

## LGT Vestra Snapshot

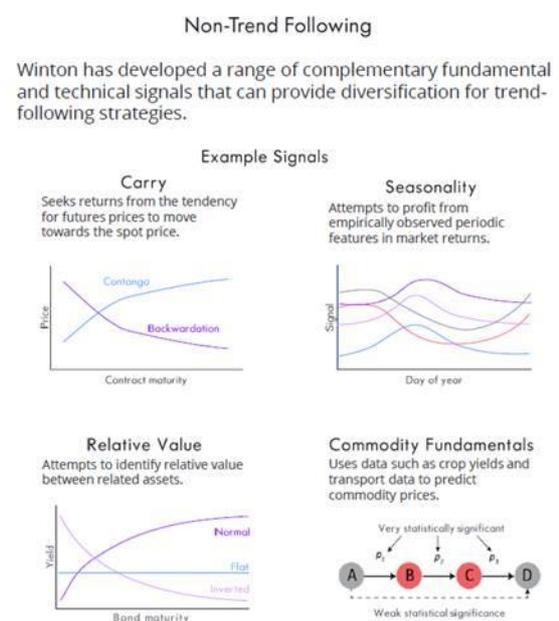
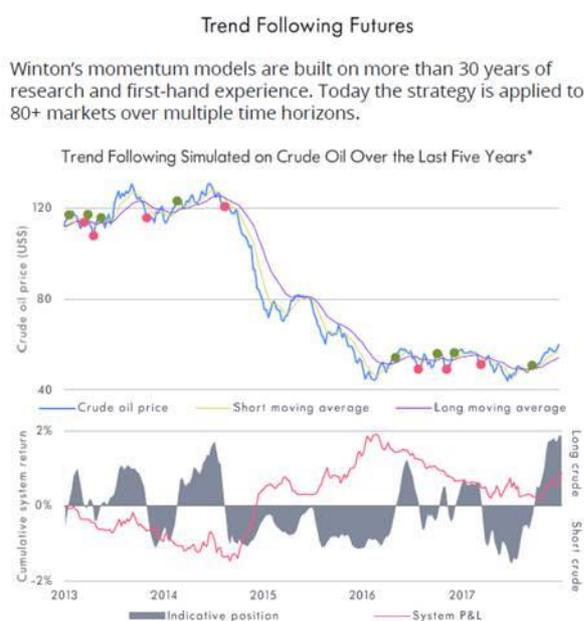
### Winter Absolute Return Futures Fund

12 September 2018

During the month of March, the MPS team and the research team met the Winton Absolute Return Futures Fund team. Very quickly, we realised the benefits it would bring to add the fund into the Absolute Return basket within our Model Portfolios. The challenge of uncovering such "hidden gems" is of course accessibility: while we were convinced of the merits of blending this fund into our mix, we needed to work with our platform partners over a number of months to ensure it was actually universally available. This work is now complete, and this week's rebalancing has afforded us the opportunity to add this exciting fund. It is a part of our role to innovate by making sure that we can bring new ideas to our portfolios and by causality, encouraging the platforms to accept new funds.

The Winton Absolute Return Futures fund is a multi-signal, low volatility (5% volatility target) and innovative systematic fund. Winton's investment philosophy is rooted to the belief that markets are inefficient. They believe that financial markets can be studied and used to identify predictive signals that can form the basis of profitable investments systems. This follows from the fundamental concept that investors tend to take comfort from herd mentality and therefore, one can apply a systematic process to identify trends. The core strategy is to follow these certain trends or non-trends that financial markets show over time. Although it sounds easy, it requires access to data, statistical tools and a strong research team. Compared to other funds we have met, Winton has always emphasised scientific rigour and is focused on technology development, by hiring from technology companies and segregating businesses into investment product, data and their technology team.

The fund should not be regarded as a "hedge" but as a diversifier to our classic equity/bond portfolio. We believe it will allow us to increase diversification in the models in two significant ways. Firstly, the fund can be long and short across more than 80 markets, including equity indices, fixed income, commodities and currencies. Secondly, the fund uses multiple systematic strategies or signals which are identified via their fundamentals, seasonality of the asset, or even through pair trading (multiple signals used within the Winton fund are shown below). As a pure example, the fund could decide to go short on gas futures in Summer 2019 because a relatively short-term moving average crosses below a long-term moving average.



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