



QUEEN'S UNIVERSITY ALTERNATIVE ASSETS FUND

Queen's University Alternative Assets Fund

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2018-2019

Annual Report

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Queen's  
Smith

SCHOOL OF BUSINESS

[www.quaaf.ca](http://www.quaaf.ca)



### Mission

The Queen's University Alternative Assets Fund ("QUAAF") seeks capital appreciation through allocation to multiple internal and external alternative asset allocation programs.

### Vision

QUAAF is Canada's first student-directed portfolio of alternative strategies, managing funds endowed by private investors, Queen's Alumni, and corporate sponsors. QUAAF is a fund-of-funds investment mandate, primarily holding portfolios managed by third party external managers but also holding small exposures in exchange-traded funds and direct securities. QUAAF is an educational initiative of the Smith School of Business Master of Business Administration ("MBA") and Master of Finance ("MFin") programs. QUAAF strives to create a professional environment of continuous learning for aspiring capital markets professionals through exposure to alternative strategies, while also providing the practical experience of running a funded portfolio. We aspire to engage alumni, current members, and industry professionals in this mutually beneficial platform, while enhancing the educational experience at the Smith School of Business at Queen's University.

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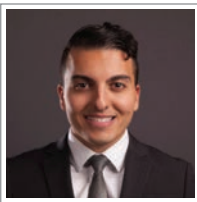


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# FOREWARD



## LETTER FROM THE CEO

2018 has been an eventful year for QUAAF and has marked the seventh year of operations for the Queen’s University Alternative Asset Fund. Our Fund has seen several exciting developments that have served to further expand QUAAF’s industry recognition and increase the funds overall efficacy as an educational vehicle.

Over the course of the year, QUAAF has taken strides towards creating a professional environment of continuous learning for our members. To add more oversight to its investments and provide its members with a greater understanding of the market, QUAAF has expanded the Macroeconomic research division and Operations division. The new team expansion in the Macroeconomics division was done to give each researcher a specific industry to specialize in

and a more focused approach on giving advisory to the team on any market trends in any specific industries. Secondly, the expansion in the Operations division was a key part of this year’s successes, this team has helped create disposition in the organization and smoothen the transition from one executive team to another.

For this fantastic year, I would first like to thank our Chairman, Peter Copestake, for his ongoing support and commitment to the financial education and the professional development of all fund members. I would also like to thank Rees Barnett, the newest member to join the advisory board, who has graciously been spending his time to speak with the fund and help the students learn and grow. Finally, I would like to extend my thanks to the members of the 2017-2018 QUAAF team. The QUAAF analysts and management team are the creative fuel that pushes the fund forward. Their ideas, enthusiasm, and willingness to learn is what are what makes QUAAF an amazing organization.

I look forward to the future of QUAAF with great enthusiasm. With our growing membership base of nearly 200 members across Kingston, Toronto, and Beijing, and the impending publication of QUAAF led research initiatives, the Fund has increased its presence within the Alternative Investment space and markedly increased its scope of study. Most importantly, as QUAAF continues to grow, it can provide an even greater depth of financial education and further shape the investment professionals of tomorrow.

Thank you for taking an interest in the Queen’s University Alternative Asset Fund. As always, I invite you to reach out to any member of the team for more information or to network with our committed and exceptional personnel.

Regards,  
Chief Executive Officer  
**Edward Elsamah**

## LETTER FROM THE CIO

In today’s world, the financial markets are in a constant state of flux and shifting global macro landscapes are key drivers of investment returns. QUAAF places a strong emphasis in having a thematic view to investing. We see thematic investing as means to circumvent global geopolitical, monetary and structural headwinds, and concurrently provide opportunities to tap into growth stories of the future.

As the historical run in the global equities market continues into its 10th year, we take a cautious stance and remain disciplined in our capital allocation process. After years of competitive monetary easing by central banks globally, we believe there exist significant distortions in global asset prices. Historically, the deleveraging phase of long-term debt cycles has always come with much strife for investors and we believe this time will be no different. With the prospects of trade wars, higher interest rates and geopolitical shifts on the horizon, structural risks lie abound. As such, we place a continued emphasis on attaining pure alpha and generating uncorrelated returns regardless of market conditions. With majority of our portfolio tactically deployed into market neutral strategies, we are well positioned to wither systemic downside shocks. In addition, we seek to maintain an optimal level of cash and cash like securities to opportunistically capture potential short-term asset mispricing situations.

We foresee two major structural shifts soon. First, we believe volatility is bound to. Second, we believe the combination of cautious monetary policies, higher economic growth and recovering global demand for commodities will inevitability lead to higher inflation. On the other hand, growing trade threats could derail the current trajectory of global economic growth quicker than market expectations. Despite structural headwinds, our portfolio is well positioned and QUAAF continues to be focused on delivering superior risk adjusted returns.

The investment team has worked diligently this year to come up with new investment ideas and provide ongoing monitoring of our deployed investments. I would like to thank the portfolio managers and analysts for their hard work and dedication. In addition, the macroeconomics team has been instrumental in providing key insights and analysis to support our thematic views and tactical allocation decisions.

The opportunities that QUAAF provides has been tremendous and I would like to thank our Chair Peter Copestake and advisor Rees Barnett for their guidance. In addition, I am optimistic about the future of QUAAF and wish continued success for a new generation of investment professionals that will soon join QUAAF.

Regards,  
Chief Investment Officer  
**Alex Yi**







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# ABOUT US



## ORGANIZATIONAL OVERVIEW

### Mission

The Queen’s University Alternative Assets Fund (“QUAAF”) seeks capital appreciation through allocation to multiple internal and external investment mandates.

### Strategy

QUAAF is an absolute return strategy focused on consistent returns throughout most market cycles. The Fund is a pooled investment mandate holding both internally and externally managed portfolios of alternative assets. The management team believes that alternative assets and strategies are critical to providing superior returns and that traditional long-only strategies will struggle in future markets. Externally managed portfolios compose a majority of the total investment allocation and consist of exposures to 3rd party managers operating in the total return/hedge fund universe. In addition to the externally managed portfolios, the Fund also manages a substantially smaller internal mandate that attempts to identify thematic and opportunistic investment opportunities designed to enhance total return. These thematic investment opportunities will be executed through a variety of direct investments in various asset classes and securities. The management team believes through the combination of superior managers and strategies, opportunistic investments, and limited market correlation they can manage a fund that yields superior risk adjusted returns in any market environment.

### Vision

QUAAF is Canada’s first student-directed portfolio of alternative strategies, managing funds endowed by private investors, Queen’s Alumni, and corporate sponsors. QUAAF is a pooled investment mandate primarily holding portfolios managed by third party external managers but also holding small exposures in exchange-traded funds and direct securities. QUAAF is an educational initiative of the Queen’s School of Business Master of Business Administration (“MBA”) and Master of Finance (“MFin”) programs. QUAAF strives to create a professional environment of continuous learning for aspiring capital markets professionals through exposure to alternative strategies while providing the practical experience of running a funded portfolio. We aspire to engage alumni, current members, and industry professionals in this mutually beneficial platform, while enhancing the educational experience at Queen’s University.

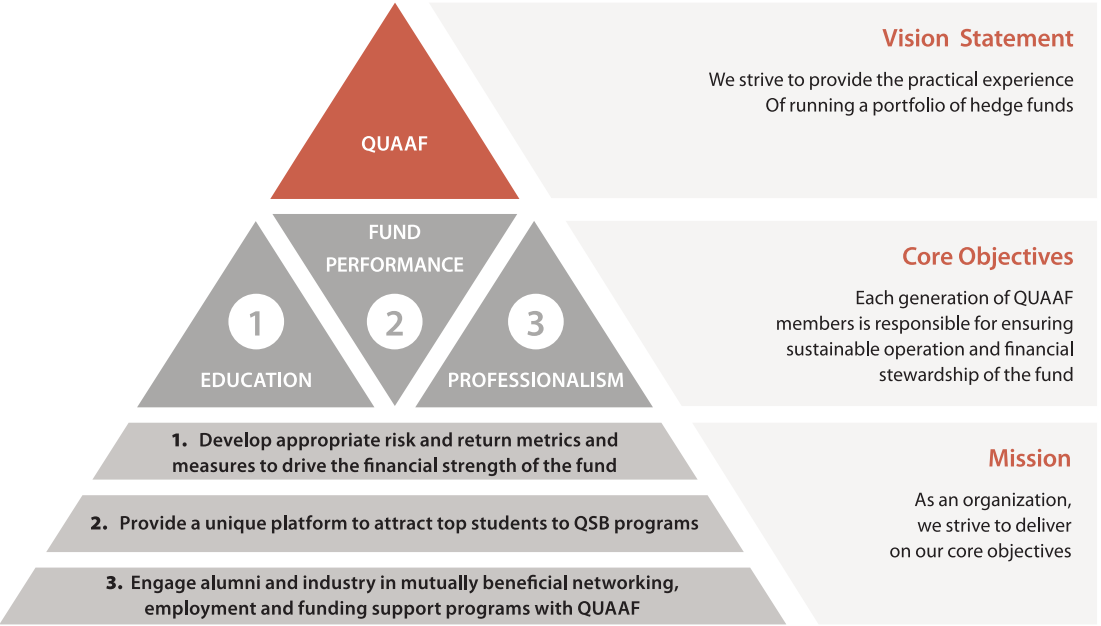
## QUAAF HISTORY

QUAAF is Canada’s first student directed portfolio of hedge funds managing \$470,000 in endowed funds. During the fall of 2011, eight full-time MBA students pooled their own capital in hopes of persuading the Queen’s Smith School of Business (“QSSB”) to create Canada’s first student-run hedge fund. After the group of students demonstrated their financial acumen through solid returns on their investment, QSSB leant its support and QUAAF was created in January of 2012.

The group quickly recruited several other MBA students, built teams of research analysts, and formed partnerships with influential leaders in the financial industry. The team began an in-depth study of Canadian hedge funds and made its initial investments before handing the reigns over to the next year’s class. In 2012, the MBA students were joined by members of the Queen’s MFin program in Toronto. More recently, in 2016, QUAAF expanded its reach internationally and welcomed MFin students from the Queen’s Beijing Campus. Over its tenure, QUAAF has made significant strides in developing the methodology by which it constructs its portfolio and provides superior risk-adjusted returns, which exhibit low correlation with the market indices. As the program continues to recruit talented Queen’s students, who provide a breadth of international experiences, these methodologies and investment mandates will only continue to improve.

QUAAF remains the sole student run portfolio of hedge funds in Canada and is proudly recognized as a joint educational initiative of the Queen’s Smith School of Business. Each generation of QUAAF members is responsible for ensuring sustainable operations and financial stewardship of the fund. QUAAF remains true to its core values and objectives which include education, fund performance, professionalism, and integrity.

## CORE OBJECTIVES





# ABOUT US

## GOVERNANCE

### Foundational Documents

Once QSSB provided approval for the recognition of QUAAF as a formal educational initiative, a governance structure was formed to guarantee organizational continuity and success. The QUAAF Investment Policy Statement (“IPS”) acts as the Fund’s guidance document. The IPS provides the authority for managing the many aspects of the QUAAF organization:

- Fund Governance: This section provides authority to the Board of Directors and Executive team to make decisions and act on behalf of QUAAF. It also outlines the responsibilities for the Investment, Risk, and Business Development Teams.
- Investment Overview: This section outlines the Investment mandate for QUAAF. In particular, it summarizes the Fund’s investment beliefs, asset mix, benchmarks, and rate-of-return expectations.
- Evaluation and Analysis: This section outlines how QUAAF evaluates the performance and risk of its investments, as well as how these findings are presented to fund members on a monthly basis. It outlines the responsibilities of the macro-economic team on a monthly basis.
- Operational and Administrative: This section outlines administrative items including fund member responsibilities and expectations, conflicts of interest, and deliverables.

In total, these sections outline the Standard Operating Procedures (“SOP”) of the Fund. The SOP acts as a source of continuity and sustainability for the Fund, by defining the processes and procedures that must be followed. Any change or addition to the SOP must be approved by the Board of Directors.

In addition to the IPS, QUAAF members are also governed by their Service Level Agreement (“SLA”). At the commencement of each member’s term with QUAAF, the individual is responsible for signing an SLA that describes the approximate weekly time commitment of the position, the roles and responsibilities assigned to the position, and a conflict of interest disclosure document. The SLA and conflict of interest governance forms ensure goal alignment, transparency and full disclosure is achieved at the organizational level.

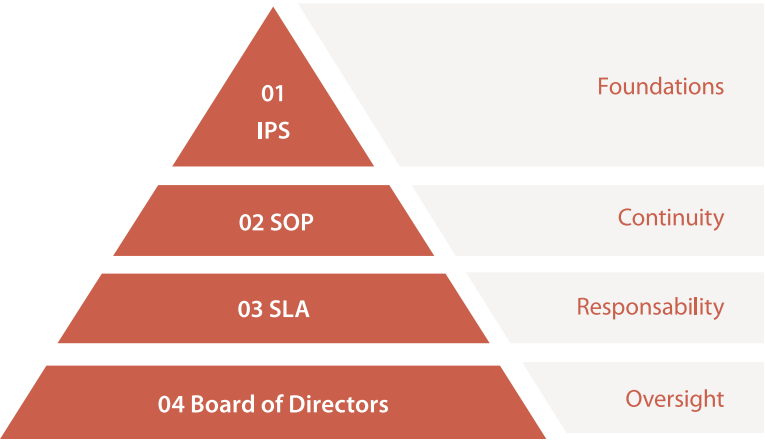
### Governance Structure

The QUAAF Governance Structure spans four separate levels. These levels – Board of Directors, Executive, Management, and Analyst – serves as the foundation for effective fund management.

The governance structure starts with the Board of Directors, comprised of Queen’s Staff and Alumni. This group ensures organizational continuity and approves the hiring of the QUAAF Executive Team. They also acquire adequate resources for QUAAF’s operations and oversee the deposit and withdrawal of funds. Moreover, the Board of Directors approves all amendments, operating policies, and investment constraints and limits as well as delegates investment decision-making authority from Queen’s Smith School of Business to QUAAF members. This group is complemented by the Advisory Board, which is composed of prominent industry professionals and provides QUAAF with a deeper market perspective and a greater understanding of the Canadian Hedge Fund Industry.

The Executive Team is comprised of Queen’s MBA and MFin students. The Executive Team provides student leadership to Fund members and is responsible for implementing the strategic directives of the Board of Directors. More importantly, it is the Executive Team’s responsibility to oversee the day-to-day operations of QUAAF and ensure the viability of the organization.

The remaining two levels of the governance structure are the Management and Analyst levels. Members of the Management level are responsible for ensuring the successful implementation of the Fund’s directives, provided by the Executive Team, within their assigned team. In addition, they are also required to provide their team with direction and ensure the completion of tasks. Finally, Analysts are required to perform the operational tasks as requested by the Management and the Executive Team.



# ABOUT US

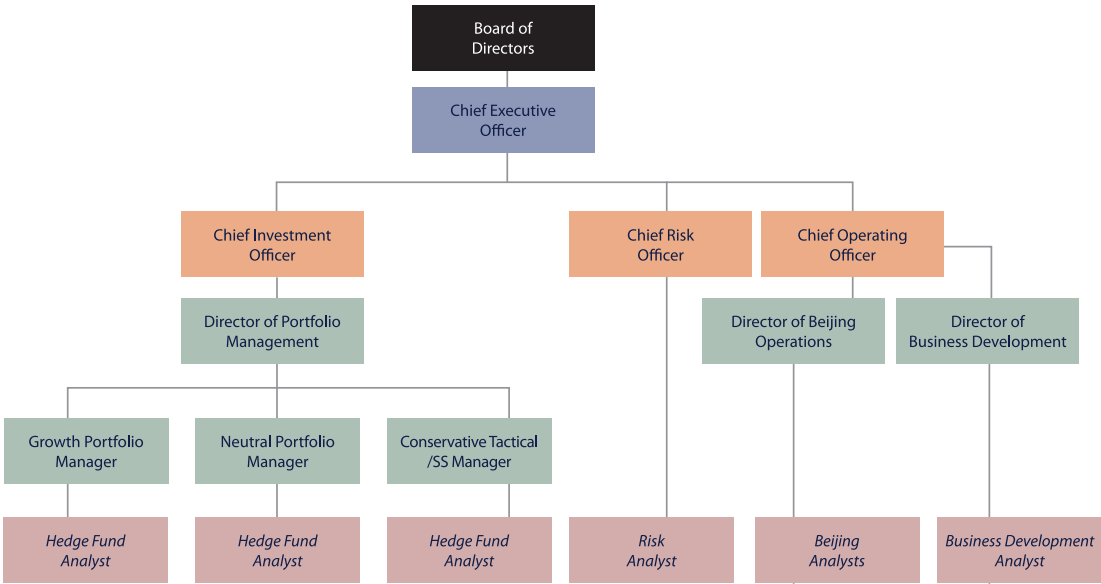
## ORGANIZATIONAL STRUCTURE

In order to effectively manage the many organizational responsibilities of QUAAF, members are divided among three separate divisions – Investment, Risk, Macroeconomics and Business Development. Each division is managed by a member of the Executive Team. The Chief Executive Officer (“CEO”) provides direction to the other three members of the Executive Team and reports directly to the Board of Directors.

The Chief Investment Officer (“CIO”) oversees the Investment functions of QUAAF and manages the Portfolio Management Teams. The Director of Portfolio Management, who reports directly to the CIO, is responsible for fund administration. Each Portfolio Manager (“PM”) is responsible for managing one of three separate portfolio strategies. These strategies are examined in greater detail in the ‘Fund Strategy’ section. Each PM is assigned a team of Portfolio Analysts. The number of analysts assigned is dependent on the capital assigned to that portfolio strategy. Portfolio Analysts are responsible for generating investment opinions on current and potential investments.

The Chief Risk Officer (“CRO”) oversees the Performance and Risk Management functions of QUAAF. The CRO manages a team of Risk Analysts who are responsible for collecting performance and risk data, analyzing it, and providing the results to the Portfolio Management teams.

The Chief Operating Officer (“COO”) oversees the Business Development, Marketing, and Operations functions of QUAAF. Two separate managers’ report directly to the COO – the Director of Beijing Operations (“DBO”) and the Director of Business Development (“DBD”). The DBO is responsible for managing all operations in Beijing and providing direction to the Beijing Analysts. The DBD is responsible providing direction to the Business Development analyst and managing external relations with industry professionals. Business Development Analysts are responsible for completing operational tasks and generating internal QUAAF content, such as the Learning Initiative program and Research Papers.

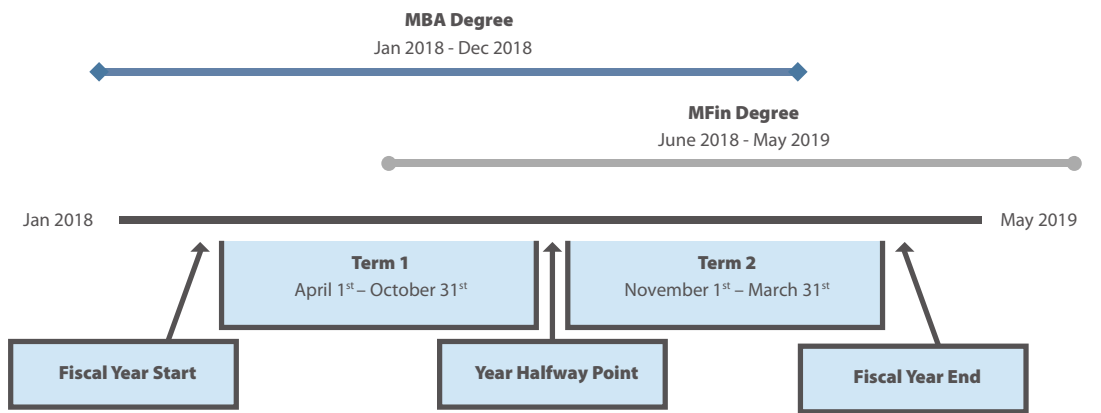


## TRANSFER OF LEADERSHIP

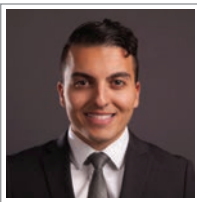
One of the unique aspects of QUAAF is the transfer of leadership among the MFin and MBA programs. Both programs operate on a six-month staggered schedule. In order to ensure leadership continuity and minimize any issues as a result of these separate schedules, QUAAF has been designed around a ‘two-term’ system. Under this system, each graduate program can have their students act in Executive and Managerial roles for a single term. The timeline for this system is as follows:

May 1st to November 30th:	Term 2 – November 1st to March 31st:
This term starts toward the beginning of QUAAF’s fiscal year. During this term, the MBA students, who joined QUAAF in January, will take over Executive and Managerial roles. This group will be mentored by the outgoing MFin class.	This term starts in the middle of QUAAF’s fiscal year and will continue until its end. During this term, MFin students, who joined QUAAF in June, will take over Executive and Managerial roles. This group will be mentored by the outgoing MBA class.

With this managerial schedule in place, QUAAF is able to ensure its incoming leadership teams have spent a term working as an analyst before taking on any leadership role. It also ensures that new QUAAF members will be mentored by experienced QUAAF team members.



# EXECUTIVE TEAM



**Edward Elsamah - CEO**  
Edward has a Bachelors in Finance and Economics from the University of Ottawa and is currently enrolled in the MBA program at the Smith School of Business. His extensive experience in finance while working at Fidelity Investments and knowledge helped him work well as CEO of the organization. In his role with QUAAF, he was responsible for managing QUAAF’s relationships with the industry and his team. His role in QUAAF gave him the opportunity to expand his leadership skills and expand his knowledge in finance. Upon graduating in December 2018, he will be joining CAPCO (The Capital Markets Company) as a consultant to expand his knowledge of the finance industry.



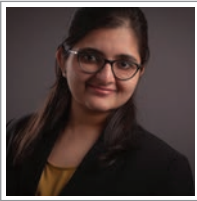
**Alex Yi - CIO**  
Originally from Edmonton, Alex started his career at a real estate focused private debt fund. After moving to Toronto and just prior to the MBA, he was an associate in the private markets research team at Westcourt Capital, where he gained experience and fostered strong interest in alternative investments. As the CIO of QUAAF, he was responsible for leading the portfolio management team in all aspects of research, asset allocation and monitoring of QUAAF’s portfolio of investments. Upon graduating in November 2018, he will be joining Novacap, a leading private equity buyout firm where he hopes to eventually build a career in private equity.



**Jasmine Zhou - COO**  
Jasmine has a BBA from the University of Toronto and is currently enrolled in the MBA program at the Smith School of Business. During her term as COO, she pushed forward the initiative of allocating investable fund to QUAAF Beijing Team and was key in establishing formal operational processes for QUAAF. Currently, Jasmine manages a team of approximately fifteen at QUAAF in business development, operations and Beijing Team. Coming from a project management background and her previous involvement in acquisition projects, Jasmine is keen to pursue a career in finance post-graduation.

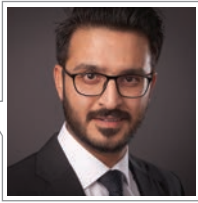


**Nicholas Da Sie - Chief Economist**  
Nick has a B.Eng from Ryerson University and is currently completing his MBA at the Smith School of Business. Prior to completing his MBA, he worked for 5 years in the Manufacturing sector as an Industrial Engineer, specializing in process optimization. In his role with QUAAF, his team provided guidance for thematic investment opportunities based on changing macroeconomic conditions. QUAAF has been an excellent platform to learn from industry experts and to develop a deeper understanding of the Canadian Alternative Asset landscape. Following graduation in December 2018, Nick will be joining TD Bank as part of the Treasury and Balance Sheet Management rotational program.

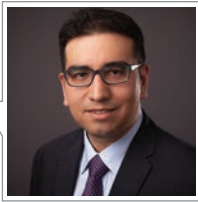


**Nirali Joshi - CRO**  
Nirali Joshi is the Chief Risk Officer of QUAAF and is currently pursuing the QMBA program at Smith School of Business. She has graduated from the University of Mumbai, India with a Bachelor’s degree in Commerce(B. Comm), completed her Chartered Accountancy(CA) from the Institute of Chartered Accountants of India and Chartered Public Accountant(CPA) from the American Institute of Chartered Public Accountants(CPA). She has worked in Credit Risk Policy team in HDFC Bank Limited, Mumbai. In her role with QUAAF, she was responsible for understanding, analysing and monitoring the risk of the portfolio and potential investments. Upon completing her MBA, she will be joining the leadership rotational program at RBC.

**Bilal Alvi - Director of Portfolio Management**  
Bilal is currently enrolled in the MBA program at the Smith School of Business. He holds an undergrad degree in Mathematics and is a CFA charterholder. Before coming to Canada Bilal was working in equity research on the buy side at one of the largest asset management companies in Pakistan. As the Director of Portfolio Management at QUAAF, he was responsible for tracking portfolio performance, in addition to supporting the CIO with maintaining the investment committee schedule and ensuring the quality of presentations to the committee. Bilal’s time at QUAAF helped him enhance his knowledge of the North American markets while improving his understanding of different hedge fund strategies. Upon graduation Bilal plan’s on continuing with a career in capital markets within Canada.



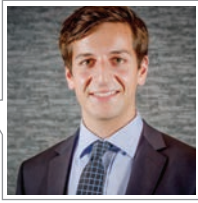
**Rodolfo Merino - Special Situations Portfolio Manager**  
Rodolfo is an Industrial Engineer from Universidad de Lima and holds a MA specializing in Corporate Finance from ESAN, both in Peru. He is undergoing the MBA program at the Smith School of Business and has a broad experience in industries such as Mining, Energy, Public Transportation, Pharmaceuticals and Technology Services. As QUAAF’s Special Situations Portfolio Manager, together with his competent team, he was responsible of keeping track and assessing investment opportunities in equities and ETFs. This role allowed him to expand his knowledge of capital markets and build his professional network in Canada. Next year he will join Scotiabank as an Audit Associate.



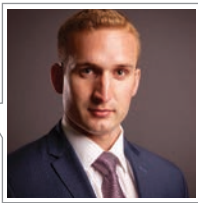
**Cristobal Poblete - Neutral Portfolio Manager**  
Cristobal has two Bachelor’s degrees in Music and Business, and is currently enrolled in the full time MBA program at Queens’ Smith School of Business. He has extensive experience working for financial institutions. In his last position, he managed a Real Estate Portfolio for MetLife’s operations in Chile. This provided him the necessary experience in Asset management for his role in QUAAF, where he lead a team of MFin analysts and searched for new investments for the Market Neutral Portfolio. His role in QUAAF helped him to gain an understanding of the Canadian financial industry and to know interesting players in the market. Going forward he is looking for opportunities where he could combine his vast experience in finance and his passion for sustainability.



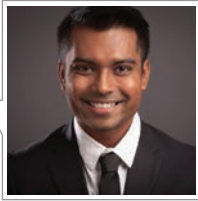
**John McHughan - Growth Portfolio Manager**  
John has a BA from Queen’s University in Political Science, a Masters of Political Management from Carleton University, and is currently enrolled in the MBA program at the Smith School of Business. John’s five years of experience in Canadian politics helped to shine a light on how politics and finance interact, and the investment opportunities that can be exploited through a strong knowledge of politics. John’s role as the Growth Portfolio Manager was to monitor the holdings and help guide the analysts on prospective investments. QUAAF helped John sharpen his knowledge of the Canadian finance industry and played a big part in securing him his future role in TD Bank’s Graduate Leadership Program.



**Colin Greenwood - Director of Business Development**  
Colin has a Mining Engineering degree from Queen’s University and is currently enrolled in the MBA program at the Smith School of Business. His work experience consists of five years of engineering and operational roles in the Canadian mining industry. In his role with QUAAF, he was responsible for the execution of sponsorship initiatives, interacting with external parties, and planning and organizing industry events. Upon graduating in December 2018, he will be joining BMO as an Investment Banking Associate in the Global Metals & Mining group.



**Mickey Ganguly - Operations Manager**  
Mickey has a BBA from the University of Guelph and is currently enrolled in the MBA program at the Smith School of Business. His extensive experience in operations was a perfect fit for the role of Operations Manager. In his role with QUAAF, he was responsible for arranging industry events, creating marketing materials, and assisting with the transition of executive teams between the MBA and MFin programs. His role in QUAAF expanded his network and broadened his perspective on the finance industry in Canada. Upon graduating in December 2018, he will be joining the leadership rotation program at CIBC where he wishes to pursue roles in Capital Markets.







# QUAAF Strategy

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# QUAAF STRATEGY

## ORGANIZATIONAL STRATEGY

QUAAF’s primary objective is the professional development of all our participants. Our organization feels that this can be best accomplished through a two-part strategy:

CONTINUOUS LEARNING	PRACTICAL EXPERIENCE
<i>Create a Professional Environment of Continuous Learning for our Members</i>	<i>Provide the Practical Experience of running a Funded Portfolio</i>
<b>Learning Initiative:</b> QUAAF has designed an internal teaching program for its members. The Learning Initiative Program provides new members with a detailed introduction into alternative assets.	<b>Analyst Pitches:</b> All QUAAF analysts are given the opportunity to pitch an investment to the Investment Team. This gives analyst the practical experience of providing and pitching a reasoned investment decision.
<b>Industry Professionals:</b> QUAAF brings in industry professionals, as guest speakers, on a monthly basis. These professionals provide significant insight into economic trends, investment strategies, and the alternative asset industry.	<b>Leadership Opportunities:</b> Every term, Executive and Managerial positions become open for application by existing QUAAF members. This provides significant opportunity for members to experience leadership and take on greater responsibility in the fund.
<b>Weekly Meetings:</b> QUAAF members meet on a weekly basis. These meetings give participants an opportunity to discuss portfolio performance and risk, economic conditions, and investment recommendations.	<b>Corporate Structure:</b> QUAAF is designed as a corporation, in order to provide its members with the practical experience of working at an investment fund.

It is our belief that by designing an organization around this approach, we can provide our members with the best opportunity to learn and grow as professionals in the finance and alternative asset industry.

## INVESTMENT STRATEGY

QUAAF is a unique fund offering designed to provide capital appreciation through investment in alternative strategies. The portfolio is composed of both internal and external investment platforms which, when combined, represent the total fund. Each area of investment is designed to work holistically with the other platforms to create an investment process that provides superior risk adjusted returns, with little correlation to the general equity market. The entire process is governed by a top-down approach, which includes contributions from all members of the Investment Team.

### Investment Process

QUAAF utilizes a four-step, top-down analysis when approaching investment decisions. This approach ensures that all investment decisions are made on an informed basis, with input from all members of the Investment Team.

Step	Name	Involved Parties	Detail
1	<i>Macro-Economic Projection</i>	Chief Investment Officer (“CIO”), Director of Portfolio Management (“DoPM”)	In this step, the Chief Investment Officer and Director of Portfolio Management develop a macro-economic projection. This projection will summarize key domestic and foreign economic drivers that may impact the funds QUAAF chooses to invest in.
2	<i>Optimal Portfolio Allocation</i>	CIO, DoPM, Portfolio Managers (“PM”)	In this step, the CIO, DoPM, and PMs determine the optimal allocation of capital among the four QUAAF portfolios. Depending on this projection, portfolio allocations may take a more aggressive or defensive investment position. Projections are made to provide the optimal risk-adjusted return based on projected market conditions.
3	<i>Select Appropriate Investments</i>	PM, Analyst	In this step, the Portfolio Manager recommends investment decisions. These recommendations are based on two factors: <ul style="list-style-type: none"><li>• The allocated portfolio capital that is determined by the Executive team;</li><li>• The projected economic conditions.</li></ul> Analysts provide research on assigned funds in order to allow the PM to make an informed investment decision for the portfolio.
4	<i>Continuous Evaluation</i>	CIO, DoPM, PM, Analyst	In this step, the CIO, DoPM, and PM provide a continuous evaluation of the economic projection and investments that have been made. This continuous evaluation ensures that investment decisions reflect up-to-date economic conditions, particularly if an investment falls into violation of its performance or strategic targets.



# QUAAF STRATEGY

## EXTERNAL PLATFORM

The external platform is QUAAF’s primary investment platform and represents two unique portfolios that invest in externally managed alternative strategies. These strategies utilize the expertise of third-party managers to provide returns at low volatility. By utilizing managers who specialize in multiple styles of alternative strategies, QUAAF can create a platform that provides diversification and the ability to generate returns in multiple market environments. QUAAF also recognizes the importance of capturing portions of market movements where possible and incorporates an economic research team to provide portfolio managers with relevant economic data to manage their positions. The external platform consists of a Neutral and Growth Portfolio, which are allocated funds based on economic conditions to generate the maximum possible risk adjusted return.

Portfolio Type	Information
Neutral	Seeks consistent returns by investing in more conservative strategies. This portfolio exhibits consistent returns regardless of market conditions and has a lower standard deviation than most portfolios. This portfolio generally invests in Equity Market Neutral, Fixed Income Arbitrage and Convertible Arbitrage strategies.
Growth	This portfolio generally invests in opportunistic strategies which exhibit more volatility than other strategies. This category generally outperforms in upward markets and under performs in downward markets. Typical investment strategies include Emerging Markets, Sector Specific, and Equity Hedge.

Allocation limits are placed on each of the investment portfolios in the external platform. Most of the allocation is always kept in the Neutral Portfolio. This portfolio holds between 60-90% of total fund assets. The Growth Portfolio holds approximately 0-30% of total fund assets at any time.

## INTERNAL PLATFORM

The internal platform is run directly by QUAAF’s Investment Team and does not utilize external managers. There are two internally run investment mandates and each is designed with unique functions to complement and complete the QUAAF investment program.

Portfolio Type	Information
Conservative Tactical	This portfolio seeks to provide modestly positive returns when “risky markets” exhibit negative returns. The portfolio will be a source of liquidity for the overall QUAAF fund by investing in exchange traded securities. Generally, this means investing in investment grade bonds with below benchmark duration. This portfolio will be designed as a primary system of cash management for either large cash flows entering the portfolio, to hold cash while the investment team identifies areas for investment, or during allocation shifts.
Special Situations	This portfolio seeks to invest in traditional or alternative assets that the Portfolio Management team believes will generate alpha. The portfolio may hold common shares, preferred shares, fixed income, externally managed derivatives, and ETFs. This portfolio invests in unique investment opportunities derived by the Portfolio Management Team on forward looking basis to maximize alpha. Risk is managed through position size limits, stop losses, and correlation analysis.

These portfolios represent much smaller portions of the assets under management. The Conservative Tactical Portfolio has an approximate target range of 0-30% of total fund assets, and the Special Situations Portfolio represents approximately 0-10% of total assets.

## BENCHMARKS

The QUAAF program is managed to provide superior risk adjusted returns in any market condition and does not prioritize relative comparisons to most constituent-based benchmarks. Although it is not a primary function, QUAAF does use proxies to measure the effectiveness of the platforms. With absolute return being a primary function of investment, QUAAF does set its primary benchmark as an absolute return benchmark. This benchmark is the perceived risk-free rate plus a premium to represent inflation. In addition, two other benchmarks are monitored representing the alternative strategy space and the current domestic market.

Benchmark Type	Index Used
Absolute Return Benchmark	91 Day T-Bill + 3%
Alternative Strategies Benchmark	HFRI FoF Composite Index
General Market Index	S&P/TSX Composite Index





# Portfolio Summary

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# PORTFOLIO

AS OF SEPTEMBER 1<sup>st</sup>, 2018



## PORTFOLIO SUMMARY

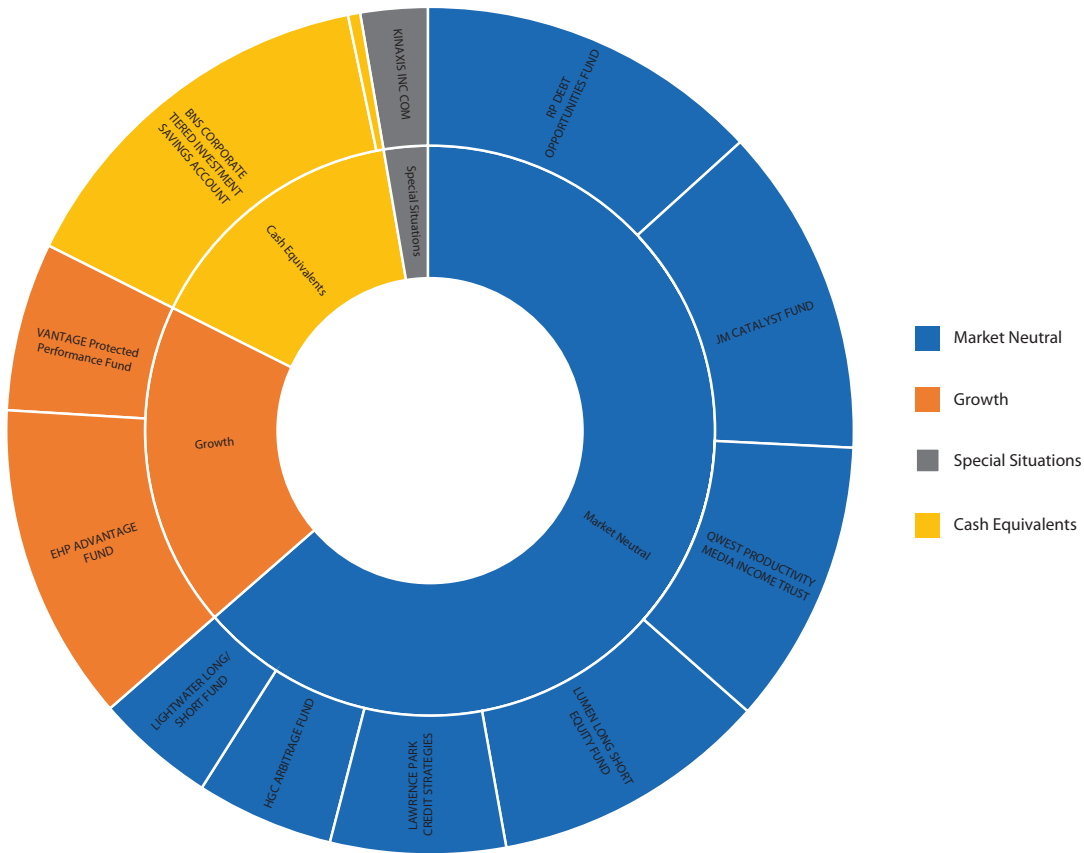
On the investment end, 2018 has been an eventful year for QUAAF, the previous MFIN portfolio team lead by Jeremy Yumul made several overhauls to the portfolio with the addition of market neutral hedge funds and a private credit fund. In the latter half of 2018, we took the view that there are increasing risks in the horizon with the equity markets being fully valued and credit spreads at multi-year lows. As a result, we made the tactical decision to reduce our exposure to traditional long only strategies and single stock equities and increase exposure in select market neutral investments. We divested our holdings in Dean Foods and Kinaxis due to our view that both stocks were fully valued. Subsequent to the divestments, both stocks fell by greater than thirty percent. On the funds end, we continued to seek out diligent managers with strategies which provide true uncorrelated returns with the market. We added two new market neutral investments: Lumen Asset Management which was sourced by the previous team and HGC Merger Arbitrage Fund. Both funds reinforced our strategy and provided additional diversification effects to our portfolio. Against the backdrop of rising rates, geopolitical uncertainties and higher market volatility, our portfolio performed exceptionally well. Notably, QUAAF’s portfolio showed a small gain in the month of October while major equities indices were down greater than 10%. October further validated our initial thesis & strategy of underweighting long only strategies and overweighting in cash and market neutral strategies. I would like to thank the portfolio managers and analysts for their hard work in coming up with new investment ideas and their diligent monitoring of the portfolios.

## Total Portfolio Holdings

Description	TOTAL RETURN				
	Adj. Book Value (CAD)	Market Value (CAD)	Unrealized Gain/Loss	Composition within the Portfolio	Composi- tion within QUAAF
September 1, 2018 Fund Value					
<b>Market Neutral Portfolio</b>					
HGC Arbitrage Fund	\$25,000	\$25,000	0.0%	8.2%	5.2%
Lumen Long/Short Equity Fund	\$50,000	\$50,330	0.7%	16.6%	10.6%
QWEST Productivity Media Income Trust	\$50,000	\$51,809	3.6%	17.0%	10.9%
Lightwater Long/Short Fund	\$25,616	\$22,795	-11.0%	7.5%	4.8%
JM Catalyst Fund	\$49,999	\$60,270	20.5%	19.8%	12.6%
Lawrence Park Credit Strategies	\$31,511	\$31,840	1.0%	10.5%	6.7%
RP Debt Opportunities Fund	\$51,726	\$61,968	19.8%	20.4%	13.0%
Portfolio Total	\$283,852	\$304,012	7.1%	100.0%	63.8%
<b>Growth Portfolio</b>					
Vantage Protected Performance Fund	\$26,963	\$30,650	13.7%	65.0%	6.4%
EHP Advantage Fund	\$50,000	\$56,838	13.7%	35.0%	11.9%
Portfolio Total	\$76,963	\$87,488	13.7%	100.0%	18.4%
<b>Special Situations Portfolio</b>					
KINAXIS INC COM	\$8,250	\$12,821	55.4%	100.0%	2.7%
Portfolio Total	\$8,250	\$12,821	55.4%	100.0%	2.7%
<b>Conservative Tactical - Cash Equivalents</b>					
BNS \$USD Tiered Corporate Investment Savings Account	\$1,136	\$1,125	-1.0%	1.6%	0.2%
BNS Tiered Corporate Investment Sav- ings Account	\$71,295	\$71,296	0.0%	98.4%	15.0%
Portfolio Total	\$72,431	\$72,421	0.0%	100.0%	15.2%

PORTFOLIO

AS OF SEPTEMBER 1<sup>st</sup>, 2018



Monthly returns for last 5 years are as follows:

QUAAF (Dollar Weighted Net of Fees Return)													
	J	F	M	A	M	J	J	A	S	O	N	D	YTD
2018	0.64%	0.51%	-0.55%	-0.09%	0.30%	0.15%	-0.32%	0.19%	0.33%				1.15%
2017	0.02%	-0.34%	0.20%	-0.01%	-0.51%	0.03%	-0.24%	-0.79%	0.81%	-0.26%	1.08%	-0.06%	-0.05%
2016	-1.31%	0.59%	0.63%	0.42%	0.50%	-0.37%	1.23%	0.35%	0.68%	-0.01%	1.57%	0.91%	5.19%
2015	-0.23%	-0.05%	1.03%	-0.08%	0.16%	0.56%	-1.26%	-0.76%	-0.41%	-0.61%	0.37%	0.42%	-0.86%
2014	0.19%	0.55%	0.38%	0.13%	-0.07%	0.42%	0.99%	0.20%	-0.77%	-0.45%	0.31%	0.94%	2.82%

■ Positive Return
■ Negative Return
■ No Change





## 2018-2019 Annual Report

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