



## **PELARGOS CAPITAL B.V.**

### **Semi Annual Report 2019**

The Hague  
29 August 2019

## Company information

### Statutory directors

Orange Dragon Company B.V.  
Pieter van Putten  
Michael Kretschmer

### Address

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### Independent auditor

PricewaterhouseCoopers Accountants N.V.  
Fascinatio Boulevard 350  
3065 WB Rotterdam  
P.O. Box 8800  
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### Company profile

Pelargos Capital B.V. (hereafter: Pelargos) is an investment boutique with an institutional type infrastructure that provides absolute return type products 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. At the end of June 2019, the Management Committee at Pelargos consists of Richard Dingemans (CEO), Pieter van Putten (CFO/COO) and Michael Kretschmer (CIO).

### Key figures

Key figures (€)	HY1 2019	HY1 2018	2018
Revenues	1,039,639	1,227,891	2,209,919
Costs	1,134,619	1,449,678	2,366,115
Net result	-79,605	-220,116	-206,094
Equity	2,423,857	2,489,440	2,503,462
Assets under management	217,026,194	231,377,668	218,067,297

## 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 4<sup>th</sup> 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, 2<sup>nd</sup> paragraph, sub a, sub b and sub d Wet Financieel Toezicht*) by Autoriteit Financiële Markten as of 1 March 2017.

## Management report

### Introduction

The first half of 2019 saw the return of a market environment supporting our fundamental value and stock selection approach. The Pelargos Japan Alpha Fund gained 3.1% during the period in EUR terms, whereas the Pelargos Asia Alpha Fund lost 4.3% (EUR) in markets rattled by an increasing trade war between China and the U.S. and by signs of slowing economies around the world. Our assets under management decreased slightly from € 218 mln to € 217 mln.

### Business Development

Since its establishment in 2008, Pelargos Capital has focused on delivering superior investment services to institutional investors. The main driver of profitability is the acquisition of new customers in addition to cornerstone investor Aegon. The team at Pelargos has worked hard in the first half of 2019 on identifying investors and establishing links with parties that can offer access to distribution.

The groundwork was laid for the planned launch of a Japanese long only equities product later in 2019, to meet investor demand. Pelargos Capital's extensive work in the field of corporate governance in Japan should make this new product attractive to investors who focus on adding strong governance to their portfolios.

### Organization

The company had 8.6 FTE employed as of June 30, unchanged from ultimo 2018. There were no personnel changes.

June 30 was the final trading day for Pelargos Japan Long Short Value Fund, and the fund will be closed in the coming months. The size of the fund was not sufficient to ensure efficiencies in its operations, and it was deemed in the interest to the investors to close the fund.

Further preparations for a possible Brexit were made, with a number of broker counterparties moving their operations for continental EU based clients from London to the mainland.

During the first half of 2019, Pelargos finalized a Strategic Integrity Risk Analysis (SIRA) to ensure that all potential risks in its operations are mapped and managed appropriately.

The fund management team continued to spend considerable time on governance related work with Japanese listed companies, and the first annual Japan AGM Voting Report was published by Pelargos, covering all voting behaviour of our team during 2018.

### Financials

The first half of 2019 saw a net loss for Pelargos Capital of € 79,605, down from a loss of €220,116 in the same period of the previous year. Negative investment performance towards the end of 2018 and resulting lower assets under management in 2019 were the main driver of the remaining loss. Expenses were reduced by ca. €200K or ca. 15% year-on-year, reflecting the cost cutting measures taken last year.

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

The Hague, 29 August 2019

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

P. van Putten, CFA

Michael Kretschmer, CFA

## Balance sheet as at 30 June 2019

(Before profit distribution)

<b>ASSETS</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
	€	€
<b>Fixed assets</b>		
Property and equipment	3,698	3,943
Hardware	7,382	8,817
	<b>11,080</b>	<b>12,760</b>
<b>Current assets</b>		
Accounts receivable	168,894	194,310
Units of participations in Funds	388,143	385,610
Current account related parties	286,591	171,820
Other current assets	12,440	34,242
	<b>856,068</b>	<b>785,982</b>
Bank	2,200,904	2,531,723
	<b>2,200,904</b>	<b>2,531,723</b>
<b>Total assets</b>	<b>3,068,052</b>	<b>3,330,465</b>

<b>LIABILITIES</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
	€	€
<b>Equity</b>		
Share capital	18,000	18,000
Ordinary share premiums	482,000	482,000
Other reserve	2,003,462	2,209,556
Net Result	-79,605	-206,094
	<b>2,423,857</b>	<b>2,503,462</b>
<b>Long term liability</b>	39,506	76,119
	<b>39,506</b>	<b>76,119</b>
<b>Current</b>		
Tax	146,026	240,792
Other current liabilities	458,663	510,092
	<b>604,689</b>	<b>750,884</b>
<b>Total liabilities</b>	<b>3,068,052</b>	<b>3,330,465</b>

## Profit and loss account 1 January – 30 June 2019

P&L	HY1 2019 €	HY1 2018 €
Performance fee	-	-
Management fee	1,039,639	1,111,593
<b>Revenues from fees</b>	<b>1,039,639</b>	<b>1,111,593</b>
Other revenues	-	-
<b>Total revenues</b>	<b>1,039,639</b>	<b>1,111,593</b>
<b>Total costs</b>	<b>-1,134,619</b>	<b>-1,333,380</b>
Investment results	2,533	-17,598
Other income	14,888	19,776
Interest	-2,046	-507
<b>Result before tax</b>	<b>-79,605</b>	<b>-220,116</b>
Corporate income tax	-	-
<b>Result after tax</b>	<b>-79,605</b>	<b>-220,116</b>

## Cash flow statement 1 January – 30 June 2019

CASHFLOW STATEMENT	HY1 2019 €	HY1 2018 €
<b>Earnings from operations</b>	<b>-94,980</b>	<b>-221,787</b>
Adjustments for		
Depreciation	1,680	4,122
Change in receivables	-70,086	223,252
Change in liabilities	-182,808	200,113
Due corporate tax	-	-
	-251,214	427,487
<b>Cash flow from operations</b>	<b>-346,194</b>	<b>205,700</b>
Investment results	2,533	-17,598
Investments in fixed assets	-	-
<b>Cash flow from investments</b>	<b>2,533</b>	<b>-17,598</b>
Interest	-2,046	-507
Dividends paid	-	-
<b>Cash flow from financing</b>	<b>-2,046</b>	<b>-507</b>
Other income	14,888	19,777
<b>Cash flow from other</b>	<b>14,888</b>	<b>19,777</b>
<b>Change in cash</b>	<b>-330,819</b>	<b>207,372</b>