

Hume Diversified Multi-Asset Fund

Q1 2017 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 a former 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

Q1 2017 has been a buoyant period for international capital markets with a strong performance by equities and corporate bonds. Donald Trump's new administration was welcomed by investors and with global GDP estimates on the rise IMF forecasting 3.4% GDP growth for 2017 there was a generally positive tone to markets.

MSCI World rose 5.3% in the quarter.

By contrast safe-haven government bonds sold off and yields climbed on the back of rising inflationary pressures in the first half of the quarter. US 10-year treasury yields hit 2.5% before falling back slightly to end the quarter at 2.3%.

Outlook

We retain a rather cautious short term view on global financial markets against a background of political and economic uncertainty and emphasise the need for a diversified portfolio approach.

Cyclically adjusted price earnings ratios (CAPE) are high in equities with US equity valuations in particular extended at 21x earnings and we are wary of US and UK equities in particular. It will not be easy in our view to execute the new US administration's wish list of policies and fiscal reality is likely to collide with overhyped expectations.

We favour blue chip corporate bonds and dividend paying equity, utility type revenue streams and inflation protecting investments such as gold, selected commodities and asset backed securities.

Portfolio Analysis

Asset Mix (%)

Asia Inc Aus Equities	20.1	<div style="width: 20.1%;"></div>
Fixed Income	19.5	<div style="width: 19.5%;"></div>
UK Equities	10.4	<div style="width: 10.4%;"></div>
Global Equities	9.9	<div style="width: 9.9%;"></div>
Cash	9.6	<div style="width: 9.6%;"></div>
European Equities	8.7	<div style="width: 8.7%;"></div>
Commodities	7.8	<div style="width: 7.8%;"></div>
Alternatives	7.4	<div style="width: 7.4%;"></div>
US Inc Can Equities	6.7	<div style="width: 6.7%;"></div>

Top Ten Holdings (%)

Polar Capital Global Convertible USD Inst'l Acc	5.8
Aberdeen Asian Income Fund	5.8
IShare STOXX Europe 600 Oil & Gas UCITS (DE)	5.2
Tiburon-Taiko Fund	5.0
Galloway Global Fixed Income Feeder Fund B	4.9
Blackstone/GSO Loan Financing Fund	4.8
Ishares Euro Dividend	4.5
Ishares FTSE A50 China Index	4.5
NB Global Floating Rate Income Fund Ltd GBP	4.4
Polar Emerging Markets	4.1
Total	49.0

Total Number of Holdings 44

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\$8.1m

Fund Price

USD	9.37
EUR	10.59
GBP	14.80

Availability

Direct Investments
Wrap Platforms
Life Office Bonds

Hume Diversified Multi-Asset Fund

Performance and Activity

Performance Review and Activity

The portfolio rose 4.6% in the quarter. Year on year the portfolio has risen 28.3%.

We retained our overweight position in corporate loans (Blackstone GSO Loan fund, Neuberger Berman Floating rate income Fund) while we have also been invested in preferred shares via the exchange traded funds, utility and property exchange traded funds and high yield short term debt exchange traded funds.

In trading we added to our Ishares Utilities position and introduced a position in the Ishare European property eff. In individual shares we traded out our positions in Fresnillo and bought a holding in Hecla.

Portfolio Strategy

We continue to focus on income and targeted growth. Where income is concerned there remains a huge swathe of the market in BB and BBB investment and just sub investment grade.

In the growth part of the portfolio we are targeting investments that offer real growth in new technologies in transport like electric vehicle technology, the rapid move to urbanisation along with new ways of consuming information and technologies.

The shift in economic power from west to east is reflected in our asset allocation which favours emerging market investment over and above those of the more mature western markets.

By contrast the emerging economies of Asia in particular are high in savings and low in debt.

Theme – How real is talk of a synchronised global economic upturn?

There has been much talk of global economic revival in recent weeks. From the Trump inspired plans to rebuild America's infrastructure to a revival in Europe through to improved trade numbers in Asia there has been enough evidence to suggest a floor has been reached in the 2015/2016 economic slowdown.

Both IMF and World Bank estimates for GDP growth have increased to 3.4% and 3.6% respectively and earnings growth has resumed a positive trend.

However we would caution that with the western consumer overindebted and company profitability already high there are considerable challenges ahead. While central bank monetary policy remains loose globally there has been some tightening already led by the US and we expect further tightening in the US and eventually in the UK which means over optimistic expectations may have to be reined back.

Five Year Performance (%)



Cumulative Performance (%)

	YTD	1m	3m	6m	1y	3y	5y
Fund	4.6	1.3	4.6	9.4	28.3	23.1	33.9

Discrete 12 Month Performance (%)

	31.03.16	31.03.15	31.03.14	29.03.13	30.03.12
	31.03.17	31.03.16	31.03.15	31.03.14	29.03.13
Fund	28.3	-6.0	2.1	0.3	8.4

Source: Lipper, USD converted to GBP, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in USD converted to GBP, to 31.03.17. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved.

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