TRADEWIND CAPITAL

Quarterly report June 2022

Markets

Second quarter 2022 have made it into the textbooks. And especially June recorded one of the worst months in the last 50 years. While equity markets continued their downward trend, Fixed Income crashed. After a very long period of only sliding yields, even into negative territory, this period ended with a bang. A combination stubbornly high inflation readings, Ukraine war and strict Central Banks lifted nominal 10 year yield by an unpresented 150 basispoints. While corporate spreads widened by almost 90 basispoints, High Yield even 200 bps, in the same period. Sovereign spreads between Germany and Italy widened by more than a 100 basispoints. The total return on bonds recorded a loss of more market 20%. This occurred only twice in the last 150 years. It freaked out financial markets and crypto currencies fell off a cliff by losing 60% in a quarter. And while equity markets were already losing ground, the venom occurred in June. The economic pulse was still ok and some commodities eased, feeding the idea that inflation soon would backtrack. With IT/ growth stocks already 60% down, high cash levels with investors and sentiment down, a bounce could be in the making. But just one more record reading of inflation was apparently too much to bear. It was the straw that broke the camels' back. In a blink of an eye, markets turned pitch black and relentless selling unfolded. Regardless of a cheap, defensive or an inflation hedge sticker. As the half year end approached (retail) investors started to undo of corporate bonds in an illiquid market, stressing the system the more. And as witnessed before funds hedged corporates risk via selling equities. That central banks were competing in who is the best inflation fighter and speaking the toughest language, didn't help either.

Portfolio

Thorough the quarter we diminished on shorts in IT/ growth stocks which worked as hedge on inflation. This group has been falling by more than 50%. And for some even valuation became more realistic than as of lately. And as interest rates seemed to be leveling off, after have risen from -0.5% to 1%, the de- rating force was losing power. And if a slow growth / recession scenario would get more got footing, this group was reasonable resilient against earnings downgrades. On the other hand commodities were still the best inflation hedge. And with the loosening monetary policy in China and an exit of the lockdown policy on the horizon, these stocks were supposed to do well. So longs in these sectors were kept.

Shorts were found in overrated defensive stocks and companies which still have to deal with feedstock inflation and had difficulty in passing costs along. It turned out to be too early and we were on the wrong foot. Interest rates rose another leg and Central banks started to beat the drum on killing inflation 'whatever it takes'. In the meantime Russia started to throttle gas export to Europe, threatening industrial output. Investors threw in the towel and capitulated on all trades. Also reflation trades and we were caught on the wrong side. Within days commodity related stocks lost 15% and cascaded further down towards -/- 20 to 30% at the ultimo. For withstanding that, we had not enough shorts on the book, at least not in sectors that were hurt the most. Still these trades brought a lot of fortune, up against a market which is down, so setbacks are not out of the ordinary.. On and off we corrected positioning with future overlays, but without fortune as no bounce happened. Being long and short can also from time to time temporarily work as a double edged sword. It is merely unfortunate as were doing so well.

Outlook

So where do we stand? Is stagflation upon us? Or will Central Banks step on the brakes that hard , that a severe recession is the only possible outcome? Many talking heads in Anglo Saxon media think here is just no way out of this. But reports on positioning show that this is the consensus call. Not necessary wrong, but should be well absorbed by investors and therefore roughly in the prices.

Reasoning is that we first had a inflation shock driving down prices , then a recession shock and now we still have to incur the earning shock. The first diminish valuation and the latter cashflows. But the latter two are different sides from the same coin. They are very strong connected. While the former is probably the cause for a recession. It is a bit of circular reasoning. The Crux in the reasoning is that CB's can't do anything to save the economy as they have to kill inflation. And yes they can overdo, as they are behind the curve. But maybe they were right on 'transitory' all along and only had the timing wrong. There is every reason to believe inflation has seen its zenith. Most commodity prices have come down, and now financial condition have worsened, and slowed demand, the hoard mentality vaporized. The successive inventory correction will put a lid on prices. But it will give CB's reason not to chase the curve, as base effects kick in and they can let the economy do it natural work. Nothing works better against high prices than high prices. Rather an opposite view versus consensus and surely not priced in. This scenario looks very much to what happened in 2018, prior to a great 2019. Still negative wild cards are still valid: wage demands, Ukraine/gas and upcoming unemployment could pressure activity further. Corporate and private savings in US and Europe are enormous and preventing anything similar as to what happened in the 2008 recession. Though slow growth/ a shallow recession looks upon us. The question is how disastrous is that? And how much of that is priced in. Some stocks trade at the lows of Covid 2020. How reasonable is that? In 2020 the end of the world was prophesied. Now sellers want to wait for 'disastrous' Q2 earnings before buying. What they fear most is fear itself. Don't be surprised to see the market react positively towards earning warnings as travelling into the unknown is much more scary than arriving.

Performance Directional Share Class Long Only	
Net Asset Value June	134.7
Long Only Return	-15.3%
Europe Total Return	-10.6%
YTD Return Long Only	-13.6%
YTD Europe Total Return	-17.8%
Best monthly return last 12 months	9.8%
Worst monthly return last 12 months	-18.8%
12 month return	-4.2%
3 year return	22.9%
5 year return	14.3%
10 year return	108.7%
Since Inception	121.3%
Since Inception Europe Total Return	33.7%
Performance Share Class LongShort	
Net Asset Value June	179.8
Net Asset Value March	170.1
Fund Return	-5.4%
YTD Fund Return	1.4%
YTD Europe Total Return	-17.8%
Best monthly return last 12 months	7.3%
Worst monthly return last 12 months	-10.2%
12 month return	11.1%
3 year return	16.3%
10 year return	23.3%
Since Inception Total Return	70.1%
Risk (12m) Long Only	
Number of Longs	36
Top 5 Longs as % Equity	40%
Top 10 Longs as % Equity	59%
Delta	122%
Beta forward	117%
Beta realised	-45%
Volatility realised 3Y	13%
factor momentum	13%
factor value	13%
factor qualitity	-4%
factor qrowth	-3%
Risk (12m) LongShort	
Gross Exposure/Leverage	159%
Long	122%
Short	-38%
Net Exposure	84%
Number of Longs	36
Number of Shorts	17
Top 5 Shorts as % Equity	19%
Top 10 Shorts as % Equity	26%
Beta forward	97%
VAR/monthly/ 95%conf.	4.9%

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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%	6.5%	-5.5%	7.6%	2.5%	-3.6%	3.1%	1.6%	1.7%	3.2%	**31.5%**	**93.2%**
	Euro Stoxx index	6.2%	4.1%	1.4%	5.0%	-5.7%	5.2%	0.1%	-1.3%	3.7%	1.3%	2.8%	1.2%	**26.1%**	**33.4%**
2020	TWC Long Only	-4.5%	-5.4%	-16.4%	4.3%	2.5%	3.6%	-3.3%	5.6%	0.0%	-4.4%	21.0%	1.7%	**0.4%**	**93.9%**
	Euro Stoxx index	-1.7%	-7.9%	-16.9%	6.5%	5.2%	4.9%	-0.9%	3.5%	-1.8%	-5.7%	17.0%	2.1%	**0.3%**	**33.8%**
2021	TWC Long Only	2.5%	4.7%	7.0%	0.3%	3.5%	-1.6%	0.2%	4.1%	1.2%	2.2%	-6.8%	8.8%	**28.6%**	**156.2%**
	Euro Stoxx index	-1.4%	3.6%	6.6%	2.2%	2.5%	1.0%	1.5%	2.6%	-3.4%	4.2%	-3.2%	3.9%	**21.8%**	**62.5%**
2022	TWC Long Only	4.7%	-5.0%	2.2%	-0.6%	4.7%	-18.4%							**-13.6%**	**121.3%**
	Euro Stoxx index	-2.8%	-5.2%	-0.2%	-1.7%	0.4%	-9.4%							**-17.7%**	**33.7%**

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%	-1.5%	2.9%	-2.3%	4.7%	2.5%	-1.6%	2.3%	1.6%	0.2%	2.9%	15.6%	16.7%
2020	-3.5%	-0.4%	-2.2%	2.1%	0.8%	0.1%	-0.5%	4.3%	1.3%	-2.1%	13.9%	1.2%	14.6%	33.8%
2021	6.5%	5.1%	2.3%	-2.0%	5.3%	-2.3%	0.1%	5.3%	1.2%	0.8%	-4.8%	8.0%	27.4%	68.9%
2022	6.6%	-2.4%	3.0%	1.5%	3.8%	-10.2%							1.4%	70.1%