October 2012

Monthly Report

John Locke INVESTMENTS

Cyril Systematic Program

The Cyril Systematic Program posted a loss of 5.02% for the month of October. This brings the year to date performance of the Program to (5.91%).

October proved to be an extremely challenging month, particularly for the shorter term trend following models employed by the Program. In contrast to other challenging months in the recent past, no major macro-economic or geopolitical events underscored the price action witnessed in October. A series of intra-month trend reversals, occurring simultaneously across many markets resulted in small losses being realised across a broad section of markets traded within the Program.

Bond sector trading had the biggest impact on monthly performance with a loss of 2.16% being posted here. The Program had long positions in place at the outset of the month across all markets traded within the sector owing to the bond rally that was in evidence in latter half of September. This rally lost its momentum in the first two weeks of October as bond markets tracked sideways. However, from the 15th through to the 19th of the month bond prices broadly suffered a reversal to the downside, followed by a price rally through to month end. As an example of this price action, the Bund slipped from 141.50 to a low of 139.50 on the 19th of the month before rebounding back to the 141.50 level by month end. This type of price action was mirrored across many other bond markets and prompted the Program to dramatically cut its level of long exposure to bond markets before building it back up in the final days of trading. Long positions held in the Bund, US 5-Year Note and US 10-Year Note suffered most from this price action.

A loss of approximately 1.49% was posted as a result of trading in the commodity sector. Activity in the metal sector was particularly challenging with losses being booked across most of the markets traded within this sub sector. Gold and Zinc markets are noteworthy as both fell persistently over the course of the month having rallied during September. Not surprisingly, long positions were in place in both contracts coming into the month however the price of Gold fell from a high of 1790.00 to 1723.00 from beginning to month end while Zinc fell from 2100.00 to 1892.00 over the same period. The Program consistently reduced its level of long exposure to both markets, indeed a short Zinc position was achieved in the latter half of the month, but not before losses were incurred. Energy trading resulted in a loss of 0.30% for the Program. While a short Light Crude Oil position profited from the fall in the price of this contract from the 92.50 level to the 86.22 level during October, this gain was overshadowed by losses incurred as a result of long positions taken in both the Brent Crude Oil and Heating Oil markets. A long Heating Oil position was initially profitable as the price of the contract tracked from 310.00 to 321.00 in the first two weeks of trading. From this point onwards it dropped significantly back to the 303.00 level, resulting in the long positions being exited for a loss. Brent Crude Oil prices mimicked those seen in the Heating Oil market and long positions were added to as the price of the contract rallied to the 115.00 level by mid-month. From this point onward the contract fell and finished the month at the 107.99 level resulting in losses being booked. Within the grain sector, short Bean Oil positions profited from the fall in the price of Bean Oil to the 50.57 level during October, however these gains were almost perfectly offset by losses posted owing to a long Wheat position that suffered as Wheat prices fell, in a choppy fashion, from 900.00 to 870.40 from beginning to month end.

Mixed returns were seen across the equity market sector. The Program had broadly long positions in place across most equity markets at the outset of the month however mixed price action was in evidence across U.S., Europe and Asia equity markets over the course of the month. Profits and losses were dominated by Asia equity market trading. Long positions taken in the Hang Seng profited from the rally in the contract that saw the index move from the 20750.00 level through to the 21870.00 level. These gains were tempered somewhat by losses incurred elsewhere. Specifically, short Nikkei 225 positions suffered as a result of the mid-month rally that saw the index rise from a low of 8600.00 to finish the month at the 8960.00 level. Long Kospi 200 positions were exited for losses in the first half of the month as the index fell from 2650.00 to below 2550.00 by mid-month. This prompted the Program to take short positions in the contract which benefited from a further fall in the price of the Kospi to the 2487.50 level. However, these gains were not sufficient to offset the earlier losses recorded as a result of the long position that was in place in the contract in the first half of the month. As a whole, equity index trading resulted in a loss for the Program of approximately 0.44%.

Finally, currency sector trading resulted in a loss for the Program of 0.72%. This loss broadly emanated from a short US Dollar exposure that the Program held against the Japanese Yen, Canadian Dollar and Swedish Krona. The US Dollar rallied against all three of these currencies during October with USD/JPY moving from 78.50 to 80.00, CAD/USD moving from 1.02 to 0.99 to and USD/SEK rising from 6.59 to 6.66 resulting in losses for the Program.

October was a very challenging month for the Program with small losses being posted across many markets over the course of the month. Relatively low volatility levels coming into the month meant that margin to equity levels were slightly higher than normal and losses therefore became more magnified. No one trading day resulted in a significant loss for the Program, but rather small consecutive losses were posted over the course of the month. The Program did react to trend reversals across many markets during October by either significantly reducing exposure or 'flipping' positions, however this ultimately proved fruitless.

BONDS | ST RATES | CURRENCIES | STOCKS | ENERGIES | METALS | GRAINS | SOFTS

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Past performance is not necessarily indicative of future results.

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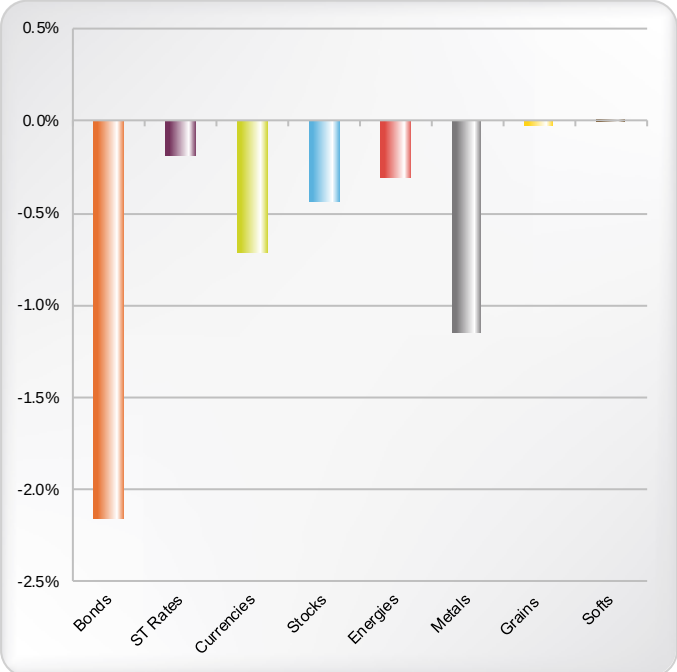
Cyril Systematic Program Assets: $300 mio

Cyril Systematic Program / Monthly track record

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2000							-3.96%	1.64%	-3.05%	-2.32%	4.97%	13.83%	10.46%
2001	3.02%	-0.15%	6.10%	-3.97%	2.72%	-3.39%	-3.59%	4.83%	2.21%	4.53%	-4.06%	-0.47%	7.22%
2002	-2.11%	-9.00%	5.90%	-1.78%	-1.60%	11.47%	3.66%	-0.45%	3.49%	-6.07%	-1.74%	8.80%	8.98%
2003	2.99%	2.69%	-4.65%	-5.33%	9.74%	-1.93%	4.98%	-2.74%	8.25%	2.43%	-6.73%	4.15%	13.00%
2004	2.33%	6.58%	0.84%	2.41%	1.28%	-6.36%	2.85%	2.21%	-3.83%	0.62%	4.07%	-2.68%	10.07%
2005	-9.87%	6.90%	-4.65%	-1.29%	2.95%	3.06%	-0.78%	6.84%	-1.10%	2.04%	5.69%	0.16%	8.98%
2006	5.52%	-3.21%	-1.30%	16.63%	1.97%	-7.85%	-3.01%	1.22%	0.68%	-0.05%	2.14%	-5.39%	5.47%
2007	1.23%	-2.04%	-0.92%	0.92%	-2.01%	5.42%	0.94%	-0.10%	6.86%	2.08%	3.73%	0.53%	17.49%
2008	4.59%	6.89%	0.42%	-0.25%	2.44%	-1.24%	-5.45%	7.30%	-0.51%	5.95%	0.75%	1.94%	24.44%
2009	-0.96%	-0.11%	-6.67%	-6.17%	8.89%	-0.27%	0.24%	0.02%	0.82%	-2.98%	3.95%	-3.53%	-7.48%
2010	-1.85%	-0.86%	0.62%	-0.55%	0.96%	0.86%	-1.35%	5.54%	1.02%	2.87%	-4.11%	5.39%	8.40%
2011	-3.71%	1.77%	-4.35%	3.57%	-4.38%	-3.19%	4.82%	3.46%	2.78%	-7.31%	-2.08%	0.03%	-9.06%
2012	-0.88%	1.45%	-3.35%	0.89%	4.95%	-5.49%	6.45%	-1.27%	-3.08%	-5.02%			-5.91%

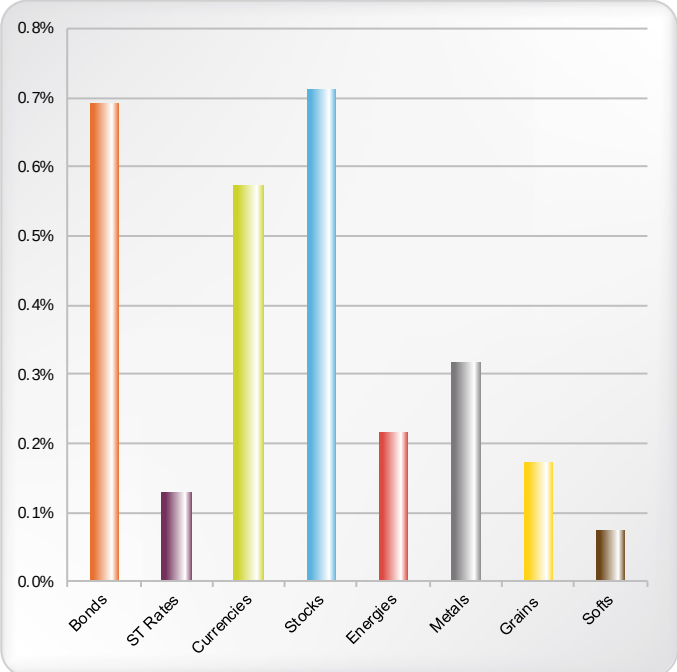
The Rates of Return shown above are composite returns computed using actual trading results of accounts managed by John Locke Investments using the strategy known as the Cyril Systematic Program, and reflect an assumed 2% management fee and 20% incentive fee. Rates of return for individual accounts can differ materially from the composite return for many reasons.

Performance Attribution (monthly)



Source: John Locke Investments

Sector Risk Exposure as of October 31st



Source: John Locke Investments

Margin to Equity Cyril Systematic USD Fund 12.49%

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Past performance is not necessarily indicative of future results.