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Fund Name	Alphadyne Int'l / Global (1.5x levered)	
Management Company	Alphadyne Asset Management	
Key Personnel	Philippe Khuong-Huu - CIO	
Report Date	Q2 2021 update	
Vehicle/Strategy	Hedge Fund: Global Macro and RV	
Location	New York, London, Hong Kong, Tokyo, Singapore	
Strategy/Firm Assets	Int'l: \$5.9B/ Global: \$6.2B; Firm: \$12.1B	
Employees/ Invt. Profs	140/30 (10 Senior PMs)	
Launch Date	April 2006	
Fees	2% management fee; 20% incentive fee (Class 6 Global: 1.75% and 30%)	
Minimum	\$1M	
Liquidity	Monthly with 60 days notice (new class on 4/1/18: Qtly, 90d notice w/ 25% investor gate per quarter)	
Strategy Description	<ul style="list-style-type: none"> <li>Multi-PM Global Macro fund focused on Fixed Income, Rates, FX and Equities</li> <li>Disciplined approach to risk management and loss tolerance</li> <li>Specialist trader model complemented by proprietary quantitative systems/techniques</li> </ul>	
Benchmark	HFRI Macro and Barclays Aggregate Index	
Role In Portfolio	Diversifying, non-directional, low correlation strategy within global interest rate/FX markets; Beta-adjusted market neutral on average; no historical correlation to stocks or bonds	
Structural/Risk Factors	High portfolio turnover and use of leverage inherent in the macro/trading strategy inhibits transparency into monthly portfolio return and risk drivers; Global Fund is 1.5x levered version of Int'l	
Began tracking/approved	2014	
Last Contact	Update calls through Q2	
Analyst Coverage	Amar Patel (primary) / Peter Whitney (backup)	
Portfolios	Global Select; Advisory accounts	

## Headlines

- Int'l: -7.5%; Global -7.5% in Q2 vs. 3.7% for the HFRI Macro and 1.8% for the Barclays Agg
- Losses in US yield curve steepeners, butterfly and cross market European relative curve trades
- Essentially violated risk guidelines, failing to cut overall risk by ~50% upon reaching a 5% drawdown
- Key trades today: Short duration in US, European cross market curve positions, Long European inflation vs. UK; UK cash vs. swap curve RV & US 10-20-30 butterfly
- Yield curve position closed out; Portfolio mostly in macro RV themes; VaR reduced although leverage still elevated
- VaR risk levels lower although leverage still elevated
  - Int'l B/S Leverage: 13.6x; Global B/S Leverage: 15.2x - both flat vs. last quarter
  - Simulated stress test levels: Int'l at -5%; Global fund at -7.9% - 60% reduction vs. last quarter
  - 1d 95% VaR – Intl: 0.9% vs. 1.5% last quarter (2.3% intra quarter high); Global: 1.1% vs. 1.8% last quarter (2.6% intra quarter high)
  - Net DV01 – Intl: +5bps vs. -7bps last quarter; Global: +6bps vs. -9bps last quarter

## Int'l Fund:

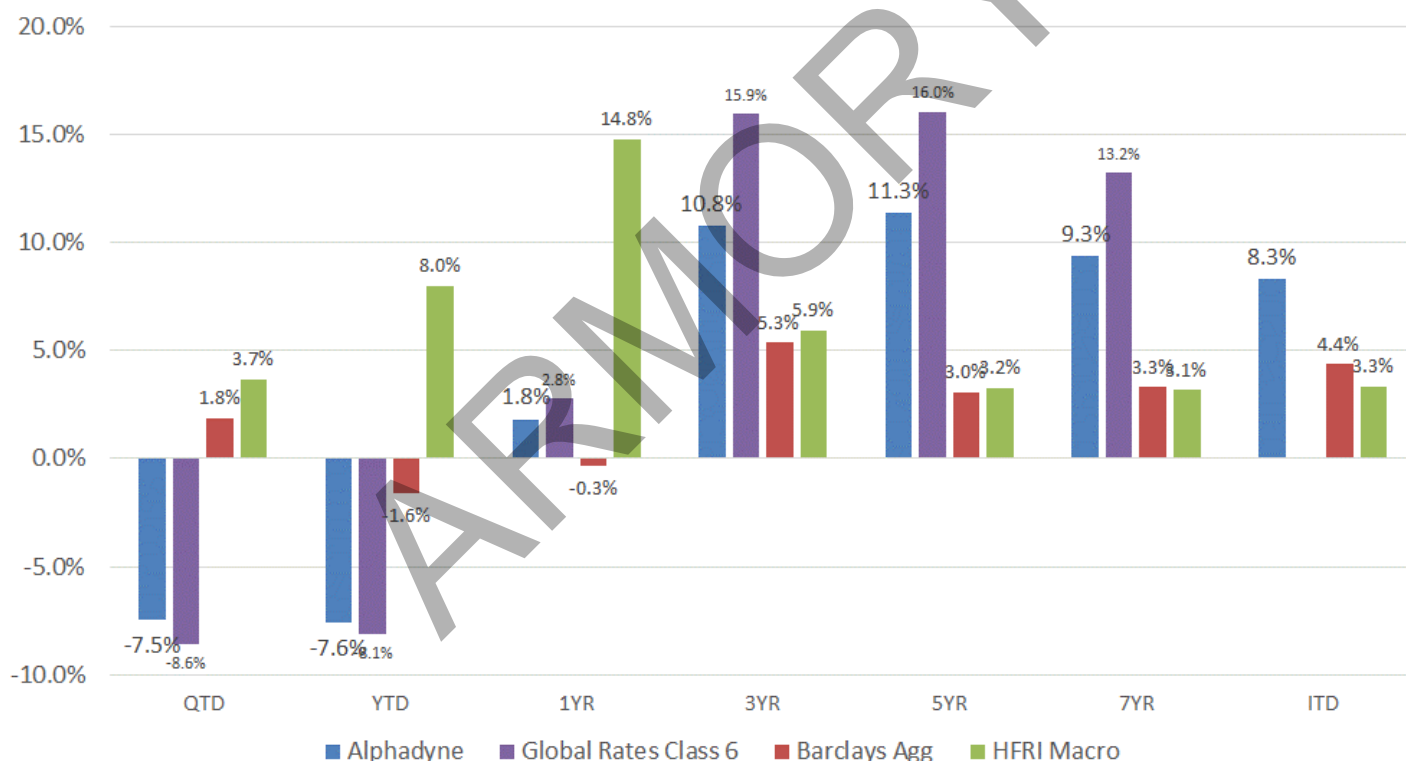
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	HFRI Macro	Barclays Agg
2021	1.0%	-3.9%	2.9%	-0.9%	-2.4%	-4.3%							-7.6%	8.0%	-1.6%
2020	1.9%	-1.1%	6.6%	0.8%	0.1%	1.0%	2.0%	1.4%	0.3%	0.3%	4.4%	1.4%	20.6%	5.5%	7.5%
2019	1.4%	1.5%	0.3%	1.0%	2.3%	2.4%	0.6%	0.9%	0.1%	2.5%	1.4%	1.8%	17.5%	6.2%	8.7%
2018	2.1%	1.2%	2.3%	0.9%	-0.4%	0.5%	2.3%	-0.6%	1.1%	2.2%	0.7%	-2.0%	10.7%	-3.6%	0.0%
2017	-1.0%	2.0%	1.8%	-0.4%	-0.4%	1.2%	0.0%	2.4%	1.5%	1.4%	-0.6%	2.0%	10.3%	2.2%	3.5%
2016	-2.5%	-2.4%	0.0%	0.0%	-0.6%	-0.2%	1.3%	1.1%	1.0%	0.7%	0.8%	2.0%	1.0%	1.0%	2.7%
2015	0.8%	1.2%	1.8%	-0.8%	0.7%	0.7%	3.0%	0.4%	-1.2%	0.5%	2.1%	-1.6%	7.8%	-1.3%	0.6%
2014	0.8%	-1.1%	-1.1%	-0.3%	0.5%	1.7%	0.8%	0.1%	2.4%	2.5%	1.7%	-0.5%	7.8%	5.6%	6.0%
2013	1.1%	-0.7%	0.6%	2.9%	1.6%	-1.5%	-1.2%	-0.1%	-0.6%	0.5%	0.3%	2.4%	5.2%	-0.4%	-2.0%
2012	1.6%	-0.4%	0.9%	-0.4%	1.4%	-0.4%	1.5%	-0.2%	0.7%	0.1%	0.1%	0.8%	5.9%	-0.1%	4.2%
2011	0.4%	0.3%	0.9%	1.4%	-0.2%	-0.5%	0.8%	1.3%	0.6%	0.4%	0.1%	1.5%	7.2%	-4.1%	7.9%
2010	2.2%	1.7%	1.5%	0.0%	-2.3%	0.5%	1.2%	1.0%	-0.9%	-0.1%	-0.6%	0.3%	4.4%	8.1%	6.6%
2009	1.4%	1.2%	1.0%	-0.1%	1.7%	0.0%	1.3%	1.9%	1.5%	0.9%	1.7%	0.4%	13.8%	4.3%	5.9%
2008	4.7%	2.3%	0.2%	-0.6%	0.7%	1.6%	0.7%	0.8%	-0.4%	-1.6%	-0.3%	1.0%	9.3%	4.8%	5.3%
2007	1.9%	1.7%	1.4%	1.3%	1.7%	0.1%	1.1%	-1.7%	2.1%	2.1%	-2.2%	0.7%	10.6%	11.1%	7.0%
2006				-0.4%	-0.9%	-1.3%	0.3%	0.5%	0.4%	1.1%	1.4%	3.2%	4.3%	4.9%	5.0%

Risk Stats	Current	ITD Avg	L3Y Stats	Fund	HFRI	Barc Agg	ITD Stats	Fund	HFRI	Barc Agg
B/S Lev	13.6x	6.8x	CAGR	10.8%	5.9%	5.3%	CAGR	8.3%	3.3%	4.4%
Gross Lev		12.7x	Vol	4.6%	4.0%	2.6%	Vol	4.8%	4.8%	3.2%
Net DV01	0.05%	-0.03%	Sharpe	1.90	0.98	1.28	Sharpe	1.30	0.28	0.73
95 1d VaR	0.94%	0.88%	Correlation		(0.11)	(0.07)	Correlation		0.18	0.02
Unencum Cash	62.00%	69.11%	Beta		(0.15)	(0.14)	Beta		0.18	0.03
Sim Stress Test	-5.0%	-6.1%	Alpha		12.0%	11.8%	Alpha		7.8%	8.3%

Global Fund (Class 6 proforma for higher fees prior to Feb '20):

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	HFRI Macro	Barclays Agg
2021	1.2%	-4.1%	3.5%	-1.1%	-2.6%	-5.1%							-8.1%	7.9%	-1.6%
2020	2.5%	-1.7%	8.3%	1.5%	0.2%	1.3%	2.2%	1.8%	0.3%	0.4%	5.0%	1.7%	25.8%	6.3%	7.5%
2019	1.8%	2.1%	0.4%	1.5%	3.7%	4.1%	0.8%	1.1%	0.0%	4.6%	2.4%	2.8%	28.4%	6.2%	8.7%
2018	2.7%	1.7%	2.8%	1.2%	-0.8%	0.7%	3.2%	-0.8%	1.3%	2.8%	0.8%	-2.4%	13.9%	-3.6%	0.0%
2017	-1.4%	2.7%	2.3%	-0.5%	-0.5%	1.7%	-0.1%	3.0%	1.8%	1.7%	-0.8%	2.6%	13.1%	2.2%	3.5%
2016	-3.9%	-3.7%	0.3%	0.1%	-0.7%	0.0%	2.1%	1.8%	1.5%	0.9%	1.1%	2.4%	1.7%	1.0%	2.7%
2015	1.0%	1.7%	2.6%	-0.9%	1.0%	1.2%	4.1%	0.3%	-1.5%	0.7%	2.9%	-2.1%	11.5%	-1.3%	0.6%
2014	1.2%	-1.2%	-1.5%	-0.4%	1.0%	2.3%	1.0%	0.2%	3.2%	3.2%	2.3%	-0.4%	11.3%	5.6%	6.0%
2013	1.6%	-0.8%	0.8%	3.7%	1.9%	-1.8%	-1.5%	-0.1%	-0.9%	0.6%	0.5%	3.2%	7.4%	-0.4%	-2.0%
2012	0.2%	-0.7%	1.0%	0.1%	1.2%	-1.1%	1.8%	-0.1%	0.9%	0.2%	0.4%	1.1%	5.0%	-0.1%	4.2%
2011										0.9%	0.1%	0.5%	1.6%	-1.0%	5.2%

Risk Stats	Current	ITD Avg	L3Y Stats	Fund	HFRI	Barc Agg	ITD Stats	Fund	HFRI	Barc Agg
B/S Lev	15.2x	12.3x	CAGR	15.9%	6.1%	5.3%	CAGR	11.0%	2.2%	3.1%
Gross Lev		24.5x	Vol	6.4%	4.0%	2.6%	Vol	6.7%	4.3%	3.0%
Net DV01	0.06%	-0.05%	Sharpe	2.17	1.04	1.28	Sharpe	1.33	0.04	0.36
95 1d VaR	1.06%	0.77%	Correlation		(0.11)	(0.07)	Correlation		0.07	(0.07)
Unencum Cash	55.93%	48.61%	Beta		(0.20)	(0.19)	Beta		0.11	(0.16)
Sim Stress Test	-6.0%		Alpha		17.8%	17.5%	Alpha		11.0%	11.8%



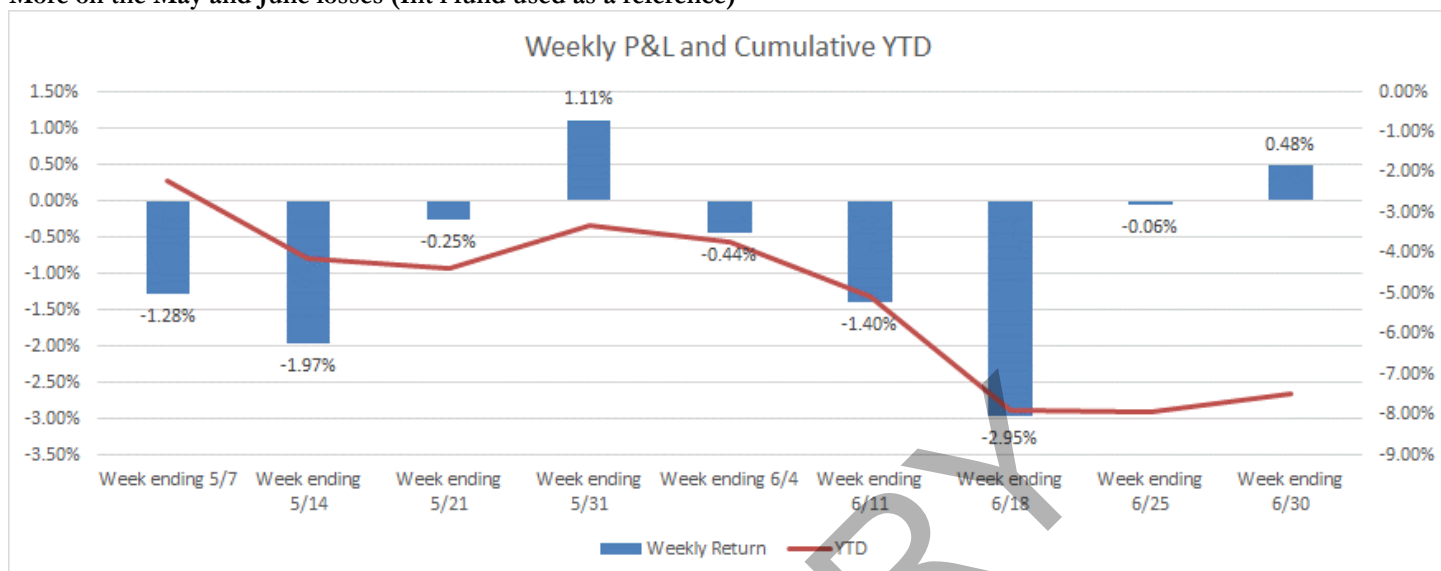
## Highlights

Underperformed the HFRI Macro and the Agg; Returns on the quarter weighed down by losses in US curve steepeners, short duration, long end US RV and European cross market RV. Some gains in short UK rates.

- Alphadyne experienced their worst month and quarter in history, following up a challenging Q1, amidst another repricing of inflation and Fed expectations in the US hurt affected US steepeners. Losses in Europe, which started in May, continued through June as fears of early tapering and a stronger than expected growth led to steeper curves in peripheral Europe vs. core. They started to reduce risk in mid to late June via a combination of out right reductions and offsets.
- Summary of QTD gains:
  - Rates: (-614bps int'l/-701bps global) Losses during the quarter were mostly in May and June. Losses in May were focused in the long end butterfly trade in the US and European cross market RV. Losses in June were mostly in US short duration and US curve steepener positions. Losses were split close to even between Europe and the US.

- FX: (-47bps int'l/-7bps global) Losses in FX in the int'l fund seemingly due to different position sizing in long USD vs. other DM and EM currencies. Specifically, Int'l incurred more losses vs. EMEA. Global gained more vs. JPY.
- Equity/Credit/Commodities: (-41bps int'l/-63bps global) losses in long S&P financials index exposure

**More on the May and June losses (Int'l fund used as a reference)**



**P&L by week and some key relationships between trades**

	Weekly Return	UK vs US 10Y spread chg	5/10 spread chg	10-20-30 spread chg	Italy vs. Germany 10Y spread chg	Italy 10/30 vs. German 10/30 spread chg	10Y UST Bps Chg
Week ending 5/7	-1.28%	(0.02)	2.32	3.87	7.40	1.10	(5.00)
Week ending 5/14	-1.97%	0.03	1.25	3.93	2.10	-	5.00
Week ending 5/21	-0.25%	(0.02)	(1.52)	1.69	(3.90)	3.10	(0.80)
Week ending 5/31	1.11%	(0.01)	(0.56)	0.22	(6.60)	(1.30)	(2.60)
Week ending 6/4	-0.44%	0.04	(2.02)	(0.98)	(1.00)	(1.70)	(4.00)
Week ending 6/11	-1.40%	0.02	(6.15)	2.61	(7.00)	(1.90)	(10.00)
Week ending 6/18	-2.95%	0.06	(14.97)	(6.67)	5.70	(6.90)	(1.30)
Week ending 6/25	-0.06%	(0.06)	3.92	1.72	0.50	0.60	8.50
Week ending 6/30	0.48%	(0.01)	(2.40)	0.14	(5.10)	(0.60)	(10.00)
		Pos - bad	Neg - bad	Pos - bad	Pos - Bad	Neg - bad	Neg - bad
		Convergence	Steepener	Convergence	Convergence	Curve Convergence	Short rates

Most of the losses in May were split between the 10-20-30 butterfly trade, European periphery vs. core complex and cross market UK vs. US and Europe duration positions.

Post the drawdown May, they reduced risk in Periphery vs. Core trades by 50% on a max stress loss basis and significantly cut their UK vs. US/Europe cross market duration positions. They mostly kept on their US curve trades heading into June given the yield curve trades were seemingly working again post the fallout in February. They also had on a short duration position, which they seemingly increased during the month and still had on their US long end butterfly trade.

**Week ending 6/11 (-140bps WTD; -183bps MTD; -5.08% YTD)**

- ~55% of losses MTD from steepeners, ~15-25% each from short US duration, US butterfly and European cross market RV.
- In June, they started taking on losses on their 5/10 steepener position on the week ending 6/11. They probably lost ~100bps from the steepener on an 8bps bear flattening across the first two weeks (~12bps per 1bps move) and ~45bps from the butterfly on a 1.7bps widening (~26bps per 1bps move). The likely lost an additional ~30bps from short duration positions on a 14bps rate rally and a modest amount on their European RV positions.

**Week ending 6/18 (-295bps WTD, -4.73% MTD, -7.88% YTD)**

- ~50% of losses WTD from steepeners, ~30-40% losses on European cross-market RV. Gains in US butterfly trading but smaller losses across long Equity, US inflation and other trades.
- Losses started to mount as the 5/10 curve flattened ~15bps over the three day leading up to and through the FOMC meeting on June 16<sup>th</sup>, which included two consecutive 5.5bps+ flattening days.
- Per Alphadyne, they started to cut risk in the steepener trade on the 16<sup>th</sup> post FOMC and fully exited by the 17<sup>th</sup>. If risk in the trade remained the same entering the 15<sup>th</sup>, they likely lost ~35bps on the 3bps move on the 15<sup>th</sup>. They then should have lost ~70bps on the 16<sup>th</sup> on a 5.7bps flattening and another ~72bps on an additional 6bps widening. In reality they lost only 120bps over those two days, suggesting they cut ~15-20% of some risk heading into the 16<sup>th</sup> and/or 17<sup>th</sup>. They exited the trade on the 17<sup>th</sup>.
- The fund also took significant losses on their European RV positions. The week ending the 18<sup>th</sup> saw a material divergence in Peripheral vs. Core yield curves and absolute spread widening between the relative 10Y rates of the periphery vs. core. They cut part of the trade that was focused on just the relative 10Y points, although the size reduction is unclear.

For the month in June, they lost ~255bps on the 5/10 steepener, ~120bps on the European cross-market RV theme, ~50bps on short US duration, and the balance in the US butterfly, long equities and other positions. They managed to make ~70bps on their UK cash vs. swap curve RV trades.

**Alphadyne risk management reflections**

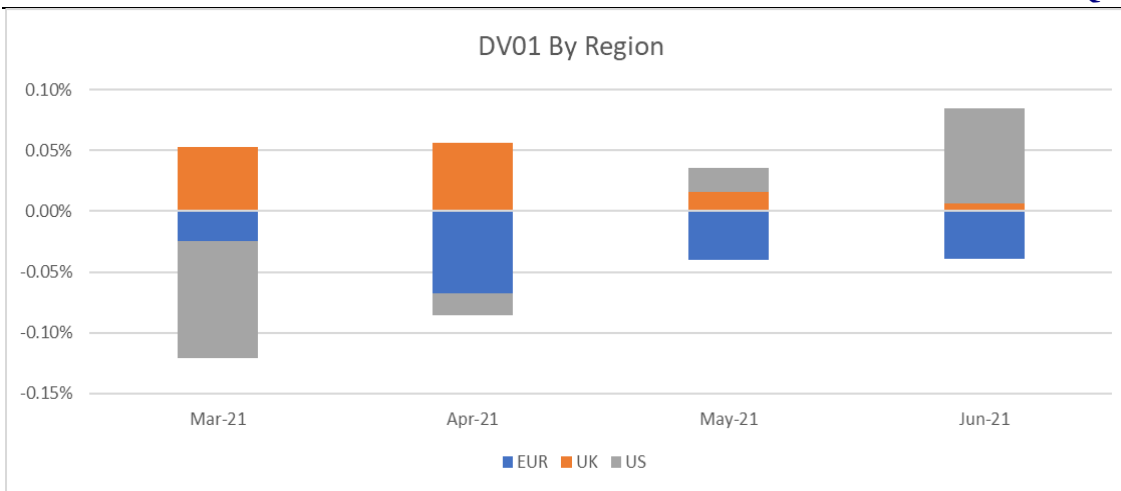
Historically Alphadyne has cut risk by 50% as they approach a 5% drawdown, and fully cut risk as they approach 10%. Although Alphadyne did cut some risk, it was too little and too late – they waited until the FOMC announcement. Conceivably they could have started cutting risk post the initial 8bps flattening move the week ending 6/11 as the fund hit a 5% YTD drawdown at that point. **This especially given they just took a significant loss in this very trade at the end of February**, where it was clear the trade was crowded and liquidity was perhaps challenged.

They seemed to only at best cut 20% of the risk intramonth in just that single trade heading into the 16<sup>th</sup> and 17<sup>th</sup>, upon which they finally cut all their risk after the move was done. The European RV theme was cut post May losses to from “a 2.5% stress loss to a 1.25% stress loss”, which incidentally is more or less what they lost in June on that theme. They likely also cut some of the butterfly trade as well, but details from them on that weren’t clear. While this was going on, they *increased* their net short US DV01 during the month, which would cause some losses in July.

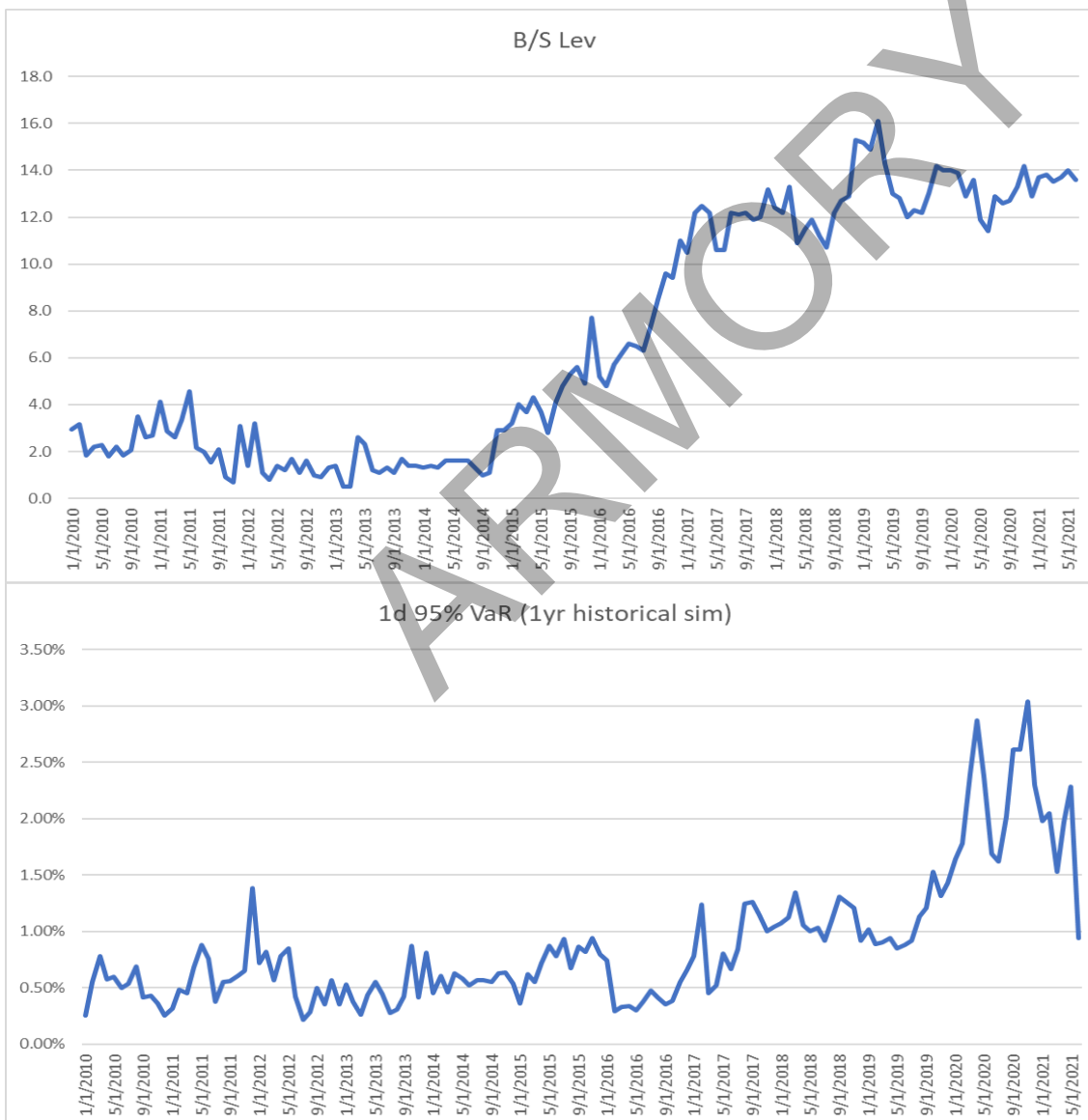
Just cutting the steepener position in ½ would have saved them at least 75bps. Cutting across the book upon hitting the 5% drawdown would have saved even more. In past years it wouldn’t have been surprising to see them cut the position entirely. For comparison, in Q1 2016, their 2<sup>nd</sup> worst quarter ever, they quickly exited positions in US rates and inflation, which were at the source of a ~2.5% loss for the first month of the quarter. Overall VaR at month end was cut by 60% after the initial 2.5% loss. They further reduced other seemingly uncorrelated positions in Japan and Europe after another 2% loss (and approaching a 5% YTD drawdown) the following month. They ran the book with little vol or risk for most of the rest of the year until they clawed back.

The post Tom Luke era is noticeably different. Post the losses this year, they were slower to cut risk. This has been the 2<sup>nd</sup> time in the past 18 months where Phillippe has “overridden” their risk management guidelines (the 1<sup>st</sup> being in March 2020 when the fund took on over 1000bps of losses in the European RV theme, hitting the 5% drawdown limit, but pressed their equity short/long equity vol). There is also a question of judgement, losing again on a trade they just took a significant loss in at the end of Feb 2021.

While the elevated weekly P&L swings, leverage and concentration over the past few years suggested an increased volatility and drawdown profile, the fund’s risk management process in reaction to the latest bout of losses further verify that the fund’s potential volatility and drawdown profile is higher than several years ago. Adding to that, our conversation post losses with CRO Christian also confirm our thoughts that he lacks or is unwilling to compel obedience or push back to the extent that prior CRO Tom Luke seemingly did.



Leverage the same but VaR down





**Reduced risk via offsets and outright reductions; Most trades are Macro RV; 95% 1d VaR reduced to 94bps vs. 228bps last month**

- Directionally in interest rates, they've reduced much of their exposure. They still have on a short duration position in the US, although have been reducing that as well post quarter end. They have a small long US financials equity position, which they've also been reducing.
- Relative value trading is mostly macro oriented and has also been reduced. The yield curve steepener in the US which generated much of the losses this past quarter was completely taken off. They also exited their cross market duration trade between the UK and US/Europe. They still have their back end butterfly trade in the US, although have reduced that as well. The largest positions are the European sovereign vs. core relative curve shape trades. They reduced the outright 10Y vs 10Y portion of the cross European theme. The rest of the key trades can be found below.
- Balance sheet leverage remains around the same, although VaR and stress test levels are down significantly. VaR reduced by ~60% vs. last month and ~50% vs. February. Potential stress test levels reduced by 1/2 vs. last month and 1/3 vs. February.

Key positions:

- Macro/Micro Relative Value (Glenn Hadden, Sanjiv Parekh, Masayoshi Asano, Cyrus P., Phillipe for macro RV)
  - European cross market peripheral vs. core – relative curve trades – 19% of undiversified VaR
  - Inflation RV: European vs. UK inflation; 5Y vs. 10-30Y inflation curve steepener – 18%
  - UK 20/40 cash curve vs. swap curve trades – 17%
  - US long end butterfly micro RV – 12%
  - European 30/50 flattener – 7%
- Directional (Phillipe, Pankaj Jhamb, & others)
  - Short US duration at 7-10Y point – 10%
  - Long financials equities – 8%

Key changes during the quarter:

- B/S leverage
  - Int'l 13.6 vs. 13.5x. last qtr
  - Global Fund at 15.2 vs. 15.2x last qtr
- Net DV01
  - Intl: 5bps vs. -7bps
  - Global: 5.9bps vs. -9.2bps last qtr
- 1d 95% VaR
  - Intl: 0.94% vs. 1.5% last qtr (2.3 peak intraquarter)
  - Global: 1.06% vs. 1.8% last qtr (2.6 peak)
- Stress Test
  - Int'l at -5% vs. -12% last qtr
  - Global fund at -8% vs. -15% last qtr
- Trades
  - Exited 5-10 US steepener
  - Exited 10Y UK vs US and Europe
  - Reduced the outright 10Y Periphery vs. Core trade
  - Reduced 10-20-30 butterfly
  - Took down FX positions
  - Took down equity trades

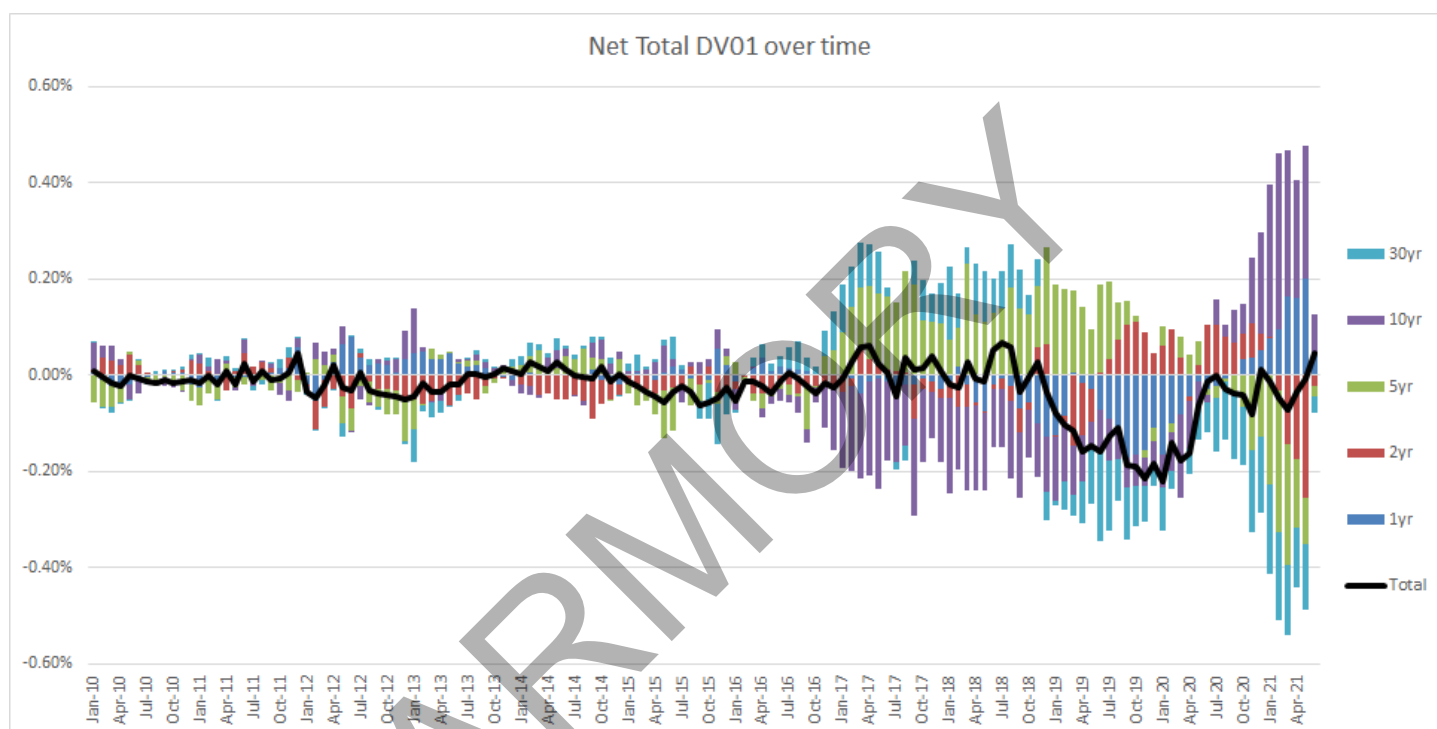
Int'l Fund (Global Fund charts at end of report)

**Net DV01 is back to net long. Like last quarter, the composition of that DV01 is multifaceted.**

This is what was written in last quarter's report:

*"The bear flattening move in late February was painful, and the portfolio remains somewhat susceptible to a similar move should central bank expectations change as a result of a sudden change in data and/or policy expectations. Conceivably they'd have offsetting positioning, although a lot would depend on the nature of the change in expectations. For a complex book, the book seems more complex than usual."*

This was unfortunately the case. They took losses again in their steepener trade, although the magnitude of the move was even more pronounced in June vs. February. They also took on losses in their butterfly trade and on their European rates cross market positions during the quarter, although that was a slower p&l bleed. There was no adequate offset to their losses besides some gains in their UK rates positions. Post the losses they've significantly reduced their Net positioning across the curve.





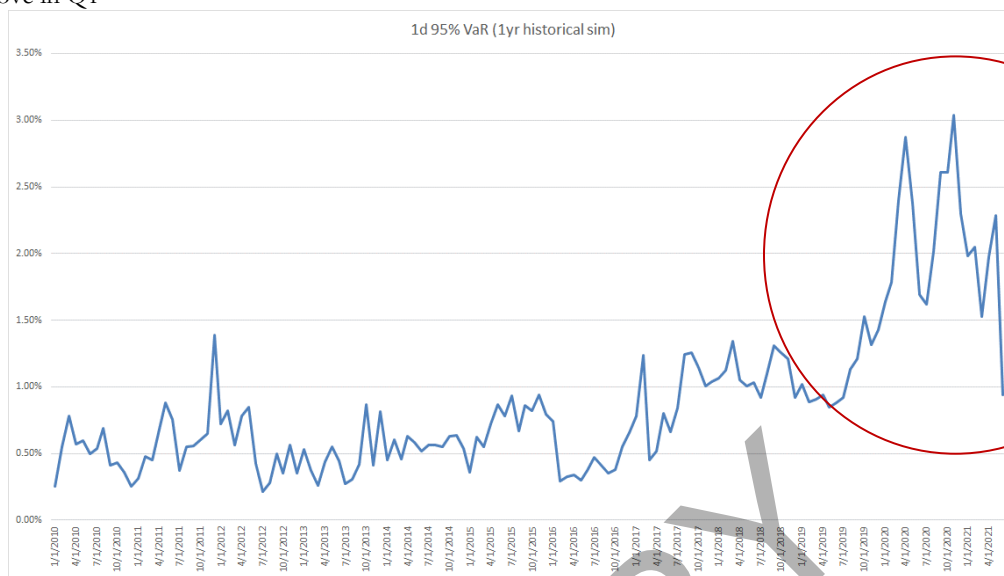
Allocation changes (1/1/18 and beyond are estimates; Alphadyne stopped provided specific allocations)

Portfolio Manager	Investment Style	Jan-21	Sep-20	Apr-20	Jan-20	Jan-19	Jan-18	Jan-17	Apr-16	Nov-15
Philippe Khuong-Huu	Global Macro	56%	63%	56%	49%	39%	30%	31%	27%	32%
Glenn Hadden	G6 RV	12%	12%	14%	15%	20%	19%	16%	9%	6%
Pankaj Jhamb	EM Cross Asset	7%	5%	6%	7%	7%	7%	5%	4%	5%
Masayoshi Asano	Japan rates RV & Vol	7%	5%	6%	7%	7%	7%	4%	0%	0%
Sanjiv Parekh	Rates RV & Vol	7%	5%	6%	7%	7%	7%	7%	4%	5%
Cyrus Pouraghabagher	US Mortgages RV	6%	3%	4%	6%	6%	7%	4%	1%	2%
Rohit Gandhi	Global Macro	1%	1%	2%	4%	2%	2%	2%	4%	3%
Bob Qi	China FX and Rates Macro	1%	1%	1%	1%	2%	1%	0%	0%	0%
Rick Yoon	Asia Macro	1%	1%	1%	1%	0%	0%	0%	0%	0%
Nial Gibson	Equity Vol RV	1%	1%	1%	1%	0%	0%	0%	0%	0%
Bart Broadman (Asia)	Asia Macro/Rates - CIO	0%	0%	0%	0%	1%	4%	7%	13%	15%
Stuart Schuster (Asia)	Japan/Asia Rates RV	0%	0%	0%	0%	1%	3%	6%	9%	5%
Shiang Hue Lye (Asia)	Asian FX - Dep CIO	0%	0%	0%	0%	1%	2%	5%	7%	5%
Nathan Hedley (Asia)	Asia Macro	0%	0%	0%	0%	0%	1%	5%	10%	7%
Arjun Shetty (Asia)	Asia Rates & FX	0%	0%	0%	0%	0%	1%	0%	0%	0%
Abhay Golecha (Asia)	Asia Cross Market RV	0%	0%	0%	0%	0%	1%	0%	0%	0%
Christiana Toutet	Global Macro	0%	1%	1%	1%	2%	1%	0%	0%	0%
Walter Schabel	Asia DM Macro	0%	1%	1%	1%	1%	0%	0%	0%	0%
Adam Kell	Global Macro	0%	0%	0%	0%	1%	1%	0%	0%	0%
Adnan Choudhury	-Quant Macro-	0%	0%	0%	0%	0%	5%	5%	4%	4%
Cindy Lau	Asia Macro	0%	0%	0%	0%	0%	1%	0%	0%	0%
Ayad Butt	Asia Macro	0%	0%	0%	0%	0%	0%	0%	0%	0%
Anu Murgai	Global Macro	0%	0%	0%	0%	2%	1%	1%	0%	0%
Geoff Verter	-Quant Macro-	0%	0%	0%	0%	0%	0%	0%	4%	4%
Guillaume Nicolle	-EM Rates-	0%	0%	0%	0%	0%	0%	2%	3%	3%
Richard Jackson	-Europe Macro-	0%	0%	0%	0%	0%	0%	0%	1%	2%
Alistair Boyd	-Quant-	0%	0%	0%	0%	0%	0%	0%	0%	1%
Jason Smith	-Europe RV Macro-	0%	0%	0%	0%	0%	0%	0%	0%	1%
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	RV Strategies	32.0%	25.0%	30.0%	35.0%	40.0%	40.0%	31.0%	14.0%	13.0%
	Directional Macro	68.0%	75.0%	70.0%	65.0%	56.0%	49.0%	46.0%	47.9%	55.0%
	Astignes team	0.0%	0.0%	0.0%	0.0%	4.0%	11.0%	23.0%	38.2%	32.0%

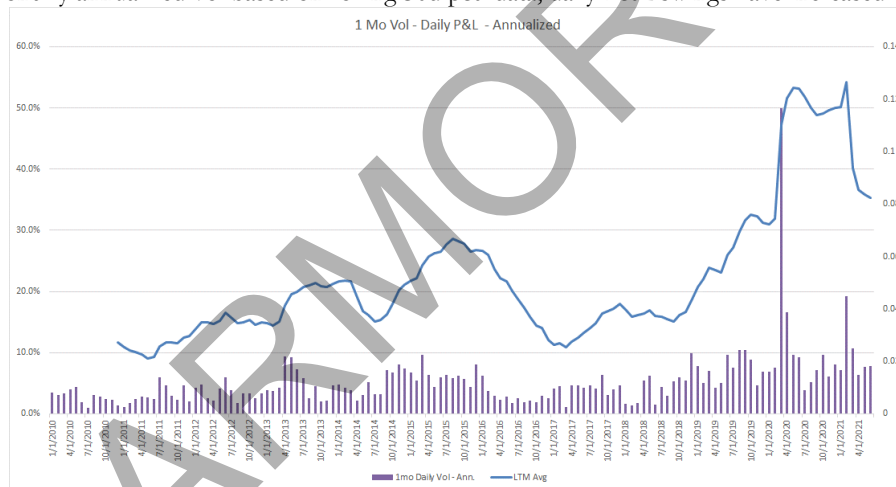
They de-allocated two PMs in Asia last quarter. We're guessing one was Walter Schabel, but not sure on the other. Currently that have two HK based PMs in Bob Qi and Rick Yoon. They have 1 Japan based PM in Masayoshi Asano.

# Risk Levels – Int'l Fund:

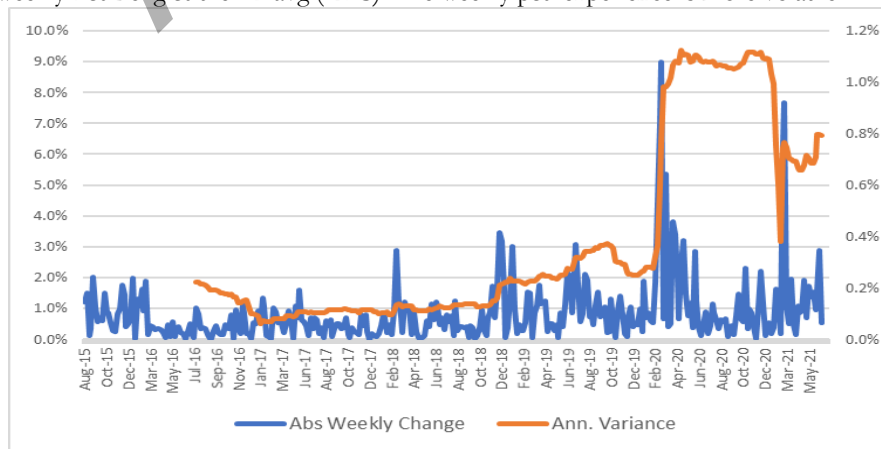
- VaR (95% 1d) increased given elevated interest rate volatility and just more risk taking in the book. Given RV trades are typically lower vol, the left tail risk associated with these trades are not reflected in the VaR levels. Risk levels were taken down on the US bear curve flattener move in Q1

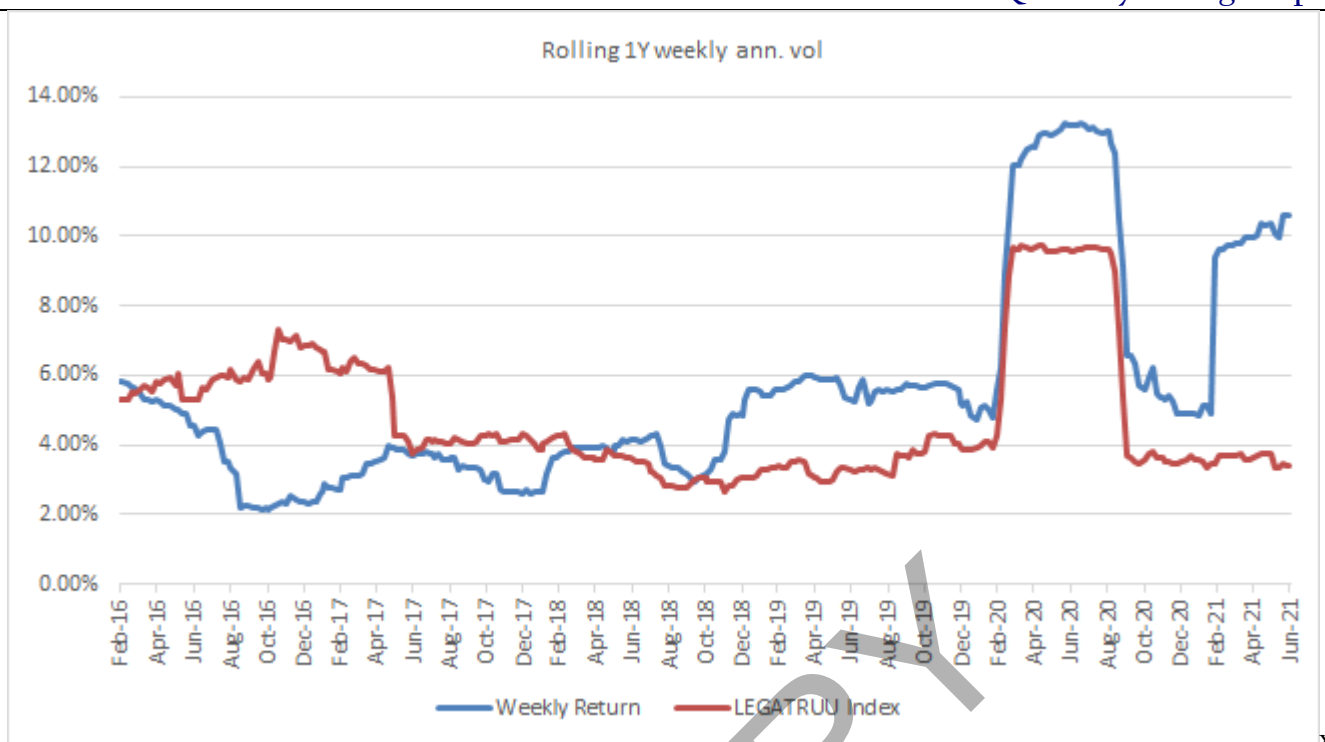


When looking at the monthly annualized vol based on rolling 30d p&l data, daily P&L swings have increased vs. in years past



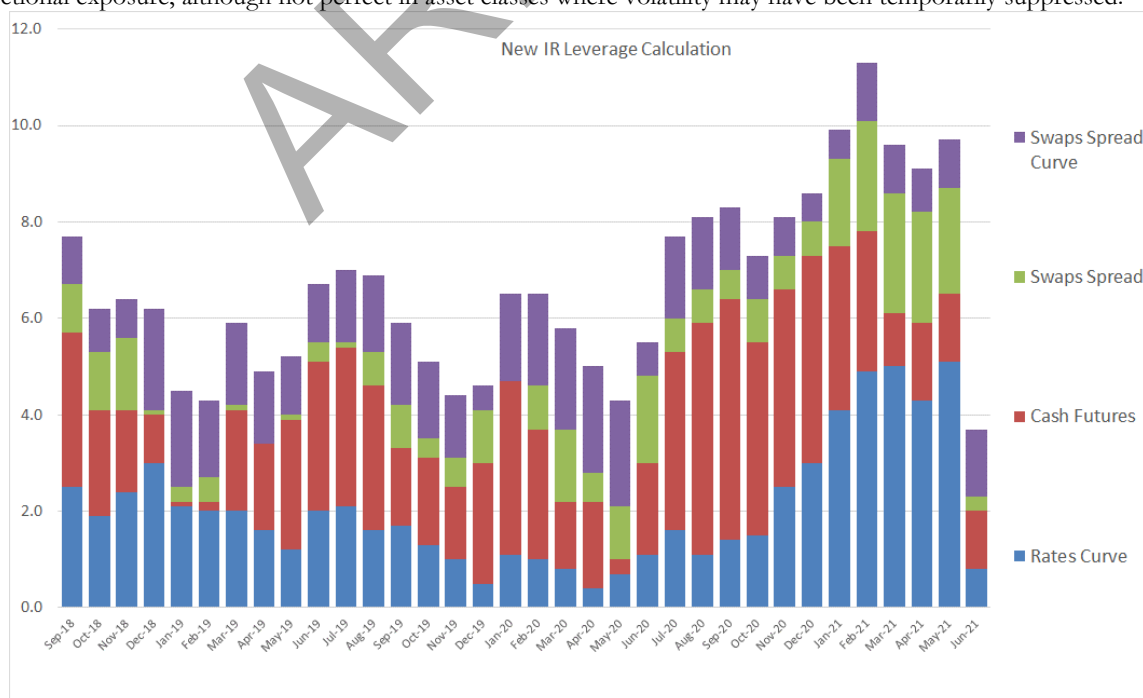
Below is the abs value weekly P&L chg & the 1Y avg (RHS). The weekly p&l experience is more volatile.



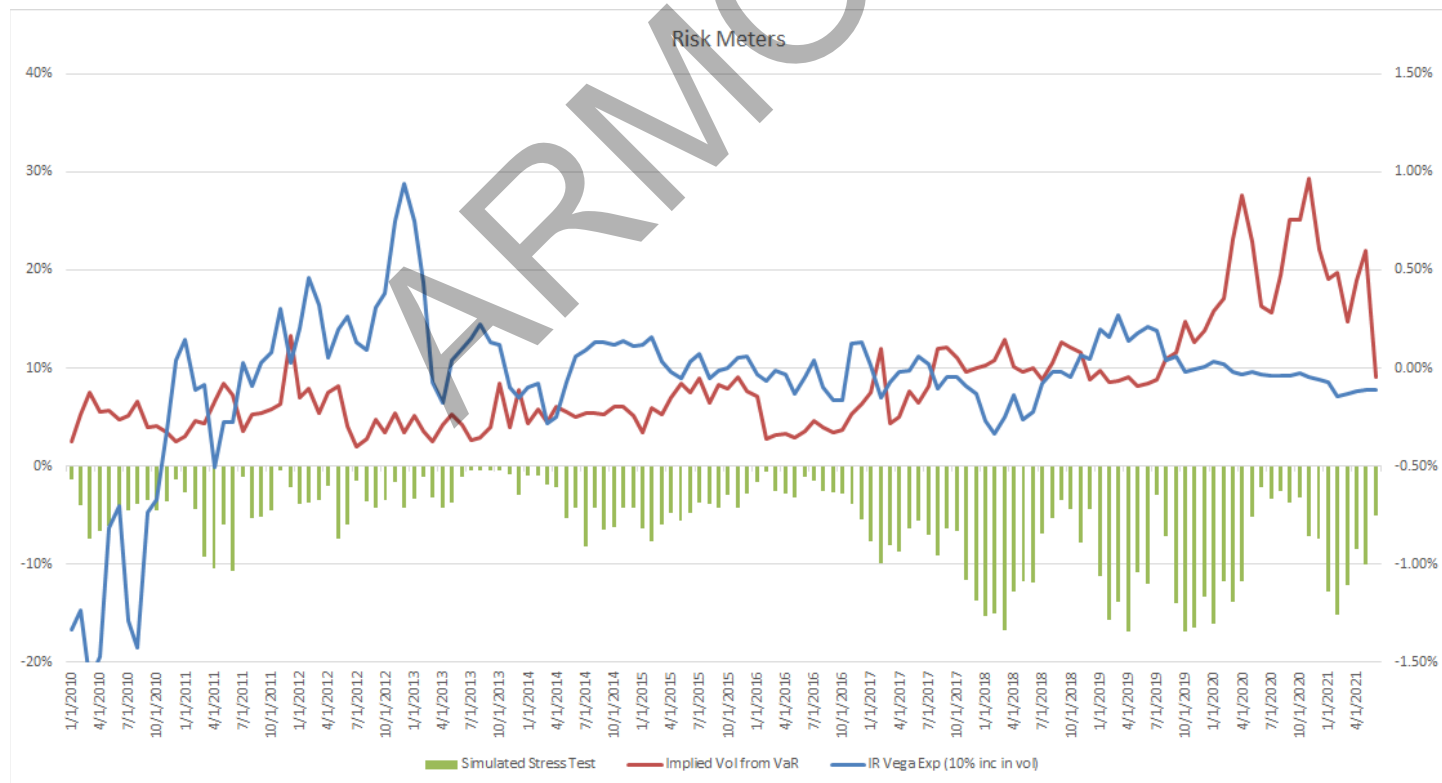
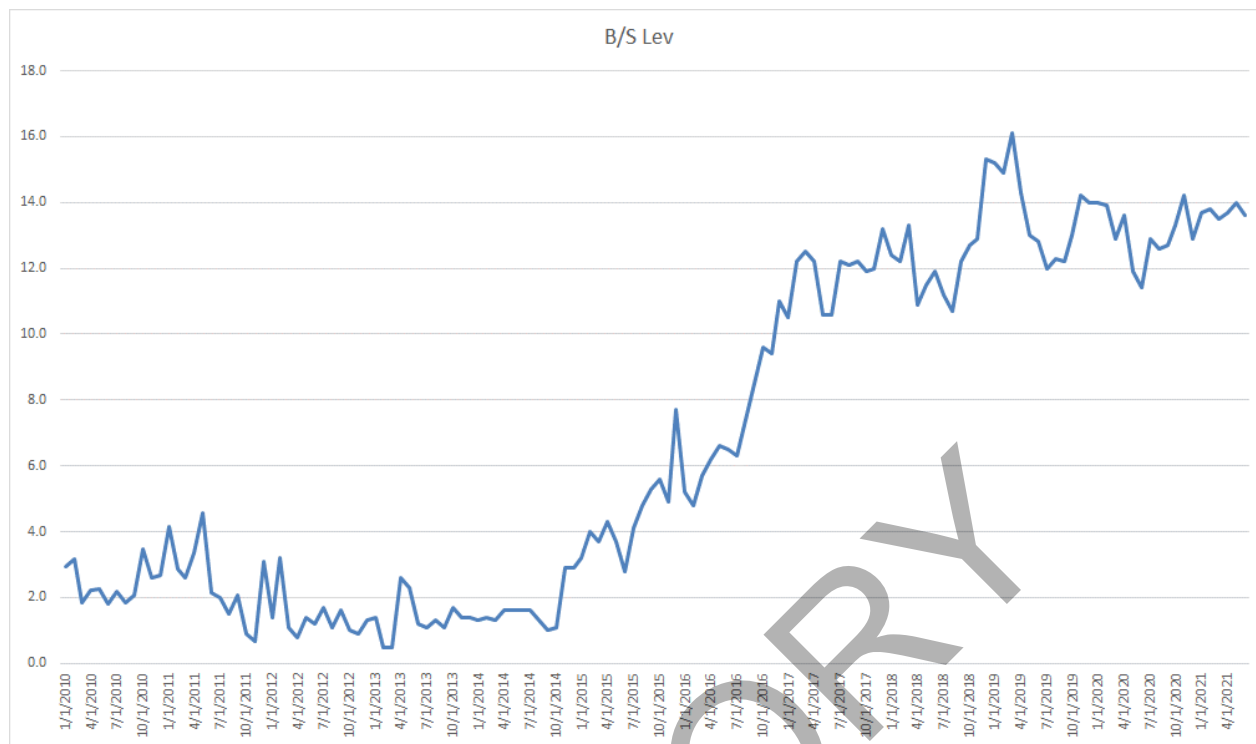


#### Alphadyne changed how they report interest rate risk leverage at the end 2018

- Interest rates risk leverage was replaced with the following more granular components, each with its own risk leverage guideline: Cash Futures, Duration, Swaps Spread, Swaps Spread Curve and Rates Curve. Under the new calculation, duration, cash/futures and swap spreads risks are measured as net DV01 exposure for each risk across all tenors converted to 10Y equivalents. Curve and swap spread curve are the minimum of the absolute value of the sums of negative DV01 and positive DV01 across tenors for each risk.
- While not explicitly stated, it's possible changing the way they report measuring leverage could portend an increase in the use of leverage. This way of measuring risk understates gross exposure vs. the old measurement, although we can still utilize things like unencumbered cash, b/s leverage and stress testing to gauge downside risk. VaR remains an ok measure of risk in more directional exposure, although not perfect in asset classes where volatility may have been temporarily suppressed.



B/S leverage (mark to market value of long and short cash securities absolute values summed; includes physical securities leverage from PBs/repos) has also increased over time. B/S intensity has picked up as relative value & curve trading increased.



### Recent Firm Updates

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- Q3/Q4 2018 – Opened up HK office and hired a risk officer in Asia;
- Q4 2018 – Deallocated from Quant Strategy (3-5% allocation) and Cindy Lau (1% allocation). Astignes down to ~4% of capital with plans to go to 0 at the start of 2020. Quant was being de-emphasized anyway and Cindy “didn’t take enough risk”. Adnan eventually left to take a risk taking role at Element. The quant strategy was mostly focused on systematic fixed income volatility and RV strategies.
- Q1 2019 – Hired 2 new equity vol focused PMs.
- Q2 2019 – Hired quant portfolio solutions analyst; Hired an Asian macro PM from JP Morgan
- Q3 2019 – Tom Luke leaving firm at end of year; Christian Daher, former CRO and current head of portfolio strategy on Phillipe’s team, to replace Tom
- Q4 2019/Q1 2020 – Fully out of Astignes; Will open up a Singapore office as a backup to the HK office
- Q1 2021 – De-allocated 2 HK based PMs; Hired Ken Minklei as Global Head of Special Opportunities

### Things to Monitor

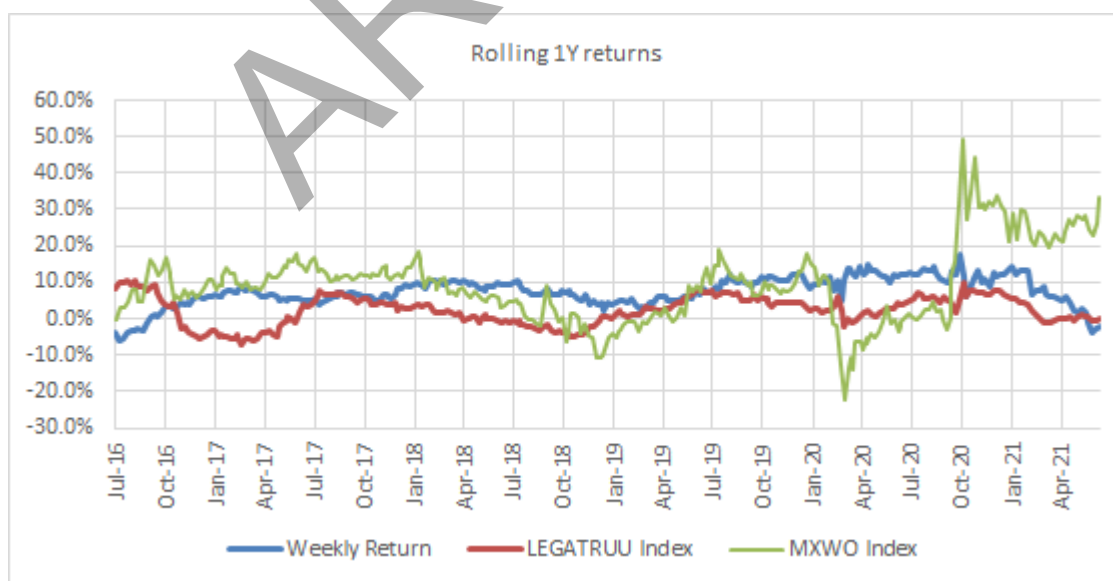
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- Opened a Tokyo office, Hong Kong office and potentially a Singapore office in addition to the current New York and London offices increases the complexity of managing the organization. Phillipe has made hires to help in managing this, although it remains a risk.
- AUM has ballooned since we first invested. It wouldn’t be surprising if Phillipe keeps this going as he continues to build out the new Alphadyne global platform. It should be noted that while the CIO book can oversize certain high conviction trades, it will attempt to do so while diversifying the broader portfolio rather than “doubling down” on an idea a la Alan Howard.
- Market liquidity has gotten incrementally worse, given regulations and other factors restraining dealer balance sheets. With the greater event risk surrounding central bank announcements around the world, we should be monitoring the liquidity of this and other macro manager’s underlying markets in times of stress.
- Running large futures vs. cash basis/curve trade in the UK and other markets in Europe. Funding market risk and general basis risk are elevated here. Trades like this are assigned a portion of their tail risk budget, although it still remains a risk in the portfolio.
- Changed how they measure interest rate risk leverage, although not changing tail risk budgets assigned to RV trades. They likely will continue to take up use of leverage. We can continue to monitor risks looking at unencumbered cash, b/s leverage and stress tests.
- Transparency has gotten worse. They don’t report exact position sizes and allocations.
- Most of the risk is concentrated with Phillipe and Glenn. Almost all of the directional risk taking is done by Phillipe and his team. While both do have traders on their team and the actual number of RV PMs is larger, the risk concentration is worth watching. Glenn is not an equity holder in the firm. In fact, only Phillipe and Christian Daher are equity holders.
- Tom Luke stepping down and being replaced by Christian is a big deal. Part of what we like about Alphadyne is the risk management. While a lot of the processes and procedures have been institutionalized and Christian has been w/ the firm since inception (and has part equity), this development warrants watching. We should make a point to meet w/ Christian more.
- Potential for outflows after the worst drawdown in history

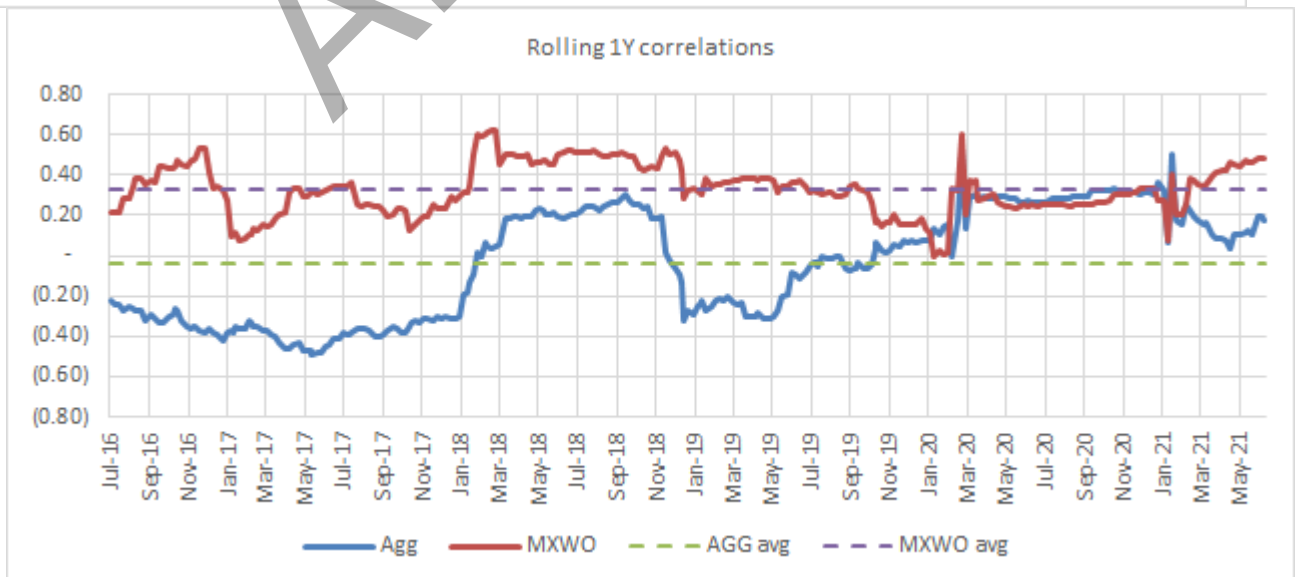
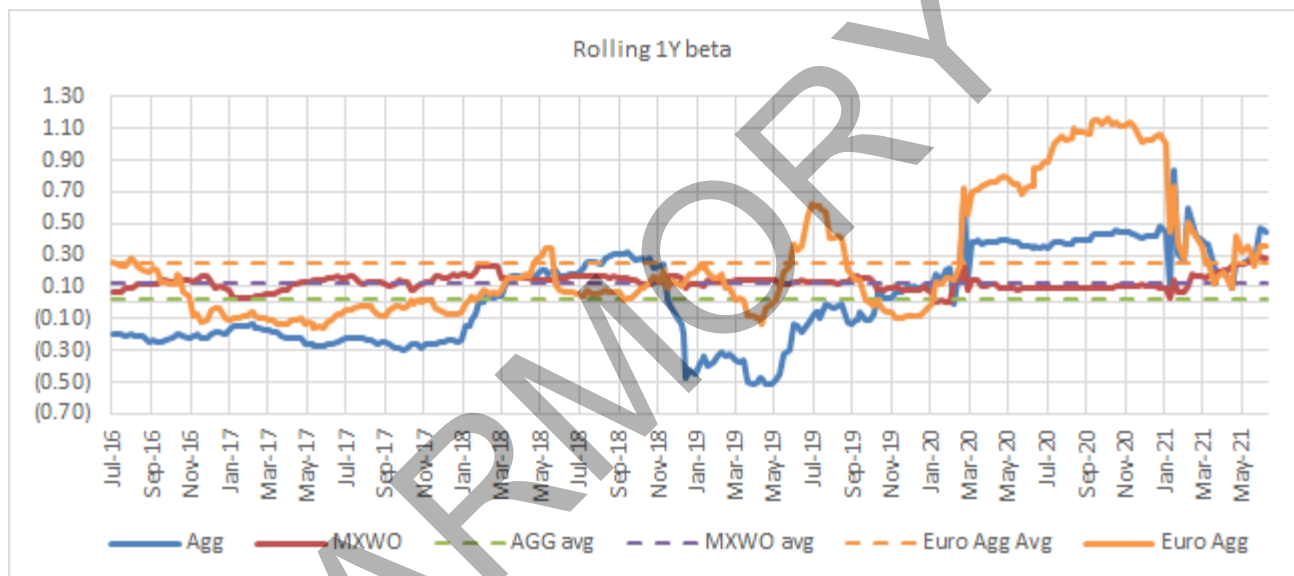
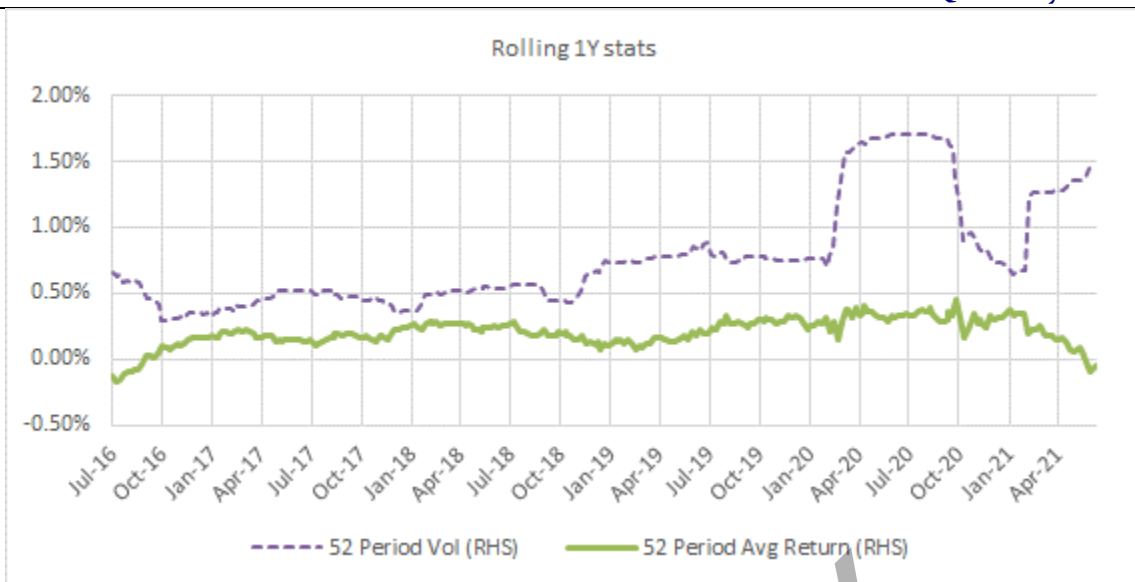
### Int'l Fund Weekly Return Analysis:

Weekly returns starting August 1 2015. They don't distribute weekly returns to investors.

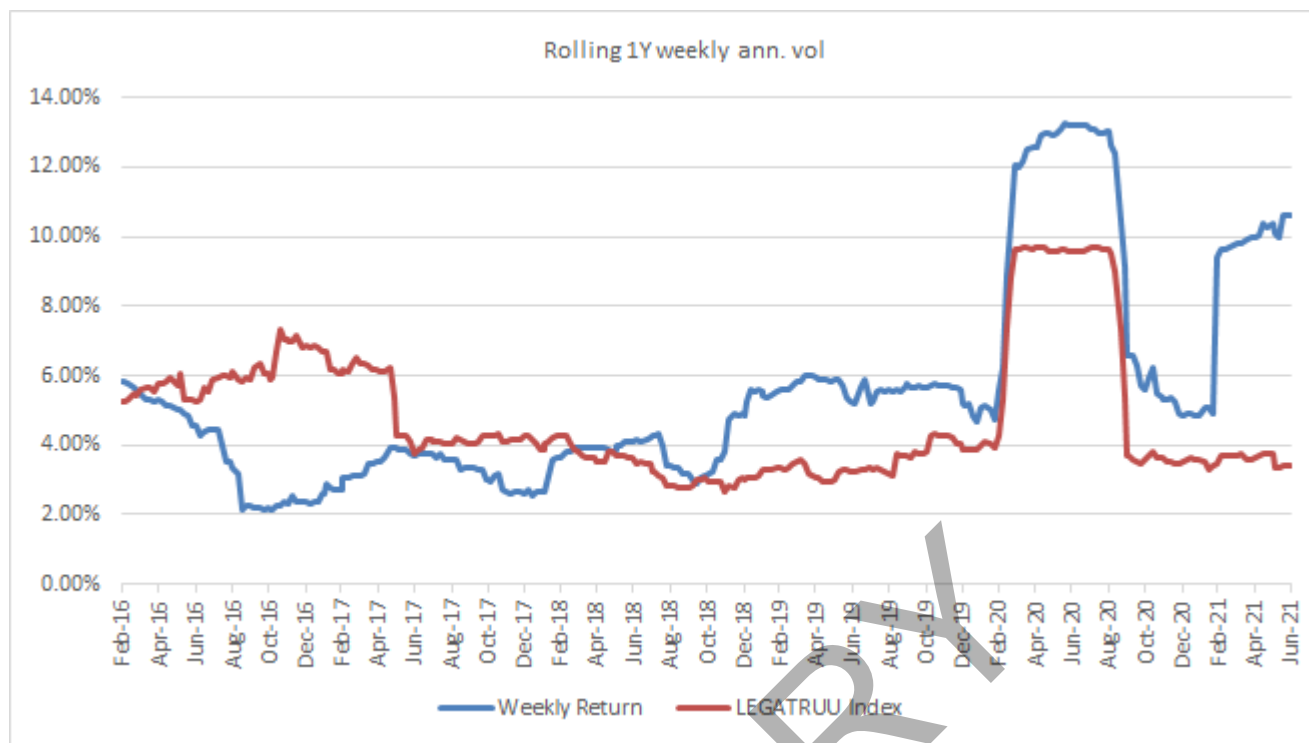
	Fund	Barclays Agg	MSCI World	Eur Agg
Avg	0.15%	0.06%	0.23%	0.04%
Ann. Weekly Vol	6.52%	5.11%	16.21%	3.68%
Skew	(0.71)	(0.81)	(0.88)	(0.64)
Kurtosis	11.19	6.25	9.54	2.64
Correl		0.07	0.30	0.20
Beta		0.09	0.12	0.35
Max	5.01%	3.17%	10.95%	1.51%
Min	-5.87%	-3.83%	-12.40%	-2.74%
Mode	-0.16%			
Mean	0.15%	0.06%	0.23%	0.04%
Median	0.18%	0.06%	0.24%	0.06%
<0	130	149	144	152
>=0	208	189	194	186
% <0	38%	44%	43%	45%
% >=0	62%	56%	57%	55%
Quartile:				
1	-0.21%	-0.28%	-0.61%	-0.21%
2	0.18%	0.06%	0.24%	0.06%
3	0.52%	0.45%	1.26%	0.35%
4	5.01%	3.17%	10.95%	1.51%
Avg Negative	-0.58%	-0.49%	-1.43%	-0.38%
Avg when Agg negative	0.16%	-0.49%	0.10%	-0.17%
Avg when MXWO negative	-0.05%	-0.03%	-1.43%	0.04%
Avg Positive	0.60%	0.50%	1.46%	0.39%
Avg when Agg positive	0.13%	0.50%	0.33%	0.21%
Avg when MXWO positive	0.29%	0.13%	1.46%	0.04%



Alphadyne weekly returns vs. the Barclays Agg (LEGATRUU) and MSCI World (MXWO)

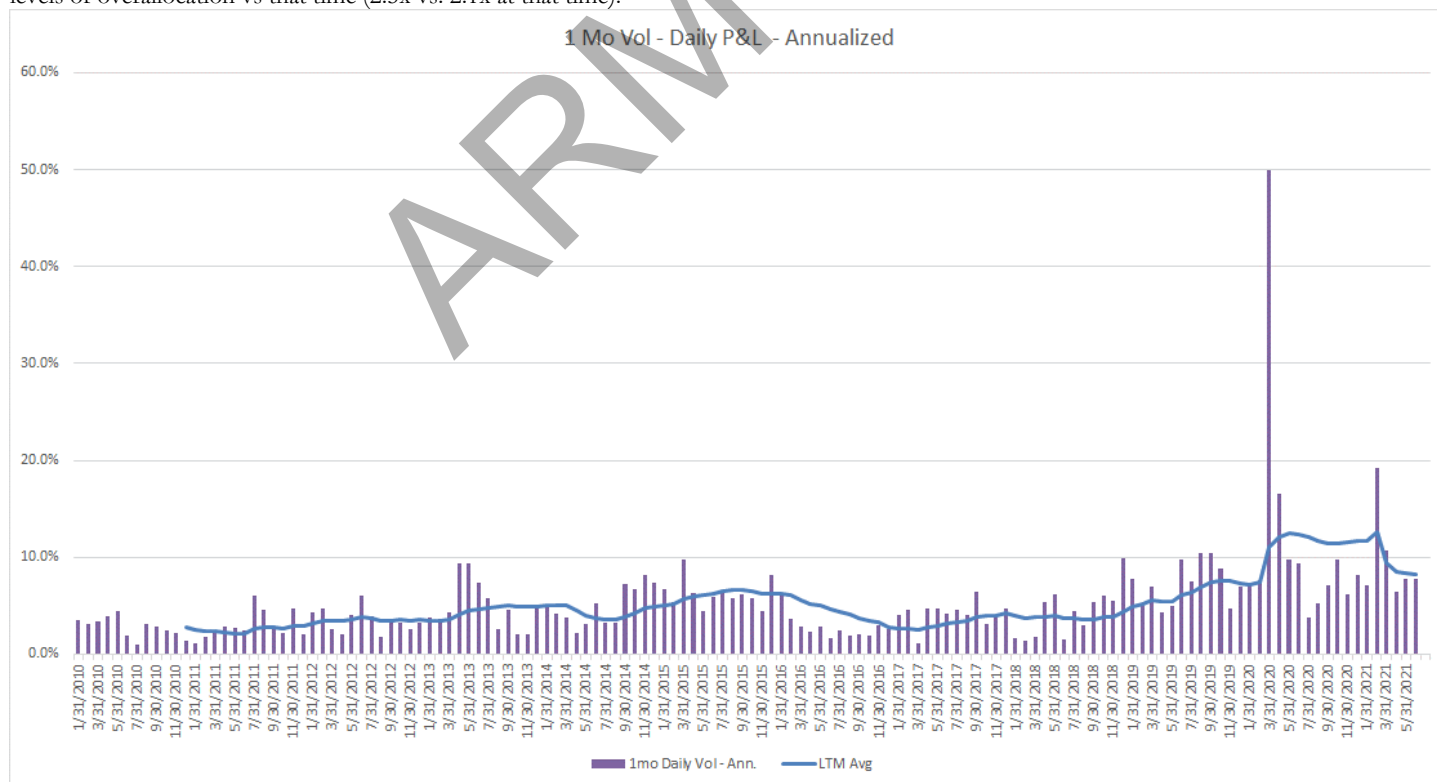


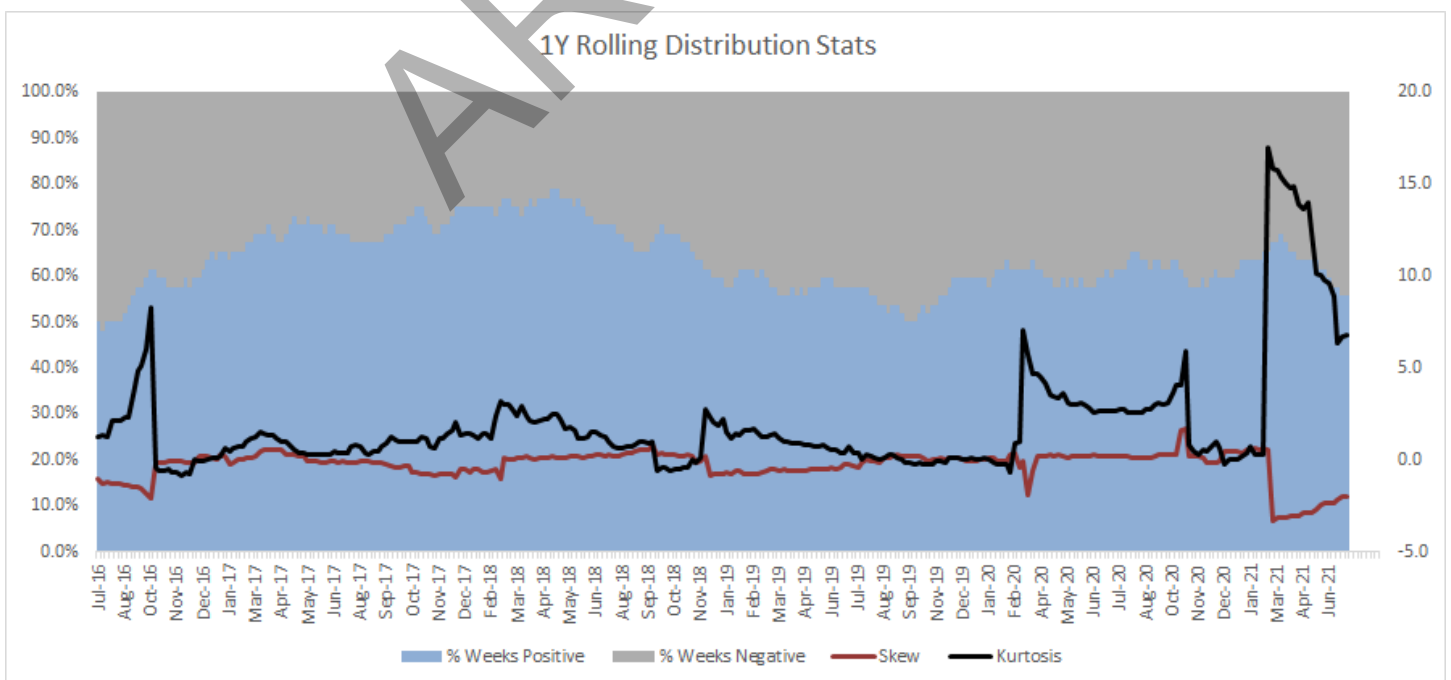
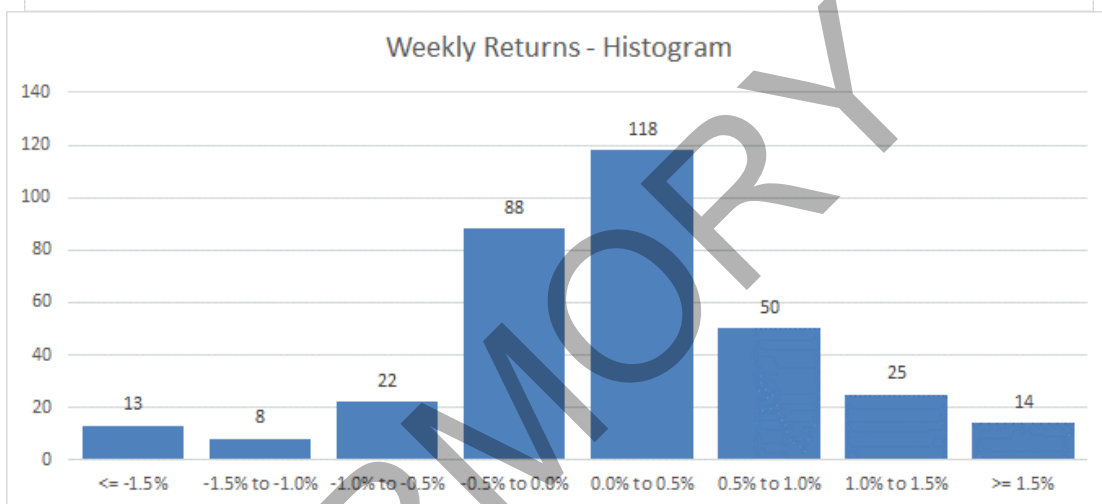
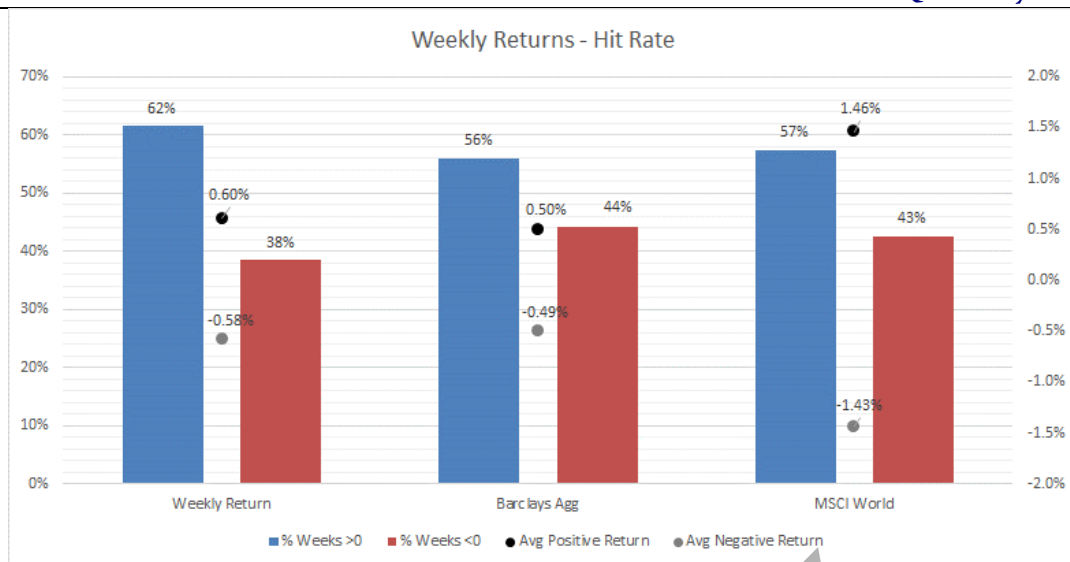




LEGATRUU = Barclays Agg  
MXWO = MSCI World

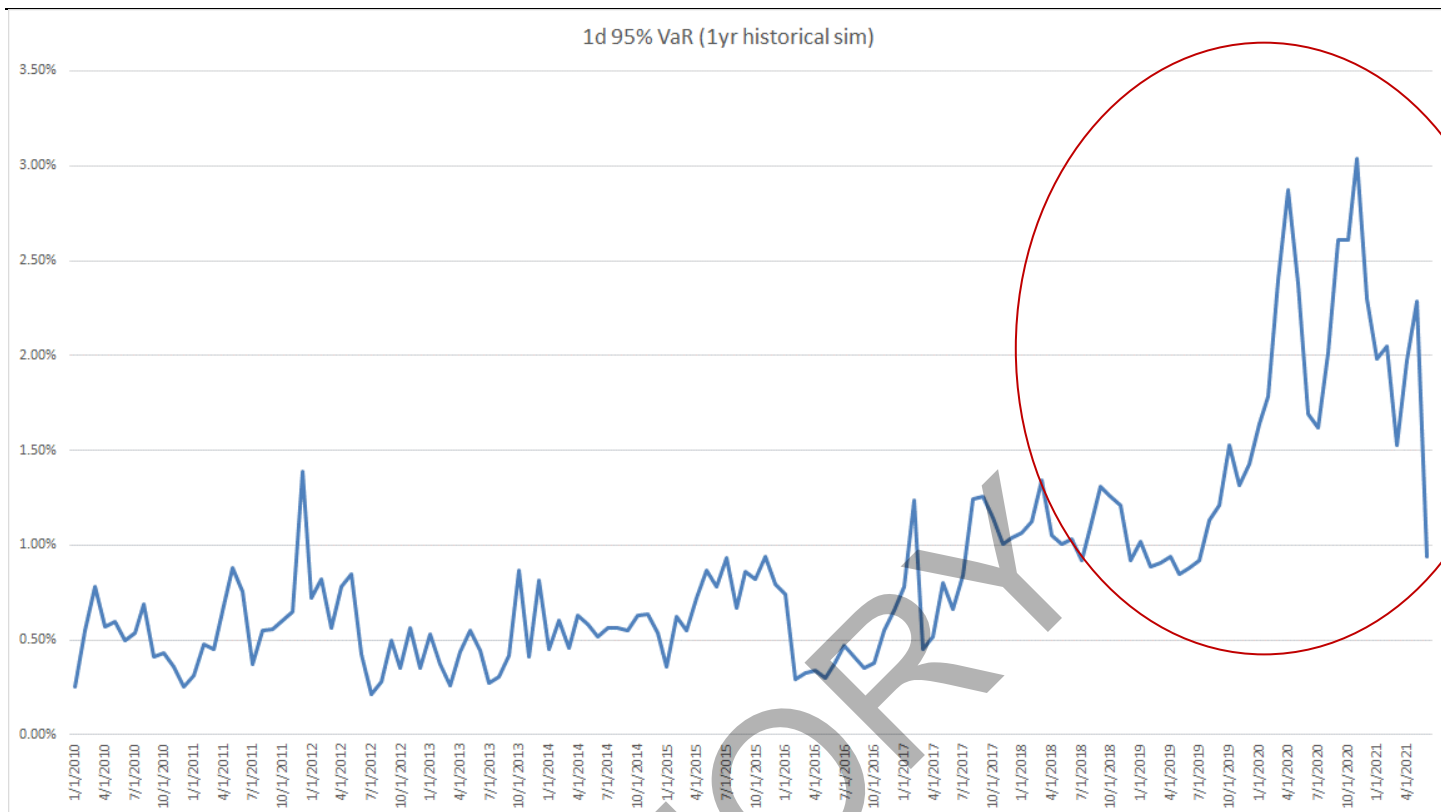
The fund's self reported annualized 1 month daily P&L vol has increased. It's surpassed levels not seen since 2015. At that time vol was more associated with directional macro trades. Recent pick up in vol is a combination of more leverage applied to the RV trades and generally higher levels of overallocation vs that time (2.5x vs. 2.1x at that time).



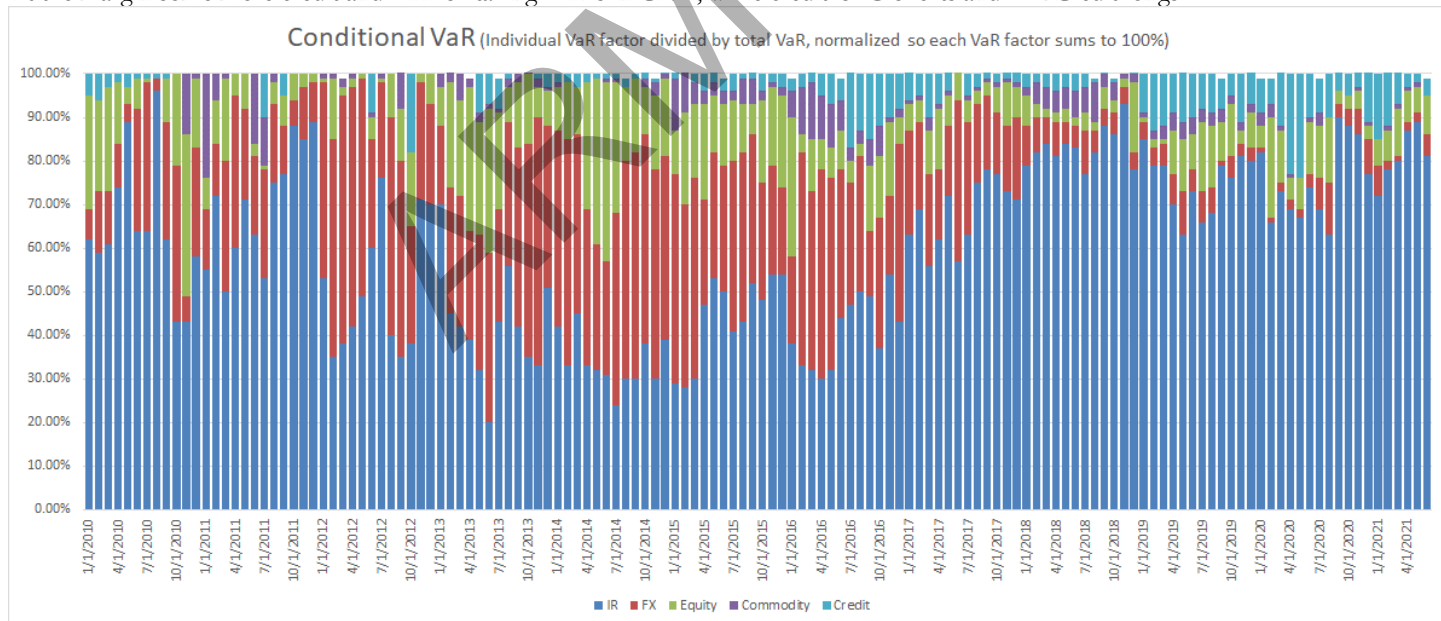


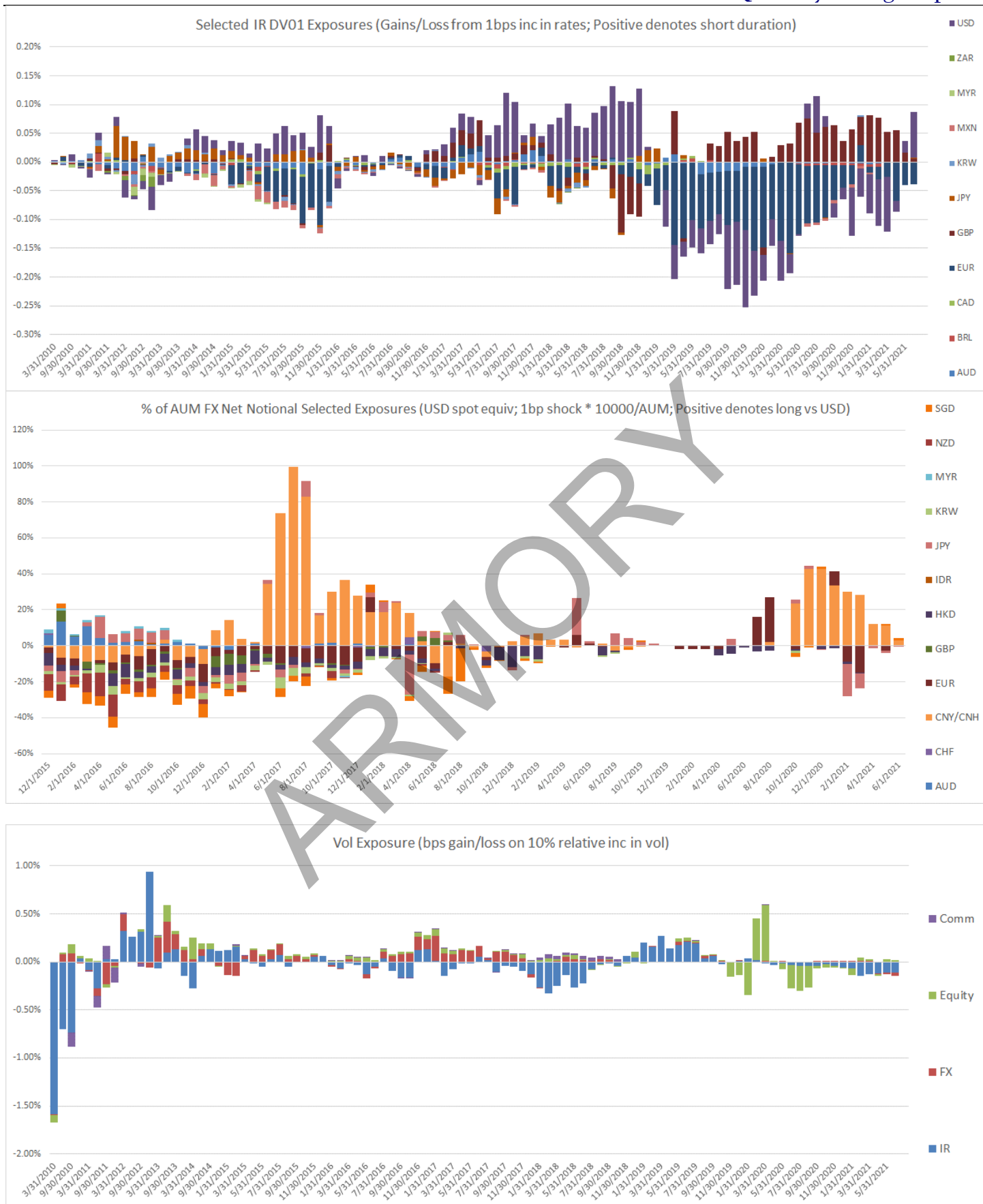
# APPENDIX:

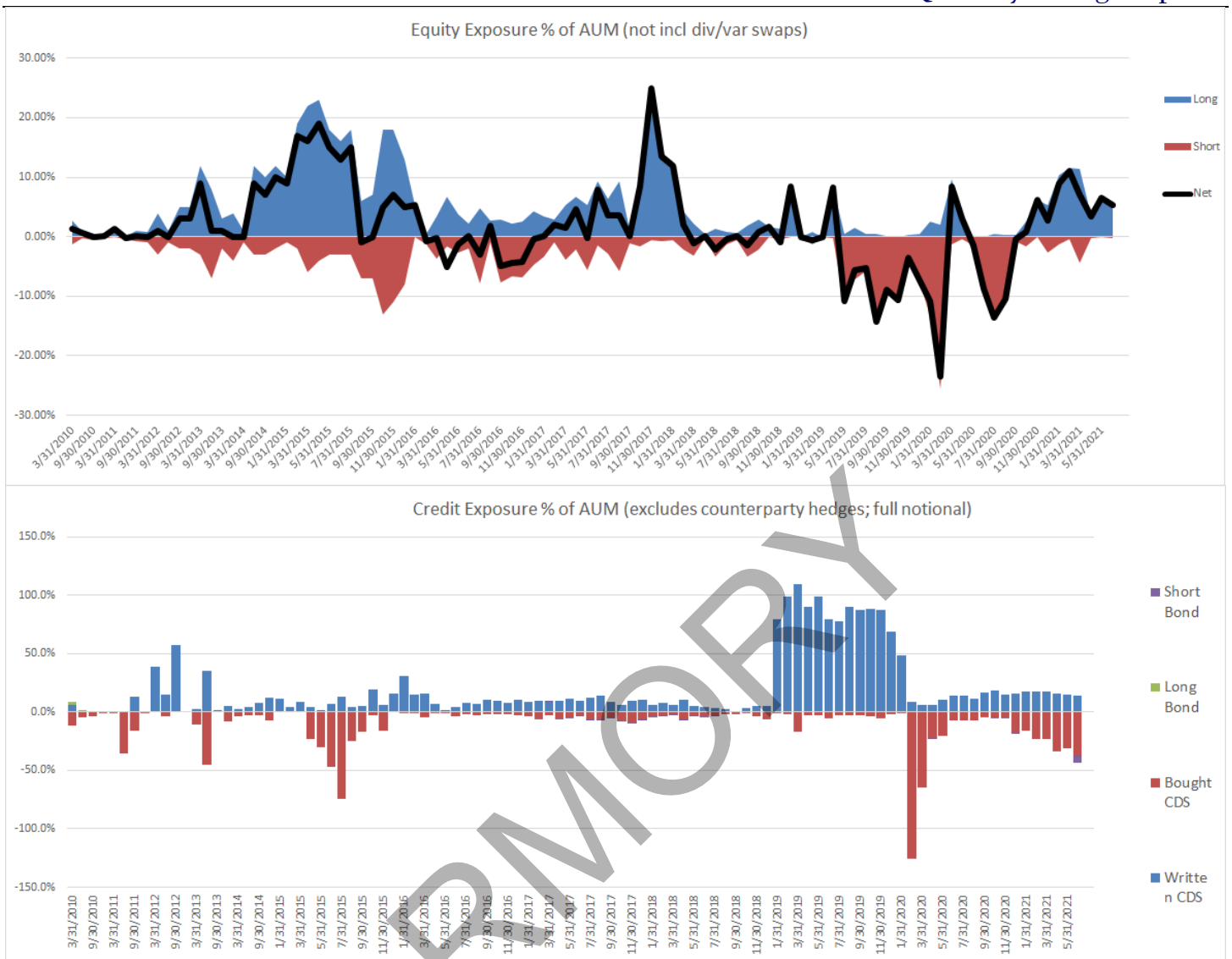
## Portfolio & Risk



At the margin some more credit and FX risk taking. FX is in CNH, while credit is IG shorts and EM Credit longs

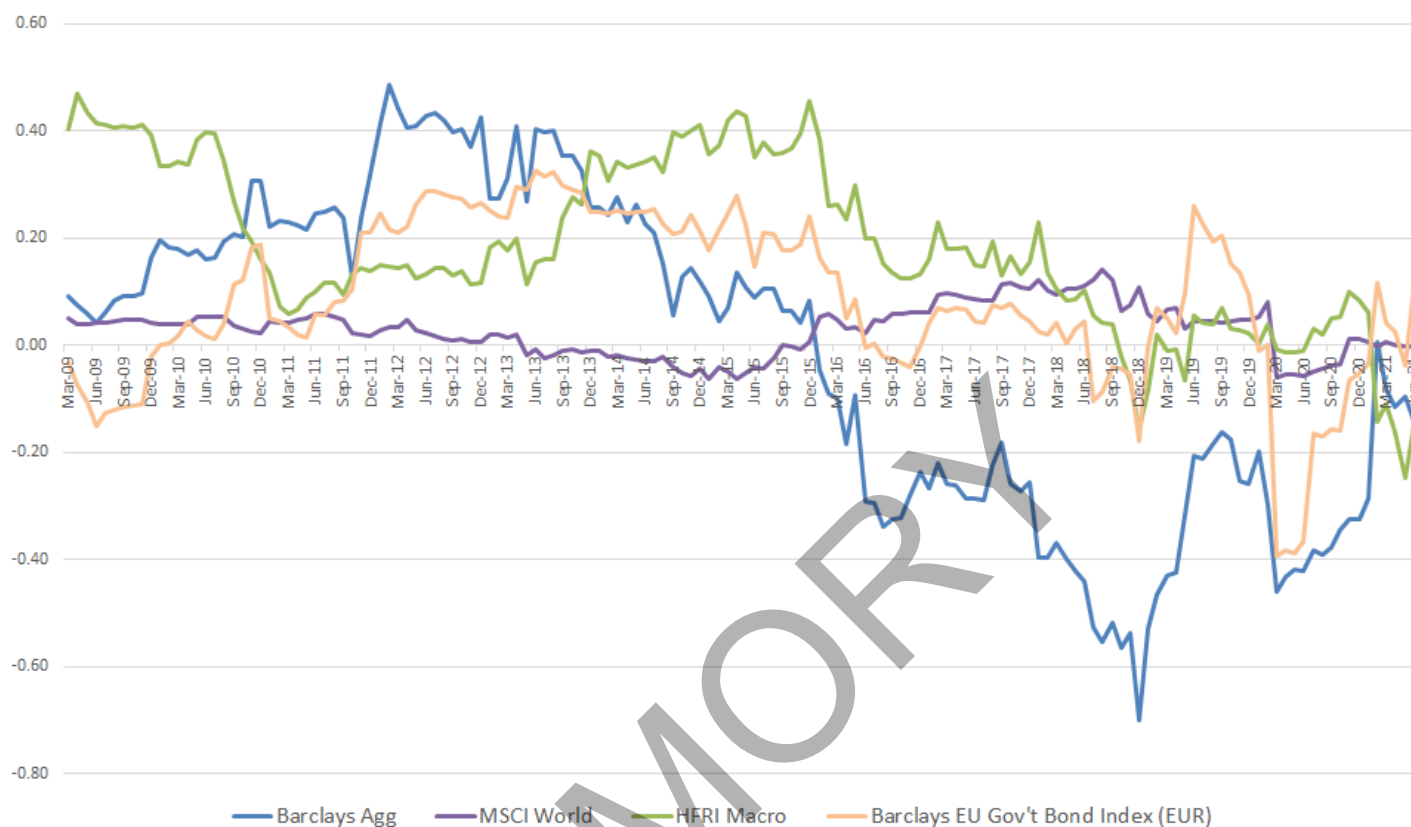




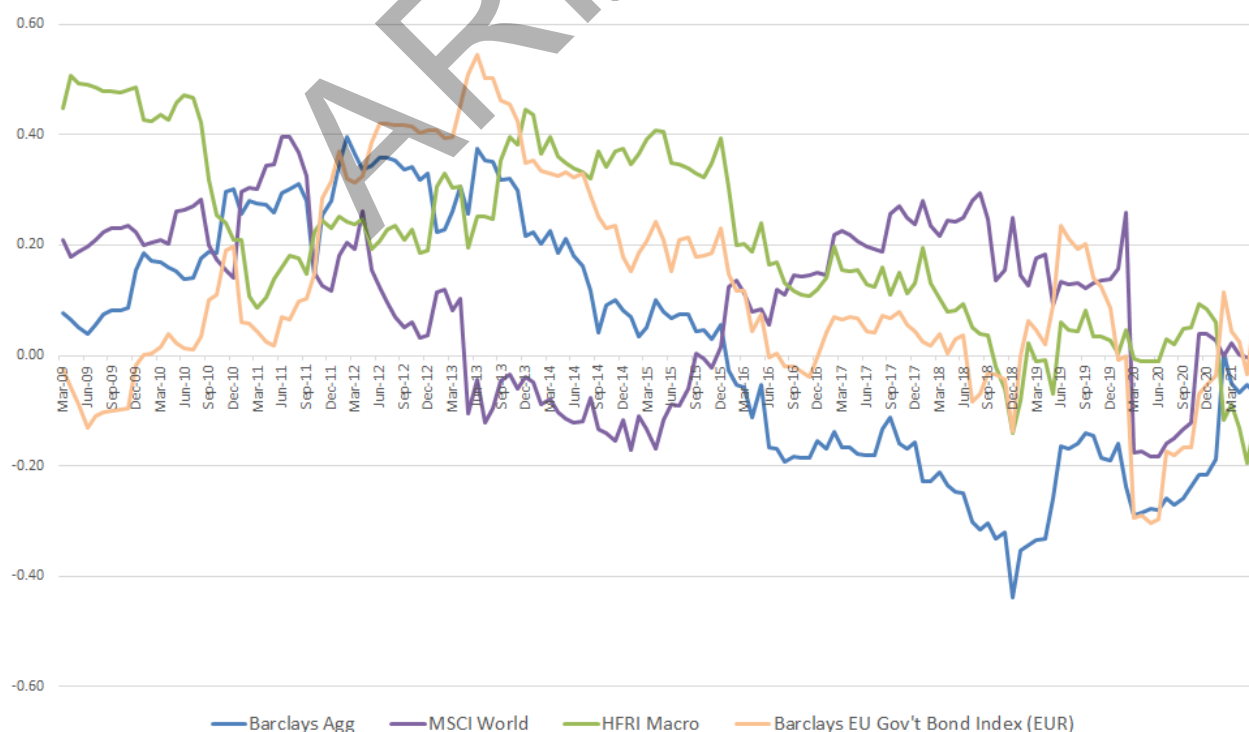


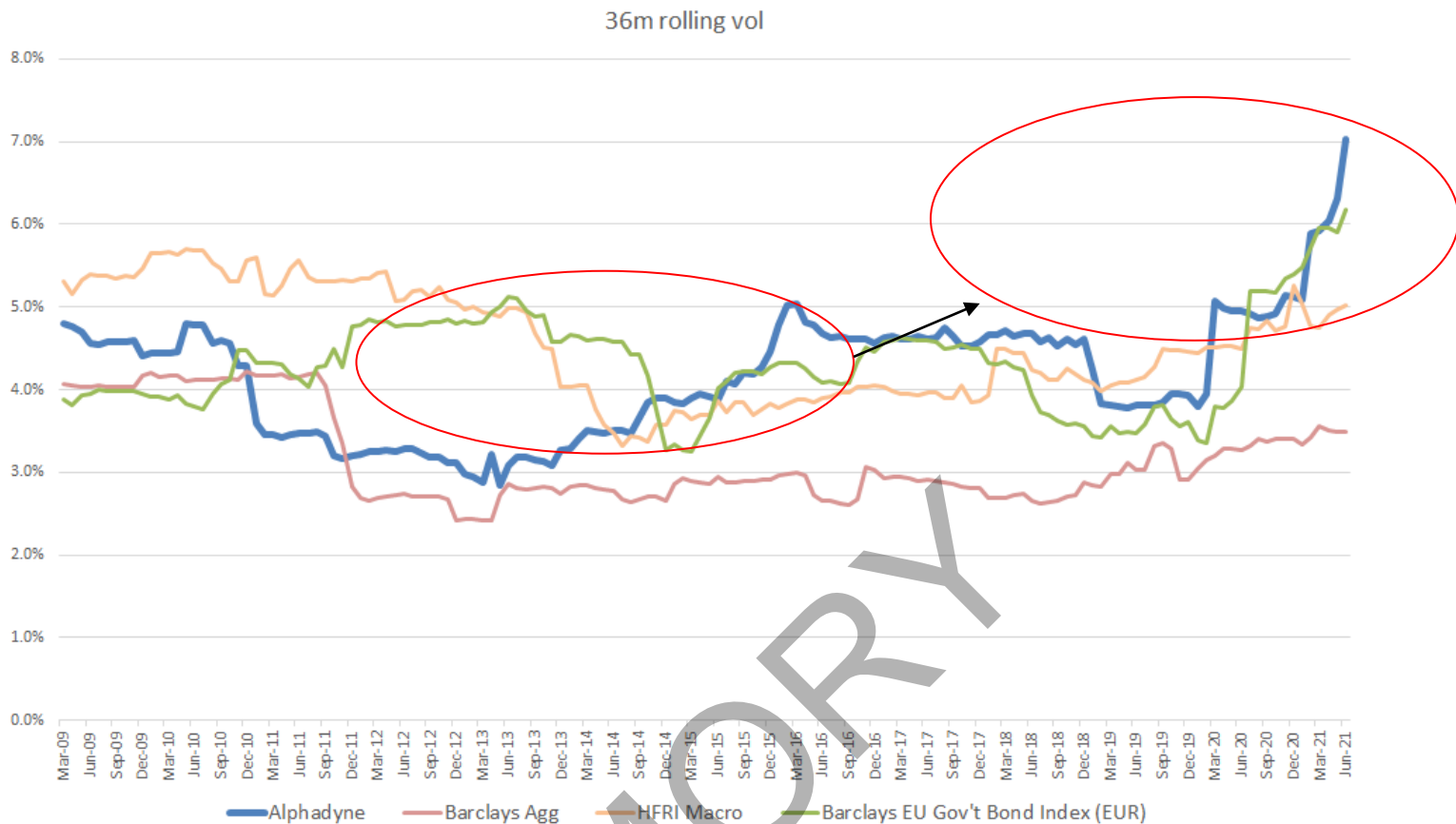
For benchmarks, we tend to look at the Barclays Agg first given how fixed income is often seen as a lower drawdown, lower volatility & diversifying allocation vs. equities and how historically Alphadyne has taken most of their risk in interest rates. The HFRI Macro is used as a peer group comparison. In later charts, we also include the Barclays European AGG indices given Alphadyne's trading in European rates. We also include the MSCI World given how macro as a strategy is used as a diversifier vs. equity allocations.

36m rolling beta to:

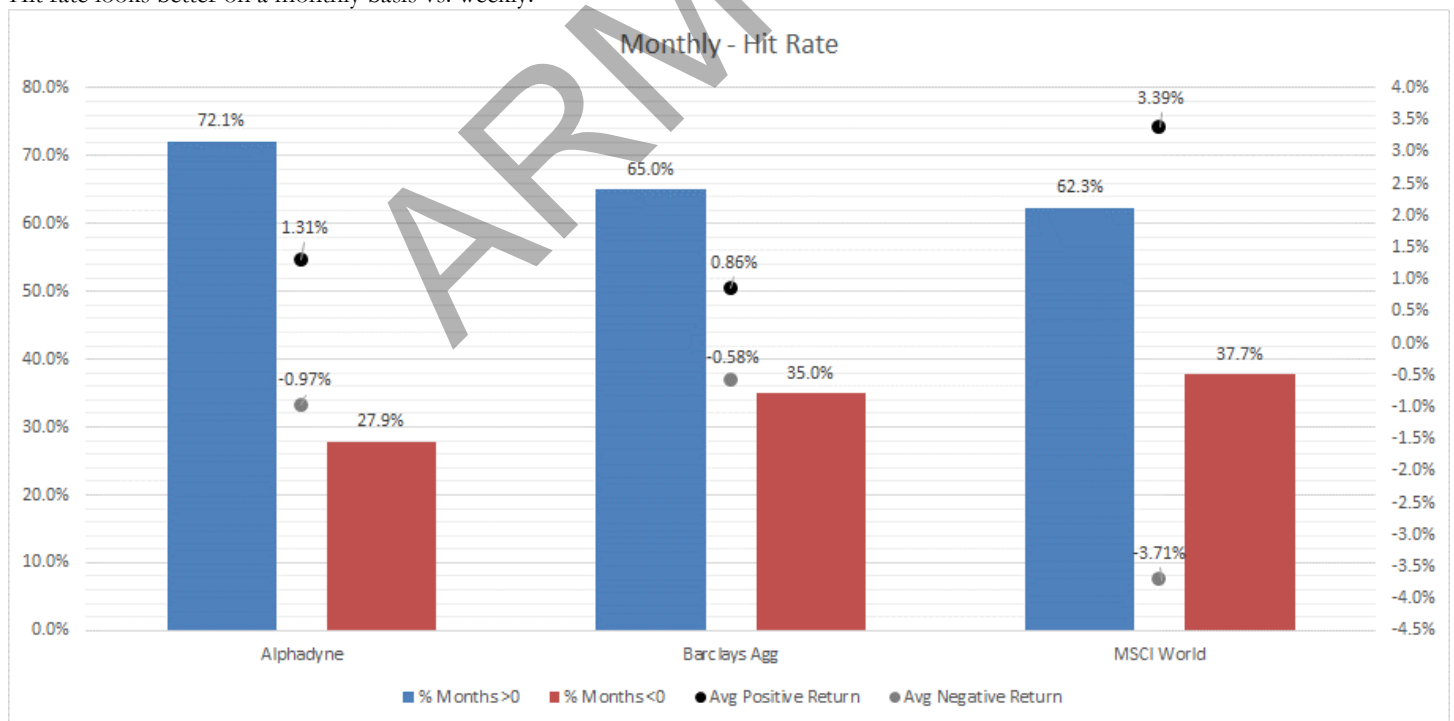


36m rolling Correlation to:

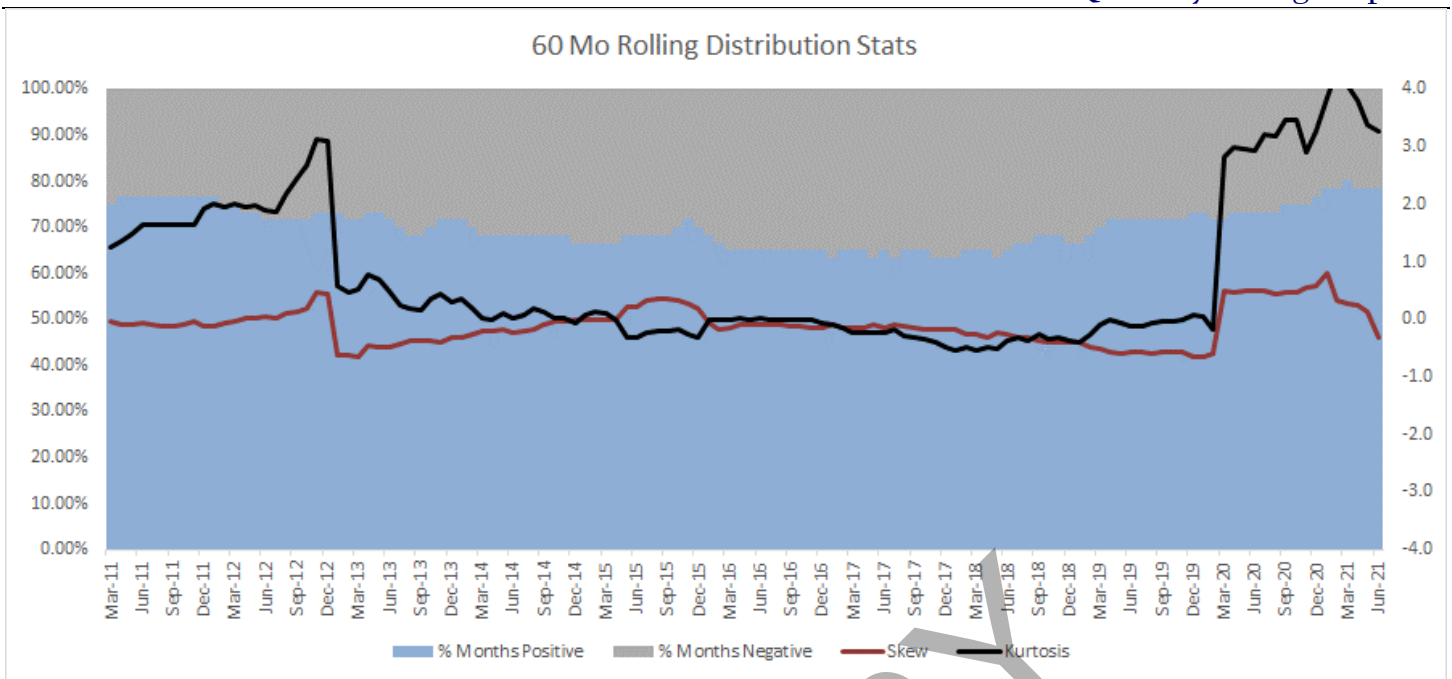




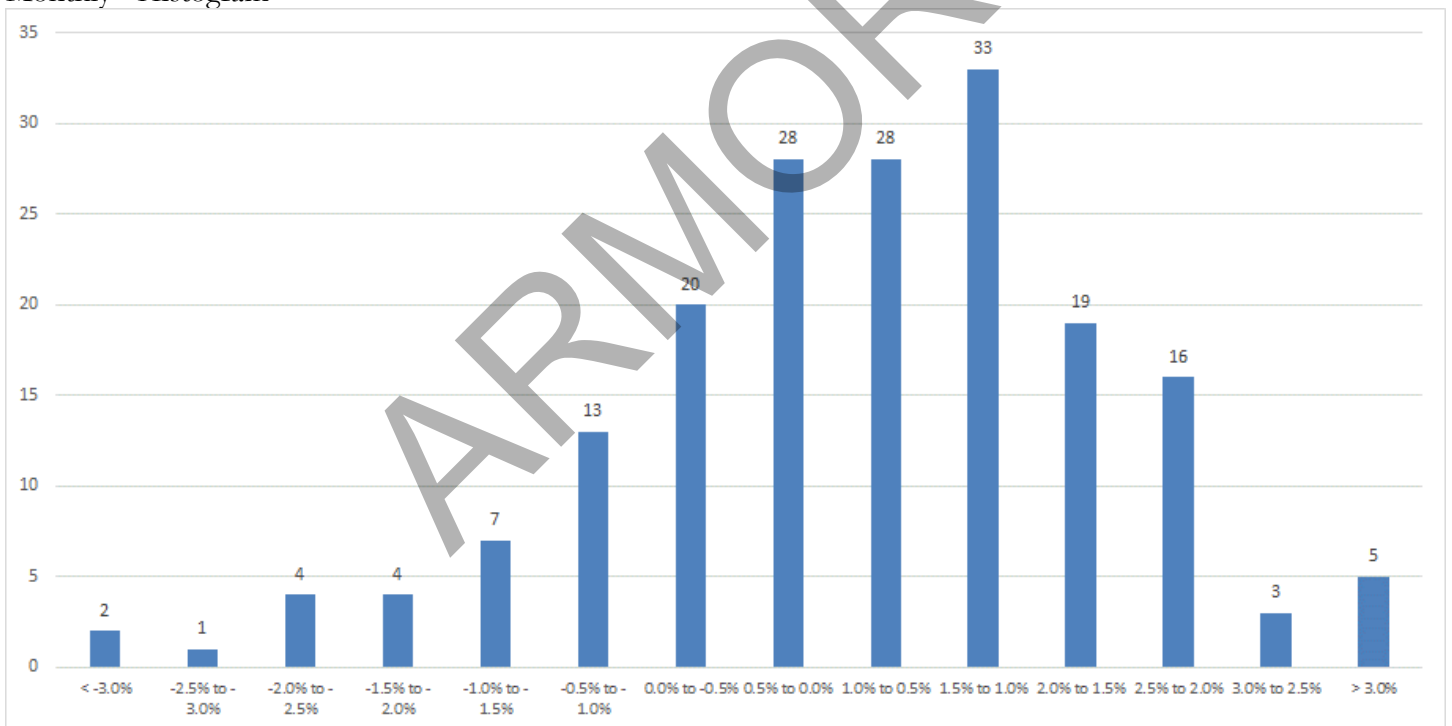
Hit rate looks better on a monthly basis vs. weekly.

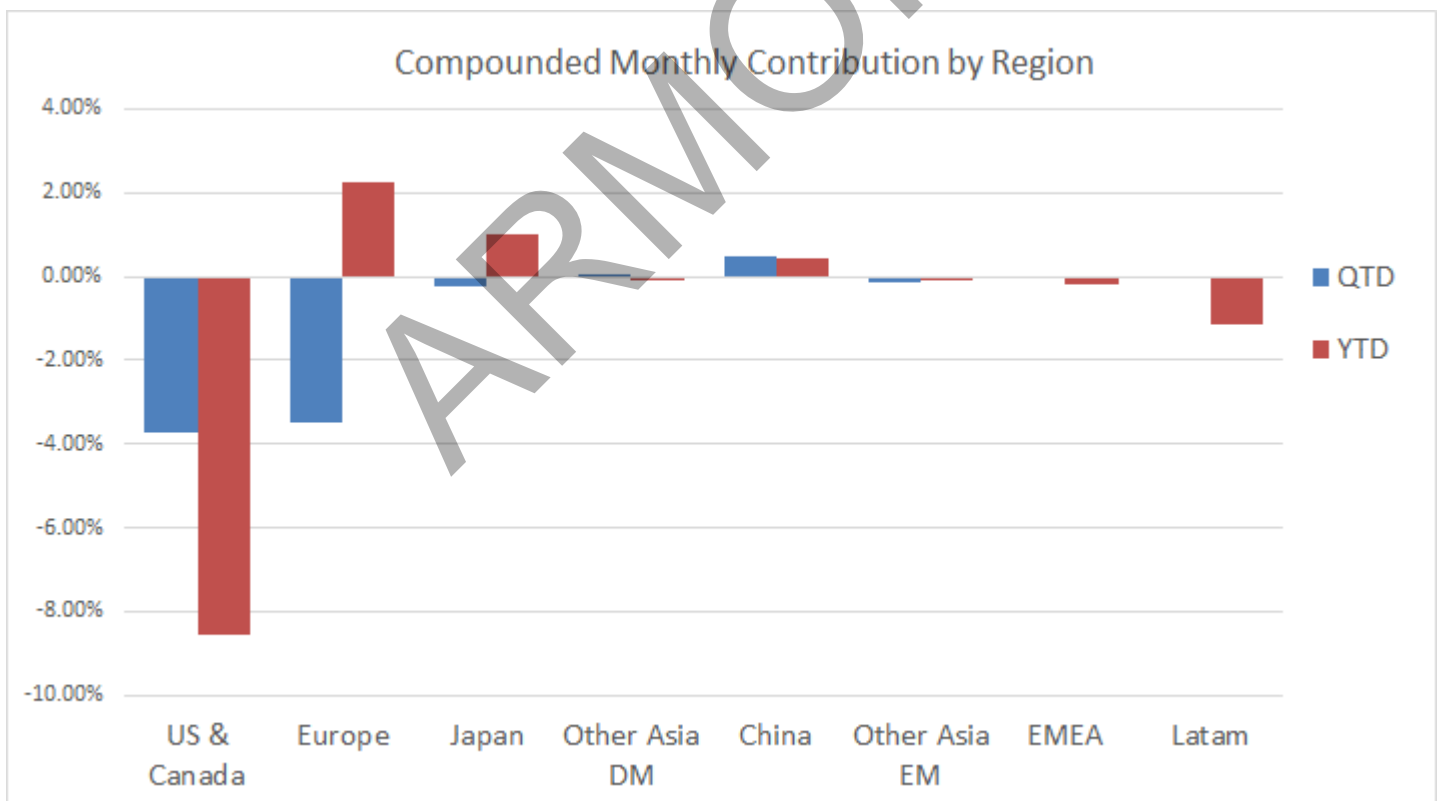
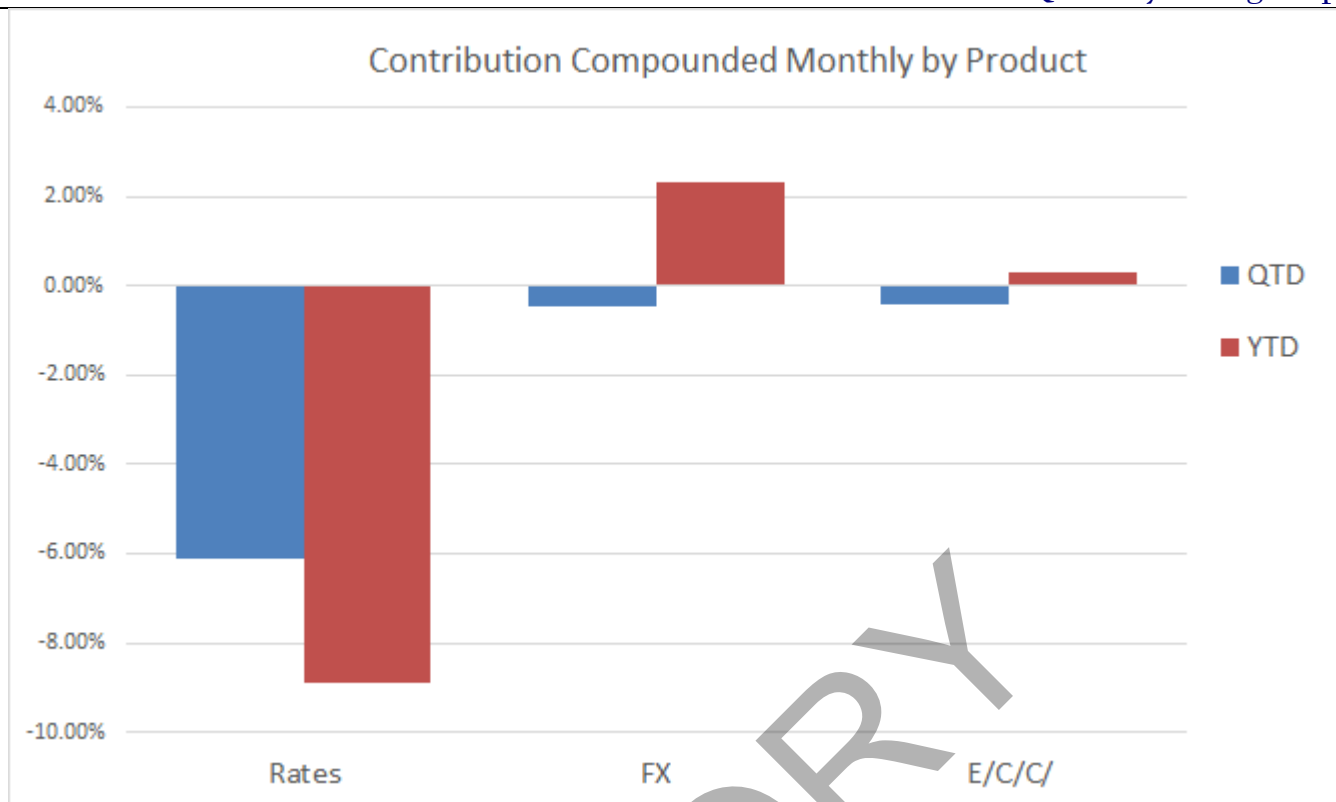




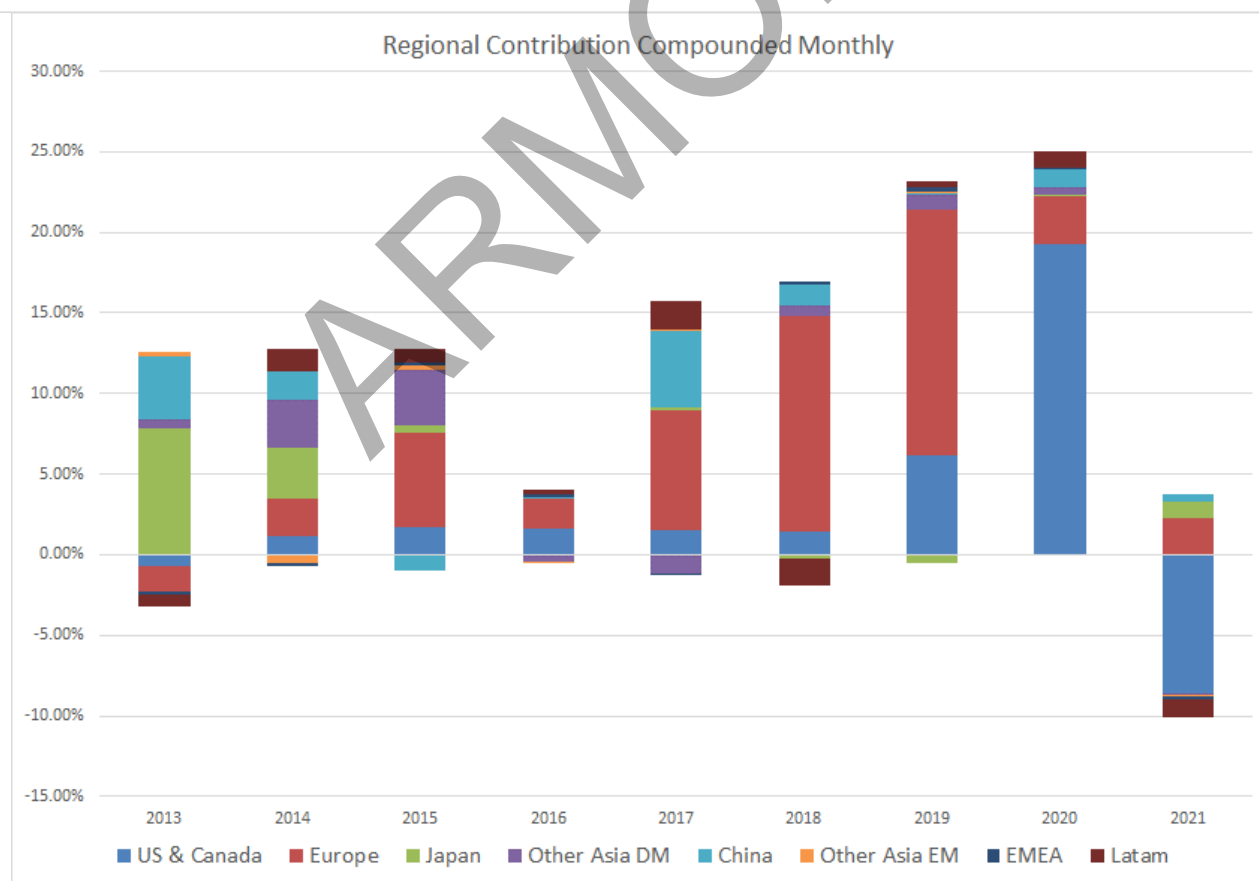
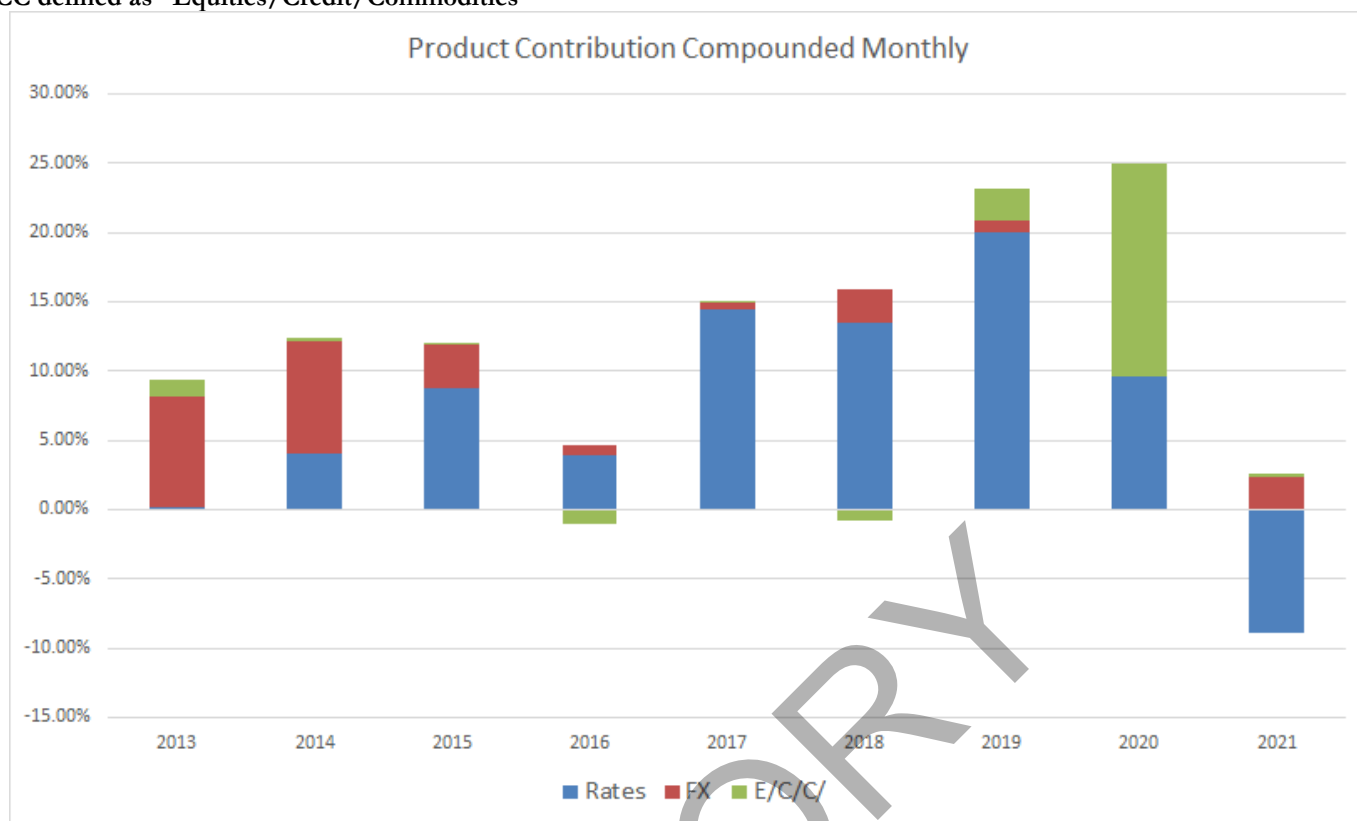


Monthly - Histogram

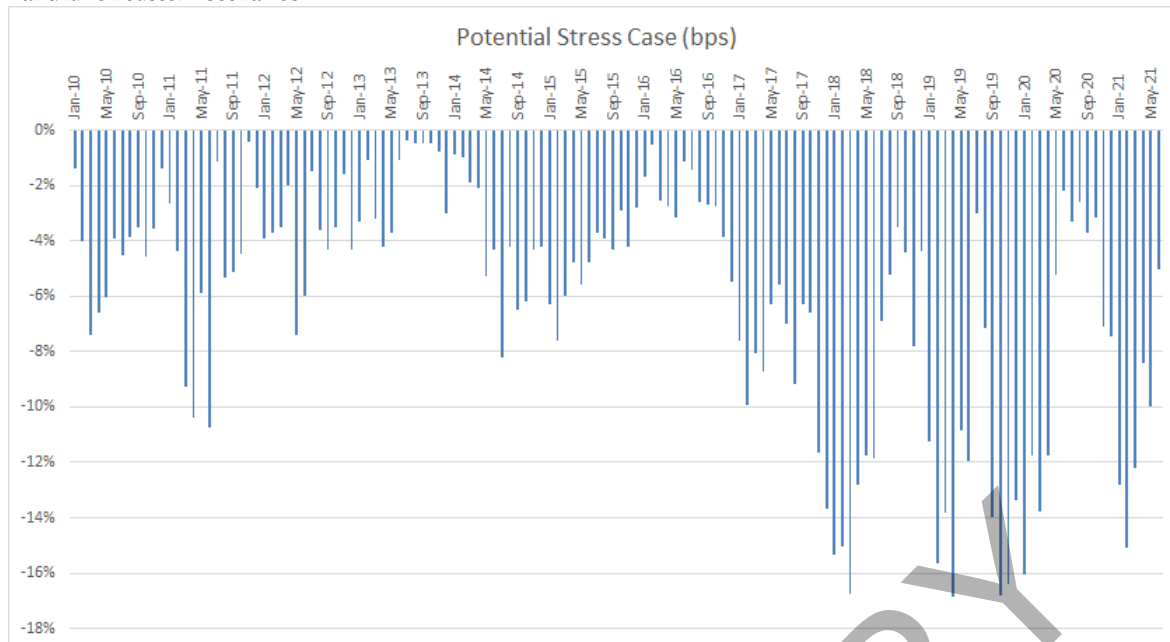




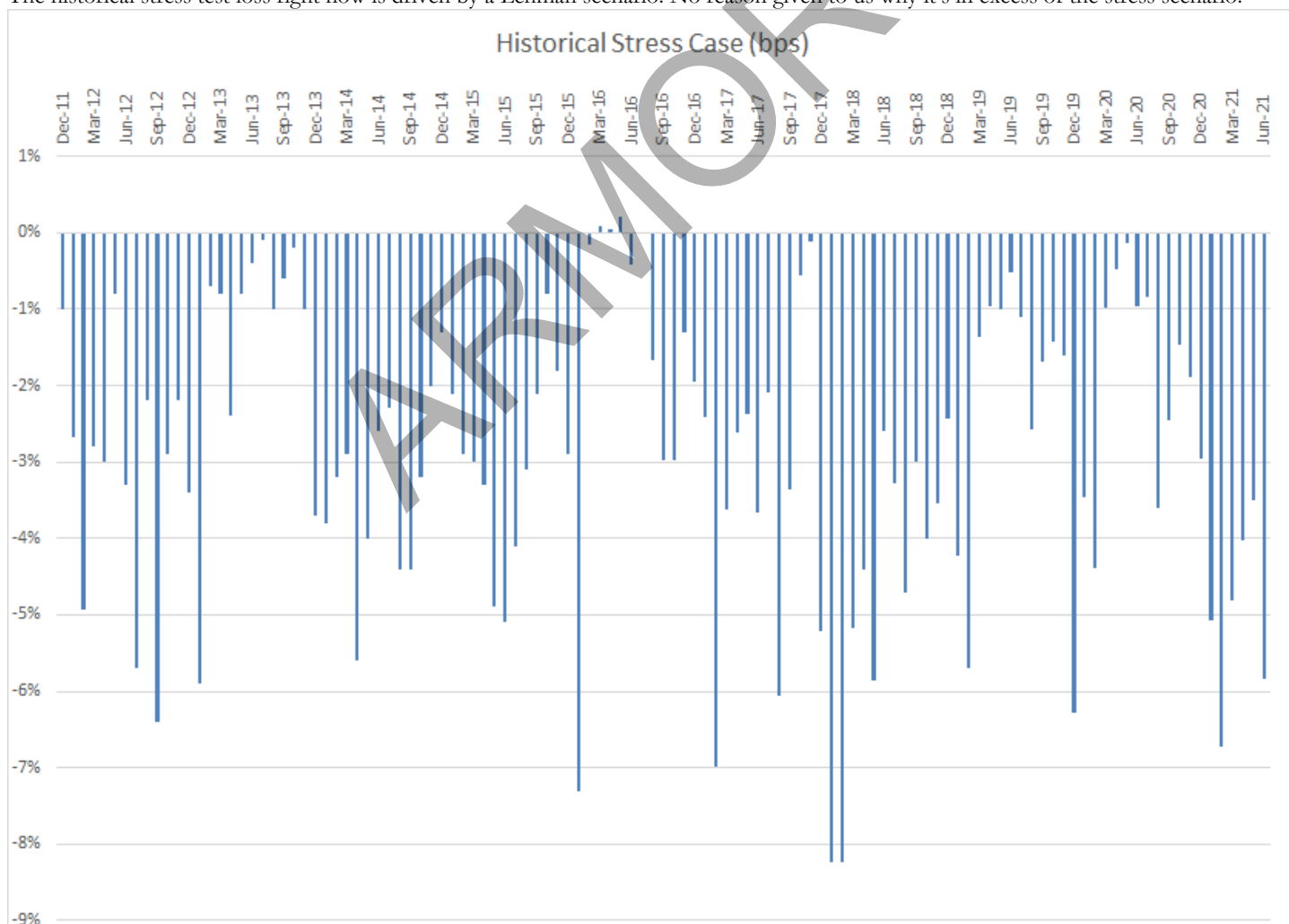
ECC defined as “Equities/Credit/Commodities”



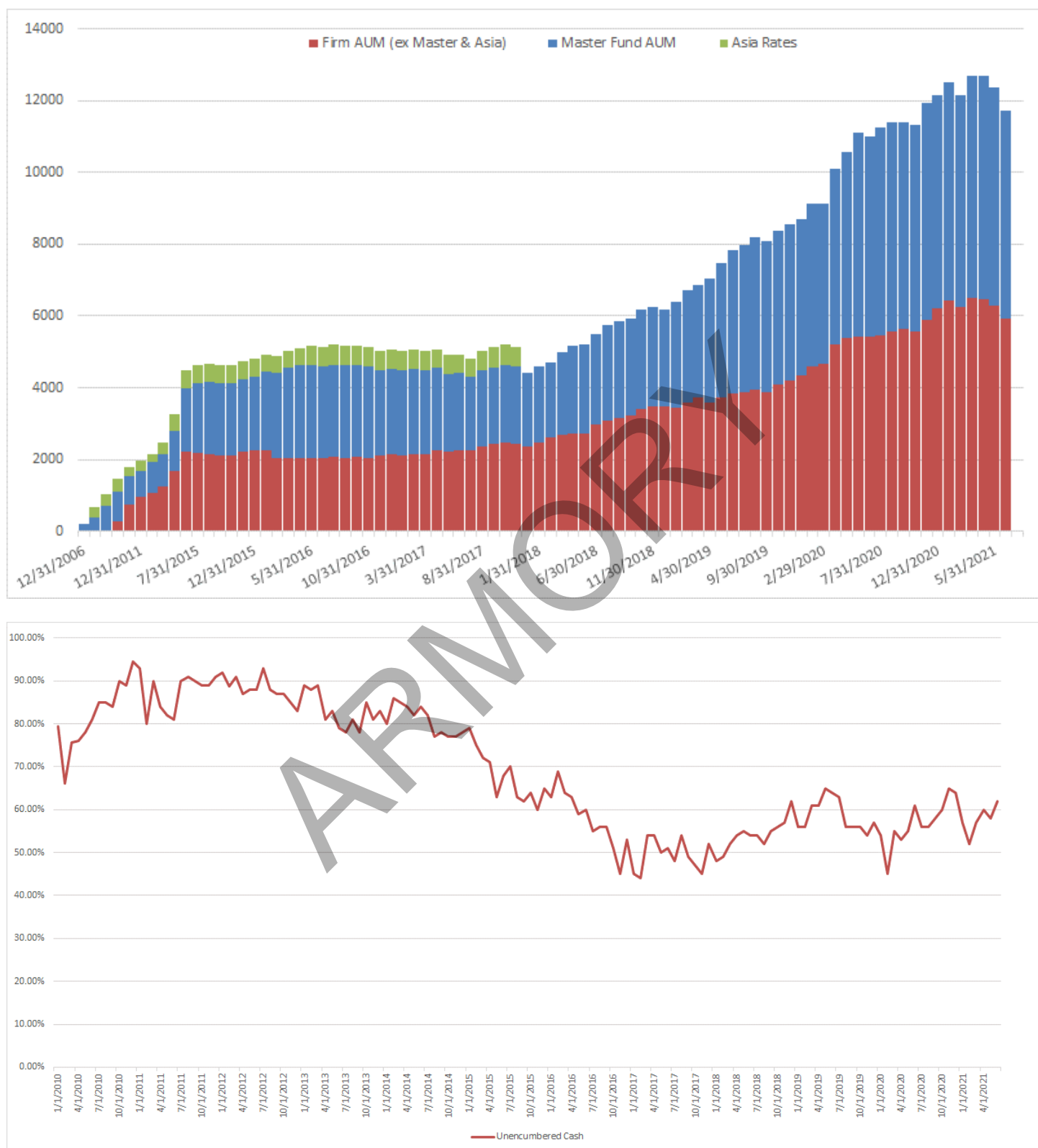
The potential stress test is a combination of 35-40 correlated adverse scenarios including vol shocks, adverse rate and curve moves and a handful of custom scenarios.



The historical stress test loss right now is driven by a Lehman scenario. No reason given to us why it's in excess of the stress scenario.

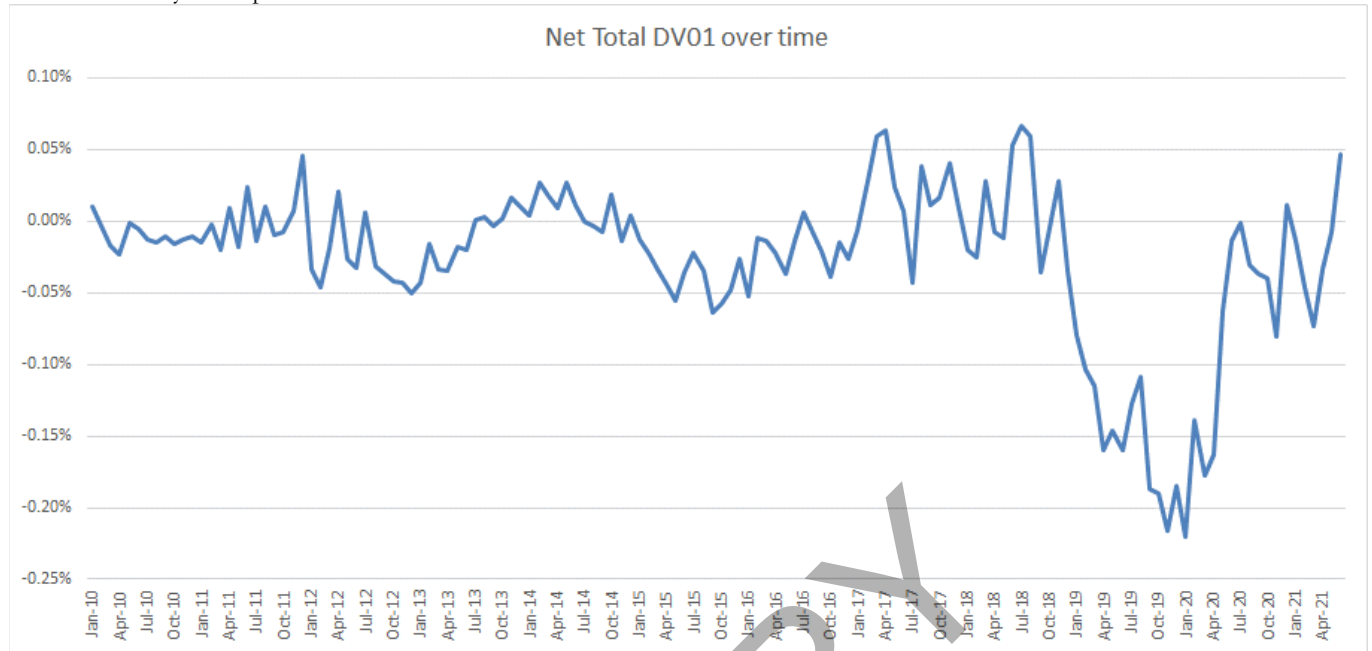


# Historical Assets Under Management (\$mm):

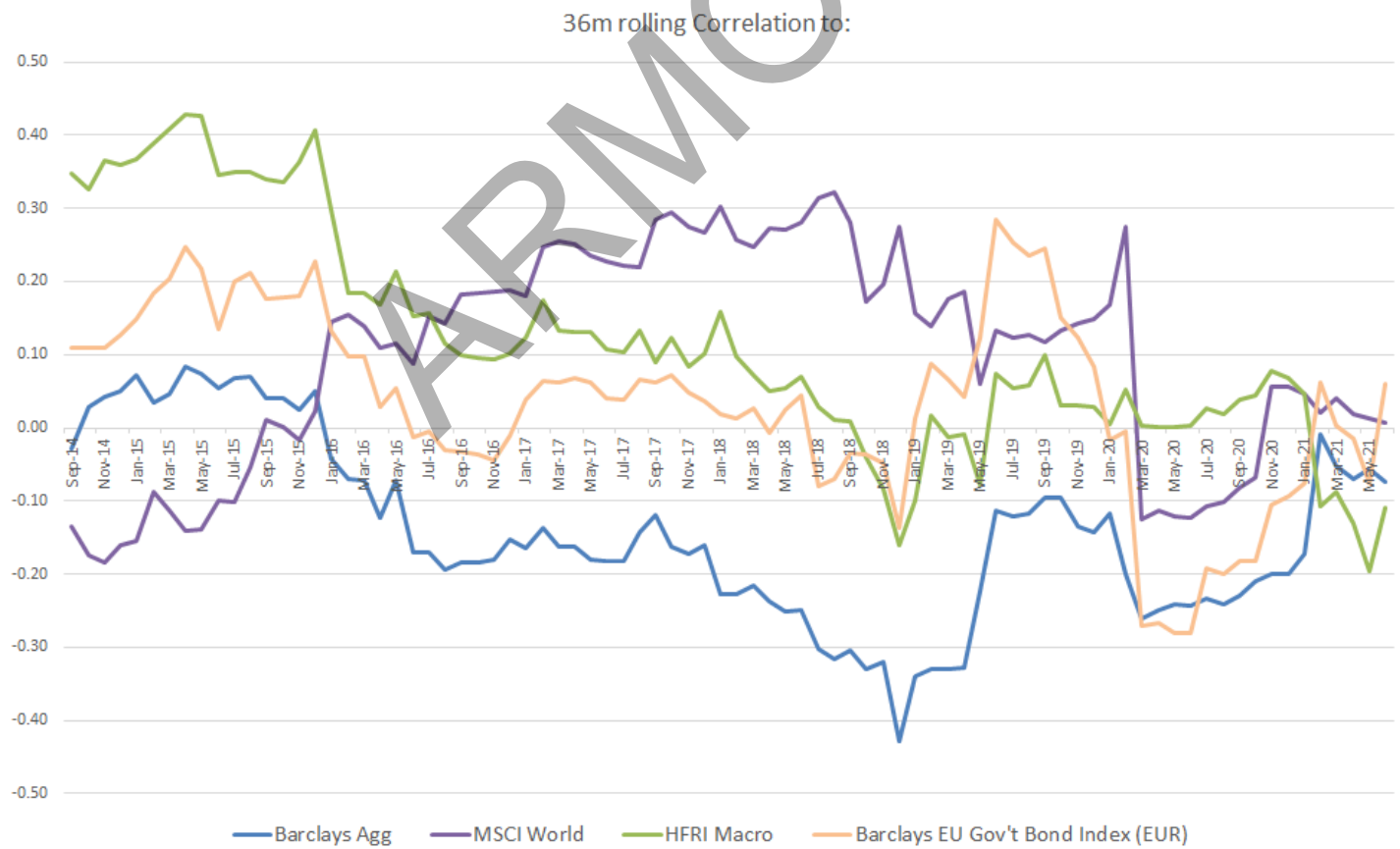


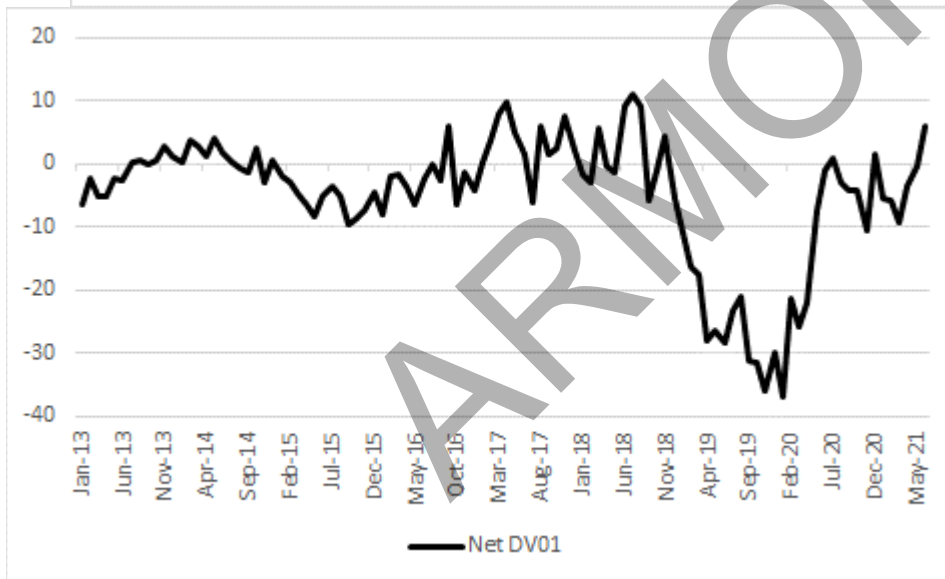
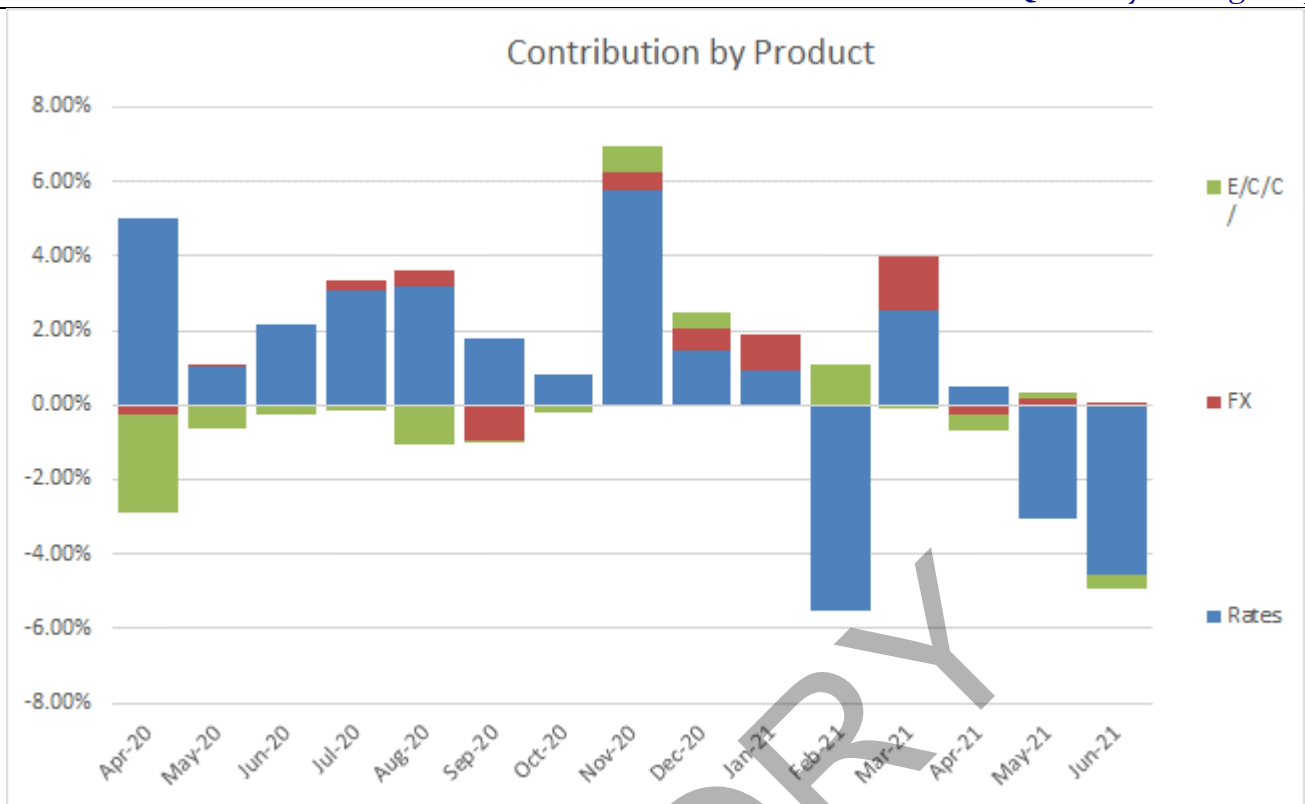
Unencumbered cash defined as cash and cash equivalents plus the value of the borrowing power from counterparties minus cash and cash equivalents posted as collateral/restricted from use and any accrued liabilities owed to creditors and counterparties

DV01 net short on mostly US exposure

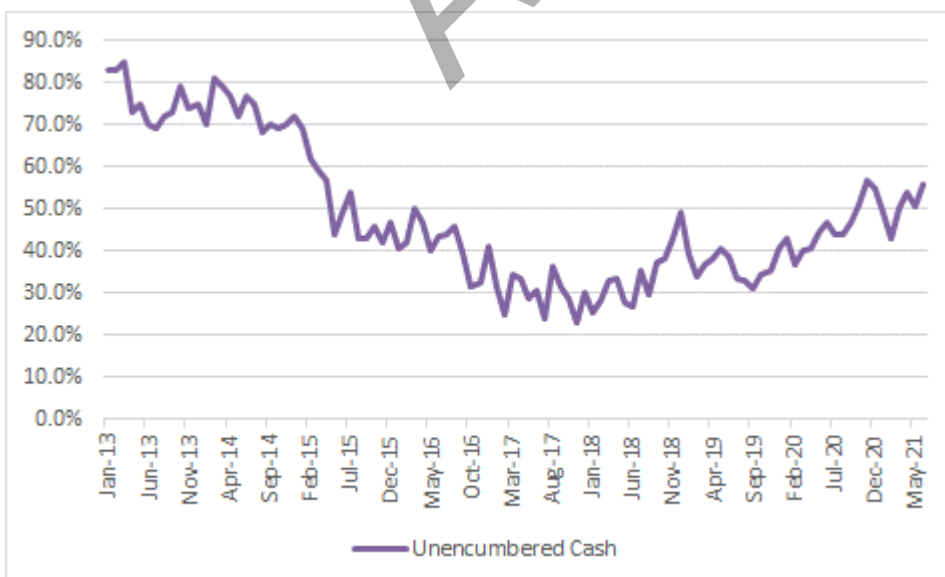
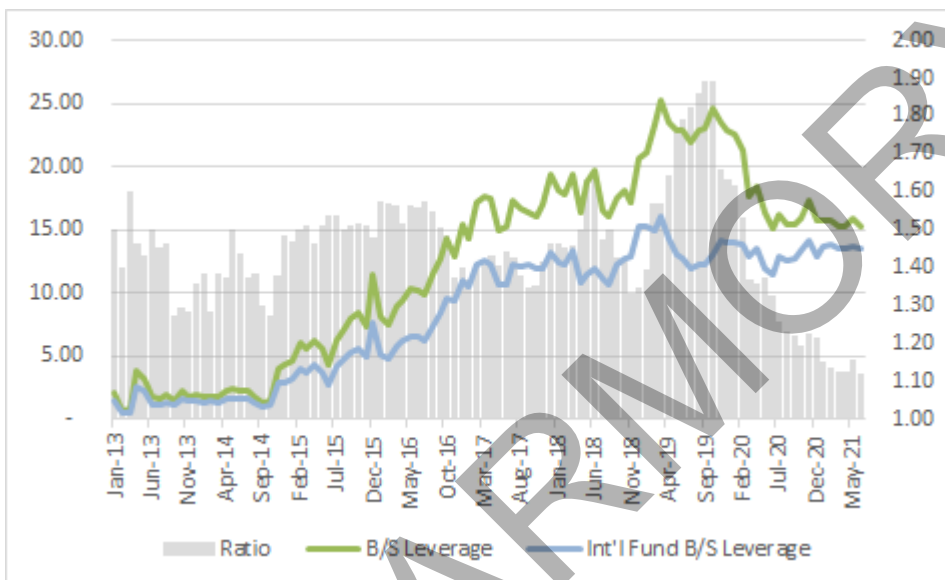
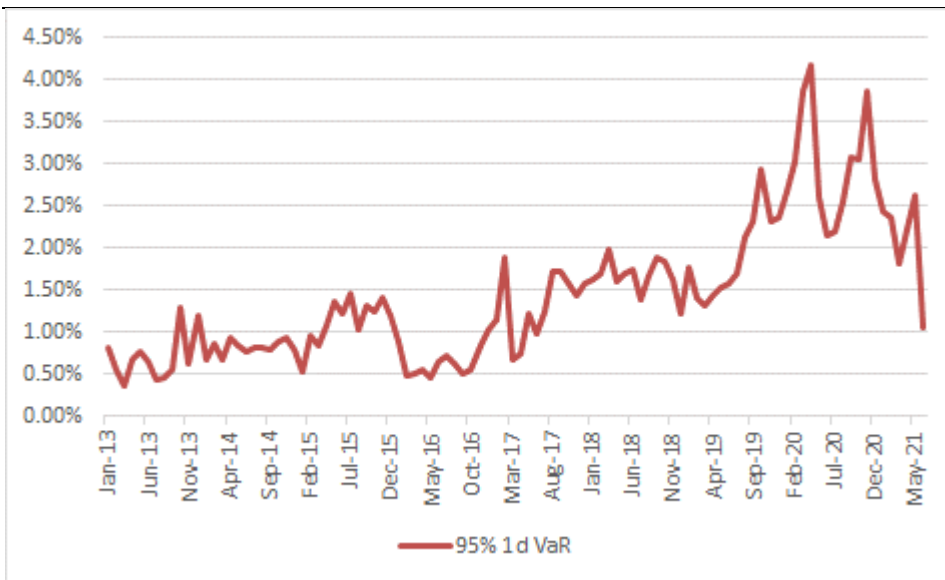


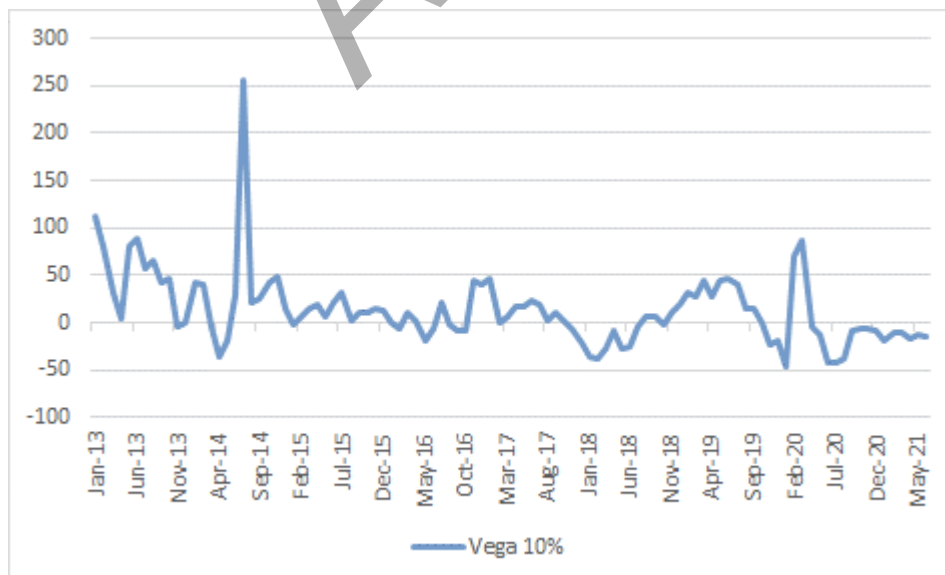
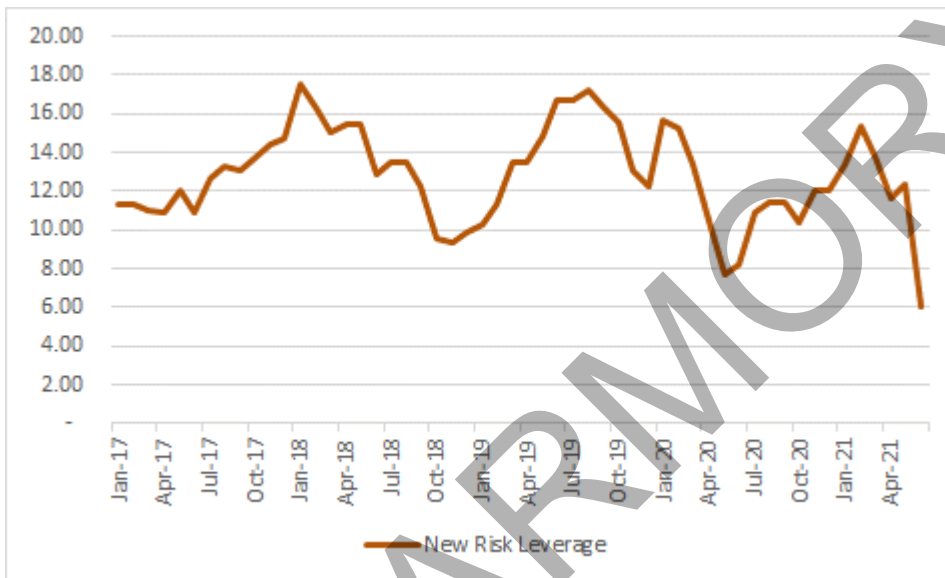
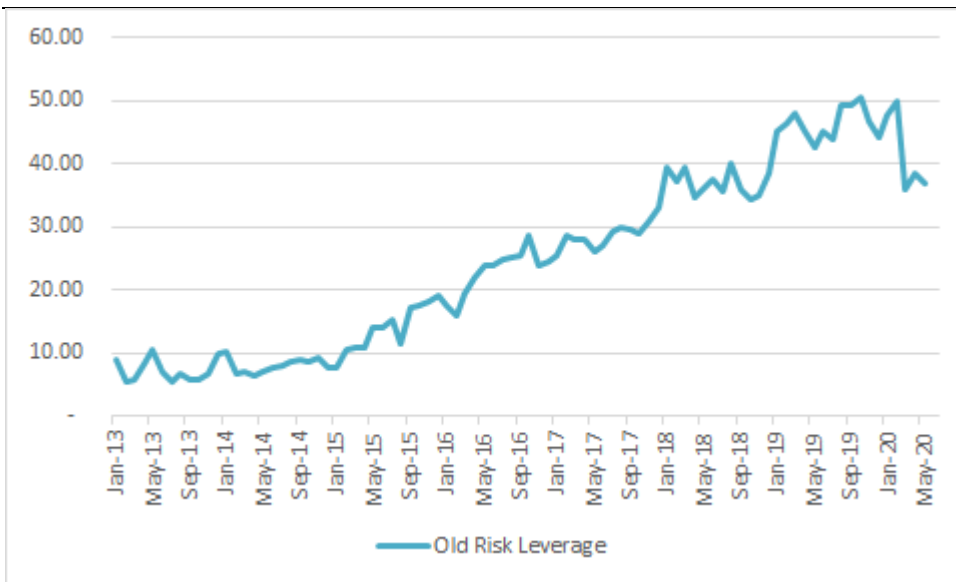
Global Rates Fund Stats:











## OTHER FIRM UPDATES

- Recent Staffing changes:
  - Q2/Q3 2016 - De-allocated Richard Jackson and Jason Smith – both European Macro based in London – both had 1% allocations
  - Added 2 new allocations in Anu Murgai – Macro trader and Masayoshi – Japanese rate vol and RV trader – both at 1% allocations during Q2 and Q3 2016
  - Consolidated quant teams during Q4 2016
  - Q1 2017 - De-allocated Guillaume Nicolle in Q1 '17 – EM Rates (2% allocation)
  - Q1 2017 - Added Arjun Shetty (Asia Rates/RV) & Abhay Golecha (Asia Cross Mkt RV) in Q1 '17 (1% each) – both part of Asia strategy
  - Q2 2017- Hired Ayad Butt onto Asia team
  - Q2 2017 - Hired Sara Strang former COO of GS Global Rates as chief of staff for the investment team focus on business issues
  - Q2 2017 – Hired Bob Qi – former RMB market maker from Standard Chartered
  - Q4 2017 – Adam Koll and Walter Schabel as PMs – 1% allocations
  - Q1 2018 – Hired new CTO from Graham; co head of technology at SAC
  - Q3 2018 – Hired new Risk officer in Hong Kong
  - Q4 2018 – Cindy Lau – 1% allocation – left the firm; de-allocated from Quant strategy (3-5% of capital); Added an EM strategist to Phillipe's team; Adnan, who ran the Quant strategy, focused on systematic fixed-income volatility / RV strategies. He is now at Element.
  - Q1 2019 – Hired 2 new equity vol PMs
  - Q2 2019 – Hired new Quant Portfolio Solutions analyst
  - Q3 2019 – Tom Luke stepping down; Christian Daher to replace
  - Q4 2019 – Astignes allocation down to 0
  - Q1 2020 – Hired 2 new people to the investment team; no new PMs
  - Q1 2021 – De-allocated 2 HK based PMs; Hired Ken Minklei as head of special opportunities

Macro Peer Group:

	Alphadyne	Brevan Howard	Field Street	Laurion	Caxton Global	Astignes	Capula GRV	Eisler	Rokos	Alphadyne Global Rates Class 6	HFRI Macro	MSCI ACWI
<b>Calendar Year Returns</b>												
2021	-7.6%	0.8%	2.1%	26.1%	4.8%	-2.8%	1.1%	0.9%	0.4%	-8.1%	7.9%	13.0%
2020	20.6%	27.4%	2.1%	32.0%	43.0%	7.9%	6.2%	8.1%	41.0%	25.8%	5.5%	15.9%
2019	17.4%	8.5%	15.4%	4.3%	19.4%	9.5%	8.0%	5.6%	9.3%	28.4%	6.5%	26.6%
2018	10.7%	12.3%	-5.0%	11.6%	6.7%	1.2%	4.6%	4.7%	2.0%	13.9%	-4.0%	-9.4%
2017	10.5%	-5.3%	2.5%	3.5%	-13.2%	1.4%	3.8%	2.4%	-3.6%	13.1%	2.2%	24.0%
2016	1.0%	2.8%	4.5%	2.0%	6.4%	-0.8%	8.3%	-	20.1%	1.7%	1.0%	7.9%
2015	7.8%	-2.0%	4.7%	14.8%	3.5%	2.7%	7.5%	-	-	11.5%	-1.3%	-2.4%
2014	7.8%	-0.9%	5.7%	0.3%	-1.4%	5.7%	8.2%	-	-	11.3%	5.6%	4.2%
2013	5.2%	2.7%	8.7%	7.2%	18.1%	12.2%	7.6%	-	-	7.4%	-0.4%	22.8%
2012	5.9%	3.9%	6.2%	5.1%	1.9%	7.1%	0.4%	-	-	5.0%	-0.1%	16.1%
<b>Trailing Periodic Returns</b>												
T1Y	1.8%	5.9%	6.8%	35.0%	22.3%	2.3%	2.2%	4.9%	11.9%	2.8%	14.6%	39.0%
T3Y	10.7%	13.0%	6.1%	21.1%	21.8%	4.5%	5.8%	5.1%	13.5%	15.9%	5.8%	14.7%
T5Y	11.4%	9.1%	3.8%	15.7%	11.9%	3.2%	5.8%	5.7%	11.3%	16.0%	3.2%	14.7%
T7Y	9.4%	6.4%	3.8%	13.8%	9.7%	4.3%	6.3%	-	-	13.2%	3.1%	9.8%
T10Y	8.2%	5.6%	4.9%	10.4%	8.6%	4.7%	6.0%	-	-	-	2.0%	9.9%
<b>T3Y Statistics</b>												
CAGR	10.7%	13.0%	6.1%	21.1%	21.8%	4.5%	5.8%	5.1%	13.5%	15.9%	5.8%	14.7%
Alpha	11.1%	19.2%	3.2%	21.9%	20.0%	5.3%	6.0%	5.5%	15.4%	16.3%	3.9%	0.0%
Beta	0.00	-0.31	0.19	0.00	0.12	-0.05	-0.01	-0.02	-0.07	0.00	0.12	1.00
Correlation	-1.0%	-49.0%	63.6%	0.6%	27.5%	-16.8%	-10.1%	-15.4%	-10.1%	0.5%	46.2%	100.0%
Volatility	7.0%	11.6%	5.4%	12.4%	7.9%	4.9%	1.5%	2.9%	12.3%	8.9%	4.9%	18.2%
Tracking Error	19.6%	25.9%	15.3%	21.9%	17.7%	19.6%	18.4%	18.9%	23.0%	20.2%	16.5%	0.0%
Information Ratio	-0.20	-0.07	-0.56	0.29	0.40	-0.52	-0.48	-0.51	-0.05	0.06	-0.54	-
Upside Capture	16.0%	8.6%	19.3%	42.6%	41.9%	2.6%	10.6%	6.9%	21.3%	25.3%	0.0%	-
Downside Capture	-32.5%	-77.6%	10.6%	-29.9%	-36.8%	-26.4%	-11.7%	-17.3%	-36.6%	-43.0%	0.0%	-
<b>T5Y Statistics</b>												
CAGR	11.4%	9.1%	3.8%	15.7%	11.9%	3.2%	5.8%	5.7%	11.3%	16.0%	3.2%	14.7%
Alpha	11.7%	14.2%	1.2%	16.0%	10.3%	4.0%	5.9%	5.7%	12.5%	16.4%	0.9%	0.0%
Beta	-0.01	-0.28	0.19	0.02	0.12	-0.04	-0.01	0.00	-0.03	0.00	0.16	1.00
Correlation	-1.3%	-39.3%	47.4%	2.6%	21.6%	-14.9%	-9.2%	-1.0%	-4.1%	0.1%	49.1%	100.0%
Volatility	5.8%	10.4%	5.7%	10.1%	8.3%	4.3%	1.6%	3.2%	11.0%	7.4%	4.7%	14.7%
Tracking Error	15.9%	21.0%	13.0%	17.6%	15.2%	15.9%	14.9%	15.1%	18.7%	16.5%	13.1%	0.0%
Information Ratio	-0.21	-0.27	-0.84	0.06	-0.18	-0.72	-0.60	-0.60	-0.18	0.08	-0.88	-
Upside Capture	24.7%	12.4%	13.9%	41.8%	27.9%	2.9%	14.2%	13.3%	26.6%	35.8%	0.0%	-
Downside Capture	-36.8%	-55.2%	5.4%	-26.3%	-32.0%	-24.0%	-13.2%	-15.1%	-30.1%	-48.8%	0.0%	-
<b>T10Y Statistics</b>												
CAGR	8.2%	5.6%	4.9%	10.4%	8.6%	4.7%	6.0%	-	-	-	2.0%	9.9%
Alpha	8.3%	7.9%	3.8%	10.2%	8.9%	5.5%	6.4%	-	-	-	1.0%	0.0%
Beta	0.01	-0.17	0.11	0.04	0.00	-0.06	-0.04	-	-	-	0.11	1.00
Correlation	1.5%	-28.7%	34.9%	7.7%	0.7%	-16.7%	-30.3%	-	-	-	35.0%	100.0%
Volatility	5.1%	8.5%	4.4%	8.0%	7.7%	4.7%	1.8%	-	-	-	4.3%	14.1%
Tracking Error	15.0%	18.4%	13.3%	15.7%	16.1%	15.6%	14.8%	-	-	-	13.3%	0.0%
Information Ratio	-0.12	-0.23	-0.38	0.03	-0.08	-0.33	-0.27	-	-	-	-0.60	-
Upside Capture	20.5%	7.2%	14.5%	30.9%	15.4%	6.7%	11.6%	-	-	-	0.0%	-
Downside Capture	-21.1%	-32.0%	-7.2%	-15.3%	-37.6%	-25.2%	-24.0%	-	-	-	0.0%	-