REMINISCENT
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Reminiscent Macro Strategy

Monthly Report | August 2020

ARSN: 630 684 114

Strategy

A high conviction Discretionary Asia Macro Strategy with a Rates, FX and Equities focus. We believe Asia macro offers scope for higher available returns due to its mix of DM and EM characteristics which are less efficient than the G3 markets but offer more liquidity than some frontier and illiquid EM markets.

Objective

We aim to deliver strong absolute risk-adjusted returns through a portfolio of largely directional high conviction investment ideas that are uncorrelated with equity market beta and a vol target of 10-12%.

Competitive Advantage

The Reminiscent Capital process aims to implement skewed expressions of our best ideas across asset classes via optimal derivative implementation. Reminiscent professionals have a blend of experience in both developed and emerging Asia markets on both the buy and sell side. Reminiscent benefits from the support and backing of Pinnacle Investment Management, Australia's leading multi-affiliate investment management firm.

Strategy Facts

Strategy Inception Date	1st February 2019
Liquidity	Monthly
Management Fee	1.25% p.a.
Performance Fee	16% of the Strategy's return, net of management fees
Minimum Investment	$1,000,000

The above details are for indicative purposes only

Reminiscent Strategy Performance (%) Expressed in USD

2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Gross Return*	0.98	5.63	9.22	-0.59	-3.50	-0.95	-0.84	0.45					10.26
Net Return*	0.75	4.67	7.74	-0.62	-3.04	-0.87	-0.83	0.38					8.04

** Inception of the Fund is April 2020. Performance for the Strategy prior to the Fund's inception date is calculated by Reminiscent Capital using the net performance of the Curve Global Macro Fund, an Australian Unit Trust with the same investment objective, in USD (representative performance). Inception of the representative performance is February 2019. All periods less than a year are cumulative and all periods longer than one year are annualized.*
Past performance is not indicative of future results. No representation is being made that any investment will, or is likely, to achieve profits or losses similar to those being shown.

Strategy Commentary

This is one of the most interesting monthlies I have written since the beginning of the fund in terms of opportunities which we can see in coming months for investors. Our very name Reminiscent which is an adjective who's meaning is "tending to remind one of something" seems prescient with the tech surge we are witnessing. Having traded through the dot com bubble it was important to respect the trend as it persisted for much longer than the doubting traders could stay solvent. But to also stay alert to low carry or slow burn but high payoff trades that do very well should conditions change. These are typically found in front end rates and we have some in the portfolio that last all the way to July of next year. Whilst there was great excitement and gains in US equity markets led by tech, in our part of the world, the Asian equity markets were far more uneventful and have been in a contained range since May, here we refer to the ASX200 and Nikkei for example and even the typically volatile Chinese equity market was broadly speaking in a range. One way we participated in the risk on upside in August was via leveraged AUD one touch upside options, which were on the cusp of delivering a further +1.25% profits but fell short of our 75c target by a mere 80pips. Our process still mechanically carves out some of the profits on the path to our target and does not wait for a potential all or nothing outcome. We also made some gains in rates despite fairly contained ranges. Our medium term AUDNZD bullish structures actually favour a dip in the short term like we are witnessing now since the window barriers we set to cheapen the price and raise the payoff are decaying which in this case is a very good thing. Soon we shall be left with pure upside payoff options.

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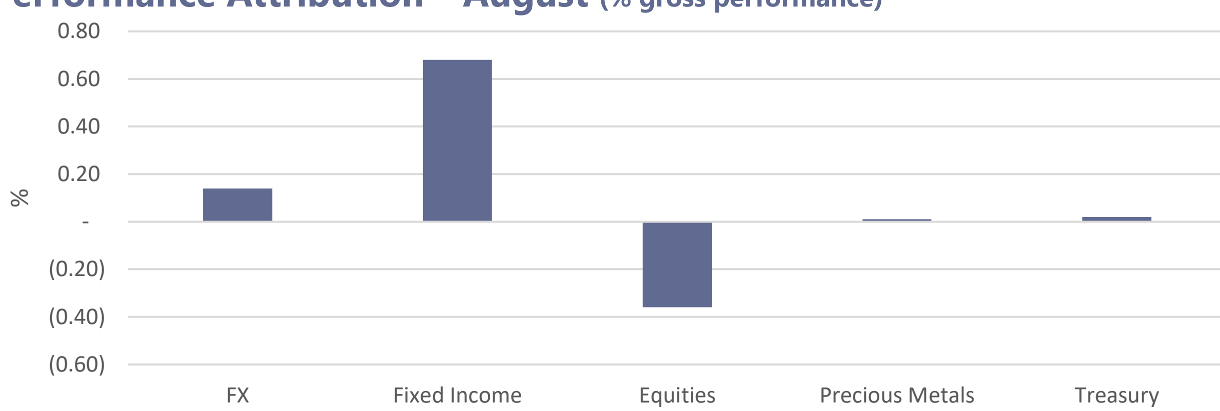
We have been patient with Chinese equity upside and are excited by the prospect of the current correction taking A50 futures and similar indices back to the 14,000 breakout. We feel that buying in this zone as we head into the Chinese 5yr plenum could be fruitful. Indeed we are paying close attention to their plan as it is likely they focus on a significant bolstering of their reserves in oil and resources based on the information we are hearing. It's little wonder that the likes of Mr Warren Buffet, who has ridden the Apple wave, is now buying Japanese holding companies who own resources and resource stocks. Furthermore, that play gets exposure to the Yen. We do not have his holding tenors but we can see value in the Yen and gold in coming months as more fiat flee finds its way to real assets and creditor currencies. We are taking advantage of the pullback in gold to build positions, and are likely to be more aggressive should a dip to 1850 occur.

Overall we have not missed large opportunities in Asia during August and are keeping powder dry for what looks to be a very interesting finish to the year. Firstly, the rate of tech stock appreciation typically should exhibit a correction based on analogues and we are now witnessing this in September. Secondly, real data such as freight rates, trucking and confidence are recovering very strongly (albeit some supply and idiosyncratic items can distort some measures and markets). The reason this is interesting is that until now we have had the rapid expansion of M0 through to M4 significantly raise asset prices primarily because rates have been very low and very stable. But typically when real economy data picks up that can start to move the 5-30yr sector of curves higher and steeper, as that gathers momentum it normally produces nasty equity corrections when they have risen at this pace. We are starting to see the reminiscent hallmarks of an unstable market going forward. The signs to watch for are equity dips, followed by equity corrections while longer end rates make higher highs and lower lows and volatility starts to pick up. We can envisage the equity dip we are in now could either be an important one or more likely recover and make new highs with an Oct/Nov proper fall as rates push higher. It is my suspicion that we may see something of a major top in Q1 of next year. In all my years of managing money, experience is telling me that it will be very difficult for markets to digest all the long end supply, continue the recent pace of equity gains whilst recovering in a smooth fashion.

Performance Attribution – August (% gross performance)



Curve Macro First 12 Months Strategy Performance (%) Expressed in USD

2019	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total
Gross Return*	-1.30	4.51	-3.34	4.38	1.35	-4.53	6.71	-1.48	0.15	-1.82	-2.10	0.98	2.91
Net Return*	-1.40	3.84	-2.99	3.67	1.03	-3.95	5.63	-1.35	0.02	-1.63	-1.86	0.73	1.27

** This is a representative USD account only and does not reflect an actual return of a fund in USD. The represented performance figures utilized in the above performance chart are managed in AUD and converted to USD for indicative purposes only. Therefore, the performance figures contained in this document are estimates as determined by Reminiscent to the best of its ability and Reminiscent can provide, on a separate basis, further gross or net returns to any prospective client that requests such information. These figures are estimates only, and should be treated as such. No representation is being made that any investment will, or is likely, to achieve profits or losses similar to those being shown. Figures above are based on 1.5% management fee and 18% performance fee.*

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