

**FACTSHEET**

Performance Returns

The AlphaQuest UCITS Fund returned +0.85% in May (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%								12.12%
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 9<sup>th</sup> 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 Program performed well in May once again, delivering positive returns and significant Alpha over industry benchmarks as the Program's faster reaction times and differentiated approach were well-suited for the volatile environment. May was an eventful month as trade tensions, sell-offs in Emerging Markets such as Turkey and Brazil, geopolitical issues related to Iran and North Korea, and the crisis in Italy hurt sentiment and resulted in large short-term price movements in several markets.

At an asset class level, fixed income was the main driver of returns. Our models exited momentum-driven short positions towards the middle of the month and were then able to benefit from the reversal in fixed income that hurt typical CTA strategies. Long positions in fixed income generated strong returns during the Italian political crisis, although a portion of the gain was given back as the crisis subsided at the end of the month.

Foreign exchange was also profitable, particularly short positions in the euro-yen cross—an archetypal 'risk-off' trade during Eurozone crisis periods. Equities were modestly negative as profits from long positions in US equities were offset by losses in European and Japanese equities, which performed well in the first half of the month before reversing. Commodities were also modestly negative in terms of contribution to returns, as gains in energy were offset by small losses in gold, industrial metals, and agricultural markets.

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**THE MANAGER**



**Nigol Kouljajian**

Founder and Chief Investment Officer



Nigol Kouljajian is the Founder and Chief Investment Officer of Quest. Mr. Kouljajian 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. Kouljajian 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 eighteen people. In 2002, Mr. Kouljajian started the NOK Foundation, which is committed to promoting the study and practice of yoga and meditation globally. Mr. Kouljajian has acted as a board member of the Omega Institute and David Lynch Foundation. Mr. Kouljajian earned an MBA in finance from Columbia Business School and a BS in electrical engineering from Notre Dame.

**Paul Czkwanianc**

Head of Research



Paul joined the firm at its inception in 2001. Mr. Czkwanianc started his career in the financial industry in 1999 at Enterprise Asset Management where he worked alongside Mr. Nigol Kouljajian. Mr. Czkwanianc 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	\$71.4 million
Strategy AUM	\$1.417 billion
Inception	9 <sup>th</sup> December 2016
Registered	Ireland, UK, France, Lux and Switzerland (Qualified Investors Only)
<b>Share Class</b>	<b>Institutional/Institutional Pooled</b>
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
<b>Share Class</b>	<b>Retail Pooled</b>
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

Among system families, intermediate-term models, which trade time horizons of a few days to a few weeks, were the most profitable. Our shortest-term models that trade time horizons of a few days were also profitable, as sharp price moves in fixed income and foreign exchange towards the end of the month helped these systems. The biggest detractors were the trend crowding models which were hurt by the positioning in equities. Long-term trend following, which has a relatively small exposure in the Program, was a modestly negative contributor—unsurprising given the models' slower reaction time to short-term moves.

With the performance in May, AlphaQuest Original ("AQO")\* has made new all-time highs in terms of its Alpha to all key benchmarks including the BTOP50 Index, the SG Short-Term Traders Index, the S&P 500 Total Return Index and a Long-VIX strategy. On a year-to-date basis, AQO\* is up +21.3% compared to -4.0% for the BTOP Index, -5.1% for the SG Short Term CTA Index, +2.0% for the S&P 500 Total Return Index and +39.8% for the VIX Index.

In terms of its Alpha to the BTOP50 Index, AQO\* has generated year-to-date Alpha of +27.9%, making new all-time Alpha highs in four of the past five months.

### Market Commentary

Each passing month highlights how the market regime has changed, with rising interest rates, the culmination of Central Bank asset purchase programs, increasing geopolitical tensions, and trade wars driving volatility higher. The month of May was met with the manifestation of risk in the Italian political crisis and resurgence of Eurozone sovereign risk. These threats have delivered successive shocks to financial markets, exposing erstwhile unseen risks embedded in portfolios and investment strategies.

The CTA industry has struggled to perform in this environment, failing to deliver on its mandate of being uncorrelated, providing positive convexity, and protection during stressed market periods. In February of this year, the CTA industry benchmarks had their worst month in 15 years, even as global markets reeled under the prospect of higher rates and inflation. In May, the benchmarks once again yielded negative returns as many CTAs were caught wrong-footed as the Italian crisis unfolded.

This change in the characteristics of the industry was documented several years ago in our October 2014 AlphaQuest Research Series paper, "CTA Factor Drifts". In this paper, we highlighted that the CTA industry adapted to the highly stable environment created by Central Banks by taking on a number of style drifts including: being more focused on fixed income and equities; more long-term in terms of holding periods; more long positions and less shorts; shorting volatility; and taking on typical hedge fund exposures. While these style drifts can improve the standalone Sharpe ratio of a CTA, they also increase correlation to traditional assets, reduce skew, and reduce the downside protection expected of CTAs in a broader portfolio.

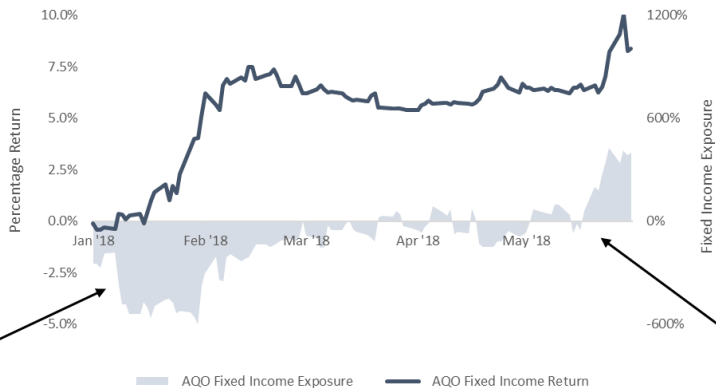
In our case, we have chosen to remain disciplined and not compromise our focus on positive skew, while continuing to generate strong returns and Alpha. In recent years, we have developed new approaches to capturing skew, such as the trend crowding family of systems, which seeks to identify markets that are crowded by concentrated positioning—oftentimes by large CTAs who've made the aforementioned drifts.

The long-term bias of most CTAs is impacting their performance in the current environment, where market moves are large but over shorter timeframes. The charts on the next page highlight the exposure and profitability of AQO\* in the fixed income sector since the beginning of the year, compared to the exposure and profitability of the Quest Tracker Index (QTI) in the same sector and over the same time period. QTI is our replicator of traditional trend following and, given its approximately 90% correlation to the BTOP50 Index, SG CTA Index, and SG Trend Index, is a credible proxy for CTA industry exposures.

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AlphaQuest Original Fixed Income Exposure and Return  
2018 Year-to-Date

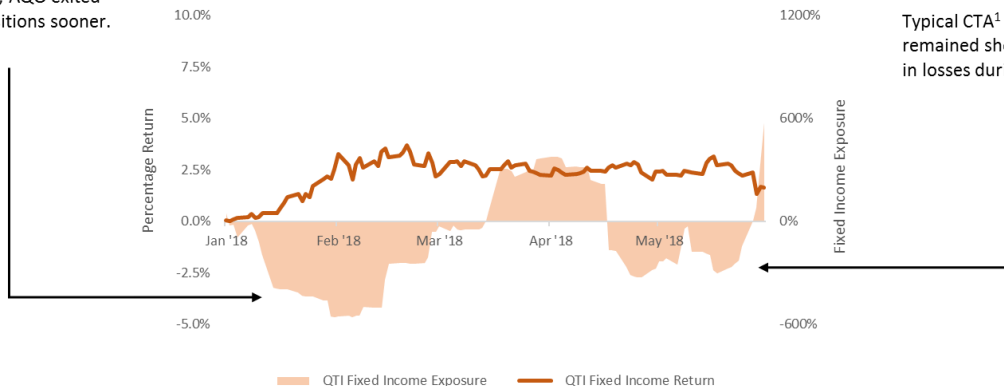


AQO established short positions earlier and of greater size compared to those of a typical CTA<sup>1</sup>.

Additionally, AQO exited its short positions sooner.

AQO detected potential for a large fixed income rally and built sizable exposure early, profiting from the Italian crisis.

Quest Tracker Index Fixed Income Exposure and Return  
2018 Year-to-Date



Typical CTA<sup>1</sup> positioning remained short, resulting in losses during this period.

<sup>1</sup>As inferred by the Quest Tracker Index (QTI)

As the charts show, AQO\* in January was able to enter short positions in fixed income markets quicker and of larger size than typical CTAs (as highlighted by the QTI's positioning). This translated into sizeable profits and Alpha. Subsequently, AQO's\* exposure to the sector remained fairly neutral, even as the QTI's exposures whipsawed from negative to positive. In May, AQO's\* proprietary filters were able to detect the potential of an outsized upside move in fixed income, moving quickly to establish its sizable long positioning while typical CTAs, as evidenced by the QTI's exposure, remained short fixed income.

These charts highlight the differentiated nature of trading pursued by AQO\*, with its focus on shorter time frames, capturing convex price moves, and avoiding and selectively shorting crowded trades. It is a fundamentally distinct approach from most of the CTA industry which is focused on longer-term time frames, which in turn is also conducive in managing large pools of assets.

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	1.37 E								21.31%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)%

\*The above performance pertains to the AlphaQuest Original (AQO) program and is not representative of the MontLake AlphaQuest UCITS Fund. UCITS Funds have to abide by investment restrictions and consequently the performance of the MontLake AlphaQuest UCITS Fund may not be similar to that presented above.

Contact Details

Investor Contact	Management Company	Investment Manager
<b>ML Capital Ltd</b>	<b>MLC Management Ltd</b>	<b>Quest Partners LLC</b>
29 Farm Street	23 St. Stephen's Green	126 East 56 <sup>th</sup> Street, 25 <sup>th</sup> Floor
London, W1J 5RL, UK	Dublin 2, Ireland	New York, NY 10022, USA
T: +44 20 3709 4510	T: +353 1 533 7020	T: +1 212 838 7222
investorrelations@mlcapital.com	investorrelations@mlcapital.com	investorrelations@questpartnersllc.com

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