

# Kingswood Defensive Alpha Absolute Return UCITS Fund

August 2021

## Performance Returns

The Kingswood Defensive Alpha Absolute Return UCITS Fund returned -0.10% for the month of August (GBP Institutional Class).

## Investment Objective & Strategy

Kingswood Defensive Alpha ("KDA") is a UCITS fund of funds, investing in liquid alternative UCITS funds with the goal of providing access to best of breed hedge fund UCITS managers and a return stream that is defensive and uncorrelated to equity and fixed income positions for investors.

The fund's objective is to produce an absolute return target of cash +4-5% after fees with a minimisation of capital drawdown.

Volatility of the fund is expected to be approximately 4-5% providing daily liquidity with one day's notice.

We believe that there is significantly increased demand for portfolio diversification in the post-Coronavirus world and hedge funds are often bought to fulfil this role in a portfolio. However, as a collective, hedge funds have delivered correlated returns and investors are receiving a high level of market beta in their return and comparatively low levels of alpha.

Only low correlated, alpha generative hedge funds can provide diversification to a portfolio. These represent a small proportion of the hedge fund market, as the majority are directional and bear the underlying risks of their asset class.

KDA is constructed to produce high alpha (for return), low correlation (for diversification) and generate a defensive bias (for asset allocation benefits). This is achieved through targeted strategies only. KDA provides a one-stop shop for uncorrelated hedge fund exposure in investor portfolios.

## Monthly Commentary

The fund marked its first anniversary on August 27th. It has been an eventful 12 months in markets, which has seen a sharp rise in equity markets, a pull-back in bond markets and some very tricky periods for alpha-driven strategies. With most investor portfolios heavily invested in equities, this means that the last 12 months have probably been good for their overall investment portfolios, though one should never lose sight of the roles played by the other constituents of a well-diversified portfolio, even when those returns are lagging. For KDA the ideal environment emerged in the months just prior to launch, which offered high alpha opportunities and numerous dislocations from which many of our invested strategies look to profit, while the environment since has been noticeably less beneficial. Nonetheless the first 12 months of live returns are disappointing as our view was probably too bearish prior to the vaccine release in November 2020. Having adjusted to a more neutral stance thereafter, we have been frustrated by the lack of alpha generally coming from available strategies as equity beta has been the dominant source of returns for many in 2021, which KDA is structurally configured to avoid.

The month of August itself was fairly uneventful for the fund. Our strongest performer was again the Arete Macro fund, which is focused on top down macroeconomic themes viewed through an Asian lens. The fund has been profiting recently both from a constructive stance on US equity markets and also the relative value opportunities in Chinese equities between mid-caps and large-caps.

The biggest detractor was the Contour Tech Equity long/short fund. After a very strong 2020, the fund has had a volatile year, though has significantly outperformed its closest peers. The manager has been running the strategy for well over 10 years and has a long history of extracting alpha from their sector of expertise. While the last few months have been challenging for them, it is well within the norms of their historic volatility and it remains one of our highest conviction investments.

## Kingswood Defensive Alpha Absolute Return UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.72%	2.50%	4.13%	0.80%	1.66%	0.71%	0.89%	0.00%	-0.08%	-1.94%	-1.53%	1.40%	9.50%
2021	-0.28%	1.22%	-1.10%	0.48%	0.13%	-0.45%	0.00%	-0.10%					-0.11%

The performance figures quoted above represent the performance of the Kingswood Defensive Alpha Absolute Return UCITS Fund, GBP Inst. Class since launch on 27 August 2020. These performance figures refer to the past and past performance is not a reliable guide to future performance. Performance from January 2020 to July 2020 represents the theoretical performance of the model portfolio run prior the launch of the UCITS fund, with a 0.50% management fee and 0.65% TER applied to the performance.

## The Manager



### Richard Klein

Kingswood Group

Richard has a 35-year career in investment banking, fintech and hedge funds. He spent almost all of his near-30-year investment banking career at Merrill Lynch in a number of leading capital markets roles before moving to two successive senior hedge fund positions. He graduated from Oxford University with a MA (Hons) in Philosophy, Politics & Economics.

### Kevin Ewer

Waystone

Kevin is Head of Research at Waystone and has nearly 20 years' experience covering portfolio construction, manager selection and asset allocation in analysing and investing in hedge funds and traditional portfolios. He was lead portfolio manager to a variety of portfolios for the Sanlam group (2010 to 2015) including a range of risk targeted multi-asset funds, a global fund of hedge funds and an Alternative UCITS fund of funds. Prior to Sanlam he ran a range of risk-targeted fund of hedge fund portfolio for Blue Ink, a specialist fund of hedge fund provider. He was also portfolio manager for Skybound's multi-asset portfolio, before joining MontLake, now Waystone, in 2017.

## Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	£12.5m
Inception	August 2020
Share Class	Institutional Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	0.50%
Perf. Fee	0.00%
Min Init. Sub.	100,000
ISIN Codes	EUR: IE00BLB7Q425 USD: IE00BLB7Q755 CHF: IE00BLB7Q649 GBP: IE00BLB7Q532

Share Class	Retail Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	0.75%
Perf. Fee	0.00%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BLB7Q862 USD: IE00BLB7Q002 CHF: IE00BLB7Q894 GBP: IE00BLB7Q979

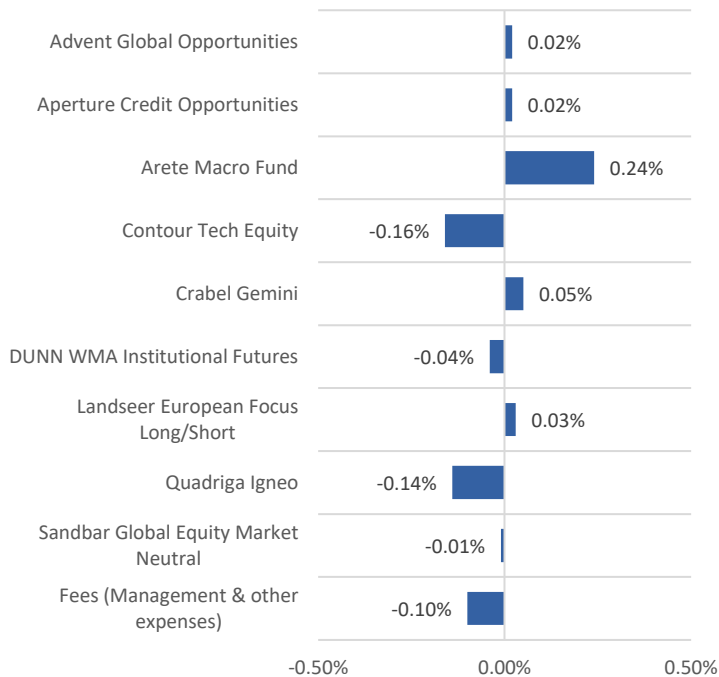
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TOP 10 HOLDINGS		
	Fund	Weight
1	Arete Macro Fund	13.84%
2	Crabel Gemini	13.11%
3	Aperture Credit Opportunities	12.48%
4	Sandbar Global Equity Market Neutral	11.07%
5	Contour Tech Equity	10.76%
6	Landseer European Focus Long Short	10.66%
7	Advent Global Opportunities	10.51%
8	DUNN WMA Institutional Futures	9.63%
9	CASH	5.36%
10	Quadrige Igneo	2.59%

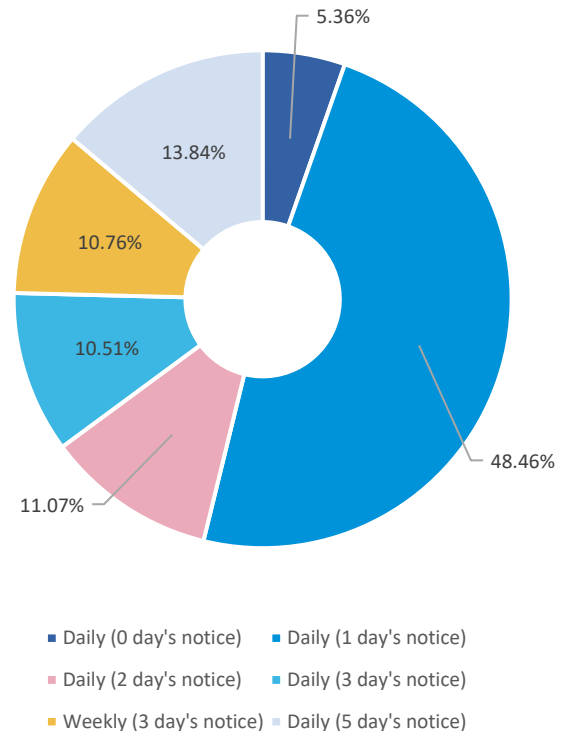
STRATEGY WEIGHTS	
Strategy	Weight
Equity Market Neutral	32.50%
Discretionary Global Macro	13.84%
Short Term Quantitative Futures	13.11%
Credit Long Short	12.48%
Arbitrage	10.51%
Trend Following	9.63%
Cash	5.36%
Tail Risk	2.59%

## Monthly Contribution to Return



The fees contribution represents the management fees and expenses directly attributable to the Kingswood Defensive Alpha UCITS Fund. The invested funds' contribution represents their contribution net of all their underlying fees.

## Liquidity Profile



## Contact Details

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## Disclaimer

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