



KLS Niederhoffer Smart Alpha UCITS Fund



Objective

The KLS Niederhoffer Smart Alpha UCITS Fund is a short-term managed futures strategy that trades 20 global fixed income and FX markets. The strategy is systematic in nature but is grounded in computational neuroscience, based on the principle that markets are predictable in the short term because their movements are impacted by the psychology and biases of market participants. These behavioral biases are more acute during periods of market stress and volatility, with the strategy consistently long of realized volatility. The Fund is actively managed and is not managed in reference to a benchmark.

Commentary

The US government is now adding debt at a rate of \$1 trillion every 100 days*. This level of debt accumulation and its accelerating pace (how long until 1T every 50 days?) isn't sustainable. To make it work, the Treasury will have to borrow more and more to keep pace and/or the Fed will restart QE. In fact, the first day of March was marked by an "everything rally" after a hint of next QE by the Fed**. This supply is hitting the market – and let's not forget. If QE was a purchase of securities to help the economy and make asset prices soar... what does all this supply do? And what if we have the supply and QE at the same time?

Against this backdrop, February was marked by a continued rise in equities (S&P500 +4.8%). Fixed income was down (TY -2.2%, Bund -2.4%) and currencies sideways and quiet, which has been their mode as of late (Euro -0.1%, Pound -0.5%, Aussie -1%, Canada -1.1% and Yen -2.1%).

Our models found the traditional financial sectors challenging.

In fixed income, both US and European markets had rallied to end January and the models started the month leaning slightly long. The stronger-than-expected employment number to start the month resulted in some losses as notes and bonds sold off. The models profited on the second down leg in fixed income from a slightly higher CPI. However, they struggled in the second half of February as fixed income traded sideways with little volatility. Contrarian style found the low-volatility environment difficult as there were very few choppy waves to reverse.

The FX sector continues to be in spectator mode with its sideways, low-volatility mode. Yen is the only FX pair that moved more than 1% for February. Our models were able to generate profits in Yen with a lean towards the short side. Machine learning models gained. The European pairs were a struggle as the dollar rallied in reaction to the stronger economic numbers. Our models leaned long the dollar, but the market reverted to the well-established range and traded sideways for the second half of the month. Machine learning and momentum had difficulties.

As the debt increases at a parabolic rate, the ability to kick the can down the road diminishes. It may still go on for a while but the debt rising at \$1T every 100 days seems meaningful and significant. Are the smaller market sectors moving dramatically a canary in the coal mine?

*<https://twitter.com/zero hedge/status/1763765020997877906>

**<https://www.zero hedge.com/market/everything-rallies-first-day-march-after-fed-hints-next-qe>

Fund Details

Launch Date:	14 th July 2020
Fund Size:	\$21m
Niederhoffer AUM:	\$790m
Fund Structure:	UCITS
Domicile:	Ireland
Min Investment:	Class SI: \$50,000,000 Class I: \$2,500,000 Class R: \$100,000
Currencies:	USD (base); GBP, CHF, EUR (all hedged)
Management Fee:	Class F: 0.7% (Founders Only) Class SI: 1.00% Class I: 1.25% Class R: 1.75%
Pricing:	Daily
Liquidity:	Daily
Performance Fee:	All share classes: 20% with high watermark
Manager:	Waystone Management Company (IE) Limited
Investment Manager:	Kepler Partners LLP
Sub Inv. Manager:	R.G Niederhoffer Capital Management, Inc.
Inv. Universe:	Global
UK Reporting Status	Yes
Country Registrations:	Ireland UK France Germany Spain Switzerland (QI) Singapore (QI)

Performance

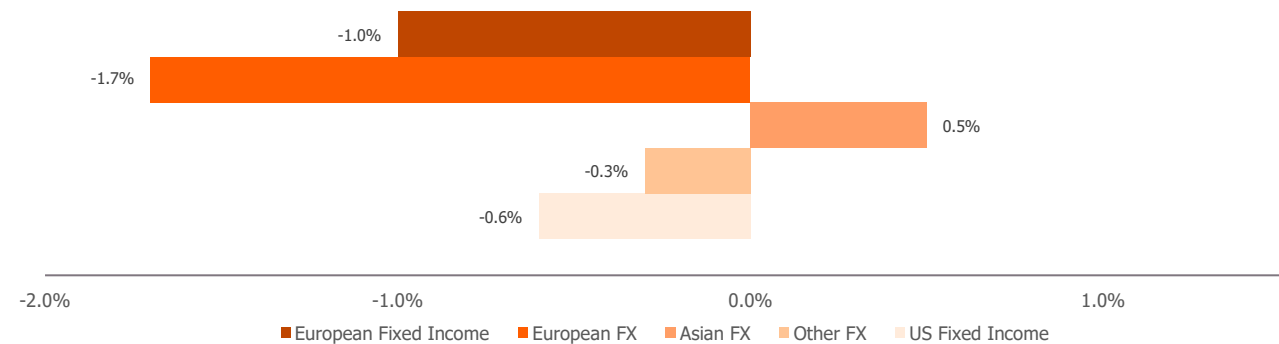
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2024	-2.70%	-3.06%											-5.67%
2023	-6.52%	2.82%	4.43%	-1.44%	-2.19%	-1.36%	-2.02%	-1.13%	4.42%	0.83%	-2.27%	0.99%	-3.91%
2022	0.22%	-3.27%	3.80%	7.10%	-1.59%	5.20%	-2.33%	1.83%	2.73%	-2.69%	-6.47%	0.20%	3.97%
2021	-2.49%	4.58%	4.41%	-3.73%	0.72%	0.41%	3.35%	-1.70%	0.59%	0.49%	-0.73%	-2.06%	2.51%
2020							1.71%	0.50%	-3.51%	2.26%	-3.76%	-3.94%	-6.74%

*Fund performance is net return of USD F Class. Return figures are since inception on 14th July 2020. All figures as at 29th February 2024. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment.

Attribution by Model Type¹

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
<1 Day Strategies	-0.0%	0.0%											-0.0%
1-5 Day Contrarian	-0.1%	-0.5%											-0.6%
1-5 Day Momentum	-1.4%	-0.8%											-2.2%
5-10 Day Contrarian	0.1%	-0.0%											0.0%
5-10 Day Momentum	0.0%	0.1%											0.1%
Hybrid & Machine Learning	-1.3%	-1.8%											-3.1%
Volatility	0.0%	0.0%											0.0%
Total Net Profit	-2.7%	-3.1%											-5.7%

Monthly Attribution by Asset Class



Historical Attribution¹

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Fixed Income	-0.3%	-1.5%											-1.9%
US Fixed Income	-0.2%	-0.6%											-0.7%
European Fixed Income	-0.2%	-1.0%											-1.2%
FX	-2.4%	-1.5%											-3.9%
European FX	-1.8%	-1.7%											-3.5%
Asian FX	-0.0%	0.5%											0.4%
Other FX	-0.5%	-0.3%											-0.8%
Total Net Profit	-2.7%	-3.1%											-5.7%

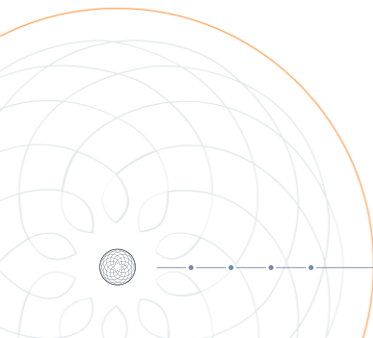
Share Classes

	NAV PER SHARE	ISIN	INCEPTION DATE
Class F USD	90.23	IE00BMVFY279	14/07/2020
Class F GBP	89.44	IE00BMVFY493	14/07/2020
Class F EUR	85.31	IE00BMVFY386	14/07/2020
Class SI EUR	84.10	IE00BMVFYH28	23/07/2020
Class I USD	93.07	IE00BMVFY618	11/07/2023
Class I EUR	77.67	IE00BMVFY725	29/09/2022
Class I GBP	93.91	IE00BMVFY832	23/06/2023

*As at 29th February 2024. Source: Kepler Partners LLP

Notes:

1.
- All figures as at 29th February 2024. The table shows sector and system data for the KLS Niederhoffer Smart Alpha UCITS Fund (RGN Smart Alpha UCITS). RGN Smart Alpha UCITS performance is actual performance of USD Class F, net of fees and expenses. Returns do not represent the performance for any particular investor. It is possible in any particular period that certain investors may achieve better or worse performance as a result of the timing of their investments, payment or non-payment of fees.



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