

## **Brexit**

AlphaSimplex is continually adapting to market behaviors and risk. While today's news is shocking global markets, what is not shocking to us is that there would be big jumps in markets and risk, and accordingly a need to adapt.

The Investment Committee of AlphaSimplex had discussed the risks of Brexit well in advance of this week's vote. We did not have a view on which way the vote would go, but realized that there would likely be a significant jump in markets and risk once the uncertainty regarding the decision was resolved. Although our risk management processes are adaptive and nimble, we knew that they would likely underestimate the risks in the days before the vote. We therefore decided to systematically reduce our risk taking significantly across the board, with a greater reduction in U.K. assets, so that our realized risk would be more likely to come inside the expected ranges. This risk reduction applied to the Global Alternatives, Global Macro, and Managed Futures strategies. As the Tactical U.S. Market and Dynamic Allocation strategies were already at a reduced level of risk, we did not make any further adjustments to their risk-taking. We believe that this risk reduction has so far been effective in this volatile environment. The Investment Committee will continue to monitor the situation; once we believe our risk models have adapted to the current market environment, we will remove this risk adjustment.

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