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MONACO ALPHA

**A EUROPEAN FOCUSED EQUITY FUND
WITH A MACRO OVERLAY**

EXPLOITING ASYMMETRIES



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EXECUTIVE SUMMARY

Strategy and Investment Objectives

- A European Focused Equity Fund with a Macro Overlay
- Fundamentally driven investment approach focused on generating asymmetric returns on the back of a relative value approach with catalysts.
- Unemotional Buy/Sell discipline to actively MANAGE RISK.
- Aim to generate uncorrelated market returns in ALL MARKET CONDITIONS.

Portfolio Managers

- Didier Bodart has 25 years of investment banking experience in the United States and Europe as an analyst (4 years), portfolio manager (5 years) and equity sales (17 years). Didier was the president of a fashion label between 2012 and 2016.
- Dan Luger MBE has 10 years of sales and trading experience with Tavira Securities. He is a former professional sportsman and World Champion, winning the Rugby World Cup in 2003.
- Simone Patrese has 17 years of experience in the financial sector; his career began in investment banking at JPMorgan (8 years), followed by H-Farm, an Italian tech venture capital firm (4 years). Simone currently works as a portfolio manager at Tavira Securities (5 years).

Risk Management

- Monaco Alpha is part of Tavira's fund with more than \$800 million of AUM.

Terms

- Monthly redemption, 15/30 day notice, 2% management fee, 20% incentive fee.

THE OPPORTUNITY

Throughout the past decade following the 2008 Financial Crisis, due to an unprecedented Central Bank stimulation, Beta performance has dominated the stock market. Structurally the market has changed as systematic and trend-following strategies have outperformed.

This has led to ETFs accounting for a third of all funds invested in the stock market and non-human decision-making now accounts for over 75% of activity. For that reason, over the past ten years, simply being invested in the market has led to positive returns.

Monaco Alpha holds the view that a fundamental shift is under way. The “Central Banks put” is no longer in place therefore markets are moving back to trading on fundamentals, as the new regime of higher rates is upon us.

We believe it is now time for investors to look towards active managers once again, as stock picking / alpha generations increasingly becomes the principle method of generating positive returns. Fundamentals and valuations will once more matter. The Fed’s liquidity injections will no longer underpin asset prices, leaving a greater role for fundamentals. This will lead to higher volatility and greater opportunities. The bubble of passive funds is at an end and active management will be the way to drive concrete returns. We believe our disciplined approach will lead to even greater outperformance.

The Monaco Alpha Fund invests in both long and short equities, primarily in European large and medium sized companies. Our methodology is to concentrate on businesses where we believe the market is mispricing future earnings in the share price.

On the back of a catalyst, Monaco Alpha takes a tactical position in purchasing stock at the appropriate time, leading to asymmetric returns.

Monaco Alpha actively manage the positions in order to capture performance.

THE OPPORTUNITY

- Generating asymmetric returns on the back of a relative value approach, using catalysts with the aim to generate uncorrelated market returns in ALL MARKET CONDITIONS.
- During the first 12 months, Monaco Alpha's portfolio has generated +28.61% vs SXXP -1.28%, 14.86% vs SXXP -13.24% in 2018 and 9.12% vs SXXP 12.27% YTD on the TIM platform.
- Maximum monthly drawdown -3.44% vs. Stoxx 600 -5.63%. Alpha over SXXP: +7.54% in September 2018 & worst -4.72% in January 2019 (see table).
- The Portfolio Correlation to the Euro Stoxx 600 is at 36% since October 2018, indicating strong Alpha generation. The Sharp ratio stands at 1.5.

	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	March18	April 18	May 18	June 18	July 18	Aug 18	Sept 18
Monaco Alpha*	0.62%	-2.15%	5.73%	4.84%	2.92%	4.50%	0.31%	-1.07%	-3.13%	4.64%	1.06%	7.78%
E Stoxx 600 perf	1.82%	-2.16%	0.64%	1.61%	-4.00%	-2.31%	3.90%	-0.59%	-0.82%	3.07%	-2.39%	0.24%
Spread	-1.20%	0.01%	5.09%	3.23%	6.92%	6.81%	-3.59%	-0.48%	-2.31%	1.57%	3.45%	7.54%

	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	March19	YTD	2018	Inception	1st Yr
Monaco Alpha*	-3.44%	-1.98%	-1.77%	1.51%	-0.49%	8.10%	9.12%	14.86%	30.56%	28.61%
E Stoxx 600 perf	-5.63%	-1.14%	-5.55%	6.23%	3.94%	1.69%	12.27%	-13.24%	-2.34%	-1.28%
Spread	2.19%	-0.84%	3.78%	-4.72%	-4.43%	6.41%	-3.15%	28.10%	32.90%	29.89%
Avg Posit. (net long / short)	38.74%	6.14%	73.40%	4.91%	-9.33%	5.24%	0.50%	39.43%	19.85%	

- Proprietary fundamental models allow Monaco Alpha to identify opportunities in relative value and directional trades.
- The uniqueness of Monaco Alpha's approach is driven by its focus on European equities and on building asymmetric returns by focusing on valuations, catalysts and taking advantage of the noise in the market.
- Constant monitoring for potential losses: Monaco Alpha has a 10% weekly stop loss on positions.
- The Investment Team sees the world in the same way but from different angles (top down vs bottom up) and act when view point allows for asymmetric returns.

* Managed accounts

INVESTMENT PHILOSOPHY

A FOCUSED PORTFOLIO TO DELIVER BETTER RETURNS

- Fundamental value and relative value with catalysts.
- Monaco Alpha believe that the best way to compound capital over time is to take advantage of asymmetry when it appears and **avoid large losses** (10% stop loss on a weekly basis). Asymmetry is greatest when valuations are extreme and/or volatility is low.
- All trades should be repeatable and underpinned by a catalyst, valuation and fundamental analysis with the help of street research and management contacts.
- If the portfolio is down 5% on a rolling quarterly basis, Monaco Alpha shrink it by approximately half and close the entire portfolio if it is down more than 10%.
- Monaco Alpha believe in a concentrated portfolio with 15 to 30 positions, having a maximum 15% exposure limit to one company. The portfolio exposure limits are between: -35% (net short) and +85% (net long) with a maximum leverage of 150%.

INVESTMENT PROCESS

CATALYST - IDEA GENERATION - ANALYSIS - INVESTMENT

Valuation Analysis

- Monaco Alpha uses consensus forecasts, relative analysis, DCF (Discounted Free Cash Flow), relative margins, growth prospects, SOTP (Sum Of The Parts), P/E (Price/Earnings) and book value vs ROCE (Return On Capital Employed).
- Monaco Alpha maintain live valuation models which are reassessed valuations on a regular basis.

Catalysts

- Thematic trends / disruption.
- Earnings turnarounds, management changes, divestments, break-ups, large share price moves, relevant news and / or consolidations.

Risk Perception Drives Quantitative vs Qualitative Strategy Implementation

- Risk-on environment: Compelling valuation and macro-environment.
- Risk-off environment: Net short position bias.

Macro Overlay

- Short and long term interest rates, GDP growth rate, inflation and employment.
- Seek short and long term returns through low volatility and capital PRESERVATION.
- Monaco Alpha apply a flexible macro overlay strategy to hedge or fine-tune its portfolio's market exposures and take advantage of thematic plays.
- The strategy uses the most liquid financial futures across asset classes (equities, commodities, rates, currencies) in order to manage overall market exposure, specific sector exposure, macro events or to exploit certain macro trends.

PORTFOLIO CONSTRUCTION

Number of Positions

- 15 to 30 core positions.

Trades Classified by Type

- Relative fundamental value with a catalyst or hedging trades.

New Trade Selection

- All trades with the exception of those for hedging purposes follow Monaco Alpha's investment process, catalysts, fundamental valuations and analysis. If the idea does not meet our criteria we will wait for further catalysts.
- Market noise: Technical selling/buying on the back of redemptions/subscriptions or algorithms.

Exit

- Exiting positions take place when the valuation gap is no longer excessive or when the hedge is no longer needed.

Position Sizing

- Trade initiation: sizing relative to volatility and liquidity.

RISK MANAGEMENT

- The portfolio exposure limits are between: -35% (net short) and +85% (net long) with a maximum leverage of 150%.
- Monaco Alpha aims to have 15-30 positions.
- Maximum 15% of capital limit in any one position.
- 10% weekly stop loss on each position.
- Shrink portfolio by 50% if down 5% on a rolling quarterly basis and close it if down 10%. We start each quarter with a clean slate.
- Monaco Alpha is part of Tavira's fund with over \$800 million of AUM, which comes with fully automated and proprietary management systems to control risk and operations.

TRADE EXAMPLES

SBM Offshore N.V

Stock had a sharp fall in early July 2018 following a higher than expected settlement cost in their Brazilian litigation (\$700mn vs provision of \$360mn) – Monaco Alpha's DCF model had a fair value exceeding €25/share. We initiated position slightly above €12.7 and added at €12.3 for a €1mn exposure.

Mid July: Rumours were circulating that Brazil was looking for approximately \$1.5bn of investment. SBM's rigs account for 40% of Brazil's and Petrobras production, i.e., no possibility they would go to the brink. Added to the position at €10.76, €11.36 and €12.05 - Raising exposure to €2.5mn.

An alternative view of the trade was to assume that a hedge fund manager could buy SBM outright for €2/2.5bn with the aim to halt production on the SBM owned offshore rigs. An alternative strategy could have shorted Brazilian government bonds and purchased crude oil through option and/or futures, generating multiples of the original investment. Brazil produces about 2.6 mn boe/day or 2.6% of world production.

SBM settled for \$560mn in late July. Monaco Alpha sold 20% of the position at €13.35, a further 20% at €13.54 and the remaining stock was sold a few days later at approximately €13.50 for a 29.42% return in less than one month.

Infineon Technologies

In late August 2018, due to the intensifying trade war between the US and China, there were signs that the Chinese were increasing the production of semiconductors. Infineon is very extremely exposed to the car industry. On a DCF, we estimated the stock to be expensive with a fair price approximately €18/share. Monaco Alpha initiated a short position on August 29th at €22, doubled up on September 4th at €21.4 and closed the position on September 7th at €19.9 for a 12.25% return in 8 days.

THE INVESTMENT TEAM

Dan Luger MBE - Portfolio Manager /Trader

Prior to working in finance, Dan played professional rugby for 13 years, winning numerous national and international titles: 1998-2003 England International Career: 38 caps and 27 tries. Two World Cups, 1999 (¼ finalist), 2003 (World Champion). Grand Slam winner in 2003, Six Nations winner 2000 and 2001. Runner-up in the 2005 World 7s Rugby series:

Winning the Hong Kong, Dubai, LA and London tournaments.

A British Lion in the 2001 tour to Australia. Top 14 French Championship runner-up for Perpignan in 2004. Champion ProD2 for Toulon in 2008.

Dan is a shareholder/investor in the successful restaurant group Ambiente in the Czech Republic since 2006. The group owns 21 restaurants and cafés ambi.cz/en/

He created the Monaco Alpha Research Portfolio in 2014 to make himself accountable for his trading ideas in the broker community. Dan has achieved 5 years of positive gains :

2014 +14.7%, 2015 +8.8%, 2016 +12.8%, 2017 +16.2% and 21.07% until September 30th 2018.

Dan and Didier are running the TIM managed account portfolio (long/short) with a 28.61% return over the first 12 months, 14.86% in 2018 and 9.12% YTD 2019 monacoalpha.com

Dan studied economics at Manchester University.

Didier Bodart - Portfolio Manager /Analyst

Prior to launching Monaco Alpha, Didier spent over 25 years working in finance: Tavira Monaco (2 years), Aurel-BGC and Kepler in Paris (6 years), CSFB in London (3 years), Bear Sterns, Schrodgers, Merrill

Lynch/Smith New Court (9 years in NYC) researching and selling European equities. Prior to moving to the sales side, Didier was an analyst/portfolio manager for Whitehorse Securities (a family office) and ABN for 5 years in NYC. Between 2012 and 2016, Didier created a bridal company in Paris.

Managed the Marshall Wace TOPS' (French) portfolio (long/short) for Landsbanki with 12% and 10% return in 2006 and 2007: top 3 in both years.

Didier managed a \$30 million portfolio for Whitehorse Securities (Hains family): Achieved a 34%, 51% and 6% return in 1991, 1992 and 1993 respectively.

Co-manages the Monaco Alpha Portfolio with Dan Luger : 2017 (+16.2%), 2018 (+21.07%) until September 30th.

Co-manages the TIM managed account portfolio (long/ short) with 28.61% return over the first 12 months, 14.86% in 2018 and 9.12% YTD 2019 monacoalpha.com

Didier has a Master in Science of Finance from Bentley University (1987), Waltham, Massachusetts.

Simone Patrese - Portfolio Manager /Trader

Prior to joining Tavira in 2016, Simone was Vice President at JPMorgan Chase Bank where he worked in the Italian M&A Team (Milan), the Italian Corporate Equity Derivatives Marketing Team (London) and the Emerging Markets Equity Derivatives Structuring Team (London).

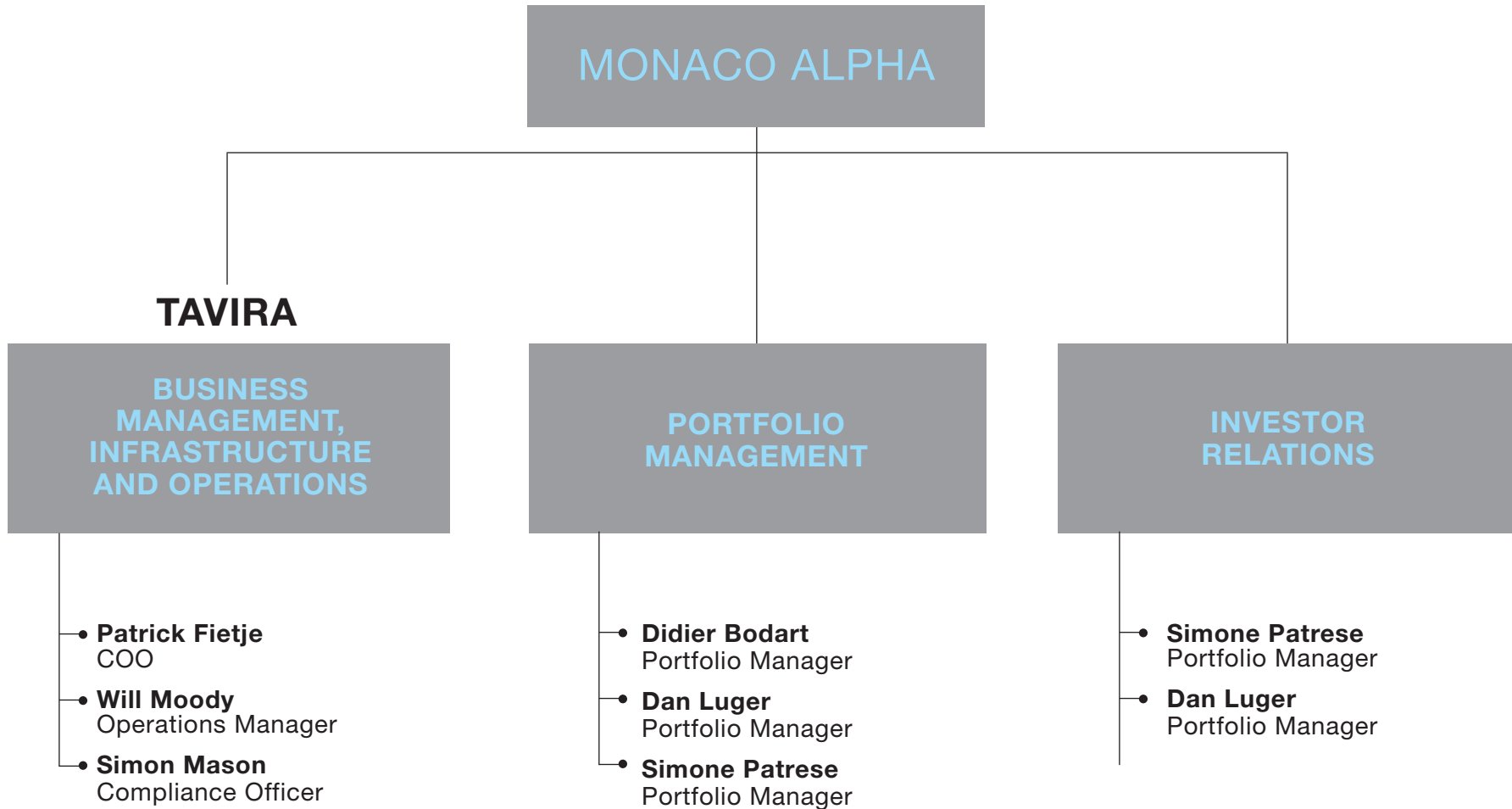
Simone was a Director at H-Farm UK, an internet venture capital and incubator (FARM.IM), where he developed and founded ShowMe Ltd,

an internet start-up in the betting and gaming sector.

He is a co-founder of Hydrogen Srl, an Italian fashion sportswear brand.

Simone studied Economics at Bocconi University in Milan, where he graduated in 2001 with 110/110.

ORGANISATION CHART





Monaco Alpha

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