

Investment Strategy Document

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Neoma
Capital
Partners

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**Neoma
Capital
Partners**

Introduction

The student investment fund Neoma Capital Partners is designed to provide its members with an immersive and practical experience in asset management. The fund's goal is to offer students hands-on training through real investments, while adhering to principles of governance, diversification, and social responsibility. This DSI outlines the overall strategy, objectives, asset allocation, investment scenarios, risk management, and key governance elements.

Objectives of the Investment Fund

Primary Objective:

- Provide practical immersion in asset management, allowing members to acquire skills in financial analysis, risk management, and strategic decision-making.
- Maximize portfolio performance by generating returns superior to benchmark indices.

Secondary Objectives:

- Skills Development: Offer workshops, training modules, and mentorship to enhance expertise in market finance, risk management, and strategic investing.
- ESG Impact: Integrate environmental, social, and governance criteria into every investment decision to meet current societal expectations.
- Networking and Partnerships: Build strong relationships with alumni, mentors, and industry professionals to offer career opportunities to fund members.

Redistribution Policy and Governance

Redistribution Structure:

- Clear profit redistribution policy based on fund performance and member contributions.

- Governance and Organizational Structure:
 - Chief Investment Officer (CIO): Responsible for overall investment strategy and performance monitoring.
 - Directors of Research and Transactions: Strategic collaboration to maximize performance.
- Investment Committee: Collective decision-making to ensure coherent management.

Fund's Investment Philosophy

Our Fund will rely both, on a top-down process based on the analysis of the global macroeconomic context to prioritize sectors and investment styles given the economic cycle and market regime. The fund can invest in all geographic areas, all asset classes, all sectors and all currencies with one main objective: outperform its benchmark. The solutions are implemented through efficient and liquid instruments that allow the management teams' vision of global markets to be deployed in the most faithful manner: Stocks, Bonds, ETFs (trackers) and futures.

Investment Universe

The fund adopts a dynamic allocation strategy, maintaining the flexibility to adjust exposure across various asset classes in response to prevailing macroeconomic conditions. This enables the fund to optimize risk-adjusted returns while seizing opportunities across global markets.

Asset Allocation Breakdown:

1. Cash (5%)

- The fund maintains the ability to allocate up to **5%** in cash to capitalize on emerging opportunities or mitigate risk during periods of market volatility.

2. Corporate Bonds (15%)

- Up to **15%** of the portfolio will be invested in investment-grade corporate bonds globally, either directly or through ETFs, to generate stable income and diversify fixed-income exposure.

3. Government Bonds (15%)

- The fund will allocate **15%** to sovereign bonds from global markets, providing stability and acting as a hedge during uncertain economic conditions. This exposure may be achieved directly or via ETFs.

4. Equities (50%)

- Equities constitute the core of the portfolio, with a **50%** allocation targeting stocks in both developed and emerging markets. Investments will be made directly or through ETFs, aiming to capture long-term growth potential across various geographies.

5. Commodities (5%)

- To benefit from favorable market conditions in commodities, the fund may allocate up to **5%** to this asset class using ETFs, offering a hedge against inflation and diversifying overall portfolio risk.

6. Alternatives (10%)

- The fund allocates **10%** to alternative investments, which may include real estate, private equity, or other non-traditional assets, accessed directly or through ETFs. These investments provide diversification and potential uncorrelated returns.

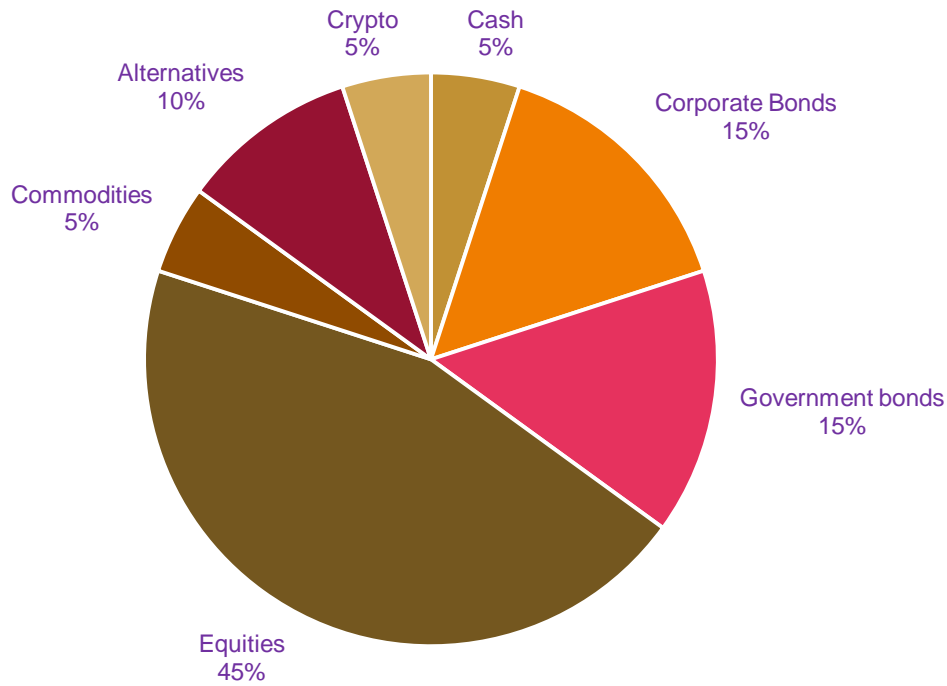
7. Crypto Assets (5%)

- Recognizing the growing importance of digital assets, the fund allocates **5%** to cryptocurrencies, either directly or through ETFs, capitalizing on long-term adoption trends and potential growth in the blockchain ecosystem.

Use of ETFs

- Exchange-Traded Funds (ETFs) play a key role in the fund's strategy, enabling diversification, efficient sector rotation, and tactical allocation. Through ETFs, the fund captures excess returns by targeting investment styles and factors such as Growth, Value, Momentum, Dividends, and Low Volatility.

Strategic Asset Allocation

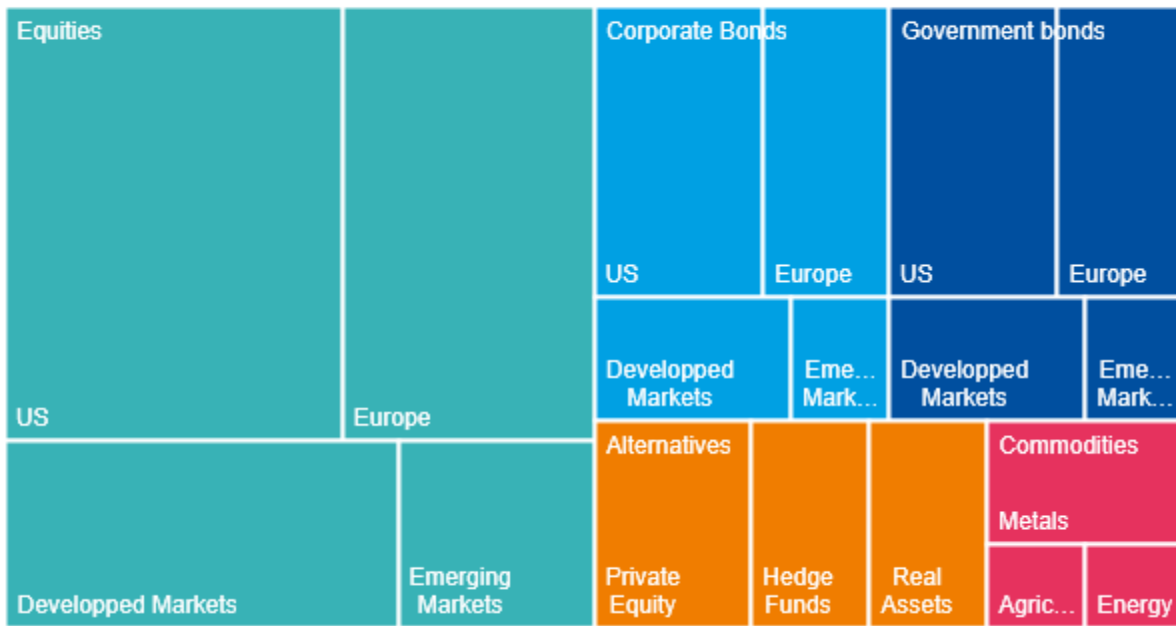


	Lower Bound	Target Weight	Upper Bound
Cash	0%	5%	10%
Corporate Bonds	10%	15%	20%
Government bonds	10%	15%	20%
Equities	35%	45%	55%
Commodities	0%	5%	10%
Alternatives	5%	10%	15%
Crypto	0%	5%	10%

The portfolio is designed with a well-diversified allocation across a range of asset classes, geographies, and investment styles to optimize risk-adjusted returns. By incorporating a mix of equities, fixed-income instruments, alternatives, commodities, and crypto assets, the fund ensures broad exposure to global markets while leveraging sector-specific opportunities. This strategic allocation framework balances growth potential with risk mitigation, enabling dynamic responses to evolving market conditions.

Strategic Asset Allocation

■ Corporate Bonds
 ■ Government bonds
 ■ Equities
 ■ Commodities
 ■ Alternatives
 ■ Crypto



Macroeconomic Analysis

Definition of macroeconomic trends and choice of strategic orientation

The process begins with a comprehensive market and economic outlook. For instance, assessing the implications of macroeconomic trends like U.S. economic resilience, interest rate expectations, and political factors such as election-driven risks help identify viable investment themes. One such idea could involve an equal-weight strategy on indices like the S&P 500 to mitigate sector concentration risks and capitalize on broad-based growth. This approach emphasizes diversification, reducing dependency on mega-cap stocks and offering resilience against volatility tied to stretched valuations.

Equity Screening

Our equity screening process leverages a disciplined and multi-faceted approach to identify high-potential investments, focusing on Mid- and Large-Cap stocks. This process is anchored in quantitative rigor and qualitative insights to ensure a balanced portfolio with attractive growth potential and resilient fundamentals.

Key Pillars of Screening:

1. Quantitative Screening

Stocks are assessed across three critical dimensions:

- **Valuation:** Ensures investments are made at compelling price points relative to intrinsic value.
- **Profitability:** Focuses on companies with strong earnings quality and efficient operations.
- **Capital Structure:** Prioritizes firms with healthy balance sheets and sustainable leverage levels.

2. ESG Integration

Environmental, Social, and Governance (ESG) factors are deeply embedded in our selection framework through two robust filters:

- **1st ESG Filter – Normative and Sectoral Exclusions:** Excludes companies that do not meet our ethical standards or operate in sectors misaligned with sustainability objectives.
- **2nd ESG Filter – Best-in-Class Ratings:** Selects companies with leading ESG ratings, ensuring investments align with sustainability leadership within their industries.

3. Quantamental Analysis

We integrate fundamental analysis with quantitative tools to refine investment decisions:

- **Fundamental Analysis:** Evaluates financial health through key metrics across four pillars—Valuation, Profitability, Sentiment, and ESG.
- **Technical Indicators:** Incorporates momentum analysis to identify stocks with strong market trends, enhancing timing and execution precision.

4. Equity Valuation Expertise

In-depth equity valuation reports developed by our experienced team guide investment selection, ensuring alignment with our long-term strategic objectives.

5. Portfolio Construction

A disciplined buy-and-sell framework ensures optimal risk-return trade-offs. This includes diversification strategies, sector allocations, and tactical adjustments based on market conditions. Portfolio optimization tools further enhance risk management while pursuing consistent alpha generation.

Bonds Screening

Our bond screening process is built on a rigorous and multidimensional framework to identify high-quality fixed-income opportunities that balance risk and return. Through comprehensive credit analysis, macroeconomic insights, and detailed relative value assessments, we aim to construct a resilient and optimized fixed-income portfolio.

Key Pillars of Bond Screening:

1. Credit Analysis

Our in-depth credit research process evaluates issuers based on a combination of financial and non-financial factors:

- **Financial Assessment:** Examines profitability, leverage, liquidity, capital structure, and asset quality.
- **Non-Financial Insights:** Incorporates industry dynamics, government support, company-specific strengths, and broader sector attributes.

This analysis culminates in an internal credit rating that serves as a cornerstone for our investment decisions.

2. Investment Ideas and Credit Beta

We generate targeted investment ideas by synthesizing macroeconomic trends and sector-specific insights. This allows us to:

- Identify core issuers and tactical opportunities.
- Focus on sectors with favorable outlooks.
- Spot candidates for rating upgrades.
- Implement strategies to mitigate the risk of potential downgrades.

3. Relative Value Analysis

Our relative value framework assesses bonds through two key lenses:

- **Fundamental Benchmarking:** Compares issuers within similar sectors to evaluate financial health and creditworthiness.

- **Valuation Benchmarking:** Analyzes bond yields and credit spreads to identify securities with attractive risk-reward profiles.

This ensures that portfolio allocations are aligned with market dynamics and value opportunities.

Targeted Metrics for Portfolio Monitoring:

To maintain a well-balanced and responsive portfolio, we actively monitor critical metrics such as:

Duration: Ensuring alignment with interest rate expectations and portfolio objectives.

Maturity: Balancing short- and long-term exposures to optimize yield and manage reinvestment risk.

Sensitivity: Managing portfolio exposure to changes in market conditions.

Rating: Ensuring a high-quality credit profile and compliance with investment-grade mandates.

Through this disciplined approach, our bond screening process integrates macroeconomic and microeconomic insights to deliver a fixed-income portfolio that is resilient, diversified, and positioned for consistent risk-adjusted returns.

ETFs/Funds Screening

• Quantitative Analysis:

- **ETF Basics:** Assessing the fund provider, domicile, UCITS compliance, and benchmark index. ETFs tracking widely recognized indices (e.g., S&P 500 Equal Weight Index) with transparent structures are preferred.
- **Performance Metrics:** Examining total returns over multiple time horizons (YTD, 1 year, 3 years) and comparing them to benchmarks. Metrics like the Sharpe ratio and tracking error are vital to understanding risk-adjusted performance and the consistency of tracking the benchmark.
- **Cost Efficiency:** Evaluating expense ratios and other costs like bid-ask spreads. Low-cost ETFs are generally preferred, as they enhance long-term net returns.

- **Risk Assessment:** Measuring volatility, beta, and maximum drawdowns (MDD) to determine the ETF's risk profile. Low volatility and a beta close to 1.0 suggest that the ETF moves in tandem with the benchmark without significant deviations.

- **Qualitative Analysis:**

The final layer of analysis involves evaluating qualitative factors to ensure the ETF fits within the portfolio's overall strategy and adheres to non-financial goals such as ESG priorities.

- **Sustainability:** Analyzing ESG scores and compliance with SFDR regulations (e.g., Article 6 or 8). Selecting ETFs with strong ESG credentials aligns with growing investor demand for sustainable investing.
- **Sector and Geographic Exposure:** Reviewing the ETF's sector allocation (e.g., IT, Healthcare, Financials) and country exposure (e.g., U.S.-dominant vs. international diversification). Balanced exposure reduces concentration risk while maximizing growth potential in diverse markets.
- **Top Holdings:** Evaluating the concentration of the largest holdings. An ETF with excessive exposure to a few stocks may carry higher idiosyncratic risk, contrary to the diversification goal.

Effective risk management is at the heart of our investment process, ensuring that portfolio construction and performance objectives align with prudent risk practices. By leveraging advanced tools, proactive monitoring, and a disciplined approach, we strive to mitigate downside risks while pursuing consistent and sustainable returns.

Key Pillars of Risk Management:

1. Risk Identification and Monitoring

Comprehensive risk analysis is conducted across asset classes, sub-asset categories, and individual securities.

Ongoing monitoring tracks risk exposure against predefined thresholds to ensure alignment with portfolio objectives.

2. Advanced Risk Tools

We utilize a range of sophisticated analytical tools, including:

Stress Testing: Simulates portfolio resilience under adverse market conditions.

Value at Risk (VaR): Quantifies potential losses under normal market scenarios.

Quantitative Optimization Models: Enhances portfolio construction to achieve optimal risk-return balance.

3. Integrated Risk Management Approach

Market Risk: Managed through active monitoring of market fluctuations, tactical asset allocation, and targeted hedging strategies using derivatives or hedged ETFs.

Credit Risk: Mitigated by maintaining a diversified issuer base, prioritizing investment-grade securities, and implementing stringent selection criteria.

Liquidity Risk: Addressed by ensuring the portfolio holds sufficient liquid assets to meet redemption and rebalancing needs without impacting performance.

Operational Risk: Reduced through robust internal controls, automated processes, and ongoing training for team members.

Portfolio Risk Controls:

1. Diversification Guidelines:

Maximum exposure per sector: 15%

Maximum exposure per region: 30%

Maximum exposure per single asset: 5%

2. Hedging Strategies:

Active currency hedging for international exposure using hedged ETFs and derivatives to reduce volatility from foreign exchange fluctuations.

Performance Goals and Benchmarks:

Annualized Return Target: 5%–7%, reflecting a balance between growth and risk mitigation.

Benchmark Allocation:

- **55%:** MSCI World / MSCI ACWI (Equities)
- **20%:** JP Morgan GBI Global Govies (Sovereign Bonds)
- **20%:** Bloomberg Global Aggregate Corporate Bond Index (Corporate Bonds)
- **5%:** Bloomberg Commodity Index (Commodities)

Focus Areas for Risk Mitigation:

Dynamic Allocation: Regular portfolio reviews and rebalancing ensure alignment with evolving market conditions and risk tolerances.

Scenario Planning: Forward-looking scenarios guide decision-making under uncertainty, balancing growth opportunities with protective strategies.

Proactive Communication: Clear and transparent reporting keeps stakeholders informed of portfolio risk exposures and management actions.

By embedding risk management into every stage of the investment process, we ensure the portfolio remains resilient against market volatility, aligned with investor objectives, and optimized for long-term success.

ESG Screening Criteria

Our ESG Screening Process commits to achieving relevant ESG ambitions through various approaches of positive and negative screening, spanning both equity and fixed income, while preserving the diversity of the portfolio.

This ESG strategy is based on five main pillars, forming the first step and thus the first filter of our investment process (both equity and bond); allowing us to define our investable universe while taking into account Environmental, Social, and Governance stakes which are in the thick of our investment philosophy.

ESG Approach

Best In Class: Strategy which consists in a selection within each sector of companies with the best ESG ratings (based on Morningstar Sustainability Rating).

Sectorial and Normative Exclusion: Combining sectorial and normative exclusion to define an ESG friendly framework in line with our vision of ethics and environmental principles.