

Global Evolution Capital

October 2020

About the Fund

The world is evolving more rapidly than it has in any time in human history and these shifts are creating opportunities for select companies to position for multi-year growth while impairing the economics of others as the world shifts from under them.

Our focus is on identifying these dislocations and constructing a portfolio that protects as well as grows the wealth of our investors irrespective of the market environment.

Our global focus allows our investors access to the best companies in the world. Our absolute return philosophy means that our investors have the right to expect positive returns regardless of what the world throws our way.

Fund Features

- Global absolute return fund
- Gross exposure range = 100% to 220%
- Net exposure range = -30% to +60%
- Long position range = 10 to 30
- Managed fx exposure
- Fees = 1.25% base fee and 20% performance fee above 5% hurdle rate subject to high water mark

Current Metrics

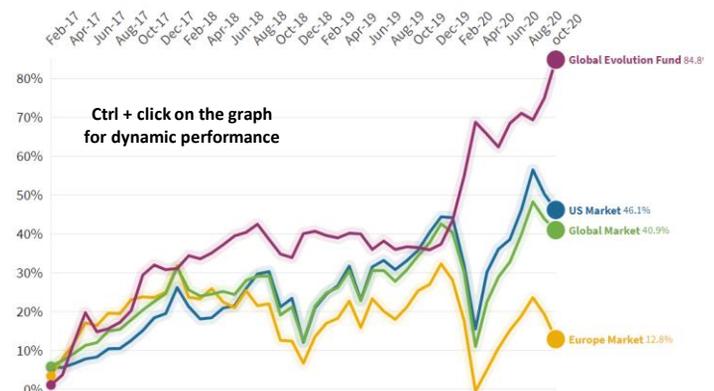
Gross Exposure	202%
Long Exposure	89%
Short Exposure	-113%
Net Exposure	-24%
Total Positions	36
Long Positions	17
Short Positions	19

Key Positions

Long Positions	Short Positions
Alphabet (GOOGL-US)	Fedex Corp (FDX-US)
Amazon (AMZN-US)	Uber (UBER-US)
Tencent (700-HK)	Nissan (7201-JP)
Xinyi Solar (968-HK)	CVS Health (CVS-US)
Thermo Fisher Scientific (TMO-US)	Marks and Spencer (MKS-GB)

Performance (gross, cumulative)

	US Market	European Market	Global Market	FUND
YTD	1.2%	-14.6%	-1.1%	34.6%
1Yr	7.7%	-9.7%	4.9%	35.8%
3Yr	26.7%	-7.8%	17.4%	43.6%
Inception	46.1%	12.8%	40.9%	84.8%



Performance Comparison

- US Market = SPX (S&P 500 Stock Index)
- European Market = IEV (iShares S&P Europe 350 Index ETF)
- Global Market = VT (Vanguard Total World Stock Index ETF)

Inception date is 1st January 2017. Past performance is provided for illustrative purposes only and is not a guide to future performance

Risk Metrics (since inception)

	US Market	Euro Market	Global Market	FUND
Ending VAMI	1460.6	1128.3	1408.8	1847.7
Max Drawdown	20.0%	24.8%	22.2%	6.0%
Sharpe Ratio	0.71	0.28	0.66	1.58
Sortino Ratio	1.02	0.36	0.92	4.42
Standard Dev.	4.5%	4.4%	4.4%	3.0%
Downside Dev.	3.1%	3.4%	3.2%	1.1%

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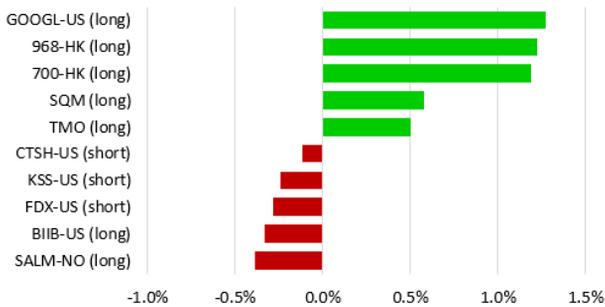
What happened last month

Market Commentary

Markets extended their September weakness by falling further in October. During the month US markets slipped -3% and Global markets -2% as stretched valuations combined with market skittishness in the run up to the US election dragged markets lower. On a year to date basis, this leaves US market performance at +1% and Global markets -1%. This performance is still remarkable in the face of the economic challenges presented by Covid and what were full valuations to commence the year.

Fund Performance

The fund had an exceptional month, rising 5.7% in October. Strong performance in key positions such as Google and Xinyi Solar drove solid gains in the face of weaker markets. The fund sits +34.6% YTD and +43.6% cumulative over 3yrs. Key contributors to October performance are below:



In terms of positive contributors in October, key stock specific drivers were:

- GOOGL-US (long):** Google shares rose in October on the back of a very strong earnings report that beat expectations. Revenue rose 14% to US\$46bn and Income from Operations rose 24% to \$11.2bn as search revenues returned, Youtube performed well (revenue +32%) and the cloud business gained significant traction (revenue +50%).

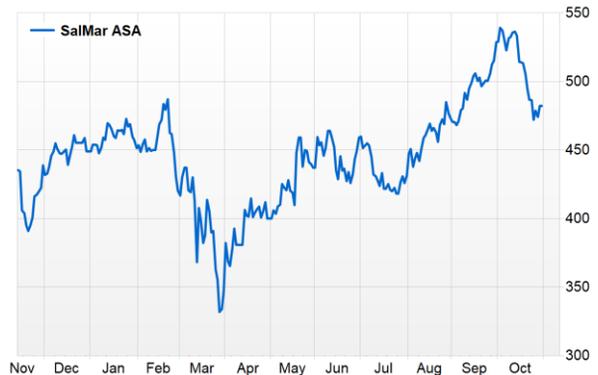


- 968-HK (long):** Xinyi Solar shares continued to lift in October as the shift in electricity generation towards renewable energy continued to take hold. Comments from President Xi Jinping to the UN indicating that China will strive for carbon neutrality by 2060 provided more support for the Xinyi Solar outlook.



In terms of negative contributors in October, key stock specific drivers were:

- SALM-NO (long):** Salmar shares fell back in October as concerns around weak spot Salmon pricing weighed on expectations for earnings in the short to medium term.



- BIIB-US (long):** The market entry of generic competition for a key Biogen Multiple Sclerosis drug Tecfidera saw earnings fall short of expectations in October.



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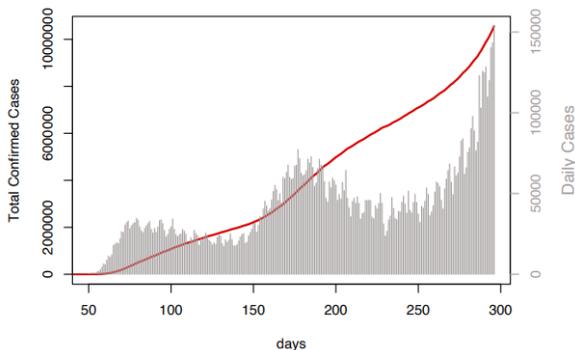
What is on our mind - Markets

Covid, stimulus and a better than expected earnings outcomes – these were the key themes that rattled through what were softer markets during October.

Covid

Remember when President Trump contracted Covid, almost died and markets fell? While those events may feel like they are a world away now, they occurred in October. The world ex Asia saw a material deterioration in the Covid situation with 2nd and 3rd waves taking hold. Despite the worsening conditions, Governments have to date been reluctant to reinstitute the lock-downs of earlier this year with the hope that a widely available vaccine will be available in the coming months. The extent of 2nd round economic damage will depend on the necessary responses to control the virus and the duration until a widely available vaccine.

US Covid Cases



Stimulus

The market again demonstrated the pre-occupation with stimulus with the market swinging on speculation around a flurry of phone calls that may close the gap between Democrats and Republicans. While the aggregate numbers seemed to be narrowing (somewhere between US\$1.8tr and US\$2.2tr) there still appeared a large gap in terms of where the stimulus should be spent making any deal pre-election difficult.

The importance of the stimulus talks to markets was demonstrated early October when President Trump tweeted that any deal was off until post election. Futures promptly dropped 2% then recovered as the position was walked back.

Donald J. Trump @realDonaldTrump · Oct 7
Nancy Pelosi is asking for \$2.4 Trillion Dollars to bailout poorly run, high crime, Democrat States, money that is in no way related to COVID-19. We made a very generous offer of \$1.6 Trillion Dollars and, as usual, she is not negotiating in good faith. I am rejecting their...

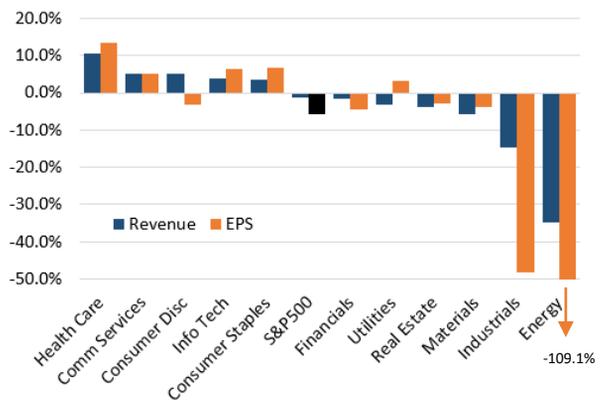
Donald J. Trump @realDonaldTrump · Oct 7
...request, and looking to the future of our Country. I have instructed my representatives to stop negotiating until after the election when, immediately after I win, we will pass a major Stimulus Bill that focuses on hardworking Americans and Small Business. I have asked...

Earnings

The earnings season in October had something for everyone. For the bulls, it was an earnings season that surpassed expectations with 84% of companies beating expectations, and earnings that were +19.7% compared to expectations heading into the quarter.

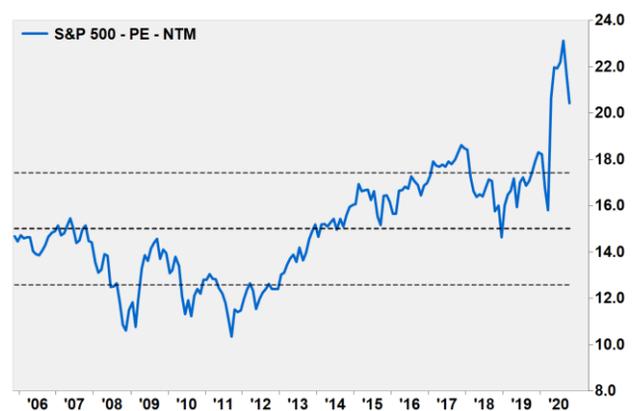
For the bears, while the earnings beat was large, the actual earnings decline was still meaningful at -5.7%. This represents the 3rd largest earnings decline since Q3 2009 (GFC) and is exceeded only by the previous 2 Covid affected quarters of 2020.

Sector divergence was significant with Energy and Industrials enduring most of the earnings impact while healthcare performed well.



Implications for fund positioning

Despite the pull back in markets over October, valuations remain stretched on a range of long term valuation metrics. PE NTM sits at 2.5 standard deviations above the long term average, and PE 2Yr sits at 2.3 standard deviations above while the Adj CAPE ratio also remains elevated. As such the fund remains positioned towards the net short boundary of -30%.



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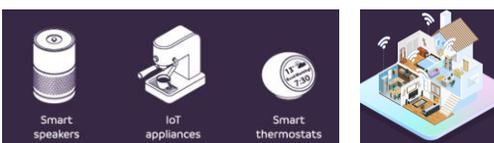
Item of Interest: AI, 5G and Big Data

The convergence of big data, artificial intelligence and internet capacity through 5G is creating some extraordinary technological advancements that underpin a number of key positions within the portfolio. Every day IoT devices generate 1 billion GB of data and by 2025 there are projected to be 42 billion IoT-connected devices globally. The Visual Capitalist has grouped these opportunities into 4 key categories. How these categories will benefit from these advancements, and the influence of these trends on the Global Evolution portfolio is detailed below:

- 1. Wearables:** the capacity to capture large amounts of data from the user combined with the application of AI has opened a range of use-cases for wearables. A key application for wearables that we see is in health where wearables can combine data capture and analysis with pre-emptive medical intervention. Amazon (Halo) and Google (Fitbit) are placing wearables at the front end of plans to disrupt the health value chain that represents a US\$3.5tr market opportunity. Another significant opportunity sits within Augmented Reality where their application in an industrial setting has the potential to significantly increase productivity.



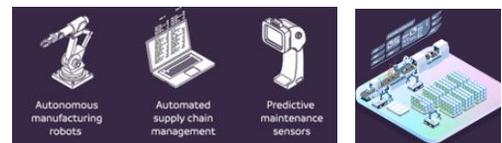
- 2. Smart Home:** internet capacity and data analysis is facilitating advancements in terms of the control of the home. In our view, the battle to own this space is a critical one; not so much in terms of an expansion in use cases but in terms of controlling the migration of search and advertising from text to voice. Those companies that can be the control centre for the home will also own the data and commerce flows as customers rely increasingly on their home control centres to get things done. As such it is no wonder that Amazon (Echo) and Google (Nest) are pushing so hard to disseminate their smart speakers and insert their AI into home control systems.



- 3. Smart City:** the confluence of urbanisation combined with increasing interconnectedness of buildings and services is creating significant investment opportunities. Within the Global Evolution portfolio sits Honeywell, with a growing “Home and Building Technologies” division providing software and solutions targeted at security and energy use for buildings



- 4. Smart Industry:** real time data capture and analytics combined with sensors facilitating machine co-ordination is opening up a transformation for manufacturing processes. This spans autonomous robotics and predictive sensors. Within the portfolio, TE Connectivity has significant exposure to industrial automation as does ABB Group with businesses spanning industrial automation, motion and robotics. In addition to the specific exposures of TE Connectivity and ABB group, the Texas Instruments semi-conductor product line will experience increased demand from the move towards smart industry.



The opportunities from data, AI and 5G are significant, and permeate into a number of areas of the economy. For this reason, the Global Evolution portfolio owns positions in a number of companies poised to benefit from these trends in the years to come. We continue to explore select sub-segments such as robotics and energy markets for additional opportunities to add to the portfolio.

As always we thank you for your interest.

The fund will open to new investors in early 2021. To indicate your interest or discuss the fund in more detail, please contact us on:

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Sources: Factset Data Solutions, The Visual Capitalist