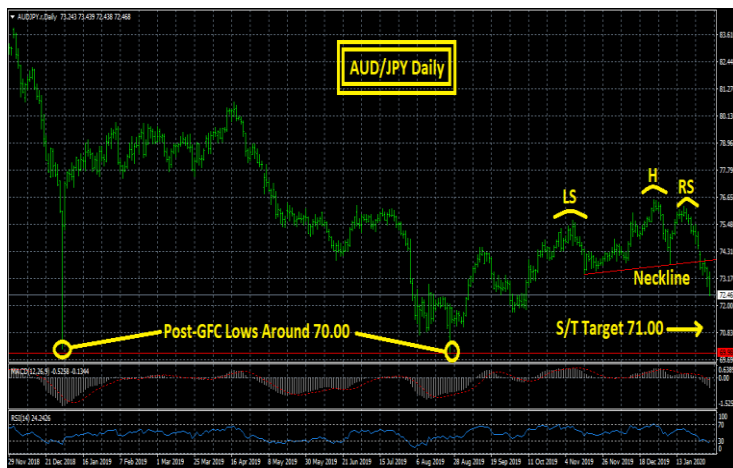




Hunter Burton Capital Alpha Fund

The S&P 500 bucked the trend of the last 4 decades by being flattish in January after averaging +24% in the year prior (1989, 99, 09, 19) but the cracks are appearing in the Forex landscape. The Aussie dollar dropped 3 cents and sits precariously just above its post-GFC low of 0.6670. The ultimate guide for optimism in global markets, AUD/JPY, sits nervously above its post-GFC lows around 70.00 and I am expecting a stern test of that level in February. Key commodities such as oil and copper are down noticeably since the New Year. We have coronavirus threatening travel to/from China and obviously impacting global GDP in the process. Bushfire devastation in Australia is having a dire impact on the tourism dollar. Household debt remains a major concern for the RBA and the major Australian banks. 10-year bond yields perked up in December but have backed off sharply to around 1% and still 54 basis points below their US counterpart. There aren't too many cards to fall from the deck before a recession of some description grips Australia, in my opinion. For all of these reasons, I am gravely bearish on the stock markets and the Aussie dollar for 2020. Brexit has officially occurred on January 31, but it will take several months to sort out, and is becoming backburner news. I expect the EUR/GBP to remain in the 0.8300-0.9300 post-referendum range, so around 0.8400 I see limited downside. I am calling for a 15-25% correction in the S&P 500 in 2020, and an Aussie dollar closer to 60 cents than 70. I am talking my book here, but I really believe that diversification of your investment portfolio is a smart move for the Year of the Rat.



AUD/JPY: 70.00 Is The Worry-time Pivot Point...

Price action is very bearish, breaking a Head-and-Shoulders top and setting a short-term target of 71.00. A test of the post-GFC lows around 70.00 is expected in February, and if we break that level sustainably we can expect wide-reaching consequences for confidence in the global economy.

S&P 500 – Despite New Highs Still Looks Scary...

It's not often you look at a chart perched at an all-time high and get gripped by fear! An "atomic" rising wedge presents itself and I would expect to see a 15-25% correction from current highs in 2020. The longer the tenure of this chart that you inspect, the more exponential and dangerous it appears. Worried. Really worried. Diversify. Now.

+0.59% in January, 7th Straight Month of Positive Returns, New All-Time High Since Inception

Thanks to a bearish view on risk, expressed via short AUD against USD and JPY, another positive month of +0.74% after management fees and +0.59% after allowance for 1st quarter performance fees, thanks to short AUD, long JPY positions. It is significant that we have reached a new all-time high return percentage since inception of +13.37%, because no investors that have stayed the course with HBC (even if you invested in July 2016) have a balance below the investment amount!

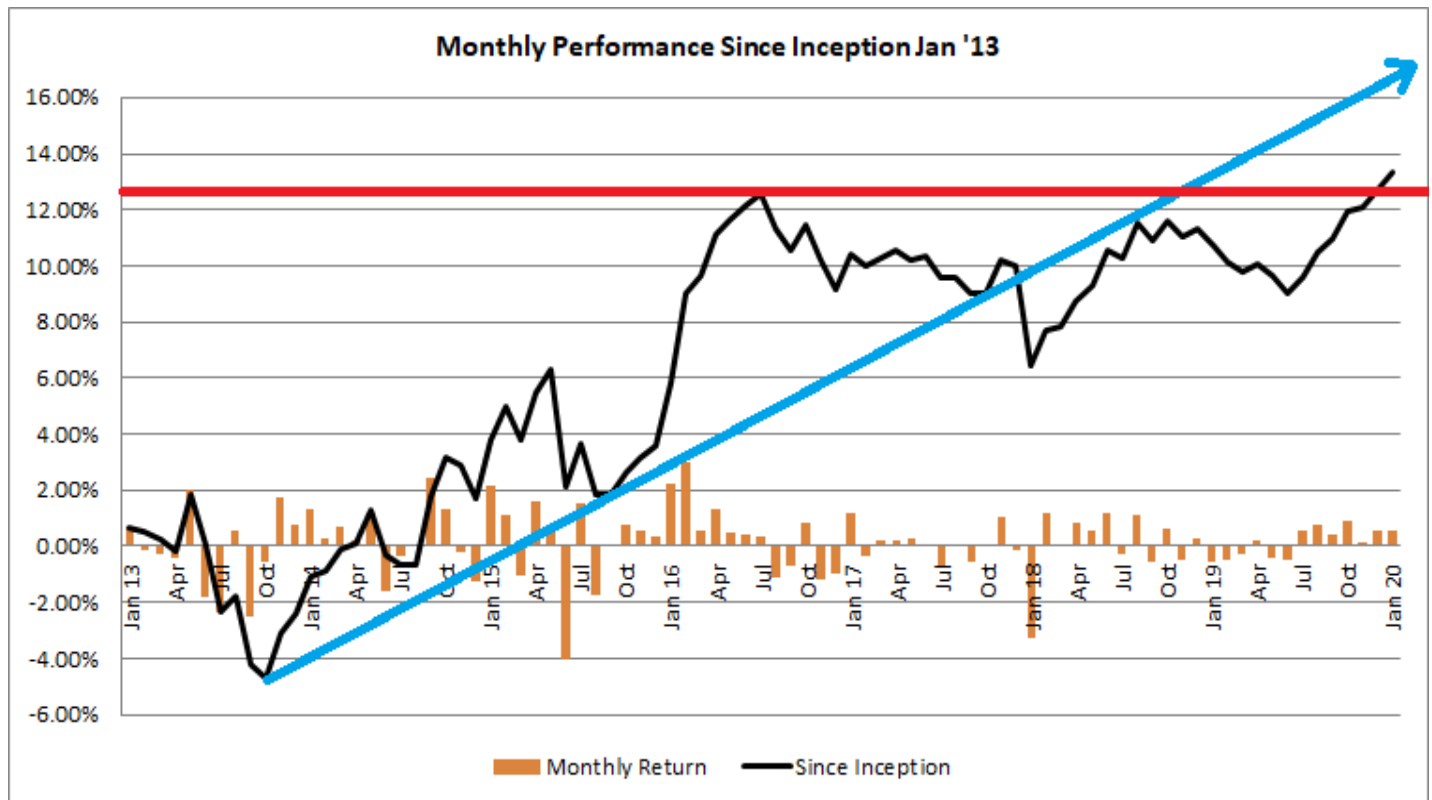


HBC Alpha Fund (Unleveraged)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	0.68%	0.14%	0.28%	0.42%	2.01%	1.78%	2.34%	0.54%	2.48%	0.53%	1.72%	0.73%	2.38%
2014	1.30%	0.28%	0.71%	0.24%	1.17%	1.59%	0.34%	0.04%	2.45%	1.30%	0.21%	1.25%	4.16%
2015	2.14%	1.14%	1.03%	1.61%	0.77%	4.03%	1.53%	1.75%	0.01%	0.74%	0.55%	0.37%	2.02%
2016	2.21%	2.97%	0.58%	1.34%	0.51%	0.42%	0.36%	1.10%	0.71%	0.85%	1.17%	0.96%	5.38%
2017	1.15%	0.33%	0.24%	0.23%	0.27%	0.08%	0.67%	0.03%	0.55%	0.03%	1.06%	0.15%	0.83%
2018	3.25%	1.17%	0.10%	0.84%	0.55%	1.15%	0.28%	1.14%	0.56%	0.62%	0.51%	0.29%	1.16%
2019	0.56%	0.52%	0.31%	0.21%	0.44%	0.52%	0.56%	0.79%	0.44%	0.90%	0.12%	0.55%	1.22%
2020	0.59%												0.59%

HBC Alpha Fund (5 X Leveraged)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	3.40%	0.70%	1.40%	2.10%	10.05%	8.90%	11.70%	2.70%	12.40%	2.65%	8.60%	3.65%	11.90%
2014	6.50%	1.40%	3.55%	1.20%	5.85%	7.95%	1.70%	0.20%	12.25%	6.50%	1.05%	6.25%	20.80%
2015	10.70%	5.70%	5.15%	8.05%	3.85%	20.15%	7.65%	8.75%	0.05%	3.70%	2.75%	1.85%	10.10%
2016	11.05%	14.85%	2.90%	6.70%	2.55%	2.10%	1.80%	5.50%	3.55%	4.25%	5.85%	4.80%	26.90%
2017	5.75%	1.65%	1.20%	1.15%	1.35%	0.40%	3.35%	0.15%	2.75%	0.15%	5.30%	0.75%	4.15%
2018	16.25%	5.85%	0.50%	4.20%	2.75%	5.75%	1.40%	5.70%	2.80%	3.10%	2.55%	1.45%	5.80%
2019	2.80%	2.60%	1.55%	1.05%	2.20%	2.60%	2.80%	3.95%	2.20%	4.50%	0.60%	2.75%	6.10%
2020	2.95%												2.95%



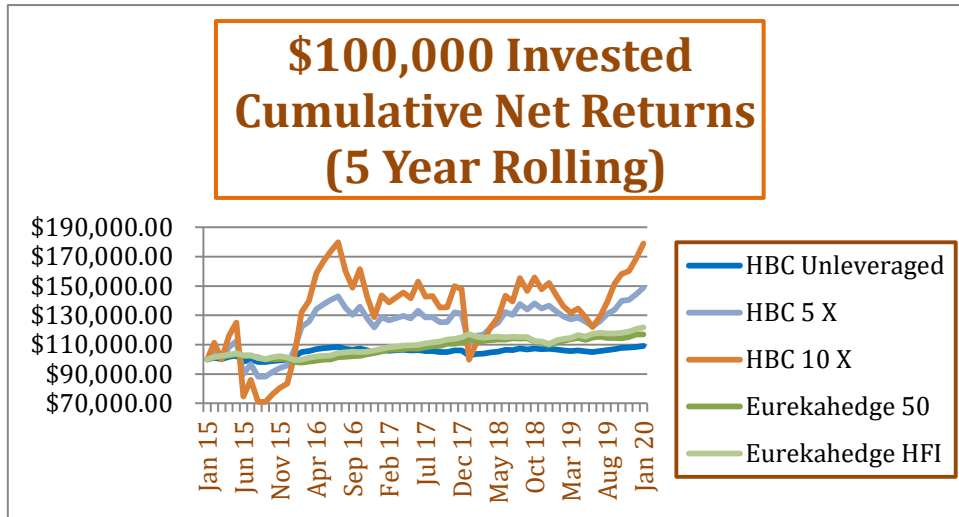


Jan 2020 Return	+0.59%
2020 Year-to-date	+0.59%
Return Since Inception	13.37%
Sharpe Ratio	0.24
Sortino Ratio	1.76
Max Drawdown	6.11%
Trough To Peak	19.00%

Note: Calculations for Sharpe and Sortino ratios use Australian 10-year bonds as MAR (minimum acceptable return) and are on a 2-year rolling basis. All returns are shown net of monthly management fees and quarterly performance fees. Reported returns are based on the Day 1 control account, and actual returns will vary slightly from investor to investor depending on the profit cycle.

The Ability to Leverage: Why HBC Offers an Efficient Path to Excellent Returns

While unleveraged returns do not look overly appealing, all investors in the HBC Alpha Fund have leveraged their investment between 5 and 10 times. This leverage is fundamental to enhancing normalised returns with a more efficient use of capital, because the margin requirements for dealing in currency markets are very low. The mandate of the Fund is that we can only leverage managed funds by 2 X, so the maximum leverage factor an investor may be exposed to is 20 X. I have created a chart to show unleveraged funds, 5 X, and 10 X to highlight the dramatic differences in capital growth over a 5-year period. I have included two of Eureka hedge’s main hedge fund industry indices (unable to be leveraged) for comparison.



I hope everyone had a nice holiday break, and all the best for 2020: The Year of the Rat! Cunning, smart, and seen as a symbol of wealth and surplus, the Rat is the first of all Zodiac animals.

Regards,

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