IVO FIXED INCOME (EUR) - I - UCITS

FACTSHEET - MARCH 2020

An opportunistic access to international corporate debt markets

Launched in April 2015, IVO Fixed income is a specialized UCITS Fund, investing in corporate bonds in which the manager has his strongest risk/return convictions, either because a revaluation on the price is expected or because there is attractive yield for a given amount of risk. Opportunistic exposure to different segments of corporate debt, ranging from Investment Grade to High Yield, and USD-denominated bonds to EUR-denominated bonds. The hedging instruments aim at reducing the currency risk to a maximum of 30% USD exposure. The approach "Good companies/Bad Country" enables us to combine Value and quality in our investments.

Fund performance review

In March, we experienced two important facts on our investment approach: (i) the sell-off flows have been initiated on geographical or rating considerations, as it is often the case, and (ii) liquidity completely disappeared in the third week of March, impacting valuations. These two facts caused a disconnection from the fundamentals that led to prices reflecting only liquidity price (dislocation). In this context, the fund depreciated by -30.2% in March in Mark-to-Market compared to -16.7% for the CEMBI HY+ (in EUR) and -10.4% for the IBOXX Liquid HY (in EUR).

The first part of a financial crisis is, as it is often the case, undifferentiated and disconnected from the fundamentals ("rating, rating, rating..."). It generates frustration for positions already in the portfolio before the crisis, at least in "Mark-to-Market" terms and, on the other hand, it creates unique opportunities to buy quality senior corporate bonds at very discounted prices. During sell-offs, fundamental analysis is not rewarded and is even over-penalized regarding mark-to-market. As the calm returns, but also as the reality check takes place – namely when the payment of interest and amortization, which is an advantage specific to the bond asset class, is confirmed – the reconnection to fundamentals will be achieved.

Some relevant facts need to be pointed out: (i) the strong underperformance of Latin American issuers and frontier markets, that are more affected by the sovereign ceilings on ratings, regardless of their balance sheet strength (CEMBI HY+ Latam -20.7% in EUR, CEMBI HY+ Argentina -28.9% in EUR), which is the core of our selection strategy, (ii) the strong outperformance of Chinese HY issuers (although generally more leveraged than the rest of the emerging markets), notably due to the early recovery from the health crisis and government intervention (CEMBI HY+ China -9. 4% in EUR), (iii) the fall in oil prices, which has had a strong impact on the valuation of the oil-related bonds (CEMBI HY Oil & Gas -30,2%), and (iv) finally, serious price gaps observed on bond prices between the various contributors due to illiquidity and dislocation, which creates performance gaps depending on the prices that each operator decides to use.

Market review

The rapid expansion of the pandemic resulted in a global implementation of containment measures, which have brought the world into a severe but (perhaps) brief recession in the first half of 2020. March 2020 put an end to a booming period for financial markets which reported one of the worst performances in their history, despite the unprecedented economic and monetary stimulus measures announced by the world's major economic powers.

At the same time, Saudi Arabia's decision (likely temporary) to increase its crude oil production following the failure of the OPEC+ negotiations to extend their quota policy, caused a drastic drop in the price per barrel and in all securities related to the oil sector.

Following this double shock, almost all asset classes ended the quarter severely hit, and particularly the most sensitive to a risk-averse context, such as equities, high-yield credit and emerging markets. On the opposite, sovereign and investment grade bonds, which should be the direct beneficiaries of the central banks' generosity, posted the best performances. In the high-yield bond markets, and especially in emerging markets, the decrease in asset prices has been emphasized by the lack of liquidity, causing a dislocation between credit risk and valuations. The situation primarily discriminates issuers in Latin America, Emerging Europe and Africa, which are more reliant on capital flows from developed countries (motivated mainly by ratings and geography), compared to issuers in Asian countries (China, South Korea, Philippines especially), which benefit from (i) a less volatile local investor base, and (ii) the good management of the pandemic perceived at the local level, or at least the good management of the region's leader: China.

KEY FIGURES

KEY FIGURES	LU1165637460
Inception Date	April 24, 2015
NAV as of 31-03-20	88,39
Fund Net Assets	275,6M€
Overall Morningstar™ Rating *	★★★★★
Quantalys Rating*	★★★★★

RETURN

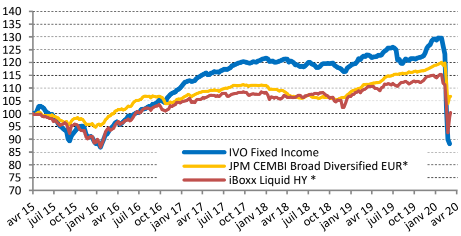
RETURN	Bonds part	Fund
Yield to maturity* (EUR)	28,1%	26,5%
Yield to worst* (EUR)	27,7%	26,1%
Adjusted yield** (EUR)	19,7%	18,5%

*hedging costs included : Bloomberg 1Y EURUSD Forward

FUND PERFORMANCES & RISK

Performance MTD	-30,2%
Performance YTD	-30,2%
Annualized 3 years performance	-7,9%
Annualized 3 years volatility	+3,8%

NAV EVOLUTION



Sources: IVO Capital Partners - Bloomberg
Past performances does not guarantee future performances
*Hedging costs included : Bloomberg 1Y EURUSD Forward

FUND CHARACTERISTICS

- ISIN Code (I): LU1165637460
- Bloomberg Ticker: IVOCAPI LX Equity
- Fund Currency: EUR
- Inception Date: April 24, 2015
- Managers: Roland Vigne and Michael Israel
- Structure: Luxembourg Sicav
- Fund Category: Capitalisation UCITS
- Liquidity: Daily - Valuation: Daily
- Investment Horizon: At least 3 years
- Investment Manager: IVO Capital Partners
- Custodian: Société Générale
- Auditor: Deloitte

OPERATING PROCEDURES

- Minimum Investment: 500 000€
- Annual Management Fee: 1%
- Performance Fee: 15% above EURIBOR 3M + 400bps
- Cut off : J - 1 before 12:00 (UTC+1)
- High Water Mark: Yes

MONTHLY PERFORMANCES

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
2020	+1,6%	-1,7%	-30,2%	-	-	-	-	-	-	-	-	-	**-30,2%**
2019	+2,6%	+1,8%	+0,7%	-0,1%	+0,4%	+1,7%	+0,7%	-4,8%	+1,1%	+0,3%	+0,7%	+3,8%	**+9,1%**
2018	+0,6%	-1,0%	+0,5%	+0,4%	-1,8%	-0,5%	+1,3%	-1,6%	+1,2%	+0,1%	-1,3%	-1,5%	**-3,7%**
2017	+2,2%	+1,8%	+0,8%	+1,4%	+0,5%	+0,5%	+0,8%	+1,2%	+0,9%	+0,2%	+0,3%	+0,4%	**+11,4%**
2016	-3,2%	+2,0%	+4,4%	+2,4%	+1,4%	+1,6%	+1,5%	+1,6%	+1,2%	+1,6%	+0,7%	+2,1%	**+19,0%**
2015	-	-	-	-	+2,9%	-2,4%	-2,7%	-3,1%	-4,9%	+4,0%	+1,5%	-4,2%	**-8,9%**

BY PERIOD

1 month	-30,2%
3 months	-31,3%
6 months	-26,2%
12 months	-26,5%
3 years	-22,2%

This dislocation between credit risk and valuations also discriminates mid-cap quality issuers (which typically have $200-500m of bonds outstanding), as opposed to larger issuers such as financiers, quasi-sovereigns or some Chinese issuers, which benefit directly (for financiers) or indirectly (especially for Chinese issuers) from the support of central banks and governments. Depending on their geography, their rating (which as you know does depend on the country rating) and their size, even companies that have not been affected by - or even sometimes benefit from - containment measures, display discounts on PAR of -30%.

Amongst the issuers affected by containment measures, the market also makes little difference between (i) those whose business is not threatened in the long term, notably because they have tangible assets and a comfortable level of cash, and (ii) those for which a quick return to pre-crisis levels of activity is crucial. The most obvious example is transport infrastructure activities (airports, ports, motorways) as opposed to tourism and leisure activities (airlines, hotels, restaurants).
On one hand, airlines, in addition to their serious problem to overcome the crisis due to the total shutdown of their activity during the containment, will also be in trouble after the containment as they are highly dependent on volumes due to their low EBITDA margin. On the other hand, for airports, both the months of shutdown and the losses related to the expected airlines bankruptcies should have only a limited impact in terms of present value, if we compare this "blank" period to the typical 15-30 years average life of an airport concession. As for their sensitivity to the magnitude and speed of the recovery, the high level of infrastructure EBITDA margins enables these assets to generate positive cash flows without the need for a return to pre-crisis volumes. However, some bonds issued by international airports in emerging countries (often owned by major global operators) have lost between 20% and 50% of their value. The infrastructure sector in general, and especially airports, is a sector that we appreciate and which is expected to be strengthened in the current context.

Perspectives

From a purely health perspective, emerging countries currently enjoy the following advantages: (i) containment measures generally taken at a relatively early stage compared to Europe and the United States, (ii) a young population and (iii) an ability to support the poorest part of their population at a much more affordable cost than developed countries. On the other hand, emerging countries have the following disadvantages in terms of health: (i) a health system often of much lower quality compared to developed countries, (ii) for some countries, a much higher population density (Africa, India, Indonesia) and (iii) few testing capabilities and some may tend to manipulate their figures (as it has been seen in Indonesia and perhaps in Turkey).
If exiting the crisis requires Korean-style measures (massive testing program and mobility monitoring), many emerging countries should have a delayed exit from containment and therefore from the crisis compared to developed countries, with the notable exception of Russia. If the end of the crisis must be achieved by eliminating the virus from the population, some countries are on the right path to do so (Argentina, Chile, Morocco, Peru, etc.). Once again, the heterogeneity of these countries must be taken into consideration but, in general, we do not base our analyses on the hypothesis that the health situation is currently better in emerging countries than in developed countries. We are monitoring closely the health situation particularly in Brazil, India, Turkey and Indonesia.

From an economic perspective, companies in emerging countries have been entering this crisis generally in good financial health and with better prepared balance sheets for volatile environments. On a historical basis, debt leverage levels are low and average cash levels are solid (few maturities in 2020). Emerging currencies are much more valued than at the time of the major financial crisis of 2007-2008, which occurred during “the commodity boom”, thus limiting the risk of an increase in leverage due to FX effects. While we are certainly heading for a deterioration in earnings at least in the second quarter of 2020 for most of the companies in our contemplated markets (excluding consumer goods and telecoms), we believe companies in emerging countries to be sufficiently well positioned to overcome the economic slowdown, far more than what is suggested by the current level of bond prices, which reflects an aberrant underlying default rate and recovery rate.

As for the O&G sector, the likelihood that oil prices remain at these historically low levels for a sustained period are low for several reasons. On the demand side, with the end of containment will come a recovery in consumption. We do not see a drastic change in consumption patterns in the short to medium term as some foresee (the 2009 crisis delayed the energy transition rather than accelerating it). Regarding supply, the longer prices remain low, the more we will see a mechanical adjustment of production capacity. First at the oil field level (those for which the unit extraction cost is higher than the current price), then at the producer level (those whose operating cash flows do not cover capital expenditure). Moreover, most producing countries need high prices to maintain a balanced budget, and therefore have an interest in The United States, also, have no interest in seeing the collapse of an industry that accounts for a large share of employment and GDP. The alignment of interests over the long term is likely to lead to a compromise. The inclusion of the US in an agreement despite the inherent issues that the situation would cause, notably in terms of anti-monopoly legislation, would be historic.
However, a distinction must be made between, on one hand, integrated national oil companies generally active in the “midstream” and “downstream” segments and which are therefore less exposed to the international oil price fluctuation - as local fuel prices are very often regulated. On the other hand, the E&P segment, in which we have selected issuers mainly based on their unit production cost. All have extraction costs below $20 per barrel, and most of them below $10 per barrel. Each company has a healthy level of liquidity that should allow them to continue to service their debt until the market recovers. Regarding oil services, this crisis will particularly affect new orders. This is a sector where issuers with a low backlog are likely to face difficulties. Two of our issuers in this sector (0.8% of the portfolio) are particularly vulnerable but in any case, they are already trading at very low-price levels, close to the level of recovery in the event of liquidation. The others should be able to get through this new crisis.

Strategy

In the two weeks prior to Black Monday, in anticipation of rising concerns, we sold several positions in the portfolio with substantial capital gains in order to provide liquidity. On Friday, March 6, we had 10% liquidity in the fund. In the weeks that followed, in a context of high market volatility, we implemented a strategy based on several key elements:
1. Protecting the portfolio by purchasing hedges against another market downturn:
- Purchase of put options on the main US and European equity indices, positions that represented 1.6% of the portfolio at the end of the month, some of which were closed with a capital gain at the beginning of April.
- Purchase of put options on several emerging market currencies, a position still opened today, which represented 0.6% of the portfolio at the end of the month.
- Purchase of CDS on several emerging sovereigns and CDX on a "Corporate US Investment Grade" bond index, positions still open today, which represented 1.5% of the portfolio at the end of the month.

2. Maintaining the portfolio’s liquidity (10% pre-crisis as of 9 March, 9% split between cash and hedge at the end of the month), which will be invested gradually as market tension decreases.

3. Fair valuation of portfolio positions in order to protect holders and allow investors who wishes to exit to do so at a price in line with the real cost associated with the search for liquidity.

4. Trade-off of certain portfolio positions in order to take full advantage of the collapse of prices, and reposition the portfolio in the best possible way in anticipation of a market rebound, which is likely to precede the global economic recovery. It aims at maintaining the average price level of the portfolio’s bonds while improving its average credit quality. There are notably interesting opportunities in the infrastructure sector (airports, electricity producers in particular), in certain "fallen angels" but also arbitrage opportunities from the oil services sector to the E&P sector.

Extended recession, U-shape or V-shape economic recovery? We try not to bet on one or the other. The only certainties at this stage lie on the fact that this recession will first be extremely brutal and therefore ; (i) that companies and countries will most likely exit this crisis with higher leverage both in terms of numerators (the leverage will increase since government aids are usually not equity participation, nor, so far, "gifts" since they are mostly considered as “advance payment”) and at denominators level (EBITDA, capital or assets value), (ii) that companies’ refinancing capacity will not be 100% assured, especially for non-Investment Grade companies, and finally, (iii) that, with the exception of the "V-shape" recovery scenario, business volumes at a pre-crisis level will take time to recover. In light of these previous points, our top-picks are more than ever (i) companies with low pre-crisis leverage, capable to absorb additional debts, (ii) companies with neither limited cash flow, nor too much cash burn, nor a short-term refinancing risk, (iii) companies with high EBITDA margins that are less sensitive to the speed of recovery, (iv) with this new and massive quantitative easing, only remains two asset classes left with a positive return in a zero-interest sovereign and investment grade environment: High yield bonds and equities. At the bond level, companies that will show their fundamental ability to avoid default will see their market prices rise quickly and strongly (possibly above pre-crisis levels considering a US interest rate levels at zero).

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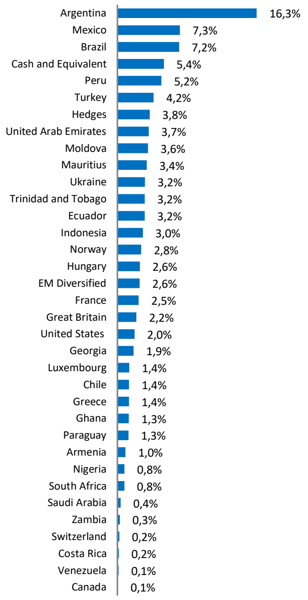
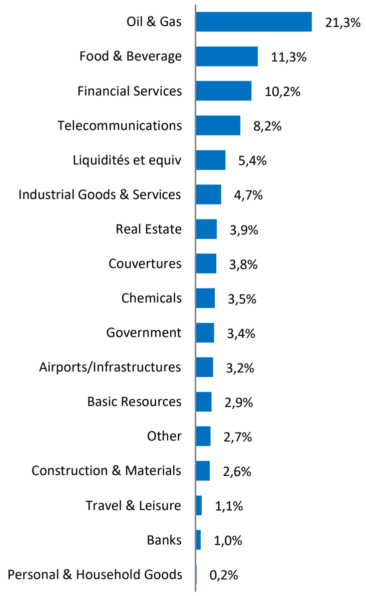
PORTFOLIO - MARCH 2020

BREAKDOWN BY REGIONS



BREAKDOWN BY SECTORS



PORTFOLIO DATA

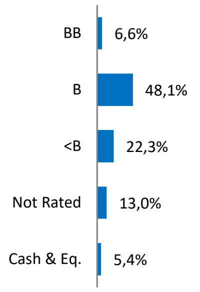
Yield to Maturity* (EUR)	26,5%
Yield to Worst* (EUR)	26,1%
Adjusted Yield** (EUR)	18,5%
USD Exposure	4,0%
Average Running Coupon	14,3%
Number of Issuers	69
Average maturity	4,5
Rate Sensitivity	2,9
Adjusted duration**	3,3
Average rating	B+
Average issued amount ($ million)	494
Average percentage holding	2,5%

*hedging costs included : Bloomberg 1Y EURUSD Forward

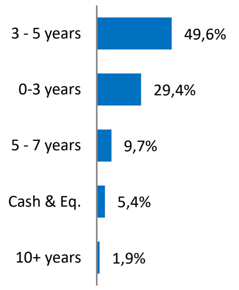
BONDS METRICS (Weighted Average)

Revenue ($ billions)	2,1
EBITDA ($ billions)	0,4
Leverage	3,2x

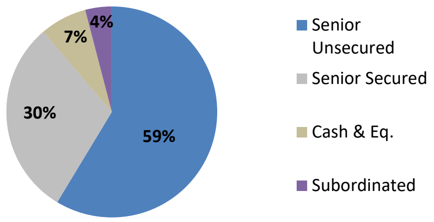
BREAKDOWN BY RATING



BREAKDOWN BY DURATION

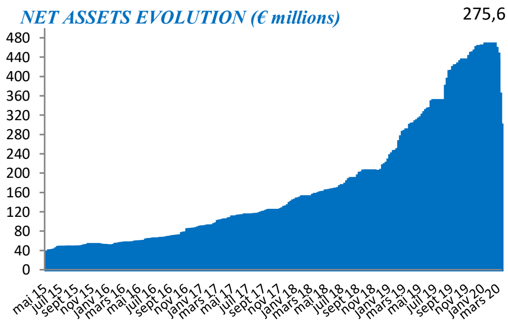


SENIORITY RANK DISTRIBUTION



10 MAIN ISSUERS		COUNTRY	SECTOR	WEIGHT
ARAGVI FINANCE INTL 2024	$	Moldova	Food & Beverage	3,6%
PERU LNG SRL 2030	$	Peru	Oil & Gas	3,4%
BAYPORT MANAGEMENT 2022	$	Mauritius	Financial Services	3,2%
TELECOM OF TRIN & TOBAGO 2029	$	Trinidad and Tobagc	Telecommunications	3,2%
INTL AIRPORT FINANCE SA 2033	$	Ecuador	Airports/Infrastructure	3,2%
ANDRADE GUTIER INT SA 2024	$	Brazil	Industrial Goods & Services	2,9%
RONESANS GAYRIMENKUL YAT 2024	£	Turkey	Real Estate	2,9%
AES ARGENTINA GENERACION 2025	$	Argentina	Utilities	2,8%
NITROGENMUVEK VEGYIPARI 2024	€	Hungary	Chemicals	2,6%
INTERCEMENT FIN OP BV Perp	$	EM Diversified	Construction & Materials	2,6%
10 largest positions				**30,4%**

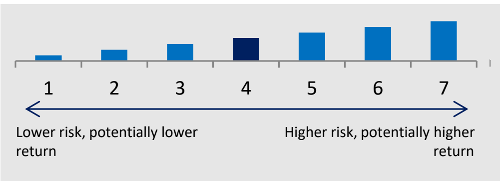
NET ASSETS EVOLUTION (€ millions)



RISK INFORMATION

▫ Past performance is not a guide to current and future performance.
▫ The value of your investments and any income from them may fall or rise and you may not get back the full amount you invested.
▫ The value of debt securities may change significantly depending on the economic and interest rate conditions, as well as the credit worthiness of the issuer. These risks are typically higher in emerging market andbelow investment grade debt securities.
▫ In addition, emerging markets may be subject to increased risks, including less developed custody and settlement practices, higher volatility and lower liquidity than non emerging market securities.
▫ Movements in currency exchange rates can adversely affect the return of your investment. The currency hedging that may be used to minimise the effect of currency fluctuations may not always be successful. Investors may have exposure to currencies other than the currency of their Share Class.
▫ Find further detailed risk information in the Prospectus' Appendix "facteur de risque".

RISK / REWARD PROFILE



The lowest category does not mean risk-free

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** Data adjusted by IVO CP exclude irrelevant yields and take into account the portfolio managers' expectations regarding the most likely redemption date (could be at maturity date, at the next call or put, at another call date or tender). These expectations do not always match the worst-case scenario, reflecting the lowest possible yield, but can also lead us to exclude yields that are too high and unrealistic. False hypothesis can either overestimate or underestimate the yield and duration or sensitivity of the portfolio.