MOVE ASSET MANAGEMENT
ALTERNATIVE EMERGING MANAGERS

2nd Quarter, 2020

Net return & statistics for the Quarter ending June 30, 2020

USD Returns	QTD	YTD	1-Year	Volatility*	Sharpe Ratio [2]	Beta*
Move Model Portfolio: Alternative Emerging managers ** [1,2]	**8.1%**	**1.2%**	**-0.3%**	**7.1%**	**0.0**	**--**
S&P 500 Index	20.5%	-3.1%	7.5%	13.9%	0.7	0.3
MSCI ACWI ex-USA ***	19.4%	-5.8%	2.9%	13.6%	0.4	0.3
90-Day T-Bill	0.1%	0.5%	1.6%	0.3%	--	--
Barclays Aggregate Bond Index	2.9%	6.1%	8.7%	3.1%	0.9	0.1
HFRI FOF Index Composite	7.2%	-2.3%	-0.2%	5.1%	0.2	--

	YTD	2019	3 year Annualized	Inception (01-01-17)
Alt Emerging Managers ** [1,2]	+ 1.2% USD + 5.2% NZD	- 1.2% USD -1.2% NZD	+ 1.3% USD + 3.1% NZD	+ 4.5% USD +11.5% NZD

* Annualized
** Net of MOVE/Admin fees (before performance fee, computed annually).
*** MSCI ACWI ex USA is composed of large and mid-cap stocks across 23 Developing & 24 Emerging Markets

Move Asset Management has taken all reasonable care in the preparation of this Factsheet, however, accepts no responsibility for any errors or omissions contained within. Past performance is not necessarily an indication of future performance. Opinions expressed in this Factsheet are our view as at the date of issue and may change

INVESTMENT ADVISER: Move Asset Management

CURRENCY: USD

EXPENSE RATIO: 0.51% / 10% performance

PORTFOLIO INCEPTION: JAN 1, 2017

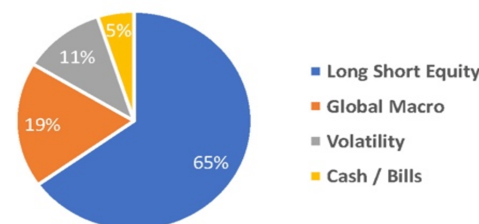
MANAGERS: 6

STRUCTURE:
Separately Managed accounts

INVESTOR ELIGIBILITY:
Wholesale & Institutional Investors

INVESTMENT MINIMUMS: Initial: $100,000

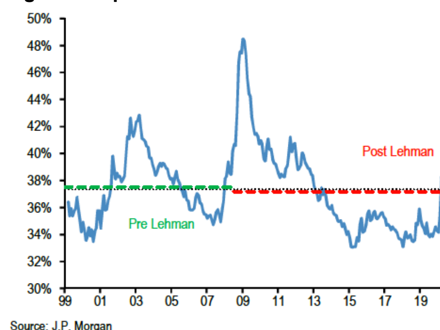
Asset Allocation



The Quarter. During the 2nd quarter we saw a snap back in risk allowing the portfolio to be +8.1% QoQ, and +1.2% year-to-date, proving to be a very good return profile during the covid-19 epidemic whereas the broader markets we significantly weaker. The standout performers for the first half was our global macro fund and our long volatility fund which allowed us to reallocate risk at exactly the right time, which was towards the end of the first quarter. 2Q was subsequently buoyed by a long-awaited snap back in the Emerging Markets fund +10% QoQ, European/US Event fund +20% QoQ, & our newest addition our Global Healthcare Fund +29% QoQ. I still think it's too early call for higher markets, but I do get the sense that we are about to see a long awaited shift to EM and EU as the USD now looks like it may have seen a long term top. A general rule of thumb is that as USD weakens then tends to

Liquidity Creation. Over the course of the last 3 months the IMF believes that around US$9tn of fiscal support has occurred due to the Covid crisis. On top of this another US$5tn via additional bank lending by the private sector. At this current pace, another $2tn will occur over the balance of 2020. All up US$16tn in additional debt has been created which adds up to close to a total $200tn in total debt globally. This will lift the Debt/GDP ratio to 278% (assuming 5% global contraction in GDP) or put another way lifting the ratio +35% YoY, outstripping the GFC Debt/GDP increase of 20% YoY. The side effects of this are a higher savings rate, keeping inflation and economic growth lower, accommodative CB policies and low interest rates will ensue for quite some time allowing the issuing governments to sustain their high Debt/GDP. With additionally more credit and monetary stimulus (via QE) implies more liquidity, which will at some point lead to asset price reflation. This liquidity creation has manifested itself into higher than normal cash holdings (Fig 1). Since March 2020 non-bank cash holdings remains well above the pre-covid levels, despite a +40% rally in global equities from the March 23 lows. Elevated cash holdings will create a strong support for non-cash assets like bonds, equities, and residential real estate. With Bonds yielding less than 1%, the path of least resistance will lead that liquidity more likely into equities.

Figure 1 Implied Cash Allocation



Negative Real interest rates are often associated with monetary policy that sets the nominal rate and holds it below the inflation rate. This was the case in 1940's as surging money supply funded massive fiscal deficits, a process that has only just begun in US and EU. In the 70's the FED interest rates failed to keep pace with inflation as money supply growth surged while borrowers took advantage of increasingly negative real interest rates. It wasn't until Volker (FED chair) raised interest rates <u>above</u> inflation in the early 80's, leading to a period of positive real interest rates, which in turn lead to underperformance by reflation asset beneficiaries of the 70's. One asset class that did very well from negative real interest rates was gold, which went up 10x during the 70's as real interest rates were kept negative by excessive monetary policy. It would not be hard to expect we will see negative interest rates for a prolonged period of time, in order to overcome the large deflationary undertow from high debt levels, aging demographics and rapid advances in healthcare and technology, making most things in the IT-age economy cheaper and cheaper.

Figure 2. Negative Real interest rates a force for higher inflation. US Treasury inflation protected yields (10yr)