REMINISCENT
CAPITAL

Reminiscent Macro Strategy

Monthly Report | September 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	-0.30				9.92
Net Return*	0.75	4.67	7.74	-0.62	-3.04	-0.87	-0.83	0.38	-0.38				7.63

** 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 Reminiscent 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

The fund delivered a -0.38% net return in September.

Equities contributed c.+35bp to performance during the month. The main driver was from our Asia Vs US rotation theme that we are gradually building positions in. The intra-month peak to trough retracement in US equities was over 10%, with the strategy again demonstrating its ability to avoid large drawdowns when equity markets have bad months.

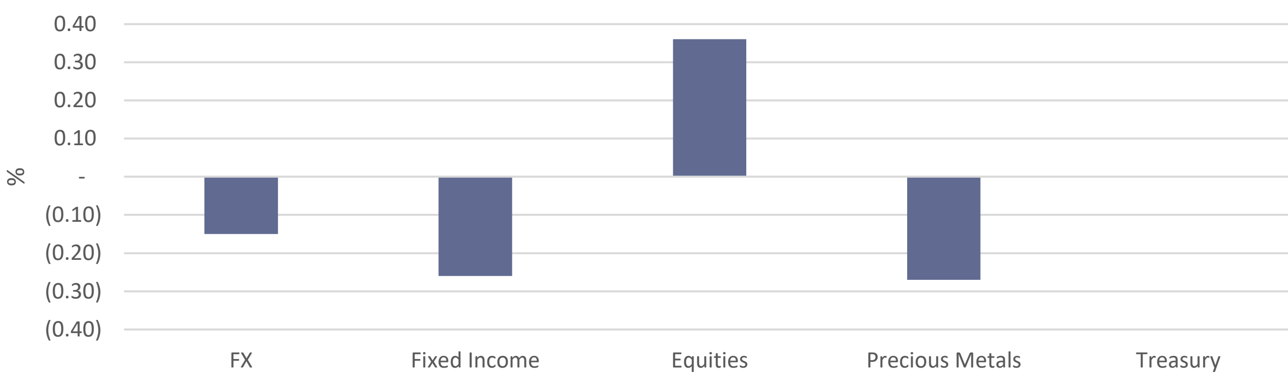
Against this, Fixed income and precious metals trades detracted c.53bp from gross performance. Our process has started to show evidence of a change in narrative in the deflation Vs inflation debate, with the latter starting to win out. We were positioned for higher rates in the US and Australia and gold calls. This proved to be marginally pre-mature, however we stand to benefit in the coming quarters should our thesis start to play out.

Asian assets had relatively narrow ranges despite the risk off moves seen in US equities, and as per our recent outlook piece https://reminiscentcapital.com/wp-content/uploads/2020/10/ReminiscentCapital_InvestorUpdate_Oct20.pdf, the evidence is building for a structural shift in performance. We envisage a substantial opportunity over the next 3-12 months whereby Asian assets can have a meaningful relative catchup. In equities we are positioning for this initially via upside structures in Chinese, Australian and Japanese indices.

In FX, our window barrier period has rolled off, leaving pure upside in the AUDNZD cross rate via FX options that have plenty of time to run. We think the market is under-pricing the Reserve Bank of New Zealand's potential response to any Reserve Bank of Australia rate cuts in Nov/Dec. To further express this theme we have added received positions in the front end of New Zealand rates that have a very good risk reward should the RBNZ decide to cut rates early.

As economies continue to recover, so will consumer confidence and a normalisation of savings rates. To date, higher savings have found their way to banks balance sheets and banks have subsequently bought government bonds. This low and stable rate environment has also helped propel equities higher. There is evidence emerging that this bond buying dynamic is shifting and could start to reverse in Q4 and into 2021, where bonds may start to get net sold rather than bought, precisely at a time when issuance is increasing. Indeed, the long ends of rate curves are starting to show signs of cracks. We are watching with great interest as higher longer end rates can provide a fertile ground for macro investors, with it potentially propelling an investor shift from expensive growth assets in the US, to reflation beneficiaries in Asia.

Performance Attribution – September (% 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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