# AlphaQuest UCITS Fund

CTA/Managed Futures

July 2019

## FACTSHEET

### Performance Returns

The AlphaQuest UCITS Fund returned +0.88% in July (USD Inst. Founder Pooled Share Class).

### USD Institutional Founder Pooled Share Class UCITS Performance

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | -4.96% | -1.34% | 2.47% | -1.28% | 2.38% | 4.93% | 0.88% | | | | | | ***2.81%*** |
| 2018 | 9.69% | -0.08% | -0.29% | 1.43% | 0.73% | -1.25% | -2.34% | -0.51% | 0.68% | -1.74% | -5.29% | 1.20% | ***1.58%*** |
| 2017 | -4.33% | -2.70% | -0.99% | -0.69% | -2.54% | 0.15% | -1.78% | -1.51% | 0.70% | 3.15% | 0.45% | -1.45% | ***-11.14%*** |
| 2016 | | | | | | | | | | | | -0.22% | ***-0.22%*** |

*The performance figures quoted above represent the performance of the AlphaQuest UCITS Fund since launch on 9th December 2016. These performance figures refer to the past and past performance is not a reliable guide to future performance.*

### Investment Objective & Strategy

The AlphaQuest UCITS Fund's investment objective is to seek capital appreciation over the long term. The AlphaQuest UCITS Fund invests, on a long and/or short basis, in a globally diversified portfolio representing the major asset classes of equities, fixed income and currencies. It also gains exposure to commodities, on a long and/or short basis, through the use of structured financial instruments ("SFIs"). The AlphaQuest UCITS Fund targets, over the medium term, a realized volatility in the range of 10%-12%, in order to adhere to UCITS investment restrictions.

Quest employs a systematic trading program (the "Program"), diversified by asset class and with individual positions intended to provide a return over different time horizons, that seeks to deliver positive alpha (alpha is a statistical measurement used to determine the risk-reward profile of a potential investment). The Program is composed of a number of trading systems, each of which generates individual trades. These trading systems generate trades on the basis of price movement indicators which seek to identify situations where there is potential for an increase in the price volatility of a given market. Risk controls are integrated into the Program to measure the potential risk associated with trades generated by the Program. Generally, the Program will determine that AlphaQuest UCITS Fund should take a long position in a market that has shown an upward trending price or a short position in a market that has shown a downward trending price.

### ALPHAQUEST ORIGINAL (AQO) PROGRAM MONTHLY PERFORMANCE (NON-UCITS)*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | -7.73% | -2.46% | 3.98% | -1.54% | 6.52% | 6.06% | 2.14%E | | | | | | **6.31%E** |
| 2018 | 16.28% | -0.01% | -0.17% | 3.12% | 1.38% | -0.47% | -5.45% | 1.06% | 1.43% | -2.66% | -8.42% | 0.92% | **5.29%** |
| 2017 | -6.31% | -4.14% | -0.86% | -0.02% | -2.75% | -0.82% | -2.30% | -1.99% | 0.44% | 6.99% | -0.04% | -1.44% | **-12.94%** |
| 2016 | 14.16% | 9.19% | -6.72% | -0.58% | -3.62% | 6.60% | 2.16% | -6.30% | -7.64% | -2.65% | 0.20% | 4.51% | **7.02%** |
| 2015 | 7.97% | -0.68% | 2.90% | 0.33% | -1.65% | -10.70% | 7.39% | -2.01% | -1.64% | 2.17% | 8.72% | -5.47% | **5.69%** |
| 2014 | 1.62% | 0.10% | -4.51% | -5.36% | 3.20% | 1.89% | -2.29% | 5.83% | 3.20% | 3.75% | 5.24% | 3.23% | **16.27%** |
| 2013 | 0.07% | 4.45% | -0.53% | 9.07% | -3.46% | 0.86% | 1.86% | -1.42% | -1.67% | -0.25% | 2.11% | 4.39% | **15.94%** |
| 2012 | 3.07% | 2.32% | -5.14% | -2.25% | 8.66% | -3.34% | 5.75% | -3.47% | -3.91% | -2.62% | -0.70% | 3.77% | **0.87%** |
| 2011 | -4.91% | 5.83% | -6.53% | 16.41% | -5.93% | -9.40% | 11.37% | 0.96% | -4.11% | -3.85% | -2.92% | 2.10% | **-4.11%** |
| 2010 | -6.93% | 0.19% | 1.58% | 1.85% | 3.26% | -1.52% | -2.24% | 6.97% | 7.52% | 6.14% | -6.82% | 10.10% | **20.08%** |
| 2009 | 0.38% | -2.32% | -7.57% | -2.43% | 13.30% | 0.36% | 0.57% | -1.73% | 3.60% | -5.17% | 1.77% | -11.16% | **-11.75%** |
| 2008 | 2.09% | 14.92% | -0.53% | 1.26% | 4.88% | 4.22% | -13.55% | 1.36% | -1.26% | 20.59% | 10.10% | 4.98% | **55.77%** |
| 2007 | -0.49% | -3.23% | -0.50% | 6.26% | -0.79% | 6.81% | 2.07% | -11.84% | 13.80% | 6.73% | -3.71% | 4.04% | **18.11%** |
| 2006 | 4.34% | -3.02% | 0.55% | 14.62% | 0.91% | -3.18% | -6.08% | 0.36% | 0.25% | 7.48% | 5.95% | 2.54% | **25.72%** |
| 2005 | -7.67% | 2.58% | 0.41% | -3.46% | 1.48% | 5.15% | -4.02% | 2.35% | 2.94% | 0.11% | 4.36% | -3.35% | **0.04%** |
| 2004 | -2.80% | 3.93% | -1.38% | -5.60% | 1.30% | -9.98% | 1.36% | -1.25% | -0.99% | 6.23% | -0.60% | -1.32% | **-11.43%** |
| 2003 | -1.84% | 6.16% | 0.93% | -7.90% | 14.36% | -4.59% | -1.86% | 1.85% | 4.23% | -4.62% | -3.28% | 1.13% | **2.74%** |
| 2002 | 4.05% | -13.71% | 16.53% | -1.44% | -2.49% | 9.22% | 3.76% | 0.83% | 6.90% | 0.99% | -3.50% | 16.92% | **39.94%** |
| 2001 | -5.22% | -5.43% | 12.11% | -5.59% | 3.89% | -2.20% | 3.68% | -4.52% | 7.38% | 2.97% | 0.58% | 10.42% | **17.17%** |
| 2000 | 4.18% | -1.54% | 7.14% | -2.85% | 8.03% | -4.16% | -2.57% | 3.17% | -2.83% | 4.85% | 7.97% | 18.05% | **44.31%** |
| 1999 | | | | | -2.66% | 2.81% | -1.77% | -1.73% | 1.12% | -5.26% | 4.26% | 1.11% | **-2.45%** |

**The above performance pertains to the AlphaQuest Original (AQO) program and is not representative of the AlphaQuest UCITS Fund. UCITS funds have to abide by investment restrictions and consequently the performance of the AlphaQuest UCITS Fund may not be similar to that presented above.*

## THE MANAGER

Quest Partners LLC

### Nigol Koulajian

*Founder and Chief Investment Officer*

Nigol Koulajian is the Founder and Chief Investment Officer of Quest. Mr. Koulajian founded Quest in March 2001 to pursue his passion for quantitative investment research and strategy development, which he has focused on from the beginning of his career in the early 1990's. After lengthy research, Koulajian identified specific strategies using proprietary techniques that have been continuously enhanced over the past eighteen years and became the basis for the growth of Quest. The firm, which is based in New York, currently manages approximately $1.5 billion in assets. In 2002, Mr. Koulajian started the NOK Foundation, which is committed to promoting the study and practice of yoga and meditation globally. Mr. Koulajian has acted as a board member of the Omega Institute and David Lynch Foundation. Mr. Koulajian earned an MBA in finance from Columbia Business School and a BS in electrical engineering from Notre Dame.

### Paul Czkwianianc

*Partner*

Paul joined the firm at its inception in 2001. Mr. Czkwianianc started his career in the financial industry in 1999 at Enterprise Asset Management where he worked alongside Mr. Nigol Koulajian. Mr. Czkwianianc holds a B.S. degree in Applied Mathematics from Columbia University and an M.S. degree in Mathematics from New York University.

### FUND FACTS

| | |
|---|---|
| Structure | UCITS Fund |
| Domicile | Ireland |
| Liquidity | Daily |
| Fund AUM | $54.2 million |
| Strategy AUM | $1.375 billion |
| Inception | 9th December 2016 |
| Registered | Ireland, UK, France, Lux and Switzerland (*Qualified Investors Only*) |
| **Share Class** | **Institutional/Institutional Pooled** |
| Currency | EUR/GBP/CHF/USD |
| Mgt. Fee | 1.5% |
| Perf. Fee | 20% |
| Min Init. Sub. | 1,000,000 |
| ISIN Codes | EUR: IE00BD08G390/IE00BD08G739 |
| | USD: IE00BD08G622/IE00BD08GB72 |
| | CHF: IE00BD08G515/IE00BD08G952 |
| | GBP: IE00BD08G408/IE00BD08G846 |
| **Share Class** | **Retail Pooled** |
| Currency | EUR/GBP/CHF/USD |
| Mgt. Fee | 2% |
| Perf. Fee | 20% |
| Min Init. Sub. | 100,000 |
| ISIN Codes | EUR: IE00BD08GM87 |
| | USD: IE00BD08GQ26 |
| | CHF: IE00BD08GP19 |
| | GBP: IE00BD08GN94 |

## FACTSHEET

### Performance Commentary

The AlphaQuest UCITS Fund continued its rally in July, finishing up +0.9% and marking its third consecutive month of gains. The potential for a central bank embarkment on yet another easing cycle caused strong price movements in numerous markets, particularly currencies and fixed income.

The broad rally in global financial markets that began in June persisted into July as leading equity indices made new all-time highs, yields on several key government bonds made new record lows, and credit spreads tightened close to cyclical lows. On July 25th, ECB President Mario Draghi sent a clear signal that the central bank was preparing a "package" of measures for its September meeting—likely further cuts to already negative rates, forward guidance that rates are likely to remain negative for an extended period, and yet another round of asset purchases. On July 31st, the U.S. Federal Reserve cut interest rates for the first time since 2008 and left open the potential for further cuts. Political tensions remained high in the U.K., as Boris Johnson assumed leadership of the Conservative Party and thereby U.K. premiership. Johnson promptly promised to deliver a 'Brexit' by October 31st, causing the pound sterling and U.K. gilt yields to have their biggest declines in nearly three years.

All sectors but equities were profitable in July. Foreign exchange was the best performer, accounting for over half of the overall gains in the Program, on the back of strong gains from short positions in pound sterling and the euro, and from long positions in the U.S. dollar and Japanese yen. It has been interesting to see foreign exchange’s strong contribution to performance in recent months as major currency pairs have broken out of multi-year ranges, especially the euro. Historically, periods of heightened currency volatility have coincided with elevated global market volatility and stronger Program performance. The Program also benefited from long positions in gold, which gained as central banks eased monetary policy. Equities were the only laggard on the month, modestly detracting from returns. While long positions in U.S. equity indices were profitable, abrupt reversals in European and Japanese indices were disadvantageous.

All trading system families except for short-term volatility breakout were profitable in July. The strongest performance came from the trend crowding trading system family, which took advantage of mature trends in fixed income and foreign exchange markets. Long-term trend following performed well, contributing positive returns in every sector. Intermediate-term trend following, which trades time horizons of a few days to a few weeks, generated positive returns primarily in foreign exchange. The short-term volatility breakout trading systems were modestly negative for the month, impacted by the choppiness of some equity indices. Although July was slightly negative for the short-term trading systems, it is noteworthy that they remain positive for the year despite a strong compression of volatility across sectors.

### Market Commentary – The Pied Piper Plays Again

Similar to the Pied Piper in the famous fable, central banks once again brought out their pipes to tide over growth bumps and lure global markets to another series of records.

The central banks’ response to weakening growth in recent months is unsurprising given its consistency with their prior behavior and, in some cases, with their mandate. What is surprising, however, is their eagerness to act even when growth remains relatively stable and—at least in the case of the ECB—to go so far as to use crisis-level stimulus measures when there is no apparent crisis or recession at hand. Their rationale for these actions is also becoming rather nebulous as they tout "insurance cuts" and muted inflation as the means.

As we have written previously, central bank actions are resulting in an increasingly absurd pricing of risk and valuation across markets. Nowhere is this more evident than in Europe, specifically in European bond markets. Years of negative interest rate policies and asset purchases—and recent indications of even more negative rates and additional asset purchases—have resulted in the amount of negative yielding bonds to surge to unprecedented levels of over $14 trillion, as seen on the following page.

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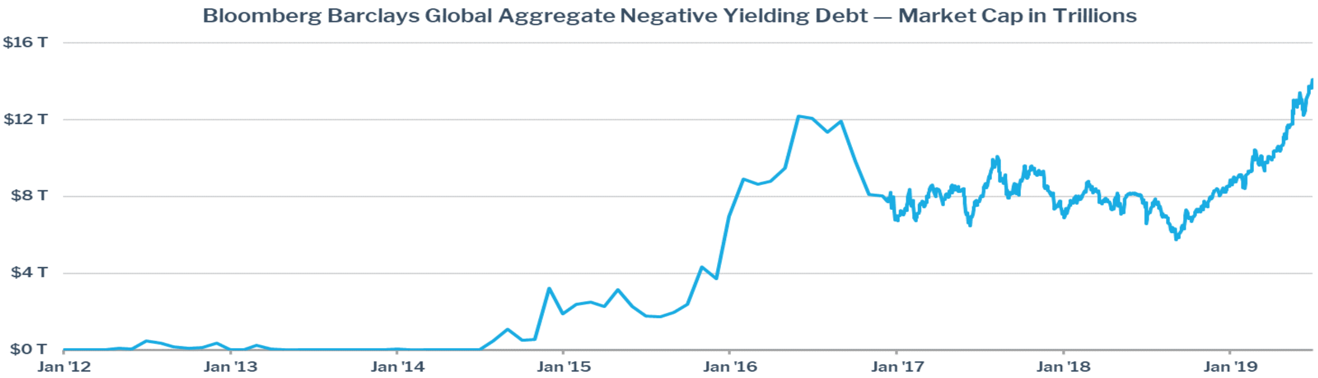
## FACTSHEET

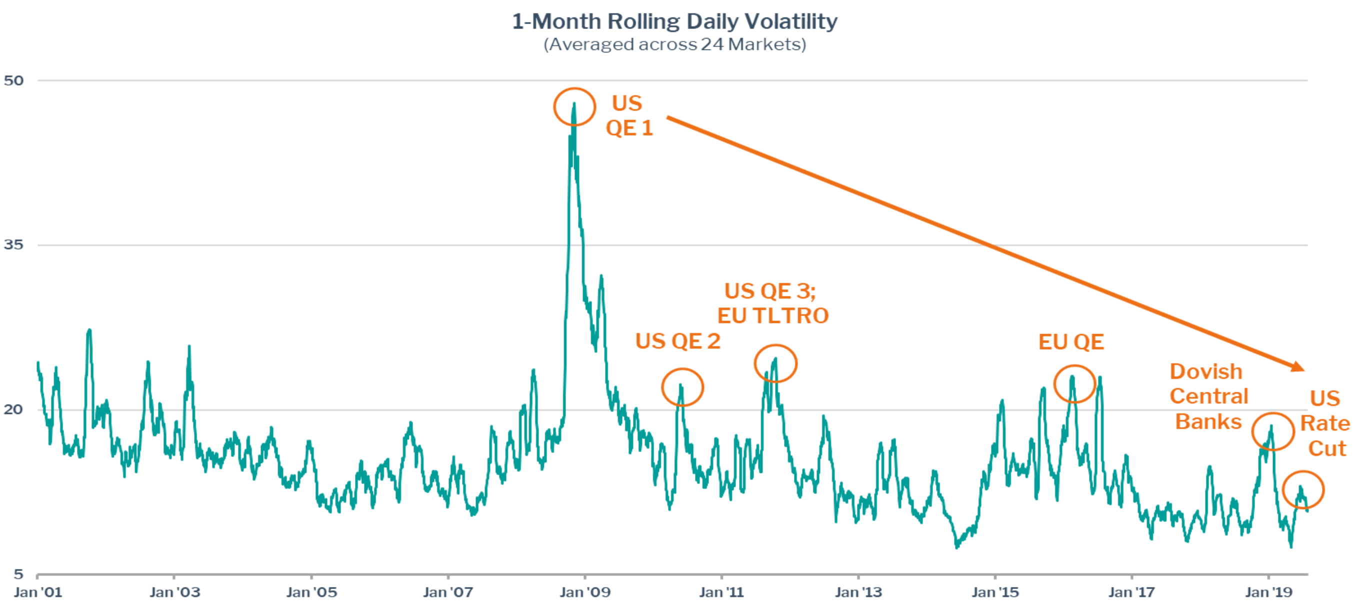



Source: Quest Partners LLC, Bloomberg; Prior to January 2017, the index was published monthly. DISCLOSURES: Past results are not necessarily indicative of future results. Derivatives trading involves substantial risk of loss and may not be suitable for everyone. This is not a solicitation.

Greater negative yields are effectively a tax on investing in safe assets and, as such, are pushing investors to seek positive yields in riskier assets like equities, credit, and illiquid or private assets. This, in turn, results in a consistent appreciation of these assets to new records.

This wonderful cycle is also dampening market volatility as ever-greater pools of capital pour into risk assets with the comfort that central banks will intervene to prevent the risk assets decline. Indeed, since the financial crisis of 2008, central banks have stepped in to stymie any sustained rise in volatility, as seen in the chart below. Concerningly, they have stepped in at progressively lower levels of volatility increases, thereby keeping volatility suppressed at near-record low levels.

Central Banks are Intervening at Progressively Lower Levels of Volatility – This is Concerning

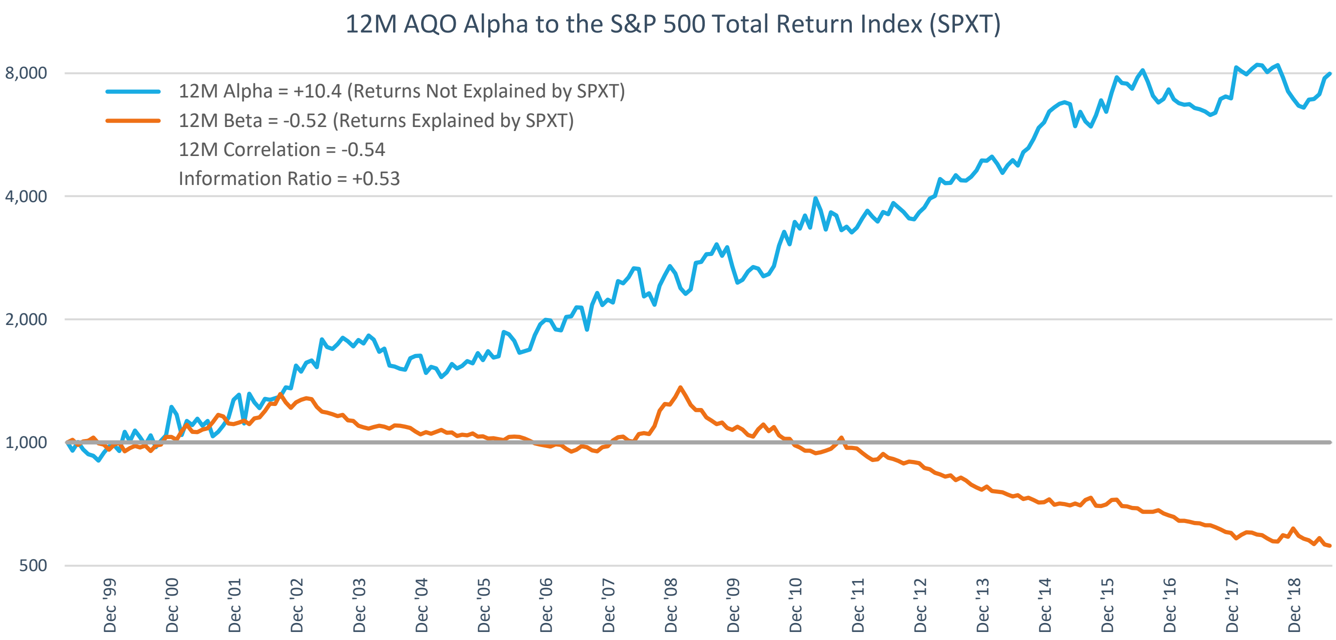



Source: Quest Partners LLC; January 2001 through July 2019. DISCLOSURES: Past results are not necessarily indicative of future results. Derivatives trading involves substantial risk of loss and may not be suitable for everyone. This is not a solicitation.

Investors are being lured into risky assets to an ever-greater extent because "there-is-no-alternative" (so called 'TINA') and they are confident that this cycle will continue with central bank support. Furthermore, given that most forms of hedging or portfolio protection have been onerous to carry in such an environment, many investors have outright abandoned them. Simply put, investors are "all-in" on risky assets.

But, just as the Piper turned on the town to take his revenge, markets will eventually realize that the melodious music has a bitter price.

## ALPHAQUEST ORIGINAL (AQO) PROGRAM ALPHA CURVE SINCE INCEPTION (NON-UCITS)*

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Source: Quest Partners LLC; Alpha and Beta values are derived from 12-month rolling returns and are indexed at 1000 at AQO's inception.

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