

FACTSHEET

THE MANAGER

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned 0.2% for December.

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 down 9.2% and the Eurostoxx down 5.6%.

Best sectors in Europe were Basic Resources and Utilities; the worst Retail and Banks.

In the Fund, the best were Asos and Aramark both short, the worst Plus500 and Stars both longs.

The slowdown continues to gather speed. In the recently published PMIs, the US orders declined very sharply and at a rate very rarely seen in the last 30 years, most times leading up or during a US economic recession. Europe continued to deteriorate specially France and Germany in spite of the expected recovery in car sales after the regulation driven slump of last September. The European slowdown indicators have quickly gone through the levels of the 2016 slowdown and fast approaching the 2011/2012 slowdown.

(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%	0.25%	-9.07%

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 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: IE00BFX0Y13 GBP: IE00BFX0Y0B6

The Fed raised rates in December and then Powell was forced by the market slump to change further their language which implies no more raises for now.

Market internals are very defensive, which is quite bearish.

As planned I have taken the book shorter toward the end of December and also bought some put options for February.

In my experience and based on my work the interaction between the economic slowdown and a Fed that is still far from cutting rates is caustic for stock market performance.

Given how defensively positioned the market has become I think that also defensive stocks are now becoming vulnerable to a sharp correction.

Bodycote (short) - market capitalisation 1.5bn GBP, no debt - is an example of a group of industrial cyclical stocks that I have shorted starting from last September to take advantage of the industrial slowdown we are experiencing that could eventually turn into a recession. This group of stocks weighs about 1/3 of the total short book.

Bodycote provides heat treatment of industrial metals and alloys to improve material properties such as durability and ductility.

It's the largest independent provider with 3x the market share of the nearest competitor and 12% global market share.

Two divisions. Automotive & General Industrial and Aerospace Defence and Energy. Classic Heat Treatment is 77% of revenues. The remainder is Specialist Technologies often proprietary with much higher margins 30% vs 13% for the remainder of the group.

Bodycote is predominantly DM focused (7% of sales come from EMs).

The divisions that I would expect to be most impacted by the present slowdown are: General Industrial that is 39% of Bodycote's sales and is highly correlated to industrial production; Automotive that is 30% of Bodycote sales and is highly correlated to global (ex China) automotive production.

The stock trades on 2x EV/Sales; went to 1x EV/Sales in 2011/12 and 0.4x in 2008 when sales also contracted by 20%.

The main risks to the short seems that Bodycote has an unlevered balance sheet could pay a special dividend in 2019 as it did in 2017, however actual dividend yield is pretty low at 2.3%

Michele Ragazzi

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