SaemorCapital

Europe Alpha Fund

Monthly Report – August 2020

Saemor Europe Alpha Fund Performance

	Aug	YTD	3M	6M	1Yr	3Yr (ann)	5Yr (ann)	7Yr (ann)	10Yr (ann)	NAV (31-Aug-2020)	Inception
Share Class B	**-0.8%**	**-19.8%**	-3.5%	-17.2%	-21.5%	-8.8%	-6.4%	2.3%	2.9%	EUR 1,122.61	26-Jun-2008
Share Class A	**-0.8%**	**-20.1%**	-3.6%	-17.4%	-21.9%	-9.3%	-6.8%	1.5%	2.0%	EUR 1,142.45	26-Jan-2009
Share Class D	**-0.8%**	**-20.1%**	-3.6%	-17.4%	-21.9%	-9.5%				EUR 694.47	31-Dec-2015

The Saemor Europe Alpha Fund declined by 0.75% in August. The Fund did well in the first part of the month, however subsequently it lost its gains. Despite cyclicals making another surge in the markets, returns from Value stocks were uninspiring (and were slightly better on the long-side and other regions). While investors have been moving out of defensives into cyclicals at the asset class and sector level since April, there is no clear evidence of rotation at the stock level yet. Amongst our Value factors, Cyclical Value factors fared somewhat better. Value was strong at the start of the month, however ended the month slightly down. The Fed's shift in policy to average inflation targeting, which implies lower rates for longer, was seen as one of the drivers for the change in style performance, next to climbing infection rates in Europe. Momentum factors were under strong pressure initially as tech stocks sold off. In the subsequent recovery Price Momentum rebounded, unlike Estimates Momentum which ended the month in negative territory. In contrast to last month's moves, Profitability, Growth and Quality factors underperformed more or less across the board. Returns to high vs low Beta were strong, while Size (small vs large) delivered a positive return. The start of August reminded us of the current downside risk of Momentum, and Value's characteristics as a good hedge if growth stocks start to materially correct.

Market Developments

Global equity markets continued their rally and recorded the best August performance since 1986. Earnings Revision ratios reached a two-year high and vaccine optimism increased while also the relaxed stance of the Fed towards inflation helped boost sentiment. Europe, however, lagged with a gain of +2.7% in August. European governments paused the reopening of their economies as the daily number of COVID-19 infections started to rise again. Recent data has been somewhat more mixed across Europe. Economic data continued to improve, but at a slower pace. In terms of themes, risk assets rallied, cyclicals strongly outperformed defensives and re-opening stocks easily beat stay-at-home stocks. All countries apart from Portugal posted a positive return. Domestic cyclicals stood out due to ongoing US dollar weakness. The strongest returns were in Finland and Germany while Spain, the UK and Switzerland lagged. Automobiles, Media and Industrials were the best performing sectors. The weakest sectors included Consumer Staples, Health Care and Utilities. August saw yields moderately increase, curves steepen and peripheral and corporate bond spreads tighten. This helped Financials to outperform. Energy performed in line with the market and failed to benefit from the rebound in oil prices.

Investment Outlook & Strategy

Current valuations offer limited upside. That said, Europe has lagged the US and the Presidential election cycle typically paints a benign environment for equities. Volatility is expected to remain high as COVID-19 cases continue to rise, fiscal supports diminish and (geo-)politics will likely dominate the news flow (US elections, Italy, Brexit and escalating Russian risk). So we should not rule out some equity weakness into the US election & Brexit, which might be a set up for a turn-of the-year rally in Value. A sustained rotation into Value might, however, only occur when bond yields rise sustainably, earnings revisions trend up for cyclicals, and the global economy strengthens further. We are seeing some early signs of this. Our quantitative economic cycle framework is firmly in 'Recovery' phase. In this phase, Value tends to be the best performing style. The latest global analyst earnings forecasts show that upgrades now outnumber downgrades, with expectations of Value stocks improving. If this continues, we might expect convergence favouring Value. The posture of Momentum stocks will subsequently slowly rotate towards Value. This year's performance has been very asymmetrical with Value lagging massively, which in theory leaves many stock opportunities on the table. The risk-reward ratio of Growth stocks has become less compelling given stretched valuations, high concentration and crowdedness.

Key Portfolio Information

Total Net Assets (in mln)	€329 / $393	Net Exposure Beta-Adj	0.01
Outstanding Shares (B/A)	291245 / 793 / 1669	Beta (ex post, 3Y daily data)	0.02
Number of Long Positions	145	Volatility (ex ante, short-term risk model)	6.0%
Long Positions (% of NAV)	152.1%	Volatility (ex post, 3Y daily data)	9.9%
Number of Short Positions	147	VaR (1 day / 95% conf)	0.7%
Short Positions (% of NAV)	-148.0%	Long Liquidity (avg)	0.23 days
Gross Exposure (% of NAV)	300.1%	Short Liquidity (avg)	0.19 days
Net Exposure (% of NAV)	4.0%	Portfolio Turnover (/GAV)	0.6

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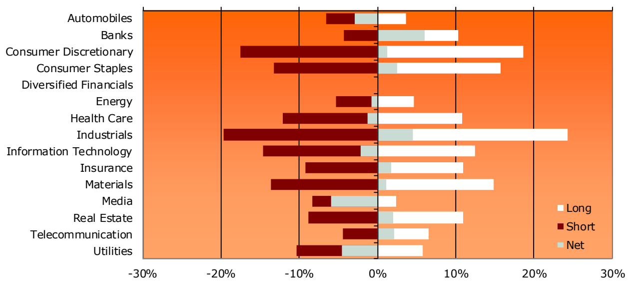
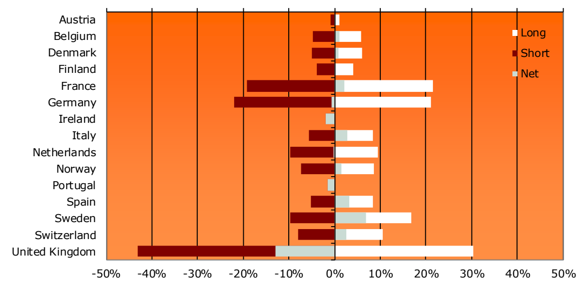
Sector Allocation (L&S as % NAV)

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



Country Allocation (L&S as % NAV)

Swedish, Spanish, Italian, Swiss and French stocks are overweight in the portfolio, whereas stocks in United Kingdom and Ireland are under-represented. The Fund has a neutral position in Norway, Belgium, Denmark, Finland, Austria, Netherlands, Germany and Portugal.



Top Long Positions

	Model Score	As % NAV
HeidelbergCement	92	1.9%
Bechtle	98	1.9%
Cellnex	90	1.9%
Flutter Entertainment	93	1.9%
STMicroelectronics	97	1.9%

- Heidelberg Cement produces and distributes cement, aggregates, ready-mixed concrete, and asphalt. Heidelberg has operations in Europe, North America, Asia, Australia and Africa. The coronavirus outbreak is likely to contribute to a loss this year, but Heidelberg's profits seem set for a recovery next year. The debt load is manageable while the valuation seems undemanding.
- Bechtle, based in Germany, provides IT services including software and application solutions, hardware, strategy consulting, cloud services and IT management. With the product offer including cloud services, Bechtle can benefit from the ongoing shift to digital among its client base. This trend has been accelerated since the emergence of Covid-19. Bechtle's share price is now above February's levels, pushing valuation multiples up. However, growth prospects for Bechtle are good and the balance sheet is hardly geared.
- Cellnex operates 15,000 telecommunications towers in Spain and Italy. Its revenue stems from renting tower space to telecom providers, broadcasters and network services. The company has a strong and growing cash flow that can be used to de-lever the balance sheet, whilst satisfying their hunger for M&A, thus further consolidating the European tower assets.
- Flutter Entertainment is a bookmaking company created by the merger of Paddy Power and Betfair. Last year, it acquired The Stars Group, creating the world's largest online betting company, with a market-leading position in the U.S. The company is well-positioned to further profit from the move from retail to online. Recent H1 results were an impressive hit and guidance for 2020 was raised.
- STMicroelectronics manufactures semiconductor integrated circuits. Analysts have upgraded their earnings expectations after stronger than expected Q2 results and upped guidance for H2, accelerated by the semiconductor cycle. The stock trades at a discount to its peers (P/E 2021 of 19), which does not seem to be justified.

Top Short Positions

	Model Score	As % NAV
Barco	0	1.9%
SCA	11	1.9%
Remy Cointreau	1	1.9%
Alten	2	1.9%
Kerry	5	1.9%

- Barco develops visualization solutions. The corona outbreak has substantially affected Barco, since cinemas, hospitality venues and trade fares have all seen their trading collapse. Barco's healthcare division, which offers displays for diagnostic imaging and network solutions for operating rooms, should be able to weather the Covid storm. This segment accounted for around one-quarter of total revenues in 2019. The current valuation of the shares does not seem to reflect the challenging prospects.
- Svenska Cellulosa is Europe's largest private forest owner and produces wood for pulp, packaging materials, lumber and paper. The company will close its loss-making publication business, will invest in a new pulp capacity and had to cancel its dividend over 2019. Earnings momentum and free cash flow in H2 will be weak. Its FY1 P/E of 45 is very generous for an industry that is struggling with a decreasing LT demand.
- Rémy Cointreau produces and sells premium wines, cognacs, liqueurs and other spirits. The company has a luxury strategy, which could be the right one for the long term, but due to Covid-19, travel retail and consumer confidence have decreased. The strategy will only work as long as people are willing to pay premium prices. The stock trades at a very demanding forward P/E of 65, much higher than its peers.
- Alten offers engineering and technology services. France represents Alten's biggest market but the majority of its revenues are generated in other countries. The corona outbreak weighs on Alten's income from aerospace and automotive clients. Second quarter results for the life sciences segment improved. However, overall, the outlook for the remainder of 2020 is tough and earnings visibility is low.
- Kerry Group is a global specialty ingredients and flavours producer and supplier, focusing on plant-based foods. Organic growth in food service is under pressure and the company is still suffering from the loss of the ready-meals contract with Tesco. Although recent H1 earnings showed that the food services arm is recovering after being hit by the pandemic, we think the shares are too expensive at 34x FY1 PE.

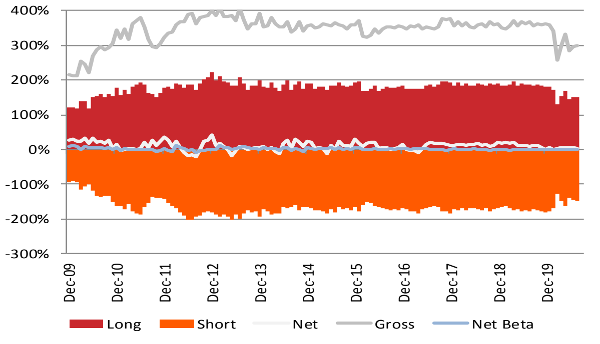
Exchange Liquidity Breakdown

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 97% of the portfolio can be liquidated within 3 days.

Liquidity	**Long**	**Short**	**Portfolio**
Within 3 Days	96.6%	98.0%	97.3%
Within 1 Week	99.6%	99.5%	99.5%
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	**-0.7**	-0.1	-0.6	0.0	**-0.5**
Banks	**0.3**	0.3	0.0	0.1	**-0.3**	-0.2	-0.1	0.0	**0.0**
Consumer Discretionary	**1.4**	0.6	0.7	0.2	**-1.7**	-1.0	-0.7	0.0	**-0.3**
Consumer Staples	**0.3**	0.2	0.1	0.0	**-0.2**	0.0	-0.3	0.0	**0.0**
Diversified Financials	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Energy	**0.2**	0.1	0.0	0.1	**-0.2**	0.0	-0.2	0.0	**-0.1**
Health Care	**0.0**	0.2	-0.2	0.0	**-0.2**	0.2	-0.4	0.0	**-0.2**
Industrials	**2.3**	1.2	1.2	-0.1	**-1.5**	-0.8	-0.4	-0.3	**0.9**
Information Technology	**0.6**	0.4	0.2	0.0	**-0.5**	-0.4	-0.1	0.0	**0.1**
Insurance	**1.0**	0.6	0.3	0.1	**-0.3**	-0.3	0.0	0.0	**0.7**
Materials	**1.0**	0.6	0.4	0.0	**-0.9**	-0.2	-0.6	-0.1	**0.1**
Media	**0.1**	0.0	0.0	0.0	**-0.6**	-0.2	-0.3	0.0	**-0.5**
Real Estate	**-0.1**	-0.1	0.0	0.0	**-0.4**	0.0	-0.4	0.0	**-0.5**
Telecommunication	**0.7**	0.2	0.5	0.0	**0.0**	0.0	0.0	0.0	**0.6**
Utilities	**-0.1**	-0.1	0.0	0.0	**-0.7**	-0.5	-0.2	0.0	**-0.8**
Cash / Other									-0.2
Total	**7.8**	4.3	3.1	0.3	**-8.3**	-3.5	-4.3	-0.6	**-0.8**

Top Contributors

Sunrise Communications	0.5%	Long
bpost	0.4%	Long
Aggreko	0.3%	Long
A.P. Moller - Maersk	0.3%	Long
ASOS	0.2%	Long

Top Detractors

Suez	-0.5%	Short
IHG	-0.4%	Short
Dometic	-0.4%	Short
Aveva	-0.4%	Short
Suedzucker	-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%	0.4%	-3.1%	-0.8%					-19.8%
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.

Europe Alpha Fund

Monthly Report – August 2020

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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