

Monthly Performance Update (as of 31 December 2020)

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)

We managed to deliver a strong finish to the year **+9.41% for December vs 4.9% for VT, 3.7% for S&P500 and 7.1% for EEM**. All major equity markets continued their upward move in December, despite November 2020 being one of the best months on records. Only 5 times over the past 35 years had S&P500 appreciated by more than 10% (Jan 87, Dec 91, Oct 2011, Apr 20 & Nov 20). For December, EEM was up 7.1% however, excluding China which forms 39% of the index many Country Indices were up double digits.

For the year 2020, our strategy returned +58.5% (net of fees 46.8%) vs +16.6% for VT and +17.7% for EEM.

Unlike many Tech focussed portfolios that have outperformed this year our winners were split across multiple sectors and our tail hedges also contributed more than double digits to the 2020 returns. Top Single stock contributors for the year were ArcelorMittal, Samsung SDI, Stoneco, Spotify, Facebook whereas the losers were Boeing, Rolls Royce, Disney. Our hedges through Options position in Junk Bonds & S&P500 puts contributed more than 10% to the returns in Feb & March. However, for the full year 2020 our short positions in SPY, VT and Nasdaq100 have been a drag on the overall performance.

Since inception the strategy has returned 118.6% (28.9% per annum), vs 35.57% (10.4% per annum) for VT at monthly downside deviation of 1.89% vs 3.53% for VT and Sortino of 4.16 vs 0.94 for VT.

After having the best two months run (+37%), since our launch in December 2017 and witnessing considerable higher prices across the board vs just a couple of months back it makes us wonder whether we should continue to dance whilst the music is playing OR maybe find a place near the exit before the whole house burns down.

Market Commentary (2/2)

The record stimulus by central bank's at around USD 9.0 Trillion would want us the carry-on partying but the sceptic in us (unlike the new class of 2020) makes exceedingly worried on how long these good times will last.

We will continue to remain vigilant and keep finding pockets of value, but if the Euphoria of the prior two month continues, we may very well choose to step aside rather than chase Unicorns & Rainbows and risk the hard-earned gains.

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%

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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