

## Investment Process

Stratton Street UCITS – NFA Global Bond Fund UI (the “Fund”) aims to provide investors with both a high income and a superior overall return to both developed and emerging market bond indices over a market cycle. The Fund seeks to sustain higher income than typical investment grade indices, by targeting undervalued investments which amplify capital appreciation while reducing downside risks. The Fund aims to outperform the JP Morgan Global Aggregate Bond Index (USD) over a market cycle.

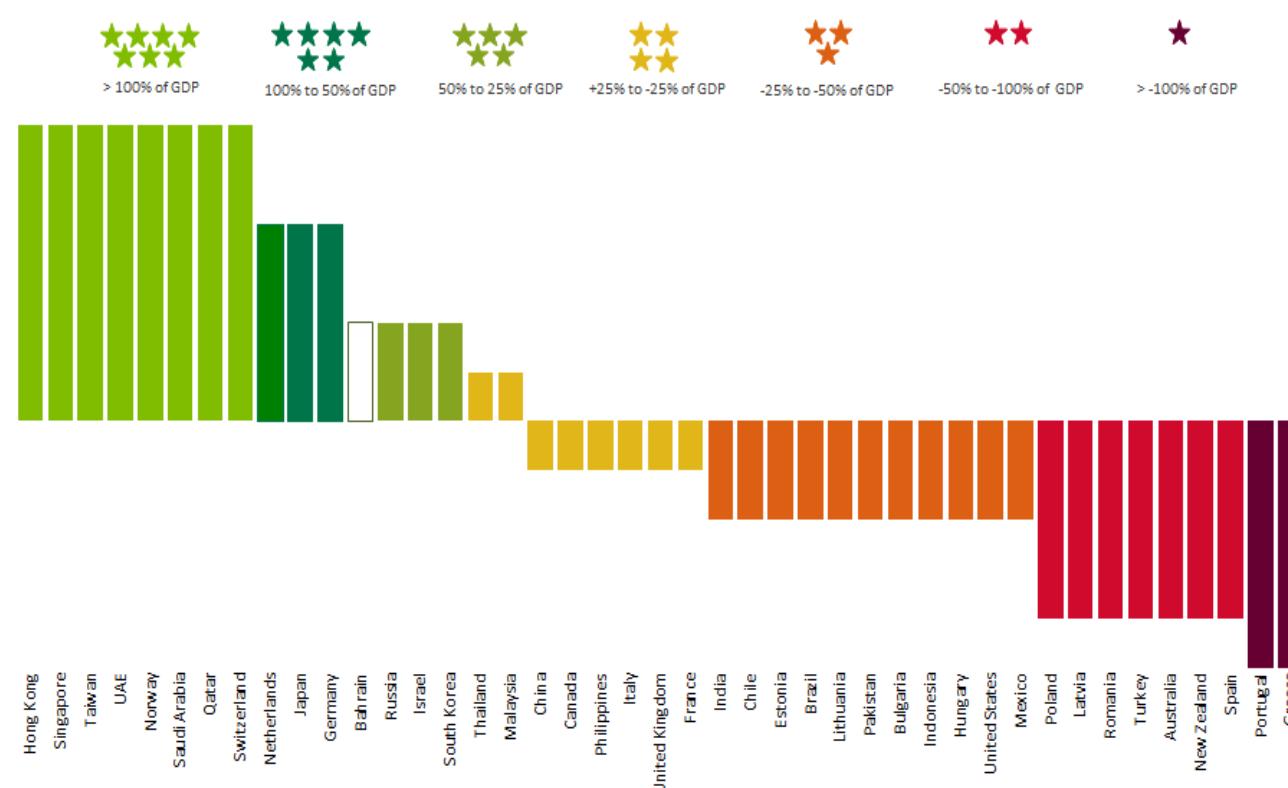
### Investment Philosophy

- Investment in credit requires a top-down macro understanding of the world as well as the ability to analyse the merits of individual bonds and bond issuers.
- The extra “credit spread” over government bonds does not always reflect the underlying investment risk based on an issuer’s fundamentals.
- The Net Foreign Asset (NFA) position is an essential component in the investment decision.
- The managers’ credit selections are not constrained by indices. They use a Global Pricing Model to seek to identify fair value and then focus on those credits which are mispriced / undervalued.

### Investment Process

Traditionally investors have segmented the world into developed and emerging economies, whereas Stratton Street looks at creditors vs. debtors. Many so called “developed” countries have amassed substantial debts and are in fact much riskier than is often perceived. Conversely, many countries classified as “emerging” have strong fundamentals, low levels of government debt, high credit quality and incomes well above those of many “developed” countries.

NFA analysis is a key driver of country and currency returns. The analysis that Stratton Street utilises takes the cumulative current account (adjusted for valuation effects) in the entire wealth of a country (across government, corporations & households), and divides that into GDP to generate a ranking.



Excluded as not Investment Grade.  
Source: Stratton Street Capital LLP calculations (2015) and extended version of the External Wealth of Nations Mark II database developed by Lane and Milesi-Ferretti

ESG is incorporated at a high level into our investment process, on a par with our key NFA scoring system. We rate 167 countries using 27 equally weighted ESG factors and assign them a star rating from 1-7, with 1-star being the lowest and 7-stars being the highest. We aim to implement an above average score at a weighted portfolio level. We have found that the combination of the NFA calculation being a measure of a country’s wealth and the ESG calculation are somewhat correlated as the wealthiest countries in the world tend to score highly under both screens. The Star rating system fits well with our NFA process and incorporates ESG as a prime factor within the process. Additionally, we apply exclusion criteria based on Norges Bank (Central Bank of Norway) Guidelines.

### Key Points

- The Fund invests 100% in investment grade credits, sovereigns or quasi sovereigns. (At the time of purchase).
- NFA analysis combined with where we are in the global cycle enable us to optimise the portfolio country and credit quality positioning throughout the cycle. The managers’ credit selections are not constrained by indices. The proprietary global credit pricing model allows the team to select undervalued/mispriced credits.
- Use of NFA analysis and primary focus on IG space should allow better downside capital protection and lower volatility.

### Key Fund Information

- Gross redemption yield circa 3%
- Investment grade credit
- Long only bond portfolio. Non USD exposure is hedged back to USD. Share classes are hedged.
- Launch date: 30 November 2016
- Benchmark: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged USD

### Fixed Income Team

The fixed income funds are managed by a specialist team of six investment professionals led by Andy Seaman (CIO) and Frederick Coldham (Head of Fixed Income and Currencies). The fixed income team have market experience of over 20 years on average.

Andy joined in 2001 and has been managing fixed income portfolios since the 1990s. Fred joined in 2011 with over 30 years’ experience and was previously Head of Fixed Income at Industrial Bank of Japan Investment Management Division.

They are joined by Mark Johns (Fund Manager) who joined in 2001, Alison Smith (Fund Manager) with over 20 years’ experience and previously head of Pacific Equities at University Superannuation Scheme; Graeme Brewer (Fund Manager - Trader) with over 25 years’ experience; and Parita Ghalay (Fund Manager) with over 11 years’ experience.

Signatory of:

We have designed a number of fundamental models to aid rather than drive the investment process. Bond selection is aided by “Sophisticated Screening” using the proprietary “Relative Value Model” (RVM). The RVM comprises a global database of circa 11,000 bonds and enables us to efficiently focus on the most undervalued credits. Bonds highlighted as being undervalued by the RVM are then further screened for financial strength by the Corporate Credit Model, prior to further analysis.

By using this in conjunction with our global growth model we can determine where we are in the economic cycle, which are better countries to target, and where it is appropriate to position the credit quality of the portfolio. Our style is to choose undervalued credits on wide spreads when opportunities are plentiful and to improve the credit quality as spreads compress and we are no longer being compensated for risk. The team use a global credit pricing model (RVM) to screen for undervalued credits.

## Investment Strategy

The Fund maintains an average investment grade portfolio comprising only the most attractively undervalued credits globally, as identified by Stratton Street’s quantitative models and investment analysis. Holdings will typically be hard currency USD issues with issuance size of at least USD 500m thus having suitable liquidity.

The portfolio will not track an index but weightings will vary according to which sectors, regions and issues are undervalued at a given time. Positioning will also vary according to perceived economic environments, allocating more into safer credits during difficult economic periods in order to protect capital. As holdings return to or surpass fair value the investment team will attempt to sustain the upwards bias on capital appreciation by opportunistically adjusting the portfolio into undervalued credits where they identify mispricing due to market sentiment rather than fundamental or structural reasons.

## Key Terms

- Investment manager: Stratton Street Capital LLP
- Domicile / Legal Status: Luxembourg / UCITS
- Dividends: Semi-annual
- Share classes: QUSD, QEUR, QGBP (Dist or Acc) (other currencies available on request), Retail Euro (Dist)
- Base currency: USD
- Valuation frequency: Daily
- Management fee: Q class: 0.60% Retail: 1.20%
- Minimum investment: Q class: \$100,000  
Retail class: No minimum

## Contact Details

Email	<a href="mailto:sales@strattonstreet.com">sales@strattonstreet.com</a>
Website	<a href="http://www.strattonstreet.com">www.strattonstreet.com</a>
Telephone	+44(0)207 766 0888
Address	<b>Stratton Street Capital LLP</b> 200 Aldersgate Street, London, EC1A 4HD
Email	<a href="mailto:info@natango-invest.com">info@natango-invest.com</a>
Website	<a href="https://natango-invest.com">https://natango-invest.com</a>
Telephone	+49 69 348 7924 24
Address	<b>Natango Invest GmbH</b> Freiherr vom Stein Str. 7, 60323 Frankfurt am Main

This marketing material has been approved in the UK by Stratton Street Capital LLP which is a limited liability partnership incorporated and registered in England and Wales under partnership OC 306260 with its registered office at 200 Aldersgate Street, London EC1A 4HD. Stratton Street Capital LLP is regulated by the Financial Conduct Authority.

The distribution of Shares in the Fund in Switzerland will be exclusively made to, and directed at, qualified investors (“Qualified Investors”) as defined in the Swiss Collective Investment Schemes Act of 23 June 2006 as amended, and its implementing ordinance. Accordingly, the Fund has not been and will not be registered with the Swiss Financial Market Supervisory Authority. The Fund’s Prospectus and/or any other offering materials relating to the Shares may be made available in Switzerland, free of charge, solely by the Swiss representative and/or authorized distributors to Qualified Investors. The Swiss representative is 1741 Fund Solutions AG and the Swiss paying agent is Tellico AG. In respect of the Shares distributed in or from Switzerland, the place of performance and jurisdiction is the registered office of the Swiss representative.

This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. It is not a personal recommendation and it should not be regarded as a solicitation or an offer to buy or sell any shares in the Fund. This document represents the views of Stratton Street Capital LLP at the time of writing. It should not be construed as investment advice. Past performance is not necessarily a guide to future performance. Whilst all reasonable care has been taken to ensure that the stated facts are accurate and opinions are fair and reasonable neither Stratton Street Capital LLP nor any of its partners or employees shall be responsible in any way for the contents of this document. Nothing in this document constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Stratton Street Capital LLP does not advise on the tax consequences of investments and you are advised to contact a tax advisor should you have any questions in this regard. Any person interested in investing in the Fund should conduct their own investigation and analysis of the Fund and should consult their own professional tax, accounting or other advisers as to the risks involved in making such an investment. Full details of the Fund’s investment objectives, investment policy and risks are set out in the Fund’s Prospectus which, together with the Key Investor Information Document, are available on request and free of charge from Universal Investment Luxembourg S A, 15 rue de Flaxweiler L 6776 Grevenmacher Luxembourg or from Stratton Street Capital LLP, 200 Aldersgate Street, London EC1A 4HD. Any offering of the Fund is only made on the terms of the current Prospectus and KIID. A subscription in the Fund can only be made after the provision of the KIID and should be made solely upon the information contained in the Prospectus and KIID.

An investment in the Fund would not constitute a substantial part of a typical investor’s investment portfolio and is not suitable for an investor who cannot sustain a loss on their investment. There is no guarantee of the Fund’s future performance and past performance is not a reliable indicator of future performance. The value of your investment and the income derived from it can go down as well as up, and you may not get back the money you invested. The risks associated with making an investment in the Fund are described in the Prospectus but investors should note, in particular, the following: 1) the Fund may invest a part of its assets in debt securities issued by governments or companies. As a result, it is subject to the risk of the insolvency of the issuers of the debt in which they invest; 2) The Fund is subject to the risk of the insolvency of its counterparties; and 3) The Fund invests in one or more financial derivative instruments. While the use of derivatives can be beneficial, derivatives also involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. The use of derivatives to hedge against losses may also reduce the profit opportunities of the Fund.

Attention Singapore Investors. In the event of any conflict or inconsistency between the information set out in this document and that of the Prospectus, the information set out in the Prospectus shall prevail. Please take note of the notice to Singapore Investors in the Prospectus.