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## **CONSEQUENT INVESTING CONCEPT**

**Market views, Asset- and Style Allocation, Fund Selection.**

This Newsletter is the continuation of my reports of the fund of equity funds **Patrimonium Diamond** that I managed according to my **CONSEQUENT INVESTING CONCEPT** and that has been rewarded with **5 stars by Morningstar on a 10 year period**.

4 March, 2016. **February Performance & Thoughts**

### **Where is the boost to growth going to come from ??**

**The introduction of negative rates is a final act of desperation. It only compounds the risks of financial instability and sets the stage for the next (much bigger) crisis.**

Markets are completely de-correlated from fundamentals. That is not new. That is since Central banks are printing (Monopoly) money and creating bubbles everywhere. Central Banks have been buying time, time for the politicians to do the necessary structural reforms. But the politicians – only interested in reelection – wasted all that precious time. Today, Central Banks have no potential anymore. They are out of ammunition.

I read articles from economists about what Mr. Draghi could tell or legally do in the March ECB-meeting. QE and negative rates didn't help in December (nor did it work in Japan). So Mr. Draghi will have to imagine something new. The possible tools are however limited and very complicated (I admit that I had to read them twice ☺). I wonder if the investor's community will understand them. And in any case, I wonder if they will work this time. Even if Mr. Draghi pulls a genetically-modified rabbit out of his hat, I don't believe that it will impress the markets.

Maybe some High-Frequency-Trading-Computers will act as if they understand and send some orders in the market that will give us huge volatility but, no clear direction. Stocks could rise in the coming **days** on rising oil prices or on hope that Draghi will do a miracle, but I'm not convinced that (especially European) stocks should rise further in the coming **months**. Let's not forget that – besides our other problems – we will have the Brexit-party in June. It could be risky to be full invested in Europe before knowing what the Brits will do.

Today (\*) there is only one thing that seems to be able to drive the markets higher, which is a soaring oil price, if the oil producers could come to an agreement to cut production. But that seems not very likely if I listen to the Saudi Oil minister. On the other hand, the oil glut will not disappear within 6 to 8 months. I'm convinced that the oil price might be much higher at year-end, but it's not clear at all where it will go in the short term.

Based on the current situation, it's impossible to link the equity exposure of our Concept Portfolio to the fate of oil. As our base-scenario is still rather bearish, our net equity exposure is far from the authorized maximum 100%. We are actually at 35%, including 6% gold, oil and real estate. We analyze and try to understand the ever-changing dynamics and try to define the right timing to **make some small profits and – most importantly – limit big losses.**

**The portfolio has a Year-To-Date performance of -2.55%, while the MSCI World in Euro is at -6.97%, the DJ Stoxx600 at -8.72%, the S&P500 at -5.47%, the Nikkei at -15.80% and the Emerging Markets at -6.78%.**

(\*) Since the beginning of December, the S&P500 and oil prices finished the day moving in the same direction on 44 out of 60 trading days (FactSet).



## Consequent Investing Concept Portfolio : Asset & Style Allocation

This is a flexible asset allocation concept portfolio with an « absolute return » approach. Therefore the portfolio can have a net equity exposure between 100% and 0%.

NET EQUITY EXPOSURE PREVIOUS MONTH	ASSET ALLOCATION 29 February, 2016		Gross Equity Exposure	(*)	NET EQUITY EXPOSURE
19,33%	Dynamic Part of the portfolio	GLOBAL Equity Funds			20,01%
6,20%		Long only (full invested)	5,58%		5,58%
6,70%		Flexible	17,79%	/ 2 =	8,90%
5,12%		Long/Short	10,57%	/ 2 =	5,29%
1,32%		Uncorrelated Strategies	0,49%	/ 2 =	0,25%
1,98%		EUROPEAN Equities			3,90%
7,99%		Long only (full invested)	5,74%		5,74%
1,02%		Flexible	2,01%	/ 2 =	1,01%
7,16%		Long/Short	14,12%	/ 2 =	7,06%
-14,19%		Short Equities ETF	9,91%	(-)	-9,91%
3,63%		NORTH-AMERICAN Equities			3,69%
6,87%		Long only (full invested)	6,94%		6,94%
1,56%		Long/Short	4,81%		2,41%
-4,80%		Short Equities & Long VIX	5,66%	(-)	-5,66%
0,22%		EMERGING MKTS Equities			1,53%
2,77%	Long only (full invested)	2,80%		2,80%	
-2,55%	Short Equities ETF	1,27%	(-)	-1,27%	
4,10%	OTHER ASSETS (equity related)			5,54%	
2,12%	Real Estate Funds	2,20%		2,20%	
1,98%	Commodities	3,34%		3,34%	
	Defensive part	Fixed Income			
		Bonds Total Return	0,00%		
		Inflation linked	0,00%		
		Multi Strat. & Absolute Return	0,00%		
		Cash	6,77%		
29,25%		100,00%		34,66%	
30,40%	US Dollar Exposure (**)		33,77%		
(*) Net Equity Exposure = Gross exposure (all equity & equity related funds) minus short equity & long VIX positions and minus 50% of flexible & long/short funds. (**) Direct exposure = funds expressed in USD + forward contracts					

PREVIOUS MONTH	STYLE ALLOCATION 29 Febr.		
Gross Expo	Gross expo	Net exposure	
23,83%	Long only Equity (full invested)	21,06%	
15,42%	Flexible	9,90%	
27,67%	Long/Short	14,75%	
2,63%	Uncorrelated Strategies	0,25%	
21,54%	Short Equities & Long VIX	-16,84%	
2,12%	Real Estate Funds	2,20%	
1,98%	Commodities	3,34%	
0,00%	Fixed Income	0,00%	
4,81%	Cash	0,00%	
100,00%	100,00%	34,66%	

**PS :** today 3/3, the equity exposure is slightly higher (39%) due to the removal of the most aggressive protections who potentially could cost us some performance if the actual momentum stays in place for a few days more. The exposure will be reduced again before the ECB meeting.



## Consequent Investing Concept Portfolio : Performance

This is a flexible asset allocation concept portfolio with an « absolute return » approach. Therefore the portfolio can have a net equity exposure between 100% and 0%.

Performance & Equity Exposure (the portfolio has no benchmark, and has an absolute return approach)						
Month	Net Equity Exposure at Month END	Performance New Diamond Flexible	Performance MSCI World in Euro (MSERWI)	Performance World Index in Local Currency (MSELACWF)	Performance Stoxx Europe 600	Performance S&P500
<b>12 months rolling performance</b>		<b>-0,85%</b>	<b>-9,91%</b>	<b>-12,02%</b>	<b>-14,86%</b>	<b>-8,19%</b>
March 2015	54%	2,86%	2,55%	-0,61%	1,30%	-1,74%
April 2015	45%	-1,62%	-2,09%	1,35%	-0,38%	0,85%
May 2015	40%	1,10%	0,58%	2,26%	1,03%	1,05%
June 2015	28%	-2,46%	-4,02%	-3,05%	-4,64%	-2,10%
July 2015	32%	1,70%	2,59%	1,67%	3,95%	1,97%
August 2015	30%	-0,91%	-8,11%	-6,83%	-8,47%	-6,26%
September 2015	16%	-0,21%	-3,49%	-3,55%	-4,14%	-2,64%
October 2015	45%	0,91%	8,96%	7,54%	7,97%	8,30%
November 2015	49%	1,93%	3,89%	0,16%	2,65%	0,05%
December 2015	46%	-1,45%	-4,59%	-2,17%	-5,09%	-1,75%
2016 January	29%	-2,00%	-5,68%	-5,46%	-6,44%	-5,07%
2016 February	35%	-0,56%	-1,37%	-1,58%	-2,44%	-0,41%
Average net exposure	37%					
<b>12 month performance</b>		<b>-0,85%</b>	<b>-9,91%</b>	<b>-12,02%</b>	<b>-14,86%</b>	<b>-8,19%</b>
<b>2016 Year to Date</b>		<b>-2,55%</b>	<b>-6,97%</b>	<b>-6,96%</b>	<b>-8,72%</b>	<b>-5,47%</b>
Calendar Year 2015		11,26%	8,34%	-0,70%	6,79%	-0,73%
Calendar Year 2014		8,67%	17,21%	7,15%	4,35%	11,39%
Calendar Year 2013		11,15%	18,74%	22,91%	17,37%	29,60%
= exceptional months			= months of outperformance			

This is the short & quick version of the monthly report. If you are a “privilege” reader, you will receive the extended version during the month. The extended version includes performance attribution, contributors and detractors, 12 months evolution of the Asset Allocation, top10 positions, transactions of the month.

If you are not yet a “privilege” reader, just reply “yes” to my mail, and I will put you on the “privilege” distribution list.

*Proud to count you among my readers.*

*Jacques Bossuyt*

**WARNING: This letter contains no investment advice.**

This letter is the continuation of my management reports of the Patrimonium Diamond equity funds of funds that I managed, and that has been awarded 5 stars by Morningstar over 10 years. I managed the fund until 31/08/2012, when I took my retirement. Patrimonium Diamond was a compartment of the Patrimonium Sicav owned by Foyer Patrimonium SA, the asset management branch of the Luxembourg insurance company Le Foyer. Following my departure, the fund was liquidated, but the history is still visible on Bloomberg under the ticker FOADIMD LX. Now I am an active member in various investment committees and assist professional wealth managers in terms of asset allocation, management style and fund selection. I also publish this Newsletter in which I develop my ideas on financial markets and asset management through managing a virtual portfolio called **CONSEQUENT INVESTING CONCEPT PORTFOLIO**, formerly known as New Diamond Flexible Portfolio.

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