

# Albemarle Euro Bond Fund

Systematic fixed-income with quantamental approach

**ALBEMARLE**  
ASSET MANAGEMENT

May 2022

|                                    |           |
|------------------------------------|-----------|
| Monthly Net Return                 | -1.02%    |
| Avg Monthly Return <sup>1</sup>    | -0.03%    |
| Annualised Volatility <sup>1</sup> | 1.62%     |
| Sharpe Ratio <sup>1</sup>          | 0.07      |
| Option-adjusted Duration (years)   | 2.73      |
| EoM Monthly VaR                    | 1.36%     |
| EoM Daily VaR                      | 0.26%     |
| Inception                          | 01 Nov 07 |
| Change of Strategy                 | 30 Sep 20 |
| Morningstar Rating                 | ★★★★      |

## Investment Approach

The fund invests primarily in European fixed-income instruments employing a disciplined systematic methodology; by utilising proprietary quantitative screening tools and fundamental analysis that are coupled with layer of macroeconomic view.

The investment philosophy of the fund is centred around lean management which is both top-down and bottom-up at the same time. The main market view about the general macroeconomic condition, expectations about yield curves, geopolitics, and health of corporate balance sheets form the basis of the top-down approach and dictate the how the fund should be positioned in terms of duration, key rates, and credit ratings.

General macro views are implemented with variety of instruments; including inflation-linked bonds, floating-rate notes, various interest-rated derivatives, et cetera. Portfolio building in corporate bonds starts with screening a universe of 3500+ bonds to identify relatively cheap ones via a proprietary quantitative tool. The second step involves fundamental screening to further narrow down the list of possible investments. The last stage entails bottom-up fundamental analysis to make the ultimate decision of investing.

Investment philosophy and management of the fund was changed to what it is today in end of September 2020.

## Net Returns (%)

|                               | May   | YTD    | 6 Months | 1 Year | Since strategy change | Since inception |
|-------------------------------|-------|--------|----------|--------|-----------------------|-----------------|
| Albemarle Long Short A2 class | -1.02 | -3.46  | -3.58    | -3.87  | -0.69                 | 41.00           |
| Benchmark JNEULOC Index       | -1.83 | -10.37 | -11.77   | -10.42 | -12.38                | 57.55           |

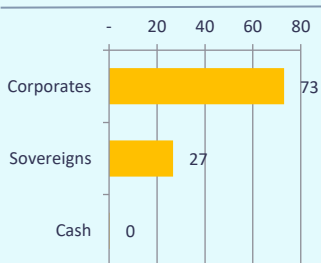
## Team

CEO Fabrizio De Tomasi has worked in the financial industry for over 25 years, beginning with JP Morgan in 1996. In 1999, he joined Allianz, where he remained for the next eight years before joining Dresdner Bank in 2007. He was named CEO of Albemarle's sister company dealing with trading and execution in 2009. Following a group reorganisation, he was appointed Chief Executive Officer of Albemarle in 2017. He currently serves as a director for Albemarle Funds, Albemarle Alternative Funds, and Apsley Fund ICAV, all of which are Irish umbrella funds promoted by Albemarle Asset Management. Fabrizio holds a master's degree in economics and an MBA from Bocconi University.

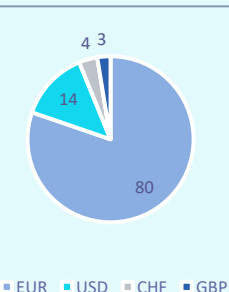
Çağatay Günay, CFA has experience of 6 years in fixed-income investments, quant analysis, structured products, and trading in London and Istanbul. Before Albemarle he worked in fixed-income desk in Ak Asset Management, one of the biggest investment managers in Turkey. He also interned for two other hedge funds in London as Quant and Derivatives Trader. Çağatay holds MSc. in Finance degree from London Business School and BSc. in Electrical and Electronics Engineering from Bilkent University.

## Main Characteristics

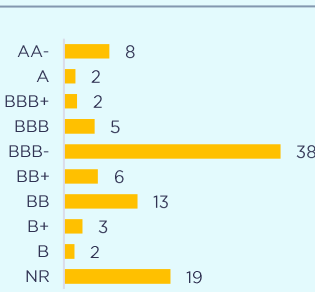
### Asset Allocation (%)



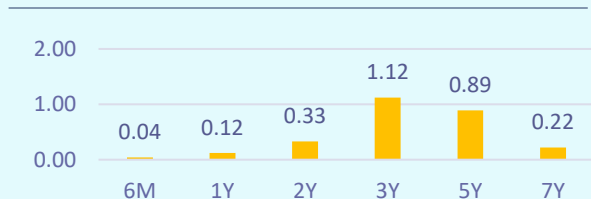
### Currency Exposure (%)



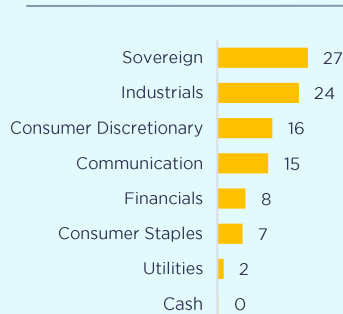
### Ratings Breakdown (%)



### Key rate durations



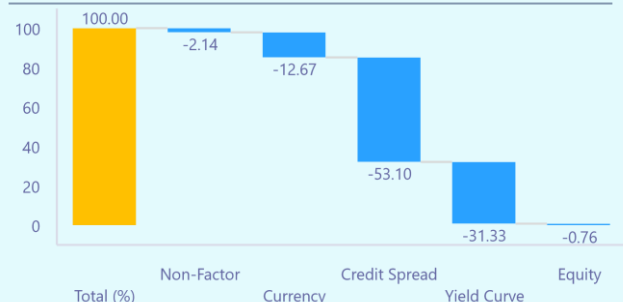
### Sector Breakdown (%)



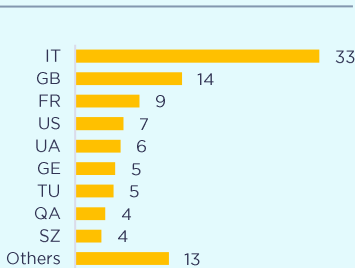
### VaR breakdown (% of NAV, monthly at 95%)

| Total | Non-Factor | Currency | Credit Spread | Yield Curve | Equity |
|-------|------------|----------|---------------|-------------|--------|
| 1.36  | 0.20       | 0.55     | 1.13          | 0.83        | 0.07   |

### Contribution to VaR



### Country Exposure (%)



### Top Five Holdings (%)

|                      |      |
|----------------------|------|
| BTPS 0.35 10/24/24   | 6.64 |
| BTPS 1.4 05/26/25    | 4.52 |
| STLA 3 3/4 03/29/24  | 4.45 |
| BTPS 0.45 05/22/23   | 4.07 |
| QATAR 3 1/4 06/02/26 | 4.00 |

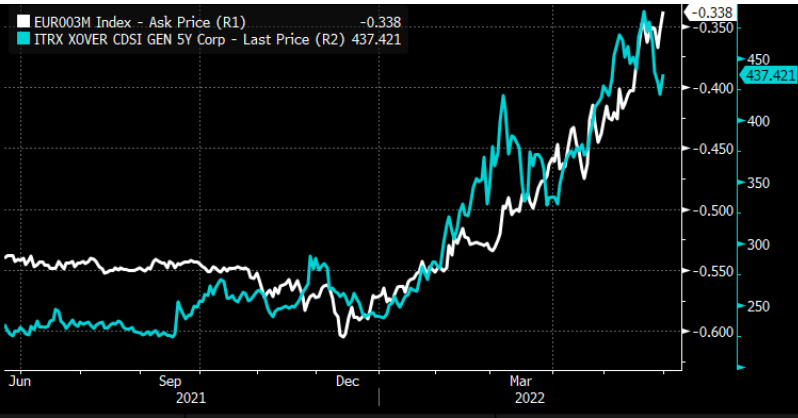
1. The strategy has changed on 30 September 2020. This number is based on the data since that day.

# Commentary

During the month of May 2022, the institutional class outperformed its benchmark by 0.81%. The fund's NAV fell -1.02% in May, while the benchmark fell by -1.83%. Year to date the fund lost -3.46%, while the benchmark lost -10.37%, resulting in 6.91% overperformance. The base rates increased in Eurozone and decreased in the US. The Bund 10Y benchmark increased by 18bps to 1.12% from 0.94% at the end of April, while the US Treasury 10Y decreased by 9bps to 2.85% from 2.94%. The corporate spreads continued to increase in April as the average option-adjusted spread in Bloomberg Euro Aggregate Corporates index widened by 12bps to 162bps, resulting in the index to lose -1.32%.

The fund has substantially outperformed the official benchmark and the other main credit indices YTD, and managed to protect the investors. The main reason is that the fund has been positioned towards short duration in base rates, especially in the Euro curve, and quality companies in the credit part. The fund cut its HY exposure to 30% from 40% 6 months ago.

## EURIBOR and iTraxx Crossover Index



Source: Bloomberg. Data since July 2021 until May 2022, inclusive.

The best three contributors to the Fund performance were TITIM 2 3/8 10/12/27 (Telecom Italia), which rose 2.66%; LHAGR 2 7/8 02/11/25 (Lufthansa), which rose 1.49%; and JUVEIM (Juventus FC) 3 3/8 02/19/24, which rose 1.23%. The worst three contributors to the Fund performance were ULKER 6.95 10/30/25 (Turkish confectionary company), losing -5.38%; DUFNSW 0 3/4 03/30/26 (convertible bond of Dufry AG, a Swiss duty-free company) that lost -3.68%; and ACKAF 3 05/27/26 (Turkish household appliances company), which lost -3.93%.

Three trades were done this month. The short position in 2-year USTs were covered to take profit as we believe that the hike cycle is now fully priced in in the front end of the yield curve. FCAIM 3 3/4 03/29/24 were sold and FABUH Float 08/08/23 were bought as line with short duration and quality credit view.

## Cumulative Returns as normalised on 30 Sep 2022



Source: Bloomberg. Data since July 2021 until May 2022, inclusive.

## Monthly Net Returns since strategy change (%)

|      | Jan   | Feb   | Mar   | Apr   | May   | Jun  | Jul  | Aug   | Sep  | Oct   | Nov   | Dec   | YTD   |
|------|-------|-------|-------|-------|-------|------|------|-------|------|-------|-------|-------|-------|
| 2022 | -0.20 | -1.15 | -0.61 | -0.53 | -1.02 |      |      |       |      |       |       |       | -3.50 |
| 2021 | 0.28  | 0.51  | 0.39  | 0.08  | 0.41  | 0.15 | 0.27 | -0.13 | 0.12 | -0.33 | -0.41 | -0.12 | 1.22  |
| 2020 |       |       |       |       |       |      |      |       |      | 0.23  | 1.31  | 0.09  | 1.62  |

## Fund Information Albemarle Euro Bond Class I

|                    |  |
|--------------------|--|
| Fund Type          | UCITS V  |
| Domicile           | Ireland  |
| Umbrella Structure | Albemarle Funds Plc  |
| Investment Manager | Albemarle Asset Management Ltd   |
| Fund Manager       | Fabrizio de Tomasi   |
| Bloomberg Ticker   | ATEURBD ID   |
| ISIN               | IE00B28YL824   |
| Inception          | 01/11/2007   |
| Currency           | EUR  |
| Management Fees    | 0.40% p.a  |
| Performance Fees   | 25% of the appreciated return value which exceeds the benchmark return of JP Morgan Global Government Bond EMU index |
| NAV frequency      | Daily  |
| Cut off            | T-1 (1pm Irish time)   |
| Settlement Sub/Red | T+2 Irish Business Days  |
| Auditor            | Grant Thornton   |
| Administrator      | Northern Trust International Fund Administration   |
| Depository         | Northern Trust Fiduciary Services (Ireland) Limited  |
| Legal Counsel      | Walkers  |

## Contact

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## Other Share classes

| Name     | ISIN         | Bloomberg  | Category |
|----------|--------------|------------|----------|
| Class A  | IE00BDHF6007 | ATITLHA ID | Retail   |
| Class MC | IE00BDHF6221 | ATITHI1 ID | Retail   |

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