

Newton Boulevard Investment Program

Performance Report September 2018

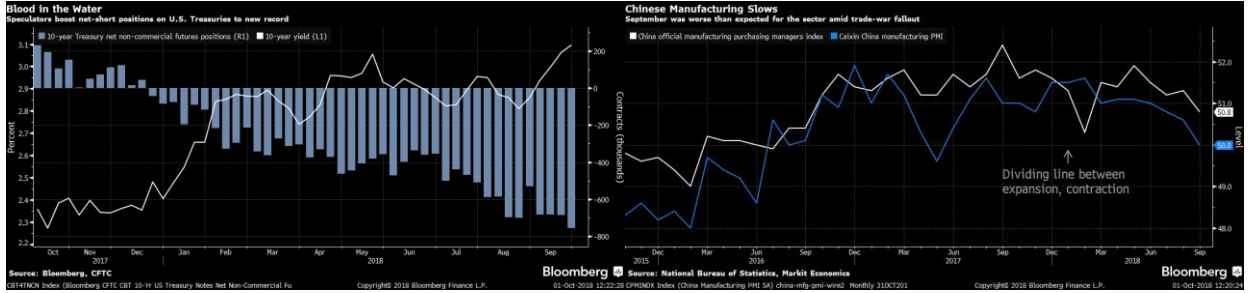
1 MARKETS

In September bond yields climbed on both sides of the Atlantic. Percentagewise, Bunds climbed the most as they started very low. Technical analysis and short positioning by speculators suggests there could be much more in store (see left chart below). And when yields go up, some equity sectors benefit, others don't. Higher rates send real estate reeling, together with media, retail and tech. On the flipside, the winners are materials, the energy sector and financials.

Over the weekend, JPMorgan issued a research report saying they expect to see the US-China trade war escalate into an all-out trade war. All Chinese goods being exported to the US would face tariffs of possibly 25%. The Chinese economy would suffer and unless Beijing broadens its stimulus package, the reduction in GDP growth might not be small. Already the PMI data released show how the trade spat with the US is causing damage (see right chart below).

Another interesting event at the end of September was the release of the Italian budget. It is making a mockery of EU budgetary rules. Only, Italy cannot be permitted to fail as it is simply too big to bail out. The Italian coalition knows this and is holding the EU hostage. Financial markets did not hesitate to judge Italy. And with it the possibility of credit rating cuts which could push Italian debt to the brink of becoming junk is getting more likely. What will happen to ECB bond purchases in this case is unclear. The EU will be put again to a test, this time a big one.

Prime candidates who will suffer are Emerging Markets and Europe. Already a series of profit warnings hit Germany (BMW, Continental, Bayer). We should be concerned about the upcoming US earnings season. Sector and stock selection will become more important as the last weeks have already shown.



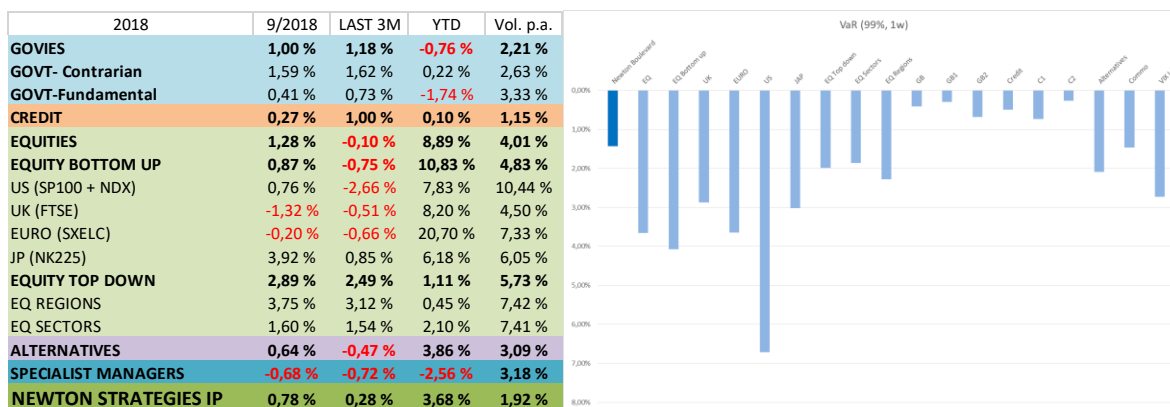
2 NEWTON BOULEVARD INVESTMENT PROGRAM: PERFORMANCE

Newton Boulevard Investment Program had a positive month and gained 78 BPS.

The **EQUITY STRATEGIES** rose 128 BPS. **BOTTOM UP** strategies made 87 BPS. While the UK portfolio lost 132 BPS and Euro was down 20 BPS, Japan rose an impressive 392 BPS and the US portfolio gained 76 BPS. The **EQUITY TOP DOWN** strategies also gained strongly with a plus of 289 BPS. The Equity Regions strategy did relatively better with +375 BPS; the sector strategy rose 160 BPS.

GOVERNMENT BOND strategies came back nicely during the month with a plus of 100 BPS in a rising rates environment. The Fundamental strategy gained 41 BPS while the Contrarian strategy made 159 BPS. The **CREDIT STRATEGIES** rose by 27 BPS.

SPECIALIST MANAGERS were hit with a loss of 68 BPS. The **ALTERNATIVE STRATEGIES** were up 64 BPS. While the **COMMODITIES STRATEGY** lost 26 BPS the VIX strategy rose 154 BPS.



The Value-at-Risk (99%, 1W) stayed at 1.4%. Risk capacity utilization remained subdued during the month due to higher risk levels in markets. Scaled to a horizon of 1 year and 95% level of confidence the Value-at-Risk (95%, 1Y) stands at 6.5%.



3 BCB & PARTNERS FUND SOLUTIONS

The **BCB Newton Invicta Sub-Fund** is a slightly more directional fund using our investment strategies. This fund was created exclusively for one of our clients and is not distributed. It had two excellent years since its launch and shows how our investment approach works with an asset base of approximately 40 MLN CHF.

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Return	Volatility
2016						1,80 %	3,55 %	-0,70 %	0,89 %	1,75 %	1,01 %	1,05 %	9,70 %	4,10 %
2017	1,36 %	2,30 %	-0,69 %	0,63 %	0,31 %	-0,09 %	1,26 %	0,03 %	1,41 %	1,40 %	0,81 %	1,02 %	10,17 %	3,62 %
2018	-0,35 %	-1,97 %	0,54 %	1,02 %	-1,08 %	-0,66 %	-0,03 %	-1,79 %	-1,64 %				-5,85 %	4,40 %

The **BCB Sanctuary Fund** whose management we took over follows some of the investment strategies of the Newton Boulevard investment program. It is investing in two of the bottom-up equity strategies (US and EURO), one of the Credit strategies, and a global Macro Strategy. The fund is open to subscriptions and has currently 4.6 MLN Euro under management.

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Return	Volatility
2016														
2017							0,73 %	-0,45 %	0,10 %	0,57 %	-1,07 %	-1,31 %	-1,43 %	3,31 %
2018	-0,46 %	-2,44 %	-1,23 %	-0,81 %	0,21 %	-1,18 %	-0,58 %	-0,14 %	-1,87 %				-8,21 %	8,08 %



BCB Sanctuary Fund: Key Data

Luxembourg SICAV-SIF (Special Investment Fund, Qualified Investors only)

Risk limit	Value at Risk of 12% p.a.	
Management Fee	1.5% p.a. (P-Shares) 1% p.a. (C-Shares) 0.5% p.a. (I-Shares)	
Fund currency	EUR	
Min. investment	250,000 EUR (P) 1,000,000 EUR (C) 5,000,000 (I)	
Subscriptions/redemptions	daily	
Investment Advisor	BCB & Partners S.A.	
Depository bank	Banque et Caisse d'Épargne de l'État	
Auditor	Ernst & Young	
ISIN / Bloomberg Code	LU0809732257 / SEUPV12 LX	BCB Sanctuary Class P Shares EUR
	LU0809732331 / SEUCV12 LX	BCB Sanctuary Class C Shares EUR
	LU0809732414 / SEUIV12 LX	BCB Sanctuary Class I Shares EUR

BCB & Partners S.A.

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