Three Rock Capital Management

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Monthly Performance

Global Macro Program	Monthly Return	Year to Date	Since Inception
May 2019	0.36%	-1.45%	72.23%

Performance Record (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-0.80	-0.67	1.01	-1.34	0.36								**-1.45**
2018	4.22	-2.16	-1.42	0.47	2.48	0.80	0.56	0.12	-0.04	-0.61	-3.28	2.03	**3.00**
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

Today the US sees China as a significant strategic threat - and with good reason. Post WW2 the US was in a position of unparalleled strength.

- Its territory was untouched by the war;
- It controlled its borders, the seas on its borders and the land on the other side of the seas (Europe and Asia);
- Its economic competitors, Germany, Japan, Russia, Britain were destroyed or severely weakened;
- It accounted for 50% of global GDP.

There was nothing comparable in history and the US was determined to take advantage of its position of strength. One way in which it did so was through the Pentagon system. Since the 1950's the federal government, through the Pentagon system, has funded research and development into advanced industrial development – identifying and developing the next cutting edge area of the economy. This type of research takes years (lots of dead ends, etc) and lots of resources. Only the federal government could do it. Once something tangible came out of the research, usually after years or decades, it was handed over to the private sector to apply and to market. The research took place at places like Bell Labs in the 1950's, MIT, the Jet Propulsion Lab at CALTECH and the University of Virginia. Out of this system came the semiconductor (the fundamental building block of all electronic devices), computers, GPS, the internet and many biotech developments to name a few. Bill Gates, Steve Jobs, Jeff Bezos etc. are / were brilliant entrepreneurs but they didn't invent the computer or the internet – they piggybacked on the decades of research at the federal level and built world leading companies. US economic wealth and power since WW2 is strongly linked to this system. Domination of advanced industry needs to be maintained for US wealth and power not to be eroded. Today AI is the cutting edge area of the economy.

For the first time since WW2 the US has a real competitor – China. China's development has been so swift that it now has the resources and ambition to challenge US domination of the advanced parts of the economy and to threaten US long term wealth and power. For the US, it need only look to Britain for a lesson. In 1913 Britain was the 'empire on which the sun never sets'. Look at it now. The US – China trade war and Huawei conflict should be seen in this context. Strategically, the US has to halt China's development in the medium to long term. Nothing less. The US has declared economic 'war' on China. For this there is bi-partisan support. Do not expect the 'trade war' to be resolved. Expect relations to deteriorate.

But the situation is delicate. The global economy is vulnerable. Weakening the main engine of growth, China, is not without risks. Economic policy levers are not in a strong position to combat a downturn with interest rates already on the floor in Europe and Japan. In the US they at half of where they would normally be after a prolonged expansion. The US has a substantial fiscal deficit (at a time of virtually full employment) which it must fund. It will be far from immune should the global economy turn down. Plenty can go wrong. However US planners may rationalise that it is in a stronger position than its competitors, which it is, and that it will emerge stronger.

What is outlined above is an interpretation of medium to long term strategy. In the short term, the sudden breakdown in trade negotiations, signalled by President Trump's tweet of May 5th marks the beginning of his 2020 re-election campaign. A 'tough on China' posture played very well last time. But it's not just electioneering or playing hard ball to get a better deal. The economic 'war' has been stepped up. Expect tariffs on the additional $325 billion of Chinese imports.

In Q4 the administration backed off when the stock market tanked. My guess is that they understand the stock market may weaken but can live with that at these levels providing it doesn't collapse. In any case, the Federal Reserve will cut rates to support the market if it comes to it. They have demonstrated their sensitivity to market volatility in January and again this week.

The leading planner in the Truman administration, post WW2, was George Kennan. See his comment below on starting wars, in the lead up to the 2003 Iraq invasion.

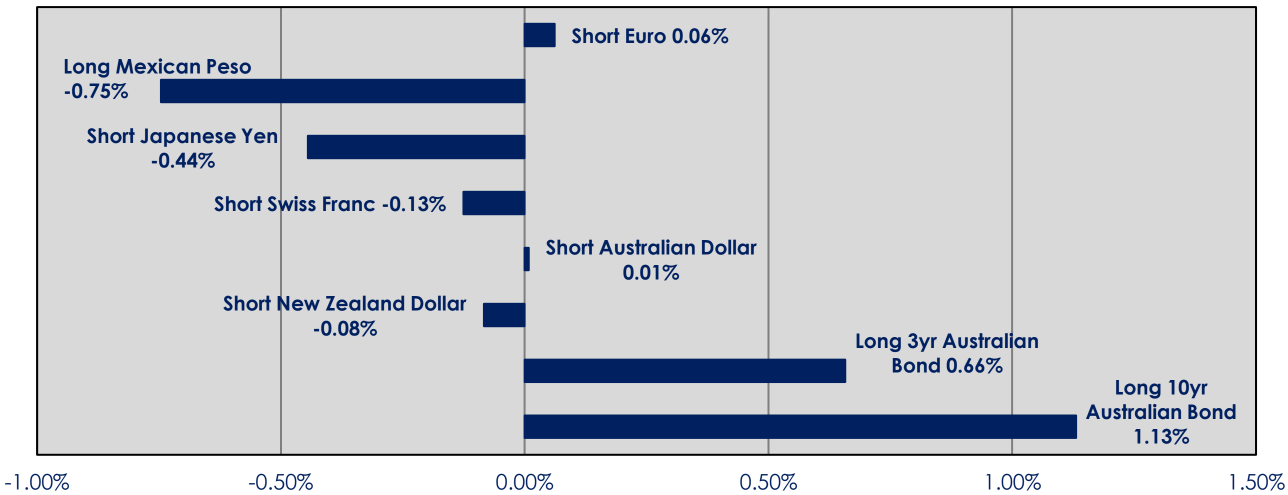
> "Anyone who has ever studied the history of American diplomacy, especially military diplomacy, knows that you might start in a war with certain things on your mind as a purpose of what you are doing, but in the end you found yourself fighting for entirely different things that you had never thought of before ... In other words, war has a momentum of its own and it carries you away from all thoughtful intentions when you get into it. Today, if we went into Iraq, like the president would like us to do, you know where you begin. You

never know where you are going to end."
— **George F. Kennan**

His warning went unheeded and look at the region now. It strikes me as being applicable to the economic war on China. '….you know where you begin. You never know where you are going to end."

Monthly Profit Attribution (Gross)

FX -1.33%	Equity Indices 0.00%	Interest Rates 1.79%	Precious Metals 0.00%



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
0.06	0.09	-0.02	0.08	0.18	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): 2.68%
Benchmark Index: HFRX Macro / CTA YTD: 0.00%

Administrator: HedgeFacts LLP
Legal: Greenberg Traurig LLP
Bloomberg: TRCGMCP ID
AUM: $73.6 mio