

Luxembourg Selection Fund - Alaya Diversified (UCITS)

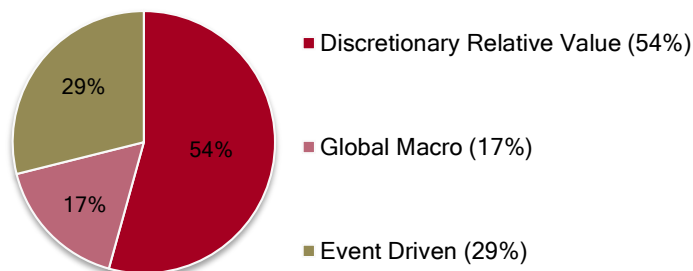
February 2019

Share Class B USD

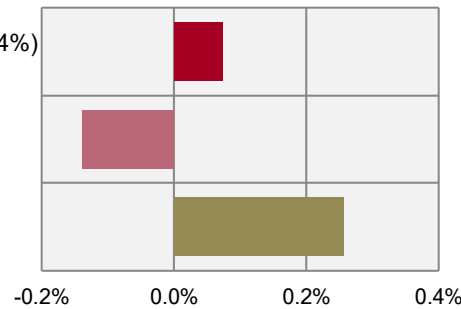
NAV 101 (ISIN: LU1896850416, Bloomberg: LSALDBU LX, Valor: 44119852)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	0.50%	0.11%											0.61%
2018												0.39%	0.39%

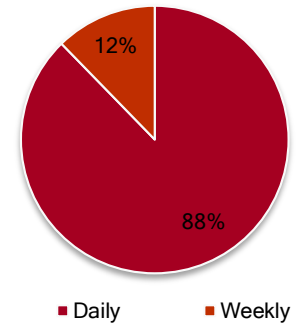
Strategy Breakdown



Strategy Contribution (gross)

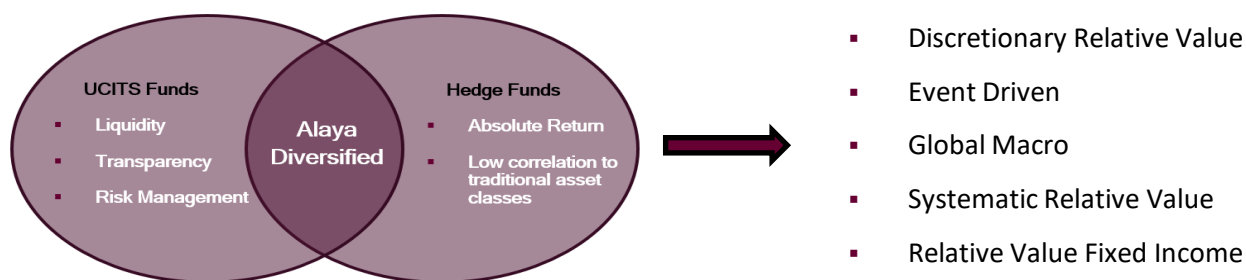


Liquidity



Fund Description

Alaya Diversified (UCITS) seeks to maximise risk-adjusted performance with low volatility and low correlation to traditional asset classes by investing in a diversified portfolio of liquid alternative investment strategies. The fund allocates its assets in hedge fund strategies that are compliant with the UCITS framework. The objectives of the Alaya Diversified Fund are a return net of fees between 4% - 6% p.a. over a 3 - 5 years investment horizon and a low volatility of 4% p.a.



Fund Details

Launch date: December 17, 2018

Fund Domicile: Luxembourg UCITS

Investment Manager:

Ayaltis AG, Zurich

Fund Administrator:

Northern Trust Global Services SE, Luxembourg

Fund Depository:

UBS Europe SE, Luxembourg

Fund Auditors:

PricewaterhouseCoopers, Luxembourg

Valuation Day: The 15th of each month and the last business day of each month

Subscription: 3 business day notice prior to val. day

Redemption: 5 business day notice prior to val. day

Minimum Investment Share Class A: EUR 1'000 or equivalent amount in USD, CHF, GBP

Minimum Investment Share Class B: EUR 1'000 or equivalent amount in USD, CHF

Subsequent Investment: EUR 100 or equivalent amount in USD, CHF, GBP

Available Currencies: USD, CHF, EUR, GBP

Fund Size: USD 30m

Retail Share Class A:

1.25% Mgmt Fee p.a.

7.5% Perf. Fee p.a.

Institutional Share Class B:

0.75% Mgmt Fee p.a.

7.5% Perf. Fee p.a.

Distribution Fees

Available for all Classes

Contact

Investor Relations, Tel.: +41 43 501 37 60, ir@ayaltis.com

Investment Philosophy

Ayaltis applies a unique selection process to identify the most interesting hedge fund opportunities with more than 10 years' experience irrespective of the underlying asset classes. The focus is on downside protection. Defining the investment approach in more detail, a major part of the long-term success comprises of portfolio construction, designed on a sophisticated risk premia model, which focusses on correlations of the underlying single hedge funds amongst each other and within the portfolio.

Ayaltis Expertise in Fund of Hedge Funds

- Proven track record in selecting best-in-class hedge funds
- Superior strategy selection capabilities amongst different hedge fund styles
- Institutionalised risk management focusing on risk/return profiling
- Leading fund of hedge funds manager with more than 10 years' proven track record

Characteristics

- **Diversification** - The fund is diversified across the best alternative UCITS strategies
- **Liquidity** - Access to liquid (semi-monthly) alternative return profiles
- **Regulation** - UCITS regulations enhance risk management and reduce counterparty risk

Share Class B CHF NAV 99.99 (ISIN: LU1896850093, Bloomberg: LSALDBC LX, Valor: 44119846)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	0.03%	-0.04%											-0.01%

Share Class B EUR NAV 100.05 (ISIN: LU1896850259, Bloomberg: LSALDBE LX, Valor: 44119848)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	0.05%	0.00%											0.05%

Performance Overview by Retail Share Class A and by Institutional Share Class B

Class	ISIN	Inception	Feb 19 NAV	Feb 19 Return	YTD Return	Return S.I.
A USD	LU1896850333	17-Dec-2018	n/a USD	n/a	n/a	n/a
A EUR	LU1896850176	17-Dec-2018	n/a EUR	n/a	n/a	n/a
A CHF	LU1896849913	17-Dec-2018	n/a CHF	n/a	n/a	n/a
A GBP	LU1896850507	17-Dec-2018	n/a GBP	n/a	n/a	n/a
B USD	LU1896850416	17-Dec-2018	101.00 USD	0.11%	0.61%	1.00%
B EUR	LU1896850259	17-Dec-2018	100.05 EUR	0.00%	0.05%	0.05%
B CHF	LU1896850093	17-Dec-2018	99.99 CHF	-0.04%	-0.01%	-0.01%

Contact

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Portfolio Commentary

February was a quiet but slightly positive month for Alaya. Global Macro subtracted performance while Discretionary Relative Value and Event Driven had a positive month. Roughly a third of the portfolio is now invested in Event Driven managers, of which half account for M&A arbitrageurs. More than half of the portfolio is allocated to Discretionary Relative Value managers and the residual to Global Macro systematic funds.

Markets continued their relentless two-month rally supported by the conviction that Central Banks (mainly FED and ECB) will remain supportive. On the other hand, high expectations were on Chinese efforts to revive its sputtering economy.

The violent V-shaped bounce in the markets is also the consequence of the massive deleveraging (both gross and net) recorded during the second half of 2018. The US tech sector benefitted the most from the sudden rebalancing of portfolios worldwide. While overall performance was good, the shorts rallied significantly, driven by style factors: primarily earnings variability, size and profit. We continue to avoid such exposures. The most exposed funds to generic style factors and market betas took the hit last year and are recording stellar returns in the first weeks of 2019. We have witnessed similar moves (although less violent) across the last five years and it is our conviction that the market micro-structure has substantially changed and assets are more prone to get squeezed, on both directions, by automatic rebalancing programs (Risk-Premia, Risk-Parity, Smart-Beta...). Active managers are not quite buying the January rally. Are they wrong? Time will tell.

This is the first time since 1964 that the Dow has rallied in each of the first nine weeks to kick off the year and it is the first time for Nasdaq since the index was founded (1971). We believe this is the right time to be cautious, liquid and pro-active.

The massive short-squeeze in US tech resulted in a minor loss of a few basis points, both in the second part of January and in February. A part of the portfolio's performance relies on director's sentiment. Contrary to the market behaviour, managing directors of US companies are rather pessimistic about the near future of their own companies. Our short positions detracted a few basis points. A good portion of the losses were offset by the good performance of positions in aerospace, banks and semiconductors. On the positive side, we made money from Scor, Atos and Vivendi on the follow-ups of corporate events that put pressure on stock prices.

The state of the origin of the fund is Luxembourg. This document may only be distributed in Switzerland to qualified investors within the meaning of art. 10 para. 3, 3bis and 3ter CISA. In Switzerland, the representative is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, whilst the paying agent is UBS Switzerland AG, Bahnhofstrasse 45, CH-8001 Zurich. The basic documents of the fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

Alternative investments carry substantial risks. The nature and extent of some of these risks differ from traditional investments in stocks and bonds. There can be no assurance that the advice or information provided above will lead to superior performance. In particular, the performance of an alternative investment may vary substantially over time. Investors bear the risk of losing all or part of their investment and thus should carefully consider the appropriateness of such investments for their portfolio. While the information contained in this document has been obtained from sources deemed as reliable, no representation is made as to its accuracy or completeness, and it should not be relied on as such. Past performance is not necessarily indicative of future performance. Before investing in the fund, prospective investors should read the Key Investor Information Document (KIID), Prospectus and any applicable local offering document of Luxembourg Selection Fund – Alaya Diversified, which may be obtained at the fund's investment manager Ayaltis AG, Bleicherweg 19, 8002 Zurich, Switzerland, ir@ayaltis.com