

AlphaQuest UCITS Fund

CTA/Managed Futures

May 2025 | This is a Marketing Communication

Performance Returns

The AlphaQuest UCITS Fund returned -1.1% in May (USD Institutional Share Class).

Investment Objective & Strategy

The AlphaQuest UCITS Fund's investment objective is to seek capital appreciation over the long term. The AlphaQuest UCITS Fund invests, on a long and/or short basis, in a globally diversified portfolio representing the major asset classes of equities, fixed income and currencies. It also gains exposure to commodities, on a long and/or short basis, through the use of structured financial instruments ("SFIs"). The AlphaQuest UCITS Fund targets, over the medium term, a realized volatility in the range of 10%-12%, in order to adhere to UCITS investment restrictions. The use of leverage in this fund can amplify both potential gains and losses, increasing the risk of significant financial loss.

AlphaQuest employs a systematic trading program (the "Program"), diversified by asset class and with individual positions intended to provide a return over different time horizons, that seeks to deliver positive alpha (alpha is a statistical measurement used to determine the risk-reward profile of a potential investment). The Program is comprised of a number of trading systems, each of which generates individual trades. These trading systems generate trades on the basis of price movement indicators which seek to identify situations where there is potential for an increase in the price volatility of a given market. Risk controls are integrated into the Program to measure the potential risk associated with trades generated by the Program. Generally, the Program will determine that AlphaQuest UCITS Fund should take a long position in a market that has shown an upward trending price or a short position in a market that has shown a downward one. Investing in financial markets involves a substantial degree of risk. There can be no assurance that the fund will be able to achieve its investment objectives.

Monthly Performance – AlphaQuest UCITS Fund

Past performance is not a reliable guide to future performance.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2025	1.02%	-1.58%	1.81%	-1.09%	-1.08%								-0.96%
2024	1.41%	-0.22%	2.03%	4.73%	-2.23%	-1.60%	-3.17%	0.01%	3.65%	-3.44%	-1.37%	-1.76%	-2.31%
2023	-2.34%	-0.09%	-3.94%	0.94%	0.00%	-1.46%	0.45%	-3.28%	4.93%	-0.74%	-1.66%	-0.25%	-7.45%
2022	-0.46%	1.19%	7.03%	4.83%	-0.37%	1.02%	-0.92%	0.29%	3.72%	-1.16%	-2.18%	0.08%	13.43%
2021	-2.50%	6.11%	3.25%	1.30%	-0.27%	-0.70%	0.75%	-1.33%	-0.27%	4.19%	-3.52%	-1.46%	5.25%
2020	1.69%	1.04%	5.93%	0.11%	-4.00%	0.75%	2.27%	-1.46%	-3.54%	-0.26%	-2.59%	0.66%	0.19%
2019	-4.96%	-1.34%	2.47%	-1.28%	2.38%	4.93%	0.88%	4.74%	-2.44%	-1.80%	0.64%	-1.10%	2.68%
2018	9.69%	-0.08%	-0.29%	1.43%	0.73%	-1.25%	-2.34%	-0.51%	0.68%	-1.74%	-5.29%	1.20%	1.58%
2017	-4.33%	-2.70%	-0.99%	-0.69%	-2.54%	0.15%	-1.78%	-1.51%	0.70%	3.15%	0.45%	-1.45%	-11.14%
2016												-0.22%	-0.22%

The performance figures quoted above represent the (net of fees) performance of the AlphaQuest UCITS Fund USD Institutional Founder Pooled Share Class, since launch on 9th December 2016 through 31st December 2020 (Mgmt. Fee 1 Perf Fee 15) and USD Institutional Share Class beginning 1st January 2021 (Mgmt. Fee 1.5 Perf Fee 20).

Share Classes

Share Class	Institutional / Inst. Pooled	Retail Pooled
Currency	EUR/GBP/CHF/USD	EUR/GBP/CHF/USD
Management Fee	1.5%	2%
Performance Fee	20%	20%
Min Initial Sub.	1,000,000	10,000
ISIN Codes	EUR: IE00BD08G390 / IE00BD08G739 USD: IE00BD08G622 / IE00BD08GB72 CHF: IE00BD08G515 / IE00BD08G952 GBP: IE00BD08G408 / IE00BD08G846	EUR: IE00BD08GM87 USD: IE00BD08GQ26 CHF: IE00BD08GP19 GBP: IE00BD08GN94

The Manager

AlphaQuest.

Nigol Koulajian

Founder and Chief Investment Officer



Nigol Koulajian is the Founder and Chief Investment Officer of AlphaQuest LLC. Mr. Koulajian founded AlphaQuest in March 2001 to pursue his passion for quantitative investment research and strategy development, which he has focused on from the beginning of his career in the early 1990's. After lengthy research, Mr. Koulajian identified specific strategies using proprietary techniques that have been continuously enhanced over the past 25+ years and became the basis for the growth of AlphaQuest.

In 2002, Mr. Koulajian started the NOK Foundation, which is committed to promoting the study and practice of yoga and meditation globally. Mr. Koulajian has acted as a board member of the Omega Institute and David Lynch Foundation. Mr. Koulajian earned an MBA in finance from Columbia Business School and a BS in electrical engineering from Notre Dame.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	\$128.8 million
Strategy AUM	\$2.100 billion
Inception	9 th December 2016
Passport	Ireland, UK, France, Luxembourg, Germany, Spain, Sweden, and Switzerland (Qualified Investors Only)
Website	https://www.montlakeucits.com/subfund/alphaquest-ucits-fund

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Performance Commentary

The Program had a down month, largely due to commodities

AlphaQuest UCITS Fund ("The Fund") posted a -1.1% return in May, while the BTOP50 and the SG CTA indices posted returns of -1.4% and -1.8%, respectively. Within asset classes, equities performed best while commodities were the key headwind to the Program returns due to the whipsawing price of oil. The gains from equities were gradual throughout May and evenly spread across different markets as the Program captured the recovery in equity markets. Fixed income and FX were relatively flat until the last few days of May when small losses were incurred given the reversal in yields and USD.

Market structure risks are increasing if central banks can no longer provide an implicit backstop to markets

As a result of actions taken during the GFC (Great Financial Crisis), market participants have largely assumed that central banks will intervene in the event of a significant drawdown in asset prices. This has driven growth in systematic trading strategies that tend to exploit mean reversion and hence dampen market volatility. This created a virtuous circle where lower perceived risk generates higher risk-adjusted returns. The lower risk also encourages greater leverage and attracts further capital. This combination of greater capital allocated to these strategies and the ability to have greater leverage increases the impact on the market of such strategies. This artificially stable market environment relies on the implicit backstop from central banks. However, recent developments have led to central banks warning of greater volatility in inflation, and long-term yields have also been rising. This could limit the ability of central banks to provide an implicit backstop to markets, and also increases the risk of strategies reliant on buying the dip within fixed income.



Source: AlphaQuest LLC and Bloomberg; January 2000 through May 2025.

DISCLOSURES: Past results are not necessarily indicative of future results. Derivatives trading involves substantial risk of loss and may not be suitable for everyone. This is not a solicitation

U.S. maintains steady interest rates as Fed warns against supply shocks and greater inflation volatility

On May 7, the U.S. Federal Reserve kept its key interest rate unchanged. This pause in interest rates was followed by Fed Chair Jerome Powell's remarks on May 15 that warned of the possibility of "more persistent" supply shocks against a backdrop of uncertainty caused by changing tariff policy. Powell warned that higher real rates could unleash greater inflation volatility. U.S. 30-year yields rose above 5.14% intraday on May 22 and have only been higher most recently in 2007, at the end of the bull market before the GFC, as can be seen in the chart above.

Government bonds cannot fulfill their recent historic role as an equity hedge if rates rise

The chart below shows that the 3-year correlation of U.S. equities to 10-year government bonds was negative for over two decades preceding the inflation resurgence in 2022. Since then, this positive correlation has meant that government bonds cannot be relied upon to provide their historic diversification or hedge to equities in a portfolio. In a period where inflation is a key risk, government bonds are likely to be a source of negative convexity to a portfolio, rather than positive convexity. The Program's ability to be negatively correlated to equities while providing positive returns should be increasingly attractive to investors in a period of inflation.

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Rolling 3-Year Correlation of S&P Futures to US 10-Year Treasury Futures



Source: AlphaQuest LLC and Bloomberg; January 2001 through April 2025

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Government spending and deficits appear to be increasing, providing further support to inflation

On May 22, the U.S. House of Representatives passed legislation increasing spending on defense and extending tax cuts passed during President Trump's first term in 2017 that were due to expire. The legislation is estimated to increase the budget deficit and the total U.S. debt. In anticipation that such legislation would be passed, Moody's Ratings cut the United States' sovereign credit rating on May 19 down one notch to Aa1 from Aaa, the last of the major credit agencies to do so. Credit downgrades tend to be associated with higher inflation and interest rates. The U.S. is not the only country which is increasing government spending.

Germany and China have recently signaled higher government spending and debt

The trend for higher government spending and debt is not restricted to the U.S. On March 18, German lawmakers, who were traditionally reluctant to increase debt, approved a huge increase in defense and infrastructure spending and made it exempt from their strict debt rules. China on March 4 also reiterated its growth target of around 5% and in a rare move raised its fiscal deficit by 1% to 4% of GDP, the highest level in decades as it previously sought to keep it at 3% or below to demonstrate fiscal discipline.

Japanese 30-year government bond yields rise above 3% for first time in a quarter of a century

We note in May the yield of Japanese 30-year bonds reached a 25-year high (see chart below) as yields spiked above 3%. Japan's 30-year government bond yield jumped to over 3%, the highest level in almost 25 years. Japan is the world's 3rd largest bond market after US and China. These three countries make up over 60% of the global SSA (Sovereign, Supranational and Agency) bond market.



Source: AlphaQuest LLC and Bloomberg; January 2000 through May 2025

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The Program is looking to add passive hedges strategies with inbuilt convexity and positive skew

To deliver positive returns and skew even in environments where there is limited opportunity to trade, we are augmenting our most potent sources of positive convexity (very short-term breakout trading systems) with a set of more passive hedges. The passive hedges include markets and spreads of markets that have a historical tendency to perform well in equity drawdowns. We have developed a framework to allocate these, which considers the trade-off between the positive skew offered by these positions and how the market prices it both long-term and short-term.

This year has been difficult for the CTA industry due to the immediate impact of tariffs news flow

The SG CTA index suffered a particularly bad month in April, which was its worst monthly performance in over two years. Traditional CTA's have suffered from the rapid whipsawing of markets due to the immediate impact of tariff news flow on asset prices. Looking at peak-to-trough declines of 10% or more for the S&P 500, the 2025 tariff correction was the quickest correction since COVID-19. If the start of the correction is taken to be Liberation Day on April 2 rather than the S&P 500 peak on February 19, the correction occurred in just six days which is far quicker than the 13-day decline during Volmageddon in February 2018.

The Program's positively skewed strategy provides a vital diversifier to the negative skew of most other strategies

The post-GFC era has been characterized by unprecedented central bank intervention. These policies have suppressed volatility and created an artificial environment where traditional risk metrics appear more favorable than they truly are. This suppression hasn't eliminated tail risk, it has merely masked it. When these tail events eventually materialize, strategies optimized solely for Sharpe ratio will face significant drawdowns, potentially wiping out years of incremental gains. In an ideal portfolio, investors would combine strategies with complementary return patterns. A positive skew approach serves as a vital diversifier to the negative skew strategies that dominate most institutional portfolios. Positively skewed strategies such as those practiced by the Program acknowledge this reality and position investors to not merely survive but potentially thrive during these inevitable market dislocations.

The Program has historically been negatively correlated to the S&P 500 while providing positive returns

In today's investment landscape, the pursuit of high Sharpe ratios has become something of an obsession. However, this singular focus on risk-adjusted returns often overlooks a critical dimension of risk management: skewness. The Program's positive skew strategy represents a sophisticated approach that addresses one of the most significant blind spots in modern portfolio construction. While a high Sharpe ratio is desirable, it tells only part of the investment story. The Sharpe ratio measures return per unit of volatility but fails to capture the nature of that volatility—specifically, whether returns are symmetrically distributed or skewed in one direction.

Most "high Sharpe" strategies in today's market achieve their impressive metrics through negative skewness—essentially, they generate consistent small gains but remain vulnerable to rare, catastrophic losses. This pattern creates an illusion of stability that can lull investors into a false sense of security. A positive skew approach flips this dynamic, accepting more frequent small losses in exchange for occasional substantial gains. This distribution pattern is particularly valuable during market dislocations—precisely when traditional strategies falter. By allocating capital to the Program, investors gain exposure to an investment approach specifically designed to perform when their other strategies are most vulnerable. This isn't merely diversification across asset classes, it's diversification across return distributions, a far more robust approach to portfolio construction.

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HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.