Augustus King Vanguard

# AKV Diversified Trend Following Fund

Thank you for your interest in the Augustus King Vanguard Diversified Trend Following Fund. This fund has matured from the original 'Diversified Multi-Strategy Long/Short' fund that paired both trend following and momentum trading together on a narrower range of markets. As the fund grew we were able to further diversify the portfolio and safely change the style of trading to pure trend following.

This fund's asset universe currently covers around 60 markets on its tracking portfolio that can be entered into at any point in time both long or short.

These markets cover a diverse range including currencies, stocks, indices, sector ETFs, metals, grains, energies, meats, soft commodities and rates/bonds.

It is a trend following system that targets asymmetrical gains which produce many small losing trades and fewer winning trades. However, the winning trades are not limited to how profitable they can become, which means the occasional large winners usually cover the total sum of any losing trades and result in a net profit. A profit that over previous decades has outperformed the market consistently. In fact, trend following can trace its roots back as far as 800 years ago (that we know of from recent academic papers).

*"If you diversify, control your risk, and go with the trend, it just has to work"* - **Larry Hite**

**Trend following is more than just a system for extracting money from the markets, it's a philosophy.**

The trend following philosophy is predicated on the fact that markets will always trend (move in one direction, either up or down, for an extended period of time). These systems do poorly in flat/ranging markets and they do well in up or down markets. They do exceptionally well in times of market turmoil - something now known as 'crisis alpha' in the trading and investment community, meaning that while other conventional trading systems falter, trend following dominates and thrives.

I am firmly of the opinion that trend following, unlike other trading methodologies, will be eternally relevant and profitable. However, it's the ugly duckling of the finance world and is often sneered upon by the media for it's overly simplistic underpinnings and outright rejection (in many cases) of all fundamental data. Additionally, it's notoriously difficult to persist with, owing to its low win rate (as mentioned above) - typically around 40% (or even less!).

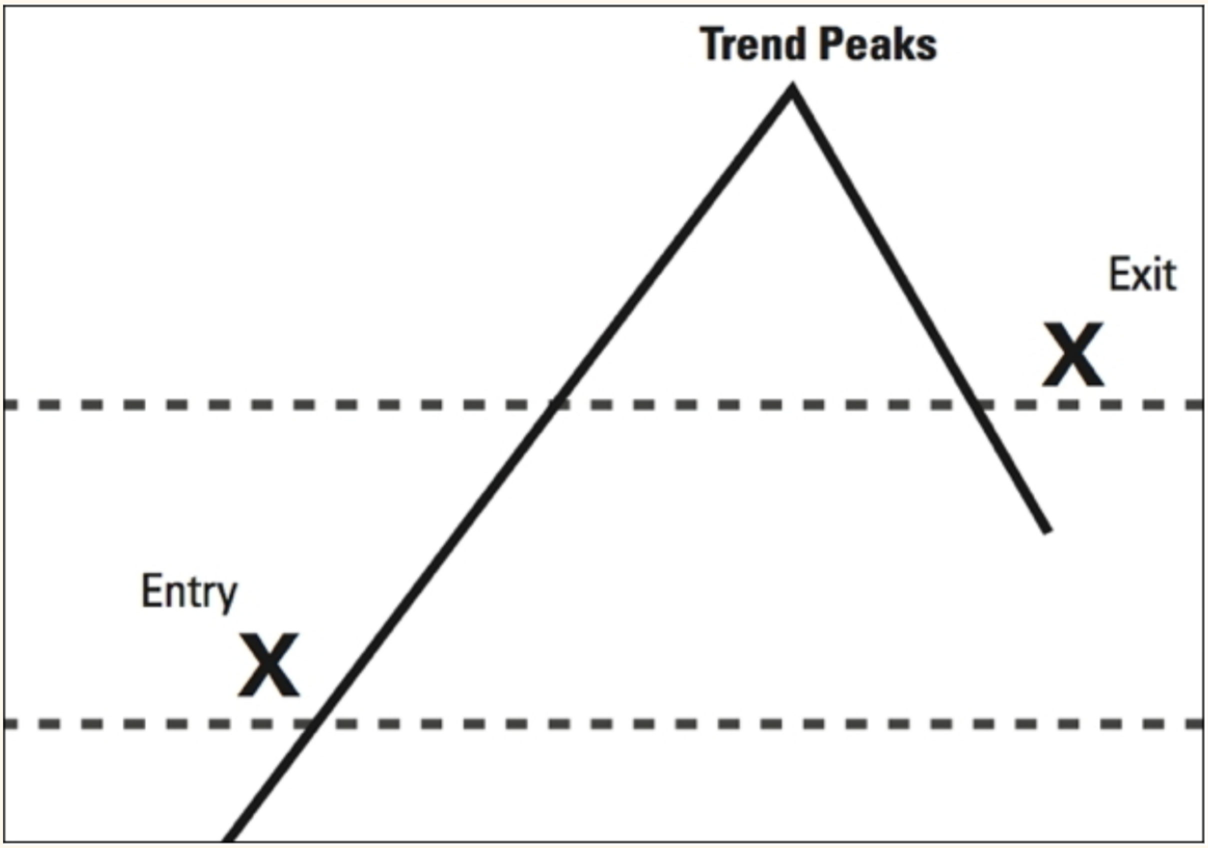
*"It's much easier to learn what you should do in trading than to do it. Good (trend following) systems tend to violate normal human tendencies"* - **William Eckhardt**

Yet I resolutely stand by trend following because I believe that as long as mankind continues to suffer from common intrinsic human flaws, such as greed and optimism, that trends will occur in the markets. Institutions will always try to be greedy and control markets to make more money, and the optimistic retail traders who hope to survive by copying the large fish in the sea will do so my following them into trades, which as Sir Isaac Newton suggests, will result in an object remaining in motion (trending) until an external force of equivalent or greater magnitude acts against it - starting the whole process again.

As such, the markets are continually acted upon by humans and underpinned by emotion. Thus, they are hardwired to repeat themselves ad infinitum with the same patterns that they have ever since the first trades of agricultural commodities hundreds (if not thousands of years ago).


*Greed, Fear and Predictable Human Behaviour.*

As with all trading systems, trend following is not perfect, due to its low win rate. However, the broadly diversified nature of a balanced trend following portfolio, that can trade both long and short, means that when some markets zig, others will zag, which smoothes the equity curve and reduces potentially stressful drawdowns that many buy and hold systems will produce - resulting in the decimation of vast swathes of lazy pension funds, funds that are built to be profited from by the managers, not the pension holders.



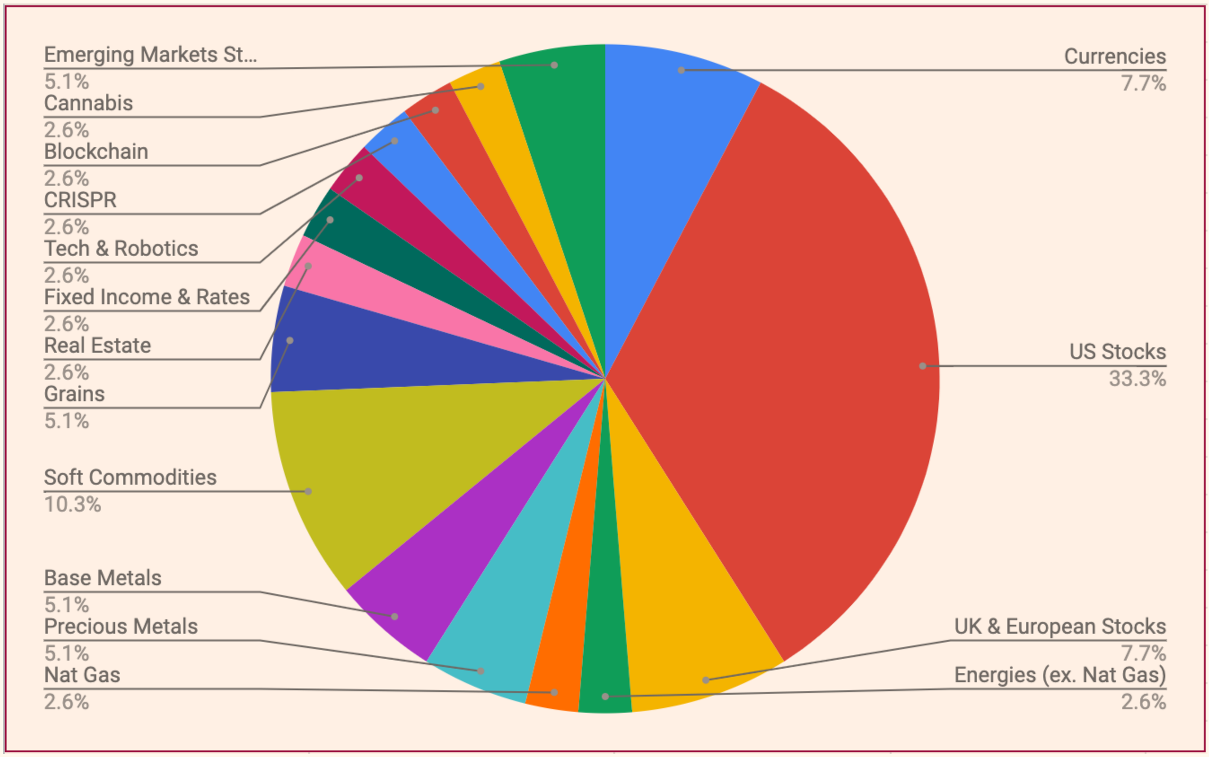

*Trend following aims to capture the meat of the trend movement, it doesn't try to predict the top or bottom.*

That's not to say drawdowns aren't possible, of course they are, as with any investment strategy, it's a natural, and healthy side effect of being involved in the markets. However, the times where trend following systems reap the rewards far outweigh the periods of drawdown.

This fund is 100% systematised, although manually managed (as opposed to automated). This means that there are strict binary rules that dictate when we get in and out of the market, as well as how we size our positions and manage risk. There is zero discretionary input and all decisions are made entirely using the price of the markets, as opposed to reacting to news or fundamental factors.

*"Markets are never wrong, but opinions often are"* - **Jesse Livermore**

Here's a look at what a typical portfolio of open positions would look like. There aren't many hedges against inflation. However, a diversified trend following strategy would certainly be at the top of most successful money manager's lists.




**Currencies**

NZD/CAD, EUR/CHF, GBP/USD, USD/RUB, AUD/USD, USD/MXN, EUR/JPY

**Energies**

US Crude, Brent Crude, London Gas Oil, Heating Oil, No Lead Gasoline, Natural Gas

**Metals**

Palladium, Zinc, Aluminium, Nickel, Iron Ore, Lead, Copper, Platinum, Gold, Silver

**Grains**

Oats, Corn, Chicago Wheat, Rough Rice

**Soft Commodities**

Live Cattle, Orange Juice, Crude Palm Oil, London Cocoa, NY Cocoa, NY Cotton, London Sugar, Lumber, Coffee Arabica, Coffee Robusta, Soybeans, Soybean Oil.

**Sector ETFs and Fixed Income**

Autonomous Tech and Robotics Industry, CRISPR, Emerging Markets, REITs, SPDR Barclays Treasury Bonds, Cannabis Industry, Blockchain

## Frequently Asked Questions

**How do the fees work?**

Fees work in 2 ways.

1) A Performance fee (incurred quarterly) - This is 20% of any net profits made. If there are no profits, then AKV doesn't get a fee. It's sometimes called an incentive fee, and is designed traditionally for the money manager to not just milk large fixed fees from investors based on their assets under management . But rather to encourage the production of actual raw profits for their investors!

e.g.

> *Let's say Month 1 the fund returns £700 profit to your account, Month 2 the fund is down -£200 on your account, and Month 3 you're up £1,000.*
>
> *You would have made £1,500 over the quarter. 20% of that would be paid as your performance fee to Augustus King Vanguard, totalling £300. Which means you'd carry £1,200 profit over to the next month's account balance.*

2) A Management fee (incurred quarterly) - this is 0.5% of your average assets under management over that quarter.

e.g.

> *So if you have an average of £20,000 under management for the past 3 months, then you'd pay £100 for that quarter's trading. In essence, it amounts to 2% over the year.*

Both these fees are redistributed from your account to AKV automatically and will be reflected on your statements so that you can see the breakdown of everything.

This means you don't have to arrange for different payments every quarter, it's all taken care of seamlessly.

**Is there a minimum deposit required?**

No, this fund was set up originally to primarily trade the funds of family and close friends. As such, the emphasis is not on squeezing large deposits out of investors for the gain of the fund, but rather to provide some risk mitigating diversification to the savings of those I care about.

But if you really want an answer then I'd say the largest amount that you can currently imagine yourself losing half of and still not losing any sleep over it. But if you think you would start to sweat then lower the amount. It's important that you can comfortably withstand drawdowns on your account and stick with the fund for as long as possible, as this is where the large gains come from.  Even the world renowned Warren Buffet regularly incurs 50% losing streaks twice a decade or more, but if you were to look at his track record I'm sure you'd agree it's enviable.

Yours will be too if you can stomach the drawdowns and stick with the programme.

**Am I able to withdraw my money whenever I like?**

Of course, although two things to be aware of are that you gain significantly more money when you leave your funds compounding in your account, than if you make regular withdrawals. Additionally, at times I may require up to 1 month's notice to be able to trade-out of open positions in which your funds might be actively invested.

**What is a typical expected return?**

I cannot responsibly offer any accurate prediction of the future other than to say that I'm confident in the long term potential of the fund vs. the market and other benchmark indices. Anyone who says they can guarantee returns is either "full of it" or they're close friends of Bernie Madoff's and will be destined for life behind bars.

Historically, the fund aims to target returns around the 10%-30% range (or even higher). We can't rule out losing years, or even consecutive years. However, losing months and years should be contained to smaller losses, than the opposite gains of winning years, and when trends reappear this is where your fund will really pay-off.

*"But my neighbour said he made 2,500% last week buying Dogecoin, isn't 20% per annum a bit low?"*

As happy as I am for said neighbour, I would like to issue an imperative public safety announcement about the double-edged sword of being involved in highly volatile markets such as crypto *without a risk management strategy*.

So many lucky punters have made a packet buying into crypto early without really knowing when they'd get out, or even understanding that they could easily lose it all. Many such people now tend to take to social media in their hordes spewing ignorance about how to become rich beyond your wildest dreams, just like them. Be careful, they might be silver tongued and alluring, but they're often not as hot as they'd have you believe.

Over the last 10 or so years that I have been involved in the world of trading, I have seen many quicker gunslingers who could out-draw the likes of most Managed Futures Advisors (such as myself). However, their bodies are all strewn outside the taverns now, and as bright and exciting as their trading careers once were, they are often short-lived without a proper risk management strategy in place.

That said, in true trend follower style I'll go on record saying that when Bitcoin or Doge or whatever the next big thing is going up, then I'll be buying it. When it's going down I'll be selling it. I don't have any emotional allegiance to it, and you'll never see me defending  the "HODL" mantra on Twitter. I'll simply follow what the price and the trend is telling me, and manage risk like mad.


"HODLing" (Holding On for Dear Life) is for the desperate and lazy who live in hope that their easy fortunes will fall in their lap, all the time risking money they often can't really afford to lose. If the price moves down, they don't have a plan, they just 'hodl' until it's decimated and they lose it all, or they pray it'll come back up.

I'll take a steady 10%-30% per annum 7-8 years out of 10 EVERY time (with only small/controlled occasional losing years). Whack that into a compound interest calculator on Google and see how your investment could look in 15-20 years time.

**Is now a good time to invest in this fund?**

If I knew the answer to that then I'd be an oracle who could predict the markets. The truth is, nobody can responsibly claim to be able to do that, and so in lieu of a satisfying response,  my most honest  advice is that the best time to invest in this fund is when it's experiencing an extended drawdown. The second best time (if not currently in a drawdown)...is now!

This is because the one thing I'm most confident about is that trend following is the most sustainable and consistently profitable system that beats the markets in the long term.

**Could I lose all my money?**

It would be highly unlikely. I've been trading for over 10 years personally, and even as a rank beginner in the early years I have never blown-up an account. Sure, it's possible. There are some huge players in the money management world who have gone under, and small time retail traders are constantly blowing their accounts.

However, the reason we trade 60+ markets, and we can profit from bull, bear and surprise markets (both up and down) is to survive and thrive through compounding returns in the long run.

All I can suggest is that you review the track record, only invest what you can afford to lose and understand that all investments carry risk. The larger the risk, the greater the potential gain. If you are never willing to take risk, then your money will dwindle at the hands of inflation and/or personal expenditure.

I'm happy to help by answering any further questions that you may have in order to help you clarify the important question for yourself of whether or not you're ready to start investing in trend following.

**Matthew Spurr**

**Founder**

**Augustus King Vanguard**