pandemic induced measures and the consequent impact on inflation data. The inference being that the potential for central banks to increase rates further than necessary is high, thereby adding to the nervousness already present. By way of confirmation of this, data released by payments processor VISA, a holding in the portfolio of Global Leader businesses, points to the continued appetite of the US consumer.

The Fund's NAV declined by 1.3% in February. Equity allocations accounted for half of this decline. In contrast to recent trends, there was little consistent dispersion between equity styles across geographies. The Japanese equity market was one of the few developed markets to post a small positive return in February. The Fund maintains Japanese exposure via the Zennor Japan Fund and an additional allocation to a broad market ETF. We have long noted the valuation opportunity present in Japan with 53% of TOPIX companies trading below book value according to analysts at CLSA. We note continuing push for companies to improve Return on Equity and reduce what are seen as overly conservative cash levels on balance sheets via share buybacks or dividends to maintain TOPIX index inclusion. Japanese corporates are viewed as highly sensitive to such a shaming approach meanwhile activist activity in Japan is gaining traction from a low base of four events in 2011 to more than seventy events in 2022. Likewise, share buybacks have grown from a total of two trillion yen in 2011 to 18 trillion yen in 2022 which represents 4% of the TOPIX stock market.

### Fund Data

NAV/Share (Class B Acc)	£14.59
Fund Size (£mn)	133
Currency Share Class	GBP (Base)
Investment Management Charge	1.00%
Ongoing Charges Figure	1.63%*
Dealing Frequency	Daily
Legal Structure	OEIC (UCITS)
Co-Managers	Fergus Shaw & James Spence
Inception Date Fund	2013

\*OCF includes the Investment Management Charge

Steady Return holdings delivered negative attribution with Infrastructure holdings demonstrating a correlation with bond yields. The property holdings were flat in performance terms while dividend announcements have come through as expected. The discounts to NAV currently in place demonstrate the market anticipating further valuation declines and our observation of REIT announcements to-date is that these discounts amply cover reported declines for high quality assets. More broadly, the Investment Trust sector trades on an aggregate discount to NAV of -12%, indicative of a substantial amount of pessimism already priced.

Within the fund, the allocation to what we term Treasury has been increasing. Fixed Income has been increased to 14% of the portfolio with an allocation to US Treasury securities. The increase in bond yields provides competition to other asset classes with yields in excess of 4% on offer from US Treasury bonds with maturities of less than five years. While the probability of further interest rate increases remains in place, we will keep the duration (weighted average maturities) of this allocation low.

Financial systems and corporate players are currently processing imbalances which have roots in policy responses implemented over the last three decades. Time horizons amongst commentators and investors differ significantly and can lead to confused messages. Our response is to look for plausible returns from robust assets while emphasising diversification and flexibility.



FERGUS SHAW



JAMES SPENCE



# FUND FACTS

## Allocation by Theme

- Global Leaders Equity Strategy - 26%
- Infrastructure - 17%
- Fixed Income - 14%
- Property - 12%
- Technology & Healthcare - 8%
- Japan - 8%
- Value Basket - 4%
- Music Royaltie - 4%
- Gold - 3%
- Cash - 3%
- Options - 1%



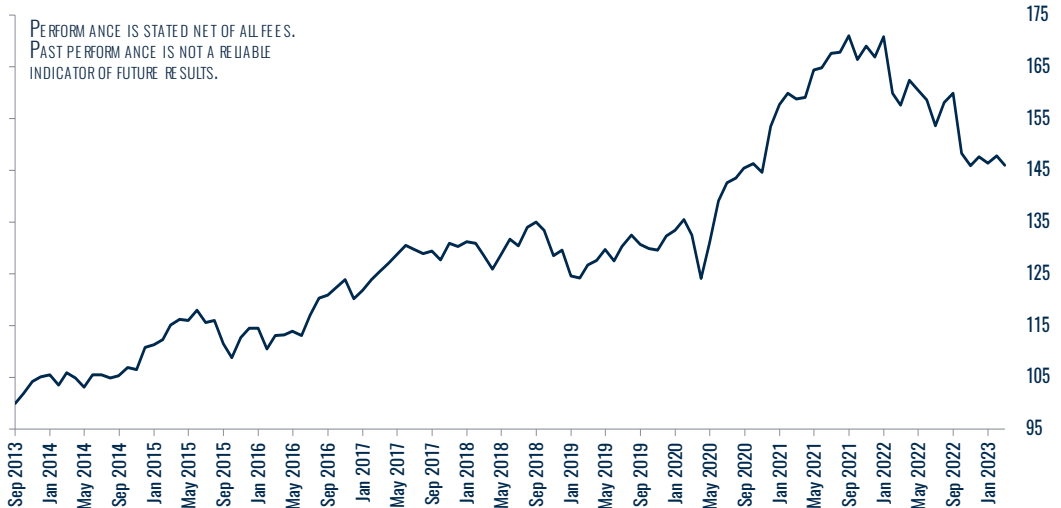
## Top Equity Holdings

Cerno Global Leaders Equity Strategy	26.2%
Zennor Japan	5.1%
BB Healthcare	4.2%
SPDR MSCI Japan	2.7%
Baillie Gifford Global Discovery	1.5%

## Top Non-Equity Holdings

US Treasury 4% 02-15-2026	7.7%
SPDR BBG 0-5 Sterling Corporate Credit	4.0%
Sequoia Economic Infrastructure	4.0%
Life Science REIT	3.7%
Digital 9 Infrastructure	3.6%

## Performance Since Inception



### Monthly Table (Net)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2023	0.9%	(1.3%)											(0.3%)
2022	(6.4%)	(1.5%)	3.1%	(1.2%)	(1.1%)	(3.2%)	2.9%	1.2%	(7.3%)	(1.6%)	1.2%	(0.8%)	(14.3%)
2021	1.4%	(0.7%)	0.2%	3.3%	0.3%	1.7%	0.1%	1.9%	(2.7%)	1.6%	(1.2%)	2.3%	8.3%
2020	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%
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%

### Performance

Year Ended	Feb 2023	Feb 2022	Feb 2021	Feb 2020	Feb 2019
Net Performance	-7.4%	-0.8%	+19.8%	+4.6%	-1.5%

### Fund Codes

	ISIN:	SEDOL:	Bloomberg:
B Acc	GB00BCZXTM59	BCZXTM2	TMGESBA LN
B Inc	GB00BCZXTL12	BCZXTL1	TMGESBI LN

## Key Fund Information

NAV/Share Class (Acc)	£14.59
Fund Size (£mn)	133
Currency	GBP (Base)
Authorised Corporate Director	Thesis Unit Trust Management (Authorised and regulated by FCA) Exchange Building St John's Street, Chichester, West Sussex PO9 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 (incl. Management Fee)	Management Fee 1.00% Allocated manager's Fees 0.49% Other Fees (incl. running costs) 0.14% OCF 1.63%
Transaction Costs	Explicit Costs 0.01% Implicit Costs 0.09%*
Initial Charge	5% - waived as standard
Contact	Tom Milnes 020 7036 4126

\*We have only started calculating this data from 1st July 2021, and as such this is an estimate based on the available data so far

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