



2Q21 REPORT SUMMARY

- During the second quarter of 2021, the Memnon ARP Strategy returned 2.9% gross of fees.
- **Equities** contributed positively (0.9%) helped by strong performance in Europe and the US while Japan underperformed. **Commodities** was the best performing asset class, contributing 1.2% to the performance further helped in April and May by strong demand, and inflation statistics surpassing expectations fuelling the search for real assets. **Credit** and **Satellite strategies** contributed 0.3%. Bonds' contribution was flat as yields stabilised in Q2 after their dramatic increase over the first quarter.
- The reflation rotation suddenly halted in June after Powell's intervention and the unexpected interest rate hikes to be triggered in 2022. The resurgence of Covid cases in Europe gives another argument to inflation sceptics. The **goldilocks period of low rates and massive liquidity support can therefore prevail for now**: we aim at continuing to capitalise on the equity performance while preparing the portfolio for difficult times that may escape the control of central banks.
- Our indicators for Q3 are rather **contrasted for Equities**. On the positive side, the bullish trend and the continuing government stimulus plans should continue to fuel investors' appetite for equities, or to take a more realistic view, the fear of missing out (FOMO). On the other hand, that surprise indicators keep on declining show that uncertainty regarding the state of the economy is high. Also, the rise of production prices remains at a high level and a threat to companies' margins. In short, as the VIX reached 14, complacency is high at a time when fundamentals remain weak. Low bond yields offer no cushion and reinforce markets' global fragility. To address that, ARP has been building **alternative protective strategies** (long VIX), should volatility return. As for **commodities**, our indicators remain constructive: the combination of massive liquidity injections, rising commodity prices, the reopening of economies and limited production capacity is very supportive for the asset class.

- We continue to view **inflation** as salient rather than transient and aim at strengthening ARP's inflation proof features, combining a long exposure on commodities and active strategies, and turning ARP into investors' most reliable companion in the upcoming inflationary environment.

The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher. Periods over one-year are annualized.

The commentary is not intended as a guarantee of profitable outcomes. Any forward-looking statements are based on certain expectations and assumptions that are susceptible to changes in circumstances

PERFORMANCE

PERFORMANCE (INCEPTION – SEP 2013)

	2Q21	YTD	1Y	3Y pa	5Y pa	Inception pa
Memnon ARP (gross)	2.9	3.5	11.5	4.1	3.7	4.3

STATISTICS (SINCE INCEPTION – FEB 2011)

	Portfolio
Annual Return (%p.a.)	4.3
Volatility (%p.a.)	5.8

ASSETS

	M EUR	M USD
Memnon ARP	21	24
Firm	2,099	2,489

SNAPSHOT

EXPOSURES (CORE)

Asset Class	Region	Exposure
Govt Bonds	N.America	35%
	Europe	33%
	Japan	11%
Equity	N.America	13%
	Europe	14%
	Japan	9%
	Emerging	11%
Commodities	Diversified	19%
Credit	High Yield	6%
	Emerg. Debt	3%
Total		156%

MEMNON ARP

Investment Objective

- We think the Memnon ARP strategy can generate **regular positive returns** for investors by taking directional Long or Short exposures on global markets. While the research output is **fully systematic** and based on a proprietary risk budgeting approach, the final portfolio construction is **controlled** by our macro investment team.

Process

- **Core Directional:** The investments process relies on a systematic analysis of hundreds of complementary variables that translates into capital allocation to the most promising asset classes (Govts bonds, Equities, Commodities, Credit) in each region of the world. Zadig relies on our macro team that is at the forefront of innovation in portfolio construction and asset allocation research. Combining risk budgeting with trend following and macro data mining, the investment process relies on multiple sources of performance.
- **Satellite:** To enhance performance and possibly generate returns in all market conditions, notably in markets with no clear trend, **market neutral strategies** in Equities, Bonds and FX complete the Core strategy. **Short biased** strategies are implemented to address liquidity driven flash crashes driven by high leverage on financial markets.

Why invest in Memnon ARP

- **Participation to macro trends.** Interventionism and stimulus plans are building a track for markets to continue their expansion. At the same time, vulnerability and fragility is looming (record leverage, uncertain fundamentals), hence the necessity to be agile and flexible rather than remain long and hope for diversification to protect against periods of prolonged asset class decline.
- **Hedge for inflation.** Historically equities are not inflation proof. Companies need to cope with rising production prices and preserve their margins. Through its capacity to short the bond market, the Equity market and go long commodities, Memnon ARP is fully equipped and prepared to deal with an inflationary environment.



Sebastien Maillard
Head of Macro Strategies
20 years of experience

HOPE FOR THE BEST, PREPARE FOR THE WORST

Economies are reopening and governments continue to support consumers leading to massive extra-savings (12% of GDP in the US). This translates into very high consumption while supply is limited, and stocks are low.

Memnon ARP is well equipped to address the upcoming inflationary environment: exposure to commodities and active trend following strategies have proved to be - at least historically - the best performing strategies when inflation hits other assets.

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