



## STRATEGY DESCRIPTION

The Horizon Fund is an equity long short sector-focused fund, investing across global listed infrastructure and utility stocks. The Fund aims to generate positive, absolute returns and minimise drawdowns by applying a fundamental, thematic and risk-centric approach to investing within the sector.

## MONTHLY PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	YSI
2021	-0.59	-2.59											-3.17	-3.00
2020												0.17	0.17	0.17

## KEY HIGHLIGHTS

February 2020 was witness to the day of reckoning for many global utility, infrastructure & REIT fund managers. After years of relying on the tailwinds of downward sovereign and corporate debt yields (negative yielding debt hit USD\$18trn, 27% of the worlds investment grade debt in Dec 2020), the inflection point in the cycle arrived – much faster than most anticipated.

Market participants entered 2020 with broadly consensus views – rebounding economic growth from a record pandemic-induced recession, record fiscal stimulus, weak USD, highly accommodative monetary policy and higher bond yields. However, it was not so much the size of the move higher in yields but the pace and volatility that surprised the market– US ten year yields rose 50bps to c1.4% at the start of the year, and at one stage in late February rose above 1.6%, in what some were describing as a “mini flash crash”. In Australia, 10 year yields increased from 1% at the start of the year and touched 1.9% in Feb.

Lower sovereign yields support lower discounts rates on real assets, supporting valuations, whilst lower corporate debt costs support lower funding of capex, share buybacks and M&A. Being long duration assets with stable cashflows, often these infrastructure, utility & REIT sectors are thrown in the “bond proxy” bucket – and have high correlation to yields in up and down cycles.

Of course, one must assess the reason why bond yields are going up to assess the outlook for the sector and the portfolio – and herein lies the battle between the “reflation” and “inflation” camps. The bond market seemed to finally accept higher yields with the successful roll out of vaccine programmes, positive US economic data surprises and continued fiscal stimulus to arrive in a “re-opened” US Spring – and an acknowledgment of higher inflation. Higher inflation expectations because of higher economic growth expectations, pushing real yields higher, is a usually good thing for risk assets. The Fed’s current stance is broadly this – yields going up is a good thing. The speed of the move higher, almost bordering on disorderly, with liquidity holes and 20bps intraday swings, is what caused the volatility to ripple over to the equity markets.

The global utilities and infrastructure sectors are smack bang in the middle of these events, with discount rates, cost of debt, and inflation big drivers to valuation. Utilities were a major underperformer in the period (EU & US indices down 6%) and renewables indices down 13% (growth & momentum factors). Typically periods of distress is where investors hide in these typically defensive safe haven stocks – but these stocks are leading the market lower. While long term sector holders pitch that yields rising is good for ROEs of utilities, and inflation is a cost pass through – valuations are still heading south.

Meanwhile, on the infrastructure side – there are bright spots. EM & DM airports are part of the “Reflation trade”, with toll roads in Europe yet to catch up. Prior winners during COVID, such as the Tower companies, are also now the laggards.

Horizon had a disappointing month with the spike in yields, with futures and currency hedges not offsetting sufficient declines in net long exposures in utilities. Looking forward we continue to believe an active positioning in the sector remains key – with the reflation trade lifting infrastructure stocks, especially those most exposed to leisure activity. Utilities and long duration regulated assets should remain under pressure as the market accepts yields continuing to increase over 2021 – and a main focus of the short book.

## PERFORMANCE STATISTICS

Last Month

↓ -2.59%

Compound ROR

↓ -11.48%

Average Winning Month

↑ 0.17%

Sharpe Ratio

↓ -2.99

Correlation vs. SSgA SPDR S&P Global Infrastructure ETF

↓ -0.12

Best Month

↑ 0.17%

Total Return

↓ -3.00%

Winning Months (%)

↑ 33.33%

Average Losing Month

↓ -1.59%

Sortino Ratio

↓ -2.28

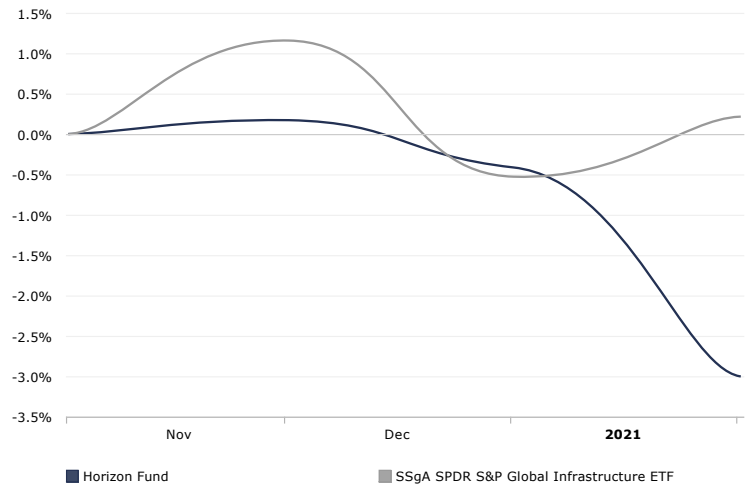
Standard Deviation (monthly)

↑ 1.16%

Worst Month

↓ -2.59%

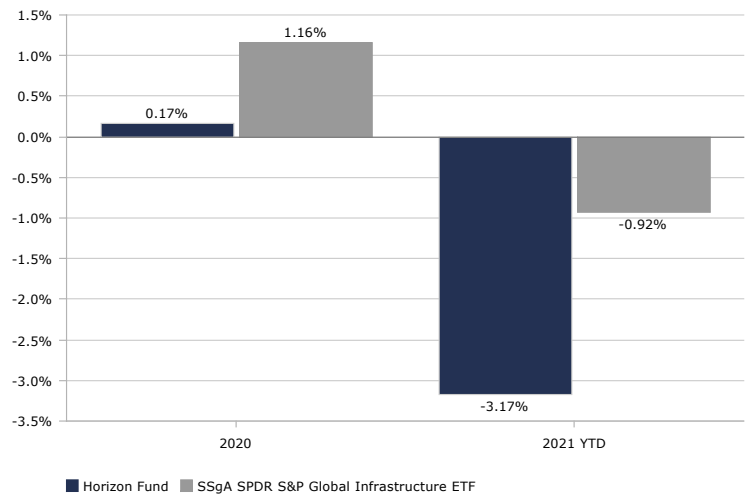
## CUMULATIVE MONTHLY RETURNS



## GENERAL INFORMATION

Inception Date	Dec 2020
Portfolio Manager	Tim Snelgrove
Minimum Investment	50,000 AUD
Management Fee	1.5%
Performance Fee	15%
Base Currency	AUD
Highwater Mark	Yes
Custodian	Morgan Stanley
Administrator	Apex Fund Services
Phone	+61 7 3039 0000
Email	ir@coastercapital.com.au
Website	www.coastercapital.com.au

## ANNUAL PERFORMANCE



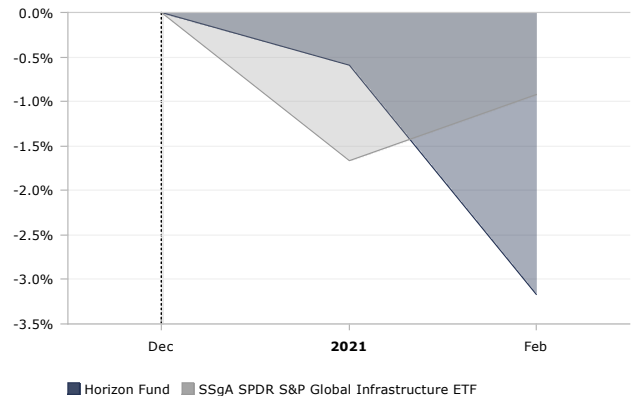
## PROGRAM VS. BENCHMARKS

	Avg. Annual	Winning Months (%)	Average Winning Month	Average Losing Month	Sharpe Ratio	Sortino Ratio	Standard Deviation (Monthly)	Annualized Volatility
Horizon Fund	-11.48%	33.33%	0.17%	-1.59%	-2.99	-2.28	1.16%	4.03%
SSgA SPDR S&P Global Infrastructure ETF	0.90%	66.67%	0.96%	-1.67%	0.23	0.27	1.25%	4.32%

## CORRELATIONS

Correlation vs S&P 500	-0.04
Correlation vs DJ/CS MF Index	1.00
Correlation vs SG CTA Index	0.15
Correlation vs DJ/CS HF Index	1.00
Correlation vs Vanguard Total Bond Index	0.94
Correlation TRJ/CRB Index	0.00
Correlation Vs MSCIWorld	0.22
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## DRAWDOWN



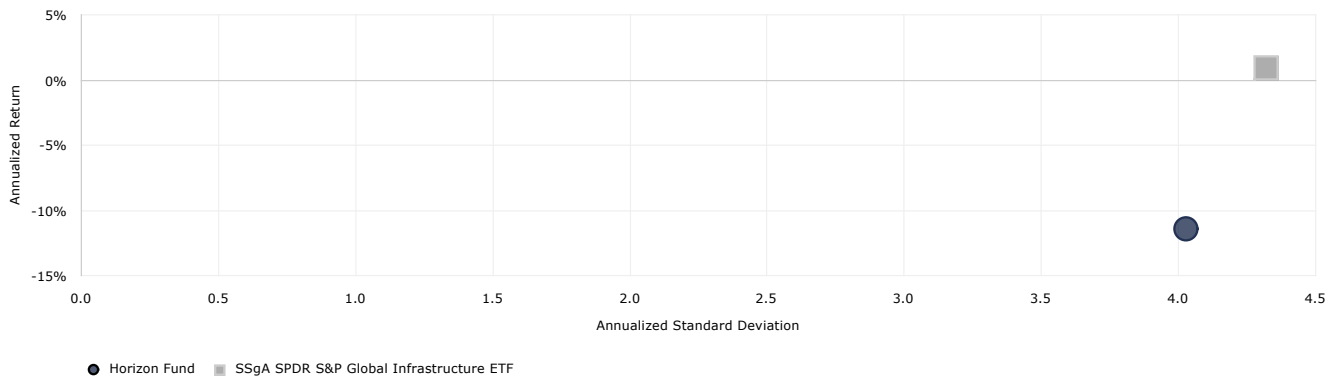
## DRAWDOWN REPORT

No.	Depth (%)		Length (Months)		Recovery (Months)		Start date		End date	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index	Fund	Index
1	-3.17	-1.67	2	1	0	0	01/2021	01/2021	-	-
2	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-

## RETURN REPORT

Period	Best	Worst	Average	Median	Last	Winning %
1 Month	0.17	-2.59	-1.00	-0.59	-2.59	33.33
3 Months	-3.00	-3.00	-3.00	-3.00	-3.00	0.00
6 Months	-	-	-	-	-	-
1 Year	-	-	-	-	-	-

## RISK/RETURN COMPARISON



## MANAGER BIO

10 years experience as an analyst, trader & portfolio manager at RARE Infrastructure, a dedicated global infrastructure and utilities fund manager in Sydney & London

18 months track record running a long/short portfolio prior to seed investment, including responsibility for product design, idea generation, portfolio construction & risk management

Experience designing and running dedicated income enhancement overlays for income products, primarily over and underwriting programs

Built & managed a global trading desk of 3 traders in Sydney & London, responsible for best execution across equities & FX, global trading relationships, trading systems & tools, CSA programmes & TCA outcomes

Prior experience at Merrill Lynch in Hedge Fund Sales & Options DTR, covering special situations and events

B Commerce (Liberal Studies) from University of Sydney, Majors in Accounting, Finance and Government & International Relations and holds a Chartered Alternative Investment Analyst designation (CAIA).

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