




BELLECOUR CAPITAL

European Fund

– Absolute Return Fund –
Investment & Decision Process (July 2017)

- **Flexible Equity Fund (0  100%)** targeting 7% annual returns with a volatility around or below 10%
- Mainly invested in **Eurozone** equities on a stock-picking basis, with no market cap bias
- Bottom-up strategy for the Long positions ; global exposure adjusted based on the Portfolio upside potential (based on our internal target prices)
- We buy high quality businesses at compelling prices with catalysts for re-rating
- Given our track record and experience, we only try to capture alpha on a limited number of Long positions

INVESTMENT OBJECTIVE

Achieve long term capital appreciation combined with a degree of downside protection

Investment Philosophy

- **Value bias**

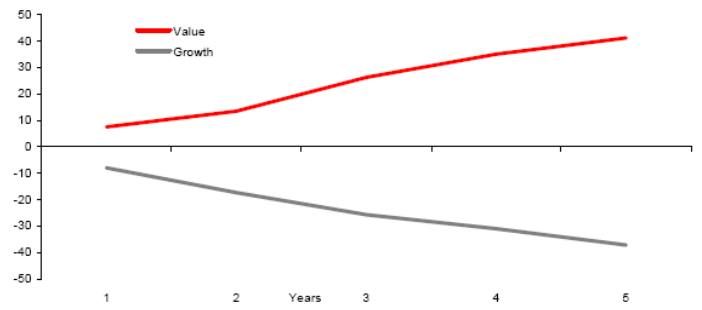
- To minimise the risk of overpaying for the hope of growth
- With value being defined as an absolute criteria – i.e. discount to intrinsic value – while most Value Funds use it as a relative criteria

- **Contrarian approach**

- Bottom-up stock selection, but top-down awareness – Neither approach has the monopoly on insight

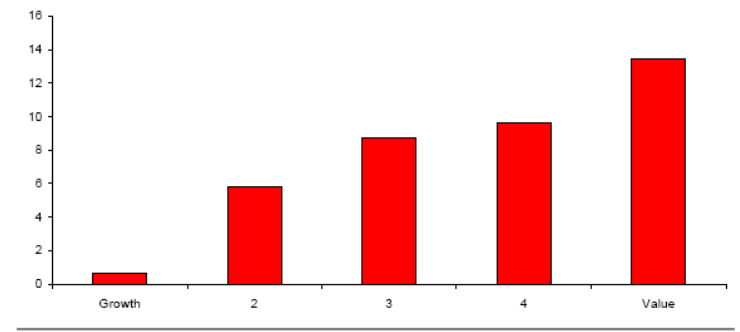
- **Patience and long-term investment horizon**

Patience is a virtue: cumulative excess returns over various holding periods



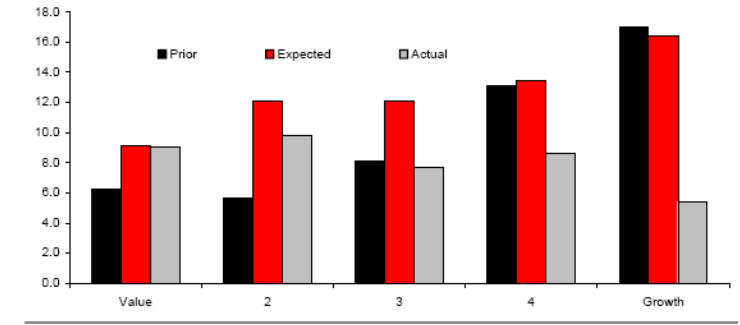
Source SG Global Strategy Research

Global unconstrained value investing works! (1985-2008, % p.a.)



Source SG Global Strategy Research

Growth: past, expected and actual (Europe 1985-2007)



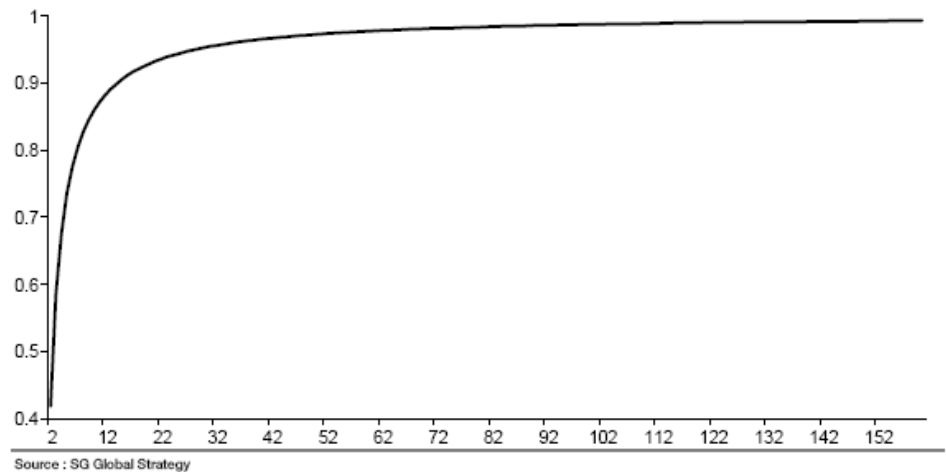
Source: SG Global Strategy Research

A Concentrated Portfolio

- There is no long term outperformance to be generated without accepting a certain level of tracking error
- Diversification through an extended number of positions does not mean risk diversification
- High conviction ideas outperform the market

- Holding 8 positions reduces stock specific risk by 83%, whereas holding 16 positions reduces it by 91%

Stock specific risk elimination vs number of holdings



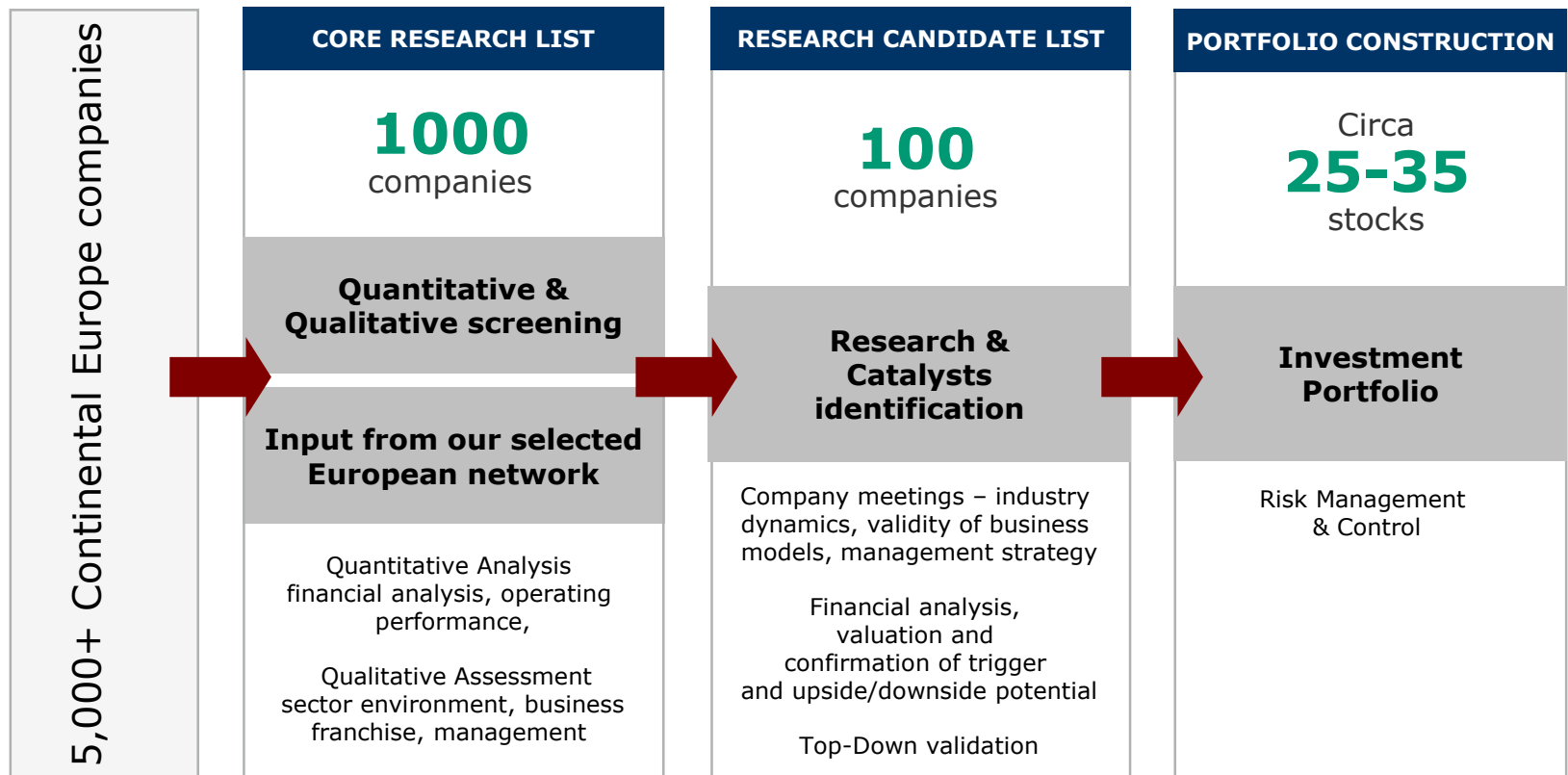
Portfolio Construction

- Number of positions 25-35 Long positions
- Holding Size No single investment will exceed 5% of NAV
Investments will be as much as possible equally weighted
(depending on liquidity issues)
- Concentrated book – but risk diversification
- Liquidity Portfolio structured so that we can exit 95% in 5 days
(assuming 1/4 volume)
- Global exposure determined upon our internal valuation process

Portfolio Exposure vs Upside Potential		
Portfolio Upside	→	Portfolio Net Exposure
<0 to 0%	→	0% to 30%
0% to 5%	→	30% to 60%
>5%		60% to 100%

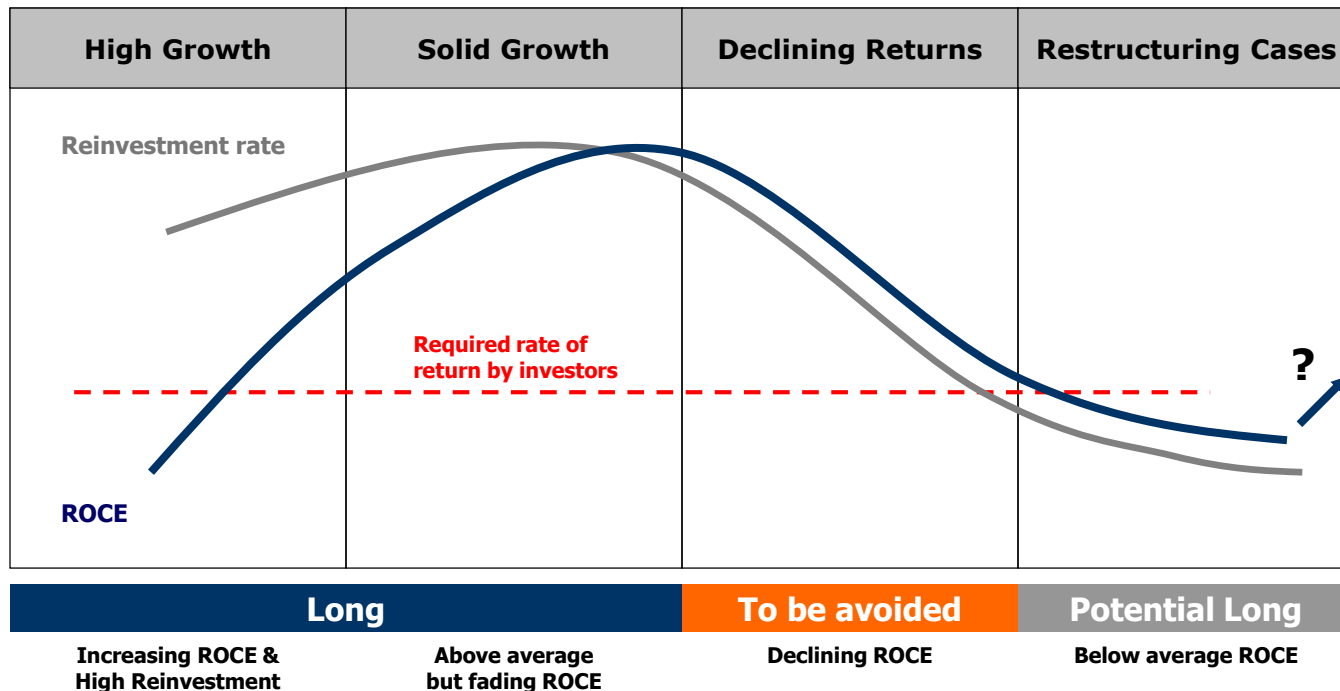
Investment Process

- We invest in a universe we know – i.e. Eurozone listed companies
- We highly value the input of our selected European network of fund managers and brokers in our screening process



Investment Process

- We divide our universe in 4 categories: **High Growth**, **Solid Growth**, **Declining Returns** and **Restructuring cases**
- Long candidates are selected among companies offering increasing ROCE either with high reinvestment rate potential or turnaround perspectives



Long Positions Characteristics

Bulk of the book : High Quality Businesses

Qualitative screening

- We invest in stocks as we would invest in a business
- We opt for highly qualitative, stable, superior businesses with solid management track record
- Strong brands, strong negotiating power over customers & suppliers, competitive edge
- Pricing power & volume predictability. We avoid business risks
- No concept stocks, no gambling. We invest in businesses we understand
- To avoid value traps, we favour companies showing earnings acceleration, or at least predictable earnings growth

Opportunistic Trades

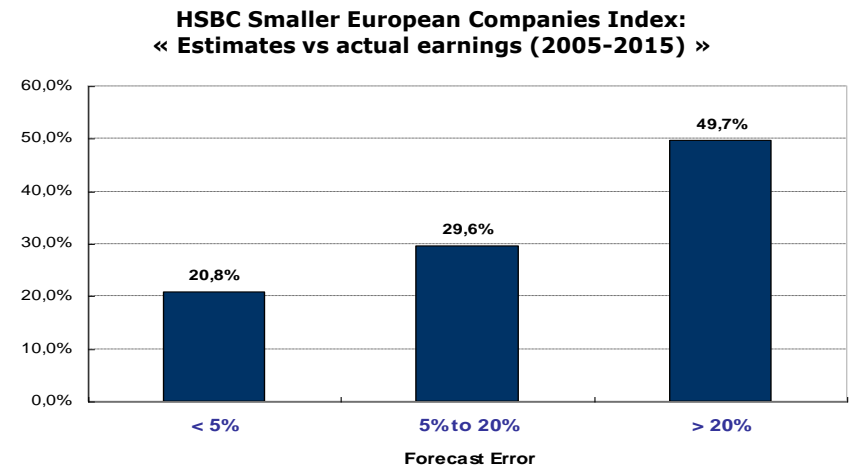
- On an opportunistic basis, we will invest on turnaround situation
- It should however match our basic principles in terms of quality

Catalysts

- Earnings surprise potential
- Hidden value
- Restructuring
- Break-up
- Acquisitions
- Divestments
- Management change
- ...

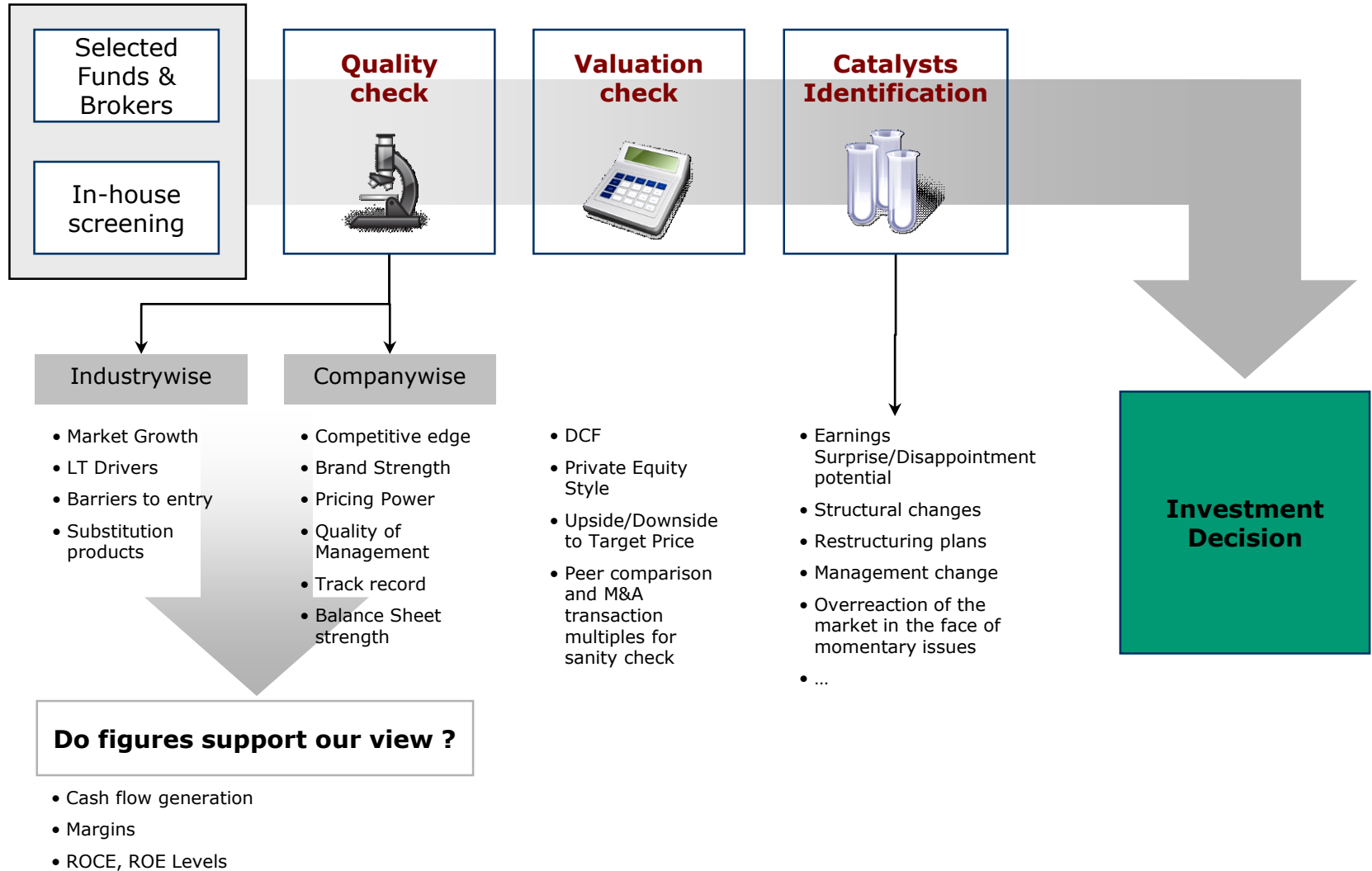
Stock Selection Process

- 2 ways to source new ideas: our network of selected European funds and brokers + internal research
- Internal and external screening tools
- In-depth research
 - Own forecasts & valuation models (DCF-based & Private Equity based), determining earnings surprise potential & own target price. **Consensus is not reliable** (cf. Graph)
 - Interviews with management, industry specialists, clients, analysts...
- Strategic analysis (SWOT, Porter)
- Decisions are made on a risk-reward approach based on our internal target price
- A **disciplined** process: we exit once the target price is surpassed or the catalyst vanished – If no opportunity occurs, we will remain cash

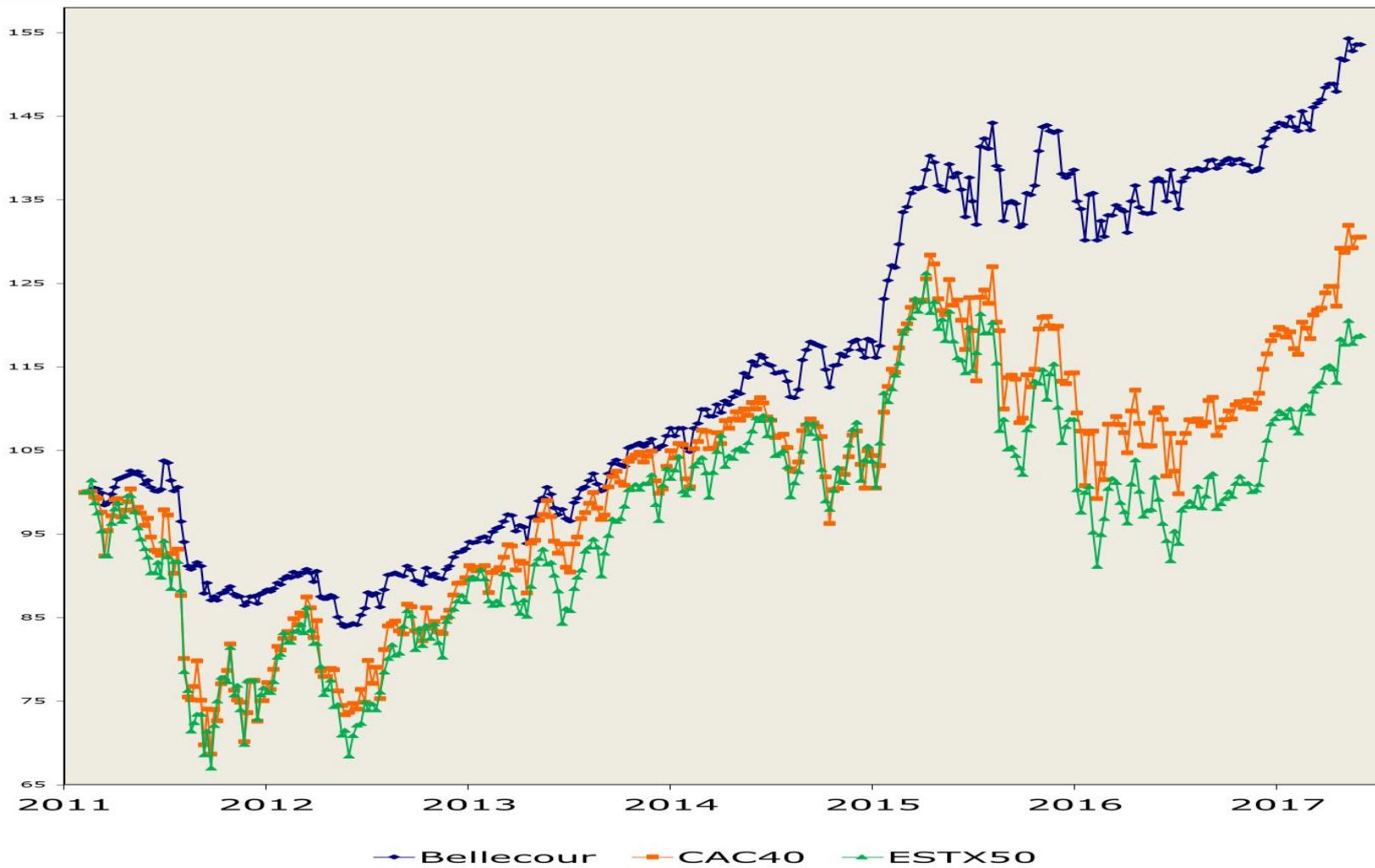


Source : Factset

Stock Selection Process



Gross Historical Performance



Performance Characteristics

PERFORMANCE FIGURES AS OF JUNE 1ST, 2017

- Gross performance since inception: **+64.0%**
- 1Y Volatility: **6.4%**
- 2Y Volatility: **5.8%**

Gross Performances*	YTD	2016	2015	2014	2013
Bellecour Capital	+6.9%	+3.7%	+17.4%	+10.6%	+14.5%
CAC40	+9.9%	+4.0%	+9.5%	+1.3%	+14.8%
ESTX50	+9.2%	+0.6%	+4.8%	0.8%	+18.4%

*: Unaudited data

➤ 3 Key Words: **Risk diversification**, **Discipline**, **Liquidity**

Risk diversification

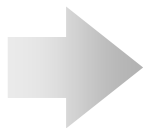
- Sectors
- Countries
- Currencies
- Commodities
- Mkt caps

Discipline

- Quality businesses only
- Target prices defining entry and exit levels
- Gradual building of positions
- Catalysts

Liquidity

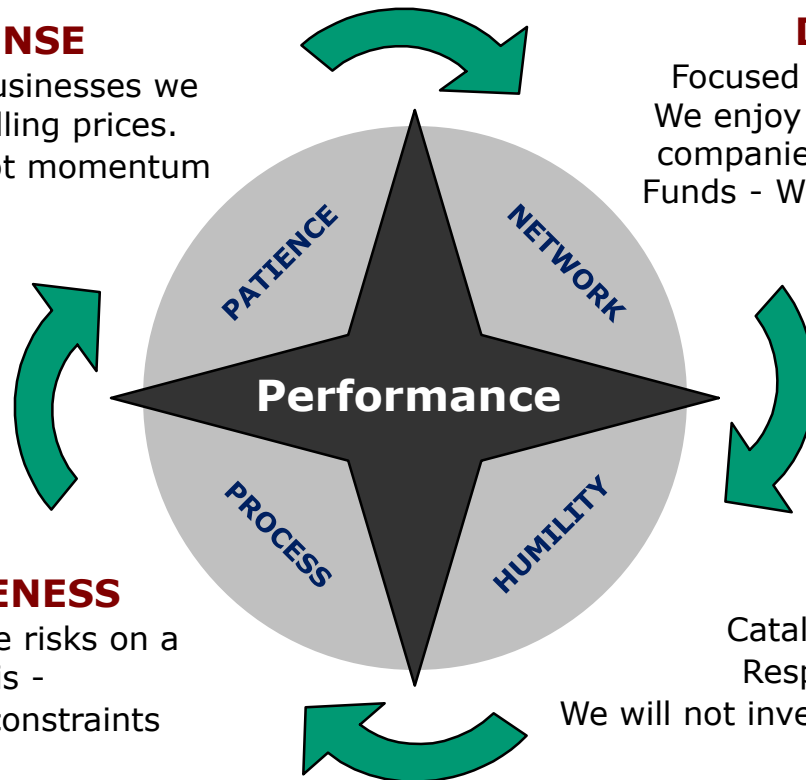
- Portfolio structured so that we can exit 95% in 5 days (assuming 1/4 volume)
- Liquidity is key when it comes to sizing positions (ideally equally weighted)



Each parameter will be tracked on a daily basis by the Fund Manager as well as on a monthly basis as part of the Board of Directors' meeting

COMMON SENSE
We invest in specific businesses we understand at compelling prices.
We are stockpickers, not momentum players

DEDICATION
Focused on a universe we know.
We enjoy strong relationships with companies, brokers and European Funds - We build our own estimates



RISK AWARENESS
Tracking of exposure risks on a regular basis -
Applying liquidity constraints

DISCIPLINE
Catalysts are prerequisite.
Respect of target prices.
We will not invest if we find nothing compelling



NICOLAS FAURE

Fund Manager

Before founding Bellecour Capital in 2010, Nicolas Faure had spent 4 years at Pictet Asset Management as a Senior Investment Manager in the Small Cap Equities team (managing €0.5bn vs €1.5bn total product A.U.M.), responsible for France, Belgium, the Netherlands, Finland & Norway. In parallel to his role within the Small Cap team, Nicolas also was the co-lead on Pictet's European Small Cap Hedge Fund (€35m under management).

Before joining Pictet, Nicolas had spent three years as a fund manager/buy-side analyst for the European Midcap fund at Pascal Advisers S.A. (€250m under management) and three years as a sell-side analyst for Crédit Lyonnais Securities Midcaps, focusing on French midcap companies.

Fees & Dealing Terms

- Legal structure: Luxembourg Special Investment Fund (S.I.F.)
- Entry fee: 0%
- Exit fee: 0%
- Management Fee: max 2%
- Performance Allocation: 20% above 5% net performance
- Weekly NAV / 5-day redemption notice
- Minimum Investment: EUR 0.125m
- Transfer Agent: CACEIS Bank Luxembourg
- Domiciliary Agent: CACEIS Bank Luxembourg
- Auditors: Deloitte Luxembourg
- ISIN code: **LU0508759890** / Bloomberg code: **BELLEUR LX**



BELLECOUR CAPITAL

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