

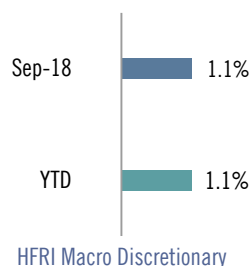
*Hedge Fund Flash Report
September 2018*

*For professional
investors only*

Pictet Alternative Advisors

GLOBAL MACRO

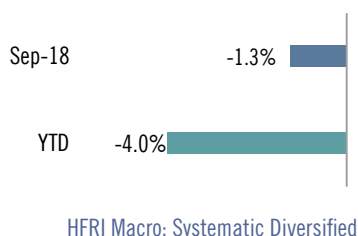
Generally positive for the Global Macro strategy



September turned out to be a positive month, on average. The strategy benefited from a sell-off in US rates, as the Fed delivered an expected interest rate hike but also displayed a more hawkish stance. Front-end steepeners in the US yield curve generated gains. In equities, long positions in the US and Japan were profitable. FX was positive, notably with long SEK and NOK against EUR, and long USDJPY. EM-focused managers with exposure to Argentina and India underperformed. In commodities, long crude oil positions proved were volatile but ultimately resulted into gains.

CTAS

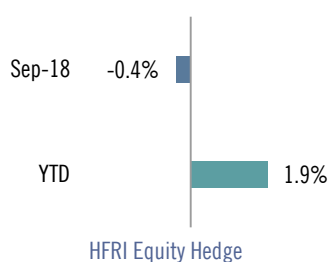
Fixed income and base metals weigh on performance



September prove to be somehow challenging for CTA managers. By sectors, gains in currencies, energies and crops were cancelled out by losses in fixed income, namely long European fixed income instruments and as a result got slightly reduced. Base metals also proved to be challenging as prices reversed during the month. Most traditional trend followers are entering October with overall long equity, short fixed income, long USD in FX and long energies exposure.

LONG/SHORT EQUITY

Uncertain environment for Long/Short managers

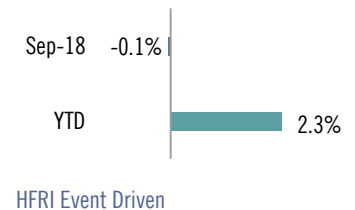


Several long/short managers benefited from exposure to Japan, Healthcare and Industrials. On the other side, Technology exposure has been a headwind and their limited exposure to the Energy sector weighed on returns. Small caps traded down during the month and impacted managers exposed to those. Defensives continue to outperform, especially in Japan in September (Utilities, Telecommunications, Healthcare) and in specific areas such as Retail, Healthcare Equipment, Media Entertainment, Payments. Hedge funds' long positions outperformed the markets and shorts underperformed in September, which reflects an improving environment for alpha generation that suffered earlier in the quarter.

EVENT DRIVEN

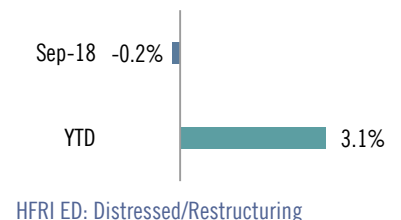
Mixed performances across Event Driven sub-strategies

Despite the volatile spreads environment, most event driven managers made money on M&A strategy because of a handful of situations that turned positive. For example, Sky- Fox –Comcast deal benefitted from the auction process which resulted in Comcast buying Sky for £30.6bn, a 17% increased from Comcast previous bid. Within special situations, performance was mixed across sectors and regions and ranged from negative to flat. Conversely to previous months, managers with higher exposure to European and Asia-focused managers outperformed whereas US managers lagged. Within credit, performance was positive, driven by developments on their Puerto Rico and energy post-reorg situations.

**DISTRESSED**

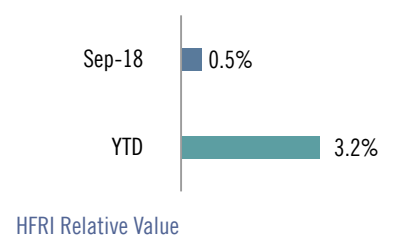
Large idiosyncratic situations weighing on returns

Puerto Rico municipal bonds nonetheless continued to climb higher on the back of additional progress in discussion between bondholders, the Oversight Board and the Government, contributing positively to the strategy. Emerging Market credit also stabilized during the month and rallied the very last week, which helped managers exposed to the asset class. Long positioning in energy credit and post-reorg equities were also sources of gains for some managers.

**RELATIVE VALUE**

Positive results among Relative Value strategies

Credit-related strategies added to returns with gains driven by structured credit as well as positioning in US investment grade, senior financials and emerging markets. Rates strategies continued to benefit from relative value trades in agency mortgages. Within equities, managers delivered mixed returns. Positive contributions came from the Altaba stub and Sky, on the back of the Fox-Comcast bidding war. Finally, convertible bond arbitrage was slightly positive, despite somewhat negative performance for global convertibles from an outright perspective.



Note: Returns are based on HFRI index data estimates as at 30.09.2018 and can be subject to change.



Pictet Alternative Advisors (PAA) is a leading European alternative investment specialist with expertise in manager selection and portfolio management in liquid alternatives, private equity and real estate. PAA is an independent unit of the Pictet Group. Founded in 1991, we currently manage over USD 25 billion and our team is composed of more than 55 people.

Pictet Alternative Advisors
Route des Acacias 60
CH-1211 Genève 73
+41 58 323 23 23

www.alternatives.pictet

Disclaimer

This document is not intended for persons who are citizens of, domiciled or resident in, or entities registered in a country or a jurisdiction in which its distribution, publication, provision or use would violate current laws and regulations. In particular, investment funds or any other collective placement instruments which have not been authorised for public offering in the investor's country of domicile may only be offered as private placements to qualified investors. Additional investment restrictions may be provided for in the official offering documentation (available upon request). The information and data furnished in this document are disclosed for information purposes only; the Pictet Group is not liable for them nor do they constitute an offer, an invitation to buy, sell or subscribe to securities or other financial instruments. Furthermore, the information, opinions and estimates in this document reflect an evaluation as of the date of initial publication and may be changed without notice. Information

and opinions presented in this document have been obtained from sources believed to be reliable, and, although all reasonable care has been taken, the Pictet Group is not able to make any representation as to its accuracy or completeness. The value and income of the securities or financial instruments mentioned in this document are based on rates from the customary sources of financial information and may fluctuate. The market value may vary on the basis of economic, financial or political changes, the remaining term, market conditions, the volatility and solvency of the issuer or the benchmark issuer. Moreover, exchange rates may have a positive or negative effect on the value, the price or the income of the securities or the related investments mentioned in this document. Past performance must not be considered an indicator or guarantee of future performance, and the addressees of this document are fully responsible for any investments they make. No express or implied warranty is given as

to future performance. Investors shall conduct their own analysis of the risks (including any legal, regulatory, tax or other consequence) associated with an investment and should seek independent professional advice. The content of this document is confidential and can only be read and/or used by its addressee. The Pictet Group is not liable for the use, transmission or exploitation of the content of this document. Therefore, any form of reproduction, copying, disclosure, modification and/or publication of the content is under the sole liability of the addressee of this document, and no liability whatsoever will be incurred by the Pictet Group. The addressee of this document agrees to comply with the applicable laws and regulations in the jurisdictions where they use the information reproduced in this document. This document is issued by the Pictet Group. This publication and its content may be cited provided that the source is indicated. All rights reserved. Copyright 2018.

© 2018 Hedge Fund Research, Inc. - All rights reserved. HFR®, HFRI®, HFRX®, HFRQ®, HFRU®, HFRL®, HFR PortfolioScope®, WWW.HEDGEFUNDRESEARCH.COM®, HEDGE FUND RESEARCH®, HFR IndexScope™, and HFR Risk Parity Indices™ are the trademarks of Hedge Fund Research, Inc. This information is obtained from sources that Hedge Fund Research, Inc. considers to be reliable; however, no representation is made as to, and no responsibility or liability is accepted for, the accuracy or completeness of the information. Information contained herein is subject to change at any time without notice. It is not possible to invest directly in a financial index. Exposure represented by an index is available through instruments based on that index. HFR does not sponsor, endorse, sell, promote or manage any investment products.