

Disciplined Alpha U.S. Long Short UCITS Fund

Long Short US Securities

July 2020

Performance Returns

The Disciplined Alpha U.S. Long Short UCITS Fund returned 3.17% for the month of July (USD Institutional Class B).

Investment Objective & Strategy

The MontLake Disciplined Alpha U.S. Long Short UCITS Fund is advised by a Boston based firm with extensive experience building Macroeconomic Regime based strategies.

Disciplined Alpha was founded in 2013 to manage Regime based strategies for institutional investors. Investors' willingness to take risk, is not constant, but time varying. These risk aversion preferences are tracked in a real time, forward looking, Macroeconomic Regime model and captured in a Long Short Equity strategy.

While the strategy has the objective of generating superior returns, it is also designed to minimize drawdowns, and have low correlations with the overall equity markets, particularly during Bear Markets

Monthly Commentary

The Disciplined Alpha U.S. Long Short Equity Offshore Fund generated a net return in July of +3.05%. This brings the year-to-date return to -6.53%, the 1-year return to -7.39%, the 3-year annualized return to +4.99%, the 5-year annualized return to +3.81%, and the since inception 7-year annualized return to +5.02%. As Value has continued to outperform Growth, the month-to-date return in August is approximately +2.6%, bringing the year-to-date return to approximately -4.1%.

On a since inception basis, the strategy has outperformed the respective Peer Groups by approximately +2.5% to +3.7% annually. From a Sector perspective, in July, Health Care, Information Technology, and Consumer Discretionary contributed +1.60%, +0.67%, and +0.66% to performance respectively. Utilities detracted -0.18% from performance. All other Sectors contributed to performance.

As I discussed in recent monthly updates, our Regime Model had been in "Risk On" or "Momentum" Regime, from January of 2017 through March of 2020, at which point it shifted to "Risk Off" or "Value" Regime. When the Regime Model is in Value Regime, it is essentially Long Value stocks and Short Growth stocks. We recently hosted a webinar on why Value stocks are likely to significantly outperform Growth stocks on a relative basis and generate a substantial return on an absolute basis over the next 12 to 24 months. The replay link is: <https://www.disciplinedalpha.com/webinars-whyvaluenow>.

Incidentally, other Disciplined Alpha content can be accessed on our website www.disciplinedalpha.com. If you click on the "Client Login" tab, and enter "disc_alpha" for the password, you will see every monthly updated archived since 2013 in the left column, along with several firm documents including our DDO, our ADV Part 2 etc. in the right column.

During the Q&A at the end of the webinar, and in subsequent conference calls, we received questions regarding the portfolio positioning prior to the shift into Value Regime and after the shift into Value Regime. Below are two charts showing the portfolio Longs in green, and the portfolio Shorts in red. The first chart shows the portfolio positioning across five commonly used valuation metrics at the end of February, shortly before the Regime model shifted from Momentum Regime to Value Regime. The Longs had an average P/E, using Trailing Earnings, of 24.5, whereas the Shorts had an average P/E, using Trailing Earnings, of 14.0. Across all five valuation metrics, the Longs were more expensive than the Shorts. The reason for this is that in Momentum Regime, other metrics are rewarded by the market more than valuation metrics and the portfolio is positioned accordingly.

MontLake Disciplined Alpha U.S. Long Short UCITS Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.57%	-7.24%	-1.54%	2.54%	-1.19%	-4.13%	3.17%						-8.99%
2019	-	-	1.39%	1.65%	0.96%	1.32%	1.62%	3.94%	-4.62%	-0.95%	0.89%	-0.21%	5.92%

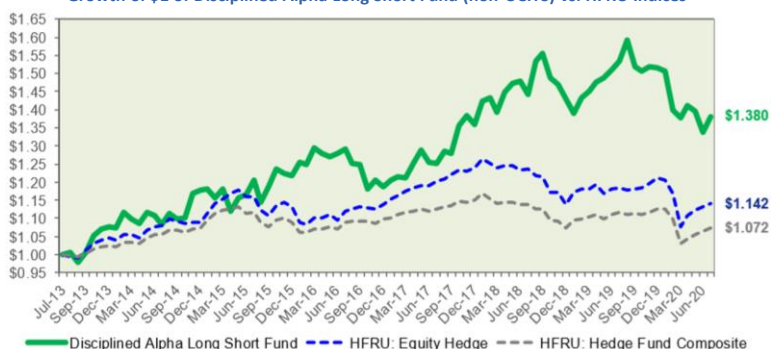
The performance figures quoted above represent the performance of the Disciplined Alpha U.S. Long Short UCITS Fund, USD Inst. Class B since launch on the 21-Feb-2019. These performance figures refer to the past and past performance is not a reliable guide to future performance.

Disciplined Alpha U.S. Long Short Fund (non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	-2.93%	3.09%											
2018	4.70%	0.77%	-2.80%	3.83%	1.72%	0.48%	-2.52%	6.47%	1.32%	-4.27%	-1.38%	-2.62%	5.22%
2017	1.59%	0.84%	-0.25%	3.17%	3.02%	-2.65%	-0.09%	2.67%	-0.65%	6.09%	2.11%	-1.83%	14.60%
2016	2.86%	-0.38%	3.59%	-1.19%	-0.78%	0.89%	0.80%	-3.00%	-0.31%	-5.32%	1.93%	-1.50%	-2.71%
2015	0.29%	-2.27%	2.16%	-5.09%	3.15%	0.87%	3.38%	-5.17%	3.89%	4.17%	-1.05%	-0.37%	3.40%
2014	-0.27%	3.85%	-1.53%	-1.17%	2.91%	-0.86%	-2.27%	2.93%	-1.36%	0.15%	6.14%	0.93%	9.48%
2013	-	-	-	-	-	-	0.60%	-2.61%	2.69%	4.45%	1.84%	0.64%	7.71%

The above performance pertains to the Cayman based Disciplined Alpha Offshore Fund, Ltd that is run pari passu with the Disciplined Alpha U.S. Long Short UCITS Fund. UCITS Funds have to abide by certain investment restrictions and consequently the performance of the MontLake Disciplined Alpha U.S. Long Short UCITS Fund may not be similar to that presented above.

Growth of \$1 of Disciplined Alpha Long Short Fund (non-UCITS) vs. HFRU Indices



The Manager



Kevin W. Shea, CFA

Chief Executive Officer

Mr. Shea is CEO of Disciplined Alpha LLC. Previously he was the Director of Quantitative Research at Cadence Capital. Mr. Shea has also held the positions of Portfolio Manager at Batterymarch, and CIO and Founder of DA Capital. He has also been a Portfolio Manager at Invesco, and a Quantitative Analyst at John Hancock Funds. Mr. Shea holds a B.A. in Liberal Studies from the University of Notre Dame, an A.L.M. in Biology from Harvard University, an M.B.A. in Finance and International Studies from Boston College. Mr. Shea co-teaches a Proseminar in Finance at MIT's Sloan School of Management.

Todd S. Smith

Managing Director, Director of Research

Mr. Smith was previously a Senior Analyst at Cadence Capital and O33 Asset Management. He has also been part of Morgan Stanley's top ranked Information Technology equity research team according to *Institutional Investor Magazine*. Mr. Smith began his career in the corporate finance division at Cowen & Company working on IPOs and M&A transactions, before transitioning to the equity research team. Mr. Smith graduated from Dartmouth College with a degree in Engineering Sciences.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	\$13.5m
Inception	21 st February 2019
Share Class	Institutional Class B
Currency	USD/GBP/EUR/CHF
Management Fee	1.25%
Performance Fee	15.00%
Min Initial Subscription	5,000,000
ISIN Codes	USD: IE00BLWDV338 GBP: IE00BLWDTV78 EUR: IE00BLWDTQ26 CHF: IE00BLWDTZ17

Share Class	Retail Class Pooled
Currency	USD/GBP/EUR/CHF
Management Fee	2.00%
Performance Fee	20.00%
Min Initial Subscription	10,000

ISIN Codes	USD: IE00BLWDV551 GBP: IE00BLWDTX92 EUR: IE00BLWDTS40 CHF: IE00BLWDV114
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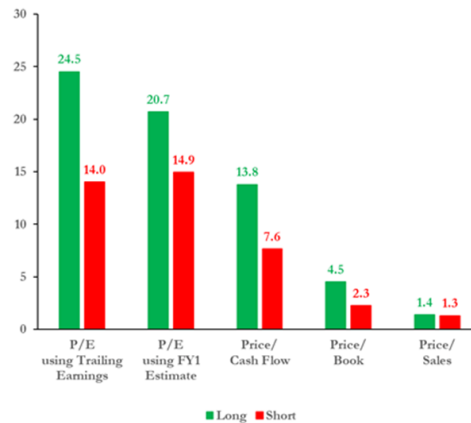
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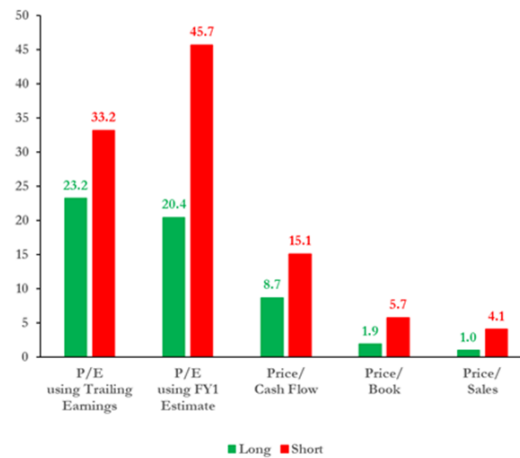
Monthly Commentary (Continued)

Disciplined Alpha Long Short Equity
Portfolio Characteristics 2/28/2020
Momentum Regime



The second chart shows the portfolio positioning across the same five valuation metrics on July 28th, after the Regime model shifted from Momentum Regime to Value Regime. The Longs had an average P/E, using Trailing Earnings, of 23.2, whereas the Shorts had an average P/E, using Trailing Earnings, of 33.2. Across all five valuation metrics, the Longs were less expensive than the Shorts. The reason for this is that in Value Regime, valuation metrics are rewarded more than other non-valuation metrics and the portfolio is positioned to reflect this.

Disciplined Alpha Long Short Equity
Portfolio Characteristics 7/28/2020
Value Regime



We welcome any additional questions on this shift from Momentum Regime to Value Regime in general, or related to the Why Value Now webinar in particular. I have included a copy of the slides from the webinar in this monthly update so they are readily available. The trend of Value outperforming Growth is at a very early stage. As reflected in the charts above, the Disciplined Alpha U.S. Long Short Equity strategy is well positioned to continue to benefit from this trend.

Thank you for your continued support.

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