SaemorCapital

Europe Alpha Fund

Monthly Report – June 2018

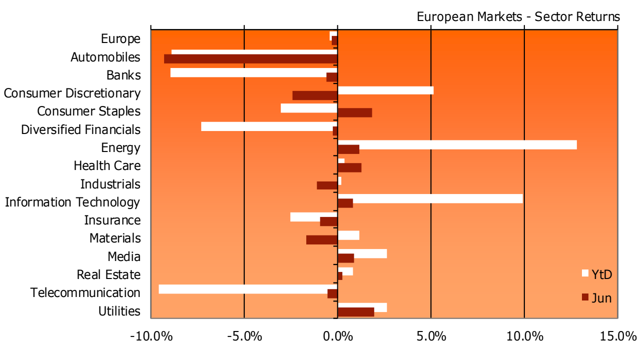
Fund Performance

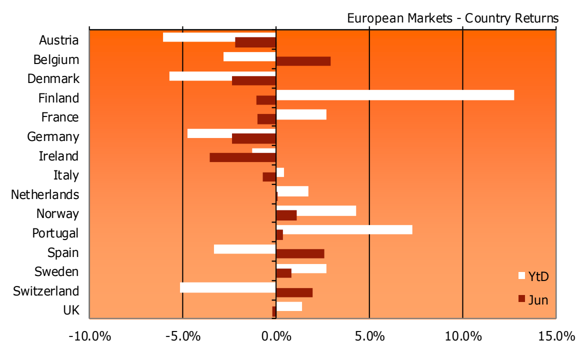
	June	YTD	3M	6M	1 Yr	3 Yr (ann)	5 Yr (ann)	7 Yr (ann)	NAV (29-Jun-2018)	Inception
Share Class B	**0.0%**	**3.8%**	2.2%	3.8%	9.7%	0.5%	7.7%	8.0%	EUR 1577.88	26-Jun-2008
Share Class A	**0.0%**	**3.7%**	2.2%	3.7%	9.3%	0.0%	6.8%	6.9%	EUR 1624.62	26-Jan-2009
Share Class D	**0.0%**	**3.7%**	2.2%	3.7%	9.3%				EUR 996.34	31-Dec-2015

The Saemor Europe Alpha Fund eked out a very modest positive return (+0.04%) for the month of June, bringing year-to-date gains to 3.8%. The style environment was beneficial to our positioning, with Quality and Momentum outperforming and Cyclical Value showing the biggest negative return spreads. Value has fared poorly as a style for the first half of the year with other factor clusters all showing modest gains. Our slowdown / risk-off stance helped the Fund in a choppy month, which was dominated by politics. Our multi-factor model's preference for Cyclicals was the biggest detractor. Our holdings in Information Technology, Consumer Discretionary, Materials and Automobiles fared poorly, however positions in Industrials, Consumer Staples and Energy performed well. Signs of the UK housing market peaking put pressure on our long held overweight in UK home builders and retail stocks. The top contributor for the month was a short position in OSRAM Light.

Market Developments

The broader European market fell (-0.3%). Volatility remained surprisingly low, however the tone for June was more risk-off as global trade uncertainties weighed heavily on investor sentiment. The Eurozone PMI unexpectedly picked up to 54.8, while uncertainty in Italy continued and political tensions in Germany increased around migration. The ECB announced it will further taper purchases and discontinue buying as of 2019, alongside dovish rates guidance that they will not increase rates before next summer. This gave support to the euro, which ended largely unchanged against the US dollar. Absolute returns were negative for Germany due to its export sensitivity, while Spain and Switzerland were amongst the largest gainers. Defensive sectors Utilities, Consumer Staples and Health Care were clear standout performers. Energy also saw an upbeat month with rallying oil prices. Automobiles lost almost 10% over global trade war concerns, while other Consumer Discretionary stocks also showed weakness. Materials suffered with industrial metal prices coming under pressure. Banks performed in line with the market despite lower Bund yields post the ECB meeting.





Investment Outlook & Strategy

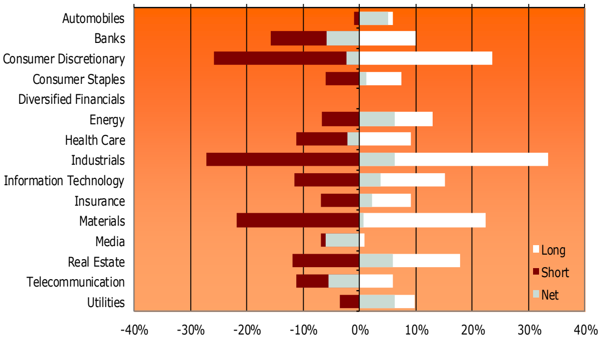
In May, our style timing models pointed more clearly towards a slowdown scenario and we amplified our risk-off stance. With markets flat for the year and our model still favoring cyclical stocks and sectors, the Fund's positioning has not been all-out defensive. Earnings Revisions and Profitability do not look favorable for traditional defensive names. Over the last few months and specifically in June, we did see some anecdotal evidence of earnings revisions stalling for long term outperformers such as IT and UK housing. A combination of higher interest rates, political upheaval and peaking global economies would suggest earnings momentum to shift away from Cyclicals. Our multi-factor approach typically does well in this part of the cycle, provided the economy does not quickly move into a recession. An unfolding slowdown scenario does not mean markets will necessarily retreat. Value – despite being underweight – still remains an important pillar in our stock selection process and its poor recent performance has held back performance. A stabilization of value factors would certainly help the Fund.

Key Portfolio Information

Total Net Assets (in mln)	€431 / $503	Net Exposure Beta-Adj	0.07
Outstanding Shares (B/A)	261106 / 10399	Beta (ex post, 3Y monthly data)	-0.01
Number of Long Positions	104	Volatility (ex ante, short-term risk model)	6.8%
Long Positions (% of NAV)	183.6%	Volatility (ex post, 3Y monthly data)	8.4%
Number of Short Positions	121	VaR (1 day / 95% conf)	0.7%
Short Positions (% of NAV)	-167.9%	Long Liquidity (avg)	0.36 days
Gross Exposure (% of NAV)	351.4%	Short Liquidity (avg)	0.30 days
Net Exposure (% of NAV)	15.7%	Portfolio Turnover (/GAV)	0.8

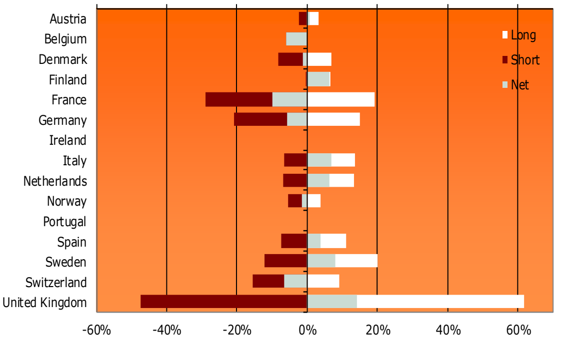
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

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



Top Long Positions

	Model Score	As % NAV
Covestro	99	3.1%
Roche	94	3.1%
Legal & General	98	3.1%
Enel	98	3.1%
Sandvik	97	3.1%

- Covestro is a German plastics and polymers manufacturer, the chemicals part of the larger Bayer group that spun off in 2015. With European economic activity in an uptrend and Germany doing particularly well, Covestro is posting the strongest earnings revisions within the European chemicals sector. The company has been consistently beating earnings expectations over the last two years. At 11x 2018 earnings, the company stands out from a valuation perspective as well.
- Roche develops and manufactures prescription drugs (cancer, hepatitis) and diagnostic products. The latter, eg clinical lab and diabetes monitoring supplies, are smaller in terms of revenue but growing faster. The company raised full-year sales guidance as new drugs are providing support. Roche is one of the best ranked healthcare stocks according to valuation, profitability and quality metrics.
- 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. Based on consensus, the expected dividend yield is above sector-average.
- 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 has just announced to sell its non-core biomass plants. First quarter results indicated that Enel can meet or beat its targets for 2018, as thermal generation in Italy has swung back into profit while the networks business is also improving.
- Sandvik manufactures tools for materials and industrial companies. After some underinvestment within mining and energy, orders have started to come back for Sandvik in 2017 and 2018. Profitability and Earnings Revisions have improved and the company looks relatively cheap within the Industrials sector. Thus far, neither Sandvik nor it's end-clients have shown signs of being hurt by tariffs, but this is a clear risk.

Top Short Positions

	Model Score	As % NAV
Elis	6	3.1%
Orpea	10	3.1%
Zalando	2	3.0%
Telia	13	3.0%
ICADE	14	3.0%

- Elis offers textile, hygiene and facility services solutions. After a take-over of UK-based Berendsen, financial ratios and earnings expectations have deteriorated. The French company has successfully done some 50 bolt-on acquisitions over the last 10 years, but the transformational deal with the underperforming UK business looks to be too large for Elis' own good. At 15x 2018 earnings, valuation looks reasonable, but organic growth is limited and write-downs could hurt profitability.
- Orpea operates nursing homes, being one of France's leading providers of long-term care to older people. 2017 figures disappointed, but the share price has recovered since Q1 revenues were released. Whilst the company is growing its business and striving to be a global operator, it is quite expensive at 32x forward earnings.
- Zalando is an online German fashion retailer with sales across Europe. The company grows fast, but feels the pressure from Amazon. To improve delivery and service Zalando is heavily investing in distribution hubs and growing its number of items significantly. As a result, margins and operating cash flow will remain under pressure in the near future. After disappointing Q1 earnings, analysts have downgraded their estimates.
- Telia offers telecommunication services throughout Europe. It is trying to focus its operations exclusively on the Nordics and Baltics. The company faces fierce competition in its home market Sweden, in particular from the ongoing Tele2/Com Hem merger. Cost reduction has become the main theme, as margins are under pressure, revenue growth is slowing down strongly and dividend is decreasing.
- French real estate company Icade specializes in business parks while, it aims to grow its health care property portfolio. Given its niches, Icade misses out on the strong rental growth in prime offices, although the shares seem to be pricing in the stronger rental growth that is expected for property companies with focused exposure to prime offices. With the growth in health care largely in its infancy, there seem to be other stocks in the sector that offer a more attractive reward-to-risk ratio.

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Europe Alpha Fund

Monthly Report – June 2018

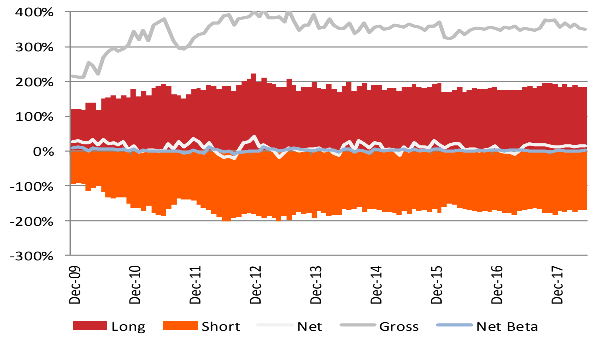
Exchange Liquidity Breakdown

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

Liquidity	**Long**	**Short**	**Portfolio**
Within 3 Days	93.2%	97.8%	95.4%
Within 1 Week	97.6%	99.9%	98.7%
Within 2 Weeks	99.9%	100.0%	99.9%
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	**-0.6**	-0.6	0.0	0.0	**-0.1**	0.0	-0.1	0.0	**-0.7**
Banks	**0.2**	0.1	0.2	0.0	**0.4**	0.3	0.1	0.0	**0.6**
Consumer Discretionary	**-0.9**	-0.9	0.0	0.0	**0.1**	0.0	0.0	0.1	**-0.8**
Consumer Staples	**0.0**	0.1	-0.1	0.0	**0.8**	0.5	0.3	0.0	**0.8**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**0.3**	0.3	0.0	0.0	**0.2**	0.2	0.0	0.0	**0.5**
Health Care	**0.0**	0.1	-0.1	0.0	**0.1**	0.0	0.0	0.1	**0.2**
Industrials	**0.1**	0.3	-0.2	0.0	**1.2**	0.3	0.7	0.2	**1.3**
Information Technology	**-0.3**	0.2	-0.5	0.0	**-0.7**	0.2	-0.9	0.0	**-1.0**
Insurance	**-0.2**	-0.2	0.0	0.0	**0.0**	-0.1	0.1	0.0	**-0.2**
Materials	**-1.0**	-0.6	-0.4	0.0	**0.3**	0.2	0.2	0.0	**-0.7**
Media	**-0.1**	0.0	-0.1	0.0	**-0.3**	0.1	-0.3	0.0	**-0.3**
Real Estate	**0.3**	0.1	0.2	0.0	**0.0**	0.0	0.0	0.0	**0.3**
Telecommunication	**0.2**	0.1	0.1	0.0	**-0.2**	0.3	-0.5	0.0	**0.1**
Utilities	**0.4**	0.3	0.0	0.0	**-0.1**	-0.1	0.0	0.0	**0.3**
Cash / Other									-0.3
Total	**-1.5**	-0.8	-0.7	0.0	**1.9**	1.8	-0.3	0.4	**0.0**

Top Contributors

OSRAM	1.0%	Short
Maersk	0.4%	Short
Remy Cointreau	0.3%	Short
Elior	0.3%	Short
Rockwool	0.3%	Long

Top Detractors

Inmarsat	-0.5%	Short
Rolls-Royce	-0.5%	Short
BESI	-0.4%	Long
AVEVA	-0.4%	Short
Forbo	-0.4%	Short

Monthly Fund Performance

Perf. Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	-0.2%	-1.3%	3.0%	1.1%	1.1%	0.0%							3.8%
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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Monthly Report – June 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 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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