

## Monthly Report

January witnessed a partial reversal in the price trends that played out in December. This resulted in broad headwinds for the fund and a return of -1.7% for the month.

Concerns around inflation resurfaced in January. The drivers were twofold: continued US economic resilience, and the prospect of the conflagration in the Middle East spreading to critical global supply chains. This led investors to re-appraise the profile of interest rate cuts in developed markets providing upward impetus to the US dollar. Only three asset classes globally generated positive returns in the month in US dollar terms: oil, US equities, and Japanese equities.

A period of reflection was due in markets. Far from closing in on a victory lap, Federal Chair Jay Powell, is on the horns of a trilemma. Short term real rates appear suitably restrictive. However, if employment stays robust, there is limited room for interest rates to come down without risking persistent inflation. On the other hand, if job losses begin to emerge, history suggests a recession is a highly likely event. Finally, he must negotiate these forces in an increasingly contentious election year where each decision will be viewed through the lens of bias.

This is a delicate needle to thread using only the blunt tool of monetary policy, but equity investors seem relaxed. A soft landing, or perfect execution on Chair Powell's part, is largely priced into US equities, in our view. We have limited US equity exposure while a repricing of rate expectations was detrimental to holdings in Fixed Income and Alternatives. Sterling was also one of the stronger performing G10 currencies, which suppressed the value of our holdings in overseas assets.

Equities were a small positive contributor during the month led by Japan and Technology. Japan is one of our larger exposures and added 0.15% to returns. We believe corporate reforms, domestic consumption, and a cheap currency combine to create an underappreciated growth opportunity for foreign investors. In Technology our small holding in Seraphim Space Trust appreciated by 45%. The largest detractor was China. While we have only a small position, Chinese equities were the weakest global asset in January.

### Fund Data

NAV/Share (Class C Acc)	£13.92
Fund Size (£mn)	91.62
Currency Share Class	GBP (Base)
Investment Management Charge	0.75%
Ongoing Charges Figure	1.41%*
Dealing Frequency	Daily
Legal Structure	OEIC (UCITS)
Co-Managers	Fergus Shaw & Michael Flitton
Inception Date Fund	2013

\*OCF includes the Investment Management Charge

The equity allocation is constrained by the uninspiring rewards on offer in the asset class. However, there are pockets where valuation already affords us a level of downside protection. The exposure to some of these areas was expanded during the month: Japan via passive index trackers and the UK via a holding in the Aberforth Smaller Companies Trust.

Within Fixed Income we have reduced the interest sensitivity of the portfolio. In December we had moved a portion of the allocation into longer duration assets. However, as January progressed the risks around inflation have become more two-way, in our view, and the positions were sold. While a small profit was made over the full holding period since early December, these bonds detracted 0.5% from returns in January. Bond prices have continued to fall since the positions were exited.

The performance of Alternatives (-80bps for the month), specifically UK infrastructure investment trusts, was disappointing. Gore Street, the battery storage fund, was impacted by poor results from a UK-focused peer company. Gore Street's portfolio is much more geographically diversified but the investors in this space are in no mood for nuances.

Given the pain taken by investors over the past two years the market has become a 'show me' environment. Digital 9 is a case in point. The trust failed to appreciate on a strategic review which resulted in a plan to wind down the business. With the stock trading at a 75% discount to reported NAV this points to a pathway for value realisation, but the length of the delivery timeframe appears too long for most participants. We continue to engage with the board and actively evaluate our position.

In the current environment, diversification and flexibility should be prioritised. The portfolio is split 40:40:20 between Equity, Fixed Income, and Alternatives. We will look to take advantage of opportunities in Equities as they become available through 2024.



**FERGUS SHAW**



**MICHAEL FLITTON**

# FUND FACTS

## Allocation by Theme

- Global Leaders Equity Strategy - 15%
- Active Value Basket - 7%
- Passive Value Basket - 11%
- Japan - 9%
- Technology - 3%
- Music Royalties - 3%
- Property - 6%
- Infrastructure - 3%
- Fixed Income - 29%
- Gold - 8%
- Cash - 8%



## Top Equity Holdings

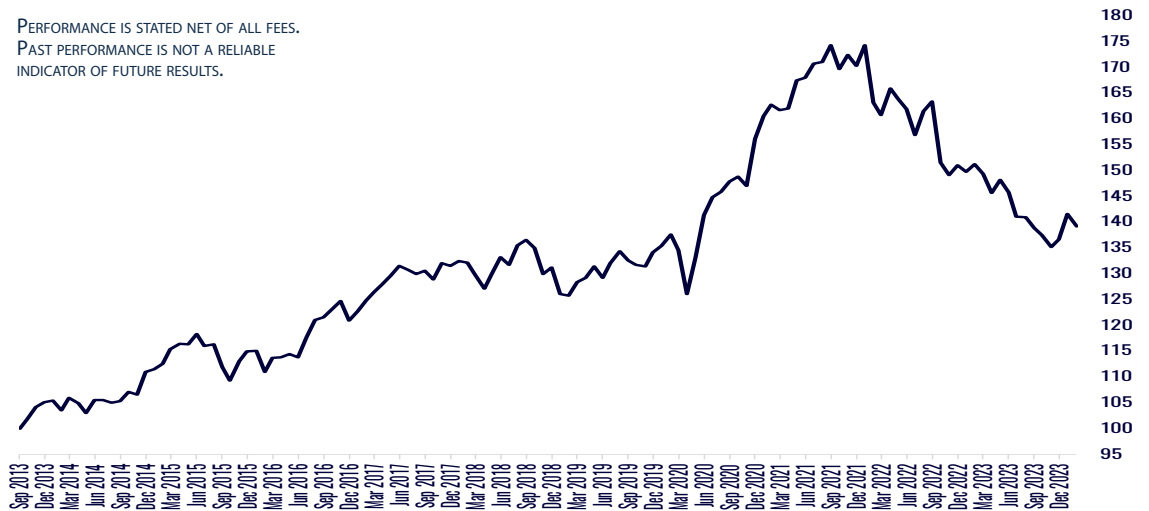
iShares MSCI EM ex China ETF	5.4%
Zennor Japan	4.3%
Schroder Global Recovery	4.2%
Vanguard FTSE 100	3.5%
Chikara Japan	2.1%

## Top Non-Equity Holdings

iShares Physical Gold	8.3%
Blackrock Sterling Liquidity	6.0%
UK Gilt 2028	5.9%
US Treasury 2027	4.1%
US Treasury 2026	4.0%

## 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	(1.7%)												(1.7%)
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%	(5.5%)
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	Jan 2024	Jan 2023	Jan 2022	Jan 2021	Jan 2020
Net Performance	-8.0%	-7.3%	+0.2%	+18.3%	+9.4%

### Fund Codes

	ISIN:	SEDOL:	Bloomberg:
C Acc	GB00BCZTP59	BCZTP5	TMCESCA LN
C Inc	GB00BCZTN36	BCZTN3	TMCESCI LN

## Key Fund Information

NAV/Share Class (Acc)	£14.16
Fund Size (£mn)	95.66
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 C (incl. Management Fee)	Management Fee 0.75% Allocated managers' Fees 0.52% Other Fees (incl. running costs) 0.14% OCF 1.41%
Transaction Costs	Explicit Costs 0.01% Implicit Costs 0.08%*
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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