



Solar B Institutional FOHF Share Price: US\$ 16.71

January 31 2016

Monthly ROR %

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YEAR
2002	0.87	-0.17	1.34	0.60	2.76	-1.47	0.00	0.30	0.12	-1.15	0.72	0.20	4.13
2003	0.78	0.30	-0.05	1.33	1.25	1.32	1.54	2.66	4.08	4.78	-2.00	1.92	19.25
2004	1.60	0.43	7.07	0.83	-2.90	1.62	-1.43	-0.05	0.09	0.01	1.69	1.29	10.40
2005	1.33	2.24	0.44	-0.19	-0.49	1.19	2.46	1.37	3.96	0.86	3.03	5.38	23.65
2006	0.65	-2.29	1.77	1.09	-4.22	-1.93	-1.30	1.56	0.94	2.08	1.62	1.75	1.52
2007	1.65	1.64	-0.13	2.45	2.02	2.25	1.98	-2.51	2.45	1.21	-1.62	1.13	13.09
2008	-5.31	0.40	-3.21	1.84	0.07	-3.75	-0.81	-1.67	-7.71	-4.90	0.30	1.02	-21.71
2009	-4.00	-0.68	-0.52	1.35	0.84	2.72	2.46	-1.78	0.85	0.17	1.23	2.58	5.12
2010	-5.69	-1.97	1.88	1.84	-3.93	-1.36	0.44	-0.38	2.30	2.93	0.37	1.96	-2.00
2011	0.79	-1.04	-1.20	-0.33	-2.32	-1.30	1.07	-1.90	-0.26	0.45	0.03	0.16	-5.76
2012	0.61	2.70	-1.28	-0.72	-2.67	-0.72	-0.49	-0.24	-0.84	1.03	-0.14	6.78	3.76
2013	2.32	0.54	0.03	1.67	2.83	-1.99	3.74	-0.38	0.84	0.23	0.53	2.50	13.50
2014	-0.75	-0.92	-0.65	-0.51	6.50	1.30	0.83	-0.08	1.62	-1.07	2.39	0.30	9.08
2015	-0.18	1.57	1.38	4.00	1.99	-0.71	-0.65	-2.37	-2.10	2.76	0.14	-1.03	4.69
2016	-4.26	EST											-4.26

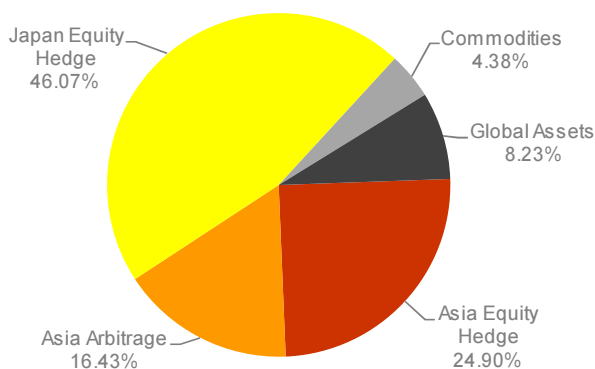
Source: CrossBorder Capital
* Model Returns until June 2003

Performance Statistics *

	Month January	Last 3 Months	Year To Date	Last 12 Months	Last 36 months	Annualised (01/01/02)
Net Performance	-4.26%	-5.11%	-4.26%	0.41%	21.28%	4.68%
MSCI Asia	-7.94%	-10.25%	-7.94%	-12.51%	-4.42%	3.77%
S&P 500	-5.07%	-6.69%	-5.07%	-2.74%	29.51%	3.80%
Standard Deviation				7.88%	6.92%	7.48%
MSCI Asia				16.97%	12.58%	16.76%
Maximum Drawdown				5.72%	5.72%	27.17%
MSCI Asia				18.65%	18.65%	54.47%
Sharpe Ratio **				0.09	1.65	2.43
MSCI Asia				-0.67	-0.10	1.15
Sortino Ratio**				0.06	4.54	0.74
MSCI Asia				-1.09	-0.47	0.33

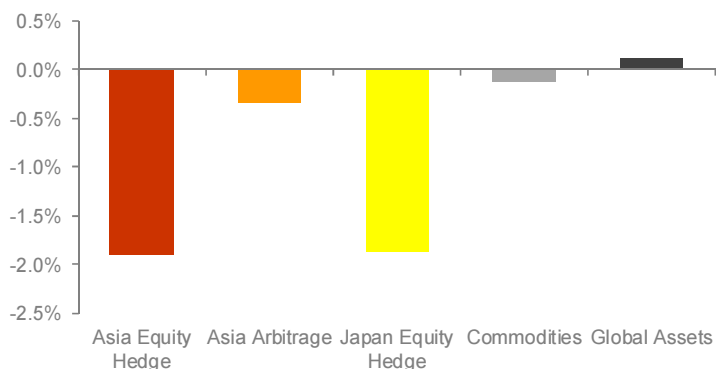
** -Risk Free Rate is the US 3 Month Treasury Bill rate at month end
Source: CrossBorder Capital / Datastream

Allocation at January 31 2016



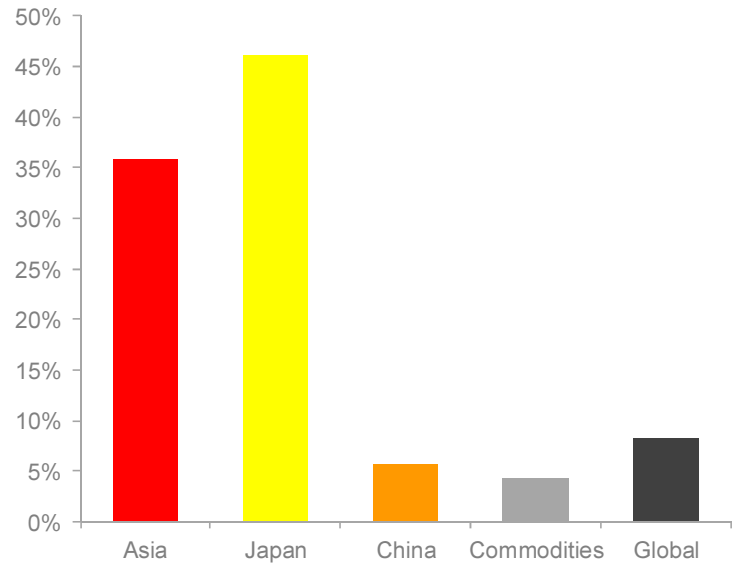
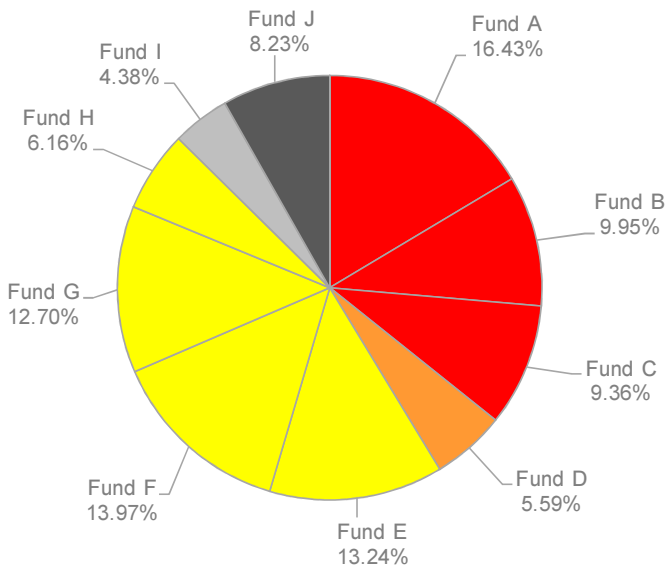
Source: CrossBorder Capital

Performance Attribution for January 2016





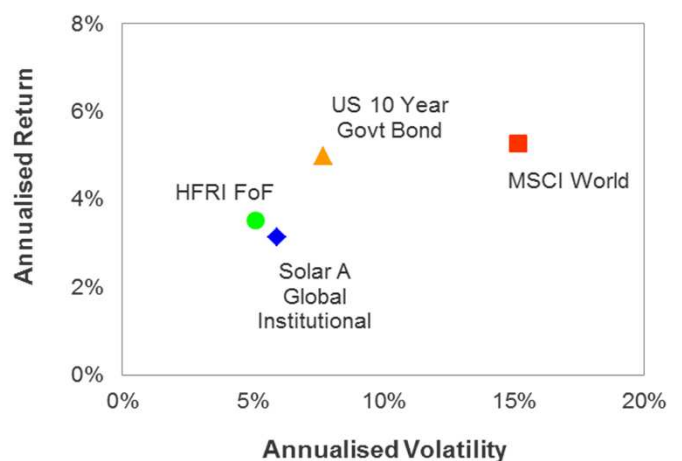
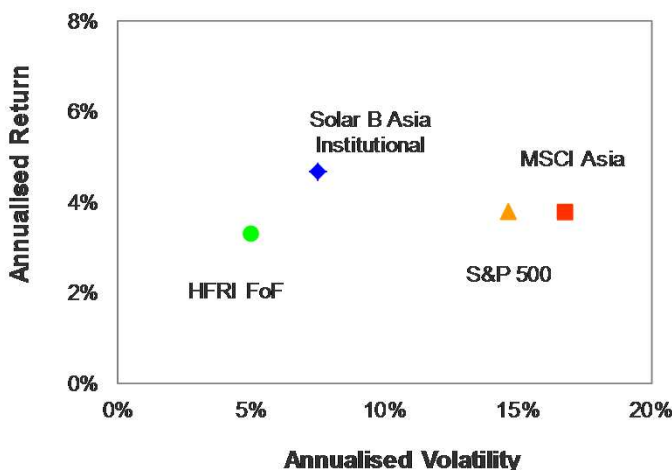
Portfolio Breakdown ex Cash at January 2016



The Positives in Japan's Negative Rate Decision

Japan's surprise shift to negative policy rates looks a carefully scripted attempt to deliberately weaken the Yen, possibly because policy-makers fear a much lower Chinese Yuan. Since this further delays what we see as an inevitable (Yen positive) fiscal policy easing, we now expect more near-term Yen weakness. Looking more broadly, the BoJ move signals that negative rates have become an acceptable policy-option and one that the US Fed could also embrace. A higher gold price may be the obvious winner from this general breaking of the zero lower bound (ZLB).

CrossBorder Fund of Funds / Historical Returns





CrossBorderCapital
Implementing Insight

Solar **Asia Japan**

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Monthly Analysis

The NAV of the fund contracted by 4.26% in January. That is a lower figure than the fall in markets but we are well aware that one cannot eat relative performance, and vehemently hope for improvement.

In the December monthly we alluded to the mayhem that had greeted the start of 2016, so no point in retreading that board. Has the outlook changed from our view of increased volatility and markets that grind lower? In rhetorical terms yes, in actual fact still too early to tell. The first Central Banker to crack under the pressure seemed to be Draghi of the ECB. We have written that the Europeans were the last major set of monetary authorities to be easing but he bothered to re-iterate that fact. This was followed by much more dovish comments from the Federal Reserve Bank, and the markets now believe that we may have as few as only one more rate hike this year. The most powerful announcement came from Governor Kuroda at the Bank of Japan as he set a negative level of interest rates. This is important, readers of this monthly will know that we considered that the fall of the yen had largely run its course and that the next thing we would see would be a sharp increase in fiscal policy which is probably bullish for the yen. Now it seems likely that the weakness of the yen will continue. There will, of course, be periods of strength especially when markets fall as margin clerks enforce the unwinding of the carry trade which funds much of the world's risk appetite.

One of the most probable reasons for the Japanese action is China. China is seeing record levels of outflow and some are afraid her reserves will fall below the recommended level of comfort that the IMF wants to see. Plenty of countries do that so we do not think it such a big deal. However we do think that the currency has started its long journey to 7½ to the US dollar and Japan (and the rest of Asia) needs a policy response to this. We think eventually that the yuan will achieve the hegemony in Asia that is currently enjoyed by the dollar but until then currency wars are likely. The Japanese economy continues to struggle with the Chinese slowdown with November machinery orders down 14% yoy in November and December exports down 9% yoy (for the third month in succession).

In two or three weeks' time we will know if the Central Bankers have followed their words with actions – they do not always do so hence our liquidity monitoring service and if they cheat markets always find them out. Meanwhile the weak oil price (which may well have bottomed for now after the recent sharp contraction of the contango in the term structure) has caused big outflows from equities by the sovereign funds of the oil-rich nations, e.g. Saudi Arabia withdrew \$60bn in 2015. Much more dangerously Russia is starting to fall apart at the seams. Real wages fell by 9% in 2015, per capita GDP which was \$15,000 in 2013 is not \$8,000, and retail sales fell by 15% last year. Pay no attention to President Putin's approval ratings, Stalin was awarded high ones as well. Much more and the Russian government will start to lash out.

So, we must wait and see. Silly headline of the month was found on Reuters "equities fall despite rebound in oil". There is no positive correlation between them, save, over the very very long time through the sovereign funds. We need a QE4, there are signs it may be coming but we have to confirm that first – words will not suffice.



CrossBorder Capital
Implementing Insight



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Underlying Funds

Fund		
Fund A	-	Asia, Arbitrage
Fund B	-	Asia, Long / Short
Fund C	-	Asia, Long / Short
Fund D	-	China, Long / Short
Fund E	-	Japan, Long/Short
Fund F	-	Japan, Long/Short
Fund G	-	Japan, Long/Short
Fund H	-	Japan, Long/Short
Fund I	-	Commodities, Long / Short
Fund J	-	Fixed Income / Currencies

Fund Details

Dealing:	Monthly Purchase and Redemption	Corporate:	Cayman OEIC; Cayman Listed
Minimum:	\$5,000,000 Initially; \$10,000 Thereafter	Administrator:	Dundee Leeds Management Services
Annual Fees:	Management: 0.25%; Performance: 10% over high watermark	Auditor:	BDO Cayman Ltd.

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