

15 December 2014

Investors' Letter for November 2014

We finished up this month. Behind indexes (a little) - but up. This Australian fund did particularly well due to the steep decline in the Australian dollar as it is naturally short the \$ AUD but all of our funds benefited due to the short \$ AUD futures positions the funds have held.

We had some other long positions turn significantly against us but these were substantially made up for by our shorts. The market was up over the month but the shorts were no longer rising uniformly and the month witnessed quite a few shorts amongst our extensive (short) portfolio collapse significantly.

The start of the new month has seen this trend continue with the steep fall of several rubbery oil stocks we have been short. We have been short promotional oil and gas plays for a considerable time and the receding oil price has revealed a very grim new world for many of them.

Our view has been that several oil companies at the edge of hot shale areas were understating their decline rates and hence overstating their economics. We thought these stocks were suspect promotions (often with questionable management and promoters). Most of these companies are barely viable at \$110 oil. At \$60 oil bankruptcy is simply a matter of time.

We did not predict \$60 oil – but we have made money off it. There are plenty of fund managers out there who are currently confusing genius with a rising market. As short-sellers we don't want to confuse genius with a falling market.

We are not sure whether oil will stay at \$60 long enough to issue the coup-de-grâce and we don't intend on chasing these all the way to zero. However we have added to a few and trimmed a few with declines greater than 70 percent.

On the long side we continue foraging for value in markets that are no longer cheap – but not obviously expensive. John and David just went on a tour of Bavarian companies we might invest in. For the most part these are very fine companies and we found some acceptable values.

Monthly Liquidity

All of our funds were originally established to provide clients with redemption rights at the end of each quarter (with one month's notice). The governing officers of our funds have considered whether this is actually required and determined to change the funds' terms so as to provide for liquidity at the end of each month. Citco will be sending out revised fund documents for your information.

Thanks again

John and Simon

Performance (Net of all fees)

Last 12 months	6.7%
since inception (annualized)	17.7%
Largest Monthly Gain	6.0%
Largest Monthly Loss	(3.7%)
Max. consecutive Gain	14.6%
Max. Drawdown	(6.0%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
FY13											5.4%	1.3%	6.8%
FY14	6.0%	-2.5%	0.4%	3.6%	5.7%	4.3%	-3.7%	0.2%	-2.6%	0.9%	3.4%	-0.8%	15.2%
FY15	-0.9%	-1.6%	2.7%	1.7%	3.4%								5.2%

