

# Giano UCITS Fund

## Long/Short Equity

October 2019

### Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned 1.8% 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 up 2% and the Eurostoxx up 0.9%.

Best sectors in Europe were Auto&Parts and Construction&Materials; the worst Food&Beverage and Oil&Gas.

In the Fund, the best were GVC and Dart, both longs; the worst were the cyclical/auto shorts.

Recent data on the global industrial sector have improved from a very low level. This interrupted a pattern of consistently negative data over the last 18 months. However, even with a modest increase the level of expected global manufacturing remains severely depressed.

*(Monthly Commentary Continued on page 2)*

### UCITS Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	-2.0%	-5.5%	1.5%	-1.2%	-0.9%	-4.4%	-1.6%	1.8%	2.1%	1.8%			-8.5%
2018	-	-	-	-	-	-	1.0%*	-2.8%	-2.2%	-2.9%	-2.6%	0.3%	-9.1%

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	4.9%	3.4%	-0.7%	2.5%	4.1%	1.4%	0.8%						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.

### The Manager

## 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 is a senior Quant formerly with the Bank of England - Marco heads the systematic research team.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	€30 million
Strategy AUM	€43 million
Inception	11 July 2018

Share Class	Class M Shares
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	Class R Pooled Shares
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: IE00BFX0YC13 GBP: IE00BFX0YB06

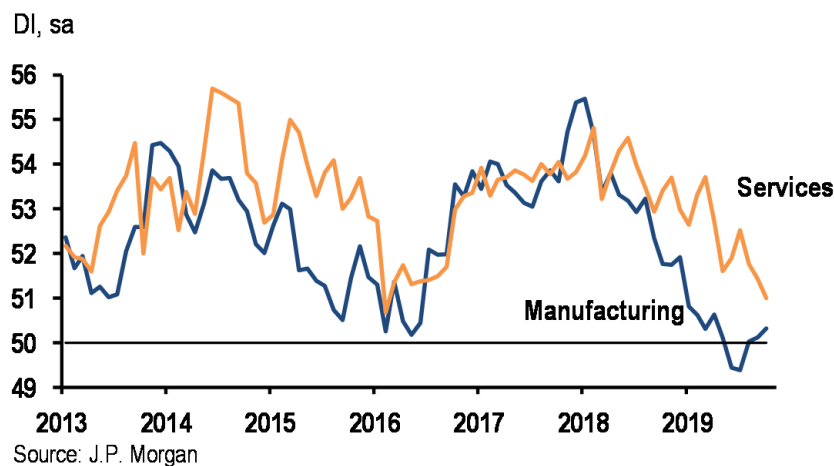
### Monthly Commentary cont.

The level of inventories remains too high - based on historical experience, a substantial reduction is necessary before a recovery can happen - it has actually increased in US while in Germany and France showed a substantial correction. Overall this indicator is not signalling a recovery yet; considering that this is an indicator that anticipates early cyclical recovery by 6-9 months, the rally in cyclical stocks that we are witnessing seems too premature and related to positioning more than a correct anticipation of a forthcoming recovery.

I am aware of the second derivative argument - what is important is not the level but the change of that level - however it seems to me that the present move is not the prelude to an improvement but a pause in the descent; the risk to this thesis is that the market - cyclical stocks having broken out on the upside - is confirming the turn up.

Another important data point: while the market seems to have focused on the strong employment report in US, both the services global PMI and the all-industry employment PMI dropped further in October.

### J.P. Morgan global PMI output indexes



As indicated in my previous monthly report the risks of recession increase when the weakness in corporate profitability - shown in recent data - translates in lower hirings and lower consumer spending.

Europe has delivered an earnings beat of about 5%; the beat is reflecting the lowered consensus expectations in the run up to the reporting season. Weighted earnings are down 5% year on year; the median stock is seeing earnings growth of 2.2%, however.

Earnings revisions remain in deep negative territory on estimates going forward.

The street seems to be still bearishly positioned, which is a positive for the performance of the market.

**Plus500** reported very strong Q3 numbers: 43 mil pounds of cash in 1 quarter with a market cap of 900 million and 230 million of pounds in cash on the balance sheet. It was a good trading quarter but also their business should become easier going forward as we have passed the 12 months mark from the implementation of the new regulatory regime; the next 12 months will see a negative impact to their business in Australia, but Europe is demonstrating that these negative effects are only temporary. The stock should be worth at least twice the current price.

**Stars.** The stock was up 30% as it was bid by Flutter for shares. I am very happily becoming a Flutter's shareholder as the company is very well managed and less geared; with full synergies taken into account the stock would be on 12x2020 earnings excluding the value of the US jvs, which seems very attractive.

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### Monthly Commentary cont.

**GVC** was up 20% having reported good numbers, as a consequence of M&A in the sector and a very low valuation.

**Dart Group** was up 38%, having increased guidance and as the major beneficiary of Thomas Cook demise.

**Cyclicals.** Being short cyclicals in October has been very detrimental to the performance of the fund although half of the short being closed early in the month. As mentioned above I am more inclined to believe that their appreciation is premature, however given the overall uncertainty, the positions will be closed when the market gives an opportunity.

**Michele Ragazzi**

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