Flash Notes - Fund update

September 2020

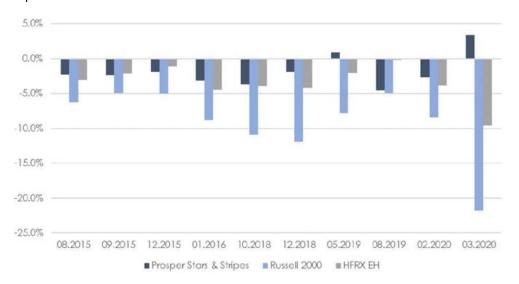
Prosper Stars & Stripes



Recent performance update

The last week saw large US tech stocks under pressure, particularly the FAANGs and the Nasdaq. In this context, the Prosper Stars & Stripes, focused on US small and mid-caps stocks, a large and very diversified universe of companies, less skewed towards technology, outperformed the broad US equity market.

It emphasizes the decorrelating performance pattern of the strategy, particularly in the downturns as shown below. Historically, in the 10 worst months of the Russell 2000 index, the fund exhibited on average only 20% of downside capture:



Source: Prosper and Bloomberg - data as of 11.09.2020

Beyond this solid capital preservation characteristics, the fund displays very robust risk-adjusted metrics as measured by beta, correlation, Sharpe and Sortino* ratios:

Prosper Stars & Stripes	Russell 2000	HFRX EH	S&P 500
Beta	0.22	0.44	0.29
Beta Bull	0.50	1.15	0.50
Beta Bear	0.03	0.08	0.09
Corrélation	0.55	0.42	0.54

	Stars & Stripes	Russell 2000	HFRX EH	S&P 500
Ratio de Sharpe	0.7	0.3	0.0	0.8
Ratio de Sortino	1.2	0.4	0.1	1.3

Source: Prosper and Bloomberg - data as of 11.09.2020

^{*}Sortino ratio: it evaluates a portfolio return for a given level of "bad" risk. The Sortino ratio differs from the Sharpe ratio in that it only considers the downside deviation risk, rather than the total volatility of the portfolio. The higher the Sortino ratio is, the better.

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Since May 2018, small and mid-caps have lagged large caps stocks by a huge magnitude. The Russell 2000 index returned -4.5% whilst the S&P 500 posted +30%. Despite this huge spread in performance, the Prosper Stars & Stripes outperformed its long only benchmark as shown int the table hereafter:

	MTD	YTD	1 year	3 years	5 years	Since	Volatility
				Annualized	Annualized	inception	(3 years)
						15.05.2015	
Prosper	+1.1%	19.3%	+16.1%	+8.2%	+5.8%	+32.1%	9.0%
Stars &							
Stripes							
Russell 2000 NR	-2.6%	-7.0%	-1.6%	+3.5%	+6.9%	+30.2%	23.1%

Source: WS Partners and Morningstar - Performances as of 14.09.2020

September 2020 fund positioning and outlook

As of 10.09.2020, the fund's net exposure is 49%, in the top-end of the historical range which is between 35% and 55% (historical average of 43%).

Please find below the outlook and last comment of Christopher Hillary, dated August 28th, which is interesting at times of uncertainty:

The week was fairly eventful. On the health front, the data continues to build that there is a lower threshold for "community immunity." Some areas are showing dramatic declines of incidence around the 20-40% market which is far below the 60-80% mark that is commonly used for "herd immunity." If this ends up being the case it will be welcome news as it would imply we are close to this type of level.

Since the virus is not "news" the big development was the Fed changing its tone on inflation. At the virtual Jackson Hole event, a place that has often been used to break new policy ground (Bernanke in the GFC) Powell said the Fed will be willing to run the economy / inflation hot / higher in order to get farther away from too little inflation. In a way, this is giving the Fed license to keep policy looser for longer even when / if / as the economy is strong / strengthening. This seems likely to extend the structure the market has seen for low rates and high / higher multiples

The odds that we are at the beginning of an expansion cycle are also a part of the narrative. After recessions, we experience expansion. Most can be quite long

Adding up the virus developments, the Fed, and the expansion creates a fair amount of market support. Further, companies cut costs and are finding more ways to be productive going forward. These include less office space, more software & automation, more flexible work forces along with the usual grind of best practices / simplification. This gives the market a chance at a margin expansion cycle to overlay with the economic recovery

The hardest hit parts of the economy remain the farthest below capacity / recovery. Travel and leisure being the most obvious. With progress on the health front and with therapies & vaccines on the way, the outlook here with a 6 month + horizon then looks good. This will be the next piece of the job / economic recovery.

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WS Partners view

Performance since inception of the strategy in May 2015 has been very solid, particularly in all stress tests. The fund achieved its investment objective, outperforming the Russell 2000 Index, HFRX benchmark and best peers in the US long/shorts with better capital preservation and lower volatility. It benefited from its risk aware approach with low leverage, sound sector diversification, disciplined security selection, price targets and stop losses.

We like particularly the focus on liquid, uncrowded and overlooked small & mid investments where Portfolio Manager can find structural inefficiencies for alpha generation (less passive investments, less hedge fund competition, lower analyst coverage, higher dispersion of returns).

WS Partners maintains the **Prosper Stars & Stripes fund** with the "**Selected**" status initiated in January 2020. We will keep you informed if any change in the status of the fund occurs in the coming months.