

# Cautious Multi Asset Fund (GBP)

Formerly International Reserve Fund (GBP)

Q4 2016 Fact Sheet



## Fund Manager

Peterhouse Multi Asset Team

## Market Background

### Market Review

Bond and equity markets were dominated in Q4 by the landmark victory of Donald Trump as 45th President of the United States on 08 November 2016.

Many of the pledges in Donald Trump's manifesto if he is able to implement it would herald a change in US economic policy that will have ramifications in policy making circles across the world. In particular, a pro-growth economic policy with a focus on infrastructure and an expansionary fiscal policy encouraged stock market bulls and led to a sell-off in government bonds as investors feared the US central bank would be tempted to tighten monetary policy more quickly than previously anticipated.

Currency and commodity markets were affected too with the US\$ rallying 5% after the election, while commodities rose 2.7% strengthening broadly with economically sensitive metals like copper and zinc rallying as investors bought ahead of higher expected building and construction activity in 2017 and 2018.

MSCI World closed the quarter with a gain of 7.2% (£), while bond markets added 0.8%.

### Outlook

We believe that short term the outlook for financial markets is uncertain and we continue to adopt a rather cautious approach with regard to investment policy.

We believe the market has focused on much of the benefits of Trump's economic policies, the infrastructure build out, deregulation and inflationary growth boost while overlooking the potentially difficult flip-side of protectionism, spending cuts in healthcare and the risks of America retreating back to isolationism.

We are also rather cautious about the outlook for US and European consumers who are faced with a potential drop in real incomes as inflation picks up and this may hold earnings back we believe in 2017 and 2018.

## Portfolio Analysis

### Fund Holdings (%)

Federated Sterling Cash Plus 3	57.2
JPM Managed Reserves	26.0
NB Global C £ Red C Shares NPV	7.8
Blackstone/GSO Loan Financing Fund	5.3
STOXX Europe 600 Utilities	2.1
iShares US Preferred Stock ETF	1.6
Federated Prime Rate GBP Liquidity-3	0.3
Cash	-0.3
<b>Total</b>	<b>100.0</b>

## 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	£23.2m

## Fund Price

GBP	77.17
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## Availability

Direct Investments  
Wrap Platforms  
Life Office Bonds

# Cautious Multi Asset Fund (GBP)

## Performance and Activity

The fund rose 0.31% (£) in Q4. Among asset classes we increased our exposure to energy, equity exposed to infrastructure and took a position in US preference shares. Republican candidate Donald Trump's win in the US presidential election on 8 November and a further rally in US stocks has pushed equity valuations to their highest in a decade and we lifted the dollar hedges we had put in at the end of 2015 to mitigate the potential vulnerability of GBP a vulnerability cruelly exposed during the Brexit vote in June. We also upped out exposure to utilities and preference shares to take advantage of attractive yields.

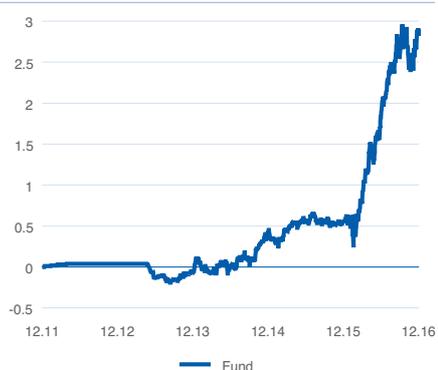
### Theme – the Brexit and Trump phenomena – shooting stars or a realignment of the planets?

The "Trump bump" as it's been called, a term for the euphoric reaction to his victory as 45th President on 8 November to the beneficial effects of the "good Trump" reflect a view among more positive market participants that his pro-business agenda will be positive for the US and by extension for global growth in the coming four years. Infrastructure will be rebuilt, deregulation will help liberalise red tape and banks will be free to lend more freely as the restrictive Dodd Frank banking legislation brought in after the financial crisis of 2008 is repealed goes the refrain. However proponents of the "bad Trump" point to protectionism, heightened risk from a more assertive stance in Asia and retreat from NATO as well as the costs associated with his fiscal plans to increase borrowing to stimulate growth.

Our view at PAM is that these tensions are likely to be ever present throughout his term. The Republicans control both Senate and House of Representatives but the fiscal hawks will look to temper his more ambitious spending plans while the Democrats will fester over his plans to scrap Obamacare and cut taxes for the rich.

The global economy enters 2017 in reasonably good shape with IMF forecasts of 3.4% GDP growth and upward revisions to growth forecasts over the last three months making these forecasts appear achievable. However inflation is likely to rise and earnings forecasts crimped by the higher US\$ at least in the US.

## Five Year Performance (%)



## Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	2.35	0.36	0.31	1.06	2.35	2.99	2.91

## Discrete 12 Month Performance (%)

	31.12.15	31.12.14	31.12.13	31.12.12	30.12.11
Fund	2.35	0.13	0.49	-0.11	0.04

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 31.12.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

## Important Information

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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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