



PENDRAGON

GLOBAL ALTERNATIVE INVESTING

Accredited Investors Only

Pendragon: Monthly Memo

April 2017

The liberal international order, that has characterized and formed the global economy since 1945, has recently come under fire due to the election of Donald Trump and the Brexit vote. Populism was seen as a major threat to globalization being replaced by economic nationalism. It is true that the global economy has reached a tipping point, the point at which it needs to evolve. The policies of zero interest rates and austerity ushered in 8 years of chronic slow economic growth, which left the middle class in the western world with little hope. The American dream has died. Yanis Varoufakis' book "Adults in the Room", is an inside story of high politics told by an outsider. Mr. Varoufakis was the Greek Finance Minister, who in 2015, was involved in the negotiations with the International Monetary Fund ("IMF"), European Central Bank ("ECB") and the European Union ("EU"). He suggests that the previous bailout for Greece was really just an implicit bailout of the financial institutions that held Greek debt. The author exposes the duplicitous behavior of the official sector during these negotiations, agreeing with him in private but unwilling to take the heat of expressing the same views in public.

In the book, Larry Summers is quoted as saying "Outsiders prioritize their freedom to speak the truth. The price is that they are ignored by the insiders, who make all the important decisions". But alas, a change of strategy may be at hand. Maybe those that were fighting to maintain the status quo, finally recognized the need to change. Suggesting that populism has peaked, the liberal international order finally recognized that pro-growth economic policies need to be implemented and that organizations and treaties need to be modernized.

The French election of Emmanuel Macron, while a defeat for populism, does represent significant change. Plus, the agreement between Greece

and its international creditors, Austria's rejection of Norbert Hofer (the far right freedom candidate in its Presidential election), the loss of Geert Wilders' far right party and Trump's policies that are more centrist than first thought, all point to a peak in populism. Populism may have peaked, but a major generational regime change is upon us.

Investors should try to be apolitical. However, these events, coupled with an election win by Angela Merkel's party in the fall, could be interpreted as the status quo willing to abandon its duplicitous past, and tackle the tough job of modernizing the global economy. Positioning your portfolio to take advantage of this evolutionary process is a key focus for us.

A global economy that balances the benefits of pro-growth fiscal policy, globalization and economic nationalism, will usher in a new period of free but balanced trade, with the twin goals of strong economic growth and inflation.

Is the period of slow chronic economic growth over? Will the standard of living rise for the middle class? Is the threat of a debt deflation bubble bursting behind us? Only time will tell. What we can say is that policy makers have understood that the status quo is no longer acceptable.

A major generational regime change is upon us. For example, Greece, with its unsustainable debt levels, has finally come to terms with the fact that its economy needs to be modernized. A period of structural change is finally starting in Greece. Privatization, tax reform, labour reform, coupled with the willingness of Germany and Brussels to recognize that a new, modern EU is needed. Greece's debt will eventually be included in the ECB quantitative easing program, and a debt cut desired by the IMF, led by Christine Lagarde, to be included

in Greece's bailout deal. This suggests that adults may finally be entering into the room. The IMF has long warned of the negative consequences of austerity. Hopefully others will follow Lagarde's lead.

solved, then the structural problems in Italy, Spain, and Portugal have minimal chance of being solved meaning the EU is dead. We have allocated capital to Greece and Europe to take advantage of this sea change in politics and capital flows.

Greece is the fulcrum economy. The global international elite have bought themselves some time. If Greece's structural problems cannot be



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Pendragon FundSERV Codes: CWF1400 | CWF1401

Inception Date	September 15, 2016	Manager	Caldwell Investment Management Ltd.
Subscriptions	Monthly	Eligibility	RRSP, RRIF, DPSP, DSP, RESP, TFSA
Liquidity	Monthly Redemption (5 business days notice)	Auditors	Deloitte LLP
Currency	CAD	Custodian	Caldwell Securities Ltd.
Minimum Investment	\$10,000 (Builders Class)	Legal	McCarthy Tetrault LLP
	\$25,000 (Investors Class)	Administrator	SGGG Financial Services Inc.

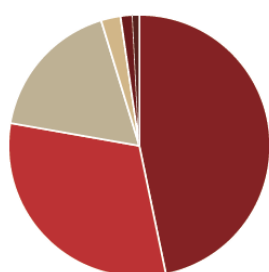
Pendragon Fund

As at April 30, 2017

Top Ten Holdings

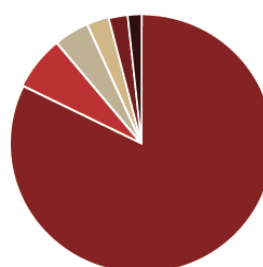
ALPHABET INC.	5.40%	MORGAN STANLEY	4.20%
AMAZON INC.	4.70%	FACEBOOK INC.	4.10%
FANNIE MAE	4.60%	FANNIE MAE PREFERRED SHARES	4.00%
SPDR INDEX EURO STOXX ETF	4.40%	APPLE INC.	3.90%
DEUTSCHE BANK	4.20%	BANK OF AMERICA CORP.	3.90%

Sector Weights



- Financials 46.7%
- Information Technology 31.0%
- Miscellaneous Equity 17.5%
- Consumer Discretionary 2.4%
- Cash and Cash Equivalents 1.5%
- Industrials 0.8%

Geographic Weights



- United States 82.4%
- Greece 6.7%
- Germany 4.3%
- China 2.7%
- Spain 2.3%
- Canada 1.7%

Please contact us if you would like an updated holdings sheet.

Accredited Investors Only

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