

Monthly Review August 2016

Management Team : Marc Saint John Webb, Philip Best

Investment Style / Objective: *Value Equity Fund* – The Family Enterprise Fund invests in small and medium sized European companies operating established businesses, that are listed but still partly owned by family shareholders. Through their representation on the companies’ boards, these shareholders provide continual oversight and make sure the executives manage the company in the interest of shareholders. The families’ interests are aligned with ours as they tend to favour long term risk-averse strategies and the regular distribution of dividends. Within this universe, the fund selects undervalued companies with attractive prospects using a rigorous investment process and in-depth fundamental research and analysis.

Performance Information				
	NAV	Performance MTD	Performance YTD	Since Inception
Family Enterprise Fund Class D <small>(closed to subscription)</small>	EUR 112.59	+1.61%	+3.90%	+31.3%
Family Enterprise Fund Class A	EUR 148.13	+1.61%	+3.91%	
Euromoney Smaller European Companies		+1.52%	-4.41%	+29.7%
Stoxx 600		+0.48%	-6.09%	-5.8%

Manager’s commentary

European equity markets recovered for a second month after the Brexit linked sell-off at the end of June. The Family Enterprise fund rose 1.6%, which lagged slightly the Euromoney Smaller European Companies index (+2%) but was ahead of the Stoxx 600 (+0.5%). With a rise of 3.9 % since the beginning of the year, the fund is well ahead of both benchmarks which are still in negative territory.

The recovery in markets is linked to the fact that the feared contagion of Brexit to other peripheral European markets has not really materialised. The impact of Brexit on the UK has been clearly seen in the falls of Sterling and the property market, but many other indicators have been holding up as consumer confidence seems to be resistant. On the other hand, the UK companies we have spoken to are preparing for a slowdown and contraction. However, the message we have been getting from Continental European company managements has been quite reassuring. They are also expecting weakness from their UK operations, but business in Europe has actually proved quite resilient over the Summer.

The fund’s largest holding, the Jochnick family’s Swedish cosmetics brand **Oriflame**, rose 19% on the publication of strong results for the first half of the year. The company sells its line of ‘natural’ cosmetics mainly in emerging markets through a direct sales network akin to the Tupperware model. We accumulated our holding 3 years ago on weakness as investors were focussing on the negative impact of recession in the core Russian and Eastern European markets. Since then, the Asian markets have continued to grow at a rate of more than 30% per year, but up until now this growth was more than offset by the fall in sales in Russia. With sales in Russia now stabilising in local currency terms, the strong growth in Asia is becoming more visible to the investment community and led to overall sales growth for the company accelerating from 10% in local company terms in Q1 to 17% in Q2. Furthermore, Asia now represents over half of all the company’s operating profits

and will continue to be the engine of growth for the years to come. Despite the promising outlook and reasonable valuation, we have used the recent strength in the share to take partial profits on our holding.

The Burki family’s online broker **Swissquote** rose 17% as net profits showed a strong improvement in the first half of the year. Last year the company had to cover the losses of its foreign exchange clients that had shorted the Swiss Franc , (for amounts beyond the value of their deposits) which rose 25% in a few minutes after the Swiss National Bank announced that it was abandoning the Euro “Peg”. Investors were reassured that systems had been improved so that no losses were incurred on the sudden fall of Sterling after the Brexit vote. The Despature family’s textile retailer for senior citizens **Damartex** rose 16% ahead of an anticipated positive announcement to be made on full year results in September.

World leading manufacturer of cooker hoods **Elica**, which belongs to the Casoli family, rose 15% as the company published the long awaited improvement in results. Operating profits rose 46% in the first half of the year as the the family chairman Francesco Casoli took a step back from his stint in Italian politics to replace the CEO and take a more hands-on role in the management of the company. Gardening equipment maker **Emak**, controlled by a group of Italian families based in Emilia Romagna, rose 12% on the publication of boring but reasonable results for the first half of the year. However, the management were actually quite upbeat for the outlook for the second half of the year and on a discount of 30% to accounting book value and a PE ratio of only 8 times estimated net profits for this year we find that the stock is seemingly substantially undervalued.

On the negative side, German manufacturer of inverters for solar power plants **SMA Solar** fell 30% on the publication of its first half results. The actual results were quite reasonable with sales rising 15% accompanied by a

significant improvement in operating profitability. But there was bad news in that the company announced it was experiencing new pricing pressure. Chinese competitors had realised that their domestic market's growth was just about to slow down and in May started to try to conquer international markets with lower prices. We had already taken profits on over half our holding in SMA Solar earlier in the year at very heady levels, so used this sudden weakness to build up our holding once again at an attractive price.

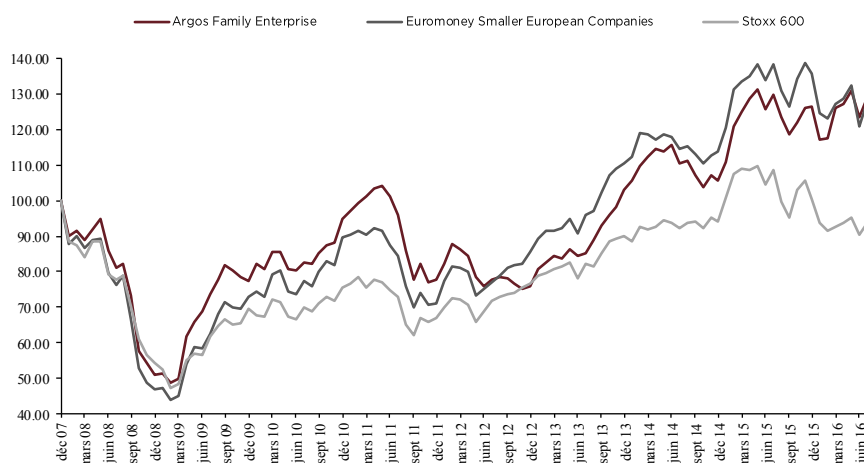
The Wacker and Neunteufel families' construction equipment maker **Wacker Neuson** fell 18% on the publication of disappointing first half figures where sales fell 1% and operating profits fell 23% due to the business mix. The company also made a cautionary statement saying that business trends had started the second half of the year on a fairly weak note. We will be monitoring this holding closely, but we do remember that last year also had a weak Q3, so the base effect will be more forgiving. This company's business is sensitive to the recovery in European construction that is taking shape and that could translate

into better volumes and profits.

We were surprised to see the Kudelski family's digital security company **Kudelski** falling 11% (albeit after a very strong performance year to date of still 30%) after publishing strong results and giving an upbeat outlook for the rest of the year. We have had another meeting with Mr Kudelski and have further increased our holding.

The Family Enterprise fund invests in smaller European companies operating established businesses that are listed but still partly owned by family shareholders. Even more importantly than the qualities of family management, we are particularly attracted to the guarantee of good corporate governance that family ownership tends to represent. Indeed, family shareholders that have board representation tend to share the same short and long term interests as ours and assure permanent oversight on the operational management of the company. Added to our rigorous investment process and Value philosophy, this corporate governance filter assures us of investing in a long term risk-averse strategy that generates recurring dividends.

Fund vs Index performance



Sources : QUAERO CAPITAL SA, Euromoney PLC, data.cnbc.com

Subscription and redemption fees as mentioned in the prospectus can be waived upon identification of the investor either via the relevant form or direct notice providing the INVESTING INSTITUTION'S NAME, the BANK ORIGINATING THE SUBSCRIPTION, the SUBSCRIPTION / REDEMPTION AMOUNT and DATE to info@quaerocapital.com or by fax to +41 22 799 90 99.

All transactions which have been executed cannot be cancelled.

This document does not constitute an offer or solicitation to purchase the shares in the Fund described here-in. Past performance is no indication of current or future performance, and the performance data do not take account of commissions and costs incurred on the issue and redemption of units. Any decision to invest should be based on a full reading of the fund prospectus and the most recent financial statements. The information and figures here-in are valid on the date here-of. There is no obligation to update the figures here-in.

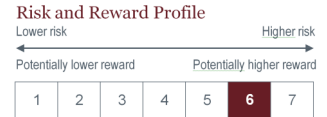
The Swiss prospectus, KIID, articles of association, annual and semi-annual reports in French and other information can be obtained for free from the Swiss representative of the fund: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Genève, Suisse, web : www.carnegie-fund-services.ch. The Swiss paying agent is the Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Genève, Suisse. The latest prices are available on www.fundinfo.com.

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Factsheet August 2016



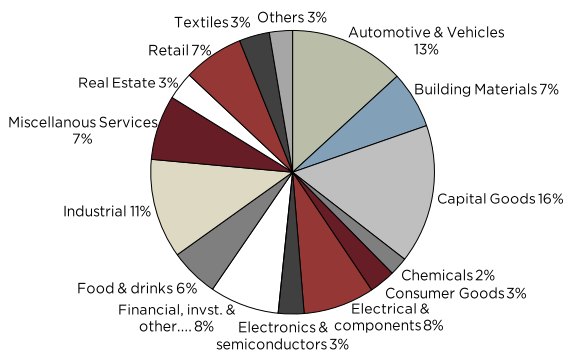
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Performance Information

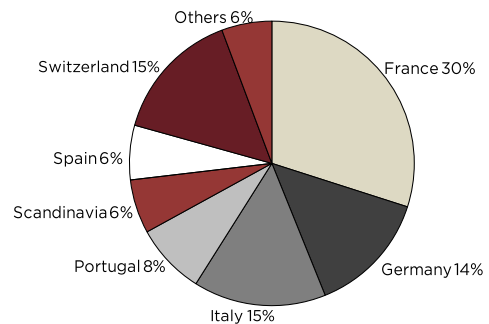
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2008	Family Enterprise	-10.07	1.78	-2.88	3.53	2.95	-9.40	-5.58	1.60	-11.17	-21.31	-5.57	-6.09	-48.97
	<i>Euromoney Smaller Europ. Comp.</i>	-12.14	2.29	-3.43	2.46	0.41	-10.69	-4.28	3.09	-15.57	-20.24	-8.30	-3.17	-52.95
2009	Family Enterprise	0.43	-4.89	2.20	23.61	7.16	4.51	7.02	5.53	5.04	-2.01	-2.15	-1.26	51.77
	<i>Euromoney Smaller Europ. Comp.</i>	0.74	-7.05	2.26	19.93	8.44	-0.45	7.23	8.67	5.32	-2.56	-0.52	5.18	55.12
2010	Family Enterprise	6.34	-1.84	5.60	0.30	-5.80	-0.22	2.64	-0.48	3.63	2.57	0.84	7.48	22.28
	<i>Euromoney Smaller Europ. Comp.</i>	1.92	-1.80	8.22	1.51	-7.37	-0.94	5.22	-1.82	5.27	3.55	-1.10	9.27	22.76
2011	Family Enterprise	2.54	2.31	1.95	2.00	0.94	-3.04	-5.03	-10.56	-9.50	5.72	-6.41	1.14	-17.89
	<i>Euromoney Smaller Europ. Comp.</i>	0.96	1.22	-1.18	2.03	-1.04	-4.25	-3.42	-10.37	-7.82	5.95	-4.22	0.53	-20.52
2012	Family Enterprise	5.92	6.54	-1.81	-1.85	-7.28	-3.05	2.35	0.85	-0.58	-1.84	-1.84	0.90	-2.46
	<i>Euromoney Smaller Europ. Comp.</i>	8.54	5.43	-0.38	-1.55	-8.09	2.31	2.26	2.55	2.93	1.09	0.21	4.29	20.35
2013	Family Enterprise	6.38	2.53	2.06	-0.80	2.84	-1.98	0.81	4.22	4.60	3.51	2.18	4.79	35.58
	<i>Euromoney Smaller Europ. Comp.</i>	4.07	2.75	-0.25	0.71	2.84	-4.16	5.66	1.24	5.39	4.70	1.70	1.56	29.08
2014	Family Enterprise	2.78	3.75	2.41	1.84	-0.62	1.71	-4.38	0.52	-3.71	-2.90	3.24	-1.53	2.70
	<i>Euromoney Smaller Europ. Comp.</i>	1.50	6.12	-0.45	-1.27	1.33	-0.72	-2.94	0.88	-1.89	-2.39	1.90	1.10	2.89
2015	Family Enterprise	4.85	9.27	3.34	2.85	1.99	-4.22	3.44	-5.13	-3.71	2.60	3.45	0.27	19.62
	<i>Euromoney Smaller Europ. Comp.</i>	5.78	9.00	1.73	1.17	2.48	-3.20	3.18	-5.32	-3.35	6.10	3.22	-2.08	19.20
2016	Family Enterprise	-7.43	0.43	7.29	0.93	2.82	-5.56	4.61	1.61					3.90
	<i>Euromoney Smaller Europ. Comp.</i>	-8.22	-1.01	3.30	0.97	2.89	-8.53	5.58	1.52					-4.41

Sectoral exposure



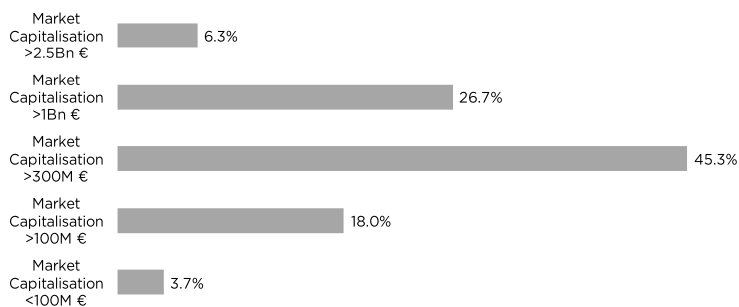
Source : QUAERO CAPITAL SA

Geographic breakdown



Source : QUAERO CAPITAL SA

Market capitalisation profile



Source : QUAERO CAPITAL SA

Largest holdings

Company name	Sector
BUCHER INDUSTRIES	Machinery
FLUIDRA	Swimming Pool Equipment
ORIFLAME	Cosmetics
SOMFY	Automated Blinds
SONAE SGPS	Retail

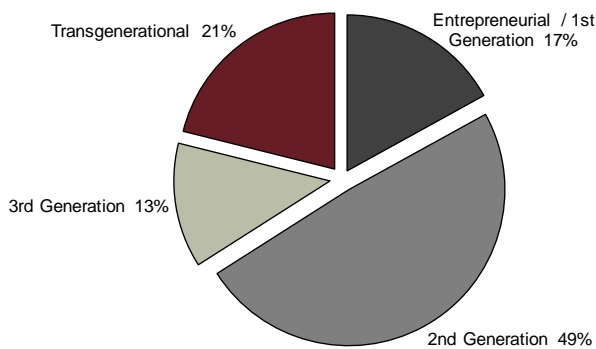
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Statistics

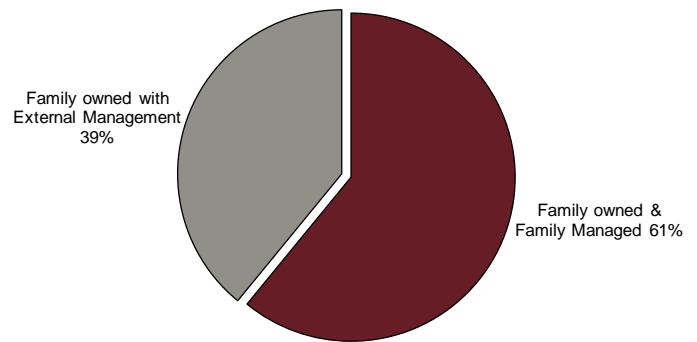
	Argos Family Enterprise	Euromoney Smaller European Companies*
Cumulative return since inception (Dec 2007)	31.3%	29.7%
Annualised volatility since inception (Dec 2007)	18.8%	19.5%
Sharpe ratio since inception (Dec 2007)	0.12	0.11
Tracking error since inception (Dec 2007)	7.4%	
Monthly Market upside capture vs Stoxx600 Index	92.9%	
Monthly Market downside capture vs Stoxx600 Index	76.1%	
Fund AUM	27.8 MO	
Number of stocks	59	
Stock average holding period	3 years	

Source : QUAERO CAPITAL SA

Family Enterprise characteristics



Source : QUAERO CAPITAL SA



Source : QUAERO CAPITAL SA

Investor information

Legal Form	Luxembourg Unipractical S	Subscription Notice	2 business days before
Registration for Public Distribution	Luxembourg, Switzerland	Redemption Notice	5 business days before
PEA		Yes	Minimum investment
Investment Manager	QUAERO CAPITAL	Annual Management fee	1.5%
Management Team	Marc Saint John	Performance fee	12.5% over absolute
Administrator and custodian	Edmond de Roth	Currency	High Water
Auditor	Price Waterhouse Coopers	ISIN Code Class A EUR	EUR
Legal Advisors	Allen & Overy	ISIN Code Class A EUR	EUR
Geographical Region	Europe	ISIN Code Class A CHF	CHF
Inception date	31 December	ISIN Code Class A USD	USD
Reference Index	Euromoney Smaller I	ISIN Code Class A USD	USD
Subscription and Redemption		Institutional Classes	Available

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