

The AtonRâ Global Defense & Security 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

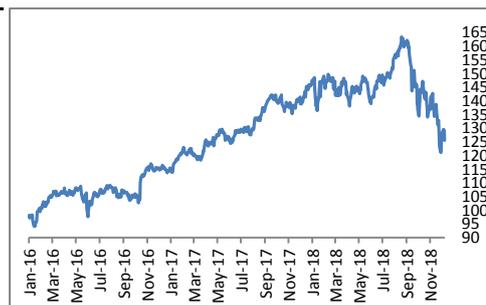
| | |
|-----------------|-----------------------|
| Asset Class | Equity |
| Inception Date | 25-Jan-16 |
| Currency | USD |
| Type of Return | Total Return |
| Ticker | NXSRGDEF |
| ISIN | XS1317057278 |
| Issuer | NATIXIS |
| Issue Price | 100.0 |
| Last Price | 129.5 |
| Sharpe Ratio | 0.57 |
| Correlation | 0.77 |
| Beta | 1.15 |
| Reference index | MSCI World Net Return |

MONTHLY RETURNS (%)

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | ANNUAL |
|------|-------|-------|-------|-------|------|-------|------|-------|------|--------|-------|-------|--------|
| 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/LOWS

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



December 2018 highlights

The AtonRâ Global Defense & Security certificate fell 8.5% in December, underperforming the MSCI World Net Return by 0.9%. In 2018, it outperformed its reference index by 2.0% and launch-to-date (January 25, 2016 launch), it underperforms by 1.7%.

In spite of its defensive qualities, it was a shaky end of the year for the Defense & Security portfolio which was affected by the US government shutdown and the resignation of Secretary Mattis, an advocate of higher military spending and of a security strategy prioritizing competition with China and Russia.

There were actually some reasons to cheer as US President Trump backed plans to request \$750bn from Congress for defense spending next year, well above initial expectations (\$700bn). This new spending hike (mid single digit growth year-on-year) at a time of belt-tightening elsewhere in the US government is a clear reminder of the arms race that is currently taking place with both Russia and China.

Notably, the Kremlin claimed during the holiday season that it had conducted another successful test of a hypersonic weapon system traveling at least five times the speed of sound and capable of carrying nuclear warheads. The weapon, which is expected to enter Russia's arsenal by 2020, is reportedly able to defeat even the most advanced missile-defense systems and difficult to track.

With this arms race on, a constructive FY20 Defense budget and the long-cycle nature of most military projects, we believe that Defense contractors offer unique visibility on their growth outlook in the current macro environment, with growth unlikely to decelerate materially before 2022.

Also, the space race is likely to become a revenue driver for many Defense contractors in a near future as the US, Russia and China try to cement their technological and military lead in space, with China claiming it plans to become one of the world's top three aerospace powers by 2030 and spending about \$8bn a year on space initiatives, second only to the US.

While China landed last month the first ever spacecraft on the far side of the moon, **Lockheed Martin** unveiled a reusable lunar lander concept that will be capable of ferrying four astronauts between lunar orbit and the surface of the moon and that could be used to establish a surface base for up to two weeks without the need to refuel. The lander would use as its home base the Gateway that NASA plans to start building in lunar orbit in 2022.

In the civil field, cybersecurity will arguably remain in demand as illustrated by a Thales eSecurity report finding that 36% of companies had experienced an intrusion in 2018, up from 24% in last year's survey and that 84% of senior security officers were planning to spend more this year on cybersecurity, up from 78%.

Top 3 Contributors

Name

PALO ALTO NETWORKS INC
OSI SYSTEMS INC
CYBERARK SOFTWARE LTD/ISRAEL

Worst 3 Contributors

Name

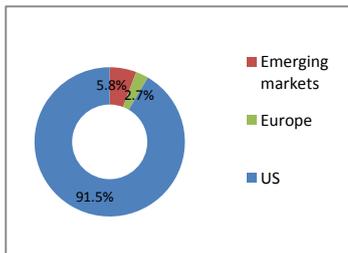
AEROVIRONMENT INC
FIREEYE INC
HUNTINGTON INGALLS INDUSTRIE

Top 3 Holdings

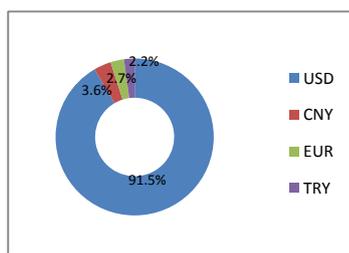
Name

SPLUNK INC
AEROVIRONMENT INC
XILINX INC

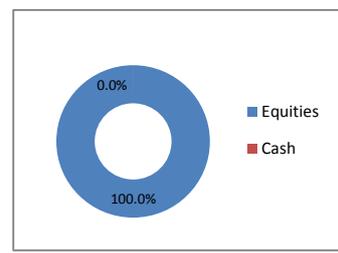
Geographical Breakdown



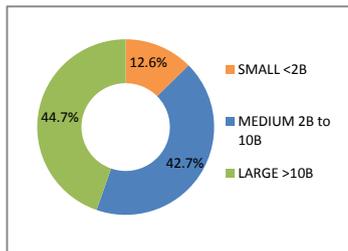
Currency exposure



Asset Allocation



Equity Market Capitalization



Equity Liquidity

| | |
|-------------------------------|-----|
| 1 to 3 days to liquidate* | 96% |
| 3 to 5 days to liquidate | 0% |
| More than 5 days to liquidate | 4% |

*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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