



## Three Rock Capital Management

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### Monthly Performance

| Global Macro Program | Monthly Return | Year to Date | Since Inception |
|----------------------|----------------|--------------|-----------------|
| July 2018            | 0.56%          | 4.92%        | 78.03%          |

### Performance Record (%)

|      | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | YTD           |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|
| 2018 | 4.22  | -2.16 | -1.42 | 0.47  | 2.48  | 0.80  | 0.56  |       |       |       |       |       | <b>4.92</b>   |
| 2017 | -3.57 | -1.46 | -0.90 | -1.84 | 0.46  | -2.41 | 1.10  | -0.72 | 2.82  | -0.43 | -2.38 | -1.18 | <b>-10.17</b> |
| 2016 | 2.63  | 2.08  | -1.04 | -0.18 | 0.20  | 0.76  | 0.98  | -0.25 | -2.90 | 3.32  | 4.57  | -0.73 | <b>9.60</b>   |
| 2015 | 5.05  | 2.36  | 4.15  | 1.17  | 2.75  | -3.98 | -0.17 | 0.14  | -2.08 | 2.93  | 0.09  | 1.12  | <b>13.98</b>  |
| 2014 | -1.43 | -1.69 | -1.42 | -1.43 | -1.02 | -0.34 | -0.46 | 0.88  | 5.68  | 3.67  | 5.47  | 0.30  | <b>8.09</b>   |
| 2013 | 2.85  | 0.14  | -1.16 | 0.55  | 0.45  | 1.84  | -0.80 | 1.41  | -0.69 | -1.36 | 2.19  | 0.68  | <b>6.15</b>   |
| 2012 | 1.36  | 2.07  | 1.99  | -1.12 | 1.91  | -0.61 | 1.98  | 0.98  | 0.30  | -1.92 | 1.82  | 0.02  | <b>9.03</b>   |
| 2011 | -4.33 | -1.06 | 2.20  | 4.25  | -3.75 | -3.22 | 1.18  | 0.43  | -0.78 | 2.79  | 0.01  | 2.96  | <b>0.24</b>   |
| 2010 | -0.76 | 3.97  | 4.79  | 2.51  | 1.81  | -3.01 | 0.27  | 2.33  | 6.30  | 2.73  | 2.52  | 2.96  | <b>29.44</b>  |
| 2009 | -4.32 | 4.36  | 3.68  | -3.14 | 8.00  | -7.19 | -1.53 | -7.42 | -0.20 | 3.34  | 1.14  | -2.54 | <b>-6.85</b>  |

From January 2009 to November 2012 Three Rock Capital Management traded as Anark Capital Ltd. The firm has been regulated by the Central Bank of Ireland since December 2012 and has been registered with the CFTC and a member of the NFA since January 2013. The performance record from January 2009 to December 2014 has been reviewed by KPMG. The performance record from January 2015 to December 2016 has been reviewed by Arthur Bell. Performance data is net of management and incentive fees. The current fee structure is 1% management fee & 20% incentive fee. Past Performance is not necessarily indicative of future results.

### Commentary

In February Xinhua reported;

*"by the end of 2017, the total assets of China's banking industry reached 252 trillion yuan (about 39.9 trillion U.S. dollars), .....according to the China Banking Regulatory Commission (CBRC)".*

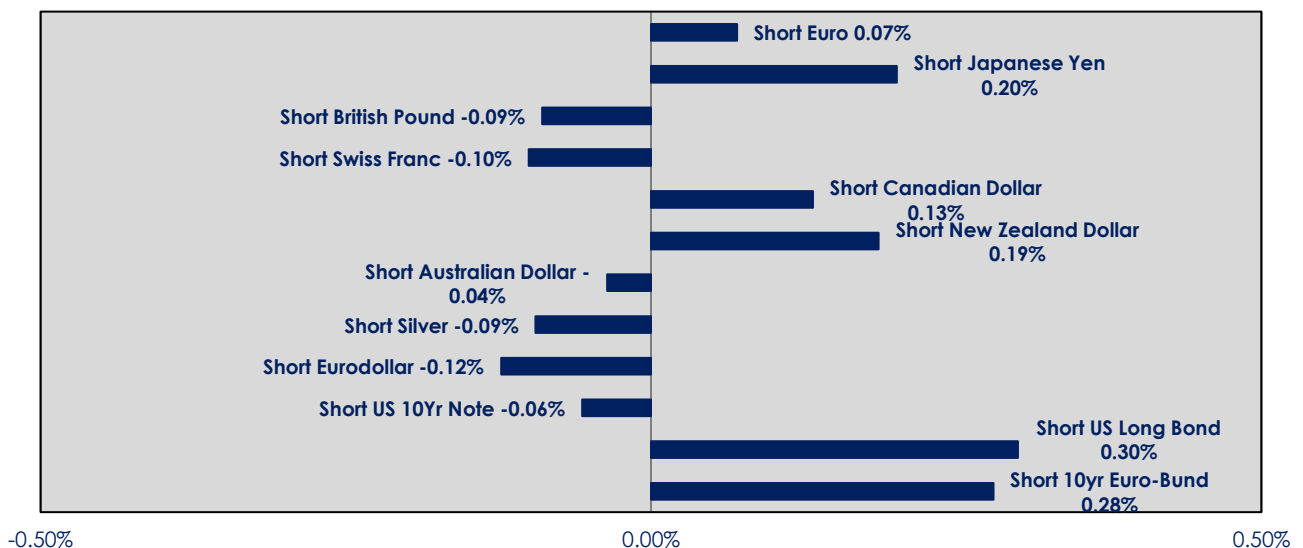
Assets in the banking system equate to more than three times China's 2017 GDP of \$12.2 trillion. To put that in context, back in 2008 Ireland's banking system had assets of roughly two times annual GDP. Only Iceland's banking system was more inflated relative to the size of the economy. When the Irish credit bubble burst, prices in the real estate market ultimately fell 70 - 95% from peak values.

That there is a credit bubble in China is not news and as anyone who lived through the 'dot com' and real estate bubbles of the past twenty years knows, bubbles inflate beyond what seems feasible, as positive feedback loops reinforce one another. Once they begin to deflate the feedback loops become negative and prices fall faster and further than seems possible.

The Chinese economy is opaque and we are not an authority. However, when we observe a 20% plus fall in the China A shares and a 10% fall in the currency, together with sharply lower prices for industrial metals and other commodities, while global

bond yields struggle to rally we are very conscious of the massive credit bubble that has built up in China. In absolute terms it is enormous. With assets of \$40 trillion the China banking system is the equivalent of 50% of annual global GDP. This was a \$2 trillion economy in 2004 - about the size of Italy. Now it is the size of the nineteen member Eurozone. The largest four banks in the world, measured by assets, are Chinese.

In that context, while the trade war instigated by the US is in the headlines, the bigger story may be that it is coinciding with, or perhaps a catalyst for, the bursting of the credit bubble within China. The authorities, having observed the experience of the financial crisis in the west, are undoubtedly well attuned to the vulnerabilities. In a centrally managed system they have a greater degree of control than in other systems and efforts have been made to deleverage. Yet the idea that a bubble of this magnitude can be successfully, and gradually, deflated over time seems highly optimistic. It is safe to say a trade war with the US was not part of the deleveraging strategy.



## Correlations

| S&P 500 | MSCI World | JP Morgan Global Bond Index | S&P GS Commodity Index | HFR Global Hedge Fund Index | HFR Macro / CTA Index | Newedge CTA Index |
|---------|------------|-----------------------------|------------------------|-----------------------------|-----------------------|-------------------|
| 0.07    | 0.10       | -0.02                       | 0.09                   | 0.19                        | 0.25                  | 0.27              |

## Fee Structure and other Information

**Management Fee:** 1%

**Performance Fee:** 20%

**Minimum Managed Account :** \$1 mio

**Average Margin to Equity Ratio (since 2013):** 2.66%

**Benchmark Index:** HFRX Macro / CTA YTD: -2.41%

**Administrator:** HedgeFacts LLP

**Legal:** Greenberg Traurig LLP

**Bloomberg:** TRCGMCP ID

**AUM:** \$94.9 mio

### PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

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