

**FACTSHEET**

**THE MANAGER**

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -1.2% for April.

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 3.9% and the Eurostoxx up 3.2%

Best sectors in Europe were Autos&Parts and Technology; the worst Healthcare and Real Estate.

In the Fund, the best were GVC and Viasat, both longs; the worst were Plus500 long and STM short.

Low inflation is giving the US Central bank room to be market friendly; Europe and Japan are dealing with a large inflation undershoot as well as signs that medium-term inflation expectations may be moving lower.

Asia should lead a pickup in global industry. Chinese trade activity has rebounded from depressed levels at the start of the year; outside of China, manufacturing continued to contract in Japan, Taiwan, Singapore and Korea, all posted Industrial Production declines.

*(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%									<b>-7.0%</b>
2018	-	-	-	-	-	-	0.98%*	-2.8%	-2.2%	-2.9%	-2.6%	0.3%	<b>-9.1%</b>

*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%						<b>17.4%</b>
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%	<b>13.3%</b>
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%	<b>-18.8%</b>
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%	<b>-0.9%</b>
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%	<b>6.9%</b>
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%	<b>14.1%</b>
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%	<b>3.8%</b>
2011											-0.1%	-1.8%	<b>-2.0%</b>

*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.

**FUND FACTS**

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	€34 million
Strategy AUM	€43 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**

**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

The indicator of global industrial activity I look at has deteriorated in April removing the prospects for an expected second half 19 sales recovery. US orders fell sharply in April; the ratio of new orders to inventories fell below 1 for the first time since 2012. Orders remain at recession levels across Europe, in particular in Germany; very high levels of inventories indicate that industrial production should weaken further.

Weighted earnings in Europe appear on track for a 5% decline year on year, the first quarter of negative growth since 4Q16. The stock market internals strengthened considerably last month reversing the move of the previous month.

Banks in the Euro area have generally become relatively cheap. However, I am not willing to embark on a trade (as opposed to an investment) at a time when I believe that the Italian situation could become difficult again after the European elections and ahead of the next budget law and when it is quite unlikely that the market could price in soon enough an increase in European short rates.

#### **Plus500**

Reported very weak 1st quarter numbers and the stock was down 30% over the month.

The weakness of the 1Q was unexpected and not in line with our models; furthermore the P&L loss (losses against their clients) although only partially reversing the 4Q 18 gain was also not expected. None of this is company specific (all the companies in the sector reported similar issues) but needs to be understood better.

Still the company is the leader in a business that is unlikely to disappear and is undoubtedly very cheap although I cannot have any longer the confidence of affirming that the stock price should go back to its January high in the 3rd quarter of this year; I will need to be more patient.

It worries me that I have to speak about it so often as good companies do not usually need this intensity of maintenance.

#### **Dixons Carphone - Long**

DC is an electrical, electronics and telecommunications retailer and services company. Dixons and Carphone Warehouse merged in the summer of 2014. Market capitalisation 1.5bn pounds, net debt 230m.

What I find interesting about this stock:

- a) the valuation. At 135p the stock is trading on less than 7x consensus expected earnings for the current year; the dividend (recently cut by the new management team) is 5% of the price of the stock;
- b) new management have been in charge since last year and have performed their kitchen sinking exercise;
- c) the electrical side of the business is in very good health. Its competitive position in UK is very strong and seems likely to get even stronger. Many believe that of all UK retailers, Dixons has been the most successful in developing a post internet business model;
- d) the Carphone Warehouse side of the business is being restructured. For individual mobile networks, between 30% and 50% of post pay contracts are with Carphone, giving it a very strong platform to build a new strategy. Management are guiding CW will be making a minor loss this year but it's unlikely to be worthless having >700mil of receivables-payables on its balance sheet and very short leases on its shops;
- e) the biggest risk is that DC is very economically sensitive, but on less than 7x PE with the Carphone side of the business expected to lose money, the worst case scenario seems to be in the price.

#### **Contact Details**

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