

NEWSFLASH
BDL Rempart Europe
2 April 2020



Dear fellow investors,

The BDL Rempart Europe fund was down -25.34% (I units) and -25.48% (C units) in the year to 01/04/2020. Since we last wrote, we have continued adjusting the portfolio's composition gradually, to make it through this economic crisis and maintain considerable upside for when conditions return to normal.

We are trying to protect the portfolio from the two main risks that we are currently seeing:

1. Companies with weak balance sheets, which may be cheap but only because of a need for recapitalisation to survive the crisis. In recent days, the likes of SSP, Auto Trader and Carnival have announced capital increases that will dilute their shareholders and erode future earnings per share. We have sold companies that seemed too fragile in the current circumstances. We have kept those whose balance sheet can withstand this confinement.
2. Companies that remain extremely expensive even though their profits will inevitably tumble as half the planet is in confinement and unemployment is rising in most countries. We have had lots of companies on the phone and all of them are cutting back on their capex plans and delaying their IT budgets, which will have consequences all along the value chain.

Our buying has therefore focused on large caps (avoiding liquidity risk) with strong balance sheets (avoiding dilution risk), very reasonable prices (around 10x earnings, making up for an inevitable fall in profits with an attractive valuation) in financially robust countries (Germany, Netherlands) that have the resources to support their economy as much as possible. Our net exposure to these two countries is 18% (as at 01/04/2020), whereas it had been -1% a month ago.

On the short side, we have no positions on small caps (avoiding liquidity risk), and 90% of our exposure is to large caps, alongside 23% hedging with Stoxx 600 futures (as at 01/04/2020).

Some of the market remains extremely expensive, which seems illogical given the depth of the recession ahead. We also think that conditions are not yet right for having very high directional exposure.

Our net exposure is thus 30.8% while our gross leverage is limited to 119% (as at 01/04/2020). We will remain highly flexible with net exposure, reacting to news on the duration of confinement, and any announcements of drugs or vaccinations. But if the market were to fall, we could make money from our hedging and use the cash to seize opportunities.

In conclusion, work in recent weeks has focused on building a portfolio for a future that remains uncertain and will involve a lasting economic recession, by improving liquidity, keeping net exposure limited while being flexible with

This document must not be forwarded, copied or reproduced. It is neither an invitation to invest nor a recommendation. Investment in a BDL Capital Management fund should be considered only after reading the prospectus. Past performance is not a reliable indicator of future results. It is not constant over time and is in no way guaranteed. Investors' attention is drawn to the funds' risk factors, in particular equity risk and the risk of capital loss. The investment cases mentioned in this newsletter are presented at a given moment and do not necessarily reflect the management company's current investments, which can change at any time. For more information on risks and fees, please refer to the KIID or prospectus, or contact your usual advisor.

NEWSFLASH
BDL Rempart Europe
2 April 2020



developments, looking at balance sheet quality, increasing exposure to financially robust countries, and seeking valuations that can withstand profit revisions.

We would like to thank you for your trust and will continue to keep you updated about the fund's management.

*The fund management team
Newsflash written on 2 April 2020*

This document must not be forwarded, copied or reproduced. It is neither an invitation to invest nor a recommendation. Investment in a BDL Capital Management fund should be considered only after reading the prospectus. Past performance is not a reliable indicator of future results. It is not constant over time and is in no way guaranteed. Investors' attention is drawn to the funds' risk factors, in particular equity risk and the risk of capital loss. The investment cases mentioned in this newsletter are presented at a given moment and do not necessarily reflect the management company's current investments, which can change at any time. For more information on risks and fees, please refer to the KIID or prospectus, or contact your usual advisor.