



Presentation to:

**San Bernardino County
Employees' Retirement Association
Investment Committee**

July 14, 2020

We are Emerging Markets®

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San Bernardino County Employees' Retirement Association

Investment Committee Agenda

Agenda

Gramercy Firm Overview (Page 3)

- Our Mission is to positively impact the well-being of our clients, portfolio investments and team members.

SBCERA MCA: Multi-Asset Portfolio Review (Page 6)

- This year has proven the importance of dynamic asset allocation in EM. Over the past three quarters, we have relied upon an active approach to be defensive, offensive and now defensive again.

Emerging Markets Outlook (Page 17)

- Our top down asset allocation is anchored in two objectives:
 1. Capturing the upside that is present in the markets.
 2. Doing so in a fashion that relies upon warranted risk management for preservation of capital.
- Our strategy seeks resilience in turbulent times, optionality on multiple market outcomes and agility to pounce when asymmetric opportunities present themselves.



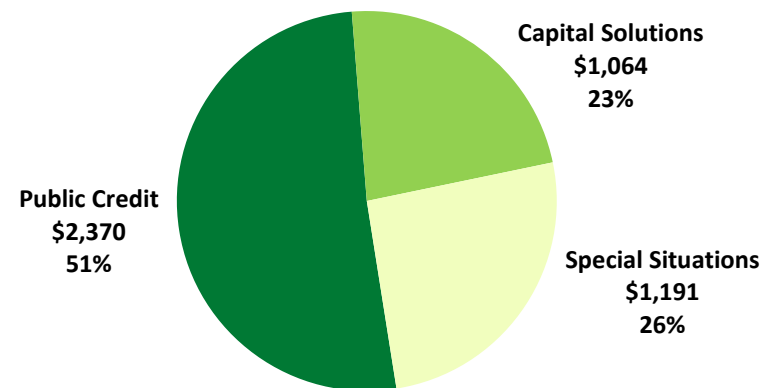
Gramercy Firm Profile

Gramercy is a \$4.6 billion global asset management firm dedicated to emerging markets (“EM”)

Gramercy at a Glance

- Founded in 1998
- Headquartered in Greenwich, CT
- Offices in London and Buenos Aires
- 56 employees, 27 investment professionals
- SEC registered since 2000
- Best in class suite of institutional service providers

Assets by Capability (\$MM)



Customized Multi-Asset Solutions

Capital Solutions

Private Credit
Opportunities

Public Credit

Long-Only & Dislocated
/ Performing Credit
Opportunities

Special Situations

Idiosyncratic
Opportunities

*As of June 30, 2020. *Reflects holdings-level transparency into funds and separate accounts that employ multiple strategies. Assets counted by funds' and separate accounts' primary strategy are: Public Credit \$3.3BN, Special Situations \$0.7BN and Capital Solutions \$0.6BN.*

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Gramercy Professionals

Investment Team Leadership

Chief Investment Officer

Robert Koenigsberger

Managing Partner | Chief Investment Officer
33 Years Experience | Greenwich

Senior Advisor

Mohamed A. El-Erian

Senior Advisor
37 Years Experience

Public Credit

Bradshaw McKee

Partner
Head of Credit & Co-Head of Capital Solutions
27 Years Experience | Greenwich

Matthew Maloney, CFA

Partner
Head of Alternatives & Trading, Senior Portfolio Manager
20 Years Experience | Greenwich

Philip Meier

Managing Director
Head of EM Debt, Portfolio Manager
13 Years Experience | London

Capital Solutions (Private Credit)

Gustavo Ferraro

Partner
Co-Head of Capital Solutions & Head of LatAm Markets
33 Years Experience | Greenwich

Bradshaw McKee

Partner
Head of Credit & Co-Head of Capital Solutions
27 Years Experience | Greenwich

Javier Ledesma-Arocena

Managing Director
Head of Southern Cone
19 Years Experience | Buenos Aires

Special Situations

James P. Taylor

Partner
Head of Special Situations
18 Years Experience | Greenwich



Gramercy Professionals

Research Team

Global Footprint: Regionally-focused teams combined with a unique local network built from years of distressed debt restructurings.

Public Credit

Belinda Hill, CFA[^]

Managing Director | Portfolio Manager
(EM Debt) & Research Analyst
Region: Global
Focus: Financials, Consumer Goods
18 Years Exp. | Greenwich

Matthew Christ

Managing Director | Research Analyst
Region: Latin America
Focus: Infrastr., Soft Commodities
15 Years Exp. | Greenwich

Petar Atanasov

Senior Vice President | Sovereign Analyst
Region: Global
11 Years Exp. | Greenwich

Kathryn Exum

Senior Vice President | Sovereign Analyst
Region: Global
10 Years Exp. | Greenwich

Tolu Alamutu

Senior Vice President | Research Analyst
Region: Global
Focus: Generalist
18 Years Exp. | London

James Barry

Vice President | Research Analyst
Region: CEEMEA / Asia
Focus: Generalist
8 Years Exp. | London

Juan Ocampo

Vice President | Research Analyst
Region: Global
Focus: Generalist
6 Years Exp. | Greenwich

Cyrus Shahabi

Associate | Research Analyst
Region: Global
Focus: Generalist
6 Years Exp. | Greenwich

Julia Madden

Associate | Research Analyst
Region: Global
Focus: Generalist
3 Years Exp. | Greenwich

Thomas Wright

Associate | Research Analyst
Region: Global
Focus: Generalist
2 Years Exp. | Greenwich

Capital Solutions

(Private Credit)

Gian Marco Maltoni

Managing Director | Latin American Markets
Region: Latin America
17 Years Exp. | Buenos Aires

Tomas Serantes

Managing Director | Capital Solutions Structurer
Region: Latin America
17 Years Exp. | Buenos Aires

Lisandro Muller

Senior Vice President | Research Analyst
Region: Global
10 Years Exp. | Greenwich

Felipe Alonso

Vice President | Research Analyst
Region: Latin America
8 Years Exp. | Mexico

Special Situations

Nicholas Paolazzi, CPA

Managing Director | Head of Financial Analysis
Region: Global
11 Years Exp. | Greenwich

Thomas Norgaard, Esq.

Managing Director | Director of Latin American
Investment Development
Region: Latin America
15 Years Exp. | Greenwich

Andrew Klugman, CPA, CFA

Senior Vice President | Research & Financial
Analysis
Region: Global
Focus: Energy, Utilities
9 Years Exp. | Greenwich

[^]Responsibilities divided between Portfolio Management and Corporate Research.
As of July 1, 2020.



SBCERA MCA: **Multi-Asset Portfolio Review**



SBCERA MCA

Investment Process

- Objective** The investment objective is to deliver high, uncorrelated returns that are tail risk aware.
- Strategy** Capitalizes on Gramercy's highest conviction ideas through an unconstrained multi-strategy approach to emerging markets.
- Construction** Diversifies across investment strategies and asset classes, dynamically implementing both tactical and opportunistic concentrations.

1 Core Investment(s)

Tactical allocations across Gramercy's capabilities

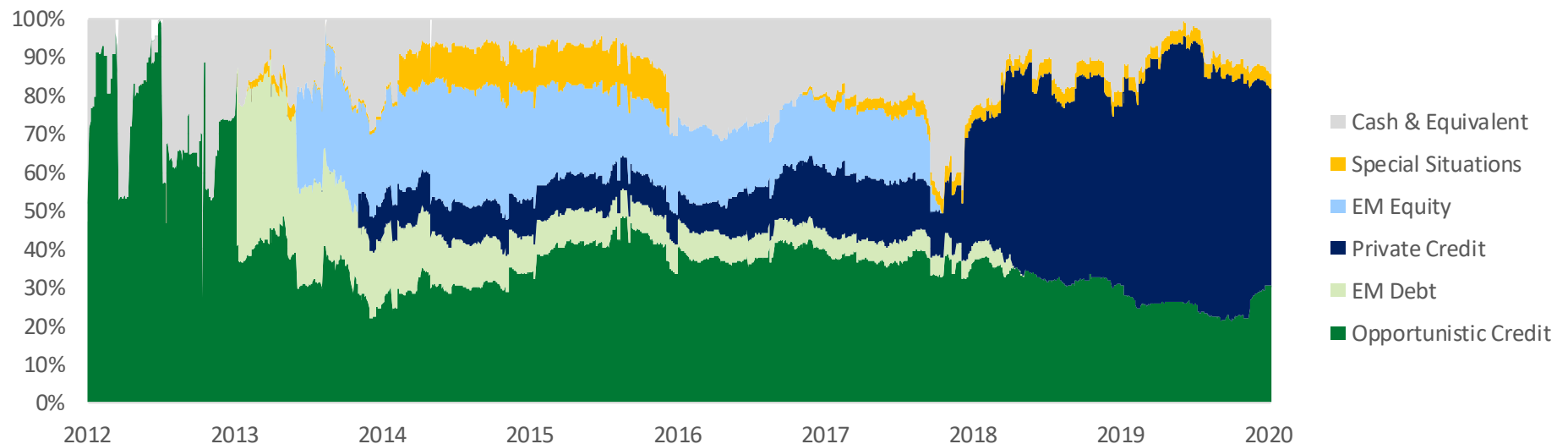
- Private Credit
- Opportunistic Credit
- Special Situations (Litigation Claims, Bespoke Finance)
- IG and HY Credit (EM Debt)
- EM Equity

2 Add/Remove High Conviction Opportunities

Realize and redeploy to compelling opportunities from

- Existing capabilities that are tactically favorable
- High conviction opportunistic over-weights
- New opportunities (Gramercy will continue to actively cultivate investment capabilities to ensure comprehensive coverage of the evolving emerging markets opportunity set).

Historical Asset Allocation (Long)



As of June 30, 2020. Holdings are subject to change.

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SBCERA MCA

Investment Process

Portfolio Construction

ALLOCATION / INCLUSION-ELIMINATION

MCA LEADERSHIP TEAM

Robert Koenigsberger

Managing Partner,
Chief Investment Officer
(Lead Portfolio Manager)

Mohamed A. El-Erian

Senior Advisor

SELECTION / VETTING

VERTICAL HEADS (CAPABILITY PORTFOLIO MANAGEMENT)

Public Credit

Bradshaw McKee
Matthew Maloney, CFA
Philip Meier

Capital Solutions

Gustavo Ferraro
Bradshaw McKee

Special Situations

James P. Taylor

IDEA GENERATION

INVESTMENT RESEARCH | SOURCING | STRUCTURING

Corporate Research	Sovereign Research	Private Credit Structuring	Special Situations Sourcing	Top Down Research
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FORMAL COLLABORATION

Top-Down Committee

Participants

- Senior Investors
- Sovereign Research

Function

- Macro themes
- Quant-informed

Frequency

- Formal monthly meeting
- Daily analytics/ dialogue

Asset Allocation Committee

Participants

- CIO
- Vertical Heads

Function

- Assess themes
- Determine allocations

Frequency

- Formal monthly meeting

Global Research Committee

Participants

- All:
- PMs
 - Traders
 - Research

Function

- Investment proposals
- Portfolio review

Frequency

- Formal weekly meeting

Daily Morning Updates

Participants

- All:
- PMs
 - Traders
 - Research

Function

- Update on:
- Markets
 - Positions
 - Action items

Frequency

- Formal daily meeting

Risk Committee

Participants

- Senior Investors
- Non-Investment members

Function

- Stress/ scenario analysis
- Dashboards

Frequency

- Formal monthly meeting
- Daily analytics/ dialogue

INFORMAL COLLABORATION

Open architecture encourages constant collaboration and real-time communication across all teams.



SBCERA MCA

Overview & Results

Overview

- The MCA achieves customized and efficient access to diversified alpha streams from Gramercy's emerging markets capabilities by combining fund/strategy investments, high conviction direct co-investments, and a customized hedge in a single, comprehensive portfolio.

Results

- The MCA has delivered diversification through an uncorrelated and differentiated emerging markets alpha stream.
- Consistent alpha, low correlation/beta and muted down market capture explain the multi-strategy approach to EM.
- The MCA acts as a diversifier to a broad portfolio as well as any sub-sleeve (e.g. EM, opportunistic, global, domestic).

Relative Performance Comparison

Since Inception (6/20/2012-6/30/2020)	SBCERA MCA (Net of Fees)	EM Index (60% Equity / 40% Debt)
Performance		
Cumulative	63.1%	25.6%
Annualized	6.3%	2.9%
Absolute Statistics		
Volatility	7.4%	12.6%
Sharpe Ratio	0.74	0.17
Relative Statistics		
Annualized Alpha	5.5%	-
Beta	0.26	-
Correlation	0.45	-
Upside Capture	39%	-
Downside Capture	6%	-

60EME/40EMD = 60% MSCI Emerging Market Index, 20% JPMorgan Emerging Markets Bond Index and 20% JPMorgan GBI-Emerging Markets Bond Global Diversified Index.

Past performance is not necessarily indicative of future results. Performance is stated net of fees and capped expenses (applied at the MCA Master level). Performance is a time-weighted rate of return based on drawn capital from capital calls, subsequent closings since inception, and other contributions. Performance is calculated on a total return basis (i.e. includes the reinvestment of earnings, dividends, interests, etc.).

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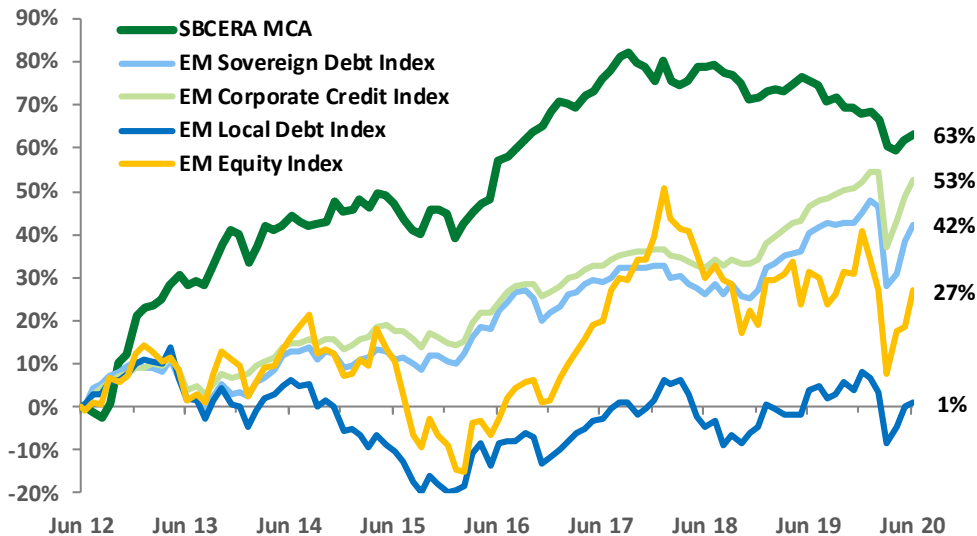
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SBCERA MCA Performance

Since Inception (June 21, 2012) to June 30, 2020 | Net of Fees

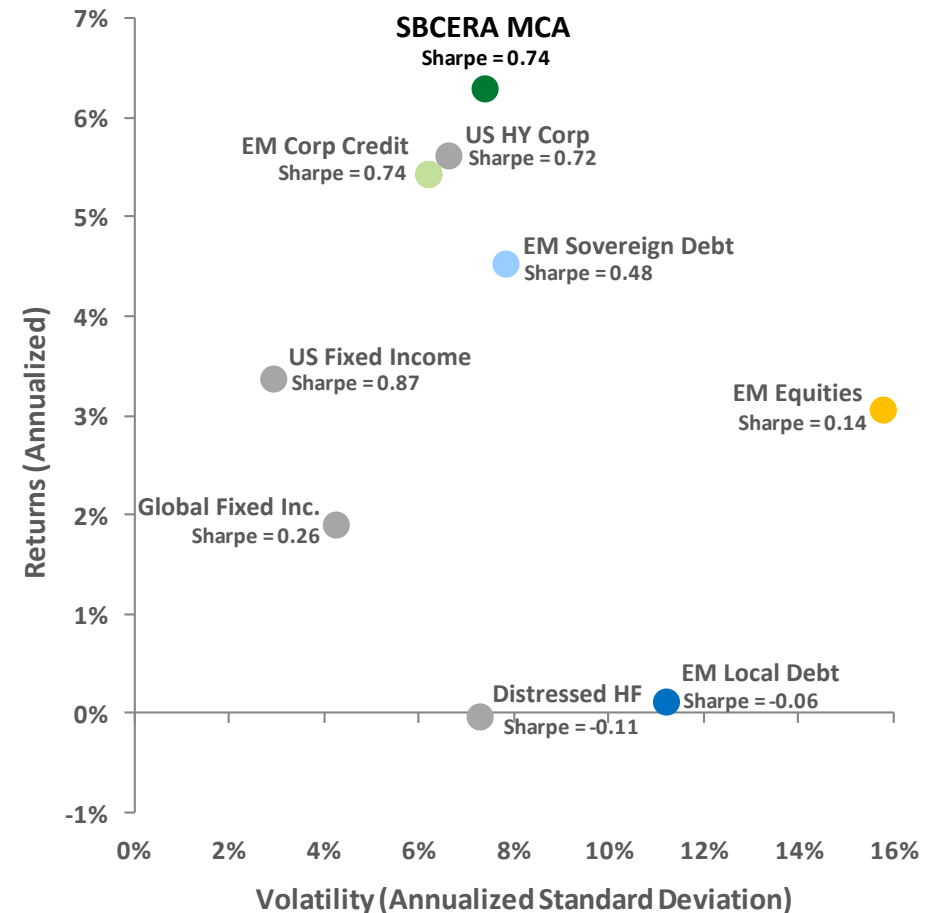
Cumulative Total Return on Drawn Capital



Summary Statistics

	Cumulative	Annualized	Volatility	Sharpe Ratio
SBCERA MCA	63.1%	6.3%	7.4%	0.74
EM Sovereign Debt Index	42.3%	4.5%	7.9%	0.47
EM Corporate Credit Index	52.7%	5.4%	6.3%	0.74
EM Local Debt Index	1.0%	0.1%	11.3%	-0.06
EM Equity Index	26.9%	3.0%	15.8%	0.14

Returns vs. Volatility



Index performance utilized: EM Sovereign Debt = JPM EMBIG Index, EM Corporate Credit = JPM CEMBI Diversified Index, EM Local Debt = JPM GBI-EM Global Diversified Index, EM Equities = MSCI Emerging Markets Index, US Fixed Income = Bloomberg US Aggregate Index, Global Fixed Income = Bloomberg Global Aggregate Index and US HY Corp = Bloomberg US Corporate High Yield Index. Past performance is not necessarily indicative of future results. Performance is a time-weighted rate of return based on drawn capital from capital calls, subsequent closings since inception, and other contributions. Performance is calculated on a total return basis (i.e. includes the reinvestment of earnings, dividends, interests, etc.).

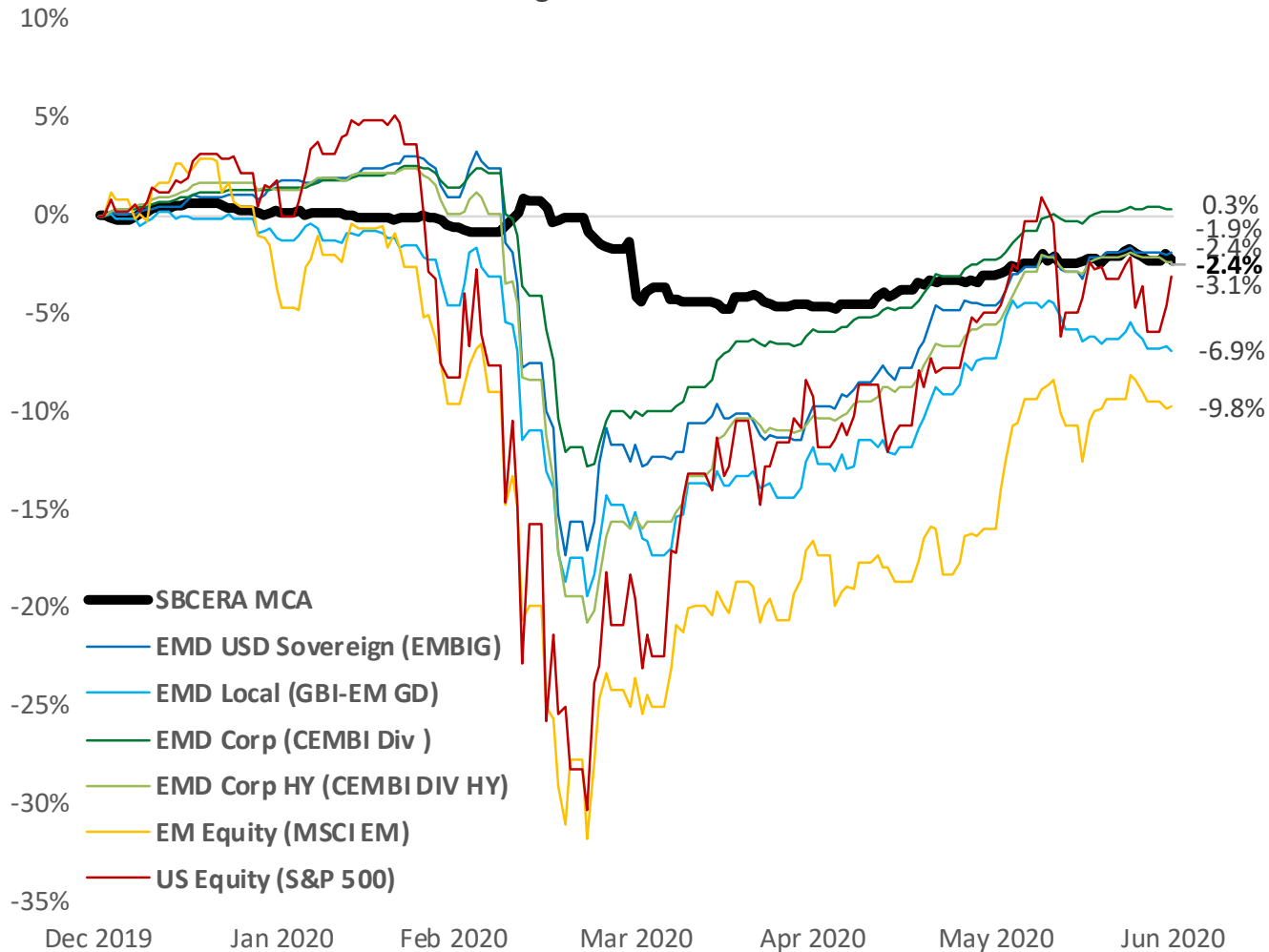
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SBCERA MCA

Performance During COVID Drawdown

SBCERA MCA vs. Market Indices Year-to-Date 2020 (January 1, 2020 to June 30, 2020) | Net of Fees

2020 Performance:
Shallow Drawdown Resulting from SBCERA MCA's Absolute Return Focus

2020 Peak-to-Trough Drawdown

SBCERA MCA	-5.7%
EMD Corp (CEMBI Div)	-14.9%
EMD Local (GBI-EM GD)	-19.6%
EMD USD Sovereign (EMBIG)	-20.0%
EMD Corp HY (CEMBI Div HY)	-22.7%
EM Equity (MSCI EM)	-33.7%
US Equity (S&P 500)	-33.8%
Brent Spot Oil Price	-74.9%

SBCERA MCA Contribution During Selloff (2/19/20 to 3/23/20)

Gross of Fees	Contribution
Global Hedge	+4.9%
CDS	+2.6%
Credit	+1.6%
Equity	+0.7%
FX	+0.1%
Commodity	+0.1%
Rates	-0.0%
Special Situations	+0.0%
Cash	-0.0%
Capital Solutions	-0.4%
Corporate	-0.6%
Equity	-2.1%
Sovereign	-2.5%
Total	-0.7%

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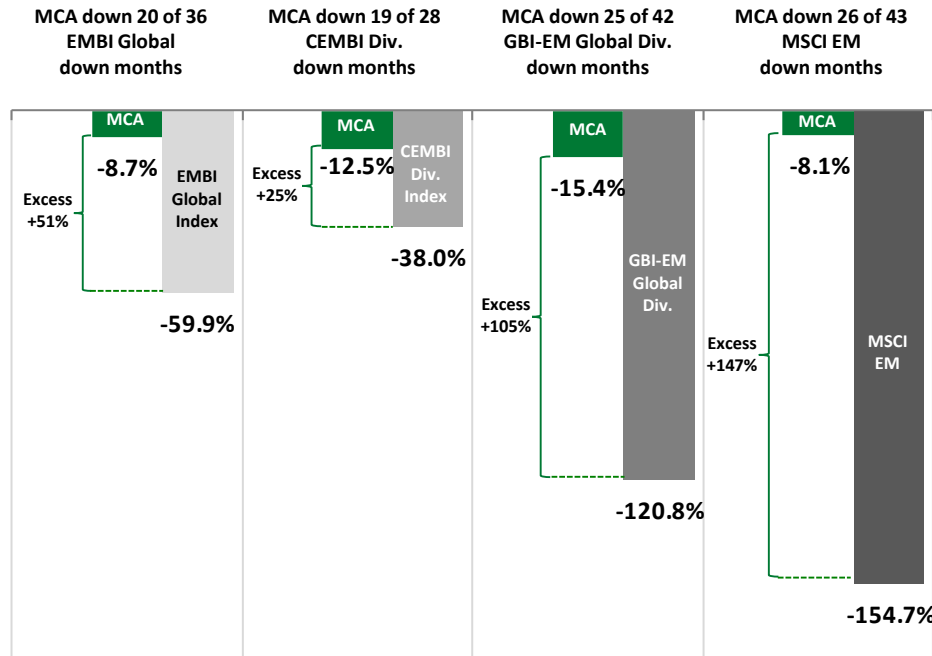


SBCERA MCA

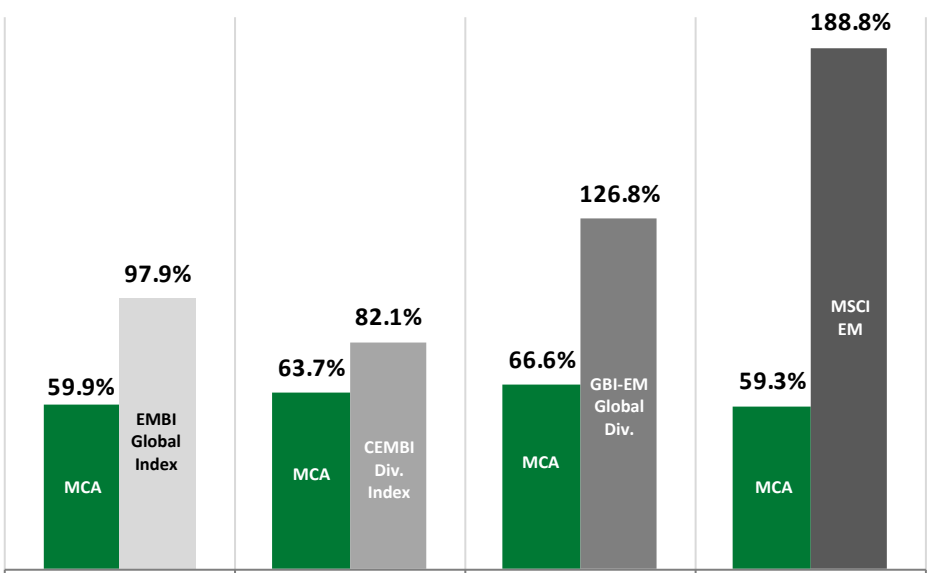
Performance in Up and Down Markets

SBCERA MCA | 97 Months Since Inception (June 21, 2012 to June 30, 2020) | Net of Fees

Cumulative Returns in Months When Market Index is Negative



Cumulative Returns in Months When Market Index is Positive



Summary Statistics: All Periods

	SBCERA MCA	EMBI Global Index	CEMBI Diversified Index	GBI-EM Global Diversified Index	MSCI EM Index
Annualized Return	6.3%	4.5%	5.4%	0.1%	3.0%
Correlation vs. MCA	-	0.37	0.37	0.40	0.44
Volatility	7.4%*	7.9%	6.3%	11.3%	15.8%
Sharpe Ratio	0.74	0.48	0.74	-0.06	0.14

*Downside volatility = 3.7%, upside volatility = 6.3%.

Cumulative returns are arithmetic sums. Past performance is not necessarily indicative of future results. Performance is a time-weighted rate of return based on drawn capital from capital calls, subsequent closings since inception, and other contributions. Performance is calculated on a total return basis (i.e. includes the reinvestment of earnings, dividends, interests, etc.).

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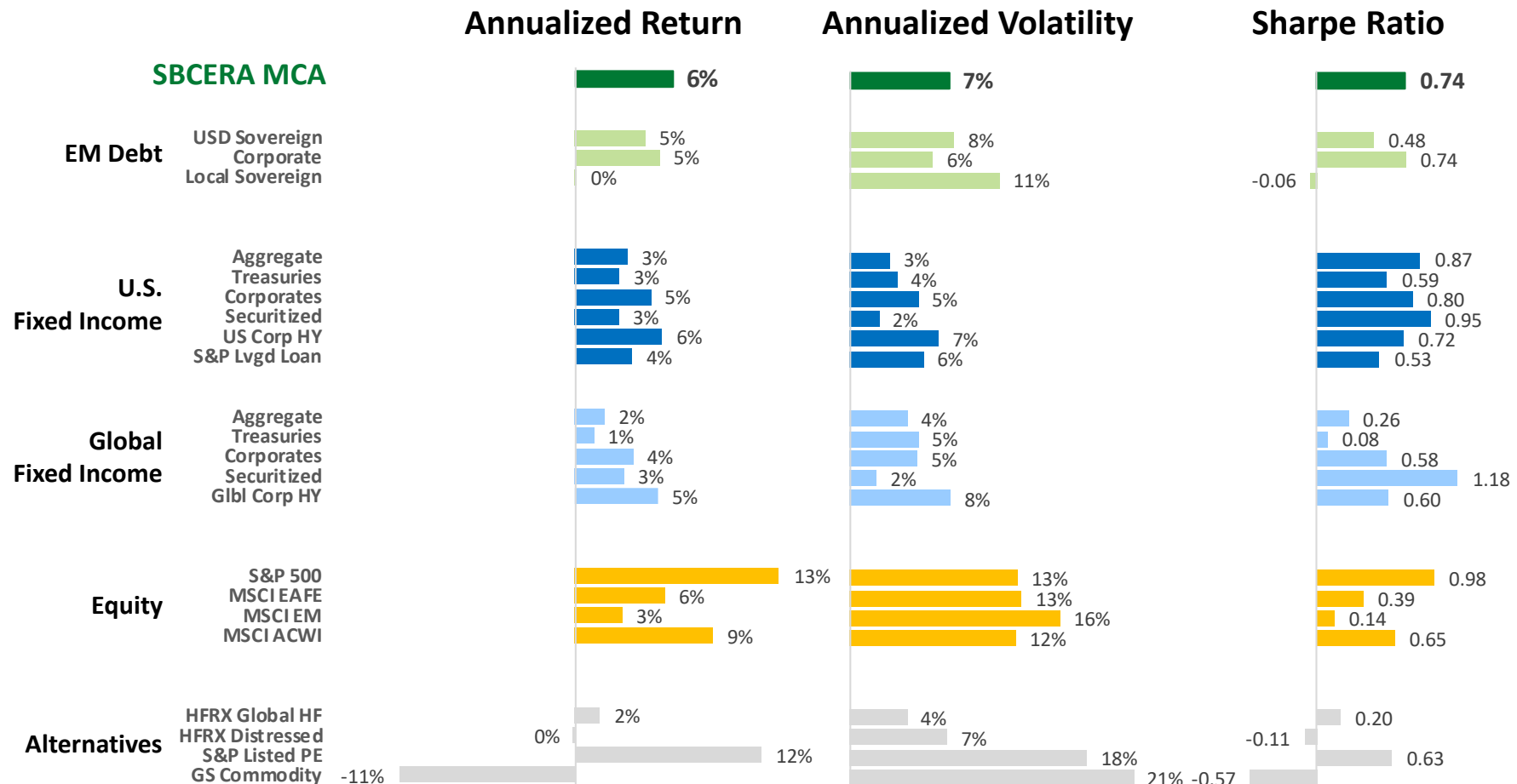
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SBCERA MCA

Index Performance Comparison - Absolute

Index Performance Comparison – Absolute Since Inception (June 21, 2012 to June 30, 2020) | Net of Fees

Strong risk-adjusted returns:



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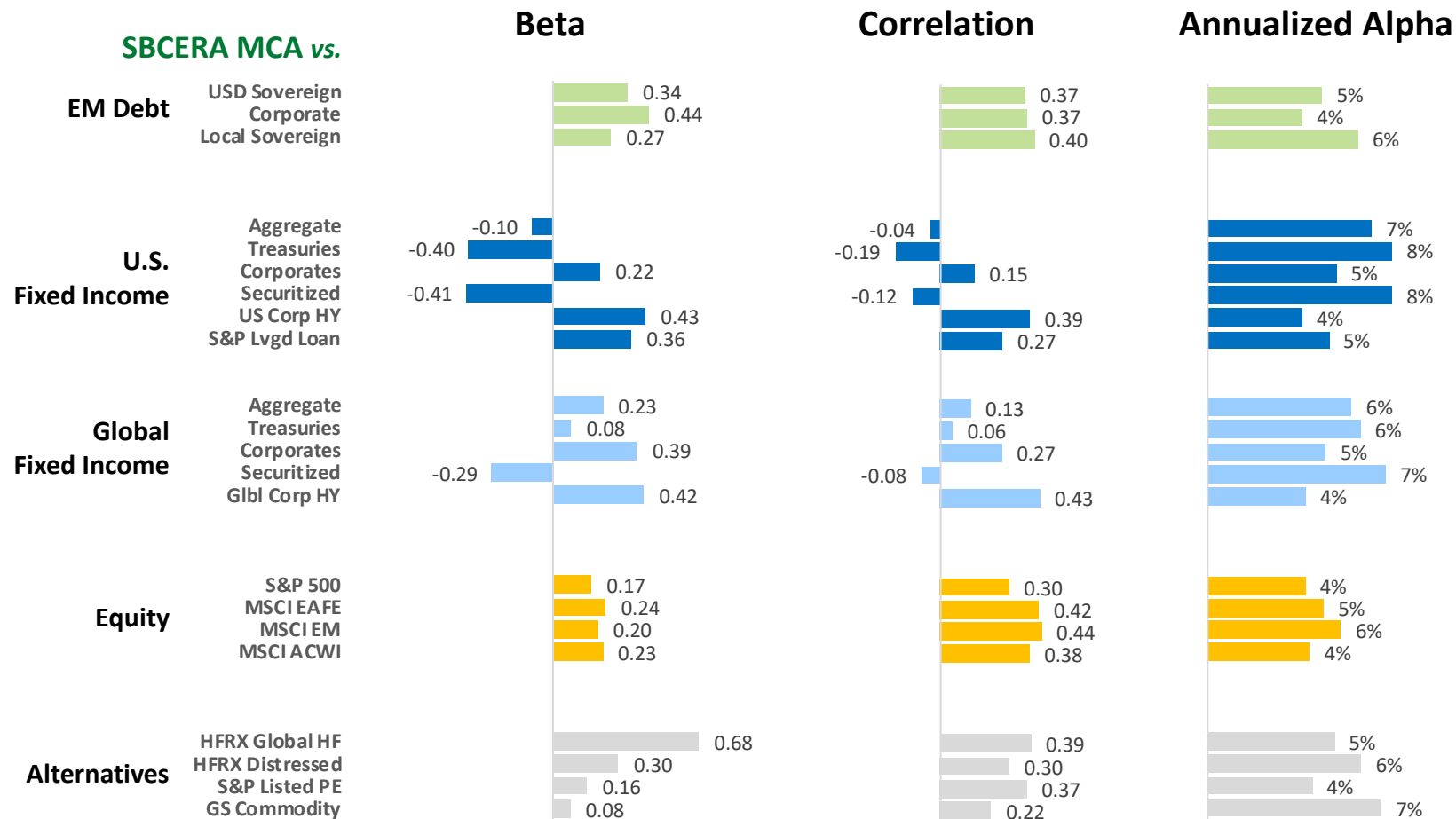
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SBCERA MCA

Index Performance Comparison – Relative

Index Performance Comparison – Relative Since Inception (June 21, 2012 to June 30, 2020) | Net of Fees

Provides value (alpha) and diversification (low correlation) versus major asset classes:



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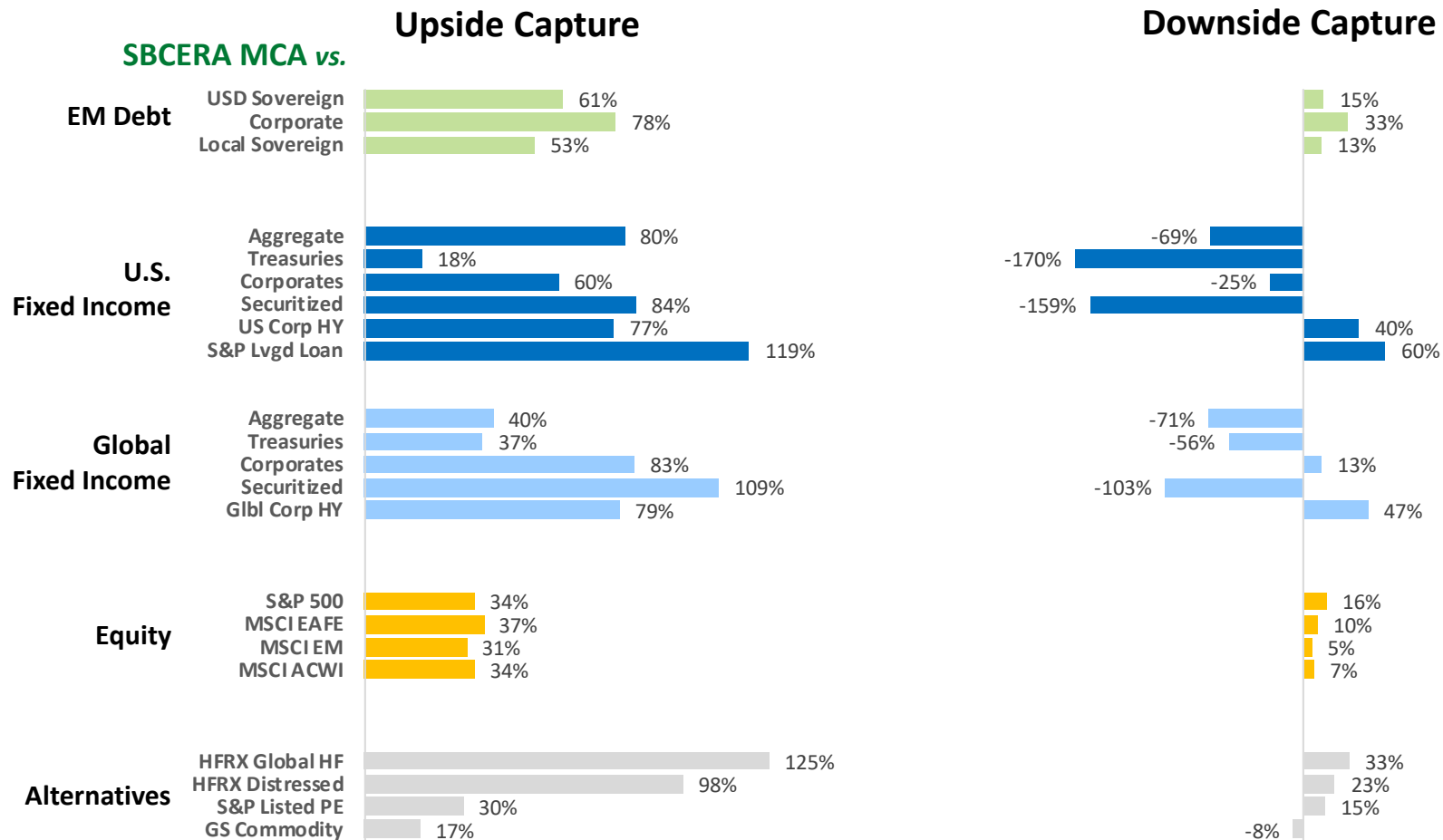
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SBCERA MCA

Index Performance Comparison – Capture

Index Performance Comparison – Capture Since Inception (June 21, 2012 to June 30, 2020) | Net of Fees

Value-oriented, risk-controlled strategy seeks attractive risk/reward profile with downside protection:



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Emerging Markets Outlook

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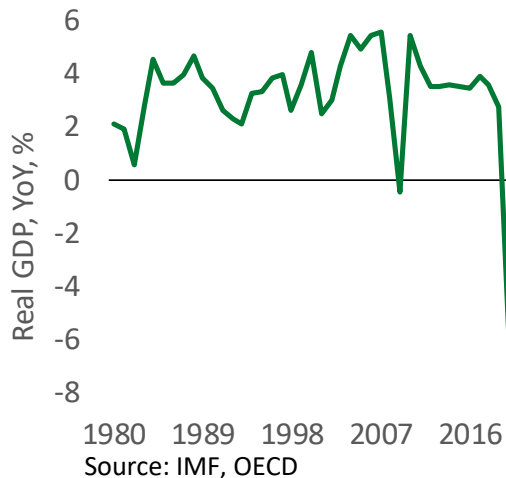


Emerging Markets Outlook

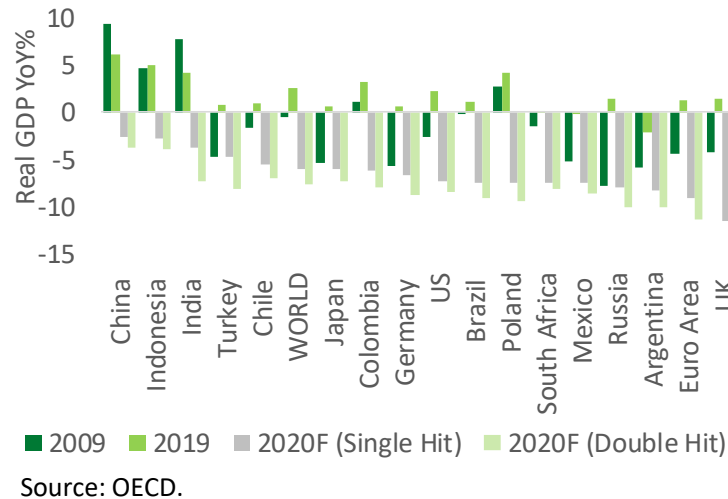
Top-Down Themes

Theme 1: Progression of the pandemic and the global economic outlook

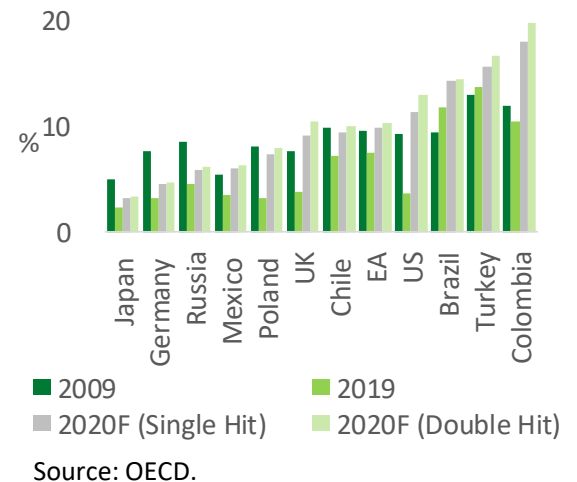
The global economy is experiencing the deepest decline in recent history.



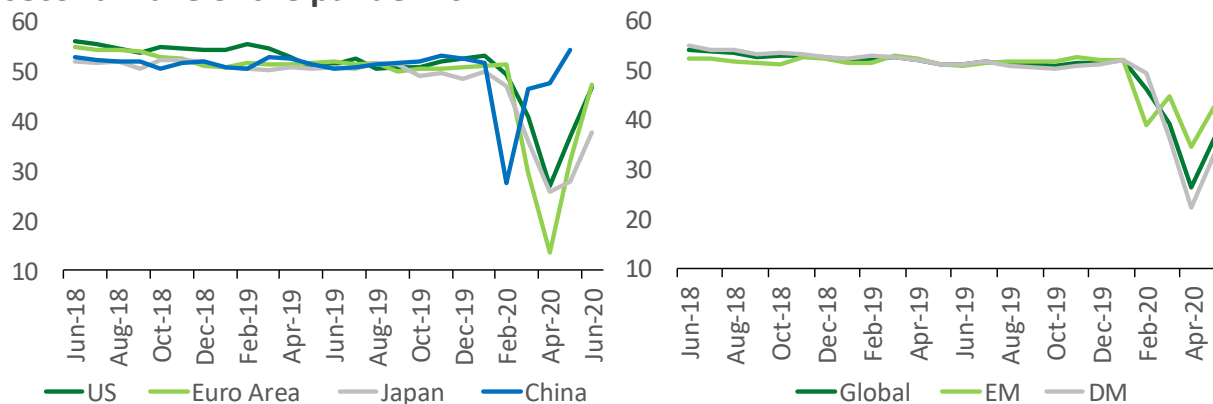
Unprecedented economic contraction across the board in EM and DM...



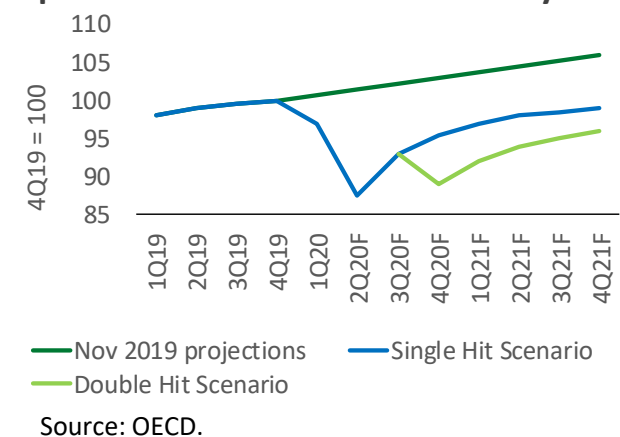
...creating a negative feedback loop with soaring unemployment.



Global PMIs have rebounded, but a firmer recovery hinges on avoiding a second wave of the pandemic.



Global GDP will not recover to pre-pandemic levels for at least two years.





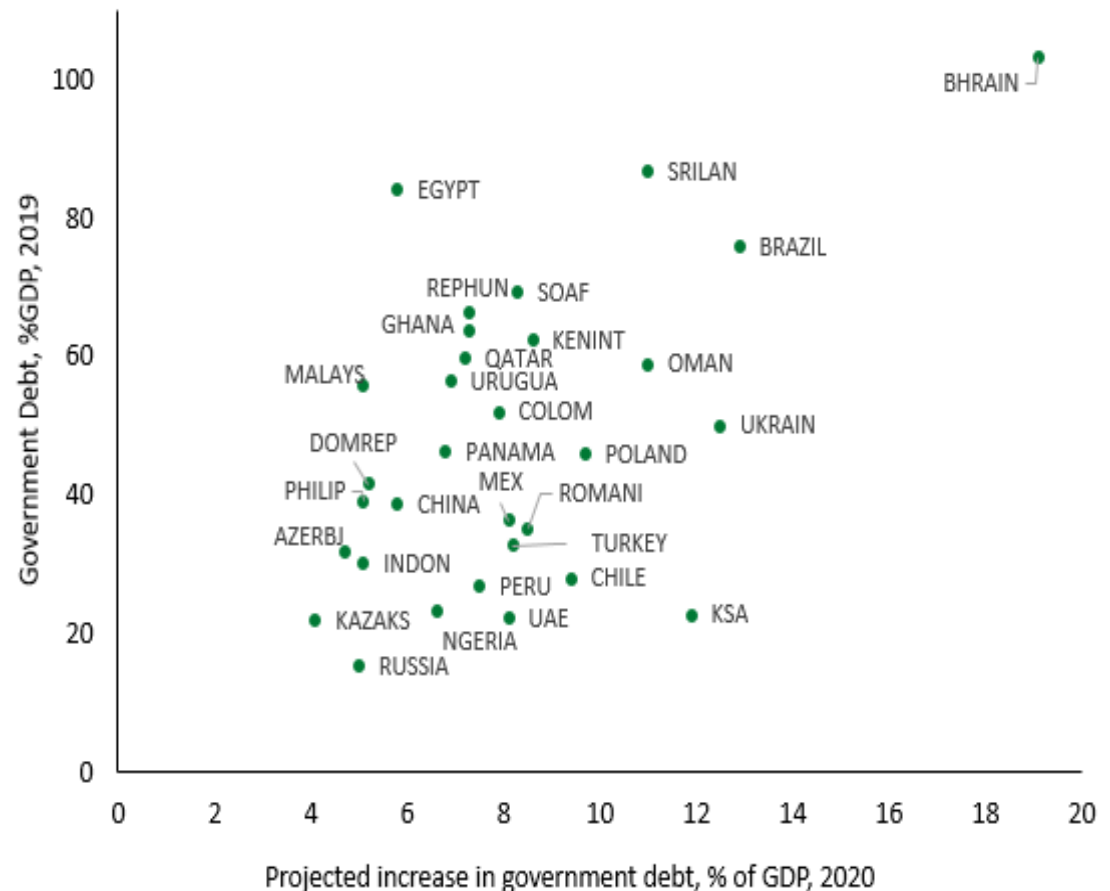
Emerging Markets Outlook

Top-Down Themes

Theme 2: Policy backstops, fiscal space and EM debt sustainability

- Despite the powerful mitigating factor of unprecedentedly low interest rates, we still worry that the significant increase in **EM debt burdens in 2020 could push a few more sovereign balance sheets closer to a breaking point.**
- The availability of **fiscal space and external buffers** in the form of international reserves to cushion the economic shock caused by the pandemic should be the **key credit quality differentiator** for EM sovereigns in 3Q and beyond.
- **Governments that entered the crisis with prudent fiscal policy** frameworks and sizable buffers will have a **clear advantage over their peers.**
- On the opposite side of the spectrum, the **economic shock will crystalize the vulnerabilities of sovereigns with “pre-existing conditions,”** especially in the form of stretched public finances and low international reserves relative to their economies’ short-term external obligations.

As fiscal stimulus unfolds and growth collapses, EM sovereign debt burdens will see material increases in 2020.



Source: Moody's, Gramercy.



Emerging Markets Outlook

Top-Down Themes

Theme 3: Shifting paradigms

Key differences from the pre-crisis paradigm are multi-faceted and evolving and will likely include:

- Higher debt and less fiscal space globally
- Deepened focus on resilience and protection of global supply chains which amplifies de-globalization efforts
- Deeper entanglement of the state in the private sector and social and political implications which will likely shape future elections and policy

In the immediate near-term, we are seeing a risk of re-escalation of U.S.-China tensions in the run-up to the U.S. election in November and especially if virus resurgence concerns fade.



Emerging Markets Outlook

Optimal Asset Allocation Amid Paradigm Shift

Dual objectives amid the paradigm shift:

1. Capture upside present in the markets
2. Rely upon warranted risk management for preservation of capital

In order to capture the proper ROA (return on assets) we anchor our approach on ROA (resilience, optionality and agility), seeking:

- Resilience in turbulent times
- Optionality on multiple market outcomes
- Agility to pounce when asymmetric opportunities present themselves

Our asset allocation approach seeks to both deliver on FOMO and to prepare us for the challenges we foresee.



Emerging Markets Outlook

EM Optimal Asset Allocation Amid Paradigm Shift

Private Credit Opportunities

On one end of the barbell, we seek higher-quality credit that can weather bouts of volatility and fundamental deterioration. Highly secured, structured private credit remains high on our preferences when seeking higher quality credit.

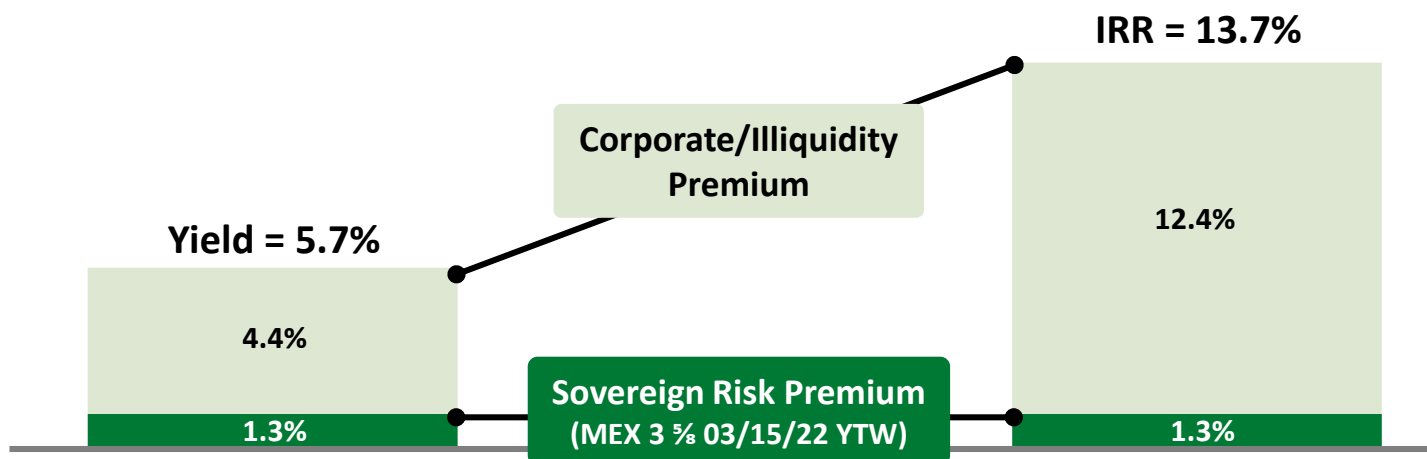
- Pre-COVID-19, we saw little competition in private credit, providing an opportunity to secure attractive terms. Today, the marginal cross-over investor has retreated to their home market. As a result, we are seeing unique opportunities for (1) rescue financing, (2) development of our lending platforms across EM which create local presence, scale and barriers to entry, and (3) one-off private financing with outsized returns and significant downside protection through non-correlated collateral.

Public Credit Example

Company Petroleos Mexicanos (Pemex)
Industry Oil & Gas Exploration & Production
Coupon 4% **Maturity** 1/24/22 **Price** 99
Collateral None
Yield to Worst 5.7%
Ranking Unsecured

Private Credit Example

Company GraMex
Industry Oil & Gas Services
Term 12 Months (on rolling basis under 2-year commitment)
Collateral ~50% LTV
ITD IRR (Gross of Fees): 13.7%
Ranking Senior Secured



Source: Bloomberg, Gramercy. As of June 30, 2020. Provided for informational purposes only and intended to illustrate an investment approach. The selected investments may be more favorable than the other investments made by Gramercy or that will be made by the fund and such investments are not representative of the investments that will be made by the strategy. Gross IRRs do not take into account performance fees, carried interest, management fees and other expenses borne by investors in the various relevant funds, which in the aggregate are substantial.

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Emerging Markets Outlook

Optimal Asset Allocation Amid Paradigm Shift

EM Debt Dislocation Opportunities

On the other end of the barbell, we aggressively underwrote and methodically on-boarded higher quality credits that had been unduly impacted by the COVID-19-driven dislocation.

- We are actively underwriting dislocation candidates. With the tug of war between fundamentals and liquidity, we still anticipate bouts of illiquidity/dislocation driven by asset flows. We are identifying pipelines of distressed sovereign and corporate candidates that are highly likely to default in the post-COVID-19 era to anchor our EM Recovery theme. It is clear to us that debt sustainability for many sovereigns and corporates will be increasingly challenged by deteriorating economic conditions, lack of market access and encouraged by the increasing paradigm of non-payment to default and restructure.

Selection of the Largest Drawdowns and Subsequent Recoveries Since EMBIG Index Inception

EM Event	Index Analyzed	Drawdown (Peak to Trough)				Recovery (From Trough)			Post-Trough	
		Peak	Trough	Duration	Loss	Date	Duration	Gain	+12 Mos.	+24 Mos.
1. Tequila Crisis	EMBI Global	1/94	3/95	14 Mos.	-38%	12/95	10 Mos.	+61%	+62%	+129%
2. Asian Flu	EMBI Global	10/97	11/97	1 Mos.	-15%	3/98	4 Mos.	+18%	+6%	+16%
3. Vodka Crisis	EMBI Global	3/98	9/98	6 Mos.	-34%	12/99	15 Mos.	+53%	+40%	+77%
4. Tango Crisis	EMBI Global	6/01	7/01	1 Mos.	-10%	4/02	9 Mos.	+12%	+7%	+37%
5. Post-9/11 Turmoil	EMBI Global	4/02	7/02	3 Mos.	-11%	11/02	4 Mos.	+13%	+35%	+50%
6. Global Financial Crisis	EMBI Global	5/08	10/08	5 Mos.	-29%	7/09	9 Mos.	+42%	+56%	+83%
	CEMBI Broad	5/08	10/08	5 Mos.	-29%	7/09	8 Mos.	+41%	+55%	+79%
7. Eurozone Debt Crisis	CEMBI Broad	8/11	10/11	2 Mos.	-9%	2/12	4 Mos.	+10%	+20%	+20%
8. Taper Tantrum	EMBI Global	5/13	6/13	2 Mos.	-12%	5/14	11 Mos.	+14%	+15%	+14%
	CEMBI Broad IG	5/13	6/13	2 Mos.	-8%	5/14	10 Mos.	+9%	+11%	+13%
9. China Hard Landing / Commodity Sell-Off	CEMBI Metals & Mining	5/15	1/16	8 Mos.	-19%	6/16	5 Mos.	+24%	+40%	+57%
	CEMBI Oil & Gas	5/15	1/16	8 Mos.	-12%	6/16	5 Mos.	+14%	+21%	+32%
Average		5 Mos. -20%				8 Mos. +27%			+30%	+54%
10. COVID19/Oil Shock (Phase I)	EMBI Global	3/4/20	3/19/20	<1 Mo.	-20%	6/30/20 (not yet fully recovered)	3 Mos.	+19%	?	?
11. COVID19 (Phase II?)	?	?								

As of June 30, 2020. Source: Bloomberg, JPMorgan. Past performance is not necessarily indicative of future results. All performance is quoted as index total returns.

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Emerging Markets Outlook

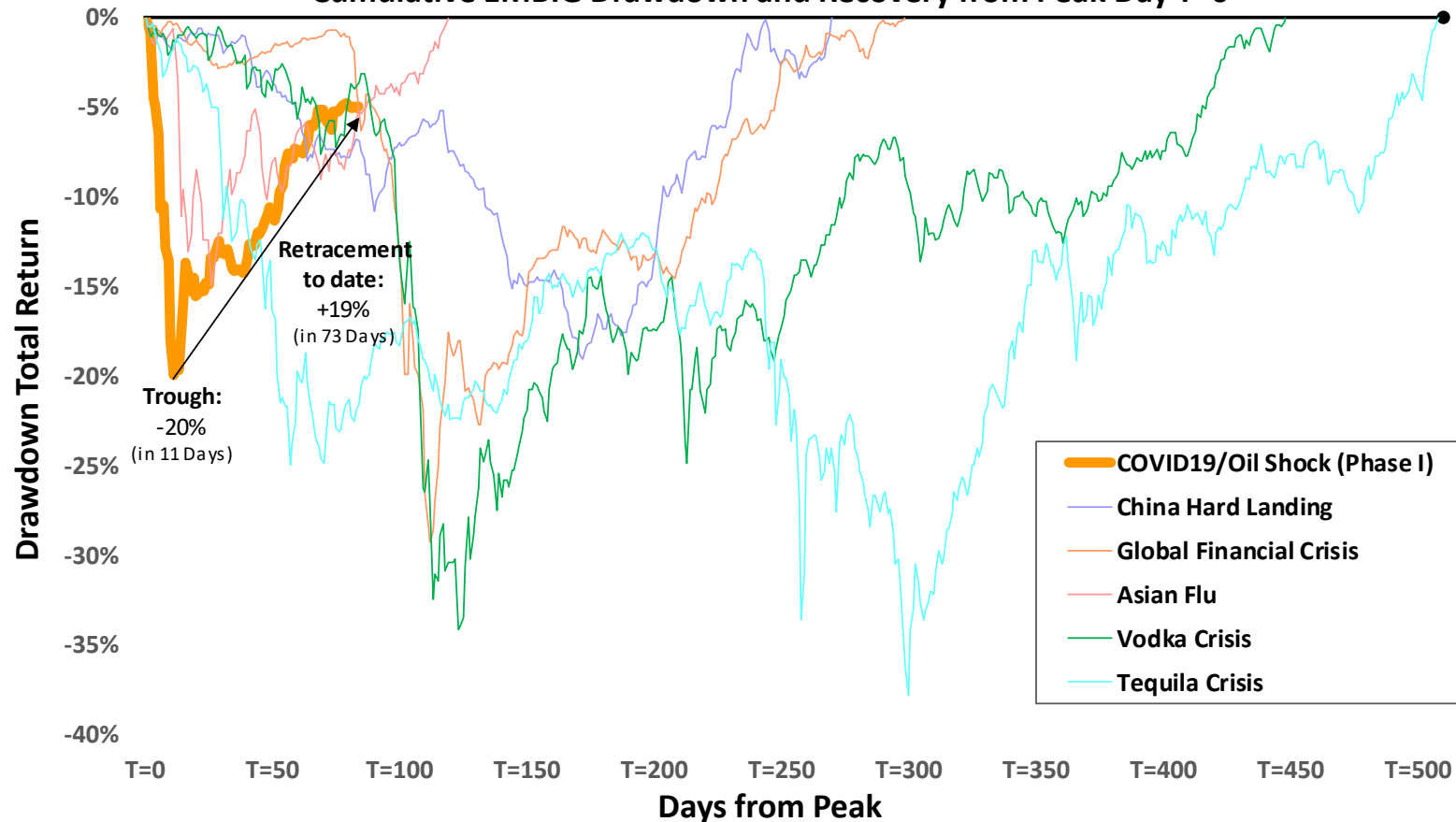
Optimal Asset Allocation Amid Paradigm Shift

EM Distressed Debt Opportunities

- We acknowledge the significant forces helping to prop-up the market in the short term, notably unprecedented monetary stimulus from developed market central banks, which has enabled higher quality sovereigns and corporates to access the capital markets. That being said, we believe the fundamental story in EM will ultimately rule the day and a wave of dislocation and distress is not a matter of “if” but “when”.
- Given the massive size of the asset class and little demand/competition for distressed/defaulted assets in EM, we anticipate the opportunity set from the next distressed cycle in EM will rival anything we have seen over the past 25-plus years.

Selection of the Largest Drawdowns and Subsequent Recoveries Since EMBIG Index Inception

Cumulative EMBIG Drawdown and Recovery from Peak Day T=0



As of May 31, 2020. Source: Bloomberg, JPMorgan. Past performance is not necessarily indicative of future results. All performance is quoted as index total returns.

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Emerging Markets Outlook

Optimal Asset Allocation Amid Paradigm Shift

Special Situations Opportunities

Special Situations investments remain attractive on both an absolute return basis and as an important diversifier in the multi-asset portfolio.

Within Special Situations:

- We provide litigation finance and collection on sovereign and corporate claims globally.
- We are litigating and settling property insurance claims related to hurricane damage in Puerto Rico and Florida and looking to pursue a broader insurance claim recovery effort in the coming quarters.
- We are currently pursuing short-term lending opportunities related to COVID-19 (including government secured PPE purchases and financing business interruption claims).



Emerging Markets Outlook

Optimal Asset Allocation Amid Paradigm Shift

Hedging

- As we entered Q2 we had just witnessed one of the largest and quickest dislocations over the past 25 years. As a result, we significantly reduced the notional size of our at the money hedges and replaced them with further out of the money hedges.
- As we enter Q3, we return to the posture we had at the beginning of the year. We are rotating back into a more robust hedge overlay and looking to increase the notional size and proximity to at the money as the asymmetry in doing so presents itself. The same technical conditions that concerned us at the end of 2019 are present again at the halfway mark of 2020. We intend to use cheap asymmetric hedges to protect against the downside that could re-present itself due to dislocations, volatility and credit deterioration/paradigm of non-payment. CDS overlays and other beta hedges serve as life insurance for our portfolios that capture the once again decreasing premiums despite the increased risk of dislocations and credit deterioration.

Historical Russia Five Year CDS Spreads



Source: Bloomberg, Gramercy.



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