

Thursday, October 28, 2021

We have performed an analysis of the effect where the existing allocation to the Yarra Absolute Credit Fund (YACF) is augmented by an allocation to the FHIM Trade Logistics Strategy (FHIM) from November 2019 to the end of September 2021.

Comparison

We have examined the overall portfolio performance, pre and post the inclusion of FHIM. We are using daily Unit pricing as our base valuation data. For YACF, we have used daily unit pricing before fees or spread with month end adjusted for distributions which are retained (not reinvested). For FHIM, this strategy is after fees, nil spread, and all distributions are retained and not reinvested.

Historical daily correlation of FHIM to YACF: -0.0722 (-7.22%) R Squared: 0.00521 (0.521%)

On a hypothetical allocation of 50% (YACF) and 50% (FHIM) there is an improvement to the risk adjusted returns. Sharpe and Sortino improved significantly by 0.57 and 0.63 respectively from negative. The max draw down improves by 4.42% (an improvement of 55%) while maintaining returns. 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 where FHIM is senior secured and has \$43,000,000 of subordination (first loss protection).

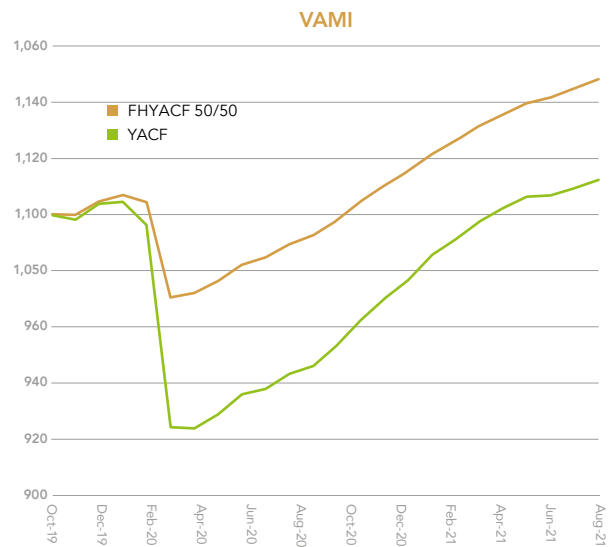
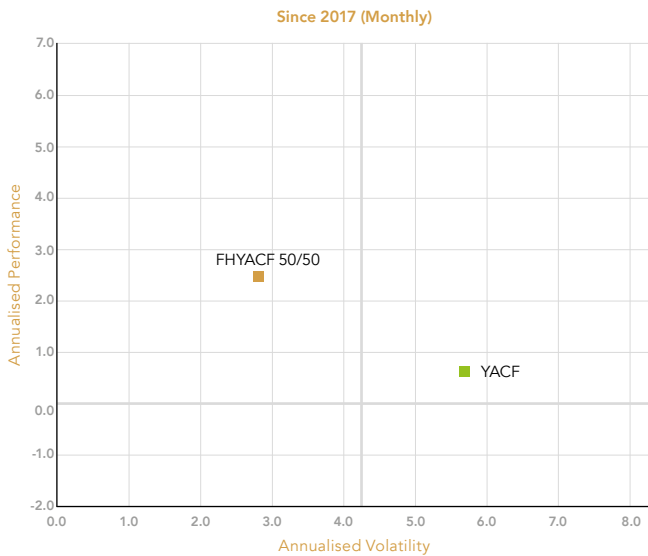
The returns are asset backed and fixed at 4.5% which supports a defensive approach to managing a basket of Fixed Income holdings.

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

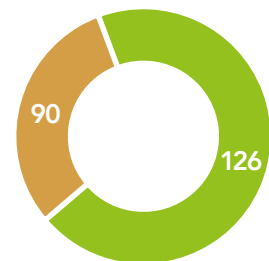
	YACF 100% allocation	YACF with 50% FHIM allocation	Change
CAGR	0.64%	2.48%	+1.84%
Sharpe Ratio	-0.04	0.53	+0.57
Sortino Ratio	-0.04	0.59	+0.63
Max Drawdown (EOM)	-8.05%	-3.63%	+4.42%
2019 (from November)	0.39%	0.46%	+0.07%
2020	-3.37%	0.56%	+3.93%
2021 (end of September)	4.35%	3.75%	-0.60%

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

- | | |
|---|-------------------|
| 1. 1.84% increase in CAGR - | 287% improvement |
| 2. 4.42% reduction in Max Drawdown - | 55% improvement |
| 3. 0.57 increase in the Sharpe Ratio - | 1581% improvement |
| 4. 0.63 increase in the Sortino Ratio - | 1647% improvement |



	Down days	% of all days	total no. of days
YACF	126	28.87%	487
FHYACF 50/50	90	18.48%	487



The analysis supports the conclusion that downside volatility is reduced whilst maintaining a consistent fixed income revenue whereby improving the overall risk adjusted return. On this basis we would suggest that there would be merit in having an exposure to the FHIM Fund.

Regards



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