

Coeli Prognosis Machines - Fund manager comment as at 30 November, 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 gained 1.18 percent in November (SEK I class).

Under pressure from Trump, the Fed has signaled a pause to rate hikes. The market is now implying only one hike in 2019. This has caused a relief rally in the stock market, which had been weighed down by diminishing growth expectations. The collapse of the oil price is raising concerns about the oil industry and the corporate bond market. On the trade war front, what has been agreed in the G20 meeting between Xi and Trump remains murky and is of small consequence.

Because of the deterioration of the market fundamentals, the strategy has turned defensive from cautiously optimistic. It has now zero net exposure to stocks and is net long bonds.

In bonds, the strategy is long in Germany, the US, the UK and Australia and short in Japan.

In stocks the strategy is long in Japan, Korea, the UK and Sweden and short in Hong Kong, Australia, Switzerland, Italy, Spain and Canada.

In currencies the strategy has retained its long NZD, USD and short CHF positions. It has zero net position in EM currencies.

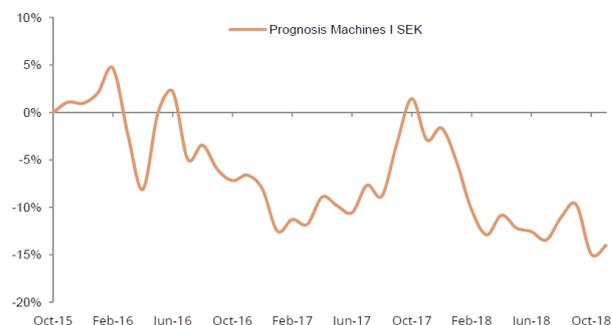
Fund Overview

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

Fund Measures

Annualized Return	-3.24%
Correlation to MSCI World	0.49
Correlation to OMRX T-Bond	0.05
Sharpe (24 Mths)	-0.22
Positive Months	45.95%

Performance Performance in Share Class Currency (SEK)



Performance in Share Class Currency	1 Mth	YTD	3 Yrs	Since Incep
Prognosis Machines - I SEK	1.18%	-11.94%	-12.93%	-11.91%

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