



Morgan Stanley

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MS Lynx UCITS Fund

August 2017

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Executive Summary

MS Lynx UCITS Fund

- **Investment Objective:** Provides exposure to Lynx's Programme, a diversified, medium-term managed futures programme. Lynx's main approach is systematic trend following, applied to a broadly diversified portfolio of markets. Further diversification is achieved by using trend systems over multiple time frames and contrarian and intermarket models help achieve better risk-adjusted returns and enhance performance in a non-trending market environment
- **Delivery Format:** UCITS, Irish-domiciled OEIC Fund with daily liquidity

FundLogic SAS Investment Manager

- **Overview**
 - Background: Asset management company owned by Morgan Stanley, managing funds for both institutional and retail clients, and part of the firm's Multi-Asset Platform which oversees \$12.3 Bn as of 31-July-17
 - FundLogic SAS is based in Paris and is registered with and regulated by the Autorité des Marchés Financiers (AMF)
 - **Assets Under Management:** over \$4.3 Bn of AUM as of 31-July-17

Morgan Stanley

- **Structure and Purpose:** FundLogic Alternatives plc, set up by Morgan Stanley, enables investors to access investment strategies offered by Alternative Managers in a UCITS-compliant format
- **Morgan Stanley's Role**
 - Promoter of the OEIC
 - Risk Manager to the OEIC
 - Distributor to the OEIC

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Lynx's Edge

Experienced Team and Solid Infrastructure

- Both portfolio management team and investment process established in 1996
- Solid infrastructure setup through part of Brummer & Partners, the leading Hedge Fund Group in Scandinavia

Proven Track Record and Stable AUM

- The Lynx Fund launched on 01-May-00
- Aum: USD 5.4 Bn (as at 31-July-17)
- Excellent track record compared to peer group

Downside Protection

- Variable risk level protects downside. The maximum drawdown in relation to volatility has been lower than for most peers
- Non-trend-following models add diversification and enhance performance in a non-trending market environment

Portfolio Diversification Benefits

- Negative correlation to stocks and other hedge fund strategies. Lynx has historically performed best in stressed market environments e.g. during the burst of the IT-bubble or the global financial crisis

Highly Transparent and Competitive Fee Structure

- Competitive fee structure
- High level of portfolio and strategy transparency

Lynx's Edge

Overview

Strategy

- Lynx's main approach is systematic trend following using multiple approaches and applied over different time frames.
- In order to enhance performance in a non-trending market environment, part of the risk is allocated to diversifying models that exploit other market phenomena than price momentum e.g. mean reversion, relative value, pattern recognition.
- In aggregate, these models are used to make quantitative analyses of price fluctuations on the market. They are designed to identify market situations in which there is an enhanced probability that future price changes will be in a certain direction.
- By using different models in conjunction with each other on each market, the programme can generate a more stable risk-adjusted return than a pure trend-following strategy.

History

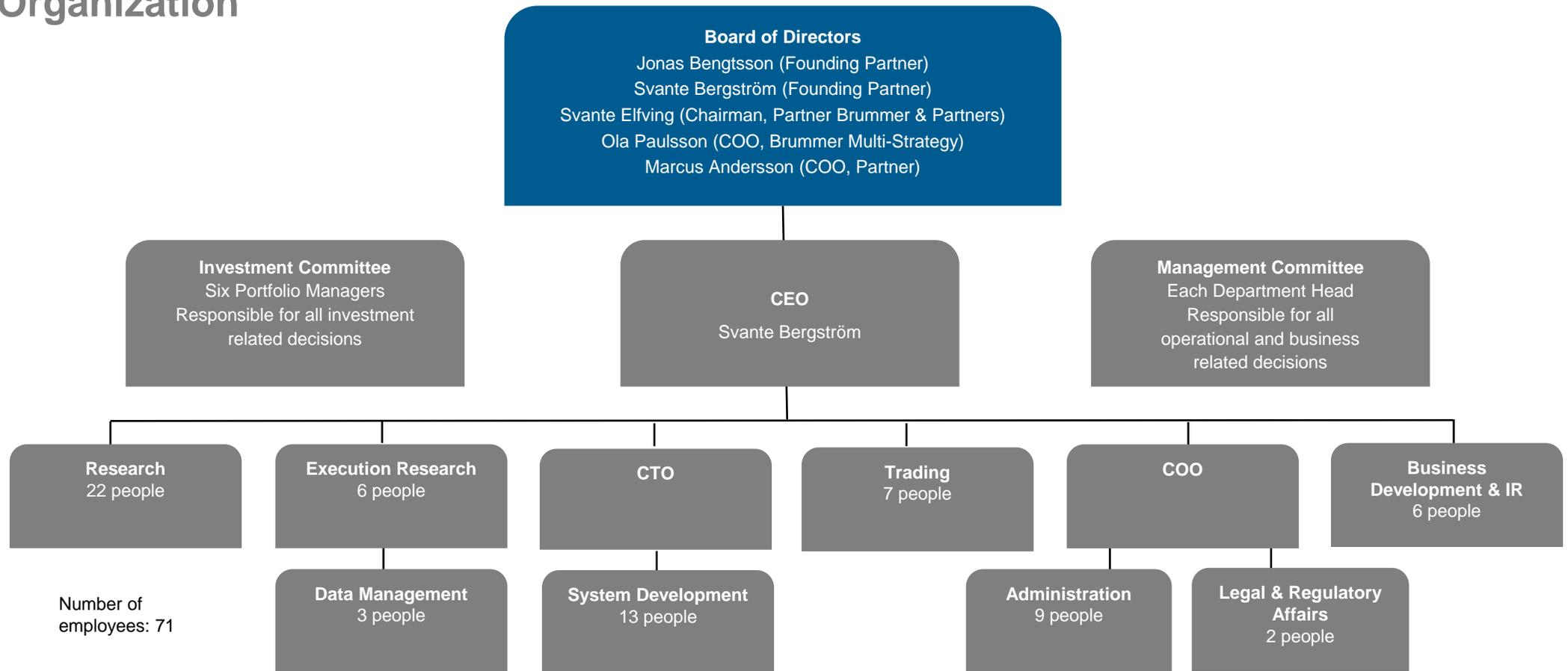
- Lynx Asset Management was founded in 1999 and the Lynx Fund started in May-00

Team

- The Lynx Programme is managed by Jonas Bengtsson, Svante Bergström, Daniel Chapuis, Anders Holst, Henrik Johansson and Jesper Sandin

Lynx's Edge

Organization



B & P Fund Services
A wholly owned subsidiary of Brummer & Partners AB
 140 people
 Provides a customized operational infrastructure for fund management companies within the Brummer Group. Services to Lynx include independent risk control, compliance, HR, IT infrastructure/support and finance.

Investment Process and Risk Management

Overview

Investment Process

- The implementation of the programme is fully systematic. The proprietary models generate buy and sell signals that are executed directly in the electronic markets using internally developed algorithms. The trading desk is staffed 24 hours a day, making sure that all the systems are functioning properly and that signals are valid and executed correctly
- The quantitative and systematic approach enables Lynx to make extensive analyses of market relationships, and have an opinion on the direction of a large number of different markets. It also ensures a consistent approach, typically without any bias of being long or short in the markets. Given that the strategy trades only liquid instruments, the approach can adapt and change exposures when market sentiment changes. CTAs in general and Lynx in particular have historically performed well in volatile markets and during equity market crises, periods where risky assets and other hedge fund strategies have struggled
- Lynx holds the view that the way markets function will change over time. Consequently, it is important to carry out continuous research to improve the models used in the asset management process. Lynx has a large team of researchers, whose task it is to develop new strategies and models to be used in the programme

Risk Management

- Risk management is an integrated feature in the investment process and Lynx focuses on diversification and portfolio construction
- The programme is applied across a diversified portfolio of liquid futures and currency markets in four sectors; equity indices, fixed income, currencies and commodities
- Position sizes are determined based on liquidity and correlations with other markets
- The models operate independently and the portfolio is built “bottom-up” based on the signals from each model. Minimization of each investment’s loss is integrated in the design of the models e.g. by using automated stop-loss mechanisms
- As a result the risk utilization in the programme changes dynamically over time, limiting drawdowns
- Value-at-Risk is used to limit position concentration and risk levels
- Three parallel VaR-models are monitored in real-time by the trading desk and there are limits on instrument, asset class and total portfolio level

Investment Process and Risk Management

Structure Diagram

Investment Philosophy

- Trend-following strategies offer attractive returns over time
- Diversification in using different types of models reduces portfolio risk
- Programme applied on the most liquid global futures and forwards markets
- Varying risk level protects downside
- Portfolio construction and experience is crucial
- 100% systematic investment process including trading and risk management

Investment Process

- Investment Committee sets risk budgets per market/model biannually
- Day-to-day position taking is 100% systematic, bottom-up driven
- Execution by proprietary algorithms, monitored 24 hours by trading desk

Risk Management

- Stop-loss mechanisms on individual model level
- Focus on diversification and portfolio construction
- Three parallel VaR-models with limits on instrument, asset class and portfolio level
- Independent monitoring of risk limits by B & P Fund Services

Research Process



Lynx – a Diversified CTA

	Trend models	Diversifying models
Short-term	11%	5%
Medium-term	35%	15%
Long-term	28%	7%
Total	77%	23%

- Trend-following using multiple approaches and applied over different time frames
- Diversifying models exploiting other phenomena than pure momentum e.g. mean reversion, relative value, pattern recognition. Diversifying models generally have low to negative correlation with trend models.

Source Lynx Asset Management

Correlation Matrix

Realised Gross Return Figures: January 2008 – July 2017

		Trend			Diversifying		
		Short	Medium	Long	Short	Medium	Long
Trend	Short	1.00					
	Medium	0.52	1.00				
	Long	0.23	0.44	1.00			
Diversifying	Short	-0.09	-0.02	-0.14	1.00		
	Medium	-0.25	0.06	0.20	-0.08	1.00	
	Long	0.07	0.25	0.28	-0.02	0.16	1.00

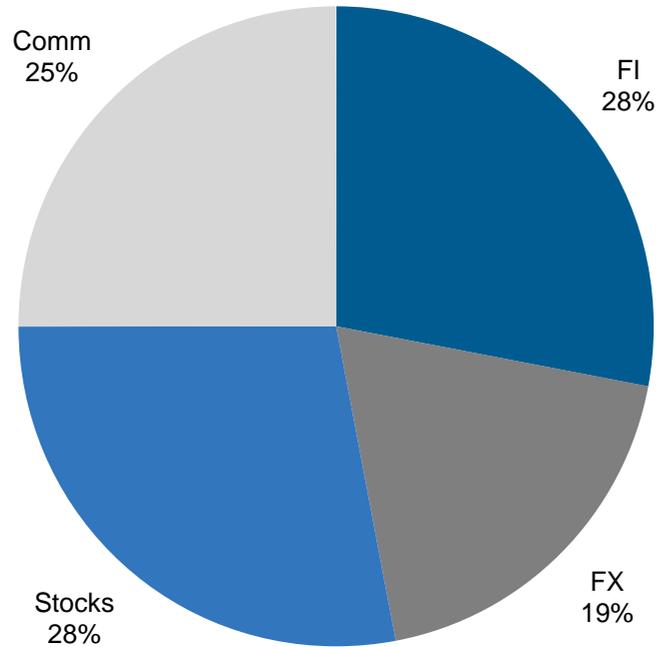
- The correlation of the broader model groups Trend and Diversifying is 0.05
- By combining models with low correlation to trend-following Lynx can improve the risk-adjusted returns and limit drawdowns when markets are not trending.

Source Lynx Asset Management

Sector Allocation

Strategic Target Allocation ⁽¹⁾

Decided by the Investment Committee

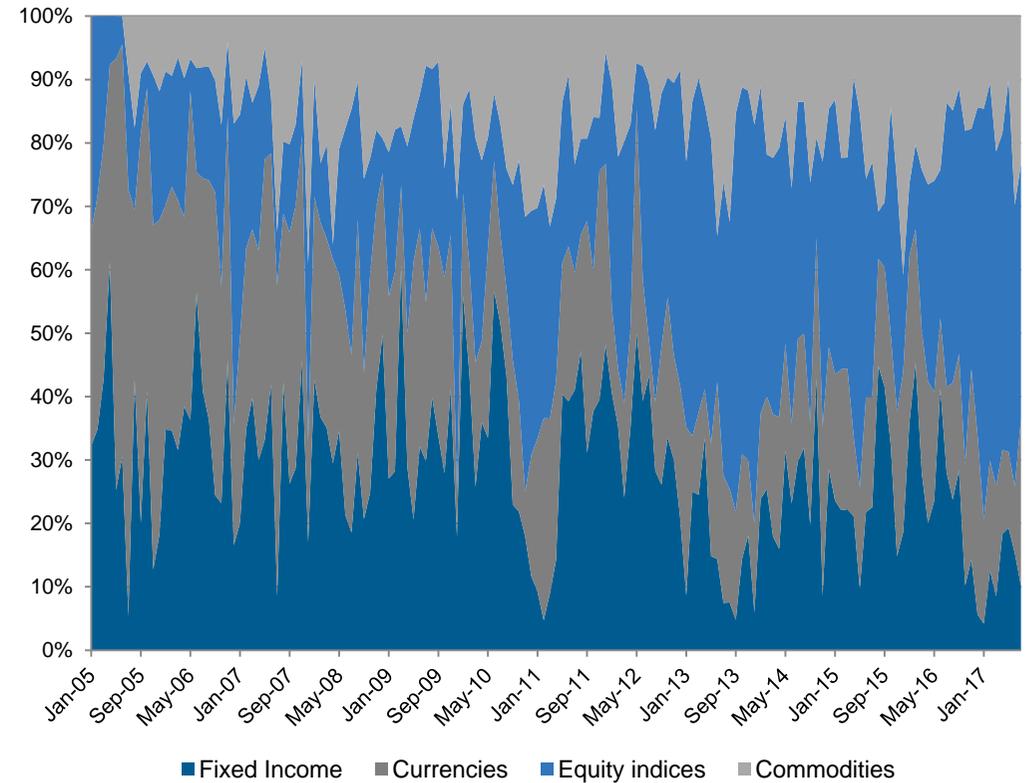


Source Lynx Asset Management

1. As of 31-July-2017

Tactical Allocation

Model Driven

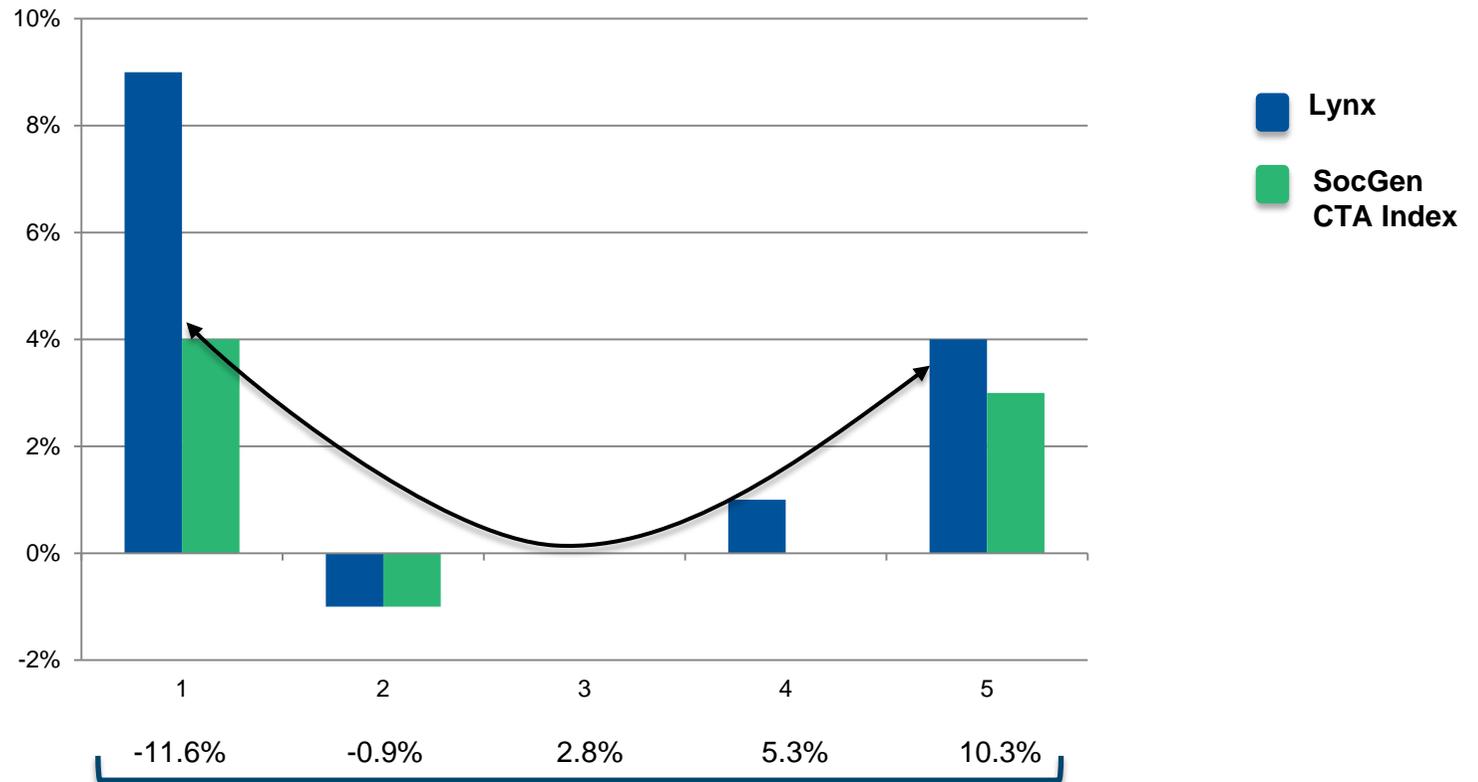


Source Lynx Asset Management

Trend-followers Return Profile

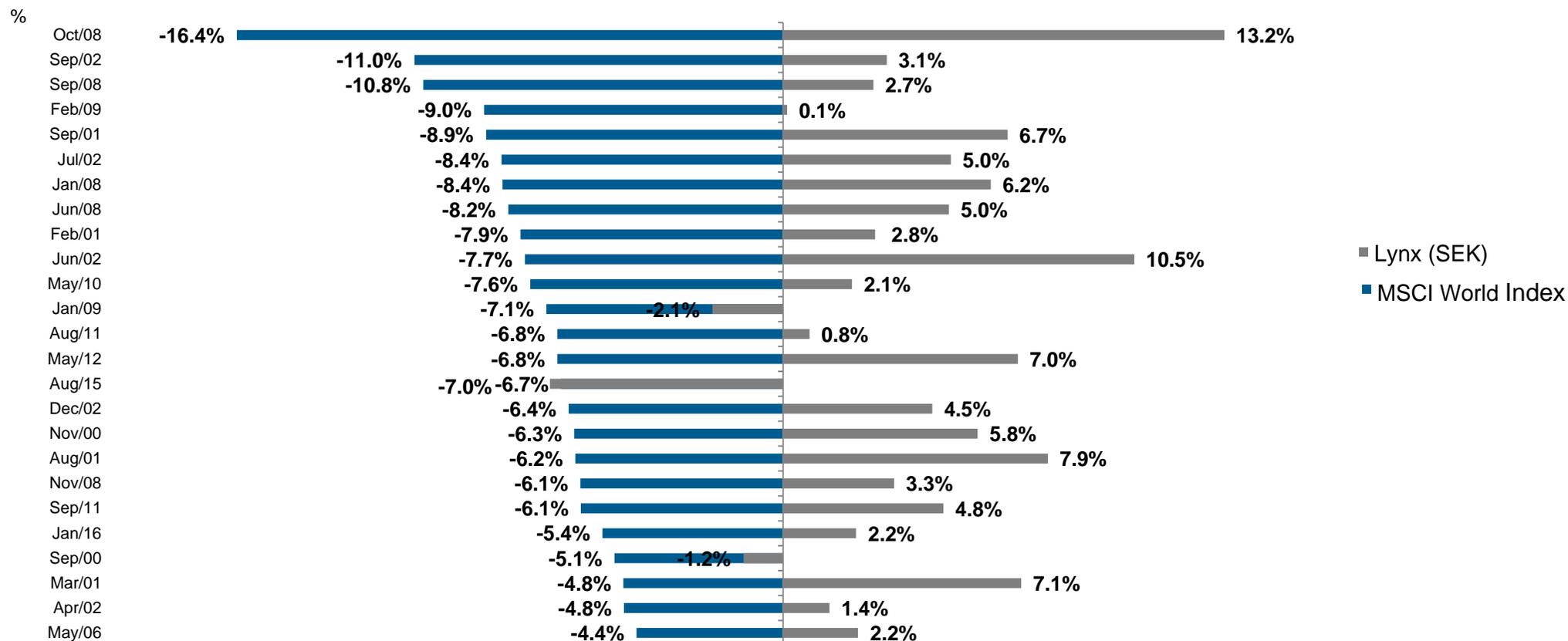
- CTAs are correlated with long volatility strategies
- CTA strategies are adaptable, liquid, systematic and void of long equity bias making them less susceptible to the trap which almost all investors fall into during an equity crisis

Quintiles 1 to 5 represents the average return for MSCI World Index from lowest (1) to highest (5). Bars represent corresponding average quarterly returns for Lynx and SocGen CTA Index for the period May 2000 to June 2017.



Diversifier in a Traditional Portfolio

Lynx ⁽¹⁾ vs. MSCI World's ⁽²⁾ 25 Worst Months from May 2000 – July 2017



Lynx is primarily investing in trends and do not have a bias for bull or bear markets. However, in periods of market distress trends tend to become stronger and more extended which has led to good performance for Lynx

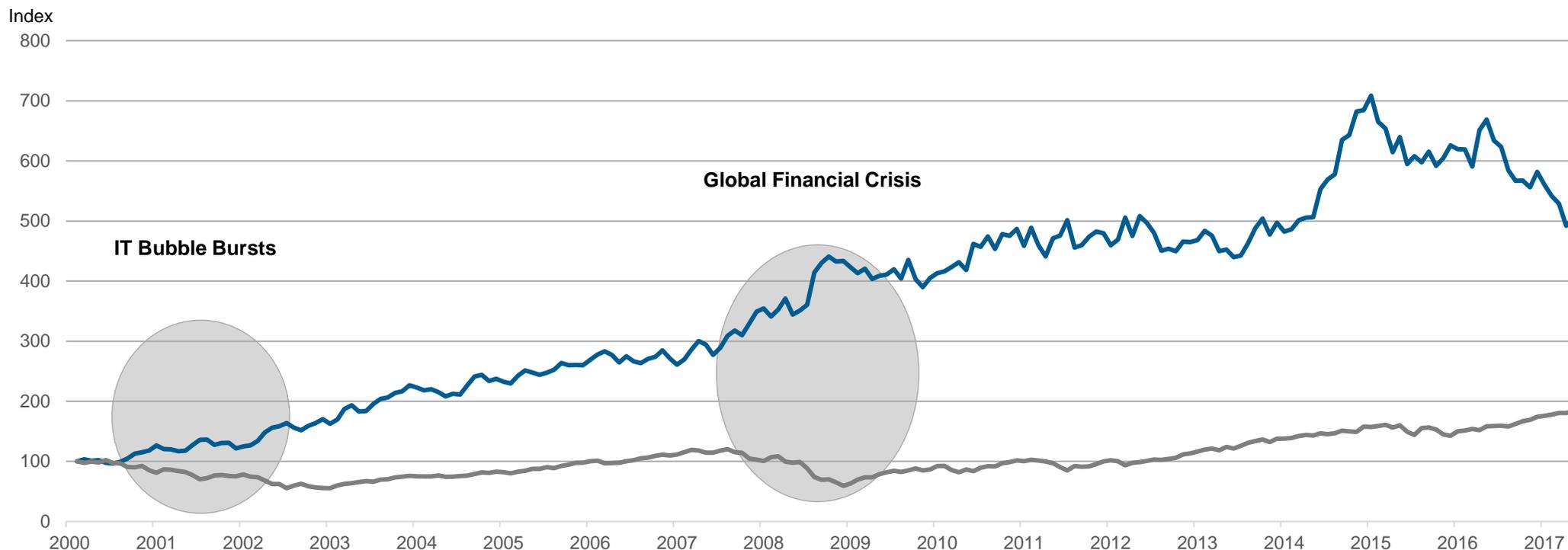
Source Lynx Asset Management (Lynx data) and Reuters (MSCI World data)

1. For the period 1-May-00 up until 31-May-04 pro forma numbers have been derived from the SEK-based Swedish Lynx Fund

2. MSCI World Net Dividend Total Return index

Historical Returns

Historical Returns



Lynx (SEK) ⁽¹⁾

12.8% 15.8% 21.8% 34.6% 14.0% 6.7% 5.3% 13.2% 42.2% (8.5%) 18.5% (0.9%) (5.1%) 12.1% 27.6% (8.0%) (4.2)% (11.21)%

MSCI World Index ⁽²⁾

(9.9%) (14.2%) (24.1%) 24.9% 11.3% 15.8% 15.6% 4.7% (38.7%) 25.7% 10.0% (5.5%) 15.7% 28.9% 9.8% 2.1% 9.0% 9.8%

1. Based on the track record of the Swedish Lynx Fund (SEK). Figures are net returns from inception 1-May-00 until 31-July-17

2. MSCI World Net Dividend Total Return index

Model Portfolio and Risk Budget

Typical Portfolio Metrics

Strategy	Global managed futures (CTA) Approach, Systematic, directional
Instruments	Fixed income, FX, stocks and commodities futures and FX Forwards
Targets	Volatility: 18% p.a. before fees
Net Return	High risk-adjusted return
Correlation	Low or negative with stock markets
Average VaR (1-day, 95% Confidence)	1.9%
Average Margin to Equity	15%
Number of Markets	Approx. 80

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FundLogic Alternatives plc and Morgan Stanley

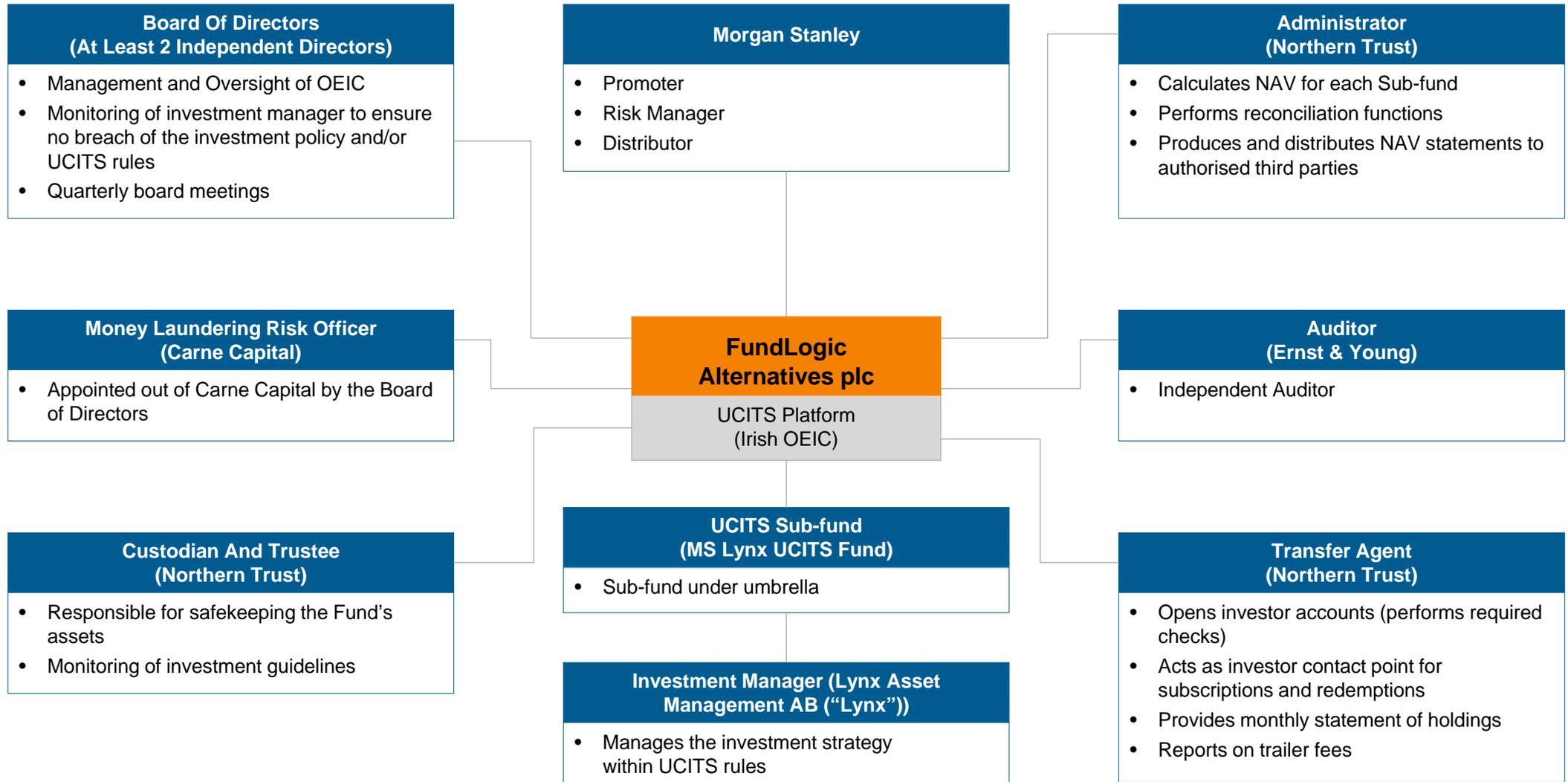
Role of FundLogic Alternatives plc

- Robust regulatory framework of UCITS, both from an infrastructure and investment perspective
- Access to investment strategies offered by Alternative Managers in a UCITS-compliant format
- Robust operating framework supported by well-established fund service providers
- Morgan Stanley oversight through roles of Promoter and Risk Manager to the UCITS OEIC

Role of Morgan Stanley

- **Promoter to the OEIC**
 - Liaising with the Irish regulator (Central Bank of Ireland) on behalf of the OEIC in relation to the ongoing authorisation of the OEIC and its Sub-funds, including compliance reporting
 - Liaising with the OEIC's service providers on behalf of the OEIC
 - Marketing and sales of the OEIC on a cross-border basis
- **Risk Manager to the OEIC**
 - Daily post-trade monitoring of the Sub Fund portfolio to detect any breaches of UCITS regulations
 - Periodic trade monitoring/reconciliation to detect discrepancies with administrator NAV data
 - Periodic review of Lynx Asset Management AB, the investment strategy, and the portfolio performance with a view to keeping the board of the OEIC informed

Overview of FundLogic Alternatives plc

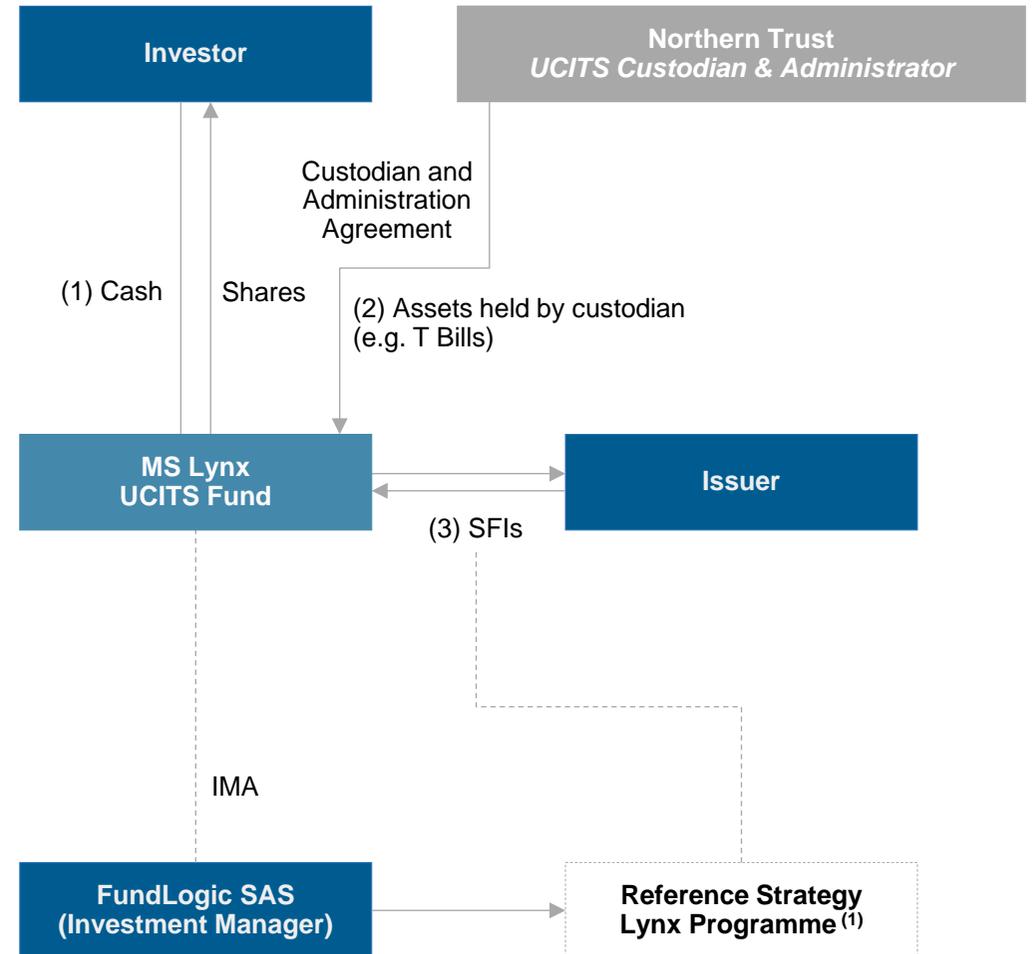


MS Lynx UCITS Fund Structure

How Does the UCITS Sub-fund Deliver Its Objective?

- 1) **Investor** buys shares in **Sub-fund** for cash
- 2) **Sub-fund** invests in **UCITS eligible cash deposits** and **near cash instruments** (e.g. Treasury Bills)
- 3) **Sub-fund** gains exposure to the Lynx Programme (“Reference Strategy”) by investing in **Structured Financial Instruments** (“SFIs”), issued by various issuers

- Sub-fund only exposed to the Reference Strategy via SFIs issued by various issuers (each an SPV)
- Sub-fund’s issuer exposure to each SPV is max 10% of NAV monitored daily ⁽²⁾
- Sub-fund produces daily NAV with daily liquidity



1. At the Cayman Fund level fees of 0.70/20 are charged in order to remunerate the Commodity Trading Advisor

2. For the propose of clarification, even though the issuer exposure to each SPV is capped at 10% (ie 20% in total as 2 SPVs are used) , the Sub-fund may potentially lose its entire net assets in line with the performance of the Reference Strategy

Comparison of the Principal Differences Between the Lynx Programme and the MS Lynx UCITS Fund

While the UCITS Sub-fund aims to provide an exposure to a strategy similar to Lynx Programme (“Reference Strategy”) there can be differences between the performances of the UCITS Sub-fund and the Reference Strategy due to following reasons

- The Investment Manager may not re-adjust the exposure to Structured Financial Instruments (“SFIs”) on a daily basis. This can result in the UCITS Sub-fund being either over-exposed or under-exposed to the Reference Strategy
- The Investment Manager will rebalance the investment of UCITS in SFIs based on the Reference Strategy performance until the last business day before the next scheduled rebalancing date – this may result in the UCITS Sub-fund being either over-exposed or under-exposed to the Reference Strategy. For instance, if rebalancing is done on a weekly basis (Friday), performance is to be included up until close of business on the preceding Thursday
- The level of management fees charged by the UCITS Sub-fund is higher than the management fees charged by the Lynx Programme. This may lead to under-performance of the UCITS Sub-fund against the Lynx Programme

1. Please see slide 20 for a full structure diagram explaining how the Sub-fund gains exposure to the Reference Strategy

Sub-fund Details

Sub-fund	MS Lynx UCITS Fund					
Investment Manager	FundLogic SAS					
Investment Strategy	Provides exposure to a diversified, medium-term managed futures programme					
Legal Structure	UCITS OEIC					
Domicile	Ireland					
Passporting	UK, Italy, Germany, Spain, France, Switzerland, Sweden, Finland, Belgium, Luxembourg, Austria					
Dealing Day	Daily					
Dealing Deadline	12 midday Irish time 3 Business Days prior to the relevant Dealing Day					
Launch Date	06-Jun-2014					
Currency Denomination	USD/EUR/GBP/CHF					
Share Classes	Accumulation					
Issue Price	\$ 1,000 / EUR 1,000 / £ 1,000 / CHF 1,000					
Fees	Management Fee	Total Expense Ratio (TER)⁽¹⁾	Minimum Initial Subscription	Initial Charge	ISINs	BBG Tickers
Class B (Institutional Up to \$100 MM or as per the supplement)	0.30%	0.70% p.a.	\$ 1,000,000 € 1,000,000 £ 1,000,000 CHF 1,000,000	0%	IE00BJT3GL52 IE00BJT3GM69 IE00BJT3GN76 IE00BJT3GP90	FMSLXBU ID FMSLXBE ID FMSLXBG ID FMSLXBC ID
Class I (Institutional)	0.50%	0.90% p.a.	\$ 1,000,000 € 1,000,000 £ 1,000,000 CHF 1,000,000	0%	IE00BJT3GG00 IE00BJT3GH17 IE00BJT3GJ31 IE00BJT3GK46	FMSLXIU ID FMSLXIE ID FMSLXIG ID FMSLXIC ID
Class P (Institutional)	0.50%	0.90% p.a.	\$ 250,000 € 250,000 £ 250,000 CHF 250,000	Up to 3%	IE00BJT3GB54 IE00BJT3GC61 IE00BJT3GD78 IE00BJT3GF92	FMSLXPU ID FMSLXPE ID FMSLXPG ID FMSLXPC ID
Class A (Retail)	1.00%	1.40% p.a.	\$ 50,000 € 50,000 £ 50,000 CHF 50,000	0%	IE00BYX93P76 IE00BYX93Q83 IE00BYX93R90 IE00BYX93S08	TBC TBC TBC TBC

1. At the Cayman Fund level fees of 0.70/20 are charged in order to remunerate the Commodity Trading Advisor. This is distinct from and is not included in the management fee mentioned above

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Performance and Risk Statistics of the Lynx Programme

Return (After Management and Performance Fees)	Lynx (SEK) ⁽¹⁾	MSCI World Index ⁽²⁾	JP Morgan Global Gov't Bond Index
July 2017, %	2.37	1.43	0.12
Year to date, %	(11.21)	9.80	0.64
Last 12 months, %	(24.69)	15.75	(3.17)
Average annual return (since 1-May-00), %	9.82	3.57	4.18

Risk Ratios and Other Key Figures			
Standard deviation, %	14.69	13.91	3.09
Downside risk, %	8.93	10.42	1.87
Sharpe ratio	0.54	0.13	0.76
Correlation with Lynx	-	-0.21	0.42

Source Lynx Asset Management (Lynx data) and Reuters (MSCI World & JP Morgan Global Government Bond Index data)

1. Based on the track record of the Swedish Lynx Fund (SEK). Figures are net returns from inception 01-May-2000 until 31-July-17

2. MSCI World Net Dividend Total Return Index

Performance and Risk Statistics of the Lynx Programme

In %

Year	Full Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	12.77					3.35	(2.25)	0.88	(4.29)	(1.34)	3.09	5.69	7.54
2001	15.77	2.06	2.69	7.09	(4.66)	(0.49)	(2.68)	0.77	8.02	6.81	0.25	(6.35)	2.36
2002	21.81	0.40	(7.30)	2.70	1.60	5.65	10.75	5.27	1.48	3.35	(4.56)	(2.85)	4.73
2003	34.55	2.99	3.99	(4.52)	4.18	10.51	3.25	(5.32)	0.41	6.45	4.29	1.14	3.69
2004	13.98	1.19	4.69	(1.69)	(2.05)	0.83	(2.20)	(3.35)	2.12	(0.60)	7.32	6.45	1.09
2005	6.59	(4.18)	1.61	(2.10)	(1.20)	5.60	3.58	(1.35)	(1.60)	1.53	1.96	4.48	(1.44)
2006	5.34	0.16	(0.13)	3.44	3.24	1.92	(2.07)	(4.60)	3.97	(3.15)	(1.04)	2.71	1.19
2007	13.22	3.97	(4.69)	(3.89)	3.38	6.09	4.96	(1.97)	(5.81)	4.35	6.82	2.83	(2.43)
2008	42.23	6.19	6.02	1.57	(3.83)	3.45	5.16	(7.20)	2.01	2.71	14.90	3.86	2.48
2009	(8.52)	(1.90)	0.23	(2.40)	(2.36)	1.82	(4.06)	1.31	0.51	2.14	(3.72)	7.71	(7.34)
2010	18.54	(3.35)	3.94	1.97	0.71	1.76	1.89	(3.04)	10.38	(1.04)	3.78	(4.39)	5.45
2011	(0.89)	(0.60)	2.39	(5.76)	6.56	(5.90)	(4.10)	6.83	0.95	5.41	(9.12)	0.91	3.06
2012	(5.14)	1.78	(0.57)	(4.16)	2.01	7.84	(6.05)	6.97	(2.24)	(3.36)	(6.19)	0.79	(0.97)
2013	12.12	3.60	(0.19)	(0.73)	3.30	(1.69)	(5.39)	0.56	(2.70)	0.60	4.71	5.32	3.30
2014	27.58	(5.29)	4.14	(3.00)	0.80	3.09	0.88	0.15	9.17	2.93	1.55	9.89	1.29
2015	(7.98)	6.11	0.32	3.53	(6.18)	(1.64)	(6.06)	4.11	(7.00)	2.20	(1.68)	2.98	(3.85)
2016	(4.16)	2.16	3.49	(0.99)	(0.08)	(4.59)	10.23	2.73	(5.21)	(1.64)	(6.29)	(2.97)	0.05
2017	(1.24)	(1.96)	4.61	(3.71)	(3.32)	(2.37)	(6.94)	2.37					

Source Lynx Asset Management. Based on the track record of the Swedish Lynx Fund (SEK). Figures are net returns from inception 01-May-00 until 31-July-2017.

Biographies of Lynx Professionals

The Lynx Programme is managed by Jonas Bengtsson, Svante Bergström, Anders Holst, Jesper Sandin and Daniel Chapuis. Between 1996 and 1998, Bengtsson and Bergström, together with retired founding partner Martin Sandquist, made up the Proprietary Trading unit within Nordbanken Trading. Bengtsson, Bergström and Sandquist founded Lynx Asset Management AB in 1999 and the Lynx Fund started in May-00.

Jonas Bengtsson

Jonas Bengtsson holds a Licentiate degree in Engineering Physics from the Lund Institute of Technology. In 1993, Jonas Bengtsson joined Gota Bank (later merged with Nordbanken) as a quantitative analyst. From 1994 he was employed by the Strategic Trading unit at Nordbanken with responsibility for quantitative research. As of 1996 he was employed by the Proprietary Trading unit. Bengtsson is a founding partner and has been portfolio manager of Lynx since the fund's inception.

Svante Bergström

Svante Bergström is a BSc. Econ and Business Admin graduate from the Stockholm School of Economics. Between 1984 and 1991, Svante Bergström worked for Hagströmer & Qviberg Fondkommission, both as a stock broker and later as head of the firm's bond trading department. In 1993, he joined Nordbanken as a quantitative analyst and a bond trader within the Strategic Trading unit. In 1996, Mr Bergström set up Nordbanken's Proprietary Trading unit, where the investment methodology for Lynx was originally formulated. Bergström is a founding partner and has been portfolio manager of Lynx since the fund's inception.

Ander Holst

Anders Holst holds an MSc degree in Engineering Physics and Financial Mathematics from the Royal Institute of Technology in Stockholm and an MSc degree in Business Administration and Economics from Stockholm University. Holst has worked within the financial markets both during and after his studies and has previously been involved in both marketplace administration/development and trading. Holst joined Lynx in 2004 and became portfolio manager and partner in 2011.

Biographies of Lynx Professionals

Henrik Johansson

Henrik Johansson holds an MSc in Engineering Physics from the Royal Institute of Technology in Stockholm. Johansson joined ABB as a trainee in 1994 and worked at the Treasury Center from 1995–1996 with, among other things, evaluation and implementation of quantitative trading systems in the FX markets. Between 1996 and 1997 Johansson held a position as financial analyst and later Risk Manager within Skandia Investment Manager. In 1997, Johansson joined Nektar Asset Management and was until 2006 responsible for the Quant Team before moving to the service company within Brummer & Partners with responsibility for Risk, Valuations, System Development and IT. Johansson was also member of the Board of Directors at Lynx Asset Management between 2005 and 2008. In 2008, Johansson joined SEB Merchant Banking as Global Head of Risk Management, a position he held until joining Lynx Asset Management in 2011 as Head of Research and partner. Johansson became portfolio manager of Lynx in 2014.

Jesper Sandin

Jesper Sandin holds an MSc degree in Engineering Physics and Financial Mathematics from the Royal Institute of Technology in Stockholm and is a Certified Financial Analyst from IFL Stockholm School of Economics. Sandin started his career in the financial markets in 1996, as a quantitative analyst at Skandia Asset Management. In 1998 Sandin became Head of Quantitative Research at the First National Swedish Pension Fund and in 2006 he joined Brummer & Partners in a global tactical asset allocation research venture. Sandin joined Lynx in 2008 and became portfolio manager and partner in 2011.

Daniel Chapuis

Daniel Chapuis studied Engineering Physics at the Royal Institute of Technology in Stockholm. Chapuis started his career at the First National Swedish Pension Fund as a quantitative analyst in 2000, where his main responsibility was to develop and manage trading models within fixed income. In 2006 he joined Brummer & Partners in a global tactical asset allocation research venture. Chapuis has worked as a Quantitative Researcher at Lynx since 2008, and he became portfolio manager and partner in 2017.

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