Monthly report – March 2024

FLORIN COURT CAPITAL

FLORIN COURT CAPITAL FUND USD

Return and key figures[1)2)]

Return (after management and performance fees)	Florin Court (USD)	Société Générale CTA Index (local currency)	Société Générale Trend Index (local currency)	MSCI World NDTR index (local currency)[3)]
Last month, %[1)]	0.68	3.50	4.19	3.39
Year to date, %[1)]	-0.47	9.67	12.23	10.09
Since inception Apr17 to date, %[1)]	98.39	42.72	64.30	112.54
Average annual return, %[1)]	10.28	5.21	7.35	11.37

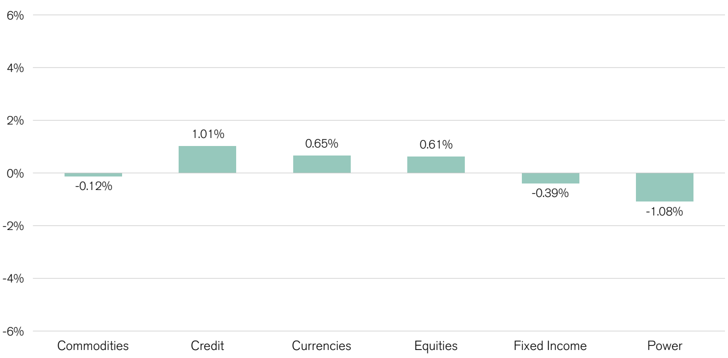
Risk ratios and other key figures				
Standard deviation, %[4)]	9.88	9.04	11.95	15.35
Sortino ratio[4)]	1.45	0.57	0.71	0.92
Sharpe ratio[4)]	0.85	0.37	0.46	0.62
Correlation with Florin Court[4)]	–	0.63	0.63	-0.12

All returns and key figures are represented by trading performance of Florin Court Capital Fund, Class A-2 $USD Shares.

Assets

Master assets, millions of USD	1,903.0
Change in Master assets since previous month, %[5)]	+4.92
Manager Assets Under Management, millions of USD	2,146.0

Performance attribution by sector, %[6)]



Risk

Portfolio, %	
Highest VaR[7)]	1.24
Lowest VaR[7)]	0.98
Average VaR[7)]	1.14
VaR, 29 March 2024[8)]	0.98

Component VaR, %[9)]	
Commodities	0.12
Credit	0.28
Currencies	0.07
Equities	0.16
Fixed Income	0.07
Power	0.29

Margin to Equity Ratio for the Master Fund, %	
Average Monthly Margin to Equity	37

Leverage

AIFMD leverage, March 2024	Exposure (USDM)	Leverage (%)
Gross	48,645	2,556
Commitment	34,175	1,796
Florin Court internal leverage[10)], March 2024		
Internal leverage	17,012	938

Monthly returns (after management and performance fees), %[1)]

Year	Full or Part year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	**14.58**	–	–	–	0.26	0.18	-0.58	3.44	3.66	1.65	3.33	0.11	1.77
2018	**-2.77**	-0.27	-6.54	0.77	1.87	-0.79	-0.41	0.45	6.10	1.24	-3.68	-4.71	3.85
2019	**14.74**	-0.72	0.17	4.24	-0.41	1.58	5.56	0.74	2.25	-3.36	-1.07	0.97	4.23
2020	**2.60**	2.46	-2.27	1.79	-0.69	-0.25	-2.23	3.19	-1.97	-1.19	1.36	-3.05	5.81
2021	**28.79**	-1.20	-2.83	4.62	2.65	4.00	1.78	1.32	3.20	8.33	5.31	-0.61	-0.47
2022	**19.03**	0.67	3.62	4.90	2.80	-0.73	2.61	1.14	4.56	2.27	-0.66	-4.40	1.14
2023	**-0.85**	-0.13	0.00	-5.86	2.27	4.15	-0.63	0.40	-1.77	3.27	-3.00	-3.67	4.68
2024	**-0.47**	-1.82	0.68	0.68									

1) All returns and key figures shown are **represented by actual trading performance of Florin Court Capital Fund** from 1st of April 2017 when current Florin Court Capital Programme commenced. All returns and key figures shown are **subject to all fees and expenses of Florin Court Capital Fund Class A-2 $USD shares** and are inclusive of 1.0% p.a. management fee and 20% incentive fee net of HWM with annual December crystallization. These returns will differ from the actual returns of a BMS Share Class investor because BMS Share Class incentive fee is subject to a Hurdle Rate and has monthly rather than annual crystallization. Actual incentive fee expense may also differ due to the timings of actual investments. **Please refer to the official monthly Investor NAV Statements produced by Citco, the Fund's Administrator, for your actual BMS Share Class returns.**
2) The fund has no investments in hard-to-value assets for which no market pricing information is available, e.g. unlisted/private equity, or model priced instruments for which no industry standard software models are available, e.g. complex, structured, one-off contracts.
3) MSCI, www.msci.com, ©2024 MSCI Inc. All rights reserved.
4) Risk Ratios are calculated from the net monthly returns of the Florin Court Capital Programme which commenced on April 1st 2017. Fees include 1.0% p.a. management fee and 20% incentive fee net of HWM with annual crystallisation.
5) The Fund's capital activity Dealing Day is always the first calendar day of the month. Change in Master Fund's assets is calculated by comparing NAVs at the open of business on the first calendar days of the following month to the previous month and includes all capital activity.
6) Performance attribution is provided for the Florin Court Capital Programme which commenced on April 1st 2017. Fees include 1.0% p.a. management fee and 20% incentive fee net of HWM with annual crystallisation. FX Hedging, OTC charges and all non-trading fees and expenses are allocated pro-rata to all the sectors.
7) Highest, lowest, average of the daily parametric value at risk over the month, as percentage of AUM of the Florin Court Capital Master Fund.
8) Daily parametric value at risk at 95% level, as percentage of AUM of the Florin Court Capital Master Fund. The volatilities are computed using a half-life of 20 days.
9) Component VaR: contribution to the total VaR of the portfolio from all sectors, using individual market positions and correlations between sectors from the full markets correlation matrix. Note that sum of the sector component VaRs equals the total portfolio VaR on the last trading day of the month, as reported above. VaR figures are daily at 95% level.
10) Internal leverage numbers are calculated by the fund using the following assumptions:
    Bond Futures and Short-Term Interest Rate Futures: Absolute USD Market Value, scaled by a 10 year bond equivalent duration factor
    Interest Rate Swap: Absolute USD Notional, all IRS Swaps are first netted for each counterparty/currency/tenor/start date, and then scaled by a 10 year bond equivalent duration factor
    Credit Default Swaps: Absolute USD Notional for every open position, scaled by a 10 year bond equivalent duration factor
    FX Forwards: Absolute USD Market Value of one leg, all FX FRWDs are first netted for each currency/value date
    Cash: Absolute USD equivalent for all non-USD balances, netted by currency
    All other instrument: Absolute USD Market Values
    Denominator for the Leverage % calculation is the starting capital for the relevant month.

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Authorised & regulated by the FCA:
Firm Reference Number 670181

Partnership Registration in England & Wales:
OC397 358

Counterpoints: China and the US

The Florin Court Capital Programme[1] returned +0.68% in March, net of fees and expenses. Year-to-date net returns stand at -0.47%.

Chart 1 compares Florin Court's performance with the benchmark SG Trend and SG CTA indices. The reader will note FCC's long-term outperformance, which we attribute to superior diversification and trends in our set of alternative markets. These ~500 diversifying markets range from freight to carbon emissions, from EM interest rates to Chinese commodities. As alt-markets "purists", we aim to minimise overlap with conventional CTAs and do not trade most standard CTA markets. With different market lists, you naturally get different performance, as you can see in Chart 1.

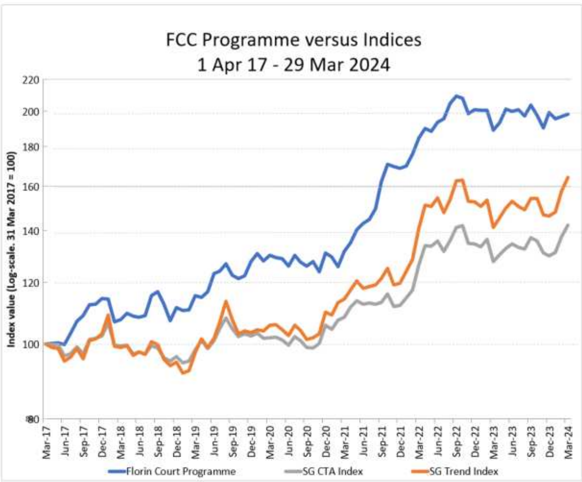
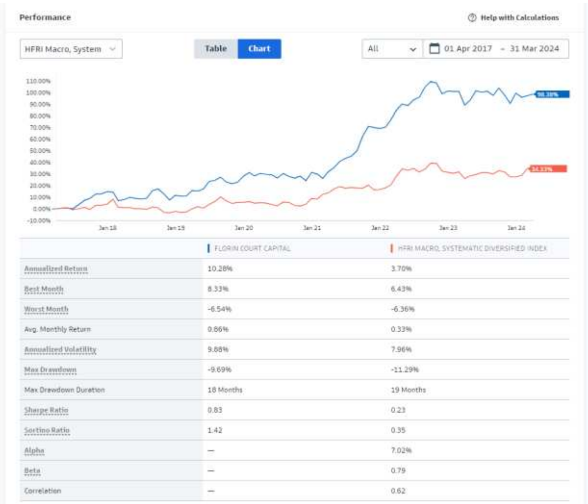


Chart 1: Florin Court Capital Programme Net Performance versus SG CTA Indices (log-scale) (Source: Florin Court & SG)

In the last few months, FCC has lagged standard CTA benchmarks. Standard trend programmes, to be sure, have benefited from dramatic moves in some "standard markets" that we don't trend-follow as an alt-CTA: e.g. cocoa futures, Nasdaq futures, and Nikkei futures. FCC's distinctive market list, plus an historically higher Sharpe ratio, makes our alt-trend programme additive to allocator trend portfolios. We are in fact differentiated from the super-correlated pack of standard CTAs.

Chart 2 shows another benchmarking of FCC. Here we compare FCC over the long-run with the HFRI Macro Systematic Diversified Index[2]. Relative to that benchmark, we have delivered on average 658 bps of alpha per annum, a correlation of about 60%, and a Sortino Ratio that is 4x higher.



	FLORIN COURT CAPITAL	HFRI MACRO, SYSTEMATIC DIVERSIFIED INDEX
Annualized Return	10.28%	3.70%
Best Month	8.33%	6.43%
Worst Month	-6.54%	-6.36%
Avg. Monthly Return	0.86%	0.33%
Annualized Volatility	9.88%	7.96%
Max Drawdown	-9.69%	-11.29%
Max Drawdown Duration	18 Months	19 Months
Sharpe Ratio	0.83	0.23
Sortino Ratio	1.42	0.35
Alpha	—	7.02%
Beta	—	0.79
Correlation	—	0.62

Chart 2: Historical Performance Comparison: FCC versus HFRI Macro, Systematic Diversified Index (Source: Florin Court, HFR. Accessed via GS)

Our key design features include:

- ~500 alternative markets
- Emphasis on power and commodities
- Reactive trend signals: positive convexity
- Nimble fund size
- Minimal exposure to generic "risk premia" (e.g. equity beta, FX carry, short vol)
- New markets added every year (43 net additions in 2023)

[1] Represented by the trading performance of Florin Court Capital Master Fund, subject to fees and expenses of Florin Court Capital Fund Class A-2 shares. Fees include 1% p.a. management fee and 20% incentive fee subject to HWM and paid annually.

[2] Indices are for comparison purposes only. It should not be assumed that the Fund will invest in any specific securities that comprise any such index, nor should it be understood to mean that there is a correlation between the Fund's returns and any index's returns.

PERFORMANCE ATTRIBUTION BY SECTOR

Credit	+1.01%
Currencies	+0.65%
Equities	+0.61%
Commodities	-0.12%
Fixed Income	-0.39%
Power	-1.08%

MACRO OVERVIEW FOR MARCH

March delivered a continuation of February's risk-on trends based on dovish signals from Federal Reserve and excitement about the AI Revolution.

US Fed Chair Jerome Powell spoke clearly, indicating that the Fed is *'not far'* from having confidence to cut rates. In Congressional testimony in early March, he said: "*It will be appropriate to begin to dial back the level of restriction so that we don't drive the economy into recession."* Continued strength in US data is also mitigating recession concerns while giving the Fed comfortable space in which to adjust policy.

Enthusiasm about artificial intelligence and higher earnings forecasts for the Magnificent Seven helped power global stocks to the best first quarter in five years. Mega-cap tech has been leading the charge, but the bullishness has spread far and wide: the MSCI World Index rose 8.47% in Q1, while the S&P 500 rose 10.16%. Valuations look stretched to some analysts (Chart 3); the Magnificent 7 now comprise about 30% of the market cap of the S&P 500 (Chart 4). Please see Chart 5 for the evolution of consensus next-12-months (NTM) net income forecasts for the Mag 7 and the "Less Mag 493".

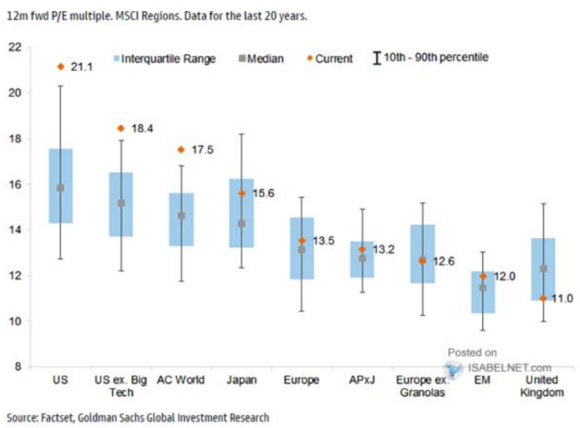


Chart 3: Global Equity Valuations: US Tech Stands Out (Source: Isabelnet.com, GS)

Chart 4: Mag 7 Up To 30% of S&P 500 (Source: Isabelnet.com, BoA)

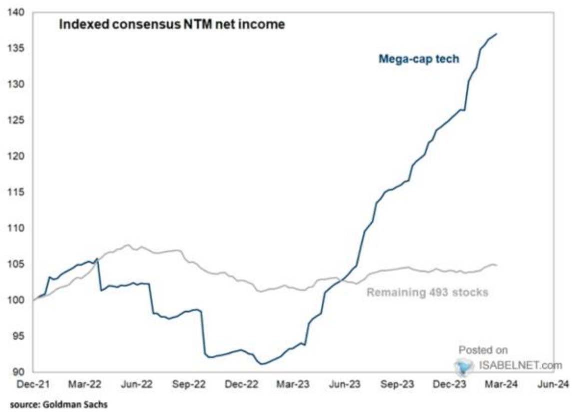
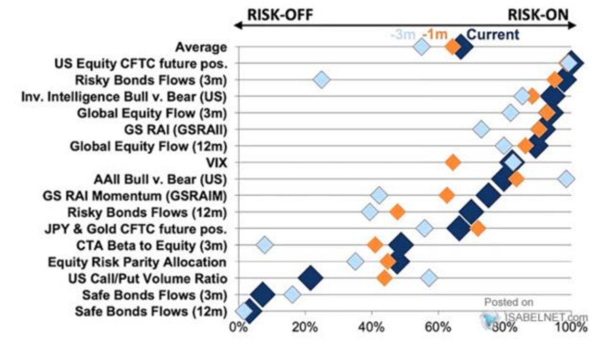


Chart 5: Consensus NTM Net Income in S&P 500 (Source: Isabelnet.com, GS)

Various indicia of risk seeking (Chart 6) reflect increasing risk-on sentiment. This bullish mood has fed, in the US, into a virtuous cycle of higher asset prices and better growth, all taking place while *inflation has been stable, if not declining*. Unlike expectations elsewhere, US real growth forecasts (Chart 7) have been consistently climbing. US economic performance borders on the surreal.



Source: EPFR, Datastream, Haver Analytics, Goldman Sachs Global Investment Research

Chart 6: Risk On! (Source: Isabelnet.com, GS)

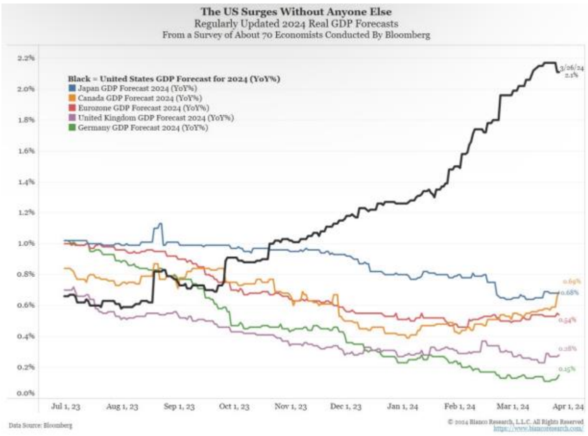
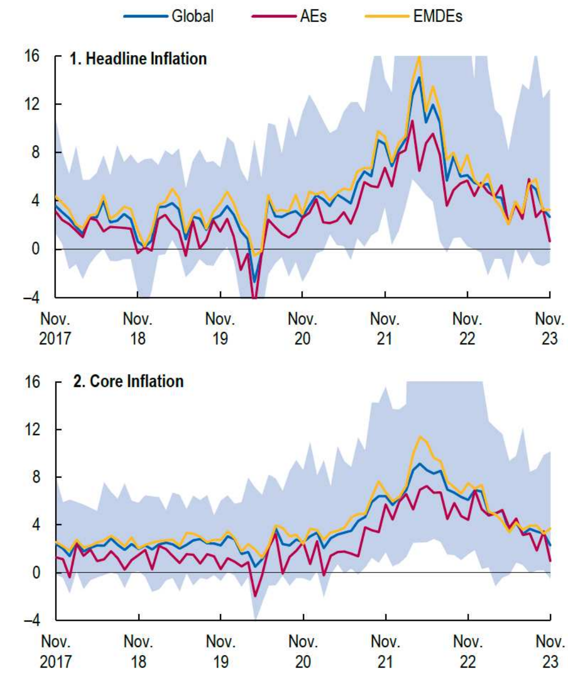


Chart 7: No Landing? US Growth Expectations Climb Unlike RoW (Source: Isabelnet.com, GS)

Let's talk about global inflation. As Professor Steve Hanke correctly points out, there is no such thing as "global inflation", only local inflations for particular currencies and economies. There are, to be sure, global patterns; central banks have conducted monetary policy more-or-less in concert, and some pandemic supply side issues simultaneously impacted many economies. In fact, inflation has been broadly declining since late 2022 in the US, Europe, Japan, China and many emerging markets. Please see Chart 8.



Sources: Haver Analytics; and IMF staff calculations.

Chart 8: Inflation's Rise and Fall (Source: IMF)

In America, this "Immaculate Disinflation" (Chart 9) is being achieved without a recession, reflecting – I think – the strong state of household balance sheets (at least among the affluent), the disappearance of supply-chain snarls in 2022-23, and the soaking up of excess liquidity by monetary tightening and higher prices (Chart 10). To my knowledge, the US has *never* seen an inflation drop of this magnitude without a significant economic slowdown.

Chart 9: Plunge in Inflation, No Recession Yet (Source: Yardeni)

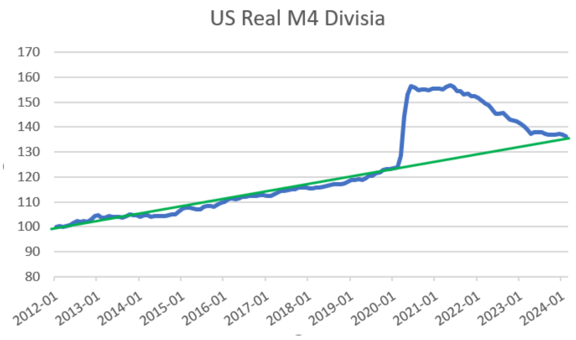


Chart 10: US Real M4 Money Supply (Source: FCC, CFS)

In fact, the American economic picture is even more impressive than it seems. ***US consumer inflation statistics are at the moment greatly overstated.*** Overstated? Yep … by the ramshackle construction of the shelter component. Shelter is about 1/3 of overall CPI and over 2/5 of core CPI. And how is inflation in shelter costs computed? Using a weighted average of rent and “owner’s equivalent rent”, with the latter (OER) comprising about ¾ of the figure. The OER, it turns out, is computed in a rather silly way. Homeowners are surveyed and asked: *“How much do you believe it would cost to rent your house or apartment*?” Economists like Cam Harvey and Lacy Hunt consider this methodology ridiculous in an age when Zillow and MLS data will show you actual housing cost data.

The OER “measurement” leads to stale and inaccurate estimates of shelter inflation and therefore to stale and inaccurate CPIs. How stale and moldy are these figures? About a year. (I have previously compared these figures to food left in a dorm refrigerator). Where is true CPI? Below 2%! Have a look at Charts 11 (CPI with *actual rental costs*) and 12 (core CPI and PCE with housing removed entirely) to see how low inflation really is.

To further erode your confidence in the economics profession, allow me to point out the poor evidence for emphasising “core inflation”. Yes, headline inflation is more volatile, but core inflation isn’t much better at predicting future inflation according to many econometric studies. As Crone, et.al., concluded: *“Policymakers tend to focus on core inflation measures because they are thought to be better predictors of total inflation over time intervals of import to policymakers. We find little support for this assumption.”* Straight PCE deflator should suffice, or perhaps PCE ex-housing when inflation is changing quickly. Or policymakers might even deign to look at the money supply!

https://fredblog.stlouisfed.org/2023/10/how-housing-prices-have-impacted-pce-inflation/

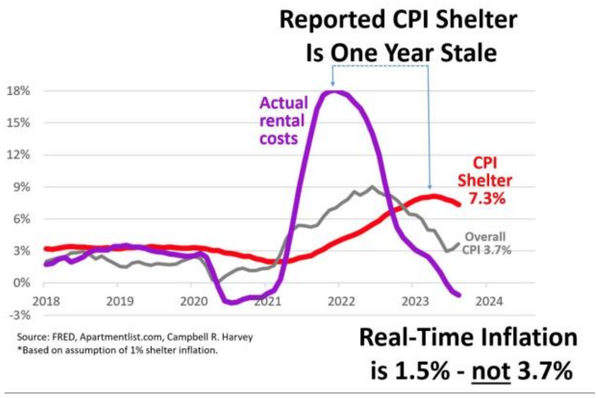


Chart 11: Lower Real-time CPI (Using Actual Rents) (Source: Cam Harvey)

Chart 12: Consumer Inflation Ex-Shelter Running at Approx. 2% (Source: Yardeni)

In the wobbling Eurozone, where N. Europe is basically in recession, headline inflation has also come down impressively, although core inflation remains a little elevated. Please see Chart 13. The ECB is expected to cut policy rates this summer.

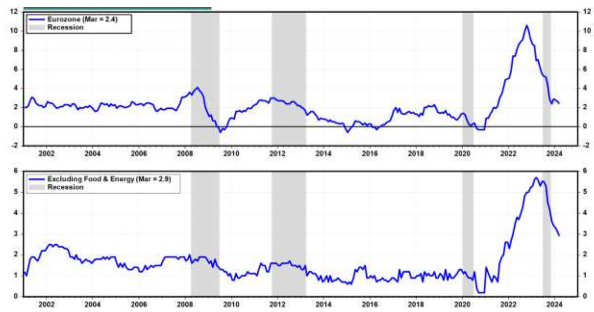


Chart 13: Eurozone Inflation Falls, but Core Inflation Remains Above Target (Source: Yardeni)

China is, in many respects, a counterpoint to the US story. Whereas the US appears to be enjoying a cyclical recovery (think ‘no landing’?), China wrestles with a balance-sheet slump, low confidence, disappointing consumer spending, and mild deflation (Chart 14). More Chinese companies are struggling these days (Chart 15), and China’s old growth model (viz. infrastructure investment, urbanization, exports, property, etc.) seems to offer diminishing returns. The country, most believe, must pivot toward greater consumption and promote investment in tech and high-value-added activities. This was one reason why the central government began to try to control the property bubble starting in 2022 (see e.g. https://thediplomat.com/2022/12/interpreting-chinas-2022-central-economic-work-conference/).

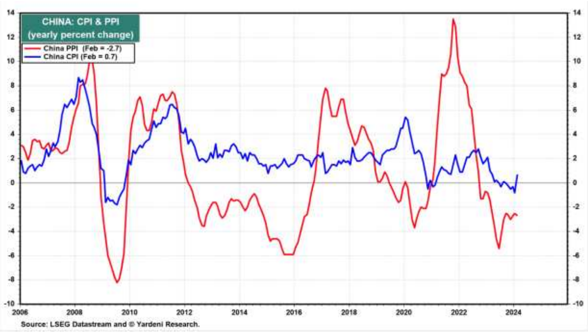


Chart 14: China: On the Edge of Deflation (Source: Yardeni)

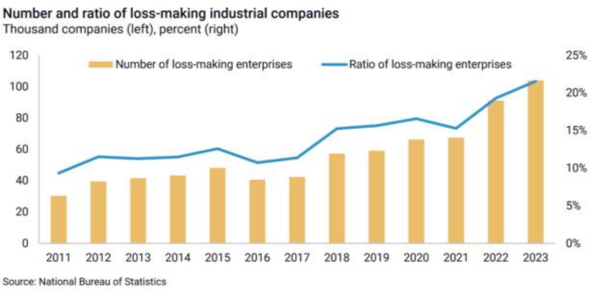


Chart 15: China: Loss-making Enterprises Increase (Source: Rhodium)

After months of soft data, China seems to be stabilising. March PMIs (Chart 16) moved in the right direction, both for manufacturing and in various service sectors. Telecommunication, financial, wholesale, railway, and leasing services were strong. The China Beige Book, produced by a US research firm, surveyed almost 1500 Chinese businesses between March 1st and March 23rd. This survey confirmed the positive official data on production, retail sales and fixed-asset investment. While businesses have pulled back on borrowing, they are seeing revenue growth, some improved margins, and better hiring in most sectors. The residential property sector remains weak, but the commercial side improved. https://www.cnbc.com/2024/03/27/china-economy-on-track-for-strong-march-performance-china-beige-book.html

The property slump, in my opinion, will continue to weigh on the economy until more political decisions get made about how to deal with the flotsam from prior bad lending. China's money supply and bank loans have been growing more slowly over the last 6 months. Don't get too optimistic… or too gloomy.

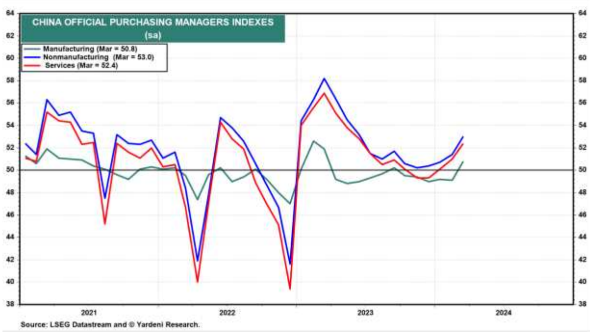


Chart 16: China Turning Up?

I have noticed a certain smugness in the West regarding China's recent difficulties. Western commentators tend to cycle among a diverse set of attitudes including mania, paranoia, and gloominess about China. "Mania" comes from recognising the sheer scale of the country and extrapolating potential opportunities there. Two good books to read in this vein are David Goldman's *"You Will Be Assimilated"* and Martin Jacques' *"When China Rules the World"*. Consider the size of the economy: there are over 110 Chinese cities with populations greater than 1m: https://www.visualcapitalist.com/chinas-113-cities-one-million-people-population/

Already, China comprises a quarter of global luxury sales, just behind the US. Bain thinks that China will rise to 40% within a few years. No wonder people got excited.

"Paranoia", on the other hand, comes from Western discomfort at the advent of a peer competitor, one with different governance and culture. For better or worse, the US is accustomed to calling the shots globally. It is an important but expensive position that America will be challenged to keep. Some people feel that trying to be the "Indispensable Nation" is important in an interconnected world. Others say being the sole hegemon, the "global cop", is no longer a sensible goal for a country with huge debts, poor infrastructure, weak investment spending, and 4.3% of the world's population living on 6% of the world's land mass. America might need to choose its geopolitical spots, the argument goes, but this is not a cheery realisation… hence, the fear of China.

Then there is economic competition from China. Given our environmental concerns, isn't it nice that China is embracing green tech and making tons of low-cost EVs and solar panels? Not exactly, it turns out. Janet Yellen now frets that China, having invested so heavily, is poised to dominate global markets and hurt nascent US green tech efforts.

https://www.cnbc.com/2024/03/27/yellen-china-solar-ev-surplus-global-markets.html

China is spending the money and has the scale to succeed in key sectors. David Goldman often makes pointed observations about the notable differences in societal efforts. He recently wrote: *"China graduated 81,000 materials science engineers in 2021 vs. 3,415 in the US-- 1/24th as many. This is getting silly. That's battery design, essential for directed-energy weapons as well as EVs."* Given the greater effort in engineering, China unsurprisingly leads the world in hypersonic technologies. See: https://www.bloomberg.com/news/newsletters/2024-03-12/bloomberg-evening-briefing-china-leads-the-world-in-hypersonic-technology?embedded-checkout=true

China does have a plan. As David Goldman just wrote:

> *China has had a plan for more than a decade: shift to high-tech from semi-skilled manufacturing, shift exports toward the Global South, shift growth from Tier 1 cities to Tier 3-4 cities. Investment in the Global South harnesses the labor of a billion people, compensating for a declining work force. Automation increases labor productivity. It's pursued this plan single-mindedly and for the most part has succeeded, despite some speed bumps."*

"Gloominess" refers to the pessimistic stance that prevails when current events seem to confirm the idea that the Chinese model surely cannot work over the long run. *"Look at the property crisis there, look at the imbalances"… "The chickens are coming home to roost!".* Collapse is near, some think.

As a reader of history, I think it is pretty hard to be definitive about what works over different time scales. Systems change, and societies rise and fall. The US system of 2024 isn't the US system of 1964 or 1924 or 1884. And China's system has been evolving too. You might enjoy hearing my college friend Eric Li's classic Ted Talk: *"A Tale of Two Political Systems".* https://www.youtube.com/watch?v=s0YjL9rZyR0. I do think free markets and small governments are likely to produce the best results, and China's recent drive toward greater centralization may indeed slow progress relative to the time when Eric was speaking.

One of the sharpest contrasts between the US and China relates to savings and investment. For years, the US has arguably saved and invested too little. Indeed, net national savings (Chart 17) went *negative* in 2023, an alarming and unprecedented state of affairs considering the healthy economy, as Lacy Hunt emphasised recently.

Chart 17: US Net National Saving (Source: FRED)

Investment, spending to increase productive capacity, is determined by saving combined with imported capital. China, in contrast to the US, has been the world leader in saving and investing (Chart 18).

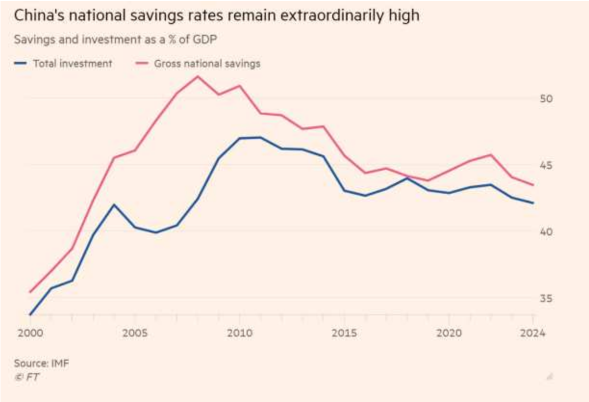


Chart 18: High Chinese Saving and Investment Rates (Source: FT)

Commentators such as Martin Wolf have long argued that a savings glut in Asia, especially China, has created terrible distortions in the global economy. Various circumstances, including poorly developed local capital markets and mercantilistic recycling of trade surpluses, cause capital to flow to the US and other deficit nations, as well as end up in relatively unproductive local property markets. See https://www.ft.com/content/cc40794b-abbb-4677-8a2a-4b10b12b6ff5. This narrative is like a macro version of the "Paradox of Thrift" which begins with the notion that one person's spending is another person's income. Thus, a sudden increase in desired saving across an economy can reduce incomes and therefore savings. (You don't want people to save more during downturns even though it makes sense at the household level).

All this is true, but it's a short-term analysis. In the long run, having robust baseline saving is exactly what you need if you want a high investment economy with rising productivity. So, Wolf should have an equal concern about Western societies that do not save or invest enough. As we have pointed out many times, the US government is running unsustainable deficits with no end in sight. The national debt in fact increases by about $1tr every 100 days! Recently, luminaries like Jamie Dimon, Larry Fink and Ken Griffin have all picked up this theme and sounded the alarm.

In the short-term, the US economy indeed looks strong, while the Chinese economy struggles to maintain adequate demand. On the other hand, the long-term picture is less clear. National saving and investment are chronically weak in the US and getting worse. China, by contrast, has a plan and is certainly not under-investing. Both extremes are to be avoided, but under-investment may be the greater risk over the long term.

Interestingly, under-saving and under-investment are actually *defining features* of the poor, at the level of both individuals and societies. Dr Anthony Daniels is a psychiatrist who has written about anomie and social dysfunction in underclass neighbourhoods, based on his experiences treating individuals there (*"Life at the Bottom"*). Daniels focuses on one explanatory factor, among many: values favoring immediate gratification, thinking mainly about today not tomorrow. (This is understandable, to be sure, when there are few opportunities). It is a recipe for disaster, of course: not saving, not investing, not fixing things, not planning. Western societies should focus on getting our act together. Our well-developed capital markets and more flexible economies should help us to compete effectively with anyone.

CREDIT AND EQUITIES

Credit was the Programme's best sector in March. Credit spreads tightened as risk-on themes strengthened during the month. Please see Charts 19 through 22. The price action in equities was positive as well, as noted in macro overview. We made money in our long positions (e.g. Singapore in Chart 23) but lost on a short position in the China A50, where weak trend signals were offset by bearish non-trend signals.

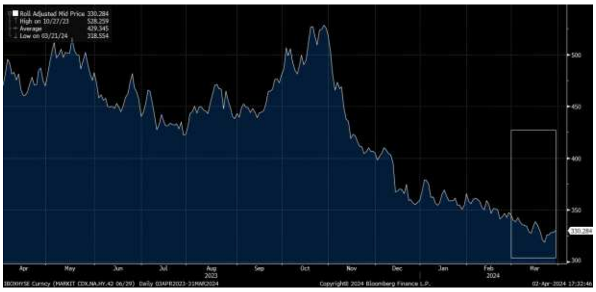


Chart 19: CDX High Yield CDS spread (Source: Bloomberg)

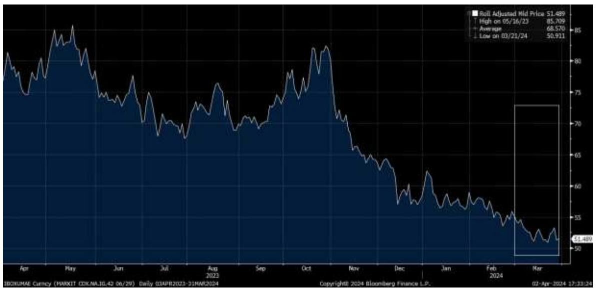


Chart 20: CDX Investment Grade CDS spread (Source: Bloomberg)

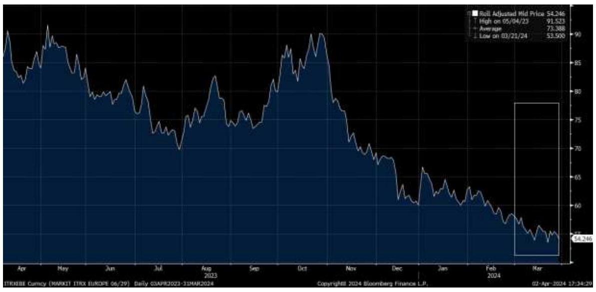


Chart 21: ITraxx Main CDS spread (Source: Bloomberg)

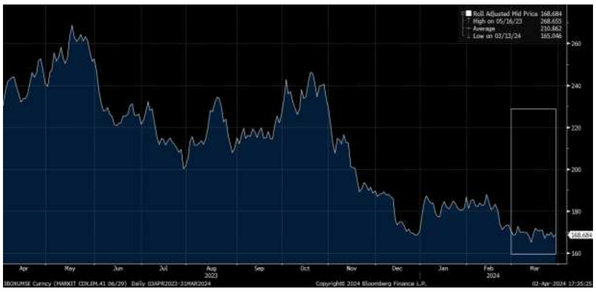


Chart 22: CDX Emerging Market CDS spread (Source: Bloomberg)

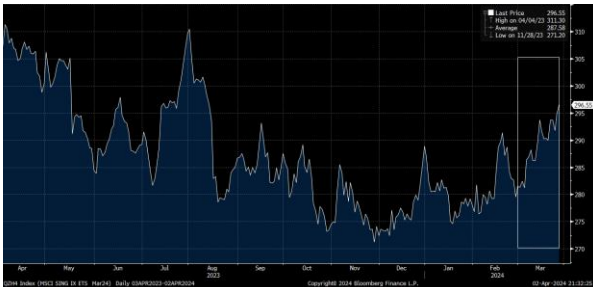


Chart 23: SGX MSCI Singapore index futures (Source: Bloomberg)

CURRENCIES

The Programme gained 65bps in FX in March. As one would expect, the US dollar gained in March on the back of positive economic surprises (Chart 24). There were gains in most short FX positions, such as the Chinese yuan and the Indonesian rupiah (Chart 25). Profitable longs included Mexico (Chart 26) and Colombia (Chart 27), but other longs lost money. For example, the Norwegian Krone (Chart 28) weakened notably against the US dollar.

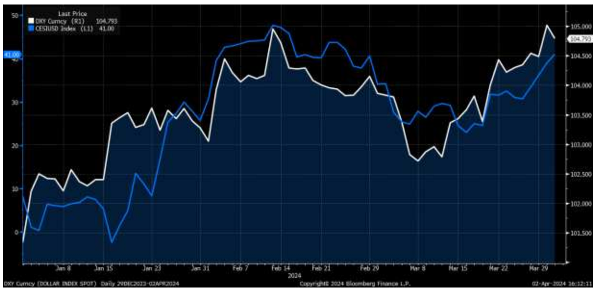


Chart 24: The Dollar Index (DXY) Tracked Economic Surprises (Source: Bloomberg)

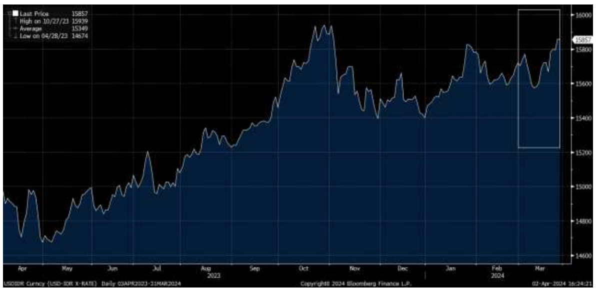


Chart 25: Indonesian rupiah (Source: Bloomberg)

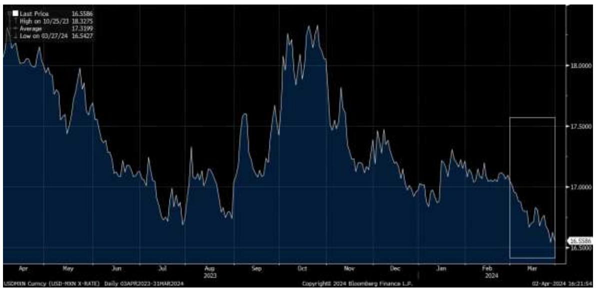


Chart 26: Mexican peso (Source: Bloomberg)

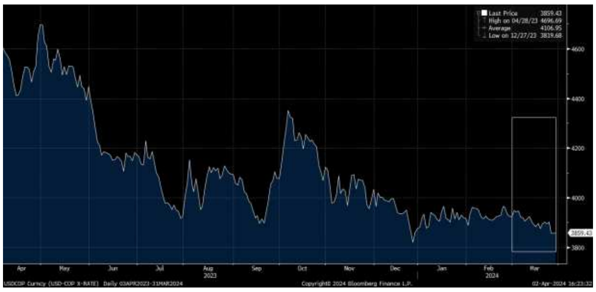


Chart 27: Colombian peso (Source: Bloomberg)

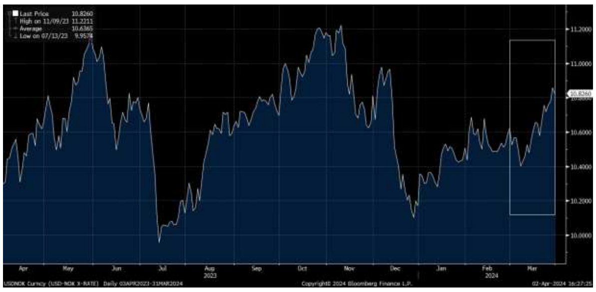


Chart 28: Norwegian Krone (Source: Bloomberg)

COMMODITIES

Commodities were flat in March in mixed price action. There were gains in steel rebar (Chart 29), where we were short, and in aluminium (Chart 30), where we were long. Several grain markets surged on supply concerns. We had losses in milling wheat (Chart 31) and soybeans (Chart 32).

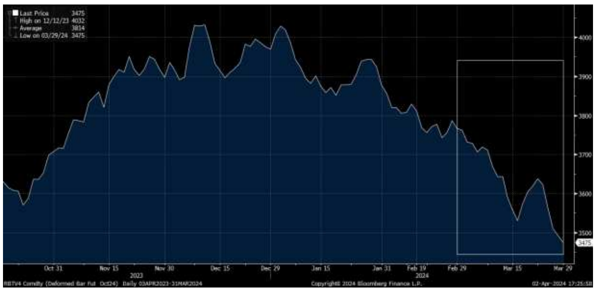


Chart 29: Steel rebar in Shanghai (Source: Bloomberg)

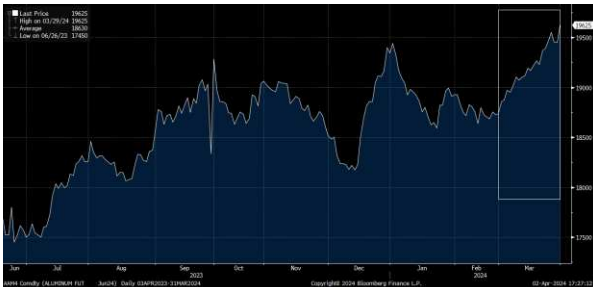


Chart 30: Aluminium in Shanghai (Source: Bloomberg)

Chart 31: Milling Wheat (Source: Bloomberg)

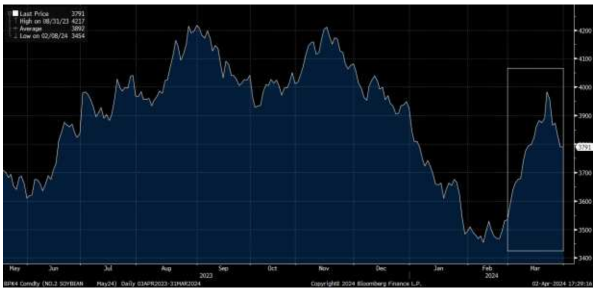


Chart 32: Soybeans in Dalian (Source: Bloomberg)

FIXED INCOME

The Programme had modest losses in fixed income in March. Bond yields were mixed: Latin American and Eastern European yields rose, while Asia was mixed and some European yields dropped sharply. Our best markets were Taiwan (Chart 33) and Poland (Chart 34), where we were paying. Unfortunately, we had losses on paying positions in Norway (Chart 35) and receiving positions in the Czech Republic (Chart 36).

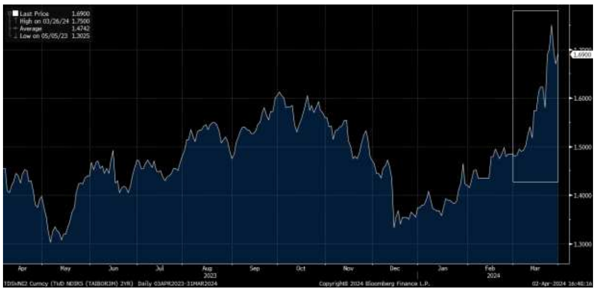


Chart 33: Taiwanese 2-year Interest Rate Swaps (Source: Bloomberg)

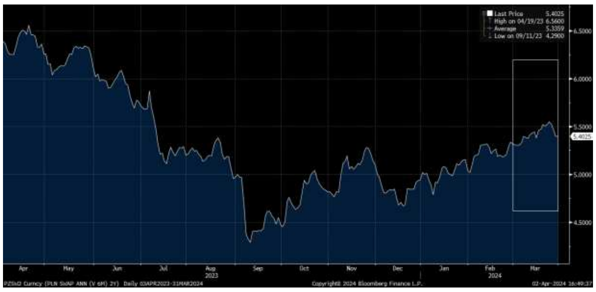


Chart 34: Polish 2-year Interest Rate Swaps (Source: Bloomberg)

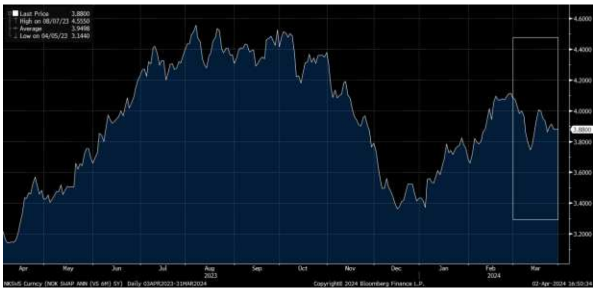


Chart 35: Norwegian 5-year Interest Rate swaps (Source: Bloomberg)

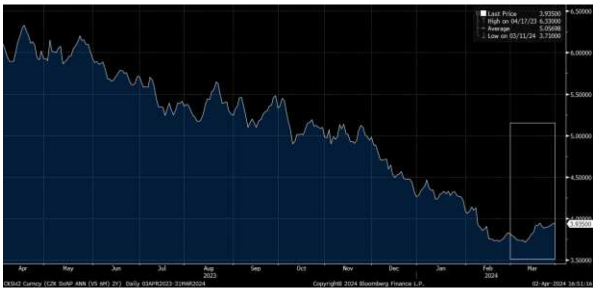


Chart 36: Czech 2-year Interest Rate swaps (Source: Bloomberg)

POWER

Power was our worst sector this month, down 1.08%, on reversals in recent downtrends in natural gas, electricity, and emissions. According to energy market analysts, cheaper prices sparked demand for fuel in some Asian countries, raising competition for LNG shipments. Electricity prices tracked gas prices up during the month.

We made money in North-eastern US carbon permits (Chart 37), where we were long, but lost on shorts in various reversing energy markets. See Charts 38 through 40.

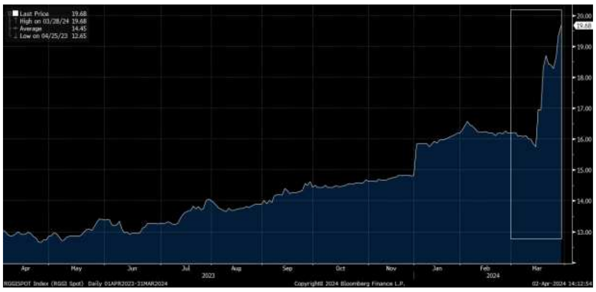


Chart 37: RGGI Carbon Permits (Source: Bloomberg)

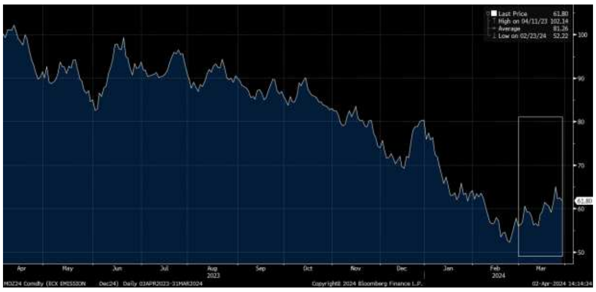


Chart 38: European Carbon Emissions (Source: Bloomberg)

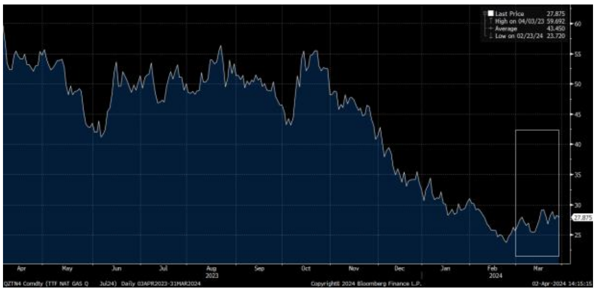


Chart 39: Dutch Quarterly Natural Gas (Source: Bloomberg)

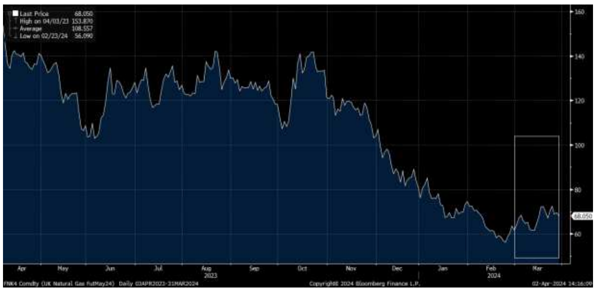


Chart 40: UK Monthly Natural Gas (Source: Bloomberg)

CONCLUDING COMMENTS

Data from March seemed to confirm that the American economy is in robust good health, despite a severe monetary tightening. There was also good news about China, whose economic nosedive has stabilised for now. Modest inflation readings give the Fed and ECB some room to cut, but strong equity markets and risk-on indicators are giving central banks, especially the Fed, some space to wait and see. Some economists continue to be concerned about wage inflation, especially in Europe, which is also showing weak economic activity.

Despite the good news and market vibes, the global macro environment is probably less stable than it seems. I certainly discern a herd of “Grey Rhinos” milling about– important macro trends / risks that are changing the world, but at a pace slow enough to avoid triggering panic in most people. Human beings, it seems, are well calibrated to imminent threats but find themselves unable to deal constructively with slower moving issues - slow motion crises like the national debt, energy security, environmental challenges, antibiotic resistance and so forth. *The issues don’t matter much, until they do.* Grey Rhino risks are like going broke: “*How did you go bankrupt? Two ways. Gradually, then suddenly.”* (Hemingway, *“The Sun Also Rises”*)

Geopolitical strife has left the markets unscathed this spring, probably because conflicts have been contained. Hopefully the world can avoid broader regional wars, but today’s low implied vols and risk premia reflect some complacency and lack of imagination. For example, some geopolitical analysts worry that the Gazan conflict may intensify and expand after Ramadan. While not worrying too much about tomorrow may be a common human foible, professional portfolio managers do need to worry and maintain an appropriate amount of tail protection in anticipation of the next big drama or dislocation.

With ~500 markets around the world, the FCC Programme offers comprehensive alternative markets coverage to complement standard CTA exposures and aims to deliver superior risk-adjusted returns over the long run, as we have in the past.

Best regards,

Doug Greenig, CEO

EXECUTIVE SUMMARY

Strategy	Diversified systematic macro
Approach	Systematic/algorithmic Instruments Currencies, stocks, fixed income, credit, commodities, power, volatility
Targets	Volatility: 10% p.a. before fees Return: High risk-adjusted returns Correlation: Low long term correlations with stocks, bonds and commodities
Investor and business partner	Brummer & Partners, a leading Nordic hedge fund group

Florin Court Capital is a diversified systematic asset manager. The investment methodology is evidence-based and process driven. The portfolio is constructed using proprietary mathematical models implemented on computer systems. A particular focus is extracting the benefits of diversification through market selection from over 400 financial securities across all major asset classes including currencies, stocks, fixed income, credit, commodities, power and volatility.

The model signals are also diverse, encompassing technical signals with a range of holding periods, yield and value signals, cross market signals and many others.

Trade execution is automated whenever appropriate and transaction costs are carefully measured. Rigorous real-time risk controls are built into the systematic process.

The Florin Court Capital fund is designed to have no long-term correlations with major asset classes and most hedge fund styles.

Florin Court Capital is committed to research and a disciplined programme for model improvement and development to exploit opportunities and to adapt to changing markets.

WHY INVEST IN FLORIN COURT?

- "Diversified by design" – over 400 markets, diverse signals
- Experienced investment team
- Partnership and support from Brummer & Partners
- Low correlation with stocks, bonds and commodities

PORTFOLIO MANAGERS

Douglas Greenig, CEO and CIO

Doug Greenig has over 29 years of experience in investment management. From 2012 to 2014, he was Chief Risk Officer of Man/AHL and also headed the Portfolio Management Group, beginning in 2013. Doug was jointly responsible (with the CIO) for the evaluation and approval of all investment strategies and trading systems.

Prior to AHL, Doug was a Managing Director working as a quantitative portfolio manager at the Fortress Investment Group beginning in 2006. From 2001 to 2006, Doug was Head of Agency Mortgage Trading at RBS Greenwich Capital. He also managed an eight person quant prop desk at the firm, beginning in 2000. From 1993 to 1999, Doug worked at Goldman Sachs in New York, as a fixed-income proprietary trader. Prior to Goldman, Doug was a Senior Consultant at BARRA. Doug earned a Ph.D. and an M.S. in Mathematics from the University of California at Berkeley in 1993. He graduated from Princeton University in 1986 with an A.B. in Economics, Summa Cum Laude. He was awarded the Wilson Prize for his thesis, which influenced Fischer Black's late work on general equilibrium theory. Doug taught Portfolio and Risk Management at the Courant Institute at NYU in 2010.

David Denison, Deputy CIO

David Denison has over 20 years of hedge fund experience, following his earlier academic career. Prior to joining FCC, David was the Head of FX at Man/AHL, which he had joined in 2008 as a senior quantitative researcher. As Head of FX, he was responsible for the modelling and investment management of AHL's multi-billion dollar FX portfolio. Prior to AHL, David worked at IV Capital (2006–2008) and Gloucester Research (2002–2006) focusing on quantitative research in equities. Prior to joining Gloucester Research, David lectured in Statistics for five years at Imperial College, London, focusing on modern computational statistical methods.

David holds a Ph.D. from Imperial College, London, and his 1997 dissertation won the Savage Award. He gained a first-class mathematics degree from Oxford University in 1994. He is the author of Bayesian Methods for Nonlinear Classification and Regression, Wiley, 2002.

PRODUCT STRUCTURE (BMS SHARE CLASS)

ISIN	KYG3643B1059
Structure	Cayman Master Feeder Structure
Management fee	1 %
Performance fee	20 % over hurdle rate (high watermark)
Liquidity	Monthly (5 business days' notice)
Minimum investment	USD 1,000,000 / SEK 10,000,000 / GBP 1,000,000
Minimum additional investment	USD 100,000 / SEK 1,000,000 / GBP 100,000
Lock-up/gate	None
Prime Broker	JP Morgan, Merrill Lynch International
Administrator	Citco (Cayman Islands)
Auditor	KPMG

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Phone	+44 (0)20 7016 3468
E-mail	info@florincourt.com
Website	florincourt.com brummer.se
Contact	Matt Stevenson

Regulatory disclosures

0 % of the Fund's assets are subject to special arrangements such as side pockets or gates, arising from their illiquid nature.
There have been no changes to the Risk management systems of the AIF, and no risk limits have been exceeded.
There have been no changes to the leverage arrangements of the AIF, nor to the right to reuse of collateral.

Florin Court Capital Fund, Florin Court Capital Fund LP, Florin Court Capital HV Fund and Florin Court Capital Master Fund have entered into separate agreements and/or arrangements (together, the "Side Letters") with certain Shareholders to provide such Shareholders with preferential terms. Such Shareholders comprise private funds and pension plans including state or municipal government pension plans. The Side Letters contain terms comprising: enhanced transparency rights (including, without limitation, performance and risk-assessment data and access to the Fund's and the Master Fund's books and records); capacity rights; additional notification rights (including, without limitation, a notice of any material adverse change in the business, operations and conditions of the Investment Manager that affects its ability to perform its obligations to the Fund and the Master Fund and commencement of any litigation against the Fund, the Master Fund or the Investment Manager or, in certain instances, indictment of or commencement of any litigation against a Key Person); right to reduced or waived redemption fee upon redemption in certain circumstances; right to disclose certain information pertaining to the Fund and the relevant Shareholder's investment in the Fund in accordance with certain applicable laws, rules and regulations. It is a policy of the Investment Manager to treat all investors in the Fund fairly in accordance with the applicable FCA rules.

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COMMODITY INTEREST TRADING INVOLVES SUBSTANTIAL RISK OF LOSS.

The Fund may trade virtual currency derivatives as part of its strategy. Virtual currency derivatives may experience significant price volatility and the initial margin for virtual currency derivatives may be set as a percentage of the value of a particular contract, which means that margin requirements for long positions can increase if the price of the contract rises. In addition, some futures commission merchants may pose restrictions on customer trading activity in virtual currency derivatives, such as requiring additional margin, imposing position limits, prohibiting naked shorting or prohibiting give-in transactions. The rules of certain designated contract markets impose trading halts that may restrict a market participant's ability to exit a position during a period of high volatility. These risks may be greater than those associated with other securities & derivatives traded by the Fund. Prospective investors should review the risk factors in the Fund's offering memorandum including those related to virtual currency derivatives before making an decision to invest.