Insignia Financial

Investor Update

June 2024

As we approach the half year point in the year we wanted to share another update on how the current portfolio is performing and our thoughts around positioning into the second half and beyond.

As part of this process we present a number of different scenarios as to how we expect the Fund to perform over the next 12 months. With a range of potential positive outcomes from +6%-+17%, underpinned by reasonable assumptions, there is good scope for gains through the remainder of 2024.

We finish with a review of some recent activity.

Insignia Team

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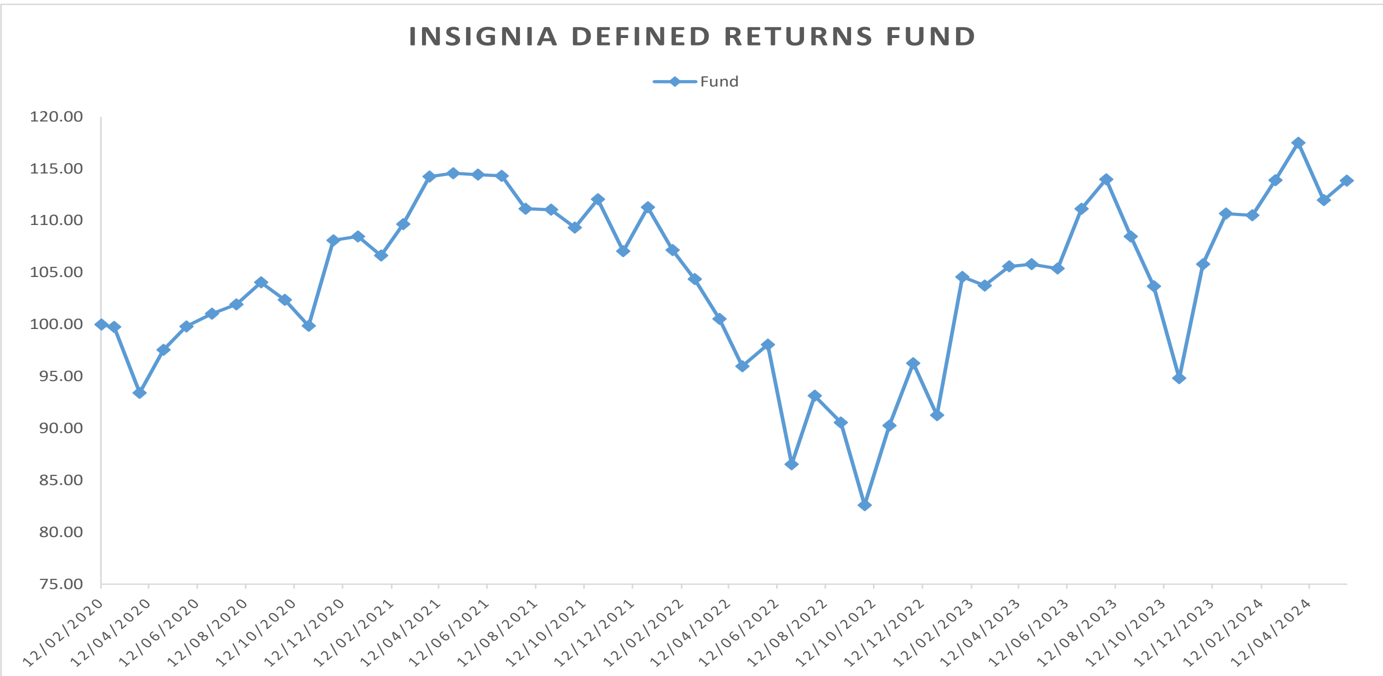
Defined Return Fund Performance - Life to Date

As per the May 2024 NAV, the **Ballybunion Insignia Defined Returns Fund** is up 12.4% since inception in February 2020.



Fund Update - June 2024

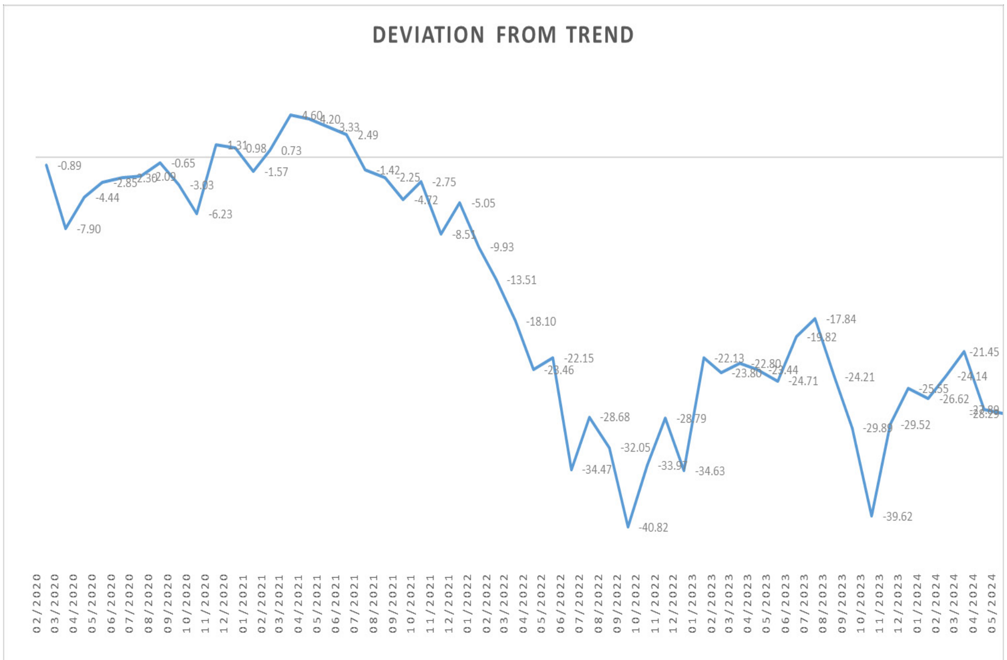
Year to date performance: - +1.6%

After a strong 2023, 2024 has proved to be a much slower year thus far from a performance perspective. The 1.6% gain clearly lags some of the strong year to date gains that we have seen at an index level. This is especially true when compared to US bourses which have been driven by an overweight exposure to Technology.

For reference the S&P 500 is 14.7% year to date but when measured on an Equalweight basis the gain is just 3.6%. This should give some colour on how wide the divergence in performance has been between the various indices.

The portfolio is much more defensively positioned in terms of underlyings and this under-exposure to Technology has been the primary reason for the under-performance relative to the benchmarks. It should be noted that we are not negative on Technology but it just hasn't screened attractively from a structured note perspective. Opportunity for us has been found elsewhere and although challenging to keep pace as indices move higher, we expect to reap the reward in time. More on this later.

In our monthly fact sheets we reference performance relative to an equity market benchmark but a more relevant measure is how we are performing compared to the expected trend, As this is a defined returns fund , our goal is to deliver 7-9% (net of fees) over a rolling five year period. Compared to a trend of 8% annually the fund is presently circa 30% from where we expect it should be and therefore trades at a significant discount.



Of course, the target at the outset is to consistently track the trend and have very little deviation which was the case in 2020 and indeed since 2023. The under-performance in 2021 is the primary reason for the large gap versus where we expect we should be.

However, as we will cover in more detail below, there is a clear path back towards the original trend which offers material upside over the coming years. As a base case, we are confident that we can stay on the 7-9% trend over the coming years with this confidence coming from the current position of the portfolio and the defensive structuring of the notes. The addition of 'Star features' to more of the notes will over time dampen the volatility and improve the returns profile.

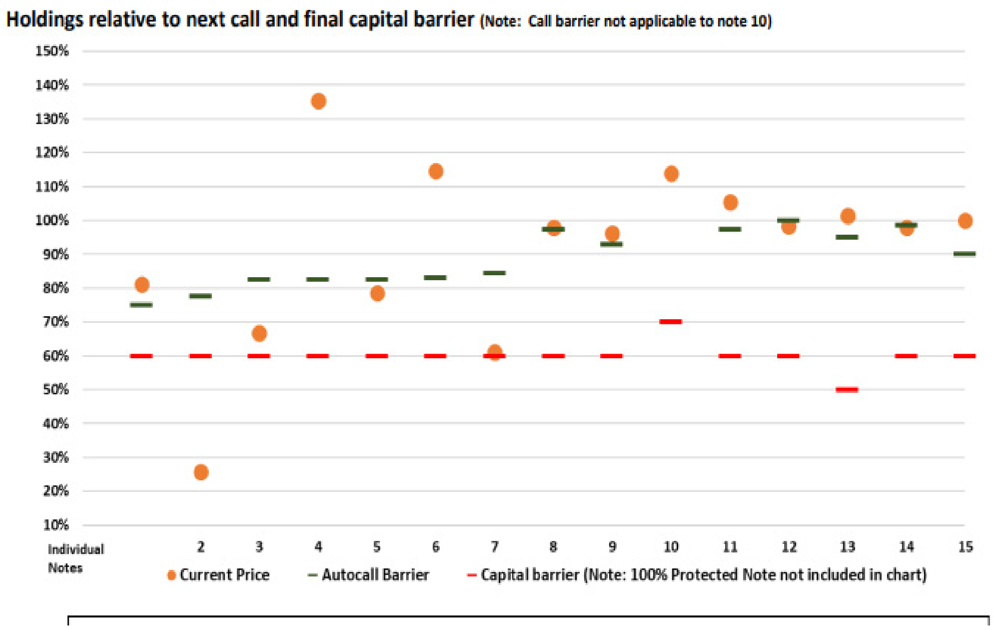
It should be noted that the deviation from trend is not unique to our fund and it is a common feature of Defined Return investing. Based on peer analysis, a return towards trend typically takes 18-24 months, but importantly the return to trend is highly likely.

How should one think about investing in the Fund today?

1. We expect to deliver 7-9% (net of fees over a rolling five year period). This is the base case.

2. The portfolio still carries material embedded value from notes that at present are trading at levels where there is asymmetric upside and we expect to realise some/all of this value over the next 12-24 months and thereby close the gap versus the trend.

How does this happen?



The chart on the left features in our monthly factsheet and is a simple visual of where each note sits relative to its next call barrier and the capital barrier.

Notes 1-7 are all purchased before 2023.

Notes 8-15 were all purchased post 2023.

The differences should be obvious in that all of the new notes are comfortably above the Capital Barrier (orange) and most are sitting at or above the Autocall barrier.

A very basic take-out is that the new notes are doing exactly what we expected while the older notes continue to mature. With most still having >2 years to run there is still ample time to recover, some or all of the embedded value.

Our track record on a realised basis remains very strong with >95% of notes purchased maturing as expected. This re-enforces our confidence that over time we will return to trend. If some of the older notes improve this may happen quickly but even without this contribution we expect to steadily trend higher.

We outline below a number of different scenarios as to what might play out over the next 12 months. Time will tell of course but we don't think the assumptions underpinning each of the scenarios are overly aggressive. Also in scenarios 1 & 2 the outcome is not dependant on the price of the underlying equities increasing from current levels (scenario 3 is an exception) as we are just modelling what will occur if the notes mature as expected and step-down barriers kick in.

	Trade date	Description	Scenario 1 Only New Notes Call- No improvement in older notes	Scenario 2 Flat Pricing - Only assumption is that stepdowns kick in	Scenario 3 Expected Note pricing based off a 10% improvement in the underlying
Pre 2023	03/03/2021	Semi's	€ 84.09	€ 84.09	€ 90.00
	19/05/2021	PINS/PYPL/GE	€ 23.82	€ 23.82	€ 35.00
	21/04/2021	LULU/BIDU/F	€ 61.35	€ 61.35	€ 75.00
	15/06/2021	Renewables	€ 120.00	€ 169.60	€ 169.60
	09/06/2021	Airlines	€ 75.86	€ 75.86	€ 85.00
	18/02/2021	Sgo/MBG/TGT	€ 107.88	€ 141.50	€ 154.16
	11/01/2022	BX, PFE/vow	€ 53.75	€ 53.75	€ 59.13
Post 2023	27/04/2023	XBI Twin Win	€ 1,159.69	€ 1,181.35	€ 1,299.49
	25/07/2023	GDX (Shark Note)	€ 103.27	€ 103.27	€ 110.00
	01/09/2023	NOVN/JNJ/BA	€ 121.50	€ 121.50	€ 121.50
	12/10/2024	MC/NKE/EL			
	22/12/2024	BP/CVX/XOM	€ 113.60	€ 113.60	€ 113.60
	23/01/2024	ROG/RI/DGE	€ 114.40	€ 114.40	€ 114.40
	22/02/2024	NESN/wfC/hsba	€ 113.00	€ 113.00	€ 113.00
	18/04/2024	ALV/CS/MET	€ 114.60	€ 114.60	€ 114.60
	02/05/2024	MC/NKE/SBUX	€ 113.60	€ 113.60	€ 113.60
	22/05/2024	ADBE/RIO/DIS	€ 112.00	€ 112.00	€ 112.00
		Projected NAV Increase	6.08%	12.49%	17.58%

Scenario 1: Based on current pricing and rolling forward 12 months if only the 'New' notes (shaded in grey below) mature inline with expectations this will equate to a 6.08% increase in the NAV. These notes are defensively structured, and we have a high level of confidence around realising the full value from the notes. Note we assign no upside to the 'older' notes in this scenario.

This exercise should highlight that even without an improvement in some older notes we expect to reach the target under most market conditions. Remember most new notes have defensive features such as low first call barriers, step-downs and star features, all of which increase the probability of auto calling.

Note, there are two notes, a Twin Win on the Biotech sector and a Capital Protected note on the Gold Miners that we assign no upside value to in the above scenario.

Scenario 2: For the entire portfolio, if we assume that the price of the underlyings equities remain flat over the next 12 months and all that happens is that the stepdown barriers fall, as per the normal schedule. In this scenario the fund NAV increases by 12.49%.

We don't view this modelling as aggressive and therefore we assign a high level of conviction that this type of return is possible over the coming year. The main difference between scenario 1 & 2 in performance comes from two notes that trade close to the auto-call barriers and look likely to call based on current pricing and the trajectory of the step-down barriers over the coming year.

Scenario 3: This is a slightly more optimistic scenario, but not overly aggressive. Here we assume a 10% increase in the price of the underlying equities and adjust the note pricing to reflect the changes. Under this scenario the NAV increases by 17.58%

Therefore, based on the above we offer some goalposts as to how things might play out over the next 12 months. As with all forecasts they are a point in time assessment based on future expectations and should be seen as a guide to what we expect can happen based on all know information at present.

Fund Update - Over the past 2 months

We had been carrying higher than normal levels of cash through the first half. We deployed more of this through May as we found opportunity in high quality names on terms that we view as attractive.

New Notes:

- Worst of Autocall with Star Feature - LVMH/Starbucks/Nike - 13.5% Annual Yield
- Worst of Autocall - Axa/ Metlife/ Allianz - 14.4% Annual Yield
- Worst of Autocall - Adobe/ Rio Tinto/ Walt Disney - 12% Annual Yield

Matured/Called

Worst of Autocall - Nike/LVMH/Estee Lauder - 7.62% return over a 6 month period

Featured Note

Underlyings - LVMH, Nike, Starbucks

Worst of Autocall with Star Feature

- **Underlyings - LVMH** (Consumer Discretionary), **Nike** (Consumer Discretionary), **Starbucks** (Consumer Discretionary)
- **Capital Barrier - 60%** (i.e. the worst name can fall 40% before our capital is at risk)
- **Star Feature** - If any of the three stocks finishes 5% higher than the initial level at maturity, the product automatically has a capital protection feature, irrespective of what happens the other two stocks.
- **Annual Coupon - 13.5%**

Trade Rationale

This was more or less a direct replacement for our other Consumer note that expired in April. LVMH and Nike both feature once more. We added Starbucks as we felt the weakness from a year to date perspective provided us with a timely opportunity to access a name that is typically off limits to us given the longer term volatility profile. All three names are large global companies with a well diversified businesses. We added a Star feature to provide an extra layer of protection.

The note currently trades at 98, compared to a purchase price of 100, LVMH is the weakest name having declined by 7% since we opened the position. Starbucks has been the strongest, increasing by 8.5%. The Star feature kicks in if one of the underlyings is >105% at maturity and therefore were the note to mature today it would be fully capital protected.

As most will be aware, our expectation is that the consistent use of the star feature will dampen volatility on a forward basis. As an aside the star feature usually 'costs' about 1-2% in terms of the reduction in the coupon,

WARNING: The value of your investment may go down as well as up. You may get back less than you invest.

WARNING: Past performance is not a reliable indicator of future results.

This document is intended for qualifying investors only and should be read in conjunction with the Fund Supplement, a copy of which is available from Insignia Financial.