Dear investors,

As the fears surrounding Covid-19 have taken a substantial toll on markets last week, we would like to provide a quick update on the Fund's positioning as of close of business on Friday 28 February. Whilst we are waiting for final NAVs, we are presenting below Chenavari's gross estimates in USD, the fund's reference currency. These are meant to provide orders of magnitude rather than final numbers. Net figures per share class will be confirmed in the upcoming February factsheet.

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In summary, the Lyxor Chenavari Long / Short Credit Fund is estimated to be up around 60bps in February, bringing the YTD gross performance to c. 2.45%.

Naturally, the market dislocation echoes unprecedented uncertainty, with a significant risk of a global recession. Beyond the actual mortality rate of Covid-19, the potential shutdown of world trade has become a tangible outcome for market participants and the impact on the economy could be devastating (and a real test for states and health systems across the globe).

That said, most central banks have not yet come to the rescue and this environment will be another test of their ability to enact fiscal and monetary easing. Also at this stage, the central scenario remains that the world will learn to cope with the pandemics after a few quarters of severe disruption (and most probably, a very large toll on human lives).

In our opinion, the current markets are best navigated via a nimble and dynamic strategy, capable of embracing the market volatility and make the most of arising opportunities both on the long and short side. Chenavari's proprietary risk system (Clark) enables our portfolio managers to monitor the fund's profile in real time and adjust the sensitivity of the Fund as fast as possible.

As the Fund enters its fifth year of track record since the "Relaunch" in February 2016, the team is as committed as ever to deliver uncorrelated returns across the cycle, with controlled drawdown.

We are happy to discuss the charts and tables presented below in more detail and are looking forward to more dialogue with you in the coming weeks.

Markets and Fund Performance

After three benign weeks at the start of the month, the collapse of markets across the globe went unabated in the final week of February (see chart 1).

Chart 2 shows the estimated gross PnL of the Fund (in USD), broken down by strategy.

Chart 1: Recent performance of key reference indices (week on week changes, MTD and YTD)

	February 2020					YTD
	Week 1	Week 2	Week 3	Week 4	MTD	2020
Main s32 5y (IG)	-6.1%	-4.6%	+3.5%	+49.9%	+38.9%	+45.6%
XO s32 5y (HY)	-6.6%	-1.7%	+3.6%	+38.2%	+31.5%	+46.4%
SNRFIN s32 5y	-9.7%	-3.8%	+3.8%	+54.0%	+38.9%	+46.3%
SX5E (EUROSTOXX 50)	+4.3%	+1.1%	-1.1%	-12.4%	-8.6%	-11.1%
SPX (S&P 500)	+3.2%	+1.6%	-1.3%	-11.5%	-8.4%	-8.6%
SX7E (EUROSTOXX Banks)	+9.0%	+1.5%	-2.7%	-14.5%	-7.9%	-12.9%

Note: for credit indices, performance is expressed in spread variations
Source: Bloomberg

Chart 2: Lyxor Chenavari UCITS L/S Credit - gross P&L attribution overall and by Strategy (USD)

	February 2020					YTD
	Week 1	Week 2	Week 3	Week 4	MTD	2020
Corporate LA	0.15%	-0.03%	0.10%	0.08%	0.30%	1.33%
Financials LA	0.34%	0.24%	0.09%	-0.52%	0.15%	0.91%
Structured Credit	0.08%	0.06%	-0.05%	-0.05%	0.04%	-0.02%
Other	0.04%	0.03%	0.02%	0.03%	0.11%	0.23%
Overall Fund GROSS	*0.61%*	*0.30%*	*0.16%*	*-0.47%*	*0.60%*	*2.45%*
*Net perf SI EUR share class**	*0.54%*	*0.15%*	*0.05%*	*-0.50%*	*0.23%*	*1.44%*
*Net perf SI USD share class**	*0.58%*	*0.18%*	*0.08%*	*-0.46%*	*0.37%*	*1.73%*

** Net performance from Bloomberg as at **26 February 2020***
Source: Chenavari unaudited estimates as at 28 February 2020

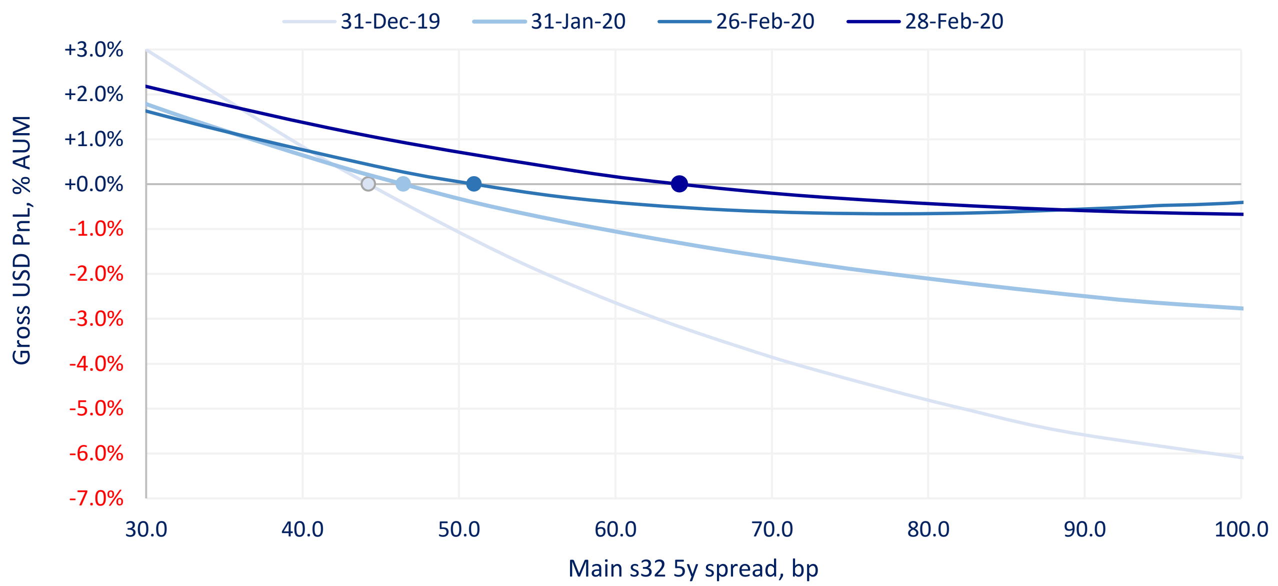
The reasonable containment of the drawdown was made possible thanks to the active focus of the co-PMs (and risk team) on monitoring and adjusting the risk of the book through the final week of the month.

We are happy to explain any of the above variations in further detail, do feel free to reach out to us for more discussion.

Overall Fund Positioning

As Chart 3 shows, the Fund's exposure was significantly reduced from the profile shown on 31 December 2019, which was best suited to benign market conditions. The overall Fund profile was already flattened a lot by the end of January, and as at 26 February it showed a strict control of downside in the case of a large widening of indices.

Chart 3: Fund level systemic stress as a function of iTraxx Main (S32 5Y) spread (the dot representing the position of the Main index at the time of the Curve)



Source: Chenavari unaudited estimates

Positioning of Sub-Strategies

➢ **A quick word of methodology**

In our view, the best way to discuss the positioning of the Sub-Strategies in detail is to look at the PV10, that is, the theoretical reaction of each Sub-Strategy to a 10% widening of spreads as measured by our risk team under certain modelling assumptions[1].

As an order of magnitude, we would reckon that an unlevered Long Only fund invested in single B instruments with a duration of 5 years would have a PV10 of c. -2% (i.e. a drawdown of 2% if spreads were to widen by 10%). A PV10 of zero shows a perfectly market neutral strategy, and a positive PV10 indicates a net short positioning (positive performance if indices were to widen by 10%).

Finally, we note that the construction of the Fund's risk profile with options and convexity generally implies that the Fund would have a certain drawdown on 10% widening, but this drawdown can potentially reduce in

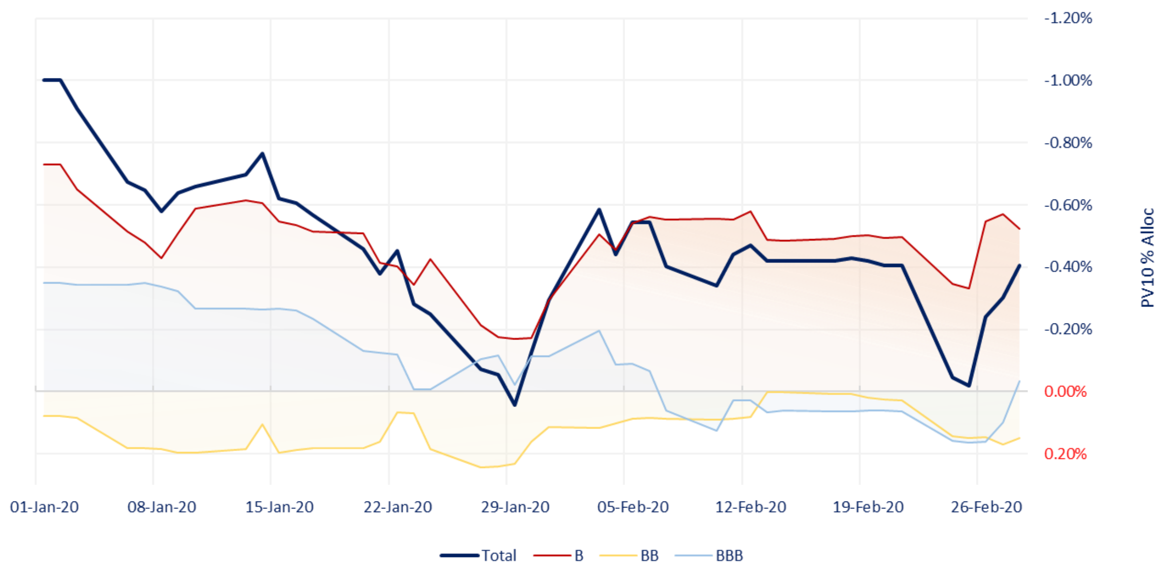
[1] PV10 assumes a 10% shift in 5yr credit spreads and a -3% shift in equity. We also assume a 0.5% shift up in ATM correlation and a 1% shift up in ATM volatility.

the case of a more extreme move (PV50 would potentially show less drawdown, if not a positive performance according to our risk model).

- **Corporate Sub-Strategy (currently 45% allocation)**

By mid-February, the Corporate Sub-Strategy had reduced market exposure (40 bps theoretical drawdown for 10% widening of indices). This exposure was swiftly taken to 0 on 24 and 25 February, before some shorts were monetised, bringing back the exposure to the (low) level of mid-February.

Chart 4: PV10 by seniority and overall as a % of allocated capital, Corporate Sub-Strategy



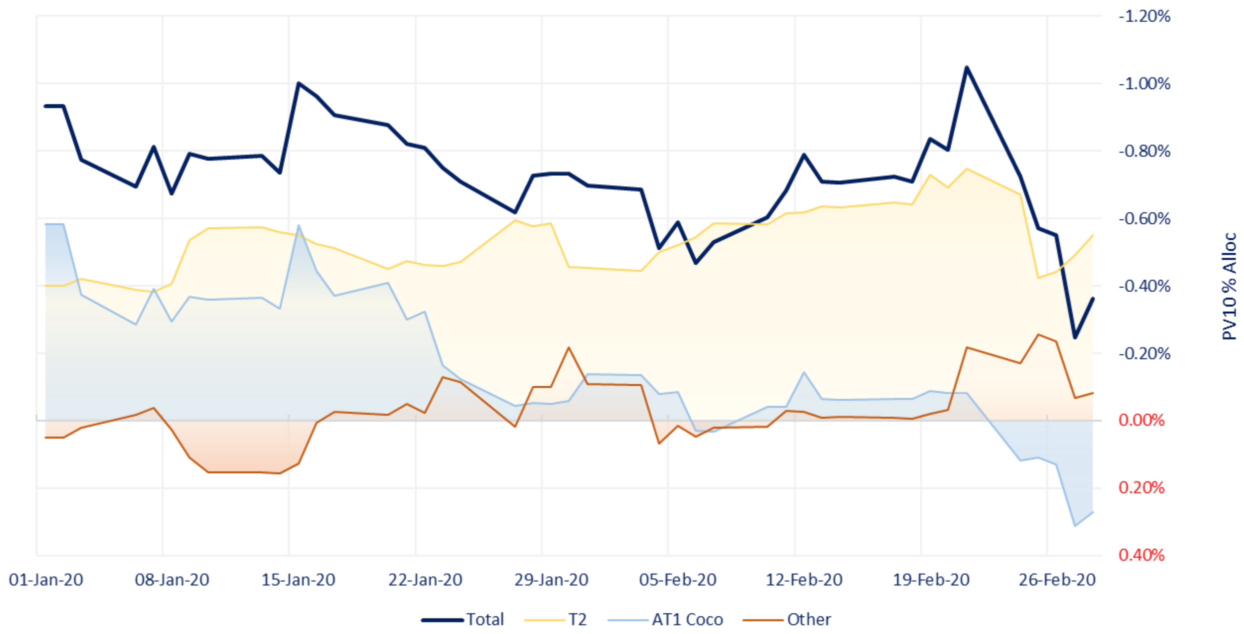
Source: Chenavari unaudited estimates as at 28 February 2020

- **Financials Sub-Strategy (currently 35% allocation)**

As chart 5 shows, in mid-January the co-PMs decided to reduce AT1 exposure in favour of more defensive Tier 2 bonds as Cocos largely outperformed within the bank capital structure over the first two weeks of the year. In particular, after the victory of the centre-left coalition in Emilia-Romagna on 26 January 2020, the Fund started purchasing Tier 2 bonds issued by Italian regional banks (UBI Banca, Banco BPM) to play positive momentum in this area (cf. for example Monte Paschi's imminent EUR 10bn NPL disposal, or Intesa's takeover bid on UBI Banca).

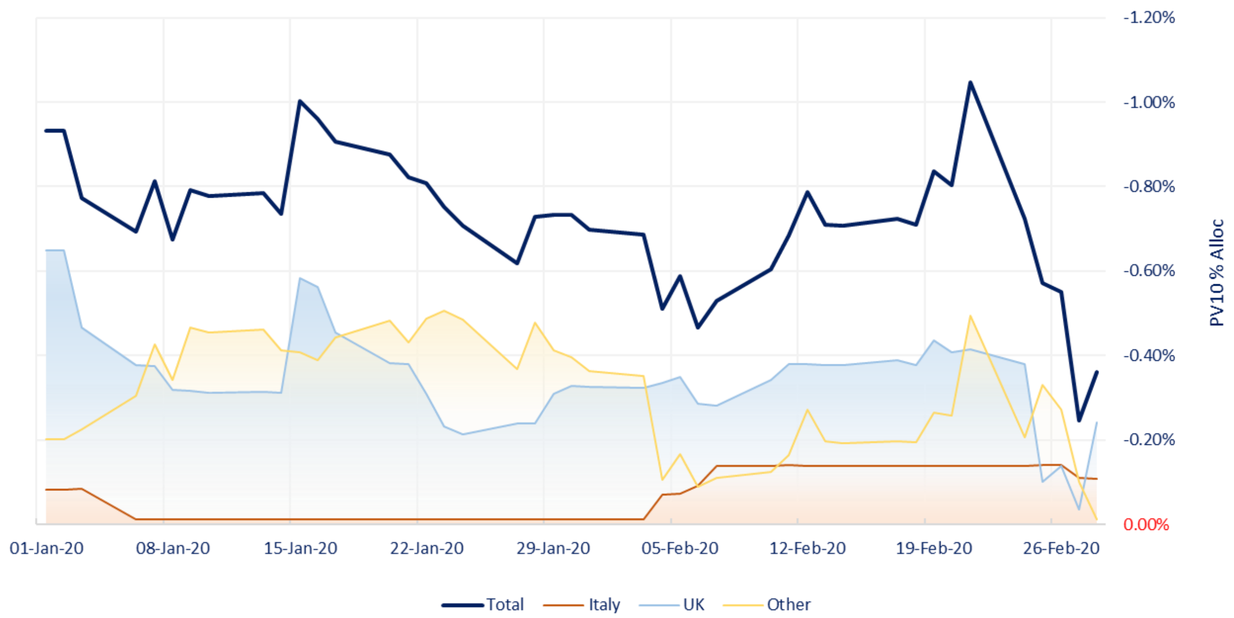
Unfortunately, the unexpected outbreak of the Covid-19 virus in Northern Italy over the week-end of 22 February had a material impact on Italian assets. Whilst the Fund was swift in reducing its global risk exposure, we had to take some (contained) losses in this strategy.

Chart 5: PV10 by seniority and overall as a % of allocated capital, Financials Strategy



Source: Chenavari unaudited estimates as at 28 February 2020

Chart 6: PV10 by country and overall as a % of allocated capital, Financials Strategy



Source: Chenavari unaudited estimates as at 28 February 2020

- **Convexity Sub-Strategy (currently 10% allocation)**

Over the last week, the convexity Sub-Strategy delivered a broadly flat contribution. As could be expected, the initial local move resulted in some drawdown, which was offset in the following days.

In our estimates, the Sub-Strategy would have delivered further positive performance if the significant widening had resulted in an increase in equity correlation (as is usually the case, but has yet to occur).

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We trust the above helps explain the Fund's positioning in the current environment.

Should you wish to arrange a follow-up discussion, please do not hesitate to contact us:

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