MAY 2019

EHP Advantage International Fund

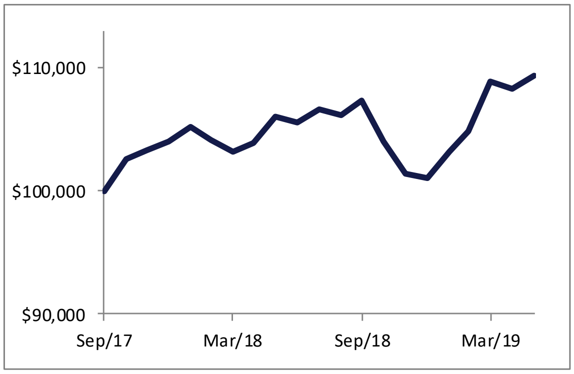
ehp FUNDS

EHP Advantage International Fund

Returns (Class F units, net of all fees and expenses)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	2.1%	1.7%	3.8%	-0.5%	1.1%								8.3%
2018	1.1%	-1.0%	-0.9%	0.8%	2.0%	-0.4%	1.0%	-0.4%	1.1%	-3.1%	-2.5%	-0.4%	-2.9%
2017										2.6%	0.7%	0.8%	4.1%

Growth of $100,000 (monthly)



Risk/Reward Analysis

	Fund	MSCI EAFE
Annualized Return	5.5%	0.4%
Annualized Std Deviation	5.8%	11.7%
Winning Months	60%	50%
Average Monthly Gain	1.5%	2.8%
Average Monthly Loss	-1.2%	-2.6%
Largest Drawdown	-5.9%	-12.4%
Sharpe Ratio	1.0	0.0
Fund Correlation		56.4%
Fund Beta		0.26
Net Exposure	86%	
Gross Exposure	166%	

Compound Returns (%)

	1 Mo	3 Mo	6 Mo	1 Yr	Incep.
Fund	1.1%	4.3%	7.9%	3.2%	5.5%

Commentary

The EHP Advantage International Fund Class “F” units increased +1.1% for the month of May. Equity strategies in all regions had gains as profits on shorts more than offset weakness in long positions. In terms of equity factors, value stocks were pummelled during the month in favour of low volatility and price momentum. Low vol stocks are benefiting from a renewed flight to defensive bond proxies, while in the case of momentum strategies, the outperformance came almost entirely from the short-side as the longer term downtrend for junkier stocks reasserted itself. Our Credit Momentum strategy had gains as we rotated out of high yield bonds and into defensive US 30-Yr Treasuries, which in turn benefitted from rapidly declining interest rates and market risk aversion.

Equity markets globally sold off sharply in May, with most markets down 4-6%, and with many breaching key technical levels and closing on their lows for the month. Low quality, junkier stocks led the sell-off, along with cheap cyclical value stocks as it became increasingly clear that not only is the Trump trade war here to stay, but that tariffs will increasingly be used as a blunt instrument to attempt to achieve any and all policy goals. This new level of uncertainty was a surprise to a market that had come to believe that the trade war with China was coming to a close, not ratcheting higher into a new, and more damaging phase. You can certainly argue whether Trump is “making American great again”, but there is no doubt that he is “making bonds great again”, with the defensive U.S. long bond leaping almost 5% during the month. The market has quickly gone from discounting as many as three rate *hikes* for 2019, to now assuming at least two *cuts*, and a 90% chance of a move lower by the Fed. Trump has certainly made his desire for lower rates clear – could he force the Fed’s hand with his latest moves on trade?

As we’ve been highlighting in recent letters, one of our concerns was that the market bounce in Q1 was predicated at least in part of the prospect of improving global economic numbers. That prospect suddenly appears less likely, with globally weaker retail sales, industrial production and ISM numbers. Recession fears have re-emerged with the yield curve inverting at the short end once again, along with weakness in economically sensitive commodities tied to global growth (copper, oil). With GDP estimates being cut and slowing earnings growth, it is increasingly difficult to find a lot of positives as the risk of a negative feedback loop emerges. Europe is particularly concerning (again), as German bond yields sink further into negative territory, and German bank stocks continue their slow grind to zero. While Europe has been overshadowed to some degree by the Brexit mess, we would not be surprised to see it front and center again as they become forced to solve their banking problem.

We entered May with our funds fully “risk on”, however as the month progressed we reduced fund beta as a number of our tactical indicators were triggered. High yield was the first “risky” asset to go, leading equity markets as it often does, and we enter June with a full weight to negatively correlated U.S. long bonds. Our equity exposure is also lower with Japan risk off and Europe close behind. Whether we fully de-risk as we did in Q3 of 2018 will depend on where markets go from here, as global indices currently sit squarely at our key risk triggers. Sentiment has soured and the economic outlook is uninspiring, however, we make no predictions for the path forward as we remain subject to the potential willingness of central banks to intervene and step in as needed, once again providing a backstop for risk assets. As always, we are happy to follow our process, reduce risk and move to sidelines to protect gains until we get a more complete picture of how things unfold.

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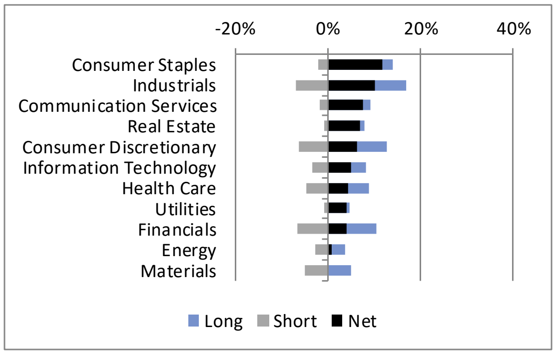
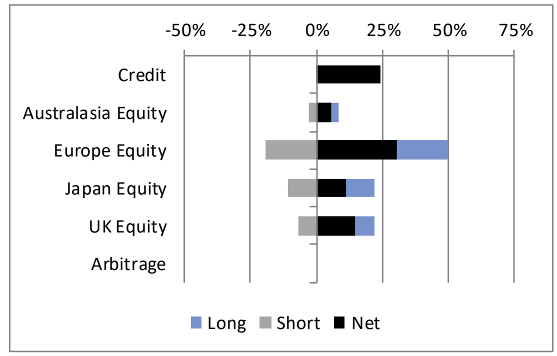
Fund Structure

Sector Allocations % of NAV



Capital Allocations % of NAV



Top 10 Equity Longs

Christian Dior SE	1.1%
Swisscom AG	1.1%
Orsted A/S	0.9%
Nestle SA	0.9%
Carlsberg A/S	0.9%
Wihlborgs Fastigheter AB	0.9%
SimCorp A/S	0.9%
Sofina SA	0.9%
Amadeus Fire AG	0.9%
Teleperformance	0.9%

Top 10 Equity Shorts

ALK-Abello A/S	-0.5%
MorphoSys AG	-0.3%
Maisons du Monde SA	-0.3%
AIXTRON SE	-0.3%
Bekaert SA	-0.3%
Arbonia AG	-0.3%
Takeaway.com NV	-0.3%
Aurubis AG	-0.3%
Caverion OYJ	-0.3%
Imerys SA	-0.3%

Fund Information

The Fund constructs a long/short portfolio of International equities and credit by buying undervalued, rising, stable stocks and shorting overvalued, declining, volatile stocks. The Fund actively gears down risk in declining markets and tilts toward more defensive stocks and strategies to preserve capital. The Fund emphasizes a disciplined process of stock selection, risk control and liquidity. The Fund targets annual returns of 10-12% net of all fees.

Portfolio Managers:	Jason Mann, Ian Fairbrother, James Park	Fund Risk Rating:	Low to Medium
Fund Structure:	Mutual Fund Trust	High Water Mark:	Yes, Perpetual
RSP Eligible:	Yes	Fund Administrator:	SS&C CommonWealth
Redemptions:	Weekly, 0 days notice	Prime Brokers:	Bank of Nova Scotia
Reporting Frequency:	Weekly	Legal / Auditors:	McMillan LLP / KPMG LLP

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