

**Groupe  
ABC arbitrage**

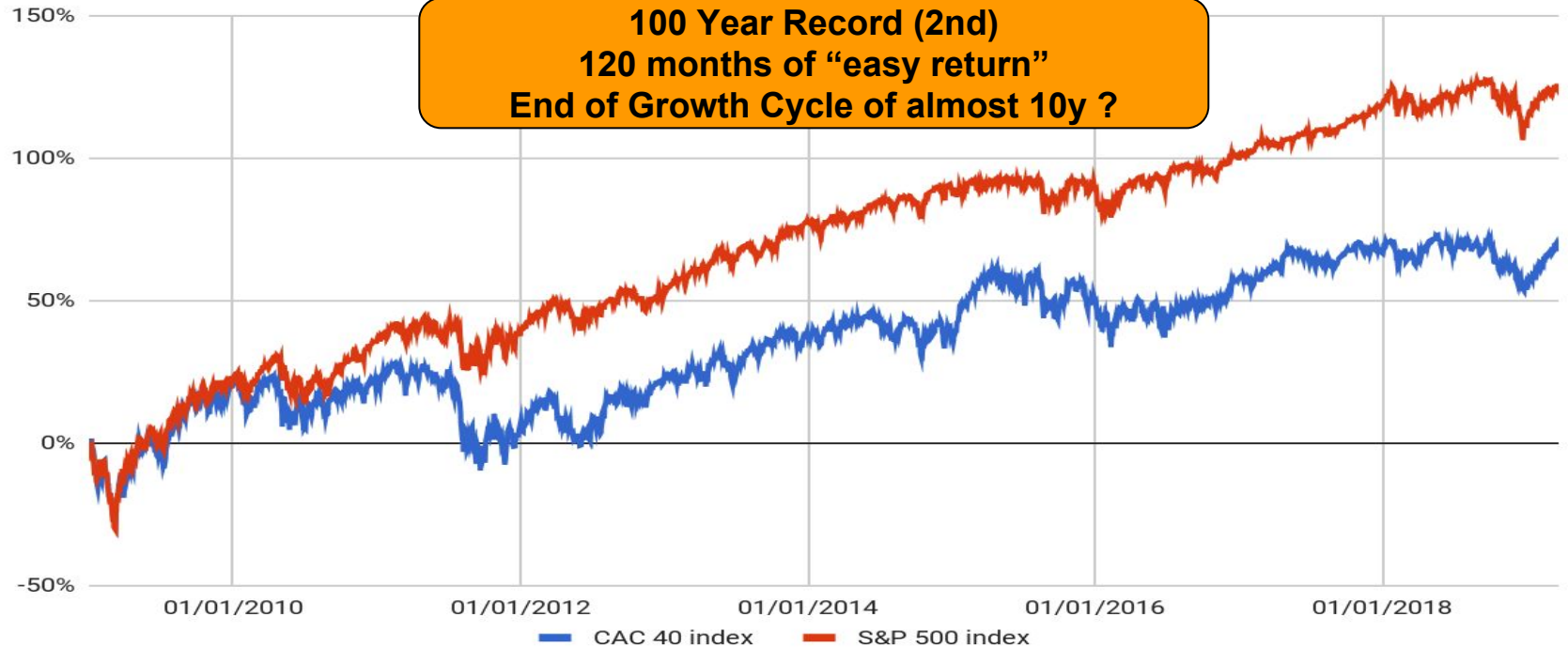
***Présentation SFAF - Comptes annuels 2018***  
***“ça s’en va et ça revient”***

# ***AVERTISSEMENT***

***Ce slideshow est un support de communication remis aux participants de la présentation SFAF du 26 mars 2018 et publié sur le site [abc-arbitrage.com](http://abc-arbitrage.com)***

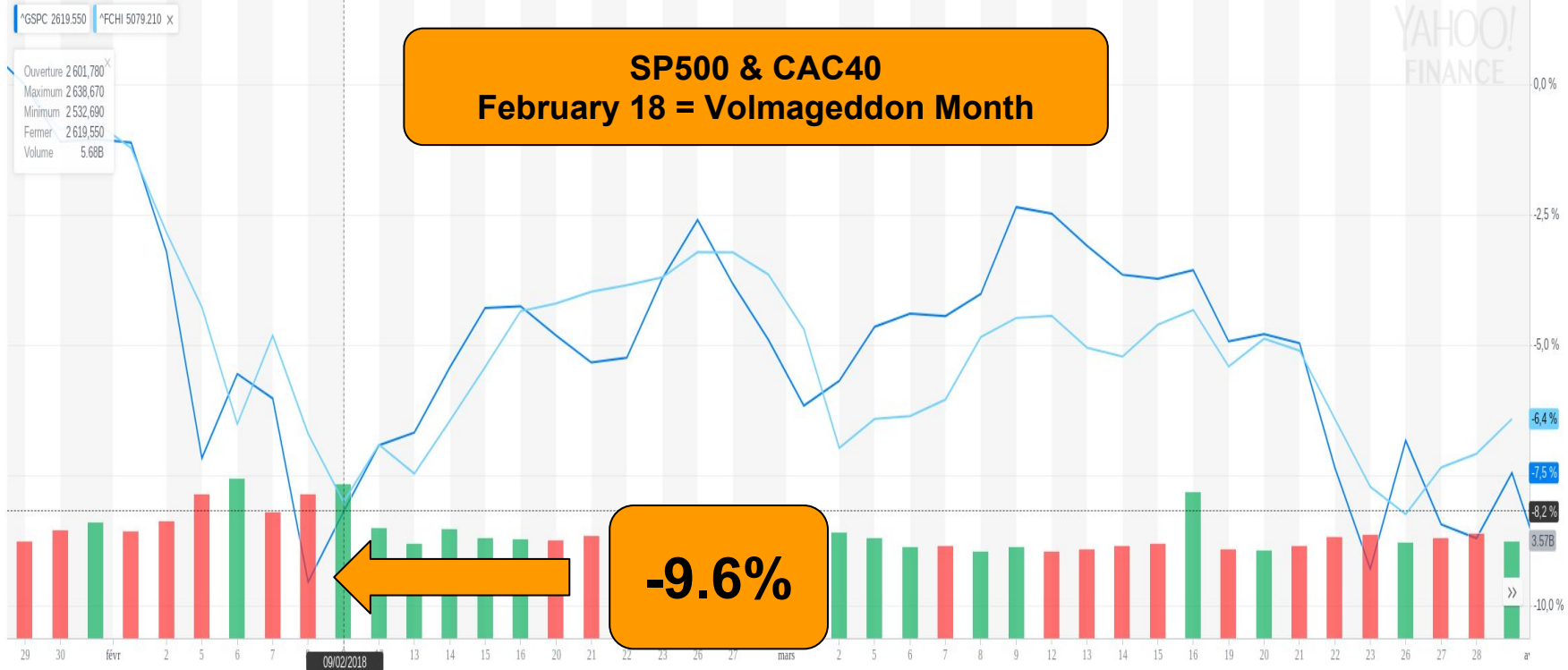
***Ces éléments d'information sont donnés à des fins d'illustration et ne sauraient se substituer aux documents officiels relatifs à l'année 2018.***

# S&P 500 vs. CAC 40



# February 2018

Indicateurs Comparaison 29 janv. 2018 - 29 mars 2018 1J 5J 1m 3m 6m 12 mois glissants 1A 2ans 5A Max Intervalle 1D Ligne Trait Paramè

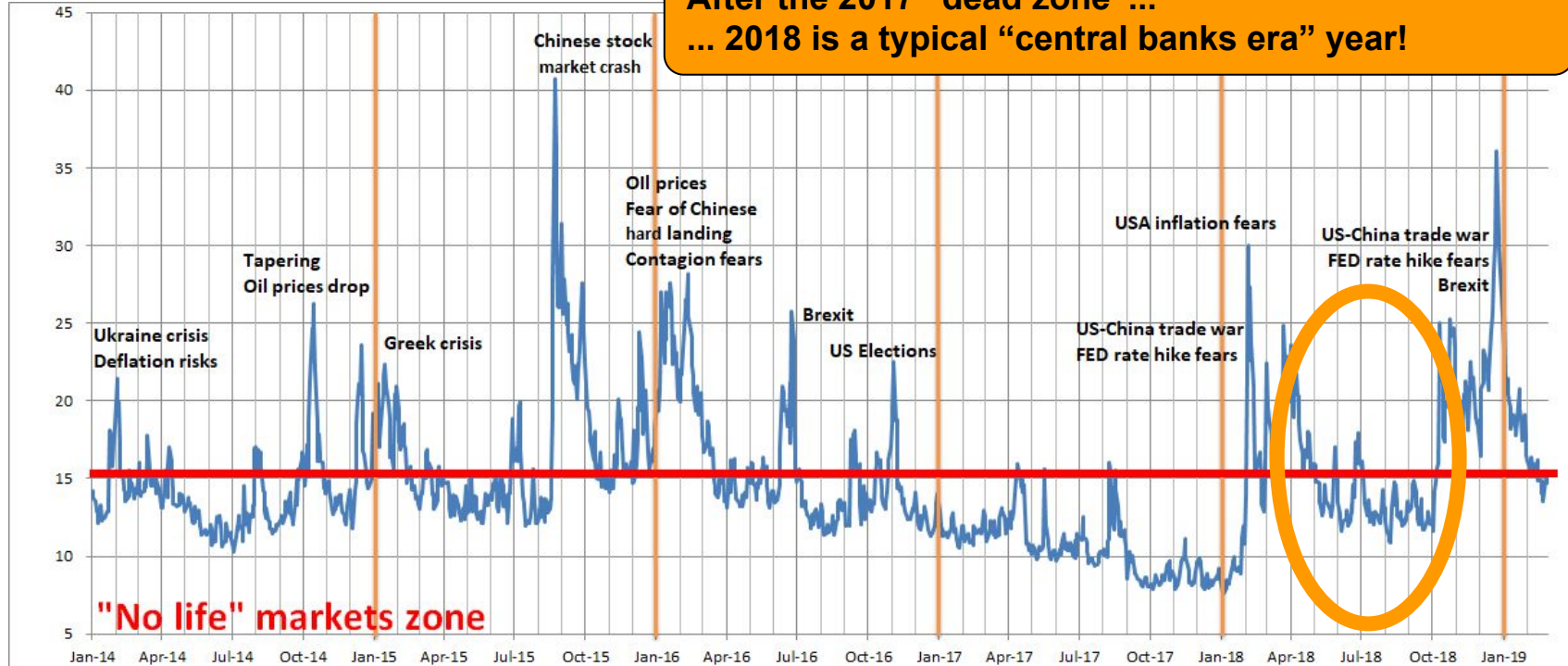


# Q4 2018

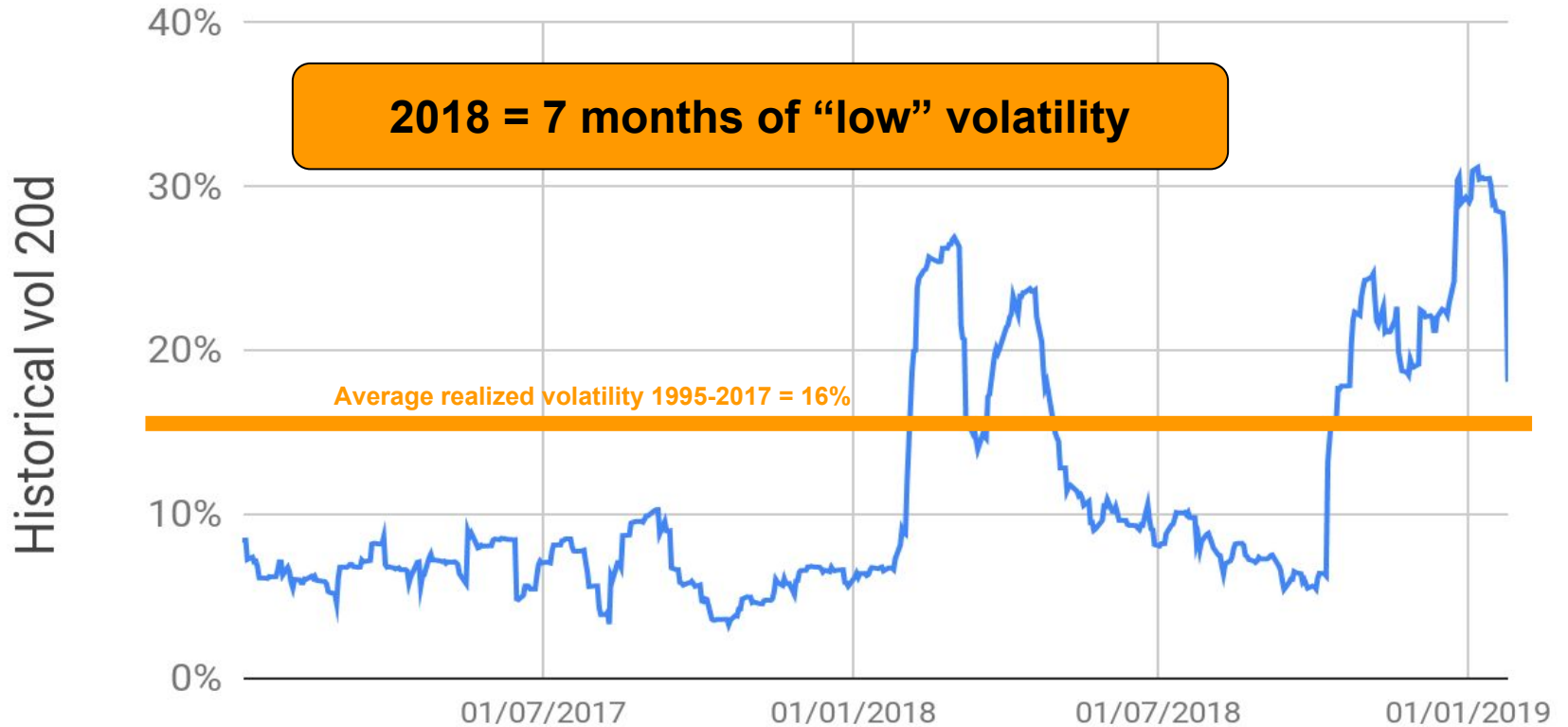


# Historical VIX since 01/2014 x Main Events

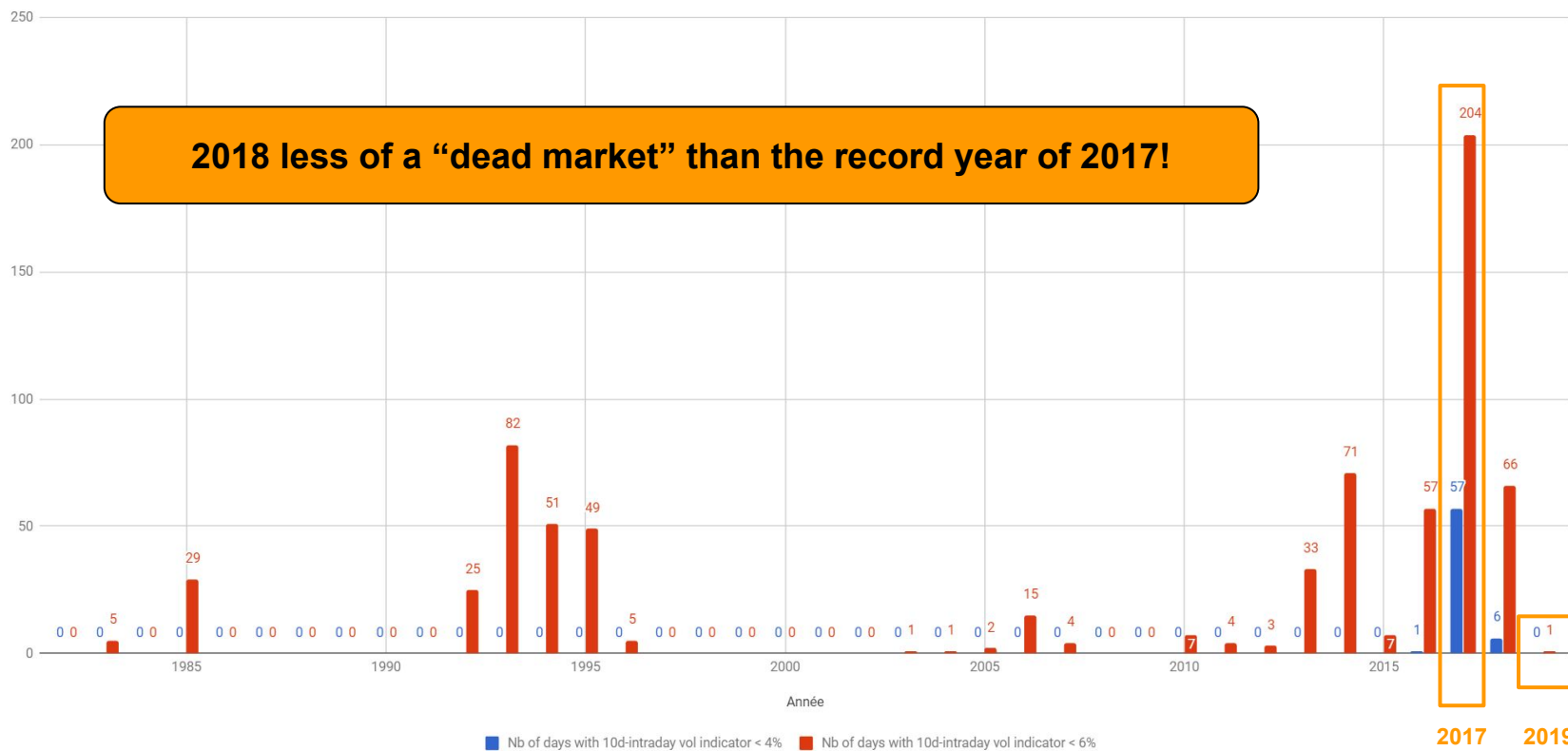
After the 2017 “dead zone”...  
... 2018 is a typical “central banks era” year!



# Realized S&P 500 index Volatility

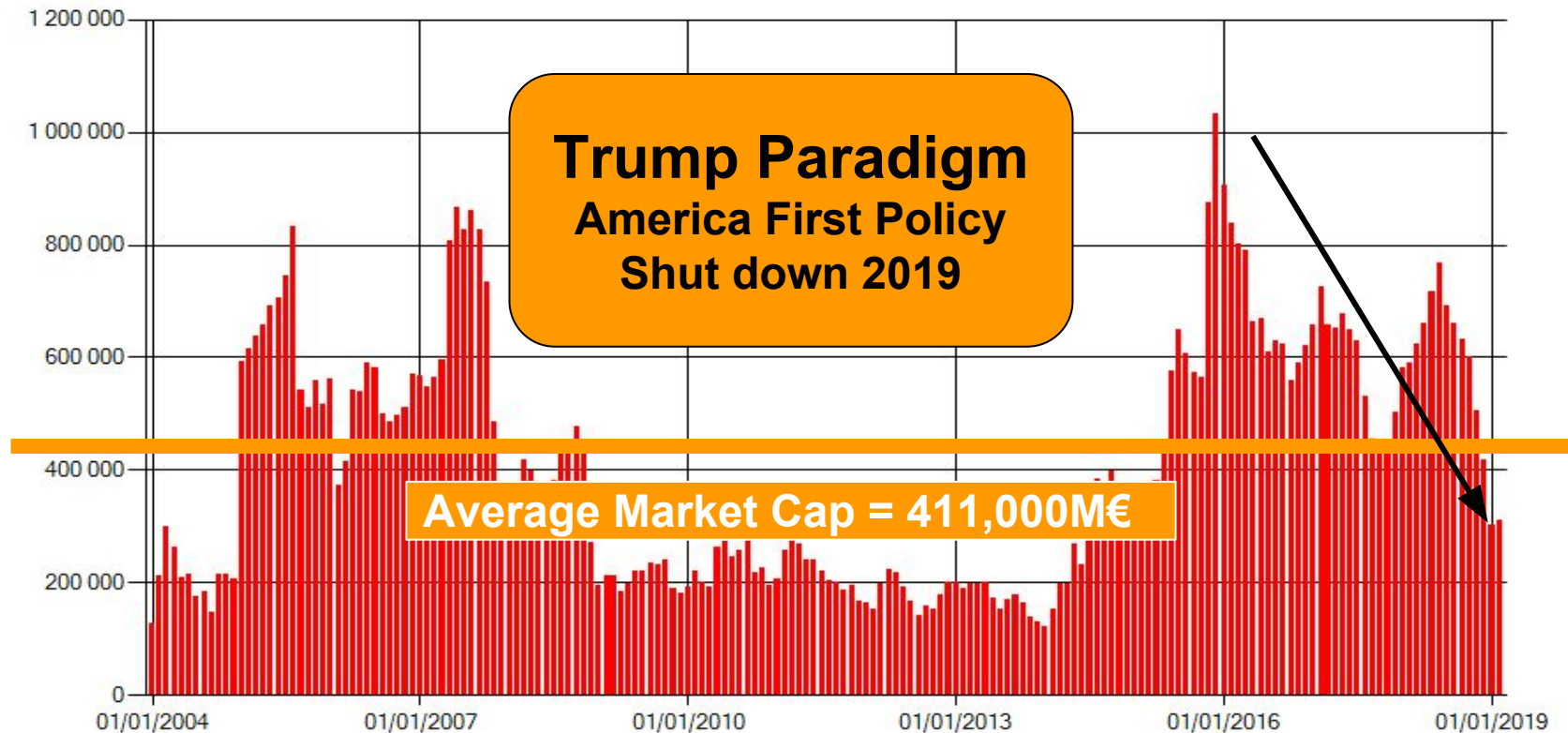


**2018 less of a “dead market” than the record year of 2017!**



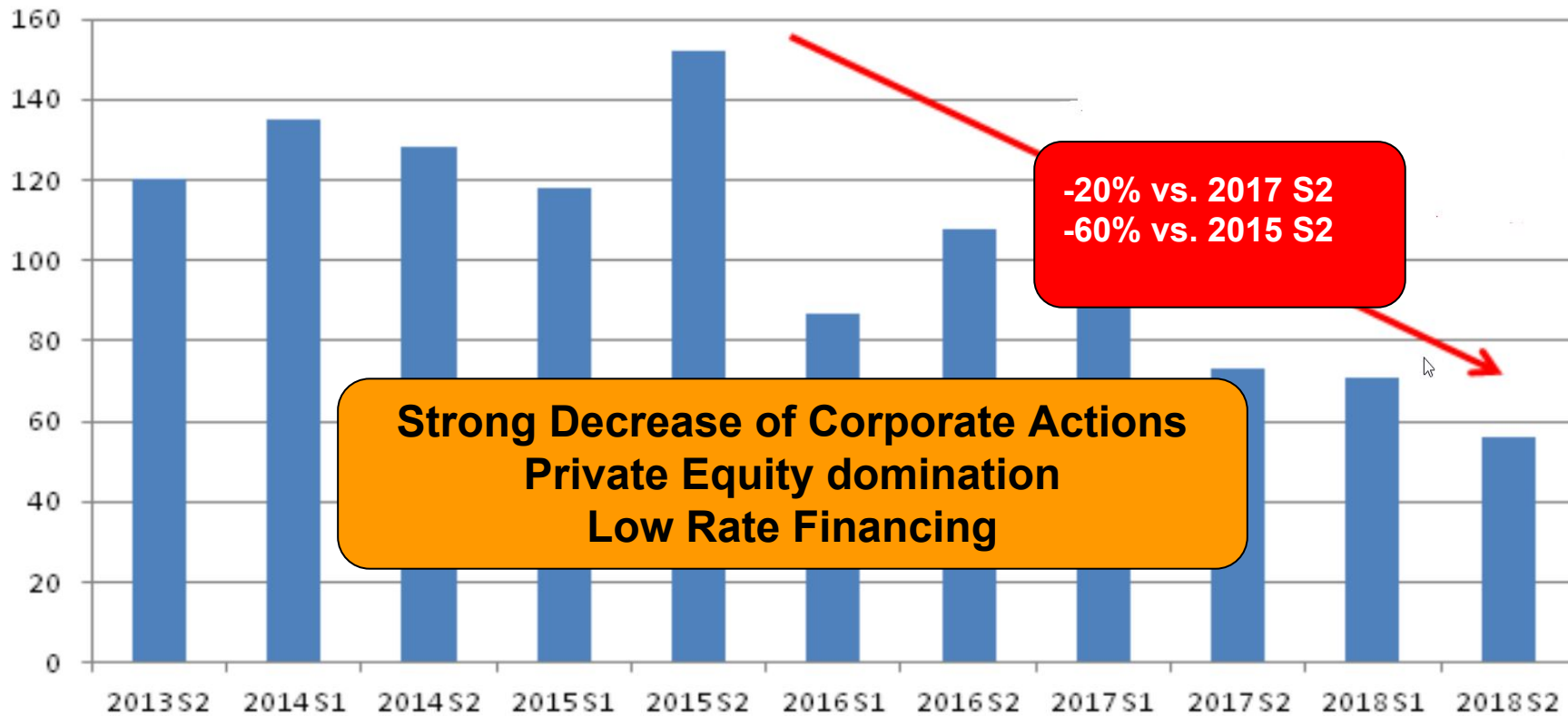


# Existing Deals Market Cap.



**Trump Paradigm  
America First Policy  
Shut down 2019**

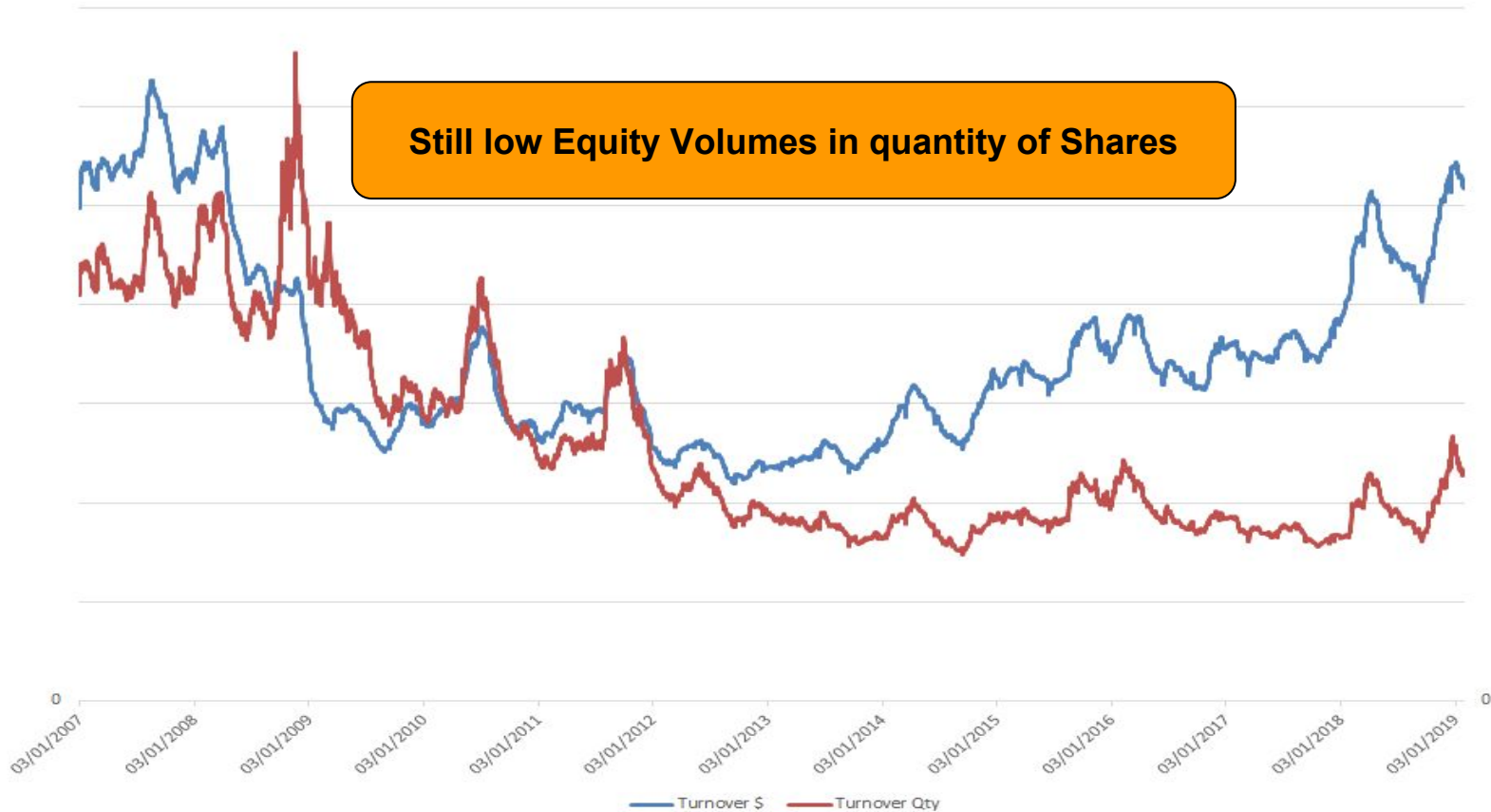
**Average Market Cap = 411,000M€**



**Strong Decrease of Corporate Actions  
Private Equity domination  
Low Rate Financing**

**-20% vs. 2017 S2  
-60% vs. 2015 S2**

# S&P 500 Volumes \$ & Number of Shares



# ABC arbitrage - Consolidated Net Profits

In EUR million	31/12/2018 IFRS	31/12/2017 IFRS	Change
Investment Services Fees	16.8	16.0	5.0%
Net gains at fair value through profit or loss	23.3	22.5	3.6%
<b>Net revenues</b>	<b>40.1</b>	38.5	4.2%
Payroll costs	-13.1	-13.8	-4.7%
Occupancy costs	-1.6	-1.6	2.0%
Other expense	-5.8	-5.3	10.2%
Other taxes	-0.2	-0.1	49.9%
<b>Total costs</b>	<b>-20.8</b>	-20.8	0.0%
<b>Income before tax</b>	<b>19.3</b>	17.7	9.1%
<b>Net income attributable to equity holders</b>	<b>19.7</b>	18.3	7.5%

ROE  
12.8%



\*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).

<b>A</b>	<b>B</b>	<b>C</b>								
A	R	B	I	T	R	A	G	E		

**Know-how ABC**

**Markets Parameters**

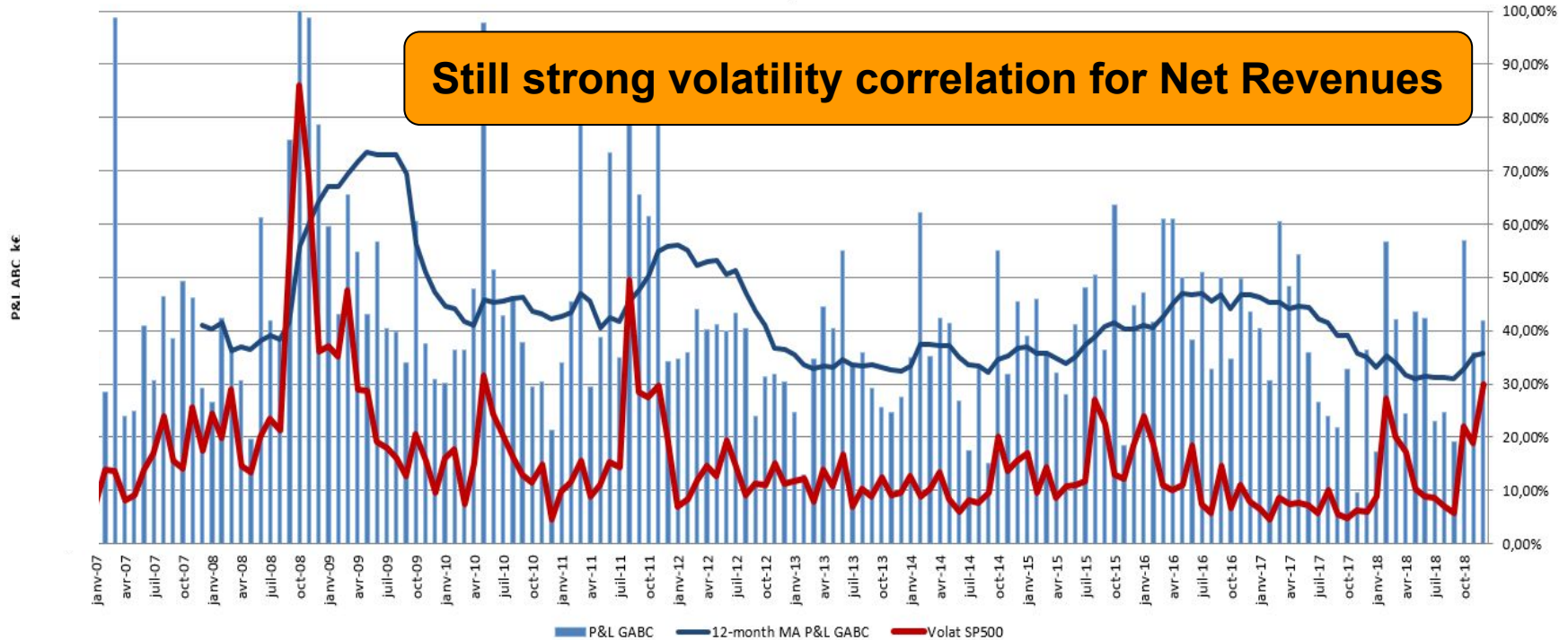


**2018 = Consistent Financial Results**

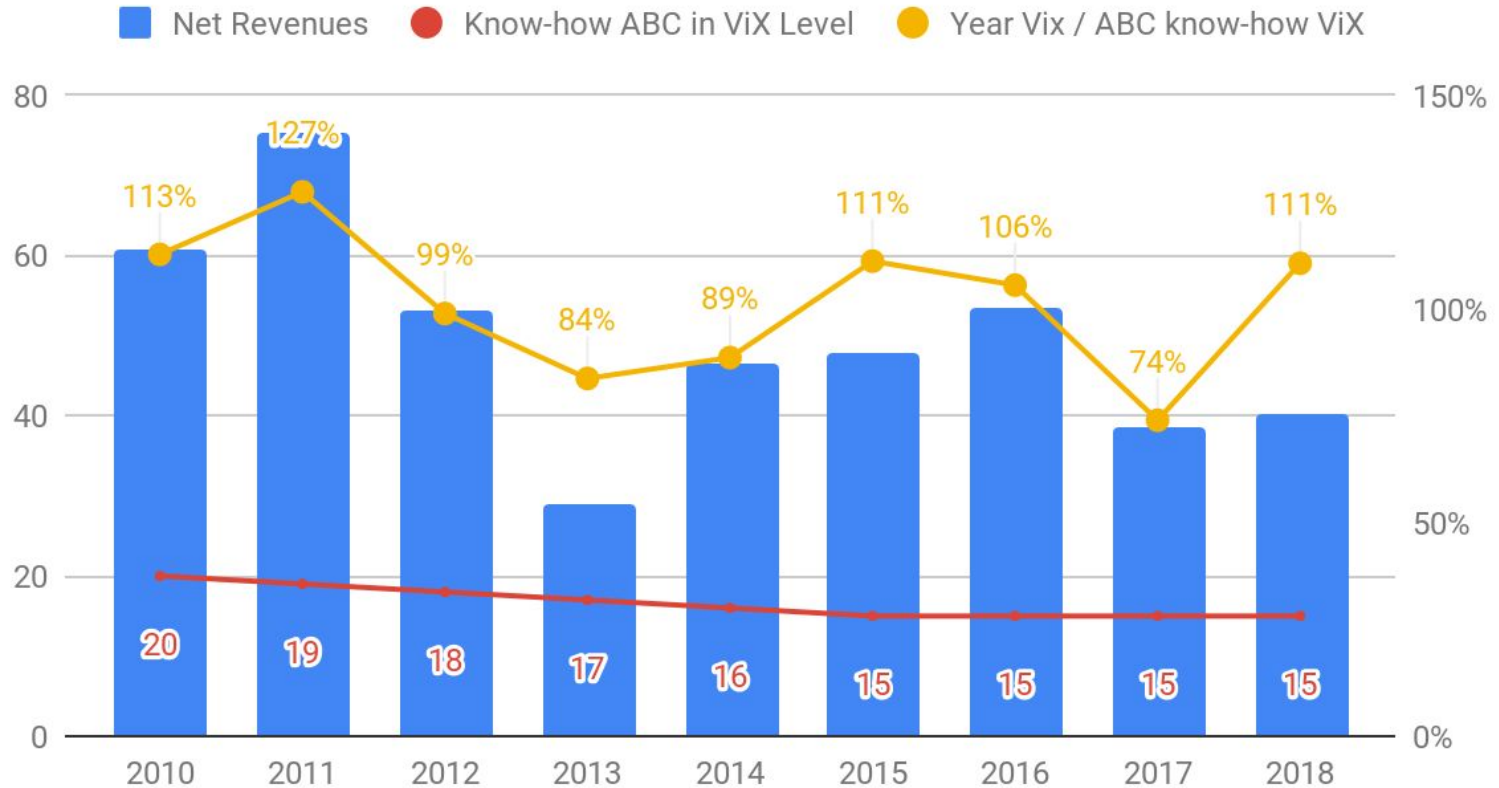


# SP500 20 days Volatility and ABC Business Level

Volatility & P&L

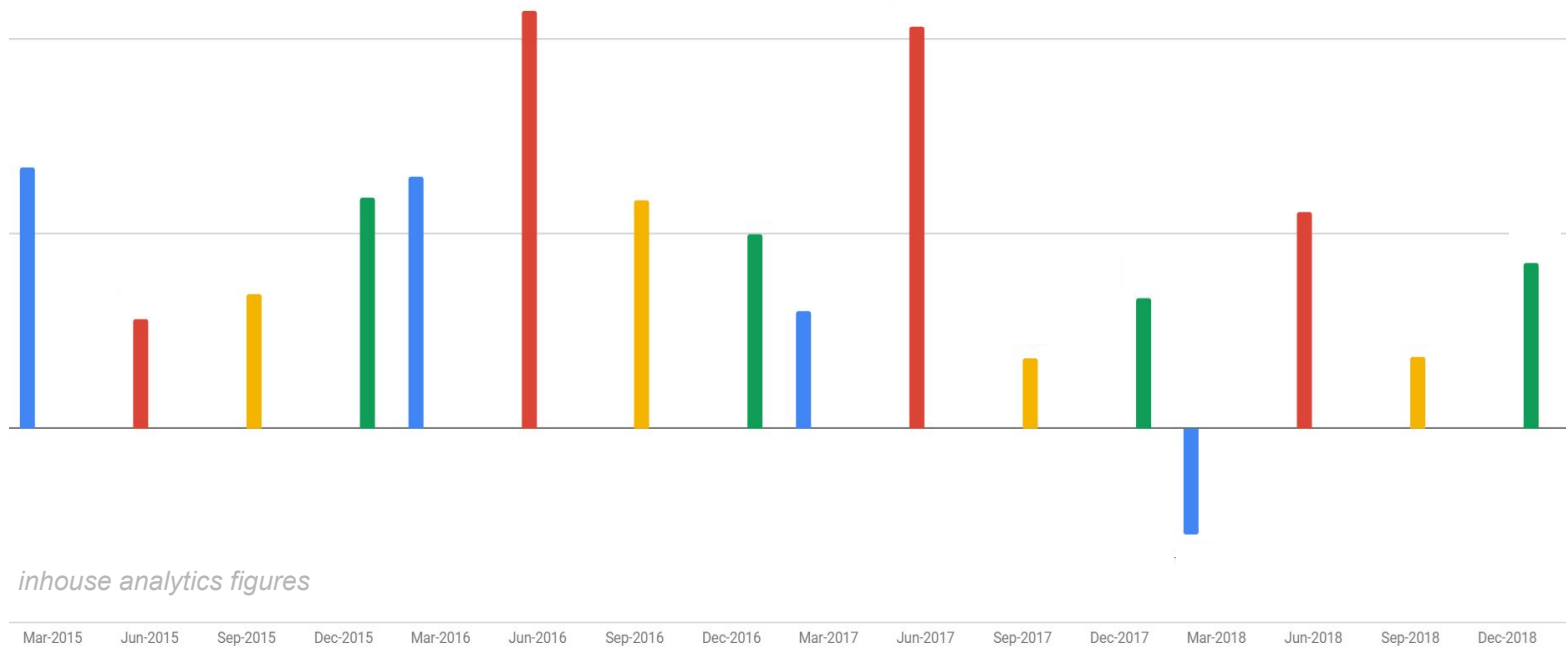


# Business Level & ViX



■ M&A & CA Gross result Q1 ■ M&A & CA Gross result Q2 ■ M&A & CA Gross result Q3 ■ M&A & CA Gross result Q4

## Low M&A and Corporate Action Revenue Drivers Trump Paradigm and Negative Rate Financement

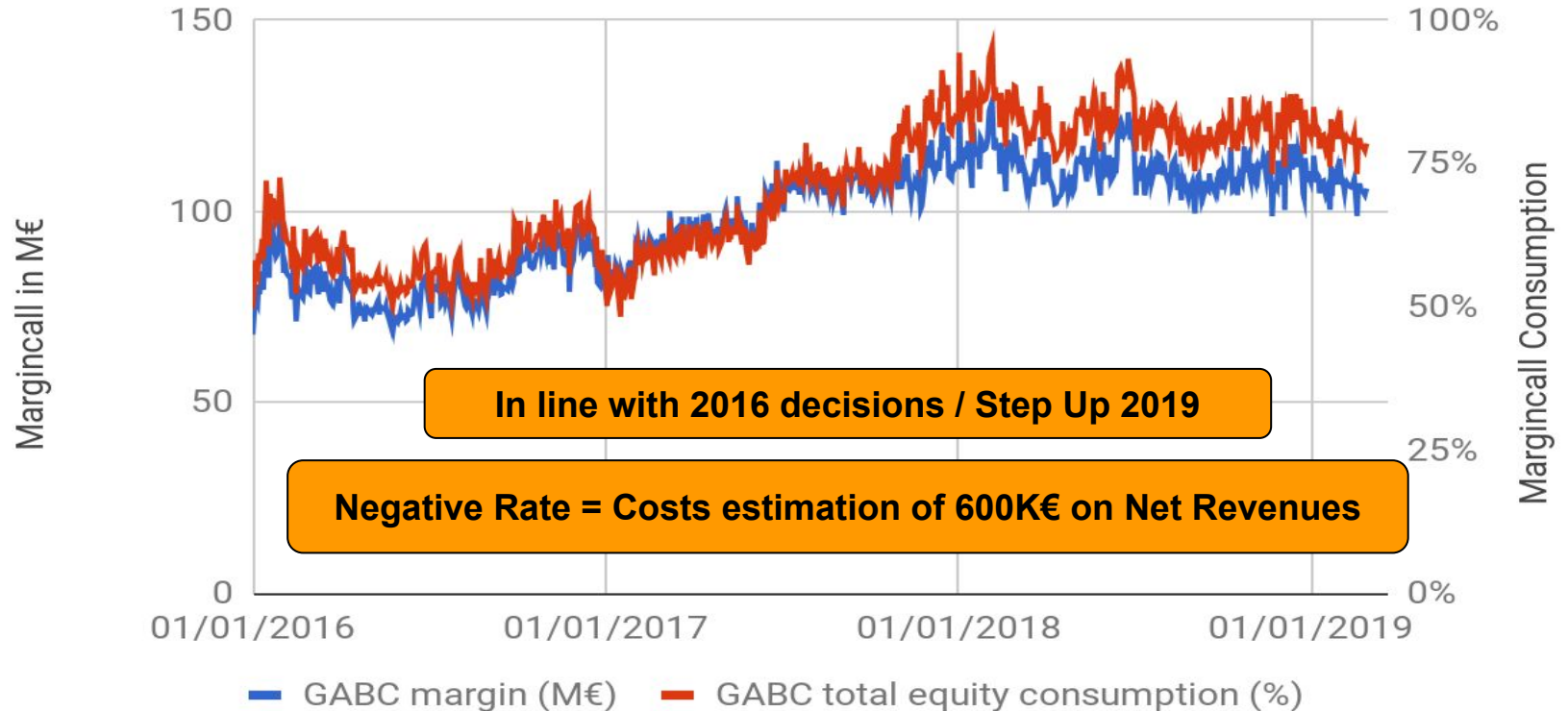


*inhouse analytics figures*

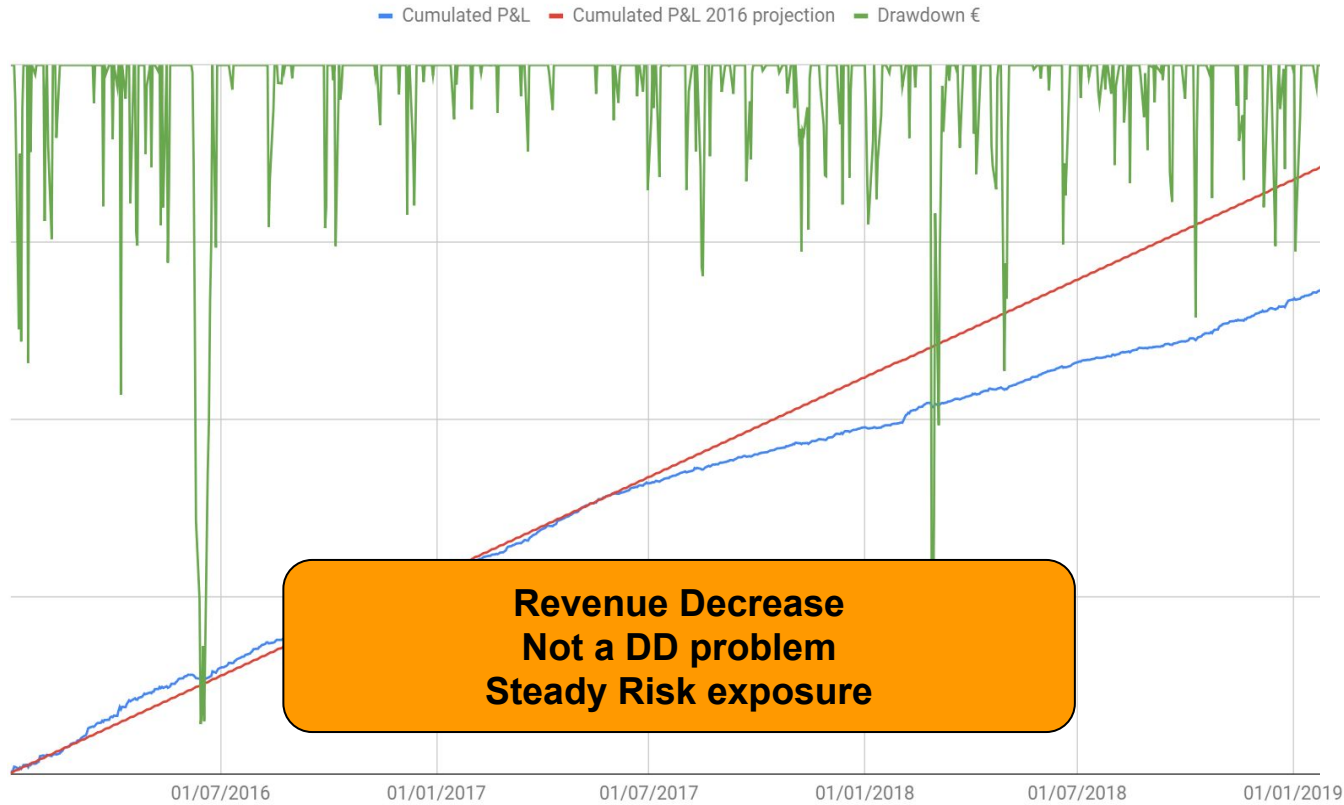


# Indicator of the Employment of Capital

## GABC



# Draw Downs and Business Level

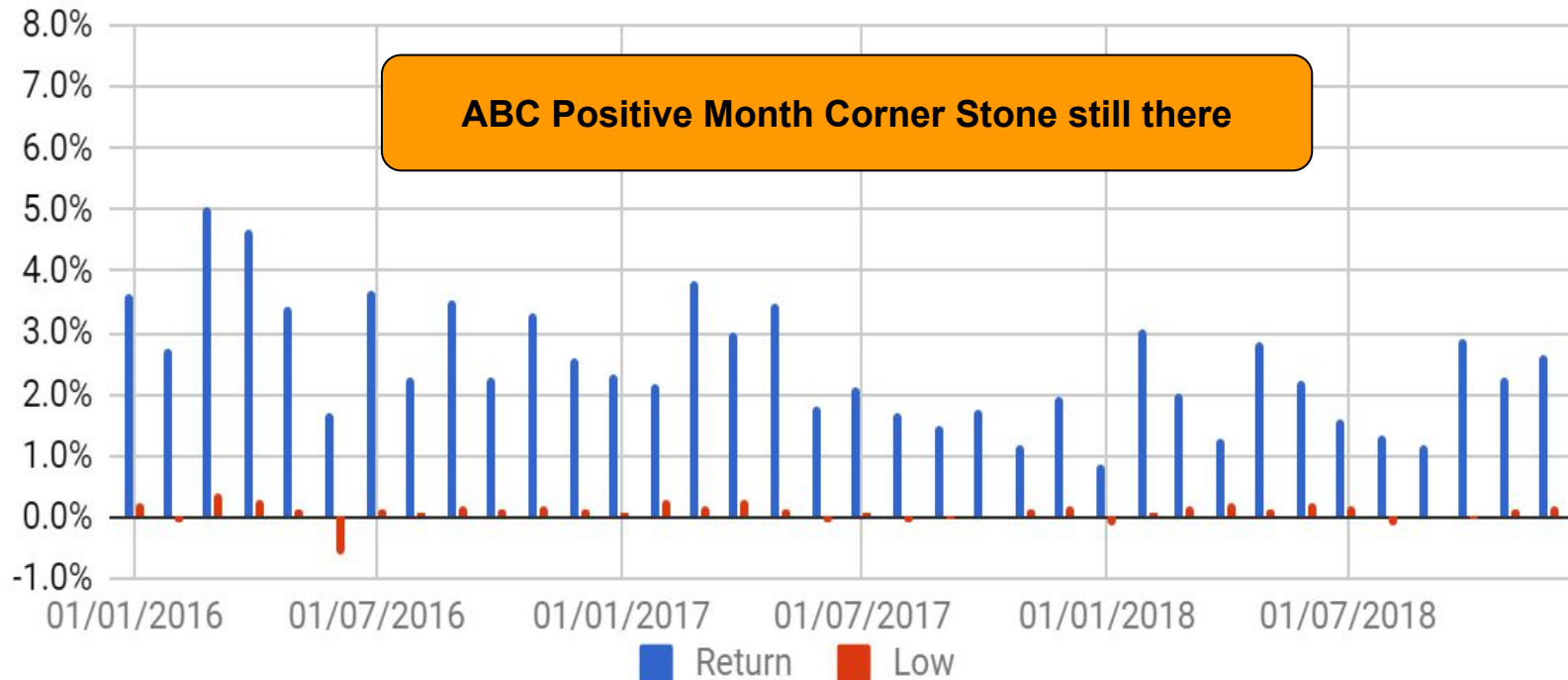


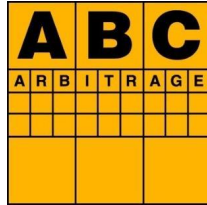
**Revenue Decrease  
Not a DD problem  
Steady Risk exposure**



# ABCG monthly returns

## Monthly return





# Asset Management Business

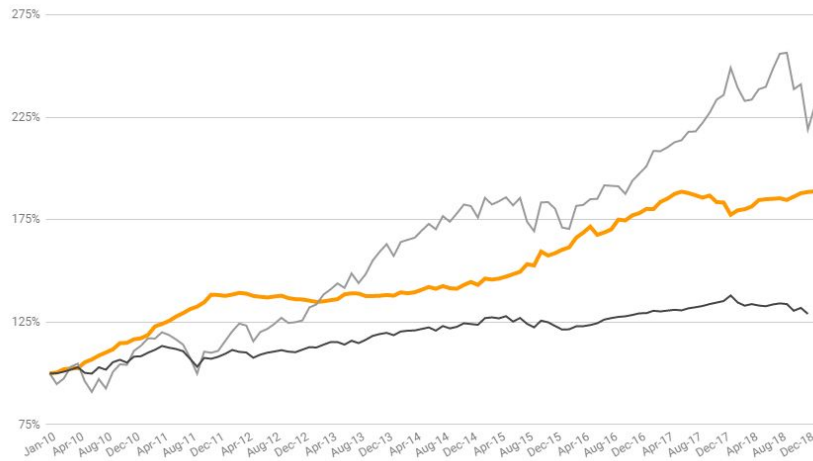
# ABCA Opportunities Fund

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Since 2010
<b>Net Performance / Annualized (\$)</b>	16.6%	17.5%	-1.5%	1.7%	4.6%	9.7%	13.0%	4.6%	4.9%	7.6%
<b>Net Performance / Annualized (€)</b>	16.6%	17.5%	-1.6%	1.6%	4.6%	9.2%	12.3%	2.9%	2.8%	7.2%
<b>Positive Months</b>	100%	92%	33%	58%	58%	67%	83%	50%	83%	70%
<b>Average Negative Mth</b>	NA	-0.1%	-0.4%	-0.4%	-0.4%	-0.7%	-1.3%	-0.6%	-1.8%	-0.6%
<b>Average Positive Mth</b>	1.3%	1.5%	0.4%	0.5%	0.9%	1.5%	1.4%	1.1%	0.7%	1.1%
<b>Volatility</b>	2.9%	2.9%	1.6%	2.1%	2.5%	4.8%	4.5%	3.3%	4.1%	3.9%
<b>Sharpe</b>	5.0	5.1	-1.2	0.7	1.8	1.9	2.5	0.8	0.7	1.9
<b>Leverage (xNAV) Average</b>	<i>Simulated and extrapolated data until Sept 2015</i>									2.5
<b>Net Exposure (%NAV) Average</b>	<i>2018 until 31/12/2018</i>									106%

## Performance Chart

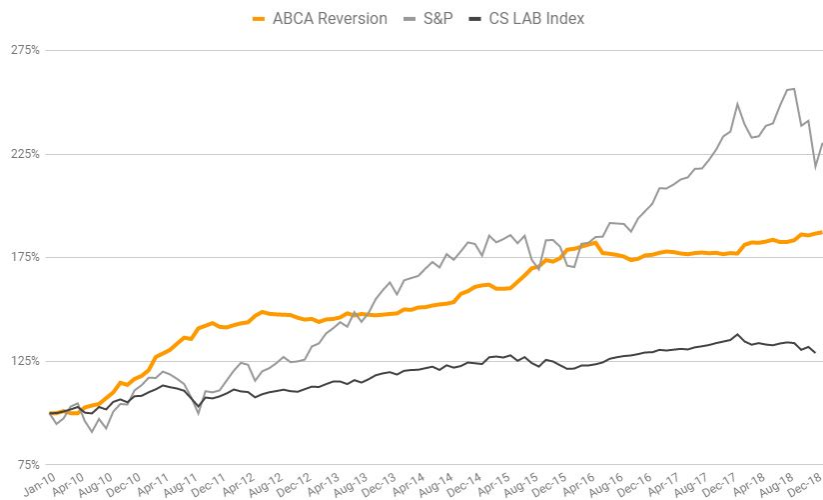
Simulated Data until september 2011. Extrapolated Data from Oct 2011 to Sept 2015 (ie ABCA Multi real performance since its launch enhanced with the effect of the dynamic and optimized allocation of capital and the new fee structure).

**Strong 2018 finish !**

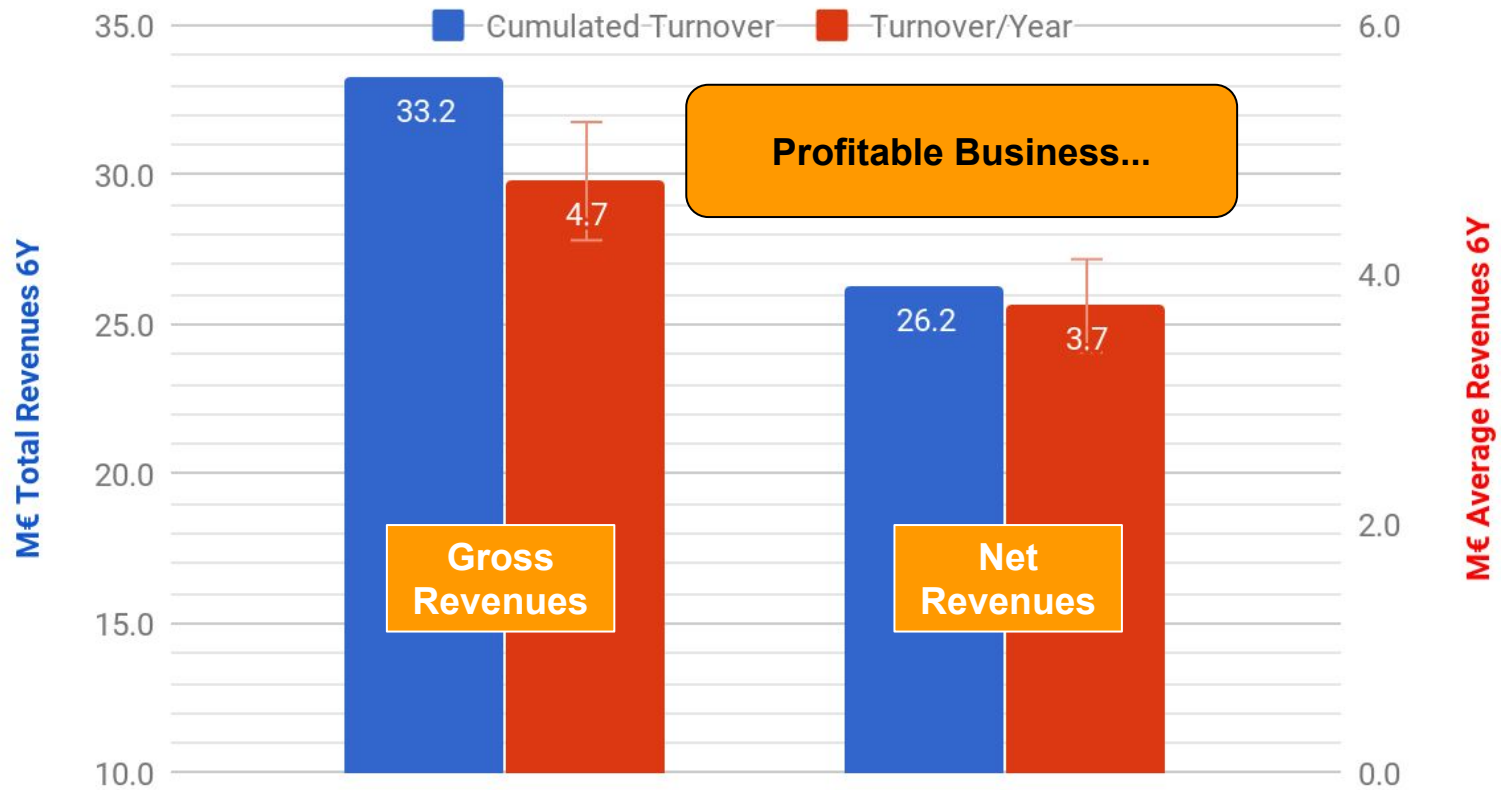


# ABCA Reversion Fund

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Since Launch
Net Performance / Annualized (\$)	18.2%	21.6%	2.6%	2.0%	8.8%	9.1%	1.6%	2.1%	7.5%	8.1%
Net Performance / Annualized (€)	18.2%	21.6%	2.5%	1.9%	8.8%	8.6%	0.8%	0.6%	5.3%	7.4%
Positive Months	83%	83%	42%	67%	92%	75%	58%	58%	67%	91%
Average Negative Mth	-0.5%	-0.9%	-0.4%	-0.5%	-0.7%	-0.6%	-0.9%	-0.3%	-0.3%	-0.5%
Average Positive Mth	1.8%	2.2%	1.0%	0.5%	0.8%	1.1%	0.8%	0.3%	0.8%	1.1%
Volatility	5.3%	6.0%	3.1%	2.2%	2.6%	3.6%	4.0%	1.0%	2.7%	4.1%
Sharpe	3.3	3.2	0.8	0.8	3.4	2.4	0.2	0.6	1.9	1.8
Leverage (xNAV) Average	2010 comprises both extrapolated and real performance									1.0
Net Exposure (%NAV) Average	2018 until 31/12/2018									12%

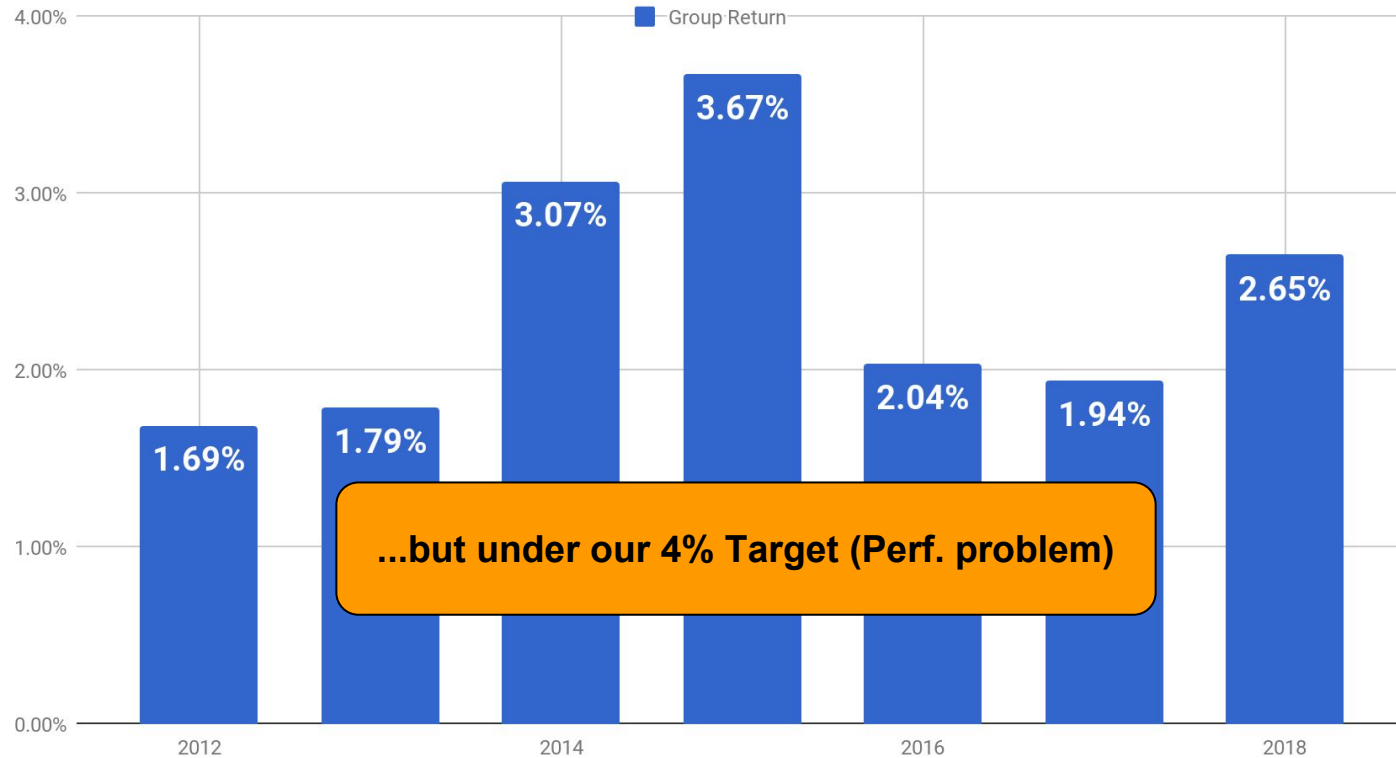


# Revenues from External AUM since 2012



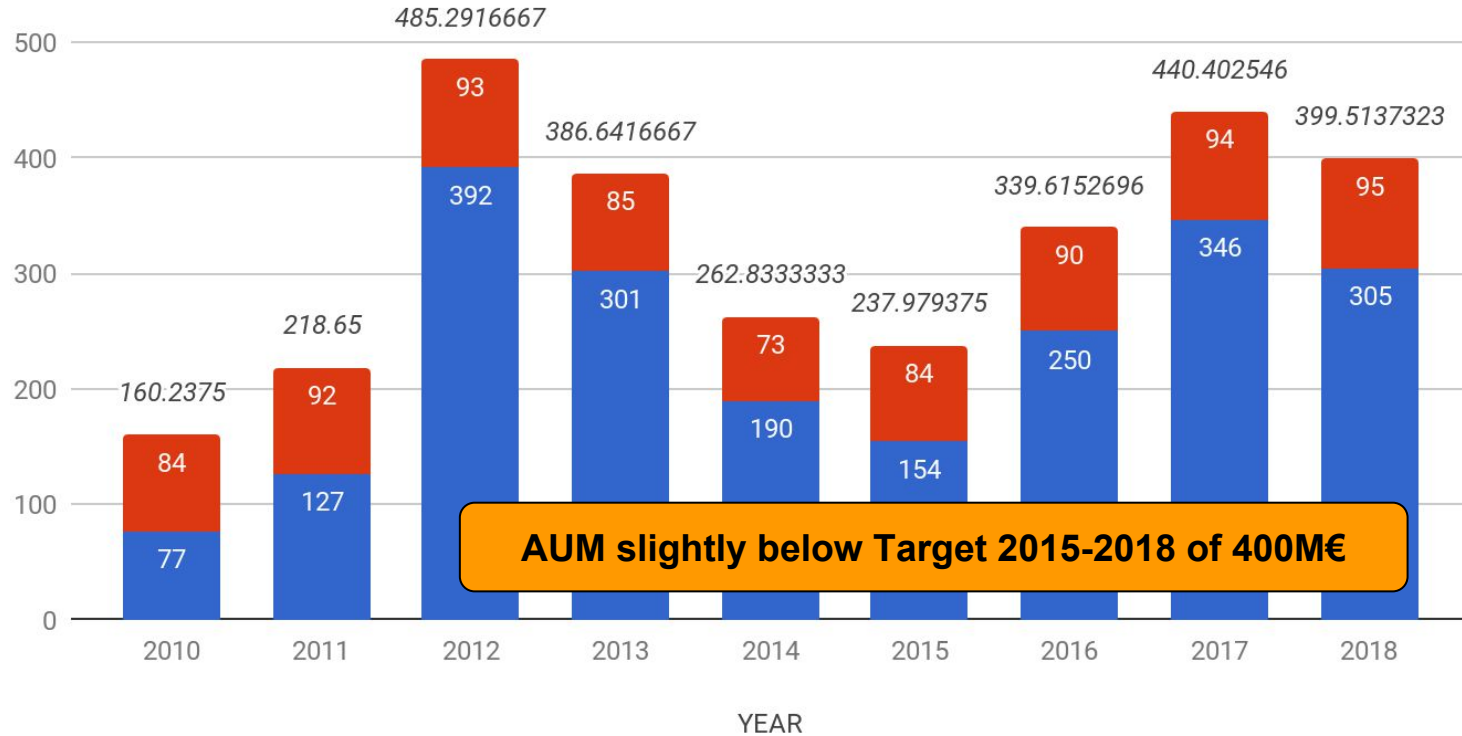
# Return on AUM

## ABCG Return on External AUM





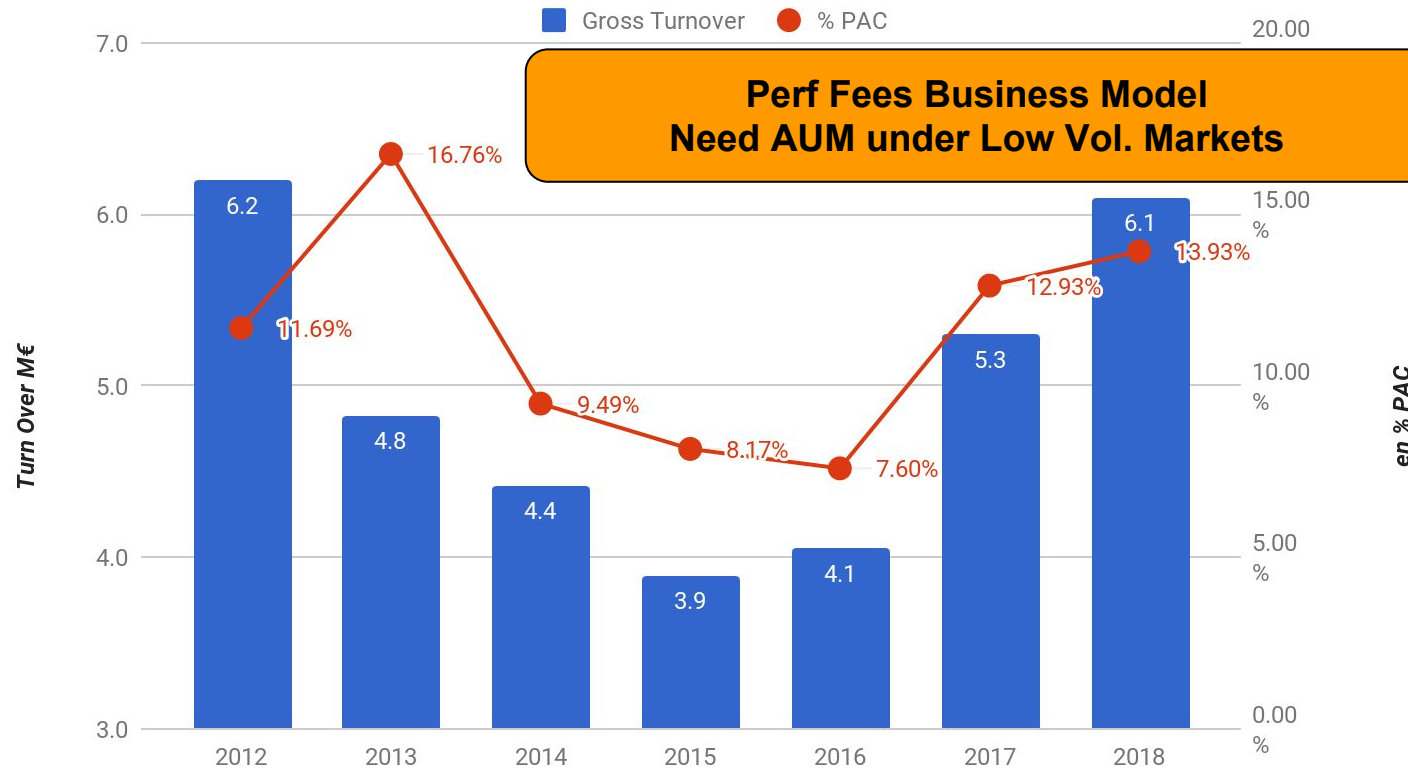
## Average of Total AUM ABCA Funds Ireland + "Seed Capital" (M€)



■ AVERAGE of Quartys
 ■ AVERAGE of ABCA FI

# Client Revenue

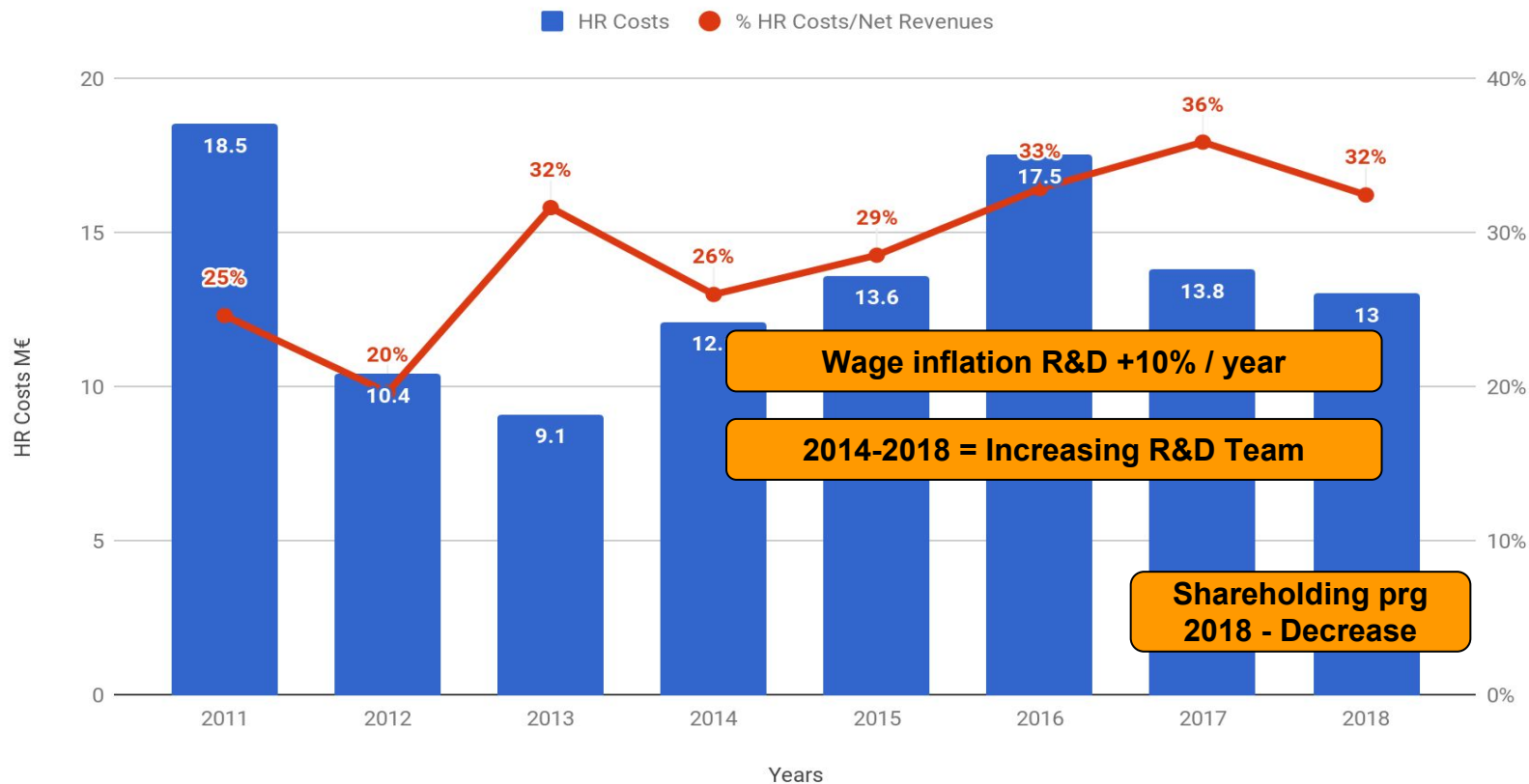
Turnover outsourced clients



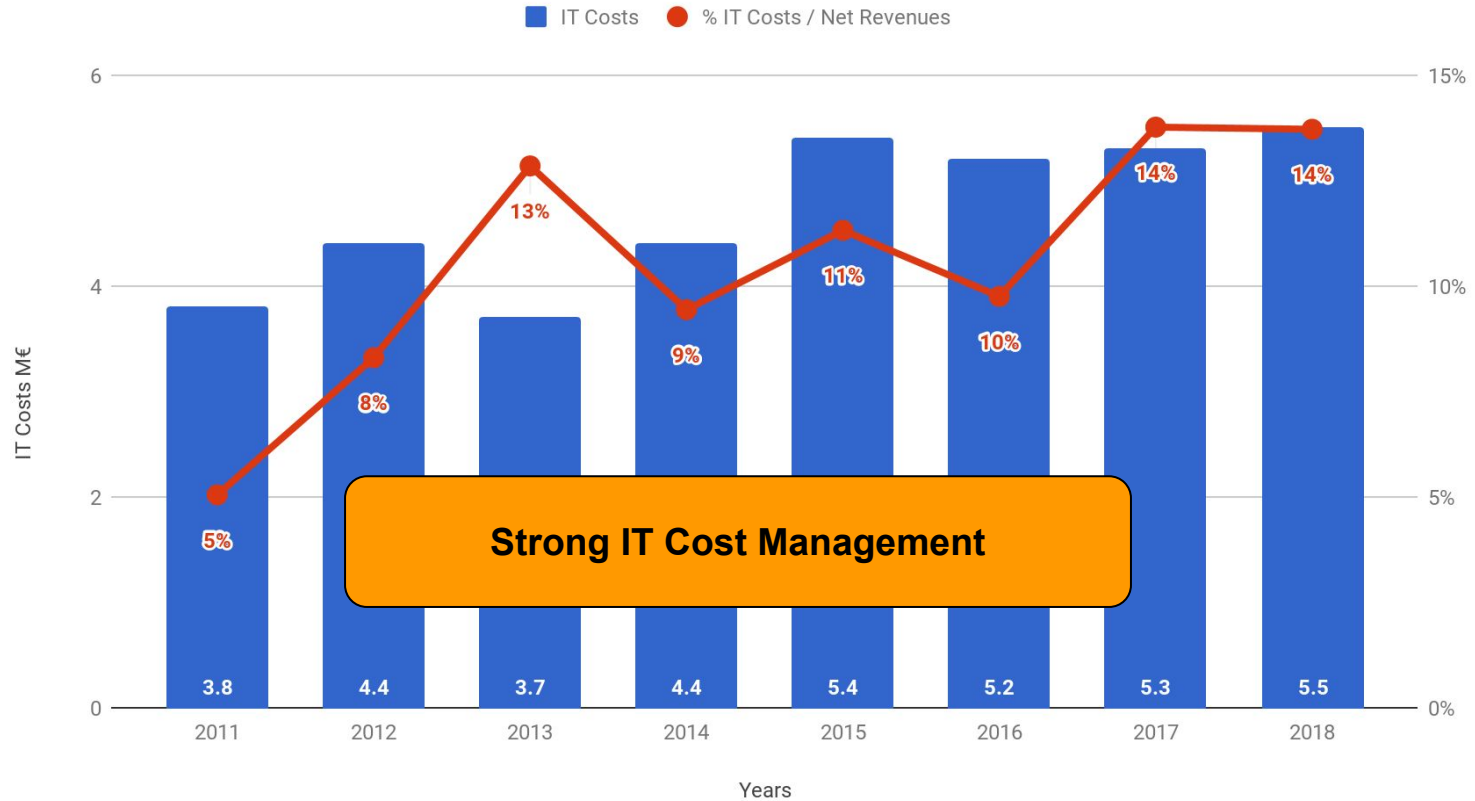
<b>A</b>	<b>B</b>	<b>C</b>							
A	R	B	I	T	R	A	G	E	

Costs

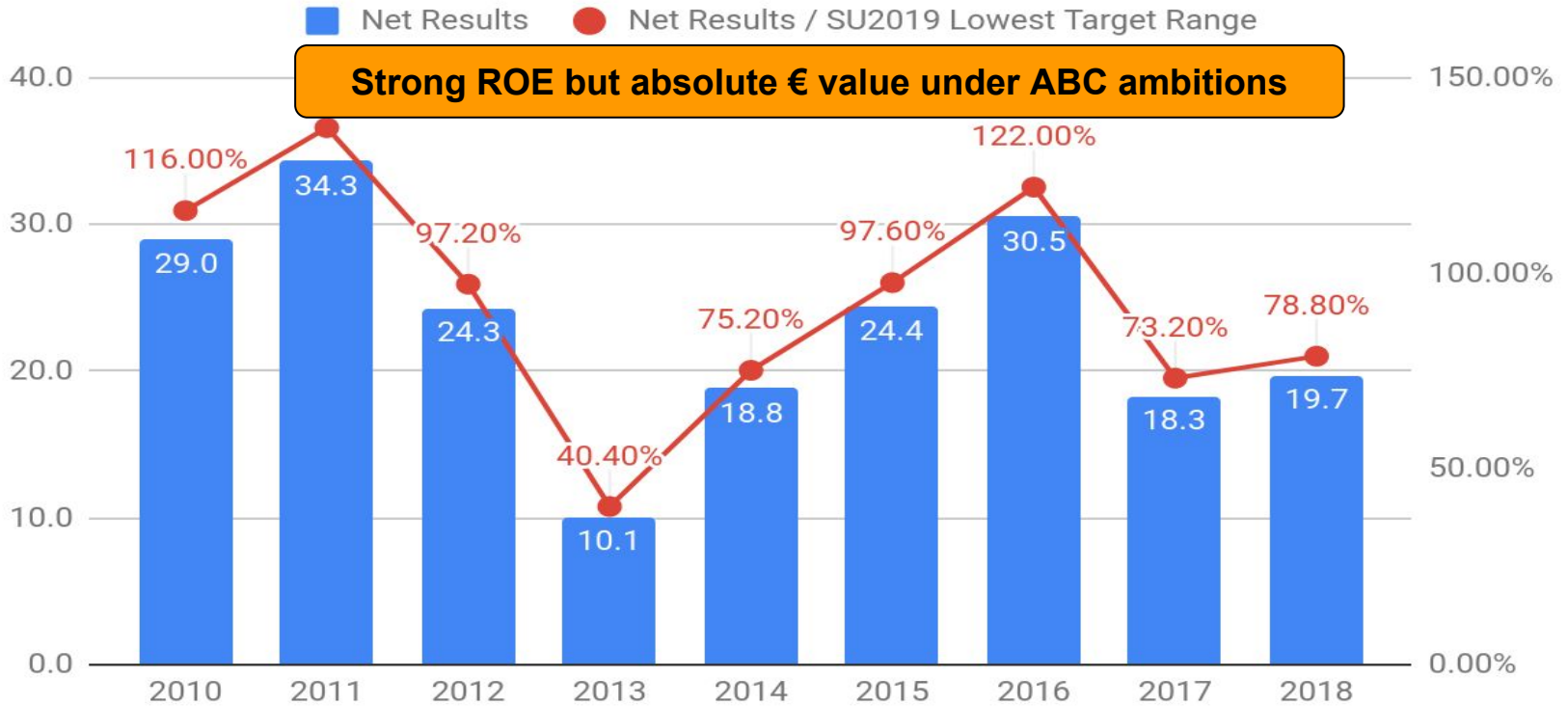
## HR Costs € and % of Activity Level



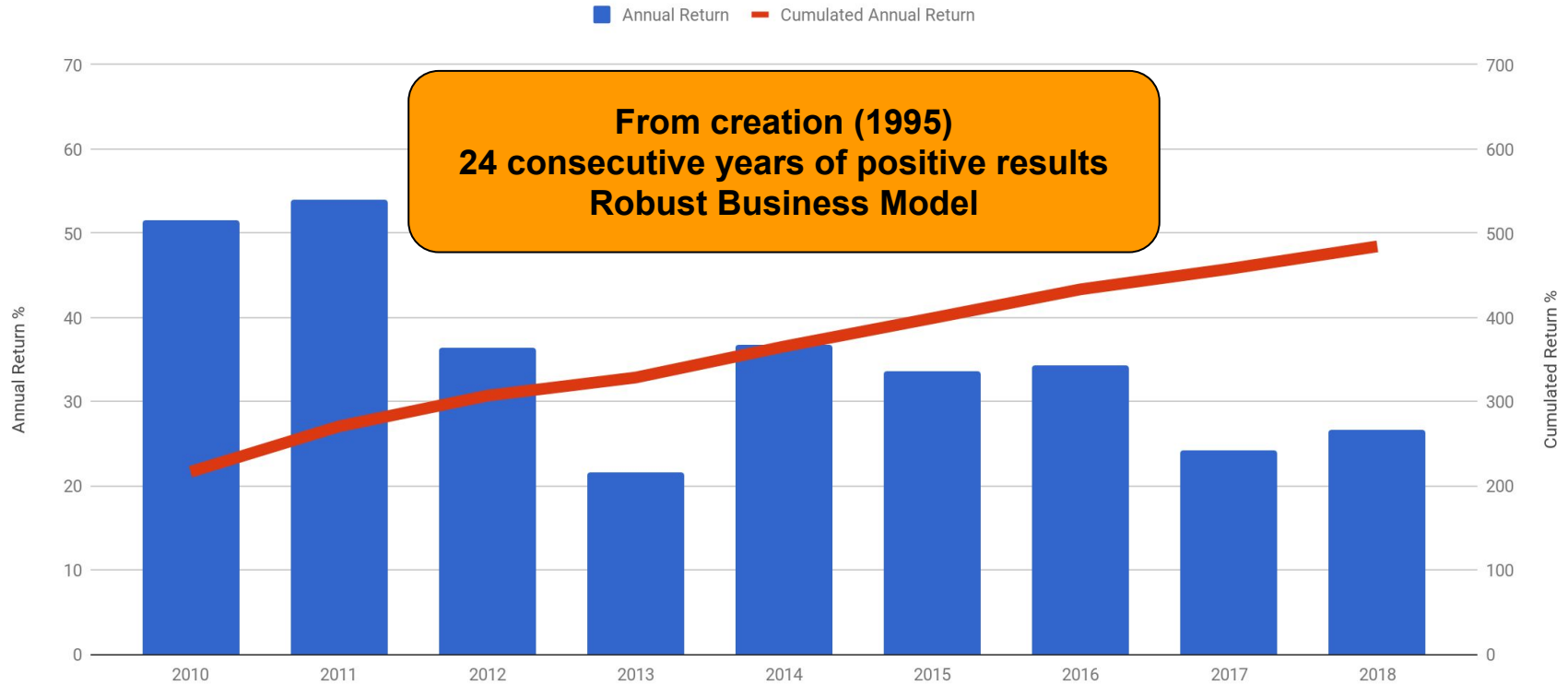
## IT Costs € - % of Net Revenues

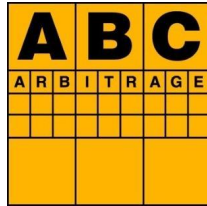


# Net Results vs Ambitions



# Gross Performances ABC arbitrage Group - From 2010 to 2018

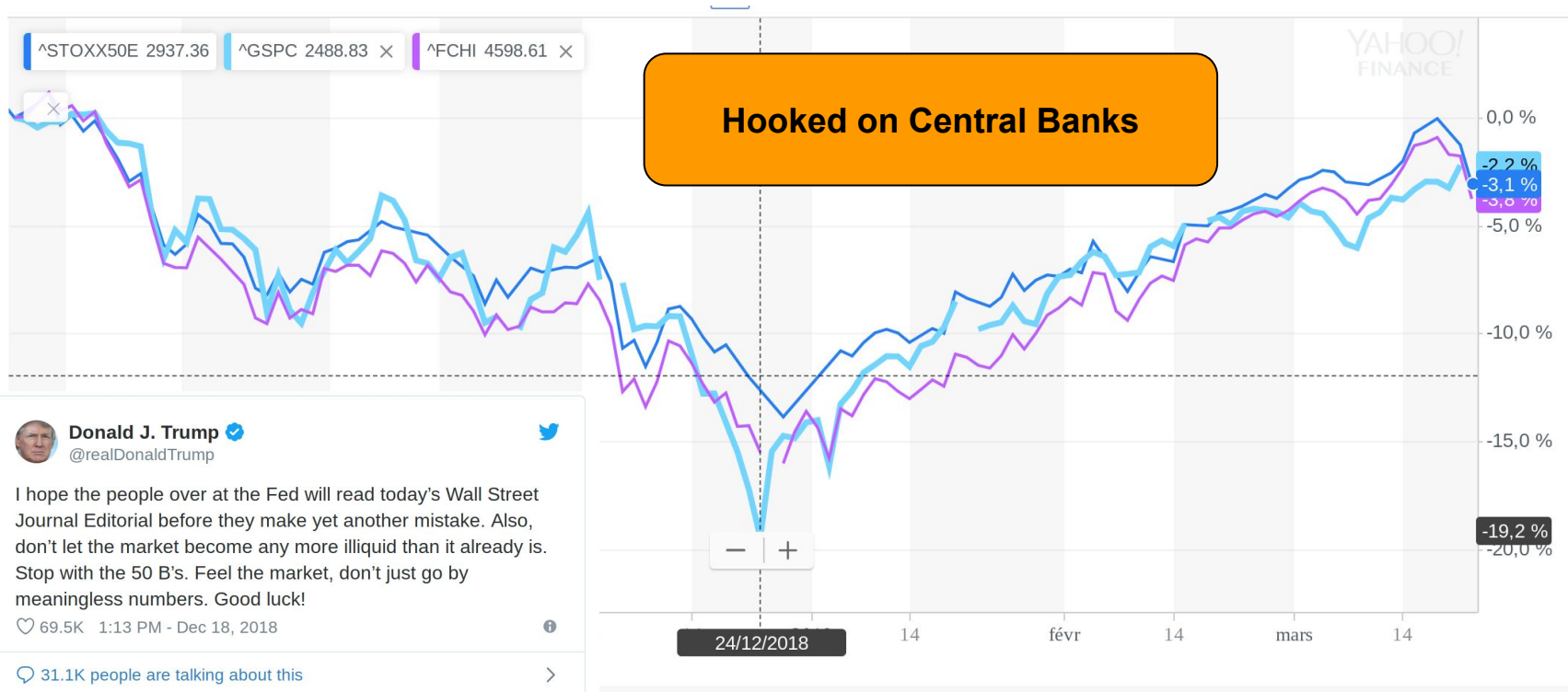




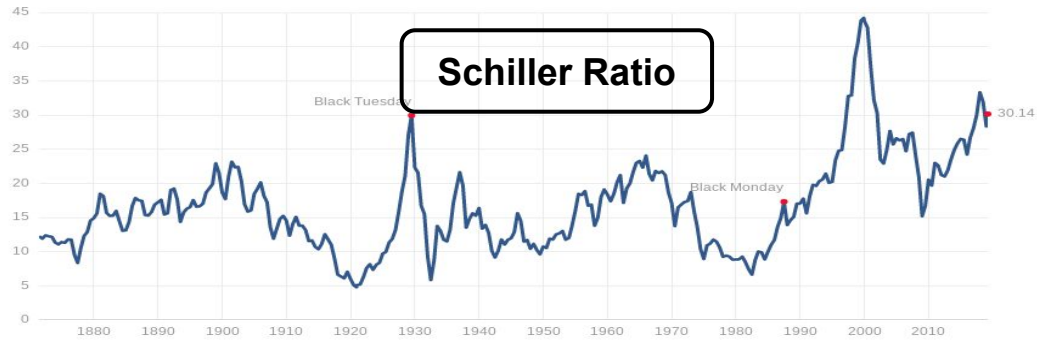
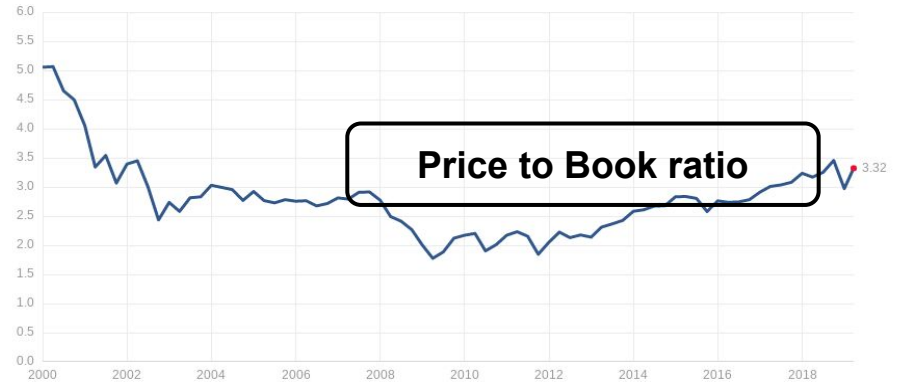
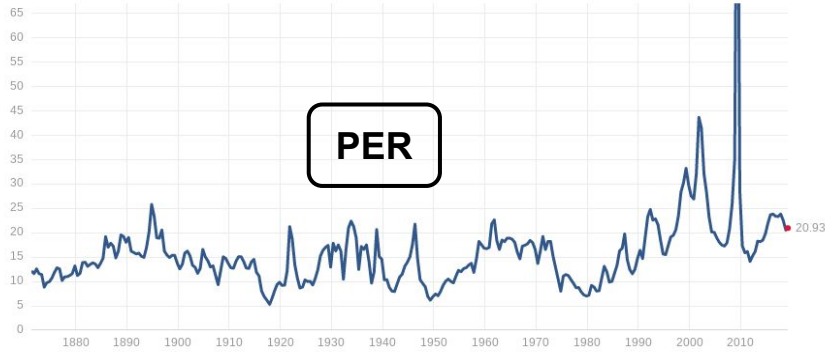
2019  
“ça s’en va...ou  
ça revient ??”



# Q4 2018 followed by an euphoric Q1 2019



# 2018/2019 - More “reasonable” ratios ???!



## Volatility returned in 2018, but average choppiness remains below long-term average

One-week, 30-day volatility of the S&P 500 (%).

**Long-Term Average Volatility = 19%**



Source: Bloomberg  
© FT



# Volatility of Volatility

VVIX index

200

150

100

50

0

01/01/2008

01/01/2010

01/01/2012

01/01/2014

01/01/2016

01/01/2018

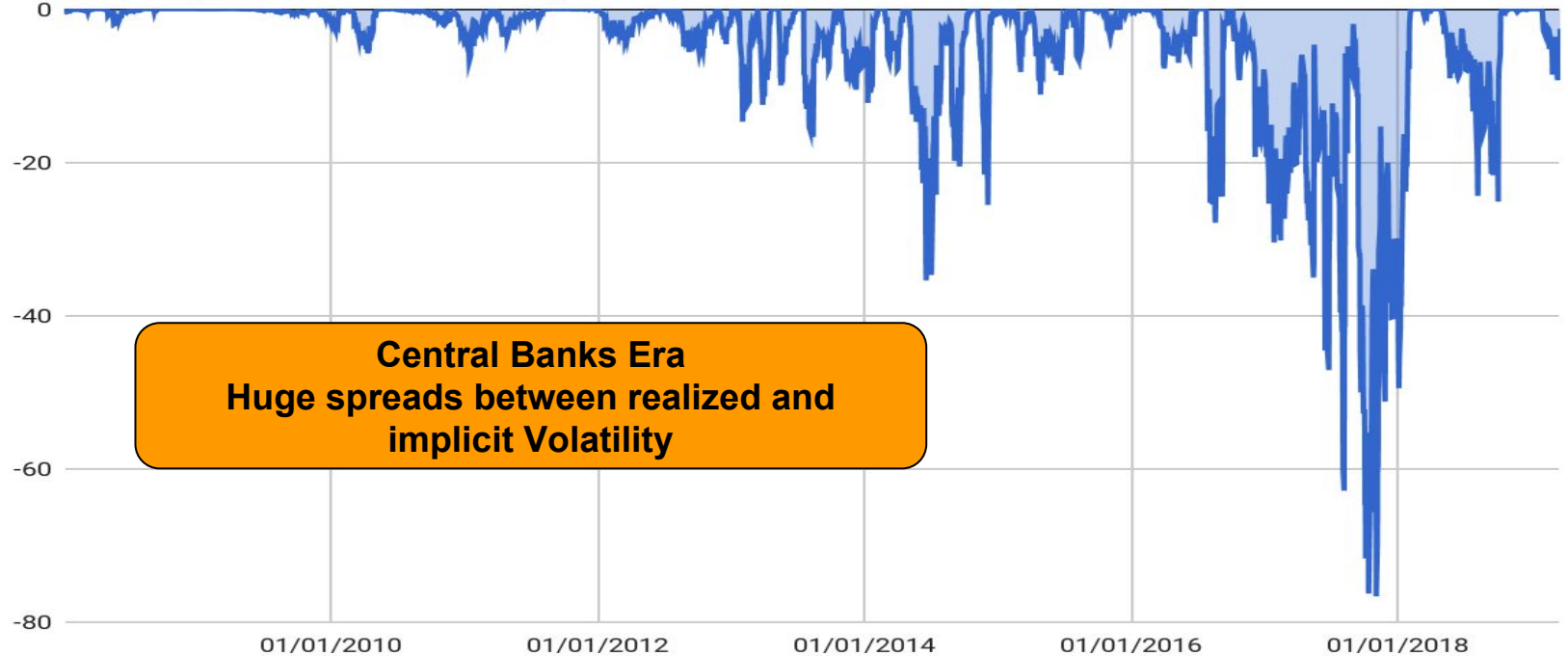
**Central Banks Era  
Strong and brutal changes on Volatility**

China economic  
downturn fears

US-China trade war, US  
inflation fears

# ABC inhouse ratio (From June 2008)

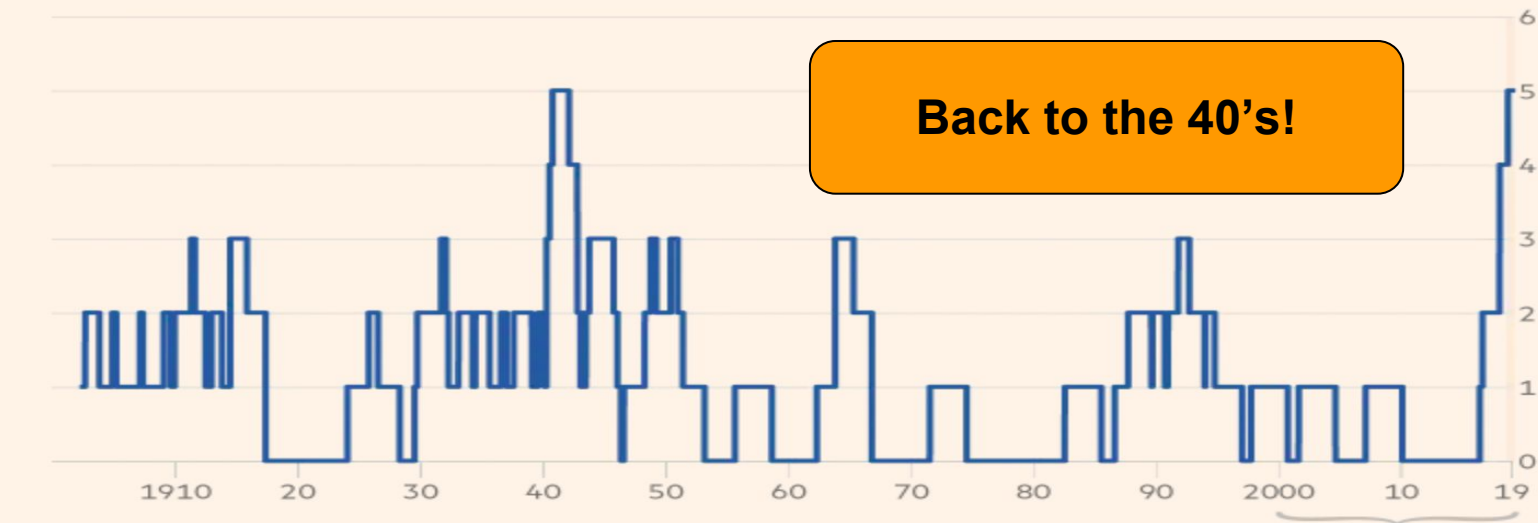
Discrepancy VIX / historical Volatility indicator



**Central Banks Era**  
**Huge spreads between realized and implicit Volatility**

## Sudden shocks become more common

Number of major S&P 500 tumbles in last three-year window hits highest since 1940s



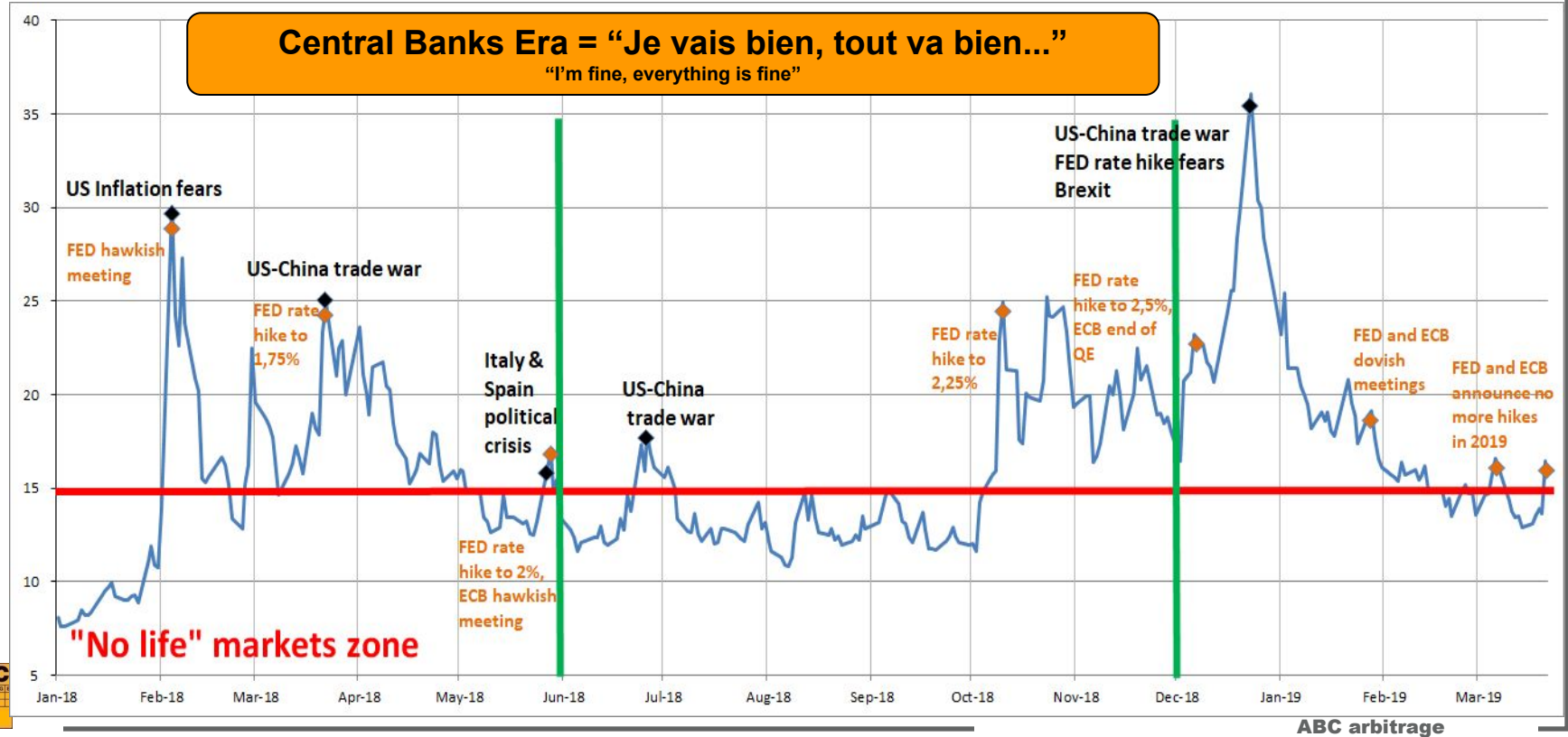
Shocks since 2000



Source: Neuron Advisers  
© FT

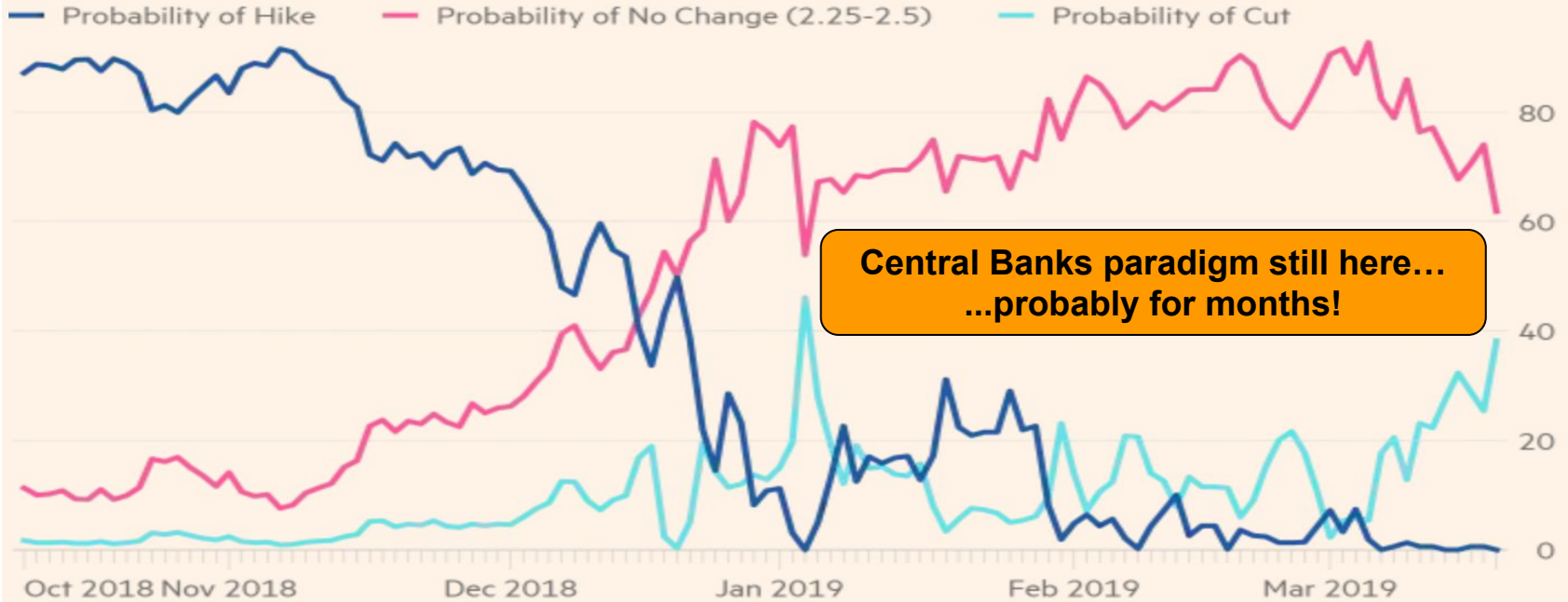
# Historical VIX since 07/2017

## Main Events



## Fading expectations

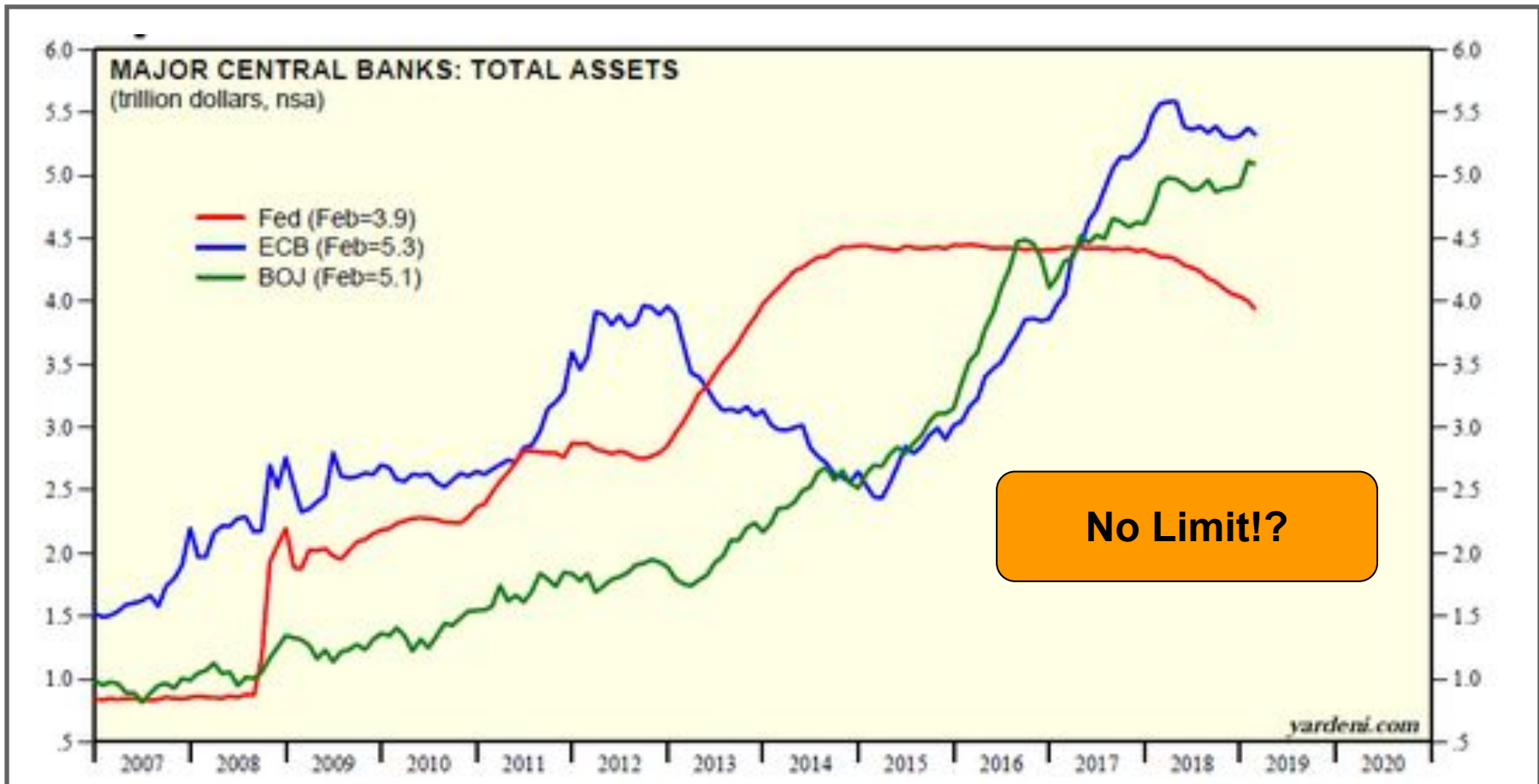
Implied odds on interest rate cut by end of 2019 jump higher after Fed meeting (%).



**Central Banks paradigm still here...  
...probably for months!**

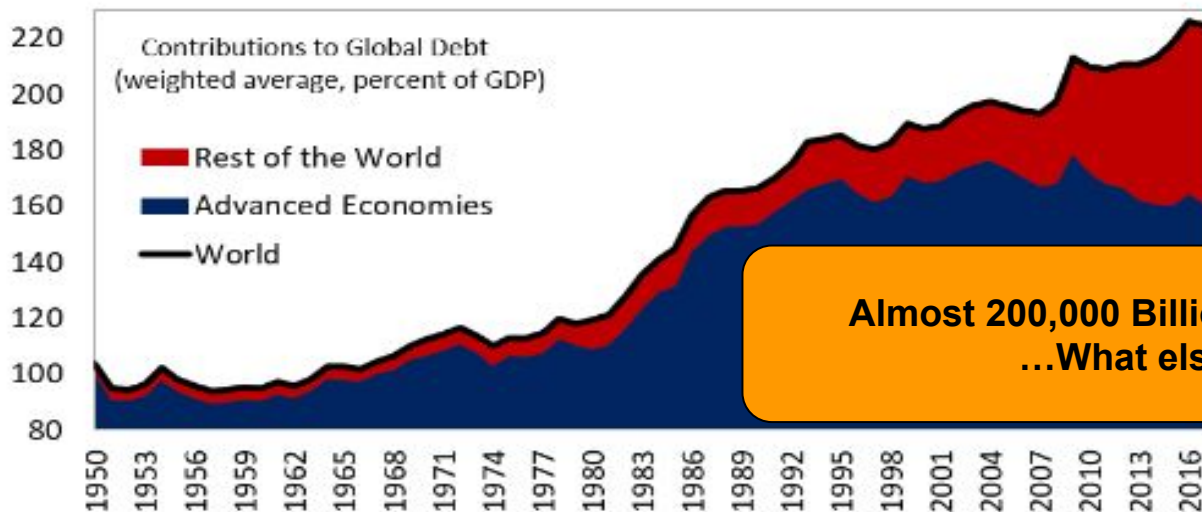
Source: Bloomberg  
© FT





## A history of debt

While global debt has risen dramatically since 1950, the global debt ratio came down in 2017.

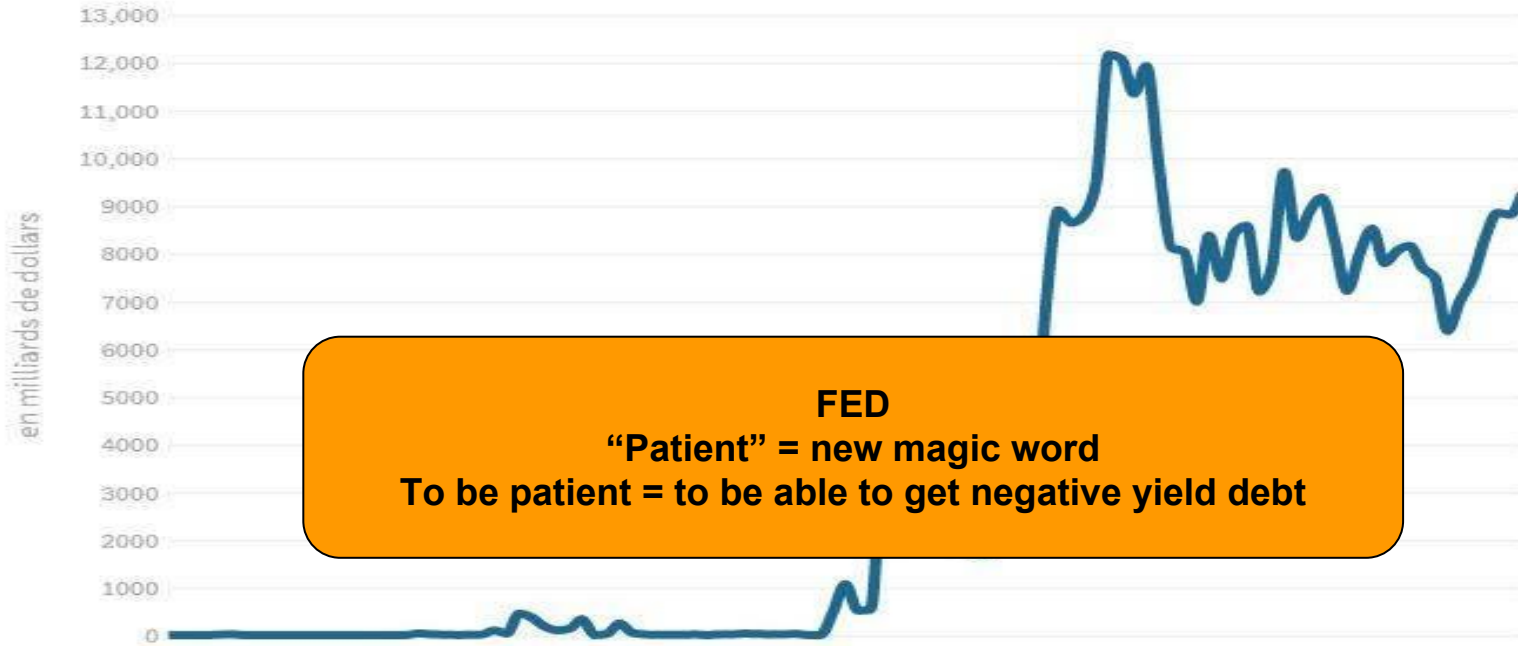


Sources: Global Debt Database and authors' calculations.

# Le stock de dette à taux négatif

Les banques centrales restent accommodantes

■ Bloomberg Barclays Global Agg Negative Yielding Debt



**FED**  
"Patient" = new magic word  
To be patient = to be able to get negative yield debt

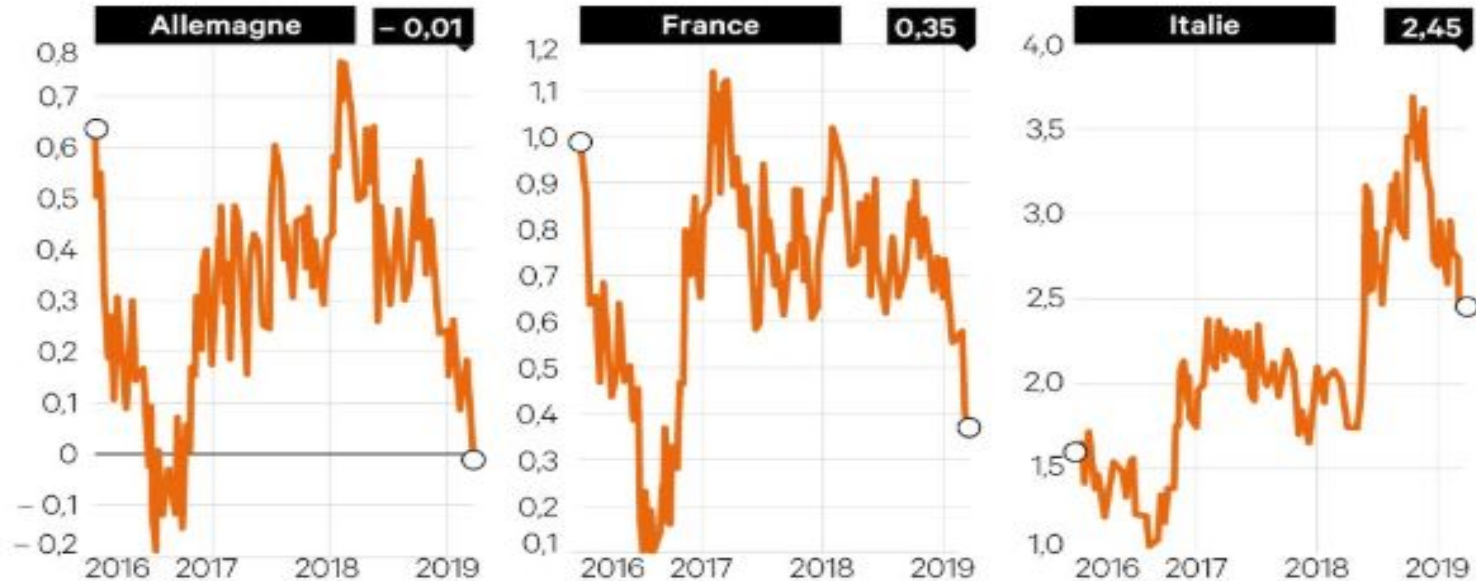
Source: Bloomberg

# Central Banks Paradigm “Don't worry, be Happy” World ?

## European gov. bonds yield evolution

### La chute des taux à 10 ans en Europe

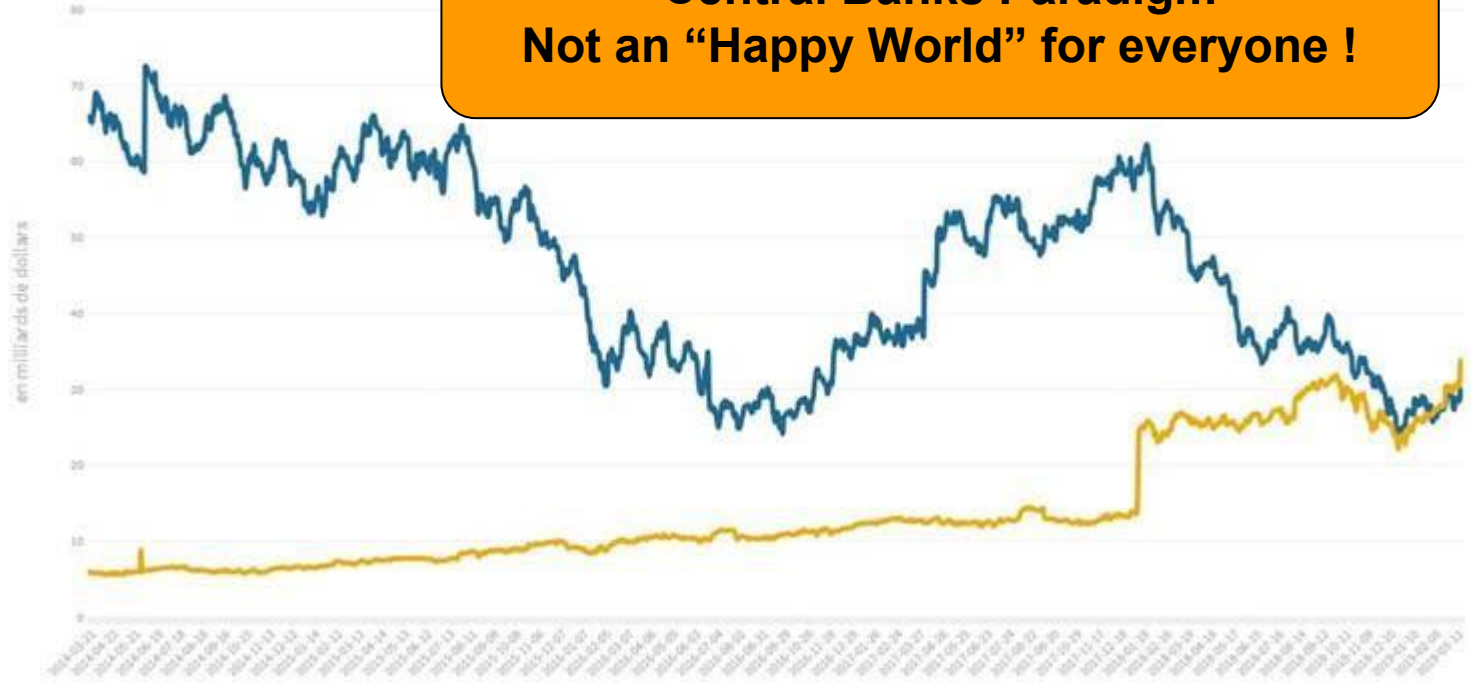
En %



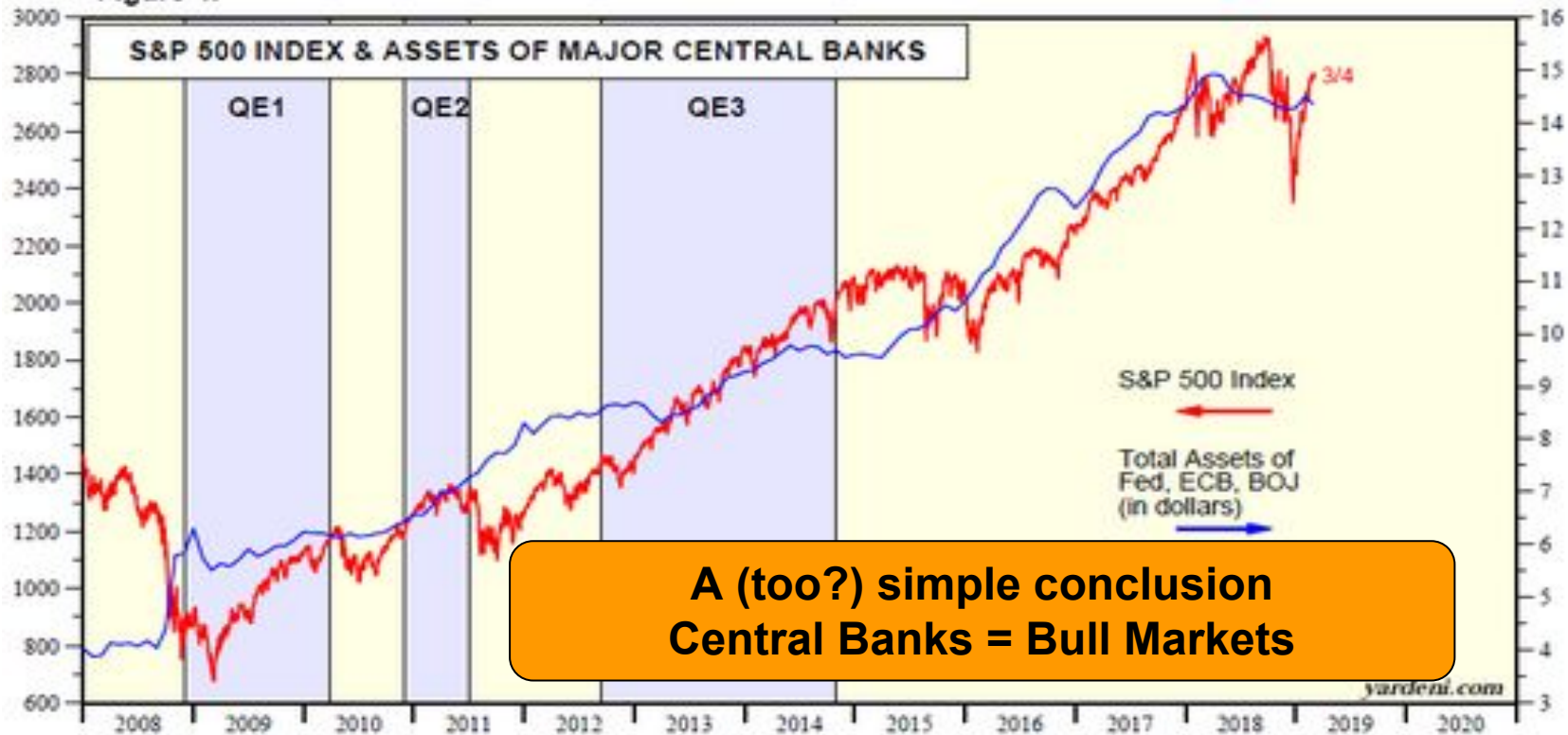
• LES ÉCHOS • / SOURCE : BLOOMBERG

## Quand une Fintech vaut plus que deux banques historiques capitalisation boursière

■ Deutsche Bank et Commerzbank ■ Worldpay



**Central Banks Paradigm  
Not an “Happy World” for everyone !**



**A (too?) simple conclusion  
Central Banks = Bull Markets**

Note: QE1 (11/25/08) = Fed starts buying \$1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying \$300bn in Treasuries. QE2 (11/3/10) = Fed starts buying \$600bn in Treasuries. QE3 (9/13/12) = Fed starts buying \$40bn/month in mortgage securities (open ended). QE3 expanded (12/12/12) = Fed starts buying \$45bn/month in Treasuries.  
Source: Federal Reserve Board, Standard & Poor's and Haver Analytics.



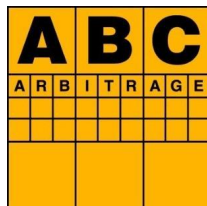
## US 3m/10yr yield spread turns negative for first time since 2007

Difference between yield, %, of 3-month T-Bill and 10-year Treasury yield



**Thousands Billions of liquidity and still some negative signals...To be continued !**

Sources: Bloomberg, @\_PeterWells  
© FT



# ABC arbitrage 2019



## Central Banks and Geopolitics Era

- **Still very low Volatility for  $\frac{2}{3}$  of the 2018 year...**
- **...probably the same on 2019.**
- **Consistent profits on 2018...**
- **...especially on the 4th quarter volat. standardization**
- **Significant decrease on Corporate Action since 2015**
- **Significant decrease on M&A (Second H2017 + Y2018)**

## Quants suffer worst year in a decade

Annual performance (%)



\* To Jan 31  
Source: HFR  
© FT

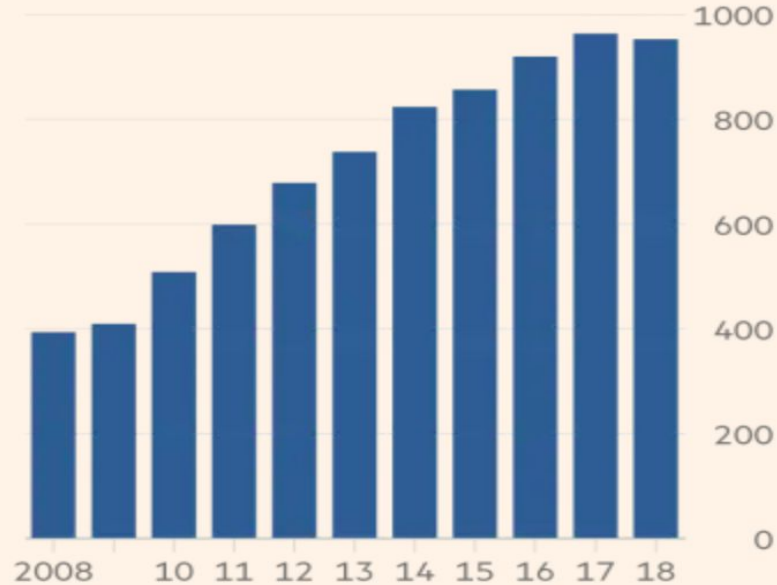


# ABC

increase of capacity of +300€ AUM...  
...with same return target

## Industry contracts for first time

Total estimated assets in quant funds (\$bn)



Estimated flows into quant funds (\$bn)



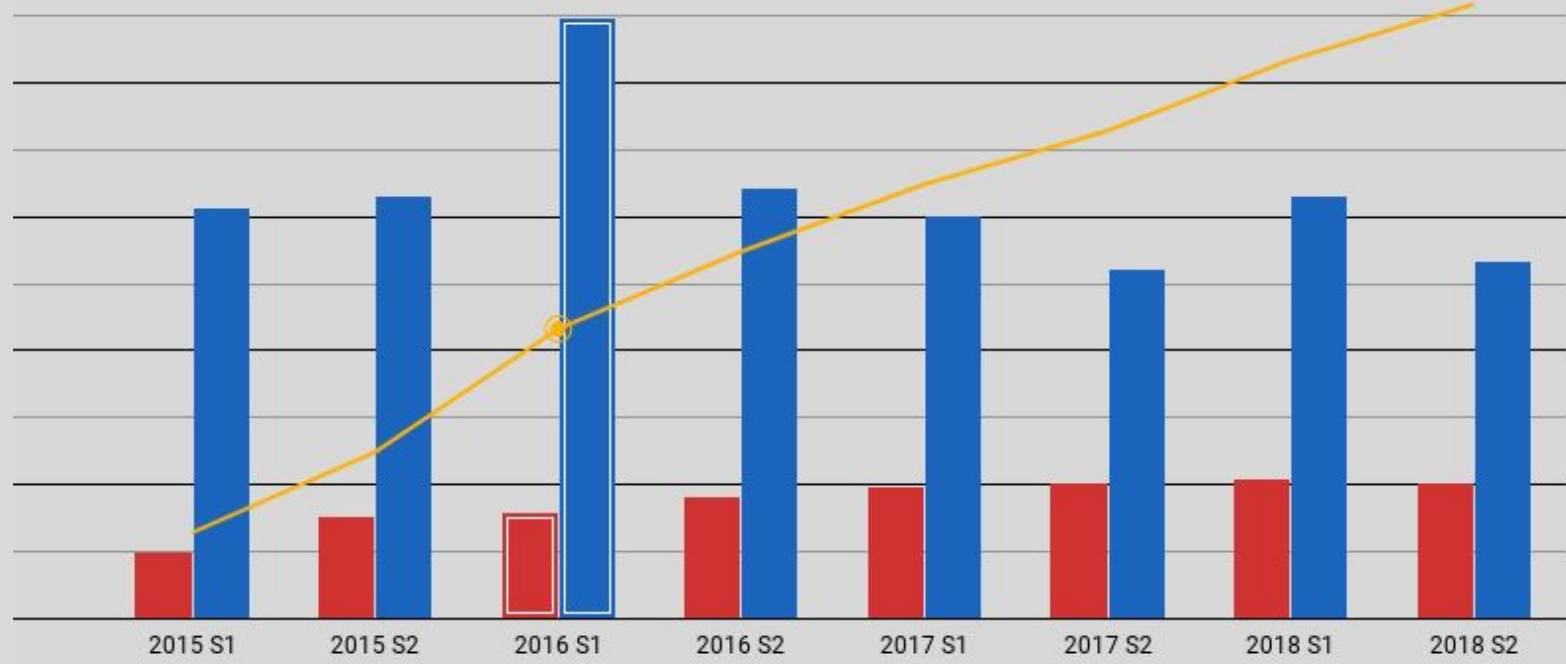
Source: HFR  
© FT



# Objective 1

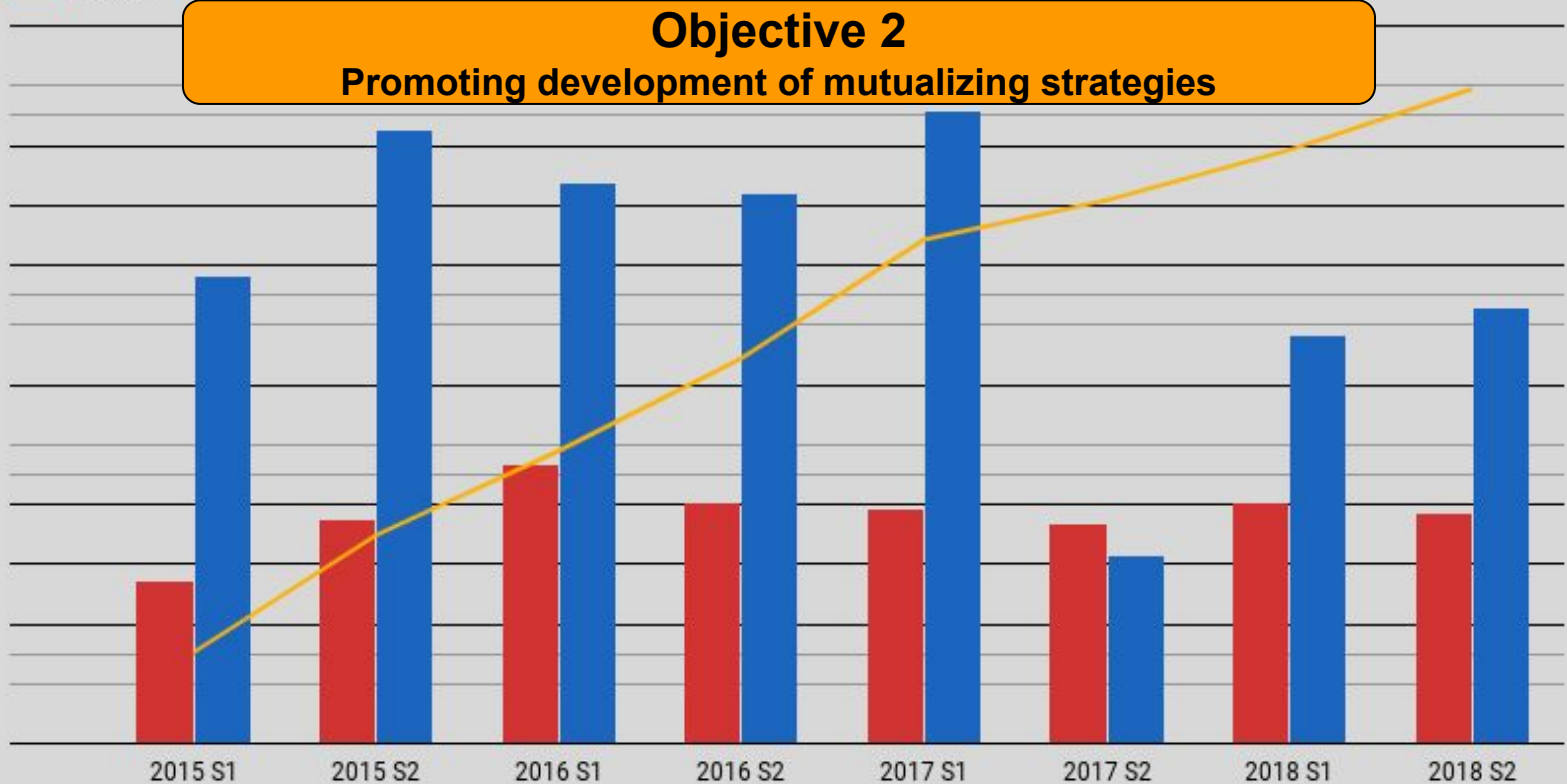
## Investing in our historical strategies

Coûts Gains bruts Gains Nets

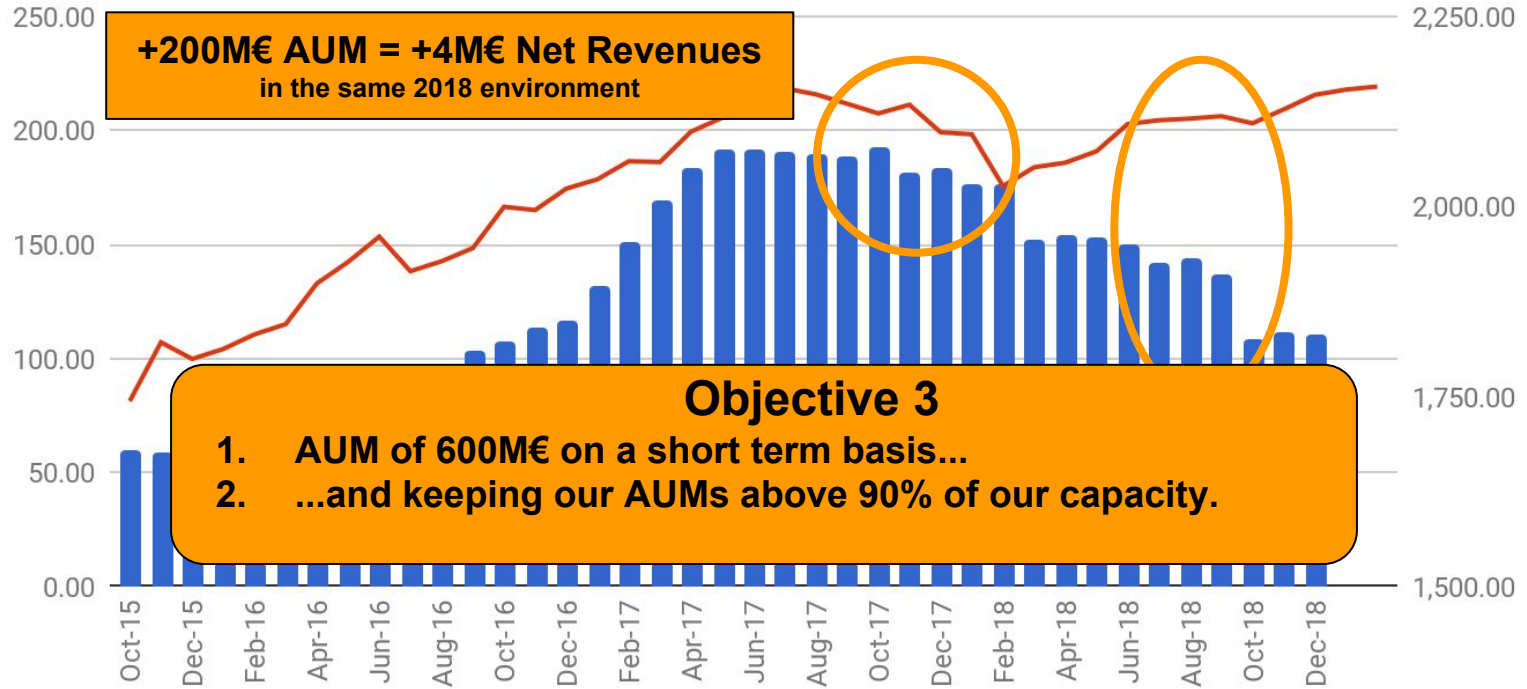


Coûts Gains bruts Gains Nets

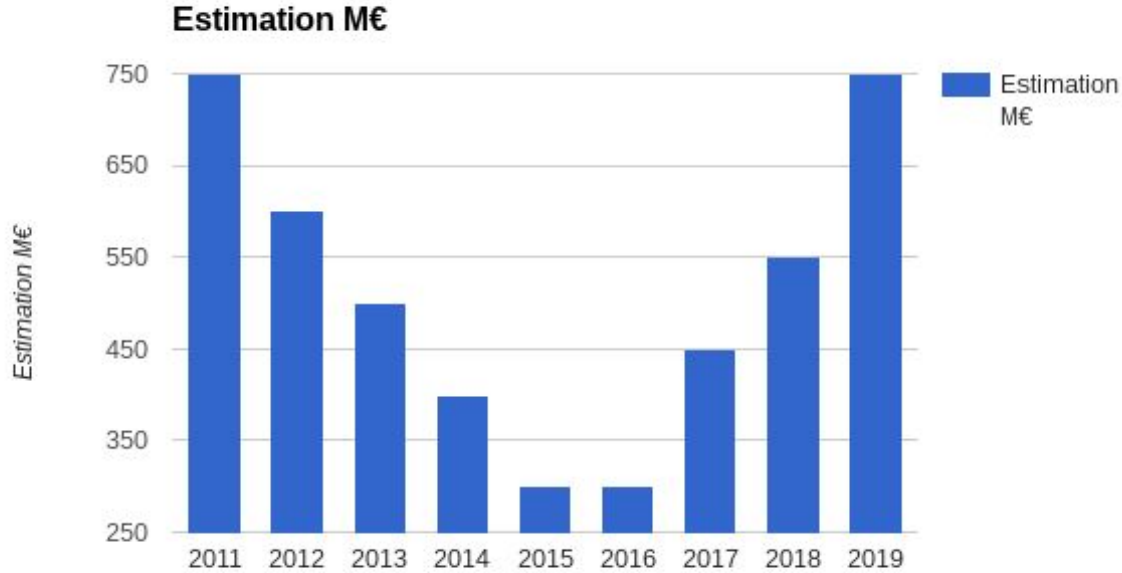
**Objective 2**  
**Promoting development of mutualizing strategies**



# ABCA Opportunities AUM (Blue) vs Performance NAV (Red- Right axis)



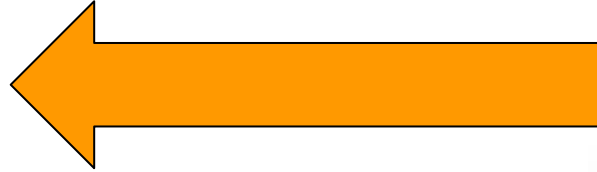
## Still building a “winter is here” business model...



### Objective 4

Mid/Long term development of high capacity funds (> Billion €)

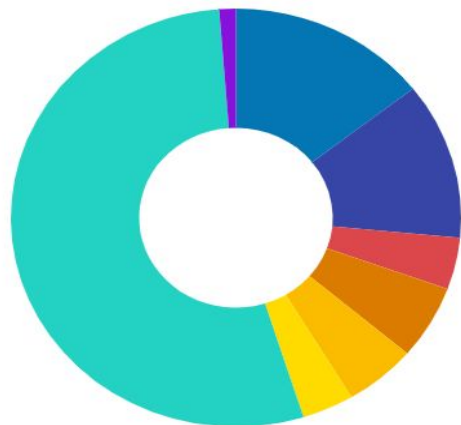
<b>A</b>	<b>B</b>	<b>C</b>						
A	R	B	I	T	R	A	G	E



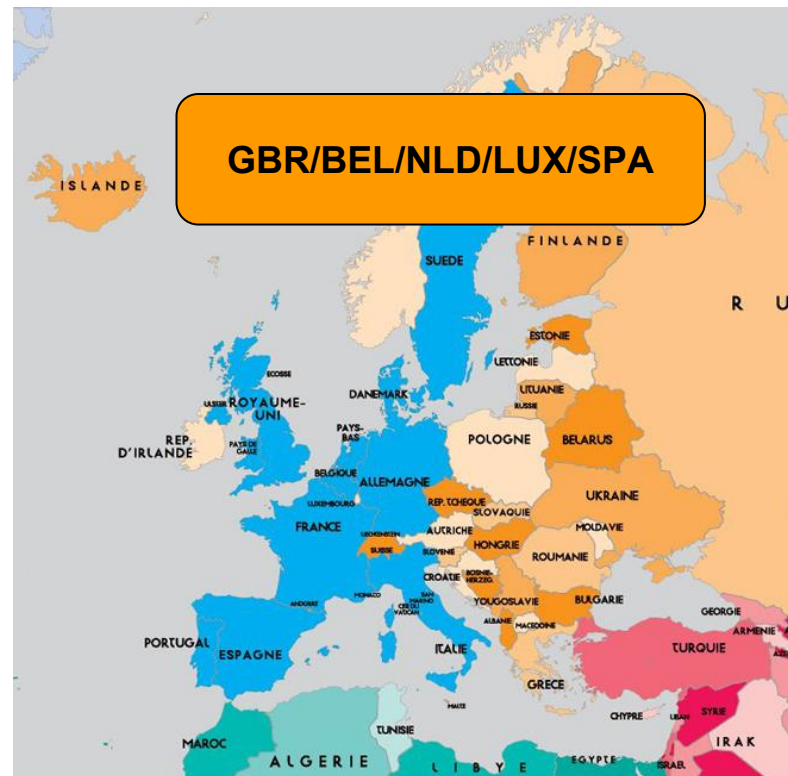
**Objective 5**  
External Expertise Integration - Speed up our evolution



# ABC arbitrage Shareholding - "Tailored" European Development



■ 14.41%	■ 12.12%
Aubépar Industries	Financière WDD* et IPA **
■ 4.01%	■ 5.69%
Dominique Ceolin	Eximium
■ 5.21%	■ 3.69%
David Hoey	Autre Management***
■ 53.68%	■ 1.19%
Flottant	Autodétention



# Distributions and Share Buyback Program

## New Quarter Distribution Program

Distributions

<b>A</b>	<b>B</b>	<b>C</b>						
A	R	B	I	T	R	A	G	E

**0,43€**

0,23€ 1st week Jul. 2019\*  
0.10€ 1st week Oct. 2019\*  
0.10€ 1st week Dec. 2019\*  
0.10€ last week Mar. 2020\*



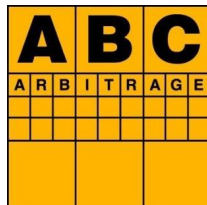
Buyback 2018

<b>A</b>	<b>B</b>	<b>C</b>						
A	R	B	I	T	R	A	G	E

€€€ for 3M€

**ABC Shares** (around 500K if Average Price 6.1€)





Q&A