

### SEXTANT BOND PICKING



SEXTANT BOND PICKING is an international bond fund with a « value/fundamentals »-type management philosophy:

- We concentrate on managing the credit risk (remuneration versus cost of risk)
- Debt analysis is done internally, without reliance on the opinions of rating agencies
- As far as possible, we avoid macroeconomic bets on interest rates (preferring low or modest sensitivity) and on exchange rates (most forex risks are hedged)
- We have no self-imposed investment constraints, in order to be free to take positions in the least efficient market segments: unrated issues, out-of-the-money convertibles, bonds in currencies other than the issuer's domestic one, complex paper and/or industries etc.

On an ancillary basis, the fund may also invest up to 10% (maximum) of assets in equities, mainly to arbitrage capital-market deals or buy high-dividend stocks.

#### Market situation

The upswing in volatility, which began in Q1 in the market for risk assets, continued in Q2. Issuers in a precarious position were sanctioned more harshly than usual. A series of primary issues was postponed, as the issuers did not wish to bring their conditions into line with the demands of market participants.

In the second quarter, the asset value of the fund increased by 0.41%, a performance that contrasts with bond indices, notably the « Euro Constant Maturity Treasury (CMT) cash 3Y » (-0.1%) which is the fund's benchmark. In the corporates segment in euros, the Barclays Pan European Aggregate Corporate index saw its yield rise from 1.20% to c.1.31% in an environment where 5Y risk-free yields moved from -0.11% to -0.31%. The 0.40% fall in the value of the index reflects a widening of spreads in the second quarter.

The situation is similar in the High Yield universe on both sides of the Atlantic, and it is even more unfavourable for issuers in developing countries.

In an environment that is increasingly like an obstacle race, the fund's cautious stance contributed to its relative performance. Above-average yields coupled with short duration were an advantage, as were geographic and sectoral diversification of investment ideas, and the cash position.

#### Structure of the portfolio

We were disciplined in Q2, maintaining on the one hand a demanding yield / rate risk / credit risk profile for funds invested and, on the other hand, a sizeable share of liquidity. The latter amounted to 40% of the fund at the end of June versus 48% three months previously, a trajectory that we think is coherent with the market's

gentle downward trend described above.

On 30 June, the gross yield (less the cost of forex hedging for funds invested) was 4.8% vs 4.5% on 31 March. Sensitivity to the interest-rate risk remains reasonable at 2.2 (versus 1.8). As a result, the fund's overall gross yield after forex hedging is 2.9% (versus 2.3%) for a rate sensitivity of 1.3 (versus 0.9). The fund's sensitivity to equity markets (delta) remains under control (6.7%), as most of our convertibles are far out of the money. Investments in currencies other than euros account for 29% of the fund, but the forex risk is almost fully hedged.

#### Main transactions

The names that were added to the portfolio in Q2 are linked to emerging markets in which some spreads are starting to look appealing again:

- **BR Properties** is a property investment company with offices in Sao Paulo and Rio de Janeiro; the coupon in USD is 9% even though debt levels look reasonable to us (mainly in local currency with loan to value of 30% in a market that is in a cyclical trough)
- **HT Global IT Solutions** is a vehicle of Baring Private Equity which owns 71% of Indian IT-services provider Hexaware; our remuneration is 320bps over three years, a level that is acceptable given debt ratios (LTV of 31.5% and proportional consolidated net debt of 5x free cash flow after tax).
- **Vostok New Ventures** provides a spread of 530bps over four years and was the object of a more detailed report in our June publication.

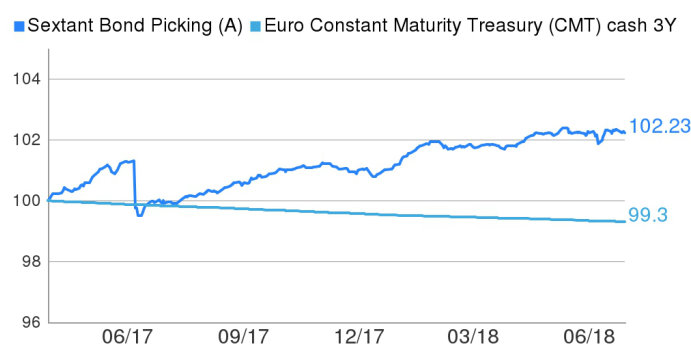
We also made a short-term investment in the **Baffinland** bond which was redeemed by the issuer following refinancing, and we made targeted increases to positions in the **Casino-Guichard Perrachon** subordinated note (whose price continues to be affected by problems at **Rallye**, even though the credit risk looks very distinct to us) and **SoLocal** (which we expect will be refinanced in a few months). The main exits from the portfolio (**Andino Investments Holdings, Mota Engil, PNE Wind**) resulted from redemptions.

#### Prospects

Better remuneration of credit risks as measured by the yields of bond indices raises hopes for normalisation. However, the source of the largest spreads is the issuers and issues that do not meet the criteria of an astute fundamental investment. Issuers in the retail sector have underperformed badly, the yields of debt collection companies reflect a better assessment of their debt leverage etc. The rest of the market has experienced a more modest and uniform slide. We therefore remain alert to opportunities for investment in paper issued by quality names.

### Performances

	Sextant Bond Picking (A)	Euro Constant Maturity Treasury (CMT) cash 3Y
1 month	0.0%	0.0%
3 months	0.4%	-0.1%
6 months	1.0%	-0.2%
1 year	2.3%	-0.5%
3 years	-	-
5 years	-	-



	2017	2018
Sextant Bond Picking (A)	-	1.0%
Euro Constant Maturity Treasury (CMT) cash 3Y	-	-0.2%



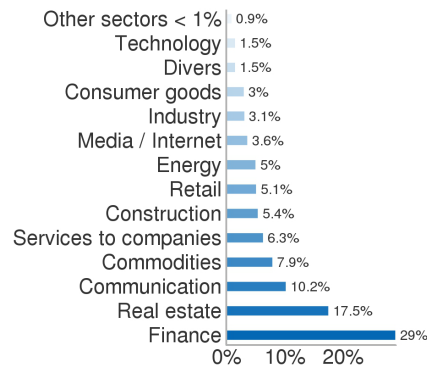
## Breakdown of assets

Maturity	< 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	> 10 years	perpetual	yield strategy equities
Base 100%	30.0%	19.1%	29.5%	5.1%	0.0%	0.0%	7.2%	9.1%

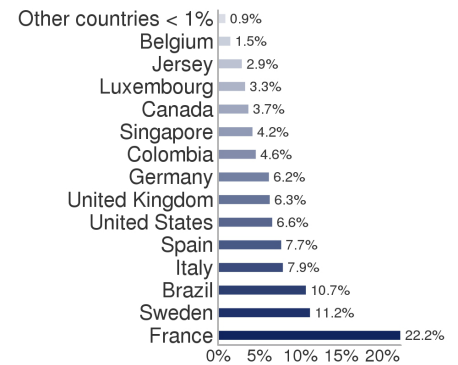
### Allocation

<b>Bonds</b>	<b>54.5%</b>
o/w sovereign	0.6%
o/w corporate	37.0%
o/w financials	8.9%
o/w convertibles	8.0%
<b>Equities</b>	<b>5.6%</b>
o/w risk-arb strategy	0.1%
o/w yield strategy	5.5%
<b>Cash &amp; quasi-cash</b>	<b>39.9%</b>

### Distribution by sector \*



### Geographical distribution \*



\* of net assets invested

## Main holdings

Issue	Currency	Sector	Country	Net asset %
HSS Financing 6.75% GBP 08-2019	GBP	Services to companies	United Kingdom	3.8%
Cibus Real Estate EUR3M+450 05-2021	EUR	Real estate	Sweden	3.7%
Solocal EUR3M+7%+1% 03-2022	EUR	Communication	France	3.4%
Sacyr OC 4% 05-2019	EUR	Construction	Spain	3.3%
Casino Guichard-Perrachon TSSDI 4.87% call 01-2019	EUR	Retail	France	3.1%

## Indicators

	Fixed income part	Total assets		Fixed income part	Total assets
Gross yield	5.6%	3.3%	Interest-rate sensitivity	2.4	1.3
Yield after cost of forex hedging	4.8%	2.9%	Equity sensitivity (delta)	2.3%	6.7%
Spread (basis point)	395	227	Net/gross forex exposure	29.1% / -0.2%	
Residual duration (years)	2.9	1.7	Number of lines / Average outstanding	46 / 350 M€	

## Main characteristics

<b>Legal form</b>	UCITS / French mutual fund	<b>Launch date</b>	Fund : 30/03/2017 Unit : 30/03/2017
<b>Share category</b>	Unit A all subscribers	<b>Recom. invest. duration</b>	Over 3 years
<b>ISIN code</b>	FR0013202132	<b>Centralis.-Settlem. /Delivery</b>	D-1 at 10 AM / D+2
<b>Bloomberg code</b>	AGDBPKA FP Equity	<b>Custodian</b>	CACEIS BANK
<b>AMF classification</b>	Bonds and other international debt securities	<b>Transfert agent</b>	CACEIS BANK
<b>Benchmark</b>	Euro Constant Maturity Treasury (CMT) cash 3Y	<b>Tax provisions</b>	- -
<b>NAV / Net assets</b>	102.23 € / 70.91 M€	<b>Entry charge</b>	1.0% including tax maximum
<b>Share NAV period</b>	Daily	<b>Exit charge</b>	0.0% including tax maximum
<b>Risk profile</b>	1 2 3 4 5 6 7	<b>Fixed management fee</b>	1.25% including tax
Scale from 1 (lowest risk) to 7 (highest risk); category-1 risk does not mean a risk-free investment. This indicator may change over time.		<b>Performance fee</b>	15% including tax of the mutual fund's outperformance vs the benchmark, plus 300bps

Source: Amiral Gestion at 29/06/2018

## GLOSSARY

The full glossary is available in the monthly report of your fund, on the website [www.amiralgestion.com](http://www.amiralgestion.com).

## Notice

This commercial document aims to present the characteristics of the fund on a simplified basis. For further information, you may refer to the key information document for investors and to the prospectus, which are legal documents available on the management company's internet site or by request to the management company. The performances shown are not a reliable guide to future performance. Performance may vary over time.

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