Aggressive Strategy – March 2025

The Aggressive Strategy is a quantitative global long/short product applying the tenets of the EGP Long/Short Global Fund with greater aggression. Key objective is maximising total return with tolerable volatility/drawdown. The strategy has averaged net exposure of ~50% (~95% long/~45% short) but can theoretically stretch to 250% long and 100% short. This "overexposure" may be tempered by long or short exposure to an Index ETF targeting "overnight" exposures within the 0-100% net long target range. For example, if the strategy closes the trading day at 30% net short, an ETF long exposure may be initiated in the aftermarket to the index with the greatest short exposure. Likewise, if the trading day ended 130% net long, a ~30% index ETF short may be initiated.

Results Table

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
EGPAF 2025	**5.44%**	**3.74%**	**(0.78%)**										**8.52%**
MSCI ETF - VGS – 2025	**3.67%**	**(2.30%)**	**(4.86%)**										**(3.63%)**
12% Annualised	**0.95%**	**0.95%**	**0.95%**										**2.87%**

Performance Summary

Key performance metrics and charts.

Fund Features		Portfolio Analytics		
Performance fee	0-12% (0%) 12-18% (20%) 18%+ (30%)	**Metric**	**Fund**	**VGS**
		AUM	**$5.7m**	**US$39.5b**
		Volatility	**43.8%**	**10.9%**
Management fee	**0.05% per month**	**Sharpe Ratio**	**1.22**	**(1.63)**
Applications or redemptions	**Monthly**	**Sortino Ratio**	**1.95**	**(2.49)**
Distribution	**At least annually**	**Largest Drawdown**	**0.78%**	**7.05%**
Minimum initial investment	**$50,000 (Wholesale Only)**	**1-year return**	**N/A**	**N/A**
Accounting	**True Elite Business Services Pty Ltd**	**Cumulative Return**	**8.52%**	**(3.63%)**
Administration & Registry	**Registry Direct**	**Since Inception Annualised**	**38.7%**	**(13.7%)**
Custodian/PB	**Interactive Brokers**	**Unit Price (Mid)**	**$1.0852**	**$134.32**

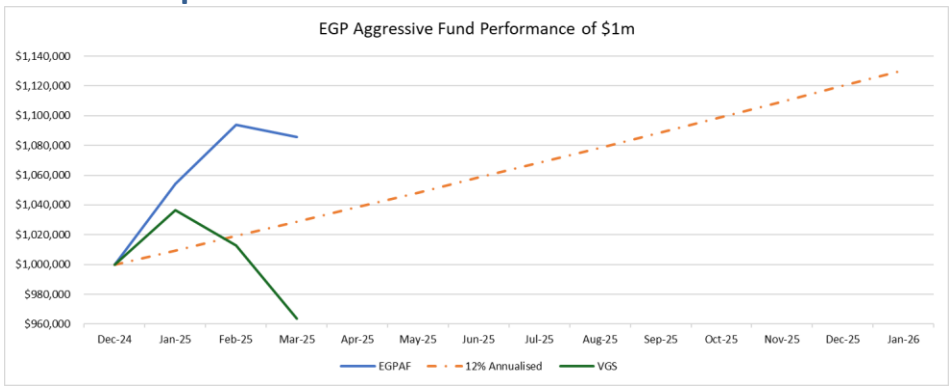
Contact Information

Co-Chief Investment Officers:
Tony Hansen – 0418 278 298 or tony@egpcapital.com.au
Gavin Skinstad – 0409 042 061 or gavin@egpcapital.com.au

Market Commentary

YTD Results: **Long book (5.31%)|Short book 13.83%**
YTD Exposure: **Long = 92.0%|Short = 50.3%| Net = 41.7%**

Results Graph



Portfolio Information

Benchmark Performance Correlation: **0%**
Benchmark Drawdown Correlation: **89%**
YTD Portfolio Turnover: **30.1x**

Quarterly Update

We committed to adding a more detailed commentary section in our quarterly performance reports. We thought we would use the first "longform" monthly report for EGPAF to give a flavour of how the current portfolio strategy construction works (algorithm updates are anticipated to be bi-annual, both algorithms changed on 1 April, the next will likely be 1 October). EGPAF relies far more heavily on "optimisation" than EGPLSGF. Some discussion around LSGF's construction is included in this month's EGPLSGF newsletter. It also discusses why many systematic traders avoid some of the types of optimisation AF has undertaken.

AF strategy and position weights are highly varied depending on the risk and return characteristics each strategy demonstrates. Individual stocks position sizing varies widely from <1% to 8%, with any position carrying a high sizing requiring significant "structural protection" in the form of coded exit rules. The most aggressive strategies (in terms of exposures) use ETF's, with the most aggressive long ETF strategy using a 15% position size and the most aggressive short strategy using 12% position sizing. ETF market movements are generally meaningfully more stable than movements for individual stocks, enabling higher exposure levels at lower expected risk.

The tables shown overleaf were created based on the current algorithm, tested from 1 January 2009 to 13 March 2025. There are presently 26 discrete strategies operating within the EGPAF algorithm. 7 short strategies, 18 long strategies and one that works both ways. The short strategies are identifiable by the negative figures in the "Average Use" rows. The "Average Net Use" shows average overnight exposure. Any strategies showing 0% in that row are day trading strategies, and as such close their positions by end of trade so as not to carry overnight exposure. Our "Average Net Use" is 48.79% (107.99% long & 59.20% short) based on the back test for the current algorithm. The "Average Use" of 183.35% indicates that on average there is 16.16% of capital employed in day trading strategies (183.35%-107.99%-59.20% = 16.16%).

When looking through the tables listed below at Compound Annual Growth Rates (CAGR), one could be forgiven for wondering why some of the strategies are included at all. For example, the short system S5 returns only 0.39% CAGR despite employing 3.86% of capital on average (short), this 10.1% ROCE is weak compared to all other strategies, and the 7.46% drawdown and woeful Sharpe/Sortino figures scream "exclude me". The worst 4 strategies (S2/S4/S5/S13) average only a 16% ROCE and tie up a good lick of average capital. The answer to why they are included is that they have massive dis-correlation to the combined system which means that when we exclude them, although ROCE improves, drawdown frequency and severity along with volatility all increase sharply, and risk metrics worsen considerably.

The best strategy by measure of Return On Capital Employed (ROCE) is the S9, a short day trading short system which has returned a 1.84% CAGR employing only 0.84% of system capital for a 187.8% ROCE! But you will see that it has very few trades (503, or around 33 per year), so to expose more capital to this attractive system, we either need to increase the position size (and therefore the risk) or weaken the strategy rules to produce more trades (thereby weakening the attractive ROCE).

As a rule, systems with very high win-rates (S12/S14/S22/S23/S24) tend to have weaker win/loss ratios and systems with weaker win-rates generally have better win/loss ratios (S18 is the poster child of this feature). The overall outworking of the current combination of strategies is a system that averages ~2,400 trades per year, with these trades profitable ~57% of the time and with profitable trades averaging a ~3.9% gain, with losing trades costing a little over 3.5% on average. In betting terms, a 57% winning chance equates to "fair" odds of ~$1.75. Our ~45 basis point "system edge" is roughly like finding a bet that should be priced at $1.75 but is being offered for $1.92.

Using the Kelly Criterion, if you had a large pool of prospective bets priced at $1.92 each, with a 57.02% winning chance, full Kelly tells you to wager 10.3% of your bankroll each time. Because of the occasionally violent vagaries of market behaviour, and our aim to keep drawdowns manageable and target attractive risk ratios ahead of pure out and out performance, led us to use an approximately "half-Kelly" sizing for the most part. Over the full back-test, our average position size is 4.60%, so in truth, given the 10.3% recommended Kelly sizing for the average trade outcome, we are running <45% Kelly on average across the algorithm.

As an example of how we have employed Kelly Criterion to underpin asset allocation for AF. The ETF system with the maximum 12% short position sizing described above is S18. It has only a 44.44% win-rate but is +17.9% when winning and -7.4% when losing. This implies a bet that should be priced at $2.25 (44.4% chance) but is priced somewhere more like $4.86 based on the win/loss/return outcomes. Full-Kelly tells you that a $4.86 bet with a 44.4% chance of winning should get 30.05% of your bankroll. Our maximum 12% position sizing on this system is therefore only ~40% Kelly for that strategy.

The other driver for using less than half-Kelly is scalability. We estimate the current "optimal maximum" fund size for EGPAF is ~AU$15m. At that size, we can move easily into and out of all the trades we desire and would not expect to "move the market". If we were to go to "full-Kelly" and aim for an average position size of 10.3%, we would simply lower the amount of capital we could expose to the algorithm without moving the market.

To further demonstrate the "undesirability" of full-Kelly position sizing, I coded the algorithm up this way and ran the back-test. The "net" annual return to investors roughly doubled. But these were some of the undesirable effects:

1. Maximum point to point daily drawdown more than doubled (23.32% to 48.45%)
2. Sharpe/Sortino worsened notably (from 2.48/4.47 to 2.33/4.09)
3. Annualised volatility increased sharply (30.22% to 56.08%)
4. Total leverage employed had several periods at levels our brokerage account will not support.
5. The back-testing at current allocations currently shows NO negative calendar years. There are 2x negative years using full-Kelly sizing.
6. The worst individual month in the back-test (currently October 2018) is a little more than twice as bad at full-Kelly.

Hopefully this gives a feel for how we are thinking about the construction of your fund's algorithm. Developing this algorithm is an ongoing process because as one of us likes to say, "if we're not improving, we're going backwards". We thank all our unitholders for the opportunity they have given us to manage some of their precious capital.

From your Co-CIO's: **Erik A. (Tony) Hansen; &**
Gavin L. Skinstad

	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14
CAGR	10.80%	1.50%	7.60%	1.01%	0.39%	3.17%	1.03%	1.68%	1.84%	1.41%	1.54%	3.34%	2.51%	4.61%
Drawdown	13.04%	7.76%	12.29%	3.90%	7.46%	4.41%	4.42%	4.47%	6.10%	2.65%	2.09%	5.05%	15.21%	5.12%
Trades	342	435	356	288	584	2,449	3,922	3,672	503	865	1,137	1,065	2,646	682
Wins	56.73%	48.28%	55.34%	48.96%	30.48%	53.45%	51.35%	52.26%	54.27%	57.69%	61.13%	66.85%	58.01%	70.67%
Average Win	20.45%	16.41%	20.64%	14.24%	22.05%	2.51%	1.89%	2.07%	4.17%	2.88%	2.35%	4.06%	2.95%	5.23%
Average Loss	7.44%	9.85%	8.78%	7.83%	9.14%	2.20%	1.70%	1.83%	3.32%	2.31%	1.66%	4.60%	3.60%	5.79%
Sharpe	1.10	0.45	1.06	0.48	0.12	0.80	0.61	0.69	0.66	0.83	0.88	1.10	0.42	1.20
Volatility	9.83%	3.48%	7.16%	2.15%	3.37%	4.02%	1.70%	2.48%	2.83%	1.71%	1.75%	3.02%	6.45%	3.82%
Sortino	1.80	0.71	1.81	0.77	0.17	1.38	0.96	1.16	1.18	1.74	2.42	1.84	0.68	2.06
Average Net Use	31.04%	10.94%	20.29%	8.54%	-3.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.37%	-13.57%	3.44%
Average Use	31.04%	10.94%	20.29%	8.54%	-3.86%	4.09%	2.91%	3.28%	-0.98%	0.82%	1.09%	4.37%	-13.57%	3.44%

	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26		System
CAGR	4.84%	0.15%	0.49%	4.82%	1.39%	7.24%	3.01%	2.76%	0.55%	0.86%	2.18%	4.90%		**~80% net**
Drawdown	-11.49%	-3.53%	-4.52%	-8.31%	-1.95%	-8.51%	-3.92%	-8.51%	-0.56%	-1.04%	-1.95%	-5.57%		**-23.32%**
Trades	3,147	520	574	198	1,012	332	2,862	2,418	2,045	1,298	829	2,579		**36,760**
Wins	59.33%	55.38%	55.23%	44.44%	64.72%	68.07%	58.21%	55.58%	65.43%	66.56%	68.15%	53.74%		**57.02%**
Average Win	3.57%	5.74%	8.19%	17.87%	3.57%	5.55%	3.40%	3.70%	2.48%	2.60%	2.80%	3.62%		**3.89%**
Average Loss	4.42%	6.57%	8.94%	7.35%	3.79%	5.09%	3.63%	3.81%	3.01%	3.07%	3.04%	2.81%		**3.54%**
Sharpe	0.59	0.16	0.19	0.93	1.05	1.41	1.00	0.70	1.19	1.19	1.34	1.07		**2.48**
Volatility	8.65%	0.94%	2.66%	5.22%	1.33%	5.04%	3.03%	4.00%	0.47%	0.72%	1.63%	4.61%		**30.22%**
Sortino	0.92	0.24	0.30	1.39	1.56	2.27	1.59	1.14	2.02	2.06	2.31	2.14		**4.47**
Average Net Use	-15.41%	-0.38%	-0.52%	-11.50%	1.63%	8.06%	11.21%	-13.96%	1.82%	2.31%	4.34%	0.00%		**48.79%**
Average Use	-15.41%	-0.38%	-0.52%	-11.50%	1.63%	8.06%	11.21%	-13.96%	1.82%	2.31%	4.34%	2.99%		**183.35%**