MONOGRAM

NEWSLETTER ***Turbulence Continues***

December 2018

Performance update.

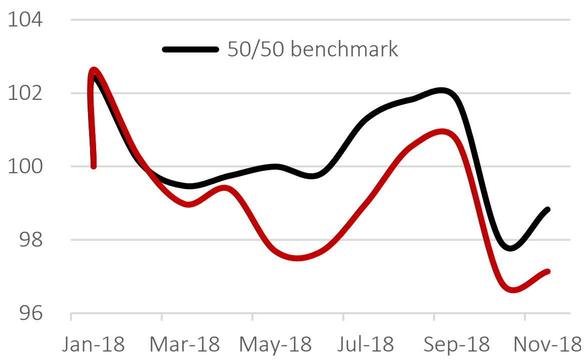
The MONOGRAM fund returned 0.34% in November, bringing the 2018 year-to-date (YTD) net return to -2.87%.

Developed equities had a positive November with US Equities (S&P500) and Non-US Developed Equities (MSCI EAFE Index) gaining 2.0% and 0.5% respectively, while Emerging Market Equities (MSCI EM $ Headed Index) were up 3.9 %. US Investment Grade Bonds were up 0.5% while US High Yield Bonds lost -0.4%. Gold gained +0.3%.

Turbulence continues.

We trail by less than a couple of percent a 50/50 benchmark, comfortable in the knowledge that our strategy will outperform when either a fully-fledged bull or bear market rears its head, with increased allocation to equities in the bull phase and the removal of (falling) equities in a prolonged bear phase. Meanwhile our current balanced allocation offers protection with the probability of uptick if a bull phase resumes even for a short while.

Extract: Cumulative Performance Year-to-Date. Global 50/50 Benchmark vs. MONOGRAM Fund.



	50/50 Benchmark (USD)	MONOGRAM Fund (USD)
Year- to-Date Return (%)[1]	-1.17%	-2.86%

The macro picture continues to frustrate and confuse in equal measure. At the end of each calendar year, we become overwhelmed with a plethora of outlooks and forecasts for the year ahead. While the Economist's consensus forecast for GDP growth globally is a mildly respectable 2%, we should remember the following two facts:

1. The biggest errors occur ahead of GDP contractions, which many believe is imminent for the US. The average projection error, over the last 20 years of global forecasts, in contraction years is 3.7% of GDP, around 2.4% larger than in expansionary years. Expansions tend to be longer and slower while contractions are fast and furious. Economic forecasters, being merely mortal human beings, are susceptible to behavioural biases such as 'anchoring' (i.e. overweighting recent expectations/events) and 'herding', (i.e. hugging the consensus to reduce career risk).
2. Secondly, we forget that we have a solid body of data, courtesy of Credit Suisse and London Business School[2], revealing zero relationship between stock returns and GDP (present, past or future). This is for well over a century of data for around 20 countries.

While we are agnostic about economics as a predictor of asset returns, we do have some faith in the so-called 'inverted yield curve' which many observers are commenting on at the moment. The

[1] Source: Monogram, Reuters.
Performance for the period 01-Jan to 30-Nov 2018.
50/50 Benchmark is composed of 50% MSCI World Equities (USD Hedged) and 50% Global Aggregate Bonds (USD Hedged). MONOGRAM Fund represents the USD institutional share class.

[2] Credit Suisse and London Business School, Credit Suisse Global Investment Returns Year Book.

fact that 5-year Treasuries have been yielding less than 2-year Treasuries has been offered as a portent of doom for economic activity in the year ahead. Certainly, there is evidence to support this idea but it is accompanied by a withering lack of calendar-time precision!

Hence, we suggest you enjoy the engaging market narrative offered by seasoned commentators while remembering the sobering two facts we listed above. Good narrative is useful and especially ex-post! It is of limited value in assessing the future and structuring your portfolio.

We are comfortable with our current balanced allocation despite the best efforts of Trump induced Tariff Man fever, Brexit uncertainty, and however many 'known unknowns' are lurking in 2019.

Portfolio positioning.

Our strategy retains its defensive stance for the month of December, allocating 50% to both US Equities and Cash.

About MONOGRAM

MONOGRAM Capital Management is an investment boutique founded in 2014 and headquartered in London. We take an innovative empirical, evidence-based approach to investing and believe there are fundamental, identifiable, persistent, and exploitable sources of return; risk is the permanent impairment of capital (peak-to-trough drawdown) and not volatility in its various forms.

There are two options for investors to access MONOGRAM's investment strategy. Investors can invest in the Luxembourg Domiciled MONOGRAM Fund or in MONOGRAM's bespoke segregated managed account, provided the investors meet the minimum subscription requirements. Further details are available on request.

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