

Monthly report March 2018

Markets

Markets were punched almost every other day by headlines regarding Trade War and Trumps tweets bashing Amazon. Adding to that the privacy violations by Facebook and deadly accidents with Tesla cars, was too much for the markets to bear. Although the markets tried to rally and win back some of the lost ground headlines kept volatility elevated. The large weight of FANG shares in the US index, exaggerated the broader picture shown by the outperformance of small caps in the US and transport index versus the Dow Jones. Ironically, last month markets were very occupied with rising 10 year yields in the US and the negative implications for valuations. Now very quiet on that front as 10 year yields actually dropped and the Fed interest rate move and accompanied statements were welcomed the market. But after worrying over 10 year yields, now the attention focussed on USD LIBOR rates. As they have been rising lately and even faster than 10 year yields, and by doing so flattening the yield curve. Although mostly technical reasons are driving up these yields, it could not prevent from hurting financial stocks, making the bashing complete. All in all, worries dominated the scene and US politics predominantly took the lead. Hopefully earnings season brings some release.

Prospects

Right now it could go either way. Economic momentum is still strong and no doubt that earnings releases will be upbeat. Fading news on trade will take away hurdles for the market to rally. The noise around FANG shares will not knock the markets of their feet and is likely to blow over. But the on the other hand, a whining trade war featuring tit for tat reprisals will dampen any joy. And the longer uncertainly last, the more market momentum will be lost, making it harder for quick rallies. Secondly, economic indicators in Europe beginning to give ground. Still in positive trajectory, but losing some momentum. This is a prelude for markets to stay range bound at best. A fiercely escalating trade war doesn't need an explanation with all the money moved into the markets lately. It will be interesting to see a how bond markets will develop, as extra levies on imports in the US will only add to any inflation pressures short term for as long as the US economy can be uphold.

As we go through readjustments of volatility and valuation levels, decent returns are to be expected thereafter. Although economies may lose some growth momentum, no sign of a downturn is in nearest sight. All the ongoing upheaval will make bonds mostly range bound and risks of really higher levels of short term rates is farfetched.

Portfolio

As expected, rallies and corrections are short lived. Although markets are tilting to correction mode, the amplitude is still rather small to just sell and hold. This makes us mainly moving the hedging overlay around. The jumps in volatility made it worthwhile to incur profits in options. But also small rallies in individual stocks were cashed in and shorts increased at higher levels. This is what we foresee to do short term. On average the portfolio diminished in gross exposure and net exposure is gradually lowered. The markets provide ample opportunities, but it is not as if investors are overwhelmingly underinvested. It could very well be that current worries are too heavy to bear and at first tip the boat over. From current positioning is very easy to change portfolio equilibrium and profit from lower prices.

Performance

On the long side we lost 370 basis points, while on the shorts we gained 240. With an average net long position of 50%, these numbers were to be expected as markets fell. Taking a closer look, reveals that actually active portfolio management added a positive return. Unfortunate long positioning in just a 3 stocks made the performance flipping into negative territory. One of our larger positions in Axa (benefitting from higher US yields) announced a take over with a large premium. The news was not very welcomed by the market and the stock nosedived 17%. Speculation of an analyst that Arcadis (benefitting from recovery in infrastructure) has not financed off balance liabilities made the stock drop 20%. And last but not least, Boskalis lost 23% on very conservative forecasts. Clear winner was SIF with a rise of 17% after compelling statements. Via shorts in Spie (-/12%), Adecco (-/11%) and Ontex (-/9%) amongst others, we could weather the drop in share prices.

Performance March 2018

Net Asset Value March	129.3
Net Asset Value February	131.0
Fund Return	-1.4%
YTD Fund Return	2.3%
YTD Europe Total Return	-2.8%
Best monthly return last 12 months	1.7%
Worst monthly return last 12 months	-4.6%
12 month return	-4.2%
Since Inception TW Equity Fund Return	29.3%
Since Inception Europe Total Return	17.9%

Directional Share Class Long

Net Asset Value MArch	110.3
Long Only Return	-3.8%
Europe Total Return	-2.8%
YTD Return Long Only	-2.3%
YTD Europe Total Return	-2.8%
Best monthly return last 12 months	2.7%
Worst monthly return last 12 months	-4.6%
12 month return	-4.2%
2 year return	12.5%
3 year return	-0.1%
5 year return	65.9%
Since Inception	86.7%
Since Inception Europe Total Return	17.9%

Exposure

Gross Exposure/Leverage	189%
Boxed exposure	158%
Long	108%
Short	77%
Net Exposure	31%
Gross L/S Equity	185%
Long Only	4%

Risk (12m)

Correlation to Euro Stoxx total return	0.36
Beta Realised	0.29
Volatility Realised	7.9%
VAR 1day/ 95%conf.	1.2%
VAR 5day/ 95%conf.	2.7%
Number of Longs	32
Number of Shorts	29
Top 5 Longs as % Equity	30%
Top 5 Shorts as % Equity	24%
Delta	36%
Beta forward	42%
Volatility forward	12%
Correlation forward	58%
Leverage	126%



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%	-4.6%	-1.4%	-6.3%	26.4%
2018	1.6%	2.0%	-1.4%										2.3%	29.3%

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%	-4.6%	-1.1%	2.0%	91.1%
	Euro Stoxx index	-1.0%	2.6%	5.4%	2.3%	1.6%	-2.7%	0.4%	-0.4%	4.5%	2.3%	-2.0%	-1.0%	12.5%	21.2%
2018	TWC Long Only	2.0%	-0.4%	-3.8%										-2.3%	86.7%
	Euro Stoxx index	3.2%	-3.8%	-2.1%										-2.8%	17.9%