



# INVESTING AWAY FROM THE CROWDS

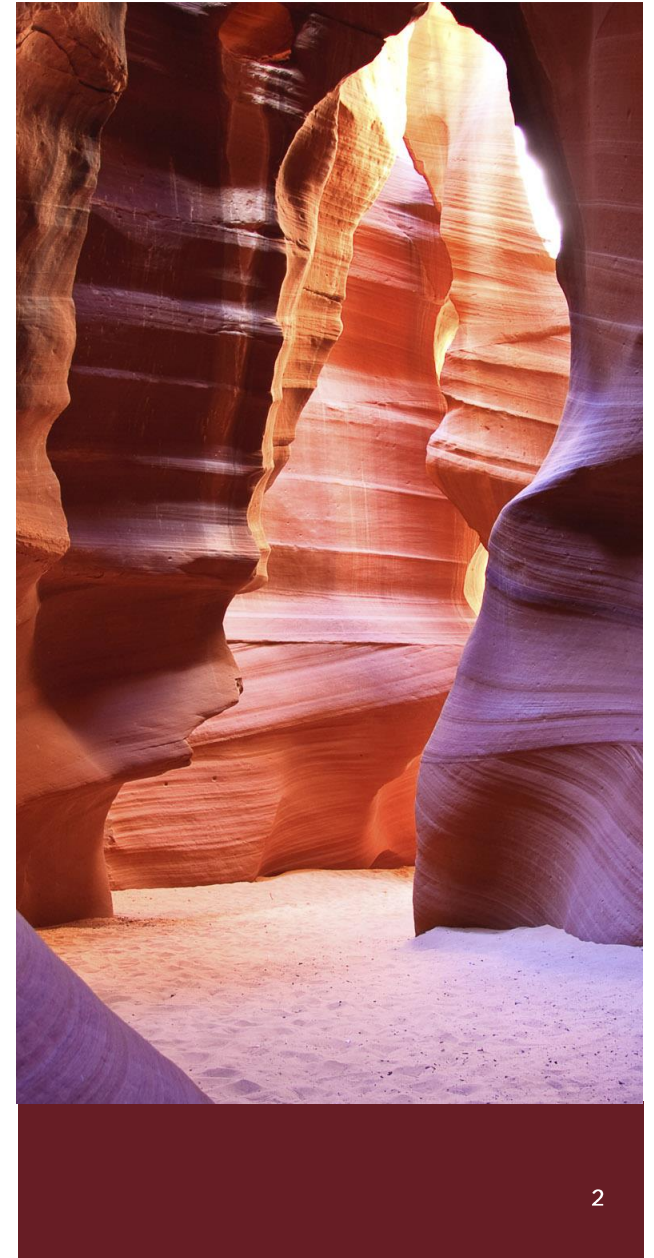
**Mister Alpha is back**

L'investissement dans les small-caps en europe:  
Notre approche Value sur un marché moins efficient



## THE QUAERO APPROACH

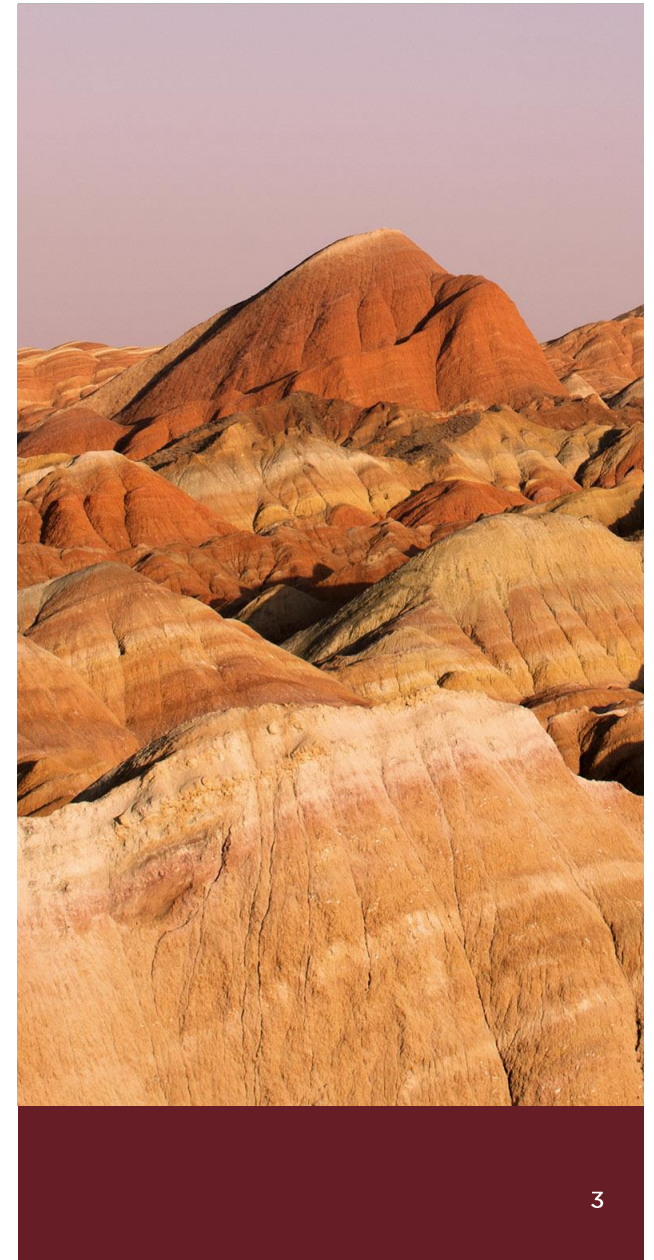
- ✓ Contrarian
- ✓ Long term / patient capital
- ✓ Constructively engaged
- ✓ “Under the radar”





## INVESTEE COMPANIES – WHAT WE LOOK FOR :

- ✓ Established businesses
  - ✓ Maybe fallen angels / stocks with low expectations
  - ✓ Solid balance sheets
  - ✓ Quality management
  - ✓ Open to dialogue
- ...and preferably weak coverage by market analysts



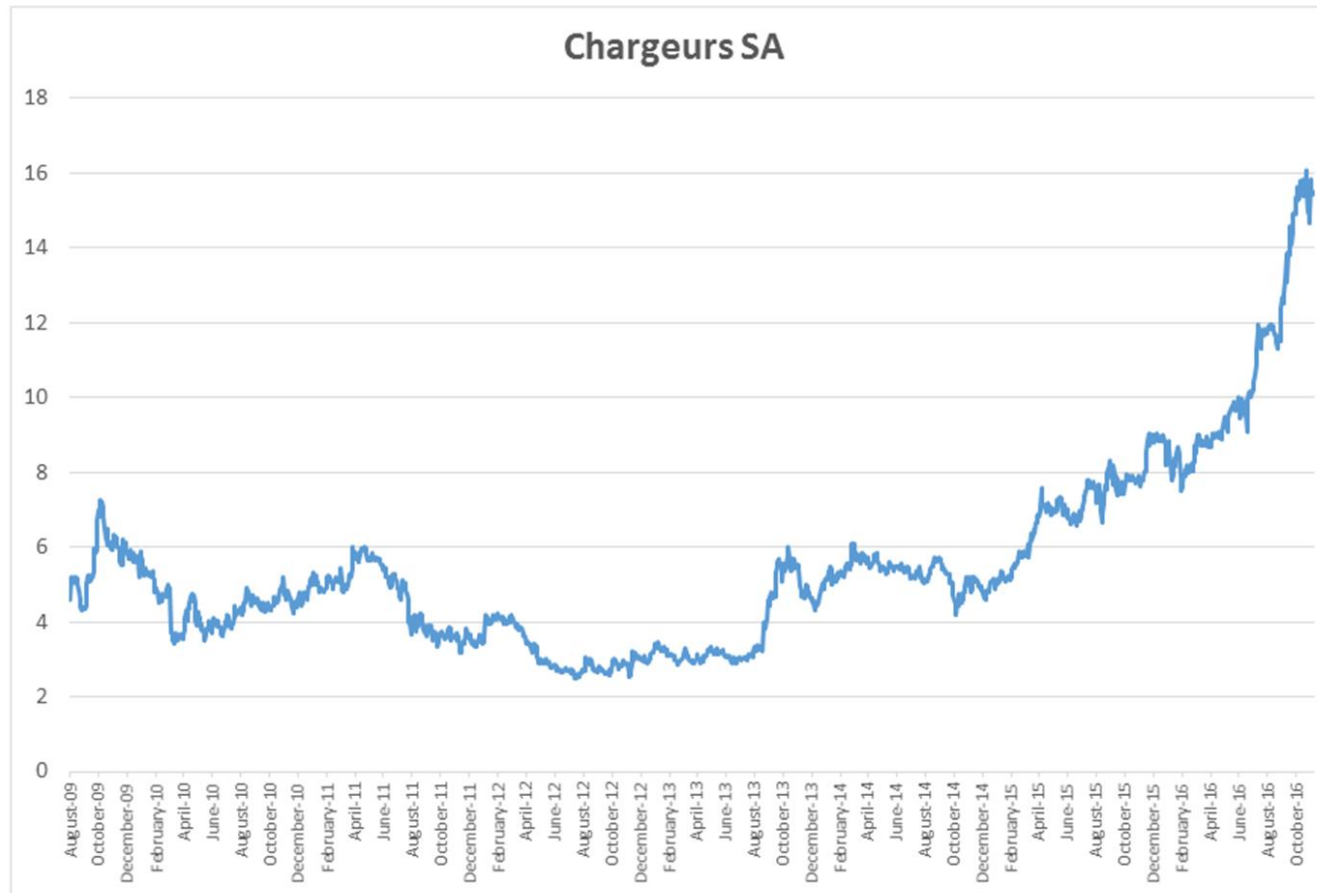




## CHARGEURS

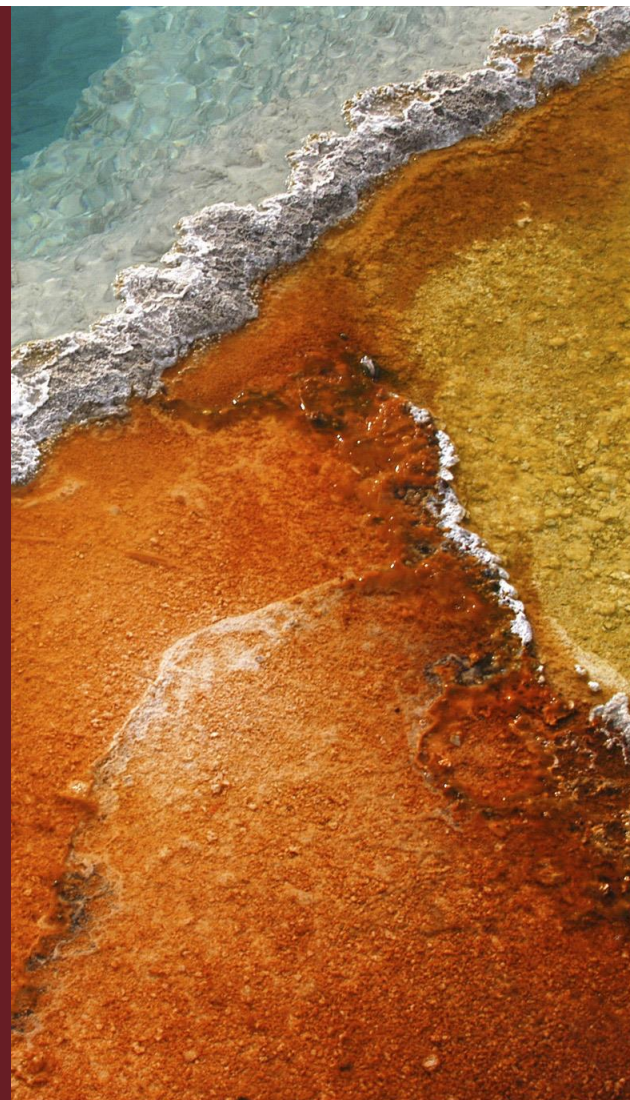
- ✓ A company with a history – well known in the 1980s
- ✓ A “Sleeping Beauty”
- ✓ Share price fall of 88% 2005-2009
- ✓ Too small for institutional investors by 2010
- ✓ BUT a large «sum-of-the-parts» discount and restructuring beginning to take effect
- ✓ Arrival of new ambitious management
- ✓ We built up position (at its high) of 8% of the capital







PRESENTATION BY  
MICHAËL FRIBOURG  
PDG DE CHARGEURS





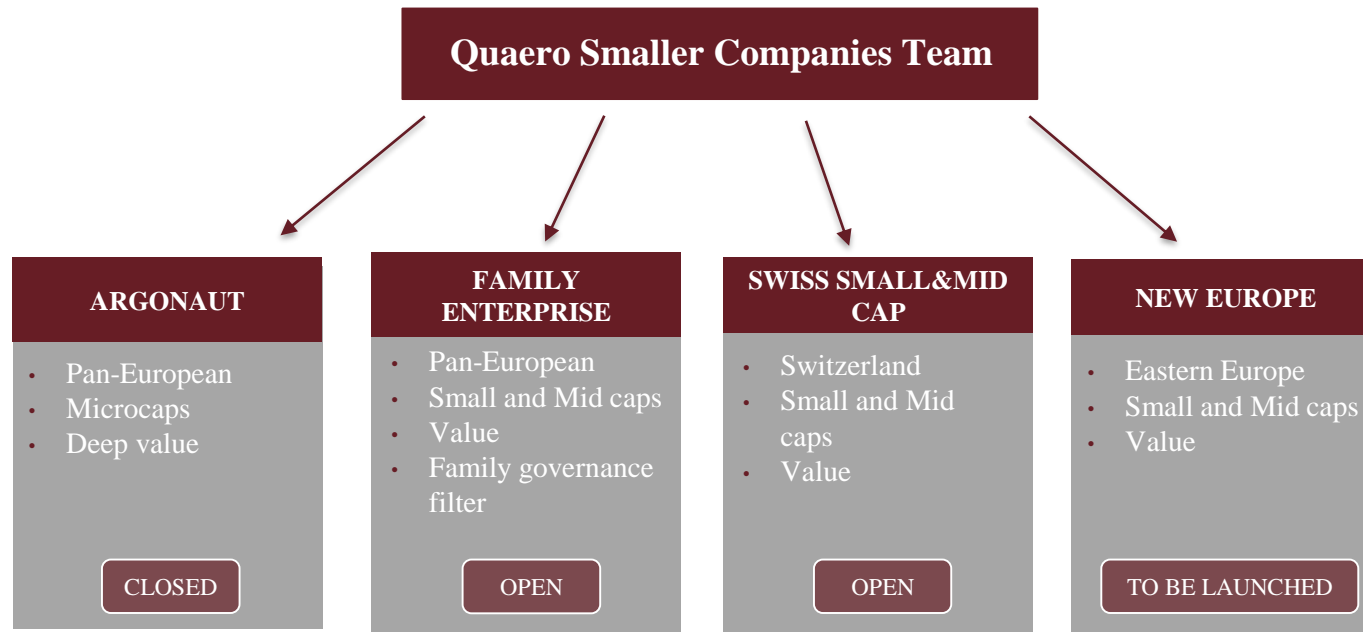


# THE QUAERO SMALL CAP TEAM





## QUAERO EUROPEAN SMALLER COMPANIES FUNDS

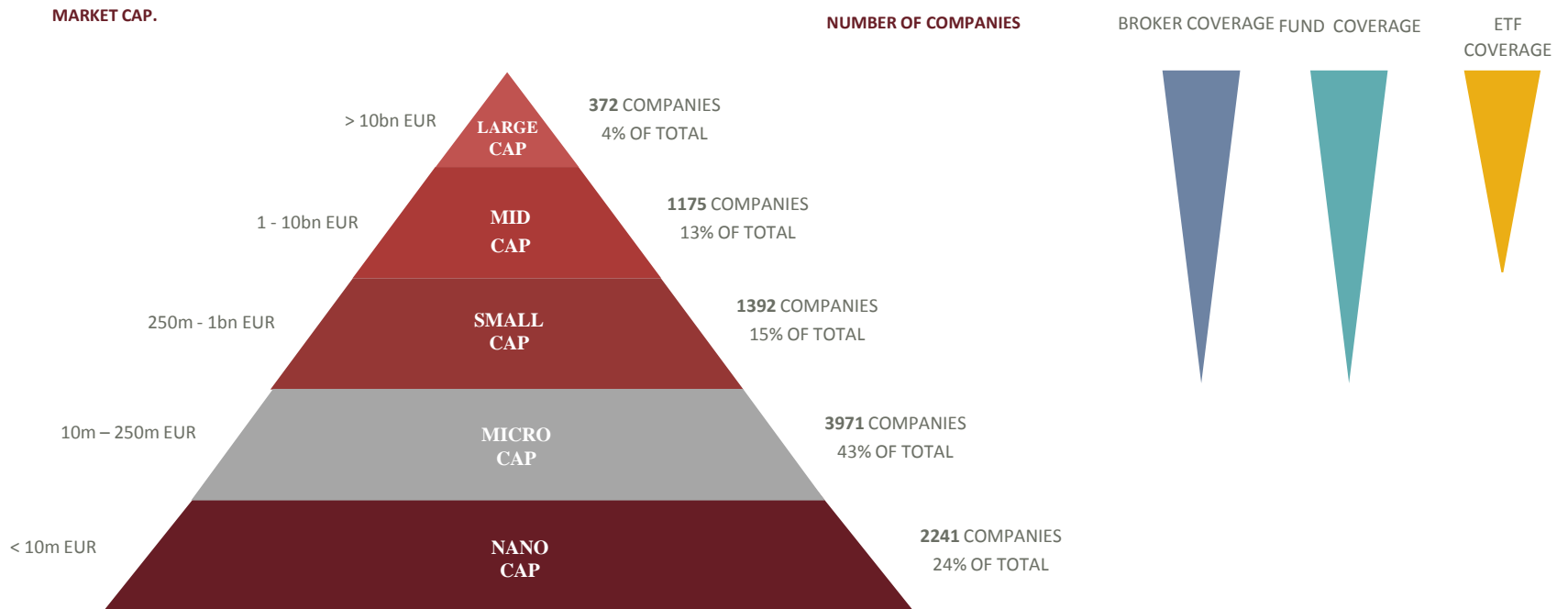






# THE STRUCTURE OF EUROPEAN STOCK MARKETS

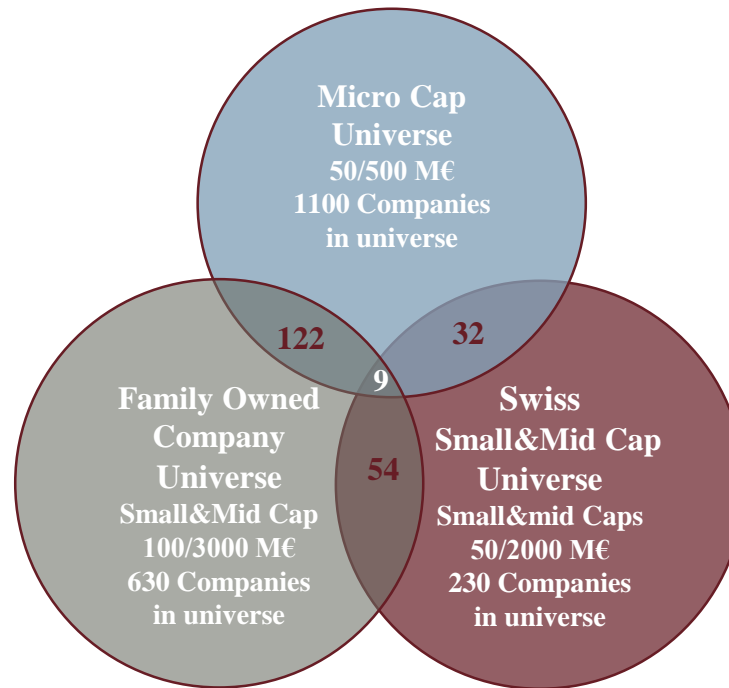
Total no. of quoted companies 9.151



\*Excluding companies < € 10m market cap

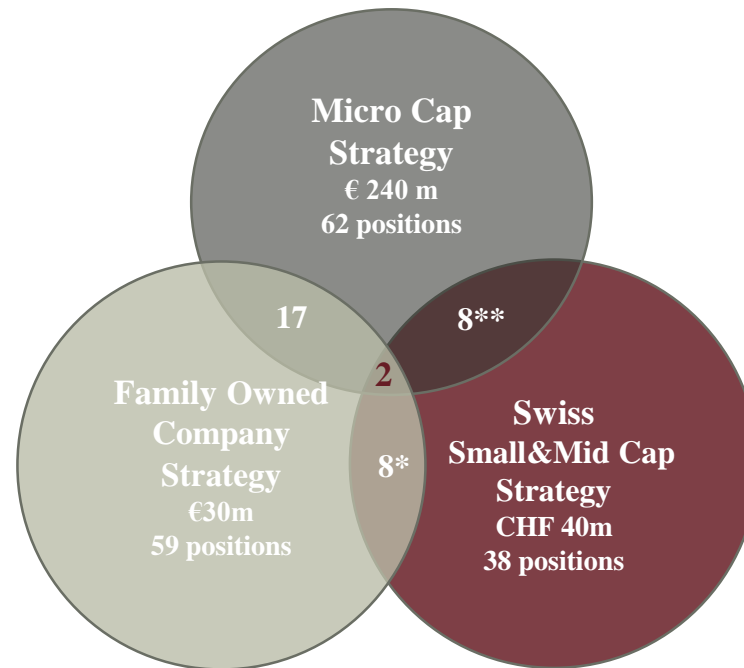


## THREE INTERLINKED UNIVERSES





## THREE STRATEGIES WITH PARTIAL OVERLAPS



\*13% Overlap for Family Owned Company Strategy / 20% for Swiss Small&Mid Cap

\*\*13% Overlap for Micro Cap Strategy / 21% for Swiss Small&Mid Cap Strategy





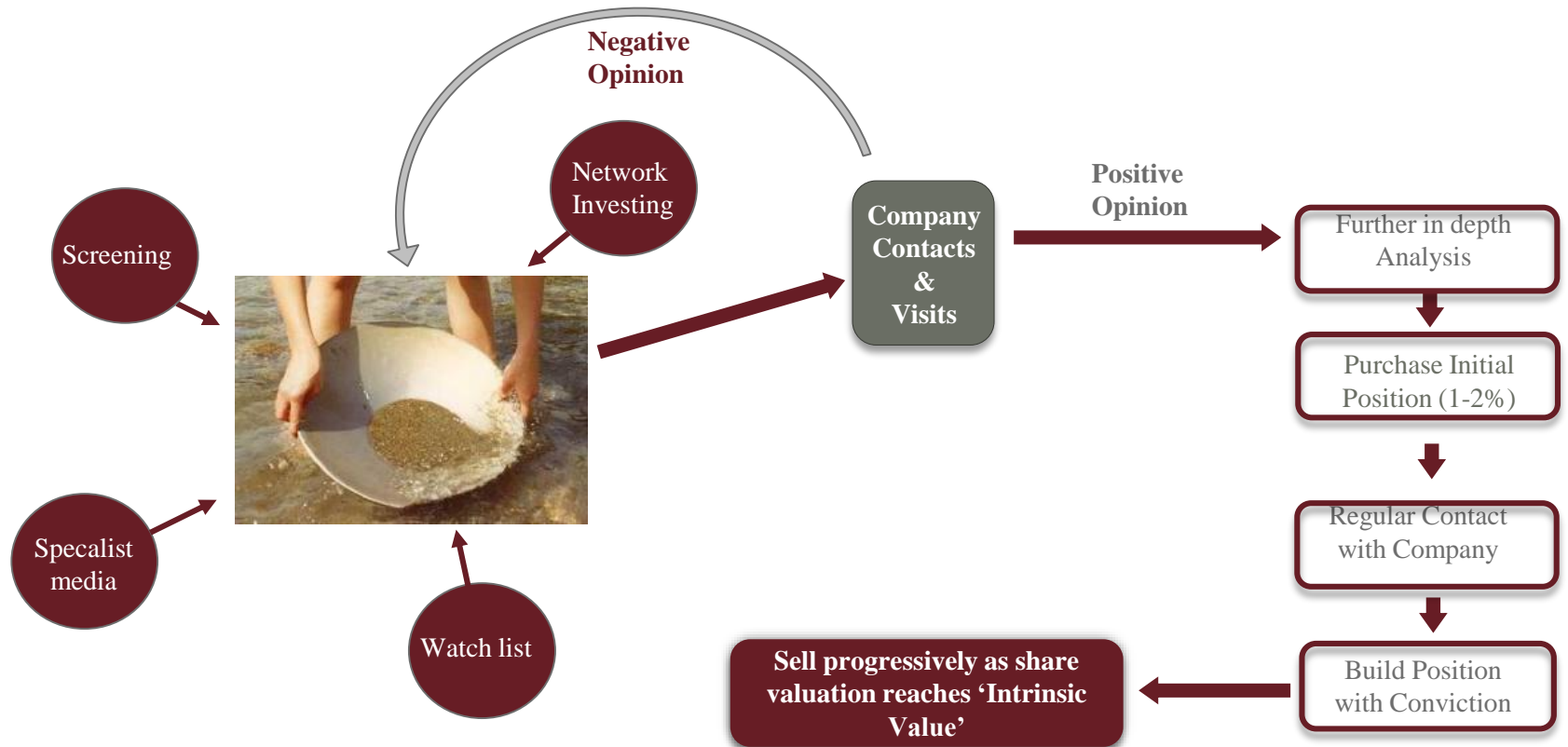
## UNIVERSE SCREENING

- Weekly screening of proprietary universes
- Argonaut universe **1100**
- Family Enterprise universe **630**
- Swiss universe **230**





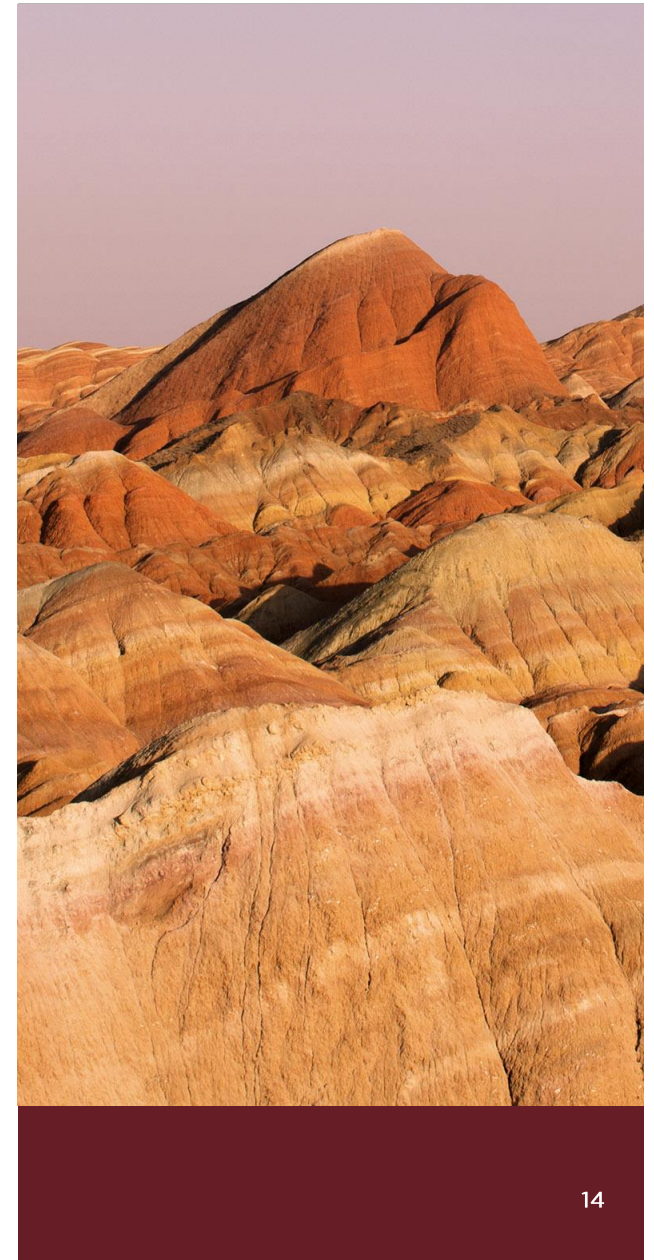
## OUR INVESTMENT PROCESS IS BUILT ON EXTENSIVE COMPANY VISITS





## INVESTMENT PHILOSOPHY

- ✓ Value – driven
- ✓ Fundamental research
- ✓ Illiquidity as an opportunity
- ✓ Less coverage = more opportunity
- ✓ «Engagement» with management
- ✓ ESG

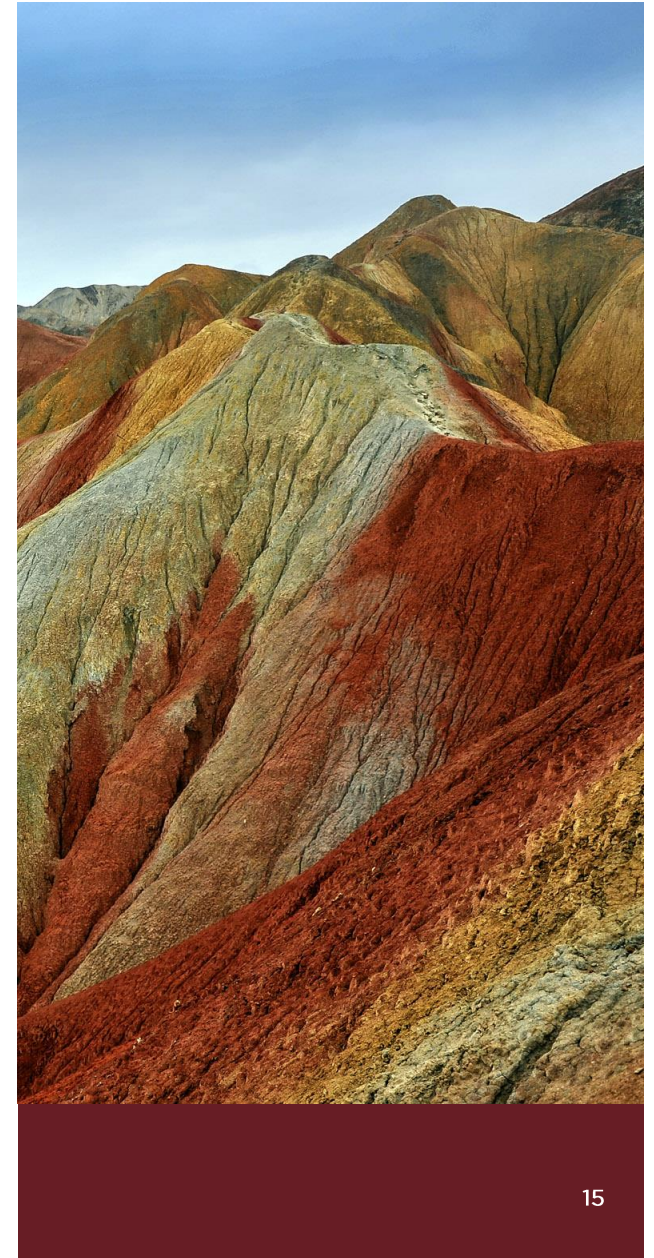






## PORTFOLIO CONSTRUCTION

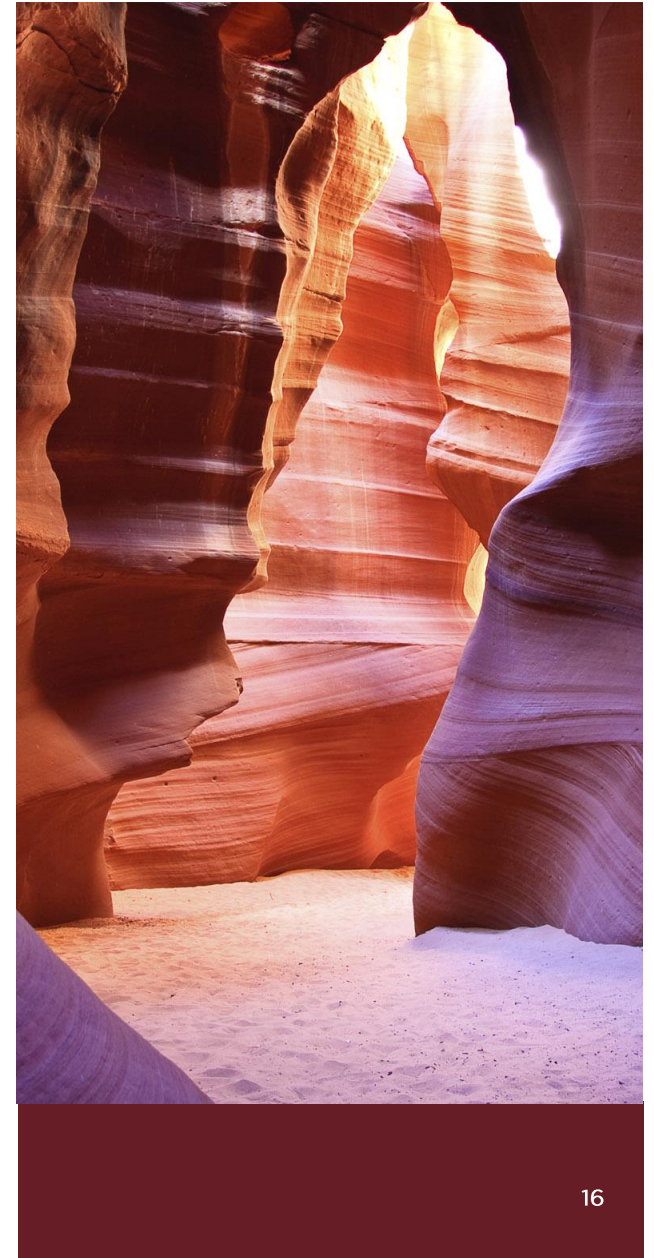
- Small initial holding
- Build position as conviction rises
- Max limit of 5% at purchase
- Holdings reduced before reaching 10% weighting
- Continued monitoring of investments
- Profits taken as discount to intrinsic value reduces





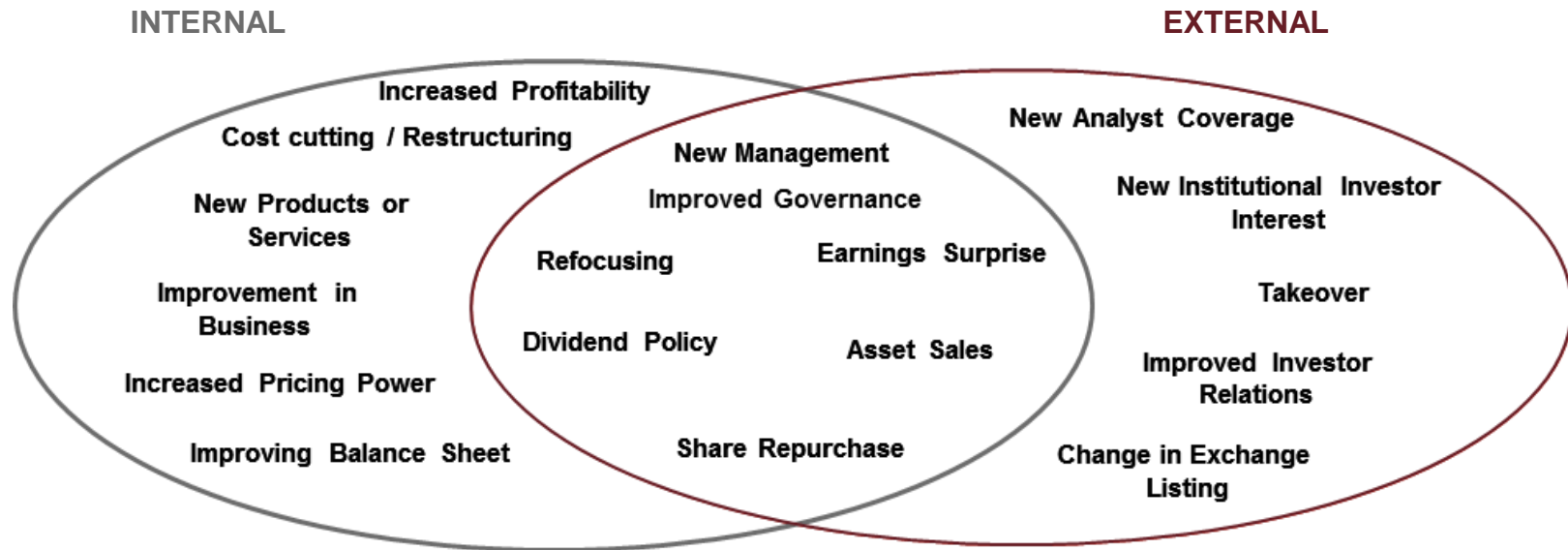
## ESG ANALYSIS – ENVIRONMENTAL, SOCIAL, GOVERNANCE

- ESG analysis is integrated into our investment process
- Engagement with the top management of smaller companies
- We are ‘engaged owners’ : we use our votes
- Monitoring portfolio company progress on ESG criteria





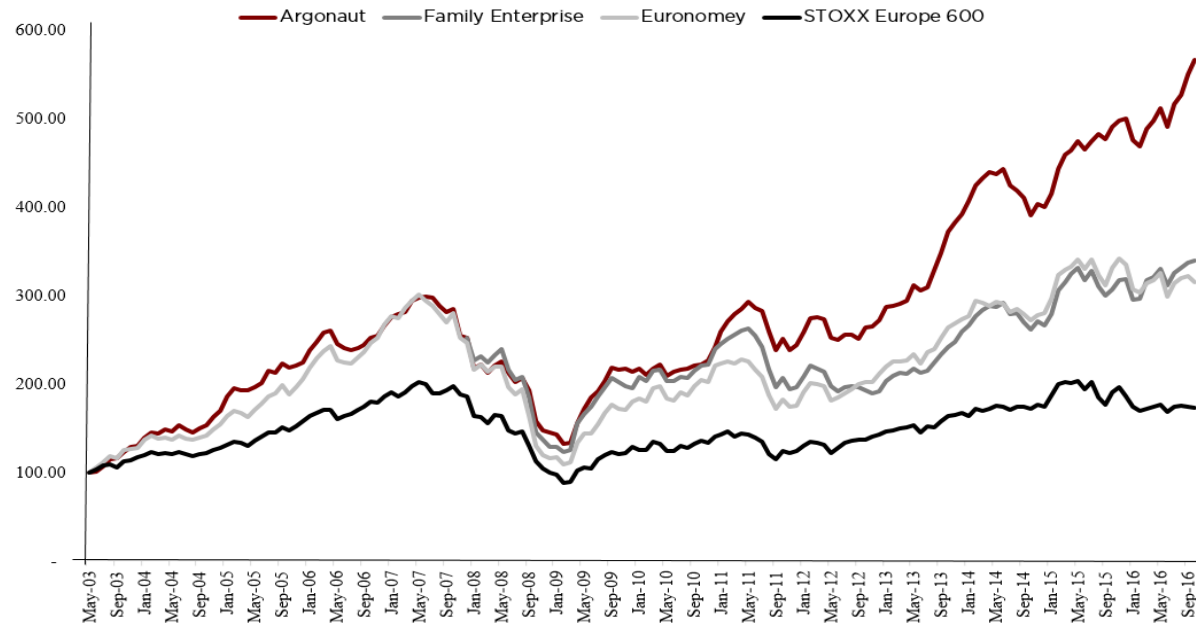
## CATALYSTS







## FUND VS INDEX PERFORMANCE



Source: QUAERO CAPITAL SA, Boursorama.fr, Euromoney PLC, MSCI.com

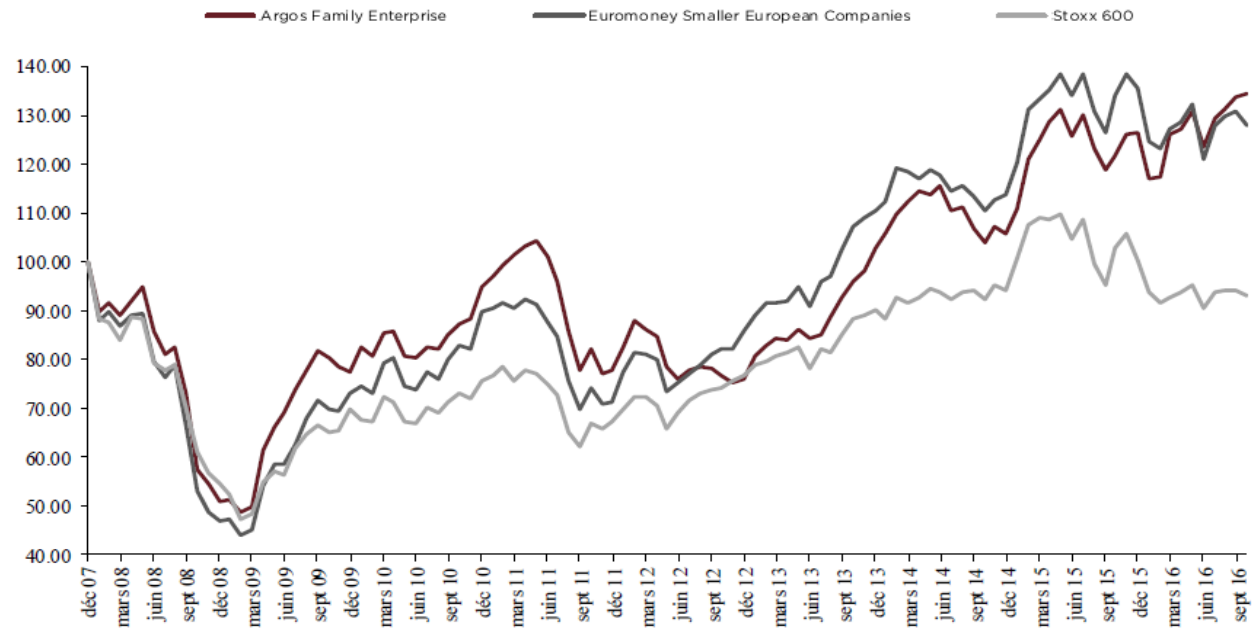
Note: Strategy returns are NAV to NAV, net of full fees in Euros.

You should remember that past performance is not a guide to the future.

The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.



## FUND PERFORMANCE vs INDEX



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

3 year annualised return 14% vs. 4.9% stoxx 600 and 10.1% for Euromoney Smaller Companies Index

Note: Strategy returns are NAV to NAV, net of full fees in Euros.

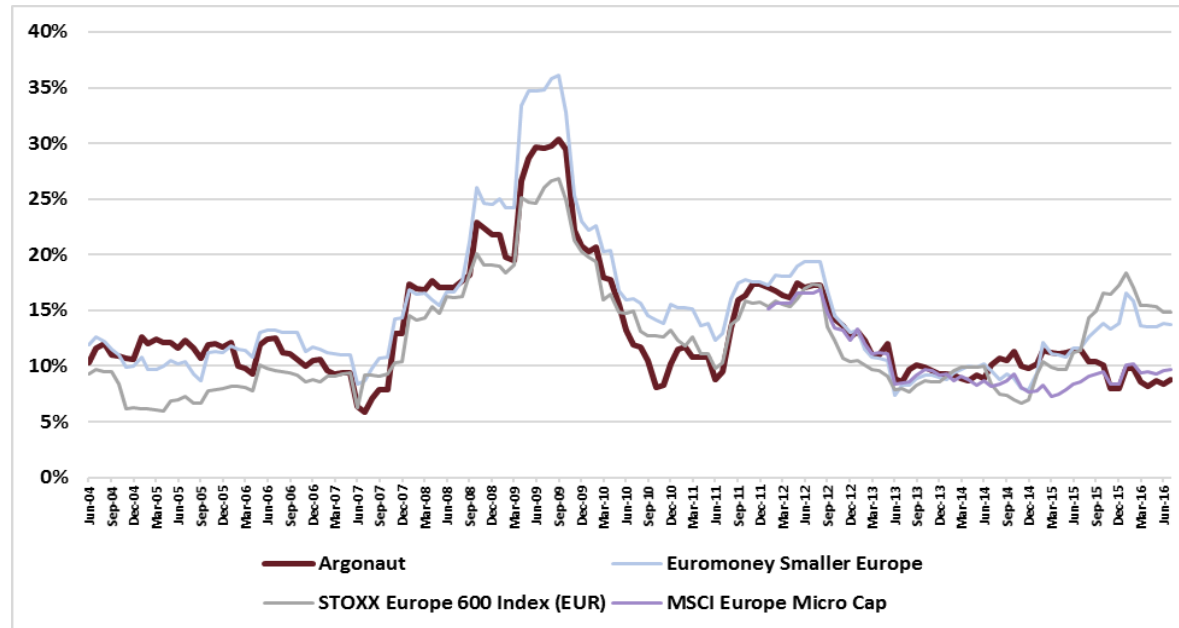
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## VOLATILITY ON SMALL CAP IS FALLING BELOW LARGE 1/2

Argonaut vs Euromoney vs STOXX 600 vs MSCI Europe Micro Cap  
1Y Rolling Volatility – Since Jun-2004



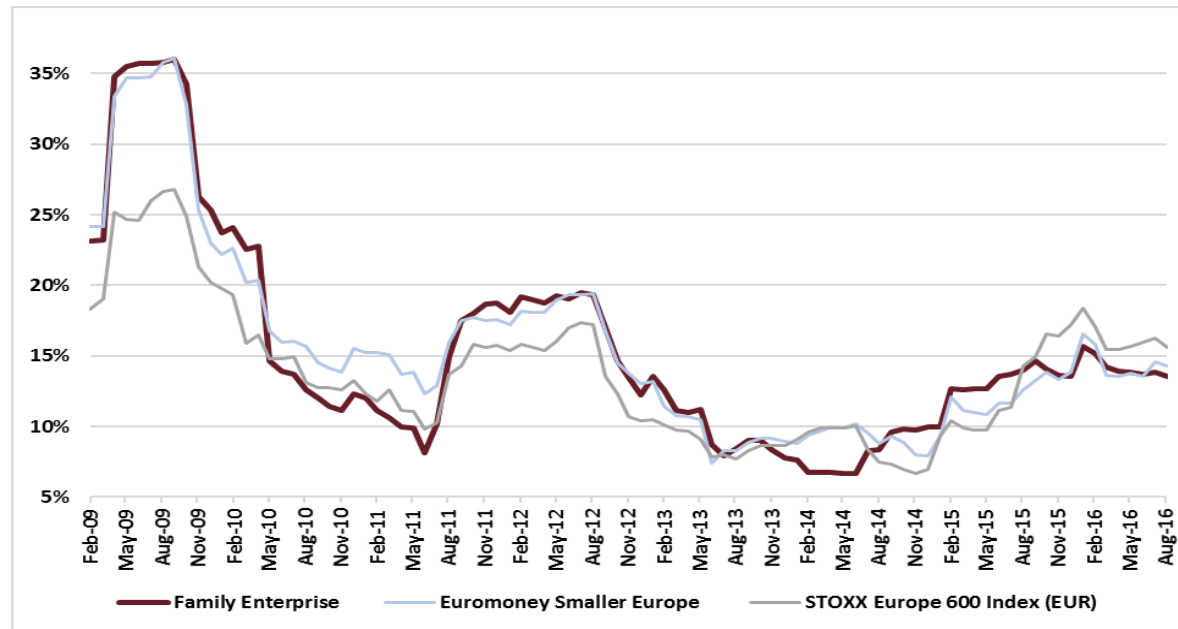
Source: QUAERO CAPITAL SA & Bloomberg

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## VOLATILITY ON SMALL CAP IS FALLING BELOW LARGE 2/2

Family Enterprise vs Euromoney vs STOXX 600 vs MSCI Europe Micro Cap  
1Y Rolling Volatility – Since Feb-2009



Source: QUAERO CAPITAL SA & Bloomberg

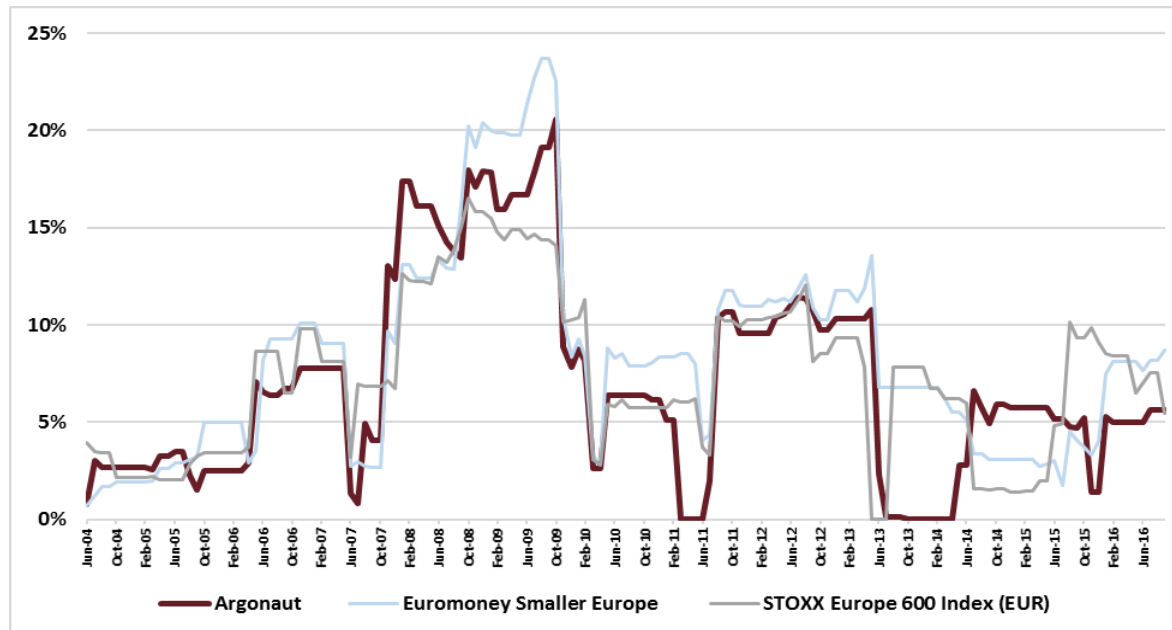
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## SAME PATTERN IN DOWNSIDE VOLATILITY

Argonaut vs Euromoney vs STOXX 600 vs MSCI Europe Micro Cap  
1Y Rolling Downside Volatility



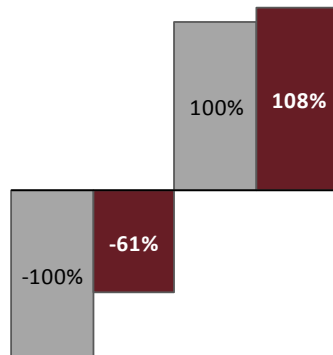
Source: QUAERO CAPITAL SA & Bloomberg

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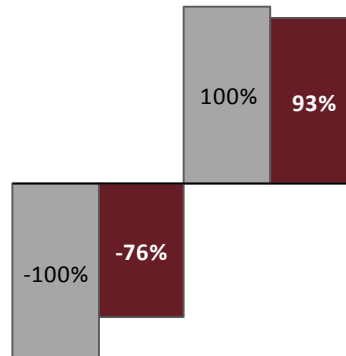


## LOW DOWNSIDE CAPTURE RATIOS

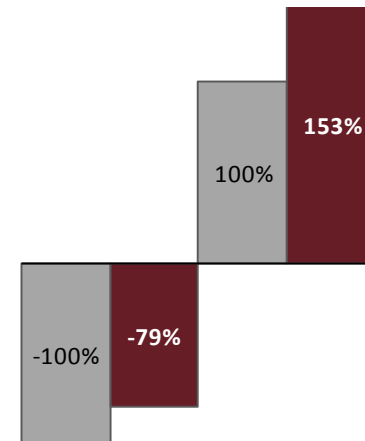
Argos Funds – Argonaut Fund  
(since inception 2003)



Argos Funds - Family Enterprise  
(since inception 2008)



Swiss Strategy  
(since inception 2015)



Source: QUAERO CAPITAL SA

N.B. Fund performance shown here against Stoxx 600 for Argos Argonaut and Argos Family Enterprise; against SPI Extra for Swiss Strategy.

\*Market capture ratios are obtained by separating and chainlinking fund returns during all benchmark up-months and all benchmark down-months, on an average monthly basis.

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## SARANTIS

- Founded in Istanbul in 1930 by the Sarantis family
  - Moved to Greece in the 1950's
  - Still 52% owned and managed by the family
  - Over 60% of sales outside Greece
  - Strong presence in Eastern Europe
  - Household products (aluminium foil, cling film, insecticides, cleaning products, shoe polish etc.)
  - Branded cosmetics and perfumes distribution
  - Good profitability track record
- 
- In the pre-crisis good days, investors were queueing up to invest in the 'Eastern-European Procter & Gamble'
  - Then investors sold Greek exposure indiscriminately
  - Profits held up as the company gained market share against weakened competition
  - Sales actually growing in Greece as foreign brands favour stronger distribution partners
  - Net cash
  - Invested at 1.70€.
  - Strong growth in sales and profits in the last years

*Source: Standard & Poors – Capital IQ*

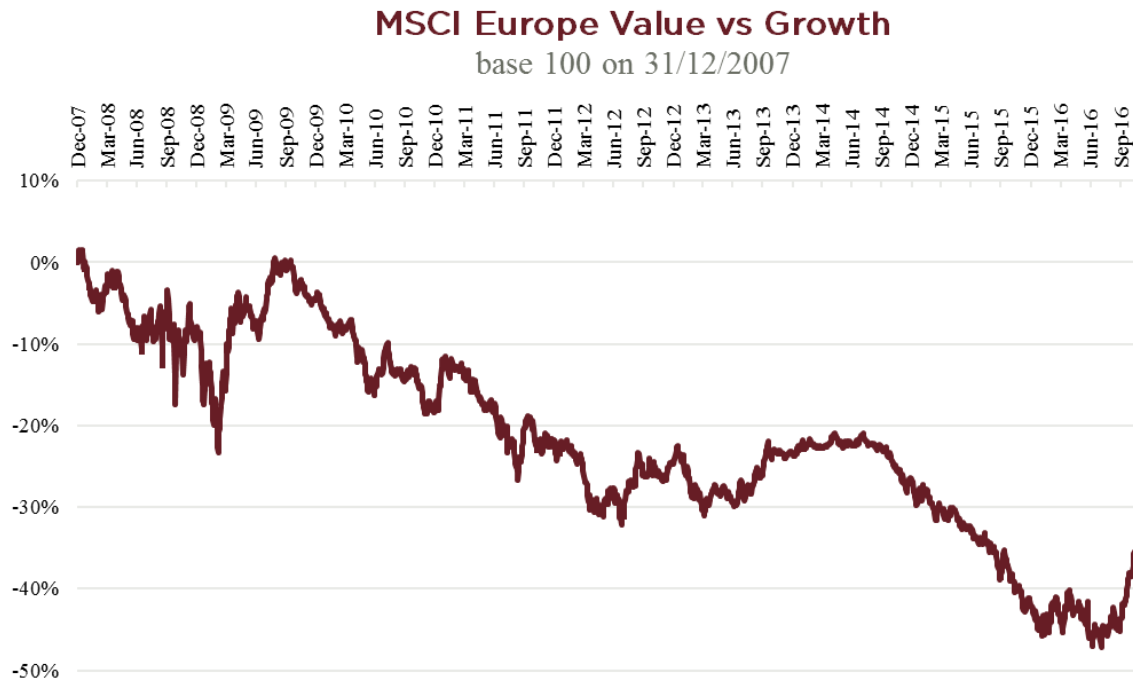
This information is not a recommendation, offer or solicitation to purchase or sell the stock and is not fully comprehensive



- ✓ **Shareprice : 10.99 €**
- ✓ **Market capitalisation : 377 M€**
- ✓ **Book value : 167 M€**
- ✓ **Sales : 279 M€**
- ✓ **Net cash : 6 M€**
- ✓ **PE ratio : 20.3x 2015, 15.8x 2016e**



## MSCI EUROPE VALUE VS GROWTH



Source : S&P Global Market Intelligence





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