

## Monthly Performance Update (as of 31 December 2020)

Market Commentary

### Strategy Overview

Carry++ is a flagship strategy managed by Asheesh Chanda, CEO of Kristal.AI with inputs from various quant models developed by the team.

The Strategy follows an asset allocation strategy based on risk parity principle and deploys leverage opportunistically to benefit from market dislocations.

### Strategy Management Rules

1. The strategy invests across multiple asset classes like Equities, Fixed Income, Commodities and Volatility.
2. Volatility trades are an overlay on top of the core asset allocation to generate an additional alpha.
3. Strategy employs a target volatility approach to efficiently manage the risk exposure.
4. Downside hedges are put in place to protect against adverse market movements.
5. Strategy is expected to be volatile in market environments when risk parity breaks (like March 2020)
6. Strategy manager has the discretion to deploy leverage to benefit from market dislocations.

### Recommended For

This investment strategy is ideal for sophisticated investors who are willing to take more risk for high returns.

### Dealing Information

Minimum Subscription: **USD 25K**

Subscription Frequency: **Weekly**

Redemption Frequency: **Monthly**

Redemption Settlement: **5 Business Days**

Management Fee: **1% p.a.; accrued daily**

Performance Fee: **10%**

Hurdle Rate: **5%**

ISIN: **SGXZ22058549**

### Market Commentary (1/2)

A warm welcome to everyone as we begin 2021 with new surprises in the offing. As I write this, news is trending of the US Capitol being under 'siege', Bitcoin surging past 36K, UST 10yr widening beyond 1% and Equity markets stabilising around all-time highs.

US Dollar weakness and interest rates moving higher are the key risks seen in the market today that shall create bumps in a possible extension of the bull run through 2021.

Chinese Govt Bonds (RMB), Gold and Bitcoin are seemingly the best allocations to hold to cushion the impact of such an event on any portfolio. On the equities front, once the market decides to go with irrational exuberance, it's near impossible to predict how long that exuberance can last.

So, an investor has 2 choices:

a) fear a crash and wait and watch everyone make money till the day a bubble bursts and in some ways hope the Fed does little to prevent a sharp burst OR

b) Stay invested but keep portfolio insurance in play with the downside hedge ratio being high and dynamically managed as you do not want to bleed the insurance cost beyond a certain limit.

We subscribe to b) and throughout 2021 we are likely to maintain a high hedge ratio approx. 10% away from prevailing levels.

## Market Commentary (2/2)

We also initiated a position in Bitcoin in early Dec while maintaining underweight in Bonds and Treasuries. Bitcoin has turned a leaf and has become mainstream with most forecasts now calling for upwards of 100K USD. In other words, the world may sooner rather than later begin to measure their wealth in Bitcoin terms and not just dollar terms. Another conscious change has been to add incremental positions to names from broad based indices across EM, China, S&P, Russell and diversify from a tech Nasdaq heavy positioning that we had in 2020. Increasingly we look to run our sophisticated options play on emerging market names via ETFs or high conviction single stocks. My belief is that we are in early phases of a bubble. As 10yr UST moves closer to 1.50%, it's likely to give investment opportunities which we would like to capitalize on. The kind of returns Tesla, ARK ETFs, Palantir or some recent IPOs have given are surreal and one should not expect a repeat of these, and rather be wary of the downside risk.

Sizing of positions is key and maintaining a high level of discipline on tail risk hedging in a portfolio shall distinguish the winners from laggards in 2021.

On the infrastructure side, we are moving our Kristal Founders Fund (Carry++) into our VCC (Variable Capital Company) which would mean subscriptions to Carry++ shall move to a monthly basis as we make it ready for institutional participation.

**We ended 2020 with >30% return which brings our cumulative 2-year return to upwards of 60% and a 5-year CAGR of close to 17%. We look to maintain the winning streak and deliver a consistent return with keen eye on risk management. I hope to enjoy your continued support and see more inflows from one and all, who believe in the style of risk management we are deploying**

## Carry++ and ELONs

Carry++ invests in a lot of interesting Option payoffs on single name stocks and ETFs.

ELONs (Equity Linked Option Notes) are used to express high conviction trade ideas through a combination of exotic option structures. These are also made available to investors via in-app notifications.

Some of the ideas traded include:

Butterfly Spreads

Ratio Puts

Calendar spreads

Digital Options

Straddles

Strangles

Covered Calls

## Stock Holdings



## ETF Holdings



First Trust



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## Return Comparison with Benchmark

	1M	3M	YTD	2019	2018	2017	2016
CARRY++ (%)	3.9	12.8	30.7	30.1	-4.7	13.2	20.5
BENCHMARK (%)	3.9	14.1	17.0	26.6	-9.1	24.3	8.4

## Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2015</b>													2.64% 2.64%
<b>2016</b>	0.56%	5.77%	0.29%	1.13%	0.16%	6.50%	2.64%	0.83%	1.07%	-0.90%	0.09%	0.92%	20.47%
<b>2017</b>	0.85%	2.25%	-0.39%	1.86%	2.79%	-0.06%	-0.48%	-0.99%	0.60%	7.87%	-0.89%	-0.66%	13.17%
<b>2018</b>	5.68%	2.54%	-1.60%	3.06%	5.05%	-1.58%	7.65%	4.84%	0.78%	-34.66%	19.20%	-5.28%	-4.65%
<b>2019</b>	6.93%	-1.82%	7.78%	1.05%	-3.22%	10.89%	0.51%	3.89%	0.14%	0.92%	0.63%	-0.14%	30.14%
<b>2020</b>	3.00%	-6.49%	-26.62%	17.30%	5.18%	7.99%	10.74%	9.94%	1.11%	-2.64%	15.35%	3.94%	30.72%

(Benchmark: ACWI)

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