



# STABLE RETURN FUND

Solutions Capital Management SICAV plc

**Quantitative Approach for Stable Returns**

*“Every battle is won before it is even fought.”*

*(Sun Tzu)*

During the war times, information is the first thing a general has to have in order to make strategies and take decisions. In finance, it is exactly the same. In the 80's, inside information was the only way to have a competitive advantage in financial markets: if someone earned money, it was at the expense of someone else.

Today, 40 years later, in place of inside information, traders win their “battle” thanks to their capabilities to analyze and process information. Through financial engineering, banks issued in the market thousands of structured bonds, subordinated bonds, covered warrants and derivatives that everybody can evaluate. However, only few people are able to do it properly and to take advantage from it.

# The sub Investment Manager: SCM Sim Spa

1. S.C.M. SIM – Società di Intermediazione Mobiliare – (SCM), listed on Italian Stock Exchange, market AIM Italia, in July 2016, is a Private Banking and Wealth Management firm which operates with a Multi-Family Office logic and a business model, unique in Italy, based on independence, transparency and attractive pricing.
2. SCM provides bespoke portfolio management and investment advice services on the client's all-embracing wealth and assets, without having custody of clients' assets. The Wealth Management division is the flagship service provided by the Company and is organized according to the model of a Family Office services firm.
3. The Company is headquartered at Via Gonzaga, 3 – 20123 in Milan, with 15 employees and provides its services through a network of 30 bankers at year-end 2016, with offices in Rome, Latina, Verona, Padua, Bergamo and London. Total Assets Under Management were nearly €1,1 bn at 2016 year-end, for over 500 clients. The Sub-Investment Manager was incorporated in Italy and is authorized and issued share capital is presently EUR 2.077.714,00 and its registered office is situated at Via Maurizio Gonzaga n. 3 20123 Milano Italy.
4. The Company is licensed by the CONSOB (Commissione Nazionale per le Società e la Borsa) to provide financial advisory to retail and institutional clients, placement of financial products and investment management services (License Number 272, Delibera: 17202 of 2 March 2010, ) and qualifies as a Italian Investment Company (called SIM, Società d'intermediazione Mobiliare) in terms of the Investment Services Act Regulations (D. LGS 58/98).

# The Investment Manager: AQA Capital

1. AQA Capital provides management company services to institutional and individual clients by utilizing the experience garnered from the staff's collective years in the financial market.
2. AQA Capital provides management company services to clients regardless of fund jurisdiction or asset class, based on operations in Malta, Italy and its partnerships in Luxembourg and Ireland.
3. As a Management Company, licensed by the Maltese Financial Services Authority, AQA Capital offers UCITS and AIF funds.

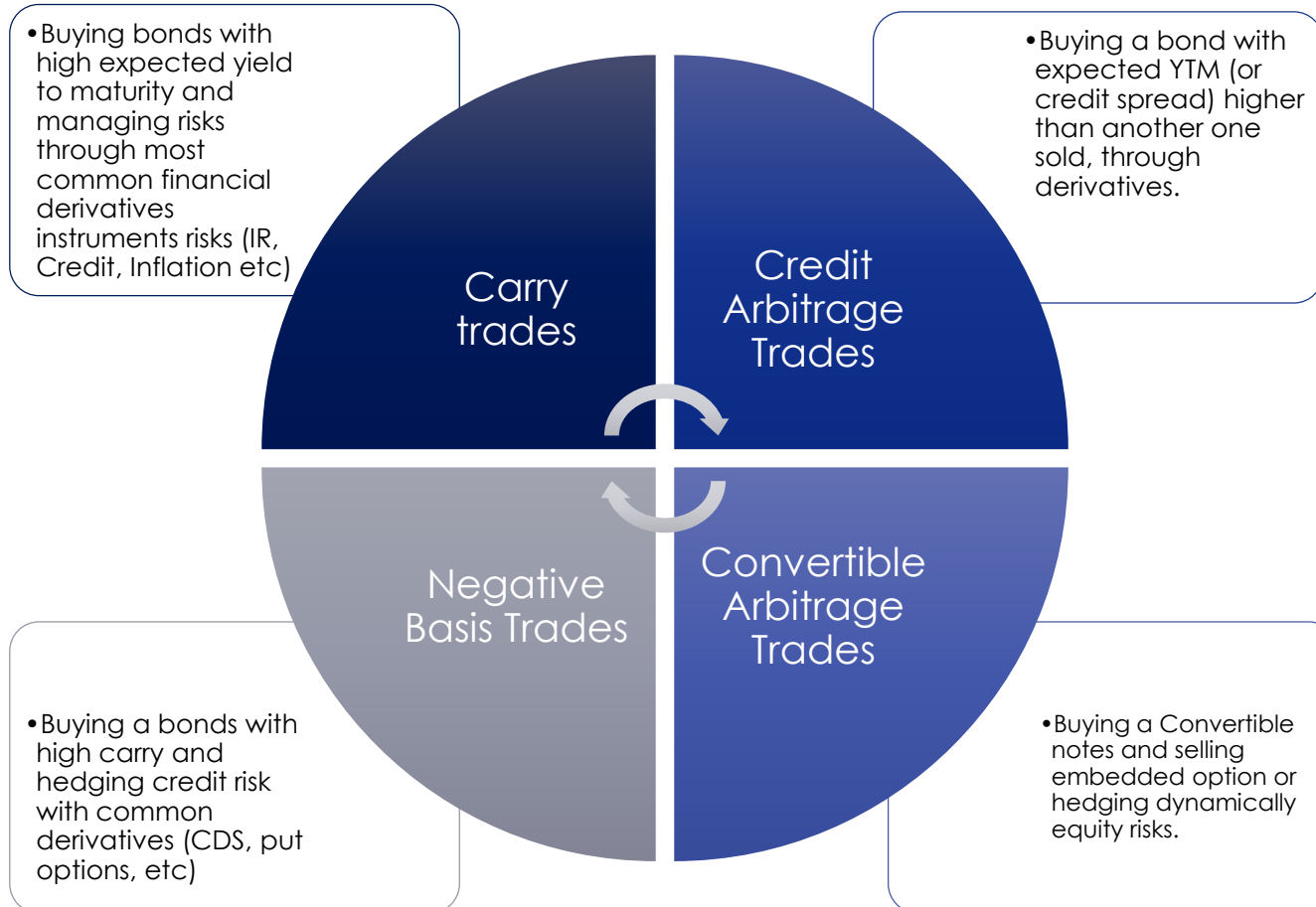
# Fund Summary

1. **STRATEGY:** The Fund's strategy is FIXED INCOME ARBITRAGE; Trading oriented alternative long/short credit.
2. **INVESTMENT POLICY:** The investment policy is to achieve stable returns with low volatility by investing mainly in structured, subordinated and high yield bonds principally listed on the European Stock Exchanges. The Fund invests also in government, corporate and supranational bonds worldwide directly or through financial derivatives. Appropriate hedging instruments allow the Fund to stabilize the expected returns of these investments and to reduce overall risks. Financial derivatives include most common financial derivative instruments like bond futures, equity or index options, fx futures listed in European and American exchanges.
3. **TEAM:** portfolio managers with more than 15 years experience.
4. **FIRM:** Solutions Capital Management SIM spa was founded in 2009 and listed on Italian Stock Exchange in 2016. it manages over 1 bin euro of assets and more than 20 professionals across Italy.

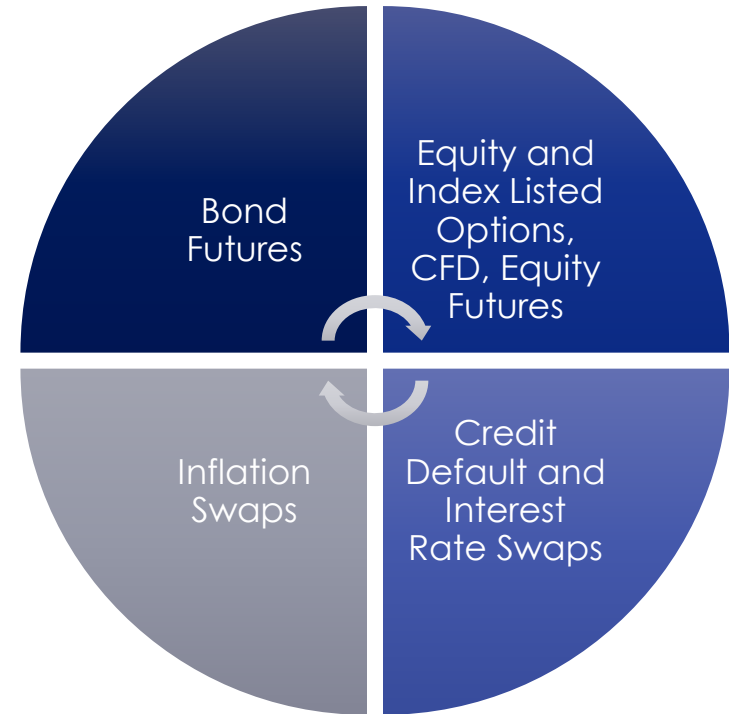
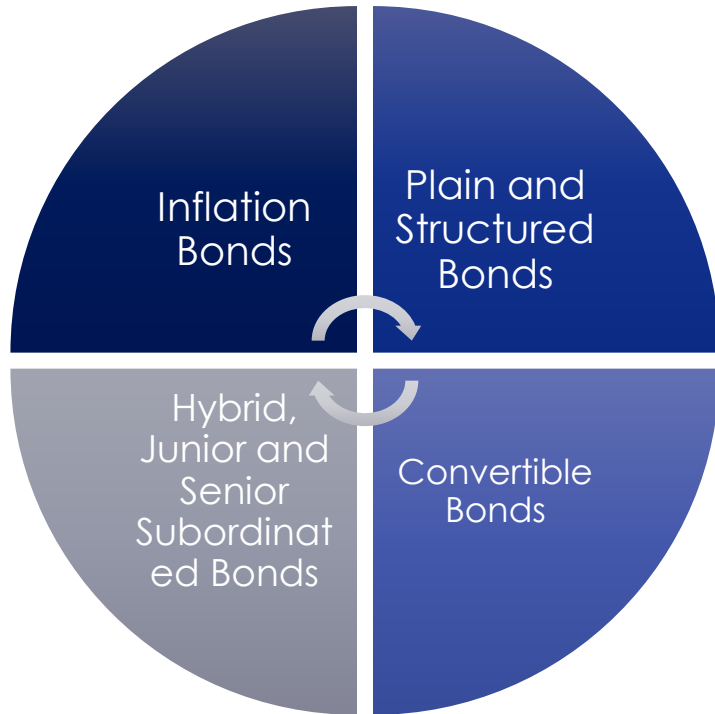
# Value Proposition

- After the Lehman's bankruptcy and due to Basel III rules, investment and commercial Banks increased the bid/offer spreads on bonds quoted on European Domestic Exchanges. In fact the increase of funding cost for banks reduced the profitability of repurchasing of own issues and this reduced the liquidity of bond markets.
- Low liquidity means worse prices for customers who, in most cases, must sell bonds at prices much lower than their real value or must keep them until maturity.
- **The mission of SCM Sicav Stable Return Fund is to enter in this rich market**, generally neglected by local financial institutions, **and to invest in plain, subordinated and structured bonds with high expected returns** mainly listed on European exchanges.
- At the same time the Stable Return Fund improves the liquidity of secondary bond market and contributes to the tightening of bid/offer spread paid by retail European clients.

# Different Strategies Simultaneously at Work

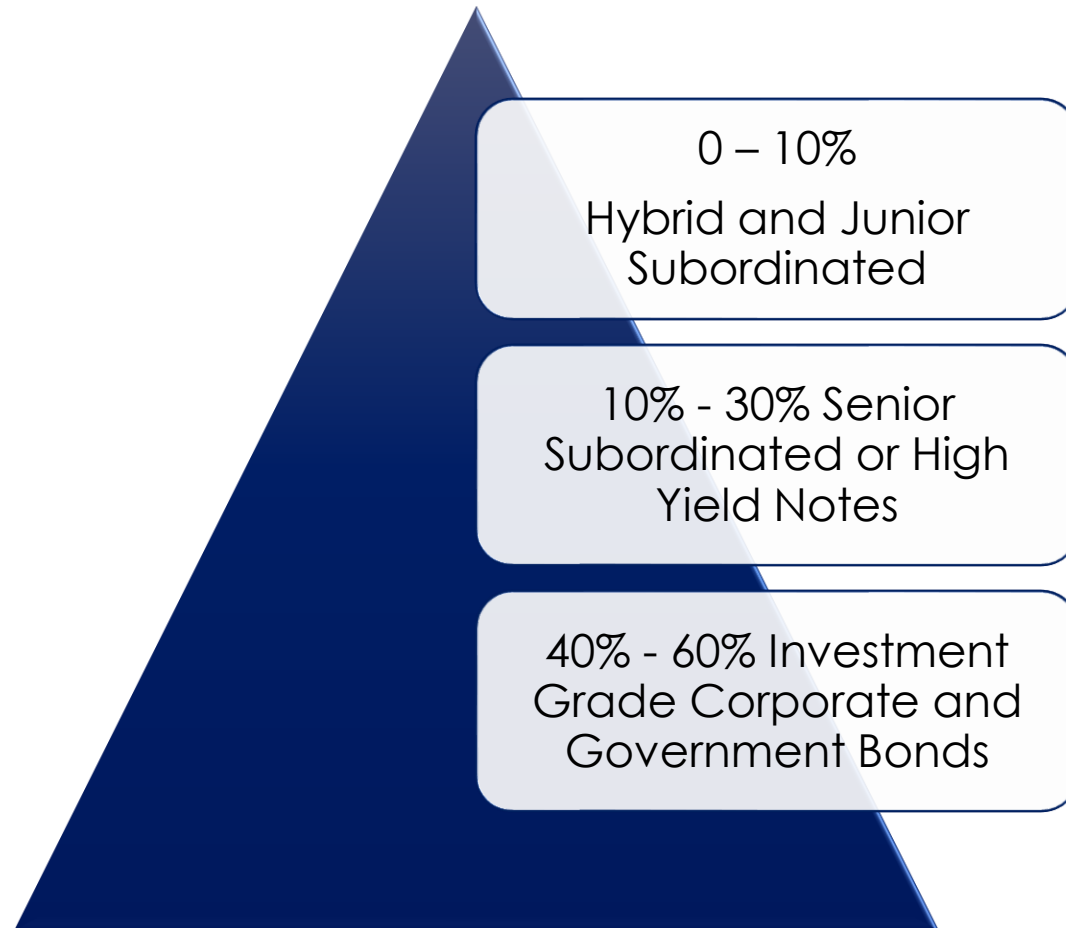


# Financial Instruments and Main Hedging Derivatives





# Target Capital Allocation



# Target

## MARKET

**European Exchanges:** Hundreds of millions euro of bonds are traded every day on the European Exchanges and OTC Bond Markets.

The Bloomberg logo, consisting of the word "Bloomberg" in white sans-serif font on a black rectangular background.The SIX SWISS EXCHANGE logo, featuring the word "SIX" in red and "SWISS EXCHANGE" in grey.The Borsa Italiana logo, featuring a blue stylized wave icon to the left of the text "Borsa Italiana" in bold black and "London Stock Exchange Group" in blue below it.

## TARGET

Only the best investment opportunities available will be analysed and acquired by SCM SR.

The EUROTLX logo, with "EURO" in orange, "TL" in black, and "X" in red.The XETRA logo, with "XETRA" in white on a blue background, followed by a vertical line and "DEUTSCHE BÖRSE GROUP" in white.

# The Pricing System

1. A Proprietary Algorithmic System (The Market Monitor Engine) checks automatically bond prices across European Markets (THE MARKET), in order to find all the best investment opportunities.
2. Advanced Financial Tools allow the Stable Return fund managers to manage dynamically all kinds of risks in order to reduce the portfolio volatility and maximize the expected return.
3. The average portfolio duration is generally short (**<4**) and the standard deviation is generally less than **3%**.



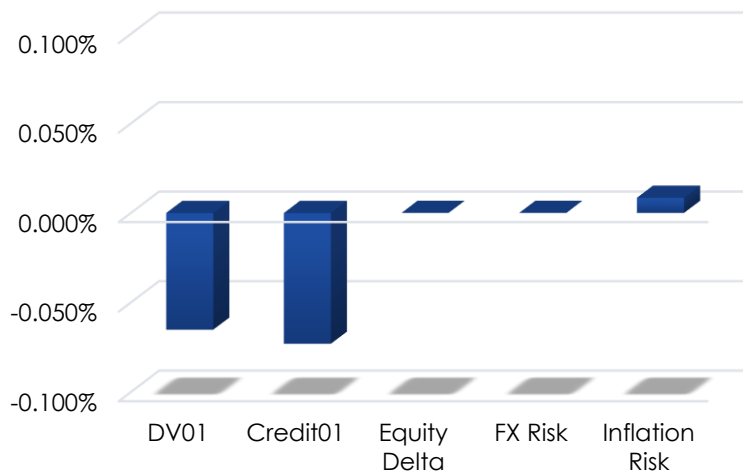
# Profits Generation

The "Market Monitor Engine" can evaluate all Bonds listed in real time and compare market prices with their Fair Prices in order to find the best investment opportunities. When a bond's offer price is below its fair value, the system informs portfolio managers that there is a buy opportunity. Otherwise if a bid price is higher than its fair value, is a sell opportunity.

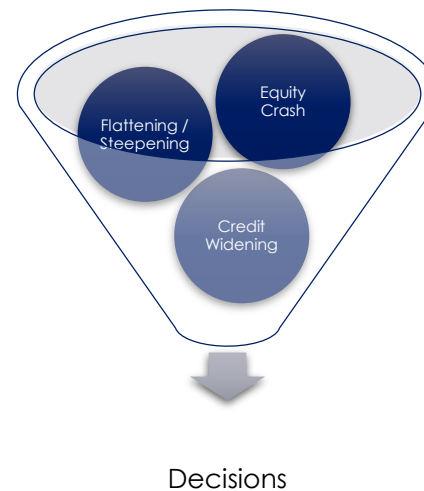
ISIN	Issuer	Cpn	CallDate	Maturity	Currency	Fair Value	Credit Spread @Mat	CDS	Basis	Sell		Buy		EXP YTM
										Bid Size	Bid	Ask	Ask Size	
XS0284945135	Banco BPM	0.64%		8-Feb-17	eur	<b>99.97</b>	300.00	420.00	(20.00)	100,000	99.48	100.05	100,000	
IT0004396492	Banco BPM	1.20%		20-Oct-18	eur	<b>96.52</b>	350.00	420.00	(70.00)	50,000	97.49	97.67	50,000	
XS0555834984	Banco BPM	6.00%		5-Nov-20	eur	<b>107.16</b>	400.00	500.00	(60.00)	50,000	104.62	105.36	50,000	3.91%
IT0004966823	Banco BPM	5.50%		18-Nov-20	eur	<b>103.42</b>	450.00	500.00	(50.00)	23,000	103.36	103.48	39,000	3.88%
XS0597182665	Banco BPM	7.13%		1-Mar-21	eur	<b>108.09</b>	500.00	520.00	(20.00)	100,000	107.92	108.50	100,000	4.89%
XS0632503412	Banco BPM	6.38%		31-May-21	eur	<b>105.21</b>	500.00	540.00	(40.00)	50,000	105.22	106.01	50,000	5.00%
IT0005120313	Banco BPM	4.05%		30-Jul-22	eur	<b>96.55</b>	500.00	550.00	(50.00)	10,000	103.33	103.40	3,000	
XS0525912449	Barx	6.00%		14-Jan-21	eur	<b>116.25</b>	180.00	145.00	35.00	100,000	116.10	116.46	50,000	1.71%
XS0611398008	Barx	6.63%		30-Mar-22	eur	<b>123.61</b>	180.00	170.00	10.00	150,000	122.45	122.90	100,000	1.79%
XS1190632999	BNP	2.38%		17-Feb-25	eur	<b>99.55</b>	180.00	250.00	(70.00)	100,000	99.53	100.05	100,000	2.44%
XS0570270370	Carige	7.32%		20-Dec-20	eur	<b>69.13</b>	1,500.00			100,000	76.67	78.69	100,000	19.31%
DE000DB7XJJ2	Deutsche bank	2.75%		17-Feb-25	eur	<b>94.46</b>	280.00	340.00	(60.00)	6,000	94.36	94.66	164,000	3.55%
XS0802638642	Generali	10.13%	10-Jul-22	10-Jul-42	eur	<b>131.54</b>	400.00	270.00	30.00	100,000	129.26	130.07	100,000	3.62%
XS0863907522	Generali	7.75%	12-Dec-22	12-Dec-42	eur	<b>119.72</b>	400.00	270.00	30.00	200,000	117.68	118.44	200,000	3.91%
XS1062900912	Generali	4.13%		4-May-26	eur	<b>90.07</b>	440.00	280.00	60.00	200,000	105.35	106.15	100,000	5.52%
XS1311440082	Generali	5.50%	27-Oct-27	27-Oct-47	eur	<b>100.18</b>	450.00	300.00	50.00	100,000	103.39	104.16	100,000	5.47%
XS1428773763	Generali	5.00%	8-Jun-28	8-Jun-48	eur	<b>94.07</b>	450.00	300.00	50.00	100,000	100.33	101.08	100,000	5.72%

# Risk Controlling

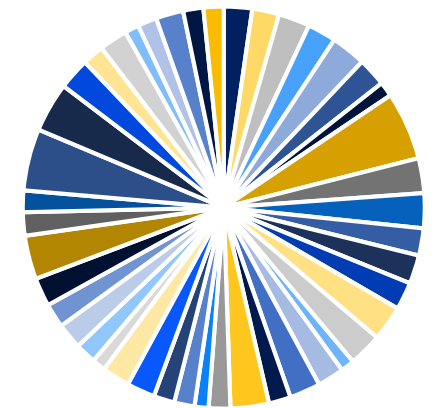
The Main Strategy of Stable Return Fund is to buy fixed income bonds which produce high carry. Without appropriate hedging instruments, the portfolio volatility could be very high. The proprietary Hedging System allows the SCM SR fund to reduce the volatility and to stabilize the expected returns of investments.



**Real Time Sensitivities**



**Scenario Analysis**



**High Diversification of Issuers**

# Key Differentiators

- **LIQUIDITY:** Most of assets are quoted on European Stocks Exchanges.
- **REGULATED:** The Strategy is compliant with UCITS V rules.
- **REPEATABLE:** Ruled based investment strategy which can be repeated in time and it produces stable returns with any market condition. It's not influenced by trader's sentiments or personal views.
- **NO COUNTERPARTIES RISK:** Bonds are traded following "DVP" (delivery vs payment) rule and most of derivatives are concentrated on the European Clearing Houses.
- **TRASPARENCY:** Daily NAV, Daily Mark to Market.
- **PORTFOLIO ENHANCEMENT:** Low correlation to stock markets and improved risk/return profile of a portfolio.
- **LOW VOLATILITY:** Financial derivatives reduce overall financial risks.

## The Reason Why

- The Strategy has consistently delivered stable returns inside Italian Banks since 2000.
- The Strategy can reduce overall portfolio risk and enhance returns.
- The Traders have over 15 years experience in European Bonds Market.
- Investing mainly in “light structured, high yield and subordinated bonds”, the average expected “pick up” is around 1 / 2% more than investing in “Plain issuances”\*.
- Dynamic hedging of the volatility and the credit risks allows to the Strategy to “over performed” most of Total Return, Arbitrage and Alternative Debt Funds on market.
- A reasonable target could be Euribor6m + 350 bps\*.
- Many trades per day of small amount allows to reduce operation risk.

\* At current market conditions (Jan 2017)

# Who's Who



The Investment Manager



The Sub Investment  
Manager



The Custodian



The Global Custodian



The Administrator

Calamatta Cuschieri

For more information, please contact: [area\\_commerciale@scmsim.it](mailto:area_commerciale@scmsim.it)



*Under no circumstances should this document be used or considered as an offer to sell or a solicitation of an offer to buy any interest in any investment fund. Any such offer or solicitation can and will be made only by means of the confidential offering memorandum of each such investment fund, only in jurisdictions in which such an offer would be lawful and only to individuals who meet the investor suitability and sophistication requirements of each such investment fund, including qualifying as "accredited investors". Access to information about the investment funds is similarly limited to individuals who meet the applicable investor suitability and sophistication requirements.*