

Priomha Capital CLONEY Multi-sport Investment Fund

Quarterly Investment Report - Quarter Ending September 2017; Q1/FY18

The July to September 2017 Quarter is over so it is time to review the Fund's performance as well as provide you with some insight as to what can be expected in the December Quarter.

On face value (see Table 1 below) the Fund has been relatively quiet with a marginally losing performance over Q1/FY18, inferior to each of our benchmark indices. Whilst that is never pleasing & it is something we are not happy with, the numbers do not necessarily tell the full story & for those that are new investors it is worthy of an explanation as to how we calculate our returns as well as provide some insight into the ebbs & flows of our trading activity over the course of a 12-month period.

BENCHMARK INDICES	PERFORMANCE				
	JULY	AUGUST	SEPTEMBER	Q1/FY18	Since Inception
CLONEY Fund	-1.50%	-1.00%	+0.01%	-2.48%	+220.95%
FTSE100	+0.81%	+0.80%	-0.78%	+0.82%	+36.13%
ASX200	-0.02%	-0.11%	-0.58%	-0.71%	+15.79%
HFRX	+0.93%	+0.29%	+0.60%	+1.83%	+8.59%

TABLE 1: Comparative Performance for September Quarter 2017

SEPTEMBER QUARTER – TRADING REVIEW

1. September Quarter Futures Trading

"...the bane of our existence..."

As we tend to do in June/July each year after we have run the simulations for the upcoming European football seasons & UEFA competitions we take some medium to longer term Futures Positions in the Winner's Markets. We generally find that there is a little bit of early value at this point as the markets have not been adjusted for the liquidity that eventually comes at the start of August. Given that it is a World Cup year & there is an Ashes Series looming we also looked to get involved in them as well. All of our longer-term positions are available under *Current Investments & Latest News* in the Investor's Area of our website. It is these long term Futures Trades that have reduced our returns in Q1/FY18 as overall, as at the date of writing the net result of these trades is a loss.

In terms of the problematic trades the most important, & those that have had the most adverse effect on our returns are our early trades on Chelsea & Manchester United in the English Premier League.

Chelsea Trade: our pre-season ratings had Chelsea equal favourites for the title with Manchester City at \$3.50. We opened a large position on Chelsea pre-season at an average price of \$4.50. This trade went against us in July & was further dented on the opening day of the season when they lost at home 2-3 to Burnley. A draw with Arsenal at home (0-0) & a loss at home to Manchester City sees them currently trading at \$10+. We are well out of the money on this trade & it is currently pulling our monthly returns downward. We have a mitigating strategy for this trade that is articulated in the December Quarter Preview.

Manchester United Trade: our pre-season ratings had Manchester United rated a \$7.00 chance for the Premier League Title. Subsequently we opened up a LAY position against them pre-season. Their popularity, the euphoria around some new signings & an unbeaten start to the season sees them currently trading at sub \$4.50 for the title. They were as low as \$3.30 before their 2-2 draw at Stoke. Again, this trade is out of the money & adversely affecting our returns. They are about to embark on a more difficult run & if results go as expected during this time, & Manchester City keep winning the paper losses we are currently incurring will revert to small profits.

Other Futures Trades

The following Futures Trades are of less concern to the Fund owing to the fact that their volatility does not hinge on week to week results as per the Premier League trades.

Ashes Cricket: we have a LAY of England in the Series at an effective price of \$4.50. They are currently trading at around \$4.00 meaning we are sitting on a small loss. The frailties of their Top 6 batsmen & the less accommodating conditions in Australia for their bowlers means we rate Australia as strong favourites. Additionally, with Australia's batting techniques less likely to face an inquisition on home grounds we envisage a relatively comfortable win for the home side. We do not expect to see much movement in this price until closer to the 1st Test Match, scheduled for Brisbane on 26th November 2017.

Priomha Capital CLONEY Multi-sport Investment Fund

Quarterly Investment Report - Quarter Ending September 2017; Q1/FY18

1. September Quarter Futures Trading (continued)

UEFA Champions League: we have a LAY of Barcelona at an effective price of \$8.60. They are currently trading at around \$8.00 meaning we are sitting on a small loss. With injuries & an ageing list the perennial favourites are too short. Additionally we have a LAY position on PSG at an effective price of \$7.40 who with the addition of Neymar has shortened, in our view inexplicably to \$6.00. There will be ample time during the knock out stages to trade these positions should they continue to edge away from us. We have an additional LAY of Juventus, which has not changed. We envisage adding to these positions as the season progresses.

FIFA World Cup: we have started taking small positions against a number of teams including Brazil, Spain & Belgium. These have not moved too much. We envisage adding to these positions over the coming months.

In summary, for the longer-term investor these trades should not pose too many concerns as over the passage of time opportunistic trading, mitigating hedging strategies & increased liquidity in the individual event markets should see us readily navigate our way through some currently murky waters. In the interim, cheer on a Manchester United slip up & the commencement of a winning streak for Chelsea.

2. September Quarter Monthly Trading

Overall, the September Quarter was typical in that the focus was identifying longer-term trades, optimising our sports data & algorithms & the dominance of low volume/high frequency horse racing trading. The Quarter coincides with the end of the European summer & as such football is still in hibernation & cricket is winding down. In Australia, the winter wet tracks & poor racing also means a lull in horse racing activity as it is restricted to weekend racing only. Figure 1 below shows that in terms of actual number of trades horse racing accounted for 70% of the activity for the Quarter. Over the course of the year it is envisaged that this will drop to below 50%.



FIGURE 1: Trade split by number for September Quarter 2017

Figure 2 opposite shows that on a turnover basis the Fund was effectively split between horse racing & sport. Over the course of a full year we expect Sport turnover to surpass 80% of the Fund's activities on a dollar traded basis.

2. September Quarter Monthly Trading (continued)

July 2017

We traded just **55 events** for the month of July, indicative of the lull in activity in our main asset classes traded. Other than long term positioning of Futures Trades there was no activity on Football. Similarly with only the England vs SA Test series to focus on we traded lightly on cricket. Horse racing was thinly traded. The highlight of the month in terms of our asset classes was The Open Championship where we successfully avoided SPIETH. We opposed DJ in a variety of markets, meaning that The Open was a profitable one for the Fund. In terms of the monthly trading we secured a profit, but the recorded result was reduced by the Futures Trades.



FIGURE 2: Trade split by turnover for September Quarter 2017

August 2017

August was another thin month of trading with only **45 events** traded. We dipped our toe in the water with a handful of trades in the Premier League towards the end of the month. In terms of cricket there was only a couple of Test Matches that attracted our attention, including the 2nd Test between England & the Windies. This was unfortunately a losing trade as we were LONG on the draw, but alas, the Windies broke all kinds of records in chasing down a large 4th innings target on the last day to win. We traded very thinly on Australian horse racing, primarily towards the end of the month, managing to squeak a decent profit in lieu of little activity.

September 2017

September saw trading volumes increase with over **100 events** traded for the month. It was a good for monthly trading with a +2.50% return from the daily activities. We went 100% on our football trades & with the better weather & better horses returning we were also able to produce a strong return for horse racing using our high frequency, low volume methodology.

Despite the overall low trading turnover & limited activity our monthly trading activities produced an overall profit for the Quarter. The Futures Trades dragged the Quarterly return to the negatively published figure.

Priomha Capital CLONEY Multi-sport Investment Fund

Quarterly Investment Report - Quarter Ending September 2017; Q1/FY18

DECEMBER QUARTER – TRADING REVIEW

1. December Quarter Futures Trading

As we head towards the half way mark of the European football seasons we can expect there to be significantly more clarity around our longer-term positions. Notwithstanding this we have had to review our positions at the end of the September Quarter with a view to developing some mitigation strategies.

“...Our trade on Chelsea is one loss away from oblivion...”

Chelsea Trade: Chelsea start October with a relatively easy run in the Premier League. Their upcoming matches are Crystal Palace (away), Watford (home) & Bournemouth (away). In November they host Manchester United & travel to Liverpool. Our hypothesis, & the basis of our mitigating strategy is to BACK them at \$10+ prior to their match against Palace, a match that should be the first of 3x successive wins. This trade will average up our price & provided they win all three matches (as expected) they will be back into around \$8.00. This maybe shorter if results from the Manchester sides turn out to be favourable. Chelsea is currently six points off the lead & with a much inferior goal difference are effectively seven points from the top. They are 1x loss away from being \$16+ chances for the title – we would not want to be holding a BACK position at this time. Subsequently, during each of their upcoming three matches if they look to be headed for a draw or defeat we will be active in the Winner’s Market to hedge our position & reduce our liability, potentially closing the trade. Additionally, if the differential between them & the top-sides remains over five points after their next 3x matches we will exit the trade for a small loss, with a view to entering again at a later date if the data supports such a decision.

Manchester United Trade: Manchester United start October with an away match to Liverpool. We have them dropping points in this encounter at which point they will probably be trading at, or close to our entry price. At the end of October/early November they have Spurs (home) & Chelsea (away). Their price will not shorten considerably during this phase, especially if Manchester City (vs Stoke, Burnley, Newcastle) keeps winning. We will hold our position on Manchester United open until at least after their match against Chelsea.

Other Futures Trades: The volatility of our other Futures Trades will be low. We will continue to monitor these positions & will adjust our positions as new information or additional analysis dictates. Our Ashes trade is the one likely to move most in the December Quarter. Our focus will shift to this trade in the week before the 1st Test Match.

2. December Quarter Monthly Trading

Overall trading turnover for the upcoming December Quarter will be significantly higher than that during the September Quarter. In terms of assets traded a brief overview of what you can expect as an investor follows.

Football: the optimal time for our algorithm performance is between Match Weeks 8 & 32. The historical data from last season is gradually replaced by recent data, which is more pertinent to the season at hand. After MW8 the relative strengths of each team are much more clearly understood. Subsequently we will trade larger volumes with increased confidence. The December Quarter will also see the premier sides in each region join the Cup knock out competitions, which will also add to opportunities. Furthermore, UEFA European competitions continue to gain momentum after the lull of the qualifying stages. The December Quarter will be very busy for the football trading desk.

Cricket: whilst the focus for the December Quarter will no doubt be the Ashes series the Southern Hemisphere summer means New Zealand & South Africa will also have a full calendar. The nomadic Pakistanis will also be playing in a number of Tests, ODIs & T20 internationals. Furthermore, towards the end of the Quarter the Big Bash League will commence in Australia. With over 30 matches, each with over A\$200M traded there will be an abundance of opportunities for the Fund. As with football, the upcoming period will be very busy from a trading perspective.

Australian Horse Racing: Australian horse racing reaches its annual crescendo in October/November with the Spring Carnival being held in Melbourne & its surrounds. There are at least 3x high quality meetings per week for the next 10 weeks meaning increased liquidity & with it trading opportunities. We will continue our high frequency, low volume trading strategy. In terms of winners we can expect **Winx** to continue to win en route to her third successive Cox Plate. **Almandin** is a false favourite for the Melbourne Cup, **Main Stage** looks a likely Victoria Derby winner whilst **Bonneval** looms as a strong Caulfield Cup runner. The caveat here, for the Cups, will be the European horses who descend on Melbourne each year. They are impossible to rate accurately given the travel, time between runs & different conditions they face in Australia. We will always rather have them on side than against.

Golf: Golf tends to wind down in the December Quarter with a sprinkling of domestic & international events to keep the desk occupied. Most of the focus for the December Quarter however will be optimising our algorithms & data to take advantage of the early season tournaments at the start of 2018.

The information contained in this document is published by Priomha Capital. No representation or warranty as to the accuracy of the information contained in this document is made or implied. The returns for the CLONEY Fund included in this document are not audited. The details and opinions in this document are provided by Priomha Capital without any guarantee or warranty and are for the recipient’s personal use and for information purposes only. This document is no offer or solicitation to purchase units in the Priomha CLONEY Fund. All Priomha CLONEY Fund performance numbers, unless otherwise stated are gross figures. Past performance is not indicative of future results. If the currency of the fund is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. No reader should rely on this document as it does not purport to be comprehensive or to render personal advice. The Priomha Group © 2017. All rights reserved.