Ronit Global Opportunities UCITS Fund
Global Emerging Market Long/Short Strategy

September 2018

FACTSHEET

Performance Returns
The Ronit Global Opportunities UCITS Fund returned -0.48% in the month of September (USD Institutional A Founder Class Pooled).

Investment Objective & Strategy
The Ronit Global Opportunities UCITS Fund seeks long term absolute returns in global opportunities by trading a fundamental, bottom-up strategy with macro overlays, to capitalize on Global Opportunities (long-short strategy) with a focus on Emerging Markets and the European periphery. The investment strategy will only invest across a liquid capital structure and is expected to have an equity bias over time. The team believe that fundamental research coupled with a sensible understanding of the risk/reward and idiosyncratic risks can generate attractive returns over time and across market cycles.

Monthly Commentary

Globally we are now clearly in a period where some of the dislocations created by the very repressed rates regime of the last decade are starting to unwind. The United States, with its strong economic performance and more elevated inflation readings, has already entered the second phase of normalization. Europe is also moving closer to limited QE and even Japan has reduced the emphasis on interest rate targeting. There is no question that the consequences of these shifts are something global markets are still trying to adapt to. For many investors, a period of tighter financial conditions and lower liquidity will come as a shock that the experience of the last 10 years has not prepared them for. Particularly, over the last month, medium and long term yields in the US broke out of their recent ranges and the implications of these new higher rates on equity risk premia and asset allocations are only starting to be recognised by the market. For many investors, the current rates on medium-term treasuries might start to look like a reasonable alternative to risk assets (not just on a relative but also an absolute basis). However, interestingly this shift in yields has for the moment not provoked a similar move in corporate spreads, which remain tight. Reliance on the strength of corporate profits as liquidity is drained from the system can be a dangerous situation.

In general, we remain of the view that markets have been and remain too complacent on pricing this liquidity withdrawal. Even before we incorporate the potential implications of continuous trade tensions and the fractious feud within Europe as a result of the Italian budget, current prices on an absolute level continue to reflect too limited a risk premium. Consequently, we remain more defensively positioned with a modest gross and a long volatility posture. As we have discussed previously, emerging markets were the first to be impacted by the tightening of liquidity. As we have discussed previously, emerging markets were the first to be impacted by the tightening of liquidity conditions over the last few months. Indeed, we have seen how countries with more obvious external weaknesses, such as Turkey and Argentina, suffered material corrections in their currencies and asset prices as liquidity receded. Additionally, for many of these countries, the second order effects from the economic slowdown and inflation pass-through will only start to be felt over the next 12 months. We have also started to see investors express greater doubts about the reasonability of the balance sheet of many large scale multinational companies with material accumulated debt from their acquisitions, especially in the telecom sector.

Position Update

One positive of this tighter liquidity environment is that we have started to observe interesting relative value trades in the emerging market credit space and even between equity prices and credit prices that we had not seen for a long time. We consider such opportunities to provide an exciting way to get absolute returns during a period of withdrawing liquidity and generalized rates shifts.

The last month has also brought positive news in Brazil, where we have been heavily invested in a year when electoral uncertainty has generated high levels of volatility. Much of that uncertainty has been ameliorated by the results from the first round of voting, which concluded on 07 October. In the event, our internal prediction was shown to be accurate, with the candidate of change – Jair Bolsonaro – capturing the largest share of votes and almost winning the election outright, to the surprise of most commentators. As we have discussed previously, the attractiveness of some of our positions in Brazil was driven by the excessive risk premium embedded in their valuations. Over the last ten days as markets started to price a more likely victory for Bolsonaro – who is now in an excellent position after the better than expected performance of his party in the first round – asset prices rallied materially as the risk premium associated with worst case scenarios was eliminated.

At the current prices we have reduced some of our positions and exposures since the speed and violence of the rally means that the pricing of certain securities now more properly reflect the outlook for their issuers. We must emphasize that we have no illusions that Bolsonaro can fix all problems on the fiscal side quickly but we do believe that he and his team can reassure investors effectively. Unlike certain notable populists, Bolsonaro has demonstrated that he can count on a very broad base of popular support that reaches across the Brazilian class structure and his highly-respected economic team continues to show a remarkable level of consistency in their campaign messaging. Their program of market liberalization with gradual reform and initiatives to restore law and order is welcome and should do what it has been designed to achieve – stimulate sustainable growth while ameliorating some of Brazil's macro vulnerabilities.

Ronit Global Opportunities UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2018	4.39%	1.71%	-0.17%	-3.28%	-2.92%	-1.56%	2.86%	-2.75%	-0.48%				**-2.48%**
2017	0.82%	0.03%	0.00%	-0.19%	0.04%	-6.05%	3.88%	2.08%	0.52%	-1.52%	-3.08%	0.94%	**-2.84%**
2016												0.04%	**0.04%**

The performance figures quoted above represent the performance of the USD Institutional Founder A Share Class Pooled in the Ronit Global Opportunities UCITS Fund since launch on 5th December 2016. These performance figures refer to the past and past performance is not a reliable guide to future performance.

Ronit Global Opportunities Master Fund LTD Performance (Non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2016	1.06%	-3.30%	7.90%	2.08%	-4.31%	1.70%	3.53%	1.02%	-1.62%	2.29%	-2.34%		**7.67%**
2015	-3.81%	4.35%	-4.67%	4.68%	-2.74%	-4.60%	-1.65%	5.55%	1.17%	0.46%	2.91%	-2.25%	**-1.36%**
2014	-1.87%	1.17%	3.98%	2.65%	-1.22%	3.46%	4.82%	-0.97%	-0.49%	-3.39%	-0.30%	0.36%	**8.13%**
2013						0.2%	1.4%	-1.1%	2.1%	4.2%	-0.1%	-0.08%	**6.67%**

The performance figures quoted above represent the performance of the Ronit Global Opportunities Master Fund LTD since launch on 1st June 2013 and not the Ronit Global Opportunities UCITS Fund. UCITS Funds have to abide by investment restrictions and consequently the performance of the Ronit Global Opportunities UCITS Fund may not be similar to that presented above. These performance figures refer to the past and past performance is not a reliable guide to future performance.

THE MANAGER

RONIT | CAPITAL

Edward Misrahi *(Founding Partner and CIO)*

Prior to starting Ronit, Edward was a founding partner of Eton Park in 2004 and subsequently managed public and private Emerging Market and European investments for the firm over the next eight years.

Edward worked for Goldman Sachs & Co., becoming a partner in 2000, where his role included Financial Analyst in Structured Finance, Member of Equities Arbitrage Group, Member of Global Emerging Markets Committee and Co-Head of Latin America for the Firm.

Luis Arenzana *(Founding Partner)*

Luis was Founding Partner and Portfolio Manager of Shelter Island Capital Management (2003-2013). Here he managed a European Event-Driven Strategy. From 2010 he also managed the Shelter Island Total Return Fund (a Long-Short Equity & Credit Mandate).

From 2008 onwards he also offered advisory services to institutional clients investing in Spain. Prior to founding Shelter Island, Luis was an Executive Director at Orchard Capital Advisors (2001-2003) – here he worked as a Senior Analyst for the European Long-Short Equity Strategy.

FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	$22m
Strategy AUM	$151 million
Inception	5th December 2016
Share Class	**Institutional/Institutional Founder**
Currency	EUR/USD/GBP
Mgt. Fee	1.75%/1.5%
Perf. Fee	17.50%/15%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BD87RV38/IE00BD87S431
	USD: IE00BD87RX51/IE00BD87S654
	GBP: IE00BD87RW45/IE00BD87S548
Share Class	**Institutional A Founder/Retail Pooled**
Currency	EUR/USD/GBP
Mgt. Fee	1.2%/2%
Perf. Fee	15%/20%
Min Init. Sub.	10,000,000/10,000
ISIN Codes	EUR: IE00BD8BVG80/IE00BD87SM12
	USD: IE00BD87RT16/IE00BD87S878
	GBP: IE00BD8BVH97/IE00BD87S761

Top 5 Positions (Exposure as % of NAV)

Top 5 Equity Long	
CIA DE TRANSMISSAO	7.95%
TRANSMISSORA ALIANCA	6.53%
CIA ENERGETICA DE	5.29%
TAIWAN SEMICONDUCTOR	4.95%
SIEMENS GAMESA RENEWABLE	3.97%

Top Corporate Credit Long	
PETROBRAS	10.05%
CEMIG GERACAO E TRANSM	9.44%
ITAU UNIBANCO HLDG	4.16%

Top 5 Equity Short	
Undisclosed – Financials (United States)	2.56%
Undisclosed – Tech & IT (Argentina)	2.29%
Undisclosed – Financials (Portugal)	2.26%
Undisclosed – Financials (Brazil)	2.05%
Undisclosed – Financials (Germany)	1.16%

Top P&L Contributors (Ex-Hedges and CDS)

Positive

	Strategy	%
PETROBRAS GLOBAL FINANCE	Credit Long	0.44%
CEMIG GERACAO	Credit Long	0.29%
TURKIYE GARANTI BANKASI	Credit Long	0.27%
ITAU UNIBANCO	Equity Long	0.26%
Undisclosed – Financials (Brazil)	Equity Short	0.12%

Negative

	Strategy	%
SIEMENS GAMESA RENEWABLE ENE	Equity Long	-0.66%
PLAY COMMUNICATIONS SA	Equity Long	-0.28%
CIA ENERGETICA DE	Equity Long	-0.20%
TENCENT HOLDINGS LTD	Equity Long	-0.18%
LIGHT SA	Equity Long	-0.10%

Exposures (% of NAV)

By Country

	Long	Short	Net	Gross
Brazil	57.13%	-4.31%	52.82%	61.45%
Germany	20.85%	-2.49%	18.36%	23.34%
United States	4.55%	-3.83%	0.72%	8.38%
Taiwan	4.95%	0.00%	4.95%	4.95%
Poland	3.80%	-1.04%	2.76%	4.85%
Spain	3.97%	0.00%	3.97%	3.97%
Russian Federation	3.20%	0.00%	3.20%	3.20%
Mexico	1.72%	-1.19%	0.52%	2.91%
Portugal	0.00%	-2.75%	-2.75%	2.75%
Argentina	0.00%	-2.29%	-2.29%	2.29%
Turkey	1.32%	0.00%	1.32%	1.32%
Hong Kong	0.00%	-1.19%	-1.19%	1.19%
China	1.17%	0.00%	1.17%	1.17%
Italy	0.00%	-1.10%	-1.10%	1.10%
United Kingdom	0.00%	-0.97%	-0.97%	0.97%
Switzerland	0.00%	-0.88%	-0.88%	0.88%
Belgium	0.00%	-0.37%	-0.37%	0.37%
General Hedges	1.69%	-57.22%	-55.53%	58.90%
Total	**104.34%**	**-79.63%**	**24.71%**	**183.97%**

Equity Exposures By Instrument (Delta Adjusted)

	Long	Short	Net	Gross
Equity & Single Name Options	56.84%	-51.78%	5.06%	108.62%
Option & Index Hedges	1.26%	-25.02%	-23.76%	26.28%
Total	**58.10%**	**-76.79%**	**-18.69%**	**134.90%**
Option Premium (MTM)	5 Bps	0 Bps	5 Bps	5 Bps

By Sector

	Long	Short	Net	Gross
Utilities	30.49%	-0.50%	30.00%	30.99%
Financials	17.89%	-9.57%	8.32%	27.47%
Sovereign	20.85%	0.00%	20.85%	20.85%
Energy	14.02%	0.00%	14.02%	14.02%
Tech & IT	9.51%	-3.49%	6.02%	13.00%
Telecommunications	8.17%	-1.19%	6.98%	9.36%
Consumer	0.00%	-3.24%	-3.24%	3.24%
Materials	0.00%	-2.16%	-2.16%	2.16%
Industrial	1.72%	0.00%	1.72%	1.72%
Developed Market Overlays	1.69%	-59.48%	-57.80%	61.17%
Total	**104.34%**	**-79.63%**	**24.71%**	**183.97%**

Credit Exposures

	Long	Short	Net	Gross
Corporate Credit	25.39%	-2.84%	22.56%	28.23%
Sovereign Credit	20.85%	0.00%	20.85%	20.85%
Total	**46.24%**	**-2.84%**	**43.40%**	**49.07%**
Sovereign Credit DV01	€0.1k	€0	€0.1k	€0.1k
Corporate Credit DV01	€3.9k	€0	€3.9k	€3.9k
CDS PV	0.43%	-2.84%	-2.41%	3.26%

By Market Cap (Equities only)

	Long	Short	Net	Gross
> 10 Billion $	23.09%	-71.88%	-48.79%	94.97%
5 - 10 Billion $	8.43%	-4.55%	3.88%	12.98%
2 - 5 Billion $	25.28%	-0.37%	24.91%	25.66%
< 2 Billion $	1.30%	0.00%	1.30%	1.30%
Total	**58.10%**	**-76.79%**	**-18.69%**	**134.90%**

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