AlphaQuest UCITS Fund

CTA/Managed Futures

February 2024

Performance Returns

The AlphaQuest UCITS Fund returned -0.2% in February (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.

Quest 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.

The Manager

Quest Partners LLC

Nigol Koulajian

Founder and Chief Investment Officer

Nigol Koulajian is the Founder and Chief Investment Officer of Quest. Mr. Koulajian founded Quest 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 twenty-two years and became the basis for the growth of Quest. The firm, which is based in New York, currently manages approximately $2.4 billion in assets. 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.

Monthly Performance – AlphaQuest UCITS Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2024	1.41%	-0.22%											**1.18%**
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). These performance figures refer to the past and past performance is not a reliable guide to future performance.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	$48.8 million
Strategy AUM	$2.370 billion
Inception	9th December 2016
Passport	Ireland, UK, France, Luxembourg, Germany, Spain, Sweden, and Switzerland (Qualified Investors Only)

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	EUR: IE00BD08GM87
	USD: IE00BD08G622 / IE00BD08GB72	USD: IE00BD08GQ26
	CHF: IE00BD08G515 / IE00BD08G952	CHF: IE00BD08GP19
	GBP: IE00BD08G408 / IE00BD08G846	GBP: IE00BD08GN94

Performance Commentary

The AlphaQuest UCITS Fund was down (-0.2%) in February. While the strategy was able to capitalize on strong moves in foreign exchange, losses in commodities negated the gains.

The month's performance was on the backdrop of unsuccessful ceasefire attempts in the middle east, Putin threatening a nuclear conflict if NATO countries send troops to Ukraine, mixed economic data globally, the market reducing the anticipated number of rate cuts to three by the Fed, and one key player in the big tech world, Nvidia. In fact, as the equites market continued its rally on the back of the AI market, Nvidia has now surged over 50% since January. With the strong tech rally joined by key inflation data coming in about expected, both the Nasdaq and the S&P ended the month on all-time highs.

For the Program's February performance by asset class, Foreign exchange had a strong month as the strategy continued to profit from its short yen trade against the U.S. dollar, pound, and euro. There was a slight pull back at the end of the month as the yen appreciated from hawkish news by BOJ member, Takata, who signaled the end of negative rates is around the corner. Fixed income was flat with no performance of note. Commodities performed the worst, offsetting the gains in foreign exchange, as commodity volatility continued to compress, and markets exhibited whipsaw conditions. The losses were in energy, precious metals, and industrial metals. While this has been challenging in the short term, the Program will look to capitalize on whichever direction commodities move when volatility finally expands.

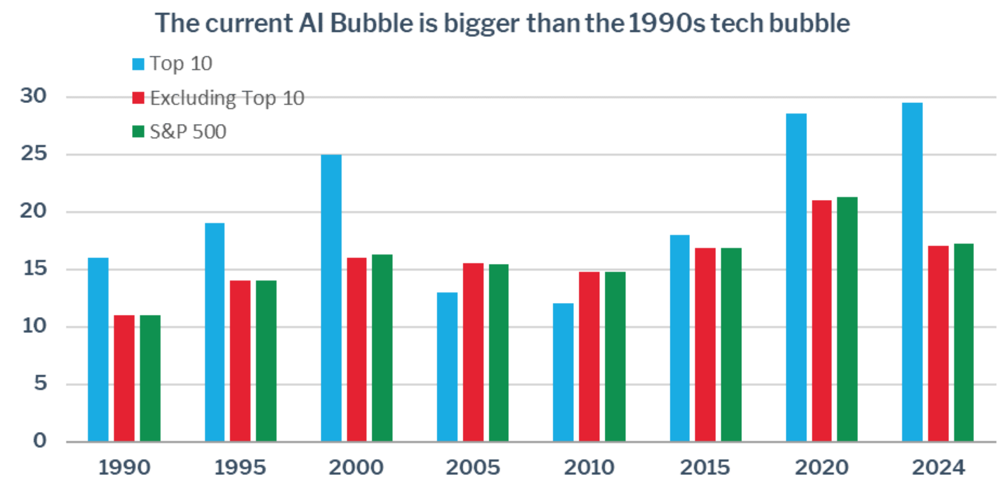
For the Program's trading system families, the shortest-term volatility breakout trading systems struggled the most in February, amongst whiplash in the commodity market. Trend crowding was also negative. Most of those losses were offset by Intermediate-term trend following and long-term trend following trading systems capitalizing mainly in equities and foreign exchange.

Market Commentary: The Concentrated Equity Trade Continues its Upward Momentum

February was a strong month for the equity markets, but only if you held the most crowded names. Driven by the euphoria and optimism surrounding AI driven earnings (NVDA +28%), GLP-1 therapies for weight loss (LLY +20%), and a 2nd wave of crypto currency mania (BTC +44%), investors embraced their inner "fear of missing out" (FOMO) and seemed to jump in with both feet. Strong performance, from some of the popular names in these respective sectors, was eye popping and helped pull both the S&P 500 and the NASDAQ up 5.3% this month. As a result of the dominance of the Magnificent 7, Deutsche Bank Research recently pointed out that the U.S. stock market is close to breaching its most concentrated point in history going back 100 years. These types of levels have only been seen twice: the exceptional rise in stocks during the high-flying bull markets of the speculative 20's and Dot.Com 90's, which both ended in significant market corrections. Deutsche Bank went on to mention that if you carved those 7 names (AAPL, AMZN, GOOGL, META, MSFT, NVDA, & TSLA) out of the U.S. stock market, their combined market cap alone would make them the 2nd largest country stock market in the world at $13.1 trillion. In the past, periods following these concentrations is when the Program has thrived.

Concentration Among the Largest U.S. Stocks is Close to a 100 Year High

Source: Deutsche Bank Research "A Macro Guide to the Magnificent Seven"; 1926 through 2024
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



Source: Quest Partners LLC and Apollo Academy (https://apolloacademy.com/wp-content/uploads/2024/02/022524-Chart_NEW.pdf); 1990 through February 2024. 12-month forward P/E
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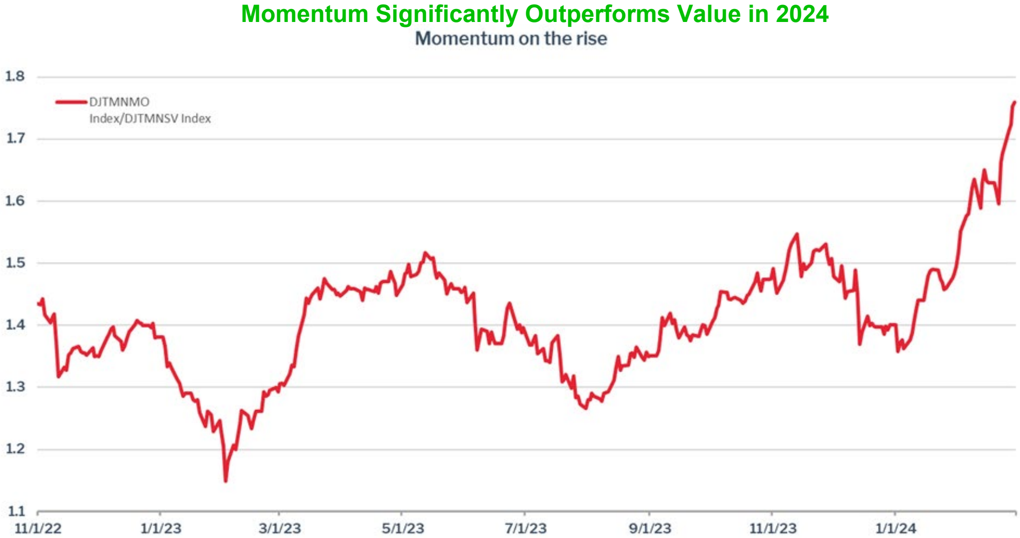
From an equity factor perspective, Goldman Sachs' Research Team recently highlighted that coming into the month they saw a record tilt towards momentum and a significant bias towards growth, which was the highest in their data going back to 2016. Given these tilts, it is not surprising that of the most popular positions on their books, 6 of the 7 top stocks are from the Magnificent 7 with the notable exclusion of Tesla. In fact, apparently the AI bubble has extended well beyond the tech sector as they mentioned that 36% of all companies mentioned AI on their quarterly earnings call in the fourth quarter of 2023. Given the outperformance of momentum names relative to other factors like value, it is also interesting to note that Goldman's data shows that hedge funds have fully embraced the move by joining this already crowded trade.

Momentum Significantly Outperforms Value in 2024



Source: Quest Partners LLC and Bloomberg; November 2022 through February 2024
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Hedge Funds Crowd into Momentum Names

Source: Goldman Sachs Portfolio Strategy Research "Hedge funds benefit from momentum in magnificent mega-caps while searching for other opportunities"; 2002 through February 2024
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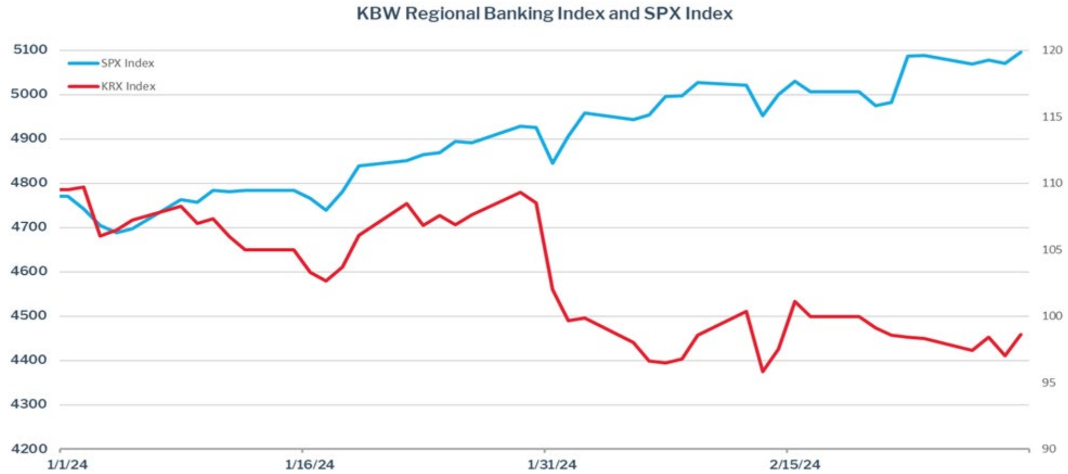
During the first quarter, monetary policy expectations were certainly one of the largest drivers of the markets last year and continues to be in focus. Recent data on inflation illustrates the long-held belief that the last mile to returning to the Fed's 2% target is often the most challenging. On the back of an uptick in prices in January, market participants have begun to adjust back to "higher for longer" and have reduced expectations that the first interest rate cut will probably come in later in the year as opposed to March. As a result, the yield on the U.S. 10-year treasury increased by 17 basis points to 4.25%. Despite no expected change to the federal funds rate, all eyes will still be on the March 20th FOMC meeting for further clues on the timing of future monetary easing with a particular focus on the Fed's DOT plot forecast.

As the Chinese government only intervened in larger names to support the market, large losses occurred across Chinese quant equity market neutral strategies when the correlation between micro-caps and mid-large caps broke down. The sudden drop in performance led to massive deleveraging across managers that turned into a race to the bottom with 1-week losses reported between -7% and -20% in the space. As we have written in prior letters, we continue to worry about the systemic risks to the markets from the rapid growth of multi-strategy hedge funds who tend to chase high Sharpe strategies like quant equity market neutral (stat arb). Statistical arbitrage can produce eye popping risk adjusted returns during normal market environments but are heavily dependent on statistical correlations and tend to drawdown together when these relationships break down as we recently witnessed in the Chinese markets. With the risk-free rate close to 5%, many stat arb strategies have increased their use of leverage to achieve higher returns. These strategies are trading similar strategies which leads to crowding and may be forced to unwind their positions due to margin calls and tight risk management protocols.

In addition to the risks presented by the parabolic move in crowded trades like AI, weight loss products, crypto, and stat arb, other macro risks continue to percolate. One sector that was not pulled along by the market's strong upward move in February was the regional banks in the U.S. Led by New York Community Bank which continues to struggle, the KBW Regional Bank Index fell -3.4% compared to the S&P 500's gain of +5.1%. In addition to the focus on regional bank exposure to commercial real estate here in the U.S., German investors have begun to forensically examine the potential exposure of some of their banks to this volatile sector.

Due to Ongoing Commercial Real Estate Concerns, the KBW Index Continues to Significantly Underperform the Broader Market



Source: Quest Partners LLC and Bloomberg; 2024 through February 2024
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Despite stimulus and support from the government that have temporarily provided a floor in real estate and equity prices, many investors continue to worry about China's economy going forward and the impact that it will have on the rest of the world. In the South China Sea, tensions increased on the back of the deaths of two fishermen off Kinmen that capsized while fleeing Taiwan's coast guard, who said it pursued a Chinese speedboat that had entered its restricted waters to fish. In the Middle East, the British container ship, Rubymar, is slowly sinking in the Red Sea after it was hit by a Houthi missile earlier this month and stands as another reminder that the conflict in that region is far from over.

Looking forward, most investors seem to be tied to the Nvidia narrative and any sustained reversals of this trend due to a weaker economy could cause an unwind. Economic data moving forward will continue to be monitored with magnified intensity as the market tries to find its new direction. Given the combination of extreme concentration on the Magnificent 7 tech names and all the potential macro risks described above, it is also important to mention that another notable index that is close to its highs is the CNN Fear & Greed Index. The index of market momentum, stock price strength, breadth, options, volatility, safe haven and junk bond demand is now north of 75 on a scale of 0 to 100 which they deem to be the “danger zone”. Again, as this narrative continues to unfold, the Program stands ready to profit on potential volatility expansions that may result.

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