

### SEXTANT BOND PICKING



SEXTANT BOND PICKING is an international bond fund that is based on a « value/fundamentals » management philosophy:

- We concentrate on managing the credit risk (remuneration versus cost of risk)
- Debt analysis is done internally, without reference to the opinions of rating agencies
- As far as possible, we avoid macroeconomic bets on interest rates (preferring low or modest sensitivities) and 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 conditions

The third quarter brought a stabilisation in spreads (credit margins), which allowed bond indices to rise in contrast to the corrections of the first half. However, the volatility of risk-free rates was constant through the quarter. US rates rose (10Y: 2.86% – 3.06%) and, more importantly, the yield curve flattened in response to very positive macroeconomic data: record low unemployment and initial signs of wage inflation promoted investors to anticipate more rate hikes. In Europe, there was renewed concern about Italy's budget, which pushed the country's 10-year rate over the 3% marker for the first time since 2014.

Bond yields remain at all-time lows. For example, the Barclays Pan European Aggregate Corporate offers a yield of just 1.41% for sensitivity of 5.66. Credit margins in North America and emerging markets still do not offer attractive opportunities with a satisfactory security margin.

#### Structure of the portfolio

We remained disciplined, on the one hand by being demanding in terms of the yield / interest-rate risk /credit risk that we accept for funds invested and, on the other hand, by keeping a sizeable share of the fund in cash. The latter accounts for 40.9% of the fund (mainly held in T-bills and deposit accounts), a level that has not changed since end June and, in our opinion, is coherent with yields that

are still low. At the end of September, the gross yield net of forex hedging for the share of funds invested was 5.1% (vs 4.8% at end June). Sensitivity or the interest-rate risk remained reasonable at 2.3 (vs 2.2). The fund's overall gross yield after forex hedging is thus 3.0% (vs 2.9%) for rate sensitivity of 1.3 (unchanged). Exposure of the fund to equity markets (delta) remains modest at 7.7%, as most of our convertibles are far out of the money. Non-euro investments account for 31% of funds invested, but the forex risk is almost fully covered.

#### Main transactions

The third quarter saw early redemption of several of the portfolio's major holdings: Baffinland, Unicredit, Rocket Internet, HSS Hire and Magnesita. Capital was redeployed in several compartments where the market offered temporary inefficiencies:

- (i) Convertible bonds whose underlying share has fallen sharply and which offer a yield that looks incoherent with the quality of the issuer's fundamental credit (**Neopost**, **Econocom** and **Playtech**)
- (ii) Small issuers (**Falck Safety Service** et **Selectirente**)
- (iii) Bank subordinated bonds whose regulated capital will be completely disqualified by 2021 (**Royal Bank of Scotland**)
- (iv) Special situations (**Aryzta** which suspended the coupons of its hybrids, but which launched a capital increase underwritten by a banking syndicate)

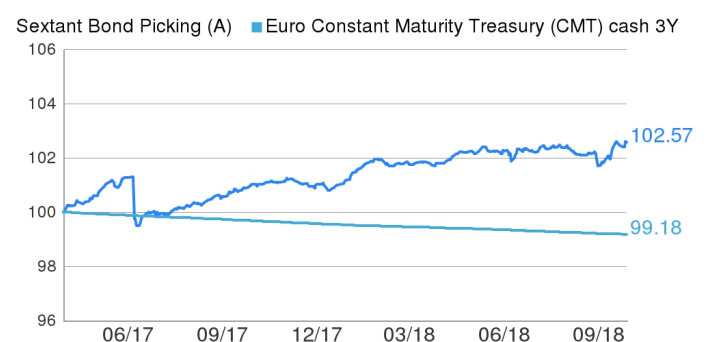
Note too that we have increased our position in the **Safilo** convertible, where the credit risk now looks low following the announcement of a capital increase underwritten by key shareholder Hal Trust, and which yields about 5% for residual maturity of seven months.

#### Outlook

Sextant Bond Picking remains positioned to seize available opportunities while keeping interest-rate sensitivity to a minimum, which has allowed us to enjoy a satisfactory relative performance since the beginning of the year. Inefficiencies in different compartments of the bond market will be tapped to reinvest liquidity. The fundamental quality of investments remains the key to our strategy. Corrections in emerging markets, for example, have not given rise to new positions, as operating profiles still do not meet the fund's criteria.

### Performances

	Sextant Bond Picking (A)	Euro Constant Maturity Treasury (CMT) cash 3Y
1 month	0.9%	0.0%
3 months	0.3%	-0.1%
6 months	0.7%	-0.2%
1 year	1.5%	-0.5%
3 years	-	-
5 years	-	-



	2017	2018
Sextant Bond Picking (A)	-	1.4%
Euro Constant Maturity Treasury (CMT) cash 3Y	-	-0.3%



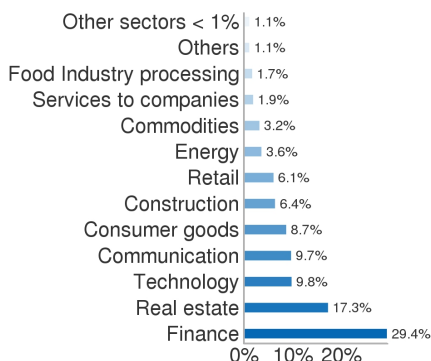
## Breakdown of assets

Maturity	< 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	> 10 years	perpetual	yield strategy
Base	22.1%	27.1%	30.8%	6.1%	0.0%	0.0%	5.1%	8.7%

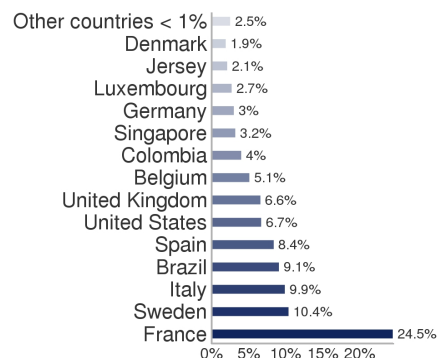
### Allocation

<b>Bonds</b>	<b>53.9%</b>
o/w sovereign	0.5%
o/w corporate	30.7%
o/w financials	8.2%
o/w convertibles	14.5%
<b>Equities</b>	<b>5.3%</b>
o/w risk arb strategy	0.1%
o/w yield strategy	5.2%
<b>Cash &amp; quasi-cash</b>	<b>40.9%</b>

### Distribution by sector \*



### Geographical distribution \*



\* of net assets invested

## Main holdings

Issue	Currency	Sector	Country	Net asset %
Safilo OC 1.75% 05-2019	EUR	Consumer goods	Italy	5.2%
Sacyr OC 4% 05-2019	EUR	Construction	Spain	3.8%
Casino Guichard-Perrachon TSSDI 4.87% call 01-2019	EUR	Retail	France	3.6%
Cibus Real Estate EUR3M+450 05-2021	EUR	Real estate	Sweden	3.5%
Solocal EUR3M+7%+1% 03-2022	EUR	Communication	France	3.4%

## Indicators

	Fixed income part	Total assets		Fixed income part	Total assets
Gross yield	5.9%	3.4%	Interest-rate sensitivity	2.3	1.3
Yield after cost of forex hedging	5.1%	3.0%	Equity sensitivity (delta)	4.8%	7.7%
Spread (basis point)	509	289	Net/gross forex exposure	18.0% / 0.0%	
Residual duration (years)	2.9	1.6	Number of lines / Average outstanding	51 / 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>	AGSBPKA FP	<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>	102.57 € / 100.83 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 <b>2</b> 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 28/09/2018

## 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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