

# **DNCA INVEST VELADOR**

**European long-hedged equities** 

Data as of **31/10/2018** 

Share A: ISIN code LU1209145538 - Ticker Bloomberg LEOVEAA LX

# Management Report October 2018

Share class created the 18 May 2015

#### INVESTMENT **OBJECTIVE**

The Sub-Fund seeks to achieve a positive performance higher than the following composite Index: 25% EURO STOXX 50 NR + 75% EONIA. This performances objective is sought by associating it to a lower annual volatility than 8%.

#### PORTFOLIO MANAGERS COMMENTS

The equity markets took a hefty drop in October, with the EUROSTOXX 50 NR shedding 5.9%. 9M earnings reports for European companies were more mixed than expected, which added to ongoing concerns on the political context both in Europe (Brexit, Italy, Germany, etc.) and elsewhere (trade relationship between the US and the rest of the world, elections in Brazil, slowdown in China), as well as a fresh phase of rising interest rates/inflation.

VELADOR shed -3.7% in October vs. a -1.5% dip for the benchmark (25% EUROSTOXX 50 NR + 75% EONIA). Some of our top picks reported reassuring earnings (Publicis, Saint-Gobain) or even very good figures (Carrefour, TF1), but the fund was also hit by profits warnings that were very severely punished (Atos, Bouygues down respectively 25% and 14% over the month). This was something of a key issue in October, with companies that posted reassuring or good earnings rallying on the day but gaining little (Carrefour) or not at all (TF1, Publicis, Schneider) over the month. However, stocks that really disappointed were hard hit and lost much more than just the negative impact of profits warnings on their accounts. This aspect, combined with the fund's net exposure, account for the poor month in October. We made very few changes to our portfolio this month, and remain focused on value stocks (19 P/E of around 10x and FCF yield of around 10%) which are still of strong quality (Saint-Gobain, Atos, Bouygues, Publicis, etc.), even those that disappointed. The other portion of our portfolio focuses on companies where we feel that the valuation/growth ratio is undervalued by the market, such as those that will derive great benefits from digital manufacturing, like Schneider, ABB, STM and Siemens. We hope that the value aspect for the first portion of our portfolio and surprises on growth for the second will help VELADOR rebound over the weeks ahead.

Our beta-adjusted net exposure comes to 18.2% vs. 26.4% last month, below the benchmark (25%). In view of hazy visibility, particularly on the political outlook, we would rather avoid the risk of excessive market directional strategies for VELADOR, and hope that our choice of stocks, which has been very negative this year, will help VELADOR gradually recover over the weeks ahead, rather than market trends.

Text completed on 11/05/2018.

Cyril FREU - Mathieu PICARD - Alexis ALBERT

#### PERFORMANCE AND VOLATILITY

	Share A	Reference Index <sup>(1)</sup>
YTD performance	-11.02%	-1.75%
2017 performance	4.55%	2.04%
Annualised performance since inception	-0.99%	-0.12%
Volatility 1 year	4.78%	8.00%
Volatility 3 years	4.62%	8.00%
Volatility since inception	4.60%	8.00%

## PERFORMANCE SINCE 18/05/2015



(1)75% EONIA + 25% EURO STOXX 50 NR. Past performance is not a guarantee of future performance.

#### **MAIN LONG POSITIONS**

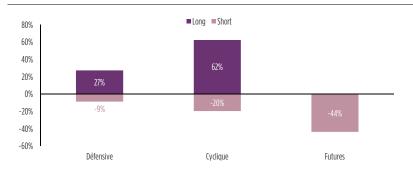
BOUYGUES	7.0%
CARREFOUR	7.0%
SAINT-GOBAIN	6.3%
SCHNEIDER	6.1%
SIEMENS	5.9%

## **MAIN SHORT** POSITIONS

CAC 40	17.2%
EURO STOXX 50	16.7%
DAX	10.2%
STOXX 600 Industrial Goods & Services	4.7%
STOXX 600 Construction	45%

Holdings may change over time

# **SEGMENT** EXPOSURE



#### **RISK** ANALYSIS

Sharpe Ratio -2.59

## RISK AND REWARD PROFILE



The risk level of this fund is due to exposure to equity and/or fixed income markets

## MAIN CHARACTERISTICS

NAV	€96.62	Net assets	€789M
Gross exposure	163%	Net exposure	16.1%
Net exposure (beta adjusted)	18.2%	Long positions	40

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**European long-hedged equities** 

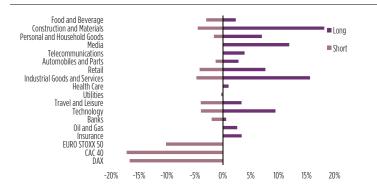
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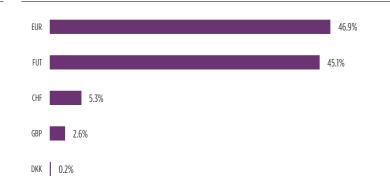
Share class created the 18 May 2015

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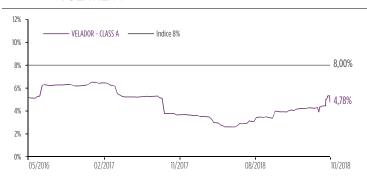
#### **SECTOR** EXPOSURE



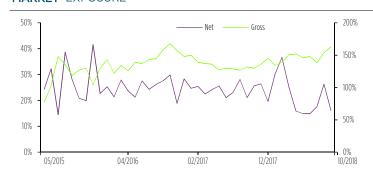
#### GROSS EXPOSURE TO EQUITIES BY CURRENCY



# 52-WEEK **VOLATILITY**



# MARKET EXPOSURE



## PERFORMANCE (%)

19	Number of negative months
Number of positive months	22

	Part A	Performance index <sup>(1)</sup>
Worst performance 1 month	-3.70%	-2.27%
Best performance 1 month	2.31%	2.51%
Worst performance 1 quarter	-3.70%	-2.19%
Best performance 1 quarter	3.82%	2.36%

(1)75% EONIA + 25% EURO STOXX 50 NR Datas calculated since inception

Year		january	february	march	april	may	june	july	august	september	october	november	december	Annual
2016	VELADOR - A	-0.98%	0.99%	0.62%	-0.67%	0.68%	-2.60%	2.31%	-0.01%	1.36%	-0.80%	-0.12%	1.78%	2.50%
	Index	-1.66%	-0.75%	0.52%	0.34%	0.61%	-1.48%	1.11%	0.28%	-0.15%	0.45%	-0.01%	1.91%	1.13%
2017	VELADOR - A	0.79%	1.46%	1.57%	0.56%	0.65%	-0.50%	0.41%	-0.77%	1.57%	-1.03%	-0.28%	0.09%	4.55%
	Index	-0.45%	0.70%	1.37%	0.48%	0.23%	-0.76%	0.06%	-0.19%	1.25%	0.54%	-0.72%	-0.45%	2.04%
2018	VELADOR - A Index	-0.26% 0.75%	-0.19% -1.17%	-2.44% -0.55%	0.92% 1.41%	-2.11% -0.65%	-1.75% -0.06%	-0.95% 0.95%	-0.48% -0.95%	-0.56% 0.06%	-3.70% -1.50%	- -	-	-11.02% -1.75%

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