# AQUIS Hedge Funds Solution – August 2022 Comments

## General Market Overview

The month of August was a tale of two parts: In the first part, markets continued to perform well on the positive momentum built in July, with US equity indices up 5% until mid-month. Lower than expected inflation numbers supported the momentum, surprising markets. In the second part of the month, Powell's speech at the Jackson Hole central bank gathering was the key watershed moment: After his speech investors turned to risk-off attitude and significant corrections across asset classes were registered: From equities, commodities, high yield bonds, currencies and cryptos.

Equity Markets had a two-fold period split by Powell's speech which caused major equity indices to close the month on a negative tone, with the S&P500 and the EuroStoxx50 declining MoM by -4.08% and -5.09% respectively. Almost two months of performance recovery from mid-June to mid-August have been almost erased, as investors realized that the Fed is set to continue with the tightening policy to tackle the current high inflation level, with an increasing likelihood of an induced recession. In terms of sectors, Information Technology, Health Care, and Real Estate stocks suffered the most, while the Energy & Utility sector held well, being the only positive for the S&P500.

On the Interest rates and Inflation front, August fixed income markets were dominated by the tug-of-war between inflationary pressures and recession fears news. Overall, USD Treasury yields ended the month up across the whole maturity spectrum. The US 2y Treasury yields climbed to 3.45%, the highest level since 2007 and clearly indicating an inversed yield curve, the most significant inversion in the last 20 years. Probabilities for a 75-bps rate hike from the Fed in September were also revised, with investors that now expect a 70% chance after Jerome Powell further enhanced commitment to lower the price pressure down towards the 2% target.

The commodity complex moved mainly sideways in August with a couple of exceptions. The natural gas situation in Europe reached even more extreme levels over the course of the month, with the French and German one year ahead electricity contracts at all-time highs respectively crossing the 1000 EUR/MWH and 800 EUR/MWH before retracing. The movements were largely driven by margin call squeezes and shortage fears rather marginal costs inputs, therefore impacted by the cost of avoiding potential blackouts. Oil prices remains in search for direction, still weighing the deteriorating global growth outlook and supply chain constraints.

Currency markets had a busy August 2022, as well. The Dollar continued to strengthen significantly, reaching multi-year highs against Euro and Yen. The sterling suffered its worst monthly decline against the US since the Brexit referendum as economic environment continued to deteriorate, driven by the energy crisis (household energy bills expected to jump as much as 80% during the winter) and the uncertainty around the political succession. The Chinese Yuan also continued to devaluate, this time in a different set-up compared to 2015, with fewer investors positioning for the moves. Crypto markets also corrected, with Bitcoin and Ether down respectively -14.07% and -6.94% for the month.

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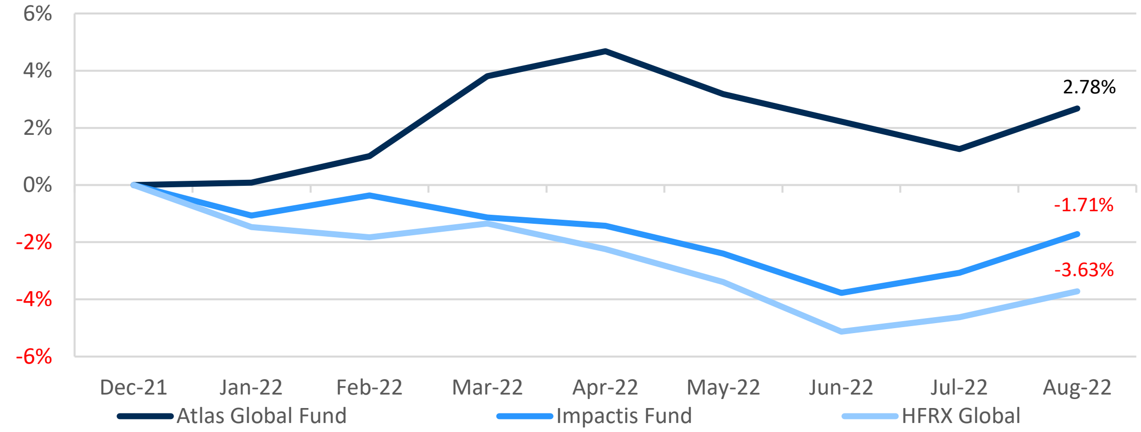
## AQUIS Hedge Funds Solution – YTD Performance




## Atlas Global Fund – August +1.50% in USD, YTD 2022: +2.78%

The Atlas Global Fund was strongly up for the month, with performance estimate of +1.50% in USD for Class A, being up +2.78% YTD. For comparison reason, HFRX Global Index was slightly up +0.95% in August and delivered -3.63% YTD.

Equity Long / Short hedge funds registered a mixed performance, despite a volatile macro backdrop. Positive contributors came from a consumer-focused manager, as some particular themes that detracted in the previous month now reversed. The sector is characterized by a clear separation among the players that benefitted from the "Work From Home" environment and those that were penalized from it. An equity multi-strategy hedge fund performed very well, with strong alpha generated from the short side in the second half of the month. Key draggers were our European dedicated long/short equity manager and a generalized losses from the Asian focused managers.

Credit Long/Short hedge funds also contributed positively and profited from the selloff in interest rates. The movements have been sharp and consequently also the performance of credit sensitive books. Our managers have been successful in deploying capital opportunistically while hedging interest rate risk during the selloffs and removing the hedges during the rallies. Convertible strategies delivered positive returns, as the market's tone towards the space improved despite the high beta convertibles have with equity markets. In addition, while the bottom it is always difficult to call, it seems that the selloff across tech converts that characterized the first part of the years is now on pause.

Our Global Macro commodity-focused managers delivered positive contributions despite the volatility that characterized some specific areas such as carbon allowances and natural gas. In this case, the strategy performed successfully, gradually reducing the positions on the way out over the course of the month and with the plan to remain on the sideways going forward until the volatility will calm down. Our second dedicated investment profited from market volatility across the tankers, containers and carbon credit trading, while posting limited losses on the metals renewables segments. The outlook for the strategy remains attractive, supported by the same elements that are characterizing the year: China economic slowdown, Ukraine conflict, structural supply chain issues and widespread shortages of energy.

The strongest contributions came from our Global Macro managers that once again for the year were successfully positioned across volatile commodities, equity markets and interest rates. In particular, August was marked by significant Dollar appreciation, a pickup in equity volatility in after Powell's speech and by large wings across US and European short-dated forwards, which all supported discretionary macro strategies. On the fixed income side, key trades have been the relative value positioning of government bonds in light of more probable rate hikes from both the ECB and the Fed and as policy makers release more hawkish monetary policy statements.

In terms of sub-portfolios, Convexity was the largest monthly contributor profiting from Global Macro strategies, Neutrality delivered well in line with expectations, being nicely up while Opportunity slightly detracted. In August, we did not do any portfolio changes, as we maintain high conviction in the current portfolio.

## Impactis Fund – August +1.40% in USD, YTD 2022: -1.71%

The Impactis Fund, our unique fund of sustainable hedge funds, finished the month of August with a strong positive performance of an estimated +1.40% in USD, bringing the performance to YTD -1.71% in USD, outperforming the HFRX index MTD and YTD. We are very pleased with this month performance as all our holdings contributed positively, independently from the strategy and asset class bias.

Our investment dedicated to the Global Macro -Carbon trading asset class was slightly positive in a very volatile month. European carbon credits rallied in the first part of the month and reached the highest level since February, attempting to reach the 100EUR/tonne threshold. The climb up was followed by a sharp reversal in the final days when prices collapsed by 20% following worries of an intervention from the EU Commission. Our holding was able to capture the upside while successfully protecting the portfolio against the correction.

The Long/Short Equity - Sustainable Relative Value strategy was nicely up for the month, with both investments contributing positively. Long positions in American energy companies added to the returns, together with selected short positions on high growth, rate sensitive technology names. A short position on poor ESG actor also supported the performance. Our investment in the Long/Short Equity - Energy Transition was also strongly up for the month. The funds remain focused on ESG themes including positive change players in the energy transition, plastic-to-paper conversion, and carbon capture.

Our manager dedicated to the Event Driven – Corporate Engagement strategy recovered nicely from last month losses in a difficult environment in which both the US and European high yield market dropped respectively by -2.39% and -1.22% over the month. We continue to maintain high conviction in the portfolio as the potential remains strong; for this reason, we might add to the strategy going forward.

## AQUIS Hedge Funds Solution - Outlook and Opportunity-Set

The outlook for the global economy remains uncertain, driven by plenty of secular forces, geopolitical tensions and the structural crossroad between disinflation and inflation. In this context, we expect market volatility to remain elevated for the next months, which will continue to generate a favorable environment for hedge fund strategies. We anticipate more dispersion and attractive opportunities, particularly towards active managers and flexible net strategies. With the announcement of further gas restriction from Russia to Europe and the looming energy crisis in Old Continent, our thesis of a short-term summer rally proved right so far. Considering than that Europe doesn't have the flexibility to hike rates as easily as the US due to its different member indebtedness levels, the EU situation, as well as for the UK, appears to be relatively worse than in the US. For this reason, we remain convinced the current portfolio composition and allocation slightly tilted towards Global Macro managers.

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