

Cautious Multi Asset Fund (USD)

Formerly International Reserve Fund (USD)

Q2 2016 Fact Sheet



Fund Manager

Multi Asset Team

Market Background

Market Review

Q2 2016 was dominated in financial markets by the tumultuous events in Europe and by the historic decision by the British voters to vote to leave the European Union on 23 June.

Markets were thrown into turmoil by the decision with equity and property indices hit hard while safe haven assets such as the Japanese yen and government bonds rallied with most government bonds now yielding 1% or less. Gold soared to close the quarter at \$1,340.

Outlook

The UK vote to leave the EU and the extreme volatility being experienced in bond and currency markets worldwide is likely to have important consequences for investment in financial assets.

With Donald Trump winning the nomination to represent the Republicans in the US presidential elections, politics will likely have an increasing influence on financial markets in the months ahead. That said, the global economy is performing reasonably well with IMF global GDP forecasts for 2016 of 3.4% achievable in our view.

Portfolio Analysis

Fund Holdings (%)

Federated Sterling Cash Plus USD 3 Acc-SU3-G	51.2
Missing Name	25.9
Federated Short-Term U.S.Prime Fund	0.6
NB Global C £ Red C Shares NPV	7.6
Providence Hume Fixed Inc C USD PREF	2.7
Providence Hume Fixed Inc C3 USD PREF	2.6
Carador Income Fund	4.7
Cash	4.2
Total	99.5

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 US\$ Libid
Sector	Lipper Global Money Market: Money Market USD
Fund size	US\$12.0m

Fund Price

USD	87.70
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Availability

Direct Investments
Wrap Platforms
Life Office Bonds

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Performance and Activity

Portfolio Review

The Blackstone GSO loan fund and the NB Floating Rate Income fund performed well in the quarter. We made no new additions to the portfolio.

Performance Review

The fund rose 0.31% over the quarter. Year to date the fund has fallen 0.39%.

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

When UK voters made their historic decision on 23 June to vote to leave the European Union, the knee jerk reaction in markets was to sell sterling, buy government bonds and initially to sell equities.

The UK pound recorded its biggest ever one day fall dropping from \$1.50 to \$1.33 and €1.35 to €1.22. Government bonds now widely are trading with yields of less than 1% for any duration. Meanwhile in equities the impact was severe but temporary with equity indices dropping 10% or so and then finding a floor before making a partial recovery.

We believe there are winners and losers for investors. There are clear winners such as shares of UK exporters and obvious losers such as the shares of European car manufacturers whose second biggest market in Europe is the UK. On a wider scale the UK decision is likely to have important economic consequences across Europe but also globally. With key general elections in France and Germany in 2017 and a tricky US presidential election looming for November the next 12 months will be a challenging time politically.

Asset allocation will be important in the months ahead and volatility in financial markets will likely be high. However equities especially but also corporate bonds and certain asset classes such as selected commodities offer reasonable value and we will be alert always to profitable opportunities.

Five Year Performance (%)



Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	-0.39	-0.72	0.31	-0.39	-1.16	-1.74	-1.77

Discrete 12 Month Performance (%)

	30.06.15	30.06.14	28.06.13	29.06.12	30.06.11
Fund	-1.16	0.20	-0.79	-0.03	0.00

Source: Lipper, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in USD, to 30.06.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

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