

# Giano UCITS Fund

## Long/Short Equity

January 2020

### Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned -0.8% for January.

### 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 0.2% and the Eurostoxx down 1.2%.

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

In the Fund, the best were Sodexo and Ferragamo (both shorts); the worst Viasat and Stars (both longs).

Markets appear calm, in spite of the Chinese virus threat, although the internals have turned very defensive. Implied volatility has increased and is staying higher but from a historically record low level. Bond yields have fallen.

*(Monthly Commentary Continued on page 2)*

### UCITS Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.8												-0.8%
2019	-2.0%	-5.5%	1.5%	-1.2%	-0.9%	-4.4%	-1.6%	1.8%	2.1%	1.8%	-2.6%	0.8%	-10.1%
2018	-	-	-	-	-	-	1.0%*	-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 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%						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 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.

### 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 is a senior Quant formerly with the Bank of England - Marco heads the systematic research team.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	€27 million
Strategy AUM	€40 million
Inception	11 July 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

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### Monthly Commentary cont.

The improvement in the European data continued in January with particularly strong new order data in Germany while inventories have been reduced to the lowest level of the last decade - with the exception, but not far, of the trough of 2016 - laying the base for a recovery over the next few months. Orders have increased very strongly in US as well. China is entering this period of very high uncertainty with tight inventories which should limit the negative impact on demand coming from the virus.

Earnings in Europe have so far delivered a beat; results are of better quality compared to the last few quarters as estimates had not been slashed ahead of the reporting season. Earnings are on track to deliver a return to growth y/y after a decline of about 5% for 3 consecutive quarters.

Positioning in Europe has turned even more defensive over last month, hence bullish for the market going forward.

High risk stocks relative valuation at a low may now offer an opportunity as earnings revisions improve.

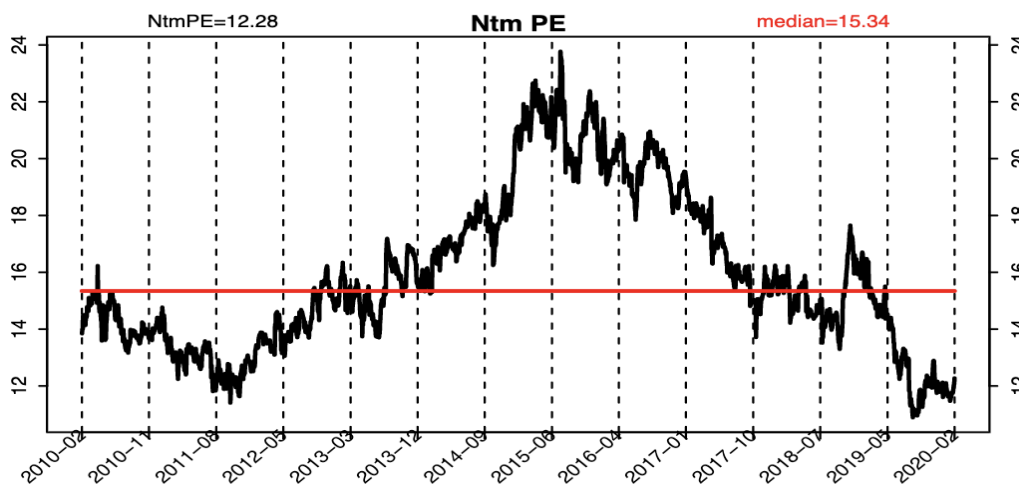


### BIC – Long

Market Capitalisation 2.9bn Euros; 120mil of cash on the balance sheet.

Good brand with very strong positions in Stationary, Lighters and Shavers.

The stock is cheap on 12x 2020 PE, no debt, 5.5% dividend yield and 1.5% of buy back.



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### Monthly Commentary cont.

Short interest on the stock is high at 12.6%.

Sales are now marginally down for 2019 and margins are down mainly driven by US lighter sales that are suffering because cigarettes sales are down high single digit; lighters are very high margin.

The investment case is predicated on a change of CEO - Bruno Bich has left in May 2018 the position to his Harvard-educated son Gonzalve.

The new CEO has launched a restructuring program at the beginning of 2019 and is trying to revive the brand.

The company has clearly been mismanaged for many years with very little innovation (the BIC lighter is dated 1973, the shaver 1975) but has very strong brand recognition and a very strong balance sheet that allows spending in R&D.

The company didn't even have centralised procurement for its three divisions and is carrying an abysmal 40% working capital to sales ratio; increasing internet sales (e-commerce sales up 17% in the first 9 months of 2019) and a better management of inventories (part of the restructuring plan) would free up a lot of resources.

**Michele Ragazzi**

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