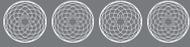


Non-independent research

Kepler Rating: 4



Fund Objective

To achieve regular and positive performance in all market conditions by combining arbitrage strategies with systematic long/short strategies.

Fund Manager

Henry Jeantet,
Xavier Morin,
Olivier Leymarie

Geography

Global

Strategy

Event Driven

Fund size

€100m

Firm assets

€550m

Fund inception

May 2013

Liquidity

Weekly

AMC

1.25%

Performance fee

20% (EONIA)

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Short-form report

03rd October 2014

Syquant Helium Performance

Summary

Syquant Helium Performance is an event driven fund that aims to provide consistent positive performance by combining two equity market neutral arbitrage strategies (merger arbitrage and event driven) with two systematic strategies ('stock selection' and 'systematic long/short') investing in mature markets across North America and Europe. The fund is based on Syquant's flagship fund, Syquant Helium Opportunities, which combines the merger arbitrage, event driven and systematic long/short trading books but has a lower return profile than this fund. The Syquant Helium fund originally launched as an offshore fund in 2005 with Syquant Helium Opportunities fund (UCITS) launched in 2009. Both funds have generated a conservative and highly consistent return stream for investors since their respective inceptions. Syquant Helium Performance targets a higher return than the two flagship funds by taking increased exposure to the three primary strategies as well as the inclusion of a fourth systematic stock selection strategy, which unlike the other market neutral trading books can have flexible net exposure from time to time. In combination this allows the strategy to target an annualised return of >7% with annualised volatility of around 4%. The fund stands out as one of the few equity neutral event driven strategies available in UCITS, and since launch has generated a consistent return stream from a diversified set of alpha engines. As such we are happy to award this fund a four star rating.

Performance review

The fund was first launched in May 2013 and has generated annualised returns of 5.7% with annualised volatility of 3.1%. Built on four complimentary books, it is designed to provide stable and positive returns over time. Each strategy is not only complimentary to the others in terms of return, but also in terms of risk profile. Since inception each of the four books has contributed positively to performance, however 'systematic long/short' often lies dormant as it is a mean reverting strategy that only becomes active in times of heightened stress. Unsurprisingly the merger arbitrage and event driven book have been reasonably correlated to each other at 0.53, whilst 'stock selection' and the 'systematic long/short' strategy have provided strong diversification benefits. The team have developed an edge in mid-sized deals (\$300-\$2bn) where they encounter less competitions from US 'blockbuster' funds. In addition Syquant have experience of dealing with the regulatory 'patchwork' in Europe giving them an edge. In order to ensure that each book is managed to its potential, the investment team splits their focus accordingly. Henri Jeantet (co-CIO) is responsible for the merger arbitrage book, Xavier Morin (co-CIO) is responsible for the event driven book and Olivier Leymarie (CEO and Head of Quantitative Strategies) is responsible for the systematic strategies. Syquant Helium Performance is based on the Syquant Helium Opportunities fund, which has a lower return/volatility target. This fund has generated annualised returns of 4.2% with an annualised volatility of 1.6% since inception in 2009 and now has €420m assets under management. The higher return objective means that the Syquant Helium Performance fund will take larger exposure than the more conservative flagship fund to both discretionary strategies (c1.75x) as well as investing in the 'stock selection' strategy, which is unique to this fund. The funds gross exposure will typically be around 175% although may go as high as 300% in certain circumstances (in particular when the mean reversion strategy kicks in). Given that capital protection is at the heart of what Syquant set out to do, it is encouraging to note that the Performance strategies maximum drawdown since inception has been limited to just -1.18%. Similarly the maximum drawdown for the Opportunities strategy has been just -0.96% since inception in 2009.

Fig 1: Fund Performance: Syquant Helium Performance (since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013					0.7	-1.5	1.5	-0.1	1.3	1.4	0.5	1.2	5.0
2014	0.1	1.8	-0.9	-0.3	0.9	0.5	0.5	-0.2	0.0				2.4

Source: Syquant Capital, Class S EUR; Kepler Partners.

Kepler Partners Research

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Syquant Helium Performance

Investment Process

The fund is made up of four books; merger arbitrage, event driven and two systematic stock selection strategies. The merger arbitrage book invests in announced deals, equally split between Europe and North America. On average the book will be invested in 40 deals with around 1% of NAV at risk per deal. As merger conditions are fulfilled positions will progressively increase up to a maximum of 10%. The event driven book invests long and short in positions related to corporate events. These will typically include Index reshuffles, acquisitions, rights issues, accelerated book-builds, IPOs or dividend arbitrage. Given the teams experience the bulk of risk (70%) will be deployed in Europe, with the balance in North America. The average holding period in this book is c.1 month with every position 100% hedged to maintain market neutrality. The final two books contain proprietary quantitative strategies, namely 'stock selection' and 'systematic long/short' (mean reversion). The 'stock selection' book contains a diversified book of long stocks that are filtered to identify buy signals. Gross and net exposure is flexibly managed using listed indices for hedging. The mean reversion, or 'systematic long/short' strategy

often lies dormant and only becomes active in periods of heightened stress. As such it can provide powerful diversification.

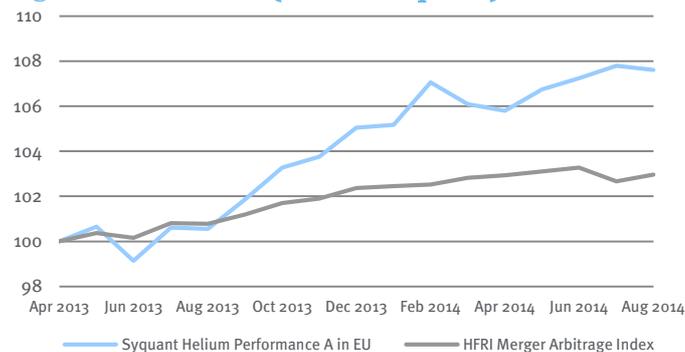
Risk Management

Capital preservation is the team's top priority. Each position is individually assessed for its risk/reward characteristics and limits are set accordingly (stop loss, VaR, gross exposure). In addition the CRO, Laurent Boscherel, is responsible for monitoring all positions, exposures and risk limits. Both PMs and CRO pay close attention to liquidity with 100% of the portfolio able to liquidate within 3 days.

Fees and Management

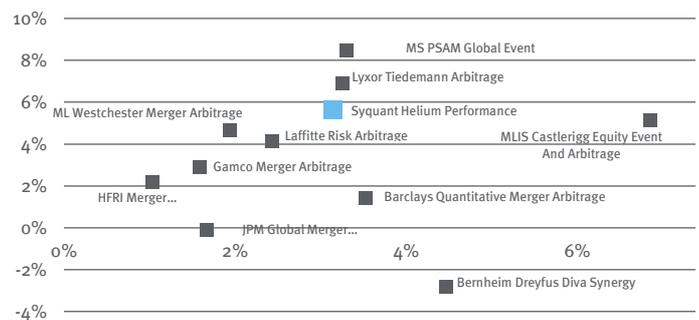
The fund is priced at 1.25% & 20% (with an EONIA hurdle) for institutional share classes and currently has assets under management of €100m. Currently there is also an early bird share class available that is priced at 1.0% & 15% (with an EONIA hurdle), although this may be 'soft closed' soon. Syquant was founded by Henri Jeantet and Olivier Leymarie who previously created and developed the Equity Derivatives business at Credit Agricole. The firm is based in Paris and manages €550m across three funds.

Fig 2: Track Record (since inception)



Source: FE Analytics, Kepler Partners LLP.

Fig 3: Risk/Return (since inception)



Source: FE Analytics, Kepler Partners LLP.

Outlook and recommendation

Based on the highly successful flagship fund, this recent launch caters to investors with higher risk and return requirements. The fund achieves this by taking increased exposure to the two main discretionary building blocks of the flagship product, merger arbitrage and event driven, as well as the systematic long/short (mean reversion) strategy. The team have developed an edge in mid-sized deals in Europe where many other struggle with the regulatory patchwork. All Syquant funds benefit from this short-term mean reversion strategy which seeks to identify stock clusters that have moved away from their historic mean. This strategy has proven to be a particularly good hedge in periods of heightened volatility; usually a time when merger arbitrage and event driven struggle. In addition to this, Syquant have added a complementary systematic 'stock selection' strategy to Helium Performance that is designed to provide additional returns from a diversified portfolio of mid-cap stocks (displaying strong alpha) and dynamically hedged using index futures when required. In combination, this has resulted in a consistent return stream since inception and has strong potential to continue delivering sector leading returns. As such we award the fund a four star rating.

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