



# VT Protean Capital ELDeR Fund

Protean Capital LLP



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# Protean Capital LLP

## Specialist Investment Manager

- Investment banking expertise
- Independence
- UCITS funds, closed-ended funds/ PCCs and managed accounts

## Structured Products

- Development
- Advisory
- Clients include asset managers and family offices

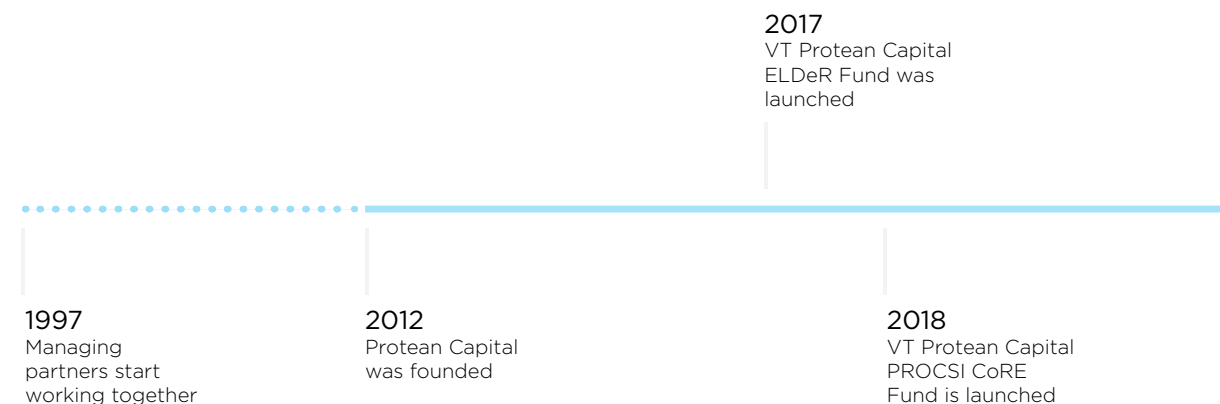
## Quantitative Strategies

- Liquid
- Risk-managed
- Cutting-edge research

### Highlights\*:

- Truly independent with institutional pricing from more than 20 investment banks
- Over £2bn structured investments for clients
- Investment manager on two UCITS funds

### Our History:



\*As at 30 September 2022

# Partners

## Bob Champney – working relationship with the other partners for 24 years\*

Roles & Expertise:	Head of European Structuring	Global head of Exotic Derivative Trading	
Institutions:	Paribas	Merrill Lynch	
Highlights:	Ranked No. 1 globally for derivative research by Extel three years in a row	Key member of the team behind Merrill Lynch's ELDeRS closed-ended platform	Special advisor to Treasury Select Committee

## Mike Egerton – working relationship with the other partners for 24 years\*

Roles & Expertise:	Risk Manager	Bond & Derivative trading	Head of UK & Ireland Institutional Structured Products
Institutions:	Merrill Lynch	Deutsche Bank	Dresdner Kleinwort Wasserstein
Highlights:	Key member of the team behind Merrill Lynch's ELDeRS closed-ended platform	Launched the UK's first structured product UCITS fund	Launched nine structured UCITS funds to date

## Eduardo Montero – working relationship with the other partners for 20 years\*

Roles & Expertise:	Co-Head of European Structured Products	Head of Iberian Derivatives	
Institutions:	Deutsche Bank	UBS	CIBC
Highlights:	Built a European derivative and quantitative investment business	Key member of the team that created and distributed several UCITS funds	

\*As at 30 September 2022

# VT Protean Capital ELDeR Fund: Overview

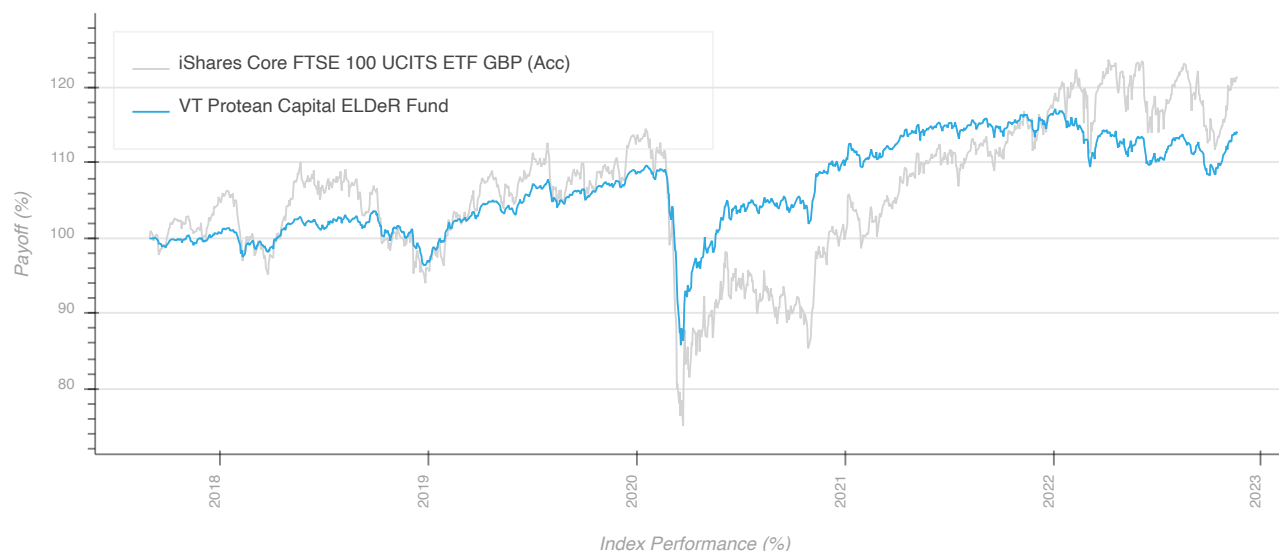
The Fund objective is to generate income, with the potential for capital growth over the long term.

The Fund will aim to meet its investment objective by investing primarily in a mixture of transferable securities, financial derivative instruments and government bonds.

Under current market conditions, the manager anticipates:

- Annual income of circa 3.65% to 4.15%.
- Annual capital growth of circa 2% - 3% over the longer term.

## Fund NAV\* (30/08/2017 - 30/09/2022)



\*Class A Net Accumulation Share Class.  
Source: Bloomberg.

\*As at 30 September 2022

## Key Information\*

Fund Size	£80m
Launch Date	30th August 2017
Currency	GBP
Liquidity	Daily
Distributions	Quarterly
Initial Charge	0%
AMC	50bps
OCR	60bps

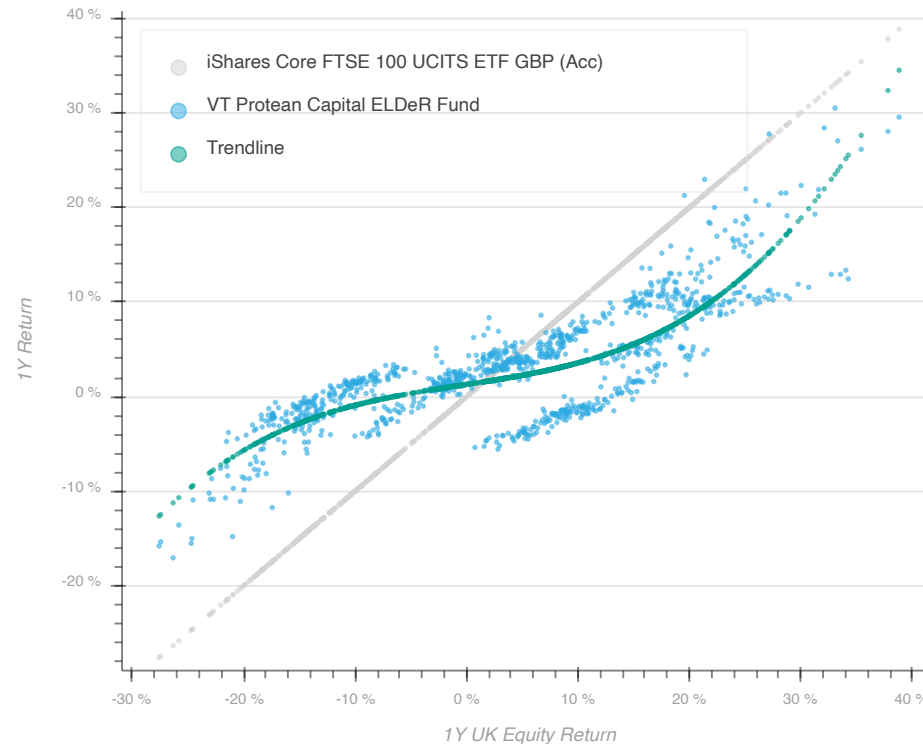
## Identifiers

Share Class	ISIN	Bloomberg
A Net Inc	GB00BYX11T35	VTPCAGI LN
A Net Acc	GB00BYX11W63	VTPCAGA LN

# VT Protean Capital ELDeR Fund: Investment Process

- Investments can be split into linear assets such as bonds and equity futures, and non-linear credit and volatility instruments.
- Linear components provide market exposure, while non-linear components provide the convexity.
- Convexity allows the fund to aim for a higher degree of participation in market rallies than in corrections, providing alpha over a certain market range.
- The Fund extracts risk premia while maintaining a stable risk profile.

Rolling 1Y Returns (29/08/2018 - 30/09/2022)



Source: Bloomberg.

# VT Protean Capital ELDeR Fund: Income

- The Fund aims to provide a stable income stream.
- Since launch, income distributions have been c. 4% p.a.
- Broadly, income is generated by converting the potential upside of an asset into an income stream and partial capital protection.
- Sources of income are diversified and are managed over time to optimise the risk/return profile. The Fund's main source of income is premia from equity index options.
- Non-linear instruments derive their value from implied volatility. The spikes in volatility during corrections provide support for the Fund's income distributions.
- The manager feels the current level of income is secure against all but the most negative market conditions.

## Dividend History\* (p)

	Q1	Q2	Q3	Q4
2017				0.8244
2018	0.8598	0.9842	0.9805	0.9550
2019	0.9637	1.0529	1.0100	1.0100
2020	1.0000	1.0263	1.0263	1.0263
2021	1.0263	1.0049	1.0420	1.0420
2022	1.0420	1.1162	1.0700	

\*Class A Net Income Share Class.  
Source: Bloomberg.

# VT Protean Capital ELDeR Fund: Returns

## Monthly Returns\* (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017									-0.88	0.71	0.16	0.89
2018	-0.53	-0.75	-0.85	3.30	0.05	-0.22	1.00	-0.62	1.35	-2.17	-0.62	-3.58
2019	3.77	1.35	0.89	1.84	-1.45	2.38	1.53	-2.01	1.15	0.32	0.69	0.89
2020	-0.41	-4.28	-9.41	6.80	2.64	1.04	-0.16	1.09	-0.30	-2.29	6.60	0.75
2021	-0.13	0.88	1.84	1.34	0.55	0.06	-0.27	0.87	-0.42	0.34	-1.60	2.55
2022	-1.09	-1.68	1.10	-1.28	0.49	-2.95	2.65	-1.17	2.85			

\*Class A Net Accumulation Share Class month end to month end performance.  
Source: Bloomberg.

## Cumulative Returns Since Inception (30/08/2017) (%)

	29/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	30/09/2022
Class A Net Accumulation Total Return	0.84	-2.93	8.55	9.63	16.33	8.54
iShares Core FTSE 100 UCITS ETF GBP (Acc) Total Return	5.49	-4.05	12.47	-0.21	17.23	12.94
Class A Net Accumulation Annualised Return	2.54	-2.20	3.57	2.79	3.55	1.62
iShares Core FTSE 100 UCITS ETF GBP (Acc) Annualised Return	17.50	-3.05	5.16	-0.06	3.73	2.42

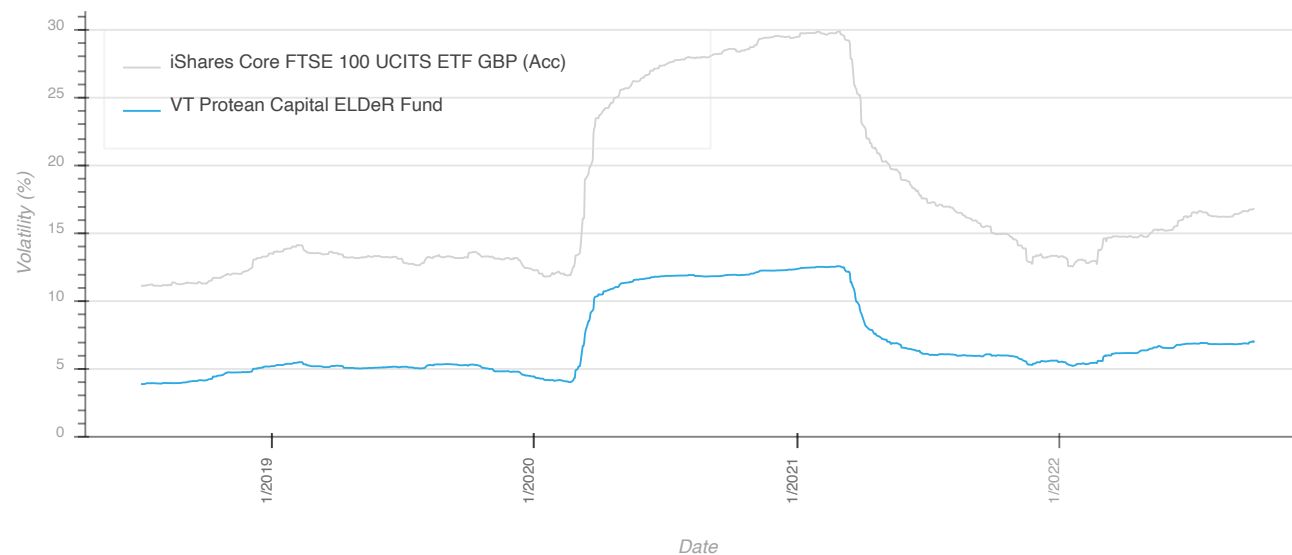
Source: Bloomberg.



# VT Protean Capital ELDeR Fund: Volatility

- The Fund currently (30/09/2022) has a UCITS Risk Rating of 4.
- Fund volatility has remained stable at approximately half that of UK equities (iShares Core FTSE 100 UCITS ETF).

## Rolling 260-Day Volatility Since Launch\* (03/07/2018 - 30/09/2022)

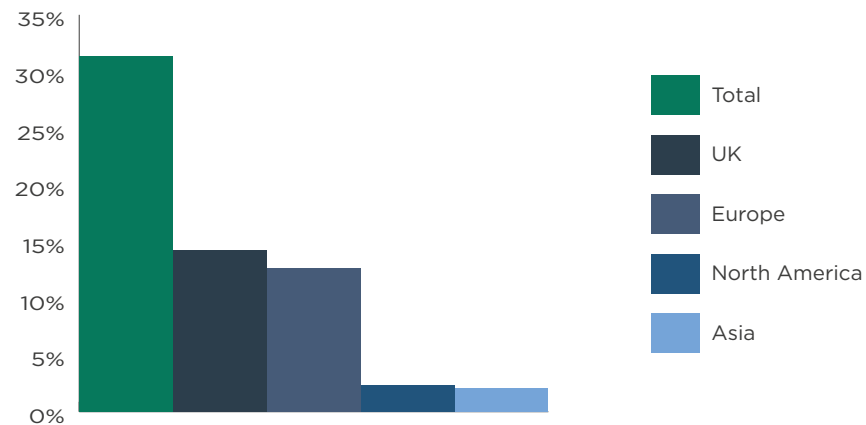


\*Class A Net Accumulation Share Class.  
Source: Bloomberg.

# VT Protean Capital ELDeR Fund: Exposure

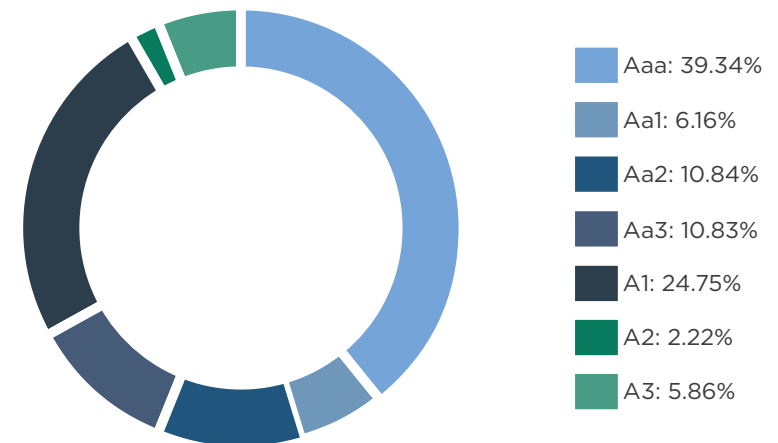
- The Fund aims to generate income with the potential for capital growth over the long term through risk-driven investments in structured assets.
- The underlying investments are selected to avoid wide bid-offer spreads and abrupt changes to exposures as a result of market moves.

## Equity Exposure\*



Source: Protean Capital.

## Credit Exposure\*



Source: Protean Capital.

\*As at 30 September 2022

# VT Protean Capital ELDeR Fund: Top 10 Holdings

- The portfolio is composed of vanilla bonds, OTC options, securitised options, overlays and bonds with embedded options.

## Top 10 Holdings\*

Name	% of Fund
UBS Dual Index Income Note 12/23	4.15%
Citigroup Dual Index Income Note 09/24	3.84%
Barclays FTSE Income Note 06/28	3.57%
NatWest Covered Bond 03/23	3.12%
Nordea Covered Bond 06/23	3.12%
CACIB FTSE Income Note 05/28	2.99%
Morgan Stanley Dual Index Note 07/25	2.65%
CIBC Dual Index Income Note 02/24	2.55%
National Australia Covered Bond 12/25	2.52%
NBC Covered Bond 05/26	2.52%

\*As at 30 September 2022

# VT Protean Capital ELDeR Fund: Capital Structure

- Fixed Income and Equity are traditional sources of funding for companies. While there are other instruments, such as subordinated debt, preference shares and convertibles, not all companies use them and they can be illiquid.
- Attempts to create a hybrid risk profile have been made in the past:

## Split Caps

- Created a new capital structure by allocating/slicing the returns of a portfolio into Zero Dividend, Income and Equity Shares
- Fundamentals were appealing even if the implementation and effect of huge cross shareholdings were not
- Closed-ended and had to place full allocation to each share class

## Buy writes (Equity + Short Call)

- Forgo some upside
- Marketing-lead implementation – a higher income version of an existing income fund = unnecessary sector bias
- Focussing on additional income or return in a sideways market does not address full equity downside risk

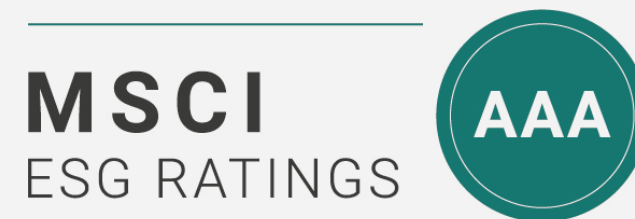
## Vanilla Structured Products

- A more granular version of split caps and covered call funds.
- However, the relentless pursuit of retail 'friendly' optics through ever more complex profiles unnecessarily and dramatically increase costs and dilute liquidity.

- The VT Protean Capital Elder Fund offers exposure to a desirable part of the capital structure, via institutional derivatives that benefit from price transparency and liquidity.

## VT Protean Capital ELDeR Fund: ESG

- As part of the risk and cost-efficiency analysis, we are committed to incorporating ESG criteria into our investment process.
- As a company, we believe that ESG considerations are intrinsically linked to investment performance.
- It is our belief that long-term success is intrinsically linked to a holistic analysis of the impact of our investment decisions.
- The VT Protean Capital ELDeR Fund has been awarded an AAA MSCI ESG Rating\*.



CCC	B	BB	BBB	A	AA	AAA
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Produced by MSCI ESG Research as of 30/09/2022

Disclaimer: MSCI ESG Research LLC's ("MSCI ESG") Fund Metrics and Ratings (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 31,000 multi-asset class Mutual Funds and ETFs globally. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

\*As at 30 September 2022

# Structured Products Funds: Evolution

While potentially unfamiliar to many advisors, structured product funds became available following the adoption of the UCITS III directive in 2001. As with all innovations they've been honed and improved over time. The evolution broadly falls in to three distinct generations:



**Generation 1:** a single structured product profile in a fund vehicle.

The first generation was largely driven by admissibility or to avoid credit concentration. For example - Lloyds of London, investment by other funds and tactical allocations within wealth portfolios.

**Generation 2:** a portfolio of individual structured products in a fund vehicle.

The second generation was created mainly for the retail space to address some of the administrative issues associated with plan- and bond-based structured products. These are generally simple collections of the same product type and largely driven by marketing optics.

**Generation 3:** a portfolio of the building blocks of structured products in a fund vehicle.

By investing in, and actively managing, the underlying building blocks, these funds remove many of the costs and mitigate the risk drift associated with earlier structured products funds. This improves both the risk adjusted return and provides greater confidence in the contribution to risk-assessed client portfolios.

# Structured Products Funds: Specialist Managers

- Truly independent investment manager
- Investors are exposed to the underlying assets of the fund rather than an “Issuer”
- Relevant derivatives expertise, experience and skills
- No conflict of interest

## Comparing Manager Types:

	Investment Bank	Generalist Manager	Specialist Manager
Independence	✗	✓	✓
Open Architecture	✗	✓	✓
Derivative Expertise	✓	✗	✓
Fund Management Expertise	✗	✓	✓
Low Cost Base	✗	✓	✓

# Contact

For additional information about the VT Protean Capital ELDeR Fund or Protean Capital LLP, please contact us directly.

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