

# TM Cerno Investment Funds

Annual Report & Accounts  
for the year ended ended 31st December 2019



**THEISIS UNIT TRUST MANAGEMENT LIMITED**

Authorised and regulated by the Financial Conduct Authority

# TM Cerno Investment Funds

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\* These collectively comprise the Authorised Corporate Director's Report.

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\* These collectively comprise the Authorised Corporate Director's Report.

# TM Cerno Investment Funds

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## Management and Professional Service Providers' Details

### Authorised Corporate Director:

Thesis Unit Trust Management Limited  
Exchange Building  
St John's Street  
Chichester  
West Sussex PO19 1UP  
Tel: 01243 531 234

*Authorised and regulated by  
the Financial Conduct Authority*

### Investment Manager:

Cerno Capital Partners LLP  
34 Sackville Street  
London W1S 3ED

*Authorised and regulated by  
the Financial Conduct Authority*

### Dealing & Registration:

Northern Trust Global Services SE UK Branch  
PO Box 3733  
Royal Wootton Bassett  
Swindon SN4 4BG  
Tel: 0333 300 0375  
Fax: 020 7982 3924

*Authorised by the Prudential Regulation Authority and  
regulated by the Financial Conduct Authority and the  
Prudential Regulation Authority*

### Depositary:

NatWest Trustee and Depositary Services Limited  
Drummond House, Second Floor  
1 Redheughs Avenue  
Edinburgh EH12 9RH

*Authorised by the Prudential Regulation Authority and  
regulated by the Financial Conduct Authority and the  
Prudential Regulation Authority*

### Independent Auditors:

PricewaterhouseCoopers LLP  
Level 4, Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

### Directors:

S. R. Mugford - Finance Director  
D. W. Tyerman - Chief Executive Officer  
S. E. Noone - Client Services Director  
D. K. Mytnik - Non-Executive Director  
V. R. Smith - Non-Executive Director  
W. D. Prew - Independent Non-Executive Director<sup>1</sup>  
C. J. Willson - Independent Non-Executive Director<sup>2</sup>  
N. C. Palios - Non-Executive Chair

D.W. Tyerman and S.R. Mugford also hold directorships of other companies within the Thesis group and perform senior management roles within these companies, particularly Thesis Asset Management Limited, which acts as an investment manager for some authorised funds operated by the Authorised Corporate Director.

D.K. Mytnik, V.R. Smith and N.C. Palios also hold non-executive directorships of other companies within the Thesis group. They are not engaged in other business activities that are of significance to the sub-fund. W. D. Prew is a Director of Indos Financial Limited, the primary business of which is the provision of Alternative Investment Fund Managers Directive independent depositary services to Alternative Investment Funds. Indos Financial Limited is not appointed as depositary on any alternative investment funds managed by the Authorised Corporate Director.

<sup>1</sup> Appointed 12th November 2019

<sup>2</sup> Appointed 14th November 2019

# TM Cerno Investment Funds

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## **Report of the Authorised Corporate Director (“ACD”)**

*for the year ended 31st December 2019*

Thesis Unit Trust Management Limited (the “ACD”) is pleased to present the ACD's annual report for the TM Cerno Investment Funds (the “Company”) for the year ended 31st December 2019.

This Company is an umbrella fund with three sub-funds, namely TM Cerno Select Fund, TM Cerno Pacific Fund and TM Cerno Global Leaders Fund (the “sub-funds”).

### **Investment Objective and Policy**

The sub-funds of the Company, their respective names, investment objectives and policies, are as follows:

#### **TM Cerno Select Fund**

The objective of the sub-fund is to achieve long term total return over a five year period.

The sub-fund aims to achieve a positive return, however, there is no guarantee that a positive return will be achieved over that, or any, time period. Investors should note that, notwithstanding that the objective is to achieve long term total return, capital is in fact at risk.

The assets in which the sub-fund may invest will be equities, fixed income investments, eligible alternatives and other transferable securities, money market instruments, deposits, cash and near cash investments and derivatives. Exposure to these asset classes may be gained through direct investment or indirectly through collective investment schemes, exchange traded funds and investment trusts. At times, the sub-fund may hold a significant amount in cash.

Derivatives may be used for both investment purposes and Efficient Portfolio Management.

#### **TM Cerno Pacific Fund**

The investment objective of the sub-fund is to produce capital growth over the long term.

This is geographically specific fund, which invests primarily across the Pacific Rim but also in the wider emerging markets, with a focus on companies that are judged to be innovators or are beneficiaries of innovation through their products, services or business models.

The sub-fund will invest at least 60% of scheme property, directly or indirectly, in equities. The sub-fund may also invest in fixed income, eligible alternatives and other transferable securities, money market instruments, deposits, cash and near cash.

Exposure to these asset classes may be gained through direct investment and through investment trusts and collective investment schemes (including those managed or operated by the ACD), including exchanged traded funds.

Derivatives may be used for both investment purposes and Efficient Portfolio Management.

#### **TM Cerno Global Leaders Fund**

The investment objective of the sub-fund is to achieve returns, net of fees, in excess of the MSCI World Equity Index on a three-year rolling basis.

The sub-fund will have a long term, low turnover portfolio, investing predominantly in a concentrated portfolio of equities of global leading companies. A global leading company is a listed company that has become a leader in its sector: manifested by its market position, higher than average industry profitability and its ability to shape future trends.

The sub-fund may also invest in fixed income investments and other transferable securities, money market instruments, deposits and cash and near cash investments. Exposure to these asset classes may be gained through direct investment or indirectly through collective investment schemes, exchange traded funds and investment trusts.

Derivatives may be used for Efficient Portfolio Management.

Thesis Unit Trust Management Limited  
Authorised Corporate Director  
30th April 2020

# TM Cerno Investment Funds

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## Report of the Investment Manager

*for the year ended 31st December 2019*

### Investment Report – TM Cerno Select Fund

Overall view on markets and the sub-fund's performance during the year.

The sub-fund returned +7.4% for 2019.

The final year of the decade was a memorable one for stock market returns. By region, it was the United States again leading the pack with the S&P500 Index producing a total return of +26.4%. The global benchmark (MSCI World) was not far behind, delivering returns of +22.7% in sterling terms.

The positions in Global Leaders performed well (+26.3%), notably helped by strong performances in semiconductor names. ASML, Samsung Electronics and TSMC all featured in the top 10 performers. These companies should fare well in a big data world and will clearly benefit from the transition to 5G technologies, as well as the ensuing boom in the internet of things. Our exposure to small cap global innovation in Baillie Gifford's Discovery fund delivered a strong year too (+26.4%).

Our Asian equity holdings provided more contrasting fortunes. The specialist China smaller companies did well (+30%). This is held via the Matthews China Smaller companies fund, with its focus on sectors such as industrial automation, healthcare and technology. Meanwhile the Indian market exposure was a drag on the overall performance. This exposure is held via the Ocean Dial Emerging India fund which fell 13.78% in 2019.

Our steady cashflow positions in the property and infrastructure REITs produced stable returns during 2019, with LXI REIT a standout (+18.7%). Their diversified commercial portfolio ranges from hotels, to car parks and industrial parks with a weighted average unexpired lease term to first break of 22yrs.

We have further diversified the steady cashflow allocations with the addition of the Hipgnosis Songs Fund. Founded by Merck Mercuriadis, a music industry veteran, this vehicle offers investors exposure to the ownership of intellectual property rights for music.

Our significant Gold position was unhelpful for the latter part of 2019. However, we see merit in retaining the weighting to this metal, not least as a hedge against increasingly volatile geopolitics and the unpredictable behaviour of President Trump. Furthermore, the re-expansion of the Federal Reserves' balance sheet should continue to pressure the fiat currency system.

Given the lack of additional yield attached to US bonds of more than a year's duration, the portfolio's investment in US Treasuries were sold at a profit in January and the proceeds are now held in liquidity funds, which offer cash yields. This provides the portfolio with plenty of flexibility going forwards.

Our preference to hold the portfolio's liquidity position in short dated instruments meant that we did not capitalise on the sharp fall in long term rates that occurred in 2019. We continue to believe that the risks outweigh the rewards for fixed income investors at this point in the cycle.

Other changes made during the quarter include raising our exposure in healthcare via the BB Healthcare Fund. This investment has been added to lift exposure to the structural growth in healthcare demand. At a stock level, we added ASML and divested from Coloplast. ASML is a leading provider of semiconductor equipment, focused on developing the most advanced photolithography machines, critical for the production of leading-edge semiconductors. Coloplast, a Danish medical business, was sold as its valuation had extended beyond what could be sustained by our growth-at-reasonable price methodology. We continue to like the company and its sector and could return to it in the future should valuations soften.

Whilst economic growth is generally soft and geopolitics continue to be troublesome, monetary conditions are accommodative and becoming more so. Wide investment sectors are well supported by these conditions: from highly rated, stable return businesses to international cyclicals. The managers of the portfolio will continue to seek out investments within the diverse sector and country themes already at work in the portfolio.

Redemptions from the sub-fund during the period totaled £15.1mn while subscriptions totaled £20.1mn. As at 31st Dec 2019, the sub-fund value stood at £96million and comprised a diversified portfolio of forty-five separate holdings – nine manager positions, twenty-seven individual securities, six investment trusts and three derivatives.

# TM Cerno Investment Funds

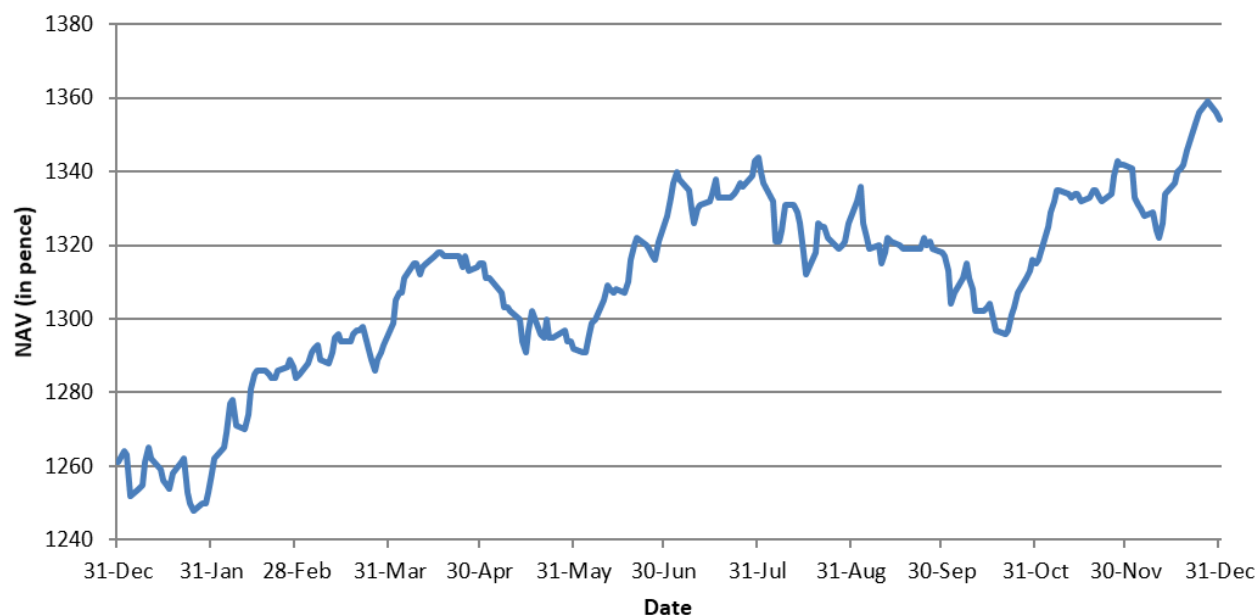
## Report of the Investment Manager

for the year ended 31st December 2019 (continued)

### Investment Report – TM Cerno Select Fund (continued)

#### Investment Performance

For the period 1st January 2019 – 31st December 2019 the sub-fund returned +7.4%.



Source: Bloomberg

The sub-fund does not have a benchmark.

#### The three largest purchases made within the sub-fund during the year were:

1. SSGA USD Liquidity Fund - \$18,000,000 on 17/01/2019
2. SSGA GBP Liquidity Fund - £8,540,000 on 15/02/2019
3. JPMorgan USD Liquidity Fund - \$11,000,000 on 30/01/2019

The purchases were explained above.

#### The three largest sales made within the sub-fund during the year were:

1. SSGA USD Liquidity Fund - \$11,000,000 on 15/02/2019
2. United States Treasury 2 Year Note - \$10,996,153 on 17/01/2019
3. United States Treasury 3 Year Note - \$9,055,833 on 17/01/2019

The sales were explained above.

Note: Investments carry risks. Past performance is not a guide to future performance. Investors may not get back the amount invested.

#### COVID-19

We now know that the virus which propagated within a wet market in Wuhan had the infective power to bring a near halt to normal economic life and induce days of panic in financial markets, such as we have seen in March.

There are three ways in which the global health crisis ends: its infective power lessens through mutation, the accrual of natural immunity of populations through prior infection and quarantine or, thirdly, the development of an effective vaccine. There is no present sign of the first possibility, the second is very likely and the prospect of the third is possible but will only be accessible (to some) in the second half of the year, at the earliest.

Investors, therefore, need to grapple with three data sets: the markets themselves (with their constant impulse to predict and reflect both data and emotion), the world economies and, finally, both the biology and the statistical trajectory of the virus.

# TM Cerno Investment Funds

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## Report of the Investment Manager

*for the year ended 31st December 2019 (continued)*

### **Investment Report – TM Cerno Select Fund** *(continued)*

Many governments, although sluggish in their initial set of responses, are doing the right thing in terms of economic support. Clearly, this crisis will not be adequately dealt with by simple cuts in interest rates and QE. The aggregate numbers of these emergency support packages are necessarily large and led (in size) by the US's \$2tn programme. A zestful Chancellor is ramping support in the UK to the tune of £300bn and other ancillary measures.

And yet, it is not enough because enough is not achievable. One long ranging consequence of the crisis will be to further highlight the gaps between the haves and have-nots: the asset rich and the asset poor, structured employment versus the gig economy, developed economies versus developing. It has also created a platform for distinctly Asian authoritarian social management – raising issues and possibilities which are harder for the West to navigate.

Whereas the 2002-03 outbreak of SARS in Hong Kong and Guangdong province has not been a good benchmark in epidemiological terms, it may be more useful in financial market terms. For, once a downward curve in new infections is established worldwide, it is our view that we can reasonably expect a recovery in financial asset prices. The economic effects, if left untreated, would result in debt deflation. That would entail widespread, permanent damage to the economic infrastructure of the world – foreclosures and mass unemployment akin to the aftermath of the 1929 Great Crash. The possibility of this set of consequences is not completely remote.

Returns upon recovery will not be even: some assets will be reset to zero via bankruptcy or evisceration, some will scrape through and some will, in effect, join the dots between trading before and after the crisis. (A smaller subset of this final group are businesses who will experience an upward ramp in demand during and after the crisis).

Life is not fair, economic life especially.

Cerno Capital Partners LLP  
Investment Manager  
27th April 2020



# TM Cerno Investment Funds

## Report of the Investment Manager

for the year ended 31st December 2019 (continued)

### Investment Report – TM Cerno Pacific Fund

Overall view on markets and the sub-fund's performance during the year.

The sub-fund gained +25.9% versus +14.9% for the MSCI AC Asia Pacific Index in GBP terms during the period. The Asian market in 2019 was characterised by significant volatility, driven primarily by whipsawing sentiments surrounding US-China trade frictions, which Asian markets bore the brunt of. As trade tensions eased into the second half of the year risk sentiment improved markedly and the region enjoyed a strong period of performance into year end.

The main portfolio activity during the year was the gradual phasing out of funds and rotating the cash into direct equity holdings, which has been largely completed with the sub-fund comprised 95% of direct equity holdings. We remain focused on investing in innovative firms positioned for long term success. We used the volatility in the first half of 2019 as a source of opportunity allowing us to acquire shares at discounted prices.

During the year, we exited two long-term fund positions resulting from corporate changes at the respective houses: Frontier Asia (held since 2010) was sold as the manager decided to wind down his business; and a fund manager change at Michinori Japan (held since 2016) has prompted us to redeem capital in adherence to our investment process, after review. We have also redeemed most of our remaining collectives including Matthews China Small Companies, B&I Real Estate, Schroder Asian Total Return and CC Japan Income and Growth.

During the period we added to core positions in Murata, ASM Pacific, TSMC and Tokyo Electron. All these firms have a commonality in their exposure to the smartphone supply chain, where market sentiment had deteriorated most markedly. We also initiated positions in the Chinese healthcare space, specifically within research and development platforms. Investing directly in drug development firms carries too much binary outcome risk, in our view. Instead companies like Hangzhou Tigermed and Wuxi Aptec, who provide drug discovery and clinical trial support services, have diversified exposure to many drug discovery outcomes.

On the performance front, Sunny Optical was our largest contributor (2.7%) followed by Alibaba (2.4%) and TSMC (2.3%). From a stock perspective the largest detractor was India, where our investment in Ocean Dial was a 0.73% headwind. Elsewhere Sysmex (-0.26%) and Nidec (-0.2%) also impacted to a lesser extent.

Overall the biggest challenge to performance in 2019 was the volatility of currency markets. We took the opportunity into the end of the year to hedge up to 40% of the portfolio back to GBP as the election approached. This position contributed 1.2% but still the overall effect of sterling was a negative. This position is a flexible one and we may adjust as events run their course. However, this was more than offset by our defensive holdings in the Japanese Yen against cyclical Asian currencies, including the Korean Won and Taiwanese New Dollar. We have also broadly hedged out our Chinese currency risk, which was beneficial.

Redemptions from the sub-fund during the period totalled £15k and there was no subscription for the period. As at 31st December 2019, the sub-fund value stood at £16.8 million and comprised a diversified portfolio of twenty-five separate holdings – two manager positions and twenty-three individual stocks.

### Investment Performance

The month-end NAV history for the period is captioned below:

Month	NAV in pence
January 2019	1057
February 2019	1092
March 2019	1124
April 2019	1158
May 2019	1087
June 2019	1129
July 2019	1174
August 2019	1161
September 2019	1202
October 2019	1220
November 2019	1227
December 2019	1279

These figures are taken from Bloomberg.

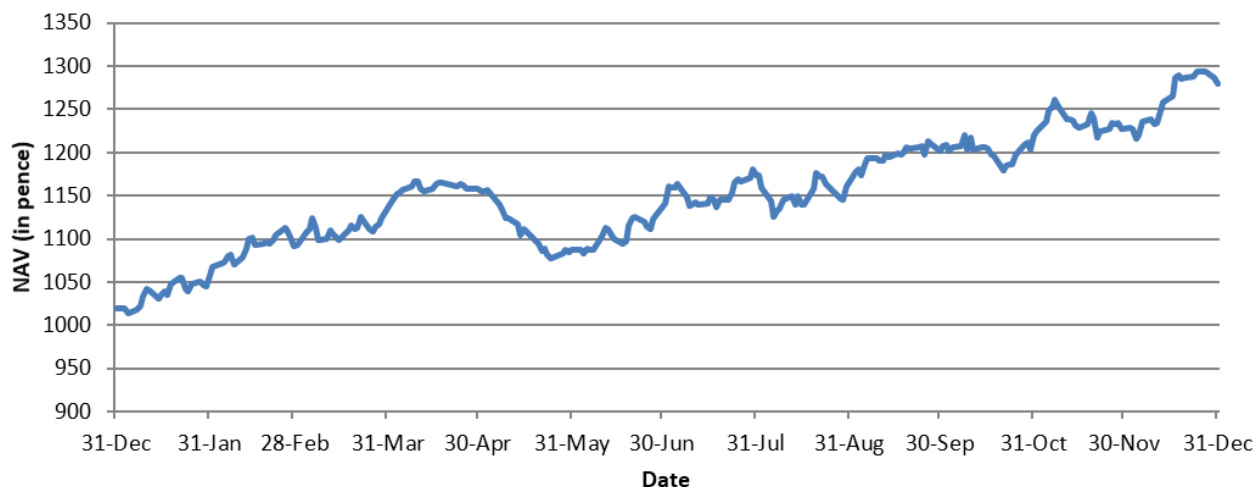
# TM Cerno Investment Funds

## Report of the Investment Manager

for the year ended 31st December 2019 (continued)

### Investment Report – TM Cerno Pacific Fund (continued)

For the period 1st January 2019 – 31st December 2019 the sub-fund returned +25.5%.



The sub-fund does not have a benchmark.

#### The three largest purchases made within the sub-fund during the year were:

1. iShares MSCI Japan - £500,337 on 18/03/2019
2. Techtronic – HKD 4,902,946 on 09/12/2019
3. Schroder ISF Asian Total Return - £373,300 on 18/01/2019

Investment in Schroder ISF Asian Total Return fund was to top up the current weighting as the holding is illiquid. Other purchases were explained above.

#### The three largest sales made within the sub-fund during the year were:

1. Michinori Japan Equity - £709,592 on 15/03/2019
2. Frontier Asia - \$838,753 on 16/01/2019
3. US Treasury 01/17/19 - \$514,541 on 02/01/2019

Sale of US Treasury was to fund investment in equities. Other sales were explained above.

Note: Investments carry risks. Past performance is not a guide to future performance. Investors may not get back the amount invested.

### COVID-19

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# TM Cerno Investment Funds

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## Report of the Investment Manager

*for the year ended 31st December 2019 (continued)*

### Investment Report – TM Cerno Pacific Fund *(continued)*

And yet, it is not enough because enough is not achievable. One long ranging consequence of the crisis will be to further highlight the gaps between the haves and have-nots: the asset rich and the asset poor, structured employment versus the gig economy, developed economies versus developing. It has also created a platform for distinctly Asian authoritarian social management – raising issues and possibilities which are harder for the West to navigate.

Whereas the 2002-03 outbreak of SARS in Hong Kong and Guangdong province has not been a good benchmark in epidemiological terms, it may be more useful in financial market terms. For, once a downward curve in new infections is established worldwide, it is our view that we can reasonably expect a recovery in financial asset prices. The economic effects, if left untreated, would result in debt deflation. That would entail widespread, permanent damage to the economic infrastructure of the world – foreclosures and mass unemployment akin to the aftermath of the 1929 Great Crash. The possibility of this set of consequences is not completely remote.

Returns upon recovery will not be even: some assets will be reset to zero via bankruptcy or evisceration, some will scrape through and some will, in effect, join the dots between trading before and after the crisis. (A smaller subset of this final group are businesses who will experience an upward ramp in demand during and after the crisis).

Life is not fair, economic life especially.

Cerno Capital Partners LLP  
Investment Manager  
27th April 2020

# TM Cerno Investment Funds

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## Report of the Investment Manager

*for the year ended 31st December 2019 (continued)*

### Investment Report – TM Cerno Global Leaders Fund

Overall view on markets and the sub-fund's performance during the year.

The sub-fund returned +26.3% for the 12 month period to the end of December 2019.

TM Cerno Global Leaders invests in global companies with sustainable competitive advantages delivering above average returns. Its target is to deliver performance in excess of MSCI World Total Return (GBP) on a 3 year rolling basis.

The Global Leaders portfolio owns both manufacturers of consumer products and manufacturers of capital goods which might be purchased by the latter. One of our companies selecting another to supply goods or services provides useful insights and perhaps some confirmation of our assessment of competitive advantage.

Sonova, Coloplast, 3M and Reckitt Benckiser have been sold within the portfolio whilst Nidec, Microsoft and Philips have all been added.

We have sold the Sonova position in full within the Global Leaders Strategy. This is due to a significant expected change in industry structure that we think will negatively impact Sonova. The stock entered the Global Leaders strategy in October 2014, delivering an annual return of 9% in GBP over our period of ownership.

The sub-fund has divested from its position in Coloplast on valuation grounds. Over its period of public ownership the average price to earnings ratio (PER) has been 23x on a 12 month forward basis. It is now trading at 34x on a 12 month forward basis (to June 2020 earnings). This compares with the European sector average of 20x. This has become an extended growth to price multiple, particularly at a time where there are some doubts as to the achievability of high single digit growth rates. Coloplast may be a company we reinvest in at some later date as it is a quality company with all the structural attributes that we are drawn to. Over the sub-fund's period of ownership the annual compound return (capital and income) has been 21%.

After many decades of impressive growth, we believe 3M now faces considerable pressure from lower quality substitution, powered by powerful retail and procurement platforms of which Amazon is the most notable player. Secondly, 3M now has proportionately less growth opportunity than any time in its history – by geography and by market segment. Following a period of review, 3M has been sold from the Global Leaders portfolio.

Reckitt Benckiser has been an investment in the Global Leaders portfolio since 2015, it has generated a total return of 18.8% since first investment, the position has been sold in full.

Nidec Corporation (listed in Japan) is a new addition to the Cerno Global Leaders Strategy. Nidec is the top global supplier of brushless Direct Current (DC) motors, accounting for around a half of all production. Domiciled in Japan the group is truly global with production sites across Europe, Asia and North America.

We have been assessing Microsoft as a potential inclusion in Global Leaders for a number of years. The businesses we seek to own need to display convincing proof of concept in their core business. The early phase of this rejuvenation of the business was transitional and it is our view that the runway for growth is a long one.

Philips is the fifth healthcare addition to our Global Leaders portfolio. Armed with a more appealing corporate profile and clearer future vision, the company is on track to deliver 4-6% growth and margin expansion beyond 2020. While there is still much work to be done as the reshuffle close in on its final phase, we believe Philips will be able to execute their digital strategy and morph into a tech-enabled healthcare company that can stay embedded and relevant for the long-term.

On the attribution basis the biggest contributor for the period are Ansys (232bps), Atlas Copco (220bps) and LVMH (192bps), while the biggest three negative contributors are 3M (-29bps), Philips (-14bps) and Luxottica (-13bps).

Redemptions from the sub-fund during the period totaled £9mn while subscriptions totaled £8mn. As at 31 December 2019, the sub-fund value stood at £70.7million and comprised a diversified portfolio of twenty-seven individual securities.

# TM Cerno Investment Funds

## Report of the Investment Manager

for the year ended 31st December 2019 (continued)

### Investment Report – TM Cerno Global Leaders Fund (continued)

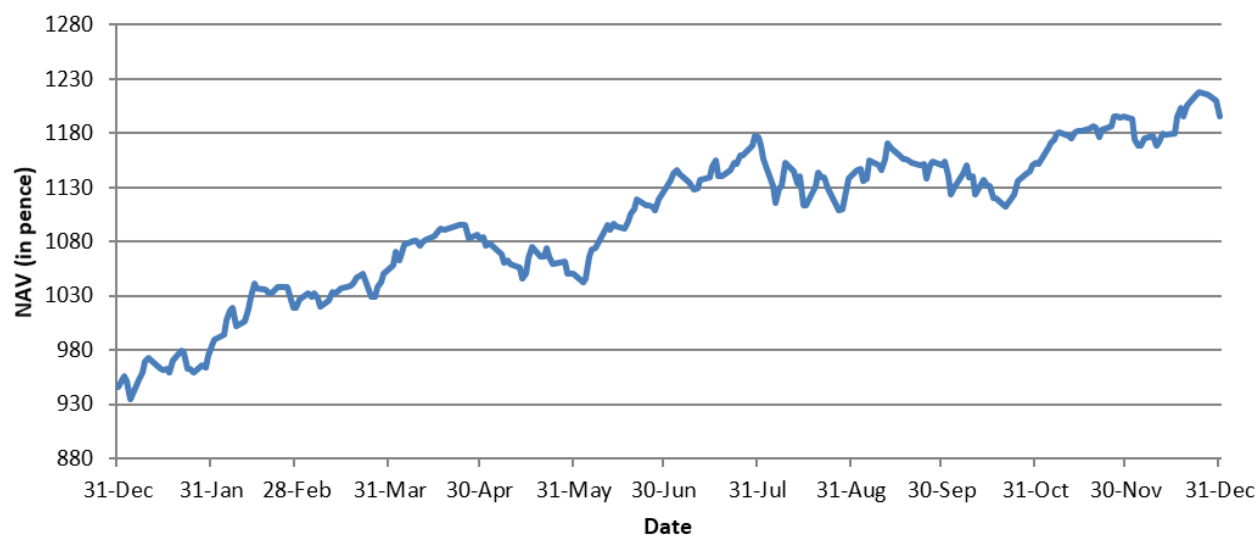
#### Investment Performance

The month-end NAV history for the period is captioned below:

Month	NAV in pence
January 2019	9.84
February 2019	10.19
March 2019	10.50
April 2019	10.83
May 2019	10.50
June 2019	11.19
July 2019	11.76
August 2019	11.38
September 2019	11.51
October 2019	11.53
November 2019	11.96
December 2019	11.95

These figures are taken from Bloomberg.

For the period 1st January 2019 – 31st December 2019 the sub-fund returned +26.3%.



The sub-fund does not have a benchmark.

#### The three largest purchases made within the sub-fund during the year were:

1. Philips – €1,035,785 on 27/08/2019
2. Microsoft – \$1,157,994 on 27/08/2019
3. Nidec – JPY121,885,345 on 28/08/2019

The purchases are explained above.

#### The three largest sales made within the sub-fund during the year were:

1. Coloplast – DKK22,351,023 on 25/06/2019
2. 3M – \$3,220,667 on 13/08/2019
3. Reckitt Benckiser – £2,495,312 on 13/08/2019

The sales were explained above.

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# TM Cerno Investment Funds

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## Report of the Investment Manager

*for the year ended 31st December 2019 (continued)*

### Investment Report – TM Cerno Global Leaders Fund *(continued)*

#### COVID-19

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Cerno Capital Partners LLP  
Investment Manager  
27th April 2020

# TM Cerno Investment Funds

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## **Constitution**

TM Cerno Investment Funds (the “Company”) is an authorised investment company with variable capital for the purposes of the OEIC Regulations. The Company was authorised by the FCA pursuant to an authorisation order dated 19th August 2013 and was launched on 4th September 2013. The Company is a UCITS scheme, being a category of authorised scheme for the purpose of the COLL 1.2.1R. The Company registration number is IC000984. The head office of the Company is at Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP and this is also the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it. Shareholders are not liable for the debts of the Company.

The base currency of the Company is Pounds Sterling.

## **Sub-Fund Cross-Holdings**

No sub-fund held shares in any other sub-fund within the Company during the current or prior year.

## **Regulatory Disclosure**

This document has been issued by Thesis Unit Trust Management Limited (authorised and regulated by the Financial Conduct Authority).

Past performance is not necessarily a guide to future performance. The value of shares can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of shares to fluctuate. Any references in this report to other investments held within this Company should not be read as a recommendation to the investor to buy and sell the same, but are included as illustration only.

# TM Cerno Investment Funds

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## Remuneration Disclosures *(unaudited)*

The provisions of the UCITS V Directive took effect on 18th March 2016. That legislation requires the Thesis Unit Trust Management Limited (the “ACD”), to establish and maintain remuneration policies for its staff which are consistent with and promote sound and effective risk management and do not encourage risk taking that is inconsistent with the risk profile and the rules of the Company nor impair compliance with the ACD’s duty to act in the best interest of the Company.

The ACD is part of a larger group within which remuneration policies are the responsibility of a Remuneration Committee comprised entirely of non-executive directors. That committee has established a remuneration policy which sets out a framework for determining the level of fixed and variable remuneration of staff, including maintaining an appropriate balance between the two.

Arrangements for variable remuneration within the group are calculated primarily by reference to the performance of each individual and the profitability of the relevant business unit. The performance of individuals working on the business of the ACD is assessed primarily by reference to non-financial criteria, especially the effectiveness of their oversight monitoring of delegates appointed to perform investment advisory or fund administration services for the Company.

Within the group, all staff are employed by the parent company with none employed directly by the ACD. A number of staff are considered, however, to devote the whole of their time to the business of the ACD and its subsidiary, TUTMAN LLP, which also acts as an Authorised Fund Manager. The costs of a number of other individuals are allocated between the entities within the group based on the expected amount of time devoted to each.

The total remuneration of those individuals considered to comprise the entire staff of the ACD and its subsidiary, including those whose time is allocated between group entities, for the financial year ending 30th April 2019, is analysed below:

Fixed Remuneration	£ 1,028,464
Variable Remuneration	170,332
<b>Total</b>	<b>1,198,796</b>
Headcount (FTE)	14

The staff members included in the above analysis support the entirety of the funds managed by the ACD. A breakdown of these figures in relation to each fund managed by the ACD does not exist.

Management have carried out a review of the general principles within the remuneration policy and the implementation of the remuneration policy during the year and following this review, no changes have been considered necessary.

## Certification of Annual Report by Directors

In accordance with the requirements of the OEIC Regulations and the COLL, we hereby certify this Annual Report & Accounts on behalf of the ACD, Thesis Unit Trust Management Limited.

D.W. TYERMAN                      Director

S. E. NOONE                         Director

30th April 2020



# TM Cerno Investment Funds

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## **Responsibilities of the Authorised Corporate Director (“ACD”)**

The Open-Ended Investment Companies Regulations 2001 (the "OEIC Regulations") and the Collective Investment Schemes sourcebook (“COLL Rules”) published by the FCA requires the ACD to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net revenue/expense and net capital gains/losses on the property of the Company for the year.

In preparing the financial statements, the ACD is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association (now known as The Investment Association) in May 2014 and amended in June 2017;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

Thesis Unit Trust Management Limited  
Authorised Corporate Director  
West Sussex  
30th April 2020

# TM Cerno Investment Funds

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## Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of TM Cerno Investment Funds (the "Company") for the Year Ended 31st December 2019

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the "OEIC Regulations"), as amended, the Financial Services and Markets Act 2000, as amended, (together the "Regulations"), the Company's Instrument of Incorporation and Prospectus (together the "Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager (the "AFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited  
Edinburgh  
30th April 2020

# TM Cerno Investment Funds

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## Independent auditors' report to the Shareholders of TM Cerno Investment Funds

### Report on the audit of the financial statements

#### Opinion

In our opinion, TM Cerno Investment Funds's financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31st December 2019 and of the net revenue and the net capital gains on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

TM Cerno Investment Funds (the "Company") is an Open Ended Investment Company ('OEIC') with [number] sub-funds. The financial statements of the Company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the balance sheets as at 31st December 2019; the statements of total return and the statements of change in net assets attributable to shareholders for the year then ended; the distribution tables; the summary of significant accounting policies (Statement of Accounting Policies, Distribution Policies and Risk Management Policies); and the notes to the financial statements.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's or any of the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's or any of the sub-funds' ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# TM Cerno Investment Funds

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## Independent auditors' report to the Shareholders of TM Cerno Investment Funds *(continued)*

### *Authorised Corporate Director's Report*

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the Authorised Corporate Director for the financial statements*

As explained more fully in the Responsibilities of the Authorised Corporate Director set out on page 16, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and each of the sub-fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or individual sub-fund, or has no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# TM Cerno Investment Funds

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**Independent auditors' report to the Shareholders of TM Cerno Investment Funds** *(continued)*

**Other required reporting**

**Opinion on matter required by the Collective Investment Schemes sourcebook**

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

**Collective Investment Schemes sourcebook exception reporting**

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
30th April 2020

# TM Cerno Investment Funds

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## TM Cerno Investment Funds

### Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 31st December 2019

#### 1. Statement of Compliance

The financial statements have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP), as defined within the UK Financial Reporting Standard (FRS 102) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' (the "SORP"), issued by the Investment Management Association (now known as the Investment Association) in May 2014 and amended in June 2017.

#### 2. Summary of Significant Accounting Policies

##### a) Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The principal accounting policies which have been applied consistently are set out below.

##### b) Functional and Presentation Currency

The functional and presentation currency of the Company is Pounds Sterling.

##### c) Valuation of Investments

Quoted investments are valued at bid-market value as at 12 noon on the last working day of the accounting year, net of any accrued interest which is included in the balance sheet as revenue. Where values cannot be readily determined, the securities are valued at the ACD's best assessment of their fair value. Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises.

All realised and unrealised gains and losses on investments are recognised as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period and from reversal of prior period's unrealised gains and losses for investments which were realised in the accounting year. Realised gains and losses represent the difference between an instruments' initial carrying amount and disposal amount.

Collective investment schemes operated by the ACD are valued at their cancellation price for dual priced funds and their single price for single priced funds. Other Collective Investment Schemes are valued at their bid price for dual priced funds and their single price for single priced funds.

Open forward currency contracts are valued based on the difference between the contract value and the market value adjusted by the prevailing spot rate and swap curve.

##### d) Foreign Exchange

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling as at 12 noon on the last working day of the accounting year.

##### e) Revenue

Revenue from quoted equity and non-equity shares is recognised as a gross amount that takes account of any withholding taxes but excludes any other taxes such as attributable tax credits. Bank interest and other revenue are recognized on an accrual basis.

Distributions from collective investment schemes are included in the property when the security is quoted ex-dividend. Management fee rebates from underlying collective investment schemes is accounted for on an accruals basis. Management fee rebate, where applicable, are included in revenue/capital account according to whether they are of a revenue/capital nature in the underlying collective investment scheme.

Revenue from offshore funds is recognised when it is reported. Any reported revenue from an offshore fund with reporting status from HMRC, in excess of any distribution received in the reporting period, is recognised as revenue no later than the date on which the reporting fund makes this information available.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield basis amortises any discount or premium on the purchase of a debt security over its remaining life.

##### f) Expenses

For accounting purposes, all expenses (other than those relating to the purchase and sale of investments) are charged against revenue for the year on an accruals basis.

# TM Cerno Investment Funds

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## TM Cerno Investment Funds

### Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 31st December 2019 (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### g) Taxation

Corporation tax is provided at the rate of 20% of taxable revenue after the deduction of allowable expenses. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the ACD considers that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

#### 3. Distribution Policies

##### a) Basis of Distribution

When appropriate, the Company will allocate any surplus net revenue as a dividend distribution. Distributions of revenue of the Company are made on or before the annual revenue allocation date and on or before the interim revenue allocation date, where applicable, in each year. The revenue available for distribution is determined in accordance with COLL. It comprises all revenue received or receivable for the account of the Company in respect of the accounting year concerned, after deducting net charges and expenses paid or payable out of such revenue.

Marginal tax relief is not taken into account in determining the distribution where a transfer is made between the revenue and capital of the same share class.

##### b) Distribution from Collective Investment Schemes

The first distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of revenue included in the price paid for shares. The equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit.

##### c) Equalisation

Equalisation received from the underlying investments has been treated as a reduction in the book cost of the investments and not distributed.

##### d) Unclaimed distributions

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the capital of the Company in accordance with COLL.

#### 4. Risk Management Policies

##### *Market price risk*

Market risk is the risk that the fair value or future cash flows from financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates or underlying investment prices. The Company can be exposed to market risk by virtue of its investment into equities and other financial instruments. The Company may also from time to time utilise derivatives for efficient portfolio management. These instruments may be volatile, involve certain special risks and can expose investors to a risk of loss. When used for hedging purposes there may be an imperfect correlation between these instruments and the investment or market sectors being hedged, although this basis of risk will be monitored and any material breakdown in correlation can generally be corrected by delta hedging the position or liquidation.

Market price risk is managed through active portfolio management.

##### *Foreign currency risk*

Foreign currency risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the Company's investment portfolio is invested in overseas securities and collective investment schemes, which may have holdings in overseas securities and consequently the balance sheet, can be affected by movements in foreign exchange rates. At times, the Investment Manager seeks to manage exposure to currency movements by using forward exchange contracts or by hedging the Sterling value of investments that are priced in other currencies.

##### *Interest rate risk*

Interest rate risk is the risk that the value of the Company investment holdings will fluctuate as a result of changes in interest rates.

# TM Cerno Investment Funds

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## TM Cerno Investment Funds

### Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 31st December 2019 (continued)

#### 4. Risk Management Policies (continued)

The Company may invest in floating and fixed rate securities. The revenue of the Company may be affected by changes to interest rates relevant to particular securities or as a result of the Investment Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The risk is not actively managed.

The Company (TM Cerno Pacific Fund sub-fund only) invests in collective investment schemes which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations on interest rate.

In general, if interest rates rise, the income potential of the Company also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Company). A decline in interest rates will in general have the opposite effect.

##### *Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The main liability of the Company is the redemption of any shares that investors wish to sell.

##### *Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. To the extent that a counterparty defaults on its obligation and the Company is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. The Company's maximum exposure to credit risk (not taking account of the value of any collateral or other securities held) in the event that counterparties fail to perform their obligations as of 31st December 2019 in relation to each class of recognised financial assets including derivatives, is the carrying amount of those assets in the balance sheet.

##### **Exposure**

Exposure to market risk is calculated using the "commitment approach" methodology. In relation to Position (issuer concentration) Risk, this approach involves converting derivative positions into the equivalent positions of the underlying assets. The commitment approach is a simplistic way of identifying the level of exposure that a Company has through derivatives to the underlying equities, bonds, commodities, currencies etc. However, it does have its limitations and therefore is only used as long as the use of derivatives by the Company is "non-sophisticated".

##### **Objectives, policies and processes for managing risks**

The risks identified above are subject to management and monitoring through the ACD's Risk Management Programme. The principal objectives of the programme are:

- To ensure that all risks are identified and monitored, and that preventive or mitigating actions are implemented
- To assess, review and challenge current and emerging risks
- To minimise the risk of loss to investors
- To administer the Company in a manner which complies with COLL and the SORP

The ACD has built a Funds Oversight Programme which comprises a range of rolling independent checks including the specific use of derivatives. The results of the programme are reported to the Investment Committee with escalation through to the Operating Committee and the ACD Board. Results of the Funds Oversight Programme are made available to the Depositary as part of their audit programme on the ACD and are also collated into a pack for review and analysis by the Investment Committee on a monthly basis.

There have not been any changes from the prior year.

##### **Methods used to measure risks**

##### *Market price risk*

The following checks are also performed as part of the Funds Oversight Programme on a daily basis as follows: limit breaches or positions approaching limits; leverage; eligibility; global exposure; counterparty exposure; collateral cover; OTC pricing check; fair value pricing.



# TM Cerno Investment Funds

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## TM Cerno Investment Funds

### Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 31st December 2019 (continued)

#### 4. Risk Management Policies (continued)

##### *Liquidity risk*

Liquidity risk is controlled through monitoring the liquidity of all instruments used in the context of the investment objectives and liquidity requirements of the Company. Cash positions are monitored and reported to ensure the Company has sufficient capacity to meet obligations arising from investment in financial derivative positions.

Procedures are in place to review the Company's weightings to ensure liquidity requirements will be met in the event of extreme market movements to meet the obligation at expiry/ maturity. The process involves at least daily assessment of any impending cash liability to ensure sufficient cash can be raised to cover such liability when it falls due.

The Company is also monitored through a daily check which assesses the Company's ability to liquidate the portfolio within one working day. If the portfolio has less than 60% liquidity, it is marked as higher risk and details are reported to the Oversight Committee and monitored for significant changes either to the Company's makeup or shares traded in the Company. This liquidity check is stress tested by removing the top 20 holdings, with the process being repeated. The process is fully documented and is available upon request.

Any evaluation of OTC products proposed will involve an assessment of liquidity risk by ensuring the counterparty is obliged, upon request, to close positions prior to expiry.

Liquidity risk increases with more complex bespoke transactions due to the inability to easily unwind a position at market prices.

##### *Credit risk*

In order to manage credit risk, the ACD undertakes a cash management check on the Company, testing for any negative balances and balances in excess of £1m. Any balances highlighted are discussed with the Investment Manager to ensure that the Company does not take on any unnecessary counterparty risk with the relevant bank and that the strategy is being adhered to.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Portfolio Statement

as at 31st December 2019

Holdings	Market value £	Percentage of total net assets %
<b>EQUITIES 50.60% (38.94%)</b>		
<b>Denmark 1.05% (1.78%)</b>		
26,919 Novozymes 'B'	1,000,252	1.05
<b>France 1.96% (0.88%)</b>		
7,945 EssilorLuxottica	913,702	0.95
2,770 LVMH Moet Hennessy Louis Vuitton	966,274	1.01
	<b>1,879,976</b>	<b>1.96</b>
<b>Germany 1.01% (0.72%)</b>		
17,315 Fresenius Medical Care AG & Co. KGaA	967,532	1.01
<b>Guernsey 10.68% (10.05%)</b>		
3,895,000 Hipgnosis Songs Fund	4,011,850	4.19
2,704,608 Sequoia Economic Infrastructure Income	3,137,345	3.28
3,617,713 SME Credit Realisation Fund	3,075,056	3.21
	<b>10,224,251</b>	<b>10.68</b>
<b>Ireland 0.98% (0.92%)</b>		
5,880 Linde	941,450	0.98
<b>Italy 0.00% (0.90%)</b>		
<b>Japan 1.95% (1.02%)</b>		
8,787 Nidec	919,120	0.96
7,690 Shimano	952,378	0.99
	<b>1,871,498</b>	<b>1.95</b>
<b>Netherlands 2.91% (0.93%)</b>		
4,195 ASML	941,167	0.98
11,560 Heineken	936,012	0.98
25,633 Koninklijke Philips	906,480	0.95
	<b>2,783,659</b>	<b>2.91</b>
<b>Republic of South Korea 0.97% (0.85%)</b>		
1,025 Samsung Electronics	924,975	0.97
<b>Sweden 1.92% (1.76%)</b>		
52,224 Assa Abloy	929,914	0.97
29,950 Atlas Copco 'A'	910,360	0.95
	<b>1,840,274</b>	<b>1.92</b>

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Portfolio Statement

as at 31st December 2019 (continued)

Holdings	Market value £	Percentage of total net assets %
<b>Switzerland 2.01% (2.74%)</b>		
407 Givaudan	965,624	1.01
11,699 Nestlé ADR	954,856	1.00
	<b>1,920,480</b>	<b>2.01</b>
<b>Taiwan 0.95% (0.91%)</b>		
20,820 Taiwan Semiconductor Manufacturing ADR	911,673	0.95
	<b>911,673</b>	<b>0.95</b>
<b>United Kingdom 14.38% (6.64%)</b>		
3,744,764 BB Healthcare Trust	5,317,565	5.55
1,002,595 Edinburgh Worldwide Investment Trust	1,958,068	2.05
3,267,548 HICL Infrastructure	5,587,507	5.83
24,020 Renishaw	908,917	0.95
	<b>13,772,057</b>	<b>14.38</b>
<b>United States 9.83% (8.84%)</b>		
4,796 Ansys	932,404	0.97
8,147 FedEx	926,028	0.97
8,592 Johnson & Johnson	945,256	0.99
7,962 Microsoft	950,208	0.99
24,401 Oracle	973,528	1.01
9,260 PPG Industries	931,819	0.97
6,161 Rockwell Automation	946,515	0.99
6,645 Visa 'A'	944,959	0.99
5,328 Waters	940,598	0.98
8,225 Zimmer Biomet	926,052	0.97
	<b>9,417,367</b>	<b>9.83</b>
<b>TOTAL EQUITIES</b>	<b>48,455,444</b>	<b>50.60</b>
<b>DEBT SECURITIES 0.00% (22.41%)</b>		
<b>Government Bonds 0.00% (22.41%)</b>		
<b>United States 0.00% (22.41%)</b>		
<b>COLLECTIVE INVESTMENT SCHEMES 32.15% (29.98%)</b>		
<b>Ireland 18.24% (16.82%)</b>		
219,555 iShares Core MSCI Japan IMI UCITS ETF Acc	7,359,484	7.69
204,691 iShares Physical Gold ETC GBP	4,614,758	4.82
60,085 Ocean Dial Emerging India 'C' GBP	4,493,507	4.69
1,000,000 State Street GBP Liquidity LVNAV Fund	1,000,000	1.04
	<b>17,467,749</b>	<b>18.24</b>

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Portfolio Statement

as at 31st December 2019 (continued)

Holdings	Market value £	Percentage of total net assets %
<b>Jersey 4.95% (0.00%)</b>		
42,612 WisdomTree Metal 'S' Physical Swiss Gold GBP	4,739,733	4.95
<b>Luxembourg 5.31% (9.86%)</b>		
491,657 Matthews Asia China Small Companies 'S' GBP	5,083,731	5.31
<b>United Kingdom 3.65% (3.30%)</b>		
212,865 Baillie Gifford Global Discovery 'B' Acc	3,493,108	3.65
<b>TOTAL COLLECTIVE INVESTMENT SCHEMES</b>	<b>30,784,321</b>	<b>32.15</b>
<b>REAL ESTATE 7.63% (0.00%)</b>		
<b>United Kingdom 7.63% (0.00%)</b>		
2,696,257 LXI REIT	3,758,583	3.92
3,199,292 Warehouse REIT	3,551,214	3.71
	<b>7,309,797</b>	<b>7.63</b>
<b>TOTAL REAL ESTATE</b>	<b>7,309,797</b>	<b>7.63</b>
<b>FINANCIAL DERIVATIVE INSTRUMENTS 1.26% (-1.28%)</b>		
<b>Options 0.18% (1.00%)</b>		
<b>Germany 0.00% (0.41%)</b>		
<b>United Kingdom 0.00% (0.14%)</b>		
<b>United States 0.18% (0.45%)</b>		
125 S&P 500 E-mini Put at USD 2700 20/03/2020	39,036	0.04
61 S&P 500 E-mini Put at USD 2900 20/03/2020	45,603	0.05
74 S&P 500 E-mini Put at USD 3000 20/03/2020	85,434	0.09
	<b>170,073</b>	<b>0.18</b>
<b>Forward Currency Contracts 1.08% (0.30%)</b>		
CNY (85,068,030) Sold CNY, Bought USD 11,931,000 for settlement on 17/01/2020	(212,772)	(0.22)
USD 11,777,693 Bought USD, Sold GBP (9,100,000) for settlement on 17/01/2020	(187,331)	(0.20)
INR (222,480,000) Sold INR, Bought GBP 2,400,000 for settlement on 17/01/2020	43,481	0.04
USD (5,895,902) Sold USD, Bought CNY 41,477,670 for settlement on 17/01/2020	44,297	0.05
USD (22,533,595) Sold USD, Bought GBP 18,100,000 for settlement on 17/01/2020	1,047,893	1.09
USD (21,036,038) Sold USD, Bought GBP 16,224,000 for settlement on 17/01/2020	305,156	0.32
	<b>1,040,724</b>	<b>1.08</b>

# TM Cerno Investment Funds

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## TM Cerno Select Fund

### Portfolio Statement

*as at 31st December 2019 (continued)*

Holdings	Market value £	Percentage of total net assets %
<b>Future Contracts 0.00% (-2.58%)</b>		
<b>United States 0.00% (-2.58%)</b>		
<b>TOTAL FINANCIAL DERIVATIVE INSTRUMENTS</b>	<b>1,210,797</b>	<b>1.26</b>
<b>Net investments 91.64% (90.05%)</b>	<b>87,760,359</b>	<b>91.64</b>
Net other assets	8,007,502	8.36
<b>Total net assets</b>	<b>95,767,861</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 31st December 2018.

# TM Cerno Investment Funds

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## TM Cerno Select Fund

### Sub-fund Information

The Comparative Tables on pages 33 to 36 give the performance of each active share class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per share divided by the opening net asset value per share. It differs from the sub-fund's performance disclosed in the ACD's report, which is calculated based on the year-end published price.

Portfolio transaction costs are incurred when investments are bought or sold by a sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by the sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

### Assessment of Value (unaudited)

In September 2019, the Financial Conduct Authority (the FCA) introduced new rules that require the Board of the Authorised Corporate Director (the ACD) to perform an annual Assessment of Value for each share class within the sub-fund and to report its findings to investors.

These new rules followed the Asset Management Market Study conducted by the FCA to assess ways of giving better protection to those investors who are less able to find better value products, improving competition and strengthening the duty of the ACD to act in the best interest of investors.

The Assessment of Value places a responsibility on the ACD to determine whether the fees and charges of the sub-fund are justified in the context of the overall service and value provided to investors.

### Independent ACD model - terminology

The ACD has the regulatory responsibility for all aspects of the sub-fund operations including the actions of its delegates. Its role requires a focus on good investor outcomes, investor protection, oversight, compliance and general regulatory matters.

The Investment Manager is appointed by the ACD and has the full discretion to manage the assets of the portfolio in accordance with the sub-fund's objective and investment policy. The Investment Manager is the entity which delivers out- or under-performance on behalf of investors. It is the entity which in turn receives the greatest share of the Annual Management Charge.

When both functions are performed by the same organisation the firm can be described as 'vertically integrated'. When the functions are performed by separate organisations the sub-fund can be described as having an Independent ACD. This fund sits in the latter category.

The sub-fund sponsor invites the independent ACD to design and operate the sub-fund. The sponsor contributes to the design and marketing of the sub-fund, having identified the potential for its success.

### Background to our firm – Independent ACD

Thesis Unit Trust Management Limited is a specialist provider of independent ACD services. We bring a level of independence which is important and valued by our investors and sponsors. Our approach to delivering good outcomes for investors in our funds, from the initial design phase and throughout the sub-fund life cycle, is based upon having the right blend of experience, culture and governance.

We choose to work with a variety of service providers (fund accountants, depositaries, transfer agents and auditors) and provide independent, bespoke and flexible solutions. By outsourcing day-to-day activity to specialist providers our teams can focus on investor outcomes, risk management, oversight, product governance and regulatory change.

# TM Cerno Investment Funds

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## TM Cerno Select Fund

### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

##### Background to our firm – Independent ACD *(continued)*

We delegate fund servicing to a panel of global, reputable institutions. Consequently, we have an informed view of this part of the supply chain. We benchmark those fund servicers against a range of criteria including service and cost. We build close relationships with our delegates at all levels within our respective organisations allowing for effective escalation when appropriate and always with the best interests of investors in mind. We are also able to change a service provider with relative ease as and when required to improve quality of service, reduce cost or for other strategic or operational reasons.

We delegate investment management to a wide range of firms who utilise different strategies and investment techniques. As such we have a broad and informed view of the investment management marketplace and independently benchmark across a range of criteria including service, performance and costs. Coming from a fund management background we have qualified investment managers and research analysts within our ACD business who have the experience to monitor fund performance and challenge third party investment managers on behalf of investors in the sub-funds.

Following the introduction of the new rules, we appointed two independent non-executive directors with a particular remit to oversee and challenge the Assessment of Value process we conduct.

When performing our Assessment of Value, we have reviewed and assessed the different entities involved.

##### Independent ACD - service and costs

In assessing the quality and cost of our independent ACD service we have concluded that we have delivered a service that meets the requirements of investors in the sub-funds, and the sub-fund sponsor, and which has delivered value.

Examples of the criteria that we considered included the quality of the relationship with our fund sponsor, the operation and compliance of the sub-fund (including the number of errors and investor complaints), the results from the depositary's inspection and audit of our ACD arrangements, and other factors such as the implementation of regulatory change at no cost to investors.

We judge whether our ACD fee is competitive and can be justified based on feedback from independent consultants, our clients who select us and when existing funds move to us from our competitors. Our fees are tiered thereby providing a mechanism for reducing costs for investors as the sub-fund value increases.

##### Service provider service and costs

Having separately assessed the quality and cost of the outsourced fund service providers we have concluded that services have met the requirements expected and delivered value to investors.

Examples of the criteria that we considered included Key Performance Indicators in the key areas including pricing, delivery of statements, delivery of report and accounts, and investor complaints.

We have assessed that the service providers' fees are competitive and provide value to investors by benchmarking against the other service providers on our panel. The majority of fees are tiered thereby providing a mechanism for reducing costs to investors as the sub-fund value increases.

It is our judgement that the experience of investors in the sub-fund and an assessment of whether the sub-fund has delivered value is most directly impacted by the services, performance and costs that are attributable to the Investment Manager.

If any assessments determine an aspect of a sub-fund does not provide value for its investors work is done to identify the specific issues and remedial action taken where necessary.

Further details of our value assessment, with a particular focus on the Investment Manager, are shown on the next page:

## TM Cerno Investment Funds

### TM Cerno Select Fund

#### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

#### Service provider service and costs *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
<b>Quality of service</b>	The range and quality of service delivered by the Investment Manager including the experience of the team, track record, quality of relationship with our ACD team, and the results from our governance and oversight arrangements.	We monitor the investment manager on a daily basis, and maintain frequent contact with them on a range of aspects of their work including adherence with the investment mandate and policy, liquidity management, and fair value pricing as well as regulatory compliance. We have more formal contact quarterly and further periodic reviews on a thematic basis.  We are satisfied that the Investment Manager continues to meet our requirements and provides a good quality of service.	Yes
<b>Performance</b>	Whether the sub-fund has provided good performance, net of fees, in relation to its investment objective. We have considered performance against the sub-fund's benchmark and/or appropriate peer group, compliance with investment policy, volatility and liquidity, and any evidence of closet tracking.	The sub-fund has outperformed its benchmark over 1 year but underperformed over 3 and 5 year periods. As the independent ACD we have monitored and discussed the position with the Investment Manager and will continue to do so. The sub-fund is being actively managed in accordance with the investment objective and policy.	Yes
<b>Costs</b>	Whether the charges are reasonable compared with the costs of providing the service (considering factors such as the size of the Investment Manager, its balance sheet strength and profit margins). In funds with multiple share classes the comparison is undertaken using the active share class with the highest charges.	At a sub-fund size of £97 million we are satisfied that the costs charged to the sub-fund are reasonable given its size and a holistic assessment of the benefits that accrue to its investors.	Yes
<b>Economies of Scale</b>	Is the sub-fund or the Investment Manager of a size or scale where economies of scale should be passed on to investors.	In view of the sub-fund's size, we do not believe that there are economies of scale available yet to be passed back to the sub-fund.	N/A
<b>Comparable market rates</b>	Whether the charges are comparable with similar funds in this sector of the market.	As an independent ACD we operate multiple funds. We appoint different service providers and a wide range of Investment Managers and can readily benchmark fees. It is our assessment that the sub-fund's OCF is higher than the OCF of other similar funds in the market.	Yes
<b>Comparable services</b>	How the charges compare to other comparable funds that the Investment Manager manages.	Whilst we do not have visibility of the rates that the Investment Manager charges for providing comparable services outside of our fund range, the OCF of the sub-fund is higher than the OCF of other similar funds that we operate.	Yes



## TM Cerno Investment Funds

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### TM Cerno Select Fund

#### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

#### Service provider service and costs *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
<b>Classes of shares</b>	Whether investors are invested in a share class with higher charges than another class which is available. We have also considered different fees which apply to retail and institutional investors where institutional investors are subject to a significantly higher minimum investment.	The OCF of the retail classes is 33 per cent higher than the institutional classes. This differential is considered reasonable and justifiable given the operational workload, risks and associated costs of supporting retail investors.	Yes

Following our assessment, the board of Thesis Unit Trust Management Limited has concluded that the sub-fund offers value to investors in each share class.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Sub-fund Information *(continued)*

#### Comparative Tables

*B Acc*

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017</i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	1,239.48	1,310.70	1,216.52
Return before operating charges*	107.99	(52.74)	112.42
Operating charges	(17.31)	(18.48)	(18.24)
Return after operating charges*	90.68	(71.22)	94.18
Distributions	(9.50)	(7.02)	(2.77)
Retained distributions on accumulation shares	9.50	7.02	2.77
Closing net asset value per share	1,330.16	1,239.48	1,310.70
*After direct transaction costs of <sup>1</sup> :	0.64	0.43	0.28
<b>Performance</b>			
Return after charges	7.32%	(5.43)%	7.74%
<b>Other Information</b>			
Closing net asset value (£'000)	42,520	46,076	51,439
Closing number of shares	3,196,596	3,717,320	3,924,548
Operating charges <sup>2</sup>	1.34%	1.42%	1.42%
Direct transaction costs	0.05%	0.03%	0.02%
<b>Prices</b>			
Highest share price	1,339.00	1,360.00	1,320.00
Lowest share price	1,233.00	1,241.48	1,218.00

<sup>1</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>2</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

*B Acc EUR*

	31/12/2019 <i>(€ cents per share)</i>	31/12/2018 <i>(€ cents per share)</i>	31/12/2017 <sup>1</sup> <i>(€ cents per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	923.64	987.20	1,000.00
Return before operating charges*	136.12	(51.21)	(3.01)
Operating charges	(13.69)	(12.35)	(9.79)
Return after operating charges*	122.43	(63.56)	(12.80)
Distributions	(6.12)	(5.28)	(1.57)
Retained distributions on accumulation shares	6.12	5.28	1.57
Closing net asset value per share	1,046.07	923.64	987.20
*After direct transaction costs of <sup>2</sup> :	0.51	0.28	0.21
<b>Performance</b>			
Return after charges	13.26%	(6.44)%	(1.28)%
<b>Other Information</b>			
Closing net asset value (€'000)	462	92	98
Closing number of shares	44,130	9,950	9,950
Operating charges <sup>3</sup>	1.34%	1.42%	1.42%
Direct transaction costs	0.05%	0.03%	0.02%
<b>Prices</b>			
Highest share price	1,056.00	1,017.00	1,008.00
Lowest share price	917.00	924.00	927.00

<sup>1</sup> B Acc EUR share class launched on 18th April 2017.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

C Inc

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017</i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	1,238.43	1,316.59	1,224.22
Return before operating charges*	108.07	(52.55)	113.03
Operating charges	(14.06)	(15.27)	(15.09)
Return after operating charges*	94.01	(67.82)	97.94
Distributions on income shares	(12.75)	(10.34)	(5.57)
Closing net asset value per share	1,319.69	1,238.43	1,316.59
*After direct transaction costs of <sup>1</sup> :	0.64	0.43	0.28
<b>Performance</b>			
Return after charges	7.59%	(5.15)%	8.00%
<b>Other Information</b>			
Closing net asset value (£'000)	2,664	2,028	1,084
Closing number of shares	201,865	163,773	82,344
Operating charges <sup>2</sup>	1.09%	1.17%	1.17%
Direct transaction costs	0.05%	0.03%	0.02%
<b>Prices</b>			
Highest share price	1,334.00	1,363.00	1,330.00
Lowest share price	1,232.00	1,240.43	1,226.00

<sup>1</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>2</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

C Acc

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017</i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	1,254.96	1,323.58	1,225.22
Return before operating charges*	109.70	(53.23)	113.55
Operating charges	(14.29)	(15.39)	(15.19)
Return after operating charges*	95.41	(68.62)	98.36
Distributions	(12.95)	(10.57)	(5.96)
Retained distributions on accumulation shares	12.95	10.57	5.96
Closing net asset value per share	1,350.37	1,254.96	1,323.58
*After direct transaction costs of <sup>1</sup> :	0.65	0.43	0.28
<b>Performance</b>			
Return after charges	7.60%	(5.18)%	8.03%
<b>Other Information</b>			
Closing net asset value (£'000)	50,193	36,031	27,782
Closing number of shares	3,716,867	2,871,072	2,098,994
Operating charges <sup>2</sup>	1.09%	1.17%	1.17%
Direct transaction costs	0.05%	0.03%	0.02%
<b>Prices</b>			
Highest share price	1,359.00	1,376.00	1,332.00
Lowest share price	1,248.00	1,256.99	1,227.00

<sup>1</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>2</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

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## TM Cerno Select Fund

### Sub-fund Information *(continued)*

#### Synthetic Risk and Reward Indicator (“SRRI”)

**Lower Risk**

Typically lower rewards

**Higher Risk**

Typically higher rewards



The SRRI table demonstrates where a sub-fund ranks in terms of risk and reward. The higher the risk the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the risk profile of the sub-fund. The shaded area on the table above shows the sub-fund's ranking on the risk and reward indicator.

## TM Cerno Investment Funds

### TM Cerno Select Fund

#### Statement of Total Return

for the year ended 31st December 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Income					
Net capital gains/(losses)	5		5,738		(5,370)
Revenue	7	1,884		1,501	
Expenses	8	(996)		(913)	
Interest payable and similar charges		(9)		(4)	
Net revenue before taxation		879		584	
Taxation	9	(73)		(45)	
Net revenue after taxation for the year			806		539
<b>Total return before distributions</b>			<b>6,544</b>		<b>(4,831)</b>
Distributions	10		(805)		(540)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>5,739</b>		<b>(5,371)</b>

#### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31st December 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
<b>Opening net assets attributable to shareholders</b>			<b>84,217</b>		<b>80,392</b>
Amounts receivable on issue of shares		20,066		17,292	
Amounts payable on cancellation of shares		(15,044)		(8,649)	
			5,022		8,643
Dilution levy			13		12
Change in net assets attributable to shareholders from investment activities			5,739		(5,371)
Retained distribution on accumulation shares	10		777		541
<b>Closing net assets attributable to shareholders</b>			<b>95,768</b>		<b>84,217</b>

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Balance Sheet

as at 31st December 2019

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
Fixed assets:			
Investments		88,160	78,039
Current assets:			
Debtors	12	63	372
Cash and bank balances	11	8,142	8,349
<b>Total assets</b>		<b>96,365</b>	86,760
<b>Liabilities</b>			
Investment liabilities		(400)	(2,200)
Creditors:			
Bank overdrafts		(70)	(166)
Cash held at clearing houses		(2)	(18)
Distribution payable	10	(12)	(8)
Other creditors	13	(113)	(151)
<b>Total liabilities</b>		<b>(597)</b>	(2,543)
<b>Net assets attributable to shareholders</b>		<b>95,768</b>	84,217



# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019

#### 1. Accounting Policies

The accounting, distribution and risk management policies for notes 1 to 4 are provided on pages 21 to 24.

#### 5. Net Capital Gains/(Losses)

Net capital gains/(losses) comprise:

	2019 £'000	2018 £'000
Non-derivative securities	9,421	(2,631)
Derivative securities	(2,154)	(1,737)
Derivative charges	(1)	–
Forward currency contracts	(1,060)	(1,105)
Currency (losses)/gains	(488)	74
Transaction charges	(2)	(2)
Management fee rebates	22	31
Net capital gains/(losses)	5,738	(5,370)

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs, please refer to the additional portfolio transaction cost information on page 29.

##### Analysis of direct transaction costs for the year ended 31st December 2019:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Collective Investment Schemes	54,209	9	–	54,218	0.02	–
Equities	29,057	14	23	29,094	0.05	0.08
	83,266	23	23	83,312		
<b>Sales</b>						
Debt Securities	18,674	–	–	18,674	–	–
Collective Investment Schemes	55,538	(7)	–	55,531	0.01	–
Equities	9,082	(4)	–	9,078	0.04	–
	83,294	(11)	–	83,283		
<hr/>						
Derivative purchases and sales		1	–			
<hr/>						
Total cost as percentage of average net asset value		0.04%	0.02%			

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 6. Purchases, Sales and Transaction Costs (continued)

Analysis of direct transaction costs for the year ended 31st December 2018:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Debt Securities	18,434	–	–	18,434	–	–
Collective Investment Schemes	26,857	7	–	26,864	0.03	–
Equities	12,477	8	8	12,493	0.06	0.06
	<u>57,768</u>	<u>15</u>	<u>8</u>	<u>57,791</u>		
<b>Sales</b>						
Debt Securities	10,080	–	–	10,080	–	–
Collective Investment Schemes	17,775	(6)	–	17,769	0.03	–
Equities	20,899	(9)	–	20,890	0.04	–
	<u>48,754</u>	<u>(15)</u>	<u>–</u>	<u>48,739</u>		
<hr/>						
Derivative purchases and sales		1	–			
<hr/>						
Total cost as percentage of average net asset value		0.04%	0.01%			

#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.46% (31st December 2018: 0.28%), based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	2019 £'000	2018 £'000
Bank interest	9	3
Franked PID revenue	3	–
Franked UK dividends	321	65
Interest on debt securities	22	185
Offshore CIS dividend revenue	322	14
Offshore CIS interest revenue	257	211
Overseas dividends	695	1,023
Unfranked PID revenue	255	–
	<u>1,884</u>	<u>1,501</u>

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 8. Expenses

	2019 £'000	2018 £'000
<b>Payable to the ACD or associates of the ACD:</b>		
ACD's periodic charge	56	52
Investment Manager's fees	821	751
	877	803
<b>Payable to the Depository or associates of the Depository:</b>		
Depository's fee	29	27
Safe custody charges	15	13
	44	40
<b>Other expenses:</b>		
Administration fees	56	52
Audit fees <sup>1</sup>	9	8
Calastone fees	2	2
Euroclear fees	2	2
Legal fees	–	2
Printing fees	3	2
Professional fees	–	1
Registration fees	3	1
	75	70
<b>Total expenses</b>	<b>996</b>	<b>913</b>

<sup>1</sup> Total audit fees of £7,350 (31st December 2018: £7,000) exclusive of VAT.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 9. Taxation

	2019 £'000	2018 £'000
<b>a) Analysis of charge for the year:</b>		
Corporation tax	–	–
Irrecoverable income tax	–	–
Overseas withholding tax	48	45
Prior year adjustment	25	–
<b>Total current tax</b>	73	45
Deferred tax charge	–	–
<b>Total taxation</b>	73	45
<b>b) Factors affecting taxation charge for the year:</b>		
Net revenue before tax	879	584
Net revenue multiplied by the standard rate of corporation tax of 20% (2018: 20%)	176	117
Effects of:		
Excess management expenses not utilised	88	98
Tax effect on capital management fee rebate	4	6
Franked CIS revenue	–	–
Franked UK dividends	(64)	(13)
FX loss non-taxable	–	(1)
Non-taxable overseas dividends	(137)	(207)
Offshore dividend CIS revenue	(64)	(3)
Overseas withholding tax	48	45
PID franked investment revenue	(1)	–
Prior year adjustment	25	–
Tax due to timing differences	(2)	3
<b>Total tax charge (note 9a)</b>	73	45
<b>c) Deferred tax</b>		
Deferred tax charge (note 9a)	–	–
Provision at start of year	–	–
<b>Provision at end of year</b>	–	–

The sub-fund has not recognised a deferred tax asset of £559,956 (31st December 2018: £471,907) arising as a result of having unutilised management expenses. The unutilised management expenses will only be recovered to the extent that the sub-fund has sufficient future taxable revenue.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 10. Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	2019 £'000	2018 £'000
Interim distribution	14	6
Interim accumulation	395	285
Final distribution	12	8
Final accumulation	382	256
	803	555
Add: Revenue deducted on shares cancelled	28	7
Deduct: Revenue received on shares created	(26)	(22)
<b>Net distribution for the year</b>	<b>805</b>	<b>540</b>

#### 11. Cash and bank balances

	2019 £'000	2018 £'000
Cash and bank balances	7,773	5,453
Cash held at clearing houses	369	2,896
	8,142	8,349

#### 12. Debtors

	2019 £'000	2018 £'000
Accrued revenue	19	120
Amount receivable for issue of shares	12	200
Overseas tax recoverable	32	52
	63	372

#### 13. Other creditors

	2019 £'000	2018 £'000
Accrued expenses	107	99
Amount payable for cancellation of shares	6	52
	113	151

#### 14. Related Parties

Thesis Unit Trust Management Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the sub-fund in its capacity as the ACD.

Thesis Unit Trust Management Limited acts as principal on all the transactions of shares in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts due to/from Thesis Unit Trust Management Limited in respect of share transactions at the year end are disclosed within notes 11 and 13 as applicable.

Amounts paid to Thesis Unit Trust Management Limited in respect of the ACD's periodic charges and any rebates received are disclosed in note 8. £78,264 (31st December 2018: £69,271) was due at the year end.

# TM Cerno Investment Funds

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## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 14. Related Parties (continued)

Thesis Unit Trust Management Limited did not enter into any other transactions with the sub-fund during the year.

#### 15. Equalisation

Equalisation is accrued income included in the price of shares purchased during the accounting year, which, after using monthly groupings to average, is refunded as part of a shareholder's first distribution, resulting in the same rate of distribution on all shares. As a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at 31st December 2019 (31st December 2018: £Nil).

#### 17. Share Classes

The sub-fund currently has four share classes: B Acc, B Acc EUR, C Inc and C Acc. The distribution per share is given in the distribution tables on pages 52 to 53. All shares have the same rights on winding up.

The ACD's periodic charge and Investment Manager's fee of each share class is as follows:

	ACD's periodic charge*	Investment Manager's fee
B Acc	0.0607%	1.000%
B Acc EUR	0.0607%	1.000%
C Inc	0.0607%	0.750%
C Acc	0.0607%	0.750%

\*ACD is charged on a sliding scale as per latest Prospectus.

The following table shows the shares in issue during the year:

Share Class	Opening Shares	Shares Created	Shares Liquidated	Shares Converted	Closing Shares
B Acc	3,717,320	130,811	(651,536)	–	3,196,595
B Acc EUR	9,950	34,180	–	–	44,130
C Acc	2,871,072	1,327,463	(481,668)	–	3,716,867
C Inc	163,773	48,673	(10,582)	–	201,864

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 18. Financial Instruments

In pursuing its investment objective set out on page 4, the sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the sub-fund investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity;
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the sub-fund investment activities (and related financing); and
- derivatives and other financial instruments in the form of futures and options. Futures and options are utilized for two purposes under Efficient Portfolio Management (EPM). They are used to adjust market exposure from cash flows to ensure asset allocation views can be maintained without adjusting underlying holdings too frequently. They are also used to adjust the tactical asset allocation of the sub-fund.

#### 19. Risks Disclosures

- *Market price risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

At 31st December 2019, if the price of the investments held by the sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders would increase or decrease by approximately £4,335,982 (31st December 2018: £3,779,178).

- *Foreign currency risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

At the year end date, a portion of the net assets of the sub-fund were denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

#### Foreign currency exposure as at 31st December 2019:

Currency	Forward	Monetary	Non	Total
	Contracts	Exposures	Monetary	
	2019	2019	2019	2019
	£'000	£'000	£'000	£'000
Chinese yuan	(4,735)	–	–	(4,735)
Danish kroner	–	6	1,000	1,006
Euro	–	1,417	5,631	7,048
Indian rupee	(2,357)	–	–	(2,357)
Japanese yen	–	133	1,871	2,004
Pound sterling	27,624	4,286	62,091	94,001
Swedish krona	–	383	1,840	2,223
Swiss franc	–	139	966	1,105
US dollar	(19,491)	1,644	13,320	(4,527)
	<b>1,041</b>	<b>8,008</b>	<b>86,719</b>	<b>95,768</b>

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

Foreign currency exposure as at 31st December 2018:

Currency	Forward Contracts 2018 £'000	Monetary Exposures 2018 £'000	Non Monetary Exposures 2018 £'000	Total 2018 £'000
Chinese yuan	(3,742)	–	–	(3,742)
Danish kroner	–	12	1,501	1,513
Euro	–	42	3,229	3,271
Japanese yen	–	–	862	862
Pound sterling	18,640	6,066	29,683	54,389
Swedish krona	–	3	1,479	1,482
Swiss franc	–	31	1,583	1,614
US dollar	(14,642)	21,096	18,374	24,828
	256	27,250	56,711	84,217

At 31st December 2019, if the value of Sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to shareholders would increase or decrease by approximately £17,667 (31st December 2018: £299,646).

- *Interest rate risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

#### Interest rate risk profile of financial assets as at 31st December 2019:

Currency	Floating Rate Financial Assets 2019 £'000	Fixed Rate 2019 £'000	Financial Assets Not Carrying Interest 2019 £'000	Total 2019 £'000
Chinese yuan	–	–	44	44
Danish kroner	–	–	1,000	1,000
Euro	1,418	–	5,631	7,049
Japanese yen	133	–	1,872	2,005
Pound sterling	4,379	–	58,747	63,126
Swedish krona	381	–	1,840	2,221
Swiss franc	128	–	966	1,094
US dollar	1,703	–	18,060	19,763
	8,142	–	88,160	96,302



# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

Interest rate risk profile of financial assets as at 31st December 2018:

Currency	Floating Rate	Fixed Rate	Financial Assets	Total
	Financial		Not Carrying	
	Assets		Interest	
	2018	2018	2018	2018
	£'000	£'000	£'000	£'000
Danish kroner	–	–	1,501	1,501
Euro	55	–	3,229	3,284
Japanese yen	–	–	862	862
Pound sterling	5,905	–	29,963	35,868
Swedish krona	–	–	1,479	1,479
Swiss franc	14	–	1,583	1,597
US dollar	2,375	18,873	20,549	41,797
	8,349	18,873	59,166	86,388

Interest rate risk profile of financial liabilities as at 31st December 2019:

Currency	Floating Rate	Financial	Total
	Financial	Liabilities Not	
	Liabilities	Carrying	
	2019	Interest	2019
	£'000	£'000	£'000
Chinese yuan	–	(213)	(213)
Euro	(2)	–	(2)
Pound sterling	–	(187)	(187)
US dollar	(70)	–	(70)
	(72)	(400)	(472)

Interest rate risk profile of financial liabilities as at 31st December 2018:

Currency	Floating Rate	Financial	Total
	Financial	Liabilities Not	
	Liabilities	Carrying	
	2018	Interest	2018
	£'000	£'000	£'000
Chinese yuan	–	(25)	(25)
Euro	(20)	–	(20)
US dollar	(164)	(2,175)	(2,339)
	(184)	(2,200)	(2,384)

Please note that short term debtors and creditors are excluded in the interest rate risk tables above. Please note also that forward currency contracts are quoted net and are included in the not carrying interest category.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

The sub-fund's net cash holdings of £7,770,654 (31st December 2018: £8,300,989) are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

There were no fixed rate financial assets as at 31st December 2019.

Fixed rate financial assets as at 31st December 2018:

	Weighted Average Interest Rate 2018	Weighted Average Period for which Interest Rate is Fixed 2018
Currency		
US dollar	2.55%	2.16 years

- *Credit risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

The portfolio at the year end has been analysed into the credit ratings as shown below:

	2019 £'000	2018 £'000
<b>Credit Risk</b>		
Investment grade debt securities	–	18,873
Below investment grade debt securities	–	–
Unrated debt securities	–	–
Other investments	88,160	59,166
	88,160	78,039

- *Counterparty exposure risk* - The types of derivatives held at the balance sheet date were options and forward foreign exchange contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet is as follows:

	2019 £'000	2018 £'000
<b>Counterparty Name<sup>1</sup></b>		
<b>Options</b>		
ED&F Man Capital Markets Limited	170	840
<b>Forward Currency Contracts</b>		
Northern Trust	1,441	280
<b>Total</b>	1,611	1,120

<sup>1</sup> Net exposure represents the mark to market value of derivative contracts less any cash collateral held. Positive exposure represents the sub-fund's exposure to that counterparty.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

- *Fair value* - in the opinion of the ACD, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31st December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Equities	55,765	–	–	55,765
Collective Investment Schemes	9,355	21,429	–	30,784
Options	170	–	–	170
Forward Currency Contracts	–	1,441	–	1,441
	<u>65,290</u>	<u>22,870</u>	<u>–</u>	<u>88,160</u>
<b>Liabilities</b>				
Forward Currency Contracts	–	(400)	–	(400)
	<u>–</u>	<u>(400)</u>	<u>–</u>	<u>(400)</u>
Valuation technique as at 31st December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Equities	32,793	–	–	32,793
Debt Securities	18,873	–	–	18,873
Collective Investment Schemes	9,740	15,513	–	25,253
Options	840	–	–	840
Forward Currency Contracts	–	280	–	280
	<u>62,246</u>	<u>15,793</u>	<u>–</u>	<u>78,039</u>
<b>Liabilities</b>				
Forward Currency Contracts	–	(25)	–	(25)
Future Contracts	–	(2,175)	–	(2,175)
	<u>–</u>	<u>(2,200)</u>	<u>–</u>	<u>(2,200)</u>

Level 1: The unadjusted quoted price in an active market for an identical instrument that the entity can access at the measurement date.

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e., developed using market data).

Level 3: Valuation techniques using unobservable inputs (i.e., for which market data is unavailable).

- Derivative risks – the ACD has entered into options, forward currency positions and future contracts during the year for the purpose of hedging any foreign currency exposure arising from investments in underlying funds.

# TM Cerno Investment Funds

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## TM Cerno Select Fund

### Notes to the Financial Statements

*for the year ended 31st December 2019 (continued)*

#### 20. Leverage

There are two ways in which the ACD can introduce leverage to the sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Approved derivative transactions may be used for investment purposes and Efficient Portfolio Management. There are no collateral, asset re-use or guarantee arrangements involved in the ACD's current approach to leverage.

The maximum leverage calculated on the commitment method permitted is 200%. It is expected that the ACD will operate the sub-fund well within these limits. The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The ACD sets maximum leverage levels and operates the sub-fund within these levels at all times.

As at year end 31st December 2019, the total leverage in the sub-fund, using the commitment approach, did exceed 100% (gross 191.80%, commitment 114.89%). Given that the exposure of the sub-fund is 114.89% of NAV this means that some leverage was employed by the sub-fund.

#### 21. Post Balance Sheet Market Events

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30th January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The ACD is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

The sub-fund considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Subsequent to the year end, the sub-fund's NAV has suffered as a result of a decline in global stock markets and the latest NAV per Class C Accumulation of 1,320.32p as at the close of business on 28th April 2020 had declined on average across the share classes by 2.23% compared to the NAV at the year end of 31st December 2019. The Company's overall NAV from the 31st December 2019 and 28th April 2020 has declined by 0.48%.

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Distribution Tables

for the year ended 31st December 2019

#### Interim Accumulation B Acc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	4.9388	–	4.9388	3.8485
2	3.0374	1.9014	4.9388	3.8485

#### Interim Accumulation B Acc EUR (in € cents per share)\*

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	3.6639	–	3.6639	2.9728
2	3.6639	–	3.6639	2.9728

#### Interim Distribution C Inc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Income	Equalisation (note 15)	2019 Net Distribution Paid	2018 Net Distribution Paid
1	6.5585	–	6.5585	5.5542
2	5.5935	0.9650	6.5585	5.5542

#### Interim Accumulation C Acc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	6.6130	–	6.6130	5.7475
2	4.1342	2.4788	6.6130	5.7475

# TM Cerno Investment Funds

## TM Cerno Select Fund

### Distribution Tables

for the year ended 31st December 2019 (continued)

#### Final Accumulation B Acc (in pence per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	4.5633	–	4.5633	3.1703
2	3.1209	1.4424	4.5633	3.1703

#### Final Accumulation B Acc EUR (in € cents per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	2.4517	–	2.4517	2.3096
2	1.7272	0.7245	2.4517	2.3096

#### Final Distribution C Inc (in pence per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Income	Equalisation (note 15)	2020 Net Distribution Payable	2019 Net Distribution Paid
1	6.1926	–	6.1926	4.7863
2	4.1526	2.0400	6.1926	4.7863

#### Final Accumulation C Acc (in pence per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	6.3338	–	6.3338	4.8202
2	4.5970	1.7368	6.3338	4.8202

\*There were no group 2 shares for this period.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Portfolio Statement

as at 31st December 2019

Holdings	Market value £	Percentage of total net assets %
<b>EQUITIES 92.07% (44.52%)</b>		
<b>Cayman Islands 29.08% (11.79%)</b>		
6,231 Alibaba Group	1,004,111	5.98
48,125 ASM Pacific Technology	505,796	3.01
33,527 Bilibili	468,297	2.79
102,400 China Literature	323,566	1.92
835,970 Kingdee International Software	633,151	3.77
50,750 Sunny Optical Technology	665,128	3.96
35,200 Tencent Holdings	1,285,428	7.65
	<b>4,885,477</b>	<b>29.08</b>
<b>Guernsey 0.00% (7.87%)</b>		
<b>Hong Kong 2.98% (0.00%)</b>		
81,000 Techtronic Industries	<b>500,472</b>	<b>2.98</b>
<b>Japan 20.73% (5.35%)</b>		
14,400 Harmonic Drive Systems	525,175	3.13
1,500 KOSE	167,360	1.00
15,867 Murata Manufacturing	746,306	4.44
7,300 Nidec	763,580	4.55
12,100 Sysmex	628,442	3.74
3,900 Tokyo Electron	650,528	3.87
	<b>3,481,391</b>	<b>20.73</b>
<b>People's Republic of China 18.84% (6.56%)</b>		
93,450 Hangzhou Tigermed Consulting	641,725	3.82
120,000 Han's Laser Technology Industry	521,829	3.11
108,400 Midea	686,510	4.09
18,263 Trip.com Group	472,717	2.81
89,543 Wuxi AppTec	841,420	5.01
	<b>3,164,201</b>	<b>18.84</b>
<b>Republic of South Korea 5.14% (2.99%)</b>		
957 Samsung Electronics	<b>863,611</b>	<b>5.14</b>
<b>Taiwan 13.68% (3.20%)</b>		
85,909 Advantech	655,221	3.90
142,000 Delta Electronics	541,511	3.22
25,160 Taiwan Semiconductor Manufacturing ADR	1,101,714	6.56
	<b>2,298,446</b>	<b>13.68</b>

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Portfolio Statement

as at 31st December 2019 (continued)

Holdings	Market value £	Percentage of total net assets %
<b>United Kingdom 1.62% (6.76%)</b>		
150,900 Baillie Gifford Shin Nippon	272,827	1.62
<b>TOTAL EQUITIES</b>	<b>15,466,425</b>	<b>92.07</b>
<b>DEBT SECURITIES 0.00% (8.90%)</b>		
<b>Government Bonds 0.00% (8.90%)</b>		
<b>United States 0.00% (8.90%)</b>		
<b>COLLECTIVE INVESTMENT SCHEMES 3.80% (45.79%)</b>		
<b>Ireland 3.80% (7.03%)</b>		
8,523 Ocean Dial Emerging India 'C' GBP	637,404	3.80
<b>Liechtenstein 0.00% (8.71%)</b>		
<b>Luxembourg 0.00% (22.63%)</b>		
<b>United Kingdom 0.00% (7.42%)</b>		
<b>TOTAL COLLECTIVE INVESTMENT SCHEMES</b>	<b>637,404</b>	<b>3.80</b>
<b>FINANCIAL DERIVATIVE INSTRUMENTS 1.19% (0.51%)</b>		
<b>Options 0.00% (0.47%)</b>		
<b>United Kingdom 0.00% (0.10%)</b>		
<b>United States 0.00% (0.37%)</b>		
<b>Forward Currency Contracts 1.19% (0.04%)</b>		
CNY (25,089,750) Sold CNY, Bought GBP 2,835,000 for settlement on 17/01/2020	109,349	0.65
CNY (8,846,162) Sold CNY, Bought GBP 973,000 for settlement on 17/01/2020	11,988	0.07
CNY (11,495,610) Sold CNY, Bought GBP 1,260,000 for settlement on 17/01/2020	11,162	0.07
CNY (9,341,391) Sold CNY, Bought GBP 1,023,185 for settlement on 17/01/2020	8,373	0.05
CNY (1,296,766) Sold CNY, Bought GBP 140,100 for settlement on 17/01/2020	(775)	(0.01)
CNY 14,750,000 Bought CNY, Sold GBP (1,569,032) for settlement on 17/01/2020	33,350	0.20
CNY 15,000,000 Bought CNY, Sold GBP (1,599,369) for settlement on 17/01/2020	30,172	0.18
CNY 4,934,600 Bought CNY, Sold GBP (550,000) for settlement on 17/01/2020	(13,925)	(0.08)
HKD 8,244,144 Bought HKD, Sold GBP (801,762) for settlement on 17/01/2020	(685)	-
HKD (7,678,001) Sold HKD, Bought GBP 750,000 for settlement on 17/01/2020	3,935	0.02
HKD (566,142) Sold HKD, Bought GBP 55,000 for settlement on 17/01/2020	(12)	-
INR (19,716,000) Sold INR, Bought GBP 212,000 for settlement on 17/01/2020	3,167	0.02
INR (6,390,481) Sold INR, Bought GBP 68,544 for settlement on 17/01/2020	856	0.01



# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Portfolio Statement

as at 31st December 2019 (continued)

Holdings	Market value £	Percentage of total net assets %
<b>Forward Currency Contracts (continued)</b>		
INR (5,413,861) Sold INR, Bought GBP 58,000 for settlement on 17/01/2020	656	–
JPY (231,571,070) Sold JPY, Bought USD 2,129,879 for settlement on 17/01/2020	(3,668)	(0.02)
KRW (842,842,392) Sold KRW, Bought USD 723,650 for settlement on 17/01/2020	(4,458)	(0.03)
TWD (8,577,730) Sold TWD, Bought USD 283,000 for settlement on 17/01/2020	(2,885)	(0.02)
TWD (34,214,422) Sold TWD, Bought USD 1,130,420 for settlement on 17/01/2020	(10,296)	(0.06)
USD (283,000) Sold USD, Bought JPY 30,675,169 for settlement on 17/01/2020	(168)	–
USD (1,854,070) Sold USD, Bought JPY 200,895,901 for settlement on 17/01/2020	(1,606)	(0.01)
USD (718,199) Sold USD, Bought KRW 842,842,392 for settlement on 17/01/2020	8,583	0.05
USD (1,407,637) Sold USD, Bought TWD 42,792,152 for settlement on 17/01/2020	17,557	0.10
	<b>200,670</b>	<b>1.19</b>
<b>TOTAL FINANCIAL DERIVATIVE INSTRUMENTS</b>	<b>200,670</b>	<b>1.19</b>
<b>Net investments 97.06% (99.72%)</b>	<b>16,304,499</b>	<b>97.06</b>
Net other assets	494,151	2.94
<b>Total net assets</b>	<b>16,798,650</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 31st December 2018.

# TM Cerno Investment Funds

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## TM Cerno Pacific Fund

### Sub-fund Information

The Comparative Tables on pages 61 and 62 give the performance of each active share class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per share divided by the opening net asset value per share. It differs from the sub-fund's performance disclosed in the ACD's report, which is calculated based on the year-end published price.

Portfolio transaction costs are incurred when investments are bought or sold by a sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by the sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

### Assessment of Value (unaudited)

In September 2019, the Financial Conduct Authority (the FCA) introduced new rules that require the Board of the Authorised Corporate Director (the ACD) to perform an annual Assessment of Value for each share class within the sub-fund and to report its findings to investors.

These new rules followed the Asset Management Market Study conducted by the FCA to assess ways of giving better protection to those investors who are less able to find better value products, improving competition and strengthening the duty of the ACD to act in the best interest of investors.

The Assessment of Value places a responsibility on the ACD to determine whether the fees and charges of the sub-fund are justified in the context of the overall service and value provided to investors.

### Independent ACD model - terminology

The ACD has the regulatory responsibility for all aspects of the sub-fund operations including the actions of its delegates. Its role requires a focus on good investor outcomes, investor protection, oversight, compliance and general regulatory matters.

The Investment Manager is appointed by the ACD and has the full discretion to manage the assets of the portfolio in accordance with the sub-fund's objective and investment policy. The Investment Manager is the entity which delivers out- or under-performance on behalf of investors. It is the entity which in turn receives the greatest share of the Annual Management Charge.

When both functions are performed by the same organisation the firm can be described as 'vertically integrated'. When the functions are performed by separate organisations the sub-fund can be described as having an Independent ACD. This fund sits in the latter category.

The sub-fund sponsor invites the independent ACD to design and operate the sub-fund. The sponsor contributes to the design and marketing of the sub-fund, having identified the potential for its success.

### Background to our firm – Independent ACD

Thesis Unit Trust Management Limited is a specialist provider of independent ACD services. We bring a level of independence which is important and valued by our investors and sponsors. Our approach to delivering good outcomes for investors in our funds, from the initial design phase and throughout the sub-fund life cycle, is based upon having the right blend of experience, culture and governance.

We choose to work with a variety of service providers (fund accountants, depositaries, transfer agents and auditors) and provide independent, bespoke and flexible solutions. By outsourcing day-to-day activity to specialist providers our teams can focus on investor outcomes, risk management, oversight, product governance and regulatory change.

# TM Cerno Investment Funds

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## TM Cerno Pacific Fund

### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

##### Background to our firm – Independent ACD *(continued)*

We delegate fund servicing to a panel of global, reputable institutions. Consequently, we have an informed view of this part of the supply chain. We benchmark those fund servicers against a range of criteria including service and cost. We build close relationships with our delegates at all levels within our respective organisations allowing for effective escalation when appropriate and always with the best interests of investors in mind. We are also able to change a service provider with relative ease as and when required to improve quality of service, reduce cost or for other strategic or operational reasons.

We delegate investment management to a wide range of firms who utilise different strategies and investment techniques. As such we have a broad and informed view of the investment management marketplace and independently benchmark across a range of criteria including service, performance and costs. Coming from a fund management background we have qualified investment managers and research analysts within our ACD business who have the experience to monitor fund performance and challenge third party investment managers on behalf of investors in the sub-funds.

Following the introduction of the new rules, we appointed two independent non-executive directors with a particular remit to oversee and challenge the Assessment of Value process we conduct.

When performing our Assessment of Value, we have reviewed and assessed the different entities involved.

##### Independent ACD - service and costs

In assessing the quality and cost of our independent ACD service, we have concluded that we have delivered a service that meets the requirements of investors in the sub-funds, and the sub-fund sponsor, and which has delivered value.

Examples of the criteria that we considered included the quality of the relationship with our fund sponsor, the operation and compliance of the sub-fund (including the number of errors and investor complaints), the results from the depositary's inspection and audit of our ACD arrangements, and other factors such as the implementation of regulatory change at no cost to investors.

We judge whether our ACD fee is competitive and can be justified based on feedback from independent consultants, our clients who select us and when existing funds move to us from our competitors. Our fees are tiered thereby providing a mechanism for reducing costs for investors as the sub-fund value increases.

##### Service provider - service and costs

Having separately assessed the quality and cost of the outsourced fund service providers, we have concluded that services have met the requirements expected and delivered value to investors.

Examples of the criteria that we considered included Key Performance Indicators in the key areas including pricing, delivery of statements, delivery of report and accounts, and investor complaints.

We have assessed that the service providers' fees are competitive and provide value to investors by benchmarking against the other service providers on our panel. The majority of fees are tiered thereby providing a mechanism for reducing costs to investors as the sub-fund value increases.

It is our judgement that the experience of investors in the sub-fund and an assessment of whether the sub-fund has delivered value, is most directly impacted by the services, performance and costs that are attributable to the Investment Manager. Further details of our value assessment, with a particular focus on the Investment Manager, are shown on the next page:

## TM Cerno Investment Funds

### TM Cerno Pacific Fund

#### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

#### Service provider - service and costs *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
<b>Quality of service</b>	The range and quality of service delivered by the Investment Manager including the experience of the team, track record, quality of relationship with our ACD team, and the results from our governance and oversight arrangements.	We monitor the investment manager on a daily basis, and maintain frequent contact with them on a range of aspects of their work including adherence with the investment mandate and policy, liquidity management, and fair value pricing as well as regulatory compliance. We have more formal contact quarterly and further periodic reviews on a thematic basis.  We are satisfied that the Investment Manager continues to meet our requirements and provides a good quality of service.	Yes
<b>Performance</b>	Whether the sub-fund has provided good performance, net of fees, in relation to its investment objective. We have considered performance against the sub-fund's benchmark and/or appropriate peer group, compliance with investment policy, volatility and liquidity, and any evidence of closet tracking.	The sub-fund has outperformed its benchmark over 1 year periods. There is insufficient data for a 3 and 5 year period because the sub-fund was only launched in January 2017. The sub-fund is being actively managed in accordance with the investment objective and policy.	Yes
<b>Costs</b>	Whether the charges are reasonable compared with the costs of providing the service (considering factors such as the size of the Investment Manager, its balance sheet strength and profit margins).	At a sub-fund size of £17 million we are satisfied that the costs charged to the sub-fund are reasonable given its size and a holistic assessment of the benefits that accrue to its investors.	Yes
<b>Economies of Scale</b>	Is the sub-fund or the Investment Manager of a size or scale where economies of scale should be passed on to investors.	In view of the sub-fund's size, we do not believe that there are economies of scale available yet to be passed back to the sub-fund.	N/A
<b>Comparable market rates</b>	Whether the charges are comparable with similar funds in this sector of the market.	As an independent ACD we operate multiple funds. We appoint different service providers and a wide range of Investment Managers and can readily benchmark fees. It is our assessment that the sub-fund's OCF is higher than the OCF of other similar funds in the market. This is due to the sub-fund being in its start-up phase, after which we expect the OCF to be lower.	Yes

## TM Cerno Investment Funds

### TM Cerno Pacific Fund

#### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

#### Service provider - service and costs *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
<b>Comparable services</b>	How the charges compare to other comparable funds that the Investment Manager manages.	Whilst we do not have visibility of the rates that the Investment Manager charges for providing comparable services outside of our fund range, the OCF of the sub-fund is higher when compared to other similar funds that we operate. We expect the OCF to reduce over time once the sub-fund reaches a scalable size.	Yes
<b>Classes of shares</b>	Whether investors are invested in a share class with higher charges than another class which is available. We have also considered different fees which apply to retail and institutional investors where institutional investors are subject to a significantly higher minimum investment.	The OCF of the retail classes is 33 per cent higher than the institutional classes. This differential is considered reasonable and justifiable given the operational workload, risks and associated costs of supporting retail investors.	Yes

Following our assessment, the board of Thesis Unit Trust Management Limited has concluded that the sub-fund offers value to investors in each share class.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Sub-fund Information *(continued)*

#### Comparative Tables

*A Acc*

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	1,015.60	1,174.95	1,000.00
Return before operating charges*	303.47	(134.13)	201.28
Operating charges	(19.07)	(25.22)	(26.33)
Return after operating charges*	284.40	(159.35)	174.95
Distributions	(1.37)	–	–
Retained distributions on accumulation shares	1.37	–	–
Closing net asset value per share	1,300.00	1,015.60	1,174.95
*After direct transaction costs of <sup>2</sup> :	0.51	0.67	0.13
<b>Performance</b>			
Return after charges	28.00%	(13.56)%	17.50%
<b>Other Information</b>			
Closing net asset value (£'000)	–	2,914	3,433
Closing number of shares	1	286,853	292,149
Operating charges <sup>3</sup>	1.68%	2.23%	2.58%
Direct transaction costs	0.04%	0.06%	0.01%
<b>Prices</b>			
Highest share price	1,293.00	1,211.00	1,179.00
Lowest share price	1,014.00	1,002.00	1,000.00

<sup>1</sup> A Acc share class launched on 27th January 2017.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

B Acc

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	1,020.46	1,177.62	1,000.00
Return before operating charges*	282.97	(134.69)	201.14
Operating charges	(16.61)	(22.47)	(23.52)
Return after operating charges*	266.36	(157.16)	177.62
Distributions	(2.77)	–	–
Retained distributions on accumulation shares	2.77	–	–
Closing net asset value per share	1,286.82	1,020.46	1,177.62
*After direct transaction costs of <sup>2</sup> :	0.52	0.67	0.13
<b>Performance</b>			
Return after charges	26.10%	(13.35)%	17.76%
<b>Other Information</b>			
Closing net asset value (£'000)	8,155	6,179	7,172
Closing number of shares	633,748	605,533	609,057
Operating charges <sup>3</sup>	1.43%	1.98%	2.33%
Direct transaction costs	0.04%	0.06%	0.01%
<b>Prices</b>			
Highest share price	1,303.00	1,214.00	1,214.00
Lowest share price	1,019.00	1,006.00	1,013.00

<sup>1</sup> B Acc share class launched on 27th January 2017.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

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## TM Cerno Pacific Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

*M Acc*

	<i>31/12/2019<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>	
Opening net asset value per share	1,218.00
Return before operating charges*	62.40
Operating charges	(0.63)
Return after operating charges*	61.77
Distributions	(1.11)
Retained distributions on accumulation shares	1.11
Closing net asset value per share	1,279.77
 *After direct transaction costs of <sup>2</sup> :	 0.57
<b>Performance</b>	
Return after charges	5.07%
<b>Other Information</b>	
Closing net asset value (£'000)	8,644
Closing number of shares	675,392
Operating charges <sup>3</sup>	0.68%
Direct transaction costs	0.04%
<b>Prices</b>	
Highest share price	1,296.00
Lowest share price	1,014.00

<sup>1</sup> There are no comparative figures shown as the share class launched on 4th December 2019.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.



# TM Cerno Investment Funds

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## TM Cerno Pacific Fund

### Sub-fund Information *(continued)*

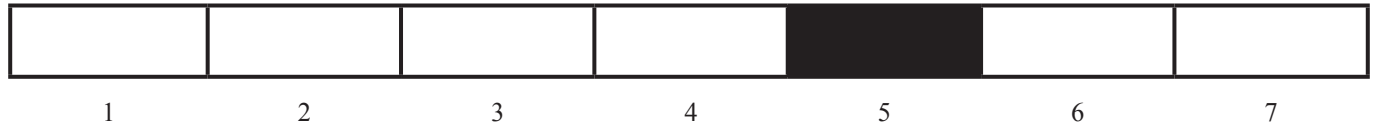
#### Risk and Reward Indicator (“RRI”)

**Lower Risk**

Typically lower rewards

**Higher Risk**

Typically higher rewards



The RRI table demonstrates where a sub-fund ranks in terms of risk and reward. The higher the risk the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the risk profile of the sub-fund. The shaded area on the table above shows the sub-fund's ranking on the risk and reward indicator.

## TM Cerno Investment Funds

### TM Cerno Pacific Fund

#### Statement of Total Return

for the year ended 31st December 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Income					
Net capital gains/(losses)	5		2,601		(1,364)
Revenue	7	156		110	
Expenses	8	(152)		(155)	
Interest payable and similar charges		(2)		(1)	
Net revenue/(expense) before taxation		2		(46)	
Taxation	9	(12)		(2)	
Net expense after taxation for the year			(10)		(48)
<b>Total return before distributions</b>			<b>2,591</b>		<b>(1,412)</b>
Distributions	10		(28)		–
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>2,563</b>		<b>(1,412)</b>

#### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31st December 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
<b>Opening net assets attributable to shareholders</b>			<b>9,093</b>		10,605
Amounts receivable on issue of shares		8,411		–	
Amounts payable on cancellation of shares		(3,321)		(100)	
			<b>5,090</b>		(100)
Dilution levy			25		–
Change in net assets attributable to shareholders from investment activities			2,563		(1,412)
Retained distribution on accumulation shares	10		28		–
<b>Closing net assets attributable to shareholders</b>			<b>16,799</b>		<b>9,093</b>

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Balance Sheet

as at 31st December 2019

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
Fixed assets:			
Investments		16,343	9,120
Current assets:			
Debtors	12	10	21
Cash and bank balances	11	535	223
<b>Total assets</b>		<b>16,888</b>	9,364
<b>Liabilities</b>			
Investment liabilities		(38)	(53)
Creditors:			
Bank overdrafts		(13)	(184)
Other creditors	13	(38)	(34)
<b>Total liabilities</b>		<b>(89)</b>	(271)
<b>Net assets attributable to shareholders</b>		<b>16,799</b>	9,093

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019

#### 1. Accounting Policies

The accounting, distribution and risk management policies for notes 1 to 4 are provided on pages 21 to 24.

#### 5. Net Capital Gains/(Losses)

Net capital gains/(losses) comprise:

	2019 £'000	2018 £'000
Non-derivative securities	2,542	(1,355)
Derivative securities	(12)	26
Derivative charges	(1)	–
Forward currency contracts	152	(67)
Currency (losses)/gains	(77)	31
Transaction charges	(4)	(1)
Management fee rebates	1	2
Net capital gains/(losses)	<u>2,601</u>	<u>(1,364)</u>

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs, please refer to the additional portfolio transaction cost information on page 57.

##### Analysis of direct transaction costs for the year ended 31st December 2019:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Collective Investment Schemes	654	–	–	654	–	–
Equities	14,204	9	13	14,226	0.06	0.09
	<u>14,858</u>	<u>9</u>	<u>13</u>	<u>14,880</u>		
<b>Sales</b>						
Debt Securities	810	–	–	810	–	–
Collective Investment Schemes	4,861	–	–	4,861	–	–
Equities	4,715	(6)	(1)	4,708	0.13	0.02
	<u>10,386</u>	<u>(6)</u>	<u>(1)</u>	<u>10,379</u>		
<b>Derivative purchases and sales</b>						
		–	–			
Total cost as percentage of average net asset value		<b>0.14%</b>	<b>0.13%</b>			

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 6. Purchases, Sales and Transaction Costs (continued)

Analysis of direct transaction costs for the year ended 31st December 2018:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Debt Securities	981	–	–	981	–	–
Collective Investment Schemes	3,092	–	–	3,092	–	–
Equities	3,250	2	1	3,253	0.06	0.03
	<u>7,323</u>	<u>2</u>	<u>1</u>	<u>7,326</u>		
<b>Sales</b>						
Debt Securities	1,082	–	–	1,082	–	–
Collective Investment Schemes	3,770	–	–	3,770	–	–
Equities	1,953	(3)	–	1,950	0.15	–
	<u>6,805</u>	<u>(3)</u>	<u>–</u>	<u>6,802</u>		
<hr/>						
Derivative purchases and sales		–	–			
<hr/>						
Total cost as percentage of average net asset value		0.05%	0.01%			

#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.15% (31st December 2018: 0.71%), based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	2019 £'000	2018 £'000
Bank interest	1	1
Franked CIS revenue	2	1
Franked UK dividends	29	28
Interest on debt securities	–	46
Offshore CIS dividend revenue	37	21
Overseas dividends	87	13
	<u>156</u>	<u>110</u>

# TM Cerno Investment Funds

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## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 8. Expenses

	2019 £'000	2018 £'000
<b>Payable to the ACD or associates of the ACD:</b>		
ACD's periodic charge	15	15
Investment Manager's fees	83	84
	98	99
<b>Payable to the Depositary or associates of the Depositary:</b>		
Depositary's fee	9	9
Safe custody charges	6	6
	15	15
<b>Other expenses:</b>		
Administration fees	27	25
Audit fees <sup>1</sup>	8	8
Euroclear fees	–	5
Legal fees	1	1
Registration fees	3	2
	39	41
<b>Total expenses</b>	<b>152</b>	<b>155</b>

<sup>1</sup> Total audit fees of £7,350 (31st December 2018: £7,000) exclusive of VAT.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 9. Taxation

	2019 £'000	2018 £'000
<b>a) Analysis of charge for the year:</b>		
Corporation tax	–	–
Irrecoverable income tax	–	–
Overseas withholding tax	12	2
<b>Total current tax</b>	<b>12</b>	<b>2</b>
Deferred tax charge	–	–
<b>Total taxation</b>	<b>12</b>	<b>2</b>
<b>b) Factors affecting taxation charge for the year:</b>		
Net revenue/(expense) before tax	2	(46)
Net expense multiplied by the standard rate of corporation tax of 20% (2018: 20%)	–	(9)
Effects of:		
Excess management expenses not utilised	30	16
Tax effect on capital management fee rebate	–	1
Franked UK dividends	(13)	(6)
Non-taxable overseas dividends	(17)	(2)
Offshore dividend CIS revenue	–	(4)
Overseas withholding tax	12	2
Tax effect on non-reporting offshore fund	–	5
Tax due to timing differences	–	(1)
<b>Total tax charge (note 9a)</b>	<b>12</b>	<b>2</b>
<b>c) Deferred tax</b>		
Deferred tax charge (note 9a)	–	–
Provision at start of year	–	–
<b>Provision at end of year</b>	–	–

The sub-fund has not recognised a deferred tax asset of £65,279 (31st December 2018: £34,871) arising as a result of having unutilised management expenses. The unutilised management expenses will only be recovered to the extent that the sub-fund has sufficient future taxable revenue.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 10. Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	2019 £'000	2018 £'000
Interim distribution	–	–
Interim accumulation	21	–
Final distribution	–	–
Final accumulation	7	–
	28	–
Add: Revenue deducted on shares cancelled	–	–
Deduct: Revenue received on shares created	–	–
<b>Net distribution for the year</b>	<b>28</b>	–

#### Reconciliation between net revenue and distribution

	2019 £'000	2018 £'000
Net expense after taxation	(10)	(48)
Deficit transferred to capital	38	48
	28	–

#### 11. Cash and bank balances

	2019 £'000	2018 £'000
Cash and bank balances	452	84
Cash held at clearing houses	83	139
	535	223

#### 12. Debtors

	2019 £'000	2018 £'000
Accrued revenue	10	21
	10	21

#### 13. Other creditors

	2019 £'000	2018 £'000
Accrued expenses	38	34
	38	34



# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 14. Related Parties

Thesis Unit Trust Management Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the sub-fund in its capacity as the ACD.

Thesis Unit Trust Management Limited acts as principal on all the transactions of shares in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts due to/from Thesis Unit Trust Management Limited in respect of share transactions at the year end are disclosed within notes 11 and 12 as applicable.

Amounts paid to Thesis Unit Trust Management Limited in respect of the ACD's periodic charges and any rebates received are disclosed in note 8. £7,325 (31st December 2018: £7,859) was due at the year end.

Thesis Unit Trust Management Limited did not enter into any other transactions with the sub-fund during the year.

#### 15. Equalisation

Equalisation is accrued income included in the price of shares purchased during the accounting year, which, after using monthly groupings to average, is refunded as part of a shareholder's first distribution, resulting in the same rate of distribution on all shares. As a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at 31st December 2019 (31st December 2018: £Nil).

#### 17. Share Classes

The sub-fund currently has three share classes: A Acc, B Acc and M Acc. All classes have the same rights on winding up.

The ACD's periodic charge and Investment Manager's fee of each share class is as follows:

	ACD's periodic charge*	Investment Manager's fee
A Acc	0.15%	1.00%
B Acc	0.15%	0.75%
M Acc	0.15%	0.00%

\*ACD is charged on a sliding scale as per latest Prospectus.

The following table shows the shares in issue during the year:

Share Class	Opening Shares	Shares Created	Shares Liquidated	Shares Converted	Closing Shares
A Acc	286,853	1	(286,853)	(281,508)	1
B Acc	605,533	280,712	(252,497)	279,491	633,748
M Acc <sup>1</sup>	–	675,392	–	–	675,392

<sup>1</sup> Share class launched on 4th December 2019.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 18. Financial Instruments

In pursuing its investment objective set out on page 4, the sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the sub-fund investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity; and
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the sub-fund's investment activities (and related financing).

#### 19. Risks Disclosures

- *Market price risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

At 31st December 2019, if the price of the investments held by the sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders would increase or decrease by approximately £805,191 (31st December 2018: £453,156).

- *Foreign currency risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

At the year end date, a portion of the net assets of the sub-fund were denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

#### Foreign currency exposure as at 31st December 2019:

	Forward Contracts 2019 £'000	Monetary Exposures 2019 £'000	Non Monetary Exposures 2019 £'000	Total 2019 £'000
Currency				
Chinese yuan	(2,323)	23	1,850	(450)
Hong Kong dollar	–	–	4,755	4,755
Indian rupee	(334)	–	–	(334)
Japanese yen	–	–	3,481	3,481
Pound sterling	2,855	409	910	4,174
Taiwan dollar	–	12	1,197	1,209
US dollar	3	51	3,910	3,964
	<b>201</b>	<b>495</b>	<b>16,103</b>	<b>16,799</b>

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

Foreign currency exposure as at 31st December 2018:

Currency	Forward	Monetary	Non	Total
	Contracts	Exposures	Monetary	
	2018	2018	2018	2018
	£'000	£'000	£'000	£'000
Chinese yuan	(2,393)	77	546	(1,770)
Hong Kong dollar	–	5	782	787
Japanese yen	1,641	2	487	2,130
Pound sterling	1,650	(48)	4,072	5,674
South Korean won	(724)	–	–	(724)
Taiwan dollar	(922)	–	–	(922)
US dollar	752	799	2,367	3,918
	4	835	8,254	9,093

At 31st December 2019, if the value of Sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to shareholders would increase or decrease by approximately £153,448 (31st December 2018: £34,195).

- *Interest rate risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

#### Interest rate risk profile of financial assets as at 31st December 2019:

Currency	Floating Rate	Fixed Rate	Financial Assets	Total
	Financial		Not Carrying	
	Assets	2019	Interest	2019
	2019	2019	2019	2019
	£'000	£'000	£'000	£'000
Chinese yuan	22	–	1,914	1,936
Euro	–	–	–	–
Hong Kong dollar	–	–	4,755	4,755
Japanese yen	–	–	3,481	3,481
Mexican peso	–	–	–	–
Pound sterling	449	–	1,060	1,509
South Korean won	–	–	8	8
Taiwan dollar	12	–	1,214	1,226
US dollar	51	–	3,911	3,962
	534	–	16,343	16,877

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

Interest rate risk profile of financial assets as at 31st December 2018:

Currency	Floating Rate		Financial Assets		Total
	Financial		Not Carrying		
	Assets	Fixed Rate	Interest		
	2018	2018	2018		2018
	£'000	£'000	£'000		£'000
Chinese yuan	77	–	546		623
Hong Kong dollar	5	–	782		787
Japanese yen	2	–	506		508
Mexican peso	–	–	–		–
Pound sterling	32	–	4,108		4,140
US dollar	107	810	2,368		3,285
	<u>223</u>	<u>810</u>	<u>8,310</u>		<u>9,343</u>

Interest rate risk profile of financial liabilities as at 31st December 2019:

Currency	Floating Rate		Financial		Total
	Financial		Liabilities Not		
	Liabilities	Carrying	Interest		
	2019	2019	2019		2019
	£'000	£'000	£'000		£'000
Chinese yuan	–	(1)	(1)		(1)
Hong Kong dollar	–	–	–		–
Japanese yen	–	(4)	(4)		(4)
Pound sterling	(13)	(14)	(14)		(27)
South Korean won	–	(4)	(4)		(4)
Taiwan dollar	–	(13)	(13)		(13)
US dollar	–	(2)	(2)		(2)
	<u>(13)</u>	<u>(38)</u>	<u>(38)</u>		<u>(51)</u>

Interest rate risk profile of financial liabilities as at 31st December 2018:

Currency	Floating Rate		Financial		Total
	Financial		Liabilities Not		
	Liabilities	Carrying	Interest		
	2018	2018	2018		2018
	£'000	£'000	£'000		£'000
Chinese yuan	–	(15)	(15)		(15)
Pound sterling	(66)	(13)	(13)		(79)
South Korean won	–	(14)	(14)		(14)
Taiwan dollar	–	(11)	(11)		(11)
US dollar	(118)	–	–		(118)
	<u>(184)</u>	<u>(53)</u>	<u>(53)</u>		<u>(237)</u>

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

Please note that short term debtors and creditors are excluded in the interest rate risk tables above. Please note also that forward currency contracts are quoted net and are included in the financial not carrying interest category.

The sub-fund's net cash holdings of £521,893 (31st December 2018: £38,607) are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

Fixed rate financial assets as at 31st December 2018:

	Weighted Average Interest Rate 2018	Weighted Average Period for which Interest Rate is Fixed 2018
Currency		
US dollar	2.31%	0.05 years

- *Credit risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

The portfolio at the year end has been analysed into the credit ratings as shown below:

<b>Credit Risk</b>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Investment grade debt securities	–	810
Below investment grade debt securities	–	–
Unrated debt securities	–	–
Other investments	<b>16,343</b>	8,257
	<b>16,343</b>	<b>9,067</b>

- *Counterparty exposure risk* - The type of derivative held at the balance sheet date were options and forward foreign exchange contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet is as follows:

<b>Counterparty Name<sup>1</sup></b>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Options</b>		
ED&F Man Capital Markets Limited	–	55
<b>Forward Currency Contracts</b>		
Northern Trust	<b>239</b>	44
<b>Total</b>	<b>239</b>	<b>99</b>

<sup>1</sup> Net exposure represents the mark to market value of derivative contracts less any cash collateral held. Positive exposure represents the sub-fund's exposure to that counterparty.

# TM Cerno Investment Funds

## TM Cerno Pacific Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

- Derivative risks - the ACD has entered into options and forward currency during the year for the purpose of hedging any foreign currency exposure arising from investments in underlying funds.
- *Fair value* - in the opinion of the ACD, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31st December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Equities	15,467	–	–	15,467
Collective Investment Schemes	–	637	–	637
Forward Currency Contracts	–	239	–	239
	<u>15,467</u>	<u>876</u>	<u>–</u>	<u>16,343</u>
<b>Liabilities</b>				
Forward Currency Contracts	–	(38)	–	(38)

Valuation technique as at 31st December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Equities	4,048	–	–	4,048
Debt Securities	810	–	–	810
Collective Investment Schemes	–	4,163	–	4,163
Options	34	21	–	55
Forward Currency Contracts	–	44	–	44
	<u>4,892</u>	<u>4,228</u>	<u>–</u>	<u>9,120</u>
<b>Liabilities</b>				
Options	–	(13)	–	(13)
Forward Currency Contracts	–	(40)	–	(40)
	<u>–</u>	<u>(53)</u>	<u>–</u>	<u>(53)</u>

Level 1: The unadjusted quoted price in an active market for an identical instrument that the entity can access at the measurement date.

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e., developed using market data).

Level 3: Valuation techniques using unobservable inputs (i.e., for which market data is unavailable).

# TM Cerno Investment Funds

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## TM Cerno Pacific Fund

### Notes to the Financial Statements

*for the year ended 31st December 2019 (continued)*

#### 20. Leverage

There are two ways in which the ACD can introduce leverage to the sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Approved derivative transactions may be used for investment purposes and Efficient Portfolio Management. There are no collateral, asset re-use or guarantee arrangements involved in the ACD's current approach to leverage.

The maximum leverage calculated on the commitment method permitted is 200%. It is expected that the ACD will operate the sub-fund well within these limits. The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The ACD sets maximum leverage levels and operates the sub-fund within these levels at all times.

As at year end 31st December 2019, the total leverage in the sub-fund did exceed 100% (gross 250.88%, commitment 112.21%). Given that the exposure of the sub-fund is 112.21% of NAV this means that some leverage was employed by the sub-fund.

#### 21. Post Balance Sheet Market Events

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30th January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The ACD is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

The sub-fund considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Subsequent to the year end, the sub-fund's NAV has not suffered as a result of a decline in global stock markets and the latest NAV per Class M Accumulation of 1,341.19p as at the close of business on 28th April 2020 had increased on average across the share classes by 4.80% compared to the NAV at the year end of December 31st 2019. The Fund's overall NAV from the 31st December 2019 and 28th April 2020 has increased by 43.64%.

## TM Cerno Investment Funds

### Distribution Tables

for the year ended 31st December 2019

#### Interim Accumulation A Acc (in pence per share)\*

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	1.3728	–	1.3728	–
2	1.3728	–	1.3728	–

#### Interim Accumulation B Acc (in pence per share)\*

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	2.7708	–	2.7708	–
2	2.7708	–	2.7708	–

#### Final Accumulation A Acc (in pence per share)\*\*

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	–	–	–	–
2	–	–	–	–

#### Final Accumulation B Acc (in pence per share)\*\*

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	–	–	–	–
2	–	–	–	–

#### Final Accumulation M Acc (in pence per share)\*,\*\*\*

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	1.1097	–	1.1097	–
2	1.1097	–	1.1097	–

\* There were no group 2 shares for this period.

\*\* Expenses exceeded revenue during the year, as a result no distribution we paid or allocated.

\*\*\* There are no comparative figures shown as the share class launched on 4th December 2019.



# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Portfolio Statement

as at 31st December 2019

Holdings	Market value £	Percentage of total net assets %
<b>EQUITIES 97.63% (99.61%)</b>		
<b>Denmark 3.56% (7.44%)</b>		
67,698 Novozymes 'B'	2,515,511	3.56
<b>France 7.01% (3.72%)</b>		
20,953 EssilorLuxottica	2,423,025	3.43
7,174 LVMH Moet Hennessy Louis Vuitton	2,528,460	3.58
	<b>4,951,485</b>	<b>7.01</b>
<b>Germany 3.55% (3.01%)</b>		
44,828 Fresenius Medical Care AG & Co. KGaA	2,504,910	3.55
<b>Ireland 3.54% (3.84%)</b>		
15,600 Linde	2,497,724	3.54
<b>Italy 0.00% (3.75%)</b>		
<b>Japan 7.16% (3.84%)</b>		
22,383 Nidec	2,341,260	3.31
21,937 Shimano	2,716,817	3.85
	<b>5,058,077</b>	<b>7.16</b>
<b>Netherlands 10.70% (3.51%)</b>		
11,622 ASML	2,607,448	3.69
31,916 Heineken	2,584,236	3.66
66,962 Koninklijke Philips	2,368,029	3.35
	<b>7,559,713</b>	<b>10.70</b>
<b>Republic of South Korea 3.63% (3.55%)</b>		
2,840 Samsung Electronics	2,562,858	3.63
<b>Sweden 7.55% (7.34%)</b>		
147,157 Assa Abloy	2,620,317	3.71
89,118 Atlas Copco	2,708,830	3.84
	<b>5,329,147</b>	<b>7.55</b>
<b>Switzerland 7.13% (11.61%)</b>		
1,051 Givaudan	2,493,540	3.53
31,154 Nestle ADR	2,542,745	3.60
	<b>5,036,285</b>	<b>7.13</b>

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Portfolio Statement

as at 31st December 2019 (continued)

Holdings	Market value £	Percentage of total net assets %
<b>Taiwan 3.78% (3.89%)</b>		
60,972 Taiwan Semiconductor Manufacturing ADR	2,669,861	3.78
<b>United Kingdom 3.32% (7.44%)</b>		
61,877 Renishaw	2,341,426	3.32
<b>United States 36.70% (36.67%)</b>		
13,521 Ansys	2,628,657	3.72
20,320 FedEx	2,309,671	3.27
23,167 Johnson & Johnson	2,548,738	3.61
22,896 Microsoft	2,732,474	3.87
58,529 Oracle	2,335,134	3.31
27,120 PPG Industries	2,729,041	3.86
19,320 Rockwell Automation	2,968,133	4.20
17,049 Visa 'A'	2,424,471	3.43
15,326 Waters	2,705,632	3.83
22,550 Zimmer Biomet	2,538,902	3.60
	<b>25,920,853</b>	<b>36.70</b>
<b>Net investments 97.63% (99.61%)</b>	<b>68,947,850</b>	<b>97.63</b>
Net other assets	1,671,347	2.37
<b>Total net assets</b>	<b>70,619,197</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 31st December 2018.

# TM Cerno Investment Funds

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## TM Cerno Global Leaders Fund

### Sub-fund Information

The Comparative Tables on pages 86 to 90 give the performance of each active share class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per share divided by the opening net asset value per share. It differs from the sub-fund's performance disclosed in the ACD's report, which is calculated based on the year-end published price.

Portfolio transaction costs are incurred when investments are bought or sold by a sub-fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by the sub-fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

### Assessment of Value (unaudited)

In September 2019, the Financial Conduct Authority (the FCA) introduced new rules that require the Board of the Authorised Corporate Director (the ACD) to perform an annual Assessment of Value for each share class within the sub-fund and to report its findings to investors.

These new rules followed the Asset Management Market Study conducted by the FCA to assess ways of giving better protection to those investors who are less able to find better value products, improving competition and strengthening the duty of the ACD to act in the best interest of investors.

The Assessment of Value places a responsibility on the ACD to determine whether the fees and charges of the sub-fund are justified in the context of the overall service and value provided to investors.

### Independent ACD model - terminology

The ACD has the regulatory responsibility for all aspects of the sub-fund operations including the actions of its delegates. Its role requires a focus on good investor outcomes, investor protection, oversight, compliance and general regulatory matters.

The Investment Manager is appointed by the ACD and has the full discretion to manage the assets of the portfolio in accordance with the sub-fund's objective and investment policy. The Investment Manager is the entity which delivers out- or under-performance on behalf of investors. It is the entity which in turn receives the greatest share of the Annual Management Charge.

When both functions are performed by the same organisation the firm can be described as 'vertically integrated'. When the functions are performed by separate organisations the sub-fund can be described as having an Independent ACD. This fund sits in the latter category.

The sub-fund sponsor invites the independent ACD to design and operate the sub-fund. The sponsor contributes to the design and marketing of the sub-fund, having identified the potential for its success.

### Background to our firm – Independent ACD

Thesis Unit Trust Management Limited is a specialist provider of independent ACD services. We bring a level of independence which is important and valued by our investors and sponsors. Our approach to delivering good outcomes for investors in our funds, from the initial design phase and throughout the sub-fund life cycle, is based upon having the right blend of experience, culture and governance.

We choose to work with a variety of service providers (fund accountants, depositaries, transfer agents and auditors) and provide independent, bespoke and flexible solutions. By outsourcing day-to-day activity to specialist providers our teams can focus on investor outcomes, risk management, oversight, product governance and regulatory change.

# TM Cerno Investment Funds

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## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

##### Background to our firm – Independent ACD *(continued)*

We delegate fund servicing to a panel of global, reputable institutions. Consequently, we have an informed view of this part of the supply chain. We benchmark those fund servicers against a range of criteria including service and cost. We build close relationships with our delegates at all levels within our respective organisations allowing for effective escalation when appropriate and always with the best interests of investors in mind. We are also able to change a service provider with relative ease as and when required to improve quality of service, reduce cost or for other strategic or operational reasons.

We delegate investment management to a wide range of firms who utilise different strategies and investment techniques. As such we have a broad and informed view of the investment management marketplace and independently benchmark across a range of criteria including service, performance and costs. Coming from a fund management background we have qualified investment managers and research analysts within our ACD business who have the experience to monitor fund performance and challenge third party investment managers on behalf of investors in the sub-funds.

Following the introduction of the new rules, we appointed two independent non-executive directors with a particular remit to oversee and challenge the Assessment of Value process we conduct.

When performing our Assessment of Value, we have reviewed and assessed the different entities involved.

##### Independent ACD - service and costs

In assessing the quality and cost of our independent ACD service, we have concluded that we have delivered a service that meets the requirements of investors in the sub-funds, and the sub-fund sponsor, and which has delivered value.

Examples of the criteria that we considered included the quality of the relationship with our fund sponsor, the operation and compliance of the sub-fund (including the number of errors and investor complaints), the results from the depositary's inspection and audit of our ACD arrangements, and other factors such as the implementation of regulatory change at no cost to investors.

We judge whether our ACD fee is competitive and can be justified based on feedback from independent consultants, our clients who select us and when existing funds move to us from our competitors. Our fees are tiered thereby providing a mechanism for reducing costs for investors as the sub-fund value increases.

##### Service provider - service and costs

Having separately assessed the quality and cost of the outsourced fund service providers, we have concluded that services have met the requirements expected and delivered value to investors.

Examples of the criteria that we considered included Key Performance Indicators in the key areas including pricing, delivery of statements, delivery of report and accounts, and investor complaints.

We have assessed that the service providers' fees are competitive and provide value to investors by benchmarking against the other service providers on our panel. The majority of fees are tiered thereby providing a mechanism for reducing costs to investors as the sub-fund value increases.

It is our judgement that the experience of investors in the sub-fund and an assessment of whether the sub-fund has delivered value, is most directly impacted by the services, performance and costs that are attributable to the Investment Manager. Further details of our value assessment, with a particular focus on the Investment Manager, are shown on the next page:

## TM Cerno Investment Funds

### TM Cerno Global Leaders Fund

#### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

#### Service provider - service and costs *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
<b>Quality of service</b>	The range and quality of service delivered by the Investment Manager including the experience of the team, track record, quality of relationship with our ACD team, and the results from our governance and oversight arrangements.	We monitor the investment manager on a daily basis, and maintain frequent contact with them on a range of aspects of their work including adherence with the investment mandate and policy, liquidity management, and fair value pricing as well as regulatory compliance. We have more formal contact quarterly and further periodic reviews on a thematic basis.  We are satisfied that the Investment Manager continues to meet our requirements and provides a good quality of service.	Yes
<b>Performance</b>	Whether the sub-fund has provided good performance, net of fees, in relation to its investment objective. We have considered performance against the sub-fund's benchmark and/or appropriate peer group, compliance with investment policy, volatility and liquidity, and any evidence of closet tracking.	The sub-fund has outperformed its benchmark over 1 year periods. There is insufficient data for the 3 and 5 year period because the sub-fund was only launched in November 2017. The sub-fund is being actively managed in accordance with the investment objective and policy.	Yes
<b>Costs</b>	Whether the charges are reasonable compared with the costs of providing the service (considering factors such as the size of the Investment Manager, its balance sheet strength and profit margins). In funds with multiple share classes the comparison is undertaken using the active share class with the highest charges.	At a sub-fund size of £70 million we are satisfied that the costs charged to the sub-fund are reasonable given its size and a holistic assessment of the benefits that accrue to its investors.	Yes
<b>Economies of Scale</b>	Is the sub-fund or the Investment Manager of a size or scale where economies of scale should be passed on to investors.	In view of the sub-fund's size, we do not believe that there are economies of scale available yet to be passed back to the sub-fund.	N/A
<b>Comparable market rates</b>	Whether the charges are comparable with similar funds in this sector of the market.	As an independent ACD we operate multiple funds. We appoint different service providers and a wide range of Investment Managers and can readily benchmark fees. It is our assessment that the sub-fund's OCF is lower than the OCF of other similar funds in the market.	Yes

## TM Cerno Investment Funds

### TM Cerno Global Leaders Fund

#### Sub-fund Information *(continued)*

#### Assessment of Value (unaudited) *(continued)*

#### Service provider - service and costs *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
<b>Comparable services</b>	How the charges compare to other comparable funds that the Investment Manager manages.	Whilst we do not have visibility of the rates that the Investment Manager charges for providing comparable services outside of our fund range, the OCF of the sub-fund is lower when compared to other similar funds that we operate.	Yes
<b>Classes of shares</b>	Whether investors are invested in a share class with higher charges than another class which is available. We have also considered different fees which apply to retail and institutional investors where institutional investors are subject to a significantly higher minimum investment.	The OCF of the retail classes is 13 per cent higher than the institutional classes. This differential is considered reasonable and justifiable given the operational workload, risks and associated costs of supporting retail investors.	Yes

Following our assessment, the board of Thesis Unit Trust Management Limited has concluded that the fund offers value to investors in each share class.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

#### Comparative Tables

*A Inc*

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>		
Opening net asset value per share	946.95	1,011.00
Return before operating charges*	255.47	(56.83)
Operating charges	(9.52)	(5.38)
Return after operating charges*	245.95	(62.21)
Distributions on income shares	(6.27)	(1.84)
Closing net asset value per share	1,186.63	946.95
*After direct transaction costs of <sup>2</sup> :	0.36	(0.02)
<b>Performance</b>		
Return after charges	25.97%	(6.15)%
<b>Other Information</b>		
Closing net asset value (£'000)	116	93
Closing number of shares	9,807	9,789
Operating charges <sup>3</sup>	0.87%	0.90%
Direct transaction costs	0.03%	0.00%
<b>Prices</b>		
Highest share price	1,212.00	1,089.00
Lowest share price	935.40	938.10

<sup>1</sup> A Inc share class launched on 28th May 2018.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

A Acc

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	946.15	997.67	1,000.00
Return before operating charges*	256.27	(42.46)	(0.77)
Operating charges	(9.68)	(9.06)	(1.56)
Return after operating charges*	246.59	(51.52)	(2.33)
Distributions	(6.45)	(6.53)	(0.27)
Retained distributions on accumulation shares	6.45	6.53	0.27
Closing net asset value per share	1,192.74	946.15	997.67
*After direct transaction costs of <sup>2</sup> :	0.37	(0.02)	0.07
<b>Performance</b>			
Return after charges	26.06%	(5.16)%	(0.23)%
<b>Other Information</b>			
Closing net asset value (£'000)	11,586	3,883	632
Closing number of shares	971,417	410,429	63,343
Operating charges <sup>3</sup>	0.87%	0.90%	0.96%
Direct transaction costs	0.03%	0.00%	0.01%
<b>Prices</b>			
Highest share price	1,218.00	1,087.00	1,009.00
Lowest share price	934.50	916.20	978.50

<sup>1</sup> A Acc share class launched on 1st November 2017.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.



# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

*B Inc*

	<i>31/12/2019</i>	<i>31/12/2018<sup>1</sup></i>
	<i>(pence per share)</i>	<i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>		
Opening net asset value per share	950.07	991.70
Return before operating charges*	257.61	(39.59)
Operating charges	(8.70)	(0.84)
Return after operating charges*	248.91	(40.43)
Distributions on income shares	(7.87)	(1.20)
Closing net asset value per share	1,191.11	950.07
*After direct transaction costs of <sup>2</sup> :	0.38	(0.02)
<b>Performance</b>		
Return after charges	26.20%	(4.08)%
<b>Other Information</b>		
Closing net asset value (£'000)	759	28
Closing number of shares	63,715	3,000
Operating charges <sup>3</sup>	0.77%	0.80%
Direct transaction costs	0.03%	0.00%
<b>Prices</b>		
Highest share price	1,218.00	1,036.00
Lowest share price	938.50	941.50

<sup>1</sup> B Inc share class launched on 22nd November 2018.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

B Acc

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	945.00	995.92	1,000.00
Return before operating charges*	255.34	(42.93)	(2.68)
Operating charges	(8.41)	(7.99)	(1.40)
Return after operating charges*	246.93	(50.92)	(4.08)
Distributions	(7.33)	(7.48)	(0.21)
Retained distributions on accumulation shares	7.33	7.48	0.21
Closing net asset value per share	1,191.93	945.00	995.92
*After direct transaction costs of <sup>2</sup> :	0.36	(0.02)	0.07
<b>Performance</b>			
Return after charges	26.13%	(5.11)%	(0.41)%
<b>Other Information</b>			
Closing net asset value (£'000)	8,907	7,857	4,888
Closing number of shares	747,273	831,419	490,825
Operating charges <sup>3</sup>	0.77%	0.80%	0.86%
Direct transaction costs	0.03%	0.00%	0.01%
<b>Prices</b>			
Highest share price	1,217.00	1,085.00	1,008.00
Lowest share price	933.40	914.80	976.70

<sup>1</sup> B Acc share class launched on 1st November 2017.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

### Comparative Tables *(continued)*

M Acc

	<i>31/12/2019</i> <i>(pence per share)</i>	<i>31/12/2018</i> <i>(pence per share)</i>	<i>31/12/2017<sup>1</sup></i> <i>(pence per share)</i>
<b>Change in Net Asset Value per Share</b>			
Opening net asset value per share	951.81	997.78	1,000.00
Return before operating charges*	257.82	(43.49)	(1.73)
Operating charges	(2.41)	(2.48)	(0.49)
Return after operating charges*	255.41	(45.97)	(2.22)
Distributions	(13.53)	(12.92)	(1.58)
Retained distributions on accumulation shares	13.53	12.92	1.58
Closing net asset value per share	1,207.22	951.81	997.78
*After direct transaction costs of <sup>2</sup> :	0.37	(0.02)	0.07
<b>Performance</b>			
Return after charges	26.83%	(4.61)%	(0.22)%
<b>Other Information</b>			
Closing net asset value (£'000)	49,251	44,608	52,321
Closing number of shares	4,079,651	4,686,631	5,243,678
Operating charges <sup>3</sup>	0.22%	0.25%	0.30%
Direct transaction costs	0.03%	0.00%	0.01%
<b>Prices</b>			
Highest share price	1,233.00	1,092.00	1,009.00
Lowest share price	940.20	918.10	977.90

<sup>1</sup> M Acc share class launched on 1st November 2017.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transactions costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last year's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

# TM Cerno Investment Funds

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## TM Cerno Global Leaders Fund

### Sub-fund Information *(continued)*

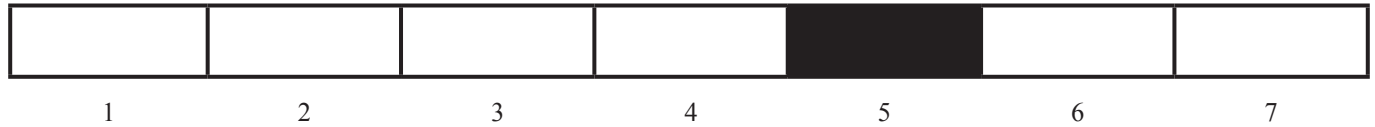
#### Risk and Reward Indicator (“RRI”)

**Lower Risk**

Typically lower rewards

**Higher Risk**

Typically higher rewards



The RRI table demonstrates where a sub-fund ranks in terms of risk and reward. The higher the risk the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the risk profile of the sub-fund. The shaded area on the table above shows the sub-fund's ranking on the risk and reward indicator.

## TM Cerno Investment Funds

### TM Cerno Global Leaders Fund

#### Statement of Total Return

for the year ended 31st December 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Income					
Net capital gains/(losses)	5		14,470		(3,518)
Revenue	7	1,109		1,085	
Expenses	8	(228)		(206)	
Interest payable and similar charges		(3)		(2)	
Net revenue before taxation		878		877	
Taxation	9	(159)		(132)	
Net revenue after taxation for the year			719		745
<b>Total return before distributions</b>			<b>15,189</b>		<b>(2,773)</b>
Distributions	10		(719)		(745)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>14,470</b>		<b>(3,518)</b>

#### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31st December 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
<b>Opening net assets attributable to shareholders</b>			<b>56,469</b>		57,841
Amounts receivable on issue of shares		8,029		12,404	
Amounts payable on cancellation of shares		(9,060)		(11,015)	
			(1,031)		1,389
Dilution levy			–		17
Change in net assets attributable to shareholders from investment activities			14,470		(3,518)
Retained distribution on accumulation shares	10		711		740
<b>Closing net assets attributable to shareholders</b>			<b>70,619</b>		<b>56,469</b>

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Balance Sheet

as at 31st December 2019

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
Fixed assets:			
Investments		68,948	56,248
Current assets:			
Debtors	12	271	176
Cash and bank balances	11	1,461	309
<b>Total assets</b>		<b>70,680</b>	56,733
<b>Liabilities</b>			
Creditors:			
Bank overdrafts		(1)	(48)
Distribution payable	10	(1)	–
Other creditors	13	(59)	(216)
<b>Total liabilities</b>		<b>(61)</b>	(264)
<b>Net assets attributable to shareholders</b>		<b>70,619</b>	56,469

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019

#### 1. Accounting Policies

The accounting, distribution and risk management policies for notes 1 to 4 are provided on pages 21 to 24.

#### 5. Net Capital Gains/(Losses)

Net capital gains/(losses) comprise:

	2019 £'000	2018 £'000
Non-derivative securities	14,555	(3,465)
Currency losses	(83)	(50)
Transaction charges	(2)	(3)
Net capital gains/(losses)	<u>14,470</u>	<u>(3,518)</u>

#### 6. Purchases, Sales and Transaction Costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of these costs, please refer to the additional portfolio transaction cost information on page 82.

##### Analysis of direct transaction costs for the year ended 31st December 2019:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Equities	18,307	6	9	18,322	0.03	0.05
	<u>18,307</u>	<u>6</u>	<u>9</u>	<u>18,322</u>		
<b>Sales</b>						
Equities	20,183	(7)	–	20,176	0.03	–
	<u>20,183</u>	<u>(7)</u>	<u>–</u>	<u>20,176</u>		
Derivative purchases and sales		–	–			
Total cost as percentage of average net asset value		<b>0.02%</b>	<b>0.01%</b>			

##### Analysis of direct transaction costs for the year ended 31st December 2018:

	Principal £'000	Commissions £'000	Taxes £'000	Total Cost £'000	Commissions % of principal	Taxes % of principal
<b>Purchases</b>						
Equities	13,031	4	9	13,044	0.03	0.07
	–	–	–	–		
<b>Sales</b>						
Equities	10,544	(3)	–	10,541	0.03	–
	–	–	–	–		
Derivative purchases and sales		–	–			
Total cost as percentage of average net asset value		<b>0.01%</b>	<b>0.01%</b>			

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 6. Purchases, Sales and Transaction Costs (continued)

##### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.38% (31st December 2018: 0.06%), based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 7. Revenue

	2019 £'000	2018 £'000
Bank interest	1	–
Franked UK dividends	117	98
Overseas dividends	991	987
	<u>1,109</u>	<u>1,085</u>

#### 8. Expenses

	2019 £'000	2018 £'000
<b>Payable to the ACD or associates of the ACD:</b>		
ACD's periodic charge	43	41
Investment Manager's fees	98	57
	<u>141</u>	<u>98</u>
<b>Payable to the Depository or associates of the Depository:</b>		
Depository's fee	21	21
Safe custody charges	14	15
	<u>35</u>	<u>36</u>
<b>Other expenses:</b>		
Administration fees	46	42
Audit fees <sup>1</sup>	9	8
Advisory fees	1	–
Calastone fees	1	–
Euroclear fees	(10)	19
Legal fees	1	–
Printing fees	1	1
Registration fees	3	2
	<u>52</u>	<u>72</u>
<b>Total expenses</b>	<u>228</u>	<u>206</u>

<sup>1</sup> Total audit fees of £7,350 (31st December 2018: £7,000) exclusive of VAT.



# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 9. Taxation

	2019 £'000	2018 £'000
<b>a) Analysis of charge for the year:</b>		
Corporation tax	–	–
Overseas withholding tax	159	132
<b>Total current tax</b>	<b>159</b>	132
Deferred tax charge	–	–
<b>Total taxation</b>	<b>159</b>	132
<b>b) Factors affecting taxation charge for the year:</b>		
Net revenue before tax	878	877
Net revenue multiplied by the standard rate of corporation tax of 20% (2018: 20%)	175	176
Effects of:		
Excess management expenses not utilised	46	41
Franked UK dividends	(23)	(19)
Non-taxable overseas dividends	(198)	(196)
Overseas withholding tax	159	132
Tax due to timing differences	–	(2)
<b>Total tax charge (note 9a)</b>	<b>159</b>	132
<b>c) Deferred tax</b>		
Deferred tax charge (note 9a)	–	–
Provision at start of year	–	–
<b>Provision at end of year</b>	–	–

The sub-fund has not recognised a deferred tax asset of £96,932 (31st December 2018: £49,813) arising as a result of having unutilised management expenses. The unutilised management expenses will only be recovered to the extent that the sub-fund has sufficient future taxable revenue.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 10. Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	2019 £'000	2018 £'000
Interim distribution	3	–
Interim accumulation	530	540
Final distribution	1	–
Final accumulation	181	200
	715	740
Add: Revenue deducted on shares cancelled	10	17
Deduct: Revenue received on shares created	(6)	(12)
Net distribution for the year	719	745

#### 11. Cash and bank balances

	2019 £'000	2018 £'000
Cash and bank balances	1,461	309
	1,461	309

#### 12. Debtors

	2019 £'000	2018 £'000
Accrued revenue	50	34
Amount receivable for issue of shares	109	63
Overseas tax recoverable	112	79
	271	176

#### 13. Other creditors

	2019 £'000	2018 £'000
Accrued expenses	50	54
Amount payable for cancellation of shares	9	162
	59	216

#### 14. Related Parties

Thesis Unit Trust Management Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the sub-fund in its capacity as the ACD.

Thesis Unit Trust Management Limited acts as principal on all the transactions of shares in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts due to/from Thesis Unit Trust Management Limited in respect of share transactions at the year end are disclosed within notes 11 and 13 as applicable.

Amounts paid to Thesis Unit Trust Management Limited in respect of the ACD's periodic charges and any rebates received are disclosed in note 8. £14,571 (31st December 2018: £9,432) was due at the year end.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 14. Related Parties (continued)

Thesis Unit Trust Management Limited did not enter into any other transactions with the sub-fund during the year.

#### 15. Equalisation

Equalisation is accrued income included in the price of shares purchased during the accounting year, which, after using monthly groupings to average, is refunded as part of a shareholder's first distribution, resulting in the same rate of distribution on all shares. As a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for Capital Gains Tax purposes.

#### 16. Contingent Liabilities

There were no contingent liabilities as at 31st December 2019 (31st December 2018: £Nil).

#### 17. Share Classes

The sub-fund currently has five share classes: A Inc, A Acc, B Inc, B Acc and M Acc. The distribution per share is given in the distribution tables on pages 103 to 104. All shares have the same rights on winding up.

The ACD's service charge for the class of each share is as follows:

	ACD's periodic charge*	Investment Manager's fee
A Inc	0.07%	0.65%
A Acc	0.07%	0.65%
B Inc	0.07%	0.55%
B Acc	0.07%	0.55%
M Acc	0.07%	0.00%

\*ACD is charged on sliding scale as per latest Prospectus.

The following table shows the shares in issue during the year:

Share Class	Opening Shares	Shares Created	Shares Liquidated	Shares Converted	Closing Shares
A Inc	9,789	496	(478)	–	9,807
A Acc	410,429	639,992	(79,004)	–	971,417
B Inc	3,000	61,675	(960)	–	63,715
B Acc	831,419	19,180	(103,326)	–	747,273
M Acc	4,686,631	–	(606,980)	–	4,079,651

#### 18. Financial Instruments

In pursuing its investment objective set out on page 4, the sub-fund holds a number of financial instruments. These may comprise:

- equity shares, non-equity shares, shares in collective investment vehicles, fixed income securities and floating rate securities. These are held in accordance with the sub-fund investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf; and
- borrowings used to finance investment activity.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures

- *Market price risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

At 31st December 2019, if the price of the investments held by the sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders would increase or decrease by approximately £3,447,393 (31st December 2018: £2,812,385).

- *Foreign currency risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

At the year end date, a portion of the net assets of the sub-fund were denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

#### Foreign currency exposure as at 31st December 2019:

Currency	Monetary	Non	Total
	Exposures	Monetary	
	2019	Exposures	2019
	£'000	£'000	£'000
Danish kroner	23	2,516	2,539
Euro	33	15,016	15,049
Japanese yen	10	5,058	5,068
Pound sterling	1,508	2,341	3,849
Swedish krona	–	5,329	5,329
Swiss franc	32	2,494	2,526
US dollar	65	36,194	36,259
	<b>1,671</b>	<b>68,948</b>	<b>70,619</b>

#### Foreign currency exposure as at 31st December 2018:

Currency	Monetary	Non	Total
	Exposures	Monetary	
	2018	Exposures	2018
	£'000	£'000	£'000
Danish kroner	17	4,204	4,221
Euro	20	7,901	7,921
Japanese yen	11	2,168	2,179
Pound sterling	143	4,203	4,346
Swedish krona	–	4,145	4,145
Swiss franc	21	4,366	4,387
US dollar	9	29,261	29,270
	<b>221</b>	<b>56,248</b>	<b>56,469</b>

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

At 31st December 2019, if the value of Sterling increased or decreased by 1% against all currencies, with all other variables remaining constant, then the net assets attributable to shareholders would increase or decrease by approximately £667,700 (31st December 2018: £521,226).

- *Interest rate risk* - risk management policies surrounding this risk are discussed in note 4 on pages 22 to 24.

#### Interest rate risk profile of financial assets as at 31st December 2019:

Currency	Floating Rate	Fixed Rate	Financial Assets	Total
	Financial		Not Carrying	
	Assets	2019	Interest	2019
	£'000	£'000	£'000	£'000
Danish kroner	–	–	2,516	2,516
Euro	4	–	15,016	15,020
Japanese yen	10	–	5,058	5,068
Pound sterling	1,408	–	2,341	3,749
Swedish krona	–	–	5,329	5,329
Swiss franc	–	–	2,494	2,494
US dollar	39	–	36,194	36,233
	<b>1,461</b>	<b>–</b>	<b>68,948</b>	<b>70,409</b>

#### Interest rate risk profile of financial assets as at 31st December 2018:

Currency	Floating Rate	Fixed Rate	Financial Assets	Total
	Financial		Not Carrying	
	Assets	2018	Interest	2018
	£'000	£'000	£'000	£'000
Danish kroner	–	–	4,204	4,204
Euro	–	–	7,901	7,901
Japanese yen	10	–	2,168	2,178
Pound sterling	262	–	4,203	4,465
Swedish krona	–	–	4,145	4,145
Swiss franc	–	–	4,366	4,366
US dollar	37	–	29,261	29,298
	<b>309</b>	<b>–</b>	<b>56,248</b>	<b>56,557</b>

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

for the year ended 31st December 2019 (continued)

#### 19. Risks Disclosures (continued)

##### Interest rate risk profile of financial liabilities as at 31st December 2019:

Currency	Floating Rate Financial Liabilities 2019 £'000	Financial Liabilities Not Carrying Interest 2019 £'000	Total 2019 £'000
Euro	(1)	–	(1)
	(1)	–	(1)

##### Interest rate risk profile of financial liabilities as at 31st December 2018:

Currency	Floating Rate Financial Liabilities 2018 £'000	Financial Liabilities Not Carrying Interest 2018 £'000	Total 2018 £'000
Euro	(6)	–	(6)
US dollar	(42)	–	(42)
	(48)	–	(48)

Please note that short term debtors and creditors are excluded in the interest rate risk tables above.

The sub-fund's net cash holdings of £1,459,381 (31st December 2018: £260,852) are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

- *Fair value* - in the opinion of the ACD, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 31st December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Equities	68,948	–	–	68,948
	Level 1	Level 2	Level 3	Total
Valuation technique as at 31st December 2018	£'000	£'000	£'000	£'000
Assets				
Equities	56,248	–	–	56,248

Level 1: The unadjusted quoted price in an active market for an identical instrument that the entity can access at the measurement date.

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e., developed using market data).

Level 3: Valuation techniques using unobservable inputs (i.e., for which market data is unavailable).

# TM Cerno Investment Funds

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## TM Cerno Global Leaders Fund

### Notes to the Financial Statements

*for the year ended 31st December 2019 (continued)*

#### 20. Leverage

There are two ways in which the ACD can introduce leverage to the sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the ACD manages the sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the ACD's current approach to leverage.

The maximum leverage calculated on the commitment method permitted is 200%. It is expected that the ACD will operate the sub-fund well within these limits. The 'commitment' method is the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The ACD sets maximum leverage levels and operates the sub-fund within these levels at all times.

As at year end 31st December 2019, the total leverage in the sub-fund, using the commitment approach, did not exceed 100% (gross 102.15%, commitment 97.87%). Given that the exposure of the sub-fund is 97.87% of NAV, this means that no leverage was employed by the sub-fund.

#### 21. Post Balance Sheet Market Events

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30th January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The ACD is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

The sub-fund considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Subsequent to the year end, the sub-fund's NAV has not suffered as a result of a decline in global stock markets and the latest NAV per Class M Accumulation of 1,164.00p as at the close of business on 28th April 2020 had decreased on average across the share classes by 3.58% compared to the NAV at the year end of 31st December 2019. The Fund's overall NAV from the 31st December 2019 and 28th April 2020 has increased by 4.35%.

# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Distribution Tables

for the year ended 31st December 2019

#### Interim Distribution A Inc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Income	Equalisation (note 15)	2019 Net Distribution Paid	2018 Net Distribution Paid
1	5.9401	–	5.9401	1.0200
2	1.7502	4.1899	5.9401	1.0200

#### Interim Accumulation A Acc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	6.0017	–	6.0017	5.8040
2	4.2372	1.7645	6.0017	5.8040

#### Interim Distribution B Inc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Income	Equalisation (note 15)	2019 Net Distribution Paid	2018* Net Distribution Paid
1	6.8819	–	6.8819	–
2	4.4647	2.4172	6.8819	–

#### Interim Accumulation B Acc (in pence per share)

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	6.4440	–	6.4440	6.3451
2	1.9375	4.5065	6.4440	6.3451

#### Interim Accumulation M Acc (in pence per share)\*\*

Group 1: Shares purchased prior to 1st January 2019

Group 2: Shares purchased from 1st January 2019 to 30th June 2019

Group	Net Accumulation	Equalisation (note 15)	2019 Net Accumulation	2018 Net Accumulation
1	9.3671	–	9.3671	8.9221
2	9.3671	–	9.3671	8.9221



# TM Cerno Investment Funds

## TM Cerno Global Leaders Fund

### Distribution Tables

for the year ended 31st December 2019 (continued)

#### Final Distribution A Inc (in pence per share)\*\*

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Income	Equalisation (note 15)	2020 Net Distribution Payable	2019 Net Distribution Paid
1	0.3340	–	0.3340	0.8244
2	0.3340	–	0.3340	0.8244

#### Final Accumulation A Acc (in pence per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	0.4463	–	0.4463	0.7240
2	0.4145	0.0318	0.4463	0.7240

#### Final Distribution B Inc (in pence per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Income	Equalisation (note 15)	2020 Net Distribution Payable	2019 Net Distribution Paid
1	0.9863	–	0.9863	1.1983
2	0.5516	0.4347	0.9863	1.1983

#### Final Accumulation B Acc (in pence per share)

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	0.8889	–	0.8889	1.1346
2	0.7657	0.1232	0.8889	1.1346

#### Final Accumulation M Acc (in pence per share)\*\*

Group 1: Shares purchased prior to 1st July 2019

Group 2: Shares purchased from 1st July 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 15)	2020 Net Accumulation	2019 Net Accumulation
1	4.1654	–	4.1654	3.9946
2	4.1654	–	4.1654	3.9946

\* There are no comparative figures shown as the share class launched on 22nd November 2018.

\*\* There were no group 2 shares for this period.



Thesis Unit Trust Management Limited  
Exchange Building  
St. John's Street  
Chichester  
West Sussex PO19 1UP  
[www.tutman.co.uk](http://www.tutman.co.uk)