LEVENDI THORNBRIDGE DEFINED RETURN FUND

NOT FOR DISTRIBUTION TO RETAIL INVESTORS.

LEVENDI

INVESTMENT MANAGEMENT

LEVENDI THORNBRIDGE DEFINED RETURN FUND

- Levendi Investment Management
- The Fund, objectives, investment strategy
- Performance / comparisons versus popular funds
- Where does the Fund fit into portfolios
- Example investments
- Liquidity
- Fund analysis
- Risk management
- Share classes / fees and charges
- How to invest

LEVENDI INVESTMENT MANAGEMENT

- Specialist investment manager based in London
- $1bn in AUA
- Flagship UCITS V fund established on January 31st, 2018
- Levendi Team
  - 2 Trading and Risk Management
  - 1 Research
  - 6 Distribution
- Expertise
  - Structured products
  - Pricing, and risk management
  - Investment solutions

OUR PEOPLE

FRANK COPPLESTONE, MANAGING PARTNER
Frank has 25 years experience in structured products and derivatives, having started his career at Credit Suisse Financial Products. He spent a decade working as an equity-derivatives trader at Bankers Trust and Commerzbank before moving to Deutsche Bank to build and manage the Quantitative Products Engineering businesses. In 2008 he joined Morgan Stanley to run Financial Engineering in EMEA and Americas and later became Global Head of the Retail Structured Products platform at Morgan Stanley. Prior to launching Levendi Investment Management, Frank was the Global Head of Equities (Structured Products) at Jefferies. Frank holds a Doctorate from Oxford University.

DAVID STUFF, MANAGING PARTNER
David has been involved in equity derivatives, equity structuring and the structured product market for over 25 years. Before launching Levendi Investment Management David worked at J.P. Morgan, Barclays and RBS. David has worked with and for retail product providers, discretionary managers and institutional investors.

ART NOBLE, RESEARCH AND ANALYSIS
Art is responsible for the product analysis. Art started to develop the model that the Fund uses to evaluate risk and return immediately after the March 2012 paper from the FCA. Prior to working on this Art was developing statistical arbitrage strategies and portfolio optimisation tools at Noble and Co. At J.P. Morgan Art was responsible for marketing derivative products and had a particular focus on hedge fund derivative solutions and asset and liability modelling. He was also responsible for building pricing models, risk management tools and value-at-risk techniques that became RiskMetrics.

LEVENDI
INVESTMENT MANAGEMENT

A DEFENSIVE COVERED PUT FUND FOR LOWER RISK INVESTORS

TARGET MARKET

- Lower risk investors
- Want a high chance of a positive return in a wide range of market conditions
- Daily liquidity

INVESTMENT OBJECTIVES

- Maximise the chance of generating GBP LIBOR +6% returns
- Minimise the chance and scale of losses
- Maximise liquidity

INVESTMENT STRATEGY

- Invest in equity linked securities
- Implement a long dated, low strike covered put strategy
- Manage risk and control volatility with an active risk management overlay

THE EQUITY INSURANCE PREMIUM

THE EQUITY INSURANCE PREMIUM

The Equity Insurance Premium is the excess return that investors can receive through absorbing equity market risk. It is caused by three main factors:

- **Regulation;** Banks, Insurance Companies, Pension Funds and other large investors are required by regulations to limit the effect of a large fall in equity markets
- **Limited Capacity For Loss;** Many investors including charities, trusts, endowments and retail investors are unable to risk capital. Any equity exposure must be hedged.
- **Behavioural Factors;** Investors have a strong loss aversion and are prepared to give up returns in order to avoid losses.

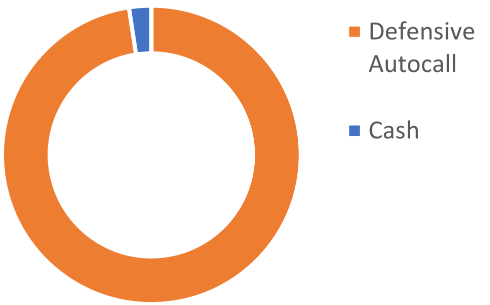
BENEFITS OF LONG DATED EQUITY LINKED SECURITIES

- Longer dated investments capture the increasing gap between risk-neutral forward values and investor forecast values
- Long dated volatility is typically more stable and higher than short dated volatility.
- Low strike options normally have a higher volatility than higher strike options
- Lower volatility; mark to market volatility is reduced by Autocall feature
- Return Multiplier; the return is typically conditional on an Autocall feature. This increases the maximum return that is available

WHAT DOES THE FUND HOLD?

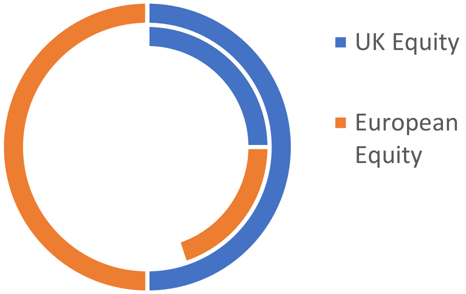
The graphs below show current levels and updated at the release of each monthly factsheet.

PRODUCT EXPOSURE



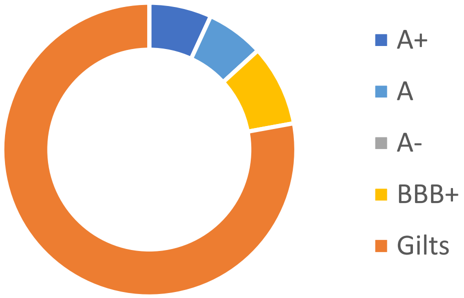
- Simple defensive Autocalls
- Long maximum term
- Significant protection
- Liquid, intraday pricing

MARKET EXPOSURE



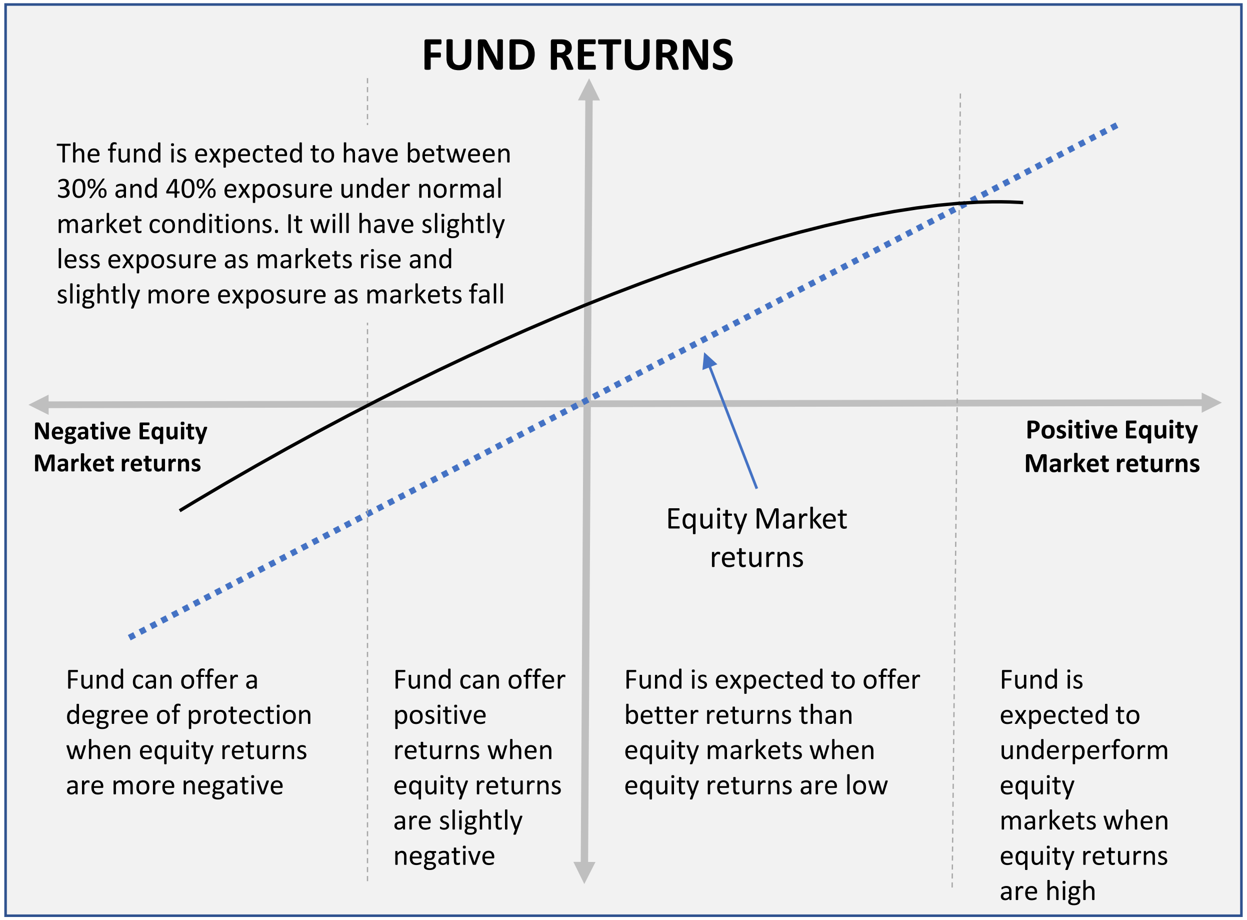
- Outer Ring is nominal exposure, inner ring is effective exposure
- Major equity market exposure only
- Value approach to market selection

ISSUER EXPOSURE



- Gilt backed investments reduce issuer exposure
- Notes where there is attractive implied issuer funding
- Maximum 10% exposure to any investment grade issuer

HOW MIGHT THE FUND PERFORM?



FUND RETURNS

The fund is expected to have between 30% and 40% exposure under normal market conditions. It will have slightly less exposure as markets rise and slightly more exposure as markets fall

Negative Equity Market returns

Positive Equity Market returns

Equity Market returns

Fund can offer a degree of protection when equity returns are more negative

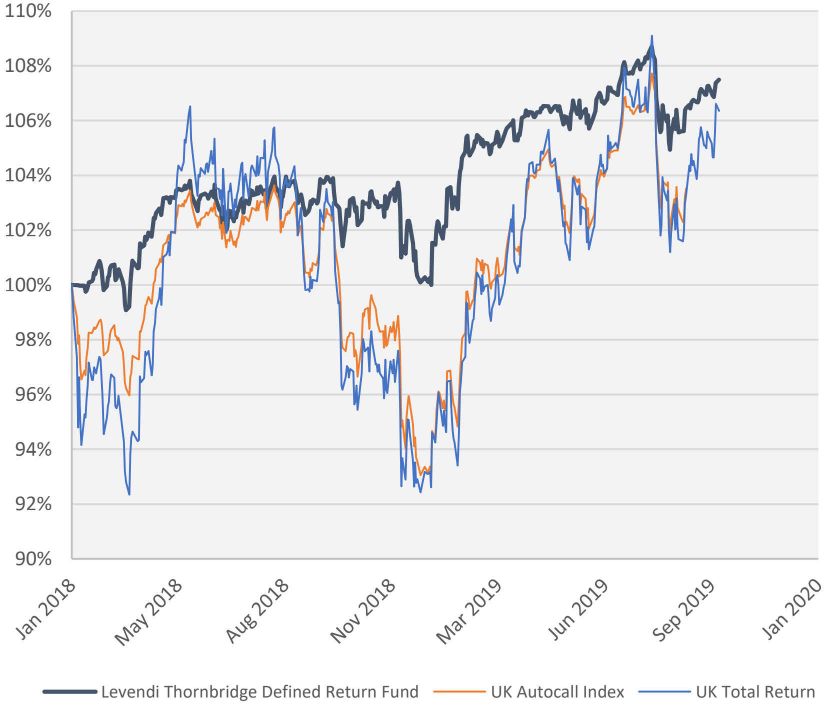
Fund can offer positive returns when equity returns are slightly negative

Fund is expected to offer better returns than equity markets when equity returns are low

Fund is expected to underperform equity markets when equity returns are high

REALISED FUND RETURNS

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2018		0.54%	0.34%	2.32%	(0.07%)	(0.44%)	0.77%	(0.47%)	0.95%	(0.86%)	(0.02%)	(2.96%)	0.11%
2019	4.15%	0.55%	1.21%	0.41%	(0.78%)	1.47%	0.96%	(1.71%)	0.98%	-	-	-	7.37%

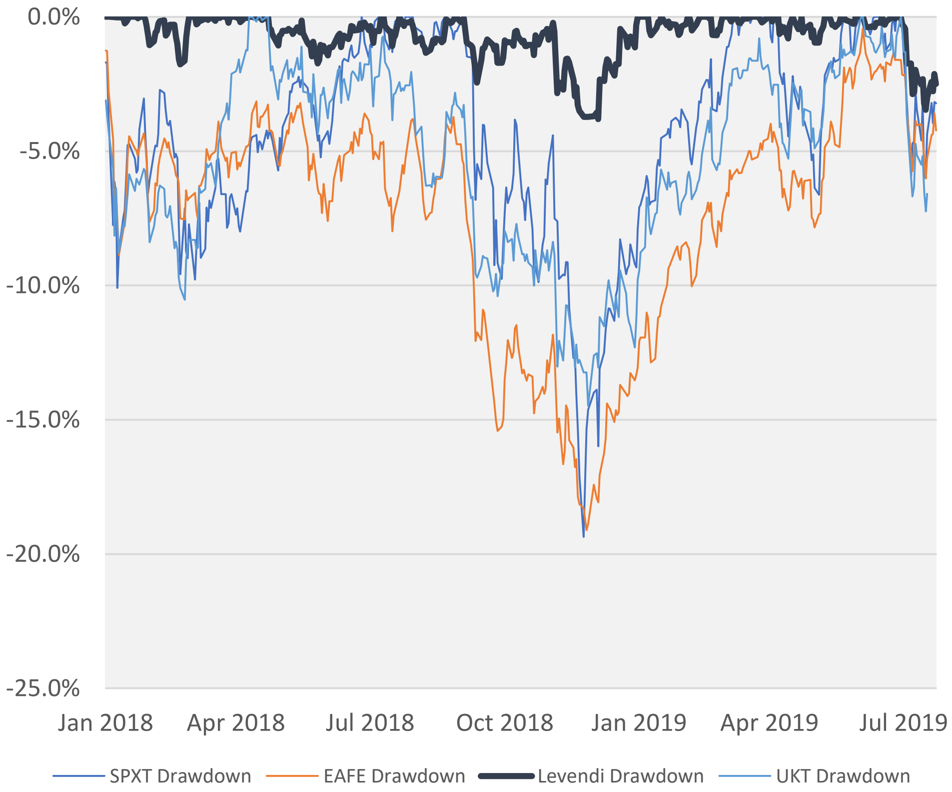


Source; Levendi, Bloomberg

	UK Total	UK Autocall	Levendi
Analysis from	31 Jan 18	31 Jan 18	31 Jan 18
Average Vol	12.7%	7.9%	5.3%
Annual Return	4.0%	3.5%	7.5%
Max Vol	13.8%	9.0%	6.1%
Drawdown	-13.2%	-10.2%	-3.8%
Sharpe	0.17	0.23	0.57

Analysis of returns from 31st Jan 2018
All indices rebased so that value as at 31st Jan 2018 is 1,000

CAPITAL PRESERVATION; DEFENSIVE BY DESIGN

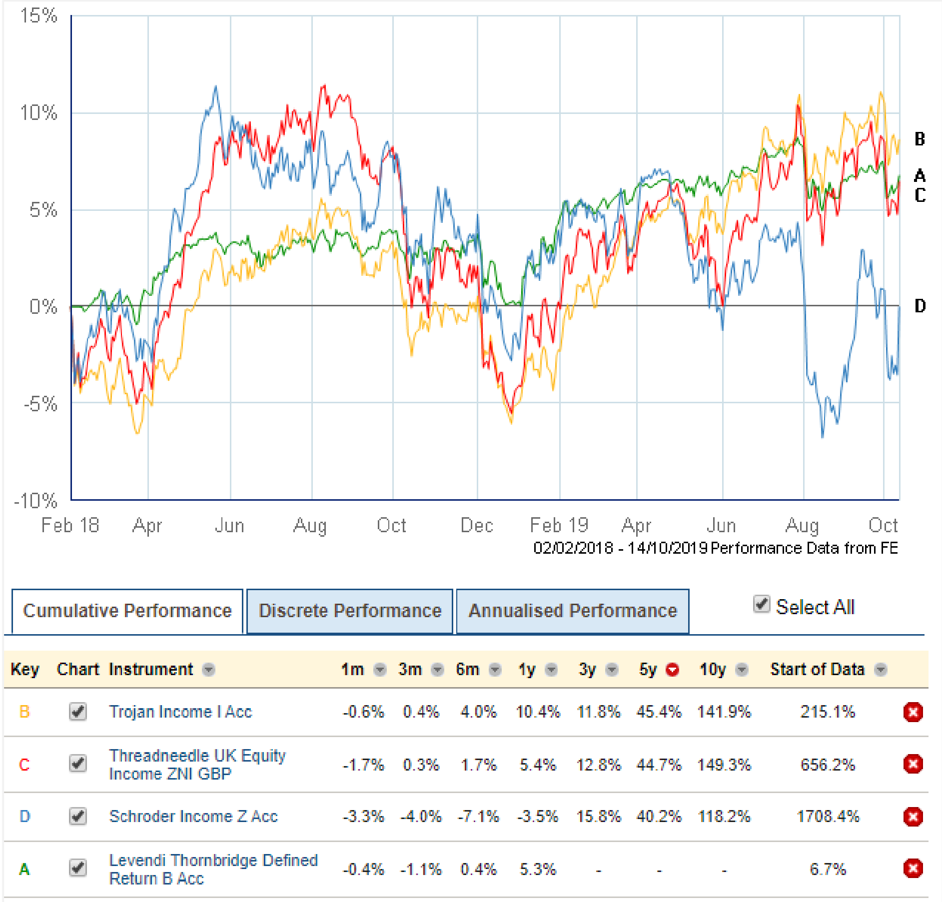


Source; Levendi, Bloomberg

6 STRATEGIES THAT AIM TO MINIMISE CHANCE AND SCALE OF LOSSES

- Limit exposure to main liquid equity markets
- Value approach to market selection
- Gilt backed investments eliminate exposure to credit spreads / default
- Longer term investments
- Progressive risk
- Risk management overlay controls market exposure

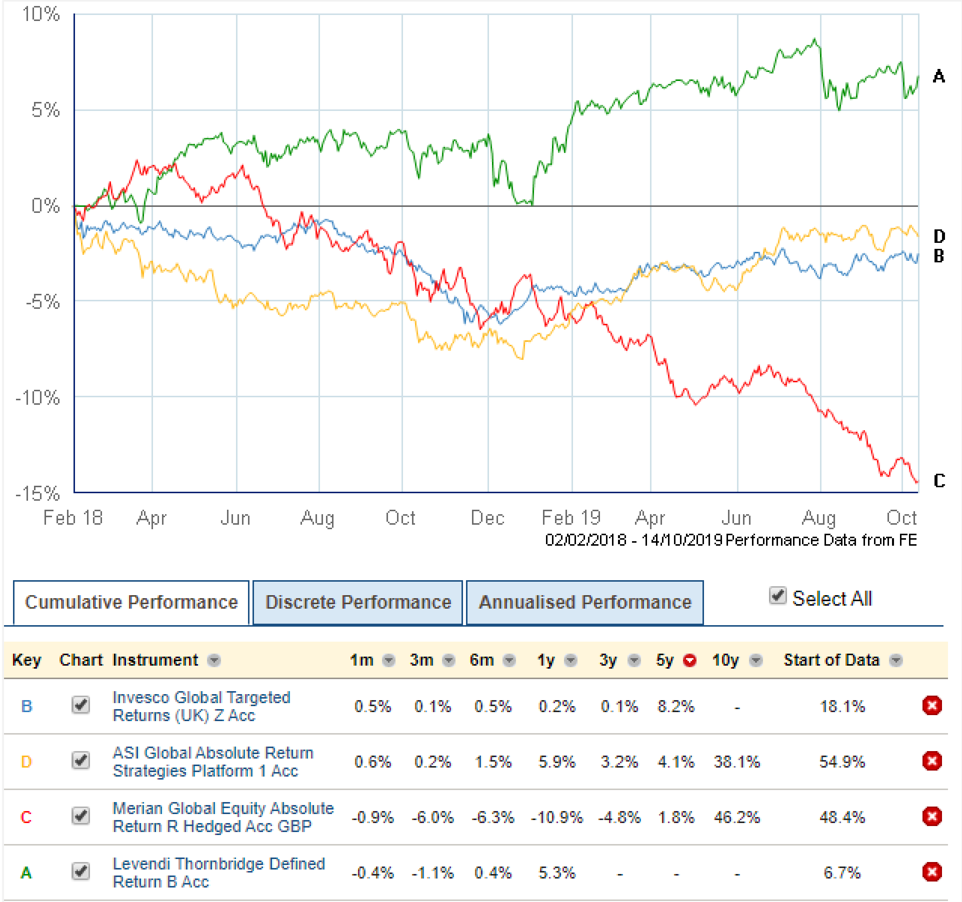
LEVENDI VS UK EQUITY INCOME



02/02/2018 - 14/10/2019 Performance Data from FE

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Start of Data	
B	☑	Trojan Income I Acc	-0.6%	0.4%	4.0%	10.4%	11.8%	45.4%	141.9%	215.1%	☒
C	☑	Threadneedle UK Equity Income ZNI GBP	-1.7%	0.3%	1.7%	5.4%	12.8%	44.7%	149.3%	656.2%	☒
D	☑	Schroder Income Z Acc	-3.3%	-4.0%	-7.1%	-3.5%	15.8%	40.2%	118.2%	1708.4%	☒
A	☑	Levendi Thornbridge Defined Return B Acc	-0.4%	-1.1%	0.4%	5.3%	-	-	-	6.7%	☒

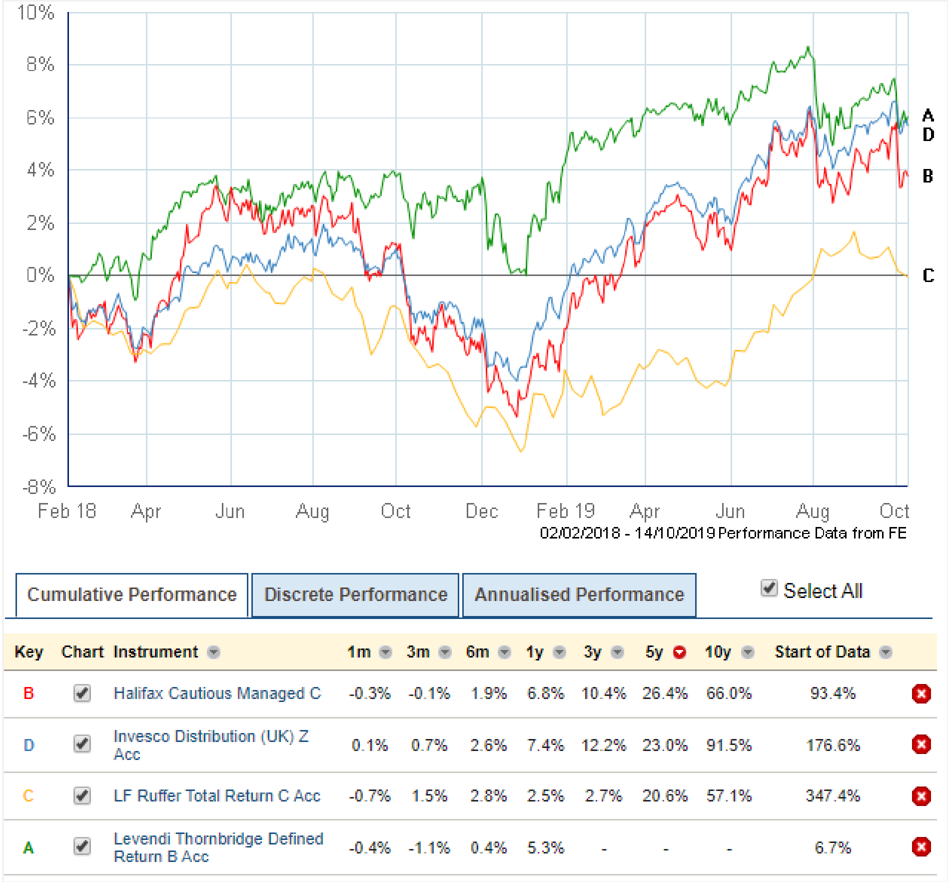
LEVENDI VS TARGETED ABSOLUTE RETURN



02/02/2018 - 14/10/2019 Performance Data from FE

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Start of Data	
B	☑	Invesco Global Targeted Returns (UK) Z Acc	0.5%	0.1%	0.5%	0.2%	0.1%	8.2%	-	18.1%	☒
D	☑	ASI Global Absolute Return Strategies Platform 1 Acc	0.6%	0.2%	1.5%	5.9%	3.2%	4.1%	38.1%	54.9%	☒
C	☑	Merian Global Equity Absolute Return R Hedged Acc GBP	-0.9%	-6.0%	-6.3%	-10.9%	-4.8%	1.8%	46.2%	48.4%	☒
A	☑	Levendi Thornbridge Defined Return B Acc	-0.4%	-1.1%	0.4%	5.3%	-	-	-	6.7%	☒

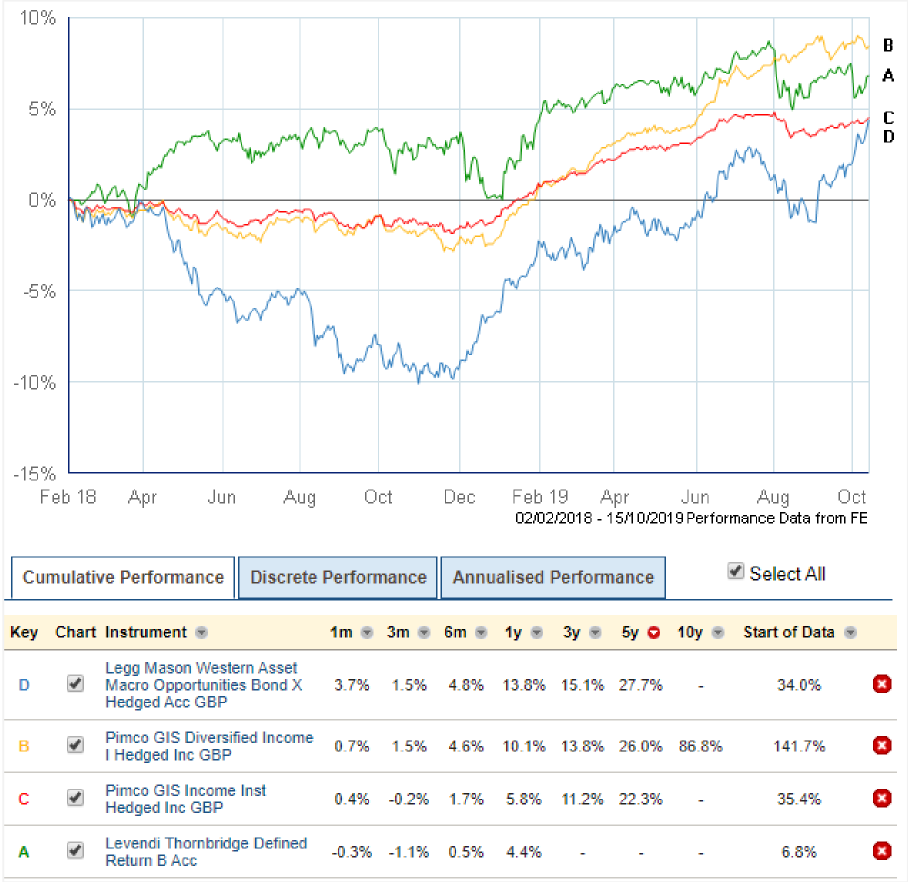
LEVENDI VS TARGETED ABSOLUTE RETURN



02/02/2018 - 14/10/2019 Performance Data from FE

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Start of Data
B	☑	Halifax Cautious Managed C	-0.3%	-0.1%	1.9%	6.8%	10.4%	26.4%	66.0%	93.4%
D	☑	Invesco Distribution (UK) Z Acc	0.1%	0.7%	2.6%	7.4%	12.2%	23.0%	91.5%	176.6%
C	☑	LF Ruffer Total Return C Acc	-0.7%	1.5%	2.8%	2.5%	2.7%	20.6%	57.1%	347.4%
A	☑	Levendi Thornbridge Defined Return B Acc	-0.4%	-1.1%	0.4%	5.3%	-	-	-	6.7%

LEVENDI VS STERLING STRATEGIC BONDS



02/02/2018 - 15/10/2019 Performance Data from FE

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Start of Data
D	☑	Legg Mason Western Asset Macro Opportunities Bond X Hedged Acc GBP	3.7%	1.5%	4.8%	13.8%	15.1%	27.7%	-	34.0%
B	☑	Pimco GIS Diversified Income I Hedged Inc GBP	0.7%	1.5%	4.6%	10.1%	13.8%	26.0%	86.8%	141.7%
C	☑	Pimco GIS Income Inst Hedged Inc GBP	0.4%	-0.2%	1.7%	5.8%	11.2%	22.3%	-	35.4%
A	☑	Levendi Thornbridge Defined Return B Acc	-0.3%	-1.1%	0.5%	4.4%	-	-	-	6.8%

PORTFOLIO APPLICATIONS

ENHANCED EQUITY INCOME

- Constant 5% annual from distribution share class
- Total return investment avoids concentration in high yielding assets
- Lower volatility than enhanced income / covered call funds

ABSOLUTE RETURN / LIQUID ALTERNATIVES

- Positive returns if equity markets are lower
- Target LIBOR +6% returns
- Transparent strategy

BOND SUBSTITUTE

- High annual returns
- Low duration
- Low default risk

REPLACEMENT FOR STRUCTURED PRODUCTS

CONVENIENCE / COST

- Immediate access to a diversified portfolio, no delay
- Reduced time / risk / compliance cost
- Fund invests in institutional products that have lower costs

LIQUIDITY

- Buy and sell fund units daily
- Underlying assets all offer daily liquidity

BENEFIT OF FUND WRAPPER

- Consistent with managed portfolios
- Available through all platforms, no application form required
- Professional management
- Risk management overlay

LIQUIDITY

The Fund is managed to provide investors with daily liquidity through a three-stage process.

PRODUCT

- Standard product shapes
- Liquid underlying markets
- Issuer selection based on credit quality and service levels
- No restrictions on secondary trading

VALIDATION

- Issuer publishes daily price
- Levendi calculate independent fair value
- Daily reconciliation with issuers
- Independent arbitration if necessary

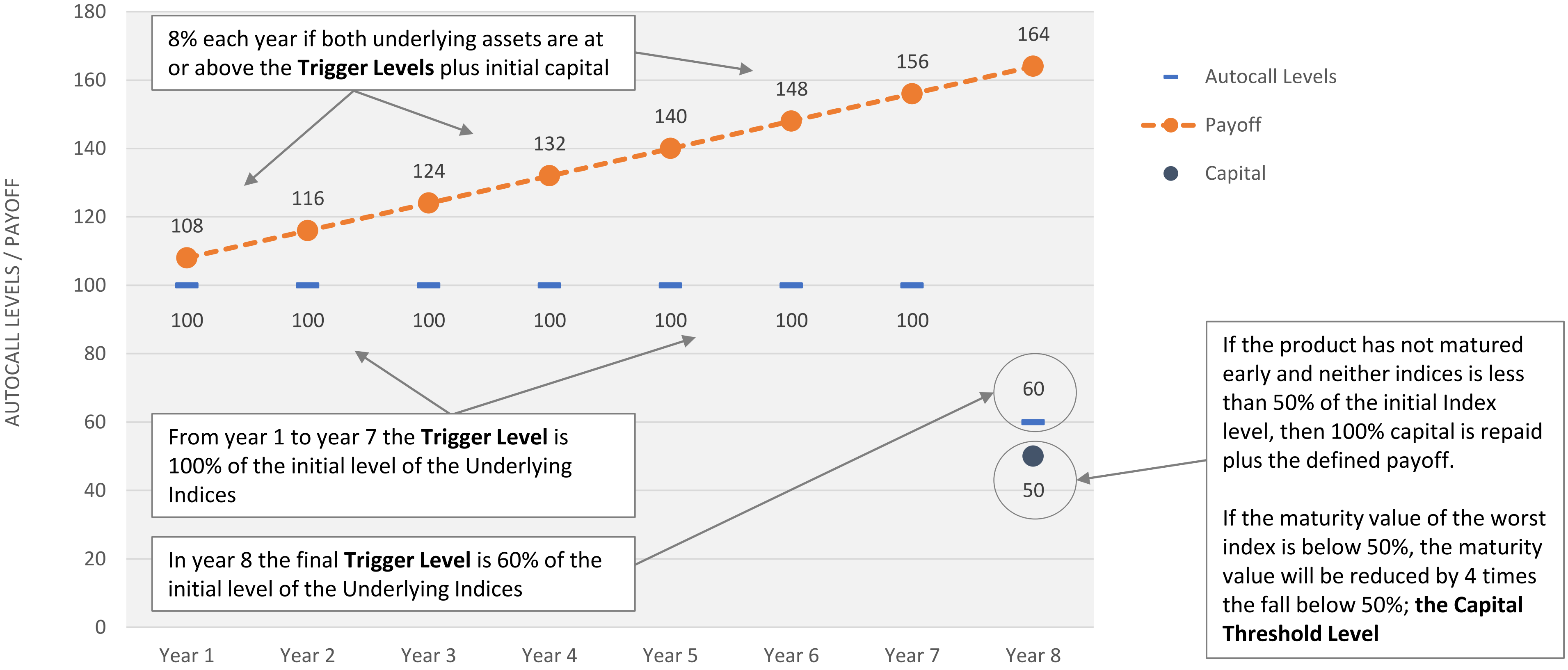
DEALING PROCESS

- Issuer provides bid/offer
- Issuer can create and redeem assets
- No need to find a 3rd party buyer
- No premium / discount to fair value

EXAMPLE PRODUCT

UNDERLYING	Worst of FTSE 100 and Eurostoxx 50 Index	Value approach to selection of underlying markets
MAXIMUM TERM	8 years	Additional term gives investors more chances
PRODUCT SHAPE	Autocall.	Best shape for lower risk investors
AUTOCALL LEVELS	Years 1 to 7; 100% Year 8; 60%	Low final trigger maximises chance of a positive return
PAYOFF	8% each year if both underlying assets are above the Autocall Levels	Return target in excess of fund return target
CAPITAL	If the product has not matured early and neither indices is less than 50% of the initial Index level, then 100% capital is repaid plus the defined payoff. If the maturity value of the worst performing asset is below 50%, the maturity value will be reduced by 4x the fall below 50%	Progressive risk minimises chance and scale of losses

EXAMPLE PRODUCT



8% each year if both underlying assets are at or above the **Trigger Levels** plus initial capital

From year 1 to year 7 the **Trigger Level** is 100% of the initial level of the Underlying Indices

In year 8 the final **Trigger Level** is 60% of the initial level of the Underlying Indices

If the product has not matured early and neither indices is less than 50% of the initial Index level, then 100% capital is repaid plus the defined payoff.

If the maturity value of the worst index is below 50%, the maturity value will be reduced by 4 times the fall below 50%; **the Capital Threshold Level**

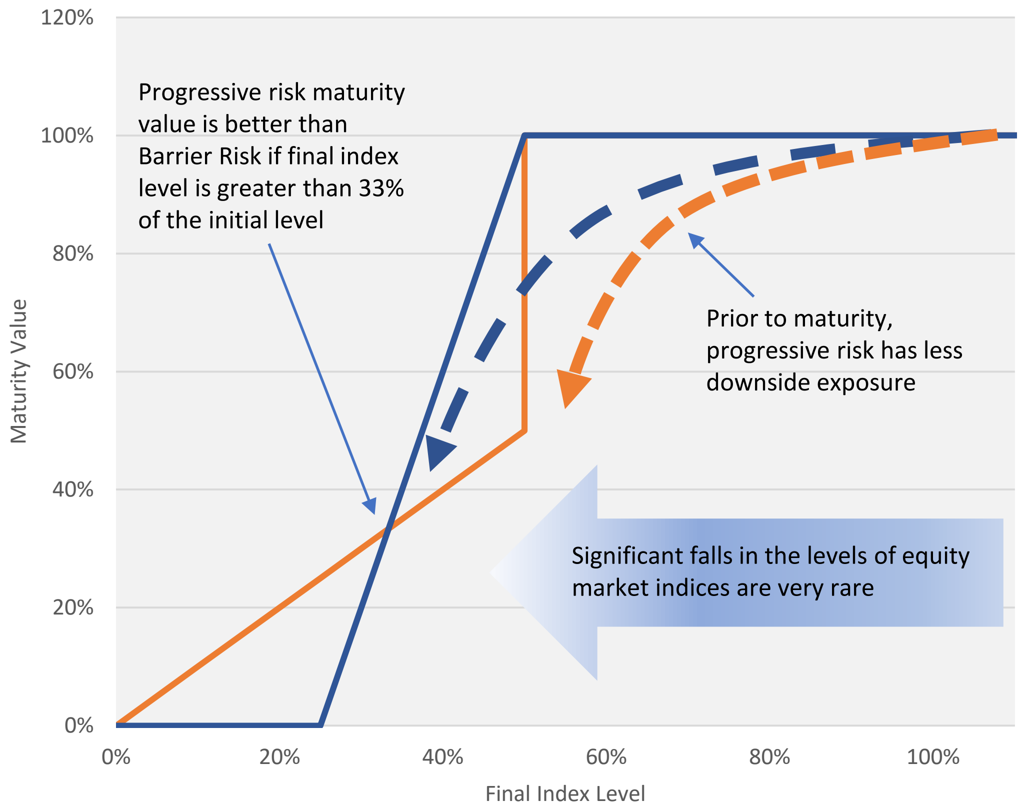
PRODUCT ANALYSIS

EVENT	HISTORIC OCCURANCE	STRESS TEST PROBABILITY	ANNUALISED RETURN
YEAR 1; 100%	64%	50%	8.0%
YEAR 2; 100%	8%	15%	7.7%
YEAR 3; 100%	3%	8%	7.4%
YEAR 4; 100%	6%	5%	7.2%
YEAR 5; 100%	2%	3%	7%
YEAR 6; 100%	2%	3%	6.8%
YEAR 7; 100%	1%	2%	6.6%
YEAR 8; 60%	11%	9%	6.4%
MATURITY AT 100%	1%	3%	0.0%
CAPITAL LOSS; 50%	2%	2%	Hist: -1.6% Stress: -6.5%

RETURN	HISTORIC	STRESS TEST
BEST RETURN	8%	8%
CHANCE OF GAIN	97%	95%
CONDITIONAL GAIN	7.6%	7.5%
AVERAGE RETURN	6.9%	5.9%
EXPECTED TERM	2.5y	2.9y

RISKS	HISTORIC	STRESS TEST
VOLATILITY OF RETURNS	2.5%	6.9%
CHANCE OF LOSS	2%	2%
CONDITIONAL LOSS	-1.6%	-6.5%
AVERAGE WORST 5% LOSSES	+1%	-28%

PROGRESSIVE RISK BEFORE AND AT MATURITY



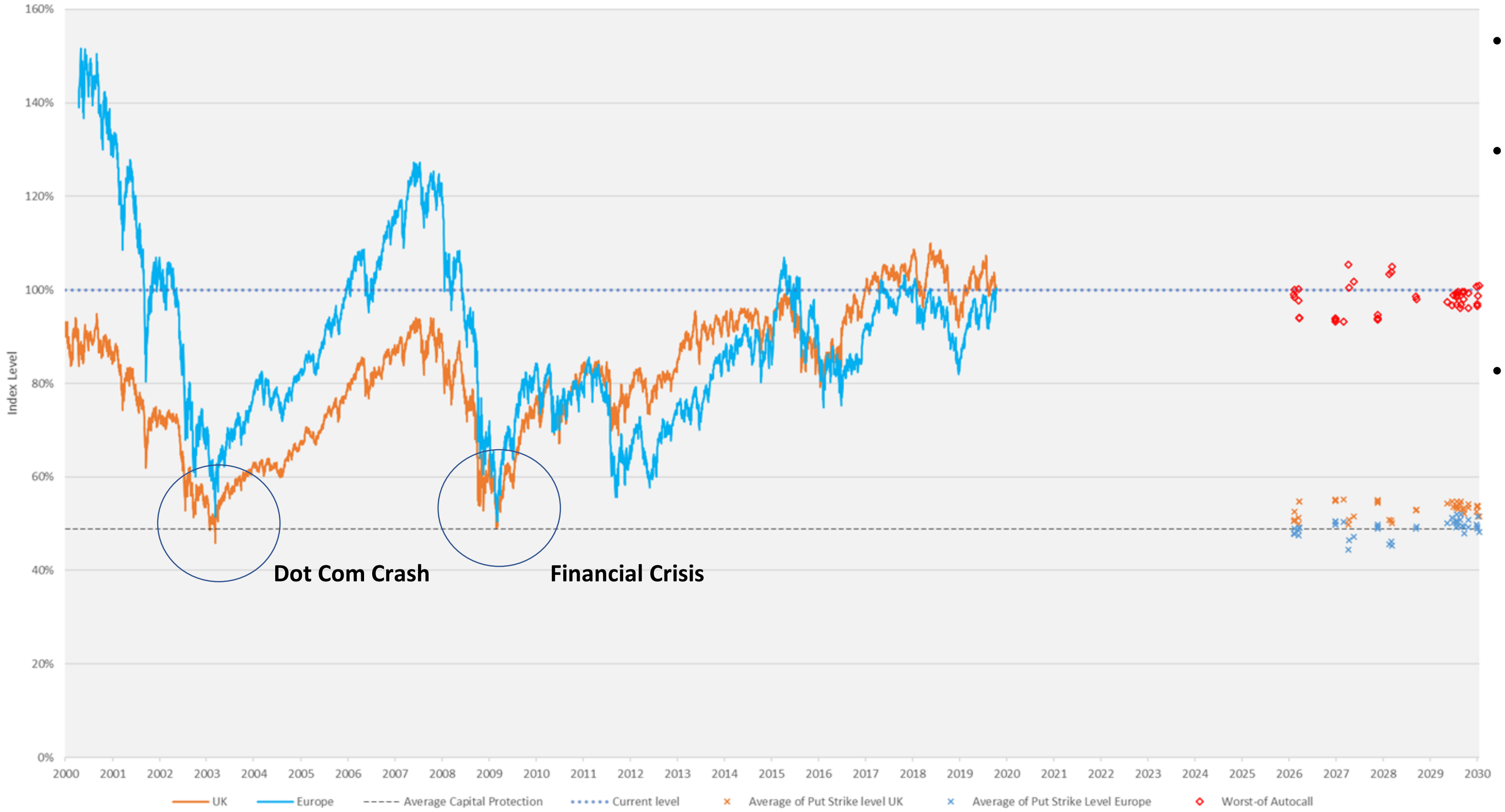
Progressive risk maturity value is better than Barrier Risk if final index level is greater than 33% of the initial level

Prior to maturity, progressive risk has less downside exposure

Significant falls in the levels of equity market indices are very rare

	FINAL VALUE AT MATURITY (%)	
Final Index Level (%)	Levendi Fund Autocall	Traditional Autocalls (%)
90	164	164
80	164	164
70	164	164
60	164	164
50	100	100
49	96	49
48	92	48
45	80	45
40	60	40
35	40	35
30	20	30
25	0	25

BARRIER VERSUS HISTORIC INDEX LEVELS



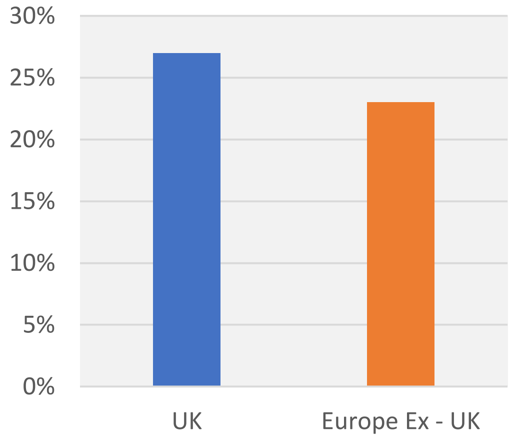
- Indices have been rebased so that last value is 100%
- A 50% fall from current levels would mean that both FTSE and Eurostoxx would fall below the lows of the Dot-Com crash and the Global Financial Crisis.
- Data to October 2019.

BENEFITS OF PRODUCT DESIGN

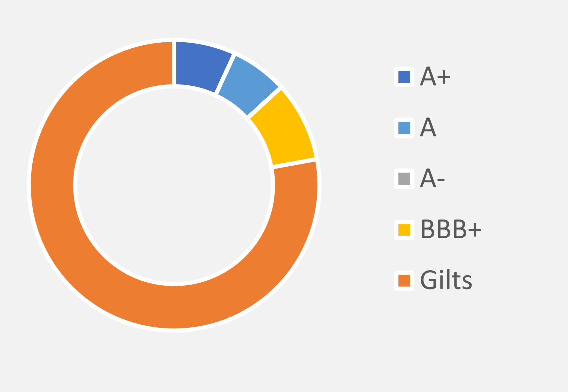
Major equity market exposure	50% capital protection	Low final trigger	Progressive risk	Additional term
• Liquidity • Multiple Providers	• Reduces the chance of loss	• Increases chance of a positive return	• Reduces mark to market volatility • Reduced downside exposure • Reduces scale of losses	• More opportunities for products to meet conditions for positive return • Reduced chance of loss

PORTFOLIO METRICS

MARKET EXPOSURE



ISSUER EXPOSURE BY CREDIT QUALITY



STRESS TEST RESULTS

BEST RETURN
8.7%

CHANCE OF POSITIVE RETURN
93.3%

AVERAGE RETURN WHEN THERE IS A GAIN
6.8%
PER ANNUM

AVERAGE RETURN
5.2%
PER ANNUM

SENSITIVITIES

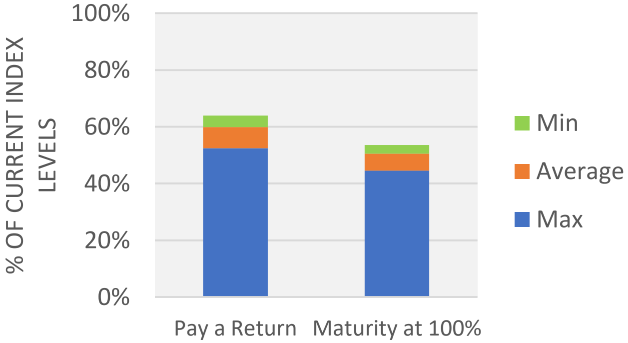
1% CHANGE IN MARKET LEVELS
0.%

0.1% CHANGE IN INTEREST RATES
0.2%

1% INCREASE IN VOLATILITY
-1.7%

PASSAGE OF ONE MONTH
0.3%

CRITICAL LEVELS



CHANCE OF LOSS
6.7%

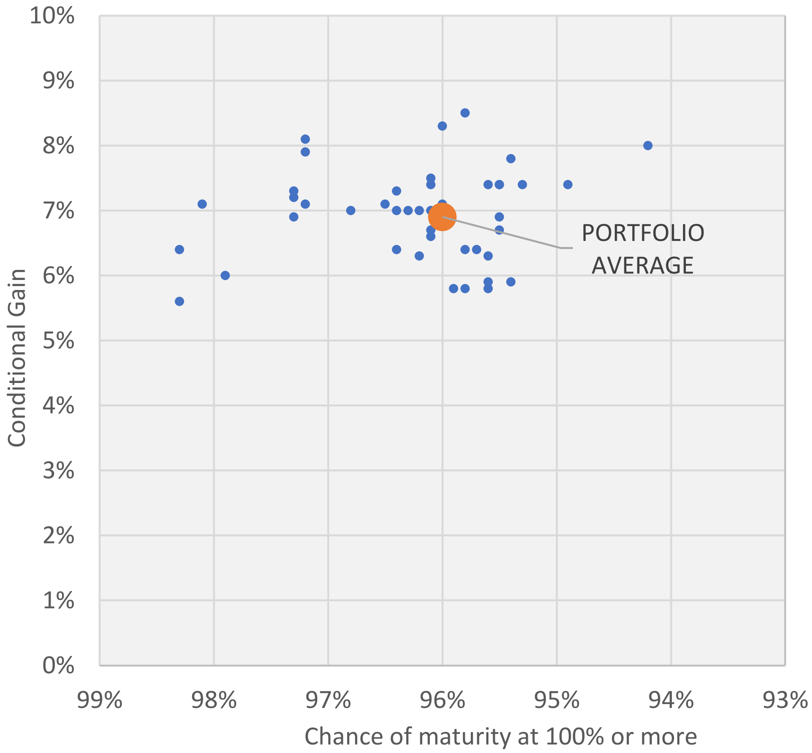
MARK TO MARKET VOLATILITY
5.8%

AVERAGE CHANCE OF MATURITY AT LESS THAN 100%
3.0%

AVERAGE RETURN WHEN THERE IS A LOSS
-4.2%
PER ANNUM

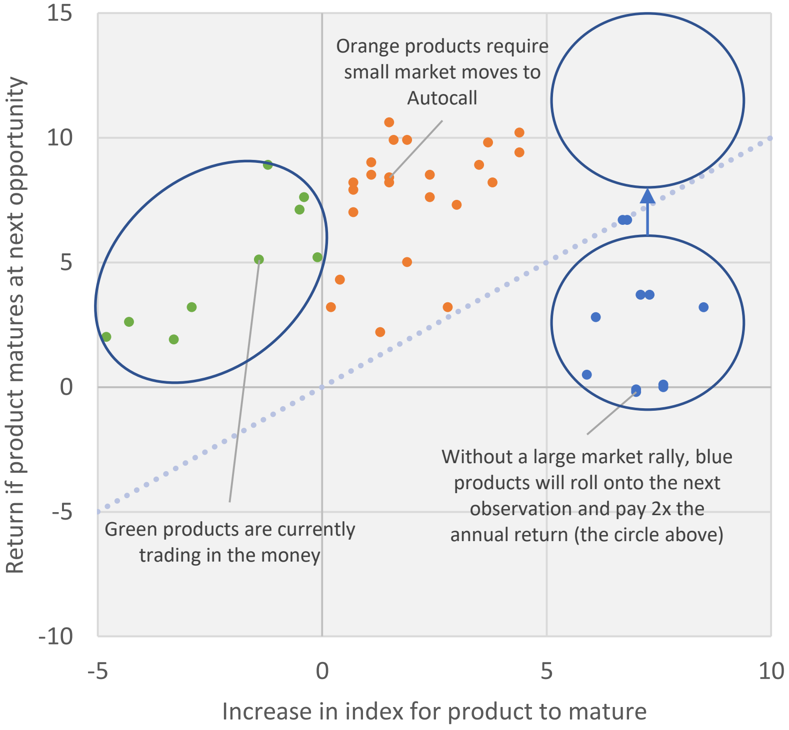
PORTFOLIO RISK AND RETURN

CHANCE OF MATURITY / CONDITIONAL GAIN



PORTFOLIO AVERAGE

EARLY MATURITY RETURN / GROWTH REQUIRED



Orange products require small market moves to Autocall

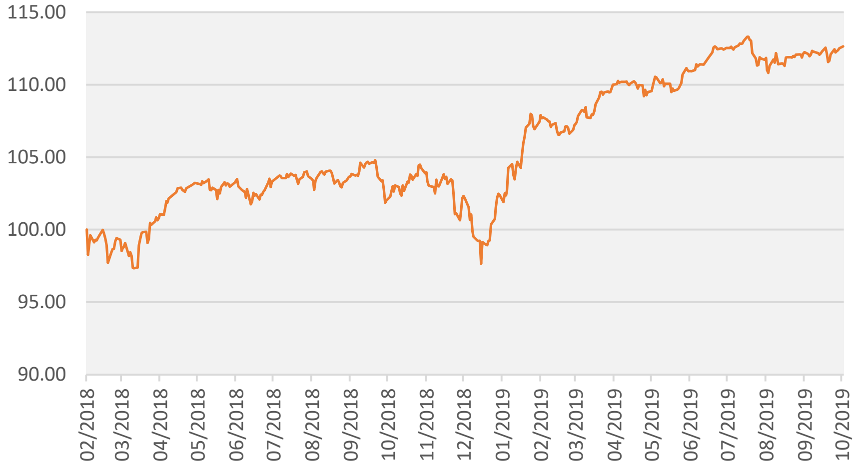
Green products are currently trading in the money

Without a large market rally, blue products will roll onto the next observation and pay 2x the annual return (the circle above)

LEVENDI
INVESTMENT MANAGEMENT

FUND INVESTMENT EXAMPLE – MS FTSE / SX5E AUTOCALL

MS 8yr FTSE / EUROSTOXX AUTOCALL



Source; Levendi, Bloomberg

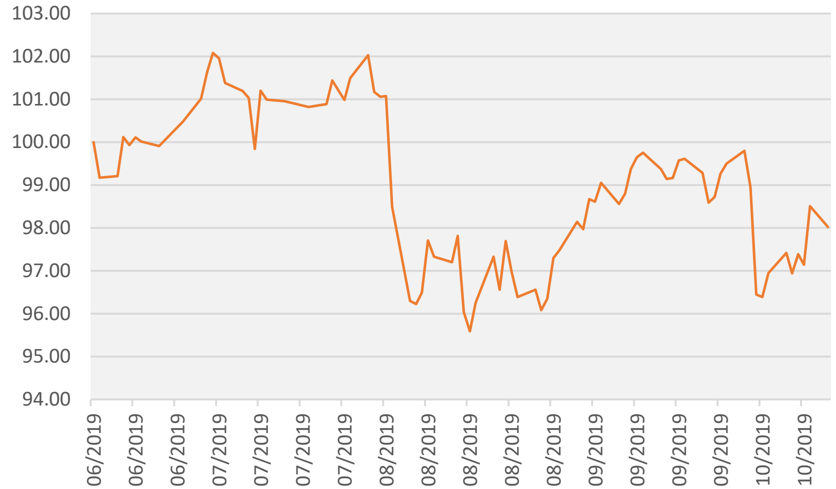
The note missed the 1st Autocall date on 15th March and is now pricing in the chance of maturing next year. It has accrued a good return since it was issued and the risk/return remain attractive. In order to mature in March 2020 FTSE needs to increase by 1.4%, this would generate an annual return of 6.5%. We estimate that there is a 48% chance that this happens. The annual return to a the next maturity date would be higher.

PRODUCT TERMS	
Initial Valuation Date	2018-02-05
Final Valuation Date	2026-03-20
Growth Description	Accrues 8.35% pa until kickout. Kicks out on first anniversary when all underlyings close at or above 100%. At maturity, percentages are 60% and 55% for UKX and SX5E respectively.
Market Risk to Capital Description	Short 4x 50%-25% put spreads
Initial References	UKS 7,353, 101.4% of current level SX5E 3,483, 97.3% of current level
Bid / Ask	112.5 / 113.5

ANALYSIS	
Chance of gain	96%
Conditional gain	6.9% p.a.
Chance of loss	4%
Conditional Loss/payoff	-5.6% p.a. / 78.3%

FUND INVESTMENT EXAMPLE – CITI 10yr AUTOCALL SWAP

CITI 8.2yr FTSE / EUROSTOXX AUTOCALL



Source; Levendi, Bloomberg

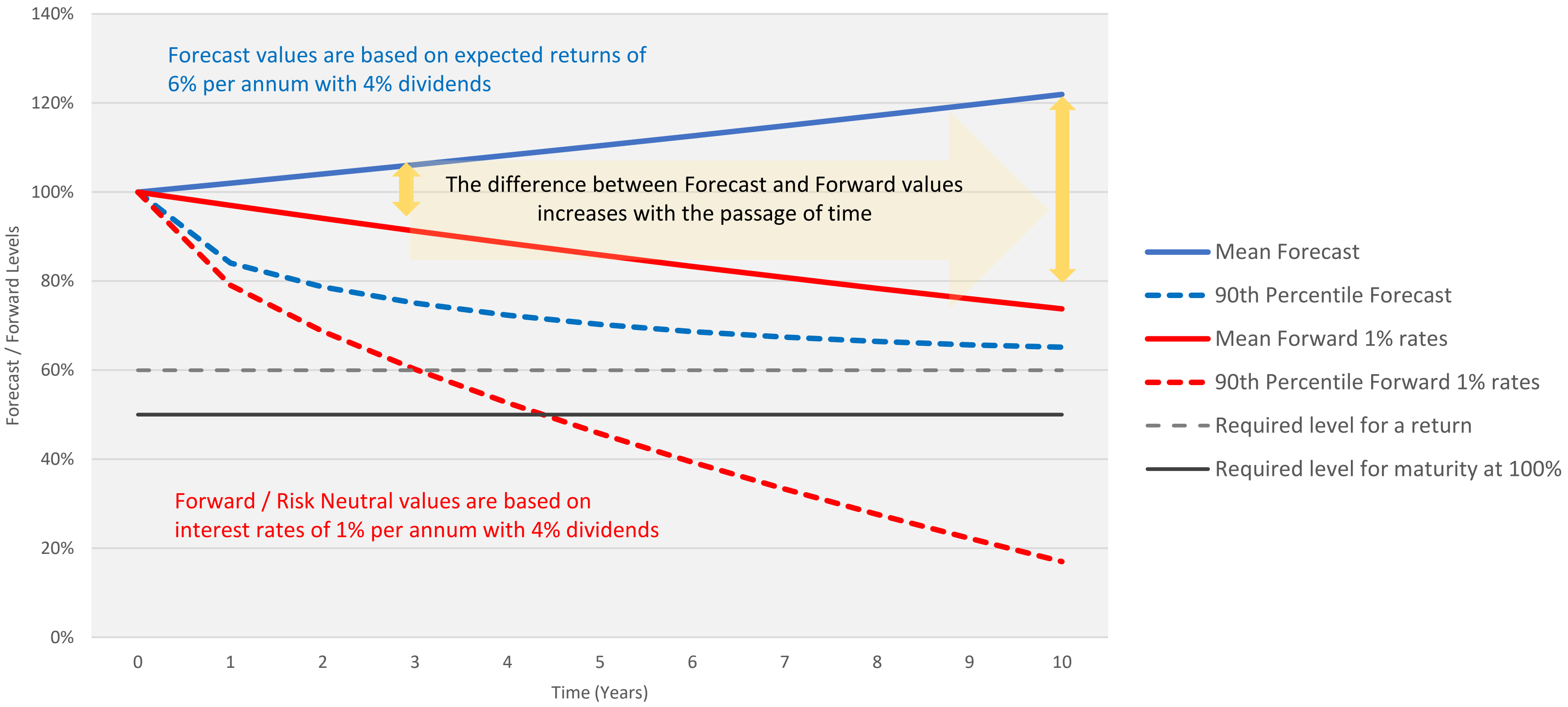
The investment has a 14m front leg when we initiated the position. The next Autocall is in July 2020. Eurostoxx is 4.7% above the next Autocall level, FTSE 0.2% below the next Autocall level. If the product matures then the payoff of 8.35% would be an 11.3% return. The lack of any increase in the price since the position was initiated reflects the increase in volatility and the reduction of correlation between the two indices. We would expect that the price will appreciate from here if markets remain at or slightly above current levels. There is a 97% chance of a gain from here and the conditional gain is 8%.

PRODICT TERMS	
Initial Valuation Date	2019-05-07
Final Valuation Date	2029-07-30
Growth Description	Product will pay 8.35% p.a. if autocalled save for extended first period
Market Risk to Capital Description	Product is short 4x 53/28% put spread on w/o asset
Initial References	UK 7,620, 100.2% of current level SX5E 3,401, 95.3% of current level
Bid / Ask	98.5 / 99.5

ANALYSIS	
Chance of gain	97%
Conditional gain	8.0% p.a.
Chance of loss	3%
Conditional Loss/payoff	-6.4% p.a. / 51.9%

LEVENDI
INVESTMENT MANAGEMENT

FORECAST AND FORWARD VALUES

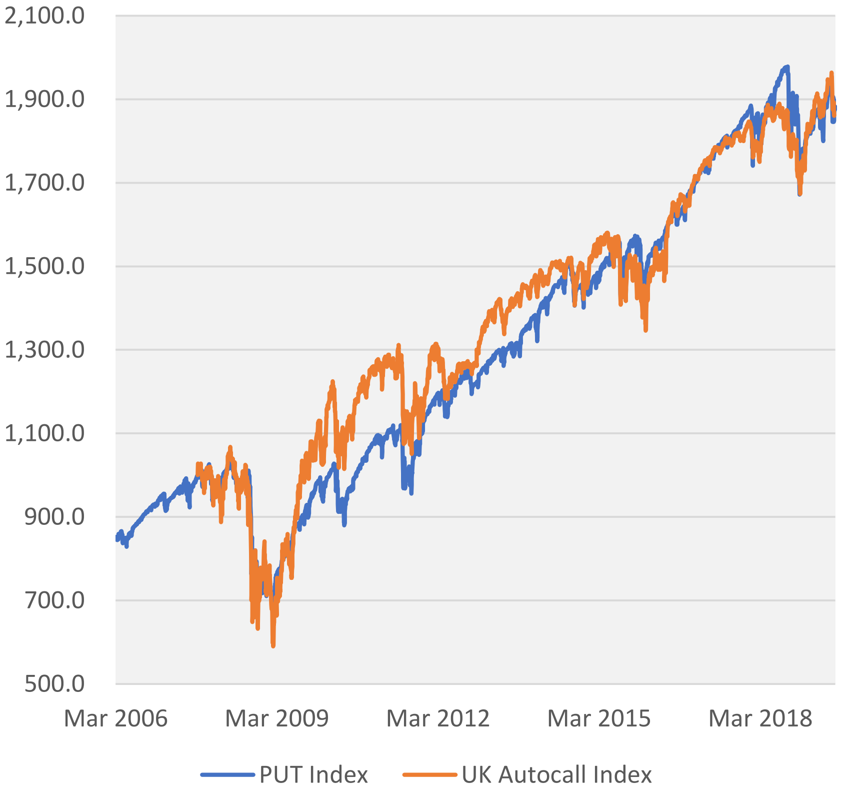


Forecast values are based on expected returns of 6% per annum with 4% dividends

The difference between Forecast and Forward values increases with the passage of time

Forward / Risk Neutral values are based on interest rates of 1% per annum with 4% dividends

COVERED PUT AND AUTOCALL RETURNS ARE HIGHLY CORRELATED



Source; Levendi, Bloomberg

	S&P Total return	S&P COVERED PUT	UK TOTAL RETURN	UK AUTOCALL RETURN
Analysis from:	31 March 06	31 March 06	31 March 06	10 Oct 07
Average Vol	17.4%	11.9%	17.2%	14.2%
Annual Return	8.2%	6.0%	5.2%	5.3%
Max Vol	45.6%	33.2%	39.3%	48.0%
Drawdown	-55.3%	-18.8%	-44.8%	-44.7%
Sharpe	0.47	0.50	0.30	0.37

Analysis of returns from 31st March 2006 to 16 Aug 2019
Indices rebased so that value as at 31 Jan 2018 is 1,000
UK Autocall Index is calculated using daily values of all qualifying products.

LONG TERM RETURNS FROM COVERED PUT STRATEGY

Source; Levendi, Bloomberg

RISK MANAGEMENT

OBJECTIVES

Keep volatility below 10%

Maintain appropriate exposure

Lock-in gains

Minimise turnover and costs

SOURCES OF RISK

Fall in equity markets

Interest rates increase

Increased Volatility

Default risk

PROCESS

Cap volatility

Use futures to maintain appropriate market exposure

LEVENDI
INVESTMENT MANAGEMENT

RISK MANAGEMENT OVERLAY CAPS FUND VOLATILITY

Market Volatility	×	Fund Exposure	−	Risk Management Overlay Exposure	=	Fund Volatility
15%	×	35%	−	0%	=	5.25%
30%	×	50%	−	0%	=	15.0%
30%	×	50%	−	30%	=	6.00%
Market Volatility		Core Exposure		Risk Management		Net Exposure

Fund volatility can be approximated as **Market Volatility x Exposure**

In normal market conditions exposure is expected to be between 4% and 6%

When markets fall, volatility tends to increase and exposure will rise so the volatility of the fund will rise to be too high

The risk management overlay reduces market exposure and so caps the volatility of the fund

SHARE CLASSES

SHARE CLASSES	
ACCUMULATION	All returns in the Fund are capital growth Fund does not pay any distributions/dividends Share class available for Institutional & Retail investors
5% DISTRIBUTION	Quarterly payment of 1.25% of the value of the Fund paid from capital Payment Dates - 31st January - 30th April - 31st July - 31st October

INITIAL CHARGE	None
AMC/ TER / OCF	B Class Institutional: 0.60%/ 0.76%, A Class Retail: 0.75% / 0.91%
DEALING/DEALING FEES	Daily / None
LIQUIDITY	Daily
STRUCTURE	UCITS V
REGULATION	Central Bank of Ireland
FUND PLATFORM	Davy Skyline Umbrella Fund ICAV
AVAILABLE VIA ISA?	Yes
AVAILABLE VIA SIPP?	Yes
AVAILABLE VIA OFFSHORE BOND	Yes

PLATFORMS

- AJ BELL
- ASCENTRIC
- AVIVA
- BREWIN
- CHARLES STANLEY
- FUSION WEALTH
- HSBC LIFE
- JAMES BREARLEY
- NOVIA
- OLD MUTUAL WEALTH
- PRAEMIUM
- RAYMOND JAMES
- TRANSACT
- PLATFORM ONE
- STANDARD LIFE
- ZURICH
- 7IM

CONTACT

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