

ACTIVITY INSIGHTS - HEDGE FUNDS

STRONG ACTIVITY OF OUR HF BUSINESS IN 2022

The second quarter have been very busy for us with four hedge fund conferences attended between May and June: Morgan Stanley European Hedge Fund Forum (Barcelona), Goldman Sachs European Hedge Fund Symposium (Rome), Barclays Emerging Manager Conference (NYC) and Jefferies Capital Intelligence Healthcare Forum (NYC). The overall sentiment for hedge funds has improved materially as managers could eventually show the value of uncorrelated returns when equity and bond markets have gone into a coordinated freefall since the beginning of the year. There is nonetheless meaningful dispersion among strategies as global macro and CTAs outperform thanks to their long commodities/short fixed income bets while long/short equity managers have had a hard time due to their embedded beta. Such dispersion always reminds us that our role as hedge fund specialists is to make sure we provide our investors with the most rewarding strategy allocation and best-in-class manager selection at any point in time.

If you haven't watched Stanley Druckenmiller's interview at the 2022 Sohn Conference, we encourage you to do so (link here: <https://www.youtube.com/watch?v=-7sWLlybWnQ>). One can only admire and respect Stanley's extensive experience and spectacular track record as an investor since 1976, notably managing Soros' Quantum Fund and his own family office Duquesne Capital, which makes his advices extremely valuable, especially given the current market turbulence.

We believe that Mr. Druckenmiller's inputs regarding investment and risk management processes are extremely insightful, and we particularly want to pick up the following items from his interview:

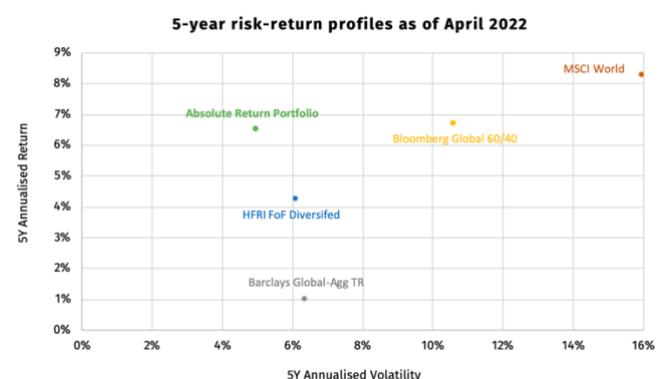
- 1) Traders shall make the most of short-term opportunities but investing is a marathon where survival is essential
- 2) One shouldn't be too complacent about any trade, risk management discipline is core to any investment strategy
- 3) Investing is about being forward-looking, not backward-looking momentum chasing
- 4) Be flexible and open-minded about all scenarios, every outcome is possible
- 5) Extensive experience going through several market environments is key to success

As we are building our portfolios of hedge fund managers, we strive to select managers who share this mindset although any comparison to a legendary investor such as Mr. Druckenmiller would be irrelevant. Being active managers ourselves, we want to make sure we keep full awareness of the current market dynamics and try to anticipate future asset price drivers while understanding the impact of any new developments/events.

We have frequently discussed how we have been adjusting our portfolios over the past 18 months to adapt our positioning to the several changes derived from the COVID-19 disruptions (excessively loose monetary policies, commodity supply shocks, supply-chain bottlenecks, sky-high equity valuations in some industries, retail-driven flows ...etc.), nevertheless this process has been unaltered since the foundation of ITERAM Capital. Our duty to investors is:

- 1) to protect capital against market downturns
- 2) to capture market opportunities we identify from our top-down market views.

Constant reviews of our investment theses and close monitoring of the underlying managers are core to our approach to deliver optimal risk-adjusted returns. One of the key success factors in this business is getting the appropriate asymmetry: nobody can be 100% right over the medium term but we have to make sure that our winners make more than our losing investments, in addition to maintaining a favorable hit ratio (above 60%).



Source : ITERAM, Bloomberg

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