

Monthly report October 2017

Markets

Again the European markets ended the month in positive territory, but it was a notable lagger when compared to the rest of the world (especially Japan beat European equity markets, proving that even though an economy is not completely out of recession and suffering from disinflation, it still can generate high returns).

One reason for the underperformance was the pressure on the banking sector after rates dropped and curves flattened, the ECB failing to deliver a real hawkish statement, and the unrest over the discussions about a possible Catalan independence.

While we did see a small spike in volatility around the time of the Catalan referendum and, earlier, when President Trump suggested willingness to go to war with North Korea, it was again just that: a spike, a blip. Volatility in nearly all asset classes dropped again or stayed around record lows. Commodities moved up as well: crude and copper moved higher, will steel ended its decline by showing a rebound after two months of declines. The 'asset class' that got some attention because of the bubble like performance were cryptocurrencies, Bitcoin in particular. This coin has jumped tenfold in the last year, and the return is even higher if you look at the return since the invention of the coin ten years ago.

Economic indicators were all pointing to a continuation of growth (worldwide economic indicators moved up) and now the number of countries in a recession is at a historic low. The beginning of the Q3 corporate earnings season confirmed the positive trends as well. The political situation in the US remained the same: lots of Trump tweets, but: the plans for a new budget have become a bit more concrete.

Prospects

Our view from last month hasn't changed. The fundamentals are all pointing to the same direction as the general markets, Central Banks keeps rates in check, positioning in the market is still not overly bullish and not a day goes by without newspaper columnists warning about the markets being too expensive: a classic sign of a bull market. And yet every bull market has experienced corrections. We aim to position towards the trend and not the correction. On a relative basis European markets have just experienced a correction: Europe is nearing new lows versus Global markets and while everywhere cyclicals are outperforming, the ECB's policy is prohibit that from happening in Europe; for now. We reckon the landscape will look quite different when yields start rising; but it is still testing one's patience. For now following momentum has been the right strategy. Volatility is low, and not because the markets 'know' that there is no more risk in the future, but because positive feedback loops (momentum) causes volatility to drop, as it has in every bull market.

Portfolio

We started the month by rolling some downside puts and (partially) covering some shorts that broke downside trends. We bought back some of our longs in steel we sold in September after the commodity showed renewed signs of strength. After the disappointing earnings release from Unilever, we took profit on this short, and we partially did mutatis mutandis the same after our long position in Arcadis was confirmed with their earnings release.

Performance

We lagged much of the upside as mainly our longs in Financials, e.g. BNP Paribas (-1.8%), SocGen (-3.5%) couldn't keep up with general market trend because interest rates dropped. Also to some extent our longs in TMTs like Altice (-4.4%) and Ordina (-6.0%) worked against us but were compensated by Cap Gemini(+5.2%) and Tom2(+6.5%). And unfortunately Adecco did more than hedge our long exposure on cyclicals (+5.0%). We fared better with our longs in ArcelorMittal (+12.8%) and Arcadis (+8.9%), Corbion(+5.3%), Danone (+5.7%) and our shorts in Unilever (-0.3%) and Adidas (-0.2%), tipping the overall balance positive.

Performance October 2017

Net Asset Value October	134.6
Net Asset Value September	134.4
Fund Return	0.2%
YTD Fund Return	-0.2%
YTD Europe Total Return	15.9%
Best monthly return last 12 months	5.2%
Worst monthly return last 12 months	-2.4%
12 month return	3.9%
Since Inception TW Equity Fund Return	34.6%
Since Inception Europe Total Return	24.9%

Directional Share Class Long

Net Asset Value October	122.8
Long Only Return	1.2%
Europe Total Return	2.3%
YTD Return Long Only	7.6%
YTD Europe Total Return	15.9%
Best monthly return last 12 months	7.6%
Worst monthly return last 12 months	-1.4%
12 month return	14.7%
2 year return	16.2%
3 year return	36.2%
5 year return	89.7%
Since Inception	101.8%
Since Inception Europe Total Return	24.9%

Exposure

Gross Exposure/Leverage	120%
Long	98%
Short	22%
Net Exposure	76%
Gross L/S Equity	114%
Long Only	6%

Risk (12m)

Correlation to Euro Stoxx total return	0.48
Beta Realised	0.38
Volatility Realised	8.2%
VAR 1day/ 95%conf.	1.6%
VAR 5day/ 95%conf.	3.6%
Number of Longs	32
Number of Shorts	19
Top 5 Longs as % Equity	21%
Top 5 Shorts as % Equity	9%
Delta	72%
Beta forward	84%
Volatility forward	15%
Correlation forward	82%
Leverage	73%



Performance TradeWind Equity Fund in %

Year	JAN	FEB	MRT	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR	CUM
2007									-0.2%	-3.1%	5.0%	1.8%	1.8%	1.8%
2008	2.1%	-3.1%	-6.1%	4.3%	3.6%	-2.8%	-0.5%	0.6%	-13.9%	-11.2%	-4.9%	-2.1%	-30.5%	-29.4%
2009	-3.2%	-1.1%	2.4%	10.5%	4.9%	-1.2%	-0.9%	-2.3%	-0.5%	1.9%	1.4%	3.4%	15.0%	-19.0%
2010	0.7%	4.5%	3.1%	2.1%	-0.7%	0.6%	11.2%	-4.5%	7.1%	-1.1%	5.2%	7.1%	39.2%	13.5%
2011	3.1%	0.7%	3.3%	0.7%	0.9%	4.0%	0.3%	2.3%	3.3%	1.8%	-2.3%	2.5%	22.4%	38.9%
2012	1.6%	2.3%	0.4%	-1.4%	-5.1%	1.7%	0.7%	-1.1%	-4.3%	-2.8%	3.0%	2.5%	-3.5%	34.0%
2013	0.2%	-8.0%	-0.5%	-3.3%	5.0%	0.7%	4.3%	1.0%	2.5%	4.5%	2.7%	-0.3%	7.9%	44.5%
2014	4.8%	-3.7%	1.5%	0.3%	2.7%	-1.3%	-0.3%	-3.1%	3.3%	-5.1%	0.5%	-0.6%	-2.8%	41.3%
2015	1.6%	3.8%	-0.6%	2.0%	-2.8%	-0.1%	-0.1%	-2.8%	-1.7%	-0.8%	0.5%	-0.4%	-2.9%	37.1%
2016	-2.9%	-0.4%	2.2%	-1.4%	2.2%	-5.8%	-2.8%	-0.6%	0.7%	4.6%	-0.5%	5.2%	-1.2%	34.9%
2017	0.0%	-0.4%	0.7%	1.3%	-2.4%	-1.0%	1.7%	-1.0%	1.5%	0.2%			-0.2%	34.6%

Performance TradeWind Long Only in %

Year	Position	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR	CUM
2007	TWC Long Only									1.5%	0.7%	-5.4%	-0.9%	-4.2%	-4.2%
	Euro Stoxx index									0.1%	3.0%	-3.3%	-0.5%	-0.8%	-0.8%
2008	TWC Long Only	-12.3%	-1.7%	-7.7%	8.2%	4.3%	-8.4%	-4.2%	2.5%	-18.1%	-18.7%	-7.5%	-1.1%	-51.8%	-52.9%
	Euro Stoxx index	-13.0%	-1.0%	-2.7%	6.3%	0.9%	-11.7%	-1.7%	1.3%	-11.5%	-15.9%	-6.2%	0.2%	-45.1%	-45.1%
2009	TWC Long Only	-1.1%	-4.9%	3.9%	12.9%	7.6%	-1.2%	3.3%	1.8%	1.0%	0.8%	3.2%	9.2%	41.4%	-33.4%
	Euro Stoxx index	-6.7%	-10.9%	3.9%	16.0%	18.2%	-13.1%	9.6%	5.8%	4.4%	-4.5%	1.7%	5.6%	27.7%	-29.9%
2010	TWC Long Only	-0.9%	1.5%	10.5%	2.2%	-9.3%	2.1%	14.6%	-9.0%	11.0%	1.1%	4.4%	17.2%	50.5%	0.2%
	Euro Stoxx index	7.3%	2.0%	-7.7%	-2.4%	-19.0%	-3.2%	7.6%	12.5%	5.3%	3.9%	-5.0%	5.6%	2.7%	-28.0%
2011	TWC Long Only	3.9%	2.4%	4.8%	2.5%	-1.3%	-3.8%	-5.6%	-9.7%	0.9%	6.8%	-3.4%	4.7%	0.8%	1.0%
	Euro Stoxx index	4.4%	2.0%	-2.5%	3.6%	-2.3%	-0.9%	-5.9%	-12.9%	-6.0%	8.5%	-2.4%	-0.3%	-15.3%	-39.0%
2012	TWC Long Only	3.9%	7.5%	3.4%	-3.9%	-9.0%	4.1%	-0.1%	1.3%	-0.8%	-0.1%	3.2%	4.5%	13.5%	14.6%
	Euro Stoxx index	5.6%	4.3%	-0.1%	-5.1%	-7.1%	6.3%	2.7%	4.0%	1.2%	1.8%	2.7%	2.4%	19.3%	-27.2%
2013	TWC Long Only	4.4%	-6.4%	0.4%	-0.3%	6.6%	-2.7%	6.7%	1.5%	5.7%	7.9%	2.4%	-0.2%	28.2%	47.0%
	Euro Stoxx index	3.2%	-0.8%	3.0%	0.0%	3.5%	-5.5%	6.4%	-0.9%	5.9%	5.3%	1.2%	0.8%	23.6%	-10.0%
2014	TWC Long Only	4.1%	-3.5%	2.7%	0.7%	4.7%	-1.7%	-3.1%	-1.8%	3.7%	-4.5%	3.5%	0.8%	5.1%	54.5%
	Euro Stoxx index	-2.1%	5.0%	0.3%	0.9%	2.6%	-0.9%	-3.4%	1.6%	0.9%	-2.7%	4.7%	-2.4%	4.1%	-6.3%
2015	TWC Long Only	6.6%	11.6%	1.9%	1.9%	-2.3%	-1.4%	4.0%	-8.9%	-5.6%	5.6%	2.1%	-1.9%	12.6%	73.8%
	Euro Stoxx index	7.2%	7.3%	3.0%	-1.4%	0.5%	-3.9%	4.7%	-8.3%	-6.6%	9.5%	3.0%	-5.6%	10.4%	3.4%
2016	TWC Long Only	-5.9%	-2.2%	3.7%	-0.5%	3.6%	-7.2%	3.6%	0.9%	1.5%	4.3%	-0.9%	7.6%	7.9%	74.2%
	Euro Stoxx index	-5.9%	-3.0%	2.8%	1.1%	2.2%	-6.2%	5.1%	1.3%	-1.0%	1.2%	-0.4%	6.7%	3.8%	0.6%
2017	TWC Long Only	0.1%	1.2%	2.5%	1.8%	-1.3%	-1.1%	1.9%	-1.4%	2.7%	0.0%			7.6%	101.8%
	Euro Stoxx index	-1.0%	2.6%	5.4%	2.3%	1.6%	-2.7%	0.4%	-0.4%	4.5%	2.3%			15.9%	24.9%

Performance Longs and Shorts in bps

Year	Position	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	Long									155	81	-534	-76
	Short									-164	-468	1,143	235
2008	Long	-1,221	-164	-758	826	442	-831	-409	255	-1,796	-1,862	-735	-99
	Short	1,501	-201	116	-369	-30	509	359	-165	491	1,258	300	-127
2009	Long	-104	-480	399	1,300	769	-110	340	188	108	90	330	929
	Short	-211	421	-171	-190	-244	-7	-450	-383	-275	130	-160	-561
2010	Long	-83	157	1,061	229	-920	220	1,470	-890	1,107	116	452	1,733
	Short	175	322	-767	-40	915	-140	290	460	-409	-210	184	-796
2011	Long	399	246	491	260	-117	-367	-550	-964	100	686	-326	476
	Short	18	-132	-118	-45	275	913	650	1,247	349	-422	62	-180
2012	Long	400	755	345	-378	-890	415	-	140	-72	-	325	460
	Short	-181	-432	-250	252	370	-205	80	-240	-345	-265	25	-190
2013	Long	450	-625	50	-18	670	-260	684	163	575	803	248	-10
	Short	-370	-124	-45	-250	-144	340	-237	-38	-298	-230	110	17
2014	Long	422	-340	282	83	477	-161	-302	-166	380	-444	360	88
	Short	195	-100	-96	-31	-84	16	263	-203	60	-93	-280	-124
2015	Long	665	1,166	201	202	-223	-126	405	-879	-548	565	218	-176
	Short	495	-708	-264	75	-97	128	-393	614	415	-615	138	177
2016	Long	-577	-213	379	-41	373	-710	373	103	162	440	-80	773
	Short	288	182	-130	-104	-130	167	-621	-155	82	45	53	-234
2017	Long	23	139	257	185	-121	203	269	-135	287	123		
	Short	-12	-135	-185	-26	-97	-13	-96	45	-96	-85		