

# Longchamp Solferino Credit Fund

March 2024

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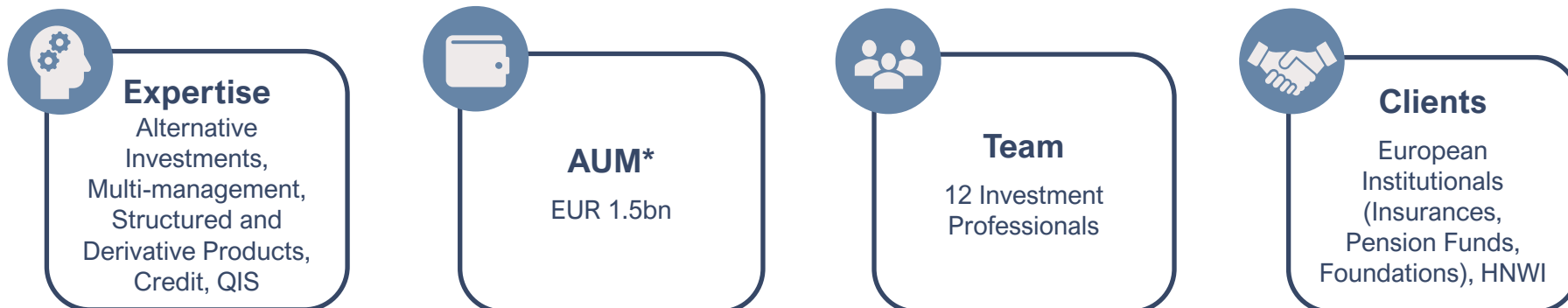
## Contents

- **Longchamp Asset Management**
- **Longchamp Solferino Credit Fund**
- **Opportunity Set: Market Update and Current Portfolio**
- **Investment Universe and Portfolio Construction**
- **Market and Portfolio Update**
- **Team, Biographies and Fund Terms**

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# Longchamp Asset Management

# Longchamp AM Overview



- Founded in 2013, Longchamp AM built its investment management expertise around a **long-term investment approach** and a philosophy of **alignment of interests** with its investors. Its managers are personally invested in their funds and thus offer **conviction-based portfolio management**
- Through its history and its team, it is at the crossroads of investment management and capital market activities. It combines **independence, agility**, and an **experienced team**, with specialists from the world of asset management as well as financial engineering and investment banking
- Longchamp AM sets itself up both as a **content creator** but also as a **financial engineering company** which likes to develop solutions dedicated to solving specific, complex issues
- Since 2018, Longchamp has built an extended expertise in the field of **QIS (Quantitative Investment Strategies)**
- Longchamp AM is approved by the **Autorité des Marchés Financiers** (01 March 2013: GP – 13000009)

\*Estimate as of December 2023

# Industry Recognition



Longchamp Asset Management in the list of “*les Champions de la Croissance*” (growth Champions) of the famous French magazine *Les Echos* (rank 146/500 in 2021, 194/500 in 2022, and 196/500 in 2023)

Longchamp Asset Management ranked in the **FT 1000**, the **Financial Times'** annual list of **Europe's fastest-growing companies** (rank 817/1000)



Longchamp Galileo Equity Income Fund: **Best absolute return fund** at the “*Coupoles de la Distribution*” hosted by *l'AGEFI*



Longchamp Patrimoine Fund: **Best performing fund over 5Y** in the **Fund of Funds category** at the *UCITS Hedge Awards 2020* hosted by *the Hedge Fund Journal*



Galileo Multi Asset Premia Fund: **Best new launch** in the **Alternative Risk Premia category** at the *UCITS Hedge Awards 2021* hosted by *the Hedge Fund Journal*



Dalton India UCITS Fund: **Best performing fund in 2021 and over 2 years** in the **Long/Short Equity India (Long Biased) category** at the *UCITS Hedge Awards 2022* published by *the Hedge Fund Journal*



Lafayette Dalton Asia Pacific UCITS Fund: **Best Performing Fund over 5 years** in the **UCITS L/S Equity Asia Pacific category** at the *HFM European Performance Awards 2023*

# Fund Recognition

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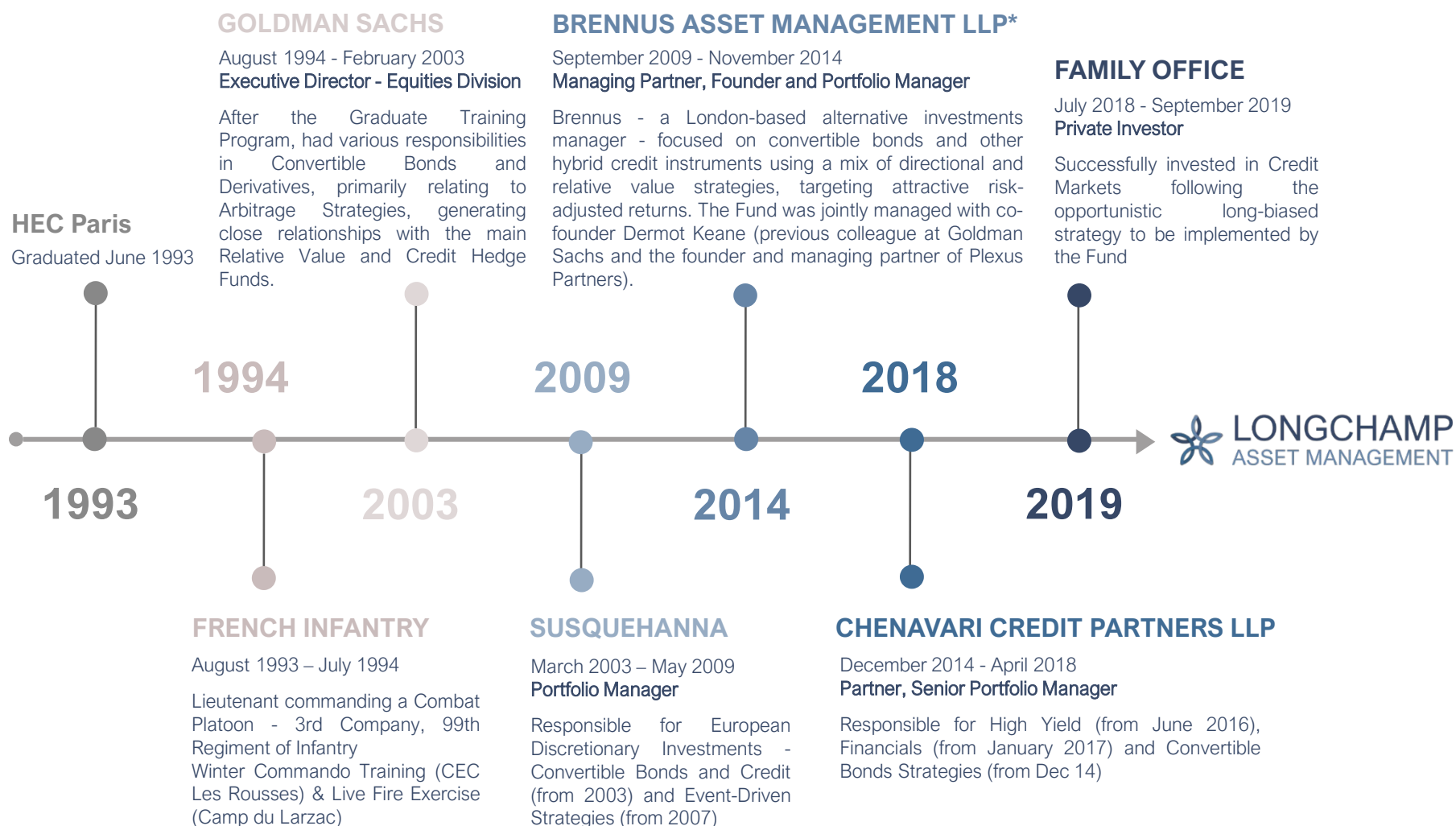
The Longchamp Solferino Credit Fund was nominated at the *HFM European Performance Awards 2021* in the Newcomer Credit category



The Longchamp Solferino Credit Fund won the High Yield Bond Award 2023 at the Grand Prix de la Gestion d'Actifs by L'AGEFI

# Fund Manager Track Record and Experience

Jean FAU : INVESTMENT EXPERIENCE: 20 years / CAPITAL MARKETS EXPERIENCE: 30 years



\*David Armstrong was an Early Investor and Fund Director

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# Longchamp Solferino Credit Fund



# Longchamp Solferino Credit Fund : Philosophical Tenets

## Unconstrained, Total Return, Value Approach Structural Inefficiencies Create Long-Term Opportunities

### Philosophical Tenets:

A -Credit markets are cyclical and mean-reverting  
Technical factors – notably ratings - can drive pricing away from fundamentals

**It pays to be Contrarian in credit**

B- Inefficiencies can be exploited with a **flexible unconstrained mandate** through disciplined money management and **concentration in conviction trades** after bottom-up issue selection

C- **Co-Investment**: Lead PM invests most of his liquid assets in the Fund

### Investment Process:

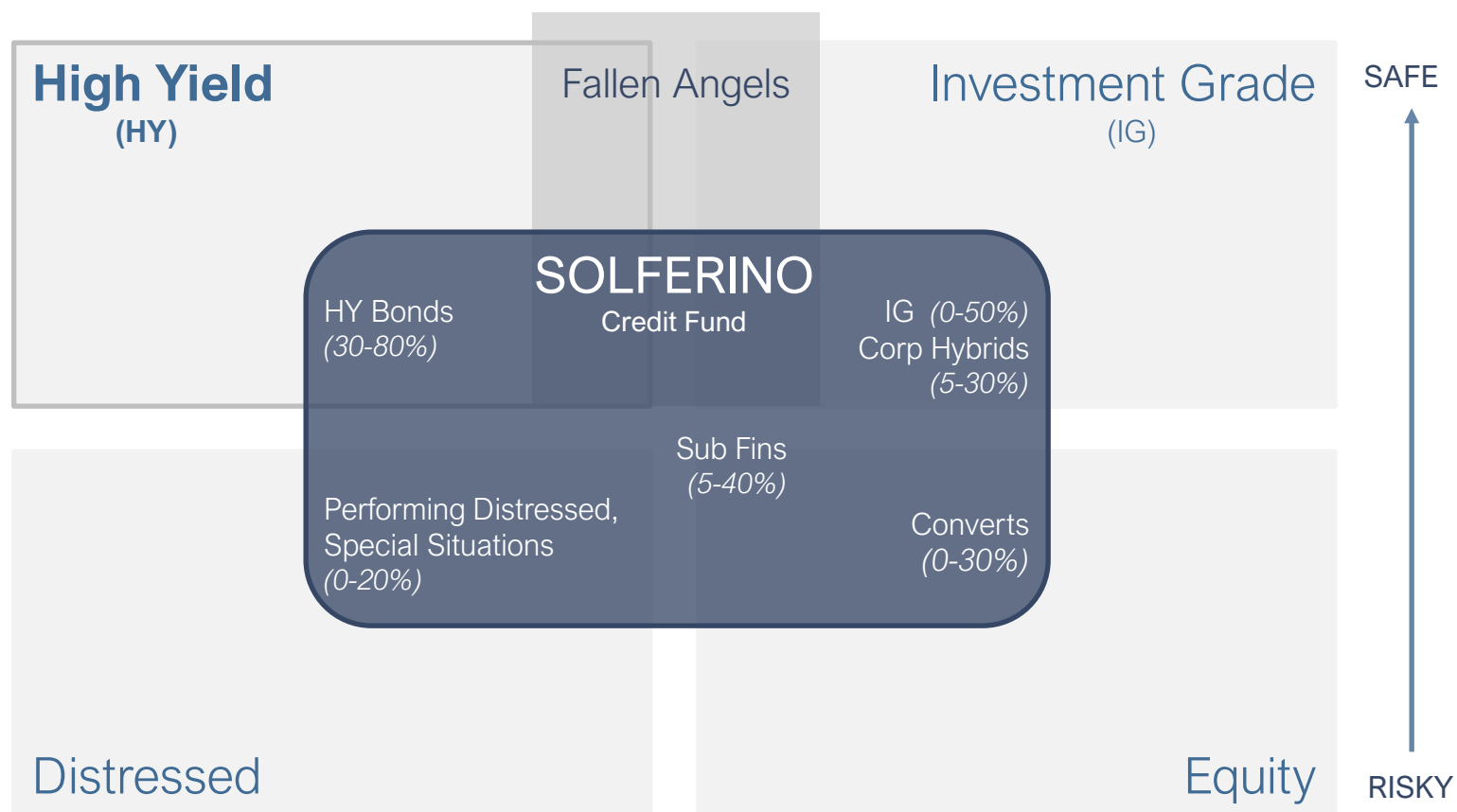
A- Total Return approach uses Income but also Capital gains as drivers of performance

B- Use seniority of credit to increase **portfolio concentration with careful security selection** among the highest yield securities in the liquid credit universe (allowing for exits)

C- **Disciplined but Flexible Capital Deployment**: Contrarian value approach uses sell-offs as opportunities to **maximize return per unit of real economic risk** (not simply volatility)

# Unconstrained Across Asset Classes

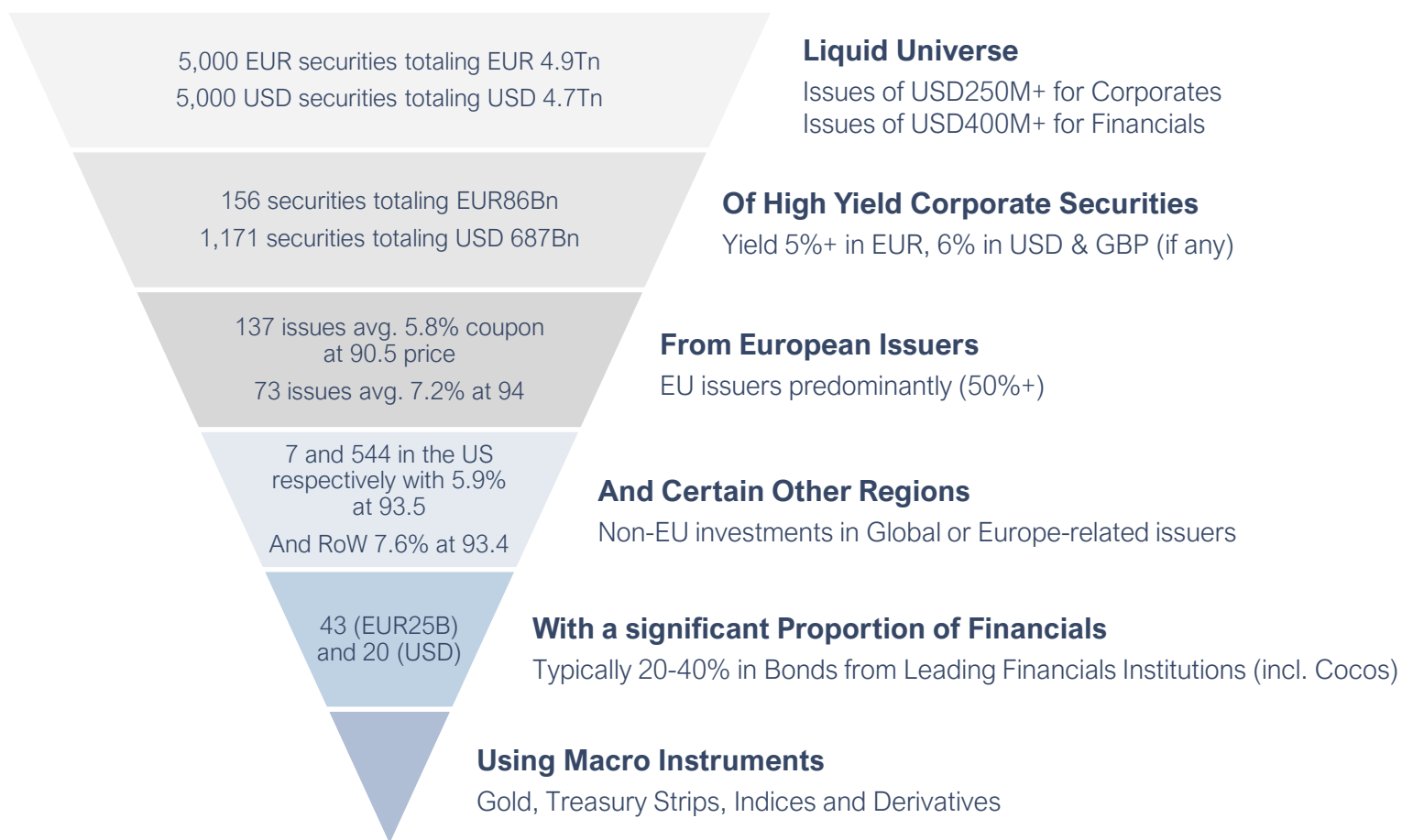
**Our goal:** Select the most attractive risk-rewards in liquid credit markets  
**Focus:** Hybrid situations straddling market segments



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# Investment Universe and Portfolio Construction

# Implementation: Narrowing Down the Focus



5,000 EUR securities totaling EUR 4.9Tn  
5,000 USD securities totaling USD 4.7Tn

156 securities totaling EUR86Bn  
1,171 securities totaling USD 687Bn

137 issues avg. 5.8% coupon  
at 90.5 price  
73 issues avg. 7.2% at 94

7 and 544 in the US  
respectively with 5.9%  
at 93.5  
And RoW 7.6% at 93.4

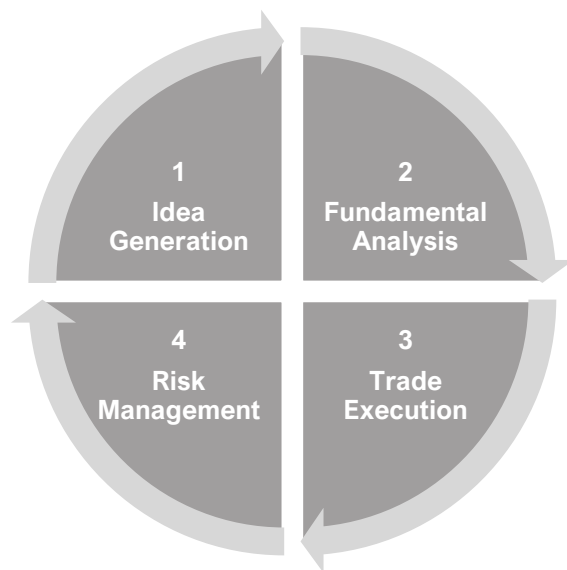
43 (EUR25B)  
and 20 (USD)

## Allocation

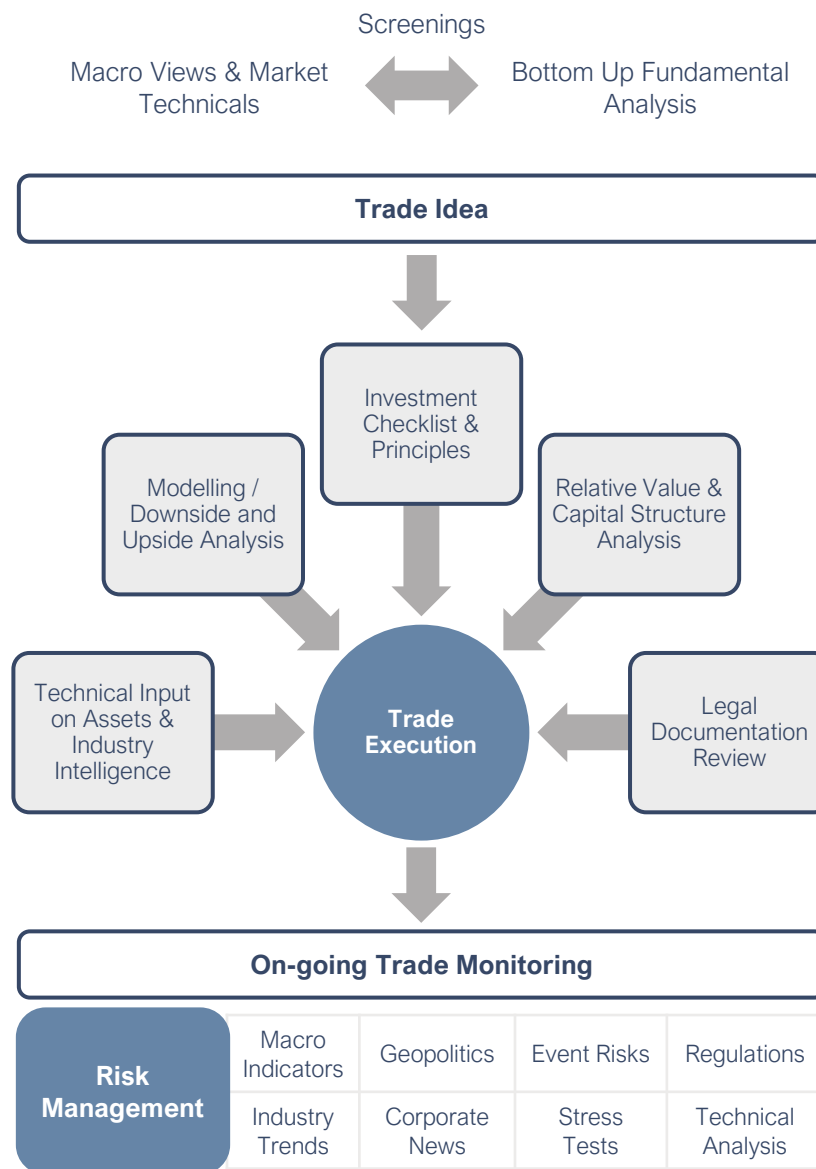
Emerging Markets	Europe	US
0-30%	60-100%	0-40%

# Investment Process Driven by Fundamentals

## Investment Process



- **LEVERAGE CREDIT ECOSYSTEM**
- Analyst meetings with **management teams**
- Analyst & PM meetings with **sell-side** and **buy-side**
- Maintaining **RV tables, models** and core positions **one-pagers**
- **New issues** due diligence and selective participation
- Focus on HY & Crossover names, with specific focus on **sizeable positions**
- Relationship with **banks' syndicate** and **trading teams**. **Emphasis on quality not quantity of relationships**



# Portfolio Construction Approach

## LARGE ISSUERS

- Focus on large issues with notional outstanding of \$250M or more
- Mainly corporates with an equity listing – ample public disclosures and multiple market-based risk-pricing tools
- Bias towards “Fallen Angels” which historically tend to exhibit lower defaults
- Favor relatively transparent situations

## FOCUS ON HIGHER YIELD

- Take advantage of mean-reverting characteristics of Credit
- Focus on situations with higher levels of yield pricing in some amount of risk
- Contrarian Investment Philosophy : fully invested when risk aversion is high and under-invested when risk aversion is low
- Average Portfolio target yield of around 8%
- Few distressed positions defined as trading < 50%

## CONCENTRATED PORTFOLIO

- Best ideas approach
- Bias towards equally-weighted portfolio very different from traditional indices
- Diversification across sectors, industry and regions
- Initial sizing between 3% to 5% of Funds Assets / 25-35 single positions

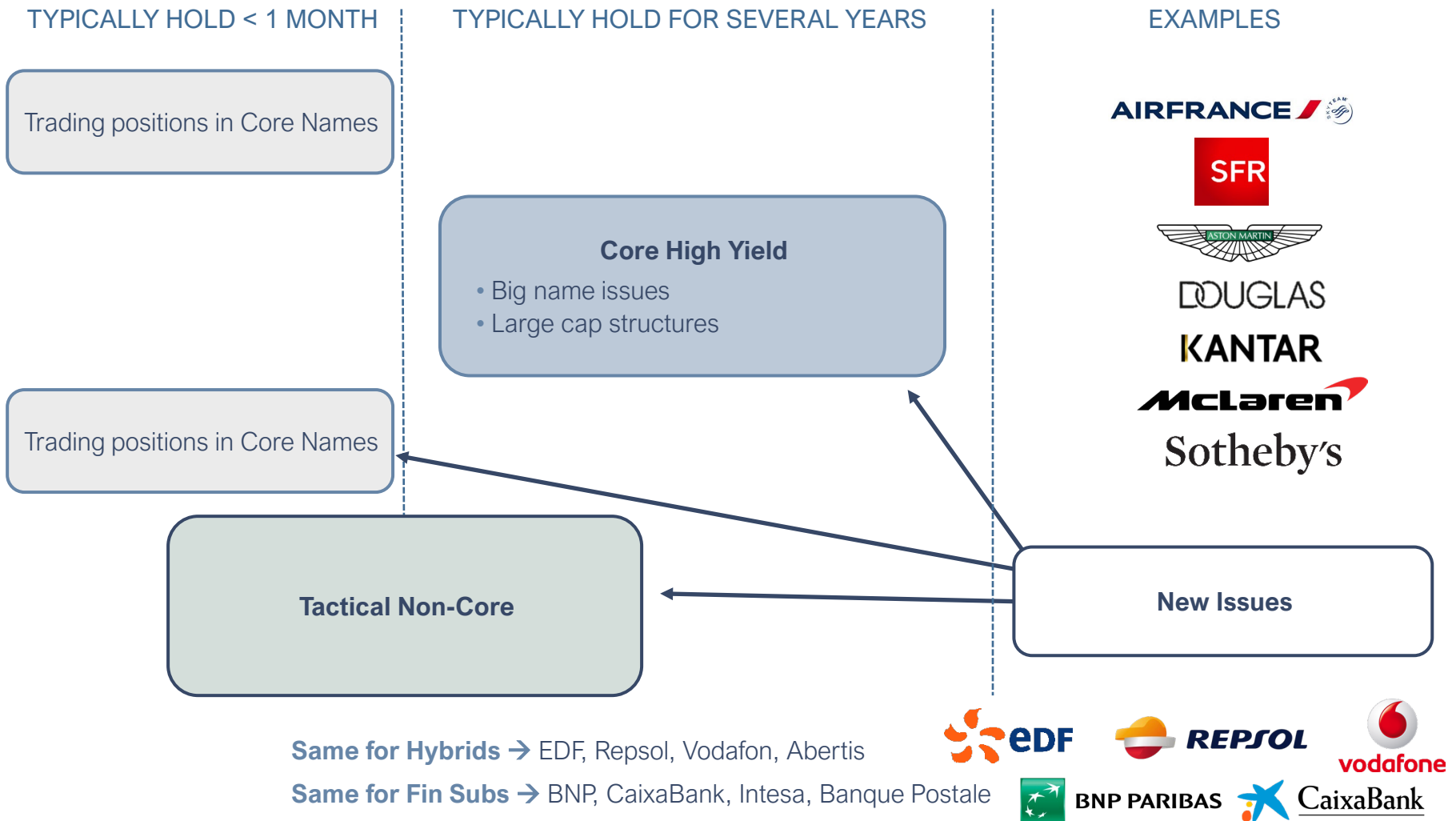
## MACRO OVERLAYS

- Favored protection via diversification : allocation to Cash, Gold and Treasury Strips, long-dated Investment Grade
- Possibility of Vanilla Credit Derivatives on Indices, Currency hedges, Equity derivatives when attractive

Fallen angel bonds have boasted higher “rising star” success than original-issue high yield bonds—meaning more fallen angels have risen back up to investment grade status (5.3% versus 2.6% averaged annually).[3.Since inception of BofA Merrill Lynch US Fallen Angel High Yield Index on 12/31/2003.] Finally, fallen angel bonds have experienced lower average default rates versus original-issue high yield bonds (3.5% versus 4.5%),

# Portfolio Construction

Portfolio anchored on long term core holdings in high quality businesses with a leveraged balance sheet complemented by opportunistic trading positions.



# Portfolio Limits

## Global Unconstrained Portfolio with a European-Focus

### Broad range of High Yield Assets predominantly Europe-related

Geography		Asset Type	
European Issuers	[50% - 100%]	Non-IG	[50% - 100%]
US Issuers	[0% - 50%]	CoCos	[0% - 50%]
Emerging Markets	[0% - 30%]	EUR Net exposure	[50% - 100%]
Target Duration	3 – 8 yrs	Currency	EUR / USD / GBP

### Opportunistic and unconstrained asset allocation to navigate the entire credit cycle

Issuer	Weight	Coupon, Maturity, Ranking
Net Exposure	100% Target	Goal is to invest in best value available
Minimum Net Exposure	50%	Rest can be in OECD Money market Products, G10 Treasuries, Gold, ETFs
Maximum Net Exposure	100%	The Fund does not aim to use financial leverage to be long-only
Minimum Issue size	\$250M equivalent	Focus on instrument liquidity



# Risk & Liquidity Management

Rules based on lessons learned over last 25 years

## Risk Management

- Stop-loss policy: 1.5% of NAV stop-loss at individual name level
- Independent Risk Manager:



Credit Portfolio Liquidity management is derived from strict rules and 25 years of capital markets experience

### SIZEABLE SINGLE ISSUES

- Fund will only invest in issues of \$250M or more
- For AT1, that threshold is raised to \$400M

### DIVERSIFIED PORTFOLIO

- Maximum position sizing rule : the Fund will never own more than 5% of any issue
- UCITS diversification rule +
  - *Single Name risk < 8% of NAV*
  - *Typically 3-5%*

### MULTIPLE MARKET MARKERS

- Each issue will have at least 3 market makers
- The fund faces leading investment banks as counterpart

### FUND CAPACITY

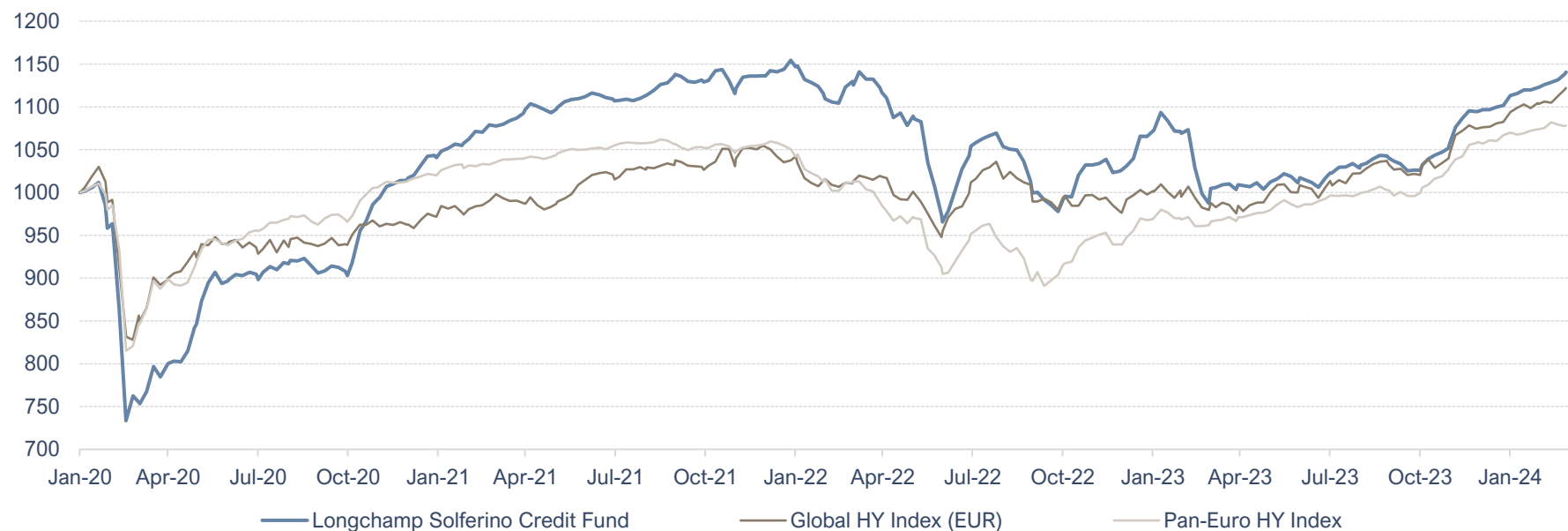
- To deliver liquidity and
- Implement the current strategy
- **Fund capped at EUR 500M**

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**Opportunity Set:**

**Market Update and Current Portfolio**

# Fund Performance since Inception\*



## Historical Monthly Returns vs Global HY Index (EUR)\*

		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	YTD	ITD
2024	Fund	1.66%	0.87%	1.58%										<b>4.17%</b>	
	Index	1.77%	0.90%	1.65%										4.38%	
2023	Fund	4.43%	-0.04%	-6.19%	0.40%	0.35%	0.47%	0.53%	0.89%	0.80%	-1.35%	3.03%	3,60%	<b>6,69%</b>	
	Index	2.57%	0.08%	-1.45%	-0.33%	1.61%	0.82%	0.50%	0.91%	0.96%	-1.18%	2.35%	2.90%	10.08%	
2022	Fund	0.97%	-2.70%	0.85%	-0.77%	-2.48%	-11.35%	9.18%	-0.05%	-5.13%	-0.83%	4.14%	-0.58%	<b>-9.66%</b>	<b>14.06% vs 12.19%</b>
	Index	-1.05%	-2.77%	0.02%	0.49%	-1.71%	-4.62%	5.97%	0.44%	-2.63%	0.43%	0.33%	-2.08%	-7.30%	
2021	Fund	2.31%	1.67%	1.86%	1.81%	-0.05%	1.39%	-0.43%	0.54%	2.22%	-0.78%	-1.19%	1.83%	<b>11.69%</b>	
	Index	0.95%	0.26%	2.42%	-1.11%	-0.05%	2.87%	0.05%	1.12%	1.08%	-1.10%	0.45%	2.18%	9.41%	
2020	Fund		-4.16%	-21.20%	5.98%	5.69%	5.98%	0.20%	2.05%	-1.19%	-0.32%	9.86%	2.72%	<b>1.70%</b>	
	Index		-1.16%	-13.38%	5.14%	2.65%	1.71%	-1.19%	0.85%	0.08%	0.16%	2.51%	0.04%	-3.73%	

\*as of 28/03/2024

# Portfolio Characteristics

## Exposure to Multiple Types of High Yield Credit Assets

### Overall Portfolio Characteristics

Key Characteristics	Excluding Cash & Treasuries	Allocation	As % of NAV
Average Cash Price	94,34	Cash Holding	1,78%
Average Coupon	5,6% i.e. 6,1% current yield	USD Net Exposure	47,0%
Average Yield to Worst	7,1%	EU Issuers	61,51%
Average Rating (S&P)	BBB-/BB+	Financials	32,5%

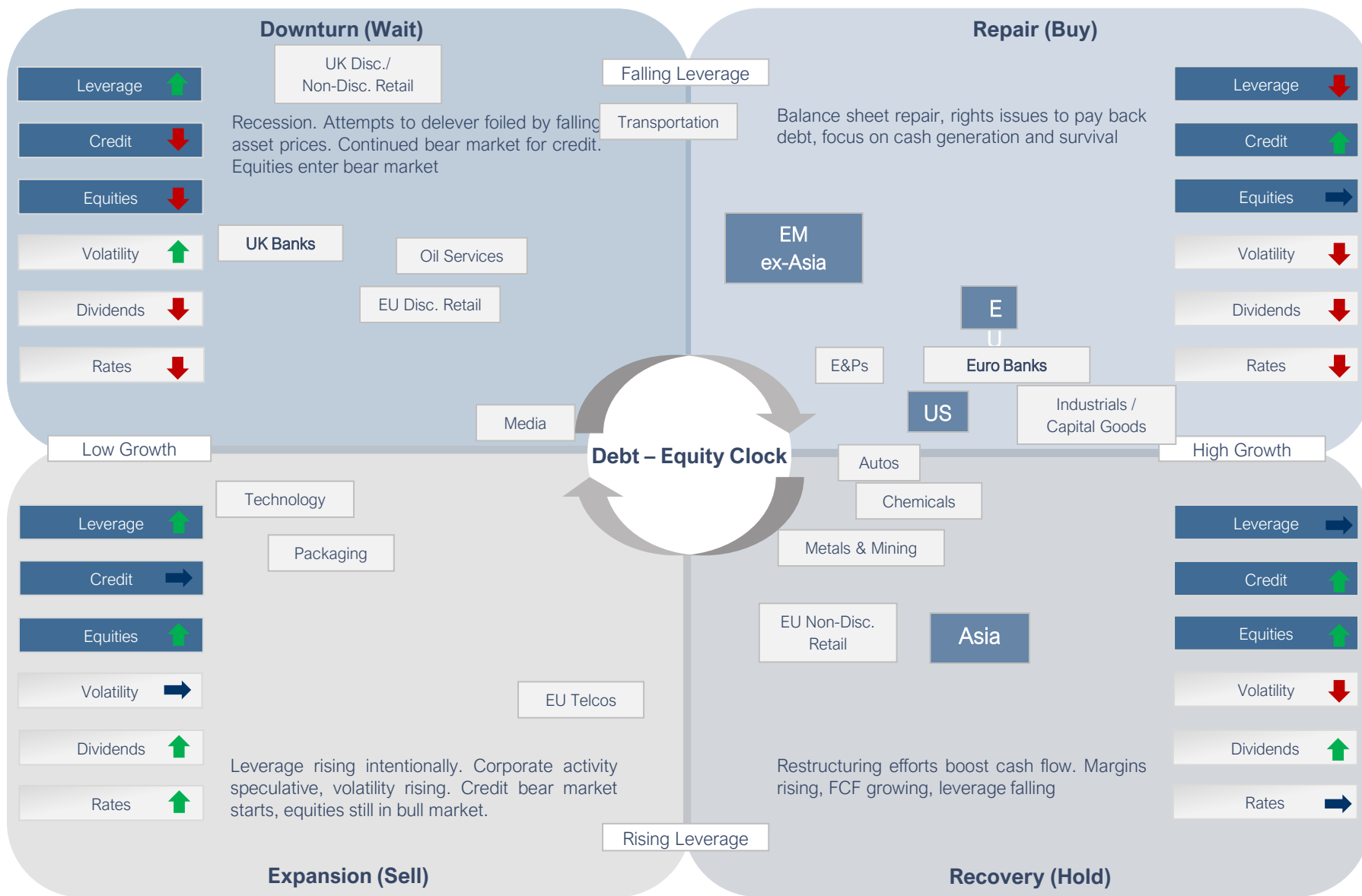
### 3 Largest Holdings

Issuer	Weight	Sector	Coupon, Maturity, Ranking	Price	Yield & Spread
OAT	5,40%	Government	€ 0%, 2025, Unsecured	98,8	3,61%/-18
ASTON MARTIN	5,14%	Consumer Discretionary	\$10.00%, 2029 1 <sup>st</sup> Lien Bond	102,1	9,50%/+526
UBS	4,90%	Financials	€1,25%, 2025 1 <sup>st</sup> Lien Bond	99,2	4,05%/+26

Data as of 28/03/2024

# Majority of Sectors and Regions in a Recession

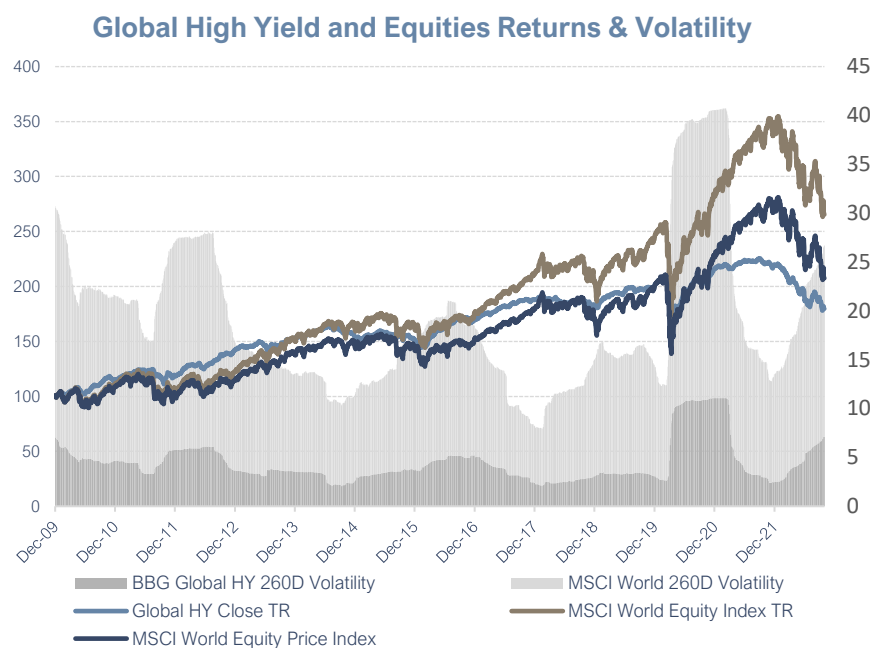
Relevant timing for Unconstrained Credit strategy vs. traditional approach



# Attractive Risk-Adjusted Returns from the Asset-Class

In last 10 years, High Yield Returns matched Equities with lower volatility and lower drawdowns

- During the last significant drawdown periods since the GFC, Global HY
  - Experienced drawdowns approx. half the size of Equity markets
  - While delivering returns in the same ballpark (equal in Europe, better in EM but lower in the US)
  - With volatility 3-5x lower



Drawdown Period	Global High Yield	Global Equities
Q3 2011	-10.78%	-20.74%
H2 2015	-11.1%	-17.75%
2018	-5.6%	-18.36%
Q1 2020	-20.87%	-31.5%
H1 2022	-22.82%	-16.87%

	Global	US	Europe	EM
Equities Total Return	2.58x	3.63x	2.08x	1.16x
Equities Price Performance	1.96x	2.93x	1.44x	0.86x
Equities Average 260-Day Volatility	19.570	23.41	18.77	18.65
High Yield Total Return	1.40x	1.38x	1.31x	1.24x
High yield Average 260-Day Volatility	7.12	11.29	8.78	13.02

Source: Bloomberg Barclays Indices, MSCI Indices, Bloomberg

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# Team, Biographies and Fund Terms

# Our Team

MANAGEMENT				
DAVID ARMSTRONG, STEVEN BISMUTH, REMI GENLOT				
PORTFOLIO MANAGEMENT		CRO & FINANCIAL ENGINEERING	COMPLIANCE	MARKETING & SALES
<b>David Armstrong</b> Head of Portfolio Management	<b>Remi Genlot</b> Head of Solutions & Fund Structuring	<b>Lorenc Golemi</b> CRO & Head Fin. Engineering	<b>Steven Bismuth</b> General Director & CCO	<b>Lucas de Gandiaga</b> Head of Marketing & Investor Relations
<b>Jean Fau</b> Credit Fund Manager	<b>Romain Baumé</b> Private Wealth Manager	<b>Risk Analyst</b> Rolling Internship		<b>Fabrizio Salvaggio</b> Senior Advisor
<b>Raphael Darmon</b> Portfolio Manager	<b>Thibault Bourgeois</b> Junior Portfolio Manager			<b>Jean-François Grégoire</b> Senior Advisor
<b>Serena Chaumanet</b> Junior Portfolio Manager	<b>Portfolio Manager Assistant</b> Rolling Internship			<b>Third-Party Marketers</b>



# Investment Team

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## **Jean Fau, Senior Portfolio Manager, Lead PM for Solferino**

Jean has 25 years of experience in capital markets and joined Longchamp Asset Management in September 2019 to lead Credit Strategies and manage the Credit Value Fund. His career started in 1994 at Goldman Sachs, taking various responsibilities in Convertible Bonds and Equity Derivatives, gaining close exposure to relative value and credit hedge funds. In 2003, Jean joined Susquehanna International as a Portfolio Manager, responsible for European Discretionary Investments across credit, convertible and event-driven strategies. In 2009 Jean left to launch Brennus Asset Management LLP, a London-based alternative investments manager, focused on convertible bonds and other hybrid credit instruments, using a mix of directional and relative value strategies. Before joining Longchamp Jean was a Partner and Sr Portfolio Manager at Chenavari Credit Partners from December 2014 until April 2018, where he ran High Yield, Financials and Convertible Bonds strategies across all mandates. Jean holds a master degree in Business Administration from HEC Paris, France.

## **David Armstrong, CEO & Head of Portfolio Management**

David is Chief Executive Officer at Longchamp Asset Management, which he founded in 2013. Previously, he was a Managing Director at Morgan Stanley & Co. International Plc, heading the investment bank's Funds and Fund Linked business globally. In particular, he was in charge of the FundLogic UCITS Platform and served as President of the French asset management company, FundLogic SAS. Prior to joining Morgan Stanley, David had spent fourteen years within the Global Equity and Derivatives Solutions division at Société Générale. After joining the group in Paris, David moved to Milan to head the global capital markets operations including all Equity and Fixed Income activities. He also chaired the Italian alternative asset management company, Lyxor SGR. Thereafter, he moved to New York to head up Structured Products Sales for the Americas. David holds a master's degree in Business Administration from EDHEC, Lille, France.

## **Thibault Bourgeois, Junior Portfolio Manager**

Thibault is Portfolio Manager Assistant at Longchamp AM. Previously, he was in charge of the sales and structuration of investment solutions for institutional clients at Nexo Capital. Before that, Thibault had experiences at ERAAM in the Multi-Management hedge funds selection and sales teams and at Amundi in the Institutional Portfolio Management team.

Thibault holds a BSc Actuarial Mathematics/Finance from Concordia University (CA) and a Master in Management from ESCP Business School (FR).

## **Lorenc Golemi, Chief Risk Officer & Head of Financial Engineering**

Lorenc is the Chief Risk Officer at Longchamp AM. Before joining Longchamp AM, Lorenc worked in consultancy and advisory in investment banking and asset management. Previously he worked as Portfolio Manager, Risk Manager and Financial Engineer at UBS AM, Commerzbank and Dresdner Kleinwort Benson. He was in charge of systematic strategies and risk management of volatility and absolute return funds.

Lorenc holds an Engineer degree in computer science and a master's degree in applied mathematics.

# Longchamp AM - Key Professionals

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## **Jean Fau, Credit Fund Manager**

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## **David Armstrong, Chief Investment Officer**

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## **Lorenc Golemi, Head of Financial Engineering - Chief Risk Officer**

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# Longchamp Solferino Credit Fund Details

<b>Fund</b>	Longchamp Solferino Credit Fund				
<b>Investment Manager</b>	Longchamp Asset Management				
<b>Legal Structure</b>	UCITS Sub-Fund of the Longchamp SICAV				
<b>Domicile</b>	France				
<b>Custodian</b>	Société Générale Securities Services				
<b>Administrator</b>	Société Générale Securities Services				
<b>Auditor</b>	PwC				
<b>Compliance</b>	Jornet Finance Consulting				
<b>Dealing Day ("DD")</b>	Weekly				
<b>Subscription/Redemption Deadline</b>	Subscriptions: 12:00 pm 1 BD prior to the relevant Dealing Day (DD-1BD) Redemptions: 12:00 pm 5 BDs prior to the relevant Dealing Day (DD-5BDs)				
<b>Settlement</b>	Payment (cash) and delivery (shares /units) shall occur within 3 BDs following the relevant Dealing Day (DD+3BDs)				
<b>Launch Date</b>	31 January 2020				
<b>Reference Currency</b>	EUR				
<b>Administrative Costs</b>	0.25%				
<b>Issue Price</b>	€1,000				
<b>Classes</b>	<b>Management Fees</b>	<b>Performance Fees</b>	<b>Minimum Initial Subscription</b>	<b>ISINs</b>	<b>BBG Tickers</b>
<b>Share I1C</b> (Accumulation)	1.00%	10% above €STR capitalized + 8.5bps + 2% (with HWM)	€ 250,000	FR0013442597	LONSOLI FP
<b>Share I2C</b> (Accumulation)	1.00%	10% above €STR capitalized + 8.5bps + 2% (with HWM)	€ 250,000	FR0013518123	LONSOLC FP
<b>Share I1D</b> (Distribution)	1.00%	10% above €STR capitalized + 8.5bps + 2% (with HWM)	€ 250,000	FR0013518131	LONSOLD FP
<b>Share R</b> (Accumulation)	1.50%	10% above €STR capitalized + 8.5bps + 1.5% (with HWM)	€ 1,000	FR0013442605	LONSOLR FP

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# Appendix

# Broad, Diverse and Sizeable Investment Universe

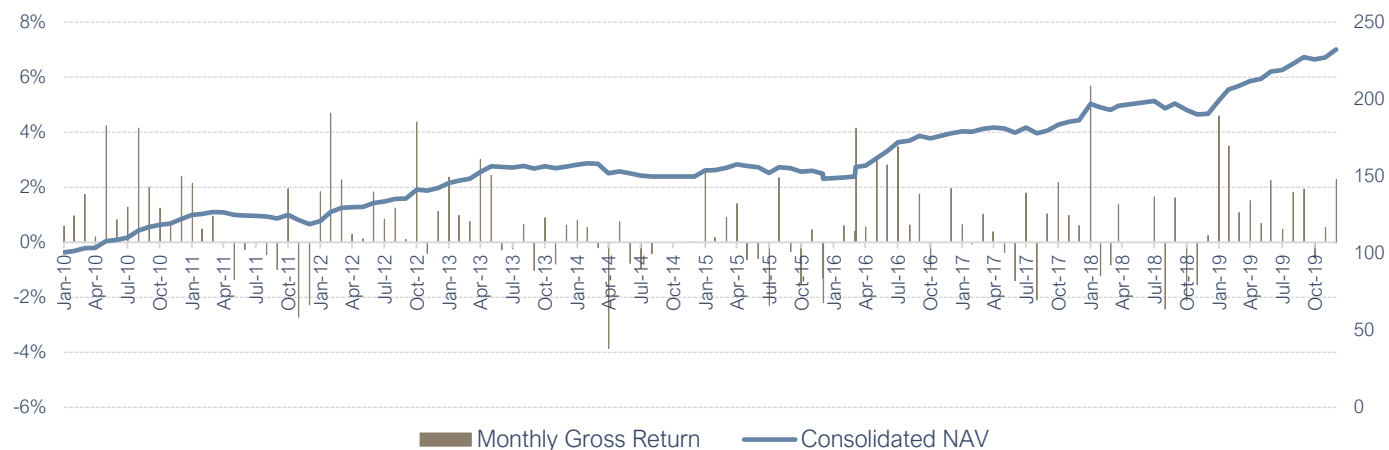
## European Credit Markets – Segmentation per sub credit markets, sectors and issuance currencies

EUROPE	INVESTMENT GRADE	HIGH YIELD	HYBRIDS (IG & HY)	AT1	CONVERTS
Size (Amount Out.)	\$2.4 tn	€503 bn	€107 bn	€189 bn	€69 bn
No. of Issues	3,254 issues 2,671 w/ positive yield	831 issues	153 issues	216 issues	206 issues
No. of Issuers	576 issuers	293 issuers	83 issuers	75 issuers	152 issuers
Yield (EUR only)	0.55% YTM	4.37% YTW	2.01% YTW	3.5% YTW	Not a yield instrument
Largest Sectors	Cons. Non-Cycl.: 25% Consumer Cycl.: 17% Communications: 12% Energy: 8%	Communications: 36% Consumer Cycl.: 21% Cons. Non-Cycl.: 11% Capital Goods: 9%	Communications: 24% Electric: 17% Consumer Cycl.: 16% Energy: 12%	Financials: 100% Britain: 30% Switzerland: 19% France & Spain: 11%	Communications: 12% Cons. Non-Cycl.: 11% Technology: 10% Capital Goods: 9%
Currencies	EUR: 48% GBP: 12.4% USD: 37% CHF: 1%	EUR: 54% USD: 33% GBP: 12%	EUR: 82% GBP: 7% USD: 9% CHF: 2%	USD: 51% EUR: 34% GBP: 10% CHF: 2.5%	EUR: 72% USD: 18% GBP: 6% CHF: 4%

Source: Bloomberg (Oct-19), using issues of EUR100M outstanding or more

# Last 10 Years of Investment Performance

## PM's Consolidated Gross Investment Performance over last Decade prior to launch of Solferino



IRR (Gross of fees)	9.04%
Volatility	5.92%
Sharpe Ratio	1.53
Max Drawdown	-5.36%
Average Recovery	6m

- Gross returns compounded
- Months of inactivity have been skipped to obtain a continuous series

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Annual
2019	4.59%	3.50%	1.09%	1.51%	0.68%	2.25%	0.48%	1.81%	1.93%	-0.58%	0.54%	2.28%	21.54%
2018	5.67%	-1.22%	-0.82%	1.37%			1.66%	-2.43%	1.62%	-2.13%	-1.54%	0.24%	2.20%
2017	0.65%	-0.05%	1.03%	0.39%	-0.37%	-1.39%	1.79%	-2.09%	1.04%	2.18%	0.98%	0.60%	4.78%
2016	-2.19%	0.61%	0.41%	4.16%	0.56%	3.00%	2.82%	3.48%	0.63%	1.76%	-0.92%	1.95%	17.33%
2015	2.63%	0.18%	0.91%	1.41%	-0.63%	-0.59%	-2.29%	2.35%	-0.33%	-1.50%	0.46%	-1.30%	1.19%
2014	0.81%	0.54%	-0.19%	-3.86%	0.75%	-0.77%	-0.94%	-0.41%					-4.08%
2013	2.37%	0.97%	0.76%	3.01%	2.43%	-0.27%	-0.24%	0.66%	-1.03%	0.89%	-0.79%	0.63%	9.73%
2012	1.85%	4.70%	2.27%	0.29%	0.13%	1.83%	0.85%	1.25%	0.10%	4.37%	-0.40%	1.13%	19.83%
2011	2.15%	0.49%	0.95%	-0.11%	-1.35%	-0.26%	-0.13%	-0.45%	-0.99%	1.95%	-2.72%	-2.26%	-2.81%
2010	0.60%	0.96%	1.75%	0.20%	4.23%	0.83%	1.28%	4.15%	2.00%	1.25%	0.73%	2.40%	22.28%

Please note purple data are USD returns.

**Disclaimer** : Past performance is not an indicator of future performance. The track record is computed growth. The track record is split into three periods. Period 1 (from Jan 2010 to Aug 2014) is Audited and relates to a Fund managed by the PM. Period 2 (from Dec 2014 to Apr 2018) is unaudited as representative of PM's book within a larger multi-strategy fund. Period 3 (from July 2018 to Dec 2019) is unaudited and relates to Personal Account trading before launching the Longchamp Solferino Credit Fund, computed with the Bloomberg PORT function. Contributions from Equities have adjusted for in Period 2 and 3. IRR is computed eliminating transition periods.

# Lessons Learned: What did we do (wrong) in Q1 2020

Convictions	Positions	Contribution Q1/Q2	Comments
<b>Energy &amp; Natural Resources:</b> Take advantage of sector underperformance, one of the few pricing in a slowdown	Use <b>Offshore Services</b> as an unloved and more leveraged play Keep a core of <b>FCF generating E&amp;P</b> at attractive spread per lvg.	Q1 -9.1% Q2 +6%	Although sector had already priced in Asia, it had not priced in its spreading to Europe and the Saudi/Russia oil price war. Drillers were a particularly poor choice
<b>Retail:</b> Certain retailers with an attractive strategic position have disappointed the market and are very attractively valued with self-help turnaround stories	<b>Casino</b> Perpetual Bonds <b>Hema</b> Senior Bonds	Q1 +0.6% Casino	Casino ended up being a winner from the situation but the name remains tainted and lags.. Hema's business model was put into question but we traded around in the name
<b>Emerging Market Exposures:</b> Take advantage of recent underperformance, as a prime victim of Trump trade policies, pricing in a slowdown	Stay focused on <b>national champions</b> , Global businesses with the ability to earn foreign currency and service debt and government support		As in most periods of stress, Latam countries suffered as export/driven economies. Pemex remains a core holding.
<b>Fallen Angels:</b> A historically fertile hunting ground. Leverages cross-asset approach using signals in equities and derivatives. More to come: as the cycle matures, BBBs will migrate to HY.	Vallourec, TransOcean, Adient (Johnson Controls spin-off), Pemex, Petrobras, Casino all formerly IG rated names Chemours (spin-off from DuPont) and US Steel among Industrials		This developed into a key theme that was central to the Fed intervention and helped us play the recovery. We successfully traded Vallourec multiple times
<b>End of Cycle Trades:</b> Short tight Cyclical funded through selected higher carry securities in the same industry	Hess, Anadarko, ThyssenKrup, CNH offer cheap hedges with operational leverage Autos (Fiat, GM, Volvo CDS v. VW Hybrids), Retail (M&S)		Unfortunately the Fund was not in a position to invest in those trades
<b>Telcos:</b> A historically defensive and recession-proof sector. Offers duration products and plentiful supply means.	Niche players offer significant pick-up to peers: IG-rated <b>SES</b> (Baa2/BBB-) satellite services provider, EM plays such as <b>Oi Brazil</b> (formerly merged with Portugal Telecom)	Q1 -2.3% Q2 +2.3%	Telcos did not provide the expected resilience as beyond a bear market, we were in an environment of hunt for liquidity
<b>Credit market:</b> Credit spreads likely to reprice wider as cycle matures. BB to underperform, especially when/if large BBB cap structures migrate to BB.	Long selected B/CCC's with credible self-help turnaround Opportunistically get long duration using Ts or IG Opportunistically use IG or BB CDS to hedge exposure Overweight recent underperforming sectors such as HY & Energy Underweight and selective in Financials which has seen the strongest performance in 2019	Fins Q1 -7.8% Q2 +7%	Although we correctly identified unattractive valuations and avoided the AT1 segment, the portfolio was not positioned for such a violent stop to economic activity and search for liquidity. Event-driven holdings got clobbered.

# Important Information

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