AlphaQuest UCITS Fund

CTA/Managed Futures

May 2019

FACTSHEET

Performance Returns

The AlphaQuest UCITS Fund returned +2.38% in May (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%								***-2.88%***
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%	6.57%E								**-1.81%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, Mr. 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 $1.4 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

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	$52.7 million
Strategy AUM	$1.336 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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Performance Commentary

The AlphaQuest UCITS Fund had a strong month in May, finishing up +2.4% as global markets suffered due to the abrupt change in U.S.-China trade negotiations and concerns about weakening growth and inflation. The S&P 500 Total Return Index fell -6.4% (its worst May performance in nine years) and global bonds rallied, with the US 10-year Treasury note yield declining the most in over four years.

Markets entered the month pricing in a near-perfect environment where the U.S.-China trade negotiations were expected to conclude, global growth was moderating but still at robust levels, and central banks expected to deliver rate cuts. Rolling 1-month volatility on the S&P 500 at the beginning of the month fell to its lowest level since 2017.

This calm was shattered, however, when U.S. President Donald Trump tweeted on May 5th that tariffs on Chinese goods would increase starting June 1st. On May 13th, a second shock reverberated across markets when the U.S. Commerce Department placed Chinese telecom giant Huawei and its affiliates on a list of firms deemed a risk to U.S. national security, thereby rapidly escalating the trade war with China. At the end of the month, in a completely unexpected development, President Trump tweeted that the U.S. would place tariffs on all goods from Mexico unless there was progress on immigration. The alarming—and seemingly impetuous—actions resulted in a risk-off environment with equities, crude oil, industrial commodities, emerging markets, and credit selling off sharply whilst government bonds, interest rate futures, gold, and the Japanese yen rallied strongly.

Among sectors, the best returns came from fixed income and foreign exchange. Fixed income particularly benefited from exposure to long-dated 30-year US Treasury bonds and German bunds. Foreign exchange had its best month since January 2018, benefiting from the sharp decline in the U.S. Dollar against the Japanese Yen. Equities detracted from returns as long positions at the beginning of the month were impacted by the turn in markets. Commodities were flat as gains from short positions in crude oil and long positions in gold were offset by short positions in agricultural commodities. Although agricultural positions were profitable in the first half of the month as the U.S.-China trade war intensified, concerns about supply shortages due to heavy rainfall in the U.S. plains led to a surge in agricultural prices.

All trading system families were profitable in May, with the best return being generated by the intermediate-term trend following models, which trade time horizons of a few days to a few weeks. These models were strongly profitable in fixed income and foreign exchange. The volatility breakout, long-term trend following, and trend crowding system families were equally profitable.

Market Commentary

May marked another period where the CTA industry was unable to deliver protection in a risk-off market environment. The root cause of this inability to provide protection seems to stem from CTA strategies' over-adaption to the highly stable environment spurred by central bank asset purchases over the past decade. Our research shows that the industry underwent numerous style drifts: becoming more long-term, more long-biased, increasing long-equity exposure, trading mean reversion, and even shorting volatility. While these biases improved standalone Sharpe ratios and padded returns, they reduced the skewness of CTAs and reduced their ability to protect capital.

Evidence supporting this thesis was on display once again in May. A basic CTA replicator* can be used to extrapolate CTA beta exposures to the S&P 500. As seen in the chart below, beta exposure to the equity market was positive most of the month, remaining net-long equities even as markets declined sharply. In contrast, the AlphaQuest Original (AQO) program's beta to the S&P 500 was much more reactive, flipping from long to short rapidly as markets turned after the first week of the month and intensified on the back of each shock. After a rebound in markets and the corresponding response by the AQO program, the beta turned aggressively short once again when markets deteriorated.

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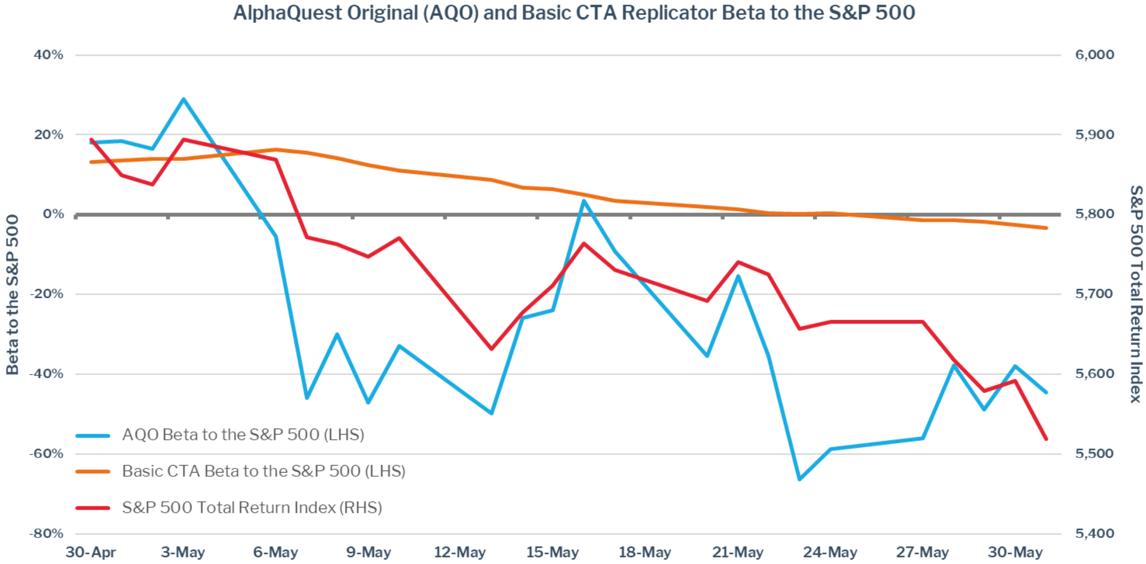
FACTSHEET

The AlphaQuest Original program is much more reactive than a typical CTA strategy



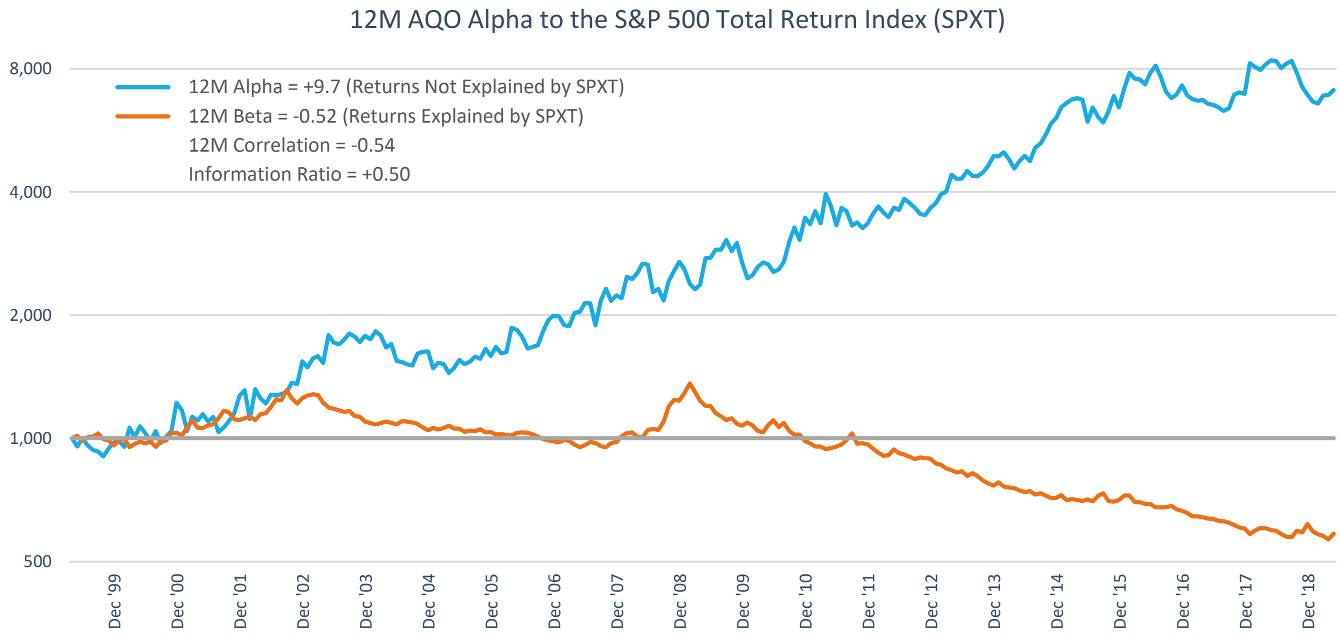
Source: Quest Partners LLC; April 30, 2019 through May 31, 2019. *The basic CTA replicator consists of three sets of moving average crossover models (10-day by 40-day; 10-day by 100-day; 10-day by 300-day) across a broad portfolio of 66 liquid futures markets.

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.

Another remarkable aspect of the selloff in May is that despite the large moves across global markets and pickup in realized volatility, implied volatility remained quite muted. The CBOE VIX index, which measures implied volatility on the S&P 500, remained much lower than previous periods of risk aversion—it only eclipsed the 20 level for a single day before turning lower. The price action of the VIX index highlights confidence of investors that any equity market decline will remain contained and a spike in volatility is an opportunity to short it.

As we have highlighted in previous letters, central banks and governments have been intervening in markets at progressively lower levels of volatility. This, in turn, has emboldened investors to buy dips and short even minor volatility spikes with confidence. While this type of strategy has proven to be quite profitable over the past decade, instances of the strategy's implosions are becoming more frequent—as seen in 2018 during both February and the fourth quarter. The current level of the VIX index once again indicates a high degree of confidence in a quick resolution to trade, growth, and geopolitical issues. With limited room for error, it would not be surprising to see a large expansion of volatility if this assumption does not play out.

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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