



CARMIKA
P A R T N E R S L L P

Investor Presentation
April 2020

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

- Prof. Elroy Dimson, London Business School

Overview

Carmika Partners LLP ("Carmika") is a discretionary relative value volatility investment manager.

The Strategy (Carmika Alpha Hedge Strategy "AHS") is an all weather relative value options strategy that attempts to maintain a negative correlation to risk assets in down markets with alpha generation in up markets .

Strategy Driven by Option Valuations

The primary investment driver is value of US equity index options. Discretionary portfolio management with quantitative model inputs.

Experienced Team

Investment Team has combined +45 years of experience led by Martin Vetergaard, ex-Centaurus Capital & Horizon Asset Ltd and Manjeet Mudan (Hull Trading/Goldman Sachs, Morgan Stanley and ADG Capital) pioneering portfolio based approaches to volatility trading. Both started careers in the late 1990s, managing option positions over \$1bn notional exposures.

Institutional Standards

Carmika is one of 2 equity volatility managers chosen for the Hydra Platform managed by Kettera Strategies, a hedge fund platform that delivers best in breed managers, unparalleled transparency, third party oversight and administration.

Aligned Interests

The partners and key employees are currently using this strategy to hedge risk assets.

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 Capital. He has over 25 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 20 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.

Investment Process

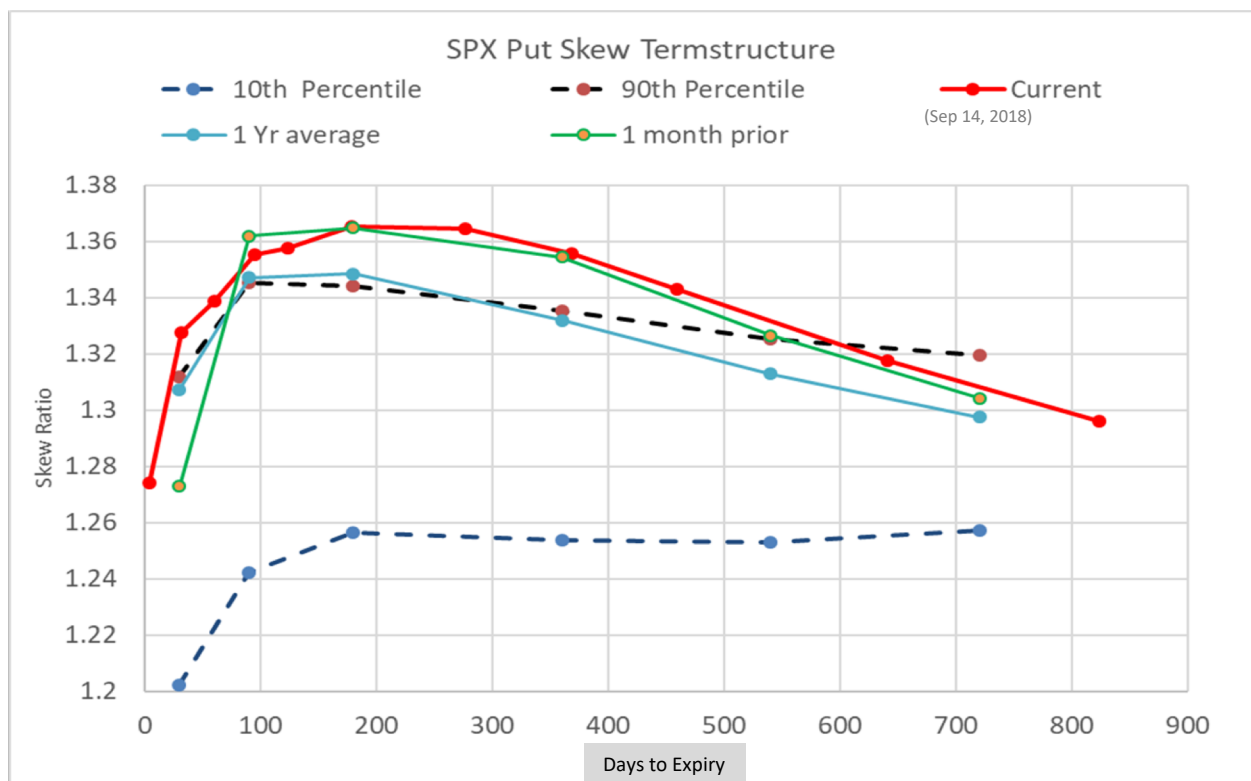
Criteria	Carmika Partners' Strategy
Instruments	US Exchange Traded Index Equity Options and ETFs, primarily S&P500 "SPX" Cash Index Options
Analysis	Screen instruments. Look to exploit opportunities in volatility curve mispricings, index call/put skews, overactions/underpricings of volatility (implied to realised volatility), investor behavioural biases, and market flows which can distort option valuations.
Trading Approach	Invests in Long/Short Equity Index options with downside portfolio protection bias. Quantitative review of model outputs to determine richness/cheapness option value in term structure, call skew, put skew. Qualitative review of outputs to match macro and take account any structural imbalances, investor behavioural biases & positioning. Discretionary, with no market timing and downside convexity exposure built in.
Portfolio Positioning	Small, diversified exposures across on average 20 positions. Flexible and opportunistic. Avoids crowded trades or "herding". No OTC products or exotic options.
Liquidity	Simple, listed, liquid index options. Highly scalable strategy – capacity \$1bn notional. Provides portfolio liquidity in market stress.
Monetizing P&L	Risk controlled and follows rules based approach to monetization to capture P&L in market drawdowns. Up markets, crystallise returns based on measured PL. 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.
Risk Management	Real-time monitoring of scenario based matrix for P/L, option greeks, proprietary volatility risk metrics.

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.

Investment Process

Proprietary model output example which shows richness/cheapness of SPX skew.

Percentile Ranking of SPX Put Skew over Last 10 years

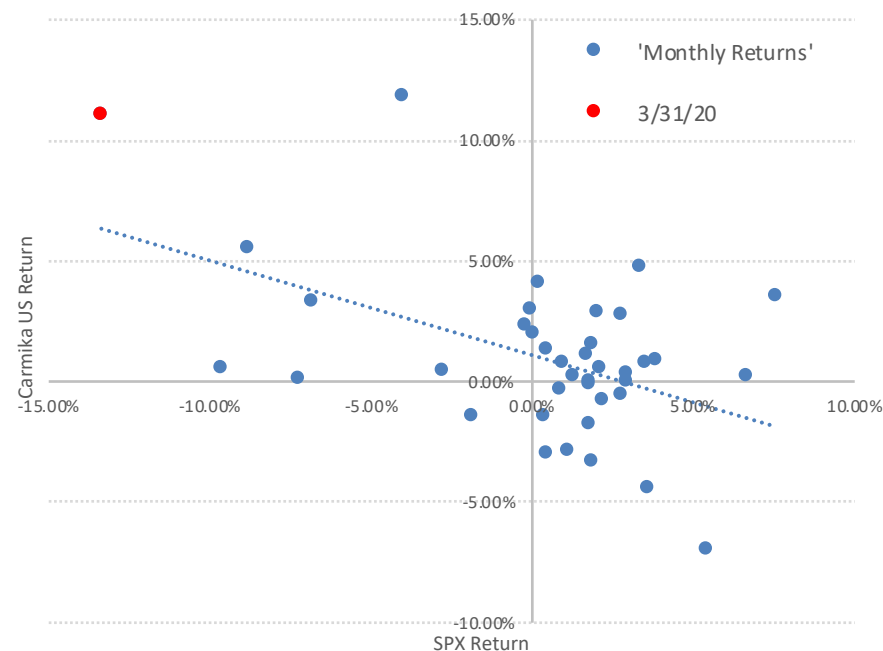


Source: Carmika Partners Sep 14, 2008 to Sep 14, 2018, Skew Ratio is defined as the volatility of the D15 Put/volatility of the D50 Put

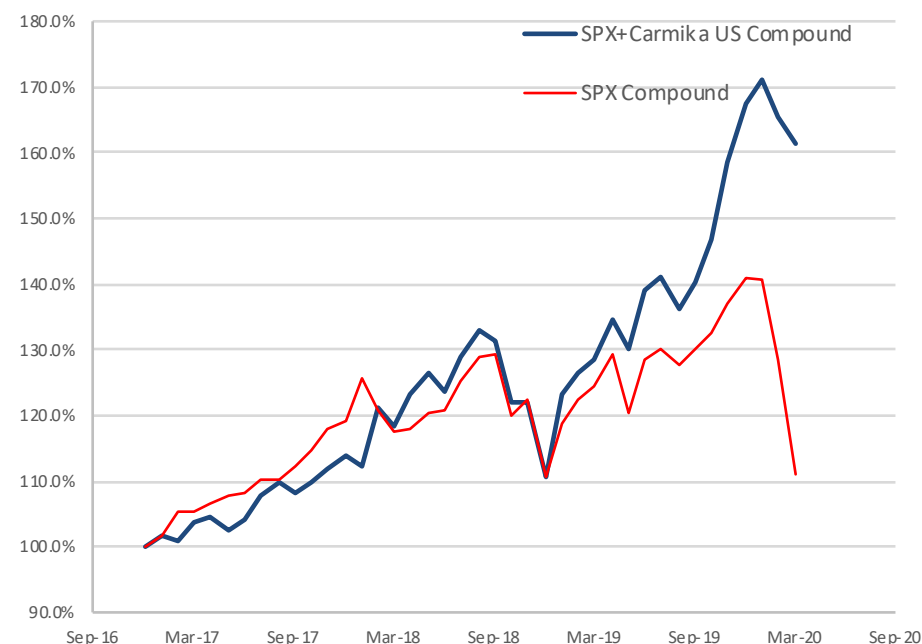
Portfolio Fit

Carmika's AHS aims to be negatively correlated to risk assets in downside markets while generating alpha in positive S&P500 up markets. Carmika AHS monthly correlation to the SPX is -0.49.

Monthly Returns Carmika US Alpha Hedge vs SPX



Live Performance of Carmika AHS with S&P500 Index



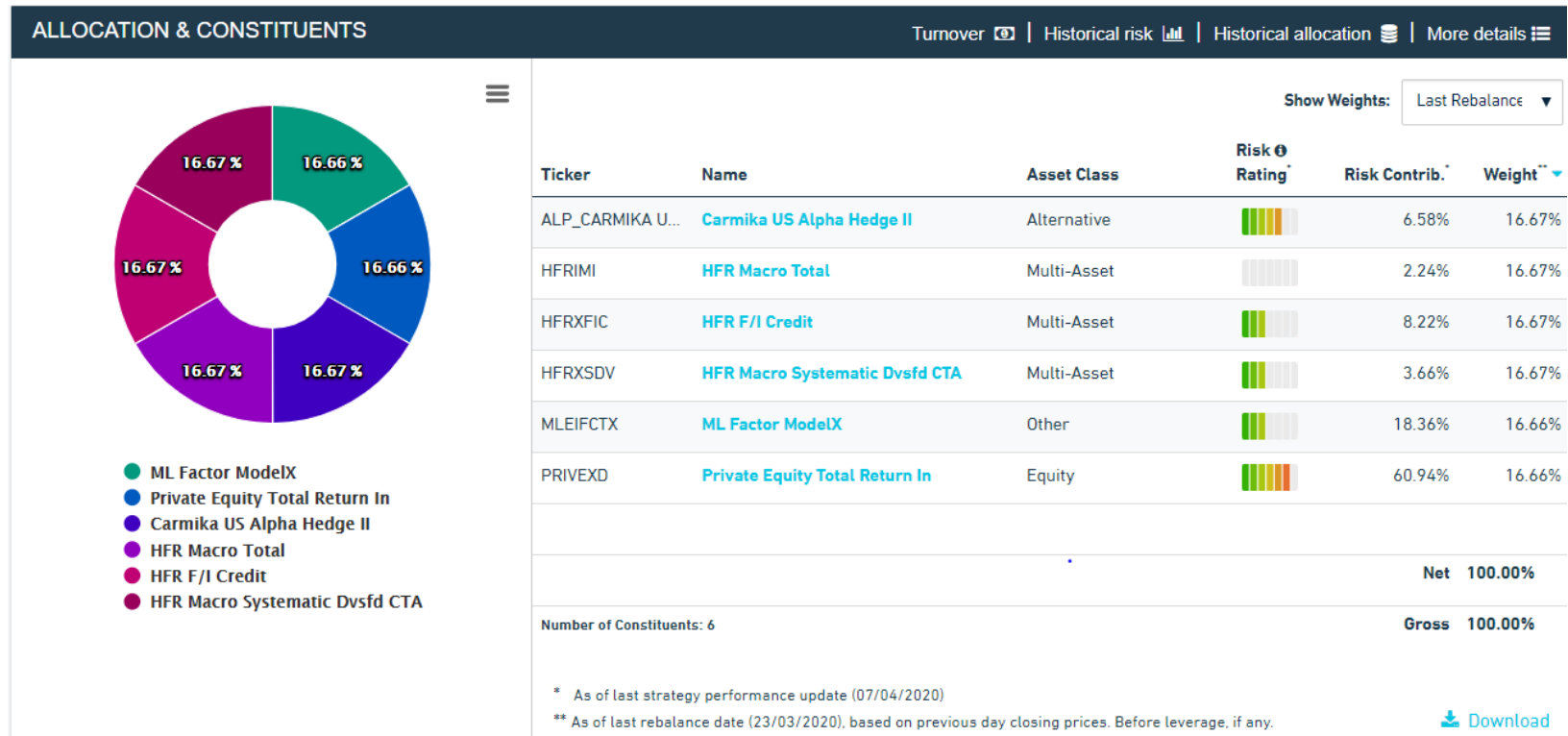
Portfolio Fit – Correlation Heatmap

Carmika's AHS is negatively correlated to other assets in your portfolio



Portfolio Fit

Alpima, risk platform owned by Fidelity International show effect of Carmika AHS added to an equal weight hedge fund portfolio.



Portfolio Fit

Return comparison analysis, YTD and over 3yrs



PERFORMANCE METRICS

All metrics based on USD timeseries
Comparable history between 01/01/2020 and 07/04/2020

3M 6M **YTD** 1Y 3Y 5Y All Custom

Name	Actual Return	Annual Return	Volatility	Maximum Drawdown	Return / Risk Ratio	Daily VaR 95%	Daily VaR 99%
Hedge fund - equal weight basket	-6.16%	-20.99%	13.54%	-14.63%	-1.55	n/a	n/a
Hedge fund - equal weight basket w/ Carmika	-0.64%	-2.34%	11.01%	-9.21%	-0.21	n/a	n/a



PERFORMANCE METRICS

All metrics based on USD timeseries
Comparable history between 08/04/2017 and 07/04/2020

3M 6M YTD 1Y **3Y** 5Y All Custom

Name	Actual Return	Annual Return	Volatility	Maximum Drawdown	Return / Risk Ratio	Daily VaR 95%	Daily VaR 99%
Hedge fund - equal weight basket	5.44%	1.72%	5.42%	-14.63%	0.32	-0.47%	-1.17%
Hedge fund - equal weight basket w/ Carmika	13.45%	4.16%	5.23%	-9.21%	0.79	-0.40%	-1.01%

Portfolio Fit – Sensitivity Analysis vs Other Assets

Everyisk Technologies, an independent risk technology firm produced the following shock analysis on the expected P&L based on Carmika's US portfolio dated June 12, 2019. The analysis shows moves risk adjusted across asset classes for a similar +/- 6% move in the S&P500.

Everyisk Technologies – Sensitivity Analysis based on Projected S&P -6/+6% drop/rise risk adjusted by asset class

Returns Stats				
Portfolio	Index	Shock	E[PL]	type
Carmika_20190612	SP500	-6.00	6.79	percent
Carmika_20190612	CCC OAS spreads	1.42	4.35	spread
Carmika_20190612	US High Yield	-3.19	5.28	percent
Carmika_20190612	US Real Estate	-6.83	3.71	percent
Carmika_20190612	EM bonds	-3.08	3.55	percent
Carmika_20190612	European High Yield	-2.06	4.16	percent

Returns Stats				
Portfolio	Index	Shock	E[PL]	type
Carmika_20190612	SP500	6.00	-1.49	percent
Carmika_20190612	CCC OAS spreads	-1.30	-1.21	spread
Carmika_20190612	US High Yield	3.20	-1.95	percent
Carmika_20190612	US Real Estate	6.92	-1.23	percent
Carmika_20190612	EM bonds	3.08	-1.23	percent
Carmika_20190612	European High Yield	2.51	-1.63	percent

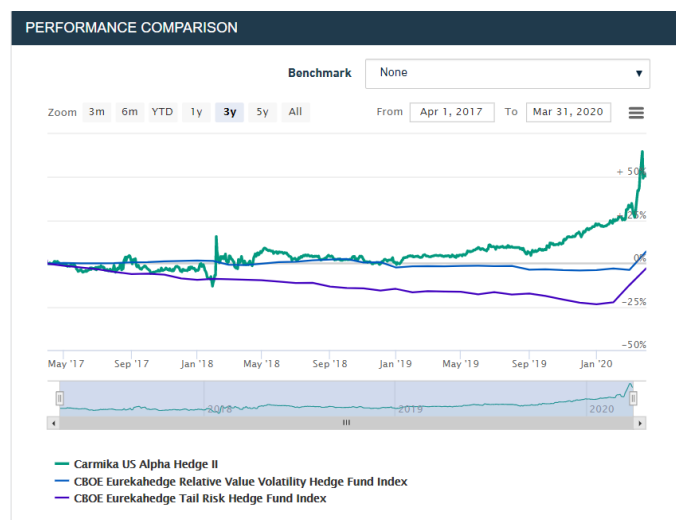
Source: Everyisk Technologies June 21, 2019

Strategy Performance

Illustrated below is Carmika's US Alpha Hedge Strategy ("Strategy") plotted against the S&P 500. The Strategy went live on Jan 17th, 2017. Please see full performance disclosures on slide 16*.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD*
2020	Carmika Hedge	2.2%	5.4%	10.9%										18.5%
	SPX	-0.2%	-8.8%	-13.4%										-22.4%
2019	Carmika Hedge	3.8%	-0.2%	-0.2%	0.8%	3.2%	0.1%	0.1%	-1.6%	1.0%	2.8%	4.6%	2.7%	17.2%
	SPX	7.9%	3.0%	1.8%	3.9%	-6.6%	6.9%	1.3%	-1.8%	1.7%	2.0%	3.4%	2.8%	26.3%
2018	Carmika Hedge	-7.0%	11.7%	0.4%	4.1%	0.4%	-3.0%	0.1%	0.2%	-1.7%	0.0%	-2.3%	0.5%	3.4%
	SPX	5.6%	-3.9%	-2.7%	0.3%	2.2%	0.5%	3.6%	3.0%	0.4%	-6.9%	1.8%	-9.3%	-5.4%
2017	Carmika Hedge	0%*	-4.5%	2.8%	-0.5%	-3.0%	1.2%	0.9%	1.8%	-3.5%	-0.9%	-0.7%	0.7%	-5.9%
	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%

Source: Carmika Partners LLP reported Hedge from Jan 17, 2017 to March 31, 2020. Bloomberg "SPX Index" reported from Jan 17, 2017 to March 31, 2020.



RETURN/RISK ANALYSIS

	Carmika AHS	SPX	SPX + Carmika
Avg Monthly Return	0.9%	0.4%	1.3%
Sharpe Ratio	0.94	0.44	1.13
Annualised StdDev	12.1%	10.1%	14.0%
% of Positive Months	64.1%	68.3%	64.1%
Max Month	11.8%	8.0%	11.0%
Worst Month	-7.0%	-13.4%	-9.1%
Max Drawdown	-11.1%		
Monthly Correlation SPX	-0.49		

Source: Carmika Partners LLP reported from Jan 17th, 2017 to March 31, 2020: Chart LHS provided by Alpima

Terms and Service Providers

Terms	Fees
Minimum Notional	US \$1 million
Management Fee	1.0%
Incentive Fee	15%
High Water-Mark	Yes
Lock-Up	None
Liquidity	5 Business Days
Service Providers	
Prime Broker	Goldman Sachs International, Interactive Brokers, EDF Man
Compliance	Compliance Risk Concepts (US), Newgate (UK)

Why Carmika Partners?

Strategy avoids expensive premium outlays and market timing issues

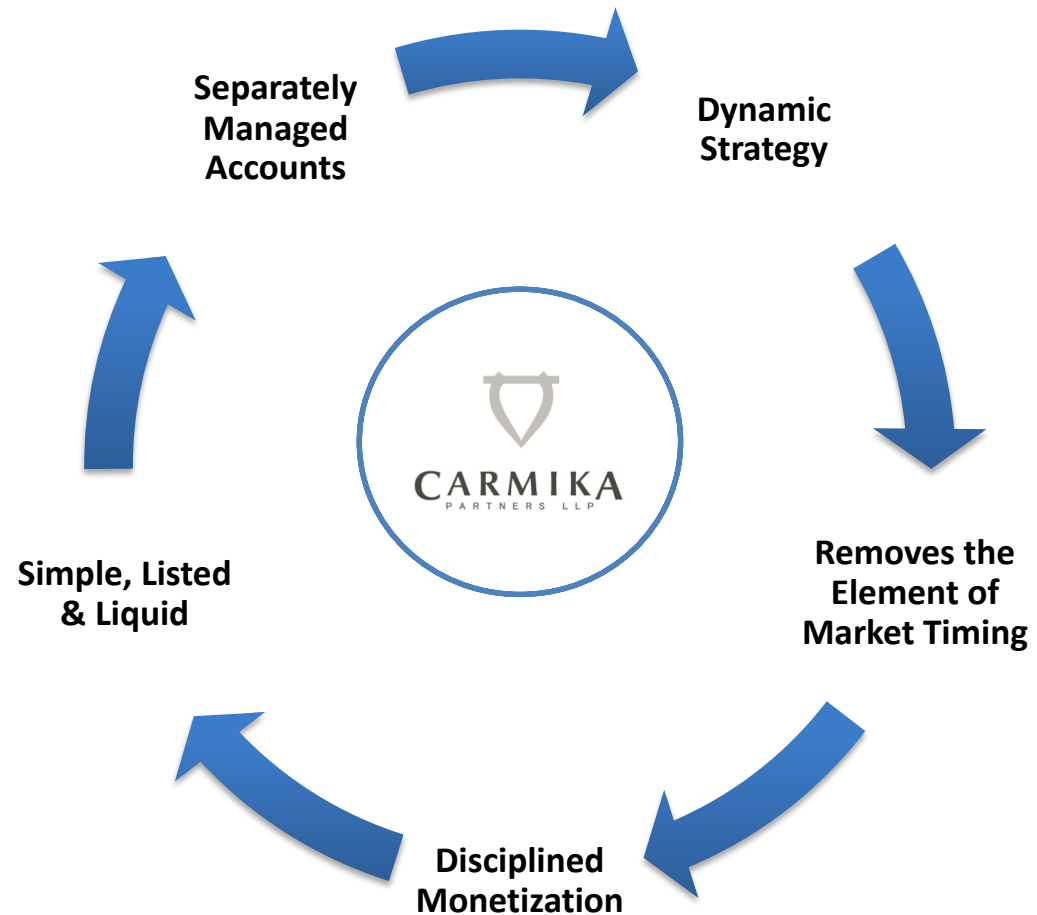
Only operate in US listed liquid markets

Transparent trading activity in SMAs, no lock-ups

Managers with considerable customized hedging expertise and experience

Rigorous risk management process

Fully customized and dynamic hedging solutions across all asset classes



Strategy Performance-Disclosures*

Hedge Performance Disclosures (from slide 13)

- ✓ Performance results contained herein may be estimated or unaudited, and are net of 1.0% management fees, and 15% performance fees which are applied on a monthly basis only, and assume that an investor has held the Carmika's US Alpha Hedge Strategy since the Strategy inception on January 17, 2017. Investors who invested at a different time or investors may experience different returns.
- ✓ 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.
- ✓ No investment objectives or investment strategies changed materially during the performance reporting period.
- ✓ The information presented in this document is provided by Carmika Partners LLP as of March 2020 and should not be an indication that the information will remain the same in the future.

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US compliance: Compliance Risk Concepts, NYC

UK compliance: Newgate Compliance, London