SaemorCapital

Europe Alpha Fund

Monthly Report – January 2018

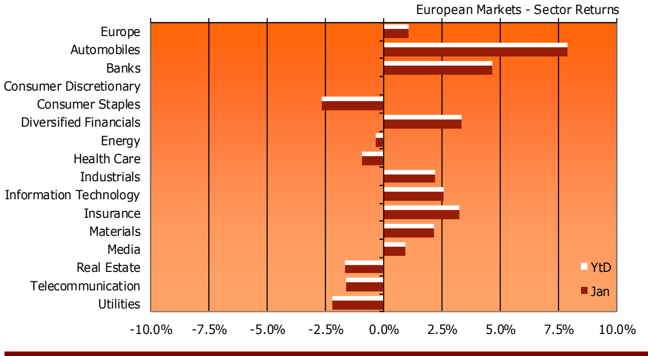
Fund Performance

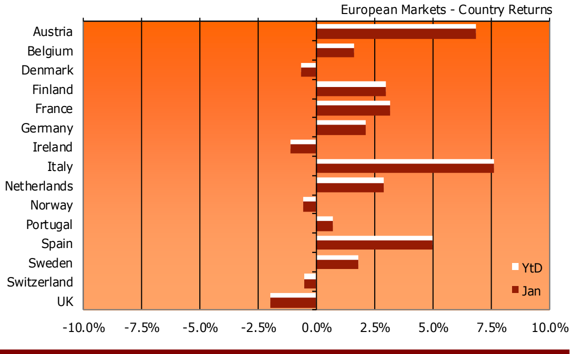
	January	YTD	3M	6M	1 Yr	3 Yr (ann)	5 Yr (ann)	7 Yr (ann)	NAV (31-Jan-2018)	Inception
Share Class B	**-0.2%**	**-0.2%**	-1.6%	5.9%	7.4%	2.6%	8.0%	8.1%	EUR 1518.04	26-Jun-2008
Share Class A	**-0.2%**	**-0.2%**	-1.7%	5.6%	6.9%	1.9%	7.1%	7.0%	EUR 1564.23	26-Jan-2009
Share Class D	**-0.2%**	**-0.2%**	-1.7%	5.6%	6.9%				EUR 959.3	31-Dec-2015

The Fund posted a flat January return (-0.2%). Our pro-risk positioning at the start of the year – being overweight Cyclical Value at the expense of Quality - worked out well in the first half of the month but our multi factor approach lost ground towards the end of the month when equity markets cooled down. Factor performance was mixed with our overall model posting a slightly negative result. Earnings and Price Momentum were the best performing clusters as Value fared poorly. High risk stocks performed very well in a rising market, but the underperformance of Small Caps and Cyclical Value did not match with the traditional risk-on picture usually seen in January. Long positions in Automobiles and Materials helped the overall portfolio, notably our holding in Fiat Chrysler, which added 83 bps after posting good earnings results. Our short in Hennes and Mauritz was the second best performer in January, with a 54 bps contribution.

Market Developments

Equities had a strong start to the year, although Europe's gain of 1.1% in local currency terms lagged other markets. US tax reform developments and strong economic data out of the US and China fueled expectations that the global economy was on course for sustained growth which was reflected in rising 2018 EPS growth expectations. Towards the end of the month, the markets became more volatile partly caused by a sell-off across government bonds. 10-yr Bund yields climbed sharply from 0.4% to 0.7% in January, alongside a compression of peripheral government and corporate bond spreads. Investors expressed a strong preference for riskier assets. Italy, Spain and Austria moved up more than 5%. The most notable laggard was the UK, where stocks dropped 2%. Defensive and bond proxy sectors, especially Consumer Staples, Utilities, Real Estate and Telecommunication, were weak. Automobiles led, while Banks and Insurance were helped by the move in yields. Most commodity prices were firm, with oil prices and precious metals gaining strength. All European currencies appreciated strongly against the US dollar, led by commodity-sensitive Norwegian krone.





Investment Outlook & Strategy

In December we changed our style positioning to a pro-risk stance, in-line with our regime-switching model and seasonal effects. This was the right call for December and the first half of January as markets moved higher and high risk names outperformed. Since then, the market has corrected and the start of the earnings season has rewarded names with high Price and Earnings momentum. Earnings Momentum should continue to do well if the strong start to full-year results reporting and 2018 outlooks continues. On the other hand, the recent strength in bond yields means that we are closer to the start of a slowdown, while also economic surprises (CESI US and CESI EU) have started to roll over. The increase in market volatility also suggests a more defensive profile in factor positioning going forward. During February, we intend to bring our tactical factor weights in line with a slowdown scenario. At the start of February we remain overweight in Automobiles, Materials, Industrials and Insurance, while having net short positions in Consumer Staples, Consumer Discretionary and Banks. Despite rising rates and the late stage of the economic cycle, earnings momentum in Banks remains lacklustre.

Key Portfolio Information

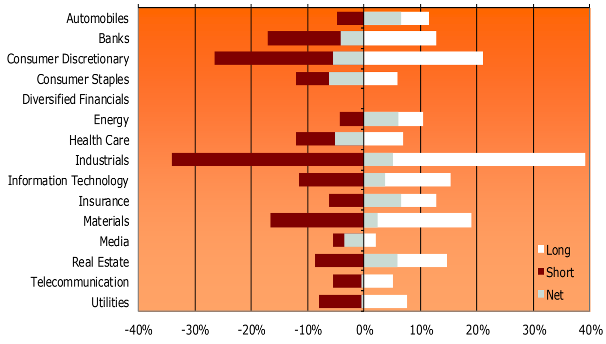
Total Net Assets (in mln)	€443 / $552	Net Exposure Beta-Adj	0.07
Outstanding Shares (B/A)	279809 / 10459	Beta (ex post, 3Y monthly data)	0.03
Number of Long Positions	109	Volatility (ex ante, short-term risk model)	6.7%
Long Positions (% of NAV)	184.3%	Volatility (ex post, 3Y monthly data)	8.7%
Number of Short Positions	123	VaR (1 day / 95% conf)	0.7%
Short Positions (% of NAV)	-173.1%	Long Liquidity (avg)	0.36 days
Gross Exposure (% of NAV)	357.3%	Short Liquidity (avg)	0.37 days
Net Exposure (% of NAV)	11.2%	Portfolio Turnover (/GAV)	0.5

Europe Alpha Fund

Monthly Report – January 2018

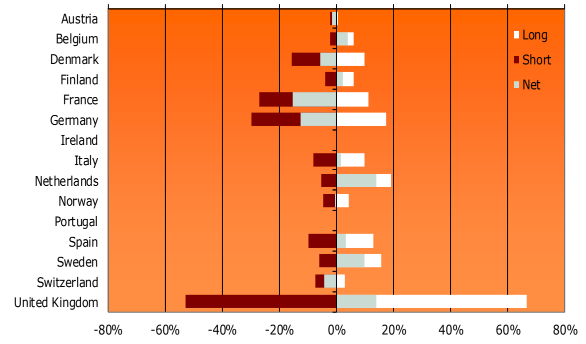
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

British, Dutch, Swedish, Belgium, Spanish, Finnish and Italian stocks are overweight in the portfolio, whereas stocks in France, Germany, Denmark and Switzerland are under-represented. The Fund has a neutral position in Norway and Austria, and currently no positions in Ireland and Portugal.



Top Long Positions

	Model Score	As % NAV
UPM	96	3.2%
UCB	93	3.2%
NN Group	99	3.2%
SSE	99	3.1%
Philips Lighting	94	3.1%

- UPM manufactures wood-related products such as paper and packaging. The industry has seen a lot of consolidation and profitability for UPM has been holding up well over the last couple of years. After a correction halfway through 2017, the company has regained its momentum, posting very strong Q3 results and an upgraded 2018 outlook. With strong earnings momentum the valuation at 14x 2018 earnings looks attractive.
- UCB is a biopharmaceutical company specializing in the treatment of central nervous system disorders and immunology. Its full-year guidance has seen successive upgrades on robust growth of the core drug portfolio. Longer-term uncertainties persist given the approval risk of Evenity (osteoporosis drug), which caused the share price plunge last May and from which it is still recovering.
- NN Group is a leading Dutch insurance company with some international operations and an asset manager. Recently NN bought Dutch insurer Delta Lloyd and the integration of the insurers should result in improved efficiency. NN's forecast returns imply sufficient future capital generation to support an attractive dividend and potentially a resumption of share buy-backs.
- SSE generates & distributes electricity and also distributes gas. This revenue diversity supports an attractive dividend. SSE will spin-off its UK retail electricity business and merge it with that of Innogy. This deal should complete towards the end of 2018 and decrease the exposure to regulatory risk for UK retail electricity supply. The retail electricity spin-off should help the shares to close the valuation gap relative to many of its peers.
- Philips Lighting is a spin-off from Philips, focusing on the development and manufacturing of lamps and lighting systems. Margins for LED, home lighting systems and light bulbs are attractive but growth and innovation is limited. The company is buying back shares which should limit the fears of the Philips overhang. Philips sold down its stake in 2017 to below 30% and at 11x 2018 earnings expectations, the shares are very inexpensive relative to the sector.

Top Short Positions

	Model Score	As % NAV
Carrefour	4	3.2%
Accor	1	3.1%
EDF	6	3.1%
Telefonica	8	3.1%
Coloplast	9	3.1%

- Carrefour operates different kinds of grocery stores. The French company is struggling to reverse a decade-long sales slump in its home market, while expanding in fast-growing markets in Asia and Latin America. Margins are weak compared with peers and analysts do not see any improvement soon. Currently, it is the weakest food retailer in our stock universe
- Accor operates more than 3,500 hotels (Ibis, Mercure, Sofitel). The company has been transitioning towards an asset light business model by disposing their property holdings. The sale proceeds are used mainly to de-lever the balance sheet, to buy back stocks, and to invest in in-fill acquisitions. This multiyear process is weighing on EPS and pushing the free cash flow yield down. The stock is very expensive with a forward P/E of almost 50 and scores unfavorably on profitability and quality metrics.
- EDF is a French electricity producer and distributor. EDF has extensive nuclear generation capacity. The French government is a majority shareholder and occasionally voices its concerns about electricity prices for French customers. Hence management has limited discretion to set prices and, as a consequence, EDF's sub-par profitability will only slowly improve. The current valuation seems too steep and not reflect EDF's near-term outlook, although there is some scope to lift the dividend in future years.
- Telefonica offers telecommunication services in Europe and Latin America. Despite some weakness in its home country Spain, the company has benefitted from a more benign competitive environment in Europe and M&A opportunities in Emerging markets. With a strong balance sheet and a broad asset portfolio, Telefonica is in a good position to re-align some of the more fragmented countries.
- Coloplast is a Danish medical device company which develops and markets intimate health care products and services. It is a quality company with a premium rating versus peers. Q1 earnings were a negative surprise, especially for wound care and due to FX headwinds, causing consensus forecasts to be trimmed again.

SaemorCapital

Europe Alpha Fund

Monthly Report – January 2018

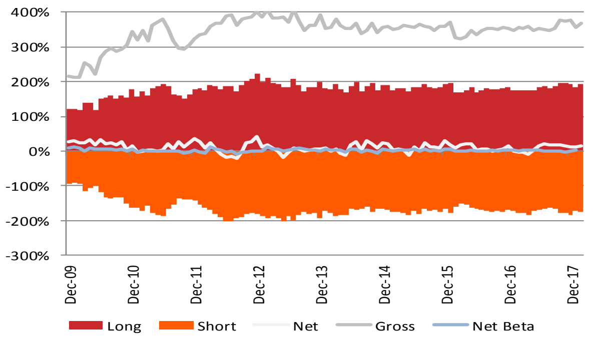
Exchange Liquidity Breakdown

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 95% of the portfolio can be liquidated within 3 days.

Liquidity	Long	Short	Portfolio
Within 3 Days	94.3%	95.7%	95.0%
Within 1 Week	97.8%	99.1%	98.4%
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	**1.6**	1.6	0.0	0.0	**-0.2**	-0.1	-0.1	0.0	**1.3**
Banks	**0.4**	0.4	0.1	0.0	**-0.3**	-0.1	-0.2	0.0	**0.1**
Consumer Discretionary	**-0.4**	-0.5	0.2	0.0	**-0.5**	0.0	-0.4	0.0	**-0.9**
Consumer Staples	**-0.2**	0.2	-0.3	0.0	**0.4**	0.1	0.3	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	-0.3	0.0	**-0.1**	0.0	-0.1	0.0	**-0.3**
Health Care	**0.2**	0.2	-0.1	0.0	**-0.7**	-0.4	-0.4	0.1	**-0.5**
Industrials	**-0.3**	-0.2	-0.1	0.0	**-0.6**	-0.2	-0.4	0.0	**-0.9**
Information Technology	**0.7**	0.2	0.5	0.0	**-0.3**	0.1	-0.4	0.0	**0.4**
Insurance	**0.5**	0.5	0.0	0.0	**0.1**	0.0	0.1	0.0	**0.6**
Materials	**0.7**	0.7	0.0	-0.1	**0.2**	0.4	-0.3	0.1	**0.9**
Media	**0.0**	0.0	0.0	0.0	**0.1**	0.1	0.0	0.0	**0.2**
Real Estate	**-0.5**	-0.1	-0.4	0.0	**0.2**	0.0	0.2	0.0	**-0.3**
Telecommunication	**-0.2**	-0.2	-0.1	0.0	**-0.1**	-0.1	0.0	0.0	**-0.3**
Utilities	**-0.2**	-0.2	0.0	0.0	**-0.2**	-0.2	0.0	0.0	**-0.4**
Cash / Other									-0.4
Total	**2.2**	2.7	-0.4	-0.1	**-1.9**	-0.4	-1.8	0.2	**-0.2**

Top Contributors

Fiat	0.8%	Long
Hennes & Mauritz	0.5%	Short
Kindred	0.3%	Long
Michael Page	0.3%	Long
BESI	0.3%	Long

Top Detractors

Galapagos	-0.5%	Short
Hammerson	-0.3%	Long
Saras	-0.3%	Long
Yoox	-0.3%	Short
K+S	-0.3%	Short

Monthly Fund Performance

Perf. Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	-0.2%												-0.2%
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

Monthly Report – January 2018

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
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 2016 (A&D/B)*	1.66/1.16%

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, interest expenses and performance fee are excluded from the calculation.

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