CdR CAPITAL

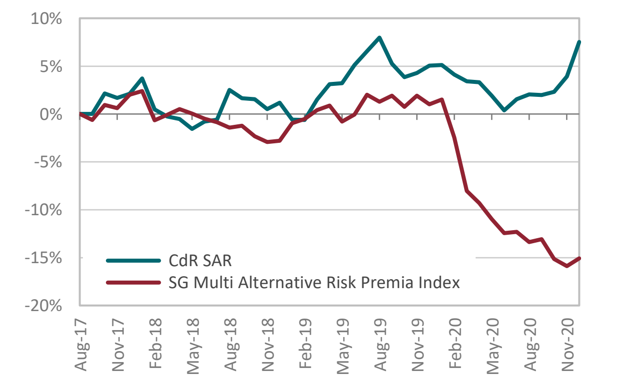
2020 IN REVIEW

CdR Systematic Absolute Return Fund (“SAR”)

2020 PERFORMANCE AND RESEARCH HIGHLIGHTS

SAR **2.48%*** return for 2020 vs SG Multi Alternative Risk Premia Index (SG Index) **-14.87%***.

Figure 1: SAR vs The SG Multi Alternative Risk Premia Index



Source: CdR Capital and Bloomberg

For the monthly historical performance, please refer to Table 1 below.

Main drivers of outperformance were:

- Rigorous **risk management** and **risk modelling** embedded into the investment process
- **Protecting the downside** (March 2020)
- **Universe:** SAR trades the broadest universe possible including developed markets (DM), emerging (EM) and esoteric markets
- **Commodities** have been a standout performer, especially within esoterics
- **Volatility strategies** outperformed
- **Diversification** worked between asset classes and premia

We expect this outperformance to widen further as a result of the new strategies that have been added over 2020 and, consequently, the higher risk that the fund has been able to take.

SAR correlation to the MSCI World Equity Index since inception remains low at 0.06.

New Research and Trading Initiatives Implemented During 2020 and Q1 Plans for 2021

Volatility was among the areas we were particularly active during 2020 both in terms of completing the implementation of existing strategies and commencing the implementation of new ones. Contrary to what one would have expected given the events, the fund benefitted from these additions. In particular:

- **Cross Signal, long/short FX Volatility**: We finished the implementation of the strategy through DM FX volatility swaps and we are finalising the extension into the EM space.
- **Volatility Risk Premia (VRP) in Agriculture**: We have expanded our VRP extraction methodology and made the necessary adaptations to cover all tradable agricultural commodities.

In other areas of research:

- **FX Carry**: We have fully implemented the strategy in DM and we are finalising research for EM.
- **Trend Following**: We are enlarging our esoteric commodities universe by including new listed ones in energy and agriculture.
- **Statistical Arbitrage**: Research across both DM (Europe) and EM equity markets (including China) is expected to be concluded by the end of Q1 2021.
- **Portfolio Construction**: We are finalising our research on the evolution of our portfolio construction process focusing on clustering and cross asset correlations.
- **Working on new ideas in co-operation with exchanges with a tilt towards** emerging market growth (Asia), transportation (freight / minor metals) and the environment (green energy and natural resources).
- **Risk Increase**: The addition of new strategies and the evolution in our portfolio construction process has enabled us to gradually increase risk which should continue through to the end of Q1 2021.

Table 1:
HISTORICAL PERFORMANCE (USD Class A Net)

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.07	-1.00	-0.70	-0.09	-1.42	-1.51	1.18	0.50	-0.08	0.35	1.61	3.68	**2.48**
2019	-1.74	-0.05	2.18	1.61	0.08	1.92	1.45	1.44	-2.70	-1.38	0.44	0.77	**3.95**
2018	1.63	-3.21	-0.72	-0.26	-1.04	0.76	0.21	3.15	-0.85	-0.12	-1.03	0.68	**-0.91**
2017									-0.01	2.16	-0.45	0.42	**2.12**

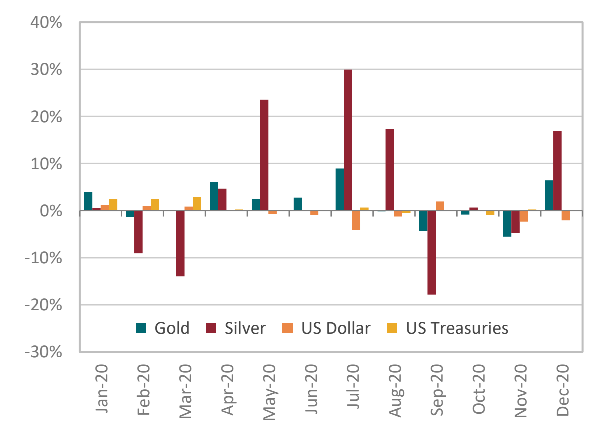
2020 SUMMARY OF PERFORMANCE

The end of 2020 marked the conclusion of 40 months of live performance for the fund. Figure 1 shows cumulative performance against the SG Index, a benchmark reflective of the strategy composition and performance objectives of our fund. Since inception, SAR has outperformed its benchmark by a wide margin, both in positive and negative years, with the strongest outperformance recorded during 2020, one of the most difficult years for quantitative strategies and hedge funds in general.

To understand the magnitude of the outperformance and put it in the context of the events of 2020 it would be instructive to provide some data regarding the performance of a few key assets. Figures 2a and 2b show the monthly returns of the nearby future contract of Gold, Silver, the US Dollar Index, the US Treasuries, WTI Crude and the S&P 500. The first four assets are regarded by market participants as traditional hedges during extreme market events while the last two are widely used to express market views.

Over the first quarter, the S&P 500 lost almost ¼ of its value, one of the steepest declines in its history[1], while the VIX reached levels not seen since the Global Financial Crisis. Over the same period, WTI suffered its heaviest drawdown of 84.5% while, in April, for the first time in its history of trading, the nearby (May) contract price turned negative the day before its last trading day. Despite these events, safe heavens did not provide the relief that investors expected. Gold detracted in February and ended slightly positive in March while the other major precious metal, silver, declined by 22.5% during the first three months of the year. The US Dollar provided some protection while the US treasuries, after the swift Fed intervention, returned around 8%[2].

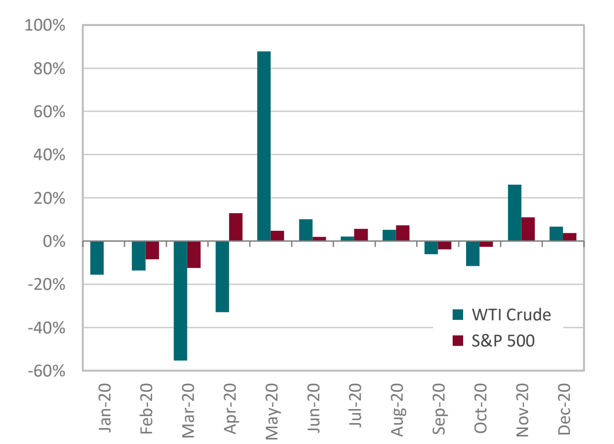
Figure 2a: Monthly Performance of Key "Safe Heaven" Assets



Source: CdR Capital and Bloomberg

After March, equities rallied month after month reaching all-time highs, precious (and industrial) metals provided double digit returns, the US Dollar lost on average 7% of its value against the vast majority of developed and emerging market currencies while yields started climbing back following their retreat in the first half of the year. The average risk premia fund (as represented by the SG Index) suffered large losses by year-end with the SG Index extending losses from Q1 ending the year down 14.87%. SAR outperformed this index by 17.35%, finishing the year up almost 2.5%, building on the positive returns it generated in 2019.

Figure 2b: Monthly Performance of Key Risky Assets



Source: CdR Capital and Bloomberg

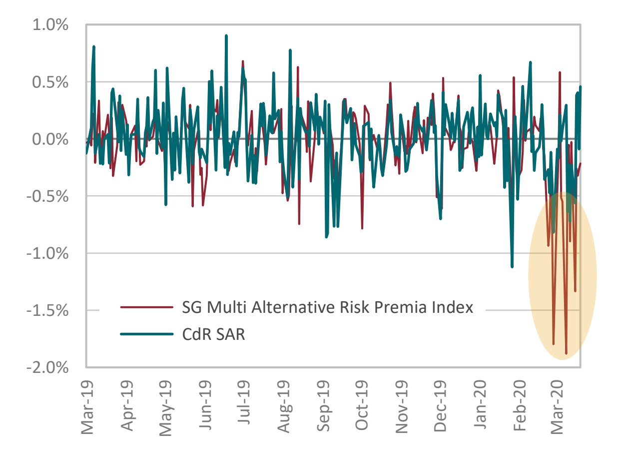
[1] Over the period 26/12/2019 to 23/03/2020, the S&P Emini future lost 30.5% of its value, one of its biggest drawdowns ever and second only to the one witnessed during the period 21-08-2008 – 20/11/2008 (-40.96%)[2] Source Bloomberg for all returns.

We can attribute our outperformance to the following factors:

a) Risk Management in the Eye of the Storm

The goal behind our portfolio construction and risk management processes is that the risk profile of the fund at any given point in time depends on the decisions of the underlying strategies and not the underlying risk environment. Figures 3a and 3b illustrate that during 2020 that goal was achieved. In Figure 1 we have gathered the daily returns of SAR and the SG Index, which we believe represents the average competitor, over the year leading to the end of March. In Figure 3b we provide the daily returns over the same period of four leading funds in the risk premia space. Both pictures deliver the same message: the market events in the middle of March led to daily moves for the average competitor that lied multiple standard deviations from the expected ones, realising volatilities at least three times higher than the ones at the beginning of the year.

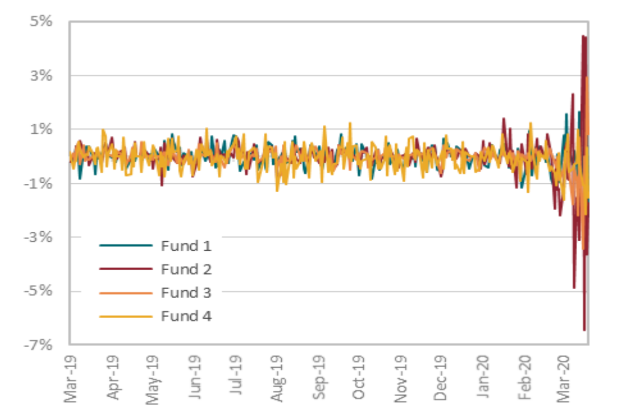
Figure 3a: Daily Returns March 2019-March 2020



Source: CdR Capital and Bloomberg

In contrast, SAR's daily returns profile shows no evidence that a crisis of the magnitude of the one we experienced in March 2020 ever occurred. This happened because the system had already incorporated into its decision-making mechanisms the price and liquidity developments of the first two months of 2020 and reacted to reduce net and gross, so that at the climax of the crisis it was positioned much more defensively. For example, although the fund entered the year with a net exposure to equities of 35.2%, at the peak of the crisis in the middle of March it only had 6% and its overall gross exposure was only 60% of that at the beginning of the year. The result was a risk profile that was less susceptible to the extreme volatility spikes that followed.

Figure 3b: Daily Returns March 2019-March 2020

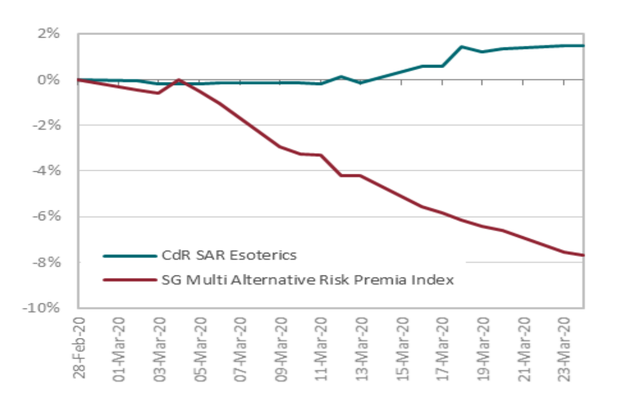


Source: Bloomberg

b) Universe: Esoteric Markets

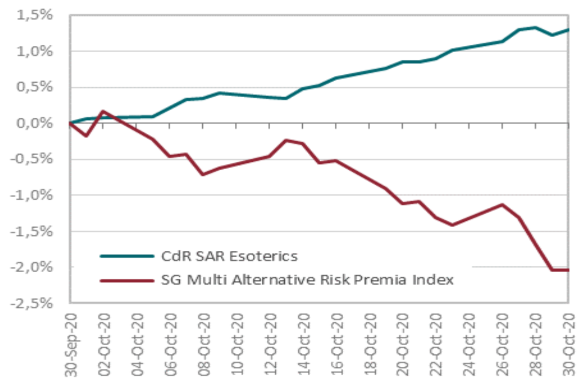
On average, the fund allocates 30% of its risk to esoteric markets across all asset classes and last year that percentage was more than enough to make a difference for the overall performance. Our esoteric assets accomplished a risk-adjusted return above a ratio of 2 showing remarkable resilience during market selloffs. Figures 4a and 4b show two such cases. Both in March and October the SG Index posted large losses while our esoteric assets generated strong gains on a risk adjusted basis. Consequently, the inclusion of such markets at the core of our investment process not only has added to our absolute performance but, more importantly, it has made our returns more uncorrelated to major markets and the broader risk premia universe.

Figure 4a: Daily Returns March 2020
SAR Esoteric Markets
vs SG Multi Alternative RP Index



Source: CdR Capital and Bloomberg

Figure 4b: Daily Returns October 2020 SAR Esoteric Markets vs SG Multi Alternative RP Index



Source: CdR Capital and Bloomberg

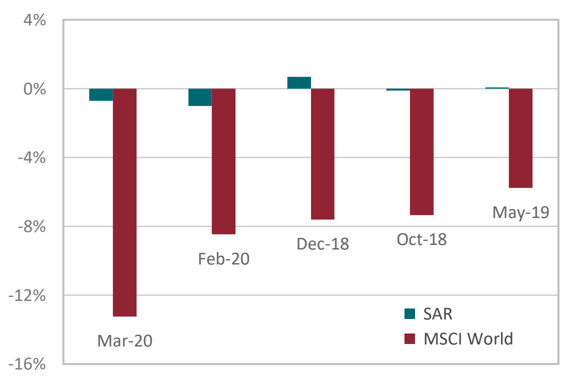
c) Volatility Risk Premia Strategies

Short volatility strategies, especially equity-related, had a large negative impact on the performance of quant funds in the first part of 2020 when the VIX peaked above 80. In March, our equity volatility risk premium strategy lost only three basis points, a major accomplishment. Similar performance was exhibited by our long/short FX volatility strategy, both in absolute and in relative terms. The fact that we have deviated from the market tradition to trade FX volatility on a short-only basis in a very limited universe, adopting instead a long/short implementation across a broad universe of currencies made a difference. Our FX volatility strategies remained flat during the first quarter of 2020 while competing implementations were severely hit by the market turbulence.

d) Diversification

During the worst part of 2020, our strategies hedged each other keeping the funds' performance under control. This was especially pronounced in January and March. The former was the strongest month for our commodity carry strategy and a particularly weak month for our trend following strategy. In contrast, March was one of the worst months for our carry complex but the best month for our value complex and a strong month for trend following. The lack of significant overlapping risk exposures among strategies allowed the programme to weather the market storms during the first part of the year and rally back during the second part of the year when market conditions were more favourable.

Figure 5: Monthly Returns of SAR vs MSCI World 5 Biggest Losses since SAR Launch



Source: CdR Capital and Bloomberg

2020 SUMMARY OF LIQUIDITY AND TRADING

The Q1 market sell-off saw liquidity drop and spreads widen at a rapid pace across all asset classes. They then gradually improved, over the next few months, as central banks pumped liquidity into financial markets from late March onwards. As part of our process, we systematically monitor instrument microstructure liquidity (volume, open interest, spread and market depth) and act accordingly so that exposure and the types of instruments used can change accordingly. As events unfolded during and after March 2020, the fund moved currency positions between listed futures and FX forwards in response to these changing liquidity dynamics. By the second half of the year our liquidity metrics had returned to a normal range and remained so though to the end of the year. Other position changes based on liquidity include the merging of positions in emissions onto solely the ICE exchange, tracking assets as flow shifts towards Asia (hard commodities) and new niche issues which tend to launch in more mature markets (environmental commodities).

We also continue to monitor live and 'dormant' instruments for opportunities as structural or more gradual changes in market depth, turnover and investor type diversification evolves. We continue to engage with potential new counterparties as new investment initiatives helped to broaden this roster which in turn optimises implementation.

Lastly, the final phase of our FIX protocol work was completed in 2020 integrating all outstanding OTC/cleared instruments into our systematic framework.

We would like to thank investors for your confidence and support during 2020 and we look forward to delivering you strong risk adjusted returns and exceptional client service again in 2021.

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