AlphaQuest UCITS Fund

CTA/Managed Futures

December 2018

FACTSHEET

Performance Returns

The AlphaQuest UCITS Fund returned +1.20% for the month of December (USD Institutional Founder Share Class).

USD Institutional Founder Share Class UCITS Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	9.82%	-0.10%	-0.34%	1.68%	0.85%	-1.48%	-2.34%	-0.51%	0.68%	-1.74%	-5.29%	1.20%	**1.77%**
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.

Performance Commentary

The AlphaQuest UCITS Fund was up +1.2% in December and finished the year up +1.8%. Despite a challenging fourth quarter, the AlphaQuest UCITS Fund outperformed and delivered strong Alpha versus key benchmarks in 2018.

December saw a volatile and turbulent market environment with the S&P 500 Total Return index declining -9.0%, its worst monthly performance since February 2009. The index also experienced its first negative year in ten years. Concerns about slowing economic growth and the U.S. Federal Reserve's perceived indifference to tightening financial conditions hurt investor sentiment and led to one of the biggest outflows from equity mutual funds on record. As equity market declines intensified, other asset classes began to belatedly react with the U.S. dollar and bond yields declining, and the VIX index breaching the 35% level for the first time since February.

At an asset class level, the main source of Program returns were short positions in the U.S. dollar (particularly against the Japanese yen) and long positions in fixed income. Despite sharp declines in equity markets in recent months, the Japanese yen—typically a 'flight-to-safety' currency—was remarkably stable. As equity market declines accelerated in December, trading systems were able to take advantage of the yen's breakout from its well-defined range. In fixed income, the Program benefited from long positions in German bunds which rallied throughout the month on concerns about economic growth, budget tensions in Italy, and political stability in France. Equities were slightly negative in December as trading systems were moderately positioned given the high level of volatility and intra-month reversals.

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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 seventeen years and became the basis for the growth of Quest. The firm, which is based in New York, currently manages $1.6 billion in assets and employs twenty people. 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

Director of Futures Research

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	$62.2 million
Strategy AUM	$1.358 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

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Commodities were also negative, mainly due to short-gold positions early in the month. As gold broke up in the later part of December, however, the Program flipped to a long position and recouped a portion of the earlier losses.

Among trading system families, the best returns were generated by our intermediate-term trading system family, which trade time horizons of a few days to a few weeks. These trading systems were especially profitable through their long positions in fixed income, short positions in the U.S. dollar, and short positions in equity markets. Our shortest-term trading systems, which trade time horizons of less than five days, were modestly positive for the month, benefiting from short positions in equities. Trend Crowding trading systems had a negative month due to losses in equities and commodities—although this was partially offset by profits in foreign exchange. Long-term trend following trading systems were modestly negative in December due to small losses across fixed income, foreign exchange, and commodities.

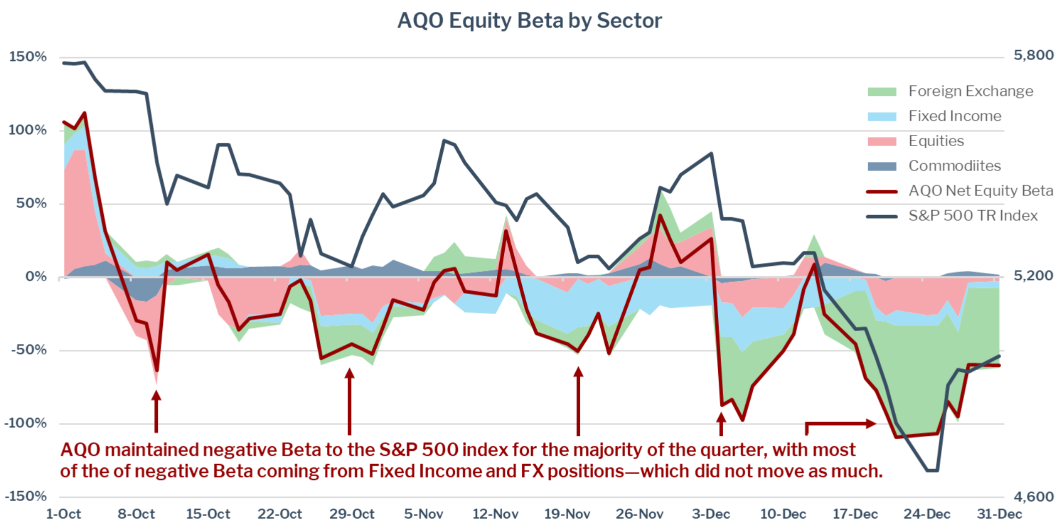
Why did the AlphaQuest Original (AQO)* program not perform better in December?

While the AQO program was positive in December, it is reasonable to ask why it did not achieve greater performance given its historically negative correlation to equity markets.

First, as we have highlighted in the past, the AQO program is not a put option. An option essentially provides a 100% guarantee to capture of a price move beyond its strike price and within its expiration period. That guarantee, however, comes at a significant cost over time. The AQO program—through its dynamic, short-term trading approach—moderately compromises on the certainty of equity drawdown capture in exchange for seeking to provide superior returns and significant Alpha over holding volatility-based positions. As presented in our October letter, the capture ratio has varied between 60% to 100% depending on the magnitude and duration of the equity drawdown.

Second, the AQO program has delivered its strong historical returns and Alpha by prudently targeting markets where convexity is the cheapest (i.e., where the potential for volatility expansion relative to risk of a false breakout or reversal is the lowest). At an asset class level, this entails having both direct and indirect exposures depending on the attractiveness of convexity in that asset class. For example, if convexity is very expensive in equities, either because volatility is already elevated, or the risk of a reversal is significant, the AQO program will have lower direct exposure to equities and will seek other asset classes that may have not yet moved. Conversely, if convexity is cheap in equity markets, the AQO program will likely have a large direct exposure.

In recent months, the AQO program did indeed have significant negative equity beta, as seen below. A sizeable portion of the negative equity beta, however, was from other asset classes—particularly foreign exchange and fixed income. While these asset classes did respond to the declines in equities, their reaction was much more muted and gradual than per usual. Put another way, a -20% peak-to-trough decline in equities should have resulted in much larger moves in other asset classes than was the case in the fourth quarter of 2018. While this is disappointing, any statistical process—such as the approach followed by the AQO program—will have associated uncertainty and variability. December's performance and, indeed, the fourth quarter's, are nonetheless in line with historical experience and the AQO program's risk thresholds.



Source: Quest Partners LLC; May 1999 through November 2018. DISCLOSURES: Past results are not necessarily indicative of future results. Commodity trading involves substantial risk of loss and may not be suitable for everyone. This is not a solicitation.

The above 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.

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AQO* return vs. benchmarks and Alpha:

*Alphas based upon long term rolling 12-month Betas (since 'Benchmark Start' dates)	S&P 500 TR Index	BTOP50 Index	SocGen CTA Index	SocGen Trend Index	SocGen Short-term Traders' Index	Credit Suisse HF Index	Long-VIX Strategy	Risk Parity Portfolio
AQO 2018 Alpha*	1.09%	9.20%	11.87%	11.49%	2.86%	0.38%	-5.31%	-0.34%
AQO Alpha Since Benchmark Start Date*	9.94%	6.74%	5.98%	6.20%	8.79%	11.83%	12.82%	11.63%
Benchmark Start Date	5/31/99	5/31/99	1/31/00	1/31/00	1/31/08	5/31/99	8/31/04	6/30/99

Source: Quest Partners LLC; Since respective Benchmark Start Dates through December 2018 (November 2018 for the Credit Suisse HF Index).
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Market Commentary - Nowhere to hide

2018 marked the end of the era that lasted for ten years since the end of the Global Financial Crisis—one where asset classes were boosted by unprecedented stimulus by global Central Banks both in terms of size and duration. Balance sheets of leading Central Banks expanded by over $13 trillion from the beginning of 2008 to the end of 2018, resulting in the longest U.S. equity bull market in history and fostering remarkable gains across a range of asset classes and countries. As the cycle progressed, however, asset classes became dependent on Central Bank support to an ever-greater extent.

In 2018, a relatively modest reduction in the balance sheet size of leading Central Banks (by ~$350 billion), a minor series of rate hikes by the U.S. Federal Reserve (by 100 bps) and a perceived failure to rescue the markets from tightening financial conditions in December led to the biggest U.S. equity market decline in seven years and the first negative year in U.S. equity markets since the Global Financial Crisis. Volatility shocks became more frequent—in January/February and then again in the October through December period.

After two years when every major asset class had positive returns, there was nowhere to hide in 2018 as every asset class (except cash) delivered a negative return, as shown below. Crucially, fixed income did not play the diversifying role it has traditionally played as yields rose for most of the year.

Annual total returns by asset class

Nothing Worked
Everything Worked

Index	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
S&P 500 Total Return	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	-4.4%
MSCI World	-40.3%	30.9%	12.4%	-5.0%	16.6%	27.4%	5.6%	-0.3%	8.2%	23.1%	-8.2%
MSCI Emerging Markets	-53.2%	78.9%	19.2%	-18.2%	18.6%	-2.3%	-2.0%	-14.6%	11.8%	37.8%	-14.5%
Barclays Global Aggregate	4.8%	6.9%	5.5%	5.6%	4.3%	-2.6%	0.6%	-3.2%	2.1%	7.4%	-1.2%
Barclays U.S. Aggregate	5.2%	5.9%	6.5%	7.8%	4.2%	-2.0%	6.0%	0.5%	2.6%	3.5%	-0.0%
Barclays U.S. Corp High Yield	-26.2%	58.2%	15.1%	5.0%	15.8%	7.4%	2.5%	-4.5%	17.1%	7.5%	-2.1%
S&P GSCI Total Return	-46.5%	13.5%	9.0%	-1.2%	0.1%	-1.2%	-33.1%	-32.9%	11.4%	5.8%	-13.8%
SPDR Gold Shares (GLD)	4.9%	24.0%	29.3%	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%

Source: Quest Partners LLC; January 2008 through December 2018. Return figures are total returns assuming reinvestment of dividends.
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We believe, the increase in volatility seen in 2018 is only the beginning of a longer-term process of normalization of volatility. As the next decade is likely to look very different from the one that has just past, volatility shocks are likely to be more common, historical correlations are likely to be less relevant, and strategies which performed well in recent years should be increasingly challenged. On the other hand, diversifying strategies that provide protection during turbulent market environments and negative correlation to traditional asset classes while still delivering positive returns are more relevant than ever.

We are excited by the opportunities ahead for our investment strategies. AQO has delivered significant Alpha and returns since inception and since the end of the Global Financial Crisis, even though the environment has been mostly unfavorable for our strategies. Going forward, we believe the prospects for volatility expansions are significant and we look forward to taking advantage of them.

We remain grateful to our investors for their support and wish everyone a very happy, healthy, and prosperous 2019.

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	16.28	(0.01)	(0.17)	3.12	1.38	(0.47)	(5.45)	1.06	1.43	(2.66)	(8.42)	1.01 E	**5.38% E**
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)%**

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