

# VARENNE GLOBAL SELECTION FCP

MONTHLY REPORT (I-USD CLASS) - FEBRUARY 2018



NAV

\$1,066.62

Varenne Global Selection fund is a professional alternative investment fund. It is not subject to the same rules as general investment funds (UCITS funds) and can therefore carry higher risk. Only those persons listed in the section entitled "Target Investors" of the prospectus may purchase units in the Varenne Global Selection fund.

## INVESTMENT OBJECTIVE

The Fund's objective is to target above average returns in a fund that mixes a concentrated long and short equity portfolio (long biased) with an overlay of merger arbitrage (long/short pairs or longs) and opportunistic tail risk hedging.

## MONTHLY PERFORMANCE

| Years | January | February | March              | April | May   | June   | July   | August | Sept. | October | Nov.  | Dec.  | Yearly Perf.        |
|-------|---------|----------|--------------------|-------|-------|--------|--------|--------|-------|---------|-------|-------|---------------------|
| 2017  | -       | -        | 1.99% <sup>2</sup> | 3.40% | 0.66% | -1.20% | -1.59% | -0.25% | 3.54% | 0.67%   | 1.05% | 1.62% | 10.20% <sup>2</sup> |
| 2018  | 0.83%   | -4.01%   |                    |       |       |        |        |        |       |         |       |       | -3.21%              |

## TOP 5 HOLDINGS (Equity)

|              |             |                |
|--------------|-------------|----------------|
| GREGGS       | Long Equity | United Kingdom |
| ACCENTURE    | Long Equity | United States  |
| ULTA BEAUTY  | Long Equity | United States  |
| NOVO NORDISK | Long Equity | Denmark        |
| LVMH         | Long Equity | France         |

## NUMBER OF HOLDINGS

|                    |    |
|--------------------|----|
| Equity             | 20 |
| Special Situations | 7  |
| Tail Risk Hedging  | 3  |

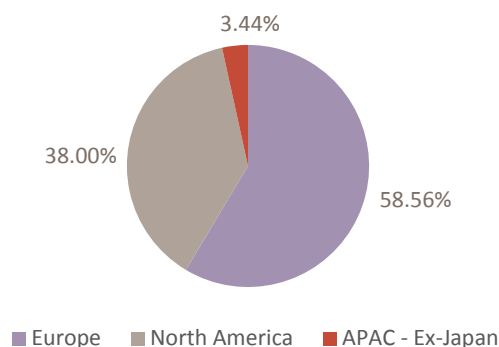
## EXPOSURE BY MARKET CAPITALIZATION (Equity)

|                |        |
|----------------|--------|
| > EUR 3bn      | 64.21% |
| EUR 500m – 3bn | 17.81% |
| < EUR 500m     | 17.98% |

## CURRENCY EXPOSURE (Delta adjusted, excluding Tail Risk Hedging)

|              | USD    | GBP    | DKK   | CHF   | SGD   | HKD   | CNH    |
|--------------|--------|--------|-------|-------|-------|-------|--------|
| Exposure     | 50.91% | 15.75% | 8.26% | 7.12% | 3.02% | 0.67% | 0.00%  |
| Hedging      | 40.17% | 13.05% | -     | -     | 1.51% | -     | 1.51%  |
| Net Exposure | 10.74% | 2.70%  | 8.26% | 7.12% | 1.51% | 0.67% | -1.51% |

## GEOGRAPHIC BREAKDOWN (Equity, gross exposure, delta adjusted)



## TOP 10 SECTORS (GICS sub-ind. - Equity, gross exposure, delta adjusted)

|                                |        |
|--------------------------------|--------|
| Apparel, Accessories & Luxury  | 12.52% |
| Restaurants                    | 10.85% |
| IT Consulting & Other Services | 10.65% |
| Specialty Stores               | 10.65% |
| Pharmaceuticals                | 7.69%  |
| Technology Distributors        | 7.31%  |
| Apparel Retail                 | 7.25%  |
| Specialty Chemicals            | 6.63%  |
| Food Retail                    | 4.51%  |
| Movies & Entertainment         | 4.16%  |

<sup>1</sup> Risk indicator scored on a scale of 1 (lower risk) to 7 (higher risk). Category 1 does not mean "risk-free". This indicator may change over time. The Fund's track record is less than 5 years, SRRI calculation is completed by Varenne Selection Fund's data.

<sup>2</sup> Inception I-USD class: 3/3/2017

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## CUMULATIVE AND ANNUALIZED PERFORMANCE

|                          | Year to date | CUMULATIVE<br>1 year | Since Inception <sup>2</sup> | ANNUALIZED<br>Since Inception <sup>2</sup> |
|--------------------------|--------------|----------------------|------------------------------|--|
| VARENNE GLOBAL SELECTION | -3.21%       | -                    | 6.66%                        | -  |

## ANNUALIZED VOLATILITY

| Annualized volatility % (w) | 1 year | Since Inception <sup>2</sup> |
|-----------------------------|--------|------------------------------|
| VARENNE GLOBAL SELECTION    | -      | -                            |

## INVESTMENT MANAGEMENT REVIEW

**Macro Context:** The major central banks kept their key rates on hold. Ten-year sovereign bond yields dropped in Europe, with the Bund falling to 0.66%, the French OAT to 0.92%, while the US T-Bond rose to 2.86%. High yield bond yields rose to 6.14% (+36bps) in the US as well as in Europe to 3.17% (+21bps). Volatility increased to 19.85% (+631bps) in the case of the VIX (S&P 500) and to 18.00% (+284bps) for the VSTOXX (EURO STOXX 50). Industrial metals showed mixed performances, while precious metal prices declined, with gold down 1.99% to \$1,318.31/ounce. Crude oil fell by 4.77% to \$61.64/bbl. On the forex market, the euro gave up 1.77% to the dollar at 1.22 but gained 1.31% vs. sterling to 0.89.

**Equity (Long Equity and Short Equity):** We increased our holding in Accenture (IE). The holding in Priceline (US) was sold.

**Merger Arbitrage:** Three new holdings were initiated: Refresco (NL), Callidus Software (US) and Bioverativ (US). A new holding was set up in Zodiac Aerospace (FR) amidst the reopening of the bid by Safran (FR). The Euler Hermes (FR) holding was tendered to the delisting offer from Allianz (DE).

**Tail Risk Hedging:** The Fund is hedged against economic and financial risks through CDS on European subordinated financial debt maturing in December 2021 and June 2022, put-on-best options on the EuroStoxx 50 and Nikkei maturing in March 2020, and yen/dollar put options maturing in 2023.

## TERMS AND CONDITIONS

|                    |                               |                           |   |
|--------------------|-------------------------------|---------------------------|---|
| Fund Structure     | Professional AIF / Unit Trust | Administrator             | CACEIS Fund Administration  |
| Type               | Accumulation                  | Subscriptions/Redemptions | Weekly*   |
| Benchmark          | None                          | Redemptions               | No minimum  |
| Initial NAV        | \$1,000                       | Subscription Fee          | Up to 2%, fully paid to distributors when applicable                          |
| Inception          | 1/31/2014 (A-EUR class)       | Redemption Fee            | None  |
| Isin               | FR0013240470 (I-USD class)    | Management Fee            | 1.10% of Net Assets   |
| Bloomberg          | VARGLSU FP                    | Performance Fee           | 14.95% of the Fund's performance  |
| Investment Manager | Varenne Capital Partners      |                           | Hurdle Rate: 12-month rolling average of capitalised EONIA + 300 basis points |
|                    | AMF Approval no. GP-06 000004 |                           |   |
| Custodian          | CACEIS BANK                   |                           |   |

\*Specific conditions on redemptions: please refer to the Prospectus or KIID

<sup>2</sup> Inception I-USD class: 3/3/2017

Data sources: Varenne Capital Partners

Past performances do not guarantee future returns. Please consult the fund's prospectus prior to making any investments.

Data included in this document relates exclusively to the I-USD class of FCP Varenne Global Selection. Data for other classes differ. This document has been published solely for information purposes and does not therefore constitute, whether in full or in part, investment advice, or an offer, personalised recommendation or a solicitation to subscribe to, or redeem units, equities or other shares in the investment products presented.

## VARENNE CAPITAL PARTNERS

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