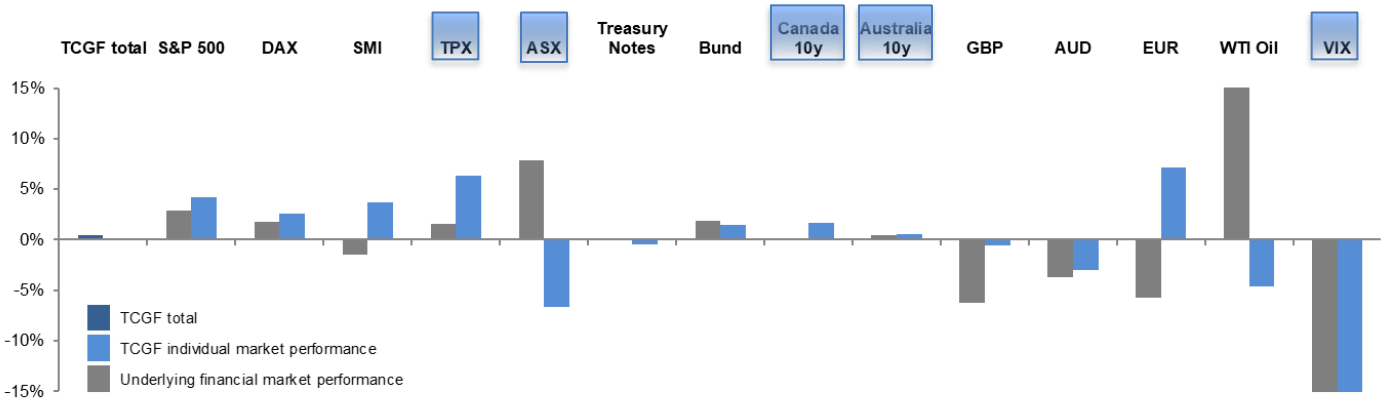
Tom Capital Growth Fund (TCGF)
2nd Quarter 2018 Update: + 0.5 % (+4.6% YTD)

TOM CAPITAL

Performance Break-Down



We are slowly there where we would like to be

Stability	Since mid-January 2018 we introduced no major adjustments to the forecasting and trading framework and their implementations for the individual markets.
Full Automation	After three years of intense development of the investment framework, its software infrastructure as well as the client interface for the forecasts (tomcast.org) and the fund reporting in the new website (tomcapital.ch) are completed. No manual processes remain and we can focus our resources on further developing our investment intelligence.
Global diversification New markets	With the going live of the Japanese and Australian equity markets, the Canadian and Australian bond markets and the VIX in April, we achieved a truly global diversification with which we realized the largest part of our diversification potential. Of course, we will continue to diversify, but the benefits of adding additional markets will have smaller and smaller impacts.
Trading works	The fully standardized trading strategy with identical parametrization for all markets, extracts volatility in all markets even if the forecasts were slightly off, like for the DAX and the S&P 500 this quarter, where markets rose against our negative forecast and trading extracted a positive contribution thanks to active, reversion-oriented trading. Trading also capitalizes on the correctly forecasted trends like for the TPX and the EUR.
Insurance is included	Due to the measurable geopolitical and economic risks, our VIX forecast was bullish and provided insurance against any unexpected escalation. The negative impact of -0.5% on the fund's performance, is justified by the potential protection it offers in a downturn.
Low correlation	The correlation of TCGF to any other asset class remains very low.

We are not pleased with everything

Forecasts	Political uncertainties do not render systematic forecasting easier, because the actions of a few decision makers impact the global economy. However, thanks to our higher weighting of shorter term sentiment and technical indicators, we react a lot faster to market shifts than in 2017.
Oil forecast	In this market, the concentration of decision making power to the two market participants with free capacity, renders supply and demand forecasts even more challenging. Therefore, allocations to this market were reduced.

We are determined to continue to improve

Data science	The clear break-down of the investment process into separate steps allows us to appropriately apply the most promising data science concepts to each of those steps. While we already are using machine learning concepts, we will now widen this focus and introduce k-fold cross validation in order to achieve a more stable parameter selection. Also, through competing indicator aggregation models, we hope to benefit from the latest advances in ensemble learning, which should result in better forecast stability as well. These steps should further reduce the risk of overfitting.

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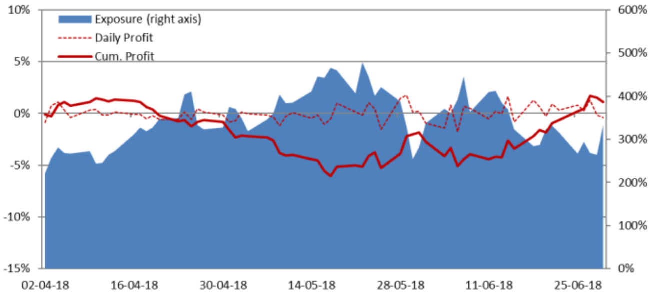
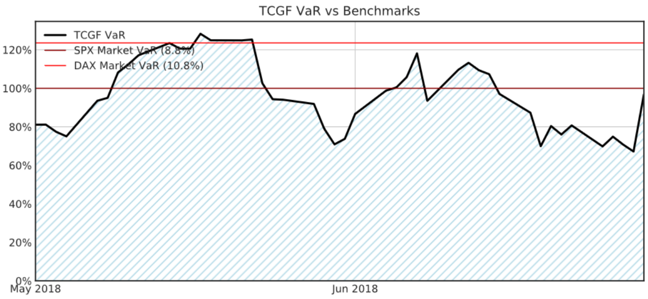
Risk Management

Our previous reporting focused on the gross risk of all our positions added up. It did not account for offsetting effects like long and short position in the same asset class or between asset classes. Under the term “Value at risk” (VaR), the financial industry developed a measure to account for these offsetting effects in a portfolio and make the risk comparable between different portfolios. We applied this methodology to the TCGF portfolio and compared it with an investment in the S&P or the DAX. This should give our investors a much better sense of the risk they run with their investment in the TCGF

Nominal Exposure



Value at Risk



Nominal exposure

Max:	gross: 478%, long 321%, short 220%
Average:	gross: 351%, long 213%, short 138%
Comment:	Average exposure levels did rise by design. After the completion of the diversification in April 2018 we increased our allocation levels. Profitability swings are negatively correlated to our exposure levels. This again is by design, because our trading is anticyclical. The better our forecasting is, the less we lose building up exposure and the more we win reducing exposure.

Value at risk

Max:	122% of S&P 500
Average:	97% of S&P 500
Comment:	Thanks to its diversification, the TCGF has a slightly lower average risk than the S&P, if measured by the VaR that takes the diversification and the individual market volatilities into account.

Contact

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Disclaimer

The Tom Capital Growth Fund is a contractual fund under Swiss law of the category “other funds for alternative investments” with special risks that implements its investment strategy through derivative financial instruments as described in 1.2 of the fund prospectus and §8 of the fund contract (use of equity, bond and currency derivatives based on an allocation process defined in the fund prospectus with integrated fund contract). Based on the instruments and the investment techniques used, the risks of the Tom Capital Growth Fund are not comparable to those of a conventional securities fund. In particular, the gross exposure of the investments may reach up to 585% (including credit) of the net asset value. Investors' attention is explicitly drawn to the risk information described in the fund prospectus. Under extraordinary circumstances, investors in the fund need to be prepared and capable to suffer the partial or total loss of capital.

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