

PROTEA FUND BAM EUROPEAN EQUITIES

November 2018



PORTFOLIO REVIEW

European indices trailed their US and Asian peers in November. The Stoxx 600 and SPI closed the month down 0.97% and 0.89% respectively, while the MSCI Asia Pacific and S&P 500 were up 2.88% and 2.04%.

The main drivers of European equity performance were Telecommunication Services (Vodafone gained 17%) and Health Care, notably large pharmaceutical companies such as Novartis and Roche. Meanwhile, all companies active in the Energy sector underwent significant downward pressure.

The fund closed the month down 2.82%, lagging the Stoxx 600 by 1.8%. This underperformance is attributable to our overweight of the Consumer Discretionary and Information Technology sectors. Having an additional 7.35% exposure to Consumer Discretionary compared to the benchmark cost us 1% of relative performance. As for Information Technology, 1% of underperformance is attributable to Wirecard, which dropped 19% in November. This sector continues to be very volatile worldwide.

Our top performing stocks in November hail from various sectors: Wolters Kluwer (Industrials) gained 6.30%, Campari Group (Consumer Staples) was up 8.61% and we sold FinecoBank (Financials) after a 6% rebound. The fund's worst performers were Wirecard, as well as automobile companies such as Peugeot and Ferrari.

During the month, we reduced our exposure to financial services by selling London Stock Exchange and FinecoBank, using the proceeds to buy two insurance companies, Swiss Life and Hannover Rueck.

Going forward, a lot of uncertainty still clouds Europe, with the Brexit vote to be held on December 11 and continued budget negotiations between Italy and the EU. The market can thus be expected to remain volatile but, with stable earnings growth and an attractive valuation, 2019 should begin on a better note.

MARKET OUTLOOK

After particularly low volatility in 2017 (S&P 500 360-day price volatility hit a 50-year low), all major equity indices suffered two severe corrections during 2018. The January-February decline erased some 10%, while the correction that began in September has (so far) erased just over 10%.

Were we to focus only on corporate results, the picture is constructive. 2018 earnings reports have been positive in Europe, Asia ex-Japan and Japan – and outstanding in the US (mostly due to tax reform). Stoxx Europe 600 annual EPS growth is expected at around 8.3% this year and 9.4% in 2019.

That said, at major turning points, earnings are a poor indicator of equity returns. Early in 2008, S&P 500 full year EPS growth was expected to reach 12%. Unfortunately, the final number came in at -19% and the stock market crashed 38%...

With equity markets under severe pressure recently, should we assume that 2019 will be a major turning point?

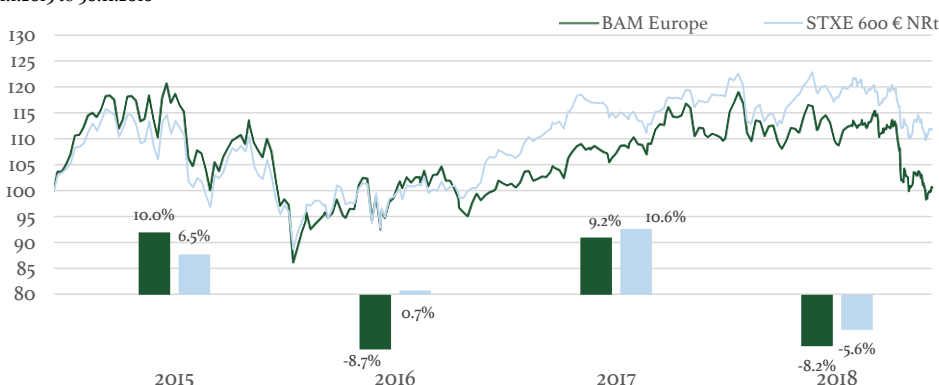
We do not believe so, even though growth has been decelerating across the globe for the past 10 months. Looking at manufacturing PMIs, 75% of countries remain in expansionary territory, compared to 58% during the 2015 slowdown. The US world engine also continues to run at a strong pace. The most advanced component of the US PMI, new orders, is not at a level that would suggest a recession is pending.

Moreover, central banks remain accommodative and, even after three years of tightening in the US, real rates are still very low (real Fed funds stand at 0%). We also note few signs of contagion: US credit spreads have not widened significantly and, in Europe, the Italian budget crisis has not materially impacted other peripheral countries' spreads.

In conclusion, we do not feel that markets are at a major turning point but, in the light of the current slowdown, do need to assume that earnings will undergo significant downward revisions during coming months. However, given how severe the correction has been, equities are already pricing in an important slowdown. With a Stoxx 600 forward P/E of 12.5x, below levels seen during 2015 slowdown and at an almost 6-year low, we consider the European equity market attractive.

NET PERFORMANCE AND ANNUAL PERFORMANCE IN EUR

21.1.2015 to 30.11.2018



	Fund	Bench.	+/-
1 Month	-2.8%	-1.0%	-1.8%
3 Months	-12.0%	-6.2%	-5.8%
YTD	-8.2%	-5.6%	-2.6%
Since inception	0.6%	11.7%	-11.1%

INVESTMENT OBJECTIVE

To achieve capital appreciation on an absolute and relative basis over the medium to long-term horizon through investment in European equity markets in a concentrated but diversified portfolio, with high liquidity.

RISK & REWARD



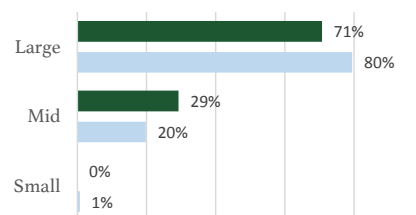
FUND FACTS

Domicile	Luxembourg/UCITS IV
Inception date	21 January 2015
Currency	EUR
Fund Managers	Florian Marini, CFA, CMT BAM Team
Fund size	EUR 26.4 Millions
Liquidity (sub./red.)	Daily
Min. Investment	Retail: 1000 EUR Instit.: 1 million EUR
Management fees	0.8%-1.2%
Performance fees	20%
High Water Mark	Yes
Benchmark	SXXR Index
ISIN	Retail: LU1118008553 Instit.: LU1118008397
Bloomberg	Retail: PROBEER LX Instit.: PROBEEI LX
NAV	Retail: 98.93 Instit: 100.63

STATISTICS

	Fund	Bench
Leading PE	19.8	13.4
EV/EBITDA	18.3	11.8
P/Book	4.3	2.0
Dividend Yield	1.7%	3.4%
ROE	19.4%	14.1%
Debt/Equity	47.7%	60.0%
Interest Coverage	15.0	10.8
Beta	0.95	1.0
Volatility	13.0%	12.0%

ALLOCATION BY MARKET CAP

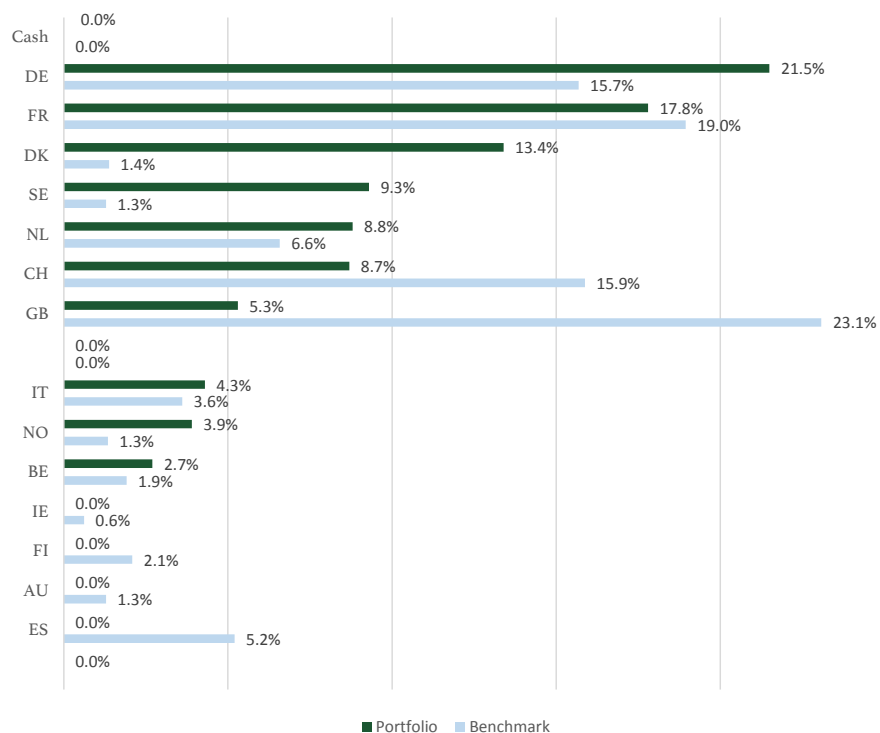


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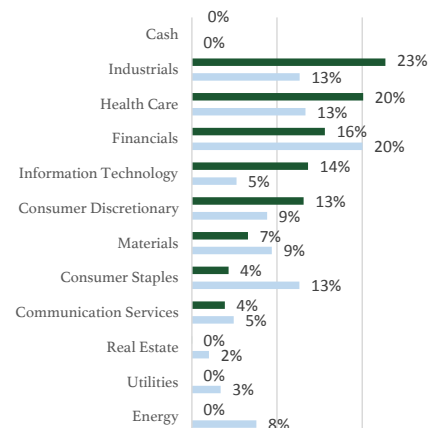
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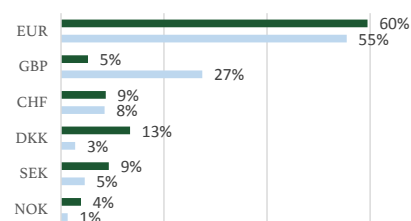
ALLOCATION BY COUNTRY



ALLOCATION BY SECTOR



ALLOCATION BY CURRENCY



TOP 10 HOLDINGS

Top 10 Equity Holdings	Sector	Country	Weight
ASTRAZENECA PLC	Health Care	GB	5.3%
DEUTSCHE BOERSE AG	Financials	DE	4.9%
SECURITAS AB-B SHS	Industrials	SE	4.9%
DSV A/S	Industrials	DK	4.8%
CAPGEMINI SE	Information Technology	FR	4.8%
COLOPLAST-B	Health Care	DK	4.7%
SYMRISE AG	Materials	DE	4.7%
DAVIDE CAMPARI-MILANO SPA	Consumer Staples	IT	4.6%
WOLTERS KLUWER	Industrials	NL	4.6%
QIAGEN N.V.	Health Care	US	4.5%
Total			48%

Total number of Holdings

25

FUND COMPLEMENTARY DETAILS

Administrator	Fund Partners Solutions SA
Representative in Switzerland	FundPartners Solutions (Suisse) SA
Investment Manager	Bruellan SA
Custodian	Pictet & Cie (Europe) SA
Paying agent in Switzerland	Banque Pictet & Cie SA
Auditor	Deloitte Audit SARL
Cut off	Tuesday

CONTACT DETAILS

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