



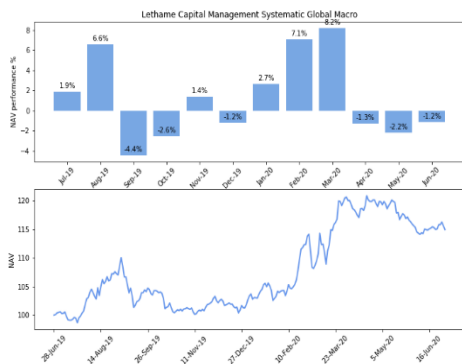
Lethame Capital Management

Technology : Research : Investing

Program Update June 2020

	1 month	3 month	YTD	Inception*
Lethame Capital Management	-1.2%	-3.4%	13.4%	14.8%

This commentary refers to the performance of the strategy of my personal investment vehicle, please see disclaimer. *System running from 1st July 2019.



The end of June marks a full year since the inception of the strategy in which time it returned 14.8% with annualised standard deviation of 12.1%. This means that in its first year the strategy achieved a Sharpe ratio of over 1.1. At this level of standard deviation the system realised a lower level of 'risk' than is targeted. However, the realisation of risk is a function of the signals the system is presented with. The risk-adjusted returns that have been generated are along the lines of those that were envisaged from testing. The lower level of realised risk highlights the potential within the systems design to realise significantly higher returns than this in the future.

It was never imagined that the first year of the strategy would see a pandemic resulting in an effective shutdown of the global economy contributing to levels of volatility that were higher than those experienced during the financial crisis. Had this been known a year ago the return the strategy has produced would have gladly been accepted.

The system delivered a return of -1.2% for the month of June. Since its peak on 21st April this current drawdown in equity reached -5.6% early in the month and sat 5% below its April peak by month end. The maximum drawdown remains that recorded in the period between August and November 2019 where the system saw a peak to trough drawdown of 9%.

The strategy has been carefully tested over many years of data and drawdowns are to be expected. While the two significant drawdowns experienced to date are relatively modest relative to what is possible given the level of risk targeted there remains significant confidence that the risk management embedded in the strategy will limit the depth of drawdowns.

The system has started taking more risk but this has been counterbalanced by the fact that it is closing out of individual positions as their signals deteriorate. As a consequence the systems forecast for thirty day Value-at-Risk at 99% confidence declined from 6.84% to 6.35%

Monthly Gross P&L (%)	Winning positions	Month End Risk Overview								
	<p>Wheat</p> <p>Platinum</p> <p>Gold</p> <p>Losing Positions</p> <p>Copper</p> <p>Corn</p> <p>Soybeans</p>	<table border="1"> <tr> <td colspan="2">Month End Risk Overview</td> </tr> <tr> <td>30 Day VaR at 99% Confidence</td> <td>6.35%</td> </tr> <tr> <td>Margin to Equity</td> <td>6.24%</td> </tr> <tr> <td>Max Drawdown</td> <td>9.0%</td> </tr> </table>	Month End Risk Overview		30 Day VaR at 99% Confidence	6.35%	Margin to Equity	6.24%	Max Drawdown	9.0%
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over the month.

Biggest positive attributions came from short positions in Wheat and Platinum and a long position in Gold. The gold price traded at eight year highs during the month as market participants digest the implications of unprecedented stimulus. Real interest rates remain suppressed which is supportive for prices. The price has moved significantly this year and the system has taken profits this month but remains long. It remains to be seen whether the 2011 high of \$1920 in spot gold can be taken out this year.

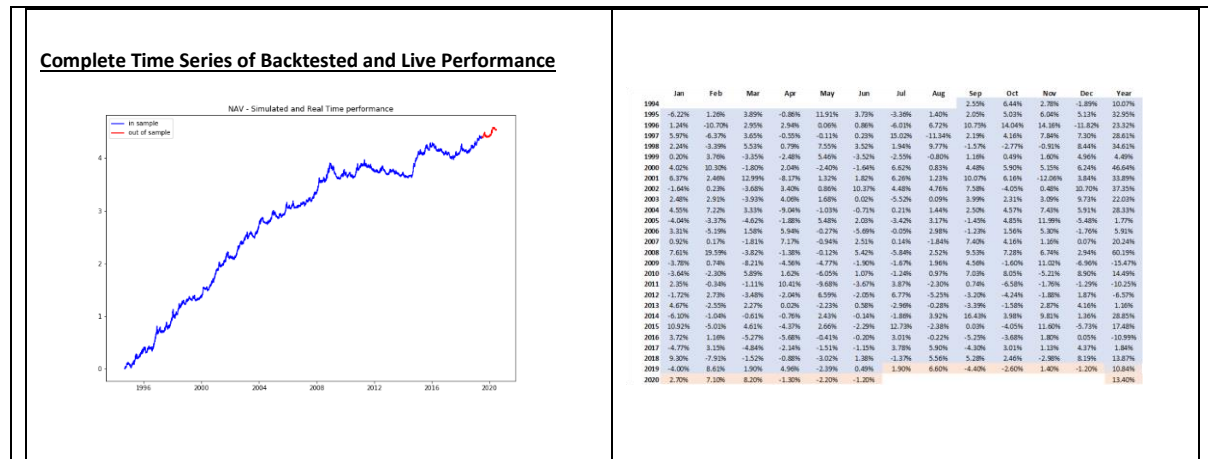
The biggest negative attributions came from short positions in Copper, Corn and Soybeans. Copper has

reached levels not seen since January as better data in China and coronavirus related supply disruptions in Chile, the system had been closing its position over the course of the last couple of months and the remainder of the position was closed during June.

System Management

Lethame Capital's systematic investment program is designed to provide exposure to a diversified range of return streams. The program is calibrated so that it scales back the risk it takes should the instruments it trades exhibit an unusually high level of co-movement indicating that markets are being driven by a single underlying factor and making the program more vulnerable to a reversal of that single factor.

The positively skewed expectation of strategies of this nature is many small losses and a smaller number of large profits. As such our observation is the system will suffer losses as much as half of the time. The dynamic nature of the strategy introduces a convexity to the payoff which has similarities to an option position. The observation so far of larger monthly profits than the smaller monthly losses is encouraging in that it consistent with the profile we set out to achieve.



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