

# Presentation

## Absolute Return Fund Allocation Model January 2019

*A theory is more impressive the greater the simplicity of its premises, the more different are the kinds of things it relates, and the more extended its range of applicability.*

*Albert Einstein*

# TC Strategie Financiere

Innovative investment strategies based on internal research

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- TC Stratégie Financière SAM is an Asset Management company created in 2016 by Thierry Crovetto.
- It offers its financial **advisory services mainly to professionals** (Asset Management companies, Family Offices and Institutional).
- TCSF maintains close links with the **academic world**.
- The company relies on **internal research**, primarily on a **proprietary quantitative fund selection model** that is complemented by independent qualitative analysis.

# Current challenges for Investors

Toward a new approach to portfolio management...

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- The **risk-adjusted return on equities** is no longer attractive, especially when stock valuation is quite high for an end of the cycle as today.
- **Interest rates and credit spreads** in developed markets are historically low. Past returns of bond markets are not replicable.
- **Central banks** have entered a new phase. They have (or they will) reduced liquidity and tightened monetary policy.
- **Correlation** between stocks & bonds tends to increase, and bonds can no longer protect balanced portfolios from equity drawdowns.

# Robeco expected annual returns 2019-2023

For investors in euro

Developed market equities	4.00%
Emerging market equities	4.50%
German government bonds	-1.25%
Developed global government bonds	-0.25%
Emerging government debt (local)	3.75%
Investment grade credits	1.00%
High yield	1.50%
Listed real estate	3.25%
Commodities	4.00%
Cash	0.50%

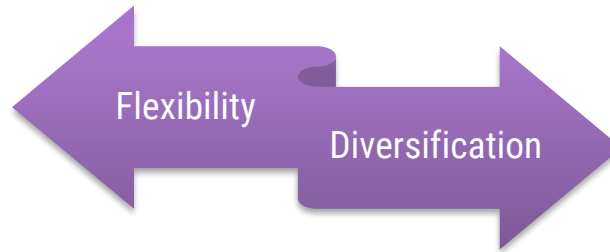
Returns are denominated in euros. Bond and cash returns are euro hedged, except for local currency emerging market debt. The value of your investments may fluctuate and past performance is no guarantee of future results.

Source: Robeco

# How to provide sustainable attractive risk-adjusted returns ?

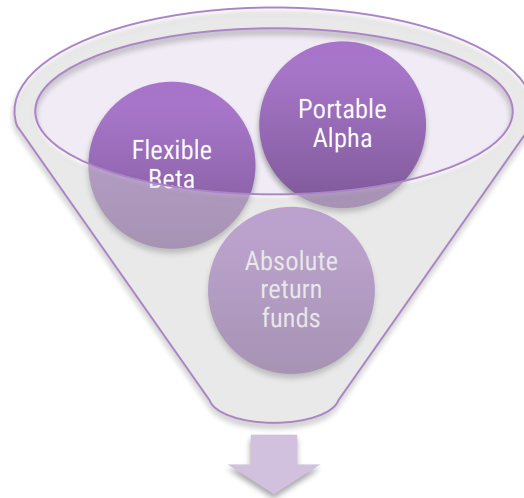
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Gives the ability to lock-in profits at a given point in time



of performance sources seems to be a good option to generate attractive risk return ratios

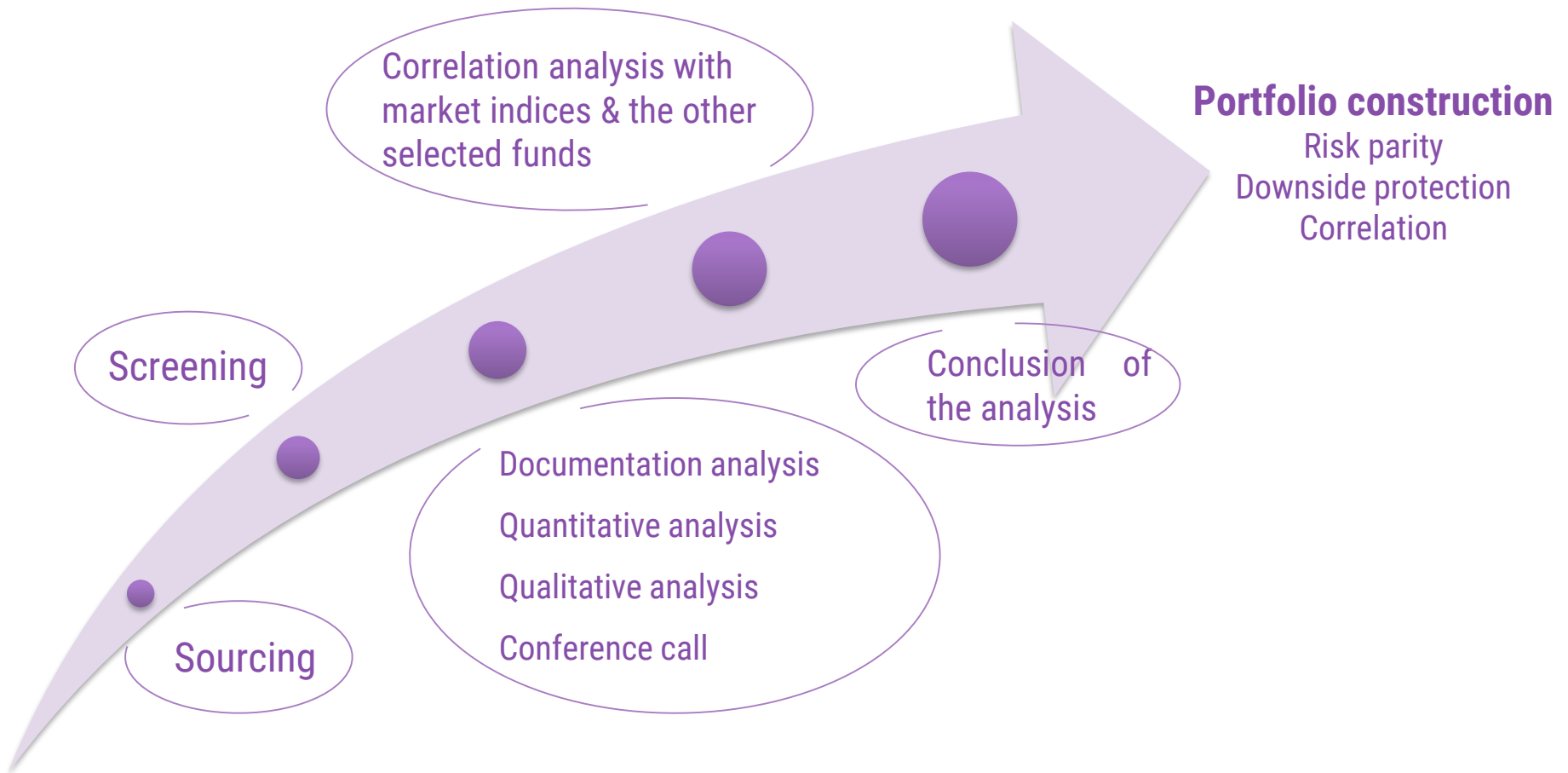
**Absolute return is our answer ! It's our DNA.**



**Absolute return strategies**

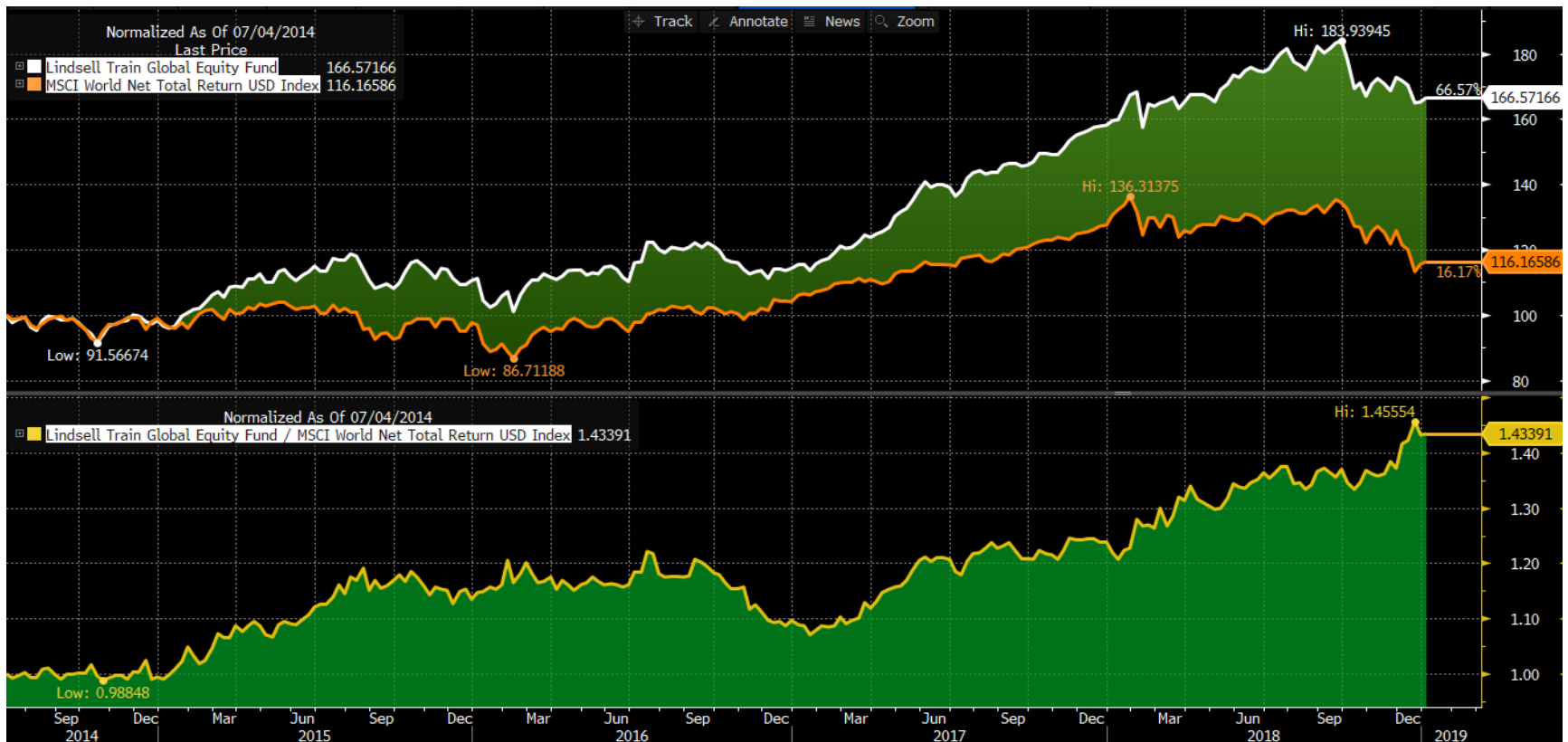
# From fund analysis to portfolio construction

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# Portable Alpha: a real opportunity!

- Eliminates Market Risk by hedging the Beta
- Isolates the fund manager's Alpha
- Widens the investment universe
- Increases diversification and improves the risk-adjusted return



# Our fund selection process

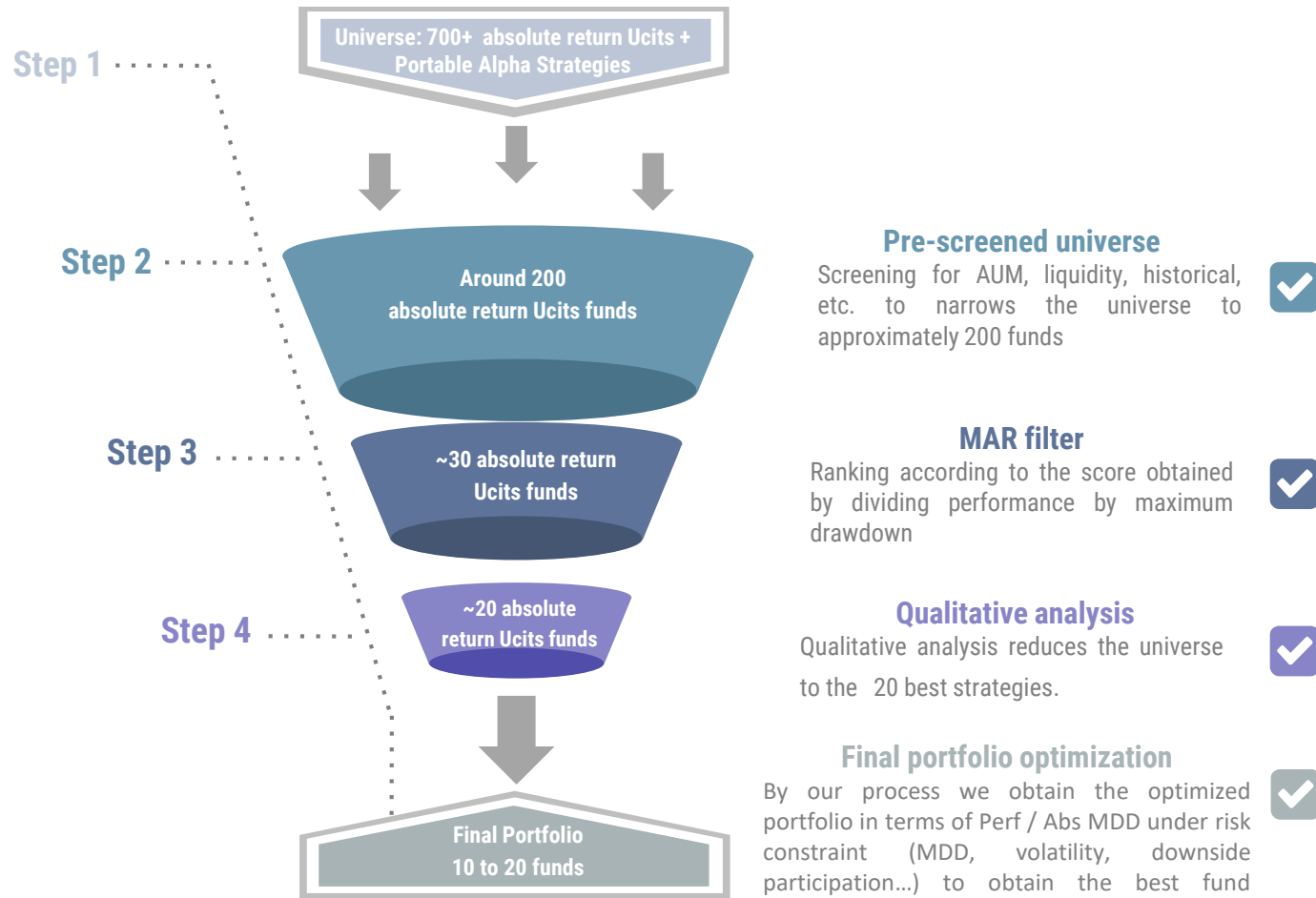
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- The fund selection process includes **quantitative and qualitative analysis**, in order to select sources of quality alpha.
- Our **Absolute Return Universe** is narrowed to 200 funds (out of 700 according to citywire).
- Only **50 Absolute Return fund managers** have a citywire rating.
- **By combining portable alpha strategies with absolute return funds**, we can ensure the robustness of the portfolio to face the current environment.
- Thus, **by optimization**, we can build the best combination among the selected funds, with an active rebalancing and frequent revision.



# From fund analysis to portfolio construction

A quantitative approach prevents emotional mistakes



## Snapshot

**Man group:** Founded in 1805, specializing in equities, sovereign and corp bonds and currencies. Combined AUM \$200 Bn.

### Man GLG Select Alternative fund:

- **Absolute return L/S equity fund** (795M€ AUM, soft closed).
- Bottom-up, macro & thematic analysis
- Market neutral
- Universe composed of UK equities, with large caps bias.
- Great convexity (negative participation to downsides)



Charles Long  
Portfolio Manager



Charlie joined Man GLG ('GLG') in January 2002 from Morgan Stanley. Charlie is an Portfolio Manager on the UK team managing both hedge fund and long only strategies. He is focused on fundamental stock picking.



Nick Judge  
Portfolio Manager



Bringing 23 years of experience in UK markets, Nick co-manages the GLG Alpha Select and UK Select strategies, having joined Man GLG in March 2009.

### Sum up

1Y	Return	Max Drawdown	MAR	St.Dev	Negative St.Dev	Tracking Error
GLG ALP SL AL-IL-HEUR	4,2%	-1,0%	4,2	2,6%	1,3%	
FTSE 100 TR GBP	-0,3%	-10,1%	0,0	12,2%	9,4%	12,4%
STXE 600 € Nrt	-4,3%	-9,9%	-0,4	13,0%	10,3%	13,1%
FTSE 250 TR Index	-4,4%	-12,3%	-0,4	12,9%	8,5%	13,2%

3Y	Return	Max Drawdown	MAR	St.Dev	Negative St.Dev	Tracking Error
GLG ALP SL AL-IL-HEUR	5,5%	-5,7%	1,0	3,7%	3,2%	
FTSE 100 TR GBP	7,3%	-10,2%	0,7	12,8%	9,1%	13,9%
STXE 600 € Nrt	0,4%	-18,4%	0,0	13,4%	10,2%	13,9%
FTSE 250 TR Index	5,1%	-12,3%	0,4	11,6%	7,5%	12,1%

Monthly Performance GLG ALP SL AL-IL-HEUR												Annualised	
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
2018	2,3%	-0,4%	1,4%	0,1%	0,6%	0,1%	0,0%	0,1%	0,2%	0,0%	-0,4%		4,3%
2017	2,4%	-0,4%	1,3%	1,8%	0,7%	2,1%	1,1%	1,5%	0,1%	1,8%	0,7%	0,4%	14,3%
2016	-0,4%	0,1%	-0,2%	-1,2%	1,3%	-4,4%	0,7%	0,1%	2,5%	-0,6%	0,6%	-0,1%	-1,7%
2015	1,9%	-0,5%	0,7%	1,3%	-2,0%	0,2%	-0,7%	1,7%	-0,8%	1,3%	0,5%	0,7%	4,3%

### Conclusion

The fund is following an **equity market neutral strategy**, it has demonstrated **uncorrelated returns** to traditional and alternative asset classes. It even performs better when the market is down and when correlation between stocks is low. Alpha generation is coming from from both the long and short books

The fund is managed by an experienced team with a multi-disciplined approach. The risk adjusted return and the convexity are excellent.

**Quantitative grade/Opinion: 3,19 / Positive**

# Risk Management

## Our priority

⇒ We want to optimize the return of the portfolio under risk management constraints.

Our screening based on Return / MDD is a kind of Trend Following model with an implied Stop Loss.

### Quantitative model & Momentum

We determine the average weekly participation to the downside of Equities, High Yield and Bonds as a constraint to optimize the portfolio.

### Downside participation constraint

Our screening based on Return / MDD is a kind of Trend Following model with an implied Stop Loss.

### Max Drawdown constraint

We can invest only in fund with a daily / weekly liquidity, and daily valuation.

### Liquidity constraint

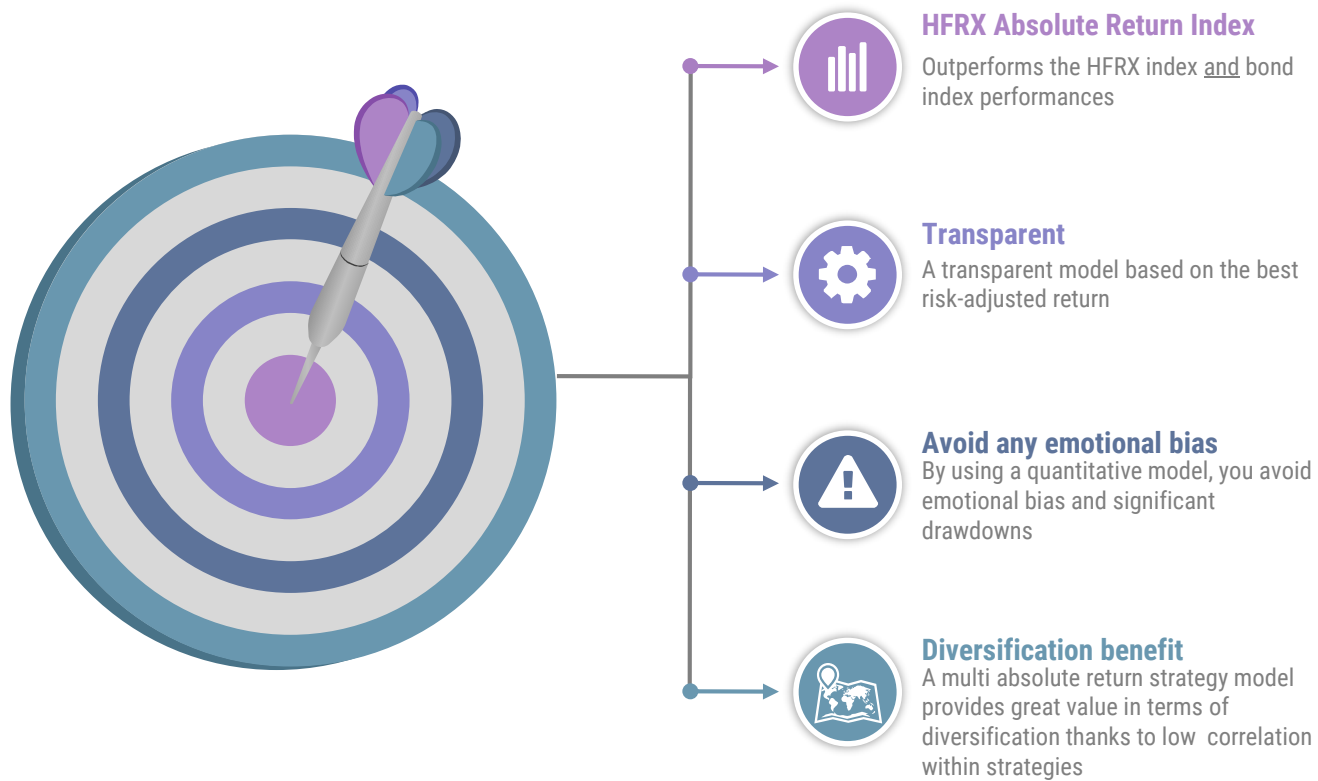
We determine a volatility limit as constraint of the portfolio and the weight of each component is capped by its relative volatility.

### Volatility constraint

We determine the average weekly participation to the worst downside of Equity as a constraint to optimize the portfolio.

### Resistance to the worst downsides

# Objectives



# Model Specificities



# TCSF Absolute Return EUR Index - EXDMTCEU Index

## Current composition

Name of the Index Component	Bloomberg code / ISIN code	Weighting	Currency	Hedged	Strategy	Management Fees
GLG ALP SL AL-IL-HEUR	GLGASLC ID Equity	15,00%	EUR	-	Equity Market Neutral	0,75%
H2O ADAGIO-IC	NH2ADIC FP Equity	13,00%	EUR	-	Global Macro	0,35%
LYXOR/TIEDMNN ARB ST-I EUR-A	LTASIEU ID Equity	10,00%	EUR	-	Event Driven	1,40%
CRMGNC PRTFL-L/S EU EQ-F EUR	CARPPFE LX Equity	10,00%	EUR	-	Long Short Equity	0,85%
BNP P EQUITY LOW VOL EUROPE	EVOE FP Equity	10,00%	EUR	85% Stoxx 600	Risk Premia	0,18%
LEGG MAS WES AST STR OP-PEUR	WASOPAE ID Equity	9,00%	EUR	-	Flexible Bonds	0,60%
DNB-TMT ABSOLUTE RET-AIEUR	DTMTAIE LX Equity	7,50%	EUR	-	Equity Market Neutral	0,75%
DNCA INVEST-ALPHA BONDS-IEUR	DNCABIE LX Equity	5,50%	EUR	-	Flexible Bonds	0,60%
CFP SDL UK BUFFETLGY-INT ACC	CSUKBIA LN Equity	5,50%	GBP	70% FTSE 2500 / 100 GBP	Portable Alpha	1,00%
MERRILL LYNCH RAM MG ARB-DEA	MLRMDEA LX Equity	5,00%	EUR	-	Event Driven	1,00%
PICTET TR-MANDARIN-I EUR	PICTRIE LX Equity	5,00%	EUR	-	Long Short Equity	1,10%
LINSELL TRAIN GLOBAL EQTY-C	LINCUSD ID Equity	4,50%	USD	70% MSCI World / 100% USD	Portable Alpha	0,65%
		100,00%				0,73%

# TCSF Absolute Return EUR Index - EXDMTCEU Index

## Current composition 3Y Track-record

### Constraints (3y)

	Target	Current
3Y Annualised performance	Max	6,04%
Volatility	< 2,50%	1,63%
Max Drawdown	> -2,50%	-1,27%
Weekly Upside Participation MSCI World EUR	Max	15,00%
Weekly Downside Participation MSCI World EUR	< 0%	1,00%
Worst Weekly Downside Participation MSCI World EUR (<-3%)	< 5%	3,80%
Weekly Downside Participation Global Aggregate	< 0%	-44,00%
Weekly Downside Participation Global High Yield	< 0%	-8,00%
Position weights	[2,5%; 15%]	

Past Performance Is No Guarantee of Future Results

# TCSF Absolute Return EUR Index - EXDMTCEU Index

## Correlation

Correlation	BNP Eq. Low Vol Europe Beta Hedgé	CFP SDL UK Buffettology Equity Funds Hedgé	CRMGNC PRTFL-L/S EU EQ-F EUR	DNCA INVEST-ALPHA BONDS-IEUR	DNB-TMT ABSOLUTE RET-AIEUR	GLG ALP SL AL-IL-HEUR	H2O ADAGIO-IC	Jupiter European Growth Beta Hedgé	LEGG MAS WES AST STR OP-PEUR	LYXOR/TIEDMNN ARB ST-I EUR-A	MERRILL LYNCH RAM MG ARB-DEA	PICTET TR-MANDARIN-I EUR	PHILEAS L/S EUROPE-I	Lindsell Train versus MSCI World
BNP Eq. Low Vol Europe Beta Hedgé	1,00	0,26	0,06	-0,30	-0,10	0,03	-0,12	0,10	-0,16	0,26	0,14	0,20	-0,07	-0,05
CFP SDL UK Buffettology Equity Funds Hedgé	0,26	1,00	0,16	0,01	-0,13	0,12	-0,02	0,40	0,08	0,16	0,14	0,13	0,17	0,19
CRMGNC PRTFL-L/S EU EQ-F EUR	0,06	0,16	1,00	-0,02	-0,14	0,00	-0,01	0,22	-0,02	0,32	0,13	0,22	0,05	0,22
DNCA INVEST-ALPHA BONDS-IEUR	-0,30	0,01	-0,02	1,00	-0,01	0,09	0,23	0,25	0,04	0,01	0,15	-0,10	0,15	0,11
DNB-TMT ABSOLUTE RET-AIEUR	-0,10	-0,13	-0,14	-0,01	1,00	-0,14	0,04	-0,29	0,19	0,12	-0,01	0,03	-0,14	-0,28
GLG ALP SL AL-IL-HEUR	0,03	0,12	0,00	0,09	-0,14	1,00	0,10	0,06	0,25	-0,12	-0,22	0,17	0,25	0,16
H2O ADAGIO-IC	-0,12	-0,02	-0,01	0,23	0,04	0,10	1,00	-0,07	-0,11	0,00	-0,18	0,07	-0,08	0,06
Jupiter European Growth Beta Hedgé	0,10	0,40	0,22	0,25	-0,29	0,06	-0,07	1,00	0,02	0,12	0,21	0,17	0,06	0,19
LEGG MAS WES AST STR OP-PEUR	-0,16	0,08	-0,02	0,04	0,19	0,25	-0,11	0,02	1,00	-0,21	-0,29	-0,12	0,20	0,17
LYXOR/TIEDMNN ARB ST-I EUR-A	0,26	0,16	0,32	0,01	0,12	-0,12	0,00	0,12	-0,21	1,00	0,65	0,11	0,20	0,31
MERRILL LYNCH RAM MG ARB-DEA	0,14	0,14	0,13	0,15	-0,01	-0,22	-0,18	0,21	-0,29	0,65	1,00	0,18	0,05	-0,03
PICTET TR-MANDARIN-I EUR	0,20	0,13	0,22	-0,10	0,03	0,17	0,07	0,17	-0,12	0,11	0,18	1,00	-0,03	-0,27
PHILEAS L/S EUROPE-I	-0,07	0,17	0,05	0,15	-0,14	0,25	-0,08	0,06	0,20	0,20	0,05	-0,03	1,00	0,35
Lindsell Train versus MSCI World	-0,05	0,19	0,22	0,11	-0,28	0,16	0,06	0,19	0,17	0,31	-0,03	-0,27	0,35	1,00

Past Performance Is No Guarantee of Future Results



# TCSF Absolute Return USD Index - EXDMTCUS Index

## Current composition

Name of the Index Component	Bloomberg code / ISIN code	Weighting	Currency	Hedged	Strategy	Management Fees
GLG ALP SL AL-IL-HUSD	GLGASLA ID Equity	15,00%	USD	-	Equity Market Neutral	0,75%
DNCA INVEST-ALPHA BONDS-HIUS	DNCAHIU LX Equity	15,00%	USD	-	Flexible Bonds	0,60%
H2O ADAGIO-HI USD	NAH2HIU FP Equity	12,50%	USD	-	Global Macro	0,35%
CRMGNC PRFTL-L/S EU EQ-F EUR	CARPPFE LX Equity	10,50%	EUR	100% EUR	Long Short Equity	0,85%
LEGG MAS WES AST STR OP-PUSD	WASOPAU ID Equity	9,00%	USD	-	Flexible Bonds	0,75%
LYXOR/TIEDMNN ARB ST-I USD	LTASEIU ID Equity	7,00%	USD	-	Event Driven	1,40%
DNB-TMT ABSOLUTE RET-AIUSD	DTMTAIU LX Equity	7,00%	USD	-	Equity Market Neutral	0,75%
CFP SDL UK BUFFETLGY-INT ACC	CSUKBIA LN Equity	6,00%	GBp	70% FTSE 250 TR / 100% GBP	Portable Alpha	1,00%
LINSELL TRAIN GLOBAL EQTY-C	LINCUSD ID Equity	5,00%	USD	70% MSCI World NTR USD 85% Stoxx 600 TR / 100%	Portable Alpha	0,65%
BNP P EQUITY LOW VOL EUROPE	EVOE FP Equity	5,00%	EUR	EUR	Risk Premia	0,18%
MERRILL LYNCH RAM MG ARB-DUA	MLRMDUA LX Equity	4,00%	USD	-	Event Driven	1,00%
PICTET TR-MANDARIN-I USD	PICTRMI LX Equity	4,00%	USD	-	Long Short Equity	1,10%
		100,00%				0,74%

# TCSF Absolute Return USD Index - EXDMTCUS Index

## Current composition 3Y Track-record

### Constraints (3y)

	Target	Current
3Y Annualised performance	Max	7,64%
Volatility	< 2,50%	1,46%
Max Drawdown	> -2,50%	-1,29%
Weekly Upside Participation MSCI World USD	Max	17,00%
Weekly Downside Participation MSCI World USD	< 0%	-5,00%
Worst Weekly Downside Participation MSCI World USD (<3%)	< 5%	1,50%
Weekly Downside Participation Global Aggregate	< 0%	-75,00%
Weekly Downside Participation US Corp High Yield	< 0%	-10,00%
Position weights	[2,5%; 15%]	

Past Performance Is No Guarantee of Future Results

# TCSF Absolute Return USD Index - EXDMTCUS Index

## Correlation

Correlation	BNP Eq. Low Vol Europe Beta Hedge	CRMGNC PRTFL-L/S EU EQ-F EUR	PHILEAS L/S EUROPE-I	GLG ALP SL AL-IL-HUSD	LEGG MAS WES AST STR OP-AUSD	MERRILL LYNCH RAM MG ARB-DUA	LYXOR/TIEDMNN ARB ST-I USD	H2O ADAGIO-HI USD	DNB-TMT ABSOLUTE RET-AIUSD	DNCA INVEST-ALPHA BONDS-IEUR	Lindsell Train versus MSCI World	PICTET TR-MANDARIN-I USD	Jupiter European Growth Beta Hedge	UK Equity Funds Hedged	PICTET TR-MANDARIN-I USD
BNP Eq. Low Vol Europe Beta Hedge	1,00	0,06	-0,07	0,03	-0,15	0,15	0,26	-0,11	-0,10	-0,30	0,05	0,01	0,10	0,26	0,35
CRMGNC PRTFL-L/S EU EQ-F EUR	0,06	1,00	0,05	-0,02	-0,03	0,12	0,30	-0,01	-0,14	-0,02	0,12	0,37	0,22	0,16	0,34
PHILEAS L/S EUROPE-I	-0,07	0,05	1,00	0,25	0,19	0,04	0,19	-0,09	-0,14	0,14	0,21	0,24	0,06	0,17	0,33
GLG ALP SL AL-IL-HUSD	0,03	-0,02	0,25	1,00	0,24	-0,23	-0,11	0,09	-0,14	0,08	0,10	0,27	0,05	0,10	0,05
LEGG MAS WES AST STR OP-AUSD	-0,15	-0,03	0,19	0,24	1,00	-0,32	-0,23	-0,12	0,19	0,00	0,11	0,01	0,03	0,07	0,12
MERRILL LYNCH RAM MG ARB-DUA	0,15	0,12	0,04	-0,23	-0,32	1,00	0,66	-0,18	-0,02	0,15	-0,11	0,14	0,22	0,15	0,27
LYXOR/TIEDMNN ARB ST-I USD	0,26	0,30	0,19	-0,11	-0,23	0,66	1,00	0,00	0,11	0,01	0,17	0,28	0,11	0,15	0,06
H2O ADAGIO-HI USD	-0,11	-0,01	-0,09	0,09	-0,12	-0,18	0,00	1,00	0,04	0,22	0,10	0,01	-0,07	-0,02	-0,11
DNB-TMT ABSOLUTE RET-AIUSD	-0,10	-0,14	-0,14	-0,14	0,19	-0,02	0,11	0,04	1,00	-0,01	-0,21	-0,11	-0,28	-0,13	0,17
DNCA INVEST-ALPHA BONDS-IEUR	-0,30	-0,02	0,14	0,08	0,00	0,15	0,01	0,22	-0,01	1,00	-0,08	0,04	0,24	0,00	0,12
Lindsell Train versus MSCI World	0,05	0,12	0,21	0,10	0,11	-0,11	0,17	0,10	-0,21	-0,08	1,00	0,01	0,16	0,21	-0,18
PICTET TR-MANDARIN-I USD	0,01	0,37	0,24	0,27	0,01	0,14	0,28	0,01	-0,11	0,04	0,01	1,00	0,12	0,05	0,16
Jupiter European Growth Beta Hedge	0,10	0,22	0,06	0,05	0,03	0,22	0,11	-0,07	-0,28	0,24	0,16	0,12	1,00	0,40	0,04
UK Equity Funds Hedged	0,26	0,16	0,17	0,10	0,07	0,15	0,15	-0,02	-0,13	0,00	0,21	0,05	0,40	1,00	0,35
PICTET TR-MANDARIN-I USD	0,35	0,34	0,33	0,05	0,12	0,27	0,06	-0,11	0,17	0,12	-0,18	0,16	0,04	0,35	1,00

Past Performance Is No Guarantee of Future Results

# How to implement the strategy ?

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## Advisory Mandate

Recommendations based on our model adapted to your constraints.



## White Label product

Certificate delta one, protected note, call or Fund tailored around your needs.



## Public product

Open product or Club product created for a group of investors





**TC Stratégie Financière**

**Think Different Again !**

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