EGP Long/Short Global Fund – March 2025

The EGP Long/Short Global Fund is a quantitative global long/short fund targeting attractive risk adjusted returns. Objectives include minimising the risk of permanent loss of capital and providing global diversification. The short exposure within the fund typically provides capital at times of market dislocations, enabling redeployment into the long book at lower valuations.

Results Table

	July	August	September	October	November	December	January	February	March	April	May	June	YTD
FY25 - EGPLSGF	**(3.12%)**	**3.82%**	**6.17%**	**7.81%**	**8.64%**	**(1.38%)**	**0.12%**	**(2.54%)**	**(6.70%)**				**12.22%**
FY25 - MSCI ETF - VGS	**2.91%**	**(2.22%)**	**0.31%**	**4.91%**	**3.97%**	**2.63%**	**3.67%**	**(2.30%)**	**(4.86%)**				**8.89%**
6% annualised	**0.49%**	**0.49%**	**0.49%**	**0.49%**	**0.49%**	**0.49%**	**0.49%**	**0.49%**	**0.49%**				**4.47%**

Performance Summary

Key performance metrics and charts.

Fund Features		Portfolio Analytics		
		Metric	**Fund**	**VGS**
Performance fee	**0-12% (0%) 12-18% (20%) 18%+ (30%)**	**AUM**	**$3.4m**	**US$39.5b**
		Volatility	**28.5%**	**11.8%**
Management fee	**0.05% per month**	**Sharpe Ratio**	**1.02**	**0.88**
Applications or redemptions	**Monthly**	**Sortino Ratio**	**1.67**	**1.40**
Distribution	**At least annually**	**Largest Drawdown**	**(10.21%)**	**(7.05%)**
Minimum initial investment	**$50,000 (Wholesale Only)**	**1-year return**	**N/A**	**N/A**
Accounting	**True Elite Business Services Pty Ltd**	**Cumulative Return**	**12.22%**	**8.88%**
Administration & Registry	**Registry Direct**	**Since Inception Annualised**	**16.6%**	**12.0%**
Custodian/PB	**Interactive Brokers**	**Unit Price (Mid)**	**$1.1222**	**$134.32**

Contact Information

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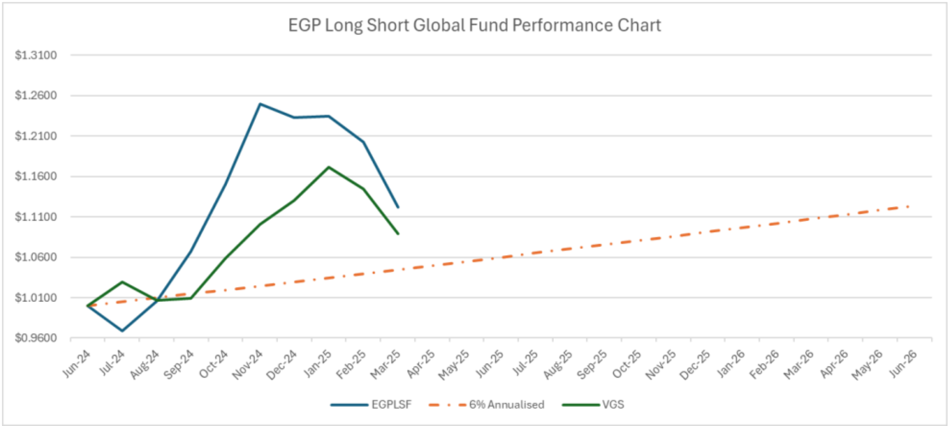
Market Commentary

YTD Results: **Long book 20.47% |Short book (8.25%)**
YTD Exposure: **Long = 109.2%| Short = 18.0%| Net = 91.2%**

Results Graph



Portfolio Information

FYTD Benchmark Performance Correlation:	**10%**
FYTD Benchmark Drawdown Correlation:	**67%**
FYTD Portfolio Turnover:	**32.9x**

Portfolio Summary

Open Positions end of month:

Stock	Country	Holding	Result	Stock	Holding	Holding	Result
ASB		5.0%	(2.0%)	TEAM		3.8%	(25.3%)
IFL		5.1%	(1.1%)	TPL		4.6%	(8.8%)
PME		4.0%	(21.1%)	TPR		4.2%	(19.5%)
SIG		5.0%	(2.0%)	AEM		5.7%	11.9%
TLX		4.7%	(6.8%)	GIL		4.2%	(18.1%)
TMUS		5.0%	(2.2%)	K		5.8%	17.2%
GILD		5.0%	(3.0%)	SHOP		4.3%	(15.5%)
DASH		4.6%	(7.9%)	WPM		5.7%	10.9%
FTNT		4.5%	(12.6%)	CASH		15.6%	
ALK		3.5%	(33.3%)	CASH		(18.7%)	
ITCI		5.2%	(0.8%)	ACHC		(5.1%)	1.2%
SPOT		4.6%	(11.0%)	AUD/USD		35.4%	
DOCS		4.9%	(0.8%)	LNW		8.9%	(10.2%)
PLTR		5.1%	5.5%	DASH		5.1%	3.9%

Positions closed during the month:

Stock	Country	Holding	Result	Stock	Country	Holding	Result
360		3.0%	1.5%	MPW		(3.3%)	2.3%
PNI		2.9%	(0.3%)	MRNA		2.6%	(0.6%)
BN		3.1%	0.5%	NFLX		3.3%	0.3%
BAM		3.1%	1.1%	AXON		2.6%	0.8%
PLTR		6.8%	4.3%	UI		2.8%	0.4%
TWLO		2.7%	0.0%	DDS		3.1%	(12.3%)
ZI		(3.2%)	1.0%	CVNA		3.1%	0.6%
HOOD		6.6%	9.1%	MRNA		(5.0%)	(9.1%)
AFRM		5.0%	(2.6%)	APP		5.0%	3.9%

CIEN		5.0%	3.9%	MP		5.0%	3.7%
ROKU		5.0%	4.0%	U		5.0%	8.8%
UAL		5.0%	(2.2%)	ERIE		(10.0%)	1.1%
OKTA		(5.0%)	4.4%	HOOD		5.0%	7.4%
MRNA		(5.0%)	(9.1%)	TXG		(5.0%)	(9.1%)
CE		(5.0%)	(9.1%)	ELF		(5.0%)	(9.1%)
AFRM		5.0%	(2.3%)	AXON		5.0%	(1.4%)
GRAL		5.0%	(5.5%)	BROS		5.0%	(4.6%)
NRG		5.0%	(3.2%)	CIEN		5.0%	(3.6%)
SOFI		5.0%	(0.1%)	CVNA		5.0%	(6.4%)
ALGM		(5.0%)	1.1%	ALK		5.0%	0.0%
BROS		5.0%	2.1%	HOOD		5.0%	4.0%
CFLT		5.0%	(3.3%)	SPOT		5.0%	2.1%
DASH		5.0%	1.9%	TEAM		5.0%	(1.9%)
GRAL		5.0%	8.2%	TWLO		5.0%	0.6%
ALGM		(5.0%)	6.2%	ALK		5.0%	(1.5%)
BROS		5.0%	1.0%	SPOT		5.0%	(0.7%)
HOOD		5.0%	(8.8%)	TPR		5.0%	0.0%
NET		5.0%	(0.5%)	TWLO		5.0%	(0.6%)
RL		5.0%	0.9%	CEG		5.0%	(18.0%)
DE		(5.0%)	2.7%	CNH		(5.0%)	1.0%
BROS		5.0%	2.6%	NET		5.0%	(4.8%)
RBLX		5.0%	4.0%	AS		5.0%	7.8%
TNL		5.0%	(3.5%)	COST		5.0%	(3.7%)
CHTR		5.0%	2.6%	BROS		5.0%	0.3%
GRAL		5.0%	(1.8%)	NET		5.0%	1.4%
RL		5.0%	(0.6%)	TPR		5.0%	0.4%
TWLO		5.0%	(2.9%)	HOOD		(5.0%)	0.8%
HOOD		(5.0%)	(4.3%)	CELH		(5.0%)	2.3%
CVNA		(5.0%)	0.5%	GEV		5.0%	(1.5%)
GEV		5.0%	4.8%	PLTR		5.0%	5.5%
ALGM		5.0%	6.8%	DOCS		5.0%	2.8%
GRAL		5.0%	2.4%	HOOD		5.0%	6.1%
SPOT		5.0%	1.1%				

Portfolio Summary

As has been mentioned in previous correspondence, every quarter we will give a more detailed update, with additional insights into portfolio construction and algorithms. Concepts we think are useful for investors to understand. The LSF has been running on the same algorithm since inception (9 months), and 01 April will see the first amendment to the LSF algo. The changes slightly improve the risk/return metrics of the system, however, do not alter the risk profile in terms of net exposure/max exposure or other gross risk measures.

The topic of discussion this quarter is how the LSF portfolio has been constructed, and how the LSF algorithm has made a much greater effort to avoid "overfitting" compared to the Aggressive Fund (AF). The temptation is always there to use back-testing (past data) to make returns look good (probably unrealistically good!)

We like to think of the LSF as a very "Balanced" fund – examples of this balance are as follows: -

- Systems - in the Fund have two broad themes, "Momentum" and "Mean Reversion". Over the last 25 years, the 2 styles have contributed approximately equally to the overall return of the Fund – both styles go in and out of favour through market cycles but tend to balance each other out over time. Momentum as a factor turned very hard in February this year and has hurt portfolio returns significantly since. So much so that algorithm rules have seen the 2 x US and the ASX momentum systems halve their allocation beginning in April waiting for the signal that momentum as a factor has returned to favour before resuming full allocations.
- Markets – the momentum systems are equally balanced between The US market and the "commodity" markets, Australia and Canada. Since 2009, LSF's US monthly momentum systems have outperformed the Australian and Canadian systems almost 5-fold. But in 2008, the GFC year, the US momentum systems produced an average of -5.48% employing 10.88% of strategy capital, the ASX/TSX systems produced 2.2% employing 14.04% of strategy capital. **When** strategies produce returns relative to each other is important for system stability. The Canadian commodity positions were likewise our sole positive momentum contributors this month.
- Position sizing – each position size in LSF is entered at a 5% weight in each system (unlike AF which has "optimised" position sizing much more – see this month's AF newsletter for more detail).
- System durations – our systems employ 3 durations, essentially monthly/weekly/daily, with "exit rules" for most trades that can cut short these timeframes.

The logic behind having this "balance" is that while it is very easy to see what has worked in the past, seeing into the future proves more challenging – what we want to do is give the system the best chance of matching past results going forward. We do not know which system or market is going to perform in the future, so we give them all an equal shot at performing.

The main area where the system is not balanced is in terms of long/short exposure. The system runs approximately a net 80% long position. The reasons are twofold: -

- Markets have an upward bias (historically…) so we would rather be long than short.
- Good short systems are notoriously hard to find.

This balancing of the systems is trying to avoid systematic traders' most common error – adjusting your systems to make past results look better, otherwise known as curve fitting or over-optimisation. This error is not solely the province of system traders – one of us has had several recent conversations about portfolios being weighted more heavily into the "Magnificent 7" (or FAANG) stocks, based on their strong recent performance – but how likely is it that this past performance will continue?

An investor doing this is optimising their portfolio for events that have already happened, expecting recent history will continue. But the past is littered with examples of businesses that most investors assumed would always be market leaders stumbling. General Motors was a top 10 company in the S&P500 from its inception, for decades before filing for bankruptcy in 2009. Eastman Kodak was consistently among the top 100 companies in the US indices until digital photography disrupted their core business. The operations of the Magnificent 7 may currently appear impervious to such outcomes, but likelier than not at least some of their membership will suffer similar travails. A "Balanced" portfolio, that assumes that the future is likely to have some meaningful differences to the past is likely to turn out to be a better bet.

As a simplified example, take our current system with results going back to 2009: -

- Compound Annual Rate of Return 37.1%
- Max Peak to trough loss -28.5% (this is slightly higher than the pitchbook drawdown because the pitchbook reports monthly results, whereas on a daily calculation, peaks and troughs will begin and end at slightly different points)

These are very pleasant results. But can we "juice" them a little? We will use the same systems and only change the weighting between the systems – effectively allocate more to the "Magnificent Seven". With minimal tweaking, we can produce: -

- Compound Annual Rate of Return 46.4%
- Max Peak to trough loss -31.1%

Not bad, nice jump in return (+9.3% annually), but our max drawdown has increased (+2.6%) – lets allocate a little more to our best risk adjusted system. We can again improve: -

- Compound Annual Rate of Return 48.1%
- Max Peak to trough loss -28.7%

The next example is not "overfitting", but is commonly used to manipulate past results – changing the test dates – logic would be to say we want a round 20 years' worth of results, which sounds sensible – using the same parameters as above we now get: -

- Compound Annual Rate of Return 53.8%
- Max Peak to trough loss -28.7%

We can through a series of manipulations create a return that is nearly double our maximum drawdown, with a gross return that is 45% better (37.1% to 53.8%) while keeping our worst drawdown about the same!

The reason we have chosen such a strictly "minimally optimised" system with LSF is because the future is extremely unlikely to exactly resemble the past. Would you allocate 100% of your portfolio to bitcoin? It has gone up 10,000% in the last 12 years! Perhaps it will do the same over the next 12 years? Possible, but highly unlikely.

These are among the pitfalls we are highly attuned to when designing our algorithms, and which all investors should be alert to when allocating your own portfolios – be wary of chasing the latest good thing!

From your Co-CIO's: **Gavin L. Skinstad; &**
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