

AlphaSquare

EUR class

Equity Market Neutral
March 2011

Fund Description

Equity market neutral fund combining intrasectoral mean reversion and style momentum quantitative approaches on European equity stocks (approximately 700 European stocks traded through 180 baskets).

Systematic automated trading through proprietary trading robot.

Embedded risk control supplemented by an independent real time risk monitoring desk.

Characteristics

Legal Name: Finaltis Alpha Plc - AlphaSquare Systematic Equity Trading

Legal Structure: Irish QIF (ISE listing)

Inception: September 1, 2005

ISIN Code: IE00B0JJYK53

Sedol Code: B0JJYK5

Bloomberg Ticker: FASETEU ID

NAV per share : 152.79 EUR

Assets in Fund: 38 M€

Assets in Strategy: 94 M€

Asset Manager: Finaltis SA, Paris (AMF regulated)

Auditor: KPMG

Custodian: BNY Mellon International Bank Ltd

Administrator: BNY Mellon Investment Servicing (International) Limited

Liquidity: Weekly 5 days notice period

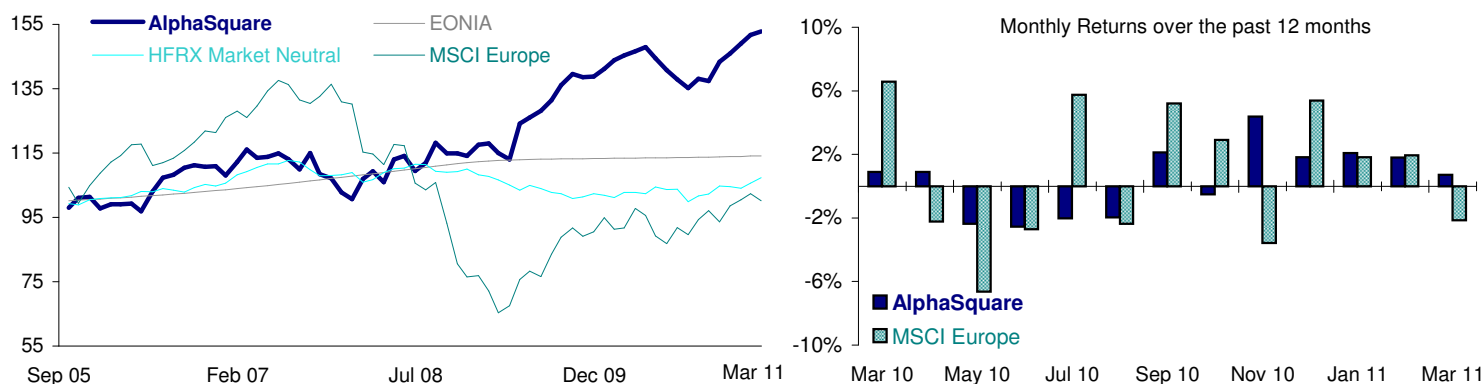
Management Fees: 2% p.a.

Performance Fees: 20% of the performance (with high watermark)

Monthly Returns

	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
2005									(2.05%)	3.13%	0.30%	(3.49%)	(2.22%)
2006	1.35%	0.00%	0.15%	(2.35%)	6.36%	4.09%	0.89%	1.98%	0.77%	(0.43%)	0.18%	(2.68%)	10.45%
2007	3.93%	3.47%	(2.26%)	0.26%	1.00%	(1.59%)	(2.82%)	4.66%	(5.77%)	(1.17%)	(4.09%)	(2.05%)	(6.81%)
2008	6.24%	2.22%	(3.02%)	6.66%	0.91%	(4.04%)	2.20%	5.61%	(2.75%)	0.03%	(0.71%)	3.00%	16.80%
2009	0.35%	(2.48%)	(1.76%)	9.85%	1.51%	1.64%	2.60%	3.52%	2.58%	(0.70%)	0.14%	1.72%	20.09%
2010	1.91%	1.01%	0.89%	0.89%	(2.37%)	(2.55%)	(2.02%)	(1.96%)	2.12%	(0.51%)	4.38%	1.81%	3.40%
2011	2.08%	1.81%	0.72%										4.67%

Performance & Statistics (since inception)



Performance

Last 36 months (annual.)	11.55%
Last 12 months	4.22%
Annualised (inception)	7.89%
Average positive month	2.35%
Average negative month	(2.23%)
Best month	9.85%
Worst month	(5.77%)
% of positive months	64%

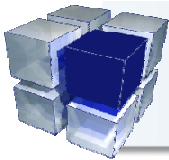
Volatility

Last 36 months (annual.)	8.07%
Last 12 months	7.71%
Annualised (inception)	10.13%
Sharpe ratio (EONIA adjusted)	0.57
Sortino ratio (EONIA adjusted)	1.00
Drawdown	
Max. cumulated	(13.35%)
Length to recovery (months)	18

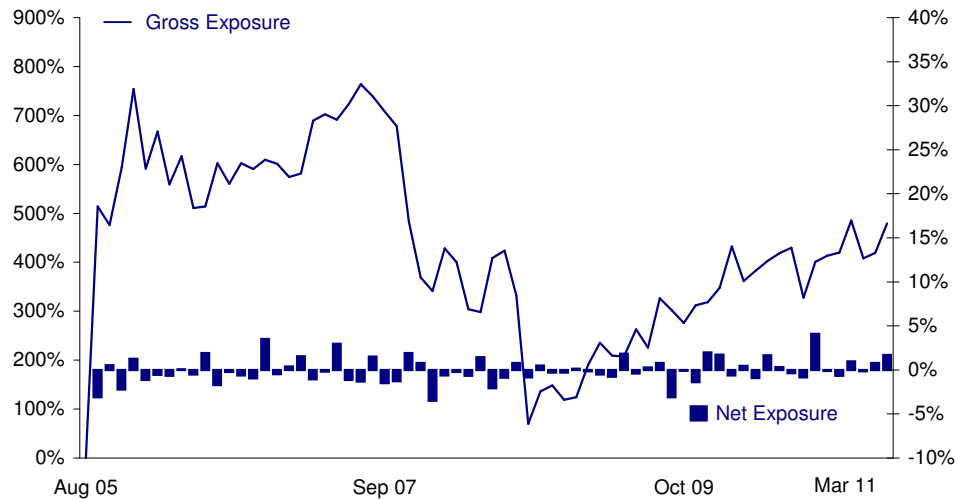
Correlations

MSCI Europe	0.23
HFRX Equity Market Neutral	(0.14)
VaR/CVaR	
Value at Risk 1 day 95%	(0.73%)
Conditional Value at Risk 1 day 95%	(0.91%)
Value at Risk 1 week 95%	(1.63%)
Conditional Value at Risk 1 week 95%	(2.04%)

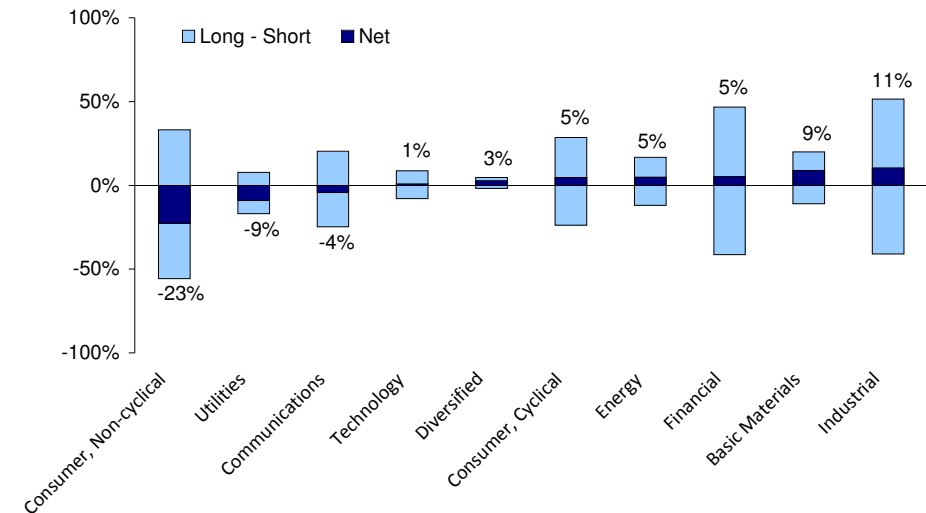
Finaltis



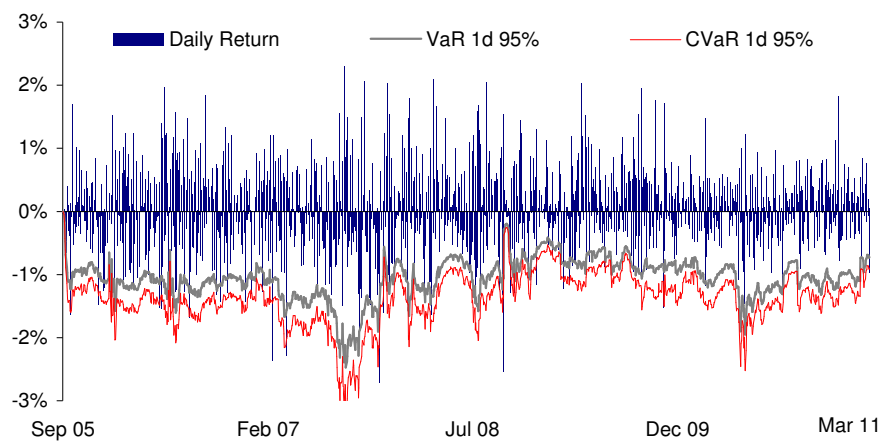
Historical Net and Gross Exposures



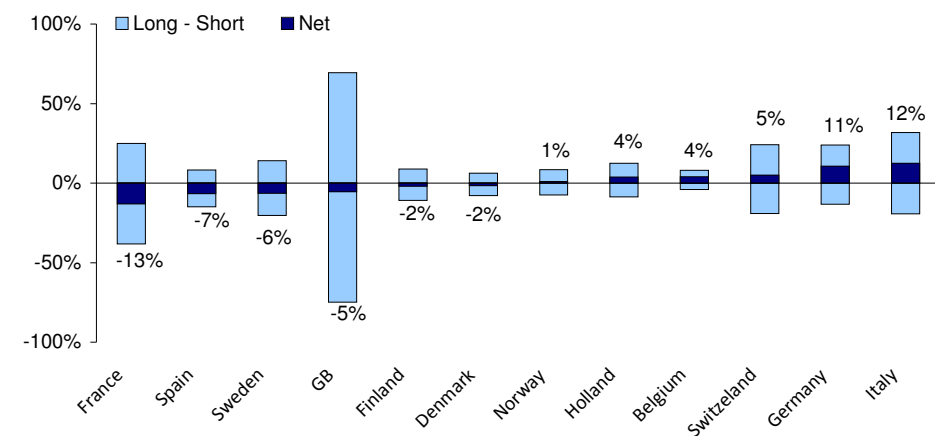
Sector Exposures

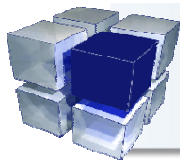


Daily Performance vs Value at Risk



Country Exposures





Global Exposures (as of month end)

Net Exposure	2%	Gross Exposure	Start of Month	End of Month	Change
Gross Exposure	480%	per Substrategies			
Long Exposure	241%	Mean	3.63	3.70	0.07
Short Exposure	(239%)	Reversion			
N° of Positions	726	Style Momentum	1.81	2.25	0.45
N° of Long Positions	386	& Dividends			
N° of Short Positions	340	Global	4.51	4.80	0.28
N° of MR Baskets	179	Leverage			

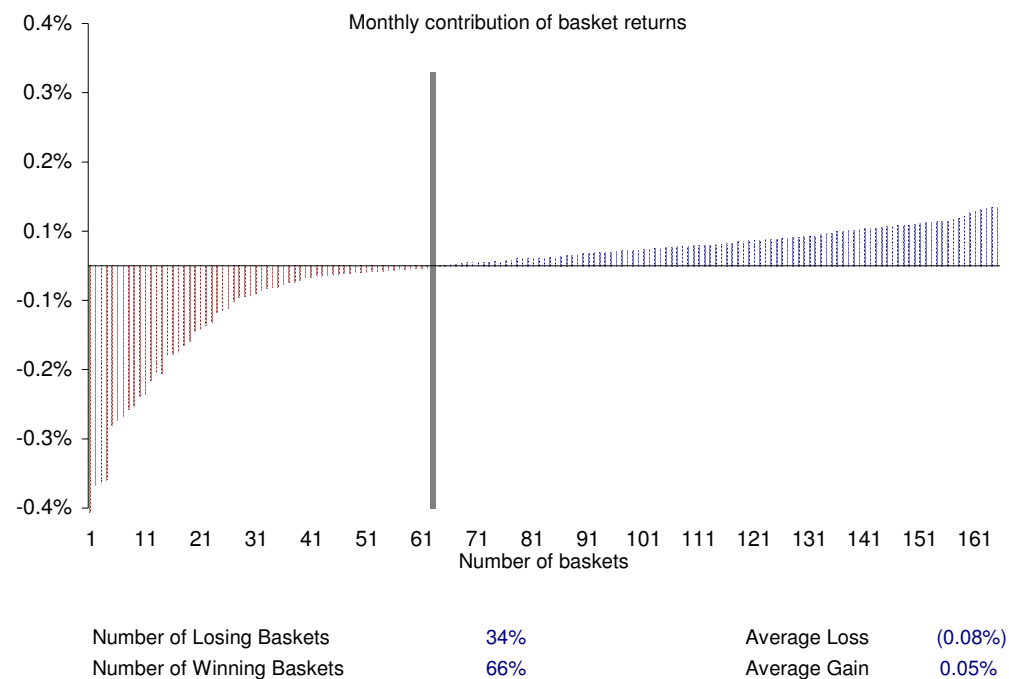
Style Momentum (Market Neutral)

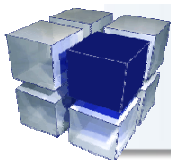
Exposure		Start of month		End of Month	
Price Momentum	RSI	Short large	-0.33	Short large	-0.44
	Sharpe Ratio	Short high	-0.33	Short high	-0.33
	Moving Average	Short winners	-0.06	Long winners	0.17
Value / Growth	Market Cap	Short large	-0.28	Short large	-0.50
	Price Earnings Ratio	Long high	0.28	Long high	0.28
	Dividend Yield	Short high	-0.39	Short high	-0.50
	Price to Book	Short high	-0.17	Short high	-0.06
	Tobin Q Ratio	Short high	-0.17	Short high	-0.06
Macro Factors	Beta to Crude Oil	Long high	0.39	Long high	0.39
	Beta to Gold	Long high	0.06	Long high	0.17
	Beta to USD	Long high	0.39	Long high	0.50

Substrategies Correlations (over the month)

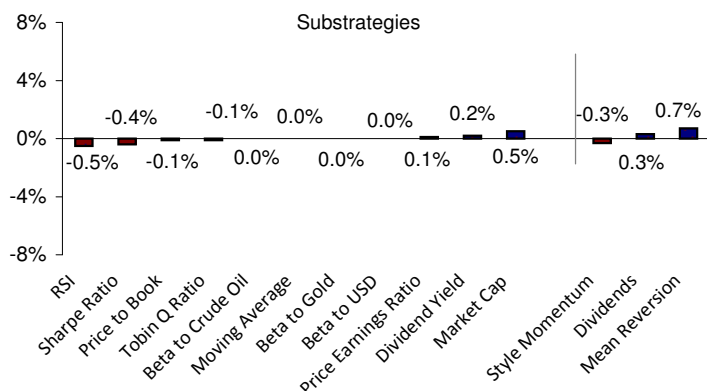
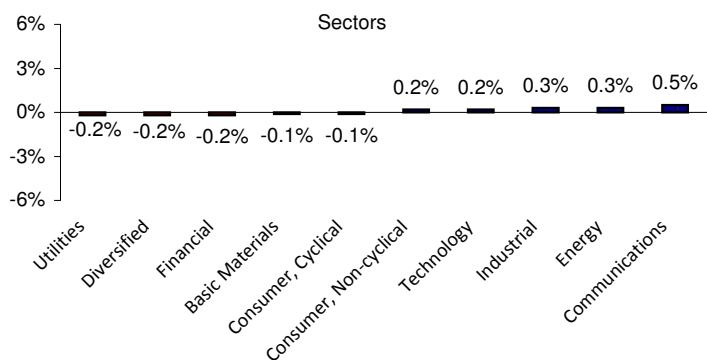
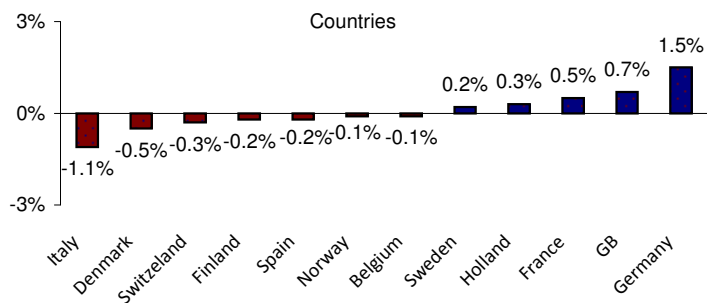
	Mean Reversion	Style Momentum	Dividends
Mean Reversion	1		
Style Momentum	(0.08)	1	
Dividends	0.45	(0.06)	1

Mean Reversion





Contributions



Monthly Comment

AlphaSquare's performance in March was +0.72%, bringing the YTD performance to +4.67%. European equity markets were already looking toppish and seemed to be shrugging off the political unrest in the Middle East but then took a bungee jump in reaction to the uncertainty surrounding the Japan disasters. The Stoxx600 was down by as much as 8.5% only to end the month down 5% and flat YTD. Since the end of February, the focus has shifted away from Tunisia and Egypt in favour of Bahrain, Yemen, and Syria but most important of all Libya which has even spurred a UN mandate to intervene. As if this wasn't enough uncertainty for the markets to digest, on the 11th March Japan was hit by a triple catastrophe. The medium to long term impact of an earthquake and tsunami are relatively easy to comprehend compared to the ensuing nuclear disaster still unfolding. These events did manage to deter investors' attention away from Europe's ongoing sovereign debt and related bank crisis as Ireland struggles to shore up its banks and Portugal suffers downgrades and mounting pressure to receive a bail out. Meanwhile the ECB struggles to decide on interest rates and whether one size fits all or just fits Germany in the battle to restrain inflation on the one hand without jeopardising peripheral growth on the other.

Before actually breaking down the performance, it is interesting to note that the positive performance was generated both during the sell-off and the rebound which is evidence of the portfolio's market neutrality and robustness. The performance breaks down as follows: Mean Reversion +0.74%, Style Momentum -0.32%, and Dividend strategy +0.30%. The conditions were ideal for the MR strategy with the initial market reversal followed by the rebound, 66% of the baskets gained an average 5bps while the remaining losers incurred an average loss of 8bps. However the MR contribution was somewhat tainted by being on the wrong side of a handful of corporate events which collectively lost 1.3%. About half of this is explained by the fall of Sonova which was interpreted as good news for its direct competitor William Demant (up around 10% the day Sonova fell by 10%). The fund is by no means systematically on the wrong side of corporate events, however it did seem to be in March 2011. That said, the four most profitable baskets collectively contributed 1.17% without being in the news headlines with corporate events. The SM strategy was surprisingly robust given the circumstances: a sharp fall followed by a rebound constitutes roughly the worst case scenario for a trend follower, which can be observed in the CTA returns for March (see European Edition of Companies & Markets FT article from March 29th "Japan hurts program-led hedge funds"). The SM contributions were all between +/- 50 bps with no notable position movements.

The fund's turnover was slightly higher than usual at 13.5% of the position per day, slippage remains very satisfactory at around 5 bps per euro traded versus the zero-slippage closing-price back-test and we continue to exploit the dark pools successfully by trading around 35% of the daily volume through that channel.

Judging by the performance breakdown, market conditions are clearly very favourable for the Mean-Reversion strategy. Underlying stock volatility has picked up slightly in March (Stoxx600 30 day increased from 12% to 16%) but is not at the levels (between 30% and 60%) seen in 2008 and 2009. We will conduct the quarterly review for the mean-reversion baskets over the course of April and recalculate the SM Moving Average team members which have a quarterly time frame.

The strategy AUM is now just shy of 100M€, as the market neutral mandate may at last be coming back in to favour with investors while poor macro-economic visibility mars the attractiveness of directional exposure.