# NEWSLETTER - JUNE 2020

LUXEMBOURG

## The inexplicable optimism of the markets

Financial Market is not the same of real economy but never these two have appeared to be such diametrically opposite as equity market brushed off the earnings decline.
The Fed has managed to erase the larger market pain as Nasdaq Index is trading at all time highs the first week of June.
There has been a lot of criticism for the bail out of Wall Street at the expense of Main Street in the past but history seems to repeat itself. The market is ignoring the recession and the recovery has started before we had the blow of a deep recession.
Despite the huge amount of liquidity injected by central banks we might face solvency problems in the near future: in 2008/2009 liquidity did not turn into credit for many institutions that defaulted in the middle of the biggest QE in history. The recent failure of Hertz occurred amid the FED "Secondary Market Corporate Credit Facilities" that did not prevent the failure. FED liquidity injections pushes investors to stay in the market, supporting it despite fundamentals. FED interventions since 2008 to date are worth 7 trn USD, while the financial market stock is nearly 120 trn USD.

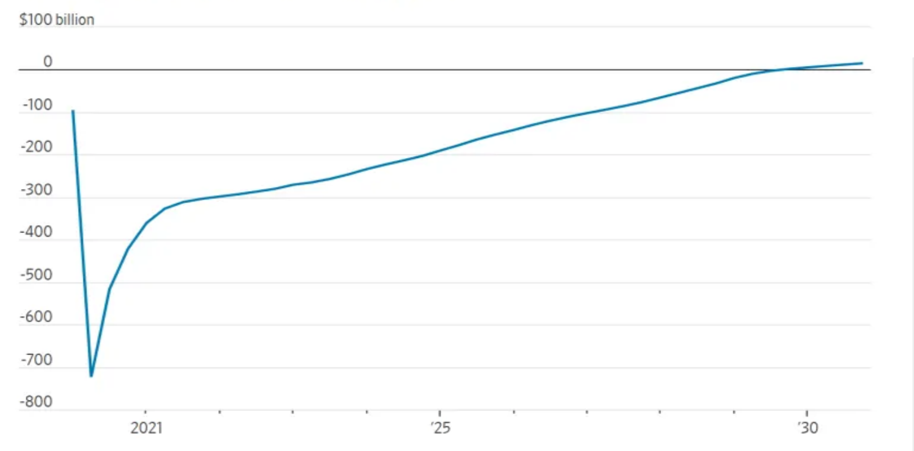
| Country | Period | Size |
|---|---|---|
| **United States** | | |
| QE1 | Nov 2008 - Mar 2010 | $2329 bn |
| QE2 | Nov 2010 - Jun 2011 | $ 561 bn |
| Operational Twist | Sept 2011 - Jun 2012 | $13 bn |
| QE3 | Sept 2012 - Oct 2012 | $113 bn |
| QE4 (QE3 uplift) | Jan 2013 - Oct 2014 | $1570 bn |
| QE5 | Sept 2019 - Feb 2020 | $399 bn |
| QE6? | Mar 2020 - Date | $2050 bn* |
| **Total** | | **$7035 bn** |

*Assumed.

The liquidity that can be provided by the FED is very small compared to the real liquidity that belongs to Investors.
According to Mr. El Erian, chief economic advisor at Allianz, now the Fed is in a lose-lose situation. "You lose if you try to undo what has been doing, you lose if you try to do more (and that is what market are pushing for), (…) and you also lose if you don't do anything".

If the liquidity injected with QE does not turn into lending shortly, the system will risk a credit crunch despite Central Banks Balance Sheet expansion. On average past recession lasted 13 months in the United States, the one in 2008 extended over eighteen months and the crucial variable to observe is the potential mismatching between liquidity and solvency.
Some economist justify the highest valuations with a coming "V" shape recovery in the real market but the CBO came out with a projection on June 2, suggesting it may take a decade to recover from the current recession.

**Real GDP, current forecast versus January forecast**




Source: Congressional Budget Office

As it stands we're staring at the biggest and fastest stock market recovery in history, especially considering the context of the economic and valuation backdrop, but vertical equity do not produce growth or a V shaped recovery. We might estimate that right now asset prices are disconnected from the economy and only multiple expansion can keep investors on the safe side.

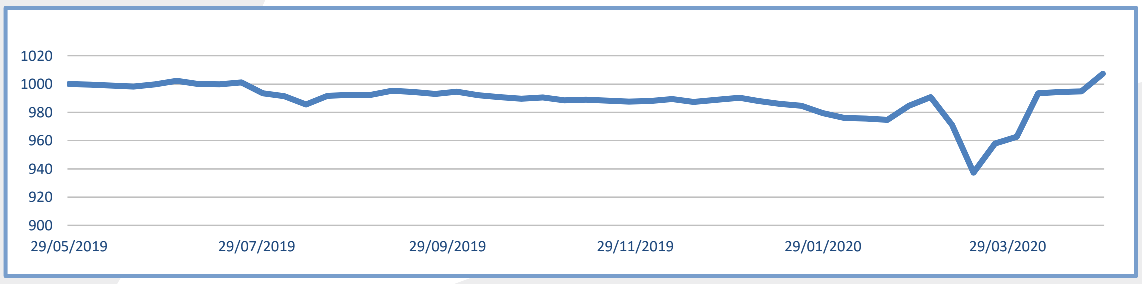
# THE MANAGER'S COMMENT

During May the market kept on trading in a risk-on environment, notwithstanding bad macro-economic data and persisting signs of an ongoing recession. Positive news related to the healthcare emergency, especially in terms of progress in finding a vaccine, played a decisive role in setting the described market tone, in conjunction with the prospect of the lockdown measures to be increasingly lifted worldwide.
In a correlated path, the average spread on the US investment grade index tightened substantially and the same holds true for the riskier segments of the fixed income space, such as high yield and emerging markets.

## KYRON EQUITY ABSOLUTE RETURN

The activity on the fund aimed to manage dynamically the overall exposure, taking some profit from the violent rebound, as well as setting up medium-term positions on ENI, victim of excessive pessimism. Additional profits were made with a couple of German small caps which are well positioned to profit from the new Covid-19 environment.

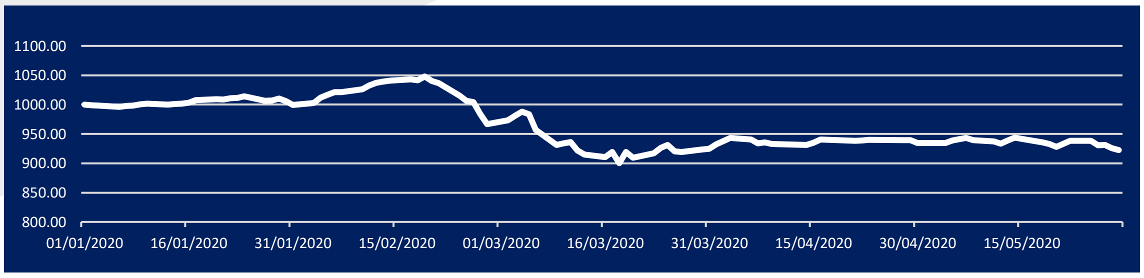
| Share A1 - LU1918787364 | | | |
|---|---|---|---|
| Performance | | Statistics | |
| Last trimester | 6.4% | VaR | 2.3% |
| YTD | 3.0% | Ex-Ante Volatility | 5.8% |
| MTD | 5.8% | NAV/Share | 1018.9 |
| LTD | 1.9% | Sortino Index | N/A |




## KYRON GLOBAL SMART TREND

The fund maintained a conservative allocation, with no equity exposure through the month, but despite that managed to realise a positive performance over the month offset by the USD depreciation.

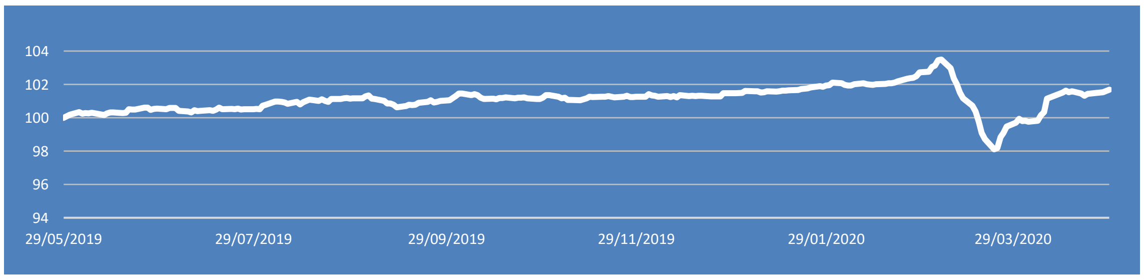
| Share A1– LU2082325338 | | | |
|---|---|---|---|
| Performance | | Statistics | |
| Last Month | -1.3% | VaR | 4.7% |
| YTD | -7.7% | Ex-Ante Volatility | 8.7% |
| LTD | -7.7% | Sortino Index | N/A |
| NAV/Share | 922.3 | Worst Month | -4.4% |




## KYRON FIXED INCOME

In terms of the fund activity, we have added several new issuers, including the participation to some new issues that flooded the market during the period, thereby putting to work almost all the available liquidity and helping to outperform the benchmark.

| Share B1 – LU1918787018 | | | |
|---|---|---|---|
| Performance | | Statistics | |
| Last trimester | 2.8% | VaR | 0.8% |
| YTD | 1.2% | Ex-Ante Volatility | 1.5% |
| LTD | 2.7% | Average Rating | AA- |
| NAV/Share | 102.6 | Duration | 1.9 years |




Data as of 29/05/2020

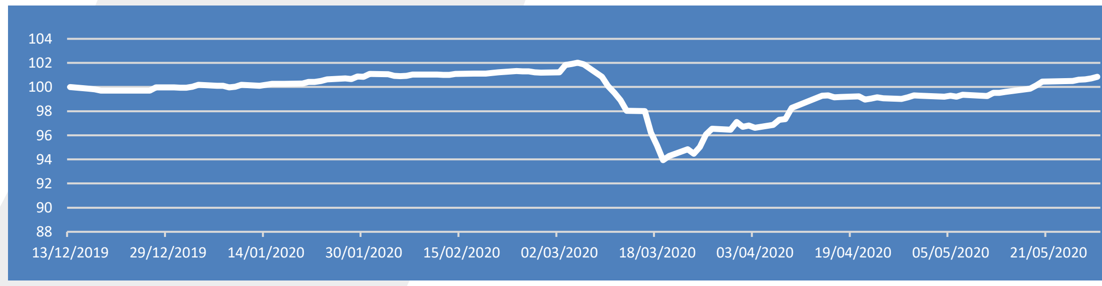


AISM LUXEMBOURG

In terms of the fund activity, we have added new issuers, including Adobe and Microsoft, further increasing the investment grade corporate exposure. A new position on a short-term high yield fund has been implemented as well. The fund performance recovered considerably during the month, taking advantage of the described market dynamics.

## KYRON GLOBAL CORPORATE ESG BOND

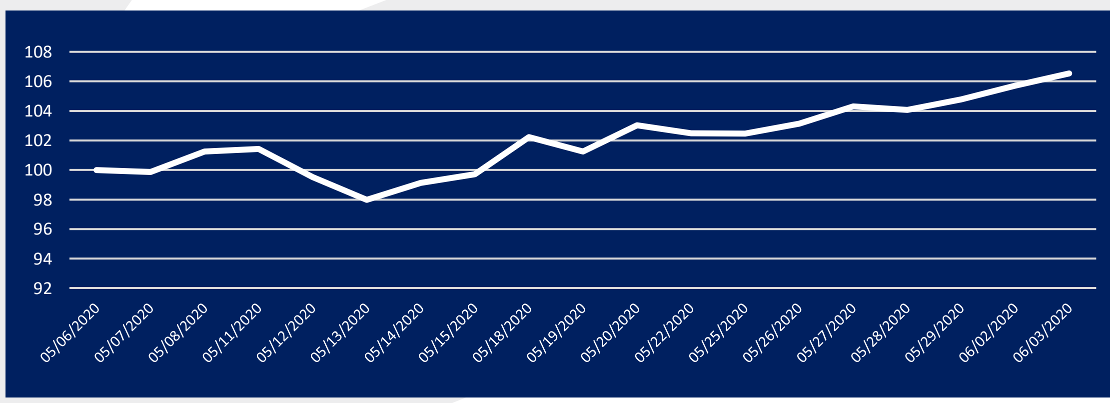
| Share A1 – LU2082324448 | | | |
|---|---|---|---|
| **Performance** | | **Statistics** | |
| **Last trimester** | 3.8% | **VaR** | 1.7% |
| **YTD** | 0.9% | **Ex-Ante Volatility** | 3.4% |
| **LTD** | 0.7% | **Average Rating** | A |
| **NAV/Share** | 100.7 | **Average ESG Rating** | A+ |




The Fund implemented its initial portfolio on May the 7th. During the month the fund achieved a positive performance of 4.8% net of fees, in line with the major indices of large-capitalization companies. Equity markets are shining on expectations of a V-shaped economic recovery to take place in the second half of the year, following the current relaxation of lock-down measures and the massive monetary and fiscal stimuli implemented globally, and are anticipating the former in spite of stellar valuations and in complete discordance with current macro and micro economic data, which have taken all or almost all institutional investors by surprise. The risks on the horizon remain many, ranging from a rise in default rates to a second wave of COVID-19 contagions, but we believe the fund's focus on high quality securities with a strong ESG profile will allow us to navigate stormy waters.

## KYRON GLOBAL EQUITY ESG

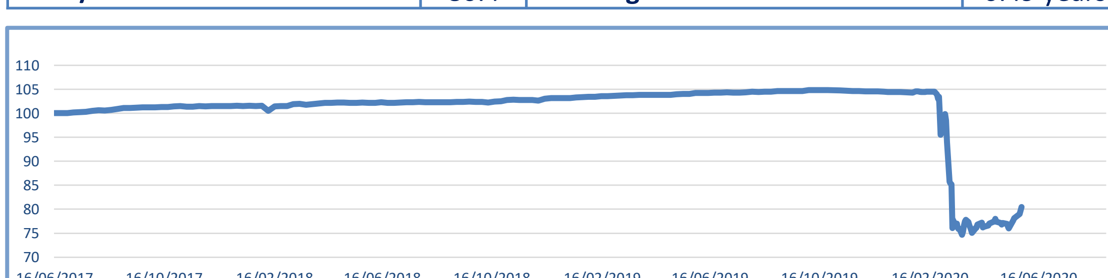
| Share A1 - LU2125127964 | | | |
|---|---|---|---|
| **Performance** | | **Statistics** | |
| **Last trimester** | 4.8% | **VaR** | 11.8% |
| **YTD** | 4.8% | **Ex-Ante Volatility** | 20.1 |
| **LTD** | 4.8% | **Average ESG Rating** | A+ |
| **NAV/Share** | 104.7 | **P/E Ratio** | 3.5 |




Volatility (V2X index) started the period at 38.322%, on May 4th, while decreasing up to 31.1263% by the end of the month. The lowest level was 27.6697% on May 12th. The hopes regarding the recovery plan from EU and the economy re-opening helped the rebound of the underlying index. The WTI oil also gained up to 35.5, a +88% in the month of May. The Fund kept the exposure under control, opening options structures to recover the loss, by profiting from the weekly option premium which cover the cost of the Long Call with November expiry. The bond portfolio added a performance contribution of +0.31%. The DJ Eurostoxx50 (SX5E) index registered +4.2% in the period. The performance of the YTD index was aligned at -18.56%.

## PHARUS AVANTGARDE

| Share I - LU1620769817 | | | |
|---|---|---|---|
| **Performance** | | **Statistics** | |
| **Last Month** | 4.3% | **Volatility** | 8.4% |
| **YTD** | -22.9% | **Sharpe ratio** | -1 |
| **LTD** | -19.5% | **Yield Medio** | 0.005% |
| **NAV/Share** | 80.4 | **Averarge duration** | 0.49 years |




Data as of 29/05/2020

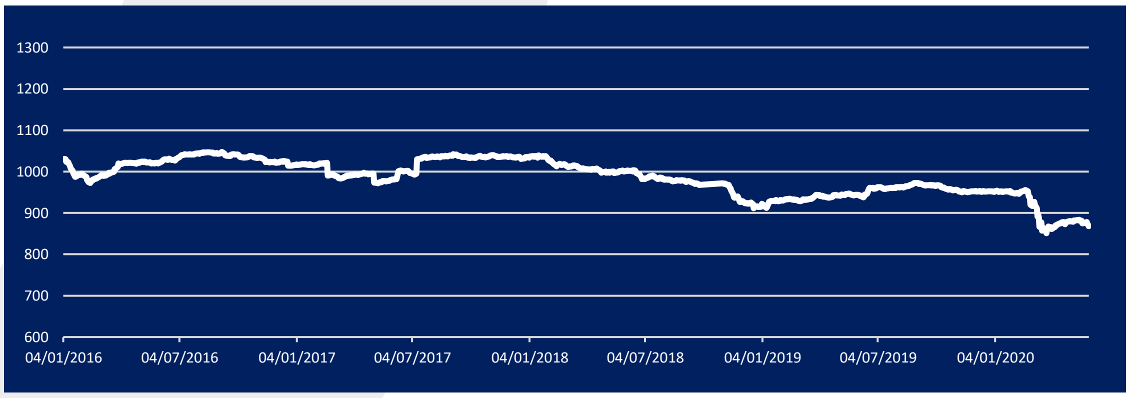


AISM LUXEMBOURG

Markets continue their impressive rebound from March Low. Stimulus announcement from Central Banks from all around the world did the trick to prop up market to where they started their plunge in February. Low Volatility fund remained positioned on the defensive side, with USD and CHF exposure, High Grades and government bonds from US and EU, and a short position on US and EU index to hedge the equity segment. Lot of adverse movement caused by markets not reacting to catastrophic economic data, did not permit the fund to perform in May. The market trajectory remains unsustainable given the few improvement from the COVID-19 crisis, and the fund will continue to hold those positions in the short term.

# LOW VOLATILITY

| Share I - LU0677960717 | | | |
|---|---|---|---|
| **Performance** | | **Statistics** | |
| **Last Month** | -1.3% | **Volatility** | 5.6% |
| **YTD** | -8.7% | **Sharpe ratio** | -1.0 |
| **LTD** | -13.1% | **Average yield** | 1.9% |
| **NAV/Share** | 86.8 | **Averarge duration** | 3.7 years |




Data as of 29/05/2020



AISM LUXEMBOURG