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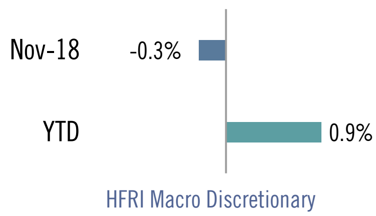
Hedge Fund Flash Report
November 2018

For professional investors only

Pictet Alternative Advisors

GLOBAL MACRO

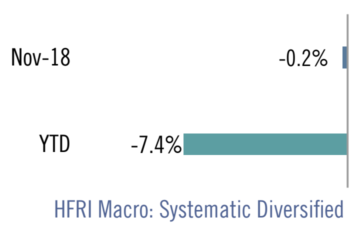
Challenging month for Global Macro managers



November was broadly negative for Global Macro managers. Short positions in developed markets fixed income were generally the largest source of losses this month. A relentless decline of government bond yields, combined with a flattening of the US yield curve proved harmful to managers' positioning. In FX, short EURUSD was often the largest trade but did not result into meaningful returns. Some macro funds outperformed thanks to a "China recovery" theme, often implemented via long AUD and long Chinese equity positions. Finally, risk deployment remained generally low across managers.

CTAS

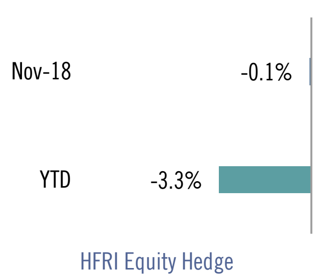
Volatile and uncertain market conditions



In the context of high volatility and uncertainty, most managers ended the month in negative territory. Only one manager posted gains thanks to exposure in commodities and increased long positioning in fixed income related securities. One of our multi-strategy quantitative fund managers'statistical arbitrage positioning suffered from large de-risking that occurred across equity quant firms. Finally, choppy commodity market resulted in losses for one manager with exposure to exotic markets.

LONG/SHORT EQUITY

Long/short managers under pressure from deleveraging

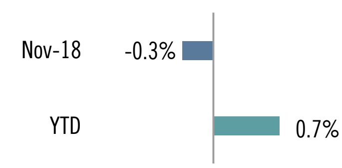


Long/Short managers' performance remained under pressure as markets continued to be volatile. Managers with a more quantitative approach coupled with high gross exposure and multi-manager platforms suffered significantly from a general deleveraging. On the other side, fundamental managers fared better on average, as opposed to October. As a continuation of the rotation out of cyclicals into defensive sectors, the latter outperformed strongly (Telecom, Utilities, Healthcare). European managers detracted the most as their exposure to cyclicals remains high (Banks, Autos, Materials). Finally, in the US, some managers benefitted from exposure to Healthcare.

EVENT DRIVEN

M&A strategies, a tailwind for Event Driven managers

The M&A strategy was the leading contributor this month. Indeed, significant tightening in spreads and positive developments on megacap deals such as on FOX/Disney benefitted to the strategy. Special situation equities were painful early in the month but bounced back in the very last week along with the market. Managers with above average exposure to the strategy ended the month in positive territory. Within credit, performance was flat to negative. Managers with high energy exposure detracted, while managers with structured credit exposure held up well. Drying up of liquidity in some situations like Oi Brazil further detracted performance.

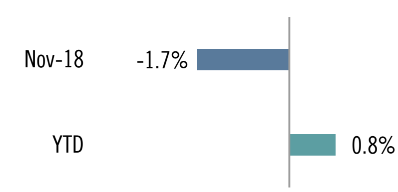


HFRI Event Driven

DISTRESSED

US and European financials exposure weigh on performance

With a few exceptions, Distressed hedge fund managers posted negative returns in November. Managers with exposure to US and European financials and especially commodity-related credits and post-reorg equities underperformed. Index hedges and/or single name credit shorts contributed positively to the monthly returns, but these gains were not enough to offset losses. Most Structured Credit managers posted modest gains as interest income and portfolio hedges offset the mark-to-market losses.

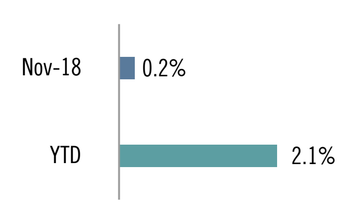


HFRI ED: Distressed/Restructuring

RELATIVE VALUE

Mixed results across Relative Value strategies

Most of our Relative Value managers posted losses over the month. Equity strategies were impacted by deleveraging pressures, with portfolio hedges proving to be costly. Commodity-related names and long positions in financials underperformed. Within investment grade, positioning in auto and technology was a drag to performance due to trade tensions. Rates-related strategies delivered mixed returns. Finally, gains from technical trades such as long agency mortgage basis were offset by losses from inflation breakevens and emerging markets.



HFRI Relative Value

Note: Returns are based on HFRI index data estimates as at 30.11.2018 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.

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