Hedge Fund View

Q1 2017 Outlook

Reshuffling the deck

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Strategy snapshot
Our key forecasts for each hedge fund strategy

**Equity Long / Short**
New president elect trade still on?

**Equity Market Neutral**
Sector rotation slowing down

**Macro**
Relative value opportunities from falling sector/country correlations

**CTA**
Dollar strength and rising rates to drive returns

**Credit**
Keep focus on longer term esoteric strategies

**Event Driven**
Policy changes may lead to increased M&A activity

**Distressed**
Opportunities coming into view

### Strategy Outlook (next 12 months)

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<td>Distressed</td>
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### Desired Strategy Allocation

- **Macro**: Discretionary, Neutral/Positive 12.5%, Neutral/Negative 20.0%
- **CTA**: 20.0%
- **Credit**: 10.0%
- **Equity Market Neutral**: Neutral 17.5%, Positive/Neutral 20.0%, Neutral/Negative 20.0%
- **Event Driven**: 20.0%

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Disclaimer:
Past performance is not indicative of future returns. No assurance can be given that any forecast, investment objectives and/or expected returns will be achieved. Investments come with risk. Investments can fall as well as rise and investors may not get back the amount originally invested at any point in time. Investors capital may be at risk. Allocations are subject to change without notice. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect.

Source: Deutsche Management, as of 31/12/16
Letter to investors

Reshuffling the deck

How long does the honeymoon last?

The surprising victory by Donald Trump at the U.S. presidential election resulted in a similarly improbable re-appraisal of equity market valuations by investors. U.S. equity markets in particular powered ahead as investors presumably foresaw that more borrowing and perhaps less regulation would outweigh the negative effects of isolationist policies. The associated sharp move upwards in medium term bond yields has perhaps been much more understandable under a scenario of greater fiscal latitude and more inflation.

What does this mean for hedge fund returns? Coming after a 12 month period of delivery of negative alpha by the industry from August 2015 to September 2016, does the recent much stronger showing by macro strategies in particular herald a new period of better returns by hedge funds?

For active/hedge fund management to succeed one needs a number of well known market conditions to exist. Firstly behavioural finance tells us that human error and biases tend to result in persistent exploitable anomalies. Secondly certain market participants such as central banks are not motivated by maximizing portfolio value. Finally financial innovation creates opportunity for alpha from active management by creating new poorly understood mispriced instruments.

We maintain our positive view on discretionary macro as managers are making money in rates trading, currencies and equities. The principle trades have been: short U.S., EU, and UK rates, long U.S dollar, short Euro positions, short Sterling, long U.S. small caps versus large caps and short emerging market equities and debt. Recent events such as the outcome of the U.S. election in November, and the Italian Referendum in early December have increased expectations of higher inflation leading to a more hawkish Fed and greater fiscal spending globally. This has led global macro managers to subsequently increase conviction in themes and trades that are resident in portfolios.

For the other group of trading strategies, those of CTAs we maintain our current positive view as correlations of returns between asset classes have broken down quite nicely. We continue to focus on allocations to the short term systems which as a whole have coped quite well over the last 2 months. Longer term approaches struggled with the break in trend for long term yields but have made money by being long developed market equities.

We maintain our focus on hard catalyst approaches within event driven and think merger arbitrage remains an attractive allocation despite deal volumes coming down. If there is a roll back in regulation under the new U.S. administration which had previously hindered transactions, this could catalyse further activity. Similarly possible international corporate tax reforms could provide more ammunition for more transactions. Our view on the strategy remains neutral/positive.

Credit and distressed – while the opportunity set within true alternative liquid credit strategies remains relatively limited in our view longer term strategies can potentially deliver more interesting returns for investors. For distressed investing the 2.6 trillion USD of leverage debt outstanding in the U.S. credit markets – an all time high – combined with leverage levels higher than those witnessed just prior the financial crisis suggest that we could be entering the early stages of a distressed cycle. We have therefore upgraded distressed to neutral/negative.

We can take liberty to remind ourselves that during the first 4 years of the period from January 1995 to February 2009 – which was a similarly strong period for equity markets - hedge funds underperformed equity markets by 2.8% annualized, though past performance is not indicative of future results. Over the next decade however hedge funds out performed equities by 11.0% per annum as active management once again proved itself. 

It remains to be seen how durable this honeymoon period for equities is.

1 Source: Deutsche Asset Management, Bloomberg as of 12/31/2016. Equities are represented by S&P 500 Index and hedge funds represented by HFRI Fund Weighted Composite Index as compiled January 2017.

Tim Gascoigne
Head of Hedge Fund Advisory, Alternatives,
Deutsche Asset Management
Q4 market review

A changing of the guard

Surprise, surprise, surprise.....

Q4 summary

The fourth quarter was one full of surprises. The first one was the election of Donald Trump as President, despite the fact that both the markets and the “experts” predicted that Hillary Clinton would win by a comfortable margin. The next surprise was the stock market’s reaction which initially sold off significantly over concerns that Trump’s trade policies would perhaps destabilize the global economy and therefore be detrimental to growth. However, the equity market rebounded swiftly and closed up the next day and for the months of November and December on hopes that U.S. GDP growth may be higher than previously expected. This view is based on the presumption that the Trump administration will enact meaningful tax cuts, deregulate the U.S. banking system, increase infrastructure spending and optimism that the imposition of tariffs would be judicious and unlikely to hurt the U.S. economy.

During the quarter U.S. equities hit new historical highs, reflecting the President-elect’s message of spurring growth. Smaller companies with mostly domestic businesses were the main beneficiaries as they are shielded from a surging dollar. The Russell 2000 Index gained 13.91% for last two months of the year. There was a fair amount of dispersion amongst equity sectors, those which stand to benefit from a cyclical upswing such as industrials and financials which advanced strongly, while the stocks of interest rate sensitive sectors such as REITs and utilities, which have served as yield substitutes declined. Overall for the quarter the Russell 2000 Index gained 8.43% while the S&P 500 Index rose 3.25% and the MSCI World Index returned 1.48%.2

Europe managed to sail though one of its episodic periods of political uncertainty better than expected. Even as Italian voters said “no” to constitutional reforms, dealing another setback to European integration, and leading to the resignation of Italian Prime Minister Matteo Renzi, the Italian and European equity and fixed income markets rallied. The resilience in the equity markets along with improved GDP optimism and the weaker Euro have sent earnings expectation higher. Much like the U.S. markets, Europe also witnessed sector rotation as cyclical stocks outperformed and rate sensitive sectors suffered.

Somewhat lost in all the political news was OPEC’s announcement to curtail output, sending oil prices sharply higher. Brent Crude gained 15.82% for the quarter. Lastly, the U.S. Federal Reserve raised interest rates by 0.25%, the first time in 2016, and the second time in over a decade. The Fed also indicated that the pace of future interest rate increases can quicken to head off higher inflation. For the quarter the yield on the U.S. 10 year Treasury jumped by 85bps, ending at 2.44% for the year.2

Throughout 2016 developed market equities continue to defy expectations in the face of seemingly negative political developments. The UK market took the Brexit result in stride and Donald Trump’s unexpected victory sent all four major U.S. markets to new highs while Matteo Renzi’s resignation following a humiliating defeat did not represent more than a passing annoyance for equity investors in Europe. These gains were registered while the U.S. dollar, inflation expectations and global bonds yields all pushed higher. The question now is whether the markets have raced ahead of themselves or if they have behaved rationally in the face of the “Great Rotation” which will mark the end of a three decade long rally in bonds.

2 Source: Bloomberg (as of January 5, 2017).
Hedge fund performance improves
Discretionary macro finds its form

Review by hedge fund strategy

**Equity Long / Short**

Despite a volatile quarter, equity long/short managers continued their positive performance streak from the last quarter. Following the election of Donald Trump, equity markets rallied, with the S&P 500 and Russell 2000 returning +3.25% and +8.43% for the quarter, respectively. Equity long/short managers’ returns, however lagged the public markets due to their low net exposure positioning that they’ve maintained since the beginning of the year, as well as the increased short exposure heading into the election. Overall, the quarter’s returns were characterized by rapid sector rotation and significant volatility. Investors’ expectations for Trump’s pro-growth policies ignited a vicious sector rotation from defensives sectors into financials, energy and industrials. Financials were the largest winners, gaining more than 13% in November alone. Energy stocks rallied, helped by the OPEC agreement on oil production. The expectation of higher infrastructure spending boosted small and mid-cap companies, who generally have more U.S. domestically-focused businesses. From a geographic perspective, U.S. managers outperformed their European counterparts.

**Equity Market Neutral**

The violent sector and style rotation negatively affected some equity market neutral managers. The run-up to the election was characterized by negative performance from certain styles, with growth and size underperforming. Following the election, value and size factors soared, while momentum suffered. All market neutral strategies were impacted as investors repositioned their portfolio based on the expectation of President Elect Trump’s policies. Statistical arbitrage managers had a challenging quarter as models struggled to capture the factor rotation. From a factor perspective, value factors outperformed, driven by financials and cyclical. Quality factors broadly suffered with quality-driven shorts in banks being the primary detractor. Some equity market neutral funds suffered due to the rotation from bond proxies to more cyclical sectors while other more flexible approaches benefited from this rotation.

**Discretionary Macro**

Macro strategies were broadly positive after an eventful previous quarter. The fourth quarter witnessed a number of market moving events, including the U.S. election, the Italian referendum, the Federal Reserve’s December interest rate hike, and OPEC’s decision to curtail oil output. Donald Trump’s surprise election day victory prompted a notable rotation out of fixed income into equities. By the end of the quarter U.S. equities hit all time highs while U.S. Treasuries had witnessed a wave of selling, effectively suggesting an end to the bond market’s three decade long bull market. U.S 10-year Treasury yields jumped to 2.44% from 1.59% and the yield curve steepened significantly as the 2-year note widened to just 1.19% from 0.76%. European bond yields also moved higher with German and French bond yields raising by 33bps and 50bps, respectively. In currencies, the U.S. dollar strength was the major highlight. The USD increased by 3.57% against the Euro in November alone and soared 6.39% for the quarter. The yen also lagged among developed currencies. Finally, sterling recovered some of its early losses in the October flash crash vs. the Dollar, although it remains -14.80% lower since the end of May prior to Brexit. Overall, these fourth quarter’s events have increased our manager’s conviction in themes and trades already dominant in the strategy.

**CTA**

The quarter witnessed several unexpected events including the victory of Donald Trump in the U.S. presidential election and the OPEC production reduction agreement. Generally, short-term managers were able to identify and benefit from these turning points while longer-term models struggled. The rotation from fixed income to equities on the back of the U.S. election result and the Fed’s rates hike was extreme, with the moves in U.S. Treasuries in particular causing trend reversals for

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2 Source: Bloomberg (as of January 5, 2017).
3 Source: HFRI as represented by the HFRI Equity Hedge (Total) Index (as of January 5, 2017)
4 Source: Bloomberg as represented by S&P 500 financial sector as of January 5, 2017.
models. The month of November will be remembered as one of the worst months in recent history for global fixed income markets, rivalling the Taper Tantrum selloff that occurred in the second quarter of 2013. By the end of the month, managers had switched to a short position in fixed income, which benefited in December as the U.S. Federal Reserve hiked rates. The OPEC agreement caused losses for some CTAs who were short energy. On the positive side, developed market currencies continue to be one of the few bright spots for managers, as the U.S. dollar soared, reaching levels not seen since 2003. Finally, many managers had small long positions in equities, which helped to partially offset the negative performance.

Credit

U.S. high yield assets rallied strongly during the quarter – a fitting end to a strong year. Within fixed income, U.S. high yield led the way as investors looked to buy risk on the back of a “new hope” that economic growth would continue/accelerate in the U.S. While recent economic data has been decent, much of the new optimism is a function of the market’s belief that the fiscal and economic policies of President-elect, Donald Trump, will be supportive. This optimism led to strong inflows into high yield. Given that new supply is typically more muted in December due to the holidays, high yield benefitted from strong technical support. The investment grade market benefitted from lighter supply and a rally in higher-beta sectors like energy, metals/mining and technology.

Event Driven

Event Driven managers had a good quarter benefiting from the rally in risk assets. Within special situations, manager’s generally benefited from the positive tailwind of the U.S. equity market. Special situations funds were especially helped by their value tilt and exposure to smaller cap names which rallied significantly during the quarter. Meanwhile, merger arbitrage managers benefited from spread tightening as markets assess the impact of a potentially lighter regulatory and corporate tax environment, which would spur further U.S.-based deals. Rite Aid was a positive contributor as shares in the companies rallied 18.8% in November as the prospect of the Walgreens/Rite Aid merger brightened under a Trump presidency. LinkedIn was also a positive contributor after the European regulators in Brussels gave the green light for Microsoft to close the $26 billion acquisition. On the other side, Alere weighted negatively on performance after underwhelming earnings and Abbott Laboratories’ decision to file suit to terminate its purchase. There was $3.7 trillion of M&A volume globally in 2016, a 16% decrease from the 2015 record year, but the third largest annual period for worldwide deal making since records began in 1980. Cross-border M&A activity totalled $1.4 trillion for the year, accounting for 38% of overall M&A volume.7

Distressed

Distressed continues to perform well, driven by rally in below investment grade credit, led by mining and metals credits. The post-election expectation drove returns in levered and reorganization equities. Defaults picked up in the quarter, notably in November in both volume and count. Through November, 58 companies have defaulted on $57 billion of outstanding debt, compared to 2015’s $38 billion of default across 38 companies. Defaults remain limited in sectors exposed to energy however, with energy and metal/mining companies responsible for 84% of annual default totals.8

Percentile performance breakdown by strategy Q4 2016

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Source: HFR, Deutsche Asset Management as of 31/12/16
Past performance is not a reliable indicator of future performance.

7 Source: Thompson Reuters, M&A Full Year 2016.
8 Source: KLS as compiled as of January 5, 2017.
Strategy and drivers

The turning of the interest rate cycle

Three changes to drivers

Drivers

We have made 3 changes to the outlook for the drivers of hedge fund performance this quarter. The U.S. election result appears to have modified the environment for stock-picking for the better. We will suck eggs and reverse our outlook for this driver but only up to neutral as we are a little cynical about the where the stronger returns from equity long/short managers have emanated from over the last few months. We foresee the honeymoon period for equities as just that and remain cautious over the longer term prospects for equity market direction in a higher rate environment.

This higher rate environment can impact the performance potential for those alternative credit strategies that do not hedge interest rate risk. It certainly has provided in the short term a more fertile environment for discretionary macro managers. Although this isn’t directly captured in the drivers for the strategy – it can be supportive for performance once recognised as a sustainable market trend and macro managers have been quick to take advantage of this new environment resulting in stronger returns for the strategy.

We maintain a constructive view on the opportunity set for event driven by a stronger stock picking environment for equity special situation approaches tempered by a slight toning down of merger spreads from positive to neutral/positive.

For the other drivers we maintain the view that the risk is to the upside for market volatility which if this plays out should support both discretionary macro and certain equity market neutral approaches. For distressed while the incidences of bankruptcies remains low, the operating environment in terms of heavy corporate borrowing as interest rates start to rise more quickly suggests the seeds of opportunity are being sown – hence the upgrade to the strategy.

""We foresee the honeymoon period for equities as just that and remain cautious over the longer term prospects for equity market direction in a higher rate environment.""
Our strategic views

Investment traffic lights

Focus on trading strategies

- **Equity Long / Short**
- **Market direction**
- **Stock-picking environment**

Neutral / Negative: We mentioned in our last letter that managers were susceptible to a period of underperformance should equity markets rally because of their historical low net exposure and guarded outlook. This broadly came true during the past quarter. The overall outlook, however, has changed substantially since the election, with sentiment among equity long/short managers now being a little more positive. This optimism can be seen in the managers’ net exposures, which have bounced back to their three year historical average. The current market environment is characterized by both positive and negative factors. On one hand, the fundamental economic data is solid, with the U.S. labour market standing out. Expectation of pro-growth policies under Trumponomics resulted in a broad rally, driving U.S. yields higher and set off a pro-cyclical sector rotation, moving away from secular growth names to more GDP sensitive names. This potentially reflects positive overall momentum for U.S. economy. On the other hand, uncertainties are abound as a result of political events, in particular in the U.S. market. While details of Trump’s economic plan are still unknown our initial approach is not to bet against the markets. As a result, we are upgrading our outlook for equity long/short by one notch. Despite the upgrade, we remain cautious on equity long/short strategies. Valuations, previously at near their historical high, are now even higher. With a faster Fed on the horizon, the potential outcomes of Brexit, as well as the details and implementation of Trump’s agenda, there are a number of uncertainties that are not reflected in the current markets’ valuation.

Neutral: We have upgraded our outlook for equity market neutral strategies to neutral/positive. Why? We have witnessed some green shoots of better performance at year end which is encouraging. This has been more prevalent for the fundamentally driven strategies where value signals have started to become clear positive drivers for performance. In contrast, quality has suffered due to funds being short quality within the banking sector leading to negative performance. The fact that the degree of stock moves explained by macro factors has fallen with more than half of stock risk now explained by idiosyncratic factors represents another driver in the right direction. This and the great stock price greater dispersion has led in our view to a better environment for the strategy. Capital in the strategy remains relatively low supporting the case for allocations. We also favour statistical arbitrage as we foresee bouts of volatility creating opportunity for mean reversion approaches.

Positive: We reinforce our overweight outlook for the strategy, especially in light of recent events and the uncertainties going forward. Over the past quarter we saw discretionary macro managers finally capitalize on the opportunity set, namely short U.S., UK rates, short GBP and long USD. Trump’s presidency, along with the markets’ positive expectation of his policies, is expected to bring volatility to the markets, which could improve the opportunity set for managers. There are increasingly compelling relative value situations that may be less dependent on the overall direction of rates or dollar to generate attractive returns. Despite the uncertain outlook for global financial markets, managers are hopeful that the uncertainties will bring about higher risk premium, increased volatility and more fruitful value related investment environment. This has also led to managers increasing conviction in themes and trades that are dominant in their portfolios.

Breakdown in asset correlations since Trump presidency supportive for strategies

All sources Deutsche Asset Management & Bloomberg. Past performance is not a reliable indicator of future performance.

90 day rolling correlations from Jan 2015 to Jan 2017. Source: Deutsche Asset Management & Bloomberg.
Neutral / Negative: We are upgrading our outlook for distressed by one notch to neutral/negative. Why? the 2.6 trillion USD of leverage debt outstanding in the U.S. credit markets – an all time high – combined with leverage levels higher than those witnessed just prior the financial crisis suggest that we could be entering the early stages of a distressed cycle. A tempering observation is catalysed by looking at current overall default rates. If one excludes the commodity oriented areas, the high yield and leverage loan default rates as of November were a modest 0.55% and 0.38%, respectively, compared to the long run averages of 3% for each. The OPEC agreement announcement has provided support to oil prices and subsequently, provided businesses under the stress of heavy debt burdens the opportunity to restructure, including debt refinancing and debt-for-equity swaps. In these situations within this sector, managers are looking to a high current return with double-digits yield to maturity. This is in contrast to traditional investors who continue to shy away from these opportunities/situations, instead investing in CCC-rated paper.

All sources Deutsche Asset Management as of 31/12/2016 unless stated otherwise.
Past performance is not a reliable indicator of future performance.
Charts correspond to our outlook on each strategy over time with colour code: red = negative, light orange = neutral/negative, orange = neutral, light green = neutral/positive, dark green = positive.

Source: KLS (January 2017)
Desired strategy allocation
Asset class correlation breakdown drives allocations

Our suggested balanced liquid alternative portfolio, as one would expect, takes into consideration market consensus in a number of areas and seeks to find value in positioning across strategies that will from the time of writing add value from a top down perspective. As such we believe a lot of good news is priced into equity markets which is tempered by a more reasonable operating environment for stock pickers. The suggested allocation for this long biased directional strategy remains low at 12.5%. In this vein our preference is to seek to capture the majority of single stock equity related return through alpha only strategies hence the overweight to equity market neutral.

Trading strategies comprise the focal point for the portfolio so discretionary macro is set at a tempered but still overweight allocation of 20%. CTA’s with a focus on shorter term approaches are also suggested at a significant overweight allocation of 20%. Event driven strategies with a bias towards hard catalyst approaches remain at 20%. Liquid credit strategies are suggested at a modest 10%.

Our preference is to seek to capture the majority of single stock equity related return through alpha only strategies hence the overweight to equity market neutral.

Forecast return range (next 12 months)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Outlook</th>
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<td>Equity Long/Short</td>
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<td>Equity Market Neutral</td>
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<td>Discretionary Macro</td>
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<td>CTA</td>
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<td>Overall</td>
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Past performance is not a reliable indicator of future performance and any forecast may not be realized. There can be no assurance that any projected returns are realised.

Projections are based on a number of assumptions as to market conditions. There can be no guarantee that the projected results will be achieved.

House flagship allocation is determined by the Deutsche Asset Management Hedge Fund Advisory investment process. Please contact the Deutsche Asset Management Hedge Fund Advisory team for more information.

Forecast returns for the next 12 months are determined by the 12 month House View. These are anchored by the historical HFR returns over periods where related asset classes have performed in line with the house view.
Hedge Fund Advisory Team

Tim Gascoigne
Head of Hedge Fund Advisory

Tim has been the Head of Hedge Fund Advisory, Alternatives and Fund Solutions in Deutsche Alternative Asset Management (UK) Limited since August 2013. Prior to this, excluding a year developing the alternative investment business of a UK-based consultancy firm, Tim was Managing Director, Global Head of Portfolio Management at HSBC Private Bank, where he was responsible for the management and performance of HSBC alternative investment products including Fund of Hedge Funds, institutional and private client mandates, which were a significant part of HSBC’s £38 billion alternatives business. Tim is a CFA charterholder and holds a BSc in Monetary Economics from the London School of Economics.

Nicolas Laporte
Senior Portfolio Manager

Nicolas is a Senior Portfolio Manager co-managing a range of absolute return fund of funds and mandates for institutional and wealth management clients. Nicolas joined Deutsche Asset Management from Novantis, where he was critical in the setup of the firm’s pension fund alternative investment platform. Nicolas was previously portfolio manager at HSBC Private Bank, where he was responsible for the management and performance of a large number of discretionary and tailor made hedge fund mandates. Prior to that, he worked for a large family office as hedge fund analyst. Nicolas began his career in the investment analysis and advisory group of Citigroup Private Bank. He holds a Master’s Degree in Banking and Finance from HEC Lausanne and a BSc in Earth Sciences from the University of Louvain.

Mihir Meswani
Senior Portfolio Manager

Mihir is a Senior Portfolio Manager in the Hedge Fund Advisory team at Deutsche Asset Management in New York. Mihir has 21 years of industry experience, the vast majority in analyzing and managing portfolios of hedge funds, with specific experience in managing alternative mutual funds. Prior to joining Deutsche Asset Management in 2014, Mihir was a Consultant to Mt Yale Capital Group, working with the Investment Committee on asset allocation and portfolio management for the group’s alternative mutual funds. Before this, Mihir was Chief Investment Strategist at Sandalwood Securities. Mihir previously also held a position as Director of Public Investments at the Robert Wood Johnson Foundation and has worked for Bank of America, JP Morgan and Bankers Trust. Mihir holds a B.S. in Finance and a B.A. in Economics from Rutgers University.

Risk considerations

Hedge Funds may not be capital protected investments and investor capital is at risk up to a total loss. The value of an investment in a hedge fund can go down as well as up and investors may not get back their original investments. Investments are subject to various risks, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. Furthermore, substantial fluctuations of the value of the investment are possible even over short periods of time. Hedge funds may not be suitable for certain investors and no assurance can be given that the fund’s investment objective will be achieved. Investments in hedge funds are speculative and involve a high degree of risk. Investors should be aware of the attendant risks including, but not limited to the lack of liquidity, the potential for higher fees, lack of transparency, lack of regulatory oversight, and involvement with complex tax structures. Hedge funds may use a single manager or employ a single strategy, which may result in a lack of diversification, and consequently higher risk. Hedge funds may also use leverage, which may increase profits, but may also magnify losses. The use of hedging strategies may cause a portfolio’s value to fluctuate at a greater rate than if such techniques were not used. No assurance can be made that investors will receive a return of all or part of their investment. Investments in hedge funds are suitable only for persons who can afford to lose their entire investment. Additionally, hedge funds may use derivative instruments that may at times be illiquid, subject to pricing disparities and difficulty in assessing values, and may be subject to default by the issuer. There may be significant restrictions on transferring interests in a hedge fund. Furthermore, there is no secondary market for investors’ interests in a fund, and none is expected to develop. Hedge funds may also execute a significant number of trades on foreign exchanges, which may entail higher risk. The fund’s associated fees and expenses may be significant, which can offset any trading profits.

Past performance is not indicative of future results, and an investor may lose all or a substantial amount of his investment. Performance is net of management and performance fees. Latest performance numbers are based on estimates. This publication contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author’s judgment as of the date of this material. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and / or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by Deutsche Bank as to the reasonableness or completeness of such forward looking statements or to any other financial information contained herein. Past performance is no guarantee of future results; nothing contained herein shall constitute any representation or warranty as to future performance. Further information is available upon investor’s request.

Ben Arnold
Portfolio Analyst

Ben is an Analyst in the Hedge Fund Advisory team joining the team two years ago where he now specializes in quantitative research and portfolio construction. Ben has previous experience working in Credit Trading and Equity Derivatives at Morgan Stanley. Prior to joining Deutsche Asset Management, he completed an MSc in Finance at Imperial College London. Before that Ben gained his Masters in Aerospace Engineering from the University of Bristol specializing in trajectory optimization and mission planning for mining near earth asteroids.

Chris Umscheid
Senior Research Analyst

Chris is a senior Research Analyst in the Hedge Fund Advisory Group. Prior to this, Chris served as the Global Head of Hedge Fund Research within the Global Investment Group of Deutsche Bank AWM. Before joining Deutsche Bank, Chris worked as a Fund of Hedge Fund Portfolio Manager for the Wafra Investment Advisory Group. Prior to that, Chris served as a Portfolio Manager and Director of Research for Yankee advisers, LLC and a Senior Analyst at Phoenix Advisers Inc. Chris earned an A.B. in Economics from Dartmouth College and began his career as a Financial Analyst at Goldman Sachs & Co.

Miyako Yaniahara
Senior Research Analyst

Miyako is a Research Analyst in the Hedge Fund Advisory team in London. Before joining the firm in 2013, she was a fund of hedge funds analyst at Aberdeen Asset Management, specializing in Equity Long / Short strategies. Prior to that, Miyako held similar roles at Liongate Capital and Fauchier Partners (now part of EnTrust Permal), having started her career as a management consultant at Oliver Wyman. Miyako holds a BSc in Management from the London School of Economics and Political Science, and is also a CAIA Charterholder.

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Research Analyst

Jack is a Research Analyst in the Hedge Fund Advisory team at Deutsche Asset Management in New York. Prior the current role, he worked in the Global Investment Group as part of the Hedge Fund team within Deutsche Asset & Wealth Management. Previously, Jack was a Credit Analyst at Nomura Securities, covering hedge funds and mutual funds. He also has previous experience at Morgan Stanley in hedge fund administration. Jack holds a B.S. degree in Finance from Fordham University in New York.
Index definitions

HFRI Fund Weighted Composite Index is a global equity-weighted index of more than 2,000 single-manager funds.

MSCI World Index tracks the performance of stocks in select developed markets around the world, including the United States.

Russell 2000 Index tracks the performance of the 2,000 smallest stocks in the Russell 3000 Index which tracks the performance of the 3,000 largest U.S. companies as measured by market capitalization.

S&P 500 tracks the performance of 500 leading U.S. stocks and widely represents the U.S. equity market.

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