

GVC GAESCO VALUE MINUS GROWTH MARKET NEUTRAL, FI

Market Neutral: Asymmetric Opportunities
Approach.

5/7 This number indicates the risk of the product, where 1/7 represents the lowest risk and 7/7 the highest risk

It improved the CAPM model (70%), Eugene Fama (Nobel Prize 2013) and Kenneth French

Explanatory power of the returns of a diversified equity portfolio of the three-factor model: 90%

$$R_{it} - R_{ft} = \alpha_{it} + \beta_1(R_{Mt} - R_{ft}) + \beta_2SMB_t + \beta_3HML_t + \epsilon_{it}$$

R_{it} = total return of a stock or portfolio i at time t

R_{ft} = risk free rate of return at time t

R_{Mt} = total market portfolio return at time t

$R_{it} - R_{ft}$ = expected excess return

$R_{Mt} - R_{ft}$ = excess return on the market portfolio (index)

SMB_t = size premium (small minus big)

HML_t = value premium (high minus low) (1)

$\beta_{1,2,3}$ = factor coefficients

(1): HML: High-book-to market value ratio (value) Minus low book-to-market value ratio (growth)

HML = High book to market
Minus Low book to market
= Low market to book
Minus High market to book

15/9/21	ArcelorMittal (mill. EUR)	Netflix (mill USD)
Market Value	28,022	260,817
Book Value	40,237	11,065
Market to Book	0.70	23.56
	Value	Growth

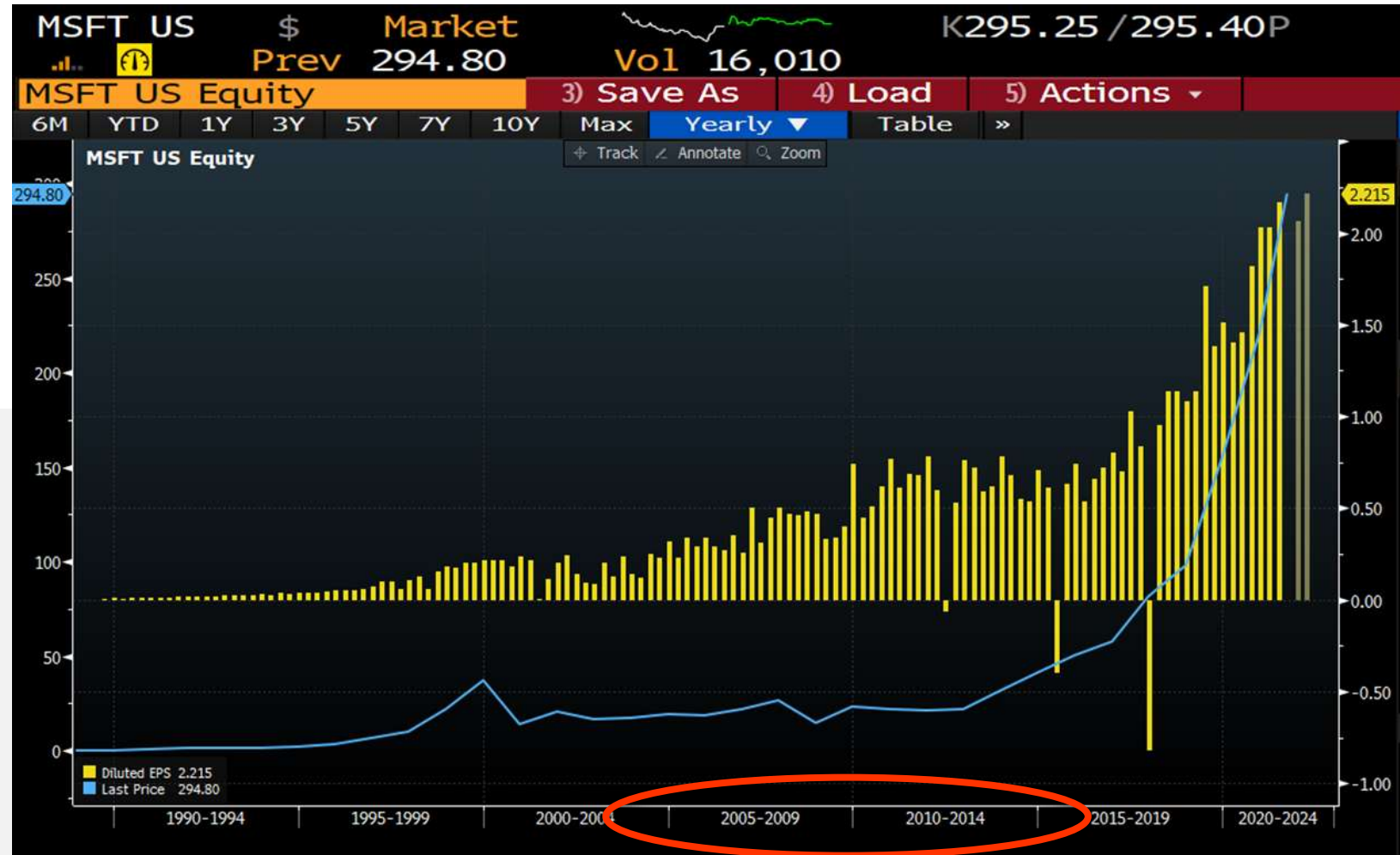
Market Value: Reflects future expectations

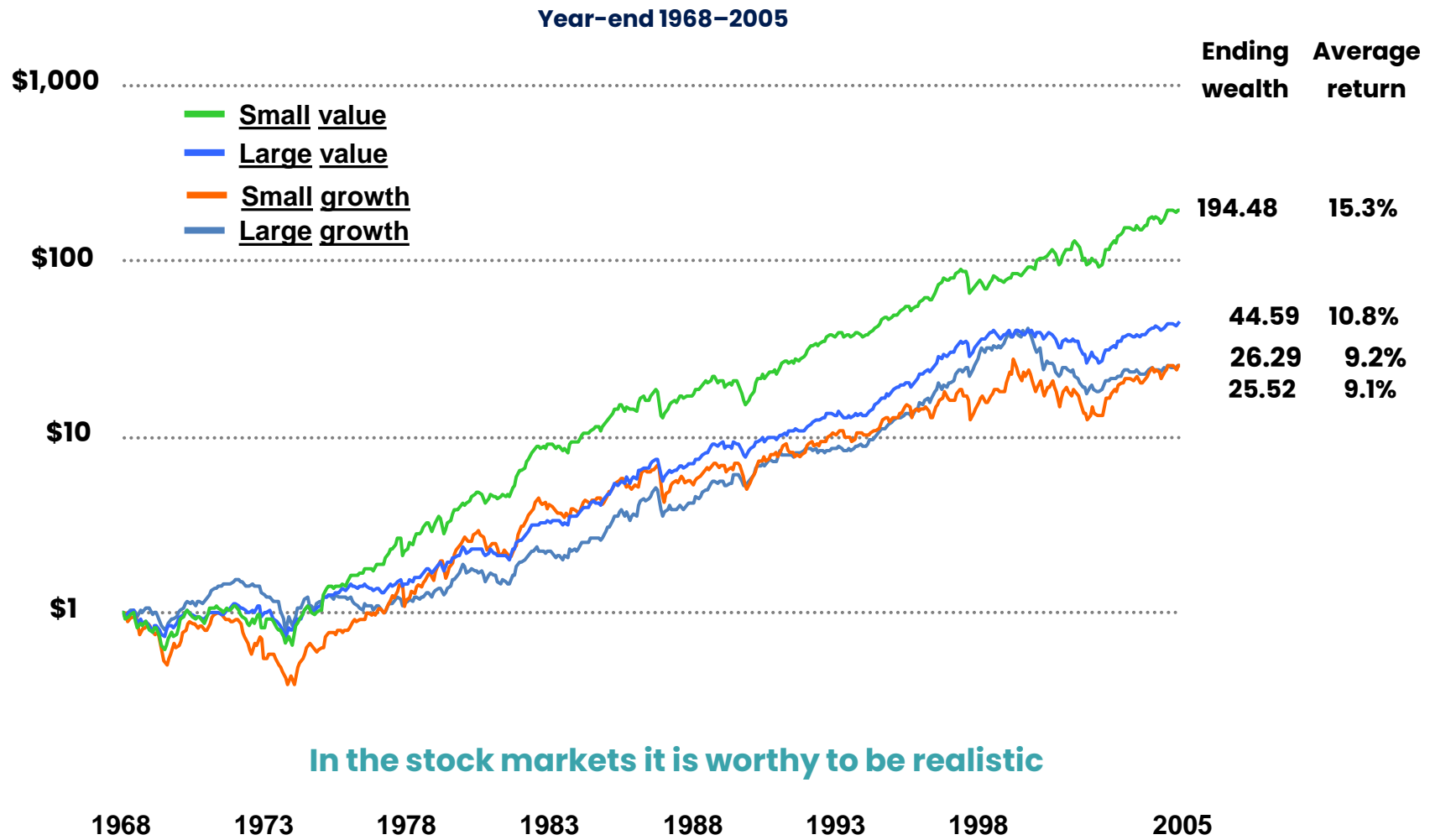
Book Value: Reflects the past of the company

Sometimes the market is prone to paying too much for future expectations (Castles in the air?), and sometimes the market is more realistic.

It is not about some companies growing more than others, which is normal, but about the management of expectations carried out by the market

It met growth expectations, but it took 14 years to recover the price of 2000





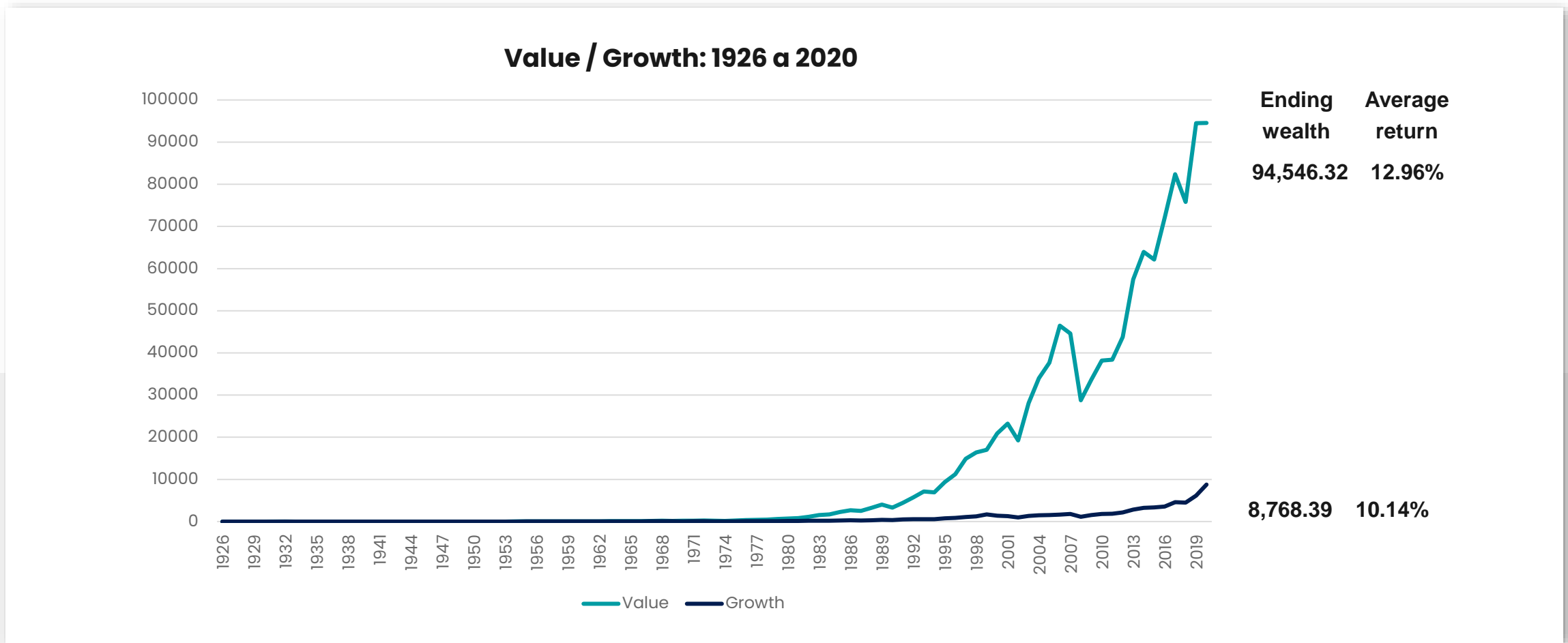
In the stock markets it is worthy to be realistic

Hypothetical value of \$1 invested at year-end 1968. Assumes reinvestment of income and no transaction costs or taxes.

Continuous durations of value/growth cycles

**2021: Value
+0,82% vs
Growth**

Years of the Cycle	Value Cycle	Growth Cycle
2	1932 to 1933 1935 to 1936 1954 to 1955 1958 to 1959 1992 to 1993	1927 to 1928 1930 to 1931 1956 to 1957 1966 to 1967 1979 to 1980 1998 to 1999
3	1995 to 1997	1989 to 1991
4		1937 to 1940 2017 to 2020
5	1961 to 1965	
6	1981 to 1986	
7	1972 to 1978 2000 to 2006	2009 to 2015
8	1941 to 1948	



Annualized return Value: 12.96% **Annualized return Growth: 10.14%**
Annualized return difference favorable to Value: 2.82%
In the stock markets it is necessary to be realistic

Indices with a higher Value component rise more in the phase Value

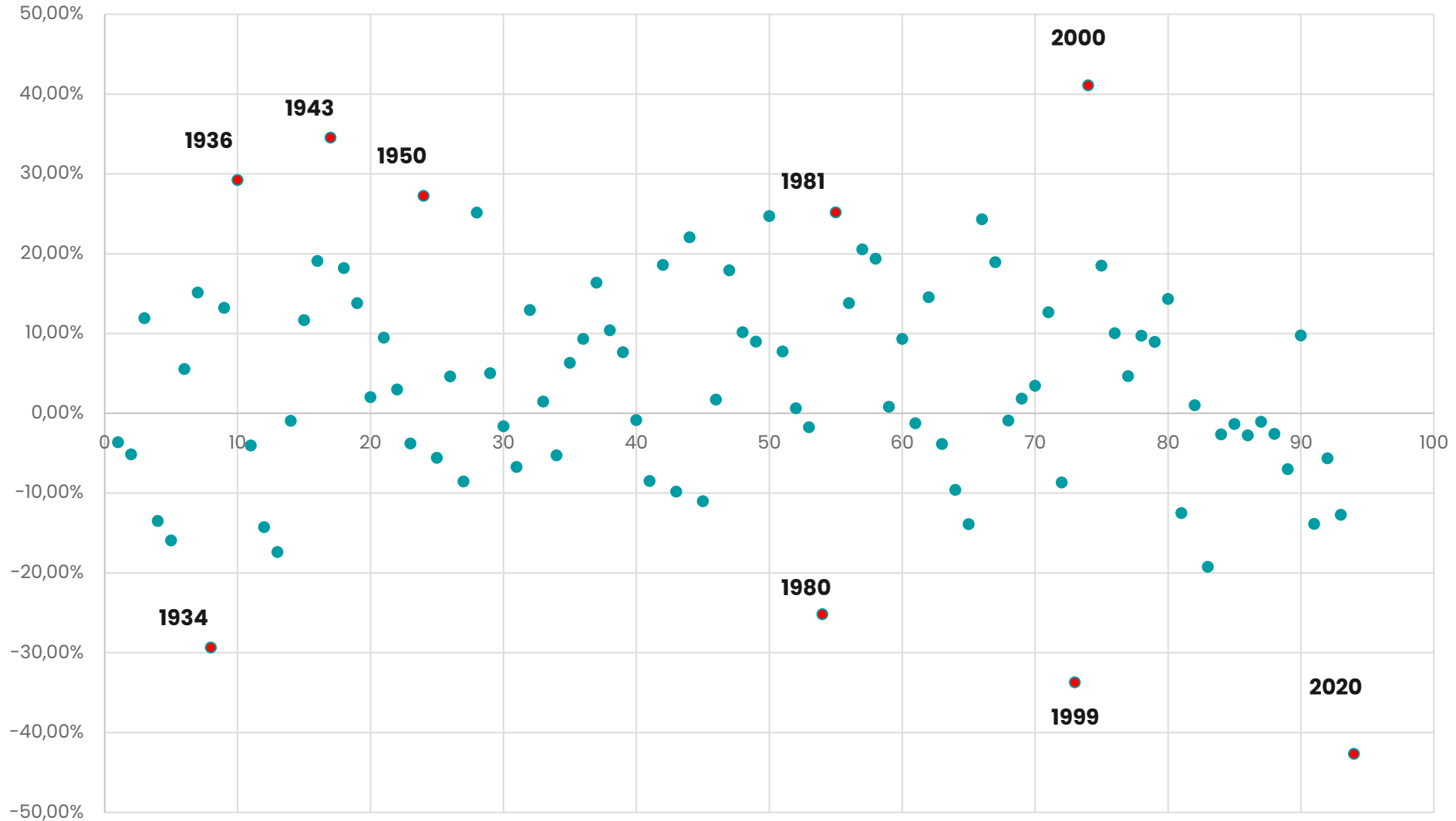
Fase Value	06/11/20	2/4/21	%
Ibex-35	6.870,40	8,577,60	24,8%
Eurostoxx-50	3.204,05	3,945,96	23,2%
Stoxx 600	366,40	432,22	18,0%
S&P500	3.509,44	4.019,87	14,5%
Nasdaq	11.895,23	13.480,11	13,3%

Value does better than growth when rates go up... and vice versa

Típos 10 años USA	MSCI Europe Value TR	MSCI Europe Growth TR	Diferencia
6/11/20 - 0,85% 02/04/21 - 1,72%	+27,60%	+11,10%	+16,49%
02/04/21 - 1,72% 31/12/21 - 1,51%	+9,15%	+20,51%	-11,36%

Watch out! Change of cycle!

Típos 10 años USA	MSCI Europe Value TR	MSCI Europe Growth TR	Diferencia
31/12/21 - 1,51% 19/01/22 - 1,87%	+4,92%	-6,92%	+11,84%



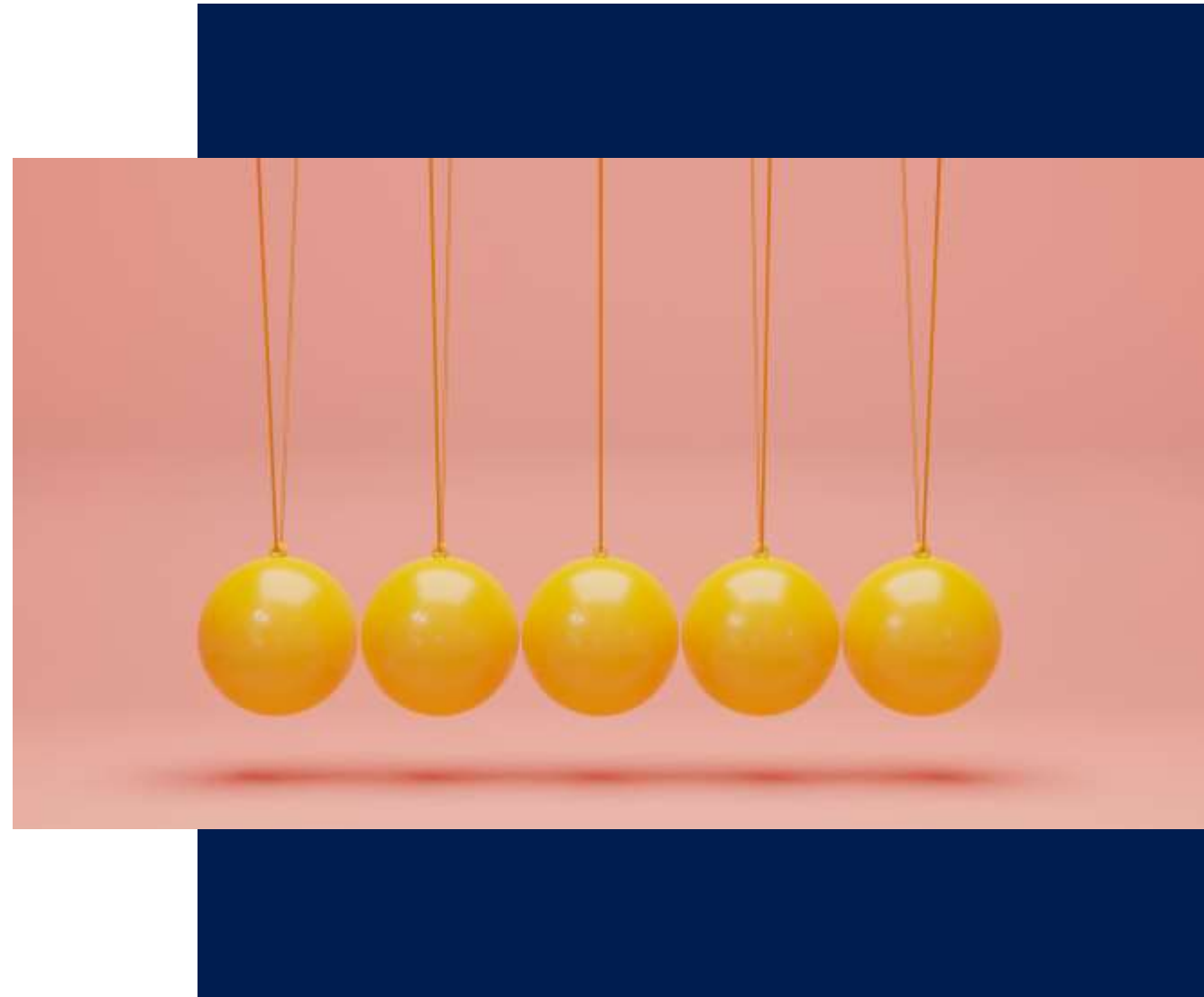
The value / growth cycles: 1926 to 2020

We don't expect to stop in the middle, we expect to go to the other **extreme of the Pendulum**



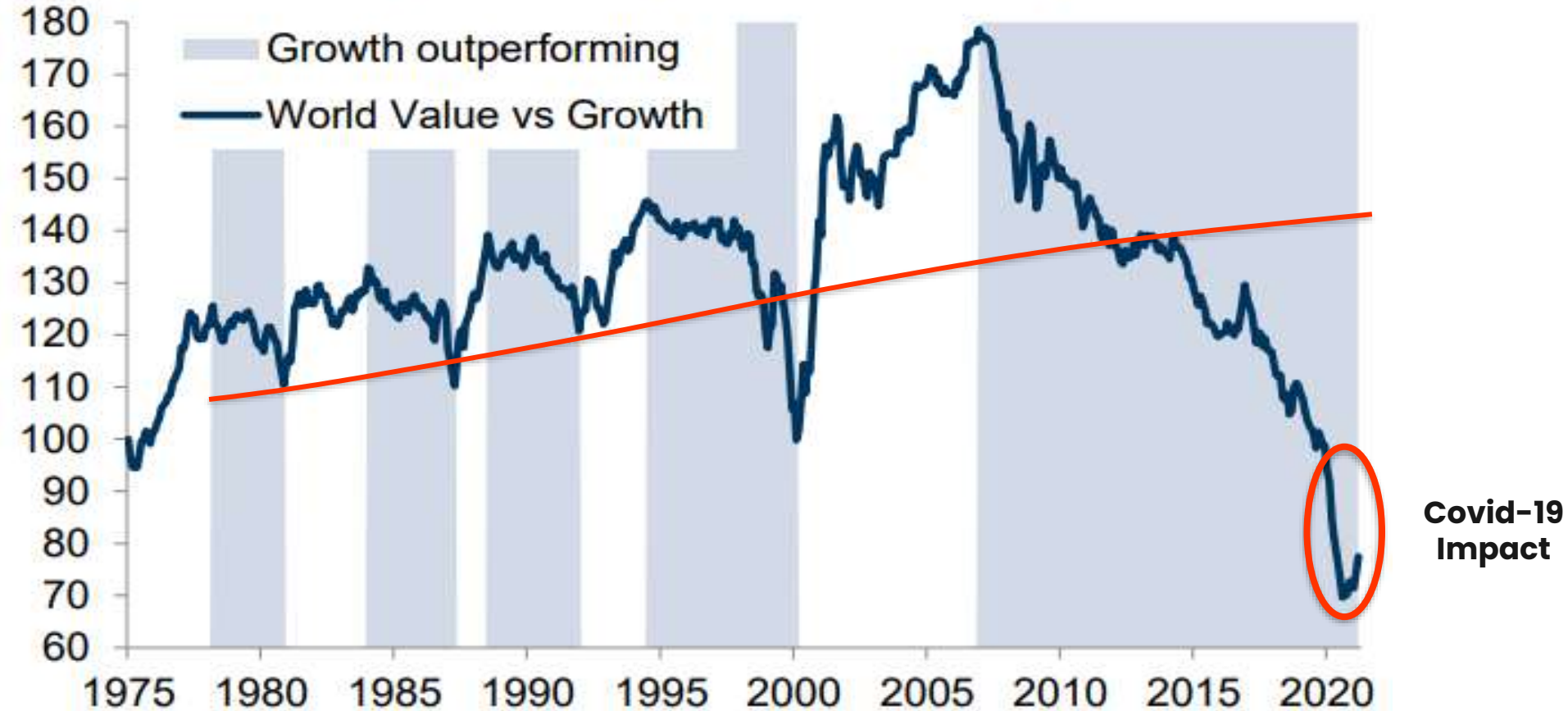
- All investing is about dealing with the future, and the future is something that cannot be known with certainty. **The key to investing is knowing where we are in a cycle and what that means for the future.** This is very different from trying to predict the timing, extent and shape of the next cyclical move.
- **Cycles are unavoidable**, because they are self-corrected by human actions and psychology.
- “This time is different” – “the old rules are obsolete” – “No PER is too high if the trees grow to the sky”. However, trees don’t grow to the sky, and few things go to 0. Cycles are self-correcting.
- **The power of the credit cycle:** The Economist. “The worst loans are made in the best of times.” Competition and destruction of capital, cheap money leads to destruction of capital (invest in projects where the cost of capital is greater than its return). 2021: SPACs
- **The Market Cycle:** Psychology and Valuation Parameters (PER and WACS) = Short-term changes in stock prices are moved by human psychology, and human psychology moves in a very cyclical way.
- The market doesn’t move in one direction forever: It’s Cyclical, with ups CAUSING downs and downs CAUSING ups.
- **The Swing of the Pendulum:** From one extreme to another. Fund Rationale of GVC GAESCO VALUE minus GROWTH.
- Cycles and how to live with them: **You Can’t Predict, You Can Prepare”**

<https://www.oaktreecapital.com/insights/podcasts/the-rewind-you-cant-predict-you-can-prepare>



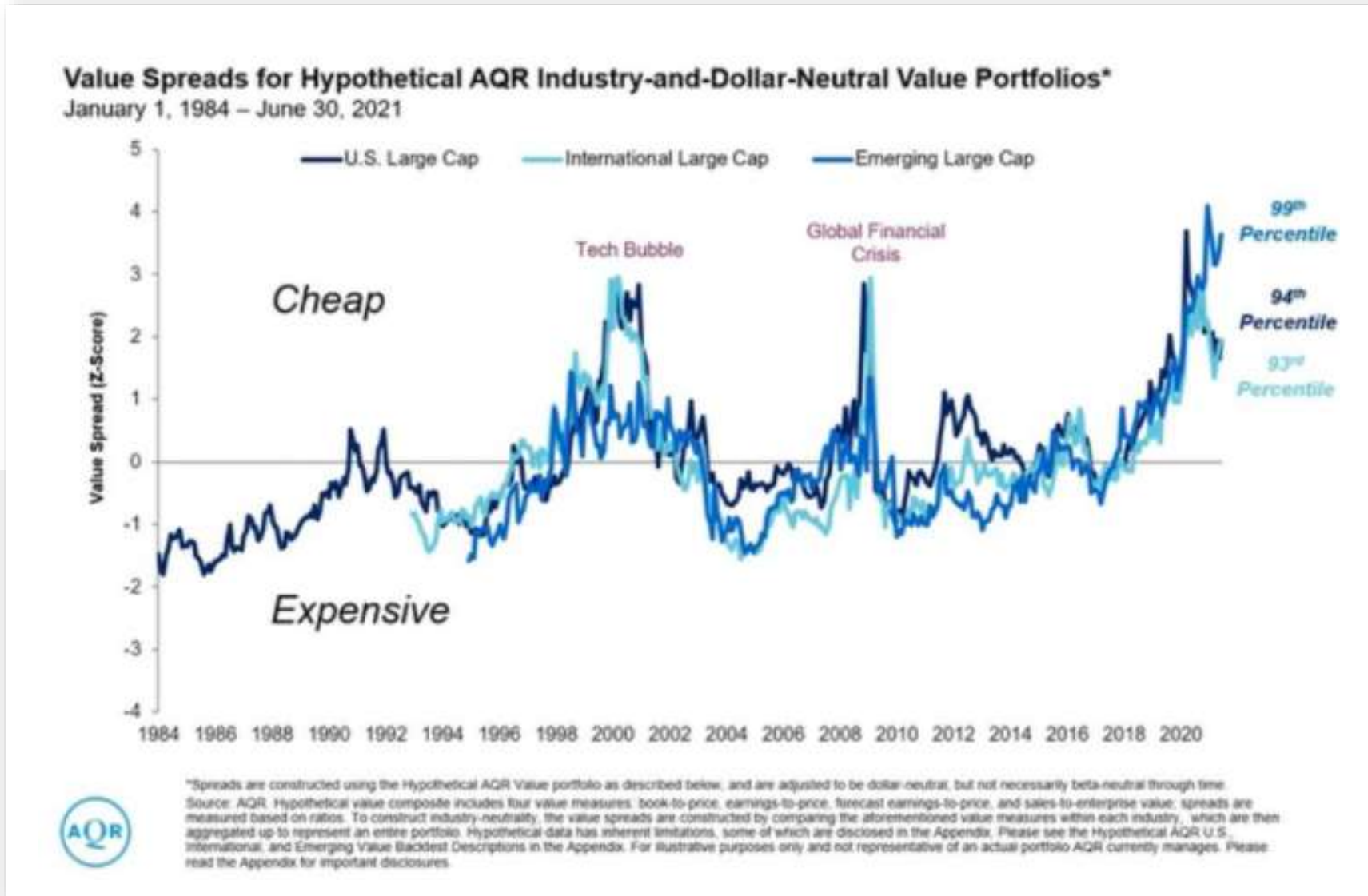
Growth stocks have outperformed since the GFC

MSCI world indices, relative price performance in local currency, index

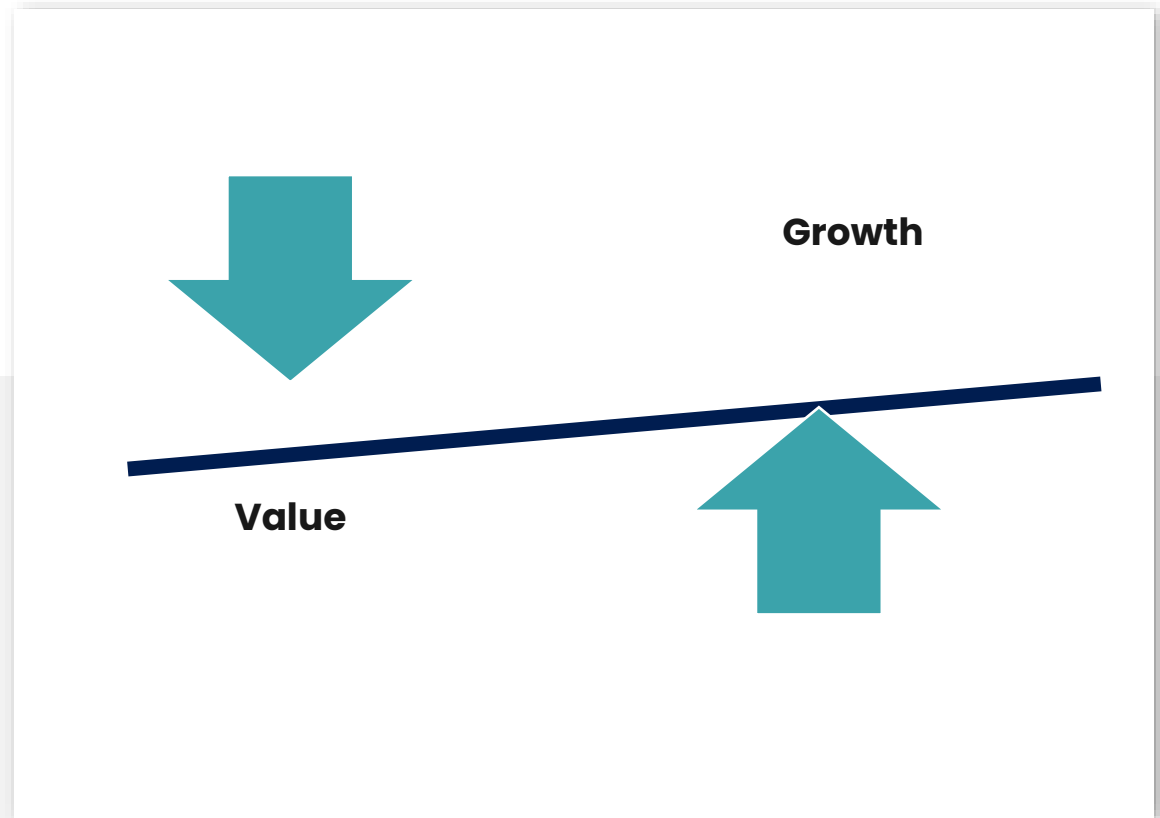


Source: Bloomberg, Goldman Sachs GIR.

Red Line: Historical trend superimposed



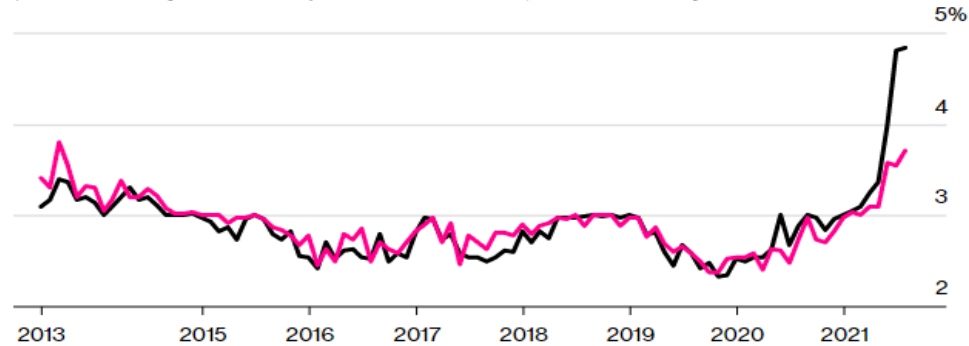
- **OVERCOMING COVID-19**, New normal not that different from Old Normal
- **INFLATION**
- **Higher INTEREST RATES**, translates into a higher discount rate which penalize more growth valuations due to expected cash flows are further in the future.



U.S. Consumers See Inflation

Median expected price gains are expected to rise sharply at both the one-year and three-year horizon

/ Median one-year ahead expected inflation rate
 / Median three-year ahead



Source: Survey of Consumer Expectations, Federal Reserve Bank of New York (FRBNY)

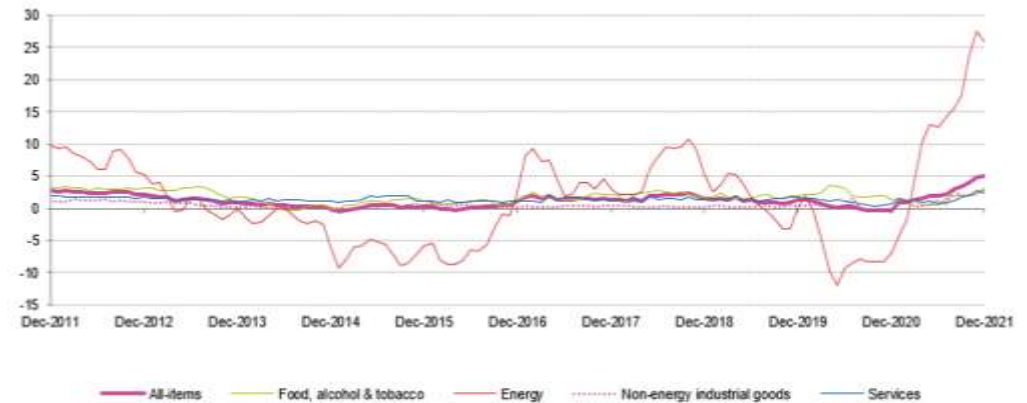
“I think that the data we got toward the end of the fall was a really strong signal that inflation is more persistent and higher, and that the risk of it remaining higher for longer has grown”. “And I think we are reacting to that now.”

Dec 15th 2021

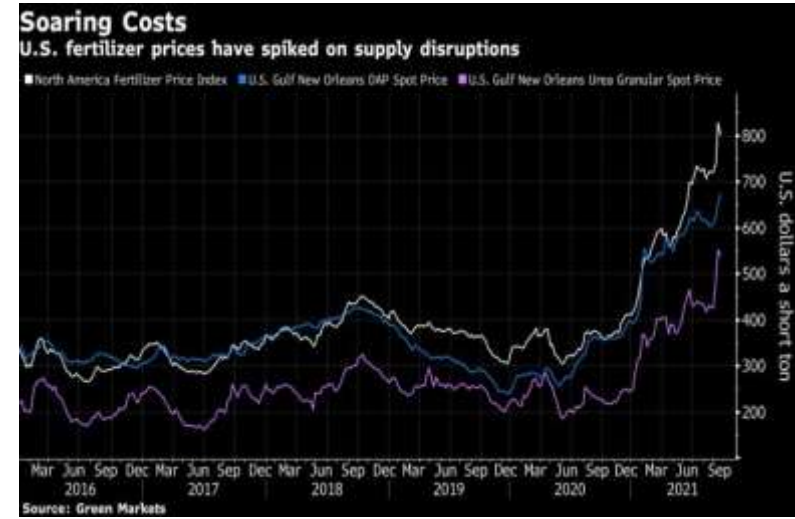
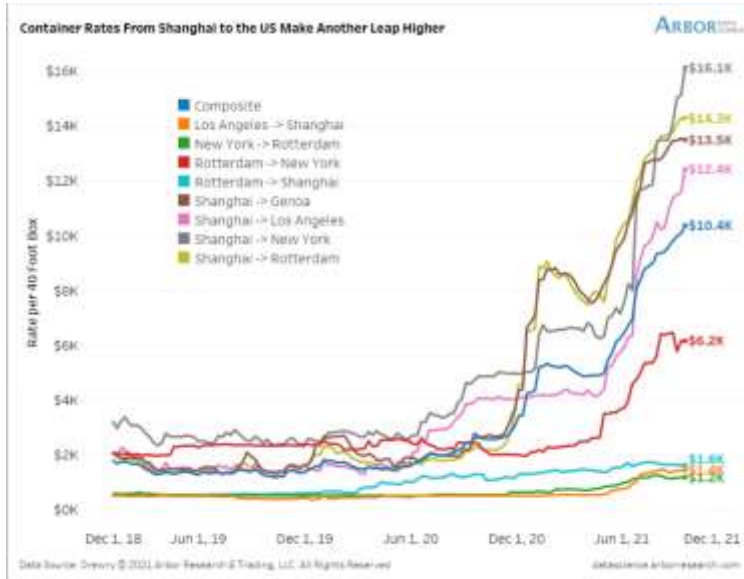
“According to Refinitiv data, the total value of pending and completed deals announced in 2021 has already touched \$3.6 trillion year-to-date, surpassing the full-year tally of \$3.59 trillion in 2020.”

Euro area annual inflation and its main components, December 2011 - December 2021 (estimated)

(%)



Source: Eurostat (online data code: prc_hicp_manr)



*AMAZON HAS RAISED AVERAGE STARTING WAGE TO ABOUT \$18 PER HOUR FROM \$17 TO ATTRACT U.S. WORKERS

*AMAZON PLANS TO HIRE ANOTHER 125,000 WAREHOUSE AND TRANSPORT WORKERS IN U.S

\$AMZN

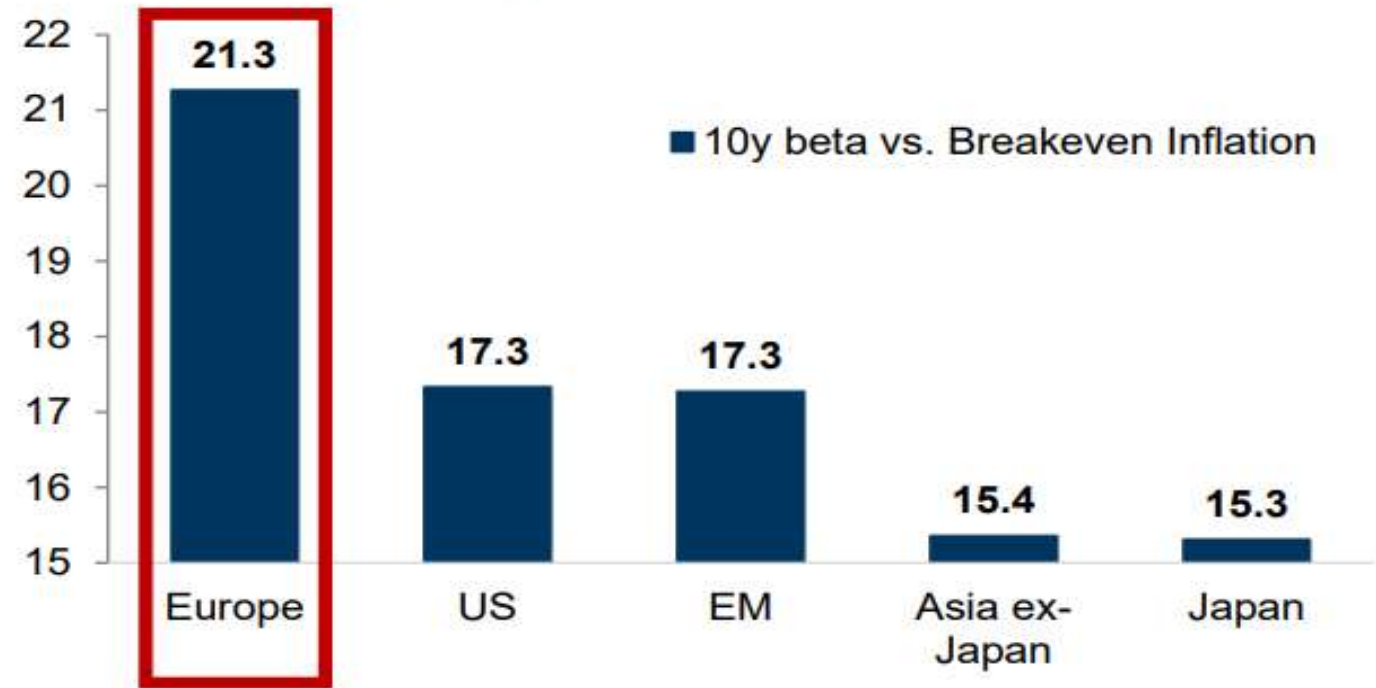
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Region more benefitted to higher inflation and interest rates =
Cyclicals and Value

European equities more sensitive to inflation

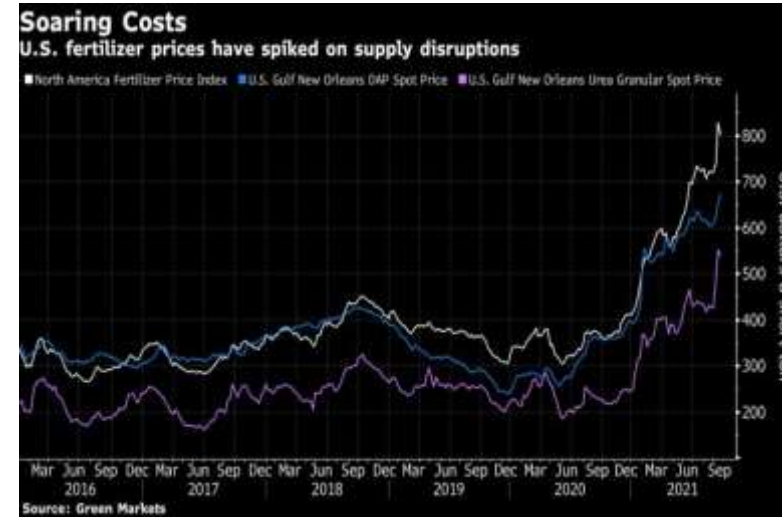
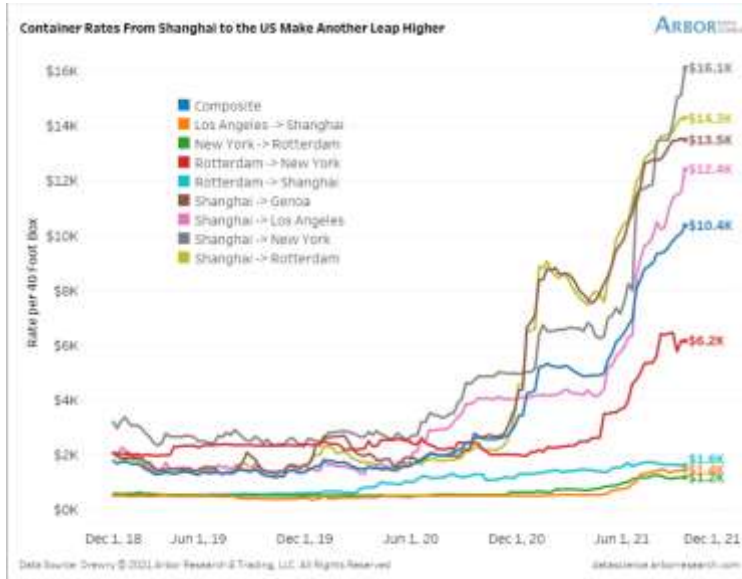
10y beta of major global equity indices to breakeven inflation



Source: Bloomberg, Goldman Sachs GIR.

- Category: **Market Neutral**
 - **Long exposure to Value Equity** with direct investment in up to **25 companies**: between 75% and 90%.
 - Investment among the 1/3 of companies in our universe with the highest Value Factor Tilt
 - **Minimum market capitalization** at the time of purchase: 2 Billion euros.
 - **Maximum investment in emerging markets: 15%**
 - Company selection criteria:
 - 1) Magnitude of the fundamental discount
 - 2) Correlation with the MSCI World Value Index
 - **Short exposure to Growth** equities through index futures such as the **Nasdaq-100**, the **MSCI World Growth** or the **MSCI Europe Growth**
 - Normal Net Exposure to Equity **0%**
 - **Maximum net exposure +- 20%, for beta coverage.**
 - **Benchmark: 85% of MSCI World Value Index – MSCI World Growth Index + 15% EURIBOR**
 - **Occasional use of OTC** options for risk coverage
 - Portfolio Manager: **Pol Companys Trilla, CFA**
-
- When the **market reach the opposite extreme of the pendulum**, we will change the investment policy:
 - **GVC GAESCO GROWTH MINUS VALUE MARKET NEUTRAL**





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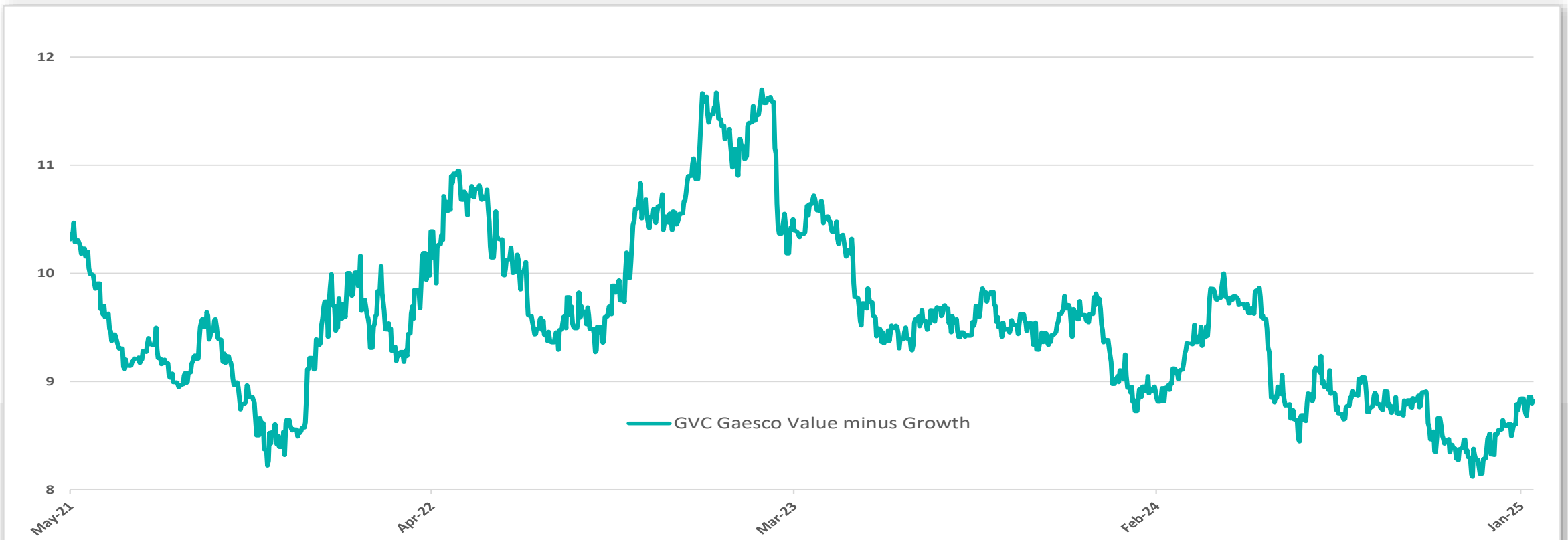


% Equity	86,8%
Holdings	25
Rank (0 to 10)	
Value/Growth	3.99
Small/Large	6.53

Countries	% AUM	Holdings
Spain	25.7%	7
France	23.7%	6
Germany	12.8%	4
Netherlands	6.8%	3
Ireland	4.4%	1
South Korea	3.9%	1
Belgium	3.7%	1
USA	2.7%	1
UK	2.4%	1

Sector	% AUM
Discrecional	15.23%
Energy	10.92%
Banks	9.83%
Financial Services	9.11%
Industrial	7.82%
Telecom	6.14%
No category	4.64%
Massive Transport	4.44%
Materials	4.27%
Technology	4.03%
Concumer Basics	3.95%
Food	3.95%
Health	3.93%
Metals	3.82%
Media	3.80%

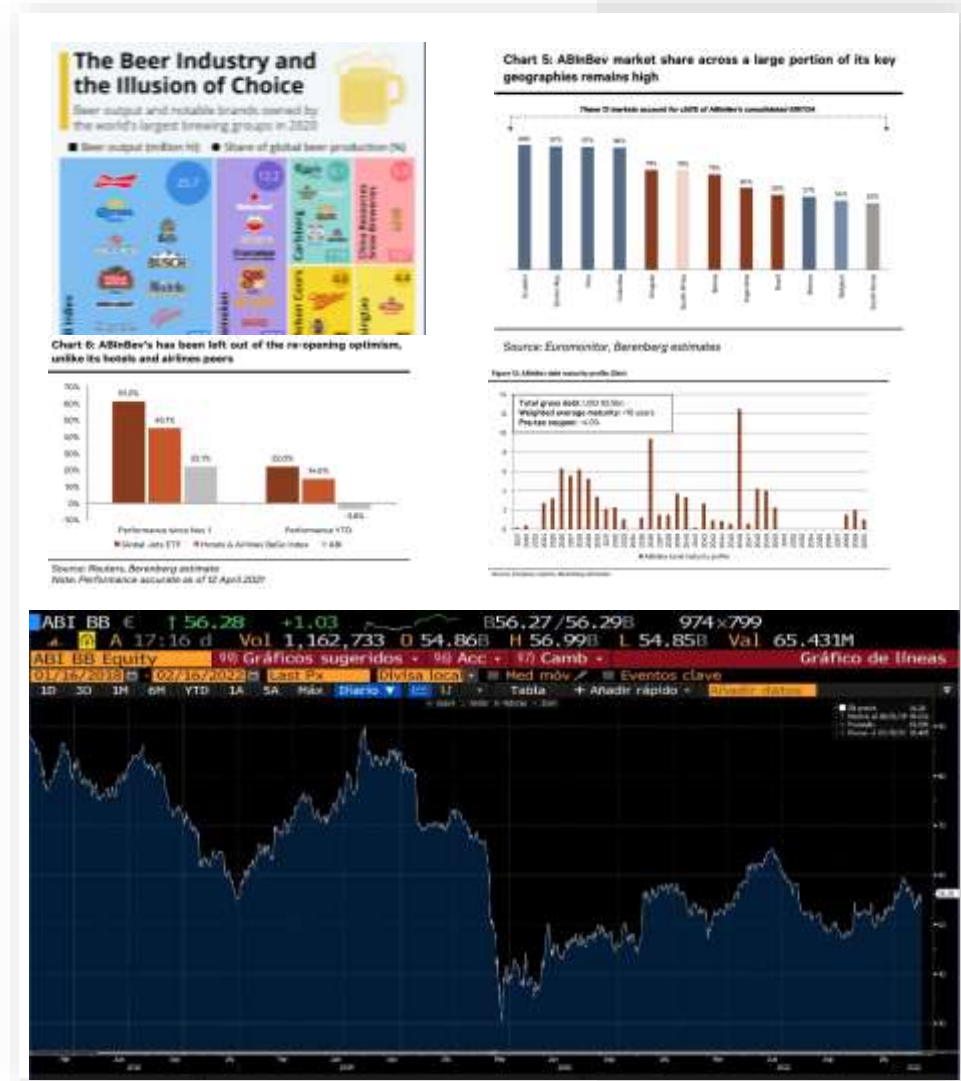
Top 10 Holdings	% AUM
BNP PARIBAS	5.33%
CARNIVAL CORP	4.95%
GRUPO CATALANA OCCIDENTE	4.93%
RYANAIR HOLDING	4.75%
VERALLIA	4.53%
SAINT GOBAIN	4.52%
MERLIN PROPERTIES SOCIMI	4.47%
BANKINTER	4.38%
SIXT SE-PREF	4.27%
FORVIA	3.99%



Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Set	Oct	Nov	Dec
2021	-18,25%						-7,03%	-4,39%	-2,02%	6,34%	-6,70%	-8,18%	3,92%
2022	28,05%	10,93%	3,76%	-6,01%	13,00%	3,46%	-3,96%	-7,26%	-0,03%	-1,04%	6,50%	3,10%	4,66%
2023	-11,88%	3,12%	3,78%	-10,80%	1,23%	-9,48%	-0,69%	0,31%	-1,27%	4,70%	-2,96%	0,07%	0,72%
2024	-8,45%	-4,04%	-4,53%	5,92%	6,60%	-1,04%	-11,3%	2,4%	-1,2%	-1,2%	1,4%	-6,0%	1,2%
2025	4,54%	4,54%											

- Largest brewer in the world after its merger with SAB Miller, with brands such as Budweiser, Stella Artois, Beck's and Michelob Ultra.
- Industry where economies of scale and consolidation are key to its profitability. ABInBev is the largest by volume, best margins, and has dominant positions in key markets such as the US, Brazil, Mexico, Colombia and South Africa.
- Important exposure and being a leader with dominant market shares in emerging countries where the volume of beer is growing the most. More exposure to consumption away from home, more margin.
- Disappointment last years with integration of the merger, high debt (long term), Forex, and margins. 2021: Highest cost inflation in the last decade (aluminum, transport, barley).
- Importance of the distribution network and scale, Michelob Ultra case in the United States.

Million EUR	Sales	EBITDA	EBITDA Margin	Net Income
2019	46,750 M	18,677 M	40%	7,456 M
2020	41,123 M	15,347 M	37.3%	3,190 M
2021 E	45,440 M	16,412 M	36.1%	5,126 M
2022 E	47,889 M	17,498 M	36.5%	6,090 M
2023 E	49,960 M	18,677 M	37.4%	6,886 M



- Faurecia is a global car supplier, with 4 original business areas: Clean Mobility 26% (air quality solutions, energy efficiency, emission reduction...), Seating 38%, Interiors 31% and Clarion Electronics 5%. Additionally hydrogen JV with Michelin.
- Strong presence throughout the world, particularly in Asia (China).
- Exposed to the strongest growth trends in the world of cars and with more visibility. Electric cars will force you to differentiate yourself through the interior of the vehicle, electronics & display, and sensors and autonomous driving.
- It has always traded at a discount due to its shareholding structure. PSA 40% shares. Solved after his departure, in March-April. standalone player
- Guides 2021, after a magnificent 2020. Backlog at all-time highs. In the short term, penalized by stoppage of OEM plants (lower volume) and deal with Hella.
- Buy HELLA. Add Lighting + Display software electronics, ADAS* (Advanced Driver-assisted systems) and dilute ICE exposure (10% 2025). Greater relationship with German OEMs. Hella founders: 9% FAURECIA shares.
- Valuation: Provider with larger growth trends, exposed to key sectors for EVs at lower valuations.

Million EUR	Sales	EBITDA	EBITDA Margin	Net Income
2019	17,768 M	2,348 M	13.2%	730 M
2020	14,444 M	1,593 M	11%	-113 M
2021 E	16,477 M	2,371 M	14.4%	524 M
2022 E	19,588 M	2,955 M	15.1%	804 M
2023 E	21,222 M	3,182 M	15%	953 M



2023

Allfunds Expansion Awards:
Moderate Multi-Asset Category
GVC Gaesco Senior, FP

2022

Rating Funds People: **GVC Gaesco**
300 Places Worldwide Fund, SICAV

Rating Funds People: **GVC Gaesco**
Sustainable ISR Fund, Class A

Morningstar: Most profitable Spanish Management Companies' Alternative Fund of 2022, **GVC Gaesco Value Minus Growth Market Neutral Fund, SICAV**

Morningstar: 10th Most profitable Spanish Management Companies' Fund of 2022, **GVC Gaesco Value Minus Growth Market Neutral Fund, SICAV**

2019

Top 20 Funds: Category of the most profitable Spanish Investment Funds in 2019.
GVC Gaesco Real Estate Opportunities Fund, SICAV

Expansión Allfunds Awards: Money Market Fund Category.
GVC Gaesco Constantfons Fund, SICAV

2018

GVC Gaesco Gestión, SGIC
Ranked Best Spanish Asset Management in its category by the European Funds Trophy

Fund: **Pareturn GVC Gaesco Absolute Return Fund**

In 2018 received Funds People's stamp of approval as a featured product

2017

Fund: **GVC Gaesco Small Caps, FI**
Category: Among the Top 10 of the most profitable Spanish Mutual Funds 2017

Fund: **Bona-Renda, FI**
Category: Among the Top 10 of the most profitable Spanish Mixed Mutual

Fund: **GVC Gaesco TFT, FI**
Category: The most profitable Sectoral Spanish Mutual Fund 2017

2015

Funds:
GVC Gaesco Small Caps, FI
GVC Gaesco Op. Empresas Inmobiliarias, FI
GVC Gaesco Japón, FI
GVC Gaesco 300 Places Worldwide, FI

Category: Top 20 Best Performing Spanish Investment Funds in 2015

2013

Fund: **IM 93 Renta, FI**
Award: Morningstar – El Economista
Category: Mixed Flexible Euro

2011

Manager: Jaume Puig – Mejor Gestor de RV última década
Award: Interactive Data – Expansión XXV Aniversario Expansión
GVC Gaesco Small Caps, FI
Category: Equity

2009

Fund: **Bona Renda, FI**
Award: Eurofonds Fundclass (Le Monde)
Category: Mixed Equity

2008

Fund: **Gaesco Fondo de Fondos, FI**
Award: Eurofonds Fundclass (Le Monde)
Category: Equity

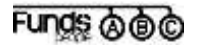
2007

GVC Gaesco Gestión, SGIC
Award: Eurofonds Fundclass (Le Monde)
Category: All Funds

Fund: **Gaesco Fondo de Fondos, FI**
Award: Eurofonds Fundclass (Le Monde)
Category: Equity

Fund: **Catalunya Fons, FI**
Award: Eurofonds Fundclass (Le Monde)
Category: Mixed Equity Spain

Fund: **Catalunya Fons, FI**
Award: Eurofonds Fundclass (Le Monde)
Category: Mixed Equity Europe



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GVC GAESCO VALUE MINUS GROWTH MARKET NEUTRAL, FI

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Fund details: GVC GAESCO VALUE MINUS GROWTH MARKET NEUTRAL, FI; ISIN: ES0164838007; Fund manager: GVC GAESCO GESTIÓN, SGIC, S.A.; Deposit-holder entity: BNP PARIBAS; Fund's promoter: GVC Gaesco Valores S.V., S.A.; [Key Investor Information \(KII\) document](#).

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