

FUND OUTLINE

The Fund is a concentrated long only equity Fund, investing in US listed stocks favoured by the most successful Hedge Funds. The Fund's objective is to outperform its benchmark by 3-5% pa over any rolling 5-year period. Preservation of Capital is a key tenet of the Fund, and a strict dynamic risk control strategy is in place to control losses, to enable optimal long-term compounding within the Fund.

JANUARY COMMENTARY

The Fund lost 1.1% in January and has returned 44.03% since inception (17.6% annualised vs 12.7% for the index). The stocks in the Fund returned -1.9%, and currency moves added 0.8% giving a net of -1.1%. Stocks within the Fund were a mixed bag. The main detractors from performance were Mastercard and Visa, down 11.2% and 11.6% respectively. Outperformers for the Fund were Zoom (+10.3%), and Alibaba (+9%). The Fund remains 100% invested.

The huge story in January was a stock called GAMESTOP (GME). The company is a bricks and mortar retailer of computer games, and has been struggling for years. The stock price had moved down from around \$25 to \$5 from 2015 to 2020. It was a favoured stock to sell short by hedge funds, a trade which had worked well for years. That all changed in the last couple of months, when retail traders banded together (and presumably some professionals), and started buying the stock causing a dramatic short squeeze. The price of GME started moving up in the second half of 2020, but reached a crescendo last month when it moved from an open of \$19.00 to a high of \$483 and closed at \$325. The short sellers of GME were hurt, the most famous of which was Melvin Capital, a 12Bn Fund which lost 53% in January!

Short squeezes have been happening for as far back as markets have existed. The GME squeeze is being hailed as a new phenomenon due to the influence of social networks – time will tell if this is the case, however the adage “the more things change the more they stay the same” comes to mind.

Short selling is a difficult endeavour. Bronte Capital, a well-respected Australian Fund manager and well-known short seller, talks about these difficulties in his [December 2020](#) report after a tough year. He touches on the rise of the retail investor – and this was before the GME story. Well worth a read.

At GANE we do not short stocks. In our view there are 3 main reasons not to short, as follows:-

- Return profile – If you own a stock, your losses are limited to your investment, however your upside is unlimited. For a short position, the opposite is true, your downside is unlimited, and your potential gain is limited to your investment. For example let's say you committed 2% of your capital to a short position in GME. The maximum you could make is 2% if the stock went to zero. In January you would have been looking at a 50% loss (the stock went up 25 times at its highest).
- Psychological – Historically, markets go up most of the time. Stocks generally move in tandem with the market, so as a short seller you are going to be losing most of the time. It is difficult to stick to your plan when you are losing money.
- Shorting stocks costs money as you must pay to borrow the stock. This is a simplification but holds true.

“The best strategy is the one you can stick with long enough to reap the benefits of compounding”

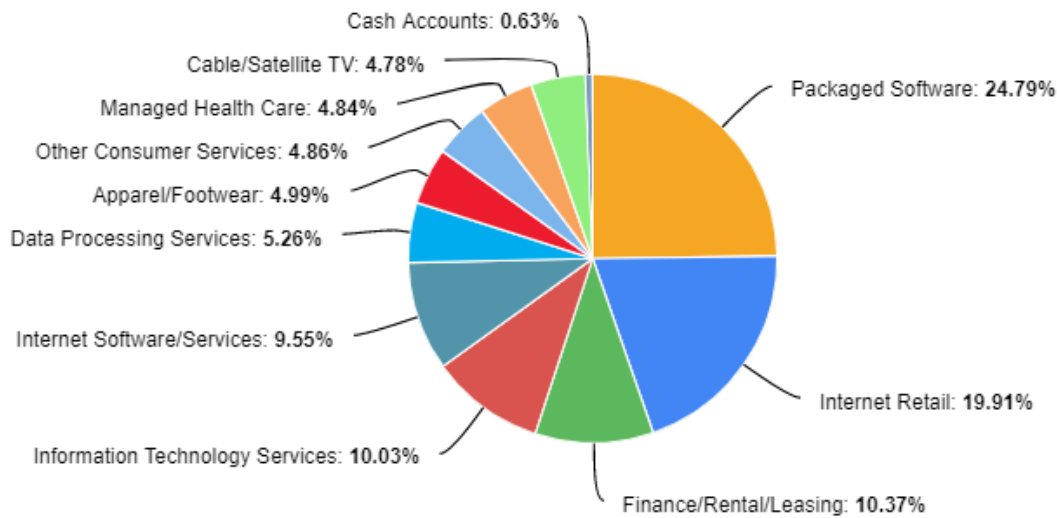
Please see next page for Charts and tables.

FUND FACTS

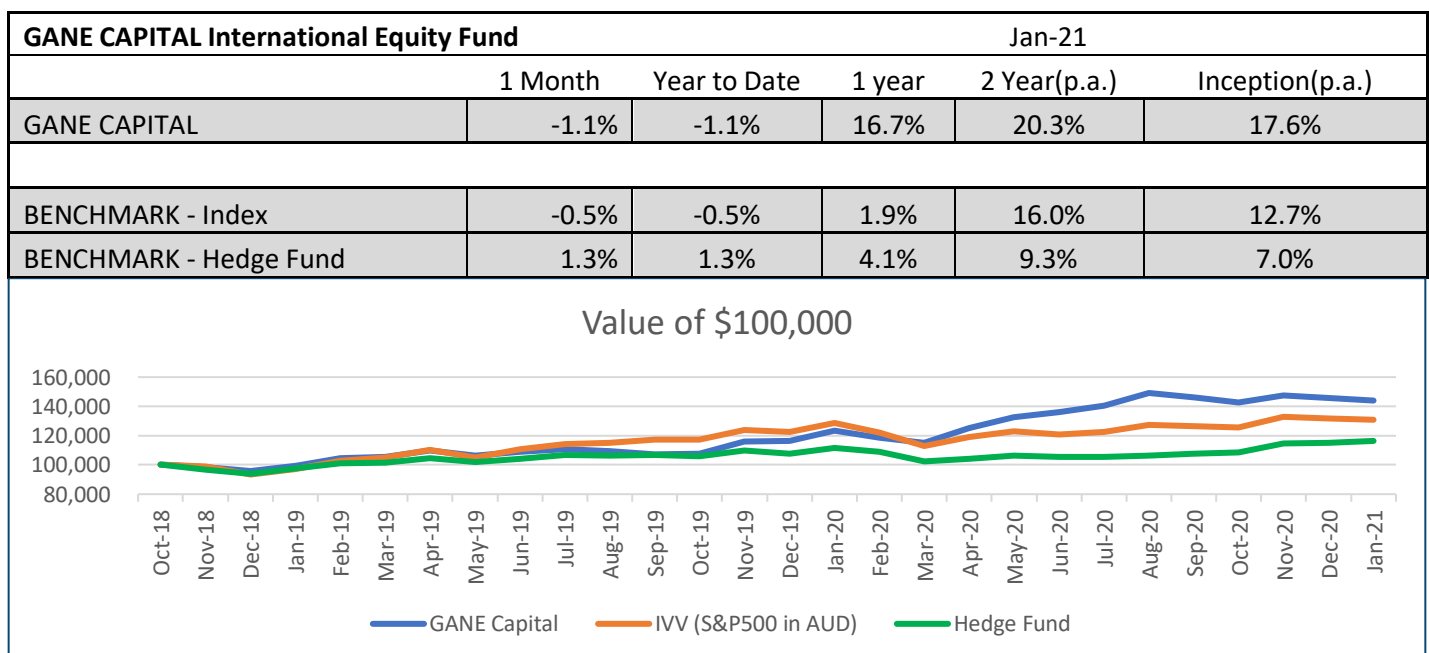
Inception	01 November 2018	Sharpe ratio	1.33*
Fund Size	3.309mm	Sortino Ratio	3.18*
Minimum Investment	AUD 50,000	Mid-Price	1.3796
Management Fee	Nil	Best Month	8.95%
Performance fee	15% of any returns above 6% pa	Worst Month	-3.9%
Other Fees	Any direct costs + 0.4% Buy/Sell spread	Website	www.ganecapital.com

*ratios are calculated before Fees & Expenses

PORTFOLIO BREAKDOWN



PERFORMANCE SUMMARY



Disclaimer – Information provided in this report is for general information purposes only and is not a recommendation to invest in the Fund. Any person wishing to invest in the Fund should review the Information Memorandum and seek legal, financial and taxation advice. The trustee and manager of the Fund is GANE Capital Pty Ltd (ABN 48 625 273 449, and AFSL No 525368). Only investors who are wholesale clients (as defined in s761G and s761GA of the Corporations Act 2001) may invest in the Fund. Past performance is no indicator of future performance. An investment may achieve a lower than expected return, and investors risk losing some or all of their principal investment.