

LuxHedge Alternative Strategy descriptions

Introduction

LuxHedge benchmark indices are widely used for peer performance analysis of Alternative UCITS funds across different alternative investment strategies. The LuxHedge database contains a large universe that is subdivided in 5 strategy groups and 17 strategies. This document describes the different strategy categories.

Equity Hedge & Event Driven

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| Equity Long/Short Europe | <p>The LuxHedge Long/Short Europe Universe includes all Alternative UCITS funds that take both long and short exposure to equity markets, with a particular focus on Europe as equity investment universe. Long/Short equity hedge funds aim to achieve a low correlation with traditional equity markets but typically keep a small positive exposure. Funds with an explicit zero market correlation target are taken up in a separate category Equity Market Neutral.</p> |
| Equity Long/Short Global | <p>The LuxHedge Long/Short Global Universe includes all Alternative UCITS funds that take both long and short exposure to equity markets, with no particular focus on a geographic equity investment universe. Long/Short equity hedge funds aim to achieve a low correlation with traditional equity markets but typically keep a small positive exposure. Funds with an explicit zero market correlation target are taken up in a separate category Equity Market Neutral.</p> |
| Equity Long/Short Asia incl. Japan | <p>The LuxHedge Long/Short Asia including Japan Universe includes all Alternative UCITS funds that take both long and short exposure to equity markets, with a particular focus on Asia (incl. Japan) as equity investment universe. Long/Short equity hedge funds aim to achieve a low correlation with traditional equity markets but typically keep a small positive exposure. Funds with an explicit zero market correlation target are taken up in a separate category Equity Market Neutral.</p> |
| Equity Long/Short Emerging Markets | <p>The LuxHedge Long/Short Emerging Markets Universe includes all Alternative UCITS funds that take both long and short exposure to equity markets, with a particular focus on Emerging Markets equities. Long/Short equity hedge funds aim to achieve a low correlation with traditional equity markets but typically keep a small positive exposure. Funds with an explicit zero market correlation target are taken up in a separate category Equity Market Neutral.</p> |
| Equity Long/Short US | <p>The LuxHedge Long/Short US Universe includes all Alternative UCITS funds that take both long and short exposure to equity markets, with a particular focus on the United States as equity investment universe. Long/Short equity hedge funds aim to achieve a low correlation with traditional equity markets but typically keep a small positive exposure. Funds with an explicit zero</p> |

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| | market correlation target are taken up in a separate category Equity Market Neutral. |
| Equity Market Neutral | The LuxHedge Equity Market Neutral UCITS Universe includes funds that take both long and short exposure to equity markets with the aim to be market neutral, i.e. have zero beta or zero correlation with major stock indices. These funds can invest in any specific sector, market capitalization, region or country. |
| Event Driven incl. Merger Arbitrage | The LuxHedge Event Driven and Merger Arbitrage Universe includes funds that tend to take advantage of pricing anomalies resulting from major corporate events like mergers, acquisitions, bankruptcies or special situations. Financial derivative instruments are often used to implement these strategies. Funds with a specific focus on Merger Arbitrage are taken up in the category Merger Arbitrage. Funds with a more general special situations theme (which might include Merger Arbitrage, but not limited to) are taken up in the category Event Driven. |

Relative Value

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| Fixed Income Arbitrage | The LuxHedge Fixed Income Arbitrage UCITS Universe includes funds that aim to exploit pricing anomalies within fixed income markets, anticipating that a discrepancy in price difference will narrow down in the future. These funds generally attempt to hedge out most interest rate risk by taking offsetting positions in similar securities (government bonds, corporate bonds, etc.), and can be invested in any geographic zone. |
| Convertibles Arbitrage | The LuxHedge Convertibles Arbitrage UCITS Universe includes funds who specifically invest based on an expected behaviour of the price difference between an convertible security and a related non-convertible security. |

Macro

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| Currency Arbitrage | The LuxHedge Currency Arbitrage Universe Index includes funds that take long and short positions in global foreign exchange markets, either in a systematic or in a discretionary way. |
| CTA / Managed Futures | The LuxHedge CTA / Managed Futures Universe Index includes funds that pursue systematic, quantitative and often trend following strategies by trading a diversified portfolio of financial futures and/or forward contracts across a range of global markets, including equity, fixed income, currency and commodity markets. |
| Global Macro | The LuxHedge Global Macro Universe Index includes funds that aim to profit from changes in global economies affecting the valuation of equity, fixed income, currency and commodity markets. These funds employ a variety of techniques but often use a fundamental, discretionary approach to predict future movements of underlying instruments. |

Opportunistic & Multi Strategy

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| Commodity Arbitrage | The LuxHedge Commodity Arbitrage UCITS Universe includes funds that take long and short positions within commodity markets, through commodity indices and/or securities relating to commodities. Financial derivative instruments are often used to implement this strategy. |
| Multi Strategy | The LuxHedge Multi-Strategy UCITS Universe includes funds that aim to allocate capital based on perceived opportunities among several alternative strategies. They aim to be well diversified by bringing together different strategies under one fund and often have different investment teams in charge to run each of the different strategies. |
| Volatility Arbitrage | The LuxHedge Volatility Arbitrage Universe Index includes funds that trade volatility as an asset class through the implied volatility inherent in options. These funds employ different techniques in order to profit from arbitrage opportunities and often aim to benefit from a temporary imbalance between implied and realized volatility. |

Fund of Funds

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| Fund of Funds | The LuxHedge Fund of Funds Universe Index includes funds that mainly invest in alternative UCITS funds or in traditional funds matched with alternative techniques. Funds of funds are generally exposed to a wide range of investment styles and strategies. |
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