SaemorCapital

Europe Alpha Fund

Monthly Report – October 2014

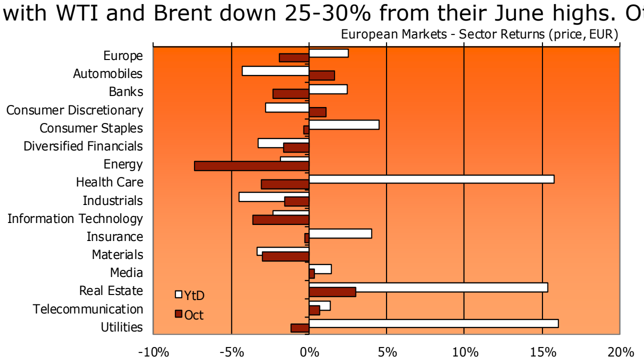
Fund Performance

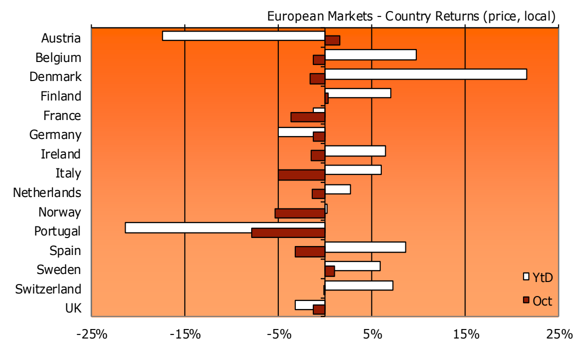
	October	YTD	3M	6M	1 Yr	3 Yr (ann)	5 Yr (ann)	NAV (31-Oct-2014)	Inception
Share Class B	**2.7%**	**21.7%**	8.7%	18.3%	27.7%	11.1%	10.0%	EUR 1328.39	26-Jun-2008
Share Class A	**2.5%**	**20.0%**	8.2%	17.0%	25.5%	9.9%	8.7%	EUR 1402.95	26-Jan-2009

October saw strong fund performance (+2.7%) despite the increased market volatility. The short book contributed on the back of market weakness. The long book was flat and therefore outperformed considerably. Positions in the Consumer Discretionary and Energy sector added the most. Oil stocks (Tullow Oil, Genel Energy, Subsea 7, Statoil) were the biggest contributors on a stock level as these stocks were impacted by the drop in energy prices. Factor returns were dominated by Growth and Profitability. Defensive Value, Price Momentum, Earnings Momentum and Stability factors also outperformed. Stocks with a high free cash flow yield, return on assets and earnings growth stability, and low earnings estimate dispersion were rewarded, indicating that investors were seeking safe haven stocks. In contrast, deep value and small cap stocks suffered not only in the pull-back but were also left behind in the subsequent recovery. Overall, our stock selection model performed very well.

Market Developments

October proved difficult for European equity markets (-1.9%). In the first half of the month markets sold off while in the latter half some ground was regained. In fact, stocks experienced the wildest ride since August 2011. The market reaction to the results of the AQR and stress tests for European banks was quite muted as they contained no material surprises. The ECB and Bank of Japan announced an increase in its program of asset purchases, while The Fed officially confirmed the end of its quantitative easing. Economic data surprised to the downside for the euro-zone, while corporate quarterly earnings reports were better than expected. Equity markets in Norway, Portugal, Italy, France and Spain were down the most. Sector returns were dominated by Real Estate, Automobiles and Consumer Discretionary, while Energy, IT, Health Care and Materials suffered. Bunds, Gilts and Treasuries gained. Credit markets were supported by rumours of the ECB considering corporate bond purchases. The dollar strengthened. Oil prices declined more than 10% in October, with WTI and Brent down 25-30% from their June highs. Other commodities also suffered.





Investment Outlook & Strategy

The economy in the euro area is undeniably slowing down. The oil price fall suggests more global macro weakness than most people seem to discount. Since early October we have emphasized a slowdown/recession scenario for Europe, tilting the portfolio towards high quality names. We will most likely neutralize this towards the year-end in anticipation of the January effect (high risk, small cap and deep value typically do well after the turn-of-the year). The ECB is expected to initiate sovereign QE perhaps as early as Q1 2015. With central banks continuing to provide monetary accommodation, the region should be able to avoid a full-blown recession. Most economists expect the macro data to stabilize and get modestly better from here. This could improve investor sentiment towards Europe. Concerns over a lack of growth and inflation could take a back seat at the start of the new year with resilient corporate earnings as a reassurance. The third quarter earnings season has shaped up to be the strongest over the last three years, largely thanks to euro weakness. Companies exposed to the US surprised most positively as the US economy itself continues to be robust.

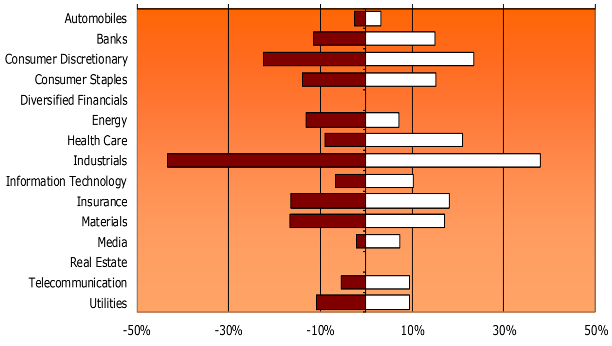
Key Portfolio Information

Total Net Assets (in mln)	€581 / $728
Outstanding Shares (B/A)	434424 / 2920
Number of Long Positions	117
Long Positions (% of NAV)	193.1%
Number of Short Positions	113
Short Positions (% of NAV)	-173.8%
Gross Exposure (% of NAV)	366.9%
Net Exposure (% of NAV)	19.4%

Net Exposure Beta-Adj	-0.03
Beta (ex post, 3Y monthly data)	-0.11
Volatility (ex ante, short-term risk model)	7.2%
Volatility (ex post, 3Y monthly data)	10.4%
VaR (1 day / 95% conf)	0.6%
Long Liquidity (avg)	0.4 days
Short Liquidity (avg)	0.34 days
Portfolio Turnover (/GAV)	0.6

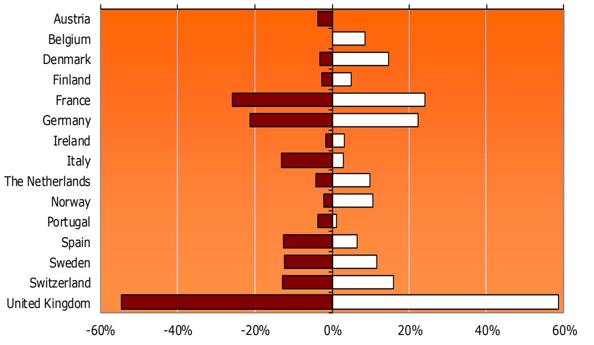
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

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



Top Long Positions

	Model Score	As % NAV
ROCHE	100	3.3%
BHP BILLITON	97	3.3%
SWISS RE	99	3.2%
HANNOVER RE	97	3.2%
MERCK	100	3.2%

- Roche develops and manufactures pharmaceutical and diagnostic products. The company has a strong breast cancer franchise and offers optionality through its full pipeline data. The Q3 sales update was better than expected and the FY14 outlook was reassuring. Roche is among the best ranked stock according to valuation, momentum and quality metrics.
- BHP is the world's largest mining company with a diversified high quality portfolio of mining assets. The whole sector has been under pressure recently, leaving BHP's shares at very cheap levels. With falling commodity prices we prefer the high quality companies with a stable low cost production base.
- 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.
- Hannover Re combines a conservative underwriting policy with good investment results to produce attractive returns on equity. Recently the company has enjoyed strong life reinsurance results on the back of which it has raised its earnings guidance. The valuation of the shares is undemanding.
- Merck is a global pharmaceutical and chemical enterprise. It recently acquired Sigma-Aldrich to complement its life science business and expand its presence across all geographies. The deal was seen as strategically sound and led to earnings upgrade. Overall, Merck scores well above average in terms of valuation, earnings momentum, profitability, growth and stability.

Top Short Positions

	Model Score	As % NAV
REPSOL	15	-3.4%
VOLVO	16	-3.3%
STANDARD LIFE	6	-3.2%
DANONE	24	-3.1%
THYSSENKRUPP	4	-3.1%

- Repsol shares are trading at a premium to the sector while the company is likely to acquire upstream assets. Repsol intends to reduce its exposure to refining, which is substantially bigger than that of its peers. Refining represents a challenging business owing to overcapacity. Until Repsol provides more clarity on its future earnings mix the relative valuation of the shares seems stretched.
- Volvo sells trucks and construction equipment. The company has seen strong downgrades to 2014 and 2015 earnings over the past two years, but investors continue to expect a turnaround in 2015, especially after the October update by the company. Global growth remains lackluster however, and shares are expensive at 22x 2014 PE.
- Standard Life shares seem to be trading at high valuation multiples compared to its profitability. The growth outlook has weakened somewhat following the departure of one of its key portfolio managers earlier in the year, which bodes poorly for net fund flows. Although dividends seems supported by cash flow from continuing operations, dividend growth will moderate as most non-core have been sold.
- Danone is a food processing company. Its profitability is vulnerable to potential slowdown in the US, Russia and China. It will also face further margin pressure due to input costs headwinds in the second half of the year. In the context of a weak growth environment for global staples, Danone is poorly positioned compared to its peers.
- Thyssenkrupp manufactures steel and industrial components. The global steel market has been fairly weak over the last couple of years, which has made it very difficult for Thyssen to find buyers for its Brazilian and US assets and restructure the business further. The earnings expectations for 2014 and 2015 have been steadily downgraded of the last two years, yet the shares have done very well since December, leaving the company trading above 16x 2015 earnings, which we feel is a lot for a steel company.

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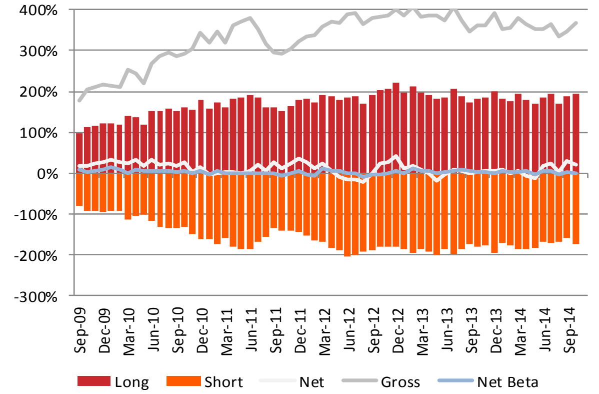
Exchange Liquidity Breakdown

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 95% 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	93.0%	98.0%	95.0%
Within 1 Week	98.0%	100.0%	99.0%
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	**0.1**	0.1	0.0	0.0	**0.1**	0.0	0.1	0.0	**0.2**
Banks	**0.3**	0.3	0.0	0.0	**0.5**	0.5	0.0	0.0	**0.7**
Consumer Discretionary	**1.2**	0.5	0.6	0.0	**0.4**	-0.1	0.5	0.0	**1.6**
Consumer Staples	**0.4**	0.2	0.0	0.1	**-0.2**	-0.2	0.0	0.0	**0.2**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**-1.3**	-0.8	-0.5	0.0	**2.5**	0.9	1.5	0.0	**1.2**
Health Care	**-0.7**	-0.4	-0.3	0.0	**-0.3**	0.0	-0.3	0.1	**-0.9**
Industrials	**-0.3**	-0.3	0.0	0.0	**-0.8**	-1.0	0.2	0.1	**-1.0**
Information Technology	**-0.1**	-0.1	0.0	0.0	**0.5**	0.2	0.2	0.0	**0.3**
Insurance	**-0.1**	-0.1	0.0	0.0	**0.2**	0.0	0.1	0.0	**0.1**
Materials	**-0.1**	-0.3	0.2	0.0	**0.8**	0.4	0.3	0.0	**0.7**
Media	**-0.1**	0.1	-0.2	0.0	**-0.1**	-0.1	0.0	0.0	**-0.2**
Real Estate	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Telecommunication	**0.5**	0.5	0.1	0.0	**-0.1**	-0.1	0.0	0.0	**0.4**
Utilities	**0.0**	0.0	0.0	0.0	**0.0**	-0.2	0.2	0.0	**0.0**
Cash / Other									-0.7
Total	**-0.1**	-0.2	0.0	0.2	**3.5**	0.4	2.9	0.2	**2.7**

Top Contributors

Tullow Oil	0.5%	Short
Genel Energy	0.4%	Short
Aker Solutions	0.3%	Short
Galp Energia	0.3%	Short
Persimmon	0.3%	Long

Top Detractors

Subsea 7	-0.5%	Long
Statoil	-0.4%	Long
Orion	-0.3%	Long
ASOS	-0.3%	Short
SAP	-0.3%	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%	2.7%			21.7%
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%	2.5%			20.0%
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.

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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.

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