HUNTER BURTON CAPITAL

JANUARY 2019 Review

Hunter Burton Capital Alpha Fund

An interesting start to January with a good example of a "flash crash" on the morning of the 2nd business day of the year, January 3rd. New York closes at 5 pm, and Tokyo comes in around 8 am. This leaves an hour gap (at this time of year) between 9 and 10 am Sydney time. So around 9.30 am on Jan 3 the market hit an air pocket and triggered a whole bunch of AUD/JPY retail stop-losses. AUD/USD went from the high 69's to 0.6730 and back, while USD/JPY went from the high 108's to 104.70 before rebounding. The AUD/JPY copped the double-whammy, trading from around 76 to 70.15 before bouncing and leaving a big spike bottom on the chart. By the end of the month we were trading around 79 and it looks like an opportunity lost. We bought some at 73.55 on that morning but took profit way to early and subsequently went short AUD/USD expecting another wave of selling which never arrived. The stock markets had a good January, with the S&P 500 effectively erasing all of 2018's losses in one month! This is on the back of the development of a much more dovish outlook on US rates. Their 10-years have come from highs around 3.2% in yield to just under 2.7% now. Having said that, Aussie rates have fallen a lot also, so the gap is still 0.3-0.4% in favour of the US. For the 4th year in a row, January was a positive month for the AUD/USD (even with the early "flash crash"). However, the outlook in the bigger picture remains the same: lower Aussie dollar and weaker traditional asset prices. GBP was a notable winner in January, with the chances improving that Brexit may never actually happen. Geopolitical concerns aside, the EUR/GBP certainly does seem to struggle to stay for any significant amount of time above 0.9000. We have had half a dozen or so highs above 0.9000 (one as high as 0.9306) since the Brexit referendum, but it never feels right and I still think its natural level is more in the 0.75-0.85 range.

AUD/USD: Finding the Right Place to Go Short…

It was wise to be a little cautious in January, but the trend remains the same. It looks like 0.7350-0.7400 will be an ideal place to target going short from here. Some positive price action is possible after making a spike bottom early Jan.

USD/JPY: Sitting in the Middle of Broad Range.

The range of the last 12 months (104.63-114.55) remained intact despite the "flash crash" meltdown on Jan 3. We have settled back towards the middle but I still feel gravity pulling this lower during 2019.

-0.56% for January

After clipping a big figure out of AUD/JPY during the early " flash crash", we struggled for the remainder of the month trying to be short AUD/USD. We will be wary into early Feb but still targeting levels to go short again.

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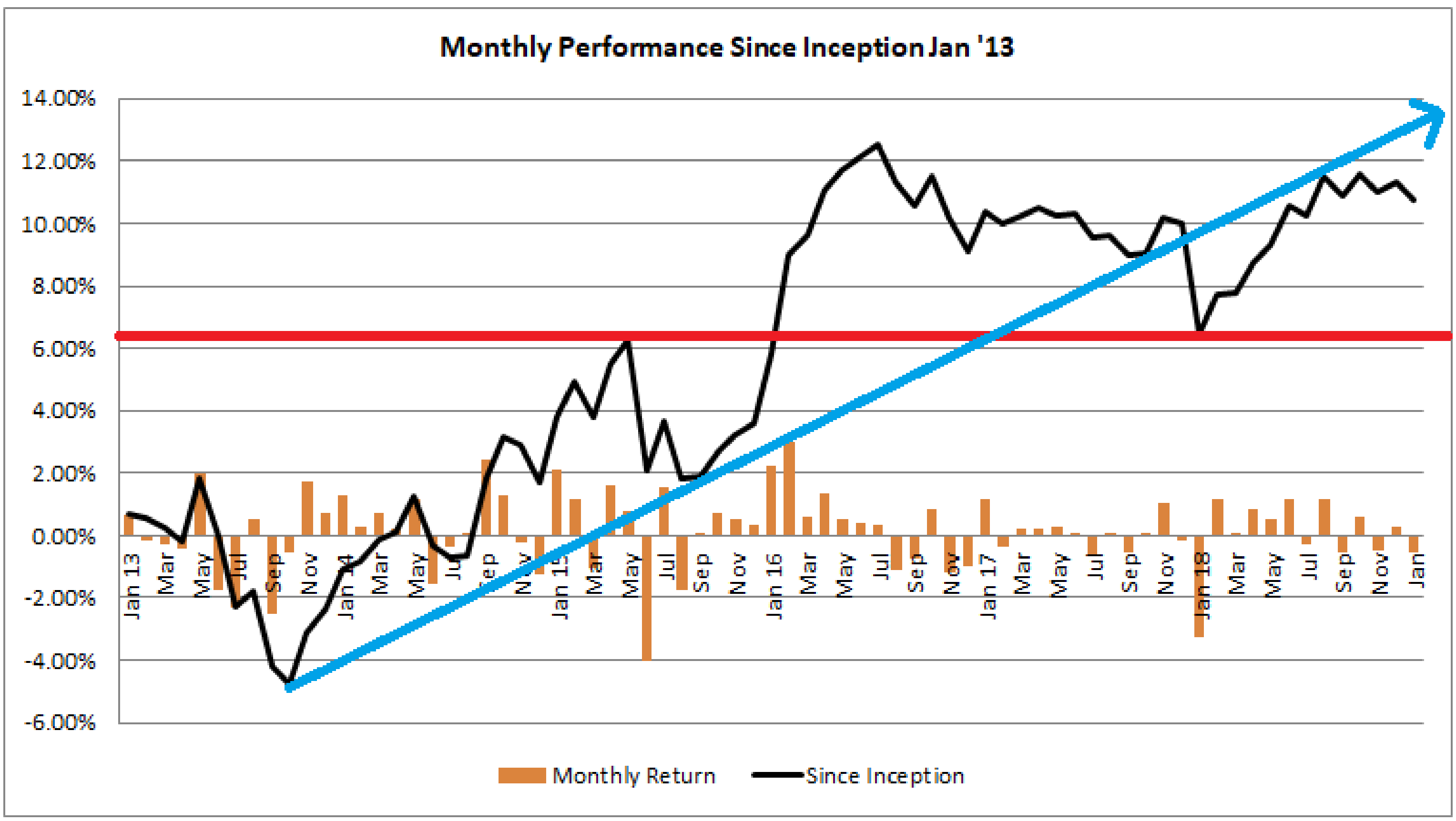
HBC Alpha Fund (Unleveraged)

	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%												0.56%

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%												2.80%



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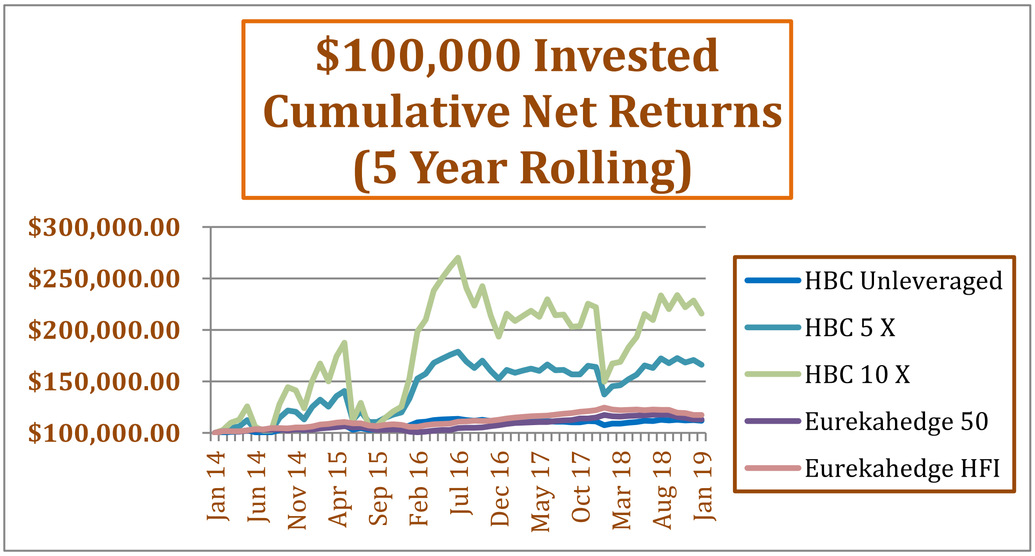
Jan 2019 Return	-0.56%
2019 Year-to-date	-0.56%
Return Since Inception	10.73%
Sharpe Ratio	-0.40
Sortino Ratio	-1.27
Max Drawdown	6.11%
Trough To Peak	18.15%

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 3 and 10 times. This leverage is fundamental to enhancing normalised returns. The additional logic to leverage is the 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 the difference between 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 Eurekahedge's main hedge fund industry indices for comparison.



Have a Fabulous February and until next month,
Regards,

Tony Bradley
CEO & Portfolio Manager

Contact
info@hunterburtoncapital.com
Tony Bradley: +61 409 222 879

5 Bancroft Avenue
Roseville NSW 2069 Australia