Europe Alpha Fund

SaemorCapital

Monthly Report – February 2019

Fund Performance

	Feb	YTD	3M	6M	1Yr	3Yr (ann)	5Yr (ann)	7Yr (ann)	10Yr (ann)	NAV (28-Feb-2019)	Inception
Share Class B	**-0.1%**	**5.2%**	11.2%	8.9%	9.1%	3.9%	7.1%	7.7%	6.3%	EUR 1,634.75	26-Jun-2008
Share Class A	**-0.2%**	**5.2%**	11.1%	8.7%	8.6%	3.4%	6.2%	6.8%	5.3%	EUR 1,676.04	26-Jan-2009
Share Class D	**-0.2%**	**5.2%**	11.1%	8.6%	8.6%	3.4%				EUR 1,027.70	31-Dec-2015

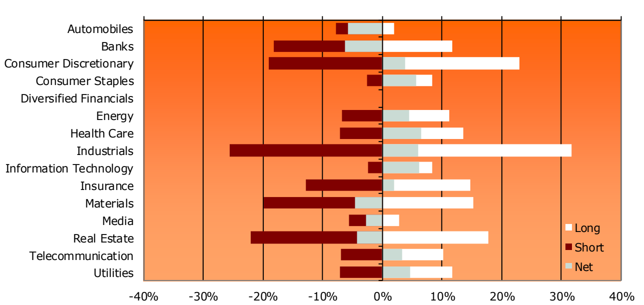
The Saemor Europe Alpha Fund posted a very small negative performance in February, trimming the year to date figure to 5.2%. High beta stocks continued to do well, while Earnings Momentum fared poorly. Quality factors have surprisingly generated positive returns. Other factor families showed muted, although generally positive returns. Our multi factor approach has thus far held up well in a rallying market. The model's preference for Value over Momentum was driven by a turn in the cycle towards contraction. It has also had its merits in the current recovery scenario. Being tactically underweight Momentum has helped the overall model performance. Despite being overweight lower risk names, our model's bottom-up stock selection process has pushed the portfolio towards more cyclical and better performing sectors and countries this year.

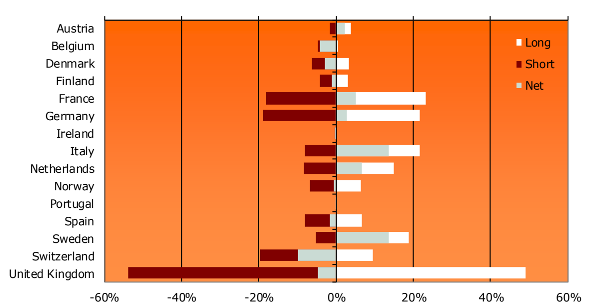
Market Developments

The risk-on sentiment from January continued, with European equities jumping (+3.6%) in February, resulting in one of the strongest ever starts to the year. The extended "Fed put", looser fiscal conditions in China and encouraging US-China trade talks counterbalanced worsening activity data and Brexit. The bulk of European Q4 earnings season is now behind us, with EPS beating depressed expectations by about 3% with revenues coming in much stronger than earnings. Amid the decline in volatility (-10%), cyclical sectors outperformed defensives. Insurance was the best performing sector, closely followed by Industrials and Consumer Discretionary. The worst underperformers were Real Estate, Utilities and Telecommunication. From a country perspective, British and German stocks were left behind. Sovereign bonds were generally down, as yields moved higher in the last week of February. Commodities continued to spike, led by a rise in energy and industrial metals prices while precious metals struggled. With the exception of the British pound, European currencies weakened against the US dollar (euro -0.6%).

Investment Outlook & Strategy

Being overweight Defensive Value at the expense of Momentum should do well in both a recession and a recovery scenario. The underperformance of Earnings Momentum over the past few months has been in line with our tactical weighting assumptions. The case for a contraction has been weakening since the beginning of the year, however, with markets rebounding and earnings revisions seemingly bottoming out. While our style timing models remain in a contraction scenario, the likelihood of a more neutral outlook is increasing. Once earnings revisions in Europe move above equilibrium, the tactical Quality overweight would be reduced. A breakthrough in US-China relations could spur a further risk-on scenario coming off from low expectations for global growth. On the other hand, further gains will be tougher unless growth improves. At the start of March, the Fund is overweight in Health Care, Staples, Industrials and IT. Banks, Real Estate, Materials (specifically Chemicals) and Automobiles are clear underweights.





Key Portfolio Information

Total Net Assets (in mln)	€444 / $506	Net Exposure Beta-Adj	-0.03
Outstanding Shares (B/A)	261210 / 8738 / 2508	Beta (ex post, 3Y monthly data)	0.05
Number of Long Positions	110	Volatility (ex ante, short-term risk model)	7.2%
Long Positions (% of NAV)	183.1%	Volatility (ex post, 3Y monthly data)	9.3%
Number of Short Positions	116	VaR (1 day / 95% conf)	0.6%
Short Positions (% of NAV)	-163.6%	Long Liquidity (avg)	0.35 days
Gross Exposure (% of NAV)	346.7%	Short Liquidity (avg)	0.36 days
Net Exposure (% of NAV)	19.5%	Portfolio Turnover (/GAV)	0.7

Sector Allocation (L&S as % NAV)

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

Country Allocation (L&S as % NAV)

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

Top Long Positions

	Model Score	As % NAV
Berkeley	100	3.1%
AXA	90	3.1%
Legal & General	99	3.1%
Carnival	95	3.1%
Enel	100	3.1%

- Berkeley is engaged in residential-led property development in the United Kingdom. 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 while analysts are upgrading their earnings expectations, even though London housing prices are falling and Brexit outcome remains uncertain.
- AXA is a multi-line insurance company with leading positions in life & general insurance, reinsurance and asset management. The percentage of wealth accumulation products where the customer bears the investment risk tends to be higher at AXA than at many of its competitors. This softens the impact of low bond yields on AXA's profitability. Recently, AXA acquired reinsurer XL. This deal surprised investors who mostly expected acquisitions in life and asset management. Nevertheless, the shares offer a substantial dividend that is well-covered by earnings.
- 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.
- Carnival is the world's largest cruise ship operator. With over 50% of its revenue coming from North America, it benefits from the resilience of US consumers. Long-term prospects are promising as baby boomers are aging and retiring, the 'experience economy' is a big thing and the sector is basically a protected oligopoly. Carnival generates healthy free cash flow and scores high all metrics.
- 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.

Top Short Positions

	Model Score	As % NAV
Umicore	2	3.2%
Credit Suisse	5	3.1%
Tryg	6	3.1%
Shaftesbury	14	3.1%
Swiss Re	16	3.1%

- 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. Q4 results and subsequent analyst revisions have started to show weakness. The model sees better value in the cheaper mainstream mining companies, which have not been hit with earnings downgrades.
- 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. Credit Suisse issued a modest profit warning in the fourth quarter of 2018, indicating that capital returns to investors may disappoint, however.
- 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.
- Shaftesbury is a UK real estate company with a focus on retail and mixed use buildings in London's West End. As a consequence of its focus, Shaftesbury is exposed to the attractiveness of London as a tourist and business destination. With Brexit imminent, we expect investors to attach more importance to valuation metrics as dividend yield and cash flow yield on which Shaftesbury screens as relatively expensive against its peers.
- Swiss Re is a reinsurance company with property & casualty as well as life reinsurance divisions. Although the company is well-capitalised, the shares do not seem that attractively valued given the tepid growth in earnings. Return prospects for the investment portfolio are not enticing either given the valuation of bonds.

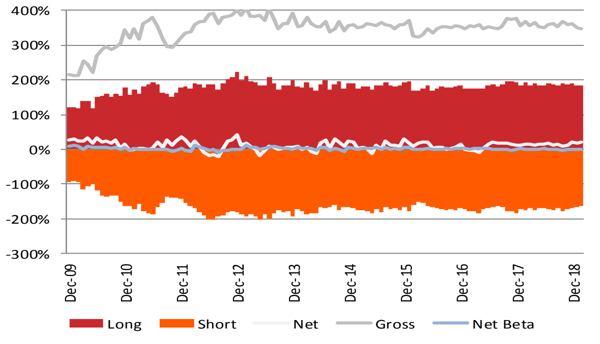
Exchange Liquidity Breakdown

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	93.1%	95.2%	94.1%
Within 1 Week	97.8%	98.5%	98.1%
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	**-0.3**	-0.1	-0.1	0.0	**-0.1**
Banks	**1.2**	1.1	0.1	0.0	**-0.6**	-0.4	-0.2	0.0	**0.6**
Consumer Discretionary	**0.8**	0.5	0.3	0.0	**-1.0**	-0.4	-0.6	0.0	**-0.2**
Consumer Staples	**-0.1**	-0.1	0.0	0.0	**-0.3**	-0.3	0.0	0.0	**-0.4**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**0.2**	0.2	-0.1	0.0	**-0.1**	0.0	-0.1	0.0	**0.0**
Health Care	**0.4**	0.3	0.1	0.0	**-0.3**	-0.2	-0.1	0.0	**0.1**
Industrials	**1.6**	0.5	1.1	0.0	**-1.1**	-0.8	-0.3	0.0	**0.5**
Information Technology	**0.4**	0.2	0.2	0.0	**-0.2**	-0.1	-0.1	0.0	**0.2**
Insurance	**0.8**	0.8	0.0	0.0	**-0.9**	-0.5	-0.4	0.0	**-0.1**
Materials	**0.6**	0.6	0.0	0.0	**-0.7**	-0.5	-0.3	0.1	**-0.1**
Media	**0.1**	0.0	0.1	0.0	**-0.1**	-0.1	0.0	0.0	**-0.1**
Real Estate	**-0.5**	-0.2	-0.3	0.0	**-0.3**	-0.1	-0.2	0.0	**-0.8**
Telecommunication	**0.1**	0.0	0.1	0.0	**0.0**	-0.1	0.1	0.0	**0.1**
Utilities	**0.1**	0.1	0.0	0.0	**0.1**	0.1	0.0	0.0	**0.2**
Cash / Other									-0.3
Total	**5.8**	4.0	1.8	0.1	**-5.6**	-3.4	-2.3	0.1	**-0.1**

Top Contributors

UniCredit	0.4%	Long
Moneysupermarket.com	0.3%	Long
AXA	0.3%	Long
Lloyds	0.3%	Long
Legal & General	0.2%	Long

Top Detractors

Airbus	-0.3%	Short
Zalando	-0.3%	Short
Remy Cointreau	-0.3%	Short
Weir	-0.2%	Short
Rolls-Royce	-0.2%	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%											5.2%
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 – February 2019

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