



# BELLECOUR CAPITAL

## **European Fund**

– Absolute Return Fund –

*Investment & Decision Process (January 2020)*

- **FLEXIBLE EQUITY FUND** (0  100% net exposure) targeting 7% annual returns with a volatility around or below 6%
- Mainly invested in **Eurozone** equities on a stock-picking basis, with no market cap, sector, nor country 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 high 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

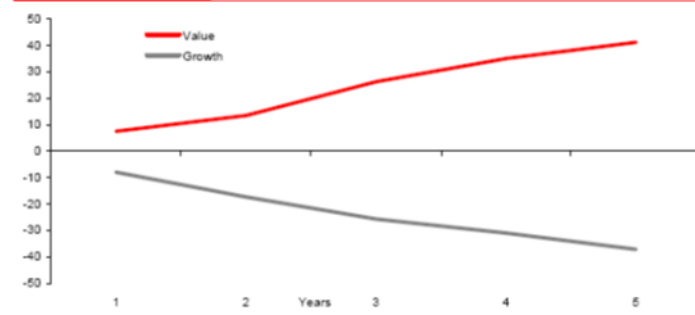
## ■ EARNINGS MOMENTUM

- > To avoid Value traps

- 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



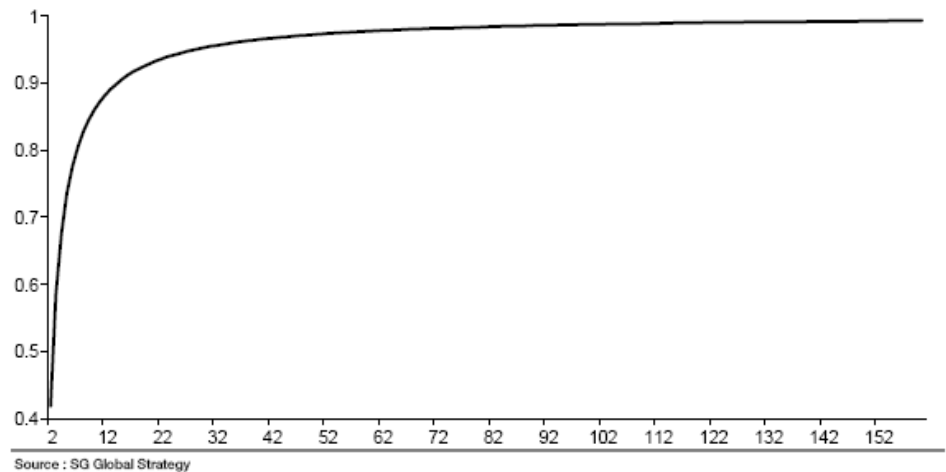
Source: SG Global Strategy Research

# 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**



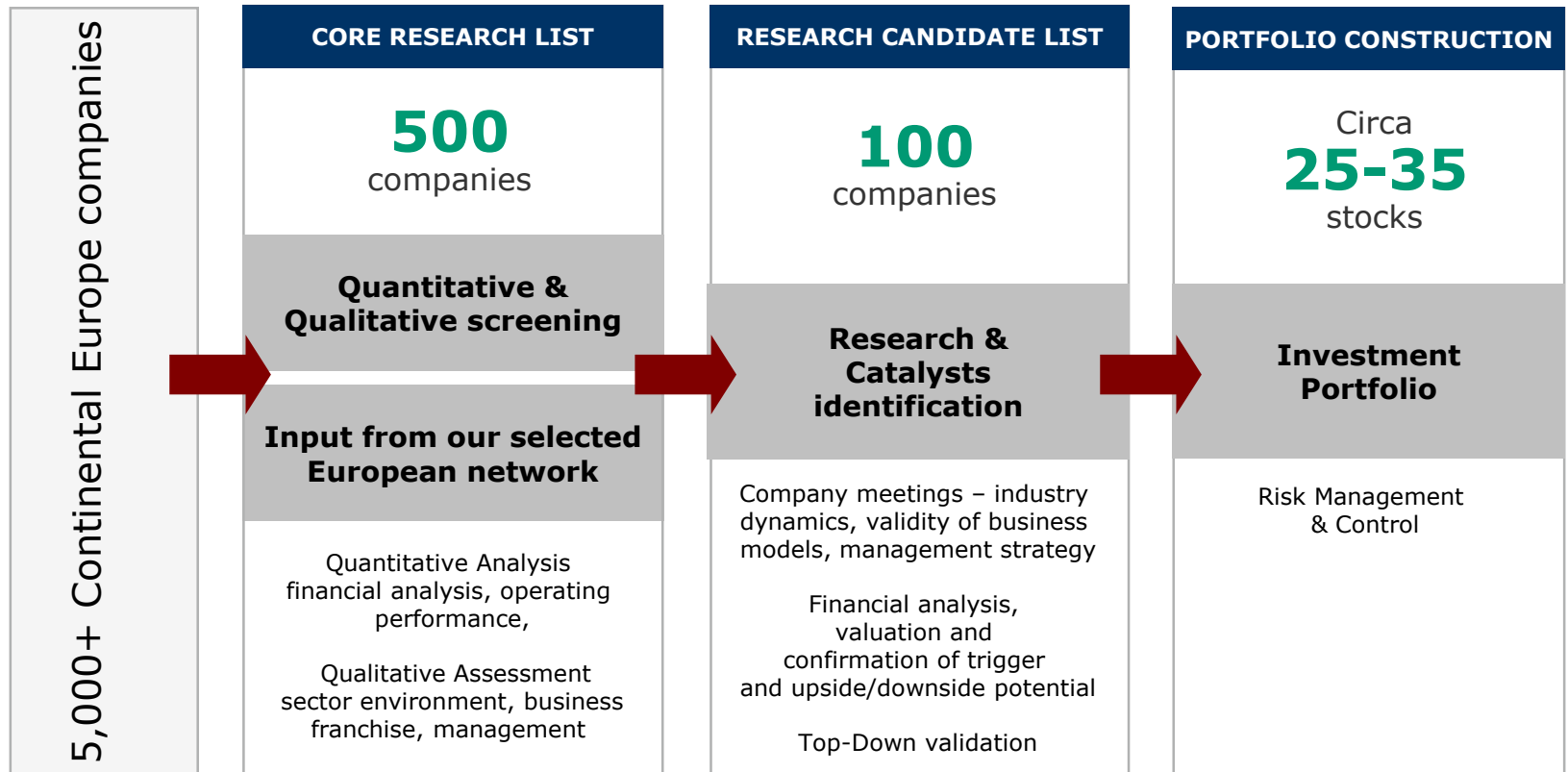
# Portfolio Construction

- Number of positions 25-35 Long positions
- Holding Size No single investment will exceed 7% of NAV  
Investments will be as much as possible equally weighted  
(mainly depending on liquidity issues)
- Concentrated book – but risk diversification
- Liquidity Portfolio structured so that we can exit 100% in 1 day  
(assuming 20%-volume execution)
- Global exposure determined upon our internal valuation process

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

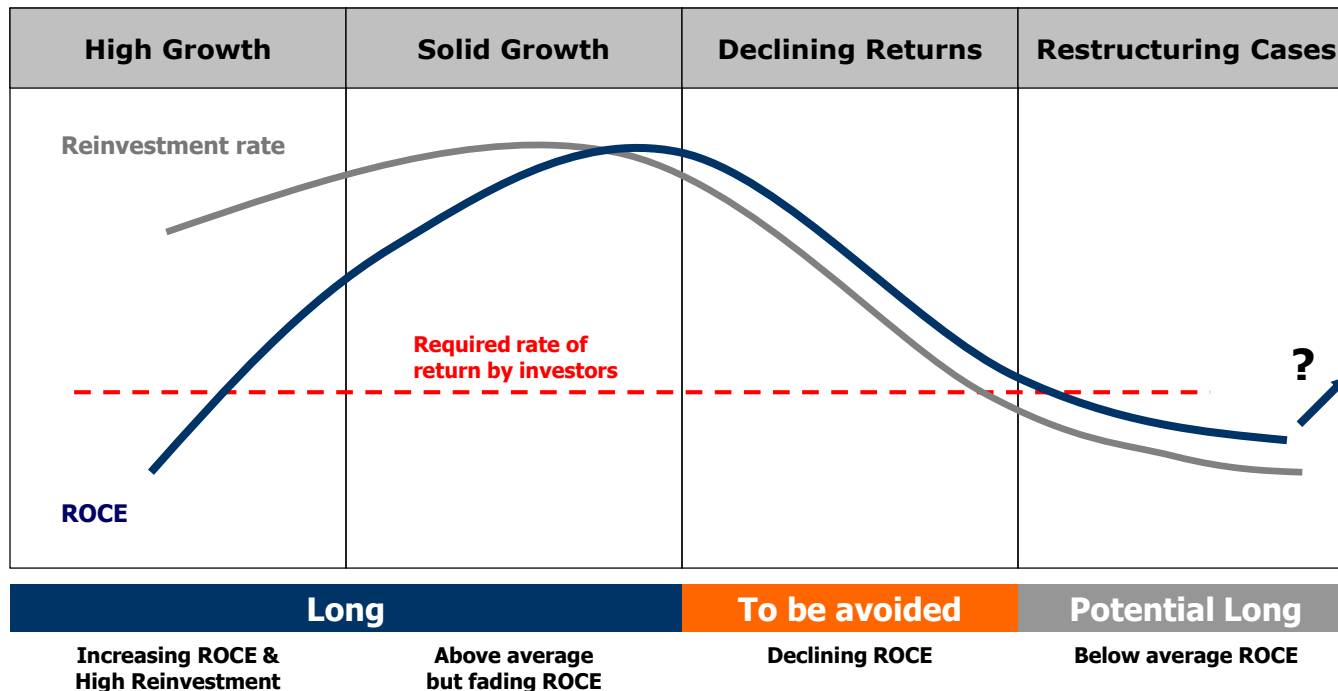
# Investment Process

- 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
- ...

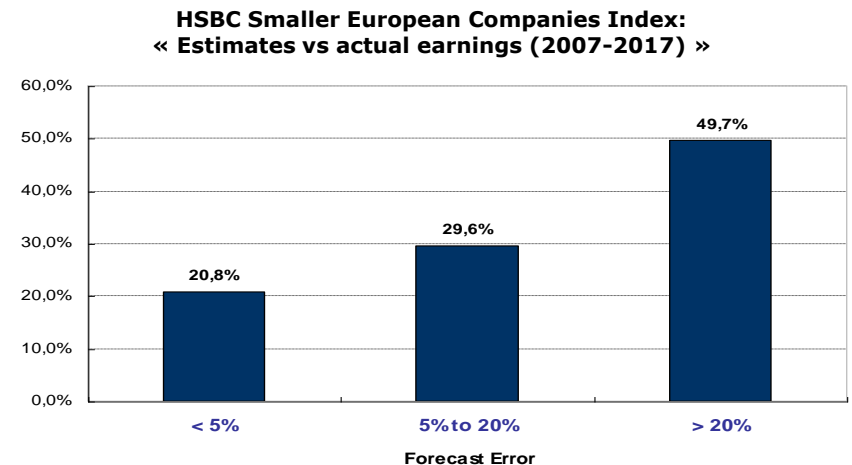
### Financials

- ROE > 10%
- ROCE > 10%
- FCF Yield > 5%
- ...



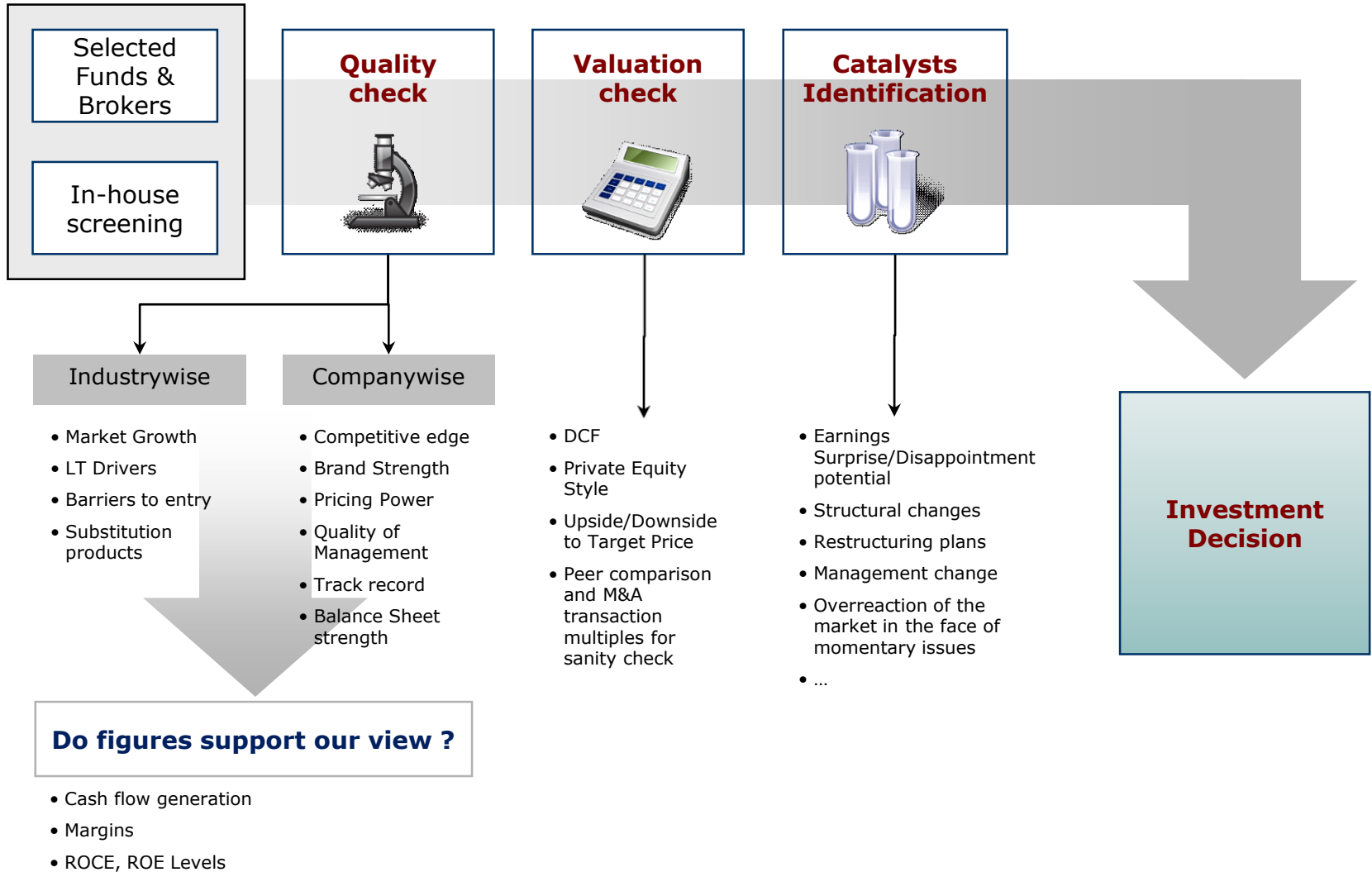
# Stock Selection Process

- 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

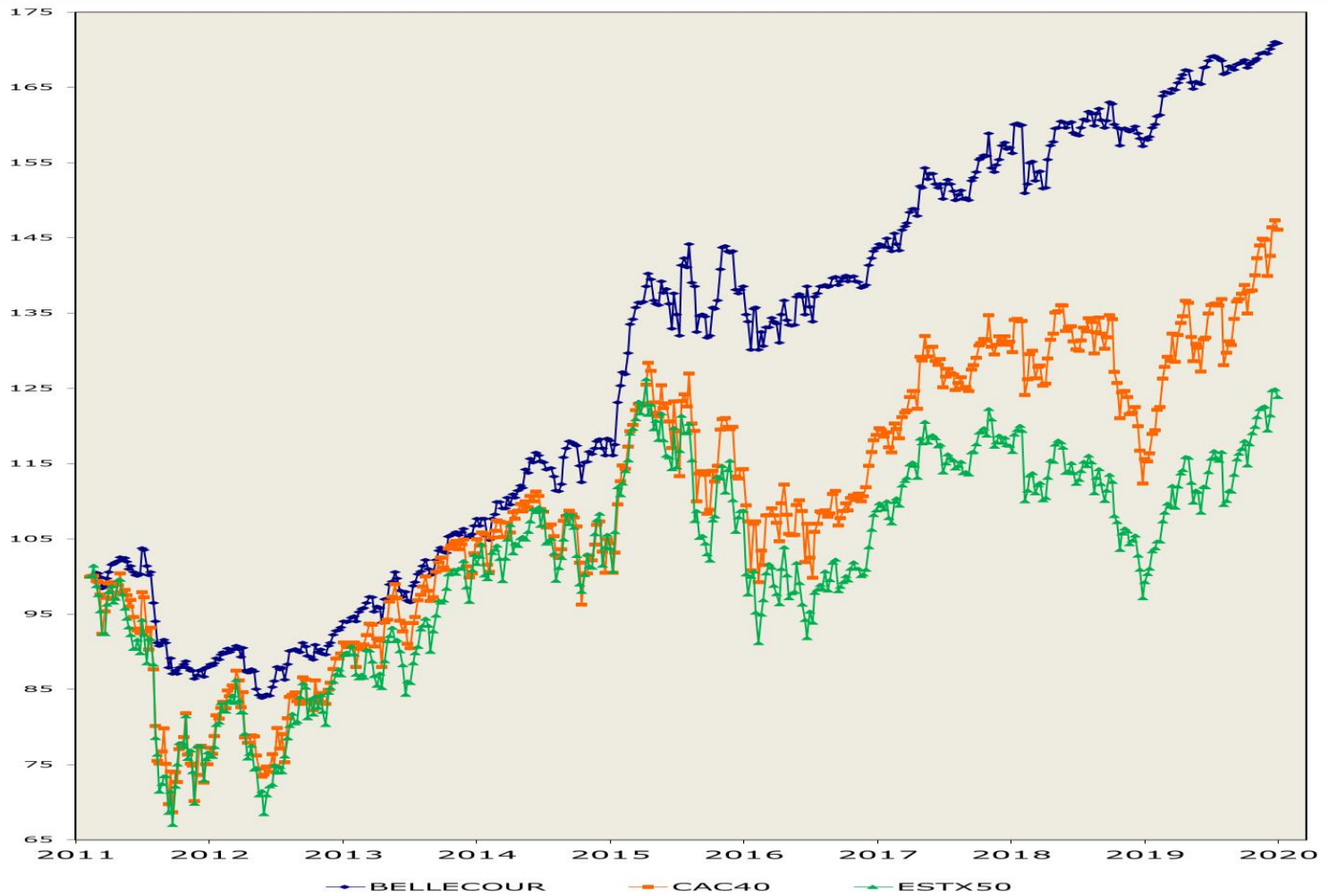


Source : Factset

# Stock Selection Process



# Gross Historical Performances (January 1<sup>st</sup>, 2020)



# Performance Characteristics

## PERFORMANCE FIGURES AS OF JANUARY 1<sup>ST</sup>, 2020

- > Gross performance since inception: **+82.5%**
- > Net performance since inception: **+35.0%** (impacted by higher performance fees between 2010 and 2015)
- > 1Y Volatility: **3.1%** ; 2Y Volatility: **5.0%**

Gross Performances	2019	2018	2017	2016	2015	2014
<b>Bellecour Capital</b>	<b>+8.0%</b>	<b>-0.2%</b>	<b>+8.3%</b>	<b>+3.7%</b>	<b>+17.4%</b>	<b>+10.6%</b>
CAC40	+26.4%	-11.0%	+9.3%	+4.0%	+9.5%	+1.3%
ESTX50	+24.8%	-14.3%	+7.1%	+0.6%	+4.8%	+0.8%

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

## **Risk diversification**

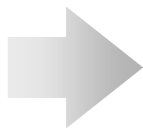
- Sectors
- Countries
- Currencies
- Commodities
- Mkt caps

## **Discipline**

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

## **Liquidity**

- Portfolio structured so that we can exit 100% in 1 day (assuming 20%-volume execution)
- Liquidity is key when it comes to sizing positions (ideally equally weighted)



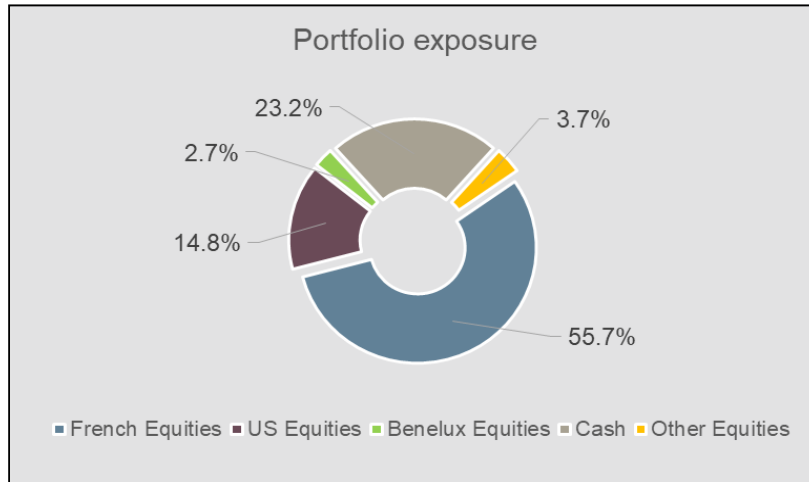
Each parameter will be tracked on a daily basis by the Fund Manager as well as on a monthly basis as part of the Board of Directors' meeting

# Country & Sector Exposure

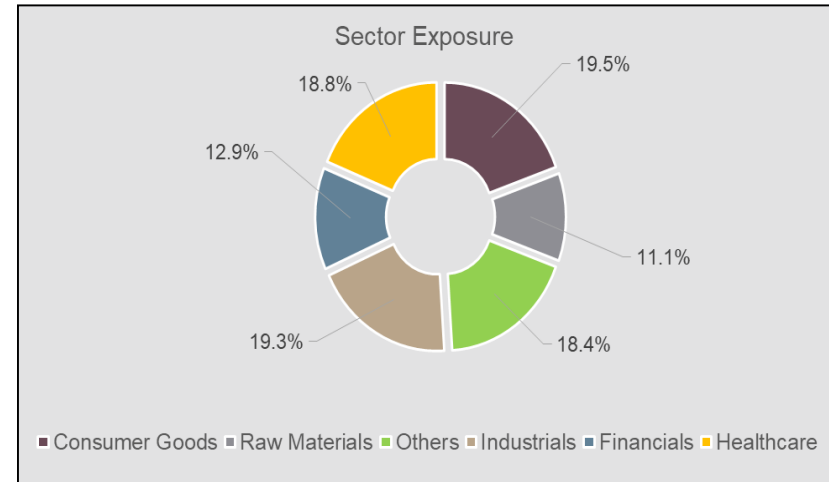
## STOCK-PICKING INVESTMENT STRATEGY



### COUNTRY EXPOSURE

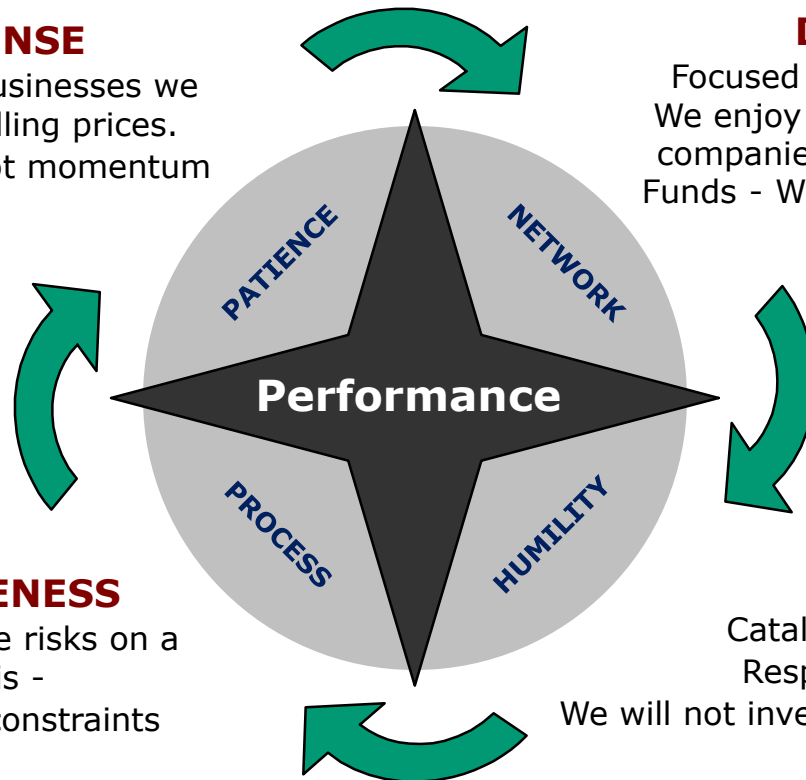


### SECTOR EXPOSURE



**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.

### **BOARD OF DIRECTORS**

- > **Jean-Pascal Brivady** - M&A Counsel & Finance Professor
- > **Vincent Neurrisse** – External Wealth Manager & Investment Counsel
- > **Nicolas Faure** – Fund manager



# Fees & Dealing Terms

- Legal structure: Luxembourg Special Investment Fund (S.I.F.)
- Entry fee: 0%
- Exit fee: 0%
- Management Fee: max 2% (An Institutional Share will be launched in 1Q20)
- Performance Allocation: 20% above 5% net performance (10% as of 2Q20)
- Daily NAV / 1-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

## CONTACT

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