KLS Arete Macro Fund

arete

Objective

The KLS Arete Macro Fund is an actively managed Global Macro Strategy with strong focus on China and Developed Markets. The strategy aims to deliver competitive risk-adjusted returns while maintaining low correlation with all major asset classes. The investment process is centred around a top down macro-analytical framework to incorporate the rapidly changing economic conditions around the world, especially within China. The Fund is managed by Will Li, CIO and Arete Founder, supported by the Arete Investment team. Investments are across multiple asset classes and in liquid instruments only. The Fund is actively managed and is not managed in reference to a benchmark. This is a disciplined process and replicable strategy with a strong focus on managing risk through different market environments.

Commentary

November Review:

In November, some of our portfolio positions faced strong headwinds. The macro trends derived from our East-West Rebalancing Framework, which had played out for much of the year and had served us well, experienced different degrees of reversal in November. As you know, starting out this year our key macro views included the resilience of the developed economies, and the reform and restructuring of key Asian economies led by China. These trends underpinned the strength of the US dollar and upward pressure in interest rates. In November, however, a combination of more benign inflation data in the US as well as a more balanced demand and supply situation in the US treasury market led to a sharp readjustment in the interest rates outlook and weakness in the USD.

Against these headwinds, the main losses this month came from our positions based on a long USD bias. On the positive side, our long positions in US equities benefited from the retracement in interest rates, and were the main contributor of profits this month. We also did some tactical trading in our FX and rates positions, which helped to partially mitigate the losses from our core positions.

Current Outlook:

In our previous newsletters, we noted that the potential downside risk to our bullish stance on the US dollar would be an earlier turn towards non-recessionary rate cuts. Market focus has quickly turned toward that potential outcome over the last few weeks, as evidenced by the outperformance of carry and rates-sensitive currencies. While there have been important signs that the debate and data are shifting in that direction, we think the changing market mood may have outrun the facts on the ground. We doubt the current weakness in USD and downward trajectory of US rates will persist at the pace in November.

For the USD to weaken further, several hurdles need to be cleared. First, US data must significantly soften to dispel the narrative of US outperformance. Second, this slowdown should occur gradually and predictably to avoid triggering concerns of a hard landing, which would lead to increased demand for the USD as a safe haven. Third, a major economy from the rest of the world, for example China or Europe, must emerge to drive robust growth and better capital returns outside the US – a task made harder, not easier, by a US deceleration.

Looking ahead, we expect US growth, while likely to slow, will still outperform other regions in a relative sense in the near term for various structural reasons discussed before. Additionally, even with assumptions of peaking US yields and the Fed cutting rates in 2024, ECB is likely to implement rate cuts sooner and at a faster pace due to weakening inflation and growth. China's PBOC, on the other hand, we believe will adopt a more accommodative monetary stance to facilitate China's profound economic reforms that will lay the foundation for the next phase of Chinese growth. These factors in the near term will sustain rate differentials that will keep the USD from significant declines.

Commentary continued overleaf

Fund Details

Launch Date:	5th July 2018	
Fund Size:	$685m	
Ocean Arete AUM:	$1bn	
Fund Structure:	UCITS	
Domicile:	Ireland	
Min Investment:	Class SI: $50,000,000 Class I: $1,000,000 Class R: $10,000	
Currencies:	USD (base); GBP, CHF, EUR, JPY, SEK, (all hedged)	
Management Fee:	Class SI: 1.05% Class I: 1.25% Class R: 1.75%	
Pricing:	Daily	
Liquidity:	Daily	
Performance Fee:	All share classes: 20% with a high watermark	
Manager:	Waystone Management Company (IE) Limited	
Investment Manager:	Kepler Partners LLP	
Sub Inv. Manager:	Ocean Arete Limited	
Portfolio Manager:	Will Li	
Inv. Universe:	Global	
UK Reporting Status:	Yes	
Country Registrations:	Ireland UK Austria Belgium Denmark Finland France Germany	Italy Luxembourg Norway Spain Sweden Switzerland Singapore (QI)

Commentary Continued

Turning to the Chinese Renminbi ("RMB"), we sympathize with the PBOC's focus on maintaining a stable exchange rate for the RMB. The exchange rate has strong signaling effects driving confidence levels in important dimensions. Wobbles in the exchange rate may also intensify potential capital outflow pressure. We wonder, however, whether it is time to consider more decisive measures to alleviate the heavy debt burdens faced by Chinese corporates, local governments and households. Precedents from many other countries mostly indicate that decisive, large-scale monetary easing is an effective and almost the only route to systematic debt relief. This will involve significant cuts to interest rates. The consequences of the attendant currency depreciation in fact may not be nearly as negative as feared: a cheaper currency can attract foreign investments and portfolio flows, and if the debt relief is effective at accelerating economic restructuring and boosting growth outlook, the subsequent currency appreciation may more than compensate for the initial depreciation. This of course will be a rather delicate path, but one that we are confident China will be able to navigate.

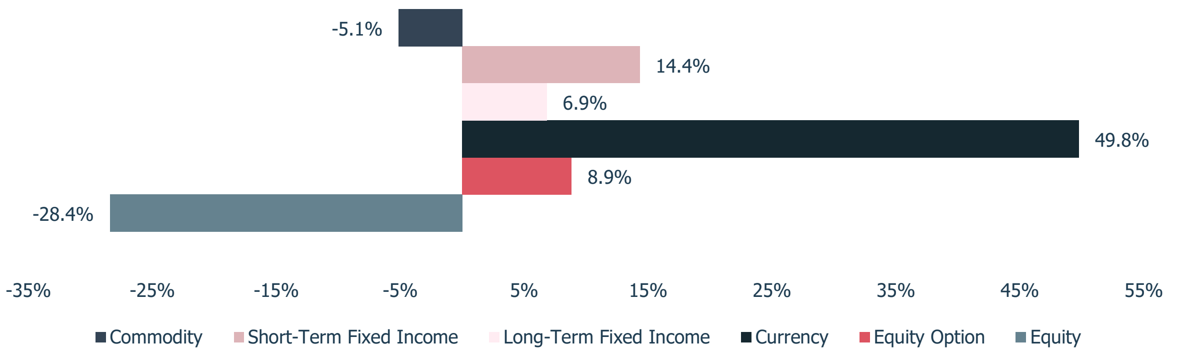
Looking ahead, we will as always continue to grapple with the challenges of balancing our fundamental views with short-term market volatility. To navigate evolving market narratives and thinning liquidity towards the year-end, we have made the following adjustments to our portfolios. Firstly, we reduced our long USD positions. While our long-term view on US outperformance and USD strength remains unchanged, we acknowledge the momentum behind shorter-term positioning adjustments as USD crosses break key technical levels. Secondly, we have closed out our short UST positions as current debates and data are shifting towards the direction of interest rates cutting in 2024. Third, our equity positions remain nuanced and diversified, including our core long position in Chinese banks, and short positions in sectors more vulnerable to shifting economic structures, such as European luxury, Hong Kong financials, and iron ore miners.

Performance*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD (%)
2023	2.5	-0.8	-1.8	-1.7	6.0	0.0	-1.7	4.3	1.6	1.4	-0.0		**9.7**
2022	-4.8	-1.6	1.6	-2.8	-0.0	-0.1	1.3	1.4	-1.0	2.9	-5.7	0.5	**-8.5**
2021	1.4	1.8	1.2	0.4	-0.8	0.4	2.3	1.8	-1.2	0.8	-0.2	0.2	**8.2**
2020	-4.6	2.7	2.2	3.3	1.9	2.1	0.2	-0.1	-3.2	0.6	4.1	1.9	**11.3**
2019	1.7	0.1	0.9	2.1	0.0	1.5	-1.0	0.0	1.4	0.6	1.3	0.9	**9.8**
2018							0.5	0.9	-0.3	0.1	0.4	-2.4	**-0.8**

*Fund performance is net return of USD F Class (0.8% + 20% PF). Inception to date figures run from 6th July 2018. All figures as at 30th November 2023. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment. The return of your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation.

Net Asset Type Exposure*



*Against USD. As at 30th November 2023. Equity options' calculations are based on delta-adjusted exposures. Please be aware this is showing net exposure, gross exposure could be much higher.

Net Regional Exposure*

CURRENCY*	
Australia	10.7%
China	5.8%
Europe	11.4%
Hong Kong	0.6%
Japan	29.3%
Switzerland	-2.9%
United States	-5.1%
Total	**49.8%**

EQUITY	
Australia	-3.9%
China	-13.1%
Europe	-11.8%
France	-4.0%
Germany	-9.2%
Hong Kong	-31.5%
Japan	0.0%
Switzerland	-1.3%
United States	46.4%
Total	**-28.4%**

EQUITY OPTION	
Australia	-2.6%
Europe	0.1%
Hong Kong	24.8%
United States	-13.4%
Total	**8.9%**

COMMODITY	
Index	-5.1%
Total	**-5.1%**

SHORT-TERM FIXED INCOME	
China	14.4%
Total	**14.4%**

LONG-TERM FIXED INCOME	
United States	6.9%
Total	**6.9%**

*Against USD. As at 30th November 2023.

This table shows the country exposure by asset class. These figures show net exposure, gross exposure could be much higher. Country exposure is defined by where the security is listed.

Profit & Loss Attribution

YTD Gross returns*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD GROSS RETURNS
Equity Indices	7.7%	-2.1%	-0.4%	-1.1%	0.9%	-0.1%	0.6%	0.0%	-1.5%	0.7%	2.6%		**7.3%**
Equity Sectors	-4.5%	0.6%	-0.7%	-1.0%	0.5%	-2.0%	-1.5%	0.8%	2.0%	0.7%	-0.6%		**-5.8%**
Commodities	0.0%	-0.0%	-0.0%	0.2%	0.3%	-0.1%	-0.2%	0.2%	0.1%	0.1%	-0.2%		**0.3%**
FX	-0.2%	0.3%	-0.5%	0.0%	3.4%	1.2%	-1.3%	3.0%	0.9%	-0.2%	-2.5%		**4.3%**
Fixed Income	-0.5%	0.5%	-0.3%	0.3%	0.8%	0.8%	0.7%	0.8%	0.2%	0.5%	0.7%		**4.7%**
Total	**2.5%**	**-0.7%**	**-1.9%**	**-1.6%**	**5.9%**	**-0.1%**	**-1.7%**	**4.9%**	**1.7%**	**1.8%**	**-0.1%**		**10.7%**

*This table shows the gross profit and loss, by month and before expenses and fees have been included. These figures are calculated by Ocean Arete Limited and summarised to provide an illustration of where the profit and loss is being generated. All figures as at 30th November 2023. Please note, past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment.

Gross Returns Since inception*

	2018	2019	2020	2021	2022	YTD
Equity Indices	**-2.6%**	**18.2%**	**11.1%**	**13.9%**	**-6.8%**	**7.3%**
Equity Sectors	**1.8%**	**-4.6%**	**1.9%**	**-3.6%**	**-5.6%**	**-5.8%**
Commodities	**-**	**0.3%**	**1.0%**	**-0.2%**	**-0.1%**	**0.3%**
FX	**-0.0%**	**-0.4%**	**-0.7%**	**-0.3%**	**2.2%**	**4.3%**
Fixed Income	**0.1%**	**1.0%**	**1.2%**	**1.3%**	**3.1%**	**4.7%**
Total	**-0.7%**	**14.6%**	**15.0%**	**11.1%**	**-7.2%**	**10.7%**

*This table shows the gross profit and loss, by year and before expenses and fees have been included. These figures are calculated by Ocean Arete Limited and summarised to provide an illustration of where the profit and loss is being generated. Figures are from inception of the KLS Arete Macro Fund on 5th July 2018 and YTD as at 30th November 2023. Please note, past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment.

Share Classes*

	NAV PER SHARE	ISIN	INCEPTION DATE
SI GBP	122.51	IE00BFZ11J82	05/07/2018
SI USD	126.08	IE00BFZ11G51	05/07/2018
SI EUR	117.31	IE00BFZ11H68	21/09/2018
SI CHF	108.97	IE00BFZ11K97	14/05/2020
SI SEK	1,067.86	IE00BFZ11L05	15/07/2020
I GBP	120.33	IE00BFZ11654	10/05/2019
I GBP Distributing	118.20	IE00BKKFT631	17/02/2020
I USD	125.02	IE00BFZ11431	04/10/2018
I EUR	114.63	IE00BFZ11548	18/10/2018
I EUR Distributing	96.48	IE00BKKFT524	30/09/2021
I CHF	95.58	IE00BFZ11761	12/04/2021
F GBP	126.29	IE00BDRV1X68	05/07/2018
F EUR	119.46	IE00BDRV1W51	05/07/2018
F USD	131.71	IE00BDRV1V45	05/07/2018
R USD	113.64	IE00BFZ11985	31/03/2020
R EUR	97.23	IE00BFZ11B07	09/03/2021
SI EUR Distributing	104.44	IE000IM5NMO2	14/11/2022
SI GBP Distributing	105.76	IE000TMH67A9	14/11/2022
SI USD Distributing	106.40	IE0001H8RIR5	14/11/2022

*As at 30th November 2023. Source: Kepler Partners LLP

Disclaimer

This factsheet is produced by the Investment Manager for marketing purposes only and does not constitute an offer or solicitation to subscribe for shares in the KLS Arete Macro Fund (the "Fund"). For more information on the risks associated with the Fund, please refer to the sections entitled Risk Factors in the Prospectus. Full details regarding the Fund are set out in the Key Investor Information Document (the "KIID"), the Prospectus, the Instrument of Incorporation and the latest Financial Statements published for the Fund (the "Fund Documents"). Before any subscription, you should read the Fund Documents. The information provided in the Fund Documents should not be considered a recommendation to purchase or sell any particular security. Any securities or sectors referred to in this factsheet must not be taken as an investment recommendation or indication that investments in the same will be profitable. The price and value of investments can go down as well as up. Income may fluctuate reflecting changes in market conditions, currency movement and taxation liabilities. Investment in the Fund described in this factsheet carries a substantial degree of risk. You may not get back the original amount invested. An investment in the Fund should only be made by persons who can sustain a loss on their investment. Any such investment should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors.

The Fund Documents may be obtained by contacting Kepler Partners LLP. If you are uncertain as to the suitability of an investment in this Fund you should obtain further information and request professional advice before making an investment. The distribution of this factsheet may be restricted by law. This factsheet may not be issued or used in any jurisdiction except in full compliance with any applicable laws and regulations. Persons to whom this factsheet is communicated should inform themselves about and observe any such restrictions.

The Fund is not offered or sold to "U.S. Persons" as defined in Regulation S of the U.S. Securities Act of 1933. Any entity responsible for forwarding this material to other entities takes responsibility for ensuring compliance with applicable financial promotion rules. This factsheet is a confidential communication solely for the use of the persons to whom it is distributed to by Kepler Partners LLP.

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Swiss Disclosure: The representative in Switzerland is FundRock Switzerland SA (formerly ARM Swiss Representatives SA), Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève, Quai de l'Ile 17, 1204 Geneva, Switzerland. The Prospectus (and any supplements thereto), the Instruments of Incorporation, KIIDs and Annual Financial Statements can be obtained free of charge from the representative in Switzerland. With regards to the Shares offered in and from Switzerland, the place of performance is the registered office of the representative. The place of jurisdiction is at the registered office of the representative or at the registered office or place of residence of the Shareholders.