

Major Events

September saw markets hold up in spite of continuing political turmoil in the US and the UK, helped by rate cuts by the Fed and the ECB. In the US, the democratic party started an impeachment inquiry against President Trump, in response to a call between Trump and the Ukrainian president. In the UK, the Supreme Court ruled that the suspension of parliament was unlawful, resulting in calls for PM Boris Johnson to resign. Finally, on September 14th, Saudi Arabia's oil and gas facilities were struck by drones, an attack which was claimed by Yemeni rebels and which resulted in a short term surge in natural gas and oil prices.

Equities



Global equities had a strong month in spite of all the turmoil experienced on the geopolitical scene, buoyed by central bank rate cuts. The S&P 500 Index rose by 1.7% on the month whilst the Eurostoxx 50 Index surged up 4.2%. Emerging markets also saw gains as evidenced by the MSCI EM Index's 1.3% return. In spite of what seemed like a fairly benign month at the index level, there was a notable factor rotation experienced below the surface at the beginning of the month where US value outperformed whilst US growth stocks suffered simultaneously.

Government Bonds



Talks of reduced trade tensions with China led to US 10 year treasury yields rising by as much as 40bps mid-month before rallying towards the end of the month, as demand for safe assets returned. The 10 year US note closed 17bps higher whilst similar patterns emerged in other rates markets such as Japan, Germany and France, which all saw their 10 year yields end the month higher. Peripheral European rates rallied however with 10 year BTP yields falling by 18bps whilst Greek 10 year yields also dropped.

Corporate Bonds



In credit, high yield bonds outperformed investment grade bonds this month, as evidenced by the iBoxx HY Index's 0.3% return versus the iBoxx IG Index's 0.9% loss.

Currencies



In spite of a Fed rate cut, as well as geopolitical tensions involving the US, the dollar index eked out a 0.5% return in September. This is believed to be in response to weak Eurozone data as well as being a flight to safety trade. Yen and euro both weakened versus the dollar however sterling gained 1% versus the greenback in spite of continuing Brexit negotiations.

Commodities



Overall, commodities had a positive month with the GSCI Total Return index gaining 1.7%. Oil prices jumped sharply following the attack on Saudi Arabia's facilities however global growth concerns and a return to normal production levels left WTI futures prices down 1.5% to end the month whilst Brent futures managed to maintain a 1.4% gain. A positive month for equities meant precious metals prices suffered, with gold down 3.2% whilst silver and platinum prices also fell.

Hedge Funds



Hedge fund performance was relatively good this month in spite of the equity factor rotation experienced earlier in the month, with the HFRX Global Hedge Index returning 0.4%. Notable outperformers were equity strategies whilst CTA and macro strategies seemed to suffer from the moves in rates.

Macro



Macro funds had a difficult month as rates saw higher than expected levels of volatility as well as some unforeseen geopolitical shocks such as the attack on Saudi oil producing facilities. The HFRX Macro Index fell by 1.1%, with dispersion among underlying managers remaining high. Those with long rates positions tended to generate negative returns whilst emerging market focused managers benefited from a bounce in Argentinian asset prices.

Equity Long/Short



Whilst at the index level, equity long/short funds did well, with the HFRX Equity Hedge and the HFRX Equity Market Neutral indices returning 0.9% and 1.6% respectively, dispersion across different strategies was high. Those funds with a long momentum or short value bias generated negative alpha whilst managers with more beta in their portfolios performed well.

Event Driven



Event driven funds were positive for the month with the HFRX Event Driven Index up 1.1%. Merger arbitrage funds performed well as spreads came in and there were no notable deal breaks. Activist strategies also generated positive returns whilst managers with a special situations focus struggled.

CTAs



CTAs gave back much of their August gains with the SG CTA Index down 3.2%. Funds were hurt by long rates and short oil positions given the oil shock following the attack on the Saudi production facilities.

Systematic



In statistical arbitrage, both fundamental and faster technical models struggled throughout the month following the factor rotation seen in equities. Faster, technical managers suffered more muted losses, which some possibly attribute to higher trading costs in an environment with higher factor volatility and tighter liquidity.

Hedge Fund Indices (Daily)		MTD	YTD	2018	2017	2016
HFRX Global Hedge		0.4%	5.9%	-6.7%	6.0%	2.5%
HFRX Equity Hedge		0.9%	7.9%	-9.4%	10.0%	0.1%
HFRX Equity Market Neutral		1.6%	-1.3%	-3.2%	1.7%	-5.1%
HFRX Macro		-1.1%	5.1%	-3.2%	2.5%	-2.9%
HFRX Event Driven		1.1%	4.3%	-11.7%	6.5%	11.1%
HFRX Relative Value		0.3%	4.8%	-1.2%	3.8%	1.0%
HFRX Convertible Arb		0.2%	3.3%	-1.1%	7.2%	5.8%
HFRX Fixed Income - Credit		0.5%	3.6%	-2.5%	3.9%	5.0%
SG CTA Index		-3.2%	8.6%	-5.8%	2.5%	-2.9%

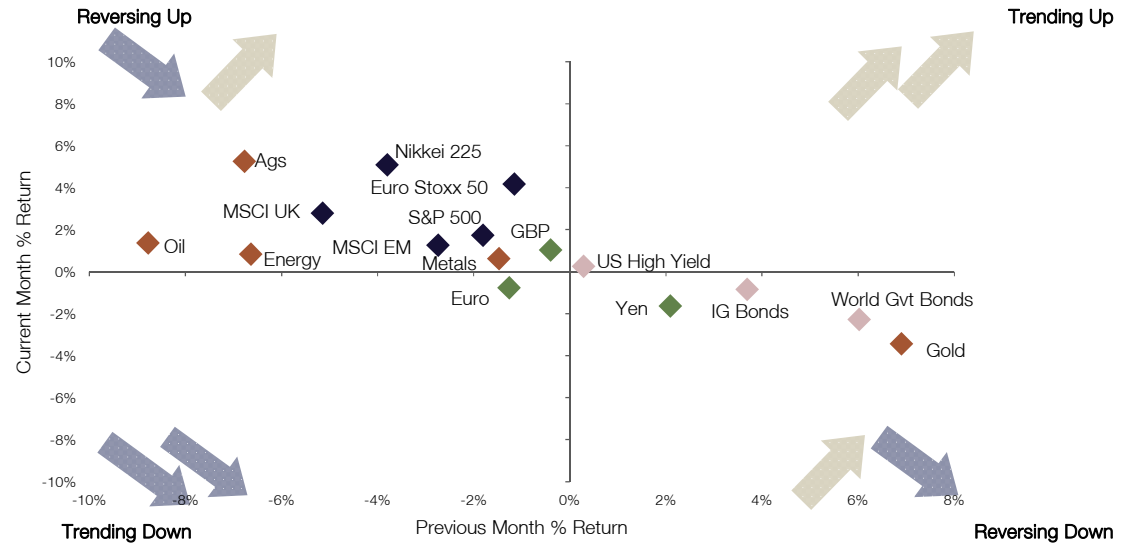
Global Equities		30-Sep	MTD	YTD	2018	2017	P/E
United States	S&P 500	2,977	1.7%	18.7%	-6.2%	19.4%	19.5
United Kingdom	MSCI UK	2,127	2.8%	9.3%	-12.6%	7.2%	17.6
Europe	Euro Stoxx 50	3,569	4.2%	18.9%	-14.3%	6.5%	18.2
Germany	DAX	12,428	4.1%	17.7%	-18.3%	12.5%	20.3
Japan	Nikkei 225	21,756	5.1%	8.7%	-12.1%	19.1%	15.9
Hong Kong	Hang Seng Index	26,092	1.4%	1.0%	-13.6%	36.0%	10.3
Australia	ASX 200	6,688	1.3%	18.5%	-6.9%	7.0%	19.4
South Africa	JSE All Share	54,825	-0.8%	4.0%	-11.4%	17.5%	14.5
World	MSCI World	2,180	1.9%	15.7%	-10.4%	20.1%	18.6
Emerging Markets	MSCI EM Local	56,357	1.3%	5.5%	-12.2%	27.8%	13.6

Fixed Income		MTD	YTD	2018	2017	2016
Global Government	Citigroup WGBI 1 - 3yr	-0.5%	0.9%	-0.7%	5.3%	-0.3%
Global Government	Citigroup WGBI 3 - 5yr	-0.8%	2.2%	-0.8%	6.0%	0.2%
Global Government	Citigroup WGBI 10+ yr	-2.3%	14.2%	-0.5%	9.5%	5.2%
EM Government	JPM EMBI	-0.4%	12.1%	-4.6%	9.3%	10.2%
US Corporates	iBoxx Investment Grade	-0.9%	15.7%	-3.7%	7.3%	6.4%
US Corporates	iBoxx High Yield	0.3%	11.6%	-1.5%	6.3%	15.3%

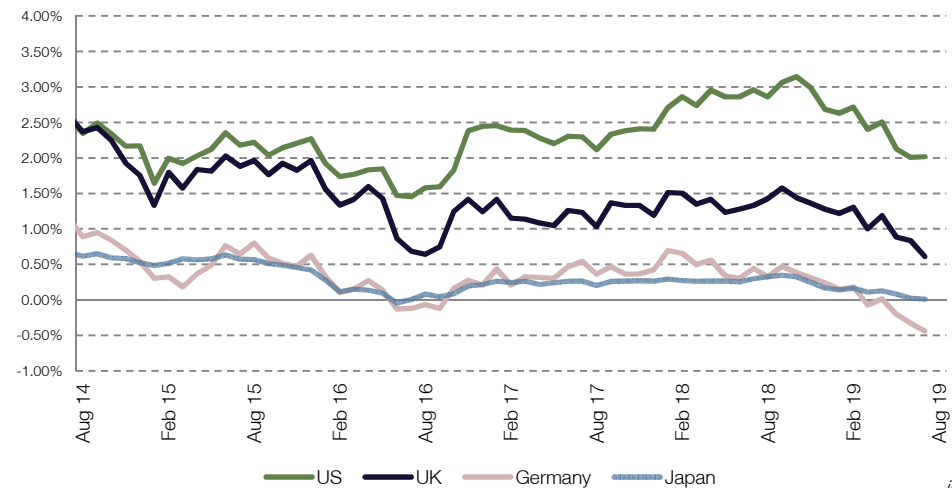
Yields	30-Sep	-1w	-1m	-3m	-1yr
US Govt 2 Year Yield	1.62%	1.68%	1.52%	1.75%	2.82%
US Govt 5 Year Yield	1.54%	1.60%	1.40%	1.77%	2.95%
US Govt 10 Year Yield	1.66%	1.73%	1.49%	2.01%	3.06%

Commodities		30-Sep	MTD	YTD	2018	2017	2016
GSCI Total Return		2,393	1.7%	8.6%	-13.8%	5.8%	11.4%
Crude Oil - Brent (\$ per barrel)		59	1.4%	7.5%	-8.4%	4.2%	3.7%
Gold (\$ per ounce)		1,472	-3.2%	14.8%	-1.6%	13.1%	8.6%
GSCI Agricultural		329	5.3%	-5.8%	-8.0%	-11.9%	-4.2%
GSCI Industrial Metals		1,197	0.6%	0.7%	-18.0%	29.1%	17.6%
GSCI Energy		446	0.8%	16.3%	-17.1%	6.4%	18.1%

Currencies (vs. US dollar)		30-Sep	MTD	YTD	2018	2017	2016
DXY Dollar Index		99.38	0.5%	3.3%	4.4%	-9.9%	3.6%
EUR		1.09	-0.8%	-4.8%	-4.7%	14.0%	-2.9%
GBP		1.23	1.0%	-3.6%	-5.8%	9.6%	-16.2%
JPY		108.14	-1.6%	1.4%	2.7%	3.7%	3.0%
ADXY (Asian currency index)		103.09	0.8%	-2.2%	-4.0%	6.7%	-3.4%



Global Fixed Income: 10 year yields



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