



Investment DDQ

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Investment Strategy

Description of investment strategy and what we are looking to achieve.

The Strategy's investment objective is to seek to generate attractive risk adjusted total rates of return, principally through long and short investments in equity securities of companies with market capitalisation of between €3bn and €15 billion ("European Mid-Cap Equities") that are either listed on stock exchanges in Developed Europe or whose business is primarily in Developed Europe.

The European Mid Cap team's philosophy can be described in the following statements:

Market inefficiency is greatest at the lower end of the market cap range where analyst coverage is poorer. Public perceptions, reflected in stock prices, are often removed from business realities. Our approach is dedicated to capturing this anomaly.

We concentrate on statements made by businesses, look for and listen to standard and non-standard sources of information, and conduct an extensive meeting programme to ask our questions of company management teams.

We believe that there are two sources of excess return for investors adopting this approach:

- An informational advantage for those prepared to look;
- An analytical advantage for those asking the right questions

Informational Advantage

This is the reward for investors who look for and collate information in an asset class which is not well researched. It is the return attached to a discovery process in an investment universe that is wide.

The opportunity arises because the economic model of the sell side cannot provide universal or adequate research coverage or information dissemination for the sheer number of companies that are quoted. Analyst coverage is low, typically junior and compromised by high turnover. Forecasts tend to reflect the company's view (or how it wants to be viewed) and are often out of date. Genuinely independent analysis is the exception not the rule, providing an opportunity for informed investors conducting their own proprietary research.

The poor and worsening sell side analyst coverage is a trend that we believe is likely to persist in the short to medium term as evidenced by continued retrenchment and redundancies. Remaining analysts have moved up the market cap range and are now covering too many stocks with limited breadth, depth and quality of research.

Analytical Advantage

	<p>This is the reward for investors meeting management teams and asking the right questions. We believe that successful investing in Mid Cap companies demands that the investor 'thinks like an owner'. A disciplined analytical framework provides a consistent and evolving set of questions. Our emphasis shifts depending on whether a business is growing or fading, geared or ungeared, an asset backed or capital light business. We are looking to understand operational gearing, financial and business model risks. We are assessing if management understands these value drivers, pushing the business accordingly, setting budgets and stock market expectations adequately. Our approach is designed to reflect our interpretation of the most likely business prospects of the companies we invest in, to capture an excess return through all stock market environments and to avoid the traps associated with conventional growth or value styles. We place strong emphasis on using internal proprietary and externally robust models to quantify the conclusions of the information gathering and analytic process.</p> <p>A Long/Short Europe Mid Cap strategy has all of the advantages described above of operating in an inefficient asset class whilst maintaining liquidity and the ability to short stocks at low borrow costs with limited risks of re-call. We believe this Mid Cap strategy is also scalable to \$1.5bn of GMV without impacting performance.</p> <p>Our strategy seeks to generate mid to high single digit % absolute returns (9-12%), regardless of market movements, with low volatility (6-8%) and with few drawdowns which are limited in nature (<10%). These objectives are based on 200% GMV.</p> <p>The process is based on fundamental bottom up stockpicking with an emphasis on meeting management, undertaking our own research and valuation and applying a strict risk framework to stock selection and exits and portfolio construction (see investment process section below).</p> <p>The outcome is a diversified book of 50-60 names (primarily single name long and short positions as opposed to indices) which produces a stream of returns that are primarily driven by idiosyncratic or stock specific factors.</p>
<p>Key differences between the historical strategy and the strategy we wish to implement in future.</p>	<p>The proposed strategy is very close to the one that has been in place since 2012 – initially at Cheyne Capital (2012-14), then GLG (2015-21) and at Point72 (2022 to date). The external track record 2012-21 and internal track record 2022-2025 are provided on request. The proposed strategy will be run with higher leverage (2x) and slightly more concentrated (50-60 names) resulting in higher returns.</p> <p>Prior to running long short European Mid Cap strategies the PM managed a long only smaller companies fund at Gartmore (2005-11). The track record has been provided.</p>

	<p>The core universe and process has remained the same over the period although we have made incremental improvements to the process. In the past three years at Point 72 the primary improvements are:</p> <ul style="list-style-type: none"> - Implementation of coverage model along sub sector lines - Increased use of third party data (e.g credit card data) and experts - Implementation of a more granular single name stop loss policy – using rolling and since inception stops, looking at relative and alpha returns - Incorporating a management tone assessment, catalyst path and positioning assessment into the research process <p>We also believe that the strategy can produce higher returns in a single manager environment where we will not be impacted by internal conflicts due to scale such as corporate access, trading, deal allocations and a centre book.</p>
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Coverage List																																	
<p>Total size of coverage universe (broken down by geography if applicable)</p>	<p>The strategy invests in developed Europe including UK.</p> <p>We do not seek out binary investing opportunities e.g – early stage pharma and risk arb. We do not invest in extremely high growth high valuation companies where the range of return outcomes are often extreme. We also do not invest in Banks, Life insurance and semiconductor businesses.</p> <p>We screen for liquidity and short interest and perform an assessment to determine sectors and stocks where we believe there is alpha capture potential. This leads to a coverage universe of 182 companies.</p> <p>Current Universe (and number of names by country):</p> <table data-bbox="678 1430 1234 1686"> <tr> <td>Austria</td> <td>0</td> <td>Netherlands</td> <td>8</td> </tr> <tr> <td>Belgium</td> <td>2</td> <td>Norway</td> <td>3</td> </tr> <tr> <td>Denmark</td> <td>10</td> <td>Poland</td> <td>1</td> </tr> <tr> <td>Finland</td> <td>11</td> <td>Spain</td> <td>3</td> </tr> <tr> <td>France</td> <td>19</td> <td>Sweden</td> <td>18</td> </tr> <tr> <td>Germany</td> <td>25</td> <td>Switzerland</td> <td>19</td> </tr> <tr> <td>Ireland</td> <td>5</td> <td>United Kingdom</td> <td>47</td> </tr> <tr> <td>Italy</td> <td>11</td> <td></td> <td></td> </tr> </table>	Austria	0	Netherlands	8	Belgium	2	Norway	3	Denmark	10	Poland	1	Finland	11	Spain	3	France	19	Sweden	18	Germany	25	Switzerland	19	Ireland	5	United Kingdom	47	Italy	11		
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Ireland	5	United Kingdom	47																														
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<p>Total number of names that have full models.</p>	<p>60-90</p>																																
<p>Number of names that are on radar but not necessarily up to date</p>	<p>60-90</p>																																

<p>If we do not have full models for all companies in the portfolio or watchlist, how do we get conviction</p>	<p>It is rare for a name to enter the book without a full model.</p> <p>However, there are situations where we may need to act rapidly, responding to news or information and the idea is expected to work quickly. A model will normally follow but it may also be the case that the idea works before one is built and we have exited.</p> <p>Examples include:</p> <ul style="list-style-type: none"> - responding to an inflection in a data series that we track - sell side recommendation change post management contact with incremental information - post management meeting with the outcome being a clear divergent view versus the street <p>There are also occasional situations where we use the sell side models and adapt their estimates to produce our own valuations. We use the sell side to assist us in getting up to speed on a new idea but also to read the mood music of the market. During this part of our research phase, we may encounter a particularly good sell side model and rather than re-invent the wheel it is more time effective to use it rather than build our own from scratch.</p>
<p>Screen shot of Bloomberg launch pad, GICS level 2 & 3 (Excel of universe, if easily available with full tickers)</p>	<p>Available on request</p>
<p>How the coverage universe has expanded / contracted over time and why</p>	<p>The sectors and types of business that we cover have not changed nor has the liquidity or short interest criteria. It is a wide universe of Mid Cap companies.</p> <p>The universe expands and contracts organically due to:</p> <ul style="list-style-type: none"> - IPOs - M&A - Companies growing into large caps - Companies shrinking into small caps <p>In general, the universe of names does not change much each year.</p> <p>There are times where we may retrench from looking at a sector or sub sector where we believe the alpha generation potential has diminished e.g.</p> <ul style="list-style-type: none"> - Sector has become more crowded / hedge fund heavy - The sector has become more binary due to a macro event - Stocks are not behaving in a predictable manner e.g going up on bad news - Our recent alpha generating experience has been poor – time for a break <p>As an example of the final bullet above, In the past year we took an active decision to retrench from Real Estate in response to our attribution analysis showing us that we have recently been unable to monetize in the space.</p>

Investment Process

Idea generation process

Our investment universe typically comprises all European stocks with a market capitalization between €3bn and €15billion. We also occasionally look at and invest in stocks with market capitalisations outside of this range.

Idea generation can be intangible and unpredictable. We are paid to listen and seek to interpret the cyclical and structural evolution of and changes in companies, industries and countries as well as the economy as a whole. There are a number of ways we can enhance our idea generation:

Our coverage model enables individual ownership within the universe and deeper understanding of the names within the coverage allocation which ultimately drives higher velocity and improved idea generation.

We also perform ad hoc screening to search for companies demonstrating specific characteristics. This may be to search for ways to express a theme that we have encountered during our search for ideas. For example we may wish to look for recovery names by identifying cyclical companies that are trading close to trough through the cycle margins and trough valuations versus history or the market as a whole.

We run an accounting screen to identify potential accounting short ideas (described below) using a series of financial metrics (e.g Days Sales Outstanding) combined with a natural language search tool where we search company releases, annual reports, earnings transcripts and other documents for phrases that could be used to flag aggressive accounting techniques (e.g “factoring” or “securitization” of receivables).

We interact regularly with the sell side and have a network of specialist sales and our favorite sector analysts who provide us with a regular stream of ideas as well as keeping us up with current themes and events.

Ideas also flow back from our management meetings and strategic research (described below) and when we pick up a theme from these we are able to make lateral shifts from the company we are looking at to peer group companies that may also be impacted by the same theme.

Where we have the opportunity, we have enjoyed collaborating with our large cap sector colleagues, and across asset classes such as fixed income or macro to discuss themes and ideas. This can be structured in the form of weekly or monthly meetings or

	<p>unstructured and ad hoc conversations at the desk or water cooler. Collaboration also occasionally takes the form of shares meetings with company management teams and/or the sharing of meetings notes.</p>
<p>Diligence process</p>	<p>Our investment process is centered on an extensive meetings programme with company management teams. Our experience, reputation and positioning as a tier 1 player in the European Mid Cap space ensures we are granted access to management teams. The quality of our meetings also plays a key role in getting repeated access to management teams.</p> <p>A key element of our company contact is the quality of information we gather. Our company contacts are not just meetings, but forums for questioning and building a comprehensive understanding of the business. Crucial to this is our ability to set the agenda and focus on the questions we need answered. We prefer one on one meetings (as opposed to groups) and are well prepared when entering the meeting with a shortlist of key questions . We like asking short targeted and quantitative questions which elicit a direct response. We dislike open ended big picture questions and will never allow management to go through their presentation. We monitor verbal and nonverbal signals such as body language, speed and length of response and word choices to provide as with further signals on conviction of responses from management teams.</p> <p>A key strength lies in our ability to decipher the information we are given and to extract the data we need. We maintain records of our meeting notes and a summary of our initial conclusions post the company meeting. This helps us to appraise and track the execution of management’s strategy over time. We provide written feedback to management which is appreciated.</p> <p>We may meet with a company on several occasions during a single year. We conduct research both at our offices, via conference calls and also on-site at a company’s premises. Regular contact enables us to identify changes within the business and react promptly to any developments likely to impact the company’s prospects.</p> <p>We utilize the sell side on our terms as a resource to help us develop our understanding of the company and the industry in which it operated, both prior to and after the management meeting. Often this involves speaking to a bull and bear to test our thesis.</p> <p>As well as our primary stock specific research (see below) we also conduct strategic research to identify industry trends and themes. This may include contact with, suppliers, customers, competitor companies and industry experts.</p> <p>We subscribe to and track a number of key data points to assist us in establishing industry and company specific trends. This includes credit card data, mobility data, web scraping tools, social media</p>

	<p>trends, app downloads in addition to more established industry data sets such as Kantar, Nielsen, STR.</p>
<p>Modeling</p>	<p>We build proprietary models for the companies we research, allowing us to translate our research into forecasts, valuations and specific price targets.</p> <p>We normally build simple models using abridged 3 stage financial statements (balance sheet, income statement, cash flow statement) to forecast earnings and cash flow.</p> <p>We generate short term (next quarters) medium term (3 years) and long-term (10 years) earnings and cash flow forecasts to produce an explicit recommendation and a price target. We normally use discounted cash flow (DCF) methodology to put a valuation on our view of future earnings.</p> <p>We model base/bull/bear case scenarios to try to capture the up/downside risk and expected returns.</p> <p>An important part of the process is performing a reality-check on our findings using multiples such as P/E and EV/EBITDA ratios. We look at multiples versus peers, market and history.</p>
<p>Primary research</p>	<p>We use a disciplined investment framework and conduct our own research using our research template by first understanding where the company is in its life cycle (e.g. turnaround) and to identify the primary company specific value drivers (e.g. acquisitions). Once these are established we are able to select the relevant tools we use from our template to conduct our research and to write a research note. The tools we select and the emphasis we place on them vary by company.</p> <p>We undertake industry analysis to determine the short medium and long-term prospects for the relevant industry/sector and a franchise analysis to identify a company's competitive advantage.</p> <p>Industry Analysis Our starting point is to form an opinion on long-term growth rates returns and cyclicity in the relevant industrial sector. We apply specialist frameworks to assess the nature of the business environment:</p> <ul style="list-style-type: none"> - The PEST framework to assess growth drivers - The Porter's Five Forces framework to assess return drivers <p>Growth Drivers The PEST framework is based on four key factors driving the growth of an industry:</p> <ul style="list-style-type: none"> - Political - Economic - Social - Technological

	<p>We use this as a framework to consider the factors affecting the relevant industry and how these might change. For example, within highly regulated environments such as utilities, political events will factor highly into any forecasts.</p> <p>Return Drivers The Porter’s Five Forces framework centres upon five elements driving industry returns:</p> <ul style="list-style-type: none"> - Threat of new entrants - Risk of substitutes - Power of suppliers - Power of customers - Intensity of internal competition <p>We examine the strength and, more importantly, the direction of each factor to determine the likely impact upon margins.</p> <p>Industry Cyclicity We undertake an assessment of the cyclicity of the industry by understanding demand and supply drivers and looking at past performance during downturns and booms.</p> <p>Franchise Assessment Following our industry analysis, we then assess where an individual company is positioned in relation to its industry peer group. We apply a proprietary framework and determine the key success factors within an industry, focusing on the following broad elements:</p> <ul style="list-style-type: none"> - Structural factors – such as global capability and network links - Asset factors – such as brand, network and reputation - Margin and Return Drivers – such as pricing power, returns on capital employed - Balance Sheet Analysis – operational and financial leverage - Management factors – such as strategic direction and ability to innovate Environmental, Social and Governance (ESG) considerations – such as Board remuneration and incentive structures. <p>This generates a detailed analysis of the strength and sustainability of a company’s competitive advantage.</p> <p>We also assess the quality of the accounting (including the audit report) and also recent results performance.</p> <p>Our research enables us to make explicit forecasts for company-specific growth rates and returns and to model the company.</p>
<p>How do we decide if a name gets into the portfolio, and how do we scale into positions?</p>	<p>In addition to the research above we document the catalyst path and signposts to look out for.</p>

	<p>By comparing our forecasts to the consensus, we can identify the potential for unexpected growth or decline in earnings (our divergent view).</p> <p>We look for catalysts and signposts to ensure that our thesis path and divergent view are understood and reflected in sizing.</p> <p>We conclude our research note by documenting our conviction level on our thesis. The aim is to populate the book with conviction ideas. Each stock in the portfolio is consistently assessed against new ideas for the portfolio.</p> <p>We conduct an assessment of incremental contribution to risk using portfolio optimization tools. (see section below on sizing for more detail).</p> <p>The idea is presented to the team and the portfolio managers are responsible for taking the decision to add the name to the portfolio.</p> <p>Our attribution analysis shows recent evidence of alpha decay with new names performing better than aged names. In response to this we target a rapid scaling into a new idea to reach initial target weight as soon as possible.</p>
<p>What is the process around exiting positions?</p>	<p>We believe that sell discipline is the weakest discipline of all investment professionals.</p> <p>We therefore conduct continuous monitoring of sell triggers to ensure that our reason for holding a stock is still valid.</p> <p>In particular we monitor:</p> <ul style="list-style-type: none"> - Price/valuation targets - Change in fundamentals - Earnings and estimate changes - Loss of confidence in management - Unusual share price behavior <p>If one of these factors changes we will reassess our holding.</p> <p>We employ price targets for every position in the portfolio.</p> <p>We have implemented a stock level stop loss policy which is based on a multi layered grid system. We have different stop levels for longs and shorts, using rolling stops and since inception stops, looking at returns relative to market and alpha returns.</p> <p>On the long side of the portfolio, when a stock reaches our price target we will reassess our valuation and adjust our target accordingly or sell.</p>

	<p>Each stock in the portfolio is consistently assessed against new ideas for the portfolio. We believe the opportunity cost of investment produces the most consistent sell discipline.</p>
<p>How do we think about idea velocity?</p>	<p>Attribution analysis suggests that keeping the book fresh is important to maintaining high returns and we require a healthy pipeline of ideas and good conversion of these ideas.</p> <p>We believe there is an optimal level of velocity. We are aiming for a book size of 50-60 high conviction names using a small team (we do not want an investment committee) and a robust but concise investment process (it takes us around a week to run the process including the management meeting).</p> <p>Having a book where c40% of the book is less than 6 months old and adding 5-6 new names a month is appropriate for our strategy given our team size, process and portfolio shape.</p>
<p>Do we classify positions into baskets / themes / trades or any other classifications?</p>	<p>Our short book is categorized into structural / fundamental shorts (c35-45%), momentum shorts (c35-45%) and accounting shorts (10-30%)</p> <p>The structural shorts can be poor companies operating in challenged industries with high operating and/or financial leverage and poor corporate governance.</p> <p>The momentum shorts are where we have a divergent (negative) view on the coming one or two quarters of earnings. It is a highly repeatable source of alpha and is derived from our research modeling and management meetings in a less well-covered space. We turn this portion of the short book over frequently.</p> <p>The accounting shorts are companies where we have flagged aggressive accounting practices such as accelerated revenue recognition, deferred expenses, use of adjustments, poor working capital management etc.</p> <p>These categories are not always distinct in nature – for example we have identified a company operating in a structurally challenged industry where we model 10% downside to the next quarters earnings and where there are multiple accounting flags.</p> <p>We do not classify the long book into permanent themes although at any point in time there a number of thematic opportunities being expressed.</p>
<p>Average holding period for longs and shorts (broken down by the classifications above, if applicable)</p>	<p>Longs: 8-10 months Shorts: 6-8 months</p>

<p>Target return for longs and shorts (broken down by the classifications above, if applicable)</p>	<p>We aim for 9-12% book return with 6-8% vol (based on 200% GMV)</p> <p>Historically we have generated slightly higher returns on the long side of the portfolio but also generated strong returns on the short side.</p>
<p>Typical % of the portfolio represented by the above classifications, if applicable Hit rate and slugging ratio over time, and any process enhancements that have helped to improve this PnL attribution</p>	<p>See above for % classification</p> <p>Hit rate c55-60% and win loss ratio at c110%</p> <p>Process enhancements are continuous and most recently include the coverage model, revamped stop loss and increase use of data in the process as well as the improvement of the research template (e.g., inclusion of catalyst path)</p>
<p>What drives our P&L? Is it consistent year to year?</p>	<p>P&L is primarily driven by idiosyncratic factors. We have also generated persistent Alpha on sector tilts and to a limited extent country factors. We aim to minimize pure style factor exposure which has only contributed in a limited way to PNL historically.</p>
<p>Please provide top winners and losers with attribution for the past 5 years if available</p>	<p>Available on request.</p>
<p>How often are we playing a name into EPS or a specific event?</p>	<p>We often (about 50% of the time) have a divergent short term view (one or two quarters) on earnings versus consensus.</p> <p>As part of our research note we are required to map out the catalyst path and signposts to look out for (e.g. upcoming CMD, dividend reset, disposal etc.) for every candidate for inclusion.</p> <p>We will not invest in a company unless there are identified catalysts for the idea to materialize. We do not like value traps.</p>
<p>Where do we believe our edge comes from?</p>	<p>The disciplined process, inefficient asset class and experienced team of stockpickers mean we believe we are well placed to maintain our edge.</p> <p>We are highly experienced investors and mentally resilient in the face of losses. We seek to learn lessons from our mistakes.</p> <p>The rigid risk management framework supports our ability to protect capital and limit drawdowns.</p> <p>We have a pragmatic and open-minded approach to process evolution and change.</p> <p>We are mentally resilient in the face of losses and seek to learn lessons from our mistakes.</p>

Portfolio Construction	
How does macro environment influence our portfolio construction?	<p>We are bottom up stockpickers and the returns are derived primarily from idiosyncratic stock specific factors and to a lesser extent our sector tilts. As a result we do not like to take large Macro/economic cycle tilts in the book as we believe our core skill set lies elsewhere.</p> <p>Our portfolio construction approach is designed to limit our overall exposure to macro /event risk.</p> <p>We assess the impact of the macro environment on our positions prior to investing to understand how the macro is impacting and could impact the company specific drivers.</p> <p>We are continuously tracking the macro environment and macro themes to interpret the world around us.</p> <p>As part of our risk management we also stress test the book daily for various macro factors.</p>
Number of names total and on each side; what would cause that to fluctuate? What drives net exposure decision?	<p>Typically, 25-30 longs and 25-30 shorts</p> <p>The number of names fluctuates according to:</p> <ul style="list-style-type: none"> - Entries - conversion of our work in progress is lumpy (sometimes new names appear together like buses and sometimes we have to wait a little longer) - Exits – timing of exists depend on the price objectives, sell flags, stop losses – the timing of these are not linear <p>Our net exposure (and beta adjusted net) is deliberately kept low – we look to minimize it through stock selection though can also use index hedges for short term purposes to keep the net low.</p>
What is the typical net? How often do we take net exposure and is it to express a macro view?	<p>Typically, -6% to +6% (based on 200% GMV)</p> <p>We do not take net market exposure in this strategy</p>
What percent of our Gross will you have in each sector, what drives that decision?	<p>The following are approximate ranges based on past holdings using GICS1 definitions</p> <p>Industrials 20-40%</p> <p>Consumer Discretionary 20-30%</p> <p>Communication Services 5-15%</p> <p>Materials 5-15%</p> <p>Consumer Staples 5-15%</p> <p>Health Care 0-10%</p> <p>IT 0-5%</p> <p>Financials 0-5%</p> <p>Real Estate 0-10%</p> <p>Utilities 0-5%</p>

	<p>Energy 0-5%</p> <p>We don't invest in Banks, Life Insurance or Semis.</p> <p>We have historically only invested in Utilities and Energy in a limited fashion.</p> <p>The allocation to a sector is a function of where we find ideas.</p> <p>There may be times in a cycle where a sector is more or less attractive from an alpha generation perspective. By investing across sectors we believe we have the opportunity to lean in when we assess that a sector is ripe for stock picking and to avoid sectors entirely when the stock picking environment becomes more challenging.</p> <p>Some factors that we consider when assessing whether a sector is attractive from an alpha generation perspective are:</p> <ul style="list-style-type: none"> - The level of hedge fund crowdedness in a sector - Correlation / dispersion of stock price moves within a sector - Volatility of stock prices vs history - Stock price behavior – driven by fundamentals or top down factors - Sell Side coverage levels - Our recent performance - Performance of our peers / competitors in the sector <p>It is also worth mentioning that we typically have 30-40% of the GMV in the UK where we have a home bias and a strong track record of Alpha generation.</p>
<p>Do we take sector tilts? What drives that decision?</p>	<p>As investors across sectors, we believe we have a skill in generating alpha from our sector exposures and tilts.</p> <p>We take sector/sub sector tilts for the following reasons:</p> <ul style="list-style-type: none"> - Express a theme e.g. short Auto suppliers with exposure to internal combustion engine - where have a fundamental positive or negative structural view on a sector – e.g. hearing aid companies exposed to new competition from over -the -counter products - or to express our view on sector dislocation <p>We believe we are best at stock picking and construct our portfolio ensuring that idiosyncratic / stock specific risks dominate. However, we are comfortable allocating a controlled portion of the risk of the strategy towards sector tilts. Typically, this would involve a sub sector tilt of 0-10% with overall sectors normally contributing less than 10% of the total risk of the book (based on 200% GMV)</p>
<p>What determines position sizing?</p>	<p>Our portfolios are constructed from a bottom-up perspective.</p>

	<p>We examine portfolio characteristics, assessing the level and the composition of risk.</p> <p>We balance the upside/downside conviction of a stock with its risk/volatility. We look to maximize returns per unit of risk, backing our conviction in the context of total portfolio risk. For example, a stock showing a modest upside and low volatility may be more attractive than a stock with a higher upside but carrying increased volatility.</p>												
<p>What are the requirements for a name to be a maximum position? Do we cap how many max positions you will have in the book?</p>	<p>Our largest positions have the highest conviction per unit of risk. These are often companies where we have deep familiarity detailed knowledge gained over time and have met management on multiple occasions.</p>												
<p>How do we think about position liquidity? ADV basis / market cap basis? What is minimum traded ADV? How do we think about portfolio liquidity?</p>	<p>Typically, the book GMV is split by the following market cap buckets:</p> <table border="1"> <tr> <td>< €2bn</td> <td>0-2%</td> </tr> <tr> <td>€2-3bn</td> <td>0-2%</td> </tr> <tr> <td>€3-5bn</td> <td>10-20%</td> </tr> <tr> <td>€5-10bn</td> <td>40-60%</td> </tr> <tr> <td>€10-20bn</td> <td>10-30%</td> </tr> <tr> <td>> €20bn (inc. index)</td> <td>10-20%</td> </tr> </table> <p>Around 90% of the book has liquidity of < 1 day</p> <p>We monitor the liquidity and market cap of both sides of the book as part of our factor decomposition work to ensure that we are not running a size or liquidity bias. The average market cap of the long book is slightly smaller than the short book through this does not contribute meaningfully to risk.</p> <p>The liquidity profile of the strategy has remained broadly the same since its inception.</p>	< €2bn	0-2%	€2-3bn	0-2%	€3-5bn	10-20%	€5-10bn	40-60%	€10-20bn	10-30%	> €20bn (inc. index)	10-20%
< €2bn	0-2%												
€2-3bn	0-2%												
€3-5bn	10-20%												
€5-10bn	40-60%												
€10-20bn	10-30%												
> €20bn (inc. index)	10-20%												
<p>How do we think about timing?</p>	<p>We have documented elsewhere our work around having a divergent view into the print, scaling new names quickly and mapping out a catalyst path in our research. Timing is important when it comes to stock specific returns.</p> <p>We do not try to time the market or style factors.</p>												

<h2>Risk Management</h2>	
<p>What is the volatility profile of our portfolio and how has this changed over time?</p>	<p>6-8% (based on 200% GMV)</p> <p>Volatility has been stable over time – it will come down when market vol declines</p>

<p>What is an acceptable / typical / target level of daily vol (bps)? What is a bad day?</p>	<p>Typical daily vol is 0-40bps (based on 200% GMV) A bad day is -60bps or more (based on 200% GMV)</p>
<p>How do we think about hedging (position level vs. portfolio level, names vs. baskets vs. indices)?</p>	<p>Portfolio level hedging is achieved through diversification primarily using single name stock positions on both sides of the portfolio. Normally a well hedged book is a natural outcome of our portfolio construction and Idiosyncratic risk is high.</p> <p>When factor risk is elevated, we take action to reduce it either through changing existing weights, looking for and introducing names into the book that reduce the factor exposure or in the short term through dedicated factor hedges.</p> <p>These are limited in nature and have typically taken the form of</p> <ul style="list-style-type: none"> - Country indices eg RUKM150 Index for UK - Market Indices – e.g RUEISM300 for Europe Mid - Options on indices – e.g Eurostoxx put option - GS / MS momentum and crowdedness baskets e.g GSXEHISI Index <p>We tend not to seek to diversify or hedge out our stock level exposure and do not normally look for pair trades. When we have a pair on we like to have conviction in both legs of the pair as opposed to looking for a stock to hedge out a conviction idea on one side.</p>
<p>Describe our options usage?</p>	<p>We have occasionally used Eurostoxx options for net management and tail risk protection when volatility is low.</p> <p>We do not use single name options.</p>
<p>Describe our ETF usage?</p>	<p>See above section on hedging</p>
<p>How do we think about crowding?</p>	<p>Crowdedness is included in our factor-based risk modelling. We monitor short interest and days to cover to determine our exposure and pnl attribution from crowdedness.</p> <p>Like other pure style factors we seek to minimize our exposure to crowdedness.</p> <p>We do not invest (long or short) in extremely highly shorted stocks which are often binary in nature.</p> <p>We factor in crowdedness into our sizing decisions given the extra risk that comes with more crowded names.</p> <p>We believe that the risk models are not great at measuring crowdedness in Europe especially when it comes to crowded longs. In addition to tracking short interest, we also document whether we perceive a company to be crowded in our research phase.</p>

	<p>We may perceive a company to be “Hedge Fund Hotel” because of the following examples:</p> <ul style="list-style-type: none"> - many of our colleagues or peers are involved in it - sell side coverage has recently been intense - corporate access is challenging - price action is extreme or unusual - management have been communicating intensively with the market (roadshow or CMD) - it is a known way to express hot theme (e.g AI proxy or GLP) - it appears in a number of sell side thematic baskets
<p>Description of our current risk framework</p>	<p>In the Mid Cap Fund the primary drivers of returns are stock specific, idiosyncratic variables. Stock specific factors have consistently been shown to outweigh macro-economic, sector and country specific factors over time. This is because the scale of change within a mid cap business can be disproportionate to prevailing external trends.</p> <p>We employ a number of quantitative and qualitative techniques to insure against portfolio skew and to prioritize stock specific factor risk. We assess positions and position sizes in the context of market appetite for risk, country, sector and industry exposure and other relevant factor correlations.</p> <p>Pre trade - We use proprietary optimization tools to assess the incremental contribution to risk from adding a new name into the portfolio.</p> <p>Post trade - We use proprietary and third party risk management tools to monitor portfolio risk metrics, decompose and track various factor exposures, and to undertake performance attributions (including stock sector, country and factor contribution to returns).</p> <p>A system of flags and hard limits is also in place at the strategy level covering metrics including gross and net exposure, concentration, country risk, sector risk and liquidity.</p>
<p>How do we manage single stock drawdowns?</p>	<p>We have implemented a stock level stop loss policy which is based on a multi layered grid system. We have different stop levels for longs and shorts, using rolling stops and since inception stops, looking at returns relative to market and alpha returns.</p>
<p>How do we manage portfolio drawdowns?</p>	<p>Portfolio level drawdowns are managed through a mechanical process of de-grossing. Typically, we begin intensive de-grossing around the 3% drawdown level and accelerate the de-gross as we continue to draw. Before we reach the 5% drawdown level, we would have de-grossed the book considerably (based on 100% GMV)</p>
<p>How do we use your gross exposure?</p>	<p>Aside from the portfolio level drawdown mechanism described above, the gross exposure fluctuates due to:</p> <ul style="list-style-type: none"> - converting lots of new names into the book - taking profits in names that have done well

	- market movements (rising market increase gross and vice versa)
Do we use factor exposures in your risk framework?	<p>We use a Barra based factor risk model to track risk with additional factors such as crowdedness endogenous to the model.</p> <p>Based on the pure European Barra factor model our Idiosyncratic risk is normally 70-80% of the total risk.</p> <p>Of the residual 20-30%, up to 10% comes from our sector tilts described above.</p> <p>The remaining factor exposures are diverse in nature and are managed tightly.</p>
What are the typical factors our portfolio is exposed to?	<p>Idio 70-80%</p> <p>Sectors up to 10%</p> <p>Others 20-30% - no biases</p> <p>The factors that have shown up most historically and need to be watched most closely / managed most proactively are UK domestic exposure, crowdedness and momentum.</p>

Risk Management Full Stop Loss Grid			
Since Inception			
Step 1		Step 2	
Shorts			
20% relative return	Reduce by 50%	30% relative return	Exit
15% Alpha return	Reduce by 50%	22.5% Alpha return	Exit
Longs			
20% relative return	Reduce by 20%	30% relative return	Reduce by 20%
15% Alpha return	Reduce by 20%	22.5% Alpha return	Reduce by 20%
Rolling Stops (1w,1m,3m,6m,9m,1yr)			
Step 1		Step 2	
Shorts			
20% relative return	Reduce by 25%	30% relative return	Reduce by 50%
15% Alpha return	Reduce by 25%	22.5% Alpha return	Reduce by 50%
Longs			
20% relative return	Reduce by 10%	30% relative return	Reduce by 10%
15% Alpha return	Reduce by 10%	22.5% Alpha return	Reduce by 10%

Performance	
How would we describe good / poor environments for your strategy?	We perform well in most market environments.

	<p>During extreme bear markets such as 2008 we would aim to preserve capital and would accept lower returns.</p> <p>During periods where stock prices are responding more to Macro factors than stock specific factors, we would expect this strategy to struggle – fortunately these periods are infrequent and do not tend to last more than a few weeks.</p>
<p>Please describe any periods of underperformance from an absolute return / drawdown / low Sharpe perspective and key drivers / learnings</p>	<p>Mostly our periods of softer performance have been brief and characterized by stock specific drawdowns. However, we have found periods of extreme market drawdowns and hedge fund de-leveraging trickier to make money in (post Brexit and covid for example). In spite of, this we have a good record of preserving capital through these periods and have not had a down year of more than 40bps in our 13 year Long Short track record.</p> <ul style="list-style-type: none"> - June 2016 – drawdown c4% post Brexit vote due to market dislocation - Mar 2020 – drawdown c4% - covid dislocation

<p>Sell Side</p>	
<p>What are our best sell side relationships (sales and research)? How do we use the sell side?</p>	<p>We have always maintained good relationships across the sell side with both sales and research. We believe the sell side can be very helpful. We clearly identify the best analysts per stock we cover.</p> <p>We mainly use the sell side analysts for: getting up to speed in a new name, investor sentiment, corporate access, company touch points (where a house broker in the UK for instance will have more touchpoints than us with a particular name).</p> <p>We mainly use sales to ensure we are getting access to best analyst best ideas and to ensure we have good corporate access and meeting allocation.</p>

<p>Corporates/Data Sources/System Requirements</p>	
<p>Who are our best corporate relationships? Who at those companies do you have the strongest relationships with?</p>	<p>We have strong relationships with many management teams we have known over the years. We ensure we have multiple annual management touch points in companies in the portfolio (can be C suite or IR). We take pride in always being well prepared and running well structured and well researched meetings so companies actively want to engage with us.</p>
<p>Are there management teams that we have wanted to meet but the management has been resistant?</p>	<p>We come across management teams who refuse to meet hedge funds in 1:1 meetings but will allow group meetings (e.g. Kingspan). We also come across a few that refuse any hedge fund participants (e.g. Croda) This is nothing to do with us but a corporate policy</p>

	<p>around hedge funds. It is only a handful of companies that fall into this thinking.</p>
<p>How do we incorporate corporate access into your investment process?</p>	<p>Corporate access is a very important part of our process as detailed above.</p> <p>We will rarely invest in a company without having met management – we ask them detailed and structured questions and may have several follow up calls with further questions.</p> <p>When a company is in the portfolio, we endeavor to have multiple annual touch points with them (1:1 or group, roadshow or conference).</p> <p>We also like to do ‘reverse roadshows’ and go and visit management in situ ideally with a site visit alongside as we believe this can deliver valuable insights.</p>
<p>How much of our access is based on our brand versus the firm that you work for?</p>	<p>We believe that corporate access can be impacted negatively by the size of the firm that we work for (competing strategies).</p> <p>We have a reputation for providing high quality meetings to management teams and we provide written feedback. Our relationships with the companies we cover go back over decade.</p> <p>We use the sell side to set up meetings and also make individual requests from our team where needed.</p>
<p>What third party data sources do we use and how are they used in your process?</p>	<p>We use a wide range of data sources to track ongoing company and industry performance.</p> <p>The data sources we use is company / sector dependent – examples include Kantar, Nielsen, STR, Credit Card data, Web scraping, mobility data, airline bookings.</p> <p>We always ask the following questions: 1) What is the key data we can track for this company / industry 2) Can we source that from the sell side, as a team, do we have it internally, do we need to source it directly from third parties 3) Depending on the answer to 1 and 2 and the type of data we will integrate it into our research.</p> <p>For example, we are looking at a Marine supplier with a lot of aftermarket sales 1) the key data points are ship orders, deliveries, hours run 2) we can obtain Clarkson data from sell-side or we could subscribe directly at a cost 3) We will monitor ship data points as part of the signposts for the thesis.</p>

Core supporting systems	
Portfolio Management	Enfusion
Execution	Enfusion
Risk	Arcana
Investment research management	VerityRMS

Time Management	
Hours per week, non-earnings and non-ramp up. Based on a 60-hour week.	
Time devoted to research	Including meetings – 50% 30 hours
Time devoted to portfolio construction	30% - 18 hours
Time devoted to managing team	20% - 12 hours

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