

APHILION
QUANT DRIVEN INVESTMENTS

APHILION SIF

DUE DILIGENCE QUESTIONNAIRE

SEPTEMBER 2021

KEY DATA	
FUND FACTS	
Fund Name:	Aphilion SIF
Launch date:	1 June 2008
Currency:	EUR
Fund Size	56 million EUR
ISIN:	LU0364015916
Benchmark:	Absolute Return
UCIT Passport:	no
Liquidity	Monthly (with weekly NAV calculation by Administrator)
Share classes:	Class A for public, class B for founders
Legal Address of the Fund:	Aphilion SIF 60, Avenue John F. Kennedy, L-2085 Luxembourg
Custodian's name:	BNP Paribas Securities Services, Luxembourg
CONTACT INFORMATION	
Name of contact persons:	Nico Goethals, Jan Holvoet, Xavier Boussemaere, Griet Decock
Title of contact persons:	Fund Manager, Risk Manager, Business Development Manager, Compliance Manager
Telephone of contact persons:	+32 2 2170130
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ASSET MANAGEMENT COMPANY DETAILS	
Name:	Aphilion IM
AUM of the company:	200 million EUR
Funds managed by the company:	Aphilion Q ² (Belgian sicav, global equity fund) with two sub-funds: Equities and Balance Aphilion SIF(Luxembourg sicav, market neutral equity hedge fund)
Operational Address:	Aphilion IM Koloniënstraat 11 1000 Brussel Belgium
Regulatory authorities:	
• Name(s) of regulatory bodies:	FSMA, Belgium and CSSF, Luxembourg
• Date of registration of the funds:	Respectively 26 Sep 2001, 23 May 2008 and 24 Sep 2014
Website	www.aphilion.com (describing only Aphilion Q ² , as Aphilion SIF is not a retail product). Latest SIF factsheet can be picked up from www.aphilion.com/SIF

ASSET MANAGEMENT COMPANY	
HISTORY	
Description of the history of the Asset Management Company.	Starting in 1999, some stock picking ideas were being statistically tested and a comprehensive quantitative methodology was being devised. The first fund was launched in December 2001 (Aphillion Q ² , long-only, global equity) with a very good track record to date (4% annual outperformance against the MSCI World benchmark). In June 2008, a market neutral equity hedge fund, Aphillion SIF, was launched, using the same quantitative tools and risk management. On September 24th 2014, the more defensive subfund Aphillion Q ² - Balance was launched.
OWNERSHIP	
Describe the company's ownership structure, name of its principal owners, their percentage ownership, and their role within the company:	Jan Holvoet, founding partner, 50% Nico Goethals, founding partner, 50%
ORGANISATION	
People and Functions	Fund Manager: Nico Goethals Risk Manager: Jan Holvoet Business Development: Xavier Boussemaere Compliance Manager: Griet Decock
Short background of Jan Holvoet	Master in Economics (magna cum laude) and Master in Philosophy (magna cum laude) 1994-1999: Equity Analyst with KBC Asset Management Co-founded Aphillion in 2000
Short background of Nico Goethals	Master in Commercial Engineering and Bachelor in Philosophy. 1990- 2000: Worked at KBC in several fields: risk systems, bond trading and asset management (in Brussels, London, Singapore and Hong Kong) Co-founded Aphillion in 2000
Short background of Yves de Naurois	MBA in accounting and finance, Columbia University 1984-1999: Global Senior Investment Officer at Citibank Private Bank 2000-2003: General Manager at Banque SCS Alliance SA 2004-now: CEO of IRML, Arkus Financial Services, Luxembourg
Short background of Christophe Pessault	Master degree in Bank and Financial Markets, Burgundy School of Business Dijon 2003-2007: Internal auditor at Crédit Mutuel CIC 2008-2010: Risk management at Mercuria Management Company 2010-2019: CEO at Arkus 2019-now: Member of the Executive Committee at ME Business Solutions
Short background of Xavier Boussemaere	Master in Economics, Postmaster in Finance 2005-2007: Proprietary Equity Trader at Delta Lloyd Securities 2008-2009: Investment Associate at KBC Goldstate Fund Management (Shanghai) 2010-2014: Investment Manager at Ursus Major 2014-now: Associate at Aphillion
Short background of Griet Decock	Master in Commercial Engineering, EFFAS Certified financial analyst, FSMA Certified Compliance Officer 1990-1998: Europabank 1998-2006: Business Analyst at De Tijd 2006-2008: Senior Consultant at Sungard 2009-2018: Business Analyst vwd group 2018-now: Operations at Aphillion
How many investment professionals (portfolio managers, analysts, etc) work in the company?	Two
What are the average years of professional experience in the company, both years as a professional as well as years in the company?	25

INVESTMENT PHILOSOPHY	
Describe the investment philosophy of the firm:	Purely quantitative, outperformance through stock picking, while trying to minimize any biases (regional or currency, sector, beta and other, sometimes hidden, market factors)
Please briefly describe your competitive advantages related to your peers.	Aphillion is a quantitative manager which concentrates on fundamental data (historical results and forward-looking analyst estimates), this is sometimes called a "quantamental" approach. This type of data is very error-prone: the data needs a lot of cleaning before it gets usable. This is the main reason why we think this field of research is not overcrowded.
AUDITING	
When did last audit of your company take place? What is the name of the audit company? Any relevant comments on the auditors' report?	30/06/2021 KPMG, Luxembourg
AMC CLIENTS	
What type of client do you mainly focused on? (institutional, retail)	Institutional + retail for Aphillion Q ² , only qualified investors for Aphillion SIF
Please provide the total asset under management by the group, for different groups of investors (pension funds, institutional, retail, private clients,...)	200 million EUR Roughly: 80% professional, 20% retail
AMC's most significant clients	Aphillion Q ² 's shareholders are very dispersed: no single investor above 10%. Aphillion SIF: no single investor above 15%.

FUND'S STRUCTURE AND ORGANIZATION	
Legal Form	Aphillion SIF is a Luxembourg domiciled Specialised Investment Fund (SIF), subject to the provisions of the act of 13 February 2007. AIF acceptance by the CSSF on 16 June 2015.
Board of Directors	Nico Goethals (chairman), Jan Holvoet, Yves de Naurois and Christophe Pessault
INVESTMENT PROCESS	
Describe the fund investment process: (portfolio construction)	<p>Aphillion is a quantitative investment-manager. All our investment decisions are based on a set of in-house developed mathematical models. These models work with a universe of more than 5000 stocks worldwide and provide the investment managers with a calculated over- or undervaluation for all the stocks in the universe. The model is designed in such a way that this valuation measure has a linear correlation with the predicted excess return (predicted alpha). These alpha predictions for all individual stocks are then used as an input for the portfolio construction, together with estimates of risk factors underlying these individual stocks' returns. We use both pre-defined factor analysis, in which you know what the factors are, such as interest rates, oil prices, etc, and abstract factor analysis.</p> <p>The models are run on a daily, real-time basis, which means all positions are continually monitored and replaced if necessary.</p> <p>The portfolio consists of approximately 200 lines long (stocks), and 200 lines short (stocks and sometimes partially through index futures), a number which is more than sufficient for risk management purposes</p>
What is the maximum AUM to be considered as "affordable" by your investment strategy (investment capacity limit)?	1 billion euro, although this could be further enhanced by the further development of our quantitative tools, a continuous process, and this will hopefully lead to additional alpha generation capacity
Which is the investment style of the fund?	Market neutral, quantitative
Which are the performance drivers according to the investment strategy of the fund?	Stock picking: select the best buy/short opportunities within each sector or risk factor
Please describe the most difficult scenario that you experienced in managing the fund, and how it was dealt with:	The extreme volatility in 2008 caused our performance to fluctuate heavily as we were caught overexposed to the whole commodity space (which at the time was also heavily correlated). This made us reassess our risk management away from a purely sectoral approach (ie maintaining a more or less fixed exposure to certain economic sectors) to a factor based approach. This helped stabilise our performance, which soon recovered. We managed to end this difficult year with "only" -5.25%, quite good compared to the average (equity) hedge fund
Do you have an out-performance objective against the benchmark? Is your target absolute or relative returns?	Absolute return, no benchmark. For Aphillion Sif, we have an absolute return target of 12% p.a.
Do you invest your personal savings in the fund that you manage?	Yes
Is your income strongly linked to the performance of the fund?	Yes, as owners of the group and as investors in the fund
Average number of positions in the portfolio:	400
Average holding period of a stock in the portfolio:	4-6 months
Please provide the monthly/quarterly newsletters sent to the investors since the inception of the fund?	Monthly performance e-mail with update of fund's factsheet. Latest fund's factsheet can always be found at www.aphillion.com/SIF

RISK	
What is your risk management philosophy?	Our risk-management philosophy is to remain fully within the expectations of the end-investor. For the long-only equity fund this means having a risk profile in line with the main equity indices (specifically the MSCI World Index). For the market neutral fund, this means keeping the yearly standard deviation under 15% (and preferably closer to 10%).
Please briefly describe the risk control model applied to the fund:	<p>Our main tool is a factor based model in which every stock in our investment universe is analysed and categorized according to its risk characteristics (volatility, correlations). This is a dynamic process in which re-evaluation takes place on a weekly basis. The main calculations are done in the statistical software package "R" and all outputs are transferred to Excel for ease of use by both portfolio managers and monitoring.</p> <p>For the long-only fund we have an equity index benchmark (the MSCI World Index) with which we compare our performance internally and externally to clients and prospects. Therefore our main focus is relative risk ('tracking error') vs. this benchmark. The aim is to keep the annualised ex ante tracking error below 8%, which is more or less the norm for actively managed equity funds. There are also certain triggers in place when specific monitoring is necessary. This happens when our performance diverges from the benchmark more than 2% on a weekly basis and 7,5% on a quarterly basis, ex post. These figures correspond more or less to "2 sigma" events. In that case an examination is conducted and the board of directors of the fund is informed of the results.</p> <p>For the market neutral fund, this means keeping the yearly standard deviation under 15% (and preferably closer to 10%). Arkus Financial Services Luxembourg is acting as an external risk management and reporting function. Our risk manager, Martin Ewen, is making extensive use of the services of Arkus in this respect.</p>
DIVERSIFICATION	
Minimum and maximum weight of position in the fund (%). Describe also your limitation in terms of sector and country, be it in absolute numbers or relative to the benchmark.	The weight of an individual stock position is 1.5% on average, but depends mainly on the volatility of the stock. Biggest stock positions are typically taken in non-volatile stocks such as Nestle, Diageo (2% max). The most volatile stocks get only a position of around 1%. Sector, country and currency have concentration limits; these risks are also minimized continuously (as a goal function in the quant model itself).
Can the investors be provided with the fund's portfolio on a monthly basis? If not, how often?	Not monthly, only ad hoc
LIQUIDITY	
What is the liquidity of underlying assets and what is the appropriate time period to liquidate?	Our investment universe consists of all the largest and most liquid stocks. Given the fact that all our positions are more or less equally weighted (with a correction for volatility, see above), we rarely have problems liquidating positions in less than a day when necessary.
HEDGING	
Do you hedge your exposure to some relevant source of risk?	As the portfolio is equity market neutral, the market beta is targeted to be zero. Other risk factors (pre-defined, e.g. the oil price, and abstract) are kept within limits.

FUND'S TRACK RECORD AND ALLOCATION	
Please provide the track record of the fund from inception:	See fund's factsheet on www.aphilion.com/SIF
Has the management policy of the fund changed from inception?	Aphilion has always been a quantitative manager. The mathematical models have been continually adapted and improved over time. This is an ever ongoing process. The way in which the portfolios are constructed has grown more sophisticated over time, with much more emphasis on the impact of each decision on the risk parameters.
Could you provide us the actual breakdown of the fund by region?	Currently, 70% of the positions are taken in Europe
FEES STRUCTURE	
Management fee:	2%
Performance fee:	20%, no hurdle rate, with high watermark and share equalization
Subscription fee:	2%
Redemption fee:	0%
Is there a single share class or a multiple classes with different fees?	Class A for the public (qualified investors only) Class B for the founders