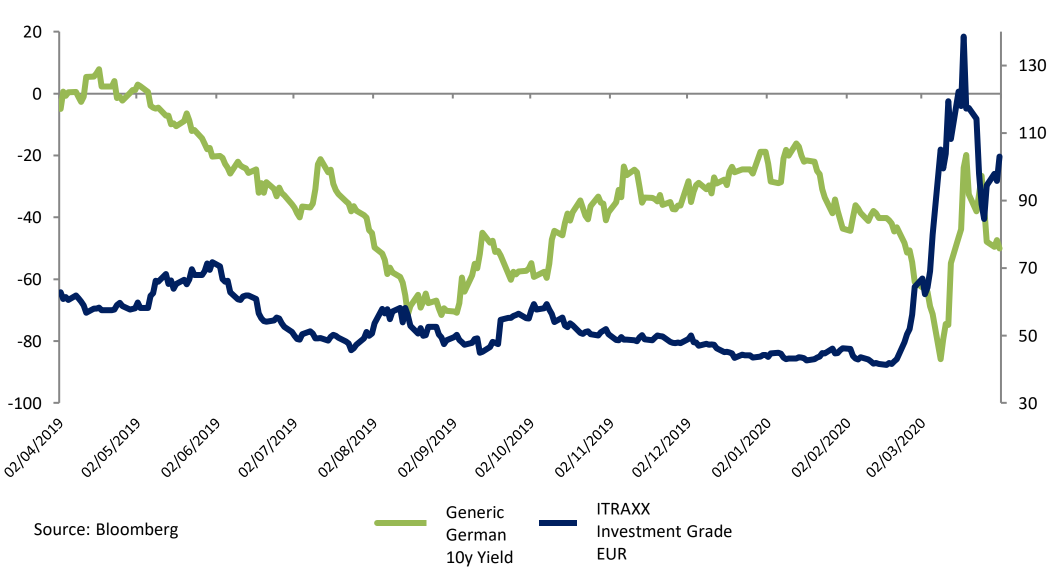
AISM LUXEMBOURG

Newsletter
April 2020

THE UNKNOWN UNKNOWNS

The data published by the IMF (Financial Stability report, October 2019) allow us to read the future of the markets with a less benevolent look, despite the unprecedented monetary interventions carried out by central banks and the fiscal policies adopted by the main countries. The Fed expanded its corporate lending programs to take it into an entirely new area, including ETFs of companies that are rated below investment grade and the estimates of the IMF report quoted in the United States quantify the speculative amount of credit in the United States as 5 trillion which did not fall in any way within the "rescue" measures of the Fed, up to some days ago.19 are the trillion dollars that in the same report the IMF considered at risk of default in the event of a recession. For the next 2 months, the effects of the contagion will not allow the measures put in place by the FED to have real effects on the US economy due to the shutdown. Will the intervention of central banks be enough to avoid a chain of defaults that could turn a recession into a global depression? This virus has exposed the structural weaknesses of a global economy built on unsustainable debt levels. And not just in the audience. In the United States, just before the current emergency, the total household debt amounted to 14.15 trillion dollars, or 1.5 trillion dollars more than in 2008. The situation generated by Covid-19 is unprecedented. We could try to identify comparisons in the past to have a key to understanding what awaits us tomorrow: wars, financial crises, health emergencies. The reality is that we are faced with an unknown unknowns to use the words of Donald Rumsfeld and that today it is extremely difficult, perhaps impossible, to make predictions about the future. From an economic point of view, however, if at the end of the Coronavirus emergency the West finds itself with a "Japanese" public debt and with Central Banks ready to continue printing ad libitum, it will mean that we have not been able to draw a lesson from the past mistakes.



WHERE TO FLY FOR QUALITY?

The financial markets experienced a profound stress as consequence of the covid-19' spread, forcing countries to impose quarantine policy and thus slowing drastically the economy. Even safer assets, such as the US Treasury, usually favoured by investor to diversify their portfolio to hedge against a market sell off took the pain as forced sales occurred. Those sells could have been the result of panic and at the same time the margin call payment. The European IG universe and the BUNDs have been touched as well. The graph shows the spread of Investment Grade bonds in Euro (right blue scale) and the yield of German 10-year bonds (left green line), both contracted during the sell-off period.

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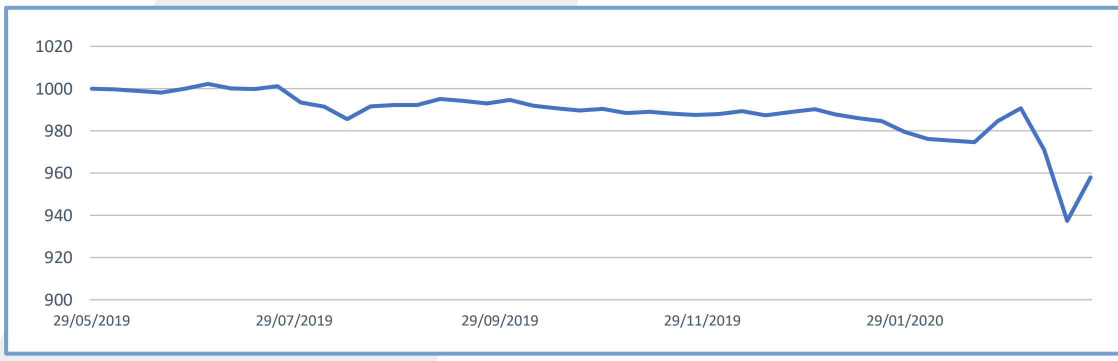
FUNDS DETAILS PAG 2,3

During March the portfolio traded in a severe risk-off mode as the healthcare emergency unfortunately became pandemic and lock-downs started to be implemented around the world, opening the way to an imminent global recession. Global equity markets continued the rout initiated in February, and even more rapidly, losing over 20% before a relief rally in the last week of March.
The cautious stance previously adopted within the fund proved highly beneficial as losses were almost negligible despite disastrous market conditions. The high volatility also provided opportunities for quick trading profits. The net exposure has been progressively increased as markets fell.

KYRON EQUITY ABSOLUTE RETURN

Share A1 - LU1918787364			
Performance		**Statistics**	
Last trimester	-3.2%	**VaR**	6.2%
YTD	-3.2%	**Ex-Ante Volatility**	19.1%
Since inception	-4.2%	**Sharpe ratio**	N/A
NAV/Share	958	**Sortino Index**	N/A



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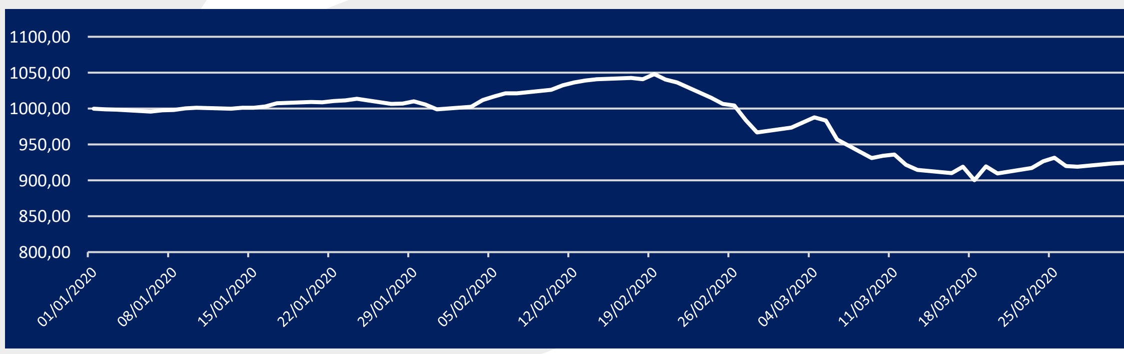
The fund benefited from a conservative allocation, with equity exposure cut initially to about 20% and then further to 0% over the course of the month. The heavy exposure to safer assets also helped to contain equity and high yield losses.

KYRON GLOBAL SMART TREND

Share A1– LU2082325338			
Performance		**Statistics**	
Last Month	-5.0%	**Volatility**	16.9%
YTD	-7.5%	**Sharpe ratio**	N/A
Since inception	-7.5%	**Sortino Index**	N/A
Since inception	924.5	**Worst Month**	-5.0%



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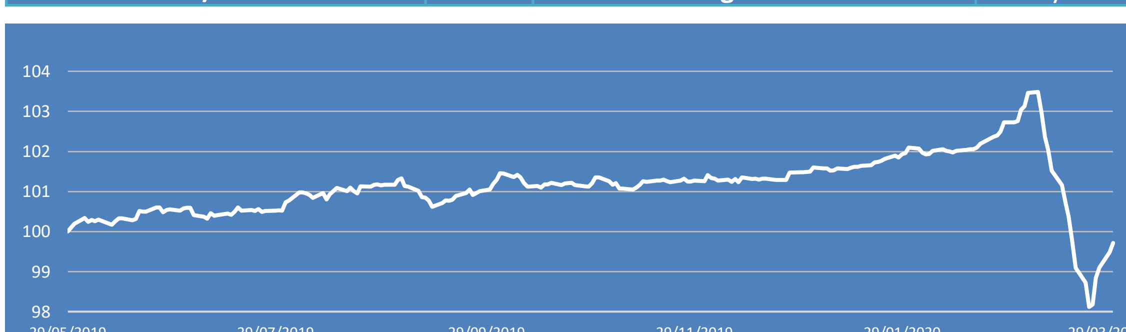
The activity on the fund was concentrated in finding good buying opportunities and setting up thematic trades such as inflation-linked bonds, but for the most part the very stressed market conditions couldn't allow a smooth trading environment.

KYRON FIXED INCOME

Share B1 – LU1918787018			
Performance		**Statistics**	
Last trimester	-1.5%	**VaR**	1.3%
YTD	-1.5%	**Ex-Ante Volatility**	2.4%
Since inception	0.3%	**Sharpe Ratio**	N/A
NAV/Share	99.7	**Average duration**	1.9 years

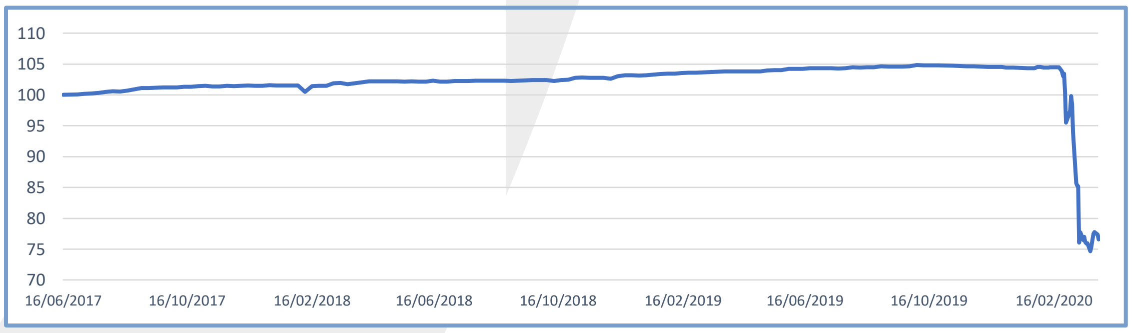


Data as of 31/03/2020

Volatility (V2X index) reached a maximum level of 95.02% on March 16th, a value never reached before, not even in October 2008, in the middle of the Subprime crisis. This level has been reached from a starting point of 16%, on February 21st. A similar increase in just few days had never happened in recent times. The spike occurred due to the fears of a global Virus outbreak and to a slow response from global institutions. The Fund kept the exposure under control, opening options structures to recover the loss but being protected towards new downsides of the market thanks to the hedging. The strategy normally implemented during period of drawdown was not convenient due to an inverse long term – short term volatility curve. The bond portfolio has been restructured to avoid potential risks from longer maturities. The DJ Eurostoxx50 (SX5E) index registered -16.3% in the period. The performance of the YTD index was aligned at -25.58%.

PHARUS AVANTGARDE

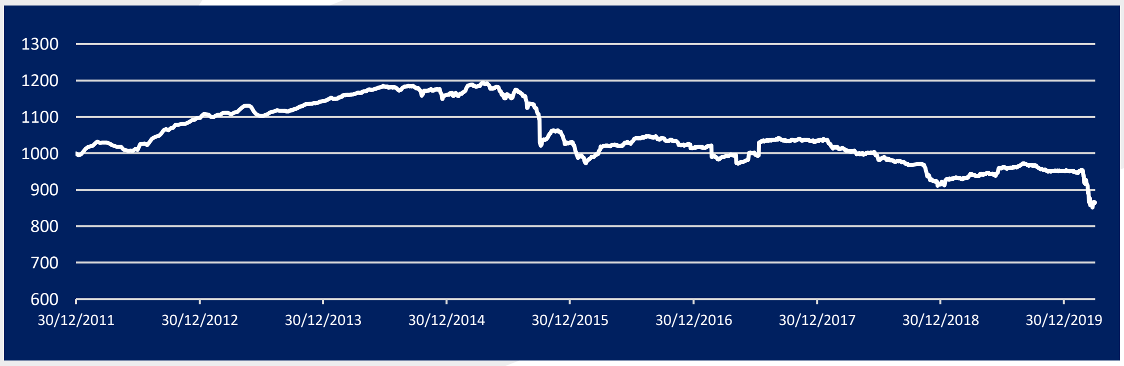
Share I - LU1620769817			
Performance		**Statistics**	
Last Month	-20.9%	**Volatility**	15.6%
YTD	-26.6%	**Sharpe ratio**	-1.1
Since inception	-23.4%	**Volatility**	15.6%
NAV/Share	76.6	**Averarge duration**	0.58 years



After years of bull market, where liquidity always prevailed on fundamentals, markets learned the hard way that ignoring deteriorating fundamentals could lead to the biggest sell off ever occurred on stock markets, even when on constant supervision by central banks. The mysterious virus coming from China, wrecked the global economy in a deep way as the main way to fight is staying quarantine at home. This action leads to a strong economic deceleration, a strong rise in jobless and a strong decrease in activity. This crisis is not like the others. The Management Team stood defensive with reduced equity allocation and increased exposure on the USD. The main actions during the month were to sell equities on markets top and the long duration bond in the middle of the crises, anticipating curve steepening with inflation expectation on the rise.

LOW VOLATILITY

Share I - LU0677960717			
Performance		**Statistics**	
Last Month	-5.6%	**Volatility**	5.8%
YTD	-8.8%	**Sharpe ratio**	-1.01
Since inception	-13.4%	**Average yield**	1.44%
NAV/Share	867.4	**Averarge duration**	1.34 years

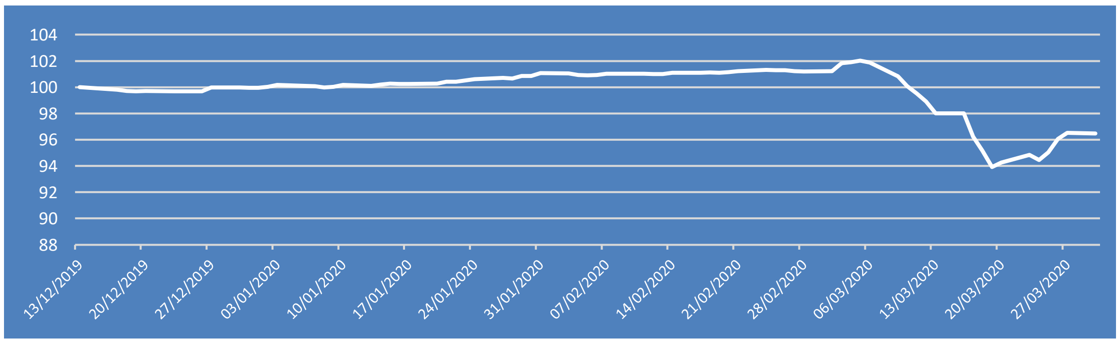


During March the portfolio traded in a severe risk-off mode as the healthcare emergency unfortunately became pandemic and lock-downs started to be implemented around the world, opening the way to an imminent global recession. US rates went down sharply, also due to the Federal Reserve lowering the official rate to zero in two consecutive emergency meetings. The ten year rate closed the month at 0.67%, roughly 0.48% lower over the month. On the corporate side spreads widened impressively by circa 1.5% in the investment grade space, in a sell off exacerbated by selling flows on ETFs.

Regarding the fund activity, at the beginning of the period we had roughly halved (to 10%) the risk bucket exposure, mainly by selling the ETFs in Emerging Markets and High Yield. Positions in General Electric and BP have also been sold to reduce exposure respectively to the subordinated and to the oil sector. Towards the end of the period, some risk has been gradually re-added by purchasing roughly half of the previous positions in the Emerging Markets ETFs. A couple of new investment grade bonds have been also added, benefiting of compelling yields.

KYRON ESG BOND

Share A1 – LU2082324448			
Performance		**Statistics**	
Last trimester	-2.8%	**Volatility**	7.5%
YTD	-2.8%	**Sharpe Ratio**	N/A
Since inception	-2.8%	**Sortino Index**	N/A
NAV/Share	97.1	**Average duration**	3.6 years



Data as of 31/03/2020

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