SaemorCapital

Europe Alpha Fund

Monthly Report – May 2020

Saemor Europe Alpha Fund Performance

	May	YTD	3M	6M	1Yr	3Yr (ann)	5Yr (ann)	7Yr (ann)	10Yr (ann)	NAV (29-May-2020)	Inception
Share Class B	**-2.8%**	**-16.9%**	-14.2%	-18.5%	-23.2%	-6.9%	-5.5%	1.4%	3.2%	EUR 1,162.93	26-Jun-2008
Share Class A	**-2.8%**	**-17.1%**	-14.3%	-18.7%	-23.5%	-7.4%	-6.0%	0.6%	2.2%	EUR 1,184.99	26-Jan-2009
Share Class D	**-2.8%**	**-17.1%**	-14.3%	-18.7%	-23.5%	-7.7%				EUR 720.33	31-Dec-2015

Regrettably, the Saemor Fund lost its April gains in May. Although our long book outperformed the market, our short book rose more strongly resulting in negative performance. Our net long in Health Care underperformed, as the sector was left behind and short positions such as Morphosys, Alcon and Abcam surged. Generally, market dislocations and constant factor gyrations made it difficult for our model to find direction. In May we witnessed brutal rotations in factor returns. Cyclicals outperformed Defensive stocks. Value however did not benefit from the rotation to risk evident in May, nor from rising bond yields and falling credit spreads. Value came under strong pressure in the first half of the month, and only in the last week of the month did Value factors return to the forefront. Despite this strong finish, Value was the main loser of the month. The fact that FCF Yield, the most defensive Value factor was the best performer within the Value family was telling. Momentum, especially estimate revisions, did well. Profitability & Growth factors also recovered part of their April losses. Quality factors disappointed. While equities are rebounding and market volatility is decreasing, below the surface we are witnessing a tug of war between Value and Quality/Low Risk with daily reshufflings in performance leadership.

Market Developments

Equities continued to accelerate through May. Europe gained almost 4%, while it remains down for the year (-14%). The volatility index, Vstoxx marginally fell. Investors dismissed deteriorating macro data and rising Sino-US tensions. Sentiment was spurred by never-seen-before levels of monetary and fiscal stimulus, fewer new COVID-19 cases, evidence of activity picking up as many countries eased their lockdown restrictions, and the proposal of a record €750bn EU recovery fund. Portugal, Finland and Germany recorded the strongest gains. Cyclical sectors (Industrials, Materials, Consumer Discretionary) and Technology were the best-performing sectors. Shares in energy companies dropped, despite another extraordinary month for oil, with Brent up 40%. Insurance and Banking stocks did not profit from rising prices for equities, bonds and credits.

Investment Outlook & Strategy

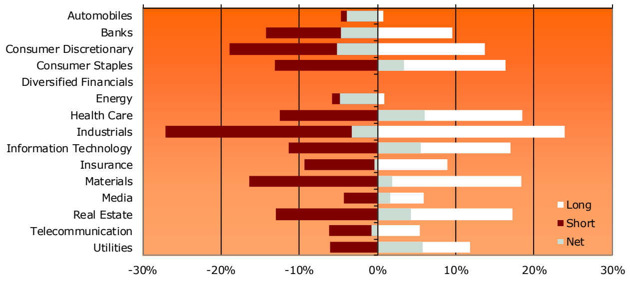
Markets are rotating between risk-on and risk-off with high frequency; caught between a deeply damaged economy and the hope of a speedy economic recovery. The current macro reading is still weak. Our indicator fell deeper into recession territory during May, but as of late it has shown signs of a bottom along with economic surprises. The massive government interventions in Europe should speed up the recovery. As tail risks are abound (eg second wave of infections, Brexit negotiations, disputes within the EU, US-China trade tensions) this potential H2 recovery will likely be bumpy. Earnings estimates for the year now stand at ~30% drop for Europe. Although still in deep negative territory, earnings downgrades have slowed down recently. EPS revisions have bottomed as a result, after reaching their lowest level on record at the beginning of May. Markets have been looking through the uncertainty and the apparent disconnect with the real economy has grown. The steep falls in earnings and the market rebound have brought about an expansion in P/E multiples. Valuations of European equities however seem to be fair: somewhat expensive on earnings multiples, less so on other valuation measures like P/Book and P/sales and attractively priced in comparison to bonds and US equities. While the upside should be limited from here, the downside is also capped by the ample liquidity and the recent EU policy response (such as the German fiscal package). We stick to our balanced factor allocation as the fragility of the underlying pending economic recovery merits a balanced approach. Towards the end of June, we will be improving our model by adding new and uncorrelated factors.

Key Portfolio Information

Total Net Assets (in mln)	€341 / $379	Net Exposure Beta-Adj	0.02
Outstanding Shares (B/A)	291245 / 857 / 1669	Beta (ex post, 3Y daily data)	0.04
Number of Long Positions	152	Volatility (ex ante, short-term risk model)	6.1%
Long Positions (% of NAV)	169.0%	Volatility (ex post, 3Y daily data)	10.0%
Number of Short Positions	165	VaR (1 day / 95% conf)	0.9%
Short Positions (% of NAV)	-163.1%	Long Liquidity (avg)	0.15 days
Gross Exposure (% of NAV)	332.1%	Short Liquidity (avg)	0.13 days
Net Exposure (% of NAV)	5.9%	Portfolio Turnover (/GAV)	0.6

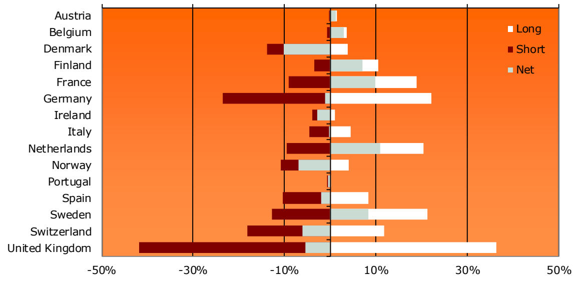
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

Dutch, French, Swedish, Finnish and Belgian stocks are overweight in the portfolio, whereas stocks in Denmark, Norway, Switzerland, United Kingdom, Ireland and Spain are under-represented. The Fund has a neutral position in Austria, Italy, Portugal and Germany.



Top Long Positions

	Model Score	As % NAV
SOBI	96	2.0%
Elisa	95	2.0%
Aurubis	92	1.9%
BHP	97	1.9%
Uniper	92	1.9%

- SOBI is a Swedish biotech company specialising in rare diseases, especially in inflammation, genetics and metabolic therapeutic area. Analysts have become more positive on future earnings after Q1 figures at the end of April. The stock price has fully recovered after the Covid-19 dip in March, but the company is still relatively cheap for a biotech stock.
- Elisa is a Finnish telecom provider and has a stable market share of about 35% in its home country, sharing the market with Telia (35%) and DNA (20%). It is a high-margin, very profitable and good quality company, which trades at a premium to the sector. Analysts have become more positive about future earnings after Q1 release in April.
- Aurubis operates copper smelting and refining facilities. Demand for copper rod has dropped with the onslaught of the coronavirus, but Aurubis so far seems fairly resilient. Management's commentary along results published in May was not pessimistic. The acquisition of recycling company Metallo should help diversify earnings and reduce dependency on copper products. The valuation of the shares is not demanding despite their recent recovery.
- BHP is one of the world's largest mining companies, while it also has a sizeable petroleum and coal business. The lower economic growth following the onset of the coronavirus obviously impacts cyclical commodities. Analysts now forecast a substantial drop in earnings for the financial year that will end June 2021. That said, the valuation of the shares based on those forecasts seems undemanding and the expected dividend is well-covered.
- Uniper is an energy company that owns plants across Europe, including Russia. Uniper also has a commodities trading business and operates gas and power storage facilities. Finnish energy company Fortum owns a majority stake in Uniper and at some stage may buy out remaining minorities, though likely not before October 2021. The impact of the coronavirus on energy markets has weighed on the Uniper stock. The share price has recovered in the last few weeks. The valuation nevertheless seems undemanding and supported by fundamentals.

Top Short Positions

	Model Score	As % NAV
Kerry	10	2.0%
Alcon	8	2.0%
BillerudKorsnas	9	2.0%
Vonovia	12	2.0%
Tryg	3	1.9%

- Kerry Group is a global specialty ingredients and flavours producer and supplier, focusing on plant-based foods such as meat alternatives. Organic growth in food service is under pressure and the company is still suffering from the loss of the ready-meals contract with Tesco. The shares are quite expensive at 30x FY1 PE.
- Alcon is a Swiss manufacturer of vision care products, such as surgical equipment and eye drops, and serves the medical industry worldwide. The company still needs to settle an antitrust lawsuit by contact lens buyers. Even though Q1 results were reasonable, we think the company is too expensive at a FY1 PE of 50. It is the lowest-ranked medical supplies stock in our model as it scores below average on all factor blocks.
- BillerudKorsnas is a paper packaging company, serving both consumers and professionals. Although the long-term prospects for the company are promising, we feel investors currently pay too much for the stock. At 38x FY1 earnings, it trades at a hefty premium versus its peers, even though Q1 earnings were a negative surprise which led to cuts to this year's expectations.
- Vonovia is a German real estate company focused on the residential market. The company develops, leases and sells apartments in cities across Germany. Although Vonovia is not exposed to segments of the real estate market that are immediately affected by the fall-out from the coronavirus, such as retail, its prospects may diminish somewhat if people reappraise living in densely populated areas and demand for property outside major cities increases. Even without those longer-term considerations factored into forecasts, the shares currently trade at a premium to the peer group that seems unjustified.
- 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. Even the stability of the Nordic countries hardly compensate for this premium, in our view.

Europe Alpha Fund

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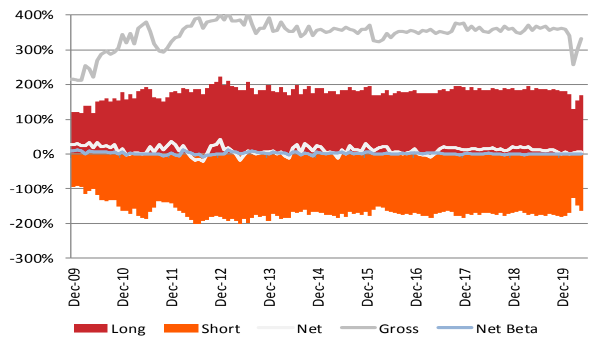
Exchange Liquidity Breakdown

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 almost 99% of the portfolio can be liquidated within 3 days.

Liquidity	Long	Short	Portfolio
Within 3 Days	99.1%	98.3%	98.7%
Within 1 Week	99.8%	99.5%	99.7%
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	**-0.1**	-0.1	0.0	0.0	**-0.5**	-0.2	-0.3	0.0	**-0.6**
Banks	**1.0**	0.8	-0.1	0.3	**-0.7**	-0.6	-0.2	0.0	**0.3**
Consumer Discretionary	**1.5**	0.4	0.4	0.7	**-1.8**	-1.0	-0.6	-0.3	**-0.3**
Consumer Staples	**0.1**	0.2	-0.1	0.0	**-0.8**	-0.4	-0.4	0.0	**-0.7**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**-0.1**	0.0	0.0	-0.1	**0.2**	0.1	0.1	0.1	**0.1**
Health Care	**0.3**	0.5	-0.1	0.0	**-1.9**	-0.8	-1.1	0.0	**-1.6**
Industrials	**1.1**	0.9	0.2	0.1	**-2.1**	-1.2	-0.6	-0.2	**-1.0**
Information Technology	**2.0**	1.3	0.7	0.0	**-1.7**	-0.5	-1.1	-0.1	**0.4**
Insurance	**0.1**	0.1	0.0	0.0	**0.1**	0.2	-0.1	0.0	**0.2**
Materials	**1.9**	1.0	0.4	0.4	**-0.8**	-0.7	-0.1	0.0	**1.0**
Media	**0.4**	0.3	0.1	0.0	**-0.3**	-0.2	-0.1	0.0	**0.1**
Real Estate	**0.5**	0.1	0.5	-0.1	**-1.0**	-0.1	-0.9	0.0	**-0.5**
Telecommunication	**0.2**	0.2	0.0	0.0	**-0.1**	-0.2	0.1	0.0	**0.2**
Utilities	**0.5**	0.5	0.0	0.0	**-0.6**	-0.2	-0.3	0.0	**0.0**
Cash / Other									-0.4
Total	**9.5**	6.1	2.0	1.3	**-11.8**	-5.8	-5.5	-0.5	**-2.8**

Top Contributors

Dialog Semiconductor	0.4%	Long
Ferrexpo	0.4%	Long
Evolution Gaming	0.4%	Long
Logitech	0.4%	Long
Saint-Gobain	0.4%	Long

Top Detractors

IWG	-0.4%	Short
CANCOM	-0.4%	Short
Alcon	-0.4%	Short
MorphoSys	-0.4%	Short
Adyen	-0.3%	Short

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%	2.8%	-2.8%								-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.

SaemorCapital

Europe Alpha Fund

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Investment Objective

The Saemor Europe Alpha Fund is a market-neutral long/short equity fund. The Fund aims to generate a positive return in any type of market conditions over any given 5-year period, with a volatility of 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 2019 (A&D/B)*	1.67/1.17%

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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