BIP

SystematicEdge
Systematic Multi-Asset Strategies

BOND INCOME PORTFOLIO

January 2020 USD Portfolio

INVESTMENT MANAGER: PRIVIUM FUND MANAGEMENT

PORTFOLIO CURRENT TARGET YIELD TO MATURITY:	6.00%, Net of management fees
MANAGEMENT FEES PER ANNUM:	1.0%
AVERAGE BOND DURATION:	5.8 years
LEVERAGE TARGET:	x 1.5
RECOMMENDED INVESTOR’S MINIMUM HOLDING PERIOD:	2 years
DEALING FREQUENCY:	Daily
MINIMUM INVESTMENT:	USD 1,000,000
INVESTMENT PLATFORM:	Interactive Brokers Managed Account

PORTFOLIO OVERVIEW:

The Bond Income portfolio’s objective is to provide income investors can count on regardless of market conditions.

FIXED INCOME MARKET OPPORTUNITY: The portfolio allocation takes advantage of the new paradigm of modern monetary policy applied by central banks that provide low and controlled refinancing rates to the financial institutions, corporations and governments in order to minimize default events. The portfolio components are bonds that are benefiting the most from this controlled and low interest rates era, especially dated maturity bonds (not perpetual bonds nor preferred shares) from investment grade financial institutions, short term high yield corporate bonds and government bonds. Most of these bonds are only available to professional fixed income investment managers, with large minimum investment size, which makes their yield attractive compared to other bonds with similar credit risk.

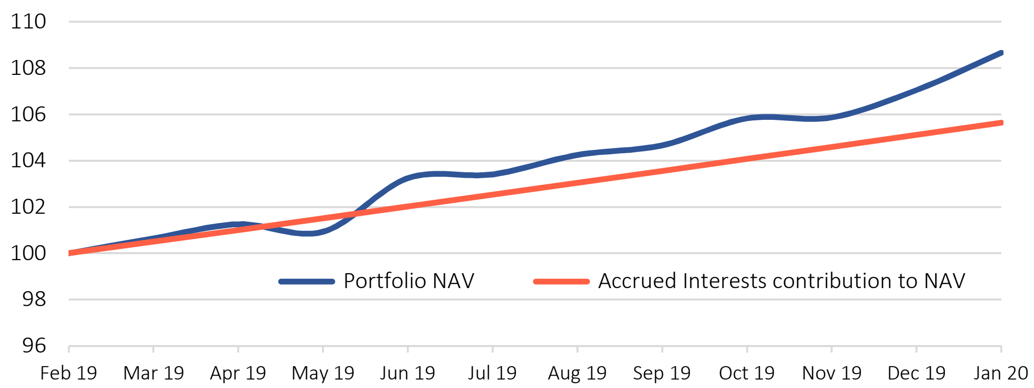
INCOME GENERATION MECHANISM: The Bond Income portfolio accumulates income from bonds with compelling value and yield. From the cash proceeds, it generates regular income regardless of market conditions. The cash income is systematically reinvested in order to maximize the compounded returns of the portfolio. The risk adjusted income objective is calibrated for an investment horizon of at least two years.

NET TOTAL RETURNS (USD)	
CUMULATIVE:	
Since Inception (11 months)	8.66%
1 Month	1.51%
3 Months	2.68%
6 Months	5.08%
Since inception annualized	9.44%
Best month	2.29%
Worst month	-0.32%
Average month	0.76%
Average positive months	91%

RISK MEASURES	
Volatility annualized	2.42%
Sharpe Ratio	3.18

PORTFOLIO CHARACTERISTICS	
Base Currency	USD
Dealing Frequency	Daily
Portfolio Launch Date	Feb 2019
Portfolio Record Length	11 months
Vehicle	Managed Account
Prime Broker	Interactive Brokers
Legal Counsel	Eversheds-Sutherland
Auditor	Mazars
Investment Manager:	PRIVIUM FUND MANAGEMENT

BIP USD PORTFOLIO PERFORMANCE:



	NAV	Net Returns
ANNUALIZED		9.44%
TOTAL RETURN		8.66%
Jan 2020	108.66	1.51%
Dec 2019	107.05	1.11%
Nov 2019	105.87	0.04%
Oct 2019	105.82	1.11%
Sep 2019	104.66	0.40%
Aug 2019	104.24	0.81%
Jul 2019	103.41	0.16%
Jun 2019	103.24	2.29%
May 2019	100.93	-0.32%
Apr 2019	101.25	0.61%
Mar 2019	100.64	0.64%
Feb 2019	100.00	

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PORTFOLIO COMPOSITION & DIVERSIFICATION:

PORTFOLIO'S HOLDINGS: The portfolio is mostly invested in bonds denominated in EUR or USD. The portfolio's principal and proceeds are hedged in the portfolio's denomination currency (USD). The allocation is optimized so the targeted cumulative proceeds of the bonds deliver per annum 6% net in USD, within the volatility target range.

DIVERSIFIED ALLOCATION: it includes three bond asset classes with the following maximum target of total exposure

- <50%: Financial Subordinated bonds ("Tier2") issued by banks or insurance companies that hold an Investment Grade rating for their senior debt. The bonds have dated maturity, dated fixed or floating rate coupons, however, no perpetual or hybrid bonds. The bond duration target is 8 years or less.
- <50%: Government bonds which includes Italy and also Spanish & Portuguese government Bonds. The bond duration is comprised between 2 and 8 years.
- <20%: Euro High Yield Corporate bond basket tracking the Markit iBoxx Euro Liquid High Yield Index. It comprises 300 issuers on average with a duration less than 4 years (the portfolio only invests in the bond basket, it does not hold single name high yield bonds in order to reduce corporate credit concentration risk). The average exposure per issuer is 0.1% and the expected maximum exposure is 1% per issuer.

PORTFOLIO'S RISK MANDATE

- **Volatility target range:** 3% to 4% annualized
- **Leverage target:** x 1.5
- **Main risks:** Bond defaults, Marked to market price volatility
- **Credit maximum concentration target in % of total exposure:**

Governments	<50%	
Corporates	Asset Class	Issuer
Investment Grade Financials	<50%	<10%
Euro Liquid High Yield	<20%	<1%

The portfolio is supervised by Fixed Income expert portfolio managers.

It is an Actively Managed portfolio

SYSTEMATIC FUNDAMENTAL INVESTMENT PROCESS:

In the absence of a default credit event, the portfolio yield on the investment date is the expected income of the portfolio. E.g. if on the investment date, the net yield after leverage, fees and cost is 6.00% annualized, in the absence of credit event, the expected average income will be 6.00% net per year.

The portfolio is based on 3 pillars:

1. Robust fundamental return drivers: "Carry" and "Value". The portfolio is continuously monitored. Profit is systematically taken on expensive bonds and replaced by bonds with compelling valuation and substantial carry.
2. Income generation from bonds' proceeds: The bond holdings continuously generate income. When there is an adverse credit curve movement (i.e. "widening of the credit spreads"), bond prices decrease and as time to maturity gets shorter, the prices progressively increase back towards their principal value whilst generating income ("pull to par" mechanical price recovery).
3. Risk Management: The forex risk is hedged and the interest rate risk is mitigated in order to reduce the portfolio volatility. In case of negative credit deterioration that could affect a bond redemption, the bond may be sold and the issuer eliminated from the investment universe. Advanced risk management techniques of the highest standard as well as uncompromising risk monitoring procedures, efficiently mitigate capital risk.

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