

# TRAFALGAR TRADING FUND INC.

Trafalgar Trading Fund employs long/short investment strategies, mainly focusing on Asian equity markets. The investment portfolio is constructed to identify and capture price moving events and information flows that have not yet been reflected into current share prices. The portfolio is frequently adjusted to reflect changing market conditions and reduce impact of extraneous events. The extensive risk controls and investment guidelines are designed to control position concentration and exposures. Diversification is achieved geographically, as well as by sector and by issuer.

Chris Aarons, founder of the Investment Manager, has over 30 years experience in securities research and trading. Other key members of the team have, on average, 20 years of experience with the global financial markets.

## MANAGER COMMENTARY

The Fund returned -1.30% in USD terms for the month of June whilst the MSCI World Index (MXWO) and LIBOR returned +1.40% and +0.01% respectively in USD terms over the same period.

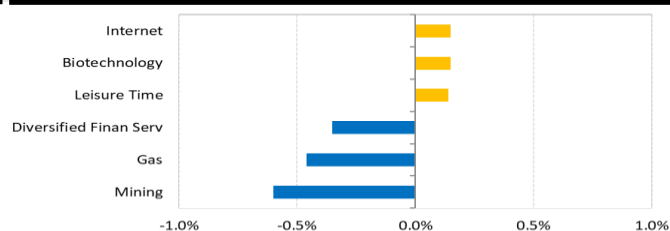
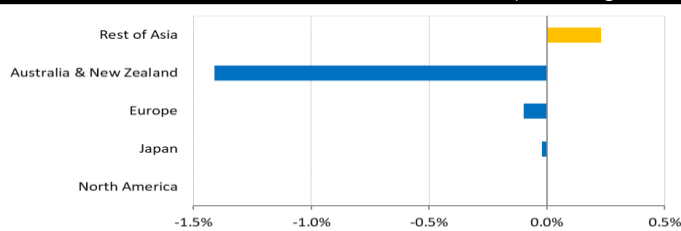
Global equities ended the first half of the year up 11.4%, advancing 1.2% in June. The US was the driver, up 2.5%. Whereas Europe (-1.5%) and Japan (-0.4%) both fell. 10 year US Treasury yields continued to decline, ending the month below 1.5% allowing growth stocks to outperform their value counterparts. Emerging markets declined marginally (-0.1% in June, +6.5% year to date) underperforming developed markets (+1.4% in June, +12.2% year to date); the declining US dollar (-2.9%) no doubt contributing to EM's underperformance. Industrials (+4.6%) and consumer discretionary (+4.2%) found themselves at the top of the EM sectoral table with Real Estate (-5.7%) at the bottom. Materials (-3.3%) also lagged, dragged down by falling metal prices (Copper: -8.6%, Gold: -7.2%, Silver: -6.8%).

Asia ex-Japan (-0.4% in June, year to date +5.5%) had a lackluster end to the first half of 2021, driven by flat performances in China (-0.4%) and Taiwan (+0.4%). ASEAN (-3.4% in June, year to date also -3.4%) was dragged down by large losses in Indonesia (-6.7%), Malaysia (-4.2%), Thailand (-3.4%), and Singapore (-2.6%), as a new wave of COVID cases threatened to expand.

The ASX200 was up in June, closing 2.3% higher. Industrials outperformed Resources across all size indices. Within sectors, Info Tech rose the most (+13.4%) followed by Communications (+5.6%) and Staples (+5.3%). Financials (-0.2%) was the only sector that fell for the month. The 2021 Australian financial year that ended in June will go down as a bumper year for index returns. At +27.8% this is the strongest since 2007. A rapid economic recovery and sustained policy support will both be credited as the major contributors for the sustained index move higher, with September the only down month. Consumer Discretionary (+46.1%) and Financials (+40.6%) were the drivers of performance over the year with Utilities (-18.6%) the clear detractor.

For the Fund, Australia was the driver of almost all the negative performance for the month, offset marginally by a small positive contribution from Asia. Australian pharmaceutical and technology longs together with a Thai retail long were some of the top performers for the month. Mark to market (again) on Australian rights trades, Hong Kong Energy longs and New Zealand agricultural shorts were amongst the more significant detractors. Gross exposure declined marginally to approximately 103%. Net exposure remained slightly positive at approximately +6%. The hit rate (47/53) turned negative this month. Whilst the long book produced a positive result for the month it was not sufficient to offset the decline in the short book in both absolute and relative terms.

## MONTHLY RETURN ATTRIBUTION BY REGION (net trading returns) MONTHLY INDUSTRY CONTRIBUTION - TOP AND BOTTOM 3



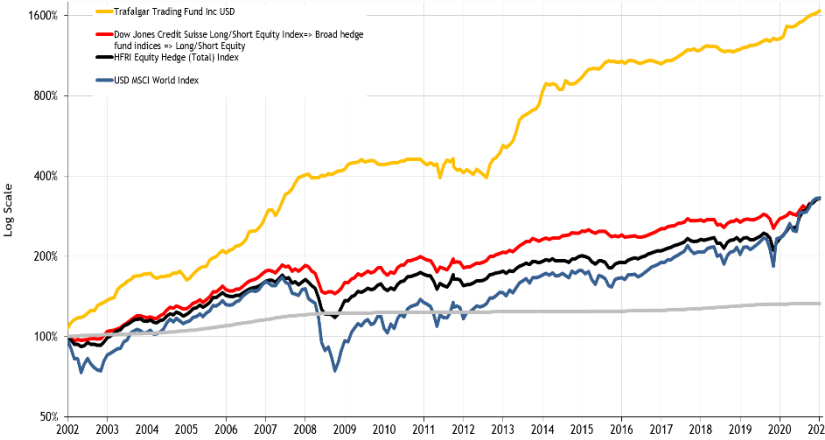
## MONTHLY RETURNS – CLASS A3 (USD)

(%, net of fees)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2021	2.51	2.29	0.92	1.12	2.16	(1.30)							7.90
2020	1.03	(1.24)	2.59	(1.01)	0.47	1.90	9.18	(0.23)	(0.05)	1.36	2.61	1.04	18.68
2019	0.41	0.28	(0.82)	1.54	0.51	1.80	0.31	1.66	(0.23)	0.69	1.58	1.64	9.75
2018	2.46	(0.43)	1.01	(1.97)	1.46	2.28	0.92	(0.63)	0.42	(0.75)	(2.80)	(1.19)	0.63
2017	0.61	0.42	(0.94)	(1.09)	(1.07)	2.14	0.99	(0.38)	1.68	1.92	1.96	1.77	8.22
2016	1.45	(0.59)	(0.12)	(0.49)	0.88	(1.63)	2.15	0.02	(0.55)	(1.53)	(0.14)	1.56	0.95
2015	(2.63)	(0.02)	0.63	2.63	2.71	3.37	3.27	0.73	0.52	(0.85)	2.28	3.40	17.02
2014	1.96	2.06	1.23	3.59	11.86	7.18	(1.31)	1.01	(0.48)	(4.32)	0.09	7.93	34.14
2013	11.93	4.39	1.53	4.53	6.47	(1.88)	2.39	3.57	8.55	10.26	3.40	1.46	72.48
2012	(1.49)	(4.02)	(3.10)	1.00	(3.26)	2.74	(1.62)	(2.58)	4.63	(2.15)	(2.30)	(2.64)	(14.16)
2011	(0.23)	0.70	(0.50)	(0.05)	(2.77)	(1.94)	1.92	(2.45)	1.44	(11.24)	11.79	4.02	(0.80)
2010	0.72	(0.27)	(2.73)	(0.46)	(0.09)	0.43	0.82	0.53	0.04	1.02	0.57	1.34	1.88
2009	(0.64)	1.53	1.30	0.11	1.45	4.34	1.03	0.44	0.31	2.65	(2.16)	0.55	11.31
2008	3.28	5.31	4.66	0.89	1.48	0.64	(3.24)	0.03	0.10	1.91	(0.27)	1.88	17.67
2007	0.95	0.16	2.73	3.88	6.34	5.77	(0.26)	(4.58)	5.60	7.00	6.52	1.49	41.09
2006	2.03	0.95	3.19	2.28	(2.30)	2.57	1.24	2.48	0.24	1.97	3.61	6.50	27.48
2005	2.10	(0.27)	2.10	(3.44)	(4.26)	1.49	3.79	3.00	2.28	1.23	0.32	5.37	14.12
2004	2.55	0.32	0.44	1.16	0.49	0.38	(2.99)	(1.04)	1.02	0.19	0.56	0.41	3.45
2003	(0.23)	4.38	1.78	0.90	2.01	1.64	0.80	6.92	2.70	1.98	2.77	1.57	30.62
2002				5.24	2.90	4.10	2.79	1.56	0.56	1.19	2.70	2.18	25.65

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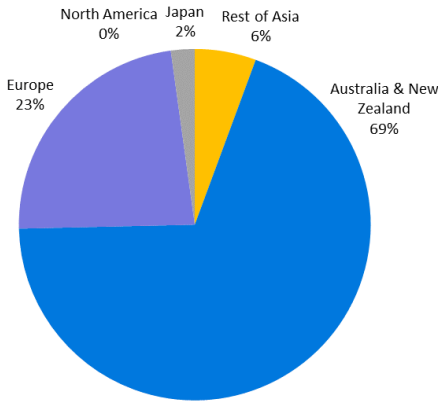
## COMPARISON WITH SELECTED INDICES



## STATISTICS

Compound Annual Return	15.7%	Sharpe Ratio	1.4
YTD Compound Return	7.9%	Correlation to MSCI World Index	5%
Return Since Inception	1556.4%	Correlation to HFR Equity Hedge Index	10%
Annual Volatility	9.7%	Percentage Up Months	72%

## MONTHLY REGIONAL GROSS EXPOSURE



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## STRATEGY GLANCE

Approach	Long/short equity strategy
Markets	Global equities, Asia bias
Instruments	Cash Equity, Equity Swap, Futures
Alpha Sources	Short-term market inefficiencies

## FUND INFORMATION

Inception	April 1, 2002
Domicile	Cayman Islands
Denomination	USD
Share Classes	USD/EUR/GBP/AUD/NZD/CHF
NAV / Return Reporting	Monthly Weekly estimate
Administrator	Centaur
Auditor	PWC
Custodian	BNP Paribas India Credit Suisse
Prime Brokers	Goldman Sachs BoA / Merrill Lynch Morgan Stanley

## FUND TERMS

Subscription	Monthly
Redemption	Monthly
Notice	45 days
Management Fee	2%
Performance Fee	20%
High Water Mark	Yes
Lock-up / Gates	None

## TRAFALGAR CAPITAL MANAGEMENT

- Founded in 2001
- Dynamic long/short trading strategy to generate absolute return in equity markets
- Assets Under Management c.US\$ 200M
- 10 professionals focusing on investments, operations, and compliance
- Authorized and regulated by the UK FCA and Trafalgar Capital Management (HK) Ltd is licensed with the Hong Kong SFC to conduct Type 9 (Asset Management) regulated activities. Made exempt reporting advisor filings with SEC on 30th March 2012

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