## FACTSHEET

### Performance Returns

The AlphaQuest UCITS Fund returned -4.96% in January (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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | -4.96% | | | | | | | | | | | | **-4.96%** |
| 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.

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

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | -7.83%E | | | | | | | | | | | | **-7.83% 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 $1.5 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**

*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

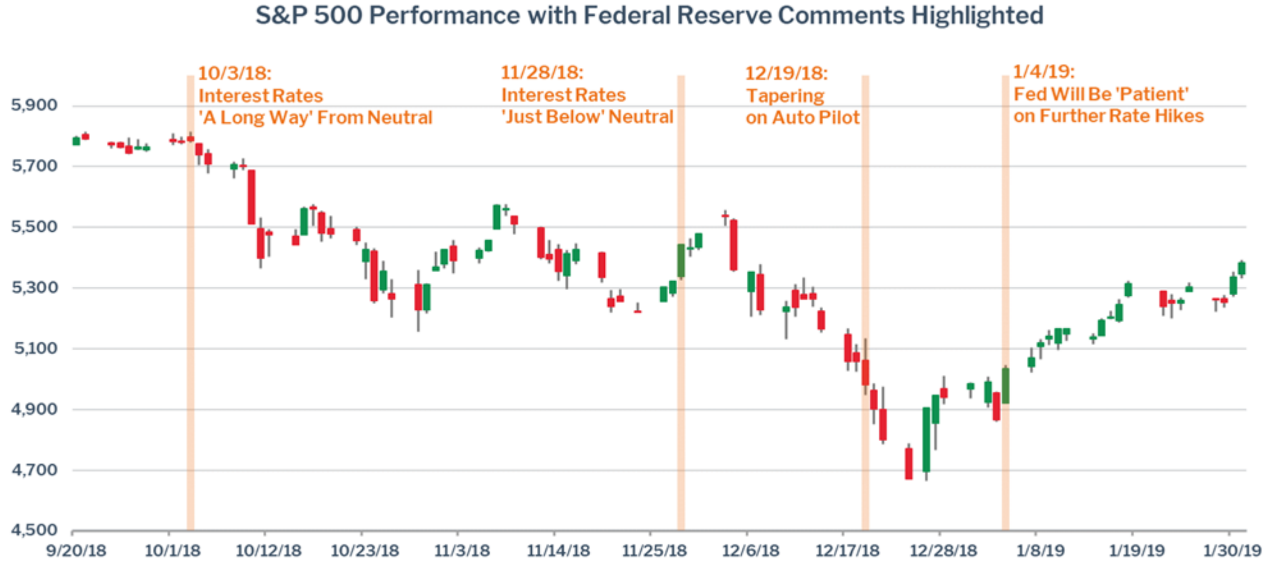
| | |
|---|---|
| Structure | UCITS Fund |
| Domicile | Ireland |
| Liquidity | Daily |
| Fund AUM | $61.7 million |
| Strategy AUM | $1.278 billion |
| Inception | 9th December 2016 |
| Registered | Ireland, UK, France, Lux and Switzerland (*Qualified Investors Only*) |
| **Share Class** | **Institutional/Institutional 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 struggled in January amidst a sharp reversal in equity and foreign exchange markets, losing -4.96%.

Coming into the month, equity market concerns persisted, resulting in large corresponding moves in currency markets. The program retained its significant negative beta to the S&P 500 via positions in safe-haven currency exposures (i.e., short EUR/JPY and USD/JPY). While these positions proved fruitful in the first few days—and significantly through the Japanese Yen flash crash on the night of January 2nd—those profits were short-lived after Federal Reserve Chairman Jerome Powell delivered dovish comments at a conference on the 4th. The subsequent equity market rally was detrimental to not only the program's currency positions, but also direct equity short positions across almost all global indices. More generally over the past four months, flip-flopping comments on monetary policy from Chairman Powell caused significant reversals in markets and whipsaw for our models as highlighted below.




Source: Quest Partners LLC; September 20, 2018 through January 31, 2019.
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.

All sectors were negative in January. Foreign exchange and equities detracted the most, as long 'flight-to-quality' currency and short equity index positions reversed heavily on the back of Federal Reserve comments and those from other Central Banks. Due to this extreme reversal, the AQO program's bearish currency positions resulted in half of the total loss on the month. Losses in commodities were spread about evenly across all three subsectors (agricultural, energy, and metals) as the models struggled to find an appropriate footing. Fixed income was marginally negative on the month, having exhibited lesser volatility than other sectors.

All system families were negative on the month as each struggled primarily in currency positions. Long-term trend following systems, which trade time horizons of a few weeks to a few months, were responsible for about 40% of the month's losses, as longer-term momentum continued to have a difficult time. Trend crowding models and intermediate-term trend following models, each trading time horizons of a few days to a few weeks, struggled most from the reversals in equities and foreign exchange. The program's shortest-term volatility breakout models were negative, to a lesser extent, as the Program's time-based exits helped stymie losses when volatility compressed rapidly.

The intensity of losses in long-term trend following over the past several quarters is particularly noteworthy. While this system family is only a small part of the Program (averaging ~20% over the past twelve months) it has accounted for over 40% of the drawdown since the beginning of the fourth quarter and over 65% of the drawdown over the past twelve months. Although the Program is mainly focused on shorter-term systems, we have always had an allocation to longer-term trend following due to its ability to capture longer-dated convexity and large trends.

The challenges facing long-term trend following is an active area of research for us. Particular focus is the impact of rising rates and reduced liquidity in markets. While the impact on CTA's due to reduced returns from fixed income carry during rising rate environments is well known, our research is focused more on the type of market "noise" created by re-pricing of risk and liquidity during such periods. We discuss this in more detail in the section below.

*continued…*

**Market Commentary – What is going on with the CTA industry? Is there hope or is this the end of the road?**

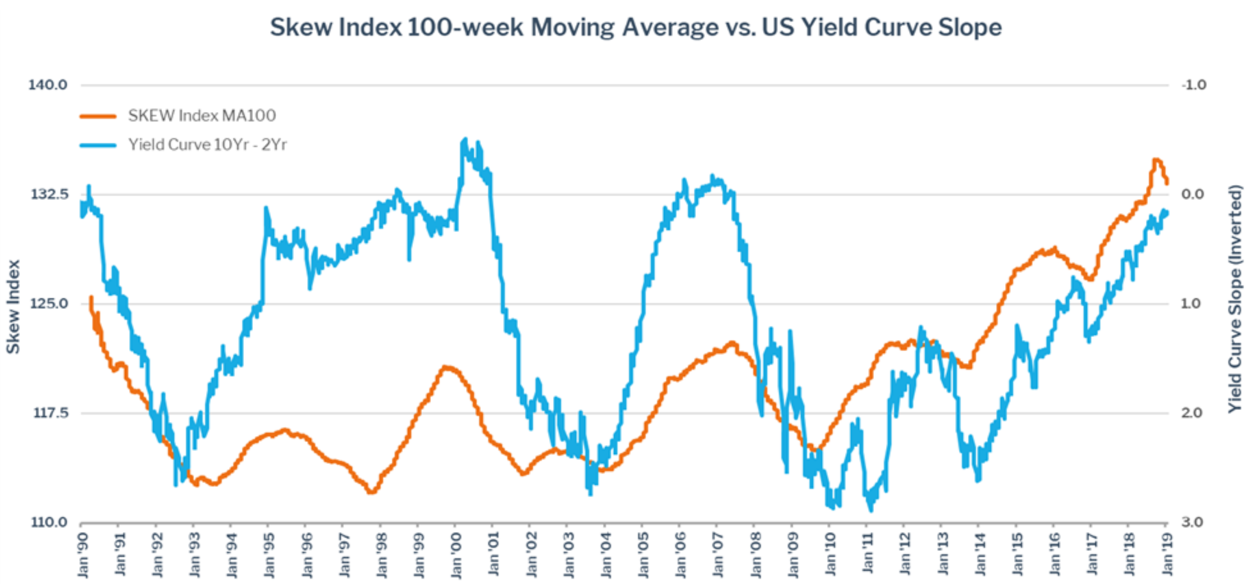
For many decades prior to 2008, CTAs provided reliable hedging, positive returns, and reasonable Sharpe ratios. However, since the end of the Global Financial Crisis in 2009, returns have been negative, and the hedging capability has reduced substantially. These two phenomena seem to be accentuating, especially over the recent couple of years when CTA returns have been particularly weak and hedging ability almost nonexistent.

So, what's going on?

As we have discussed several times in our research and monthly commentaries, the higher the hedging capability of an investment, typically the higher is the cost of carrying (holding) the investment, the more negative the Alpha to the S&P, and the lower the Sharpe ratio. On the contrary, the higher the tail risk embedded in an investment, the higher the Sharpe ratio, the higher the returns, and the higher the Alpha to the S&P.

During periods where the skew in the market is high (i.e., the implied volatility of out-of-the-money puts being high as compared to at-the-money volatilities) these relationships amplify further. The Alpha, Sharpe ratio and returns of strategies that take on tail risk become exceptional, and the cost of carrying positively skewed hedging strategies becomes very high. Essentially, skew in the options markets is a strong indicator of the cost of hedging and the cost of holding positively skewed strategies.

Skew in the markets is high and has risen due to the rise of interest rates, the flattening of yield curves and the associated withdrawal of liquidity. As seen in the chart below, the skew in the market today is the highest it's been in the last three decades. It has risen in tandem with short-term interest rates going up and the yield curve flattening. Effectively, as liquidity is draining out, there are fewer liquidity providers, and the potential for bigger drawdowns in markets is increasing.




Source: Quest Partners LLC; January 1990 through January 2019.

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.

As a result, the cost of carrying CTAs, positively-convex, long tail-risk, and hedging strategies is increasing substantially. To survive in this environment, many CTAs have reduced the level of positive convexity they provide in order to reduce the cost of carry. On the other hand, for those CTAs that have continued to focus on providing positive convexity, the cost has been high and performance has suffered.

Negatively skewed markets, such as the one we are in, consistently mean-revert over time. But in the near-term, they can provide high Sharpe ratios. That is until a real crisis comes—at that point, the moves in markets tend to be of a very large magnitude, causing volatility to rise to multiples of normal market volatility. This also results in significant drawdowns that can wipe out years of returns in markets and investment strategies.

*continued…*

## FACTSHEET

Another aspect of high skew is the sharp reduction of liquidity. While things look calm on the surface, the liquidity of the market has been visibly draining out in recent years. On the S&P 500 futures contract for instance, order book size and trade size relative to market cap have come down by more than 70% in the last two years. Similar reductions in market liquidity have historically been precursors to large market declines. We will provide more detailed data on this phenomenon across short sellers, CTAs, and option positions as a hedge to the S&P in the near future.

### Liquidity in Markets is Visibly Draining


Sources: Goldman Sachs Research (LHS); J.P. Morgan Quantitative & Derivatives Strategy (RHS)

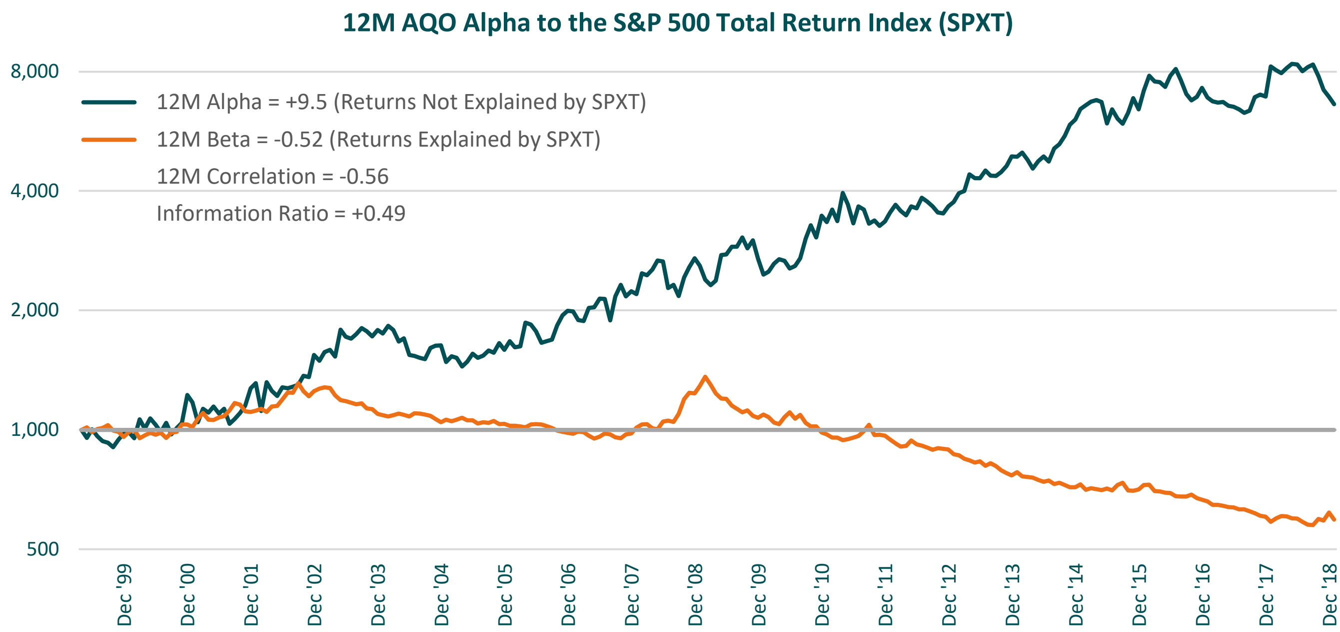


For the CTA industry, liquidity is critical so as to be able to transact quickly during market corrections. When liquidity declines, such as in recent years, CTAs tend to impact markets much more than usual, their transaction costs go up significantly, and CTAs tend to increase crowding in markets. However, these are not unreasonable costs to expect for hedging and are in line with the carrying costs of out-of-the-money puts on the S&P during this illiquid period. In essence, declining liquidity is another indicator that the cost of a hedge is increasing.

To summarize, we believe the acute challenges faced by CTAs in recent years is due rising skew, which in turn is driven by higher interest rates, flattening of yield curves, and declining liquidity. These factors increase the cost of hedging market corrections and the carrying cost of positively skewed strategies.

While it is difficult to predict when this will end, the unstable equilibrium of higher interest rates, reduced liquidity, and negative skew of most markets and investment strategies is creating a highly vulnerable situation. The longer this continues, the greater the risks and eventual unravelling, leading to significant volatility expansions.

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

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