equinox funds

THE EQUINOX AMPERSAND OVERLAY STRATEGY: AN UPDATE

OVERLAY DESCRIPTION

The Ampersand Fund seeks to achieve returns and volatility comparable to the S&P 500® Total Return Index (the "Equity Index"), while seeking to mitigate downside risk. The major change to the EquityHedge strategy is that its long Equity Strategy is now combined with an enhanced Overlay Strategy.

The long Equity Strategy aims to provide returns comparable to those of the Equity Index. Equity index futures will be used to obtain market exposure that is expected to average somewhere between about 100% and 110% over market cycles.

The enhanced Overlay Strategy seeks to complement these equity returns with non-correlated and negatively correlated return streams so that the overall Ampersand Fund portfolio, over a market cycle (generally 3 to 5 years or longer), is expected to have volatility comparable to the S&P 500®, while targeting improved returns by seeking to avoid the full impact of downside risk. The previous Equity Hedge hedging strategy used only one negatively correlated return stream; we believe the enhanced overlay has the potential to provide better risk mitigation and greater returns in the long run.

OVERLAY PERFORMANCE

For the period July 2018-March 2019, the Ampersand Fund (Class I) earned a return of +4.50%, slightly underperforming (by about −136 basis points) the Equity Index®, which was up +5.86% for the same period. However, the performance of the enhanced Overlay Strategy by itself, which was virtually flat (down −0.17%), is worth examining in greater detail to see if the Overlay did in fact perform as we might have expected.[1]

STANDARDIZED PERFORMANCE (%) as of 3/31/2019

	Q1 2019	YTD	ANNUALIZED RATE OF RETURN: 1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION[2]
CLASS A	14.65	14.65	5.66	8.33	7.43	8.10
CLASS A (with 5.75% maximum sales charge)	8.05	8.05	-0.44	6.20	6.16	6.95
CLASS I	14.71	14.71	6.00	8.69	7.76	8.42

Performance data quoted here represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance quoted above. The value of an investor's shares will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. Gross/Net expense ratio: Class A: 3.17%/1.24%; Class I: 2.91%/0.99%. Additional information regarding Gross/Net Expense Ratios can be found on page 3. The Fund's investment advisor, Equinox Institutional Asset Management, LP, has contractually agreed to reduce its fees and/or absorb expenses of the Fund at least until 10/31/2019 to ensure that the net annual fund operating expenses do not exceed 1.24% (Class A) and 0.99% (Class I) of the Fund's average daily net assets, subject to possible recoupment from the Fund in future years subject to approval of the Fund's Board of Trustees. For performance current to the most recent month end, please visit equinoxfunds.com.

CONDITIONAL RETURNS

Although the Overlay Strategy was very slightly negative for the period, it is instructive to examine its returns conditional on the S&P 500® performance.

JULY 2 - MAR. 31, 2019	FREQUENCY	S&P 500® CUMULATIVE RETURN	AMPERSAND OVERLAY CUMULATIVE RETURN
S&P POSITIVE DAYS	99	+99.05%	−11.85%
S&P NEGATIVE DAYS	88	−46.82%	+13.24%
ALL DAYS	187	+5.86%	−0.17%

[1]The performance of the Overlay Strategy is based on Equinox's internal calculations.

[2]Class A and I inception: 9/9/2013

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges. **S&P 500® Total Return Index (S&P 500®):** regarded as the best single gauge of the US equities market.

As shown in the table, the Equity Index was up on 99 (out of 187) days, and down on the remaining 88 days during the nine-month period. Its compounded return (not annualized) was +99.05% on just the positive days, and −46.82% on just the negative days.

The compounded Ampersand Overlay return was down −11.85% on days when the Equity Index was up. By contrast, the overlay was up +13.24% on days when the Equity Index was down.

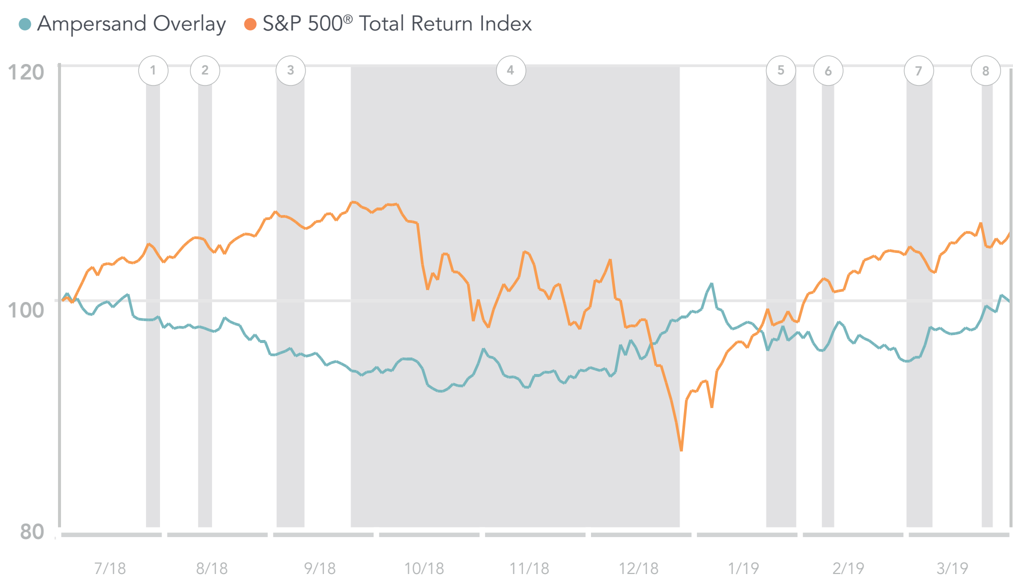
Based on this fairly rough analysis, it seems as though the Overlay "did its job," and was virtually uncorrelated, perhaps even slightly negatively correlated, to equities. This is confirmed by the correlation coefficient between the two series, which was −0.27. This slightly negative value merits further investigation.

DRAWDOWNS

Next, we examine the performance of the Ampersand Overlay Strategy during equity market drawdowns. We limit ourselves to peak-to-trough drawdowns greater than 1% and lasting more than one day, ignoring smaller drawdowns as being economically insignificant.[3] There were eight such drawdowns during the period. We display our results in the chart and table below.

During the first three relatively short and shallow S&P 500® drawdowns, the overlay outperformed the Equity Index, although its returns were also slightly negative. It was during the fourth and largest drawdown of −19.36%, which lasted for most of the fourth quarter, that the Overlay showed its mettle: it was up +4.80%, outperforming the Equity Index by more than 2400 basis points. During the four relatively smaller equity drawdowns experienced in the first quarter of 2019, the overlay displayed similar performance, in each instance putting up positive numbers and outperforming the Equity Index appreciably (by between 280 and 487 basis points).

PERFORMANCE (%) DURING EQUITY MARKET DRAWDOWNS >1%
JULY - MAR. 2018



	DRAWDOWN START	DRAWDOWN END	S&P 500® RETURN	OVERLAY RETURN
1	7/26/2018	7/30/2018	-1.52%	-0.69%
2	8/8/2018	8/13/2018	-1.22%	-0.30%
3	8/30/2018	9/7/2018	-1.38%	-0.11%
4	9/21/2018	12/24/2018	-19.36%	+4.80%
5	1/22/2019	1/29/2019	-1.14%	+1.66%
6	2/6/2019	2/7/2019	-1.13%	+1.77%
7	3/4/2019	3/8/2019	-2.12%	+2.75%
8	3/22/2019	3/25/2019	-1.96%	+0.87%

[3]January 3, 2019 is not included in the table and chart; as a matter of record, the returns of the S&P 500® and the Overlay on that day were −2.45% and +0.81%, respectively.

CONCLUSION

While historical performance is not necessarily indicative of the future, and the evidence above is "anecdotal," we believe that the Ampersand Overlay Strategy should, during significant and extended equity drawdowns, exhibit similar behavior, based on its composition of diversifying and dynamic hedging futures-trading strategies. Given the prevailing market climate of uncertainty and high volatility, we believe that the Ampersand Fund may provide investors with "smart" exposure to equities: equity exposure that is coupled with the potential for downside risk mitigation in the event of an extended equity drawdown.

The Gross/Net Expense Ratio *for the Fund does not include costs associated with any over-the-counter derivatives that provide the Fund exposure to the Overlay Strategy. The Investment Advisor anticipates that such exposure will indirectly subject the Fund to (i) counterparty fees of up to 0.50% (annualized) of notional exposure, and (ii) (annualized) management fees of up to 1.25% of notional exposure and performance-based incentive fees of up to 25% of new high net trading profits. The Adviser anticipates that the Fund's average notional exposure to the Overlay Strategy generally range between approximately 100% and 200% of Fund assets. The performance of the Fund will be net of all such embedded counterparty, management and incentive/performance fees. Please review the Fund's prospectus for more information regarding fees and expenses.*

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