



UPDATE

CB Equity Arbitrage PORTFOLIO

March 2024



Introduction

Portfolio & Performance

Outlook

Objective

- Achieve steady, positive returns in EUR over a market cycle.
- Generate returns independent of equity and bond market movements.

Concept

- Implemented through market-neutral equity strategies
- Exploit price inefficiencies in the markets using various strategies.
- Dynamic exposures
- Liquid strategies that trade highly liquid investment instruments and require little to no leverage.

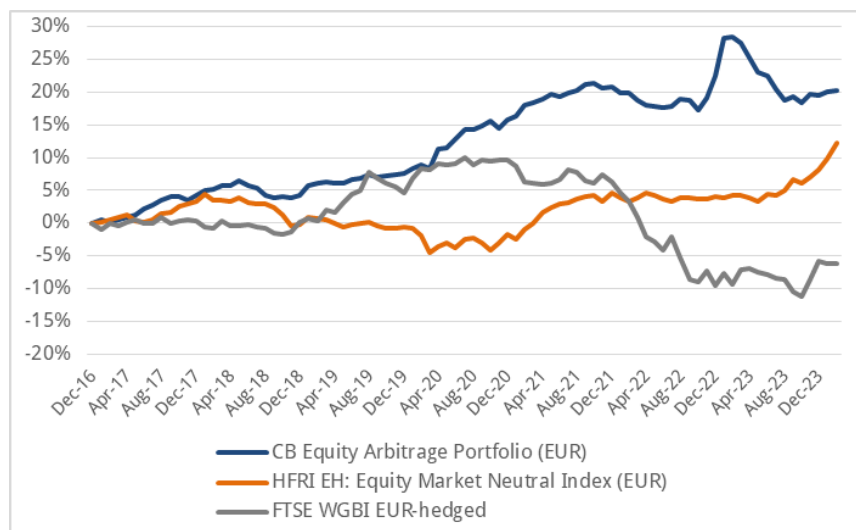
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Outlook

The CB Equity Arbitrage Portfolio achieved higher risk-adjusted returns compared to the benchmarks:



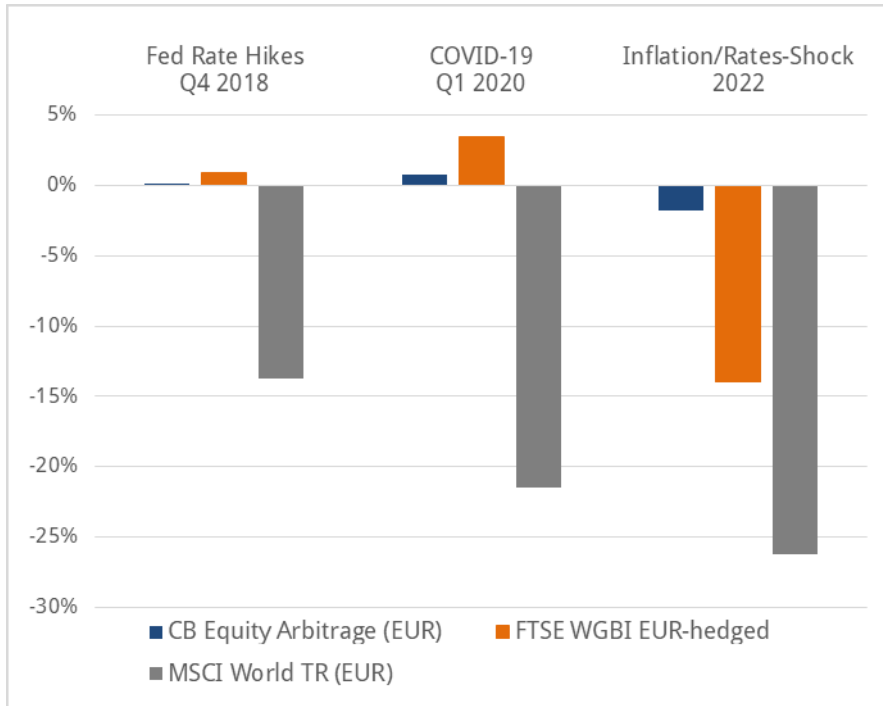
	ann. return	ann. volatility	Sharpe ratio	max DD	Skewness
CB Equity Arbitrage Portfolio (EUR)	2.60%	3.27%	0.92	-7.76%	1.31
HFRI EH: Equity Market Neutral Index (EUR)	1.62%	2.80%	0.73	-8.54%	-0.24
FTSE WGBI EUR-hedged	-0.90%	4.48%	-0.11	-19.28%	0.02

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	0.49%	0.08%											0.57%
2023	4.65%	0.08%	-0.63%	-1.84%	-1.74%	-0.47%	-1.71%	-1.28%	0.45%	-0.80%	1.15%	-0.21%	-2.49%
2022	-0.76%	-0.07%	-0.96%	-0.65%	-0.13%	-0.11%	0.19%	0.96%	-0.26%	-1.26%	1.62%	2.91%	1.41%
2021	0.50%	1.44%	0.28%	0.56%	0.56%	-0.27%	0.44%	0.36%	0.76%	0.08%	-0.47%	0.13%	4.45%
2020	0.59%	0.49%	-0.36%	2.70%	0.16%	1.19%	1.21%	0.07%	0.43%	0.75%	-1.02%	1.08%	7.49%
2019	1.44%	0.22%	0.18%	-0.16%	-0.04%	0.58%	0.14%	0.55%	-0.41%	0.34%	0.13%	0.19%	3.19%
2018	0.87%	0.04%	0.59%	-0.06%	0.85%	-0.70%	-0.45%	-1.02%	-0.40%	0.14%	-0.07%	0.38%	0.13%
2017	0.54%	-0.35%	0.33%	0.38%	0.41%	0.79%	0.55%	0.73%	0.66%	-0.10%	-0.44%	0.61%	4.18%

Source: Crossbow Partners, Bloomberg. The returns of the CB Equity Arbitrage Portfolio (EUR) are based on the certificate's live portfolio since November 2021. Prior to that, the returns were based on a model portfolio of equity arbitrage managers. All returns shown are net of fees in EUR.

Capital protection & correlation

The CB Equity Arbitrage Portfolio offered good protection in the event of major corrections:



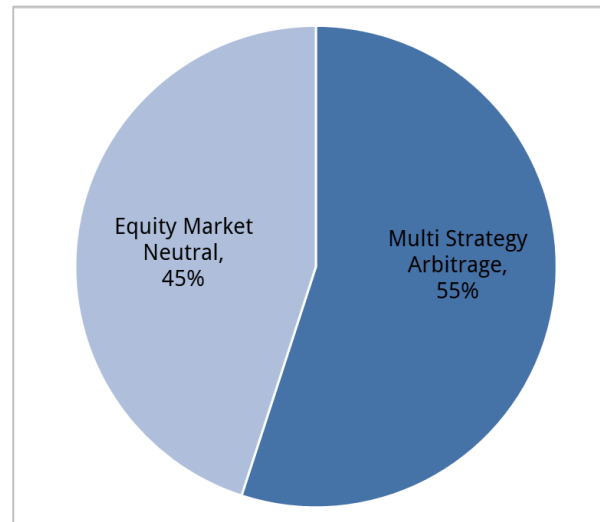
The CB Equity Arbitrage Portfolio has a very low correlation to equities and bonds

	1	2	3
1 CB Equity Arbitrage (EUR)	1	0.17	0.18
2 FTSE WGBI EUR-hedged	0.17	1	0.32
3 MSCI World TR (EUR)	0.18	0.32	1

Source: Crossbow Partners, Bloomberg. The returns of the CB Equity Arbitrage Portfolio (EUR) are based on the certificate's live portfolio since November 2021. Prior to that, the returns were based on a model portfolio of equity arbitrage managers. All returns shown are net of fees in EUR.

Portfolio composition

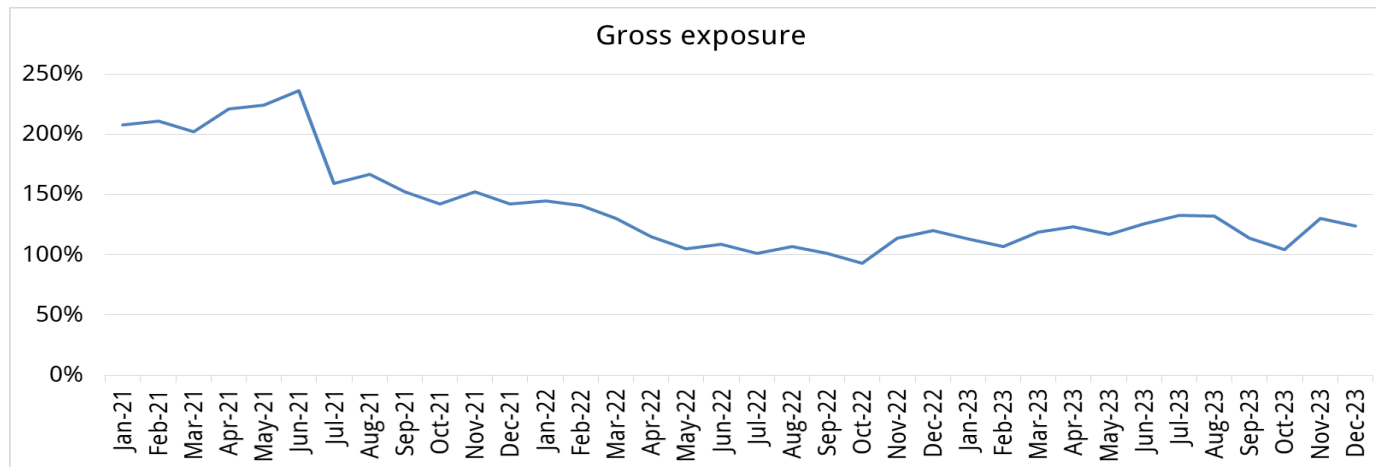
- Portfolio holdings:
 - Multi-Strategy Arbitrage Fund
 - Systematic Equity Market Neutral fund
 - Discretionary Equity Market Neutral Fund
- Recent transactions:
 - Redemption of Equity Arbitrage Fund
 - Allocation to Systematic Equity Market Neutral Fund
- > 3'000 positions across different geographies, strategies, and time-horizons



Source: Crossbow Partners

➔ Multi-Strategy Arbitrage Fund

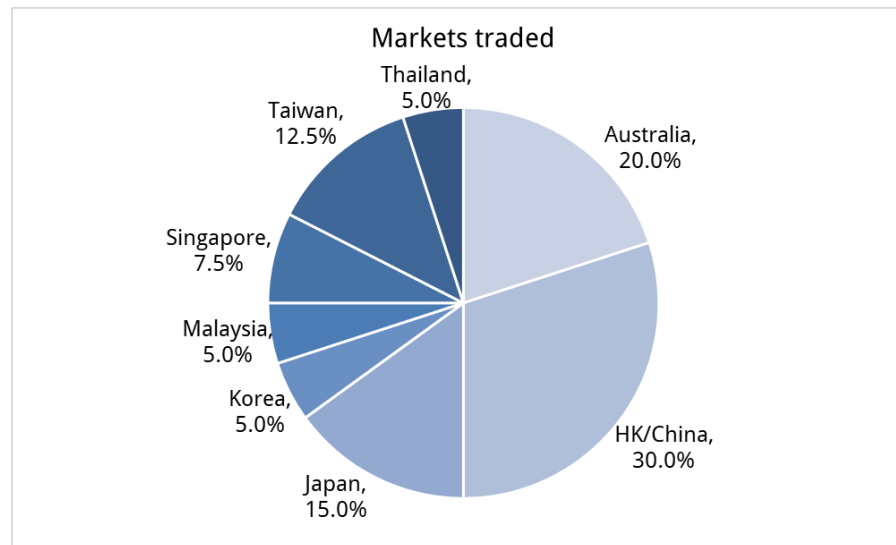
- ➔ Managed by experienced PM
- ➔ Focus on Japan, China/HK, Korea, and Australia
- ➔ Predominantly discretionary strategies and some quant equity strategies
- ➔ Capture price inefficiencies via share class arbitrage, options arbitrage, convertible bonds arbitrage, capital structure arbitrage, and equity long/short trades
- ➔ Half of the portfolio is invested in Japan
- ➔ Lower gross exposure due to cap structure arb trades. Expect pick-up of gross exposure in 2024.



Source: Crossbow Partners, Multi-Strategy Arbitrage Fund

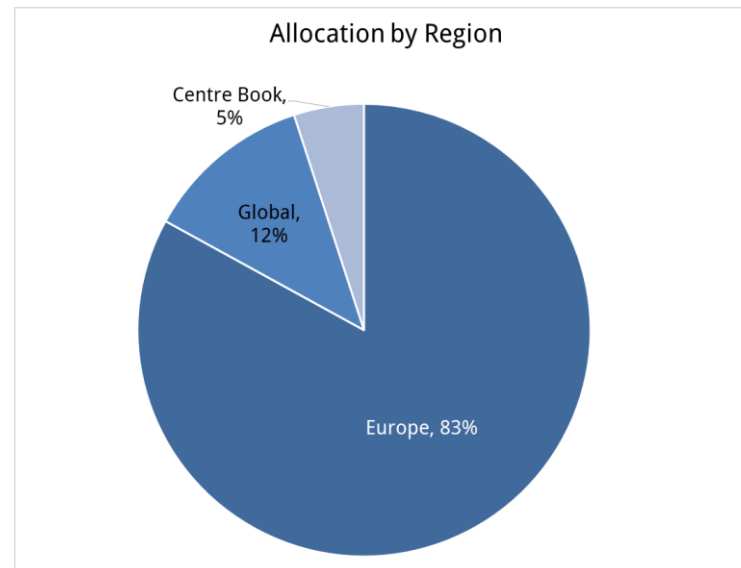
➔ Systematic Equity Market Neutral Fund

- ➔ A systematic fund trading Pan-Asian equities with a market neutral approach
- ➔ Team is ex-WorldQuant Millennium and Societe Generale
- ➔ > 2'000 positions and an average gross exposure of 300% (net = zero)
- ➔ 9 strategies
- ➔ Cover the full capitalization spectrum
- ➔ The stand-alone fund was recently launched and we were able to invest with favorable terms
- ➔ 8 different Asia Pacific Markets



Source: Crossbow Partners, Systematic Equity Market Neutral Fund

- Discretionary Equity Market Neutral Fund
 - Multi-PM platform run by 16 portfolio managers applying 17 strategies
 - Fundamental equity market neutral strategies
 - Conservative approach with 150% gross exposure (net +/-5%)
 - Focus on European stocks
 - No PM cost pass-through which is rare among the Multi-PM community



Source: Crossbow Partners, Equity Market Neutral Fund

⇒ 2022:

- ⇒ Ukraine-Russia war, US Fed started raising rates in March 2022 as inflation was on the rise
- ⇒ Equity and bond markets were double-digit negative
- ⇒ The CB Equity Arbitrage Portfolio generated positive returns of +1.41%:
 - ↑ Strong alpha generation from equity arbitrage spreads in Japan, Asia ex-Japan and LatAm Markets
 - ↑ Japan equity derivatives
 - ↓ Capital structure arbitrage in the Chinese property sector (long credit vs short equity)

⇒ 2023:

- ⇒ Inflation came down rapidly in 2023, there was no recession in the US and equity markets staged a strong comeback:
- ⇒ The CB Equity Arbitrage Portfolio was -2.49% for the year:
 - ↓ Capital structure arb trades in the Chinese property sector (long credit vs short equity)
 - ↓ Market neutral equity exposure, particularly in European industrials and healthcare
 - ↑ Equity arbitrage spreads, however lower alpha due to declining volatility

Introduction

Portfolio & Performance

 **Outlook**

- The portfolio is highly diversified across multiple alpha sources, geographies and trading strategies, both discretionary and systematic
- Capital structure arbitrage trades in China will be reduced in the coming months in favour of relative value equity strategies
- Favorable environment for relative value strategies fund with higher interest rates and lower correlation between markets
- Significant opportunities in Japan, where unusually strong flows into Japan in the first two months of 2024 have resulted in some large price inefficiencies which are expected to mean-revert
- Systematic equity market neutral strategy should continue to capture alpha irrespective of rising or falling equity markets due to its market neutral exposure.
- Expect higher alpha opportunities in a more volatile environment. Markets remain volatile as interest rates, geopolitics, the US election, and China's economic struggles are on the forefront.

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