

Monthly Performance Update (as of 31 January 2021)

Strategy Overview

AQ Active Equity Strategy invests in Global Equities on a Long/Short basis to deliver attractive risk adjusted returns with a medium to long term horizon.

Fund Strategy

AQ Active Equity is country and sector agnostic to provide flexibility to generate ideas without having a bias towards a specific sector, region, or theme.

The investment process uses a systematic approach to narrow down the investment universe and then uses fundamental analysis to identify the best investment ideas with an asymmetric payoff.

The strategy uses robust risk management tools to manage position sizes, lower correlation to the market, and optimize portfolio mix.

The strategy aims to target mid-teen returns with lower volatility and drawdown as compared to the benchmark, Vanguard Total Stock Index (VT).

Top Holdings





Market Commentary (1/2)

Challenging would be an understatement to describe the first month of 2021. Although the markets have only declined marginally, the price behaviour has been significantly bemusing if you look under the surface. Basket of Russell 3000 stocks with short interest > 30%, which largely implies stocks with the poorest business models, most expensive valuation or generally poor risk reward has gone up by more than 41% on median basis and more than 50% on average for January 2021 whereas S&P500 is -1.0%. Many Long/Short funds have been caught up in this crossfire with few losing more than 20%, amongst this a notable mention would be Melvin Capital a USD 12.6 Billion Long/Short hedge fund that has lost 53% YTD, Malpelane -45%, SAC Capital -15% and many more which have not disclosed the damage.

We managed to navigate the tricky waters by not getting drawn into the war between Short focussed hedge-funds and Wall-Street Bets Long cult to deliver a respectable +2.44% for January 2021 vs -0.23% for VT, -1.0% for S&P500 and +3.17% for EEM. We used the rally at the start of the month to raise cash levels and increased our Short hedges intramonth especially on Large Technology stocks which helped us to protect the gains even though our long portfolio lost some money. Our hedges held up reasonably well as the strategy outperformed considerably on both the worst performing days of the month.

Since inception the strategy has returned 122.9% (28.8% per annum), vs 35.3% (10.4% per annum) for VT at monthly downside deviation of 1.87% vs 3.48% for VT and Sortino Ratio of 4.2 vs 0.92 for VT.

The key Outperformers were our long positions in Teladoc, Samsung SDI, Eli Lilly, Illumina & ASML whereas we lost money on Ryanair, Booking, Lockheed Martin, Suzuki Motor & Fedex as the lockdown economy trade keeps getting extended. We continue to hold our Index shorts and if the selloff continues it will help to cushion the blow on the downside.

Market Commentary (2/2)

I still believe we are not out of the woods yet and it may take some time for the volatility to subside and things to return to normalcy. What does normalcy imply in terms of market level? that is a more than Billion-dollar question which I do not have an answer currently and don't believe will ever have one in the foreseeable future.

As for now, we are sharpening our pencils and keeping an open mind to find opportunities in this volatility just like we have done in the past and will continue to do so in the foreseeable future.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017												3.1%	3.1%
2018	1.5%	-2.5%	2.5%	3.0%	-0.8%	0.5%	2.0%	-1.4%	-0.6%	4.5%	4.3%	6.7%	21.0%
2019	3.5%	0.8%	4.0%	-0.2%	-6.9%	6.4%	-1.2%	-4.5%	4.7%	1.8%	1.8%	0.8%	10.5%
2020	-3.3%	-3.9%	-4.6%	11.1%	-0.2%	11.8%	3.8%	4.6%	0.1%	-1.4%	25.3%	9.4%	58.5%
2021	2.44%												2.44%

Gross performance before fees. Strategy was onboarded onto the Kristal Platform only in December 2020 and hence all returns are based on data submitted by the Fund Manager.

Key Facts

Strategy: **Growth**
 Fund Type: **Open Ended**
 Class: **Global Equity**
 Benchmark: **Vanguard World Stock Index (VT)**
 Max Drawdown: **-11.35%**
 Leverage: **Yes**

Dealing Information

Minimum Subscription: **USD 50K**
 Subscription Frequency: **Weekly**
 Redemption Frequency: **Weekly**
 NAV Publication: **Weekly**
 Redemption Settlement: **5 Business Days**
 Management Fee: **1% p.a.**
 Performance Fee: **20% p.a.**
 Hurdle Rate: **5%**

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