Nordic Alternatives Day

London, 11th November 2015

IPM Systematic Macro
A different approach to Global Macro investing
What is macro investing

Macro investing is... **Consensus**

**Contrarian:** Somebody who does not understand consensus

**Attempt of a definition:**
Macro investing looks for **catalysts** in situations where financial asset prices significantly deviate from their fundamentals
The truth could be elsewhere

Positioning of the strategy on the CHF vs. Basket of G10 currencies

Source: IPM
Key strategy characteristics

Avoid Momentum

Sources of Alpha

Ensure Consistency and Repeatability
Broad fundamental evaluation

50 fundamental factors, each representing a stand-alone profitable investment idea

<table>
<thead>
<tr>
<th>Value</th>
<th>Position against discrepancies between observed prices and longer term intrinsic value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Premia</td>
<td>Measure opportunities as a compensation for accepting risk in a broader sense</td>
</tr>
<tr>
<td>Macroeconomic</td>
<td>Position to profit from the expected market adjustment of macroeconomic shifts</td>
</tr>
<tr>
<td>Market Dynamics</td>
<td>Exploit idiosyncratic opportunities: investment flows, volatility of interest rate curves,…</td>
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</tbody>
</table>

The allocation to each factor is based on **conviction**
Measuring conviction

IPM’s systematic approach to macro investing implies the continuous evaluation of a large number of investment ideas

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

Source: IPM
Capturing dispersion not direction

**Relative Value (85% of strategic risk)**
- Developed Currencies
  (10 currency forwards)
- EM Currencies
  (11 currency forwards & NDFs)
- Relative Bonds
  (7 futures on 10 Yr Gvt Bonds)
- Relative Equities
  (13 futures on equity indices)

**Directional (15%)**
- Asset Class
  (global equities and bonds)
Multi-faceted fundamental view

Aggregating each independent factor to form the end view/position for each market

Developed Currency Portfolio

- JPY
- EUR
- CHF
- NOK
- NZD
- AUD
- USD
- SEK
- CAD
- GBP

- Total
- Valuation
- Macroeconomic
- Risk Premia
- Market Dynamics

Source: IPM. End of September 2015
Diversified at all times

41 markets always on!

Developed Currencies

EM Currencies

Relative Bonds

Relative Equities

Asset Class

Source: IPM. End of September 2015
Downside risk in focus

Minimising tail risk at the core of the allocation, not volatility

Level of conviction is controlled to maintain diversification

The devil is in the...markets, i.e. the sensitivity of factors to generic risk factors driving markets is controlled

Risk Committee empowered to reduce exposure in case of systemic risk

Sources: IPM, Bloomberg.
Dynamic risk allocation

The relative risk of each portfolio is based on the strength of perceived opportunities and markets volatility.
Price versus fundamentals

Positionning of the strategy on the Bund vs. Basket of Govt Bonds

Source: IPM
IPM Systematic Macro Strategy

Bottom-up based on the conviction of each individual factor, agnostic to top-down views
Fundamental evaluation isolated from any risk assumptions
Risk management plugged in the sizing of each factor
Risk budget only deployed when there are attractive opportunities
Close to 10 years of proven track-record

IPM founded in 1998 to deliver uncorrelated strategies to institutional investors

45 people of which half dedicated to investments

AuM of approx. 1.5 Bn USD and 4.9 Bn USD firm wide

Proven track-record across different macroeconomic and correlation regimes

Achieved closed to 10% annualised return and 11% realised volatility

Uncorrelated to equities and bonds, and to any hedge funds strategies

Performance of the IPM Systematic Macro Fund B Shares (net of Mgmt. Fee 1%, Performance Fee 20%, HWM, discontinued) until Dec 2012 and E Shares (net of Mgmt. Fee 2% until Feb 2015 and 1.5% thereafter, Performance Fee 20%, HWM) thereafter. Past performance is no guarantee of future results and an investment in the Systematic Macro Program could lose value. * Calculated using 3 month US T-Bill returns as risk free rate. Source: IPM & Bloomberg.
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