

# AlphaQuest UCITS Fund

## CTA/Managed Futures

October 2021

### Performance Returns

The AlphaQuest UCITS Fund returned +4.19% in October (USD Institutional Share Class).

### AlphaQuest UCITS Fund Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	-2.50%	6.11%	3.25%	1.30%	-0.27%	-0.70%	0.75%	-1.33%	-0.27%	4.19%			10.70%
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.

### ALPHAQUEST ORIGINAL (AQO) PROGRAM MONTHLY PERFORMANCE (NON-UCITS)<sup>A</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	-4.84%	13.09%	2.90%	2.68%	-1.23%	-0.33%	0.74%	-1.82%	-0.12%	7.66% E			19.04% E
2020	7.32%	0.58%	8.81%	-0.18%	-4.36%	-0.43%	5.35%	-3.43%	-6.69%	0.17%	-4.29%	1.44%	3.07%
2019	-7.73%	-2.46%	3.98%	-1.54%	6.52%	6.06%	2.10%	8.47%	-4.44%	-0.90%	-0.38%	-1.80%	6.79%
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%

<sup>A</sup>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 Kouljian

Founder and Chief Investment Officer



Nigol Kouljian is the Founder and Chief Investment Officer of Quest. Mr. Kouljian 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. Kouljian 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 \$2.0 billion in assets. In 2002, Mr. Kouljian started the NOK Foundation, which is committed to promoting the study and practice of yoga and meditation globally. Mr. Kouljian has acted as a board member of the Omega Institute and David Lynch Foundation. Mr. Kouljian earned an MBA in finance from Columbia Business School and a BS in electrical engineering from Notre Dame.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	\$43.7 million
Strategy AUM	\$1.902 billion
Inception	9th December 2016
Passport	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 surged to a new all-time NAV high in October, gaining +4.2% in the month to be up +10.7% for the year. The S&P 500 had its best monthly return in nearly a year, rising +7.0%, making the performance especially noteworthy due to the Program's targeted long-term negative beta to the equity benchmark. Despite a strong period for CTAs, the Fund also outperformed the SG CTA Index return of +2.4% in October.

In addition to the performance records, we are heartened that, during Quest's 20th anniversary year, the firm passed a key milestone in October as overall assets under management crossed the \$2 billion mark. As our investors are aware, we have been extremely vigilant with respect to the impact of size on performance, and they have our assurance that such prudence will continue. Nevertheless, we take this opportunity to thank our investors for their support over the years and look forward to our continued partnerships and our strategies' value addition within our investors' investment portfolios.

Relentless money printing and stimulus by central banks had suppressed volatility, having limited trends in markets to the steady gains witnessed in equities. With economies reopening, growth picking up rapidly and inflation surging, however, macro pressures are mounting. As a result, volatility is becoming much more pervasive and significant trends are developing across several asset classes. In October, crude oil and natural gas surged to 7-year highs, the U.S. dollar rose to its highest level against the Japanese yen in nearly 3 years and yields for 10-year German bunds rose to their highest levels in over 2 years. The Program benefited from these trends, particularly as many markets broke out from an extended period of consolidation.

All sectors were profitable in October with the biggest gains coming from foreign exchange followed by commodities and equities. The Program benefited from the weakness of the Japanese yen relative to the U.S. dollar and the euro. The Japanese currency was hurt by concerns about economic growth due to the impact of high oil prices, supply chain constraints and political uncertainty ahead of general elections to ratify the new Prime Minister Fumio Kishida. Crude oil contributed to returns as burgeoning demand and relatively muted supply response from OPEC and U.S. producers pushed prices higher. Within equities, the Program benefited from long positions in U.S. and European indices. Short positions in the intermediate part of the U.S. treasury curve contributed to returns in fixed income.

All trading system families were profitable in October. Intermediate-term trend following, which trades time horizons of a few days to a few weeks, was the notable performer, benefiting from strong gains in foreign exchange, commodities, and equities. Trend crowding trading systems, which underperformed in September, recouped their losses in October. Long-term trend following also did well while short-term volatility breakout had muted but positive returns.

### Market Commentary: Central bank money printing efforts to keep volatility low are reaching limits

"If something cannot go on forever, it will stop"

- Herbert Stein

Since the market trough in late March 2020, we have seen one of the broadest and strongest bull markets in modern times. Buoyed by expanding central bank balance sheets, widening fiscal deficits, and V-shaped rebounds in demand, investors have essentially bought every asset offered to them. Central banks have provided the fuel for this by printing an enormous amount of money (over \$10 trillion), virtually all of which seems to have found its way into financial assets. As philosophers, scientists, and (even) economists have noted in the past: that which cannot go on forever, generally won't. It is becoming increasingly clear that we are approaching a point where central banks' ability to suppress volatility is less likely to be effective.

Shortages of physical goods and commodities in the face of surging demand cannot be pacified by printing more money. Indeed, such actions are likely to accentuate macro imbalances, cause massive price spikes and push inflation even higher. Current inflation is at its highest level in 30 years (Core PCE YoY SA) and expected inflation has surged to the highest level reported, as shown on the following page.

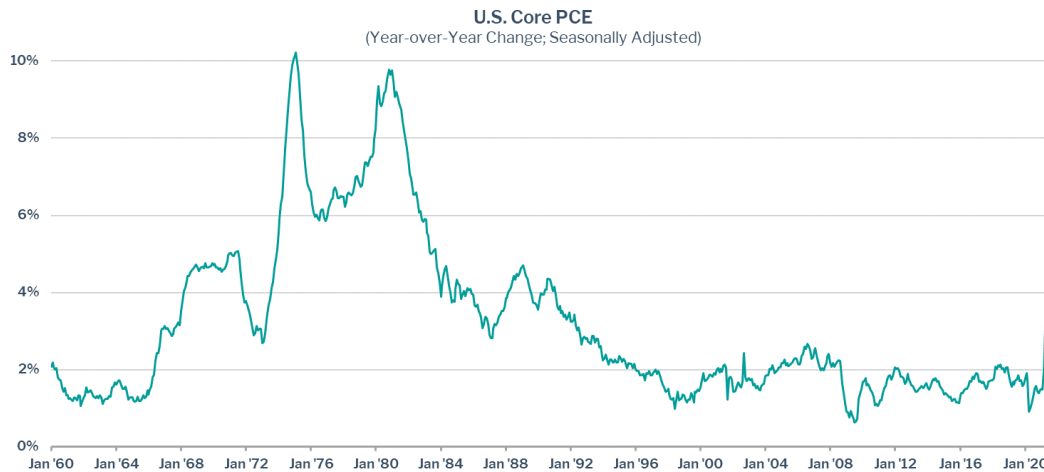
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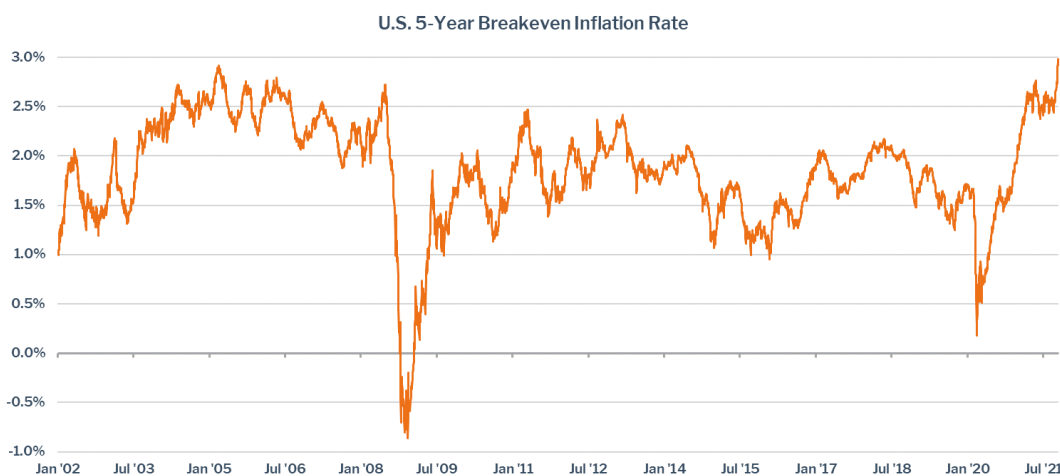
### Current inflation is at its highest level in 30 years



Source: Quest Partners LLC, Bloomberg; January 1960 to September 2021.

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.

### Future inflation expectations have risen to their highest level reported



Source: Quest Partners LLC, Bloomberg; January 2002 to October 2021.

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Price pressures and supply constraints are rising in areas of the economy that cannot be printed, such as physical goods and commodities. But prices of financial assets that can be printed are also rising, thereby increasing consumer wealth and in turn the demand for physical goods. This potentially vicious cycle, fueled by excessive monetary and fiscal stimulus, risks the creation of inflation that may be more pronounced and longer lasting than currently expected.

Some central banks, from economies such as the U.K., Canada, and Australia, are aware of these risks and have begun taking actions to end their money printing operations and normalize interest rates. On the other hand, leading central banks such as the Fed, the ECB and the BOJ continue to insist that inflationary pressures are transitory, and that they'll pursue highly stimulative policies well into the future. Notwithstanding these assurances, with inflationary pressures becoming more acute, the carefully constructed edifice of low market volatility created by these central banks will be tested. This is likely to result in higher volatility, bigger trends across different markets, and increased risk of market shocks moving forward.

Consequently, we believe such an environment will be attractive for trend-following CTAs, who have struggled for over a decade and been ignored by most investors.

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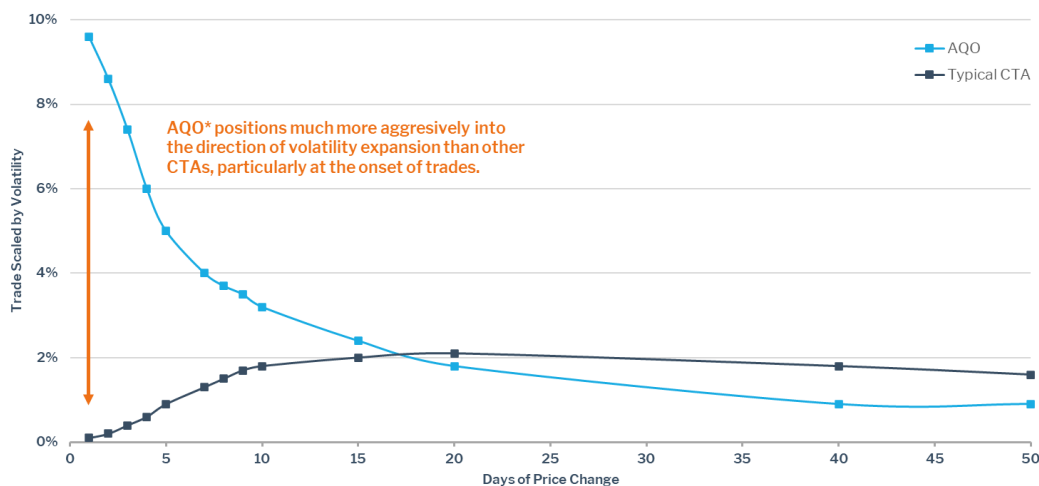
### Special Topic: Measuring CTAs' reaction to price shifts

Due to its ability to rapidly follow market trends as volatility expands, we believe the AlphaQuest Original (AQO) program\* is particularly well positioned to navigate the turbulent waters ahead. This ability to take advantage of volatility compression and early breakouts in markets is essential to delivering positive skew—a focus of the AQO program since its inception. Longer-term CTAs, by contrast, due to their extended horizon, are less reactive to short-term market moves and less reliable in delivering convexity.

To gauge the reactivity of different strategies to market movements and their ability to generate convexity, we measured the relationship between trades and price moves over a variety of horizons for both the AQO program and a simulated "Typical CTA". This simulated strategy uses a variety of well-known trend following systems, sized to mimic the performance profile of the most widely recognized CTA indices. For each strategy, we aggregated the amount of risk traded<sup>1</sup> in each market and measured its sensitivity to the price change in that market<sup>2</sup> over a range of horizons. The resulting response function curves show how many volatility points are traded based upon a standardized price move.

#### AQO\* reacts more swiftly and in greater size than than typical CTAs This aids in more effectively capturing volatility expansions

AQO\* vs. CTA Replication Trade Sensitivity Comparison



Source: Quest Partners LLC; January 2013 to August 2021. CTA Replication is gross of all fees and does not include any interest earned from funding the account up to its notional value. CTA REPLICATION IS BASED OFF OF A HYPOTHETICAL STRATEGY DEVELOPED BY QUEST. PLEASE REFER TO THE HYPOTHETICAL PERFORMANCE DISCLOSURE IN THE DISCLAIMER SECTION AT THE BEGINNING OF THIS DOCUMENT. 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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"Typical CTAs" have very little reaction to short-term price moves and instead can take ten or more days before reacting meaningfully. Their response tends to peak at around twenty trading days, or one month. While this approach can offer exposure to prolonged market moves, it will be wrong-footed in sharply moving markets.

By contrast, the AQO program reacts strongly to shorter-term price moves, (i.e., price moves between one and five days). A critical consideration is identifying moves that are likely to sustain and become profitable trades versus moves that are more likely to reverse. Without this, the cost of failed breakouts and transaction costs would be overwhelming, similar to the cost of carrying an equity put option over time. Over Quest's more than 20 years of research and investment experience, we have developed a systematic process to identify high quality breakouts that are likely to be profitable, enabling the strategy to deliver positive convexity and returns over time.

While the AQO program is mostly focused on short-term trading, it is also designed to capture longer-term moves. A smaller portion of the AQO program trades one month or longer price moves, comparable to a typical CTA. This balanced exposure profile across time horizons makes AQO much more reliable as a hedge against sudden shifts in market performance than a traditional CTA, while also participating in longer-term moves that they are focused on.

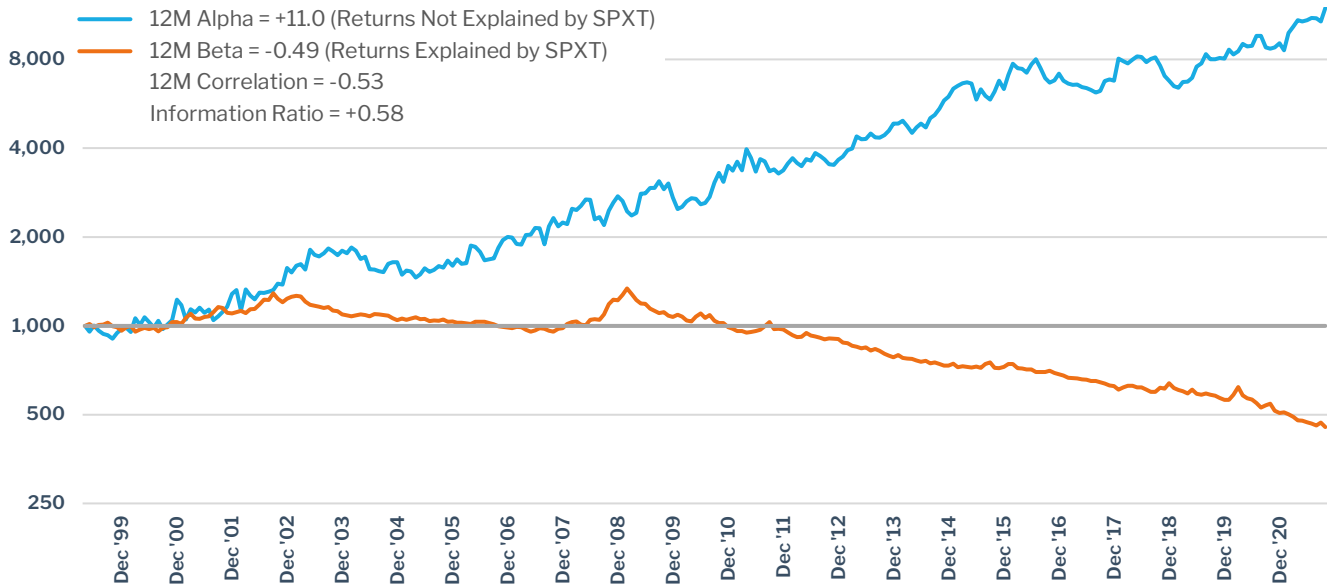
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### ALPHAQUEST ORIGINAL (AQO) PROGRAM ALPHA CURVE SINCE INCEPTION (NON-UCITS)\*

#### 12M AQO Alpha to the S&P 500 Total Return Index (SPXT)



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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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