NHS SICAV – MC Bolero Global Allocation Fund
Class USD
Monthly report - Sep2016

MC Bolero
Global Allocation Fund

Investment strategy

The Fund is a solution for investors who want to gain exposure to a broad range of asset classes (equities, bonds, real estate, both in developed markets and the emerging world) while seeking a dynamic and flexible exposure to risk according to market conditions. The fund investment strategy relies on a deep analysis of the world economic environment combined with a qualitative and quantitative analysis for security selection. The fund is actively managed according to the manager's view on the economic outlook, asset class valuations and return expectations, without limitation to country, sector, market capitalization and credit. The fund manager seeks to minimize specific risks related to a company through a highly diversified portfolio invested predominantly in UCITS funds and ETF's. Individual stocks derived from strong convictions ideas can be added to the strategic allocation. Allocation ranges: equities 0%-70%, bonds 0%-100%, cash 0%-100%). The base currency of the fund is the US dollar. The EUR class is hedged against the USD class. Recommended investment horizon: 3 to 5 years.

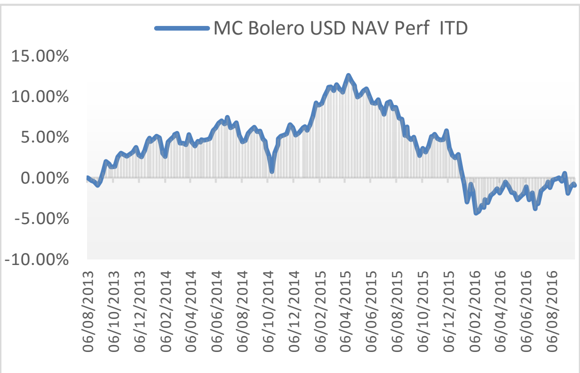
Key information

Legal structure	Luxembourg SICAV UCIT IV
Fund Manager	Marie-Christine LAMBIN Novacap AM Luxembourg
Launch date	USD class: 06/08/2013 EUR class H: 10/10/2013
Lipper Classification	Global Mixed Asset USD Flexible
Management Fee	1.5% per annum
Performance Fee	10% (HWM)
Subscription/ Redemption	Weekly every Wednesday, Cut-off Tuesday before 12.00'am
Minimum subscription	USD 1000/EUR 1000
Custody	KBL European Private Bankers
Administration	Kredietrust (KTL)- EFA
Auditor	Ernst & Young
ISIN Code class USD	LU0952117553
ISIN code class EUR H	LU0952117124
Official NAV 30/08/16	USD class: 99.07 EUR class : 96.54
Web site	www.novacap-am.com

Performance (in USD)

Net In %	2013	2014	2015	2016 YTD
Fund	4.85(*)	1.30	-3.42	-3.42

(*) Since 06/08/13)



Market review

September meetings of the quatuor Central banks tend to suggest that policymakers realize that negative interest rate policies are not an optimal solution. The European Central Bank disappointed with no indications for additional monetary stimulus; the Bank of Japan introduced a yield curve control policy instead of specific amounts of asset purchases, expecting to guide 10-year government bond yields to 0% from below zero currently; the Fed kept rates unchanged but strongly signalled it could hike rates by the end of the year citing a recent pickup in economic growth and continued progress in the labour market as well as a less aggressive rise in interest rates next year and in 2018 than previously anticipated. The Bank of England also did not announce any further policies nor a change in rates, though they said a rate cut would likely be considered should the UK experienced a slowdown in economic activity. Prospects of central banks stimulus ultimately ending led to both a sell-off in government bonds and a credit spread widening in the US and Europe. Emerging markets were not immune but inflows continue to be positive, providing support to the asset class. Anxiousness in the finance sector was evident after Deutsche Bank received notification of a hefty fine from US authorities. OPEC announced that it planned to cut output for the first time since 2008 in a bid to prop up crude prices, but the plan came with no implementation date, duration, or details on how nations will split the output reduction.

Portfolio Activity and Outlook

The fund ended the month with a loss of 0,49% for the USD class (-0.59% for the EUR hedged class) as gains in Technology, EU consumer staples and industrials and basic materials (gold and gold mines) were offset by weakness in US Consumer Discretionary, Consumer staples and healthcare. Real estate also suffered. Our underweight in Energy also contributed to the underperformance. In terms of activity, we sold the 10-year US Treasuries sensitive to a potential rate increase. Mrs Yellen may well be able to bridge the "significant" split inside the Fed, much as she did last December, to get the backing for a 25 bps. In addition, with extremely low yields, government bonds have lost their traditional ability to balance the risk of a portfolio and there is a high likelihood of incurring significantly negative returns in the future even if the tightening will be moderate. We keep a preference for inflation linked treasuries on the view that US consumer inflation could get some boost by the end of the year from a favorable comparison basis for oil prices. We also trimmed exposure to Real Estate which has been among the big beneficiaries of falling bond yields, but has now become expensive. We reinitiated an exposure to US corporate High yield as we view the current attractive yield compensating for the risks associated to the oil price. US defaults rates seen to decline to 3-4% in 12 months. The emerging debt still represent a large part of the portfolio, as the improved fundamentals coupled while a search for yield continue to drive inflows into the asset classes. We took some profit in iShares gold and reallocated the proceeds to US and Europe equities (core ETF's). We made some rebalancing in the equity selection: sold Geberit (target reached), Roche (negative US elections rhetoric about healthcare), Pandora (hurt by Brexit and surging silver), Buy SAP, Adidas, Nestlé. We stay out of Japan as we doubt the new stimulus measures will be any more successful in reviving the economy stuck in stagnation and deflation. Asia ex-Japan remains our favourite region in the emerging world. India in particular has the best growth prospect in the region. The low rate environment, weaker oil prices, structural reforms are benefitting ASEAN countries like Thailand, Indonesia and the Philippines. Unless we get evidence of a sharp global economic slowdown in the wake of the Brexit, a policy mistake in the US, a deterioration in global trade due to a Trump victory or a credit bubble burst in Asia, we expect equities to outperform bonds over the next 6 months. Over the near term however volatility is likely to continue into Fed meetings and US presidential elections. The combination of weak EPS growth and limited room for PE expansion also imply modest equity returns.

Asset allocation

Asset classes	Sep16	Aug16	Neutral allocation	+/-
Equities US	32.99%	31.64%	27.51%	4.87%
Equities Europe	19.36%	19.29%	11.39%	8.80%
Equities Japan	0.00%	0.00%	3.89%	-3.92%
Equities Asia ex-Japan + EM	9.99%	10.03%	7.22%	2.59%
Total equities	62.33%	60.97%	50.00%	12.33%
Futures	0.00%	0.00%	0.00%	0.00%
Total equities net	**62.33%**	**60.97%**	50.00%	12.33%
Bonds DM Sovereign	3.01%	7.37%	29.50%	-26.49%
Bonds DM corporate IG	6.18%	5.53%	14.00%	-7.82%
Bonds DM Corporate HY	9.14%	4.86%	3.50%	5.64%
Bonds EM	9.16%	9.12%	3.00%	6.16%
Total bonds	**27.48%**	**26.88%**	50.00%	-22.52%
ETF Gold	2.04%	4.02%	0.00%	2.04%
Mixed Funds	3.18%	3.95%	0.00%	3.18%
Cash	4.96%	4.18%	0.00%	4.96%
Total	100.0%	100.0%	100.0%	

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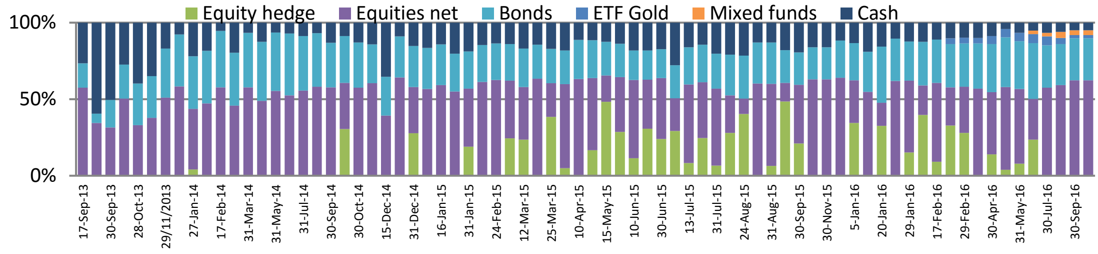
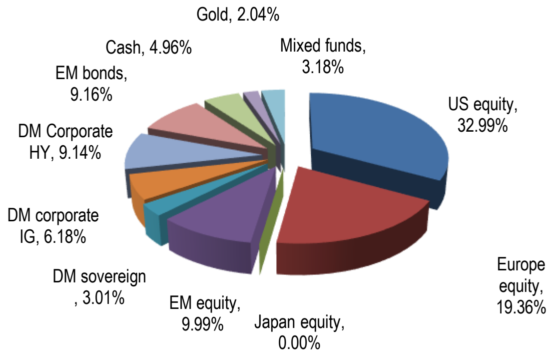
Historical Allocation



Global Asset Allocation (after hedge if any)



Sector Allocation (equities only, before hedge if any) in %

	MSCI AC World	Fund	+/-
Basic Materials	3.24	3.86	0.62
Consumer Discretionary	7.08	11.61	4.53
Consumer Staples	6.52	8.53	2.01
Energy	4.11	0.78	-3.33
Financials	10.87	4.66	-6.21
HealthCare	7.39	6.49	-0.90
Industrials	6.62	9.63	3.01
Technology	9.27	10.40	1.13
Telecommunications	3.05	0.73	-2.32
Real Estate	2.02	4.57	2.55
Utilities	2.03	0.69	-1.34
cash	0.00	0.26	0.26
Total (%)	100.00	100.00	

Top 10 holdings (before hedge)

ISHARES DJ STOXX 600 DE	6.21%
NN (L) US CREDIT P CAP USD	5.77%
US TECHNOLOGY SECTOR SPDR	5.64%
T ROWE EUROPEAN HIGH YIELD	5.23%
NEUBERGER BERMAN EMD HC USD	4.82%
ULYSSES LT FUNDS EUROPEAN	4.74%
ABERDEEN GLOBAL EMD CORP USD	4.67%
US INDUSTRIAL SECTOR SPDR	4.60%
US CONS. DISCRETIONARY SPDR	4.41%
AXA WF US HIGH YIELD BONDS	4.08%
Total	50.17%

Instruments

	% of portfolio
Active Funds	46.4%
Passive ETF's	35.06%
Individual stocks	13.65%
Cash	4.87%
Total	100.0%

Currency breakdown

		Net exposure	
EUR	26.56%	EUR	0.02%
USD	70.23%	USD	96.77%
JPY	0.00%	JPY	0.00%
CHF	3.20%	CHF	3.20%
Total	100.00%	Total	100.00%

Top 5 equity holdings

	% of portfolio
VISA	2.16
HOME DEPOT Inc	1.83
ESTEE LAUDER Inc	1.77
CELGENE Corp	1.74
AB INBEV	1.62

Risk analysis

	1 Year	3 Year
Volatility	7.58	6.33
Max weekly return	2.29	2.30
Min. weekly return	-2.74	-2.74
Maximum drawdown	-8.04	-13.10

Fixed income portfolio

Yield to maturity	4.33
Modified duration	5.50
Rating	BBB/BBB-

Source: Thomson Reuters, Bloomberg
Statistics are provided for information only, can change over time.

Main activity during the month

In:	ISHARES GOLD PRODUCERS, LAFARGEHOLCIM, SAP, NESTLE, ADIDAS, MUZINICH ENHANCED YIELD, AXA US HY
Out:	GEBERIT, PANDORA, ROCHE, ISHARES US TREASURY 7-10
Increased:	ISAHRES STOXX EUROPE600, ISHARES CORE S&P500
Reduced:	SPDR TECHNOLOGY, SPDR CONS.DISCRETIONARY, PETERCAM REAL ESTATE EUR, NORDEA STABLE RETURN

Equities characteristics

	Fund	MSCI AC World
Dividend Yield	2.08	1.32
Price/book	2.65	2.16
PE 12 mth Fwd	16.88	15.47
EPS growth 12 mth Fwd	11.06	10.53
EPS growth LT	11.76	11.13
Profit margin net	7.86	6.55
ROE	22.97	19.18

Performance (%) (*)	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	2016	Since launch
Fund USD class	-3.29	-2.92	2.45	0.16	-0.78	-1.36	2.84	0.08%	-0.49				-3.42	-0.93%
MSCI AC World $	-6.09	-0.90	7.16	1.28	-0.19	-0.81	4.21	0.12%	0.44				4.78	11.03
JPM Global Ag.Bond	1.16	1.99	2.45	1.00	-1.09	2.84	0.72	-0.46%	0.44				9.35	8.87

(*)End of month performance are not audited unless corresponding to official weekly NAV's.

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