COMMENTARY FOR OCTOBER 2015

A lot of macro clarification

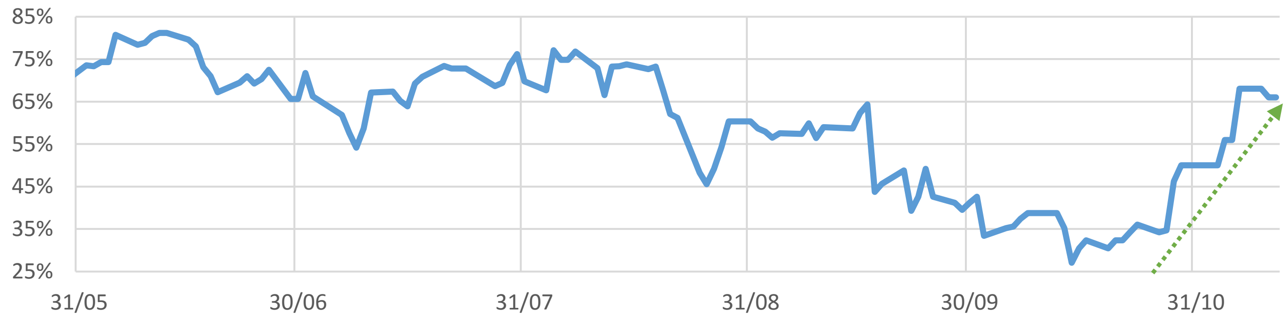
The Fed hasn't hiked rates at its October meeting but has again repeated its desire to start hiking in 2015.

After the rather buoyant US labor market figures for October, the consensus among market participants for a December hike is now at almost 70%.

This same fear in the emerging market is so evident that it goes beyond further comment. Just remember that the emerging world is short some 9 trillion dollars after its debt binge, thanks to the seven years of ZIRP by the Fed. A further strengthening dollar is a nightmare for a lot of emerging economies.

Euro government debt has started to move again. The periphery is restarting to invoke apprehension. Think of the instability in Portugal after its elections, think of Catalonia's secession plan, think of the lacking growth in France, think of

FED DECEMBER RATE HIKE PROBABILITY



Source: Bloomberg

The dollar has restarted its rally against the euro, the yen and emerging market currencies. Euro dollar parity before the end of the year is still a possibility. This expectation has also gotten a boost from the ECB as Mr. Draghi is studying to launch euro QE2 by December 2015. The BOJ was more muted on extending its monetary accommodation again.

Gold has corrected again but without breaching its low of the year, may we say, until now?

Commodities have continued to crash all over the place. The market feared that a December tightening from the Fed would risk a worldwide economic growth slowdown.

How do we see markets evolve in this environment?

ON RATES AND BONDS

We see little to zero value in bonds for the coming quarters.

Corporate high yield and junk bonds risk to continue falling. Default is looming not only in the energy and commodity sector. Risks to world growth, perceived or real, is broadening the fear in the corporates.

Germany cooling off, think of Greece and the Troika dissenting again, think of the migration problem etc. Will QE2 start and sink the euro towards $0.80 in 2016? What about the attractiveness of euro government debt under these circumstances? Fear for a lack of willing buyers.

For China, will bad debt on bank balance sheets grow to 20%?

The 10 year Treasury note is now at 2.345%, is this a lasting value proposition if the Fed starts hiking for the coming years? What if the velocity of money turns up for every further expected rate hike? Does cost push inflation and a Fed behind the curve really justify for the treasury market as a safe haven?

ON EQUITIES

We continue to believe in a blow up driving the Dow above 30 000 before the first quarter of 2017 ends. Other equity prices can follow, be it at a lesser pace. For the real long term, +7 years, India and China equity are attractive. However a fall of 20% coming with the first rate hike is still on board.

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Commentary for October 2015

On currencies

King dollar is still the place to be … until its strength becomes a US problem in itself, something we see happening in 2017. Euro equity positions, Japanese and emerging market plays are to be hedged in dollar against their devaluating currencies. We maintain a 2016 target of $0.80 in the euro if the Fed starts hiking and if the ECB starts QE2 in December.

On Gold and Commodities

We maintain that gold should bottom out following the first 40 days after the first rate hike. So February is the most likely for a gold low around $960-980? If the market evolves to fully discount a first rate hike for December, Gold could also anticipate and bottom in December already! So our long wait and desert travel since gold touched $1900 is now rapidly coming to an end. Mines should lead the way. We were happy to observe several days in October when gold equities climbed in the face of falling gold prices, even if … at the end when gold went under $1100, the mines succumbed again under the negative sentiment. Such action seem to confirm our belief that the turnaround is near.

For other commodities we see the dollar's rise still impacting during 2016. Only 'el niño' collateral effects on soft commodities and geopolitical mayhem for energy prices could change our general negative picture for these assets during 2016.

US dollar rally has restarted

Divergence between Gold and other commodities

Best regards,
for iW Alternative General Partner,
the fund manager

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PERFORMANCES FOR OCTOBER 2015

	Class	ISIN	MTD	YTD	NAV
iW Alternative SIF – Low Risk	P	LU0762435906	+2.7%	+6.38%	€ 9,500.26
iW Alternative SIF – Commodities & Gold Equities	P	LU0762436201	+8.7%	-1.93%	€ 276.45
iW Alternative SIF – Real Value Growth Fund	I	LU0762436037	+6.4%	+0.47%	€ 57.73
	P	LU0762436110	+6.4%	+0.11%	€ 56.25
iW Alternative SIF – Apis Lucrosa	I	LU1071453895	+6.5%*	+5.90%*	€ 1176*
	P	LU1071456054	+6.5%*	+5.37%*	€ 1090*

** The official NAVs for Apis Lucrosa are only available on the 16th of each month so the figures given are based on our best estimates and could differ from the actual official NAVs.*