INVESTMENT FOR WEALTH

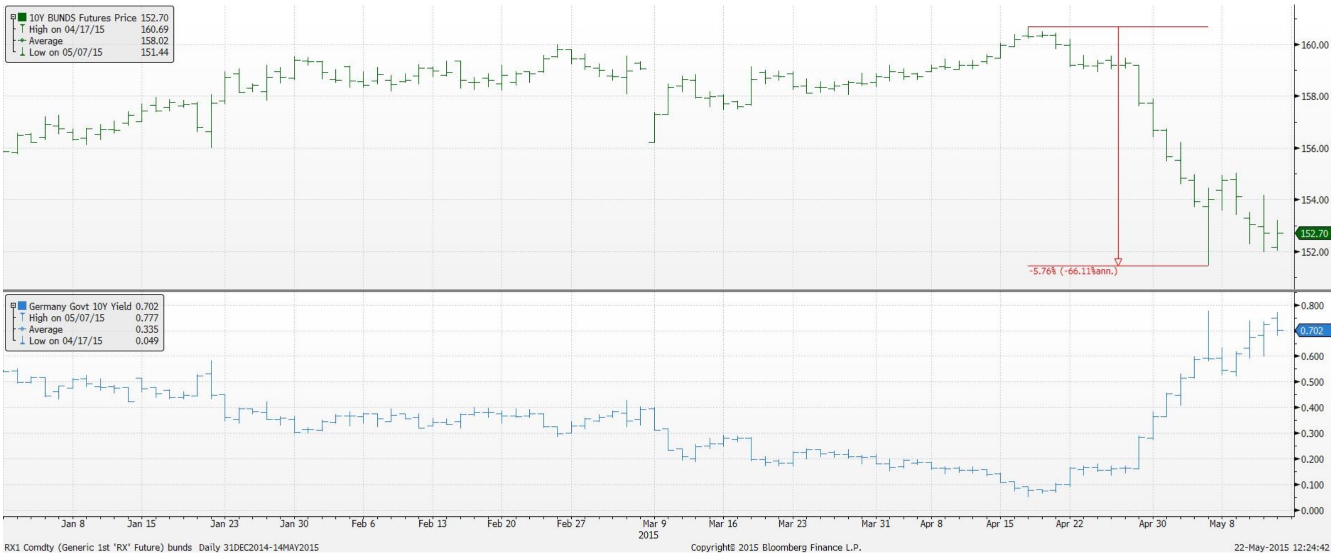
General report

Comments for April 2015

Did we get a first warning?

The most impacting occurrence in the financial market recently was what happened with the BUNDS. It was not about Grexit nor Brexit. It was not about the US first quarter GDP growth at a mere 0.2% (a figure that will be revised to -0.5% after the April trade data). It was also not about the recent accrued volatility in up and down swings in equity markets. It was not about the Gold price that continued in a long drown seaways correction, its trend has still a downward bias on the short term charts. It was not about the (expected) rebound in oil prices with the WTI surpassing $60. It wasn't related to the recent upswing in the euro dollar (a move that still may continue a bit more).

It was all about the BUNDS!



The German public debt market saw a brutal correction. The 10y Bund went from 0.05 % to 0.78 % in less than 14 trading days. Although they now hover somewhat lower around 0.68% this move is in terms of financial risk analysis a real rare multi sigma event.

Instead of writing about quantifying this move we think it is more interesting to speak about its meaning. We see this move as a first warning for more upheaval to come in worldwide public debt markets. Unconventional monetary policies post Lehman seem to have created a lot of monetary illusions.

The illusion of liquidity.

The low and in some places even negative rate on public debt was seen as the consequence of abundant money printing by central banks trapped in ZIRP policies. How can Bunds move so viciously if there is plenty of liquidity and excess of cash on hand? How can such a move happen when the ECB reaffirms the intention to continue QE until October 2016 at least? Was the more than 3 trillion public debt with negative rates real or just a momentary illusion? Fact is that real public debt / GDP ratios are still running higher and higher, while productivity and growth were not on the scene in the dimensions central bankers promised.

The illusion of stability.

Banks are now well recapitalized, enterprises have now ample cash, better regulations are in place, the Euro is saved and, and…so goes the song about the 'beautiful' deleverage central banks have realized since Lehman. But is this real? We think it's more like the lull in the eye of the hurricane. There it can be deadly calm. What will happen to interest rates considering the wild move in BUNDS happened while ECB QE is still on, while forward guiding by central banks is on, while the Fed has not yet moved etcetera? What leveraged speculation (based on rational exuberance in reach for a positive yield) will go awfully wrong? Think hedge funds, think pension funds etc. Which banks will go under without haircuts on deposits if rates someday normalize against the will of central banks?

The illusion of credibility.

How more violently Bunds will react once the population no longer believes in a happy ending of all these unconventional monetary policies? Will equity bulls become extinct after a last blow up created by money flows running away from public debt? Will gold prices start to become bullish again once the trust in public money evaporates? Will such a move be gradual or explosive?

We think that the recent moves in the Bunds are symptomatic of a loss in confidence in the almighty power of central bankers and our political elite. How is it possible that tiny Greece continues to be the talk of the town? Why did the people not spend more of the bonanza of falling energy prices? How is it possible that the US had again a negative growth trimester after 3 QE programs and ZIRP policies since Lehman. How to explain that confidence in future growth is warranted when inflation stays so much under the target even with years and years of zero rates. Why is their quasi no real wage inflation in the US when official unemployment rates are 5.4% at the end of April 2015 (full employment rate is stated by the Fed at 5.5%-5.2%). Why is there no more credit growth except for mergers and buybacks on the corporates side? Where is the growth in debt from the famous American consumer except subsidized student debt and car loans? Are market participants beginning to come to their senses? Will this realization create more social protest? More anger and violence? Will the masses become the new bond vigilantes?

We think this process has started and the repricing of public debt will overrun al the remaining powers of central bankers. We think this will not be a move contained to European Public debt. Contagion will rapidly affect also Japan's debt. Within 18 months the crisis should also reach US shores. Expect that after its beginning this move will still need months to become a secular new trend. We see it to start for real around October 2015. Remember our commentary 'Rendezvous d'octobre'.

It is this process that will ultimately lead toward a worldwide financial reset dethroning in its move the position of the US dollar as the main world reserve currency. At that moment somewhere between 2018 and 2020 gold cold reach between $3500 and $5000.

As always this is our personal vision and not a guaranteed event of things to come.

Performances and trading

iW Alternative SIF – Low Risk

The fund has increased by 0,2% in April, NAV 10.390,96 EUR.

iW Alternative SIF – Commodities & Gold Equities

The fund has increased by 2,1% in April, NAV 351,17 EUR.

iW Alternative SIF – Real Value Growth Fund

The fund has increased by 0,1% in April, NAV 68,24 EUR (I), NAV 66,61 EUR (P)

iW Alternative General Partner sàrl - 20 rue de l'Industrie L-8399 Windhof - info@investmentforwealth.com
ASSET MANAGEMENT - ASSET SERVICES - ASSET SOLUTIONS

INVESTMENT FOR WEALTH

iW Alternative SIF – Apis Lucrosa

The fund has increased by 0,9% in April, NAV 1252,20 EUR (I), NAV 1164,50 EUR (P)

Best regards,
For iW Alternative General Partner,
The fund manager

iW Alternative General Partner sàrl - 20 rue de l'Industrie L-8399 Windhof - info@investmentforwealth.com