

Two Trees Global Macro Fund

ARSN: 620 185 159 APIR: WHT1468AU ISIN: AU60WHT14684

Monthly Report as at 31st August 2020



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\$83.3 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 August 2020

Performance (%)	1m	3m	6m	CYTD	1y	2y (pa)	Since Inception (pa) ¹
Fund ²	-1.69	-0.70	-9.38	-8.16	-12.43	-5.23	-5.38
Benchmark ³	0.01	0.03	0.18	0.34	0.66	1.24	1.42
Excess	-1.70	-0.73	-9.56	-8.50	-13.09	-6.47	-6.80

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

Global equity markets pushed higher for a fifth successive month in August, with the MSCI World price index in local currency terms appreciating 6.1% and taking the rally to approximately 47% from the March low this year. The US equity market outperformed global peers by a substantial margin with the Nasdaq 100 finishing the month higher by 11%. On the policy front both monetary and fiscal policy remain accommodative, and the Federal Reserve announced its much telegraphed change to their mandate to include an average inflation target of 2% and ensuring stable financial conditions. Globally the response to the pandemic remains mixed with some countries adopting a more flexible approach to living with the coronavirus, while in other regions lockdowns continue with record duration.

Global 10-year bond yields moved higher in August with the US 10-year rate rallying 18 bps to finish the month at 71bps. Longer duration bonds are looking less attractive at current yields especially if the global economy sees anything closer to a V-shaped recovery, and although we have been here several times before over the last decade some market participants are talking up the chance of future inflation. The Federal Reserve is effectively promoting their employment mandate above others and continue to call for more fiscal stimulus by Government.

In currencies, the US Dollar fell 1.5% and for the fifth month in a row according to the Bloomberg Dollar Index with most of the majors participating at the expense of the JPY. At the same time Gold reached a record high of \$2075 per Troy Ounce in early August on the back of US Dollar weakness, risk-aversion relative to equities and further bets of future inflation given unprecedented global monetary stimulus. Commodities finished the month higher as the GSCI Index rallied 5.4% with the grains subsector outperforming.

At the end of August the strategy is still cautious with a low net exposure to global equities, and the S&P500 remains the most expensive market in the strategy's equity universe. The strategy extended its short in the US Dollar but also reduced its net short to commodities throughout the month. In fixed income the moderate net long to global markets continued through to month end.

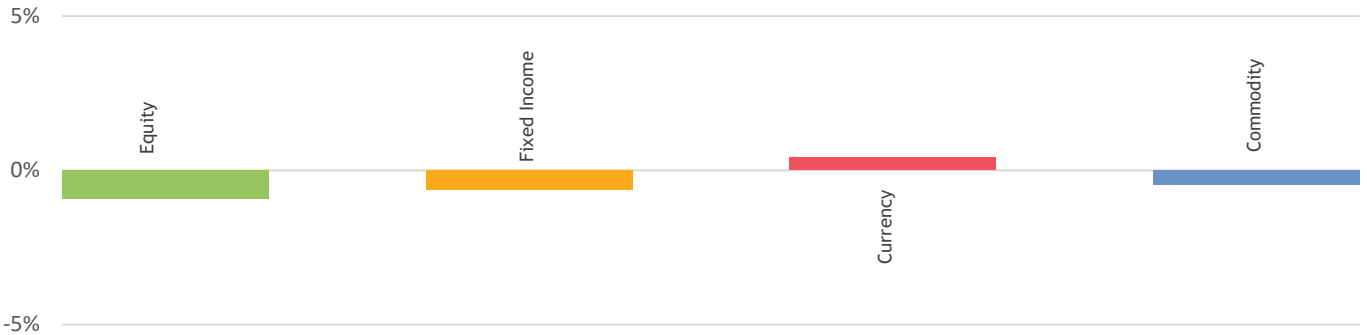
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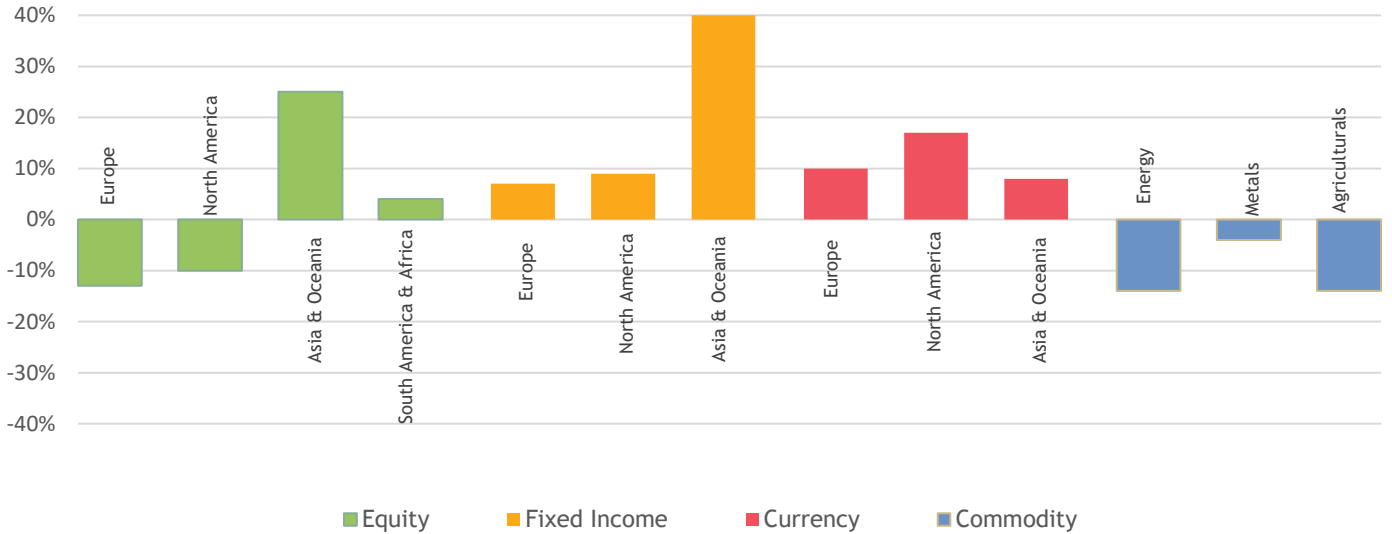


Performance Attribution¹



¹ Performance attribution AUD gross of fees
Source: Two Trees Investment Management

Fund Allocation



Source: Two Trees Investment Management

Leverage (%)	Equity	Fixed Income	Currency	Commodity	Fund
Net	6	57	35	-21	77
Gross	120	63	101	43	327

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