

Aquila Capital continues to refine its Risk Parity strategy

London, 8 December 2015 - Aquila Capital, one of Europe's leading independent alternative asset managers, today announced that it has undertaken a series of measures to further refine its Risk Parity strategy. The strategy evolution aims to increase the expected returns from already highly valued asset classes and to provide better protection from market corrections.

First, Aquila Capital has improved the resilience of its AC Risk Parity Funds¹ to simultaneous losses incurred across asset classes through the implementation of an enhanced risk management system that went live in December 2014. Second, potential returns of the Funds will be improved through broadening the diversification within the existing asset classes.

In addition, Aquila Capital has lowered the fees of the AC Risk Parity Funds. As of 1 December 2015, the management fee in the AC Risk Parity 7 Fund will be reduced from 1.2% to 0.7% and from 1.35% to 0.95% in the AC Risk Parity 12 Fund. Furthermore, the performance fee is lowered from 15% to 10%.

The Funds will continue to invest with equal risk weightings across four asset classes: equities, government bonds, interest rates and commodities. However, the exposures to these asset classes will be expanded by factor-premia strategies. So far, the introduction of these strategies into the investment process has improved performance by +0.5% for the AC Risk Parity 7 Fund and by +0.8% for the AC Risk Parity 12 Fund.

The factor-premia strategies will be implemented as follows:

Equities: Going forward, the AC Risk Parity Funds will invest into those sectors of the STOXX universe that have a lower degree of risk. As such, the Funds will focus on equities that carry less risk and provide higher risk-adjusted returns. Any additional market risk will be neutralised by reducing the already existing equity exposure.

Government Bonds: Long-term yields are typically higher than short-term yields. This difference can be used for achieving a positive interest income. The strategy lowers the duration of the entire portfolio and has a negative correlation to the bond market.

Interest Rates: Forward rates systematically overestimate future short-term rates. This effect, from which the AC Risk Parity Funds already benefit, is captured more efficiently by giving steeper yield curves more weight.

Commodities: Imbalances between demand and supply lead to systematic price differences between spot and futures markets. The strategy exploits those differences by investing in commodities whose forward prices show a markdown. The correlation of this strategy to the broad commodities markets is extremely low.

Torsten von Bartenwerffer, Head of Strategies & Portfolio Management at Aquila Capital's Quant Team, said: "The market neutral implementation of these strategies ensures that they only have a low correlation with the initial investment vehicles, which makes them very attractive from a risk perspective. Factor premia also provide attractive return characteristics and therefore constitute an ideal supplement to the existing allocation.

"Factor-premia strategies have a long-term focus, which fits well with our established investment approach. But given all the uncertainty about central-bank policy, they make sense in the short-term, too. The development of the overall strategy further improves the AC Risk Parity Funds' positive portfolio characteristics and provides excellent portfolio diversification with a competitive fee model."

Source¹: Official name: AC with its sub funds AC – Risk Parity 7 Fund (ISIN LU0326194015), AC – Risk Parity 12 Fund (ISIN LU0374107992)

Contact:

Julia Omeed, Aquila Capital
corpcomm@aquila-capital.com
T +49 40 55 56 53 125

Patrick Evans / Stephen Sheppard
Citigate Dewe Rogerson
+44 (0)20 7638 9571
aquila@citigatedr.co.uk

Notes to editors

About Aquila Capital

Established in 2001, Aquila Capital is a leading alternative investment firm managing a family of strategies in real assets, financial and private markets. The company applies a multi-team investment approach with dedicated experts in their respective fields. From regulated mutual funds to direct investments and special mandates, as a long-term partner, Aquila Capital provides holistic investment concepts and comprehensive investment advice and services to its investors.

Aquila Capital is part of the owner-managed Aquila Group, which employs more than 200 staff across eight locations in Europe and Asia Pacific and manages assets of over EUR 8.0bn for a global investor base (as at June 2015).

Further information can be found at www.aquila-capital.com.