



Three Rock Capital Management

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Monthly Performance

Global Macro Program	Monthly Return	Year to Date	Since Inception
October 2018	-0.61%	4.37%	77.09%

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	0.12	-0.04	-0.61			4.37
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	-10.17
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	9.60
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	13.98
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	8.09
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	6.15
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	9.03
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	0.24
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	29.44
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	-6.85

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

Rationalisations 'after the fact' are easy to make but rarely offer much insight, so in general I am not inclined to try too hard. Nevertheless, in the context of October's market developments, I would like to draw attention to Vice President Mike Pence's "Remarks on the Administration's Policy Towards China" at the Hudson Institute on October 4th.

Martin Wolf, the chief economics commentator of the Financial Times, described the speech as "arguably...the most important event of 2018 so far" on October 30th. It is not hard to see why. The speech articulates the reasons the US identified China as a 'strategic threat' in its National Security Strategy of December 2017. I think the paragraph below from Vice President Pence's speech is the most pertinent:

"Now, through the Made in China 2025 plan, the Communist Party has set its sights on controlling 90% of the world's most advanced industries, including robotics, biotechnology, and artificial intelligence. To win the commanding heights of the 21st Century economy, Beijing has directed its bureaucrats and businesses to obtain American intellectual property – the foundation of our economic leadership – by any means necessary".

Essentially, since World War Two the US has dominated the cutting edge areas of the economy. From electronics in the 1950's, lasers in the 1960's, the development of computers, digitalisation, the internet, biotech, machine learning, etc. the US has led the rest of the world. This dominance has been the source of much of the United States' wealth and power over the last seventy years. Now, as a consequence of its explosive development of the last 25 years and the resources at its disposal, China represents a credible long term rival for the "commanding heights of the 21st century economy".

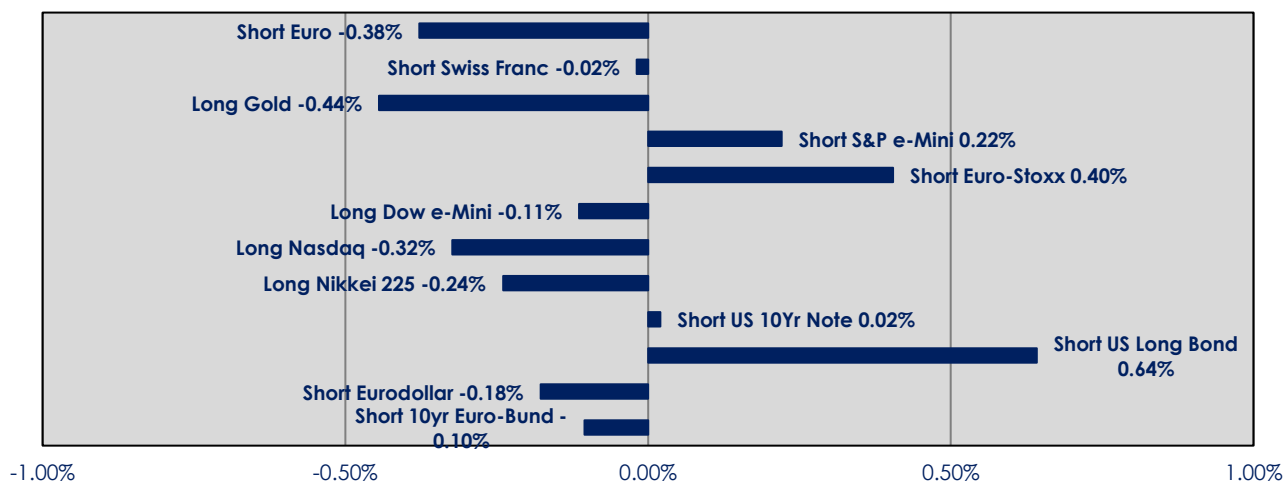
The point is that what is at issue now between the US and China is about much more than their bilateral trade relationship. The trade deficit is largely a fig leaf. We should not expect a resolution anytime soon in the way, for example, NAFTA was renegotiated. The US intends to weaken its strategic rival. Indeed Vice President Pence took credit for the weakness of the Chinese stock market:

“Our actions have had a major impact. China's largest stock exchange fell by 25% in the first nine months on this year, in large because our administration has stood up to Beijing's trade practices.

The S&P 500 fell 11% between October 4th and October 29th. In the context of the above, October's price action does not look like a 'healthy correction' to me. Rather, it seems to me that a long term top is in place and that a bear market has commenced.

Monthly Profit Attribution (Gross)

FX -0.40%	Equity Indices -0.05%	Interest Rates 0.38%	Precious Metals -0.44%
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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	0.24	0.26

Fee Structure and other Information

Management Fee: 1%

Performance Fee: 20%

Minimum Managed Account : \$1 mio

Average Margin to Equity Ratio (since 2013): 2.63%

Benchmark Index: HFRX Macro / CTA YTD: -3.80%

Administrator: HedgeFacts LLP

Legal: Greenberg Traurig LLP

Bloomberg: TRCGMCP ID

AUM: \$94.1 mio

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

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