

# Hume European Multi-Asset Fund

Q2 2016 Fact Sheet



## Fund Manager



### 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.

## Strategy and Outlook

### Market Overview

Q2 2016 was dominated in financial markets by the tumultuous events in Europe and by the historic decision by the British voters to vote to leave the European Union on 23 June.

Markets were thrown into turmoil by the decision with equity and property indices hit hard while safe haven assets such as the Japanese yen and government bonds rallied with most government bonds now yielding 1% or less. Gold soared to close the quarter at \$1,340.

### Outlook

The UK vote to leave the EU and the extreme volatility being experienced in bond and currency markets worldwide is likely to have important consequences for investment in financial assets.

With Donald Trump winning the nomination to represent the Republicans in the US presidential elections, politics will likely have an increasing influence on financial markets in the months ahead. That said, the global economy is performing reasonably well with IMF global GDP forecasts for 2016 of 3.4% achievable in our view.

## Portfolio Analysis

### Asset Mix (%)

Global Equities	20.8	
Commodities	18.3	
UK Equities	15.1	
Cash	12.5	
Alternatives	10.6	
Asian Equities	9.0	
European Equities	8.6	
Fixed Income	5.1	

### Top Ten Holdings (%)

Global Mena Financial Assets	8.6
Hume Global Equity Fund	7.0
Ishares Euro Dividend	6.1
Ishares UK Dividend UCITS	5.0
IShare STOXX Europe 600 Oil & Gas UCITS (DE)	4.8
Aberdeen Asian Income Fund	4.5
Ishares MSCI ACWI	4.1
Ishare MSCI Europe, Australasia and Far East	3.8
Polar Emerging Markets	3.5
Rolls-Royce	2.8
<b>Total</b>	<b>50.2</b>

**Total Number of Holdings** 36

## Fund Aim

The objective of the Fund is to achieve 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 within Europe, including 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	5 March 2001
Sector	Lipper Global Equities: Equity Europe
Fund Size	€6.1m

## Fund Price

EUR	11.10
GBP	13.68

## Availability

Direct Investments  
Wrap Platforms  
Life Office Bonds

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## Performance and Activity

### Portfolio Review

We bought a position in shares of UK jet engines giant Rolls Royce plc on account of significant relative undervaluation versus peers like Pratt and Whitney (United Technology) and Safran in France. We took profits in BP following its strong rise during the period. We traded out of our VIX position following the Brexit vote and the sharp spike in the price.

### Fund Activity

The fund rose 2.2% over the quarter. Year to date the fund has fallen 5.6%.

### Theme - how will the UK'S vote to leave the EU impact the rest of Europe

When UK voters made their historic decision on 23 June to vote to leave the European Union, the knee jerk reaction in markets was to sell sterling, buy government bonds and initially to sell equities.

The UK pound recorded its biggest ever one day fall dropping from \$1.50 to \$1.33 and €1.35 to €1.22. Government bonds now widely are trading with yields of less than 1% for any duration. Meanwhile in equities the impact was severe but temporary with equity indices dropping 10% or so and then finding a floor before making a partial recovery.

We believe there are winners and losers for investors. There are clear winners such as shares of UK exporters and obvious losers such as the shares of European car manufacturers whose second biggest market in Europe is the UK. On a wider scale the UK decision is likely to have important economic consequences across Europe but also globally. With key general elections in France and Germany in 2017 and a tricky US presidential election looming for November the next 12 months will be a challenging time politically.

Asset allocation will be important in the months ahead and volatility in financial markets will likely be high. However equities especially but also corporate bonds and certain asset classes such as selected commodities offer reasonable value and we will be alert always to profitable opportunities.

### Five Year Performance (%)



### Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	-5.6	-1.2	2.2	-5.6	-12.9	9.0	13.3

### Discrete 12 Month Performance (%)

	30.06.15	30.06.14	28.06.13	29.06.12	30.06.11
	30.06.16	30.06.15	30.06.14	28.06.13	29.06.12
Fund	-12.9	7.9	16.0	7.5	-3.3

Source: Lipper, EUR, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in EUR, to 30.06.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

## Important Information

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## Literature

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