



ZEST PILOT  
SICAV UCITS



ZEST

MATERIALE MARKETING

Asset Management SICAV

January 2020

# ZEST PILOT

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**Dynamic Approach**



Target strategies with improved risk/return profile expectations than equity markets

**Flexible Mandate**



The strategy provides access to different instruments such as Equities, Bonds, and Currencies through long and short Futures exposure and also to plain vanilla bonds

**Winning Factors**



Rigorous studies of the strategies behaviour, structured investment discipline and efficient execution

**Liquid Financial Instruments**

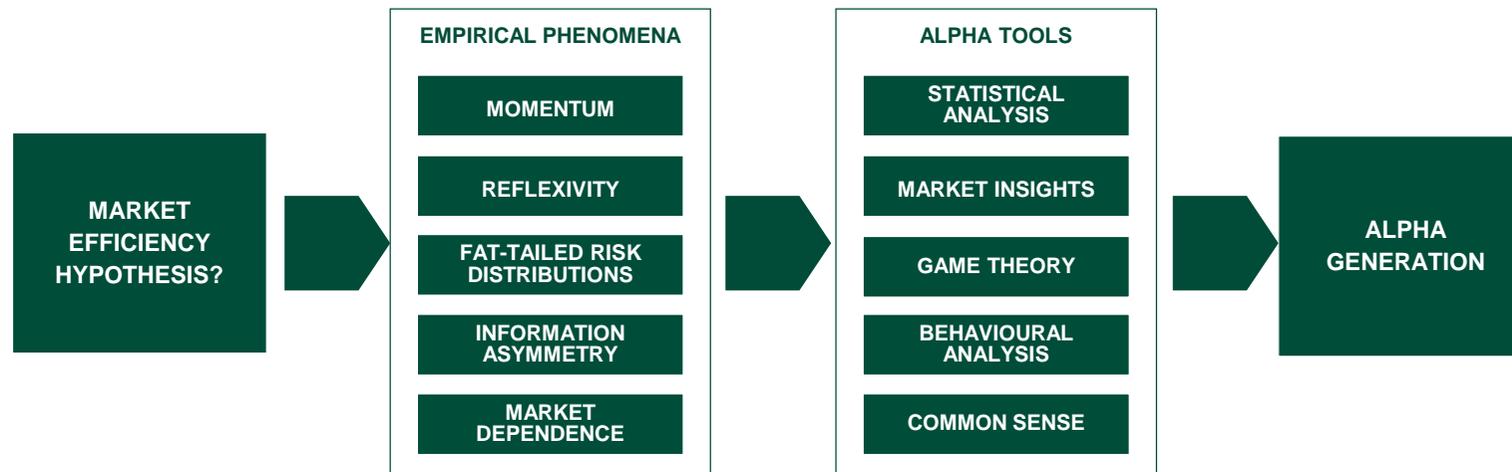


The fund invests in Liquid instruments such as: Futures contracts and Bonds.



Inefficiencies are a persistent and statistically identifiable feature of liquid markets, and:

- ◇ are driven by the collective behaviour of market participants
- ◇ occur across multiple time frames and markets
- ◇ lead to frequent idiosyncratic behaviours



- ◇ The range of systematic models implemented by the Fund seek to **exploit** the market **driving components** and its **inefficiencies**
- ◇ Each strategy is built around simple **robust logics** and is engineered to have medium-term positive return expectations with constrained short-term volatility
- ◇ The different **portfolio's strategies** are assembled in order to maximise strategies complementarity and **increase stability** of compounded returns.
- ◇ Implemented concepts are **economically sound** and empirically-based, quantitative methods are used to test concepts, not to create them
- ◇ The investment approach is based on **systematic logics**, well known factors and comprehended inefficiencies; this is fundamental for a rebalancing process based on each asset class performance
- ◇ **Strategy models** are not predictive in their nature, and parameters are not the result of future expectations



- ◇ Each strategy is built **independently** and its weight within the portfolio is a function of the intrinsic strategy risk, its correlation to market cycle and to the other strategies' cycle
- ◇ The strategy mix aims at creating **stability** constraining the negative tails; stability is the prerequisite for the **compound return**
- ◇ The portfolio is **diversified** and **balanced** against different market regimes through the combination of **antagonist** strategies (i.e. identifying the added value of each single strategies)
- ◇ Insulation from **behavioral biases**



- ◇ On-going monitoring of the **liquidity flows**: overcrowded strategies might experience a deterioration of returns
- ◇ Continuous investment **system update**: markets immunise themselves against mainstream investment methodologies
- ◇ **Real time auditing of** results : strict monitoring of implementation efficiency
- ◇ Constant **models revaluation**, based on prevailing market conditions



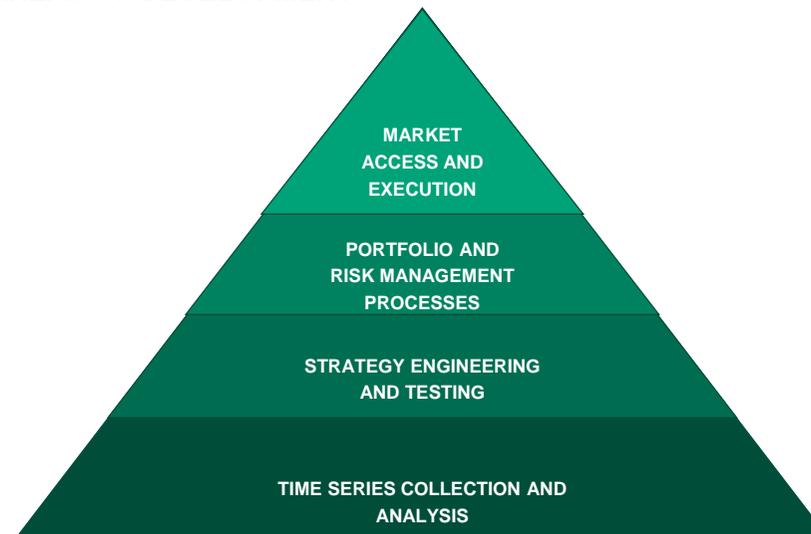
- ◇ **Strategies** are **blended** as a function of their sensitivity to the underlying market driving components
- ◇ Blending strategies does **not** mean optimising strategies
- ◇ The **strategies traction** defines the overall instrument positioning of the fund
- ◇ The efficient combination of antagonist strategies **absorbs the specific volatility of each strategy** which might happen during phases of cyclical changes on the underlying instruments
- ◇ By blending strategies having different time horizons and reacting to different principal factors, returns can be extracted under different market scenarios
- ◇ Rule-based emotionless **execution** is efficiently carried out as a function of market volumes and/or market liquidity and it contributes to returns enhancement
- ◇ Assets allocation is **rebalanced** regularly



The Sub-Investment Manager has access to advanced technology and IT infrastructure in order to achieve three key objectives:

- maximise the depth and the breadth of data collection and analysis
- enhance strategy design, testing and production
- minimise structural and execution risk

## MAIN AREAS OF DEVELOPMENT



Models and strategies are built on the basis of:

- ◇ real-time and historical data
- ◇ information from multiple external and internal data providers, including brokers, data feeders and portfolio managers
- ◇ up to 20 years of tick data with up to 12 levels of market depth and multi-decades daily data

The system engine structure allows easy composition of complex cross-asset strategies:

- ◇ simultaneously on multiple timeframes
- ◇ enhanced stress-testing, robustness-checking and sensitivity analysis tools
- ◇ multicore architectures take advantage of server parallelism for ultra-fast simulations

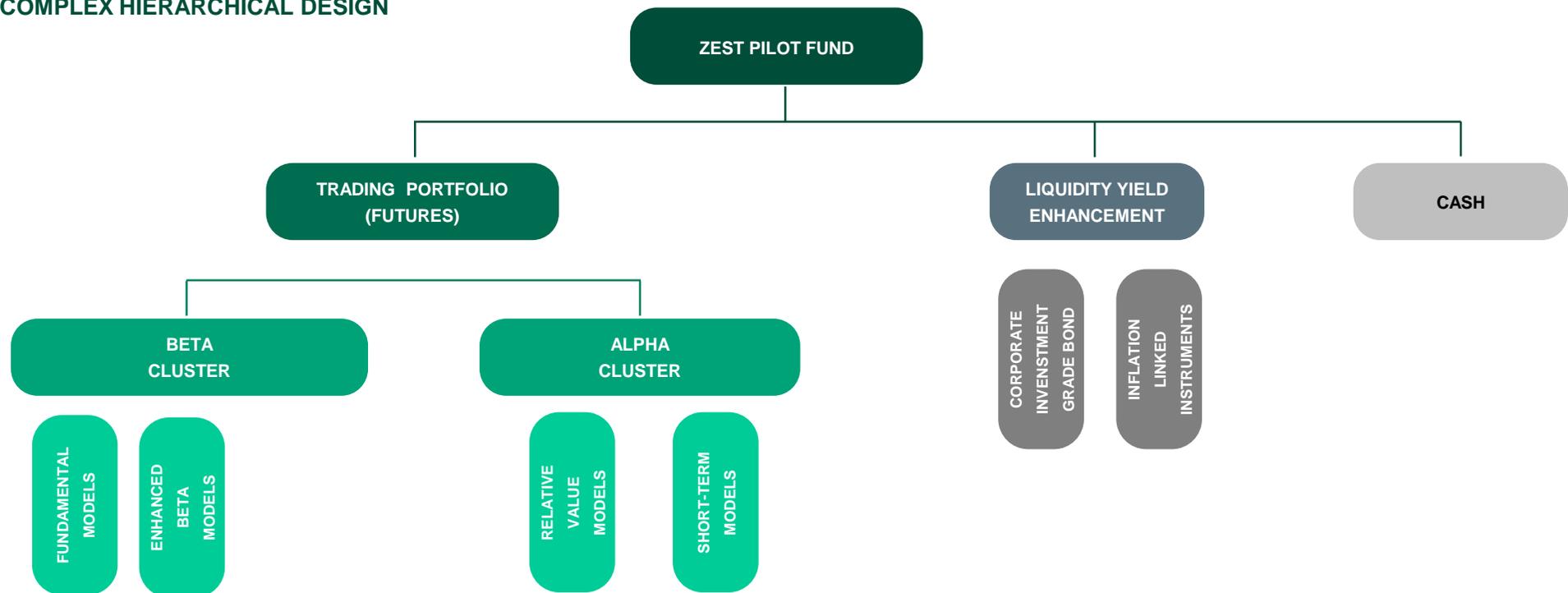


- ◇ Thorough Risk management exposure checks are based on the overall portfolio constraints, volatility and liquidity conditions
  
- ◇ Analytical tools are selectively applied at different levels:
  - overall portfolio
  - individual strategies
  - single components
  
- ◇ The platform includes advanced real-time auditing and reconciliation tools, allowing for synchronisation tests between live and simulated environments
  
- ◇ Fully automated real-time portfolio operations designed to minimise slippage risk and maximise stability, are implemented using complex event processing technology



The system is designed to combine qualified exposure to multiple asset classes via a blend of value-driven and technically-driven systematic strategies.

## COMPLEX HIERARCHICAL DESIGN



- ◇ A blend of systematic strategies focused on multiple time-frames, investment styles, markets and geographical areas
- ◇ Protecting downside risk through equal volatility weighting maximises opportunities and increases robustness of the overall program

CLUSTER	STRATEGY	MARKETS	TIME-FRAME
BETA	STANDARD BETA	GLOBAL	LONG
	ENHANCED BETA	GLOBAL	MEDIUM
	VOLATILITY PREMIUM	VOLATILITY	MEDIUM
ALPHA	MEAN REVERSION	GLOBAL	SHORT
	VOLATILITY ARBITRAGE	VOLATILITY	MEDIUM



Beta sources are the key drivers for medium to long-term performances; most of the beta sources exhibit cross-correlations and short term volatility but tend to be very reliable over long time horizons. Beta strategies are implemented on global Fixed Income and Equity Indices

◇ The Standard Beta component:

- asset classes react based on the relationship between their expected premia related to the economic environment
- always invested

◇ The Active Beta component:

- analyses macro-economic biases to rebalance individual asset classes exposure across multiple environments
- asset classes are mapped in order to analyse global growth and global inflation, two key drivers for performance enhancement



Alpha sources are driven by market inefficiencies and commonly exhibit lower cross-correlations or even anti-correlation; the alpha sources require significant analytical and computational skills.

- completely trend-agnostic, exploits short-term and intraday price moves through long-short positioning from time to time, positions can be maintained for several days.
- the short-term bias integrates overall portfolio positioning, substantially enhancing robustness and consistency of returns.
- exploits short-term price, time and volatility relationships allowing for fast risk-rebalancing with an attractive asymmetric return profile.





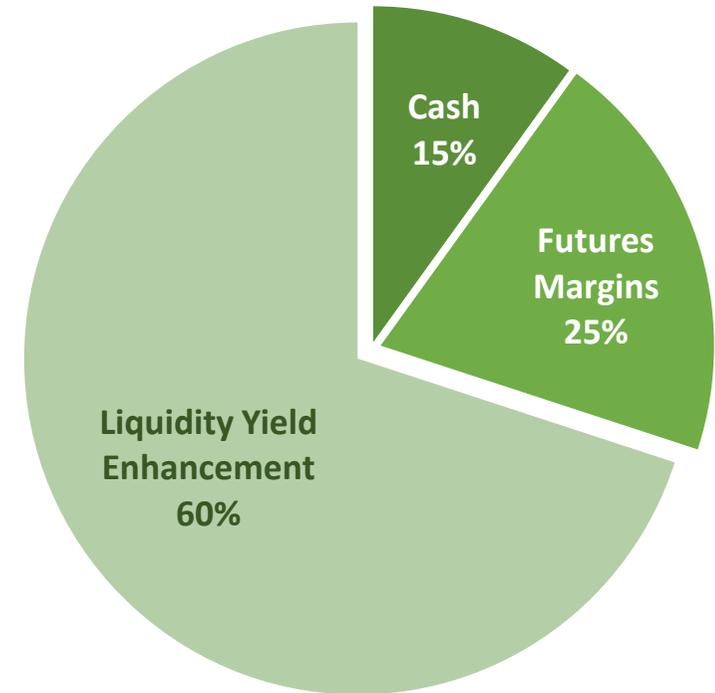
Diversifying across markets and strategies enhances consistency of long-term returns



# ZEST PILOT

## Fund Allocation

- ◇ The Fund trades about 43 individual contracts on a global basis, 24 hours a day
- ◇ The nimble positioning techniques and the execution capabilities allow to operate on markets with return expectations not frequently available to large-size players
- ◇ Real time exposure to single securities is dynamically managed on the basis of volatility, of risk and of cross correlation filters

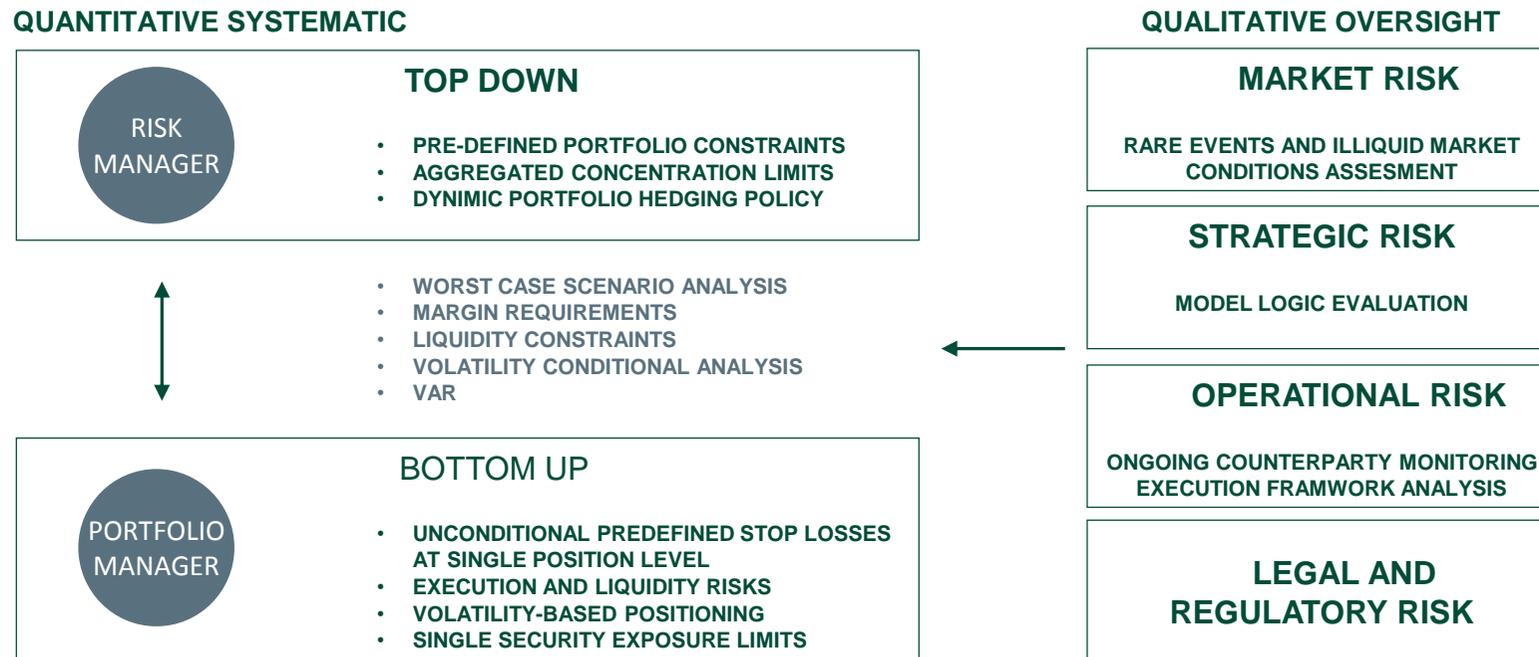


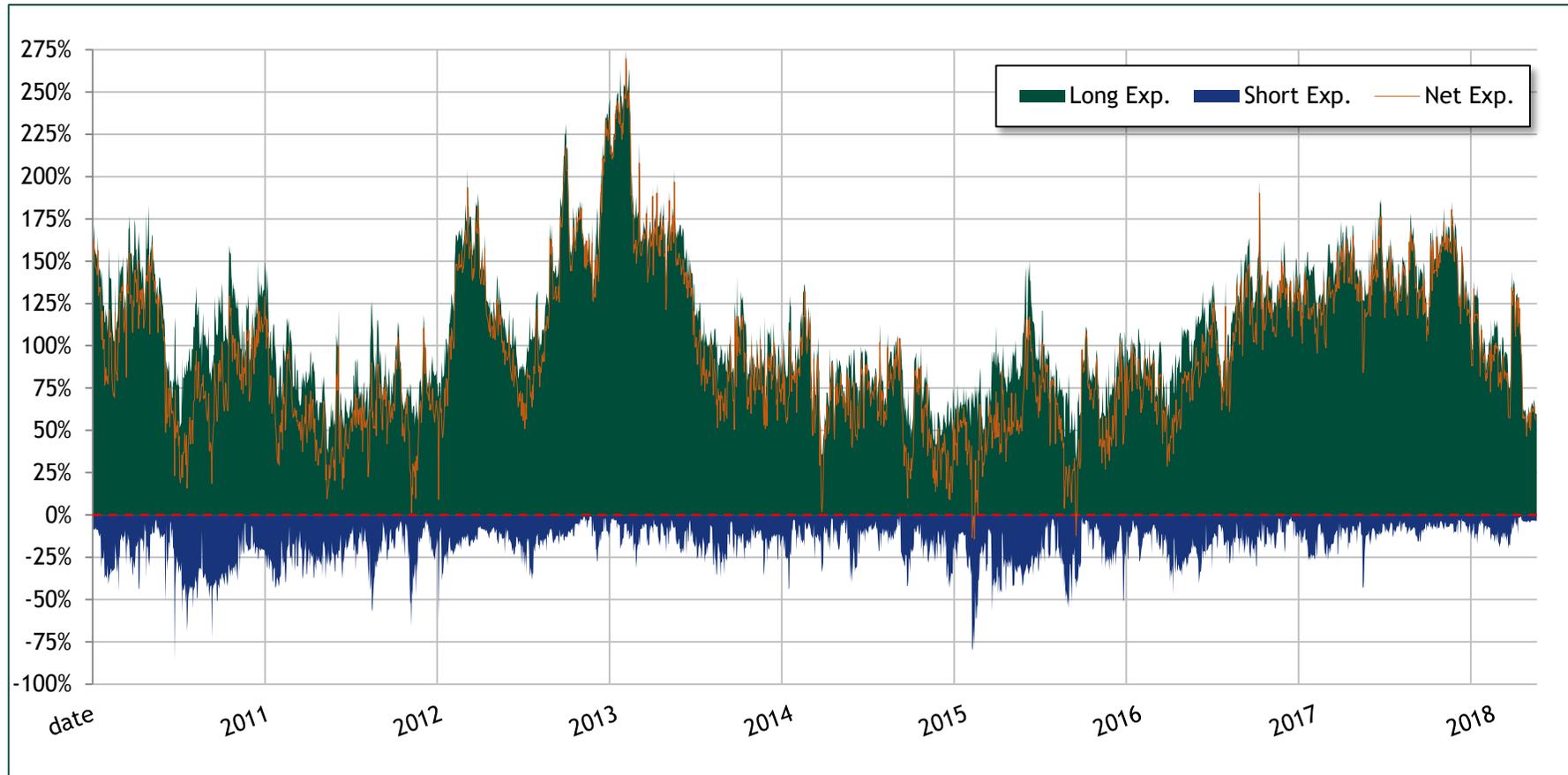
ZEST PILOT Fund Allocation (approx.)

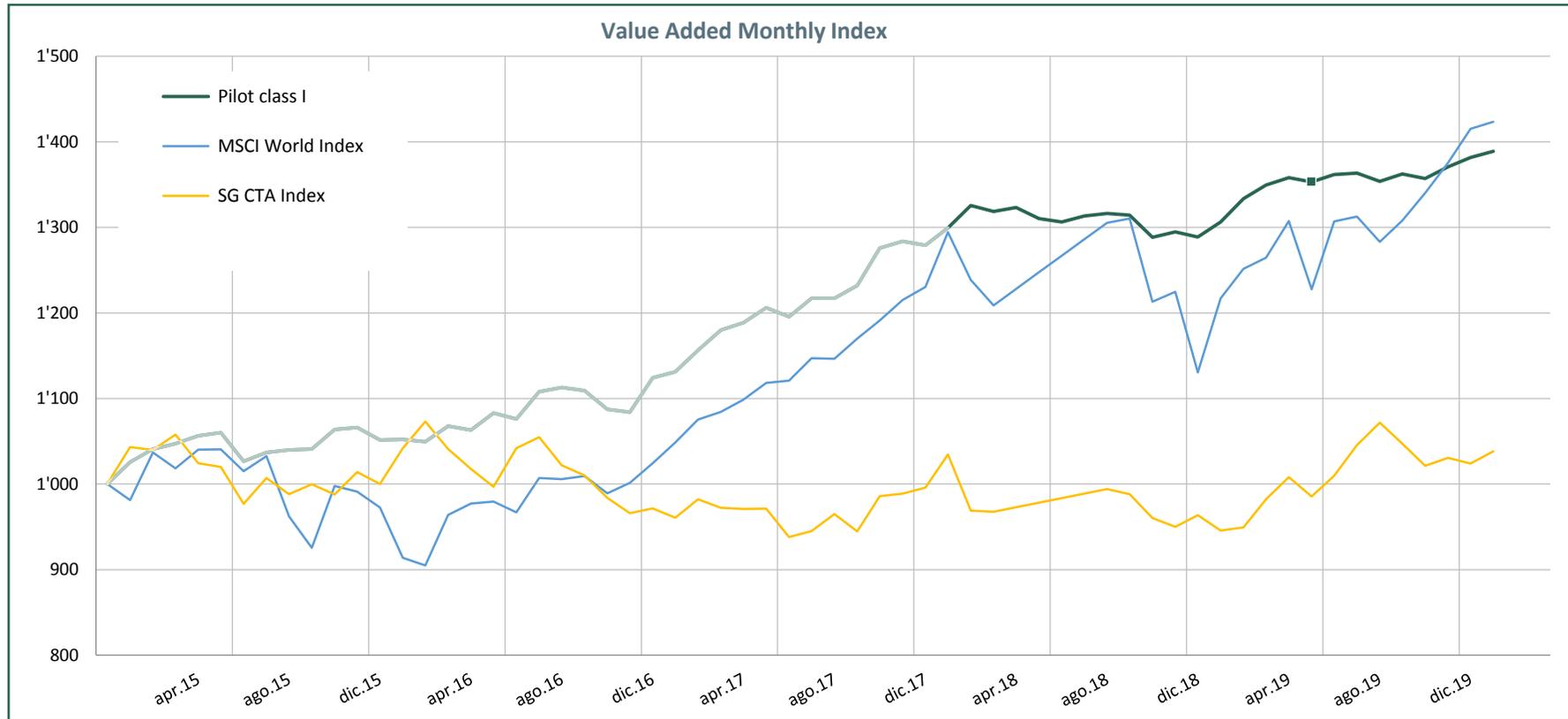


The risk management process enforces highly disciplined stop loss polices and maximum concentration thresholds, imposes marginal return requirements per incremental unit of risk and penalises volatility

- ◇ risk is managed bottom up at single position and strategy level and top down at portfolio level
- ◇ all risk management processes take place simultaneously, enforcing the full range of risk constraints in real time







**PILOT TRACK RECORD STARTS IN MAY 2019. Previous performance is the result of a strategy that was not offered to any investors. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	MSCI World Index	SG CTA Index
<b>2015</b>	2.57	1.49	0.59	0.90	0.34	-3.16	1.00	0.29	0.09	2.20	0.21	-1.36	<b>5.16</b>	<b>-2.74</b>	<b>0.03</b>
<b>2016</b>	0.07	-0.25	1.73	-0.44	1.86	-0.63	2.95	0.46	-0.32	-2.00	-0.29	3.69	<b>6.89</b>	<b>5.32</b>	<b>-2.87</b>
<b>2017</b>	0.63	2.24	2.03	0.72	1.48	-0.88	1.81	0.00	1.21	3.56	0.62	-0.35	<b>13.81</b>	<b>20.11</b>	<b>2.48</b>
<b>2018</b>	1.57	2.03	-0.52	0.35	-0.97	-0.31	0.54	0.23	-0.16	-1.97	0.48	-0.45	<b>0.75</b>	<b>-8.12</b>	<b>-2.09</b>
<b>2019</b>	1.35	2.08	1.20	0.64	-0.36	0.62	0.14	-0.72	0.64	-0.40	1.00	0.82	<b>7.22</b>	<b>25.19</b>	<b>6.26</b>
<b>2020</b>	0.51												<b>0.51</b>	<b>0.60</b>	<b>1.40</b>

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## Zest SA Lugano and BGB Weston London

- ◇ In March 2018 Zest and BGB developed a strategic partnership to launch a UCITS compliance systematically managed investment vehicle
- ◇ Zest and BGB share a similar approach in meeting their clients' needs by providing innovative solutions.



- ◇ **ZEST SA** is an independent company dedicated exclusively to the asset management on behalf of collective investment schemes under CISA law. It is based in Lugano and it is regulated by the Swiss Financial Market Supervisory Authority FINMA. The activities initiated in 2007, as a division of Financial Strategy SA, Lugano. In 2012 was created Zest SA as a result of the fund management activity spin off
- ◇ **ZEST SA** is dedicated to fund management coupled with strict risk control since its inception
- ◇ A very high level of transparency and a constant, detailed flow of information, represent the cornerstones of **ZEST SA** relationship with its investors
- ◇ **ZEST SA** has delegated the investment selection and trading activities of the Fund to **BGB Weston**, the sub-Investment Manager



- ◇ **BGB** is an Investment Management firm, registered and authorised by the FCA, the UK Financial Authority
- ◇ **BGB** is an independent asset management firm with 15+ years of experience in alternative investment. The firm invests in financial markets, private equity, venture capital and real estate. Actively looking for investment opportunities with limited exposure to cyclical trends
- ◇ **BGB** core investment team has worked together for several years and utilises best-in-class operational infrastructure and technology
- ◇ **Interest Alignment:** Partners and employees share the same objectives and results. Internal pay-out policies favour long-term commitment, minimize short-term mentality and enhance information sharing processes.



<b>Luxembourg UCITS SICAV Management Company</b>	ZEST Asset Management SICAV Degroof Petercam Asset Service, Luxembourg
<b>Investment Manager Regulatory Oversight</b>	Zest SA, Lugano, Switzerland FINMA
<b>Sub-Investment Manager Regulatory Oversight</b>	BGB Weston, London, UK FCA
<b>Custodian Bank and Administrative Agent Countries of registration</b>	Banque Degroof Petercam, Luxembourg S.A. Italy, Switzerland, Luxembourg
<b>Paying Agent in Italy</b>	<ul style="list-style-type: none"><li>• AllFunds Bank S.A.U</li><li>• BNP Paribas S.p.A.</li></ul>



<b>Management Fee</b>	Class R RETAIL EUR 2.0% (min. subscription Eur 1'000) Class I INSTITUTIONAL EUR 1.2% (min. subscription Eur 200'000)	
<b>Performance Fee</b>	15% with High Water Mark	
<b>Inception Date</b>	March 2019	
<b>Nav Frequency</b>	Daily	
<b>Fund Currency</b>	EUR	
<b>Bloomberg ticker</b>	ZESPLRE LX (Class R)	ZESPLIE LX (Class I)
<b>ISIN code</b>	LU1931749730 (Class R)	I-EUR LU1931749573 (Class I)
<b>Morningstar Category</b>	Global Macro	



## **ZEST SA**

ZEST SA is an investment management company based in Lugano and regulated by the Swiss Financial Market Supervisory Authority, FINMA. ZEST SA performs its financial activities solely in Switzerland, where it holds all the requested authorizations.

## **ZEST Asset Management SICAV**

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## **More Information**

More information can be found on [www.zest-management.com](http://www.zest-management.com) or contacting us at [info@zest-management.com](mailto:info@zest-management.com).





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