

**Groupe
ABC arbitrage**

***Présentation SFAF - Comptes annuels 2017
Retour vers le futur des marchés***

AVERTISSEMENT

Ce slideshow est un support de communication remis aux participants de la présentation SFAF du 27 mars 2018 et publié sur le site www.abc-arbitrage.com.

Ces éléments d'information sont donnés à des fins d'illustration et ne sauraient se substituer aux documents officiels relatifs à l'année 2017.

ABC arbitrage - Consolidated Net Profits

In EUR million	Dec. 31, 2017 IFRS	Dec. 31, 2016 IFRS	Change
Investment Services Fees	16.0	17.5	-8,52%
Net gains at fair value through profit or loss	22.5	35.9	-37,24%
Net revenues*	38.5	53.3	-27,85%
Payroll costs	(13.8)	(16.2)	-14,90%
Occupancy costs	(1.6)	(1.6)	-1,12%
Other expense	(5.3)	(5.2)	2,23%
Other taxes	(0.1)	(0.2)	-25,72%
Total costs	(20.8)	(23.1)	-10,22%
Income before tax	17.7	30.2	-41,35%
Net income attributable to equity holders	18.3	30.5	-40,05%

ROE 11.5%



*Taxes and costs are already in Net Revenues for subsidiaries which are accounted for using the “Net gains at fair value through profit or loss” method (IFRS 10).

Évolution des indices (S&P 500 vs CAC 40)

Evolution des indices

40%

20%

0%

-20%

- 9 ans de hausse...
- 2nd + long cycle haussier (vs 1987-2000)
- > 200% sur 9 ans
- 2e perf. depuis 100 ans

source: les Cahiers Verts de l'économie

01/07/2016

— CAC 40 index

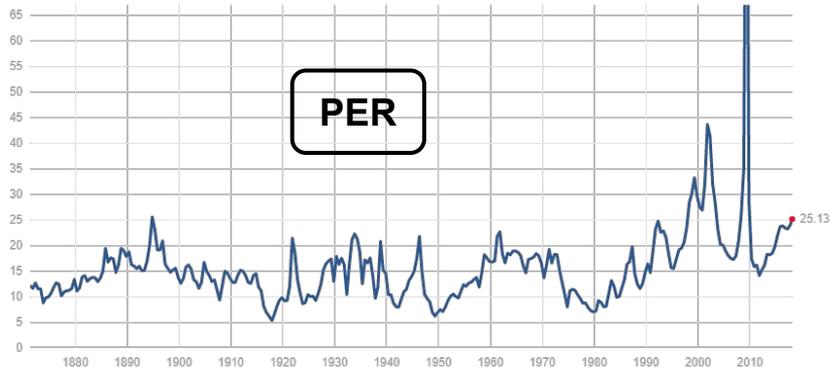
01/01/2017

— S&P 500 index

01/07/2017

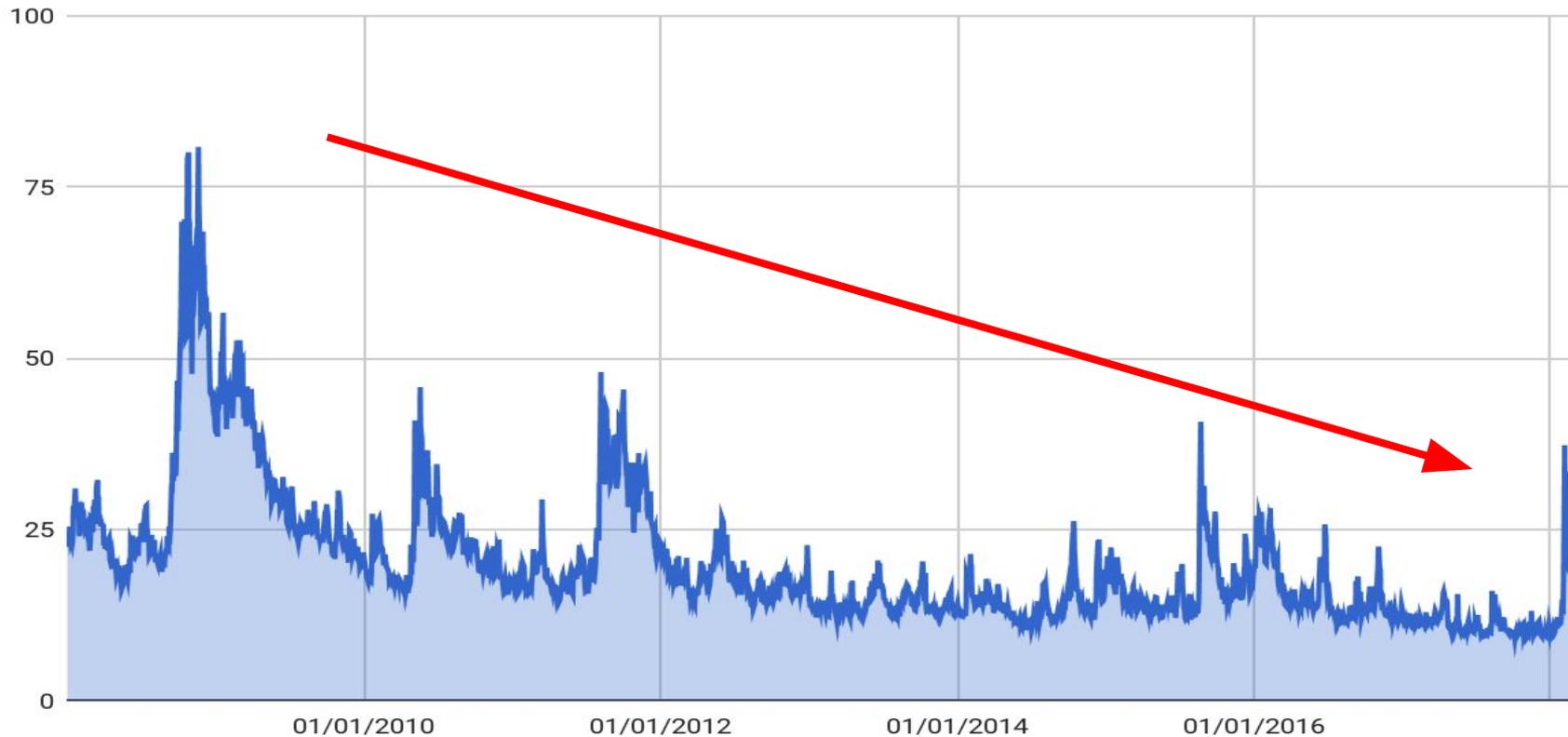
01/01/2018

2017 - Indicateurs fondamentaux sur des "records" !



VIX (from 2008)

VIX index

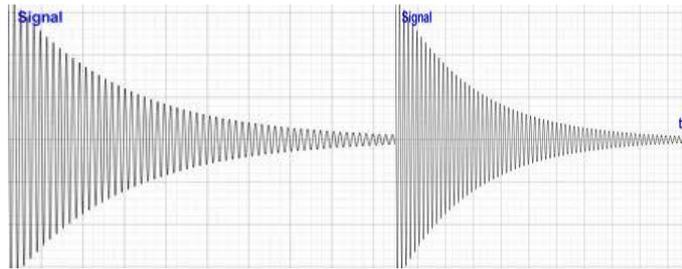
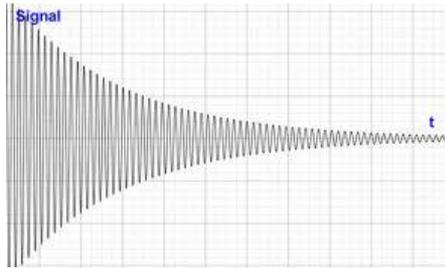


2012/2017: Central Banks Era

2012-2017
Central Banks Era



Before Central Banks



2012-2017 - New Volatility Era !

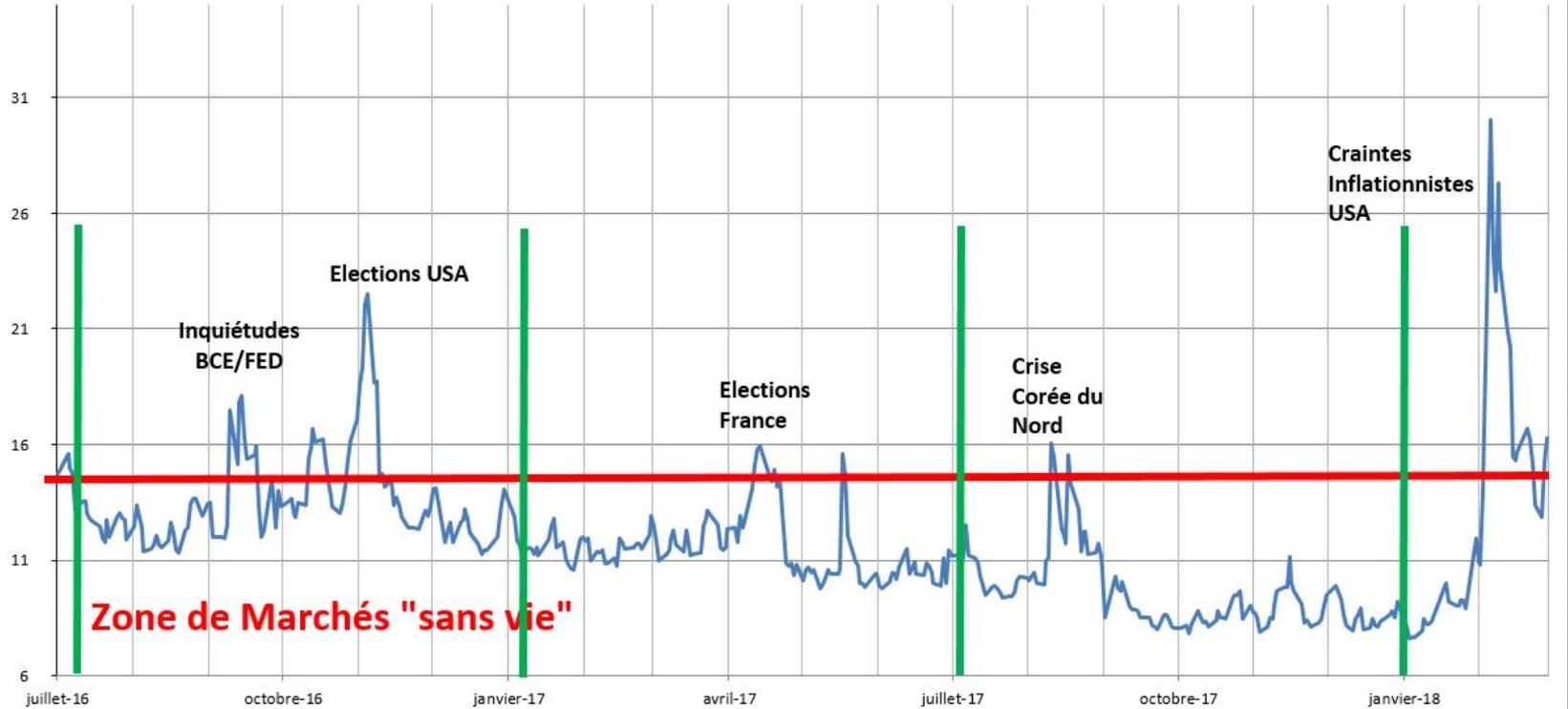
Before Central Banks



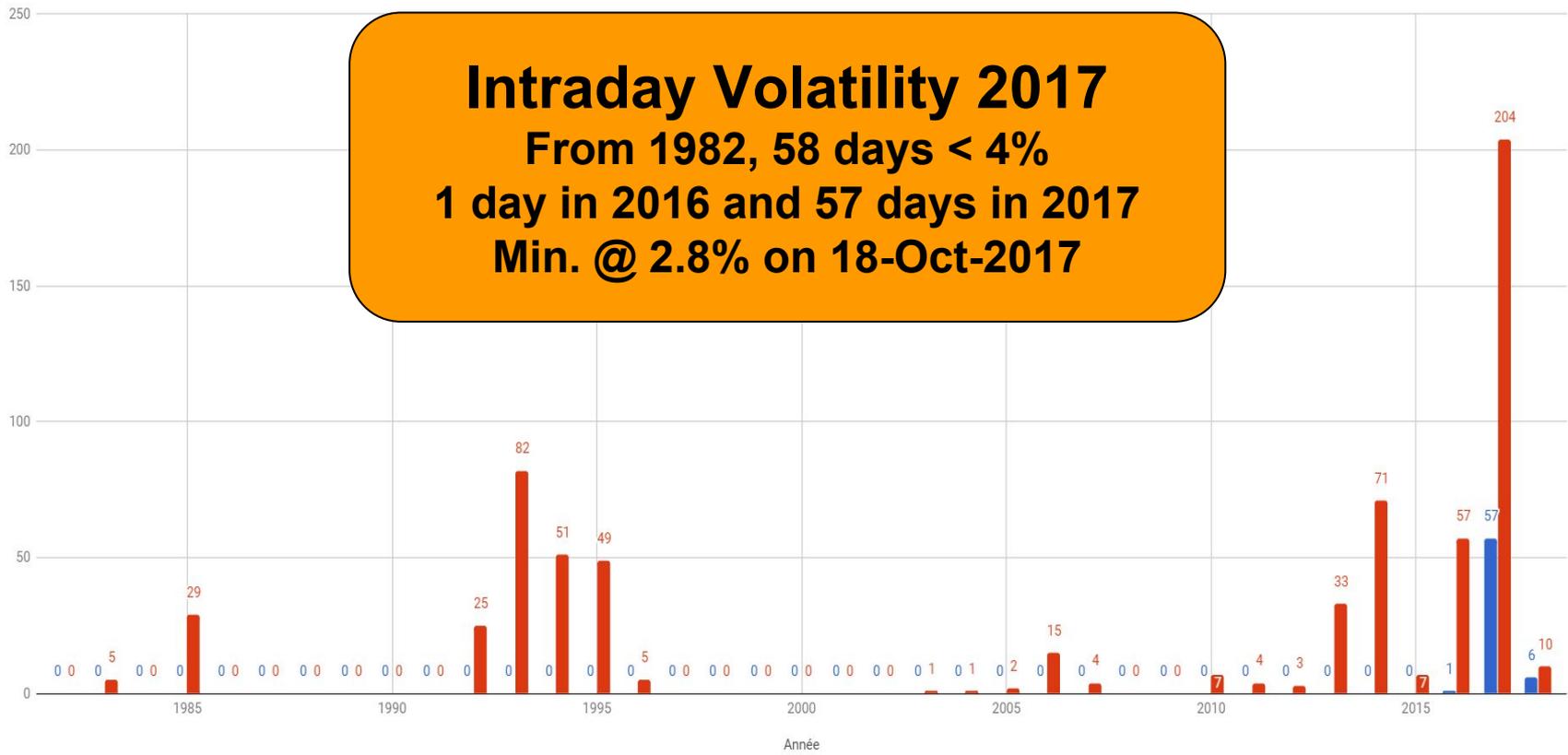
Central Banks Era



VIX from 07/2016



Intraday Volatility 2017
From 1982, 58 days < 4%
1 day in 2016 and 57 days in 2017
Min. @ 2.8% on 18-Oct-2017



■ Nb jours avec indicateurs de vol intraday sur 10j < 4% ■ Nb jours avec indicateurs de vol intraday sur 10j < 6%



ABC arbitrage Net Profits H1 H2 FY

40

These figures are not strictly audited
H2 does not exist from an accounting point of view

30

H2 Statistically < H1
H2 2017 Decrease is coherent

20

10

0



16.4

14.1

30.5

2016

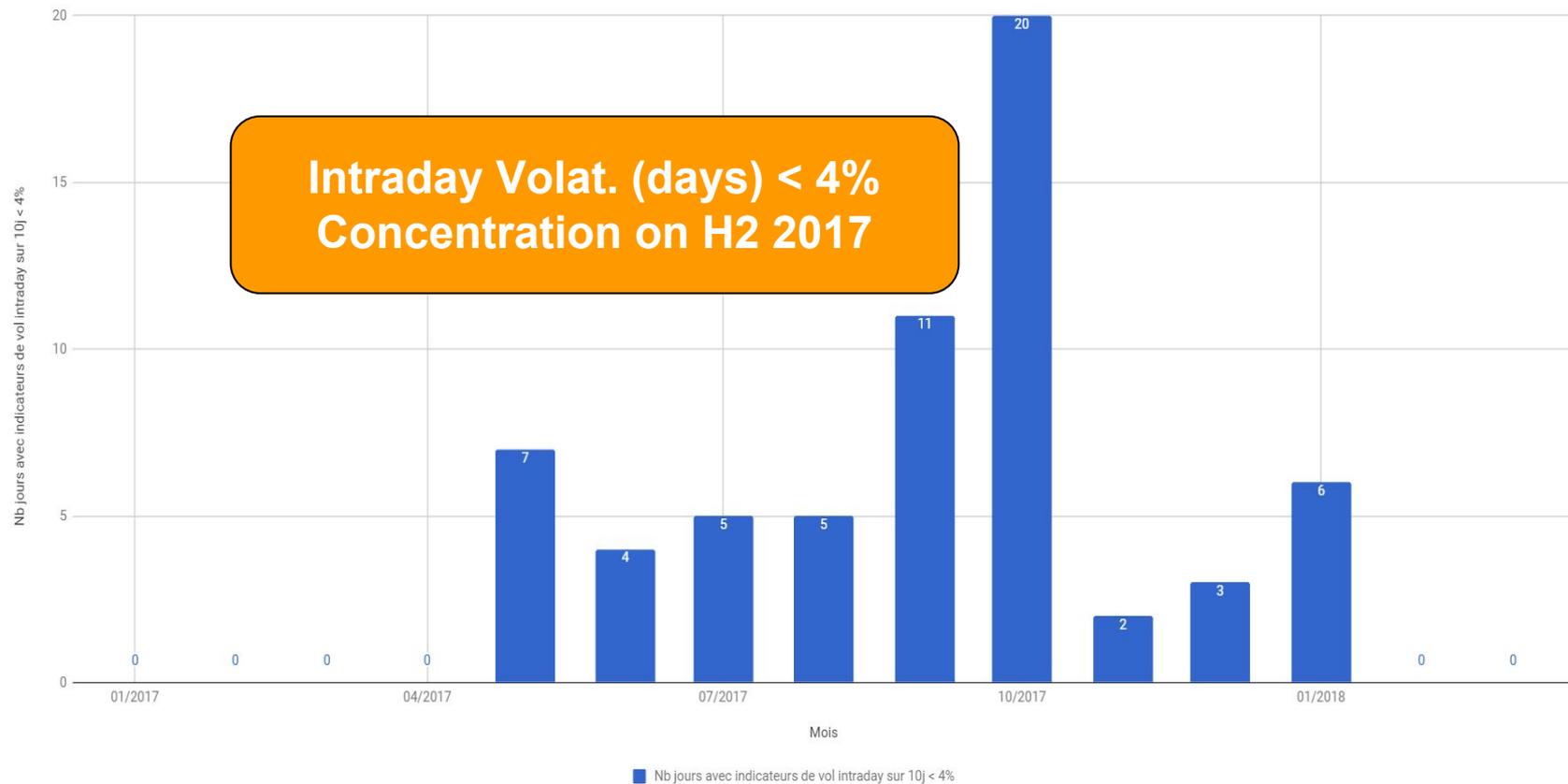


12

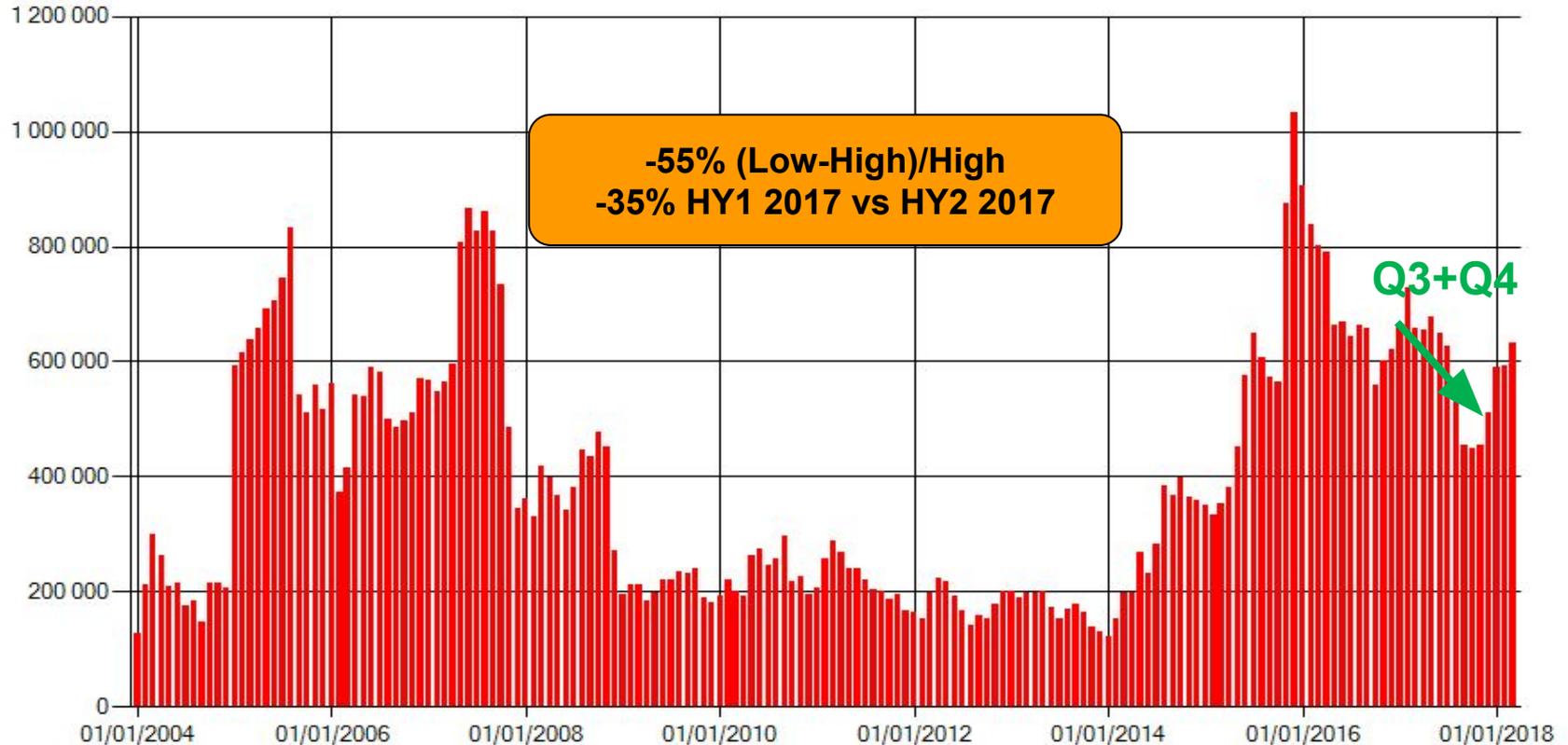
6.3

18.3

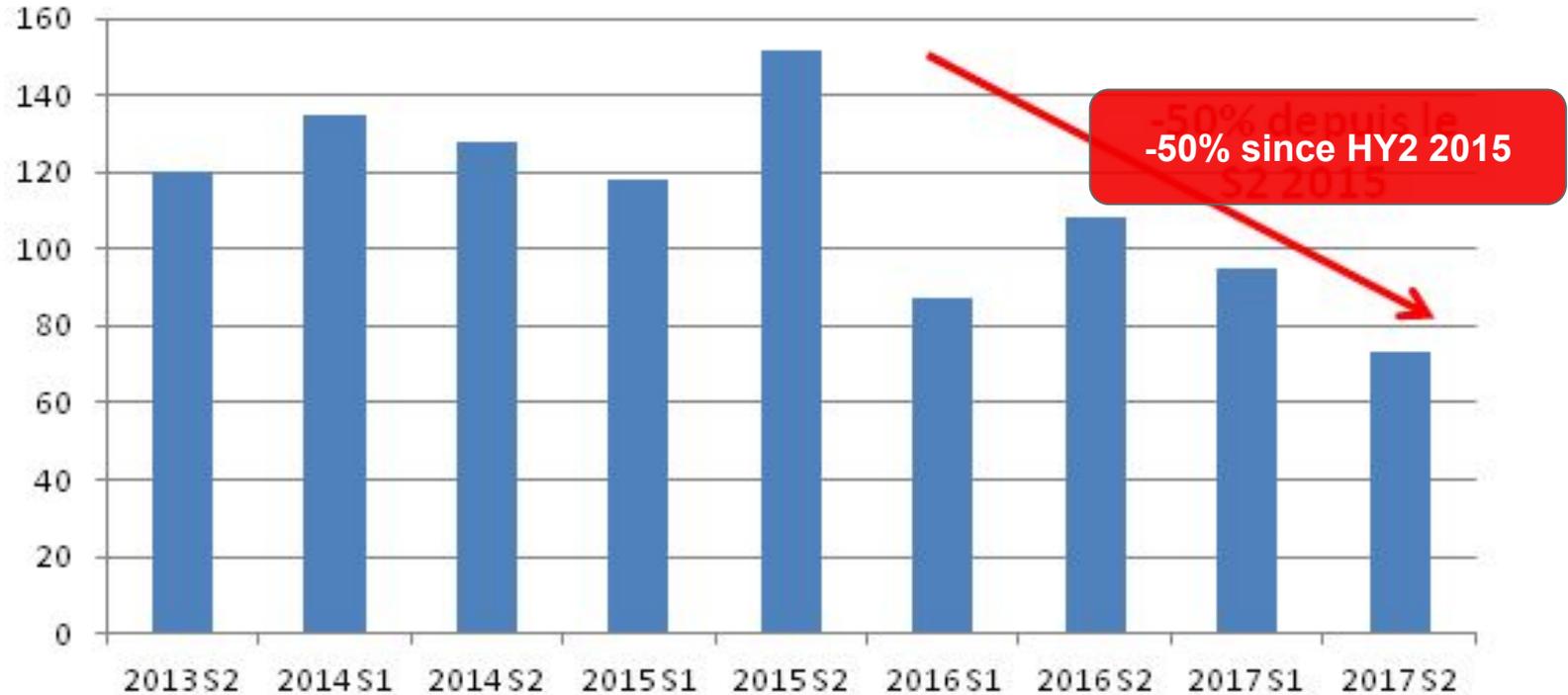
2017



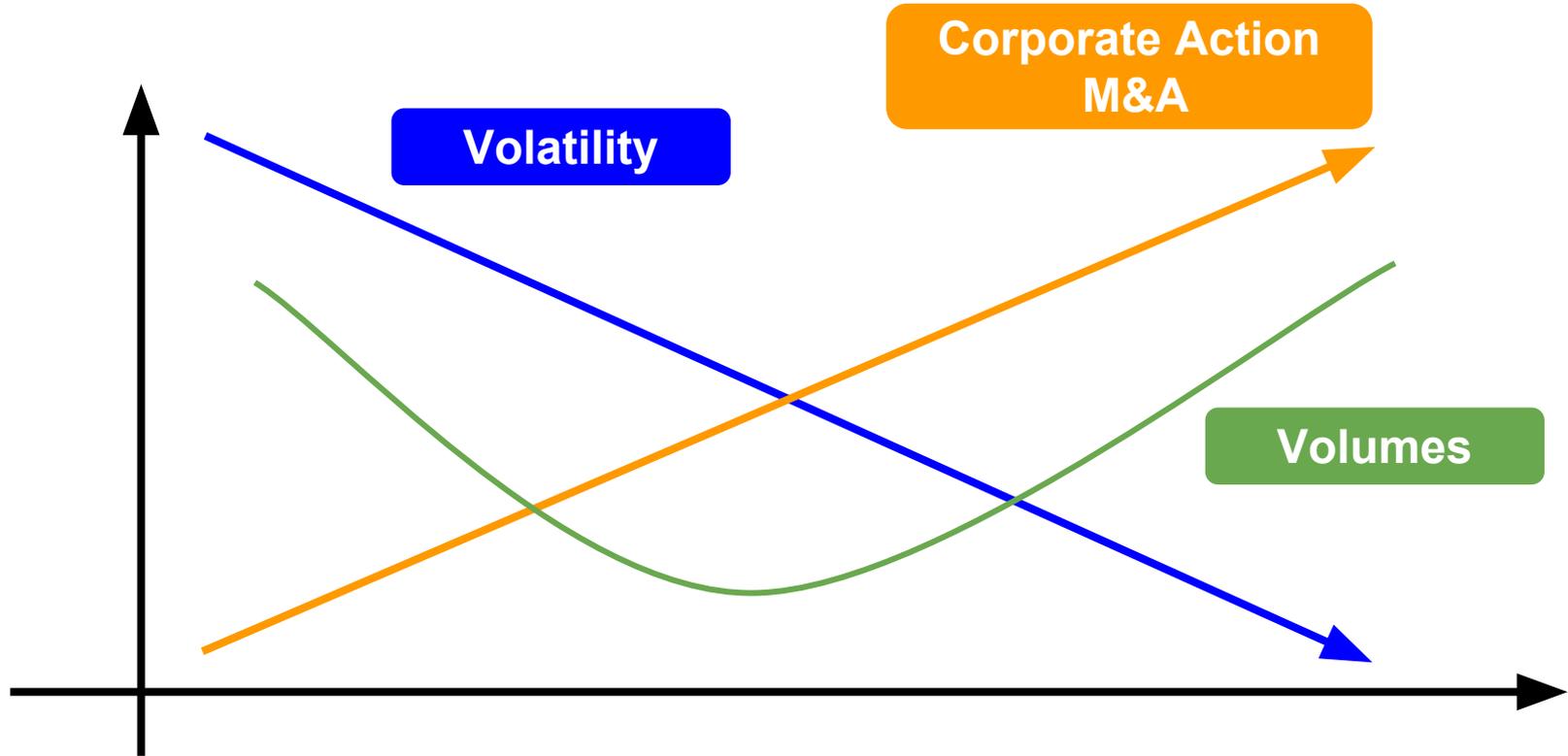
M&A (in billions € - Monthly total)



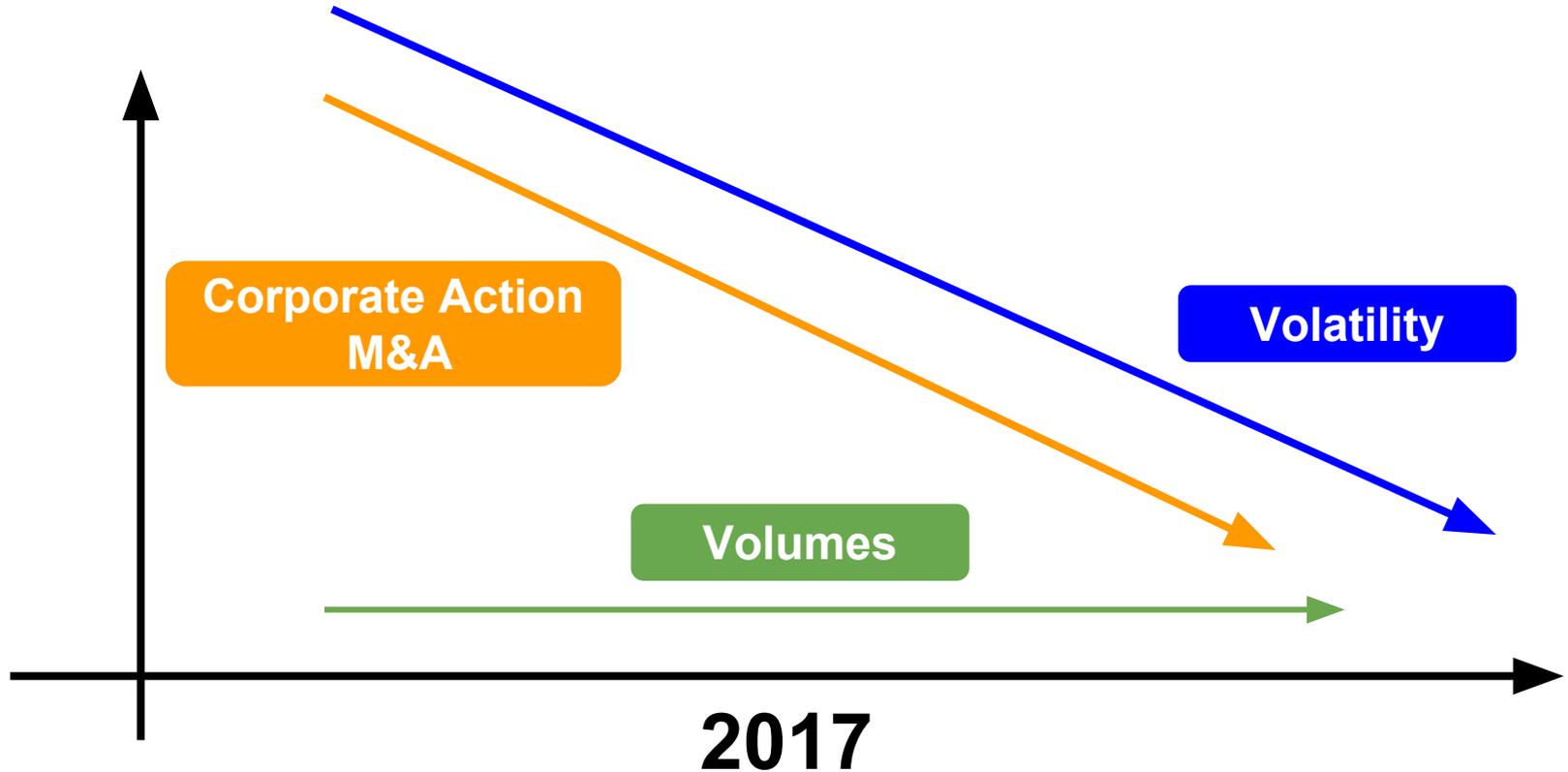
Strong decrease of significant Corporate Actions



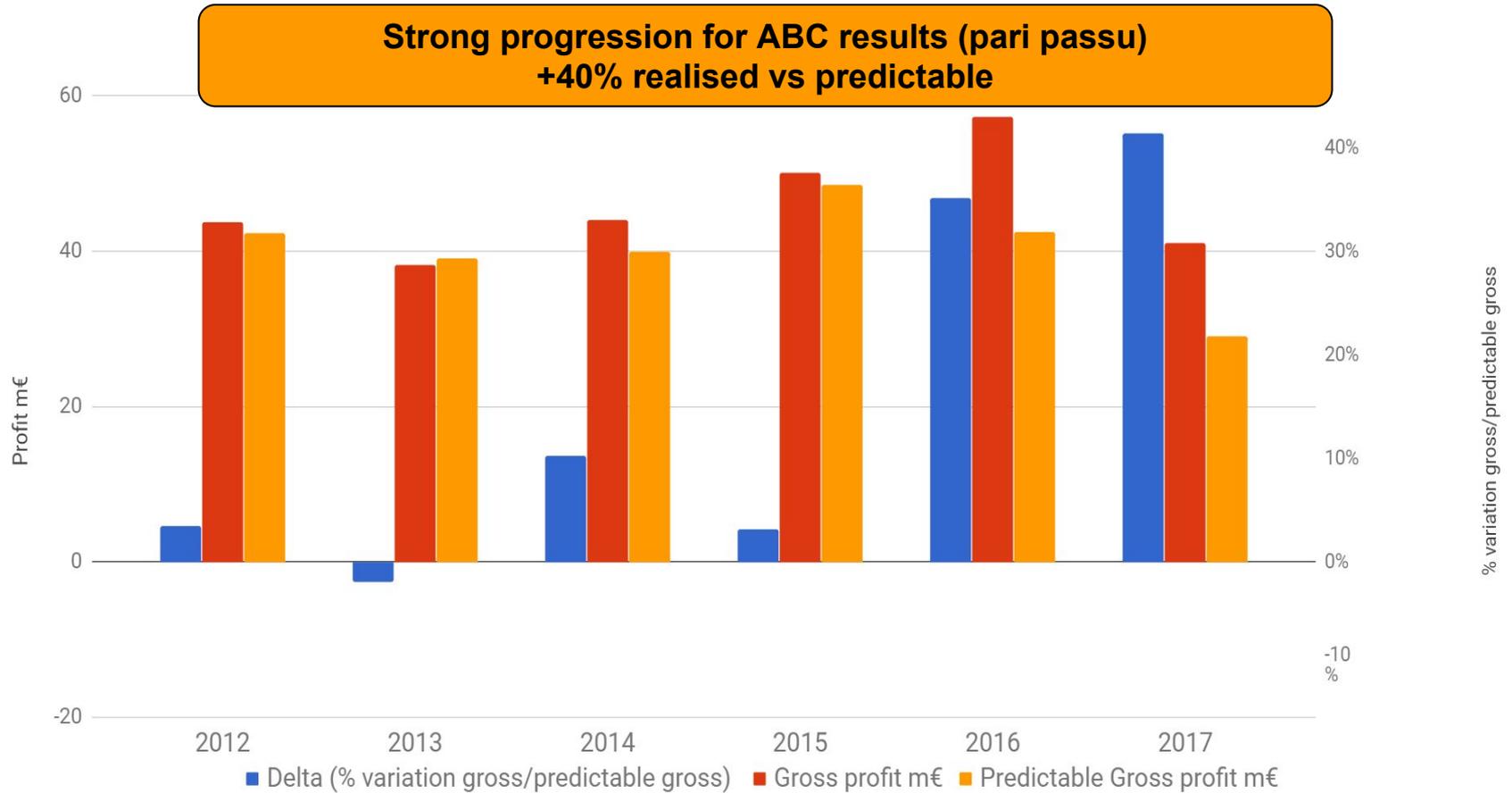
Expected Situation...



2017 Situation

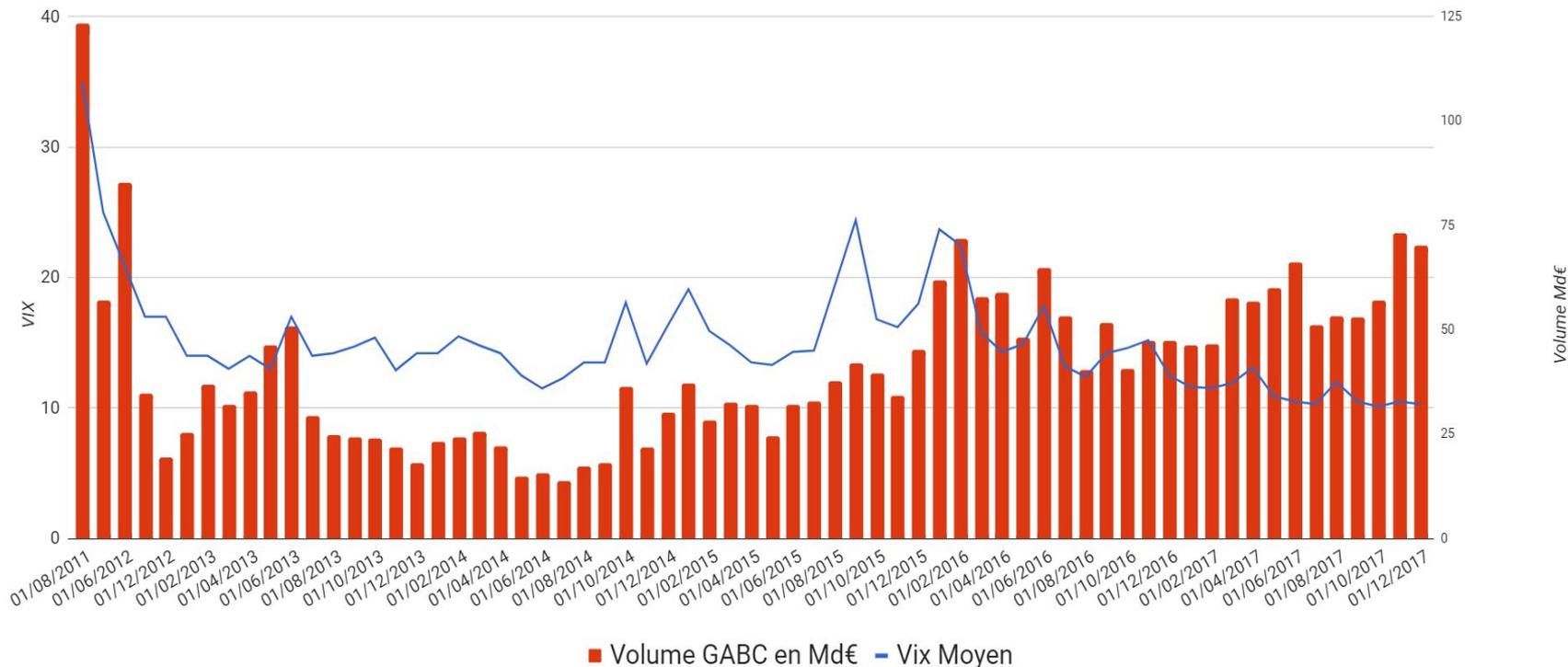


If correlation to volatility was the same as 2007-2012, the results would be...



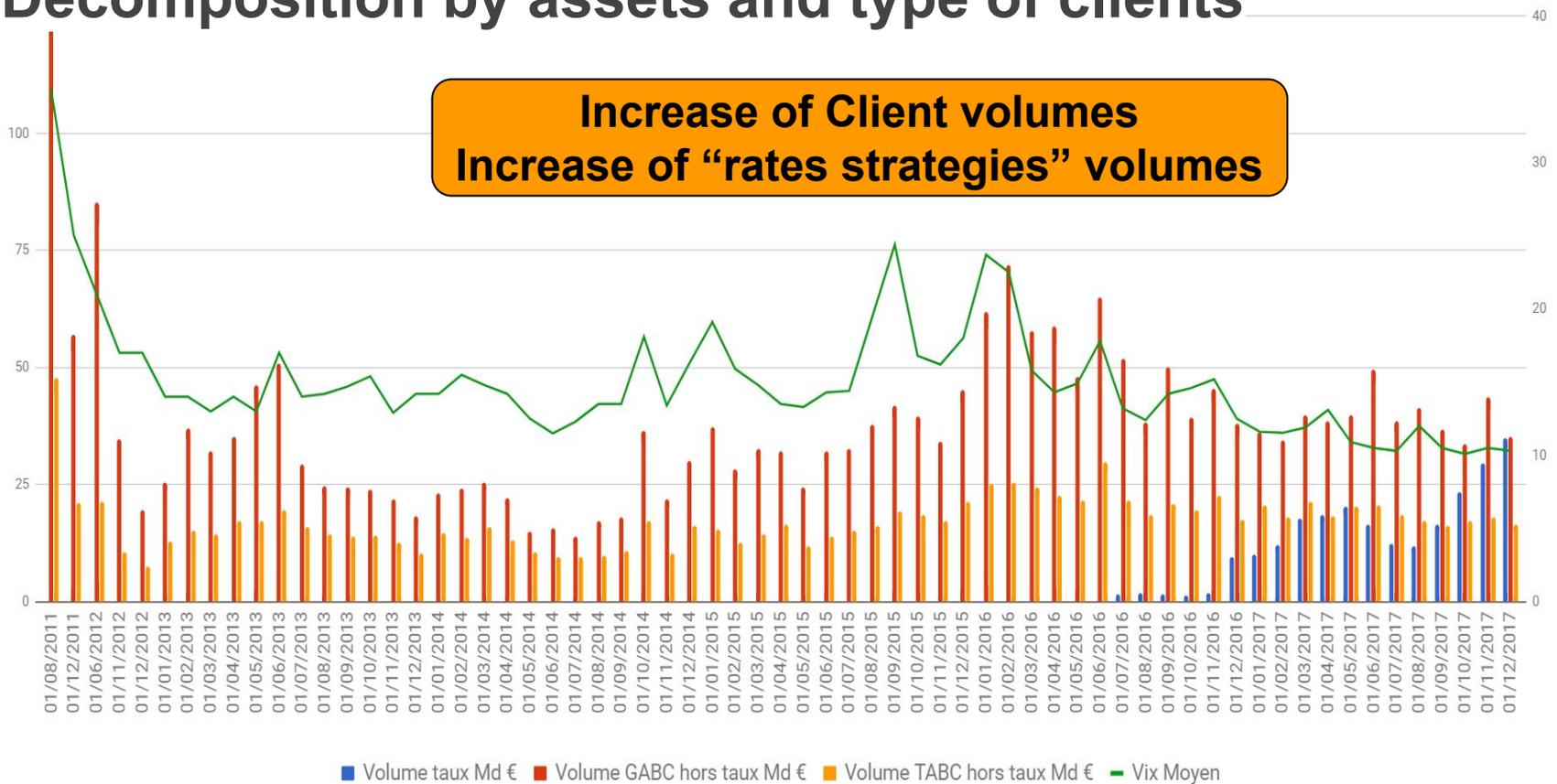
Correlation between VIX and Group Traded Volumes

Vix et Volume traités



Decomposition by assets and type of clients

Increase of Client volumes
Increase of "rates strategies" volumes



■ Volume taux Md € ■ Volume GABC hors taux Md € ■ Volume TABC hors taux Md € — Vix Moyen



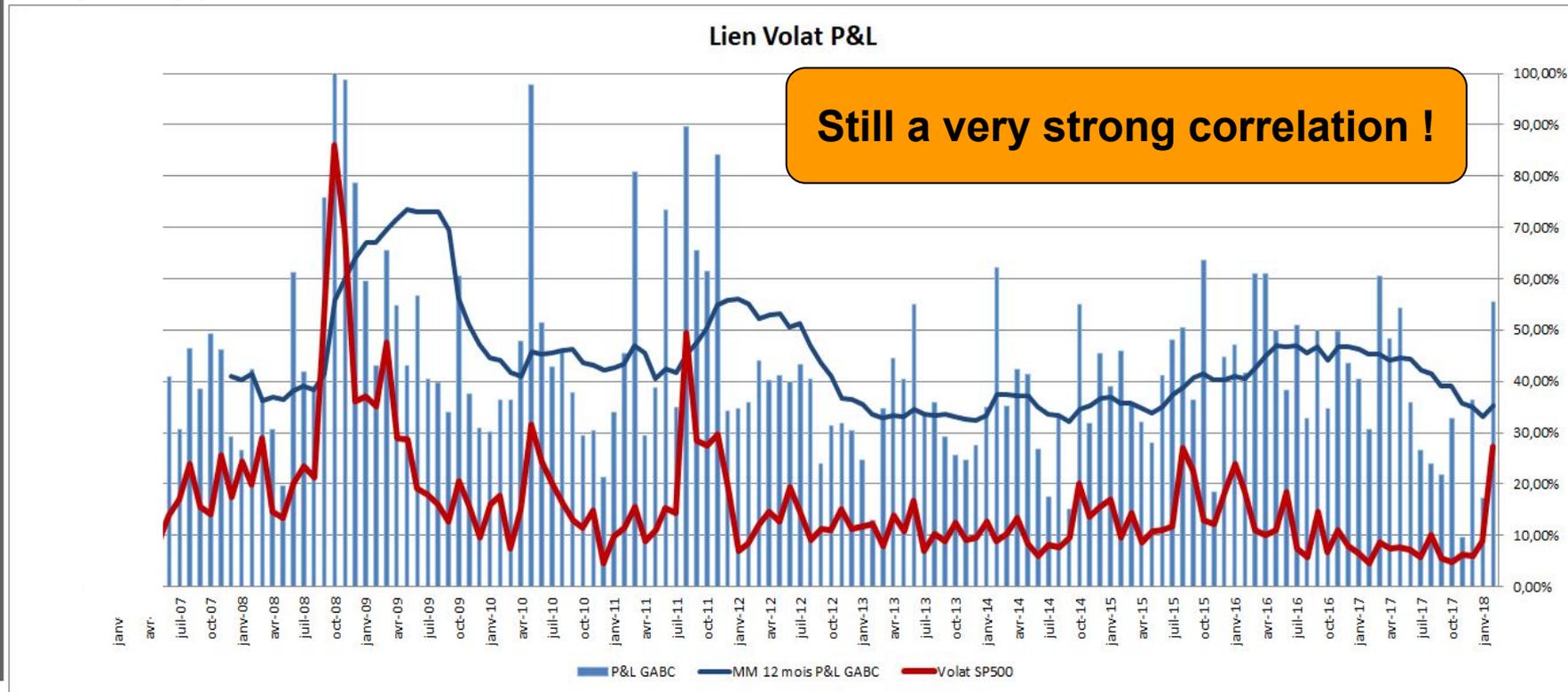
ABCG monthly returns

Monthly return

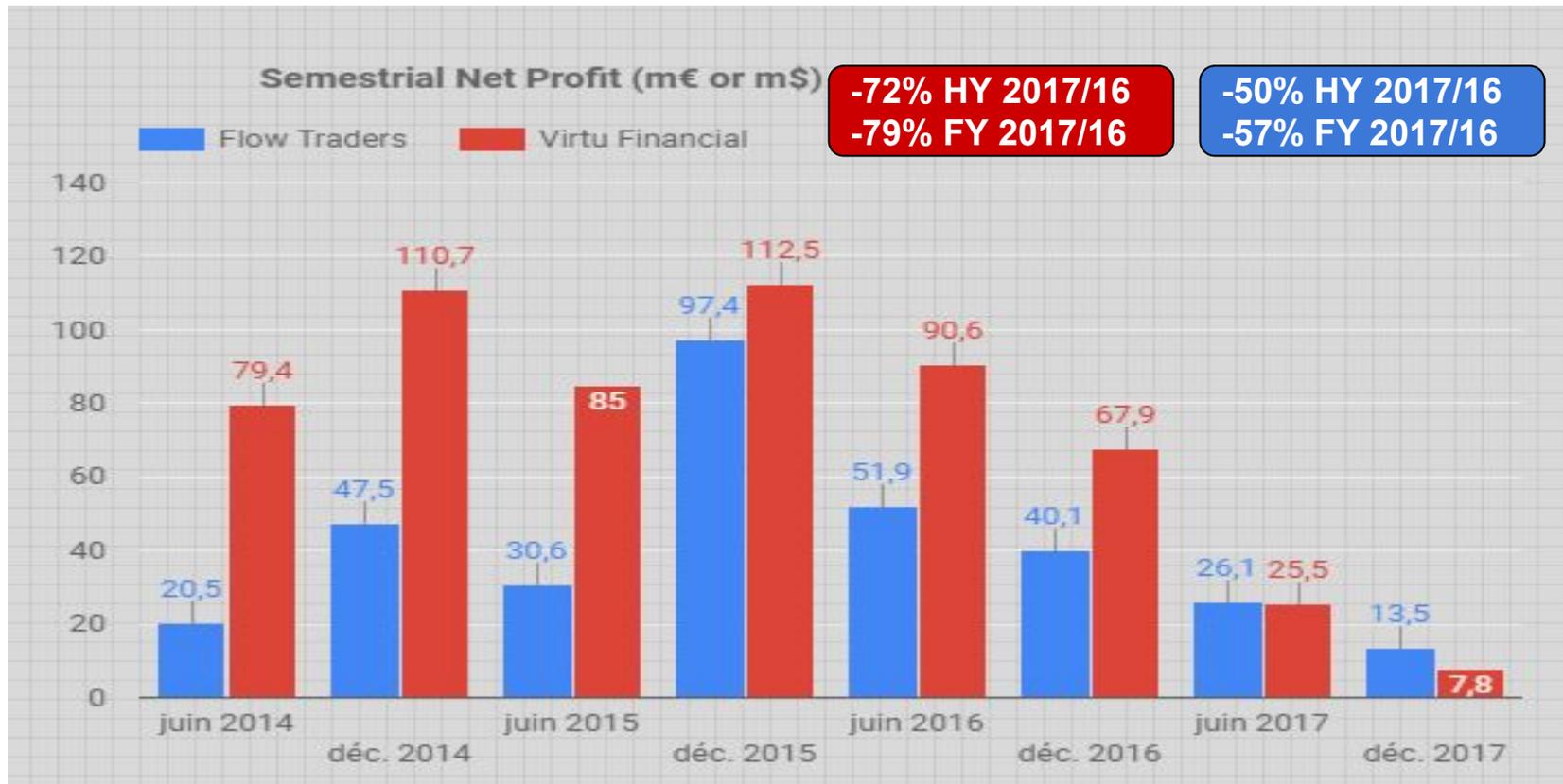
Capital protection
100% positive months
Almost 80% positive trading days on 2017
(below average)



Correlation between volatility (20d) SP500 and P&L ABC From 2007



UHFT Players - Winter is coming ?

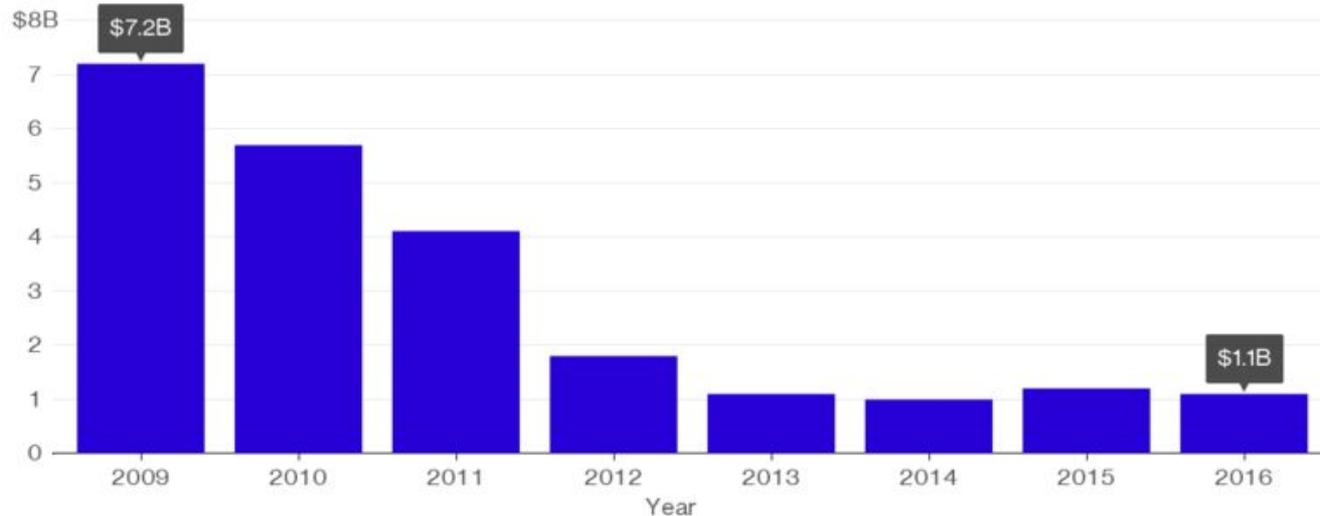


2009-2016 - HFT Industry Revenues

High-Speed Traders See Earnings Squeeze

Fastest traders in U.S. stocks forced into new lines of business, amid increased competition

■ Market-maker revenue, U.S. equities (USD)



Source: Tabb Group estimate

Bloomberg 

ABC arbitrage - Consolidated Net Profits

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Net revenues*	38.5	53.3	-27,85%
Payroll costs	(13.8)	(16.2)	-14,90%
payroll costs / Net revenues	36%	30%	
Occupancy costs	(1.6)	(1.6)	-1,12%
Other expense (IT + presta. ext.)	(5.3)	(5.2)	2,23%
Other taxes	(0.1)	(0.2)	-25,72%
Total costs	(20.8)	(23.1)	-10,22%
Income before tax	17.7	30.2	-41,35%
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**60% salaires fixes
30% Bonus
10% produits K**

2014-2017

-30 “support”

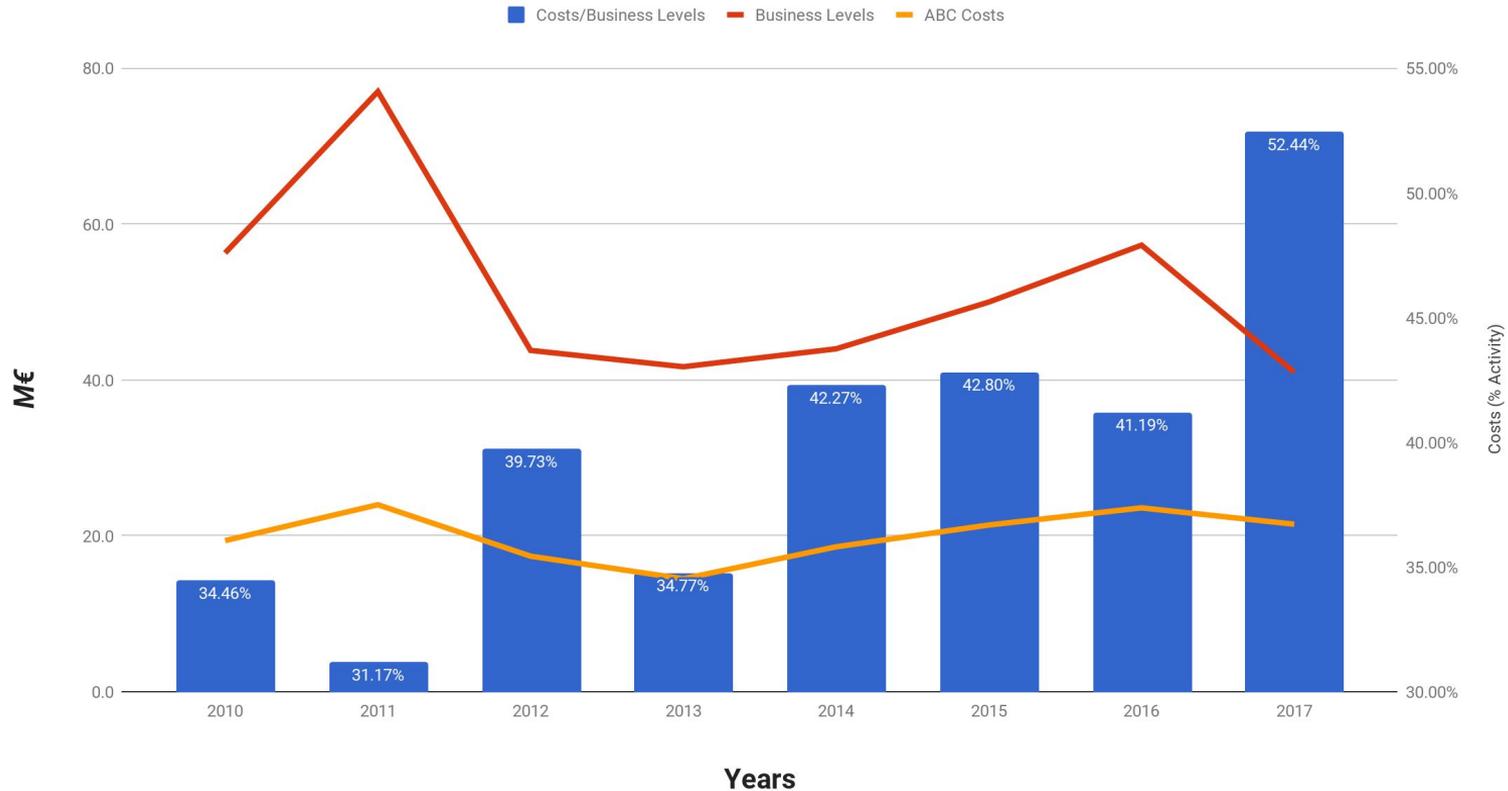
+30 “R&D”



Groupe : environ 90 collaborateurs
31-dec-2017

Costs are adjusted to take into account IFRS 10 - "Business Levels" are close to, but not equal to "Revenues" (audited accounts)

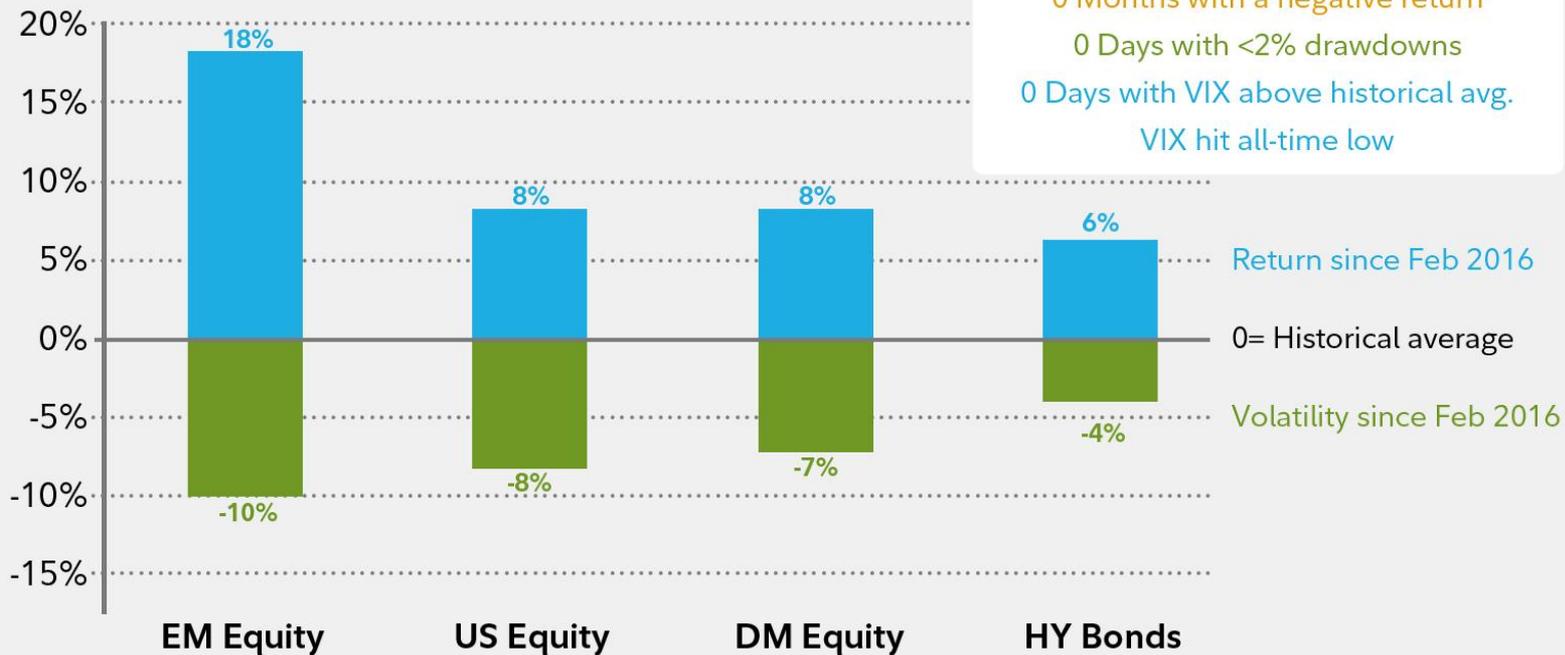
Business Levels & Costs



2016-2017 vs LT average (1950)

Returns and volatility (since February 2016 relative to long term)

Relative to historical average (annualized)



source: FIDELITY - for EM Equity vs LT average (1988)

Gross Performances ABC arbitrage Group - From 2010 to 2017



S&P 500 (^GSPC) ☆
SNP - SNP Real Time Price. Currency in USD
2,588.26 -55.43 (-2.10%)
At close: March 23 4:47PM EDT

⊕ Indicators ⊕ Comparison | 📅 Date Range 1D 5D 1M 3M 6M YTD **1Y** 2Y 5Y Max | 📄 Interval 1D ▾ 📈 Line ▾ 🖌 Draw

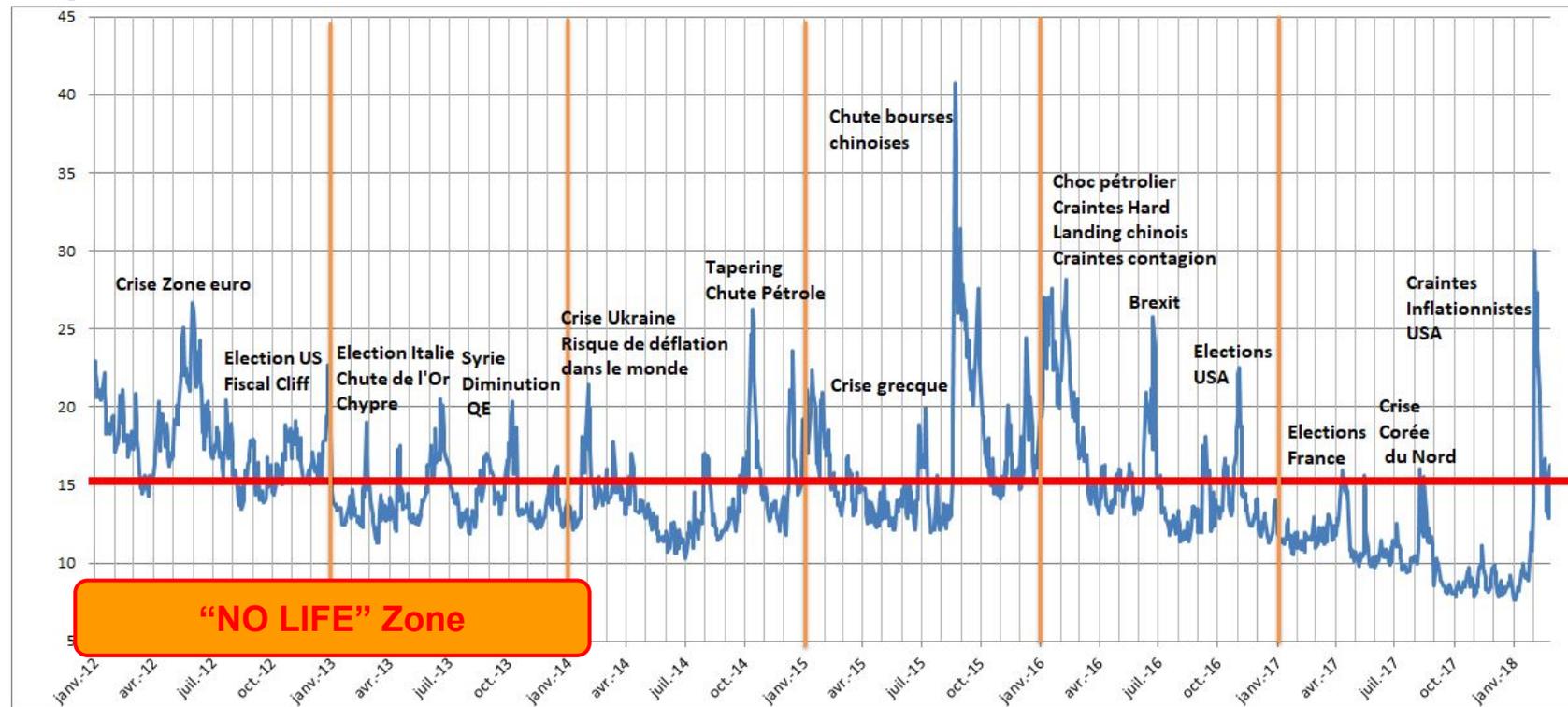


source : Banque Mondiale

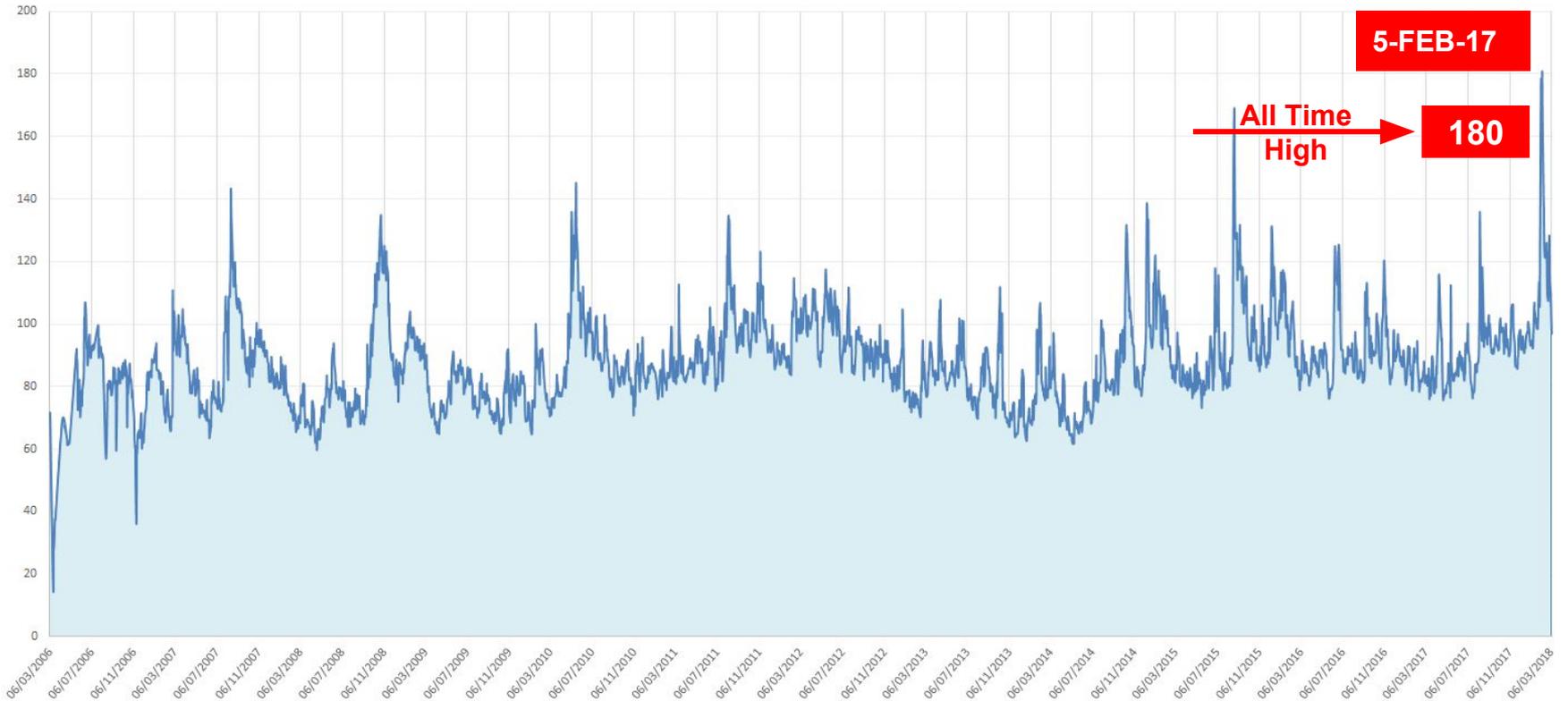


Évolution du VIX depuis 01/2012

En parallèle événements



Volatility of volatility



VelocityShares Daily Inverse VIX Short-Term ETN (XIV)

MAULDIN ECONOMICS



New products, old problems !

<https://www.linkedin.com/pulse/lann%25C3%25A9e-2017-de-gordon-gekko-dominique-ceolin/>

© Mauldin Economics

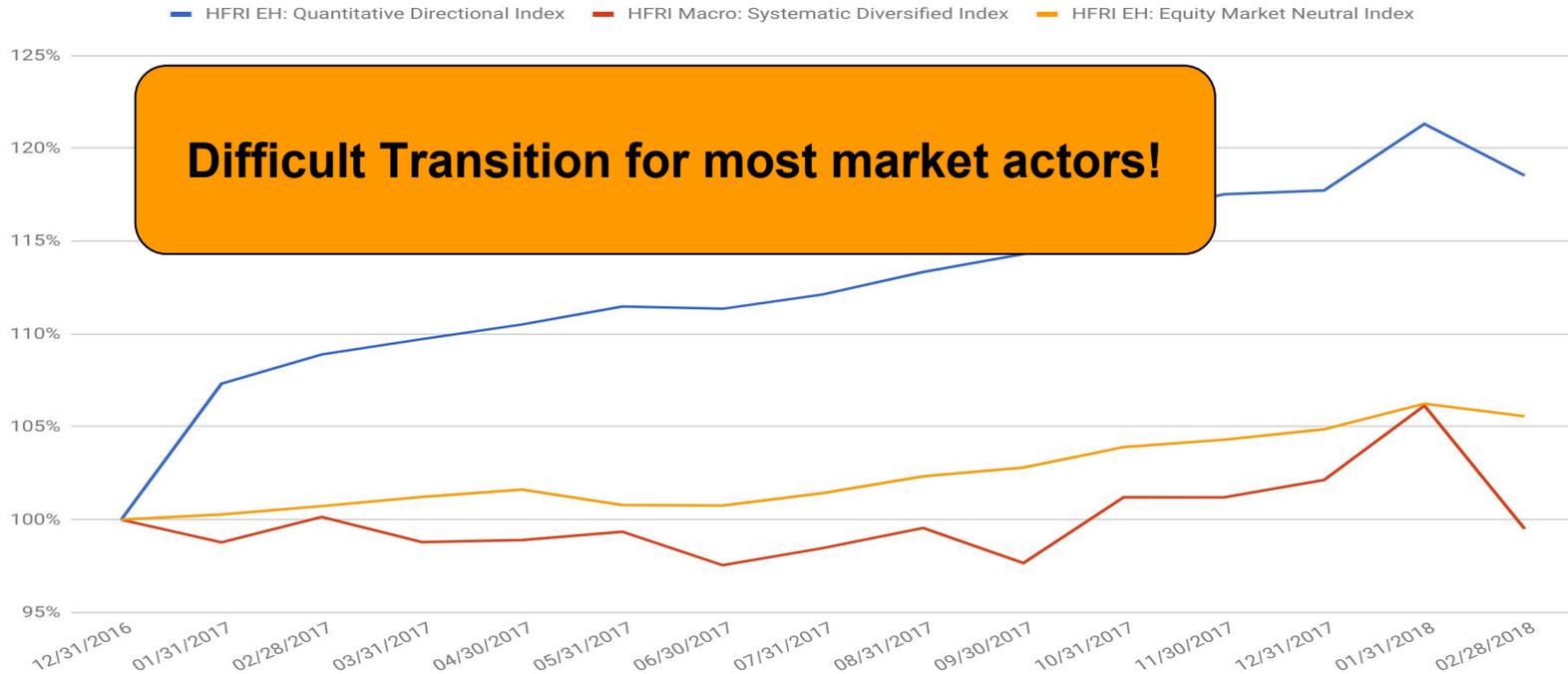
Source: Thomson Reuters



source : Banque Mondiale

2017-2018 - Quant indexes

Base 100% @ 31/12/2016



Difficult Transition for most market actors!



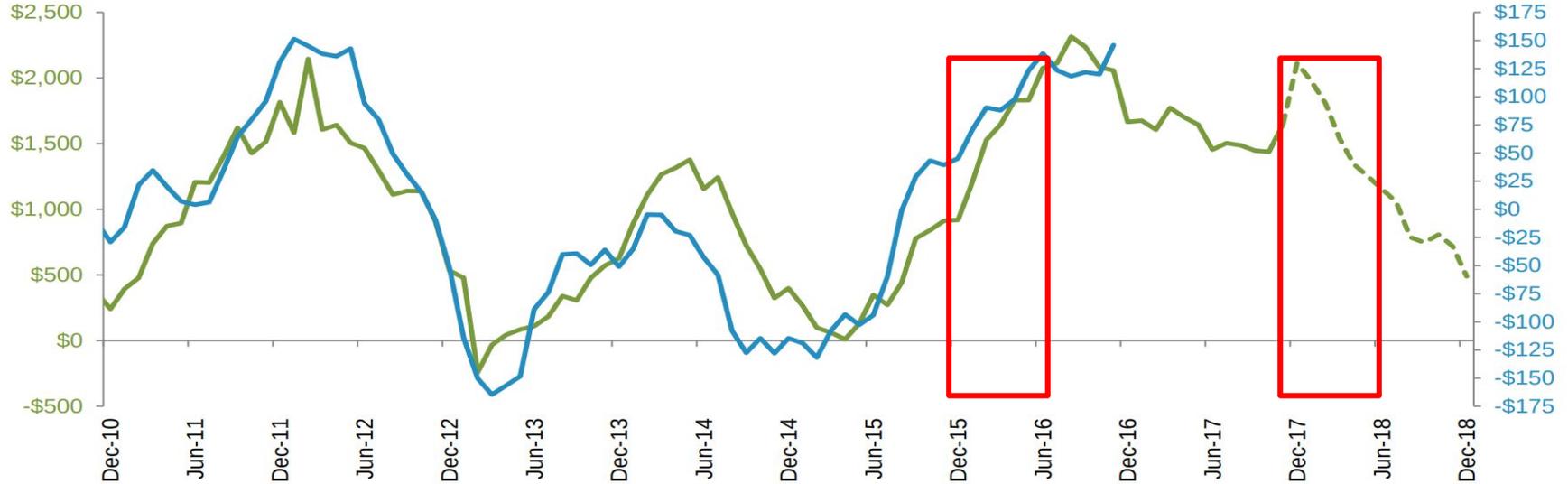
source : HFRi

Fed, ECB, BOJ, BOE Balance Sheets and Asset Flows

— G4 Central Bank Assets — EME, EMD & HY Fund Flows

Billions (12-Month Change)

Billions (12-Month Cumulative, 12-Month Lag)



Fund Flows: Mutual funds and ETFs. EME: Emerging Market Equity. EMD: Emerging Market Debt, HY: High Yield. Dotted line estimates future central bank assets: Fed to roll-off balance sheet assets by lesser of stated caps or total bonds maturing each month. ECB to begin tapering in January 2018 to EUR30B of monthly purchases for 9 months. BOJ to purchase at annualized rate of JPY 60T going forward. BOE to keep balance sheet constant. Source: Federal Reserve, Bank of England (BOE), European Central Bank (ECB), Bank of Japan (BOJ), EPFR, Haver Analytics, Fidelity Investments (AART), as of 11/30/17.



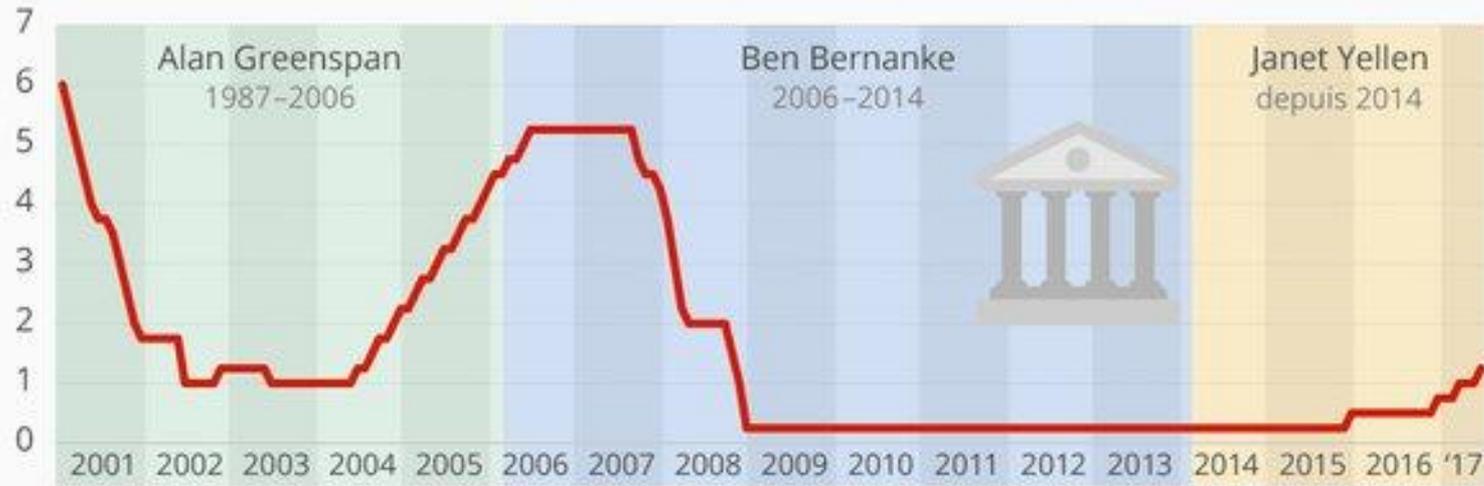
source : Banque Mondiale



2018 - End of free lunch ?

La Fed relève à nouveau son taux d'intérêt

Taux directeur de la Federal Reserve Bank, en % et président respectif de la Fed



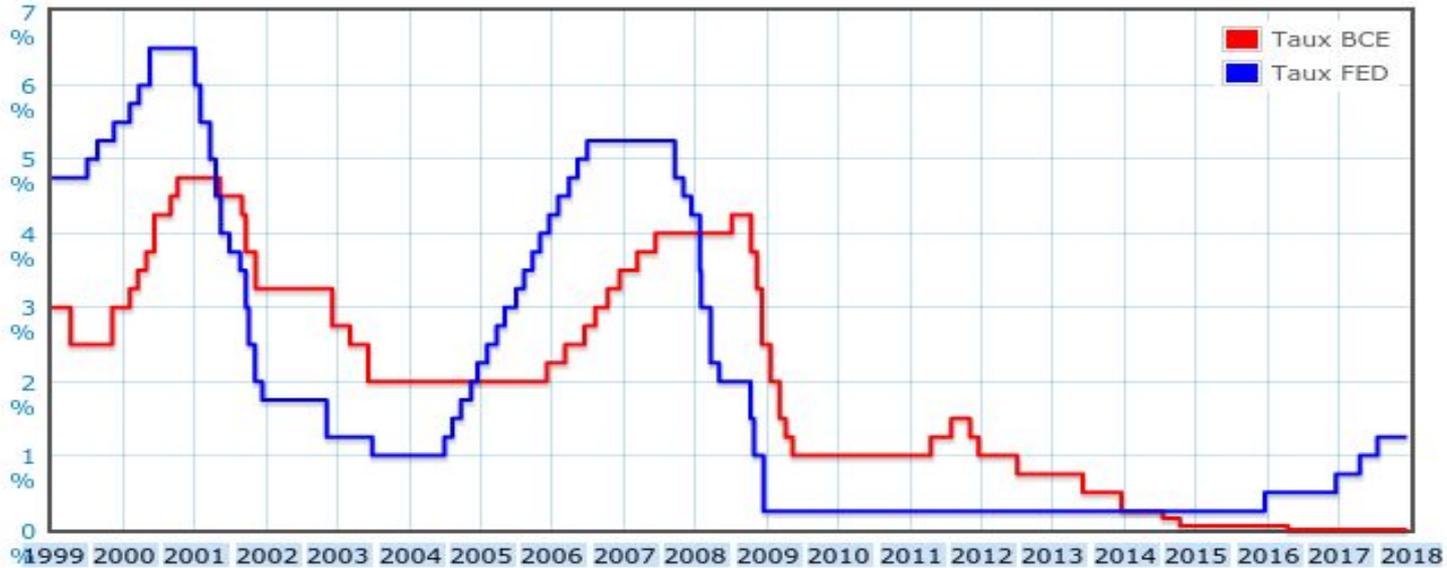
En date du 14 juin 2017.

Sources : Federal Reserve, delastock



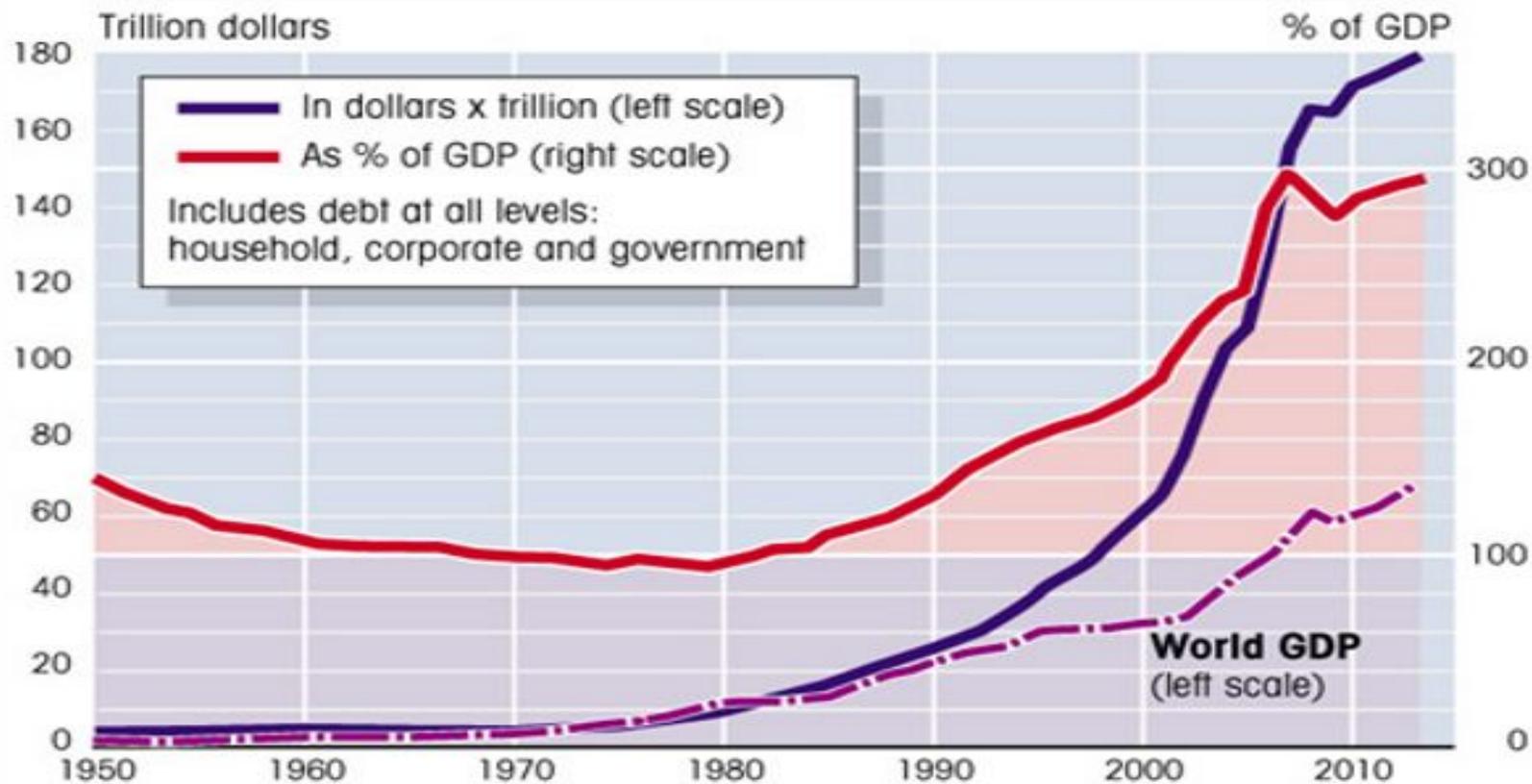
...Not yet for ECB...

GRAPHIQUE EVOLUTION TAUX DIRECTEURS BCE ET FED depuis Janvier 1999



Dernier changement de taux directeur de la BCE : 2016-03-16 taux 0%
Dernier changement de taux directeur de la FED : 2017-12-14 taux 1.5%

Total global credit-market debt owed

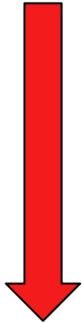


© Michael Roscoe

Sources: US Federal Reserve/ BIS/ Economist/ World Bank

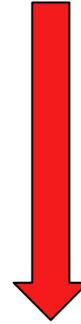
With a total debt of 180 Trillion...

If interest rates rise 0.25%...



**Debt interests
+450 billion/year**

If interest rates rise 0.75%...



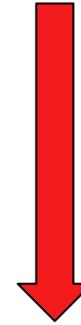
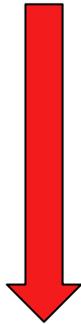
**Debt interests
+1350 billion/year**



With a total debt of 50 Billion €/€...

If interest rates rise 0.25%...

If interest rates rise 0.75%...



Debt interests
+125 Million/year

Debt Interests
+375 Million/year

+16% vs
EBITDA
T4



Back to living markets!
...if Central Banks...

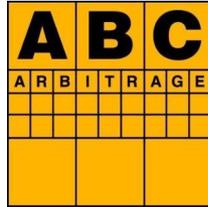
Central Banks Balance Sheets



(Taille des bilans cumulés des principales banques centrales est d'environ 16.000 milliards de dollars en 2018.)

Source : Lazard Frères Gestion, Bloomberg)

source : Banque Mondiale

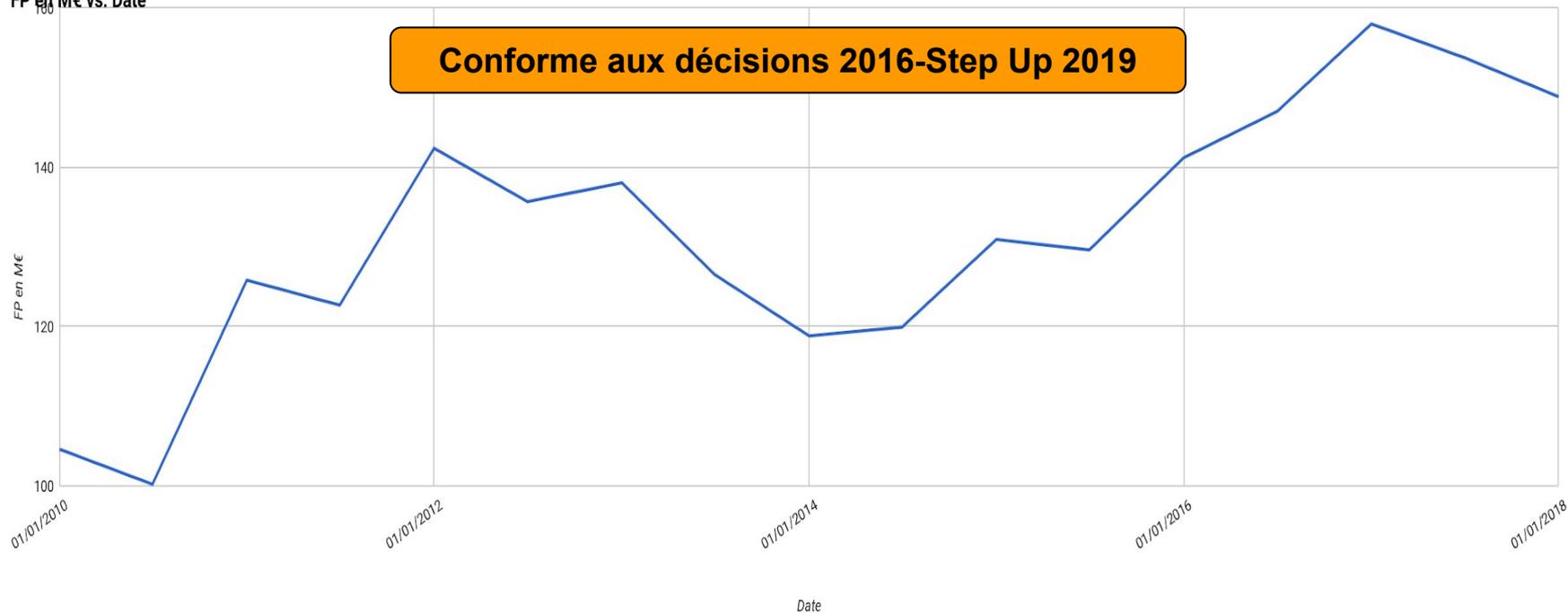


ABC arbitrage
Et maintenant ??

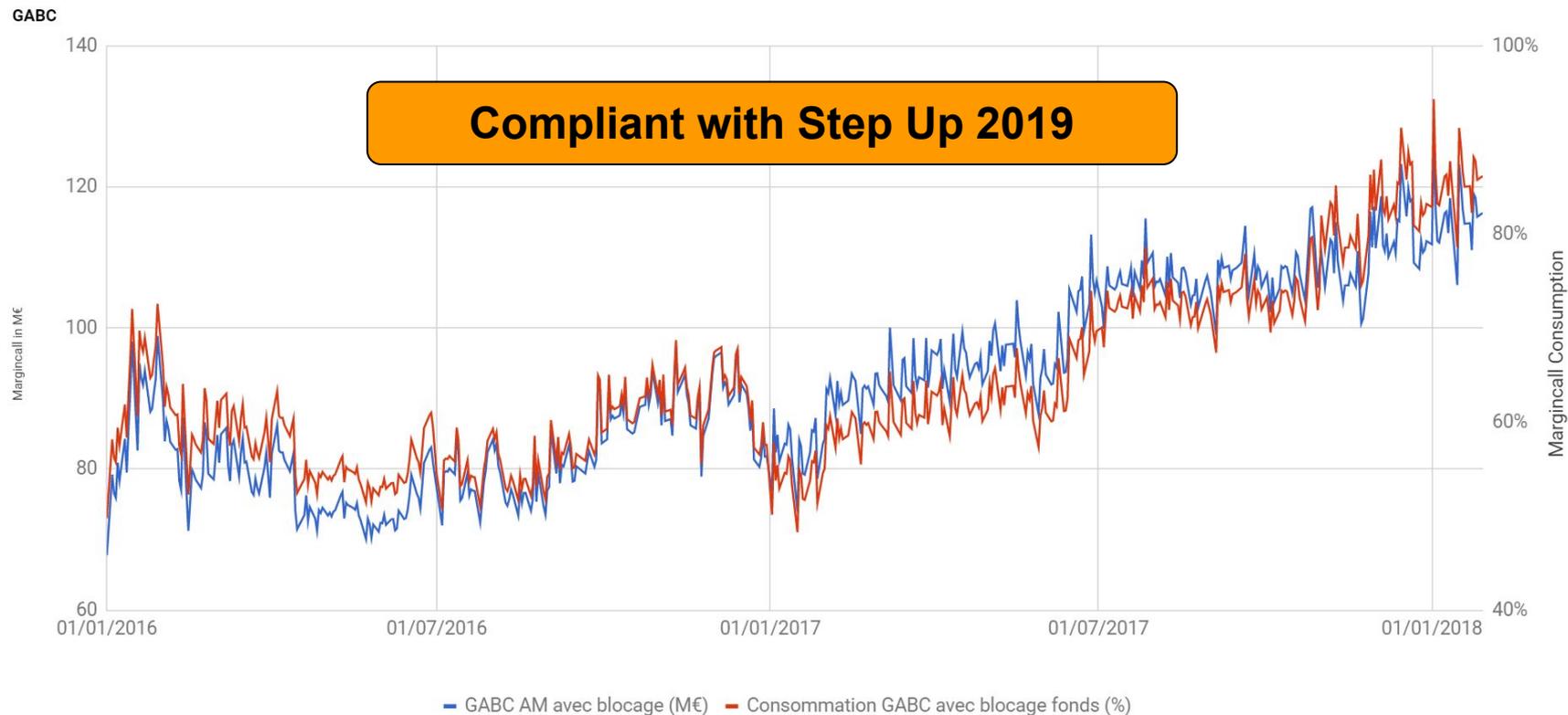
Montant des fonds propres

Evolution semestrielle (à compter du 01/01/2010)

FP en M€ vs. Date



Shareholder's Equity Ratio



VaR ABC arbitrage Group 10 day - 99%



**Portfolio Risk
2017 vs 2015
Increase of almost 15%**

ABCA Reversion



Fund Objectives

"The investment objective of the Sub-fund is to produce levels of return that are largely independent of stock market movements. The Sub-fund's overall investment strategy will be "statistical arbitrage" employing a systematic market neutral approach. The investment methodology will be based on investing in correlation- and time-adjusted apparent market inefficiencies. "

Fund Facts

Total Funds Assets

€368,606,960.50

Fund Assets

€191,899,672.95

Current NAV Class A/Class C

€1,812.95/\$2,674.84

Highest NAV Class A

€1,823.26

Lowest NAV Class A

€1,000.00

Launch Date

3rd May, 2010

Domicile

Ireland

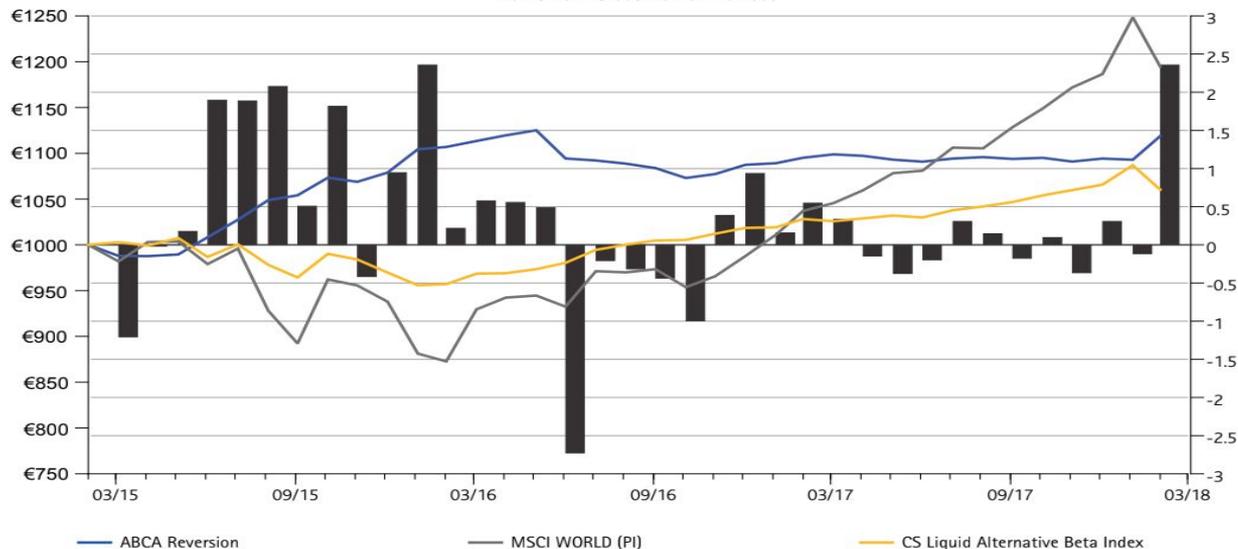
ISIN Class A/Class C

IE00B787LP39/IE00B785J866

Monthly Performances (%)

	J	F	M	A	M	J	J	A	S	O	N	D	Total
2018	-0.12	2.36											2.24
2017	0.16	0.55	0.34	-0.15	-0.38	-0.20	0.31	0.15	-0.18	0.10	-0.37	0.31	0.63
2016	2.36	0.22	0.58	0.56	0.49	-2.73	-0.21	-0.32	-0.44	-1.00	0.39	0.94	0.78
2015	0.46	0.20	-1.21	-0.02	0.18	1.90	1.89	2.08	0.51	1.82	-0.42	0.95	8.60
2014	0.16	1.30	-0.13	0.78	0.09	0.52	0.36	0.21	0.50	2.59	0.83	1.30	8.83

Fund vs Indices Performances





Fund Objectives

"The investment objective of the Sub-fund is to produce levels of return that are largely independent of stock market movements. The Sub-fund's overall investment strategy is largely "arbitrage" based and pursues a multi-strategy approach. The multi-strategy pursuit is attained by investing directly into various strategies and actively allocating between them or by investing in funds managed or advised by the ABC Arbitrage Group (the "Underlying Funds")."

Fund Facts

Total Funds Assets

€368,606,960.50

Fund Assets

€176,707,287.55

Current NAV Class A/Class C

€2,051.54/\$2,608.13

Highest NAV Class A

€2,155.49

Lowest NAV Class A

€1,744.00

Launch Date

1st October, 2015

Domicile

Ireland

ISIN Class A/Class C

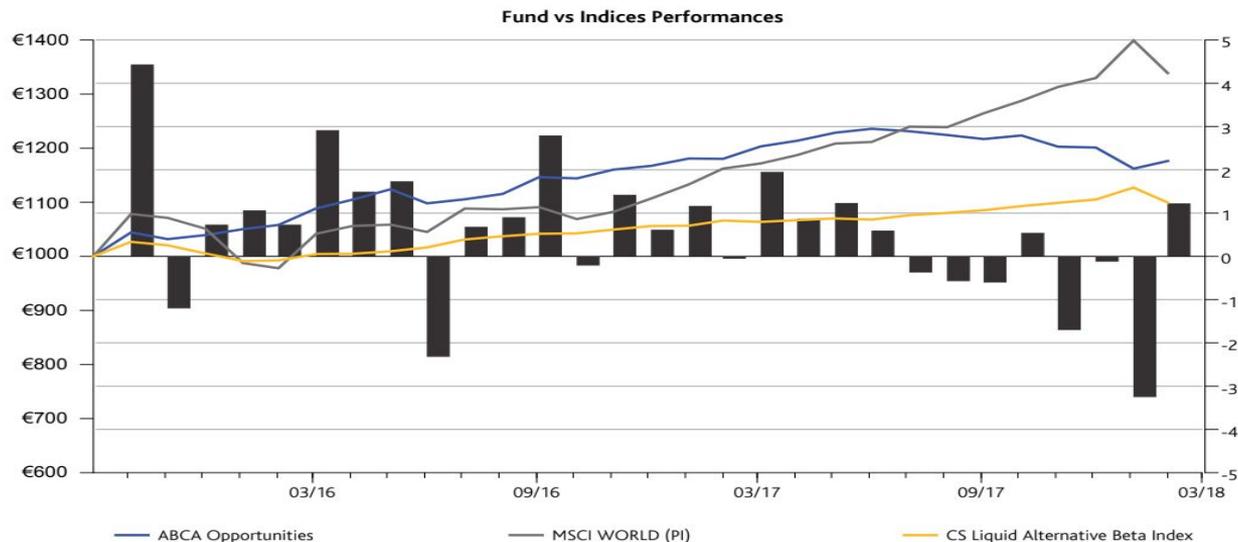
IE00B785YJ26/IE00BLBN7C53

Monthly Performances (%)

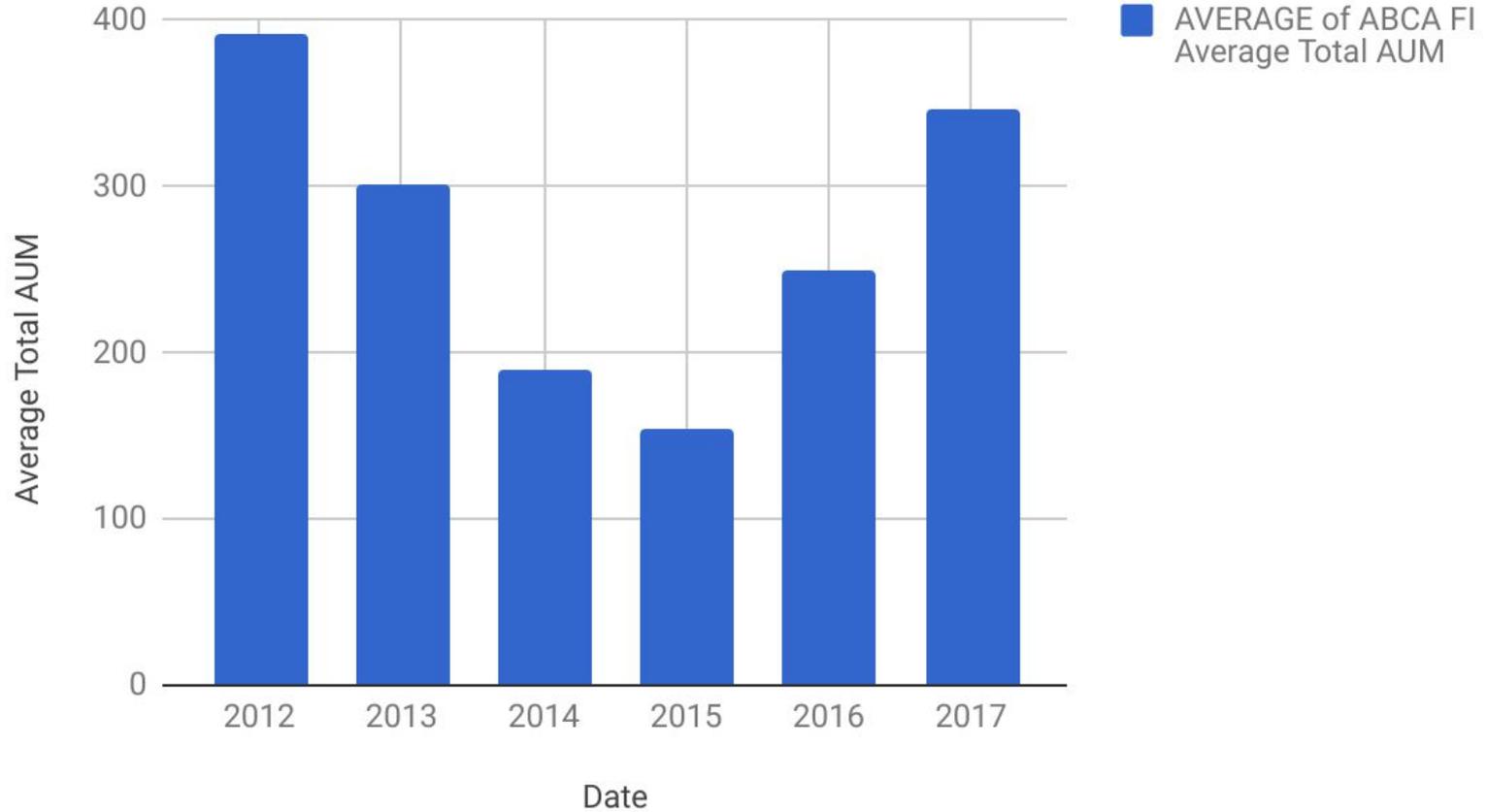
	J	F	M	A	M	J	J	A	S	O	N	D	Total
2018	-3.25	1.22											-2.07
2017	1.16	-0.05	1.95	0.87	1.23	0.59	-0.37	-0.57	-0.60	0.54	-1.70	-0.12	2.91
2016	1.06	0.73	2.91	1.49	1.73	-2.32	0.68	0.90	2.79	-0.21	1.42	0.61	12.32
2015										4.43	-1.20	0.73	3.93
2014													-
2013													-

Over the past five years

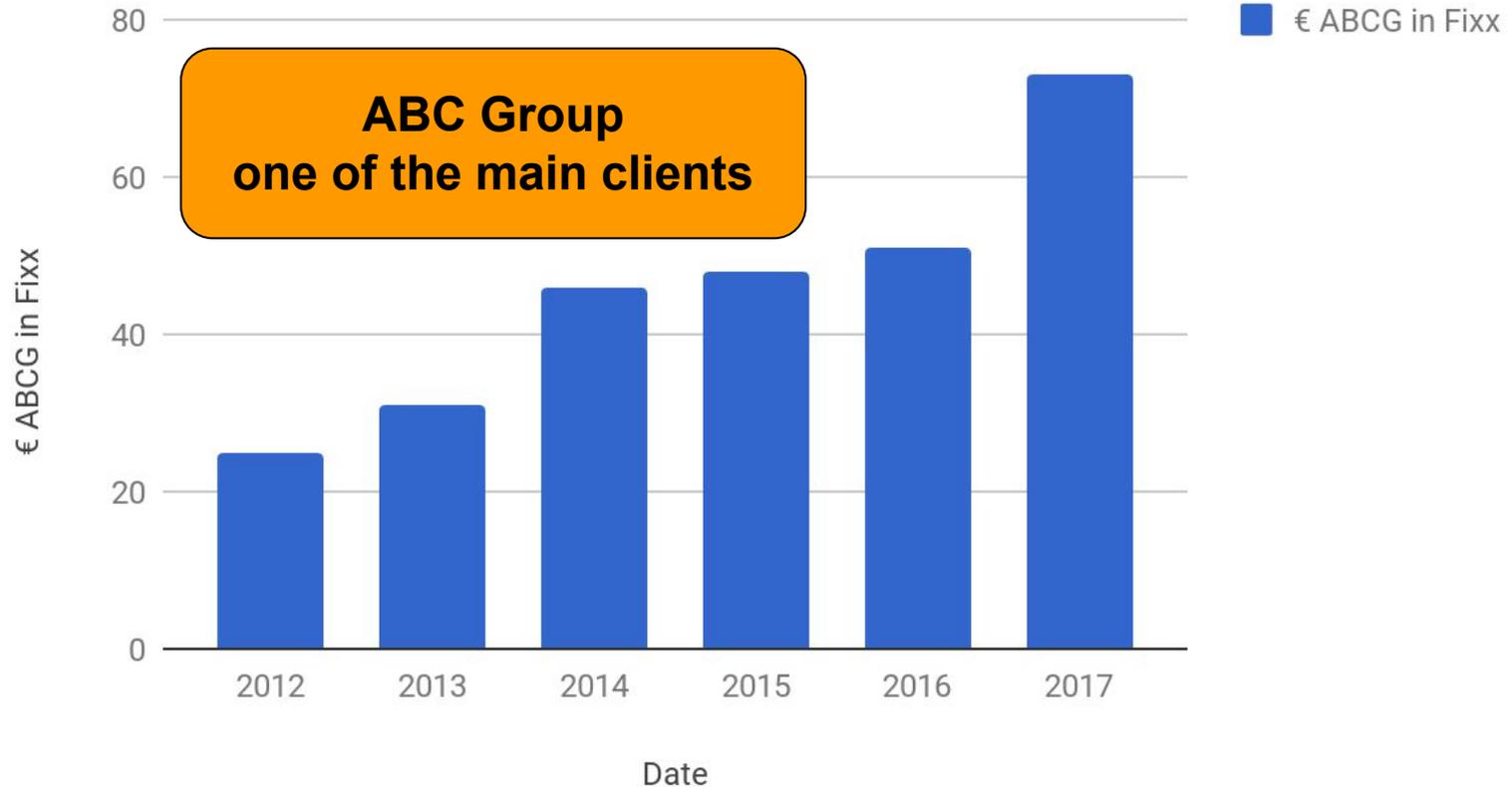
17.63



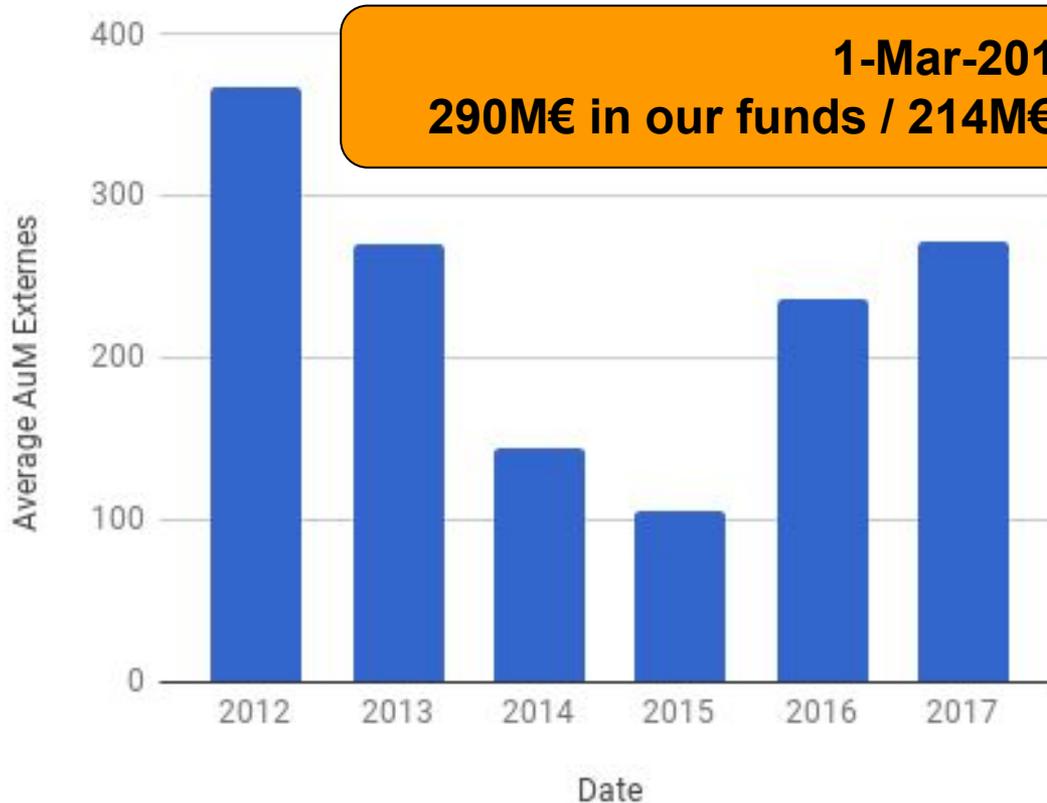
Average Total AUM (in ABCA Fund Plc)



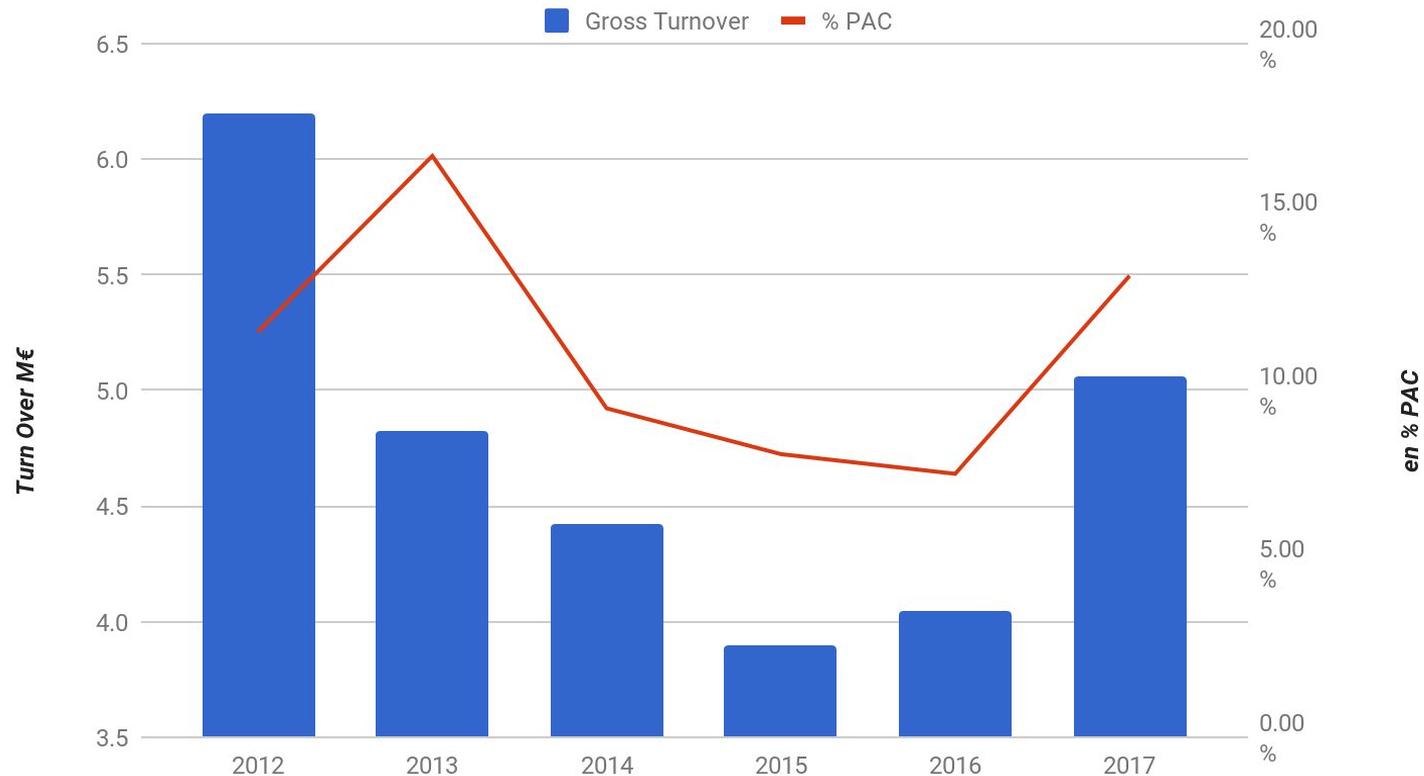
ABC Group investments in ABCA Fund Plc



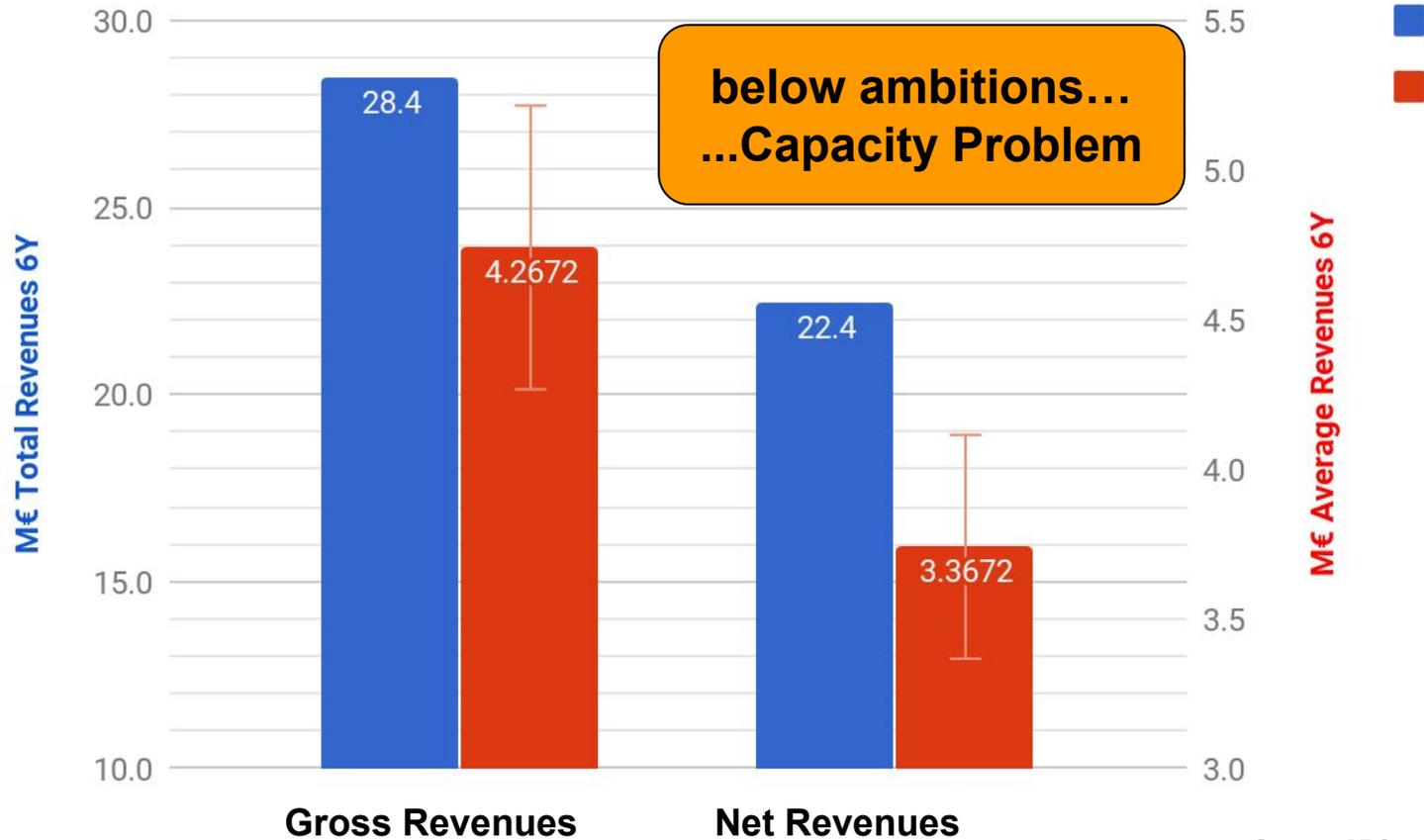
Average AuM Externes vs Date



External Client Revenues (Funds Only)

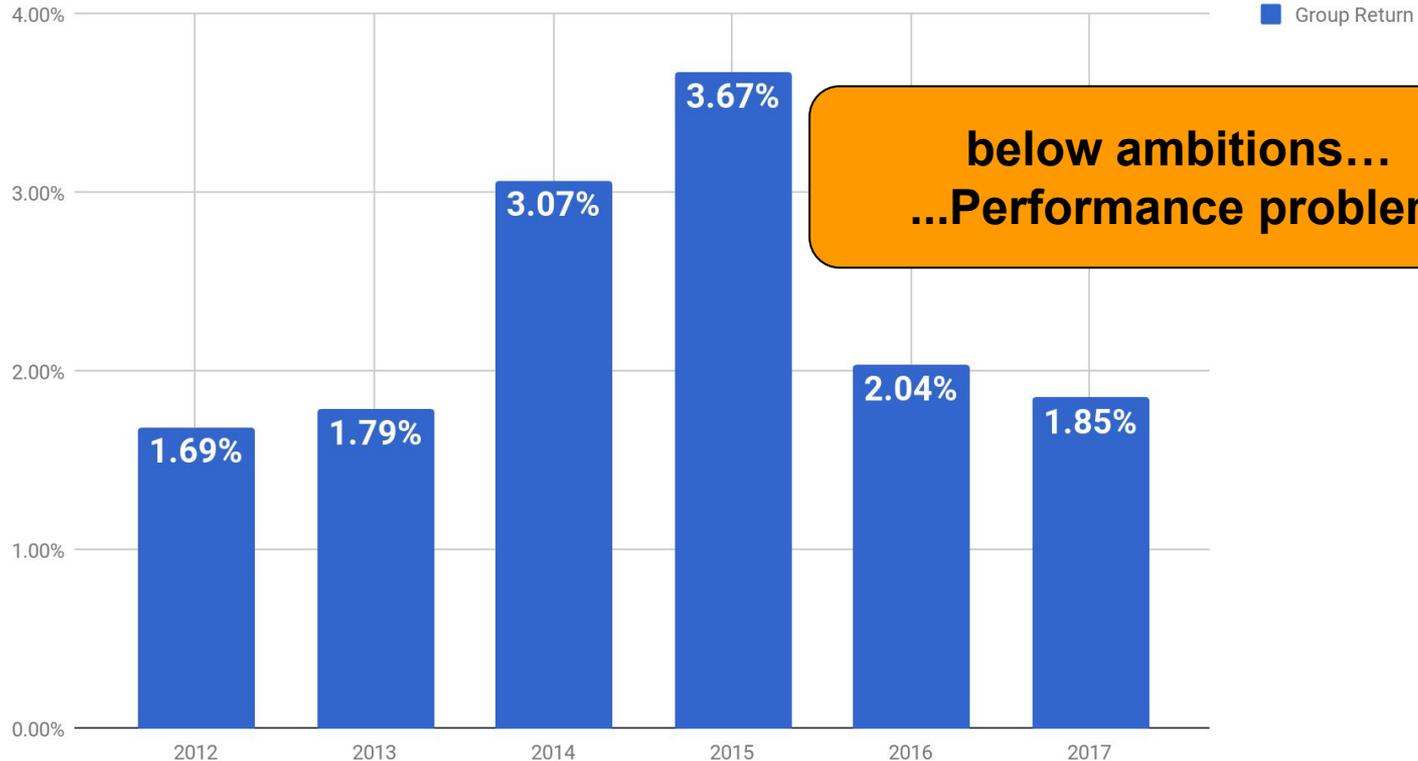


Revenues from External AUM since 2012 (Funds only)

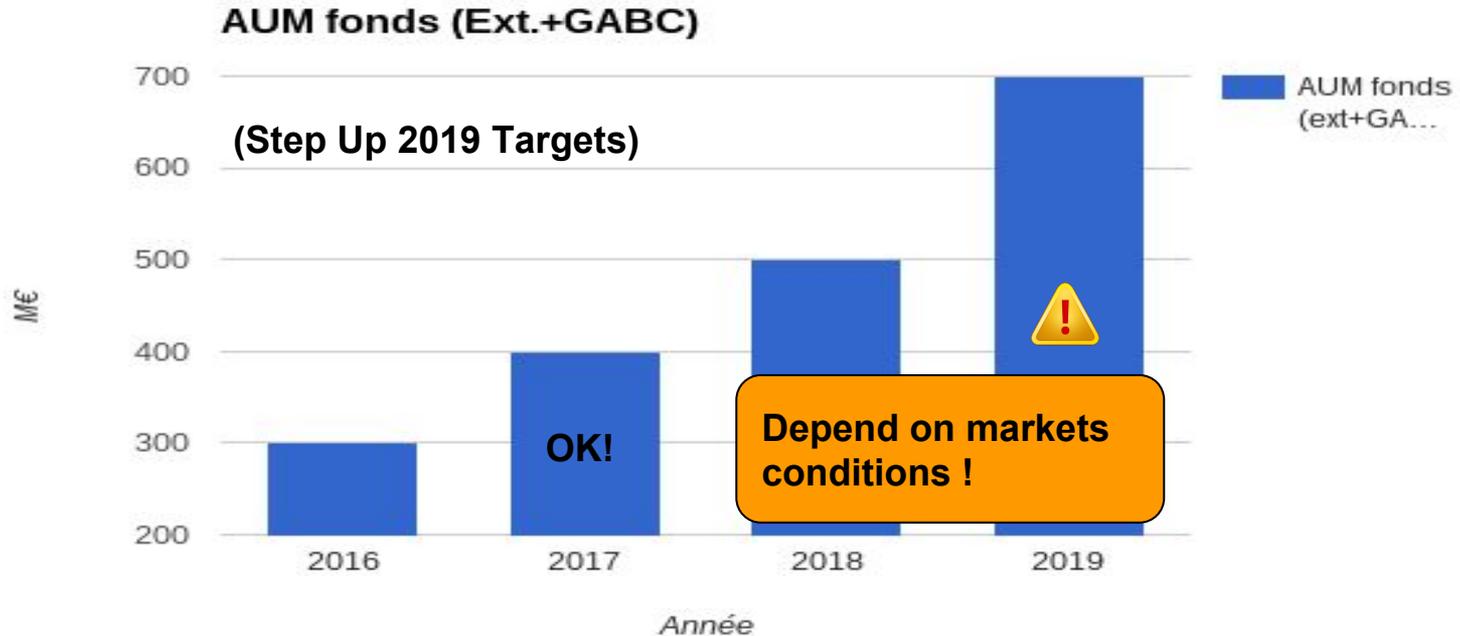


Return on AUM for ABCA Fund Plc

ABCG Return on External AUM

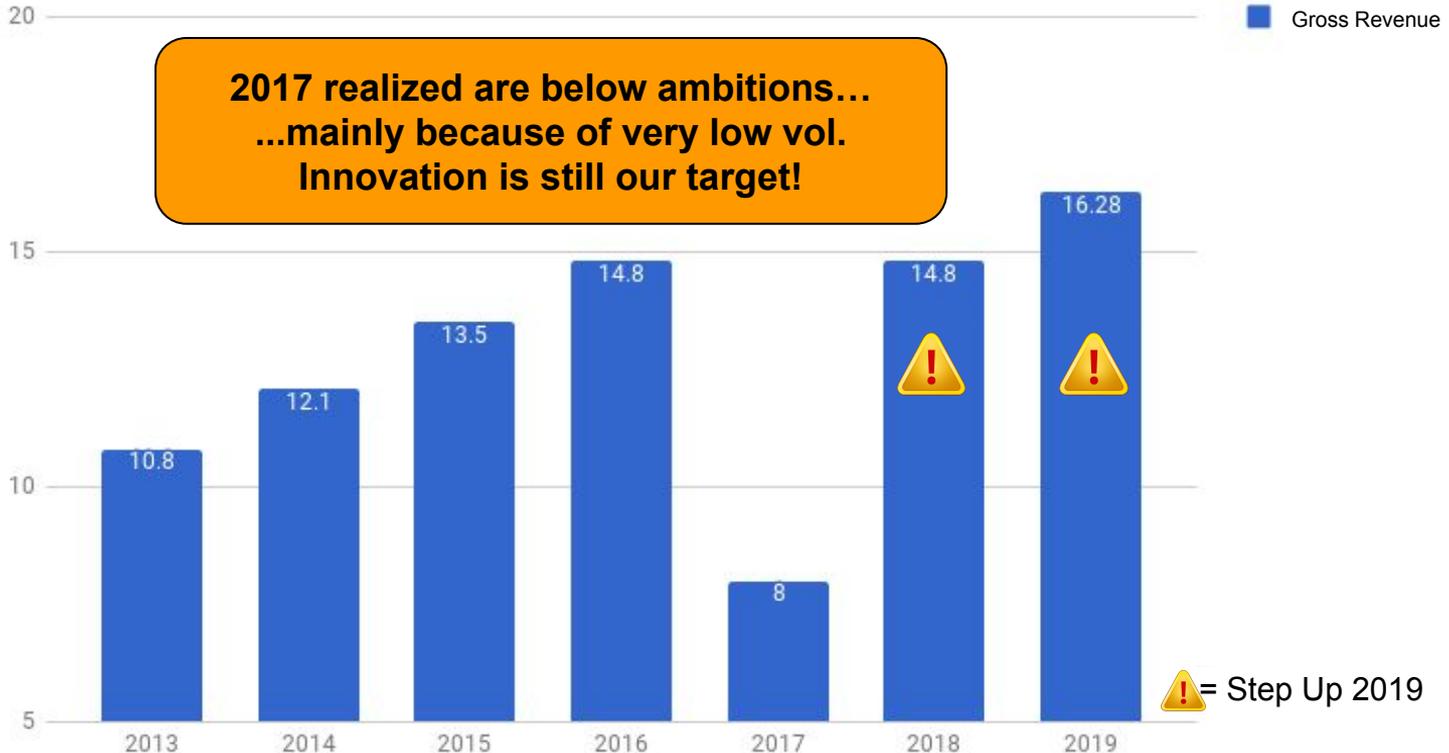


Potential total AUM depend on Performances and Market Capacity



Low Volatility Strategies

Financial Results from "2012" Low Volatility Strats



WARNING : These figures are internal indicators and have not been audited

Q1 2018 - Living Markets = Living Results !

Low volat. for
January 18
Q1 2018 ABC
⇒
Q1 2017 ABC

1 week = 2 months
5th to 9th of Feb.
=
almost 85%
of Oct+Nov 2017

Distributions and Share Buyback Program

Σ BPA/EPS
2016+2017 0,85€

Distributions

A	B	C
A	R	B
I	T	R
A	G	E

0,40€

(0,20€ nov. 2017)
POR 2016+2017 = 100%



Buyback 2017

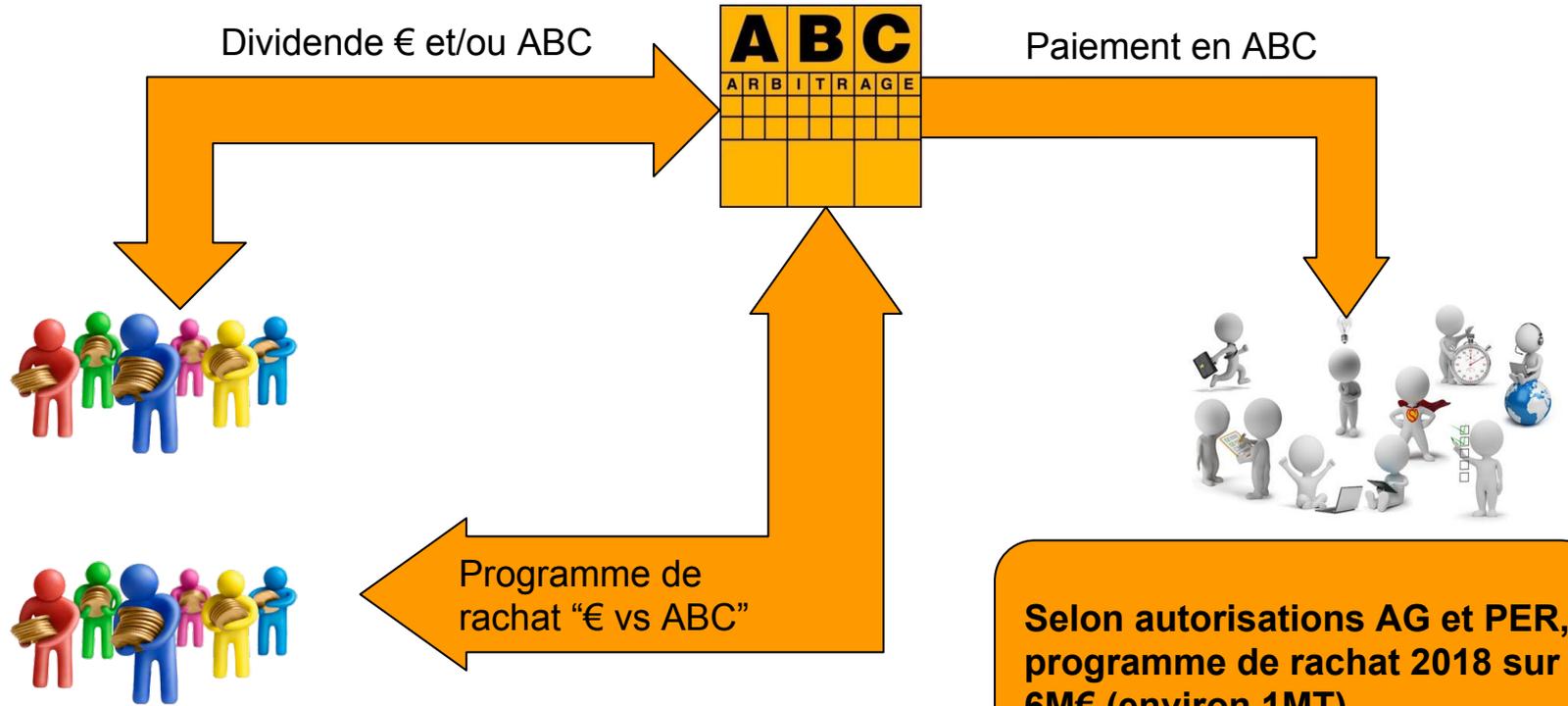
A	B	C
A	R	B
I	T	R
A	G	E

€€€ for 3M€



ABC Shares (almost 440KT - Average Price 6.54€)
(au service des programmes capitalistiques)

Limiter la dilution au service du BNPA



ABC arbitrage



David HOEY

- **Joined ABC arbitrage in 1996**
- **Becomes Deputy CEO of ABC arbitrage AM**
- **Becomes Deputy CEO of ABC arbitrage**



Gaëtan FOURNIER

- **Joined ABC arbitrage AM in 2012**
- **Becomes Compliance Officer / RCCI of ABC arbitrage AM**

ABC arbitrage AM



Alexandre OSPITAL

Joined ABC arbitrage in 1999
Becomes COO of ABC arbitrage AM



Yves-Oleg ZAJTELBACH

Joined ABC arbitrage in 1999
Becomes Head of Trading of ABC arbitrage AM



Franck BONNEAU

Joined ABC arbitrage in 1999
Becomes CTO of ABC arbitrage AM

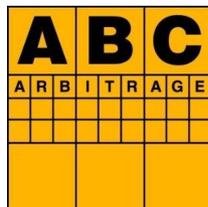


Vincent GIGOT

Joined ABC arbitrage AM in 2005
Becomes Head of Research of ABC arbitrage AM

**Winter is not over but ambitions are still there...
...and still reasonable !**





Q&A