MONTHLY NEWSLETTER

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Email: info@aism.lu | www.aism.lu

Central banks: between seat changes and prudent policies

The interests of all market operators are focused on the next **FOMC Meeting** scheduled for September 17th-18th.

The **FED** warned that it won't take charge of the fate of the financial markets and act as a channel for the compensation of skirmishes between China and the United States. At the same time, in Frankfurt, market operators have reduced the expectation for an important package of interventions in the meeting scheduled for the 12th of September.

Central Banks perceive the expectations and try to lower the bar, leading us to bet on an intervention not consistent with what the markets require and leaving room for disappointment and a temporary prices adjustment.

There are several indicators that lead us to predict the possible **downsizing** of the U.S. stock exchange as temporary. One of them is the performance of the equalized version of the S&P500 index (which weighs 0.2% per share, taking away the weight of the Wall Street giants) compared to the performance of the capitalization weighted version: in August the performance gap between the two indices exceeded 1.5%: it's a circumstance that has occurred 15 times since 1950.

In 73.3% of cases after six months the S&P500 it's been positive and, in cases where it was negative, it returned positive after another six months. Basically, **this setup guaranteed a positive return in 100% of cases** after six months or, otherwise, twelve months.

MARKET INSIGHTS

Peso: nothing but trouble

Autonomy Capital, a hedge fund, lost $1 billion in August betting that the country would not default on its debt, just few days before the country's currency and bonds crashed after the pre-elections quake, dragging the peso down to -20.8% in just one month.

The actual presidential elections will be held October 27th and before that time, the Country is at the mercy of a confidence-driven liquidity crisis, due to past government instabilities and decisions to depreciate the currency down to -33.97% in 1 year.

As consequence, the official annual inflation rate jumped to 51.3%/yr. In response to Argentina's inflation surge, the Banco Central de la República jacked up interest rates in an attempt to manage the peso.

But with these rates, the economy will collapse, and the peso will follow.

Market adjustments in sight

The month of August led to a consolidation of the American index S&P500 of almost the -3%, mitigated during the last sessions, and the world stock markets lost about 3 trillion dollars of capitalization, while the race to buy refuge goods (especially gold and silver) is still on.

In terms of seasonality, it is noted that since 1987, in 17 cases out of 17 when the FTSE 100 index showed even a minimal positive YTD balance at the end of August, the S&P 500 has always risen in the following four months. For Wall Street this is the second negative month in the last six months, in a sequence that has occurred 18 times since 1950, 15 time of which the index ended positive in the final part of the year. The month was also negative for the Eurostoxx 50, which closes at -1.1% and for the third time in the last six months, it has touched the 200-week moving average.

In terms of forecasts, we expect a period of adjustment of the markets after the FOMC that would give in mid-October levels similar to those of today, and then reaching the target of the S&P 500 at 3250/3275 at the end of the year.

The shiny commodity

After a first positive quarter and a second regressive one, the gold started the third one on a positive trend driven by the real risk of the rising inflation and the perception that Central Banks have failed their mission to stimulate the real economy through the monetary instrument.

In the stock exchange, the outperformance of the Growth sector, compared to the Value sector, began to become more difficult after ten years, and this is an element that, in the long run, can favor the commodities.

Is the fate of the yellow metal associated with the development of the short-term interest rates?

In 2018, the value of gold collapsed, while the yeld of the biennial US State increased from 2 to 3%.

On the contrary, from autumn 2018 onwards, the decline in interest rates coincided with a real appreciation of gold: government bonds were less attractive, leading a no-coupon commodity to shine more.

FUNDS ANALYSIS AT PAG 2 and 3

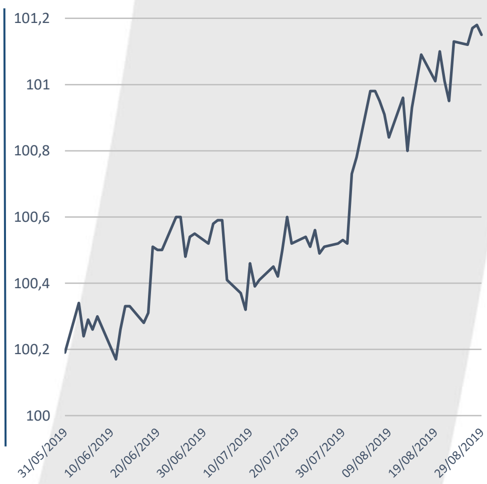
KYRON FIXED INCOME

The main component of the fund is US treasury bonds, which should react positively if any negative market event drop.

US interest rates have slightly risen during the month, as financial markets were reassured by the prompt intervention by the FED and other central banks to stave off any economic weakness.

The Fund started increasing the active risk versus the Benchmark by adding exposure (currency hedged) to EUR-denominated high yield bonds in anticipation of a more proactive ECB and a potential second QE phase.

The exposure contributed positively to the performance, offsetting in part the drag coming by increasing rates.



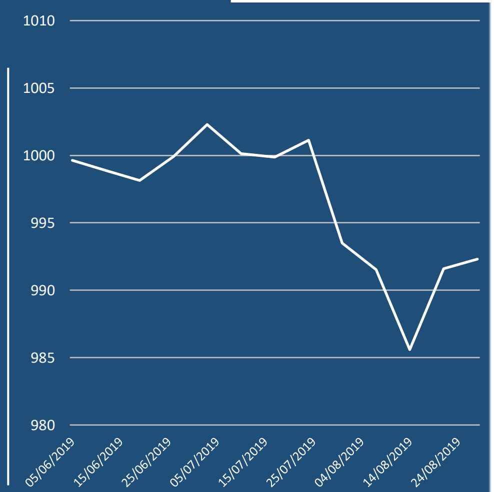
Share B1 – LU1918787018	
Performance	
Last Month	0.65%
YTD	1.2%
Since inception	1.2%
NAV/Share	101.17
Statistics	
VaR	0.8%
Ex-Ante Volatility	1.5%
Sharpe ratio	N/A
Sortino Index	N/A
Average yield	2.01%
Averarge duration	2.2 years

KYRON EQUITY ABSOLUTE RETURN

Global markets remained overall stable over the month of July. The promise of monetary support offset the uneasiness caused by a deteriorating macro-economic outlook as well as the continuing spat over trade balances.

Some disappointment from the actual central banks decisions at the end of July prompted some weakness but markets managed to end the month with a slight gain.

The fund maintained a cautious outlook over the month, positioning for a potential summer correction which so far didn't materialize. However, the price action at the end of the month points in a direction which supports our stance.



Share A1 - LU1918787364	
Performance	
Last Month	-0.12%
YTD	-0.77%
Since Inception	-0.76%
NAV/Share	992.31
Statistics	
VaR	1.70%
Sharpe ratio	N/A
Sortino Index	N/A

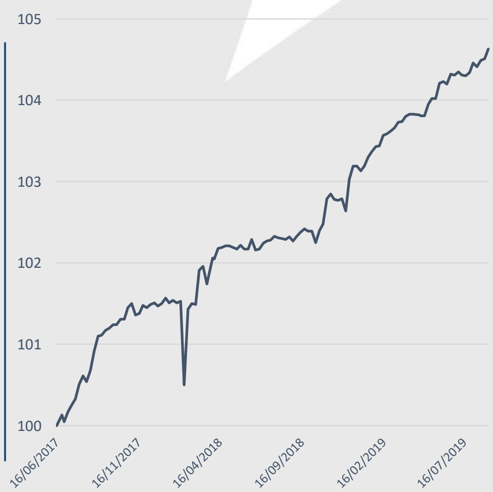
PHARUS AVANTGARDE

Volatility (V2XIndex) remained constantly above 18% during August due to political and economic turmoil. We witnessed four significant spikes during the period considered, all with more than +14% daily increase. Only one significant spike happened on Friday (on August 02nd +33% daily increase) which allowed the opening of an efficient structure.

The settlement price and the cost of hedging strategies generated a negative mark to market which offset the realized profit, until the last NAV of the period.

With volatility environment above 18% the Fund will keep building efficient weekly structure, with a more consistent exposure.

The bond portfolio remained stable while having a duration lower than 0.5 thanks to hedging instruments.The DJEurostoxx50 Index dropped -2.77% from July 26th to August 30th.

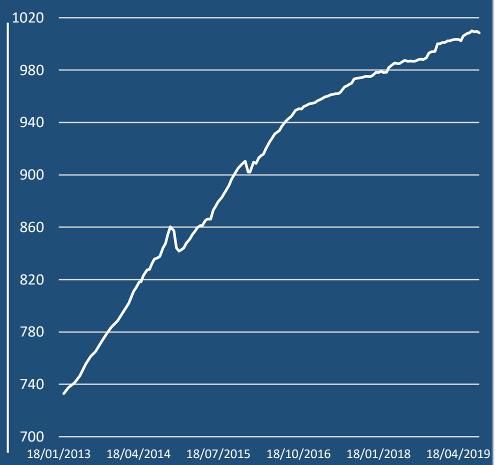


Share I - LU1620769817	
Performance	
Last Month	0.28%
YTD	1.39%
Since inception	2.07%
NAV/Share	104.43
Statistics	
Volatility	**1.17%**
Sharpe ratio	3.68
Sortino Index	4.08
Average yield	-0.002%
Averarge duration	1 year

KRONOS

Volatility (V2X Index) remained below the lower corner of the Volatility filter (18%) for the period of the report. It remained between 11% and 13% for the whole month. No significant spikes occurred. The fund was able to build structure to cover the weekly expenses and to benefit from market upside.

With low volatility environment the fund will keep limiting the market exposure, in order to protect the previously accumulated profits while waiting for a better environment to open more exposed structures.



Share C - MT7000006888	
Performance	
Last Month	-0.09%
YTD	0.82%
Since inception	55.60%
NAV/Share	1008.33
Statistics	
Volatility	2.35%
Sharpe ratio	2.53
Sortino Index	1.91
Max DrawDown	-3.47%
Worst Month	-2.28%

n.b. since the strategy for the Kronos fund is the same as the Avantgarde fund, except for the bond's section, its commentary follows the same main points of the second.

LOW VOLATILITY

After announcing many accommodative actions for the first part of the year, Some Central Banks took actions at the end of July. The Federal Reserve cut rates and confirmed the balance sheet runoff, while the ECB limited itself to stimulus announcement and an eventual QE restart. The main reason of this new wave of accommodation lies in the current economic downtrend observed around the world. PMIs (Purchase Manager index), economic activity indicators, have been disappointing around the world, and are dangerously down trending, intensified by the Trade War. The issue now for central banks is to keep their credibility to continue this game, doing whatever it takes to keep focusing the market on liquidity supply.

Share I - LU1919864667	
Performance	
Last Month	1.07%
YTD	6.33%
Since inception	-2.74%
NAV/Share	972.60
Statistics	
Volatility	4.58%
Sharpe ratio	-0.054
Sortino Index	-0.049
Average yield	2.31%
Averarge duration	3.14 years