

THE BLU DISCRETIONARY FUND



Diversifying Risks to Achieve Superior Returns

BLU FAMILY OFFICE

HELPING YOU TO PROTECT, INVEST
AND GROW YOUR WEALTH.



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.

We are pleased to present The Blu Discretionary Fund as a comprehensive investment management solution, which we have successfully implemented for our families for many years. Our goal is to earn the risk premiums that come from growth, lending, market movements and opportunities as efficiently as possible.

EXECUTIVE SUMMARY



Family Office Ethos & Institutional Quality

The Blu Discretionary Fund aims to generate superior net returns, by efficiently investing across a wide range of assets and strategies.

Our focus is to maintain balance across the different types of investment risks and reducing the costs, fees and inefficiencies from execution.

Implementation of investment strategies, where we have a competitive advantage and selection of external products to deliver most effective exposure to risk.

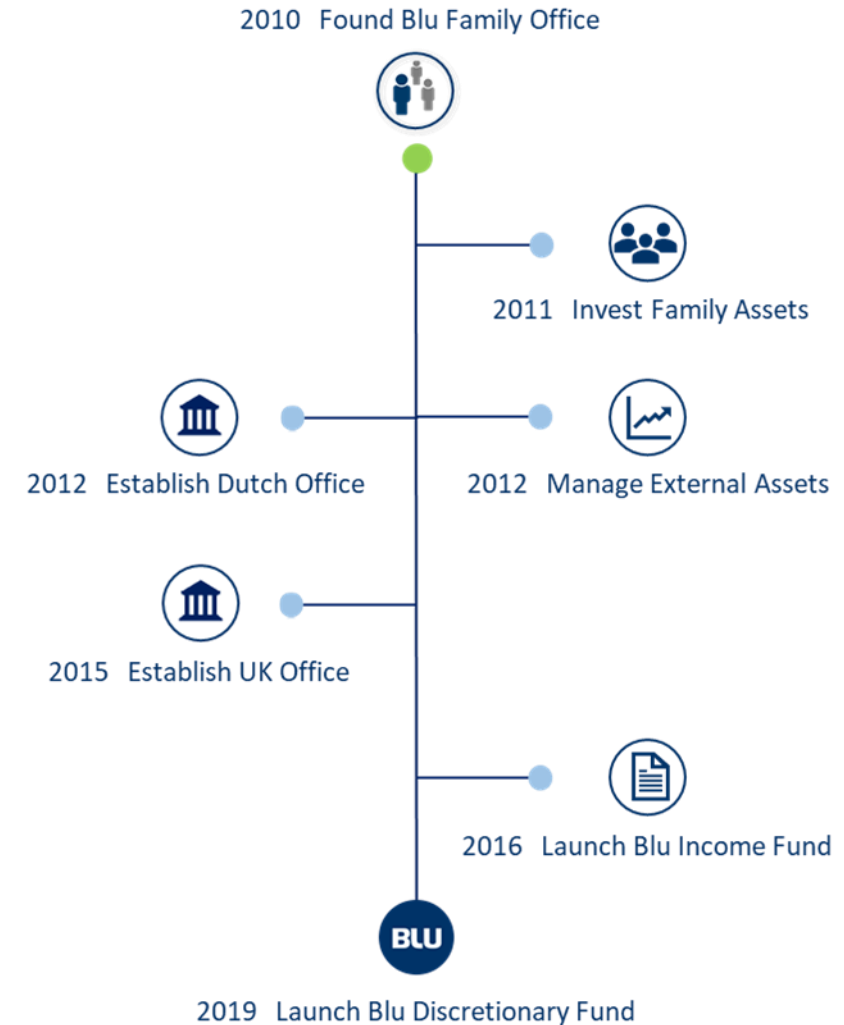
Net Average Annual Return:		Volatility:	Sharpe Ratio:
GBP	7.32%	4.96%	1.48
EUR	7.15%	4.83%	1.48
USD	6.34%	5.10%	1.24
Subscriptions:		Monthly – 5 business days prior to dealing day	
Redemptions:		Monthly – 90 days' notice	
Minimum Investment:		\$125,000 (or currency equivalent)	

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.

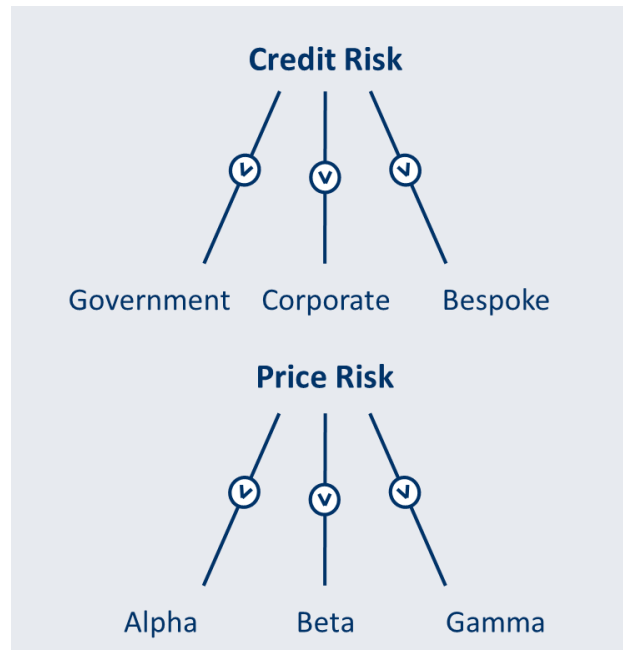
By managing the assets ourselves, we were able to instil our unique investment philosophy without constraints. This allowed us to implement our strategy across a much wider set of different investments, and at a much lower cost than was otherwise available.



PHILOSOPHY: RISK DIVERSIFICATION

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

Our approach is to break down the entire investment universe according to the different forms of credit and price risk. Price risk is the value of an asset changing, whereas credit risk is the borrower's ability to repay a loan.



Credit Risk

Government

Risk: Governments can't repay their debts

Asset: Publicly listed government bonds

Corporate

Risk: Businesses can't repay their debts

Asset: Publicly listed corporate bonds and private loans

Bespoke

Risk: Specific projects can't repay their debts

Asset: Alternative credit, project and bridge financing

Price Risk

Alpha

Risk: Asset prices become uncorrelated

Asset: Statistical, fundamental and structural arbitrage trading strategies

Beta

Risk: Asset prices go down

Asset: Shares of companies (public and private), real estate and commodities

Gamma

Risk: A specific outcome does not occur

Asset: Venture, special situations, and event driven investment strategies

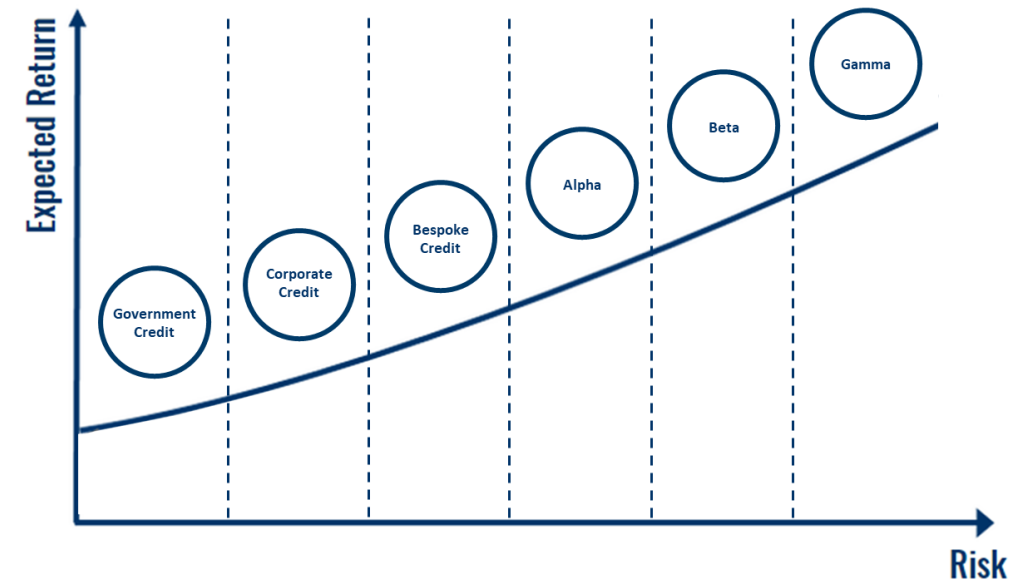
STRATEGY: THE RISK CURVE

Balanced allocation to risk.

Our objective is to earn the premiums that arise from taking risk.

Allocate to investments across all six categories of risk, ensuring diversification. This eliminates the need to take a macroeconomic or strategic view, as we cannot predict the future.

Maintain a balanced portfolio across the six categories, monitoring the performance of each individual investment and rebalancing as required and within set parameters.



SOLUTION: EFFICIENCY

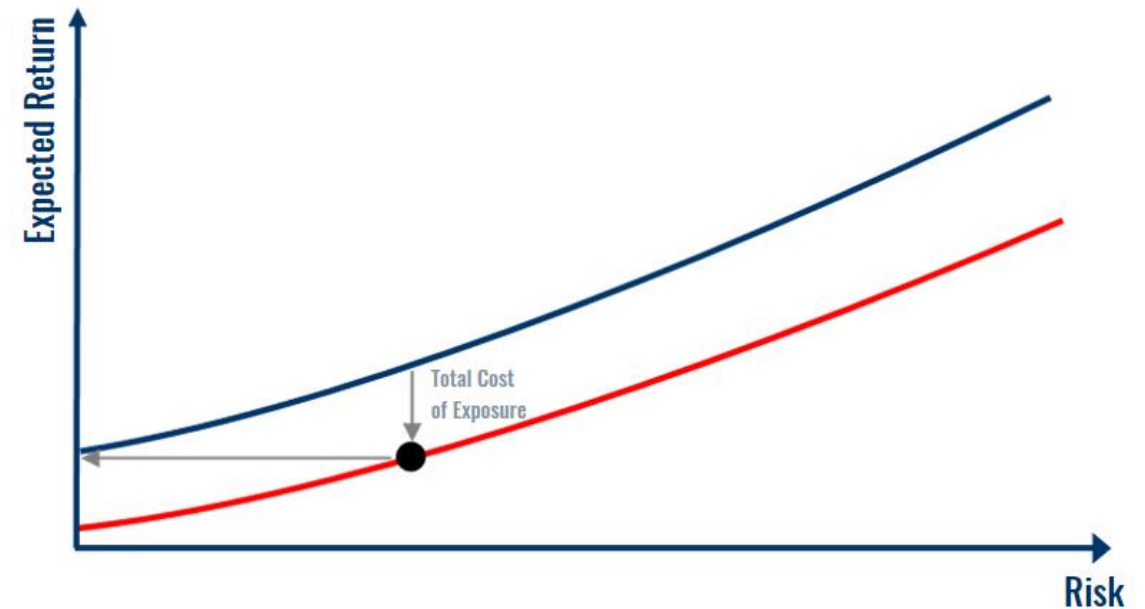
Active management of investment components.

The resulting investment solution is a portfolio which is optimised to deliver the maximum net returns for the risks we take on.

Focus on reducing the total cost of exposure (TCE) to investment risk when executing transactions.

Don't take any unrewarded risks by overpaying for investments we could otherwise source more cheaply.

Carefully select the individual strategies, products and instruments specific to the six categories of risk.



ADDED VALUE: IMPLEMENTATION

Proven portfolio management & implementation

Active trading into positions and taking advantage of opportunities.

Exposure to hedge fund strategies, rigorous manager due diligence and ongoing monitoring, as well as proprietary trading strategies.

Meticulous management across the allocations, tail and event risks.

Dynamic currency hedging through the use of currency forwards, futures and/or options.





PORTFOLIO

Exposure across the entire investment universe and full diversification.

- 7,000 global stocks
- 6,500 global public corporate bonds
- 3,000 global private corporate and bespoke loans
- 2,700 global government bonds
- 50 countries (representing 95% of worldwide GDP)
- 35 currencies (actively managed and hedged)
- Trading strategies, including relative value, statistical, fundamental and structural arbitrage, trend-following, and volatility
- Opportunistic strategies, including event driven, special situations, distressed, and venture

PORTFOLIO COMPOSITION

Name	Type	Weight
Pan Asian Bonds	Government Credit	2.7%
European Bonds		3.1%
UK Bonds		1.3%
Emerging Markets Bonds		2.0%
Global ex-US Bonds		0.6%
Medium Term US Bonds		6.7%
Ultra Short Term US Bonds		0.5%
Asian Trade Finance	Corporate Credit	3.3%
S. Africa Trade Finance		3.3%
European Trade Finance		3.3%
Asian Corporate Lending		3.3%
Swiss IG Corporate Bonds		0.2%
Emerging Market Corporate Bonds		0.3%
US IG Corporate Bonds		0.5%
US IG Corporate Bonds		0.2%
Euro Corporate Bonds		0.8%
Long-Term US Corporate Bonds		0.5%
European High Yield corporate Bonds		0.9%
European Structured Credit	Bespoke Credit	3.3%
European Real Estate Bridge Finance		3.3%
US Structured Credit		3.3%
Fundamental Value Credit		3.3%
Global Infrastructure		1.1%
Renewable Energy UK		1.1%
Global Project Finance		1.1%

Name	Type	Weight
Statistical Arbitrage	Alpha	2.8%
Asia Long/Short		2.8%
Credit Long/Short		2.8%
Healthcare Long/Short		2.8%
Fundamental Long/Short		2.8%
Asian Long/Short		2.8%
Germany	Beta	0.7%
Emerging Market		1.1%
US Small Cap		1.1%
China		0.7%
US Consumer Staple		1.0%
US Energy		0.9%
Developed - EX US		0.5%
Developed Asia Pacific		1.9%
Emerging Market		4.6%
International Equity		0.5%
European equity		1.7%
Canadian equity	Gamma	0.7%
US Materials		1.3%
Risk Arbitrage		2.8%
Systematic Trend-Following FX		2.8%
Special Situations		2.8%
UK Healthcare		2.8%
Volatility Trading		2.8%
Event Driven Healthcare		2.8%

This is a sample portfolio and should be viewed as indicative only.

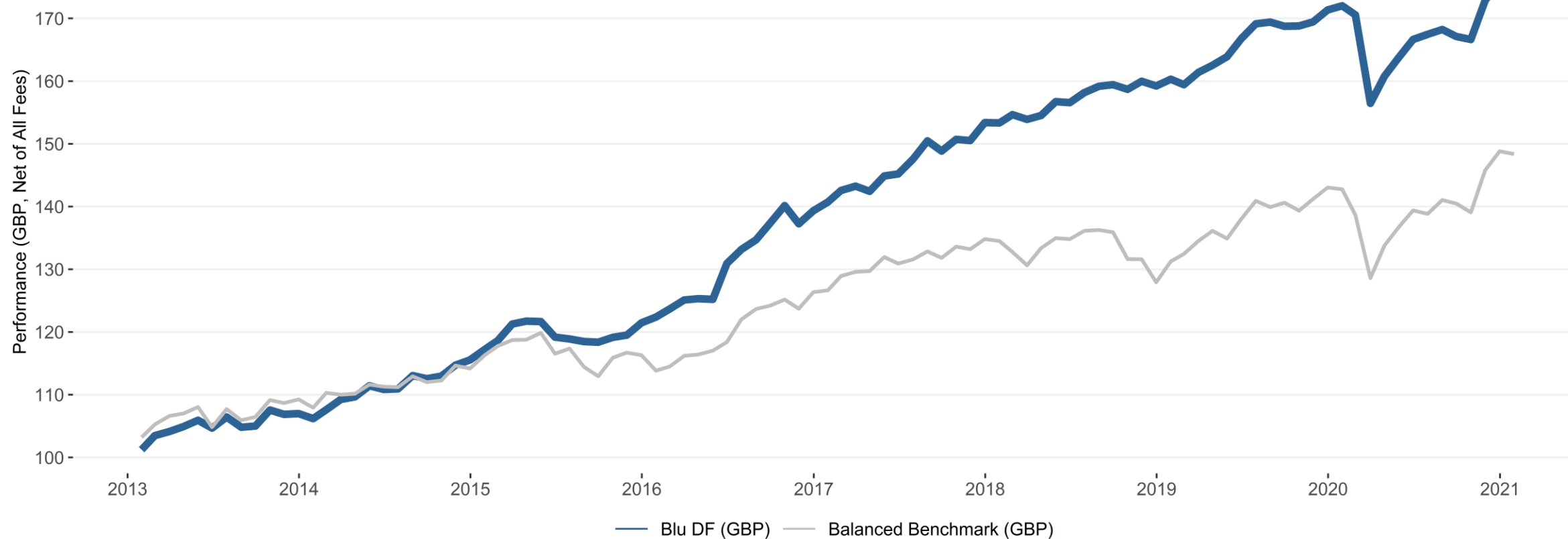
TRACK RECORD



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	0.48												0.48
2020	0.40	-0.85	-8.27	2.77	1.90	1.71	0.50	0.46	-0.66	-0.28	3.70	1.96	2.83
2019	0.68	-0.54	1.23	0.70	0.85	1.74	1.43	0.16	-0.39	0.03	0.38	1.12	7.61
2018	-0.03	0.86	-0.49	0.40	1.43	-0.10	1.01	0.64	0.17	-0.47	0.82	-0.48	3.81
2017	1.00	1.31	0.48	-0.57	1.72	0.22	1.60	2.00	-1.08	1.26	-0.13	1.89	10.09
2016	0.77	1.05	1.16	0.17	-0.08	4.56	1.72	1.14	1.97	2.05	-2.06	1.50	14.72
2015	1.43	1.20	2.25	0.37	-0.05	-2.04	-0.25	-0.34	-0.09	0.66	0.29	1.63	5.11
2014	-0.76	1.34	1.54	0.38	1.61	-0.51	0.06	1.92	-0.43	0.36	1.55	0.73	8.00
2013	1.24	2.21	0.64	0.75	0.97	-1.18	1.69	-1.53	0.18	2.43	-0.64	0.11	6.99

Past performance is not indicative of future performance. Returns from January 2013 to June 2019 are simulated based on the returns of Blu investments in the same assets as the fund. Monthly Performance (net of all fees). Source: Blu Family Office.
 *=Estimated

TRACK RECORD



Past performance is not indicative of future performance. Returns from January 2013 to June 2019 are simulated based on the returns of Blu investments in the same assets as the fund. Total return (net of all fees) of GBP share class. Data as at 31st January 2021. Balanced Index allocation: 40% global equities, 21% fixed income (government and corporate bonds), 28% alternatives, 11% cash. Source: Blu Family Office.

TRACK RECORD



Risk Metric	Blu Discretionary (GBP)	Balanced Benchmark
Total Net Return	77.04%	48.37%
Compounded Annually	7.32%	5.00%
Max Drawdown	9.05%	10.09%
Annualized Sharpe Ratio*	1.48	0.84
Annualized Volatility	4.96%	5.96%
% Positive Months	72.16%	62.89%
Average Gain (monthly)	1.18%	1.40%
Average Loss (monthly)	-0.90%	-1.24%
Correlation		0.78

*Using risk free rate of 0%

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BLU DISCRETIONARY

BALANCED INDEX

Government bonds



Public corporate bonds



Stock market



Bespoke loans



Private corporate loans



Opportunistic investments



Manager invested alongside clients



Proprietary research



Proprietary strategies & execution



No views or predictions



FUND FACTS & TERMS



Management Fee:	0.75%
Performance Fee:	None
Share Class Currencies:	GBP / EUR / USD / CHF Others available upon request

Subscriptions:	Monthly – 5 business days prior to dealing day
Redemptions:	Monthly – 90 days' notice
Minimum Investment:	\$125,000 (or currency equivalent)
Lock up:	None

Blu Family Office Limited is the alternative investment fund manager of the Fund (the "AIFM").
The AIFM is authorised and regulated by the UK Financial Conduct Authority (the "FCA").

FUND INFORMATION



Legal Structure:	SICAV RAIF
Auditors:	Deloitte Luxembourg
Administrator:	Centaur Fund Services (Luxembourg)
Depositary:	ING Luxembourg
Legal Counsel:	Elvinger Hoss Prussen (Luxembourg) Gunnercooke (UK)
Investment Manager:	Blu Family Office Limited

Security Codes:	Class A USD - LU2019230692
	Class B EUR - LU2019230932
	Class C GBP - LU2019231310

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WHY BLU?

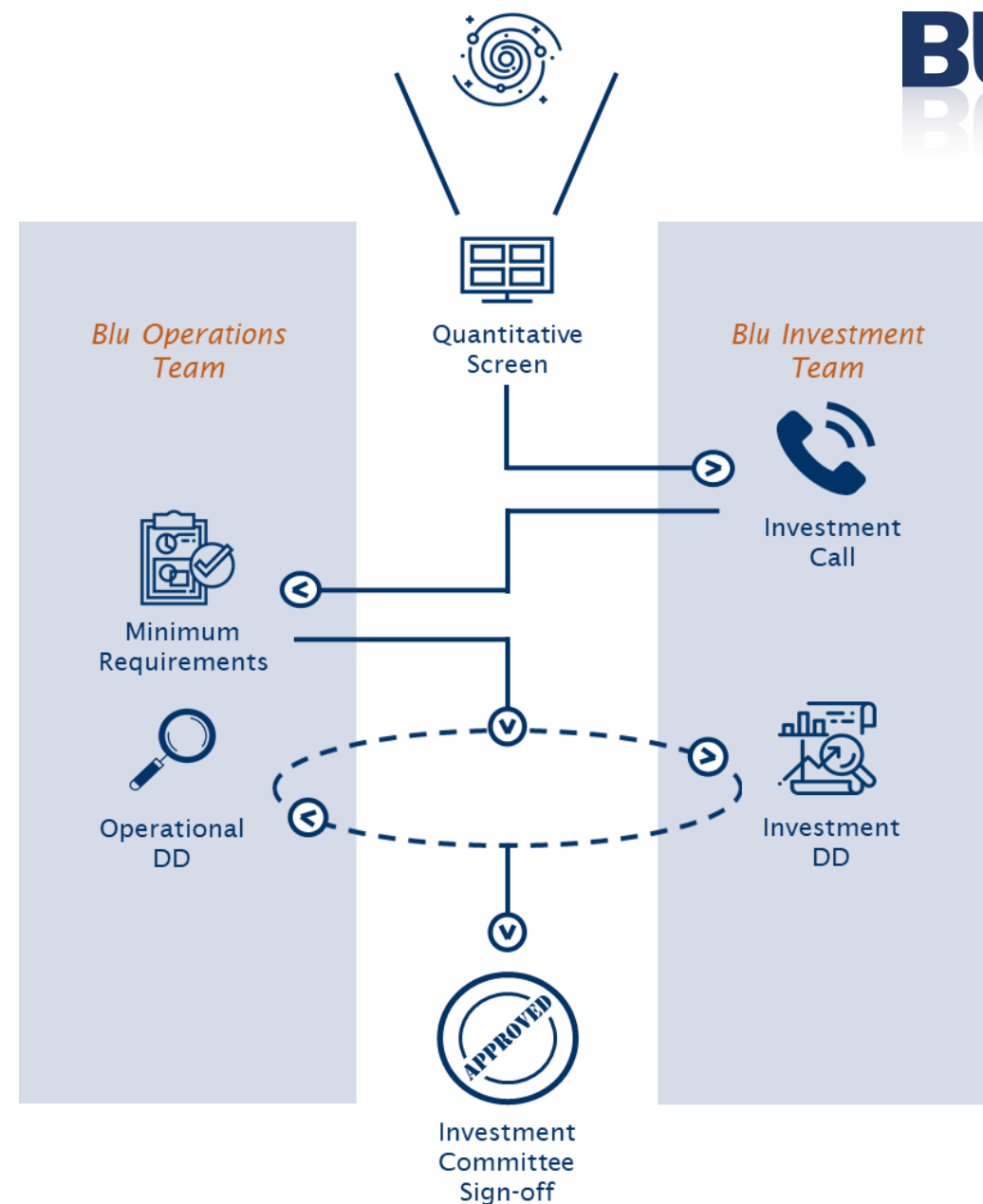
- Strong alignment of interests by investing alongside our clients
- True risk diversification rather than macroeconomic views, resulting in higher net returns and lower drawdowns
- Focus on minimising the costs we can control, without compromising on quality
- Exposure to investments, strategies and products otherwise inaccessible
- Experience and capabilities of principals (former traders, fund and hedge fund managers, operational, risk management and capital management competencies) with long term track records

APPENDIX

RESEARCH PROCESS

The key to good research is a focus on what is relevant. It all starts with understanding the investment proposition. Only by identifying the true drivers of risk in a strategy, can we begin the process to verify the numbers.

First, we quantitatively screen the investment universe to identify funds which meet our risk, return and liquidity criteria. Next, we speak to the chosen managers to learn more about their strategy and risk management process. We then ensure they meet our minimum requirements. Following this, we begin formal operational due diligence and verify the information we have been given. In tandem, we perform a detailed investment analysis to ensure that the risk we are taking is at a fair price versus the market. Finally, we bring together the results of our operational, investment and quantitative due diligence to sign-off on a strategy in our investment committee.





STRESS TEST

Diversification across risk factors, regions and types of strategies resulting in lower risk of loss.

2008 portfolio stress test assumptions:

- Alpha strategies – down 5%
- Beta – down 40%
- Gamma strategies – down 30%
- Government credit – up 10%
- Corporate credit (private) – flat
- Bespoke credit – down 10%

Result: Blu portfolio down only 12.50%

REBALANCING

We monitor the portfolio closely with regards to the performance and behaviours of the underlying strategies. We would consider exchanging one strategy for another should we see any element of style drift or underperformance.

We will also rebalance the portfolio to maintain the optimal risk allocations. For example, if a risk category or an individual strategy outperforms and as a result the weighting changes (significantly) versus the others, we rebalance the portfolio to bring the risk metrics back in line with the base allocation.

In times of extreme adverse market conditions, so called “distressed” strategies are triggered to take advantage of opportunities when indices, sectors, currencies or commodities are trading at large (>50%) discounts to recent highs.

PROPRIETARY TRADING MODELS

Trading strategies aim to achieve performance by exploiting (short-term) mispricings that come about from movements (volatility) in the markets.

Some strategies, such as statistical arbitrage, are more complicated than others using advanced mathematics, machine learning and automated trading algorithms. Most will use some forms of financial derivatives and leverage in order to produce high risk adjusted returns that are not correlated to the broader markets.

We have created several of our own trading strategies where we have internal capabilities, including fundamental long/short, relative value, risk arbitrage, special situations and distressed strategies. Our clients pay no management fees or performance fees.

We only deploy our in-house trading strategies when there are viable opportunities in the markets, whereas, third party fund managers are expected to perform at all times, leading to excess risk taking in an effort to generate returns.

DISCLAIMER



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