

SEXTANT BOND PICKING



The fund's quarterly performance was 8.5% and its benchmark was -0.2%.

Sextant Bond Picking is an international bond fund that implements a « value/fundamental » type management policy:

- focus on managing the credit risk (return versus cost of risk);
- credit analysis of issuers is done internally, so we do not depend on the credit-rating agencies;
- as far as possible, we avoid macroeconomic bets on interest rates (preferring low or moderate sensitivities) and currencies (most forex risks are hedged);
- we place no limits on our investment universe, and are thus free to invest in the least efficient market segments: unrated paper, out-of-the-money convertibles, bonds not denominated in the issuer's domestic currency, complex paper and/or sectors etc.

On an ancillary basis, the fund may also invest in equities (maximum 10%), mainly arbitrages on capital market deals or companies that pay a high dividend.

Market situation

In Q4, high-yield credit margins fell sharply to around 300bps on 31 December. They were thus similar to the level of January 2020.

Returns on high-yield credit indices are now close to the pre-crisis levels of last spring, as the public health and economic situation has entailed major risks for the credit profile of bond issuers.

Estimates for the default rate of high-yield issuers range from 3 to 12% according to the banks and rating agencies.

Market vigour is also reflected in the rates on primary issues in the credit market, which offer only a thin safety margin. For example, Alstom issued an 8Y bond yielding only 0.13%. The high-yield debt segment is offering yields that are close to all-time lows: Bloomberg Barclays Pan-European High Yield (Euro) was yielding just 2.83% at the time this report was written.

Structure of the portfolio

The portfolio's cash holdings were rebuilt gradually in Q4, rising from 16.3% of assets at end September to 20.4% on 31 December. Reduced returns in the high-yield segment prompted us to divest holdings that had reached our objectives in terms of price target and yield. At the same time, some existing positions were strengthened in response to market trends, to take advantage of risk/reward profiles that we considered attractive.

At end December, the fund's yield (after forex hedging for the part invested in bonds) was 4.9% versus 6.2% on 30 September. Sensitivity to the interest-rate risk eased to 2.0. As a result, for the overall fund including cash holdings, the yield after forex hedging was 3.5% vs 4.8% on 30 September, for sensitivity of 1.5. Sensitivity of the fund to equity markets (delta) decreased to 8% from 9.4% on 30 September, mainly due to the part invested

in equities (5.1% of the portfolio invested, versus a maximum of 10% authorised).

Main transactions

In November, the Bloomberg Barclays EUR High Yield index (excluding financials) was up roughly 4% for the month. The portfolio generally benefited from the market trend in Q4, and we made some divestments as yield targets for a given credit risk were achieved. Several positions were divested in Q4 as prices rose. Most notably, the **EasyJet 2023** bond whose yield fell from 7% at end September to only 2% in mid-December as the price rose. Similarly, we sold our positions in **Elis**, **Dometic** and **Telecom Italia**.

We strengthened our position in the **Quadiant June 2022** perpetual convertible bond, as the appeal of the credit profile has been underpinned by an improvement in the operating profile. Clever management of a shrinking postal business as well as recurring new activities (notably parcel lockers for delivery of internet purchases) have helped to restore the issuer's profile. The bonds rose in response to an unsolicited bid from an investment fund for part of the group, thus compressing the yield. The latter remains attractive as the bond is approaching maturity (early redemption option in 2022) and in view of the credit profile.

Our position in **Solocal** shares, which we received as a result of restructuring of debt that represented more than half of our notional debt, was almost entirely divested in Q4. In view of the average acquisition price of the debt, coupons, commission received during the restructuring and the average sale price, the transaction generated a profit for the portfolio.

Lastly, the fourth quarter saw the redemption at maturity of our position in **Eramet** in November.

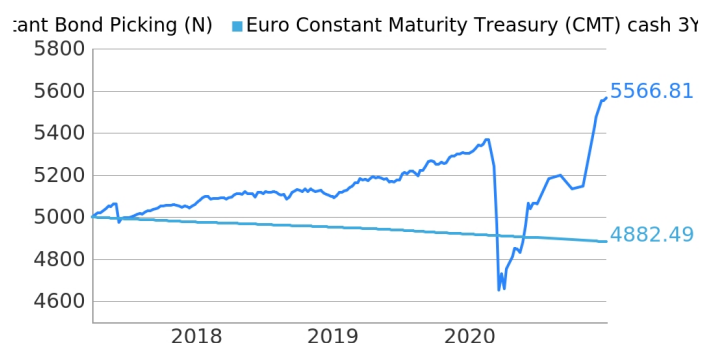
Outlook

The default rate for euro-denominated high-yield bonds was around 4% in 2020, which was not particularly high given the difficult situation that many sectors of the economy faced. Government support in the form of short-time work and loan guarantees helped to hold down the default rate. Expectations for 2021 range from 3% to 12%, according to the banks and rating agencies. With the average yield around 3%, there is a clear need to be discriminating in order to find the most coherent risk-reward profiles.

As a result of arbitrages in November and December, the fund begins 2021 with cash holdings that amount to c.20% of asset value. Credit spreads are slightly higher than in early 2020, but the economic environment has deteriorated significantly. High cash holdings reflect our cautious stance and will allow us either to seize idiosyncratic opportunities or to take advantage of more attractive market conditions - as we did in first-half 2020.

Performances

	Sextant Bond Picking (N)	Euro Constant Maturity Treasury (CMT) cash 3Y
1 month	2.5%	-0.1%
3 months	8.5%	-0.2%
6 months	9.9%	-0.4%
1 year	5.0%	-0.7%
2 years	9.2%	-1.4%
5 years	10.0%	-1.9%



	2018	2019	2020	2020
Sextant Bond Picking (N)	0.8%	4.0%	5.0%	5.0%
Euro Constant Maturity Treasury (CMT) cash 3Y	-0.5%	-0.7%	-0.7%	-0.7%



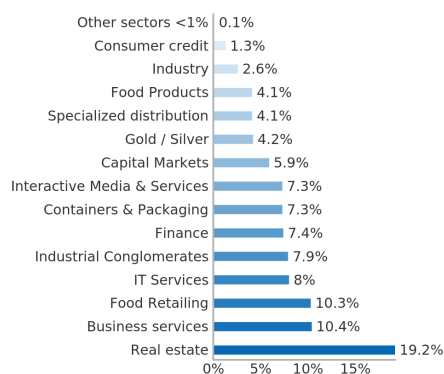
Breakdown of assets

Maturity	< 1 year	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	> 10 years	perpetual	Actions/fonds
Hypothetical call of the asset manager	7.3%	43.4%	26.3%	0.0%	0.0%	0.0%	12.4%	10.7%
Maximum Maturity	7.3%	35.4%	24.3%	0.0%	0.0%	0.0%	19.7%	13.3%

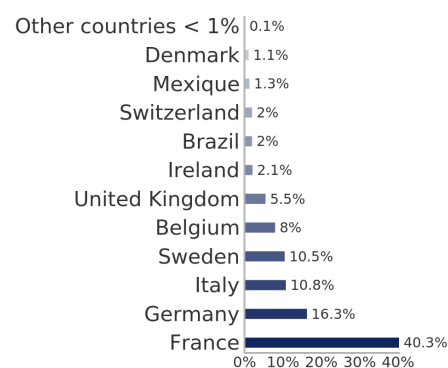
Allocation

Bonds	74.5%
o/w sovereign	0.0%
o/w corporate	53.4%
o/w financials	3.2%
o/w convertibles	17.8%
Equities *	5.2%
o/w risk arb strategy	0.0%
o/w yield strategy	5.2%
Cash & quasi-cash	20.4%
* of which financials	3.8%

Distribution of holdings by sector (equity portfolio)



Geographical distribution of holdings (equity portfolio)



* of net assets invested

Main holdings

Issue	Currency	Sector	Country	Net asset %
Casino TSSDI 2049	EUR	Food Retailing	France	8.2%
Econocom OC 0.5% 06-2023	EUR	IT Services	Belgium	6.3%
Thyssenkrupp 2.875% 02-2024	EUR	Industrial Conglomerates	Germany	6.3%
Guala Closures EUR+3.5% 04-2024	EUR	Containers & Packaging	Italy	5.8%
Cibus EUR3m+4.5% 09/18/23	EUR	Real estate	Sweden	4.4%

Indicators

	Fixed income part	Total assets		Fixed income part	Total assets
Gross yield	4.9%	3.6%	Interest-rate sensitivity	2.0	1.5
Yield after cost of forex hedging	4.7%	3.5%	Equity sensitivity (delta)	3.8%	8.0%
Spread (basis point)	522	424	Net/gross forex exposure	13.0% / -0.2%	
Residual duration (years)	2.6	1.9	Number of lines / Average outstanding	46 / 412 M€	

Main characteristics

Legal form	UCITS / French mutual fund	Launch date	Fund : 30/03/2017 Unit : 29/12/2017
Share category	Unit N	Recommended investment duration	Over 3 years
ISIN code	FR0013202140	Centralis.-Settlem. /Delivery	D-1 at 10 AM / D+2
Bloomberg code		Custodian	CACEIS BANK
AMF classification	Bonds and other international debt securities	Transfert agent	CACEIS BANK
Benchmark	Euro Constant Maturity Treasury (CMT) cash 3Y	Tax provisions	- -
Unit NAV / Net assets Fund	5 566.81 € / 157.22 M€	Entry charge	5.0% including tax maximum
Share NAV period	Daily	Exit charge	0.0% including tax maximum
Risk profile	1 2 3 4 5 6 7	Fixed management fee	0.85% including tax maximum
Scale from 1 (lowest risk) to 7 (highest risk); category-1 risk does not mean a risk-free investment. This indicator may change over time.		Performance fee	15% including tax of the mutual fund's outperformance vs the benchmark, plus 350 bps

Source: Amiral Gestion at 31/12/2020

GLOSSARY

The full glossary is available in the monthly report of your fund, on the website www.amiralgestion.com.

Notice

This commercial document aims to present the characteristics of the fund on a simplified basis. For further information, you may refer to the key information document for investors and to the prospectus, which are legal documents available on the management company's internet site or by request to the management company. The performances shown are not a reliable guide to future performance. Performance may vary over time.

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