

Alchemy Long Short Strategy

Back Ground

- ▶ Empirical research suggests that equities deliver the best returns over the long term (10 years +)
- ▶ However, these returns are non linear and subject to significant volatility in the short/medium term
- ▶ Resulting in significant draw downs (negative return periods) which is a cause of investor anxiety
- ▶ Hence a need exists for a strategy that can deliver equity asset class like returns (superior to debt) with lower volatility

Objective

- ▶ Alchemy Long Short strategy is an absolute return multi strategy product which aims to deliver better returns than debt with defined and lower downsides

Investment Strategy

- ▶ Seek to deliver absolute returns primarily through trading and capital appreciation, while also attempting to preserve capital and reduce risk by hedging.
- ▶ The Fund manager would use multiple strategies like Directional trading, Pair trading, Arbitrage and debt funds to allocate capital across the portfolio to manage risk & return
- ▶ To avoid large draw downs, there would be a strong focus on Risk Management.

Risk Management

- ▶ **Restrict equity exposure to +/- 30%** implying out of Rs 100 invested, the net equity exposure of the portfolio at end of the day can be maximum Rs 30 long or Rs 30 short.
- ▶ **Portfolio stop loss of 10%:** The client portfolio will be liquidated in case of capital erosion of more than 10% and the client given the option to either redeem or continue.

Key Features

Launch Date	1 st Nov 2009 & subsequently beginning of every quarter
Lock-in	For the Quarter
Minimum Investment	Rs 1 cr and multiples thereof
Redemption	Quarterly with 15 days prior notice
Fees & Expenses	<ul style="list-style-type: none">• Fees Payable Quarterly• Fixed Management fee – 0.375% per quarter (1.5% p.a.)• Profit Sharing (net of fixed fees) – 20% over hurdle of 2% per quarter
Profit Payout	Profits, net of fees and expenses will be paid out at the end of each Quarter
Reporting	Monthly
Taxation	Due to use of Futures & options, the profit earned on this strategy would be treated as Business income.
Ideal Structure	Partnership, Company

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