SOMERSTON ASSET MANAGEMENT

Somerston Multi Asset Fund (the Fund)

Investment Letter No.17 – June 2021

The Somerston Multi Asset Fund (US0 class) returned +4.6% in the second quarter. The MSCI World Equity Index rose by +7.6% and a composite of UK, German and US Government bonds rose by +1.1% in Q2.

During Q2, the fund had average net equity and bond allocations of 48% and 32% respectively. The fund starts Q3 2021 with net exposures of 43% in equities, 34% in bonds and 16% in commodities.

Performance (%) US0 Class

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017				0.9	2.7	-0.9	0.6	0.6	-0.5	0.6	-1.2	1.9	**4.5**
2018	4.8	-3.7	-1.0	-1.0	0.8	-0.2	0.9	0.3	0.0	-2.3	1.8	-0.4	**-0.2**
2019	1.1	-0.6	2.8	1.3	-1.8	5.6	0.7	0.6	-0.6	2.1	2.8	3.3	**18.5**
2020	-0.3	-5.9	-8.5	6.9	2.4	1.8	7.4	3.1	-2.2	-1.0	5.2	5.2	**13.6**
2021	-0.3	0.8	-0.1	2.3	2.5	-0.2							**5.0**

Top Ten Equity Holdings

Name	**% Fund**
Nextera Energy Inc	2.7%
Adobe Inc	2.5%
Booking Holdings Inc	2.3%
Mastercard Inc - A	2.3%
Walmart Inc	2.3%
Amazon.Com Inc	2.2%
Alphabet Inc-Cl A	2.0%
Roper Technologies Inc	2.0%
Digital Realty Trust Inc	1.9%
Anglo American Plc	1.8%
Total for Top Ten	**21.9%**

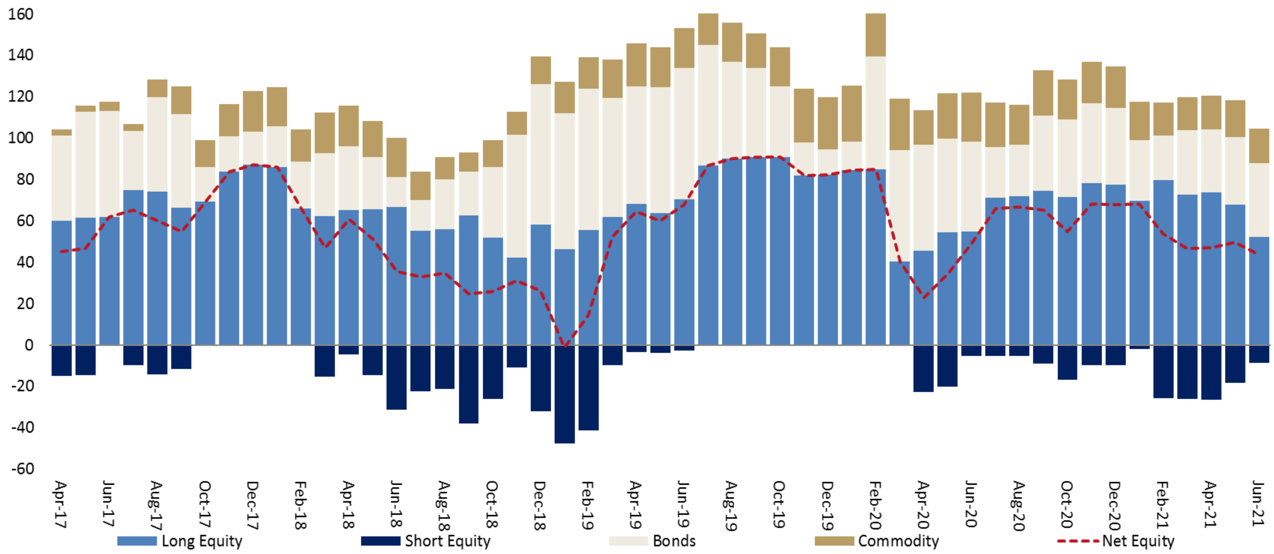
Share Classes

	ISIN	**Ticker**	**NAV**
US0	JE00BDRXFP25	SOMAUS0	142.9612
US1	JE00BDRXFQ32	SOMAUS1	137.9225
GB0	JE00BDRXFM93	SOMAGB0	134.4954
GB1	JE00BDRXFN01	SOMAGB1	129.7574
EU0	JE00BDRXFR49	SOMAEU0	129.5401
EU1	JE00BDRXFS55	SOMAEU1	124.9728

Asset Allocation

	Long	Short	Net
Core Equities	40.3%		40.3%
Emerging Market Equities	1.0%		1.0%
Large Cap Value Equities	1.5%		1.5%
Real Estate Equities	2.5%		2.5%
Dev Market Equity Futures	1.0%	-8.5%	-7.5%
Small Cap Growth Equities	1.8%		1.8%
Defensive Equities	4.0%		4.0%
Equities	**52.2%**	**-8.5%**	**43.7%**
US Govt inflation linked bonds	9.9%		9.9%
US Government 10 yr. bond futures	14.4%		14.4%
PIMCO Global Inv Grade Credit Fund	4.9%		4.9%
UK Govt inflation linked bonds	2.4%		2.4%
High Yield Bond ETF	4.0%		4.0%
Bonds	**35.7%**		**35.7%**
Gold Derivatives	11.6%		11.6%
Gold Miners	2.7%		2.7%
Gresham TAP Fund	2.3%		2.3%
Commodities	**16.6%**		**16.6%**
Volatility	8.0%		8.0%
Total All Assets	**112.5%**	**-8.5%**	**104.0%**
Cash and Equivalents			**-4.0%**

Evolution of Asset Allocation for Somerston Multi Asset Fund



Performance

- The fund returned +4.6% in Q2 versus its composite reference benchmark which rose by +5.6% equating to -1.0% underperformance during the quarter.
- Being underweight equities during an 'up' market was the main cause of underperformance. This was somewhat ameliorated by outperformance of core equity, bond and commodity strategy.
- Core Equity and Bonds added +3.8% and +0.9% to performance respectively.
- Macro Equity detracted -0.7% from performance mainly from being overweight emerging markets vs developed markets.
- Gold and Commodities added +0.2 and +0.3% to performance respectively.

Commentary

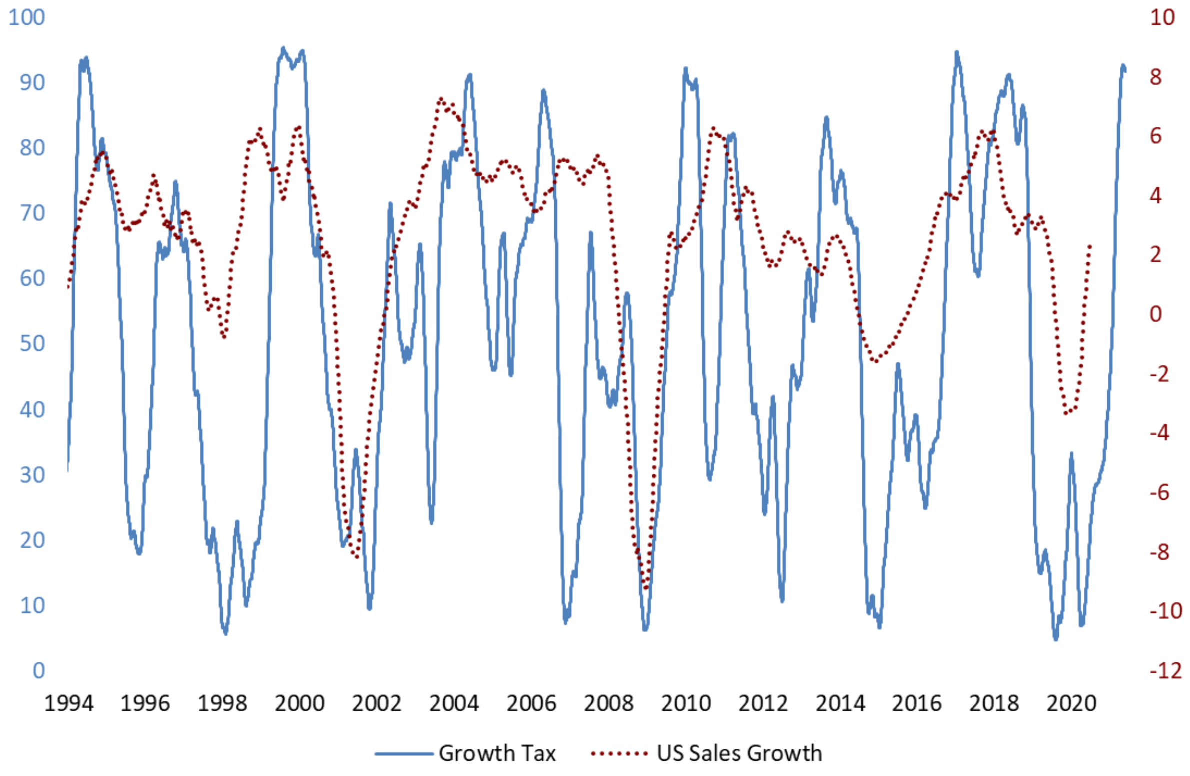
At the end of last quarter, we pointed out that the economic upswing was close to a peak… *"the [breadth of the advance of the] OECD leading indicators, which illustrates the health of the global economy, is close to 100%. This has generally led to significant earnings growth in the next 6 months. But the OECD leading indicators cannot go higher than 100% and …. there will be downward pressure on earnings growth once the OECD leading indicators turns down from these levels."*

Market transitions are tricky to navigate. They are inherently uncertain and associated with increased market volatility. However, the outlook has become far clearer in recent weeks. The economic upswing is largely complete and a more nuanced market environment is likely for the rest of the year. This has significant implications for asset allocation.

In the past year, positioning the portfolio for reflation meant being overweight equities vs bonds; cyclical sectors vs defensive sectors and inflation linked bonds vs nominal bonds. At month end, we undertook an asset allocation change that better reflects our revised outlook. Specifically, within the equity book, we reduced cyclical value stocks and emerging markets and went overweight REITS and defensive sectors such as utilities and healthcare. Within bonds, we reduced inflation linked and credit and went overweight US government 10 year bonds. In commodities, we maintain our overweight in Gold. Our core equity portfolio has a focus on quality and is set up well for a moderation in the economic outlook.

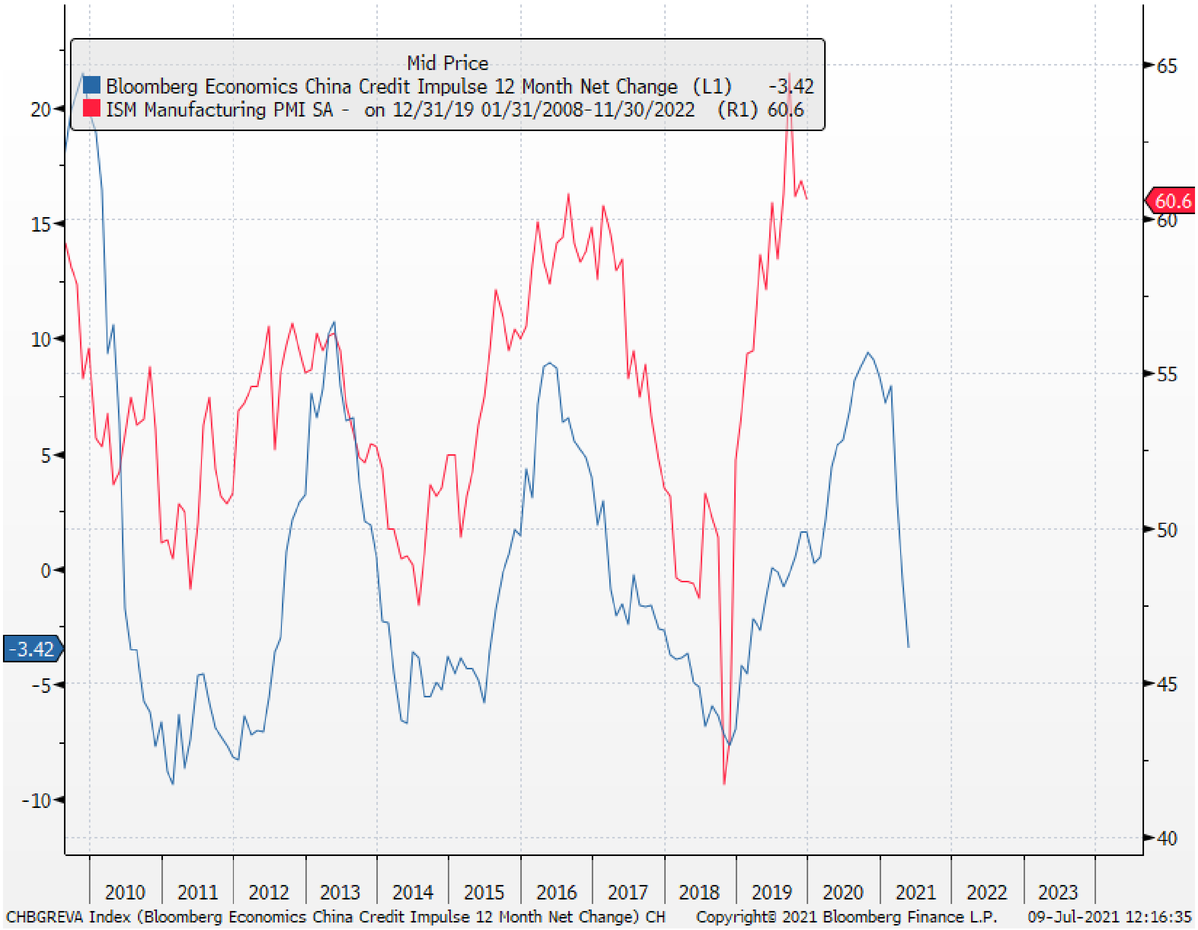
It is not just peaking growth expectations that motivates these changes, our 'growth tax' indicator we last shared with you in 2018, (a measure of the increase in a companies' financing and raw material costs), is once again near its highest level.

US Growth Tax Indicator



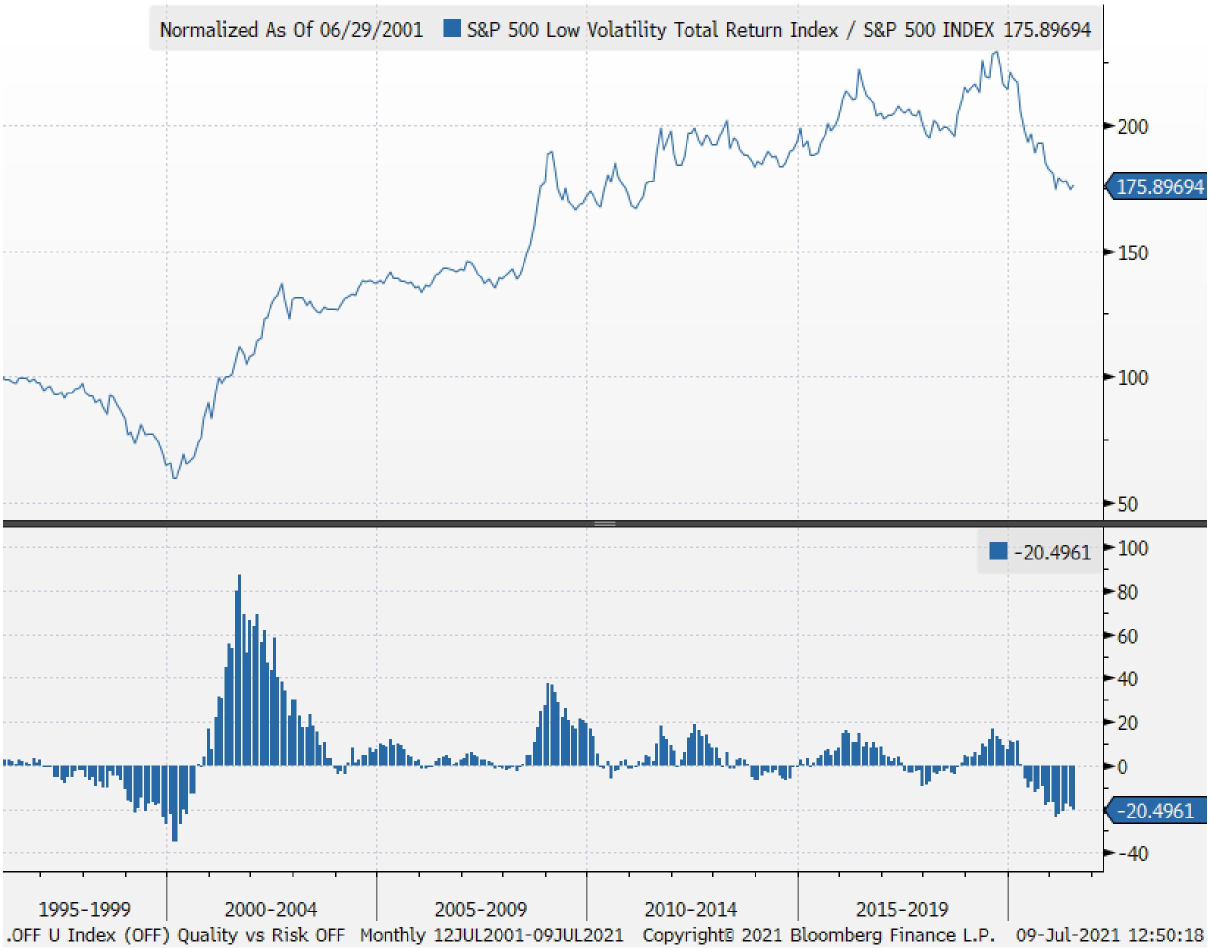
China was the first to suffer from the pandemic, it was the first to introduce policy measures to stimulate the economy and it has been the first to drain liquidity. China remains the largest contributor to global growth and, as the chart below shows, its actions over recent months imply a knock on effect with a slowdown in economic activity in the western market over the next 12 months.

China Credit Impluse (blue) vs US Manufacturing



The change in outlook and accompanying evolution of the fund's asset allocation brings new and different investment opportunities. For instance, as the chart below highlights, low beta defensive stocks have rarely been this oversold relative to the broader market. The 20% underperformance of these stocks over 18 months, in the context of a slowing economic cycle is particularly attractive.

Low Beta stocks VS S&P 500 and 18 month rate of change



Core Equity Strategy

- The core equity book rose +8.7% over the quarter, outperforming the MSCI World Equity Index by 1.1%.
- Growth and defensive stocks rebounded fiercely in June reversing a nine-month spell of underperformance relative to value, high beta and cyclical companies.
- We start the third quarter with an overweight allocation to technology stocks, high quality defensives and quality growth.

During the quarter we made a number of changes to the equity book and reduced the total number of holdings to 24.

We sold semiconductor equipment manufacturer ASML, a beneficiary of the global chip shortage which has outperformed the MSCI World Index by 78% since the start of the pandemic (Feb 19th 2019 – before the crash). Whilst we like its monopolistic position and long term structural growth, ASML's sales and earnings growth reached levels that exceed historic norms and valuations became stretched. The semiconductor industry remains highly cyclical, the narrative may remain positive for a little longer but eventually, growth and valuations will normalise, creating a more attractive entry point.

Likewise we sold luxury goods company LVMH which also performed incredibly well during the pandemic, outpacing the World Index by 35%. Our decision to allocate aggressively to the sector has been fruitful. Booming demand in Asia, e-commerce sales and the tailwind of government handouts all boosted luxury sales. Moving forward, Luxury's relative advantage is likely to decline as a larger proportion of consumer wallet switches from goods to services and Chinese sales slow. At the margin, we prefer Estee Lauder that has underperformed relative to LVMH in recent months, it offers a more defensive regional exposure (more US, less Asia), it has the strongest e-commerce strategy in luxury and less exposure to raw commodity price pressures.

One of the great impacts of Covid was the acceleration of the digital economy. We added new positions in Shopify and Twilio - two cloud based software companies that have large potential addressable markets and dominance in their peer group.

New business formations are soaring, e-commerce continues to gather momentum and Shopify is in the perfect positon to capitalise; with a merchant aligned business model that enables small and mid-sized business to compete effectively in the digital era.

Twilio empowers direct communication with customers. They are behind the 'pizza bot' you talk to when ordering a takeaway from Dominos and the text message you receive from Uber when your car has arrived. They are developing a global monopoly in customer engagement via text, e-mail, video, voice and image and already have over 200k customers including Netflix, Airbnb and WhatsApp.

Whilst the equity book is presently underweight cyclical value, we are cognisant that long-term inflation expectations remain contentious and the global economy is unbalanced. Our 'underweight' is therefore modest and we have carefully selected the exposures we want.

We sold pipeline operator Enbridge and added Valero - one of the largest refiners in the US, which like Enbridge, benefits from monopolistic midstream assets but which also has significantly higher sensitivity to oil prices. We favour travel exposures, Booking Holdings and Amadeus IT as clearer recovery names. We added new positions in JP Morgan the largest, most diversified US bank and Anglo American, the most cyclically exposed large cap miner with a preferable mix of exposures benefitting from the EV movement, with a sizeable exposure to copper.

Summary

Summer months can often see reduced volumes as people go away. This year may see volumes dry up even more. This leaves the market susceptible, but the probability of recession is very low and corrections are a healthy factor of financial markets.

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SOMERSTON
ASSET MANAGEMENT

Somerston Technology Fund (the Fund)

Investment Letter No.2 – June 2021

Portfolio Objectives: To grow capital over the medium term by investing in a concentrated portfolio of high growth companies.

Performance: The Technology Fund rose by +17.1% in the second quarter. The Dow Jones Internet Index rose by +12.4%.

Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	6.1	3.9	4.2	4.5	7.7	-1.5	5.8	3.2	-0.1	8.5	3.8	-0.8	**55.1**
2018	12.3	-1.4	-4.1	1.0	8.0	-0.1	0.0	8.9	-1.8	-12.3	1.3	-7.5	**1.7**
2019	12.0	2.9	5.6	6.3	-8.0	8.2	4.1	-3.8	-1.8	3.1	6.1	3.8	**43.6**
2020	6.2	-3.8	-6.6	18.2	9.6	10.0	9.1	8.5	-6.2	-0.7	9.6	5.5	**73.4**
2021	-0.2	1.6	-6.5	8.8	-3.6	11.6							**10.9**

Sector Allocation

Sector	% Portfolio
Information Technology	61.4%
Communication Services	20.6%
Consumer Discretionary	15.0%
Real Estate	1.3%
Health Care	1.2%
Cash/Divs/Fees	0.5%

Geographical Allocation

Country	% Portfolio
USA	82.8%
Argentina	4.1%
China	3.9%
Canada	3.8%
Taiwan	2.3%
Israel	1.6%
Brazil	0.9%
Cash/Divs/Fees	0.5%

Top Ten Holdings

Name	% Portfolio
Apple Inc	8.5%
Amazon.Com Inc	8.4%
Nvidia Corp	7.7%
Microsoft Corp	7.5%
Alphabet Inc-Cl A	5.9%
Paypal Holdings Inc	5.5%
Facebook Inc-Class A	5.1%
Mercadolibre Inc	4.1%
Shopify Inc - Class A	3.8%
Square Inc - A	3.7%
Total	**60.2%**

This letter shows the performance of Somerson's "Technology Equity Strategy" from 31 December 2014 to 30 November 2020 then the Somerston Technology Fund from its launch on 01 December 2020.

Commentary

The cyclical rebound appears largely discounted, economic acceleration has reached a peak and will slow. This is fertile ground for high quality and growth to outperform the wider market. The technology sector offers both!

Last quarter we described the concern many investors had over stocks that had experienced a 'one time' COVID boost. We argued that growth rates could be maintained for many companies. We outlined our thesis on Shopify as an example of a company whose growth rates would remain high and indeed, during the quarter, Shopify came out with earnings that beat even the most bullish expectations and the stock was 24.2% higher in the quarter.

DocuSign is another such example. The company announced its fifth straight quarter of increasing revenue growth. Not only are new customers flocking to DocuSign but, the range of services existing customers are using is increasing. DocuSign has large, well-capitalised and fierce competition, but its lead in digital signatures is increasing – some consider that they are at least twice as large as the second market player is. Moreover, the company has just launched eNotary showing there are plenty of parallel growth opportunities for the company.

The Fund's largest contributor in the quarter was NVidia. Its stock rose 39.9% and contributed 2.9% to the fund's total return. While its state of the art chips affords NVidia the utmost respect, a few years ago, many doubted how sustainable its growth would be. Fast-forward three years, and while on one level the doubters were somewhat right, with gaming revenue growing at a modest CAGR of 11.8%, datacentre revenues have been growing at a three year CAGR of 51.0%. The datacentre market now represents 40.2% of NVidia's revenues from 19.9% three years ago. Analysts are once again forecasting a more pedestrian growth outlook for NVidia. However, Gartner sees the artificial Intelligence (AI) market growing at a CAGR of 25% through 2025, outpacing the broader market by a factor of four. NVidia is the AI market leader and we expect another period of superior growth prospects from the company.

Contributors:

During the quarter, the largest contributors were Nvidia, Microsoft, Apple and Docusign. The largest detractors were Tencent, Magnite, Veeva and Teledoc.

Activity:

During the quarter, we acquired no new positions. We disposed of Q2 Holdings and Veeva.

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