

Quarter report March 2019

Markets

Seeing the rally in equity markets in the first quarter, it makes one wonder what was it all about late 2018. Such a leg down would suggest that something really big changed substantially for the worst with repercussions going into 2019. But nothing could be less true. The conclusion that, most probably, it was due to repeatedly smaller binary events that happened to flip to the wrong side against a full equity exposure, is not far off. The saturation caused illiquidity and as there were not many risk takers left toward the end of the year, the selling pressure became too much to bear.

But with a clean sheet in 2019 and the performance pressure been taken off, the assessment of the economy showed that fundamentals are still fair and can support these equity markets. So it only took a few days of hesitation for markets to judge that it all was a bit overdone and found their way up again. Now being underinvested investors hurried to get back in. And the higher the market went the more eager investors became. And with the speed of December, markets reversed their way climbing the wall of worry. The lesson learned from this episode is that investing in ETF's, algorithmic and high frequency trading these days by and large lack the discipline of limiting orders and can send prices in a free fall, without any 'fundamental' reason. The range for noise has become much wider, and thus more volatility on a stock level. So don't be astounded how and why indices can climb nowadays that fast. The system unfold itself on the downside, but surely also on the upside.

Portfolio

Believed that the drop was totally overdone; we maintained our positioning from 2018. And as the rally went on we switched to some laggards. While keeping net exposure high, we used less leverage as in these strong rallies everything tend to go up. In late February / March is was surprising to see defensives outperforming cyclicals and growth, while worries over recession moderated. The ultra low interest rates are most probably to blame for that. After a dovish message from the FED and reactivation of the QE program by the ECB, long bond yields nosedived and bringing German yields below zero. Interest for bond proxies resurfaced. We believe this is temporary, as the stimulus will bring reacceleration of European economic growth back on the agenda.

Outlook

Is it all clear skies from here onwards then?

No, it is clear that economies have decelerated. And although monetary measures are taken (China, US, Europe) there is no sign of a pick up yet. That still can take a while. But as the trend is stabilizing at a decent level, there should not be too much worry. And yet the flattening of the yield curve, give a fair amount of investors the nerves. And in the meantime it is believed that Brexit and the TradeWar will unravel favorably.

But on the other hand, realization that the damage done in 2018, is in no proportion to the worries, make investors FOMO (Fear Of Missing Out) at these levels. Three months of fierce selling discounted a full recession with (US) earnings supposed to be dropping by 20%. Quite an anomaly as current expectations run around 8% growth and 2018 delivered a 10% earnings gain. While the economies show at best some slowing. Which, shouldn't be too much of a surprise, as base effects become less supportive for a further accelerating of economic growth. But that is quite something different than a recession. And as most indicators are still way off from recessionary levels, it looks reasonable to suggest that higher levels than in 2017 are fair, not lower. Taking into account where bond yields are, a fair amount of capital gains are still in the pipeline. That said, it doesn't mean it is easy sailing from here. Bumps and hiccups will occur as for instance the Brexit saga and the Trade War still need a compromise. But the path of least resistance still seems to be up.

All in all, It feels a lot like 2015/16 when economic growth slowed and central banks therefore took their feet of the brake. But moreover, in 1994 and 2005 similar yield-curve flattening's happened as central banks started tightening and equities took a breather. But still more profitable years were to come thereafter. On average it took 18 months before markets reacted to inverted yield curves. While every recession since the 1950s has been preceded by an inverted yield curve, not all inverted yield curves have led to a recession. And this one hasn't even been in negative territory yet.

Performance Directional Share Class Long Only

Net Asset Value March	101.2
Long Only Return	13.2%
Europe Total Return	12.1%
YTD Return Long Only	13.2%
YTD Europe Total Return	12.1%
Best monthly return last 12 months	6.2%
Worst monthly return last 12 months	-10.6%
12 month return	-10.9%
3 year return	0.2%
5 year return	9.6%
10 year return	261.4%
Since Inception	66.3%
Since Inception Europe Total Return	18.6%

Performance Share Class LongShort

Net Asset Value March	103.4
Net Asset Value December	100.9
Fund Return	3.4%
YTD Fund Return	3.4%
YTD Europe Total Return	12.1%
Best monthly return last 12 months	4.3%
Worst monthly return last 12 months	-9.4%
12 month return	-19.3%
10 year return	49.4%
Since Inception Europe Total Return	18.6%

Risk (12m) long only

VAR 1day/95%conf.	2.0%
VAR 5day/95%conf.	4.4%
Number of Longs	27
Top 5 Longs as % Equity	30%
Top 10 Longs as % Equity	48%
Delta	115%
Beta forward	114%
Volatility forward	19%
Correlation forward	91%

Risk (12m) LongShort

Gross Exposure/Leverage	177%
Long	115%
Short	62%
Net Exposure	53%
Number of Longs	27
Number of Shorts	15
Top 5 Longs as % Equity	30%
Top 5 Shorts as % Equity	18%
Correlation to Euro Stoxx total return	95%
Beta Realised	94%
Volatility Realised	10.8%



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%	6.2%	0.0%	-3.9%	3.4%	-3.0%	-0.8%	-10.6%	-3.9%	-9.9%	-23.1%	47.0%
	Euro Stoxx index	3.2%	-3.8%	-2.1%	4.9%	-1.5%	-0.9%	3.5%	-2.6%	-0.3%	-6.6%	-1.1%	-5.8%	-12.7%	5.8%
2019	TWC Long Only	8.2%	5.3%	-0.6%										13.2%	66.3%
	Euro Stoxx index	6.2%	4.1%	1.4%										12.1%	18.6%

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%	4.3%	-1.9%	-1.9%	0.8%	-1.8%	0.0%	-9.4%	-4.9%	-3.9%	-17.9%	0.9%
2019	4.4%	1.0%	-1.9%										3.7%	4.7%