

Hume Cautious Multi Asset Fund (GBP)

Formerly International Reserve Fund (GBP)

Q1 2017 Fact Sheet



Fund Manager

Peterhouse Multi Asset Team

Market Background

Market Review

Q1 2017 has been a buoyant period for international capital markets with a strong performance by equities and corporate bonds. Donald Trump's new administration was welcomed by investors and with global GDP estimates on the rise IMF forecasting 3.4% GDP growth for 2017 there was a generally positive tone to markets.

MSCI World rose 5.3% in the quarter.

By contrast safe-haven government bonds sold off and yields climbed on the back of rising inflationary pressures in the first half of the quarter. US 10-year treasury yields hit 2.5% before falling back slightly to end the quarter at 2.3%.

Outlook

We retain a rather cautious short term view on global financial markets against a background of political and economic uncertainty and emphasise the need for a diversified portfolio approach.

Cyclically adjusted price earnings ratios (CAPE) are high in equities with US equity valuations in particular extended at 21x earnings and we are wary of US and UK equities in particular. It will not be easy in our view to execute the new US administration's wish list of policies and fiscal reality is likely to collide with overhyped expectations.

We favour blue chip corporate bonds and dividend paying equity, utility type revenue streams and inflation protecting investments such as gold, selected commodities and asset backed securities.

Portfolio Analysis

Fund Holdings (%)

Federated Prime Rate GBP PL-3	50.4
JPM Managed Reserves I Acc GBP	26.9
NB Global Floating Rate Income Fund Ltd GBP	8.1
Blackstone/GSO Loan Financing Fund	5.6
iShares USD Short Dur HY	3.4
STOXX Europe 600 Utilities	2.2
iShares US Preferred Stock ETF	1.7
Federated Prime Rate GBP Liquidity-3	0.4
Cash	1.4
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	£22.5m

Fund Price

GBP	77.55
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Availability

Direct Investments
Wrap Platforms
Life Office Bonds

Hume Cautious Multi Asset Fund (GBP)

Performance and Activity

Performance Review and Activity

The portfolio rose 5.2% in the quarter. Year on year the portfolio has risen 28.4%.

We retained our overweight position in corporate loans (Blackstone GSO Loan fund, Neuberger Berman Floating rate income Fund) while we have also been invested in preferred shares via the exchange traded funds, utility and property exchange traded funds and high yield short term debt exchange traded funds.

In trading we added to our Ishares Utilities position and introduced a position in the Ishare European property eff.

Portfolio Strategy

We focus on income and targeted growth. Where income is concerned there remains a huge swathe of the market in BB and BBB investment and just sub investment grade.

In the growth part of the portfolio we are targeting investments that offer real growth in new technologies in transport like electric vehicle technology, the rapid move to urbanisation along with new ways of consuming information and technologies.

The shift in economic power from west to east is reflected in our asset allocation which favours emerging market investment over and above those of the more mature western markets.

By contrast the emerging economies of Asia in particular are high in savings and low in debt and we are overweight investments in this region.

Theme – How real is talk of a synchronised global economic upturn?

There has been much talk of global economic revival in recent weeks. From the Trump inspired plans to rebuild America's infrastructure to a revival in Europe through to improved trade numbers in Asia there has been enough evidence to suggest a floor has been reached in the 2015/2016 economic slowdown.

Both IMF and World Bank estimates for GDP growth have increased to 3.4% and 3.6% respectively and earnings growth has resumed a positive trend.

However we would caution that with the western consumer overindebted and company profitability already high there are considerable challenges ahead. While central bank monetary policy remains loose globally there has been some tightening already led by the US and we expect further tightening in the US and eventually in the UK which means over optimistic expectations may have to be reined back.

Five Year Performance (%)



Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	0.49	0.19	0.49	0.80	2.63	3.50	3.39

Discrete 12 Month Performance (%)

	31.03.16	31.03.15	31.03.14	29.03.13	30.03.12
Fund	2.63	0.30	0.54	-0.12	0.01

Please note that as at 08 August a new "S" class was created as a result of the board deciding to declare the Funds' investments in Providence as Illiquid Investments in accordance with article 49 of the Company's articles of incorporation. The figures above refer to the participating shares only.

Source: Lipper, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in GBP, to 31.03.17. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

Important Information

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