

Tuesday, September 28, 2021

Further to our recent conversations we have performed an analysis of the effect where the existing allocation to the Bentham High Yield Fund (BHY) is augmented by an allocation to the FHIM Trade Logistics Strategy (FHIM) from October 2017 to the end of August 2021.

## Comparison

We have examined the overall portfolio performance, pre and post the inclusion of FHIM. We are using the daily NAVs as our base valuation data. For BHY, we are not including fees or spreads and have assumed that all distributions are retained (not re-invested). For FHIM, this strategy is net of fees and there is nil spread in the Fund.

## Historical correlation of FHIM to BHY is -0.029

On a hypothetical allocation of 50% (BHY) and 50% (FHIM) there is an improvement to the risk adjusted returns. The portfolio Sharpe and Sortino improves by 133% and 139% respectively. The max draw down improves by 6.99 (an improvement of 53%). This can be explained by the FHIM strategy where investments are made into income streams that are uncorrelated to equity or credit markets. Additionally, these investments are Investment Grade rated and senior secured.

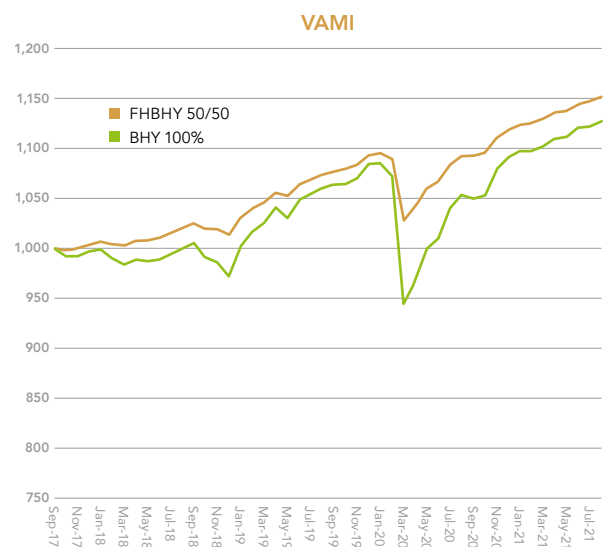
The returns are asset backed and fixed at 4.5% which supports a defensive approach to managing a basket of Fixed Income holdings.

The improved risk adjusted returns are reflected in the smoothing of the overall performance (refer Table of results).

	BHY 100% allocation	BHY with 50% FHIM allocation	Change
<b>CAGR</b>	3.12%	3.68%	+0.56%
<b>Sharpe Ratio</b>	0.32	0.74	+0.42
<b>Sortino Ratio</b>	0.37	0.89	+0.52
<b>Max Drawdown (EOM)</b>	-13.19%	-6.20%	+6.99%
<b>2017 (from October)</b>	-0.36%	0.37%	+0.73%
<b>2018</b>	-2.49%	1.02%	+3.51%
<b>2019</b>	11.64%	7.80%	-3.84%
<b>2020</b>	0.71%	2.41%	+1.70%
<b>2021 (end of August)</b>	3.23%	2.91%	-0.32%

The noticeable examples of FHIM's positive impact with an allocation of 50% BHY and 50% FHIM is:

- |  |                  |
|--|------------------|
| 1. 0.56% increase in CAGR -              | 17% improvement  |
| 2. 6.99% reduction in Max Drawdown -     | 53% improvement  |
| 3. +0.42 increase in the Sharpe Ratio -  | 133% improvement |
| 4. +0.52 increase in the Sortino Ratio - | 139% improvement |



The analysis supports the conclusion that volatility is reduced whilst maintaining consistent fixed income revenue. This is achieved without considerably impacting the principal investment. On this basis we would suggest that there would be merit in having an exposure to the FHIM Fund.

Regards



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