April 2020

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)	8.60
AUM	EUR 28.41 M
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	11.72%	-17.72%	-14.04%
Benchmark**	1.57%	-18.39%	-21.00%

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

European banks: Recent events and outlook

European banks underperformed the overall European market in April 2020 (+2% for the SX7P Index vs +5% for the SX5E). *Main drivers of future sector performance*:

1) EUROPEAN COVID19 PATH: 6-8 WEEKS OF LOCKDOWN + 6 WEEKS OF GRADUAL EASING WITH SOME PREVAILING BANS. CHINA EXPERIENCE. Most European Governments have begun to ease lockdowns. Some countries (namely Denmark, Norway, Austria and Germany) are leading the region ahead of Italy, Spain and France (UK is 2 weeks behind France). The latter are expected to almost completely exit "social restriction measures" by the end of June (some bans will remain in place for large gathering events, restaurants and hospitality, travel..). China is 7 weeks ahead of Europe in this process and consumption demand is still 65-70% of pre-Covid19 levels. As a result most market observers only predict a gradual recovery in Europe in 2H20 and 2021 with the region reaching pre-Covid19 GDP levels at some point in 2022. Some activities such as travel (airlines are badly hit), tourism, restaurants, mass gathering events and others) might take at least 1-1.5 years to reach 2019 levels.

2) COVID19 – UPDATED EZ GDP IMPACT: LOOKING AT THE ACCUMULATED GDP FALL IN 2020/21 – RECOVERY FUND. Eurozone GDP forecasts have been coming down to -10%/-11% in 2020 with a +6%/+7% subsequent GDP expansion in 2021. Given the high speed of events, the measures put in place by authorities (massive monetary and fiscal measures), most investors have decided to "look through" 2Q20 earnings and assess what would be earnings in 2H20 and 2021. Clearly, for a cyclical sector like banks is not the same a -11% GDP fall than a -3% / -4% accumulated fall over the course of 2 years. The approval of a Recovery Fund at European level could be instrumental to accelerate the recovery of the European economies more dependent on tourism and services (Italy, Spain, Portugal and Greece) without damaging too much their debt positions.

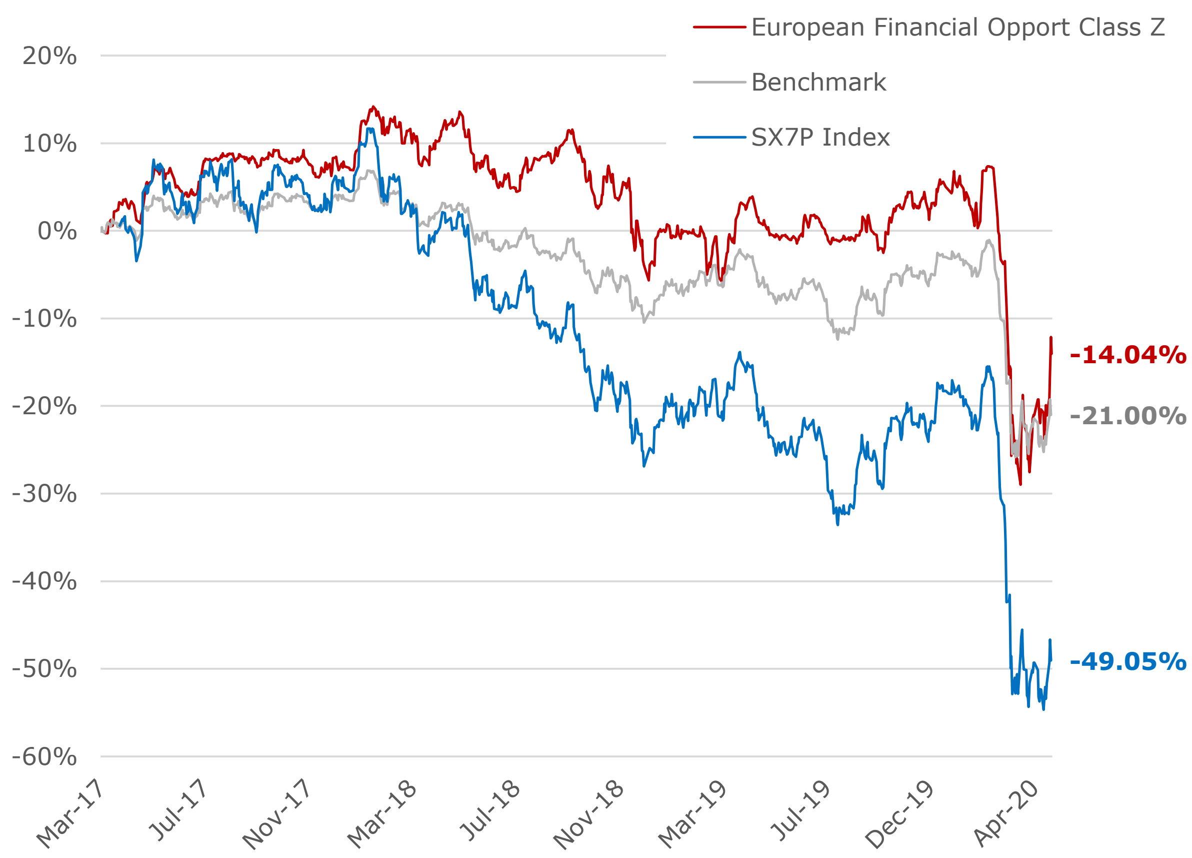
3) EUR BANKS 1Q20 SO FAR. The ECB has guided banks to record LLPs based on a 2020-21 macro scenario (hence looking at cumulative GDP fall in 2 years) rather than in 2020 alone. The response of banks have so far been disperse with some banks anticipating to 1Q20 a large amount of provisions while others (normally those with little exposure to the most troubled sectors) making very little incremental provisions in 1Q20. Assuming for 2020 (vs 2019) on average NII to fall by -2%, -10% for fees and an average CoR of 120bps (4x that of 2019), we believe 2020 EPS numbers will have to fall by 50% for Eur banks vs 2019 (roughly 25-30% for 2021 vs 2019). Note Eurozone banks are down 44% YTD (10th April)

Positioning: Defensive. Although long term, there are many headwinds for banks, we cannot rule out a significant bounce in bank valuations over the next months. In any case, we prefer companies whose profits will bounce quicker than banks: payments, asset managers, insurers and banks with little gearing to the credit cycle.

EFO UCITs: Portfolio and investment policy

We launched the Fund on 01/03/17. At the end of April, the EFO UCITs was 51.72% invested (net). The performance of the Fund was as follows (please refer to the Fund's factsheet for greater detail on the portfolio):

Performance (Since Inception)



Comment on the Fund's performance in April

The Fund (class Z) was +11,72% in April, outperforming the SX7P (+2,20%) mainly thanks to our stock picking and hedges. At the end of April, the Fund had outperformed the two main European banking indexes materially since inception (+35% and +39% vs the SX7P and the SX7E in 3 years, respectively).

Our equity portfolio reflects a defensive positioning with exposure to countries or business that show positive growth rates (payments, insurance, asset & wealth management…) and attractive dividend yields. Nonetheless, we would monitor events and re-assess our equity exposure when we perceive valuations already price in very negative (or positive) scenarios and/or the macro backdrop clarifies / worsens.

Food for thought: Will fiscal stimulus finally revive inflation?

Some market observers believe inflation could be the side effect of the massive fiscal programs put in place. Any improvement in inflation expectations could bring higher future rates in 2/3 years.

This document is solely informative. Past returns do not guarantee future returns.