

**FACTSHEET**

**THE MANAGER**

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -2.9% for October.

Investment Objective & Strategy

Giano Capital is a long-short equity fund that thrives on innovation by delivering quality investment propositions through highly experienced individuals and machine learning methodologies. The fund vigorously pursues and thrives on innovation; focusing on the integration of new machine learning technology. We have a highly experienced team centred on finding equity opportunities utilising tools that improve the productivity of the investment process, allowing us to identify a greater number of opportunities whilst being more objective and disciplined.

Effective and efficient automation of parts of the investment process, where possible utilising the learning methodologies of the "machine" are used to make quality investment decisions quickly and objectively, complementing the subjective experience of the fund manager.

Monthly Commentary

The S&P closed down 6.9% and the Eurostoxx 600 down 5.6%

Best sectors in Europe were Telecomms and Food&Beverage; the worst Industrial Goods and Technology.

In the Fund, the best were Victoria (short) and AMS (short); the worst were Intu (short) and Stars Group (long).

Over the last month the three things that are guiding my view of the stock market and the economy continued to weaken.

The semiconductors cycle continued to deteriorate and, based on historical trends, will not bottom until the second quarter of 2019; the crucial order to inventory ratio in the PMI survey is now showing that Europe is heading into recession and also the strongest part of the survey, the USA, is now substantially slowing; market internals have been poor now for months.

*(Monthly Commentary Continued on page 2)*

UCITS Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2018	-	-	-	-	-	-	0.98%*	-2.80%	-2.20%	-2.90%	-	-	-6.85%

*The performance figures quoted above represent the performance of the Giano UCITS Fund since launch on the 11<sup>th</sup> of July 2018. These performance figures refer to the past and past performance is not a reliable guide to future performance.*

Odey Giano UCITS fund performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2018	4.90%	3.40%	-0.70%	2.50%	4.10%	1.40%	0.75%						17.4%
2017	-0.1%	-0.4%	-0.7%	1.1%	2.0%	1.2%	0.8%	4.8%	3.2%	2.9%	1.1%	-3.0%	13.3%
2016	-2.5%	1.8%	-2.2%	-4.4%	0.9%	-1.5%	0.2%	-1.0%	-0.7%	-4.9%	1.5%	-7.4%	-18.8%
2015	0.7%	-5.6%	2.1%	-2.7%	-1.7%	1.1%	-0.5%	1.0%	0.6%	-0.4%	-0.3%	5.3%	-0.9%
2014	0.9%	3.1%	-4.3%	-4.3%	1.5%	-0.3%	-0.7%	1.7%	2.5%	3.6%	2.3%	1.0%	6.9%
2013	-0.3%	5.0%	4.0%	-3.7%	1.7%	2.9%	-1.5%	-0.2%	0.7%	-0.3%	1.9%	3.4%	14.1%
2012	-0.2%	0.4%	-0.2%	4.8%	3.1%	-2.1%	1.7%	-2.1%	1.2%	-0.4%	0.0%	-2.3%	3.8%
2011											-0.1%	-1.8%	-2.0%

*The performance figures quoted above represent the performance of the Odey Giano Fund since launch on the 17<sup>th</sup> November 2011. This fund was merged into the Giano UCITS fund on the 11<sup>th</sup> July 2018. These performance figures refer to the past and past performance is not a reliable guide to future performance.*

**Quay Partners**

**Michele Ragazzi**

Michele Ragazzi will manage the Fund; an experienced manager of long/short equity funds since 1994, he has outperformed the market whilst providing good capital protection under challenging market conditions for his clients whom, in some cases, have invested with him for 20+ years.

Michele is passionate about the need to innovate, increasing product value through technology, penetrating new markets and increasing the value-add for the client. Michele identifies the moments of extreme valuations that may be caused by specific company events or by market capitulations.

**Marco Bianchi**

Marco Bianchi heads the systematic research team.

**Ilario di Bon**

Ilario di Bon has a very strong fundamental background has started working with us from the beginning of August. His main task will be to develop the fundamental side together with the systematic team to achieve the advantages of productivity, higher discipline and results that we have in mind.

**FUND FACTS**

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	€34 million
Strategy AUM	€48 million
Inception	11 Jul 2018
Share Class	<b>Class M Shares</b>
Currency	EUR/USD/CHF/GBP
Mgt. Fee	0.75%
Perf. Fee	0.00%
Min Init. Sub.	10,000,000
ISIN Codes	EUR: IE00BFX0Y541 USD: IE00BFX0Y871 CHF: IE00BFX0Y764 GBP: IE00BFX0Y657

Share Class	<b>Class R Pooled Shares</b>
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.25%
Perf. Fee	15.00%
Min Init. Sub.	5,000
ISIN Codes	EUR: IE00BFX0Y988 USD: IE00BFX0YD20 CHF: IE00BFX0Y13 GBP: IE00BFX0Y806

One caveat for Europe is that some of the weakness has been originated by the new cars emissions standards and car sales are showing some recovery.

I believe that we are now in a downturn at least of the kind experienced in 2011 or in 2015-2016 which implies markets and specially cyclical stocks have much further to go down.

A very unique - and very negative for the markets - characteristic of this downturn is that it is happening with a very hawkish FED - the US Central Bank - and it usually takes months for their views to change course. This is very important in my view as rallies in bear markets have been often ignited by the FED cutting rates.

The book has gone through some adjustments in October. On the short side a number of stocks have been added (Volvo, Philips, Alfa Laval, Aalberts Industries, Siemens, Sandvik, Schneider, Akzo Nobel) on the long side Man Group and some very minor positions have been closed out and a number of oil service companies have been added (of which I will talk in a more structured way in my next monthly).

The book is very close to zero exposed and is going to get net short by the end of the year.

The great majority of the losses of the month came from the position short in Intu, our major short position; a consortium comprising the major shareholders has announced that it will consider a potential offer that has now been set at 210p. The stock price is back to where it was last June and I closed the position. I am considering to reopen the short position as the downside seems fairly limited now that the price has been set and the upside is huge.

In spite of the wild correction in many parts of the markets - which the descent of the indices alone don't reflect entirely - I think we should have done better in the last two months and we are putting in place a further layer of controls as a consequence.

**Plus500** reported 3rd quarter numbers. They were at the low end of our expectations, however this was certainly a trough quarter (given the implementation of new regulation, low volatility and the world cup). Management commentary was very bullish and underlying kpis strong (new customers, churn, etc). The company is going to pay 8% of interim dividend this month while more than 20% of the market cap is in cash.

We believe that in normal conditions their activity would have been 30% higher, they grow (conservatively) 20% a year, if we put the stock on 15x earnings 1 year forward, the stock triples in 2 years. Very importantly this is a company that does better in a bear market as volatility is generally higher which is highly correlated to the volumes of trading. Short interest in the stock is at 14%.

**Michele Ragazzi**

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