

Giano UCITS Fund

Long/Short Equity

September 2020

Performance Returns

The Giano UCITS Fund (EUR Class R Pooled Shares) returned 0.4% for September.

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 was down 3.9%, the Eurostoxx down 1.5%.

In Europe best sectors were Retail and Personal Care Drug and Grocery Stores; the worst Banks and Oils.

Our Barometer has moved from signalling a stagflationary state toward an increased probability of a full recessionary state; from recession with inflation accelerating to recession with inflation decelerating. It looks like many cyclical assets could have peaked between mid-August and the beginning of September. Since then inflation expectations have come off, the dollar has rallied, European Government bonds have rallied, some commodities have weakened and also many semiconductor stocks have started weakening.

(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	-3.1	4.3%	1.8%	1.4%	-2.3%	-2.3%	4.3%	0.4%				3.4%
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 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.

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	€24 million
Strategy AUM	€37 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.

If we wanted to try to rationalise this we could say that the fiscal thrust that has helped Developed Economies in Q2 and Q3 is fading quite significantly in the 4th quarter of 2020.

The reality, it seems to me, is that we are in a downcycle that started a lot before Covid hit (Inventories, Capex and Corporate profits all peaked more than a year ago) and this downcycle just needs to run its course; the present situation has some parallels with the 2000-2002 downcycle interrupted by the September 11th/twin towers attack: the monetary easing that followed the attack could not prevent the necessary economic adjustments and we saw the consequences of that in spring-summer 2002 when the DAX lost 50%.

To be clear, as I mentioned in previous reports, our investment decisions are driven by the signals that we derive from our Barometer, Prices and Fundamentals modules not by the above mentioned narrative; a narrative could become useful when it helps us to focus or develop our tools.

On September 23rd our Prices module has given an extreme oversold signal (Close Shorts) on a number of baskets of the weakest parts of the markets: banks, insurance, oils, telecoms and financial services.

The major implications of the move to a full recessionary state is that also Technology and Commodities stocks go down; many technology stocks have become more volatile lately which is also an ominous sign.

We now need to be patient and wait for the signals showing the opportunities to short weak baskets over the next few weeks.

Back testing on the Barometer and Prices modules is earning good results; the overhaul of our Fundamentals module is proceeding very well; all of this makes us optimistic about the future.

Michele Ragazzi

Contact Details

Investor Contact

MontLake Funds (UK) Ltd
Park House, 116 Park Street
London, W1K 6AF
T: +44 20 3709 4510
investorrelations@montlakefunds.com

Management Company

MontLake Management Ltd
23 St. Stephen's Green
Dublin 2, Ireland
T: +353 1 533 7020
investorrelations@montlakefunds.com

Investment Manager

Quay Partners Investments (UK) LLP
21 Knightsbridge
London SW1X 7LY
T: +44 (0)20 3746 4410
Marketing@ethoses.co.uk

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