

# Capital Four European Loan & Bond Fund

July 2017

## Performance

Returns & Risk	1 Month (%)	YTD (%)	1 Year (%)	3 Year <sup>1</sup> (%)	Since Inception <sup>2</sup> (%)	Sharpe Ratio <sup>2</sup>	Volatility <sup>2</sup> (%)	Max Draw-down <sup>2</sup> (%)
<b>European Loan &amp; Bond Fund (Net)</b>	<b>0.28%</b>	<b>2.84%</b>	<b>5.68%</b>	<b>N/A</b>	<b>N/A</b>	<b>3.03</b>	<b>1.66%</b>	<b>-0.70%</b>
<b>European Loan &amp; Bond Composite (Gross)<sup>3</sup></b>	0.35%	3.27%	6.25%	5.38%	7.57%	2.84	2.66%	-1.39%
CS West Eur Leverage Loan Index <sup>3</sup>	0.25%	2.66%	4.87%	4.44%	5.28%	3.70	1.43%	-1.02%
Euribor (3M) + 300 bps <sup>3</sup>	0.21%	1.50%	2.61%	2.83%	3.02%	N/A	N/A	N/A

Fund performance from share class A. Referenced indices are CS Inst. Western Europe Leveraged Loan Non USD Hedged EUR and Euribor 3-m. + 300bps. <sup>1</sup>Annualized. <sup>2</sup>Since inception, annualized. Inception date of the European Loan & Bond Fund is 1 December 2014. <sup>3</sup>Composite and referenced indices risk and performance figures are since inception of the strategy, May 2012.

## Monthly Returns (Net NAV, %)<sup>4</sup>

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	<b>11.28</b>	-	-	-	-	-1.37	1.14	2.72	2.29	1.35	2.22	0.95	1.51
2013	<b>7.14</b>	-0.54	-0.16	0.50	2.35	-0.25	-1.24	1.91	0.69	0.88	1.47	0.56	0.82
2014	<b>4.35</b>	0.77	0.66	1.04	0.35	0.02	0.61	0.12	0.47	-0.22	-0.12	0.35	0.21
2015	<b>4.17</b>	0.64	0.96	0.15	0.65	0.47	-0.45	0.61	-0.01	-0.07	0.62	0.48	0.04
2016	<b>6.31</b>	0.03	-0.70	1.39	1.00	0.79	-0.41	1.33	0.84	0.38	0.57	0.44	0.51
2017	<b>2.84</b>	0.79	0.68	-0.06	0.27	0.59	0.25	0.28	-	-	-	-	-

Notes: <sup>4</sup>Before February 2015 performance is from the composite, net of fees. Before December 2013 the composite consists of senior secured High Yield Bonds & FRN carve-out of a segregated mandate after fees. Past performance does not guarantee future performance.

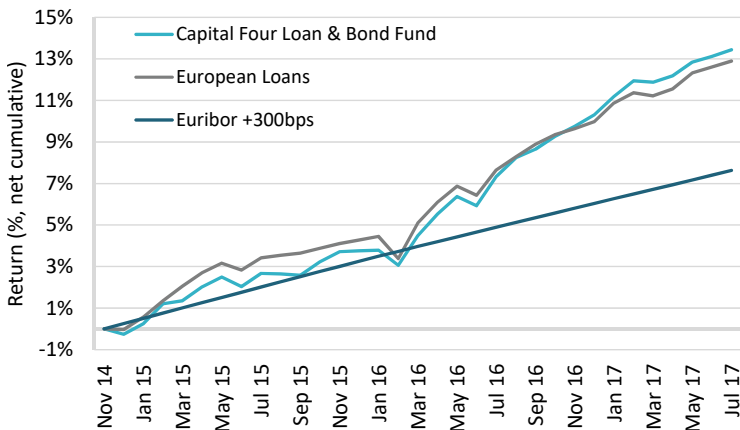
## Comments and Activities

The market return for July was 0.25% and 0.91% for European loans and European high yield, respectively, with corresponding spread tightening of 5bps for loans and 17bps for high yield. The Fund had a positive return of 0.35% (gross of fees) in July.

The ECB took a dovish stance at the mid-month meeting which took the pressure of rates (and the high yield bond market) which increased significantly end of June/beginning of July. The return of the loan market in July was in line with the previous month and the average loan price stayed stable at 100.3.

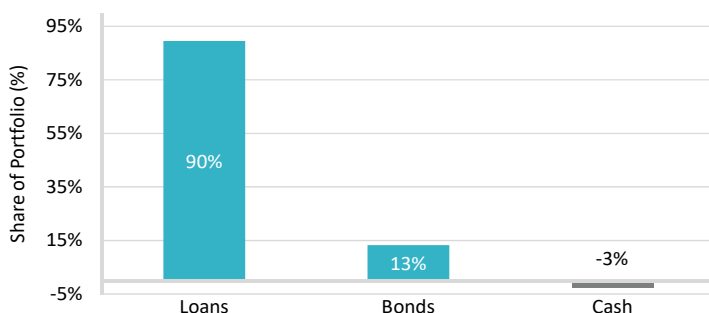
The European new issue pipeline in sub-investment grade continued to be abundant in July as issuers wanted to close deals before the holiday season. European loan issuance has now already matched 2016's full year issuance and is now up 84% on a year-over-year basis (source: S&P). The account participated in a total of 13 new primary deals of which 12 were loans. One of the larger loan allocations were in Breitling which is a Swiss manufacturer of luxury watches. Breitling came to the market with a EUR and CHF tranche. The account participated in the CHF 1st lien loan tranche that issued with an OID of 99.5 and 0% floor corresponding to an all-in spread of 496 bps, which we find attractive given our estimated equity cushion of more than 50%. The loan did well in the secondary market and traded up more than 2 points by month end.

## Fund Performance Since Inception



Reference indices are CS Inst. Western Europe Leveraged Loan Non USD Hedged EUR and Euribor 3-m. (beg. of period) + 300bps. Past performance does not guarantee future performance.

## Portfolio Breakdown



Note: Maximum leverage under the commitment method is 110% of the NAV for the purpose of unfunded commitments.

## Investment Objectives

Invest in attractive yielding credits in the European Leveraged Finance Market with a strong downside protection against both credit and interest rate risk due to:

- 1) Seniority in the borrower's capital structure and first-priority pledge over the borrowers' assets
- 2) Diversified credit exposure to a growing investment universe with loan and bond issues
- 3) Low duration and low correlation to other asset classes.

## Investment Target

Total return of Euribor 3-m +300bps. over the cycle (+400 bps. currently).

## Investment Universe

Senior Secured Bank Loans and Senior Secured High Yield Bonds of corporate obligors with focus on Core Europe (with flexibility between the two asset classes).

## Fund Facts

Yield to Worst (%)	4.1
Spread/DM to Worst <sup>5</sup>	419
Interest Rate Duration to Worst	0.4
Spread Duration	2.7
# of Issuers	92
Average Price	100.9
Average Coupon (%) <sup>6</sup>	4.42
Average Quality <sup>7</sup>	B
Fund Size (EUR millions)	624.3

Note: Fund statistics is the combination of investments and cash.

<sup>5</sup>Discount Margin (DM) assumes 3-year life.

<sup>6</sup>Average Coupon is the average of nominal coupon for fixed-rate instruments and spread plus latest re-fix base rate for floating-rate instruments.

<sup>7</sup>Cash rated AA-, equivalent to the rating of the Depository. Shadow ratings may apply to loan instruments.

# Capital Four European Loan & Bond Fund

July 2017

Share Classes	Class A – EUR	Class B – CHF	Class D – EUR	Class E – NOK	Class F – GBP	Class G – USD
NAV	113.44	108.16	108.04	105.42	104.43	100.34
ISIN (Bloomberg)	LU1121114414 (CFEHIAE LX)	LU1324926622 (CFELBHC LX)	LU1389075463 (CFELBDE LX)	LU1499703715 (CFELBEN LX)	LU1499703988 (CELBFGH LX)	LU1617830309 (CFELGUH LX)
Currency*	EUR	CHF	EUR	NOK	GBP	USD

Fund Terms	
Min. Investment <sup>9</sup>	EUR 10,000
Management Fee	0.50% fixed per annum.
Concentration Limit	Max. 6% per obligor; Max. 30% per industry; Min. 80% of the invested assets invested in European High Yield or Loans.
Payout Structure	Share Classes A, B, E, F and G are accumulating all income and capital gains and are not intended to pay any dividends or make other distributions. Share Class D pay out dividends annually (Q2 of every year.)
Subscription	Semi-monthly, deadline the business day prior to dealing day. Dealing days are the 1st and 11th business day of the month.
Subscription Fee	0.50% fee is paid into the Fund to compensate for trading costs of establishing initial exposure.
Redemptions	Semi-monthly, deadline is 10 business days before dealing day; 0% redemption fee.
Fund Structure	Capital Four Invest (the 'Fund') is a Luxembourg SICAV–SIF. The Fund is a public limited liability company with variable share capital (SICAV), established as a specialized investment fund (SIF). The Fund is one single legal entity and has an umbrella structure consisting of several sub-funds, including the European Loan & Bond Fund ('Sub-Fund C' or the 'Sub-Fund').
Launch Date	1 December 2014 (Sub-Fund C, class A).

\*All currencies are hedged. <sup>9</sup>Minimum investment is 10,000 EUR or equivalent. Investors will need to certify that they meet the criteria of a 'well informed investor' before subscribing (see prospectus for further details).

## About Capital Four

The founding members of Capital Four are among the pioneers in European Credit and High Yield markets. The foundation of our investment process was established in 1999 and has produced an award-winning track record within European High Yield management. The value creation in our investment portfolios is driven by a rigorous bottom-up investment process, which has been proven during bull and bear markets. We believe that fundamental research and a well designed investment process can lead to superior long-term financial performance. Our investment philosophy is driven by:

**Bottom-up credit analysis and selection**

**Mid-term investment horizon**

**Structured and disciplined investment process**

## Capital Four Portfolio Management Team



**Sandro Näf**  
Partner, CEO  
Since 2007

23 years of experience



**Henrik Østergaard**  
Partner  
Since 2007

23 years of experience



**Torben Skødeberg**  
Partner  
Since 2007

19 years of experience



**Rene Kallestrup**  
Partner  
Since 2012

11 years of experience



**Mikkel Sckerl**  
Partner  
Since 2013

15 years of experience

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## DISTRIBUTION IN THE EUROPEAN ECONOMIC AREA

The Fund has been notified, registered or approved (as the case may be and howsoever described) in accordance with the local law/regulations implementing the Alternative Investment Fund Managers Directive (Directive (2011/61/EU)) (the "AIFMD") for marketing to professional investors into the following member state(s) of the EEA (each a "Member State"): Luxembourg, Sweden, Norway, United Kingdom, Italy, the Netherlands, France, Finland, Ireland, Austria, Belgium, Spain, Germany, Denmark, Cyprus, Greece, Hungary and Poland. United Kingdom: This document is being issued in the United Kingdom by Northhill Capital LLP which is authorised and regulated by the Financial Conduct Authority (the "FCA") to and/or is directed only at persons who are professional clients or eligible counterparties for the purposes of the FCA's Conduct of Business Sourcebook. Northhill Capital LLP is an affiliate of Capital Four.

## ADDITIONAL INFORMATION FOR QUALIFIED INVESTORS IN SWITZERLAND

The Fund and its sub-funds\* are compliant with Swiss law for distribution to qualified investors in Switzerland. The Swiss representative is Carnegie Fund Services S.A., 11, rue du General-Dufour, 1204 Geneva. The Swiss paying agent is Banque Cantonale de Geneve, 17, quai de l'le, 1204 Geneva, Switzerland. Investors in Switzerland can obtain the documents of the Fund, such as the Offering Document, the Articles of Incorporation and the financial reports free of charge from the Swiss representative. This document may only be issued, circulated or distributed so as not to constitute an offering to the general public in Switzerland. Recipients of the document in Switzerland should not pass it on to anyone without first consulting their legal or other appropriate professional adviser, or the Swiss representative. Investors will need to prove that they meet the criteria of a 'well informed investor'. \*Only Capital Four Invest - Credit Opportunities Fund and Capital Four Invest - European Loan & Bond Fund are compliant with Swiss law for distribution to qualified investors in Switzerland.