LEVENDI

INTRODUCING THE LEVENDI THORNBRIDGE DEFINED RETURN FUND

22nd May 2019

The Levendi Thornbridge Defined Return Fund (the Fund) has been created for lower risk investors that want a high chance of receiving a good return under a broad range of market conditions. The Fund offers defensive, diversified equity market exposure and can be uses as part of an investor's global equity allocation or as an absolute return fund.

The headline objectives are:

- Target LIBOR +6% returns
- Volatility between 5% and 7% and aim to keep volatility below 10%
- Some (about 35%) exposure to equity markets
- Positive returns that don't rely on rising markets
- Reduce drawdown and provide a degree of protection when markets fall.

This document provides a summary of recent performance. If you would like any more information please call, visit our website, click here for the latest fact sheet or download our Presentation

PERFORMANCE ANALYSIS

Since inception, the Fund has performed as expected, delivering on the investment objectives. The following charts show the performance up to Friday 18th May.

Levendi Investment Management Ltd is an appointed representative of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority. All charts Source; Levendi Investment Management, Bloomberg, data from 31st January 2018

COMPARISON WITH EQUITY MARKET ETF'S

Cumulative Performance | Discrete Performance | Annualised Performance | Select All

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Since Launch
A	✔	Levendi Thornbridge Defined Return B Acc	-0.3%	1.1%	2.9%	2.5%	-	-	-	6.2%
B	✔	iShares Core EURO STOXX 50 UCITS ETF Acc GBP	-0.9%	6.1%	7.5%	-2.0%	42.4%	34.7%	-	66.6%
C	✔	iShares Core FTSE 100 UCITS ETF Acc GBP	-1.4%	3.5%	6.1%	-2.9%	33.9%	30.0%	-	93.7%

Source; Trustnet 22nd May 2019

The chart above shows the performance of the fund against the performance of GBP versions of Core iShares that track the total return of the FTSE 100 and Eurostoxx 50 Indices. The defensive risk/return profile of the Fund is clear and obvious. The Fund protected investors from the worst of the Q4 sell-off, and has then rallied this year, so that over the year the Fund is more than 4% ahead both ETF's over the last year. One interesting feature of this chart is how similar the performance of the two iShares has been once denominated in the same currency.

COMPARISON WITH MIXED ASSETS, ABSOLUTE RETURN

Cumulative Performance | Discrete Performance | Annualised Performance | Select All

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Since Launch
A	✔	Levendi Thornbridge Defined Return B Acc	-0.3%	1.1%	2.9%	2.5%	-	-	-	6.2%
B	✔	IA Mixed Investment 20-60% Shares	-0.4%	1.9%	4.3%	0.7%	19.1%	24.8%	81.4%	382.3%
C	✔	IA Targeted Absolute Return	0.0%	0.7%	1.5%	-1.1%	4.7%	8.9%	30.7%	54.9%

Source; Trustnet 22nd May 2019

The fund can be used in several buckets. It can be a replacement for defensive equity funds. (We use the IA Mixed Investment 20-60% Shares index as a benchmark) or used instead of Targeted Absolute Returns. The comparisons against both sectors is very favourable.

The path of the NAV of the fund has been like the Mixed Investment Index but the fund has managed to generate 2% more return over the last twelve months. We note that the fund is now significantly above the mid-summer peak from last year, while the Mixed Investment index is at a similar level.

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The performance of Target Absolute Return remains poor. The sector has lost 1.1% over the last twelve months and seems to be exhibiting increased correlation with equity market returns. There are increasing questions about the validity of the claims of managers in this sector to deliver steady returns.

Compared with Targeted Absolute Return the Fund offers a clear and transparent strategy. The "factor" driving returns is the Equity Insurance Premium. This has proved to be reliable, persistent and stable.

COMPARISON WITH FIXED INCOME

Cumulative Performance | Discrete Performance | Annualised Performance | Select All

Key	Chart	Instrument	1m	3m	6m	1y	3y	5y	10y	Since Launch
D	✔	IA Sterling Corporate Bond	0.6%	2.3%	4.9%	3.9%	13.5%	23.2%	90.4%	428.0%
B	✔	IA Sterling Strategic Bond	0.3%	2.1%	4.5%	3.2%	12.6%	17.6%	86.2%	373.6%
C	✔	IA Sterling High Yield	-0.3%	2.3%	4.5%	3.2%	16.2%	16.7%	112.6%	298.0%
A	✔	Levendi Thornbridge Defined Return B Acc	-0.3%	1.1%	2.9%	2.5%	-	-	-	6.2%

Source; Trustnet 22nd May 2019

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Fixed income has delivered a strong return across most sectors and the return from the main GBP corporate bond sectors has been better than the fund. Gilts have been particularly strong, and the standout has been the performance of inflation linked gilts.

The Fund can be used as a replacement for corporate bonds although as we can see in the chart above the returns has been most like Sterling High Yield Index. The similarities to both High yield and strategic bond fund returns is not surprising given the significant overt and implicit equity market exposure in these funds. Looking forward the appeal of the fund versus these strategies comes from the minimal duration exposure and the minimal exposure to issuer defaults.

Bond funds have benefited both from the fall in rates and the rise in equity markets. The benefit of using the fund in this way are;

- Lower duration than bond funds and so less exposure to rising rates
- Higher carry, so better returns in stable conditions.
- No exposure to issuer defaults
- Potentially better liquidity – the issuer of notes / swaps held by the fund can redeem and dematerialise any assets the fund sells, there is no need to find a new buyer.

The fund is more volatile than the bond indices. This is in-part because of the diversifying effect of calculating an index. (the volatility of the index will always be lower than the average volatility of the component parts). It also reflects the way that the assets of the fund are repriced every day based on changes in the underlying, rather than reflecting supply and demand. The day to day changes in assets where the price is determined by secondary flows can be less volatile.

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