# Cautious Multi Asset Fund (GBP)

**Formerly International Reserve Fund (GBP)**

**Q1 2016 Fact Sheet**

## Fund Manager

**Stephen Dowds**

Before he joined Hume Capital, Stephen was head of Northern Trust Global Investors' active International Equity group. Prior to this he was Managing Director and Chief Investment Officer at Dryden Capital Management (a division of Prudential-Bache International). A graduate of the University of St Andrew's with an MA in Economics with International Studies, Stephen is also an Associate (ASIP) of the CFA UK.

## Market Background

Bewildering – that might be the best word to summarise the first quarter in markets. Having seen the US Fed finally set a clear path for the "normalisation" of its benchmark interest rate in December, investors entered the year with the expectation that we would see four rises of 25bps in the next twelve months. By late January, however, all bets were off, with many forecasting no more rises and some even believing that there would have to be a reversal of the December rise! Weak economic indicators and renewed fears for the robustness of the European banking system, combined with collapsing oil prices all played their part in shredding investors' nerves such that by the end of January, the yield on US 10 year Treasuries had fallen back to 1.9% and equity markets had fallen roughly 10%. Curiously, with fears of deflation rife, the only asset which showed meaningful strength was gold.

Then, despite the emergence of another risk to the structure of the EU (i.e. "Brexit") markets turned. Oil prices staged a rally, assisted by talk of OPEC production restraint, the US Dollar rose as slightly better economic numbers emerged and, talking of things Emerging, those markets also began to recover some of their previous sharp falls. By the end of the period the prices of many asset classes had recovered back almost to the level at which they started the quarter with the notable exception of high yield credit markets in the US and Europe which struggled as retail investors in the US and hedge funds liquidated positions.

## Portfolio Analysis

### Fund Holdings (%)

| | |
|---|---|
| Federated Prime Rate Sterling Cash PL-3 | 61.2 |
| JPM Managed Reserves I GBP Hedged | 19.5 |
| Federated Prime Rate GBP Liquidity-3 | 1.0 |
| NB Global C £ Red C Shares NPV | 5.8 |
| Providence Hume Fixed Inc C GBP PREF | 2.5 |
| Providence Hume Fixed Inc C2 GBP PREF | 2.8 |
| Providence Hume Fixed Inc C3 GBP PREF | 2.4 |
| Blackstone/GSO Loan Financing Fund | 4.0 |
| Cash | 0.8 |
| **Total** | **100.0** |

## Fund Aim

The Fund aims to provide liquidity and principal preservation, with an emphasis on seeking returns that are superior to those of traditional money market offerings.

## Fund Approach

The Fund will normally invest in a portfolio of funds, in the main money market and cash plus funds, any of which may account for up to 100% of the portfolio. Bond funds with an average duration of less than three years may also be included.

## Fund Facts

| | |
|---|---|
| Structure | OEIC |
| Domicile | Guernsey |
| Dealing | Daily |
| Launch Date | 19 June 1980 |
| Benchmark | 7 Day £ Libid |
| Sector | Lipper Global Money Market: Money Market GBP |
| Fund Size | £30.8m |

## Fund Price

| | |
|---|---|
| GBP | 75.56 |

## Availability

Direct Investments
Wrap Platforms
Life Office Bonds

All data as at 31.03.16. Source: Peterhouse Asset Management Limited, unless otherwise stated.

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## Performance and Activity

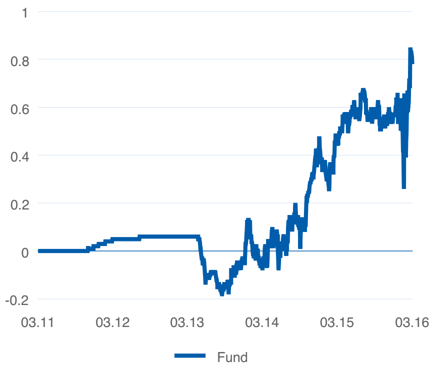
### Fund Performance and Activity

The Fund returned 0.22% over the quarter compared with the return of 0.12% from sterling cash and 0.05% from the Lipper peer group. The outperformance generated was due to a number of factors, including the contribution from the Providence Fund, plus the fact that we were able to increase the holding in the Blackstone GSO Fund at a significantly discounted price to its NAV and one from which it recovered some of its recent fall. These shares are now trading at a double-digit discount to NAV, and implying a significant increase in the default rates of the underlying secured loans to levels which we think are unlikely.

### Strategy and Outlook

Questions over the ability of the UK economy to continue its recent recovery in the face of a slowdown elsewhere, particularly in Europe, have been voiced by many, including the Chancellor of the Exchequer in his budget speech. But what has given investors in Sterling assets more concern has been the forthcoming referendum on the UK's EU membership. Since Mr Cameron returned from Brussels in February with his "new deal", the currency has slumped versus the Euro and is now some 13% below its 2015 peak. Whatever the actual outcome of the vote in June, we think it likely that in the run-up to it, Sterling could come under further pressure which itself may lead to some distortion in money market rates, though we do not expect this to manifest itself in a change in official rates. Our strategy continues to be a conservative one, with the core of the portfolio being in the Federated Sterling Cash plus fund which has performed steadily, if unspectacularly in the past, supplemented by higher yielding holdings many of which have floating rate characteristics.

## Five Year Performance (%)




## Cumulative Performance (%)

| | YTD | 1m | 3m | 6m | 1y | 3y | 5y |
|---|---|---|---|---|---|---|---|
| Fund | 0.22 | 0.34 | 0.22 | 0.22 | 0.30 | 0.73 | 0.78 |

## Discrete 12 Month Performance (%)

| | 31.03.15 31.03.16 | 31.03.14 31.03.15 | 29.03.13 31.03.14 | 30.03.12 29.03.13 | 31.03.11 30.03.12 |
|---|---|---|---|---|---|
| Fund | 0.30 | 0.54 | -0.12 | 0.01 | 0.05 |

Source: Lipper, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in GBP, to 31.03.16. 

### Important Information

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Please note that the value of funds and assets (and the income from them) may go down as well as up and may be affected by, amongst other things, changes in rates of exchange. Past performance is not indicative of future performance. An investor may not get back, on redemption or otherwise, the amount invested. Performance is calculated on a total return basis in the currency of the Fund.

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