SaemorCapital

Europe Alpha Fund

Monthly Report – September 2014

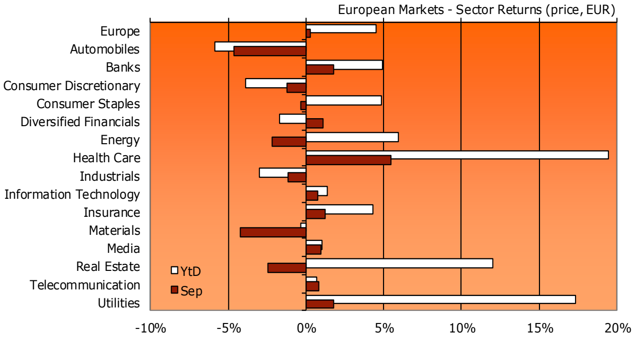
Fund Performance

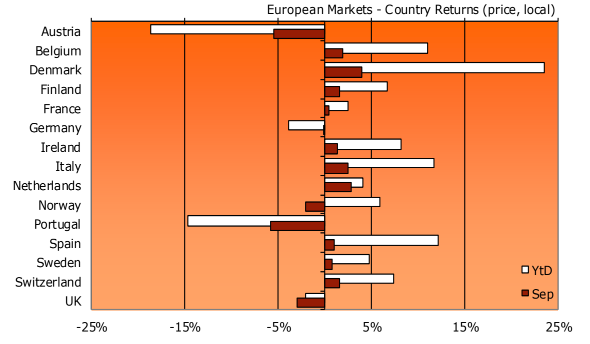
	September	YTD	3M	6M	1 Yr	3 Yr (ann)	5 Yr (ann)	NAV (30-Sep-2014)	Inception
Share Class B	**3.8%**	**18.5%**	8.3%	11.1%	32.4%	10.9%	10.0%	EUR 1293.47	26-Jun-2008
Share Class A	**3.5%**	**17.0%**	7.8%	10.2%	30.3%	9.6%	8.8%	EUR 1368.39	26-Jan-2009

The performance of the Fund was strong (+3.8%). The short book benefited heavily from the ongoing defensive rotation as it is exposed to low quality stocks which sold off in September. The contribution from the long book was nil. Stock selection was most successful within Industrials, Health Care and Telecommunications. Our quantitative stock selection model achieved solid results as most factor clusters registered gains in September. Earnings Momentum and Price Momentum delivered the most alpha. Style performance was defensive with the risk-off trade outperforming and risk factors lagging amid a growth slowdown and rising volatility. The performance of Value was slightly positive with free cash flow yield as the best factor.

Market Developments

Global equity markets experienced a tough month as oil price weakness, anticipation of a rate rise in the US and anxiety about China's growth weighed heavily on market sentiment. Geopolitical risks resurfaced in Iraq, Syria and Ukraine, while the pro-democracy civil unrest in Hong Kong also curtailed risk appetite. In contrast, European equity markets were relatively calm In September. Stocks rose slightly on the back of a dovish ECB press conference and a weaker euro which drove some optimism over an improvement in earnings. The "no" vote in the Scottish referendum also relieved the market. Denmark, the Netherlands and Italy were the strongest markets, while Portugal, Austria, United Kingdom and Norway ended the month in red. Health Care was the best performing sector. Stocks in other defensive sectors, Banks and Insurance were also favored by investors. Materials, Energy, Consumer Discretionary and Industrials were under pressure. Bunds experienced their first monthly drop since January. 10y Gilt and Treasury yields also rose. Within credits the pressure points were firmly in high-yield. Diverging G4 central bank policy drove a sharp spike in volatility. The euro weakened 3.8% against the dollar, as the ECB eased aggressively on the back of sluggish Eurozone data and persistent deflation risk. The pound lost 2.3% against the dollar. The dollar meanwhile was buoyed by an upbeat US economy and more hawkish forward guidance from the Fed. Commodities corrected sharply across the board.





Investment Outlook & Strategy

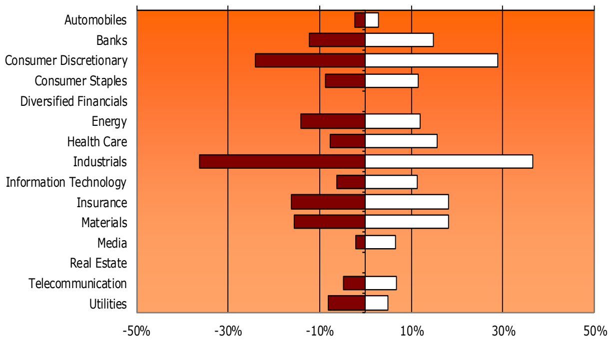
From a style allocation perspective, we continue to prefer Earnings Momentum and Quality. This results in limited exposure to more economic sensitive stocks as virtually all the cyclical sectors have poor earnings trends. Utilities, Telecoms and Healthcare are seeing the best EPS revisions, whereas Materials and Energy are seeing downgrades. Banks have not yet delivered on the earnings upgrades that one would expect in a low interest rate environment, but this could become a positive catalyst for equity markets in 2015. We are still long UK consumer related names and short emerging market plays. Our short positions in expensive stocks with low profitability have started to work well and we expect this to continue in a low growth environment. As the markets have been selling off on lower European growth, we may increase our long exposure in high quality names. A year-end rebound is still in the cards.

Key Portfolio Information

Total Net Assets (in mln)	€566 / $715	Net Exposure Beta-Adj	0.09
Outstanding Shares (B/A)	434424 / 2920	Beta (ex post, 3Y monthly data)	-0.04
Number of Long Positions	117	Volatility (ex ante, short-term risk model)	6.1%
Long Positions (% of NAV)	188.4%	Volatility (ex post, 3Y monthly data)	10.4%
Number of Short Positions	107	VaR (1 day / 95% conf)	0.7%
Short Positions (% of NAV)	-159.2%	Long Liquidity (avg)	0.48 days
Gross Exposure (% of NAV)	347.6%	Short Liquidity (avg)	0.39 days
Net Exposure (% of NAV)	29.2%	Portfolio Turnover (/GAV)	0.8

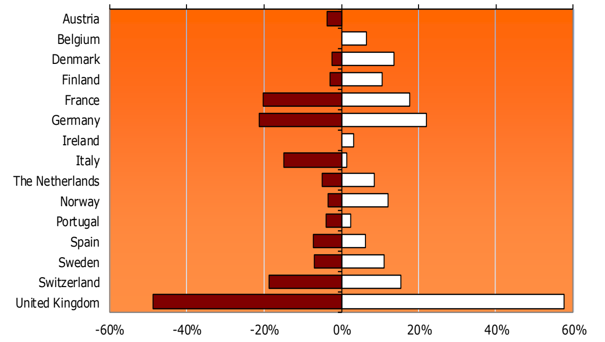
Sector Allocation (L&S as % NAV)

The Fund is net short Utilities and Energy while it is net long Health Care, Information Technology, Consumer Discretionary, Media, Consumer Staples, Banks, Materials, Insurance and Telecommunication. Positions in Automobiles and Industrials are balanced.



Country Allocation (L&S as % NAV)

Danish, British, Norwegian, Finnish, Belgian, Swedish, Dutch and Irish stocks are most over-weighted in the portfolio, whereas stocks in Italy, Austria, Switzerland, France and Portugal are underrepresented. The Fund is neutral in Spain and Germany.



Top Long Positions

	Model Score	As % NAV
STATOIL	99	3.3%
YARA	99	3.3%
SWISS RE	99	3.3%
RYANAIR	98	3.3%
BARRATT DEVELOPMENTS	100	3.3%

- Statoil generates a healthy return on capital while its balance sheet is hardly geared. The valuation, although in line with peers, does not reflect Statoil's sensible management of its capital expenditure while the company should benefit from a tighter gas market in the longer term as gas production in the Netherlands seems likely to fall due to environmental pressures.
- Yara sells nitrogen and potash-based fertilizers. The company announced very good Q1 and Q2 results and the 2014-2015 outlook seems promising as well. The sector is seeing some consolidation and investors view quality Norwegian names as safe havens in times when the European and global economic outlook is unclear.
- Swiss Re is a leading reinsurer with a disciplined underwriting policy, even in times when insurance pricing is lackluster. The shares seem attractively valued, with a dividend that is well covered by earnings while the balance sheet is strong. Swiss Re is also well-placed to participate in the consolidation of closed life insurance books in parts of Europe.
- Ryanair is a low cost airline, which offers airline services to destinations in Europe. The company is benefitting from customers taking smaller trips and looking for cheaper air-travel. Q2 numbers were very strong and analysts have been upgrading numbers significantly for the last two months. At 15x 2015 earnings, the company is not expensive, given its earnings growth profile.
- Barratt Developments is the second largest UK homebuilder. Although the sector has been volatile over the summer due to market growth concerns, the company continues to show strong top line growth, increasing ROCE and improving cash returns. The stock looks attractive on valuation, momentum, profitability and growth, and quality measures.

Top Short Positions

	Model Score	As % NAV
ADIDAS	3	-3.1%
WILLIAM HILL	14	-3.1%
DIAGEO	9	-3.0%
RSA INSURANCE	4	-3.0%
DUFRY	3	-3.0%

- Adidas manufactures and sells sportswear and sports equipment. The company has announced a string of profit warnings caused by volatile emerging market currencies, weakening golf equipment sales, lower consumer spending in Russia and the cost of its World Cup marketing. The stock scores considerably lower than its peers on valuation, momentum, profitability, growth and stability metrics.
- William Hill, based in the UK, operates as a bookmaker in the gambling industry. The company is facing an increasingly unfriendly regulatory environment in the UK. Although its current valuation may not seem demanding, the company is pressured by a higher tax rate and weakening EBIT. It is among the worst-positioned gaming companies in our universe based on quality scores, price momentum and earnings momentum.
- Diageo is an international manufacturer and distributor of beverages. The stock ranks unfavorably compared to its industry peers based on valuation, momentum and stability metrics. Although Diageo's profitability and growth do not score as poorly, FY2014 is the first time in seven years that the company sees an EPS decline.
- RSA Insurance Group has recently shored up its balance sheet with a rights issue, but the valuation of the shares now seems stretched. Further earnings dilution from likely disposals seems not be discounted in the shares, whilst dividend yield and growth are lower than for the peer group.
- Dufry operates duty free shops in ports and cruise liners. The company generates most of its in revenues in Central and South America, where the demand is slowing and the currency is depreciating. Dufry has increased capital substantially to finance the acquisition of The Nuance Group. While the deal may potentially be accretive, it has stretched the valuation and worsened the quality of the balance sheet.

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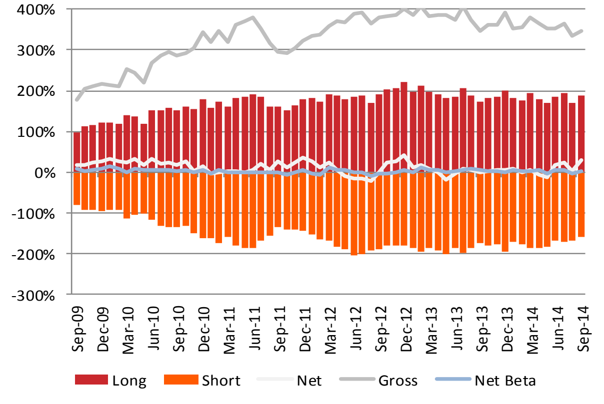
Exchange Liquidity Breakdown

The holdings in the Fund are highly liquid. The table below shows the percentage of securities in the portfolio which can be unwinded within a particular period of time. The calculation is based on the assumption that maximum 25% of average daily volume (ADV, based on most recent 3 months) in a security can be traded per day. A higher participation rate is possible but will result in market impact costs. Under market current circumstances 94% of the portfolio can be liquidated within 3 days if we trade one-quarter of the ADV per day.

Liquidity	Long	Short	Portfolio
Within 3 Days	91.0%	97.0%	94.0%
Within 1 Week	97.0%	100.0%	98.0%
Within 2 Weeks	100.0%	100.0%	100.0%
Within 1 Month	100.0%	100.0%	100.0%

Market Exposure

The Fund applies leverage but is typically run with low (beta-adjusted) net exposure and will be predominantly market-neutral over time.



Monthly Performance Contribution by Sector and Market Capitalization (%)

	Long	> 5bn	1-5bn	< 1bn	Short	> 5bn	1-5bn	< 1bn	Total
Automobiles	**-0.4**	-0.3	0.0	0.0	**0.0**	0.0	0.0	0.0	**-0.3**
Banks	**0.0**	0.0	0.0	0.0	**-0.1**	-0.2	0.0	0.0	**-0.2**
Consumer Discretionary	**-0.4**	0.1	-0.5	0.0	**1.1**	0.2	1.0	0.0	**0.7**
Consumer Staples	**0.1**	0.2	-0.1	0.0	**0.5**	0.4	0.2	0.0	**0.7**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**-0.2**	0.0	-0.2	0.0	**0.5**	0.3	0.1	0.1	**0.3**
Health Care	**1.0**	0.9	0.1	0.0	**-0.2**	0.0	-0.4	0.2	**0.8**
Industrials	**-0.3**	0.1	-0.4	0.0	**2.2**	1.2	0.9	0.2	**1.9**
Information Technology	**0.1**	-0.1	0.2	0.0	**0.3**	0.3	-0.2	0.1	**0.3**
Insurance	**0.3**	0.2	0.0	0.0	**-0.5**	-0.6	0.1	0.0	**-0.2**
Materials	**-0.5**	-0.4	-0.1	0.0	**0.3**	0.0	0.2	0.0	**-0.2**
Media	**0.1**	0.1	0.0	0.0	**-0.2**	0.0	-0.2	0.0	**-0.1**
Real Estate	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Telecommunication	**0.2**	0.2	0.0	0.0	**0.5**	0.2	0.4	0.0	**0.8**
Utilities	**0.0**	0.0	0.0	0.0	**0.1**	0.1	-0.1	0.0	**0.1**
Cash / Other									-0.7
Total	**0.0**	0.9	-0.8	0.0	**4.5**	1.9	2.0	0.5	**3.8**

Top Contributors

Ocado	0.4%	Short
Balfour Beatty	0.4%	Short
Edenred	0.4%	Short
ASOS	0.4%	Short
Monitise	0.4%	Short

Top Detractors

Michelin	-0.3%	Long
BHP Billiton	-0.3%	Long
Standard Life	-0.3%	Short
Technicolor	-0.2%	Long
Next	-0.2%	Long

Monthly Fund Performance

Perf. Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	2.8%	3.5%	0.2%	-3.6%	-0.1%	6.5%	2.3%	2.1%	3.8%				18.5%
2013	0.0%	0.5%	2.4%	1.4%	-1.9%	3.2%	-2.9%	-9.5%	2.1%	6.5%	2.4%	2.6%	5.9%
2012	-4.6%	-0.5%	-0.8%	3.6%	-1.3%	1.2%	0.6%	0.4%	1.0%	-0.8%	-0.5%	2.1%	0.4%
2011	0.7%	-1.7%	0.7%	0.0%	1.6%	4.5%	1.0%	-0.7%	2.4%	2.2%	3.2%	2.7%	17.8%
2010	0.7%	1.8%	1.4%	-1.2%	1.0%	-0.1%	-1.6%	0.5%	1.6%	2.0%	1.9%	-1.9%	6.1%
2009*	5.0%	-0.4%	-1.0%	-3.1%	-1.3%	0.8%	-2.5%	-2.1%	-0.8%	2.7%	-0.5%	0.0%	-3.5%
2008*							1.0%	-6.0%	-5.3%	-5.8%	-0.8%	1.4%	-14.9%

Perf. Class A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	2.6%	3.3%	0.1%	-3.4%	-0.1%	6.1%	2.2%	1.9%	3.5%				17.0%
2013	0.0%	0.5%	2.2%	1.3%	-1.9%	3.0%	-2.8%	-9.5%	2.1%	6.4%	2.2%	2.4%	5.2%
2012	-4.6%	-0.5%	-0.9%	3.6%	-1.3%	1.2%	0.7%	0.4%	1.0%	-0.8%	-0.5%	2.1%	0.0%
2011	0.7%	-1.7%	0.7%	-0.1%	1.6%	4.0%	0.8%	-0.6%	1.9%	1.7%	2.6%	2.5%	14.9%
2010	0.7%	1.8%	1.4%	-1.2%	0.9%	-0.2%	-1.6%	0.4%	1.5%	2.0%	1.8%	-2.0%	5.6%
2009*	0.5%	-0.4%	-0.9%	-3.1%	-1.7%	0.7%	-2.5%	-2.2%	-0.9%	2.7%	-0.6%	-0.1%	-8.3%

Source: Citi Financial Services. Inception: June 26th, 2008 (B) and Jan 26th, 2009 (A). Returns are based on official month-end NAVs (Net Asset Value figures).
Returns are net of all fees for a Day one investor in the fund. The fees and Total Expense Ratio are mentioned on page 4 of this newsletter and the EBI document.
* Results in 2008 and 2009 are not fully representative of our current quantitative investment strategy. During 2009 we have reshaped our investment team to a more quantitative profile and have given risk management and portfolio optimization a prominent role in our day-to-day process.

Europe Alpha Fund

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Investment Objective

The Saemor Europe Alpha Fund is a market-neutral long/short equity fund. The Fund aims to generate consistent returns of more than 8% per annum in bull and bear markets while keeping volatility around 8-10%. The Fund is run with low (beta-adjusted) net exposure and will be predominantly market-neutral over time.

Fund Highlights

Our alpha strategy encompasses an innovative quant factor model that is designed to add value during all phases of the business cycle and most market environments.

Fund Facts

Universe	Europe / EMEA
Currency share class	EUR
Minimum Investment EUR (A/C/B)	10k/50m/100m
Frequency Subs & Reds	Monthly
Notice Period Subs & Reds	5 /15 days
Early Redemption Fee	max 1.0%
Management Fee (A/C/B)	1.5%/1.25%/1.0%
Performance Fee (A/C/B)	20%/17.5%/15%
High Watermark	Yes
Ongoing Charges Figure 2013 (A/B) *	1.59%/1.09%

Management

Manager	Saemor Capital
Administrator/Depositary	Citibank Europe
Prime Brokers	Morgan Stanley, BoA ML, UBS
Auditor	PwC
Trustee	SGG Corporate & Fund Administration
Legal	De Brauw Blackstone Westbroek
Compliance	CLCS
Fund Domicile	The Netherlands
Fund Structure	FGR (fund for joint account)
Tax Structure	VBI (tax exempt)

* The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets of the Fund. Ongoing costs include cost of investment management and administration, plus other costs of running the fund, such as fees for custodians, regulators and auditors. Transaction costs of investments, interest expenses and performance fee are excluded from the calculation.

Contact Information

Saemor Capital
WTC, E-Tower 7th floor
Prinses Margrietplantsoen 44
2595 BR The Hague
The Netherlands
Tel +31 (70) 756 8070
www.saemor.com

Erwin de Kleijn – Investor Relations Manager
erwindekleijn@saemor.com
Tel +31 (70) 756 8009
Mob +31 (6) 5209 4812

Mary Kahng – Investor Relations Manager
marykahng@saemor.com
Tel +31 (70) 756 8007
Mob +31 (6) 1384 8931