

FACTSHEET

THE MANAGER

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -2.8% for August.

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

I have become more bearish about the next 12 months; and it has nothing to do with the mainly trade/emerging markets bearish narrative common in the markets at the moment.

A good analyst that I mentioned before publishes his monthly indicator, PMI based, that shows inventories have increased substantially and orders decreased substantially; what we are witnessing at the moment (he says) has most times in the past caused a very substantial (>20%) decrease of industrial earnings estimates.

Furthermore, DRAM (the more commoditised part of semiconductors) sales seem to have dropped very substantially in July.

An explanation for the above could be that the uncertainty related to the soon to be implemented tariffs and limitations on trade may have caused an excessive accumulation of inventories artificially boosting earnings.

(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%	-	-	-	-	0.98%

The performance figures quoted above represent the performance of the Giano UCITS Fund since launch on the 11th 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 17th November 2011. This fund was merged into the Giano UCITS fund on the 11th 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 and joined the team at 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	€36 million
Strategy AUM	€50 million
Inception	11 Jul 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: IE00BFX0Y13 GBP: IE00BFX0Y0B6

Monthly Commentary (cont.)

I am reviewing the book as I am writing this report; the good thing is that the net exposure is always very limited. Below is an overview of stocks that impacted August performance:

Existing Positions

Plus (long) reported 1H results, the stock came off substantially in the month of August.

The company made 1.8 pounds of earnings in the first half (so it's currently on 8 times the earnings of the first half). While I agree that revenues and earnings and the acquisition of new customers must have been inflated by cryptocurrencies trading and that there are short term uncertainties related to the recently implemented new regulation, the stock is very cheap and I am convinced that higher regulation is only an advantage for the largest players as it will push smaller players out of the market.

The bearish view on the stock is structural and doesn't make sense to me.

Furthermore, we have seen new markets starting to impact substantially their business; Australian revenues are up 6x in the first half to 10% of group sales and they are now starting to operate also out of Singapore. Most importantly, in my view, this is by far the lowest cost platform.

BIC (short) reported in August, the stock came off 10%. Worryingly, lighters sales (which carry the highest margins of their businesses) were down 4.5%. Shaver sales remain weak and under a lot of competitive pressures.

Nielsen (short). Stock was up 10% after an activist fund manager took a position and is pushing for the sale of the company. Both the CEO and CFO of the company have left.

The stock is very expensive on 17x free cash flow with a dwindling business.

JPJ Group (long). The company reported poor numbers and the stock was down 17% in August.

New regulation has had an impact on their business, we believe it is only temporary and the stock is very cheap.

New Position

Dart Group - Long

Market Capitalization 1.5bn pounds with 200mln of cash on the balance sheet.

Dart Group is a low cost airline and has become the no. 1 travel agency in the UK. What I found very attractive about this company is:

1. Its CEO and 37.5% shareholder is a very smart workaholic individual;
2. The company has achieved an average Return on Equity (ROE) of 18% per year over the last 20 years; high ROE has been achieved with cash on the balance sheet and owning its aircrafts;
3. The company mantra is service and 60% of Jet 2 Holidays passengers rebook within 18 months;
4. Higher profitability will be achieved by the deployment of new planes, the opening of new bases and an increased penetration of holiday package purchases. Package holiday buyers have increased from 20% in 2013 to 50% in 2017/2018. Package holiday customers are 2x more profitable than airline customers;
5. The stock trades on 6x earnings 2.5 years from now and 1x the book value of the planes and the cash;
6. I am aware that the industry may be at the top of its cycle however this seems to me a defensive player (as it is exposed to holiday goers and not business passengers), it is small (hence can continue to increase its market share), it seems to be a very good long term investment.

Contact Details

Investor Contact	Management Company	Investment Manager
ML Capital Ltd	MLC Management Ltd	Quay Partners Investments (UK) LLP
29 Farm Street	23 St. Stephen's Green	21 Knightsbridge
London, W1J 5RL, UK	Dublin 2, Ireland	London SW1X 7LY
T: +44 20 3709 4510	T: +353 1 533 7020	T: +44 (0)20 3746 4410
info@mlcapital.com	info@mlcapital.com	Marketing@ethoses.co.uk

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