

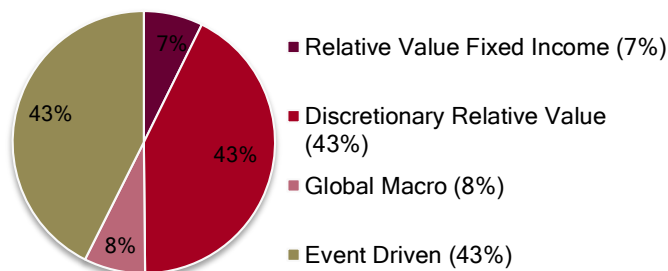
## Luxembourg Selection Fund - Alaya Diversified (UCITS)

May 2019

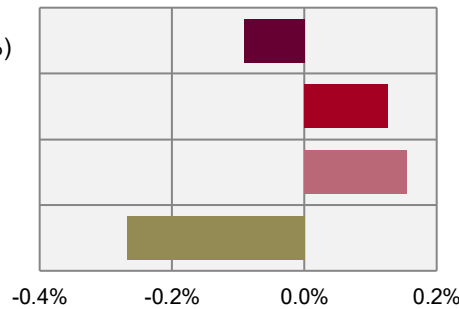
Share Class B USD NAV 100.03 (ISIN: LU1896850416, Bloomberg: LSALDBU LX, Valor: 44119852)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	0.50%	0.11%	-0.17%	0.37%	-1.16%								-0.36%
2018												0.39%	0.39%

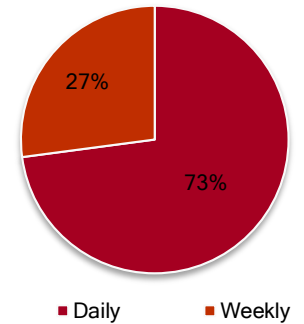
### Strategy Breakdown



### Strategy Contribution (gross)

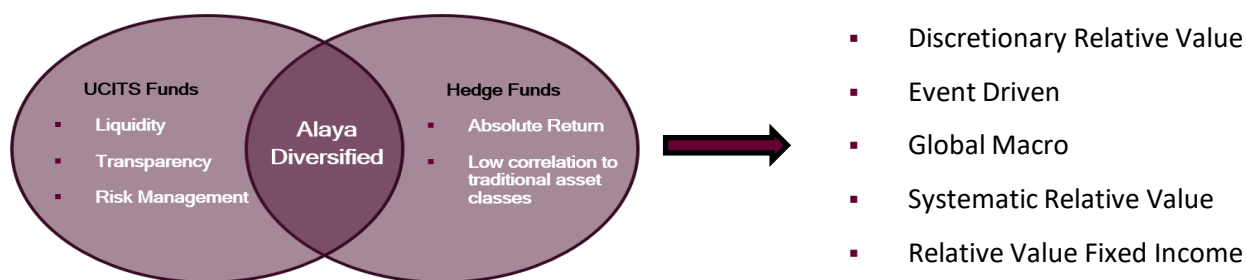


### Liquidity



### 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

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## 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 98.08 (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%	-0.52%	0.06%	-1.46%								-1.92%
2018													

### Share Class B EUR NAV 98.22 (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%	-0.48%	0.10%	-1.45%								-1.78%
2018													

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

Class	ISIN	Inception	May 19 NAV	May 19 Return	YTD Return	Return S.I.
A USD	LU1896850333	n/a	n/a USD	n/a	n/a	n/a
A EUR	LU1896850176	n/a	n/a EUR	n/a	n/a	n/a
A CHF	LU1896849913	n/a	n/a CHF	n/a	n/a	n/a
A GBP	LU1896850507	n/a	n/a GBP	n/a	n/a	n/a
B USD	LU1896850416	17-Dec-2018	100.03 USD	-1.16%	-0.36%	0.03%
B EUR	LU1896850259	15-Jan-2019	98.22 EUR	-1.45%	-1.78%	-1.78%
B CHF	LU1896850093	15-Jan-2019	98.08 CHF	-1.46%	-1.92%	-1.92%

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## Portfolio Commentary

The fund dropped -1.16% in USD while the S&P 500 suffered a sharp sell-off of -6.6%. There were two main contributors to the fund's drawdown: First, a strategy, which trades equity directionally based on public records of transactions entered by senior managers and directors of listed stocks, reported significant losses during the month. Senior corporate managers are expected to be in a position to better understand the health of the companies and act accordingly upon market reactions. During the reactive market rebound of January, these managers saw an opportunity to sell some of their equity in order to crystalize gains in light of high valuations and decreasing growth forecasts. Our hedge fund manager was short-biased during the first quarter. But the equity drop took time to consolidate and stringent risk controls were triggered to stop the manager out of his short positions. He remained positioned on selected long signals, prior to earnings announcement. As fears spread across markets, he suffered losses. We redeemed from the manager because we believe: 1) the market regime seems to have changed with the new stance of central banks, which may bring longer lags between the signal and the realisation of the events, making the strategy unattractively volatile and 2) to avoid overfitting because the manager may become tempted to adjust his risk management parameters, which would bring uncertain results.

The second source of our drawdown was our allocation to Event Driven and merger arbitrage, which represents our largest opportunity set. As risk-off was the theme of the month, spreads on merger arb deals temporarily widened. There is no rational behind such moves; only risk deleveraging across portfolios explains them. On the positive side, our portfolio benefited from the strong returns of a quantitative Global Macro manager and a Discretionary Relative Value manager focusing on fundamental long-short equity.

Our focus remains on maintaining exposure to idiosyncratic strategies with little beta. Within the Ucits space, our portfolio found a balance in Event Driven, fundamental and quantitative managers. Event-driven, especially merger arbitrage has some sensitivity to market sell-offs but the overall portfolio has an appealing asymmetry between upside and downside.

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](mailto:ir@ayaltis.com)