

Hume European Multi-Asset Fund

Q2 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

Equity and bond markets performed well in Q2 2017. Positive influences were:

- Better than expected global GDP and earnings growth (MSCI World 2017 consensus earnings estimates raised to 10%). Chinese GDP in particular showed signs of stabilisation.
- Lower than expected inflation with US and European CPI under-shooting central bank targets and bond yields falling to 2.2% in the US and 1.2% in Europe.
- Social democratic parties gaining ground in French and UK elections, easing fears of economic nationalism.

Overall the MSCI World equity index rose 4.2% in the period while the JPMorgan global bond benchmark rose 0.6%.

Outlook

The outlook for global asset prices rests on the interplay between how markets react to higher interest rates as US rates turn and the durability of corporate profits.

While it is unquestionably the case so far global corporate earnings are proving resilient and have beaten expectations, three points mitigate against an over optimistic interpretation-one, the profits cycle is mature with return on equity at close to 15% globally and as high as 20% in the US close to historical highs, two, US rates have been going up consistently since December and three, the old stock market adage "Three steps and a stumble" may be tested as US rates continue to climb.

Portfolio Analysis

Asset Mix (%)

| | | |
|-----------------------|------|--|
| Cash | 17.1 | |
| Alternatives | 15.8 | |
| Asia Inc Aus Equities | 14.9 | |
| UK Equities | 13.3 | |
| European Equities | 10.4 | |
| Commodities | 6.8 | |
| Global Equities | 6.6 | |
| Fixed Income | 6.0 | |
| US Inc Can Equities | 5.4 | |
| Property | 3.6 | |

Top Ten Holdings (%)

| | |
|--|-------------|
| Global Mena Financial Assets | 8.9 |
| Ishares Euro Dividend | 7.5 |
| Ishares UK Dividend UCITS | 5.4 |
| Aberdeen Asian Income Fund | 5.3 |
| IShare STOXX Europe 600 Oil & Gas UCITS (DE) | 5.0 |
| Polar Emerging Markets | 4.3 |
| ProShares Short S&P500 | 3.8 |
| IP Asia Equity Income Fund | 3.2 |
| Pareturn Barwon LST-U USD | 3.1 |
| Blackstone/GSO Loan Financing Fund | 3.1 |
| Total | 49.6 |

Total Number of Holdings 36

Fund Aim

The objective of the Fund is to achieve 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 within Europe, including 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 | 5 March 2001 |
| Sector | Lipper Global Equities: Equity Europe |
| Fund Size | €5.8m |

Fund Price

| | |
|-----|-------|
| EUR | 12.00 |
| GBP | 15.83 |

Availability

Direct Investments
Wrap Platforms
Life Office Bonds

Hume European Multi-Asset Fund

Performance and Activity

Performance Review and Activity

The portfolio returned -0.9% in the quarter net of fees. Over 12 months the portfolio has returned 15.8%.

Our multi asset allocation consists of a diversified portfolio approach with a mix of bonds, blue chip equities, commodities and property. Our current weightings of circa 35% in high yielding blue chip corporate bonds, circa 20% in commodities/commodity stocks, around 10% in private equity and alternatives and approximately 20% in equities, while we have hiked US\$ cash to around 15% to raise exposure to rising US\$ interest rates.

Fund positions that form the core of our portfolios are invested in corporate loans (Blackstone GSO Loan fund) blue chip preferred shares via exchange traded funds (iShare US preferred etf), utility and property etfs and high yield short term government fixed income.

Our core satellite approach (80% collective investment schemes and 20% single securities) allows for a flexible approach to trading with the aim of taking advantage of trading opportunities in single securities. Hence we booked profits in Italian engineering group Leonardo-Finmeccanica and US silver mining major Hecla Mining, we sold Canadian gold major Kinross. We bought holdings in British Land to reflect our view that its assets are undervalued and bought a commodity exchange traded fund, Global X uranium etf, to gain exposure to the growth in nuclear power as a new generation of nuclear power plants comes on stream both in the west and in the developing world.

Portfolio Strategy

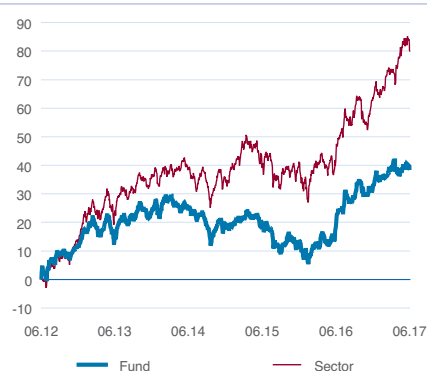
We focus heavily on quality income. In our view there remains especially attractive parts of the market in BBB investment grade corporate debt, as well as subordinated BB debt. We also favour emerging market income and the preferred shares of blue chip banks like Citigroup and HSBC that we invest in via the US iShares preferred etf.

In growth we are targeting investments that provide exposure to growth dynamics such as new technologies in transport like electric vehicle technology, the rapid move to urbanisation and new ways of consuming information and technologies.

The move from the slow growth west to the dynamic fast growing east remains a key driver of capital flows as western growth becomes structurally slower with US\$3 in very US\$4 now taken up with the servicing of debt.

By contrast the emerging economies of Asia in particular are high in savings and low in debt with buoyant economic growth is buoyant and we favour these markets.

Five Year Performance (%)



Cumulative Performance (%)

| | YTD | 1m | 3m | 6m | 1y | 3y | 5y |
|--------|------|------|------|-----|------|------|------|
| Fund | 3.8 | -0.8 | -0.9 | 3.8 | 15.8 | 11.4 | 38.4 |
| Sector | 10.1 | -1.5 | 3.9 | 0.1 | 24.0 | 29.9 | 79.8 |

Discrete 12 Month Performance (%)

| | 30.06.16 | 30.06.15 | 30.06.14 | 28.06.13 | 29.06.12 |
|--------|----------|----------|----------|----------|----------|
| Fund | 15.8 | 0.9 | -4.7 | 8.7 | 14.3 |
| Sector | 24.0 | 4.2 | 0.6 | 12.3 | 23.3 |

Source: Lipper, GBP, total return, mid to mid, excluding the effect of initial charge, income reinvested gross of UK tax, in GBP, to 30.06.17. Copyright 2017 © Lipper, a Thomson Reuters company. All rights reserved.

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