

Commodity Trade Finance

March 2017 Fact Sheet

Investment Strategy

The Blackstar Commodities Fund (The "Fund") aims to provide long term, stable, non-correlated returns to investors with low volatility whilst maintaining a high degree of liquidity in order to meet investor's needs.

The Fund focuses on working with strategic partners on investments which will deliver predefined profit margins with strong risk mitigation features.

The Fund facilitates the movement of essential commodities from where they are sourced and stored, to where they are needed, partnering with some of the largest companies in the world. The Fund partners with established commodity producers, trading companies and end users by providing short-term fully secured finance for their transactions on a risk-controlled basis.

Commodity Trade Finance Overview

- Global trade finance has an estimated value of \$18 trillion (ICC Global Risks – Trade Finance Report 2013).
- The Top 10 global commodity traders have combined annual revenues of over US\$1 Trillion, each of whom are dependent on trade financing for their operations.
- The sector has a historical default rate of only 0.02% on transactions conducted between 2008 and 2011 (ICC Global Risks- Trade Finance Reports 2013).
- With the retraction of banks from this sector since 2008 and the changes in banking regulation, this has created a unique opportunity for non-traditional financiers to enter the market (e.g. funds).
- Commodity trade finance allows investors to participate in the global commodities market without the downside risk associated with volatile commodity prices.
- The sector provides investments with key attributes of non-correlation, consistency of returns and a self-liquidating nature of the transactions within the asset class.

Manager's Monthly Commentary

February 2017 proved to be a weaker month that we hoped as someone-off costs for a new trade to be embarked on had to be factored in to performance. This does not detract from the overall performance trend of the Fund and performance will be back on trend forthwith and we remain within our target band of 6-8% on over the last 12 months. As mentioned in previous commentaries, we are well positioned in Iron ore after a recent rebound in pricing over the past 12 months and the related increase in trade flows. We expect to start seeing the benefits of this from April

Whilst we have seen numerous funds show large positive returns and subsequently diminish in recent years, Blackstar believes that steady, credible growth is increasingly valuable in this market place, as the Fund and commodity trade finance as an asset class in its own right, continue to gain greater consciousness within the investor community. As a business, Blackstar Capital continues to see an ongoing shift in the trade finance market, as the capacity of finance is being outstripped by the growth in the market. This means that the opportunities available to the Blackstar Commodities Fund continue to grow in terms of size, quantity and quality. This bodes very well for the future of the Fund.

Fund Performance:

Currency	12 month Rolling Monthly Performance											
	Mar-16	Apr-16	May-16	June-16	July-16	Aug-16	Sept-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
GBP	-0.10%	+0.22%	+0.30%	+0.82%	+0.45%	+0.11%	+0.03%	+0.36%	+0.39%	+1.78%	+0.82%	+0.00%
EUR	+1.12%	+0.40%	+0.38%	+0.95%	+0.18%	+0.37%	-0.01%	+0.30%	+0.24%	+1.67%	+0.75%	+0.01%
USD	+0.70%	+0.22%	+0.30%	+0.92%	+0.55%	+0.53%	+0.16%	+0.47%	+0.33%	+1.91%	+1.01%	+0.08%

Share Class	3 month	6 month	12 month	Inception
GBP	3.00%	3.53%	5.50%	+9.04%
EUR	2.44%	2.99%	6.53%	+16.48%
USD	3.35%	4.55%	7.72%	+19.42%

Share Class	Type	ISIN	NAV
B: EUR	Accumulation	LU0698637799	116.48
C: USD	Distribution	LU0698637872	109.02
D: USD	Accumulation	LU0698637955	119.42
E: GBP	Accumulation	LU1092323861	109.04

Blackstar Capital Partners S.a.r.l

The Fund is operated by Blackstar Capital Partners S.a.r.l. The board and executive management of Blackstar Capital Partners has collectively over 75 years of experience in the finance, commodities and resources sectors. Our capabilities cover all aspects of a commodity trade finance transaction, including deal origination, due diligence, financial and legal risk management, operations and logistics, and transaction execution.

Core Investment Characteristics

- **Detailed approval process:** Each transaction must be approved by the Fund's Independent Board of Directors and Custodian
- **Reputable Counterparties:** Comprehensive due diligence on all counterparties (AML, track record, operational structure, etc.)
- **Secured Transactions:** Security procured over the transaction, typically over the underlying commodity.
- **No Commodity Price Exposure:** Investments based on defined margins. These do not rely on the price of the commodity moving in the right direction
- **Defined Liquidity Periods:** All transactions have a short term physical trading cycle (normally 30-45 days) ensuring strong liquidity.

Investment Approval and Execution

THREE-TIERED APPROVAL PROCESS

1. Blackstar Capital Partners
 - Deal Origination
 - Structuring and due diligence
 - Legal Documentation
2. Independent Board of Directors
 - Confirmation that transaction fits within regulated Fund Mandate
 - Independent transaction due diligence
3. Fund Custodian
 - Complete due diligence and compliance checks
 - AML Procedures
 - Final transaction sign-off

TYPICAL TRADE PROCESS (30-45 days)

1. Fund approval process completed
2. Trader signs commodity purchase and sale contracts. Trading margin secured
3. Buyer issues proof of funds (e.g. Letter of Credit/Bank Guarantee)
4. Trade risk mitigants undertaken by Trader:
 - Freight and Logistics: Insurance
 - Price and currency: hedging (if required)
 - Product specification: Independent analysis and testing
5. Commodity transported to Buyer. Fund granted security over commodity
6. Buyer makes payment. Fund repaid investment principal plus financing fees
7. Trader paid net margin
8. Trade cycle repeated

Investments can be made through IFAs via:

Direct, Offshore Bonds, QROPS, SIPPs/SASS, Trusts, Charities, Companies

Available for purchase via:

AEGON Ireland	Clerical Medical	Prudential International
AVIVA	Generali International	SEB International
AXA, Hong Kong	Hansard International	Investors Trust
Canada Life	Lombard International	Dentons SIPP
Friends Provident Int	Cornhill	

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KEY FACTS

Fund Domicile:

Luxembourg

Fund Structure:

SICAV SIF

Investment Advisor

Blackstar Capital Partners S.a.r.l.

Custodian:

KBL, Luxembourg

Auditor:

PwC, Luxembourg

Administrator:

European Fund Administration,
Luxembourg

Fund Charge:

Management: 2% per annum

Performance: 20% above 8% p.a.
hurdle rate

Valuation:

Monthly

Minimum Direct Investment

€125,000 or currency equivalent

Distributions

Semi Annual

Launch Date:

February 2012

Currencies:

GBP, EUR, USD

For investment advice, please contact your
Financial Adviser.

**For intermediary support please
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