APRIL COMMENTARY

The Fund lost 6.8% in April and has returned 20.5% since inception (5.5% annualised vs 14.3% (S&P) and 11.7% (MSCI World)). Stocks in the Fund lost 9.6%, offset by a weaker AUD of 2.8%, for a net result of -6.8%.

The Fund finished the month 55% invested, and 45% in cash.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year
2018	-	-	-	-	-	-	-	-	-	-	-1.72%	-2.49%	-4.17%
2019	3.85%	4.98%	0.90%	4.13%	-3.32%	2.78%	1.63%	-1.42%	-2.02%	0.47%	7.89%	0.11%	21.26%
2020	6.20%	-3.90%	-3.05%	8.95%	5.92%	2.44%	3.47%	6.06%	-1.92%	-2.37%	3.35%	-1.33%	25.30%
2021	-1.11%	1.72%	-0.78%	4.01%	-1.86%	9.98%	2.02%	3.46%	-3.13%	3.13%	1.88%	-5.51%	13.70%
2022	-10.95%	-11.26%	-1.20%	-6.81%									-27.24%

The sell off in stocks, particularly Tech, continued unabated in April. The Nasdaq was down 13.6% for the month, the worst month since 2008. Despite the Fund being 45% in cash, results were poor – but would have been 10% worse had we still been fully invested. The selloff in the High Growth/Tech space was even worse, with ARKK, the posterchild ETF for this space down 29% for the month (and 70% since the highs).

REVIEW OF INVESTMENT STRATEGY

With the poor relative performance of the Fund, a full review is warranted. Going back to first principles, the Fund was started to manage a portion of my family's capital, using a system that I believed would outperform the market, and provide protection on the downside. So, we will approach the review in 2 parts:-

1 – Is the system broken? And

2 –Do I still want to manage my own capital with the system? And if not, what next.

Is the system broken?

The system was designed to: -

1. Select the same stocks that the best performing Hedge Funds in the world were selecting
2. Provide downside protection by exiting underperforming stocks

Both objectives have been achieved, but both areas have given rise to their own problems. The problems that have arisen have been 1 – Overconcentration in one sector, 2 – Protection kicking in too late.

Overconcentration – After a decade of tech and high growth outperformance, all the best performing Funds were very long in this sector. Despite one of the criteria for selecting the Hedge Funds being a diversified portfolio, GANE's portfolio still landed up being too concentrated in this sector, and when the music stopped playing, this sector got hammered. To give an idea of how badly the sector has been hurt one need look no further than the ARKK Fund, which invested exclusively in the High Growth/Tech/ area. ARKK is down 70% from its highs, and 29% down in April – and this despite one of its largest holdings being TESLA, which has performed well!!

Downside protection – The Risk Management is designed to sell poor positions before they become terrible positions. The system has done this, with the Fund being 45% in cash at the end of April. However the protection took longer to kick in than expected – this was due to the speed of the falls, and also the fact that the stocks had moved up so fast, they had a long way to go down before hitting their sell levels.

Both the above problems have been addressed as best as possible, using longer lookback periods to choose the Hedge Funds, and using a different method (based on price) to calculate the stops. So, I believe the system is better now than it was 6 months ago, but even with these fixes, the loss incurred would have been greater than expected, and greater than I am comfortable with.

In conclusion, the system is not broken, BUT it does have a higher risk profile than was originally calculated.

Which leads us to the next question: -

Do I still want to manage my own capital with the system?

The answer to this is yes – the system should outperform over the long run. However, because the risk in the system is higher than anticipated, I want to reduce my exposure to the system to a more reasonable level. Which brings us to the next question: -

How to rebalance the portfolio?

My aim here is to move the Fund to a position where it more resembles my total offshore portfolio. It will comprise 3 systems as follows: -

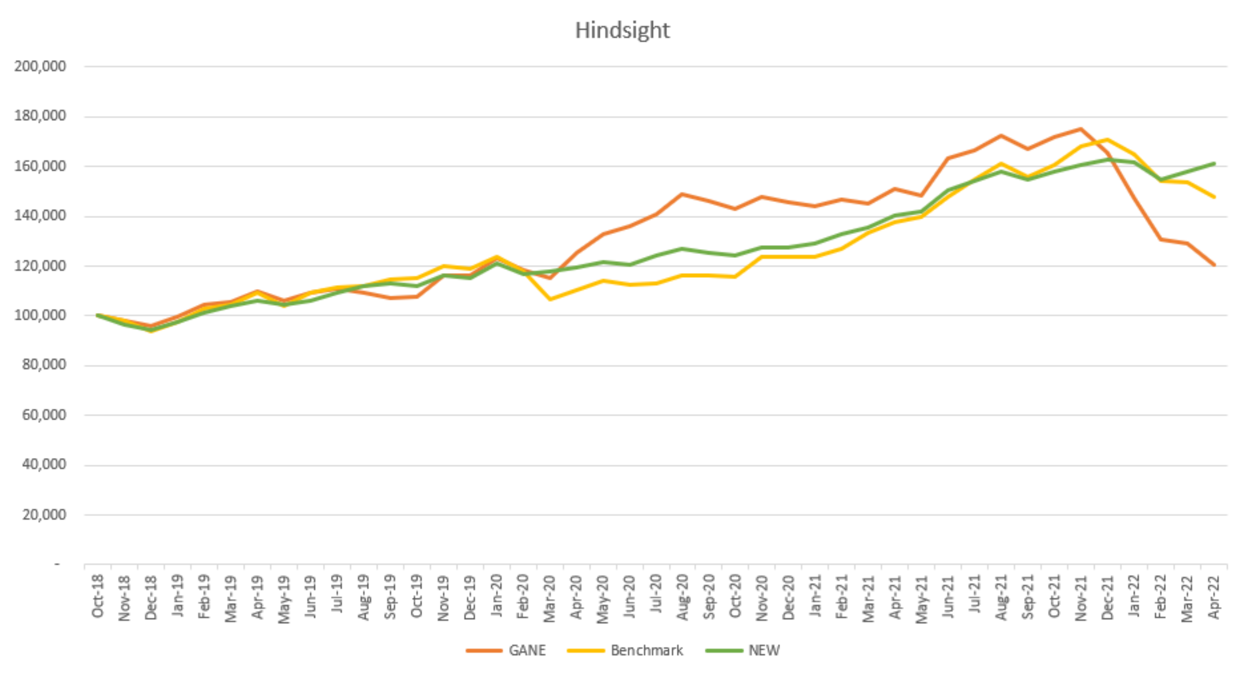
1. Clone system – exactly what the whole Fund consists of now.
2. Global Tactical Allocation system – I did a write up of this system which explores its history and results in detail and have attached to this month's email. Essentially it looks at 5 asset classes (US equities, Foreign equities, Bonds, Commodities and Real Estate), and invests in the 3 strongest assets. It also includes a trailing stop component.
3. US Sector Allocation system – Same principles as system 2, but the components are the individual sectors within the US market, eg Financials, Energy etc.

Systems 2 & 3 have data going back over 50 years, have been extensively researched and their risk/return profile is well established.

The amount of money allocated to each system is based on the relative riskiness of each system (a "Risk Parity" type allocation), ie the less risky the system, the higher an allocation it gets. Based on the data, the initial allocation will be: -

1. Clone System – 20%
2. Global Tactical Allocation – 45%
3. US Sector Allocation – 35%

The new Fund should produce a greatly improved return profile, with the goal of the Fund still being to outperform the Global Index, with less risk. I have done a mock up of how returns would have looked since inception below – as is evident, a much smoother return profile, Green being the proposed allocation.



Perhaps it seems obvious that this should have been the approach from the start?? There is an old saying (by somebody famous…), when asked a question on changing his mind, re-joined with ‘ When the facts change, I change my mind” I believe that this is what has happened in the Fund – the risk profile of the original system was higher than expected, and we have made the necessary course corrections to reduce the likelihood of this happening again.

As unpleasant as the last few months have been, I believe we now have a stronger Fund that is more diversified, and better positioned to handle whatever happens in the future.

I would like to thank all Unitholders for their patience and confidence, it has certainly been a trying time!!

“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.

INTERNATIONAL EQUITY FUND

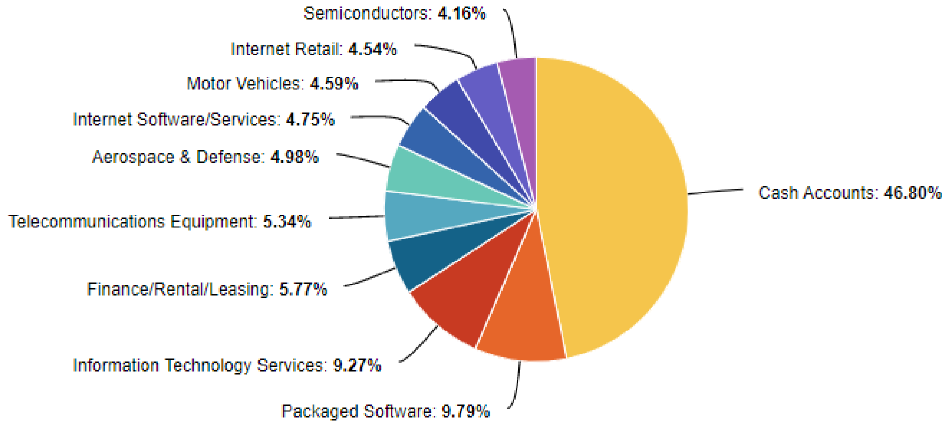
Monthly Report April 2022

FUND FACTS

Inception	01 November 2018	Sharpe ratio	0.49*
Fund Size	3.303mm	Sortino Ratio	0.76*
Minimum Investment	AUD 50,000	Mid-Price	1.0748
Management Fee	Nil	Best Month	9.98%
Performance fee	15% of any returns above 6% pa	Worst Month	-11.26%
Other Fees	Any direct costs + 0.4% Buy/Sell spread	Website	www.ganecapital.com

ratios are calculated before Fees & Expenses.

PORTFOLIO BREAKDOWN



PERFORMANCE SUMMARY

GANE CAPITAL International Equity Fund				Apr-22	
	1 Month	Year to Date	1 year	2 Year(p.a.)	Inception(p.a.)
GANE CAPITAL	-6.8%	-27.2%	-20.3%	-1.9%	5.5%
BENCHMARK - S&P 500	-3.7%	-11.1%	8.5%	15.8%	14.3%
BENCHMARK - MSCI World	-3.9%	-13.6%	7.4%	15.7%	11.8%