SIERRA
mini

SHARD FUND

A JOURNEY ACROSS OUR PORTFOLIO

August 16th - August 22nd, 2014 | Issue 23

Sierra mini aims to focus primarily on our portfolio. Here we will be openly showing the reasoning behind our positions and analyse their development with time. This will be a temporary substitute of Sierra, which will merge with Sierra mini in a few weeks time to cover both the markets and our portfolio.

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SECTORS

USA

Sectors	5D	1M	3M	YTD
Healthcare	1.66%	2.11%	6.80%	13.62%
Technology	2.09%	0.96%	8.32%	12.23%
Utilities	1.14%	-0.38%	1.41%	11.80%
Energy	0.66%	-2.84%	2.83%	9.60%
Materials	0.88%	0.60%	4.15%	8.55%
Financials	2.39%	0.87%	5.23%	5.76%
Consumer Staples	0.72%	-0.16%	1.43%	4.33%
Industrials	2.38%	-0.48%	1.77%	3.62%
Consumer Discretionary	2.26%	1.73%	6.30%	2.71%
Indices				
Nasdaq	1.65%	1.85%	9.25%	8.67%
S&P 500	1.71%	0.25%	5.07%	7.58%
Dow Jones Ind. Avg.	2.03%	-0.66%	2.77%	2.56%
Russell 2000	1.64%	0.36%	4.17%	-0.28%

Source: Sectorspdr.com

EUROPE

Indices	5D	1M	3M	YTD
STOXX Europe 600 Real Estate Cap	0.66%	-0.68%	3.11%	14.96%
STOXX Europe 600 Health Care	3.39%	-0.63%	2.63%	12.37%
STOXX Europe 600 Basic Resources	-0.96%	-4.40%	2.89%	6.72%
STOXX Europe 600 Food & Beverage	1.33%	-1.92%	-0.82%	5.64%
STOXX Europe 600 Oil & Gas	1.72%	-4.82%	-4.34%	3.94%
STOXX Europe 600 Construction & Materials	3.05%	-4.40%	-6.93%	2.86%
STOXX Europe 600 Financial Services	3.39%	-1.66%	-0.06%	2.73%
STOXX Europe 600	2.13%	-1.69%	-1.27%	2.59%
STOXX Europe 600 Personal & Household Goods	0.68%	-3.19%	-3.37%	1.85%
STOXX Europe 600 Travel & Leisure	2.27%	-2.72%	-4.16%	1.78%
STOXX Europe 600 Insurance	1.75%	-0.63%	1.55%	1.07%
STOXX Europe 600 Technology	3.88%	0.50%	4.80%	0.12%
STOXX Europe 600 Banks	2.56%	0.91%	-2.17%	-0.50%
STOXX Europe 600 Automobiles & Parts	4.04%	-5.74%	-7.07%	-1.00%
STOXX Europe 600 Telecommunications	2.30%	-1.58%	-2.36%	-1.49%
STOXX Europe 600 Chemicals	2.50%	-2.53%	-3.88%	-1.52%
STOXX Europe 600 Media	1.76%	0.63%	0.58%	-1.93%
STOXX Europe 600 Industrial Goods & Services	2.27%	-1.11%	-2.79%	-3.15%
STOXX Europe 600 Retail	1.71%	-2.32%	-4.72%	-6.30%

Source: Stoxx; quoted in EUR

SECTORS / FX

ASIA & PACIFIC

Indices	5D	1M	3M	YTD
STOXX Asia/Pacific 600 Technology	0.32%	0.56%	10.29%	12.66%
STOXX Asia/Pacific 600 Oil & Gas	2.63%	1.27%	6.99%	11.58%
STOXX Asia/Pacific 600 Construction & Materials	-0.63%	0.63%	9.92%	11.49%
STOXX Asia/Pacific 600 Food & Beverage	1.27%	3.65%	10.68%	11.48%
STOXX Asia/Pacific 600 Health Care	1.74%	4.15%	10.77%	10.82%
STOXX Asia/Pacific 600 Personal & Household Goods	0.53%	0.47%	10.66%	7.32%
STOXX Asia/Pacific 600 Real Estate	2.52%	3.51%	8.08%	6.76%
STOXX Asia/Pacific 600 Chemicals	2.15%	2.41%	10.67%	5.52%
STOXX Asia/Pacific 600 Industrial Goods & Services	0.84%	0.86%	9.98%	5.22%
STOXX Asia/Pacific 600 Utilities	2.36%	2.29%	7.46%	4.62%
STOXX Asia/Pacific 600 Media	0.71%	3.09%	9.45%	4.05%
STOXX Asia/Pacific 600 Insurance	2.65%	3.64%	9.04%	4.04%
STOXX Asia/Pacific 600 Index	1.28%	1.24%	8.63%	3.96%
STOXX Asia/Pacific 600 Telecommunications	2.41%	-0.46%	8.78%	2.36%
STOXX Asia/Pacific 600 Banks	1.69%	1.18%	6.70%	1.27%
STOXX Asia/Pacific 600 Basic Resources	-0.90%	-0.73%	6.89%	1.07%
STOXX Asia/Pacific 600 Retail	0.64%	1.22%	4.21%	-0.58%
STOXX Asia/Pacific 600 Financial Services	1.93%	3.31%	9.45%	-1.75%
STOXX Asia/Pacific 600 Automobile & Parts	0.29%	-0.99%	9.12%	-4.07%

Source: Stoxx; quoted in EUR

FX

Pair	Open	Close	Weekly %	Trend w/w	Monthly %	YTD
AUD/USD	0.9319	0.9316	-0.03%	1	0.11%	4.52%
USD/CAD	1.0890	1.0945	0.51%	3	0.96%	3.06%
EUR/JPY	137.11	137.66	0.40%	1	-0.74%	3.01%
NZD/USD	0.8481	0.8402	-0.93%	1	-0.93%	2.39%
USD/CHF	0.9023	0.9138	1.27%	1	2.10%	2.35%
AUD/NZD	1.0656	1.1090	4.07%	1	1.19%	2.16%
USD/CNY	6.1472	6.1515	0.07%	1	-1.23%	1.62%
GBP/USD	1.6676	1.6571	-0.63%	2	-1.05%	0.09%
GBP/JPY	170.80	172.18	0.81%	1	1.04%	-1.18%
USD/JPY	102.33	103.95	1.58%	3	2.20%	-1.28%
EUR/CHF	1.2140	1.2104	-0.30%	2	-0.48%	-1.69%
EUR/GBP	0.8022	0.7992	-0.37%	1	-1.75%	-3.66%
EUR/USD	1.3396	1.3240	-1.16%	1	-2.86%	-3.67%
GBP/AUD	1.8232	1.7788	-2.44%	3	-1.09%	-3.86%
EUR/AUD	1.4486	1.4214	-1.88%	2	-2.72%	-8.19%
BTC/USD	494.46	512.5	3.65%	2	-11.28%	-13.48%

Source: Investing.com

CALENDAR

Day	Country	Indicator	Actual	Forecast	Previous
USA					
Tuesday	United States	Core CPI (YoY)	1.9%	1.9%	1.9%
		Core CPI (MoM)	0.1%	0.2%	0.1%
		Building Permits	1.052M	1.000M	0.973M
		Housing Stats	1.093M	0.970M	0.893M
Thursday		Philadelphia Fed Manufacturing Index	28.0	20.0	23.9
		Existing Home Sales	5.15M	5.02M	5.04M
		Initial Jobless Claims	298K	300K	311K
		Upcoming events		Forecast	Previous
Monday	United States	New Home Sales (MoM)			-8.1%
Tuesday		Core Durable Goods Orders (MoM)		0.6%	1.9%
		Durable Goods Orders (MoM)		6.9%	1.7%
		CB Consumer Confidence		89.0	90.9
Thursday		GDP (QoQ)		4.0%	4.0%
		Pending Home Sales (MoM)		0.6%	-1.1%
Friday		Chicago PMI		56.0	52.6
EU					
Day	Country	Indicator	Actual	Forecast	Previous
Tuesday	United Kingdom	CPI (MoM)	-0.3%	-0.2%	0.2%
		CPI (YoY)	0.2%	1.8%	1.9%
Thursday	Germany	Manufacturing PMI	52.0	51.7	52.4
		Services PMI	56.4	55.7	56.7
	EU	Manufacturing PMI	50.8	51.3	51.8
		Services PMI	53.5	53.5	54.2
	United Kingdom	Retail Sales (MoM)	0.1%	0.4%	0.1%
	France	Manufacturing PMI	46.5	47.8	47.8
		Services PMI	51.1	50.0	50.4
		Upcoming events		Forecast	Previous
Monday	Germany	German Ifo Business Climate Index		107.0	108.0
Tuesday	Germany	GfK German Consumer Climate		9.0	9.0
Thursday	Germany	Unemployment Rate		6.7%	6.7%
		CPI (MoM)		0.2%	0.3%
Friday	EU	CPI (YoY)		0.3%	0.4%
		Unemployment Rate		11.5%	11.5%
	United Kingdom	Business Investment (QoQ)		2.0%	5.0%
	Germany	Retail Sales (MoM)		0.1%	1.3%
Asia and Oceania					
Day	Country	Indicator	Actual	Forecast	Previous
Tuesday	Japan	Trade Balance	-964B	-703B	-822B
		Exports (YoY)	3.9%	3.8%	-2.0%
		Imports (YoY)	2.3%	-1.7%	8.4%
Wednesday	China	HSBC Manufacturing PMI	50.3		51.7
		Upcoming events		Forecast	Previous
Monday	New Zealand	Trade Balance (MoM)		-475M	247M
Thursday	Japan	Household Spending (MoM)		1.6%	1.5%
		Household Spending (YoY)		-3.0%	-3.0%
		Industrial Production (MoM)		1.0%	-3.4%
Sunday	China	Manufacturing PMI			51.7
		HSBC Manufacturing PMI			50.3

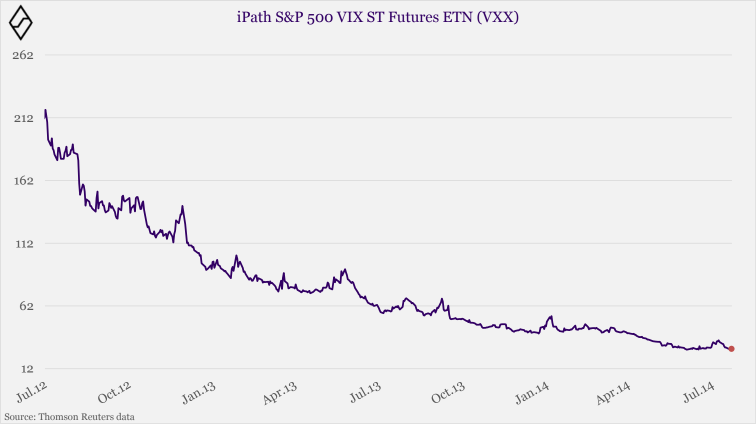
Source: Investing.com

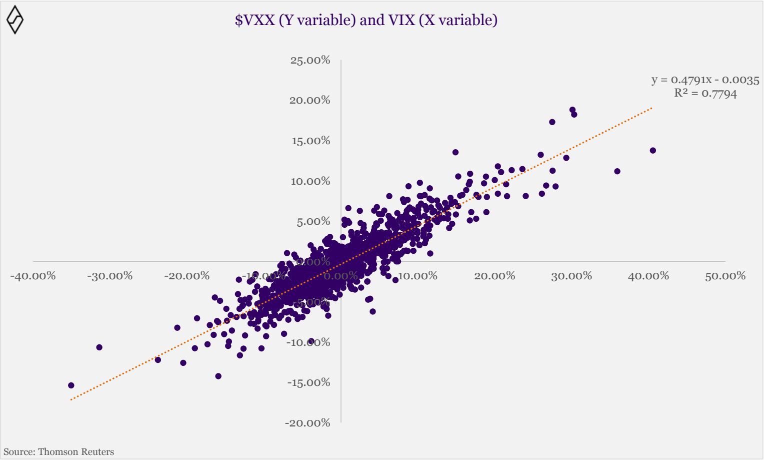
Long VIX ($VXX)

The weekly performance of this position in our portfolio is: -0.43%

As described by its name, this is an ETF that attempts to track the performance of the VIX — the volatility index of the S&P 500. The VIX is very risky and could be very profitable: in certain occasions it can offer strong upside potential. This should not be a surprise to anyone, after all, risk develops quickly. Our thesis behind this position is based on history and context. Historically (since 1990), the VIX has closed below 10 only several times, while the (simple) average for that period is roughly 20. Yes, if we adjust for the peaks that are outlier observations (crisis time), that average will move down by a couple of points, however it will still be a lot higher than 10. The point is that, at 11.47, there really is not historically a lot more downside potential for the volatility index and we aren't even considering all the geo-political risk spreading at the moment (central banks, monetary policy and growth also considered). We have already seen big spikes at the end of July and the beginning of August.

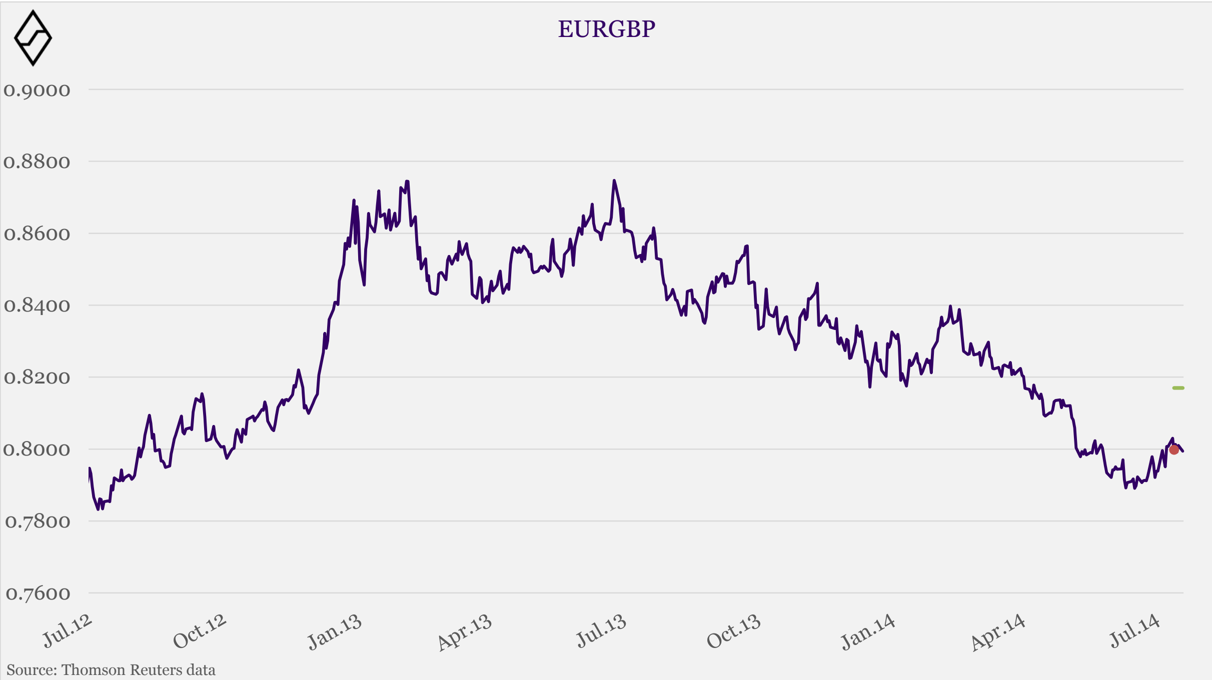
Having said that, there are multiple ways to play volatility — futures, options and a dozen ETFs. The ETF we have picked has a very good fit when compared to the original volatility index but it also provides us with half the sensitivity, which is desirable in our case. Given the position of volatility at the moment, this should not be a very long-term position, assuming the VIX does not remain between 10 and 12 until the end of the year.





Short EUR/GBP ($EURGBP)

The weekly performance of this position in our portfolio is: 0.05%
We have been monitoring the situation for quite some time and decided to finally pick a side in the endless currency wars — GO POUND! In the beginning of this year we thought that rates in the UK would rise by the end of 2014, given the strength of the economy. Half a year later things look slightly different. Yes, the UK has experienced certain weakness in the data driven by this and that, but the reality is that given the current circumstances, rates are rising first in the UK. So far Mark Carney has not indicated in any way that he wants to devalue the pound, so even if the rate increase is slightly delayed, we are not worried (so far). Besides, the EU is yet to announce (allegedly) some kind of an asset purchase policy, which will depress the EUR further, regardless of the pound.



Long Spain ($EWP) vs. Short Italy ($EWI)

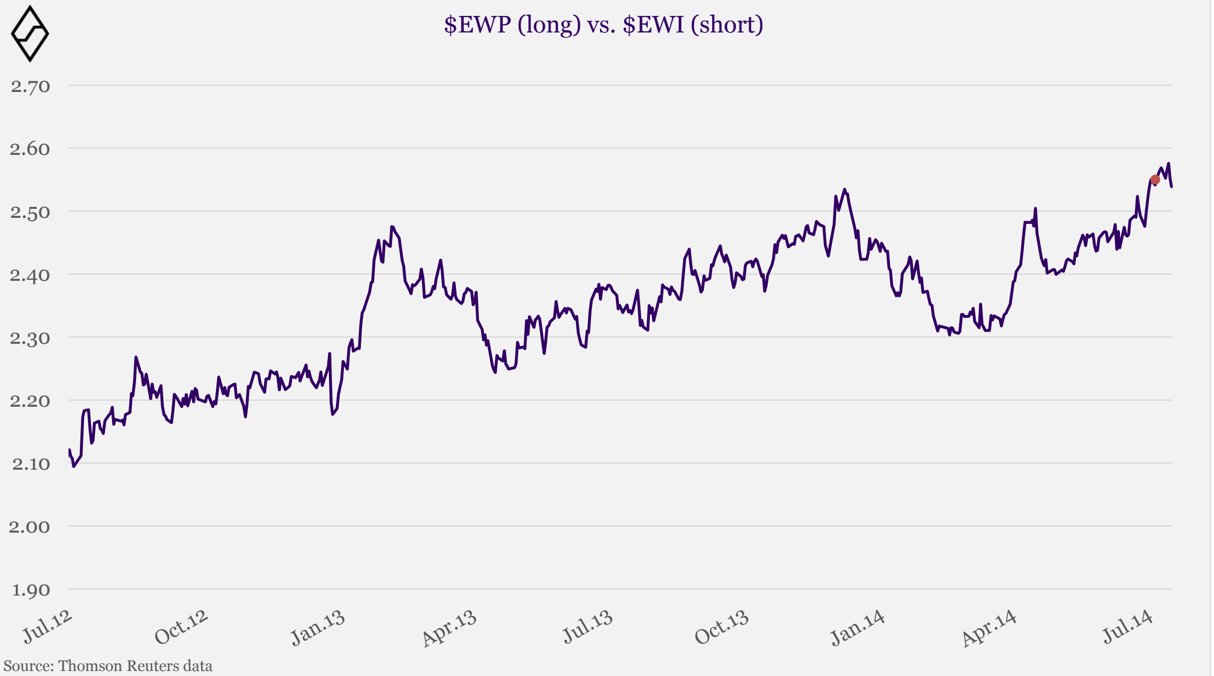
The weekly performance of this position in our portfolio is: -1.17%

Déjà vu from a year ago! Bad news are not bad news for the markets anymore... It seems that the investors are celebrating the weak economic figures, because of the possibility to witness more central bank stimulus.

The big picture tells us the following: the Stoxx Europe 600 equity index was up 2.1%, one of the best gains in six months, Italy's FTSE MIB was up 2.2%. Spain's IBEX 35 was up 2.7%. The Germany's DAX rose 2.7% on a total return basis. However, most EU stock markets are still below their highs from this year, so the observable evidence is still in favour of staying away from Europe (on the long side) or staying hedged.

You don't have to be Warren Buffett to figure out what's going on here. Investors are betting on governments coming to the economic rescue. And they're probably right.

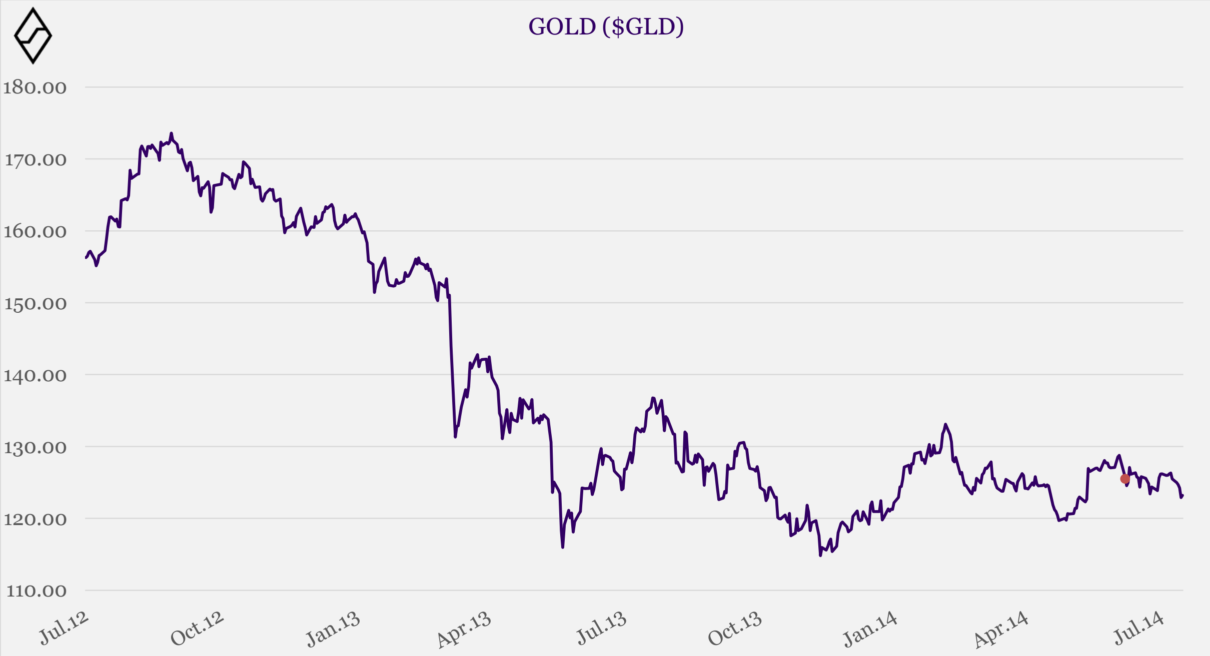
In recent history, such government efforts to support growth have had a salubrious effect on the prices of assets such as stocks. Thus, with a marginally healthier economy, Spain's stock market should benefit more than that of Italy.



Source: Thomson Reuters data

Long Gold ($GLD)

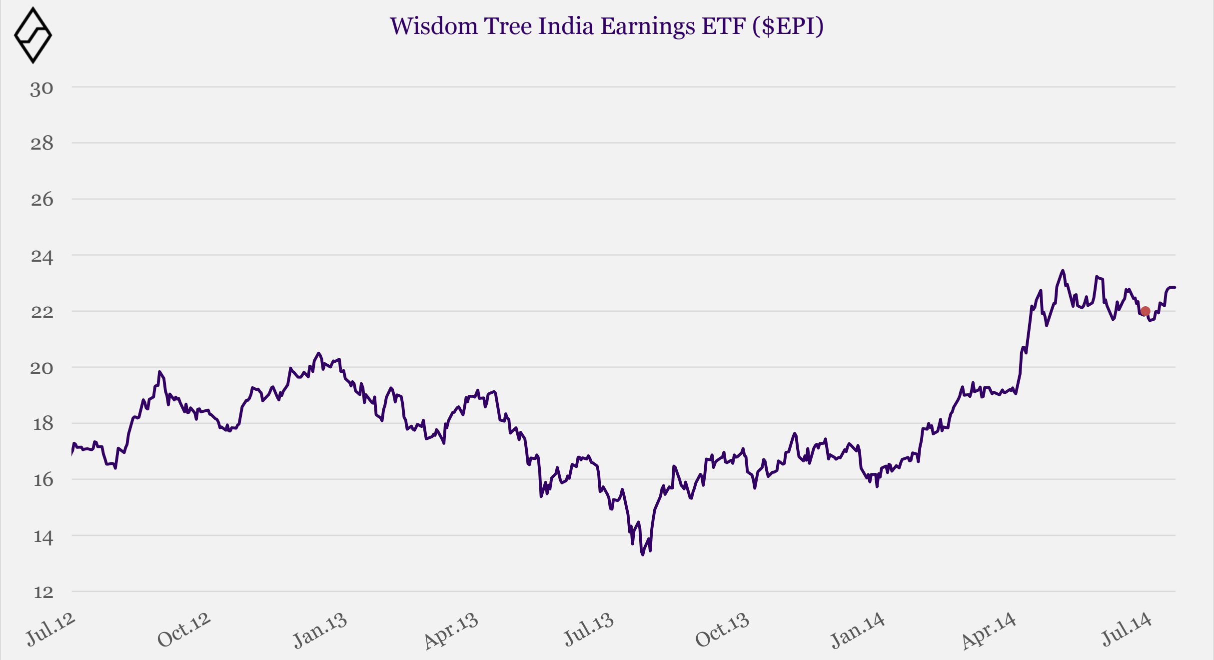
The weekly performance of this position in our portfolio is: -1.83%
The past week was disadvantageous for gold and its price declined by 1.63% on the back of a bounce in global equities. The US market reached new highs and geopolitical risk has not escalated this week. The continued strength of the dollar is still pressuring the metal to the downside. US CPI gained a modest 0.1% compared to last month, which provided investors with fewer reasons to look at converting their money in the precious metal. However, with both Janet Yellen and Mario Draghi delivering the goods at Jackson Hall on Friday, we will continue to hold Gold until our expectations for slow growth (by the end of the year) materialise or we are stopped out of it.



Source: Thomson Reuters data

Long India ($EPI)

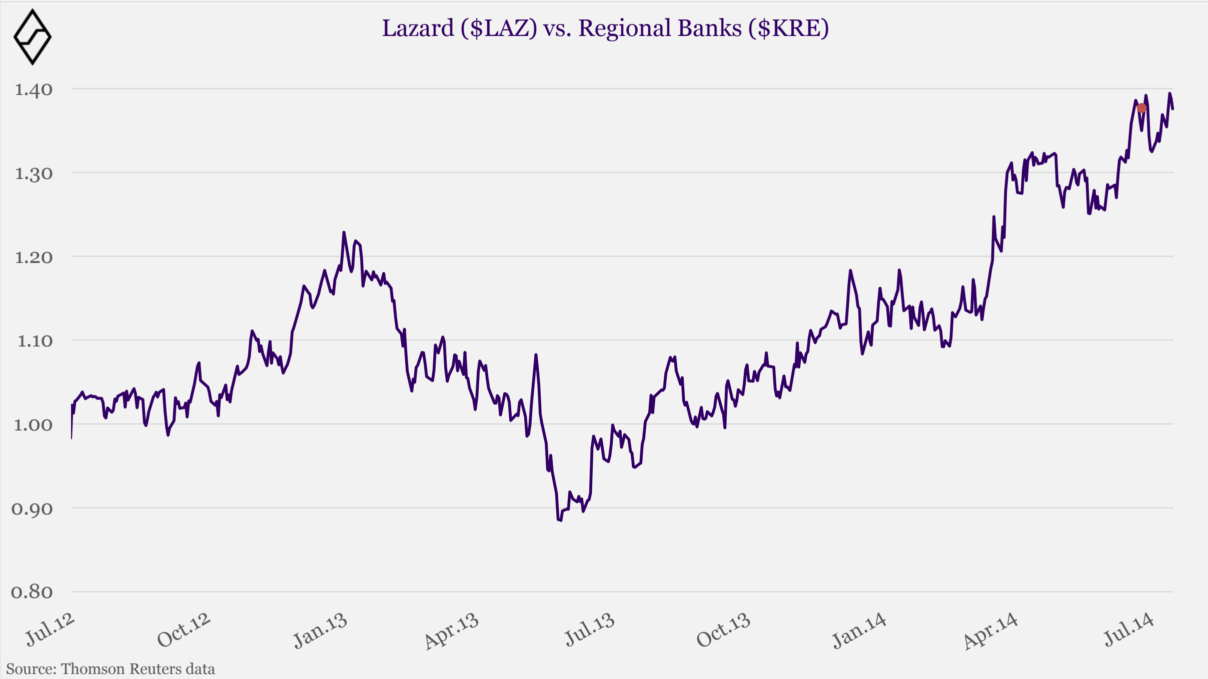
The weekly performance of this position in our portfolio is: 2.93%
The BSE Sensex (Bombay Stock Exchange) Index is close to its all-time high made in recent months and is still one of the best (if not the best) performing markets this year (+25% YTD).



Source: Thomson Reuters data

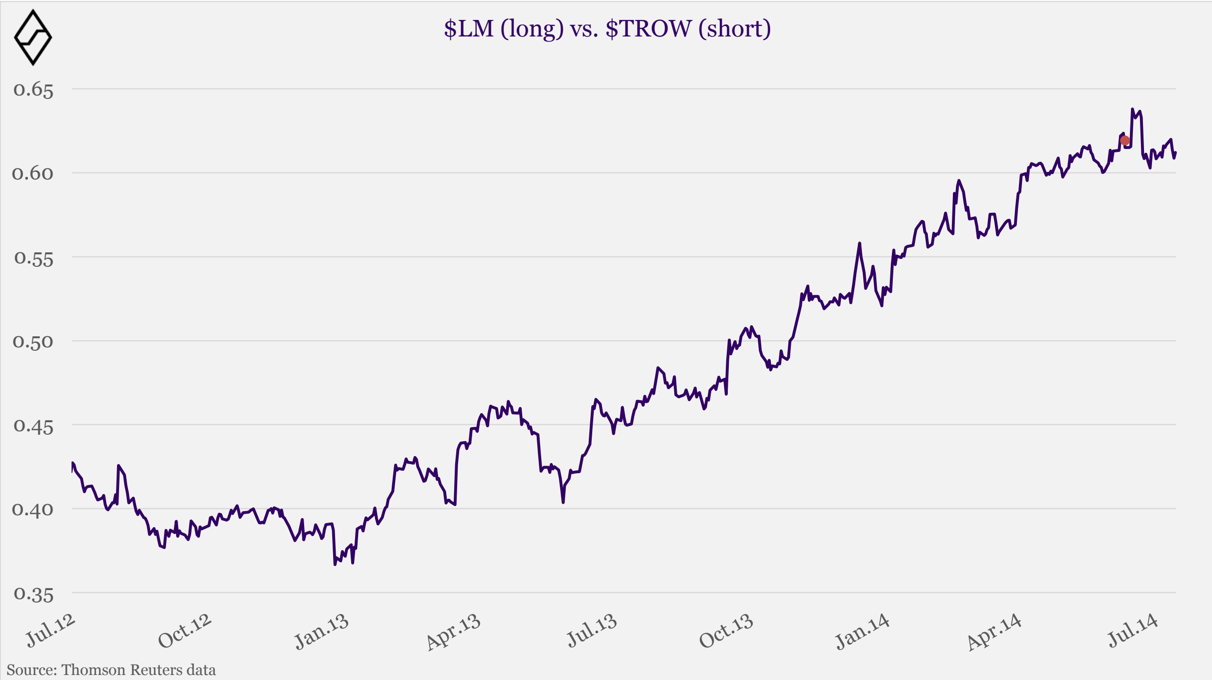
Long Lazard ($LAZ)
vs.
Short Regional Banks ($KRE)

The weekly performance of this position in our portfolio is: 0.51%



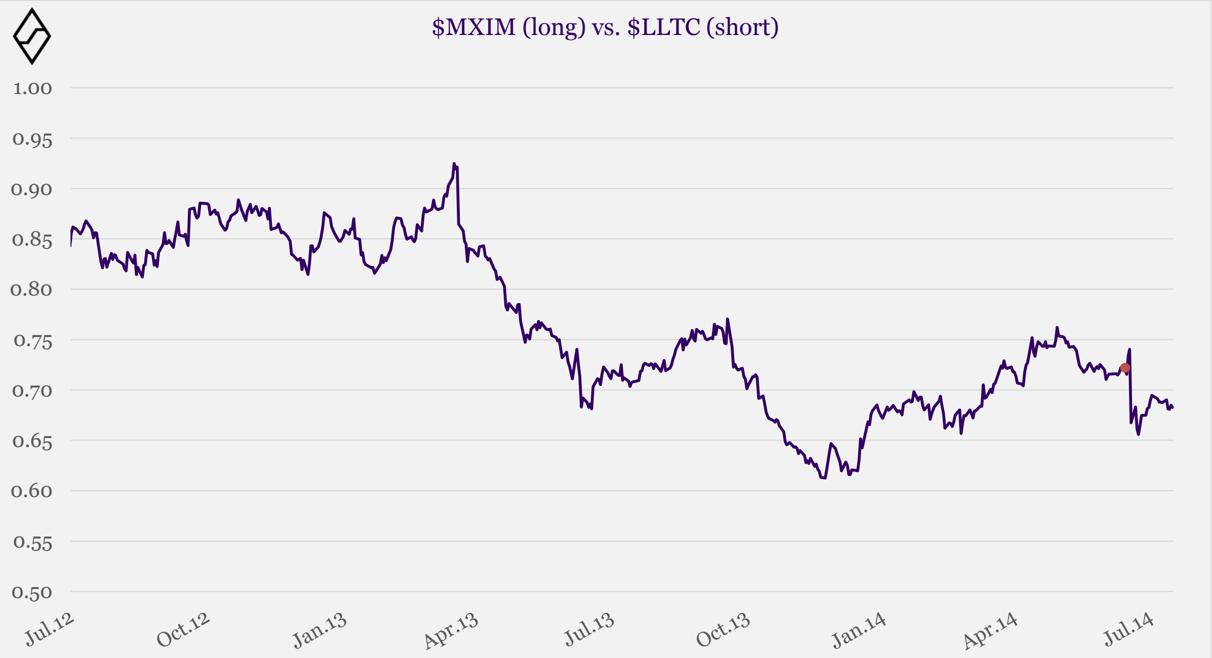
Long Legg Mason ($LM) vs. Short T. Rowe Price Group Inc. ($TROW)

The weekly performance of this position in our portfolio is: -0.48%



Long Maxim Integrated Products Inc. ($MXIM) vs. Short Linear Technology Corp. ($LLTC)

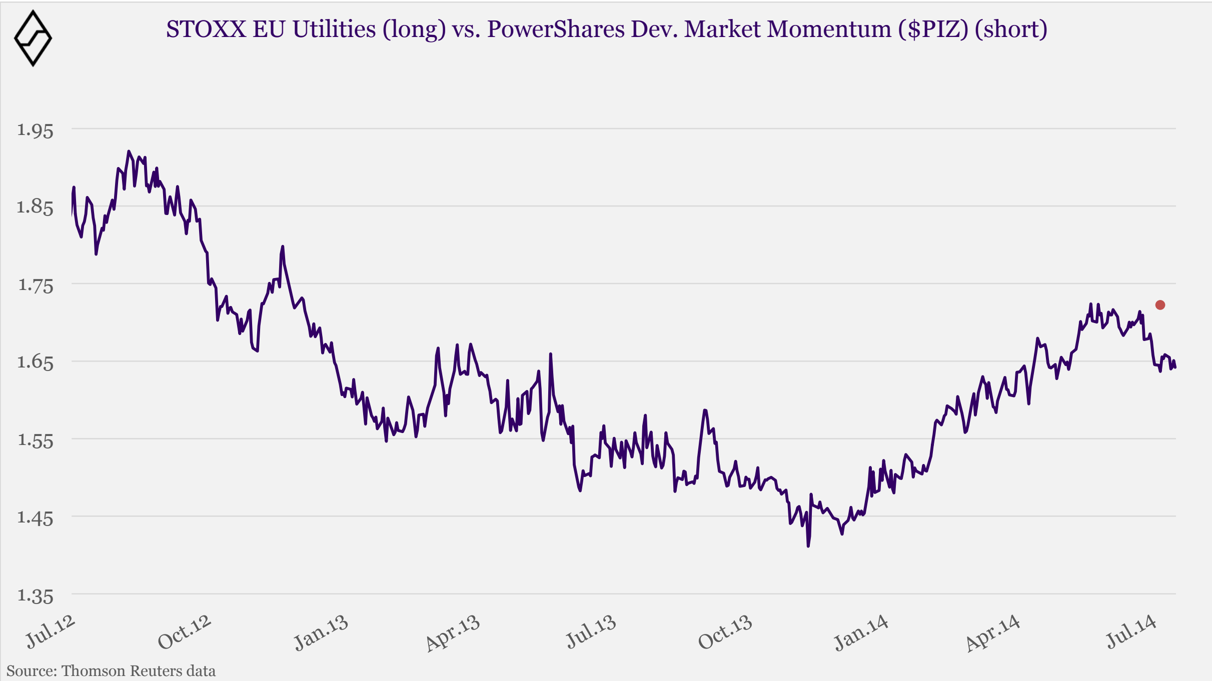
The weekly performance of this position in our portfolio is: -0.68%
Our spread position in the semiconductor sector $MXIM vs $LLTC, declined this week after a strong rebound in the previous two weeks. We have positioned ourselves here with the idea, as outlined in our previous publication, to benefit from the investor's reach for yield in the event of slower growth in the economy. As the economic cycle is peaking, we see companies with high distributions of cash to shareholders, as a preferred investment.



Source: Thomson Reuters data

Long STOXX Europe 600 Utilities UCITS ETF (EXH9)
vs.
Short PowerShares DWA Developed Markets Momentum Portfolio ($PIZ)

The weekly performance of this position in our portfolio is: -1.00%



REFERENCES

DISCLAIMER