

AUG
2019

CARLTON JAMES DIVERSIFIED ALPHA FUND



FUND OBJECTIVE

After the 2008 global economic downturn many companies, investors and even governments were not only left with huge deficits, but also left in a market place which was so drastically different to the previous years. The strategy adjustment required to facilitate such a change in market conditions was too much for many and the losses were significant. But this wasn't the first time this kind of adjustment was required, and it certainly won't be the last. Economic cycles of this nature have been regular since the turn of the 20th Century. The development of 24-hour news and age of connectivity has also meant that the word 'crisis' is used regularly. This reporting and this level of connectivity has the ability to effect such global uncertainty that it can mean an investor needs to change their strategy within days.

FUND DESIGN

The Diversified Alpha Fund is designed to manage this risk and diversify its structure over multiple asset classes, jurisdictions and market places to offer a truly diversified strategy that can follow the market and secure shareholders against market uncertainty.

The Carlton James Group have structured the Diversified Alpha Fund to utilise their existing strategies and experience. These strategies have seen the group's members overcome macro-economic issues beyond their control successfully over previous economic cycles.

CONTACT US

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FUND HIGHLIGHTS

- Cayman regulated mutual fund
- Expected net yield to investors of 8% p.a. (paid quarterly)
- Over half the portfolio will be in senior and secured yield generating debt investments
- Scarcity of global capital & lack of flexibility provides significant opportunities for DAF
- Fund will utilise an 'ABC' (Alpha, Balanced, Core) Investment approach
- Quarterly performance achieved since inception

INVESTMENT PHILOSOPHY

Carlton James Global Management Ltd (CJGM) is based in Royal Wootton Bassett, Wiltshire (UK) and is the distribution management company within the Carlton James Group. Carlton James Group have recently launched the Diversified Alpha Fund (DAF), the strategy of which is to invest in a range of different asset classes by utilising an 'ABC' (Alpha, Balanced, and Core) investment approach. The 'core' aspect of the strategy underpins the expected net dividend payment of 8% p.a. to investors (paid quarterly).

ALPHA Commodities Trading, Technology
BALANCED Sports & Entertainment, Art, Insurance Backed Investments
CORE Hospitality, Land Development, Commercial Real Estate, Residential Developments

INVESTMENT CASE – THE OPPORTUNITY

- To invest in a Cayman regulated mutual fund
- Benefit from the 'ABC' approach of Carlton James which has risk management and diversification as it's central premise
- Tap into global network of investment opportunities including:
 - **Core** investments, asset backed, senior and secured
 - **Alpha** opportunities, potential for significant upside returns
- High Yield - expected dividend of net 8% p.a. paid quarterly
- Multi-asset funds, typically lower risk & less volatile than single asset funds
- Differentiation – a multi-asset fund quite different from others
- The capacity for the strategy runs into several billion dollars & a sizeable pipeline of opportunities has already been identified

NAV PERFORMANCE PER SHARE AS OF 31/07/19

Share Class	Currency	Aug 2018	Sept 2018	Oct 2018	Nov 2018 (DIV paid)	Dec 2018	Jan 2019 (DIV paid)	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019 (equalisation)	July 2019
CJDAFUS KY	USD	\$967.77 +1.57%	\$975.48 +0.80%	\$981.60 +0.63%	\$977.43 -0.42%	\$986.65 +0.94%	\$977.28 -0.96%	\$998.37 +2.16%	\$990.73 -0.77%	\$1002.96 +1.23%	\$987.26 -1.57%	\$1072.06 +8.59%	\$1047.45 -2.30%
CJDAFGB KY	GBP	£920.04 +2.51%	£924.31 +0.46%	£950.28 +2.81%	£947.62 -0.28%	£958.29 +1.13%	£920.88 -3.90%	£930.38 +1.02%	£942.43 +1.30%	£953.62 +1.18%	£970.91 +1.81%	£1092.20 +12.49%	£1106.54 +1.31%

VEHICLE & STRUCTURE

Company: Carlton James Mollitium Offshore Fund Manager Platform SPC

Segregated Portfolio: Carlton James Diversified Alpha Fund

Investment Manager: Carlton James Mollitium Investment Management Ltd

Domicile: Cayman Islands

Structure: Regulated unlisted fund

Share Classes:

GBP: ISIN KYG6401N2520

USD: ISIN KYG6401N2454

Management Fee: 1%

Performance Fee: 30% over a hurdle of 9% per annum

Hurdle: 9%

Liquidity: Monthly liquidity, with 10 day notice period

KEY PEOPLE

- **Simon Calton** (CEO), co-founder of Carlton James Group, c.15 years industry experience
- **Bob Pain**, over 30 years' experience with leading international investment and life insurance companies
- **Chris Phillips**, over 40 years' experience in UK and international corporate finance, real estate and the environmental sectors
- **Simon Johnson**, debt fund manager with over 25 years experience in debt fund management
- **Mike Andrews**, recognised expert in commodity investment management and algorithm research and development

PLATFORM AVAILABILITY

- Hansard International
- Custodian Life
- Cornhill Management
- Capital International Group
- Gravitas
- Dentons
- Ortega
- OMI S.A
- The Investment Platform

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FUND PERFORMANCE

Market Overview

The two major stories of the month are still Brexit and the US China trade war. These two major economic events are dominating the markets at present and have not only extended the usual economic cycles to over 11 years now (way beyond what it should be), but also are keeping markets unpredictable. These events look to continue to cause issues for at least the next 2 years, maybe more.

Since the US Fed cut the rate, this has prompted a change in monetary policy in the US, they should now be on a rate-cutting path, with current data showing the yield curve inverted. This means the US should be heading into a recession.

Carlton James forecasters still believe it's time for a reversal or a deep correction. The FED are hinting at more cuts to come before year-end, President Trump has been aggressively moving against the FED to cut rates now to help weaken the dollar. However, at this time it is very important to understand that the US dollar is currently very difficult to read. While it is true that the President and the Federal reserve are at odds with each other (due in part, to the overtightening of interest rates in Q4 last year) they must be careful with how they balance domestic economic requirements with the exchange rate.

You must also factor in that no president wants to run for office during a recession. With US China trade war ramping up and China not rolling over without a fight (allowing the Yuan to float downwards to counteract the US sanctions). This could be what the current US administration needs to hold off the inevitable recession until after the next US elections.

Brexit has again hit the negotiation wall, neither the UK or the remaining European Union delegate countries will benefit from a No Deal Brexit, however the EU will keep their cards close to their chest at the negotiation table, the same cannot be said for the UK. These internal UK issues are looking more and more likely to cause further extension of the limbo that all in Europe are seeing due to this Brexit debacle. Unfortunately for investors globally, this uncertainty is a major cause for such unpredictable markets.

Performance

Net Asset Value

July 31st Net Asset Value saw a decline in value in the underlying currency of the fund (US Dollar). This is somewhat unreflective of the positivity seen throughout the asset classes of the fund.

All major asset classes have seen a positive return through the month of July, with the exception of the capital markets portion of the fund. The committee have continued with the strategy of a reduced split into the Capital Markets and Forex trading asset classes to ride out the sporadic marketplace until some order is restored, and successful algorithmic trading can begin again.

The Investment Committee are continuing to hedge this alpha strategy with a stable and feasible debt strategy. With investment in industries that have historically outperformed a downward market and still perform well in booming economic times. This strategy should protect investors against any changes in market conditions. However, the small equity positions held in open trading positions of this alpha strategy have affected the end of month's valuation for July. As previously stated, there is still a view that we may see some volatility in this strategy over the coming months as we have seen in July, but the confidence is there that this strategy will take a positive trajectory.

More information on these strategies can be found on the CarltonJamesGroup.com under Press, News & Media (<https://carltonjamesgroup.com/media-news/>) or on the Carlton James Group LinkedIn page. Follow Carlton James for regular updates on direction of the group and funds.

Dividends

Now that equalisation has occurred dividend payment should start again by the end of next month, the end of Q3 (Assuming performance is generated during Q3 and in line with the expected dividend distribution in the Fund documentation). This will allow all investors both pre and post equalisation to benefit equally from dividend payments, whilst not disadvantaging any group of investors. Profits generated pre Q3 2019 will remain reflected in the share price.

The Diversified Alpha Fund strategy of capital preservation through diversification will continue to help the fund grow even in times of uncertainty. This is, of course, what the fund is designed to do.