



LEVENDI THORNBRIDGE DEFINED RETURN FUND

MANAGER'S COMMENT 27th FEBRUARY 2018

The Fund launched at the beginning of February as markets began to sell off. The spike in short term volatility was dramatic and although the front end of the curve has come down, volatility remains above the recent lows, the increase in longer term volatility that drives the terms of the products that we buy has been more muted, but it is has been helpful. The fall in markets and the increase in volatility means that we have been able to structure new investments for the fund at attractive terms with lower strike levels.

We are investing the seed capital we have raised progressively so that we achieve a spread of strike levels and observation dates. The fund is now fully invested, and we are drawing down the additional seed that has been pledged as we identify additional attractive investment opportunities.

Initially, we have concentrated on Autocall products linked to the worst of the FTSE and Eurostoxx. Our analysis shows that this pair offers the best risk / return profile and initial index levels. Although the S&P 500 has pulled back, we would like to see another downward move before we start to use it in products. We are monitoring the performance of all the other main indices and will look to broaden our market exposure when we can get attractive opportunities.

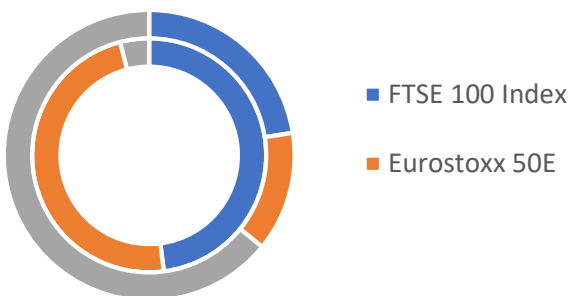
MARKET EXPOSURE	NOMINAL	ECONOMIC
FTSE 100 INDEX	48.0%	22.5%
EUROSTOXX 50 E	48.0%	13.3%

Source: Levendi Investment Management

Market Exposure

The table above and chart below illustrates the nominal and economic exposure. The economic exposure is the sensitivity that the fund has to each market

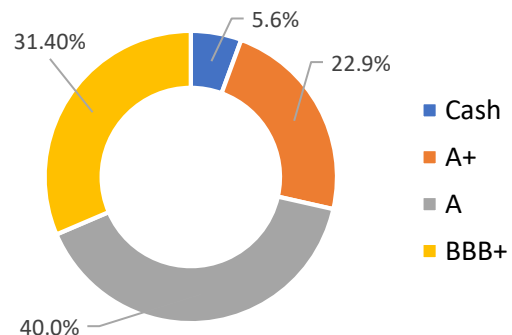
Outer Ring Economic Exposure
Inner Ring Nominal Exposure



Source: Levendi Investment Management

Issuer Exposure by Credit Rating

We now hold notes from 6 banks. We will continue to add issuers to our portfolio so that we have an appropriate spread of risk.



Source: Levendi Investment Management



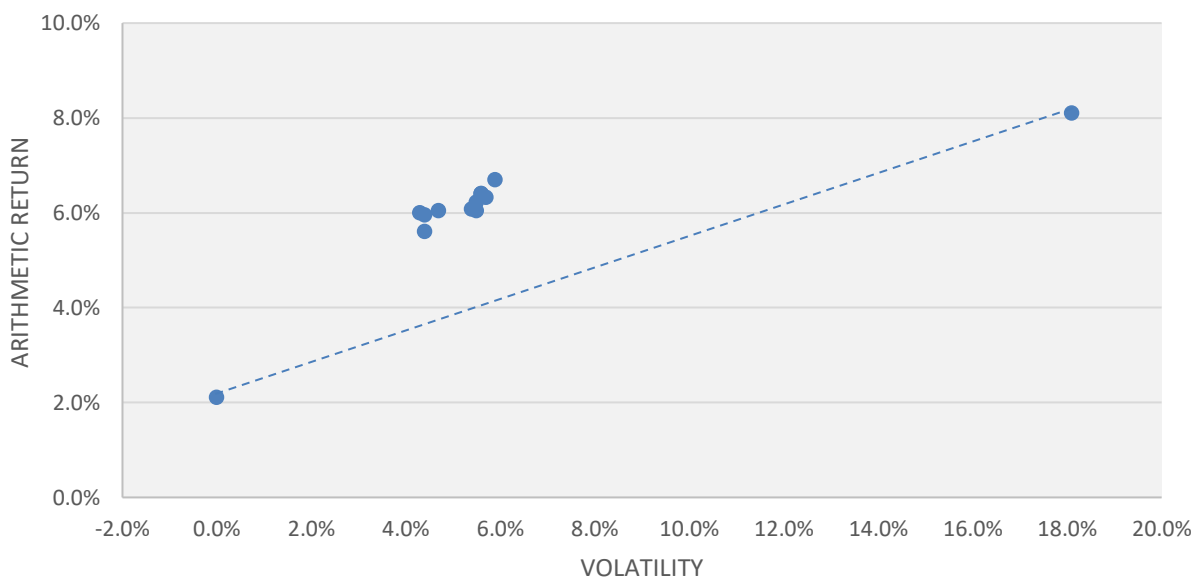
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PORTFOLIO ANALYSIS

Our analysis of the products we have bought shows that they offer a very attractive risk/return profile compared to cash and equities. Each point on the chart below represents a note that we have purchased. The dotted line is a simple two-asset efficient frontier that connects cash and a FTSE tracker fund that has gone through the same stress test as the products. At a simplistic level, products above this line offer a better risk/return profile than a mix of cash and equities.

Arithmetic Return/Volatility (Line: 6 YR GBP Swaps – UK Equity held 6 YR)



PRODUCT ANALYSIS	VOLATILITY	POSITIVE SCENARIO RETURN	AVERAGE RETURN	BARRIER	CHANCE OF BARRIER BREACH
PRODUCT 1	5.4%	7.4%	6.1%	50.0%	3.30%
PRODUCT 2	5.5%	7.3%	6.0%	50.0%	3.30%
PRODUCT 3	5.6%	7.7%	6.4%	49.7%	3.50%
PRODUCT 4	5.9%	8.6%	6.7%	49.7%	3.20%
PRODUCT 5	5.7%	8.1%	6.3%	49.7%	3.30%
PRODUCT 6	5.6%	8.2%	6.4%	48.0%	3.10%
PRODUCT 7	4.4%	6.8%	5.6%	48.5%	3.00%
PRODUCT 8	4.4%	7.1%	6.0%	48.5%	3.00%
PRODUCT 9	4.7%	7.2%	6.0%	50.0%	3.30%
PRODUCT 10	4.3%	7.0%	6.0%	50.5%	3.00%

Source: Levendi Investment Management



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In the tables below, we show summary details for the portfolio. For each metric we show figure that is weighted by the nominal exposure and the expected term to the maturity of the product. It is important to note that these values are not forecasts, they are estimates we have calculated based on the inputs to our stress testing process. This has been developed to allow us to compare one product with another, and with other assets.

RETURN ESTIMATES	METRIC	VALUE
WHAT IS THE BEST RETURN WE COULD EARN?	VaR 10	7.5%
WHAT IS THE CHANCE OF A POSITIVE RETURN?	Chance of Gain	96.5%
WHAT IS THE AVERAGE RETURN WHEN THERE IS A POSITIVE RETURN?	Conditional Gain	7.4%
WHAT IS THE AVERAGE RETURN	Arithmetic Return	6.2%

Source: Levendi Investment Management

RISK ESTIMATES	METRIC	VALUE
WHAT IS THE LOSS BASED ON THE AVERAGE OF THE WORST 5% OUTCOMES	CVaR 95% Loss	-24.9%
WHAT IS THE EXPECTED VOLATILITY OF RETURNS?	Volatility	5.2%
WHAT IS THE CHANCE OF A LOSS?	Chance of Loss	3.3%
WHAT IS THE AVERAGE RETURN IN THE SCENARIOS WHERE THERE IS A LOSS?	Conditional loss	-7.0%
HOW FAR DO MARKETS HAVE TO FALL BEFORE THE MATURITY VALUE IS LESS THAN 100% ON AVERAGE?		49.6%
WHAT IS THE AVERAGE PROBABILITY OF THE MATURITY VALUE OF EACH INVESTMENT HELD BEING LESS THAN 100%?	Probability of barrier breach	3.2%
WHAT IS THE HIGHEST PROBABILITY OF THE MATURITY VALUE OF ANY INVESTMENT HELD BEING LESS THAN 100%?	Probability of barrier breach	3.5%

Source: Levendi Investment Management

FACTOR EXPOSURE	METRIC	VALUE
CHANGE IN FUND PRICE IF ALL MARKETS CHANGE +1%	Delta	0.38%
CHANGE IN FUND PRICE IF INTEREST RATES CHANGE 0.01%	Rho	0.02%
CHANGE IN FUND PRICE IF VOLATILITY CHANGES +1%	Vega	-1.20%
CHANGE IN IN FUND PRICE FROM THE PASSAGE OF ONE DAY	Theta	0.01%
AVERAGE TERM TO MATURITY	Duration	2.9 years

Source: Levendi Investment Management



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FURTHER INFORMATION

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