

↑ 0.20%*

Butler Credit Opportunities UCITS Fund

Long/Short European Credit

September 2019

Performance Returns

*The Butler Credit Opportunities UCITS Fund (BCO UCITS) returned +0.20% in September (EUR Institutional Class Founder ISIN: IE00BF2CW131 BB Ticker: MLBCEIF).

Investment Objective & Strategy

Butler Credit Opportunities UCITS is a long/short European Credit fund with a long term target to deliver 8-10% annualized returns while maintaining portfolio volatility below 5% over the credit cycle. The BCO UCITS Fund team uses a unique 3 step investment approach placing risk management and preservation of capital at the centre of portfolio management while constantly seeking opportunities to generate superior risk adjusted returns.

- Stage 1: With their long-standing experience in markets, the team recognizes that the portfolio Beta should always reflect the optimal level of risk in order to preserve capital or generate superior Alpha. The BCO UCITS Fund's portfolio managers systematically implement a Top-Down approach in order to determine the optimal level of risk for the portfolio.
- Stage 2: Bottom up focuses on the fundamental analysis of individual securities, assessing key financial parameters for each bond evaluating its potential as a long or short position.
- Stage 3: Portfolio construction determines the capital allocated to each strategy/position taking into account risk, liquidity, volatility, etc.

Monthly Commentary

In the context of an uncertain economic outlook, central bank meetings proved to be the main focus for markets in September. Expectations were high, driven by previous dovish statements, which probably explains why investors were slightly disappointed overall. As to the ECB, while the decisions were generally in line with expectations, market participants did not like the wide disagreement about Mr. Draghi's announcements (including France, previously a

strong supporter of monetary accommodation), which reinforced the sense that nothing more should be expected from the ECB in the coming months. As to the Fed, investors noticed most FOMC members' reluctance to further cut rates unless there is evidence that the US economy is materially deteriorating. However \$HY outperformed €HY, probably taking comfort from Fed's significant headroom and its likely readiness to use it should needs be, while the ECB's apparent upcoming hibernation weighed a bit on Europeans' morale.

The BCO Fund (EUR Founder class) returned +0.20% net, which again makes for one of the strongest alpha generation since the May'17 inception – 50/60bps gross of fees (35bps gross return vs. a 55% average beta on a B-focused index down 0.32% on the month). This was despite the HY secondary experiencing intra-month volatility, albeit narrow, and while primary issuance was muted. September's alpha generation mostly took place in 3 sectors : (1) Consumer & Retail, where 3 Credits were further re-rated following their encouraging recent earnings ; (2) Media & Cable, due to Altice SA's outperformance (one of our biggest beta contributor) ; (3) Telco, thanks to successful refi issuance on Swiss Matterhorn and French SFR – we topped up our initial allocations.

October began with disappointing ISM/PMI figures in Europe and moreover in the US, evidencing that economic downward risks have intensified. While Equities took a 4% nosedive but quickly recovered 50-70% of their losses, HY markets have experienced ongoing weakness. This has been especially the case in Europe ; while volumes have reportedly been modest so far, there is a growing sense of malaise, as witnessed by dispersion/decompression reaching new records. Insofar as we do not expect any quick help from economic policies (trade agreements/the ECB/European fiscal policies), we have accordingly lowered the Fund's beta towards 40%.

The Manager



Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly with daily indicative NAVs
Fund AUM	€680.1m
Strategy AUM	€743.4m
Inception	15 th May 2017

Share Class	Institutional Class B Pooled Shares
Currency	EUR/CHF/USD/GBP
Mgt. Fee	1.1%
Perf. Fee	20%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BF2CWF72/MLBCEIB CHF: IE00BF2CWH96/MLBCCIB USD: IE00BF2CWI11/MLBCUIB GBP: IE00BF2CWG89/MLBCBGI

Share Class	Retail Class Pooled Shares
Currency	EUR/CHF/USD/GBP
Mgt. Fee	1.5%
Perf. Fee	20%
Min Init. Sub.	1,000
ISIN Codes	EUR: IE00BF2CWK26/MLBCERP CHF: E00BF2CWM40/MLBCOCR USD: IE00BF2CWN56/MLBCURP GBP: IE00BF2CWL33/MLBCGRP

Butler Credit UCITS Fund Performance (EUR Institutional Class Founder)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	1.25%	1.16%	0.62%	1.07%	-0.51%	1.00%	0.52%	0.79%	0.20%				6.26%
2018	0.58%	0.16%	-0.22%	1.01%	-0.52%	-0.02%	1.07%	0.17%	0.25%	-0.18%	-0.29%	-0.58%	1.42%
2017	-	-	-	-	0.73%	-0.29%	0.53%	-0.04%	0.69%	0.91%	-0.60%	-0.18%	1.74%

The performance figures quoted above represent the performance of the Butler Credit Opportunities UCITS Fund since launch on 15th May 2017. These performance figures refer to the past and past performance is not a reliable guide to future performance.

WB Opportunities Fund Ltd Performance Class A2 USD Shares (Non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2017	0.09%	0.67%	-0.15%	0.88%	-	-	-	-	-	-	-	-	1.50%
2016	-0.38%	-0.97%	2.58%	2.02%	0.37%	-0.80%	1.21%	1.73%	-0.58%	1.01%	0.14%	1.73%	8.28%
2015	0.89%	1.69%	0.24%	0.56%	0.34%	-0.65%	0.16%	-0.78%	-0.46%	1.08%	0.67%	-0.02%	3.76%
2014	0.98%	1.34%	0.91%	1.01%	0.12%	0.81%	-0.65%	0.69%	-1.56%	-0.84%	0.28%	0.29%	3.39%
2013	1.40%	1.26%	0.40%	1.39%	0.23%	-1.14%	1.82%	0.89%	1.62%	2.35%	0.22%	0.96%	11.95%
2012	2.19%	3.02%	1.67%	-0.83%	-0.42%	-0.18%	1.36%	1.34%	1.66%	2.25%	0.99%	2.05%	16.11%
2011	2.40%	2.43%	0.68%	1.43%	0.18%	-0.19%	-0.49%	-0.61%	-0.91%	4.29%	-2.38%	0.81%	7.74%
2010	1.70%	-0.47%	4.35%	2.09%	-0.65%	-0.03%	2.99%	0.51%	2.28%	1.93%	-1.01%	1.66%	16.30%
2009	-	-	-	-	-	-	-	-	-	0.36%	0.78%	2.45%	3.62%

The above performance pertains to the performance since inception of the WB Opportunities Master Fund and is not of the BCO UCITS Fund. UCITS Funds have to abide by certain investment restrictions and consequently the performance of BCO UCITS Fund may not be similar to that presented above. These performance figures refer to the past and past performance is not a reliable guide to the future performance. The WB Opportunities Fund was amalgamated into BCO UCITS Fund on 31.12.2018

Laurent Kenigswald

Managing Director

Laurent Kenigswald has more than 21 years of experience in Credit and 10 years as Economist. He was a senior portfolio manager of Barep Global Credit (BGC), a €500m credit hedge fund. In 2006, BGC was awarded "Best European Multi Strategy Fund" of the year from Hedge Fund Review. Prior to this, Laurent was a credit sell side analyst at Crédit Lyonnais, Natixis and Aurel Leven, managed a portfolio of Brady bonds (Emerging Markets sovereign debt) at BNPParibas and was a senior economist at the Direction de la Prévision in the French Ministry of Economy and Finance.

Olivier de Parcevaux

Director

Olivier de Parcevaux has been a credit portfolio advisor, analyst and manager since 2001. In 2007, he joined Barep Global Credit Fund as a portfolio manager under Laurent Kenigswald leadership. He was responsible for the utilities, energy, chemical, packaging and general industrials sectors. Prior to joining BGC, he was a high yield buy-side analyst for AXA IM and for CDC Ixis at the head office and a credit sell-side analyst for Credit Lyonnais.

Cyril Furtak

Director

Cyril Furtak has been working with the credit portfolio advisory team since 2003 and as a credit portfolio manager since 2005. In 2003, he joined the Barep Global Credit Fund as a credit portfolio analyst and later he was promoted to portfolio manager and worked under Laurent Kenigswald leadership. Prior to this, Cyril worked at Renault Nissan as a business analyst for the Executive Committee.

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Performance Statistics (since inception) [^]	WBO USD A2 class	
	Oct 2009 - Dec 2018	^^BCO EUR Founder class May 2017-present
Profitable Months (% total)	70.27%	62.07%
Maximum Drawdown	-2.38%	-1.05%
Months to Recover	4	1
Annualized Return	8.08%	3.95%
Annualized Daily Volatility	3.08%	1.65%
Annualized Monthly Volatility	4.03%	2.00%
Sharpe Ratio - ann. d. volatility	2.58	2.33
Sharpe Ratio - ann. m. volatility	1.97	1.92

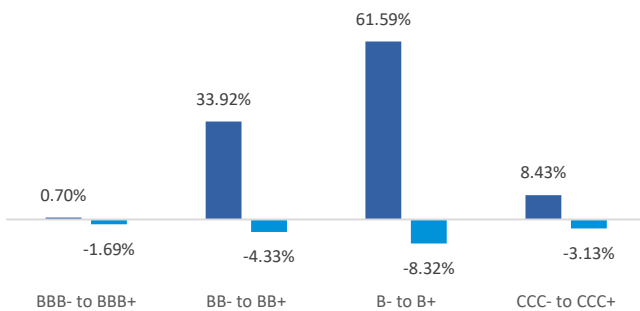
Current Butler Credit Opportunities UCITS Fund Portfolio Statistics	
Number of Positions	146
Gross Exposure ¹	187.31%
Net Exposure ²	54.91%
Beta adjusted Net Exposure ³	70.27%
Modified Duration	1.73
YTCensus ⁴	2.54%
Spread Duration	2.50

^^Butler Credit Opportunities UCITS Fund Current Exposures (% NAV)			
	Long	Short	Net
L/S General	101.03%	-11.87%	89.16%
L/S Relative	5.97%	-5.59%	0.37%
Spec Sit Credit	0.00%	0.00%	0.00%
Trad /Hedg	14.11%	-48.74%	-34.62%
Total	121.11%	-66.20%	54.91%

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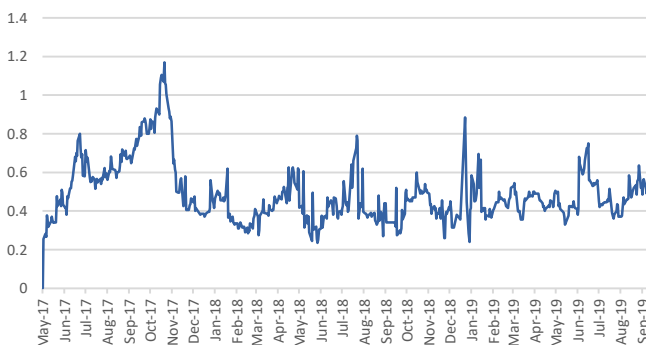
BCO UCITS Fund Current Rating Exposure⁵ (% NAV)



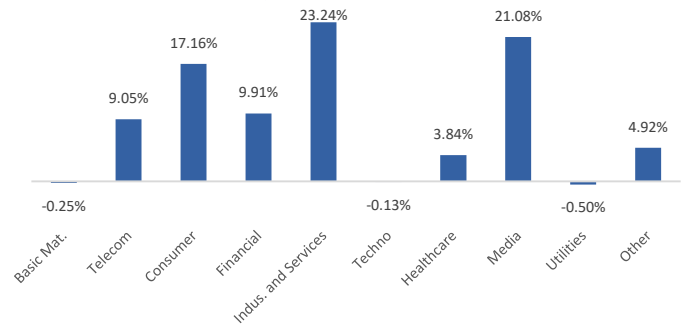
Butler Credit Opportunities Fund Largest Long Strategies (ex. Indexes and Futures) ⁵	
Name	% NAV
SFR	8.49%
ALTICE	5.72%
UNITED GROUP	3.21%
MATTERHORN	3.15%
NETFLIX	2.86%
Total	23.44%

Butler Credit Opportunities Fund Largest Short Strategies (ex. Indexes and Futures) ⁶	
Name	% NAV
ARCELORMITTAL	-1.69%
NEXANS	-1.30%
STAPLES	-0.69%
LOUIS DREYFUS	-0.59%
LTD BRANDS	-0.55%
Total	-4.81%

BCO UCITS Fund MC VaR99 5 days (%)



BCO UCITS Fund Sector Net Exposure (% NAV)



¹ Gross Exposure = sum of long and net exposure per share as a percent of NAV
² Net Exposure = difference between long and short exposure per share expressed as a percent of NAV including equity hedges (Index, Futures, Options, etc.)
³ Beta Adjusted Net Exposure = Beta Adjusted Market Value of long positions less Beta adjusted Market Value of short positions expressed as percent of Net Asset Value. Including equity hedges (Index, Futures, Options, etc.)

⁴ The lowest yield to all possible redemption scenarios, except where on a fixed to floating rate security it is the yield to the next call date, or if there is a maturity or call date announced by the entity, the yield to that date.
⁵ Single names only
⁶ Long and Short positions held in the same company or group of companies have been aggregated and/or netted to express BCO's net exposure to them

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