

*Hedge Flash Report
August 2018*

*For professional
investors only*

Pictet Alternative Advisors

GLOBAL MACRO

Disappointing performances in August

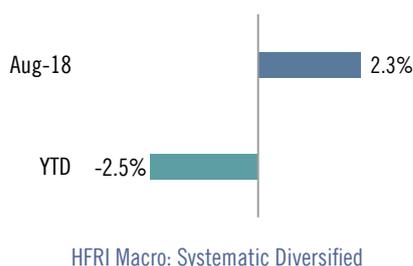
Global Macro managers posted disappointing performances over the summer and closed August on a negative note. Despite a series of localised risk-off events since the beginning of the year, implied volatility levels remain stubbornly low across most asset classes. Developing markets reflation - a dominant theme across managers, largely expressed through outright short US interest rates or yield curve steepening positions – was the main source of losses. Even though generally cautiously positioned, emerging markets focused managers generated losses –mostly due to the situations in Turkey and Argentina.



CTAS

Strong month for CTA managers

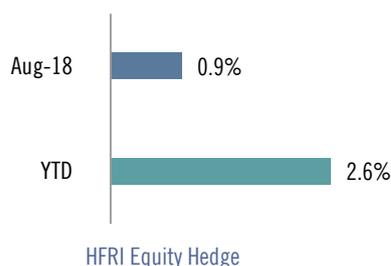
Most CTA managers had a strong month in August on the back of the continued trend in US equities and strong trends in commodities across grains and metals. Mixed returns were registered in FX as the long emerging markets exposure detracted the most across managers with longer term timeframe. Fixed Income registered small gains this month. At the end of the month and entering September, managers held, for the most part, a net long equity and fixed income exposure and a bullish USD stance, while they were net short commodities with the exception of energy.



LONG/SHORT EQUITY

Short books weigh on returns as they outperform the market

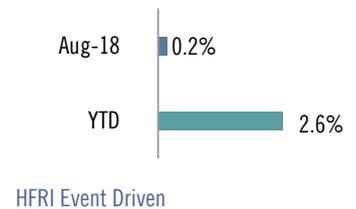
August saw notable dispersion among regions and sectors, with Tech continuing to deliver strong returns to the benefit of Long/short managers exposed to the sector. In terms of styles, momentum and growth did not contribute significantly to returns, despite being up on the month. Short books represented an important source of losses as several among the most shorted companies massively outperformed the market in August. Overall, gross and net exposures have been reduced since the beginning of the year.



EVENT DRIVEN

Mixed returns for Event Driven managers

Despite a slight spread tightening over the month of August, most risk arbitrage managers lost money on the strategy because of a handful of situations that turned negative. For example, healthcare-related deals such as Cigna Health Insurance/Express Scripts and CVS/Aetna, faced opposition to the mergers and are under review by the Justice Department. In special situations, performances were mixed across sectors and regions. Managers with higher exposure to the US outperformed whereas European-focused managers lagged. Finally, August prove to be a difficult month for managers invested in Asia due to Chinese stock volatility increase.

**DISTRESSED**

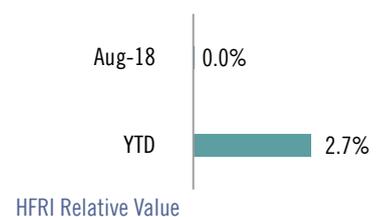
Fairly stable month for distressed managers

In August, Puerto Rico municipal bonds climbed higher on the back of the announcement of an agreement with another group of creditors, contributing positively to the strategy. Short exposure to retail credit names and long positioning in energy were also sources of gains. In structured credit, legacy MBS spreads remained stable, as opposed to CMBX spreads that widened for the most part.

**RELATIVE VALUE**

Mixed results among Relative Value strategies

In an environment where US stocks strongly out-performed Europe and Asia, equity-related strategies delivered mixed returns depending on regional and sector exposures. In Europe especially, exposure to banks and telecommunications detracted from performance. Credit-related strategies benefited from a stable environment for high yield. Performance across managers was modest with gains from distressed positions such as Steinhoff and Puerto Rico. Investment Grade positioning within the Industrial and Financial sectors posted good returns as well. However, emerging market-related positions such as Argentina detracted from performance.





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