

MW RENDEMENT

This UCITS is a sub-fund of the SICAV MW ASSET MANAGEMENT

Fund Manager : Sébastien BOUCHER - Christophe PEYRAUD

August 2019

	ISIN	30/08/2019	YTD. 2019	Fund Size	Bloomberg Code
Share CIP	LU1260576019	92,80 €	9,78%	17,28 M €	MWRNCP LX Equity
Share CRP	LU1987728018				

Risk scale



OBJECTIVES AND INVESTMENT POLICY

The objective of the sub-fund is to generate a return higher than its benchmark (OAT + 200bp) by taking positions on volatility products. Among the various possible strategies on optional products, the management of the sub-fund is mainly focused on the sale of put options (out of the money) on equities and / or equity indices in Western markets (Europe, North America and Japan). The target maturities of the strategies for the sale of options are between 1 and 18 months and are mostly out of the money.

This type of strategy has the objective of collecting premiums sold, the manager seeks to take advantage of the decay in the time value of the option which is similar to a return. This potential return may be greater or smaller depending on periods of rise or fall in equity market volatility.

The recommended investment period is 3 years.

The liquid assets of the fund are invested in private and government bonds and in commercial paper and possibly in European UCITS or mutual funds up to a limit of 10% of the net assets. The Sub-Fund may be invested in equities in the event that certain options are exercised. The equity pocket cannot exceed 33% of the net assets.

However, within the investment limits defined in the prospectus, the sub-fund may use derivatives for the sole purpose of hedging the portfolio for the purpose of sound management. Currency risk will be limited to 10% of net assets.

Subscription / redemption requests will be centralized before 4pm on each Friday of the establishment of a weekly NAV at Caceis Bank Luxembourg and will be executed on the basis of the next NAV at unknown rate. The settlement takes place on D+2.

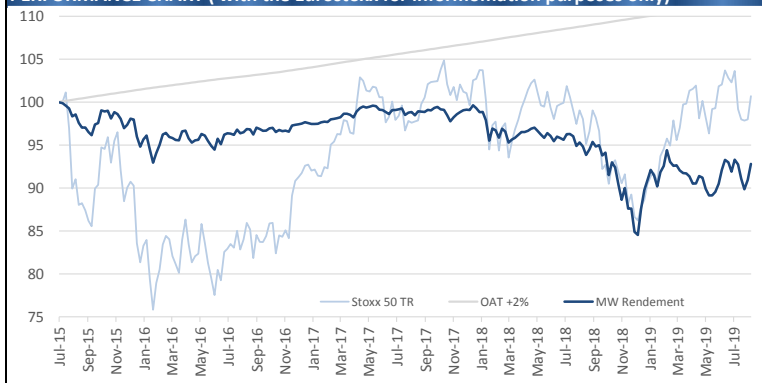
CUMULATIVE PERFORMANCES

	1 month	3 months	YTD	1 year	3 years	5 years	Inception
MWR	-0,53%	4,11%	9,78%	-2,14%	-3,82%		-7,17%
OAT+200bp	0,16%	0,48%	1,53%	2,45%	8,27%		11,47%
Spread	-0,69%	3,63%	8,25%	-4,59%	-12,09%		-18,64%

ANNUAL RETURNS

	2019	2018	2017	2016	2015
MWR	9,78%	-14,32%	1,61%	-0,56%	-2,03%
OAT+200bp	1,53%	2,81%	2,84%	2,51%	0,99%
Spread	8,25%	-17,13%	-1,23%	-3,07%	-3,02%

PERFORMANCE CHART (with the Eurostoxx for information purposes only)



RISK INDICATORS

	Volatility		Sharpe Ratio		Info Ratio.
	Fund	Indicator	Fund	Indicator	
1 Y	9,87%	2,58%	-0,18		-0,02
3 Y	6,54%	2,22%	-0,42		-0,02
5 Y					

OPTION & EQUITY PORTFOLIO INDICATORS

	As a % of NAV	Annualized in %	Dvd yield % of NAV
Time decay expected*	5,8%	15,0%	Eqty Div yield
Delta	82,3%		
Nb of undelyings			85
Average maturity of the portfolio			168 days
Weighted average moneyness portfolio			-7,29%

* excluding management fees

MAIN MOVEMENTS OVER THE PAST MONTH

New positions or positions accrued		Covered or lapsed positions	
■ BMW	■ OSRAM LICHT	■ BAYER AG	■
■ DELPHI TECHNO	■ SOCIETE GENERALE	■	■
■ ERAMET	■ UNIBAIL	■	■
	■ UNICREDIT		

COMMENTS

In August, as it has been for many long months, financial market news was still buoyed by the numerous political uncertainties and the list is long. In the United Kingdom, the Brexit imbroglio seems endless. In Italy, the unlikely populist coalition has finally exploded and in Asia, political and economic tensions between Japan and South Korea are growing. But it is obviously the trade dispute between the United States and China that remains the main source of concern.

This anxiety coming from the political context explains the violent slowdown in world trade over the last few months and the overall contraction in the level of activity in the manufacturing sectors. Investors are now very worried about growth prospects and hope for new support from central banks. In the recent weeks, volatility and risk aversion have generally been rising and the main equity indices have fallen. At the same time, gold and safe haven currencies such as the Swiss Franc and the Yen continued to appreciate. In August, the most significant movement was recorded on the bond markets with very sharp falls in the sovereign debt rate: -50bp for the 10-year US at 1.50% and -25bp for the 10-year German at -0.70%. The pandemic of negative rates is therefore growing. 17,000 billion negative debt now (25% of the stock of developed country bonds).

Today, we do not share the same level of pessimism as the market. The uncertainty surrounding growth prospects is essentially political in origin and we can very well imagine positive resolutions on these topics, including D. Trump's "a fantastic deal" ahead of his re-election. In addition, there is a good overall resilience of service activities and household consumption, which is a major component in developed countries.

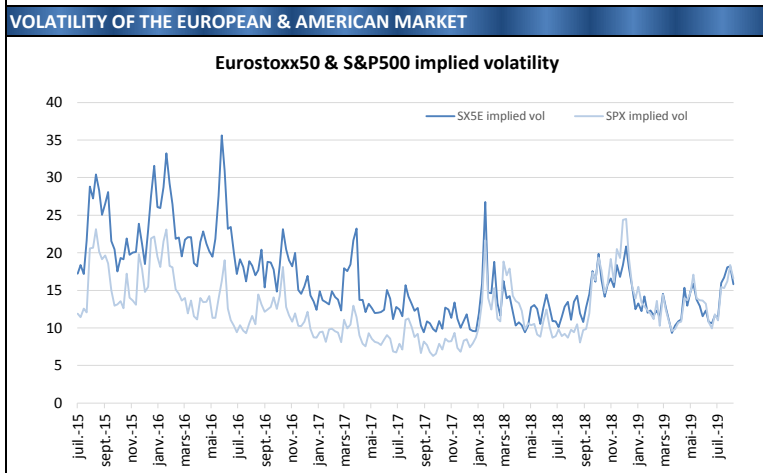
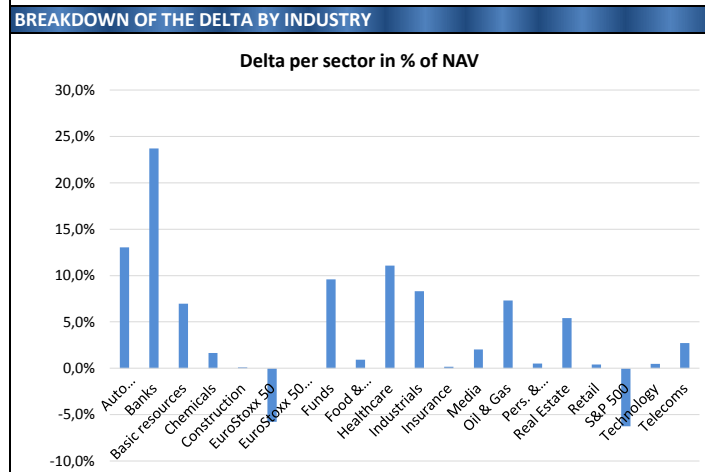
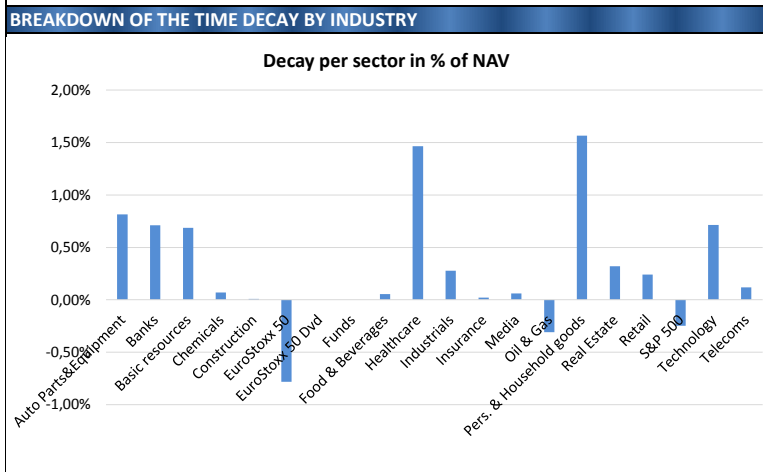
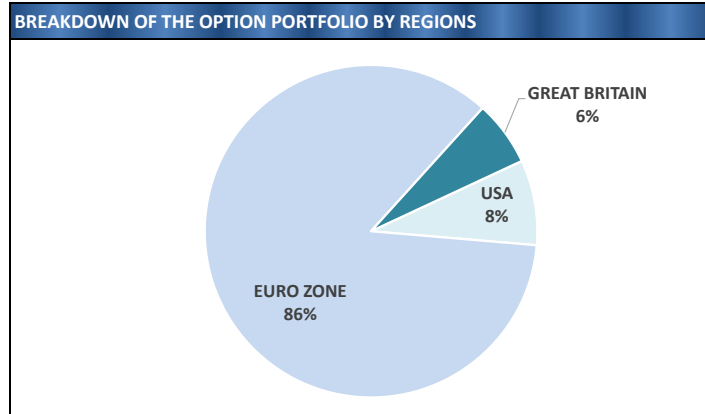
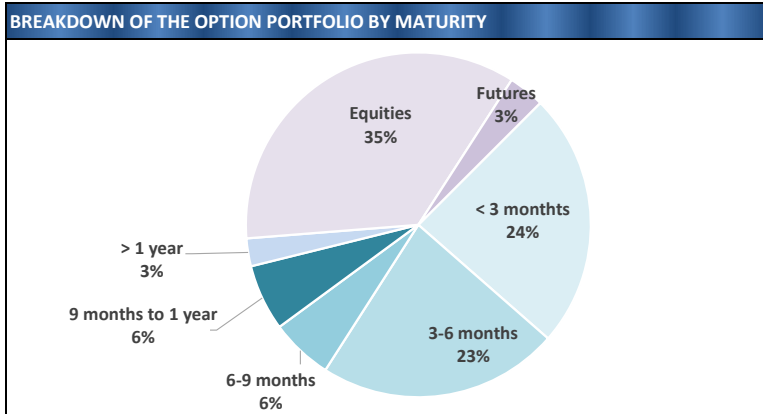
In a sharply lower equity markets resulting in an overall rise in volatility, we mainly sold short dated maturity options (less than 2 months). As a result, the average maturity of the portfolio falls sharply to 120 days at the end of October from 160 days at the end of September. We are focusing on short dated options to maintain flexibility over the coming months. The direct consequence is the increase of the annualized expected return to 8.7% at the end of October against 3.9% at the end of September. The other consequence is the increase in the delta (sensitivity to movements in the equity market) of the portfolio. In addition, we continue to increase the number of underlying for a better risk diversification to 44 from 37 in September. We are still favoring the euro zone and we are relying on the sharp decline of the Eurostoxx 50 to sell put on this index.

The markets were particularly turbulent in August, which resulted in quite high levels of volatility. The VIX and V2X have also reached levels similar to those of December 2018. In mid-August, our indicators switch to "risk on" mode. In anticipation of a possible revival of volatility in August we adjusted the fund in a defensive mode. Therefore we were able to fully use the flexibility of the fund to take our profits on the portfolio's hedge and strengthen our volatility positions on very attractive levels. As a result, our directional equity delta exposure rose sharply from + 12% to + 82% in order to benefit from a market rebound in anticipation of the upcoming meetings of the FED and the ECB. The average maturity of the option portfolio rose to 168 days from 150 days the previous month after the August's expiry. Our portfolio is expected to perform relatively well by the end of the year. Our annualized expected return is at very good levels, rising at 15% versus 12.7% the previous month. We continued to increase weighting in the Autos, Banks, Oil and Health sectors. These four sectors now represent 52.8% of portfolio's delta. Although this exposure was already marked in the fund, it resisted well in August. Momentum in these areas was particularly regative. However, we observe a beginning of trend reversal. In addition, the dividend yield, the volatility premium and the valuation levels seem to be a particularly attractive combination. The portfolio could therefore also perform in the event of normalization in relation to the Eurostoxx 50 index.

To guide the option portfolio, we focus on four complementary approaches. The first is a risk on/off approach where we use our investment capacity preferably in periods of high risk aversion. The second is a selection of options sales of single stocks based on their risk/reward ratio. The third is a sector-based approach based on trend analysis. The fourth is opportunistic on the analysis of specific situations.

MAIN CHARACTERISTICS OF THE FIXED INCOME PORTFOLIO			
	Aug-19	Jul-19	Jun-19
% of NAV	43,82%	49,51%	53,1%
Number of securities	30	38	39
Yield to Maturity	0,75	0,33	0,45
Modified Duration (MD)	0,19	0,32	0,48
Spread vs Gov.	86	33	43
Average Rating	BBB-	AA	AA-

MAIN EQUITY AND OPTION POSITIONS (% of NAV)			
Underlying	Delta	Premium	Industry
NATIXIS	7,0%	0,30%	Banks
SOCIETE GENERALE SA	6,4%	-0,22%	Banks
UNIBAIL-RODAMCO-WESTF	5,4%	0,32%	Real Estate
OSRAM LICHT AG	4,8%	-0,02%	Industrials
HALLIBURTON CO	4,8%	-0,43%	Oil & Gas
BAYER AG-REG	4,6%	0,03%	Healthcare



LEXICON

Call: option to buy at a fixed price (**Strike**) with a predetermined date (**Maturity**)

Put: option to sell at a fixed price (**Strike**) with a predetermined date (**Maturity**)

Strike: the exercise price of an option

Maturity: maturity of an option is the space of time that separates today from the final date of maturity of this security date at which it will disappear definitively.

Premium: price of the option

Intrinsic Value = Underlying Asset Price - Exercise Price (**Strike**)

Time value of an option = Price of the option (**Premium**) - the **Intrinsic value**

Expected yield: $\frac{\text{Time value of the option}}{\text{Strike}}$

Annualized expected return: $\frac{\text{Expected yield} \times (365 \text{days})}{\text{weighted average maturity of the option portfolio}}$

In the money: if the price of the underlying is higher than the **Strike** for a **Call** or respectively lower than the **Strike** for a **Put**

At the money: if the underlying quotes the **Strike**

Out of the money: if the price of the underlying is lower than the **Strike** for a **Call** respectively higher than the **Strike** for a **Put**

Delta: measures the sensitivity of the value of an option to fluctuations of the spot of its underlying. Its value is always between 0 and 1 for a call option (between -1 and 0 for a put option).

Theta: measures the impact of time on the value of an option, it represents the sensitivity of the price of an option in relation to a variation of the time horizon on which this option is based. Theta actually represents the gain or loss of value that the option undergoes for each day that passes as it is sold or purchased. For an at the money option, the closer the maturity, the greater the Theta will be.

CHARACTERISTICS OF SHARE CLASS		Fees	
Information		Subscription	1,5% max.
Investment category		Redemption	0%
Inception date	July 22, 2015	Management	1,5% TTC
Valuation frequency	Weekly	Performance	10% of outperformance over the benchmark (OAT 10 years + 200bp)
Custodian	CACEIS Luxembourg Branch		
Settlement	D+2		

Legal form : Sub-Fund of the Luxembourg SICAV MW Gestion AM, intended particularly for institutional investors

These UCITS are authorized in Luxembourg and are regulated by Commission de Surveillance du Secteur Financier (CSSF)
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Non contractual document