AlphaQuest UCITS Fund

CTA/Managed Futures

January 2022

Performance Returns

The AlphaQuest UCITS Fund returned -0.46% in January (USD Institutional Share Class).

AlphaQuest UCITS Fund Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	-0.46%												-0.46%
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.

Fund Facts

AlphaQuest UCITS Fund	
Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	$39.7 million
Firm AUM	$1.922 billion
Inception	9th December 2016
Passport	Ireland, UK, France, Lux and Switzerland (Qualified Investors Only)

Share Class	Institutional / Inst. Pooled	Retail Pooled
Currency	EUR/GBP/CHF/USD	EUR/GBP/CHF/USD
Mgt. Fee	1.5%	2%
Perf. Fee	20%	20%
Min Init. Sub.	1,000,000	100,000
ISIN Codes	EUR: IE00BD08G390 / IE00BD08G739 USD: IE00BD08G622 / IE00BD08GB72 CHF: IE00BD08G515 / IE00BD08G952 GBP: IE00BD08G408 / IE00BD08G846	EUR: IE00BD08GM87 USD: IE00BD08GQ26 CHF: IE00BD08GP19 GBP: IE00BD08GN94

The Manager

Quest Partners LLC

Key Biographies

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.

Brian Brugman

Director of Research

Brian Brugman is the Director of Research at Quest, spearheading the firm's research and investment strategy development. Mr. Brugman joined Quest in June 2021 after spending fourteen years at AllianceBernstein where he played a leading role in the construction of the firm's systematic macro investment capabilities. At AllianceBernstein, Mr. Brugman was a Senior Vice President and Portfolio Manager on the Multi-Asset Solutions team, having managed the firm's Systematic Macro strategies since their inception. Mr. Brugman holds a Ph.D. in Physics from the University of California, Los Angeles and a B.S. in Physics and Applied Mathematics from the University of California, Riverside.

Performance Commentary

The AlphaQuest UCITS Fund was down slightly (-0.46%) in January, a challenging month with numerous market reversals. After a prolonged period of strong Alpha generation, the Program relinquished a portion of its Alpha to equities due to the S&P 500 Total Return Index's decline of 5.2% on the month. While the result had the potential to be stronger, we are pleased with the convexity the Program continues to provide. Towards the end of the month, the strategy developed a significant equity short position, prepared for further acceleration of the selloff. The Program also positioned aggressively in a variety of other markets, prepared for a broad deleveraging. While widespread reversals ultimately led to the modest decline, the core mandate of the Program is seeking to identify the areas in which convexity is the most attractive. We believe the strategy is delivering on this mandate more so than ever in its history, as evidenced by the skewness of its returns being at all-time highs. As uncertainty seems poised to remain in the near-term, we remain confident that holding such positions could yield significant Alpha to equities, risk parity, other hedge funds, and traditional CTAs.

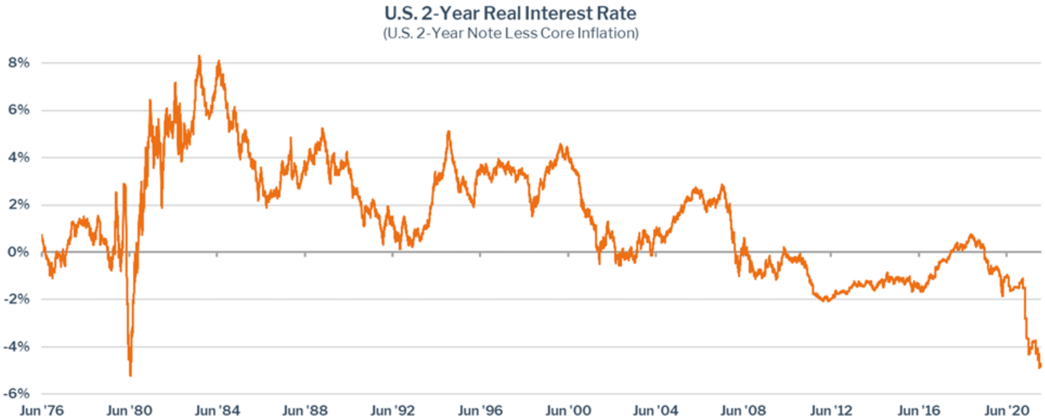
In January, among sectors, equities detracted the most as the trading systems experienced whipsaw conditions across all time horizons. Foreign exchange also detracted due to a mid-month bullish reversal and an end-of-month bearish reversal in the U.S. dollar. Commodities contributed modestly, but performance was mixed; losses due to false breakouts in the metals subsector were offset by strong gains in energies, where crude oil reached its highest level in over three years. Fixed income provided the greatest return on the month, benefitting from the early-month spike in yields. Reflationary pressures were so meaningful that the Program developed short positions in fixed income across all geographies and all tenors on the curve.

Among trading system families, trend crowding and volatility breakout struggled. Crowding was challenged by reversals in equities, metals, and foreign exchange. The volatility breakout trading systems fared poorly when intraday selloffs reversed sharply. Long-term and intermediate-term trend following were both positive, backed by strong gains in energy and fixed income.

Market Commentary

What a start to 2022 it has been! Risks from rising inflation, geopolitical flash points, and surges in COVID-19 cases are now being coupled with the potential for aggressive central bank tightening. Since the market nadir in March of 2020, speculators have benefited from some of the loosest monetary policy and highest liquidity in history, with real interest rates reaching multi-decade lows of almost -5%. Quest has flagged the destabilizing inflationary risks of these policies for some time. Now, central banks (particularly the Fed) have capitulated and signaled that this tailwind will likely turn into a headwind—potentially a strong one.

Real Yields Remain Near All-Time Lows, Fueling Asset Bubbles



Source: Quest Partners LLC, Bloomberg; June 1976 through December 2021; Bloomberg ticker: RR2YCUS Index. 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.

Uncharacteristically loose central bank policy has spurred numerous asset bubbles across capital markets, where, in many cases, the fear of missing out (FOMO) has been more of a driver than a protector of capital. "Hot" sectors, like cryptocurrencies, SPACs, private credit, and high-growth stocks have seen prices move well beyond rational, log-run anchors. The prices of commodities and "things that cannot be printed" have also increased meaningfully. Even at the broad equity market level, financial asset prices have reached extremes, with the S&P 500's price-to-book ratio at just below 5x and the Buffet Ratio just below 2x—levels unheard of outside of prior bubbles. This raises the question: while many think inflation will be transitory and the bull market will persist, could these extremes be indicative of a major turning point? Like the mythologized Cassandra, who foresaw the fall of Troy but was not believed by her fellow Trojans, many have foreseen the eventual end of similar bubbles, only to be ignored until it was too late.

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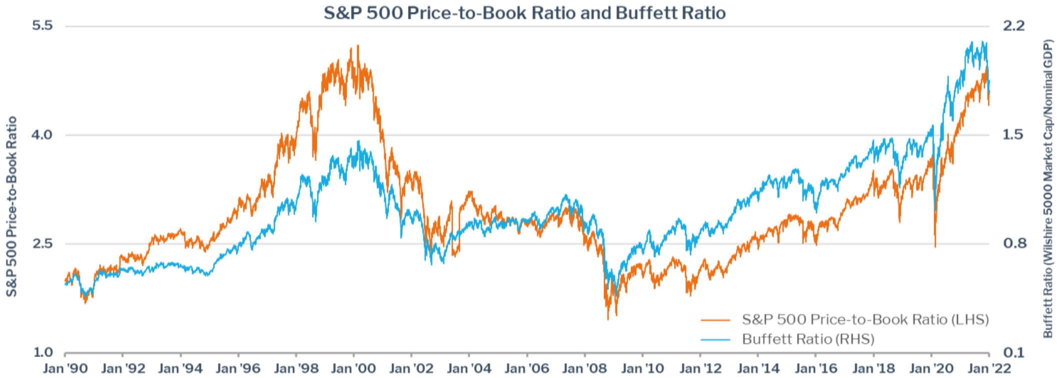
Long-Term Equity Valuations Remain Near Dot-Com Extremes, Exposing Large Downside Risk



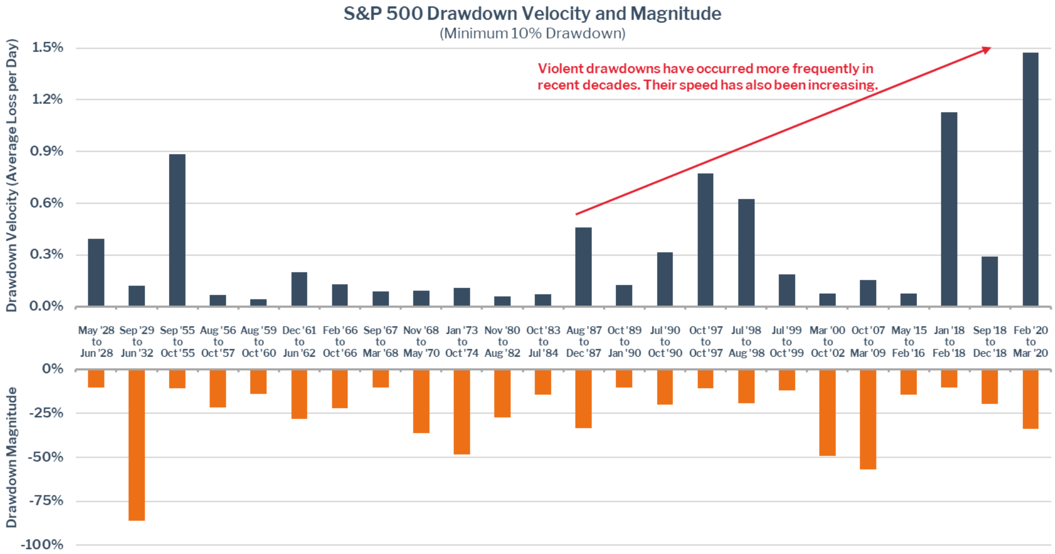
Source: Quest Partners LLC, Bloomberg; January 1990 through January 2022. Buffett Ratio is the Wilshire 5000 total market capitalization divided by US Nominal GDP, not seasonally adjusted. DISCLOSURES: Past results are not necessarily indicative of future results. Derivatives trading involves substantial risk of loss and may not be suitable for everyone. This is not a solicitation.

Facing a dramatic rise in inflation, and realizing they are behind the curve, central banks have signaled the need to tighten policy aggressively, leading to sharp declines in some of the frothiest bubbles. Cryptocurrencies, SPACs, low-yielding bonds, and stocks with extreme multiples have already seen meaningful drawdowns. Short-term buy-the-dip and risk parity strategies have also been under pressure. As painful as January felt, it is important to remember that we are only at the start of a multi-year tightening process and these bubbles are far from deflated. Like the aftermath of dot-com or subprime bubbles, Quest believes this cycle will end in a prolonged bear market with materially higher volatility and much larger drawdowns.

Historically, periods of tightening policy have been challenging for many investments and we anticipate this time being no different. Our research on traditional CTA or trend following strategies shows they tend to deliver positive returns in major equity drawdowns. Such strategies benefit from resulting trends in markets that tend to take place when inflation is elevated, policy is tightening, or markets are in a protracted drawdown. We anticipate these strategies doing well in the future and serving as an effective counterweight to other pro-cyclically exposed assets in client portfolios.

It is worth noting that there is one area where traditional trend following strategies can be less effective at the margin—fast-moving markets. When long-term trends reverse rapidly, traditional trend following strategies fail to react due to their long-term average holding period. We have examined the dynamics of equity market drawdowns over the past century and have observed that the "velocity" of market corrections has increased, making it more difficult for investors to adjust to the changing environment than was true in the past. The COVID-19 drawdown in March 2020 is a recent example, when the S&P 500 fell by an average of nearly 1.5% per day, for a cumulative drawdown in excess of -33%. Many longer-term strategies (especially long-term trend following) were unable to provide the desired diversification in that period.

Drawdowns Are More Rapid Than Ever



Source: Quest Partners LLC, Bloomberg; January 1928 through January 2022. S&P 500 Index utilized excludes dividends (Ticker: SPX Index). Velocity is defined as the peak-to-trough drawdown divided by the number of days from peak to trough. 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.

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Unlike traditional trend following, short-term trading strategies are uniquely positioned to benefit from fast-moving markets by delivering diversification and an Alpha profile that tends to accelerate in challenging environments. Their broad exposure across asset classes and sectors, lack of a long-bias or sector biases, and ability to rapidly reposition differentiates them from many other strategies.

The Program seeks to combine the benefits of traditional trend following and short-term trading, sourcing the best traits from each. The Program's long-term performance demonstrates its success in doing so, particularly during crisis periods.

The Program generates these returns through a combination of dynamism and convexity to market moves. Its positioning in January demonstrates this. The Program began the month short fixed income, long energy, and long equities. As equity markets rolled over, and volatility increased, The Program repositioned, developing significant short exposures in equities. While markets remained rangebound over in the latter portion of the month, and subsequently reversed at the end, the benefit of developing large positions in the direction of potentially convex moves is extremely valuable in the long run. We anticipate the potential to generate substantial short-term Crisis Alpha, positive skew, and positive returns will be extremely valuable to investors in the time ahead.

The Program's consistent focus and disciplined approach has delivered meaningful Alpha and strong negative correlation and beta to market benchmarks since the inception of the AlphaQuest UCITS Fund. Regardless of how quickly central banks tighten policy, volatility is likely to be higher moving forward and will result in greater uncertainty. We expect such developments to provide a favorable backdrop for diversifying strategies.

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