

**FACTSHEET**

**THE MANAGER**

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -1.6% for July.

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 1.3% and the Eurostoxx up 0.2%.

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

In the Fund, the best were Plus500 and Ocado, the worst GVC and Stars, all longs.

The FED cut rates at the end of July by 25bp as broadly expected.

The industrial cycle remains very weak. Growth in the US in the 1st half of 2019 helped to offset some of the weakness seen in Europe and Asia, but this looks unlikely to repeat in the 2nd half as US inventories are extremely high. Given the high level of inventories in Europe, Asia and US, the possibility of an industrial recovery is now postponed to sometime into 2020.

*(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%	-1.60%						<b>-13.4%</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	€30 million
Strategy AUM	€45 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

Q2 results are coming out better than consensus projections. Beats are seen in Europe at +2% although EPS estimates were in aggregate downgraded by 5% in the 2 months before, the biggest downgrade ahead of earnings season since 1Q16. Weighted earnings are on track to fall by 4.0% year on year in the 2nd quarter, leaving Europe with the second consecutive quarter of negative EPS growth. Earnings revisions have also deteriorated in the last few weeks.

MSCI World EPS 2019 down 2% since 2017, DAX EPS down 19%  
Trend of the expected EPS 2019 for international markets since 2017 (indexed, 01/02/2017 = 100)



Source: Factset (DAX), I/B/E/S, Commerzbank

Central banks policies driving negative interest rates in a large parts of the bond market is most likely at the source of the bubble that is driving the search for yields in more risky asset classes

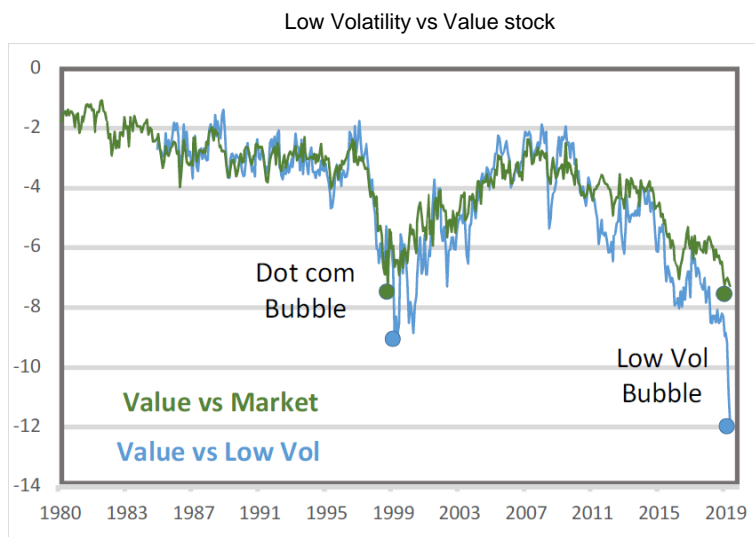
The amount of bonds carrying negative yields has more than doubled in the last 12 months to over 15trn US Dollars.

Global Aggregate Negative Yielding Debt Market Value (US\$ trillions).



Source: Barclays, Bloomberg

One example, relevant to us, is the performance of defensives stocks that has now gone very extreme. Here is a chart produced by JPMorgan to highlight the phenomenon.



On a cross-asset basis, valuation has turned substantially more attractive. S&P earnings yield is at 5.9% while global 10yr bond yield is at 0.59%, yielding a spread of 5.28: 95%-ile since 1985; Source JPMorgan.

On one side, we are dealing with an industrial recession that is going to last longer than most investors expect with substantial earnings declines and on the other, with Central Banks that are promoting asset bubbles. We used to count on earnings downgrades to bring down expensive stocks but this is not necessarily happening any longer.

Coloplast (short) has been growing earnings very marginally over the last few years, has had earnings downgraded this year, is up 40ppt year to date, it is trading on 9.2x EV/Sales and 50x free cash flow.

The short in the Italian Government low duration bonds was closed in July when it became apparent that the European Commission doesn't seem to be willing to put much pressure on Italy's government regarding the budget.

Michele Ragazzi

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