



LES OBLIGATIONS CONVERTIBLES

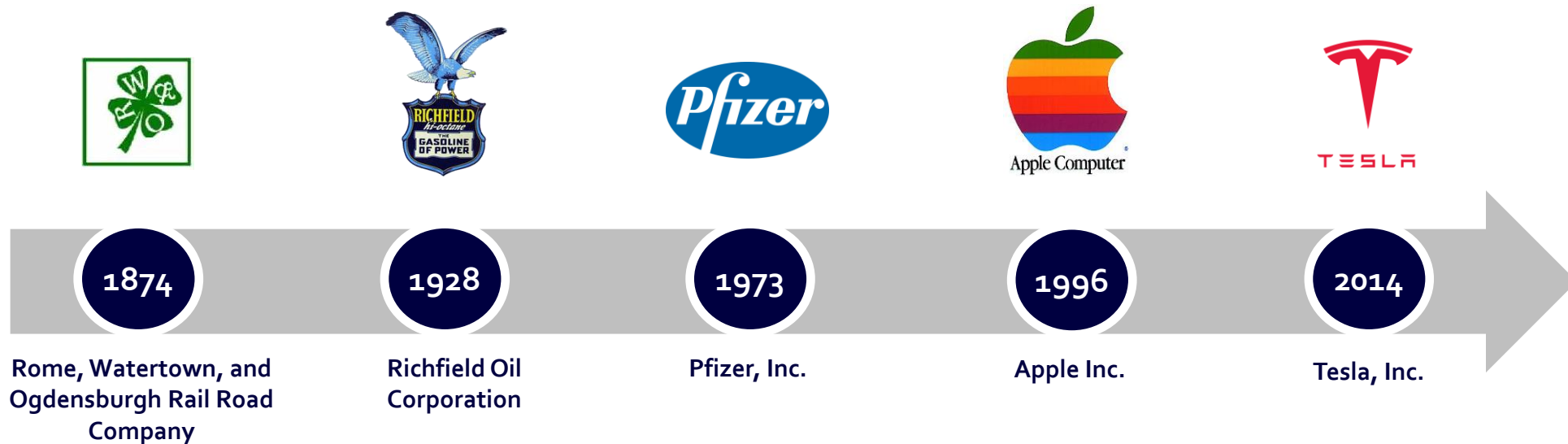
Monaco, 01/03/2023

DAMIEN REGNIER

Points abordés

- I. Qu'est ce que c'est?
- II. A quoi cela sert?
- III. Comment investir?
- IV. Quel est l'intérêt aujourd'hui?

I. Intro: une brève histoire des émissions convertibles

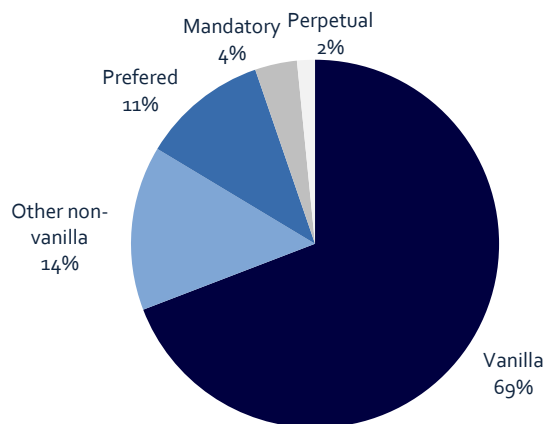


Un instrument qui remonte au XIXeme siecle

I. Intro: un marché de niche

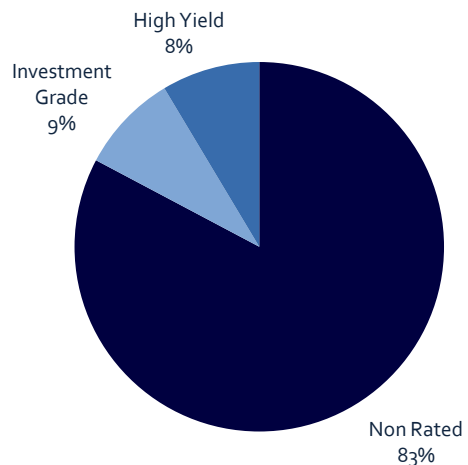
Les convertibles représentent environ 650 milliards d'USD

Structure



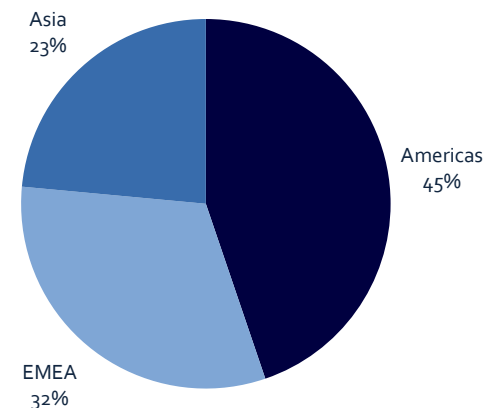
Les Obligations 'Vanilles' sont les plus courantes

Credit



Une prépondérance du non-noté

Region

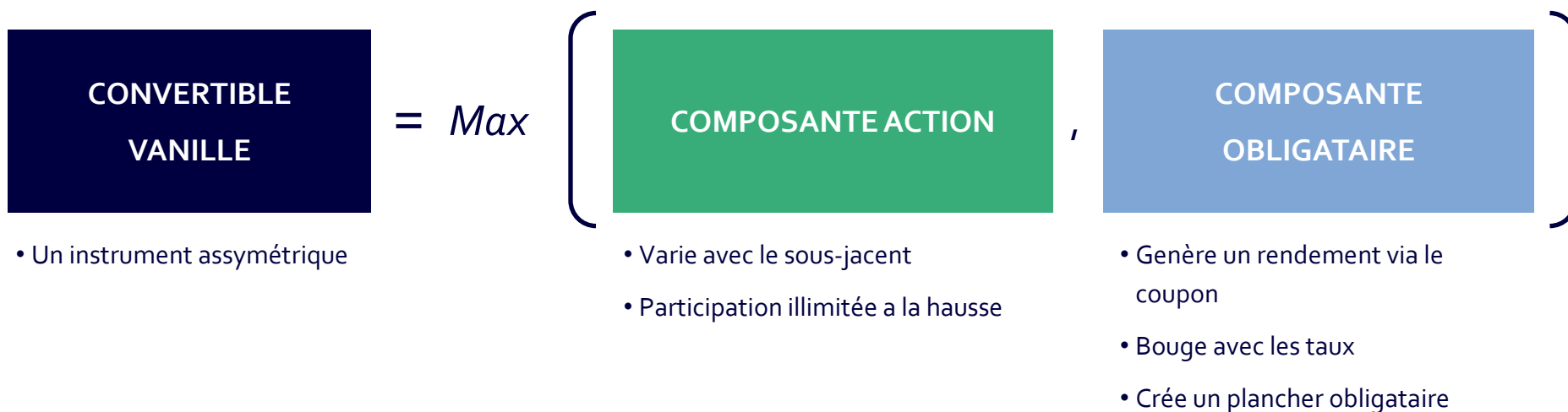


Un marché international

Les convertibles: un marché spécialisé

I. Introduction : la convertible "vanilla"

La plus courante, la structure vanille est aussi la seule qui offre de manière naturelle un profil convexe.

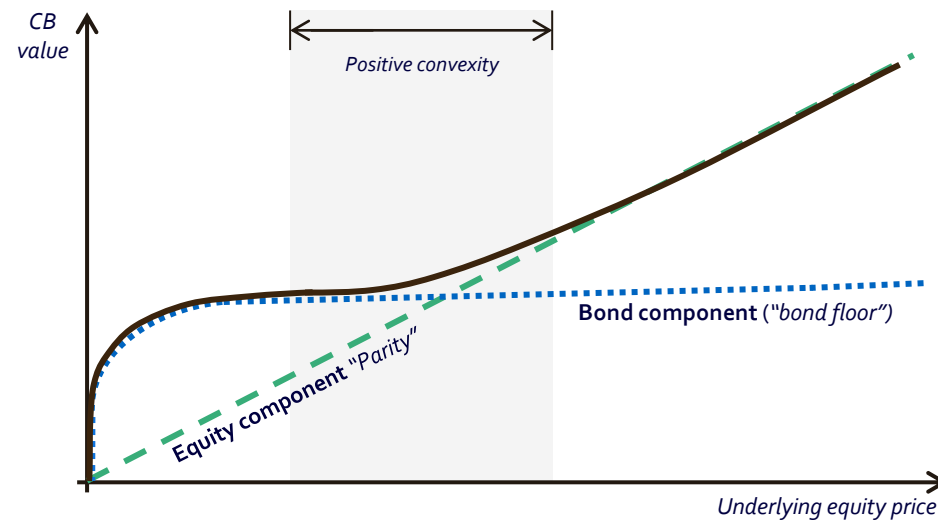


La convertible, le Meilleur de l'action et de l'obligataire?

I. Introduction: et visuellement?

Le "payoff" de la convertible vanille:

- La composante action est appelée "parité", elle correspond a un nombre pré-établi d'actions par obligation et est par conséquent linéairement dépendente du prix de l'action sous-jacente..
- La composante obligataire est appelée "plancher obligataire", elle varie en fonction des taux d'intérêts et de la qualité du crédit de l'émetteur.



- Le maximum des deux composantes à maturité crée une zone **convexe** durant la vie de la convertible dans la partie médiane du profil. Ceci permet mécaniquement de participer davantage à la hausse des actions qu'à leur baisse.

II. Utilisation des Convertibles: Performance

Les convertibles performant très bien sur le long terme avec moins de variations que les actions



Solid performer

Convertibles returned +7.36%
p.a. on average



Equity driven

Convertibles display a correlation
of 86% to equities, 75% to HY and
25% to IG Bonds



Credit resilient

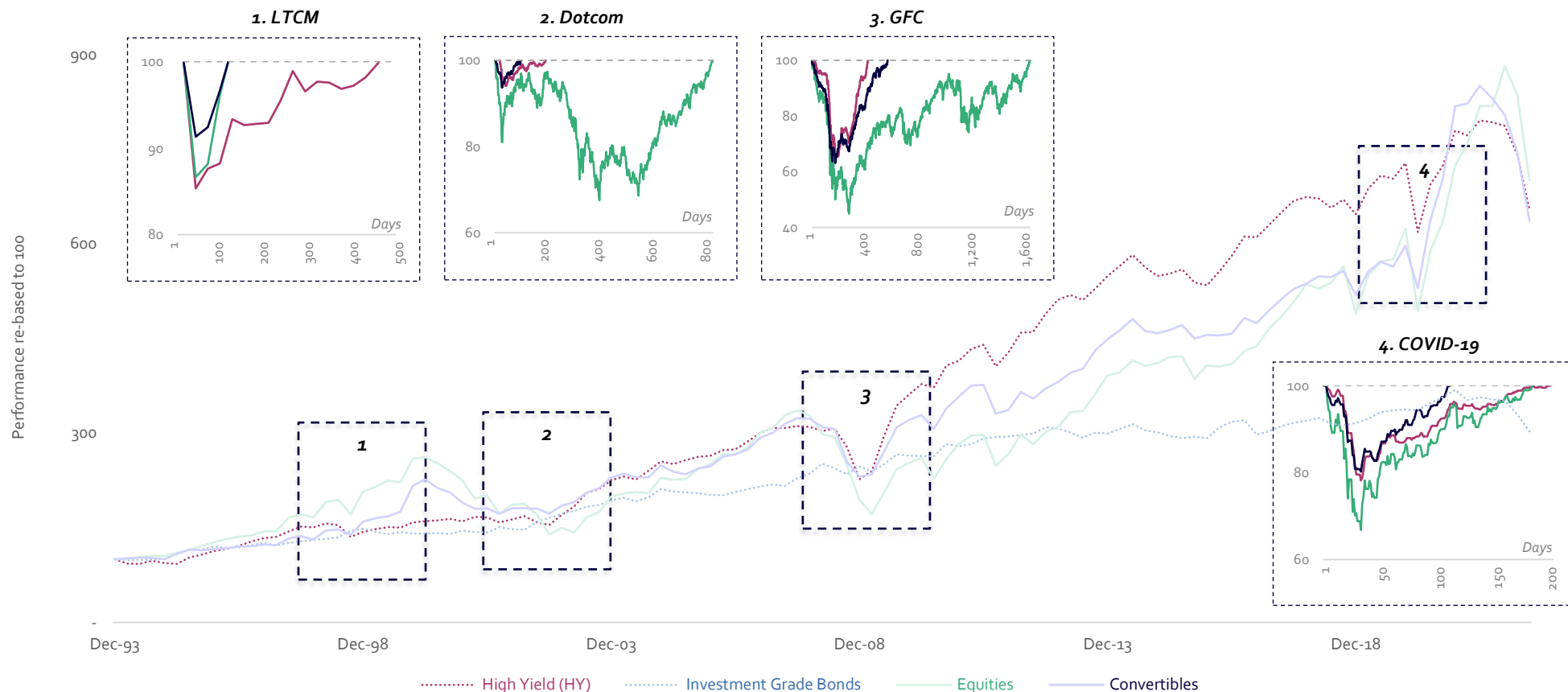
During HY pull-backs, on average,
HY returned -10% vs. equities -
13% vs. convertibles -8%

Source: Tyrus Capital estimates; Bloomberg as of 30 June 2022. High Yield (HY) refers to the Bloomberg Barclays Global High Yield Total Return Index (Bloomberg: LG30TRUU Index); Investment Grade Bonds refers to the Bloomberg Global Aggregate Index (Bloomberg: LEGATRUU Index); Equities refers to the MSCI World Net Total Return USD Index (Bloomberg: NDDUWI Index); Convertibles refers to the Refinitiv Global Focus CB IG Index USD (Bloomberg: UCBIGLVU Index).

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

II. Utilisation des Convertibles: l'éternel second?

Les convertibles vont "tracker" la meilleure classe d'actif linéaire dans un rebond

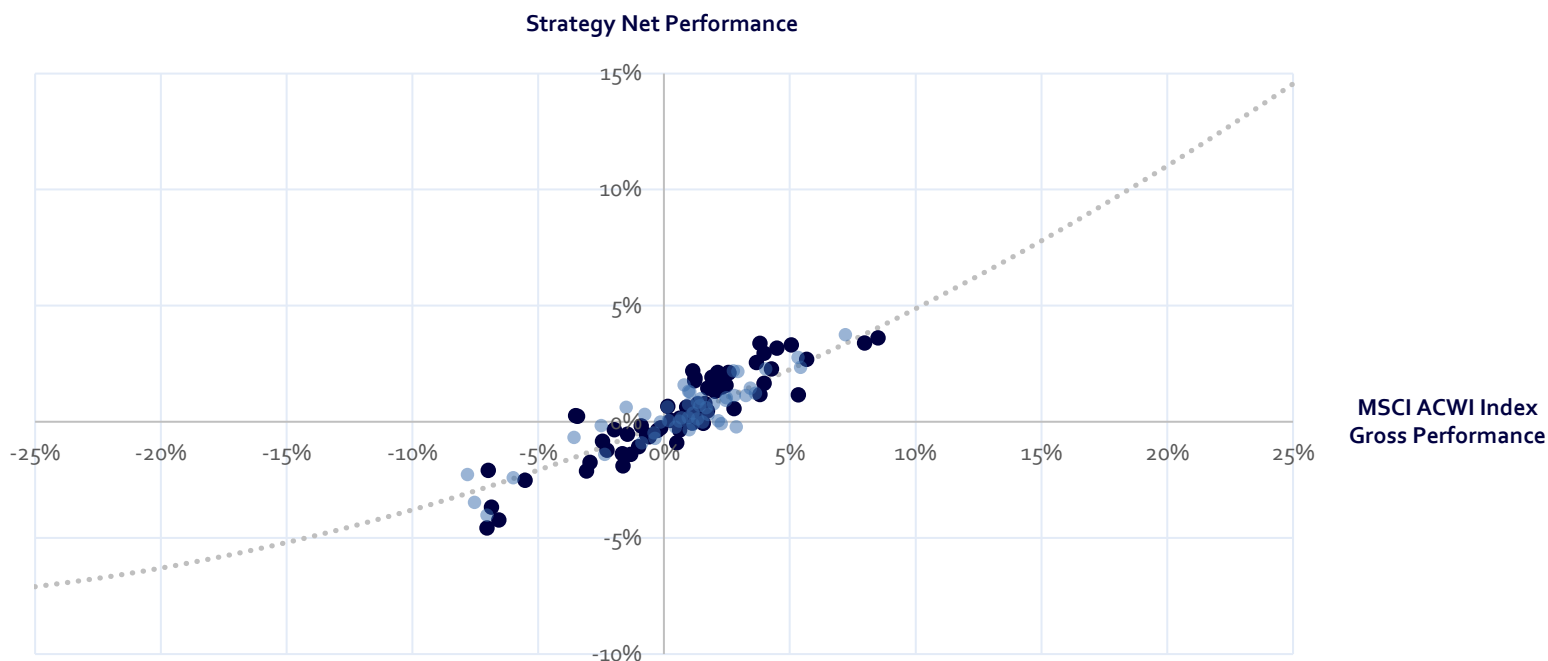


Un excellent outil pour lisser son "market timing" au sein d'une gestion long-terme

Source: Tyrus Capital estimates; Bloomberg as of 30 June 2022. High Yield Bonds refers to the Bloomberg Barclays Global High Yield Total Return Index (Bloomberg: LG30TRUU Index); Equities refers to the MSCI World Net Total Return USD Index (Bloomberg: NDDUWI Index); Convertible Bonds refers to the Refinitiv Global Focus CB IG Index USD (Bloomberg: UCBIGLVU Index). Start dates of crisis: LTCM: 31-Jul-98; Dotcom: 24-Aug-01; GFC: 19-May-08; COVID-19: 21-Feb-20.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

II. Utilisation des Convertibles: la convexité







**Rendement historiquement observé d'environ +1% (net) lors d'un mois de hausse (contre +2% pour les actions)
et -1% net lors d'un mois de baisse (contre -3% pour les actions)**

Source: Bloomberg, as of February 2020. Monthly variations of the Tyrus Global Convertible Fund's track record net of fees from February 2016 (Super Institutional Accumulation EUR Share Class – SI – ISIN: LU1357022695). Track record in EUR hedged versus its MSCI ACWI Eur Hedged Total Return index (gross). Previous track record data from (i) the track record of Damien Regnier, at a previous institution in the period from September 2010 to September 2014 (institutional share class) net of fees; (ii) the return of a notional portfolio managed by Damien Regnier from October 2014 to February 2016 (net of fees). R^2 represents closeness of data to the fitted regression line.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

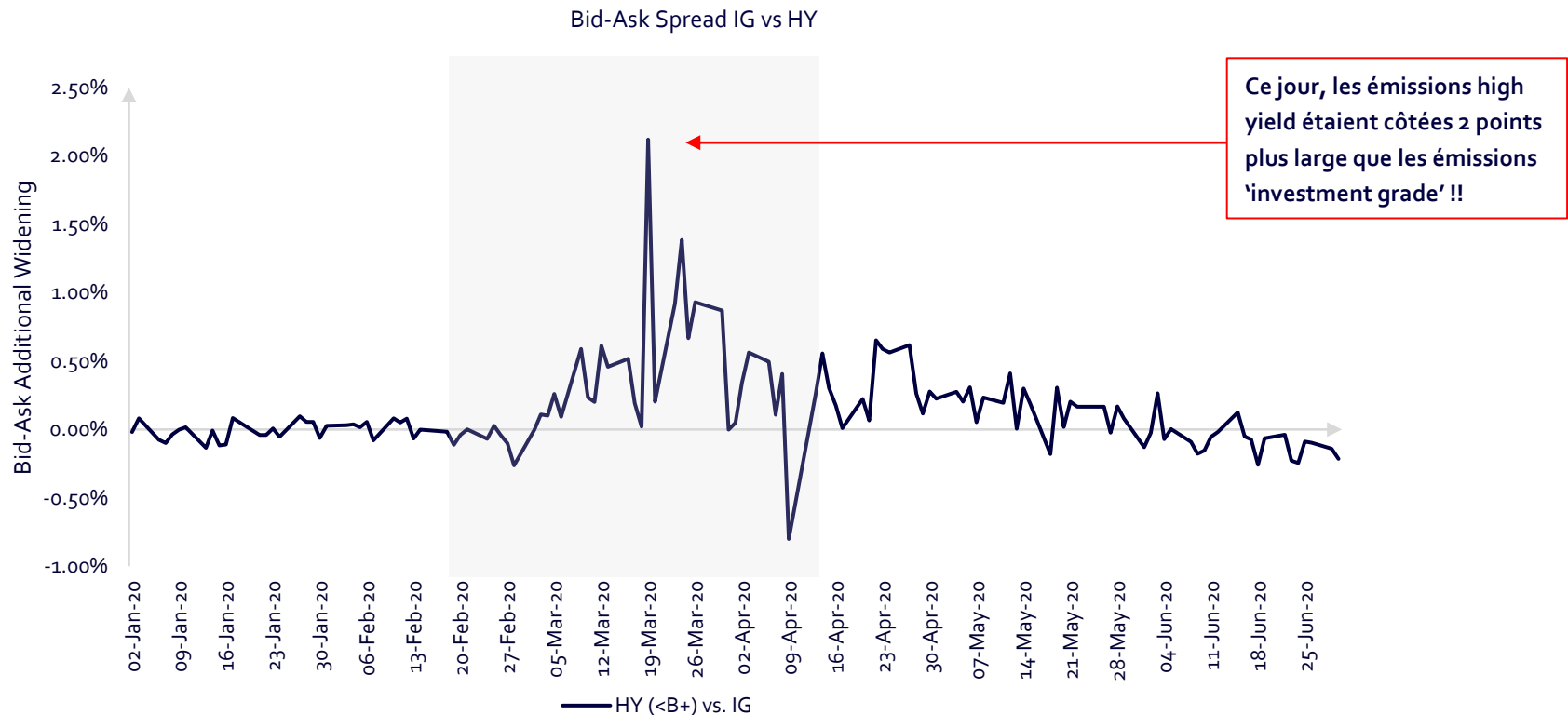
II. Utilisation des Convertibles: Une solution pour tous

Investor Category	Challenge	Convertible as a Solution
 Asset Manager	<ul style="list-style-type: none"> ▪ Improve risk-adjusted returns ▪ Fixed income outlook poor, equities recovery ongoing 	<ul style="list-style-type: none"> ▪ Potential high single-digit return on average ▪ Low single-digit volatility for BBB- credit quality
 Pension Fund	<ul style="list-style-type: none"> ▪ Income, capital preservation, predictability ▪ Fixed income outlook poor, equities recovery ongoing 	<ul style="list-style-type: none"> ▪ Income, downside protection (if at least BBB-) and equity participation on upside. Predictable to model.
 Insurer	<ul style="list-style-type: none"> ▪ Need increased returns to cover liabilities ▪ Equity charges too high, fixed income returns too low 	<ul style="list-style-type: none"> ▪ Equity-like returns with fixed-income-like capital charges
 Alternative Manager	<ul style="list-style-type: none"> ▪ Convexity, diversification ▪ Liquid alternatives few and far between 	<ul style="list-style-type: none"> ▪ Inherent convexity of convertibles, liquid diversification

Les convertibles peuvent apporter une solution à des profils variés

II. Utilisation des Convertibles: Gestion du risque

- Le plus grand risque de la classe d'actif est le risque de liquidité. Premier gros test post 2008 : durant le COVID.
- Attention au danger du 'high yield': la volatilité plus basse cache en réalité... une suspension du prix!



Source: Bloomberg (22 September 2020), TRACE volume for US convertibles averaged. Names considered are part of the TR Global Focus Benchmark. Names with insufficient TRACE data are excluded. IG is above or equals to BBB- or equivalent. HY is below B+ or equivalent. Implied ratings are used for non-rated names.

III. Comment investir– Les trois grandes familles

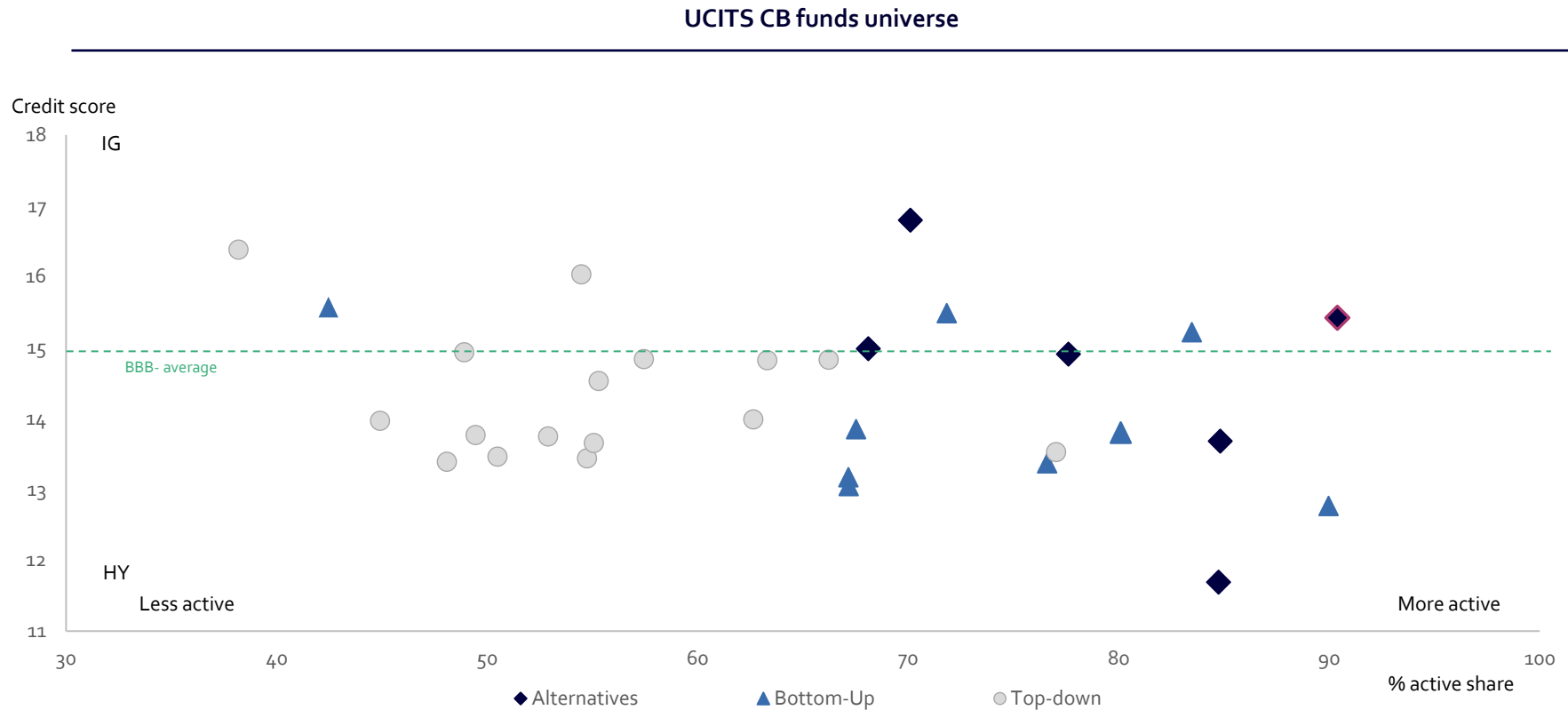
En format UCITS, il existe trois styles pour investir sur les convertibles en étant "long-only":

	Alternative	Top-Down	Bottom-Up
Strategy Driver	<ul style="list-style-type: none"> • Convexity / Arbitrage • Macro allocation • CB selection 	<ul style="list-style-type: none"> • Asset / sector / region allocation • Momentum driven • Benchmark performance (low active share*) 	<ul style="list-style-type: none"> • Stock selection • Momentum driven • Benchmark performance (medium active share*)
Pros	<ul style="list-style-type: none"> • Most liquid • Highly diversified (high active share) • Low volatility 	<ul style="list-style-type: none"> • Highly scalable • Synergy with multi-asset research 	<ul style="list-style-type: none"> • Not trading intensive • Synergy with equity research
Cons	<ul style="list-style-type: none"> • Research intensive • Trading intensive • Scalability restraints (<\$2bn) 	<ul style="list-style-type: none"> • Little actual alpha vs. multi-asset 	<ul style="list-style-type: none"> • Little actual alpha vs. thematic equities • Less liquid

* Active share refers to the measure of difference between a portfolio's holdings and those of its benchmark. Tyrus Capital Global Convertible's high active share is the result of its total return approach without reference to any benchmark. Active share was 90% as of 31 December 2020

III. Comment investir– Le problème du benchmarking?

L'absence d'ETF sérieux laisse une grande place au "semi-passif":

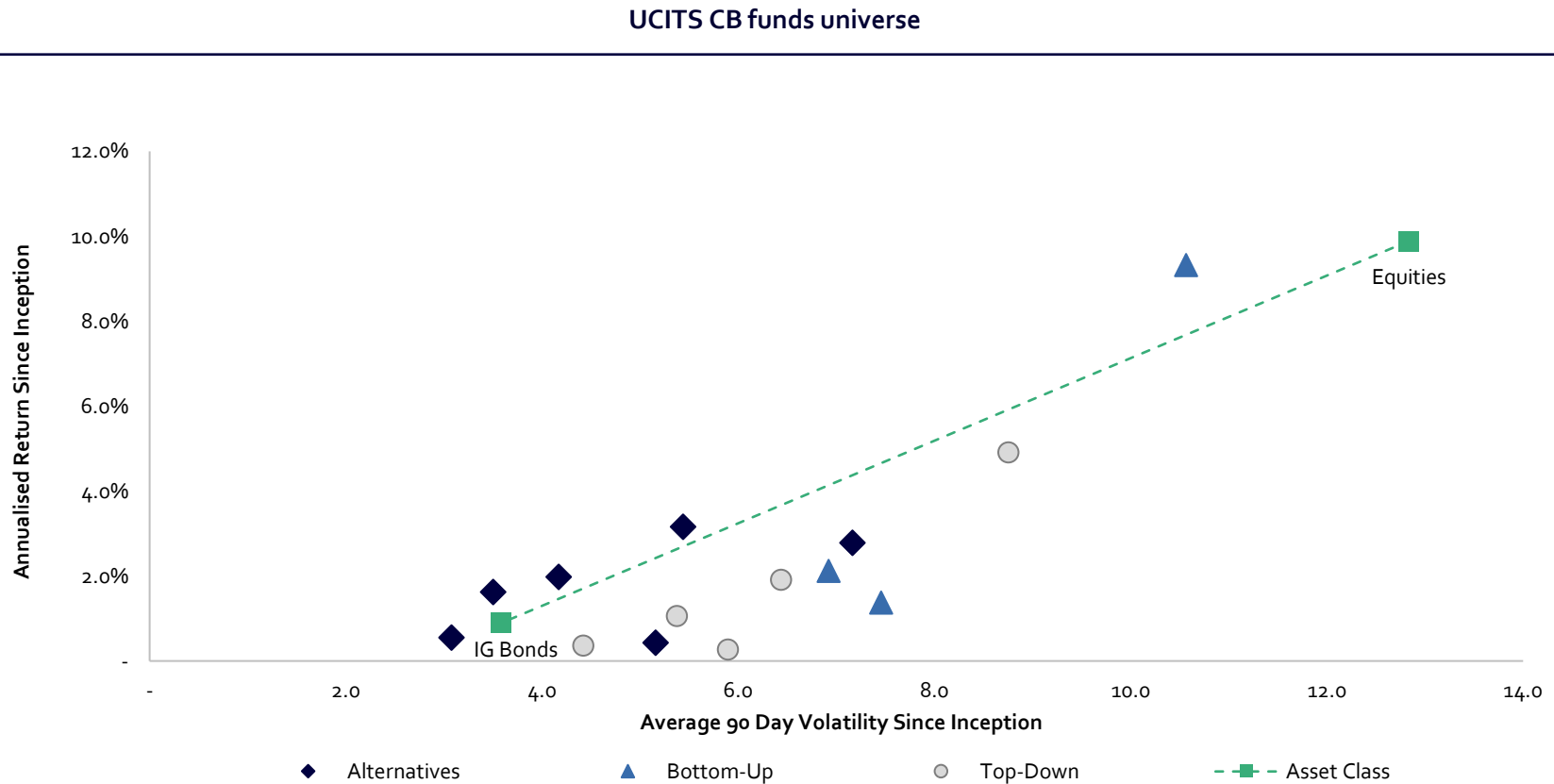


Source: Tyrus Capital, Amundi, Aviva, Axa, Blue Bay, BNP, Calamos, Candriam, Cheyne Capital, DWS, Edram, BMO, Ferox Capital, Fisch AM, Flossbach AM, Generali, JP Morgan, Jupiter AM, Lazard, LODH, M&G, Man GLG, MFM Gestion, Mirabaud, Morgan Stanley, NN Investments, Polar Capital, RWC, Schroders, UBAM, UBS. Annual Reports filings. Active Share versus Thomson Reuters Global Focus CB IG index or Thomson Reuters Global Focus CB index depending on the fund considered. S&P, Moody's, Fitch used for credit score, internal rating when not available. Potential cash positions are considered as AAA. Data as of 31 December 2019 to 31 December 2020 depending on the published holdings date. Categorization is arbitrary. This is not an advice to buy or sell one of the aforementioned funds.



III. Comment investir – Quel besoin?

Un fond convertible doit être analysé comme un fond multi-asset: il y a de tout !

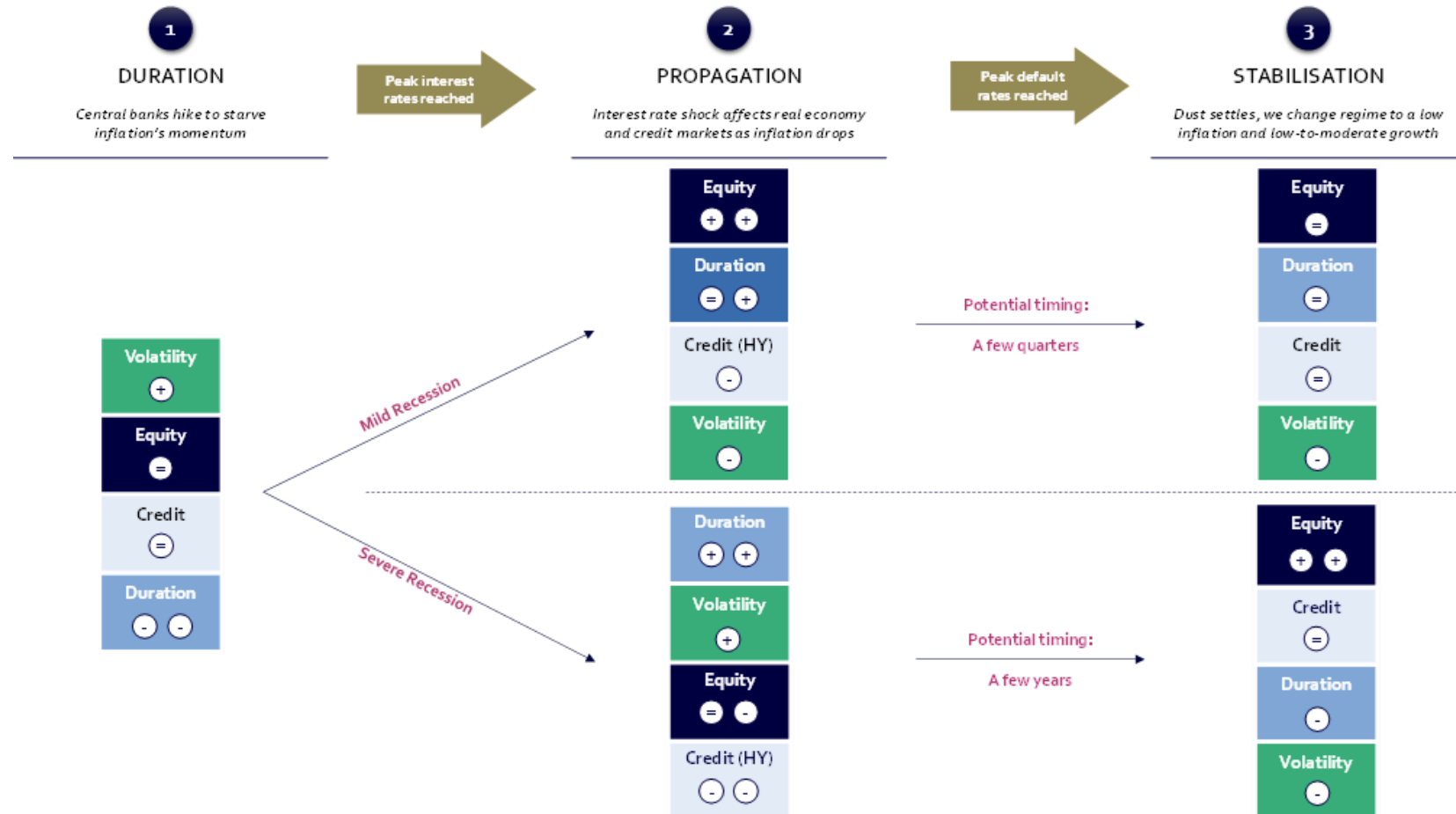


Source: Bloomberg as of 29 July 2022. Analysis based on EUR share classes and is net of fees. Track record for the Tyrus Capital Global Convertible Strategy is net of fees and uses the Super Institutional Accumulation USD share class (ISIN: LU1357022851, Bloomberg: TYNCBSH LX Equity). Track record for Equities is MSCI ACWI Index, EUR hedged (Bloomberg: MACXUIGB Index) and for IG Bonds is Bloomberg Barclays Global Aggregate - Corporate Index, EUR hedged (Bloomberg: LGCPTRFH Index). This is not to be considered as investment advice to buy or sell one or more of the aforementioned funds.




IV. Contexte actuel: Ce n'est pas cher!



IV. Contexte Actuel: Stagflation



IV. Contexte actuel: Un peu de macro...

		Investment theme	Positioning bias
	Stagflation	Persistent inflation propels the stagflation narrative. Central banks continue to hike rates, but an end to tightening seems in sight. This means an end to the first of the three stagflation phases; we now move to the second. Energy prices fell, but the war in Ukraine remains a risk.	<ul style="list-style-type: none"> Commodities EM with less debt Dividends Quality
	Innovation in the US	We think interest rates will peak earliest in late Q1 2023 / Q2 2023 and then pause, assuming the US does not enter a severe recession. Growth, however, is still very much at risk, which puts the Fed under even more pressure. The USD is a must-watch in 2023.	<ul style="list-style-type: none"> GARP Defensive
	Asian Century	Despite property sector woes, we think China has the potential to rebound quickly given it has growth, stimulus, upside potential in fund flows, and dropped its zero-COVID policy (for now). Japan's economic picture has improved and will likely avoid a recession.	<ul style="list-style-type: none"> Broad exposure Quality and yield China and Japan Infrastructure
	Cautious on Europe	The war in Ukraine has hurt Europe in the form of higher inflation and weaker growth. This means both stagflation and a recession are our base-case for the region. This increases the prospect of European credit contagion resurfacing.	<ul style="list-style-type: none"> Global companies Quality
AAA	Quality Bias in Credit and ESG	We still favour equity drivers, although the case for quality IG duration in fixed income can be made. Fixed income upside is capped and HY looks particularly vulnerable in the second stagflation phase. CBs offer an asymmetric alternative driven by both equity and volatility.	<ul style="list-style-type: none"> Credit quality High ESG