

THE BLU INCOME FUND



Short Duration, Multi Strategy, Alternative Credit

BLU FAMILY OFFICE

HELPING **YOU** TO INVEST, GROW, PROTECT
AND PASS ON WEALTH TO THE
NEXT GENERATION



Blu Family Office was founded in 2010 to manage the assets and affairs of a single family. The principals are members of multi-generational families and have first hand experience in preserving and growing wealth.

The Blu Income Fund was set up by our families to get exposure to yield from the alternative credit markets.

EXECUTIVE SUMMARY

The Blu Income Fund aims to provide steady and predictable returns by investing across a diversified set of alternative credit strategies.

- Invest in short duration credit instruments, with an average duration of less than 12 months across the portfolio.
- Spread our exposure across many different types of credit risks, collateral, instruments, sectors and regions.
- Diversify our risk across the entire universe of alternative credit strategies.
- Only invest in credit strategies that offer open ended liquidity terms.

Net Average Annual Return:	4.84%
Annualised Volatility:	2.24%
Sharpe Ratio:	2.16
Positive Months:	97.73%

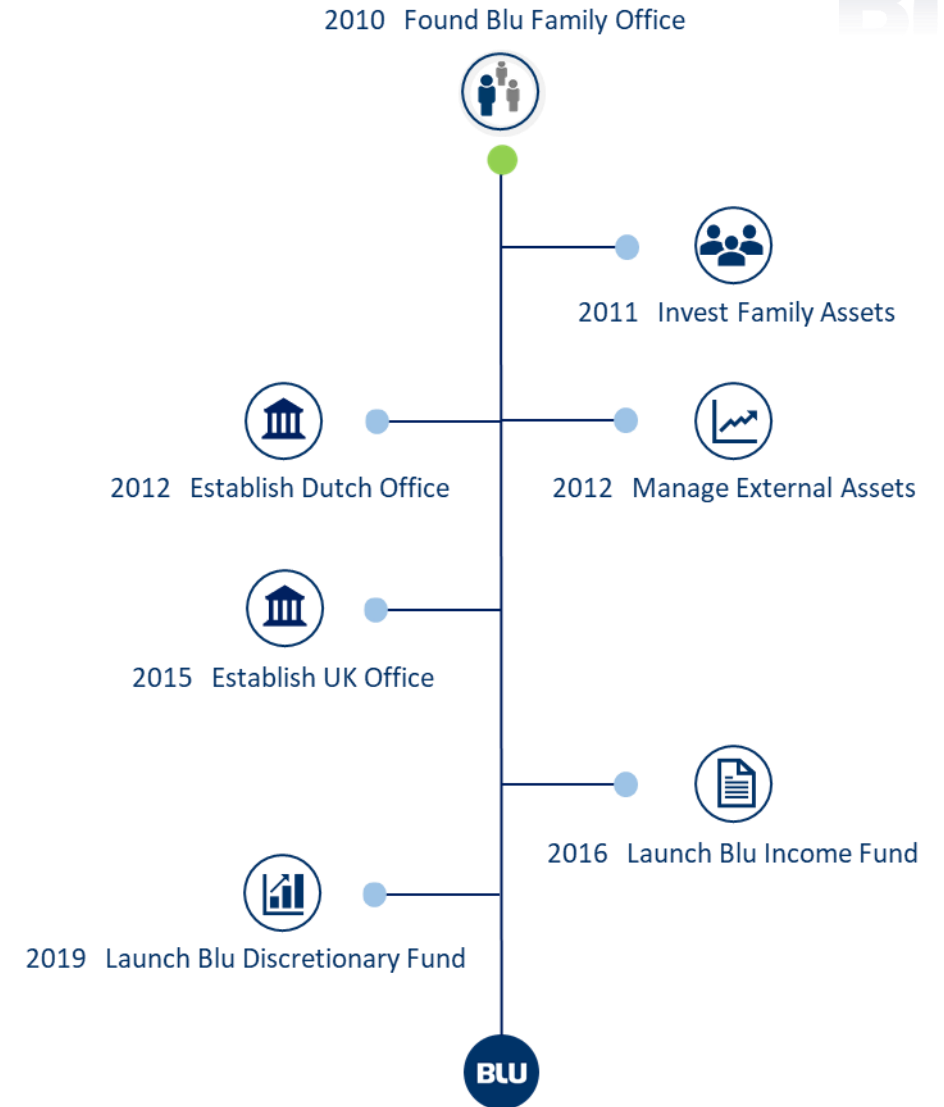
INTRODUCTION

Blu Family Office was founded in 2010, when the next generation took on the management of the assets and affairs of a single family.

After reviewing the existing offering, it was concluded that we were paying too much, performance was lagging, and the investments were not diversified enough.

By managing the assets ourselves, we were able to instil our unique investment philosophy without constraints. This allowed us to implement our strategy across a much wider set of different investments, and at a much lower cost than was otherwise available.

We have been managing external assets for other families and investors since 2012.



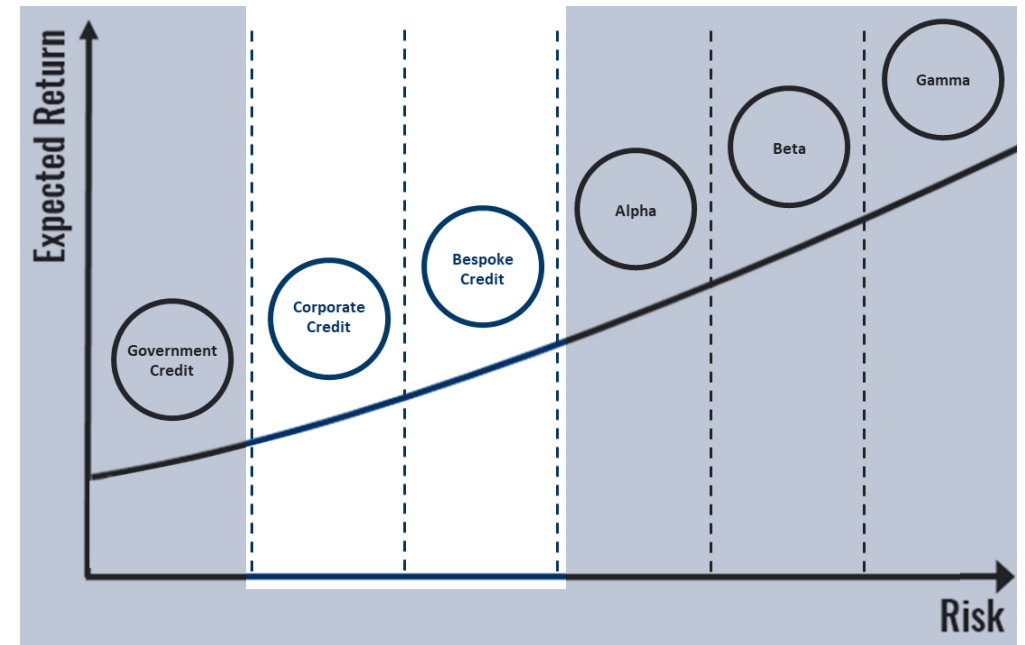
PHILOSOPHY

When investing, to make returns you have to take risk. The objective is not to take the same risks, so as to truly diversify returns.

We do not take macroeconomic views because we do not believe in trying to predict the unpredictable.

Rather, we break every investment opportunity down into their drivers of risk, to then categorise and clearly differentiate within our investable universe. This allows us to build a diversified portfolio, with investments that bear different risks and rewards.

The Blu Income Fund invests into the risk categories of corporate and bespoke credit.



CREDIT MARKETS

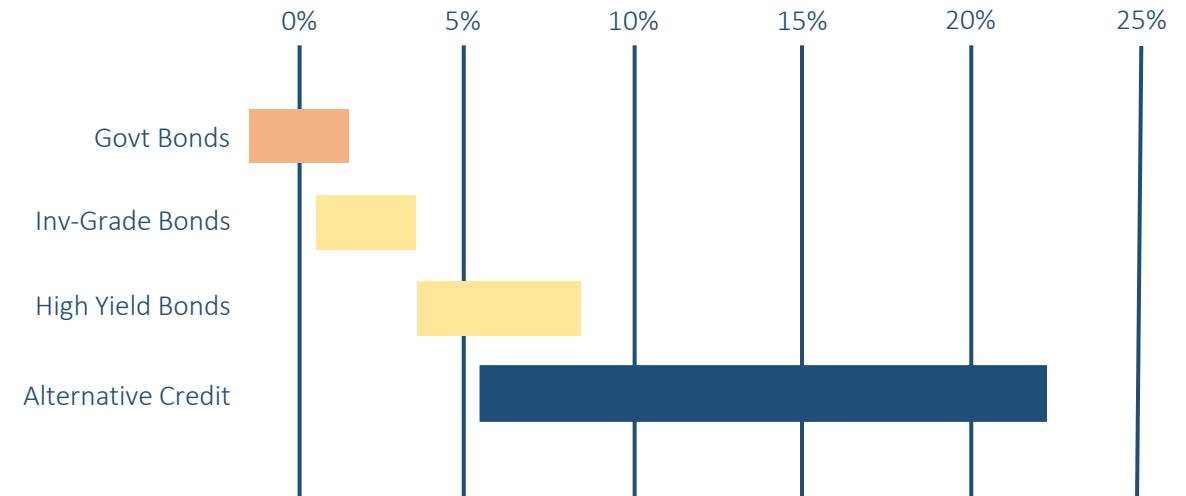
The risk in lending is that the counterparty does not pay you back.

With interest rates in the developed markets near zero, the challenge is to generate yield without taking excessive risk.

The public markets offer instant liquidity, however as a result, generate low yields, particularly in government and investment grade corporate bonds.

The alternative credit markets and particularly private lending offer the potential of a relatively higher yield, without necessarily compromising on credit quality.

Credit Market Yield Overview



Source: Blu Family Office

ALTERNATIVE CREDIT

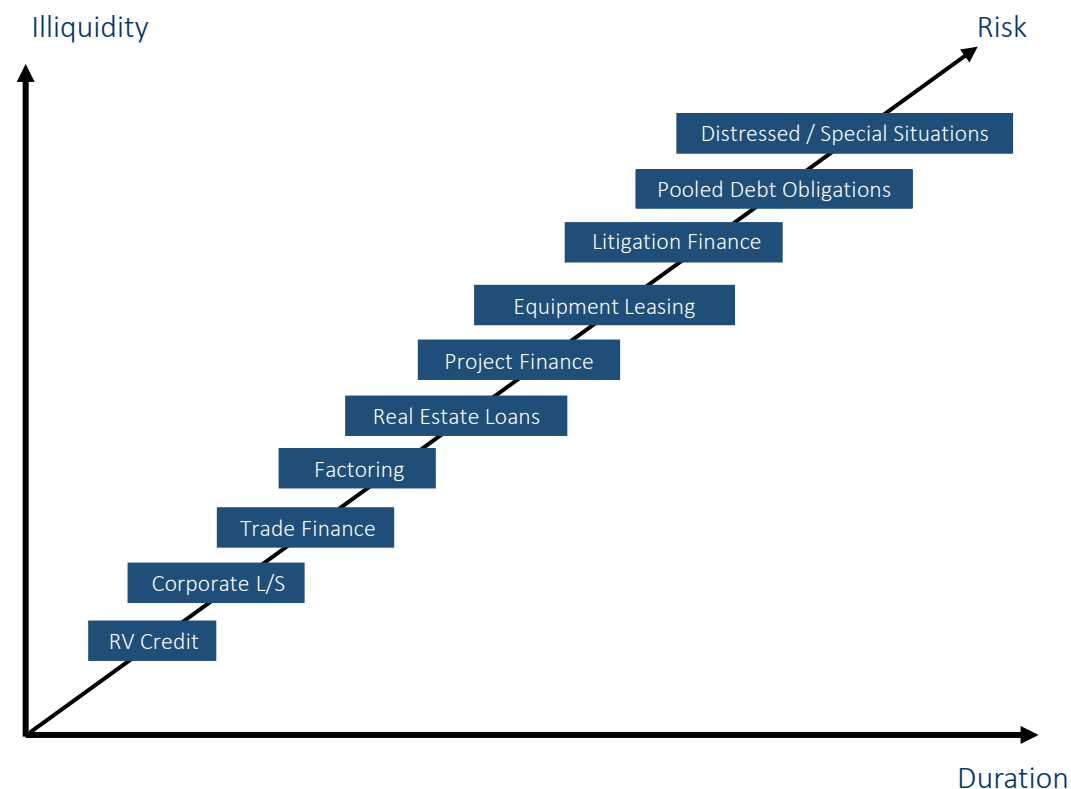
Alternative credit is a \$12 trillion asset class.

Essentially, anything other than buying exchange listed public bonds is considered an alternative credit strategy. This includes the private lending strategies such as trade finance, bridge finance, SME lending, real estate loans or project finance.

Moreover, there are many strategies that extract value from bespoke credit structures, pooled debt obligations and relative value trading models that identify opportunities from market dislocation (credit mispricings).

The Blu Income Fund aims to invest across the entire spectrum of available credit strategies for maximum diversification, subject to our liquidity requirements.

Alternative Credit Examples



Source: Blu Family Office

PORTFOLIO MANAGEMENT

We construct a diversified portfolio subject to specific limits to ensure that the risks taken are commensurate with the return potential.

Portfolio level risk management rules:

- Maximum weight limit of 20% for each strategy
- Sector, region & credit risk limits to maximise diversification
- Tail risk diversification requirements
- Currency-optimised allocations in order to reduce the use of hedging instruments and costs

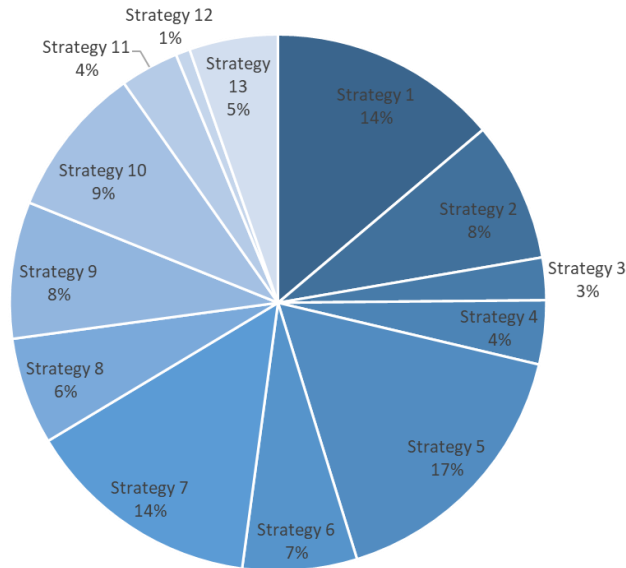
We regularly monitor the portfolio and rebalance accordingly, whilst maintaining a constant pipeline of new investment opportunities under research.



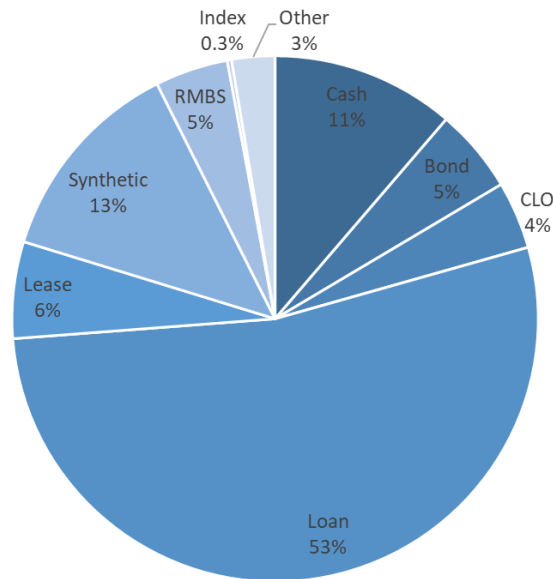
PORTFOLIO EXPOSURE

Alternative credit is an extensive market with many different risks. At the core of our strategy is ensuring that we do not take too much of the same risk.

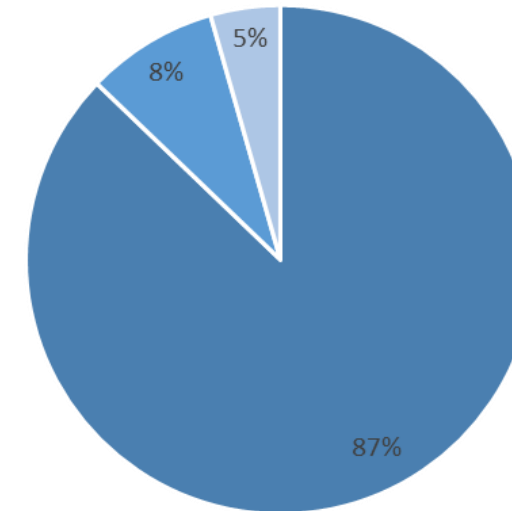
Allocation



Instrument Type



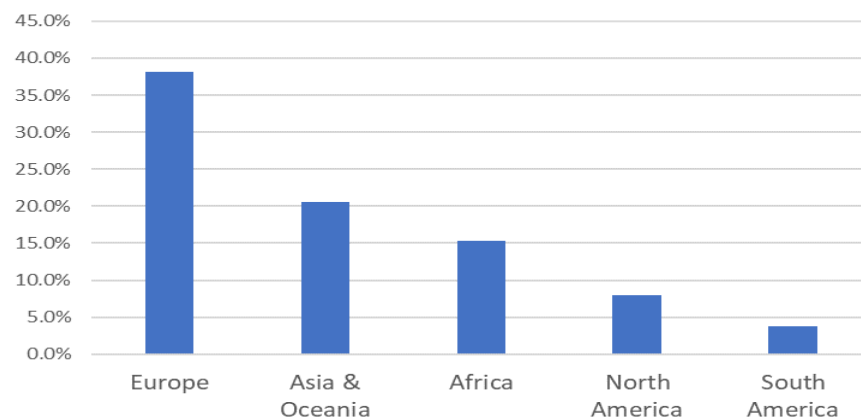
Credit Risk



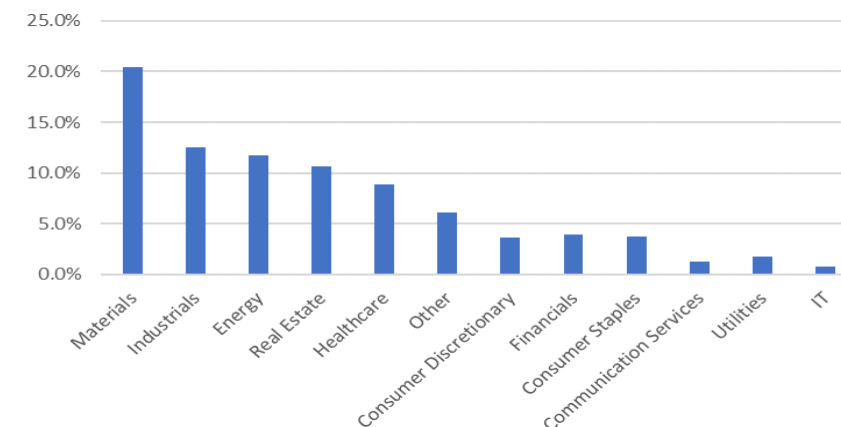
- IG/Secured/1st Lien
- Non-IG/Mezzanine/2nd Lien
- Unsecured/Unrated/Equity

PORTFOLIO COMPOSITION

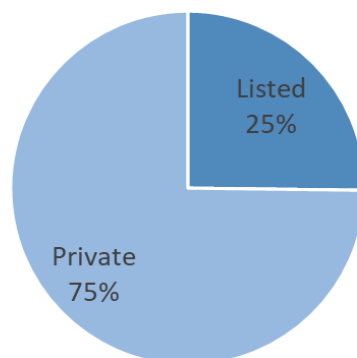
Geographic Exposure



Industry Exposure



Listed vs. Private



Average Duration vs. Liquidity (days)

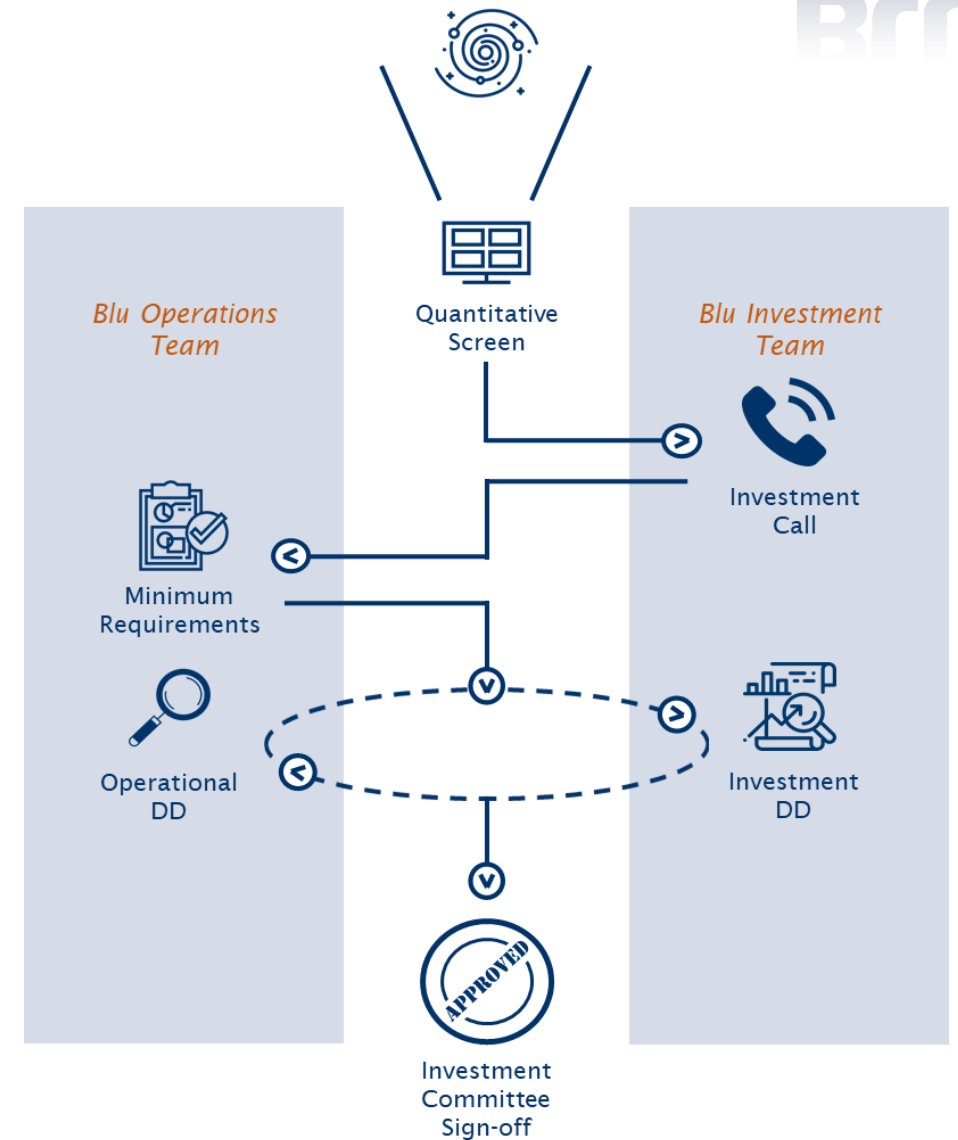
Duration	Liquidity
343	158

IMPLEMENTATION

Proven research & portfolio management.

- Rigorous due diligence process to identify the true drivers of risk in a strategy and verify the information at hand.
- Strong investment process, systems & resources for ongoing, thorough monitoring of the portfolio and underlying strategies.
- Focus on investing in experienced partners through funds or direct corporate structures and maximising returns on a risk adjusted basis.
- Dynamic currency hedging strategy.

The resulting investment solution is a portfolio which is optimised to provide consistent cash flow streams from credit strategies.



TRACK RECORD



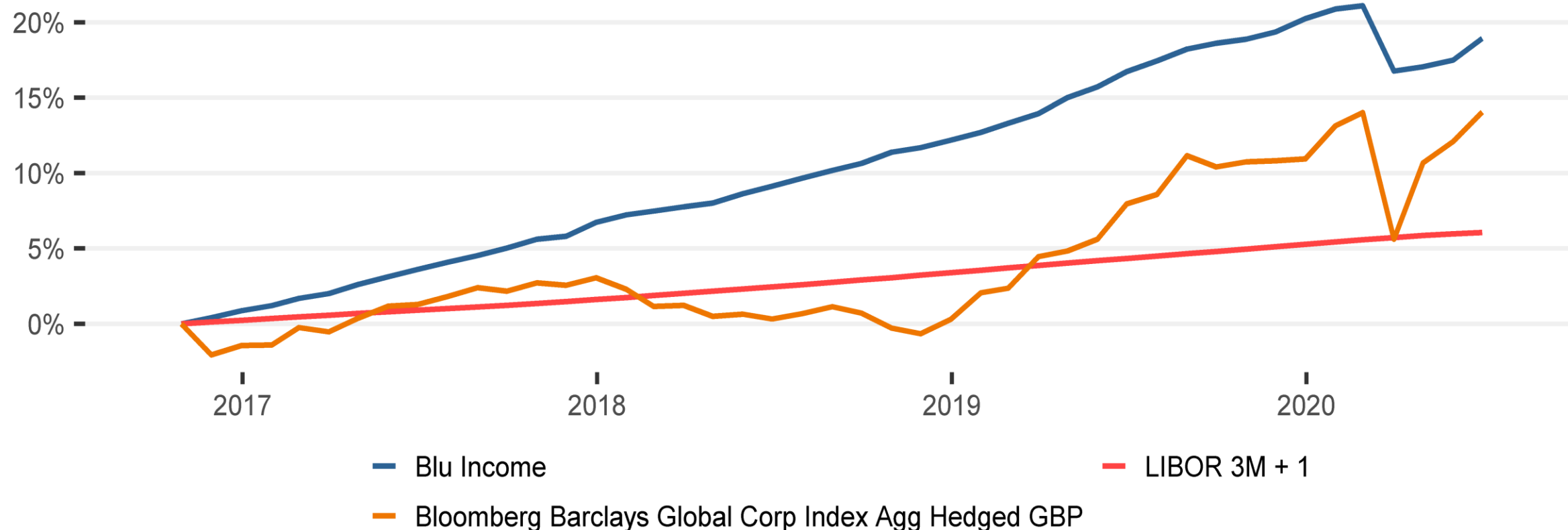
Class C - GBP

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.53	0.18	-3.57	0.24	0.38	1.23							-1.09
2019	0.46	0.54	0.56	0.93	0.62	0.88	0.60	0.67	0.33	0.21	0.42	0.74	7.19
2018	0.46	0.23	0.27	0.23	0.58	0.46	0.48	0.47	0.42	0.67	0.28	0.44	5.11
2017	0.32	0.47	0.32	0.59	0.52	0.46	0.45	0.43	0.48	0.56	0.18	0.87	5.80
2016											0.40	0.47	0.87

Past performance is not indicative of future performance. Returns from November 2016 to September 2017 are the independently verified returns of the Blu Income Class F (GBP) institutional share class. Class C launched on 1st October 2017.

*=Estimated

TRACK RECORD



Past performance is not indicative of future performance. Returns from November 2016 to September 2017 are the independently verified returns of the Blu Income Class F (GBP) institutional share class. Class C launched on 1st October 2017. Data as at 30th June 2020. (Since 30th November 2016).

TRACK RECORD

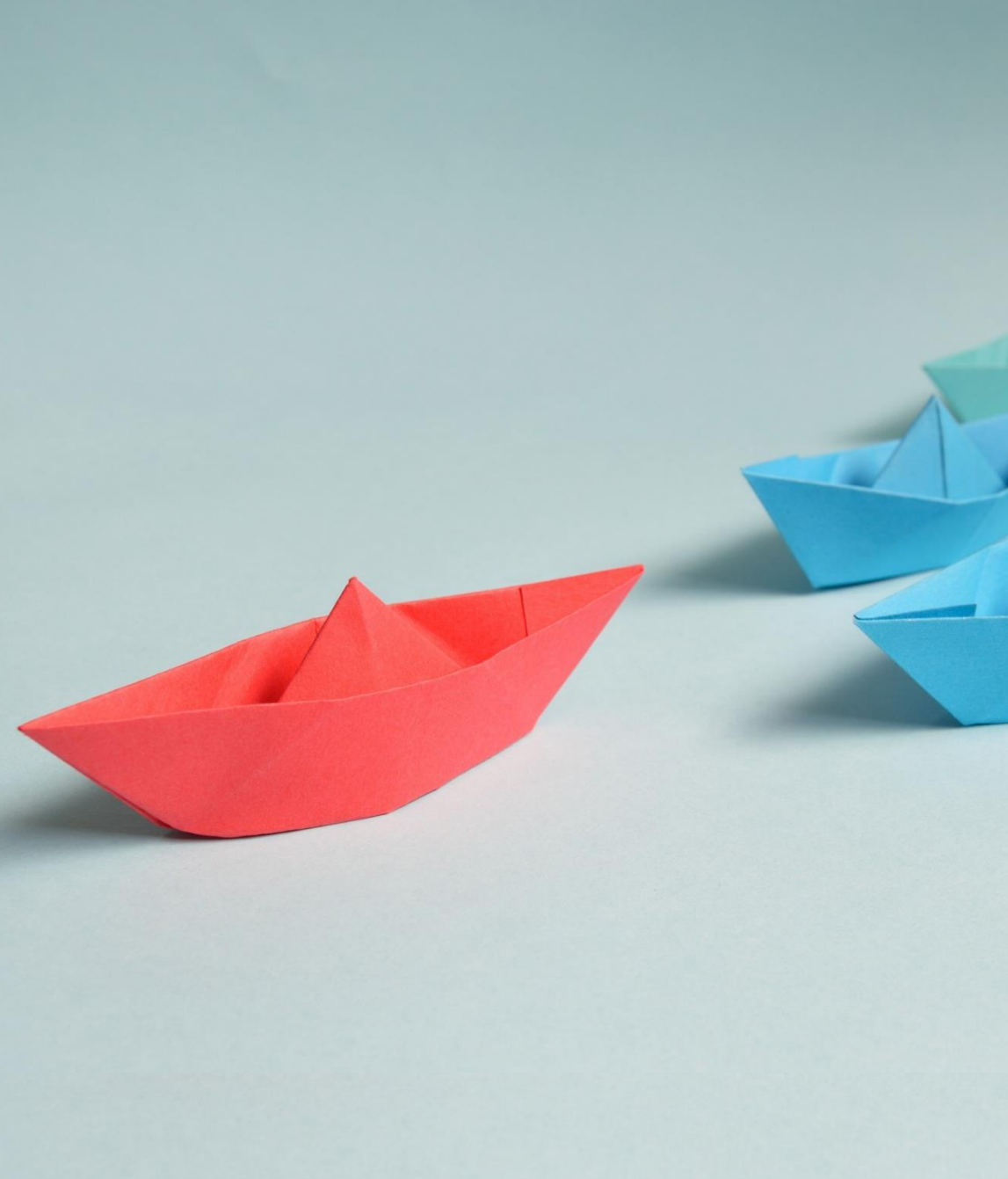


Risk Metric
Total Net Return
Compounded Annually
Max Drawdown
Annualized Sharpe Ratio*
Annualized Volatility
Downside Deviation
% Positive Months
Correlation
Correlation to MSCI World

Blu Income
18.93%
4.84%
3.57%
2.16
2.24%
0.54%
97.73%
0.52

Bbg Barclays Global Agg Corp Index Hedged GBP	GBP LIBOR 3M +1
14.04%	6.06%
3.65%	1.62%
7.37%	0.00%
0.64	N/A
5.68%	0.06%
1.20%	0.00%
70.45%	100.00%
0.74	0.00
0.58	-0.15

Data as at 30th June 2020. (Since 30th November 2016).



WHY BLU INCOME?



- Compelling yields versus listed bond markets
- Predictable performance and resilience against equity & bond market volatility
- Invest across entire universe of alternative credit strategies:
 - Short duration
 - Open ended liquidity
- Diversify across many different types of credit risks, instruments, collateral, and regions
- Exposure to investments and products otherwise inaccessible
- Active currency management (hedging)
- Strong alignment of interests by investing alongside our clients

FUND FACTS & TERMS



Management Fee:	0.75%
Performance Fee:	None
Share Class Currencies:	USD / GBP / EUR / CHF
Inception:	1st November 2016

Subscriptions:	Monthly – 5 business days prior to dealing day
Redemptions:	Quarterly – 120 days' notice
Minimum Investment:	\$75,000 (or currency equivalent)
Lock up:	None

FUND INFORMATION



Auditors:	Deloitte
Administrator:	Centaur Fund Services (Luxembourg)
Depositary:	Sparkasse Bank Malta PLC
Legal Counsel:	Mamo TCV Advocates (Malta)
Investment Manager:	Blu Family Office Limited
Swiss Representative:	Open Funds Investment Services AG

Security Codes:	Class A USD - MT7000017406
	Class B EUR - MT7000017414
	Class C GBP - MT7000017422
	Class H CHF - MT7000019469

APPENDIX

RESEARCH PROCESS

The research process begins with sourcing our investable universe of global lending strategies by running a quantitative screen to determine the suitability of a strategy for investment, including:

- Track record
- $\geq \$25\text{m AUM}$ (preferably $\$100\text{m}$)
- ≤ 1 year lock-up

We categorise the strategies by risk type and proceed with the top performers. Then, we critically examine the strategy in more depth with the portfolio managers. Factors considered include:

- | | | |
|-----------------------------|-------------------|----------|
| - Style & collateral | - Risk premium | - Terms |
| - Instruments | - Liquidity | - Region |
| - Asset-Liability mis/match | - Risk management | |

We identify the inherent risk drivers for each strategy to allow us to compare our remaining universe more congruently.



RESEARCH PROCESS

We conduct an initial round of due diligence to ensure a strategy fits our minimum requirements.

We request full documentation from the strategy provider and analyse the information according to three criteria:

- People – background, pedigree, experience
- Business – history, operations, continuity
- Fund – administration, governance, process

In order to gain further insight into the strategy and investment setup, we meet with the portfolio managers. We assess the quality of the investment process and break down the portfolio into individual position (sizes) & instruments.

Then, we evaluate portfolio construction, risk management, and capital allocation (trading competency). We judge the effectiveness of the strategy (manager) to extract value.



RESEARCH PROCESS

We conduct a second round of due diligence, which includes an on-site visit in order to gain a complete understanding of the manager's operations, people and business. We investigate:

- Business structure
- Administration
- Governance & management
- Compliance oversight
- Regulatory oversight
- Internal controls
- Risk management systems
- Operational processes
- Systems & infrastructure
- External parties & suppliers

We conduct general background checks to verify regulatory registers, Companies House and other public records.

Finally, with due diligence completed, the Investment Committee (IC) meets to assess the strategy in detail & approve/reject.



RESEARCH PROCESS

Once an investment has been approved, we monitor the manager to ensure they continue to execute the strategy in line with expectations and within the standards required. This involves regular calls and meetings with the manager.

Investment

- Monitor ongoing performance, behaviour and correlations.
- Observe changes in the managers' risk parameters.
- Compare performance versus other strategies.

Operational

- Monitor changes of (key) personnel.
- Note changes in service providers.
- Scrutinize any changes in the managers' business.



DISCLAIMER



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