Ibex Capital Macro UCITS Fund

Macro

June 2018

FACTSHEET

Performance Returns

The Ibex Capital Macro UCITS Fund returned -1.39% net for the month of June in the USD Institutional Class A share class.

Investment Objective & Strategy

The investment objective of the Ibex Capital Macro UCITS Fund is to provide investors with a positive absolute return in all market conditions. The Fund's returns should not be correlated to major indices and other macro hedge funds with the focus instead on the breadth of the global FX markets.

The Fund will seek to provide an absolute return by identifying and exploiting investment opportunities across currency markets while controlling overall portfolio risk using a highly disciplined investment process.

The investment manager will utilise a diverse set of factors to determine the relative attractiveness of individual currencies and actively take long and short positions in these currencies to achieve the Fund's investment objective. Positions will be extremely liquid and highly transparent.

Monthly Commentary

At **ibex capital**, we believe that there are fundamental factors which will continue to drive strength in the $ and weakness in more vulnerable EMFX currencies. We are cognisant that these moves will not happen in a straight line with June FX trading a clear example of that with strength obvious in Mexico (MXN) and other EMFX currencies, at times. However, our research driven process makes us confident in expecting the stronger $ and weaker EMFX moves to materialize over H2 2018.

For EM currencies, we think there are both fundamental and technical factors driving current and future weakness. Firstly, China's engineered growth rebound starting in 2016 significantly increased Chinese and Asian import growth. This import growth has also been seen in non-Asian EMs. Turkey is a good example of imports growing due to high local credit growth. Key for us – in our process that looks to assess impact of supply/demand changes in currencies - is that import growth decreases demand for local currency, in these cases EMFX currencies. This has caused the total EM trade balance to deteriorate in the last 2.5 years (see Chart 1) by half of its improvement from 2013, just at a time when portfolio inflows to finance this lack of currency have turned to outflows. Import growth of many more vulnerable EM countries is exacerbated by the rising oil price, adding another risk for EM to this analysis.

Secondly, EM export growth has been falling over the last 6 months. This correlates very closely with EM equity earnings growth, and along with concerns over global trade issues, means we could well have now seen the peak in the EM export cycle. Again, a decreasing amount of exports will decrease demand for the local EM currencies. In fact, our EM manufacturing PMI (GDP-weighted) peaked in December 2017, and has now fallen to its lowest level in a year. Furthermore, DM PMIs are also signalling a slower rate of growth. This is a far cry from the narrative of 'synchronised global growth' at the start of 2018. Of all the countries we track, very few now have accelerating PMI levels – see chart 2.

Finally, EM real money managers are still overweight EM currencies and local bonds, according to their monthly factsheets and surveys (see Chart 3). As the chart shows, EM managers, on average, are 7% overweight EMFX and 3% overweight local bonds versus their benchmarks. This is the positioning that we should expect given $20T "liquidity punchbowl" that has been presented to investors by the global central bank community. This current positioning suggests to us that the increasing volume of portfolio inflows that EM balance of payments deficits require will be very difficult to source, especially with Quantitative Tightening beginning to impact markets. We note also that since May, some redemptions have started from EM local currency bond funds. If this persists, it will clearly have a material impact on EMFX. A full redemption cycle could be devastating for EM especially with market liquidity significantly reduced with the inception of the Great Financial Crisis.

With respect to the USD, we think there are several variables which will continue to give support to the USD. Firstly, in risk-off environments the USD should be supported as US investors repatriate funds from foreign to $ investments more so than the opposite occurs by foreign investors in $ assets. Between Jan2017-Jan2018, our proxy for USD flow in ETFs alone created a $ selling flow of $340bn. Since January, $80bn of this $ outflow has been reversed. June has been the largest outflow month in 2018 (see chart 4). We think that slower global growth and Quantitative Tightening mean that this reversal could continue over the next quarter. This has already driven $80bio of $ buying, so these are significant flows, but much more can follow.

THE MANAGER

Kevin Connors

CEO

Kevin Connors has over 25 years of financial services experience and is the Chief Executive Officer of Ibex Capital. Prior to co-founding Ibex Capital, Mr. Connors was the Global Head of FX Sales at BoA Merrill Lynch and a Partner at Goldman Sachs as co-Global Head FX Sales. Before this, he was Global Head of Commodity Trading at UBS Corp., Global Head of Metals Trading at Swiss Bank and an FX options trader at O'Connor & Associate.

Stephen Hull

CIO

Stephen Hull has over 20 years of financial services experience and is responsible for the portfolio management of Ibex Capital. Prior to co-founding Ibex Capital, Mr. Hull was a portfolio manager at Moore Capital for a macro strategy, he was the global currency advisor at Brevan Howard, Global Head of FX Strategy at Morgan Stanley and Head of Macro Strategy at Nomura. Before this, he was a portfolio manager at Semper Macro and a proprietary trader and senior economist at Goldman Sachs.

FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	$40.4 million
Inception	1 December 2017
Share Class	**Inst Class A/Inst Class A Pooled**
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.25%
Perf. Fee	15%
Min Init. Sub.	5,000,000
ISIN Codes	EUR: IE00BD9PVH09/IE00BD9PVM51
	USD: IE00BD9PVL45/IE00BD9PVQ99
	CHF: IE00BD9PVK38/IE00BD9PVP82
	GBP: IE00BD9PVJ23/IE00BD9PVN68
Share Class	**Retail Class Pooled**
Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	20%
Min Init. Sub.	10,000
ISIN Codes	EUR: IE00BD9PVY73
	USD: IE00BD9PW114
	CHF: IE00BD9PW007
	GBP: IE00BD9PVZ80

Monthly Commentary (cont.)

From the fundamental perspective, there are further factors to support the USD. Firstly, the growth differential with the rest of the world is increasing, which supports the rate differentials, particularly vs G10 currencies. We think US growth will be supported in the near term by an increasing credit impulse (the strongest in 18months), and higher fiscal spending for Q3. Finally, the goods trade deficit has stopped widening, the opposite of what we described happening in Asia earlier. In fact, in the USA export growth is now outpacing import growth. All of this is causing more demand for the $.

We wish you the best will all your investments.

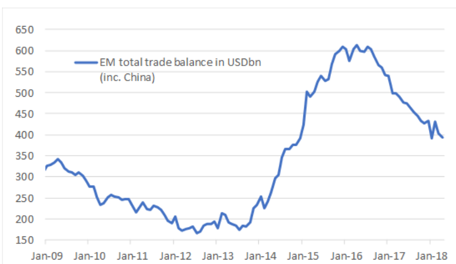
UCITS Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2017	-	-	-	-	-	-	-	-	-	-	-	-1.08%	**-1.08%**
2018	-0.62%	-0.12%	-0.53%	-0.15%	1.57%	-1.39%	-	-	-	-	-	-	**-1.26%**

The performance figures quoted above represent the performance of the Ibex Capital Macro UCITS Fund (USD Institutional A Share Class) since launch on the 1 December 2017. These performance figures refer to the past and past performance is not a reliable guide to future performance.

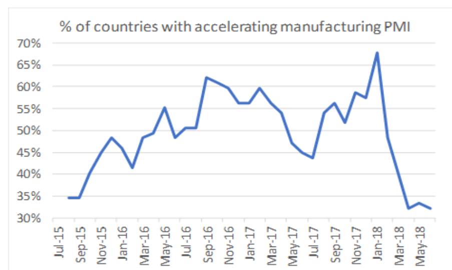
Monthly Commentary Charts

Chart #1: EM Total Trade Balance ($Billions)



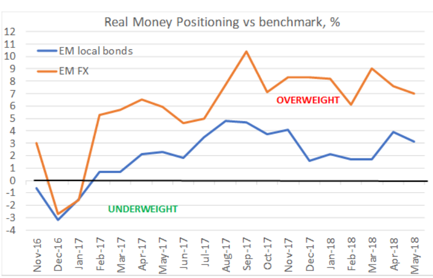
Source: CEIC /Bloomberg

Chart #2: Percentage of Countries w/ Accelerating PMIs



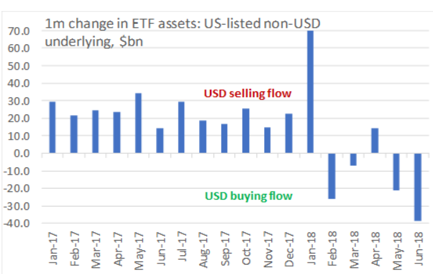
Source: CEIC /Bloomberg

Chart #3: Real Money Positioning vs Benchmark



Source: MS

Chart #4: New ETF Flows of US listed, non-$ Funds



Source: CEIC /Bloomberg

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