



LES OBLIGATIONS CONVERTIBLES

Monaco, 13/03/2024

DAMIEN REGNIER

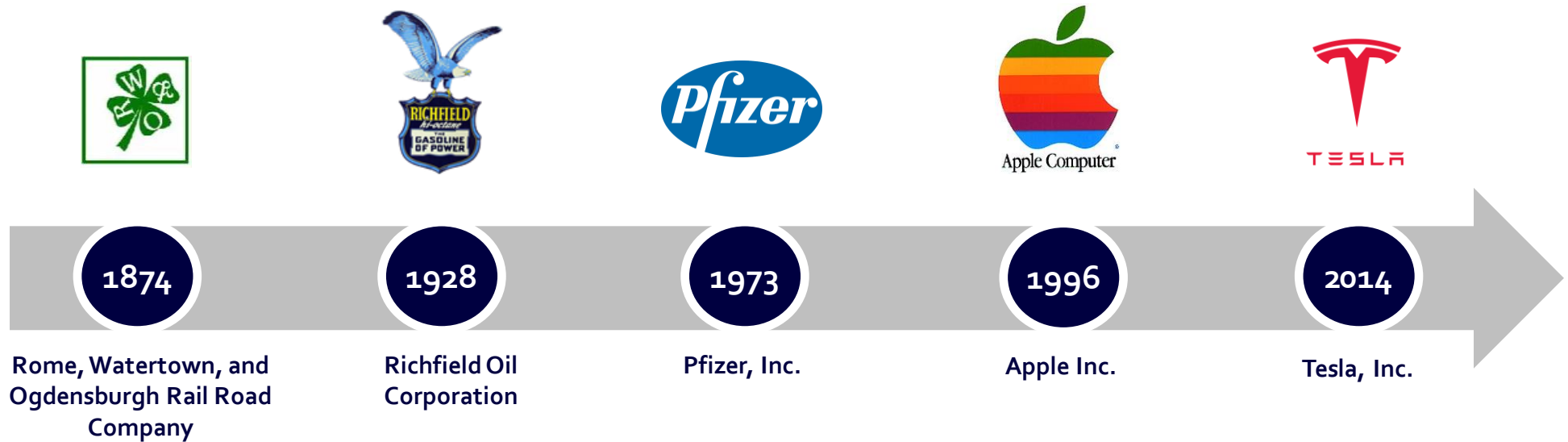
Points abordés

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

Quiz: Quand les obligations convertibles sont-elle apparues?

- A. 2 400 BC
- B. 17^{eme} siècle
- C. 19^{eme} siècle
- D. 20^{eme} siècle

I. Intro: une brève histoire des émissions convertibles



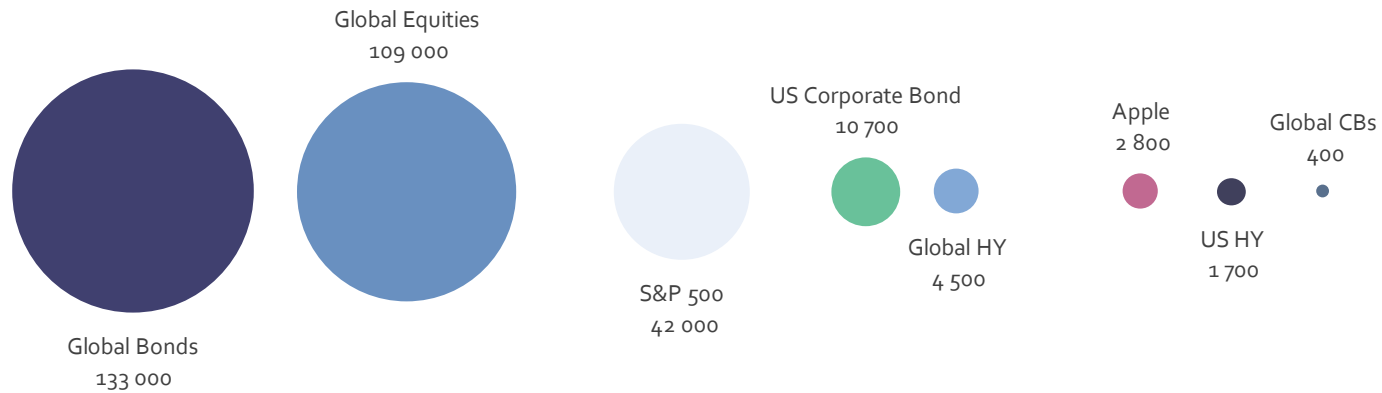
Un instrument qui remonte au XIXeme siecle

Quiz: Quelle est la taille du marché ?

- A. 500 milliards d'euros
- B. 5 000 milliards d'euros
- C. 50 000 milliards d'euros
- D. 500 000 milliards d'euros

I. Intro: un marché de niche

Les convertibles représentent environ 400 milliards d'USD



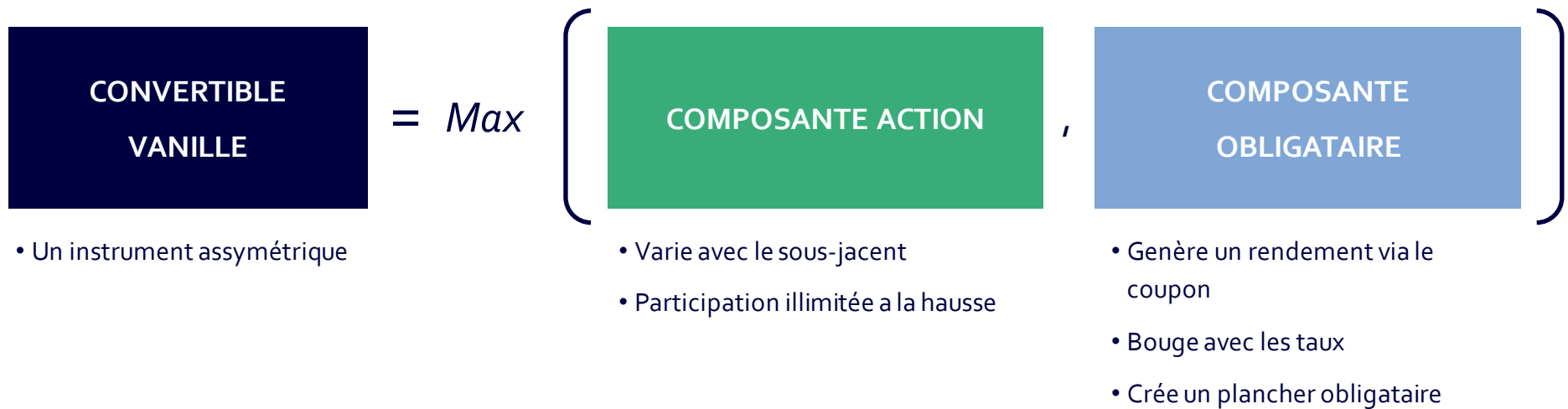
Les convertibles: un marché spécialisé

Quiz: Qu'est ce qu'une obligation convertible?

- A. Un Bond + Un Call
- B. Un Bond que l'émetteur peut convertir en Action
- C. Un Bond que le porteur peut convertir en Action
- D. Un Bond qui se rembourse en Action

I. Introduction : la convertible "vanilla"

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

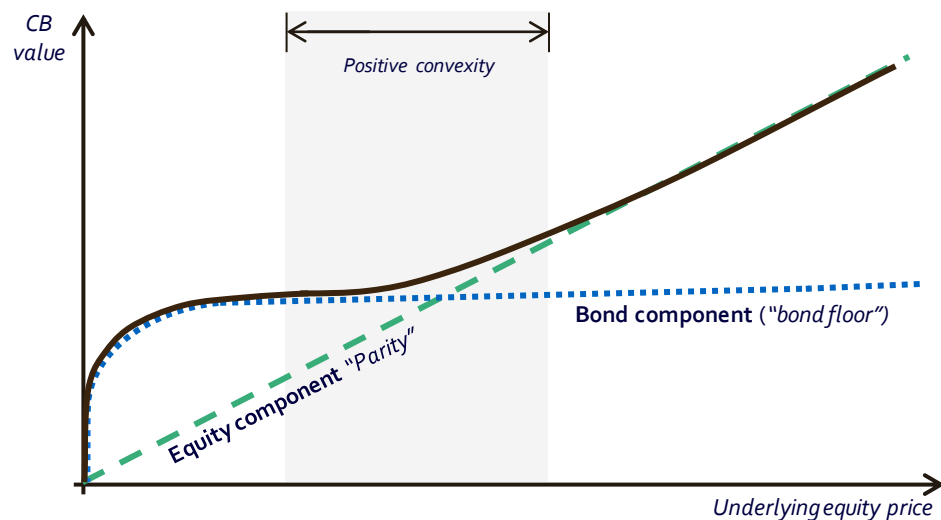


La convertible, le Meilleur de l'action et de l'obligataire?

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.

Quiz: Sur le long-terme, les performances des CBs sont proches des...

- A. Actions
- B. Obligations souveraines
- C. Obligations corporates IG
- D. Obligations corporates HY

II. Utilisation des Convertibles: Performance

Les convertibles performent 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

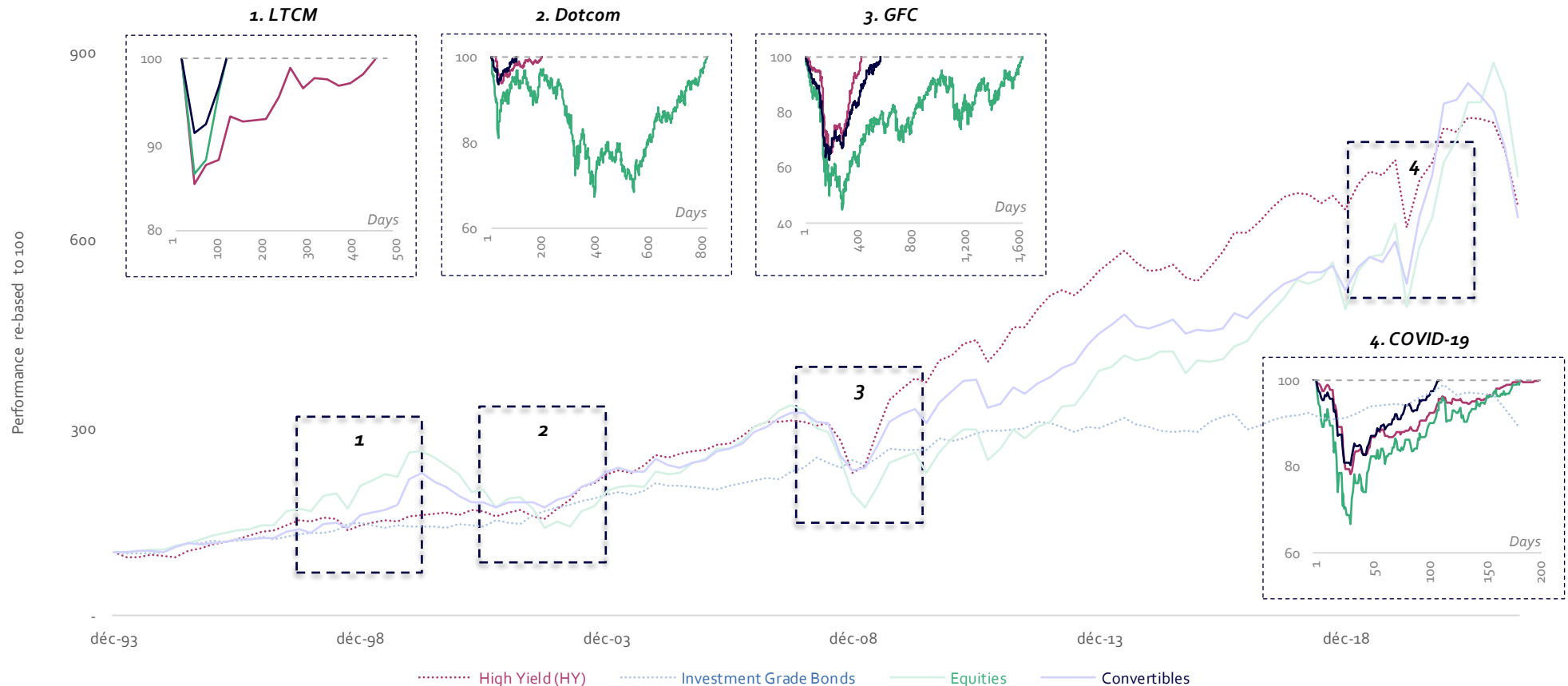


Credit resilient

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

II. Utilisation des Convertibles: l'éternel second?

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



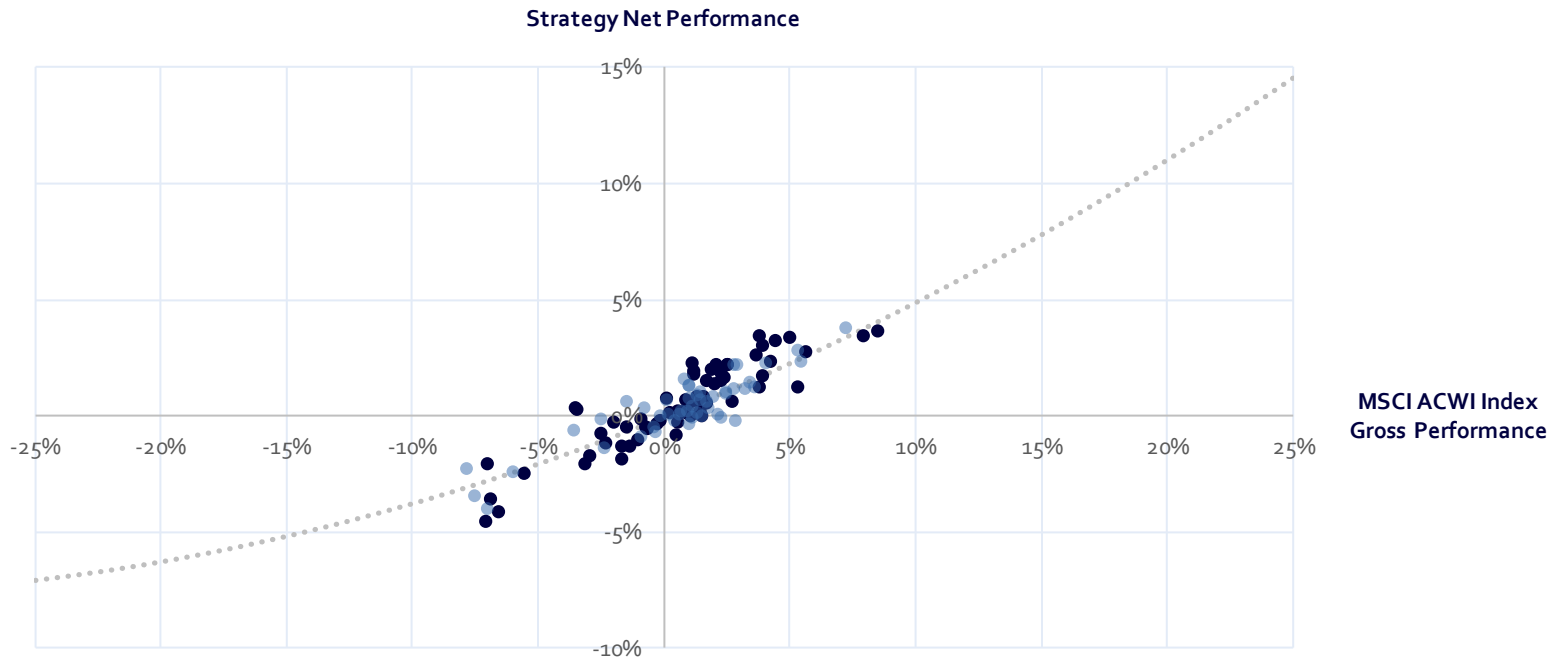
Un excellent outil pour lisser son "market timing" au sein d'une gestion long-terme

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.

Quiz: Quel est le plus gros risque pour un investissement CB?

- A. Le risque action
- B. Le risque de taux
- C. Le risque de credit
- D. Autre

II. Utilisation des Convertibles: la convexité



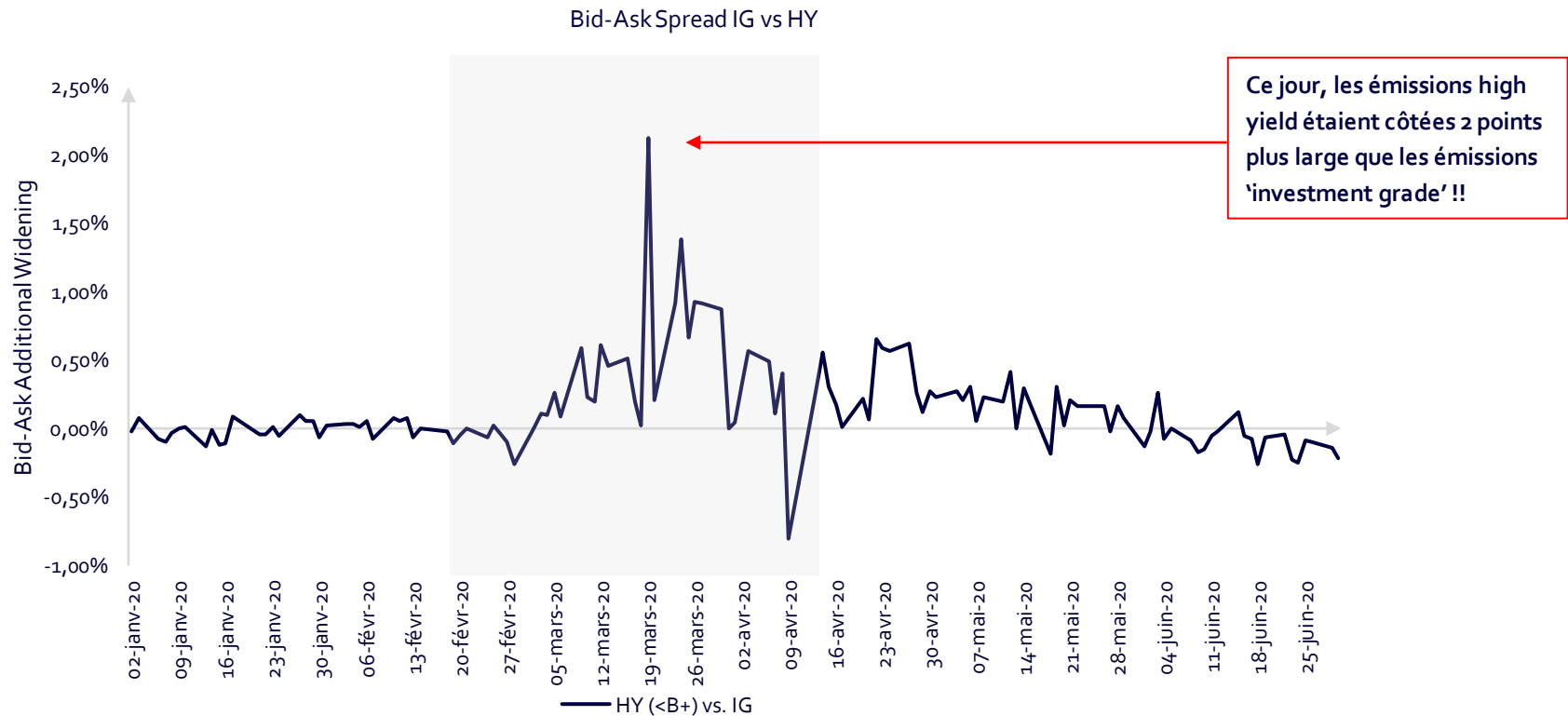
Rendement historiquement observé d'environ +1% (net) lors d'un mois de hausse (contre +2% pour les actions) et -1% net lors d'un mois de baisse (contre -3% pour les actions)

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: 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.

Quiz: Qui achete le plus de convertible?

- A. Les banques privées
- B. Les assureurs et fond de pensions
- C. Les asset managers
- D. Les hedge-funds

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

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

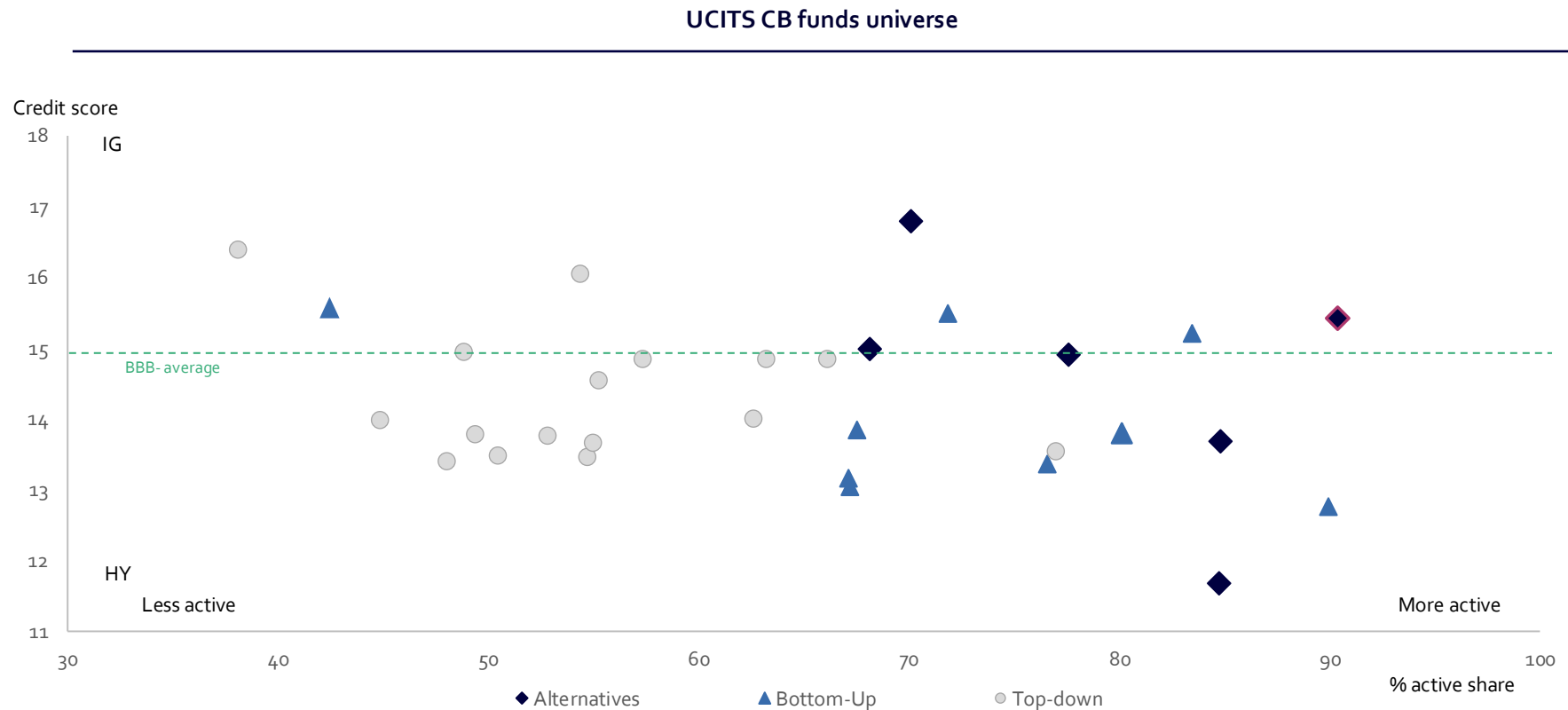
* Active share refers to the measure of difference between a portfolio's holdings and those of its benchmark. Tyrus Capital Global Convertible's high active share is the result of its total return approach without reference to any benchmark. Active share was 90% as of 31 December 2020

Quiz: Une analyse de fond CB est plus comparable a?

- A. L'analyse d'un fond action
- B. L'analyse d'un fond obligataire
- C. L'analyse d'un fond alternatif
- D. L'analyse d'un fond multi-asset

III. Comment investir– Le problème du benchmarking?

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

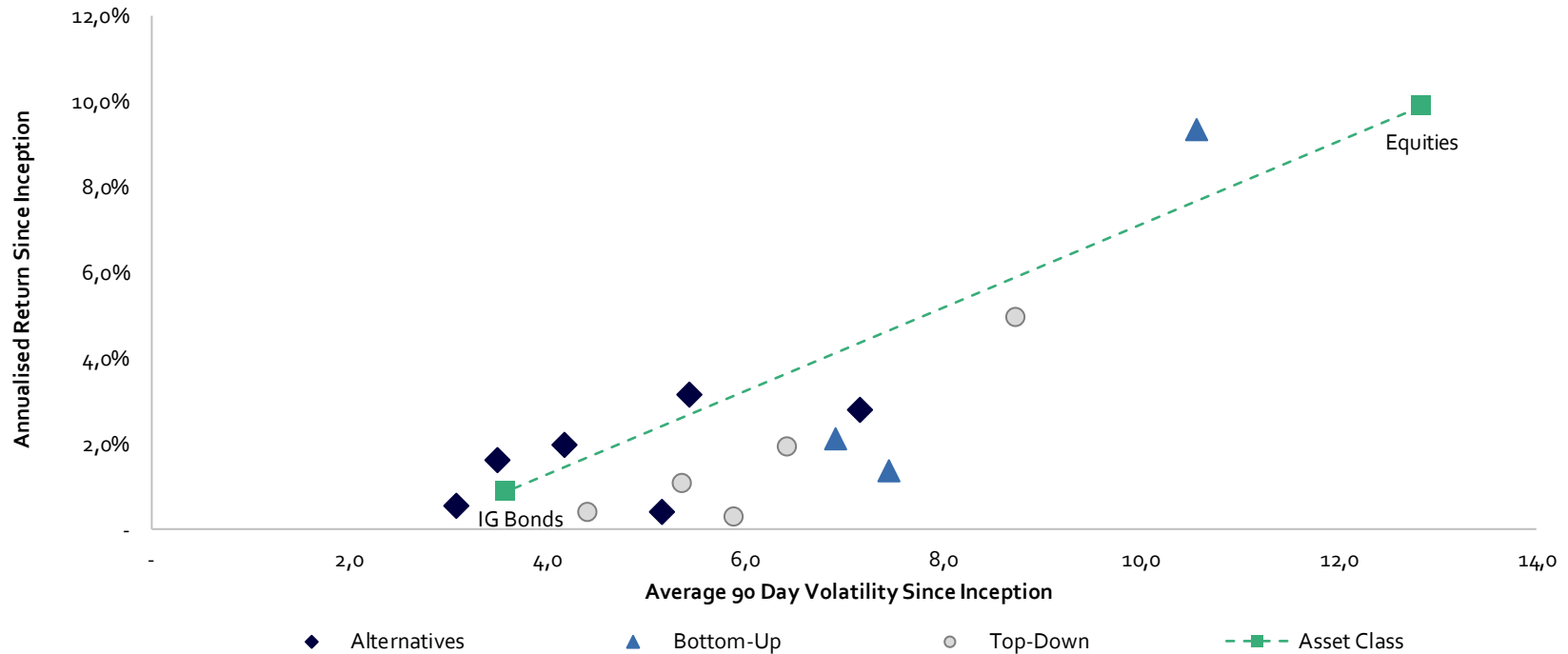


Source: Tyrus Capital, Amundi, Aviva, Axa, Blue Bay, BNP, Calamos, Candriam, Cheyne Capital, DWS, Edram, BMO, Ferox Capital, Fisch AM, Flossbach AM, Generali, JP Morgan, Jupiter AM, Lazard, LODH, M&G, Man GLG, MFM Gestion, Mirabaud, Morgan Stanley, NN Investments, Polar Capital, RWC, Schroders, UBAM, UBS. Annual Reports filings. Active Share versus Thomson Reuters Global Focus CBIG 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?

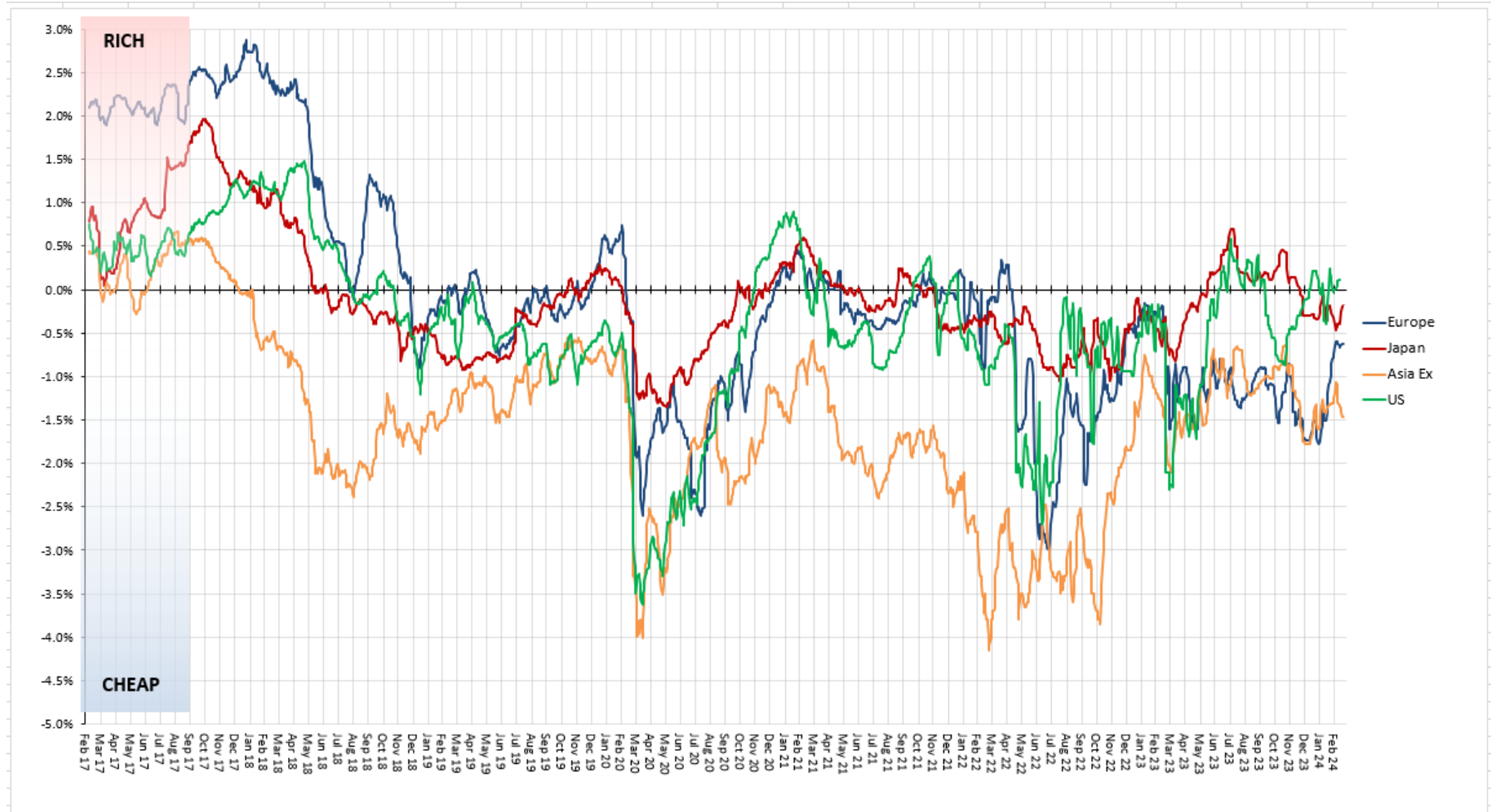
Un fond convertible doit être analysé comme un fond multi-asset: il y a de tout !

UCITS CB funds universe

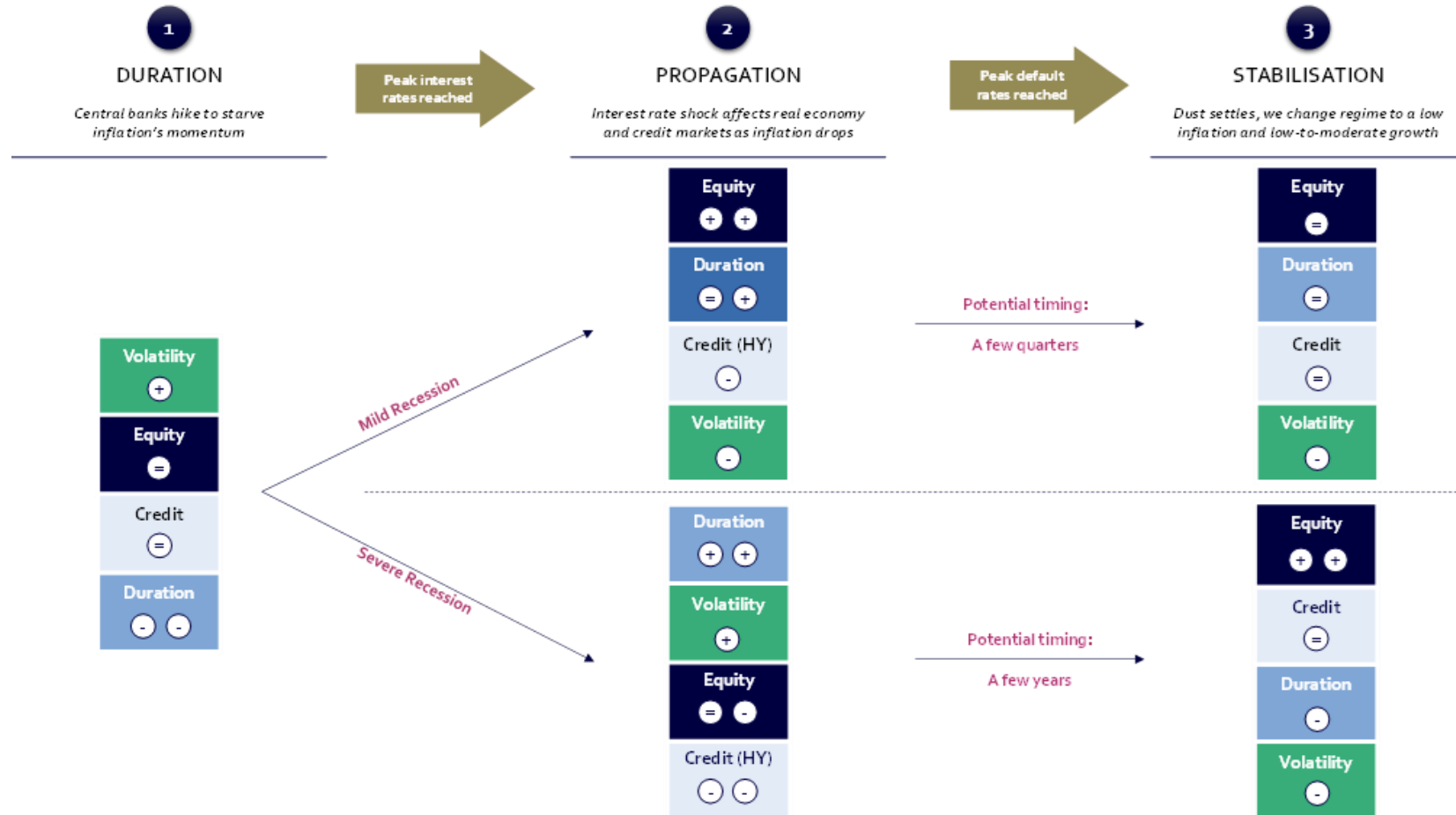


Source: Bloomberg as of 29 July 2022. Analysis based on EUR share classes and is net of fees. Track record for the Tyrus Capital Global Convertible Strategy is net of fees and uses the Super Institutional Accumulation USD share class (ISIN: LU1357022851, Bloomberg: TYNCBSH LX Equity). Track record for 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 With the end of 2023 laying the foundation for a Fed pivot, 2024 becomes about the second phase of the stagflation cycle, namely:– the impact of the initial duration shock, the pivot in monetary policy, and the rebound phase in the real economy. However, lagged risks remain.	<ul style="list-style-type: none"> ▪ East (stimulus) ▪ US ▪ Non-cyclical
	USA: The Land of Opportunity We expect a soft landing in 2024, but at a slower pace than currently priced by the market. Recession now seems unlikely despite the expected slowdown in consumption. Valuation is a challenge in equities, albeit the premium is mostly on mega caps.	<ul style="list-style-type: none"> ▪ Valuation ▪ GARP
	Asian Century While China's macroeconomic picture continues to worsen despite ongoing policy easing, it remains a long-term value play. We think Japan and India not only provides their own story, but they present a good alternative to Asian growth for equity exposure.	<ul style="list-style-type: none"> ▪ China (IG credit) ▪ Japan ▪ South Korea
	Cautious on Europe We expect a shallow recession with stagnant market returns in Europe. While credit contagion fears have dissipated for now, we feel that a hawkish ECB and a fast-approaching 2024/25 refinancing schedule still present risk.	<ul style="list-style-type: none"> ▪ Non-European earnings ▪ Defensive ▪ Low beta
AAA	Quality Bias in Credit and ESG With risk appetite starting to return, fund flows continue to move away from money markets. We see both equities and fixed income being beneficiaries of this rotation. With a US recession being less likely and a pivot approaching, we are less concerned by the refinancing risk.	<ul style="list-style-type: none"> ▪ IG (short-to-mid duration) ▪ BB-rated within HY