SaemorCapital

Europe Alpha Fund

Monthly Report – March 2020

Saemor Europe Alpha Fund Performance

	Mar	YTD	3M	6M	1Yr	3Yr (ann)	5Yr (ann)	7Yr (ann)	10Yr (ann)	NAV (31-Mar-2020)	Inception
Share Class B	**-14.2%**	**-16.9%**	-16.9%	-20.8%	-29.3%	-6.6%	-4.9%	1.3%	3.1%	EUR 1,163.13	26-Jun-2008
Share Class A	**-14.2%**	**-17.0%**	-17.0%	-21.0%	-29.6%	-7.0%	-5.4%	0.5%	2.2%	EUR 1,186.15	26-Jan-2009
Share Class D	**-14.2%**	**-17.0%**	-17.0%	-21.0%	-30.3%	-7.3%				EUR 721.03	31-Dec-2015

March was the month during which the Covid-19 pandemic became acute in Europe, with the continent taking over from Asia as the epicentre of rapidly moving events. Perhaps unsurprisingly markets did not take these developments well and most Equity indices recorded their fastest ever switches from bull to bear market. Already down significantly in February European equities had their worst month since the 2008 Global Financial Crisis, down -24% by March 18th, as hopes that the virus would be contained in China reversed. Some relief was seen during the last week after central banks and governments acted aggressively, with largely unprecedented interventions, first to the daily movement and activities of populations and then to their economies. The hope was to calm down the level of panic and to limit the chances that the economic pain will be irreparable once the immediate health crisis subsides. The jury is very much out on whether any of these moves have been a success but at least the impact on markets was slightly calming towards the end of the month and into April.

Fund Performance

With this underlying health, political and economic crisis going on it was an extremely challenging month to manage a systematic strategy. Our Fund returned -14.2% during March, the worst monthly performance in its history. This performance merits some careful explanation and context. We can broadly split March into three phases. In phase 1 for the first week and a half the trends from February continued, with investors still fleeing to low risk stocks; meanwhile value continued its poor run. If this had continued for the full month the fund would probably have been down but not outside of normal bounds.

The crucial period came during the 2nd phase - the next week and a half starting on the 12th March. During this period we saw mass de-risking and liquidation of assets across the market. During these times there are often very few quant factors that perform well. With many of our peers having to reduce or completely move out of their positions we saw multiple days where virtually every conceivable quant factor registered negative returns. In a more "normal" crisis it can make sense to stick to a strategy, perhaps even increasing exposures in anticipation of a return to market rationality. Unfortunately the unique feature of this crisis is that we have no idea how long it will continue for and how serious the situation will get. For this reason we took the view that we could not rely on rationality returning to markets in the near term. Aside from reversing all positions (too costly and too risky to contemplate) the only sensible course of action to take during a de-risking event is to join in and de-risk somewhat yourself. This we did, reducing risk and leverage in the fund quite significantly.

In the 3rd phase during the last week of March there was a slow calming of markets and this has largely continued into April.

Investment Outlook & Strategy

Looking back to the root cause of this market turmoil there does appear to be some hope that the health crisis is not going to end up quite as dire as some had initially feared, partly as a consequence of the actions taken by world governments. As daily deaths peak this will presumably be taken as positive news by the markets. While the economic data coming out in the near term will likely be some of the worst we have ever seen, market reactions will as always be more about the surprise vs expectations than the absolute level of the numbers.

In coming months markets are likely to focus on two completely unpredictable future events. The first is the gradual relaxation of the various lock-downs that are in place and which are crippling almost every economy; the second is the assumed end game of this crisis - the creation of a Covid-19 vaccine. We can expect large and potentially volatile "relief / junk rallies" when there is positive news about these two events and correspondingly large "flight-to-quality" slumps if the situation does not pan out as hoped. As long term investors, we continue to believe in the principles behind our stock selection model. Our approach is to build long and short positions based upon economic fundamentals that have proven over decades to be profitable. With many investors liquidating and record levels of uncertainty there should in theory be many opportunities for excess returns. We hope and expect that our systematic but pragmatic approach to investing will help us realize some of these in coming months.

Key Portfolio Information

Total Net Assets (in mln)	€409 / $449	Net Exposure Beta-Adj	0.04
Outstanding Shares (B/A)	299608 / 1292 / 1669	Beta (ex post, 3Y daily data)	0.03
Number of Long Positions	116	Volatility (ex ante, short-term risk model)	6.4%
Long Positions (% of NAV)	171.3%	Volatility (ex post, 3Y daily data)	8.8%
Number of Short Positions	133	VaR (1 day / 95% conf)	0.6%
Short Positions (% of NAV)	-170.2%	Long Liquidity (avg)	0.42 days
Gross Exposure (% of NAV)	341.5%	Short Liquidity (avg)	0.26 days
Net Exposure (% of NAV)	1.1%	Portfolio Turnover (/GAV)	0.7

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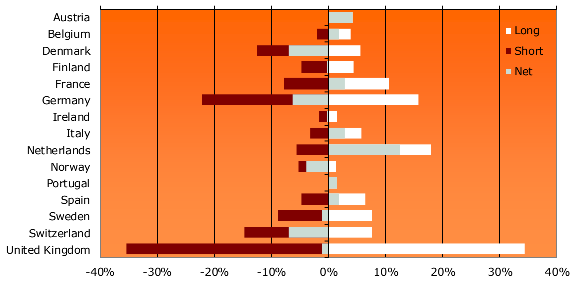
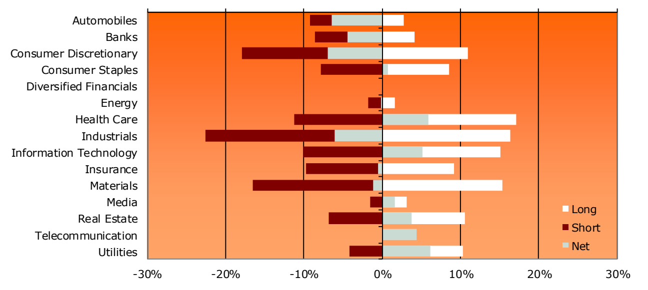
Sector Allocation (L&S as % NAV)

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

Country Allocation (L&S as % NAV)

Dutch, Austrian, Italian, French, Belgium, Spanish and Portuguese stocks are overweight in the portfolio, whereas stocks in Switzerland, Denmark, Germany and Norway are under-represented. The Fund has a neutral position in Ireland, Finland, United Kingdom and Sweden.





Top Long Positions

	Model Score	As % NAV
ADO	99	2.2%
Tate & Lyle	95	2.1%
Rio Tinto	93	2.0%
Aperam	93	2.0%
Berkeley	96	2.0%

Top Short Positions

	Model Score	As % NAV
Renishaw	6	2.2%
Metso	12	2.0%
Tomra	9	2.0%
SCA	9	2.0%
Symrise	10	2.0%

- ADO Properties is a German property company that recently acquired German sector peer Adler. The purchase has reduced the weight in the portfolio of Berlin, where rent regulation has become more strict, although it also increased exposure to secondary cities. The shares have suffered in the market sell-off as investors became cautious on ADO’s increased leverage. However the shares seem to offer value at the current level.
- Tate & Lyle is a UK food ingredients manufacturer, which derives its revenue mainly from the US. Tate aims to grow revenues of high-margin products that replace sugar, salt and fat, while adding fibre. The company is our top-ranked name in our model within Food Products, as it scores well on all factor clusters.
- Rio Tinto in one of the world's largest mining companies and is a low cost producer of iron ore, aluminum and copper. An economic slowdown and tariff wars will weigh on earnings, but the balance sheet is only modestly geared. With a 2020 PE of 9x after a reduction in forecasts for this year and an attractive dividend yield that is well-covered, the shares seem to attractively valued.
- Aperam produces steel with high-grade specifications as well as nickel. Aperam’s customers span a wide variety of industries. The economic slowdown has led analysts to reduce earnings forecasts for 2020 by one-third. Looking beyond this year, earnings should recover and that recovery seems not priced into the shares just yet.
- Berkeley is engaged in UK residential-led property development. It has a strong reputation and an enviable position in the London and South East property markets. The company is expected to emerge intact from the corona crisis as it is relatively liquid and it will keep paying dividend. Analysts have upgraded their recommendations in recent weeks.

- Renishaw creates high technology precision measuring and calibration equipment, e.g. for metrology, inspection, spectroscopy, and scanning. Demand for its machine tools weakened, although they are currently manufacturing ventilator components in light of the corona crisis. The stock is trading at over 50x earnings FY1, a high premium vs peers Landis+Gyr and Jenoptik.
- Metso offers equipment and services for the processing and flow of minerals, aggregates and recycled materials. Its customers are mining and energy companies. Recently the company has announced to spin off its minerals division to Outotec. With its customers facing strong economic headwinds, the near to medium term earnings outlook for Metso seems poor.
- Tomra Systems manufactures machines used to recycle beverage containers. The company sells its machines predominantly in Europe and North and South America. Tomra's shares trade on relatively high valuation multiples. It is our view that investors are pricing in unrealistic growth expectations at 45x 2021 earnings expectations.
- Svenska Cellulosa is a forest company that produces pulp, packaging materials, lumber, and paper. The company also produces renewable energy in the form of unrefined biofuel and wood pellets. Dividend has been cancelled. The shares are trading at 26x 2020 earnings, a hefty premium over competitors such as Stora Enso and UPM.
- Symrise is a diversified chemical company. The company produces fragrances and food additives used in perfumes, food, beverages, and personal care products. While earnings expectations have not improved the last two years, valuations have been stretched. At 35x 2020 EPS, we feel investors are paying too big a premium for growth.

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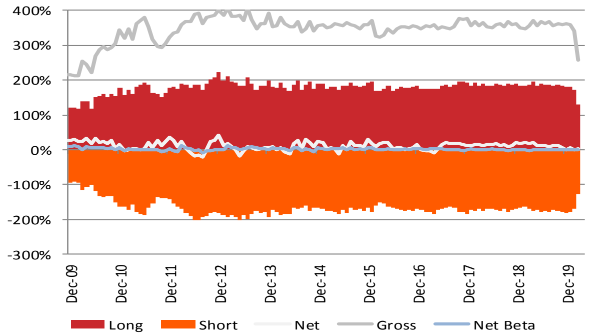
Exchange Liquidity Breakdown

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 98% of the portfolio can be liquidated within 3 days.

Liquidity	Long	Short	Portfolio
Within 3 Days	97.6%	99.1%	98.3%
Within 1 Week	99.8%	100.0%	99.9%
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	**-2.1**	-2.1	0.0	0.0	**3.2**	1.6	1.3	0.4	**1.1**
Banks	**-3.0**	-1.9	-1.1	0.0	**2.4**	1.0	1.4	0.0	**-0.6**
Consumer Discretionary	**-5.9**	-1.7	-3.2	-1.0	**4.2**	0.7	2.8	0.8	**-1.7**
Consumer Staples	**-0.3**	-0.2	-0.1	0.0	**0.0**	0.2	-0.1	0.0	**-0.3**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**-2.1**	0.0	-0.4	-1.7	**1.2**	-0.1	0.6	0.7	**-0.8**
Health Care	**-0.9**	-1.0	0.0	0.0	**0.6**	0.6	0.0	0.0	**-0.3**
Industrials	**-10.3**	-2.9	-6.5	-0.9	**4.9**	2.8	1.8	0.2	**-5.4**
Information Technology	**-2.3**	-1.4	-0.9	0.0	**2.3**	0.8	1.5	0.0	**0.0**
Insurance	**-2.3**	-1.7	-0.6	0.0	**1.2**	0.7	0.5	0.0	**-1.1**
Materials	**-2.2**	-0.7	-1.2	-0.3	**0.3**	0.2	0.1	0.0	**-1.9**
Media	**-1.2**	0.0	-1.2	0.0	**0.3**	0.3	0.0	0.0	**-0.9**
Real Estate	**-3.5**	-1.7	-1.5	-0.3	**2.3**	0.7	1.7	0.0	**-1.2**
Telecommunication	**0.3**	0.5	-0.2	0.0	**0.3**	0.3	0.0	0.0	**0.6**
Utilities	**-1.6**	-0.2	-1.4	0.0	**0.7**	0.4	0.2	0.0	**-0.9**
Cash / Other									-0.8
Total	**-37.5**	-15.1	-18.2	-4.2	**24.1**	10.3	11.7	2.0	**-14.2**

Top Contributors

Dometic Group	1.1%	Short
Melrose	1.1%	Short
IWG	1.0%	Short
Capita	0.9%	Short
Continental	0.9%	Short

Top Detractors

Redrow	-1.4%	Long
ACS	-1.3%	Long
Aroundtown	-1.2%	Long
National Express	-1.0%	Long
Scandic Hotels	-1.0%	Long

Monthly Fund Performance

Perf. Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.5%	-3.7%	-14.2%										-16.9%
2019	5.3%	-0.1%	0.7%	-5.9%	-2.3%	1.1%	-1.9%	-4.6%	2.6%	-1.4%	-1.4%	-1.9%	-9.9%
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.

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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 around 8% per annum with a similar level of 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 2018 (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	IQ EQ Netherlands N.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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