

NOTES TO 9 APRIL 2020

Andaz® seeks to obtain annual returns substantially in excess of those derived from mainstream equity strategies. The dedication is to generate a return which is as high as is consistent with a goal of avoiding and minimising the chances of permanent loss of capital under all financial market conditions.

A categorisation of our portfolio would be idiosyncratic long/short global equities with variable beta, where capital is deployed in a systematic manner driven by individual situations and with the goal of generating positive returns from both long and short investments, but where occasionally net exposure levels will be deliberately removed.

GROSS INVESTMENT RETURNS

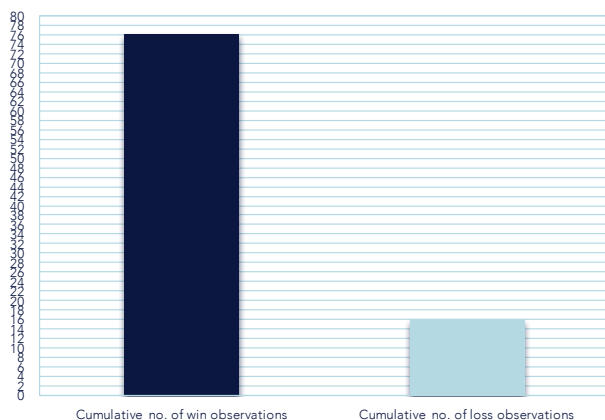
	Calendar YTD	Avg. Cash Weighting	Fiscal ⁽¹⁾ YTD	Avg. Cash Weighting
2018 ⁽²⁾	23.1%	35.4%	21.1%	30.9%
2019	33.0%	25.5%	22.4%	35.8%
2020	8.1%	30.4%	19.3%	22.8%
Total Return Since Inception	76.9%	30.0%		
Compound Annual Return	32.3%			

⁽¹⁾ Fiscal year runs from 1 July to 30 June in Australia

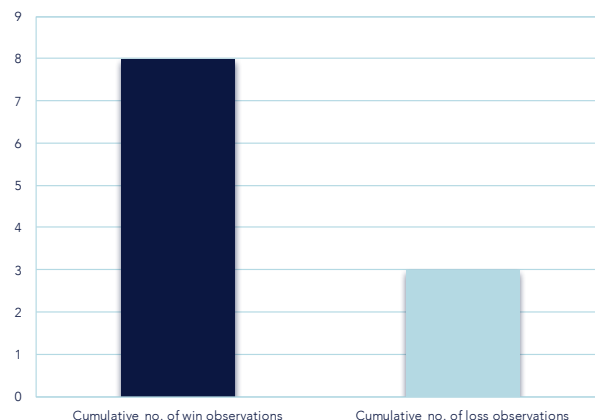
⁽²⁾ Since inception on 27 March 2018 in the AUD reference account

⁽³⁾ Investment returns are *before* fees, expenses and taxes

83% SUCCESS RATE ON LONG TRADES



73% SUCCESS RATE ON SHORT TRADES



FEATURES & PORTFOLIO ANALYTICS

Features		Portfolio Analytics	
Structure	Managed Account	Sharpe ratio	1.5
Administrator	Interactive Brokers	Sortino ratio	2.8
Custodian / Prime Broker	Interactive Brokers	Annualised standard deviation	21.9%
Min. initial investment	\$1,250,000	Annualised downside deviation	11.3%
Min. additional investment	Any amount at any time	Largest monthly gain	14.0%
Qualifying criteria	Wholesale or Qualifying	Largest monthly loss	-13.6%
Management fee p.a.	0.5%	Largest drawdown	-19.7%
Performance allocation	22-24%	Winning month ratio	65.4%

	Any amount at any time, with twenty Business Days' notice	Avg. cash weighting since inception	30.0%
Withdrawals		Total return since inception	76.9%
Distribution	Same as withdrawals	Annualised return since inception	32.3%

⁽¹⁾ Sharpe and Sortino ratios assume the Australian cash rate as the applicable risk free rate

⁽²⁾ Net asset values are provided by Interactive Brokers. Performance figures are **before** fees, expenses and taxes

PORTFOLIO

I hope everyone is well in these extraordinary times.

In this post, I will be deliberately brief. As it relates to the current pandemic, there is now a sufficiently large data set to objectively form a view - both in terms of the most likely health solution, as well as, what is likely to be around the corner for investment markets/the economy. Also, the variance between publicly-available models, including one supported by the Bill & Melinda Gates Foundation, and the models built by governments to steer public policy have narrowed.

As it relates to investment markets, prices are swinging around based on four key variables – the strategy adopted to protect health, the economic impact of that strategy, actions taken to offset that impact, and the race towards a medical solution. To date, most actions taken on the first three variables were broad-brushed, while on the final point, many of us are tracking the progress of various therapeutics and vaccines.

What is most likely to occur next, in my view, is that there will be a shift from broad-brush strategies to more tailored strategies. This will be possible due to the ability to de-risk or significantly reduce health risk in various situations. The key pieces will be testing, knowledge, protection, therapeutics, and to a lesser extent immunity from those who have recovered.

This re-calibration will also impact financial markets, as we transition from broad directional buying/selling to more stock-specific movements.

The portfolio initiated several new positions and exited some stocks. There were quite a number of portfolio transactions and we will publish all of these on a delayed basis. The reason for that is because the day-to-day volatility is currently high.

The portfolio was on track to deliver a positive return in March, both in AUD and USD terms (and net of fees, expenses, and taxes). However, stock prices around the world were marked lower during the final two days of March and as a result we finished slightly negative in USD terms and slightly positive in AUD terms (please refer to the table below).

At month end, the portfolio held 10 stocks – 9 listed in the USA and 1 in Australia.

At month end, the portfolio had a gross exposure of 84.8%, consisting of 84.8% long and 0% short; as well as 15.2% in cash. As at April 9, the portfolio held 8 stocks and the cash weighting increased to approximately 25.5%.

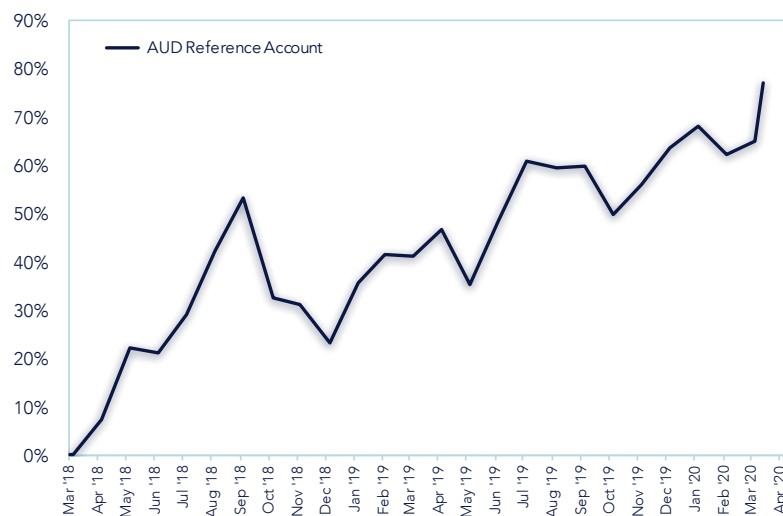
In terms of liquidity, the weighted average market capitalisation is A\$83 billion and the stock with the smallest market capitalisation is circa A\$5 billion.

GROWTH OF AN ASSUMED \$500,000 INVESTMENT IN THE REFERENCE ACCOUNTS

Date	Gross Returns	Gross Monthly Returns in AUD	Net Monthly Returns in USD
27 Mar 18	\$500,000		
Mar 18	\$500,859	+0.17%	
Apr 18	\$536,101	+7.04%	
May 18	\$611,001	+13.97%	
Jun 18	\$605,669	-0.87%	
Jul 18	\$645,902	+6.64%	
Aug 18	\$710,053	+9.93%	
Sep 18	\$766,429	+7.94%	
Oct 18	\$662,130	-13.58%	
Nov 18	\$655,769	-0.99%	
Dec 18	\$615,634	-6.12%	
Jan 19	\$677,324	+10.02%	
Feb 19	\$707,893	+4.51%	
Mar 19	\$705,362	-0.36%	
Apr 19	\$733,917	+4.05%	
May 19	\$676,106	-7.88%	
Jun 19	\$741,201	+9.63%	
Jul 19	\$803,346	+8.38%	
Aug 19	\$797,733	-0.70%	
Sep 19	\$798,650	+0.11%	
Oct 19	\$748,230	-6.31%	
Nov 19	\$779,172	+4.14%	+2.49%
Dec 19	\$818,501	+5.05%	+8.24%
Jan 20	\$839,480	+2.56%	-3.58%
Feb 20	\$810,870	-3.41%	-5.60%
Mar 20	\$824,619	+1.70%	-2.57%
9 Apr 20	\$884,531	+7.27%	+10.75%

The difference between gross and net returns is due to movements in FX relative to the base currency, any applicable hedging, the timing of fee deductions by Interactive Brokers, the fee structure, and to a lesser extent commissions, taxes, minor differences in weightings, and any expenses.

CUMULATIVE GROSS INVESTMENT RETURNS



THANK YOU AND IN TOUCH

Thank you for reading the Andaz Notes. If you would like to drop us a line, please reach out using the contact form on our website <https://andazprivate.com>.

Yours sincerely,

Yizhong Chan

10 April 2020

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