AlphaQuest UCITS Fund

CTA/Managed Futures

May 2022

Performance Returns

The AlphaQuest UCITS Fund returned -0.37% in May (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%	1.19%	7.03%	4.83%	-0.37%								12.59%
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	$53.0 million
Firm AUM	$2.504 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 $2.5 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.

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

Despite sharp reversals and whipsaw conditions in markets, the AlphaQuest UCITS Fund was able to finish May only slightly down (-0.4%), retaining its strong year-to-date gains of 12.6%. Both the SG CTA Index (-0.1%) and S&P 500 Total Return Index (+0.2%) closed mostly flat on the month despite intramonth volatility in their returns.

Among sectors, performance was mixed as commodities and fixed income contributed positively but equities and foreign exchange detracted from the Program's returns. While energy positions have continued to be additive to performance on the back of a potential Russian oil embargo, precious metal positions have been more challenging as their lack of directionality persists—particularly in longer-term horizons. While U.S. fixed income saw a brief reprieve from the severe selloff this year, euro-area fixed income continued its decline and helped the sector generate positive returns in May. Equities detracted on the month as short positions suffered when markets rebounded from multiple weeks of losses. Foreign exchange experienced the largest loss for the Program as this year's strong trend in the U.S. dollar retraced. Moves were particularly pronounced in euro-area currencies on the prospect of future rate hikes, with the European Central Bank signaling three potential hikes by the end of this year.

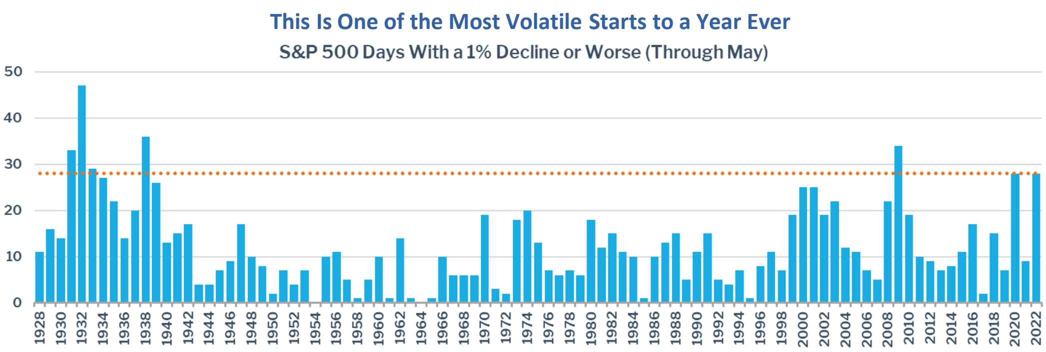
Among trading system families, only volatility breakout was able to close positive on the month, profiting from sharp moves in equities over intraday and multi-day horizons. Intermediate-term trend following, long-term trend following, and trend crowding were all slightly negative, with losses most attributable to foreign exchange trades.

Market Commentary

Although we are not even halfway through 2022, we've already experienced more days with the S&P 500 down at least 1% at this stage in the year than in 7 of the last 95 years. Only during 2020 (COVID-19), 2008 (Global Financial Crisis) and the 1930's (Great Depression & WWII) have there been this many or more materially negative days so early in the year. While one can hope that market volatility will decline in the coming months, we anticipate the drivers of uncertainty and deleveraging that have recently taken hold are more likely to be long lived and persist for some time. As discussed below, we believe this will have meaningful implications for future strategy performance and should be considered for investor allocations going forward.

The elevated volatility experienced the past several months is a direct result of the imbalances that preceded it. Over the past 20+ years, fiscal authorities and central banks have driven interest rates to historic lows, run huge deficits, and built debt and balance sheets that are many multiples of the real economy. This coordinated injection of liquidity has increased leverage in the financial system to historic proportions and created latent inflationary pressures not seen since at least the 1970's. Looking forward, nominal government debt levels appear to be so high that it is impossible to be serviced without monetary debasement or interest rate suppression—essentially stealth defaulting through financial repression. At the same time, inflation is now running at a generational high, putting central bank credibility on the line if they do not move forcefully to drive rates up and inflation down.

The controversy around which of these two outcomes will dominate has been the central driver of price moves and increased volatility we've seen year to date. The invasion of Ukraine has also certainly contributed, but the imbalance of asset prices, excess liquidity, and shortages in assets that cannot be printed preceded Russia's actions and are likely to continue after it is resolved. Looking forward, we expect this level of uncertainty and volatility to persist, and to do so for a longer period than has been typical in the past 20 years. While no one has a crystal ball, the inherent unpredictability of both outcomes and importance for markets they have makes continued uncertainty and volatility very likely in our view.



Source: Quest Partners LLC, Bloomberg; January 1928 through May 2022. 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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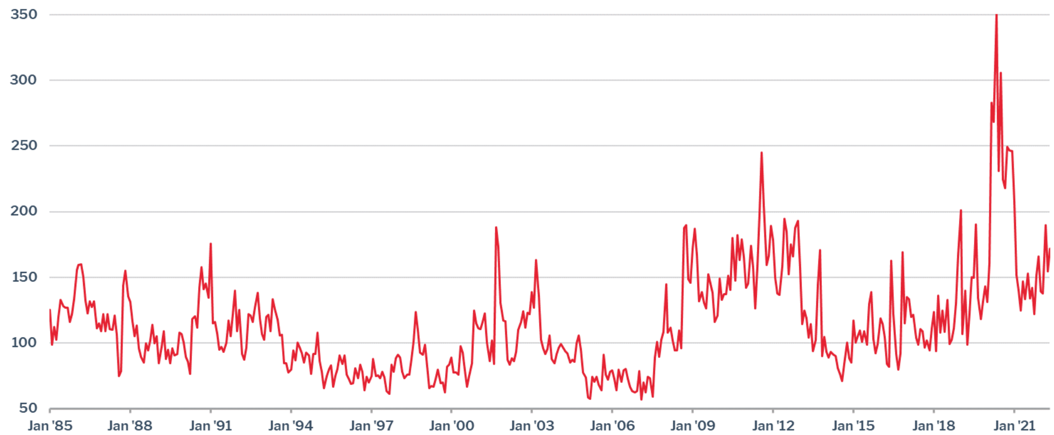
While uncertain environments are challenging for many investments, such as S&P 500 and many hedge funds, our research has shown that most CTAs and the Program (in particular) tend to deliver strong results precisely in these volatile periods. To quantify this, we've used an index that measures the amount of perceived uncertainty at each point in time based upon news flow, changes in actual policy, and uncertainty in consensus forecasts. This complements other approaches that look at market volatility itself to measure uncertainty. As shown below, this index is responsive to major economic and market shocks, like the Global Financial Crisis, European Debt Crisis, and COVID-19, each causing the index to increase or decrease rapidly.

The Level of Uncertainty in Markets Has Been Rising Steadily

U.S. Economic Policy Uncertainty Index



Source: Quest Partners LLC, Bloomberg; January 1985 through May 2022. 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.

This objective measurement allows us to measure both the level of and change in uncertainty for a given month and relate it to investment performance over the same period. Importantly, utilizing this, we analyzed performance of hedge funds and CTAs across three environments: low uncertainty, medium uncertainty, and high uncertainty. For each environment, we measured the return and tail characteristics of investment strategies. What we found was that, broadly speaking, hedge funds tend to deliver their strongest returns in periods of low and decreasing uncertainty, where volatility is below average and near-term tail events less likely. In periods of high or increasing uncertainty, many hedge fund strategies experience losses as the tail risks they are exposed to manifest themselves. On the other hand, CTAs and the Program deliver positive average returns across all these regimes and deliver their strongest performance in periods of heightened uncertainty.

Hedge funds also tend to deliver negatively skewed returns in periods of high or increasing uncertainty, meaning not only are their returns lower but the likelihood of a large drawdown is higher. CTAs and the Program, by contrast, tend to deliver positive skew during all times and, notably, during periods of high volatility, which allows for the avoidance of such drawdowns.

Our analysis shows that CTAs and the Program can offer strong returns with positive skew in periods of uncertainty and market stress and serve as a strong diversifier to other strategies that are likely to underperform in these periods. This dual benefit of return generation and diversification is immensely valuable, and we believe many investors are underexposed to these strategies.

While no one can perfectly predict the future macro environment we will face, we believe there are convincing reasons to expect uncertainty to remain elevated in the coming quarters and years. We also expect investors' need for reliable diversification and return generation to become more acute, as returns from many nominal assets decline, volatility spikes become more prevalent, and drawdown risks increase. Strategies, like the Program, that can deliver positive convexity, positive long-run return, and differentiated Alpha are uniquely positioned to address these two needs. As we look forward, we have never had a higher conviction in the ability of the Program to deliver on these objectives than we have now.

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