Ibex Capital Macro UCITS Fund
Macro

July 2018

FACTSHEET

Performance Returns
The Ibex Capital Macro UCITS Fund returned -0.22% net for the month of July 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 seeks 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 utilises 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
China is at the forefront of global macro markets once more. Chinese authorities have coordinated to stimulate growth once again through multiple measures including looser fiscal policy, easier monetary policy, and slowing the clampdown on "shadow banking" in response to a slowing economy and the ongoing "Trade War". As outlined in our July mid-month note, we thought this simulative policy would manifest itself into a weaker currency through lower carry, and a worsening trade balance.

In contrast to late-2015 and early-2016, the current sharp fall of 8% since May in CNY has not caused a risk-off environment. As mentioned in our mid-month note, we think this is because there are no signs of major Chinese capital outflows as the move has been "allowed" by the PBoC. In the 2015/16 episode, fears were much higher that the PBoC had "lost control" of their currency, so outflows ensued. The PBoC "permitting" this move, more so lately, is demonstrated in Chart 1. The blue bars represent the difference between the GS model estimated daily PBoC fixing and the actual fix. When the blue bars are high, it shows the PBoC is resisting CNY weakness. But when the same blue bars are less high, as they have been recently, the PBoC is accepting the CNY weakness.

In our view, this is a sign that the authorities have been using the currency as a tool in the Trade War. The PBoC is sanctioning CNY weakness, which is very important signalling. We think this is backed up further by most of the USDCNY move higher taking place in the hours of the Asian trading session (we have this chart available upon request) as opposed to in Europe or the Americas.
With respect to China's balance of payments, we are also concerned that further simulative policy will take the trade surplus closer towards a deficit. There was a clear turning point in the trade surplus once PBoC started their own style of QE in late 2015. This surplus has already almost returned to 2014 levels. This is shown in Chart 2. This decreased and potentially decreasing trade surplus is a negative for CNY.

The key question for us now is to what extent this new China policy direction spurs global growth. It is clear that global growth has been slowing in H1 2018, and in fact, the EM growth cycle peaked in December 2017. This is shown in Chart 3. We are therefore watching for signs of increased commodity demand from China, as this would be a big positive for nearly all EM assets and commodity currencies.

For the $ beyond versus CNY, we think the market is facing a struggle between high front-end $ rates while pricing the US being "late-cycle" by pricing Fed hikes very much concentrated over just the next 18months. For now, we expect this to support the USD, but we accept that later this support for the dollar may evaporate, especially if/when other G10 central banks step back from their accommodative policies. We also expect EM to remain under pressure in H2 2018, as nominal carry for the asset class is very low relative to recent years vs the dollar. This is shown in Chart 4.

Finally, we are concerned about political risk in the Eurozone. Regardless of the new Italian government actions on the EU, we think there is a coming potential dispute over fiscal discipline. A flashpoint should be Italy's budget proposal due in October. In fact, just on 30th July, Deputy Premier Luigi Di Maio said the government will go ahead with its plan to introduce a flat tax, assure a basic income, and scrap a money saving pension reform. Italy will adopt these three measures, Di Maio said "as soon as possible. Indeed immediately."

Cont.

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	$40.5 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.)

Several economist estimates would put these measures at costing around 4.5% of GDP. This means that with any significant inclusion of these costs added to Italy's deficit that already is running at over minus 2% of GDP would put Italy well in breach of Maastricht's 3% deficit targets. In our view this budget debate, especially if communicated aggressively in the press by Salvini as we expect, let alone eventual implementation will cause significant market fireworks. We see some of the better risk reward trades for these events to be short €/$ and short €/CHF.

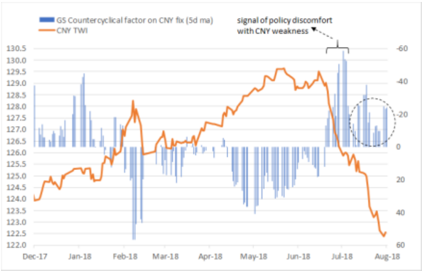
UCITS Performance

	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%	-0.22%	-	-	-	-	-	**-1.48%**

The performance figures quoted above represent the performance of the Ibex Capital Macro UCITS Fund 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.

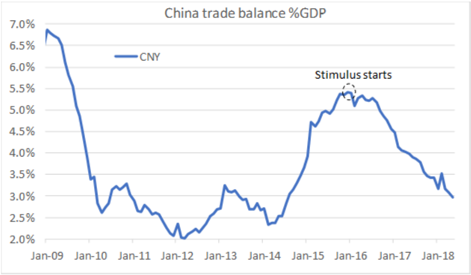
Monthly Commentary Charts

Chart #1: CNY vs GS "Countercyclical factor"



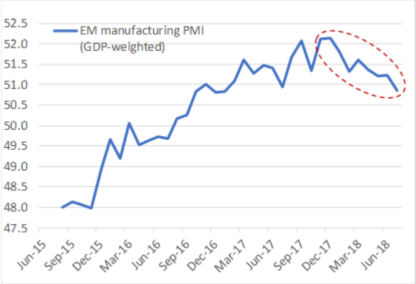
Source: GS

Chart #2: China trade surplus decreasing



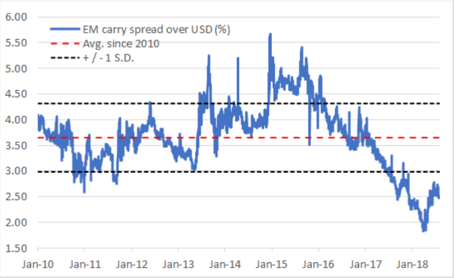
Source: CEIC /Bloomberg

Chart #3: EM manufacturing PMI peaked in December



Source: CEIC /Bloomberg

Chart #4: Average of EMFX currencies carry vs USD



Source: CEIC /Bloomberg

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