SaemorCapital

Europe Alpha Fund

Monthly Report – March 2019

Fund Performance

	Mar	YTD	3M	6M	1Yr	3Yr (ann)	5Yr (ann)	7Yr (ann)	10Yr (ann)	NAV (29-Mar-2019)	Inception
Share Class B	**0.7%**	**5.9%**	5.9%	6.2%	6.6%	4.6%	7.2%	7.9%	6.4%	EUR 1,645.84	26-Jun-2008
Share Class A	**0.6%**	**5.8%**	5.8%	6.0%	6.1%	4.1%	6.3%	7.0%	5.4%	EUR 1,685.88	26-Jan-2009
Share Class D	**0.7%**	**5.8%**	5.8%	6.0%	6.2%	4.1%				EUR 1,034.43	31-Dec-2015

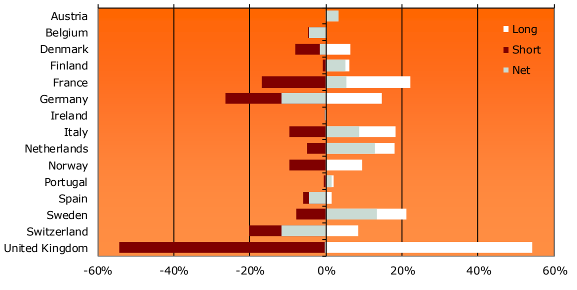
The Saemor Europe Alpha Fund was up 0.7% for the month of March, lifting the year-to-date gain to 5.9%. The underlying multi-factor model showed marginal gains. Much of the style performance in 2019 can be linked to interest rates. Value struggled in March as the yield curve flattened. Other factor families posted positive returns, with Momentum leading the pack. The style environment was more aligned with a late cycle slowdown than a contraction or recovery, which is what our models have been suggesting. Our tactical overweight of Value was not effective. The long position in low-Beta names did well, marking a reversal from the first two months of the year. Our long positions in Health Care and Real Estate fared well in March, as did shorts in Banks.

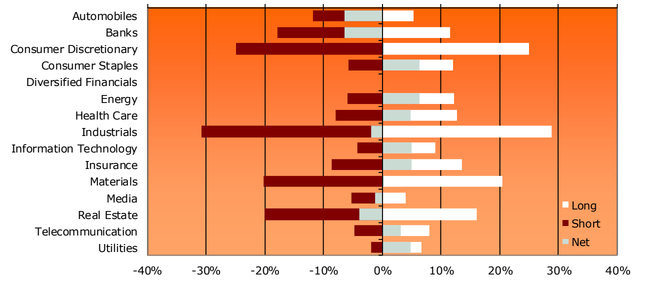
Market Developments

European equities saw another upbeat month, gaining 2% from a more-dovish-than-expected Fed meeting and China's fresh stimulus measures, along with positive headlines on the US-China trade talks. In the last week of March, global bond yields collapsed as central banks turned more dovish and global economic data disappointed. German Bund yields turned negative while the 10Y US Treasury yield dropped below that of the 3M bill. The sectors that materially outperformed in the past month were Consumer Staples, Real Estate and Health Care. Staples is the only sector that currently enjoys more earnings upgrades than downgrades. The rally for rates meant that Banks and Automobiles underperformed. Belgium, Denmark and Italy posted the strongest gains, while stocks in Norway, Spain and Germany disappointed. Most European currencies weakened versus the US dollar, which benefited exporters. Oil prices rose, while industrial metals were flat and precious metals fell.

Investment Outlook & Strategy

We have scaled down our tactical factor positioning in March, alongside our annual model recalibration. We remain overweight Defensive Value, albeit less pronounced than previously. Other factor clusters have been scaled down proportionally. Despite the lackluster performance of Value in March, we see opportunities in both a recession and a recovery. A flat yield curve suggests increased chances of a recession in 2019 and earnings revisions globally have shown further weakness. After a strong run in equity markets year-to-date, room for further advances has been reduced. On the other hand, a more benign Fed, which may soon make the switch from hikes to cuts, as well as a possible bottoming out in earnings revisions, could fuel an economic recovery. Other catalysts for a cyclical rally include potentially positive news on the Chinese economy and a delay and/or softening of Brexit. In both scenarios, Defensive Value as an investment style has historically performed well enough to merit an overweight. In addition, the valuation spread in high and low Value companies is at a very wide level. We remain overweight Health Care, IT, Insurance, Consumer Staples and Utilities. Automobiles, Banks, Chemicals and Real Estate are net short positions, much like last month.





Key Portfolio Information

Total Net Assets (in mln)	€426 / $479	Net Exposure Beta-Adj	-0.07
Outstanding Shares (B/A)	248344 / 8736 / 2702	Beta (ex post, 3Y monthly data)	0.05
Number of Long Positions	112	Volatility (ex ante, short-term risk model)	7.1%
Long Positions (% of NAV)	186.2%	Volatility (ex post, 3Y monthly data)	9.2%
Number of Short Positions	127	VaR (1 day / 95% conf)	0.7%
Short Positions (% of NAV)	-169.5%	Long Liquidity (avg)	0.33 days
Gross Exposure (% of NAV)	355.7%	Short Liquidity (avg)	0.29 days
Net Exposure (% of NAV)	16.7%	Portfolio Turnover (/GAV)	1.5

Sector Allocation (L&S as % NAV)

The Fund is net short Banks, Automobiles, Real Estate and Industrials, while it is net long Energy, Consumer Staples, Insurance, Information Technology, Health Care, Utilities and Telecommunication. Positions in Consumer Discretionary, Materials and Media are balanced. The Fund has no exposure in Diversified Financials.

Country Allocation (L&S as % NAV)

Swedish, Dutch, Italian, French, Finnish and Austrian stocks are overweight in the portfolio, whereas stocks in Switzerland, Germany, Spain, Belgium and Denmark are under-represented. The Fund has a neutral position in Portugal, Norway, United Kingdom and Ireland.

Top Long Positions

	Model Score	As % NAV
Enel	99	3.2%
Kering	98	3.1%
LEG Immobilien	91	3.1%
Peugeot	93	3.1%
Legal & General	99	3.1%

- Enel is an integrated electricity and gas generation and distribution company. It owns a majority stake in Spanish utility Endesa. Enel is expanding its renewables capacity, although it recently sold non-core biomass plants. In the last few quarters thermal generation in Italy has swung back into profit, while the networks business has also improved.
- Kering specializes in luxury goods (Gucci, YSL), and sports/lifestyle (Puma). The stock has recovered strongly from its downfall due to global trading uncertainty last October, reaching new highs recently. Long-term trends are positive. Having become slightly expensive, the company is delivering good execution and earnings expectations have improved further after the FY results last month.
- LEG Immobilien is a German residential property company with regional focus on the federal state of North Rhine-Westphalia. Management aims to grow the property portfolio, while keeping leverage at modest levels. In recent years, LEG’s results have been boosted by both rental growth and revaluations. Although the growth may moderate, LEG’s outlook for book value and dividend growth appears strong.
- Peugeot is the top-ranked automobiles stock within our universe. It posted good FY 2018 results recently, even though market conditions, in particular for its operations arm Faurecia, are difficult. The company is attractively valued versus its European peers at 6.5 P/E FY1. A speculated merger with Fiat Chrysler would bring the company diversification in North America.
- Legal & General is UK-focused life insurance and asset management company. L&G’s non-UK operations are modest but growing steadily, especially in asset management, where the company is a leading provider of index funds. Although lower UK growth as a possible result from Brexit would affect L&G, the valuation seems to adequately compensate for this risk.

Top Short Positions

	Model Score	As % NAV
Tryg	5	3.2%
Tomra	8	3.1%
Daimler	19	3.1%
Vifor Pharma	10	3.1%
DSV	7	3.1%

- Tryg is a Danish insurer that sells general insurance throughout Scandinavia. Though well-run, Tryg's growth is expected to be modest. Shares in the company are valued at a considerable premium to their European peers, however. The stability of Nordic countries does not justify this premium, in our view.
- Tomra manufactures machines used to recycle beverage containers. The company's share price has doubled since the start of 2018, despite only limited upgrades to earnings expectations. We feel investors are pricing in too much growth potential at 45x 2019 earnings expectations.
- Daimler manufactures and sells a wide range of automotive products and services, of which Mercedes-Benz Cars is the largest with 55% of total sales. Global auto demand is slowing, in particular for luxury cars, and risks are high for the subsector, e.g. China import tariffs. Analysts have become more negative on the stock. Cash flows have decreased strongly and the debt burden is getting higher.
- Vifor Pharma has spun off from the former Galenica, separating the pharmaceuticals from the pharmacies. It develops and markets drugs for iron deficiency, nephrology and cardio-renal therapies. The company is quite expensive at almost 30 P/E FY1. Earnings results for 2018 were fine, but growth guidance for 2019 was slightly disappointing.
- DSV offers transport and logistics services globally. The company's share price is up some 30% for the year, despite cutting its 2019 earnings forecast twice. A rebound in cyclicals might have been due after last year's sell-off, but at 24x earnings DSV should not be in this group. The company's take-over bid for Panalpina was taken as a positive by the market, but we feel caution is warranted at these valuations.

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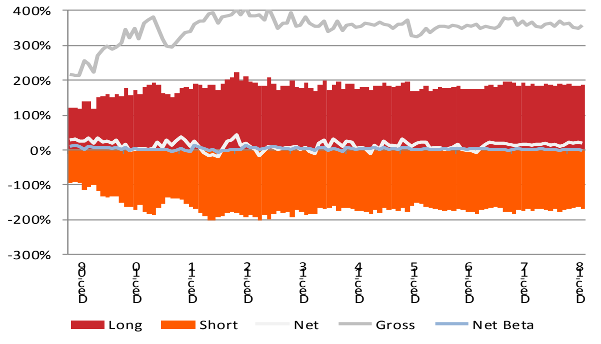
Exchange Liquidity Breakdown

The holdings in the Fund are highly liquid. The table below shows the percentage of securities in the portfolio which can be unwound 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 these assumptions and current market circumstances almost 95% of the portfolio can be liquidated within 3 days.

Liquidity	Long	Short	Portfolio
Within 3 Days	93.6%	96.4%	94.9%
Within 1 Week	98.2%	99.2%	98.6%
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	**-0.2**	-0.2	0.0	0.0	**0.2**	0.2	0.0	0.0	**0.0**
Banks	**-0.6**	-0.5	-0.1	0.0	**0.6**	0.6	0.0	0.0	**0.1**
Consumer Discretionary	**-0.3**	-0.3	0.1	-0.1	**0.1**	-0.1	0.0	0.2	**-0.2**
Consumer Staples	**0.4**	0.4	0.1	0.0	**-0.3**	-0.3	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	**0.2**	0.1	0.1	0.0	**0.1**	0.0	0.1	0.1	**0.3**
Health Care	**1.1**	0.8	0.3	0.0	**-0.2**	-0.3	0.0	0.0	**0.9**
Industrials	**-0.8**	-1.0	0.1	0.0	**-0.2**	-0.1	-0.1	0.0	**-1.0**
Information Technology	**0.4**	0.3	0.2	0.0	**0.1**	0.1	0.0	0.1	**0.6**
Insurance	**0.0**	0.0	0.0	0.0	**0.1**	0.1	0.1	0.0	**0.1**
Materials	**0.2**	0.6	-0.4	0.0	**-0.4**	0.0	-0.4	0.0	**-0.2**
Media	**0.1**	0.0	0.1	0.0	**-0.4**	-0.2	-0.1	0.0	**-0.3**
Real Estate	**1.1**	0.3	0.6	0.1	**-0.2**	-0.2	0.0	0.0	**0.9**
Telecommunication	**0.5**	0.4	0.0	0.0	**-0.6**	-0.4	-0.1	0.0	**-0.1**
Utilities	**0.5**	0.4	0.1	0.0	**-0.4**	-0.3	0.0	-0.1	**0.1**
Cash / Other									-0.6
Total	**2.5**	1.3	1.2	0.1	**-1.3**	-1.0	-0.5	0.3	**0.7**

Top Contributors

Bankia	0.4%	Short
Merck	0.3%	Long
LEG Immobilien	0.3%	Long
Rio Tinto	0.3%	Long
Cairn Energy	0.3%	Short

Top Detractors

IAG	-0.4%	Long
Cellnex Telecom	-0.4%	Short
Raiffeisen Bank	-0.3%	Long
Lufthansa	-0.3%	Long
TOMRA	-0.3%	Short

Monthly Fund Performance

Perf. Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	5.3%	-0.1%	0.7%										5.9%
2018	-0.2%	-1.3%	3.0%	1.1%	1.1%	0.0%	-3.5%	-1.4%	3.2%	-1.2%	-3.9%	5.7%	2.2%
2017	0.4%	-1.4%	2.3%	4.0%	-2.7%	-0.4%	-0.3%	3.3%	-1.4%	5.6%	-2.9%	1.5%	7.9%
2016	-4.2%	-3.0%	-1.3%	-2.6%	2.6%	-2.5%	-0.2%	-3.2%	1.4%	4.6%	-0.6%	-1.2%	-10.1%
2015	1.2%	2.6%	3.6%	0.1%	3.4%	0.6%	0.2%	0.1%	1.3%	-3.5%	-0.6%	3.3%	12.7%
2014	2.8%	3.5%	0.2%	-3.6%	-0.1%	6.5%	2.3%	2.1%	3.8%	2.7%	1.2%	3.3%	27.3%
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%

Source: Citi Financial Services and BNY Mellon. Returns are based on official month-end NAVs and are net of all fees for a Day one investor in the fund. The returns given is for the main share series (B). Investor's holdings may be in a different share class and have a different returns. See your BNY Mellon statement for full details. Results in 2008 and 2009 are not representative of our current quantitative investment strategy.

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%. There is no guarantee that the investment objective will be met. 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
Min Investment EUR (A/B/C/D)	25k/25m/10m/25k
Lock-up (A/B/C/D)	no/1 year/no/no
Frequency Subs & Reds	Monthly
Notice Period Subs & Reds	5 /15 days
Early Redemption Fee	max 1.0%
Man Fee (A/B/C/D)	1.5%/1.0%/1.25%/1.5%
Perf Fee (A/B/C/D)	20%/15%/17.5%/20%
Equalization (A/B/C/D)	Yes/Yes/Yes/No
High Watermark	Yes
Ongoing Charges Figure 2017 (A&D/B)*	1.65/1.15%

Management

Manager	Saemor Capital
Administrator	BNY Mellon Fund Services
Depositary	Bank of New York Mellon
Prime Brokers	Morgan Stanley, BoA ML, Barclays
Auditor	PwC
Title Holder	SGG Custody B.V.
Legal	De Brauw Blackstone Westbroek
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, depository, regulators and auditors. Transaction costs of investments, stock loan fees, interest and performance fee are excluded from the calculation.

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