



**October 2018**  
**Monthly Highlights**  
**Series M - CWF402**  
*Fee Based\**  
**Accredited Investors Only**

Pendragon is a global macro hedge fund focused on finding undervalued assets. The Fund begins with a top down view of the global economy, followed by in-depth fundamental research at the industry and company specific level. Pendragon looks for opportunities around the world where other investors start to feel uncomfortable.

**MONTHLY REVIEW**

The equity markets sold off significantly in the month of October. Fear of a financial crisis, as in 2008, was the best case explanation. There was only one problem with that thesis, there was no stress in the credit markets. History suggests that there are a few sign posts to determine whether there is financial stress in the economy. The St. Louis Fed Financial Stress Index has a reading of close to -1, which suggests that financial conditions are good. For prospective, the index was close to 1 in 2000 and it had a reading of 5 in 2008. The interest rate spread between high quality bonds (AAA-rated) and low quality bonds (CCC-rated) was close to 3.5% as at November 6, 2018. In the run up to 2000 and 2008 this spread was above 6%, peaking at 15% in the 2001-2002 period, and at over 25% in 2008-2009. With regards to the action by the Federal Reserve (“Fed”), the yield curve has yet to invert and conditions are still good for credit creation. Finally, the relationship between the yield on the 2-year Treasury Bill and the effective fund rate is positive, suggesting that the credit market does not think the Fed is raising interest rates too fast. Simply put, the credit market is not signalling and did not give any early warning that the global economy is heading for a financial crisis. Sorry, no 2008 event yet. The correction in the equity market is just that — a correction. High quality companies are now on sale.

**MONTHLY PERFORMANCE**  
 (AS AT OCTOBER 31, 2018 - NET OF FEES)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	1YR
<b>2018</b>	5.0%	-1.7%	-13.5%	0.5%	-0.6%	-5.7%	0.5%	3.7%	-6.1%	-19.4%			
<b>2017</b>	-2.4%	-0.3%	0.6%	2.2%	-0.6%	-4.4%	-0.5%	-2.7%	-3.4%	11.0%	5.7%	5.4%	10.0%

**FUND PERFORMANCE**  
 (AS AT OCTOBER 31, 2018 - NET OF FEES)

	1 MONTH	YTD	1 YEAR	SINCE INCEPTION SEPTEMBER 15, 2016
<b>PENDRAGON FUND - SERIES M</b>	-19.4%	-33.6%	-26.1%	-14.1%

Returns are annualized for periods greater than one year. | Source of Returns is Funddata. | Results are net of fees.

**THEMES**

- 1) Digital transformation
- 2) The subscription economy
- 3) Global economic digital platform
- 4) Big data
- 5) Deregulation

**TOP HOLDINGS**

- 1) Microsoft Corporation
- 2) Micron Technology Inc.
- 3) Amazon Com. Inc.
- 4) Salesforce Com. Inc.
- 5) Adobe Systems Inc.

**FOR MORE INFORMATION**

For more information on this month’s Commentary and Investment Themes visit our website at [www.caldwellinvestment.com/pendragon](http://www.caldwellinvestment.com/pendragon).

## FUND DETAILS

INCEPTION DATE - SEPTEMBER 15, 2016

Management Fee	1.00%	RRSP Eligible	Yes
Performance Fee*	20%	Auditor	Deloitte LLP
Subscriptions	Monthly	Legal Counsel	McCarthy Tetrault LLP
Liquidity	Monthly	Administrator	SGGG Fund Services
Minimum Investment	\$25,000	Custodian	Caldwell Securities Ltd.

\*Based on perpetual high watermark using series accounting, no reset, no hurdle rate.

## PORTFOLIO MANAGER

### James Thorne

*Chief Capital Market Strategist & Senior Portfolio Manager*

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Dr. James E. Thorne is the Chief Capital Market Strategist and Senior Portfolio Manager at Caldwell Investment Management Ltd. He is also a member of Caldwell's Investment Risk Committee.

From February 2001 to September 2014, he held various senior investment management positions at M&T Bank and its wholly owned subsidiary, Wilmington Trust Investment Advisors, Inc. in the U.S., including Chief Investment Officer of Equities, Managing Director and Chief Capital Market Strategist. During his tenure, he was responsible for the management of approximately \$23 billion in assets and developed small, mid and large-capitalization investment strategies which employed a combination of quantitative and qualitative analysis and achieved top-quartile performance.

Dr. Thorne received a Ph.D. in Economics in the fields of Finance and Industrial Organization from York University in June 1993 and was subsequently employed as a Professor of Economics and Finance at the Schulich School of Business and at Bishop's University.

**TO SCHEDULE A MEETING WITH THE CALDWELL TEAM  
OR FOR MORE INFORMATION ON OUR STRATEGIES, CONTACT US AT:**

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**VISIT OUR WEBSITE AT [WWW.CALDWELLINVESTMENT.COM](http://WWW.CALDWELLINVESTMENT.COM)**



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