EUROPEAN GROWTH FUND

30 November 2018

For professional clients only – not for distribution to retail clients.

Fund Aim

The fund aims to provide long-term capital growth through investment primarily in Continental European equities.

TOP 10 HOLDINGS

1.	Nestlé	5.8%
2.	Roche	5.5%
3.	Deutsche Telekom	5.2%
4.	Novo Nordisk	5.1%
5.	Novartis	4.8%
6.	Mycronic	4.0%
7.	OMV	3.8%
8.	Total	3.8%
9.	Raiffeisen	3.7%
10.	SAP	3.6%

PERFORMANCE

	Class B EUR	STOXX Europe 600 ex UK
3 months	-9.0%	-6.7%
6 months	-8.7%	-4.9%
12 months	-9.9%	-6.0%
Since launch (11 Sept. 2015)	14.8%	10.8%

	Class B EUR	STOXX Europe 600 ex UK
2018 YTD	-10.7%	-5.5%
2017	13.9%	11.6%
2016	8.6%	2.4%
2015 (from 11 Sept.)	4.0%	2.6%

Commentary

In November the Comeragh European Growth Fund fell 2.7%, a 1.9% underperformance of the 0.8% decline registered by the STOXX Europe 600 ex UK index.

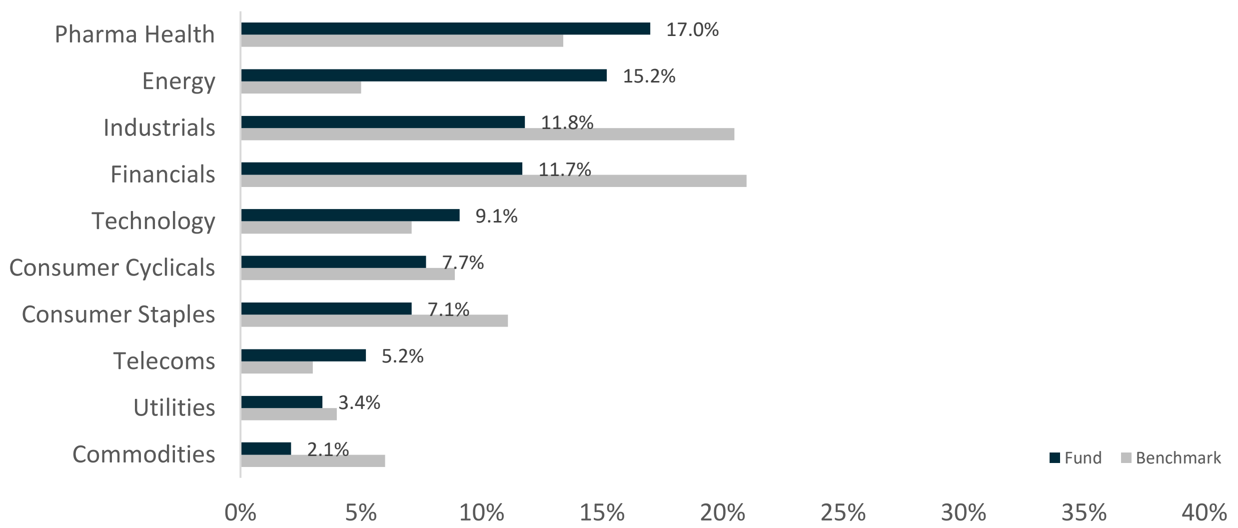
During a month in which our "anchor" portfolio of large cap defensives did its job of cushioning against volatile markets, it is frustrating not to have achieved better overall performance. We were scuppered on two fronts. Firstly, there was a profit warning from French housebuilder AST Groupe. The company's balance sheet is solid (net cash) but in an environment where small cap, less liquid stocks are being punished and sentiment in France is poor, the market's response has been savage. The pronounced de-rating suggests that the market does not believe management's 2020 EBIT margin target of 8% is credible. Even if AST Groupe generated only 4% EBIT margins – half the target – the company would be trading on a 2020 P/E of 8x.

Secondly and of greater negative impact to the Fund was our high exposure to the energy sector. A cocktail of stronger than expected US production and waivers on Iranian exports resulted in a market for oil in oversupply in contrast to previous expectations for a deficit. This has been a frustrating setback but it is worth revisiting the fundamentals of the investment case, which is that oil companies are a vastly different proposition now compared to five or even three years ago. Total, for example, generated EBIT of €20bn in 2013 and €11bn in 2015 (Brent at $110 and $50 respectively). The reduction in operating costs over the last three years is such that the 2013 result is now achievable with the 2015 price.

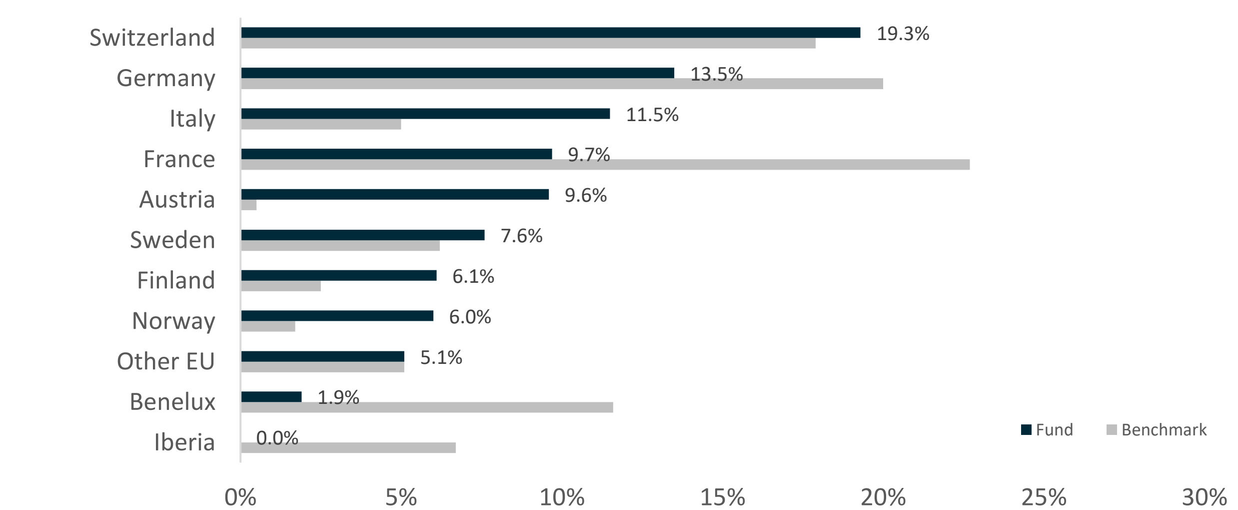
However this is far from the full story as capex plans have been subject to the same rigorous scrutiny. In 2013, Total actually generated a negative free cash flow despite $110 oil after spending nearly €30bn on capex! Dividends were funded by debt. By 2015, some progress had been made on cost cutting and the capex bill had been slashed to €20bn but free cash flow was still deep in the red. Looking forward to 2019, annual capex now stands at around €15bn, half the 2013 level. Even if we assume oil prices of $55 a barrel – similar to 2015 and half the 2013 level – we would see around €10bn in free cash flow (8% FCF yield).

These dynamics are writ large across the oil and gas sector and will drive an improvement in the quality of profits at much lower oil prices than would previously have been thought achievable. The rapid fall in the oil price from $80 to $60 has been awful for sentiment but this belies the significant progress made. Barring further large oil price falls, the industry is set to enjoy a period of improving profit cycle dynamics and ample free cash flow generation that we expect will be rewarded by the market.

Sector Allocation



Country Allocation



COMERAGH CAPITAL

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Risk Overview

	FUND	INDEX
P/E	11.7	15.0
EV/EBITDA	7.0	8.8
Div Yield	4.0%	3.8%
ROE	19.3%	18.0%
3m EPS Revs	2.6%	2.5%
Net Debt / EBITDA	0.36	0.94
Sharpe Ratio	-1.06	
Beta (3m)	0.92	

Fund Facts

Fund Status	Sub-fund of a Dublin-domiciled UCITS ICAV, authorised and regulated by the Central Bank of Ireland. Recognised in the UK by the Financial Conduct Authority
Sector	Europe ex UK
Benchmark Index	STOXX Europe 600 ex UK
Fund Size	€62.4m
Fund Launch Date	11th September 2015

Class	ISIN	SEDOL	Distribution Type	Annual Management Fee	Initial Minimum Subscription
Class A EUR	IE00BYN38431	BYN3843	Income	0.60%	€100,000
Class A GBP Hedged	IE00BYN38985	BYN3898	Income	0.60%	£100,000
Class B EUR	IE00BYN38M12	BYN38M1	Accumulation	0.60%	€100,000
Class B GBP Hedged	IE00BYN38Q59	BYN38Q5	Accumulation	0.60%	£100,000
Class C EUR	IE00BYN38Y34	BYN38Y3	Income	0.75%	€500
Class C GBP Hedged	IE00BYN39629	BYN3962	Income	0.75%	£500
Class D EUR	IE00BYN39B71	BYN39B7	Accumulation	0.75%	€500
Class D GBP Hedged	IE00BYN39C88	BYN39C8	Accumulation	0.75%	£500

Further Information

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Dealing:

- Daily dealing (except Irish public holidays)
- 11.00 dealing cut-off (forward pricing)
- 17.00 valuation point
- CACEIS Ireland
    - + 353 (0)1 672 1631
    - One Custom House Plaza, IFSC, Dublin D01 C2C5, Ireland

Risk Warning

The value of investments and the income from them can go down as well as up and investors may not receive back the original amount invested. Past performance is not an indicator of future performance. Exchange rates may cause the value of the underlying overseas investments to go down as well as up. Investment in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements.

Please read the Risk Section of the Fund's Prospectus and Key Investor Information Document (KIID) for a fuller description of the risks prior to investing. Comeragh Capital LLP and its affiliates and/or their officers, partners and employees may own or have positions in the fund and/or any investment mentioned herein. The factsheet does not represent an invitation to invest in the Fund. Subscriptions must be made in conjunction with the KIID and Prospectus, copies of which can be obtained free of charge in English at www.comeraghcapital.com. Comeragh Capital LLP acts as investment manager and promoter to Comeragh Funds ICAV.