

## Monthly Report

The Fund fell by 0.2% in May.

Equity markets were generally well supported during the month with some weakness noted towards month end which will encourage use of the “sell in May” adage. Meanwhile the dollar eased against most currencies which will reduce the base currency return of internationally orientated portfolios, such as our own.

The equity allocation is displaying greater dispersion of returns demonstrating the high level of diversity among the holdings. A significant contribution came from the allocation to UK Equities.

The holding in UK equity has been built to 10% of NAV via allocations to both the FTSE 100 and 250 indices via trackers alongside the Aberforth Smaller Companies and Mercantile investment trusts. The calling of a general election in the UK may prompt international investors to review allocations to an equity market which has until recently been a serial underperformer. While the valuation of the UK equity market has signalled opportunity for some time, the long term performance of the market, changes to its structure and its ability to function as a capital market have prompted widespread commentary and at the very least a recognition of the need for change. The prospect of a fresh government with a healthy majority is potentially helpful for ongoing reform to revitalise our listed capital market.

Since the heady days of March 2000, the FTSE 100 index has delivered a capital return of just 1 percent per annum a disappointing outcome albeit one that excludes dividend reinvestment. The FTSE 250 has returned 4.9% per annum in capital terms over the same period representing a satisfactory outcome particularly once dividends are considered. The start date is chosen to coincide approximately with the introduction of an accounting standard, FRS17, that required companies to bring defined benefit pension scheme deficit or surplus onto balance sheets. This triggered a derisking process which saw the UK pension system reduce equities in general and UK equity in particular. This process is largely complete, thereby ending one source of selling pressure in the market.

### Fund Data

NAV/Share (Class B Acc)	£13.90
Fund Size (£mn)	72.4
Currency Share Class	GBP (Base)
Investment Management Charge	1.00%
Ongoing Charges Figure	1.62%*
Dealing Frequency	Daily
Legal Structure	OEIC (UCITS)
Co-Managers	Fergus Shaw & Michael Flitton
Inception Date Fund	2013

\*OCF includes the Investment Management Charge

The number of listed companies on the London Stock Exchange might be viewed as an indicator of its ability to act as a supplier of capital. At the last count, there were 1908 listed companies on the LSE which compares with 3245 at the start of 2007. While there are a number of reasons for this change, the lower valuation applied to earnings generally for UK listings when compared to some overseas markets has resulted in a rejection of London when it comes to initial public offerings, particularly in the vibrant technology sector. Private Equity investors require an exit and it would appear that London doesn't cut it as an exit destination today.

The challenges faced by the UK equity market are broadly recognised. There is growing evidence that our authorities are alert and taking the first steps to address some of them – the British ISA may not be the solution, but it may form one piece of a jigsaw. Meanwhile overseas capital is alert to the opportunity to buy or merge with UK listings and we see target businesses behaving robustly to secure shareholder value. For examples, we saw insurer Direct Line, electrical retailer Currys and investment platform Hargreaves Lansdown all rebuffing overseas approaches and AI security software company Darktrace has been bought by private equity firm Thoma Bravo for a 44% premium. Meanwhile Mars had to pay a 174% premium to acquire Hotel Chocolat. Thus we see signs of the opportunity present in UK equities being acknowledged and acted upon which supports a broad based allocation.

Away from equity, the Gold allocation was helpful and some profit was taken while the broad exposure to Commodities via the Pimco Commodities Fund and the Baker Steel Electrum Fund was gently increased. The exposure to supply constrained areas such as copper has good potential given the demand trends created by electrification and infrastructure built out generally.

Economies might be said to have exceeded expectation, particularly in the US while in Europe weakness has been managed. A shift to a higher base level of interest rates appears to be advanced and this provides a range of investment opportunities that allows core holdings such as high quality global equity to be complemented by increased exposure to areas where the outlook is improving and valuation is attractive.



**FERGUS SHAW**



**MICHAEL FLITTON**

# FUND FACTS

## Allocation by Theme

- Global Leaders Equity Strategy - 18%
- Active Value Basket - 11%
- Emerging Market Equity - 5%
- Japan - 8%
- UK Equity - 10%
- Technology - 4%
- Fixed Income - 17%
- Liquidity Fund- 4%
- Cash - 4%
- Put Options - 0%
- Gold - 8%
- Property - 4%
- Commodities - 5%
- Infrastructure - 1%



## Top Equity Holdings

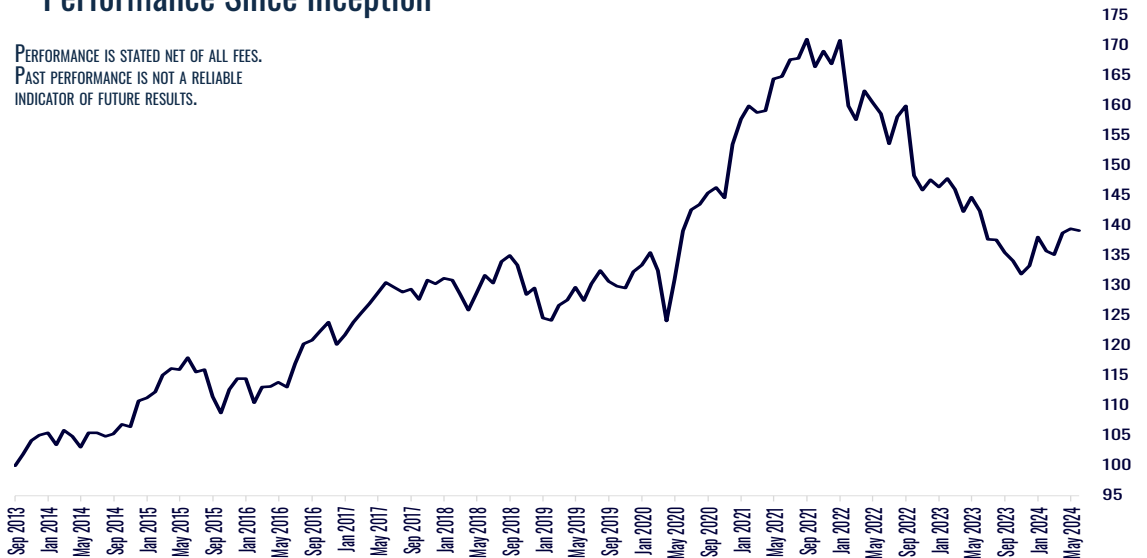
Landsdowne Developed Market	5.5%
iShares MSCI EM ex China ETF	5.3%
Zennor Japan Fund	4.8%
Vanguard FTSE 100 UCITS	4.1%
Schrooder Global Recovery	3.7%

## Top Non-Equity Holdings

iShares Physical Gold	8.2%
Blackrock US Liquidity	4.3%
UK Gilt 2027	4.3%
Artisan Emerging Markets Debt	4.0%
UK Gilts 2028	3.3%

## 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	(1.8%)	(0.4%)	2.7%	0.5%	(0.2%)								0.7%
2023	0.9%	(1.3%)	(2.5%)	1.7%	(1.6%)	(3.3%)	(0.1%)	(1.5%)	(1.0%)	(1.6%)	1.1%	3.6%	(5.7%)
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	May 2024	May 2023	May 2022	May 2021	May 2020
Net Performance	-2.3%	-10.2%	-3.8%	+18.5%	+9.1%

### Fund Codes

	ISIN:	SEDOL:	Bloomberg:
B Acc	GB00BCZXTM59	BCZXTM2	TMCESBA LN
B Inc	GB00BCZXTL12	BCZXTL1	TMCESBI LN

## Key Fund Information

NAV/Share Class (Acc)	£13.90
Fund Size (£mn)	72.4
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 managers' Fees 0.48% Other Fees (incl. running costs) 0.14% OCF 1.62%
Transaction Costs	Explicit Costs 0.02% Implicit Costs 0.07%*
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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