GLOBAL FUND LTD

Russell Clark,
Global Fund Ltd
Investment Manager

"We have done a good job in keeping positioning exactly in line with our views, even as markets spent most of 2018 moving against us. And now the stars are aligning, and the markets are complacent. It's showtime!"

Your fund made 13.48% in December. Gains came mainly from the short book.

I should be feeling upbeat. I should write one of those funny monthly commentaries that bearish bloggers seem to love so much. But while I am very pleased at how the strategy is progressing, and with prospects looking good, I am consumed by melancholy.

Fund management as a business has two components, one is to raise money, and the second is to make money. Raising money is very difficult. There are some fund managers that are amazing at sales, and able to raise vast amounts of money even with very dubious track records. And there are other fund managers who are good at making money, but tend to only raise money after a run of good performance. To put it another way, often investors give their money to wrong manager at the right time, or they give it to the right manager at the wrong time. The upshot of this is even with the very best performing funds, the cash returns to investors tend to be much worse than the fund returns. I think this is a big problem for investors, so I have tried to see if we can solve it.

To this end, I have enacted two policies. One is almost total transparency in my views. I publish large amounts of market commentary which is distributed to subscribers of our website. It should be clear that the fund is positioned for a weak dollar, and for much higher volatility due to a possible collapse in the autocallable market. The second is to take an aggressive view on capital raising. Having noticed that new investors have a habit of only committing capital after the fund has moved, it was decided to restrict their access both to me and to the fund. The plan was that investors would be forced to commit some capital early, and then understand exactly what I am trying to do, recognise the signs that things were beginning to unwind, and increase their allocation into the fund BEFORE the big move. That is, get investors to put their money with the right manager at the right time.

Fourth quarter price action in credit, derivatives and currencies are confirming my views on the market. And we have done a good job in keeping positioning exactly in line with our views, even as markets spent most of 2018 moving against us. And yet, when I talk to investors, I sense no urgency. If anything there's only complacency. And this is what fills me with melancholy.

In some ways I have totally failed to convince people of the hidden dangers lurking beneath the market, the huge autocallable structure that suppresses volatility and hence allows valuations and leverage to grow, and that structure is beginning to break apart. I will redouble my efforts to explain more clearly why this is a huge risk, and why it is beginning to break apart, but I fear it may be too little too late.

Of course, the flip side of this complacency that I detect is that the market moves, which were so favourable for us in Q4, are likely to continue, and for that reason we have made relatively few changes to the fund. We have sold our Korean Won and Taiwan dollar positions, as I was of the view they should perhaps trade like Yen now given their large current account surpluses, but so far they have not exhibited a safe haven status. The only other change we are thinking about is perhaps closing some chemical shorts, and increasing shorts in healthcare and utilities. I plan to issue a market view explaining the bear case for healthcare and utilities in due course.

The stars are aligning, and the markets are complacent. Get the popcorn ready, it's showtime! Your fund remains short developed markets, long basic materials (and implicitly and explicitly long volatility).

NET PERFORMANCE

For the month	Year to date
13.48%	7.48%

Source: Citco Fund Services (Ireland) Ltd

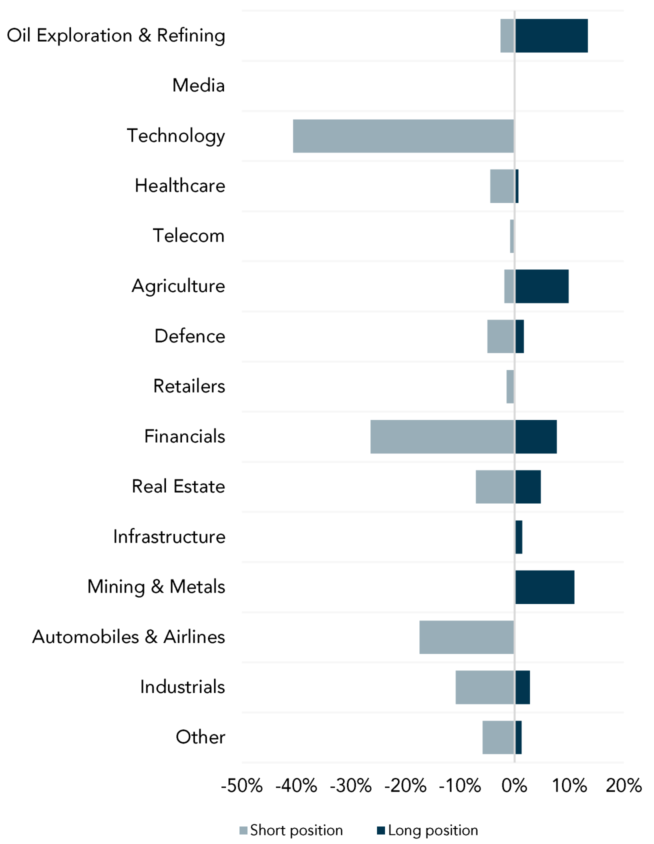
Fund Price	USD	EUR
Class A shares (closed)	595.25	535.78
Class B shares (soft closed)	287.67	259.74

Source: Citco Fund Services (Ireland) Ltd

Net Assets	
Horseman Global Fund Ltd	USD 581m
Total under same strategy	USD 844m
Total for the Firm	USD 1,011m

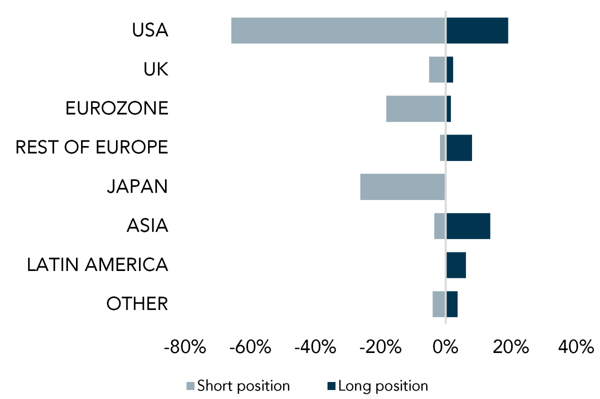
Source: Internal

INDUSTRY EXPOSURE BY % OF NAV



Source: Internal

GEOGRAPHIC EXPOSURE BY % OF NAV



Note: We do not generally target country exposure

Source: Internal

SECTOR ALLOCATION

About one sixth of federal spending goes to national defence. Given Congressional Budget Office (CBO) forecasts that US deficits will rise from 3.9% of GDP in 2018 to 9.5% in 2048 (resulting in federal debt held by the public reaching 154% of GDP), every subset of spending makes for intriguing reading.

At the direction of the Congress, the Department of Defence (DoD) generally issues annual reports that describe its plan for building new ships over the next 30 years. CBO examines these plans in detail and estimates the costs of proposed ship purchases using its own estimating methods and assumptions. CBO also analyses how those ship purchases would affect the Navy's inventories of various types of ships over the next three decades.

The Department of Defence submitted the Navy's 2019 shipbuilding plan, which covers fiscal years 2019 to 2048, to the Congress in February 2018. The average annual cost of carrying out that plan over the next 30 years would be about $28.9 billion in 2018 dollars, CBO estimates.

The Navy's 2019 shipbuilding plan differs substantially from its 2017 plan in its goal for the total inventory of battle force ships, the number and types of ships that the Navy would purchase, and the funding proposed to implement the plan. If fully carried out, the shipbuilding plan would represent the largest naval build-up since the Reagan Administration in the 1980s.

The shipbuilding plan calls for expanding the fleet to 355 battle force ships. On average, implementing the plan would cost 80 percent more per year than the funding for shipbuilding that the Navy has received in recent decades.

The Horseman Global Fund is short US defence contractors.

Given the spiralling costs shown above, together with CBO forecasts of mounting debts, efforts have already been made at the DoD to halt cost escalation in the defence budget. So far these have fallen mostly in areas unrelated to hardware procurement, such as military wages and R&D.

However, analysis by groups such as the Centre for Strategic & International Studies highlights that levels of competition among the biggest contractors has dramatically fallen in recent years, resulting in greater profitability for the companies involved.

As highlighted in the November Market View titled, "Price War" a number of tailwinds are beginning to turn into headwinds for these companies. However, we might also add pressure from the Federal Government to scrutinise profit terms of defence contracts, in order to stabilise federal debt, to the list.

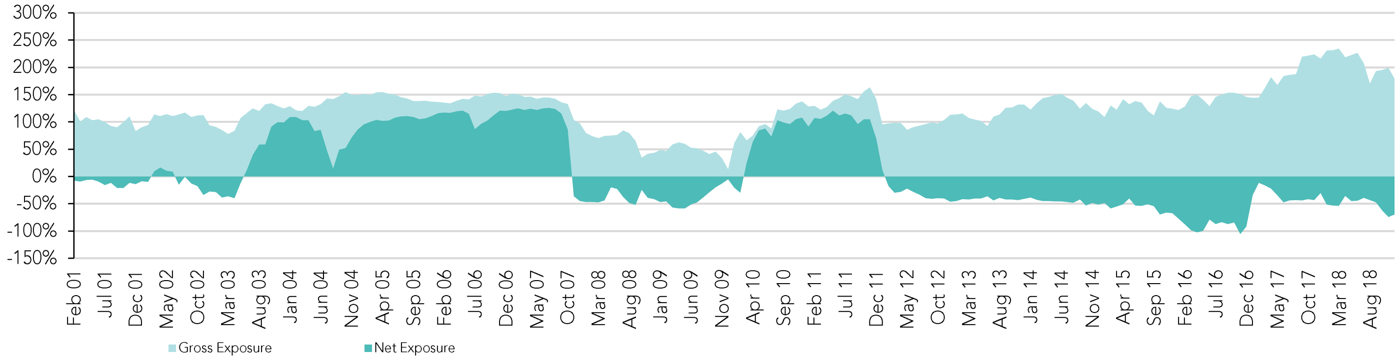
TOP 10 LONG POSITIONS BY % OF NAV

1	iPATH S&P 500 VIX Short-Term Futures ETN	4.27%	6	China Resources Cement Holdings Ltd	2.78%
2	Gazprom PJSC	3.42%	7	Petroleo Brasileiro SA	2.74%
3	Nutrien Ltd	3.30%	8	Vale SA	2.34%
4	Mosaic Co/The	3.11%	9	CF Industries Holdings Inc	2.04%
5	Anhui Conch Cement Co Ltd	2.95%	10	Anglo American PLC	1.88%

Anglo American PLC replaced China National Building Material Co Ltd in the top 10 during the month.

Source: Internal

HISTORICAL GROSS AND NET EXPOSURE



Equity position	**End of December 2018**
Gross long	54.66%
Gross short	-124.55%
Net long / (short)	-69.89%

Bond position	**End of December 2018**
Gross long / (short)	19.60%

Source: Internal

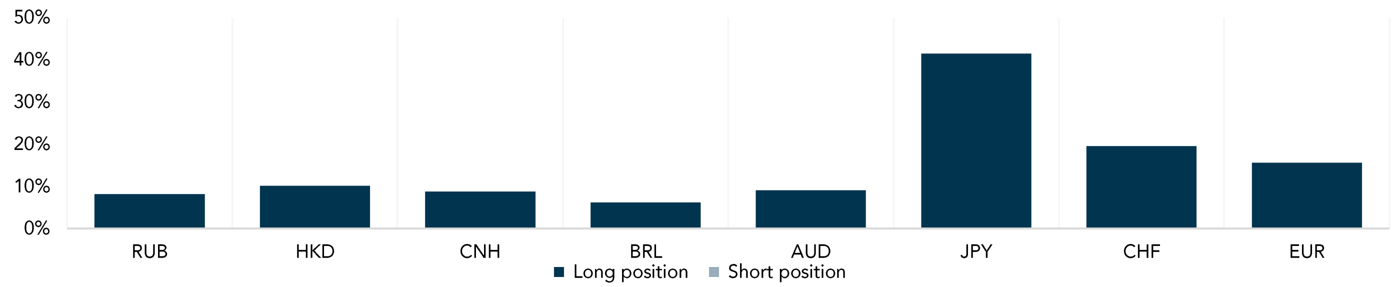
MONTHLY RETURNS

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	5.53	0.89	0.80	-2.00	-0.80	-6.87	-2.79	-5.14	1.80	5.22	-1.32	13.48%	**7.48%**
2017	-3.54	-3.23	-1.10	-2.01	0.50	0.85	6.85	6.82	-6.13	2.04	-3.35	5.54	2.27%
2016	8.02	1.47	-9.62	-4.29	1.77	9.82	-2.68	-4.94	1.44	-4.96	-12.80	-7.81	-24.03%
2015	8.19	-5.44	3.51	-7.71	2.63	0.35	6.93	9.37	5.14	-8.70	0.94	5.60	20.45%
2014	9.95	1.25	-1.43	-0.61	-2.42	-1.31	-0.44	1.44	3.78	-1.48	1.24	2.60	12.63%
2013	-1.29	3.60	3.75	4.37	1.63	3.79	-0.12	-1.67	-1.02	0.71	3.67	0.51	19.15%
2012	1.41	2.05	4.33	1.70	7.98	-0.98	0.85	0.26	-0.19	0.26	2.04	-4.08	16.27%
2011	-2.24	-0.44	3.66	7.90	-0.32	-2.46	2.96	-5.16	-12.73	18.50	-9.85	0.68	-2.99%
2010	1.01	-0.45	-3.41	0.74	-5.78	-1.89	5.21	0.97	11.95	4.40	-3.80	-2.38	5.46%
2009	0.42	2.34	-5.35	-9.41	-5.77	0.80	-5.14	-0.25	-2.51	-0.72	-0.42	-1.37	-24.72%
2008	5.55	2.44	3.16	-4.07	0.18	5.74	-1.92	-1.94	5.93	7.08	2.72	3.34	31.26%
2007	-1.03	2.49	5.57	4.82	6.30	3.41	0.78	-3.88	10.73	5.58	-6.58	1.83	32.93%
2006	8.60	-0.25	5.27	4.23	-6.64	1.33	1.24	-1.22	-1.87	4.57	3.24	5.57	25.77%
2005	1.63	9.27	-3.52	-3.21	2.71	4.22	7.61	2.13	8.66	-5.42	4.57	4.35	36.79%
2004	-0.09	3.30	3.58	-6.24	0.73	2.61	-0.72	0.41	4.45	-0.96	6.52	0.43	14.30%
2003	1.75	0.86	0.52	-5.24	0.27	-2.34	-4.17	-3.08	1.50	2.67	3.29	8.94	4.26%
2002	1.83	2.54	-1.52	7.32	1.49	6.30	0.52	-0.55	5.92	-6.81	-7.54	8.86	18.23%
2001		9.11	6.97	-8.15	2.77	1.92	3.92	7.34	8.60	-7.37	-6.63	-1.03	16.44%

The performance numbers above are for the US Dollar "A" share class, net of all fees and expenses with investment income reinvested. The performance for the US Dollar "B" shares launched in Sep 2005 differs by approx. 25 bps p.a. to the US Dollar "A" shares.

Source: Citco Fund Services (Ireland) Ltd

CURRENCY EXPOSURE VS US DOLLAR BY % OF NAV



The chart above shows the currency positions of at least 5% of the NAV versus US Dollar.

Source: Internal

FUND OBJECTIVE

Investment Objective:

The Fund aims to provide superior absolute long-term returns, while exhibiting a low correlation with stock market indices and lower short and long term volatility than the markets in which the Fund is investing.

Investment Process:

The Fund invests both long and short in large capitalised companies in G7 and the larger Asian markets, adopting an industry driven investment style. We emphasise industry and macro factors in our process. Stocks are then identified which will benefit from an industry's growth and where the growth potential is not priced in by the valuation. We use both independent and street research to develop our ideas. The process of short stock selection is the reverse process. The policy of the Fund is to actively manage foreign exchange exposure. The Fund may also have exposure to government bonds.

INVESTOR INFORMATION

General Information:	
Minimum Investment	USD 250k monthly subscription and redemption (A Shares: 30 days' notice, B Shares: 90 days)
Performance Fee	20%
Management Fee	Class A shares: 1% (now closed), Class B shares: 1.25%
Redemption Fee	0% if held for 12 months or more, 1% for between 6 and 12 months, and 2% for less than 6 months

ISSUED BY

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DISCLAIMER

Source of data: Internal, Citco Fund Services (Ireland) Ltd unless otherwise stated, all data as at newsletter month end unless otherwise stated
Fund commencement date: 1st February 2001
Past performance should not be seen as an indication of future performance, an investor may not get back the amount originally invested
Fund Manager from 1st January 2010: Russell Clark (John Horseman prior to January 2010)

Horseman Capital Management Limited is authorised and regulated by the Financial Conduct Authority ("FCA")