

Hume Diversified Multi-Asset Fund

Q1 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

Global financial markets were subjected to a roller coaster ride in Q1 2016. From the start of the year through to mid-February global stock markets fell 10% to justify the category of "correction."

They then bounced back to end the quarter flat (MSCI World +0.3%, only the third time in history this has happened in the US in a quarter) as the European Central Bank increased its quantitative easing programme to €80bn a month from €60bn a month and US Fed chair Janet Yellen held fast on US interest rates. Meanwhile, China which had engaged in a devaluation of the yuan in January from CNY6.2 to CNY6 saw the currency stabilise in March.

Outlook

We remain rather cautious in the short term. There is a probability of volatility into mid-year as a number of hurdles need to be overcome. More time will be needed to assess the slowdown in China, further clarity in the Eurozone banking sector and more certainty surrounding the UK position in the EU is also important. Meanwhile the US is becoming a politically driven market as hostilities both within the Democrat and Republican parties and the market may become tricky ahead of the party conventions in July.

Portfolio Analysis

Asset Mix (%)

Fixed Income	19.2	<div style="width: 19.2%;"></div>
UK Equities	17.7	<div style="width: 17.7%;"></div>
Asian Equities	16.5	<div style="width: 16.5%;"></div>
Commodities	13.8	<div style="width: 13.8%;"></div>
Cash	11.5	<div style="width: 11.5%;"></div>
Global Equities	11.3	<div style="width: 11.3%;"></div>
European Equities	6.4	<div style="width: 6.4%;"></div>
US Equities	2.0	<div style="width: 2.0%;"></div>
Alternatives	1.7	<div style="width: 1.7%;"></div>

Top Ten Holdings (%)

Ishares Euro Dividend	6.4
Polar Capital Global Convertible USD Inst'l Acc	5.2
Aberdeen Asian Income Fund	4.7
Elite Charteris Premium Income Fund	4.4
NB Global Floating Rate Income Fund Ltd GBP	4.4
IShare STOXX Europe 600 Oil & Gas UCITS (DE)	4.3
Ishares UK Dividend UCITS	4.3
Tiburon-Taiko Fund	4.1
Intu Properties	3.9
Blackstone/GSO Loan Financing Fund	3.8
Total	45.5

Total Number of Holdings 38

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\$8.8m

Fund Price

USD	8.40
EUR	8.97
GBP	11.46

Availability

Direct Investments
Wrap Platforms
Life Office Bonds

Hume Diversified Multi-Asset Fund

Performance and Activity

Fund Performance

The fund rose 5.7% for the month while year to date the fund is down 2.3%. (\$)

Fund Activity

We took profits in Fresnillo and Rolls' shares following significant reratings in both. We added to our corporate bond positions via an increase in Blackstone GSO loan fund. Meanwhile we tilted the portfolios slightly more defensively given the current volatility in markets.

Yellen and China's relationship on rates-a faustian pact or a necessary evil to maintain global growth?

The issue of Janet Yellen's reluctance to raise interest rates at the Fed's 15/16 March meeting has been widely discussed, because by conventional yardsticks, any assessment of the US economy currently would argue it needs higher interest rates. GDP growth is steady, inflationary pressures are building and the economy is close to full employment, and yet, she doesn't move on rates, preferring to keep them at 0.5%.

Her decision led to a sharp fall in the US dollar, a drop in bond yields across the curve and a further rise in gold which ended March back at \$1250 after its best start to any year since 1986.

While Ms Yellen may argue on orthodox economic grounds for keeping interest rates at zero, it is getting harder to defend and signs of strain in the banking system with banks' core net income under severe pressure.

There seems little doubt in our minds about her coded message - she would rather keep rates low to stop the US dollar appreciating and the Chinese devaluing their yuan.

With these factors in mind our investment strategy is driven by three core principles in the short to medium term - inflation protection, (as central banks continue to print money) quality of earnings growth and strong balance sheets.

Five Year Performance (%)



Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	-2.3	5.7	-2.3	-1.3	-9.0	-8.9	-9.0

Discrete 12 Month Performance (%)

	31.03.15	31.03.14	29.03.13	30.03.12	31.03.11
Fund	-9.0	-9.1	10.2	3.0	-3.1

Source: Lipper, USD, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in USD, to 31.03.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

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Literature

www.peterhouseam.com

Dealing

+44 (0)1481 719742

Adviser Contacts

+44 (0)20 3198 2550
info@peterhouseam.com

Investor Services

+44 (0)1481 719742

Investment Manager

Peterhouse Capital (Guernsey) Limited

Codes	(USD)
ISIN	GG00B7T9KR35
SEDOL	B7T9KR3
	(EUR)
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Peterhouse Asset Management Limited
15 Eldon Street
London
EC2M 7LD

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