

## Altana Director Alignment Strategy

### Directors' dealings outperform again: +3.22% in October market rout

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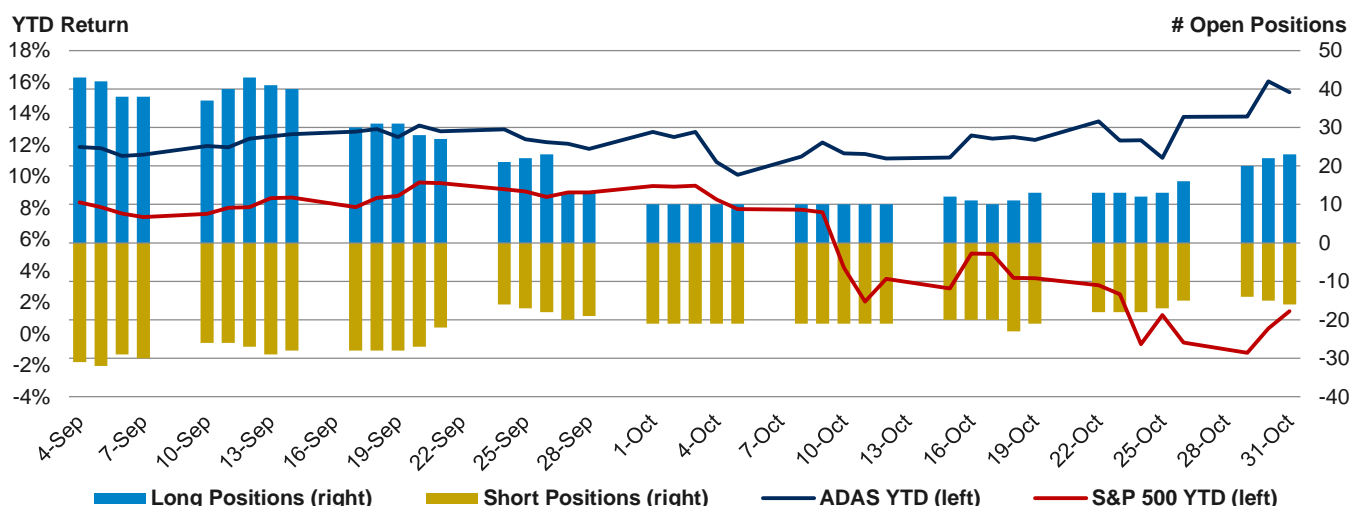
This year has been a tough ride for most investors. On 5 February volatility witnessed its sharpest ever recorded rise. In October the NASDAQ 100 Index (NDX Index) printed its worst monthly number since 2009, the Chinese index (CSI 300 Index) is down almost a fifth and European data shows the economy is slowing down faster than expected. Against this background of losses and poor performance indicators the Altana Director Alignment Strategy (ADAS), that analyses trading patterns of corporate directors, returned **3.22% gross (2.46% after fees)** in October, while the S&P was down 6.94%. ADAS is up **15.36%** (before fees) year to date, with the S&P only showing a gain of 1.43%.

Both during the volatility spikes and turmoil of early February, when the fund was up **3.87%** gross, and during the October sell off, corporate directors have proven their ability to anticipate these adverse market events, to position themselves to cover potential losses and even profit from the adverse market events.

#### Why did ADAS outperform?

This latest outperformance by the ADAS algorithm is the result of its ability to anticipate important market reversals and reflect these in the composition of the book. As can be seen in the graph below, the long book contained 40 long positions at the end of September before sharply reducing this to 10. The short book remained well filled. This transition allowed ADAS to perform well in the weeks that followed as it was net short well in advance of the sell off. As the sell off gained momentum, the book moved to a market neutral position allowing ADAS to profit from the stabilisation at the end of the month.

Considering this in more detail, over the entire month the book fluctuated between market neutral and net short. As a result of anticipating a sell off and switching the composition of the book ahead of time, we recorded a maximum loss for the month of 1.4%, prior to the start of the selloff. As the sell off gained pace that loss was reversed. The outperformance for the month is due to being market neutral or net short and having carefully selected short trades that outperformed well at the start of the month. It was only towards the end of the month that the long book started to pick up again. This is a typical behaviour pattern in the Director Alignment Strategy. Post a sell off, directors understand that there is often a buying opportunity as they perceive the true value of their company better than outsiders.



Open positions and returns. Source: Altana Wealth Ltd

This is fully in line with the other market corrections event we have witnessed ever since we started the strategy in January 2016. The corrections in January 2016 and February 2018 and the turmoil in October 2018, all show that the model adopts a short market neutral to short net exposure in anticipation of the event and builds up a long book right after the sell off to take profit from the rebound and cheaply valued markets.

## Altana Director Alignment Strategy

**Strategy:** ADAS is a systematic US equity long/short UCITS, focused on \$1bn+ mid- and large caps

**Key Features:**

- ▶ **Intuitive:** Corporate insiders know more than anyone about their shares  
ADAS seeks pure trading signals to align with corporate insiders
- ▶ **True Alpha:** When correctly filtered, directors' dealings generate true alpha  
ADAS generates long and short profits independently – the holy grail of absolute return
- ▶ **Positive Convexity:** The strongest signals are generated ahead of the largest moves  
ADAS stop loss methodology further adjusts net exposure as prices rise or fall

Altana Director Alignment Strategy – Gross performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	2.60%	1.43%	-0.17%	4.05%	-0.38%	-1.01%	-1.59%	5.72%	0.55%	-0.71%	6.23%	3.61%	21.86%
2017	0.79%	0.77%	0.89%	-0.32%	-1.12%	1.55%	0.07%	-0.39%	2.17%	-0.24%	0.76%	-0.66%	4.28%
2018	1.56%	3.87%	1.97%	0.93%	1.89%	1.10%	-0.79%	0.89%	-0.18%	3.22%			15.36%

▶ Trading program research was completed at the end of 2015  
 ▶ Managed account track record January 2016 – May 2017  
 ▶ UCITS Fund launched in June 2017

Altana Director Alignment Strategy Fund (UCITS) – net of 2.5% capped fee													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017						1.33%	-0.13%	-0.60%	1.95%	-0.45%	0.55%	-0.87%	1.78%
2018	1.04%	2.90%	1.41%	0.56%	1.31%	0.70%	-0.82%	0.54%	-0.31%	2.46%			10.16%

▶ Until the UCITS Fund reaches an AUM of 20 million the total expense ratio (TER) will be capped at 2.5% and rebated by Altana Wealth Ltd.  
 ▶ Returns are capped at 2.5% total expense ratio. Cap includes the management fees and other fund expenses.

Please let us know if you have any questions or would like to receive further information.

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