

# EQUITY LONG/SHORT INTERNET ADVANTAGE STRATEGY (IAS)

as of December 2017



## HIGHLIGHTS

- IAS is a series of strategies based on an innovative new research approach
- Our researchers track the digital Internet footprint of publicly traded companies to find hidden demand trends in the market place
- The changes in demand lead us to bullish and bearish decisions on sectors that are most affected by those demand trends
- The Equity Long/Short strategy identifies both long and short stock picks that will outperform their counter-parts
- Over 5 years of research and analysis behind current offering

## METHODOLOGY

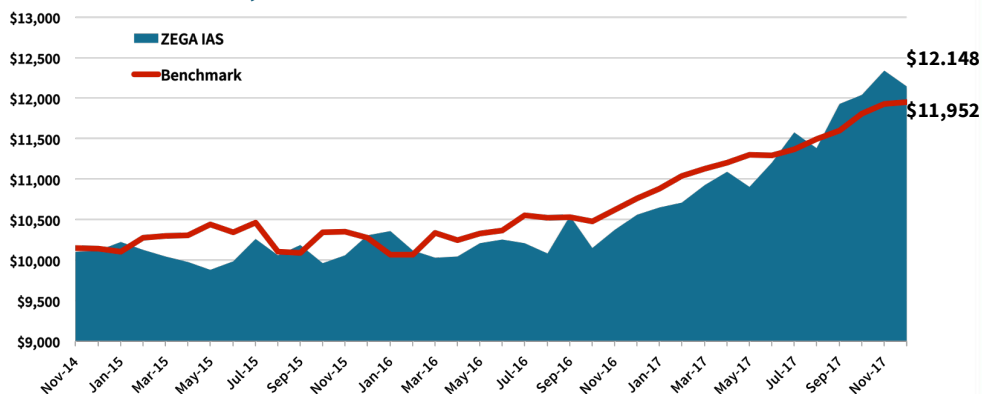
- **Internet Footprint:** IAS analyzes internet brand footprints to predict future revenue. Since company earnings are driven by revenue, the data is used to produce stock signals.
  - Constantly collecting data from multiple commercial and public sources
  - Use historical data and past revenues to model revenue at a company level
  - Define digital identities for over 2200 publicly traded companies
- **Generate List of Target Stocks:** each quarter we generate a list of both bullish and bearish picks. Our traders then analyze the stock and options market to establish the best entry approach for each position. The holding period for each position is typically 90 days.
  - Combines long and short equity positions in equal dollar amounts
  - Seeks to find picks that will outperform their counter-parts
- **Implement Portfolio Risk Posture:** The IAS research has been effective at predicting when the markets are likely to reverse course. We use that research to implement a risk-on and risk off posture in the portfolio:
  - Risk-on: the portfolio is positioned to be net bullish equities
  - Risk-off: the portfolio is invested in market neutral posture

## PERFORMANCE as of 12/31/2017

### Annualized Returns

	MTD	3 Month	YTD	1 Year	3 Year	ITD
<b>Equity Long/Short Net</b>	-1.6%	1.8%	15.0%	15.0%	6.3%	6.3%
<b>Benchmark</b>	0.2%	3.1%	11.0%	11.0%	5.6%	5.8%

## GROWTH OF \$10,000 Since Inception as of 12/31/2017



## STRATEGY OVERVIEW

The Internet Advantage Strategy (IAS) – Equity Long/Short aims to reduce systematic market risk by analyzing internet brand footprints to produce stock signals which are both bullish and bearish. The product is deployed in an SMA format.

The portfolio combines long and/or short U.S. equities positions. Designed to find picks that will out-perform the counter-parts. Portfolio holdings are not limited by sector or size.

## KEY FACTS

<b>Vehicle Type</b>	Separately Managed Account
<b>Inception Date</b>	November 2014
<b>Benchmark</b>	HFRI Quantitative Directional Equity Hedge Fund Index
<b>Holdings</b>	20 - 60
<b>Portfolio Manager</b>	Wayne Ferbert

## RISK METRICS

### Standard Deviation

	1 Year	ITD
<b>ZEGA IAS Gross</b>	6.9%	6.7%
<b>Benchmark</b>	1.7%	4.0%

### Sharpe Ratio

	1 Year	ITD
<b>ZEGA IAS Gross</b>	2.03	0.89
<b>Benchmark</b>	5.96	1.33



## MONTHLY PERFORMANCE Since Inception as of 12/31/2017

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD (net)	Bench
<b>2014</b>	<b>Net</b>											1.0%	0.2%	1.2%	1.4%
<b>2015</b>	<b>Net</b>	1.1%	-1.0%	-0.8%	-0.7%	-0.9%	1.1%	2.8%	-2.0%	1.3%	-2.2%	0.9%	2.5%	1.9%	1.4%
<b>2016</b>	<b>Net</b>	0.5%	-2.3%	-0.9%	0.2%	1.6%	0.4%	-0.4%	-1.3%	4.6%	-3.8%	2.2%	1.8%	2.5%	4.7%
<b>2017</b>	<b>Net</b>	0.8%	0.6%	2.0%	1.5%	-1.7%	2.8%	3.4%	-1.7%	4.9%	0.9%	2.5%	-1.6%	15.0%	11.0%

## RECOMMENDED USAGE

The ZEGA Equity Long/Short Internet Advantage Strategy (IAS) is designed to complement or replace a portfolio's existing U.S. Equity exposure. The short positions help to reduce this portfolio's correlation to the broad stock market indices meaning it should help to diversify an existing portfolio with equity holdings.

## STRATEGY RISKS & DISCLOSURE

Note: Returns are expressed in US Dollars net of fees.

ZEGA Financial is a registered investment adviser and investment manager that specializes in derivatives. ZEGA is a separate accounts manager and all returns expressed herein are solely from the separate accounts business within ZEGA. Alpha DNA IM is an advisor subsidiary of ZEGA Financial

INTERNET ADVANTAGE STRATEGY: EQUITY LONG/SHORT Composite includes all institutional and retail portfolios that invest in a diversified portfolio of over 30 total U.S. equity positions – either long and/or short. The strategy aims to reduce systematic market risk by identifying the stocks most likely to out-perform other stocks based on changing demand. Risk is further mitigated by implementation in market neutral posture when the research indicates potential for a downward market. The portfolio is designed to find picks that will out-perform the counterparts. The Internet Advantage Strategies is a series of strategies based on an innovative new research approach; ZEGA tracks the digital Internet footprint of publicly traded companies to find hidden demand trends in the market place.. This composite includes all portfolios that were at least 70% dedicated to this strategy. The benchmark is the HFRI Quantitative Directional Equity Hedge Fund Index. The HFRI Quantitative Directional Equity Hedge Fund Index is a subset of the HFRI Equity Hedge Fund Index that measures the aggregate performance of equity hedge funds that employ quantitative strategies that can use long and short equity positions and the portfolio can be positioned net long or net short. This HFRI benchmark will always include an estimate from HFRI for the most recent month. The returns are typically finalized by HFRI within one month after the end of the reported month – but can sometimes be revised up to 90 days later by HFRI.

ZEGA Financial claims compliance with the Global Investment Performance Standards (GIPS). To receive a full list of composite descriptions of ZEGA Financial and/or a presentation that complies with the GIPS standards, contact Wayne Ferbert at (443)-288-6444 or [wayne.ferbert@alphadnaim.com](mailto:wayne.ferbert@alphadnaim.com)

**All investments involve the risk of potential investment losses as well as the potential for investment gains. Prior performance is no guarantee of future results and there can be no assurance, and clients should not assume, that future performance of any of the model portfolios will be comparable to past performance.**

These results should not be viewed as indicative of the advisor's skill. The prior performance figures indicated herein represent portfolio performance for only a short time period, and may not be indicative of the returns or volatility each portfolio will generate over a long time period. The performance presented should also be viewed in the context of the broad market and general economic conditions prevailing during the periods covered by the performance information. The actual results for the comparable periods would also have varied from the presented results based upon the timing of contributions and withdrawals from individual client accounts. The performance figures contained herein should be viewed in the context of the various risk/return profiles and asset allocation methodologies utilized by the asset allocation strategists in developing their model portfolios, and should be accompanied or preceded by the model.

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility.