

Share Prices Diversified Investment Trust – FX Series

February 2021 Note

Dear Investor

The February trading update below offers some insight into our recent positions.

The key message is to maintain a longer term perspective with this style of investment.

The Swing Strategy has returned approx. 140% since August 2018 - aggressive returns like this come at a cost of enduring short term volatility occasionally.

We ask all our clients to focus less on the month-to-month returns and to evaluate your investment with us for a 2-5 year period.

During February we closed +1.2% profit in the first two weeks of trading and then subsequently took shorts on the GBPUSD (long EURGBP also) which were at a 12% floating drawdown over 1st March - hence the fund reported a loss -10.98%.

We are still holding net long on the EURGBP which we are growing more confident with as price as failed to break support at 0.85559 after testing eight times so far this month. Basing at this level is looking more a like a U-shaped reversal. A slightly dovish sentiment from Bank of England will be enough to trigger the reversal we need - again nothing is guaranteed but we see another asymmetrical opportunity given the high-level of support it's found at current levels.

USDJPY: The USD went on a tear last month - a whole year of JPY gains was taken back within two weeks. However, the recent USD rally appears to be losing steam on the back of US Federal Reserve Chairman Jerome Powell dishing up a big “nothingburger” earlier this week, reiterating no expected rate rise through 2023.

So why the recent USD strength?

- i) improving forecasted US economic data
- ii) coupled with overexcited USD Bulls

We believe the improved forecasted US economic data is mispricing inflation with the current unprecedented increase in government spending and expansion of Money Supply.

This presents another asymmetrical opportunity to short the USD. The USDJPY is our preferred choice and technical indicators support this along with a weakening USD Index. We are currently short USDJPY in anticipation of a retracement.

Regards,
Michael Walker
FX Portfolio Manager