



VIEW FROM THE TOP

Volatility made its comeback in February and 'made it big', especially in Japan. Last month, the MSCI Japan dropped -3.8% in JPY terms. From January 23rd price high to February 14th price low, the broader market dropped by 11%. The long overdue correction finally arrived and we were defensively positioned. However, as volatility spiked higher, correlations shifted drastically and we still lost -1.77% in the main share class despite our low risk positioning. In risk off periods the Japanese yen (JPY) has a tendency to appreciate, which poses a significant headwind for Japanese equities. The JPY appreciated more than +5% during the first two months of 2018. The JPY is cheap on several measures and with a 4% current account surplus as a percentage of GDP, the JPY has a tendency to appreciate. We have limited exposure to companies that are highly exposed to currency swings, however during aggressive sell-offs money flows matter more than fundamentals. The current economic environment is rather supportive for corporate earnings and capacity constraints are often mentioned in meetings with corporate managements. Over the past decade, Japanese companies shifted towards higher value-added products and price increases will protect margins to some extent despite the currency headwind.

SINGLE STOCKS

Because of the sell-off last month, the hit ratio in the long book was only 36%. However, the hit ratio in the short book was very good with 9 of the 10 short positions down for the month. The best positive contributors were Sanyo Shokai, Pola Orbis and Metawater. Sanyo Shokai is a deep value turn-around story and rallied +22% last month. This high-end retailer lost its license to distribute Burberry in Japan few years ago and the management is currently in the process of rebranding and re-establishing its own brand formats. Based on our research work and supported by the company's fortress-like balance sheet, we initiated a long position in the 4th quarter of 2017. Pola Orbis continued to perform well as management is gearing up for the overseas expansion of its blockbuster product 'wrinkle shot'. On the losers side, the price action of Nishimatsu Construction is rather disappointing. The stock dropped -9% in February due to somewhat 'confusing' results. The margin was soft because the revenue recognition of some projects was

delayed. To us, it seems a timing issue rather than a deterioration in business conditions. The stock price of Metawater, a water infrastructure company, which we hold long since May 2015 started to perform well. Its business is heavily dependent on municipalities' decision-making process and finally some improvement occurred. In contrast, the decline in Japan Tobacco's share price was related to the company's poor earnings announcement. In our opinion, the stock was cheap enough to take a long position. However, the company failed to swiftly re-gain market share, because bottlenecks in the production process of its new e-vapor product re-emerged. The stock hit our stop loss and we sold the position.

RISK ALLOCATION

At the end of January, the net exposure was elevated at +42% and up to the moment of the spike down negatively correlated. As correlations shifted, we drastically reduced the net exposure, ending the month with +15% net. As we added index hedges, the gross exposure increased to 137% from 123%.

STYLE ANALYSIS

In the initial beta sell-off momentum stocks were hit worst, but led the recovery by mid-month. More importantly, and equally disappointing, value as a style delivered poor performance as growth outperformed.

OUTLOOK

In our opinion, the February risk-off period was the precursor for a deeper correction. At the end of January, global investor sentiment reached decades-high levels, valuations in the US were outrageously high and being long risk was a very crowded trade. We believe in the long-term revival of Japanese equities. However, in the short term caution is warranted against a backdrop of, US central bank induced, deterioration in liquidity. We focus on high quality, strong balance sheet situations in the long book. Especially those companies with active buy-back programs, because it is those companies that can take advantage of lower shares prices to compound earnings-per-share at a higher rate. We have been patient for too long and with the intention to capitalize on the sell-off, we wait for still lower equity prices.

FUND CHARTS AND FACTS



TOP 5 GROSS POSITIONS

Ichigo Group
Toshiba Plant Sy
Kikkoman Corp
Shimachu
Maeda Road Const

TOP 5 MOVERS

Sanyo Shokai (long)	0.16%
Pola Orbis (long)	0.14%
Metawater (long)	0.12%
Daito Trust Cons (short)	0.11%
Megmilk Snow (short)	0.11%

TOP 5 SHAKERS

Nishimatsu Const (long)	-0.37%
Alpine Elec (long)	-0.33%
Japan Tobacco (long)	-0.28%
Taihei Dengyo (long)	-0.23%
Mitsui Fudosan (long)	-0.20%

FUND FACTOR

	Long	Short
Price to Earnings (PE)	17.8	18.7
EV/EBITDA	10.6	9.0
Price to Book (PB)	1.7	2.3
Dividend Yield	2.3	1.8
EV/IC	1.1	1.5
1 month momentum	-2.9	-6.0
12-1 month momentum	18.6	5.1

FUND PERFORMANCE*

Month to date performance	-1.77%
Year to date performance	-2.03%
Inception to date performance	57.33%

*based on share class B EUR

FUND FACTS*

Fund size in mln EUR	96.66
Fund size in mln USD	101.49
Firm size in mln EUR	236.28
Firm size in mln USD	288.18

RISK STATISTICS

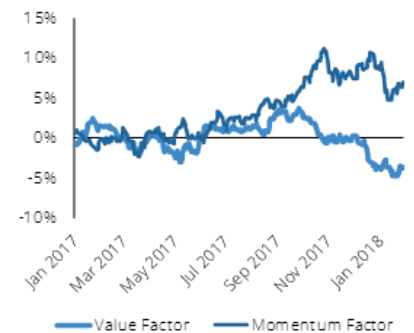
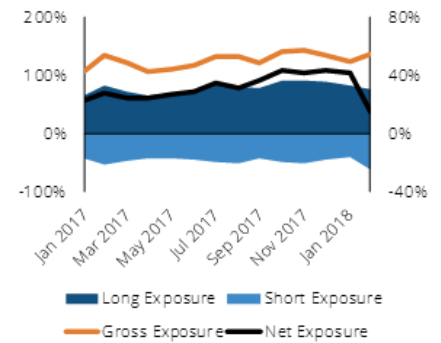
Net Exposure	15%
Gross Exposure	137%
Volatility (ex-ante; 3 months daily data)	5.5%
Beta (ex-ante)	0.29
Sharpe Ratio	0.70
Sortino Ratio	1.31
Sterling Ratio	0.57
Max Drawdown (monthly)	-8.4%
Annualized Return	4.8%

SECTOR EXPOSURES (IN PERCENT)

	Long	Short	Net	Gross
Consumer Discretionary	16	-7	8	23
Consumer Staples	5	-10	-5	14
Energy	0	-1	0	1
Financials	0	-2	-1	2
Health Care	0	-3	-3	3
Industrials	22	-7	15	29
Information Technology	9	-4	5	13
Materials	2	-4	-2	5
Real Estate	20	-11	9	30
Telecommunication Services	0	-1	-1	1

GENERAL STATISTICS

% Return long book	-2.88%
% Return short book	-3.14%
# Long stocks	45
# Short stocks	10
% Long stocks ↑	36%
% Short stocks ↓	90%
# Up days / Down days	11 / 9
Turnover as % NAV	29%




FUND PERFORMANCE: CLASS B EUR	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
	2018		-0.26%	-1.77%											-2.03%
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%



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Don't take any unnecessary risks.

Lower risk Higher risk
Typically lower rewards Typically higher rewards

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risk indicator

Read the Key Investor Information Document.

THIS IS A MANDATORY ANNOUNCEMENT