2024 ANNUAL LETTER

THE LYNX PROGRAM

LYNX

Performance Summary

The Lynx Program ended 2024 up 2.36% net of fees.[1] Trading in agricultural commodities and foreign exchange were particularly profitable while losses accrued in fixed income, energies and metals. Equity results were rather muted. Trend following models outperformed their diversifying counterparts, although neither were profitable on a gross of fees basis. Medium-term parameters were responsible for a totality of the loss, in both trend and diversifiers, while long-term trend and short-term models generated modest gains. The result brings annualized performance since inception to 9.11% net of fees with an annualized standard deviation of 14.78%.[1] The result in 2024 was exactly in line with the Société Générale CTA Index which also ended the year up 2.36%. Performance of traditional investments were mixed as the MSCI World NDTR Index (local currency) ended up 21.03%, while the JPM Global Government Bond Index (local currency) was up only 0.15%.[2]

When observing the performance of the program in 2024, it is hard not to notice the stark difference in returns over varying periods of the year. The first quarter was quite strong, driven by a reevaluation of global monetary policy in the face of stubbornly elevated inflation levels. Models profited from positioning in equities and foreign exchange as interest rate expectations become decidedly less dovish and in agricultural commodities which experienced some dramatic moves based primarily on changing weather conditions. By the spring, however, central banks revised their guidance, recognizing that forecasting too far into the future was imprudent given how quickly economic conditions were evolving. The resulting environment was much less attractive for the program as markets fluctuated wildly on every contradictory economic data point. Then the US presidential election occurred, seemingly improving the opportunity set for the program. Most notably, and profitably, the US dollar rallied to a 2-year high as investors processed the potential implications of a second Trump presidency. Ultimately, gains in the early and latter months of the year offset most losses which occurred during the months between.

[1] The net performance figures include interest, costs and fees and reflect the standard leverage Lynx Program with a 1% management fee and a 18% (20% up until 1 July 2018) performance fee for a USD investment. For the period 1 May 2000 up until 31 March 2004 numbers have been calculated based on a SEK investment and thereafter an equivalent investment in USD.
[2] Index-figures are based on available data at the time of publication and are subject to revision. The Société Générale CTA Index, MSCI World NDTR Index (local currency) and JP Morgan Global Government Bond Index (local currency) figures represents the period 29 December 2023 to 31 December 2024.

2024 in Numbers

NET RESULT[3]

2.36%

PERFORMANCE BY ASSET CLASS[4]

Currency-related investments		5.2%
Equity-related investments		-0.1%
Commodity-related investments		-0.2%
Of which	*-Agriculturals*	*6.9%*
	-Metals	*-2.6%*
	-Energies	*-4.5%*
Fixed income-related investments		-6.2%
Of which	*-Interest rates (STIR)*	*-0.8%*
	-Bonds	*-5.4%*
Other (management fees, interest etc.)		3.7%
TOTAL PERFORMANCE		**2.4%**

PERFORMANCE BY MODEL TYPE[4]

Trend following models		0.0%
Of which	*-Short-term*	*0.7%*
	-Medium-term	*-3.5%*
	-Long-term	*2.8%*
Diversifying models		-1.3%
Of which	*-Short-term*	*0.2%*
	-Medium-term	*-1.5%*
	-Long-term	*0.0%*
Other (management fees, interest etc.)		3.7%
TOTAL PERFORMANCE		**2.4%**

PROGRAM ASSETS UNDER MANAGEMENT

USD 5 957M

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[4] Gross return includes commissions and trading expenses, but excludes management fee, performance fee and interest income.

Year in Review

Uncertainty regarding monetary policy had a significant impact on financial and commodity markets in 2024. With global economies adapting to tighter financial conditions manufactured in response to exceptionally high inflation in 2022, central banks highlighted the importance of flexibility in setting policy. Balancing stubbornly elevated inflation against the risk of recession was a challenge that necessitated a real-time response to changing conditions. The Fed and ECB notably and repeatedly highlighted how policy would be "data-dependent," resulting in an increased focus on the most recent economic reports.

Investors also became increasingly attentive to macroeconomic data and, at times, would respond relatively drastically to new information which might alter the policy path. For example, in early April, the Consumer Price Index in the US unexpectedly climbed to 3.5% from the previous year resulting in a revision in interest rates expectations and a sharp reversal in equities. Soon after, however, softening inflation indicators, including a weaker-than-expected non-farm payroll number, contributed to a sudden reversal in stock prices and falling interest rates. A similar pattern emerged during the summer as a disappointing jobs report and a deceleration in manufacturing activity in the US exacerbated a sharp decline in global equities and interest rates initially triggered by an unexpected Bank of Japan rate hike. Remarkably, stocks quickly reversed in August as the S&P recovered from a 6% decline within days to close the month in positive territory and achieved a new record high the following month, while bond prices again resumed their downward trend. This environment proved challenging for the program, in both equities and fixed income.

GLOBAL EQUITIES

Equities were slightly unprofitable as gains in Asia were outweighed by losses in Europe and North America. In the US, the program generated modest gains in the S&P 500 and NASDAQ indices which ended 2024 up 23.3% and 28.6%, respectively. When looking back on the year, remarkably resilient consumer spending and a robust job market in the US were the primary macro factors behind the growth as concerns that the largest economy in the world would fall into recession eased. On a company level, the "Magnificent Seven" (Apple, Amazon, Alphabet (Google), Meta Platforms, Microsoft, Nvidia, and Tesla) – with a combined market capitalization of almost US $16 trillion – were responsible for over half of the annual gain in the S&P. The AI frenzy persisted and excitement regar-

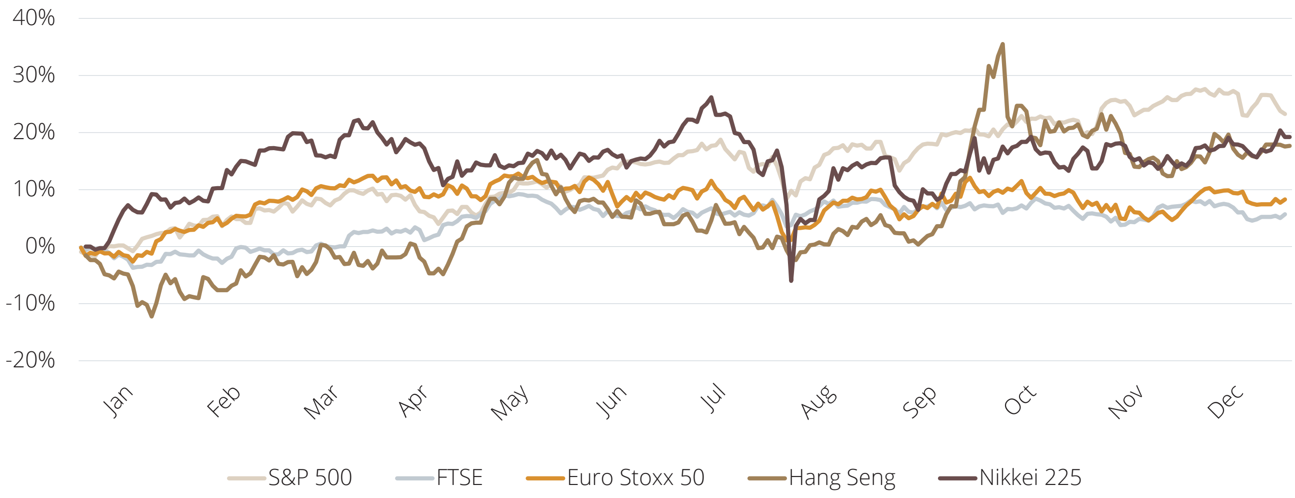


Chart 1 Global Stock Index Performance during 2024. Source: Bloomberg.

ding advancements in quantum computing with Google's development of the Willow chip further boosted technology stocks late in year. Unprofitable trading in Canadian equities ultimately resulted in a loss from North America as prices declined after President-elect Trump vowed to impose a 25% tariff on Canadian imports.

Japanese stocks were on their way to a banner year midway through 2024 driven by a depreciating currency, shareholder-friendly corporate reforms, and increasing foreign investment. By July 10th, the Nikkei index had posted a gain of over 26% and, after 35 years, had eclipsed the previous high set back in 1989. However, the year was far from over at that point. After ending their negative interest rate policy in March, the Bank of Japan unexpectedly increased rates in July in part to stem the slide in their currency which appreciated markedly after the move. Investors who had funded carry trades with the yen began unwinding positions resulting in a sharp reversal in global stocks. Over the course of a few weeks, the Nikkei collapsed giving back all the previous annual gain. While the market quickly recovered and ultimately ended the year up 19%, the program never recaptured all of the previous gains. Regardless, the Nikkei and TOPIX indices were amongst the best performing markets in the portfolio.

Elsewhere in Asia, the KOSPI index was one of the few global stock markets to decline in 2024. While South Korean equities fell in line with other nations in July into early August, they never experienced the magnitude of the recovery elsewhere. Anemic growth prospects and declining consumer confidence initially weighed on sentiment, although political turmoil late in the year exacerbated those concerns. In early December, President Yoon Suk Yeol stunningly declared martial law in a televised address accusing the opposition Democratic Party of "anti-state activities" and creating a "legislative dictatorship." The declaration was met with severe criticism, both domestically and abroad, and Yoon was subsequently impeached and suspended from office. Models found the price action challenging and the market was the worst performer in the asset class by a wide margin.

While European stocks generally climbed in 2024, prices vacillated broadly on both macroeconomic and geopolitical factors resulting in a modest loss. Growth across the continent was sluggish as elevated levels of uncertainty impacted consumer spending and corporate investment. Further, relatively weak export demand, particularly from China, weighed heavily on the manufacturing sector, while prospects of a trade war with the United States worsened the outlook for the new year. The European Commission forecast that the German economy, the third largest in the world behind the US and China, contracted in 2024 and would grow only 0.7% in 2025. Despite the gloomy projections, the DAX index was the best performing equity market on the European continent.

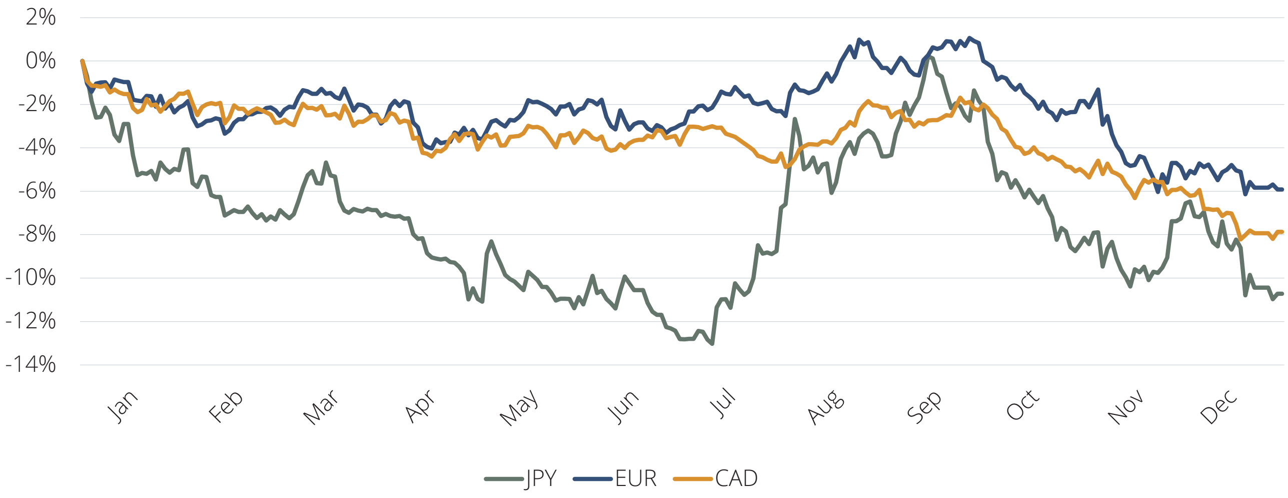


Chart 2. Foreign exchange rates during 2024 against the US dollar. Source: Bloomberg

Notably, the French CAC 40 index ended 2024 down 3%, the only major index in the EU to decline, as political upheavals threatened to derail the post-pandemic recovery. French President Macron dissolved the National Assembly in June and called for snap elections after the far-right National Rally outperformed expectations in the European parliament elections. Then in December, French Prime Minister Michel Barnier was ousted after the government lost a no-confidence vote in parliament, leaving the country without a functioning legislature entering 2025.

FIXED INCOME

After holding policy steady since July 2023, the Fed cut rates by 50 basis points in September and then another 25 basis points in both November and December. While the reductions were largely anticipated, investors focused closely on the policy statements and comments from Fed governors following the announcements. By December, language had shifted decidedly hawkish as policy makers voiced uncertainty regarding the economic impact of the proposed agenda from the incoming presidential administration. The ECB similarly cut rates by a full percentage point during the year, although started in June and from a lower benchmark rate than the US. Notably, with a range of 4.25% to 4.50%, the Fed target entering 2025 was over a quarter of a percent higher than the ECB's most recent peak of 4%.

Expectations of easing financial conditions and a more accommodative Fed ultimately had little impact on US Treasuries as bond prices ended the year markedly lower. Stubbornly elevated inflation and relatively robust economic indicators led many to expect that bond yields would remain higher for a longer period than previously expected. While exposures fluctuated with the wide price swings experienced throughout the year, the program generally maintained short positions on the short end of the curve and long positions on the long end. As a result, gains in US 2-year, 3-year, 5-year and even 10-year notes slightly outweighed losses in 30-year and Ultra Treasury bonds.

Despite anemic growth prospects across much of the continent and declining benchmark lending rates, European bond prices fell in 2024. Significant Eurozone government debt issuance weighed heavily on prices as did the termination of reinvestments under the ECB's Asset Purchase Program. Climbing yields in the US and a relatively wide interest rate differential compared to similar duration Treasuries also contributed to the weakness in demand for European issuance. Periodic rallies spurred by geopolitical crises and soft economic data created a rather difficult trading environment as the program fluctuated between long and short exposure throughout the period, ultimately realizing a rather marked loss.

FOREIGN EXCHANGE

Politics don't often have an immediate and measurable impact on financial markets, but the 2024 US Presidential election was a clear exception. Donald Trump's successful bid to retake the White House for a second term had many speculating the potential impact of his stated policy agenda on the economy. New and expanded tariffs, increasingly restrictive immigration policies, lower corporate taxes and lighter financial regulations were seen by many to likely have an inflationary impact, and the Fed's decision to announce a potentially slower rate easing policy in 2025 reflected that potential. In the weeks following the election, the US dollar rallied strongly against most peers.

However, the election was not the only factor which benefited the greenback. Diverging growth expectations between the US and other developed markets also contributed to the 7% rise in the currency during the year, as did elevated geopolitical risks. Aside from a brief period in September, the program maintained net long exposure in the dollar throughout the year. Significant gains were generated in the 4th quarter as short positions in the Canadian dollar, Japanese yen and euro were all solidly profitable. In fact, the only developed market currency to generate a loss during the year was the British pound. Results from the emerging markets were less reliable as unprofitable trading in the Mexican peso and South African rand mitigated the gain. Nevertheless, foreign exchange was the best performing asset class in the portfolio in 2024.

AGRICULTURAL COMMODITIES

Agricultural commodities were also strong performers in 2024. The program entered the year with a short position in corn as robust yields across the Northern Hemisphere weighed on prices. After a modest recovery in the early spring, beneficial growing conditions resulted in a record harvest in the US driving prices below US $4 a bushel. With corn rallying in the 4th quarter on indications that farmers would cut production due to unattractive margins, the models reversed exposure to capitalize on the late rally. As was the case with corn, soybean prices began the year in a downward trend which was exacerbated by record production in the US during the year. As Brazilian crops also remained robust, global supply exceeded previous expectations. The program maintained short exposure for most of the year, quickly building risk as prices began to fall in May, generating a gain.

Cocoa was the strongest performing market in the portfolio in 2024. Prices exploded during the year as the development of the El Nino weather phenomenon resulted in abnormally strong Harmattan winds and exceeding dry weather conditions in West Africa, the commodity's primary growing region. Crop disease, increasing consumption and political roadblocks also contributed to the meteoric rise. Futures prices traded in New York rallied approximately 175% during the year, hitting consecutive record highs into December. Weather conditions also impacted coffee production, driving prices to the highest level in half a century. Severe drought conditions in Brazil and Vietnam during the growing season impacted production from both nations, two of the largest global producers. Long futures positions in New York and London both contributed positively during the year.

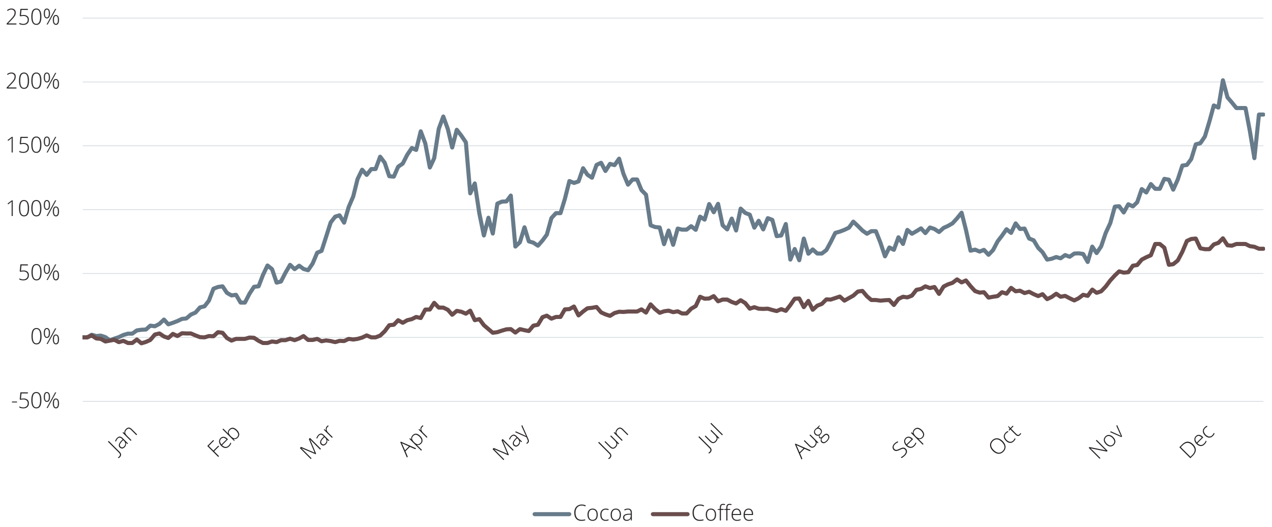
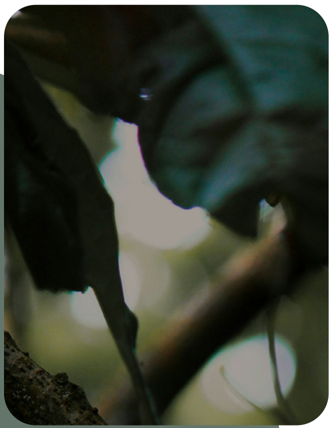


Chart 3. US cocoa and coffee price developments during 2024. Source: Bloomberg.



ENERGIES

Conversely, energies were a challenging sector for the strategy. While crude oil prices ultimately ended 2024 marginally lower, models vacillated between long and short positions throughout the period as prices traded within a US $21 range. A mix of changing supply/demand dynamics, rising geopolitical risks, and shifting global growth expectations all contributed to the wide price fluctuations. Natural gas prices also vacillated broadly on geopolitical risks and a shifting supply/demand balance, yet ultimately reversed a long-term downward trend by ending up over 50% on the year. Notably, the average price of US benchmark Henry Hub gas was just US $2.21 in 2024, the lowest inflation-adjusted price in history, as prices languished at exceptionally low levels throughout much of the period on a combination of robust US production, abundant inventories and relatively moderate weather across much of the country. However, anticipation of increased demand from newly opened liquified natural gas (LNG) facilities on the Gulf of Mexico and increasingly cold weather into December drove prices markedly higher in the 4th quarter.

METALS

In other commodities, both industrial and precious metals generated losses during the year. After remaining largely rangebound in 2023, copper prices rallied to a record US $5.20 per pound in May driven by expectations of increasing industrial demand to support the energy transition and from China as the country emerged from pandemic restrictions. However, prices quickly reversed course afterwards on indications of increasing inventories and concerns that China's recovery was faltering. Speculation that more accommodative monetary policy would stimulate growth provided some late support, although prices ended the year well off the early highs. After generating solid profits through May, the program had considerable difficulty with the subsequent price action.

Gold also climbed to a record high in 2024 at nearly US $2,800 an ounce, fueled by rising geopolitical risks, increasing global central bank purchases and forecasts for lower interest rates as inflation targets are achieved. The program capitalized on the price move, although gave back some profits late in the year as prices pulled back on strength in the US dollar and indications from the Fed that their future pace of rate cuts might be slower than anticipated. Meanwhile, the program entered the year with a short position in silver and suffered as prices climbed on increasing industrial demand, particularly from the renewable energy sector. Production constraints and a rebound in jewelry demand, due in part to the declining affordability of gold, further bolstered the move.

Firm Developments

Lynx achieved an important milestone in 2024. Early in the year, we surpassed 100 employees in offices in Stockholm and New York City. Over the following months, the company grew by another 10 people as we added new team members in trading, research, system development, and legal. We also hired a new Chief Technology Officer to help expand and refine our system architecture and a senior professional based in Hong Kong to head our efforts in Asia. Investing in our future is a priority from management as we recognize that maintaining our edge requires constant development and innovation. Additionally, we understand that our success and the success of our investment programs is dependent on our capacity to attract and retain exceptional talent.

Further, there have been some changes at the leadership level. Most notably, Martin Källström was promoted from Deputy-CEO to CEO at the beginning of September. Svante Bergström, the former CEO and a founding partner of Lynx, transitioned to a new role as Executive Chairman. He continues to be involved in all major decisions of the firm and remains a portfolio manager of the Lynx Program. We believe that this development put us in a strong position to bring Lynx forward into the next generation while maintaining the vision the firm was founded upon 25 years ago.

Research Developments

At Lynx, research is divided into separate groups based on expertise, although all teams work closely together to develop new models and improve the strategy. The mandate for research is to develop and maintain models – and the tools which aid the Investment Committee as they budget risk between these models – to help us achieve the dual objective of the program: generating attractive risk adjusted returns with a conditional negative correlation to equities in down markets. Using a broad set of key metrics measuring performance and other characteristics, models are evaluated, and ultimately allocated to, based on the value they add to the overall portfolio.

The model lineup and risk allocations are thoroughly reevaluated twice a year by the Investment Committee in June and December. In addition to these formal revisions, risk allocations are adjusted monthly as new market and model data becomes available. During 2024, six models were retired, while two new models were added, one utilizing machine learning techniques and the second characterized as systematic macro trading exclusively global fixed income. Ongoing research projects currently focus on higher frequency data and asset class specific models. Additionally, long-term trend and systematic macro are currently priorities.

Outlook

From a global pandemic to the eventual emergence from lockdowns and quarantines to one of the worst inflationary environments the developed world has experienced in generations, there have been some extraordinary changes over the past five years. It is hard to predict what the future holds, although there are many catalysts on the horizon which could drive markets in 2025 and beyond. While positive performance is not predicated on any specific environment emerging, it is somewhat dependent on market prices moving from one level of equilibrium to the next. The following scenarios could result in the repricing of assets and offer opportunities for the program.

Increasing dispersion between economies may offer opportunities not only from a directional perspective, as has been the case in foreign exchange, but also from a relative value perspective. Many of the systematic macro models in the portfolio have been developed to identify and capitalize upon divergent economic conditions across the globe. Using primarily fundamental data, these models are not dependent on prices to forecast how markets will move in the future. Additionally, many of our machine learning models tend to identify opportunities in the factor space, enabling them to profit from beta-neutral opportunities.

The reelection of Donald Trump – four years after his first term concluded – has already had a significant impact on global markets, particularly in foreign exchange. The potential inflationary impact of his "America First" agenda has influenced monetary policy forecasts, and the US dollar has seen a marked appreciation in the months since. However, currencies will unlikely be the only asset class that will need to go through a rebalancing in the coming years as his policies begin to be implemented.

Technological breakthroughs abounded in 2024, many of which had a direct influence on financial markets. Advancements in large language models, and generative AI more broadly, brought artificial intelligence directly to the public domain and generated excitement and optimism regarding future applicability across industries. Late in the year, Google unveiled a new quantum computing chip that the company claimed could solve problems in a tiny fraction of the time the world's largest supercomputers currently require. These breakthroughs will likely have a tremendous impact on society over the next decade and could catalyze revaluations across asset classes.

Over the longer term, we are hopeful that the development of new and innovative models utilizing our evolving mathematical toolkit will help further differentiate Lynx from our peers. Additionally, the incorporation of non-traditional data sets and higher frequency information should enable us to improve the forecast reliability of the program. We are committed to investing in the future of Lynx as evidenced by the continued growth of our research team and the organization and the expansion and refinement of our technological infrastructure.

As always, Lynx is dedicated to managing your capital responsibly and profitably. We are invested alongside our clients in every program we manage, aligning our interests directly with yours. We look forward to providing positive, differentiated returns in 2025, and thank you for your trust in us.

Lynx Asset Management

IMPORTANT INFORMATION