

Systematic Macro Strategy

August 2020

As an independent currency specialist, Mesirow Currency Management has been delivering innovative, customized currency solutions to institutional clients globally since 1990.¹ Being a private, employee owned firm, Mesirow is free from many conflicts of interest associated with bank-affiliated organizations or publicly held firms and is fully aligned with the interests of its clients.

Background and Investment Approach

Mesirow Currency Management offers a purely systematic managed account structure that invests in the systematic components of the three alpha programmes: Asia, Emerging and Extended.

The Strategy allocates capital to each of the systematic components using our proprietary quantitative allocation process to dynamically adjust allocations monthly based on an Equal Risk Contribution principle. We believe that the added diversification achieved by combining the systematic components of the three programmes greatly enhances our ability to generate superior risk-adjusted returns through our systematic models across diverse market environments.

Systematic Portfolio Construction

Portfolios are constructed by allocating capital to the systematic components of our three alpha programmes. We believe that an allocation strategy that considers the risk contributions of the three components is superior to a simple equal-weighting, as their risk characteristics can vary substantially.

Our preferred approach to risk allocation is that of Equal Risk Contribution (also known as risk parity) – we use this approach in multiple areas within the firm. An equal risk contribution approach takes into account the risk of that component, and accordingly allocates more capital to low risk components, and less capital to high risk components. As a result, each component of the portfolio delivers roughly the same amount of risk. The correlation between assets is considered as well, so that an uncorrelated component will tend to receive a higher capital allocation because it contributes to the diversification of the portfolio.

We believe the Equal Risk Contribution method is a superior and more robust approach compared to mean-variance portfolio optimisation, as the risk contribution of each component for future periods can be more accurately forecasted than future expected returns.

The portfolio is rebalanced monthly using the Equal Risk Contribution method.

Systematic Macro Strategy

Summary Statistics² (Live Returns, February 23, 2018 – August 31, 2020)

	Gross	Net		Gross	Net
Annualized Return	-4.19%	-6.59%	Skewness	-1.48	-1.47
1 Year	-19.61%	-21.07%	Kurtosis	4.56	5.30
6 Month Rolling Return	-16.19%	-17.05%	Annualized Risk	15.56%	15.33%
3 Month Rolling Return	2.11%	1.60%	Sharpe Ratio	-0.39	-0.55
Year to date	-10.30%	-11.51%	% Months Positive	52%	52%

Summary Statistics² (Simulated Returns, January 2012 – January 2018)

	Gross	Net		Gross	Net
Annualized Return	15.15%	13.38%	Annualized Risk	12.61%	11.80%
1 Year Rolling Return	19.27%	18.01%	Sharpe Ratio	0.5	0.5
3 Year Rolling Return	11.83%	10.99%	Sortino Ratio	1.0	1.0
5 Year Rolling Return	16.56%	15.02%	Skewness	1.4	1.1
Year to Date	7.38%	7.26%	Kurtosis	3.4	2.6
			% Months Positive	53%	53%

Component Strategies Allocation² (January 2012 – December 2019)

Year	EM FX	Asia FX	Extended FX
2012	54%	67%	75%
2013	71%	74%	80%
2014	66%	72%	66%
2015	52%	70%	68%
2016	46%	67%	57%
2017	40%	38%	61%
2018	49%	51%	88%
2019	43%	44%	54%

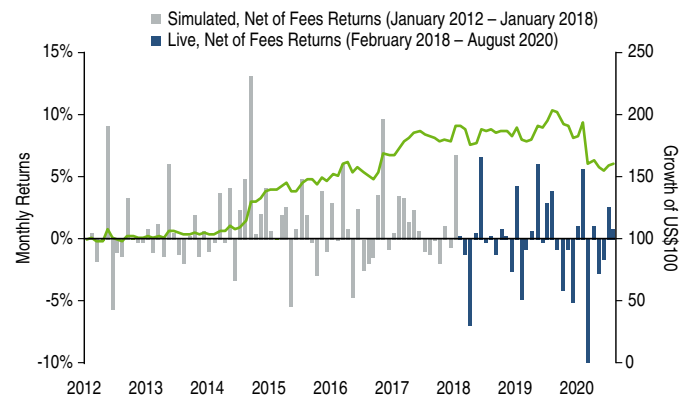
Performance prior to February 2018 represents simulated trading with backfilled data and does not represent trading on behalf of an actual client. The returns for February 2018 are unadjusted returns for a partial month.

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Systematic Performance Data²

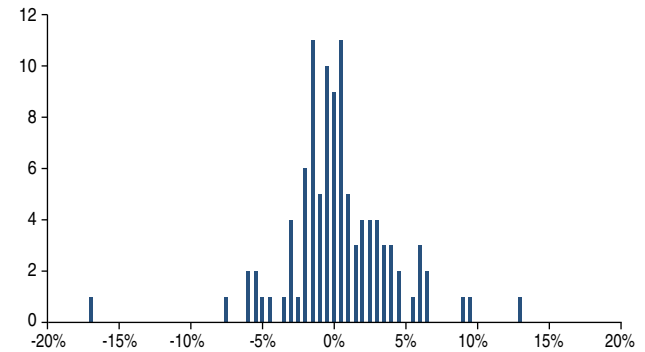
(Net of Fees Returns, Simulated January 2012 – January 2018, Live Returns February 23, 2018 – August 31, 2020)

MTD Net Returns and Growth



Source: Mesirow

Frequency of Monthly Returns (Net)



Source: Mesirow

Performance prior to February 2018 represents simulated trading with backfilled data and does not represent trading on behalf of an actual client account. The returns for February 2018 are unadjusted returns for a partial month.

Systematic Monthly Performance Data²

(Simulated January 2012 – January 2018, Live Returns February 23, 2018 – August 31, 2020)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Gross Performance													
2012	0.08%	0.58%	-1.87%	-0.12%	10.80%	-5.04%	-1.05%	-1.46%	3.42%	0.07%	-0.33%	-0.25%	4.84%
2013	0.83%	-1.17%	1.22%	1.38%	7.00%	0.69%	-1.24%	-1.99%	0.28%	2.00%	-1.42%	0.64%	5.46%
2014	-0.97%	-0.25%	3.81%	-0.23%	4.87%	-4.10%	2.87%	5.77%	15.95%	0.52%	2.56%	5.05%	35.85%
2015	0.88%	0.16%	2.32%	3.21%	-5.49%	0.78%	5.51%	2.35%	-0.31%	-2.93%	4.00%	-0.94%	9.55%
2016	3.56%	-0.03%	7.29%	1.03%	-4.70%	2.46%	-2.56%	-1.93%	-1.50%	3.56%	10.90%	-1.02%	17.08%
2017	0.65%	4.12%	4.05%	1.68%	2.87%	0.82%	-1.04%	-1.31%	-0.08%	-1.42%	1.10%	-0.67%	10.77%
2018	7.38%	0.28%	-1.12%	-6.89%	0.68%	6.72%	-0.41%	0.45%	-1.12%	0.91%	0.34%	-2.52%	-2.50%
2019	4.37%	-4.85%	-0.77%	0.83%	6.44%	-0.26%	3.82%	4.98%	-0.88%	-4.03%	-0.72%	-5.11%	3.03%
2020	1.21%	5.74%	-16.50%	1.07%	-2.74%	-1.50%	2.73%	0.91%	-	-	-	-	-10.30%
Net Performance													
2012	0.02%	0.52%	-1.93%	-0.15%	8.91%	-4.24%	-1.08%	-1.49%	3.28%	0.01%	-0.39%	-0.31%	3.15%
2013	0.76%	-1.23%	1.16%	-1.31%	6.27%	0.57%	-1.30%	-2.05%	0.22%	1.93%	-1.48%	0.57%	4.13%
2014	-1.03%	-0.30%	3.73%	-0.29%	4.79%	-4.14%	2.48%	5.05%	14.06%	0.44%	2.42%	4.83%	32.03%
2015	0.81%	0.10%	2.24%	3.15%	-5.55%	0.72%	5.34%	2.25%	-0.36%	-3.00%	3.94%	-1.01%	8.63%
2016	3.40%	-0.08%	7.02%	0.97%	-4.76%	2.39%	-2.62%	-1.99%	-1.56%	3.45%	10.69%	-1.07%	15.84%
2017	0.58%	3.99%	3.90%	1.60%	2.77%	0.75%	-1.10%	-1.38%	-0.15%	-1.48%	1.04%	-0.73%	9.79%
2018	7.26%	0.20%	-1.26%	-7.05%	0.51%	6.57%	-0.41%	0.27%	-1.27%	0.74%	0.17%	-2.68%	-4.63%
2019	4.20%	-5.09%	-0.94%	0.67%	6.09%	-0.33%	2.91%	3.85%	-0.83%	-4.20%	-0.88%	-5.28%	-0.51%
2020	1.04%	5.59%	-16.67%	0.90%	-2.90%	-1.67%	2.55%	0.75%	-	-	-	-	-11.51%

Performance prior to February 2018 represents simulated trading with backfilled data and does not represent trading on behalf of an actual client account. The returns for February 2018 are unadjusted returns for a partial month. Past performance is not an indication of future results. Actual results may be materially different from the results achieved historically. Please refer to the disclaimer at the end of these materials for important additional information.

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- 1 Track record for Currency Risk Management Overlay strategies prior to May 2004, the date that the Currency Risk Management team joined Mesirow, occurred at prior firms. Track record for Currency Alpha and Macro strategies prior to October 1, 2018, the date that the Currency Alpha and Macro Strategies team joined Mesirow, occurred at prior firms.
- 2 Performance prior to February 2018 represents simulated trading with backfilled data and does not represent trading on behalf of an actual client. The returns for February 2018 are unadjusted returns for a partial month. Performance of the Systematic Macro Multi-Strategy prior to October 1, 2018, was attained at The Cambridge Strategy (TCS), an unaffiliated investment manager. On October 1, 2018, a MFIM affiliate completed the purchase of a significant portion of TCS' assets, including TCS' intellectual property and hired a majority of TCS employees. Past performance is not an indication of future results. Actual results may be materially different from the results achieved historically. This strategy has not been GIPS verified. Notes on performance: The Systematic Macro Multi-Strategy combines the systematic carve-outs from the Emerging, Asian and Extended Market Macro Strategies. These three carve-out components are combined into a single set of portfolio returns using an equal-risk allocation procedure based on a proprietary method of measuring each component's portfolio risk contribution. Leverage is then used to target an overall portfolio volatility of 12% per annum. The allocation weights are simulated from January 2012 to January 2018. The composite currently has a single account and net returns are determined using this client's actual fees.

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