Managers Report
European Financial Opportunities (UCITS)

KEY DATA	
Manager	LUIS PEÑA
Focus Market	FINANCIAL SECTOR
Style	Balanced Flexible
Benchmark	40%SX7P/10%SXPI/50%MS+200bp
NAV (Class Z)	10.33
AUM	EUR 41m
Inception	1 March 2017
Performance Fee	7% Over HWM
Admin & Custodian	Edmond de Rothschild

CLASS A	LU1555973301		FTSEFAE LX
CLASS I	LU1555973566		FTSEFIE LX
CLASS Z	LU1555973723		FTSEFZE LX
	MTD	**YTD**	**S.I.***
Class Z	0.78%	7.04%	1.18%
Benchmark**	1.29%	4.59%	-1.87%

* Annualised Return
** 40%SX7P/10%SXPI & 50% MidSwap+200bp

European banks: Recent events and outlook

European banks performed in line with the overall European market in November 2019 (+2.5% for the SX7P Index vs +2.8% for the SX5E). ***Main drivers of future sector performance***:

1) US-China Trade War: Will Ph-1 ever be concluded? The market expects the US to postpone or cancel the upcoming Dec-15th new tariffs on Chinese products (15% on $160bn) as part of Phase I agreement. We have the impression that the market also anticipates, at least, a partial roll back of the September 2019 tariffs ($110bn at 15%). The sticking points in this Ph-1 deal seem to be the amount of US agricultural purchases from China (US demands between $40bn and $50bn) and the size of tariff removal (China seems to be demanding the roll back of Sept-19 tariffs). Whether Ph-1 is signed or not would determine the 2020 US & EU interest rate backdrop, we think.

2) UK Elections - Brexit: BJ likely to win but with an uncertain majority. There are four scenarios, in our view: i) Tory majority >30 (353 MPs or more) would guarantee the approval of the WA (Withdrawal Agreement) and a potential extension of the transition period beyond 2020, if needed, ii) Tory majority of <30 (between 323 and 353) could lead to the approval of WA but the risk of no-deal could resurface in case an extension of the transition period was needed, iii) hung Parliament could lead to a resurface of the no-deal risk before the approval of the WA and iv) Labour-LibDem coalition could lead to a referendum and potentially to no Brexit. Polls point to some form of Tory majority. After elections, investor attention could quickly shift to the future relationship between the UK and the EU. We think this next phase (after a short relief) could still exert uncertainty on the macro backdrop in 2020.

3) Macro / Rates – 2020 backdrop still uncertain: Despite the recent stabilization of Eurozone PMIs in Oct/Nov at levels slightly above 50, the manufacturing sector is still in the doldrums (specially in Germany). Consensus expects PMIs to rebound in 1Q20 in line with M1. Very flexible financial conditions (lower depo rate at -0.50%, QE II at €20bn/month and TLTRO III) together with the potential short-term uncertainty relief from Brexit and US trade-wars could contribute somehow to the rebound. Anyhow, we expect 2020 GDP growth to remain low at levels similar to 2019 (c.1% GDP) and risks remain tilted to the downside, in our view, in case Ph-1 failed to materialize.

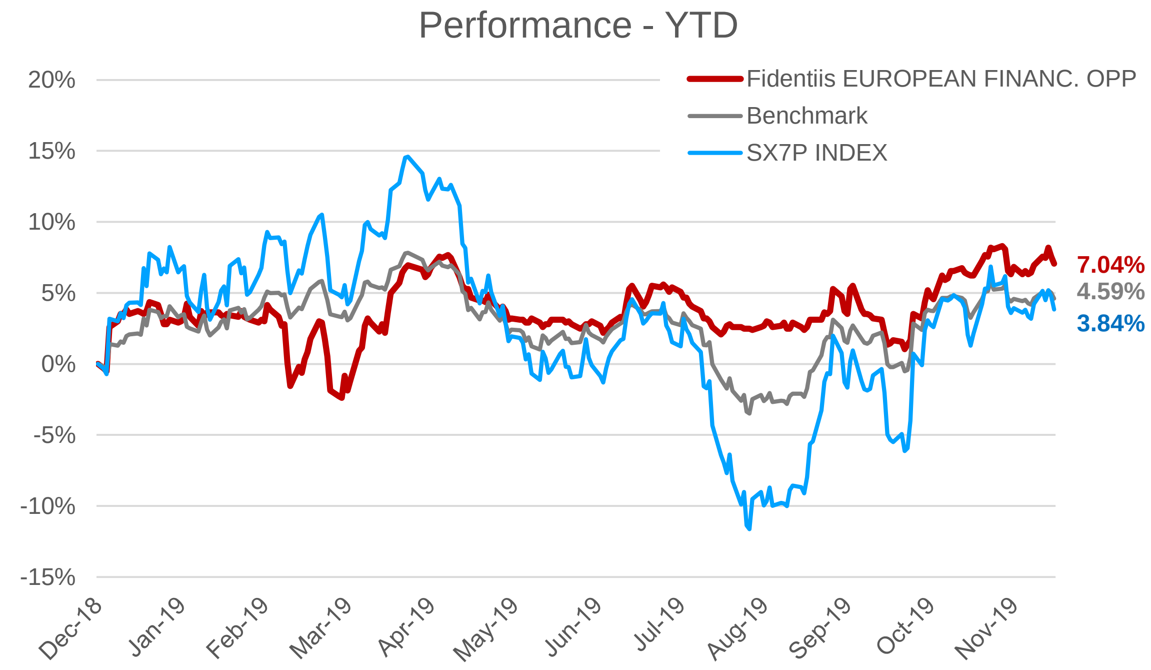
4) Basel 4 – CRD5 could provide some relief. CRD5 -to be implemented at the end of 2020- states that P2R could partly be filled with AT1s/T2s (44%) instead of CET1. Hence, if could provide a CET1 minimum relief of c.80bps or most of the expected negative B4 impact at sector level. UCG was quite vocal about this effect in its last CMD. The potential decline in capital requirements could be incrementally positive for banks with a perceived stretched capital situation (SAN, SG, BNP, ING…).

5) SX7E valuations have recovered from <80 in August to >90 now. Although we could see an extension of the current leg-up in bank valuations in the weeks to come, we doubt the right conditions are in place for a meaningful bank-led rally in the stock market. Hence, we remain tactic but cautious in our positioning.

What to do? We have been quite long during November and we are still net long in our equity exposure. We will monitor the upcoming events closely and decide the right exposure to equity.

EFO UCITs: Portfolio and investment policy

We launched the Fund on 01/03/17. At the end of November, the EFO UCITs was 93% invested (net). The performance of the Fund was as follows (please refer to the Fund's factsheet for greater detail on the portfolio):



Comment on the Fund's performance in November

The Fund (class Z) was +0.8% in November, underperforming the SX7P (+2.5%) mainly due to our partial hedges and the defensive positioning of our equity portfolio. At the end of November, the Fund had outperformed the two main European banking indexes materially since inception (+25% and +26% vs the SX7P and the SX7E in 2.7 years, respectively). YTD the Fund was up by 7.04% vs +3.8% of the SX7P.

Our equity portfolio reflects a defensive positioning with exposure to countries or business that show positive growth rates (CEE, private banking, insurance…). In any event, we would monitor events and re-assess our equity exposure when we perceive valuations already price in very negative scenarios and/or the macro backdrop clarifies.

We plan to look closely at listed Fintech players in order to identify potential opportunities. We have taken a couple of small positions in this field recently.