



PELARGOS CAPITAL B.V.

Semi Annual report 2018

The Hague
30 August 2018

Company information

Statutory directors

Orange Dragon Company B.V.
 P.P.J. van de Laar, until 31 July 2018
 M. Kretschmer, as of 1 June 2018

Address

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 2595 AM The Hague

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Independent auditor

PricewaterhouseCoopers Accountants N.V.
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 3065 WB Rotterdam
 P.O. Box 8800
 3009 AV Rotterdam

Company profile

Pelargos Capital B.V. (Hereafter: Pelargos) is an investment boutique with an institutional type infrastructure that runs fundamental value strategies focused on alpha generation in Asian equity markets. Pelargos was founded in March 2008 with Aegon Asset Management as cornerstone investor. In June 2008 and July 2008 two Dutch domiciled funds, the Pelargos Asia Alpha Fund respectively the Pelargos Japan Alpha Fund were launched. In May 2016 the Pelargos Japan Long Short Value Fund was launched; this is a Cayman domiciled Unit Trust fund, with Elian Trustee (Cayman) Limited as Trustee. The three funds strive for capital growth by taking long and short exposures in securities related to Asian respectively Japanese companies.

Key figures

Key figures (€)			
	HY1 2018	HY1 2017	2017
Revenues	1,227,891	1,239,536	2,328,428
Costs	1,449,678	1,488,743	2,852,412
Net result	-220,116	-256,874	-521,439
Equity	2,489,440	2,974,121	2,709,556
Assets under management	231,377,668	225,728,694	239,540,456

Legal information

Pelargos, incorporated and domiciled in the Netherlands, is a private limited liability company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at Prinses Margrietplantsoen 43, 2595 AM, The Hague.

Pelargos was established on March 4th in 2008. The statutory objectives of the company are:

- to act as a manager of one or more funds for joint account;
- to conduct the management over and to be (managing) director of one or more other investment institutions, companies and legal entities; and
- to invest assets in any other way, whether or not at the risk and expense of third parties; as well as to participate in, to take an interest in any other way in, to conduct the management of other business enterprises of whatever nature, furthermore to finance third parties, in any way to provide security or undertake the obligations of third parties and finally all activities which are incidental to or which may be conducive to any of the foregoing.

Pelargos has been granted the license to manage investment funds (as meant in *Article 2:65, first paragraph, sub a, Wet Financieel Toezicht*) by Autoriteit Financiële Markten on 9 December 2010. As of 22 July 2014, this license has been converted into an AIFMD license. Pelargos has been granted an extension to its license, which enables it to offer additional investment services (as meant in *Article 2:67, 2nd paragraph, sub a, sub b and sub d Wet Financieel Toezicht*) by Autoriteit Financiële Markten as of 1 March 2017.

Management report

Introduction

The funds managed by Pelargos generated negative returns: the Pelargos Japan Alpha Fund lost 4.1%, the Pelargos Asia Alpha Fund lost 6.1%. Like 2017, the first half year of 2018 turned out to be another tough period for fundamental value strategies. Our assets under management decreased from € 240 million to € 231 million.

Business development

Pelargos was established in 2008 with the strategic backing and long-term committed cornerstone investor Aegon. Since its start Pelargos has built an institutional infrastructure. It supports our fundamental research and risk management framework. It also enables effective reporting and performance attribution analysis to provide transparency for our clients. Pelargos is an Alternative Investment Management Association member and our key service providers are best in class partners.

The main driver of profitability comes from increasing revenues through acquisition of new customers. To accelerate this process, we are discussing with and searching for strategic partners with distribution capabilities with whom we can develop products to leverage our alpha generating capacities.

Organisation

The company had 7.8 FTE employed as of June 30.

We have been implementing and/or have amended procedures and policies as a result of GRPD and Markets In Financial Instruments Directive II (MIFID II).

As of 1 August Patrick van de Laar has resigned as employee and statutory director. Pieter van Putten who has been working with us as an interim manager has been taken aboard as an employee with the intention of being appointed to statutory director. Michael Kretschmer who

was part of the management team has been appointed as statutory director.

Financials

Over the past few years we have made significant investments in our product and business development capabilities by adding an offshore domiciled fund, additional share classes and human resources to accelerate customer acquisition. Unfortunately, some of these investments have not paid off. Therefore we have decided to scale back to restore profitability.

Pelargos management targets financial break even, under normal market conditions, in the second half of 2018.

The current assets of Pelargos are sufficient to meet its current short term and foreseeable near future financial obligations.

The Hague, 30 August 2018

Orange Dragon Company B.V., R.A. Dingemans

M. Kretschmer

Balance sheet as at 30 June 2018

(Before profit distribution)

ASSETS	30 June 2018	31 December 2017
	€	€
Fixed assets		
Property and equipment	6.632	9.320
Hardware	10.250	11.684
	16.882	21.004
Current assets		
Accounts receivable	183.739	347.751
Units of participations in Funds	417.152	434.750
Corporate income tax	-10.518	29.482
Current account related parties	117.181	156.327
Other current assets	67.806	30.302
	775.360	998.612
Bank	2.519.229	2.311.857
	2.519.229	2.311.857
Total assets	3.311.471	3.331.473
	€	€
LIABILITIES	30 June 2018	31 December 2017
	€	€
Equity		
Share capital	18.000	18.000
Ordinary share premiums	482.000	482.000
Other reserve	2.209.557	2.730.995
Net Result	-220.116	-521.439
	2.489.441	2.709.556
Long term liability	41.280	115.659
	41.280	115.659
Current		
Tax	3.782	3.767
Other current liabilities	776.968	502.491
	780.750	506.258
Total liabilities	3.311.471	3.331.473

Profit and loss account 1 January - 30 June 2018

P&L	HY1 2018 €	HY1 2017 €
Performance fee	-	152
Management fee	1.227.891	1.239.384
Revenues from fees	1.227.891	1.239.536
Other revenues	-	0
Total revenues	1.227.891	1.239.536
Total costs	-1.449.678	-1.488.743
Investment results	-17.598	-6.238
Other income	19.776	338
Interest	-507	-1.767
Result before tax	-220.116	-256.874
Corporate income tax	0	0
Result after tax	-220.116	-256.874

Cash flow statement 1 January – 30 June 2018

CASHFLOW STATEMENT	HY1 2018 €	HY1 2017 €
Earnings from operations	-221.787	-231.321
Adjustments for		
Depreciation	4.122	3.564
Change in receivables	223.252	57.608
Change in liabilities	200.113	-168.989
Due corporate tax	-	-
	427.487	-107.817
Cash flow from operations	205.700	-339.138
Investment results	-17.598	-6.238
Investments in fixed assets	-	-
Cash flow from investments	-17.598	-6.238
Interest	-507	-1.767
Dividends paid	-	-
Cash flow from financing	-507	-1.767
Other income	19.777	338
Cash flow from other	19.777	338
Change in cash	207.372	-346.805