

Hume Diversified Multi-Asset Fund

Q4 2016 Fact Sheet



Fund Managers



Stephen Watson

Stephen Watson is a portfolio manager at Peterhouse Asset Management running international multi-asset and equity portfolios. Previously he ran the 4* Morningstar rated international equity funds at Northern Trust with Stephen Dowds and was responsible for pan-European and Eurozone accounts at Northern Trust Global Investors. Before that he was a Director at Framlington Investment Management where he was head of European equities. Stephen has a BA Hons degree in Politics from Durham University.



Amanda van Dyke

Amanda van Dyke is a portfolio manager at Peterhouse Asset Management and mining equity and gold specialist. She has been previously with the mining teams of GMP, Pareto, and Dundee Securities, as an analyst and mining specialist sales person. She is also the Chairman of Women in Mining UK, and a member of the advisory board of Mines and Money London. She has authored numerous research reports as well as articles on the mining sector. She is a professional gemmologist, and holds an MBA and MA in International Economics, from SDA Bocconi and China Europe International Business School.

Strategy and Outlook

Market Review

Bond and equity markets were dominated in Q4 by the landmark victory of Donald Trump as 45th President of the United States on 08 November 2016.

Many of the pledges in Donald Trump's manifesto if he is able to implement it would herald a change in US economic policy that will have ramifications in policy making circles across the world. In particular, a pro-growth economic policy with a focus on infrastructure and an expansionary fiscal policy encouraged stock market bulls and led to a sell-off in government bonds as investors feared the US central bank would be tempted to tighten monetary policy more quickly than previously anticipated.

Currency and commodity markets were affected too with the US\$ rallying 5% after the election, while commodities rose 2.7% strengthening broadly with economically sensitive metals like copper and zinc rallying as investors bought ahead of higher expected building and construction activity in 2017 and 2018.

MSCI World closed the quarter with a gain of 7.2% (£), while bond markets added 0.8%.

Outlook

We believe that short term the outlook for financial markets is uncertain and we continue to adopt a rather cautious approach with regard to investment policy.

We believe the market has focused on much of the benefits of Trump's economic policies, the infrastructure build out, deregulation and inflationary growth boost while overlooking the potentially difficult flip-side of protectionism, spending cuts in healthcare and the risks of America retreating back to isolationism.

We are also rather cautious about the outlook for US and European consumers who are faced with a potential drop in real incomes as inflation picks up and this may hold earnings back we believe in 2017 and 2018.

Portfolio Analysis

Asset Mix (%)

Asia Inc Aus Equities	20.9	<div style="width: 20.9%;"></div>
Fixed Income	19.5	<div style="width: 19.5%;"></div>
Global Equities	12.9	<div style="width: 12.9%;"></div>
European Equities	9.5	<div style="width: 9.5%;"></div>
UK Equities	9.1	<div style="width: 9.1%;"></div>
Commodities	9.1	<div style="width: 9.1%;"></div>
Cash	7.7	<div style="width: 7.7%;"></div>
US Inc Can Equities	6.1	<div style="width: 6.1%;"></div>
Alternatives	5.2	<div style="width: 5.2%;"></div>

Top Ten Holdings (%)

Polar Capital Global Convertible USD Inst'l Acc	5.7
IShare STOXX Europe 600 Oil & Gas UCITS (DE)	5.5
Aberdeen Asian Income Fund	5.4
Tiburon-Taiko Fund	4.9
Galloway Global Fixed Income Feeder Fund B	4.9
Blackstone/GSO Loan Financing Fund	4.7
NB Global Floating Rate Income Fund Ltd GBP	4.5
Ishares Euro Dividend	4.3
Ishares FTSE A50 China Index	4.3
Polar Emerging Markets	3.8
Total	48.0

Total Number of Holdings 48

Fund Aim

The objective of the Fund is to achieve income combined with capital growth by investing in units or shares of investment funds which invest in any or all geographical or economic sector or sectors of the world, mainly outside the UK.

Fund Approach

With a fund of funds approach, the Fund makes strategic allocations using in-house funds and best in class external funds. Short term tactical changes are made using ETFs. Up to 20% in value of the fund may be invested in investments other than funds.

Fund Facts

Structure	OEIC
Domicile	Guernsey
Dealing	Daily
Launch Date	2 January 1995
Sector	Lipper Global Mixed Assets: Mixed Asset USD Balanced - Global
Fund Size	US\$7.9m

Fund Price

USD	8.85
EUR	10.24
GBP	14.28

Availability

Direct Investments
Wrap Platforms
Life Office Bonds

Hume Diversified Multi-Asset Fund

Performance and Activity

Performance Review and Activity

The fund rose 4.5% (£) in Q4. Among asset classes we increased our exposure to energy, equity exposed to infrastructure and took a position in US preference shares. Republican candidate Donald Trump's win in the US presidential election on 8 November and a further rally in US stocks has pushed equity valuations to their highest in a decade and we lifted the dollar hedges we had put in at the end of 2015 to mitigate the potential vulnerability of GBP a vulnerability cruelly exposed during the Brexit vote in June. We also upped our exposure to utilities and our holdings in gold again following the sell-off in November.

Theme – the Brexit and Trump phenomena – shooting stars or a realignment of the planets?

The "Trump bump" as it's been called, a term for the euphoric reaction to his victory as 45th President on 8 November to the beneficial effects of the "good Trump" reflect a view among more positive market participants that his pro-business agenda will be positive for the US and by extension for global growth in the coming four years. Infrastructure will be rebuilt, deregulation will help liberalise red tape and banks will be free to lend more freely as the restrictive Dodd Frank banking legislation brought in after the financial crisis of 2008 is repealed goes the refrain. However proponents of the "bad Trump" point to protectionism, heightened risk from a more assertive stance in Asia and retreat from NATO as well as the costs associated with his fiscal plans to increase borrowing to stimulate growth.

Our view at PAM is that these tensions are likely to be ever present throughout his term. The Republicans control both Senate and House of Representatives but the fiscal hawks will look to temper his more ambitious spending plans while the Democrats will fester over his plans to scrap Obamacare and cut taxes for the rich.

The global economy enters 2017 in reasonably good shape with IMF forecasts of 3.4% GDP growth and upward revisions to growth forecasts over the last three months making these forecasts appear achievable. However inflation is likely to rise and earnings forecasts crimped by the higher US\$ at least in the US.

Five Year Performance (%)



Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	22.8	1.5	4.5	12.1	22.8	20.0	34.1

Discrete 12 Month Performance (%)

	31.12.15	31.12.14	31.12.13	31.12.12	30.12.11
Fund	22.8	-2.4	0.2	5.1	6.4

Source: Lipper, USD converted to GBP, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in USD converted to GBP, to 31.12.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

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