

The investment objective of the PHILEAS L/S EUROPE Fund is to generate absolute performance, over the recommended 2-years investment horizon, decorrelated from equity markets (Stoxx 600 index), with lower volatility. The Fund invests in long and short equity positions, through discretionary stock picking mainly in Europe.

ISIN : FR0011023910

Launch date : 11 april 2011

Structure : UCITS V - French FCP

Management team : Ludovic LABAL / Cyril BERTRAND

Benchmark : EONIA

Custodian : CACEIS BANK

Administrator : CACEIS FA

Auditor : MAZARS

Fund dealing : daily

Dividend policy : accumulation

NAV : 121.13€

AUM: 211 M€

Management fees : 1.20% TTC

Performance fees : 20% TTC above EONIA + 100 bps

Currency: EURO

Performance review

In August, PHILEAS L/S EUROPE rose 0.33%, recording gains of 0.09% on the long portfolio and gains of 0.24% on the short portfolio as markets fell back 2.38% (Stoxx 600).

The main positive contributors this month :

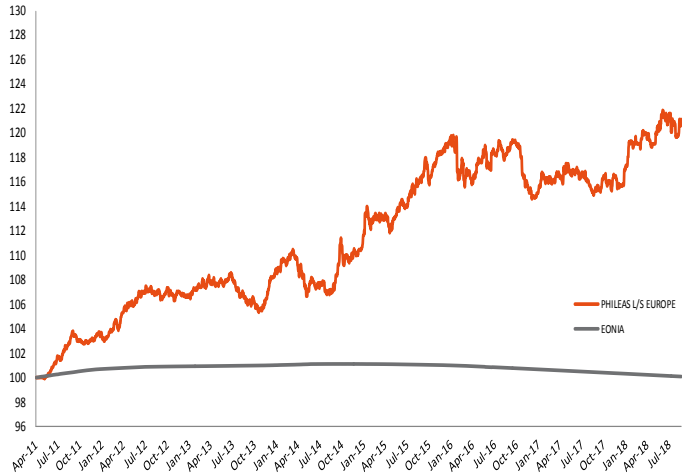
- Positive Telecoms performance (+67 bps) resulted from judicious name selection in both the long (+20 bps) and short (+47 bps) portfolios. Our recently initiated long position in Talk Talk (+19 bps) proved beneficial, as did our short positions in Telefonica and Telecom Italia.
- Infrastructure (+29 bps) progressed on gains made by Vonovia in the long portfolio (+15 bps) ahead of its solid earnings release, cementing our confidence in Germany's residential market. From among our hedges, short positions in commercial property as well as in Italian infrastructure company Atlantia fared well. We cut our Atlantia position after its stock price fall, believing that the financial impact of the Genoa bridge collapse is too uncertain to maintain a long position.
- Gains in Healthcare (+19 bps) were driven by hearing aid company Sonova as well as positive results by molecular diagnostics company Qiagen.
- In Defence Aeronautics (+19 bps), Thales continued to buoy performance.

The main negative contributors this month :

- In Services (-46 bps), 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 (-28 bps), 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 underperformance, 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



Source: Phileas Asset Management

Performance (%)

	YTD	1 month	1 year	3 years	Annualized performance*
PHILEAS L/S EUROPE	4.55%	0.33%	5.24%	4.32%	2.62%
EONIA	-0.24%	-0.03%	-0.35%	-0.96%	0.01%

* I share launched as of 04/11/2011

Risk indicators - 1-year data

	Beta	Volatility	Sharpe ratio	Maximum drawdown	Calmar ratio *
PHILEAS L/S EUROPE	0.04	3.14%	1.78	-1.81%	0.32

* Calmar ratio computed over the last 3 years

Source: Bloomberg

Historical monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011				+0.01%	+0.32%	+0.83%	+0.72%	+1.07%	+0.09%	-0.27%	+0.41%	+0.50%	+3.73%
2012	-0.47%	+0.72%	+0.95%	+0.73%	+0.68%	+0.46%	+0.15%	+0.04%	-0.33%	+0.07%	+0.12%	-0.39%	+2.75%
2013	+0.58%	+0.17%	+0.58%	-0.48%	+0.16%	+0.71%	-1.22%	-0.53%	-0.35%	-0.55%	+0.85%	+1.79%	+1.67%
2014	+1.16%	+0.09%	-0.01%	-1.24%	-0.47%	-0.40%	-0.18%	-0.13%	+2.29%	+0.47%	+0.22%	+0.23%	+2.01%
2015	+2.21%	+0.38%	-0.16%	-0.98%	+1.43%	+0.23%	+1.46%	+0.37%	+0.90%	+0.17%	+0.97%	+0.52%	+7.78%
2016	-0.17%	-1.35%	-0.81%	+0.95%	+1.01%	-0.16%	+0.73%	-0.77%	+0.73%	-0.99%	-2.26%	-0.53%	-3.65%
2017	+1.36%	-0.13%	+0.24%	+0.33%	-0.23%	-0.24%	-0.08%	-0.96%	+0.38%	+0.48%	+0.36%	-0.56%	+0.92%
2018	+2.92%	-0.03%	+0.62%	-0.89%	+1.73%	+0.37%	-0.55%	+0.33%					+4.55%

Portfolio exposure

	%
Gross exposure	118.1%
Net exposure	-3.5%
Net beta-adjusted exposure	-2.9%

Source: Phileas Asset Management, unless otherwise noted

Portfolio exposure by instrument

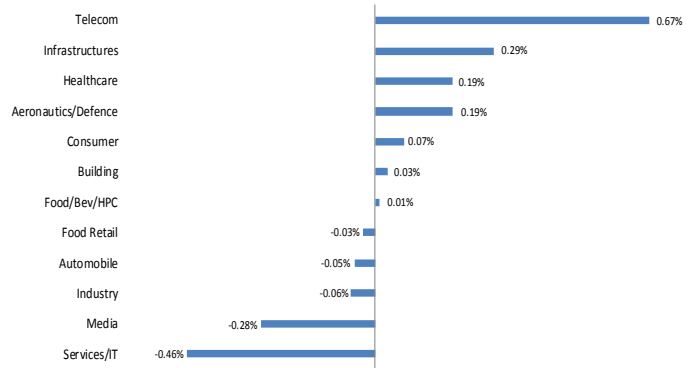
	%	N° of positions
Long equity	57.3%	31
Short equity	60.8%	78
Short indices	0.0%	0

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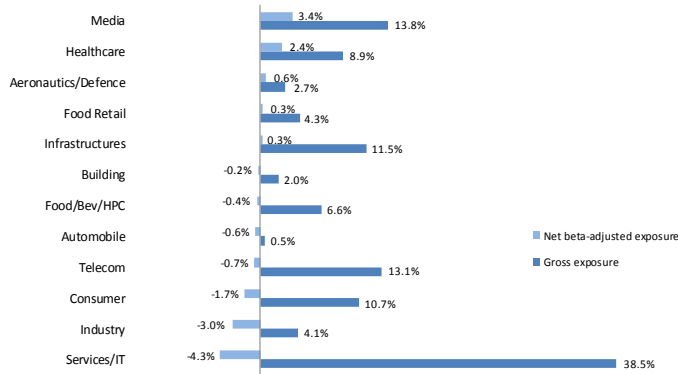
Top holdings

Long	%	Short	%
Thales	5.5%	Services/IT USA	1.7%
Vivendi	4.4%	Services/IT France	1.6%
Masmovil	3.6%	Services/IT France	1.5%
Worldline	3.4%	Services/IT Netherlands	1.5%
Lagardère	3.0%	Services/IT Switzerland	1.4%

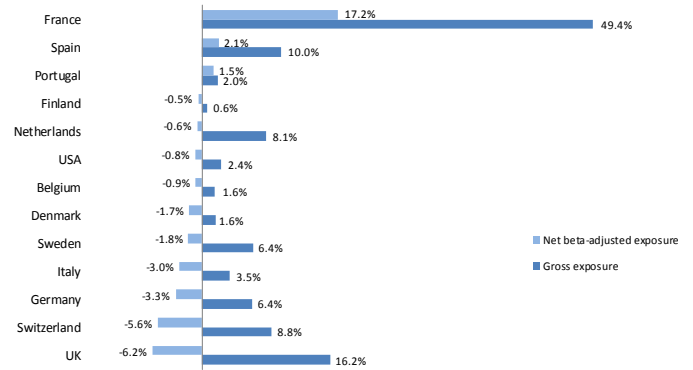
Gross performance contributors by sector - 1 month



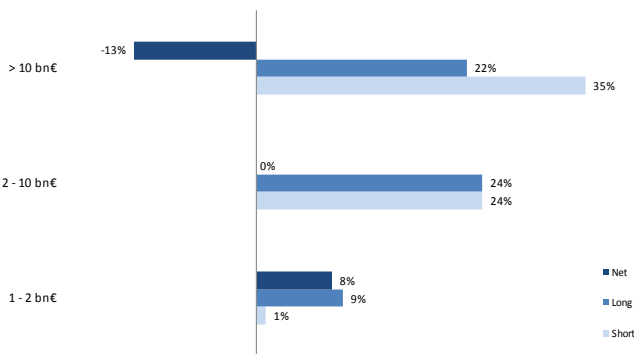
Portfolio exposure by sector



Portfolio exposure by country



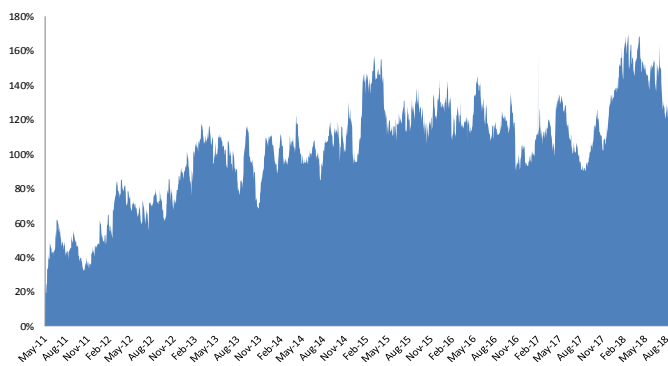
Portfolio exposure by market cap



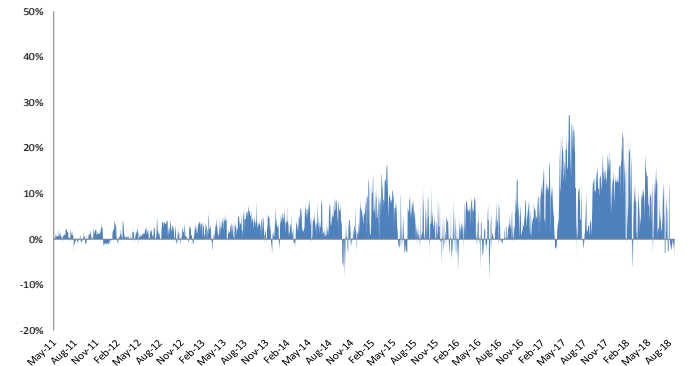
Performance analysis

Number of positive months	55
Number of negative months	34
% positive months	61%
Best month	+2.92%
Worst month	-2.26%

Gross exposure



Net beta-adjusted exposure



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