

# BEHIND THE FACT SHEET

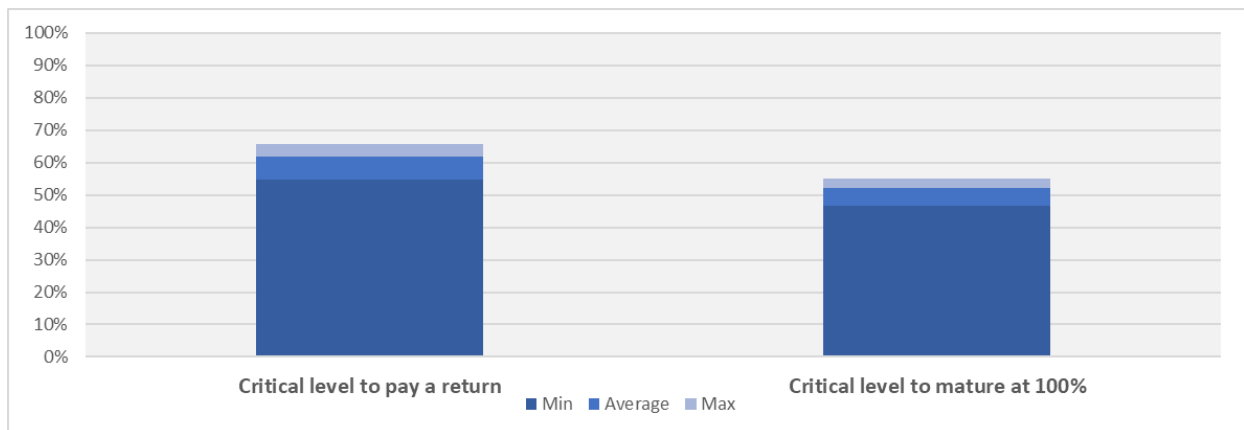
## CRITICAL LEVELS

Every month the [Factsheet](#) for the [Levendi Thornbridge Defined Return Fund](#) shows a range of values from our proprietary analysis of the assets held by the fund. In this series of notes, we describe how the various numbers are calculated and how they can be used. The values in each case are taken from the current fact sheet.

## CRITICAL LEVELS

The Fund invests in defensive equity linked securities. One feature of all the investments held by the fund is that they are designed to mature at 100% and can offer a return even if markets fall significantly. The levels of the underlying indices required for an investment to pay a return and to mature at 100% are collectively the “critical levels”. The table and chart below illustrate the Critical Levels from the August 2019 Fact Sheet

## CRITICAL LEVELS



CRITICAL LEVELS	Min	Average	Max
<b>Critical Level to Pay a Return</b>	54.60%	61.90%	65.80%
<b>Critical Level for Maturity at 100%</b>	46.50%	52.20%	55.10%

The fact sheet shows that on average products will pay a return if underlying markets are at or above 61.9% of the current levels and that investments will mature at 100% if markets are on average above 52.2% of the current levels when the investments mature. The critical levels are a very useful way to illustrate the very defensive nature of the fund.

## CALCULATIONS

The critical levels are expressed as a percentage of the current index level. For an investment linked to a single index the critical levels for a return and maturity at 100% are calculated as the percentage of the lowest level required for the payment of a return or maturity at 100% to the current index level.

So, if the Autocall level for an investment that may mature early every year, is set at 100% of the initial index level for the first seven years, and then is 60% for the final year. At the start, the critical level to pay a return is 60%.

If after a year, the index is 5% lower, the critical level to pay a return will have increased and is now  $60\% / 95\% = 63.2\%$ . The increase shows that the investment is now less defensive than it was when it was at the start.

Where a product is linked to more than one index, once the levels have been set and markets have moved, the lowest levels will be different for each index. So, in these cases the critical level is the highest level of the two individual critical levels and is calculated using the current level of the worst performing index.

To illustrate, suppose that the product above was linked to the UK and European markets. At inception the level for a product to pay a return is 60% of the initial level for both indices.

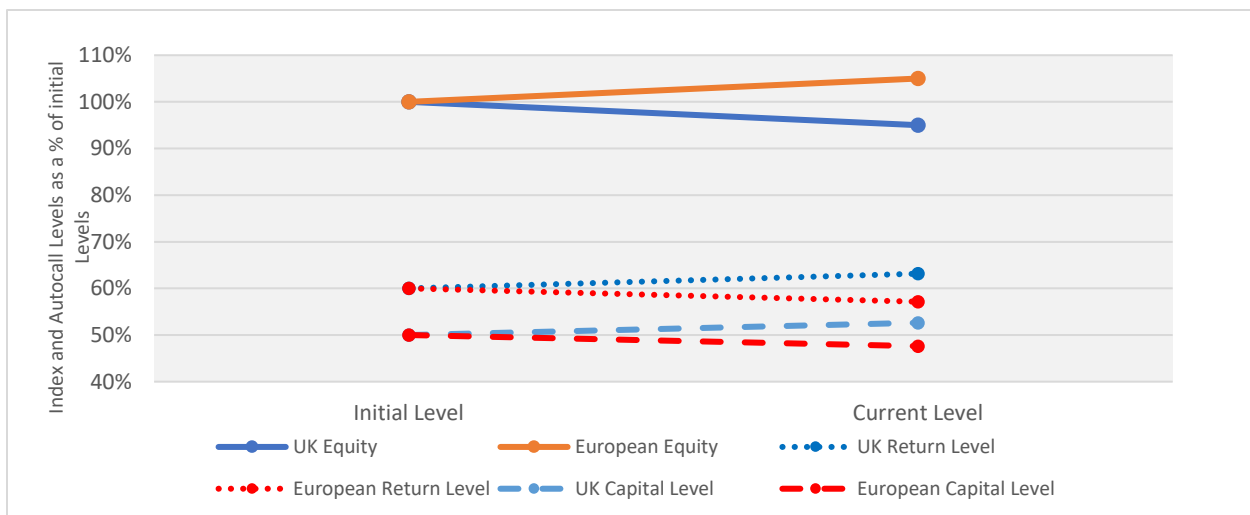
Assume that after one-year UK equities have dropped by 5% while European Equities have increased by 5%. The individual critical levels are now

European Equity;  $60\% / 105\% = 57.1\%$

UK Equity;  $60\% / 95\% = 63.2\%$

The critical level to pay a return is the critical level for UK equities since this is the market with the least protection.

The chart and table below illustrate the Index and Critical Level to pay a return and for maturity at 100% for two markets at inception and then after a year.



	Initial Level	Index Level	Current Index	Current Level
<b>UK Equity</b>	100%	7500	7125	95%
<b>European Equity</b>	100%	3500	3675	105%
<b>UK Return Level</b>	60%	4500	4500	63%
<b>European Return Level</b>	60%	2100	2100	57%
<b>UK Capital Level</b>	50%	3750	3750	53%
<b>European Capital Level</b>	50%	1750	1750	48%

## DURATION ADJUSTMENT

The values for the critical yields are adjusted to reflect the significance of each product in the portfolio. This requires the weight to reflect both the value of each position and the expected term to the maturity of each product

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