Rivoli Equity Fund Share Class E

Monthly Report
December 2018

Investment Philosophy

The Rivoli Equity Fund is designed to generate absolute returns with a low correlation to Equity stock markets. It invests in mid- and large market capitalization companies of the European market, including the UK.

Key Figures

LAST NAV	137,03
Fund AUM (€M)	1,99 M€
Risk Profile	
Low 1 2 3 4 **5** 6 7 High	

Risk and Performance Analysis

Risk & Performance Indicators

	Cumulative						Annualized	
	1 month	3 months	YTD	1 Y	3 Y	Since inception	3 Y	Since inception
Rivoli Equity	-0,02%	-5,16%	-1,87%	-2,05%	-22,00%	37,03%	-7,94%	2,24%

Risk Indicators

	1 Y Volatility	Historic Volatility	Sharpe Ratio	Drawdown	Alpha vs MSCI Europe + UK	Beta vs MSCI Europe + UK
Rivoli Equity	7,34%	6,26%	0,27	26,58%	0,03%	2,07%

Annual Peformance History

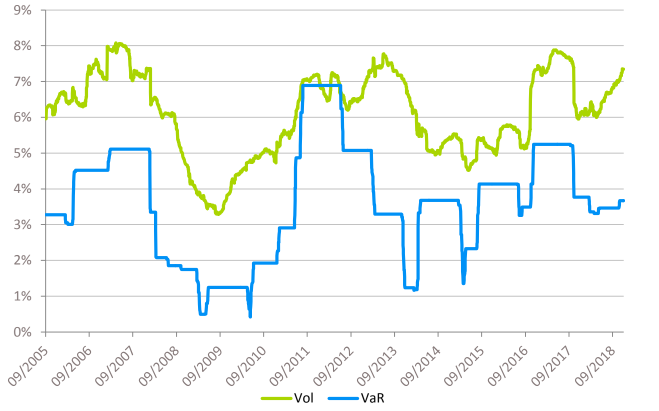
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rivoli Equity	5,90%	9,92%	4,04%	-3,35%	8,77%	8,11%	17,45%	-10,66%	-4,50%	19,92%

Monthly Returns History over 5 years

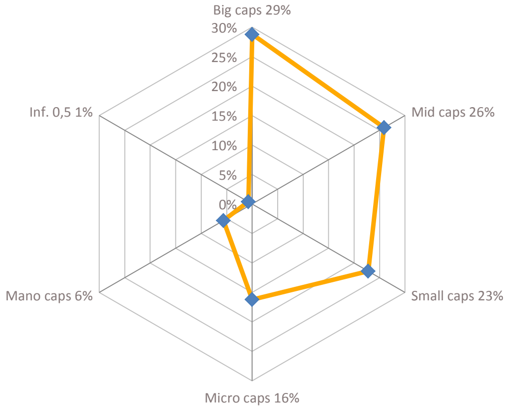
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Year
2014	2,16%	0,47%	-1,04%	-2,95%	-0,37%	1,96%	1,08%	-0,75%	2,70%	1,77%	1,70%	0,35%	**7,15%**
2015	3,20%	-0,31%	0,68%	-0,60%	-0,47%	0,76%	0,20%	-3,34%	1,25%	0,00%	-1,82%	-0,30%	**-0,89%**
2016	0,04%	-3,09%	-0,71%	-1,43%	0,00%	0,19%	-0,43%	-3,10%	0,88%	1,05%	-3,65%	-2,37%	**-12,05%**
2017	2,37%	-2,87%	-0,40%	-1,46%	-3,07%	-0,30%	-1,72%	-1,27%	-0,30%	-0,60%	1,46%	-1,77%	**-9,61%**
2018	2,25%	-1,67%	5,20%	0,96%	-2,21%	-0,01%	-0,29%	-1,49%	0,88%	-0,81%	-4,36%	-0,02%	**-1,87%**

Performance since inception

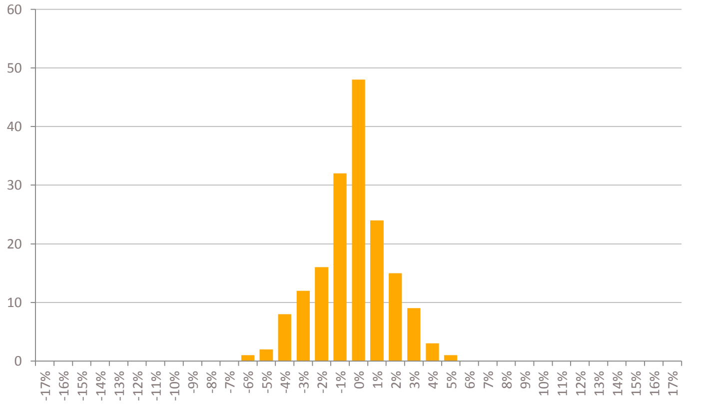
Volatility and Value at Risk (VaR 99%/20 days)



Performance Contribution by Asset Classes



Monthly Performance Distribution



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RIVOLI FUND MANAGEMENT

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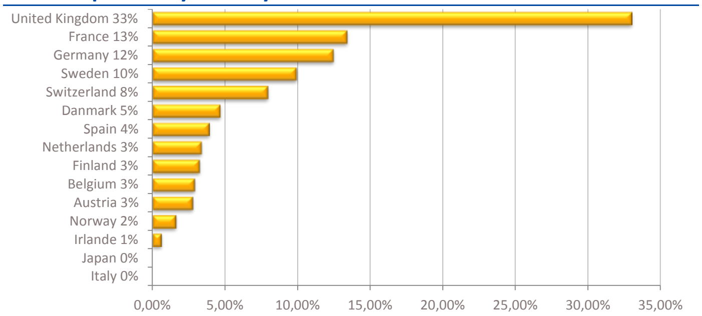
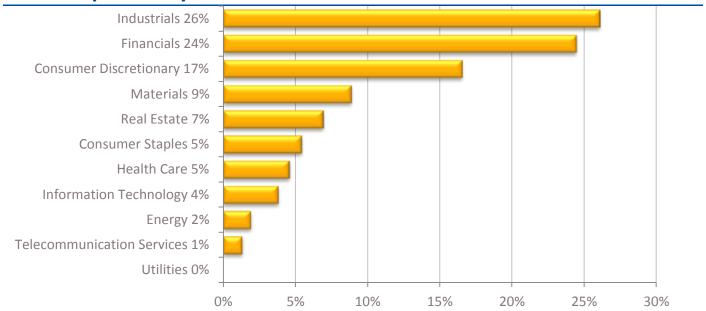
Gross exposure by country



Gross exposure by sector



Monthly Commentary

Fund Commentary

The results of Rivoli Equity Fund E are stable this month (-0.02%), with an average performance of -1.9% over 2018. The L/S Growth Strategy lost -2.7%, while the L/S Value Strategy performed positively at +3.%.
The sectoral contributions are as follows: Communications +0.21%// Consumer Discretionary - 0.10% // Consumer Staples -0.25% // Energy +0.28% // Financials +0.14% // Health Care -0.05% // Industrials -0.21% // Materials +0.22% // Technology -0.29%.
Losses registered are as follows : More than -20 bps on 9 positions, a total of -2.33% // Between -20 and -10 bps on 28 positions, a total of -3.91% // Between -10 and 0 bps on 261 positions, a total of -6.75%.
Gains registered are as follows: More than 20 bps on 14 positions, a total of +3.59% // Between 10 and 20 bps on 30 positions, a total of +3.80% // Between 0 and 10 bps on 179 positions, a total of +5.55%.
Our most important gain this month was mainly due to our short position on the German share Ceconomy which lost -23.7%, resulting in a gain of +0.42% for the fund. Ceconomy is the top European distributor for mass market electronic products (the company is the main shareholder of Fnac Darty). It has been a difficult year for the company: warnings in respect of results, separation from the CEO in mid-October, expected departure of the financial director of the group, a drop of more than 50% in the share price since the beginning of 2018… Ceconomy is suffering from the increase in electronic commerce (falling sales in shops) and strong competition from Amazon. Together these trends have produced disappointing financial results and have reduced margins.
Our main loss resulted from our long position on the stock of Sixt. The share price fell by 18.4% in December, i.e. a loss of -0.36% for the fund. Sixt is a German car rental company operating mainly in Europe (and expanding in the USA). This important drop in the share price is surprising given the solid results of the group: the benefits in the first three quarters of 2018 surpassed the total benefits registered in 2017, the annual turnover was +13.6% higher than that of the previous year, and the results of the third quarter of 2018 attained a record… Nonetheless, the share price has plummeted, falling -42% since the end of August 2018. Sixt appears to be suffering from a certain apprehension felt by investors relative to the automobile sector : in effect, the European automobile sector registered a loss of -28.1% in 2018, i.e. the worst performance of the various sectors which together compose the Stoxx 600 (fall in performance of -10.8% for the index). The fears are rooted in the recent reduction of new registrations of vehicles in the European Union (-23.4% compared to last year), as well as the possible consequences of a « hard Brexit » (delays in deliveries and introduction of customs duties). The share price of Sixt is holding up well in this context: the share price registers at -3.1% annualized, compared to -22% for Europcar (in the USA Hertz fell by -38.2%, while Avis plunged at -48.8%).

Macro-economic Commentary

The year of 2018 finally ends on a note of political and economic uncertainty and volatility made its comeback for this month of December.
In Europe, following multiple propositions, counter propositions and negotiations, I Italy has succeeded in proposing a budget in line with the wishes of Brussels. The Italian government has finally revised downwards its ambitions and the deficit should reach 2% in 2019 (against 2,4% previously). With regards to the United Kingdom, Brexit continues to steal the headlines. Progress has been significant as an accord has been found between the EU and T.May, however there is still a long road ahead. At the beginning of the month, T.May won the vote of confidence initiated by her own party following a delay on the breakup vote (postponed to the 14th of January 2019). With this extra time, the Prime Minister puts all in action to convince parliament to sign this accord in order to avoid a "No Deal" scenario on the 14th of January.
With regards to the trade war, no progress has been made at this stage. During the G20, China has agreed to increase American soya imports resulting in the US announcing a temporary truce of 90 days. A few days later hostilities picked up again with the announcement of D. Trump threatening to raise import tariffs on Chinese goods if no accord has been found by the end of the truce. Finally, the arrest of the Chinese Finance Director of Huawei for violating American sanctions on Iran has heightened tensions that were already present between both countries.
On the Central Bank front, the ECB has not announced any changes in its policy direction, this despite the economic slowdown and stock market turbulence. The Federal Reserve, as predicted has hiked rates by a ¼ point to 2,50%. On the other hand, the surprise came from future predictions for 2019, with only 2 additional hikes against 3 predicted. From a market standpoint, investors expected a more dovish stance. The previsions seem therefore to be a little too optimist when considering the end of the expansionist cycle in the US and the commercial tensions that weight on global growth. This disappointment was therefore reflected on important losses for the us stock indices, which in turn brought down European and Asian exchanges.
On the stock indices, volatility marks its return (VIX +40% 25,4pts) to return to February levels. Fear is palpable and market corrections relatively important this month: CAC -5,49% ; DAX -6,52% ; Footsie -3,96% ; eSP500 -9,37% ; eNASDAQ -9,15% ; eDOW JONES -8,90%. On Forex, the Euro recouped some losses versus the Dollar and finished +1.2% at 1.1469$. The Yen has benefited from flight to safety gaining +2.66% against the greenback. On the debt markets, the Italian curve flattened on the mid to long term (-47bps on 10Yr). In the United States the yield curve has started its inversion which has created additional market tensions. Rates on the medium to long term maturities are retracing (-30bps on the 10Yr) and the 1YR is remunerating more than the 5yr (2.599% and 2.512% respectively).
Finally, commodities suffered large swings this month. The fear of a drop in demand in petrol caused by the commercial tensions weighs heavily on the prices (-10,1% on the WTI a 45.81$). On the metals, gold has gained +4.63% (Due to flight to safety), copper loosing -5.34% on the month, still affected by trade tensions. Cacao gained +10.7% on the month; the bad weather has made uncertain the harvest in Ivory Coast and in Ghana. Sugar and coffee lost on the month affected by the drop of the Brazilian Real which forced producers to sell.

Characteristics

ISIN codes	FR0010106336
Inception date	October 6th, 2004
Legal Form	French mutual fund (FCP) - UCITS
Valuation	Daily
Currency	Euro
Investment objective	Outperform the capitalized EONIA
Recommended investment horizon	3 years

Practical Information

Cut-off time	12pm
Settlement date	D+2
Minimum initial investment	1 share
Subscription fee (max)	5%
Redemption fee (max)	0%
Management fee (max)	2%
Performance fee	20% with a High Water Mark
Custodian	CACEIS Bank
Administrative agent	CACEIS Fund Administration
Auditor	PwC

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Contacts

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