WHITE ELK PARTNERS

Champion Tower
Level 44, 3 Garden Road
Central, Hong Kong

team@whiteelkpartners.com

March Update

NEWSLETTER

CIO comment

Central bank governors don't usually leave their jobs out of the blue.

Speculation about why the Reserve Bank of New Zealand governor, Adrian Orr, left abruptly last month are rife but our personal favourite is that he cut interest rates too fast, or in our speak, he rushed headlong without a full grasp of economic data.

For macro policy pundits like us, a central banker's unanticipated exit naturally sparks excitement and ponderance: we think he's leaving before someone finds the bodies in the graveyard of less-than-desirable monetary decisions.

We have been saying for quite a while now that the RBNZ, like its Australian counterpart the Reserve Bank of Australia, has been wading in policy error.

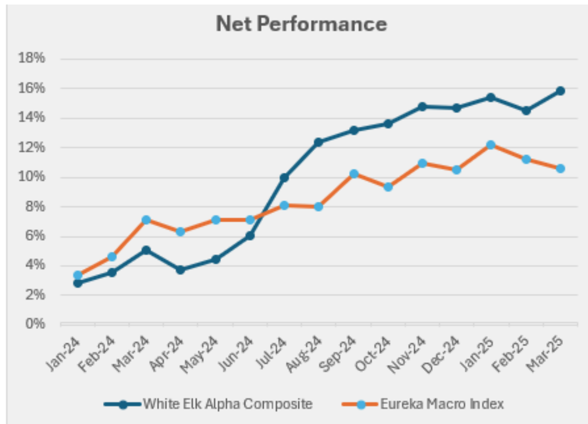
Before the pandemic Orr went big on the hiking cycle, and after the pandemic, within the space of four weeks, he had cut rates by 250 basis points.

He also embarked on the biggest quantitative easing program of any country with the purchase of billions of New Zealand government bonds to support the economy during the pandemic.

These are all illusions of grandeur but still, we mourn the gutsy Orr who was never shy to go all in.

A temporary governor - one of the RBNZ's own - has been installed in the form of current deputy Christian Hawkesby. As an aside, we don't think the bank, or the government, has the gumption to bring in better and much needed outside talent with actual central bank governing skills.

We expect Hawkesby to have an even higher propensity to cut rates deeper mostly as part of a face-saving exercise. There is no way he will allow New Zealand to plunge into a deep recession on his watch.



Period	White Elk Composite (%)	Eureka Macro Index (%)
1 Month	1.35%	-0.60%
3 Months	1.19%	0.03%
1 Yr	10.87%	3.42%
YTD	1.19%	0.03%

His modus operandi will be to point to a couple of green shoots emerging from the Kiwi economy as proof that things are turning around as a result of rate cuts.

We think the RBNZ will therefore continue to cut rates right down to about the 2.5% mark.

Of course, it will have to deal with the possible consequence of another spike in inflation.

Carl Radford, Co-founder and Chief Investment Officer

Will tariffs trip up the banks?

But, in a new plot twist, as US President Donald Trump's tariff campaign delivers a new curveball, the overcutting may well be a silver lining for New Zealand, but not so much for Australia

Remember, we haven't seen tariffs like this in 30 or 40 years.

So, while there has been much chatter about inflation on the other side of the Tasman about how fresh American tariffs may jack up prices again locally and globally, it's not inflation necessarily that central banks need to worry about.

Inflation generally rises when people have a lot of money to spend and that overspending heats up prices. We don't see the imposition of tariffs as having the same effect as overspending. In fact, spending may be deterred when massive tariffs are slapped on overnight.

It is the indirect effect of the tariffs on economies like Australia and New Zealand that should now keep central bankers up at night. The two economies may suffer a slowdown due to weaker trade with their biggest trade partner China, whose softer economy has been dealt another blow by US tariffs.

The hit to an already muted Chinese economy will send a ripple effect all the way down to the South Pacific. Remember, quality Kiwi milk powder is still a discretionary item to the Chinese consumer.

In a way, the RBNZ may not be wrong to overcut rates although the Reserve Bank of Australia will fall short on this strategy.

While the RBA should be cutting rates even more, it won't. Tuesday's rate hold is likely to be the first of many.

The RBA, like it has done many times, won't think for itself but follow what the Federal Reserve does and the Fed is not going to cut rates, not with its determination to stamp out rising inflation and having to deal with any economic volatility ignited by these tariffs.

It won't comprehend the indirect tariff headwinds that is heading for the Australian economy. Although there is hope after RBA governor Michele Bullock said this week she is prepared to cut rates to thwart any tariff-induced slowdown.

Last month, we forecasted a recession for Australia in the fourth quarter. We now increase the probability of one happening.

The only mitigating factor to that is the federal election spending the government is about to make as Australia heads to the polls on May 3.

The economy will have all this money thrown at it which may well contain economic tremors for a while but the spending will be nothing but an expensive band-aid.

FACTSHEET – MARCH 2025

3 Month	Year to Date	Since Inception	Daily Volatility	Sharpe Ratio
1.19%	1.19%	15.70%	0.21%	2.21

Company Overview

For over 2,000 years, the White Elk has symbolized the courage, strength, and resilience – the very qualities that drive White Elk Partners. Founded in 2023 by industry veterans Carl Radford and Michael Rothlin, we bring world-class investment expertise and a strong operational foundation. Backed by a team with blue-chip pedigree and decades of global experience, we seamlessly integrate strategy and executional efficiency to stand out in the competitive investment management arena.

Our Strategy

The Alpha Strategy is built on a foundation of precision and adaptability. We combine deep macroeconomic insights with relative value strategies to uncover opportunities in Asian liquid markets, while confidently navigating volatility.

Our market-agnostic approach allows us to capitalize on diverse scenarios, aiming to deliver consistent performance regardless of market direction. By integrating proprietary collateral management into the investment process, we enhance operational efficiency and unlock additional value for investors.

Key Investment and Business Personnel

Carl Radford	Chief Investment Officer
Michael Rothlin	Snr. Portfolio Manager
Robert Jewell	Portfolio Manager

Management

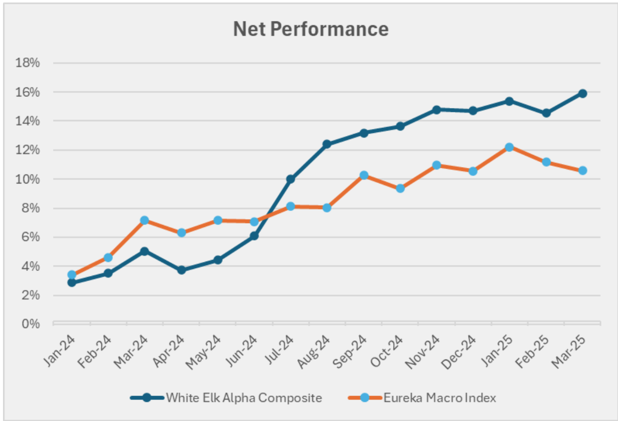
Anthony Bathurst	Chief Executive Officer
Mark Croft	Head of Fund Services

Prime Brokers and Custodians

Goldman Sachs	Prime Services
JP Morgan	Prime Services

Key Service Providers

Legal Counsel	Ogier/Mayer Brown
Tax Advisor	PWC
Auditor	PWC
Administrator	BNP Paribas
Middle Office	BNP Paribas
AML Officers	Ogier Global

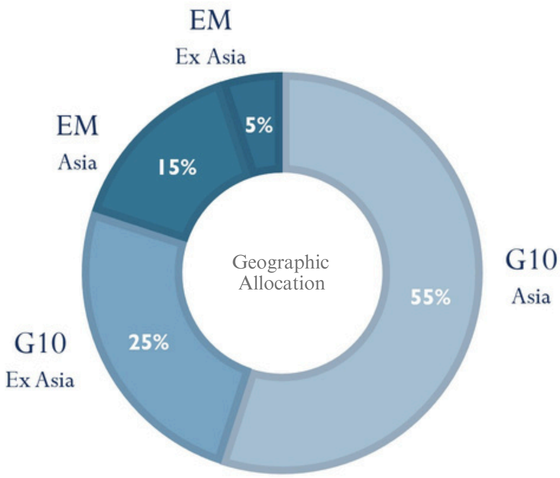


Performance Summary*

Period	Return (%)	Eureka Macro Index
3 Month	1.19%	0.03%
Year-to-Date	1.19%	0.03%
Since Inception	15.70%	10.38%

Risk and Portfolio Summary

Figure	Portfolio
Positive Months	15
Negative Months	4
Max Drawdown	-1.31 %
Longest Drawdown (Months)	1



* Method of calculation and applicable factors per proceeding newsletter

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