

*Hedge Fund Flash Report
March 2018*

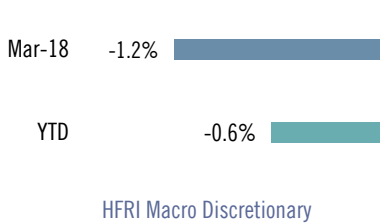
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Pictet Alternative Advisors

GLOBAL MACRO

Broadly negative returns on the back of losses in rates & equities

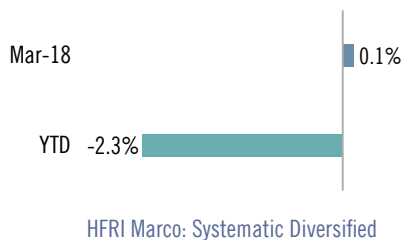
Declining government bond yields in the US, the UK and Europe and flattening yield curves, was the major source of losses. FX proved once again difficult to trade. While some managers gained on long GBP positions, others lost on long emerging market FX (BRL, RUB). Equities generally detracted as some managers had tactically built a small net long exposure (either in DM or in EM) subsequent to February's sell off. A bullish stance towards crude oil generated gains and funds with an Emerging Market focus continued to outperform, notably thanks to long positions in EM local rates.



CTAS

Most asset classes detract, while trends in energy resume

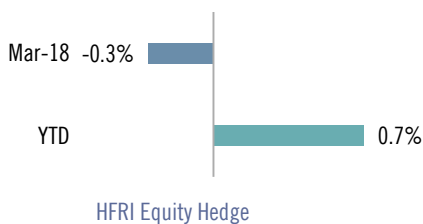
March proved to be a mixed bag for CTAs as, on the one hand, trends in some markets such as equities and base metals weakened, while on the other hand longer term trends in energies resumed. In currencies, short USD exposure detracted during the month and got subsequently reduced in size. Overall, funds' positioning remains slightly net long in equities, flat in fixed income and marginally net long in commodities due to their energy exposure.



LONG/SHORT EQUITY

Short books help soften losses amid a negative month for equities

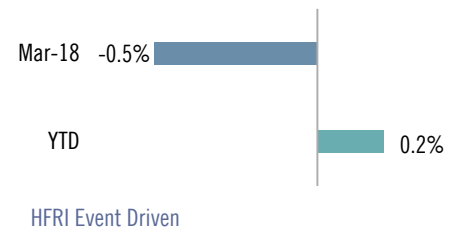
March was challenging with equities ending the month in the red and volatility levels rising. Most sectors were negative with the exception of Technology and Consumer Discretionary. Detracting sectors were led by Defensives, mostly Telecom Services, Consumer Staples and Health Care. Hedge fund managers held up well in general, thanks to their short positions in these sectors. On average, US equity long/short managers underperformed on a relative basis across investment styles. Market neutral and uncorrelated strategies outperformed Directional managers, with both groups posting positive absolute returns in a difficult month.



EVENT DRIVEN

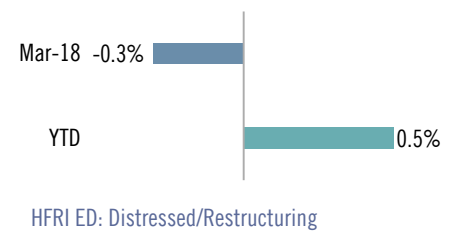
Special situations equity & M&A strategies weigh on performance

Merger Arbitrage suffered from widening spreads on large cap deals like Sky/Fox/Comcast and Monsanto/Bayer on the back of renewed scrutiny and a protectionist tone from the US and China. Trump's order to block the \$117bn Broadcom/Qualcomm deal led to significant outflows from ETFs and mutual funds. Nevertheless, positive developments on deals like TWC or Albertsons allowed to contain losses. Special situations suffered along with global equity markets. Core positions in tech names like Facebook, Alibaba or Dish were the main detractors. European equities declined as well with core exposures to ThyssenKrupp or Gruppo Televisa hurting performance.

**DISTRESSED**

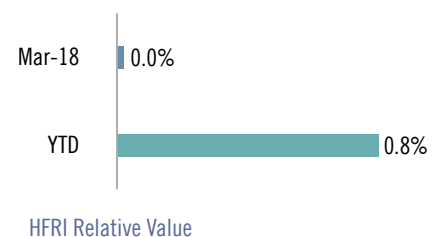
Post-reorganisation equities the main source of losses

Managers with exposure to structured products (MBS, CLO, CRE), Puerto Rico municipal bonds, emerging market government bonds (Brazil and Venezuela) and Lehman Brothers International (Europe) (LBIE) fared well. For LBIE, the Joint Administrators reported that significant progress has been made with regards to the proposed scheme of arrangement and LBIE creditors will be able to vote on the scheme in April. On the negative side, post-reorganisation equity situations (like VICI or Caesars) were notable detractors.

**RELATIVE VALUE**

Mixed performances across underlying strategies

Rates-related strategies reported gains from swap spreads and government auction strategies, as well as micro relative value trades. Long/short volatility positions, long agency mortgage basis and US duration positioning detracted from performance amid flight to quality. In credit-related strategies, the long investment grade financials bias detracted from performance. Of note, most securitized products sectors outperformed corporates, resulting in slightly positive contributions. In equity strategies, market neutral portfolios were generally immune to weak market performance in line with expectations. The Altaba stub trade was slightly down. Contribution from convertible bond arbitrage was flattish during the month despite market volatility.





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