FIRST QUADRANT

MARKET INSIGHT

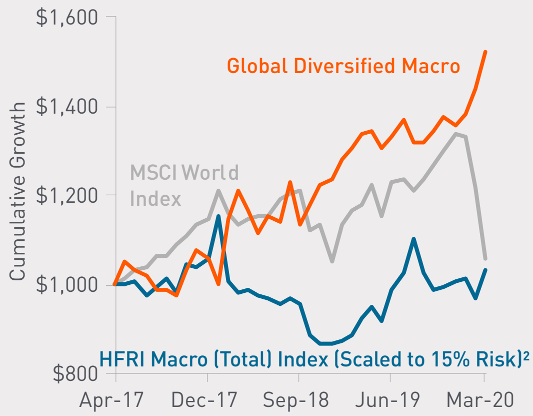
Global Diversified Macro: Achieving a Milestone

April 2020

It felt as though a full year of market events happened in March 2020. A pandemic, a massive spike in spot volatility, an oil price war, a broad lockdown, and an end to the unprecedented bull market. Though most of these issues are persisting into April, it was a small relief just to turn the calendar and begin a new month. For us at First Quadrant, April 1st, 2020, was a day we have long had circled in our calendars, as it marked the three-year anniversary of our Global Diversified Macro strategy.

For products as well as people, age in some sense is just a number. But an anniversary can also be an invitation to pause and reflect, to recall lessons learned and celebrations earned, and to plan for the future. We are proud of and excited about the results that Global Diversified Macro has achieved over its three-year history: From April 2017 through March 2020, the composite has delivered on its objective of double-digit returns, with zero to negative correlation to nearly everything, including most major asset classes as well as other alternatives.[1] Moreover, as depicted in Figures 1 and 2, it has realized positive performance in a variety of market environments, with notable gains during market volatility in February 2018, Q4 2018, and Q1 2020.

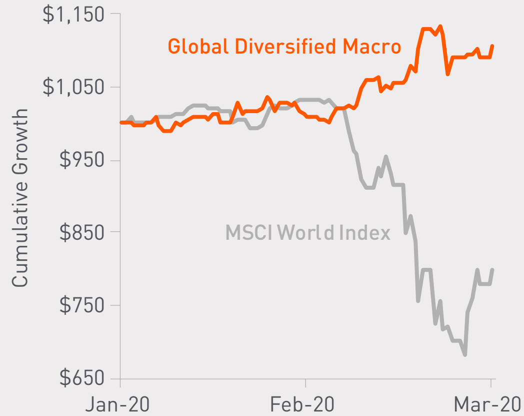
FIGURE 01 - LIVE PERFORMANCE (APRIL 2017 - MARCH 2020)



The strategy is not managed to a benchmark; All index information shown is for comparison purposes only.

HFRI indices are reported Net of all Fees.
Source: First Quadrant, L.P.

FIGURE 02 - CUMULATIVE DAILY RETURNS (JANUARY 2020 - MARCH 2020)



The strategy is not managed to a benchmark; All index information shown is for comparison purposes only.

Source: First Quadrant, L.P.

Commodities trading involves substantial risk of loss.
Past performance is no guarantee of future results. Potential for profit is accompanied by possibility of loss.
AUM and performance quoted for the most recent period may be preliminary.

These results do not come as a surprise to us. The strategy has delivered performance that is in line with expectations, given our deep familiarity with the intellectual property. Though the strategy has just completed its third full year, we at First Quadrant have been conducting systematic macro research for over three decades. Therefore, we have used many of Global Diversified Macro's underlying models in live portfolios for far longer (in our other macro, currency, and commodity strategies).

While we are pleased with performance to date, we are certainly not satisfied. As always, we are researching additional opportunities for alpha, scrutinizing the efficacy of our existing systematic insights, and analyzing how best to combine our various forecasts. Moreover, we continue to relentlessly pursue an ever-deeper understanding of the intertwined relationship between the market environment and the market participants.

Looking ahead, we are fully focused on trying to build further on the strategy's existing results. Past performance is no guarantee of future success, but we believe that the future is bright for Global Diversified Macro, and that it has the potential to nicely complement many existing portfolios. With market volatility skyrocketing in the most recent quarter, we suggest that it is more important than ever that investors consider the diversification properties of their portfolios.

If you are interested in learning more about Global Diversified Macro's potential impact on your existing portfolio, please do not hesitate to reach out. We are happy to provide additional materials and/or analysis to help you make an informed decision.

Endnotes

[1]MSCI World: -0.26%, FTSE World Government Bond Index: -0.06%, Bloomberg Commodity Index: -0.29%, HFRI Fund of Funds Index: -0.31%, HFRI Macro (Total) Index: -0.32%, HFRI Equity Market Neutral Index: -0.28% (Source: StyleAdvisor). For index definitions and trademark language used in this publication, please visit https://www.firstquadrant.com/index-definitions for further information.

[2]The HRFI Macro (Total) Index has been scaled from its historical average trailing 3-yr realized risk over the last 10 years to a 15% risk level in order to reflect an equal risk footing for comparison purposes.

Global Diversified Macro	Total Return Gross	ICE BofAML US 3-Month T- Bill Total Return	Value-Added Gross[1]	Total Return Net[6]	Value-Added Net[1,6]	Composite 3-YR Standard Deviation Gross (Annualized)	Benchmark 3-YR Standard Deviation (Annualized)	Number of Portfolios[4]	Composite Dispersion (%)	Total Composite Assets[3,4] (Millions USD)	Total Firm Assets[4] (Millions USD)	Total Firm AUM (Including Notional Values)[1,4,5] (Millions USD)
2017 (Apr - Dec)	+6.0%	+0.7%	+5.2%	+6.0%	+5.2%	–	–	<5	–	4	11,209	26,276
2018	+16.6%	+1.9%	+14.7%	+16.6%	+14.7%	–	–	<5	–	3	6,474	20,077
2019	+10.0%	+2.3%	+7.7%	+10.0%	+7.7%	–	–	<5	–	3	6,044	16,167
2020 (Jan - Mar)[2]	+11.9%	+0.6%	+11.3%	+11.9%	+11.3%	14.5%	0.2%	<5	–	6	5,193	14,495

See additional disclosures for important information concerning this composite and the effect of fees. [1]Supplemental Information. [2]All Performance and AUM data is preliminary. [3]Includes market values for fully funded portfolios and the notional values for margin funded portfolios, all actively managed by First Quadrant. [4]At End of Period Reported. [5]Includes market values for fully funded portfolios and the notional values for margin funded portfolios, including active mandates and active/passive mandates, all managed by First Quadrant and non-discretionary portfolios managed by strategic partners using First Quadrant, L.P. investment signals. First Quadrant is defined in this context as the combination of all discretionary portfolios of First Quadrant, L.P. and its strategic partners, but only wherein FQ has full investment discretion over the portfolios. [6]From inception to the most recent period presented, the composite consists of one portfolio, which is non-fee-paying.

Global Diversified Macro Past performance is no guarantee of future results. Potential for profit is accompanied by possibility of loss. GENERAL DISCLOSURES First Quadrant, L.P. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. First Quadrant, L.P. has been independently verified for the period 1995-2018. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. First Quadrant ("FQ" or the "Firm") is defined as the combination of all discretionary portfolios of First Quadrant, L.P. and its strategic partners but only wherein FQ has full investment discretion over the portfolios. First Quadrant L.P. is a registered investment adviser and is an affiliate of Affiliated Managers Group, Inc. A complete list and description of the Firm's composites is available upon request. COMPOSITE DETAILS Composite Description: (Creation Date: September 2018) The Global Diversified Macro composite includes all portfolios that use FQ's multi-asset, global macro approach and may be managed to varying risk targets at the total portfolio level. This is a total return strategy with an objective to provide consistent, long-term capital appreciation, with returns that are uncorrelated to common equity betas; in essence, it targets a long-term average equity beta of 0.0 over a full market cycle. It takes long and short positions in stock and bond index futures, interest rate futures, commodity futures, and currency forwards and futures. T-bills are used for collateral management. Additionally, the strategy has the discretion to invest in other asset types not limited to cash equities, index and currency options, swaps, and exchange-traded funds. Effective December 2018, the benchmark was retroactively changed from the Ibbotson 30-Day T-Bill to the ICE BofAML US 3-Month Treasury Bill Index to serve as a better representation of the investment strategy. The ICE BofAML 3-Month T-Bill Index is an unmanaged index that measures returns of three-month Treasury Bills. Portfolio Criteria: There is no minimum balance requirement for a portfolio to be included in this composite. **Calculation Methodology:** Valuations and returns are computed and stated in U.S. dollars. Composite returns are presented net of non-reclaimable withholding taxes on global cash equities. Dividend and interest income is accounted for on an accrual basis. Performance includes reinvestment of dividends and other earnings. Individual contributions and withdrawals are permitted to occur on a daily basis. Monthly investment results for the portfolio are calculated using a daily time-weighted rate of return formula. Annual composite returns are calculated by geometrically linking the monthly returns. The dispersion of a composite is calculated using the asset-weighted standard deviation formula. Only portfolios managed for the full calendar year are included in the dispersion calculation. As this composite contains five or fewer portfolios, a measure of dispersion is not statistically representative and is therefore not shown. The portfolios may utilize leverage at FQ's discretion. The returns presented will reflect this leverage. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns (if applicable) over the preceding 36-month period. The standard deviation is not presented for periods in which 36 months of historical composite returns are not available. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. **Derivatives:** The strategy utilizes derivative instruments to achieve desired exposures. Derivatives are financial instruments, which derive their values from underlying securities. Futures contracts are exchange traded derivatives that specify a purchase or sale of an asset at a specified price on a specified date in the future. Forward contracts are over the counter derivatives that allow for the purchase or sale of an asset in the future at a currently agreed-upon price. An option is a contract that grants the owner the right to purchase or sell an underlying asset at a specified price on or before its expiration date; however, the holder of the option is not obligated to take any action. A swap is a derivative contract designed to exchange a set of future cash flows between two counterparties at predetermined dates in the future. Generally, in these arrangements, one counterparty will pay a cash flow pegged to a floating interest rate, while the other counterparty will pay cash flow based on the performance of the underlier. There is a risk that a derivative may not perform as expected, thereby causing a loss or amplifying a gain or loss for the strategy. With some derivatives, there is also the risk that the counterparty may fail to honor its contract terms, causing a loss for a portfolio. **Investment Management Fees:** Portfolios carry a base fee of 1.00% with a 20% incentive fee. The gross performance returns presented include the deduction of all trading commissions but do not include the deduction of management fees. Performance results presented net of investment management fees are based upon the actual management fee charged each portfolio in the composite, and are net of any performance-based fees. From April 2017 to the most recent period presented, the composite consists of one proprietary portfolio, which is non-fee-paying. Fee impact: Assuming a 1.00% advisory and no increase in the asset value over a five-year period, the compounded total return of a portfolio would be reduced by 1.00%, 2.96%, and 4.88% for the one-, three-, and five- year periods, respectively. Assuming a similar portfolio with an annual excess return of 1.00%, the incentive fee would further reduce the annual excess return of a portfolio by 0.20%, 0.61% and 1.04% for the one, three and five year periods, respectively. Of course, the impact of an incentive-based fee on the total return of a portfolio will vary depending upon the performance of the portfolio relative to its benchmark. **Market Impact on Returns:** In the first week of February, 2018, constrained liquidity triggered unexpected volatility in global equity markets, which benefitted the portfolio. In the same month, a prevailing positive outlook on Sweden's economy was dampened by reports of a slump in housing prices and weaker-than-expected inflation data, which contributed to a more cautious tone in the February minutes of the Riksbank. A short position in the Swedish krone contributed to notable positive returns to the portfolio during this period.

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