

Stratton Street UCITS - Renminbi Bond Fund UI

November 2015



- **The Fund's USD I Class is up 4.44% year to date**
- **US data still mixed; but FOMC set to hike rates in December**
- **Chinese renminbi granted reserve currency status**
- **Russian bonds continue their strong run**

Market Comment

A tricky month for most asset classes: commodities plummeted further and currencies struggled as the dollar rallied to year highs. Geopolitics and the attack in Paris did not help market sentiment last month, however, relations between Russia and the West thawed somewhat over military cooperation against Islamic State. Elsewhere the Fed's tone turned more hawkish through the month.

US data remained mixed: retail sales disappointed in October, and PPI was also softer vs expectations and Chicago PMI fell into contractionary territory as new orders and prices paid disappointed. A number of Fed members have suggested that the economy can withstand a rate rise; but low inflation continues to cause concern.

The biggest news in China was the renminbi's inclusion in the IMF's SDR basket (at 10.92%, a larger weighting than the ¥ and £). Speaking on the decision, IMF Head Christine Lagarde said, "If you had asked me a year ago whether this would happen today I think I would have reserved judgment," adding, "Clearly an enormous amount of work has been undertaken by the Chinese authorities." Effective October 2016, this undoubtedly is another positive step in the internationalisation of the renminbi, and reinforces the attractiveness of China as an investment opportunity.

Portfolio Review

The Fund's USD I Class fell 1.37% in November driven mainly by renminbi weakness; holdings in Russia and China held-up relatively well against the market backdrop.

State-owned Russian Railways 7.487% '31s was the best performing bond over the month having rallied roughly 3 points to a spread of 550 bps over. This bond remains one of the most attractive within the portfolio with a yield of 7.6% and expected further 25% price gain should it reach fair value.

Saudi Electric 5.06% '43s was one of the weaker performers over the review period, with the yield rising 19 bps to 5.88%. The main reason for the move was S&P's downgrade to the country's long-term foreign currency sovereign credit rating to A+ from AA-. The bond still offers a very attractive risk-adjusted expected return around 34% with a 5 notch credit cushion.

Outlook

Whilst usually quiet, we expect to see an active December ahead of the mid-month FOMC meeting, where it is expected that the Fed will finally pull the trigger and raise rates.

The recent employment data for November has added more weight to the committee's decision and we expect the dollar to strengthen further in anticipation of "lift-off".

Meanwhile, global growth remains lackluster and deflationary pressures deepen, we expect these conditions to remain supportive for fixed income.

The immediate market impact from recognition of the Chinese renminbi as a global reserve currency was expected to be relatively negligible as the market was fully aware weeks ahead of the announcement.

However, medium to long term expectations are that the currency will continue to appreciate 2-3% a year driven by increased global flows as most international investors are underweight exposure to China and the renminbi, relative to its importance in the global economy.

Historical Performance¹

	2015 %	* Inception %
IDUSD Class	4.44	7.16
IDGBP Class	5.37	9.37
IDEUR Class	4.44	10.11
IDCNH Class	7.96	13.70
ODGBP Class	2.69	4.64

Performance Summary¹

Index	Monthly Return %
Renminbi Bond Fund UI (Inst USD Class)	-1.37
HSBC China Offshore Renminbi bond index (USD)	-0.88
Offshore Chinese Renminbi (CNH)	-1.48

Fund Prices¹

Institutional Class	Price	Monthly Return %
USD	103.21	-1.37
GBP	103.51	-1.34
EUR	104.11	-1.44
CNH	109.59	0.27
Ordinary Class	Price	Monthly Return %
GBP	104.07	-1.59

Portfolio Statistics

Gross Redemption Yield	4.48%
Gross Running Yield	4.76%
Fund NAV (USD Millions)	32.72
Number of holdings	30
Number of countries	8
Duration	7.34

Fund Breakdown

Net Foreign Assets		Entity Type	
Rating	% NAV	Entity	% NAV
7 Star	51.26	Sovereign	9.76
6 Star	25.43	Quasi	68.06
4 Star	18.55	Corporate	17.42
Total	95.24	Total	95.24

Credit Rating	
Rating	% NAV
Aa	43.29
A	33.68
Baa	18.27
Total	95.24

Portfolio Exposure by Country	% NAV
Abu Dhabi	6.57
China	24.32
Hong Kong	15.19
Oman	1.10
Qatar	22.64
Russia	18.55
Saudi Arabia	4.69
Singapore	2.18
Total	95.24

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Share class information

Institutional	Current AMC	Minimum Subscription	Subsequent Investment	Front-end load	SEDOL	ISIN	Bloomberg
ID EUR	1%	EUR 100,000	EUR 10,000	None	5078151	LU0850781518	STRBIDE LX
ID USD	1%	USD 100,000	USD 10,000	None	5078175	LU0850781781	STRBIDU LX
ID CNH	1%	USD 100,000	USD 10,000	None	5078186	LU0850781864	STIDCNH LX
ID GBP	1%	GBP 100,000	GBP 10,000	None	5078208	LU0850782086	STRBIDG LX
ID GBP ACC	1%	GBP 100,000	GBP 10,000	None	BVJDP45	LU1163072603	TBC
ID CHF	1%	CHF 100,000	CHF 10,000	None	5078216	LU0850782169	TBC

Ordinary	Current AMC	Minimum Subscription	Subsequent Investment	Front-end load	SEDOL	ISIN	Bloomberg
OD GBP	1.5%	No minimum	No minimum	Up to 3%	5078275	LU0850782755	STRODGB LX
OD EUR	1.5%	No minimum	No minimum	Up to 3%	5078224	LU0850782243	STRBODE LX
OD USD	1.5%	No minimum	No minimum	Up to 3%	5078259	LU0850782599	TBC
OD CNH	1.5%	No minimum	No minimum	Up to 3%	5078267	LU0850782672	TBC
OD CHF	1.5%	No minimum	No minimum	Up to 3%	5078291	LU0850782912	TBC

Classes in red signify currently inactive but available on demand.

Fund Information

Domicile / legal status:	Luxembourg / SICAV (UCITS)
Base currency of the Fund:	USD
Valuation currency:	USD, EUR, GBP, CHF or CNH (depending on share class)
Valuation/dealing:	On every full banking day, which is simultaneously a stock exchange day in Luxembourg, United Kingdom and Frankfurt am Main.
Subscription/withdrawal:	Prior business day by 4pm (Lux time)
Appropriation of earnings:	Distributing (all share classes)
Investment manager fee:	For share classes "I" and "O": up to 1.70% p.a. of the net asset value of the share class. See table above for current annual management charge (AMC).
Management company fee:	For share classes "I" and "O": up to 0.30% p.a. of the net asset value of the Sub-Fund subject to min. EUR 45.000.- p.a. for up to 2 share classes; for additional share classes the Management Company receives additional min. 7.500.- p.a. Custodian and Paying Agency Fee, Domiciliary and Corporate Agency Services Fee, Registrar and Transfer Agency Fee: up to 0.10% p.a. of the Sub-Fund's net asset value, min. up to € 40.000 p.a. subject to Luxembourgish VAT.
Other fees:	
Front-end load:	For share classes "OD USD", "OD CNH", "OD GBP" and "OD CHF" up to 3%. There is no front-end load currently applicable for share classes "ID EUR", "ID USD", "ID CNH", "ID GBP", "ID GBP ACC" and "ID CHF".
Redemption fee:	None
The Company:	Stratton Street UCITS
Name of the Sub-Fund:	Stratton Street UCITS - Renminbi Bond Fund UI
Asset Manager:	Stratton Street Capital LLP
Management Company:	Universal-Investment-Luxembourg S.A.
Auditors:	KPMG Luxembourg
Custodian:	Brown Brothers Harriman S.C.A.
Planned distribution countries:	UK, Austria, Germany, Switzerland, France, Belgium, Netherlands, Sweden and Luxembourg
* Launch Dates:	01 October 2013: IDEUR launched, 21 October 2013: IDUSD launched, 31 October 2013: IDGBP launched 28 November 2013: IDCNH launched, 16 April 2014: ODGBP launched
Footnotes:	1. Bloomberg (as at end of month)

Platforms and providers

Stratton Street UCITS - Renminbi Bond Fund UI can be accessed via the following platforms and providers:

Aegon	AJ Bell/SIPP Centre
Ascentric	AXA Isle of Man
Canada Life International	Cofunds
Friends Provident Isle of Man	Legal & General
Novia	Royal Skandia
Transact	Seven Investment Management (7IM)
UBS Funds Centre	

Contact Information

Email:	sales@strattonstreet.com	info@universal-investment.com
Telephone:	+44 (0)207 766 0888	+352 (0) 261502-1
Address:	Stratton Street Capital LLP 200 Aldersgate Street London, EC1A 4HD	Universal Investment Luxembourg S.A. 15, rue de Flaxweiler L-6776 Grevenmacher LUXEMBOURG

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