SaemorCapital

Europe Alpha Fund

Monthly Report – February 2018

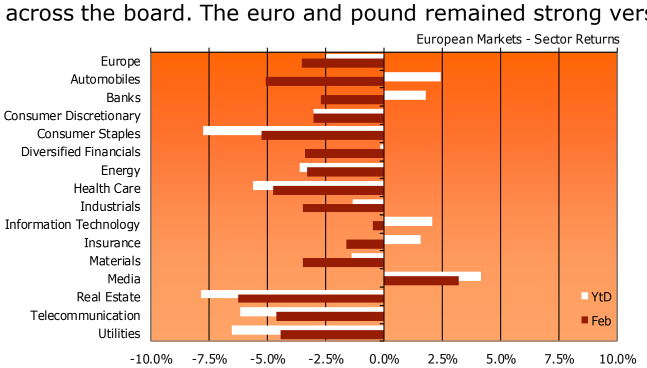
Fund Performance

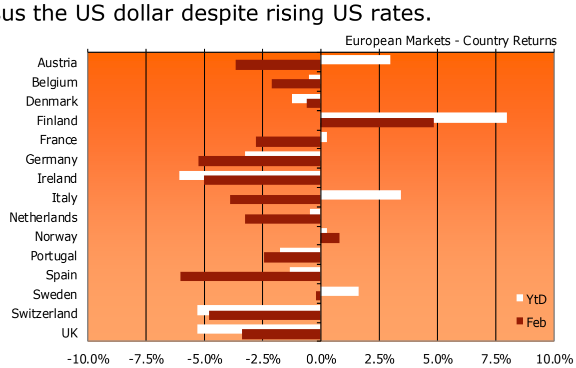
	February	YTD	3M	6M	1 Yr	3 Yr (ann)	5 Yr (ann)	7 Yr (ann)	NAV (28-Feb-2018)	Inception
Share Class B	**-1.3%**	**-1.5%**	0.0%	1.1%	7.4%	1.3%	7.6%	8.2%	EUR 1497.96	26-Jun-2008
Share Class A	**-1.4%**	**-1.6%**	-0.2%	0.9%	6.9%	0.6%	6.7%	7.0%	EUR 1542.96	26-Jan-2009
Share Class D	**-1.4%**	**-1.6%**	-0.2%	0.9%	6.9%				EUR 946.25	31-Dec-2015

The Saemor Europe Alpha Fund lost 1.3% in February. The tactical pro-risk positioning we had in place since the end of last year did not work well in the market sell-off, however style performances were not as pronounced as one would expect. Investors sold Cyclical Value names but other clusters in our multi-factor model showed very muted pay-offs. Price Momentum held up well, contrary to what normally happens during market corrections. After a long period of low and decreasing market volatility, it has become harder to determine which stocks and sub-sectors can be considered high or low Beta. Some of our higher risk shorts such as Ericsson, Nokia, Outotec and Metro Bank were actually up for the month and contributed negatively to the portfolio. A long position in Royal Mail in the UK was the biggest positive contributor for the month, as it posted strong results over 2017. Overall, the start of the earnings season has been a support for the market but has not benefitted the portfolio in aggregate.

Market Developments

February started with a big sell-off in equities and risky assets in general. In the subsequent weeks European markets recovered partly and closed the month down 3.5%, their largest monthly fall since January 2016. The volatility index VSTOXX doubled early in the month, but eased thereafter. The selloff was sparked by increasing inflation expectations, rising real rates, and slowing growth. Momentum on economic surprises in Europe faded with lower PMIs and a weaker IFO survey. The market weakness in February was led by Spain and Germany. Finland and Norway were the only countries that posted positive returns. Real Estate, Consumer Staples and Automobiles were the worst performing sectors. Defensive sectors like Healthcare, Telecommunication and Utilities also fell. Media, Information Technology and Insurance were the key outperformers. Treasuries dropped, while Bunds slightly rose and Gilts were little changed. Credit spreads widened. Commodities fell across the board. The euro and pound remained strong versus the US dollar despite rising US rates.





Investment Outlook & Strategy

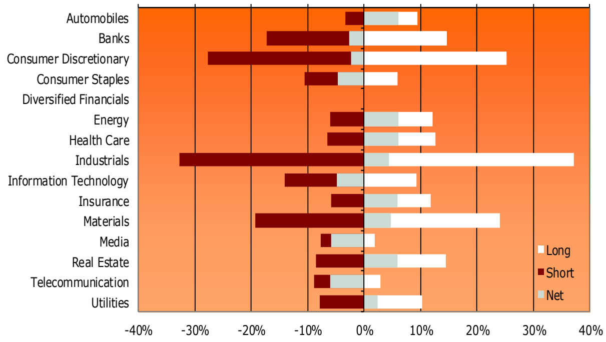
Halfway through February we implemented our annual rebalance of strategic factor weights. At the same time, we moved our tactical positioning back to a slowdown scenario, from being pro-risk since December last year. Since the market came down from January 23rd onward, Quality and Stability have started to outperform. With PMIs coming down from peak levels (pointing to a more moderate, but still above-trend growth), we think we are about to enter a risk-off phase in the market. Strong increases in bond yields over the last half year also point towards more likelihood of an end to the cycle and increased market volatility. We are underweight Cyclical Value and Price Momentum, but still keep a positive stance on Earnings Momentum. Full year earnings results and 2018 outlooks have generally been positive and more or less in line with the patterns we saw the last two quarters. Moreover, the combination of Quality and Earnings Momentum typically does well in a slowdown scenario. Our sector positioning remains pro-cyclical for the time being, with overweights in Automobiles, Energy, Materials, Insurance and Industrials. After a short period of being underweight Health Care as a result of disappointing quarterly earnings, we are back to being overweight in the sector.

Key Portfolio Information

Total Net Assets (in mln)	€437 / $533	Net Exposure Beta-Adj	0.04
Outstanding Shares (B/A)	279809 / 10410	Beta (ex post, 3Y monthly data)	0.01
Number of Long Positions	127	Volatility (ex ante, short-term risk model)	6.8%
Long Positions (% of NAV)	191.9%	Volatility (ex post, 3Y monthly data)	8.6%
Number of Short Positions	123	VaR (1 day / 95% conf)	0.7%
Short Positions (% of NAV)	-176.7%	Long Liquidity (avg)	0.27 days
Gross Exposure (% of NAV)	368.7%	Short Liquidity (avg)	0.28 days
Net Exposure (% of NAV)	15.2%	Portfolio Turnover (/GAV)	0.7

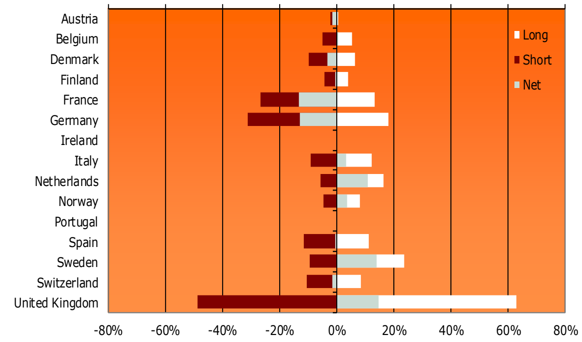
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

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



Top Long Positions

	Model Score	As % NAV
Repsol	98	3.3%
BESI	99	3.2%
Statoil	98	3.2%
Lufthansa	97	3.2%
Philips Lighting	94	3.2%

- Repsol is an integrated oil and gas company. Along with its peers, Repsol is benefitting from recovered oil prices and a steadily growing world economy. Results in the last few quarters have solidly met analyst expectations. Repsol is not a pure play on the oil price though, since the company also has a significant refining division.
- BESI produces machines that manufacture semiconductor packages, which provide the connection between the chip and other electronic components and protect the chip. The outlook for 2018 is strong. Even after its share price has more than doubled in 2017, it is still a cheap stock at 17x 2018 earnings, compared with its semiconductor peers in Europe, which trade at 22x on average. Its dividend yield of 6% is by far the highest in the industry.
- Statoil generates a healthy return on capital while its balance sheet is hardly geared. In recent years Statoil has sensibly managed its capital expenditure, which has boosted cash flow. The company should benefit from a tighter gas market as demand has picked up. The valuation is broadly in line with peers. Although the dividend yield is slightly lower, it is well-covered, indicating there may be room in the near future to increase the dividend meaningfully.
- Lufthansa is a global aircraft carrier. Competition in Europe has eased now that the low cost carrier market has saturated somewhat and the whole sector is doing well. Lower oil prices are helping to improve the earnings outlook since last October. Analysts and the company have been upgrading 2017 and 2018 steadily and a P/E below 7 is well below market and industry average.
- 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 has already reduced its stake to below 30% and at 11x 2018 earnings expectations, the shares are inexpensive.

Top Short Positions

	Model Score	As % NAV
Metro Bank	4	3.2%
Telefonica	5	3.2%
Infineon	9	3.1%
K+S	0	3.1%
Umicore	3	3.0%

- Metro Bank launched in 2010 and aims to compete with the well-known UK high street banks through longer opening hours for branches and modern online banking. Metro Bank has indeed grown faster than its peers, but that has been in and around metropolitan London. The next phase of growth may prove more challenging and management's return on equity targets seem quite ambitious. Meanwhile, the shares trade on a substantial premium valuation.
- Telefonica offers telecommunication services in Europe and Latin America. Its 4Q17 performance was fine, but its 2018 outlook was cautious and analysts have been lowering their earnings expectations. Although home country Spain – a long-term weakness – is modestly improving, Latin America has become a challenging environment and is no longer a driver of group expansion.
- Chips for automotive (electric cars, self-driving) and industrial end-markets are the main driver of sales and margins for German semiconductor maker Infineon, but short- to medium-term growth expectations have come down due to currency effects and capacity constraints. It is also relatively expensive at 25x 2018 earnings.
- K+S sells fertilizers and salts for agricultural and industrial purposes. The company has been hurt by competition from emerging markets and has not participated in the general cyclical upswing in developed and emerging markets these last three years. Profitability for 2017 was low, yet analysts are looking for an uptick in 2018 despite continuous downgrades to earnings expectations. At 17x earnings, the shares are not cheap.
- Umicore is a Belgian specialty materials company, with a broad portfolio including automotive catalysts, building materials, cobalt and zinc. The company's share price has tripled since March 2016, despite only modest upgrades to 2018 and 2019 earnings expectations. We feel the premium valuation (32x 2018 earnings) is not warranted and investors are too optimistic about growth prospects in catalysts, recycling and rechargeable batteries.

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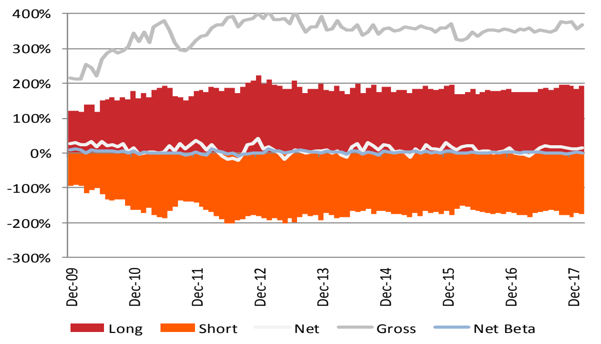
Exchange Liquidity Breakdown

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

Liquidity	**Long**	**Short**	**Portfolio**
Within 3 Days	95.1%	96.8%	95.9%
Within 1 Week	98.0%	99.7%	98.8%
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	**-0.8**	-0.8	0.0	0.0	**-0.1**	0.1	-0.2	0.0	**-0.9**
Banks	**-0.1**	-0.1	0.0	0.0	**0.0**	0.3	-0.3	0.0	**-0.1**
Consumer Discretionary	**-0.1**	-0.1	0.0	0.0	**0.1**	-0.1	0.1	0.0	**0.0**
Consumer Staples	**-0.3**	0.1	-0.3	0.0	**0.3**	0.1	0.1	0.0	**0.0**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**-0.3**	0.0	-0.3	0.0	**0.2**	-0.1	0.2	0.0	**-0.1**
Health Care	**-0.4**	-0.3	0.0	0.0	**0.3**	-0.1	0.1	0.2	**-0.1**
Industrials	**0.2**	0.1	0.1	0.0	**1.0**	1.0	0.0	0.0	**1.2**
Information Technology	**-0.3**	-0.3	-0.1	0.0	**-0.6**	-0.9	0.4	0.0	**-0.9**
Insurance	**-0.2**	-0.2	0.1	0.0	**0.1**	-0.1	0.1	0.0	**-0.1**
Materials	**0.3**	0.4	-0.1	0.0	**0.2**	0.2	0.1	0.0	**0.5**
Media	**-0.1**	-0.1	0.0	0.0	**0.0**	0.2	-0.2	0.0	**0.0**
Real Estate	**-0.7**	-0.2	-0.5	0.0	**0.5**	0.0	0.5	0.0	**-0.2**
Telecommunication	**-0.2**	-0.2	0.0	0.0	**0.1**	0.0	0.0	0.0	**-0.2**
Utilities	**-0.4**	-0.4	0.0	0.0	**0.4**	0.0	0.3	0.0	**0.0**
Cash / Other									-0.4
Total	**-3.3**	-2.1	-1.2	0.0	**2.4**	0.7	1.4	0.2	**-1.3**

Top Contributors

Royal Mail	0.5%	Long
Sophos	0.4%	Short
Peab	0.3%	Long
Deutsche Bank	0.3%	Short
Bureau Veritas	0.2%	Short

Top Detractors

Nokia	-0.6%	Short
Schaeffler	-0.5%	Long
Tate & Lyle	-0.4%	Long
ACS	-0.3%	Long
Fiat Chrysler	-0.3%	Long

Monthly Fund Performance

Perf. Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	-0.2%	-1.3%											-1.5%
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.

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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
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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