quantam

BFX1

BONDS FLEX 1 INVESTMENT PROGRAM

As of: Nov 30th, 2016

Description

Objective

The BFX program aims to invest in a large basket of **investment grade corporate bonds** and **government bonds**, with an automatic **hedge against drawdowns**.

Mechanism

The program invests in listed total return ETFs tracking a set composed principally of AA & BBB investment grade corporate bonds and AAA government bonds that collect cash coupons. In addition, the various sub-portfolios are dynamically hedged through a systematic reduction of their exposure when drawdowns approach 5%, which allows for an adjustment of their net exposure to between 10% and 100%. The exposure is automatically adjusted on a daily basis at a level determined by dedicated quantitative hedging strategies which are scientifically defined.

Hedging strategy

The exposure of each sub-portfolio is set to:

- 100% when the sub-portfolio is not in a drawdown over the period (new high).
- 10% when the current drawdown over 250 trading days is equal or higher than 5%,
- A calculated percentage between 10% and 100% based on the convexity of an optimal curve which itself is defined by the market's stress levels. The more volatile the market, the faster the exposure is geared down.

Program

Asset class	Investment Grade Corporate & Government Bonds
Minimum exposure	10%
Maximum exposure	100%
Program Return Yield (last 12m)	2.92%
Number of holdings (direct & indirect)	8,245

Key features

- ► Catches structural risk premium
- ► Limited bond risk through high diversification and rating
- ► Dynamic hedging based on 5% maximum drawdown
- ► Available through total return swaps (up to 80% funding, high liquidity)
- ► Currency may be hedged towards EUR
- ► Low cost

Investment

Management fee (per annum)	0.30% *
Performance fee	NONE
Subscription / Redemption fee	NONE
Dividend policy	Distributed
Benchmark	EONIA
Liquidity	Hourly, during NYSE hours
Minimal notional funding	YES
Required funding	20%
Shortable	YES
Base currency	LOCAL

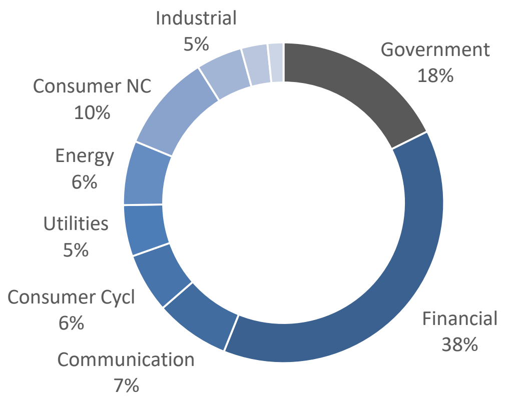
* subject to minimums

Investment profile

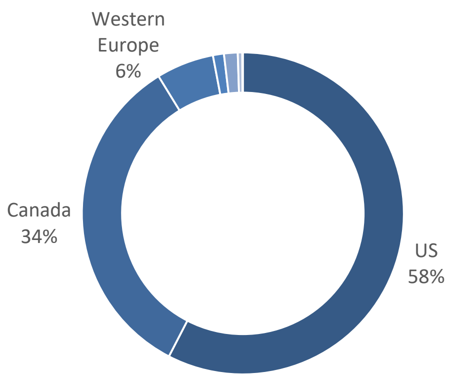
Top holdings

	Issuer	Country	Maturity	Weight
1	**US Treasury**	USA	10 + yr	**12.4%**
2	**Royal Bank of Canada**	Canada	1-10 yr	**3.4%**
3	**Bank of Nova Scotia**	Canada	1-10 yr	**2.6%**
4	**Toronto Dominion**	Canada	1-10 yr	**2.3%**
5	**Bank Of Montreal**	Canada	1-10 yr	**1.9%**
6	**Canadian Imperial Bank**	Canada	1-10 yr	**1.9%**
7	**Hydro One Inc**	Canada	1-10 yr	**1.8%**
8	**General Electric**	USA	1-5 yr	**1.3%**
9	**KFW**	USA	1-5 yr	**1.3%**

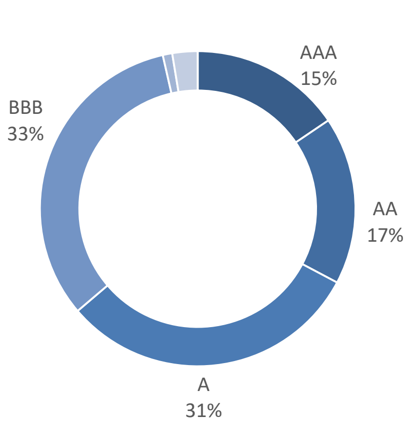
Sectors



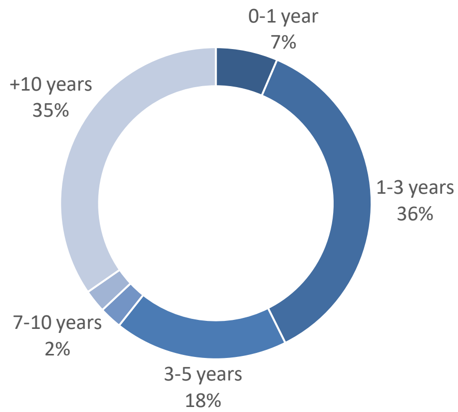
Geography



Ratings



Maturities



Detailed Performance [1]

(monthly data)

		YTD	1Y	3Y	5Y	ITD
Net compounded returns	Program	3.26%	2.98%	8.90%	13.90%	36.40%
	Core portfolio (w/o hedge)	2.72%	2.47%	9.01%	11.21%	33.13%
	Program vs core	+0.54%	+0.52%	-0.11%	+2.69%	+3.27%
	Eonia	-0.29%	-0.31%	-0.29%	0.07%	9.25%
	Program vs Eonia	+3.56%	+3.29%	+9.19%	+13.83%	+27.16%
Net annualized returns	Program	3.57%	2.97%	2.96%	2.78%	3.78%
	Core portfolio (w/o hedge)	2.97%	2.46%	3.00%	2.24%	3.44%
	Program vs core	+0.59%	+0.51%	-0.04%	+0.54%	+0.34%
	Eonia	-0.32%	-0.31%	-0.10%	0.01%	0.96%
	Program vs Eonia	+3.89%	+3.28%	+3.06%	+2.76%	+2.82%
Annualized Volatility	Program	2.29%	2.10%	2.09%	2.23%	2.32%
	Eonia	0.02%	0.03%	0.05%	0.09%	0.43%
Maximum Drawdown	Program					-1.94%
Sharpe ratio	Program	1.70	1.56	1.46	1.24	1.21
Calmar ratio	Program					0.04
Average exposure		70.7%	73.3%	75.4%	75.0%	80.5%
% time fully exposed		46.0%	41.8%	41.1%	39.0%	56.8%
% time min exposure		0.0%	0.0%	0.0%	0.0%	0.0%
Minimum exposure reached		14.8%	14.8%	14.8%	14.8%	14.5%

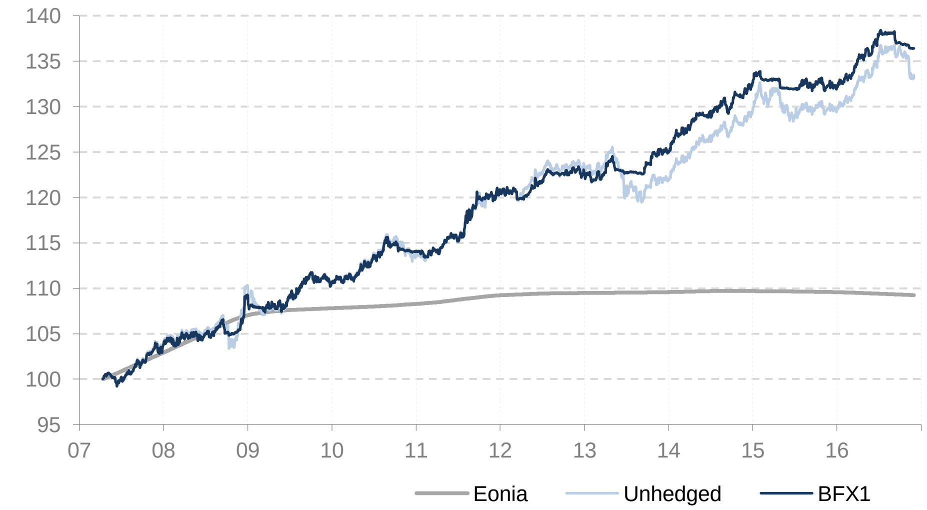
Net compounded returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016	0.56	0.40	1.33	0.43	0.10	1.44	0.28	-0.07	-0.78	-0.19	-0.28		**3.26**
2015	0.93	-0.67	-0.02	-0.61	-0.05	-0.07	0.60	-0.52	0.27	0.21	-0.20	-0.27	**-0.41**
2014	1.63	0.46	0.16	0.80	0.30	0.24	-0.05	1.16	-0.80	0.99	0.63	0.47	**6.14**
2013	-0.72	0.74	-0.02	1.26	-1.02	-0.19	0.03	-0.06	0.82	0.99	0.25	-0.23	**1.84**
2012	0.23	-0.18	-0.86	0.36	1.18	-0.10	1.09	-0.15	-0.07	0.19	0.14	-0.30	**1.53**
2011	-0.13	0.14	-0.08	0.72	0.77	-0.51	1.09	1.31	1.70	0.06	-0.21	0.92	**5.92**
2010	0.52	0.05	-0.09	0.74	0.40	1.08	0.28	1.45	-0.61	-0.56	-0.07	-0.09	**3.14**
2009	-0.97	-0.07	0.57	-0.66	0.42	0.91	0.74	0.68	0.74	-0.28	0.28	-0.82	**1.52**
2008	0.67	0.07	0.30	0.18	-0.57	0.56	0.11	0.58	-0.65	-0.11	0.46	3.36	**5.03**
2007				0.57	-0.34	-0.14	0.56	0.95	0.14	0.89	1.01	0.07	**3.77**

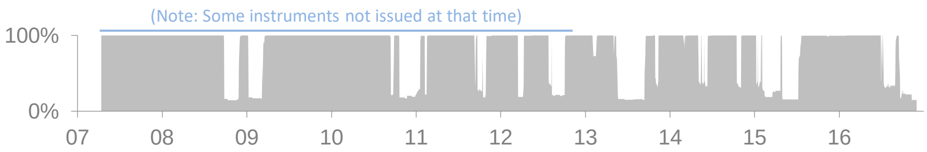
[1] Proforma performance net of fees, considering constant repartition of components. Periodical rebalancing of portfolio components and operating trading hours may impact real performance depending on execution conditions.

Performance before tax, inception date Apr 2007 (subject to existence of ETFs), monthly data

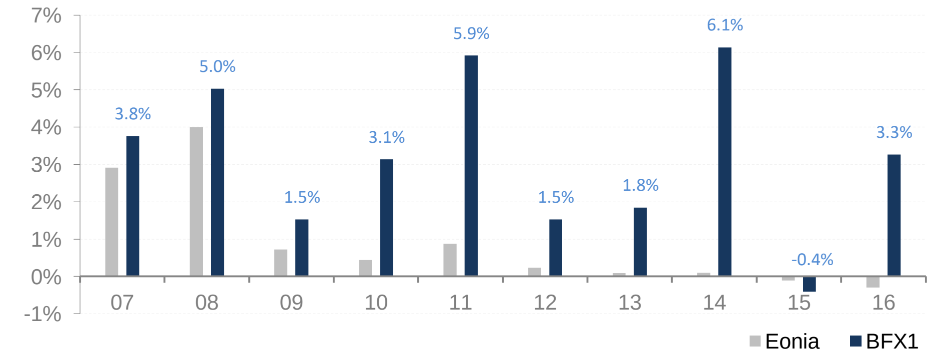
VAMI since Apr 13, 2007 [2]



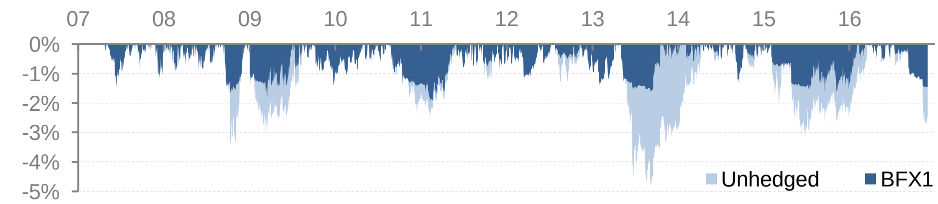
Net exposure



Yearly net returns [2]

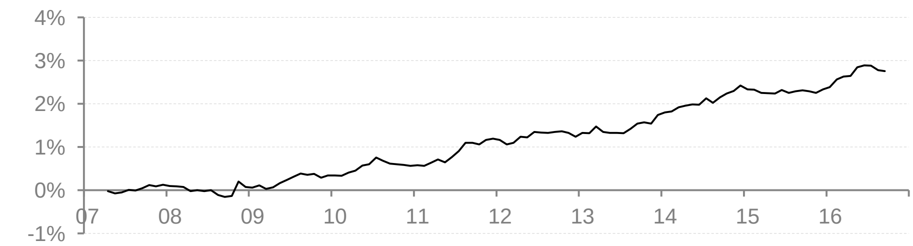


Drawdowns on period



Alpha

Compounded VAMI: BFX1 - Eonia



[2] VAMI: Proforma performance net of fees, considering constant repartition of components. Periodical rebalancing of portfolio components and operating trading hours may impact real performance depending on execution conditions.

Asset Manager

Program and corresponding trading signals are provided by **Quantam SA**

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Quantam SA is registered with the A.M.F. (Autorité des Marchés Financiers) since June 17th 2004 under # GP-04000037.

Quantam SA is a Commodity Trading Advisor and Commodity Pool Operator registered with the Commodities Futures Trading Commission and the National Futures Association under # 0376945.

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