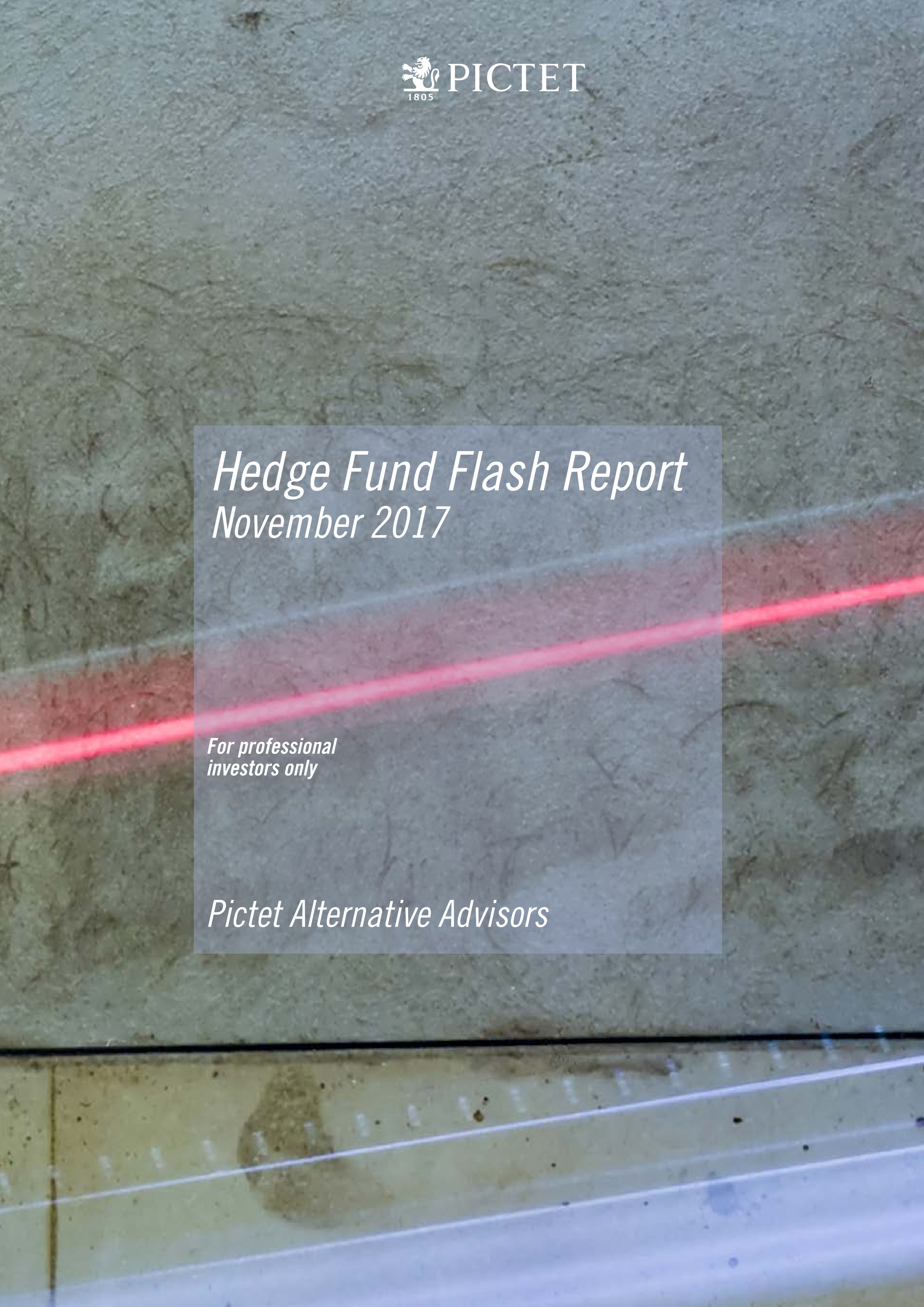


PICTET

1805

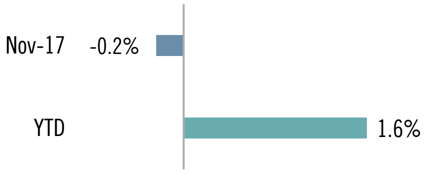
Hedge Fund Flash Report
November 2017

For professional investors only

Pictet Alternative Advisors

GLOBAL MACRO

Fixed income and FX weighs on managers' performance

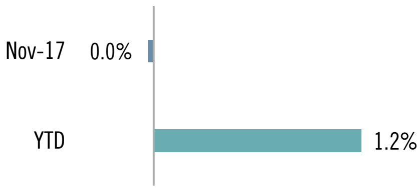


HFRI Macro

Global Macro managers registered losses primarily in developed market yield curve steepeners in November, especially in the US and the UK. In equities, long equity index positions generally helped performance, except for long Eurostoxx that was among the main detractors of the month. In FX, short euro and yen exposure also proved costly for certain managers. Commodities was once again difficult to trade, and managers registered losses on positions such as long nickel. On the positive side, some managers made gains in FX, namely in their long British pound exposure, as well as being short the belly of the US curve.

CTAS

Muted returns amid tight trading conditions

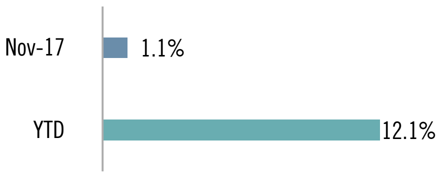


HFRI Marco: Systematic Diversified

The majority of short-term CTAs suffered from the tight trading range that characterized the S&P500 in November. On the other hand, longer-term trend followers resisted better and preserved capital during the month. Stock indices were the primary drivers of return on the month, with gains from the US and Japan offsetting adverse movements in Europe. In general, short rates exposure in the US contributed to performance, while the rest of their books generated mixed results depending on the timeframes applied by managers.

LONG/SHORT EQUITY

Wide-ranging performances depending on managers' biases



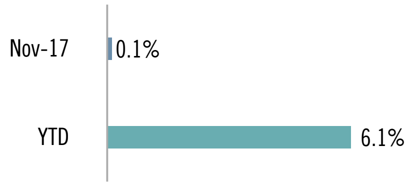
HFRI Equity Hedge

Managers performance in November was to a large extent defined by their sectoral and style biases. In the US, sector leadership sharply rotated at the end of the month with the Nasdaq and FANG dropping on the 29th of November by -1.7% and -3.7% in a flat US market. US managers being, on aggregate, long growth and momentum were hurt from this reversal. In Europe, equity markets pulled back in a uniform manner. All sectors but Real Estate were negative and the market experienced a general profit-taking on cyclicals. On average, European managers withstood the headwinds but dispersion of performance was large depending on sector positioning.

EVENT DRIVEN

M&A exposure trimmed amid Time Warner/AT&T deal complications

The month was difficult for Event Driven managers, especially those with large exposure to M&A and Puerto Rico municipal bonds. Special situa-tions posted flat to positive returns but no major outliers stood out. In general, managers with exposure to Europe continued to outperform US-focused ones, building on positive momentum. Overall, exposure to special situation equities has been increasing along with investors' confidence. Merger arbitrage weighed the most on returns. Spreads on many large and mega cap deals wid-ened on the back of renewed investigations by the antitrust competition commission, with the Time Warner/AT&T deal dominating the headlines.

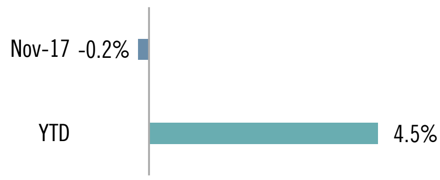


HFRI Event Driven

DISTRESSED

Emerging markets and Puerto Rico positions weighed on returns

Performance in credit/distressed situations was mixed, but in general European managers outper-formed their US counterparts. Managers with performing credit and/or reorganization equities in the energy and utility sectors held up well, while EM (especially Venezuela) and Puerto Rico exposures detracted amid further markdowns. Structured credit continued to add to P&L. In terms of flows, the HY market suffered from heavy outflows from US high yield bond funds, which put pressure on credit spreads, especially in the US.

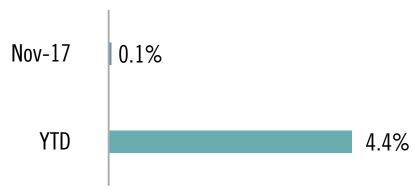


HFRI ED: Distressed/Restructuring

RELATIVE VALUE

Gains in convertible arbitrage while corporate credit detracted

Convertible arbitrage continued to deliver steady returns with small gains generated across the board in a slightly more volatile environment. Corporate credit showed signs of volatility on the back of large outflows from US HY bonds. Managers were flat to slightly negative in that space depending on credit picking and sector positioning. The energy and utility sectors did well, whereas telecom, healthcare and retail struggled. Securitized assets, namely CLOs and non-agency RMBS positioning, were positive contributors. Equity-related strategies, including M&A and positions in the technology sector, were a drag on performance.



HFRI Relative Value

Note: Returns are based on HFRI index data estimates as at 30.11.2017 and can be subject to change.

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