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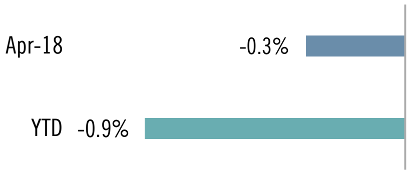
Hedge Fund Flash Report
April 2018

For professional investors only

Pictet Alternative Advisors

GLOBAL MACRO

Rising bond yields, notably in the US and the UK, drive returns

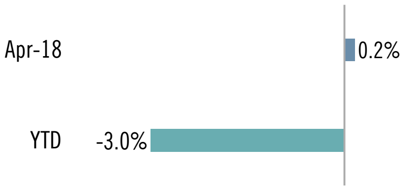


HFRI Macro Discretionary

FX markets were, once again, choppy - with long GBP, SEK or MXN positions being noticeable loss makers. Equities were largely neutral, as profits from small longs in Europe and Japan were offset by unproductive trading positions in the US. A bullish stance towards crude oil generated gains. Funds with an Emerging Markets focus were generally negatively impacted by the weakness of EM currencies, including the Russian rouble. Of note, the dramatic sell-off in Russian assets only had a marginal impact on managers as few were holding stock or credit of the targeted companies.

CTAS

Energy and base metals boost trend followers' performance

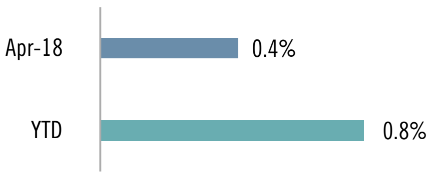


HFRI Macro: Systematic Diversified

Most trend followers ended the month slightly up on the back of long positioning in the energies and base metals sectors. Net short exposure in fixed income instruments also added value in the end thanks to the US segment, namely Eurodollar and US Treasury futures. FX delivered mixed results as the strength of the US Dollar hurt managers with long Euro and GBP exposure. Positions were reduced and to some occasions even reversed in favor of long US Dollar.

LONG/SHORT EQUITY

Equity markets rebound as earnings season kicks off



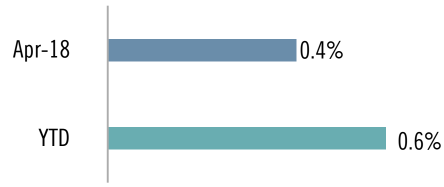
HFRI Equity Hedge

April was marked by the start of earnings season as well as fears regarding the longevity of the cycle. In the US, almost 75% of companies reported strong earnings (mainly Technology, Materials and Healthcare) with strong sales and revenues numbers, while in Europe results were significantly weaker. In terms of sectors, Cyclicals outperformed, with Energy bouncing back up. Oil prices rose to almost $70 per barrel, leading E&P, Oil Services and refiners noticeably higher during the month. Against this backdrop, outperforming Long/Short managers were the ones that either a higher market exposure or a bias to the Energy sector.

EVENT DRIVEN

M&A strategies continue to be a headwind to performance

Negative developments in deals requiring Chinese regulatory approval, such as NXP/Qualcomm, weighed on managers' merger arbitrage books. While deal activity was slow for the best part of the month – the only exception being Comcast's USD 31bn bid for SKY PLC – some core M&A positions, such as SKY and Time Warner benefited from tighter spreads thanks to company-specific developments. Special situation equities suffered from a number of factor rotations and general de-risking in early April, but benefited in the latter part of the month from largely positive earnings results.

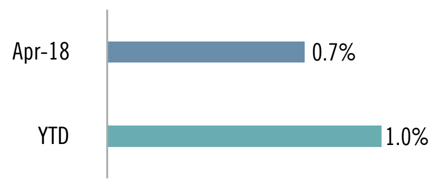


HFRI Event Driven

DISTRESSED

Credit strategies hold up well despite market moves

Lower quality corporate credit was positive whereas investment grade continued to underperform. Securitized products contributed positively thanks to principal and interest income. With the exception of CLO mezzanine, credit spreads were stable across most sectors. In post-reorg equity situations, energy-related names, VICI and Caesars traded slightly up, whereas MGM detracted on the back of lower than expected earnings on Macau operations. Puerto Rico muni bonds rallied on the back of positive sentiment on the revised fiscal plan.

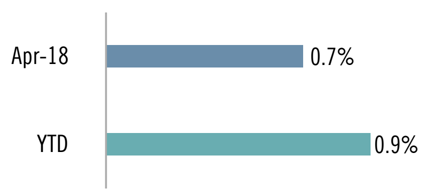


HFRI ED: Distressed/Restructuring

RELATIVE VALUE

Contributions from rates-related strategies while equities detract

Rates-related strategies delivered positive returns driven by various types of trades including US duration positioning, swap spreads and yield curve relative value. Credit strategies saw dispersion across managers but were by and large positive on the back of tighter credit spreads and softer issuance prints. Securitized assets continued to perform well across RMBS, CMBS and CLOs. Equity market neutral portfolios were hurt by the shift in momentum during the month, especially in Europe. Convertible bond arbitrage was positive, thanks to elevated volatility in the technology sector that also reported strong Q1 earnings. Also, $6.0bn of new paper came to the market during the month US-focused convertibles funds reported inflows.



HFRI Relative Value

Note: Returns are based on HFRI index data estimates as at 30.04.2018 and can be subject to change.

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