AlphaQuest UCITS Fund

CTA/Managed Futures

December 2021

Performance Returns

The AlphaQuest UCITS Fund returned -1.46% in December (USD Institutional Share Class).

AlphaQuest UCITS Fund Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	-2.50%	6.11%	3.25%	1.30%	-0.27%	-0.70%	0.75%	-1.33%	-0.27%	4.19%	-3.52%	-1.46%	5.25%
2020	1.69%	1.04%	5.93%	0.11%	-4.00%	0.75%	2.27%	-1.46%	-3.54%	-0.26%	-2.59%	0.66%	0.19%
2019	-4.96%	-1.34%	2.47%	-1.28%	2.38%	4.93%	0.88%	4.74%	-2.44%	-1.80%	0.64%	-1.10%	2.68%
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 USD Institutional Founder Pooled Share Class since launch on 9th December 2016 through 31st December 2020 (Mgmt Fee 1 Perf Fee 15) and USD Institutional Share Class beginning 1st January 2021 (Mgmt Fee 1.5 Perf Fee 20). These performance figures refer to the past and past performance is not a reliable guide to future performance.

Investment Objective and 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 comprised 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 one.

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, Mr. Koulajian identified specific strategies using proprietary techniques that have been continuously enhanced over the past nineteen years and became the basis for the growth of Quest. The firm, which is based in New York, currently manages approximately $1.9 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.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	$40.7 million
Firm AUM	$1.900 billion
Inception	9th December 2016
Passport	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

Performance Commentary

The AlphaQuest UCITS Fund ended December down -1.5% to finish the year with a strong return of +5.3%. The S&P 500 Total Return Index gained +28.7%, its third-best year in the past two decades as equity markets extended their post-COVID rally. The S&P 500 closed at an all-time high 70 times in 2021, the second highest in history behind 1995's colossal +37.6% rally with 77 record-high closes. Additionally, the Credit Suisse Hedge Fund Index was up +6.2% through November and is poised to close higher on the year.

The Program seeks to diversify risks associated with more common portfolio exposures, such as equities and other hedge funds. This year's performance demonstrates the Program's ability to generate significant Alpha relative to these benchmarks during challenging environments for strategies which provide positively skewed returns. The Program's targets a longer-term negative correlation and beta to the S&P 500. When factoring in the magnitude of the S&P 500's gain on the year, the Program's true Alpha to the benchmark for 2021 was notable.

For December, the Program was challenged by the lack of market directionality following the beginning-of-month equity selloff, due to the emergence of the new, highly transmissible Omicron strain of COVID-19. While the S&P 500 initially sold off as much as -5.2% peak-to-trough, reports indicating its diminished virulence led to a snap back in prices. The Program reacted swiftly and aggressively to the selloff on two occasions, reaching a maximum short position in equities of about -17% during the month, only to be stopped out of such positions by a fierce late-December rally. This price action led to the equity and fixed income sectors each contributing about half of the strategy's loss in December. Commodities were flat as gains from long positions in the energy subsector were offset by losses from shorts in the metals subsector. Foreign exchange was also flat as gains in long U.S. dollar positions, particularly against the Japanese yen, were nullified by losses from other Euro-area pairs.

All trading system families besides long-term trend following experienced losses in December. The shortest-term volatility breakout trading systems and the intermediate-term trend following trading systems suffered most in the equity and fixed income sectors for the aforementioned reasons. As the long-term trend following trading systems are less reactive, their risk-on exposure persisted through the selloff, leaving them unscathed and providing the opportunity to benefit from the end-of-month rally. Finally, the trend crowding trading systems were down slightly, with no particular performance of note.

For the full year, the Program performed above expectations given the results of its various benchmarks, making new Alpha highs relative to nearly all of them. All sectors were positive on the year and all subsectors were positive but metals. Equities gained most on the year, benefitting from long positions during the powerful performance earlier in the year. Commodities were up moderately as the significant gains from long positions in the energy markets were dampened by losses in metals, which experienced an overtly noisy market environment with key inflection points of sharp reversal. Foreign exchange was also moderately positive as the year saw numerous intermediate-term trends on which all trading system families were able to take advantage of. Fixed income finished the year slightly positive, which is noteworthy considering the arduous period for trading momentum on the asset class. The Program's core focus on volatility expansion and convexity in lieu of momentum aided with its ability to profit during such a time.

All trading system families but volatility breakout gained in 2021. Volatility breakout suffered from higher levels of mean reversion in shorter timeframes across most of the sectors. Long-term trend following was positive on the year, buoyed by trends in the equity and commodity sectors. Trend crowding was once again positive on the year, now marking its sixth-straight year of positive gains since its larger inclusion within the Program. It is worth noting the degree to which the trading system family has benefitted the Program, all while maintaining a positively skewed profile, as evidenced by multiple occasions of outsized returns, such as during this February's reflation crisis. Intermediate-term trend following performed best on the year, profiting in all subsectors but metals.

While 2021 was a certainly a strong year for the Program, the abnormally steady rise in the equity market overshadowed the full potential of its hedging capabilities. At several points during the year, it flipped aggressively from long to short positions in equities—such as during the Omicron scare—only to be stopped out as markets snapped back.

Despite this, we are pleased with this year's outcome. Most notable was the Program's positive returns in fixed income despite the asset class having one of its worst years on record. As the long-fixed-income trade has been profitable for many decades, selloffs in fixed income have been sparse and short-lived. Looking forward, with fixed income yields close to zero, we anticipate more frequent selloffs and, more importantly, that the severity of such selloffs will be pronounced. One such occasion was witnessed in February of this year, when the Program was able to generate significant returns as fixed income sold off sharply on the prospect of reflation. As inflationary pressures remain persistent and volatility picks up, we are encouraged by the Program's ability to react quickly and generate returns from volatility expansions, wherever they may arise and in whichever direction.

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Market Commentary: Inflation and the illusion of returns

By most accounts, 2021 was one of the strongest years on record for financial markets. The S&P 500 ended the year up +28.7% on a total return basis, capping a remarkable three-year run where the index doubled and gained at least fifteen percent in each year, a feat not achieved since 1999. Commodities had a banner year, with the Bloomberg Commodity Total Return Index gaining +27.1% and crude oil delivering its best return since 2009. Cryptocurrencies entered the mainstream as greater acceptance of the asset class led to Bitcoin and Ethereum gaining +59.8%, and +399.1%, respectively.

Despite the buoyant conditions, a look beneath the surface reveals that not all was rosy during the year. Fixed income, as indicated by the Bloomberg Global Aggregate Index, declined -4.7%, its worst year since 1999. Gold, often touted as a hedge against inflation, declined -3.6%. Even within the equity market, gains were very narrow with a few large stocks driving returns. The top five stocks in the S&P 500 accounted for 37% of the index's return for the year, although they accounted for just 18% of the index's weight at the beginning of the year. The top twenty-five stocks in the index accounted for 55% of its return, according to Goldman Sachs Research.

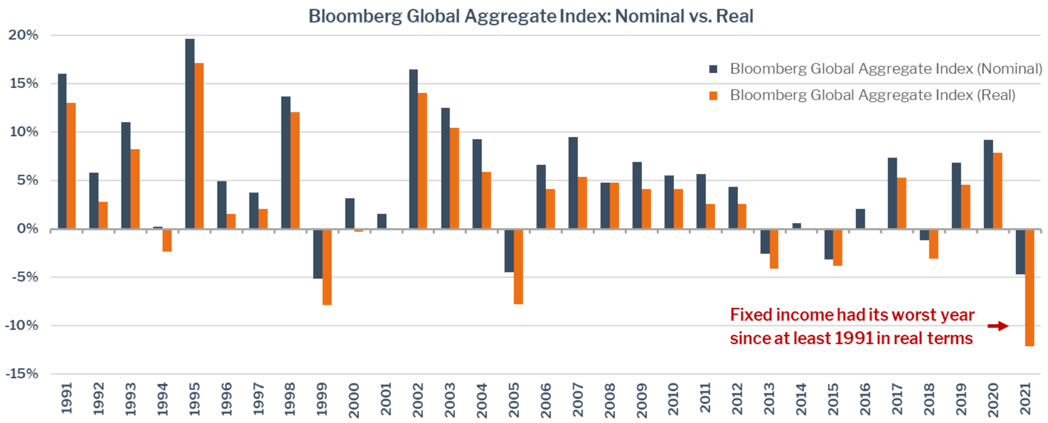
The returns are even more unappealing after adjusting for inflation, which surged during the year. Consumer prices in the U.S. rose to 6.8% year-over-year on a headline basis and to 4.9% year-over-year on a 'core' basis, their highest levels in forty and thirty years, respectively. Adjusting for this, real returns were significantly lower or negative for many asset classes, as shown below.

As inflation has surged, real returns* for many assets are significantly lower or negative

Index	2021 Nominal Return	2021 Real Return*
S&P 500 TR Index	28.7%	21.3%
MSCI World TR Index	21.8%	14.4%
Russell 2000 TR Index	14.8%	7.4%
Bloomberg Global Agg TR Index	-4.7%	-12.2%
Bloomberg Global HY TR Index	1.0%	-6.5%
Bloomberg Commodity TR Index	27.1%	19.7%
Gold (Spot)	-3.6%	-11.1%
HFRX Global Hedge Fund Index	3.7%	-3.8%
S&P 500 TR Index	28.7%	21.3%

*Source: Quest Partners LLC, Bloomberg; *Inflation rate subtracted from 2021 nominal returns is the 2021 Consumer Price Index for All Urban Consumers Seasonally Adjusted. December 2021 Inflation rate is estimated. 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.*

Fixed income nominal returns were the worst since 1999; Real returns were the worst in at least 30 years



Source: Quest Partners LLC, Bloomberg; January 1990 to December 2021. Inflation rate subtracted from nominal returns is the Consumer Price Index for All Urban Consumers Seasonally Adjusted. Inflation rate is subtracted monthly. December 2021 Inflation rate is estimated.

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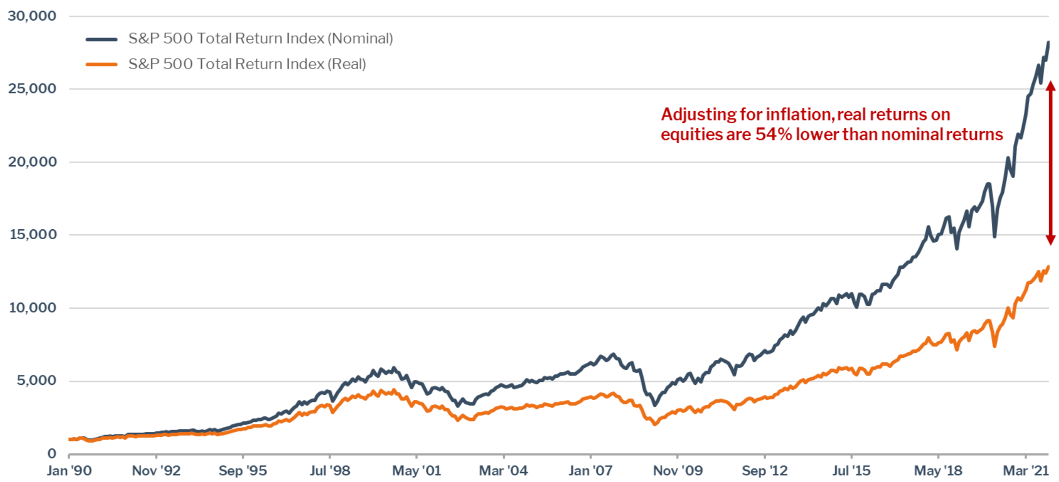
Inflation creates an illusion of nominal returns
Returns in equities are lower by -54% after adjusting for inflation



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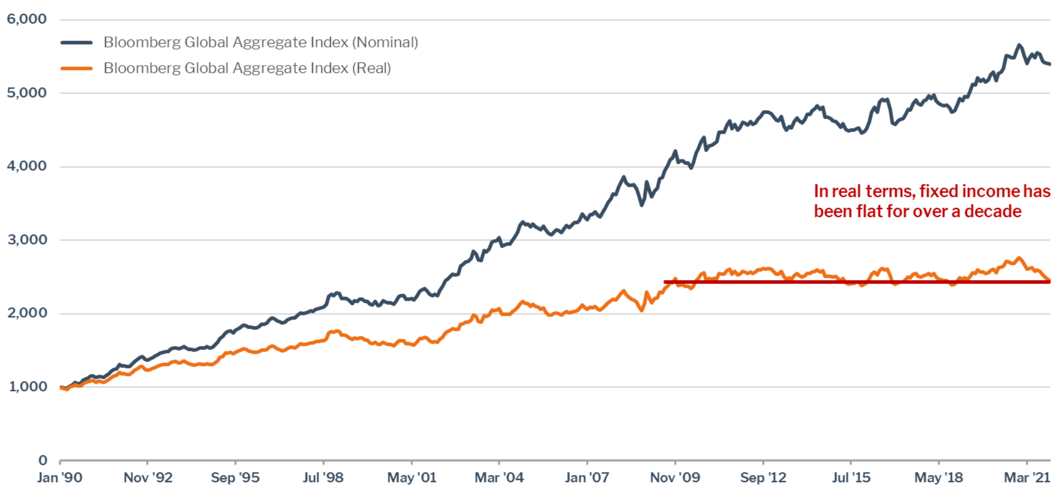
Returns in fixed income are 55% lower after adjusting for inflation
In real terms, fixed income has been flat for over a decade



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One the most important and pernicious consequences of the recent bout of high inflation is that it has impacted defensive investments the most, pushing investors even further toward riskier ones. With low or negative returns in defensive investments and limited opportunities for diversification, investors are once again concluding that there is no alternative or 'TINA' for equities. Global equity funds attracted a record $704 billion of inflows between January and November, eclipsing the previous record of $551 billion set in 2007, according to Reuters.

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Paradoxically, some of the biggest gainers within the equity markets in 2021 were high valuation growth stocks that are the most sensitive to higher inflation and interest rates. Rather than being driven as hedges against inflation, the rapid gains in these equities and other assets like cryptocurrencies appear to be a byproduct of the excess liquidity created by global central banks during the pandemic period and the speculative behavior it has fawned. With inflation being more persistent than initially expected and central banks beginning the process of withdrawing liquidity, markets are entering a dangerous phase where nominal returns are likely to be lower and more volatile while real returns after adjusting for inflation could be substantially lower or negative for most asset classes. These risks are being further exacerbated by investors crowding into a few high performing assets classes.

Entering 2022, we believe that the Program is positioned well as a truly diversifying strategy that can take advantage of higher volatility and generate sustainable real returns. We anticipate that high inflation, coupled with central bank tightening, will provide ample opportunities for the Program to capitalize.

Business Update

2021 was a strong year for Quest. Its strategies delivered solid returns in a difficult environment for diversifying strategies and as equity markets set records regularly. Firm assets eclipsed $2.0 billion, with nearly $200 million of net inflows during the year. The year also marked one the most significant enhancements in our research platform and productivity with several key strategy deployments.

On the people front, we are very pleased that Brian Brugman joined as Director of Research in June, and he has already made valuable contributions to the research process and management. The firm also added experienced and talented resources across all functions. Firm headcount begins the new year at an all-time high.

We sincerely thank our investors for their confidence in Quest and wish everyone a very happy, healthy, and prosperous 2022.

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