

The investment objective of the PHILEAS EQUITY EUROPE is to outperform, on an equity horizon, its benchmark, the MSCI Europe net return index. The fund invests in European Union equities through discretionary stock picking.

ISIN : FR0012749927

Launch date : 15 october 2015

Structure: « European Union equities » fund - French FCP

Management team: Ludovic LABAL / Cyril BERTRAND

Benchmark: MSCI Europe NR

Custodian: CACEIS BANK

Administrator: CACEIS FA

Auditor: MAZARS

Fund dealing: daily

Eligible for french equity savings plan: yes

NAV: 123.37€

AUM: 10.29 M€

Management fees: 1.20% TTC

Performance fees: 15% TTC above MSCI Europe NR

Currency: EURO

Performance review

In August, PHILEAS EQUITY EUROPE rose 0.50% as its benchmark, MSCI Europe net return, fell back 2.24%.

- Positive Telecoms performance resulted from judicious name selection. Our recently initiated position in Talk Talk proved beneficial.
- Infrastructure progressed on gains made by Vonovia ahead of its solid earnings release, cementing our confidence in Germany's residential market.
- Gains in Healthcare were driven by hearing aid company Sonova as well as positive results by molecular diagnostics company Qiagen.
- In Defence Aeronautics, Thales continued to buoy performance.
- In Services, almost all of the slippage can be attributed to Atos, which fell sharply after an analyst research report emphasised the company's increasing use of factoring. Although this practice perhaps reflects the company's need for a more aggressive sales approach to acquire and retain major customer accounts, we would not expect it to cause any major issues (transferring receivables is commonplace in the sector and Atos has always correctly disclosed it in annual reports). That said, given the significant amounts involved, we have trimmed our position as we await further clarification from the company.
- In Media, performance was hit by ongoing falls in TF1 as the European TV segment continues to suffer. We are keeping the position, believing the stock to be severely underpriced ahead of some significant upswing triggers (expectations for positive third-quarter advertising trends, regulatory developments, Investor day in mid-September).

We have established a position in satellite operator SES. Following a long period of under-performance, the current valuation now appears to price in the company's modest growth outlook. The video business segment is clearly on a slight downturn, but we believe the market has taken this into account and video contracts, with 10-year terms on average, at least provide a good level of predictability. Our conservative valuation for this business segment is just north of €6 billion. Meanwhile, the internet business is in the throes of disruptive technology that leaves the current fleet unattractive (we value it at €1.5 billion, just half of its gross book value) and the new medium Earth orbit fleet extremely attractive (we value it at €3 billion in 2020). Our valuation for the company in 2020 is €11 billion, which is slightly less than the stock price suggests. However, that is before considering what is effectively becoming a free option granted by the Federal Communications Commission (FCC). To make up for delays in rolling out 5G across the US, the FCC has recently voted to open up and possibly auction some of the satellite television broadcast spectrum (C-band) to satellite operators. The C-band lends itself particularly well to 5G. Various valuation hypotheses exist (unit transaction pricing, bandwidth provision, current customer remediation costs...), analysts remain sceptical, and the regulatory framework is still under debate. Nonetheless, the high stakes (€5 billion?) are hard to ignore when compared with the company's current market capitalisation (€7.6 billion).

Performance since inception



Performance (%)

	YTD	1 month	6 months	1 year	Annualized performance*
PHILEAS EQUITY EUROPE	5.95%	0.50%	4.35%	9.25%	7.56%
MSCI EUROPE NR	0.31%	-2.24%	2.70%	4.86%	4.88%

* I share launched as of 10/15/2015

Top holdings

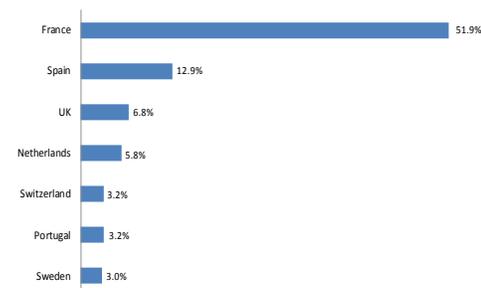
Holdings	%
Masmovil	7.2%
Thales	6.8%
Vivendi	5.4%
Danone	5.3%
Lagardère	4.9%
Number of holdings	28
Investment rate	86.84%

Risk indicators - 1-year data

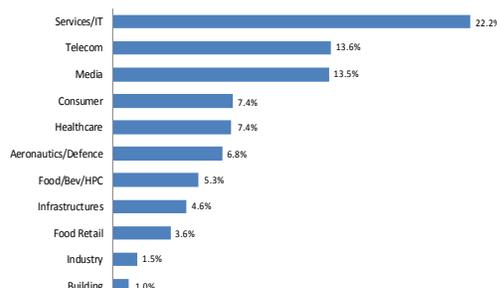
Volatility of the fund	10.53%
Volatility of the benchmark	10.39%
Tracking error	6.33%
Beta	0.81
Information ratio	0.64
Sharpe ratio	0.91

Source : Bloomberg

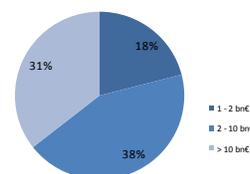
Portfolio exposure by country



Portfolio exposure by sector



Portfolio exposure by market cap



Source: Phileas Asset Management, unless otherwise noted

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