

Monthly Report – February 2018

Clear Alpha Global Index (CLAXGBL Index) -2.07% in February, +2.58% in the last 12 months

About the Clear Alpha Global Index and its sub-indices

The Clear Alpha Global Index™ is designed as a benchmark for the universe of trading strategy indices. It is calculated and published daily. Its constituents and their respective weights are updated once a quarter.

At the end of February 2018, Clear Alpha's database contained 2,655 live and 1,812 discontinued trading strategy indices. Indices are considered for inclusion in the Clear Alpha Global Index™ if they i) are unique due to either a different algorithm, sponsor, region or asset class, and ii) aim to exhibit substantial de-correlation to traditional asset benchmarks.

Clear Alpha Global Index Monthly Performance, 2012 to 2018

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|--------|
| 2012 | 0.94% | 0.44% | -0.28% | -0.16% | -0.38% | -1.17% | 0.47% | 0.30% | -0.14% | -0.36% | 0.25% | 0.30% | 0.18% |
| 2013 | 0.14% | -0.19% | 0.14% | 0.27% | -0.01% | -0.47% | -0.02% | -0.40% | 0.38% | 0.67% | 0.15% | -0.78% | -0.14% |
| 2014 | -0.75% | 0.10% | 0.32% | 0.35% | 0.95% | 0.64% | -0.75% | 0.74% | -0.51% | -0.37% | 0.79% | 0.07% | 1.57% |
| 2015 | 0.09% | 0.34% | 0.21% | -0.45% | -0.05% | -1.27% | 0.45% | -1.88% | 0.31% | 0.80% | 0.77% | -0.11% | -0.81% |
| 2016 | -0.08% | 1.03% | 0.25% | -0.37% | -0.13% | 0.70% | 0.64% | -0.21% | 0.45% | -0.02% | 0.05% | 0.04% | 2.37% |
| 2017 | 0.42% | 1.26% | 0.17% | 0.77% | 0.23% | -0.15% | 0.61% | 0.92% | 0.19% | 0.90% | 0.30% | 0.53% | 6.31% |
| 2018 | 0.20% | -2.07% | | | | | | | | | | | -1.88% |

The Global Index reflects the performance of all indices across our database, rather than a product managed by Clear Alpha

| | Feb Return | 1Y Return | 1Y Sharpe | | 5Y Return | 5Y Sharpe | |
|---------------------|------------|-----------|-----------|--|-----------|-----------|--|
| Global Index | -2.07% | 2.58% | 0.46 | | 7.49% | 0.43 | |
| Arbitrage | -2.12% | 2.88% | 0.44 | | 13.24% | 0.65 | |
| Carry | -0.17% | -0.52% | -0.43 | | -5.73% | -0.32 | |
| Commodity | 2.16% | 10.71% | 2.09 | | 41.06% | 1.22 | |
| Fixed Income | 0.31% | 2.17% | 0.29 | | 19.46% | 0.63 | |
| Volatility | -7.10% | 1.58% | 0.05 | | 6.07% | 0.14 | |
| Economic Indicators | -0.70% | 4.49% | 1.29 | | -0.20% | -0.16 | |
| Research | -0.51% | 3.25% | 0.53 | | -5.18% | -0.28 | |
| Macro | -0.96% | 5.77% | 1.77 | | 3.73% | 0.12 | |
| Momentum | -3.62% | -0.12% | -0.26 | | 7.20% | 0.28 | |
| Mean Reversion | -6.31% | -1.59% | -0.27 | | 5.82% | 0.11 | |
| Trend Following | -2.55% | 0.27% | -0.22 | | 7.18% | 0.27 | |

February 2018 turned out to be the worst month for alternative beta strategies since we started publishing the index in 2010. It topped the routs that followed China's shock devaluation of the yuan in August 2015 and the loss of the United States' triple A credit rating in August 2011. The VIX index breached 50 on February 6th, a level last seen in August 2015 and before then only in March 2009. What began with rising bond yields became a selloff across global equity markets. Prices of riskier assets retreated across the board. Energy prices declined, as did emerging market and higher yielding currencies. Both corporate and municipal bonds in the US posted losses. The USD 2 year swap rate finished 21 basis points higher, at 2.5%.

The only strategy which made substantial gains in this environment was Commodity arbitrage (+2.16%). Indices benefitted from declines in Crude Oil and Natural Gas futures, which led to energy curves steepening.

Trend following strategies (down -2.55%) were unable to mitigate losses in other sub-indices. While these algorithms can provide protection in a downturn, their positions at the beginning of February included long equities, long EM currencies and long energy futures, all of which incurred losses.

Volatility Arbitrage (-7.10%) and Mean Reversion (-6.31%) suffered the most. Volatility arbitrage was the best performing sub-index last year and still remains positive on a twelve month rolling basis (+1.6%). February's plunge underscores the risks of these trades which are exposed to very large but infrequent drawdowns, and do not exhibit a normal return distribution.

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Top 3 Sub-index Constituents¹ (ranked by 1 year Sharpe ratio)

| | | 1Y Sharpe | 1Y return | Feb-18 return | YTD return | 2017 return | 2016 return | 2015 return |
|---|---|--------------|--------------|------------------|---------------|----------------|----------------|----------------|
| Arbitrage - Carry | | | | | | | | |
| 1) DB Euro Dividend Mid-Term | Euro Stoxx 50 Dividend Arbitrage | 2.5 | 9.4% | -0.3% | -0.4% | 10.9% | | |
| 2) UBS Constant Maturity Dividend Index | Euro Stoxx 50 Dividend Arbitrage | 2.5 | 7.7% | -0.3% | -0.2% | 8.7% | 8.7% | 2.4% |
| 3) Credit Suisse Dividend Alpha on Nikkei 225 | Nikkei 225 Dividend Arbitrage | 2.1 | 10.2% | -1.7% | 1.8% | 9.7% | -7.1% | 10.9% |
| Arbitrage - Commodity Yield Optimization | | | | | | | | |
| 1) RBS Aquantum Pegasus Zeus | Commodity Future Arbitrage - 13 commodities | 3.8 | 20.3% | 2.2% | 7.7% | 14.1% | -0.1% | 10.0% |
| 2) RBS Aquantum Pegasus EL | Commodity Future Arbitrage - 24 commodities | 3.4 | 9.4% | 1.2% | 4.3% | 7.5% | 0.9% | 3.8% |
| 3) DB Commodity Harvest OYE | Commodity Future Arbitrage - BCOM Weights | 2.8 | 5.6% | -0.1% | 0.6% | 6.6% | 4.7% | 0.8% |
| Arbitrage - Fixed Income | | | | | | | | |
| 1) Morgan Stanley Enhanced FRB+ USD | USD Forward Rate Bias Arbitrage | 2.0 | 2.6% | 0.4% | 1.0% | 1.7% | -0.1% | 1.2% |
| 2) Barclays Atlantic Dynamic HYIGS Credit | HY vs IG Credit Spread Arbitrage | 1.5 | 4.0% | 0.4% | 0.6% | 4.6% | 6.4% | 1.6% |
| 3) HSBC Uniform Basket VB | USD, EUR & GBP Forward Rate Bias Arbitrage | 1.1 | 5.0% | -0.7% | 1.1% | 4.7% | 1.2% | 12.4% |
| Arbitrage - Volatility | | | | | | | | |
| 1) JPMorgan Satellite Short Volatility US | Short S&P 500 Variance Swaps | 3.5 | 8.0% | 0.1% | -0.1% | 10.1% | 5.5% | 1.1% |
| 2) BOA Merrill Lynch Short Synthetic Variance Index - TY Series | Short 10Y US Treasury Future Variance Swaps | 2.2 | 12.3% | -0.3% | 0.7% | 13.6% | | |
| 3) BOA Merrill Lynch Short Synthetic Variance Index - SX5E Seri | Short Euro Stoxx 50 Variance Swaps | 2.1 | 16.5% | -4.3% | -4.1% | 25.8% | | |
| Economic Indicators - Research | | | | | | | | |
| 1) BOA Merrill Lynch Europe Long-Short Value | Europe Equity Long/Short Value Factor | 2.0 | 7.3% | 1.4% | 0.3% | 6.7% | | |
| 2) BNP Paribas GURU US Long/Short | Global Equity Long/Short Quality & Momentum | 1.9 | 17.9% | 1.4% | 6.2% | 13.5% | -14.0% | 10.0% |
| 3) BNP Paribas GURU | Global Equity Long/Short Quality & Momentum | 1.7 | 11.2% | -0.1% | 2.7% | 11.2% | -10.7% | 6.9% |
| Economic Indicators - Macro | | | | | | | | |
| 1) Citi FX G10 PPP | G10 FX Value Convergence | 3.0 | 15.4% | 1.8% | 0.4% | 13.9% | 4.4% | -5.0% |
| 2) Credit Suisse RAIL HOLT | Equity vs Bonds Macro Allocation | 2.5 | 23.3% | -3.9% | 0.7% | 29.0% | 1.2% | -4.2% |
| 3) S&P Dynamic Vector | S&P500 Index vs VIX Index Allocation | 2.3 | 21.1% | 3.3% | 9.3% | 16.4% | 0.1% | -9.0% |
| Momentum - Mean Reversion | | | | | | | | |
| 1) Societe Generale Enhanced Buy Write US | S&P 500 Buy-Write | 1.5 | 16.8% | -3.6% | 1.9% | 21.4% | 2.9% | -4.1% |
| 2) BNP Paribas Buy Write 103 | S&P 500 Buy-Write | 1.3 | 13.8% | -3.6% | 0.5% | 19.4% | 8.1% | 10.0% |
| 3) Societe Generale Interest Rates Strangle Premium Euro | Short EUR Swaption Strangle | 1.2 | 3.5% | 0.5% | 0.6% | 4.6% | 6.5% | -2.0% |
| Momentum - Trend Following | | | | | | | | |
| 1) Societe Generale Harmonia | Multi-Asset Trend Following - Long Only ERC | 2.4 | 14.2% | -2.8% | 1.6% | 14.2% | 2.0% | -3.8% |
| 2) RBS VC Autopilot 10% | Multi-Asset Trend Following - Long Only | 1.9 | 17.3% | -4.2% | 1.4% | 22.0% | -1.3% | -4.0% |
| 3) Societe Generale US Momentum Balanced | Multi-Asset Trend Following Long Only | 1.8 | 13.0% | -2.3% | 2.5% | 15.4% | 3.1% | |

annual performance is blank for indices that were not live during the full year

¹ All performance figures are based on daily snapshots of published returns, not allowing for corrections or restatements at a later stage. In order for all indices to be comparable, the performance numbers in this report have been adjusted when an index is not published in USD or its return is not expressed as a total return.

Disclaimer: to the extent the information relates to the Clear Alpha Global Index™ (the "Index"), the information contained herein (including historical prices or values) has been obtained from sources that Clear Alpha considers to be reliable; however, Clear Alpha does not make any representation as to, or accepts any responsibility or liability for, the accuracy or completeness of the information contained herein. For a more complete description of the Clear Alpha Global Index™, reference is made to the document Index Methodology, available from Clear Alpha on request. All data are historical estimations using available data. Clear Alpha does not make any representation herein regarding the advisability of investing in any product based on the Index. Past performance is no guarantee of future performance.

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Arbitrage Strategies (CLAXARB Index)

-2.12% in February, +2.88% in the last 12 months

Carry Strategies (CLAXCAR Index) -0.17% in Feb, -0.52% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2014 | -2.11% | 2.39% | 2.75% | 0.13% | 0.72% | 0.37% | -0.30% | 0.73% | -2.61% | 0.38% | 0.12% | -1.14% | 1.30% |
| 2015 | -2.82% | 1.02% | -0.83% | 0.97% | -0.87% | -1.42% | -1.92% | -4.18% | -1.76% | 2.88% | 0.74% | -1.03% | -9.04% |
| 2016 | -1.20% | -0.44% | 2.68% | 0.09% | -0.90% | 1.69% | 0.28% | 0.55% | 0.74% | 1.90% | 0.38% | 0.88% | 6.78% |
| 2017 | -0.05% | 1.91% | -0.39% | -0.61% | -0.37% | 0.22% | 0.61% | -0.40% | 0.67% | -0.63% | -0.42% | 1.44% | 1.95% |
| 2018 | -0.45% | -0.17% | | | | | | | | | | | -0.62% |

FX Carry strategies finished February relatively unscathed. The US Dollar rose while EM currencies declined². Within the G10 group, JPY, EUR and CHF were the strongest currencies, with returns of +2.3%, -1.4% and -1.8% respectively versus the USD. Higher yield currencies were worse off³ resulting in losses for G10 strategies (-0.1% on average across twelve indices). In contrast EM strategies finished the month unchanged on average (across sixteen indices) as those currencies produced relatively higher returns than their G10 counterparts (albeit negative on average). For example ZAR was up +1.3%, RUB up +0.1% and TRY down -0.2%; HUF had the worst return among EM currencies, down -3.0%. Aside from FX Carry, Euro Stoxx 50 dividend carry strategies were marginally positive, up +0.10% across 9 indices.

Top 3 movers (ranked by 1 month returns)

| Arbitrage - Carry | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|--|---------------|------------|-----------|-----------|
| 1) Credit Suisse FX Metrics Carry Global FX Carry Arbitrage | 1.7% | 1.1% | -1.1 | -5.8% |
| 2) Morgan Stanley Developed Market Risk G10 FX Carry Arbitrage | 1.6% | -2.3% | -1.6 | -6.5% |
| 3) Societe Generale FX G10 Carry G10 FX Carry Arbitrage | 1.5% | -2.9% | -1.8 | -10.8% |

Commodity Yield Optimisation (CLAXCYO Index) +2.16% in Feb, +10.71% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|-------|--------|--------|--------|-------|-------|--------|--------|-------|-------|--------|--------|
| 2014 | -3.92% | 1.63% | 1.16% | 0.77% | 1.29% | 1.57% | 2.13% | 0.79% | -0.20% | 0.41% | 0.04% | 1.53% | 7.29% |
| 2015 | 0.71% | 0.08% | 0.30% | -3.96% | -1.41% | 0.33% | 0.87% | -0.70% | -0.12% | 2.72% | 4.07% | 2.97% | 5.75% |
| 2016 | 0.80% | 2.96% | -0.05% | -2.11% | 0.03% | 1.04% | 2.58% | -0.02% | 0.13% | 0.40% | 0.73% | -1.29% | 5.22% |
| 2017 | 2.41% | 1.14% | 0.24% | 1.13% | -0.19% | 0.78% | 0.90% | 2.03% | -0.11% | 0.21% | 1.61% | -0.42% | 10.13% |
| 2018 | 1.92% | 2.16% | | | | | | | | | | | 4.12% |

Another strong month for Commodity Arbitrage strategies left the sub-index up +4.12% for the year. Profits were generated in Energy curves where futures declined especially in the near end (Brent crude oil May futures were down -5.6%, Natural Gas April futures were down -6.8%). The result was less inverted future curves. For example the discount of April 19 to April 18 Natural Gas futures rose from -5.4% to -0.9%⁴. Congestion arbitrage strategies also proved strong this month, gaining +1.2% as a group (across nine indices) before risk adjustment. They took the first two spots in the table below. Credit Suisse's Custom 24 (up +5.9% in February) was also the best performing index in the database as a whole.

Top 3 movers (ranked by 1 month returns)

| Arbitrage - Commodity Yield Optimization | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|--|---------------|------------|-----------|-----------|
| 1) Credit Suisse Custom 24 (commodity con Commodity Congestion Arbitrage | 5.9% | 9.2% | 2.2 | 14.1% |
| 2) Citi Commodities Congestion Dynamic A Commodity Congestion Arbitrage | 2.5% | 3.1% | 2.3 | 8.3% |
| 3) RBS Aquantum Pegasus Zeus Commodity Future Arbitrage - 13 commodities | 2.2% | 7.7% | 3.8 | 20.3% |

² The MSCI EM Currency Index was down -0.7%. The DXY Dollar index was up +1.7%. Source: Bloomberg

³ The CAD was down -3.9%, the AUD -3.2% and the GBP -2.9%. Source: Bloomberg

⁴ Similarly the discount of Brent May 19 to May 18 futures rose from -6.6% to -5.9%. Source: Bloomberg

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Arbitrage Strategies (CLAXARB Index)

-2.12% in February, +2.88% in the last 12 months

Fixed Income Arbitrage Strategies (CLAXFIA Index) +0.31% in Feb, +2.17% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2014 | 1.33% | 1.93% | -0.18% | 1.25% | 1.61% | -0.57% | -1.19% | 2.38% | -1.09% | 3.25% | 1.79% | -1.59% | 9.14% |
| 2015 | 2.21% | -0.12% | 1.77% | 0.12% | -0.27% | -1.57% | 1.33% | 1.09% | 1.87% | 0.41% | 0.03% | -1.21% | 5.74% |
| 2016 | 3.84% | 0.88% | -0.29% | -0.34% | -0.27% | 3.22% | -0.35% | -0.29% | 0.03% | -1.47% | -4.19% | -1.20% | -0.67% |
| 2017 | -0.43% | 1.25% | 0.20% | 1.70% | 1.47% | -1.92% | 0.14% | 0.77% | -0.08% | 1.19% | -0.65% | -1.33% | 2.25% |
| 2018 | 0.41% | 0.31% | | | | | | | | | | | 0.73% |

Fixed Income Arbitrage was the only other sub-strategy producing gains in February (+0.31%). Interest rates finished higher in USD and GBP, more so in the shorter tenors. 2Y swap rates in USD and GBP were up +21bps and +7bps respectively; 10Y swap rates finished up +14bps and flat. In contrast EUR and JPY interest rates were broadly unchanged. Dynamic FRB positions have generally switched their position from long to short by now and therefore made gains – see in particular HSBC's DTP algorithm which took the top spot in the table below. Inter-curve carry strategies positioned on longer tenors (e.g. Société Générale's BOSS) made gains too. Credit carry positions managed to post gains as high yield bonds outperformed investment grade bonds⁵ (algorithms typically go long the former, short the latter).

Top 3 movers (ranked by 1 month returns)

| Arbitrage - Fixed Income | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|--------------------------|---------------|------------|-----------|-----------|
| 1) HSBC Vol-Budgeted DTP | 2.9% | 7.7% | 0.8 | 6.5% |
| 2) Barclays Star 20 | 0.8% | -0.5% | 0.0 | 1.2% |
| 3) Societe Generale BOSS | 0.5% | 0.1% | 0.1 | 1.4% |

Volatility Arbitrage Strategies (CLAXVOA Index) -7.10% in Feb, +1.58% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2014 | -1.65% | 0.93% | 0.03% | 0.59% | 0.69% | 1.08% | -0.81% | 0.99% | -0.19% | -2.45% | 0.83% | -1.61% | -1.63% |
| 2015 | -1.37% | 2.89% | -0.90% | 1.10% | 0.13% | -1.24% | 2.27% | -5.35% | -0.07% | 1.45% | 0.83% | -0.12% | -0.64% |
| 2016 | -1.80% | -0.65% | 1.91% | 0.08% | 2.12% | -2.29% | 0.74% | 1.39% | 0.08% | 0.71% | -0.20% | 1.12% | 3.15% |
| 2017 | 1.22% | 1.61% | 0.99% | 1.35% | 1.07% | 0.25% | 1.59% | 0.34% | 1.32% | 1.31% | 0.92% | 0.71% | 13.43% |
| 2018 | -0.87% | -7.10% | | | | | | | | | | | -7.91% |

February was a month to forget for Volatility arbitrage strategies: losses averaged -7.1%. The bulk of these came from Equity positions (-7.8% across 41 indices with returns ranging from +1.1% to -42.9%). Fixed income volatility arbitrage indices were broadly flat (-0.2%), FX volatility arbitrage algorithms posted small gains (+0.5%), and commodity volatility arbitrage algorithms were slightly negative (-0.5%). For reference, VIX and VStoxx indices rose +6.3 and +2.8 points respectively to 19.9% and 18.0%. The S&P 500 index' 20-day realised volatility soared from 9.1% to 27.9% while on the Euro Stoxx 50 it rose from 8.3% to 19.3%, well above implied volatility levels struck one month before. Accordingly any short variance swap position on either index posted losses. In contrast, realised volatility levels for EUR/USD came down⁶, which supported returns for FX volatility arbitrage algorithms. Finally returns for commodity volatility arbitrage suffered as the 20-day realised volatility for WTI Crude nearly doubled⁷.

Top 3 movers (ranked by 1 month returns)

| Arbitrage - Volatility | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|---|---------------|------------|-----------|-----------|
| 1) BOA Merrill Lynch Short Synthetic Vari an Short SPDR Gold ETF Variance Swaps | 1.1% | 1.4% | 2.0 | 10.2% |
| 2) BOA Merrill Lynch Vortex Alpha | 1.1% | 1.6% | 1.4 | 5.2% |
| 3) Morgan Stanley FX VolNet Premium | 1.1% | -0.6% | 0.8 | 3.7% |

⁵ US investment grade bonds fell -2.1% while high yield bonds were down -0.9%, as measured by the iBoxx Investment Grade and High Yield Bond indices (IBOXIG and IBOXHY). Source: Bloomberg.

⁶ 20-day realised volatility for EUR/USD came down from 8.6% to 6.5%. Source: Bloomberg.

⁷ 20-day realised volatility for WTI Crude Oil April 18 futures rose from 14.7% to 25.3%. Source: Bloomberg.

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Economic Indicator Strategies (CLAXECI Index)

-0.70% in February, +4.49% in the last 12 months

Research Strategies (CLAXRES Index) -0.51% in Feb, +3.25% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|
| 2014 | 2.34% | 0.11% | 0.49% | -1.78% | -1.20% | 1.20% | -2.73% | 0.89% | -2.39% | 0.27% | -1.01% | 1.23% | -2.69% |
| 2015 | -1.71% | 0.76% | 0.69% | -1.30% | 1.63% | 0.08% | -2.66% | -3.20% | -1.19% | -1.04% | -0.22% | 0.81% | -7.22% |
| 2016 | -3.64% | 1.08% | 1.80% | -1.12% | -0.79% | -4.33% | 0.73% | -0.90% | 2.30% | -0.11% | 2.69% | 1.72% | -0.83% |
| 2017 | 0.08% | 0.80% | 0.33% | 0.32% | -0.68% | 0.99% | 0.33% | 0.67% | 1.12% | 1.26% | 0.43% | 0.33% | 6.14% |
| 2018 | -1.37% | -0.51% | | | | | | | | | | | -1.87% |

Equity factor returns (-0.51% in February) were passable considering the steep declines in global equity benchmarks (the S&P 500 Index was down -3.9%, the Euro Stoxx 50 index was down -4.7%, the Hang Seng index was down -6.2%, and the Nikkei 225 index was down -4.5%). Momentum and growth indices produced clear excess returns: for instance, the S&P 500 Momentum index was down -1.0%, the Nasdaq composite was down -1.9%, and the Stoxx 600 technology index was down -1.1%⁸. Momentum and Value factor strategies both gained +0.5% on average (they comprise 10 and 15 indices respectively). Size, quality, low volatility and multi-factor strategies were broadly flat. Geographically, European factor strategies produced excess returns of +1.0%, while US and Global factor strategies lost -0.5% and -0.2% respectively. US Merger Arbitrage strategies lost -1.1% on average across 3 indices.

Top 3 movers (ranked by 1 month returns)

| Economic Indicators - Research | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|--|---------------|------------|-----------|-----------|
| 1) Morgan Stanley Europe Target Equity Alf Europe Equity Long/Short Value Factor | 2.3% | 0.9% | 0.2 | 2.6% |
| 2) BOA Merrill Lynch Europe Long-Short Vol Europe Equity Long/Short Low Vol Factor | 2.1% | 1.0% | 0.6 | 3.3% |
| 3) Commerzbank Europe Equity Risk Premi; Europe Equity Long/Short Multi-Factor | 1.8% | 1.8% | -0.3 | -1.7% |

Macro Strategies (CLAXMAC Index) -0.96% in Feb, +5.77% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|--------|
| 2014 | -0.33% | -2.25% | -0.04% | 0.16% | 1.81% | 0.31% | -0.60% | 0.24% | 0.59% | -0.16% | 0.29% | -0.60% | -0.64% |
| 2015 | -0.55% | -0.49% | 0.22% | -0.55% | -0.04% | -2.19% | 1.72% | -0.20% | 0.57% | 1.10% | 0.29% | 0.06% | -0.10% |
| 2016 | 0.80% | 1.79% | -0.38% | -0.37% | -0.95% | 1.08% | 1.27% | -0.33% | -0.35% | -0.92% | 0.45% | -0.26% | 1.82% |
| 2017 | -0.00% | 1.39% | 0.35% | 1.30% | 0.44% | -0.21% | 0.24% | 1.49% | 0.38% | 0.92% | 1.01% | 0.56% | 8.13% |
| 2018 | 0.13% | -0.96% | | | | | | | | | | | -0.83% |

The Macro sub-index lost -0.96% in February as equity and bond prices fell, while commodity backwardation algorithms (-1.7% on average across 18 indices) were caught long Energy and short Agriculture futures, both sides incurring losses⁹. The commodity backwardation trade was very successful last year (+8.1% in 2017) so this correction should not cause too much concern. Equity strategies were down -1.0% despite some gains (the S&P Dynamic Veqtor index in particular managed to capture the rise in the VIX index, see table below). Fixed income and FX macro strategies did not contribute any substantial returns, despite FX value convergence indices gaining +1.1%¹⁰ and long basis swap positions posting strong returns (see Deutsche Bank's 3m6m basis index, up +1.9%, in the table below). The largest losses were sustained by multi-asset allocation positions (down -3.9%, for 5 indices) which switch between equities or bonds depending on macro signals.

Top 3 movers (ranked by 1 month returns)

| Economic Indicators - Macro | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|-----------------------------|---------------|------------|-----------|-----------|
| 1) S&P Dynamic Veqtor | 3.3% | 9.3% | 2.3 | 21.1% |
| 2) DB USD 3m6m Basis | 1.9% | -0.4% | -1.4 | -7.1% |
| 3) DB Currency Valuation | 1.8% | 0.9% | 1.1 | 5.7% |

⁸ The Stoxx 600 index returned -4.0%. Source: Bloomberg.

⁹ The BCOM Energy sub index was down -7.3% while the Agriculture sub-index was up +4.6%. Energy curves are currently inverted while Agriculture curves are generally steep. Source: Bloomberg.

¹⁰ FX value convergence positions made gains on long JPY positions (up +2.3% against the USD). Source: Bloomberg.

Monthly Report – February 2018

Momentum Strategies (CLAXMOM Index) -3.62% in February, -0.12% in the last 12 months

Mean Reversion Strategies (CLAXMRE Index) -6.31% in Feb, -1.59% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|-------|--------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| 2014 | 0.18% | 0.93% | 1.38% | 1.04% | 0.78% | 0.07% | -0.45% | -0.07% | -0.89% | -3.02% | 0.21% | 0.47% | 0.56% |
| 2015 | 0.24% | 0.52% | 0.75% | -0.24% | 0.37% | 0.06% | -0.20% | -3.32% | 2.36% | 0.19% | 0.27% | 0.56% | 1.48% |
| 2016 | -1.54% | 0.33% | 0.08% | -0.18% | 0.45% | 1.56% | -0.05% | 0.40% | 1.01% | 0.19% | -0.31% | -0.25% | 1.65% |
| 2017 | 0.75% | 0.38% | 0.84% | 0.73% | 0.37% | 0.47% | 1.18% | 1.73% | 0.07% | 0.65% | -0.86% | 1.21% | 7.77% |
| 2018 | -1.42% | -6.31% | | | | | | | | | | | -7.64% |

February was a huge setback for Mean Reversion strategies which collectively lost -6.31%. It was the worst monthly return since we started calculating the sub-index, taking it back to levels last seen early 2016, around two years ago (it has partially recovered from these lows). In addition to adverse market conditions, the sub-index suffered from leverage (risk adjustment) that magnifies overall strategy returns based on one year historical volatility. Losses were more pronounced for algorithms focussed on the Euro Stoxx 50 index (-4.0%) than for those taking positions on the S&P 500 index (-3.2%)¹¹. Statistical mean reversion strategies (based on the observation that over one or two week periods, negative daily returns tend to be followed by positive daily returns) were worse off compared to buy-write strategies (-4.3% versus -3.0%).

Top 3 movers (ranked by 1 month returns)

| Momentum - Mean Reversion | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|--|---------------|------------|-----------|-----------|
| 1) Societe Generale Interest Rates Strangl Short EUR Swaption Strangle | 0.5% | 0.6% | 1.2 | 3.5% |
| 2) Societe Generale Tactic Neutral Europe Single Stock Mean Reversion - Long/Short | 0.3% | 0.4% | 0.7 | 1.8% |
| 3) UBS American Buy-Write S&P 500 Buy-Write | 0.2% | 0.6% | 0.3 | 2.6% |

Trend-Following Strategies (CLAXTRF Index) -2.55% in Feb, +0.27% in the last 12 months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2014 | -1.29% | -0.20% | -0.60% | 0.49% | 0.99% | 0.82% | -1.30% | 0.91% | 0.35% | -0.39% | 2.01% | 0.91% | 2.66% |
| 2015 | 1.82% | -0.36% | 0.33% | -0.62% | -0.00% | -2.08% | 0.73% | -1.01% | 0.60% | -0.32% | 0.82% | -1.36% | -1.51% |
| 2016 | 0.68% | 1.01% | -1.21% | 0.24% | -0.22% | 1.75% | -0.05% | -1.33% | 0.59% | -0.27% | 0.13% | 0.04% | 1.32% |
| 2017 | -0.22% | 1.54% | -0.68% | 0.33% | 0.26% | -1.28% | 0.28% | 0.58% | -1.13% | 1.39% | -0.17% | 0.83% | 1.70% |
| 2018 | 2.51% | -2.55% | | | | | | | | | | | -0.11% |

Trend following strategies gave up all the gains made in January, as a number of trends observed during the previous month entered a correction. In particular: global equities declined (the MSCI World Index was down -4.3%); energy prices retreated (the BCOM energy sub-index dropped -7.3%); and EM currencies lost ground (the MSCI EM currency index was down -0.7%). The only continuation we observed was in interest rate trends, where levels rose as in previous months. Accordingly, except in fixed income were trend following strategies were slightly positive (+0.2%, see also table below), all asset classes suffered losses. Commodity strategies lost -1.5%, equity strategies -8.0%, and FX strategies -2.2%, on average. Multi-asset trend following algorithms, in line with the rest of this group, lost -3.3%.

Top 3 movers (ranked by 1 month returns)

| Momentum - Trend Following | Feb-18 return | YTD return | 1Y Sharpe | 1Y return |
|--|---------------|------------|-----------|-----------|
| 1) JPMorgan Momentum FX USDJPY USD/JPY Trend Following | 2.2% | 1.0% | -0.3 | -1.0% |
| 2) BOA Merrill Lynch Fixed Income Trend USD, EUR, JPY, GBP Interest Rate & Bond Futures Tren | 0.9% | 1.4% | -0.1 | 0.8% |
| 3) Societe Generale Interest Rate Trend Fc Global Government Bond Trend Following | 0.6% | 2.7% | -2.0 | -11.3% |

¹¹ As an example the Euro Stoxx 50 index had seven negative returns over the first ten trading days of February. Those negative daily returns added up to a decline of -9.9% while the three positive daily returns added up +3.9% only. Source: Bloomberg