

# MS ASCEND UCITS FUND

A SUB-FUND OF FUNDLOGIC ALTERNATIVES PLC, AN IRISH UCITS FUND

## FUND OBJECTIVE AND INVESTMENT STRATEGY

The Ascend Investment Strategy is an opportunistic U.S.- focused Long/Short equity investment strategy.

The strategy is a variation of the "Jones Model" investing strategy with the intention of achieving capital appreciation in a broad range of market environments. The Jones Model is an investment strategy whereby the portfolio is long securities and short securities, and which seeks to hedge against market fluctuations. The strategy is focused on targeting absolute returns rather than returns that are correlated to the broad stock market. The Investment Manager invests in companies it identifies through a disciplined process involving thorough bottom-up fundamental research.

The sub-fund provides shareholders with a return linked to the performance of the Ascend Investment Strategy through the use of total return swaps.

## INVESTMENT MANAGER

Established in 1999, Ascend Capital LLC is a Delaware limited liability company registered as an investment adviser with the U.S. Securities and Exchange Commission. The company was founded by Malcolm Fairbairn who has 20 years experience as a Long/Short portfolio manager, delivering positive net returns in 18 of the 20 years.

Ascend Capital LLC manages approximately \$3.2 billion of assets under management and has 23 investment professionals: 1 Chief Investment Officer, 6 Portfolio Managers, 3 Sector Managers, 9 Researchers, 1 Director of Analytics and 3 Traders, and is headquartered in Orinda with a satellite office in San Francisco.

## HISTORICAL MONTHLY RETURNS

Share I (EUR)	Jan	Feb	Mar	Apr	May*	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD*
2011	-	-	-	-	0.05%	-0.26%	0.18%	-4.70%	-0.65%	-0.88%	-0.61%	-0.34%	-7.06%
2012	0.42%	0.46%	-0.37%	1.20%	0.29%	-0.29%	-0.61%	0.48%	0.04%	-0.92%	-0.60%	-0.21%	-0.14%
2013	2.42%	0.33%	1.27%	-0.58%	0.45%	-0.10%	0.88%	-0.01%	1.63%	1.86%	1.73%	1.70%	12.16%
2014	0.00%	2.06%	0.11%	-2.06%	1.35%	1.21%	0.59%	-0.07%	0.96%	-0.02%			4.15%

Source: Morgan Stanley / Northern Trust. The above figures refer to the past. Past performance is not a reliable indicator of future results. Performance is quoted net of fees and based on unaudited figures.

\* For 2011, May and YTD performances start from May 20th, 2011.

## INVESTMENT MANAGER COMMENTARY<sup>2</sup>

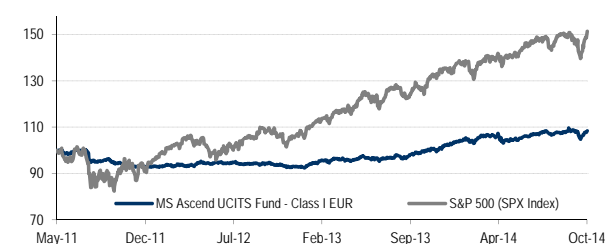
Significant market volatility in October made for a challenging environment. On October 15, the S&P 500 was down over 5%, on weakening global economy fears, falling 10-year US Treasury bond rates and the potential threat of Ebola spreading in the US. However, these concerns were short-lived as the market rallied through the end of the month, with the S&P 500 increasing over 2% and the Russell 2000 Index was up over 6%. The HFRI Index was up 0.31% for the month. The MS Ascend UCITS Fund was down -0.02%.

In the portfolio, the major contributor to performance was from stocks in the Tech sector. The Tech portfolio contributed over 150 basis points to performance, with positive performance on both the long and shorts. The Technology sector slightly underperformed the broader market in October as earnings season revealed a slowing of enterprise IT spending as well as more meaningful downward adjustments to rates of capital spending across the telecommunications complex. The most profitable longs were in companies with stronger than expected Q3 earnings that reached our price target for the year. The most profitable short positions were Japanese consumer electronics and companies with disappointing Q3 earnings. Materials and Consumer Discretionary sectors were also contributors to performance in October, while

## FUND CHARACTERISTICS

Inception Date	13th May, 2011
Total Assets (USD)	\$ 170 Million
Base Currency	USD
Domicile	Ireland
Passporting Status (registered in)	UK, Spain, Italy, Germany, France
Legal Structure	An Open-Ended Investment Company (OEIC)
Dealing Day	Weekly. Every Friday (except legal public holidays in the UK, Ireland or US and days on which stock markets in London or New York are closed)
Subscription/ Redemption notice	12 midday Irish time, 3 business days prior to the relevant dealing day
Settlement	Subscription: Dealing Day +3 Redemption: Dealing Day +5
Currency Classes Available	EUR / USD / GBP
Investment Manager	Ascend Capital LLC
Promoter & Distributor	Morgan Stanley & Co International plc
Custodian	Northern Trust Fiduciary Services (Ireland) Ltd
Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd
Auditor	Ernst & Young

## PERFORMANCE<sup>1</sup>



Source: Morgan Stanley, Northern Trust, Bloomberg.

The above figures refer to the past. Past performance is not a reliable indicator of future results.

Healthcare and Industrials were the largest detractors. Materials had a solid month in October driven primarily by packaging names. In addition to packaging names, we remain constructive on those names tethered to lower commodity prices, namely protein processors and other agriculturally tethered names. In the Consumer Discretionary sector, the main drivers of performance were power sports, cruise lines and cable names. We continue to be constructive on select media/cable stocks as well as power sports and motorcycles, while negative on lodging stocks at these valuations.

The Healthcare portfolio suffered losses on both the longs and shorts. In addition to company specific events, the termination of the AbbVie and Shire deal caused a short squeeze across many names within Healthcare. In the Industrials portfolio, losses were related to companies in the aerospace sector and companies with oil exposure.

We maintain our view that it is a good environment for stock picking. The fundamental backdrop in US is still very positive and this is a good environment for creating alpha on the longs and shorts.

<sup>1</sup> Index information is included for illustration purposes only and is not intended to imply that the portfolio was similar to any index either in composition or element of risk.

<sup>2</sup> Information sourced from Ascend Capital LLC.

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## FIGURES BELOW REPRESENT EXPOSURE TO THE ASCEND INVESTMENT STRATEGY

### TOP HOLDINGS <sup>3</sup>

TOP 5 LONGS	
COMPANY / SECTOR	% of NAV
CROWN HOLDINGS INC	3.70%
MICROSOFT CORP	2.96%
PFIZER INC	2.63%
BERRY PLASTICS GROUP	2.45%
METHANEX CORP	2.29%
	14.03%

Source: Morgan Stanley

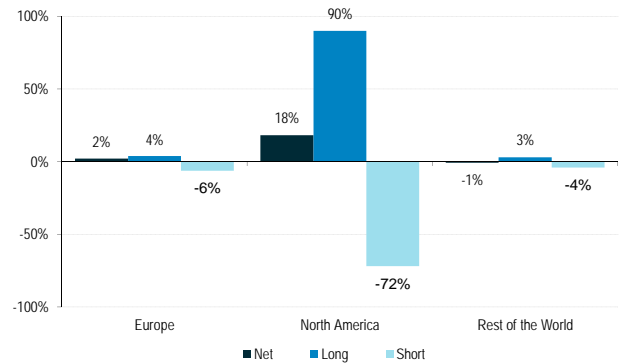
### RISK METRICS <sup>4</sup>

EXPOSURE AND RISK SUMMARY	
	% of NAV
Long Exposure	97%
Short Exposure	-82%
Gross Exposure	179%
Net Exposure	15%
Annualised Volatility <sup>6</sup>	4.59%
Relative VaR <sup>7</sup>	0.27

Number of Positions	
No. of Longs	188
No. of Shorts	170

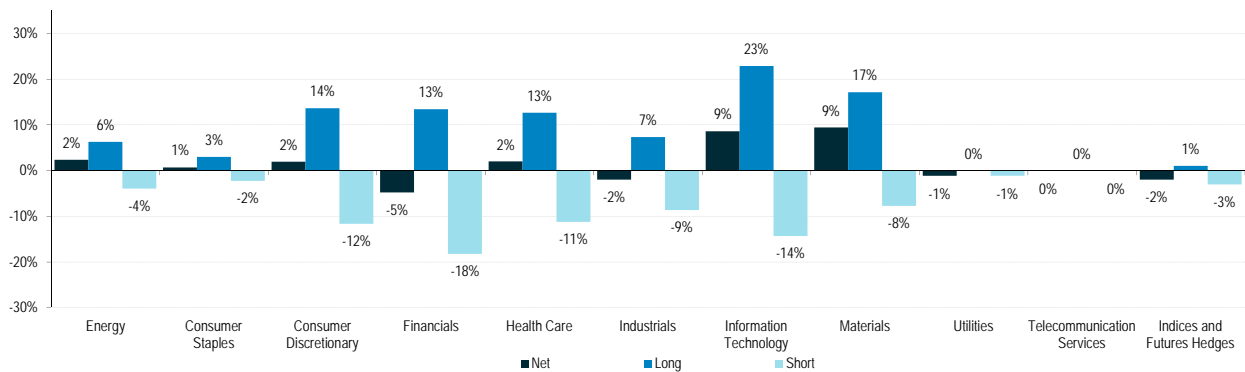
Source: Morgan Stanley

### GEOGRAPHIC ANALYSIS <sup>4,5</sup>



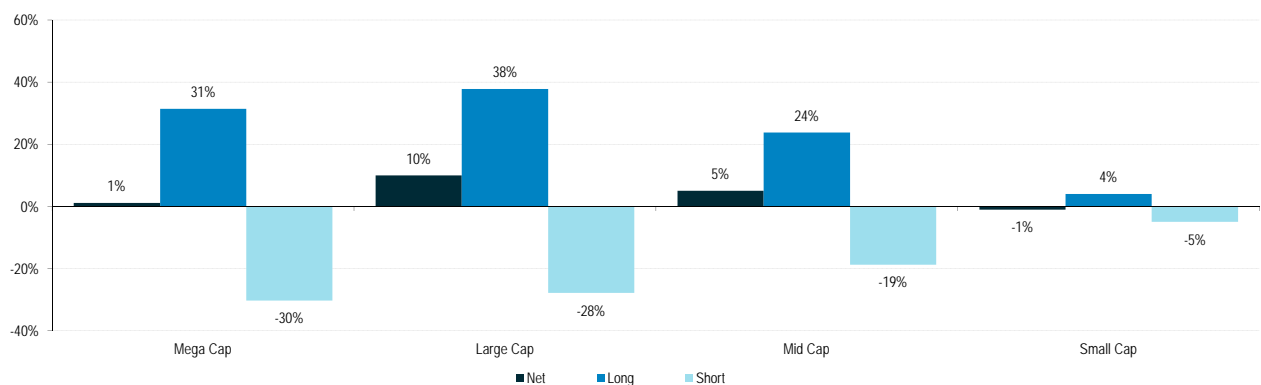
Source: Morgan Stanley

### SECTOR ANALYSIS <sup>4</sup>



Source: Morgan Stanley

### MARKET CAPITALISATION ANALYSIS (EQUITIES) <sup>3,8</sup>



Source: Morgan Stanley

<sup>3</sup> Month-end data used. Exposures are delta adjusted, exclude market hedges.

<sup>4</sup> Month-end data used. Exposures are delta adjusted, include market hedges.

<sup>5</sup> Per country of issue of the underlying.

<sup>6</sup> Indicative values as insufficient data points for statistical calculations. The volatility is computed as the standard deviation of the daily returns.

<sup>7</sup> VaR 99% - 20 days computed against the S&P 500 as benchmark.

<sup>8</sup> Mega Cap (>= 20 billion); Large Cap (>= 5 billion, < 20 billion); Mid Cap (>= 1 billion, < 5 billion); Small Cap (> 0, < 1 billion).



## FUND SHARE CLASS DETAILS

	Share Class			Performance				Identifiers			Fees		
	Ccy	Min Inv	Launch Date	NAV	MTD	YTD	LTD	ISIN	BBG	SEDOL	Mgmt	Perf.	TER <sup>9</sup>
<b>Class I</b>	EUR	1,000,000	20/05/2011	1,084.16	-0.02%	4.15%	8.42%	IE00B53HHV28	FLMSAIE ID	B53HHV2	1.5%	20%	1.92%
<b>Class P</b>	USD	250,000	09/09/2011	1,138.15	-0.05%	4.05%	13.82%	IE00B53STN13	FLMSAPU ID	B53STN1	1.5%	20%	1.92%
<b>Class P</b>	EUR	250,000	28/10/2011	1,152.44	-0.02%	4.14%	15.24%	IE00B4QLVM32	FLMSAPE ID	B4QLVM3	1.5%	20%	1.92%
<b>Class S*</b>	EUR	50,000,000	10/01/2014	1,036.84	0.00%	3.68%	3.68%	IE00BH5MGZ61	FLMSASE ID	BH5MGZ6	1.6%	20%	2.00%
<b>Class I*</b>	USD	1,000,000	29/08/2014	1,008.73	-0.05%	0.87%	0.87%	IE00B4XD6J42	FLMSAIU ID	B4XD6J4	1.5%	20%	1.90%

\* Total Expense Ratio includes Management Fees and Promoter Fees. For share classes launched before 31 July 2013, the TER is based on the expenses for the year ending 31 July 2013. This figure may vary from year to year.

Source: Morgan Stanley. NAV are computed by Northern Trust.

\* The YTD 2014 return for the S EUR share class starts from 10th of January 2014 and for the I USD share class - from 29th of August 2014.

The Net Asset Value of FundLogic – MS Ascend UCITS is calculated daily and is posted on Bloomberg shortly thereafter. Additional profile information, including the investor transparency report, and estimated performance in the preceding week, is also available to be sent to Shareholders on request on a weekly basis. To request such information please contact Benjamin D. Slavet at ben@ascendcapital.com.

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