

SEXTANT PME



In Q2, Sextant PME's asset value decreased 2.2% compared to +3.7% for its benchmark index, the CAC Small NR. Unfortunately, therefore, the fund has given back last year's outperformance in a market that was sharply down.

Surprisingly, this severe underperformance in Q2 – the worst since the fund was created – is not due to major stock-picking errors which might have drastically damaged performance. The fund's main positions performed more or less in line with the index. The current, highly polarised market environment appears to be behind this underperformance.

Our «value» management style of seeking contrarian plays has not been a winner recently. This year's sharp fall in 10-year yields, which accelerated in late March, has entailed a sort of capitulation by investors concerning a recovery in interest rates. As a result, French 10-year yields sank into negative territory on 30 June.

Reports of a «Japanification» of the euro zone and the prospect of zero rates for the next decade caused investors to look to «visible growth» type equities (software editors, for example), which act as substitutes for long-term bonds which yield nothing and prompt yield hunters to ever-higher prices for future earnings flows.

On the other hand, a whole segment of the market (i.e. cyclicals) is being neglected, and we believe that it harbours opportunities for the patient investor. We cannot predict when will interest rates rise, and it is possible they will remain low for a long time. However, investor positioning in «visible growth» type stocks looks to have become risky, not because of the underlying activity of these companies, but because the multiples at which these stocks are trading leave no room for disappointment.

Many recent reports point to the gap that has opened between growth and value stocks, which have risen to all-time highs. The market seems to be saying «This time is different», but if history is any guide this could be a good time to stray from the herd.

As an example of this contrarian logic, we acquired a position in **Boiron** in Q2. Over the past 18 months, the world leader in homeopathy saw its share price fall due to possible non-reimbursement of its products in France. Although it is clear that non-reimbursement would be a severe blow to the Lyons-based company, the fall in the share price looked excessive to us, as

only one quarter of the group's sales are concerned by the change. Moreover, non-reimbursement would open the door to free prices – currently very low – and to advertising and promotion of homeopathic products. In addition, Boiron would react by cutting prices in response to lower volumes. The French government ended the suspense in July, when it announced that non-reimbursement would begin in 2021. The share price rose on this decision, suggesting that this bad news was already priced in. The company plans to restructure and find growth avenues, and should communicate more in the coming months.

Meanwhile, the valuation is very weak even on cautious scenarios.

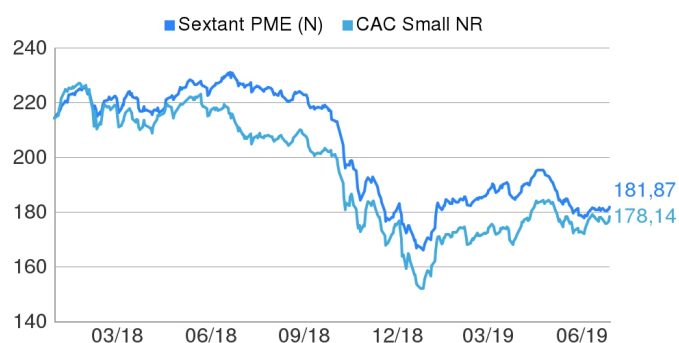
Jacquet Metals recently – and unexpectedly – announced that it would sell to Swedish group SSAB its small anti-abrasion steels subsidiary Abraservice. The price has not been disclosed, but it is likely that SSAB will generate numerous synergies and that **Jacquet** obtained a very good price. Being a cyclical activity, the stock of this speciality steels distributor trades at less than the value of its inventories and warehouses, which looks excessive to us given the quality of the group.

In early 2019, we acquired a position in Swedish company **Beijer Ref**, which was one of the largest positive contributors to the Q2 performance. The company is Europe's leading distributors of parts and equipment for refrigeration systems and air conditioning for professional uses (large stores, restaurants, warehouses, factories).

This business requires considerable technical expertise given the complex nature of the systems (adapted to individual needs, numerous parts to be integrated, legislation etc), but it also benefits from significant recurrence thanks to the need for regular maintenance of the systems. Traditionally, the group has expanded both through sustained organic growth and by making numerous acquisitions that have been very well integrated (overall growth has averaged 15% per annum for the past 10 years). We found a good entry point early this year, due to fears of lower profitability in 2019 after strong equipment demand in 2018. These fears look exaggerated to us in view of longer-term development opportunities arising from new energy-saving equipment (on the back of the EU f-gas regulation) and further acquisitions.

Performances

	Sextant PME (N)	CAC Small NR
1 month	1.8%	3.1%
3 months	-2.0%	3.7%
6 months	6.7%	12.4%
1 year	-19.8%	-15.5%

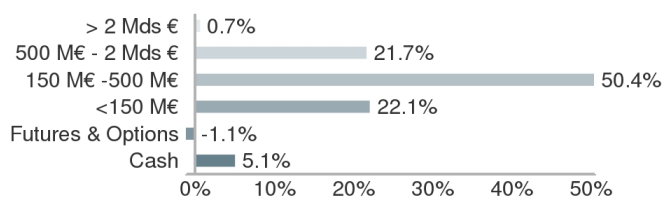


	2018	2019
Sextant PME (N)	-20,5%	6,7%
CAC Small NR	-26,0%	12,4%

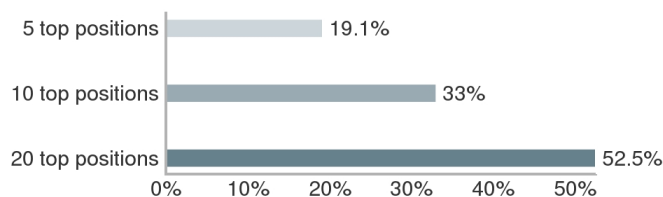
Since January 1st 2014, the index of reference is the CAC Small reinvested net dividends index.



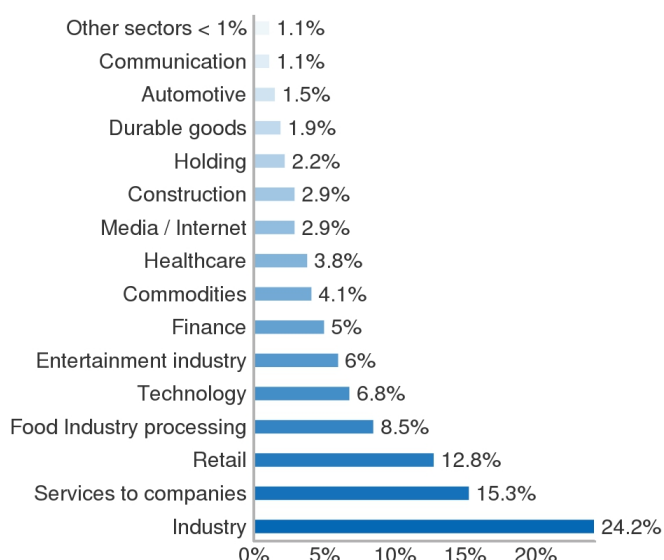
Distribution by capitalisation size



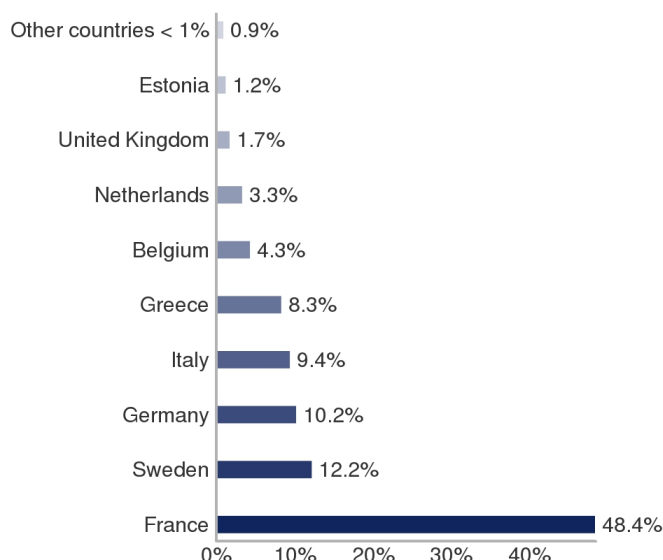
Weight of the main holdings



Distribution of holdings by sector (equity portfolio)



Geographical distribution of holdings (equity portfolio)



Main holdings

Name	Sector	Country	Net asset %	Contrib. to quarterly performance
Groupe Guillin	Food Industry processing	France	4.3%	9 bps
Picanol	Industry	Belgium	4.1%	-13 bps
Reno de Medici	Industry	Italy	3.8%	-13 bps
Iktinos Hellas	Commodities	Greece	3.6%	13 bps
Fourlis	Retail	Greece	3.3%	6 bps

Indicators

1 year volatility	Fund : 15,4% Benchmark : 19,2%
Number of lines	75
Average cap. of equities	421 M€
Median cap. of equities	322 M€

Main contributions to performance

Name	Contrib.	Name	Contrib.
Addtech	59 bps	Mr Bricolage	-50 bps
Judges Scientific	44 bps	SRP Groupe	-47 bps
Beijer Ref	30 bps	Home24	-46 bps
Addlife	28 bps	Wavestone	-36 bps
Jacquet Metal	26 bps	Boiron	-35 bps

Main characteristics

Legal form	UCITS / French mutual fund
Share category	Unit N
ISIN code	FR0013306370
Bloomberg code	
AMF classification	"European Equities" UCITS
Benchmark	CAC Small NR
NAV / Net assets	181,87 € / 101,18 M€
Share NAV period	Daily based on prices at market close
Risk profile	1 2 3 4 5 6 7

Scale from 1 (lowest risk) to 7 (highest risk); category-1 risk does not mean a risk-free investment. This indicator may change over time.

Launch date	Fund : 17/12/2007 Unit : 29/12/2017
Recom. invest. duration	Over 5 years
Centralis.-Settlem. /Delivery	D at 10 AM / D + 2
Custodian	CACEIS Bank
Transfert agent	CACEIS Bank
Tax provisions	Eligible for PEA (French personal eq. savings plan) Eligible for PEA-PME (French personal eq. savings plan)
Entry charge	5,0% including tax maximum
Exit charge	1,0% including tax maximum
Fixed management fee	1,30% including tax
Performance fee	15%, including taxes of the common fund's positive performance beyond its performance index per calendar year

Source: Amiral Gestion at 28/06/2019

Notice

This commercial document aims to present the characteristics of the fund on a simplified basis. For further information, you may refer to the key information document for investors and to the prospectus, which are legal documents available on the management company's internet site or by request to the management company. The performances shown are not a reliable guide to future performance. Performance may vary over time.

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