

LFIS' NEW TAKE ON MULTI ASSET INVESTING

Edouard Laurent-Bellue, Head of Fund Solutions, takes us through LFIS' Perspective strategy and explains how the firm's derivatives expertise can deliver real added value for investors.



Edouard Laurent-Bellue
Head of Fund Solutions, LFIS

YOUR APPROACH IS QUITE DIFFERENT FROM MOST MULTI-ASSET FUNDS. CAN YOU EXPLAIN IT?

LFIS' Perspective strategy seeks to deliver +4% p.a. over cash through exposure to traditional asset classes, but achieves this quite differently.

Our edge is finding the best way to be exposed to traditional assets using simple derivative instruments and strategies. This positions us to benefit from more market scenarios, including up, down and sideways trends. For instance, we can capture value from the mean-reverting tendencies of markets. The result is differentiated, liquid exposure to traditional asset classes with simple risk parameters and reduced idiosyncratic risk. LFIS has been running the Perspective strategy since 2013.

HOW DO PERSPECTIVE'S EQUITY, CREDIT AND DIVERSIFYING ALLOCATIONS WORK? AND IS THERE A QUANT ELEMENT?

Perspective's core exposure is to European equities and high-grade credit. A quantitative approach is part of LFIS' DNA. For Perspective, we use rigorous, quantitative analysis to study market parameters, including flows, dislocations and second-level market parameters.

The results guide the portfolio allocation both between and within the equity and credit

universes, and indicate which instruments and strategies are best positioned. Perspective also has a limited risk allocation to diversifying strategies which go beyond interest rate exposure, a traditional diversifier for multi-asset funds. LFIS applies its credit and premia expertise to implement additional strategies with diversification and alpha potential.

WHAT DOES THE CURRENT PORTFOLIO LOOK LIKE? AND WHY IS IT APPROPRIATE FOR RANGY OR RISK-AVERSE MARKETS?

Perspective's portfolio is primarily comprised of listed, liquid instruments, including options, futures and short-term government bonds. The strategy uses options to build contrarian positions. Specifically, Perspective will tend to mechanically reduce overall risk exposure after a sustained rally and vice versa.

As such, current risk aversion in European equity and high-grade credit markets creates opportunities. For example, the historical likelihood of a drop of more than 50% in five years for European equities is under 1%, but markets have recently priced this likelihood much higher. Perspective would monetise this by selling the highly priced, unlikely risk scenario.

The strategy would take the same approach to leverage the fact that risk aversion is also

driving up prices for extreme risk scenarios for European high-grade credit. This approach positions Perspective to generate a steady stream of income, even in rangy markets, and enough to offset slight market declines.

WHAT DOES PERSPECTIVE BRING TO AN INVESTOR'S PORTFOLIO?

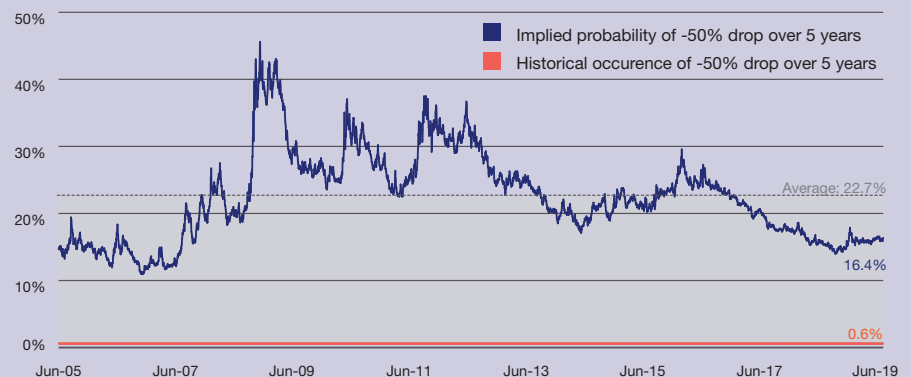
While some multi asset funds rely on market timing to navigate across asset classes, LFIS does not try to predict markets. Instead we pragmatically screen markets and instruments for compelling pockets of risk adjusted returns. Perspective relies on a sophisticated capital markets infrastructure and decades of experience in derivatives investing to create barriers to entry and deliver real added value.

We believe Perspective's diversified approach to delivering total returns with some beta capture and downside protection is a good match with European equity markets increasingly characterized by rangy, erratic performance.

Perspective aligns with investor needs for daily liquidity, reduced idiosyncratic risk and access to additional sources of diversification (beyond interest rates).

Finally, Perspective's established track record over more than five years is a key proof point that speaks for itself.

EUROSTOXX 50 (PR): IMPLIED PROBABILITY OF -50% DROP IN 5-YEAR PERIOD



Important Notice: Unless otherwise stated, all information and views expressed are those of La Française Investment Solutions as of June 30, 2019. These views are subject to change at any time based on market and other conditions and there can be no assurances that strategies will perform in line with expectations. This promotional document is for the use and information purposes of professional, institutional and/or qualified investors only. It does not constitute, on La Française Investment Solutions' part, an offer, a solicitation, an invitation to buy or sell, or investment advice regarding any vehicle, which may be managed and/or advised by LFIS and/or any security or financial instrument mentioned herein, or to participate in any investment strategy directly or indirectly.