

## Alpha Quest Active Equity Strategy Investment Performance for October 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. The strategy is country and sector agnostic, providing the flexibility to generate ideas with no bias towards a specific industry, 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 ideas with asymmetric payoff. The strategy uses robust risk management tools to manage position sizes, lower correlation to the market and to optimize portfolio mix.

The strategy aims to target mid-teen returns with lower volatility and drawdown as compared to the benchmark, [Vanguard Total World Stock Index \(VT US Equity\)](#). The strategy is reviewed and rebalanced periodically to make sure that diversification of risk exposures is maintained, with the best ideas being awarded the highest capital allocation.

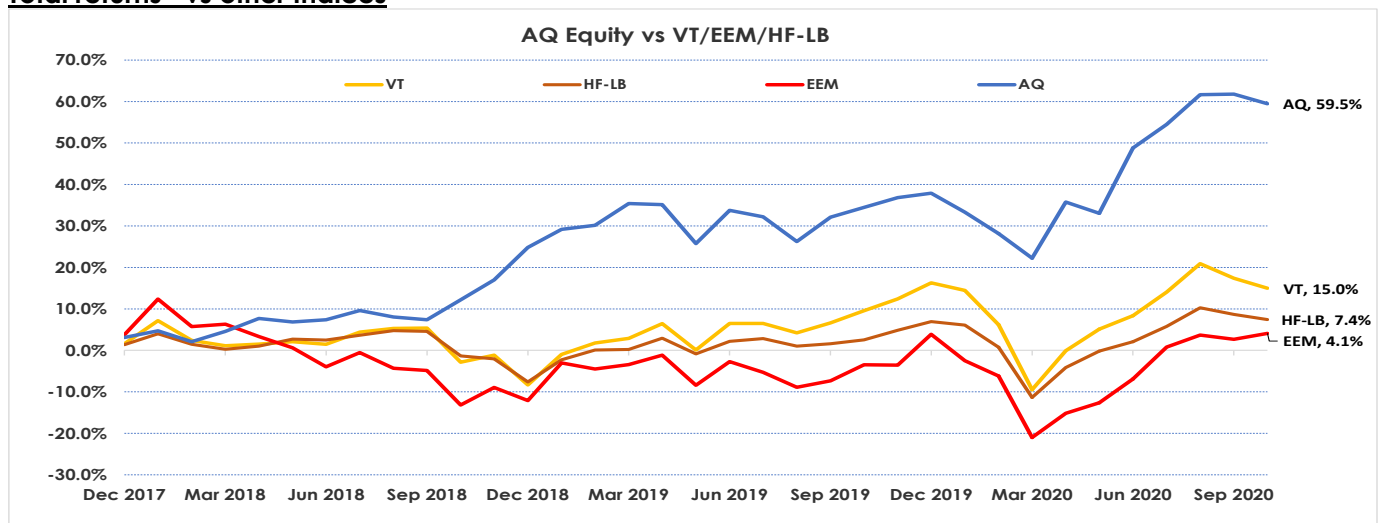
**Portfolio Manager:** Bharat Gorsiya, CFA

### Total returns<sup>^</sup> since inception from December 2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	BG YTD	VT Index*
2017												3.1%	3.1%	1.6%
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%	-9.8%
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%	26.8%
2020	-3.3%	-3.9%	-4.6%	11.1%	-2.0%	11.8%	3.8%	4.6%	0.1%	-1.4%			15.6%	-1.1%
<b>Since Inception</b>													<b>59.5%</b>	<b>15.0%</b>
<b>Annualized Return</b>													<b>17.3%</b>	<b>4.9%</b>

<sup>^</sup>Gross Performance before fees, \* [Vanguard Total World Stock Index](#).

### Total returns<sup>^</sup> vs other Indices



### Key performance statistics:

Key Stats monthly	<a href="#">Vanguard Total World Stock Index (VT)</a>	<a href="#">Emerging Market Index (EEM)</a>	<a href="#">Barclays Equity Long Bias Index (HF LB)</a>	AQ Active Equity Strat (AQ)	AQ performance with fees*
Total Portfolio Return	14.97%	4.10%	7.42%	59.48%	47.58%
Average Monthly Return	0.41%	0.12%	0.21%	1.45%	1.19%
Standard Deviation	5.03%	5.66%	3.68%	4.10%	4.10%
- <b>Sharpe Ratio</b>	<b>0.28</b>	<b>0.07</b>	<b>0.19</b>	<b>1.21</b>	<b>1.00</b>
Downside Deviation	3.63%	3.98%	3.33%	1.95%	1.95%
Max Drawdown	-22.15%	-29.69%	-17.11%	-11.36%	-11.4%

\* Illustrative return with 1% Management fee & 20% performance fee above 5% hurdle rate

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### Update for the month of October 2020

The month of October was more than challenging. Markets had a brief rally across all major indices at the start of the month to only give back all the gains by the end of the month. European stocks were particularly badly hit at the end of the month as the Covid cases started to spike in Europe and as it seemed increasingly likely that lockdown measures would be implemented in most European countries. To add in the US what seemed like an easy win for the Democrat Presidential candidate, Mr Biden was suddenly seeming like a close race and not many participants wanted to carry the US Presidential election risk resulting in almost a 7% selloff in S&P500 and global indices within the last two week of October.

EM markets help up relatively better in the light of coming of age especially for the Chinese stock markets with Ant IPO, the largest IPO in the history of capital markets at USD 35Billion to be raised in Hong Kong and China.

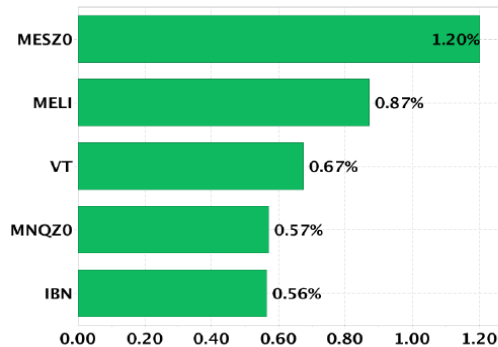
Despite the up and downs we managed to outperform VT for the month and were down **-1.43% vs -2.05% for VT, -2.49% for S&P500 and +1.41% for EEM. YTD the strategy has delivered +15.6% vs -1.1% for VT and +0.2% for EEM.**

Since inception from December 2017 to October 2020 the strategy has delivered **59.5% return vs 15.0% for Vanguard World Stock Index (VT) and 4.1% for Emerging markets Stock Index (EEM).**

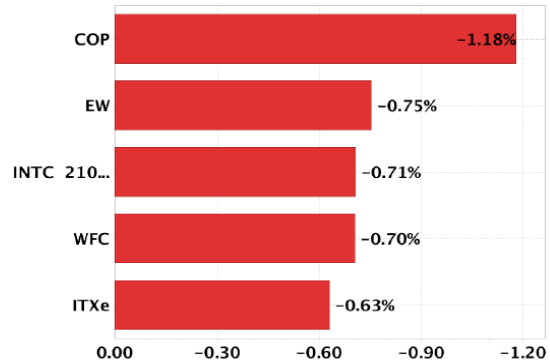
We were around 65% Net long at the end of September and were overweight Industrials, Energy and Banks which helped us outperform the markets at the start of October only to give back most of the gains at the end of October. **Our hedges on the overall market however came good and we helped us insulate the losses in our single stocks.** Other notable positive contributors for the month were our ICICI Bank and Mercado Libre. The **Underperformers for the month were Conoco Philips, EW, Wells Fargo and Inditex.**

#### Performance Contribution:

##### Top Performers



##### Bottom Performers



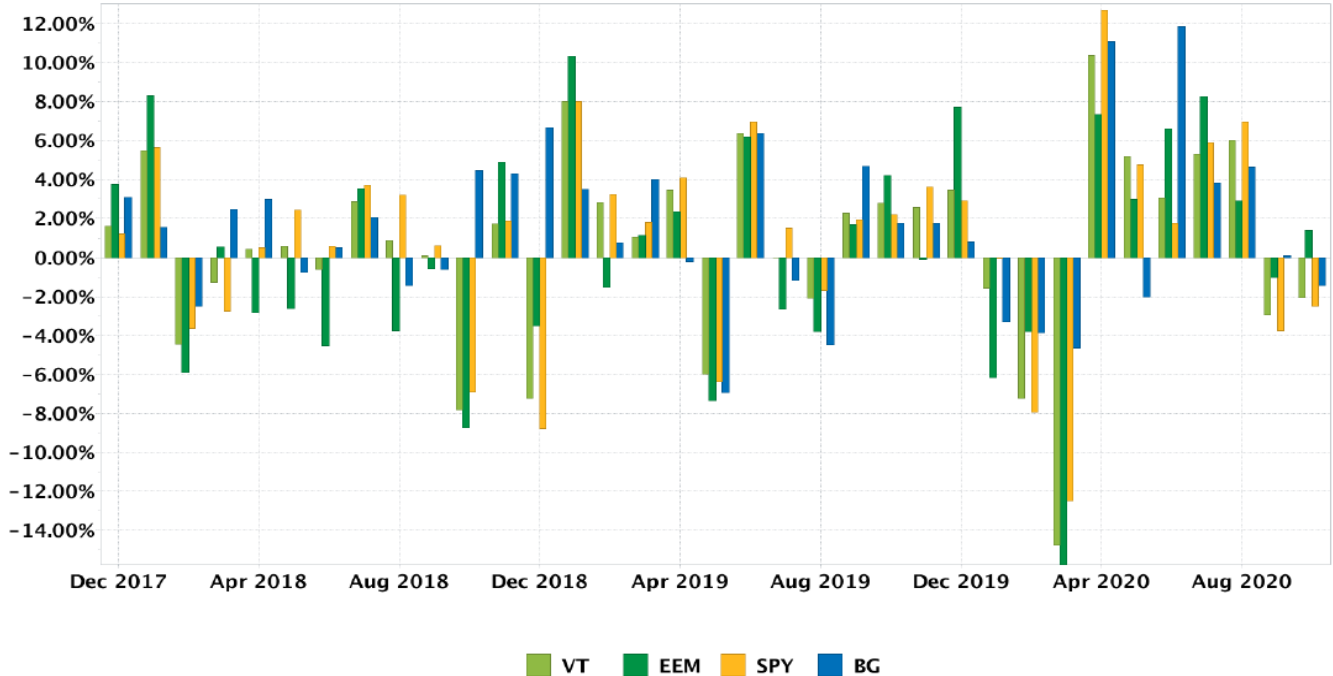
We continue to hold an overweight on stocks that would benefit as things normalise as we believe market is overly optimistic on the Covid beneficiaries and we believe the risk reward is better in the beaten down names as we move away from this New normal to Normal.

## Alpha Quest Active Equity Strategy Investment Performance for October 2020

**The below table presents key monthly Risk/Return characteristics of the portfolio vs other indices.**

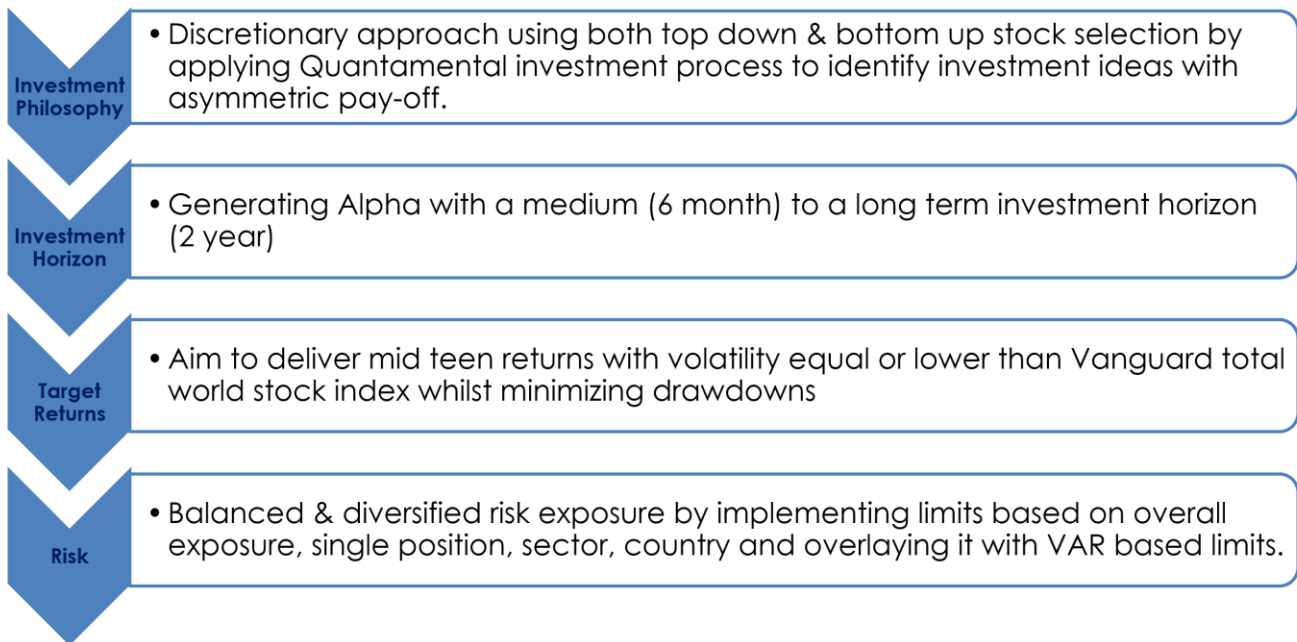
	VT	EEM	SPY	BG
Ending VAMI	1,149.73	1,041.09	1,304.88	1,594.98
Max Drawdown	22.15%	29.69%	19.43%	11.35%
Peak-To-Valley	Dec 19 - Mar 20	Jan 18 - Mar 20	Dec 19 - Mar 20	Dec 19 - Mar 20
Recovery	5 Months	Ongoing	4 Months	3 Months
Sharpe Ratio	0.36	0.17	0.60	1.21
Sortino Ratio	0.49	0.23	0.88	2.52
Standard Deviation	4.96%	5.57%	5.11%	4.04%
Downside Deviation	3.63%	3.98%	3.50%	1.95%
Correlation	0.52	0.59	0.47	-
$\beta$ :	0.42	0.43	0.38	-
$\alpha$ :	0.14	0.16	0.13	-
Tracking Error	4.48%	4.56%	4.78%	-
Information Ratio	9.94	12.13	6.07	-
Mean Return	0.53%	0.27%	0.90%	1.42%
Positive Periods	23 (65.71%)	18 (51.43%)	24 (68.57%)	22 (62.86%)
Negative Periods	12 (34.29%)	17 (48.57%)	11 (31.43%)	13 (37.14%)

### Comparable Monthly Performance vs other indices



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### Strategy Objective:



### Risk Management Parameters:

**Universe:** Global Equities/ETF/ Options mainly listed on Developed Market exchanges.

**Number of Holdings:** On average around 20-30 positions, with majority companies having market cap > USD 10 Bn

**Max Single Security Exposure:** 10% of NAV

**Exposure Limits:** Gross Exposure at 3x of NAV, Net Long Exposure: 1x of NAV & Net Short Exposure 0.5x of NAV

**Hedging:** Strategy uses Futures, ETF, Single Stocks & Options for managing risk.

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