

Monthly newsletter PTR-Diversified Alpha-I EUR

A market neutral, multi-strategy fund aiming at generating 'pure' alpha

General information

Class inception	01 May 2014
NAV	EUR 112.37
Fund size	EUR 3,326m
Gross exposure	377.4%
Net exposure	25.6%
Investment Committee	Philippe de Weck Renaud de Planta Olivier Ginguen�e Federico Can�e

Performance & risk statistics

Annualised return since inception ¹	3.0%
Cumulative return since inception ¹	12.4%
Ex-ante beta ²	0.1
Duration ³	0.8
Ex-ante volatility	2.9%
Ex-post volatility ⁴	1.8%
Sharpe ratio ⁵	1.8
Positive months	68.1%
Maximum drawdown ⁶	-1.5%

- 1 In EUR net of fees
 2 Relative to MSCI World index
 3 Weighted modified duration
 4 Monthly returns, annualised since inception
 5 Monthly returns, risk free rate: Eonia EUR
 6 Monthly

Market review

PTR-Diversified Alpha posted a negative performance in March, with the I EUR share class down 0.43%.

After a difficult month of February, March saw equity markets dip further. In addition to the concerns on higher inflation and interest rate hikes, fears of a trade war between the US and China, as well as Facebook's failure to secure private data, destabilized the markets further and kept fuelling volatility. Most cyclical sectors, in particular financials and IT, lost ground, while only a few defensives sectors, such as utilities and real estate, appreciated. Energy stocks outperformed the market thanks to a rebound in the price of oil. Interestingly, the risk-off move did benefit embattled government bonds, which were up for the month; corporate bonds were little changed. While the market instability just described created interesting opportunities—our managers' gross exposure remains high—alpha generation was difficult throughout the month. A few segments had to give back some of last month's gains, but our macro hedges helped minimize losses in the fund. For the month, the MSCI World Index lost 3.0% in euro terms and the Citigroup WGBI made 0.7% in euro terms.

Monthly performance since inception¹

% IN EUR NET OF FEES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2018	0.8	0.8	-0.4	—	—	—	—	—	—	—	—	—	1.1 ²
2017	0.7	-0.1	0.3	1.0	0.5	0.4	0.3	-0.1	1.1	0.6	0.1	-0.4	4.6
2016	0.0	-0.3	0.1	-0.2	-0.1	0.2	0.8	0.3	0.5	0.0	-0.2	-0.1	1.0
2015	1.2	0.3	1.6	1.3	0.0	-1.2	0.3	-0.4	-0.1	0.2	0.4	0.4	3.9
2014	—	—	—	—	-0.7	-0.3	0.3	-0.1	0.8	0.2	0.5	0.5	1.2 ²

- 1 Class inception: 01.05.2014
 2 Partial year

Past performance is not a reliable guide to future performance. The value of investments and the income from them may fluctuate and investors may not get back the full amount invested.

Source: Pictet Asset Management

Performance analysis

The strongest contributor to performance was the Macro segment (+0.0%), with gains mainly driven by the performance of the long Russell 2000 vs short Nasdaq trade, as concerns intensified about the tech sector business models and potential regulation, starting with Facebook, and shifting to others in the sector. Other positions were either flat or down in the case of the Italian 10Y BTP short.

The second-best contributor was the Japanese Equities segment (+ 0.0%), which was slightly up. The portfolio benefited from its index hedges as well as from good stock picks within the foods and the information & communication sectors. In the foods sector, gains stemmed from the long holding in Yakult, which outperformed as the company continues to enjoy strong structural growth in Asia supported by a solid business model. In the information & communication sector, the largest contributor was a short in an entertainment game applications company whose share price plummeted on the back of the decrease in the sales trend of one of its main mobile game products. On the other hand, the segment lost in the pharmaceutical sector and chemicals sector.

The third-best contributor was the Catalyst Driven Europe segment (+0.0%), where the Corporate Events bucket continued to drive performance. The Hammerson strategy was the largest driver of performance, as our exposure to upside risk from a bid on Hammerson was rewarded on the announcement that Klépierre had made a takeover offer at ~40% premium (rejected by the Hammerson board). Further gains stemmed from the Ahold strategy led by the underperformance of one of our hedging counterparts driven by margin pressure and weak cash flows. Another large positive contributor was the long holding in drug maker Shire whose shares soared on news of Takeda Pharmaceutical considering a potential bid.

Portfolio exposure

%	LONG	SHORT	NET	GROSS
Equities	117.2	-113.4	3.8	230.7
Fixed Income	66.0	-49.6	16.4	115.6
Forex	17.1	-12.9	4.2	30.1
Commodities	1.1	—	1.1	1.1
Total	201.5	-175.9	25.6	377.4

Gross exposure is calculated by adding up the delta adjusted exposure of long and short positions of every instrument after netting by underlying at the asset class level (Equities, Commodities, Fixed Income, Forex)

Source: Pictet Asset Management

The worst contributor was the Greater China equities L/S segment (-0.3%), where the largest detractors were holdings in consumer discretionary and information technology. In consumer discretionary, China Lodging, the leading mid-priced multi-brand hotel group, suffered after the company reported lower than expected Q4 17 growth profit margins due to the increase in wage expenses. In information technology, Largan Precision of Taiwan was a further drag on performance following concerns that the company is facing a slowdown in growth due to weaker demand in smartphones.

The second-worst contributor was the Cyclical Equities L/S segment (-0.1%), where the largest negative contribution came from the chemical sector strategies, where DowDuPont underperformed its peers on no specific newsflow, except that the company sounded cautious on its agricultural chemical division for the start of the year. Further losses stemmed from lithium producer Albermarle, as the market remained concerned about supply increases announced by lithium producers, and as concerns around Tesla emerged in the month.

The third-worst contributor was the Quality equity segment (-0.1%), which continued to be under pressure due to the underperformance of the more defensive companies. In terms of sectors, losses came from utilities, information technology, consumer discretionary and energy. Within energy, the short exposure to oil and gas exploration companies was what detracted from performance. In IT, the long holding in Apple was one of the key detractors.

Weight and contributions

	WEIGHT IN % OF ALLOCATED CAPITAL	YTD RETURN CONTRIBUTIONS IN % GROSS ^{1,2}
DEVELOPED MARKETS EQUITIES	51.6	0.6
Catalyst Driven Europe L/S	3.5	0.3
European L/S	7.8	0.5
European Mid Cap L/S	6.9	0.0
Global L/S	6.7	0.1
Japan Equities L/S	10.9	0.6
Quality Equities L/S	8.5	-0.7
Swiss L/S	4.9	-0.1
Global Fundamental L/S	2.3	-0.0
EMERGING MARKETS EQUITIES	15.2	0.4
Asian Equities L/S	6.4	0.2
Greater China L/S	8.8	0.2
SECTORIAL EQUITIES	11.7	0.7
Cyclical Equities L/S	9.8	0.7
Consumer Equities L/S	1.9	0.0
MULTI ASSET	4.4	-0.0
Global Macro L/S	4.4	-0.0
FIXED INCOME	17.2	0.1
Fixed Income Emerging L/S	6.8	0.3
Global Bonds Relative Value L/S	7.4	-0.2
Global Credit L/S	3.0	0.1

1 In segments currency

2 Excluding currency and market hedge

Source: Pictet Asset Management

Portfolio activity

During March, we trimmed exposure to the following segments: Global Bonds RV and Quality Equities. On the other hand, the following segments were increased: Japanese Equities, European Equities, Cyclical Equities and Asian Equities. We also added a new equity segment: Global Fundamental. This segment follows a rigorous bottom-up fundamental approach and invests in developed markets focusing on liquid large caps. As usual, our initial allocation is rather conservative.

Fund information

Fund name	PTR-Diversified Alpha
Fund inception	01 May 2014
Reference currency	EUR
Domicile	Luxembourg
Legal status	Compartment of a Luxembourg SICAV - Part I - UCITS compliant
Custodian/Administrator	BNP Paribas Securities Services, Luxembourg
Trade date (T)	Weekly on Thursday A daily non-tradable NAV is calculated for information only
Cut-off	T-2 at 5.00pm CET
Settlement date	T+3
Minimum subscription	EUR 1,000,000
Management fees	1.2%
Adm & cust. fees	0.25%
Performance fees	20% high water mark*
Hurdle rate	EONIA (for EUR share classes)
Ongoing charges	1.53% as at end of March 2018
Share class currencies	Unhedged EUR and hedged CHF, GBP, JPY, USD
Investment horizon	The fund may not be appropriate for investors who plan to withdraw their money within 4 years
Bloomberg	I EUR class: PDAIEUR LX
ISIN	I EUR class: LU1055714379

* The performance fee is calculated by reference to the outperformance of the NAV per share (measured against the HWM and hurdle rate) during the calculation period

Source: Pictet Asset Management

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