

SEXTANT EUROPE



The markets continued to display impressive resistance in the third quarter, despite recurring concerns about absolute valuations, rising interest rates, Italian risks, or a potential slowdown in China. However, this resistance is misleading, because it is driven by a handful of very large capitalisations. Although the Stoxx 50 was down only 0.5% at end September, it was largely thanks to five stocks (the oil companies, LVMH and SAP), which made a positive contribution of 300-400bps to the index performance. On a more global level, the non-stop rally by tech stocks – especially the biggest ones in terms of capitalisation (the so-called FAANGs) managed to keep the market afloat.

We believe that the stability of the indices masks a great deal of nervousness, after a near-continuous cyclical upswing that has lasted nine years. Stock-market reactions to newflow remain very violent, suggesting that investors have chosen to focus exclusively on the most recent news item. Companies that have a regular growth profile continue to make gains as long as they can perform in line with expectations, while companies with a less favourable profile fall every time there is news, even though valuations – which are often very low – provide no support in case of disappointing numbers.

This situation will not last forever, but it is clearly having a significant impact on the performance of our fund. In relative terms, the third quarter was lacklustre (-5% versus +1% for the benchmark Stoxx 600 NR). Our 'value' management style and, more generally, the gap relative to very large stocks, do less well in such an atypical situation. The fund's negative performance in Q3 was almost entirely due to the weakness (down over 20%) of four stocks (**Criteo**, **Easyjet**, **ILIAD** and **HelloFresh**), of which one, **Criteo**, seems to reflect poor judgement on our part.

- **Criteo's** Q2 results were disappointing. Although the quality of earnings was good, the forecasts for the rest of year were very surprising, with the company forecasting a slowdown in revenues, notably due to a shortage of sales reps. We have to wonder if we over-estimated the medium-term potential of advertising retargeting on internet for the group, which is highly dependent on acceptance by the big players in the sector (notably Apple – which closed its ecosystem to the group last year – Google and Facebook). We have divested our position.

- **Easyjet** was hard hit by fears that a new price war is imminent in the short-haul flights segment in Europe. These fears have been fuelled by two developments: fuel prices have risen greatly and capacities are rising on **Easyjet's** routes. We believe that the concomitance of these two trends is

unsustainable. When fuel prices rise, the least profitable capacities are driven out of the market, sometimes as a result of bankruptcy by operators. Paradoxically, **Easyjet** has usually performed better at times of higher fuel prices because competitive pressure on prices becomes less strong, especially as the company benefits fully from its policy of systematically hedging fuel prices. Incidentally, the company has just pre-announced record results.

- Concerning **ILIAD**, newsflow remains very negative with subscriber losses in both fixed and mobile in Q2, and a back-to-school period that was extremely competitive in terms of prices. The share price is down almost 50% in a year, its status having changed from that of innovative disrupter to follower. We are aware that the current situation in the French market, where there are four competitors, is not sustainable long term, and that consolidation would make the sector more profitable. Moreover, **ILIAD** has already invested heavily in fibre and the company will be highly cash generative by 2020, while the move into Italy is going well. Lastly, the forthcoming introduction of a new box should inspire some positive comments on the company.

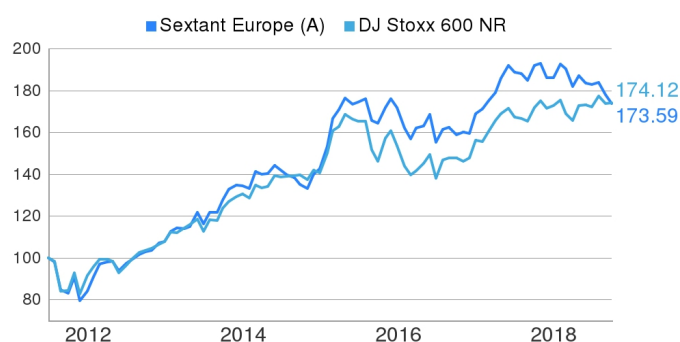
- **Hellofresh** reported Q2 sales up 41%, but this publication was not well received by the market due to fears of a slowdown in its key US market. Again, we think these fears are groundless and we note that the group's main rival, Blue Apron, is in serious difficulty. We recently met the **Hellofresh** management team in Berlin, as well as that of main shareholder **Rocket Internet**, and we came away with a very positive view of the company's prospects.

Aside from these negative performers, many of our companies published satisfactory results that failed to produce a very strong market reaction. Of the companies that reported good results, **Amundi**, **Elis**, **Sixt** and **Zooplus** deserve a mention. We had few outstanding stock-market performers in Q3, but one of them was Greek oil company **Motor Oil**, where the market saluted the good quality of its assets and very strong free cash flow. The share price rose 30% in Q3.

The present environment is not simple, with a market that is paying scant attention to valuations and is highly focused on momentum. In addition, we may be entering the final phase of the economic cycle. This has prompted us to seek more defensive stocks that correspond to valuation criteria such as Whitbread, a British hotel company that has valuable real-estate assets and is cash rich. We acquired a position in early October.

Performances

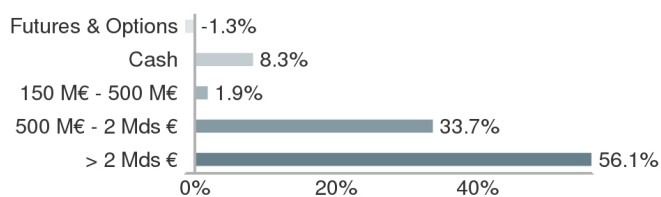
	Sextant Europe (A)	DJ Stoxx 600 NR
1 month	-2.5%	0.3%
3 months	-5.1%	1.3%
6 months	-4.5%	5.3%
1 year	-9.6%	1.5%
3 years	6.2%	19.8%
5 years	36.7%	41.5%



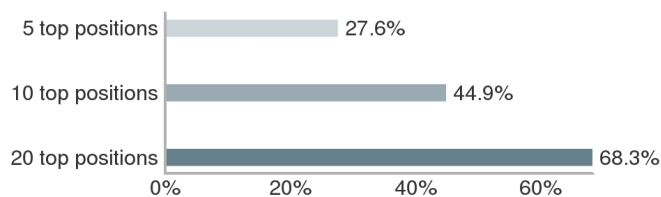
	2011	2012	2013	2014	2015	2016	2017	2018
Sextant Europe (A)	-16.0%	28.9%	24.6%	5.5%	21.0%	-2.1%	10.3%	-6.8%
DJ Stoxx 600 NR	-8.5%	18.2%	20.8%	7.2%	9.6%	1.7%	10.6%	0.9%



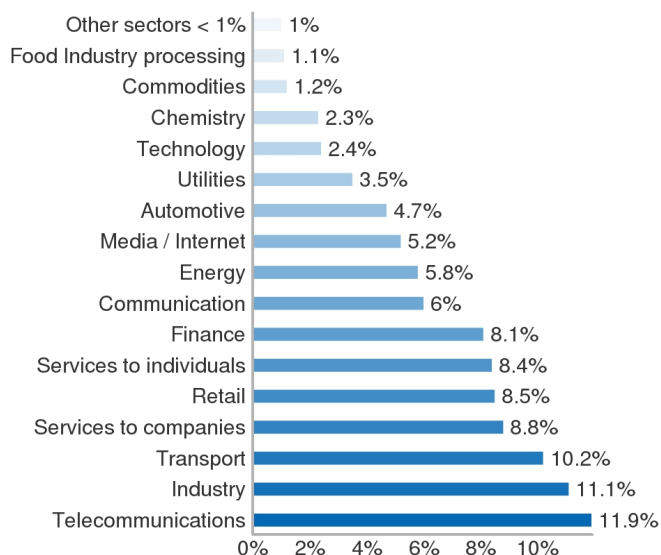
Distribution by capitalisation size



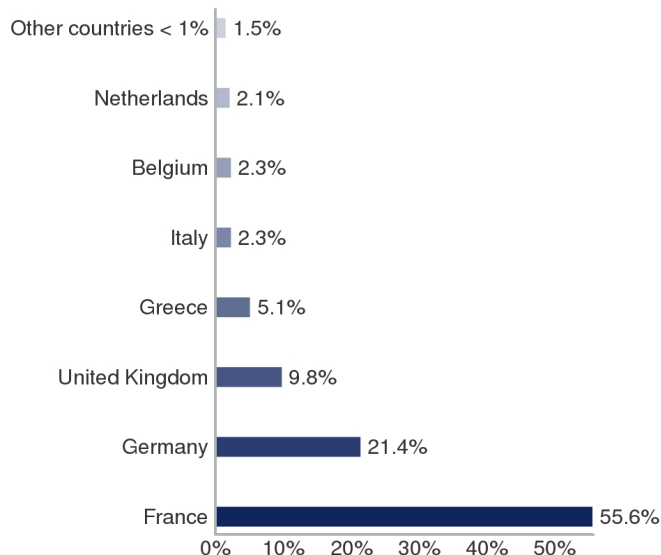
Weight of the main holdings



Distribution of holdings by sector (equity portfolio)



Geographical distribution of holdings (equity portfolio)



Main holdings

Name	Sector	Country	Net asset %	Contrib. to quarterly performance
Iliad	Telecommunications	France	7.5%	-109 bps
Sixt pref.	Services to individuals	Germany	6.1%	15 bps
Vivendi	Communication	France	5.5%	27 bps
HelloFresh	Retail	Germany	4.4%	-82 bps
Heidelberger Druck	Industry	Germany	4.2%	-11 bps

Indicators

3-years volatility	Fund : 12.5% Benchmark : 13.6%
Number of lines	43
Average cap. of equities	5 840 M€
Median cap. of equities	4 162 M€

Main contributions to performance

Name	Contrib.	Name	Contrib.
Motor Oil	100 bps	Iliad	-109 bps
Gruppo Mutuonline	29 bps	Criteo	-96 bps
Ontex	27 bps	Easyjet	-90 bps
Vivendi	27 bps	HelloFresh	-82 bps
Saipem	25 bps	Derichebourg	-58 bps

Main characteristics

Legal form	UCITS / French mutual fund	Launch date	Fund : 29/06/2011 Unit : 29/06/2011
Share category	Unit A all subscribers	Recom. invest. duration	Over 5 years
ISIN code	FR0011050863	Centralis.-Settlem./Delivery	D at 10 AM / D + 2
Bloomberg code	AGSEURA FP	Custodian	CACEIS Bank
AMF classification	"European Union Equities" UCITS	Transfert agent	CACEIS Bank
Benchmark	DJ Stoxx 600 NR	Tax provisions	Eligible PEA (French personal eq. savings plan)
NAV / Net assets	173.59 € / 29.40 M€	Entry charge	2.00% including tax maximum
Share NAV period	Daily based on prices at market close	Exit charge	1.00% including tax maximum
Risk profile	1 2 3 4 5 6 7	Fixed management fee	2.00% including tax
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.		Performance fee	15%, incl. taxes of the common fund's perf. beyond the perf. of the DJ STOXX 600 (reinvested dividends) index, on the condition that its performance is positive

Source: Amiral Gestion at 28/09/2018

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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