

The AtonRâ Security & Space is a long-only, monthly rebalanced, USD-based, actively-managed-certificate.

Like many other industries, defense is in the early stages of its digital and tech transformation as innovations in artificial intelligence, robotics and augmented reality make their way to the battlefield. This tech upgrade cycle gives confidence that the current government spending momentum (fueled by geopolitical tensions) will last several years and that private contractors will keep delivering above-consensus revenue and earnings growth.

Other sources of upside include space exploration as the US plans missions to the Moon and beyond and civil security as the Internet of Things opens the way to new cyber attacks and as smart cities become reality.

No investments are made in companies active in anti-personnel mines and cluster bombs.

Main Features

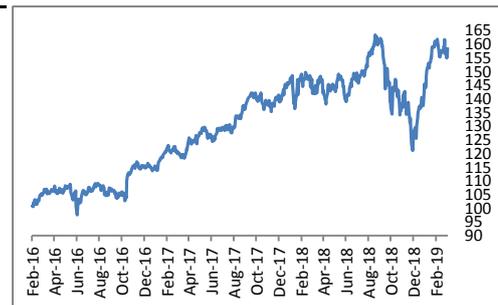
| | |
|-----------------|-----------------------|
| Asset Class | Equity |
| Inception Date | 25-Jan-16 |
| Currency | USD |
| Type of Return | Total Return |
| Ticker | NXSRGDEF |
| ISIN | XS1317057278 |
| Issuer | NATIXIS |
| Issue Price | 100.0 |
| Last Price | 158.3 |
| Sharpe Ratio | 0.88 |
| Correlation | 1.18 |
| Beta | 1.17 |
| Reference index | MSCI World Net Return |

MONTHLY RETURNS (%)

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | ANNUAL |
|------|-------|-------|-------|-------|------|-------|------|-------|------|--------|-------|-------|--------|
| 2019 | 15.4% | 7.6% | -1.6% | | | | | | | | | | 22.2% |
| 2018 | 6.4% | -0.6% | -1.9% | -2.3% | 2.2% | -1.9% | 4.3% | 6.5% | 3.4% | -13.4% | 0.8% | -8.5% | -6.8% |
| 2017 | -0.8% | 6.7% | -1.4% | 4.2% | 2.8% | -3.1% | 3.4% | 3.3% | 4.1% | 0.9% | -1.2% | 0.6% | 20.8% |
| 2016 | -0.2% | 0.8% | 6.1% | -0.7% | 1.2% | -4.5% | 5.2% | -1.1% | 0.0% | -0.9% | 9.3% | -0.4% | 14.9% |

HIGHS/LOWES

| | Price | Date |
|---------------|-------|-----------|
| All Time High | 163.3 | 14-Sep-18 |
| All Time Low | 94.1 | 11-Feb-16 |



March 2019 highlights

The AtonRâ Security & Space certificate fell 1.6% in March, underperforming the MSCI World Net Return by 2.9%. Year-to-date, it outperforms its reference index by 9.8% and launch-to-date (January 25, 2016 launch), it outperforms by 10.7%.

Tensions are back between the US and North Korea and diplomacy has been on life support since the Hanoi summit when Trump and Kim Jong Un went home empty-handed as the two leaders could not find an agreement (large package of sanctions relief for North Korea, Pyongyang's total nuclear abdication for the US).

North Korea is reportedly considering suspending talks with the US and restoring missile- and space-related facilities it had begun to dismantle following last May's Singapore summit while Trump's national security advisor warned that new sanctions could be introduced if Pyongyang did not scrap its nuclear weapons program.

Against this backdrop, it's not surprising to see the US Defense budget heading for another year of growth with the \$750bn request from the Trump administration pointing to +5% growth year-on-year. But we would mainly highlight the 6% growth in the NASA budget request which, in our view, is a first step before more aggressive budget increases as the US prepares to go back to the moon.

As we often say, space exploration and space-based defense systems are likely to be a major revenue and earnings driver for Defense and Tech companies as NASA budget could balloon over the years to prepare moon missions and as competition will rivals is heating up, as illustrated by India's unexpected launch of an anti-satellite missile test last month. The successful test made India a space power and the fourth country capable of destroying a satellite, after the US, Russia and China.

Interestingly, NASA is increasingly using private companies for its operations. While most private players have an expertise and products in propulsion, avionics and navigation that are likely to be in strong demand over the years, some are also developing turnkey solutions such as launch vehicles and space transportation systems.

In the military as well, private and notably tech companies are expected to play an increasing role, as illustrated by the massive \$800m contract signed by data analytics company **Palantir** with the US Army for the delivery of a comprehensive combat intelligence hardware and software suite that will "assist the commander's visualization and understanding of the threat and other relevant aspects of the operational environment".

Even if contracts between the Pentagon and Tech companies can raise ethical issues from time to time (as illustrated by the controversy around **Google's** involvement in a military drone footage analysis contract), it will be important for the US government to get access to the resources of these companies in fields such as artificial intelligence and robotics considering that in China, there are already close relations between the government and the Tech industry.

Top 3 Contributors

Name

BOOZ ALLEN HAMILTON HOLDINGS
ADVANCED MICRO DEVICES
CYBERARK SOFTWARE LTD/ISRAEL

Worst 3 Contributors

Name

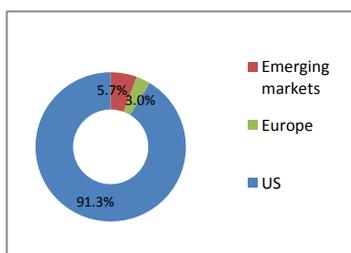
AEROVIRONMENT INC
SPLUNK INC
BOEING CO/THE

Top 3 Holdings

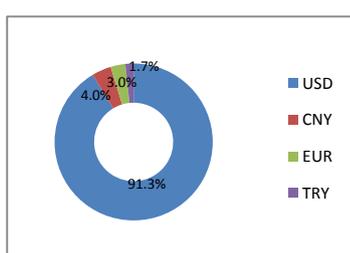
Name

SPLUNK INC
XILINX INC
AEROVIRONMENT INC

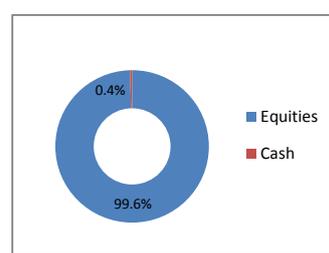
Geographical Breakdown



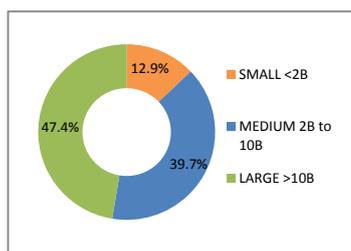
Currency exposure



Asset Allocation



Equity Market Capitalization



Equity Liquidity

| | |
|-------------------------------|------|
| 1 to 3 days to liquidate* | #N/A |
| 3 to 5 days to liquidate | #N/A |
| More than 5 days to liquidate | #N/A |

*on average daily trading over the last 3M

Important Information

All net estimated returns are based on unaudited, internally prepared assessments and have not been independently verified.

The net estimated returns are subject to adjustments as a result of changes or delays in AtonRâ's calculations of the profit and loss of the portfolio. Any such adjustments could have a material impact on the estimated net returns of the AtonRâ Basket.

Net returns are reported after deduction of AtonRâ's management and/or performance fees.

Past performance is not indicative or a guarantee of future results. Investment losses may occur, and investors could lose some or all of their investment.

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