Giano UCITS Fund
Long/Short Equity

November 2018

FACTSHEET

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -2.6% for November.

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 1.8% and the Eurostoxx 600 down 1.1%

Best sectors in Europe were Telecomms and Utilities; the worst Basic Resources and Oil&Gas.

In the Fund, the best were Plus500 (long) and AMS (Short); the worst were CGG (long) and Pets at Home (short).

Indicators that I believe are important to asses the near future performance of markets continued to deteriorate over the last month. Inside the PMI survey there has been no recovery in new orders index and an increase of the inventory to a new series high. This means that final demand is quite soft and the inventory contribution will turn negative very soon which will cause production to decelerate further.

Future output PMI continued to deteriorate hitting a new low in the series that started in July 2012.

(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%	-2.60%	-	**-9.29%**

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.

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 heads the systematic research team.

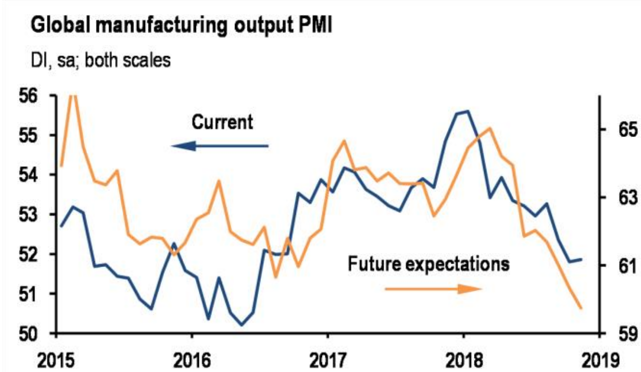
Ilario di Bon

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	€33 million
Strategy AUM	€47 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: IE00BFX0YC13 GBP: IE00BFX0YB06

Expectations are now substantially lower than in 2015/2016 which is quite worrying.



Source: J.P. Morgan

The Fed has started to change their language but is still going to raise rates in December and will take time to change its course which is bearish for the stock markets.

Earnings revisions in Europe have deteriorated substantially and lead indicators show that they are likely to deteriorate further.

The market has turned very defensive in terms of sectors which is typical of the initial phases of a bear market.

The book is net short and I would expect to be shorter by the end of the month.

As mentioned in my last monthly I would have discussed the investment case on oil service companies in which I had invested recently: I realised I made a mistake.

These are companies that get contracted by oil companies to carry out exploration for their account. The business is historically very cyclical, boom and bust cycles are the norm. The investment case is extremely interesting as:

1) many of these companies have recently gone through some kind of debt restructuring (chapter 11 driven or equity increases and debt restructuring), typical of a sector that has been in deep stress;

2) the stress in the sector has been caused by upstream capital investments that have halved since 2013; capex has not fallen this much this quickly since the mid-eighties;

3) the decline in capex has contributed to the increase of upstream free cash flow of listed oil companies per barrel of oil and gas production from negative $3.7/boe in 2015 to $5.5/boe in 2017; the latter is more than double the average of the last decade and a healthy level in a historical context. The historical relationship between upstream capex and upstream operating cash flow is very strong;

4) as an example of the low capex spend, in 2017 oil companies around the world approved new projects that would unlock 19bn boe of future production while their production was about 58bn boe last year; before 2015 production and project approvals were in balance;

5) the optionality is very good as some of these companies if we had another cycle similar to the last, could be worth 10x what they are worth today. Some of this has been driven by the increased oil production in US but the case remains strong and the optionality extremely interesting.

While these companies' business is clearly related to the oil price I tend to take it as an exogenous variable as I still haven't found someone able to forecast it, and would have been prepared to run the positions long term through the normal ups and downs given the huge upside optionality that these stocks offer.

However what is clearer to me today is that the probability that the oil price is weak during the kind of economic downturn that I have in mind is very high, together with the fact that most of these companies in 2019 would have lower profitability and be cash negative, I decided to exit the investment even though I have lost a substantial amount of money and these stocks are substantially cheaper and to reconsider investing in them next spring when the current economic slowdown might bottom.

Michele Ragazzi

Contact Details

Investor Contact	Management Company	Investment Manager
ML Capital Ltd	**MLC Management Ltd**	**Quay Partners Investments (UK) LLP**
Park House, 116 Park Street	23 St. Stephen's Green	21 Knightsbridge
London, W1K 6AF, UK	Dublin 2, Ireland	Londonm 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

Disclaimer