ALGO
PERFORMANCE FUND

InvestEdge UCITS SICAV

September 2018

Trading Update

> "September has seen a turnaround in the Funds positioning with volume back in the market"

August is a holiday month of low trading volume and little new direction. This year was no different. The month began with the EURUSD pair being sold off to test a key level of 1.13. At this point buyers entered the market and drove prices back up to end the month little changed from where it started. A month of high volatility, but ultimately no new direction.

The month of September saw Euro moves that were supported by fundamentals with Draghi setting a more hawkish tone for the first time this year, downplaying risks posed by Italy, and notably setting the scene for normalisation of monetary policy. Furthermore the FOMC meeting on 26th September, as widely expected, raised interest rates by 0.25% and pointed to another in December. Normalisation in the US is now taking place with US interest rates at approximately the same level as inflation, thus implying a 'neutral' bias to monetary policy. Whether the US dollar strengthens or weakens from this point depends on the outlook for 2019. If the December hike is seen to be the last hike for an extended period, the currency will weaken.

Towards the last days of September, Italy was back in the limelight, arguing with the Euro stipulations governing their budget, and the Euro saw a strong move back down against the US Dollar. As the funds positioning at the time of this slide was predominantly neutral, this had little impact, and the management team executed the algorithms to position against this move, expected to be short term as the Italian crisis resolves itself in due course.

September has seen a turnaround in the Funds positioning with volume back in the market following the quiet Summer break. A fruitful month in taking advantage of ranging and upward trending movements in the Euro and the management team, whilst not obviously apparent by the Fund valuations, have pared exposure down by using profits to offset open positions. This continued action over the last quarter has improved the underlying positioning of the Fund, and the management team widely expect growth to continue as exposures are reduced hence allowing greater opportunities for profit.

The management team has also taken decisive action to reduce the GBP bond holdings in the funds underlying portfolio as short term volatility in GBP continues to caution the market in the lead up to "Brexit", favouring Euro and US Bonds. All bonds in the portfolio are short term in order to avoid unnecessary exposure to widening yield differentials in greater duration bonds.

The management team are intensively pursuing theirstrategy to improve the current position, and during the month of September the NAV of the O class improved by 1.66% In addition, a further trading system is being introduced in Q4 to complement the existing algorithm and the strategies implemented in September. The short term trading profit ratio of 70% continues and profits are being utilised to aggressively reduce existing negative positions. In the meantime, positions that were taken in April/May are hedged for the moment in order to protect our investors from further downside risk, but hedging will be unwound as short term trading profits allow us to reduce exposure.