RML Advisory

Global Alternative Smart Alpha – Monthly Comment September 2024

September performance: +1.06%; YTD: +8.36%; Annualized since inception 2018 +11.2%

Return Report

Period	Best	Worst	Average	Median	Last	Winning %
1 Month	2.03%	0.00%	0.90%	0.98%	1.06%	88.89%
3 Months	4.38%	0.87%	2.76%	2.50%	1.59%	100%
6 Months	6.66%	4.12%	5.52%	5.65%	4.12%	100%

Monthly Returns

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	MSCI World	HFRI FOF Composite
2024	0.98	1.01	2.03	1.28	0.85	0.35	0.52	0.00	1.06				8.36	17.17	5.98
2023	0.23	0.71	1.02	0.51	0.64	0.90	0.89	-0.52	1.66	-0.27	0.86	1.91	8.85	20.10	6.08
2022	0.12	1.18	4.98	2.83	-0.80	1.86	-1.29	1.83	3.03	0.28	-1.68	0.24	13.10	-19.80	-5.32
2021	-0.15	4.90	1.98	0.21	0.49	-0.29	1.06	0.75	0.28	0.33	0.30	0.49	10.74	16.81	6.18
2020	1.58	-0.32	4.96	0.80	-0.29	1.48	1.85	1.53	-2.58	-0.21	2.77	1.24	13.38	14.34	10.88
2019	0.51	0.27	0.66	0.47	0.39	2.74	0.23	2.21	-0.02	0.23	-0.09	2.11	10.10	24.04	8.38
2018	2.50	1.26	0.17	0.18	2.33	-0.26	0.31	0.57	0.91	1.25	0.15	1.25	11.11	-11.19	-4.02

Performance Attribution September 2024

Global Macro Systematic	0.34%
Global Macro Discretionary	0.09%
CTA	0.07%
Market Neutral	0.25%
Relative Value	0.18%
Equity Hedge	0.02%
Volatility	0.12%
Total monthly attribution	**1.06%**

Commentary

In a quarter full of opportunities to quickly lose or make money, in which data and events repeatedly changed the situation, we were able to achieve a satisfactory result of +1.59% (July 1, 2024 - September 30, 2024).

It is somewhat well known that September is historically the worst month for US stocks (-1.2% average). Given the enormous rally in stocks since 2020, and four out of five up years, it may be surprising to hear that Covid-era Septembers have been much worse than the historical norm, averaging -5.95%; 2020-2023 September returns are -4.13%, -4.97%, -9.62% and -5.08%, respectively.

This September began right on track, with the S&P 500 dropping 4.14% after four trading days. Then, the markets, perhaps sensing the imminent opening of the liquidity spigots by Central Banks, turned right back around. Mid-month, the Fed didn't disappoint with a 50-bps cut, followed days later by an "all out" stimulus effort from the Chinese Central Bank. China's A50 surged 18.4% for the month and S&P500 ended up 1.6%.

September's dominant macro driver was the long-anticipated Federal Reserve rate cuts. While Fed officials foreshadowed policy changes, there were significant dynamics as investors reacted. Data releases in the first week of the month were soft. ISM data indicated contraction and weak demand in the manufacturing sector. US job openings fell to the lowest levels since the start of 2021. Non-farm payrolls for August were below expectations, and the prior month's numbers were revised substantially downwards. Fed officials shifted communications focus from inflation concerns to maintaining a strong labor market. In response, market-implied investor expectations for the September rate decision shifted from a 25 to a 50 basis-point rate cut, ultimately confirmed when the Fed met on the 18th.

Markets responded accordingly over the first half of the month; bond and interest rate futures appreciated on the lower rate expectations, and equity indices globally fell due to concerns over weakening economic conditions.

After the Fed meeting, market price moves reversed through the end of the month. Market implied pricing indicated that investors were backing off overly aggressive rate cut expectations through 2025 relative to Fed guidance, and a bear steepening of the yield curve in the US suggested expectations for higher inflation in the longer term. Fed and ECB rate cuts, tech optimism, and resilient labor markets spurred considerable recoveries in equity indices. The most interesting moves, though, came from Hong Kong indices. Chinese authorities pledged "necessary fiscal spending" to support the struggling economy, including cash injections into state banks, issuing new sovereign bonds, and lowering required cash reserves and mortgage rates. Hang Seng and H-Shares index futures rallied nearly 20%. Chinese markets completed the month with the largest single-day gains in 16 years.

It was a mixed bag in the commodities space, with industrial metals like copper rallying 6% after the Chinese stimulus was announced, while oil dropped 6% on the back of poor expected demand and the planned increase in supply by the Saudis at the end of the year. Weather-related impacts on supply were the primary drivers for Commodity markets in September. Henry Hub Natural Gas rallied nearly 25% as Hurricane Helene shut down production facilities near the Gulf of Mexico. Dry weather in Brazil and crops lost to the hurricane in the southern US triggered grain price reversals, resulting in some giveback losses from long-term successful downtrends in Soybeans, Wheat, and Corn.

In view of several uncertainties (US elections, war in Ukraine, Middle East conflict), we are rather cautious about the fourth quarter. Accordingly, our portfolio is geared primarily towards effective risk control and capital protection, without missing out on opportunities for positive gains.

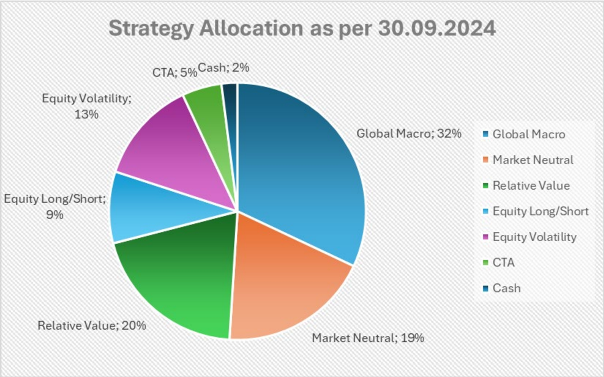
Risk Statistics YTD:

Sharpe Ratio	5.65
Skewness	0.54
Kurtosis	2.49
Standard Deviation Monthly	0.55%
Standard Deviation Annualized	1.91%
Max Drawdown (Monthly)	0.00%
Correlation vs. MSCI World	-0.11
Correlation vs. Bloomberg US Agg. Bond	-0.36
Correlation vs. HFRI Fund of Funds Composite Index	0.40

Statistics: Summary Since Inception 2018

Correlation vs. MSCI World	-0.12
Correlation vs. Bloomberg US Agg. Bond	-0.29
Correlation vs. HFRI Fund of Funds Composite Index	-0.04
Correlation vs. Gold	0.07
12 Month ROR	11.08%
36 Month ROR	34.91%
Total Return Annualized	11.22%
Average Winning Month	1.24%
Winning Months (%)	81.48%
Average Losing Month	-0.63%
Total Return Cummulative	105.02%
Consecutive Winning Month	14
Consecutive Winning Years	7
Consecutive Losing Month	2
Consecutive Losing Years	0
Worst Month	-2.58%
Winning Years (%)	100%
Losing Years (%)	0.00%
Shape Ratio (RF Rate 0.5%)	2.46
Sortino Ratio (RF Rate 0.5%)	7.84
Skeweness	0.96
Kurtosis	2.83
Max. Drawdown (Monthly)	-2.78%
Downside Deviation	0.39%
Modified Variance	-0.74%
Expected Tail Return	2.05
Standard Deviation Annualized	4.38%
Max. Drawdown Annualized	-2.78%
Down Capture Ratio	-40.24%
Up Capture Ratio	11.17%
Alpha Annualized (vs. MSCI World Index)	11.65%
Beta (vs. MSCI World Index)	-0.03

We are convinced that our current strategy allocation, which is broadly diversified across different strategies, managers, and investment styles, will continue to prove its worth in the future.



Rainer Lang
CIO & Chair Investment Committee

RML Advisory
Dufourstrasse 43
CH-8008 Zürich

hello@rml-advisory.ch
+41 44 521 10 56

Notes:

Down Capture Ratio: The down-market capture ratio is a statistical measure of an investment manager's overall performance in down-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped. While some may prefer a fund with an Upside Capture Ratio over 100%, conservative investors seeking capital preservation may focus on Downside Capture Ratio percentages that are negative or less than 100% hoping to not lose money or to lose significantly less on the downside.

Data Source: RML Advisory, Portfolio Management System.