SaemorCapital

Europe Alpha Fund

Monthly Report – December 2018

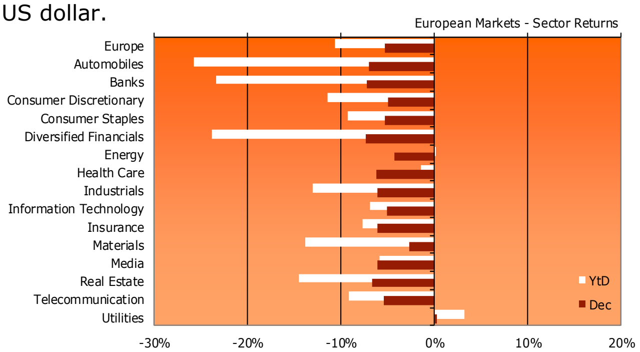
Fund Performance

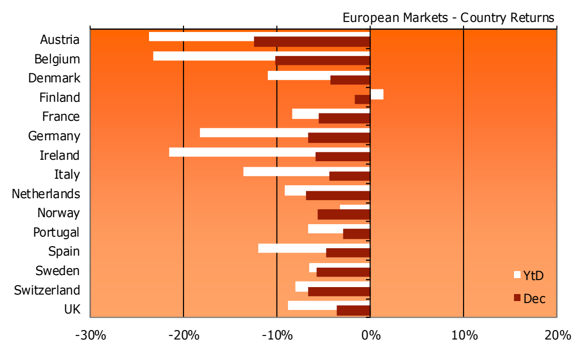
	Dec	YTD	3M	6M	1 Yr	3 Yr (ann)	5 Yr (ann)	7 Yr (ann)	NAV (31-Dec-2018)	Inception
Share Class B	**5.7%**	**2.2%**	0.3%	-1.5%	2.2%	-0.3%	7.3%	6.1%	EUR 1553.82	26-Jun-2008
Share Class A	**5.6%**	**1.7%**	0.2%	-1.9%	1.7%	-0.8%	6.4%	5.3%	EUR 1593.62	26-Jan-2009
Share Class D	**5.6%**	**1.7%**	0.2%	-1.9%	1.7%	-0.8%			EUR 977.33	31-Dec-2015

The Saemor Europe Alpha fund gained 5.7% in December, closing out 2018 with a 2.2% return. Equity funds saw record outflows from the last week of November through the end of December, which led to dislocations. Initially this proved to be a difficult environment for the strategy, however performance in December bounced back strongly. In a very defensive environment, our multi factor model and tactical positioning worked very well. The style environment was in line with an economic slowdown and not (yet) a recession. Stability and Profitability were the best performing clusters, however Earnings Momentum and Defensive Value also ended up in the black. Cyclical Value was the only negative stand-out, which is to be expected in this environment. Our biggest gains came from short positions in expensive and risky stocks. Almost every sector contributed. Positioning within Consumer Discretionary and Materials added considerably to the bottom line. Online retailing sharply declined, making ASOS and Zalando some of our top contributors.

Market Developments

European stocks dropped 5.3% in December, to end the year down over 10%. Slowing global growth and shrinking liquidity turned 2018 into the worst year for equities since the Global Financial Crisis in 2008. For global equity markets it was the worst December since 1988, for the S&P 500 since the 1930s. December saw further material de-risking and investor capitulation. It was a very volatile month, which saw the VSTOXX rising strongly to the same level as the period around the Brexit referendum. The ECB announced as expected that its stimulus program would end in January. The sole sector to see gains over the month was Utilities (+0.25%). Banks and Automobiles were the worst performing sectors (for the month as well for the year). On the country level, all markets posted a negative return for the month. Most commodities came under pressure, with oil and industrial metal prices suffering a steep decline while precious metals gained. Bonds rallied strongly as equities sold off and the China trade relationship continued to be questioned. European currencies edged up against the US dollar.





Investment Outlook & Strategy

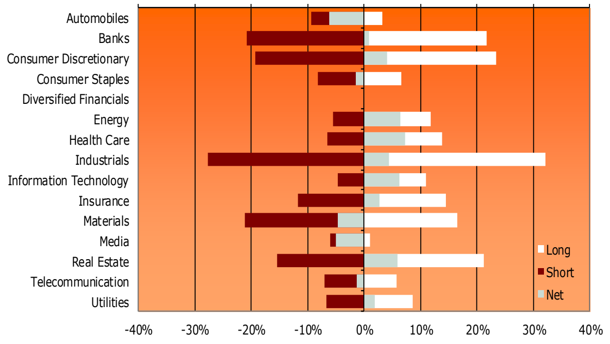
Tactical positioning remains geared towards Quality, Stability and Defensive Value. The Fund is underweight Momentum and Cyclical Value vis-à-vis our strategic factor weighting scheme. This is in line with the style timing models, which continue to point toward a recession scenario. With the consumer and employment side of the economy still going strong in Europe and the US, however manufacturing and global earnings revisions taking a dive, the jury's still out if this is a temporary growth scare or the start of a real recession. A prolonged US government shutdown and no improvement on tariffs or clarity on Brexit may push economies further towards negative growth. The Fed has already taken a more dovish tone, however a global recession could very well be driven by China. The strategy has overweight positions in defensive sectors such as Health Care, Utilities and Real Estate. The model prefers cyclicality in IT and Consumer Discretionary over manufacturing sectors such as Industrials, Materials (specifically Chemicals) and Automobiles. Within most sectors the model prefers the lower Beta stocks with more attractive valuations. The Fund has a neutral position in the UK, with a preference for exporters.

Key Portfolio Information

Total Net Assets (in mln)	€425 / $486	Net Exposure Beta-Adj	0.05
Outstanding Shares (B/A)	261306 / 10282	Beta (ex post, 3Y monthly data)	0.07
Number of Long Positions	110	Volatility (ex ante, short-term risk model)	7.2%
Long Positions (% of NAV)	191.4%	Volatility (ex post, 3Y monthly data)	9.3%
Number of Short Positions	141	VaR (1 day / 95% conf)	0.6%
Short Positions (% of NAV)	-170.2%	Long Liquidity (avg)	0.29 days
Gross Exposure (% of NAV)	361.5%	Short Liquidity (avg)	0.22 days
Net Exposure (% of NAV)	21.2%	Portfolio Turnover (/GAV)	0.6

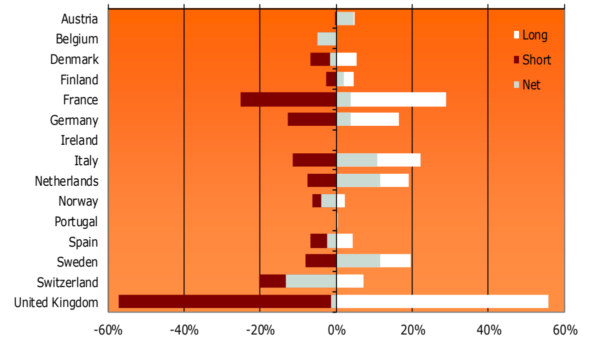
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

Dutch, Swedish, Italian, Austrian, German, French and Finnish stocks are overweight in the portfolio, whereas stocks in Switzerland, Belgium, Norway, Spain and Denmark are under-represented. The Fund has a neutral position in Portugal and United Kingdom, and no holdings in Ireland.



Top Long Positions

	Model Score	As % NAV
IAG	100	3.2%
Sandvik	93	3.1%
Legal & General	98	3.1%
Burberry	91	3.1%
Berkeley	100	3.1%

- IAG - best known for British Airways - provides air transportation services. Lower oil prices, a strong transatlantic passenger market, reduced competition from low cost carriers and a weakening Pound have all helped earnings upgrades recently. Despite this, the company is trading at only 6x 2019 earnings.
- 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 has improved and the company looks relative cheap within the Industrials sector. Thus far, neither Sandvik nor its end-clients have shown signs of being hurt by tariffs, but this is a clear risk.
- 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.
- Burberry is a luxury British fashion brand, selling clothing and accessories through retail (>200 stores) and wholesale channels globally. The latest results in November positively surprised. Wholesale drove the beat, in particular in Asia. The company is going through a transition phase of efficiency and cost-savings programs, which pay off already as it outscores all other luxury names in our model on quality metrics.
- Berkeley is engaged in residential-led property development in the UK. It has a strong reputation and an enviable position in the London and South East property markets. The company is very profitable, showing good quality with a relatively low 2019 PE of 9 and analysts are upgrading their earnings expectations, even though London housing prices are falling and the outcome of Brexit is uncertain.

Top Short Positions

	Model Score	As % NAV
Rolls-Royce	9	3.2%
Rentokil	11	3.2%
Standard Chartered	7	3.2%
Credit Suisse	4	3.1%
Airbus	12	3.1%

- Rolls-Royce builds turbines and engines for military and civil aircrafts as well as marine and industrial installations. The share price has come down since peaking in August, but Rolls-Royce is still trading at 33x 2019 earnings expectations. We feel new aircraft financing will come under pressure with higher interest rates.
- Rentokil offers facilities management and support services to government and commercial organizations. With most of its income coming from the UK, Rentokil should be negatively impacted by Brexit. Earnings growth has stalled for the company in 2018, yet the shares have outperformed the sector. At 24x 2019 earnings, we feel the shares are overvalued.
- Standard Chartered is an international retail and commercial bank focused on Asia, Africa and Middle East. Management recently has improved efficiency, exited businesses with small market shares and rebuilt the balance sheet. The restructuring has started to bear fruit, but the valuation seems unattractive relative to peers as well as in light of forecast returns on equity in the next few years.
- Swiss bank Credit Suisse continues its attempts to reign in costs. Despite several years of restructuring and de-risking the investment bank, the bank's profitability remains below its cost of capital. Management have indicated they expect to be able to pay out 50 per cent of profits to shareholders, primarily through share buy-backs. Given the modest profit warning for the fourth quarter of 2018 those pay-outs may disappoint, however.
- Airbus manufactures civil airplanes and military equipment. We are generally short the sector and Airbus is no exception. More difficult financing conditions should offset geo-political tensions. The share price has seen a steady uptrend since the middle of 2016, not backed up by significant earnings upgrades. At 16x 2019 earnings, valuation lacks appeal as well.

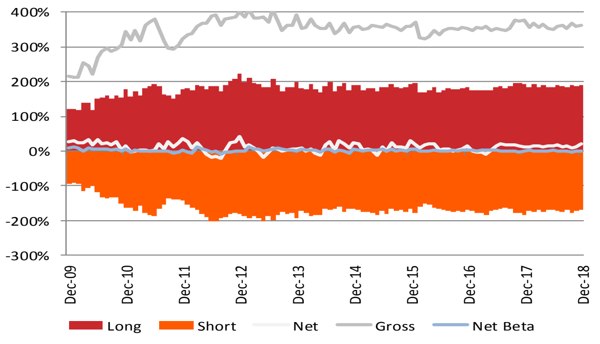
Exchange Liquidity Breakdown

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	94.8%	98.3%	96.5%
Within 1 Week	98.5%	99.6%	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	**0.0**	0.0	0.0	0.0	**0.5**	0.5	0.1	0.0	**0.5**
Banks	**-1.5**	-1.5	0.0	0.0	**1.6**	1.0	0.6	0.0	**0.1**
Consumer Discretionary	**-1.0**	-0.4	-0.6	0.0	**2.3**	0.8	0.8	0.6	**1.3**
Consumer Staples	**-0.5**	-0.5	0.0	0.0	**0.5**	0.3	0.1	0.1	**0.0**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**-0.6**	-0.6	0.0	0.0	**1.3**	0.0	1.0	0.3	**0.7**
Health Care	**-0.8**	-0.7	-0.1	0.0	**0.8**	0.5	0.1	0.3	**0.0**
Industrials	**-1.6**	-0.9	-0.7	0.0	**2.0**	0.2	1.7	0.0	**0.4**
Information Technology	**-0.5**	-0.1	-0.3	0.0	**0.2**	-0.1	0.2	0.0	**-0.3**
Insurance	**-0.9**	-0.9	0.0	0.0	**0.4**	0.2	0.2	0.0	**-0.5**
Materials	**0.5**	0.6	-0.1	0.0	**1.6**	0.9	0.6	0.0	**2.1**
Media	**-0.1**	0.0	-0.1	0.0	**0.3**	0.2	0.1	0.0	**0.2**
Real Estate	**-0.6**	-0.3	-0.2	0.0	**0.8**	0.3	0.5	0.0	**0.2**
Telecommunication	**-0.1**	0.0	-0.1	0.0	**0.8**	0.8	0.0	0.0	**0.7**
Utilities	**0.3**	0.3	0.1	0.0	**0.0**	-0.1	0.0	0.0	**0.3**
Cash / Other									-0.1
Total	**-7.3**	-5.1	-2.2	0.0	**13.1**	5.6	6.1	1.4	**5.7**

Top Contributors

ASOS	0.7%	Short
Elis	0.5%	Short
Metro Bank	0.4%	Short
Zalando	0.4%	Short
John Wood	0.4%	Short

Top Detractors

Carnival	-0.5%	Long
Societe Generale	-0.4%	Long
OMV	-0.4%	Long
UniCredit	-0.4%	Long
Eiffage	-0.4%	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%	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.

SaemorCapital

Europe Alpha Fund

Monthly Report – December 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%. 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.

Contact Information

Saemor Capital
WTC, E-Tower 7th floor
Prinses Margrietplantsoen 44
2595 BR The Hague
The Netherlands
Tel +31 (70) 756 8070
www.saemor.com

Mary Kahng – Investor Relations Manager
marykahng@saemor.com
Mob +31 (6) 1384 8931

Oliver Gaunt – Investor Relations Manager
olivergaunt@saemor.com
Mob +31 (6) 2883 2534

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