

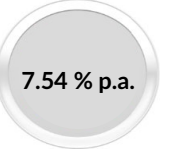





## Credit - CLN iTraxx Main Europe S10

Investors benefit from a diversified exposure to Credit. The iTraxx Main Europe is composed of 125 of the most liquid European entities, all with investment grade credit ratings. The proposed instrument has a 5 year term.

### Strategy Summary

1

					
<b>Unmatched diversification</b>	<b>Sharia compliant</b>	<b>Coupons</b> <small>expressed as a percentage of the outstanding amount</small>	<b>Asset class: Credit</b>	<b>Time Horizon</b>	<b>Currency</b>

### Your Investment Vehicle

- ▶ **Underlying Companies:** iTraxx Main S-10
- ▶ **Issue Price:** 43.4 as of 02.05.2013
- ▶ **Maturity:** 60 months
- ▶ **Currency:** USD
- ▶ **Coupon:** flat
- ▶ **Early exit:** none
- ▶ **Leverage:** none
- ▶ **Liquidity:** Daily, Market-to-Market
- ▶ **Other observations:**
  - 1) High Quality Credit Product
  - 2) Pricing: dirty pricing, all coupons payments are accumulated and paid out at due date.
  - 3) Understanding the concept of credit is a pre-requisit for investing in this asset class.
  - 4) Launch subject to investment conditions and amounts raised.

### Investment Opportunity

2

#### European Credit Market

After a strong 2020, the Investment Grade corporate credit market has been under pressure this year and credit spreads have risen well above historic levels. Despite being material, the shock to the euro area economy may be lower than elsewhere (companies balancesheets are not leveraged and households are net creditors).

While credit spreads have widened considerably over the past few weeks, because of the idiosyncratic catalysts at work, we believe that there will be within the next 18 months, a mean reversion. This was the case after the GFC of 2007/2008 and after the EU crisis of 2012/2013.

On the back of the **ECB QE (which is highly supportive for EU companies)**, we have a **positive stance euro credit**. We expect euro to outperform its US counterpart thanks to higher average quality, a lower rate of default (no exposure to shale oil-related energy companies) and indirect technical support from negative government bond yields and the ECB's corporate sector purchase programme (CSPP).

Finally, spreads are attractive at present level and offer an opportune timing for investors seeking exposure to Credit. No Credit Event has occurred in the iTraxx Main Europe Index Series 35 since its creation. Since the creation of the iTraxx Main Series, 3 Credit Events have occurred, with a maximum of 2 impacts on the same Series (Series 8 to 15).

#### Key drivers for this investment opportunity:

- ▶ **1) ECB Policy:** The ECB is highly supportive - A temporary envelope of additional net asset purchases of €120 bn will be added if required, considerably more favourable terms will be applied. Fiscal support, as provided by the ECB, are expected to go disproportionately to the biggest companies, which are typically investment grade and which are part of this issue.
- ▶ **2) Economic outlook:** An encouraging European economic backdrop (ECB March projections: (i) GDP growth expected to rebound to **4.3% in 2021 and 4.1% in 2022**; (ii) after weakening in 2019, HICP inflation expected to go up in 2021, before gradually flattening out by 2023 at a level of around 2.2%).
- ▶ **3) Asset class returns:** Low yields in all other defensive asset classes (e.g. 10-year German, Government Bonds deeply negative with a yield of -0.75% p.a.).
- ▶ **4) Base case scenario:** 1) a de-escalation in the US-China conflict has happened, but uncertainty remains high, 2) the new US Administration is likely to be highly polarized around COVID and may affect investor sentiment, 3) european political risks should remain low as overall conditions (relative basis) are worse elsewhere, 4) CB across the globe have mobilized "whatever it takes" to shield the economy and keep afloat the consumers.
- ▶ **5) Instrument liquidity:** Independently managed by Markit®, a new Series of the index is issued every 6 months following strict selection criteria, in order to ensure that the Index is representative of the current Corporate Credit market and replicable. As a reference Index widely used in the market, the iTraxx Main Europe relies on 3 pillars: **a) Diversification, b) Liquidity & trading efficiency, and c) Data integrity & transparency.**

# Heatmap

European Credit - Main S-33

	1 to 9.99	10 to 29.99	30 to 69.99	70 to 89.99	90 to 100
Price Momentum					
Analyst Revision					
Relative Value					
Earnings Quality					
Risk Metrics					
Growth Metrics					
Value Metrics					
Momentum Metrics					
Social Media Metrics					
Total [Data Quality]	93.17				

**Introduction:** iTraxx is a group of international credit derivative indices that investors can use to gain or hedge exposure to the credit markets underlying the credit derivatives. The credit derivatives market that iTraxx provides allows parties to transfer the risk and return of underlying assets from one party to another without actually transferring the assets.

**Understanding:** The iTraxx indices were developed to bring greater liquidity, transparency and acceptance to the credit default swap market. These indexes are used by various licensed market makers, which include large investment banks, asset managers, hedge funds and ETF providers. Trading based on these indexes allows them to hedge risk when they take on the role of counterparty in a trade—thus allowing them to execute trades more quickly and more frequently with participants in the market for swaps.

**History:** The credit default swap market has grown enormously over time. In the 2000s, market participants were looking for standardized tools to hedge and leverage for overall credit market exposure across global markets. J.P. Morgan and Morgan Stanley were among some of those creating indices of the growing credit derivative market. These indices merged over time, eventually ending with the International Index Company (IIC) which ran the iTraxx indices. IIC established a rules-based approach where it computed a liquidity ranking using submitted data from market makers. This list of the most liquid traded entities was updated every six months, creating a new series of credit derivative indices on rolling basis.

## The reference portfolio:

Reference Entity	Sector	S&P	Mo	Reference Entity2	Sector3	Spr	S&P	Reference Entity3	Sector4	Spr	S&P
1 Aegon NV	Insurance	A-	A3	43 Diageo PLC	Beverages	A-	Baa1	85 Prudential PLC	Insurance	A	A2
2 Air Liquide	Industrial	A	A2	44 DSM (KONIN)	Industrial	A-	A3	86 Publicis Groupe SA	Advertising	BBB	Baa2
3 Airbus SE	Aerospace/Defense	A	A2	45 E.ON SE	Electric	BBB	Baa2	87 Royal Dutch Shell PLC	Oil&Gas	AA-	Baa2
4 Akzo Nobel NV	Chemicals	BBB+	BBB1	46 EDP Finance BV	Electric	BBB-	Baa3	88 Repsol SA	Oil&Gas	BBB	Aa2
5 Allianz SE	Insurance	AA	Aa3	47 Electricite de France SA	Electric	A-	A3	89 St Gobain	Industrial	BBB	Baa2
6 Alstom	Industrial	NR	Baa2	48 Enel SpA	Electric	BBB+	Baa1	90 Sanofi	Pharma	AA	A1
7 Anglo American Plc	Mining	BBB	Baa2	49 Engie SA	Electric	A-	Baa1	91 SES	Industrial	BBB-	Baa2
8 Anheuser-Busch InBev	Beverages	BBB+	Baa1	50 Eni SpA	Oil&Gas	A-	Baa1	92 Siemens AG	Misc. Manufacturer	A+	A+
9 AstraZeneca PLC	Pharmaceuticals	BBB+	A3	51 Experian Plc	Industrial	NR	NR	93 Sky Ltd	Media	A-	A3
10 Auchan Holdings	Food	BBB-	NR	52 Fortum Oyj	Electric	BBB	Baa2	94 Smurfit Kappa	Industrial	BBB-	Baa3
11 Aviva PLC	Insurance	A	A2	53 Gaz Natural SDG	Industrial	BBB	Baa2	95 Societe Generale SA	Industrial	A	A1
12 AXA SA	Insurance	A	A2	54 Generali	Insurance	NR	Baa1	96 Sodexo	Industrial	A-	NR
13 BAE Systems PLC	Aerospace/Defense	BBB	Baa2	55 GSK	Pharma	A	A2	97 Solvay SA	Chemicals	BBB	Baa2
14 Banco Santander SA	Banks	A	A2	56 Glencore International	Mining	BBB+	NR	98 SSE PLC	Electric	BBB+	Baa1
15 Barclays PLC	Banks	BBB	Baa2	57 Hanover Ruck SE	Insurance	AA-	NR	99 Standard Chartered	Bank	BBB-	A2
16 BASF SE	Chemicals	A	A3	58 HeidelbergCement AG	Building Materials	BBB-	Baa3	101 Statoil	Energy	BBB-	Baa3
17 Bayer AG	Pharmaceuticals	BBB	Baa2	59 Heineken NV	Beverages	BBB+	Baa1	102 Stellantis	Industrial	BBB-	Baa2
18 BEVA	Banks	A-	A3	60 Henkel AG & Co KGaA	Household Products	A	A2	103 STMicroelectronics NV	Semiconductors	BBB	Baa3
19 BMW	Auto Manufacturers	A+	A2	61 Hochtief AG	Industrial	BBB-	NR	104 Stora Enso Oyj	Forest Products	NR	Aa3
20 Bertelsmann SE & Co	Media	BBB	Baa2	62 HSBG Holdings PLC	Bank	A	A2	105 Swiss Reinsurance Co	Insurance	AA-	Aa3
21 BNP Paribas SA	Banks	A+	Aa3	63 Iberdrola SA	Electric	BBB+	Baa1	106 Telefonica SA	Telecommunications	BBB	Baa3
22 Bouygues SA	Construction	A-	A3	64 Imperial Brands PLC	Agriculture	BBB	Baa3	107 Telekom Austria AG	Telecommunications	BBB+	Baa1
23 BP PLC	Oil&Gas	A-	A2	65 ING Group NV	Banks	A-	Baa1	108 Telcel ASA	Telecommunications	A-	A3
24 British American Tobacco	Agriculture	BBB+	Baa2	66 Kering	Consumer Disc.	A-	NR	109 Telenor Co AB	Telecommunications	BBB+	Baa1
25 British Telecommunications	Telecommunications	BBB	Baa2	67 Intesa Sanpaolo SpA	Banks	BBB	Baa1	110 Tesco	Food	BBB-	Baa3
26 Carlsberg Breweries A/S	Beverages	NR	Baa2	68 Koninklijke Ahold Delhaize	Food	BBB	Baa1	111 TOTAL SA	Oil&Gas	A+	A1
27 Carrefour SA	Food	BBB	Baa1	69 Koninklijke DSM NV	Chemicals	A-	Baa1	112 UBS Group AG	Bank	A-	A3
28 Centrica PLC	Gas	BBB	Baa2	70 Koninklijke KPN NV	Telecommunications	BBB	Baa3	113 Unibail-Rodamco	REITS	A	Baa2
29 Cie Financiere Michelin	Auto Equipment	A-	NR	71 LufargeHolcim Ltd	Building Materials	BBB	Baa2	114 UniCredit SpA	Bank	BBB	Baa3
30 CNH Industrial NV	Machi-Diversified	BBB	Baa3	72 LANXESS AG	Chemicals	BBB	Baa2	115 Unilever NV	Cosmetics	A+	A1
31 Commerzbank AG	Banks	A-	A1	73 Lloyds Banking Group	Banks	BBB+	A3	116 United Utilities PLC	Water	BBB	NR
32 Compass Group PLC	Food Service	A	A3	74 Louis Dreyfus Co	Industrial	BBB-	NR	117 Veeva Environmentment	Water	BBB	Baa1
33 Continental AG	Auto Equipment	BBB+	Baa2	75 LVHM	Apparel	A+	A1	118 Vinci SA	Construction	A-	A3
34 Cooperative Rabobank	Banks	A+	Aa3	76 Mediobanca	Banks	BBB	Baa1	119 Vivendi SA	Media	BBB	Baa2
35 Credit Agricole SA	Banks	A+	Aa3	77 Muenchener	Insurance	AA-	Aa3	120 Vodafone Group PLC	Telecommunications	BBB	Baa2
36 Credit Suisse Group AG	Banks	BBB+	Baa1	78 National Grid PLC	Gas	A-	Baa2	121 Volkswagen AG	Auto Manufacturers	BBB+	A3
37 Daimler AG	Auto Manufacturers	A-	A3	79 Nestle SA	Food	AA-	Aa3	122 Volvo AB	Auto Manufacturers	A+	A3
38 Danone SA	Food	BBB	Baa1	80 Next PLC	Retail	BBB	NR	123 Wendel SA	Investment	BBB	Baa2
39 Danske Bank A/S	Banks	A	A3	81 Orange SA	Telecommunications	BBB+	Baa1	124 WPP 2005 Ltd	Advertising	BBB	NR
40 Deutsche Bank AG	Banks	BBB+	A3	82 Pearson PLC	Media	BBB	Baa3	125 Zurich Insurance Co Ltd	Insurance	AA-	Aa3
41 Deutsche Post RG	Banks	BBB+	A3	83 Pernod Ricard SA	Beverages	BBB+	Baa1				
42 Deutsche Telekom	Industrial	BBB	Baa1	84 Postal NV	Industrial	BBB	NR				

# Guidance

## Characteristics

Nam Name	iTraxx Main S10
Issuing Bank	to be announced
ISIN Number	to be announced
Management Fee	0.35 % on the nominal capital
Performance Fee	-
Type of investment	Credit
Issue size	Tranches of USD 100k
Risk scale	

## Risk

- Capital is not protected - Gain is limited to the difference between issue price and redemption price - as given in the issue conditions.
- The investor will receive coupons payments by means of capital appreciation.
- A credit event is not limited to a default; it can be triggered by a bankruptcy, a failure to pay, a debt restructuring, a repudiation, etc - Investors should refer to the ISDA Definitions for comprehensive information, and the final termsheet from the issuer.

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