

Two Trees Global Macro Fund

ARSN: 620 185 159 APIR: WHT1468AU ISIN: AU60WHT14684

As at 31st July 2019



About Us

- Systematic Global Macro (SGM) firm based in Sydney, Australia.
- 45+ years of collective SGM investment experience.
- The Fund integrates a deep understanding of financial economics with rigorous scientific techniques for forecasting returns, risk and volatility to construct liquid, diversified, multi-asset portfolios that exhibit low correlations to traditional asset classes.
- Backed by Australia's leading multi-affiliate investment management firm Pinnacle Investment Management Limited.

Fund Facts	
Investment Manager	Two Trees Investment Management Pty Limited
Fund Inception Date	1 November 2017
Strategy Size	A\$247 million
Liquidity	Daily
Distribution Frequency	Semi-annually at 30 June and 31 December
Management fee	1.0% p.a. (including the net effect of GST and RITC)
Performance fee	20% (including the net effect of GST/RITC) of the aggregate performance above the benchmark, net of management fee.
Buy-Sell Spread	Nil
Minimum Investment	A\$25,000
Cut-off Times	12pm Sydney time on a business day

Performance as at 31st July 2019

Performance (%)	1m	3m	6m	1y	Since Inception (pa) ¹
Fund ²	0.75	-2.00	3.46	3.39	-0.82
Benchmark ³	0.12	0.40	0.91	1.90	1.88
Excess	0.63	-2.40	2.55	1.49	-2.70

¹ Fund inception date is 1 November 2017

² All returns are net of fees and in AUD. Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. Past performance is not a reliable indicator of future performance

³ Benchmark is Bloomberg AusBond Bank Bill Index

Market Commentary

July proved a month of central bank watching most notably, with all eyes on the US Federal Reserve where markets had been propounding a cut of up to 50 bps to the Federal Open Market Committee. With Chair Powell trying to balance the headwinds of the ongoing trade dispute and President Trump's recommendation of a more generous 100 bps cut against stubbornly low inflation and unemployment, the Fed reduced the target rate by 25 bps. Of note, three members of the Committee dissented, likely believing the current strength of the US economy with record highs in the stock market and generational lows in the unemployment rate, warranted keeping the stance of monetary policy around what is estimated to be 'neutral'.

Global equities spent most of July in a holding pattern waiting on the Fed, and finished the month approximately flat with the S&P500 marginally outperforming global peers. In fixed income, European bond markets outperformed US Treasuries as President Draghi outlined the ECB's intention to reinforce their accommodative forward guidance, with scope to change reserve requirements and initiate a new asset purchase program as soon as September. In currencies, the US Dollar strengthened through July, rallying 1.8% according to the Bloomberg Dollar Index, partly due to its safe haven status and enhanced yield, but also reflecting a faster loosening of monetary policy outside of the US.

The strategy delivered a positive return in July, with currencies adding value as shorts in European currencies sold off. Equity positions detracted as a whole with long exposures in Asia and Africa underperforming a short position in the S&P500. Fixed income and commodities both contributed positively, with long positions in Australian and UK bonds outperforming, and in commodities short positions in soybeans, sugar and coffee all added good value as the markets all moved lower.

The portfolio continues with a net long position in global equities, hedged in part by a net long in global bonds. The strategy maintains its long position in the USD dollar, while in commodities the portfolio is short most of the commodities complex except energies.

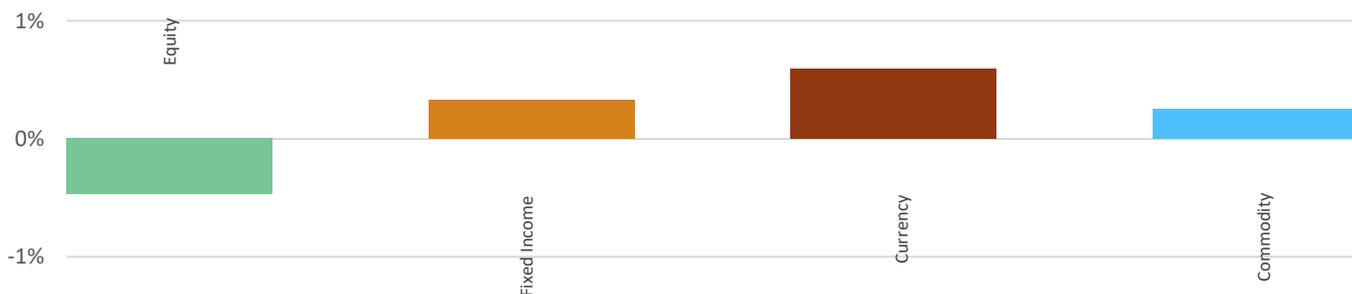
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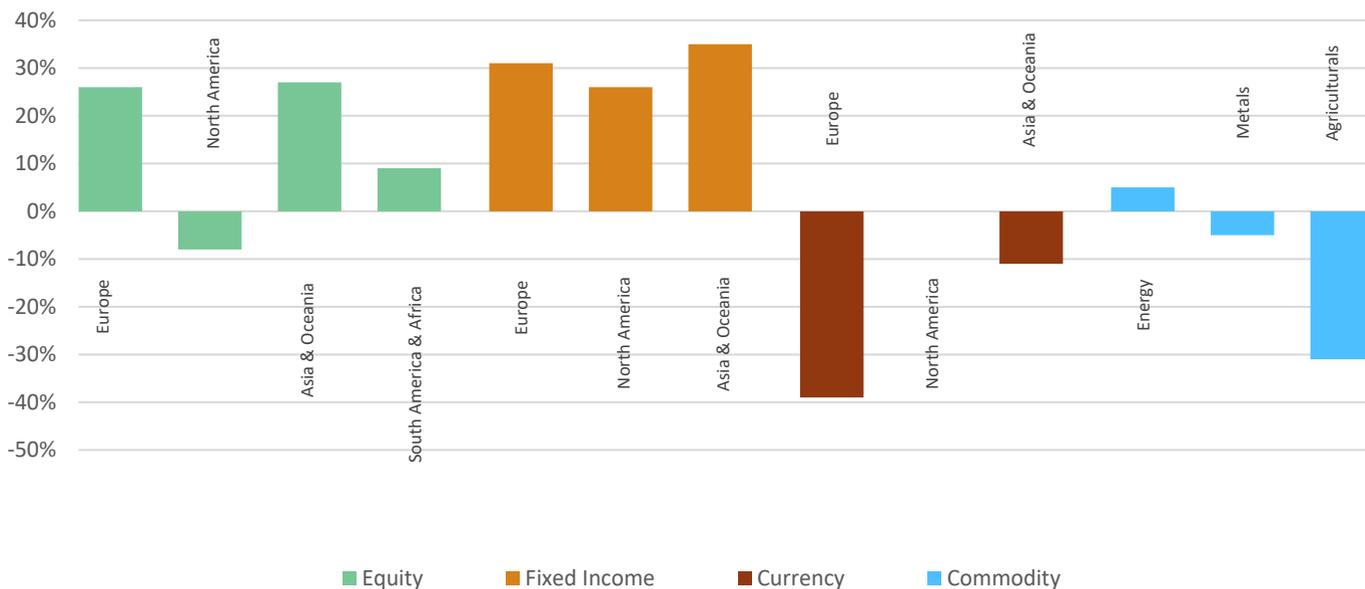


Performance Attribution



Source: Two Trees Investment Management

Fund Allocation



Source: Two Trees Investment Management

Leverage (%)	Equity	Fixed Income	Currency	Commodity	Fund
Net	54	92	-50	-31	65
Gross	150	92	50	43	335

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