



Lethame Capital Management

Technology : Research : Investing

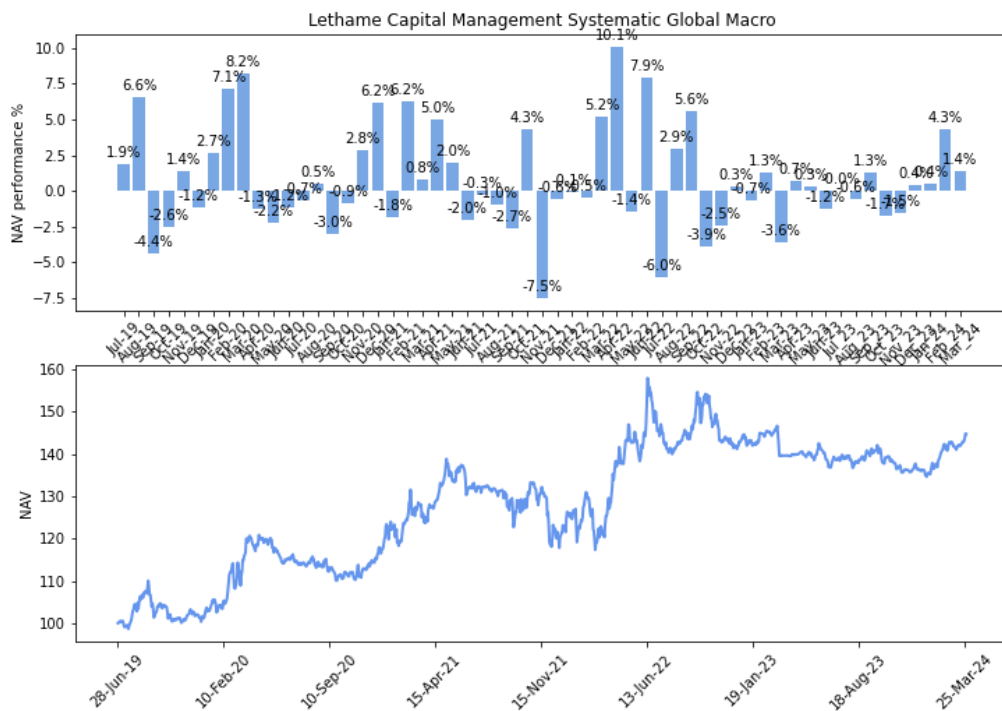
Program Update – Q1 2024

	Annualised Return*	Standard Deviation	Sharpe Ratio	Maximum Drawdown	Average Correlation
Lethame Capital Management	8.3%	12.7%	0.57	15.8%	-
S&P 500 Index	9.5%	19.9%	0.43	42.6%	1.5%
60/40 portfolio	4.7%	12.0%	0.31	30.6%	3.7%

*Returns since inception

This commentary refers to the performance of the strategy of the personal investment vehicle of Piers D. Watson, please see disclaimer.

"I always believe that prices move first and fundamentals come second" – Paul Tudor Jones



Performance Review 1Q 2024

Lethame Capital Management's (LCM) Systematic Global Macro Program yielded a return of +6.2% in the first quarter of 2024, juxtaposed with the S&P 500 futures' surge of +8.7%. Despite widespread anticipation of looser monetary policies from

central banks, bond markets encountered significant challenges. The FTSE World Government Bond Index witnessed a decline of -2.42%, attributable to a 30-basis point increase in the yield of the 10-year U.S. Treasury, while the U.S. dollar secured a +3.1% return for the quarter.

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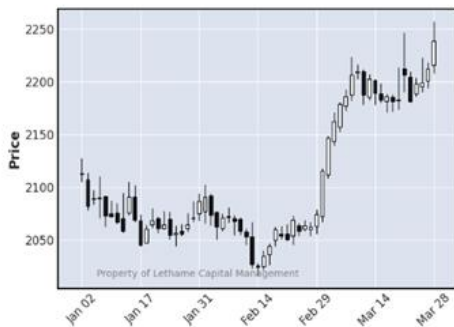
LCM prioritizes the risk-adjusted returns of the instruments it trades. During the first quarter, half of the twenty instruments LCM trades experienced movements exceeding two standard deviations.

S&P 500 - 4 Sharp move



On a positive note, both the Eurostoxx 50 and S&P 500 witnessed significant moves of +4.3 standard deviations (s.d.). These were followed by Live Cattle (+3.6 s.d.), Crude Oil (+2.4 s.d.), and Gold (+2.4 s.d.).

Gold - all time highs



Conversely, negative movements were observed in German 2-year Schatz (-3.2 s.d.), Soybeans (-2.4 s.d.), U.S. 2-year Treasury (-2.3 s.d.), and Australian Dollars (-2.3 s.d.).

Commentary

The first quarter of 2024 saw a notable increase in interest rates, driven by robust economic expansion, an unexpected rise in inflation rates, and a consistent message from the Federal Reserve emphasizing patience in addressing inflationary pressures.

2 Yr Treasury



The prevailing sentiment anticipated the Federal Reserve's initiation of a series of interest rate reductions starting in March, buoyed by optimism surrounding inflation's trajectory towards the Fed's 2 percent target and the sustained growth of the U.S. economy. While confidence persisted in the resilience of the U.S. economy, both the Federal Reserve and investors were disappointed by the persistence of inflation, which deferred hopes for imminent reductions in interest rates.

The U.S. economy continues to receive robust support from several pillars: consistent job creation, resilient consumer spending despite concerns over prices, and substantial government expenditures. March saw the unemployment rate at 3.8 percent, marking 26 consecutive months below 4 percent, the longest streak since the 1960s. Despite a sluggish start to the year, the U.S. labor market experienced its most significant surge in job additions in nearly a year during March.

Persistent structural trends propelled risk assets upwards, echoing the patterns observed throughout 2023. Investors remain optimistic, buoyed by the belief that the economy has evaded recession. However, the question remains as to whether the current "exuberance" stands on solid ground? Examination of the fundamentals reveals that valuations remain elevated. For instance, the S&P 500 boasts an earnings multiple of 25 times historic earnings, indicating rich valuations.

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Furthermore, corporate credit spreads, serving as a gauge of risk or stress, are hovering at multi-year tight levels, leaving little margin for error.

Gold Shines

In the initial quarter of 2024, gold demonstrated remarkable resilience and growth, surging by 7.1% and reaching unprecedented highs. Notably, on March 28th, the LBMA fix priced gold at \$2214.35 per troy ounce, marking the culmination of the quarter's bullish trend. Despite the USD's notable gains against currencies like the CHF and EUR, typically exerting downward pressure on gold prices, investors holding CHF or EUR-based assets enjoyed significant returns, with CHF holders witnessing a substantial 13.2% increase for Q1 2024. Interestingly, despite the historical negative correlation between the USD and gold prices, this quarter showcased gold's resilience against a strengthening dollar, traditionally a deterrent for foreign buyers. This resilience can be attributed to a confluence of factors, including geopolitical tensions in regions like the Middle East and the Russo-Ukrainian front, alongside investors hedging against inflation amid ongoing rate cuts in developed economies. Moreover, anticipation of declining interest rates by summer further fueled bullish sentiment surrounding gold, contributing to its upward trajectory throughout the quarter.

Soybeans whither

In the first quarter, the soybean market witnessed a sustained downturn, with futures in Chicago experiencing their longest consecutive monthly losses since 2021. This decline can be attributed to robust South American supplies coupled with subdued demand from China, the largest importer of soybeans globally. Despite dry weather affecting yields in Brazil, the region's largest exporter, production remains high, contributing to ample supply levels. Argentina, another key player in the soybean market, is poised to double its bean output compared to the previous year, further adding to the supply glut. In the United States, soybean

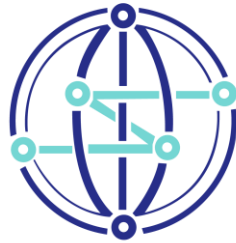
cultivation is expected to expand by nearly 5% this year, exacerbating the oversupply situation. As a result of these market dynamics, short positions in soybean futures have proven to be lucrative for the strategy in the quarter.

Outlook

With a strong start to 2024, LCM is hopeful that the strategy will continue to deliver robust risk returns it was designed to achieve.

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Lethame Capital Management

Lethame Capital Management (LCM) is a private company established to manage capital using proprietary software and algorithms developed by Principal, Piers D. Watson, CFA FRM CQF CFTe. LCM's investment program utilises over thirty years of experience as a portfolio and risk manager covering multiple asset classes and follows years of research, analysis and technology development. The program is designed to provide a comprehensive and systematic exposure to a diversified range of return streams.

Program design has been borne out by the performance of the system since inception and is backed by comprehensive back-testing over the past 40 years (see the performance table below).

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1994									4.38%	-0.09%	5.94%	-6.26%	9.87%
1995	1.47%	0.18%	-4.46%	7.59%	8.84%	1.37%	0.26%	-2.99%	4.38%	5.77%	5.85%	3.01%	33.73%
1996	-2.38%	-3.02%	2.66%	4.69%	1.38%	7.76%	-10.11%	3.32%	5.09%	4.65%	19.51%	-4.81%	30.22%
1997	6.92%	-5.03%	-1.84%	-0.37%	4.25%	1.79%	11.07%	-6.62%	2.93%	2.25%	-1.56%	1.28%	32.68%
1998	0.48%	2.10%	3.31%	-4.54%	7.34%	-0.03%	10.28%	8.94%	-6.51%	-1.29%	6.98%	8.54%	35.68%
1999	1.04%	-5.52%	1.01%	1.67%	-0.68%	2.02%	-3.13%	1.09%	-0.16%	-4.88%	2.83%	13.81%	6.34%
2000	-2.70%	-2.35%	-2.78%	-0.51%	2.71%	-3.55%	0.41%	6.80%	-3.01%	-4.91%	15.12%	12.07%	49.69%
2001	-1.50%	13.16%	14.36%	-12.11%	3.77%	-1.29%	-0.05%	14.05%	17.24%	1.24%	-6.35%	-3.13%	38.00%
2002	-1.13%	2.05%	-7.02%	5.24%	2.98%	10.14%	10.84%	2.09%	10.78%	-5.74%	-3.67%	13.08%	39.79%
2003	7.62%	11.88%	-8.22%	0.38%	9.08%	-2.19%	-4.35%	1.10%	6.28%	-0.20%	3.61%	8.13%	23.45%
2004	4.99%	16.29%	4.23%	-13.36%	0.65%	-2.01%	-5.83%	4.21%	0.61%	6.61%	5.48%	4.99%	29.49%
2005	-4.69%	-6.47%	-3.42%	2.42%	4.79%	-1.13%	-2.72%	1.86%	-0.90%	-4.27%	5.10%	-4.50%	4.83%
2006	-1.16%	-2.69%	6.65%	3.45%	-3.20%	-2.59%	-7.07%	1.09%	5.59%	3.55%	2.13%	4.36%	6.22%
2007	-0.95%	-4.37%	-4.50%	5.95%	5.96%	-3.66%	-2.00%	-3.45%	1.43%	3.46%	4.14%	-0.37%	20.84%
2008	12.77%	8.20%	4.03%	-7.42%	0.50%	14.44%	-7.40%	-2.01%	9.80%	17.15%	12.62%	4.98%	63.44%
2009	3.66%	5.34%	-4.96%	-3.68%	-5.86%	-1.91%	1.73%	6.58%	5.56%	-1.04%	17.19%	-9.87%	-15.30%
2010	3.62%	3.93%	11.47%	4.77%	-3.30%	3.53%	-6.20%	4.78%	-1.66%	6.58%	-5.25%	7.34%	15.37%
2011	3.42%	4.16%	-5.87%	9.11%	-2.78%	-8.20%	6.82%	11.66%	-3.50%	-6.10%	1.26%	3.96%	-10.67%
2012	5.62%	2.15%	1.57%	2.69%	5.85%	-10.97%	11.00%	-1.44%	-2.13%	-4.41%	-0.99%	-2.87%	-6.17%
2013	-2.67%	-0.37%	1.86%	8.49%	-10.51%	-9.74%	4.74%	-4.81%	3.41%	5.83%	2.26%	-9.51%	1.08%
2014	-1.00%	2.54%	-7.23%	2.90%	15.93%	10.88%	-5.72%	4.19%	6.29%	6.10%	10.18%	-1.57%	31.39%
2015	10.50%	4.36%	6.69%	-3.54%	3.94%	-11.17%	4.21%	-8.74%	10.62%	0.20%	10.02%	-8.31%	19.47%
2016	8.73%	8.12%	-5.94%	-2.86%	-3.21%	-0.37%	2.84%	-3.73%	-4.89%	-5.98%	2.31%	9.53%	-11.08%
2017	-2.67%	16.23%	0.44%	5.46%	3.30%	-11.18%	2.94%	2.17%	0.86%	15.73%	-0.72%	-0.79%	3.36%
2018	17.86%	-11.64%	-3.92%	-0.29%	-0.91%	1.58%	2.96%	2.65%	-2.57%	-2.47%	-2.83%	4.08%	12.21%
2019	-4.38%	9.14%	1.48%	5.40%	-2.16%	0.74%	1.88%	6.59%	-3.77%	-2.55%	1.36%	-1.20%	12.17%
2020	2.67%	7.11%	8.20%	-1.26%	-2.22%	-1.18%	-0.70%	0.47%	-3.00%	-0.86%	2.85%	6.20%	18.97%
2021	-1.83%	6.22%	0.80%	5.01%	1.97%	-2.00%	-0.29%	-0.98%	-2.84%	4.18%	-7.50%	-0.62%	1.31%
2022	-0.08%	-0.52%	5.17%	10.07%	-1.40%	7.90%	-6.02%	2.94%	5.62%	-3.90%	-2.48%	0.33%	17.61%
2023	-0.68%	1.30%	-3.60%	0.57%	0.32%	-1.24%	-0.02%	-0.60%	1.31%	-1.73%	-1.53%	0.39%	-5.48%
2024	0.43%	4.34%	1.40%										6.26%
	Simulated												
	Real Time												

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