



CARMIKA
Partners LLP

Investor Presentation
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“Risk means more things can happen than will happen.”

- Prof. Elroy Dimson, London Business School

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Overview

Carmika Partners LLP ("Carmika") is a discretionary hedging firm that offers fully customized portfolio solutions.

Carmika's mission is to maximize returns for its investors during market drawdown cycles with a focus on achieving superior risk-adjusted returns and an emphasis on capital preservation with negative correlation to the equities market.

Diversified Strategy

The strategy is highly diversified across global indices, time horizons and trading styles. The hedging strategy is constructed by isolating market risks and integrating tailored hedges into a unified risk management framework.

Process Driven Approach

Our discretionary and quantitative approach leverages technology and automation of market pricings to analyze risk in a disciplined manner, controlling issues of market timing and monetization.

Institutional Standards

Carmika is one of three managers selected by the Highmore Group Advisors for its liquid alternative 40 Act fund called the Highmore Managed Volatility Fund (symbols: HMVZX, HMVQX). Product is approved on the Schwab and Fidelity platforms.

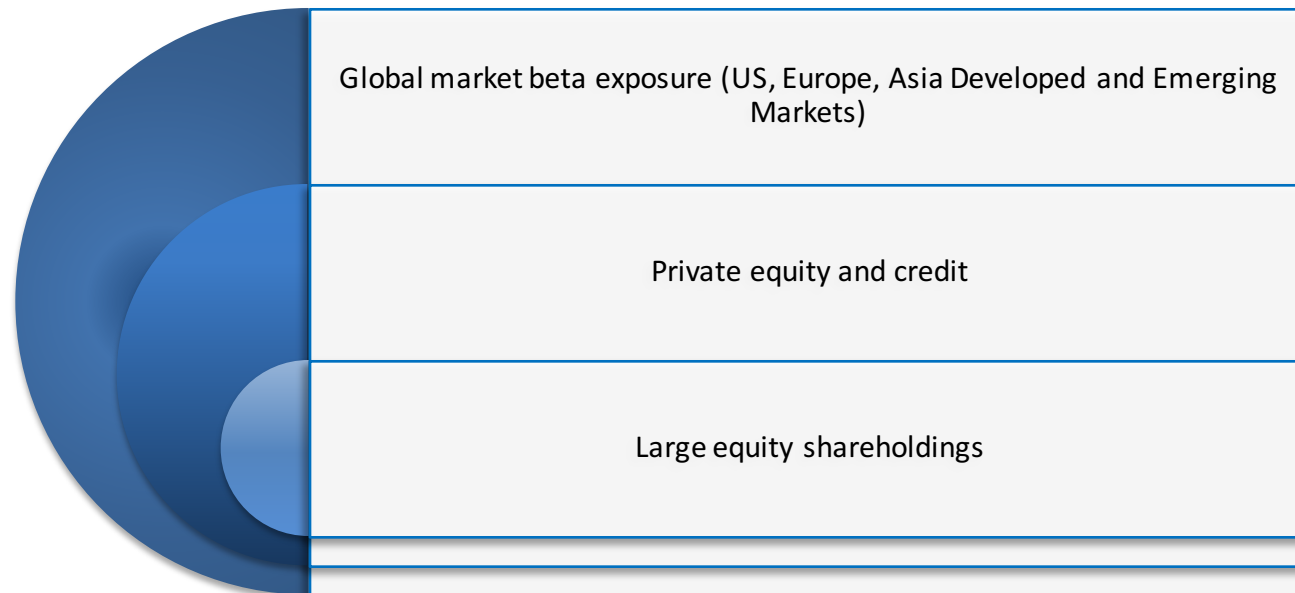
Aligned Interests

The partners and key employees are currently using this strategy to hedge their market beta exposure.

Overview

The Investment Team have over 40 years of combined experience in risk management and derivatives/volatility trading.

Focus on constructing bespoke portfolio hedges for Family Offices, RIAs, OCIOs, Endowments/Foundations, and Public Pension Plans which include:



Investment Team

Manjeet Mudan

Partner & Portfolio Manager



Prior to joining Carmika Partners, Manjeet was a founding partner and senior trader in volatility arbitrage and trading system development at ADG. He has over 20 years of experience in risk management, quantitative option trading and option market making. Before founding ADG, Manjeet was head of European automated market making for listed equity options at Morgan Stanley in London between 2004 and 2006, and head of financial engineering and global volatility arbitrage at Mako Global Derivative between 2002 and 2004. Manjeet started his career as a financial engineer at Hull Trading, acquired by Goldman Sachs in 1999, specializing in volatility arbitrage, automated trading algorithms and risk management. He spent 9 years at Hull Trading, 1993 to 2002, making partner in 1998.

Manjeet holds a Ph.D. in Experimental Particle and Astro-Physics from University College London, with research conducted at University of Michigan, Ann Arbor. Manjeet also holds a B.Sc. in Physics from the University of Edinburgh and won the National Astronomical Society Bruno Rossi prize for Astrophysics in 1988.

Martin Vestergaard

Founding Partner & Portfolio Manager



Martin has over 16 years of experience in risk management, quantitative option trading and option market making. Martin started his career at Arbitrage in Chicago on the floor of the CBOE, before becoming a financial engineer and trader at Hull Trading, where he met Manjeet in 2000. Martin moved internally to Goldman Sachs in London before leaving to join Horizon Asset Ltd in 2002. After spending 3 years at Horizon setting up their option business, Martin became a risk manager and volatility/macro trader at Centaurus Capital from 2005 until 2008, at which point he left to join Manjeet at ADG Capital Management. At ADG, Martin traded volatility arbitrage with a macro overlay until he left in 2012 to begin trading for himself. Before founding Carmika Partners, Martin was a non-executive director at Xenfin Capital between 2010 and 2015.

Martin holds a Masters of Science in Applied Statistics and Econometrics from the Technical University of Denmark. As a direct result of his masters thesis, he co-published a paper entitled "Estimation in Continuous-Time Stochastic Volatility Models Using Nonlinear Filters" in the International Journal of Theoretical and Applied Finance.

Challenges of Traditional Hedging Strategies

Carmika's strategy was developed to address the challenges faced by a Family Office in hedging its portfolio, namely through systematically long put strategies, either outright or as some form of put spread (usually 1-3 months out):



Reasons to Outsource Hedging

Complexity

Clients often lack the domain expertise to dynamically hedge specific risk exposures

Costs/ Scalability

Cheaper costs and better trade execution can often be achieved via long term trading relationships and economies of scale

Specialization

Both Carmika Portfolio Managers have spent their entire careers in risk management, options/volatility trading, and portfolio management

Carmika's Advantage

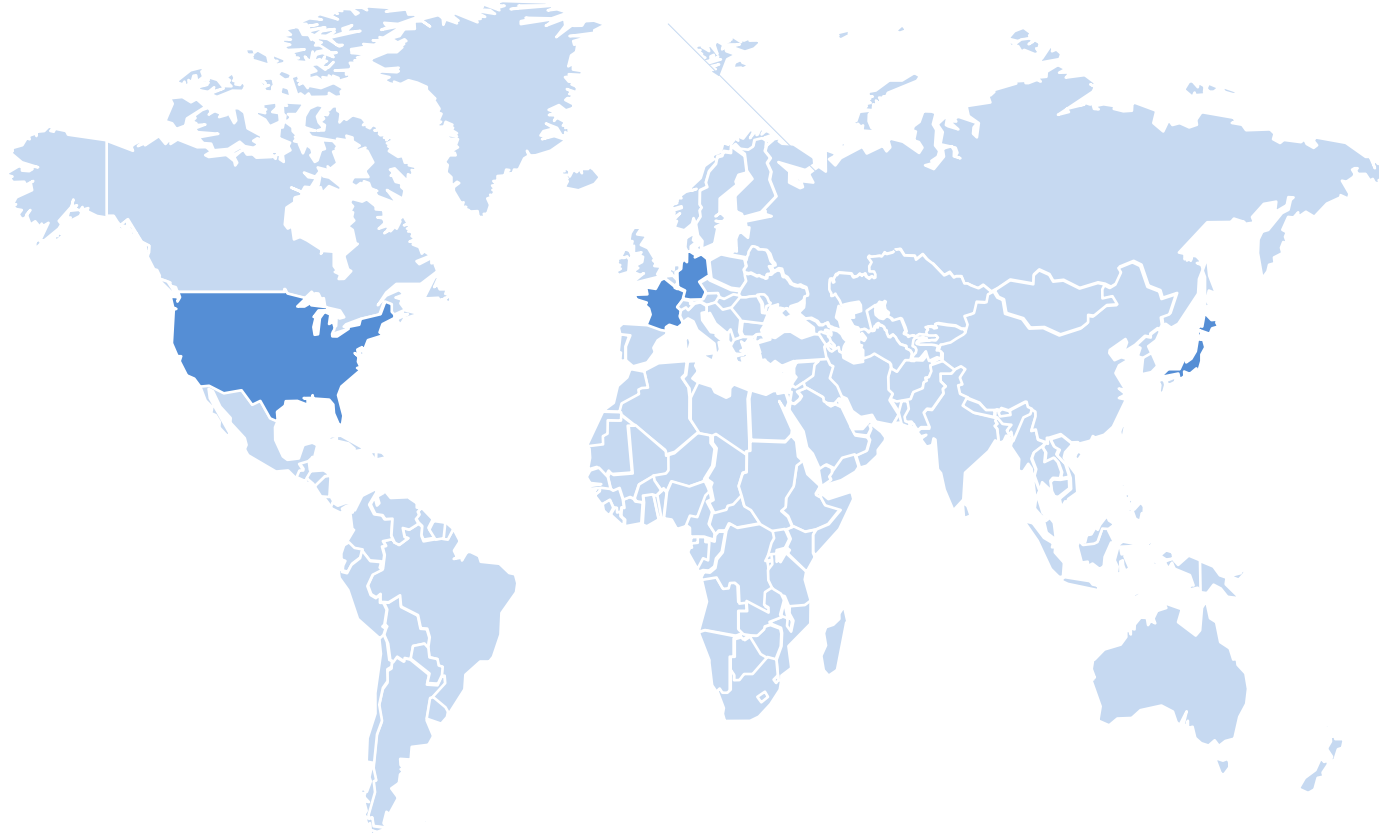


Criteria	Carmika Partners' Strategy	Traditional Hedges/Tail Risk Funds*
Manager Experience/Background	Over 40 years of combined derivatives and volatility experience working together	Individual or PM and/or team
Investment Structure	Individually tailored and transparent in separately managed accounts (SMAs)	Fund Structure (usually LP, or GP) no flexibility and not tailored
Portfolio Construction	Diversification across time horizons, global markets, trading styles – option valuations are key drivers of returns	Concentration on short dated maturities, SPX, and VIX options with less emphasis on option valuations
Trading Approach	Identifies cheapest valued hedge across correlated markets which can generate alpha, and neutralizes option decay and long volatility exposure	Focuses on short dated downside put protection, put spreads, and VIX options which lose value quickly
Portfolio Positioning	Dynamic positioning avoiding crowded hedges	Small number of highly concentrated option positions in short dated maturities, sometimes crowded trades
Liquidity	Only liquid and listed global indices and options on ETFs	Listed liquid global indices, options on ETFs, futures and some use OTCs
Monetizing P&L	Risk controlled and systematic monetization to capture P&L in market drawdowns	Based on individual or PM discretionary approach as to when to monetize P&L
Risk Management	Daily monitoring of portfolio risks, positioning and changes in option parameters. Hedge is always in place	Individually concentrated positions

Any investment in the strategy entails an inherent degree of risk and no assurance can be given that the strategy's investment objectives will be achieved or that investors will receive a return on their capital. An investor could lose all or a substantial portion of its investment.

*Advantages over Traditional Hedges and Tail Risk Funds are based on Bloomberg data as well as the CBOE Eurekahedge Tail Risk Index data,.

Index Universe



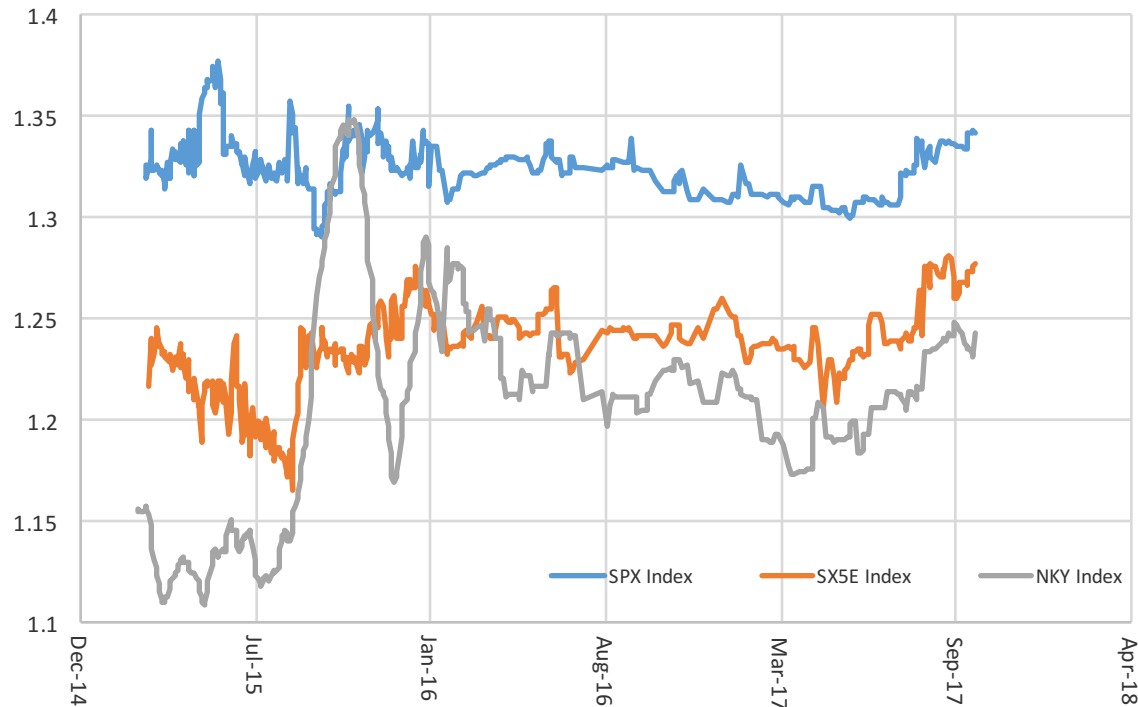
Global Option Exchanges
CBOE
NYSE
ISE
NASDAQ
PHLX
Euronext
Eurex
ICEEU
HKFE
OSE

Commonly used investment indices: S&P, NDX, DAX, SX5E, NKY, HSI

Investment Objective

The strategy's aim is to provide beta protection to the underlying portfolio and to **cover the cost of protection over time** through the selling of expensive convexity / volatility. It matters **where** and **when** you buy and sell convexity!

360 day Put skew



Source: Bloomberg

Investment Objective

Our goal is to be “**conditionally**” long volatility based on market moves.

- ✓ We aim to construct a portfolio that has an increasing exposure to volatility as the market falls and gets shorter volatility as the market rises.
- ✓ Initially the portfolio will be short Delta and as the market falls, it will get even shorter Delta and longer volatility due to convexity.

Skew is typically mean reverting over time. Therefore, buying cheap skew may enhance the potential payout since returns can increase exponentially due to the movement of both underlying prices and skew. Through sourcing cheap hedges, the strategy can generate alpha.

Investment Process

Analysis

- Run correlation analysis to seek out liquid indices appropriate for Family Office/Institution hedging concerns.
- Strong volatility backgrounds give a unique analytical approach to analyze volatility market micro structure.
- Seek out globally correlated markets to source cheap volatility.
- Option price screening for skew and convexity.

Structuring/ Implementation

- Subject to pricing, we sell expensive volatility/carry to help finance downside protection structure.
- Strategy contingent way to own volatility.
- Initially, we aim to be relatively flat volatility (depending on the level), short Delta and positive carry.
- As the market moves down the structure will get longer volatility and shorter Delta.
- When the inevitable spike in volatility occurs, we will aim to monetize positions so clients can generate cash to add to long positions following sell-offs.

Risk Management

- Hedge is always in place and constructed opportunistically.
- Each part of the strategy is reset according to quantitative triggers that have been set to retain optimal exposure to the volatility curve at all times.
- Upside protection is always implemented via short maturity options, and long term downside protection is maintained and adjusted either up or down based on pre-determined triggers.
- The strategy gets reset if certain market conditions/triggers are met, e.g. either a move in the underlying index or moves in convexity, volatility or skew. This ensures the structure always owns the most optimal convexity and helps with monetization.

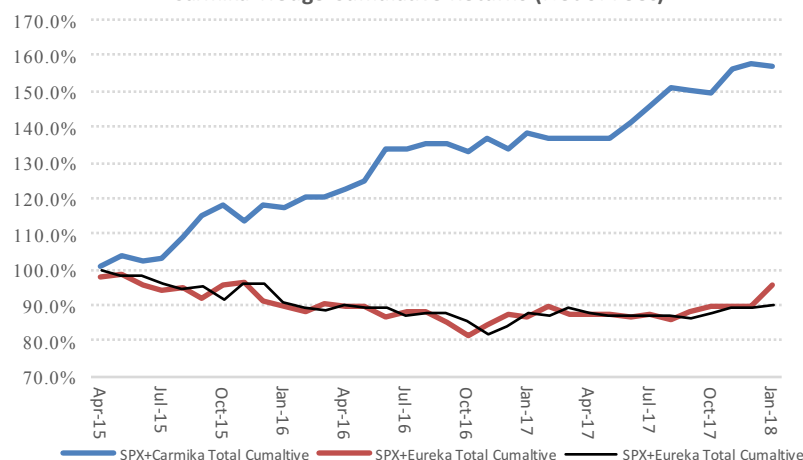
Strategy Performance – US Broad Market Beta Exposure

Illustrated below is Carmika's Alpha Hedge Strategy plotted against the S&P 500. The paper trade and volatility data are all live since April 14, 2015. Please see full performance disclosures on slide 17*.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD*
2018	Carmika Hedge	-5.9%	-5.6%	-2.0%	2.4%	-0.2%	0.6%	3.7%						-7.0%
	SPX	5.6%	-3.9%	-2.7%	0.3%	2.2%	0.5%	3.6%						5.6%
	CBOE Eureka Tail Risk Index	0.6%	-0.3%	-1.2%	0.5%	-0.8%	-1.0%	2.0%						-0.2%
2017	Carmika Hedge	1.6%	-4.6%	0.0%	-0.7%	-1.5%	2.8%	1.3%	3.7%	-2.7%	-2.7%	2.1%	-0.3%	-1.0%
	SPX	1.8%	3.7%	0.0%	0.9%	1.2%	0.5%	1.9%	0%	1.9%	2.2%	2.9%	1.0%	17.9%
	CBOE Eureka Tail Risk Index	-2.8%	-0.6%	-2.0%	-1.2%	-1.0%	-1.1%	-1.6%	-1.3%	0.2%	-0.5%	-2.5%	-0.8%	-15.3%
2016	Carmika Hedge	4.2%	3.2%	-6.3%	1.3%	0.1%	7.6%	-3.5%	0.9%	0.5%	0.3%	-0.8%	-4.0%	3.5%
	SPX	-5.2%	-0.4%	6.4%	0.3%	1.5%	0.1%	3.5%	-0.1%	-0.1%	-2.0%	3.4%	1.8%	9.1%
	CBOE Eureka Tail Risk Index	3.5%	-1.0%	-4.0%	-1.0%	-1.6%	-2.9%	-2.5%	0.0%	-2.6%	-2.6%	0.6%	2.8%	-11.0%
2015	Carmika Hedge				3.2%	2.3%	1.0%	-1.3%	12.2%	8.1%	-5.3%	-3.8%	5.9%	22.2%
	SPX				0.9%	1.0%	-2.1%	2.0%	-6.5%	-2.7%	8.0%	0.1%	-1.8%	-1.2%
	CBOE Eureka Tail Risk Index				-2.6%	-0.8%	-0.5%	-3.4%	7.3%	-0.7%	-3.5%	0.1%	-3.3%	-7.3%

Source: Carmika Partners LLP reported Hedge from April 14, 2015 to April 30th, 2018 . CBOE Eureka Tail Risk Index Fund reported from April 1, 2015 to April 30, 2018, Bloomberg

Carmika Hedge Cumulative Returns (Net of Fees)



Source: Carmika Partners LLP reported from April 14, 2015 to January 31st, 2018

	Carmika Hedge	CBOE Tail Risk Eureka	SPX	Carmika Hedge + SPX	CBOE Eureka + SPX
Standard Deviation (Annual)	14.1%	7.4%	9.9%	8.7%	8.7%
Max Month	12.2%	7.1%	8.0%	7.6%	6.2%
Worst Month	-6.3%	-4.0%	-6.5%	-3.8%	-5.1%
Max Drawdown	-11.5%	-31.6%	-11.4%	-3.8%	-19.4%
% of Positive Months	52.9%	20.6%	70.6%	67.6%	47.1%
Avg Monthly Return	0.4%	-1.0%	0.9%	1.4%	-0.1%
Sharpe	0.38	N/A	1.11	1.88	N/A

Source: Carmika Partners LLP reported from April 14, 2015 to January 31st, 2018

Terms and Service Providers

Terms	Fees
Minimum Notional	US \$1 million
Management Fee	0.5%
Incentive Fee	15%
High Water-Mark	Yes
Lock-Up	None
Liquidity	5 Business Days
Service Providers	
Prime Broker	Interactive Brokers, EDF Man, Goldman Sachs International
Compliance	Compliance Risk Concepts (US), Newgate (UK)

Why Carmika Partners?

Fully customized and dynamic hedging solutions across all asset classes

Strategy avoids expensive premium outlays and market timing issues

Only operate in listed liquid global markets

Transparent trading activity in SMAs, no lock-ups

Managers with considerable customized hedging expertise and experience

Rigorous risk management process



Strategy Performance-Disclosures*

Hedge Performance Disclosures (from slide 14)

- ✓ Carmika Hedge began live trading, on January 13, 2017, therefore **YTD Returns** incorporate market data recorded daily. Prior performance returns are based on model performance results, based on actual live data beginning April 14, 2015 and not actual client investment returns.
- ✓ Dividend and other distributions are not a performance factor as the Hedge is trading index's only.
- ✓ Past performance results are not indicative of future returns. Rates of Exchange may affect the value of investments. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals, strategy and market volatility may materially alter the performance.
- ✓ The CBOE Eureka Tail Risk Index is a multi-manager peer group comparison index, whose strategy implementation may be considerably different than Carmika's Hedge.
- ✓ There are no material conditions, objectives, or investment strategies used in calculating the performance returns.
- ✓ Performance results are not indicative of actual trading and they do not reflect the material economic and market factors which could have affected results if actual trade execution decisions had been taking place with client assets.
- ✓ No investment objectives or investment strategies of the model portfolio changed materially during the performance reporting period.

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UK compliance: Newgate Compliance, London