



MARKET COMMENTS

In July, the MSCI Japan advanced +0.9%. Price volatility was limited and investors focused on single stock news as earnings season started in the latter half of July. The fund outperformed the market again, especially the long book performed very well, appreciating +3%. The performance was largely driven by share price reactions to earnings announcements. Ever since the Japanese version of RegFD (Regulation Fair Disclosure) was introduced more than one year ago, the single stock volatility post earnings announcements has been significantly increasing. Earnings were already revised downwardly over the past several months with share prices coming off, thus the sentiment was already negative to the extent that many stocks reacted rather positively to in-line numbers. The conservative earnings guidance by Japanese corporates had already resulted in significant year-to-date equity underperformance.

SINGLE STOCK OBSERVATIONS

The biggest contributor in July was long position Advantest. This stock rallied +44% and contributed +1.3%. The sentiment and expectations for semiconductor related shares has been very weak as the downturn in terms of volume and price seem worse than expected. However, Advantest operates in the highly consolidated tester market and orders for 5G-related testers were pulled forward. Thus, instead of another quarter-over-quarter order decline, Advantest's orders actually stabilized and product mix improved, which pushed margins higher. All in all, a structural growth story was pulled forward at a point in the cycle that few market participants expected it.

Second best contributor was Ichigo, the stock rallied +25% and contributed close to +0.5%. We mentioned Ichigo many times before, as we have held the stock for more than 8 years. Due to the nature of its business, the stock price can be extremely volatile, with regular drawdowns of 50%. Quarterly earnings can be volatile, dependent on whether real estate assets were sold or postponed in a given quarter. In addition, the management uses this sentiment related volatility to reduce share count, which adds leverage to the upside for the long-term holders of Ichigo shares.

Worst contributor last month was a long position Toshiba Plant System (TPS). The stock was up +6% in June and down -10% in July. The earnings were in-line; nothing out of the ordinary, but the stock sold off in a rather linear, systematic fashion leading to the conclusion that fund flows are driving the price action rather than fundamentals. We are in close contact with the company and business is doing fine. We continue to emphasize that the majority shareholder Toshiba remains a corporate governance concern for minority shareholders. The poor governance structure and shareholder return policy needs to

be addressed by TPS' management board. Toshiba 'only' owns 51% and it is the TPS board's duty to listen to minority shareholders and act accordingly. 50% of TPS market cap is cash on hands, which is lent to Toshiba group, albeit on decent terms. Nevertheless, Return-On-Equity is coming down at TPS, because business is doing well and the company is hoarding cash. We continue to convey our message to company executives. Other meaningful losers were short Sharp and long Creo. Creo stock price appreciated more than +100% from January 1st until end-of-June and, despite excellent earnings, investors took profits (as did we). The stock declined -11% in July. With regards to Sharp, the short squeeze went further than we had expected, the stock rallied +20% in June and another +17% in July, but fundamentally the company remains impaired and faces structural headwinds in its core panel business.

RISK ALLOCATION

The gross and net exposure was roughly unchanged compared to prior month. As volatility in July was rather low, we added a simple Nikkei225 Mar 2020 put with strike 20500 to the hedge book. This longer dated put option was rather inexpensive considering the tremendous geopolitical and economic risks the global economy faces in the coming 12 months. The net exposure, adjusted for beta and delta, was around 20%.

STYLE PERFORMANCE

After months of dreadful randomness on a factor level, we observed in July that value was performing reasonably well, whilst momentum performed poorly. This is at odds with global markets, because in the rest of the world value did poorly and momentum rather well.

OUTLOOK

We continue to emphasize that the global economy is on a well-established downward trend. The weakness in economic activity is wide-spread and it is only a matter of time before policy makers start intervening. The US economy performed better than most, but even there the deceleration is evident. Policy makers will act swiftly and deploy whatever tools they have at their disposal. We always were and still are very skeptical with regards to efficacy of monetary and fiscal intervention to prop up growth. After 10 years of unconventional, high octane monetary and fiscal intervention, the results speak for themselves; the worst decade in terms of GDP growth ever. Nevertheless, easy money can and will cushion the downturn. There are already plenty of value opportunities, but with current downside risk to our economic outlook we remain cautiously positioned. The majority of the net exposure is in high yielding, underappreciated REITs. The exposure in our Industrials book is domestic demand related, with high recurring service revenue.



FUND CHARTS AND FACTS



TOP 5 GROSS POSITIONS

Nomura TOPIX ETF
Ichigo Hotel REIT Investment C
Taihei Dengyo
Maeda Road Const
Canadian Solar Infrastructure Fund Ord Shs

TOP 5 MOVERS

Advantest Corp	1.27%
Ichigo Group	0.47%
Metawater	0.23%
Nomura Research	0.22%
Tokyo Ohka Kogyo	0.21%

TOP 5 SHAKERS

Toshiba Plant Sy	-0.49%
Sharp Corp	-0.26%
Creo	-0.20%
Kikkoman Corp	-0.19%
Zozo Inc	-0.17%

FUND FACTOR

	Long	Short
Price to Earnings (PE)	17.5	22.2
EV/EBITDA	11.8	13.9
Price to Book (PB)	1.9	3.3
Dividend Yield	2.9	2.1
EV/IC	1.1	3.1
1 month momentum	3.7	1.0
12-1 month momentum	-0.2	-15.8

FUND PERFORMANCE*

Month to date performance	1.54%
Year to date performance	4.68%
Inception to date performance	45.49%

*based on share class B EUR

FUND FACTS*

Fund size in mln EUR	95.85
Fund size in mln USD	106.72
Firm size in mln EUR	202.44
Firm size in mln USD	225.39

RISK STATISTICS

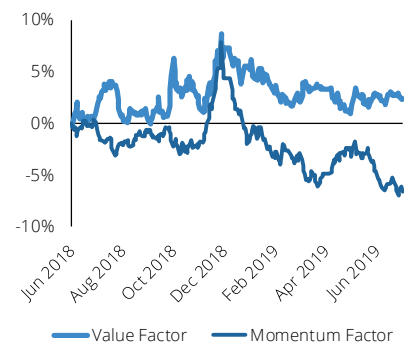
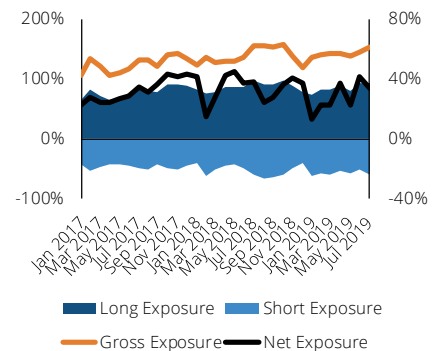
Net Exposure	34%
Gross Exposure	153%
Volatility (ex-ante; 3 months daily data)	5.1%
Beta (ex-ante)	0.13
Sharpe Ratio	0.51
Sortino Ratio	0.88
Sterling Ratio	0.41
Max Drawdown (monthly)	-8.4%
Annualized Return	3.4%

SECTOR EXPOSURES (IN PERCENT)

	Long	Short	Net	Gross
Consumer Discretionary	8	-7	1	14
Consumer Staples	3	-16	-14	19
Energy	0	0	0	0
Financials	2	-3	0	5
Health Care	2	0	2	2
Industrials	30	-8	22	38
Information Technology	13	0	13	13
Materials	5	-1	4	6
Real Estate	26	-8	19	34
Telecommunication Services	0	0	0	0

GENERAL STATISTICS

% Return long book	2.97%
% Return short book	2.12%
# Long stocks	50
# Short stocks	23
% Long stocks ↑	66%
% Short stocks ↓	35%
# Up days / Down days	13 / 10
Turnover as % NAV	35%



FUND CHARTS AND FACTS

CLASS B EUR	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2019	1.05%	0.00%	0.51%	0.98%	-0.04%	0.56%	1.54%							4.68%
2018	-0.26%	-1.77%	-1.03%	-0.63%	-0.06%	-0.36%	-0.87%	-1.66%	0.36%	-3.69%	-0.13%	-4.14%		-13.45%	38.99%
2017	0.56%	-0.92%	-1.63%	-0.57%	0.23%	1.32%	1.18%	0.46%	0.99%	1.25%	0.20%	0.14%		3.22%	60.59%
2016	1.27%	0.92%	1.18%	-0.16%	-1.08%	-4.33%	2.12%	-1.05%	-0.29%	2.38%	0.88%	0.39%		2.07%	55.58%
2015	-1.24%	4.89%	-0.27%	3.25%	2.57%	-1.67%	-2.94%	-3.01%	2.46%	1.88%	2.06%	-1.42%		6.36%	52.42%
2014	-3.16%	-0.60%	-0.56%	-0.99%	-2.24%	1.44%	0.23%	-0.60%	2.06%	-1.89%	-1.24%	0.96%		-6.52%	43.31%
2013	5.35%	-0.58%	6.98%	6.48%	-1.07%	-0.78%	0.31%	-0.92%	1.18%	-0.80%	1.46%	1.73%		20.57%	53.31%
2012	-1.38%	3.81%	1.35%	-1.21%	-3.83%	1.76%	0.84%	0.93%	1.32%	0.58%	2.50%	4.06%		10.95%	27.15%
2011	0.93%	-0.03%	-1.55%	0.14%	-0.14%	0.42%	0.03%	-3.63%	0.69%	-0.38%	-2.60%	1.68%		-4.48%	14.60%
2010	0.73%	-0.23%	3.52%	3.39%	-2.83%	-1.31%	1.23%	-0.37%	0.91%	1.13%	1.40%	1.89%		9.67%	19.97%
2009	2.07%	1.67%	-0.73%	-0.67%	1.34%	1.13%	-1.93%	2.24%	-1.68%	-0.39%	-2.99%	2.84%		2.75%	9.39%
2008							0.96%	-1.35%	1.40%	3.44%	0.52%	1.39%		6.46%	6.46%

CLASS C USD	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2019	1.33%	0.25%	0.75%	1.29%	0.45%	0.87%	1.82%							6.94%
2018	-0.27%	-1.58%	-0.86%	-0.36%	-0.05%	-0.09%	-0.64%	-1.42%	0.52%	-3.33%	0.20%	-3.81%		-11.17%	-6.93%
2017							1.17%	0.64%	1.13%	1.21%	0.16%	0.38%		4.78%	4.78%

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