

Coeli Prognosis Machines - Fund manager comment as at 31 October, 2018

Investors need a strategy that can cope with the frequent risk-on/risk-off episodes, which is the new market reality. Competing systematic global macro funds underperform because they use fixed allocation to fundamental and behavioral models. Investors ignore most of the market fundamentals during risk-off and behavioral models get whipsawed when the market changes direction frequently.

The Prognosis Machines solution is to use new technology to discover what themes investors favor as unknowable events (policy errors, crises, disasters) shake the markets. New machine learning and deep learning algorithms choose between macroeconomic and behavioral forecasting models. The strategy then builds the portfolio based on the selected models and new macro data.

The Prognosis Machines trades the most liquid markets in the world: equity, interest rate futures and currency forwards, around 70 instruments in total.

The fund targets 20 percent volatility and one standard deviation of monthly return is 5.8 percent.

Monthly Development

The fund lost 5.74 percent in October (SEK I class).

The loss was due to the stock market fall. Currency and bond positions were profitable.

The S&P 500 fell by 7 percent in October. Tighter financial conditions and the lack of visibility on the outcome of the trade disputes soured expectations for 2019 growth. Will fiscal policy help sustain growth in 2019 especially in Europe and China?

The strategy has retained its long net exposure to stocks. It is long in Asia, Europe and Australia. Short positions include Spain, Italy, Canada, and Hong Kong.

The portfolio has now a long net exposure in bonds, long in Germany, the US, the UK and Australia and short in Japan.

In currencies the strategy has closed profitable short positions in SEK and EUR and has initiated long NZD and short CHF positions. The net long USD position has been reduced.

A new macro factor has been introduced. It looks at the financial balance of households and firms. When the balance is highly negative, the country's economy is vulnerable to external shocks.

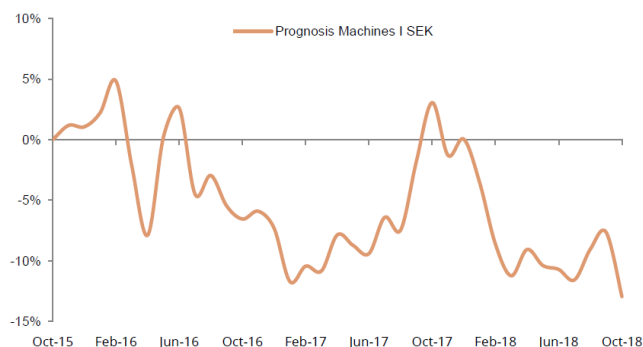
Fund Overview

Inception Date	2015-11-02
Mgm. Fee	1,2 %
Performance Fee	YES
Risk category	6 of 7

Fund Measures

Annualized Return	-3.48%
Correlation to MSCI World	0.50
Correlation to OMRX T-Bond	0.00
Sharpe (24 Mths)	-0.24
Positive Months	44.44%

Performance Performance in Share Class Currency (SEK)



Performance in Share Class Currency	1 Mth	YTD	3 Yrs	Since Incep
Prognosis Machines - I SEK	-5.74%	-12.97%	N/A	-12.94%

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