Non-independent research.

See important disclaimers at the end of this note.

Fund Objective
The fund has an absolute return objective and it provides access to directional trading strategies across a highly diversified global portfolio of futures, forwards and swaps.

Fund Manager
Transtrend B.V.

Geography
Global

Strategy
Managed Futures

Strategy size
$5.5bn

Fund size
$78m

Fund inception
16th April 2018

Liquidity
Weekly

AMC
1%

Performance fee
16%

SFDR Article
6

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Kepler Absolute Hedge

Short-form report **31st July 2024**

Tulip Trend Fund UCITS

Summary

- The fund employs a price-based, medium-term trend following program that utilizes several trend identification tools to exploit market trends driven by different real-world factors.
- The strategy trades a highly diversified investment universe, investing in more than 600 futures, forwards and swap markets, including alternative markets and synthetic markets such as commodity spreads and cross-sectional 'hybrid' market combinations.
- Since the strategy launched in 1995, returns have annualised at 11.1%* with a volatility of 14.1%, materially outperforming an index of trend following strategies.

Transtrend was founded in 1991 and specialises in active, systematic trend-following strategies. The origins of the company go back to a research project, set up with a team of traders and quantitative analysts in 1987 within a Rotterdam-based commodities trading company. This work led to the development of the firm's flagship program, the Diversified Trend Program (DTP), which has been live since 1992. A UCITS version of this strategy was introduced in 2018 and is available via Progressive Capital Partners Ltd. The fund's investment philosophy is rooted in the belief that price trends in markets reflect broader trends and developments in our continuously evolving society. The strategy is designed to participate in these trends, and while DTP's trading systems are fuelled by prices set in the individual markets they trade, the program is geared to look at markets holistically, focusing on real-world factors that drive them. These factors typically transcend asset classes and geographical boundaries, making classical risk allocation — for instance across individual markets or asset classes — sub-optimal. Instead, the strategy seeks to have sizeable positions across different trends, with a balanced risk allocation across the underlying factors driving these. The fund uses a bespoke suite of trend identification tools, which are consistently applied to a highly diversified investment universe, across all major asset classes and regions. The strategy trades in a variety of traditional markets, combinations of markets (synthetics) and other alternative markets such as electricity, etc, with the latter historically representing a sizeable allocation. DTP's flexible and opportunistic order execution is regarded as an integral part of the coherent trading process.

Performance Review

Since launching as a UCITS vehicle the programme has generated annualised returns of 4.7% with a volatility of 15.7%, leading to a Sharpe ratio of 0.27 (0.5% RFR). As we would expect from a trend following strategy, performance can be lumpy at times, with rolling 12m returns ranging from -24% to +40%. Importantly, these returns have been achieved with no correlation to global equities (0.01) and moderate negative monthly correlation to bonds (-0.36), making the fund a good portfolio diversifier. Further, the fund has displayed a convex return profile, being able to capture 17% of equity upside, while generating returns in down months too (downside capture of -3%) – a defining characteristic for the strategy. Recent years have been strong for the fund, with the strategy returning over 13% p.a. over the past 4 years, and the program able to capture the large macroeconomic trend of "higher for longer" (short US interest rates and long USD) and several idiosyncratic themes in commodities. For instance, YTD the fund capitalised on the strong uptrend in cocoa prices.

Fig 1: Fund Performance: Tulip Trend Fund UCITS (5 year)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-2.2	-2.3	-5.3	1.1	-0.8	-2.8	5.6	-0.7	-4.6	2.6	-0.6	7.8	-2.9
2021	1.7	4.2	2.0	0.9	3.3	-0.8	3.3	1.4	4.1	3.1	-3.2	-2.1	19.0
2022	2.9	5.3	12.8	8.5	-2.0	-3.6	-6.7	0.7	4.3	0.8	-9.7	-2.7	8.6
2023	0.5	0.9	-8.8	11.1	3.3	2.6	-3.1	1.3	0.7	-0.5	-5.2	-1.3	0.2
2024	4.9	9.8	5.5	2.1	-2.4	-4.8							15.3

Source: Progressive Capital Partners, FE Analytics. Performance is for the C USD Class (IE00BFWJRT76). Full track in appendix.

Kepler Partners Research
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Tulip Trend Fund UCITS

Investment Process

The Diversified Trend Program (DTP) focuses on identifying and participating in market trends driven by real-world factors. The firm's philosophy is that the world is always changing, and markets move because participants collectively impact them, linked to economic growth, geopolitical tensions, or changes in commodity use. DTP aims to capture trends by maintaining sizable positions across a highly diversified investment universe of over 600 futures, forwards, and swap markets, with approximately 125 of these being synthetic market combinations. The strategy looks for significant moves, employing a medium-term systematic trend following program with a holding period typically ranging from a few weeks to several months. This approach is uniformly applied across all markets, seeking to capture early trend signals by monitoring a broad spectrum of markets. While DTP's trading systems are fuelled by prices set in the individual markets they trade, the program looks at groups of markets and capitalizes on dominant trends. The program emphasizes balanced exposures across different trends and utilizes a dynamic risk allocation framework. This framework is designed to identify prevailing market themes, allowing for appropriate adjustments in exposure to fully exploit these. Transtrend's approach to trend following emphasizes the importance of trend identification. Rather than focusing on specific trading systems or techniques (e.g., different trading speeds, signals, etc.), the firm believes that the investment universe and the ability to size positions appropriately are most influential to the effectiveness and profitability of trend following strategies. The investment universe is crucial, as a trading program cannot profit from trends in markets it does not trade. Additionally, position sizing plays a decisive role. Even if a trend is identified correctly, the impact on returns depends on how effectively capital is deployed.

Risk Management

Transtrend's risk framework respects the dynamic, non-linear, and asymmetric nature of markets. Portfolio risk is managed through multiple lenses: trend risk and extreme risk. Trend risk management balances risk concentrations dynamically across multiple different trends. Extreme risk management aims to limit the portfolio impact of significant adverse price movements across correlated markets.

Fees and Management

The SI Class is priced at 1% with a 16% performance fee, which is attractively priced vs peers. Transtrend BV is leading CTA based in Rotterdam and currently manages $5.5bn, with $78m in the UCITS.

Fig 2: Track Record (since Inception)

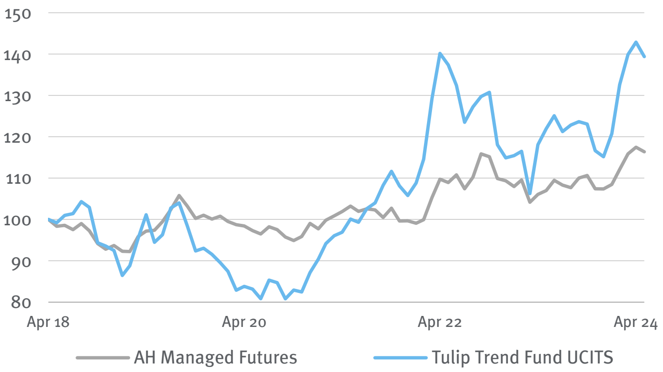


Fig 3: Risk Return (since Inception)

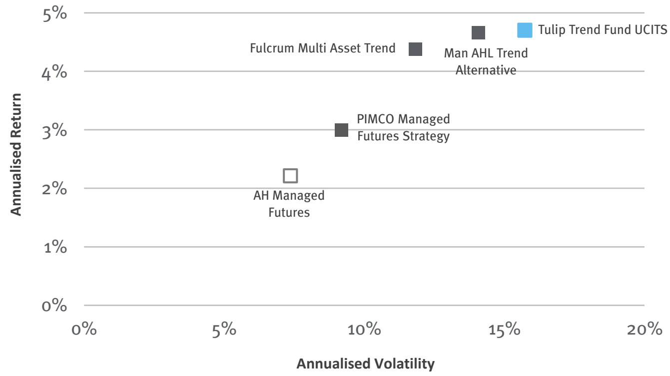
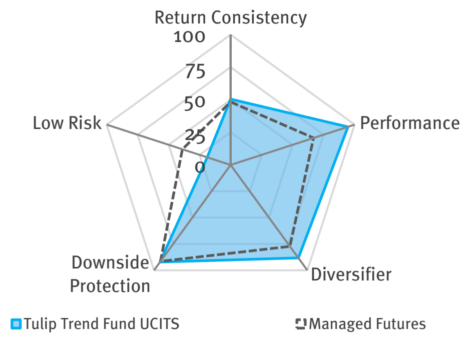


Fig 4: Spider Diagram (36M, as of Q2 2024)



Source: Financial Express Analytics, Kepler Partners

Outlook and Recommendation

Transtrend's Diversified Trend Program, available through the Tulip Trend UCITS fund, showcases a unique approach to trend following relative to UCITS peers, particularly in trend identification and their broad market universe. Its philosophy is rooted in the belief that price trends in markets reflect broader developments in our evolving society and generally manifest in groups of markets rather than in individual markets. As such, the team focuses on exploiting trends driven by 'real-world factors' that transcend asset classes, allowing them to implement their trades in a truly multi-asset fashion. The strategy's long-term returns have been attractive, with the Enhanced Risk profile's composite performance has annualised at 11.1%* with a volatility of 14.1%, all while staying uncorrelated to major asset classes.

Appendix: Fund Performance: Tulip Trend Fund UCITS (since Inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018					-0.8	1.8	0.4	2.9	-1.3	-8.3	-0.8	-1.1	-7.5
2019	-6.5	2.8	7.4	6.0	-6.6	1.9	6.7	1.2	-5.3	-6.2	0.7	-1.6	-1.0
2020	-2.2	-2.3	-5.3	1.1	-0.8	-2.8	5.6	-0.7	-4.6	2.6	-0.6	7.8	-2.9
2021	1.7	4.2	2.0	0.9	3.3	-0.8	3.3	1.4	4.1	3.1	-3.2	-2.1	19.0
2022	2.9	5.3	12.8	8.5	-2.0	-3.6	-6.7	0.7	4.3	0.8	-9.7	-2.7	8.6
2023	0.5	0.9	-8.8	11.1	3.3	2.6	-3.1	1.3	0.7	-0.5	-5.2	-1.3	0.2
2024	4.9	9.8	5.5	2.1	-2.4	-4.8							15.3

Source: Transtrend BV, FE Analytics. Performance is for the C USD Class (IE00BFWJRT76).

***Enhanced Risk Disclaimer:**

Transtrend's Diversified Trend Program has two risk profiles investable in various currencies. In these figures, Transtrend provides composite rates of return data of the Enhanced Risk subset.

The composite rate of return takes into account actual trading profits and losses, actual transaction costs, pro forma advisory fees (as of January 1, 2021, a monthly management fee of 1/12 of 1% of the aggregate Nominal Account Size at the beginning of the month taking into account intra-month instructed increases or decreases on a pro rata basis, and a performance fee of 16%; from January 1, 2017 until December 31, 2020 these rates were 1% and 20%, from January 1, 2014 until December 31, 2016, 2% and 20% and before January 1, 2014, 3% and 25%), pro forma operating expenses (as of January 1, 2017, 1/12 of 0.25% (for the Enhanced Risk (USD) UCITS subset: 1/12 of 0.5%), of the aggregate Nominal Account Size at the beginning of the month taking into account intra-month instructed increases or decreases on a pro rata basis; before January 1, 2017, operating expenses were assumed to be included in the management fee and were not separately taken into account) and pro forma interest income or expenses. With respect to the pro forma advisory fees, management fee and operating expenses are hurdle rates for performance fee, no performance fee on pro forma interest income and a book entry (reversal) of performance fee, if applicable, are taken into account. As Transtrend is not privy in all cases to the arrangements between Transtrend's customers and their brokers, the amount of interest income earned by such accounts is estimated at a rate relevant to the underlying currency subset of the Diversified Trend Program. Before May 1, 2004, pro forma interest income was calculated at a rate equal to 90% of the relevant 3-month interest rate on the aggregate Nominal Account Size. From May 1, 2004 until August 31, 2008, the composite rate of return included pro forma interest income at a rate equal to 90% of the relevant 3-month interest rate on Actual Funds. As of September 1, 2008, pro forma interest income on Actual Funds is calculated at a rate equal to 90% of the relevant overnight interest rate with a floor of 0%. As of January 1, 2017, in case of a negative relevant overnight interest rate, the pro forma interest expenses on Actual Funds are calculated at a rate equal to 100% of the relevant overnight interest rate.

As of January 1, 2021, pro forma performance fees are settled on an annual basis at year-end, if applicable, with the settlement of pro forma performance fee per the end of 2020 serving as the initial high water mark. Periodic settlement of pro forma performance fees empties the performance fee reserve so that negative, or positive, rates of return occurring after the last settlement of pro forma performance fees will only be moderated by the give-back, or accrual, respectively, of the amount of newly built-up pro forma performance fees after this settlement date. Before January 1, 2021, a negative monthly composite rate of return was mitigated by a consistent book entry reversal of the accrued pro forma performance fees and, before May 1, 2004, by pro forma interest income on the aggregate Nominal Account Size instead of Actual Funds, irrespective whether the book entry reversal was actually effectuated or interest was actually received. A similar effect occurred for a positive monthly composite rate of return, where a consistent book entry of pro forma performance fees was made, irrespective whether the book entry was actually effectuated. The consistent book entry (reversal) of pro forma performance fees likely reduces the volatility of the composite rates of return in comparison to situations where performance fees are periodically settled. Consistently giving back accrued pro forma performance fees in periods of negative rates of return may also result in an underestimation of drawdowns in comparison to situations where performance fees are periodically settled.

As the rates of the management fees and performance fees charged by Transtrend to its clients have come down considerably, the pro forma advisory fees were adjusted over the years to bring them more in line with actual advisory fees. Lowering the pro forma management fee has, with all other things being equal, the following effects: a) drawdowns will be less deep and b) the duration of peak-to-valley drawdowns may be shorter. Lowering the pro forma performance fee has, with all other things being equal, the following effects: a) drawdowns will be deeper and b) volatility will be higher.

The rate of return on an individual account may deviate from the composite rate of return of the subset it is part of, e.g. because of differences in Nominal Account Size, portfolio composition, advisory fee structure, currency fluctuations, actual operating expenses or the amount of Actual Funds in relation to the Nominal Account Size.

Between April 2021 and October 2021, the composite rate of return of the Enhanced Risk (EUR) subset excluded in certain months the performance of a small account that was part of this subset, as the test permitting the presentation of an account on a composite basis as set forth in NFA interpretive notice 9054 was not met in such months. As of April 2023, the composite rate of return of the Standard Risk (EUR) subset excludes in certain months the performance of an account that qualifies as a Proprietary Account in these months (CFTC regulation 4.35 (a)(8)(i)). More information, including a complete overview of the months/performance concerned, is available upon request.