

Hume Dynamic Multi-Asset Fund

Q3 2016 Fact Sheet



Fund Managers



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.



Amanda van Dyke

Amanda van Dyke is a portfolio manager at Peterhouse Asset Management and mining equity and gold specialist. She has been previously with the mining teams of GMP, Pareto, and Dundee Securities, as an analyst and mining specialist sales person. She is also the Chairman of Women in Mining UK, and a member of the advisory board of Mines and Money London. She has authored numerous research reports as well as articles on the mining sector. She is a professional gemmologist, and holds an MBA and MA in

International Economics, from SDA Bocconi and China Europe International Business School.

Strategy and Outlook

Market Review

Global asset markets enjoyed broadly positive returns in Q3 2016 spurred on by further easing of monetary policy in Europe and Asia and forecasts for improving GDP growth into 2017.

The JPMorgan global bond index returned 0.3% while MSCI World equity returned 5% in the quarter. Global property performed well, FTSE Nareits property index rising 3.1%.

Emerging markets performed strongly rising 9% in the quarter and corporate bonds performed well in fixed income with high yield returning 5.6% according to the high yield index. The only asset class that retreated was commodities, the CRB declining 4% in the quarter led down by softs which slumped (wheat down 14%) on favourable planting conditions in the US and Russia.

The US\$ finished the quarter virtually unchanged as the US Federal Reserve once again feigned to raise interest rates but then backed off from a previously anticipated interest rate rise.

Outlook

"Fluctuate dear boy fluctuate" was apparently the response given by John Pierpoint Morgan when asked what he thought stock prices would do in 1927. While maybe apocryphal, 2016 has been a volatile year already with a significant sell off in bond and stock prices in Q1 followed by a sharp bounce in bond and stock prices in Q2 and Q3.

The global economy does remain fragile however with the IMF recently cutting its forecasts for US and UK growth, while overall growth forecasts are unchanged at 3.1% projected for 2016 and 3.4% for 2017.

This is nevertheless an improvement on the situation in early 2016 when it looked as though a slowdown in China would lead the global economy into a significant overall economic slowdown.

Led by emerging markets and a reasonable recovery in the US we expect this improving trend to continue.

However interest rates we believe will rise into 2017 and with valuations extended on the upside in the US, we believe a diversified approach is warranted with a mixture of corporate bonds, blue chip equities, hard assets like commodities and quality infrastructure the core of any portfolio.

Portfolio Analysis

Asset Mix (%)

Asian Equities	21.3	<div style="width: 21.3%;"></div>
Global Equities	16.6	<div style="width: 16.6%;"></div>
Cash	16.2	<div style="width: 16.2%;"></div>
Commodities	13.7	<div style="width: 13.7%;"></div>
UK Equities	11.2	<div style="width: 11.2%;"></div>
Fixed Income	6.8	<div style="width: 6.8%;"></div>
European Equities	6.3	<div style="width: 6.3%;"></div>
Alternatives	4.8	<div style="width: 4.8%;"></div>
US Equities	3.1	<div style="width: 3.1%;"></div>

Top Ten Holdings (%)

Tiburon-Taiko Fund	5.9
Aberdeen Asian Income Fund	5.4
Hume Global Equity Fund	4.8
Global Mena Financial Assets	4.7
Ishares FTSE A50 China Index	4.6
Ishares MSCI Eurozone	4.1
Pareturn Barwon LST-U USD	3.9
IShare STOXX Europe 600 Oil & Gas UCITS (DE)	3.9
Ishares MSCI ACWI	3.8
IP Asia Equity Income Fund	3.3
Total	44.4

Total Number of Holdings 41

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 Equities: Equity Global
Fund Size	US\$14.8m

Fund Price

USD	10.07
GBP	14.19
EUR	10.82

Availability

Direct Investments
Wrap Platforms
Life Office Bonds

Hume Dynamic Multi-Asset Fund

Performance and Activity

Performance Review and Activity

The fund performed well in Q3. The fund rose 8.0%. Performance was driven by our holdings in cyclical stocks such as BHP Billiton and Rolls Royce.

We took profits in BHP that had performed exceptionally well in the quarter. We also sold our holding in US silver mining company Hecla. We added a position in Canadian uranium miner Cameco.

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

Both the US and the UK have been exhibiting increasing signs of protectionism with a vote to leave the European Union by the Brits on 23 June 2016 enjoining by US presidential nominee Donald Trump's nationalist "America first" cries in the campaign in the States.

In Ha Choon Jang's excellent book "Bad Samaritans, the Myth of Free trade and the secret history of capitalism" the writer exposes the myths of free trade and how nations like the US and UK have used the moniker as a cover to employ protectionist policy agendas in their economic development historically.

We believe the world is moving towards a multipolar period of economic development in which the notion that big business and global multi nationals make extraordinarily large returns on investment (Unilever even today enjoys a gross margin of 40% and Microsoft 35%), will be increasingly challenged at a time when the median household in the US and the UK is 20% worse off than a decade ago.

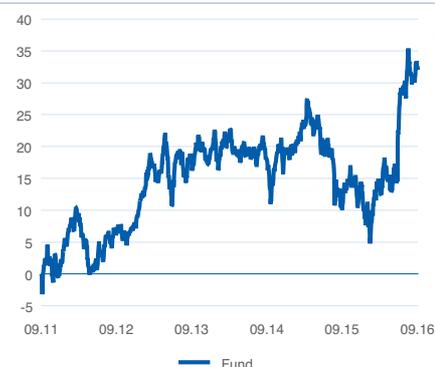
It is no surprise therefore that some of the greatest support for the Brexit cause in the case of the UK and Trump in the case of the US presidential election was and is the working class semi-skilled or unskilled members of the work force who themselves feel threatened by the forces of globalisation and believe themselves to be at risk of losing from it rather than benefiting from it.

French economist too Thomas Piketty in his recent book "Capital in the twenty first century" stated the case for the prosecution on behalf of this constituency and it is growing.

Not everyone can be a "Jeff Bezos" or "Mark Zuckerberg" wannabee and nationalist speeches by recent UK Prime Minister Theresa May or pledges to build a wall on the Mexican border by Trump both indicate limits to the "We are one" or "We're all in this together" soundbites of the cognoscenti.

Moves towards greater levels of protectionism, a rise in the costs of doing business and wage cost pressures especially at the lower end of the cost curve will all of this make for a tougher investment environment and we believe a return to more volatile market conditions is likely.

Five Year Performance (%)



Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	16.6	0.9	8.0	17.0	20.5	12.9	32.6

Discrete 12 Month Performance (%)

	30.09.15	30.09.14	30.09.13	28.09.12	30.09.11
Fund	20.5	-6.6	0.3	10.5	6.3

Source: Lipper, GBP, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in GBP, to 30.09.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

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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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