

Cumulative Return: 30.9% Since Kernow Inception

Kernow Asset Management is a contrarian investment manager focused on All Cap UK equities on both the long and short side. We seek opportunities with highly asymmetric return characteristics where the investment thesis is differentiated relative to consensus. For professional investors only.

MANAGER COMMENTARY

The strategy declined 0.4% in January, holding up well compared to the UK market's stumbling start to the year.

Several recruitment and plant hire companies delivered poor updates early in the month, aborting the customary January bounce before it had even begun. Christmas numbers from the retailers were mixed but skewed more towards the negative. This read-across hurt our largest position, Frasers Group. As usual, it has not yet updated the market post-Christmas, so we think it is still trading in line, having set a target that is not too ambitious for its financial year. If it does report a slowdown, we would most likely use this as an opportunity to top up our position, as it has no impact on our catalyst.

Last month, we made a new investment in Burberry. This luxury goods company has high margins, a distinctive brand, and desirable international exposure. After a marketing failure in the early 2000s, the firm recovered in 2006 by focusing on its core story and product. This success attracted mainstream investors, building a restrictive consensus and a high rating. We think Burberry is worth c.£10bn, but we rarely see its price low enough to consider buying, except during global panics when we usually find better-returning trades for the same risk.

When Burberry recently fell to a 50% discount, we investigated. We identified a perceived China slowdown and a new UK VAT rule, but these seem fleeting and did not explain the excess fall compared to its sector. We went on to find four issues affecting the company: design, pricing, number of SKUs and excessive overheads. When compounded with a new management team, the market disillusion is understandable.

However, all four issues are within management control and can be fixed within 18 months. It is not a regulatory change, new competitor or invention challenging the company. We believe the CEO's strategy will just take time to bed in, akin to all investment 'J curves'. Our position is small, given the potential for a third profit warning. If this occurs, the stock will move from a 'disappointment to hold' to an 'embarrassment to hold', and the old consensus shareholders will be forced sellers, fearing another Superdry.

Elsewhere in the portfolio, Mondi had a remarkable asset payout from its Russian disposal. Galliford Try upgraded its targets once more, and CMC Markets is ending its multi-year investment programme with cost-cutting underway and its B2B operations trading ahead of expectations.

The most audacious activity this month was in one of our short positions. The senior manager in charge of building its product quit abruptly. The company released an RNS that obfuscated this by waxing lyrical about the replacement NED parachuted in and burying the resignation announcement in the fifth paragraph of the release. The stock went up on the day. It is easier to fool people than convince them they have been fooled.

Another of our shorts, which we think is bankrupt, pulled off an equity placement to push any balance sheet issues out until 2026. Finally, our largest short position said its losses will continue to widen to c.£350m, despite its earlier promise of a breakeven year.

Outlook-wise, Calastone said UK equity inflows in January hit more than £2bn. This was the highest since April 2021 and the eighth strongest inflow month since it began recording. Alas, one month is not a trend. The UK remains deeply out of favour from an asset allocation perspective, providing ample opportunities.

Since its inception in November 2019, the Kernow strategy is up 31%, compared with the prevailing UK equity market, which has increased 20% over the same period. The collective upside in the portfolio is worth more than 225%.

CUMULATIVE TRACK RECORD

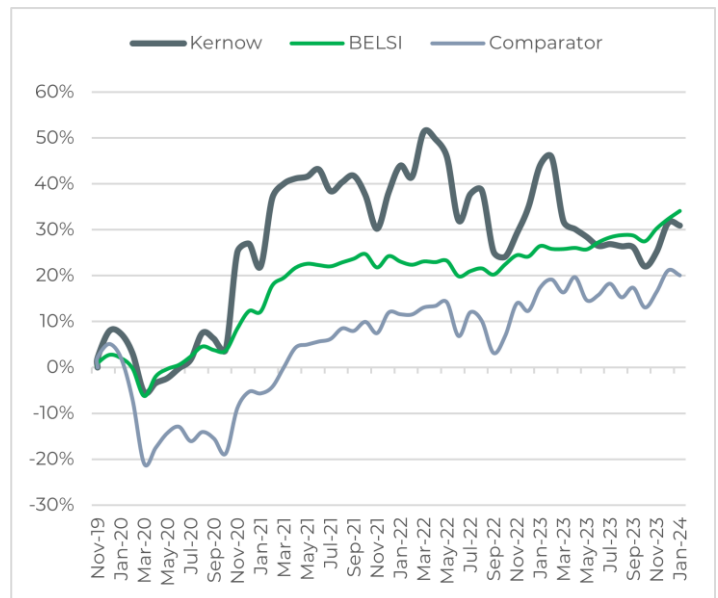


Fig.1 The cumulative performance of the flagship product since inception of Kernow Asset Management. Comparator is the Vanguard FTSE All Share Unit Trust, and the BELSI is the Barclays Equity Long-Short Index.

Source: Internal, LSEG Analytics, BarclayHedge

MONTHLY RETURNS

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total | Comparator | BELSI |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|------------|-------|
| 2024 | -0.4% | | | | | | | | | | | | -0.4% | -0.9% | 1.3% |
| 2023 | 6.8% | 1.2% | -9.5% | -1.3% | -1.3% | -1.5% | 0.3% | -0.4% | -0.2% | -3.3% | 2.6% | 5.0% | -2.6% | 7.8% | 6.6% |
| 2022 | 4.2% | -1.7% | 6.9% | -1.0% | -2.6% | -9.5% | 4.3% | 0.6% | -9.6% | -0.9% | 4.1% | 4.5% | -2.3% | 0.3% | -0.1% |
| 2021 | -3.9% | 12.2% | 2.3% | 0.8% | 0.3% | 1.1% | -3.3% | 1.4% | 1.0% | -3.0% | -5.3% | 6.1% | 8.8% | 18.2% | 10.7% |
| 2020 | -0.5% | -4.0% | -8.2% | 2.1% | 1.1% | 2.2% | 1.9% | 5.7% | -1.2% | -2.2% | 20.4% | 1.5% | 17.7% | -9.9% | 9.3% |
| 2019 | | | | | | | | | | | 2.1% | 5.7% | 7.9% | 5.1% | 2.7% |

Fig.2 The monthly performance of the flagship product since inception of Kernow Asset Management. Comparator is the Vanguard FTSE All Share Unit Trust, and the BELSI is the Barclays Equity Long-Short Index.

Source: Internal, LSEG Analytics, BarclayHedge

TOP 5 LONG POSITIONS BY % OF NAV

| Company Name | Portfolio Weight |
|-----------------------------|-------------------|
| Metro Bank Holdings PLC | 8.5% |
| Frasers Group PLC | 8.1% |
| Saga PLC | 8.1% |
| Galliford Try Holdings PLC | 7.5% |
| Hiscox Ltd | 7.4% |
| Gross / Net Exposure | 126% / 75% |

Fig.3 The largest five holdings within the portfolio, highlighting the gross and net exposure in the bottom row. **Source:** Internal

PORTFOLIO SUMMARY STATISTICS

| | Long | Short |
|----------------------------|-------|-------|
| Forward P/E | 7.7 | 53.4 |
| Return on Equity (FY+1) | 13.0% | 4.0% |
| Market Capitalisation (£m) | 4,692 | 3,909 |
| Dividend Yield | 4.3% | 1.8% |
| Eikon ESG Score | 58.6 | 58.3 |
| Number of Companies | 21 | 14 |

Fig.6 The portfolio summary statistics, using allocation-weighted averaging to compute the aggregated quantities. **Source:** Internal, LSEG Analytics

SECTOR EXPOSURE BY % OF NAV

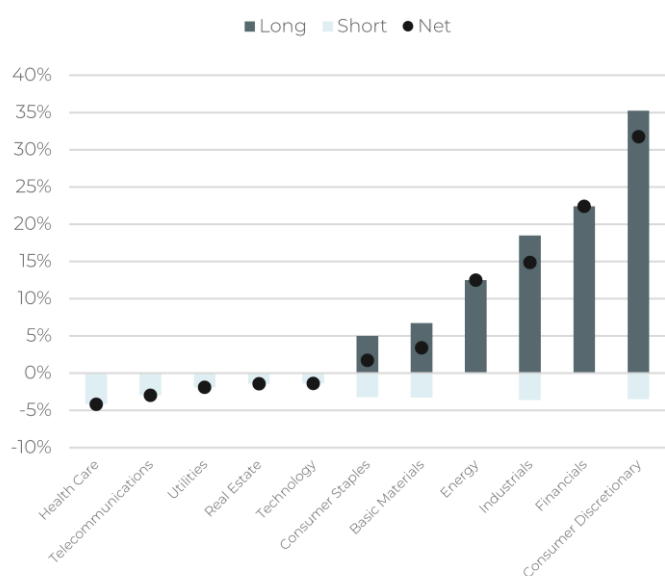


Fig.4 The portfolio Long, Short and Net exposure, aggregated over ICB Industries. Note that our newly added short position, in our view, should be in the Financials Sector, not Industrials. However, we have not made any overrides in the interests of transparency. **Source:** Internal, LSEG Analytics, MSCI

PERFORMANCE CONTRIBUTION

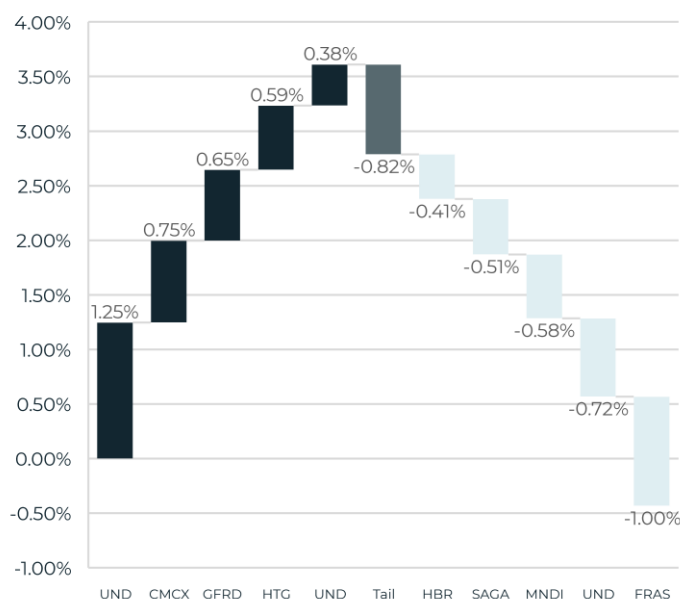


Fig.7 The waterfall representation of monthly return contributions for stocks in the portfolio. UND positions are undisclosed as they are either a short or confidential in nature at present. **Source:** Internal

PERFORMANCE SUMMARY STATISTICS

| | Kernow | BELSI | Comparator |
|---------------------|--------|-------|------------|
| Annual Return | 7.9% | 7.1% | 5.4% |
| Sharpe Ratio | 0.44 | 1.11 | 0.37 |
| Sortino Ratio | 0.74 | 1.44 | 0.44 |
| Hit Rate | 54.9% | 60.8% | 60.8% |
| Payoff Ratio | 1.19 | 1.61 | 0.86 |
| Best Month | 20.4% | 5.1% | 12.2% |
| Worst Month | -9.6% | -6.0% | -15.1% |
| Down Market Capture | 70.9% | 21.0% | 100.0% |
| Up Market Capture | 89.7% | 48.7% | 100.0% |

Fig.5 The summary statistics for the track-record comparison period. **Source:** Internal, LSEG Analytics, BarclayHedge.

PORTFOLIO RISK AND CORRELATION

| | Kernow | BELSI | Comparator |
|------------------|--------|-------|------------|
| Risk | 17.9% | 6.4% | 14.7% |
| Kurtosis | 3.74 | 3.05 | 3.31 |
| Skew | 0.89 | -0.43 | -0.86 |
| Max. Drawdown | 19.4% | 8.7% | 24.8% |
| Downside Risk | 10.7% | 4.9% | 12.4% |
| Upside Risk | 14.6% | 4.4% | 8.0% |
| Correlation | 0.71 | 0.81 | 1.00 |
| Monthly Corr <1% | 0.22 | 0.33 | 1.00 |
| Alpha | 3.2% | 5.2% | 0.0% |

Fig.8 Risk and correlation statistics for the full period. **Source:** Internal, LSEG Analytics, BarclayHedge

DAILY PERFORMANCE CONTRIBUTION ANALYSIS

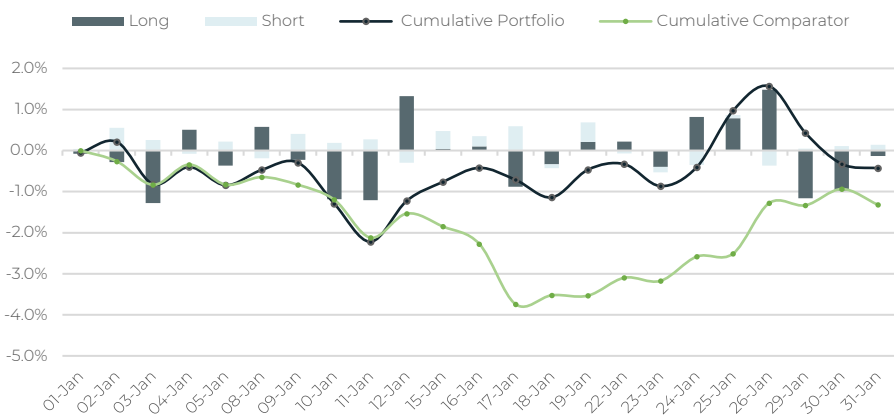


Fig.9 The long and short daily performance contributions shown as stacked bars, and the cumulative performance of the portfolio and comparator. Note that the Comparator here is the FTSE All Share (TR) index.
Source: Internal, Bloomberg, LSEG Analytics

| | Long | Short | Portfolio |
|----------------------------------|-------|-------|-----------|
| Scaled Contribution ¹ | -2.3% | 9.5% | -0.3% |
| Comparator | -1.3% | -1.3% | -1.3% |
| Relative Return | -1.0% | 8.2% | 1.0% |
| Relative Hit Rate | 0.52 | 0.74 | 0.52 |
| Relative Payoff Ratio | 0.74 | 1.40 | 1.11 |

¹ The scaled contribution is calculated as the gross performance of component portfolios with exposures adjusted to be unit-leverage.

Fig.10 The summary contribution statistics for long and short portfolio components across the month.
Source: Internal, Bloomberg, LSEG Analytics

INVESTOR INFORMATION

| | |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Region | UK All Cap |
| Instruments | Equity Long/Short |
| Exposure | Up to 200% gross (20-30 long & 0-20 short) |
| Risk | High (KIID 6) |
| Minimum Investor Horizon | 5 Years |
| Annual Management Charge (AMC) | 1% |
| Incentive Fee | 15% (4% hurdle p.a. with a high watermark) |
| Subscriptions | Weekly |
| Redemptions | Weekly |
| Platforms & Wealth Managers | AJ Bell (BPJGXQ0), Raymond James, GPIM, UBS Wealth Management, Killik & Co, Rowan Dartington, BNP Wealth Management, JM Hambro, Ravenscroft, Mattioli Woods, Brewin Dolphin, Investec, Luna Investment Management, Canaccord Genuity Wealth Management, and EFG Harris Allday. |
| Available Structures | UK OEIC and Separately Managed Accounts (incl. Sovereign Wealth Fund UK Equity Mandate) |

FUND OBJECTIVE

The Fund aims to provide an absolute return by way of a positive return in any market conditions over rolling three-year periods. The fund has a target benchmark which is set at 4% per annum which is equivalent to the performance fee's hurdle rate (subject to the high watermark). There is no guarantee of a positive return over the rolling three-year period, or any other time-period, and capital is at risk. The fund is actively managed with long and short positions investing solely in companies listed in the UK. These companies may have significant economic exposure outside of the UK.

DISCLAIMER

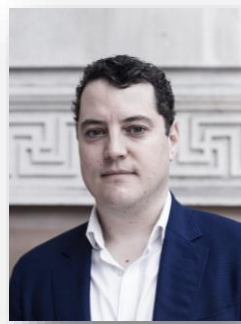
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Performance information for the Kernow Asset Management track record is confidential, unaudited and should not be relied upon in whole or in part by potential investors and is not an indicator of any future performance expectations. The historic performance combines two managed accounts, one from 1 November 2019 to 30 October 2020 and the second from 1 November 2020 to 7 April 2022. From 8 April 2022, audited performance is reported from the YFS Kernow Equity Navigator Fund. All other client accounts follow the same model portfolio and investment strategy, subject to client-selected risk limits. Third parties whose data may be included in this document do not accept any liability for errors or omissions. Any forward-looking statements are based on Kernow's opinion only and are subject to change without notice. Please note that this Factsheet is not approved for retail distribution.

We invite you to contact our Head of Compliance Edward Hugo (edward@kernowam.com) to receive the current status.



Alyx Wood
 Chief Investment Officer



Edward Hugo
 Chief Executive Officer