

ASYMMETRY A FUND

"THE FUND"

JANUARY 2018



FUND MANAGER
KENNY HEARN



INVESTMENT OBJECTIVES

In an environment where equity market returns are negative or below money market returns, the fund targets >10% p.a. returns; and when equity market returns perform better than money market returns we aim to outperform these returns. While this upside potential is possible, it may not be a likely outcome given the need to hedge positions in the portfolio. This strategy is executed to protect the growth achieved and lock in profits. Specifically, it is where the risk of a surprise in the market breaches a level with which the fund manager is comfortable. Therefore, this may translate into returns below the equity market returns. For example, during periods toward the end of a strong bull market.

PERFORMANCE INSIGHTS

Welcome to 2018, and what a year it is shaping up to be! We took a break from publishing the monthly newsletter over December and January in order to focus on recouping the losses experienced by the Steinhoff fraud, which severely impacted performance for December 2017. The fact that we veered away from what we are good at by taking a short-term view on Steinhoff just days before the cautionary announcement is what made this incident particularly difficult to swallow. The asymmetry stacked up well going into results, and given over EUR8bn had been lent to the company over a 4-year period by some of the largest banks on the planet the odds of blatant fraud could never have been priced in.

The long and the short of the matter is that we learnt to stick to our longer term thematic trends, and the asymmetry that exists within those opportunities. While shorter term opportunities may be enticing to enhance monthly performance, it is the 2/3/10x investments that we position ourselves for that is the reason our clients are invested with us – these need time to play out.

At one point during the month of January 2018 we had completely recouped all of the losses incurred through our exposure to Steinhoff. This was achieved through some of our longer term positions beginning to show life. Some of those moves retracted into month end, however, it is exciting that these moves have opened up new highs in these positions and we expect the strong moves in the portfolio to persist over the coming 3-4 months.

MARKET OUTLOOK

Viva South Africa Viva! Finally, logic has prevailed, and the ANC has managed to cut of the head of a rotting fish. Jacob Zuma was defiant to the bitter end. He created havoc in the financial markets this week as uncertainty from hour to hour created whipsaw effects on local indices. Offshore active managers have been underweight South African exposure relative to other Emerging Markets throughout 2017. Added to this, local managers have been sitting on larger pockets of cash during these interim months leading up to the ANC internal elections. This means there are very few sellers in the market for local stocks, which translated into strong moves upwards (albeit in lower volumes). It is likely these lower volumes will persist due to a lack of sellers, meaning we could be in for more surprises of extreme upward movements in local markets over the next few months.

Local listed companies have also been stockpiling cash in the wake of severe corruption the country's governance. However, it is likely this cash will now be put to good use and hopefully drive job creation and turning up the local economies growth. In other words, these upwards? moves in the local indices are likely warranted. The caveat to these strong tailwinds is risk that developed world economies move into a stagflation environment (high inflation, low economic growth) while global trade wars escalate beyond control. This could cause a stunt in upward price movements as we experience a global risk off trade translating into a correction in global indices. The first of these cracks in the financial system are beginning to show signs as the US 10-year yield approaches 3%. If moves in these yields continue beyond analyst expectations, then we move into highly uncertain territory that no market has ever enjoyed.

FUND NAME Asymmetry A Fund
INCEPTION DATE 01 June 2016
PORTFOLIO VALUE ZAR 32 m
CURRENCY ZAR
RISK PROFILE

LOW LOW/MED MEDIUM MED/HIGH HIGH

The flipside to all of this as South Africans (and I guess the irony), is that the recent years of poor economic growth and lack of investment may be a blessing in disguise. Global investment will be looking for a home and South Africa will be on the up given its change in leadership. Added to this, global commodity prices should catch the tailwinds of a global inflationary environment – and given South Africa is a commodity rich country, that's a double whammy!

There are still many challenges facing the leadership of this South Africa. The man himself has left trail of corrupt ministers in his wake, and just how contagious the corruption has become remains to be seen. The ANC is likely worse off due to infighting, which could lead to lack of decision making. This is the last thing South Africa needs right now. Clear decisive action is required and anything less could result in a shorter than expected honeymoon phase. Regardless of whether one expected this outcome or not, I think we can all agree this is the best situation that we could have hoped for for now.

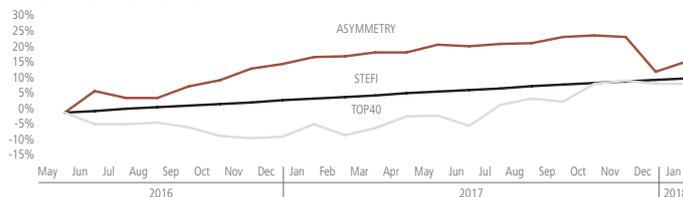
Viva South Africa Viva

A special thank you to all of the clients invested in the fund. Not one of you withdrew funds throughout this most trying time in my life as a manager, and I can imagine equally difficult for you. We have bounced back quickly, and there is a lot more where that came from – that I can assure you!

PERFORMANCE

2018	JAN	Since inception*	1-Year Rolling	YTD	Year 1	Year 2
● ASYMMETRY	4.1%	18.7%	-1.4%	4.1%	24.5%	-5.8%
● STEFI	0.6%	11.8%	7.4%	0.6%	7.5%	4.9%
● Top40	0.2%	10.2%	14.5%	0.2%	-1.2%	11.5%
● Peer average		6.4%	0.2%		7.9%	-1.5%
● Swix	-0.8%	11.7%	13.9%	-0.8%	0.6%	10.3%

PERFORMANCE SINCE INCEPTION



*Inception Date : 01 June 2016 | *Asymmetry performance is represented after fees.

FEES BREAKDOWN

* Sliding scale lower over the first 3 years for early investors/support

** Based on a High-Water Mark

MANAGEMENT FEE:	1.5%*
PERFORMANCE BRACKET:	PERFORMANCE FEE
STEFI or less**	0%
STEFI + 10%**	15%
STEFI + 15%**	25%
STEFI + 20%**	30%
STEFI defined: Short Term Fixed Interest Index (South Africa)	

CONTACT

TELEPHONE 27798750645
EMAIL kenny@asymmetryam.com
WEBSITE www.asymmetryam.com



ASYMMETRY
ASSET MANAGEMENT

Financial services are rendered by Peregrine Fund Platform Proprietary Limited (FSP532) in terms of a discretionary investment mandate.