

## OYSTER European Subordinated Bonds



### MONTHLY REPORT | June 2020

## OYSTER EUROPEAN SUBORDINATED BONDS I EUR

ISIN code: LU1457568043

For qualified investors only

#### Investment objective

The Fund's objective is to generate investment growth mainly through any types of subordinated bonds, including convertible bonds and, for maximum 50%, contingent convertible bonds, issued by European entities or entities predominantly active in Europe. The Fund may, to a lesser extent, invest in other fixed income securities, including ABS (Asset Backed Securities). The Index ICE BofA ML EUR Financial Subordinated is used for comparison only, incl. for performance comparison. The Fund is actively managed and the manager's discretionary powers are not constrained by the Index. Although the manager may take into consideration the Index composition, the Fund may bear little resemblance to the Index. As part of the aforementioned investment policy, the manager may also invest in Credit Default Swaps, both as buyer and as seller of protection.

#### Fund facts

Manager	Ersel Asset Management SGR S.p.a., Antonio Ruggeri
Dividend policy	Accumulation
Last NAV	EUR 1114.28
Fund size	EUR 104.0 mn
Fund type	Bonds
Investment zone	Europe
Recommended invest. horizon	At least 4 years
Share class currency	EUR
Inception date	02.09.2016
Index	ICE BofA ML EUR Fin Subordinated (TR)
Legal structure	Luxembourg SICAV - UCITS
Registration	AT, CH, DE, ES, FR, IT (QI), LU, NL

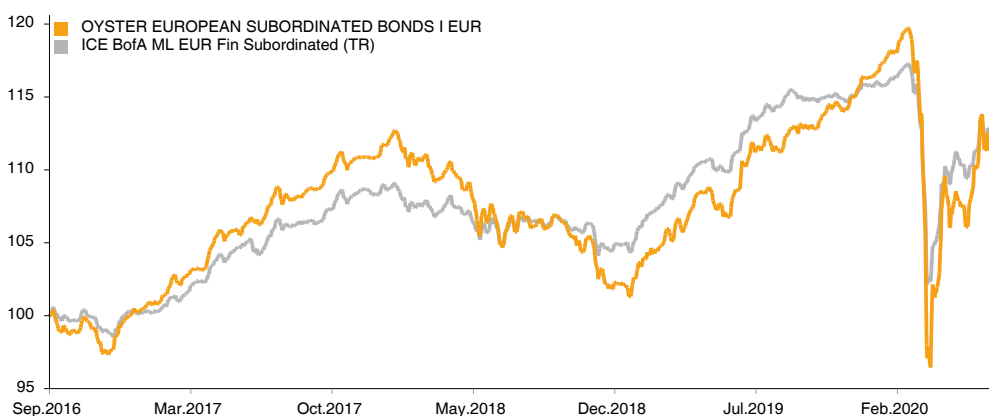
#### Risk/Return profile

◀ Lower Risk Higher Risk ▶  
Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
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#### Performance & risk measures

Data as of 30.06.2020



	Fund	Index
<b>Calendar year performance</b>		
2020 YTD	-4.3%	-2.6%
2019	+14.1%	+10.3%
2018	-7.9%	-3.1%
2017	+10.9%	+8.0%
<b>Annualised risk measures</b>		
Volatility	+6.5%	+4.0%
Sharpe ratio	+0.3	-
Information ratio	-0.3	-
<b>Duration</b>		
Duration	3.6	-
<b>Yield to maturity</b>		
Yield to maturity	+3.4%	-

	Fund	Index
<b>Cumulative performance</b>		
1M	+1.2%	+1.2%
3M	+9.5%	+7.2%
6M	-4.3%	-2.6%
1Y	+0.7%	-0.1%
3Y	+4.7%	+8.0%
5Y	-	-
Since Inception	+11.4%	+12.7%
<b>Annualized performance</b>		
3Y	+1.5%	+2.6%
5Y	-	-
Since inception	+2.9%	+3.2%

Source: iM Global Partner Asset Management. Past performance does not guarantee or predict future performance. Annualised risk measures based on 3-year daily returns if more than 3-year history or 1-year if less than 3-year history.

#### Monthly returns

	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	-4.3%	+1.5%	-1.2%	-12.9%	+6.7%	+1.4%	+1.2%	-	-	-	-	-	-
2019	+14.1%	+2.2%	+1.4%	+0.5%	+2.2%	-1.7%	+3.6%	+1.2%	+0.7%	+0.2%	+1.1%	+0.7%	+1.2%
2018	-7.9%	+1.1%	-1.1%	-1.3%	+0.1%	-2.9%	-1.2%	+2.0%	-1.0%	+0.3%	-1.6%	-2.4%	-0.1%
2017	+10.9%	+0.8%	+1.5%	+0.9%	+1.5%	+1.1%	+0.6%	+1.7%	-0.1%	+0.5%	+1.9%	+0.1%	0.0%
2016	-	-	-	-	-	-	-	-	-	-	+0.9%	-2.0%	+2.5%

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**Manager Comment****Highlights**

- Credit markets jump started driven by improving leading indicators and lockdown easing
- All high beta segments outperformed, with Tier 2 leading in both USD and EUR markets
- The fund increased in value tracking its reference index over the period

**Market Review**

Volatile but positive month for credit. Corporate bonds shared equity market exuberance in the first decade of June as easing of lockdown measures, leading indicators and the job report all increased expectation for a V shaped recovery in the second half of the year. Resurging COVID cases in US, anyway, remembered market that the pandemic is not yet behind and eventually raised concerns of new lockdowns coming. All in all, markets hold on their expectation for a faster than expected recovery and closed the month on a positive tone, with subordinated bonds outperforming both IG and HY credit, outpacing even COCO bonds in the subordinated space.

**Fund Review**

The fund increased in value tracking its reference index over the period. The outperformance in the first half of the month was lately erased as investor took profit on AT1s and periphery especially, while Tier 2s, which represent more than 90% of the benchmark, gained steadily over the month.

Two third of the contribution for the strategy came from its tier 2 exposure, which account for slightly more than 40%. Best performers have been Banco Comercial Portuguese and Banco Popolare, where we hold both the tier 2s (+10 and +6) and the AT1s (+14 and +13%). Good contribution came also from the legacy T1s, where Axa rebounded around 10%. No major negative contributors in the month.

	Fund	Index
<b>Cumulative performance</b>		
<b>1M</b>	+1.2%	+1.2%
2020 YTD	-4.3%	-2.6%

Trading was driven by inflows at the beginning of the month and cash has been mostly proportionally invested in order to keep the overall risk in line with end of may, with a preference for tier 2s over junior subs. While most was invested in existing positions, we added Solvay Hybrid, Sabal At1 and Danske Tier 2.

In terms of hedging, existing options expired and have not yet been replaced, as we did not see short term risk, but with volatility decreasing it might be an opportunity to add again protection at cheaper prices. Cash remains around 8%, as an active choice of not being fully invested given a still volatile market.

**Outlook**

July will be crucial as first hard data on Q2 will show the depth of the economic drop and, at the same time, how fast lockdown easing can contribute to the recovery. Latest employment reports seem encouraging with respect to the quick reversal in unemployment trend, but investors will still have to deal with numbers of the pandemic and the risk of new lockdown. Given attractive valuations and strong support from fiscal and monetary authorities, we expect risky assets to continue on their bumpy but improving road. Anyway, we still don't see the condition to take a contrarian view and prefer to add risk on a valuation basis: with these respect, bank tier 2s seem to offer the most attractive relative value, as they remain wider than insurance peers and still on the higher end of the historical gap vs bank senior. Legacy also might again be an opportunity, as balance sheet clean up will continue and the risk of lower rates has faded.

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## Administrative information

Central Administration	RBC Investor Services Bank S.A.
Transfert agent	RBC Investor Services Bank S.A.
Custodian Bank	RBC Investor Services Bank S.A.
Auditor	PwC Luxembourg
Management company	iM Global Partner Asset Management S.A.

## Fees

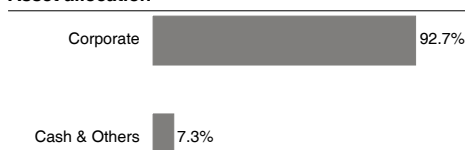
Subscription fee	Max 1.00%
Redemption fee	Max 1.00%
Management fee	Max 0.55%
Performance fee	-

## Dealing information

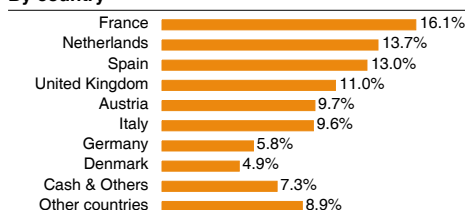
Liquidity	Daily
Cut-off-time	TD 12:00 Luxembourg
Minimum initial investment	1 000 000
Settlement	TD+3
ISIN code	LU1457568043
CH Security Nr	33361694
Bloomberg	OYESBIE LX

## Portfolio Breakdown

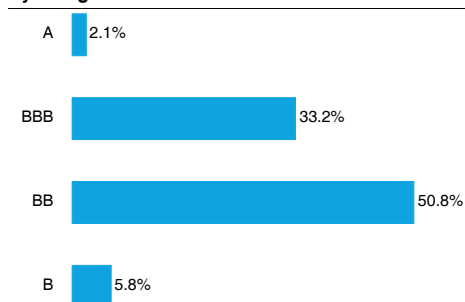
### Asset allocation



### By country



### By rating

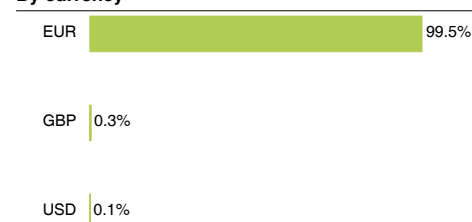


### By sector

Financials	78.9%
Utilities	5.5%
Communications	3.2%
Technology	1.9%
Materials	1.6%
Energy	1.5%
Health Care	0.0%
Cash & Others	7.3%

Source: iM Global Partner Asset Management

### By currency



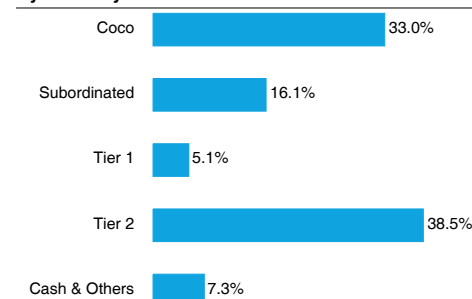
### Top 10

NNGRNV VAR PERP(4.5%)	2.2%
LAMON VAR PERP(5.05%)	2.2%
CCAMA VAR PERP	2.2%
SLHNVX VAR PERP(4.375%)	2.2%
ETHIAS 5% 1/26	2.1%
EDF VAR PERP(5%)	2.1%
CMZB 4% 3/26	2.0%
DANBNK VAR PERP(5.875%)	2.0%
DANBNK VAR 06/29 EMTN	2.0%
HSBC FRN PERP	2.0%
	21%

### By maturity

Less than 1 year	0.3%
Between 3 and 5 years	2.8%
Between 5 and 7 years	7.1%
Between 7 and 10 years	15.9%
More than 10 years	67.0%
Cash & Others	7.0%

### By seniority



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