

FACTSHEET

THE MANAGER

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -4.4% for June.

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 6.9% and the Eurostoxx up 4.3%.

Best sectors in Europe were Basic Resources and Chemicals the worst Real Estate and Telecomms.

In the Fund, the best were Zooplus and GVC Holdings (both long); the worst Plus500 (long) and Stroer SE & Co (short).

The fund had a terrible month driven by the long part of the book that lost money while the short part rebounded substantially in line with the market. **Plus500** was down 17% as the market speculated that the company would have incurred a loss against their clients as a consequence of the sharp move up in cryptocurrencies; the company preannounced its 2nd quarter revenues on the 2nd of July without any loss against customers and a decent level of customers trading. I believe this is finally the turning point for the operating performance of the company and the stock price. Stock on 6x earnings, less than 1x revenues with almost half of the market capitalisation in cash.

(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%	-4.40%							-12.0%
2018	-	-	-	-	-	-	0.98%*	-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 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	4.9%	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 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.

FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	€31 million
Strategy AUM	€46 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

Viasat was down 7% - in spite of very good results - as the market seems to be worried that the company is increasing its capital expenditure - hence becoming free cash flow negative for the next two years - for the build out of the next generation satellites announced a long time ago. This company is redefining telecom companies cost base; the stock price is substantially only pricing current launched business in spite of the very successful company historical performance and game changing strategy/technology.

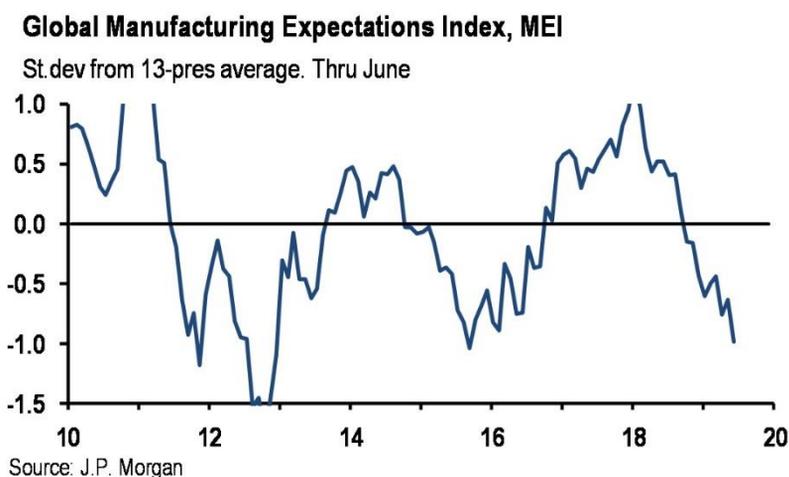
The US and European Central Banks responded to the weakness in incoming data with talk of cutting rates; as mentioned last month the US curve was already anticipating almost 100 basis points of cut over the next 12 months.

Investors surveys had become very bearish by the end of May with a very high reading in the level of cash.

Internals have improved in June although banks and some industrials remain very weak.

I believe that the market bounce is mainly related to investors' positioning. After the bounce it is likely that a more realistic behaviour will sink in as earnings are deteriorating.

Industrial production is weakening around the world but inventories remain extremely high and there is the need for a substantial correction before calling the end of this downturn.



On the positive side the non manufacturing side of the US economy is in very good health.

During the month of June the following positions were modified.

Grand City position was cut very substantially as the stock had rallied with all the defensives and reached its relative high. After reducing the position the stock corrected substantially when it was revealed that the City of Berlin intends to block rents increases for the foreseeable future.

A short position was initiated in the short part of the **Italian Government bonds** ahead of what I believe may be a difficult budget next September; I believe this offers very good optionality.

BIC short was closed as it has reached its short term target.

Schneider, DSM and EMSN shorts were closed; they had been opened in May as their spread with other cyclicals had opened up quite dramatically. The Real Estate sector ETF short was closed as it reached a relative extreme. **Dunelm** short was increased as valuation is quite extreme. **Svenska Handelsbanken** short was closed as the stock reached its short term target.

Dunelm - Short

Market Capitalisation of 2bn pounds. Substantially no debt however 80% of its stores are leased. Dunelm is the leading UK homewares retailer and is competing in the furniture retail market. The majority of shares are held by the founding family.

Short case.

1. Stock is expensive trading on 18x PE, 12 months forward; very high on historic basis and at its high relative to the sector. Short interest is not high at <4%.

1. Structurally challenged. Out of town specialist stores with customer propositions being based on range rather than price. Vulnerable to the combined threat by non specialists on one side and online retailing on the other. Low sales densities with slow stock turn. The business operates with high gross margins when compared to discounters and online competitors. The Dixons route to becoming competitive (leading brands to give them preferential terms) is not available as the vast majority of their sales is from own brands or private label products. Focus on adding value in store is an alternative but unlikely to work over the medium term for a market leader

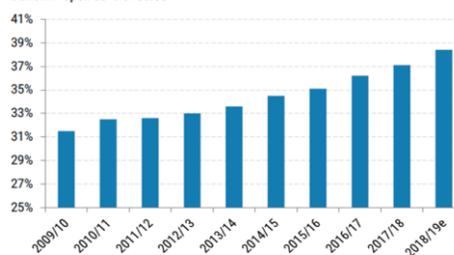
2. Costs have been rising and will probably continue to rise and the company seems to have little options to reduce its cost base. Dunelm seems to be following the strategy of increasing value for their customers (instead of reducing prices) and seems to have very little room to cut costs in areas where other retailers are (rental costs at Dunelm are already extremely low compared to other retailers)

3. Low asset backing; as only about 20% of the stores are owned

4. Short term good trading which has been followed by very strong stock price performance, presents an opportunity. It is very unlikely that the recent quarters of good LfL growth - most likely related to specific non repeatable reasons - can be maintained as Gross margin of 50% is very high compared to discounters (B&M and The Range) and online retailers (Amazon and Wayfair); and none of the other elements of a retailer's customer proposition seem to have changed (range, service, convenience and brand);

5. On the positive side, Dunelm is likely to announce a special dividend when reporting in September and trading could remain strong for another quarter or two.

Dunelm* opex as % of sales



*Excludes Worldstores
Source: Company Data, Morgan Stanley Research estimates (e)

I am very glad to announce that Jamie Wood has joined the company. Jamie and I have worked together for many years at Newman Ragazzi and at Odey. He is a great professional but also a friend who shares the same principles on which we are building this new company.

Michele Ragazzi

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