ALMAGEST

COMMODITY TRADING FUND

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Investment related disclosures

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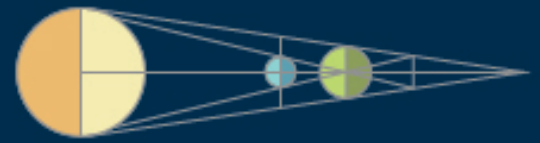
Presentation Objectives:

1. Outline the global opportunity we seize;
2. Illustrate the Commodity Trading Fund characteristics & objectives;
3. Give working examples of our investment strategy;
4. Present the investment management team.



SECTION

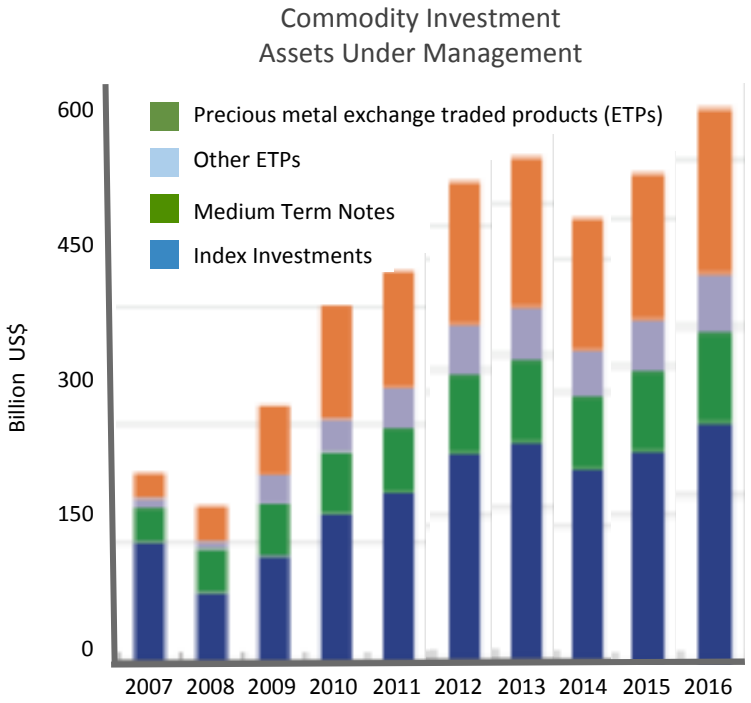
01

The Opportunity

The Opportunity
Commodity Assets

Commodity assets are highly attractive, with regards to growth, yield & stability making them a favored inclusion in diversified income low risk portfolios:

- **High Growth:** Financial investment in commodities has grown rapidly, since 2007, with assets under management approaching US$ 600 billion in 2016.
- **Stable Yields:** Lower returns from bonds & volatile equity markets have made commodity derivatives more attractive because of their negative correlation to other financial instruments.
- **Portfolio Diversification:** It is widely considered that investment will continue to grow, and an increasing number of fund managers see a 3-7% holding as an effective way to diversify an equity- & bond- heavy portfolio.



The Opportunity
Market Drivers

Strong demand for commodity backed Securitized Commercial Paper

- **Regulatory Burden:** The traditional commodity trading funding may not be sustainable, as regulatory requirements are making banks lending difficult.
- **Funding Costs:** Deleveraging & dollar funding constraints has seen banks increase commodity funding costs or withdraw from trade financing.
- **Basel III:** The current rules impose greater capital charges on commodity lending, & which in turn has reduced bank supply of trade credit (Pirrong, 2016).
- **Commercial Paper:** The top 10 global trading firms, (over US$1.3 trillion in revenues) are increasingly turning to Securitized Commercial Paper (GFA, 2016).

The Opportunity
Market Drivers (II)

Trading Firm debt has an inherently lower risk than bank debt

- **Low Leverage:** Banks are highly leveraged with variable LTV ratios (9.6 to 37), whilst trading firms have a low LTV ratio (4), with assets not exceeding liabilities.
- **Price Resilience:** As margins & volumes tend to rise & fall together, commodity trading firms are only exposed to significant changes in volumes, not prices.
- **Low Liquidity:** Trading firms have less liquidity risk than financial intermediaries, as all their short-term financial commitments are fully insured & risk managed.
- **Diversification:** Banks tend to have a higher concentration risk due to their regional focus, whilst trading firms have are global multi-sector focus.

SECTION

02

Almagest SICAV – Commodity Trading Fund

Almagest SICAV

Commodity Trading Fund: Objectives

Our Commodity Trading Fund (Almagest SICAV) seeks **to yield income and preserve capital with managed risk**, independent of market cycles, investing predominantly in pure arbitrage and statistical arbitrage opportunities across asset classes globally and trading commodities via ”boxed” type fully hedged transactions in selected markets.
The fund focusses on the decades of actual commodity trading experience of the founders and the peer group. This includes prominent industry leaders from the commodity trade in Europe with global exposure in cash and derivatives with some of the largest trading houses in the world.
Almagest combines the fundamentals of physical trading (specifically agriculture, energy and base metals) in cohesion with the derivatives markets to off-set price and capital risks and identity and lock in market price anomalies on a hedged basis. The fund is the principal to all the physical trades that it contracts.
The Fund monitors and locks in inter and intra commodity price spreads, calendar carries, geographical and time arbitrage on commodities and currencies on spot, futures and options across established markets and exchanges.

Strategies:

1. Spreads, arbitrage and options opportunities in commodities; and
2. Physical commodity trading as principal trading party.

Commodity Trading Fund

Performance: Yield to date by month

Year 1													
Month	1	2	3	4	5	6	7	8	9	10	11	12	**TOTAL**
% net return	0.52%	0.60%	0.60%	0.38%	0.52%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.48%	**6.70%**

	Year 2										
Month	13	14	15	16	17	18	19	20	21	22	**TOTAL**
% net return	0.67%	0.60%	0.60%	0.60%	0.37%	0.51%	0.60%	0.60%	0.60%	0.60%	**5.75%**

- **22 months track record;**
- **Year 1 net returns to investors: 6.7%**
- **Year 2 to-date: 3.35%**

- **Total yield to-date: 12.44%**
- **No negative month to-date**

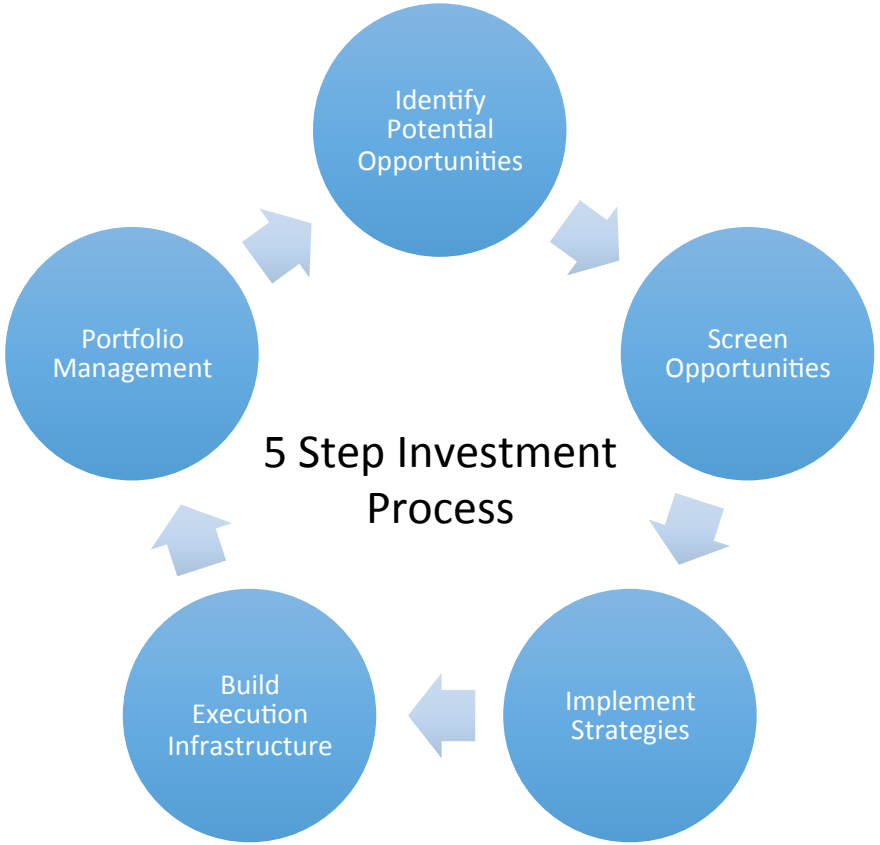
Almagest SICAV

Commodity Trading Fund: Fees

Management fee	**1.2%**
Performance Fee	20%
Hurdle rate	4% yearly, (1% reset quarterly)

Commodity Trading Fund

Investment Process



Commodity Trading Fund

Identify Potential Opportunities

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1. Identify sets of tradable contracts linked to a single underlying asset.
2. Determine if a pure arbitrage or statistical arbitrage relationship exists within each set.
3. Determine long-term commodities related physical transactions fitting our standard 18 risk managed criteria.
4. Our in-house research helps us to identify a large set of such potential opportunities.

Commodity Trading Fund

Identify Potential Opportunities (II)

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Example: Potential Pure Arbitrage set					
USD/INR Contracts having same expiry price and expiry date					
Venue	Type	PNL Currency	Expiry Price	Expiry	Volume*
DGCX	Futures	USD	RBI Ref. Rate	27 April 2016	36,752
SGX	Futures	USD	RBI Ref. Rate	27 April 2016	15,080
CME	Futures	USD	RBI Ref. Rate	27 April 2016	384
OTC FX	NDFs	USD	RBI Ref. Rate	27 April 2016	liquid

Example: Potential Statistical Arbitrage set					
USD/INR Contracts having same expiry price and expiry date					
Venue	Type	PNL Currency	Expiry Price	Expiry	Volume*
LME	Futures	USD	Global	30 June 2016	58,402
COMEX	Futures	USD	USA	1 – 31 May 2016	71,671

Commodity Trading Fund
Screen Opportunities

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Each potential arbitrage set is screened using historical time-synced tick-by-tick data

Factor	DGCX vs. SGX USED/INR	LME vs. COMEX Copper
Arbitrage Type	Pure	Statistical
Bid-Ask Spreads	Tight	Slightly Wide
Volume	High	High
Open Interest	High	High
Arbitrage Frequency	High	Low
Arbitrage Magnitude	Very Small	Large
Holding Period	1 Month	Up to 30 days
Minimum Required Latency	Ultra Low	High
Expected Return on Capital	Medium	High
VaR & Drawdowns	None	Small
Return Frequency	Certain	Some Volatility

Commodity Trading Fund

Implement Strategies

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Pure Arbitrage Example: USD/INR DGCX vs. SGX		
Same contract specification. Any price difference captured will yield guaranteed profit at expiry irrespective of price moves		
Contract Specifications	DGCX	SGX
Contract	USD/INR Futures	USD/INR Futures
Contract Size	INR 2,000,000	INR 2,000,000
Tick Size	0.01 US cents / 100 Indian Rupees	0.01 US cents / 100 Indian Rupees
Tick Value	US$ 2.00	US$ 2.00
Last Trading Day	2 business days prior to last business day of contract month	2 business days prior to last business day of contract month
Price Quote	US cents / 100 Indian Rupees	US cents / 100 Indian Rupees
Settlement Basis	Cash Settled (USD)	Cash Settled (USD)
Final Settlement Price	RBI Reference Rate in US cents / 100 Indian Rupees	RBI Reference Rate in US cents / 100 Indian Rupees

Commodity Trading Fund

Implement Strategies (II)

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Strategy Implementation Steps:

- Define final set of tradeable strategies and detailed trading logic.
- Develop in-house strategy specific trading software that processes tick-by-tick data and executes trades on detecting opportunity after test period.
- Build in risk checks into each software program such as handling extreme events, bad data and network connectivity outages.
- Separate independent risk module sits on top of all strategies to manage portfolio level trades and positions.
- Teach each trading software program in a simulated trading environment on extensive list of test case scenarios.
- Deploy into production on small scale.
- Scale up once stable.

All strategies are implemented electronically and algorithmically (no high-frequency).

Commodity Trading Fund

Build Execution Infrastructure

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USD/INR Arbitrage: DGCX vs. SGX

- Outsourced co-locate server at DGCX
- Outsourced co-locate server at SGX
- Connect via hi-speed VPN
- Process every tick on USD/INR on DGCX and SGX
- Deploy algorithm to simultaneously buy (sell) on DGCX and sell (buy) on SGX on detecting any price difference
- Hold till expiry or trade reverse opportunity if available

Copper Statistical Arbitrage: LME vs/ COMEX

- Outsourced co-locate server at LME
- Outsourced co-locate server at COMEX
- Connect via hi-speed VPN
- Process every tick on Copper on LME and COMEX
- Deploy algorithm to simultaneously buy (sell) on LME and sell (buy) on COMEX on detecting extreme spread
- Exit position when spread normalizes

Commodity Trading Fund
Portfolio Management

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Comprehensive Portfolio Management System	
Portfolio Management	• Allocate capital to each strategy based on target returns, volatility, and capacity • Monitor each strategy's current arbitrage characteristics relative to historical data; flag any extreme events • Monitor in real-time that all positions are fully hedged • Automated reconciliation of trades and positions with counterparties
Risk Management	• Set strategy level and portfolio level risk limits • Real-time margin management to ensure sufficient collateral at all times • Real-time monitoring of liquidity and open interest on all positions • Real-time monitoring of strategy level returns, volatility and drawdowns
Systems Management	• Continuous monitoring of network connectivity • Provisions for back-up and manual intervention if needed • Compulsory extensive simulation trading of strategies before moving to production • Monitor and implement any changes to exchange application programming interfaces
Market Monitoring	• Monitor markets for tail events that might affect strategies • Reduce counterparty risk by dealing with strong financial intermediaries • Understand local regulations and deal in politically stable economies • Feedback loop of live trading results back to research team to continuously improve strategies

Commodity Trading Fund

Physical Trading Strategy - Opportunities

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Yield Opportunities per trade:

- The difference between the purchase and sell price of the commodity.
- The interest rate spread between the fund and the counter-party.
- Economies of scale and locking in a logistics margin, particularly in emerging markets.
- The advantage of hedging of commodity risks dynamically (i.e. not limited to ‘static’ or straight futures).
- Generating fees from introducing and educating counter-parties to regulated FCM brokers.

Commodity Trading Fund

Physical Trading Strategy – Risk Management

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Risk Management Protocol for Physical Transactions:

- Only “boxed” transactions as principal trader NOT as financing party.
- The transactions are not long-short strategies and therefore they are price neutral. In other words, the fund is not concerned whether the commodity prices go up or down as the transaction is hedged.
- The base currency for the market is US Dollar and all exposure will be flattened in US Dollar.
- All trades will be hedged so that the capital exposure is hedged on the relevant platform. For example, agriculture will be hedged on the Chicago Board of Trade and base metals on the London Metals Exchange.
- Transactions are to be limited to ones where there is an acceptable banking instrument is established.
- The title and ownership of the commodity will always rest with the fund until full and final payment has been received via the banking instrument.
- The fund shall have access to the commodity as collateral and the banking instrument as security of payment (or over 100% cover).
- The fund may require a cash bond or deposit, of 10-20% of the contract value, to be established as condition of the transaction.
- The fund may, take out counter-party and or sovereign default insurance risk via established European underwriters.

SECTION

03

Investment Management: Richcomm Global Services

Richcomm
The Investment Manager

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Commodities risk management to the benefits of professional investors

Established in 2007, Richcomm Global Services is a Dubai-based international commodity services company registered with the Dubai Multi Commodities Center (DMCC), a broker and a clearing member of the Dubai Gold and Commodities Exchange (DGCX) and regulated by the Emirates Securities and Commodities Authority (SCA). In addition, the company is a principal member of GAFTA London.

Richcomm Global management team has extensive experience in global commodities market and it is the leading independent broker and clearing member on DGCX (manages +/- 10% of daily DGCX volumes). Richcomm team has worked on advising on cross-commodity operations including grains, currencies to base metals, energy and precious metals.

Richcomm
Management Team (continued)

Alastair Dickie – Chairman

Alastair has over 40 years industry experience as a risk manager, managing director and analyst in the world's commodity markets. His experience includes, from trading and hedging grains, soybeans and meals and all vegetable oils as a senior trader to being responsible for overall global risk management with one of the world's largest trading houses. In addition, Alastair has a detailed knowledge of managing soft seed crushing plants in Northern Europe and a back ground in sugar, metals (ferrous & nonferrous). He is also experienced in international foreign exchange and interest rate futures. Working for Louis Dreyfus from 1977 to 1988, he was Managing Director of Louis Dreyfus Trading Ltd from 1986 to 1988.

In 1992, Alastair established Commodity & Financial Management (UK) Ltd where he was supervising the Marketing and Pricing for agri-businesses in Europe in grains and oilseeds. His previous experience in different commodity markets covered all aspects of the risks associated with the trading business and he specialized in Market Risk Assessment and the use of Futures and Options.

Since 1996, Alastair has also been involved in a non-executive capacity with the successful establishment of B&P Group Financial Services (Pty) Limited, a South African based JSE registered commodity derivatives prime broker. He works with official UK agencies and has lectured on commodity risk management to commercial audiences in Europe, North and South Africa, India and the Far East. Alastair was awarded a BSc Agriculture degree from Glasgow University and holds a Post Graduate Diploma FBM from the University of London.

Richcomm
Management Team (continued)

Paresh Kotecha – Managing Director

Paresh Kotecha, the founder of Richcomm Global Services (the leading independent broker and clearing member of Dubai Gold and Commodities Exchange), is a Commodity specialist with over 32 years of trading experience. He was a Senior Trader at Louis Dreyfus Trading Limited and at European Grain and Shipping, both based in London, covering grains and oilseed trading and derivatives risk management globally.

In 1991, he founded B&P Trading a commodity operation across Africa.

In 1997-98, Paresh was appointed on the GAFTA International Contracts Committee and elected on the JSE SAFEX Agriculture Advisory Committee for 10+ years. Since 1997, Paresh has been involved in various regional food security issues and commodity consultancy matters across SADC with the FAO of the UN, the European Union, U.S. Aid and has worked as an advisor to the Zambian Minister for Agriculture, Food and Fisheries.

Over the last 24 months he has been involved as a consultant to major trading houses in realizing their commodity objectives across Middle East and Africa.

His key responsibilities cover all aspects of global grains and oilseed complex physical and futures trading. Recently, Paresh has been appointed to the Food Advisory Committee at Dubai Multi Commodities Center (DMCC), in Dubai.

Richcomm
Management Team (continued)

Jonathan Grange – Commodity Trading

Jonathan Grange has extensive agricultural commodity trading experience. He learnt to trade with LDC in Paris in the 80's and was head of soft seeds & vegoils for Andre, Switzerland in the 90's. In 2001 he started an IT company in India and then spent time farming in Ukraine. He was a cash broker with Vicorus, Switzerland where he started the Oilseeds department and was part of the management team. With team work and broad market coverage the company achieved growth through comprehensive market understanding, integrity, innovation and being a sounding board for clients. A great believer in fundamental analysis and the impact of macroeconomics on commodity price he writes slightly quirky, sometimes politically incorrect, market reports.

Richcomm
Management Team (continued)

Henry Thomas James – Commodity Trading

Harry James is an experienced, innovative, hands-on global trader and international business development manager with a considerable background of client relationship and account management. His trading experience extends to many aspects of international business including high level negotiations, contracts, risk management, financial control and instruments, marketing and logistics. He is competent in all the fields of trading from government tender bidding /client contract negotiation through procurement/sales, administration and delivery logistics to final completion and payment.

Harry previous experiences include leadership roles at Louis Dreyfus Group as joint manager LDI worldwide cotton, and London East African and rice operations as Senior International Cereals trader; Cevennes Limited (UK) as trading portal development manager where he designed the content and accuracy of electronic trading inter-play for on-line Commodity Trading Platform, managed relations with main live feed futures and options exchange providers, NYBOT, CBOT, Commex etc. and feed line servicers Bridge International.

As an independent consultant in Paris he brokered commodities; vegetable oils, pulses and grains (Africa (Angola, Egypt, Cap Verde) and Mid-East) traded consumer goods (FSU Baltic region) and managed, metal stocks, quality/ quantity supervision, and risk management & financial exposure – (France)

Richcomm
Management Team (continued)

Nisha Kotecha – Director, Compliance

Nisha has over 20-years of experience in commodity futures and options brokerage business in South Africa and Middle East region.

As a director of B&P Group Limited (Lusaka, Zambia) Nisha was involved into establishment of the Johannesburg Stock Exchange SAFEX commodity futures and brokerage services.

Since 2001 till 2007 Nisha has been a director of B&P Group Financial Services (Pvt) Limited in Durban, South Africa. Her responsibilities included expanding the SAFEX agricultural brokerage operations, developing on offshore client base. Development of VAR administration for discretionary asset management operations; supporting the development of front desk compliance and audit procedures.

Since 2007 Nisha is Chief Financial Officer and Compliance Officer at Richcomm Global Services DMCC.

Richcomm
Management Team (continued)

Luca Gorlero – Director, Operations & Partnerships

Luca has 20+ years of diversified experience with expertise in private equity & new ventures international taxation, and project financing. He successfully executed PE deals spanning across geographies with a geographic bias towards Europe & the Middle East.

Luca is managing the asset and wealth management activities at Richcomm and has been one of the founding forces behind their set up.

Luca is currently serving as Chairman & Founder of Affinitas Consulting, a firm focused on providing services to organizations interested in developing a presence in the emerging markets with a particular focus on the GCC and Central Asian countries. Luca also served as compliance officer for the Golden Eagle Investment Advisors LLC in New York, USA.

Earlier in his career, he has been the Deputy Commercial Director at RAK Free Trade Zone in UAE, where he was responsible for overall supervision, coordination and development of all business parks and General Manager of New Ventures at Tejari (Dubai World).

Luca holds an MBA from Golden Gate University (San Francisco, USA), and a B.A. in Political Science from Universita' di Genova (Italy) and a marketing certificate from UC Berkeley (USA).

Abalone

The Investment Committee of Management Company

Mr. Roberto Colapinto, CEO of Abalone Asset Management Ltd

Mr. Roberto Colapinto joined CACEIS group in 2013 as Head of Regional Coverage. He was in charge of Southern Europe and Latin America. Before that he was Direttore Generale of Banque Privee Edmond de Rothschild Europe, established in Milan in 2006. He started his career with State Street in London in 1998. He moved to Zurich in 2000 and became responsible for all Institutional Clients. He then moved to Milan in 2004 where he managed for State Street the acquisition of Deutsche Bank Securities Services in Italy. Roberto holds a BSc Hons from University of Brighton in European Business and Technology. He also holds a Laurea di Produzione Industriale from the Politecnico di Torino.

Mr. Riccardo Teodori, Chief Investment Officer of Abalone Asset Management Ltd

Since 2014 Mr. Teodori was managing partner of Nord Credit, an Italian company specialized in financial analysis and negotiation with banking institutions. He has over 6 years of experience as quantitative professional trader developing mechanical trading strategies.
Since 2012 he has acted as director, investment committee member and portfolio manager of a number of funds in Malta. Previously he joined Accenture in Milan in 2004 where he performed IT and process management consultancy.

Mr. Marino Giacomo Giocondi, Member of the Investment Committee

Mr. Giocondi is currently Deputy CEO of hotelscan.com, a meta-search Internet engine which compares prices for different hotels and other types of accommodation. From 2012 to 2014 he worked as Managing Director of several Rocket Internet companies in different geographical areas: Turkey first, South East Asia then. Moreover, he was in charge of launching zalando.com in new countries. Previously, Mr. Giocondi worked for 4 years in McKinsey & Company as Associate and Business Analyst. Mr. Giocondi holds a Laurea in Business Administration from LUISS and an MBA from Instituto de Empresa (IE Business School).

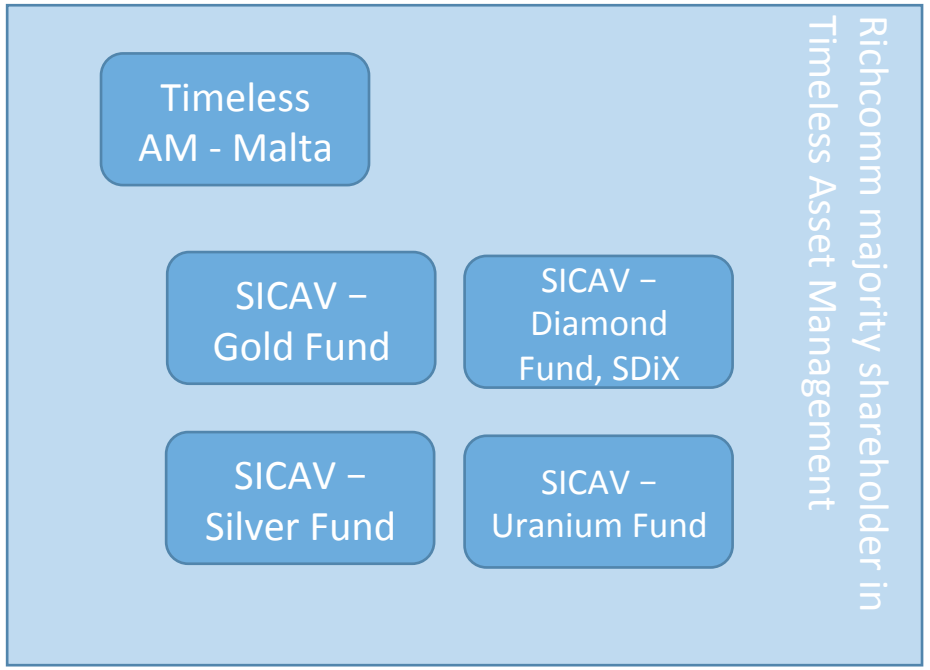
Richcomm ecosystem

Management Companies

ALMAGEST

Timeless & Abalone:

1. Timeless Asset Management & Abalone Asset Management are both asset management companies licensed in Malta as AIFMs by MFSA.
2. Timeless is our recent acquisition and is undergoing a license upgrade to be able to manage more than 100M EUR, till then Abalone will assist us to manage the Almagest SICAV.



SECTION

04

Almagest SICAV – Legal Structures

Legal Structure

Regulatory Bodies

- Richcomm Global Services DMCC is a legal entity registered at the Dubai Multi Commodity Centre, broker member of the Dubai Gold & Commodities Exchange (DGCX) and regulated by Securities & Commodities Authority of the United Arab Emirates. It has been also approved as a sub-investment manager by the Malta Financial Services Authority (MFSA).
- Almagest is a SICAV registered in Malta, *Abalone Asset Management Limited* is licensed to conduct Investment Services in Malta by the Malta Financial Services Authority. Abalone is authorized to act as a full scope alternative investment fund manager ("AIFM").
- "Commodity Trading Fund" is a registered AIF under the Almagest SICAV.

ALMAGEST
COMMODITY TRADING FUND

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