Put into perspective

Ahead of the mainstream

October 2019

Written by
Bruno Schneller, CAIA & Miranda Ademaj

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"Gains are overrated. Avoiding loss is underrated."
– D. Muthukrishnan
Shrinking industry: While investors have been pulling cash, hedge funds’ ranks are thinning

Fundamental long/short equity performance remains exposed to factor reversals

September was the worst month of alpha generation for Equity Fundamental LS funds in four years, driven in part by losses attributed to factor rotations out of Momentum and Growth, and into the Value factors (Dividend Yields, Earnings Yield, and Book to Price). As price action for those factors generally reversed since late September and so far in October, they have become positive contributors again to performance MTD.

Top & bottom 20 hedge funds of 2019

<table>
<thead>
<tr>
<th>Investment Funds</th>
<th>Return</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MURFIELD GSE PARTNERS</td>
<td>87.87</td>
<td>30 Sep 19</td>
</tr>
<tr>
<td>QUAMITY GLOAL FUND</td>
<td>66.81</td>
<td>30 Sep 19</td>
</tr>
<tr>
<td>PERSHING SQUARE (LTD</td>
<td>41.67</td>
<td>30 Sep 19</td>
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<tr>
<td>GOLDEN CHINA FUND NR CLASS</td>
<td>39.48</td>
<td>30 Oct 19</td>
</tr>
<tr>
<td>DUNN WIMA FUND SA</td>
<td>38.59</td>
<td>31 Aug 19</td>
</tr>
<tr>
<td>ROM KESTON LP (BLACKCAP CAPITAL MANAGEMENT)</td>
<td>37.58</td>
<td>30 Sep 19</td>
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<tr>
<td>LUCERNE CAPITAL FUND LP</td>
<td>36.57</td>
<td>30 Sep 19</td>
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<tr>
<td>LYNE BERMDA 1.5 LTD</td>
<td>34.46</td>
<td>08 Oct 19</td>
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<tr>
<td>CANTEB CAPITAL PARTNERS QUANTITATIVE FUND (THE) - USD ARBITRAGE</td>
<td>33.53</td>
<td>04 Oct 19</td>
</tr>
<tr>
<td>DBI PLATINUM QUANTITATIVE MANAGED FUTURES INDEX-CLASS</td>
<td>29.68</td>
<td>07 Oct 19</td>
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<tr>
<td>MUDRICK DISTRESSED OPPORTUNITY FUND LTD</td>
<td>29.21</td>
<td>04 Oct 19</td>
</tr>
<tr>
<td>ECQ VALUE FUND INTERNATIONAL LTD</td>
<td>27.57</td>
<td>31 Aug 19</td>
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<tr>
<td>ORTUS AGGRESSION FUND (CAYMANS) LTD</td>
<td>27.04</td>
<td>15 Sep 19</td>
</tr>
<tr>
<td>FEDELM GLOBAL FINANCIALS FUND</td>
<td>27.04</td>
<td>30 Sep 19</td>
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<tr>
<td>MARSHALL WAGE INC/DOOPOOL GROWTH CHINA A SHARE (USD) (ISIN: US81493Q1083)</td>
<td>26.88</td>
<td>31 Aug 19</td>
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<tr>
<td>KENNIES LEVERAGED QUANTITATIVE STRATEGIES FUND (KQSG)</td>
<td>25.70</td>
<td>04 Oct 19</td>
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<td>GRAMMAR GLOBAL INVESTMENT FUND 6 - K6-15V - COMPOSITE</td>
<td>26.21</td>
<td>08 Oct 19</td>
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<tr>
<td>LANDOWNED CLEAN ENERGY FUND</td>
<td>23.91</td>
<td>30 Sep 19</td>
</tr>
<tr>
<td>ASCENDO CAPITAL GROUP LP</td>
<td>23.76</td>
<td>30 Sep 19</td>
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<td>ONE RED XY SYSTEMATIC TREND 15 VOL</td>
<td>23.68</td>
<td>31 Aug 19</td>
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<table>
<thead>
<tr>
<th>Investment Funds</th>
<th>Return</th>
<th>Date</th>
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<tr>
<td>AIM ABSOLUTE RETURN FUND</td>
<td>-15.55</td>
<td>04 Oct 19</td>
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<tr>
<td>ROY G. NELDER OFFSHORE FUND</td>
<td>-20.00</td>
<td>09 Oct 19</td>
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<td>TITAN OPPORTUNITIES FUND US$ (L.P. G)</td>
<td>-20.18</td>
<td>31 Aug 19</td>
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<tr>
<td>HORSEMAN GLOBAL FUND USD</td>
<td>-19.98</td>
<td>03 Oct 19</td>
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<td>ODEY EUROPEAN INC EURS</td>
<td>-18.00</td>
<td>30 Sep 19</td>
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<td>ABSENT CAPITAL ASIAN SPECIAL OPPORTUNITIES FUND CLASS A</td>
<td>-17.90</td>
<td>29 Sep 19</td>
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<tr>
<td>UMU KOTOGHIRO FUND</td>
<td>-13.75</td>
<td>31 Aug 19</td>
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<td>CYONAS EUROPE EVENT DRIVEN FUND</td>
<td>-13.04</td>
<td>31 Aug 19</td>
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<tr>
<td>VR GLOBAL OFFSHORE FUND LTD</td>
<td>-12.48</td>
<td>31 Aug 19</td>
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<tr>
<td>MJE FUND LTD - EURS</td>
<td>-10.43</td>
<td>27 Sep 19</td>
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<tr>
<td>ELM RIDGE CAPITAL PARTNERS LP</td>
<td>-11.95</td>
<td>30 Sep 19</td>
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<tr>
<td>PROFIT OPPORTUNITY PARTNERS LP - ALTERNATIVE FIXED INCOME</td>
<td>-11.53</td>
<td>30 Sep 19</td>
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<tr>
<td>PIMCO GLOBAL CREDIT OPPORTUNITY FUND SERIES 1</td>
<td>-10.19</td>
<td>31 Aug 19</td>
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<tr>
<td>MMF MACRO PEAK PARTNERS OFFSHORE LTD - B</td>
<td>-9.43</td>
<td>31 Aug 19</td>
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<tr>
<td>NIKEN CREDIT OPPORTUNITIES FUND</td>
<td>-9.13</td>
<td>31 Aug 19</td>
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<tr>
<td>WESTFIELD FUND (CAYMAN LS)</td>
<td>-6.00</td>
<td>31 Jul 19</td>
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<tr>
<td>CASSIOPEIA FUND CLASS B</td>
<td>-6.43</td>
<td>31 Aug 19</td>
</tr>
<tr>
<td>BLUEMOUNTAIN CREDIT ALTERNATIVES FUND</td>
<td>-6.36</td>
<td>04 Oct 19</td>
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<tr>
<td>AGD DPC - EUROPEAN ALPHA FUND SP2</td>
<td>-8.13</td>
<td>04 Oct 19</td>
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<tr>
<td>LANDOWNED DEVELOPED MARKETS FUND LTD A US$</td>
<td>-7.85</td>
<td>04 Oct 19</td>
</tr>
</tbody>
</table>

HSBC
Rolling 3Y upside/downside capture ratios of CS Hedge Fund Index versus MSCI AC World

Best/worst performance by strategy (as of end of September 2019)

Nomura

Upside/downside capture ratios (as percent of MSCI AC World)

Credit Suisse

Hedge fund implied exposure to equity and bonds

Credit Suisse
Leverage ratios fell in the second half of September driven by mark-to-market and short covers

Goldman Sachs

September hedge fund trading flows by region (vs. MSCI World regional price returns)

Goldman Sachs

September hedge fund trading flows by global sector (vs. MSCI World sector price returns)

Goldman Sachs
USD and percentage of developed countries with policy rates below US

The chart suggests that the percentage of developed countries with policy rates below US, is a support for the USD.

The OECD output gap still hasn’t closed after a decade of economic recovery

The latest global LEI uptick is all about EM
Central banks have responded strongly to the uncertainty—highest percentage of easing since GFC

The Baltic Dry Index (bulk shipping costs) has diverged sharply from global manufacturing PMI

President Trump’s approval rate among Republicans

Credit expansion is boosting asset prices but is having less effect on GDP growth
The probability of a global recession is now perceived as higher than at any time since 2009

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**BofA Merrill Lynch (via Bloomberg)**

**Weak demand:** Growth in the two giant Asian economies has slowed sharply this year

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**Bloomberg**

**Expectations are for a robust recovery in 2020 across the board**

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**Deutsche Bank Research (via WSJ’s Daily Shot)**

**G4 non-financial corporate sector net debt and equity issuance**

$tr per quarter. G4 includes the US, the UK, the Euro area and Japan. Last observation as of Q1 2019.

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**JPMorgan (via WSJ’s Daily Shot)**
USD behavior around rate cut cycles: % move in the USD before and after first rate cut by the Fed

The end of inflation? Inflation is losing its meaning as an economic indicator

Varied lags between indicators and recessions

Net percentage of banks reporting increased demand for business loans
Significant downside risks to world trade volumes

Deutsche Bank Research (via WSJ's Daily Shot)

Will the synchronized easing by global central banks support earnings?

Scotiabank (via WSJ’s Daily Shot)

Unicorns whose IPO valuations were lower or higher than the valuation given at their last VC round

The Wall Street Journal

Rich people are hoarding cash, and wealth managers are getting frustrated

The Financial Times
Tariff pain: Monetary policy cannot offset all the damage

Bloomberg

Falling productivity in developed economies

The Financial Times

A combination of shocks would likely be needed to push the world into recession

Oxford Economics (via WSJ’s Daily Shot)

Rising protectionism: Number of protectionist and trade liberalizing measures of G20 countries

Commerzbank Research
So much geopolitical uncertainty and yet so little volatility

Will easier financial conditions boost economic growth?

The world is investing less in clean energy

Vietnam and Bangladesh are increasing presence in the US apparel market, while China’s is declining
Video of the month

It’s a code red: Inventor of the yield curve indicator on the state of the US economy

Campbell Harvey is a Professor at Duke University and a partner at Research Affiliates. He sat down with Michael Batnick and Josh Brown of Ritholtz Wealth Management to discuss the meaning of the yield curve indicator, which he discovered in 1986 while working on a dissertation. Campbell cites the fact that 7 out of the last 7 recessions had been presaged by a yield curve inversion - which is what happens when its longer-term bond yields fall below shorter-term bond yields in the Treasury market. He believes that this phenomenon occurs when the market participants begin to grow more pessimistic about the economic outlook. The behavior of executives, lenders, borrowers and investors can change enough during these times to actually become a self-fulfilling prophecy - producing a negative feedback loop that drives a weakening economy into a full-blown recession. Recessions are a normal part of the business cycle, although they can be painful to live and invest through. They can also vary greatly be degree. Campbell fields questions from Michael and Josh about all of the ways in which this time might be different. He acknowledges that it is always possible that the yield curve indicator might stop working as a recession signal, but he believes that because it hasn’t yet, this might be a good time for people and corporations to rethink the risks they’re taking.

Click to watch

The Compound

Tweet of the month

Alessandra @AlBosco

This woman was found guilty of criminal charges for fraud while head of the IMF. Anyone found guilty of such a crime wouldn’t even be able to run a shop. But in the world of international finance, you get nominated as President of the European Central Bank.

Joke of the month

The longer it takes to reach a deal means the more we can rally on hopes of a deal.

Cartoon of the month
The most surveilled cities in the world

Let there be lightbulbs: Efficacy of light sources, lumens per watt

Unemployment rates for US veterans, non-veterans vary by age group

Post 9/11 veterans more likely to have been deployed, seen combat, experienced emotional trauma
Visualizing 200 years of systems of government

The Warren wealth tax

Long-term wealth taxation and top wealth holders

<table>
<thead>
<tr>
<th>Top Wealth Holder</th>
<th>Source</th>
<th>Correct 2019 wealth ($ billions)</th>
<th>Wealth in 2000 (5% above $50)</th>
<th>With-cradle wealth tax since 1862 (10% estate tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Jeff Bezos</td>
<td>Amazon (founder)</td>
<td>163.3</td>
<td>60.8</td>
<td>26.1</td>
</tr>
<tr>
<td>2. Bill Gates</td>
<td>Microsoft (founder)</td>
<td>97.3</td>
<td>35.4</td>
<td>4.3</td>
</tr>
<tr>
<td>3. Warren Buffett</td>
<td>Berkshire Hathaway</td>
<td>88.3</td>
<td>29.6</td>
<td>3.2</td>
</tr>
<tr>
<td>4. Mark Zuckerberg</td>
<td>Facebook (founder)</td>
<td>61.0</td>
<td>44.2</td>
<td>21.5</td>
</tr>
<tr>
<td>5. Larry Ellison</td>
<td>Oracle (founder)</td>
<td>33.6</td>
<td>23.5</td>
<td>4.5</td>
</tr>
<tr>
<td>6. Larry Page</td>
<td>Google (founder)</td>
<td>33.0</td>
<td>30.3</td>
<td>13.0</td>
</tr>
<tr>
<td>7. David Koch</td>
<td>Koch Industries</td>
<td>33.5</td>
<td>19.9</td>
<td>3.6</td>
</tr>
<tr>
<td>8. Charles Koch</td>
<td>Koch Industries</td>
<td>33.5</td>
<td>19.9</td>
<td>3.6</td>
</tr>
<tr>
<td>9. Sergey Brin</td>
<td>Google (founder)</td>
<td>52.4</td>
<td>34.4</td>
<td>13.0</td>
</tr>
<tr>
<td>10. Michael Bloomberg</td>
<td>Bloomberg (founder)</td>
<td>31.3</td>
<td>24.2</td>
<td>5.6</td>
</tr>
<tr>
<td>11. Jim Walton</td>
<td>Walmart (heir)</td>
<td>45.2</td>
<td>15.1</td>
<td>2.0</td>
</tr>
<tr>
<td>12. Rob Walton</td>
<td>Walmart (heir)</td>
<td>44.9</td>
<td>15.0</td>
<td>2.0</td>
</tr>
<tr>
<td>13. Alice Walton</td>
<td>Walmart (heir)</td>
<td>44.9</td>
<td>15.0</td>
<td>2.0</td>
</tr>
<tr>
<td>14. Steve Ballmer</td>
<td>Microsoft (CEO)</td>
<td>40.3</td>
<td>16.2</td>
<td>3.5</td>
</tr>
<tr>
<td>15. Sheldon Adelson</td>
<td>Las Vegas Sands (founder)</td>
<td>30.5</td>
<td>18.4</td>
<td>5.6</td>
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<tr>
<td>Total top 100</td>
<td></td>
<td>942.5</td>
<td>433.0</td>
<td>111.3</td>
</tr>
</tbody>
</table>

The effects of wealth taxation on overall tax progressivity

Brookings Institution

Birds and mammals make up most of the species listed as threatened and endangered

The Wall Street Journal
Companies are restructuring compensation and benefits packages to attract qualified women

The Wall Street Journal

Wind turbines are not killing fields for birds

Statista

Education and income predict how whites vote

The New York Times

Fleeing the coop: Percentage of Americans getting financial assistance from their parents

The Wall Street Journal
Black men in America are living almost as long as white men

The chasm in life-expectancy that once existed has nearly closed.

**Race to the bottom**
United States, life-expectancy gap in years between blacks and whites, by sex

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>1950</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>2000</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>0</td>
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</tbody>
</table>

*The Economist*

Costs for wind and solar electricity have plummeted in the US and around the world

*Axios*

Bird numbers on the decline across North America

A newly released comprehensive study estimates a 29 percent loss in overall wild bird counts since the 1970s.

*ABC News*

Values that are considered "very important": Where younger generations differ from older ones...

*The Wall Street Journal*
Solar leads power jobs: US electric power generation jobs

- Solar: 242K
- Gas: 113K
- Wind: 112K
- Coal: 89K
- Hydroelectric: 69K
- Other: 38K
- Combined heat and power: 29K

*Source: Bloomberg*

Where female entrepreneurs are most and least common

*Source: Statista*

More Christians than Muslims have entered the US as refugees since fiscal 2017

*Source: Pew Research Center*

The great profit manipulation: Offshore profits of US multinationals in select jurisdictions (% of US GDP)

*Source: The Financial Times*
National youth tobacco survey: Youth use of e-cigarettes continues to climb

Gender diversity is correlated with higher ratings: Average percentage of female board members

More suicides than homicides involve guns

Where does plastic come from?
How many websites are there?

China is the world’s largest tobacco market by far with roughly 2.4 trillion cigarettes sold last year

Rising temperatures are causing grapes to ripen earlier, accelerating harvest times
The countries with the most people living overseas

Immigrants are driving up Nobel Prize counts

Between 1995 and 2016, an average 1.7 million households a year received an inheritance

About half of these "intergenerational transfers" were less than $50,000

The world's best postal services

Statista

Statista

The Wall Street Journal

Statista
Women rate themselves as less confident than men until their mid-40s

Data on 3,879 men and 4,779 women since 2016 shows that women’s gains in confidence are more than three times that of men — but only because of a massive gap at the beginning of their careers.

Harvard Business Review

Streams of songs released more than 18 months ago are rising more rapidly than streams of new music

The Wall Street Journal

Who spends the longest time in retirement?

Statista

How IPOs are priced

Vishal Khandelwal
The dude map: How Americans refer to their bros

Quartz

Why are some languages spoken faster than others?

The Economist

Has E.T. gone home?

Statista
With improved models, forecasters can better estimate a hurricane’s trajectory and intensity

The Wall Street Journal

Fickle fashion: Consumers are wearing the same clothes less

The Wall Street Journal

The most hated office resp. email jargon

Statista / Statista

America's best employers for new grads 2019

Statista
Bruno Schneller, CAIA

Bruno Schneller is the co-founder and CIO of Skënderbeg Investment Management AG. Prior to establishing the company, Bruno worked at investment boutique and fund of hedge funds pioneer BrunnerInvest AG. Prior to BrunnerInvest AG, Bruno worked at AXA Private Equity in 2007 and at Zurich-based hedge fund Naissance Capital Ltd. in 2006.

Miranda Ademaj

Miranda Ademaj is the co-founder and CEO of Skënderbeg Investment Management AG. Prior to establishing the company, Miranda worked at BrunnerInvest AG and Sallfort Privatbank AG. Before that, she worked at Credit Suisse for several years.

LinkedIn profile

About us

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