AHL DIVERSIFIED PROGRAM
2015 REVIEW AND OUTLOOK

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EXECUTIVE SUMMARY

The Next Edge AHL Fund returned -4.42%[1] net for calendar year 2015, broadly in-line with returns from equities, bonds, and hedge funds[2]. It was a year characterized by uncertainty in the direction of global interest rates and reversals in currency and bond markets that had trended strongly in 2014.

We believe the Program displayed its ability to perform positively in a range of market environments. In Q1, returns were generated with a bullish stance, while Q3 was positive from risk-off positioning across a variety of asset classes. We feel that this ability to perform positively when markets are falling is particularly valuable to investors at a time when traditional asset classes such as stocks and bonds are perceived by many as being expensive.

As a positive indicator for the future, contributions from new research into both new markets and new models have been accretive in 2015. Further, there is a robust pipeline of future research which includes advances in the Program's cash equity models, and exciting developments in the field of machine learning.

MARKETS OVERVIEW

Stock market returns were mixed in 2015. The S&P 500 was modestly down. In Europe core Eurozone markets were up, though Spain was down, and the UK FTSE was negatively impacted by its exposure to energy and materials stocks. In Asia, China ended a very volatile year marginally up, though most other Asian and EM stock markets were down.

In FX markets, 2015 was another year of USD strength against both G10 and EM currencies. The EUR lost around 10%, and commodity currencies were hit harder (NOK, CAD -19% each). The year was difficult for EM – BRL lost nearly half its value, TRY -25%, ZAR -34%, RUB -19%. Perhaps the most notable event was the Swiss National Bank's removal of the EUR peg which, in addition to outsized moves on the day, negatively impacted liquidity in FX markets early in the year.

In fixed-income markets, 2015 was a year of divergence in policy between Europe and the US – with Europe providing renewed stimulus (albeit not enough to assuage market expectations in December) – and the Fed finally raising US rates at year end. Despite some sharp moves over the course of the year, G10 benchmark 10-year yields ended the year little changed.

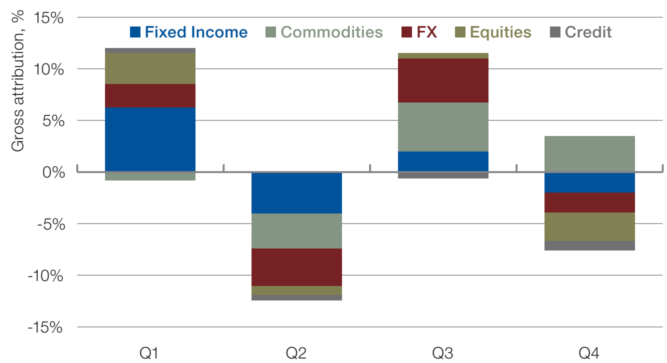
Commodities was probably the biggest story in 2015 with the downtrend from 2014 coming back with a vengeance in the second half of 2015. WTI and Brent were both down over 40% in H2. Products, natural gas, electricity and industrial metals all followed oil lower as weakness in China weighed on sentiment. Grains were also down, as were precious metals, selling off in response to the strong dollar.

AHL DIVERSIFIED PROGRAM

The Next Edge AHL Fund returned -4.42%1 net, broadly coming from positive returns on trading in weaker energy markets offset by losses in agricultural and credit markets.

It was not so much a year of two halves, but more of four quarters. As Figure 1 shows, quarters 1 and 3 were positive, whereas 2 and 4 were negative. What is interesting, when you delve a little deeper into these returns, is that the positive quarters resulted from both bullish and bearish market environments; in Q1 risk markets were strong and ADP benefitted from bullish positioning, and in Q3 returns were achieved through predominantly bearish positioning. In other words, the dynamic nature of the Program was evident.

Figure 1:
ADP: 2015 – A year of four quarters. Attribution by asset class.



Source: Man Group database.

What upset overall performance in Q2 and Q4 was the age-old nemesis of trend-following strategies, namely large reversals. Over Q1 and into mid-April, German 10-year bond yields had fallen from 54bp to just 7bp, while shorter maturity bond yields had become significantly negative. The fact that the units are measured in bp

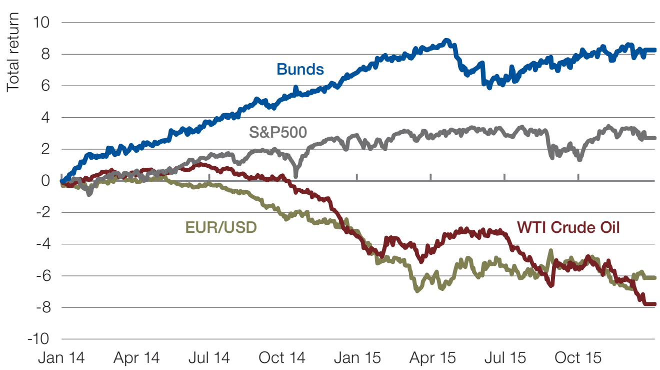
Past performance is not indicative of future results. 1. Returns may increase or decrease as a result of currency fl uctuations. Please note that the performance data is not intended to represent actual past or simulated past performance of an investment product. The data is based on a representative investment product or products that follow the AHL Diversified Program. An example fee load of 3%+1% and 20% has been applied. 1 Next Edge AHL Fund (the 'Fund') returns are net of all fees and expenses associated with Class A Units charged from December 28, 2009 (trading start date). Returns for 2015 are unaudited. Therefore, performance statistics containing 2015 figures shown in this material are subject to final confirmation. The historical annualized rates of return for the Next Edge AHL Fund as of December 28th, 2015 , are: 1-year -4.4%, 3-year 4.7%, 5-year -1.0%, and 10-year N/A. The Fund obtains exposure to the returns of a diversified portfolio of financial instruments across a range of global markets including, without limitation,stocks, bonds, currencies, short-term interest rates, energy, metals and agricultural commodities (the "Underlying Assets") managed by AHL Partners LLP (the "Investment Manager") using a predominantlytrend-following trading program (the "AHL Diversified Programme"). The AHL Diversified Programme is implemented and managed by the Investment Manager. 2. For calendar year 2015: MSCI World Net Total Return Index hedged to USD returned 2.0%, Citigroup World Government Bonds Index hedged to USD returned 1.3%, HFRI Fund Weighted Composite Index returned -0.8%.

rather than % is an indication of the extremely strong trend upwards in price that had been witnessed (and from which the Program benefitted) in these instruments since the start of 2014. Then in just two weeks at the end of April yields widened by more than 56bp and prices dropped sharply.

The violence of the move is possibly best appreciated in standard deviation terms. In five days, prices fell by six standard deviations, based on moves over the previous three months. This is relevant because trend followers typically scale positions inversely with volatility; low volatility leads to large positions, and vice-versa. There was no single catalyst for this move; it seemed that Bunds had their 'Wile E. Coyote' moment, whereby they had risen too far too fast and realized there was no ground beneath their feet and a fall appeared inevitable.

In early October, right at the start of Q4, global equities sharply reversed after weak employment numbers in the US were interpreted (wrongly, it transpired) as a sign that rates were unlikely to rise any time soon. This was a four standard deviation move. Also in Q4, after a history of under-promising then over-delivering, ECB President Mario Draghi under-delivered on market expectations of quantitative easing and the EUR promptly reversed 3%, or four standard deviations, from close to thirteen year lows versus USD. Even oil, hitting the headlines now for reaching eleven-year lows, had its downward trend sharply interrupted at the end of August with around a 20% rebound. Again, there was no significant news that caused this, as indeed is suggested by the subsequent resumption of the downward trend. Figure 2 illustrates the stark contrast between 2014 and 2015 for the markets discussed here.

Figure 2:
Price behavior, 2014-15, for several key markets normalized to 15% return volatility. Strong trends were evident in 2014, but 2015 was marked by sharp reversals.



Source: Man Group database, Bloomberg.

Trading within the 'non-traditional' component of the portfolio was mixed. As a reminder, ADP trades around 225 liquid, typically OTC markets that are not widely traded by CTAs in general. CDS indices were choppy, resulting in positions oscillating from long to short, giving rise to losses to the Program. Trading of non-traditional energies, on the other hand, performed well, especially in the second half of the year. Coal was the best performing asset as its down-trend continued. Short positions in European power and UK and Dutch natural gas also performed positively.

In summary, 2015 was marked by strong reversals in markets where the Program built large positions after extended periods of significant trending. Almost by definition, trend followers are likely to lose money over these times. The key is to make more in the trend than is lost when the trend breaks and when markets are range bound.

In the examples of reversals cited above, only one was directly the result of central bank activity. As a reminder, it is Man AHL's thesis that unprecedented levels of central bank intervention caused the 'flat spot' in the performance of momentum strategies between 2009 and 2013 through both sharp reversals in markets and increased correlation between markets, giving rise to decreased diversification within the portfolio. Thus, we do not see this year's flat performance as a return to the days of 2009-13. As Figure 3 shows, correlation rose in 2015, but to nothing like previous peaks.

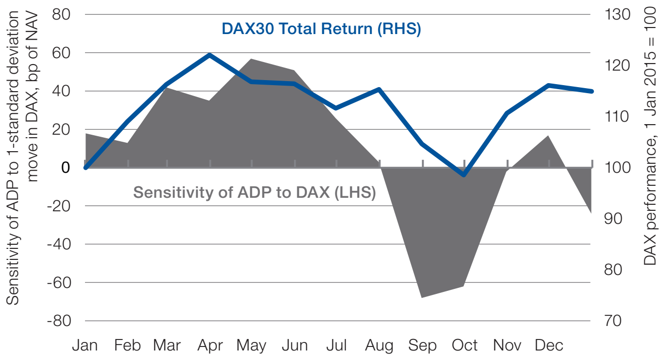
Figure 3:
Correlation[3] between futures and FX forwards instruments typically traded by CTAs rose significantly post Credit Crisis of 2008, coinciding with periods of political and central bank intervention. Since 2013 correlations have markedly declined although levels picked up slightly in 2015.

Source: Man Group database.

While overall performance was disappointing, we believe that the Program once again proved its worth as a diversifier, showing its ability to perform positively in falling markets. Predominantly trend-following by design, it dynamically adapted to the market environment, adopting a risk-off stance in Q3 when weakness in China started to be felt globally. In fact, at the end of August, the Program's neutral stance was made up of offsetting 'risk-on' positions in equities and risk-off positions in fixed income, FX, and commodities. By the end of September, however, equities had also shifted to a net short position, and a resultant 'risk off' position overall for the portfolio, as illustrated in Figure 4.

3. Correlation is measured as the average pairwise 1-year correlations of trend-following returns of the Program's futures and FX instruments using current models.

Figure 4:
Sensitivity of ADP to a one standard deviation move in German equities (DAX), and DAX performance. ADP had a bullish stance throughout Q1 and Q2 but turned short in Q3.



Source: Man Group database, Bloomberg.

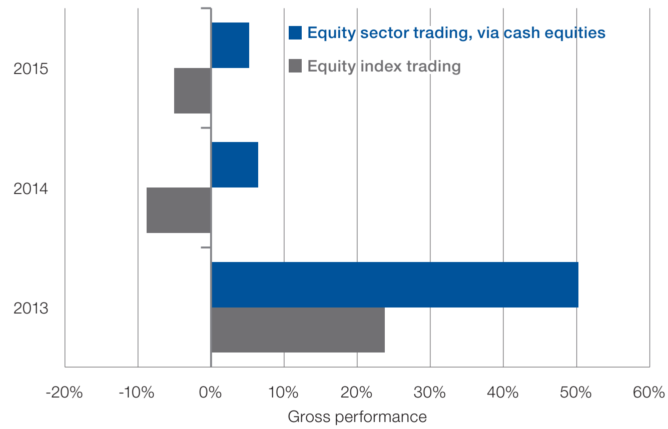
This ability to 'get short' is a feature much sought after by investors. In his latest annual report to Alumni on the state of the $38bn Harvard Endowment fund[4], management company CEO Stephen Blyth expressed concerns that he felt current markets, with continuing high valuations, were becoming 'frothy'. He further stated that they had now a 'renewed focus on identifying… managers with demonstrable investment expertise on both the long and short sides of the market.'

RESEARCH IN 2015 AND PIPELINE FOR 2016

The research effort continues apace. Around 20 new markets have been added, ranging from US power markets to Japanese long bonds and emerging markets FX options. As always, new strategies and new markets are initially introduced to the portfolio in small size and built out into meaningful allocations as time progresses.

Possibly the strongest evidence of this comes from our equities team. The CTA industry has historically traded equity momentum via index futures like the S&P 500, DAX, and FTSE100 for example. In 2011 Man AHL took this a stage further and started trading sectors, typically 24 per region, represented by baskets of stocks. The intuition is straightforward; even when there is no momentum at the index level, there can still be strong trends at the sector level. So trading momentum this way gives an additional 24 opportunities to capture trends. Since then, the strategy has been rolled out to four regions, has performed more positively than index futures trading (Figure 5 below), and now constitutes around 50% of all the equity momentum risk in the Program.

Figure 5:
Gross attributions[5] by year at 15% annualized volatility. In each of the last three years, momentum trading of equity sectors via baskets of cash equities has out-performed equity index futures trading.



Source: Man Group database.

As quantitative traders, it is perhaps not surprising that Man AHL is keen to understand and quantify the value of research. The two matrices below split research into two streams; new markets research and new models research. As an example, the '0.5' in the bottom-left hand corner of the top matrix says that there was a 0.5% gross attribution to ADP in 2015 from new markets added in 2011. One of these, for example, was the Italian 10-year Government Bond future which has been a top performer in 2014 and 2015.

The key conclusion from these results originates from the totals. For all years shown, new markets and models research has contributed positively to the performance of ADP.

Table 1:
Gross attributions to ADP from new markets (top) and new models (below).

Performance attribution (%) — Markets added to the AHL Diversified Program in

	2011	2012	2013	2014	2015	Total
2011	0.9					**0.9**
2012	0.5	3.0				**3.5**
2013	1.0	-0.5	0.2			**0.7**
2014	7.2	6.0	2.1	0.8		**16.1**
2015	0.5	1.9	1.4	0.0	0.3	**4.1**
Total	**10.1**	**10.4**	**3.7**	**0.8**	**0.3**	

Performance attribution (%) — Models added to the AHL Diversified Program in

	2011	2012	2013	2014	2015	Total
2011	0.0					**0.0**
2012	0.4	-0.3				**0.1**
2013	0.4	-0.2	0.5			**0.7**
2014	0.0	4.8	3.7	3.7		**12.2**
2015	0.0	5.8	-0.8	-0.2	0.8	**5.6**
Total	**0.8**	**10.1**	**3.4**	**3.5**	**0.8**	

Source: Man Group database.

4. 'A letter from Stephen Blyth PhD '92', Stephen Blyth, September 2015. http://www.hmc.harvard.edu/docs/Final_Annual_Report_2015.pdf. **5.** Represented by gross trading returns of stock index trading and equity sector trading models with a 15% volatility target. Past performance is not indicative of future results.

We believe two exciting areas of research for 2016 are worth highlighting. First, we plan to further build out our positively performing cash equities models to trend-follow equity factors. In a similar way to our sector model discussed earlier in this section, we intend to apply our trend-follow approaches to baskets of stocks based on factors, rather than simply industries. Research results seem encouraging to us, and this strategy is likely to enter test trading in Q1 2016 and be integrated into the Program in Q2.

Second, machine learning models have now been used in Man AHL's multi-strategy programs for a number of years and have been performing positively in 2015. They differentiate themselves from existing algorithms by their ability to infer non-linear behavior in market prices, adapting as market conditions change. Machine learning is a major focus of research for Man AHL with increased collaboration planned with Oxford University in 2016 to develop these algorithms further. It is to be firmly expected that the benefits of this research feed directly into the Program over the coming years.

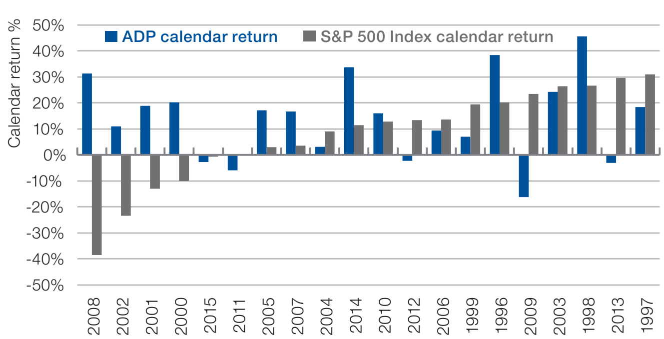
OUTLOOK

We enter 2016 with the AHL Diversified Program accessing the greatest number of markets in Man AHL's near three-decade long history. Further, as we have shown, new research continues to bear fruit. Thus we have confidence in our ability to capture trends in 2016, wherever they may occur.

In addition, we feel that there may be a strong case for trend following at this point in time relative to 'traditional' investments in asset classes such as stocks and bonds. MSCI World equities hit all-time highs in 2015. According to Andrew Haldane, Chief Economist at the Bank of England, interest rates are at 5000-year lows[6]. Experience tells us that for both asset classes returns on a medium term horizon appear unlikely to be as strong as returns in the recent past.

Looking back at the Program's calendar returns since inception in 1996 (Figure 6, below), there is little correlation with the S&P 500 overall, but evidence that the Program has the potential to perform positively when equities are weak. Similarly, for fixed income, we illustrated in a recent article[7] that trend-following programs have the potential to perform positively in rising rate environments.

Figure 6:
Calendar year returns for ADP and S&P 500, sorted by S&P 500 return



Source: Man Group database, Bloomberg.

Trend-following appears to be one of the few investment styles that has the potential to generate returns whether markets are rising or falling and as such we believe that it can be a valuable part of any well-diversified portfolio.

6. 'Growing, Fast and Slow', Andrew G Haldane, February 2015. http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech797.pdf. **7.** 'CTAs as a Fixed Income Hedge', Y.Git & G. Robertson, April 2015. https://www.ahl.com/research/ctas-fixed-income-hedge.

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