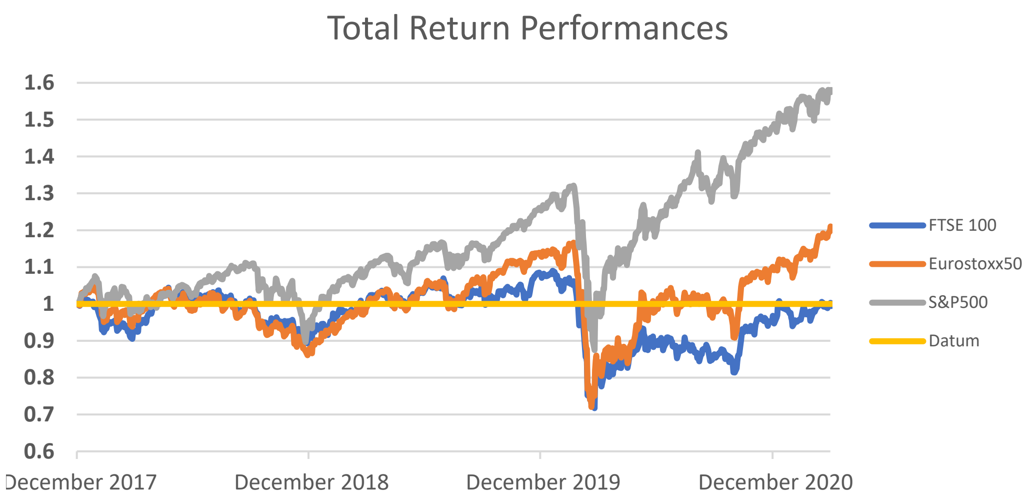
LEVENDI

IS THE FTSE ABOUT TO ROAR ?

A PERSISTENT LAGGARD'S WAKEUP

INTRODUCTION

It is well documented that the FTSE100 index has proven to be a persistent laggard over the past few years when compared to its broad-based index peers. For example, and using the total return index figures, since the start of 2018 to the end of Q1 2021, the FTSE100 has fallen by c. 0.5%. In stark contrast, the Eurostoxx 50 index has gained over 20% with the S&P500 index climbing c. 58%. The Nasdaq 100 index being the front-runner with a staggering doubling in valuation over the same period.



SO, WHY HAS THE FTSE100 BEEN SUCH A PERSISTENT LAGGARD?

Well, strong headwinds were set in motion on Thursday 23rd June 2016 when the UK voted to leave the European Union. Uncertainty ruled the waves as investors began to shun the UK market with cautionary and defensive overtures. Even for the purists, the FTSE100 is perhaps over-populated with out-of-favour and under-performing banks, oil companies and airlines, whilst harbouring a glaring absence of any notable technology sector weighting.

Just when the UK investor population appeared to be adapting to and appreciating the potential consequences of a hard Brexit, on 24th February 2020 the world awoke to the onset of the Covid-19 pandemic which sent the stock markets crashing into a historical downturn in which the FTSE100 and its closest peers lost c. 30% of their value in a month. Oil prices turned negative as global movement was reduced, hitting airlines and oil producers the hardest. Unsurprisingly, technology stocks fared very well as the global population adapted to the new world order.

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

A CAUTIOUSLY OPTIMISTIC OUTLOOK FOR THE UK?

Just when the FTSE100 appeared to be readying for a long-haul struggle to equivalence amongst its peers, 2021 presented a possibility of a new perspective for UK-centric investors. On the 8th December 2020, Margaret Keenan became the first person in the UK to be administered the Pfizer Covid-19 vaccination. This was to become the start of a concerted global effort to control and contain Covid-19. Airlines and oil producers cheered, as did many others. On the 24th January 2021 the Brexit deal was executed and as a result much of the uncertainty for UK investors was removed. Technology stocks have perhaps reached dizzying heights, and may well prove to be over-valued over the course of 2021.

IS THE FTSE READYING TO ROAR?

The index that was once shackled by Brexit and Covid-19, that held little investment in exciting new technology companies, may now benefit from being free from a retracement in valuations of an over-bought technology sector. The out-of-favour banks, airlines and oil producers may now become the sectors of growth as the world emerges from Covid-19 travel restrictions. The outlook for FTSE100 constituents appears much brighter for 2021 with years of growth opportunities to embrace. With Brexit and hopefully Covid-19 now firmly in the rear-view mirror this could be the time for the FTSE100 to roar.

The Levendi Thornbridge Defined Return Fund has been a persistent investor in the UK market since its launch in January 2018. The Fund investments are linked to the FTSE because the probability of achieving the target return is enhanced whilst the scale of losses in the worst case scenarios are limited. In fact, all the investments in the Fund contain an exposure to the FTSE100. Having navigated a turbulent 2020 by delivering a positive return for the year, the Fund may be very well positioned to benefit handsomely from a modest FTSE rally.

The Fund has limited its investments to dual-index autocallable products referenced to the FTSE100 and Eurostoxx50. For each of the Fund investments the Eurostoxx50 Index is comfortably above the level required to trigger an autocall event at the next observation date. This has been the case for quite a while. In contrast, the FTSE100 index is below the level required to trigger an autocall event for all but two of the Fund investments. A modest rally in the FTSE100 , however, will suffice to change this dynamic materially.

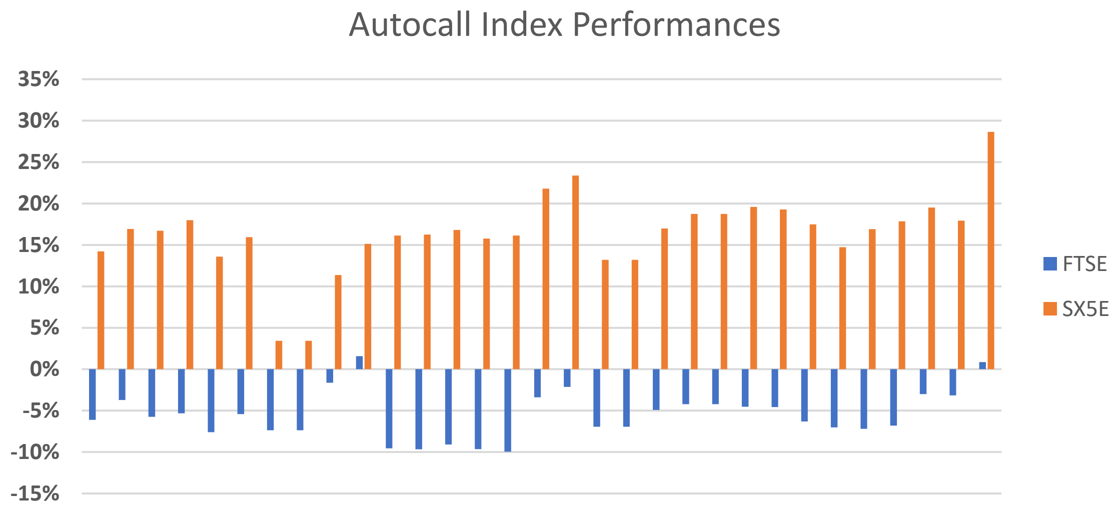


Table 1: Constituent performances relative to individual autocallable levels

The above table depicts the current performance of each underlying index within an investment in the Levendi Thornbridge Defined Return Fund. Each pairing represents a single investment.

A modest 10% rally in the FTSE100 index would see all of the positions in the Fund satisfying the requirements for an autocall event upon their next individual observation dates, thus crystallizing coupons that have been accruing each year delivering an average of a little over 7.5% each year.

Assuming the FTSE100 achieves a 10% rally in the coming months, and can maintain such a modest rally, the estimated annualized yield of the Levendi Thornbridge Defined Return Fund, in the absence of a strong reversal of Eurostoxx50, is likely to be c. 15% as products are autocalled and multi-year accrued coupons are crystallised.

In summary, the Levendi Thornbridge Defined Return Fund could be uniquely positioned to realize a strong out-performance linked to the FTSE100 index whilst remaining a defensive fund with buffers of circa. 38% for the receipt of coupons and c. 49% for capital protection upon the maturity date of investments.

DISCLAIMER

The contents of this document are communicated by, and the property of, Levendi Investment Management Ltd. Levendi Investment Management Limited Ltd is an appointed representative of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority ("FCA"). This document is directed at persons who fall within the definition of 'professional clients' or 'eligible counterparties' as defined in the rules of the Financial Conduct Authority ("FCA") of the United Kingdom. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by Levendi Investment Management Ltd or its directors. No liability is accepted by such persons for the accuracy or completeness of any information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document. The information contained in this document is strictly confidential. The value of investments and any income generated may go down as well as up and is not guaranteed. Past performance is not necessarily a guide to future performance.