

Alpha Quest Active Equity Strategy Investment Performance for November 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 \(VT\)](#). 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.

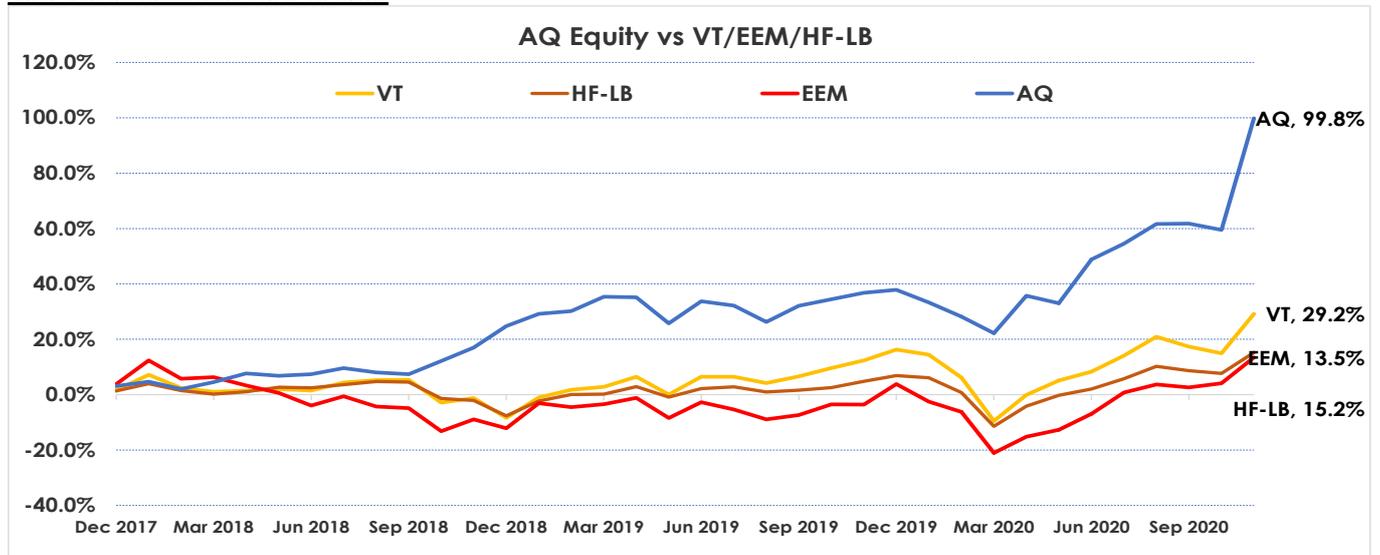
Portfolio Manager: Bharat Gorsiya, CFA

Total returns[^] since inception from December 2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	BG YTD	Net of Fees*	VT
2017												3.1%	3.1%	2.5%	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%	16.8%	-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%	8.4%	26.8%
2020	-3.3%	-3.9%	-4.6%	11.1%	-2.0%	11.8%	3.8%	4.6%	0.1%	-1.4%	25.3%	-	44.9%	35.9%	11.1%
Since Inception													99.8%	76.4%	29.2%
Annualized Return													25.9%	20.8%	8.9%

[^]Gross Performance before fees,

Total returns[^] vs other Indices



Key performance statistics:

Key Stats monthly	Vanguard Total World Stock Index (VT)	Emerging Market Index (EEM)	Barclays Equity Long Bias Index (HF LB)	AQ Active Equity Strat (AQ)	AQ performance with fees*
Total Portfolio Return	29.19%	13.46%	15.23%	99.81%	76.37%
Average Monthly Return	0.74%	0.36%	0.40%	2.16%	1.74%
Standard Deviation	5.34%	5.76%	3.79%	5.67%	5.67%
- Sharpe Ratio	0.48	0.21	0.36	1.32	1.06
Downside Deviation	3.58%	3.92%	3.33%	1.92%	1.92%
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 November 2020

November 2020 was the best [month for Dow Jones since January 1987](#) and only 5 times over the past 35 years has S&P500 appreciated by more than 10% (Jan 87, Dec 91, Oct 2011, Apr 20 & Nov 20). We too had one of the best month's on record due to our overweight on Financials, Energy & Industrials at the end of October. For the month of November our strategy delivered **+25.3% vs 12.4% for VT, 10.9% for S&P500 and 9.0% for EEM. YTD the strategy has delivered +44.9% (net of fees 35.9%) vs +11.1% for VT and +9.2% for EEM.**

To say November was eventful would be an understatement. We had a new US President, Pfizer's announcing a Covid vaccine with 90% efficacy which was followed by Moderna and then by AstraZeneca which led to one of the biggest rallies in value stocks since 2009. Further we again witnessed why investing in China comes with its own set of issues, in this case it was the Big Brother behaviour by the Chinese Communist Party (CCP) where they pulled the plug on the [largest IPO of all time ie Ant](#) at the 11th hour despite the orderbooks of more than USD 2.5 trillion for an IPO of USD 35-40 Billion.

Most market participants were positioned very defensively at the end of October in the light of US Presidential elections, the spike in Covid cases especially in Europe and US and tried to find hiding place in what had worked YTD that is Covid Beneficiaries. We thought the trade in Covid plays was overcrowded and had positioned the portfolio towards companies that were potentially cheap when we considered a normalisation looking into 2021 & 2022 earnings. We also believed Biden Presidency to be not as negative as market participants had positioned at the end of October. Our overweight positioning into Industrials, Banks & Cyclical & Nasdaq100 shorts reflected this view and helped us generate the outsized returns vs all the benchmark indices for November.

We have always gravitated towards allocating capital where we find most value, sometimes at the cost of underperforming the benchmark indices. In the middle of the Pandemic in April & May we saw value in E-commerce, Defensives and lockdown economy stocks and by October when the gap between Value and Growth stocks was at almost a 5 year high we tilted our portfolio towards Value names investing in Energy, Industrials and Banks which we believed were too cheap to ignore. We believe this flexible mindset of not being tied to one school of thought has helped us generate **+44.9% YTD vs 9.1% for VT Index, 13.0% for S&P500 and +8.3% for EEM. Since Inception we have generated 90.1% return vs 26.8% for Vanguard World Stock Index (VT) and 12.5% for Emerging markets Stock Index (EEM)** and all this at a monthly downside deviation at 1.95% which is almost half that of VT at 3.63%.

We were around 65% Net long at the end of October and our overweight position in Industrials, Energy & Banks which had negatively impacted us in the end of October but generated **+25.3% for the month of November vs +12.4% for Vanguard world stock Index (VT)**. The key **Outperformers** were our **long positions in Airbus, Conoco Phillips, Amadeus IT, ICICI Bank, Samsung SDI** whereas our **Index short positions cost us around 10.0%**.

Top Performance contributors

COP	AIRd	GE	WFC	AMADY	IBN	MT
3.93%	2.82%	2.31%	2.29%	2.12%	1.90%	1.88%

Bottom Performance contributors

NEM	GOLD	SPY 21...	QQQ 21...	MESZ0	VT	MNQZ0
-0.54%	-0.58%	-0.61%	-0.94%	-3.21%	-3.23%	-3.51%

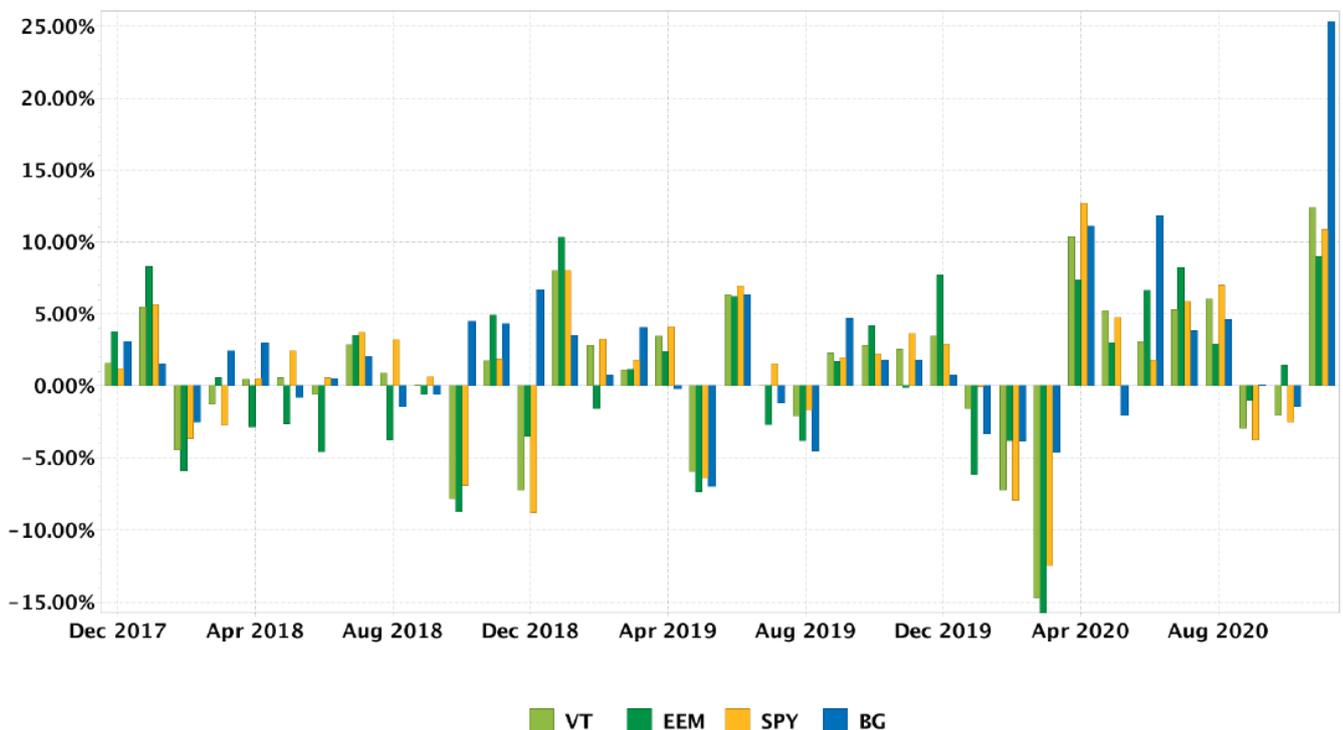
As I had written in the update for September end pondering "So where do we go from here? We believe there will be an increase in volatility (**opportunities**) due to the noise around US elections, opening of the economy and China US conflict. We will continue doing what has worked for us till date, i.e. keeping an open mind and finding pockets of value in the volatility." I believe we were fortunate enough to execute upon the above playbook and will continue to do so in the future.

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

	VT	EEM	SPY	BG
Ending VAMI	1,291.94	1,134.69	1,446.82	1,998.37
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	8 Months	4 Months	3 Months
Sharpe Ratio	0.56	0.31	0.76	1.29
Sortino Ratio	0.82	0.45	1.17	3.75
Calmar Ratio	0.40	0.14	0.67	2.28
Standard Deviation	5.26%	5.68%	5.30%	5.59%
Downside Deviation	3.58%	3.92%	3.45%	1.92%
Correlation	0.60	0.58	0.54	-
β :	0.64	0.57	0.57	-
α :	0.18	0.21	0.17	-
Tracking Error	4.84%	5.14%	5.24%	-
Information Ratio	14.60	16.79	10.54	-
Mean Return	0.85%	0.52%	1.17%	2.09%
Positive Periods	24 (66.67%)	19 (52.78%)	25 (69.44%)	23 (63.89%)
Negative Periods	12 (33.33%)	17 (47.22%)	11 (30.56%)	13 (36.11%)

Comparable Monthly Performance vs other indices



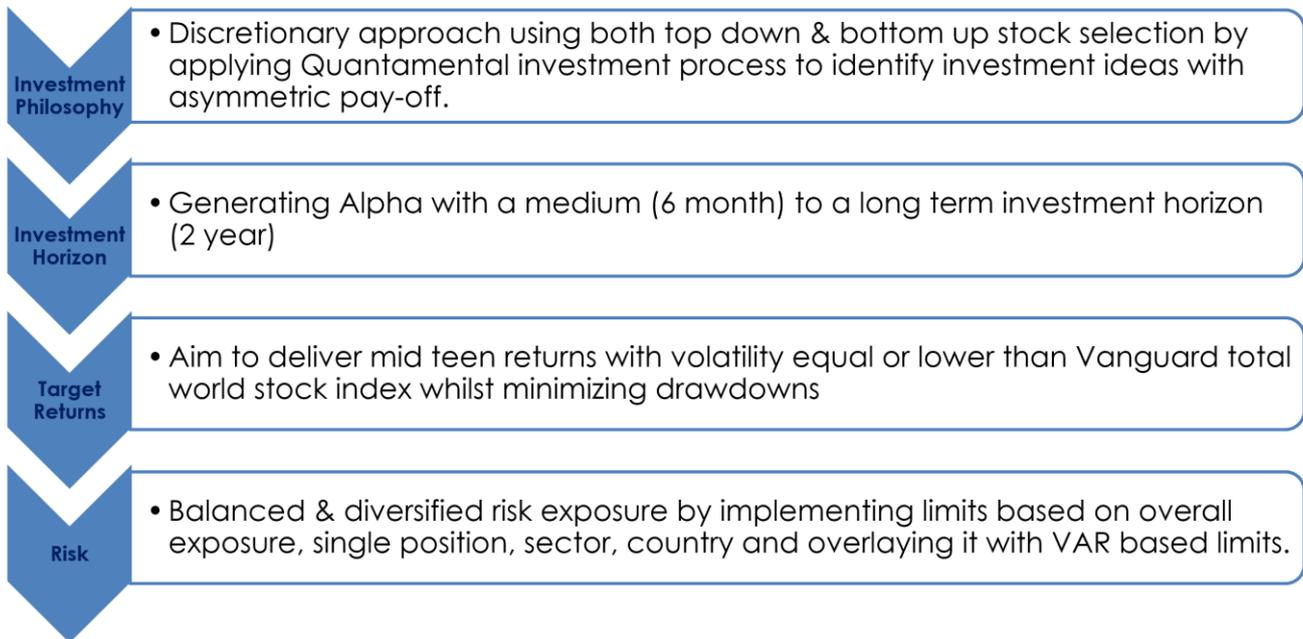
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Comparable Monthly Absolute Returns vs Indices

Month	VT	EEM	S&P500	AQ
Dec 2017	1.60%	3.77%	1.2%	3.1%
Jan 2018	5.48%	8.30%	5.6%	1.5%
Feb 2018	-4.44%	-5.90%	-3.6%	-2.5%
Mar 2018	-1.29%	0.54%	-2.7%	2.5%
Apr 2018	0.42%	-2.82%	0.5%	3.0%
May 2018	0.57%	-2.62%	2.4%	-0.8%
Jun 2018	-0.60%	-4.54%	0.6%	0.5%
Jul 2018	2.88%	3.53%	3.7%	2.0%
Aug 2018	0.86%	-3.77%	3.2%	-1.4%
Sep 2018	0.08%	-0.58%	0.6%	-0.6%
Oct 2018	-7.82%	-8.76%	-6.9%	4.5%
Nov 2018	1.73%	4.90%	1.9%	4.3%
Dec 2018	-7.22%	-3.50%	-8.8%	6.7%
Jan 2019	7.99%	10.34%	8.0%	3.5%
Feb 2019	2.82%	-1.53%	3.2%	0.8%
Mar 2019	1.06%	1.13%	1.8%	4.0%
Apr 2019	3.47%	2.35%	4.1%	-0.2%
May 2019	-5.97%	-7.33%	-6.4%	-6.9%
Jun 2019	6.37%	6.21%	7.0%	6.4%
Jul 2019	0.00%	-2.66%	1.5%	-1.2%
Aug 2019	-2.10%	-3.78%	-1.7%	-4.5%
Sep 2019	2.28%	1.69%	1.9%	4.7%
Oct 2019	2.79%	4.18%	2.2%	1.8%
Nov 2019	2.56%	-0.09%	3.6%	1.8%
Dec 2019	3.45%	7.71%	2.9%	0.8%
Jan 2020	-1.6%	-6.2%	0.0%	-3.3%
Feb 2020	-7.2%	-3.8%	-7.9%	-3.9%
Mar 2020	-14.8%	-15.8%	-12.5%	-4.6%
Apr 2020	10.4%	7.4%	12.7%	11.1%
May 2020	5.2%	3.0%	4.8%	-2.0%
Jun 2020	3.1%	6.6%	1.8%	11.8%
Jul 2020	5.3%	8.3%	5.9%	3.8%
Aug 2020	6.0%	2.9%	7.0%	4.6%
Sep 2020	-2.9%	-1.0%	-3.7%	0.1%
Oct 2020	-2.1%	1.4%	-2.5%	-1.4%
Nov 2020	12.4%	9.0%	10.9%	25.3%
Total Return	29.2%	13.5%	44.7%	99.8%
Annualized Return	8.9%	4.3%	13.1%	26.0%

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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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