

IPM Systematic Macro UCITS Fund

June 2017

Table of Contents

- Executive Summary
- The Investment Manager: IPM Informed Portfolio Management AB
- IPM Systematic Macro UCITS Fund
- Appendix

1. Executive Summary

2. The Investment Manager: IPM Informed Portfolio Management AB
3. IPM Systematic Macro UCITS Fund
4. Appendix

Executive Summary

IPM Systematic Macro UCITS Fund

- **Investment Objective:** To provide investors an opportunity to access the IPM Systematic Macro investment strategy
- **Delivery Format:** UCITS-compliant, Irish-domiciled OEIC Fund with daily liquidity

IPM Systematic Macro Strategy

- **Firm:** IPM Informed Portfolio Management AB (“IPM” or the “Firm”) manages systematic global macro and equity funds with assets under management of approximately \$6.9bn (as of 30-Jun-17). IPM is domiciled in Sweden, and was founded in 1998 with the purpose of assisting institutional investors to improve their overall investment returns
- **IPM Systematic Macro Strategy:** The IPM Systematic Macro Investment Strategy is based on proprietary investment models that provide unique insights into how fundamental drivers interact with the dynamics of asset price returns, and trades liquid instruments such as currencies, government bond futures and equity index futures. The investment models employed evaluate the relative attractiveness of financial instruments and exploit the divergence in fundamentals by taking long and short positions

Morgan Stanley

- **Structure and Purpose:** FundLogic Alternatives plc, set up by Morgan Stanley, enables investors to access investment strategies offered by Alternative Managers in a UCITS-compliant format
- **Morgan Stanley’s Role**
 - Promoter of the OEIC
 - Risk Manager to the OEIC
 - Distributor to the OEIC

1. Executive Summary

2. The Investment Manager: IPM Informed Portfolio Management AB

3. IPM Systematic Macro UCITS Fund

4. Appendix

IPM Informed Portfolio Management

About IPM

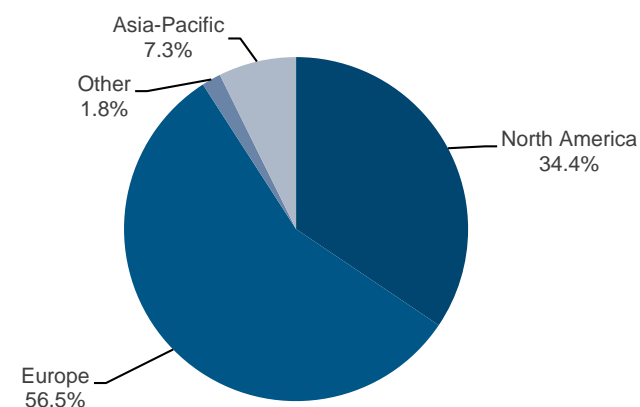
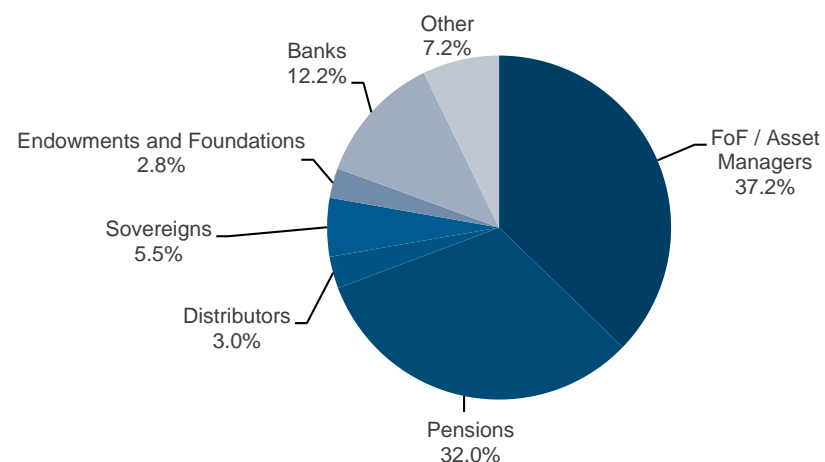
- IPM was founded in 1998 with the purpose of assisting institutional investors globally to improve their overall investment returns. The goal had been from the start to design uncorrelated investment strategies that were non market price dependent and using predominantly fundamental information
- IPM's investment process is centred around a research team with a strong quantitative background. The implementation of all strategies is then done without any discretionary elements
- IPM is today recognised as a leading asset manager focused on fundamentally driven investment strategies with a systematic implementation
- The company currently employs 52 people and manages around USD 6.9bn for global institutional investors of which approximately 3.8bn of risk weighted assets in the IPM Systematic Macro strategy and approximately 3.1bn in IPM Systematic Equity, a long only dynamic value equity strategy

Source: IPM.

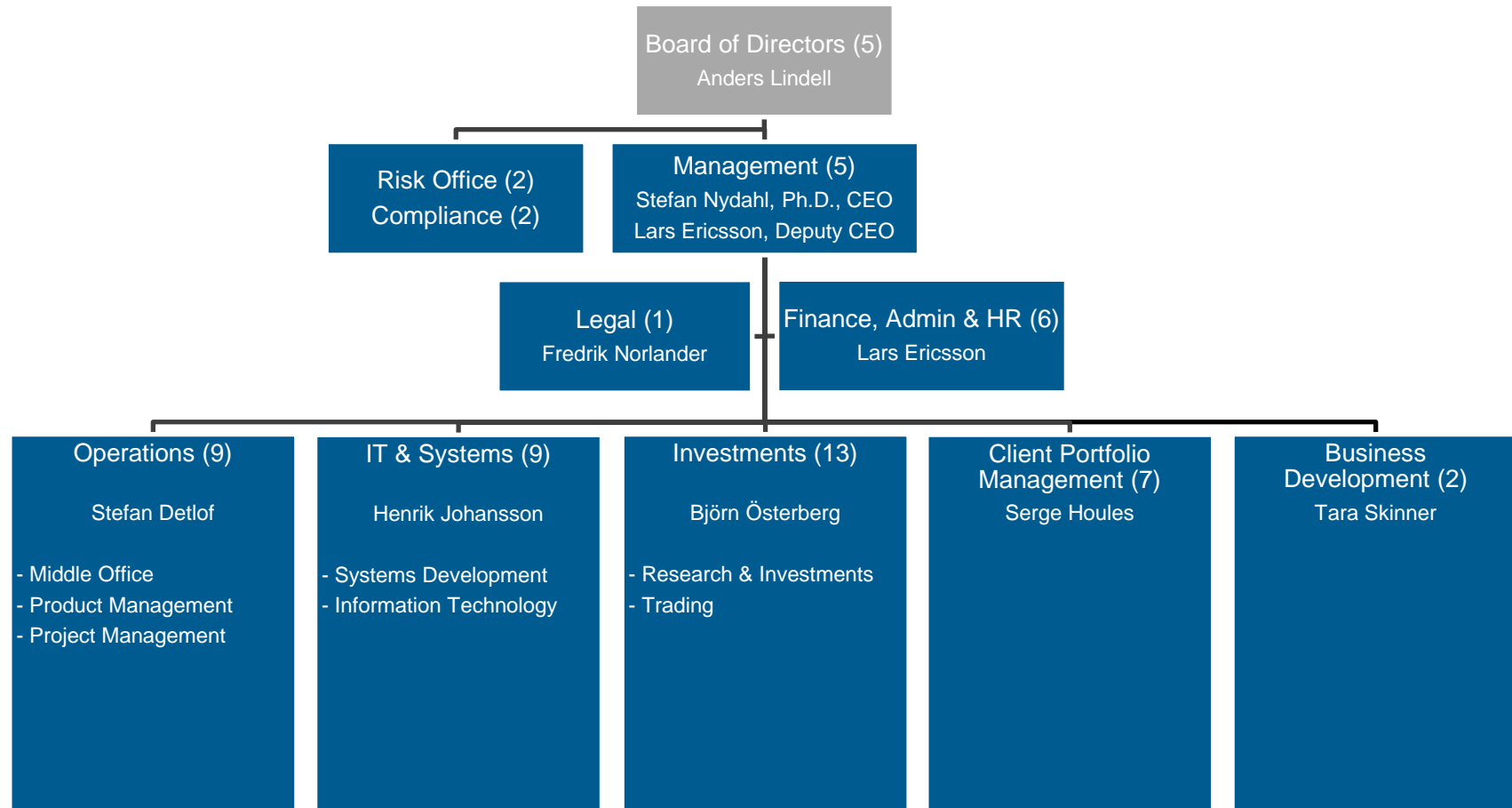
Assets, employee data as at June 30, 2017. Strategy investor break-down by type and geography as of June 30, 2017.

IPM is regulated as an AIFM by the Swedish Financial Supervisory Authority (Finansinspektionen), and registered with the U.S. Securities and Exchange Commission as a foreign investment advisor since 2011, and as a CPO/CTA with the Commodity Futures Trading Commission since 2013

Strategy Investor break-down by type and geography



IPM Organizational Chart



As of June 30, 2017

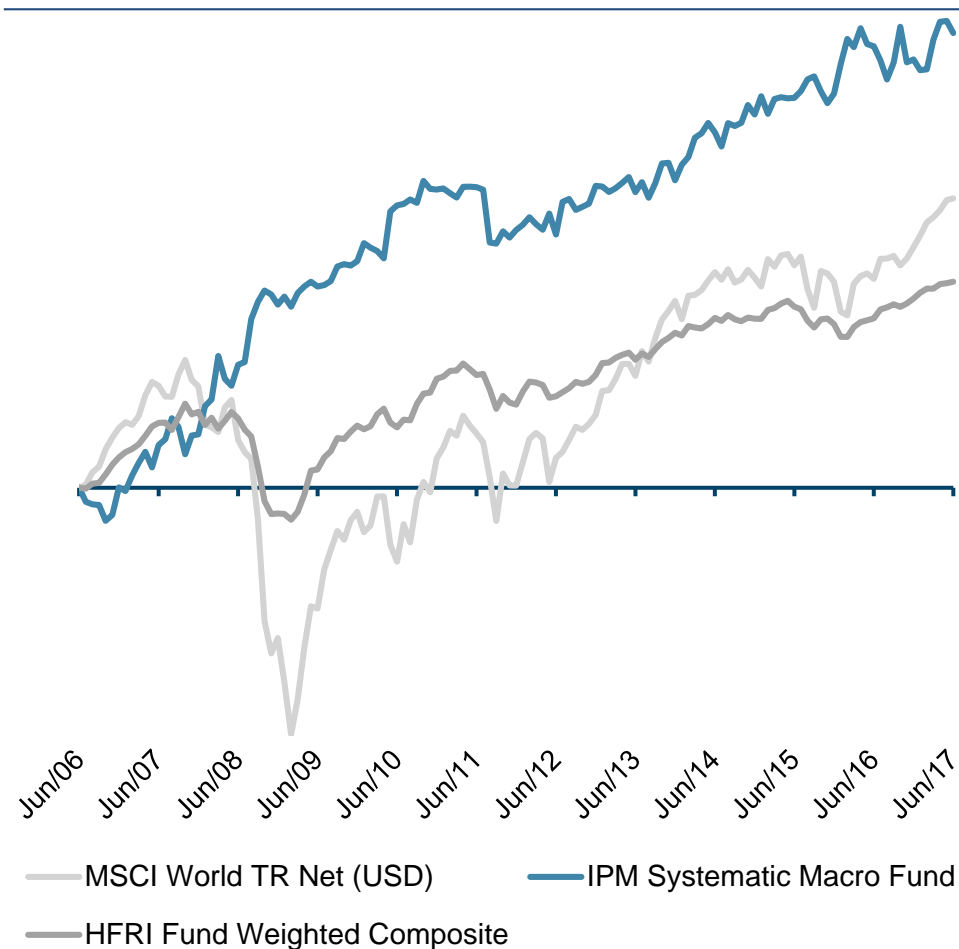
Key strategy characteristics

- **Long term proven track-record** with competitive and diversifying returns
- **Substantial added-value to any institutional investor's portfolio** thanks to the absence of structural correlation to traditional or alternative investment strategies
- **Forward-looking** investment approach based solely on fundamental input
- **Diversified portfolio** built on fundamental themes combining a large number of uncorrelated investment ideas
- **Focus on risk** throughout the investment process
- **Robust** investment process
 - Portfolio construction does not rely on correlations
 - Research process structured to guard from “idea fitting” to the fundamental data
- **Liquid and transparent** strategy

Proven long term track-record (1,2)

Strong risk adjusted performance uncorrelated to most investment strategies

Historical performance (log scale)



Performance & Risk Analysis (Jun-17)

Return (annual)	9.0%
Standard deviation (annual)	11.1%
Downside volatility	6.1%
Sharpe ratio (2)	0.7
Sortino ratio (2)	1.3
Minimum monthly return	(10.4%)
Maximum monthly return	10.3%
Positive months	60%
Positive 12 month rolling	88%
Largest draw-down	(12.2%)

Correlation Data

MSCI World Equities (USD)	(0.2)
Citi WGBI (USD Hedged)	0.2
HFRI Hedge Fund Index	(0.2)
HFRI Global Macro Index	0.0
HFRI Managed Futures Index	0.0

Source IPM & Bloomberg

1. Performance of the IPM Systematic Macro Strategy (net of Mgmt. Fee 1% until Dec 2012, 2% until Feb 2015, and 1.5% thereafter, Performance Fee 20%, HWM). Past performance is no guarantee of future results and an investment in the IPM Systematic Macro Strategy could lose value.

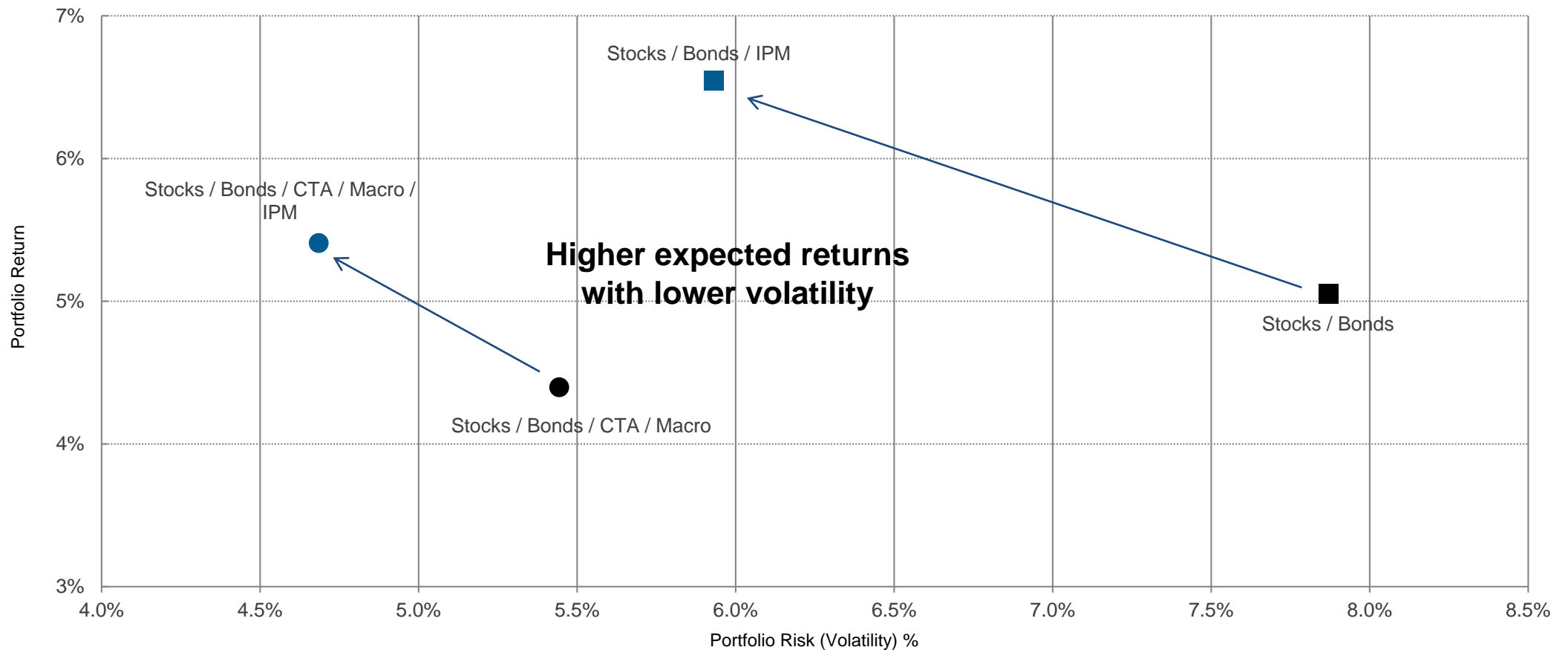
2. Calculated using 3 month US T-Bill returns as risk free rate.

Substantial portfolio benefits (1)

Improves the Risk and Return Characteristics of Most Institutional Portfolios

Portfolio Risk & Return

Equally Weighted Portfolio - Monthly Rebalancing



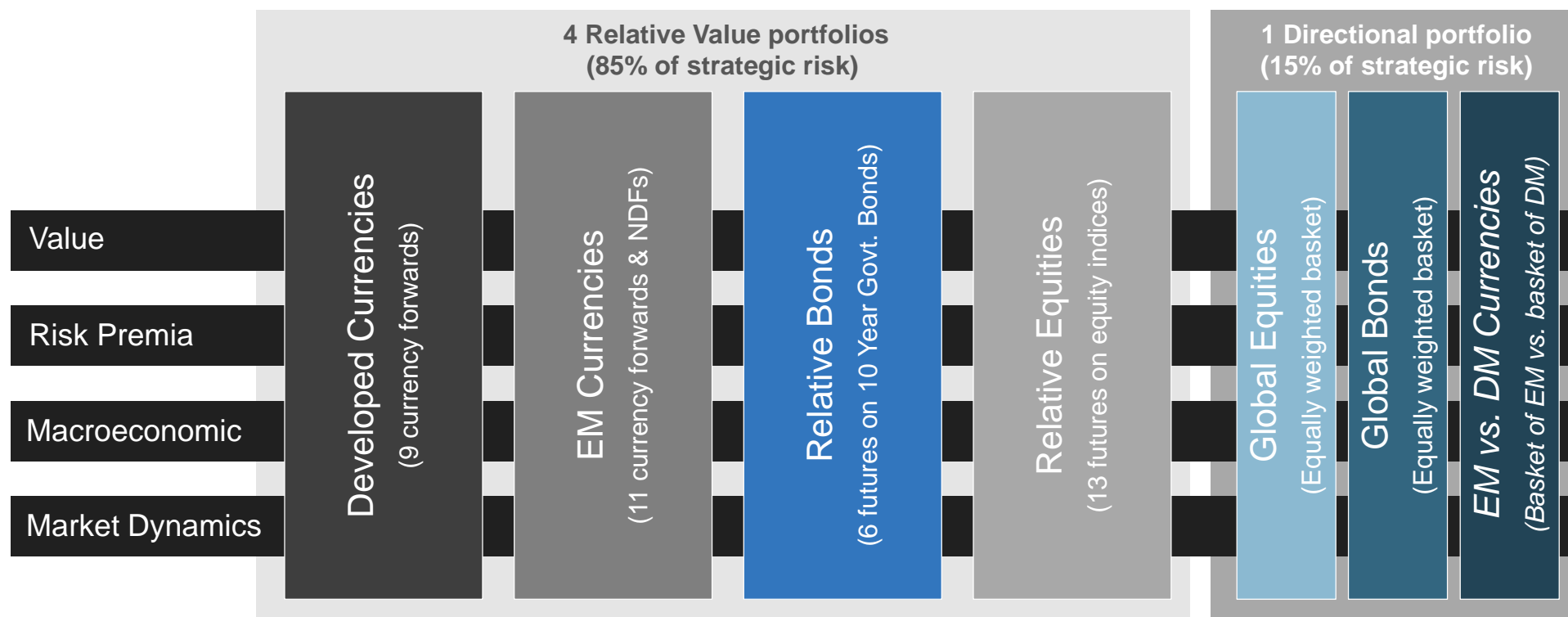
Source IPM & Bloomberg

1. Performance comparison of the IPM Strategy (net of Mgmt. Fee 1% until Dec 2012 and 2% thereafter, Performance Fee 20%, HWM) and MSCI TR Net USD ("Equities"), Citigroup WGBI Hedged USD ("Bonds"), HFRI Systematic Diversified Index ("CTA"), and HFRI Macro Index ("Macro"). Past performance is no guarantee of future results and an investment in the IPM Strategy could lose value

Highly liquid and diversified strategy

Five independent portfolios

- Each portfolio comprises a group of assets sharing common drivers
- Positions are implemented using liquid instruments across developed and emerging currencies, developed government bonds and equity markets
- The investment themes are implemented using tailored investment ideas pertinent to each portfolio



Consistent and broad fundamental evaluation

IPM focuses on four broad dimensions to identify investment opportunities and capture security price dynamics

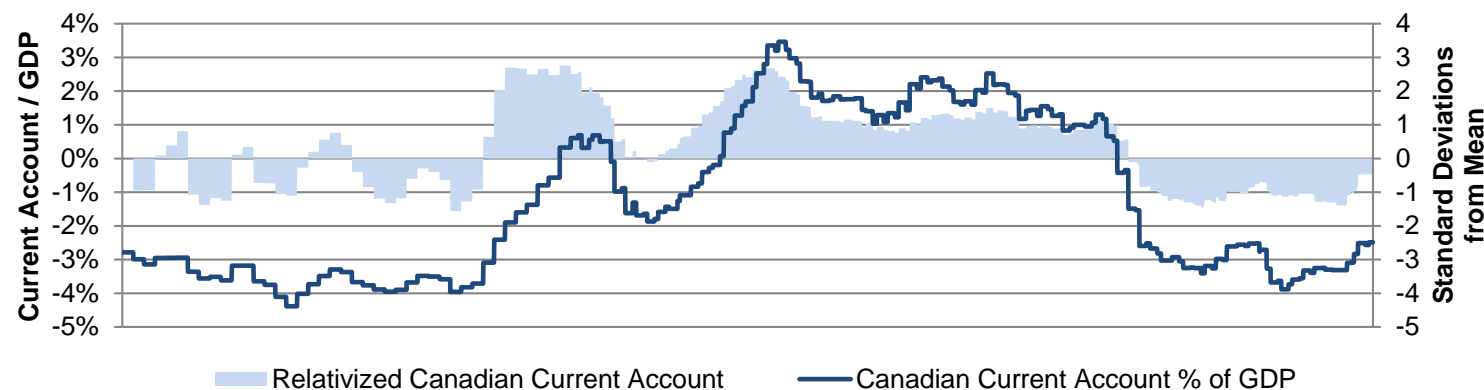
Value	Risk Premia	Macroeconomic	Market Dynamics
Identifies and takes positions against discrepancies between observed prices and longer term intrinsic value	Investor utility functions lead to persistent, although time varying, “ all else being equal ” opportunities as a compensation for accepting risk in a broader sense	Identifies shifts in global economic activity and takes forward looking positions to profit from the expected market adjustment	Each market has its own set of specific characteristics which offer opportunities (investment flows, volatility of interest rate curves, etc.)

Systematic evaluation of fundamental opportunities

IPM evaluates the investment universe using around 70 independent investment ideas

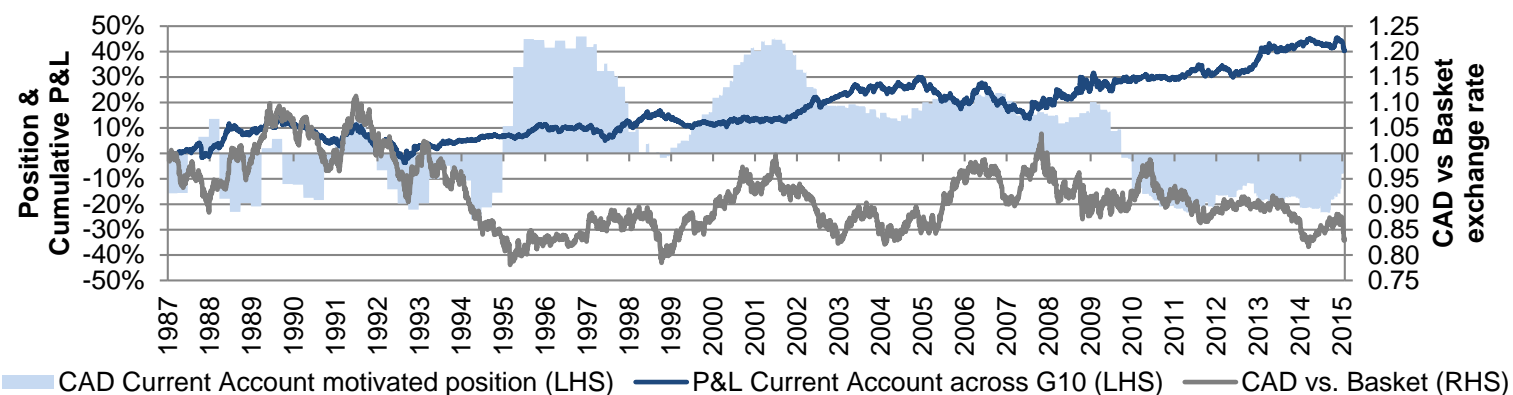
- IPM's systematic approach to macro investing implies the continuous evaluation of a large number of investment ideas
- Each idea is evaluated using statistical methods and contains no discretionary elements
- This example looks at the changes in the current account, a very classical input to currency evaluation
- The strategy uses the current account relative to GDP for each of the G10 constituents and relativizes these to remove historical biases and form a "relative value" portfolio
- The output is a "signal" expressed in deviation from historical norm, which is translated into a position

Example: Evaluating the opportunity in CAD given by dislocations in Canada's current account vs. G10



The current account investment idea is part of the Macroeconomic theme in the developed currency portfolio.

Forward looking aspect of the Macroeconomic outlook adds significant value



Overlaying the position motivated by the current account in Canada with the movements of the CAD vs. the G10 basket. The aggregate returns from this investment idea are attractive over time.

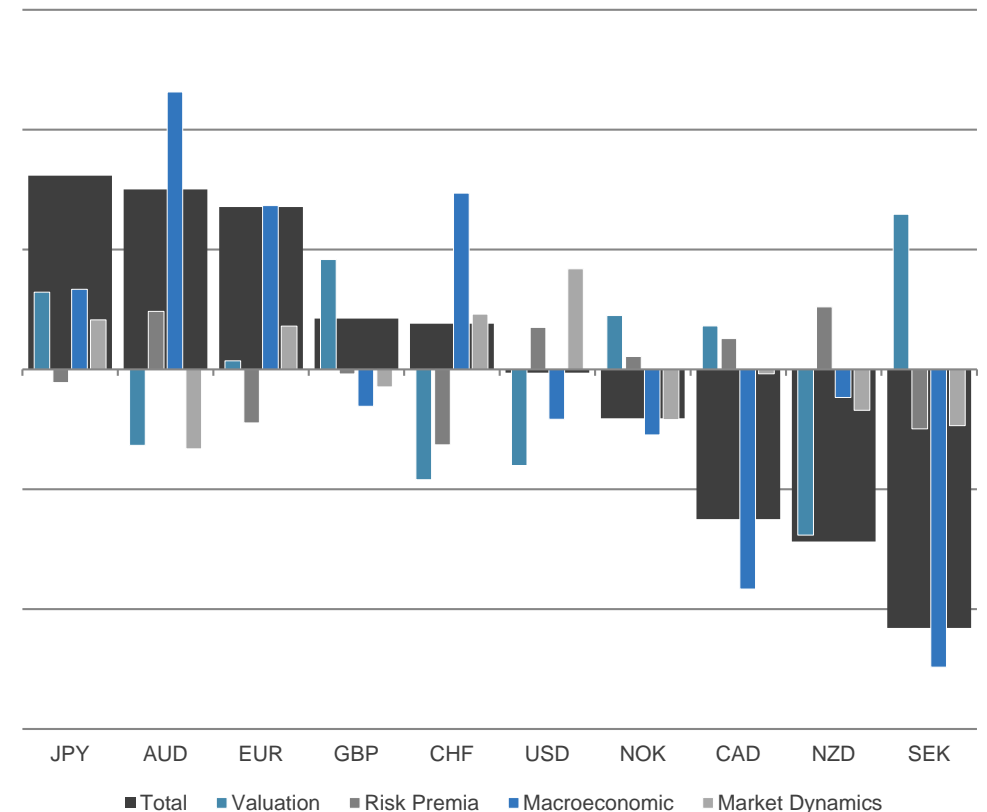
Past performance is no guarantee of future results and an investment in the Systematic Macro Program could lose value

Combining opportunities to form positions

From investment ideas to positions

- The expected return of each asset is evaluated across the four investment themes and their underlying specific investment ideas
 - Portfolios are evaluated independently, but the approach is the same
- Each instrument is evaluated relative to a composite of the portfolio constituents rather than in absolute terms
 - The total observed opportunity (dark-blue bar to the right) is given by the sum of the opportunities in each theme
 - The asset class portfolio is evaluated on an absolute basis with the objective of capturing the overall direction of equity and bond markets
- Each risk allocation will be proportional to the perceived opportunity

Position size based on conviction



Developed Currency portfolio. The evaluation process is similar for all portfolios.

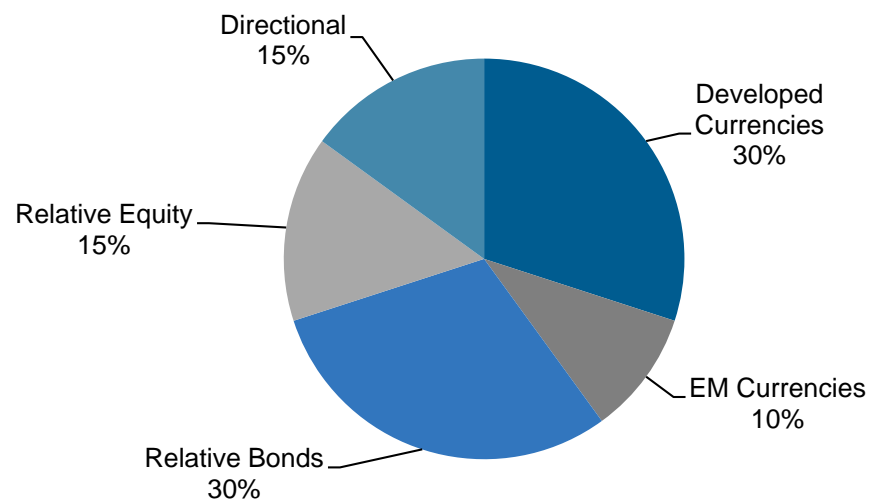
Source: IPM

Allocating capital with downside risk in focus

Minimize expected downside risk

- Avoids weaknesses in traditional mean-variance optimization
- Risk allocation set to maximise the expected return per unit of downside risk
- Penalise portfolios with fatter and co-dependent left tails
- Reviewed annually to capture potential structural shifts in risk behaviour

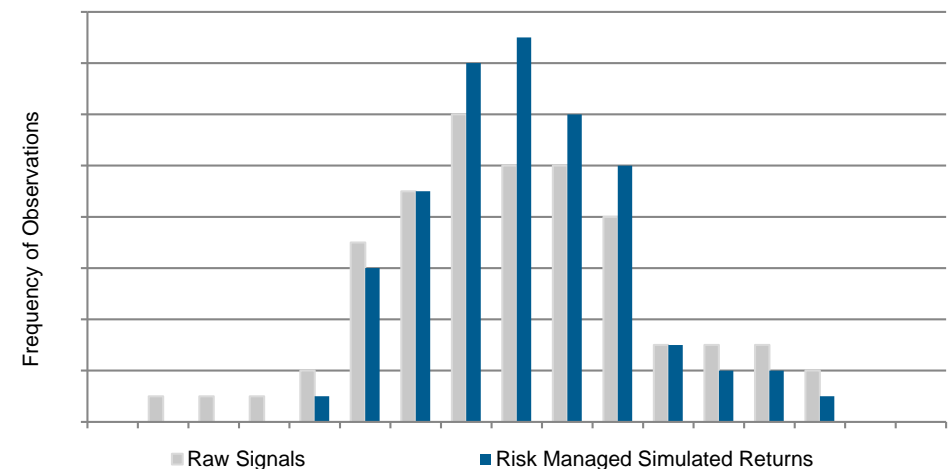
Strategic risk allocation for each portfolio



Maintain portfolio diversification

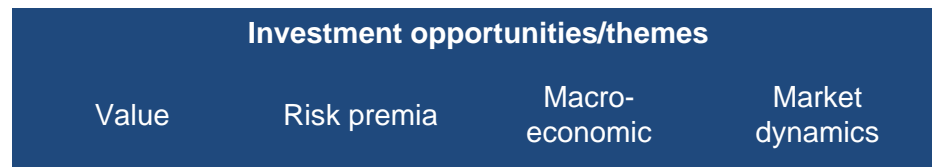
- Multi-layer risk management inherent in all parts of the investment process,
- Factor level risk management (FLRM) to maintain diversification by limiting the exposure of individual factors and group of related factors
- Fast volatility targeting risk control to decrease leverage when expected volatility exceeds pre-defined thresholds
- IPM Risk Management Committee (RMC) has the overall responsibility for the strategy

Schematic histogram to illustrate risk management goal

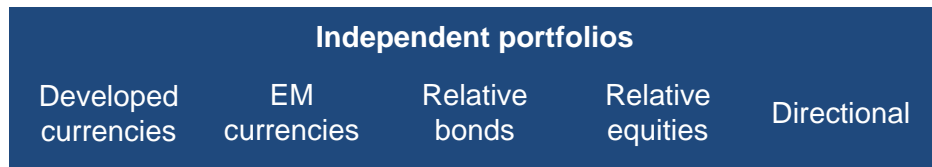


Portfolio construction with neutral risk assumptions

Implementing the investment opportunities



Evaluation of opportunities

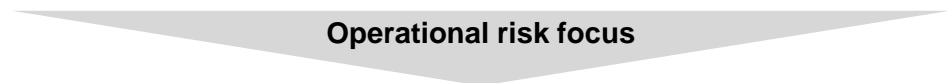
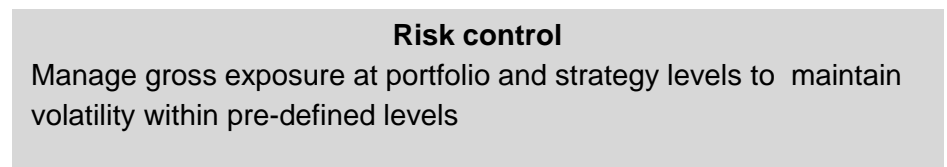
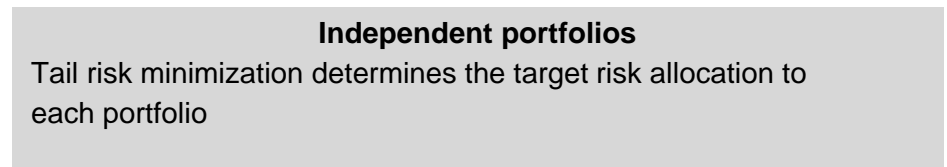
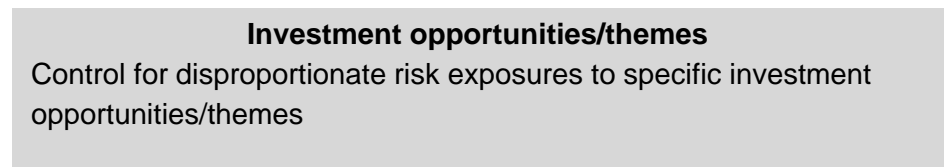


Model portfolio



Execution management

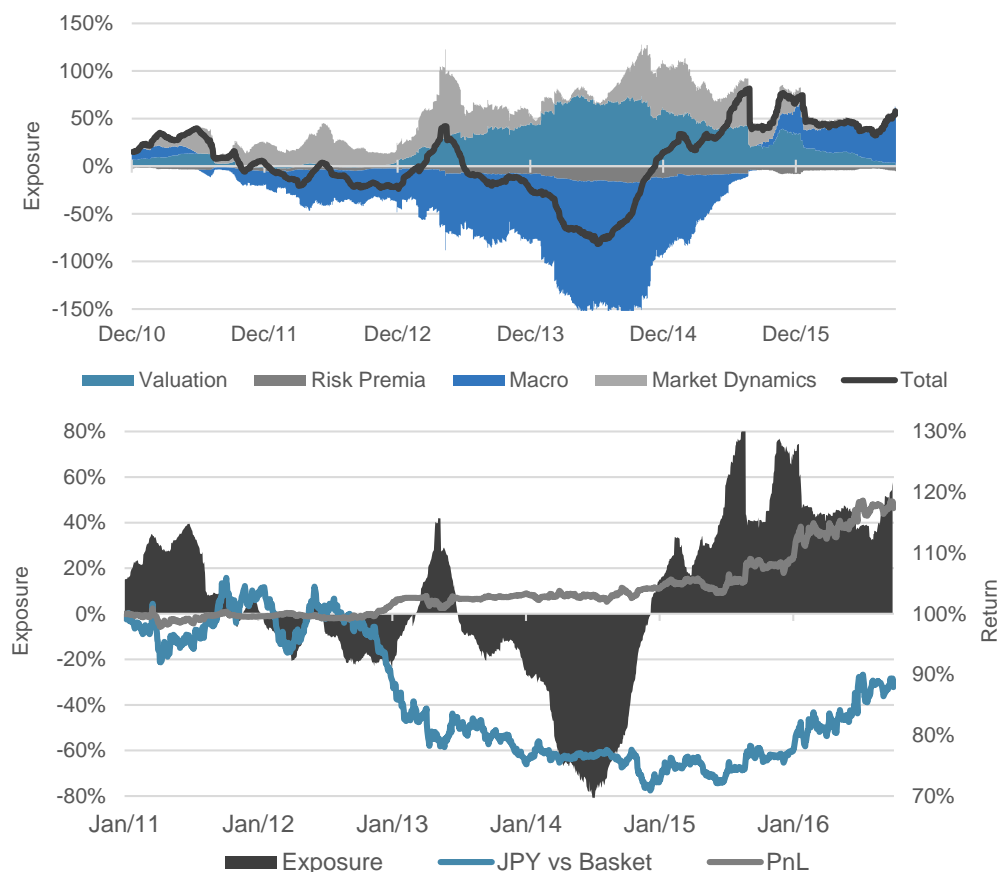
Risk management embedded at all stages



Fund / dedicated account

Position example in Developed Currencies - JPY

JPY Positioning Jan 2011 – Sep 2016



Source: IPM

Fundamental rationale

- Starting point is a modest positive view of the JPY based on strong macroeconomic fundamentals
- A consequence of the nuclear shut down is a deteriorating terms of trade and current account leading to a short position gradually being built up during Q4 2011 – note that valuation at this point is “fair”
- After capturing a good portion of the JPY weakness following the expectations around *Abenomics*, the dramatic fall in the JPY leads to an increasing valuation opportunity. In addition to this, expected inflows into the JPY turn the position positive during Q2 2013
- Capturing also the correction in the JPY during the summer of 2013 the position was once again reversed into a short as Japanese macroeconomics continued to deteriorate and expected momentum in capital flows faded out
- From Q4 2014 and onwards the macroeconomic environment improves to neutral as energy prices fall dramatically and the weakened JPY both improve the trade dynamics of Japan leaving a significant long exposure from the onset of 2015

Past performance is no guarantee of future results and an investment in the Systematic Macro Program could lose value

Why IPM Systematic Macro?

Key Benefits of the IPM Systematic Macro Program

- **Experienced** and committed team
- **Attractive and diversifying returns**
- **Robust** and transparent investment strategy
- **Different approach** to global macro investing in currency, bond and equity markets
- **Multi-layer risk management** with a focus to minimise downside risk
- **Systematic implementation** ensuring a consistent investment process void of behavioural biases

Performance of the IPM Reference Strategy ^(1,2)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-2.2%	0.2%	6.3%	3.8%	0.2%	-2.5%							5.6%
2016	6.4%	5.3%	-1.6%	4.0%	-3.2%	-0.5%	-2.9%	-3.9%	3.6%	7.7%	-7.1%	0.6%	7.4%
2015	3.9%	-3.6%	3.1%	0.4%	-0.2%	0.1%	1.4%	2.5%	0.6%	-3.1%	-2.4%	1.9%	4.4%
2014	3.3%	1.6%	4.1%	1.0%	2.1%	-1.9%	-2.9%	5.0%	-0.6%	0.7%	3.8%	-1.9%	14.6%
2013	-0.1%	-1.1%	0.8%	1.1%	1.2%	-3.1%	2.1%	-3.2%	3.0%	4.2%	0.1%	-3.6%	1.2%
2012	1.1%	1.6%	-1.4%	-1.1%	3.4%	-4.3%	7.0%	0.6%	-2.3%	0.6%	0.7%	3.8%	9.6%
2011	0.2%	-1.0%	-0.9%	2.3%	0.0%	-0.1%	-0.5%	-10.4%	-0.2%	2.6%	-1.3%	1.6%	-8.1%
2010	3.8%	-0.9%	-0.7%	-1.5%	10.3%	1.3%	0.3%	0.9%	-0.7%	4.7%	-1.7%	-0.1%	16.0%
2009	1.7%	-2.1%	2.9%	1.4%	1.0%	-1.0%	0.3%	0.9%	3.0%	0.5%	-0.3%	0.9%	9.4%
2008	6.1%	1.4%	9.5%	-4.6%	-1.4%	4.5%	0.6%	9.3%	3.7%	2.4%	-0.8%	-2.1%	30.9%
2007	-0.8%	3.3%	2.6%	2.3%	-3.2%	4.7%	1.2%	4.5%	-1.8%	-5.5%	3.9%	0.2%	11.6%
2006							-2.9%	-0.5%	-0.1%	-3.2%	1.3%	5.9%	0.1%

1. The performance of the IPM Reference Strategy is for illustrative purposes only. The performance of the IPM Systematic Macro UCITS Strategy may differ

2. Past performance is not indicative of future results. Please see the important disclosure notes at the end of this document. The above performance is shown net of fees

1. Executive Summary
2. The Investment Manager: IPM Informed Portfolio Management AB
- 3. IPM Systematic Macro UCITS Fund**
4. Appendix

FundLogic Alternatives plc and Morgan Stanley

Role of FundLogic Alternatives plc

- Robust regulatory framework of UCITS, both from an infrastructure and investment perspective
- Access to investment strategies offered by Alternative Managers in a UCITS-compliant format
- Robust operating framework supported by well-established fund service providers
- Morgan Stanley oversight through roles of Promoter and Risk Manager to the UCITS OEIC

Role of Morgan Stanley

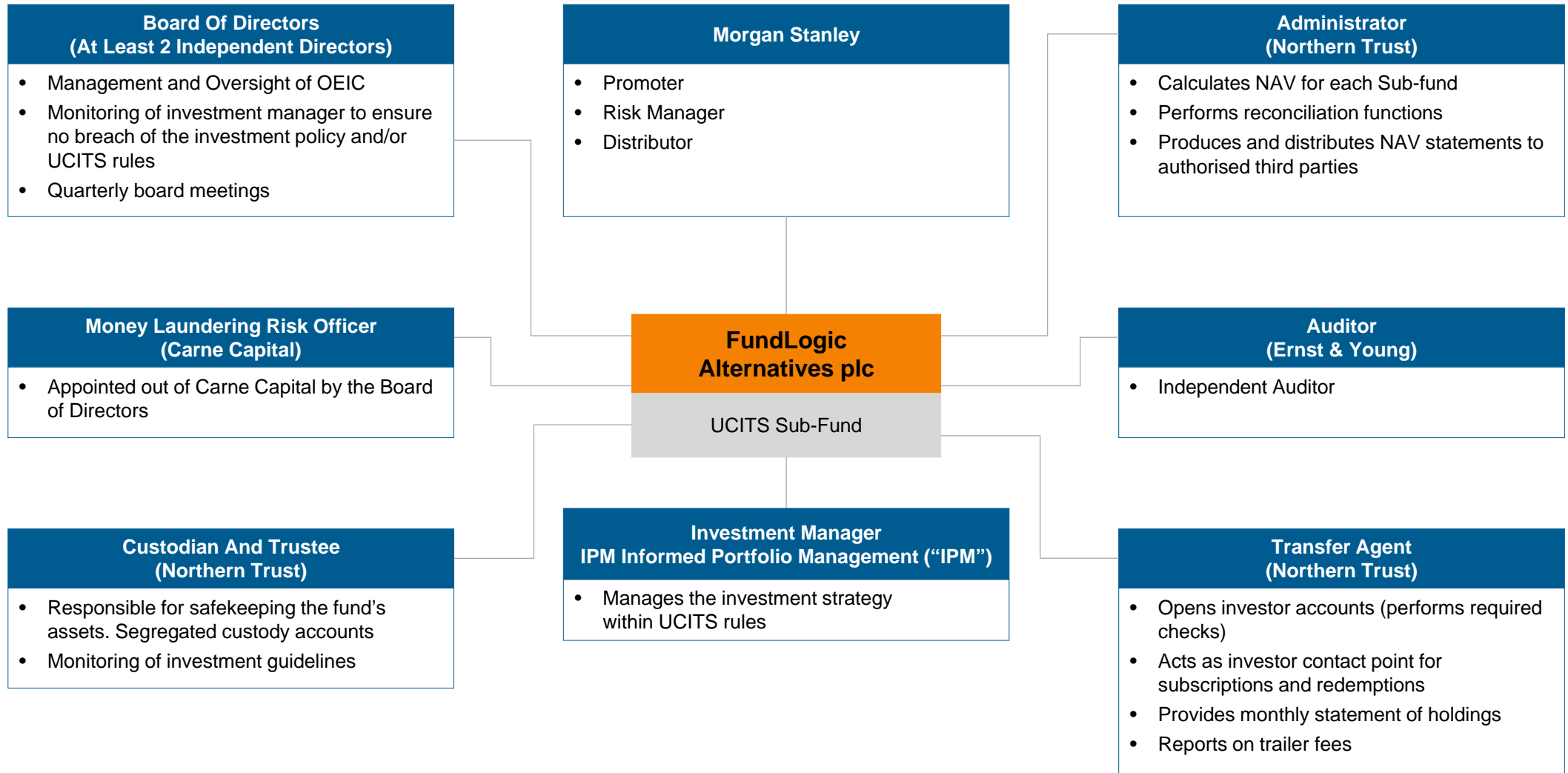
Promoter to the OEIC

- Liaising with the Irish regulator (Central Bank of Ireland) on behalf of the OEIC in relation to the ongoing authorization of the OEIC and its sub-funds, including compliance reporting
- Liaising with the OEIC's service providers on behalf of the OEIC
- Marketing and sales of the OEIC on a cross-border basis

Risk Manager to the OEIC

- Daily post-trade monitoring of the sub-fund portfolio to detect any breaches of UCITS regulations
- Periodic trade monitoring/reconciliation to detect discrepancies with administrator NAV data
- Periodic review of IPM, the investment strategy, and the portfolio performance with a view to keeping the board of Directors of the OEIC informed

Overview of FundLogic Alternatives plc

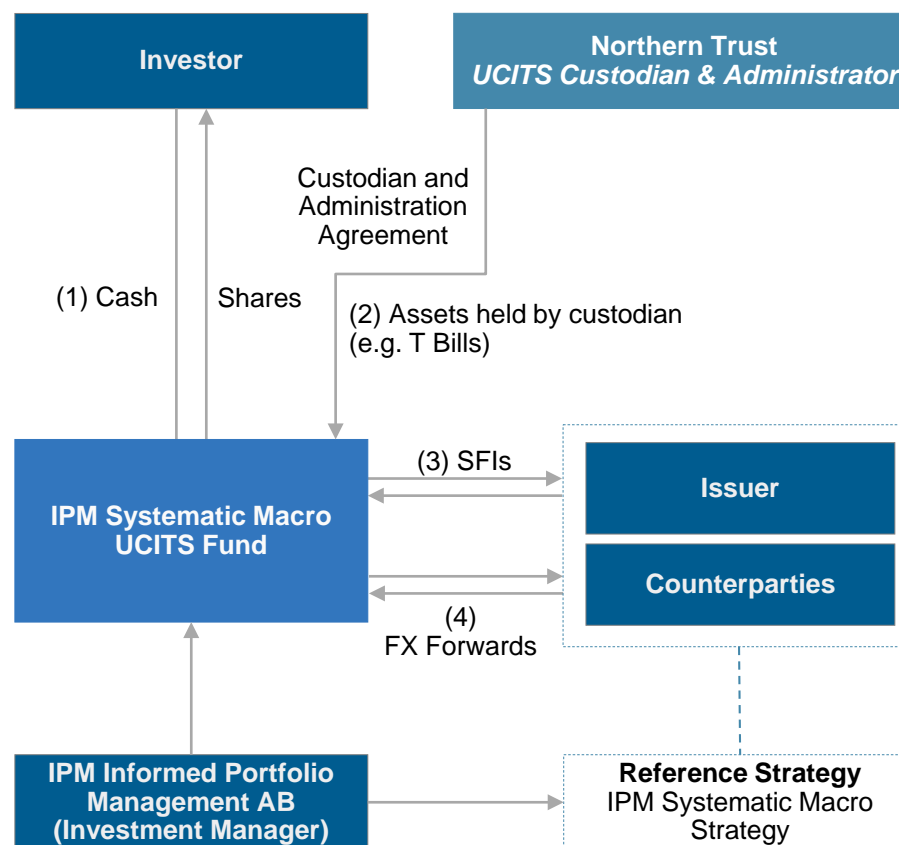


IPM Systematic Macro UCITS Fund

Explanation of Structure

- 1) **Investor** buys shares in **Sub-fund** for cash
- 2) **Sub-fund** invests in **UCITS eligible cash deposits** and **near cash instruments** (e.g. Treasury Bills)
- 3) **Sub-fund** gains exposure to the IPM Systematic Macro Strategy (“Reference Strategy”) ex FX component by investing in **Structured Financial Instruments** (“SFIs”), issued by various issuers
- 4) **Sub-fund** gains exposure to the FX component of the Reference Strategy by entering into **FX forward contracts** with various counterparties

- Sub-fund exposed to the Reference Strategy via SFIs issued by various issuers (each an SPV) as well as FX forward contracts with various counterparties
- Sub-fund’s issuer exposure to each SPV is max 10% of NAV monitored daily ⁽¹⁾
- Sub-fund produces daily NAV with daily liquidity



1. For the propose of clarification, even though the issuer exposure to each SPV is capped at 10% (ie 20% in total as 2 SPVs are used) , the Sub-fund may potentially lose its entire net assets in line with the performance of the Reference Strategy

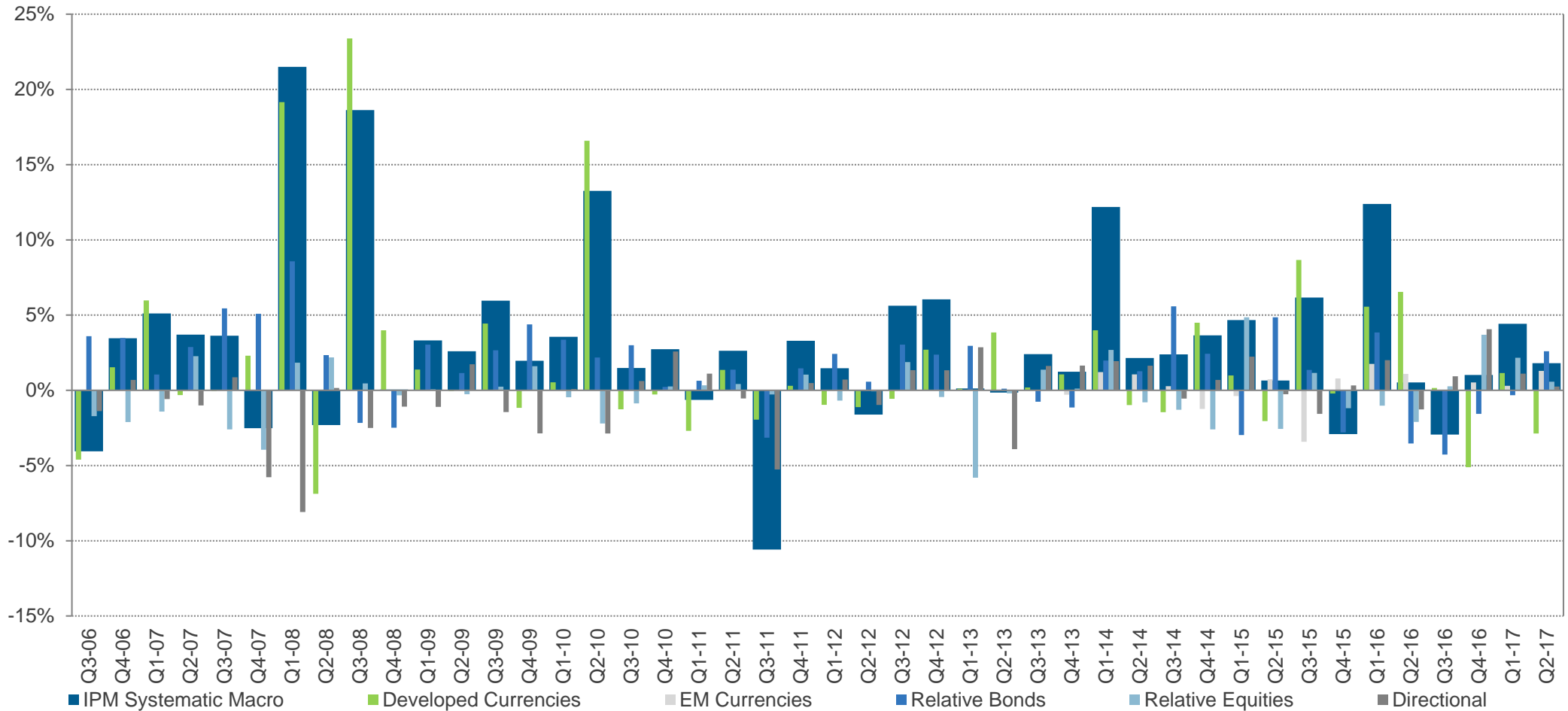
Fund Details

Sub-fund	IPM Systematic Macro UCITS Fund						
Investment Manager	IPM Informed Portfolio Management AB						
Investment Strategy	Systematic Macro						
Legal Structure	UCITS OEIC						
Domicile	Ireland						
Passporting	Austria, Belgium, Finland, France, Germany, Italy, Luxembourg, Spain, Sweden, Switzerland and United Kingdom . For institutional investors in Singapore.						
Dealing Day	Daily						
Dealing Deadline	12 midday Irish time 2 Business Days prior to the relevant Dealing Day						
Launch Date	August 12, 2015						
Currency Denomination	Base Currency USD. Hedged share classes EUR, GBP, SEK, CHF						
Share Classes	Accumulation						
Issue Price	1000						
Fees	Management Fees	Performance Fees	Total Expense Ratio (TER)	Minimum Initial Subscription	Initial Charge	ISINs	BBG Tickers
Class B (Closed)	1.00% p.a.	15% p.a.	1.40% p.a.	€ 1,000,000 £ 1,000,000 \$ 1,000,000 SEK 10,000,000	0%	IE00BX906X64 IE00BX907008 IE00BX907776 IE00BZ21TP37	MSIPMBE ID MSIPMBG ID MSIPMBU ID MSIPMBS ID
Class I (Institutional)	1.50% p.a.	20% p.a.	1.90% p.a.	€ 1,000,000 £ 1,000,000 \$ 1,000,000 SEK 10,000,000 CHF 1,000,000	0%	IE00BX906V41 IE00BX907222 IE00BX907552 IE00BZ21TM06 IE00BYNK5V07	MSIPMIE ID MSIPMIG ID MSIPMIU ID MSIPMIS ID FUNIICH ID
Class P (PWM)	1.50% p.a.	20% p.a.	1.90% p.a.	€ 250,000 £ 250,000 \$ 250,000 SEK 2,500,000 CHF 250,000	Up to 3%	IE00BX906W57 IE00BX907115 IE00BX907669 IE00BZ21TN13 IE00BYNK5W14	MSIPMPE ID MSIPMPG ID MSIPMPU ID MSIPMPS ID FUNIPCH ID
Class A (Retail)	2.00% p.a.	20% p.a.	2.40% p.a.	€ 10,000 £ 10,000 \$ 10,000 SEK 100,000 CHF 10,000	Up to 5%	IE00BX906T29 IE00BX907339 IE00BX907446 IE00BZ21TL98 IE00BYNK5T84	MSIPMAE ID MSIPMAG ID MSIPMAU ID MSIPMAS ID FUNIACH ID

1. Executive Summary
2. The Investment Manager: IPM Informed Portfolio Management AB
3. IPM Systematic Macro UCITS Fund
- 4. Appendix**

Quarterly attribution since inception ⁽¹⁾

Gross Attribution of Program Returns per Portfolio

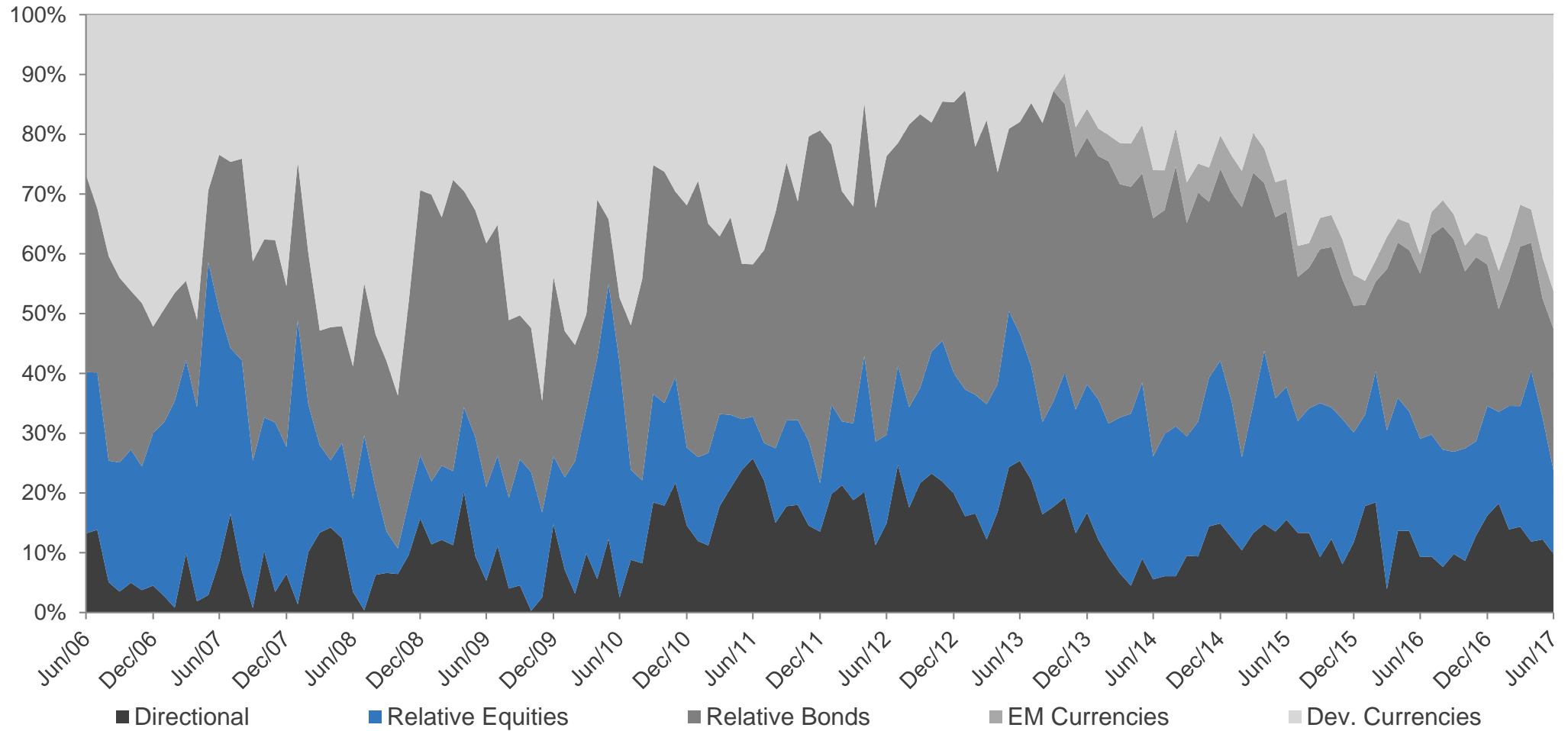


Source: IPM

1. Gross performance of the IPM Strategy and attribution of the performance on the underlying sub-portfolios (developed currencies, relative bonds, relative equities, emerging market currencies, and directional). Past performance is no guarantee of future results and an investment in the IPM Strategy could lose value.

Conviction based risk allocation

Exposure Based on the Strength of Perceived Opportunities Allows for a Dynamic Risk Allocation Over Time

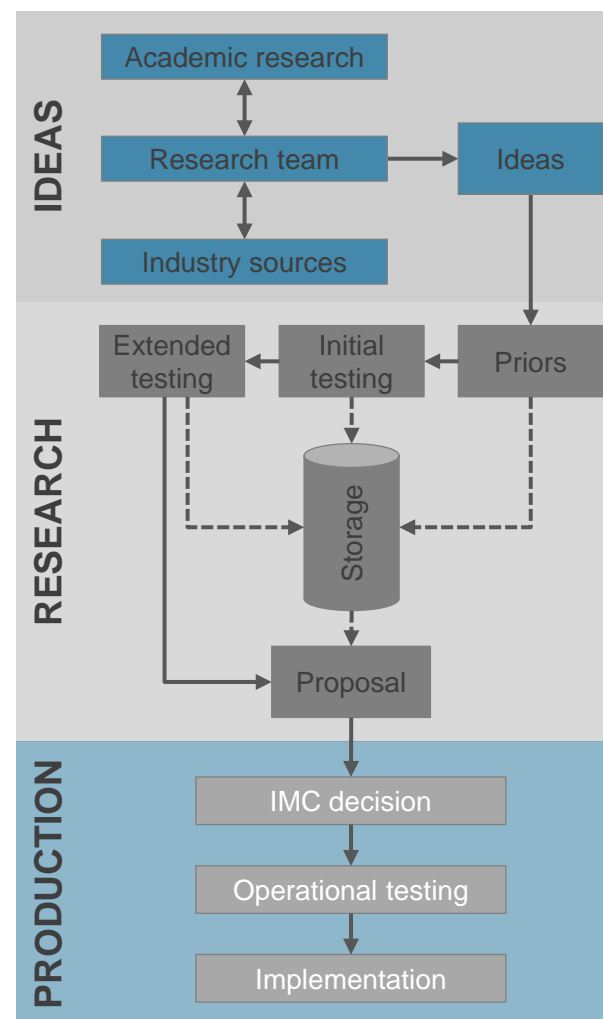


Source: IPM

Research process structured to avoid idea fitting

New fundamental factors or portfolios evaluated based on their own merits

- The research process is **strategy-centric** with the primary objective of using academic and industry publications combined with market experience to find new and enhance existing fundamental factors
- Qualities we look for in new fundamental factors:
 - Has roots in macroeconomic theory and/or make intuitive sense
 - Captures risk premia not explained by current set of factors
 - Empirical support and showing robustness across time, markets and instruments
- Starting point of all research is a **Prior** which is stored and locked away and serves as an evaluation tool throughout the continued research process
 - A key objective is to reduce the risk of back-fitted and over optimized research



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