



VALLEA | CAPITAL



“The first rule of investment is don’t lose.

*And the second rule of investment is don’t
forget the first rule.*

And that’s all the rules there are.”

Benjamin Graham

Overview of the Strategy

The Vallea Fund seeks relatively low risk-adjusted returns; targeting returns of 7% to 10% per annum (net of all charges).

The investment strategy is true Global Multi-Asset investing primarily in interest rates, bonds, credits, equity indices, forex and commodities, but also in specific securities selected based on value and momentum investing.

Cash and derivative products are also employed where necessary to improve portfolio performance and resilience. The Vallea Fund also uses traditional technique of long short investing as well as controlled leverage.

The strategy only invests in liquid securities and investment products with a focus on western European markets and events.

To ensure the success of the strategy, Vallea Capital uses a combination of top-down global macro analysis with bottom-up security selection to identify attractive investment opportunities. The latter also includes event-driven trades where a specific situation creates an interesting investment opportunity involving a particular security or group of securities.

The Vallea Fund's strategy is unique and has benefitted from Vallea Capital's ability to switch between asset classes during tumultuous periods thanks to Mr. Pascal Monnerat's experience in different bull and bear market cycles.

- ❖ Vallea Fund only invests in highly liquid assets, namely:
 - ❖ Equity indices
 - ❖ Large - and mid-cap equities
 - ❖ Actively traded corporate bonds
 - ❖ Government debt

- ❖ Only assets with deep liquidity, traded on global exchanges are considered for investment
 - ❖ This allows the strategy to be as flexible as it needs to be to profit from anticipated market moves.
 - ❖ The strategy only invests in liquid securities and investment products with a focus on U.S. and Western European markets

- ❖ The entire portfolio of Vallea Fund can be liquidated in 2 business days
 - ❖ Vallea Fund can liquidate the entire portfolio and go to cash ahead of risky market events, eg. Fed announcements, major elections, etc.
 - ❖ The ability to take risk off the table ahead of these events provides maximum flexibility in uncertain markets

- ❖ Vallea Fund does NOT have any lock-up periods, gates or side-pockets

Pascal Monnerat

- ❖ Pascal Monnerat holds a Masters in Economics and a Masters in Physics. He began his career in the 1980's as a Bond Portfolio Manager with Merrill Lynch
- ❖ Pascal worked for leading banks in Switzerland and London including Merrill Lynch, Credit Suisse First Boston and Greenwich NatWest (now RBS Markets)
- ❖ Pascal has held high responsibilities during his career including being in charge of the distribution of fixed income and derivatives products to Swiss institutions. He was also Managing Director for Bear Stearns in charge of the Swiss desk.
- ❖ From 2000 to 2008, Pascal was Fund Manager for a Geneva based family office.
- ❖ In September 2008 at the time that the world's financial services went into virtual meltdown, Pascal launched Vallea Fund. Advised out of his offices in Geneva, Switzerland, the Fund's strategy is to exploit global opportunities in a broad spectrum of asset classes.

Aaron
Smith

Aaron Smith is the founder & managing director of Pecora Capital and director of Vallea Fund. He oversees the company's global business strategy and research activities for the development of proprietary trading technologies. Aaron maintains the series 3 license in the United States and is a member in good standing of the National Futures Association. Mr. Smith holds a degree in finance and international business from the Leonard N. School of Business at New York University. He began his career on Wall Street working in the Private Client Group at Morgan Stanley's 2 World Trade Center offices.

Prior to founding Pecora Capital, Aaron served as managing director at the Superfund group of companies from 2002 to 2011. During his time with the group, he was responsible for front office activities, including the development and sales of various alternative investment fund structures for institutional and private investors. In 2002, he pioneered one of the first publicly offered managed futures funds in the United States, which was registered with the SEC. In addition to serving as the associated person in the United States regulated Superfund entities, he was the responsible officer for Types 1 and 4 regulated activities under the Securities and Futures Ordinance for Superfund Financial (Hong Kong) Ltd. He also became a licensed financial advisor in Singapore in 2008 and ran the Asian arm of the business, carrying on the duties of Chief Executive Officer of Superfund Financial (Singapore) Pte Ltd.

Aaron is a member of the International Protestant Church of Zurich, where he is blessed to teach Sunday school.

Jeff
Harpur

Jeff Harpur is Managing Director of Pecora Capital Ltd.

Jeff is a qualified Chartered Accountant (S.A.), having completed his articles with PricewaterhouseCoopers in South Africa in 2008. Jeff then entered the international financial services industry, working with Acumen Group as a consultant in the Reinsurance industry in Bermuda.

He moved to Switzerland in 2012, continuing his consulting career with Ernst & Young in Zurich and specialising in the banking and insurance sector, working with some of the largest international banks, insurers and reinsurers.

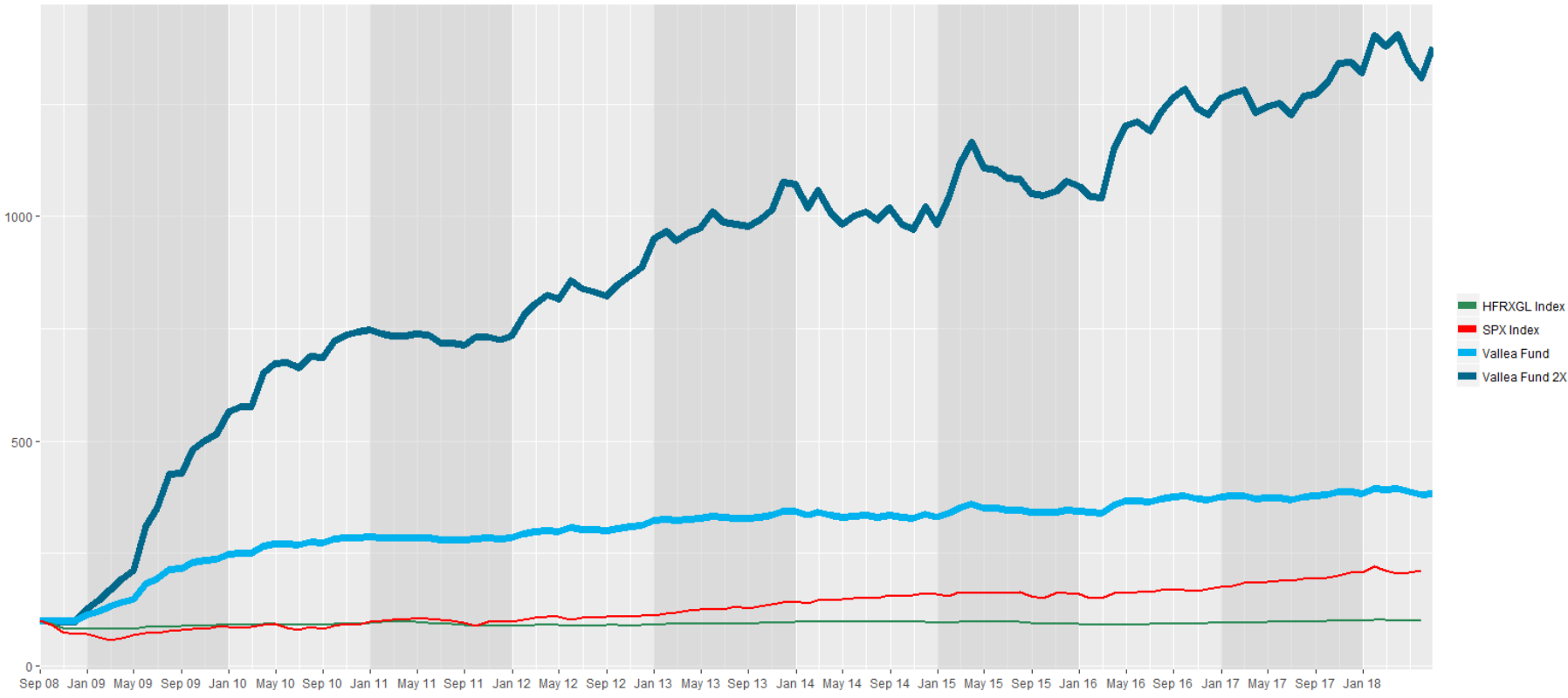
Jeff earned his Bachelor of Commerce (Honours) from the University of Natal, and is an avid surfer, skier and mountaineer.

Max
Ferri

Mr. Ferri is an independent non-executive director of Vallea Fund, and is the Chief Risk Officer and Senior Operational Due Diligence Analyst of Swiss Capital Invest Holding (Dublin) Ltd, an AIFM providing investment management services to institutional investors. Mr. Ferri has over 17 years of experience in the financial markets, including 8 years of direct investment management and tax experience working for a private bank in the Caribbean (1999-2006), and 7 years of hedge fund consultancy, legal, tax and operational due diligence experience working as Managing Director/Head of Operational Due Diligence for Laven Partners in London (2006-2012). Mr. Ferri has performed investment and operational due diligence visits with top tier investment managers all over the world, and has experience in hedge funds, fund of funds and private equity fund structures. He was most recently a co-author and committee member for various AIMA publications, including the 2014 Hedge Fund Manager's DDQ. He holds a degree in management from the Barbados Community College, and has passed his Level 3 (Unit 1) IMC CFA Society exam in the UK. He is currently pursuing a Master's Degree in Finance from the University of London. Mr. Ferri is an Approved Director registered with the Cayman Islands Monetary Authority (CIMA).

Track Record

Since its inception in September 2008, Vallea Fund's annual performance has averaged 16.50%, with a maximum drawdown of less than 5.2%.



❖ Experience & Understanding

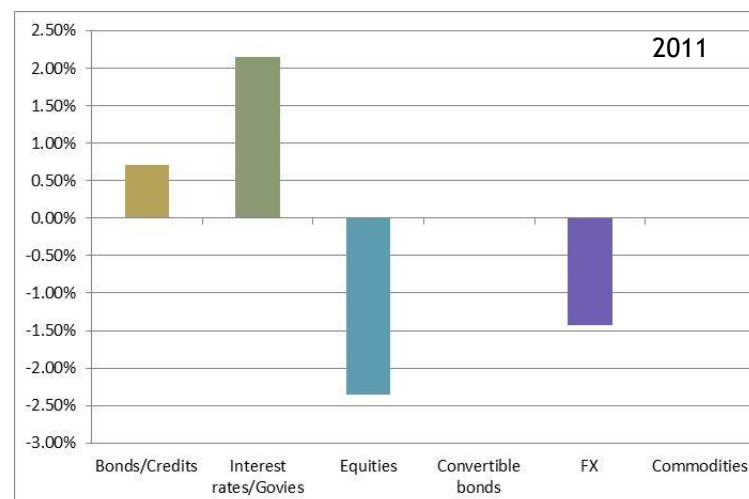
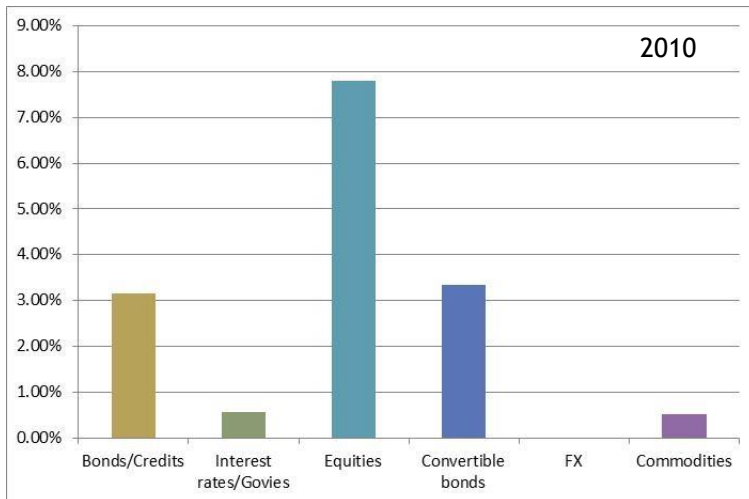
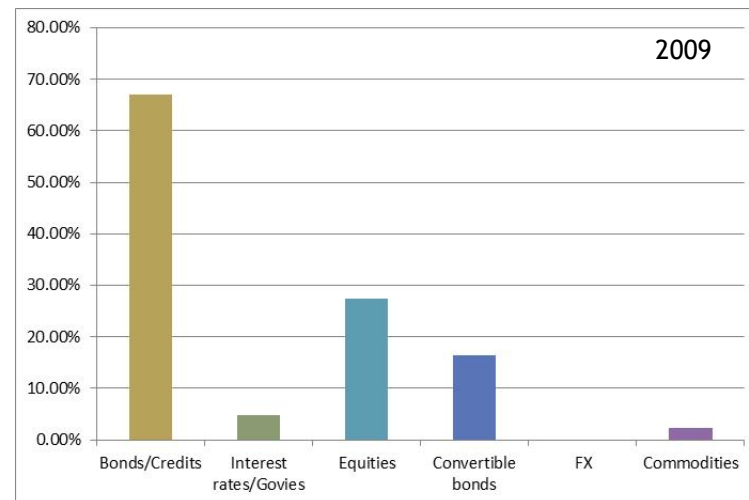
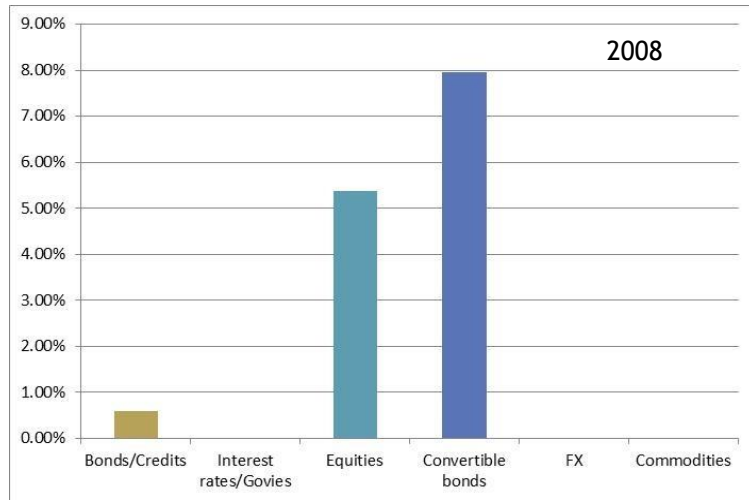
- ❖ Multi-asset class investment experience and deep understanding of capital markets.
- ❖ The strategy trades in many investment products within different diversified asset classes..
- ❖ Vallea Fund has extensive knowledge of global capital markets, and has proven its ability to generate alpha during both trending and uncertain markets whilst protecting capital.

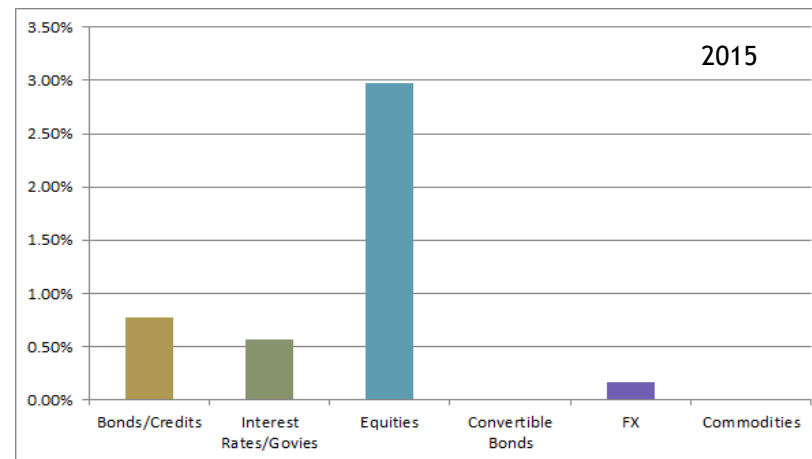
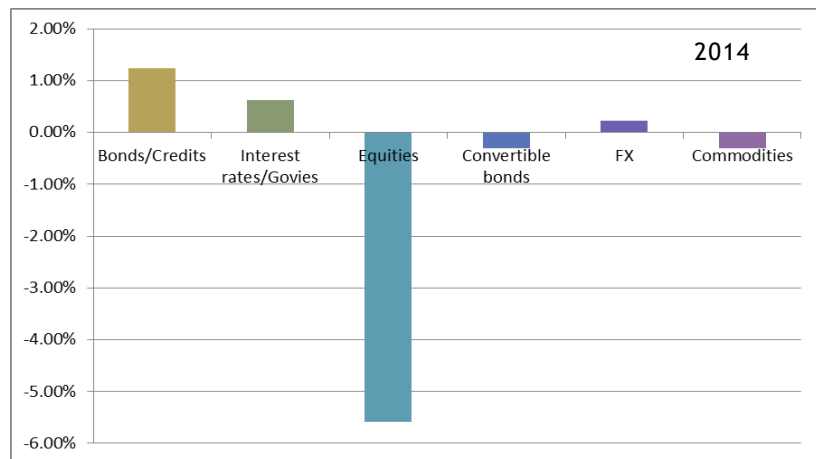
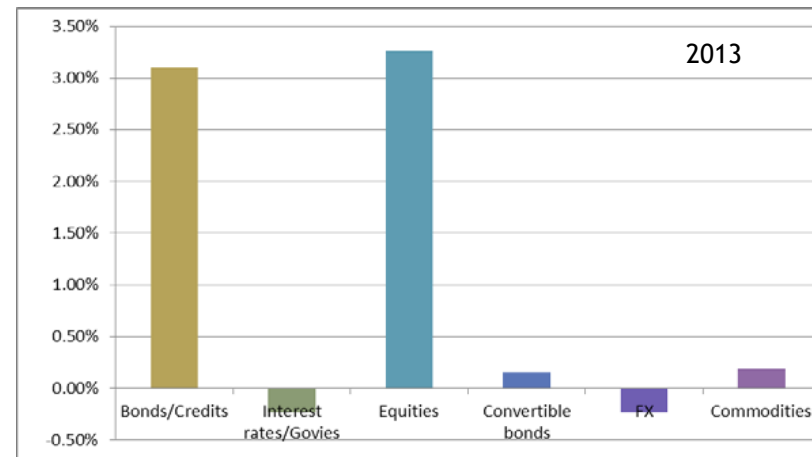
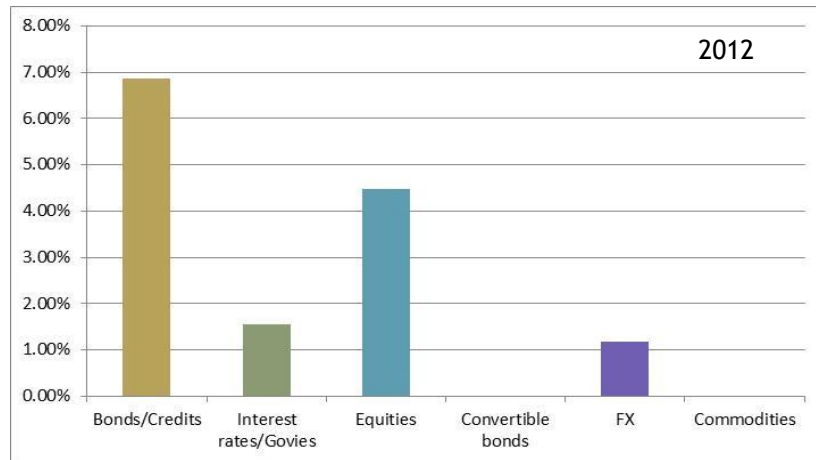
❖ Tools & Indicators

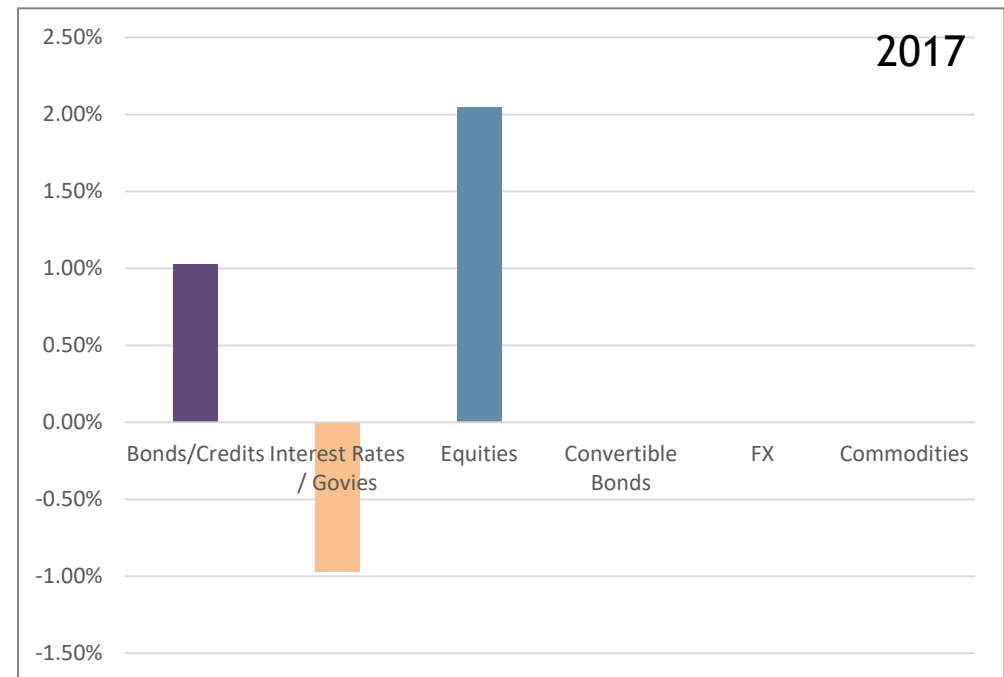
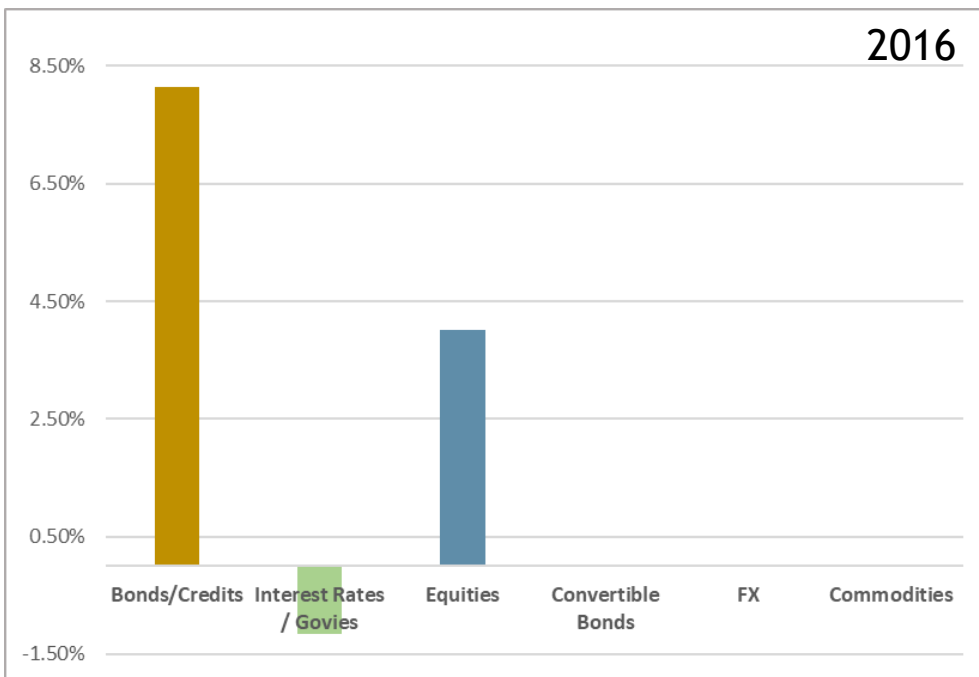
- ❖ Vallea Capital employs a discretionary strategy, relying primarily on the experience and savoir-faire of the Portfolio Manager, Pascal Monnerat.
- ❖ It is not an algorithmic or black-box strategy.
- ❖ Vallea Capital employs multiple investment indicators.
- ❖ The fund uses proprietary tools that enable it to support its views on the markets before executing trades.
- ❖ A variety of key investment indicators are analysed, comprising:
 - ❖ Technical data
 - ❖ Momentum
 - ❖ Relative value
 - ❖ Intrinsic value
 - ❖ Global macro events
- ❖ Robust risk management has helped Vallea Fund's performance by minimising drawdowns.

❖ Flexibility

- ❖ Ability to reallocate the portfolio across different asset classes.
- ❖ Ability to switch from long to short, and visa versa, in order to vary position sizes and exposures depending on Vallea's views of the markets.
- ❖ Vallea Fund has proven its flexibility to adapt to different market positions by successfully navigating through recent economic crises as well as more stable periods.









Investment Process

HEDGE FUNDS
REVIEW
European Performance
Awards 2010
10th Anniversary
Winner



HEDGE FUNDS
REVIEW
European Performance
Awards 2011
Best Event Driven Hedge Fund
Shortlisted – Vallea Fund (Belle-Vue Conseils)

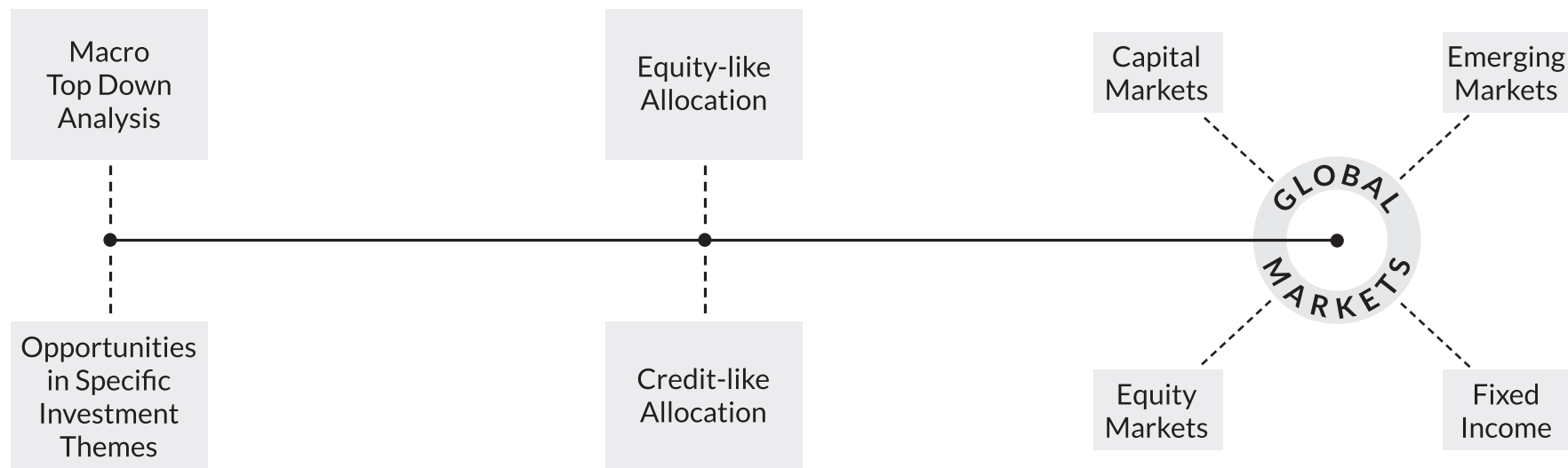


HEDGE FUNDS
REVIEW
European Performance
Awards 2011
Best Multi-Strategy Hedge Fund
Shortlisted – Vallea Fund (Belle-Vue Conseils)



Vallea Capital relies on a strict methodology to generate successful trades and avoid losing ones:

- ❖ Top-down approach using a global markets scanning process with bottom up security selection based on special situations.
- ❖ Global macro and opportunistic approach for major investment themes, such as credit crunch, consumer sentiment, commodities cycle, infrastructure boom, political changes.
- ❖ Analysis of capital markets activity, i.e. block trades, accelerated book buildings, right issues, IPOs, public offerings, bond and convertible bond new issues.
- ❖ Application of data tools from short to medium-term investment horizon, ranging from intraday to several months.



Illustrative Trade Example

❖ Macro Top-down Analysis

- ❖ At the end of October 2008, the US Government stepped in to inject massive amounts of liquidity in the financial markets and secured the banking system by taking large positions in the major US banks.

❖ Opportunistic Approach for Major Investment Themes

- ❖ That determination by the Fed to stabilize the credit and restore confidence, coupled with the fact that all credit products were extremely oversold, provided a unique opportunity for very important profits in fixed income markets.

❖ Analysis of Capital Market Activity

- ❖ As credit markets were recovering sharply, Warren Buffet invested an important participation in Swiss Re, the world's largest reinsurance company.
- ❖ Vallea's analysis of the capital market activity determined that the most attractive way to profit was through the fixed income markets rather than the equities.
- ❖ Vallea purchased a perpetual bond of Swiss Re. We invested with a direct yield around 15% and generated a profit of more than 60% in two months.

❖ Determined to find the best trades

To capture the best investments, Vallea Capital has developed a world wide index and sector scanning methodology to determine and select the trades with the best momentum/risk reward ratio. It uses the technical tools and indicators to confirm its macro analysis and discretionary views.

❖ Flexibility to enhance returns

Vallea Capital has enough discipline not to fall in love with the positions. Consequently it is able to read new themes in real time and to change direction with the markets. Its returns are sourced from different market segments, and the Vallea Fund returns in 2008 were generated mainly from convertible bonds, in 2009 mainly from debt, in 2010 mainly from equities, in 2011 mainly from government bonds and in 2012 from a mix of fixed income and equities.

❖ Sizing and leverage a key strength in generating returns

Depending on Vallea Capital's confidence in a certain market to generate profits, it will increase its exposure when good performance is there, always factoring YTD performance, so as not to overly expose capital. The Vallea Fund's exposure since inception has been 150% on average ranging from 0% to 350% of net exposure depending on Vallea Capital's appreciation of risk/return potential

❖ Liquidity another advantage

Vallea Fund invests only in liquid assets. Mostly in indices, large and mid-cap stocks and actively traded corporate bonds. This allows it to be as flexible as it needs to be to profit from anticipated market moves.



Risk Management

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- ❖ **Affiliated with the Association Romande des Intermédiaires Financiers (ARIF) in Switzerland, with strong compliance culture.**
- ❖ **Vallea Fund is regulated by the Cayman Islands Monetary Authority (CIMA).**
- ❖ **Vallea Capital benefits from the expertise of Laven Partners, compliance specialists based in London, Geneva, New York, Singapore. Laven Partners provide ongoing corporate governance and compliance advice to ensure the organisation meets the highest standards of compliance.**
- ❖ **All service providers are well-regarded, blue chip firms:**
 - ❖ **Vallea Fund is audited by KPMG.**
 - ❖ **The fund's custodian is Barclays**
 - ❖ **The Fund's administrator is Swiss Financial Services, Ireland.**
- ❖ **Vallea Capital benefits from a dual-layer legal counsel:**
 - ❖ **Legal counsel in Cayman is Appelby.**
 - ❖ **Corporate governance, operational and compliance functions provided by Laven Financial Services in London.**



Key Facts & Contacts

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Investment Manager	Vallea Capital Ltd.
Investment Advisor	Belle-Vue Conseils Sarl
Distributor	Pecora Capital Ltd.
Currency	EUR / USD / GBP / CHF
Inception Date	1st September 2008

Administrator	Swiss Financial Services
Custodian	Barclays
Auditor	KPMG
Legal Counsel	Appleby / Laven Legal Services
Swiss Legal Representative	OpenFunds Investment Services AG
Directors	Pascal Monnerat, Aaron Smith, Massimo Ferri

Subscription	Monthly
Redemption	Monthly
Management Fees	2%
Performance Fees	20% with high-water mark
Minimum Initial Investment	100,000 EUR/USD/GBP/CHF
Minimum Additional Investment	50,000 EUR/USD/GBP/CHF

Bloomberg	VALLEAF KY
ISIN / CUSIP - EUR	KYG9315A1013 / G9315A101
ISIN / CUSIP - USD	KYG9315A2268 / G9315A226
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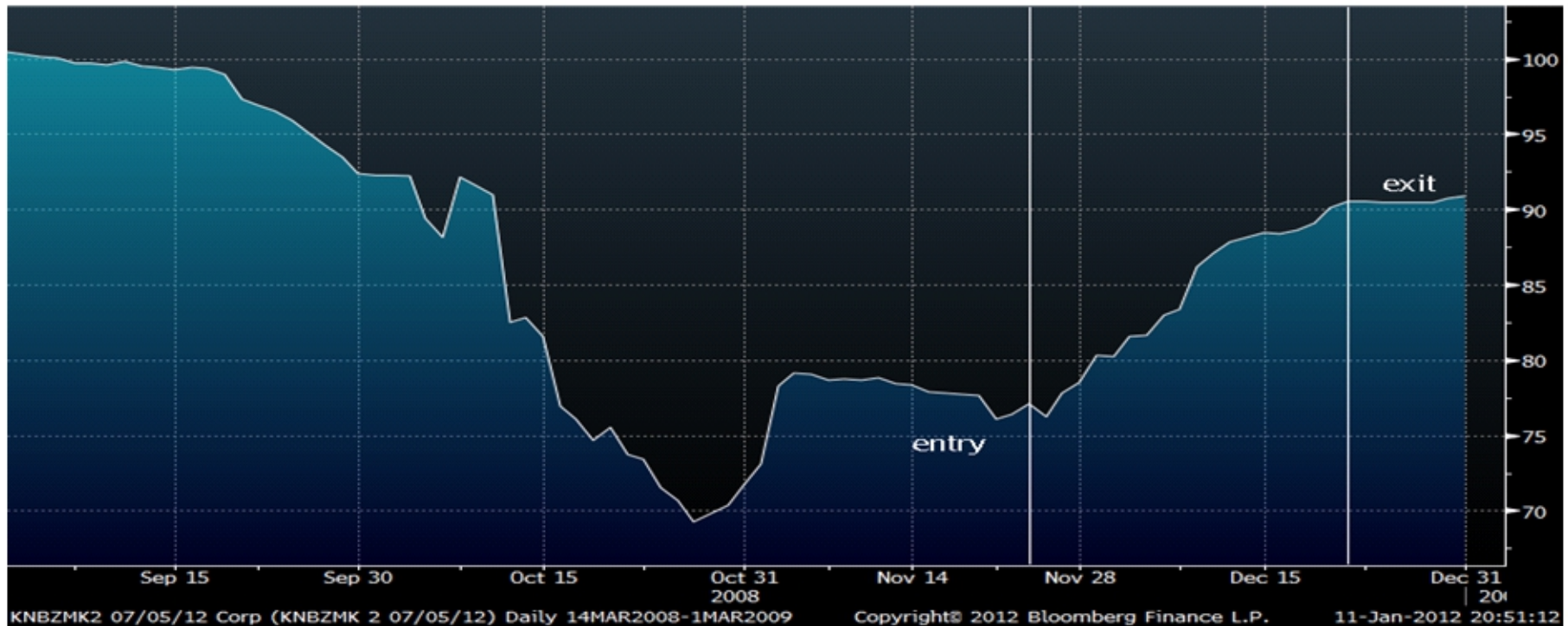
Appendix II: Trade Examples



After the Lehman bankruptcy and the subsequent credit crisis, a massive liquidation took place in the convertible bond market where the biggest investors had to reduce their leveraged arbitrage positions. As a result, within two months the whole convertible bond market space was trading completely below intrinsic value. By monitoring the market and acquiring information on the deleveraging process we managed to buy some very cheap bonds during the rebound that followed the massive Fed interventions.

Below the chart of a convertible bond guaranteed by a Malaysian Government agency that was trading at more than 15% yield when we purchased it.

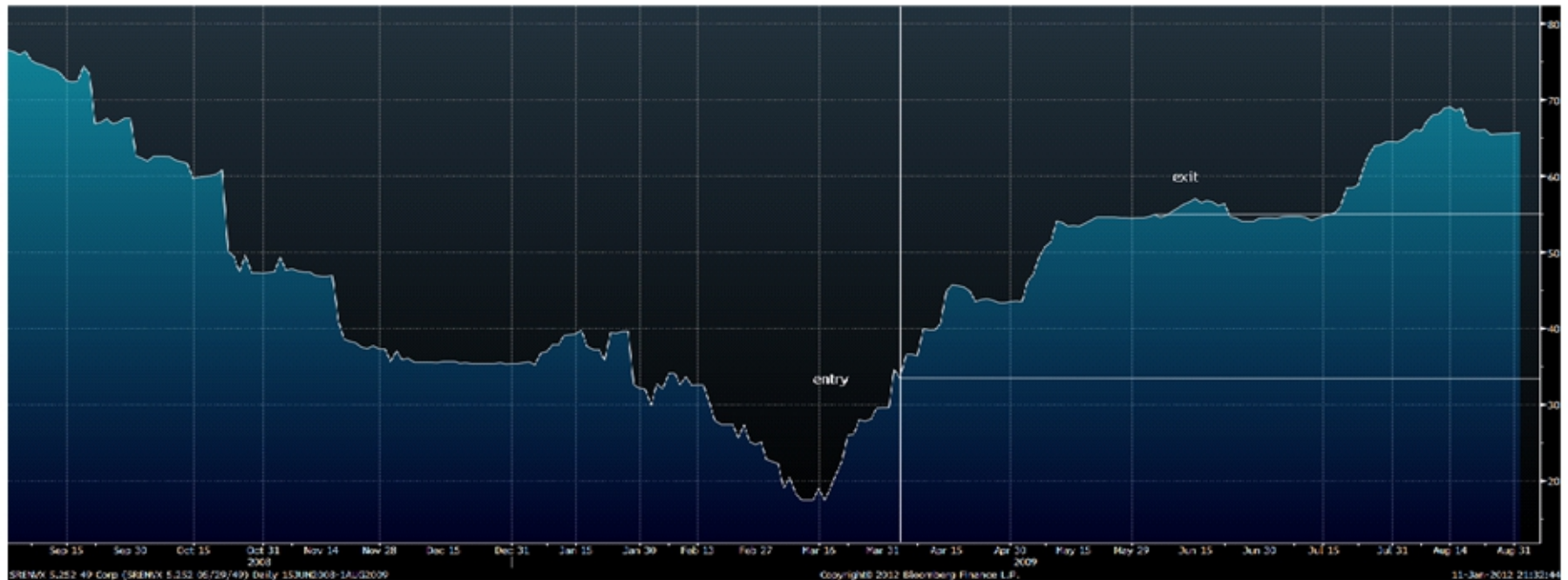
Section 7



In 2009, the majority of investment profits were generated in the fixed income markets with the massive credit spread compression experienced during the first 9 months of that year. At the end of October 2008, the US Government stepped in to inject massive amounts of liquidity in the financial markets and secured the banking system by taking large positions in the major US Banks. That determination to stabilize the credit and restore confidence coupled with the fact that all credit product were extremely oversold provided a unique opportunity for very important profits.

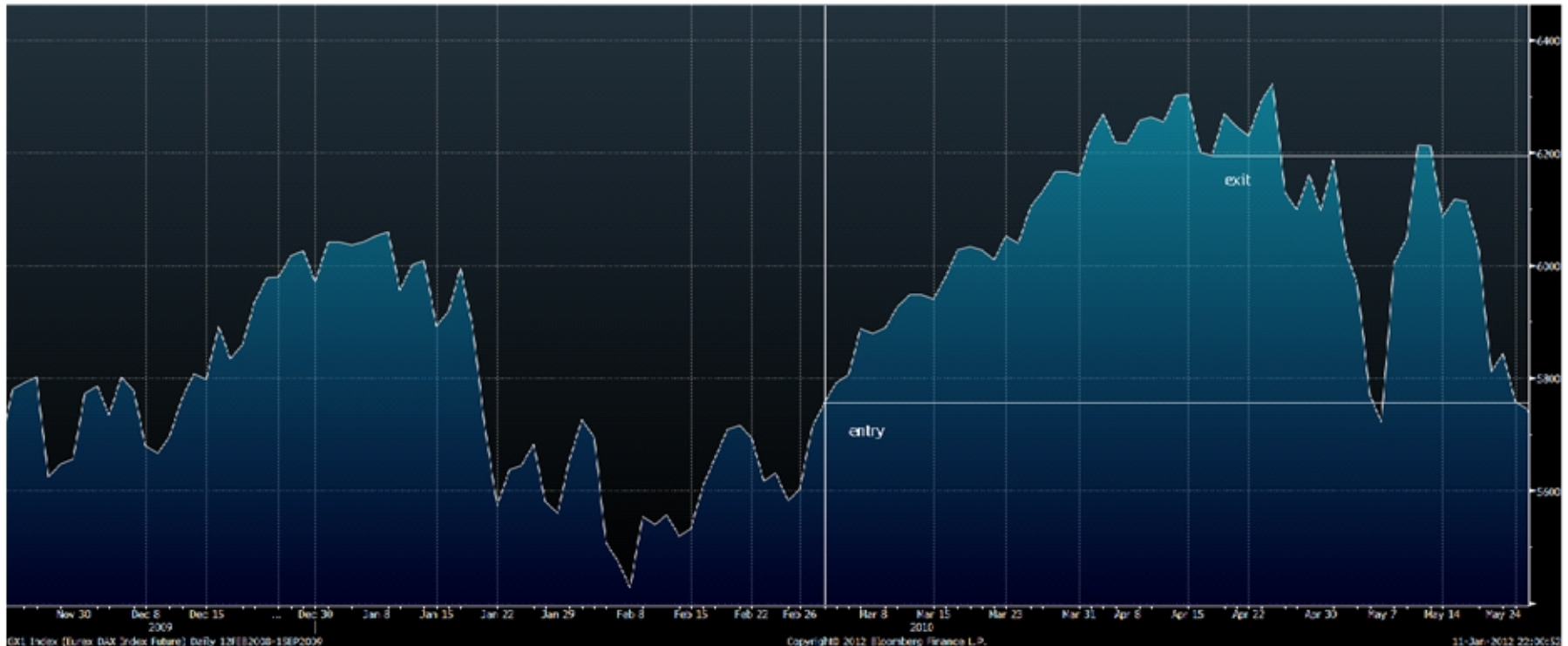
As an example we bought a perpetual bond of Swiss Re, the world biggest reinsurer, after Warren Buffet decided to invest an important participation in the company and when the credit markets were recovering sharply. We invested with a direct yield around 15 % and generated a profit of more than 60% in two months.

Section 7



After the credit market stabilized in 2009, we felt that the world economy would enjoy some growth in 2010. We were also expecting more quantitative easing in the US and therefore decided to focus more on equity.

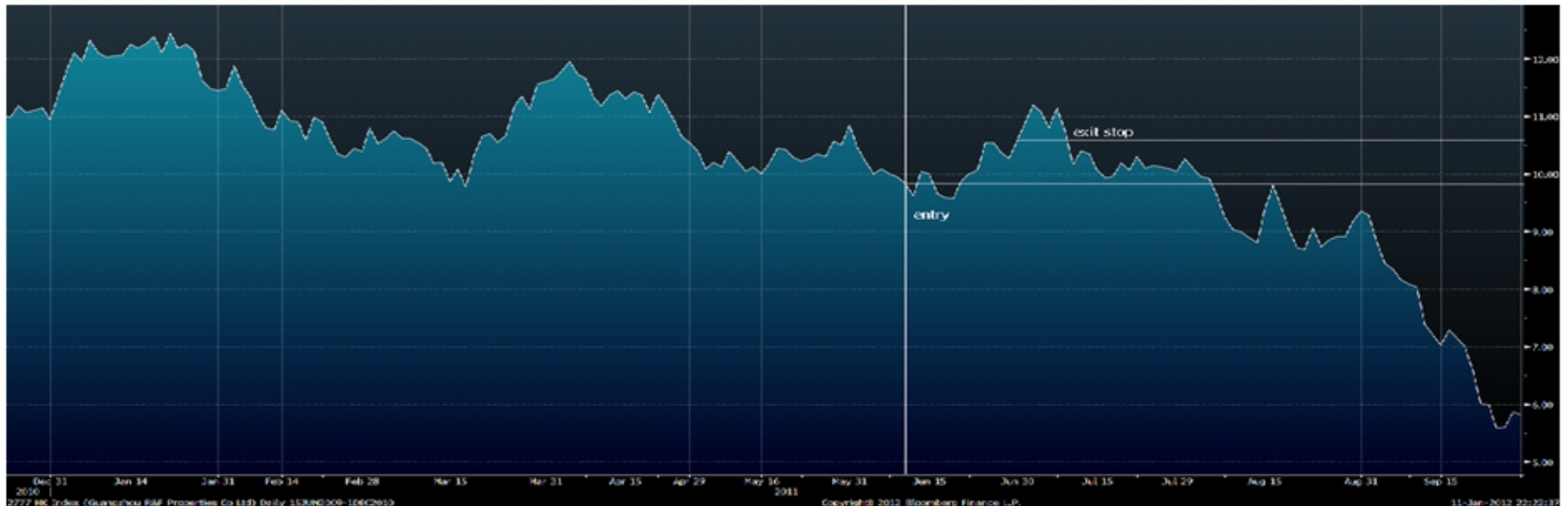
As an example, we display below a trade on the German Dax Index future during March and April. We purchased the June future contracts after the beginning of the year's correction in the first days of March and sold the position on April 16th when Goldman Sachs was sued by the SEC for Fraud on the Mortgage-Backed CDO's. We thought the market was tired after a nice rally and that event would then trigger a correction.

Section 7

We began the year 2011 much less optimistic than most investors. Our view was that the equity markets were fully priced and we were worried by the debt crisis in Europe. We subsequently took an extremely conservative approach. Bear markets are always volatile and erratic, so usually difficult to trade and we thought it is easier and safer to make profitable investments when the markets recover subsequently. The big trade we missed, probably because our investment time horizon was too short, has been the rally on the US, UK and German government bonds.

As an example we show a conviction trade below where the fund ended up losing money due to bad timing. We were negative on the Chinese real estate market and when shorting, Guangzhou R&F Properties traded in Hong Kong, one of the weakest Chinese property developers, on what we thought was a break down in the share price. Although we would have been finally correct, we were stopped on the trade during the following rebound. Retrospectively, we should have taken the short position with a long put option on a basket on Chinese developers.

Section 7

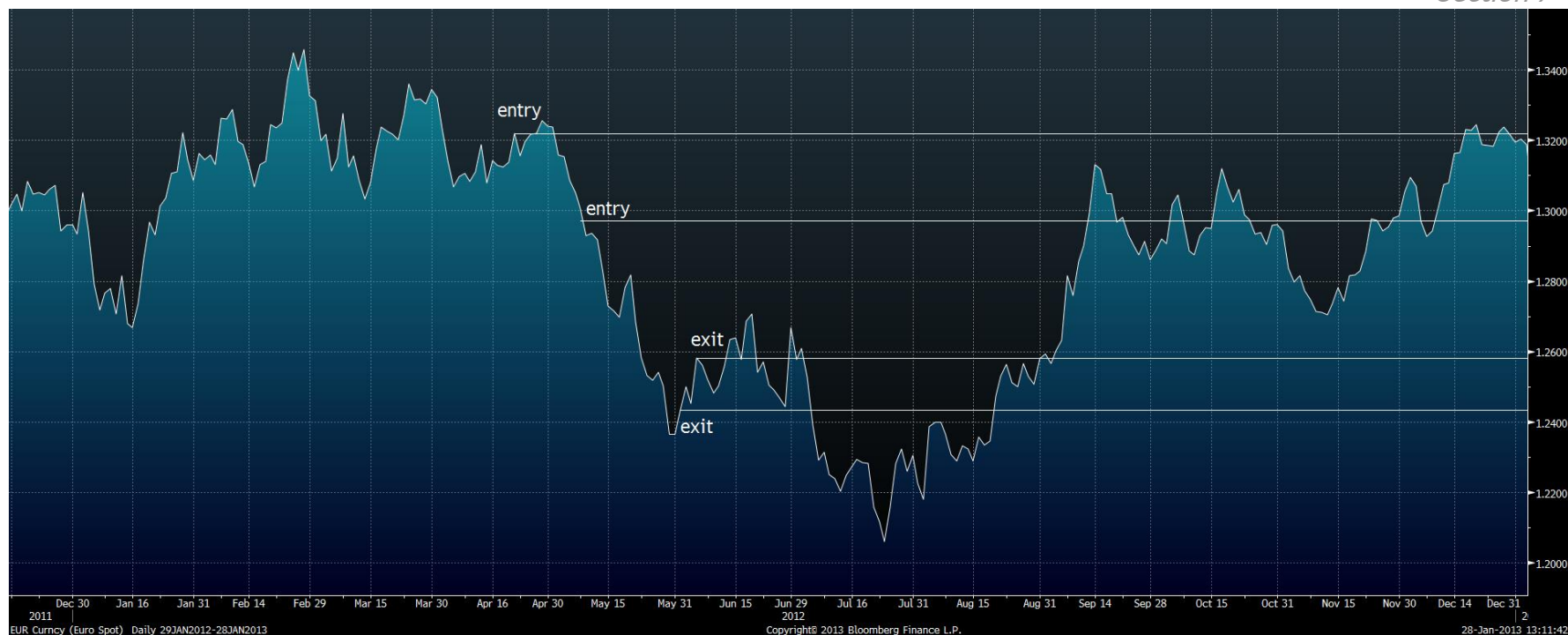


During the spring 2012 the macro outlook for the Euro deteriorated sharply with the debt crisis in Southern Europe.

After the initial rebound of the Euro at the beginning of the year we thought the area between 1.3150 and 1.3450 versus USD would be a good entry point with an initial stop loss above 1.35. We sold initially the EUR/USD on April 20th at 1.3210 and increased the short position on May 8th at 1.2937 once the Euro broke the 1.3000 support.

We exited the trade partially on June 1st at 1.2344 on the first sign of rebound and the rest of the position was exited on a profit trailing stop on June 6th at 1.2570.

Section 7



At the beginning of 2013, the Japanese central bank announced the QE program that triggered an important rally in the stock market during Q1 and Q2 followed by a very sharp correction. During the summer, the Nikkei index moved sideways with higher lows retracement. Our view was that the QE effect was still positive for the market and that a new rally would follow by the year-end.

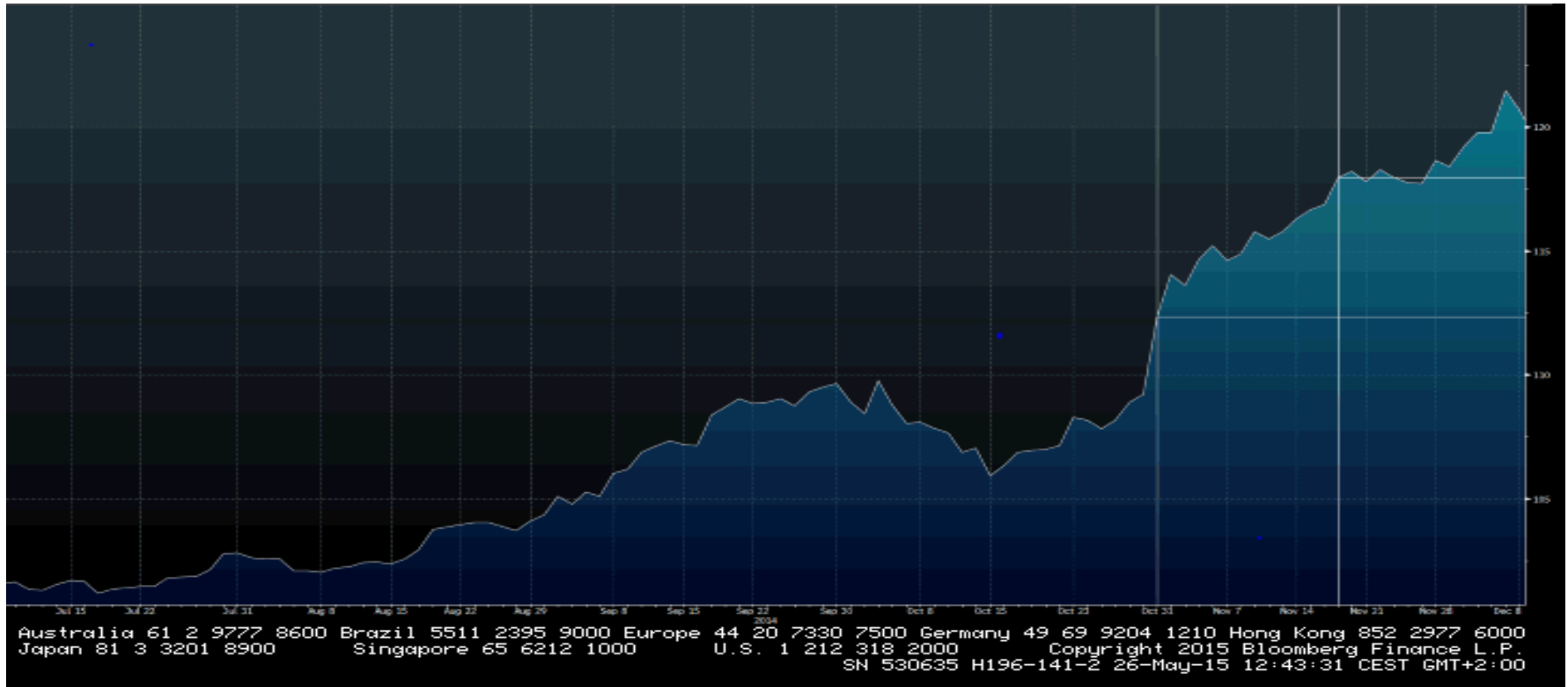
On November 13th, the index was trading at 14'850. We entered an option strategy where we sold the January 2014 14'500 put and bought the January 2014 15'250 call for zero cost, each leg was worth 400 Nikkei points or 2.7%. We exited the strategy on December 3rd with a profit of more than 1'000 Nikkei points of 6.5%.

Section 7



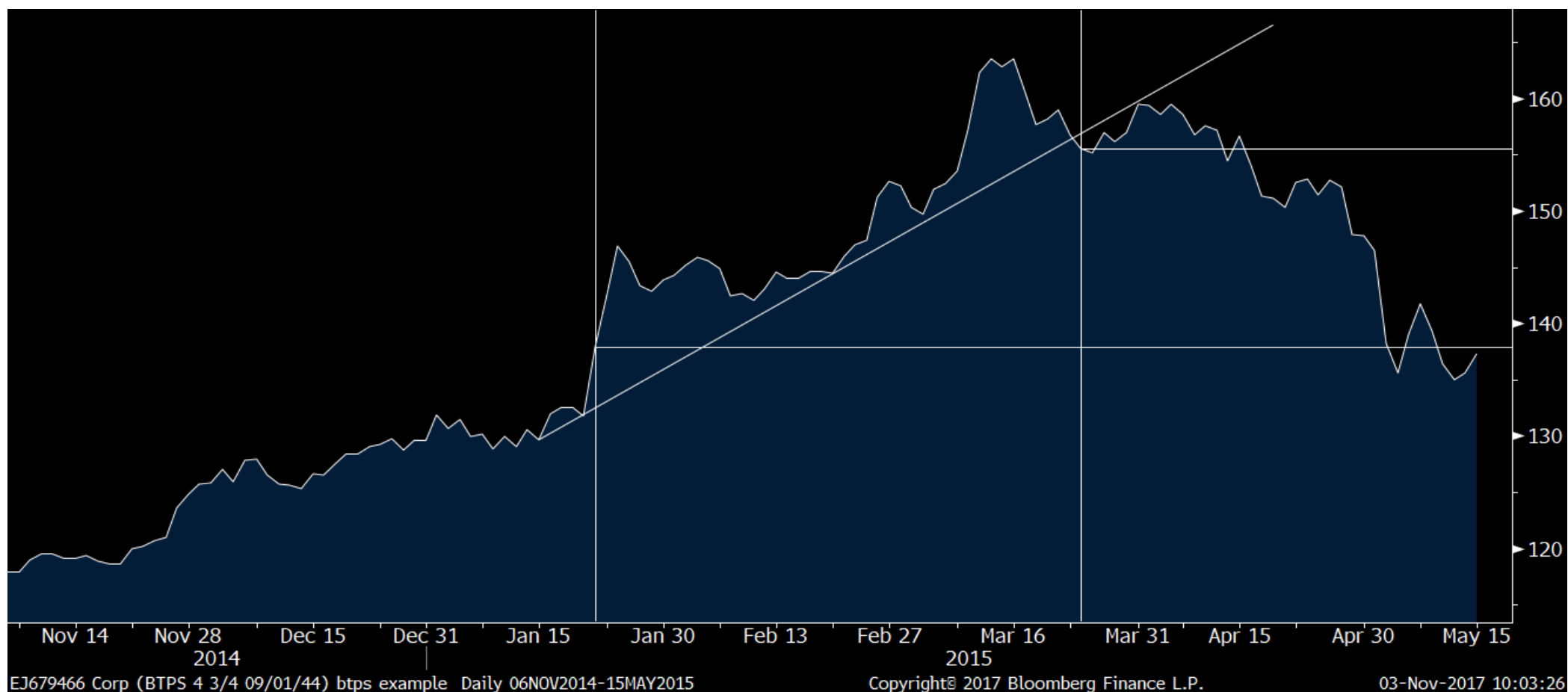
The US dollar went for a substantial appreciation against the Euro currency during the summer and fall of 2014. The move was less pronounced versus the Japanese Yen. End of October, the USD broke out of the range versus the JPY and at the same time the JPY began also to weaken versus the Euro currency.

We therefore began to buy the USD and sell the JPY on October 31st between 112.50 and 113.50. We liquidated the position between the end of November and the beginning of December at an average of 118 for a profit of 4.5 %. *Section 7*



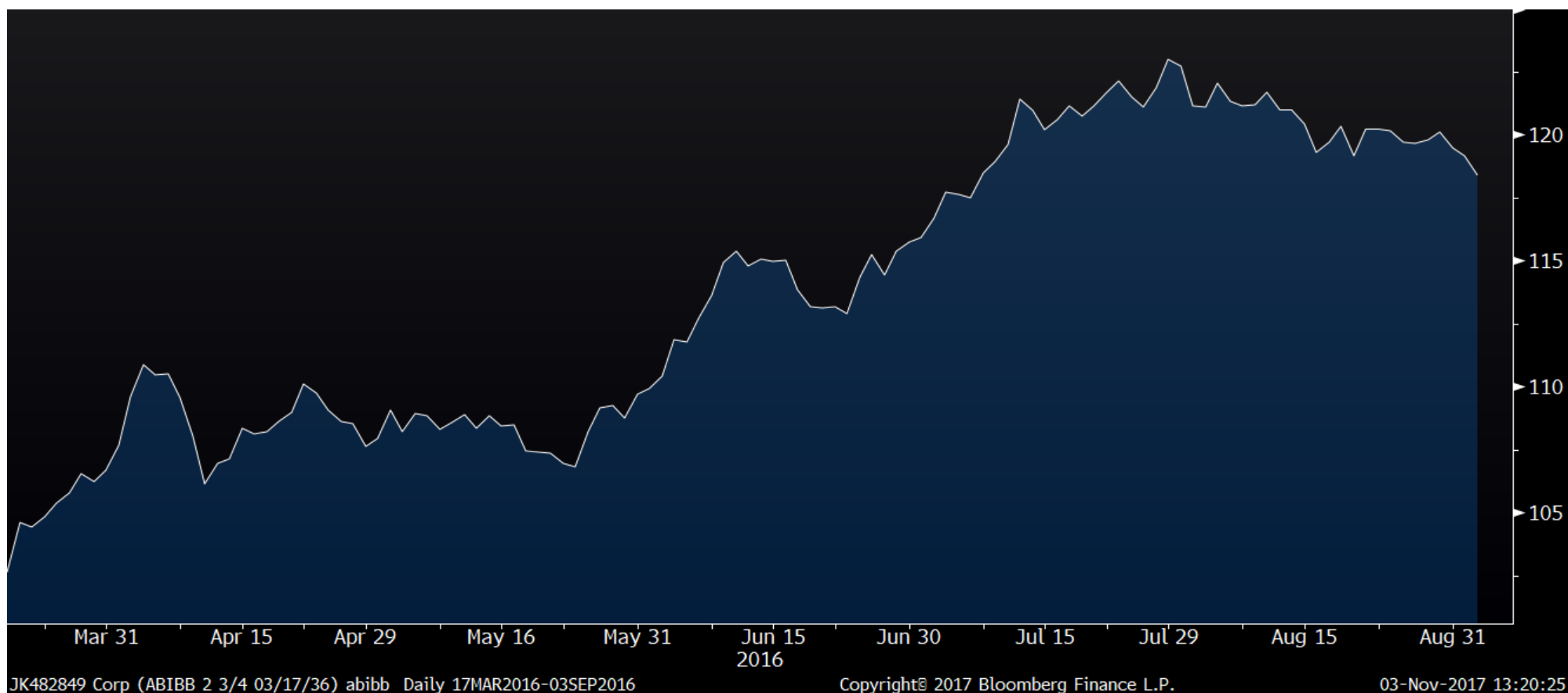
On January 22nd, the ECB unveiled a massive QE program of at least Euro 1.1 trillion by buying Euro 60 billion government bonds each month. Bonds rose in response to the news and bond yields, which are linked to the amount governments pay to borrow, fell, particularly those of the weakest countries including Italy, Spain and Portugal.

We bought the Italian Government Bonds BTPS 4.75 2044 on the news at 138 and sold them on March 24th when the chart broke the trend line at 155.



In November 2015, Anheuser-Busch Inbev, the world's largest beer manufacturer, decided to buy SABMiller for GBP 71 billion. The deal was expected to be completed in the second half of 2016, creating a group that supplies a third of the world's beer. When the deal was announced, ABInbev existing debt prices plunged ahead of the big financing to come, pushing the yield spreads by 100 basis points.

In March 16th 2016, the company issued new bonds to finance the acquisition 70 bp cheaper than the existing debt. We bought the new 2.75 2036 at an issue price of 98.614 and sold the position during the 2nd quarter of the year between 110 and 120, confident that the yield spread will compress again due to the accretive value of the beer business.



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