PHILEAS EQUITY EUROPE - I share

30 November 2022

PHILEAS ASSET MANAGEMENT

The investment objective of the PHILEAS EQUITY EUROPE is to outperform, on an equity horizon, its benchmark, the MSCI Europe net return index. The fund invests in European Union equities through discretionary stock picking.

ISIN: FR0012749927	Custodian: CACEIS BANK	NAV: 146.09€
Launch date: 15 October 2015	Administrator: CACEIS FA	AUM: 7.90 M€
Structure: «European Union equities» fund - French FCP	Auditor: MAZARS	Management fees: 1.20% incl.taxes
Management team: Ludovic LABAL / Cyril BERTRAND	Fund dealing: daily	Performance fees: 15% incl.taxes above MSCI Europe NR
Benchmark: MSCI Europe NR	Eligible for French equity savings plan: yes	Currency: EURO

Performance review

In November, the fund rose by 3.93% vs. 6.88% for the MSCI Europe.

The underperformance was due to a negative stock selection effect with the declines in Teleperformance and Nexans (see commentary below) as well as an underweight in the most cyclical segment of the market, which benefited from the return of risk appetite. However, we believe it is premature to take significant exposure to cyclicals when we have not yet seen the recessionary effect of rate hikes and inflation on the economy. Earnings expectations for 2023 often seem too high for many companies with exposure to the economic cycle.

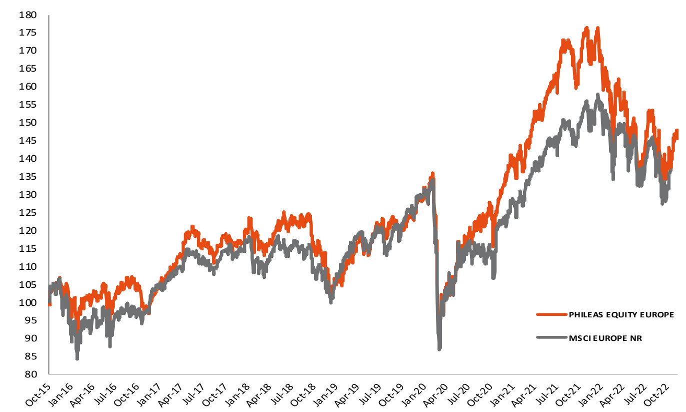
November was also characterized by a significant short squeeze. Over the last ten years, the outperformance of the most shorted stocks has never been so strong; it is around 20% in six weeks. Most of our positions, which are undoubtedly more consensual, did not benefit from this movement; they showed a marked underperformance during the rebound. In line with our usual practice in this type of environment, we did not make any major adjustments to our portfolio, as the fundamentals of our positions remained unchanged.

In IT Services, Teleperformance lost 20% over the month in a rising market. The market reaction to the potential controversy over the working conditions of the content moderation team in Colombia seems to us to be largely exaggerated. By being transparent and responsive, the company's reaction seems appropriate to us. The responses are persuasive and we do not identify any shortcomings in the company's treatment of its employees. Moreover, the financial contribution of this activity is low (about 1% of the sales). The reaction of the stock demonstrates the growing importance given by the market to suspicions of controversy. When we are confronted with this, our job is to analyze the financial and extra-financial issues in a rational manner. In this case, our analysis leads us to maintain our position in order to benefit from the expected catch-up in performance as the dust of this affair settles. Stocks such as Capgemini and Wolters Kluwer have underperformed the market.

In the Consumer sector, we were penalized by the announcement of the departure of Puma's CEO, Bjorn Goulden, to his competitor Adidas. We cut our position in Puma and opened a position in Adidas. The strong rise of Adidas in reaction to this announcement seems to us justified by the excellent track record of Bjorn Gulden successively at the head of Pandora and Puma. Adidas is coming out of a difficult period of market share loss, the company needs to regain its product momentum. Bjorn Gulden is undoubtedly the right man for the coming years to wake up the sleeping beauty.

In Industry, the decline in Nexans over the month explains most of the underperformance. The main explanation for the stock's decline (-11%) is the downgrading of the recommendation of some brokers (Merrill Lynch and Exane) on valuation considerations and exposure to construction. Our thesis on the company remains intact. Nexans remains very well positioned to capture the investments linked to the effort to electrify energy infrastructures over the next few years. The cyclical component of the business seems to us to be well neutralized by our hedging positions.

Performance since inception



Performance (%)

	YTD	1 month	1 year	3 years	Annualized performance*
PHILEAS EQUITY EUROPE	-16.63%	3.70%	-12.62%	15.83%	5.45%
MSCI EUROPE NR	-6.19%	6.88%	-1.02%	15.81%	5.47%

** I share launched as of 10/15/2015*

Top holdings

Holdings	**%**
CAP GEMINI	5,09%
SPIE	4,92%
PUBLICIS	4,72%
LVMH	4,64%
SOPRA STERIA	4,40%
Number of holdings	32
Investment rate	94.67%

Risk indicators - 1-year data

Volatility of the fund	21.98%
Volatility of the benchmark	18.83%
Tracking error	8.27%
Beta	1.08
Information ratio	-1.30
Sharpe ratio	-0.48

Source : Bloomberg

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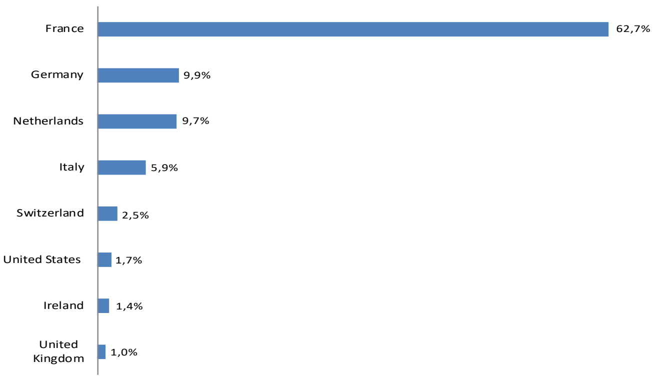
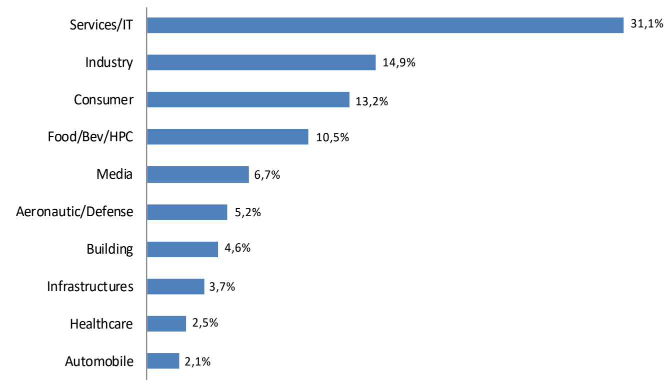
Portfolio exposure by country



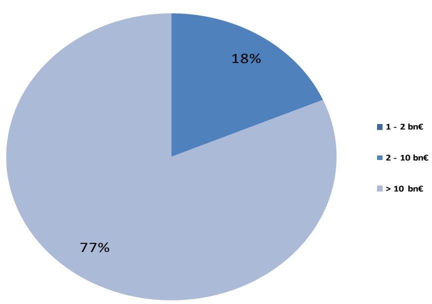
Source : Phileas

Portfolio exposure by sector



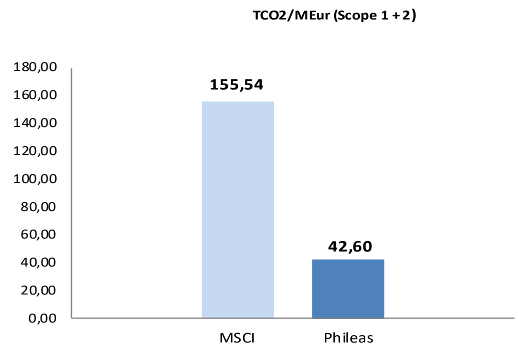
Source : Phileas

Portfolio exposure by market cap



Source : Bloomberg

Carbon intensity



Source: Trucost

ESG notation—Net exposure

	-2	-1	0	+1	+2
Decarbonization	0.0%	3.7%	65.9%	14.2%	8.6%
Human Capital	0.0%	0.0%	68.0%	22.6%	1.9%
Governance	2.1%	5.8%	74.9%	8.0%	3.8%

Source : Phileas

Style factors - Net exposure

Quality	51.0%
Value	26.5%
N/A	17.2%

Source : Phileas

Source: Phileas Asset Management, unless otherwise noted

PHILEAS ASSET MANAGEMENT SAS - 60, rue de Prony - 75017 Paris - Tel. : +33 (0)1 40 54 47 26 - contact@phileas-am.fr - www.phileas-am.fr