SIERRA

SHARD FUND

A JOURNEY ACROSS FINANCIAL MARKETS

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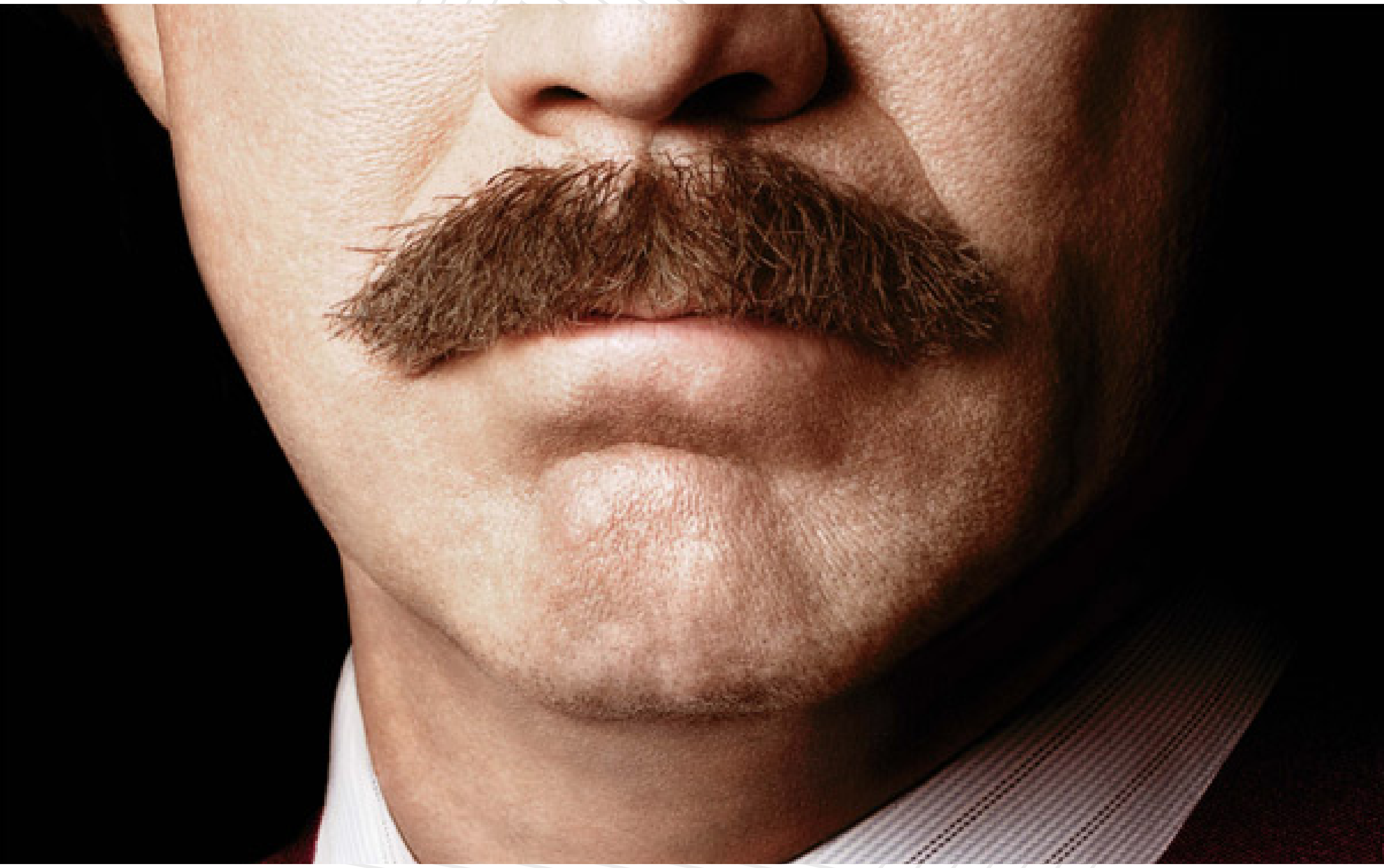
SPECIAL ANNOUNCEMENT

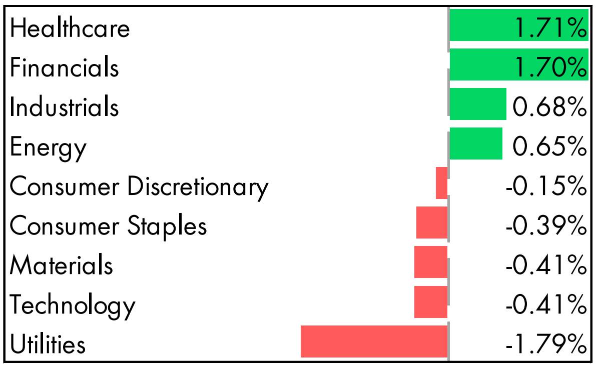


Movember is an annual month-long charity where men are growing moustaches and raising money for prostate cancer awareness. Shard-Fund is participating in this charity. If you wish to join/donate/follow our progress, click the moustache on the right.

USA

Fool me once, shame on you
Fool me twice, shame on me

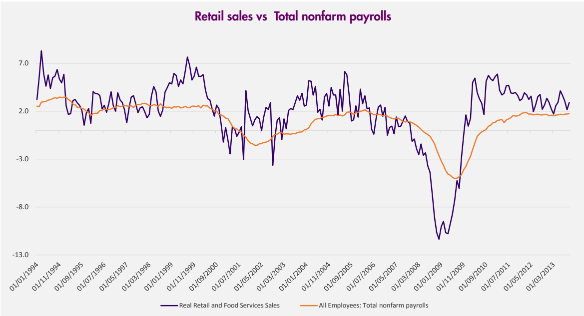
The positive rally continued on the US equity market last week. The last five trading days were calm and steady. The only event, which shacked the investors' minds, was once again the Minutes of the Federal Open Market Committee, on Wednesday. During one of the last speeches by the current chairman Ben Bernanke, a forward guideline on when the tapering might begin was provided. Once again, nothing certain came out of that. As it is well known, the Fed is trying to stress the importance of communication and the power of signals from the Fed to move financial markets. As if to underscore this message, Wednesday's release of the Oct. 29-30 Fed minutes triggered more market speculation about whether the Fed might taper its asset purchases sooner rather than later. Related to that, we believe that distilling Fed policy into an understandable message is easier said than done. Of course, the Fed is highly sensitive to economic data and that stable employment growth and economic momentum remain imperceptible, suggesting that tapering remains farther off than most investors expect.



"Many members stressed the data-dependent nature of the current asset-purchase program," according to the minutes. "Some pointed out that, if economic conditions warranted, the Committee could decide to slow the pace of purchases at one of its next few meetings."
A lot of "IF's" and "COULD's" Illuminating that we are far away from a determinant statement. Thus the speculations are growing and the investors are starting to become more insecure, which meant US markets decreased during the first 3 days of the week. The last two trading days, after the FOMC Minutes, positive development was restored, pushing the S&P up by 0.37%, Dow Jones up by 0.67% and the NASDAQ up by 0.14%.

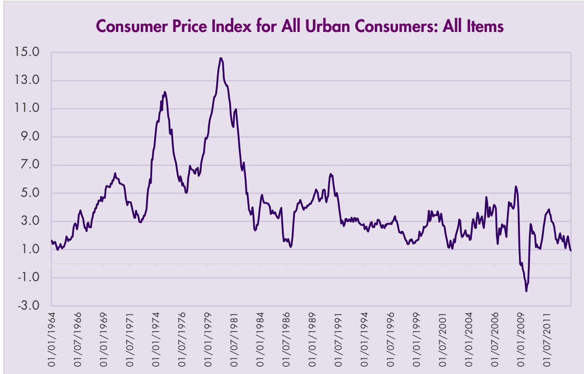
A lot of IFs and COULDs, illuminating that we are far away from a determinant statement

Moreover, an important indicator from the previous week was the change of the retail sales, during October. A gauge of U.S. consumer spending rose more than expected as households bought a range of goods, suggesting upside momentum in the economy early in the fourth quarter. Wednesday's report was the latest sign a 16-day government shutdown last month had a limited impact on the economy. The better than expected increase in core retail sales suggested consumer spending would likely accelerate from a two-year low touched in the third quarter and probably limit downside risks to economic growth during the fourth quarter.



Taking into consideration the positive run from the “Retail sales” and perceiving it as a leading indicator for the economy, and in particular for the jobs, we might conclude that there is a bright expectation in the United States (if the spending keeps moving in the same direction). Looking at the chart, we see the correlation in the two up–stated indicators.

However, the firming domestic demand is not enough to generate some inflation in the economy. In a third report, the Labor Department said its Consumer Price Index slipped 0.1 %last month, after rising 0.2 % in September as gasoline prices fell sharply.



That level of inflation is the lowest one in four years. The y-o-y inflation rate for the core CPI, which excludes food and energy, was 1.69 %. As the following chart shows, trends for both the all-items and core CPI have turned downward over the past two years.

Day	Country	Indicator	Actual	Forecast	Previous
Wednesday	United States	CPI m/m	-0.1%	0.0%	0.2%
		Retail Sales m/m	0.4%	0.1%	0.0%
		Existing Home Sales	5.12M	5.17M	5.29M
Thursday		Unemployment Claims	323K	333K	344K
		Flash Manufacturing PMI	54.30	52.60	51.80
		Philly Fed Manufacturing Index	6.50	15.80	19.80

EUROPE

The indicators strike back

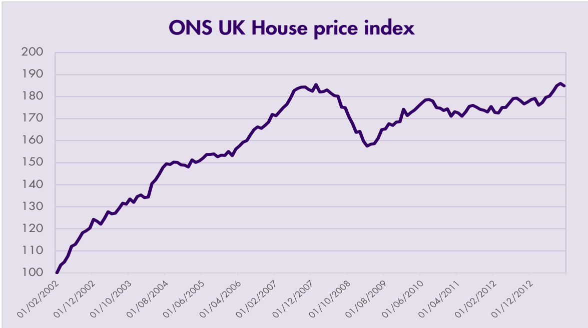
It has been a comparatively uneventful week for the European markets. Some tension concerning equities did appear from the US and FOMC meeting on Wednesday. Speculations regarding the Fed cutting stimulus programs (sooner than expected) and the consequential effects worried investors, indicated by poor performance of stocks at the start of the week. However, by the end of the five trading days the situation returned to normality with, overall, the DAX increasing by 0.55% and the EuroStoxx 50 up 0.75%.
Looking at the macro figures, we concluded that the week was rather positive. On the continent the new car sales rose for a second consecutive month, the first time since 2011, led by good Spanish performance. The manufacturing output expanded for a fifth month. In Germany, investor and consumer confidence performed better than forecasted, the unemployment rate decline to 8.5% and the business confidence rose more than expected. On the flip side, German producer prices slipped 0.7 % in October and the expansion in GDP slowed to 0.3 % from 0.7 %. Looking closely at the details, the German economic growth was driven almost exclusively by domestic demand in the third quarter as investment and construction offset weaker exports. Capital investment rose 1.6 % from the three months through June and construction increased 2.4 %.
Probably the most prominent negative data again came from Spanish banks. The 'bad' loans as a proportion of total lending from Spanish banks climbed to a record high in September.

The most prominent negative data again came from Spanish banks

Non- performing loans accounted for 12.7 % of lending in September compared to 12.1 % in August and 10.7 % in the same month a year earlier. We believe that this indicator might ruin the entire recent positive development of Spain. Looking forward, we will be following the ECB tests of the banking system very closely as results could signpost opportunities for short positions.

UK HOUSING OVERVIEW

The positive rate of development from the UK economy is starting to create some concerns for the housing market. Additionally boosted by the Government "Help to Buy" incentive program house price levels reached near all-time highs. On Tuesday the OECD warned that the UK would faces a housing-market bubble unless the government boosted the supply of new homes. UK home values have climbed 36.6 % since 2004. The OECD lifted its 2013 economic growth forecast to 1.4 % from 0.8% and to 2.4 % next year from 1.5 %. That represents the largest upward revision of any advanced economy.



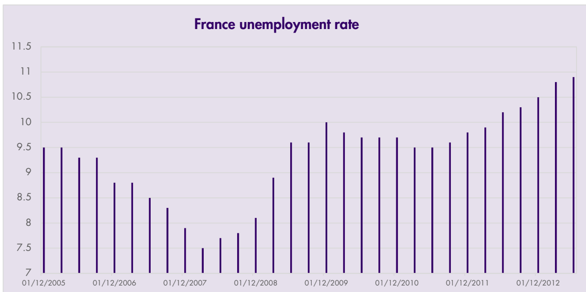
However, Niraj Shah from Bloomberg described the situation very precisely: "the risks to the recovery include "vigorous" house-price increases that may curtail affordability". After London property prices rose to six times above average earnings in the third quarter we consider that the current development of the property market might cause headwinds for the future economic growth of UK.

THE SICK MAN OF THE EU

We believe that France's economy poses the most serious threat to Europe's recovery from a debt crisis. The crippled growth and record high unemployment are catalysts for that statement. We strongly opine that the outlook for France is more concerning than prospects for Italy, Germany or even Spain.

On November 8th 2013 the S&P's downgraded France's rating again to AA from AA+, which is the third agency downgrade for Paris since François Hollande took office as president in May of last year. However, in France the pressure is building strongly, because of lacking signs of improvement regarding the country's economic state. Moreover the downgrade adds to the pessimistic national mood of a country that has undergone recession twice over the past four years, and which currently struggles with an 11% unemployment rate.

We probably should expect some changes in the foreseeable future, because clearly the current economic development is not satisfactory. If some reforms do not take place, we might witness France to become the next "sick man of Europe". Remy Raisner, CFA defines for Seeking alpha that "France is in dire need of reforms. Businesses are perceived as lacking in competitiveness, and export markets are lost out to neighboring Germany. Labor laws need upgrades in order to lower the unemployment rate and incentivize businesses to hire. And the moribund economy prevents the reduction of the budget deficit to 3% of GDP, as mandated by the European Union".



In relation to the stock market performance, the main index of France is strongly correlated with the rest of the EU indexes, although is underperforming. In spite of the investors' belief in the strong European recovery, the French economic pressure speaks that it is possible to see some downturns in the middle turn, related to equity performance.

Day	Country	Indicator	Actual	Forecast	Previous
Monday	EU	Trade Balance	14.3B	14.3B	12.3B
Tuesday	Germany	ZEW Economic Sentiment	54.6	54.6	52.8
	EU	ZEW Economic Sentiment	60.2	63.1	59.1
Thursday	EU	Flash Manufacturing PMI	51.5	51.6	51.3
		Consumer Confidence	-15	-14	-15
		Flash Services PMI	50.9	51.9	51.6
Friday	Germany	Final GDP q/q	0.3%	0.3%	0.3%

ASIA & OCEANIA

Long sex & babies, short condoms

CHINA

After discussing the larger part of the Chinese reforms, in previous weeks, it is time for us to dive into the micro side of things and find which companies will be the beneficiaries of the upcoming changes.
One thing we failed to mention in last week's issue of Sierra was that the one-child policy in China has been relaxed. This decision will definitely not impact the labour supply issue that China is facing until after three decades have passed at least, however it will impact the pockets of baby care product manufacturers pretty quickly. As a result of what is projected to be 10M more babies in the next 5 years, we are looking into few companies that may benefit of this policy. These are:

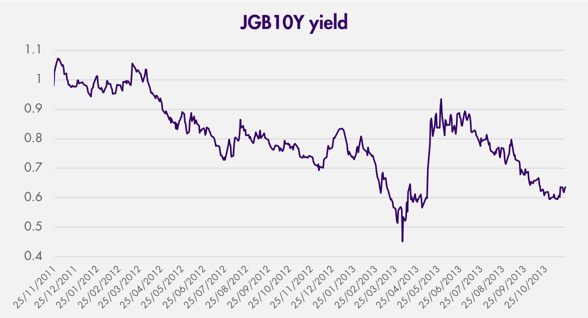
company	profile
Goodbaby International Holdings Ltd.	Designs, researches and develops, manufactures, markets and sells strollers, children's car safety seats, cribs, bicycles and tricycles, and other durable juvenile products.
Pigeon Corp.	Manufactures and sells baby care goods. The Company also produces maternity and elder care products.
Procter & Gamble Co.	Provides products in the laundry and cleaning, paper, beauty care, food and beverage, and health care segments.
Zhejiang Beingmate Technology Industry & Trade Co. Ltd.	Produces and sells baby food. Main products: infant formula milk powder, nutritional rice powder, other related infant complementary foods and infant products.
Hengan International Group Co. Ltd.	Manufactures and sells personal hygiene products such as sanitary napkins and disposable baby diapers in China.
Unicharm Corp.	Manufacturs sanitary napkins and baby products such as: infant & adult diapers, household cleaning wipes, and feminine hygienic products. It also produces pet food and pet toiletries as well as operates educational and finance businesses.
Kimberly-Clark Corp.	Producer of diapers, tissues, paper towels, incontinence care products, surgical gowns, and disposable face masks.

For next week we will post the analysis we have done and you will find possible picks in our portfolios. We will be looking for strong sensitivity around birth rates in China which will aid us time our bets too.
As mentioned above, China is indeed in the forefront of a potential labour supply issue (how many countries in the world wish they didn't have an unemployment problem?). Job creation has increased about 60% annually in October, which is 15% more than the average rate. At the same time, it's projected that 70M people will disappear from the working force, thus placing the demographic position of China as an eroding state. As a result, wages will be pushed higher, thus adding inflationary pressure. This is the macro situation in the demographics department, which is generally looking at the 10-30 years ahead. We find it a great piece of data to check every once in a

while. Knowing this might have hinted about the probability that the one-child policy will be let go prior to the decision...
In regards to the liberalisation reforms, we are looking into a couple of companies: Alibaba's IPO (2014) and Tencent. They could be strong performers due to a now supposedly fairer competition.

JAPAN

The monetary policy statement from the BoJ notes that the bank is keeping its pledge to expand the monetary base by 60-70 trillion yen ($700 billion) a year (again...). We have never touched on the perhaps obvious implication that their very loose monetary policy is having on the Japanese Government Bonds (JGB): it increases their price (decreases yields).



The tax increase and building uncertainty may lead the yield to 0.8% or above

The tax increases and building uncertainly may lead the yields to 0.8% or above. This is all given that the negative impact turns to be higher than expected. Now seems like a good time for a very controversial short bond position, as the yields are close to more than a 5-year low.

Day	Country	Indicator	Actual	Forecast	Previous
Monday	Australia	Monetary Policy Meeting Minutes	-	-	-
Tuesday	Japan	Trade Balance	-1.07T	-0.88T	-1.13T
	Australia	RBA Assist Gov Debelle Speaks	-	-	-
Wednesday	China	HSBC Flash Manufacturing PMI	50.4	50.9	50.9
	Japan	Monetary Policy Statement	-	-	-
Thursday	Japan	BOJ Press Conference	-	-	-
	Australia	RBA Gov Stevens Speaks	-	-	-

COMMODITIES

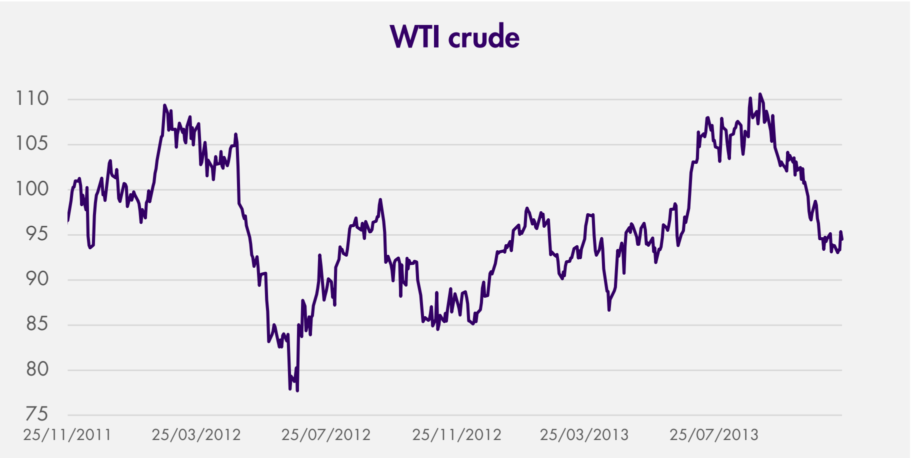
Christmas is coming the hog is getting fat

METAL

Aluminum premiums in Japan are likely to continue to stay at record highs in Q1 of 2014. This is largely due to the Prime Minister Shinzo Abe continuing economic stimulus and supply being disrupted. Thus far, shipments of rolled-aluminum products by Japanese fabricators expanded for a third month in September due to the economic stimulus and Abe's plan to raise sales taxes boosted the demand for the metal due to increasing orders for houses and motor vehicles. The growth in demand is likely to accelerate in this quarter and next as construction work picks up and car sales gather pace before the tax increase in April.

ENERGY

Crude inventories rose after a surge in production, to reach a total of 388.5 million barrels. The energy information administration reported that this is the highest level since June. The WTI is finding it difficult to move higher due to an excess of supply. On the other hand Brent is likely to gain momentum if things get worse in Iran.
WTI's discount to Brent reached an 8-month high as rising inventories weighed down on futures supporting the European benchmark. The spread on WTI widened to 16.21 dollars. WTI for January delivery fell 0.6% to 94.84 dollars, and trading was 12 days below the 100 day moving average.
WTI saw a weekly gain of 1.1% which is the first weekly gain since October 4th. Brent gained 0.9% to 111.05 a barrel on the ICE. The Brent-WTI spread widened to 16.21 dollars, and has expanded 5.69 dollars in the past two weeks.



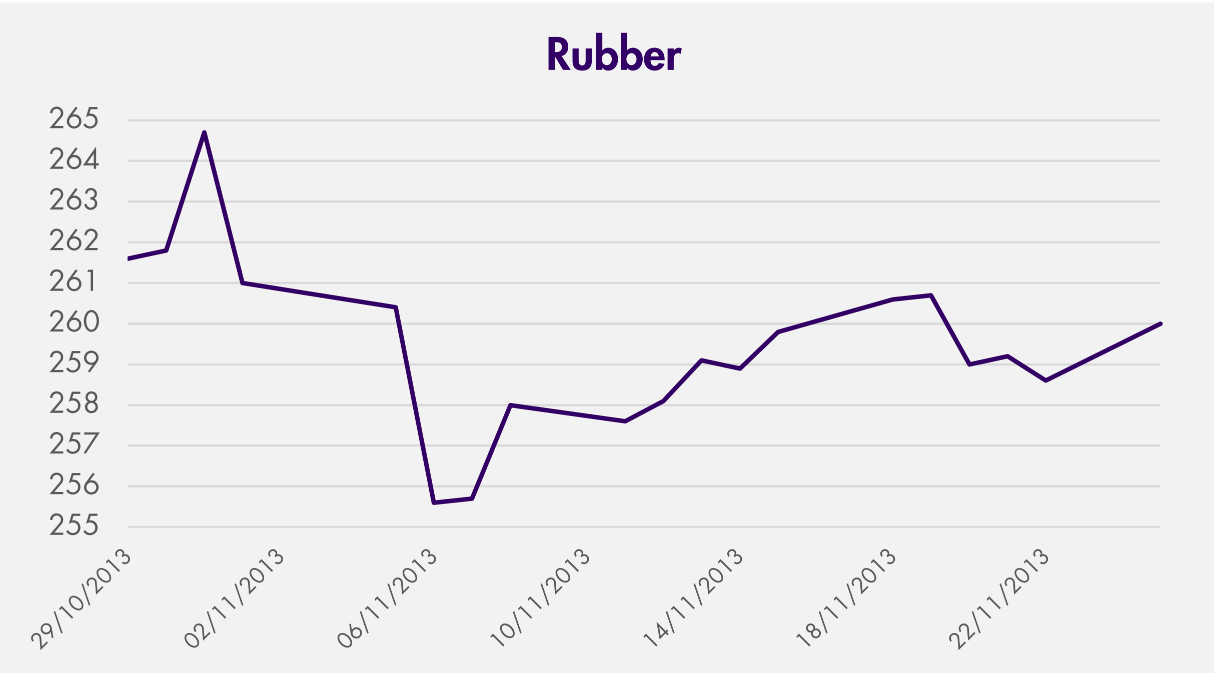
AGRICULTURAL

Hog futures declined due to an increase in US processing and fatter animals, implying that US pork supplies will rise. The hog slaughter has climbed 3.5% this week to 1.75 million animals from a week earlier according to the US department of agriculture.

Palm oil dropped for the first time in 3 days on speculation that a rally to the highest level in over a year may weaken demand. Soybean oil's premium over palm oil narrowed to 99.49 dollars a tonne from 137.04 a month ago, according to Bloomberg. Palm oil's narrowing discount to soybean oil will reduce demand for the tropical oil and divert some Chinese and Indian food demand to seed oils according to James Fry Chairman of LMC international.

Hog futures declined due to an increase in US processing and fatter animals which implies that US pork supplies will rise

Rubber advanced this week due to the yen sliding to a 4-month low against the dollar, boosting the appeal of yen-based futures. The contract for delivery in April on the Tokyo Commodity Exchange gained 0.7%.



FOREX

Pair	Open	Close	Weekly %	Monthly %	YTD
EUR/USD	1.3361	1.3553	1.44%	0.21%	3.75%
USD/JPY	99.07	101.25	2.20%	3.10%	14.85%
USD/CHF	0.9211	0.9066	-1.57%	0.21%	-1.94%
USD/CAD	1.0476	1.0515	0.37%	2.03%	6.56%
AUD/USD	0.9382	0.9165	-2.31%	-1.61%	-12.58%
NZD/USD	0.8241	0.8185	-0.68%	-1.34%	-1.56%
USD/CNY	6.0905	6.0936	0.05%	-0.46%	-1.49%
GBP/USD	1.6013	1.6219	1.29%	0.22%	0.99%

USD & EUR

It was a week of words. Both Fed and ECB have been stated things that confused the market because of the noise and the signal and this confusion gave the Dollar a bit of a calmness. However, by the end of the week, the market seemed to be back on message.

Specifically, market sentiment swung from what was perceived as dovish comments at Yellen's confirmation hearing to Fed can taper in December after reading the FOMC minutes. However, we do not consider that as very possible, thus we expect the pricing of the Dollar, related to the tapering to begin around December. Similarly, speculation of a negative deposit rate in Europe triggered a quick decline in the euro, during the week. Moreover, on Saturday European Central Bank Executive Board member Joerg Asmussen said that ECB is ready to take further action if necessary and instruments at its disposal included negative deposit rates. However, we suggest that the perceived odds of seeing negative interest rates form ECB are still low. The next week's indicators would give some more specific guidance, related to that. Thus the Euro could dive a little next week, because the speculations would continue.

AUD

Some people are bullish on the AUD because of the "strengthening Chinese economy", however we do not see this happening and as a result have kept our bearish stance. Also, the Reserve Bank of Australia seems committed in having a lower AUD, if it doesn't want its growth forecasts to be disrupted. The central bank said there was "mounting evidence" interest-rate cuts were working meaning that if they were to battle the "uncomfortably high" currency, by all means, a further interest rate cut is an efficient way to do it. Thirdly, the Australian dollar is actually depreciating... right now.

PORTFOLIOS

MAVERICK

security	L/S	date
Volkswagen AG	Long	03/09/2013
Starbucks Corp	Long	03/09/2013
Roche Holding AG	Long	03/09/2013
Datang International Power Generation Co. Ltd	Long	03/09/2013
ENN Energy Holdings Ltd	Long	03/09/2013
China Longyuan Power Group Corp. Ltd	Long	03/09/2013
Tracker Fund of Hong Kong	Short	03/09/2013
Microsoft Corporation	Long	15/10/2013

security	L/S	date
Nike Inc	Long	15/10/2013
SPDR Financials Sector	Short	28/10/2013
Corning Inc.	Long	23/10/2013
INR/USD	Long	04/11/2013
CNY/USD	Long	04/11/2013
BMW	Long	07/11/2013
ProShares UltraShort Lehman 20+ Yr(ETF)	Long	04/11/2013

CORTEZ

security	L/S	date
Pandora A/S	Long	03/09/2013
Aviva PLC	Long	03/09/2013
Valeo SA	Long	03/09/2013
Furmanite Corp	Long	03/09/2013
Aspen Technology Inc	Long	03/09/2013
China Suntien Green Energy Corp Ltd	Long	03/09/2013
Beijing Enterprises Water Group Ltd	Short	03/09/2013
Prudential Plc	Long	30/09/2013
USD/JPY	Long	07/10/2013
Dixons Retail Plc	Long	15/10/2013
Standard Chartered	Short	15/10/2013
Lloyds Banking Group	Long	15/10/2013
Chico FAS	Long	15/10/2013
OZ Minerals	Long	15/10/2013
Aeropostale Inc	Long	15/10/2013

security	L/S	date
H&M	Long	15/10/2013
Restoration Hardware	Long	23/10/2013
Greenhill and Co. Inc.	Long	20/10/2013
Crest Nicholson Holdings plc	Long	20/10/2013
Foxtons Group plc	Long	20/10/2013
Countrywide plc	Long	20/10/2013
Bellway plc	Long	20/10/2013
Easyjet plc	Long	20/10/2013
Chuy's Holdings Inc	Short	28/10/2013
magicJack VocalTec Ltd	Short	28/10/2013
Claymore/AlphaShares China Real Est ETF	Short	04/11/2013
GBP/USD	Long	04/11/2013
PDR Barclays High Yield Bond ETF	Short	18/11/2013
Distribuidora Internacional de Alimentacion SA	Long	19/11/2013

EVENTS

USA

- Building Permits
- CB Consumer Confidence
- Core Durable Goods Orders m/m

EUROPE

- EU M3 Money Supply y/y
- BOE Gov Carney Speaks
- EU Unemployment Rate

ASIA & OCEANIA

- Tokyo Core CPI y/y
- Australian Private Capital Expenditure q/q
- New Zealand Trade Balance

REFERENCES

Reserve Bank of Australia, Bank of Japan, Bloomberg, Reuters, Seeking Alpha , National Bureau of Statistics,

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