

## LYXOR / CHENAVARI CREDIT FUND - CLASS I EUR

## LYXOR ASSET MANAGEMENT

## INVESTMENT OBJECTIVE

The Lyxor / Chenavari Credit Strategy is a European-focused Long / Short Credit Fund which aims to achieve positive risk-adjusted returns in both tightening and widening spread environments. The fund is based on a fundamental, credit spread neutral approach that seeks consistent absolute returns and invests in liquid instruments to enable a dynamic trading approach.

## MONTHLY COMMENTARY

April was another strong month for risky assets, supported by strong economic data and a standstill on monetary policy both in Europe and the U.S. In the U.S., Federal Reserve Chair Powell adopted a dovish tone highlighting no imminent intention of withdrawing stimulus despite faster than expected U.S. economic recovery. Powell also noted that inflation metrics will likely be higher but should be largely "transitory". These developments boosted the S&P500 +5.24% higher for the month outperforming the EURO STOXX 50, which trailed with only a +1.42% gain for April. The U.S. 10-yr treasury was one of the most volatile asset classes, reversing the upward trend and finishing the month 12bps tighter to yield 1.63%. The retracement of rates was probably the main factor driving risk appetite higher again in April. Credit indices also reacted positively, although for the first time this year, there was some decompression taking place between iTraxx Crossover (S35) 5Y and iTraxx Europe (S35) 5Y as the former tightened by only 3.7bps vs. 2.3bps tighter for the latter.

## CORPORATE

In the European Corporate HY market, the new issue pipeline was very strong with a combination of refinancing deals, leveraged buyouts and loan-to-bond transactions. Even though new issues are still providing some premium, the absolute yields are much lower than last year, reflecting the current state of the market. As valuations have recently tightened, we started to reduce the Fund's long bias as we wait for better entry points to add risk again. We have also started to reduce the cyclical of the portfolio in light of the beta exposure reduction. Having said that, fundamentals remain strong, and we see little catalyst for any meaningful set back in the asset class. The Corporate strategy performed well in April, posting +0.22% to the Fund. Positive performance was led by the Fund's long positions in the Spanish gaming company Cirsa alongside the Spanish retailer Tendam. We believe these trades should continue to perform well as Europe rebounds. Other contributors include the German real estate entity Adler Group and UK retailer Next, offset by the Fund's short positions in the German retailer Douglas, German auto supplier ZF Friedrichshafen and British chemicals company Ineos. On the long side, Austrian semi-conductor manufacturer AMS' bonds dropped as the market feared AMS would lose its iPhone face recognition contract with Apple. Overall, we remain constructive of the market but are more focussed on alpha contribution and less so on beta.

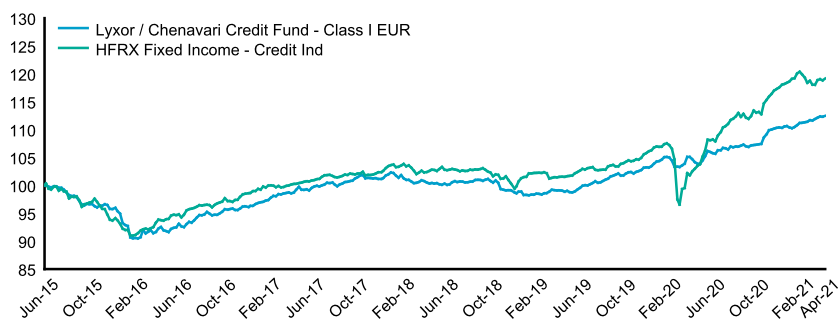
## FINANCIALS

In the Financials market, April was the Q1 2021 earnings season. Bank results pointed to a solid start for the year and have been so far marked by lower loan loss provisions and generally strong trading revenues across the Investment Banking Divisions (IB), especially in equities. We believe the cost of risk should further decrease over 2021 given that European governments are steadily lifting COVID-19 restrictions, while momentum in the IB from Q1 is expected to slow down in Q2. Key highlights include Nordic banks confirming their safe-haven status in this pandemic with outstanding asset quality metrics, while Spain's 4th largest bank, Sabadell (one of the Fund's key conviction trades) posted good results with net income coming in at €73m with a positive, albeit small, contribution from its UK subsidiary TSB and steady asset quality, as well as capital position. Credit Suisse's Q1 2021 results were obviously scrutinised after the Greensill and Archegos debacles, with the latter finally translating to a loss of CHF 4.4bn for the first quarter. However, Credit Suisse's results reassured investors with an overall loss of "only" CHF 757m due to impressive underlying revenues for the quarter (+31% year-on-year). Most importantly, the placement of mandatory convertible notes, equivalent to CHF 1.7bn (-55-60bps of CET1), allowed the bank to post a 12.2% CET1 ratio (vs. a minimum of 12% pre-announced), as well as a CET1 leverage ratio of 3.8% (vs. "at least" 3.7% guided), therefore easing market concerns about the distant possibility of an AT1 coupon skip.

Finally, Deutsche Bank's results were very strong with €1bn net income, the largest net profit the bank has reported since Q1 2017 with all core divisions' results beat consensus estimates. Capital remained solid at 13.7%, leaving an MDA buffer of 330bps. Credit quality was also impressive, with only 6bps cost of credit during the quarter.

The strategy generated a positive contribution of +1.42% (gross, on the strategy level) vs. +0.9% for the Markit iBoxx EUR AT1 Index. The strategy benefitted from its overweight position on Deutsche Bank AT1s (+3 points during the month) and Tier 2s, one of the Fund's key conviction trades since mid-2020. The other important driver was the outperformance of the long-risk AT1 positions on peripheral issuers such as Sabadell, Abanca, Banco BPM and Intesa, which largely outperformed short-risk AT1 exposures on 'core' names such as UBS, Standard Chartered or ING. Importantly, significant alpha was generated from the legacy trades on BNP and DNB discounted bonds, which gained respectively 7.5 points and 5 points amidst positive developments in the legacy space. We decided to take some profits on the Fund's positions after these significant price actions.

## PERFORMANCE SINCE INCEPTION



## FUND FACTS

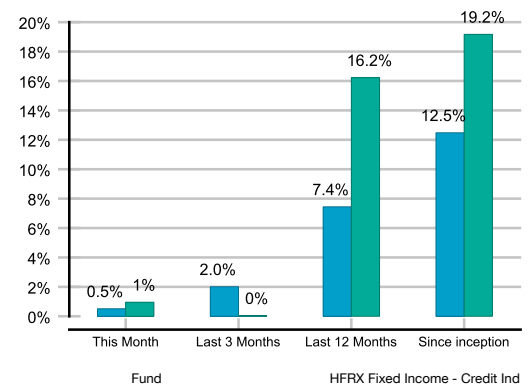
Legal Structure	Sub-Fund Of Lyxor Newcits IRL PLC
Inception Date of the Fund	June 19, 2015
Inception Date of the Class	June 19, 2015
Share Class Currency	EUR
Available Currency Classes	EUR, USD

ISIN Code	IE00BWFBRBY02
Bloomberg Code	LYXCCRE ID
Investment Manager	Lyxor Asset Management S.A.S.
Sub-Investment Manager	Chenavari Credit Partners, LLP
Administrator	SOCIETE GENERALE DUBLIN
Liquidity <sup>(1)</sup>	Weekly
Subscription/Redemption Notice	-
Valuation Day	Tuesday

Total Fund Assets (M USD)	337
Management Fee <sup>(2)</sup>	1.40%
Class Performance Fee <sup>(2)</sup>	20% subject to high watermark
Administration Fee <sup>(2) (3)</sup>	0.32%

Long Exposure	97.45%
Short Exposure	63.81%
Net Exposure ( long - short )	33.64%
Gross Exposure ( long + short )	161.26%

## PERFORMANCE ANALYSIS



## IMPORTANT NOTE

Official NAV is calculated as of every Tuesday, subject to holidays and certain extraordinary events. Performance is based on the Class's last official NAV, and the Index level as of the same day.

The Fund complies with the UCITS Directive and has been approved by the Central Bank of Ireland on February 14, 2013. Please refer to the Fund's prospectus for a full disclosure of the Fund's characteristics.

(1) Under normal market conditions, Lyxor intends to offer the LIQUIDITY mentioned above. However, the LIQUIDITY is not guaranteed and there are circumstances under which such LIQUIDITY may not be possible. Please refer to the Fund's legal documentation for complete terms and conditions.

(2) For any additional information regarding fees, please refer to the relevant fees section of the Fund's Prospectus.

(3) The Fund is subject to an Administrative Expenses Fee at a rate of up to 0.32% of the Net Asset Value of each Class of the Fund per annum

Prospective investors should consult with their independent financial advisor with respect to their specific investment objectives, financial situation or particular needs to determine the suitability of investment. There can be no assurance that the investment objective of the Fund will be achieved and investment results may vary substantially over time. Investments in the Fund places an investor's capital at risk. The price and value of investments may fluctuate and investors may lose all or a substantial portion of their investment. Past performance is not indicative of future results. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

Data Source: Lyxor Asset Management

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## LYXOR / CHENAVARI CREDIT FUND - CLASS I EUR

## LYXOR ASSET MANAGEMENT

## HISTORICAL MONTHLY RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-0.06%	0.88%	0.61%	0.51%									1.94%
2020	1.13%	0.59%	-1.34%	1.06%	-0.21%	1.16%	0.92%	0.30%	-0.06%	0.44%	2.34%	0.40%	6.90%
2019	-0.44%	0.23%	0.11%	0.50%	-0.33%	0.77%	0.88%	0.35%	0.94%	0.38%	0.29%	0.76%	4.53%
2018	1.04%	-0.92%	-0.86%	0.37%	-0.38%	-0.29%	0.60%	-0.04%	0.31%	-0.46%	-1.28%	-0.50%	-2.40%
2017	0.89%	0.85%	0.61%	0.19%	0.63%	0.61%	0.36%	-0.31%	0.80%	1.12%	-0.46%	-0.14%	5.24%
2016	-3.21%	-2.50%	1.23%	0.62%	-0.06%	0.49%	0.73%	1.58%	-0.07%	1.04%	-0.14%	0.56%	0.15%
2015						-0.21%	-0.19%	-1.31%	-1.71%	0.05%	-0.30%	-0.39%	-4.02%*

\* Since inception: June 19, 2015

## RISK ANALYSIS

	Since inception	
	Fund	Index*
Volatility	2.55%	7.98%
Sharpe ratio	0.94	0.29
Maximum DrawDown	-9.50%	-12.84%

\*HFRX Fixed Income - Credit Ind

Official Fund NAV is calculated as of every Tuesday, subject to holidays & certain extraordinary events. Performance is based on the Fund's last official NAV, and the Index level as of the same day. These indicators are based upon weekly returns calculation.

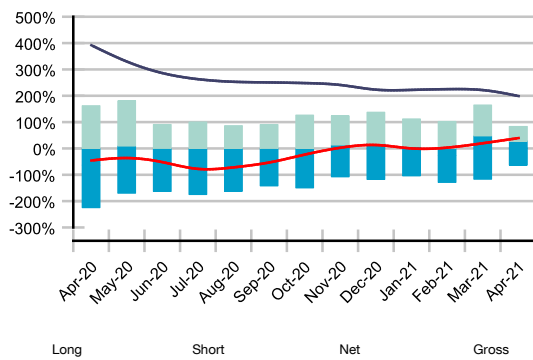
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**PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS**

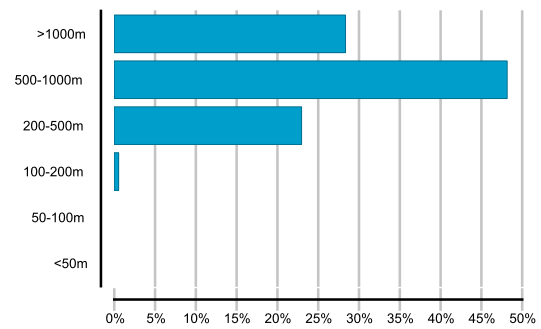
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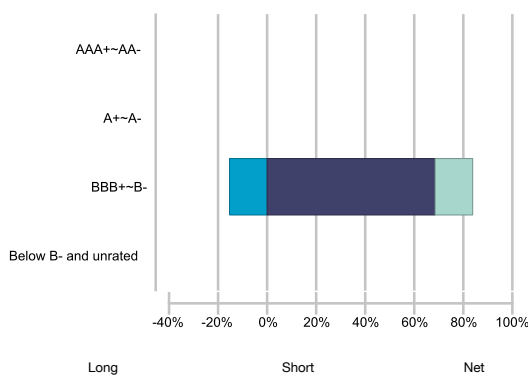
## MONTHLY STRATEGY EXPOSURE FOR LAST 12 MONTHS



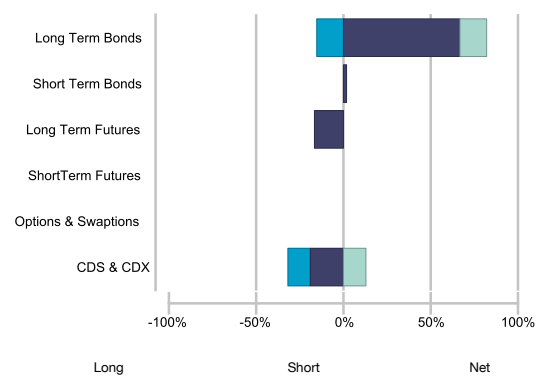
## BONDS BY ISSUE SIZE



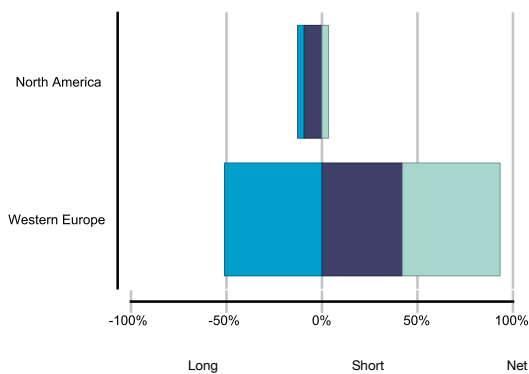
## NET EXPOSURE OF BONDS BY RATING



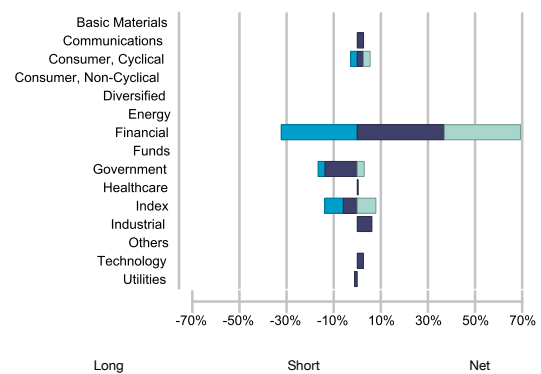
## NET EXPOSURE OF FI - CREDIT BY ASSET CLASS



## GEOGRAPHICAL BREAKDOWN



## SECTOR ALLOCATION



## MAIN RISKS

**Risk of losses :** The price of Shares can go up as well as down and investors may not realise their initial investment. The investments and the positions held by the Fund are subject to (i) fluctuations in the Strategy (ii) market fluctuations, (iii) reliability of counterparties and (iv) operational efficiency in the actual implementation of the investment policy adopted by the Fund in order to realise such investments or take such positions. Consequently, the investments of the Fund are subject to, inter alia, the risk of declines in the Strategy (which may be abrupt and severe), market risks, credit exposure risks and operational risks. At any time, the occurrence of any such risks is likely to generate a significant depreciation in the value of the Shares. Due to the risks embedded in the investment objective adopted by the Fund, the value of the Shares may decrease substantially and even fall to zero, at any time.

**Counterparty risk:** the Fund is exposed to the risk that any credit institution with which it has concluded an agreement or a transaction could become insolvent or otherwise default. If such an event occurs, you could lose a significant part of your investment.

**Credit risk:** the Fund is exposed to the risk that the credit quality of any direct or indirect debtor of the Fund (be it a state, a financial institution or a corporate) deteriorates or that any such entity defaults. This could cause the net asset value of the Fund to decline.

**Operational risk and asset custody risk:** in the event of an operational failure within the management company, or one of its representatives, investors could experience delays or other disruptions.

**Liquidity risk:** in certain circumstances, financial instruments held by the Fund or to which the value of the Fund is linked could suffer a temporary lack of liquidity. This could cause the Fund to lose value, and/or to temporarily suspend the publication of its net asset value and/or to refuse subscription and redemption requests.

**Risk of using FDI:** the Fund invests in financial derivative instruments in order to reach its investment objective. These instruments may include a range of risks which could lead to their adjustment or result in their early termination. This could lead to the loss of a part of your investment.

**Capital at risk:** the initial capital invested is not guaranteed. As a consequence, investor's capital is at risk and the amount originally invested may not be recovered

Please refer to the Fund's Prospectus for a complete description of the Investment Risks.

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