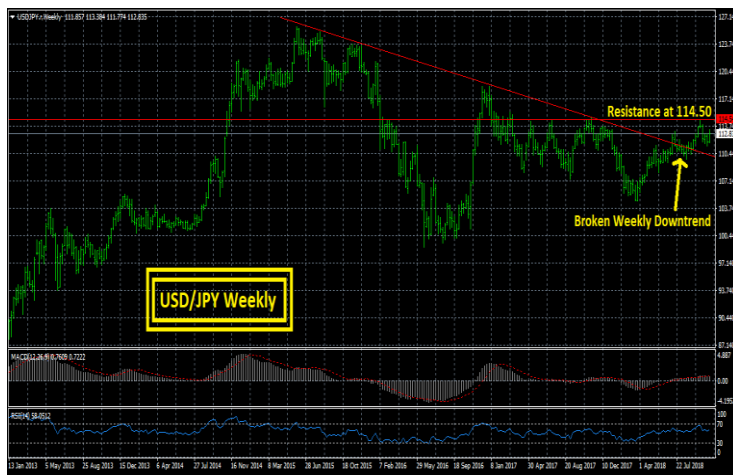




Hunter Burton Capital Alpha Fund

The Aussie dollar traded in a 0.7021-0.7238 range for October, finishing a bit over a cent lower than where it started. The US/Australia 10-year rate differentials are now over HALF A PERCENT! The most interesting thing here is that Australian bond rates are lower than they were in March, while US rates are trending strongly higher. The yield curve suggests more hikes in the US and no sign of any such action here. The other factor we've been watching closely (USD/CNH) is also weighing on the Aussie dollar. When you factor in a terrible month for stocks (ASX200 down 6% and the S&P500 around 8%), it's actually fairly interesting the AUD/USD is still above 70 cents! This month's report is going to highlight the advantages of the ability to leverage currency investments like no other instrument. When many investors see the word "leverage" they immediately think "risky", but I aim to show a better interpretation (as it pertains to HBC) is "more efficient use of capital".



USD/JPY: Wedged Between the Break and 114.50

If the USD is trending higher, but there are doubts about risk globally (i.e. jittery stock markets), the USD/JPY underperforms. The JPY (especially against the AUD) is the classic "risk-on, risk-off" barometer, so we need to surmount 114.50 properly before we can get too excited here.

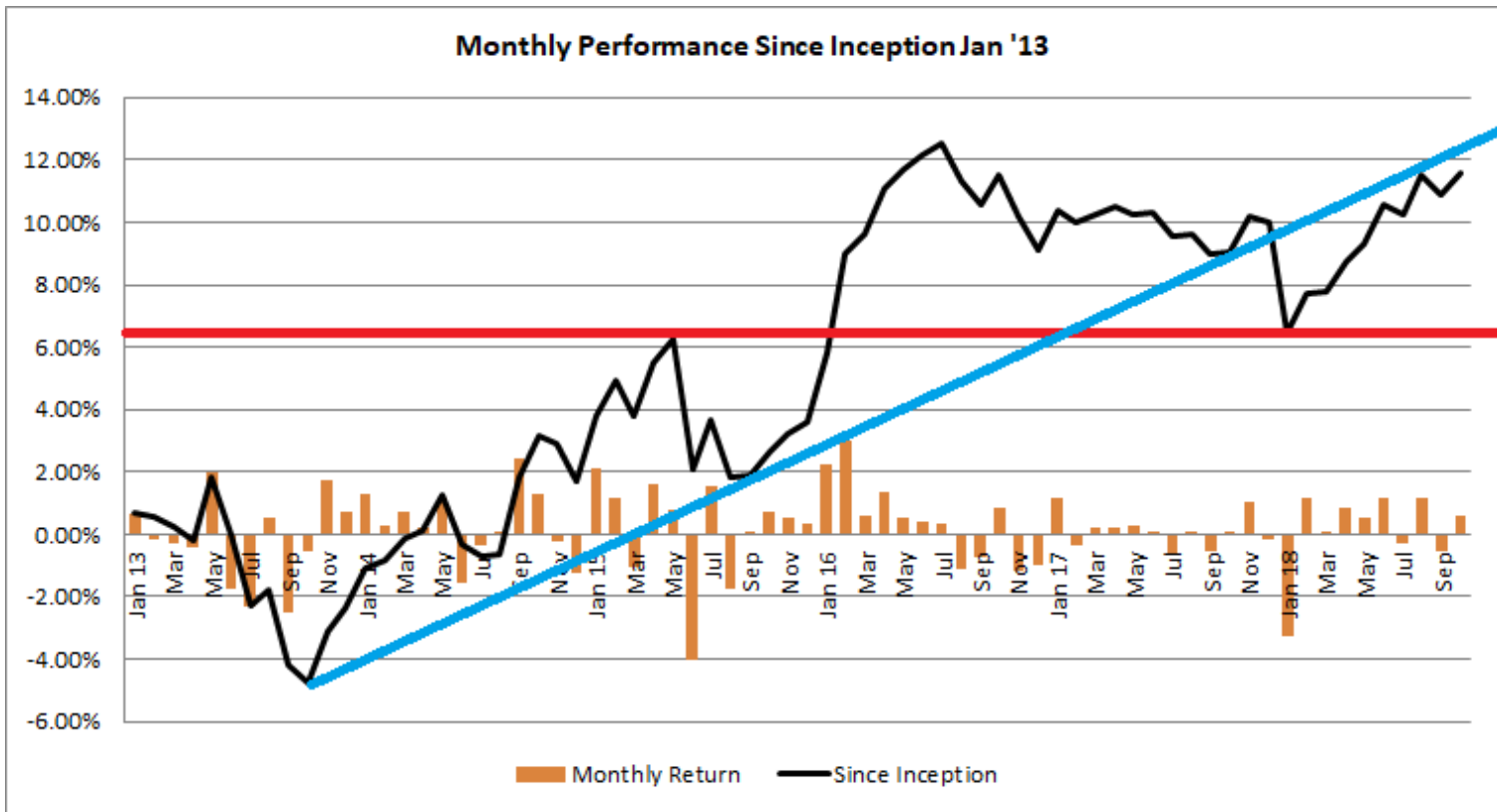
AUD/USD: Quietly Trending Lower All Year...

After the heartbreak of stopping out of shorts in January at the highs, we have had a fairly stress-free short position here. For the past 9 months, the rallies have been limited and the trendline has (mostly) held solid. I see no reason this won't continue, and with a bit of instability, accelerate.

+0.62% for October, YTD +1.39%

A solid performance in a fairly quiet month for currencies. The stock market was hogging the limelight, although not in a good way! The objective for the remainder of the year is to keep it positive and position ourselves for an optimistic start to 2019. A bit more volatility from the equities side of things should help create more opportunities.

	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%			1.39%



Oct 2018 Return	+0.62%
2018 Year-to-date	+1.39%
Return Since Inception	11.60%
Sharpe Ratio	-0.25
Sortino Ratio	-0.75
Max Drawdown	6.11%
Trough To Peak	18.15%

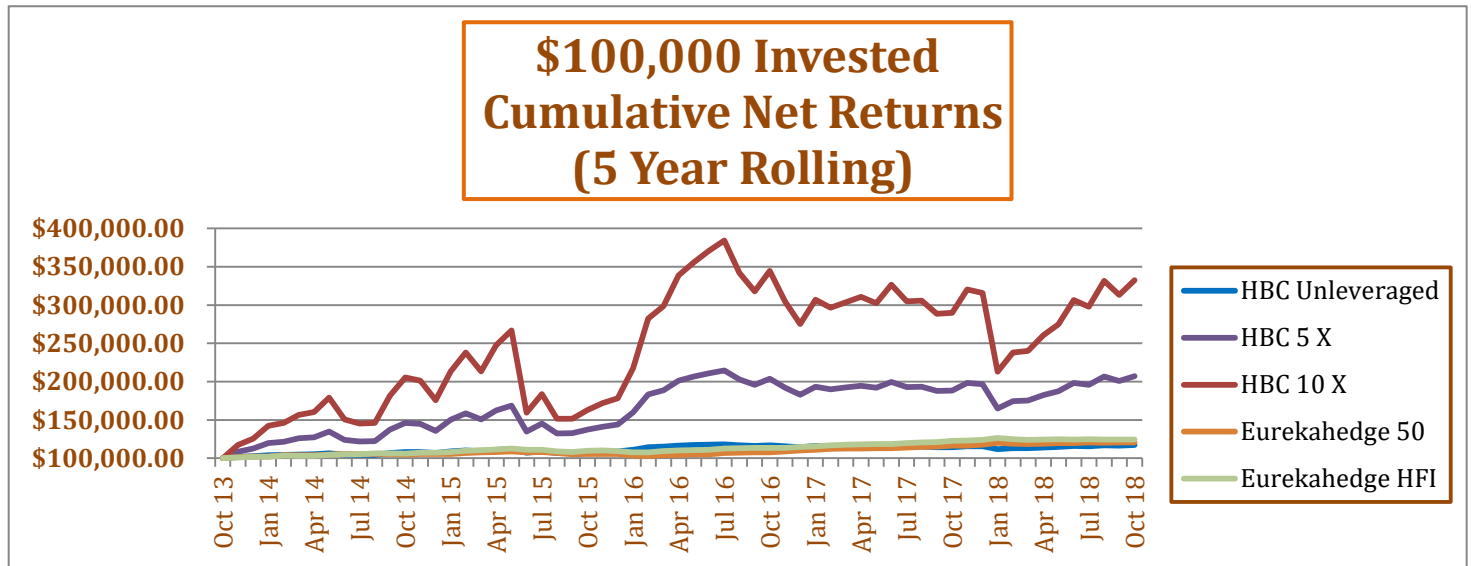
Note: Calculations for Sharpe and Sortino ratios use Australian 10-year bonds as MAR (minimum acceptable return) and are on a 2-year rolling basis. All returns are shown net of monthly management fees and quarterly performance fees. Reported returns are based on the Day 1 control account, and actual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

Let's Talk About Leverage, and Why HBC Offers an Efficient Path to Excellent Returns

I have added an extra page this month because I want to illustrate and explain in more detail exactly what "leverage" means with regards to an investment in Hunter Burton Capital's Alpha Fund. The vast majority of my investors utilise a leverage factor of 5-10 X to enhance their returns. The margin requirements for dealing in currency markets are very low, partly because the market is continuously open 24/5 so gaps are rare and only occur over weekends, and also because it is the largest, deepest, most liquid market in the world in terms of \$\$ turnover. Most price-providers will allow up to 100 X but here at Hunter Burton Capital we think 20 X is more than plenty. The mandate of the Fund is that we can only leverage managed funds by 2 X, so therefore the maximum leverage factor an investor may choose is 10 X. The more conservative investors generally opt for 5 X, which still means you are only depositing 20% of the amount being managed for you. Can you buy a house, put up 20% deposit, and pay no interest on the balance? No. Can you buy a 10-year Government Bond, earning 2.7%, and only pay one-fifth so you can earn 13.5% instead? No. But this is EXACTLY the way it works with investments in HBC.



Obviously, it works both ways: profits are magnified as are losses! So it is a primary goal of HBC to protect the capital and keep drawdowns to a minimum. 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 (unable to be leveraged). You can see that Jun '15, the latter half of 2016, and Jan '18 were bad times, and the leveraged funds suffered quite dramatically. However, you can also see over a 5-year period that good disciplined trading more than offsets these setbacks. All this is in a period of pretty ordinary nominal returns too – imagine what it will look like when I have a good year! A 10% year – definitely achievable – would double all 10 X investors' funds, and two 8% years would double all 5 X investors' funds.



I encourage investors to be prepared for greater growth when currency markets become a little more exciting than they have been in recent years. Remember the best year most of my market colleagues ever had was during the GFC! When other markets collapse, currencies shine as a beacon of opportunity... one of the advantages of a market where it doesn't matter whether it goes up or down, just that you are on the right side either way!

In the mean time, I would urge prospective investors to talk to me about opening an account. You can start with as little as \$20,000 with a 5 X leverage factor (managed amount \$100,000) and go from there.

Regards,

Tony Bradley
CEO & Portfolio Manager

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

5 Bancroft Avenue
Roseville NSW 2069 Australia