

# Cinnabar Global Balanced Fund of Funds (USD)



CINNABAR  
INVESTMENTS

30 September 2020

Minimum Disclosure Document (MDD)

Inception Date: 4 February 2011, Fund Currency: USD  
Investment Advisor: Cinnabar Investments  
ISIN: GG00B5742R02, SEDOL: B5742R0, BLOOMBERG: GCIGLFF GU  
Morningstar Category: GIFS USD Moderate Allocation

## Risk Level

1 2 3 4 5 6 **7** 8 9 10

## Fund Information

Fund Size (\$)	12 480 501
NAV	0.9645
Minimum Additional Subscription Amount (\$)	2 000
Domicile	Guernsey
My Minimum Monthly Investment (\$)	2 000
Annual Management Fee - Class A (%)	0.75
Annual Management Fee - Class B (%)	1.5
Total Expense Ratio (TER) (%)	2.54
Pricing Frequency	Weekly

Administrator JTC Fund Solutions (Guernsey) Limited, Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT

Custodian BNP Paribas Securities Services SCA – Guernsey Branch

Auditors BDO LLP

Benchmark GIFS USD Moderate Allocation  
(This benchmark came into effect on the 6th August 2020)

Performance Fee The Fund's performance and benchmark performance will be measured over a rolling 12 month period. Should the Fund's performance exceed the benchmark performance, over the same rolling 12 month period, then a performance fee will become payable. The performance fee will be calculated as 20% of any performance above the benchmark. The performance fee (if any) will be crystallised at each Valuation Point and will normally be paid monthly in arrears.

## Portfolio Holdings

		%
Coronation Global Strategic Income		8.4
PIMCO Divs Inc		8.3
Vanguard Global Stock Index		17.4
Vanguard U.S. 500 Stock Index		14.3
Pinebridge Global Dynamic		10.4
Fidelity Global Dividend		10.2
Orbis SICAV Global Balanced		6.1
Fundsmith Equity Fund		10.1
iShares Core US Agg Bond		5.1
iShares Glb Corp Bond UCITS		5.0
Other		4.7
<b>Total</b>		<b>100.0</b>

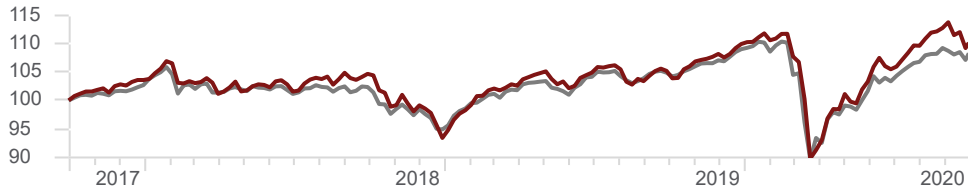
## Top 10 Equity Holdings (%)

Apple Inc	2.21
Microsoft Corp	2.19
Amazon.com Inc	1.49
Facebook Inc A	0.95
Procter & Gamble Co	0.67
Unilever PLC	0.63
Johnson & Johnson	0.63
Visa Inc Class A	0.58
Cisco Systems Inc	0.58
AbbVie Inc	0.53

## Cumulative 3 Year Performance Graph

Time Period: 2017/10/01 to 2020/09/30

Currency: US Dollar



–Cinnabar Global Balanced FoF USD 110.16 –GIFS USD Moderate Allocation 108.30

	1 M	3 M	6 M	1 Y	3 Y	5 Y	Inception
Cinnabar Global Balanced FoF USD	-2.33	4.42	20.75	4.70	3.28	3.39	-0.37
GIFS USD Moderate Allocation	-0.87	4.63	15.28	3.32	2.69	4.38	3.00

Highest Annual Return

18.12	18.12	18.12
-11.08	-11.08	-14.03

Lowest Annual Return

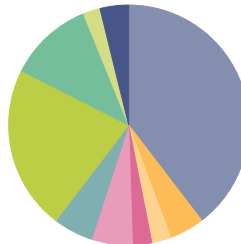
## Risk Measures (3 Years)

Currency: US Dollar

	Std Dev	Max Drawdown	Sharpe Ratio	Sortino Ratio	Up Period Percent
Cinnabar Global Balanced FoF USD	10.74	-19.76	0.18	0.21	65.38
GIFS USD Moderate Allocation	9.65	-18.86	0.12	0.15	61.54

## Asset Allocation

Portfolio Date: 2020/09/30



	%
US Equity	39.60
UK Equity	4.70
Asia Equity	2.60
Japan Equity	2.60
EU Equity	5.50
Equity Other	5.36
US Bond	22.10
Non-US Bond	11.40
Other	2.30
Cash	3.84
<b>Total</b>	<b>100.00</b>

## Equity Sectors (%)

<b>Cyclical</b>	<b>27.21</b>
Basic Materials	2.92
Consumer Cyclical	8.41
Financial Services	13.79
Real Estate	2.09
<b>Sensitive</b>	<b>43.45</b>
Communication Services	10.54
Energy	2.81
Industrials	9.16
Technology	20.94
<b>Defensive</b>	<b>29.34</b>
Consumer Defensive	10.63
Healthcare	14.56
Utilities	4.15

## World Equity Regions (%)

North America	66.23
Latin America	0.06
United Kingdom	7.35
Europe Developed	14.98
Europe Emerging	0.00
Africa/Middle East	0.21
Japan	4.37
Australasia	0.96
Asia Developed	3.77
Asia emerging	2.06
<b>Developed Markets</b>	<b>97.73</b>
<b>Emerging Markets</b>	<b>2.27</b>

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## Fund Objective and Strategy

The primary investment objective of the Fund is to achieve enhanced growth of capital over the longer term at the risk of moderate short term volatility of capital values. The Fund is aimed at investors with medium to long term investment horizon.

## Contact Details

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## Disclosures

The Cinnabar Global Balanced Funds of Funds (USD) is a cell of The Offshore Mutual Fund PCC Limited (the "Manager") Registration Number 51900. The Company is an open-ended investment company, which was registered with limited liability in Guernsey on 20 May 2010. The Company is an umbrella company constituted as a Protected Cell Company under the Companies Law. The provisions of the Companies Law enable a company to which it applies to create one or more cells for the purpose of segregating and protecting the assets within those cells so that, on the basis that the company complies with the conditions laid down by the Companies Law, liabilities of the company attributable to one cell can only be satisfied out of the assets of that cell and even if those assets are insufficient, recourse cannot be had to the assets of any other cell. The Company is registered with Limited Liability in Guernsey and authorized by the Guernsey Financial Services Commission as a Collective Investment Scheme of Class B. The Cinnabar Global Balanced Fund of Funds (USD) is approved by the Financial Services Board under the Collective Investment Schemes Control Act, 2002. Cinnabar Investments, the Investment Advisor is licensed by the Financial Services Commission (FSC) in Mauritius with a Global Business Licence (Category 1 - authorised to conduct business outside Mauritius) and its licence number is C112011454 is responsible for managing the assets of this portfolio. Investments into the Cinnabar Global Balanced Fund of Funds (USD) should be a medium to long-term investment. The value of the shares may go down as well as up and past performance is not necessarily a guide to the future. Short term borrowing will be allowed to the amount of 10% of the value of the cell and will only be permitted for purposes of the redemption of Participating Shares. The Fund may enter into hedging transactions where it has acquired investments not denominated in its base currency. Currency risk may be hedged, at the discretion of the Manager. The margins and premiums payable for such transactions shall not exceed the Net Asset Value of the Fund. A schedule of fees and charges and maximum commissions is available on request from the Manager. The cell is valued weekly at 23h00, on the business day preceding dealing day. The latest prices may be viewed at [www.cinnabar.mu](http://www.cinnabar.mu). Instructions must reach the Manager before 10h00 of the first business day of the week. The Manager does not provide any guarantee, either with respect to the capital or the return of this cell. Additional information on the portfolio can be obtained, free of charge from [www.cinnabar.mu](http://www.cinnabar.mu) or may be requested from the Manager. The cell complies and is managed within the investment restrictions and guidelines for Foreign Collective Investment Schemes. The Cinnabar Global Balanced Fund of Funds (USD) is approved in terms of Section 65 of the Collective Investment Schemes Control Act, No 45 of 2002 ("the Act"); Notice 2076 of 2003 as amended by notice 1502 of 2005 ("the conditions"). The Total Expense Ratio (TER) is disclosed as the percentage of the average NET Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio and underlying portfolios. The TER is calculated quarterly. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment or income and withholding tax. Annualized returns, also known as Compound Annualized Growth Rates, are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. Performance figures quoted are from Morningstar, for a lump sum investment, using NAV-NAV prices with income distributions reinvested. The performance is calculated for the portfolio and individual performance may differ. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice. Investors are encouraged to obtain independent professional investment and taxation advice before investing in this fund.

## Fund Manager Commentary

Stalled fiscal stimulus talks in Washington, the upcoming election and new coronavirus cases in Europe created negative sentiment amongst investors, forcing stocks lower in September. The technology sector retreated this month on the back of negative investor sentiment, sending the tech-heavy Nasdaq Composite into contraction territory. The Nasdaq ended the month down 5.16%, with the S&P 500 losing 3.92%. World markets struggled amid more coronavirus cases and continued tension between US and China. The MSCI-EAFE Index contracted by 2.20%. Germany's DAX index declined 1.43% and France's CAC 40 lost 2.91%. Great Britain's FTSE index contracted by 1.68%. On the far East China's Hang Seng index ended the month sharply down by 6.82% whilst on the Pacific Rim, Japan's Nikkei gained 9.68% and Australia's ASX fell 4.04%.

The Cinnabar Global Balanced Fund of Fund USD lost 2.33% for September, coming in below peers. The GIFS USD Moderate Allocation peer group ended the month down 0.87%. Detractors for the month were Vanguard Global Stock Index down 3.45%, Vanguard U.S. 500 Stock Index Fund falling 3.84% and Orbis Global Bond contracting 3.67%

### United States of America

The second quarter saw the US economy shrink by an annualised 31.4% the most significant contraction ever, pushing the economy into a recession. With this being said, the US economy has picked up from its depressed second-quarter level. However, it still has a long way to go before fully recovering from the coronavirus pandemic. In US economic data, the unemployment rate fell for its 3th consecutive month to 7.9%, recovering more than half of the 22 million jobs lost in March and April, albeit with fewer people looking for work. Consumers are more optimistic about the economy, with consumer sentiment increasing to 80.4 in September. Annual inflation rose to 1.3% in August, and the Federal Reserve will look keep interest rates close to zero until inflation is on track to 'moderately exceed' its target of 2%. Retail sales growth in the US slowed to just 0.6% month-on-month with the softening in consumer demand linked to the expiry of emergency unemployment benefits at the end of July. Fed chair Jerome Powell said that America's economic recovery is expected to slow and that it will need continued support from the central bank as well as extra government spending. The Federal Reserve sees the US economy shrinking by 3.7% for the year.

### UK

After contracting 21.5% year-on-year in the second quarter, the UK economy appeared to rebound in quarter three. GDP rose sharply in July as restrictions were loosened; however, the labour market remained weak. Moreover, Manufacturing PMI came in lower for September at 54.1 compared to the previous month, showing a potential slowdown in private sector momentum towards the end of the quarter. This comes in the wake of restrictions tightening due to the second wave of coronavirus cases. The Bank of England voted unanimously to hold interest rates at its record low of 0.1%. Still, it warned that the rising number of coronavirus infections and a lack of clarity over the UK's future trade relationship with the EU threatened the economic recovery. Further to this, the bank's deliberations included a presentation on how 'negative interest rates' might work, leading to speculation that such a policy tool is being considered as an option. Unemployment rose to 4.1% in the three months to July from 3.9%, and the government said it would contribute a maximum of 22% of wages for employees who are working fewer than regular hours in an attempt to stem further job cuts. In politics, the UK struck its first post-Brexit trade pact after signing an agreement-in-principle with Japan that aims to boost trade between the two countries by about £15 billion a year.

### Europe

The three months to June saw the Euro economy shrink by 14.7%, the most significant contraction on record, pushing the economy to a recession as the coronavirus restrictions hurt most sectors. Looking ahead, Q3, the annual rate of inflation in the eurozone is expected to fall 0.2% in August based on falling energy prices. ECB President Christine Lagarde signalled a change to the central bank's strategy, introducing the flexibility to adjust the 2% inflation target. Unemployment increased to 8.1% in August, the highest jobless rate since July 2018. On the positive side, the overall economic sentiment was upbeat for September. Manufacturing PMI increased to 53.7 in September from 51.7 in the previous month, and consumer confidence was -13.9 for September, higher than August's reading of -14.7. On the employment front, the number of employed persons in the Euro Area declined by 2.9% on quarter in the three months to June. Meanwhile, outbreaks of the virus in France and Spain threaten the regional recovery. S&P Global Ratings warned that European banks had increased their exposure to sovereign debt, which could result in higher 'doom loop' risks. As reported by Reuters, "the 'doom loop' was at the heart of the eurozone debt crisis when banks had vast holdings of their own governments' debt."

### Japan

The Japanese economy shrank by an annualised 28.1% in the quarter ending June, slightly more than initial estimates and the biggest slump on record. Recent indicators show the economy remains in a severe state as unemployment increased to its highest rate since March 2017 when it reached 3% in August, up from 2.7% in the prior month. Both retail sales and consumer price inflation decreased by 1.9% and 0.2% respectively. The Bank of Japan kept its key short-term interest rate at -0.1% and maintained the target for the 10-year Japanese government bond yield at around 0% during its September meeting. More positively, the manufacturing PMI index ended the month marginally up at 47.7 for September from 47.2 in the previous month. Like Japanese policymakers who have slightly upgraded their views on the economy, consumers are more optimistic on the future of the economy as consumer confidence edged up 32.7 in September from 29.3 in the previous month. On the political front, Yoshihide Suga was elected as Japan's new prime minister, replacing Shinzo Abe after he abruptly resigned last month due to poor health.

### China

China's economy continues to gain traction despite a challenging external environment. A loosening of COVID-19 restrictions saw retail trade add 0.5% from a year earlier in August as consumption started to recover. General Manufacturing PMI was little changed at 53.0 in September, slightly below market consensus of 53.1, indicating factory activity maintained its recovery momentum. China's annual inflation rate eased to 2.4% in August from 2.7% in the previous month, and the People's Bank of China left its one-year loan prime rate unchanged at 3.85%, with the equivalent five-year rate also unchanged at 4.65%. The lack of action suggests officials remain comfortable with the degree to which monetary policy is supporting domestic activity. In other indicators, China's unemployment rate decreased to 5.60% for August, and residential property prices increased by 4.8% on the year in the same month. China's trade surplus widened sharply to USD 58.93 billion in August 2020 from USD 34.72 billion in the same month the previous year. Although the external sector continued to fare well in August, risks are looming on the horizon as some of China's main trading partners are suffering heavily from the consequences of the pandemic.

### South Africa

The COVID-19 lockdown forced the South African economy to nosedive in Q2 as lockdown measures impacted activity, with capital and household spending plummeting as businesses and consumers deferred non-essential purchases. In Q3, as restrictions were gradually lifted, business sentiment increased to 24 in the third quarter of 2020 from a record low of 5 in the previous period. Consumers are likewise less pessimistic with consumer confidence rising to -23 in the third quarter after hitting a 35-year low of -33 in the prior period. Retail trade slumped 9% from a year earlier in July, following a downwardly revised 7.2% fall in June and a 49.9% tumble reported in April, suggesting the economic recovery will be slow. Annual inflation rate edged down to 3.1% in August from 3.2% in July, which saw the South African Reserve Bank held its benchmark repo rate unchanged at a record low of 3.5% during its September meeting. Further to this the South African Reserve bank said that further easing was not likely in 2020 but hinted two rate increases in the Q3 and Q4 of 2021. The bank has revised its growth expectations downwards. It forecasts the economy to contract by 8.2% in 2020, before rebounding by 3.9% in 2021 and 2.6% in 2022.

Sources: Trading Economics, Bloomberg, Reuters, Cinnabar Investment Management, The Economist

## Benefits of Multi-Managed Portfolios (Fund of Funds)

**In-depth research:** Research team spends hundreds of hours researching managers, ensuring that a thorough due diligence is conducted before any investment into a fund is undertaken.

**Lower risk through diversification:** Different styles of funds with low correlations to each other, which reduces volatility and other risks and hence helps protect investors from capital loss and produces more consistent performance.

**Best of breed:** Investors have access to the best managers in the industry no matter the size of the investment.