

# CERNO *Select* (Dublin)

Cerno Investment Funds ICAV (Class A)

# MARCH 2024

## Monthly Report

Fund performance moved close to positive territory for the year with a strong set of numbers in March. All major asset classes contributed with equities and gold particularly supportive.

The ebb and flow of the inflationary narrative continued as concerns re-emerged that the path to target inflation may be less linear than hoped. Bond and currency markets largely exhibited a risk-off dynamic in response with the benchmark 10-year bond yield in the US rising and the Dollar climbing against major currencies. In contrast, equities delivered an exceptionally strong month as the AI narrative and ample liquidity propelled markets higher. Global equity markets rose 8.5% in GBP taking 2024 returns to 10%.

The dynamic we observed in January remains in place. Developed market economies, led by the US, remain resilient and inflation targets have yet to be achieved. Meanwhile, investors and central banks continue to talk of the prospect of loosening monetary policy imminently. There is inherent tension between rate expectations and the reality of the data. This is an unstable equilibrium, in our view, and is likely resolved either via a rapid weakening of labour markets or a step higher in investors' expectations for future interest rates. The potential for market volatility is clear, whichever path we take.

The looming November elections in the US represent a potential banana skin for Fed Chair Powell. The Fed is nominally independent, but the reality is that the government of the day appoints the Chairperson. It is only human to wish to avoid accusations of bias and give a nudge down on policy rates ahead of the start of campaigning in the second half of the year. We observed in January that it would be a delicate operation to negotiate the opposing forces at play with the blunt tool of monetary policy. It remains our view that a benign landing, or perfect execution on Chair Powell's part, is largely priced into US equities.

The fund rose 2.8% in March taking the full year performance to -0.2%.

## Fund Data

NAV/Share (Class A Acc)	£10.09
Fund Size (£mn)	26.80
Currency Share Class	GBP (Base)
Investment Management Charge	1.00%
Ongoing Charges Figure	1.52%*
Dealing Frequency	Daily
Legal Structure	OEIC (UCITS)
Co-Managers	Fergus Shaw & Michael Flitton
Inception Date Fund	2009

\*OCF includes the Investment Management Charge and is calculated annually on figures to the 31st December

Equities were the largest contributor at 1.5% led by the Global Leaders strategy and our allocation to UK equities. We continued to selectively expand our equity allocation during the month, which now stands at 55% of the portfolio. While we observe unattractive risk-adjusted returns on offer in markets in aggregate, the funnelling of cash into US large cap companies has left many pockets of value in the wake. During the month capital was allocated to Lansdowne Developed Markets Fund. We have known the team for many years and the broader approach to value they take should complement the stricter, deep value style at Schroder Global Recovery.

Fixed income gains came to about one third those of equities. We have changed little in this area of the portfolio. The allocation remains focused on short maturity bonds given the risks observed around longer-term interest rate exposure. Over time, we would expect to use the capital to fund opportunities that emerge in equity markets over the next year.

The Alternatives allocation provided around 1% principally from gold, which rose 9% in the month. Gold is at once simple and complex as an asset. For years it can appear driven by a given narrative only for its qualities to present themselves for consideration in a whole new drama. Over the past year, gold has become untethered from real interest rates. These rates present a true opportunity cost for a non-yielding asset like gold however other, secular drivers may now be in the driving seat. Primary amongst these are concerns over the fiscal position of the US and structural inflationary pressures. These concerns are likely to be persistent over the course of the year and may yet accelerate should the Fed experience vertigo from the current lofty policy rates and loosen settings while inflation expectations continue to rise.

Our relatively low exposure to equity markets has been a headwind through the first quarter. However, we continue to prioritise flexibility. We expect opportunities to present themselves to patient investors through 2024.



**FERGUS SHAW**

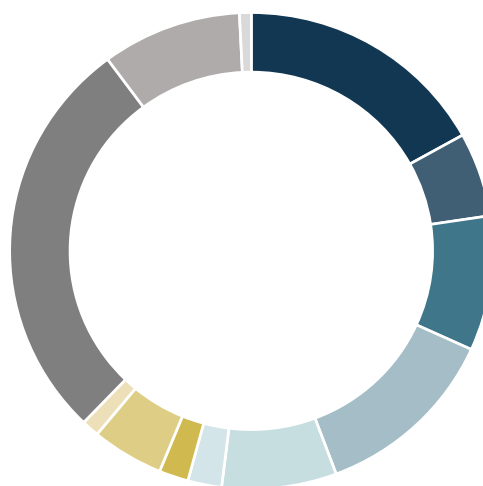


**MICHAEL FLITTON**

## FUND FACTS

### Allocation by Theme

- Global Leaders Equity Strategy - 17%
- Active Value Basket - 6%
- Emerging Market Equity - 9%
- Japan - 13%
- UK Equity - 8%
- Technology - 2%
- Music Royalties - 2%
- Property - 5%
- Infrastructure - 1%
- Fixed Income - 28%
- Gold - 10%
- Cash - 0%



### Top Equity Holdings

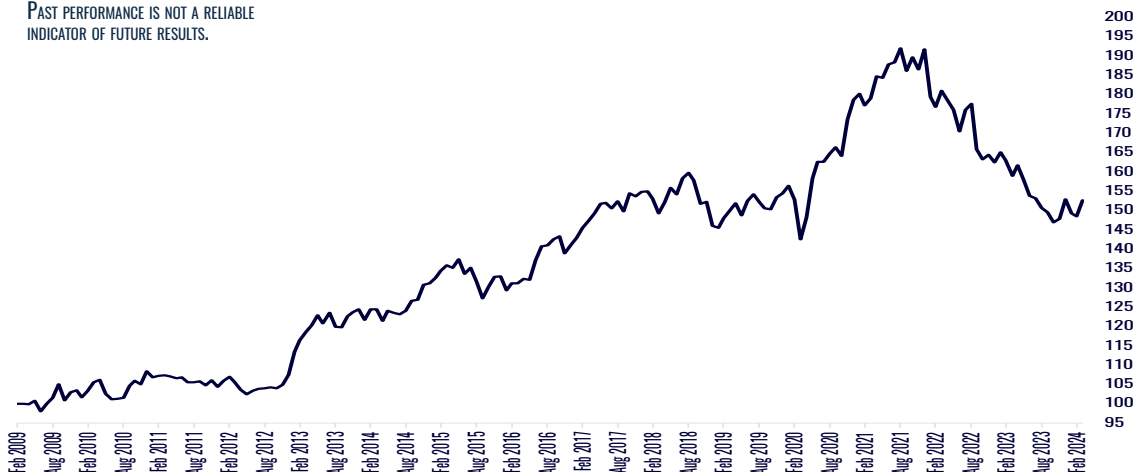
iShares MSCI EM ex China ETF	4.9%
Zennor Japan	4.4%
Vanguard FTSE 100	3.9%
iShares MSCI Japan	3.6%
Chikara Japan	3.6%

### Top Non-Equity Holdings

iShares Physical Gold	9.1%
US Treasury 2026	4.6%
UK Gilt 2027	4.5%
US Treasury 2026	3.9%
US Treasury 2027	3.9%

## Performance Since Inception

PERFORMANCE IS STATED NET OF ALL FEES.  
PAST PERFORMANCE IS NOT A RELIABLE  
INDICATOR OF FUTURE RESULTS.



### Monthly Table (Net)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2024	(2.3%)	(0.5%)	2.8%										(0.2%)
2023	1.6%	(1.2%)	(2.4%)	1.7%	(2.3%)	(2.6%)	(0.4%)	(1.7%)	(0.8%)	(1.7%)	0.6%	4.0%	(5.9%)
2022	(6.4%)	(1.5%)	2.4%	(1.4%)	(1.3%)	(3.2%)	3.3%	0.9%	(6.6%)	(1.5%)	0.7%	(1.2%)	(14.2%)
2021	0.9%	(1.7%)	1.0%	3.2%	(0.2%)	1.9%	0.3%	1.9%	(3.0%)	1.9%	(1.7%)	2.8%	7.3%
2020	1.3%	(2.4%)	(6.7%)	4.0%	6.8%	2.6%	0.0%	1.3%	1.1%	(1.4%)	5.8%	3.0%	15.7%
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%

### Performance

Year Ended	Mar 2024	Mar 2023	Mar 2022	Mar 2021	Mar 2020
Net Performance	-4.0%	-12.1%	1.1%	+25.5%	+4.9%

### Fund Codes

	ISIN:	SEDOL:	Bloomberg:
A Acc	IE00BDFBSX70	BDFBSX7	KBACUAG
B Acc	IE00BDFBSY87	BDFBSY8	KBACUBG
C Acc (EUR)	IE00BDFBSZ94	BDFBSZ9	-
D Acc (USD)	IE00BDFBTO15	BDFBTO1	KBACUDU
E Acc (USD)	IE00BFZ90732	BFZ9073	KBACUEU

## Key Fund Information

NAV/Share Class (Acc)	£10.09
Fund Size (£mn)	26.80
Currency	GBP (Base)
Administrator	Northern Trust International Fund Administration
Fund Depository	Northern Trust Fiduciary Services
Auditor	Grant Thornton
Fund Legal Structure	ICAV
Inception Date - Fund	February 2009
Key Fund Documents	<a href="http://cernocapital.com/cerno-select-dublin">cernocapital.com/cerno-select-dublin</a>
Ongoing Charges - Class A (incl. Management Fee)	Management Fee 1.00% Allocated manager's Fees 0.10% Other Fees (incl. running costs) 0.42% OCF 1.52%
Contact	Tom Milnes 020 7036 4126 <a href="mailto:tom@cernocapital.com">tom@cernocapital.com</a>

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